

Risk Management

Risk Management Structure

In order to respond to risks that rapidly emerge due to changes in the surrounding environment and to respond immediately in the event of a crisis, the Toray Group has the Risk Management Committee, chaired by the General Manager of Toray Industries' General Administration, Legal & Risk Management Division. It also facilitates close communication between the Board of Directors and top management as it pursues risk management as an integral part of management strategy. In addition, as subordinate organizations of the Risk Management Committee, the Overseas Crisis Management Committee and Local Crisis Management Committee have been established to manage employees' overseas travel under normal conditions and compile information on overseas risks.

Risk Management Committee System



Risk Management Activities

The Toray Group has established a PDCA cycle and engages in activities to manage "Priority Risks" and "Specified Risks" as part of its approach to risk management during normal times. In addition, the Toray Industries, Inc.'s Auditing Department conducts an internal audit of the content of these activities every six months.

At the same time as it formulates the Medium-Term Management Program once every three years, the Group exhaustively identifies and assesses risks, and specifies those with a particularly high degree of potential risk (probability of occurrence × degree of impact) as Priority Risks. Following

this, a division or department is assigned responsibility for each risk in order to focus on risk mitigation activities. The Group determines Specified Risks through a process in which a dedicated department within the Corporate Strategic Planning Division routinely monitors, investigates, and analyzes domestic and overseas risk trends; identifies and assesses risks with the potential for a major impact on operations; and consults with top management. Specified Risks arise and can be dealt with over the short term, and have a complementary relationship with Priority Risks that are defined as having a three-year duration.



- The following process is conducted to routinely identify risks.
- (1) A survey is conducted to identify the imminence of risks as well as specific concerns of the Company and its domestic and overseas affiliates, targeting over 100 risks comprehensively organized in the categories of "business environment," "disasters," "operations," "E (environment)," "S (society)," and "G (governance)" surrounding the Group.
 - (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) Summarizing the analysis of the questionnaire survey and information obtained from the discussions, a draft of Priority Risks to be addressed Group-wide is deliberated and decided by the Risk Management Committee. Each division also sets its own risks to be addressed.

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



Business Risks

Major risks that Toray Group has evaluated to have significant impact on business, etc. are listed below.

- Crisis response risks based on the possibility of war [Priority Risks]
- Product supply disruption risk [Priority Risks]
- Risks related to product demand, market trends, and business plans
- Risks related to global business development

Major initiatives in FY 2024

1. Priority risk mitigation activities

The Toray Group set the two themes of “crisis response risks based on the possibility of war” and “product supply disruption risk” as the sixth set of Priority Risks from FY 2023 to FY 2025.

(1) Crisis response risks based on the possibility of war

General Administration, Legal & Risk Management Division is leading activities to ensure the safety of employees and expedite decision-making and actions for business continuity in countries and regions where the Toray Group operates. In FY 2024, based on risk assessments in these countries and regions, the Group formulated action plans for both local sites and the head office in Japan according to specific potential crisis scenarios. In FY 2025, the Group plans to conduct crisis response drills in line with these plans.

(2) Product supply disruption risk

Purchasing & Logistics Division is leading activities to avoid the risk of raw material shortages caused by supply disruptions from suppliers caused by factors such as economic fluctuations, natural disasters, and cyberattacks, thereby strengthening the resilience of the Group's product supply. Starting in FY 2023, the Group has selected raw materials with a high procurement risk, and engaged in risk mitigation activities, including diversifying suppliers and stockpiling inventories, in collaboration with each business division.

2. Addressing Information Security Risks

The Toray Group has established the Toray Group Information Security Steering Committee to centrally manage information security and promote risk mitigation activities. Each Group company conducts a self-assessment of its compliance with

- 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

the Toray Group's common security management standards. All companies that fail to meet the standards prepare an improvement plan and engage in risk mitigation activities. The Group also monitors the implementation rate (management standards achievement rate) as a KPI.

In FY 2024, 60 of the 111 target companies achieved the management standards. However, some Group companies required more time to respond, resulting in an implementation rate of 54% against the target of 70%. In FY 2025, aiming for 100% , the Company will promote Group-wide risk reduction while strengthening its support systems.

3. Business Continuity Plan Initiatives

In regard to business continuity in the event of a major earthquake or flood disaster, the Toray Group's basic policy is to meet its social supply responsibilities. This includes placing a top priority on confirming the safety of employees and preventing any impact on the local community; striving to prevent the spread of damage and any secondary disasters from occurring; maintaining the supply of key products; and swiftly restoring business operations.

As part of these efforts, the Group continues to systematically renovate plant buildings for better seismic resistance, locate evacuation areas in high areas, and raise the elevation of emergency power generators, for example. Also, the Group has been conducting drills for establishing a temporary Group-wide headquarters in preparation for a major earthquake since FY 2012. In recent years, reflecting the Company's improved network environment and the higher reliability of public network infrastructure, it has been conducting online-based drills to ensure a swift, appropriate response in the event of an emergency.

Building a Sustainable Supply Chain

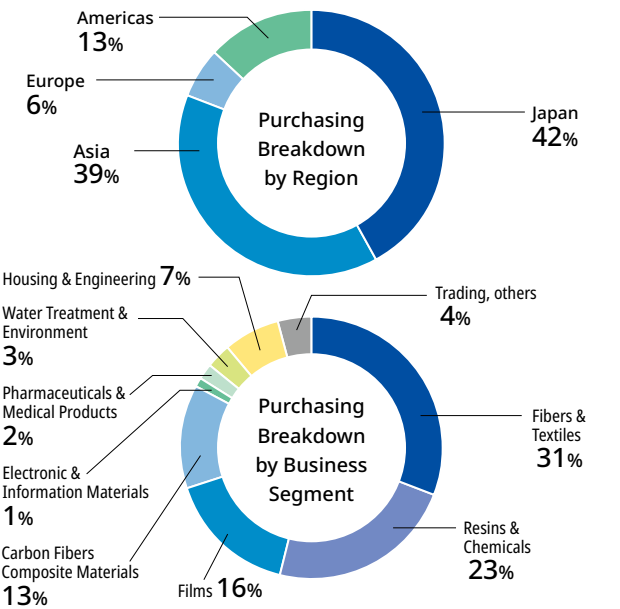
Toray Group's CSR Procurement Activities

The Toray Group's supply chain extends across various countries and regions around the world. Our Group's suppliers span a wide range of industries, including general and specialized trading companies as well as manufacturers of petrochemicals, fuels, chemicals, molded products, packaging materials, machine tools, precision equipment, mechanical parts, and processed materials from around the world. To accommodate purchasing environments and required specifications, the Group engages in both regular and spot transactions, purchasing from a broad range of approximately 4,200 primary suppliers with bases in countries worldwide.

For the Toray Group which has built such a global supply chain, understanding the status of its suppliers' CSR activities and requesting their engagement in these efforts is a priority issue.

Therefore, to promote CSR procurement in the entire Toray Group, including the Group companies in and outside Japan, and to respond to the globalization of CSR procurement risks, the Group has established a working group on CSR procurement as part of its Group-wide risk management efforts. This working group ascertains the status of suppliers' CSR initiatives, cooperates with customer-led CSR procurement surveys, and aids in promoting CSR procurement at domestic and overseas Group companies. The progress of Group-wide CSR procurement and risk mitigation activities is also regularly reported to the Risk Management Committee, which is the Group-wide risk management body, where such reports are deliberated and shared.

Purchasing Breakdowns by Region and Business Segment (Based on Transaction Value in FY 2024)



Human Rights and Environmental Due Diligence Initiatives in the Supply Chain

The Toray Group conducts human rights and environmental due diligence to identify, assess, prevent, and mitigate human rights risks and environmental risks that may arise in the

supply chain. This process is handled in accordance with the procedures defined in the OECD Due Diligence Guidance for Responsible Business Conduct.

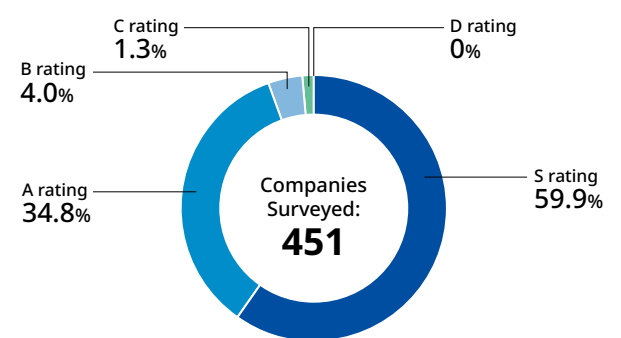
Specific initiatives include periodically implementing CSR procurement questionnaires and analyzing the results of them for the Group's business partners, establishing a whistle-blowing and consultation hotline, investigating high-risk issues related to CSR procurement, and checking business partner risks using a corporate search system to identify whether there are any negative impacts on human rights or the environment. When negative impacts are identified—for example, with existing business partners who receive a low evaluation on the CSR procurement questionnaire—the Group requests improvement and conducts follow-ups through visits and other measures.

Implementation of Status Assessment and Evaluation via the CSR Procurement Questionnaire

Toray Industries, Inc. conducts a CSR procurement questionnaire, in principle every two years, targeting major procurement and purchasing partners, subcontractors, and logistics companies that account for 90% of total purchasing expenditures. The questionnaire includes items based on the Toray Group CSR Procurement Policy, the Toray Group CSR Procurement Guidelines, and the RBA Code of Conduct. The Group requests that suppliers engage in various social issues, and comprehensively checks the status of each supplier's responses, including matters related to anti-corruption and anti-bribery, respect for human rights, and various environmental conservation activities such as reducing greenhouse gas emissions and considering and assessing water resources and biodiversity.

In the CSR procurement questionnaire for major suppliers conducted in FY 2024, the Group received responses from 451 companies. The results showed that 99% of suppliers (those rated S, A, or B) were evaluated as meeting the level of engagement required by Toray Industries, Inc., while 1% (those rated C or D) were judged to require an on-site investigation. The average score for most items improved compared to the previous survey, reaffirming that suppliers are steadily advancing their CSR initiatives.

FY 2024 CSR Status of Suppliers (Toray Industries, Inc.)



*Responses to the questionnaires are evaluated on a 10-point scale for each of the nine survey categories. The average of the nine categories is used as the overall evaluation, with S for 8 points or more, A for 6 to less than 8 points, B for 5 to less than 6 points, C for 3 to less than 5 points, and D for less than 3 points.