

Corporate Governance

Basic Policy

From the outset, one of Toray Group's managerial principles has been that the purpose of a company is to contribute to society. The Group has developed the Toray Philosophy that incorporates this principle. The Group systematizes the Toray Philosophy as a Corporate Philosophy, Corporate Missions, Corporate Guiding Principles, etc. The Corporate Missions clearly enunciate that the Group will practice "sincere and trustworthy management" with regard to its shareholders. The Corporate Guiding Principles stipulate the Group's commitment to "acting with fairness, high ethical standards and a strong sense of responsibility while complying with laws, regulations and social norms to earn trust and meet social expectations." When establishing the corporate governance structure, the Group seeks to realize these philosophies as its basic policy.

Outline of Governance System and Reasons for Adopting the System

Toray operates as a company with a Board of Corporate Auditors and Board of Directors. The Board of Directors, which includes outside directors, decides on the business execution and supervises the execution of duties by the members of the Board. The Board of Corporate Auditors includes outside corporate auditors and independently audits the execution of duties by the members of the Board, separately from the Board of Directors and the executing organization. This framework is designed to secure the transparency and fairness of

decision made by the Board of Directors. In addition, there is a Governance Committee, which serves as a voluntary advisory body to the Board of Directors. The Governance Committee deliberates on all matters relating to corporate governance, enhancing the effectiveness of governance by the Board of Directors.

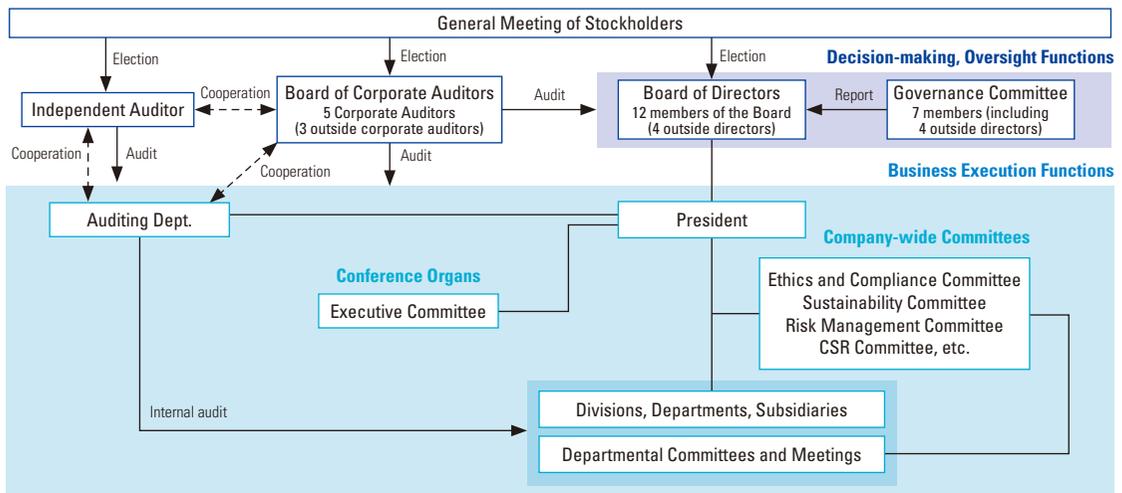
Toray Group operates in a broad spectrum of business fields at a global level. Business management and decision-making, as well as oversight, require assessment of a wide variety of risks from multiple perspectives based on expertise related to the day-to-day operations of the Group's worksites. To that end, the composition of the Board of Directors is designed to ensure that members bring a diverse range of perspectives to management oversight and decision-making. Meanwhile, outside directors are elected to the Board to ensure transparency and fairness, to ensure management oversight from an even broader perspective, and to obtain appropriate managerial advice from a medium- to long-term perspective.

The Board of Corporate Auditors is entirely independent of the Board of Directors. Based on professional expertise in finance, accounting, and law, as well as an understanding of the Group's businesses, the Board of Corporate Auditors exercises oversight over directors' execution of their duties.

Strengthening the Governance Framework

In fiscal 2020, Toray Group set the number of members of the Board of Directors to 12 and the number of outside directors to four in order to improve the effectiveness of the Board of Directors and to strengthen the business execution framework. The Group also introduced an executive officer system for the purpose of flexibly implementing management execution based on quick decision-making that accurately reflects the

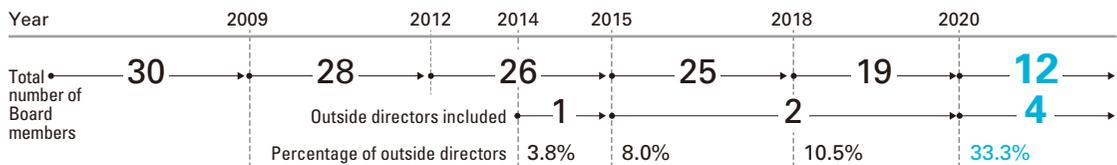
Corporate Governance Structures



business environment and changes therein. The Board of Directors both establishes the scope of business execution entrusted to the vice presidents and supervises the execution of their duties. Moreover, the Group increased the number of Governance Committee members, which had consisted of one internal member of

the Board and two outside directors until then, to three internal members of the Board and four outside directors (the committee continues to be chaired by an outside director). As a result, this move ensures that discussions and reports by the Committee are made from a variety of perspectives.

Reduction in number of Members of the Board and change in its composition



Status of Outside Directors/ Corporate Auditor Elections

Toray ensures objectivity and transparency of corporate governance by establishing and disclosing standards for independence of outside directors and outside

corporate auditors. Based on these standards, the Company elects four outside directors and three outside corporate auditors, and submits notification regarding their status as independent officers to the Tokyo Stock Exchange.

The following table outlines the basis for election of our outside directors/corporate auditors and details of their independence

Kunio Ito Member of the Board	Mr. Ito was elected as an outside director and assigned independent officer status due to his highly specialized expertise in accounting and business administration as a university professor, and his extensive experience as a corporate outside director.
Ryoji Noyori Member of the Board	Mr. Noyori was elected as an outside director and assigned independent officer status due to his extensive experience as a university professor, his highly specialized expertise in organic synthetic chemistry, which is a core Toray technology, and his experience as a corporate outside director.
Susumu Kaminaga Member of the Board	Mr. Kaminaga was elected as an outside director and assigned independent officer status due to his extensive experience as a member of top management, his international perspective, and his experience as a corporate outside director.
Kazuo Futagawa Member of the Board	Mr. Futagawa was elected as an outside director and assigned independent officer status due to his extensive experience, knowledge, and deep expertise as an administrative officer.
Toshio Nagai Corporate Auditor	Mr. Nagai was elected as an outside corporate auditor and assigned independent officer status due to his excellent track record of high standing in the legal profession, his solid character and judgment, and his ability to appropriately audit the Group from an objective standpoint.
Kazuya Jono Corporate Auditor	Mr. Jono was elected as an outside corporate auditor and assigned independent officer status due to his having held key positions in the business world, his solid character and judgment, and his ability to appropriately audit the Group from an objective standpoint.
Hiroyuki Kumasaka Corporate Auditor	Mr. Kumasaka was elected as an outside corporate auditor and assigned independent officer status due to his advanced knowledge in accounting, his wealth of experience and established track record as a certified public accountant, his impeccable character and deep insight, and his ability to appropriately audit the Group from an objective standpoint.

Basic Policy on Internal Control System

To realize the Toray Philosophy, the Company shall establish a structure to execute its business legally and effectively by improving its internal control system according to the following basic policy as a structure to enable it to appropriately establish organization, formulate regulations, communicate information, and monitor the execution of operations.

1. System to ensure that the execution of duties by the members of the Board and employees complies with laws and regulations and the Company's Articles of Incorporation

- Toray shall establish the Ethics and Compliance Committee, as one of the company-wide committees to promote observance of corporate ethics and legal compliance, and shall take other measures to improve the required internal systems, including the establishment of dedicated organizations.

- Toray shall establish the Ethics & Compliance Code of Conduct as specific provisions to be observed by members of the Board and employees, and shall take other measures to improve the required guidelines, etc. Especially with regard to eliminating relations with antisocial forces, the Company shall act as one to stand firmly against them.
- Toray shall establish an internal reporting system (whistle-blowing system) for the reporting of the discovery of violation of laws, regulations, or the Company's Articles of Incorporation.
- Toray shall establish Security Trade Control Program, one of the most important legal compliance issues, and establish an organization dedicated to security export control.

2. System to ensure the efficient execution of duties by the members of the Board and employees

- Toray shall establish the Authority of Top Management to stipulate matters with respect to which decision-making authority is reserved by the Board of Directors and matters with respect to which decision-making is delegated to the President, general managers, etc., from among matters necessary for decision-making.
- Toray shall establish the Executive Committee as deliberative organs for important matters decided by the Board of Directors or the President. The Executive Committee shall deliberate on the general direction of policy or issues related to implementation.

3. System for preserving and managing information pertaining to the execution of duties by the members of the Board and employees

- Toray shall establish regulations for important documents and important information related to management, confidential information and personal information, and appropriately preserve and manage them in accordance with the rules.

4. Regulations and other systems pertaining to controls over risks of loss

- In order to identify potential risks in business activities, strive to mitigate such risks under normal business conditions, and prevent future crises, Toray shall establish the Risk Management Committee as one of the group-wide committees to promote company-wide risk management, and improve regulations to enable immediate implementation in the event of a major crisis.
- Toray shall establish an internal control system for financial reporting that ensures the reliability of financial reporting.

5. System for ensuring appropriate business operations within subsidiaries

- To establish a system under which subsidiaries report to the Company on matters regarding the execution of duties by members of the Board, etc. of the subsidiaries, the Company shall provide regulations on the regular reporting of important management information to the Company and regularly hold conferences at which the Company's management receives direct reports on the status of the management of the subsidiaries.
- To establish regulations and other systems pertaining to controls over risks of loss for subsidiaries, the Company shall provide subsidiaries with guidance to help them to establish risk management systems appropriate for their respective business forms and business environments, and shall receive regular reports on the status of their activities.
- To establish a system for ensuring that members of the Board, etc. of subsidiaries effectively execute their duties, the Company shall provide regulations on the scope under which the Company can reserve its authority over the execution of business operations. In addition, the Company shall endeavor to grasp management information in a unified manner and provide assistance and guidance necessary for subsidiaries by determining divisions, etc. with control over its respective subsidiaries.
- To establish a system for ensuring that the execution of duties by members of the Board, etc. and employees of subsidiaries complies with laws and regulations and the Articles of Incorporation, the Company shall thoroughly familiarize its subsidiaries with the Company's Ethics & Compliance Code of Conduct as a code of conduct in common for Toray Group. At the same time, the Company shall request the subsidiaries to establish their own codes of conduct, guidelines, etc. in consideration of the laws and regulations, business practices, business forms, and other factors in their respective countries. In addition, the Company shall direct its subsidiaries to establish systems under which the status of internal whistle-blowing by members of the Board, etc. and employees of the subsidiaries is appropriately reported to the Company.

6. System for reporting to corporate auditors and systems for ensuring that persons who report to corporate auditors are not treated disadvantageously because of their reporting

- Members of the Board, etc. and employees of Toray Group and corporate auditors of subsidiaries shall report matters regarding the execution of duties to corporate auditors in response to requests from the corporate auditors.

- Department in charge of the internal reporting system (whistle-blowing system) shall regularly report the status of internal whistle-blowing in Toray Group to the corporate auditors.
- Toray shall stipulate regulations to the effect that members of the Board and employees who report to corporate auditors shall not be subjected to any disadvantageous treatment because of the said reporting, and shall provide subsidiaries with guidance to help them stipulate the same regulations.

7. Items pertaining to the handling of expenses and liabilities arising from the execution of duties by corporate auditors

- Toray shall pay expenses, etc. incurred from the execution of duties by corporate auditors.

8. Items pertaining to employees assisting with corporate auditors' duties, items pertaining to the independence of said employees from members of the Board, and items pertaining to the assurance of effectiveness of instructions from the corporate auditors to said employees

- Toray shall assign a full-time employee to provide assistance if and when corporate auditors request assistance. The said employee shall exclusively follow the corporate auditors' commands and instructions, and the Company shall consult with corporate auditors in

advance with respect to the personnel arrangements for the said employee.

9. Other systems for ensuring effective implementation of audits by corporate auditors

- Corporate auditors shall attend Board of Directors meetings and other important meetings so that they may ascertain important decision-making processes and the execution of operations.
- Corporate auditors shall hold regular meetings with members of the Board and management and conduct regular visiting audits of Toray offices, plants, and subsidiaries.

Remuneration for Members of the Board

Given their roles, remuneration for internal members of the Board consists of basic remuneration which is a fixed amount as well as a performance-based remuneration, including a bonus which takes into account the consolidated business results for each fiscal year, etc., and stock acquisition rights as stock options, which are linked to medium- to long- term business results. The Company undertakes reviews of the payment ratios of performance-based remuneration and remuneration, etc. other than performance-based remuneration as appropriate, based on the results of a survey of other companies' remuneration and deliberations at the Governance Committee, etc.

Details of Remuneration (April 2020 - March 2021)

Position	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)			Recipients
		Basic	Bonuses	Non-monetary remunerations Stock options as remunerations	
Members of the Board (excluding outside directors)	722	524	75	123	20
Corporate auditors (excluding outside corporate auditors)	79	79	—	—	3
Outside directors	42	42	—	—	4
Outside corporate auditors	36	36	—	—	3

Notes: 1. Recipients included twelve members of the Board (excluding outside directors) and one corporate auditor (excluding outside auditors) who retired during fiscal 2020.

2. Total amounts of remuneration do not include the ¥21 million paid in salaries to three employee-directors.

Composition of Remuneration (April 2020 - March 2021)

President and Representative Member of the Board	Basic: 70%	Performance-based remunerations Bonuses: 15% Stock options as remunerations: 15%
Internal Member of the Board	Basic: 73%	Performance-based remunerations Bonuses: 10% Stock options as remunerations: 17%

The provision and the total amount of bonuses are determined each time at a general meeting of stockholders, with consideration given to the consolidated core operating income for each fiscal year that best represents the results of the Company's global business operations, plus the historical record, etc. The individual bonus for each member of the Board is determined by the President according to each member's performance based on the Company's internal regulations with a resolution at a Board of Directors' meeting.

The maximum limit of total number of Stock Acquisition Rights as well as the limit of remuneration relating to the granting of the Stock Acquisition Rights as stock options to members of the Board is resolved at the general meeting of stockholders, and within that limit, the total number of Stock Acquisition Rights to be allocated to the members of the Board shall be decided at the Board of Directors meeting based on the Company's internal regulations.

Given their roles, remuneration for corporate auditors consists of basic remuneration only. Remuneration is set at a level that enables the Company to secure superior human resources, referring to the results of a survey of other companies' remuneration by an external third-party organization.

With respect to basic remuneration, the maximum limit of total remuneration is determined at general meetings of stockholders. Within the scope of the maximum limit, basic remuneration to each corporate auditor is determined through consultation by corporate auditors based on the Company's internal regulations.

The Governance Committee continuously reviews the remuneration system for members of the Board and corporate auditors.

Overview of the Results of the Analysis and Evaluation

Toray's Board of Directors conducted a "Questionnaire Survey to Evaluate the Effectiveness of the Board of Directors in the fiscal year ended March 31, 2021" among 17 survey respondents, who comprised all of the Board members and corporate auditors. In addition, the Company conducted interviews with seven outside directors and outside corporate auditors to hear their opinions in relation to their responses to the questionnaire. The collection and tabulation of the questionnaire, and interviews were outsourced to a third-party organization to ensure transparency and objectivity. The survey results were analyzed and evaluated at the Governance Committee held on May 21, 2021, and the results of the analysis and evaluation were deliberated at the Board

of Directors' meeting held on June 16, 2021. The overview of the results of the analysis and evaluation shown below describes the contents resolved at the Board of Directors' meeting.

- (1) In fiscal 2020, the Board of Directors performed oversight and decision-making based on a deep understanding and sympathy with the Management Philosophy and Corporate Missions. As a result, we believe that the Board of Directors generally fulfilled its roles and responsibilities in indicating the direction of corporate strategies and other major courses of action in an appropriate manner.
- (2) In fiscal 2020, the Board of Directors held 14 meetings in total to perform oversight and decision-making in a timely and appropriate manner. Furthermore, it promoted reviews on the scope of delegating decision-making authority. Through these initiatives, we believe that the Board of Directors generally fulfilled its roles and responsibilities in establishing an environment conducive to appropriate risk-taking by the senior management in an appropriate manner.
- (3) With respect to the 14 Board of Directors meetings held in fiscal 2020, the attendance rate of the members of the Board was 99.6%. Outside directors made remarks mainly from their respective professional viewpoints. The opinions, etc. at the Board of Directors meetings, including the abovementioned remarks, were appropriately reflected in measures taken by the management. With respect to transactions causing possible conflicts of interest, internal procedures to handle them were appropriately carried out. In light of the above, we believe that the Board of Directors generally fulfilled its roles and responsibilities in carrying out the effective oversight of members of the Board and the management from an independent and objective standpoint in an appropriate manner.
- (4) Based on the above, we believe that the Board of Directors generally fulfilled its roles and responsibilities in an effective manner in fiscal 2020. With regard to the matter, "further activating discussions at the Board of Directors meetings," however, continuing from fiscal 2020, specific measures for improvement must be taken in fiscal 2021 and thereafter to further improve the effectiveness of the Board of Directors. In addition, we will promote the provision of opportunities for communication with executives in order to demonstrate the functions of outside directors.
- (5) With respect to the opinions, etc. received from the members of the Board and corporate auditors in the course of evaluating the effectiveness of the

Board of Directors, the Governance Committee shall deepen discussions based on those opinions with a view to further improving the effectiveness of the Board of Directors, as necessary.

Measures to ensure the effectiveness of the governance framework for listed subsidiaries

Chori Co., Ltd.

- On March 25, 2020, Chori Co., Ltd. established the Governance Committee, which is a voluntary committee, to strengthen the independence, objectivity, and accountability of the functions performed by its Board of Directors regarding the nomination and remuneration of members of the Board. The subsidiary's Governance Committee also deliberates on matters that become necessary to be addressed from the perspective of protecting the interests of its general shareholders. No former employees, directors, officers, or other personnel of the Company serve as members of the Governance Committee, which is composed mainly of independent outside directors, hence the independence of the subsidiary in exercising authority over the election and dismissal of its directors is guaranteed.
- When exercising authority over the election and dismissal of the subsidiary's independent outside directors, the Company seeks to make an appropriate decision for each agenda item, while serving the interests of the subsidiary's shareholders in general. That decision depends on whether the candidate can oversee management from a broader perspective to further improve the transparency and fairness of management, and can provide appropriate management advice from a mid- to long-term perspective, based on his/her sympathy with the management philosophies of Toray and the subsidiary and understanding of the businesses.
- The transactions between the Company and the subsidiary are entered into based on the negotiations with reference to the market price, etc.

Suido Kiko Kaisha, Ltd.

- The Company's involvement in the appointment of director candidates in Suido Kiko Kaisha, Ltd. is limited to a reasonable extent in the interest of maintaining parent-subsidiary cooperation, to leverage the Company's knowledge and network so that the most suitable candidates can be elected for the enhancement of the subsidiary's corporate value. In addition, the subsidiary shall reserve the power of appointment

to ensure the independence of its management.

- When exercising authority over the election and dismissal of the subsidiary's outside and independent directors, the Company seeks to make an appropriate decision for each agenda item, while serving the interests of the subsidiary's shareholders in general. That decision depends on whether the candidate can oversee management from a broader perspective to further improve the transparency and fairness of management, and can provide appropriate management advice from a mid- to long-term perspective, based on his/her sympathy with the management philosophies of Toray and the subsidiary and understanding of the businesses
- The transactions between the Company and the subsidiary are entered into based on the negotiations with reference to the market price, etc.

Compliance

Basic Approach

In order to contribute to society by leveraging innovative technologies and advanced materials in line with its corporate philosophy, as well as by working to resolve major global issues, Toray Group must build and maintain relationships of trust with our various stakeholders. And in order to gain this trust, it is essential to comply with the laws and regulations related to our business activities in each country in which we operate and maintain the highest level of integrity in all our actions. Therefore, top management focuses on its leadership role in making compliance a priority, while both the Group and its suppliers are required to promote ethics and compliance.

Ethics and Compliance Structure

Toray has established an Ethics and Compliance Committee chaired by the President and consisting of vice presidents. At this committee, management and workers come together to consider and discuss policies related to ethics and compliance. Moreover, this Committee reports on the operational status of the whistle-blowing system established by Toray Group, including the number of reports (consultations) and other details, to members of the Board.

During fiscal 2020, this Committee met twice to deliberate and discuss Toray Group's ethics and compliance activity results for fiscal 2019 and the activity plans and progress updates for fiscal 2020. This Committee also discussed individual measures, including revision of the Ethics & Compliance Code of Conduct and implementation of Compliance Month. Acting as leaders, divisional and departmental general managers at each workplace adopt a top-down approach toward promoting initiatives.

In initiatives for group companies around the world, Toray Group has established the Affiliate Companies' Compliance Meeting and the Overseas Affiliate Companies' Compliance Meetings under the Ethics and Compliance Committee. Through these committees, Toray Group is promoting compliance activities in each company, country and region.

Ethics & Compliance Code of Conduct

Toray reviewed the content of the Corporate Ethics and Legal Compliance Code of Conduct, and revised it as the Ethics & Compliance Code of Conduct in May 2020. The revised code summarizes the compliance helpline, the promotion framework for ethics and compliance, and codes of conduct, which serve as a series of core

rules that must be observed in different areas of business by Toray group companies and all executives and employees, including contracted, part-time and temporary workers, as a means of fully informing employees of these obligations and tools.

1. Compliance for safety and the environment
 - (1) Building a safe working environment
 - (2) Caring for the environment
2. Compliance for quality
 - (1) Providing safe and satisfactory products to customers
 - (2) Proper quality data management
3. Compliance for human rights
 - (1) Respect for the character and individuality of employees
 - (2) Preventing harassment and discrimination
 - (3) Respect for the human rights of all stakeholders
4. Compliance for fair business activities
 - (1) Competing fairly
 - (2) Fair transaction and asset management
 - (3) International trade control and security trade administration
 - (4) Compliance with applicable laws in general
5. Compliance for intellectual property
 - (1) Respect for intellectual property rights of others
6. Compliance for information management
 - (1) Information management
 - (2) Proper reporting and public disclosures

Corporate Ethics and Legal Compliance Education

Toray posts information on CSR and legal compliance on its corporate intranet. Toray Group circulates important information about legal and compliance matters that are highly relevant to its business in Japan and overseas. Group companies implement workshops to examine these matters and study cases of corporate misconduct in an effort to foster discussion in the workplace.

Since fiscal 2012, Toray has provided e-learning courses on corporate ethics and legal compliance for all executives and employees, including contracted, part-time and temporary workers. In fiscal 2020, the Company covered the Ethics and Compliance Code of Conduct, which had been revised in May 2020, and human rights in training course themes. With regard to human rights issues, the Company used case studies based on actual reports and consultations within Toray Group as models to raise awareness among participants that issues can occur in their own departments. Group companies in Japan are using these materials to implement their own training.

Concerning trading subsidiary's receipt of warning from Ministry of Economy, Trade and Industry's Trade and Economic Cooperation Bureau

Toray International, Inc. (TI), a trading subsidiary of Toray Group, received a warning, which included a request to implement recurrence prevention measures and strict security export controls, under the name of the director of the Ministry of Economy, Trade and Industry's Trade and Economic Cooperation Bureau. The warning deemed that the carbon fiber for which TI had obtained an export license under the Foreign Exchange and Foreign Trade Act and exported to China had been sold to third parties that TI had not obtained the license for, and that as a background, there were deficiencies such as improper examinations of transactions. With regard to what caused this situation to arise, Toray Group will thoroughly address the export controls and compliance for the entire group to prevent any recurrence.

Expanding the Whistle-Blowing System

Toray established the Corporate Ethics and Legal Compliance Helpline as a whistle-blowing system in fiscal 2003 and expanded the system to include all group companies in Japan in fiscal 2010. The Company has processed reports received based on internal rules. The number of inquiries (consultations) received through the hotline and the details of the cases are reported to the Board of Directors by the Ethics and Compliance Committee, which convenes twice a year.

Reinforcing Compliance in Product Quality Assurance

Toray Group is pursuing five major issues to reinforce product quality assurance compliance throughout the Group.

1. Reinforcement of structures related to quality assurance systems of the entire Toray Group

The Group provides guidance to each division and group companies regarding their quality assurance system, and audits the effectiveness of these systems and the work done under them. Based on the formulated product quality assurance vision, the organizations design initiatives to close the gap between the vision and actual performance.

2. Development of human resources and creation of workplace culture not allowing any misconduct

Toray has designated November as Quality Month. Coinciding with this initiative, the Company has

conducted quality assurance compliance education since fiscal 2020. By providing educational materials to Toray Industries as well as Group companies in and outside Japan, each department and company is taking the initiative in promoting training.

3. Understanding of actual state of agreements with customers and establishment of guidelines related to product quality (assurance)

The Group is preparing guidelines for product quality assurance agreements and will use them to assess agreements and review their provisions as necessary.

4. Appropriate maintenance or control and modernization or fulfillment of measuring equipment

The Group prepared a risk assessment table for judging the necessity of upgrading or conducting maintenance on measuring equipment, and used them to identify devices in need of an upgrade.

5. Improvement of quality data management system to not allow any misconduct

The Group is developing data management systems that minimize human involvement, such as by automating measurement and transfer of measurement data, and issuance of inspection reports.

Improving Security Trade Controls

1. Sharing the Latest Trends and Management Strategies for Security Trade Controls

Concerns about the spread of conventional mass weapons of destruction and changes in the international security balance necessitate risk management addressing security trade controls.

Toray convenes a Security Trade Administration Committee comprising executives of divisions that are involved in exports and technology transfer. In fiscal 2020, the committee decided on measures to implement for the fiscal year after considering pressing risks based on recent international circumstances and regulatory trends. The committee members also convene a Divisional Security Trade Administration Committee that communicates corporate measures and implements supplementary programs, such as precautions to be taken by departments and group companies under its supervision.

2. Practically Addressing Risks

Toray Group performs risk management of security trade controls with regard to the export of all products, devices, materials, and samples, as well as the transfer of technologies outside Japan. Particularly strict management is necessary for TORAYCA™ carbon fiber and

its composite materials, semiconductor coating agents, and water treatment membranes, which are listed as restricted items requiring export permission from the Japanese Minister of Economy, Trade and Industry.

The following measures to enhance risk management associated with security trade controls have been implemented based on conditions in and outside of Japan.

(1) Enhanced employees' capacity for accurate judgment within Toray's divisions and group companies

To avoid the risk of COVID-19 infections, Toray reorganized the conventional education system, converting highly specialized on-the-job training to a Web conferencing method and basic level specialized education to an e-learning method, which the Company then implemented. Toray conducted training to provide the necessary practical knowledge to the mid-level employees that play a central role in implementing security trade controls, as well as training to newly appointed managers to encourage appropriate on-site management. (In the total of nine courses, 670 employees participated in Web conferences, and 4,758 via e-learning.)

The Company also conducted a series of advanced courses for employees with specialized expertise. These hands-on courses were designed to better equip them with the skills necessary to conduct classifications, export transactions and technology transfers. (A total of 176 employees participated in Web conferences in four courses.)

In addition, the Company systematically encourages employees to take the exam authorized by the Center for Information on Security Trade Controls in Japan. A total of 166 Toray group employees passed the exam in fiscal 2020, bringing the cumulative number of Toray Group employees who have passed the exam to 4,159 persons.

(2) Conduct regular audits

Toray carried out paper audits and onsite audits of group companies, and provided individualized guidance based on the results to help group companies make improvements.

(3) Enhanced information sharing and reporting

Toray integrated and centralized information on concerns such as suspicious trade inquiries, reported or consulted with the appropriate authorities as required, and took the appropriate measures. The Company also shared suspicious trade information at various company meetings, and took steps to improve its risk management.

(4) Improved inspection systems

Toray established a link between the security trade administration system and the sales backbone system as part of regular operations in order to improve the infrastructure for preventing mistaken shipments due to human error. Moreover, the Company supported innovative initiatives designed to improve the efficiency of administration through the use of these systems, and widely deployed cases that have produced results.

Competition Law Compliance, Anti-Corruption, and Anti-Bribery

1. Competition Law Compliance

The Ethics & Compliance Code of Conduct, revised in May 2020, defines the code of conduct related to competition laws that must be observed by all Toray Group executives and employees. Educational materials related to competition laws have been prepared in Japanese and English for all Toray Group employees. Within Japan, the Group prepares and utilizes compliance training materials and gathers examples of compliance violations related to competition laws. In fiscal 2020, no legal action was taken against Toray Group on the grounds of antitrust law violations.

2. Anti-Corruption and Anti-Bribery

In January 2020, Toray Group formulated the Anti-Bribery Regulations that explicitly prohibit offering and accepting bribes to or from public officials and business partners, and established the rules for approval and reporting when offering or receiving money or other benefits to or from public officials and business partners. Similar rules have also been introduced at both domestic and overseas group companies.

The Ethics & Compliance Code of Conduct defines the code of conduct related to anti-corruption and anti-bribery measures that must be observed by all Toray Group executives and employees. Accompanying guidelines and educational materials covering to the anti-corruption and anti-bribery measures have been prepared in Japanese and English for all Toray group employees and these are shared on a group-wide basis. In March 2020, Toray conducted e-learning training sessions for all executives and employees (including contracted, part-time and temporary workers) that covered the anti-bribery measures. Domestic affiliated companies also use similar teaching materials to provide education. No legal action was taken against Toray Group on anti-corruption or anti-bribery grounds in fiscal 2020.

Protection of Personal Information

In order to comply with Japan's Act on the Protection of Personal Information, Toray has established Regulations

for the Management of Personal Information, together with a management framework and practices to ensure each department manages personal information appropriately. Audits are regularly conducted into the management conditions in each department.

In fiscal 2020, the Company received no complaints concerning personal information and there were no data breaches. Major Toray Group companies in and outside Japan appropriately conduct management in accordance with the management systems and methods specified by the internal rules of each company.

Promotion of Mission B.E.A.R. Activities



In fiscal 2018, Toray Group launched a new initiative with the slogan “Have the integrity to do the right thing in the right way.” The initiative includes the following four principles for taking more effective action to ensure compliance.

Compliance Action Principles

- B: Be fair, be honest and have integrity**
- E: Encourage respect and communication**
- A: Adopt a *genba* (workplace) approach – Look to the facts!**
- R: Responsibility as a member of our excellent company**

Under the name “Mission B.E.A.R.,” taking its acronym from the first word of each principle, Toray group companies formulate declarations and action plans related to compliance, and implement initiatives that correspond to their individual situations. Toray Group implements periodic follow-ups for the initiatives of each company, shares the effective initiatives of each company within the Group, and encourages each company to take the initiative in evolving their compliance activities.

In fiscal 2020, Toray continued to assist each company's compliance promotion activities. Beginning with Compliance Promotion Month, steps were actively taken to share compliance-related initiatives, new educational tools, and educational materials via video as a part of the Company's remote work endeavors. Through these activities every effort is being made to strengthen risk response that emphasizes factors unique to each region and type of business while reinforcing Toray Group's integrity-driven corporate culture.

Implementing Internal Legal Audits

In fiscal 2016, Toray Group adopted a group-wide system for self-inspections and mutual internal control audits. Designated divisions of Toray and designated group companies in and outside Japan must receive an internal legal and compliance audit once in every three years.

In fiscal 2019, internal legal compliance audits were implemented for the designated departments of Toray and its group companies in Japan. In fiscal 2020, the Company confirmed the improvement status of problems found in the audit, verifying that 100% of the companies had made improvements (including companies under improvement). To increase the effectiveness of audits related to high-priority items—including, antitrust law, bribery regulations, insider trading regulations, and entry into agreements—Toray reviewed the audit methods related to legal affairs and compliance in fiscal 2019 and implemented an internal legal audit in fiscal 2020. Nothing inappropriate was found in any of the items covered.

Tax Compliance

Toray Group is committed to meeting its tax responsibilities in accordance with local and national tax laws and related rules, as well as to meeting international standards such as OECD guidelines. With the growth of international transactions, transfer pricing is increasing in importance. The Group endeavors to suitably allocate its income by calculating transfer pricing based on the arm's length principle. Under the awareness that it is important to fulfill its social responsibilities as a corporation by administering taxes in a highly transparent manner, the Group redefined its basic approach to tax policies with which each employee must comply, and established the Toray Group Tax Policy in order to reliably implement tax compliance related initiatives to a greater extent. This policy has been applied globally starting in May 2020.

Basic Policy

1. Toray Group makes efforts to pay taxes appropriately by complying with the tax laws of each country and international taxation rules.
2. Toray Group makes efforts to enhance corporate value and maximize shareholder value while minimizing tax risks and optimizing tax expenses.
3. Toray Group will not conduct arbitrary tax avoidance using tax havens or other methods.
4. Toray Group establishes good relationships with the tax authorities of each country.