

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. 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, which is essential for the operation of the business. 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.

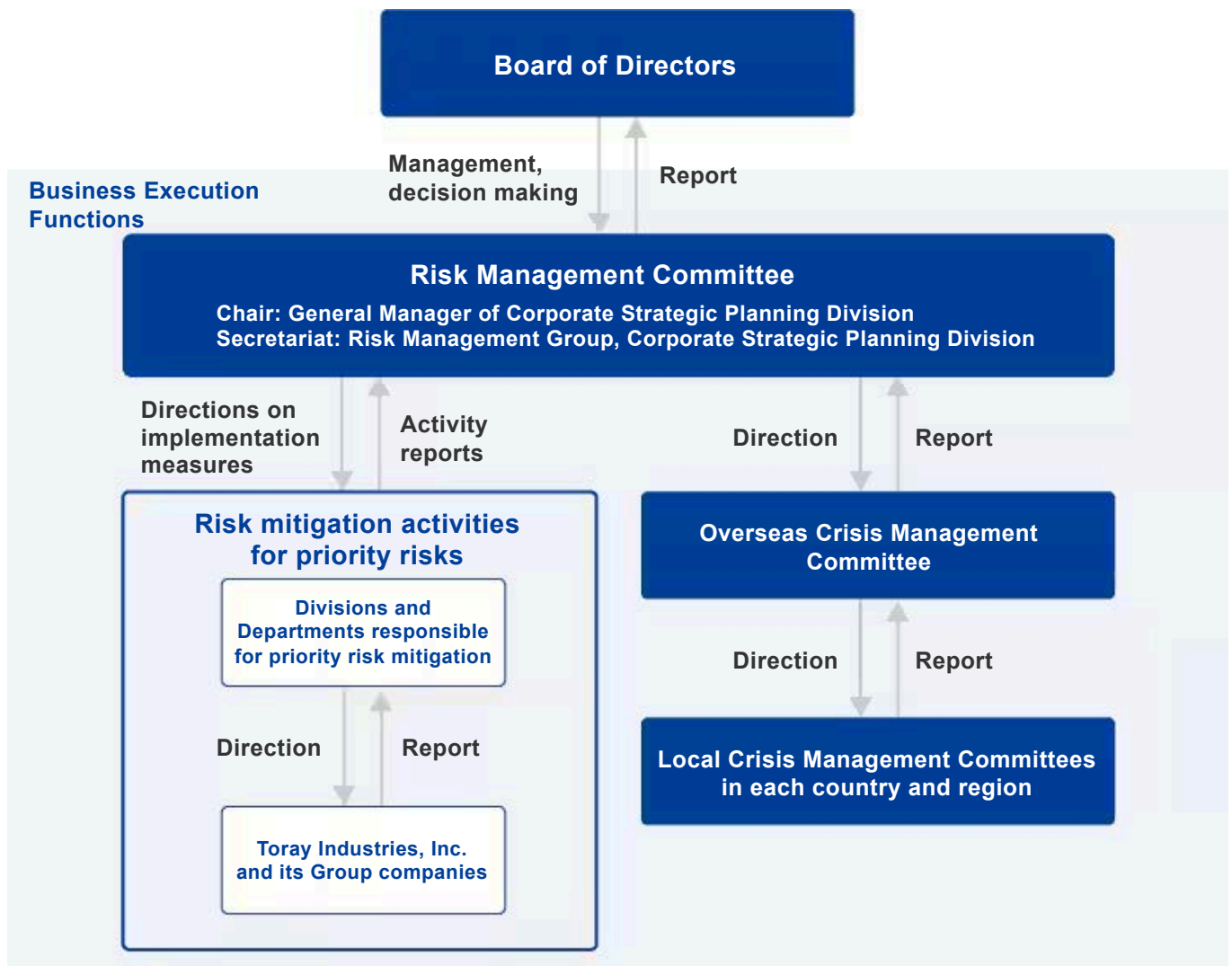
The general manager of the Corporate Strategic Planning Division regularly reports on the status of risk management to the Board of Directors and makes certain to inform the Board when a critical issue or emergency arises. In 2021, a new department to deal with economic security risks was also established 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 Division¹, 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 mitigation activities for Toray Group Priority Risks 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.

Discussions and reports from the Risk Management Committee are regularly reported to the Board of Directors. Moreover, the Risk Management Committee has been created in accordance with the Three Lines Model², a global standard for internal control. Specifically, the committee includes representatives of internal organizations representing the first line (i.e. business operation functions such as production, R&D, and sales), the second line (i.e. corporate functions), and the third line (i.e. internal auditing), with each line taking on their respective roles in risk management. This model promotes the efficient alignment of organizational roles and processes to enhance governance and risk management.

Risk Management Committee System



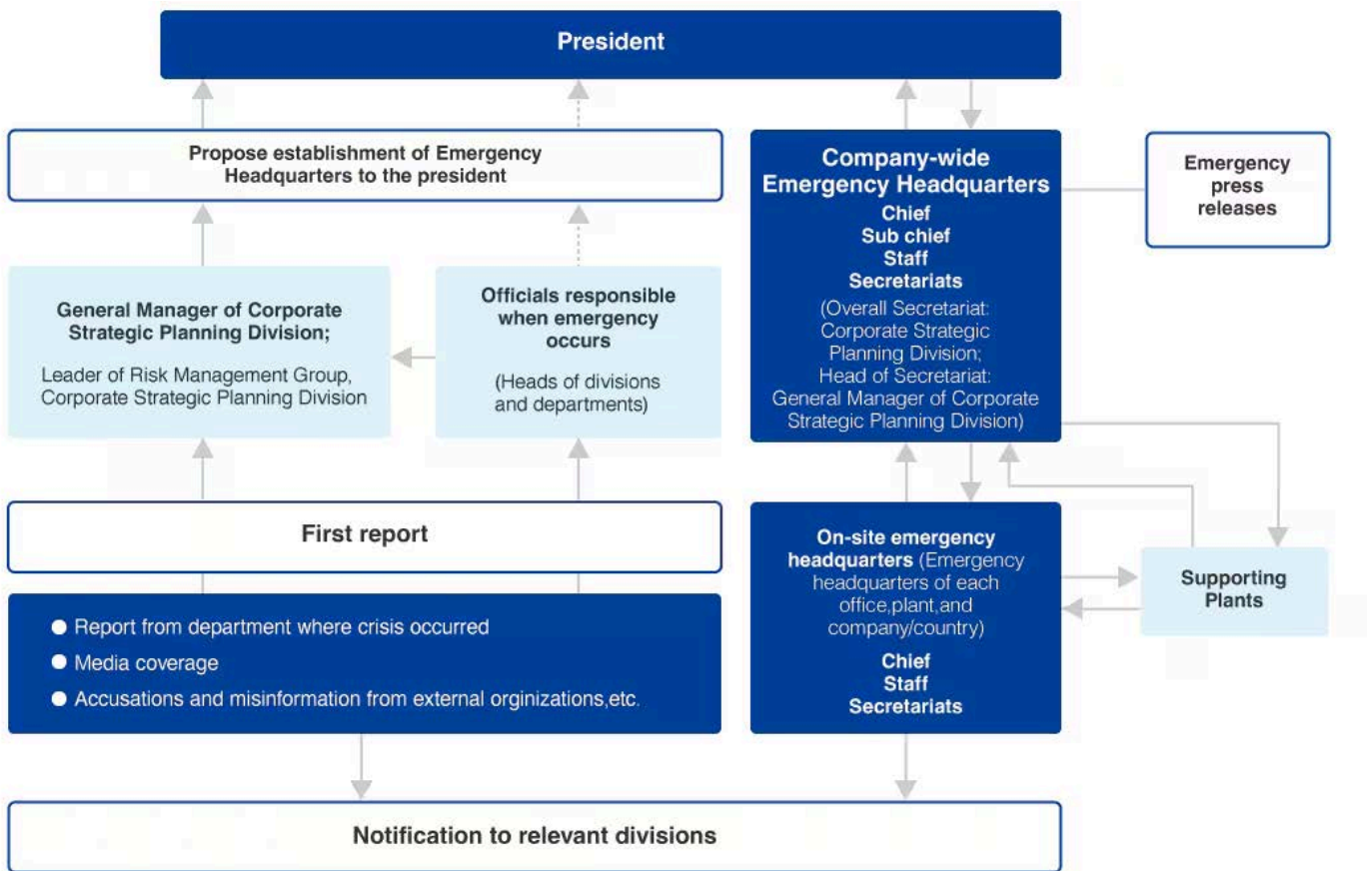
1 As of July 2024, a senior vice president (member of the board) serves as the Risk Management Committee Chair.

2 Three Lines Model: This is a global standard model for internal control. The role of the first line is to provide products and services to customers and manage risks. The role of the second line is to provide expertise, support, monitoring, and objections on matters related to risk. The third line's role is internal auditing. It provides independent and objective assurance and advice on the appropriateness and effectiveness of governance and risk management. Within the Toray Group, the first line conducts self-assessments across a wide range of control areas, including legal and compliance, product safety, quality assurance, occupational health and safety, and information systems. The second line carries out monitoring and support, while the third line provides assurance and advice.

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.

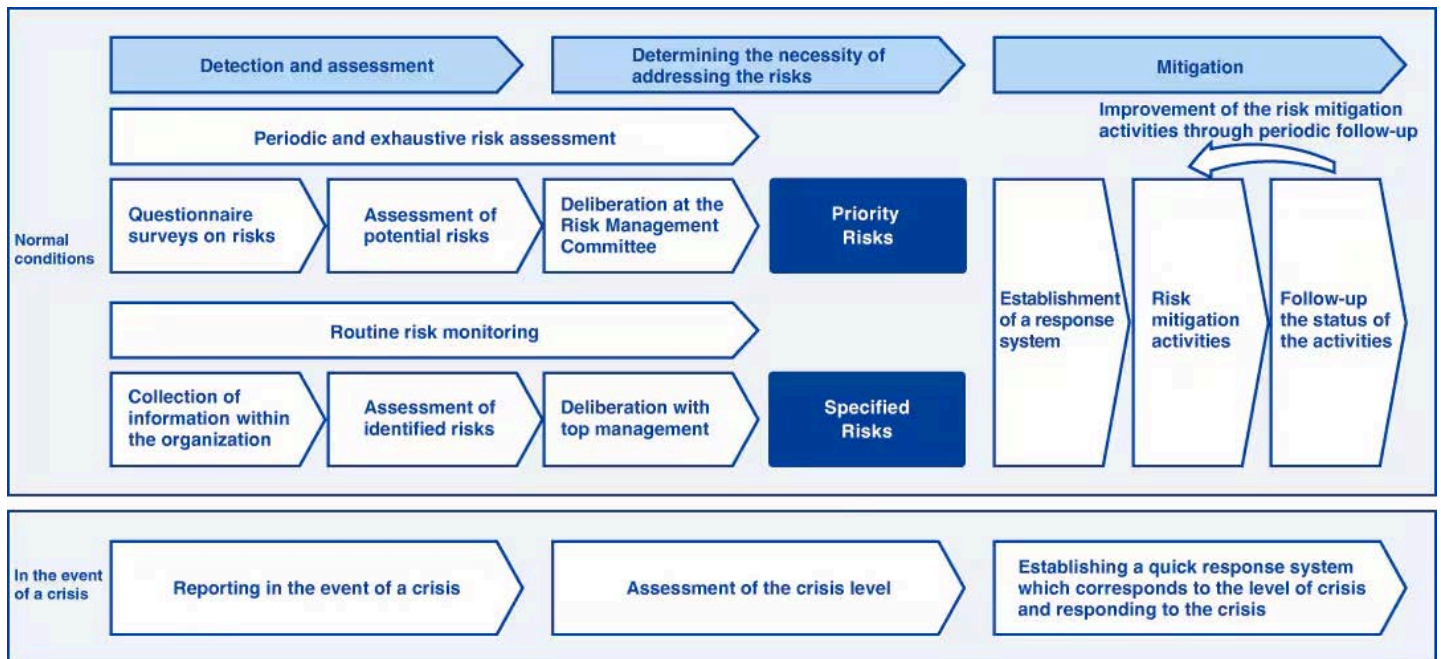
Emergency Quick Response System



Risk Management Activity Process

At Toray Group, the plan-do-check-act (PDCA) cycle method is used for managing Priority and Specified Risks as part of regular risk management activities. The Auditing Department of Toray Industries also conducts regular internal audits of these activities.

Risk Management Activities



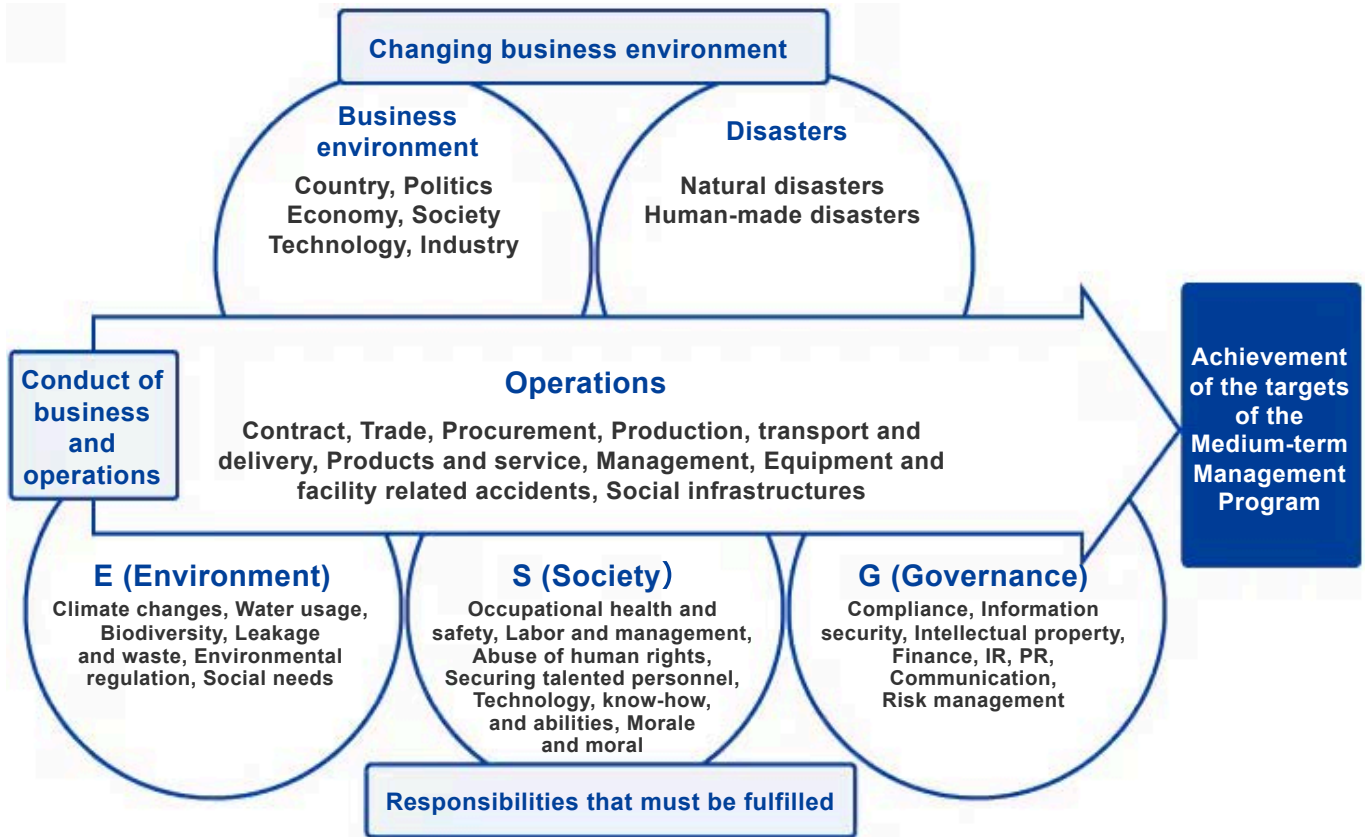
Toray Group Priority Risks are determined comprehensively every three years in conjunction with preparation of each new Medium-Term Management Program. These risks are then prioritized based on a score indicating their potential risk degree, calculated as the probability of occurrence multiplied by the impact. For each Priority Risk, a department is assigned responsibility for leading relevant mitigation efforts.

Specified Risks are determined by a dedicated department in the Corporate Strategic Planning Division that routinely monitors domestic and overseas risk trends, conducts surveys and analyses, identifies and assesses risks that may have a major impact on management, and consults with top management. Specified risks include risks arising in a short period of time, and have a complementary relationship with priority risks, which are three years as one term.

As part of the regular risk identification process, the following steps are carried out.

1. An extensive survey is conducted to assess over 100 categorized risks related to Toray Group's operations and business environment, as well as natural disasters, the environment (E), society (S), and governance (G). This provides an understanding of urgent risk situations and specific concerns across the Group worldwide.
2. After aggregating and analyzing information obtained from the survey, discussions on risk awareness, issues, and countermeasures are held with risk-related departments and top management.
3. The information gathered from the discussions is consolidated with the survey analysis results to propose Priority Risks that require cross-organizational action. The proposed Priority Risks are then deliberated and formalized by the Risk Management Committee, and each business division also identifies the risks they need to mitigate.

Identifying Risks that Inhibit the Achievement of the Targets of the Medium-Term Management Program



Related Information

For more details on Toray Group Priority Risks and other major risks that could have a significant impact on the Group, as well as its mitigation measures, click [here](#) to see the section on Business Risks.

CSR Roadmap 2025 Targets

CSR Roadmap 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

Main Initiatives and Key Performance Indicators

KPI

(1) Under normal conditions, manage risks by identifying and addressing two main types of risks: ① Priority risks for Toray Group, which are established based on periodic assessments every three years ② Specified risks, which are established based on constant monitoring, investigation and analysis of risk trends in and outside Japan	-
(2) In the event of an emergency, respond appropriately in accordance with the Risk Management Regulations	-
(3) Follow up on progress made to address Toray Group's priority risks	-
(4) Follow up on the status of internal control implementation at each group company concerned	5-①
(5) Enhance cooperation with crisis management committees at Group sites outside Japan concerning crisis management under normal conditions	-
(6) Implement risk reduction across the Group for information security risks such as cyberattacks and information leaks	5-②
(7) Provide risk management education	-

Key Performance Indicator (KPI)	Target			Fiscal 2023 Result
	Fiscal 2023	Fiscal 2024	Fiscal 2025	
5-① Group companies implementing self-assessment and results follow-up using the internal control checklist (%)³	35%	70%	100%	35%
5-② Group companies implementing information security evaluation and risk reduction (%)	35%	70%	100%	35%

Reporting scope: Toray Group

3 When the initial KPIs were set, the plan was to conduct self-assessments and results follow-ups each year for approximately one-third of the group companies. However, the approach has since been changed. Self-assessments and results follow-ups are now being carried out for all group companies every year, with the level of these assessments being gradually raised over a three-year period. For the first stage conducted in fiscal 2023, self-assessments and follow-ups were completed to determine whether rules and frameworks for risk management are in place at each group company, and a 35% achievement level was reached. From fiscal 2024 onwards, the second stage will focus on specific risk management activities at group companies. Finally, the third stage will involve evaluating the level of improvement as part of the plan-do-check-act (PDCA) cycle, with plans to be made accordingly for self-assessments and follow-ups.

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

To achieve the goals set out in its CSR Roadmap 2025, Toray Group will continue to periodically and routinely identify potential risks in management activities, prevent and mitigate risks, and prevent crises from ever occurring.

In fiscal 2024, which marks the mid-point of the Medium-Term Management Program, the Group will conduct an interim risk survey targeting site and plant managers, heads of functional departments, as well as presidents of group companies worldwide. The aim is to re-evaluate existing risks and identify any new significant risks affecting Toray Group. Based on the results of this survey, the Group will consider devising new risk mitigation measures and adding to the existing Priority Risks.

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

(1) Periodic risk management (priority risk mitigation activities)

As part of the sixth three-year set of Priority Risks (fiscal 2023–2025), the Group has established two Priority Risk areas: crisis response risks based on the possibility of war, and product supply disruption risks.

The status of initiatives to address each risk area is as follows.

Crisis response risks based on the possibility of war

This risk area was adopted to ensure employee safety while facilitating rapid decision-making and action to ensure business operation continuity in regions affected by war. The Corporate Strategic Planning Division is responsible for promoting initiatives in this risk area. In fiscal 2023, it conducted a risk survey of the countries and regions around the world where Toray Group operates and created crisis response plan templates for each one. Based on the results of the survey, starting in fiscal 2024, the Group is developing crisis response plans for countries selected based on their respective risk scenarios. These plans will be shared across the Group and crisis response training will be carried out in each country concerned.

Product supply disruption risks

This risk area was selected to mitigate raw material disruption risks and ensure product supply continuity. The Purchasing and Logistics Division are responsible for promoting initiatives in this risk area. In fiscal 2023, the Group began identifying raw materials with high procurement risk. In cooperation with each business division, the Purchasing and Logistics Division has been promoting risk mitigation activities such as diversification of procurement sources and stockpiling.

(2) Follow-up on internal control implementation by group companies

In line with the Basic Policy on Internal Control System outlined in Toray's Basic Policy on Corporate Governance, Toray Industries regularly provides guidance on risk management systems to its group companies worldwide and verifies their operational status. In fiscal 2023, the Company looked at 130 companies, selected based on their capital ratios, business scale, and other factors, to confirm whether they had established the fundamental rules and systems for internal control related to risk management. Each company conducted a self-assessment to determine if they had the required rules, systems, responsible personnel, and promotion methods. It was discovered that one company had not yet established such rules, and 38 companies required only minor revisions to their rules (e.g., changes in organizational names), and their self-assessments showed no other issues. By the end of fiscal 2023, Toray had confirmed that all of its group companies had the necessary measures in place.

Group companies implementing self-assessment and results follow-up using the internal control checklist (%)¹

Result in fiscal 2023

35%

■Reporting scope

Toray Group

■Target in fiscal 2023

35%

¹ When the initial KPIs were set, the plan was to conduct self-assessments and results follow-ups each year for approximately one-third of the group companies. However, the approach has since been changed. Self-assessments and results follow-ups are now being carried out for all group companies every year, with the level of these assessments being gradually raised over a three-year period. For the first stage conducted in fiscal 2023, self-assessments and follow-ups were completed to determine whether rules and frameworks for risk management are in place at each group company, and a 35% achievement level was reached. From fiscal 2024 onwards, the second stage will focus on specific risk management activities at group companies. Finally, the third stage will involve evaluating the level of improvement as part of the plan-do-check-act (PDCA) cycle, with plans to be made accordingly for self-assessments and follow-ups.

(3) Crisis management for operations outside Japan

Under its Risk Management Committee, Toray Industries has established an Overseas Crisis Management Committee at its headquarters, as well as Local Crisis Management Committees at various group sites worldwide. As part of its regular activities, the Overseas Crisis Management Committee continuously collects risk-related information from sites worldwide, shares it within the Toray Group, manages overseas travel, and provides risk education to traveling employees. Meanwhile, the Local Crisis Management Committees carry out risk mitigation activities specific to the conditions in their respective locations. The Overseas and Local Crisis Management Committees are strengthening their cooperation by jointly utilizing a system for confirming the safety of personnel during an emergency.

(4) Activities to raise employee awareness

To raise risk management awareness among employees, Toray Group conducted risk management and crisis response training in fiscal 2023. The training was provided to new employees, newly appointed managers, and department heads.

Quick Response to an Emergency or Crisis

CSR Roadmap 2025
Main Initiatives (2)

In the event of a crisis, Toray Industries responds by swiftly establishing a company-wide quick response system (Company-Wide Emergency Headquarters) based on its Risk Management Regulations.

Since the 2011 Great East Japan Earthquake, Toray has conducted an annual exercise for setting up the Company-Wide Emergency Headquarters, as part of preparations for a large-scale earthquake in Japan.

When the Noto Peninsula Earthquake struck in January 2024, the Company-Wide Emergency Headquarters was set up on the same day. It acted quickly to confirm the safety of personnel, assess the damage, and initiate recovery and support efforts.

Related Information

Click [here](#) for more details on Toray's business continuity plan (BCP) initiatives.

Information Security

CSR Roadmap 2025
Main Initiatives (6)

Toray has established the Toray Group Information Security Steering Committee to centrally manage and improve information security across the entire Group. Under this committee, risk mitigation activities are promoted based on the Toray Group Information Security Basic Policy.

In fiscal 2023, each group company conducted a self-assessment concerning its progress in meeting Toray Group information security standards. In cases where the standards have not been met, the companies concerned created improvement plans and continued to promote risk mitigation activities. Under the CSR Roadmap 2025, Toray Group information security standard achievement rate has been set as a KPI, and progress is monitored by the Toray Group Information Security Steering Committee.

In fiscal 2023, risk mitigation activities were implemented by 39 of the 112 target group companies, resulting in a 35% target achievement.

Group companies implementing information security evaluation and risk reduction (%)

■ Reporting scope
Toray Group

■ Target in fiscal 2023
35%

Result in fiscal 2023

35%

Related Information

Click [here](#) for more information on Toray's information security initiatives.

Click [here](#) for the main initiatives for CSR Guideline 5, "Risk Management" in CSR Roadmap 2025.

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

Business Continuity Plan Initiatives

Ensuring Preparedness for Major Earthquakes and Water Hazard Risks (Floods, Storm Surges, Etc.)

CSR Roadmap 2025
Main Initiatives (2)

Toray Group has continuously maintained and revised its business continuity plan (BCP) in case of a major earthquake which was included in its four three-year sets of priority risks (fiscal 2009–2020). In the fifth set of priority risks (fiscal 2021–2022), flooding-related disasters were also included.

Toray Group’s basic policy when ensuring business continuity in the event of a major earthquake or flood 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 continues to systematically retrofit plant buildings, elevate evacuation locations, and raise emergency power generators to higher positions.

In addition, since fiscal 2012, Toray Group has continued to conduct company-wide drills on setting up an emergency response headquarters to prepare for a major earthquake. In recent years, in light of Toray Industries’ enhanced network environment and the improved reliability of public network infrastructure, the Company has conducted initial response drills online.



Eleventh Company-Wide Earthquake Response Headquarters Drill Conducted in Fiscal 2023

The Noto Peninsula Earthquake struck on January 1, 2024. On the same day, Toray Group established an online company-wide response headquarters led by the executive vice president in charge. The team rapidly initiated activities such as confirming personnel safety and damage conditions, as well as recovery and support efforts. While no Toray Group employees suffered injuries as a result of the earthquake, some experienced damage to their homes. In response, the Group provided temporary housing to affected employees and their families by utilizing Toray-owned apartments and dormitories.

Some group companies experienced power outages, water supply disruption, or ground subsidence. However, these companies received stored water and food supplies from the Toray Industries Ishikawa Plant, which suffered no major damage. The companies promptly restored power, carried out ground subsidence repair work, inspected equipment and made adjustments, and resumed production operations as quickly as possible, with cooperation from the response headquarters.

The response headquarters also checked damage conditions at relevant customers, suppliers, and logistics warehouses that experienced seismic intensity of 5 or higher on Japan's shindo scale. It addressed the impacts for those locations on an individual basis.

Going forward, the Group will continue to strengthen its capabilities for responding to major earthquakes through continued drills and training.

Click [here](#) for more information on Toray Group's recovery support efforts after the 2024 Noto Peninsula Earthquake.

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 2025.

Addressing Information Security Risks

Addressing Information Security Risks

CSR Roadmap 2025
Main Initiatives (6)

In fiscal 2022, Toray Group reviewed its policies and framework related to information security with the aim of maintaining and enhancing information security across the entire Group.

As part of this effort, it established the Toray Group Information Security Basic Policy, which outlines how all executives and employees, including contracted, part-time, and dispatched employees, are expected to fulfill the Group's social responsibility concerning information security.

In terms of structure, the Toray Group Information Security Steering Committee has been established to promote information security across the entire Group. It is chaired by the general manager of the General Administration & Communications Division at Toray Industries¹, and the members include representatives from the Legal & Compliance Division, Human Resources Division, Information Systems Division, and other relevant departments. The committee deliberates on information security policies, discusses risk mitigation measures, and issues instructions to the Information Security Committees set up in each division. It also monitors security situations and reports the activities to the Company's Executive Committee. The Information Security Committees in each division provide instructions on security measures to their respective departments within Toray Industries, and to the group companies they oversee, and monitor each situation accordingly.

The main activities of the Toray Group Information Security Steering Committee are as follows and are reported to the Board of Directors after being deliberated by the Executive Committee, which acts as a consultative body.

- Ascertaining the risk situation across the entire Toray Group and staying informed on global trends
- Formulating Toray Group information security standards² and monitoring progress: Checking whether all group companies have met the standards. Requiring companies that have not met the standards to create an improvement plan, as well as following up on progress made
- Conducting regular diagnostic security assessments and monitoring: Having third-party information security companies evaluate Internet security and performance at group companies. Also, requiring any necessary improvements to be carried out by the companies concerned, and following up on progress made
- Ensuring immediate response and prevention of damage escalation in the event of a security incident: The department or group company discovering an incident must report it within 24 hours to the general manager of the General Administration & Communications Division. Depending on the scale of potential or actual damage, actions must be taken according to predetermined procedures to notify relevant internal and external stakeholders and prevent damage from spreading.

¹ As of July 2024, a senior vice president serves as general manager of the General Administration & Communications Division.

² Toray Group information security standards have been developed with reference to information security standards issued by the International Organization for Standardization (ISO) and the National Institute of Standards and Technology (NIST) and using advice from external security companies. The standards encompass measures to mitigate risks such as cyberattacks, insider threats, and employee operational errors.

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 2025
Main Initiatives (6)

Toray Group is taking a range of measures to combat today's increasingly sophisticated cyberattacks. In addition to efforts aimed at preventing such incidents, the Group has implemented measures to mitigate risks in the event of a damaging attack.

1. Compliance with Toray Group information security standards

Each group company establishes its own information security management system. After identifying information assets such as computer terminals, servers, user IDs, confidential information, and personal data, the companies define and implement rules for managing and securing each asset. Security measures also include procedures for responding to security incidents, securing backups for system recovery, and preparing recovery procedures.

2. Device management

Toray Industries has standardized specifications and settings for its computers and smartphones and has established a system for centralized management of these devices. These measures are being expanded across the Toray Group.

3. Authentication management

Toray Industries has established a system for centralized management of user IDs and utilizes multi-factor authentication (MFA). This initiative is also being expanded across the Group.

4. Network management

(1) Toray Industries and its group companies constantly monitor communications between the Internet and their own internal networks.

(2) Toray Group conducts regular risk assessments of Internet security and performance using third-party security companies and implements all necessary improvements.

5. Server and cloud service management

Toray Group maintains server and cloud service ledgers. Toray Industries has also developed a group-wide shared server environment with security monitoring capabilities, which is being adopted across the entire Group.

6. Enhancing education and training

As IT measures alone may not be sufficient to address today's increasingly sophisticated cyberattacks, the Group also conducts education through regular e-learning for all employees (once a year) and training sessions on responding to unsolicited email.

Prevent Employees from Leaking Confidential Information

CSR Roadmap 2025
Main Initiatives (6)

Toray Group implements a range of measures in accordance with the Toray Group information security standards. 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 Toray Group 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 2025.