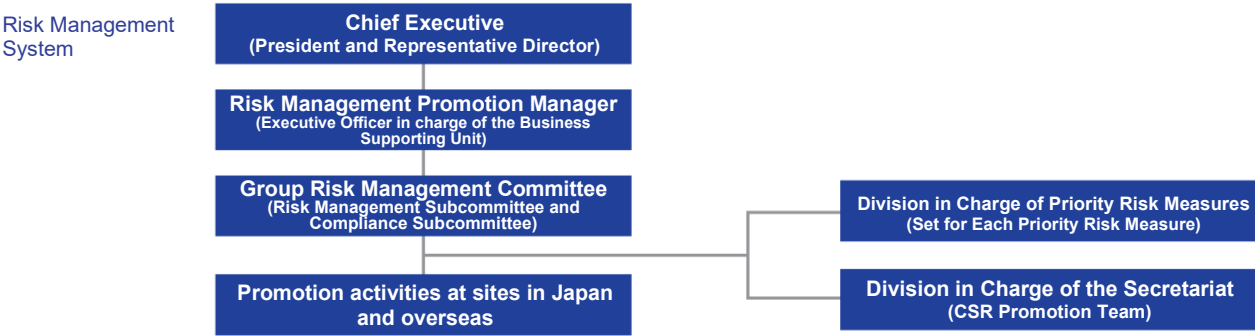


Governance

Risk Management

Toyal has established an organization-wide risk management system with the President and Representative Director as the Chief Executive, and operates a Group Risk Management Committee chaired by the Risk Management Promotion Manager. To effectively promote risk management, we have established a Risk Management Subcommittee and a Compliance Subcommittee, with members carrying out activities. The main division in charge is assigned to each priority risk category selected through risk assessments, and these divisions use their expertise to provide support and monitoring for operational divisions as the second line in the three-line model.

As a response to business process risks, each business division maintains a three-point set of business processes and conducts self-inspections as part of its daily risk management. Activities related to risk management are reported to management by the chairperson of the Group Risk Management Committee in accordance with the Group risk management regulations. As a result of a management review in fiscal 2024, we added human rights risks in the supply chain as a priority risk category in response to rising social demand, and determined that the Business Supporting Unit will be the lead department in charge of risk identification and mitigation activities.



Compliance Promotion

Toyal promotes compliance in a broad sense, including not only legal compliance but also social norms and corporate ethics. In terms of legal compliance, we consider legal risks as one of the priority risk categories to be addressed, and we are continually identifying company-wide risks and monitoring the progress of improvements. In addition, we hold regular compliance meetings at each workplace on topics such as harassment prevention, and record the opinions received from the workplace and the status of efforts, then the contents of these records are checked by the management of each business site.

In order to understand compliance issues, we have established an internal consultation line and use compliance meetings to disseminate information. In fiscal 2024, we invited an external lecturer for an in-house seminar on the promotion standards of the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises, promoted by the Ministry of Economy, Trade and Industry (METI) and the Small and Medium Enterprise Agency (SMEA), with 160 participants, including employees of domestic affiliates. In fiscal 2025, we will prioritize activities aimed at spreading awareness of amendments to laws and regulations internally, and proper compliance meetings.

Commitment of the Executive Officer in Charge

Today, social trends and the environment are changing rapidly on a daily basis, and it is said that we are in an “age of uncertainty,” when various risks will materialize both within and outside companies. As the pace of change in society and the business environment have increased, it has also become difficult to forecast the future, meaning that the importance of risk management has increased substantially. In conducting corporate activities in the face of many risks, we consider risks to be anything that could affect our future strategies and the achievement of our business goals, and since last fiscal year, we have established an organization-wide risk management system. The Group Risk Management Committee plays a central role in strengthening risk management and enhancing internal compliance awareness, by actively disclosing information internally, not just to management but also to employees, concerning information and action plans that comprehensively summarize risk mitigation activities for priority risk categories. We will increase corporate value through the creation and management of a risk management system integrated with business management, and continue working to ensure stakeholders feel secure.

Masayoshi Tsujino
Executive Officer
In charge of Internal Audit Team; Group Safety Management Team;
and Business Supporting Unit, Corporate Division

Initiatives to strengthen corporate governance

Over the past few years, Toyal has established the Sustainability Committee, improved the compliance and risk management systems, and taken other measures to strengthen corporate governance. The internal audit division of Toyal will support corporate governance through the following three important initiatives in addition to important operations including addressing J-SOX.

(1) Fraud prevention interviews

We conduct regular interviews with employees concerning fraud risk, to develop a corporate culture that does not permit fraud. Through these interviews, we aim to learn about discontent and dissatisfaction with the Company, quickly discover and take preventive action against the risk of fraud, and improve the workplace environment.

(2) Theme audits

We assign levels of priority to risks that have been clarified by the Risk Management Committee and fraud prevention interviews, and conduct audits based on specific themes.

(3) Addressing legal risk

We identify legal risk from among the risks that have been confirmed, and provide related education and training. Through these initiatives, we are working to enhance transparency and reliability across the Company as a whole.

Corporate Governance Structure

