![TORAY - Innovation by Chemistry]

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, 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, 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
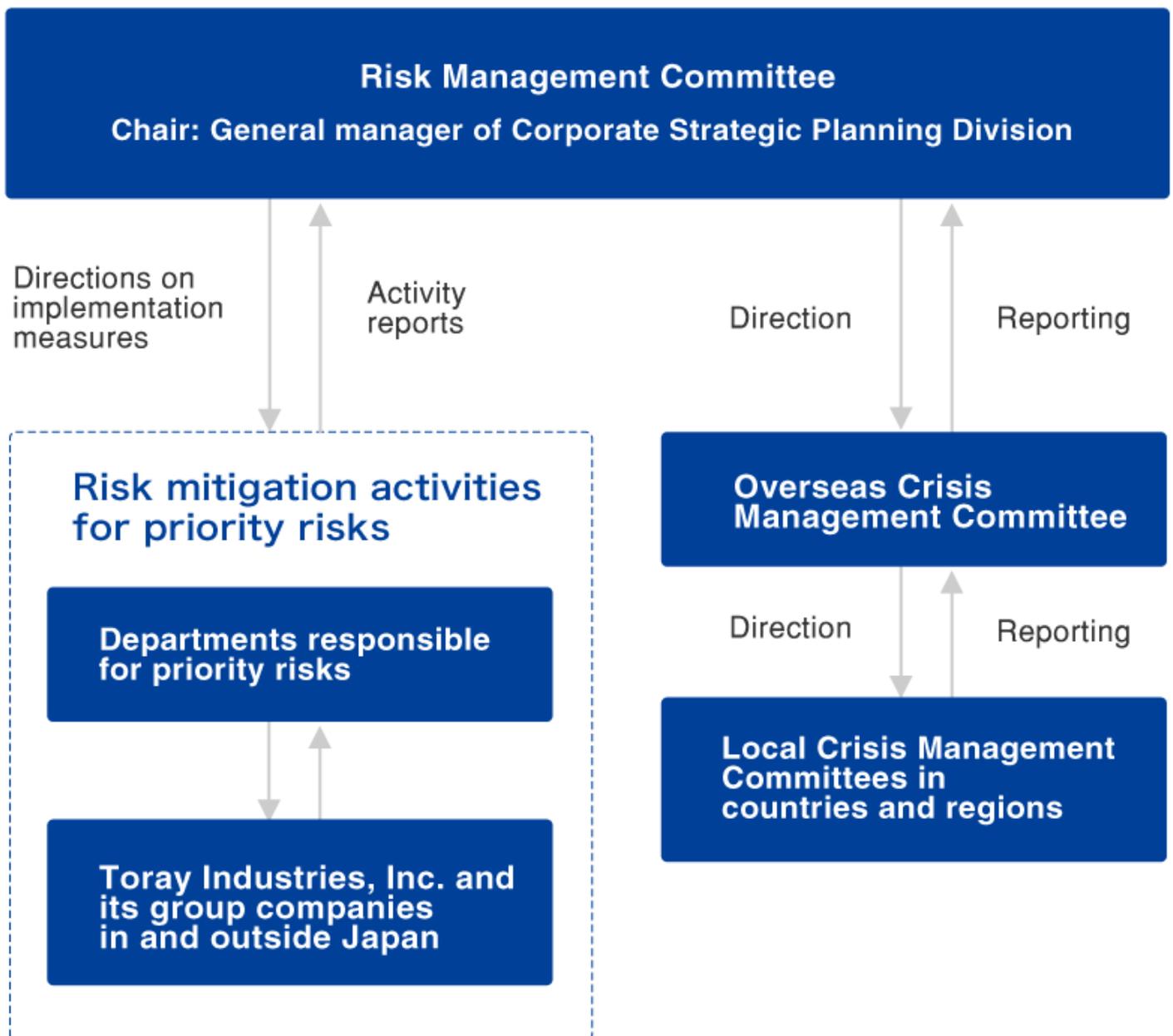
# Strengthening the Emergency Quick Response System

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 at the time by an executive vice president[1]. 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.

1 The headquarters is headed by a Senior Vice President (Member of the Board) as of July 2021.

Emergency Quick Response System
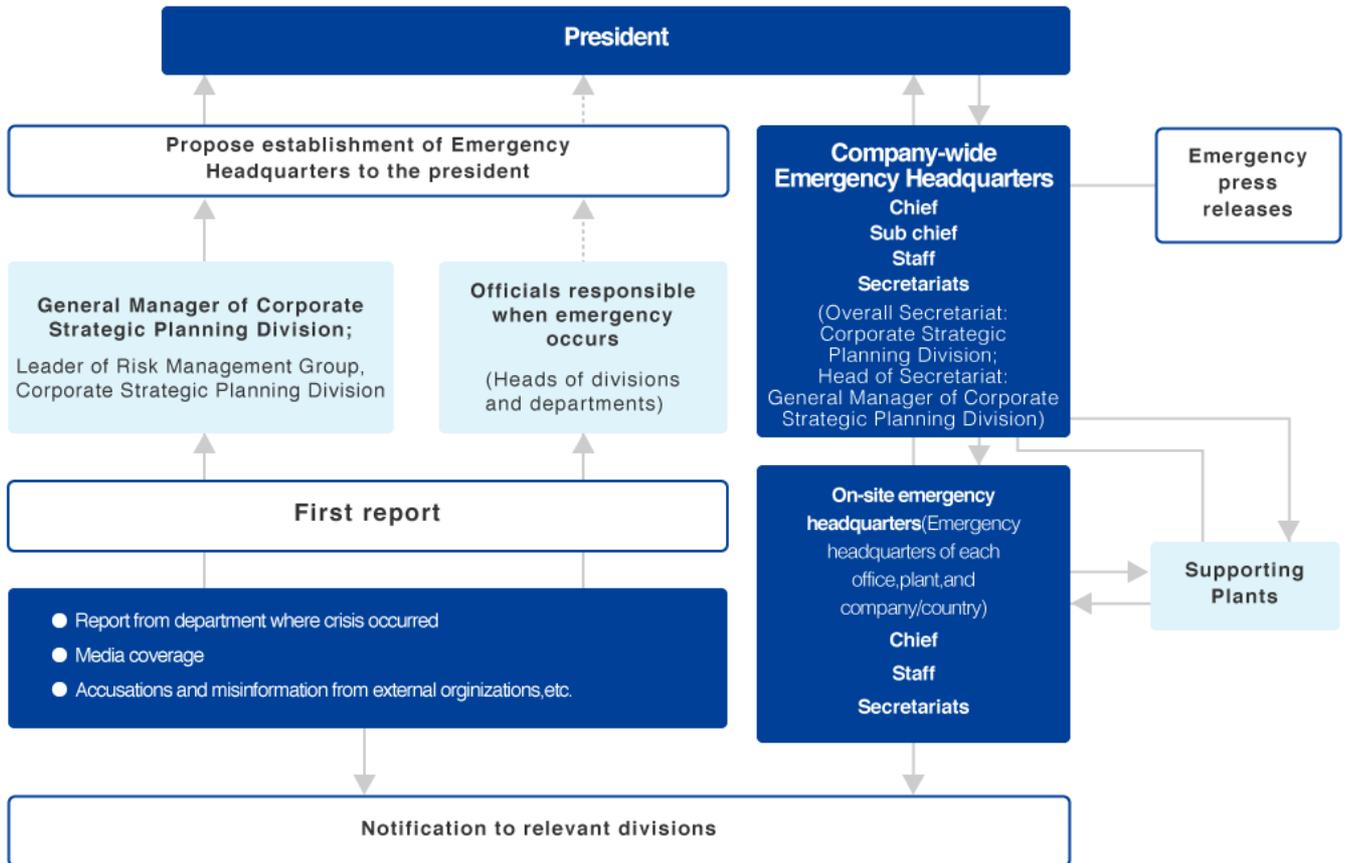
CSR Roadmap 2022 Targets

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
⑴ Follow up on Toray's priority risks	5-❶
⑵ 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	-
⑶ 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	-
⑷ Regarding information security risks, monitor and bolster the contents of communications and enhance education and training on the risk of cyberattacks and information leakage In addition, starting in fiscal 2021, designate information security risks as part of the fifth three-year set of priority risks for Toray Group, and accelerate more comprehensive initiatives.	-
⑸ Provide risk management education	5-❷

Key Performance Indicator (KPI)	Target			Fiscal 2020 Result
	Fiscal 2020	Fiscal 2021	Fiscal 2022	
5-❶ Group companies conducting follow-up on the Toray Group's priority risks (%)	100%	100%	100%	100%
5-❷ Group companies implementing risk management education (%) achieved compared to the plan at the beginning of the fiscal year)	100%	100%	100%	80%[2]

Reporting scope : Toray Group

2 Some group training sessions were postponed to prevent the spread of COVID-19.

Looking to the Future

CSR Roadmap 2022 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.

Based on the CSR Roadmap 2022, with regard to natural disasters, in fiscal 2020 the Group finished formulating a business continuity plan (BCP) that would take effect in the event of a large-scale earthquake. In addition, the Group has included water hazard risks caused by floods or other events in its fifth three-year set of priority risks, to be addressed from 2021 to 2023, in order to scrutinize the risks at each site and take appropriate measures if the risk is high. Since group-wide initiatives are also needed to tackle the risks in information security and global socially responsible procurement, the Group will continue to treat these as priority risks and take action to address them.

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

Risk Management Initiatives

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 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 cycle of mitigation activities for the fourth three-year set of priority risks (fiscal 2018-2020), Toray Industries set quality management, earthquake response, information management and socially responsible procurement[1], as priority risks. These efforts extend to the Group overall, including group companies in and outside Japan. In the fifth three-year set (fiscal 2021–2023), information security, socially responsible procurement, and water hazard countermeasures were selected.

[1] 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 conducting follow-up on the Toray Group's priority risks (%)

■Reporting scope
Toray Group

■Target in fiscal 2020
100%

Result in fiscal 2020

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.

1. Risks related to the COVID-19 infection
2. Risks related to environmental issues such as climate change, water shortages, and resource depletion
3. Risks related to domestic and overseas demand and market trends
4. Risks related to procurement of raw materials and fuel
5. Risks related to capital expenditures, joint ventures, alliances and acquisitions
6. Risks related to foreign currency, interest rate and securities market fluctuations
7. Risks related to changes in assumptions on which forecasts are based that might affect employee retirement benefit obligations and deferred tax assets
8. Risks related to global business development
9. Risks related to product liability
10. Risks related to lawsuits
11. Risks related to laws and regulations, taxes, competition policies and internal controls
12. Risks related to natural disasters and accidents
13. Risks related to information security and cyber threats

Risk Management Education for Employees

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 2020, group education on risk management was provided remotely to Toray Group's new employees, newly appointed managers, and group companies in and outside Japan by using a Web conference system. Some training sessions that could not be held remotely were postponed to prevent the spread of COVID-19.

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

■**Reporting scope**
Toray Group

■**Target in fiscal 2020**
100%

Result in fiscal 2020

80%[2]

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2 Some group training sessions were postponed to prevent the spread of COVID-19.

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

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 2020, 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.)

In recent years, storm and flood disaster, such as a typhoon and heavy rain, has been in an increasing trend ,causing devastating damage, especially in Japan. In light of this, the Risk Management Committee decided in fiscal 2020 to include business continuity risks from water hazard risks as part of the fifth three-year set of priority risks (fiscal 2021–2023).

Specifically, Tory 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 in March 2020. In fiscal 2020, Toray Industries and its group companies in Japan started reinspecting wind and flood damage control measures at manufacturing sites in Japan. In fiscal 2021, the companies will revise relevant measures, such as for ensuring the safety of employees and preventing secondary damage to the surrounding area, based on the issues identified in the re-inspection, and formulate a BCP for flood disasters.

In addition, Toray Group plans to investigate the risk of flood disasters at manufacturing sites outside Japan in fiscal 2021.

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

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, Toray Industries, Inc. established the position of Corporate Information Security Officer (held by the Senior Vice President, General Administration & Communications Division) as the officer responsible for the Toray Industries.

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.

Each group company in and outside Japan formulates basic rules in accordance with the regulations and standards of Toray Industries, Inc., and promotes measures related to information security. Moreover, information security has been included in the fifth three-year set of priority risks for Toray Group (fiscal 2021–2023), and more comprehensive initiatives will be taken group-wide. The plan for and progress regarding priority risks are reported to the Board of Directors on a regular basis.

Combating Cyber Attacks

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 of PCs 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 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

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. 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 mechanisms to minimize damage thereof.

Click here for the main initiatives for CSR Guideline 5, "Risk Management" in CSR Roadmap 2022.