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, 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

- Risk Management Committee
  Chair: General manager of Corporate Strategic Planning Division

- Risk mitigation activities for priority risks
  Departments responsible for priority risks
  Toray Industries, Inc. and its group companies in and outside Japan

- Overseas Crisis Management Committee

- Local Crisis Management Committees in countries and regions
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. The emergency headquarters has been creating and promoting measures to ensure the safety and health of employees and continued operations. This has been done in accordance with the pandemic measures and directives issued in countries where the Group operates.

1 The headquarters is headed by a Senior Vice President (Member of the Board) as of July 2022.

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

<table>
<thead>
<tr>
<th>KPI</th>
<th>5-1</th>
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<tbody>
<tr>
<td>1. Follow up on Toray’s priority risks</td>
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<tr>
<td>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</td>
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<tr>
<td>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</td>
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</table>
| 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  
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. |     |
| 5. Provide risk management education | 5-2 |
### 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.

The fifth three-year set of priority risks to be addressed over the three years from fiscal 2021 to 2023 are information security, global CSR procurement, and business continuity risks from water hazards. Initiatives to mitigate these risks are being promoted across the Group.

As part of this effort, Toray has completed confirmation of the current situation and established mitigation measures for business continuity risks from water hazards. Accordingly, these priority risk activities have been completed in fiscal 2021.

Although priority risk activities are to be conducted over a period of three years, the plan is to review these activities with the aim of engaging in risk management to achieve management goals. Specifically, in order to set priority risks for achieving the next Medium-term Management Program (fiscal 2023 to 2025), the current fifth three-year set of priority risks will be ended one year ahead of schedule, in fiscal 2022 instead of 2023. The plan is to carry out the sixth three-year set of priority risks from fiscal 2023 to 2025, to coincide with the next Medium-term Management Program period.
CSR Activity Report (CSR Guideline Activity Reports) - Risk Management

Risk Management Initiatives

Basic System for Group-Wide Risk Management

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 socially responsible procurement, and business continuity risks from water hazard risks were selected.

(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.

<table>
<thead>
<tr>
<th>Group companies conducting follow-up on the Toray Group’s priority risks (%)</th>
<th>Result in fiscal 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting scope</td>
<td>Target in fiscal 2021</td>
</tr>
<tr>
<td>Toray Group</td>
<td>100%</td>
</tr>
</tbody>
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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 environmental issues such as climate change, water shortages, and resource depletion
2. Risks related to internal controls
3. Risks related to product demand, market trends, and business plans
4. Risks related to procurement of raw materials and fuel
5. Risks related to information security and cyber threats
6. Risks related to the COVID-19 infection
7. Risks related to global business development
8. Risks related to natural disasters and accidents
9. Risks related to foreign currency, interest rate and securities market fluctuations
10. Risks related to lawsuits

Initiatives to Mitigate Global CSR Procurement Risk

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, a CSR Procurement Survey is regularly conducted targeting major suppliers to confirm that CSR initiatives are being implemented throughout the supply chain. After evaluating and analyzing the survey responses, Toray 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, starting in fiscal 2021, Toray has been investigating the adoption of a new priority risk identification process. This process involves identifying important CSR procurement risk types corresponding to specific countries, regions, and industries, and then picking out suppliers that require risk investigation, auditing, and/or mitigation measure implementation.

In fiscal 2021, Toray identified past cases of CSR risks that have materialized in supply chains worldwide. To do this, it used multiple databases created by an external consultant that has conducted global surveys and evaluations of ESG and corporate behavior risks. Toray also used information from these tools that help companies identify all types of risks, including those relating to operations and supply chains. Furthermore, using these CSR risk cases, Toray analyzed the potential degree of impact on stakeholders and Toray Group. It then prioritized the CSR risks and decided to focus on the three issues of human rights and labor, safety and health, and environmental preservation. Similarly, Toray investigated risk levels by country and region in order to identify specific suppliers to be surveyed.
Toray will continue to create supplier survey procedures and questionnaires, and to conduct trials, as it continues with investigation toward the establishment of a new survey process.
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 2021, the Group conducted risk management education for its new employees, newly appointed managers, and general managers. To prevent the spread of COVID-19, some training sessions were held remotely.

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</table>

Result in fiscal 2021

100%

Click here for the main initiatives for CSR Guideline 5, “Risk Management” in CSR Roadmap 2022.
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 2021, 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.)

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. 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.

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

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.

The Toray Group Information Security Basic Policy was established in April 2022. While strengthening governance, its purpose is to ensure appropriate management of confidential information across Toray Group in order to reduce information security risks such as data leaks.

As is the case at Toray Industries, each group company in and outside Japan also establishes various rules and promotes information security measures in accordance with the Toray Group Information Security Basic Policy. 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. Plans for addressing priority risks and progress reports on steps taken are reported to the Board of Directors on a regular basis.

1 As of July 2022, 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

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 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

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 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.