

CSR Activity Report (CSR Guideline Activity Reports)

Risk Management

Under normal conditions, assess and analyze risks, and strive to mitigate and prevent them from materializing; and in the event of a crisis that could have a significant impact on management activities, strive to prevent damage from increasing, by bringing the situation quickly under control and normalizing conditions with a prompt and appropriate response



Basic Approach

Toray Group regularly identifies potential management risks affecting the Group's management activities in order to mitigate risks and seeks to prevent a crisis. In addition, the Group strives to prevent damage from spreading and to promptly control and normalize the situation by ensuring quick and appropriate responses using the emergency quick response system it has established.

Structure

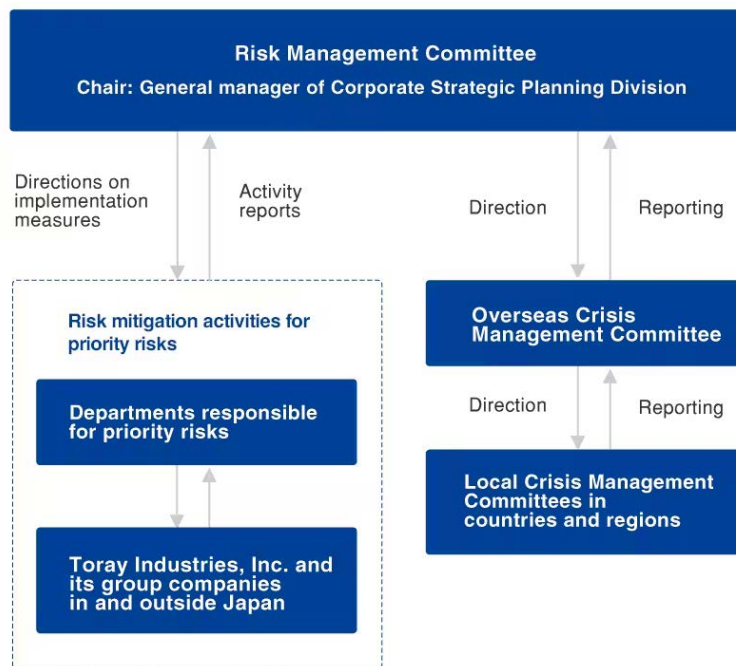
The risks affecting Toray Group are constantly changing, and the Group recognizes the critical importance of reinforcing its system for responding to risks that materialize suddenly due to changes in the surrounding environment and for responding promptly when crises do occur. To this end, Toray Industries, Inc. established a dedicated team within the Corporate Strategic Planning Division to communicate closely with the Board of Directors and top management and to pursue risk management as an integral part of management strategy. This team manages overall risk under normal conditions and ensures a quick response when crises do occur.

The general manager of the Corporate Strategic Planning Division regularly reports on the status of risk management to the Board of Directors and makes certain to inform the Board when a critical issue or emergency arises. In April 2021, a new department to deal with economic security risks was also established within the Corporate Strategic Planning Division. It is working to gather information both in and outside the Company and mitigate risks.

Structure of the Risk Management Committee

Chaired by the general manager of the Corporate Strategic Planning Division,¹ the Risk Management Committee is tasked with reviewing, discussing and promoting shared awareness of risk management across the entire Toray Group. This committee primarily carries out priority risk mitigation activities as part of regular risk management. In addition, the Overseas Crisis Management Committee and local crisis management committees, which manage employees' overseas travel under normal conditions and compile information on overseas risks, have also been made subordinate to the Risk Management Committee. The committee keeps the Board of Directors regularly informed about the contents of its discussions and reporting matters.

Risk Management Committee System

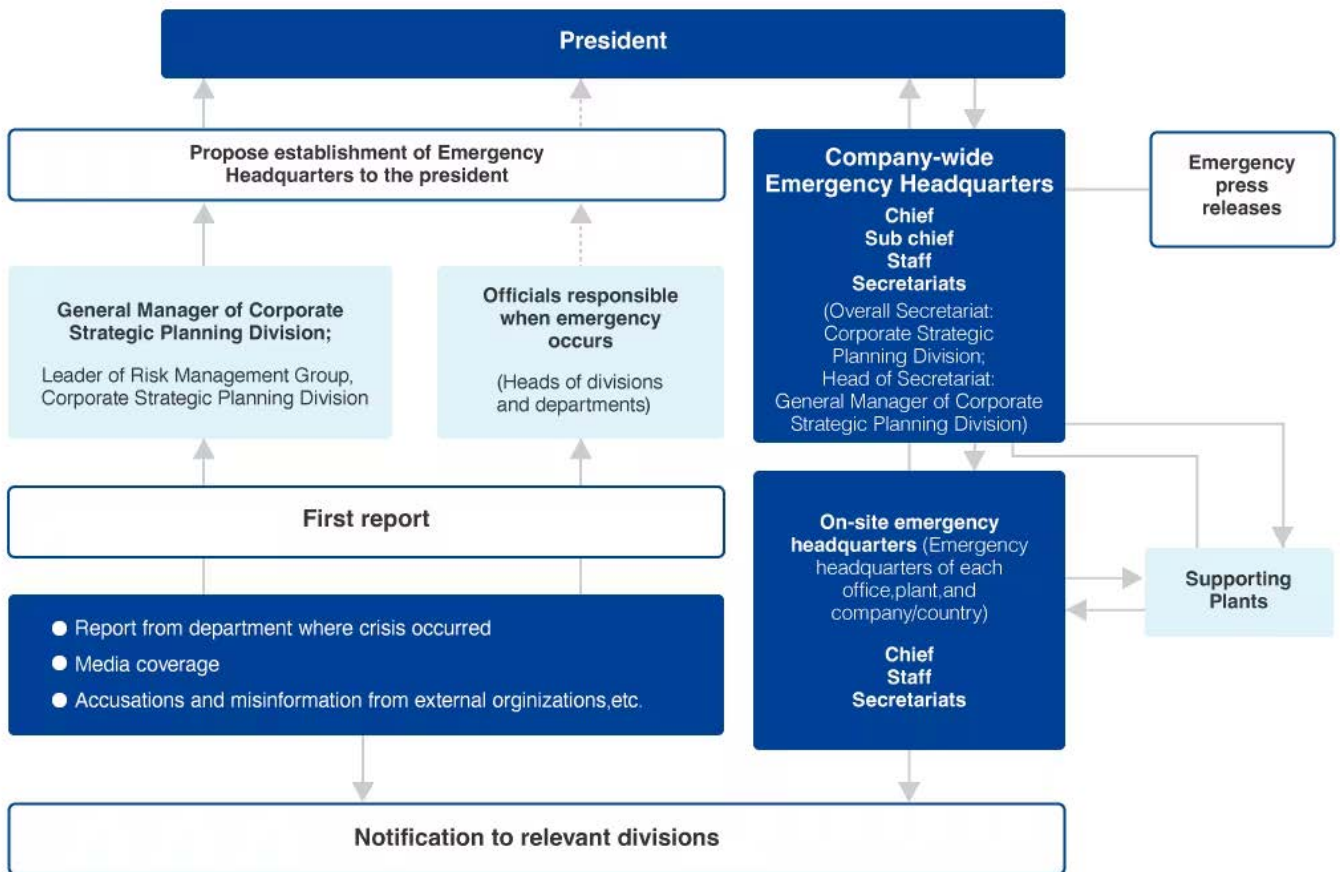


¹ As of July 2023, a senior vice president (member of the board) serves as the Risk Management Committee Chair.

Strengthening the Emergency Quick Response System

Toray Group has established Risk Management Regulations, a set of clear fundamental principles that form the basis of a company-wide response in the event of a major crisis. The Group works to ensure the thorough implementation of these rules when required. Moreover, the Group reviews the rules as appropriate to prepare for new risks that emerge due to changes in the social environment. In order to ensure quick management decisions especially in the event of a crisis, Toray Group has clarified the reporting channel from a department where a crisis has occurred, covering group companies in and outside of Japan.

Emergency Quick Response System



CSR Roadmap 2022 Targets

CSR Roadmap goals

1. Strengthen corporate risk management throughout the Toray Group and mitigate risks
2. Instill greater risk management among employees by rolling out risk management education throughout the Toray Group

Main Initiatives and Key Performance Indicators

KPI

(1) Follow up on Toray's priority risks	5-①
(2) Conduct periodic risk management (priority risk mitigation activities through a three-year cycle) and routine risk management (observing trends in and outside Japan, and establish a group-wide system to respond to risks that may have a significant impact on management, as identified through research and analysis, as "specified risks"); and in the event of a group-wide crisis, respond appropriately in accordance with the Risk Management Regulations	-
(3) Regarding major earthquakes in Japan, prepare and regularly review business continuity plans for key products, and conduct regular drills to establish a group-wide emergency response headquarters	-
(4) Regarding information security risks, monitor and bolster the contents of communications and enhance education and training on the risk of cyberattacks and information leakage	-
(5) Provide risk management education	5-②

Key Performance Indicator (KPI)	Target			Fiscal 2022 Result
	Fiscal 2020	Fiscal 2021	Fiscal 2022	
5-① Group companies conducting follow-up on the Toray Group's priority risks (%)	100%	100%	100%	100%
5-② Group companies implementing risk management education (%) achieved (compared to the plan at the beginning of the fiscal year)	100%	100%	100%	100%

Reporting scope : Toray Group

Related Materiality for CSR

- Strengthening Corporate Governance

* Click [here](#) for the Materiality View of CSR Roadmap 2025 (PDF:392.4KB).

[PDF](#)

Looking to the Future

Under its CSR Roadmap 2025, Toray Group set the following new goals:

1. Reduce risks by identifying and mitigating risks that affect the resolution of management issues across the Group
2. Enhance internal controls across the Group and raise the level of risk mitigation efforts
3. Instill greater risk management among employees by rolling out risk management education throughout the Toray Group

To achieve these goals, Toray Group will continue to periodically and routinely identify potential risks in management activities, prevent and mitigate risks, and prevent crises from ever occurring.

As part of its group-wide priority risk mitigation activities, Toray Group listed its fifth three-year set of priority risks in fiscal 2021, and has since promoted initiatives to address these priority risks, namely information security, global CSR procurement, and business continuity risks from water hazards. Toray Group completed confirmation of the current situation and established mitigation measures for business continuity risks from water hazards, thereby finishing the activities for that priority risk in fiscal 2021.

Although priority risk mitigation activities have in principle been carried out in three-year periods, in order to promote risk management that can help achieve management goals, the fifth three-year set of priority risks was ended one year ahead of schedule in fiscal 2022, at the same time as Project AP-G 2022, the Medium-Term Management Program covering the period from fiscal 2020 to fiscal 2022.

The risks listed under the fifth set of priority risks will still continue to be managed appropriately by relevant departments.

The sixth three-year set of priority risks is now in place for the period from fiscal 2023 to fiscal 2025, which coincides with the Group's current Medium-Term Management Program, Project AP-G 2025. Having specified the two priority risks, namely, crisis response risks based on the possibility of war and product supply disruption risk, Toray Group is working to mitigate these risks to help achieve the Management Program.

Click [here](#) for the main initiatives and KPIs for CSR Guideline No. 5 "Risk Management" during the CSR Roadmap 2025 period (fiscal 2023–2025).

[PDF](#)

Risk Management Initiatives

Basic System for Group-Wide Risk Management

CSR Roadmap 2022
Main Initiatives (1)(2)

Description of Activities

1. Periodic risk management (priority risk mitigation activities)

- (1) Toray Industries, Inc. exhaustively identifies group-wide risks (climate change, natural disasters, legal violations, scandals, etc.) and then pinpoints significant risks to address in a group-wide system. It does this by taking each risk identified and conducting quantitative analysis and assessment in a process of mapping based on the possibility of occurrence, degree of impact on the Company's management, and indicators of whether sufficient measures are already in place as well as qualitative analysis based on interviews with each department. Ultimately, priority risks are determined after consulting with the Risk Management Committee, which is chaired by the general manager of the Corporate Strategic Planning Division.
- (2) Priority risks are addressed with risk mitigation activities following the PDCA cycle over a three-year period.
- (3) In the fifth three-year set of priority risks (fiscal 2021–2023), information security, global CSR procurement, and business continuity risks from water hazard risks were selected. In order to promote risk management that can help achieve management goals, Toray Group terminated the fifth set of priority risks one year ahead of schedule in fiscal 2022 after establishing a system to promote risk mitigation and working out the details of relevant activities.
Currently, the sixth three-year set of priority risks is being implemented for the period from fiscal 2023 to fiscal 2025. Toray Group has set out the two priority risks—crisis response risks based on the possibility of war and product supply disruption risks—to help achieve the Group's current Medium-Term Management Program.
- (4) Toray Industries assigns a department responsible for each priority risk and integrates group-wide activities using a three-year road map for risk mitigation activities as well as an annual activity plan.
- (5) In addition, progress of the risk mitigation activities is monitored and the results of the annual activities for Toray Group overall are reported to the Risk Management Committee every year. Toray Industries discusses and establishes an annual activity plan for the next fiscal year that addresses the monitoring results and any new risks that have materialized due to changes in the environment.

Group companies conducting follow-up on the Toray Group's priority risks (%)

■ Reporting scope
Toray Group

■ Target in fiscal 2022
100%

Result in fiscal 2022

100%

2. Routine risk management (monitoring trends in and outside Japan, identifying, assessing and monitoring risks)

Toray Industries routinely monitors domestic and overseas trends and identifies risks that could have a major impact on Toray Group's management. When such risks are identified, the Company promptly develops a company-wide system to address them and takes the necessary group-wide countermeasures.

3. Response in the event of a crisis

Based on the Risk Management Regulations, a company-wide quick response system (Company-Wide Emergency Headquarters) is formed to respond to the crisis that has occurred.

Business and Other Risks

Toray Group has identified the following business and other risks, as noted in its annual securities reports.

- Crisis response risks based on the possibility of war
- Product supply disruption risk
- Risks related to product demand, market trends, and business plans
- Risks related to global business development
- Risks related to foreign currency, interest rate and securities market fluctuations
- Risks related to environmental issues such as climate change, water shortages, and resource depletion
- Risks related to natural disasters and accidents
- Risks related to human resource strategies
- Risk related to compliance
- Risks related to information security and cyber threats

Related Information

See the following page for information on each risk.

> [Business Risks](#)

Initiatives to Mitigate Global CSR Procurement Risk

CSR Roadmap 2022
Main Initiatives (1)(2)

Investigating a Survey Process Prioritizing High-risk Issues

The Toray Group CSR Procurement Policies were established as the Group's CSR policies related to procurement. Meanwhile, the Toray Group CSR Procurement Guidelines were implemented as activity guidelines for the entire supply chain, with which suppliers need to comply. In addition, the Group conducts the CSR Procurement Survey regularly with major suppliers and confirms that CSR initiatives are being implemented throughout the supply chain. After evaluating and analyzing the survey responses, Toray Industries asks suppliers with low scores to make improvements and follows up with such measures as facility visits.

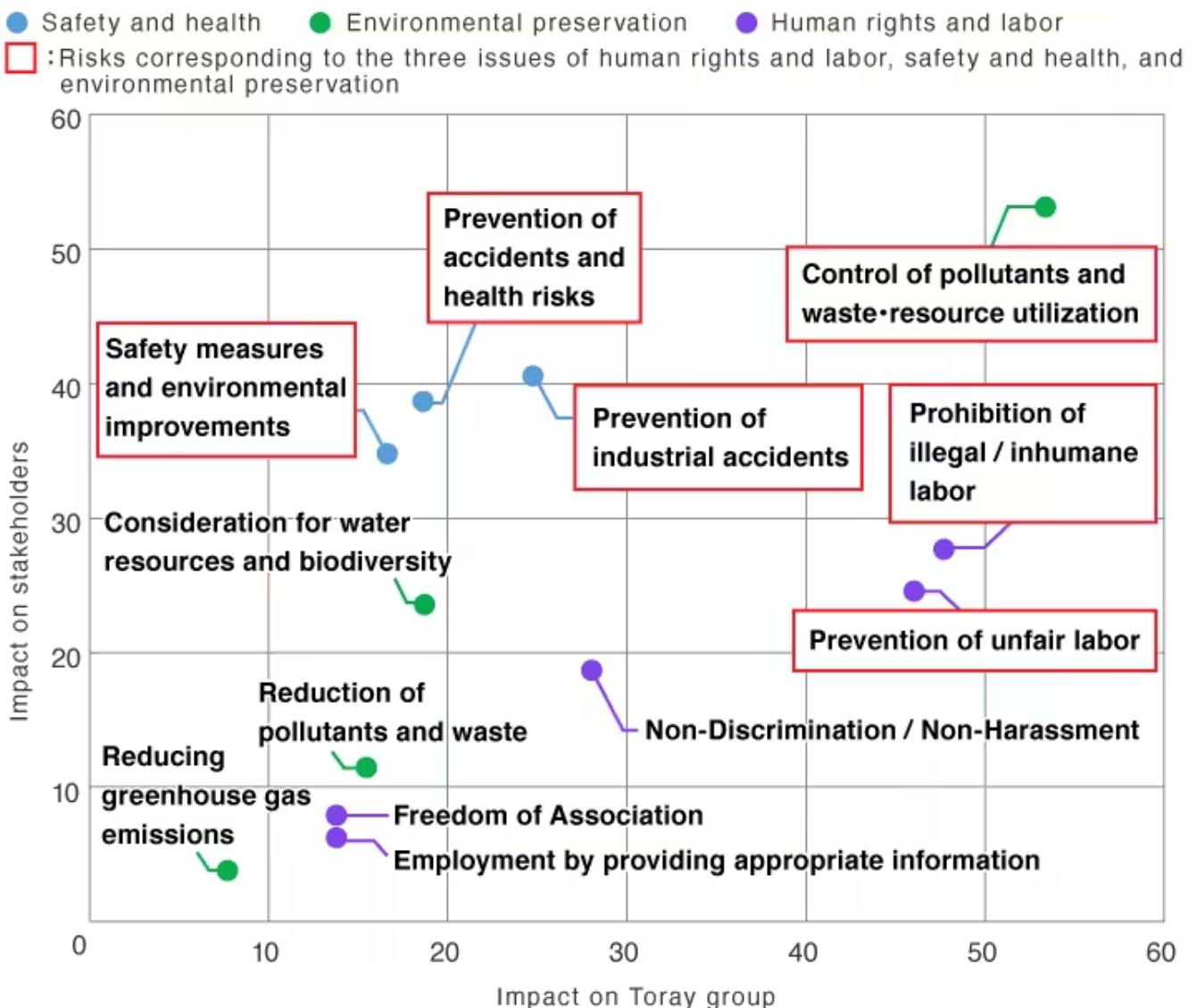
Moreover, in order to mitigate CSR procurement risk for the entire Group, Toray Industries has been investigating the adoption of a certain process. This process involves identifying important CSR procurement risk types corresponding to specific countries, regions, and industries, and those suppliers deemed to require risk investigation, auditing, and/or mitigation measure implementation.

This initiative was promoted in fiscal 2021 and fiscal 2022 as one of Toray Group's priority risks. In fiscal 2021, after identifying and prioritizing its CSR procurement risks, Toray Industries decided to focus on the three issues of human rights and labor, safety and health, and environmental preservation. Supplier survey questionnaires and an audit procedure manual were prepared for investigating suppliers.

In fiscal 2022, in order to verify the usability of the prepared questionnaires and audit procedure manual, Toray Industries conducted tests with the help of affiliated companies in Japan and overseas, and carried out investigations to establish the survey process. In order to identify the suppliers to be surveyed, a process was devised to narrow down the list based on factors such as supplier country (or region) and industry, using supplier information gathered from affiliated companies worldwide.

Going forward, Toray Industries will establish risk identification and investigation processes and conduct risk investigations of the selected suppliers. Whenever a risk is identified, the Company will conduct an audit and follow-up, in an effort to reduce CSR procurement risks for the entire Group.

CSR Procurement Risk Map



In order to foster employee awareness of risk management, Toray Group has set a KPI in its CSR Roadmap 2022 of the number of Group companies implementing risk management education. In fiscal 2022, the Group conducted risk management education, which included crisis response, for its new employees, newly appointed managers, and general managers. To prevent the spread of COVID-19, some training sessions were held remotely.

Group companies implementing risk management education (%) achieved (compared to the plan at the beginning of the fiscal year)

■Reporting scope	■Target in fiscal 2022
Toray Group	100%

Result in fiscal 2022

100%

Click [here](#) for the main initiatives for CSR Guideline 5, "Risk Management" in CSR Roadmap 2022.

CSR Activity Report (CSR Guideline Activity Reports) - Risk Management

Business Continuity Plan Initiatives

Ensuring Preparedness for Major Earthquakes

CSR Roadmap 2022
Main Initiatives (3)

Toray Group maintains a business continuity plan (BCP) in case of a major earthquake which was included in its fourth three-year set of priority risks (fiscal 2018–2020).

Toray Group's basic policy when ensuring business continuity in the event of a major earthquake is to meet its social responsibility to continue supplying products. The top priority of the plan is to confirm employees' safety and prevent any impact on the local community. In addition to striving to prevent the damage from expanding and to prevent any secondary damage, the Group works to continue the supply of key products and to restore business quickly. In line with this, the Group consistently carries out evacuation drills based on a scenario involving an earthquake, systematically renovates plant buildings for better seismic resistance, and devises business continuity plans.

In fiscal 2018, Toray Industries, Inc. created and began administering BCPs for key products selected from each business in accordance with the Procedures for Developing BCPs for Designated Key Products in the event of an earthquake. Group companies in and outside Japan did the same in fiscal 2019.

In addition, since fiscal 2012, Toray Group has continued to conduct company-wide drills on setting up an emergency response headquarters. In fiscal 2022, as in the previous year, in light of Toray Industries' enhanced network environment and the improved reliability of public network infrastructure, the Company conducted initial response drills online, on the assumption that a large number of employees could be working from home due to the suspension of transportation services and the outbreak of COVID-19. Toray Group will continue to strengthen its capacity to respond to earthquakes with training and other measures.

Handling Water Hazard Risks (Floods, Storm Surges, Etc.)

CSR Roadmap 2022
Main Initiatives (1)

In recent years, there has been an increasing trend of storm and flood disasters, such as typhoons and heavy rain, causing devastating damage. In light of this, business continuity risks from water hazard risks were included as part of the fifth three-year set of priority risks (fiscal 2021–2023).

With the aim of checking water hazard risks, starting in Japan, in fiscal 2020, Toray Industries developed its own Wind and Flood Damage Control Checklist based on the Wind and Flood Damage Control Guidelines for Hazardous Materials Facilities published by the Fire and Disaster Management Agency at the Ministry of Internal Affairs and Communications. Toray Industries and its group companies have been reinspecting wind and flood damage control measures at their manufacturing sites and have confirmed flooding areas and flood depths. In fiscal 2021, the Group proceeded to investigate water hazard risks at manufacturing sites outside Japan. Based on a survey targeting the worldwide production facilities of Toray Industries and its group companies (146 factories belonging to 89 companies), 40 of the plants surveyed (belonging 19 companies) were found to be in flood risk zones.

In response to the risks identified at these plants, the Group formulated a plan in fiscal 2021 to ensure the safety of human life and prevent secondary damage at the sites in flood risk zones, and is systematically promoting mitigation measures. These include moving evacuation sites to higher locations, raising the height of emergency generators, and conducting tsunami evacuation drills. Regarding Toray products deemed critical in the event of a large-scale earthquake, to help ensure their supply continuity, the BCP promotion department for each product concerned investigated water hazard risks at Group manufacturing sites and across the entire supply chain. Based on the results, the Group revised its BCP for critical products (earthquakes) and created a BCP for critical products (earthquakes and water hazards) that reflects new measures to mitigate flood risk. Based on the results of these activities, a decision was made to complete in 2021 the activities for the identified priority risk – business continuity risks from water hazards.

From fiscal 2022 to the end of fiscal 2024, Toray Industries is conducting a wind and flood disaster risk survey using an external program. The survey covers 13 plants in Japan, and the Company is promoting the program to further reduce these risks.

Related Information

See the following page for information on water stress areas and water resource management.

> [Initiatives for Managing Water Resources](#)

Click [here](#) for the main initiatives for CSR Guideline 5, “Risk Management” in CSR Roadmap 2022.

CSR Activity Report (CSR Guideline Activity Reports) - Risk Management

Addressing Information Security Risks

Addressing Information Security Risks

CSR Roadmap 2022
Main Initiatives (4)

Toray Group strives to protect and appropriately manage important technical information, confidential sales and marketing information, personal information, hardware and software in its possession. Accordingly, the Group has positioned information security as one of its priority risks, and is promoting increasingly comprehensive initiatives group-wide.

The Toray Group Information Security Steering Committee was established in fiscal 2022, chaired by the General Manager of the General Administration & Communications Division at Toray Industries.¹ This committee performs central management of information security across the Group, marking a change from security optimization on a company basis to a group-wide basis. In fiscal 2022, the Toray Group Information Security Basic Policy was also established by resolution of the Board of Directors. Under the supervision and management of this committee, Toray Industries ascertains the risk situation for the entire Group as well as the global trends, establishes group-wide security management standards, conducts follow-up on their adoption, and performs regular diagnostic security checks and monitoring, thereby ensuring and enhancing information security across Toray Group. In the event of an incident such as an information leak or a system outage due to a cyberattack, any department of Toray Industries or affiliated company that becomes aware of such an incident must report it to the General Manager of the General Administration & Communications Division within 24 hours. Toray Industries has systems and response procedures in place for contacting relevant parties in and outside the Company, depending on the scale of potential or actual damage, and for preventing the damage from spreading.

¹ As of July 2023, a senior vice president serves as general manager of the General Administration & Communications Division.

Toray Group Information Security Basic Policy: Established in April 2022

Toray Group prioritizes information security as an important management issue. In order to fulfill the Group's social responsibility, all officers and employees (including contract, part-time, and dispatched employees) take thorough measures based on the Information Security Basic Policy.

1. Ethics and compliance

We will prohibit ourselves from collecting, moving or using any information assets illegally in violation of the regulation or law where Toray group engages their duties.

2. Development and operation of systems and rules

In order to promote information security measures and to respond promptly to information leaks, we have established an information security system. We will establish a system and rules for security and apply them appropriately.

3. Protection of information

We will protect the information of our customers and the Toray group companies in accordance with the significance of risk. From the perspective of the protection of personal information, we will protect the personal information of our employees, customers, and Toray group companies from being used for any purpose other than its original intent.

4. Availability of information assets in support of business continuity

We will secure the availability of information assets necessary to pursue and fulfill our social responsibility.

5. Continuous Improvement and Maintenance of Information Security

We will continuously improve the information security management system by prioritizing identified issues, by continuously conducting risk analysis of emerging threats, changes to the business, and or the evolution of information technology.

Combating Cyber Attacks

CSR Roadmap 2022
Main Initiatives (4)

Toray Group is taking the following initiatives to respond to today's increasingly sophisticated cyberattacks.

1. Thoroughly implementing and enhancing existing initiatives

Standardizing and automating the settings and security measures for computers, servers, and communication equipment owned by the Group

2. Enhancing network security

(1) Constant monitoring and analysis of communications between the outside (Internet) and the corporate network, and within the corporate network

(2) Periodic external expert vulnerability assessments of connections with the outside (Internet) and reviews of appropriate responses

3. Enhancing education and training

Because IT measures alone may not be sufficient to address today's increasingly sophisticated cyberattacks, the Group also conducts education through regular e-learning (once a year) and several unannounced rounds of suspicious e-mail response training for all employees.

Prevent Employees from Leaking Confidential Information

CSR Roadmap 2022
Main Initiatives (4)

In addition to providing information security education for all employees on an annual basis, Toray Group conducts level-specific training for employees, including new employees and newly appointed managers. The aim is to improve security awareness and skills, while also thoroughly disseminating the Information Security Basic Policy. At the same time, an e-mail magazine is sent out regularly and a series on information security is carried in an in-house magazine to encourage the improvement of information security literacy among all employees.

Before removing a computer or smartphone from an office, for example, employees must receive permission from a manager. In addition, the actual device must be inspected monthly, and an inventory of assets is taken once every six months. Moreover, the Group has established approaches to dealing with the loss of such devices and other similar incidents, and has built channels for reporting and other mechanisms to minimize damage thereof.

Click [here](#) for the main initiatives for CSR Guideline 5, "Risk Management" in CSR Roadmap 2022.