

Fiscal 2019 CSR Activity Report

## Risk Management

Governance

**Under normal conditions, Toray Group focuses on mitigating risk and preventing crises from occurring. In the event of a crisis, the Group strives to prevent damage from increasing, by bringing the situation quickly under control and normalizing conditions with a prompt and appropriate response.**



### Basic Approach

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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

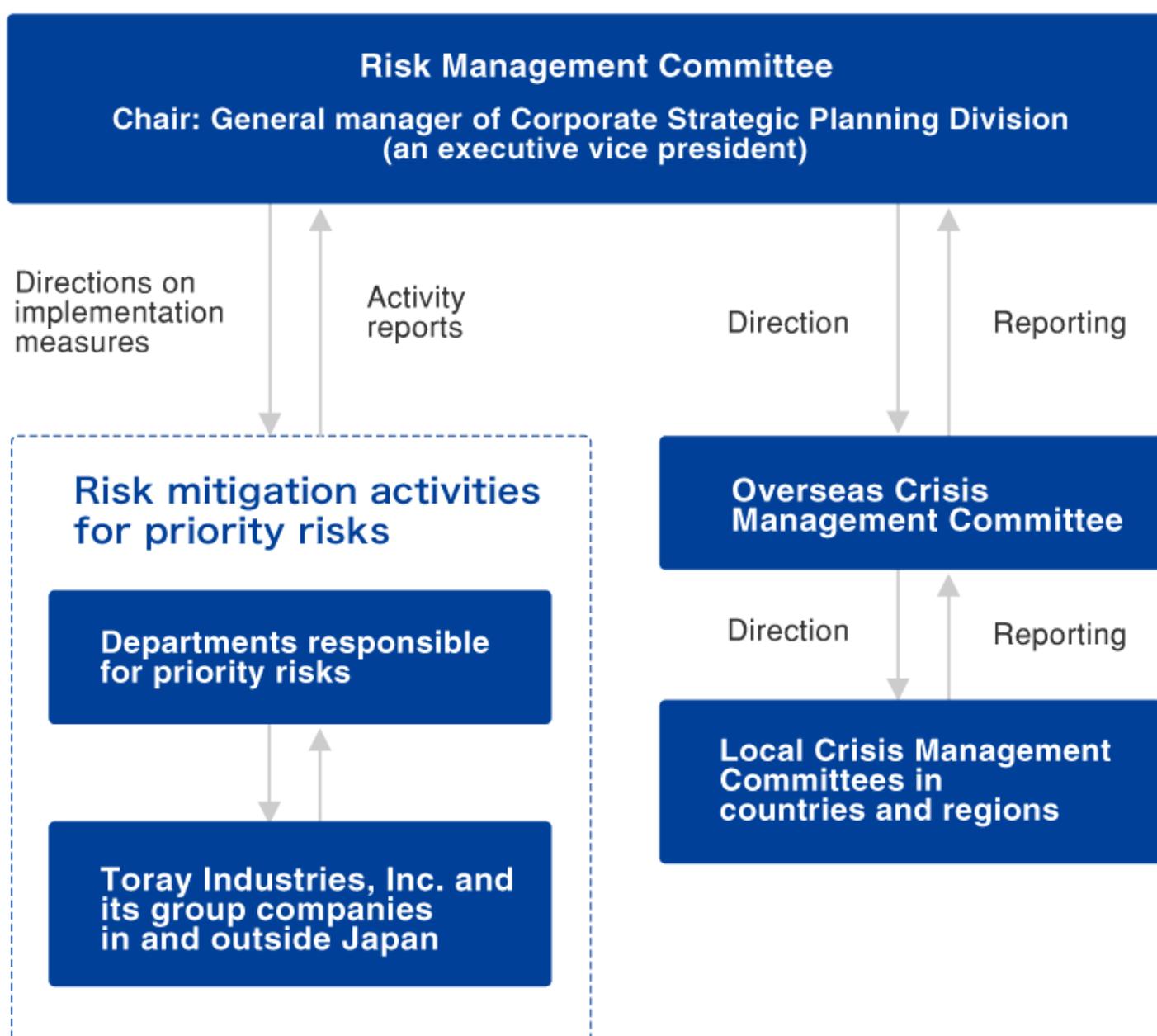
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The risks affecting Toray Group are constantly changing, and the Group recognizes the critical importance of reinforcing its system for responding to risks that materialize suddenly due to changes in the surrounding environment and for responding promptly when crises do occur. To this end, in April 2018, Toray Industries, Inc. established a dedicated team 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.

## Establishment of Risk Management Committee

In May 2018 Toray Industries established the Risk Management Committee, which is chaired by the general manager of the Corporate Strategic Planning Division (an executive vice president), tasking it 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 (As of June 2019)

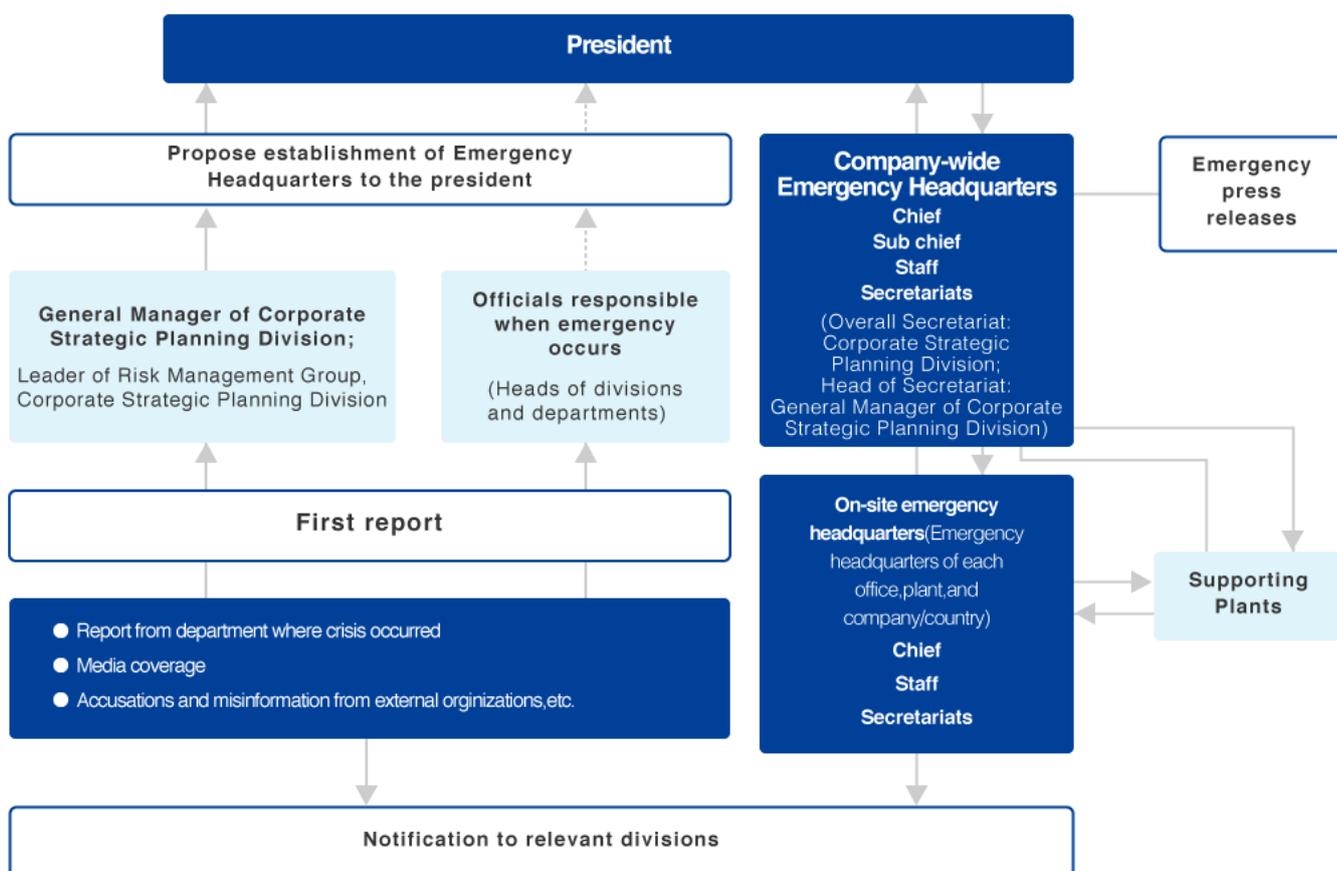


## Strengthening the Emergency Quick Response System

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. The Group recognized that the rapid spread of COVID-19, which emerged at the end of 2019, posed a serious risk to the health and safety of employees and the Group's business continuity. In accordance with its rapid response framework, the Group established a group-wide emergency headquarters on February 7, 2020, headed by an executive vice president. The emergency headquarters is steering the Group's response to COVID-19, implementing the following measures in accordance with the pandemic measures and directives issued by local and national governments in countries where the Group operates.

- Planning for and executing measures to secure the safety of employees
- Monitoring the health status of employees worldwide including in Japan, and responding appropriately to positive cases of COVID-19
- Providing appropriate assistance to Group companies, etc.

### Emergency Quick Response System (fiscal 2019)



# CSR Road Map Targets and Results

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## Strengthen corporate risk management throughout the Toray Group and mitigate risks

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■KPI

Group companies implementing continuous review of risk management (%)

■Reporting scope

Toray Group

■Target in fiscal 2019

100%

Result in fiscal 2019

**100%**

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## Instill greater risk management among employees by rolling out risk management education throughout the Toray Group

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■KPI

Group companies implementing risk management education (%)

■Reporting scope

Toray Group

■Target in fiscal 2019

100%

Result in fiscal 2019

**100%**

## Looking to the Future

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The road map goals are: (1) strengthening corporate risk management throughout Toray Group and mitigating risks; and (2) instilling greater risk management awareness among employees. To achieve these goals, the Group will periodically and routinely identify latent risks in management activities, prevent and mitigate risks, and prevent crises from ever occurring.

During the period of the 6th CSR Road Map, the Group established risk management regulations to form the basis for the risk management activities of group companies in and outside of Japan, and strengthened these activities. Additionally, the Group enhanced its information security including BCP for earthquakes and the cyberattack response, through the implementation of priority risk mitigation activities.

# Risk Management Initiatives

## Governance

### Basic System for Group-Wide Risk Management

- ▼ 1. Periodic risk management (priority risk mitigation activities)
- ▼ 2. Routine risk management (monitoring trends in and outside Japan, identifying, assessing and monitoring risks)
- ▼ 3. Response in the event of a crisis

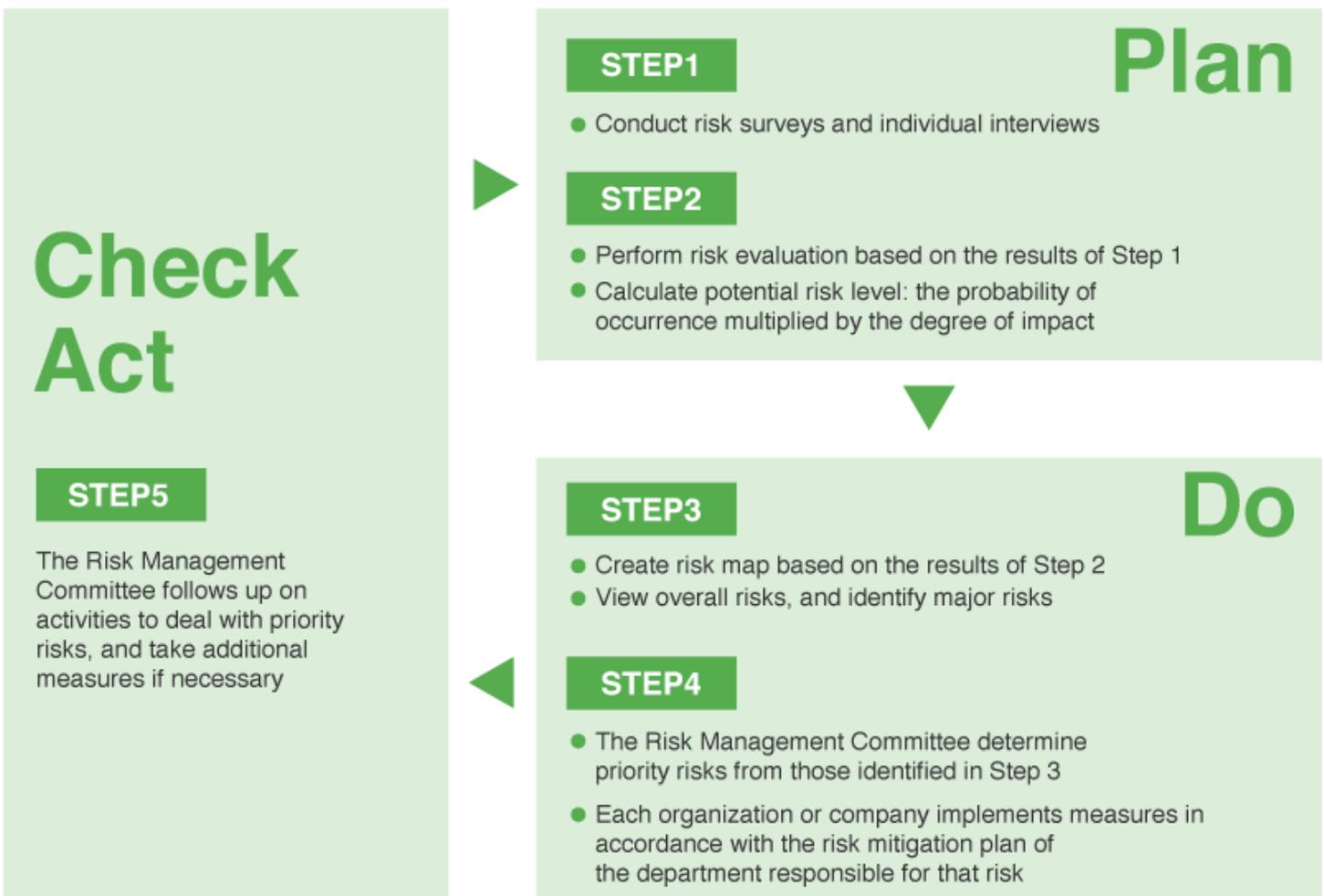
#### Description of Activities

##### 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 identifies important risks after carrying out an assessment to determine the relative importance of each risk. 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 (an executive vice president).

(2) Priority risks are addressed with risk mitigation activities following the PDCA cycle over a three-year period.

#### PDCA Cycle for Group-Wide Risk Management



(3) In the priority risk mitigation activities for the fourth cycle (fiscal 2018-2020), Toray Industries set quality management, earthquake response, information management and socially responsible procurement,<sup>1</sup> among others, as its priority risks. These efforts extend to the Group overall, including group companies in and outside Japan.

<sup>1</sup> For more information, please refer to “Facilitating CSR Initiatives Throughout the Supply Chain”

(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, the results of the annual activities for Toray Group overall are reported to the Risk Management Committee every year, and progress is monitored. 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 implementing continuous review of risk management (%)

■Reporting scope	■Target in fiscal 2019
Toray Group	100%

Result in fiscal 2019

**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

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

1. Domestic and overseas demand and product market trends
2. Fluctuations in fuel prices
3. Capital expenditures, joint ventures, alliances and acquisitions, etc.
4. Fluctuations in foreign currency, interest rate, and the securities market
5. Changes in assumptions on which forecasts are based that might affect employee retirement benefit obligations and deferred tax assets
6. Overseas operations
7. Product liability
8. Lawsuits
9. Laws and regulations, taxes, competition policies, and internal controls
10. Natural disasters and accidents
11. Information security risks
12. Environmental issues
13. COVID-19

## Risk Management Education for Employees

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In order to foster employee awareness of risk management, Toray Group has set a KPI in its Sixth CSR Roadmap of the number of Group companies implementing risk management education. In fiscal 2019, group education on risk management was provided to Toray Group's new employees, newly appointed managers, core managers, and group companies in and outside Japan.

### Group companies implementing risk management education (%)

■Reporting scope	■Target in fiscal 2019
Toray Group	100%

Result in fiscal 2019

**100%**

## Business Continuity Plan Initiatives

### Governance

### Ensuring Preparedness for Major Earthquakes

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Toray Group maintains a business continuity plan (BCP) for the event of a major earthquake, which has been identified as a priority risk to address.

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 2019, Toray Group companies in and outside Japan 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. In addition, Toray Group has continued to conduct company-wide drills on setting up an emergency response headquarters since fiscal 2012. Toray Group will continue to strengthen its capacity to respond to earthquakes with training and other measures.

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## Addressing Information Security Risks

Governance

### Addressing Information Security Risks

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Toray Group has formulated its Confidential Information Management Regulations and Regulations for the Management of Personal Information for the purpose of protecting confidential information and personal information owned by the Group and of appropriately managing the confidential information and personal information entrusted by suppliers and stored by the Group.

Based on these regulations, the Group established the Corporate Information Security Officer as the officer responsible for the entire Group. The Corporate Information Security Officer discusses and coordinates measures related to enhancing information security with related departments, and promotes their deployment. Under the Corporate Information Security Officer, the Group is working to enhance information security by defining the roles and responsibilities of each division and department, and by establishing an Information Security Committee in each department for their promotion.

In terms of the electronic information security sector, which has been faced with growing risk of late, the Group formulated the Electronic Information Security Standards based on the Confidential Information Management Regulations in order to appropriately manage intellectual property and to implement measures designed to prevent information leaks.

Moreover, each group company formulates basic rules in accordance with regulations and standards of Toray Industries, Inc., and promotes measures related to information security.

### Combating Cyber Attacks

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Along with thoroughly implementing and enhancing existing initiatives, such as standardizing and automating the settings and security measures of PCs owned by the Group, Toray Group is taking steps that include analyzing and monitoring the content of communications.

Because simply taking steps against increasingly sophisticated cyber-attacks from the stance of IT is insufficient, the Group also enhances education and training initiatives, which include conducting suspicious e-mail response training for all employees.

### Prevent Employees from Leaking Confidential Information

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In addition to providing information security education for all employees on an annual basis, Toray Group conducts grade-specific training for employees, including new employees and newly appointed managers, in aims of improving security awareness and skill-levels.

Before removing a computer or smartphone from an office, for example, employees must receive permission from a manager, and the actual device must be inspected monthly. Moreover, the Group has established approaches to dealing with the loss of such devices and other similar incidents, and has built mechanisms to minimize damage thereof.