

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." 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

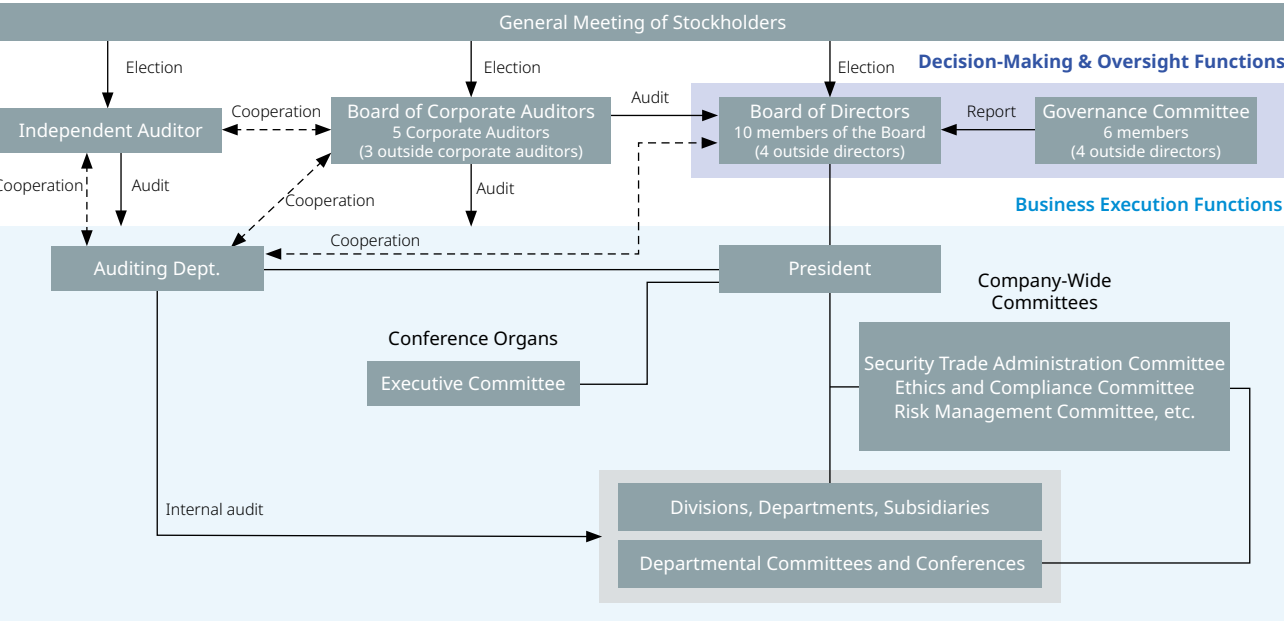
Toray operates as a company with a Board of Corporate Auditors and Board of Directors. The Board of Directors, which includes outside directors, decides on the business execution and supervises the execution of duties by the members of the Board. The Board of Corporate Auditors includes outside corporate 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 structure 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 enhance 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 oversee directors' execution of their duties.

Corporate Governance Structures



Strengthening the Governance Framework

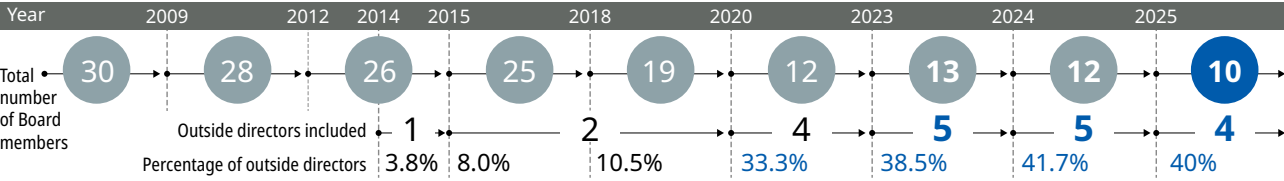
Toray introduced an executive officer system in June 2020 to enable execution based on swift decision making that accurately responds to the business environment and its changes. Additionally, we took this opportunity to reduce the number of directors, and as of June 26, 2025, had appointed

six internal members of the Board and four outside directors, for a total of 10 directors. The Board of Directors determines the scope of business execution to be delegated to Vice Presidents and supervises the execution of those duties. There are five directors who also serve as Vice Presidents.

The Chairman convenes and chairs the Board of Directors' meetings. The Governance Committee consists of two inside

and four outside directors, and it is chaired by an outside director to ensure a multifaceted perspective.

Reduction in Number of Members of the Board and Change in Its Composition



Policy on the Composition of the Board of Directors, Policy and Procedures for Selecting Members of the Board

The Board of Directors has to evaluate a wide variety of risks multilaterally to fulfill its roles of oversight and decision-making. To that end, the Board of Directors strives for appropriate balance in the number of members and structure, with members who widely cover the fields of the corporate activities

of the Group in terms of knowledge, experience and ability, and appropriately ensures diversity as a whole with the announcement of the skill matrix of members of the Board. The Governance Committee continuously reviews the structure of the Board of Directors.

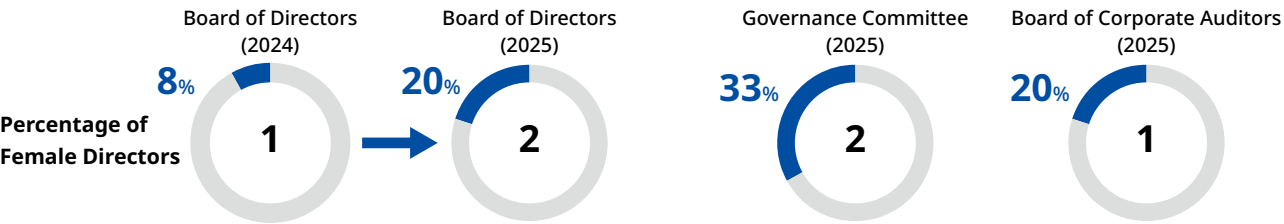
Skills Matrix of Members of the Board and Corporate Auditors

	Name	Business operations				Corporate			Strategic
		Management experience	Global business experience	Technology/manufacturing/R&D	Sales/marketing	Legal/intellectual property/risk management	Accounting/finance	Human resource management/diversity	
Member of the Board	Akihiro Nikkaku	●	●	●					
	Mitsuo Ohya	●			●			●	
	Kazuhiko Shuto	●	●		●				
	Tetsuya Tsunekawa	●		●					● (DX)
	Shigeki Terada		●						● (Business strategies)
	Yuichiro Kato					●	●		
	Kunio Ito						●	●	● (ESG)
	Susumu Kaminaga	●	●	●					
	Yuko Harayama							●	● (Innovation)
	Akiko Innes-Taylor	●			●			●	
Corporate Auditor	Hideki Hirabayashi	●	●			●			
	Mitsuharu Mano		●			●	●		
	Makiko Takabe					●		●	
	Kozo Ogino	●					●		
	Masahiko Inoue					●	●		

* The skill matrix above is not an exhaustive list of all the knowledge and experience held by the individuals, but presents up to three major skills among those that the Company expects of them to promote management strategies.
*For more information on the reasons for the selection of each item, see the Corporate Governance section of the website. <https://www.toray.com/aboutus/governance/>

Based on the recognition that further promoting diversity management is necessary to maximize corporate value, in FY 2025, the Company increased the number of female members

of the Board by one, establishing the structure including two female directors. Additionally, one female corporate auditor has been serving on the Board of Corporate Auditors since FY 2023.



Status of Outside Directors / Corporate Auditors 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.

Discussions and Activities of the Board of Directors, Governance Committee, and Board of Corporate Auditors (FY 2024)

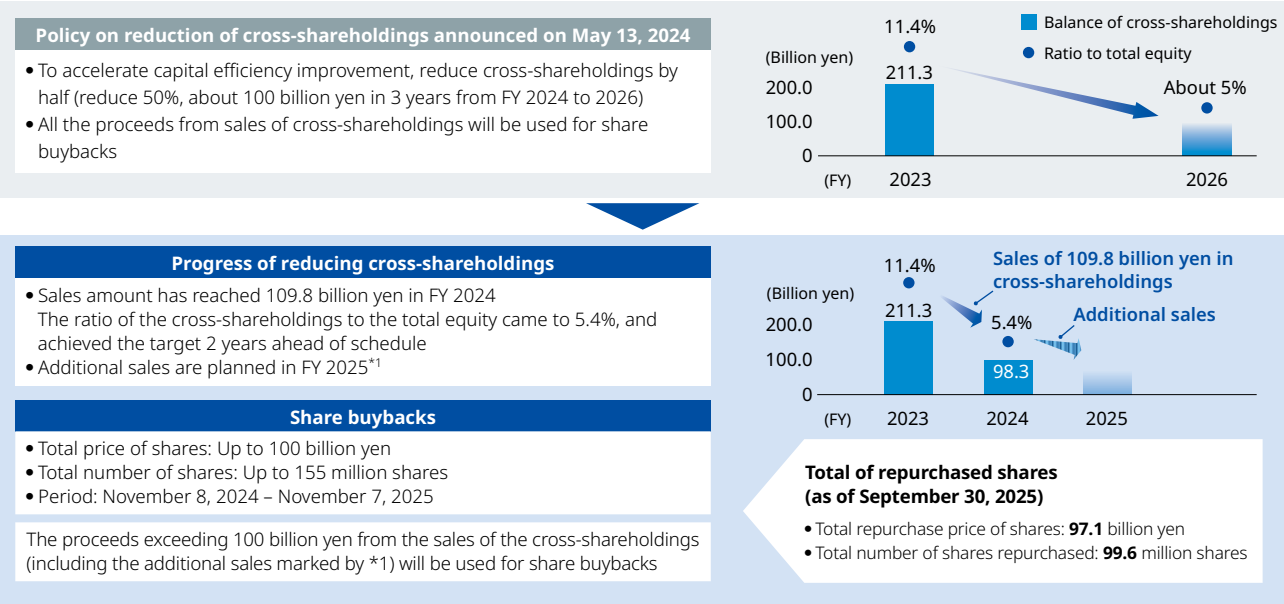
The main topics of discussions and activities of the Board of Directors, Governance Committee, and Board of Corporate Auditors in FY 2024 were as follows.

Type	Number of annual events	Average attendance rate	Main topics of discussion and activities
The Board of Directors meeting	14	99%	<ul style="list-style-type: none">• Toray group business strategy• Improving capital efficiency with a focus on PBR• Diversity on the board of directors• Revision of the executive compensation system• Shareholder return policy• Parent-subsidary listing policy
The Governance Committee	11	99%	<ul style="list-style-type: none">• Board composition• Evaluation of board operations• Director nomination policy• Approach to executive compensation systems• Basic policy on appointment and dismissal of senior management, including the President
The Board of Corporate Auditors meeting	11	100%	<ul style="list-style-type: none">• Reviewing the progress of initiatives set under the Medium-Term Management Program• Audit of fundamental management matters• Review of audit methods/results and reasonableness of audit fees for the accounting auditor• Attendance at important internal meetings (Board of Directors meetings, Management meetings, company-wide committees, etc.)• Meetings with directors and management, on-site inspections of business locations, factories, and subsidiaries

Discussions at Board of Directors Meetings

(1) Reduction of Cross-Shareholdings and Share Buybacks

The Board of Directors discussed the reduction of cross-shareholdings and the share buybacks. The Board resolved and announced a policy to accelerate the improvement of capital efficiency by reducing cross-shareholdings by 50% (approximately 100 billion yen) over a three-year period starting from FY 2024 and allocating all sale proceeds to the share buybacks. In FY 2024, the Company sold 109.8 billion yen of cross-shareholdings, achieving this goal two years ahead of schedule. Additional sales are planned for FY 2025.



(2) Improving Capital Efficiency with a Focus on PBR

To promote management focusing on capital costs and invested capital, the Board of Directors reviews the progress of the Medium-Term Management Program and financial targets, meeting its accountability obligations by disclosing these results.

At the Board of Directors meeting on April 25, 2025, the

Board discussed the progress of the AP-G 2025 challenges of “Expanding business and improving profitability” and “Improving asset efficiency,” as well as the status of ROIC/WACC and ROE/cost of equity. The Board confirmed that ROIC was on an upward trend and affirmed its commitment to continue addressing challenges to further improve ROIC.

Overview of the Results of the Analysis and Evaluation

Toray's Board of Directors implemented “Questionnaire Survey to Evaluate the Effectiveness of the Board of Directors in FY 2024” of all the 17 Board members and corporate auditors. In addition, the Company had individual interviews with eight outside directors and outside corporate auditors to hear opinions in relation to the responses to the questionnaire. The collection and summary 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 June 9, 2025, and the results of the analysis and evaluation were deliberated at the Board of Directors' meeting held on June 19, 2025. The overview of the analysis and evaluation results shown below describes the contents resolved

at the Board of Directors meeting. The main items of the questionnaire are as follows.

- <Main Items of the Questionnaire>**
- A. Role and composition of the Board of Directors
 - B. Operation of and discussions at the Board of Directors meetings
 - C. Monitoring function of the Board of Directors
 - D. Performance of members of the Board
 - E. Training
 - F. Dialogue with shareholders (investors)
 - G. Individual efforts
 - H. Operation of voluntary committees
 - I. Overall evaluation

<Evaluation Results>

The main points, outlines, and evaluation of improvements from the previous fiscal year are as follows.

Main points	Outlines	Evaluation of improvements from the previous fiscal year
Role of the Board of Directors	• Examination of optimal organization design	
Composition of the Board of Directors	• Diversity (age, gender, internationality) • Knowledge, experience, and expertise required for Outside Directors	• Change in composition of the Board of Directors was resolved at the ordinary general meeting of stockholders in June 2025
Operation of Board of Directors meetings	• Improving documentation and reporting methods • Agenda setting	• Efficient management of meeting • Utilization of agenda items
Discussions at the Board of Directors meetings	• Discussions focused on profitability and capital efficiency • Sustainability initiatives and disclosure	• Enhancing discussions with a focus on capital costs, etc • Enhancing ESG initiatives and disclosures
Monitoring function of the Board of Directors	• Understanding information about group companies	• Strengthening the Group governance of listed subsidiaries
Support System for Directors and Auditors	• Training for executives • Cooperation between outside directors and auditors	
Dialogue with stakeholders	• Dialogue with shareholders and investors	• Increased external outreach

<Overview of Analysis and Evaluation Results>

The following overview of the results describes the matters resolved at the Board of Directors meeting on June 19, 2025.

- a. In FY 2024, 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.
- b. In FY 2024, the Board of Directors held 14 meetings in total to perform oversight and decision-making in a timely and appropriate manner. While confirming that Toray's core values—“Contributing to society through business activities,” “People-centric management,” and “Management from a long-term perspective”—contribute to enhancing

the medium- to long-term corporate value, the Board continued to discussed “measures to realize management focusing on capital costs and stock prices,” including improving capital efficiency with a focus on PBR and enhancing shareholder returns. Based on the above, the Board is judged to have generally fulfilled its roles and responsibilities with regard to creating an environment that supports appropriate risk-taking by senior management.

- c. With respect to the 14 Board of Directors meetings held in FY 2024, the attendance rate of the members of the Board was 99%. The outside directors made remarks mainly from their respective professional viewpoints. Including such advice from the outside directors, opinions shared at the Board of Directors meetings were taken appropriate measures by the Board. In addition, the Governance Committee, which met 11 times, had advanced discussions

on revising the number and composition of the Board of Directors and the remuneration system for members of the Board and corporate auditors, in order to contribute to enhancing medium- to long-term corporate value and sustainable growth, thereby fulfilling its function as an advisory body to the Board regarding nominations and remuneration. For all of the reasons 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.

d. In light of foregoing, we believe that the Board of Directors generally fulfilled its roles and responsibilities in an effective manner in FY 2024. Regarding “diversity at the Board

of Directors meetings,” however, we will continue discussions, on the premise of ensuring quality, on the recruitment of human resources that can contribute to realizing the Toray Philosophy. With regard to “further activating discussions at the Board of Directors meetings,” continuing from FY 2024, specific measures for improvement must be taken in FY 2025 and thereafter so as to further improve the effectiveness of the Board of Directors.

e. With respect to the opinions received from the members of the Board and corporate auditors while 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.

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 and other factors, and stock acquisition rights as stock options, which are linked to medium- to long-term business results. In the light of their roles, remuneration for outside directors consists of basic remuneration only. Remuneration is set at a level that enables the Company to secure superior human resources and further motivate them to improve performance, referring mainly to the results of a survey of other companies’ remuneration by an external third-party organization. The Company reviews the payment ratios of performance-based remuneration and remuneration other than performance-based remuneration, based on the results of a survey of other companies’ remuneration and deliberations at the Governance Committee. We will increase the proportion of the performance-linked bonuses in total remuneration so that they act as a greater incentives for the improvement of performance.

For basic remuneration and bonuses, the maximum aggregate amount is resolved at the general meeting of stockholders. The content of such proposals made at general meetings of stockholders is determined by the Board of Directors following a report from the Governance Committee. The decision on whether to pay bonuses each fiscal year and the total amount to be paid are also determined by the Board of Directors following a report from the Governance Committee. This is based on consolidated core operating income, which best represents the results of Toray’s global business

operations, and considers elements such as increasing the ratio of bonuses to total remuneration to further incentivize performance improvement. The bonus for each internal member of the Board is determined by the Board of Directors following a report from the Governance Committee, which is based on an evaluation using indicators such as overall consolidated core operating income, the budget achievement of the division in charge, progress with respect to the Medium-Term Management Program, and efforts in individual assignments.

The Company has decided to grant remuneration for the purpose of providing restricted stock to internal members of the Board beginning in FY 2025, aiming to provide an incentive for the sustainable improvement of corporate value and to further align interests with shareholders. The maximum total amount of remuneration for restricted stock compensation and the maximum total number of shares to be allotted to internal members of the Board are resolved at the general meeting of stockholders. Within these limits, the number of shares allotted to each internal member of the Board is calculated based on criteria established by the Board of Directors, following a report from the Governance Committee. The final allotment is then resolved by the Board of Directors.

Given their roles, remuneration for corporate auditors consists of basic remuneration only. 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.

Details of Remuneration (April 2024- March 2025)

Position	Total remuneration (million yen)	Total remuneration by type (million yen)			Recipients
		Basic	Performance-based remunerations		
			Bonuses	Non-monetary remunerations Stock options as remunerations	
Members of the Board (excluding outside directors)	721	473	143	105	8
Corporate auditors (excluding outside corporate auditors)	79	79	—	—	2
Outside directors	75	75	—	—	5
Outside corporate auditors	36	36	—	—	3

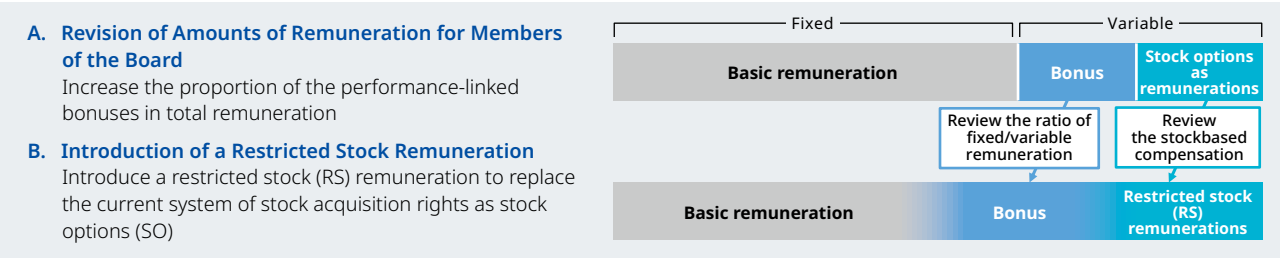
Notes: Recipients included one member of the Board who retired during FY 2024.

Revision of the Remuneration System: Reviewing the Remuneration System for Members of the Board and Corporate Auditors to Contribute to Enhancing the Group’s Medium- to Long-Term Corporate Value and Sustainable Growth

From FY 2025, the Company revised its remuneration system for members of the Board and corporate auditors, increasing the ratio of performance-based bonuses to total remuneration and introducing a restricted stock compensation system to replace the previous stock option system.

From FY 2026 onward, the Company is considering revising

the evaluation indicators for determining performance-based remuneration and setting new KPIs for medium- to long-term management challenges. In addition to financial statement metrics such as ROIC, we will continue to discuss incorporating non-financial indicators, such as sustainability indicators.



Measures to Ensure the Effectiveness of the Governance Framework for Listed Subsidiaries

Toray has two listed domestic subsidiaries (Chori Co., Ltd. and Suido Kiko Kaisha, Ltd.) and one listed domestic affiliated company (Sanyo Chemical Industries, Ltd.). Toray respects the independence of these listed companies and does not engage in any actions that would harm the interests of minority shareholders. The Company will meet its accountability obligations by explaining the rationale for maintaining them as listed subsidiaries and affiliates and for ensuring the effectiveness of their governance systems.

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 medium- to long-term perspective, based on his/her sympathy to the management philosophies of Toray and the subsidiary, in addition to understanding of the businesses.
- The transactions between the Company and the subsidiary are concluded based on the negotiations with reference to several factors such as the market price.

Suido Kiko Kaisha, Ltd.

- On December 20, 2021, Suido Kiko Kaisha, Ltd. established the Governance Committee, which is a voluntary committee.

Its purpose is to appropriately manage the election and dismissal of members of the senior management (full-time executive directors), nomination of director candidates, remuneration of members of the senior management and directors, and conflicts of interest with the controlling shareholder, while strengthening the independence, objectivity and accountability of the functions of the Board of Directors regarding decisions and other matters on important transactions and actions with the controlling shareholder for the purpose of protecting the interests of minority shareholders. By requiring a majority of the committee members to be independent outside directors, 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 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 medium- to long-term perspective, based on his/her sympathy to the management philosophies of Toray and the subsidiary in addition to understanding of the businesses.
- The transactions between the Company and the subsidiary are concluded based on the negotiations with reference to several factors such as the market price.

Sanyo Chemical Industries, Ltd.

- Although individuals from Toray serve as members of the Board at Sanyo Chemical Industries, Toray respects the affiliate’s independence in its management decisions and execution, and does not position the affiliate as an entity under Toray Group’s management. When exercising authority over the election and dismissal of the affiliate’s independent outside directors, Toray makes appropriate decisions on each proposal in consideration of the interests of general shareholders. Furthermore, transactions between Toray and the affiliate are determined rationally based on market prices and other factors as with any other business partner, and care is taken to avoid any conflicts of interest.