

The status of corporate governance at CHORI CO., LTD. is as follows.

I Basic approach to corporate governance, capital structure, company attributes, and other basic information

1. Basic approach

1) Basic approach

The corporate philosophy of Chori and its subsidiaries (the "Chori Group") says, "As members of the global community, we will work for the betterment of society. We take pride in being fair and sincere, and in continuing to offer superb service in order to deliver superior customer satisfaction."

Based on this corporate philosophy, aiming for sound management and sustainable growth, CHORI CO., LTD. (the "Company") is working to develop a structure to ensure the appropriateness of its operations.

The Company positions the Board of Directors as a body to make strategic decisions and oversee business, and is striving to strengthen corporate governance while complying with laws and social norms, conducting operations effectively and efficiently, and ensuring the reliability of financial reporting.

To further strengthen the transparency and oversight function of the Board of Directors, the Company has an Audit & Supervisory Committee in place, the majority of which consists of outside directors, and also Directors who are Audit & Supervisory Committee members exercise voting rights at Board of Directors' meetings. To deepen substantial discussions at Board meetings, the maximum number of directors (excluding those who are members of the Audit & Supervisory Committee) is limited to 10, and the term of office of directors (excluding those who are members of the Audit & Supervisory Committee) and executive officers is set at one year to ensure a results-centered approach. The number of directors who are members of the Audit & Supervisory Committee is limited to five. The Governance Committee, established as a voluntary advisory body to the Board of Directors, consists of the president, CEO & COO and two outside directors who satisfy the requirements for independent directors as stipulated by the Tokyo Stock Exchange. The majority of the committee's members are outside directors, and an outside director serves as its chair.

In addition, the Internal Auditing Department carries out operational audits regarding the legitimacy, appropriateness, and effectiveness of business execution as well as anticipated management risks.

The Company has established internal regulations concerning the management of subsidiaries. The regulations provide a certain level of authority and allow for flexibility while ensuring that business operations are appropriately and efficiently executed.

2) Basic policies

We strive to do the following:

- (1) Ensure the rights and equality of shareholder
- (2) Engage in appropriate collaboration with stakeholders other than shareholders
- (3) Ensure appropriate information disclosure and transparency
- (4) Ensure the Board of Directors fulfills its roles and responsibilities to promote transparent, fair, prompt, and resolute decision-making
- (5) Engage in constructive dialogues with shareholders

Reasons for not implementing principles laid out in the Corporate Governance Code

The Company implements all the principles of the Corporate Governance Code.

Disclosure based on principles laid out in the Corporate Governance Code

[Principle 1-4 Cross-Shareholdings]

■Cross-Shareholdings

(1) Policies regarding holding and reducing the number of cross-shareholdings

The Chori Group may acquire and hold shares of listed companies (hereinafter "cross-shareholdings") in order to maintain, expand, and sustainably develop its business. In such cases, the Board of Directors and other bodies decide on acquisitions after determining the department in charge of the acquisition and considering the business conditions of the investees and the profitability of the investment. The Board of Directors verifies the significance of the cross-shareholdings each year and considers the sale or reduction of shares that are deemed to be of no significance.

(2) Details of verification of cross-shareholdings

Those shares that are held are verified each year for their rationality from the perspectives of the significance of each acquisition and holding, profitability of the investment, transaction scale, and relevant profits. The Company reduces the number of shares of stocks that have become less significant due to changes in business relationships or for some other reason.

(3) Criteria for exercise of voting rights in relation to cross-shareholdings

While respecting the management policies of investee companies, we exercise our voting rights appropriately after suitably considering and judging whether the proposal in question will lead to an increase in the corporate value of the Chori Group and the investee companies in the medium to long term. We also consider the following points in making a comprehensive judgment about the exercise of voting rights.

- a. Whether there has been a significant deterioration in business performance or financial position
- b. Whether there has been any serious compliance violation
- c. Whether dividends are paid
- d. Whether there are other agenda items that may be detrimental to shareholder value

The Board of Directors each year receives a report on the results of the exercise of voting rights. In addition, we comply with insider trading regulations when acquiring or disposing of listed shares.

[Principle 1-7 Related Party Transactions]

■Appropriate procedures for related party transactions

Competitive transactions and transactions involving conflicts of interest between the Company and its directors and executive officers are subject to approval by the Board of Directors in accordance with relevant laws and regulations and the "Regulations of the Board of Directors." If such a transaction is conducted, pertinent facts related to the transaction are reported to the Board of Directors.

In addition, transactions between the Company and major shareholders are decided after negotiations, taking market prices and other factors into account. The status of transactions with major shareholders is regularly reported to the Governance Committee. Please also refer to "I Basic approach to corporate governance, capital structure, company attributes, and other basic information, 4. Policies regarding the protection of minority shareholders in the event of transactions involving controlling shareholders" in this report and "Part I Overview of Company, Section 5 Financial Status, [Related Party Information]" in our Annual Securities Report.

<https://www.chori.co.jp/ir/library/report/>

[Supplemental principle 2-4-1 Ensuring diversity within the Company, including promoting the active participation of women]

■Ensuring diversity in promotion of core human resources

The Company has established the "Chori Group Basic Policy on Human Resources" as a guiding framework for initiatives such as recruitment, training, and the development of HR systems. We respect the human rights, dignity, individuality, and diversity of our employees, and prohibit any form of unjust discrimination based on nationality, race, religion, gender, age, disability, or other factors. At the same time, we are committed to fostering human resource development that enables each employee to fully demonstrate their capabilities and to creating a healthy and fulfilling work environment.

In our medium-term management plan, "Chori Innovation Plan 2025", we have set a target ratio of 30% or more women among the total number of people hired for general positions and those who change to general positions, and aim to increase the ratio of women in management positions. We are promoting efforts to further expand opportunities for women to play active roles in the future, including the response to the Act on the Promotion of Women's Participation and Advancement in the Workplace.

We also focus on mid-career hiring, with mid-career hires accounting for 50% of the employees who have joined the Company in the last five years. Furthermore, we are actively recruiting and promoting non-Japanese employees to promote global business development, which is one of the strengths of trading companies. A total of approximately 500 employees hired locally work at our various overseas bases, and some have been promoted to important positions such as supervisors.

We will continue to promote the appointment of diverse human resources to realize a basic policy of our medium-term plan, which is to become "a corporate group that continues to evolve and change on a global scale, underpinned by its exceptional capabilities and expertise."

As for promoting the participation of women, we have set the aforementioned specific numerical targets, which we are working to achieve as a priority. We have not set specific numerical targets regarding mid-career recruitment and recruitment of non-Japanese. However, we are employing various measures with the goal of improving respective ratios.

[Principle 2-6 Roles of Corporate Pension Funds as Asset Owners]

■Exercise of role as asset owner

The Company has not adopted a corporate pension plan.

[Principle 3-1 (i) Full Disclosure]

■Corporate philosophy, management strategies, and management plans

The Company has formulated a corporate philosophy, corporate slogan, and management policy, which can be found on our website.

<https://www.chori.co.jp/english/company/philosophy/>

In addition, our three-year medium-term management plan, "Chori Innovation Plan 2025", which we disclosed on April 28, 2023, is positioned as the final stage of our "Chori Innovation Plan", which we have been promoting since the fiscal year ended March 2018, with the aim of "normalizing ordinary profit in the ¥10 billion range. As stated in our medium-term plan, the Chori Group is pursuing its VISION2030 with the keywords of sustainability, well-being, and innovation, and is working to further improve its corporate value as it targets net sales of ¥400 billion and profit before income taxes of ¥20 billion in the fiscal year ending March 2031.

Please refer to our medium-term management plan, which is available on our website.

<https://www.chori.co.jp/english/ir/management/plan.html>

[Principle 3-1 (ii) Full Disclosure]

■Basic approaches and basic policies regarding corporate governance

Our basic approach to corporate governance is described in "I Basic approach to corporate governance, capital structure, company attributes, and other basic information, 1. Basic approach" of this report.

[Principle 3-1 (iii) Full Disclosure]

■Policies and procedures for decisions on compensation

For our policies and procedures for determining compensation for executive directors and executive officers, please refer to "II Status of corporate management organizations and other corporate governance structures related to management decision-making, execution, and direction, 1. Organizational composition and operation, Director compensation" in this report and "Part I Overview of Company, Section 4 Status of the submitting company, 4. Corporate governance status, etc., (4) Compensation for executive officers, etc." in our Annual Securities Report.

<https://www.chori.co.jp/ir/library/report/>

[Principle 3-1 (iv) Full Disclosure]

■Policies and procedures for selection or dismissal of director candidates

(1) Policies and procedures for selection of top management (directors and executive officers)

The Board of Directors is composed of members with diverse perspectives, experience, and skills to ensure transparent, fair, prompt, and resolute decision-making. We ensure that outside directors have a high degree of independence so they can exercise effective supervisory functions. In addition, we expect them to have a certain level of knowledge about the trading industry to which the Company belongs.

The president and the Governance Committee propose nominations of directors (excluding directors who are Audit & Supervisory Committee members) to the Board of Directors after deliberation by the Governance Committee. Following a resolution by the Board of Directors, the nominations are then submitted as proposals to the General Meeting of Shareholders. The president and the Governance Committee also propose nominations of director candidates who are to serve as Audit & Supervisory Committee members to the Board of Directors after deliberation by the Governance Committee and approval by the Audit & Supervisory Committee, and those nominations are then submitted as proposals to the General Meeting of Shareholders.

Executive officers are defined as those responsible for the execution of the Company's business operations, and after deliberation by the Governance Committee, the president and the Governance Committee propose candidates to the Board of Directors, and candidates are selected by resolution.

(2) Policies and procedures for dismissal of top management

In the event of a serious legal or compliance violation by a member of top management, the Governance Committee discusses the dismissal of that member. Based on the results of such discussion, the Board of Directors will thoroughly deliberate and consider dismissal, following procedures in accordance with laws and regulations, the Articles of Incorporation, etc.

[Principle 3-1 (v) Full Disclosure]

■Reasons for selections and nominations of individual director candidates

Please refer to the reference documents in the Notice of the Annual General Meeting of Shareholders for the reasons for selection of director candidates. The notice is available on our website.

<https://www.chori.co.jp/english/ir/stock/assembly/>

[Supplemental principle 3-1-3 Full disclosure]

■Initiatives on sustainability

As stated in its corporate philosophy, the Chori Group pursues management that promotes sustainability with the aim of contributing to "the betterment of society as members of the global community." The Company positions the Board of Directors as a body to make strategic decisions and oversee business, and is striving to strengthen corporate governance while complying with laws and social norms, conducting operations effectively and efficiently, and ensuring the reliability of financial reporting.

As part of its overall approach to sustainability, the Company established the Sustainability Promotion Committee on April 1, 2024, to promote sustainability-oriented management as set forth in its medium-term management plan, Chori Innovation Plan 2025. The purpose of the Committee is to advance specific measures related to the Group's sustainability management and achieve sustainable growth in corporate value. Chaired by the President, the Committee conducts discussions internally. Outside directors and Audit & Supervisory Committee members also attend the meetings as observers, sharing their opinions and relevant measures. The Sustainability Promotion Committee convenes at least once every quarter and reports to the Board of Directors once a year.

With respect to human capital, the Chori Group regards each and every employee as its most valuable management resource. We believe that when individual employees find purpose and fulfillment in their work and experience personal growth, it leads to the Company's growth and its contributions to society. To support the sustainable growth of both employees and the Company, we remain committed to ongoing investment in our employees.

Our medium-term management plan, "Chori Innovation Plan 2025", includes three strategies related to human resources: investment in human capital, improvement of engagement, and promotion of health management.

In addition, we strive to appropriately disclose information regarding the impact of climate change-related risks and earnings opportunities on our business activities and earnings, based on the framework suggested by the Task Force on Climate-related Financial Disclosures (TCFD). (For details, please refer to "Disclosure based on TCFD recommendations" on our website.)

Please refer to our website, our Annual Securities Report, and our communication report, "Tsumugu Report," for information on our sustainability and human capital initiatives, etc.

Disclosure based on TCFD recommendations:	https://www.chori.co.jp/english/sustainability/environment/tcfd.html
Sustainability:	https://www.chori.co.jp/english/sustainability/
Annual Securities Report, etc.:	https://www.chori.co.jp/ir/library/report/
Tsumugu Report:	https://www.chori.co.jp/english/ir/library/tsumugu/

[Supplemental principle 4-1-1 Roles and responsibilities of the Board of Directors (1)]

■Roles and responsibilities of the Board of Directors

The Company positions the Board of Directors as a strategic decision-making and business oversight body and has established the Regulations of the Board of Directors to clarify the responsibilities and operations of the Board of Directors, items to be resolved by the Board, and the responsibilities of directors. In addition, the Board of Directors can delegate business execution decisions to directors to facilitate prompt business execution. The scope of authority of directors (excluding directors who are Audit & Supervisory Committee members) and executive officers is clearly defined by the Board of Directors in the Authority Rules.

[Principle 4-9 Independence Standards and Qualifications for Independent Outside Directors]

■Independence standards and qualifications for independent outside directors

In addition to the requirements of the Companies Act, the Company determines independence based on the absence of special personal, capital, or other interests between the Company and the relevant parties in accordance with the requirements for independence as stipulated by the Tokyo Stock Exchange.

[Supplemental principle 4-10-1 Use of voluntary mechanisms]

■Strengthening independence, objectivity, and accountability in Board of Directors functions

The Company has established a Governance Committee, chaired by an outside director, as an advisory body to the Board of Directors to enhance the independence, objectivity, and accountability of the Board of Directors in matters such as director nominations and compensations, as well as to protect the interest of minority shareholders. For details, please refer to the supplementary explanation in "Ⅱ Status of corporate management organizations and other corporate governance structures related to management decision-making, execution, and direction, 1. Organizational composition and operation, Voluntary committees, Status of establishment of voluntary committees, member composition, and attributes of chair" of this report.

[Supplemental principle 4-11-1 Prerequisites for ensuring the effectiveness of the Board of Directors]

■The overall balance of knowledge, experience, and abilities of the Board of Directors, approach to diversity and size, and policies and procedures regarding the appointment of directors

- The Company strives to enhance corporate governance by appointing outside directors to at least one-third of the total number of director positions to ensure the objectivity and appropriateness of the Board of Directors.
- The Board of Directors is composed of members with diverse perspectives, experience, and skills to ensure transparent, fair, prompt, and resolute decision-making. We ensure that outside directors have a high degree of independence so they can exercise effective supervisory functions. In addition, we expect them to have a certain level of knowledge about the trading industry to which the Company belongs. The president and the Governance Committee propose nominations of directors (excluding directors who are Audit &

Supervisory Committee members) to the Board of Directors after deliberation by the Governance Committee. Following a resolution by the Board of Directors, the nominations are then submitted as proposals to the General Meeting of Shareholders. The president and the Governance Committee also propose nominations of director candidates who are to serve as Audit & Supervisory Committee members to the Board of Directors after deliberation by the Governance Committee and approval by the Audit & Supervisory Committee, and those nominations are then submitted as proposals to the General Meeting of Shareholders.

- We determine the independence of outside directors by the fact that they have no special personal, capital, or other interests in the Company, in accordance with the requirements for independence as stipulated by the Tokyo Stock Exchange and the requirements of the Companies Act.
- Please refer to the Notice of the Annual General Meeting of Shareholders and Annual Securities Report for the main backgrounds of each director and the skills matrix of the Board of Directors.

Notice of the Annual General Meeting of Shareholders:

<https://www.chori.co.jp/english/ir/stock/assembly/>

Annual Securities Report, etc.:

<https://www.chori.co.jp/ir/library/report/>

[Supplemental principle 4-11-2 Prerequisites for ensuring the effectiveness of the Board of Directors]

■Status of outside directors concurrently holding other positions

Please refer to the Notice of the Annual General Meeting of Shareholders and Annual Securities Report for the status of important concurrent positions of outside directors.

Notice of the Annual General Meeting of Shareholders:

<https://www.chori.co.jp/english/ir/stock/assembly/>

Annual Securities Report, etc.:

<https://www.chori.co.jp/ir/library/report/>

[Supplemental principle 4-11-3 Prerequisites for ensuring the effectiveness of the Board of Directors]

■Evaluation of the effectiveness of the Board of Directors

The Company conducts an evaluation of the effectiveness of the Board of Directors each year in order to realize a more effective Board of Directors. The evaluation process involves conducting a questionnaire with all directors on the composition, operation, discussions, and support system of the Board of Directors and then compiling the views of each director.

Based on the results of the questionnaire, the Governance Committee and the Board of Directors evaluate and analyze the effectiveness of the Board of Directors as a whole. The results confirmed that the Board of Directors, including outside directors, is appropriately composed, engages in constructive discussions and exchange of opinions through open and active dialogue, and is generally operating appropriately while maintaining its overall effectiveness.

The results also confirmed improvements in addressing an issue identified in the previous fiscal year—ensuring sufficient oversight and monitoring of the establishment and operation of internal control systems, including at subsidiaries. Regarding ongoing issues, the Company recognizes the need to increase the frequency of discussions and conduct more in-depth reviews when monitoring progress on the medium-term management plan. Opinions were shared on the importance of thoroughly discussing profitability and capital efficiency when formulating management strategies and plans, as well as reviewing how succession planning and director compensation are discussed and reported at Board of Directors' meetings based on deliberations by the Governance Committee.

Hereafter, we will continue to discuss management and business issues we have identified and continuously work to improve the effectiveness of the Board.

[Supplemental principle 4-14-2 Director training]

■Director training policy

Our basic policy is to provide directors with training opportunities to help them properly fulfill their roles and responsibilities. Our annual internal executive training includes lectures and training by experts. The Company also provides training for newly appointed executives and opportunities to participate in outside seminars sponsored by economic organizations and others. From time to time, we provide outside directors with information on the Chori Group's management philosophy, corporate management, business activities, organization, etc., with the aim of deepening their understanding of these aspects of the Chori Group. Prior to meetings of the Board of Directors, we also provide outside directors with explanations of agenda items to be discussed at those meetings.

[Principle 5-1 Policy for Constructive Dialogue with Shareholders]

■Policy for constructive dialogue with shareholders

(1) The executive officer in charge of information handling oversees matters related to investor relations (IR) and public relations, cooperate with the Corporate Management Department and relevant departments, and communicates information to shareholders and investors. If a request is made for an interview with an executive officer other than those in charge of matters related to IR and public relations (including outside directors), the Company will consider responding to the request within reasonable limits based on its details.

(2) The relevant internal departments proactively cooperate to achieve constructive dialogues with shareholders and investors through the preparation of disclosure materials and the sharing of important information while conducting their business activities.

(3) Methods of dialogue other than individual meetings

• General Meeting of Shareholders

The Company regards the general meeting of shareholders as an opportunity to fulfill its responsibility of providing explanations to shareholders and works accordingly to carefully address their questions and understand the intent of their opinions.

• Individual investors

The Company promotes dialogue with its individual shareholders by holding company briefings exclusively for such investors, which are attended by the president, CEO & COO of the Company

• Institutional investors

For institutional investors, the Company holds financial briefings attended by the president, CEO & COO upon the conclusion of its six-month and full-year financial results announcements. At these financial briefings, the Company reports on the details of its financial performance, addresses various questions, and collects the opinions of its shareholders. In addition, the department in charge of IR and public relations conducts individual meetings for institutional investors.

(4) Overview of activities in the fiscal year ended March 2025

• Financial results briefings for institutional investors and analysts: Twice

• Company briefings for individual investors: Once

• Individual IR meetings: 11 times

For details on the status of dialogue with shareholders and investors, please refer to the briefing material for the fiscal year ended March 2025.

FY03/2025 Financial Results Briefing:

<https://contents.xj-storage.jp/xcontents/AS04137/56702b9d/ce90/4f17/bec5/b52b85427139/20250509104726252s.pdf>

(5) Feedback

The Company promotes the sharing and use of information obtained from dialogues through the reporting of opinions of shareholders to the respective committees and their disclosure to the directors, management executives, and relevant departments as necessary.

In the fiscal year ended March 2025, reports were made at meetings of the Board of Directors in September 2024 and March 2025.

(6) The Company complies with the Insider Trading Prevention Regulations and ensures thorough information management.

Actions to realize management conscious of capital costs and stock prices

Disclosed information	Disclosure on initiatives (update)
Availability of English disclosure	Yes
Update date	June 20, 2025

Supplementary explanation of the items in question

We formulate management strategies after gaining an accurate understanding of our own capital costs. The Company estimates its cost of shareholders' equity at approximately 8%, based in part on input from external institutions. In the fiscal year ended March 2025, ROE, calculated based on net profit attributable to owners of parent, was 13.4%, significantly exceeding the estimated cost of shareholders' equity. Although PBR stood at 0.81x—below 1.0x—as of the end of March 2025, it had risen to 1.03x by the end of May. We will continue to enhance our corporate value by instilling management based on ROIC, we added as a KPI in the current medium-term management plan, improving capital efficiency, and steadily implementing the basic strategies set forth in the medium-term plan.

We consider the return of profit to shareholders as one of our most important management issues. We set the dividend amount at a level that satisfies our targets of a consolidated annual dividend payout ratio of 30% and dividend on equity (DOE) of 3.5% or higher, taking into consideration the business environment and other factors while securing funds for investment in business development. The consolidated payout ratio in the fiscal year ended March 2025 was 30.0% and DOE was 4.4%.

In addition, the Company has introduced a performance-linked stock compensation plan for executive directors and executive officers, with the aim of providing incentive to sustainably enhance the Company's corporate value and promote further value sharing with shareholders.

2. Capital structure

Ratio held by non-Japanese shareholders	10% or more, and less than 20%
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Major Shareholders

Name or Designation	Number of shares held (Shares)	Percentage of shares held (%)
Toray Industries, Inc.	12,967,310	52.33
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,606,400	6.48
BBH FOR FIDELITY LOW-PRICED STOCK FUND	962,973	3.89
Hurex Co., Ltd.	735,700	2.97
Custody Bank of Japan, Ltd. (Trust Account)	635,600	2.56
MSIP CLIENT SECURITIES	560,564	2.26
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	555,986	2.24
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	522,282	2.11
NORTHERN TRUST CO. (AVFC) RE IEDP AIF CLIENTS NON TREATY ACCOUNT	296,000	1.19
Hikari Tsushin K.K.	239,300	0.97

Controlling shareholders (excluding parent company)	———
Parent company	Toray Industries, Inc. (Listed: Tokyo Stock Exchange, stock code: 3402)

Supplementary explanation

In addition to the above, the Company holds 522,406 shares of treasury stock.

3. Company attributes

Listed stock exchanges and market segments	Tokyo Stock Exchange Prime Market
Fiscal year-end	March
Industry	Wholesaling
Consolidated number of employees at end of most recent business year	1,000 or more
Consolidated sales in most recent business year	¥100 billion or more, and less than ¥1 trillion
Number of consolidated subsidiaries at end of most recent business year	10 or more, and fewer than 50

4. Policies regarding the protection of minority shareholders in the event of transactions involving controlling shareholders

The Company conducts transactions for the purchase and sale of fibers and chemicals, etc. with the parent company, and the transactions for the fiscal year ended March 2025 amounted to ¥1,257 million in net sales and ¥6,128 million in net purchases. Terms and conditions for these transactions with the parent company are determined appropriately through fair procedures, with reference to market prices, as in ordinary transactions.

The Governance Committee, chaired by an Outside Director, periodically deliberates on whether the terms of such transactions with the parent company and its corporate group are equivalent to those with other business partners, thereby ensuring their appropriateness. Furthermore, information exchange with the parent company is carried out on a regular basis to understand issues with legal compliance and issues from the viewpoint of efficiency. For details on the activities of the Governance Committee, please refer to "II. Status of corporate management organizations and other corporate governance structures related to management decision-making, execution, and direction, 1. Organizational composition and operation, Voluntary committees, Supplementary explanation" of this report.

In the event that a material transaction or act arises that involves a conflict of interest between the controlling shareholder and minority shareholders, a special committee consisting solely of independent Outside Directors and external experts will be established to respond appropriately.

In addition, the Company utilizes the Toray Group's Cash Management System as one of its fund settlement methods, with the aim of improving capital efficiency through centralized management of surplus funds within the Toray Group. Interest rates are set at reasonable rates based on market rates. For the fiscal year ended March 2025, the maximum transaction amounts were ¥1.5 billion in borrowings and ¥7.5 billion in deposits.

The Company's Board of Directors understands the details of the above transactions and makes final decisions independently of the parent company. Accordingly, it has determined that such transactions do not harm the interests of the Company.

5. Other special conditions with significant impact on corporate governance

<Ensuring independence from the parent company>

Toray Industries, Inc., our parent company, holds 12,967,000 of the Company's common shares (52.41% of voting rights).

The Company constantly works to strengthen the combination of our ability to sell and collect information on fibers and chemicals, which represent our core business, in Japan and overseas, and the parent company's ability to develop materials in order to generate synergies and enhance corporate value for both companies. In addition, by operating under a parent company, the Company is able to gain a better understanding of market trends and the business environment, enhance its credibility, and enjoy other benefits that come with being a Group company.

With the exception of one director who does not execute business, the executives and employees at the Company do not concurrently serve as executives or employees at the parent company or Group companies and the Company does not accept employees through transfers from the parent company or Group companies. In addition, the Company has its own management plan in place, through the execution of which we have developed our business.

The Company and its parent company, Toray have entered into an agreement to implement the following items in order to achieve sustainable growth and enhance corporate value.

- (1) Examination of the appropriateness of maintaining the Company's listing
- (2) Execution of appropriate transactions between the Company and Toray
- (3) Ensuring the effectiveness of governance that takes into consideration the interests of the Company's general shareholders
- (4) Appropriate execution of risk management as the Toray Group (including matters for prior consultation on certain matters pertaining to governance and internal control)

Based on these factors, we believe that the Company's independence from the parent company, etc. in its business operations is sufficiently ensured.

II Status of corporate management organizations and other corporate governance structures related to management decision-making, execution, and direction

1. Organizational composition and operation

Organization Form	Company with Audit & Supervisory Committee
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Directors

Maximum number of directors stipulated in Articles of Incorporation	15
Term of office stipulated in Articles of Incorporation	1 year
Chairman of the Board	Company president
Number of directors	9
Appointment of outside directors	Appointed
Number of outside directors	4
Number of outside directors designated as independent directors	4

Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masaaki Sawano	Lawyer											
Hiromasa Suzuki	From another company											
Hiroko Noda	From another company											
Chizu Sekine	From another company											

* Categories for “relationship with the Company”

* “○” when the director currently falls or has recently fallen under the category; “△” when the director fell under the category in the past

* “●” when a close relative of the director currently falls or has recently fallen under the category; “▲” when the close relative fell under the category in the past

a Executive of a listed company or its subsidiaries

b Executive or non-executive director of the parent company of a listed company

c Executive of a fellow subsidiary company of a listed company

d A party whose major client or supplier is a listed company, or an executive thereof

e Major client for supplier of a listed company, or an executive thereof

f Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from a listed company aside from executive compensation

g Major shareholder of a listed company (or an executive of the said major shareholder when the shareholder is a corporate entity)

h Executive of a client or supplier company of a listed company (which does not correspond to any of d, e, or f) (the said individual only)

i Executive of a company between which external directors are mutually appointed (the said individual only)

j Executive of a company or organization that receives a donation from a listed company (the said individual only)

k Other

Name	Audit & Supervisory Committee member	Independent director	Supplementary explanation of the applicable item	Reasons for appointment
Masaaki Sawano	○	○	----	Masaaki Sawano satisfies the requirements for independent directors as stipulated by the Tokyo Stock Exchange, and we have determined that his independence has been secured and appointed him as an independent director. In addition, we have appointed him as an outside director, as he is expected to provide appropriate advice regarding the management of the Company and on the grounds that he is deeply familiar with corporate legal work as a lawyer and has sufficient insight to supervise corporate management. We also deem that he has no material conflict of interest with the Company and that no conflict of interest will arise with general shareholders.
Hiromasa Suzuki	○	○	----	Hiromasa Suzuki satisfies the requirements for independent directors as stipulated by the Tokyo Stock Exchange, and we have determined that his independence has been secured and appointed him as an independent director. In addition, we have appointed him as an outside director, as he is expected to provide appropriate advice regarding the management of the Company and on the grounds that he has many years of involvement in corporate management and a wealth of experience in group management as a top executive of a company, which involved orchestrating the establishment of a company. We also deem that he has no material conflict of interest with the Company and that no conflict of interest will arise with general shareholders.
Hiroko Noda	○	○	----	Hiroko Noda satisfies the requirements for independent directors as stipulated by the Tokyo Stock Exchange, and we have determined that her independence has been secured and appointed her as an independent director. In addition, we have appointed her as an outside director based on her knowledge, experience, and abilities as a certified public accountant as well as her sufficient expertise in management gained through her years of experience as an outside director and a management consultant. As an outside director, she is expected to provide appropriate advice to the Company's management. We also deem that she has no material conflict of interest with the Company and that no conflict of interest will arise with general shareholders.
Chizu Sekine		○	----	Chizu Sekine satisfies the requirements for independent directors as stipulated by the Tokyo Stock Exchange, and we have determined that her independence has been secured and appointed her as an independent director. She has been engaged in R&D in the field of electronic chemicals for many years and has extensive management experience as the head of a company providing chemical technology information. Based on this background, we believe she can provide appropriate advice on the Company's management and have therefore appointed her as an outside director. We also deem that she has no material conflict of interest with the Company and that no conflict of interest will arise with general shareholders.

Audit & Supervisory Committee

Member composition and chair attributes

	Total number of members	Full-time members	Inside directors	Outside directors	Chair
Audit & Supervisory Committee	4	1	1	3	Inside director
Directors and employees available to assist the Audit & Supervisory Committee in its duties	Yes				

Independence of directors and employees providing assistance from the executive directors receiving that assistance

The Company assigns a staff member exclusively to the Audit & Supervisory Committee to support the execution of that committee's duties. The staff member assigned to the Audit & Supervisory Committee is not subject to the instructions or orders of directors (excluding directors who are Audit & Supervisory Committee members), but is subject to the instructions and orders of the Audit & Supervisory Committee. Personnel transfers, evaluations, etc., are carried out only after prior consultation with the Audit & Supervisory Committee, ensuring independence from the operating departments and the effectiveness of the Audit & Supervisory Committee's instructions to the staff member.

Status of collaborations with the Audit & Supervisory Committee, the accounting auditor, and the internal auditing division

1) Status of collaborations between the Audit & Supervisory Committee and the accounting auditor

The Audit & Supervisory Committee meets with the accounting auditor at the beginning of the fiscal year to discuss audit plans and key audit items, regularly receives explanations of the results of the accounting auditor's audits, and holds meetings as necessary to exchange information and opinions. In addition, Audit & Supervisory Committee members attend audits conducted by and review meetings held by the accounting auditor to receive explanations on the status of financial reporting and internal controls, along with explanations on proposals for improvement. This collaboration with the accounting auditor leads to more efficient and effective audits.

2) Status of collaborations between the Internal Auditing Department and the Audit & Supervisory Committee

The Audit & Supervisory Committee receives regular reports on audits conducted by the Internal Auditing Department, confirms the status of business execution by the various departments and subsidiaries, and notifies the Internal Auditing Department of the results of audits by the Audit & Supervisory Committee, exchanging opinions on relevant matters with the Internal Auditing Department. The Audit & Supervisory Committee collaborates closely with the Internal Auditing Department, requesting information or investigations as necessary, to achieve efficient audits.

Voluntary committees

Voluntary establishment of committee(s) corresponding to nominating committee or compensation committee	Yes
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Status of establishment of committees, member composition, and chair attributes

	Committee name	Total number of members	Full-time members	Inside directors	Outside directors	Outside experts	Other members	Chair
Voluntary committee equivalent to nominating committee	Governance Committee	3	0	1	2	0	0	Outside director
Voluntary committee equivalent to compensation committee	Governance Committee	3	0	1	2	0	0	Outside director

Supplementary explanation

The Company established the Governance Committee as a voluntary advisory body to the Board of Directors. It aims to strengthen independence, objectivity, and accountability in its functions related to director nominations, compensation, and other matters, and to protect the interests of minority shareholders. The Governance Committee has three members, the Company's president, CEO & COO and two

independent outside directors. Independent outside directors therefore form a majority. An independent outside director serves as the chair.

The following activities were conducted in the fiscal year ended March 2025.

Number of meetings: 5

Committee composition

- Chair: Masaaki Sawano (independent outside director)
- Member: Hiromasa Suzuki (independent outside director)
- Member: Kazuo Sakihama (president, CEO & COO) ...Resigned on June 18, 2024
- Member: Tatsuyuki Sakoda (president, CEO & COO) ...Appointed on June 18, 2024

Attendance

- Sawano: 5 times
- Suzuki: 5 times
- Sakihama: 2 times*
- Sakoda: 3 times*

* Because Mr. Kazuo Sakihama resigned from his position as Director and Mr. Tatsuyuki Sakoda was appointed as Representative Director at the 77th General Meeting of Shareholders held on June 18, 2024, their attendance records differ from those of the other directors.

Agenda items and main deliberations

- Matters related to appointment and treatment of executives, and management structure
- Remuneration structure and determination method for directors and executive officers
- Confirmation of business status between the Company and its parent company
- Matters relating to a survey to analyze and evaluate the overall effectiveness of the Board of Directors
- Revision of CEO succession plan guidelines

Independent directors

Number of independent directors	4
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Other items related to independent directors
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Incentives

Status of measures related to incentives provided to directors	Introduction of performance-linked compensation system
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Supplementary explanation of the items in question
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The Company has introduced a performance-linked stock compensation system to provide executive directors and executive officers with incentive to continuously improve the Company's corporate value and to promote further value sharing with shareholders.

Persons receiving stock options

Supplementary explanation of the items in question
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Director compensation

Status of disclosure (of individual directors' compensation)

No individual disclosure conducted

Supplementary explanation of the items in question

A total of ¥250 million was paid to a total of eight directors in the fiscal year ended March 2025, comprising ¥133 million in base pay and ¥87 million in bonuses as monetary compensation, and ¥29 million in restricted stock compensation and a stock benefit trust as non-monetary compensation.

Policy on determining compensation amounts and calculation methods

Established

Disclosure of policy on determining compensation amounts and calculation methods

Compensation for the Company's directors (excluding directors who are Audit & Supervisory Committee members and non-executive directors) is linked to shareholder interests so that it functions adequately as an incentive to continuously improve corporate value. Our basic policy is to set an appropriate level of compensation for each director based on their position, performance, and other factors. Specifically, compensation for directors (excluding directors who are Audit & Supervisory Committee members and non-executive directors) comprises three types of compensation: monthly base pay, annual bonuses, and performance-linked stock compensation. Monetary compensation consists of the monthly base pay and performance-linked bonuses, while non-monetary compensation consists of the performance-linked stock compensation. To ensure their independence, compensation for directors who serve as Audit & Supervisory Committee members and non-executive directors comprises only fixed monetary compensation set in accordance with their roles.

At the 69th Annual General Meeting of Shareholders held on June 15, 2016, it was approved that the total amount of fixed compensation and bonuses for directors (excluding directors who are Audit & Supervisory Committee members) would not exceed ¥300 million annually (not including employee salaries for directors who are also employees of the Company), while the total amount for directors who are Audit & Supervisory Committee members would not exceed ¥100 million annually. (As of the conclusion of the 69th General Meeting, there were seven directors [excluding directors who were Audit & Supervisory Committee members] and three directors serving as Audit & Supervisory Committee members).

In addition, at the 76th Annual General Meeting of Shareholders held on June 16, 2023, an upper limit of 40,000 points per fiscal year to be granted to directors (excluding directors who are Audit & Supervisory Committee members and non-executive directors) based on the performance-linked stock compensation plan was approved. When converting the points granted to directors (excluding directors who are Audit & Supervisory Committee members and non-executive directors), one point is worth one of the Company's common shares or an amount of money equivalent to the market value of one of the Company's common shares (however, in the event of a stock split, gratis allotment, or reverse stock split of the Company's shares, the maximum number of points and either the number of points already granted or the conversion ratio will be reasonably adjusted to account for that change).

For details on the policy, determination method, etc., regarding executive compensation, please refer to "Part I Overview of Company, Section 4 Status of the submitting company, 4. Corporate governance status, etc., (4) Compensation for executive officers, etc." in our Annual Securities Report.

Support system for outside directors

Materials to be presented at meetings of the Board of Directors and other important meetings are distributed to outside directors in advance by the secretariats of those meetings, and advance explanations are provided to the outside directors as necessary. In addition, The Company has appointed dedicated staff to assist the Audit & Supervisory Committee (including three outside directors) to support the member directors in the execution of their duties.

Status of persons who retired from position of president, representative director, etc.

Names and other information of former presidents and others who serve as advisors and consultants

Name	Position	Duties	Type and conditions of work (full-time, part-time, compensated, etc.)	Date of retirement from office of president, etc.	Term
Kazuo Sakihama	Special advisor	Provides advice to president, CEO & COO	Full-time, compensated	June 18, 2024	Prescribed

Total number of advisors, consultants, etc., who were formerly president, CEO, etc.

1

2. Items related to functions of business execution, auditing, oversight, nomination, and compensation decisions (overview of current corporate governance system)

The Company has adopted a governance structure of a company with an Audit & Supervisory Committee. Under this structure, it has established an audit and oversight framework in which directors who are Audit & Supervisory Committee members, including three outside directors, conduct audits and provide oversight. The directors who are Audit & Supervisory Committee members exercise voting rights at meetings of the Board of Directors to further strengthen the supervisory function of the Board of Directors and the transparency of management.

1. Board of Directors

The Company positions the Board of Directors as a strategic decision-making and business oversight body. The Board of Directors is composed of all the Company's directors and meets at least once a month as a rule. It makes decisions on the Company's important management matters and supervises the directors' business execution.

2. Executive Committee

The Company has established the Executive Committee as a body for deliberations on business execution and the exchange of important information and opinions on business execution. The Executive Committee is composed of executive officers and others approved by the Board of Directors.

3. Audit & Supervisory Committee

The Company is a company with an Audit & Supervisory Committee, and three of the four directors who are Audit & Supervisory Committee members are outside directors as stipulated in Article 2, Item 15 of the Companies Act. Directors who are Audit & Supervisory Committee members attend important meetings such as Board of Directors' meetings and conduct interviews with the heads of sales and administrative divisions to audit and supervise the appropriateness of decision-making by management on important matters (including the decision-making process), as well as the execution of duties by directors (excluding those who are Audit & Supervisory Committee members) and executive officers. The Audit & Supervisory Committee meets regularly once a month to share information with outside directors regarding the status of management, audit results, and other matters, and to exchange opinions.

4. Governance Committee

The Company has established the Governance Committee for the purpose of strengthening independence, objectivity, and accountability in Board of Directors functions related to director nominations, compensation, and other matters, and for the purpose of protecting the interests of minority shareholders, thereby strengthening the Company's corporate governance system. The Committee consists of three members: President, CEO & COO Tatsuyuki Sakoda, Outside Director Masaaki Sawano, and Outside Director Hiromasa Suzuki. It is Chaired by Outside Director Masaaki Sawano.

5. Legal Compliance Committee

The Company has established the Legal Compliance Committee, chaired by the president and having directors (excluding directors who are Audit & Supervisory Committee members), executive officers, and other relevant personnel as members, to deliberate important compliance issues, reporting the results of those deliberations to the Board of Directors and the Executive Committee as necessary.

6. Sustainability Promotion Committee

The Company has established a Sustainability Promotion Committee, chaired by the President and composed of directors and executive officers. The Committee promotes sustainability-related initiatives and works to enhance corporate value on a sustainable basis. It monitors the progress of these initiatives and reports the results to the Board of Directors and the Executive Committee as necessary.

7. Internal audits

The Internal Auditing Department (seven members as of June 20, 2025) and other internal audit teams coordinate with the Company and its subsidiaries to conduct internal audits on the legitimacy, appropriateness, and efficiency of business execution, and on possible management risks.

8. Accounting audits

The Company engages Deloitte Touche Tohmatsu LLC as its accounting auditor under the Companies Act and for accounting audits under the Financial Instruments and Exchange Act. There is no special interest between the Company and said auditing firm or the employees of said auditing firm who are engaged in the audits. The Company has entered an audit contract with said auditing firm for audits under the Companies Act and the Financial Instruments and Exchange Act and pays remuneration based on the contract.

3. Reasons for selecting the current corporate governance system

The Company became a company with an Audit & Supervisory Committee upon approval at the 69th Annual General Meeting of Shareholders held on June 15, 2016. Each director (including directors who are Audit & Supervisory Committee members) performs his or her duties as a member of the Board of Directors in a free and independent manner with respect to decision-making and the execution of duties. In addition, the Company has established a system to ensure sufficient and active discussion at meetings of the Board of Directors. Moreover, three outside directors who are Audit & Supervisory Committee members, along with one outside director who is not an Audit & Supervisory Committee member, conduct objective and rational audits and provide oversight to ensure the legality and appropriateness of business execution from an external perspective. The Company believes this structure fully fulfills its management oversight function.

III Implementation of measures involving shareholders and other stakeholders

1. Measures to energize General Meetings of Shareholders and promote the smooth exercise of voting rights

	Supplementary explanation
Scheduling of Annual General Meeting of Shareholders to avoid overlap with other companies	We strive to set dates that avoid overlap with other companies.
Allowing electronic exercise of voting rights by electromagnetic means	We have implemented electronic voting.
Measures to improve the voting environment for institutional investors, including participation in electronic voting platforms	We participate in electronic voting platforms.
Providing Convocation Notice (Summary) in English	We provide endless translations of convocation notices, business reports, financial statements, etc. on our website, TDnet, and the electronic voting platform.

2. IR activities

	Supplementary explanation	Explanation by representative
Preparation and publication of disclosure policy	We have established an IR policy and disclose our basic stance on information disclosure through our website. https://www.chori.co.jp/english/ir/management/policy.html	
Regular briefings for individual investors	We participate in company briefings, etc., for individual investors to explain the status of the Company, etc.	Provided
Regular briefings for analysts and institutional investors	We hold financial results briefings for analysts and institutional investors following the announcement of interim and full-year financial results.	Provided
Posting of IR materials on the Company's website	We post Annual Securities Reports, financial results summaries (including highlights), timely disclosure information, financial results briefing materials for analysts and institutional investors, communication reports (Tsumugu Report), etc., to our website. IR Library: https://www.chori.co.jp/english/ir/library/ IR information: https://www.chori.co.jp/english/ir/news/	
Establishment of IR department (staff)	We have established an Investor Relations and Public Relations Section in our Corporate Management Department.	

3. Measures to ensure due respect for stakeholders

	Supplementary explanation
Stipulation of internal rules for respecting the position of stakeholders	<p>In addition to clearly stating the need for respecting the position of shareholders in our Guidelines for Corporate Behavior, we have also established a Behavior Manual and are working to ensure thorough awareness throughout the Company via training and other means.</p> <p>The Company has also established the “Basic Policy on Promoting Dialogue with Stakeholders” and actively engages in dialogue with a wide range of stakeholders. https://www.chori.co.jp/english/sustainability/strategy.html</p>
Environmental protection, CSR, and related activities	<p>We have established an environmental policy and are working to establish and structurally improve our environmental management system and to educate and enlighten all employees about it. We have also obtained ISO 14001 certification and are working to maintain and improve it.</p> <p>In addition, based on our corporate philosophy, we have established the Chori Group Social Contribution Activity Policy with the aim of being a company that coexists with society, realizing the well-being of stakeholders and a sustainable, prosperous society through social contribution activities. https://www.chori.co.jp/english/sustainability/social/contribution.html</p>
Formulation of policies, etc., related to the provision of information to stakeholders	<p>We have established an IR policy and disclose our basic stance on information disclosure through our website. https://www.chori.co.jp/english/ir/management/policy.html</p>
Other	<p>[Chori Health Declaration]</p> <p>Realizing the importance of sound corporate management based on the physical and mental health of our employees and their families, we have formulated a “Health Declaration” to promote efforts to realize “health management.”</p> <p><Health Declaration></p> <p>Based on the recognition that every employee of the Chori Group is an important and irreplaceable management resource, Chori declares its promotion of health management as follows.</p> <ol style="list-style-type: none"> 1. Enhancement of awareness of the health of employees Chori believes that the health of its employees and their families is significant to the success of its business and that the vitality of its employees translates into the vitality of the Company. Based on this belief, we strive on an ongoing basis to enhance awareness of the health of our employees. 2. Approach to health and productivity management Chori actively supports and promotes initiatives that help maintain and improve the health of its employees and their families with the goal of realizing health and productivity management. 3. Responsibility to society and the future Chori will do what is necessary to ensure the health of its employees and achieve sound corporate management. In so doing, we will make a difference to society and realize sustainable growth. https://www.chori.co.jp/english/sustainability/social/health/declaration.html <p>[Promotion of women’s participation and advancement in the workplace]</p> <p>As part of “promotion of ESG management,” one of the basic strategies in our medium-term management plan, we are focusing on human resource development. As part of this effort, we are promoting the development and promotion of women. We are still in the process of creating an environment conducive to women’s participation in the workforce, and are promoting initiatives to further expand opportunities for women to play an active role in the future.</p>

IV Items related to internal control systems

1. Basic approach to internal control systems and the status of system implementation

"Basic Policy on the Internal Control System"

The Chori Group has established a system (the "Internal Control System") to ensure the appropriateness of business operations, with the aim of achieving sound corporate management and sustainable growth. We review and improve it in response to changes in the Chori Group's business operations and the surrounding environment.

1. System to Ensure that the Directors and Employees of the Group Execute their Duties in Compliance with Laws and Regulations and the Articles of Incorporation

- Rules concerning compliance systems such as the Guidelines for Corporate Behavior shall be established to set compliance with laws and regulations and social ethics as a code of conduct of our business.
- The Company shall acknowledge its corporate social responsibilities and sever and eliminate relations with antisocial forces and groups that threaten social order and security.
- In order to make all of the Directors, Executive Officers and employees of the Group fully aware of the initiatives for compliance, Corporate Divisions shall collaborate to hold compliance training and other training programs.
- The Legal Compliance Committee with the President as a chairman shall be established to discuss important matters regarding compliance of the Group and report the results to the Board of Directors and the Executive Committee as necessary.
- Directors and Executive Officers who are in charge of business operations are responsible for analyzing compliance matters unique to each operation of the Group and shall develop specific measures for them.
- Internal control system to ensure the reliability of financial reporting, based on the Internal Control Rules, shall be established and operated accordingly.
- The Governance Committee shall be established as an advisory body for the Board of Directors. The Governance Committee shall deliberate on matters related to the nomination and compensation of Directors and Executive Officers and determine policies, original plans, etc., in order to ensure objectivity and transparency regarding the nomination, compensation, etc. of Directors.
- The Internal Auditing Department shall conduct audits on the status of compliance of the Group based on the Internal Audit Rules, and its activities will be reported to the Board of Directors and the Audit & Supervisory Committee on a regular basis.
- An internal whistleblower system, where Directors, Executive Officers and employees of the Group can provide information directly to the Legal Compliance Committee, the lawyer in charge at the law firm with which the Company has concluded an advisory agreement, the Audit & Supervisory Committee and a lawyer who has no conflict of interest with the Company, shall be set up, and prevention of disadvantageous treatment on the grounds of the provision of such information shall be ensured.
- For violations of laws and regulations, the Articles of Incorporation, and internal regulations and rules, specific punishment shall be determined by the Board of Directors and the Executive Committee through discussion at the Disciplinary Committee.

2. System for Storage and Management of Information related to the Execution of Duties of the Company's Directors

- The storage and management of the minutes of meetings, approval request documents, financial information and other important documents and information related to decision-making on business shall be prescribed in the Document Management Rules and other internal rules. Each of the said documents shall be recorded and stored in the form of paper or electromagnetic media (hereinafter the "documentations").
- Such documentations shall be kept accessible by Directors and Executive Officers whenever necessary.
- The Company shall clearly assign personnel who are responsible for the management of documentations recorded and stored by electromagnetic means in order to thoroughly control such documentations and take measures for the prevention of unauthorized access from outside the Group.

3. Rules or any other Systems of the Group for Management of Risk of Loss

- The Company shall identify potential risks in business activities of the Group, make efforts to reduce the level of such risks and prevent the occurrence of risk events, as well as develop a system to promptly respond and take appropriate actions in case of the occurrence of risk events.
- The Risk Management Rules, the Credit Management Rules, the Rules for Information Security Management, the Rules for Protection and Management of Personal Information and other rules shall be established in a respective department in charge and be fully understood by all through training and the preparation and distribution of manuals. Those rules shall be continuously reviewed and revised.
- Corporate Divisions and Business Administration Departments shall collaborate in monitoring the status of the Group's risks and responding to risks.
- For newly identified risks, departments shall be promptly assigned to be responsible for said risk management and appropriate measures shall be taken.

4. System to Ensure the Efficient Execution of Duties by the Company's Directors (excluding Directors on the Audit & Supervisory Committee Members)

- The Authority Rules shall be established as rules for decision-making, in which decision authorities held by each position, such as the Board of Directors and the President, shall be clearly stated.
- The Governance Committee shall periodically deliberate and confirm the effectiveness of the Board of Directors as a whole.
- The Executive Committee comprising Executive Officers shall be set up as a body that deliberates matters to be discussed at the Board of Directors and matters specified for decisions by the President, for efficient execution of duties.
- The Board of Directors shall consist of Directors, including Directors on the Audit & Supervisory Committee Members, and divide business execution duties to each Director and Executive Officer, and such Executive Directors and Executive Officers shall manage and supervise their relevant departments and subsidiaries in accordance with the Rules for Division of Duties.
- The Group's goals that shall be shared among all Executive Directors, Executive Officers, and employees shall be developed, and each department and subsidiary shall set up respective operational targets and budgets to meet said goals and conduct performance management on a timely basis.
- The Board of Directors and the Executive Committee shall analyze monthly performance and take measures for improvement.
- The operational and clerical efficiency improvement and expense rationalization project shall be established to promote the vitalization and efficiency of any business operation.

5. System to Ensure the Proper Operations of the Company Group, comprising the Group as well as its Parent Company

- The Subsidiaries and Associates Management Rules and the Overseas Branches Management Rules shall be established for the purpose of ensuring consistency in operations and efficient business execution while respecting the autonomy of management of subsidiaries.
- Executive Directors, Executive Officers, each Senior Manager, and each Department Manager shall develop and operate a system

to ensure the appropriateness of business execution at subsidiaries associated with the business area of which they are in charge.

- In order to ensure the appropriateness of business execution at subsidiaries, a system shall be established under which the Company's prior approval shall be given and discussion held for important management matters based on relevant rules. In addition, a system shall be established for reporting performance regularly, or as necessary when important matters arise.

- The Internal Auditing Department shall conduct internal audits under the direct control of the President based on the Internal Auditing Rules regarding the legitimacy, propriety, and efficiency of business execution at each of the subsidiaries. The result will be reported to relevant departments and said departments will provide support and advice for guidance and implementation of measures for improvement as needed.

- The Governance Committee shall periodically deliberate on the status of transactions with Toray Industries, Inc., the Company's parent company, and ensure their appropriateness.

- Information exchange with Toray Industries, Inc., the Company's parent company, shall be carried out on a regular basis to understand issues on legal compliance and issues from the viewpoint of efficiency.

6. Matters regarding Employees who Assist the Duties of the Audit & Supervisory Committee, and the Independence of such Employees as well as Matters regarding Ensuring of Effectiveness of Instructions to such Employees

- Dedicated staff shall be assigned to assist with the duties of the Audit & Supervisory Committee. In addition, the Internal Auditing Department shall assist the Audit & Supervisory Committee.

- Dedicated staff of the Audit & Supervisory Committee and employees of the Internal Auditing Department who are requested to assist with the duties necessary for auditing shall perform such duties as instructed by Audit & Supervisory Committee Members and shall not be directed or ordered by Directors (excluding Directors on the Audit & Supervisory Committee Members), Executive Officers, or the Department Manager of the Internal Auditing Department.

- The Audit & Supervisory Committee shall be consulted in advance concerning the personnel change and evaluation of such dedicated staff and employees.

7. System to Report to the Company's Audit & Supervisory Committee by the Group's Directors (excluding Directors on the Audit & Supervisory Committee Members) and Employees, other Reporting System to the Audit & Supervisory Committee and System to Ensure that the Persons who Reported do not Receive Disadvantageous Treatment on the Grounds of such Reporting

- Executive Directors, Executive Officers, and employees of the Group shall report matters concerning the execution of duties upon requests from the Audit & Supervisory Committee.

- System shall be established for Audit & Supervisory Committee Members to attend the Board of Directors' meetings and other important meetings to understand material decision-making process as well as the status of execution of business.

- System shall be developed so that material matters concerning the performance status of internal auditing and risk management as well as important items concerning compliance will be reported to the Audit & Supervisory Committee in a timely manner, and it shall be ensured that the persons reporting such matters do not receive disadvantageous treatment on the grounds of such reporting to the Audit & Supervisory Committee.

8. Matters regarding Policy on Expenses Incurred for Execution of Duties of the Audit & Supervisory Committee and Other Systems to Ensure that Audits by the Audit & Supervisory Committee are Effective

- Based on the audit policies and plans prescribed by the Audit & Supervisory Committee, Audit & Supervisory Committee Members shall conduct individual meetings with each Director (excluding Directors on the Audit & Supervisory Committee Members), Executive Officer, and important employee, and set up regular opportunities to exchange information with the President.

- System shall be ensured so that the Audit & Supervisory Committee can appoint, as needed, lawyers, certified public accountants, and other experts such as external advisers to seek advice on performing audits.

- When the Audit & Supervisory Committee requests advance payment or reimbursement of the necessary expenses for executing its duties, such expenses or debts shall be promptly paid or reimbursed.

2. Basic approach to eliminating antisocial forces, and status of related measures

We clearly state in our Guidelines for Corporate Behavior and the Chori Behavior Manual, which are thoroughly implemented by all officers and employees, that we will resolutely confront antisocial forces. The Human Resources & General Affairs Department is the department responsible for coordinating with external specialist bodies, including the police, to collect and manage information on antisocial forces, providing related information and raising awareness within the Company.

1. Adoption of anti-takeover measures

Adoption of anti-takeover measures

None

Supplementary explanation of the items in question

2. Other items related to corporate governance systems

[Overview of timely disclosure system]

1. Basic stance on information disclosure

The Company will disclose information in accordance with the relevant laws and regulations of the Financial Instruments and Exchange Act and the timely disclosure rules set forth by the Tokyo Stock Exchange, while striving to give equal access to such disclosures to all market participants.

2. Information aggregation and management

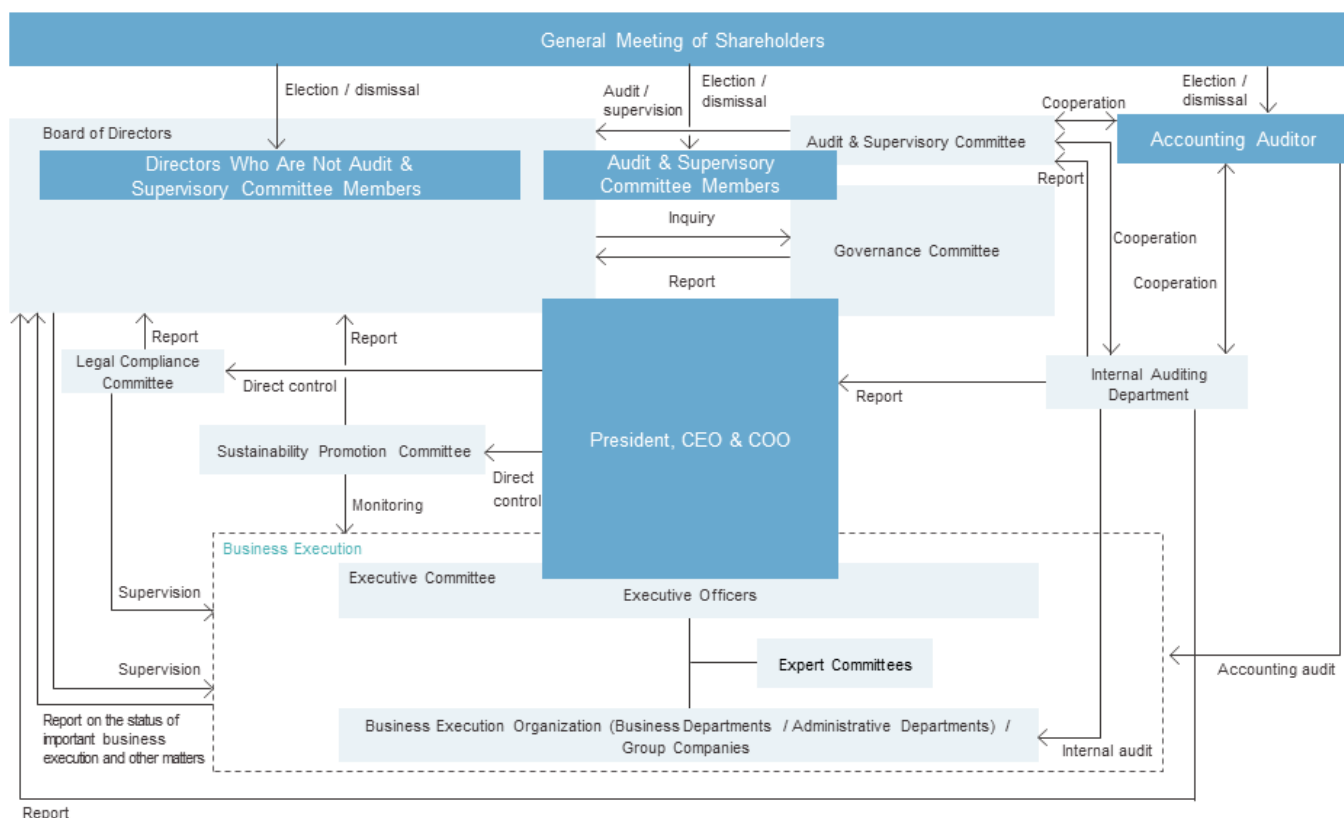
The Corporate Management Department aggregates information from the departments in charge of that information, and the Timely Disclosure Subcommittee (established as a subordinate body of the Legal Compliance Committee and chaired by the general manager of the Corporate Planning Division, who is the director in charge of information handling), which has as its secretariat the Corporate Management Department in a supervisory role, reviews the information and presents it to the Board of Directors.

In addition, the Company works to prevent insider trading based on the Insider Trading Prevention Regulations and has established guidelines for information disclosure in its "Chori Behavior Manual."

3. Information disclosure

The Timely Disclosure Subcommittee determines the materiality of the information and the need for timely disclosure in accordance with the rules and regulations of the Tokyo Stock Exchange. The Company discloses decisions and financial information on TDnet without delay after approval by the Board of Directors, along with information on other occurrences. In addition, the Company strives to provide fair and impartial information by posting publicly announced corporate information on its own website.

Corporate Governance Structure



Report