

CSR Activity Report (CSR Guideline Activity Reports)

Establishing Sustainable Supply Chain

To establish a sustainable supply chain, work closely with suppliers, processing vendors, subcontractors, customers and distribution companies to implement socially responsible procurement throughout the supply chain in order to ensure responsible practices with respect to environmental preservation and human rights.



Basic Approach

Toray Group operates a wide range of businesses in countries and regions around the world. As a result, its procurement of raw materials and supplies and the locations and industries of its contractors and suppliers are diverse. At the same time, CSR initiatives in today's global society are increasingly important. They have become more diverse and advanced in the effort to address climate change, environmental protection, respect for human rights and improvements to the labor environment. These initiatives can no longer focus solely on a single company and are being extended to encompass its entire supply chain.

To address this issue and ensure stable and sustainable procurement, Toray Group has established the Toray Group CSR Procurement Policies. The policies specify the Group's commitment to building a supply chain that not only ensures quality and supply stability, but also incorporates ethical, environmental, social and human rights considerations. Accompanying the policies, the Group has also formulated Toray Group CSR Procurement Guidelines to provide specific, detailed guidelines for action to further promote CSR throughout the supply chain. Suppliers are required to comply with the guidelines.

Related Policies

Toray Group CSR Procurement Policies Revised March 2022¹

1. Establish an internal CSR organization to facilitate CSR initiatives throughout the supply chain and sincerely committed to it.
2. Promote fair transactions grounded in corporate ethics, and comply fully with all laws and regulations, as well as social norms inside and outside Japan, when making purchases.
3. Take into account the impacts that purchasing activities have on the labor environment and health and safety. Also, engage in risk management through, for example, responding swiftly to unexpected situations and disclosing accurate information.
4. While appropriately managing chemical substances, pursue raw materials procurement that takes into account impacts on the environment such as green procurement and green purchasing.
5. Promote dialogue and cooperation with business partners and other stakeholders.
6. Maintain and strive to improve product quality and safety.
7. Respect human rights, eliminate all forms of discrimination, and strive to improve workplace environments. Additionally, do not be complicit in the infringement of human rights in the supply chain, such as through forced labor, slave labor, child labor, and unjust low-wage labor.
8. Do not use minerals from conflict regions or high risk regions, nor minerals that clearly contribute to conflicts or infringe upon human rights.
9. Prevent leaks of confidential information and respect intellectual property rights.
10. In selecting business partners, take into account their CSR initiatives, such as compliance with laws and regulations, respect for human rights, environmental preservation, and the like, while seeking strict adherence to the Toray Group CSR Procurement Guidelines and facilitating CSR initiatives throughout the supply chain.

¹ Approved by a resolution of the Board of Directors, the Toray Group CSR Procurement Policies are the new and revised version of the earlier CSR Procurement Guidelines, which were formulated in 2004.

Toray Group CSR Procurement Guidelines Formulated March 2022

The major contents of the new CSR Procurement Guidelines formulated in March 2022 are as follows.

1. Ethics and Compliance

(1) Legal Compliance

Strictly adhere to the laws and regulations of each country and region, and carry out business activities grounded in corporate ethics. Establish compliance policies and build a framework and training system in order to ensure thorough compliance.

(2) Strict Adherence to Competition Laws

Refrain from conduct that obstructs fair competition, such as unjust transaction restrictions (private monopolies, cartels, bid rigging, etc.), as well as unfair trade practices or abusing a dominant bargaining position.

(3) Preventing Corruption and Prohibiting Bribery

Do not, for the purpose of obtaining improper advantage, provide to or solicit money or goods (including facilitation payments) from parties concerned, and do not provide or accept gifts or hospitality exceeding the acceptable range of social norms. Furthermore, do not engage in illegal political donations and the like.

(4) Prohibition against Behavior that Presents a Conflict of Interest

Do not engage in behavior that is against the interest of the Company and in the interest of yourself, a business partner, or a third party, and do not accept inappropriate demands from Company customers or employees of business partners.

(5) Protecting Confidential Information and Personal Information

Strictly adhere to each country and region's laws and regulations on business partner, third party, and Company employee personal information, as well as business partner and third party confidential information. Obtain said information, strictly manage and protect it, and use it within an appropriate scope of business.

(6) Whistle-blowing System and Whistle-blower Protections

Establish a system for Company employees and business partners to report legal and statutory violations, as well as matters of concern related to the business. Safeguard whistle-blowers to ensure that they are not subject to termination, threats, harassment, or other disadvantages, nor are they subject to retaliation.

(7) Appropriate Import/Export Management

Follow appropriate import/export procedures and properly manage the import/export of technologies and goods subject to the laws and regulations of each country and region.

(8) Respect for and Safeguarding of Intellectual Property

While appropriately safeguarding the Company's intellectual property, demonstrate respect for the intellectual property of third parties and do not infringe upon their intellectual property rights.

(9) Appropriate Information Disclosure

Engage in the timely and appropriate disclosure to stakeholders of management, financial, business activity, and other information stipulated for disclosure in the laws and regulations of each country and region. Also, strive for mutual understanding and the maintenance and enhancement of relationships of trust with stakeholders through communication.

(10) Responsible Procurement of Mineral

Carry out procurement activities with due consideration to ensure that raw materials, such as minerals, contained in our products are not contributing to human rights violations, environmental destruction, or conflicts in the areas in which they are produced. If there are materials of concern, carry out measures to avoid the use of these materials.

2. Safety, Accident Prevention, and Risk Management

(1) Occupational Safety Management

In order to protect the safety and health of employees, ensure that equipment, working conditions, and working procedures are safe. While adhering to the labor laws and regulations of each country and region, strive to avoid occupational accidents by establishing educational programs and safety measures to prevent incidents.

(2) Occupational Health Management

Assess the work environments of each workplace, including chemical substance control, noise, odors, etc., and, while establishing measures to avoid injuries to health, strive to manage employee health through regular health exams and the like.

(3) Responding in Times of Emergency

In order to protect lives and physical well-being, anticipate potential disasters, diseases, etc. and prepare and disseminate response measures for times of emergency.

(4) Business Continuity Plan (BCP) Initiatives

In order to maintain the continuity of business activities, identify risks that may interfere with the activities and carry out initiatives for preventing and mitigating those risks.

3. Environmental Preservation

(1) Environmental Management

While strictly adhering to the environmental laws and regulations of each country and region, build a company-wide management framework for promoting environmental activities and strive to continually utilize and improve those frameworks.

(2) Reduce Emissions of Greenhouse Gases

Control greenhouse gas emissions in business activities and promote activities that continually reduce those emissions, while striving to effectively utilize energy.

(3) Minimize Impacts on the Environment

Manage and reduce emissions of substances that have an impact on the environment, and strive to prevent air, water, and soil pollution.

(4) Resource Reduction and Waste Product Management

Appropriately handle waste products, mitigate waste production, promote recycling, and strive to effectively utilize resources.

(5) Chemical Substance Management

While endeavoring to keep products free of chemical substances legally prohibited by each country and region, appropriately manage and handle chemical and other substances released into the outside environment.

(6) Concern for Biodiversity

While preserving biodiversity and striving for its sustainable use, engage in raw materials procurement that takes biodiversity into account.

4. Product Quality and Safety

(1) Maintain and Improve Quality

Strive to improve quality while building frameworks for appropriate quality control and quality assurance, and maintaining quality that meets expectations.

(2) Product Safety

Strictly adhere to the laws, regulations, and standards of each country and strive to ensure product quality and safety. In the event that a quality issue does arise, handle it promptly and appropriately.

5. Human Rights Promotion

(1) Respect for Fundamental Human Rights and Elimination of Discrimination and Harassment

Respect fundamental human rights and, in all aspects of employment, including recruiting, hiring, placement, compensation, training, and resignation, do not engage in any discriminatory treatment on grounds of race, creed, color, sexuality (including gender identify and sexual orientation), religion, nationality, language, physical characteristics, economic status, place of origin, etc., and do not engage in any form of harassment.

(2) Prohibition of Child Labor and Due Consideration toward Young Workers

Do not hire workers who do not meet the eligible working age stipulated by the laws and regulations of each country and region. Additionally, exercise particular consideration for the health and safety of employees under the age of 18, based on the laws and regulations of each country and region.

(3) Prohibition of Forced Labor and Slave Labor

Do not utilize forced, compulsory, involuntary, exploitative, or slave labor, nor labor obtain through human trafficking. Additionally, no forms of work shall be forced and employees shall be assured the ability to voluntarily end their employment.

(4) Wages and Benefits

Make payments appropriately and strictly adhere to the laws and regulations of each country and region regarding minimum wage, overtime work, payroll deductions, piecework payments, and other allowances. Additionally, do not carry out any unjust wage reductions.

(5) Working Hours

Strictly adhere to the laws and regulations of each country and region regarding the determination of employee work hours and holidays, and the granting of annual paid leave.

(6) Dialogue and Cooperation with Employees

6. Facilitating CSR initiatives throughout the Supply Chain

(1) Request for Initiatives to Business Partners

While requesting that suppliers, contracted processors, and other business partners strictly adhere to the provisions of these Guidelines or their equivalent, work to thoroughly promote these Guidelines through regular surveys and inquiries on the status of implementation by business partners.

Policies on Purchasing and Distribution

As a manufacturer of advanced materials that supplies a wide range of materials and products, Toray Group must expand CSR initiatives into upstream management, including production facilities and the procurement of raw materials and products. It has therefore established Basic Purchasing Policies together with Basic Distribution Policies. The entire Group works to fulfill its social responsibilities relating to procurement, purchasing, and distribution. These include measures to ensure fair and equitable transactions, quality improvement, legal compliance, environmental protection, and respect for human rights.

Related Policies

Basic Purchasing Policies Revised March 2022

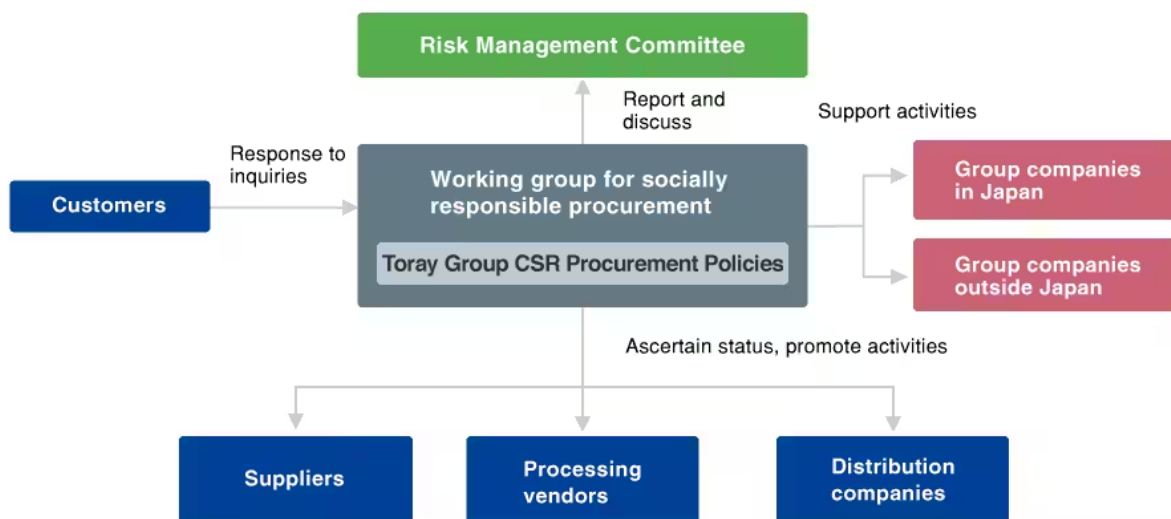
1. Toray does its utmost to select suppliers and determine actual purchases fairly and on the basis of economic rationality, with consideration for price, quality, capability to provide stable supplies, technological capabilities, reliability, and other factors.
2. In selecting suppliers, Toray opens its doors to a wide range of companies inside and outside Japan. Toray does not rely solely on vendors it has existing or past relationships with, or on members of its corporate group.
3. Toray works to maintain and improve the quality of purchased products through cooperation with its suppliers.
4. Toray strictly adheres to its Toray Group CSR Procurement Policies and Toray Group CSR Procurement Guidelines, and works to promote purchasing that upholds Toray's corporate social responsibilities on a company-wide basis.

Basic Distribution Policies Revised March 2022

1. Toray does its utmost to select transport and warehousing providers and determine individual agreements impartially and based on factors such as economic rationality with consideration given to price, quality, supply stability, technological capabilities, reliability, and efforts to reduce environmental impact.
2. In selecting transport and warehousing providers, Toray opens its doors to a wide range of companies, rather than relying exclusively on companies with which we have done business in the past or companies affiliated with Toray Group.
3. Toray works to cooperate with our transport and warehousing providers in gauging and reducing the environmental impact of our transport and warehousing operations.
4. Toray strictly adheres to its Toray Group CSR Procurement Policies and Toray Group CSR Procurement Guidelines, and works to promote distribution activities that uphold Toray’s corporate social responsibilities on a company-wide basis.

Structure

To ensure socially responsible procurement across the Group and address today’s increasingly globalized procurement risks, Toray Industries, Inc. has established a working group to lead a group-wide risk management initiative. The working group strives to ascertain the status of CSR practices at suppliers, responds to customer inquiries about Toray Industries’ CSR practices, and supports group companies in this area. The working group also regularly reports on the progress of socially responsible procurement and related risk mitigation initiatives across the Group to the Risk Management Committee, which oversees overall risks. The issues reported are discussed by the committee members.



Requesting That Suppliers Promote CSR Measures and Ascertaining Progress

Toray Group CSR Procurement Guidelines

CSR Procurement Survey

Ethics and Compliance

Safety, Accident Prevention, and Risk Management

Environmental Preservation

Product Quality and Safety

Human Rights Promotion

Facilitating CSR Initiatives Throughout the Supply Chain

Further, initiatives are taken to ensure that the concept of socially responsible procurement permeates and is upheld throughout the entire Toray Group. Toray Industries, Inc. provided e-learning on CSR, including content on socially responsible procurement, for every executive and employee, including contracted, part-time, and dispatched workers, in November 2020 and February 2021. The training was taken a total of 13,947 times. In addition, special articles on CSR procurement are regularly included in Toray Group's in-house newsletters to further raise awareness within the Company, and this continued in fiscal 2022.

Toray Industries is also engaged in activities to spread awareness to group companies in and outside Japan by distributing internal educational materials that describe the necessity of socially responsible procurement, required activities, and examples of risks.

Initiatives for Human Rights and Environmental Due Diligence² in the Supply Chain

Due diligence concerning the human rights and environmental activities of suppliers is used to identify and evaluate human rights and environmental risks in the supply chain. It allows risk prevention and mitigation measures to be taken. Toray Group carries out this due diligence in accordance with the process stipulated in the “OECD Due Diligence Guidance for Responsible Business Conduct” issued by the Organisation for Economic Co-operation and Development (OECD).

Toray Group has established policies related to this activity. It has implemented the [Toray Group Policy for Human Rights](#), which prohibits child labor, forced labor, and unfair low-wage labor, and requires the respect for human rights throughout the entire supply chain. In the area of environmental preservation, the Group has also established [Ten Basic Environmental Rules](#), [Recycling Activity Principles](#), [Toray Group Biodiversity Basic Policy](#), and the [Toray Group's Basic Policy for Increasing Green Areas](#). The [Toray Group CSR Procurement Policies](#) and [Toray Group CSR Procurement Guidelines](#) have also been created to promote respect for human rights and environmental preservation throughout the supply chain.

Specific initiatives include regular implementation and analysis of the [CSR Procurement Survey](#) for business partners, establishment of the whistleblowing hotline system, surveys of high-risk issues related to CSR procurement, confirmation of business partner risks using a company search system, and identification of any negative impacts on human rights and the environment. Negative impacts are handled through measures such as requesting improvements from companies with low scores based on the CSR Procurement Survey, and conducting follow-up visits and confirmation.

Information about these activities is shared both in and outside the Company using the Group website and other means.

Toray Group will continue to promote initiatives to prevent and reduce any negative impacts on human rights and the environment that might occur in the supply chain.

² To prevent or reduce the negative impacts that a company may have on society, a continuous due diligence process is used. It involves proactively investigating and identifying problems, correcting them through appropriate measures, and publicly disclosing these activities.

Related Information

- > [Socially Responsible Procurement Initiatives at Toray Group](#)
- > [Initiatives to Mitigate Global CSR Procurement Risk](#)
- > [Statement on the UK's Modern Slavery Act](#)

CSR Roadmap 2022 Targets

CSR Roadmap goals

To ensure socially responsible procurement by the Toray Group, request major suppliers and business partners to practice CSR and work with suppliers to promote greater awareness of human rights, social, and environmental issues

Main Initiatives and Key Performance Indicators

	KPI
(1) Request suppliers to practice CSR, including by conducting CSR surveys and audits, and having them make pledges, and strive to understand the status of each company's CSR initiatives	9-①②
(2) Address issues in the supply chain such as human rights challenges and conflict mineral issues	-
(3) Reduce CO ₂ emissions intensity from distribution activities	9-③
(4) Promote modal shift ³ across distances of 500 km or more	9-④
(5) Continually work to reduce the environmental impact and improve the quality of distribution activities	-
(6) In accordance with the Declaration of Voluntary Activities for the White Logistics Movement, ⁴ contribute to sustainable logistics, for instance by selecting logistics companies that are engaged in working style reform, etc.	-

Key Performance Indicator (KPI)	Target			Fiscal 2022 Result
	Fiscal 2020	Fiscal 2021	Fiscal 2022	
9-① Group companies requesting their suppliers to practice CSR (%)	At least 80%	At least 90%	At least 95%	93%
9-② Suppliers confirming the status of CSR initiatives as requested by Toray Group (%)	At least 70%	At least 70%	At least 70%	88%
9-③ Reduction in CO ₂ emissions intensity from distribution activities (year-on-year)	1%	1%	1%	15.3%
9-④ Modal shift to sea or rail for transport across distances for 500 km or more (%)	40% (Fiscal 2022 target)			27%

Reporting scope : Toray Group (9-① and 9-②)

Toray Group (Only specified consigners) (9-③)

Toray Industries, Inc. (9-④)

3 The shifting of freight transportation by truck or other vehicle to railways and ships, which have a smaller environmental impact

4 A movement aimed at ensuring stable logistics function necessary for people's lives and for industrial activities while also contributing to economic growth in response to the shortage of truck drivers

Related Materiality for CSR

- Developing in Collaboration with Stakeholders
- Establishing Sustainable Supply Chain

* Click [here](#) for the Materiality View of CSR Roadmap 2025 (PDF:392.4KB).

[PDF](#)

* Click [here](#) for a PDF summary of the relationships between materiality, associated CSR Roadmap 2022 main initiatives, KPIs and progress achieved, up to fiscal 2022 (PDF: 1.6MB).

[PDF](#)

Looking to the Future

In recent years, there has been an increasing demand for companies to address social issues such as human rights and environmental problems throughout the supply chain. Toray Group believes that socially responsible procurement must be pursued together with all suppliers. The Group will continue to identify and evaluate progress on CSR practices in all processes, including the procurement of raw materials and supplies across the entire Group, as well as production activities by contractors and processing vendors. Toray Group will continue to promote CSR initiatives across its network of suppliers in order to build an even more sustainable supply chain.

Click [here](#) for the main initiatives and KPIs for CSR Guideline No. 9 “Establishing Sustainable Supply Chain” during the CSR Roadmap 2025 period (fiscal 2023–2025). [PDF](#)

CSR Activity Report (CSR Guideline Activity Reports) - Establishing Sustainable Supply Chain
Socially Responsible Procurement Initiatives at Toray Group

Toray Group's Socially Responsible Procurement

CSR Roadmap 2022
Main Initiatives (1)(2)

Group companies requesting their suppliers to practice CSR (%)

■Reporting scope: Toray Group
 ■Target in fiscal 2022: At least 95%

Result in fiscal 2022

93%

Suppliers confirming the status of CSR initiatives as requested by Toray Group (%)

■Reporting scope: Toray Group
 ■Target in fiscal 2022: At least 70%

Result in fiscal 2022

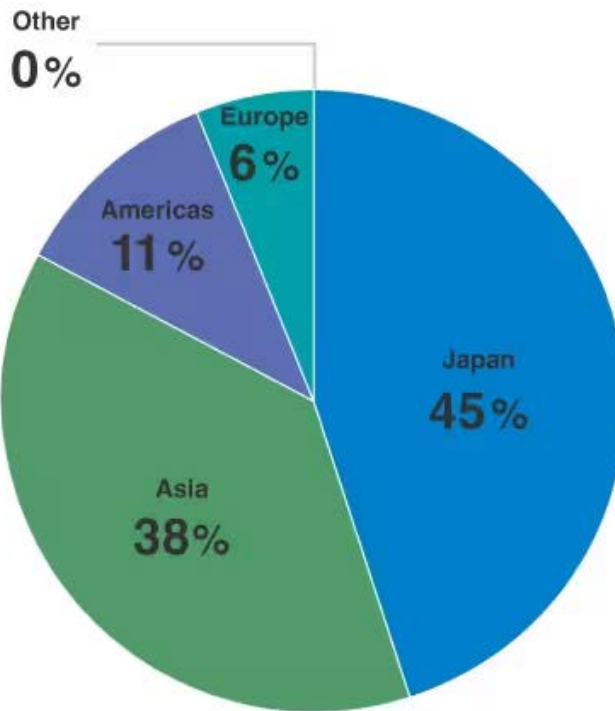
88%

Toray Group Supply Chain

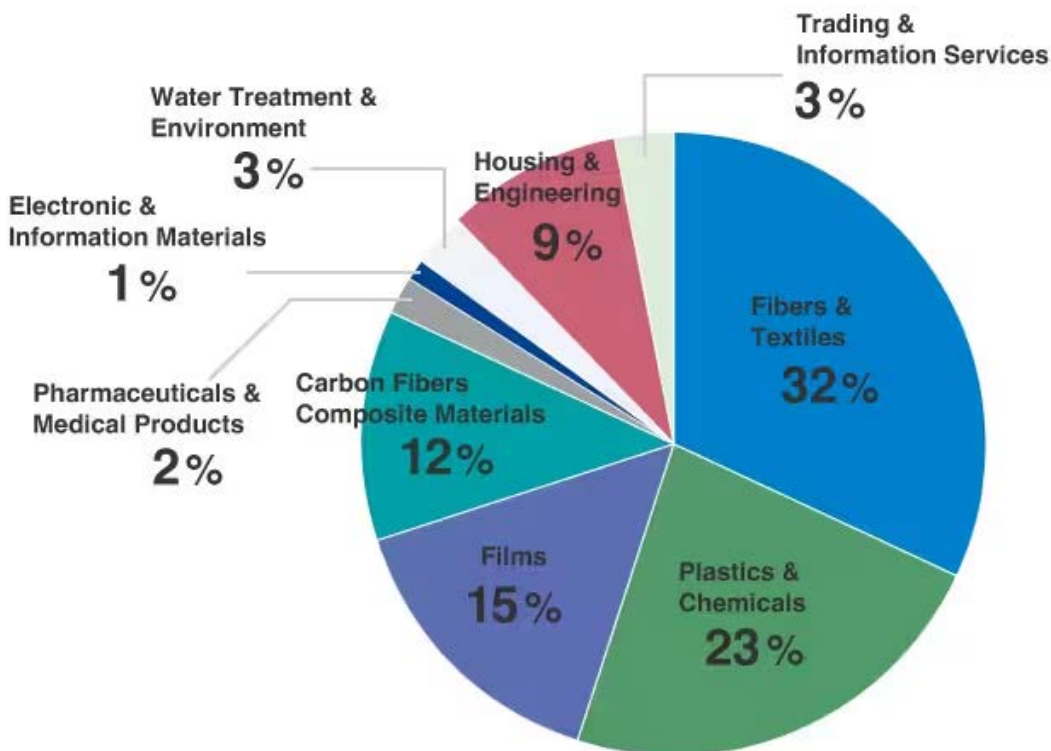
Toray Group's supply chain extends to diverse countries and regions around the world. In fiscal 2022, the Group's purchasing by region was 45% in Japan, 38% in the rest of Asia, 11% in the Americas, and 6% in Europe. Purchasing by business segment was 32% for Fibers & Textiles, 23% for Plastics & Chemicals, 15% for Films, 12% for Carbon Fibers Composite Materials, and 18% for others.

Fiscal 2022 Purchasing Breakdowns by Region and Business Segment (Based on Transaction Value)

Purchasing Breakdown by Region



Purchasing Breakdown by Business Segment



Socially Responsible Procurement Initiatives at Toray Group

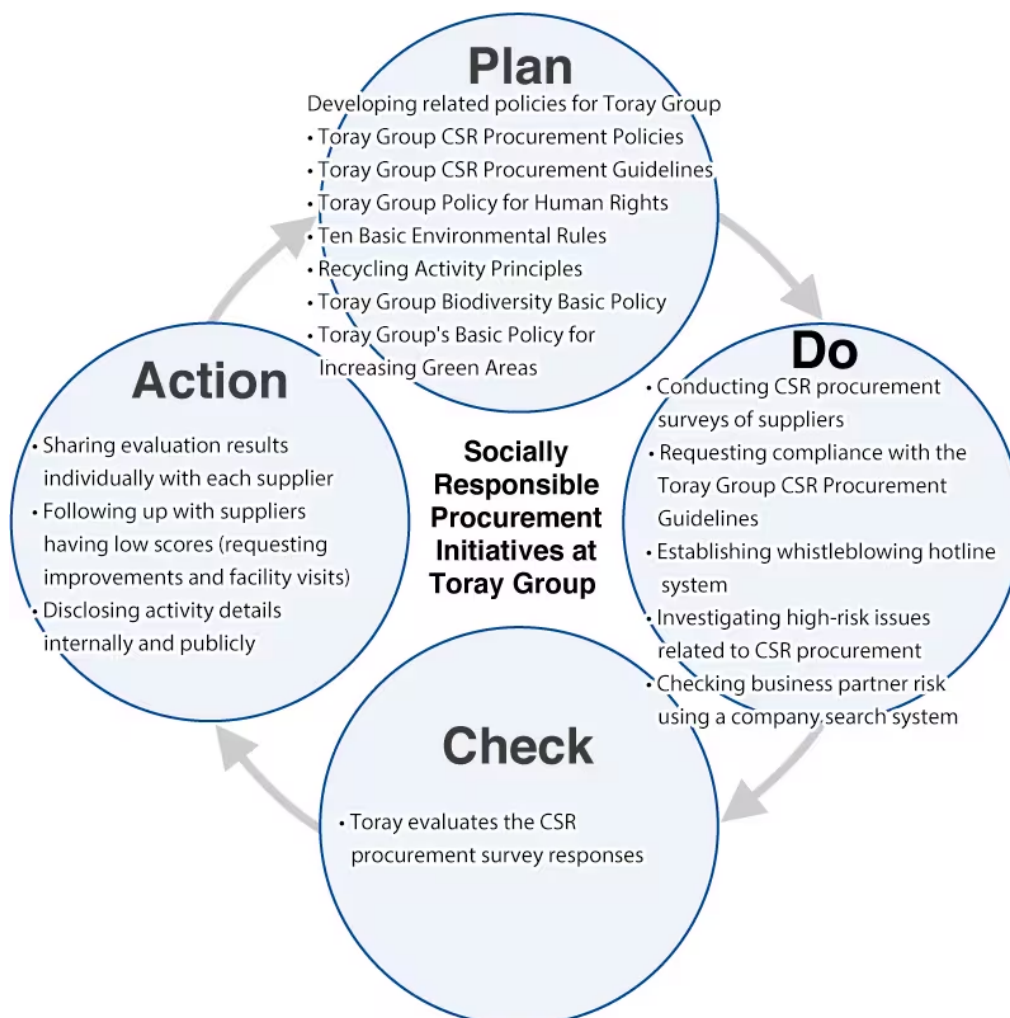
With its global supply chain, Toray Group places top priority on ascertaining suppliers' CSR activities and requesting them to implement the necessary initiatives. Toray Group is facilitating CSR initiatives across its supply chains, including at group companies in Japan and around the world. These efforts include developing a socially responsible procurement system, responding to customers' requests for CSR practices, ascertaining supplier CSR initiatives, educating suppliers, carrying out CSR surveys of suppliers, requesting compliance with the Toray Group CSR Procurement Guidelines, and conducting activities to obtain written agreements on these guidelines.

In fiscal 2022, the number of group companies requesting their suppliers to practice CSR was 148 (93%) out of the 160 applicable companies (group companies whose production activities include purchasing and/or outsourcing production).

In addition, Toray Group uses its own questionnaire survey system to conduct CSR surveys of suppliers. The Group has established a plan-do-check-action (PDCA) cycle by regularly monitoring suppliers' CSR initiatives, assessing suppliers based on uniform group standards, providing feedback on the results to suppliers, and following up on poor-performing suppliers. In this way, the Group endeavors to raise suppliers' awareness and efficiently and effectively ascertain, prevent, and lower CSR risks across the supply chain. Moreover, Toray Group has created its own Supply Chain CSR Promotion Guidebook, which is regularly distributed to suppliers as a reference material, along with feedback concerning the periodic CSR procurement surveys.

Through these initiatives, in fiscal 2022, of major suppliers that Toray Group identified as in need of confirmation of their CSR practices, 88% were confirmed to be meeting Toray Group's standards in their work on CSR.

PDCA Cycle for Supply Chain Management



Main Items of CSR Surveys of Suppliers

I. CSR promotion system

- Establishment of and familiarity with policies and guidelines
- Establishment of internal system and selection of responsible parties
- Establishment of goals and plans, review of activity results

II. Corporate ethics and compliance

- Anti-corruption and bribery prevention
- Prevention of misuse of advantageous position and bid-rigging
- Thorough legal and ethical compliance
- Prevention of conflicts of interest
- Protection of confidential information and personal information
- Respect for and protection of intellectual property rights
- Avoidance of all involvement with organized criminal groups
- Prevention of use of technology barred under regulations and illegal exports
- Identification of use of conflict minerals and cobalt and country of origin

III. Occupational safety and health

- Safety measures in workplace and improvements to working environment
- Prevention of occupational accidents
- Prevention of accidents and health risks
- Adoption of management system related to occupational safety

IV. Disaster prevention and risk management

- Development of education, training and manuals for disasters
- Establishment of business continuity plan (BCP) for large-scale disasters
- Establishment of BCP for pandemic
- Defense against threats on computer network

V. Environmental conservation

- Obtaining and maintaining authorizations and registrations
- Prevention of pollutants and waste, promotion of resource use (3Rs: reduce, reuse, recycle)
- Appropriate management of chemical substances and pollutants in line with laws and regulations
- Greenhouse gas emissions management and reduction
- Green procurement, green purchasing, energy conservation activities
- Consideration for water resources and biodiversity and implementation of assessments
- Introduction of environmental conservation management system

VI. Interaction with stakeholders

- Disclosure of financial information and non-financial information
- Setting up hotlines for consultation and reporting, protection of whistleblowers
- Support for community activities and activities contributing to society, and encouragement of participation in such activities

VII. Product safety and quality assurance activities

- Assessment of product safety, management of substances contained in products
- Provision of information on specifications, quality and handling

VIII. Human rights and labor

- Prevention of child labor and measures for young workers
- Prevention of forced labor, slave labor, and other forms of illegal or inhumane labor practices
- Provision of appropriate information to foreign workers and employment
- Prevention of undue low wages and wage reductions, as well as labor that exceeds statutory limits
- Ban on harassment, physical punishment, abuse, etc.
- Protection for freedom of association and collective bargaining, etc.
- Responding to the impact of COVID-19

IX. CSR initiatives in supplier's own supply chain

- Requests for promotion of CSR along supply chain

Every two years, in principle, Toray Industries carries out a CSR survey of major suppliers, business partners and distribution companies which together are responsible for 90% of the Company's total procurement value. Questions are established based on the Toray Group CSR Procurement Policies and the Toray Group CSR Procurement Guidelines. The surveys exhaustively confirm the extent to which suppliers are addressing CSR, requesting actions on a variety of social issues such as respect for human rights, reduction of greenhouse gas emissions, consideration for water resources and biodiversity, and implementation of environmental assessments. In fiscal 2022, Toray Industries carried out CSR surveys of major suppliers and received 448 responses (137 raw material suppliers, 157 equipment and material suppliers, 40 logistics companies, as well as 114 production and processing contractors). The results indicated that about 99% of companies surveyed were rated S, A or B¹ for CSR practices, thus meeting the Company's standards for business partners. The companies surveyed rated C or D, requiring further investigation of their CSR practices, accounted for just 1%. Analysis revealed that the average scores for the 448 companies improved compared to the previous survey with respect to most survey items such as environmental conservation, product safety and quality assurance activities, and human rights and labor. The results have reaffirmed that each company is promoting CSR initiatives. In addition, 80% of the companies that were rated C or D in the previous survey, visited to confirm actual conditions, and requested to make improvements earned to a B or higher rating in the current survey. The assessment results from the current survey have been shared with each company along with the contents of the analysis. In fiscal 2023, the Company will individually visit all six suppliers that were rated C or D to confirm actual conditions, discuss measures for improvement, and check the status of measure implementation.

In addition, suppliers that received low scores in the fiscal 2020 survey have made various improvements. These include establishing a corporate CSR policy and sharing it on the company's website and with their own suppliers, reviewing employment rules to allow considerations for individual employee health conditions, family circumstances, and social conditions, as well as diversifying suppliers to help mitigate disaster risks.

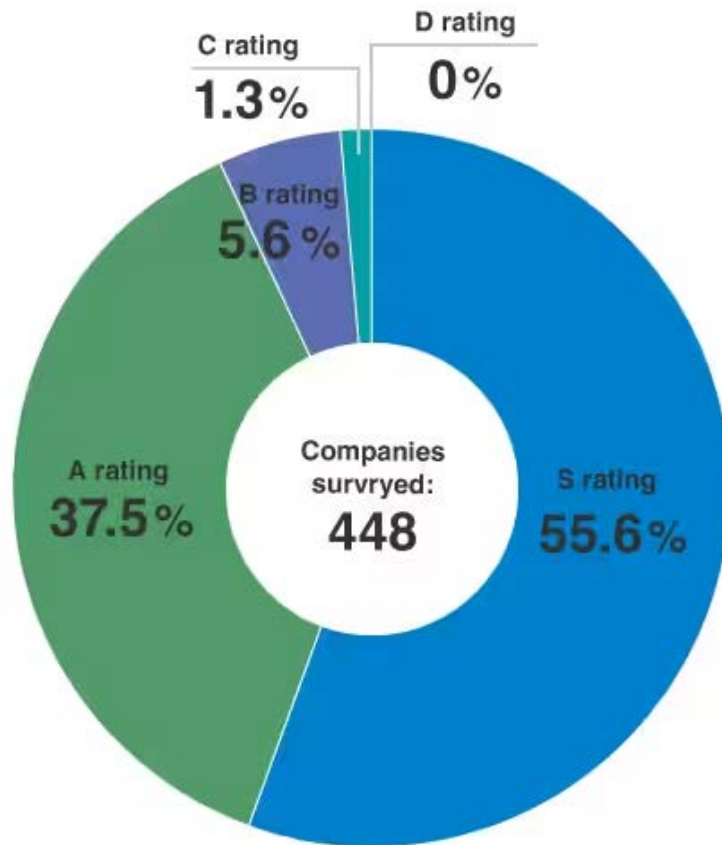
In parallel with those efforts, Toray Industries is mitigating CSR-related risks by asking its suppliers to understand and comply with the Toray Group CSR Procurement Guidelines, as part of efforts to further enhance CSR activities throughout the entire supply chain. These guidelines outline specific and detailed requirements for areas such as ethics, compliance, safety, accident prevention, risk management, environmental preservation, product quality and safety, and human rights promotion. In fiscal 2022, the Company sent the Toray Group CSR Procurement Guidelines to the 476 major suppliers surveyed and requested their understanding and compliance. Efforts are underway to obtain written agreements from suppliers stating that they will adhere to the guidelines.

In addition, rules for responses to CSR surveys from customers are set and a system is in place to facilitate prompt and accurate responses.

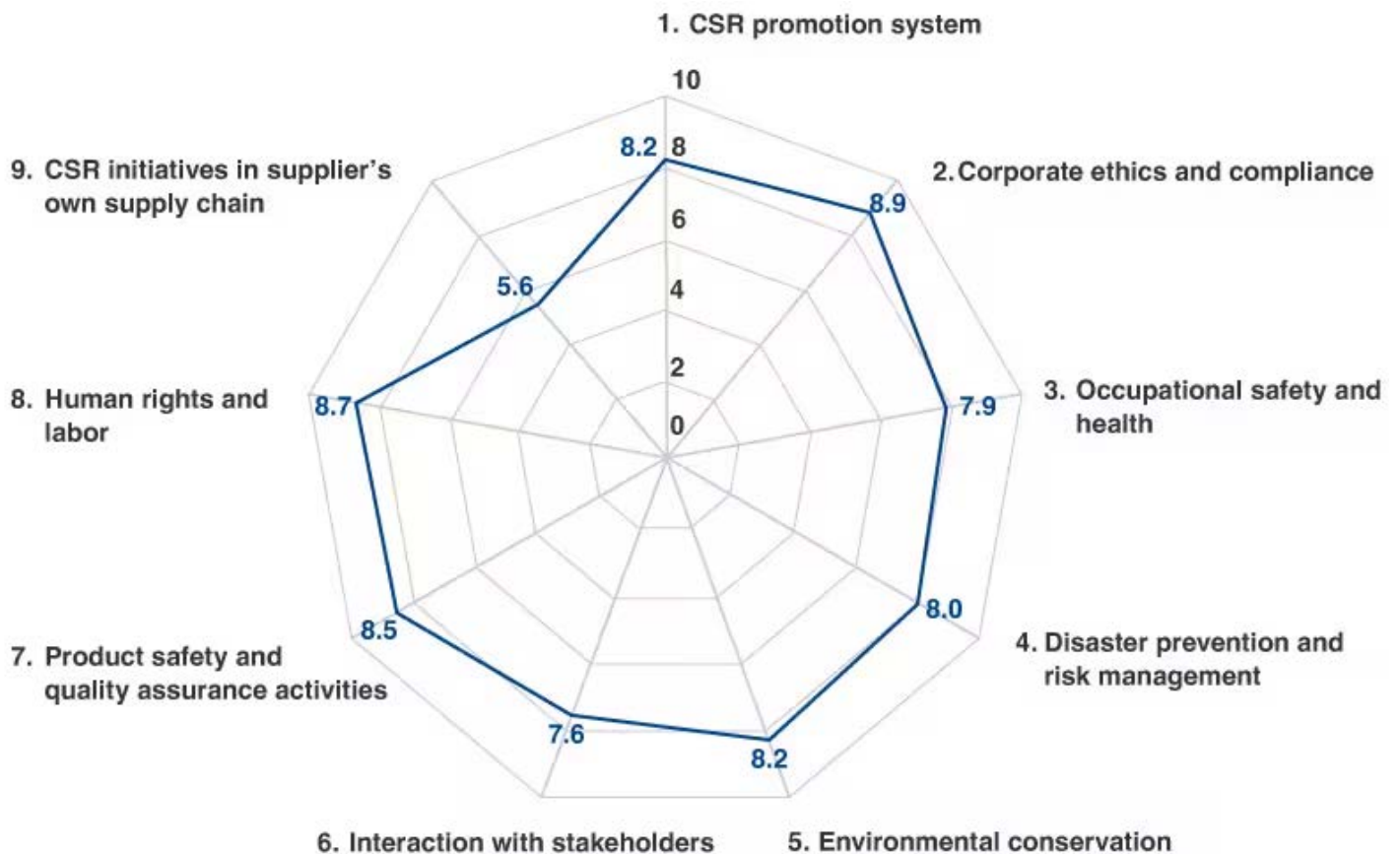
¹ Survey responses are assessed on a 10-point scale for each of the nine survey items. Taking the average score for the nine items as the overall score, 8 or more points is rated as S, 6 or more points but less than 8 is rated as A, 5 or more points but less than 6 is rated as B, 3 or more points but less than 5 is rated as C, and less than 3 points is rated as D.

Percentage of suppliers with the level of efforts required by the Company (Rated as S, A, or B) 99%

Fiscal 2022 CSR Status of Suppliers (Toray Industries, Inc.)



Fiscal 2022 Analysis of CSR Survey of Suppliers (Toray Industries, Inc.)



Socially Responsible Procurement Initiatives at Toray Group Companies in and outside Japan

CSR Roadmap 2022
Main Initiatives (1)(2)

Toray Group Companies in and outside Japan have also established their own internal systems and rules and are conducting CSR procurement surveys of their suppliers. They also ask suppliers to comply with the Toray Group CSR Procurement Guidelines, while conducting audits and other measures to continually ascertain the status of supplier CSR initiatives and to request improvements. Group companies outside Japan ask their suppliers to implement CSR initiatives. For suppliers that have not received such requests, Toray Industries conducts CSR procurement surveys and other measures to support CSR procurement at overseas group companies.

In fiscal 2022, 80 group companies outside Japan sent the Toray Group CSR Procurement Guidelines to 2,212 of their major suppliers. In addition to requesting cooperation and compliance, the group companies are working to obtain written agreements from them on adherence to the guidelines. With the support of Toray Industries, overseas affiliates will continue to obtain written agreements from existing and new suppliers. Group companies in Japan also continued to request CSR procurement measures from their suppliers. In fiscal 2022, these companies conducted a CSR procurement survey among their major suppliers and received 466 responses. In addition to checking the CSR promotion situation at each supplier using the questionnaire, the relevant evaluation results were shared with each supplier as feedback. The suppliers requiring further investigation of their CSR practices were subject to such investigation, and Toray Group companies in Japan requested that suppliers requiring further investigation of their CSR practices make improvements. In fiscal 2022, 41 group companies in Japan sent the Toray Group CSR Procurement Guidelines to 1,539 major suppliers and requested their cooperation and compliance. The affiliates will continue to carry out activities to obtain written agreements from suppliers on adherence to the guidelines.

Human Rights in the Supply Chain

CSR Roadmap 2022
Main Initiatives (1)(2)

Toray Group believes that respect for human rights and environmental preservation are especially crucial elements in ensuring that the supply chain is stable and sustainable.

The Toray Group CSR Procurement Policies state that Toray will work to build a supply chain that promotes human rights and preserves the environment. The Group requests that suppliers comply with the Toray Group CSR Procurement Guidelines and take measures to respect human rights; prohibit forced labor, slave labor, child labor, and unfair low-wage labor; and to protect the environment, including by reducing GHG emissions and conserving biodiversity.

With the CSR procurement questionnaire, the Company strives to understand and evaluate suppliers' initiatives related to human rights, labor practices, and environmental preservation. It also ascertains and prevents issues from arising in the supply chain.

Results of Fiscal 2022 CSR Survey of Suppliers Regarding Respect for Human Rights

The survey conducted by Toray Industries in fiscal 2022 confirmed a high rate of implementation of initiatives on 12 survey items, excluding those related to requests to secondary suppliers, out of 13 items related to human rights and labor. In fiscal 2023, the Company will again conduct individual status checks and request responses from those suppliers who answered "Will address in one year" ([1] in the table below) and "Not addressed" ([0] in the table below).

In addition, CSR procurement surveys have been used since fiscal 2020 to investigate whether suppliers had been responding appropriately to various issues related to human rights, such as employment and labor issues that could have arisen due to the pandemic, and to identify and prevent issues within the supply chain.

Survey Questions	Implementation rate	Survey results (The results are ranked from 0 to 4. 0 and 1 mean that the company has not addressed the issues.)
1. Have policies and guidelines been set and employees educated about respect for human rights, eliminating discrimination and improving the work environment?	99.2%	<p>[4] 51% [3] 31% [2] 17% [1] 0% [0] 0%</p>
2. Has an internal system been set up and people responsible for its promotion been designated in regards to respect for human rights, eliminating discrimination and improving the work environment?	98.6%	<p>[4] 52% [3] 26% [2] 21% [1] 0% [0] 1%</p>
3. Have goals and plans been set, activity results reviewed and mechanisms for making improvements and corrections devised in regards to respect for human rights, eliminating discrimination and improving the work environment?	98.4%	<p>[4] 41% [3] 25% [2] 33% [1] 1% [0] 1%</p>
4. Do you employ anyone under the working age stipulated by applicable laws and regulations? In the case of employees under the age of 18, are the working hours and health and safety of those employees given special consideration in accordance with relevant laws and regulations?	99.5%	<p>[3] 100% [1] 0% [0] 0%</p>
5. Do you use any form of labor that is, or is similar to, forced and bonded labor, involuntary or exploitative prison labor, or modern slavery, or that is linked to human trafficking? Do you guarantee that all your employees are free to leave their employment at any time they wish?	99.3%	<p>[3] 99% [1] 0% [0] 0%</p>
6. Do you provide each foreign worker with an employment contract, employment rules, and other relevant documents in a language the individual can understand? Also, do you ever confiscate, conceal, or destroy any identification documents, passports, work permits, or other similar documents belonging to such workers, or prevent them from using those documents?	96.2%	<p>[3] 96% [1] 3% [0] 1%</p>
7. Do you pay appropriate wages in accordance with relevant laws and regulations when it comes to minimum wages, overtime, wage deductions, piecework wages, and other benefits? Are unfair pay cuts ever used?	99.5%	<p>[3] 100% [1] 0% [0] 0%</p>
8. Are conditions appropriately managed and operated to ensure that sexual harassment, power harassment, physical punishment, emotion or physical abuse, pressure and other inhuman treatment and actions do not occur?	99.3%	<p>[3] 99% [1] 0% [0] 0%</p>
9. Are conditions appropriately managed and operated to ensure that in recruiting, hiring and employing people, race, the color of one's skin, age, gender, sexual orientation, nationality, religion and other factors do not result in discriminatory action?	98.8%	<p>[3] 99% [1] 1% [0] 0%</p>
10. In all employment activities, including recruitment, hiring, compensation, and retirement, do you have policies and rules in place to prohibit any discrimination based on race, creed, skin color, sex, religion, nationality, language, physical characteristics, wealth, or place of birth, etc.?	95.6%	<p>[3] 96% [1] 3% [0] 1%</p>
11. Do you recognize the rights of employees to freedom of association, in accordance with the laws and regulations of each country and region? Are arrangements made for employee representatives and employees to engage in dialogue and consultation with management without fear of retaliation, intimidation, or harassment?	97.0%	<p>[3] 97% [1] 2% [0] 1%</p>
12. Is due consideration given to various employment, human rights, and labor issues that may arise due to the spread of COVID-19 and appropriate responses taken?	98.8%	<p>[3] 99% [1] 1% [0] 0%</p>
13. Do you ask your suppliers to make improvements in regard to respect for human rights, the eradication of discrimination and improvement of the labor environment?	69.8%	<p>[4] 18% [3] 24% [2] 29% [1] 8% [0] 22%</p>

Supplemental information:

[4] Addressed well

[3] Addressed

[2] Addressed at minimum level

[1] Will address in one year

[0] Not addressed

For questions 4 to 12, only [3], [1], and [0] are used; no value has been set for [4] or [2].

Results of Fiscal 2022 CSR Survey of Suppliers Regarding Environmental Preservation

Toray Group considers the reduction of greenhouse gas emissions and biodiversity conservation to be important issues for preserving the global environment. Using CSR procurement surveys, the Group also checks the situation for supplier compliance with environmental laws, as well as supplier efforts to reduce GHG emissions and preserve biodiversity. The survey conducted by Toray Industries in fiscal 2022 confirmed a high rate of implementation of initiatives on 11 survey items, excluding those related to requests to secondary suppliers, out of 12 items related to environmental preservation. For example, the Company confirmed that 84% of its major suppliers are taking steps to reduce GHG emissions. Each supplier is provided with feedback on their questionnaire results, and those with insufficient CSR measures are asked to improve their compliance efforts.

In fiscal 2023, the Company will conduct individual status checks of those suppliers who answered “Will address in one year” ([1] in the table below) and “Not addressed” ([0] in the table below) in the fiscal 2022 questionnaire on questions concerning compliance with environmental laws, GHG emissions reduction, and biodiversity conservation initiatives. In this way, the Company will continue to promote environmental preservation efforts throughout its supply chain and procure environmentally friendly raw materials.

Survey Questions	Implementation rate	Survey results (The results are ranked from 0 to 4. 0 and 1 mean that the company has not addressed the issues.)												
1. Have you stipulated the policies or guidelines for promote environmental preservation and familiarized them with your employees?	97.9%	<table border="1"> <tr><th>Rank</th><th>Percentage</th></tr> <tr><td>[4]</td><td>68%</td></tr> <tr><td>[3]</td><td>11%</td></tr> <tr><td>[2]</td><td>20%</td></tr> <tr><td>[1]</td><td>1%</td></tr> <tr><td>[0]</td><td>1%</td></tr> </table>	Rank	Percentage	[4]	68%	[3]	11%	[2]	20%	[1]	1%	[0]	1%
Rank	Percentage													
[4]	68%													
[3]	11%													
[2]	20%													
[1]	1%													
[0]	1%													
2. Have you prepared the internal system and designated the responsible person to promote environmental preservation?	97.2%	<table border="1"> <tr><th>Rank</th><th>Percentage</th></tr> <tr><td>[4]</td><td>65%</td></tr> <tr><td>[3]</td><td>14%</td></tr> <tr><td>[2]</td><td>18%</td></tr> <tr><td>[1]</td><td>1%</td></tr> <tr><td>[0]</td><td>2%</td></tr> </table>	Rank	Percentage	[4]	65%	[3]	14%	[2]	18%	[1]	1%	[0]	2%
Rank	Percentage													
[4]	65%													
[3]	14%													
[2]	18%													
[1]	1%													
[0]	2%													
3. Do you have any mechanism to identify risks, institute the goals / plans, verify and improve / correct results of the activities in relation to environmental preservation?	97.7%	<table border="1"> <tr><th>Rank</th><th>Percentage</th></tr> <tr><td>[4]</td><td>61%</td></tr> <tr><td>[3]</td><td>14%</td></tr> <tr><td>[2]</td><td>22%</td></tr> <tr><td>[1]</td><td>1%</td></tr> <tr><td>[0]</td><td>2%</td></tr> </table>	Rank	Percentage	[4]	61%	[3]	14%	[2]	22%	[1]	1%	[0]	2%
Rank	Percentage													
[4]	61%													
[3]	14%													
[2]	22%													
[1]	1%													
[0]	2%													
4. Have you acquired and maintained, and kept up to date all permissions and registrations to be required by the laws and public administration, etc. for the environment?	94.4%	<table border="1"> <tr><th>Rank</th><th>Percentage</th></tr> <tr><td>[3]</td><td>94%</td></tr> <tr><td>[1]</td><td>4%</td></tr> <tr><td>[0]</td><td>2%</td></tr> </table>	Rank	Percentage	[3]	94%	[1]	4%	[0]	2%				
Rank	Percentage													
[3]	94%													
[1]	4%													
[0]	2%													
5. Do you control discharge of pollutant and generation of waste and perform the efforts of saving resource and energy including reduction / reuse / recycle (3R) , etc.?	95.7%	<table border="1"> <tr><th>Rank</th><th>Percentage</th></tr> <tr><td>[3]</td><td>96%</td></tr> <tr><td>[1]</td><td>3%</td></tr> <tr><td>[0]</td><td>1%</td></tr> </table>	Rank	Percentage	[3]	96%	[1]	3%	[0]	1%				
Rank	Percentage													
[3]	96%													
[1]	3%													
[0]	1%													
6. Do you comply with the applicable laws / regulations, (REACH, ROHS, etc.) for, and appropriately manage the procured chemical substances?	97.1%	<table border="1"> <tr><th>Rank</th><th>Percentage</th></tr> <tr><td>[3]</td><td>97%</td></tr> <tr><td>[1]</td><td>2%</td></tr> <tr><td>[0]</td><td>1%</td></tr> </table>	Rank	Percentage	[3]	97%	[1]	2%	[0]	1%				
Rank	Percentage													
[3]	97%													
[1]	2%													
[0]	1%													
7. Do you appropriately manage discharge of chemical substances into environment including air pollutant and water pollutant and perform the efforts for reduction?	94.0%	<table border="1"> <tr><th>Rank</th><th>Percentage</th></tr> <tr><td>[3]</td><td>94%</td></tr> <tr><td>[1]</td><td>5%</td></tr> <tr><td>[0]</td><td>2%</td></tr> </table>	Rank	Percentage	[3]	94%	[1]	5%	[0]	2%				
Rank	Percentage													
[3]	94%													
[1]	5%													
[0]	2%													
8. Do you appropriately manage emission of greenhouse gas and perform the efforts for reduction (prevention of global warming)?	84.1%	<table border="1"> <tr><th>Rank</th><th>Percentage</th></tr> <tr><td>[3]</td><td>84%</td></tr> <tr><td>[1]</td><td>10%</td></tr> <tr><td>[0]</td><td>6%</td></tr> </table>	Rank	Percentage	[3]	84%	[1]	10%	[0]	6%				
Rank	Percentage													
[3]	84%													
[1]	10%													
[0]	6%													
9. Do you perform the activities concerning reduction of environmental load and energy saving including green procurement of raw materials and packing materials, green purchasing of office supplies office machinery, power saving of offices, use of EV cars?	95.8%	<table border="1"> <tr><th>Rank</th><th>Percentage</th></tr> <tr><td>[4]</td><td>48%</td></tr> <tr><td>[3]</td><td>47%</td></tr> <tr><td>[1]</td><td>2%</td></tr> <tr><td>[0]</td><td>3%</td></tr> </table>	Rank	Percentage	[4]	48%	[3]	47%	[1]	2%	[0]	3%		
Rank	Percentage													
[4]	48%													
[3]	47%													
[1]	2%													
[0]	3%													
10. Do you understand your business activities which may cause an impact on water resources and biodiversity, consider sustainable use of resources and perform the activities to minimize the impact for preservation of biodiversity?	91.0%	<table border="1"> <tr><th>Rank</th><th>Percentage</th></tr> <tr><td>[4]</td><td>43%</td></tr> <tr><td>[3]</td><td>48%</td></tr> <tr><td>[1]</td><td>2%</td></tr> <tr><td>[0]</td><td>7%</td></tr> </table>	Rank	Percentage	[4]	43%	[3]	48%	[1]	2%	[0]	7%		
Rank	Percentage													
[4]	43%													
[3]	48%													
[1]	2%													
[0]	7%													
11. Do you perform the environmental assessment regarding the products (assessment of the products' impact on the environment)?	84.8%	<table border="1"> <tr><th>Rank</th><th>Percentage</th></tr> <tr><td>[4]</td><td>45%</td></tr> <tr><td>[3]</td><td>40%</td></tr> <tr><td>[1]</td><td>3%</td></tr> <tr><td>[0]</td><td>12%</td></tr> </table>	Rank	Percentage	[4]	45%	[3]	40%	[1]	3%	[0]	12%		
Rank	Percentage													
[4]	45%													
[3]	40%													
[1]	3%													
[0]	12%													
12. Do you request the suppliers for promotion of environmental preservation?	76.4%	<table border="1"> <tr><th>Rank</th><th>Percentage</th></tr> <tr><td>[4]</td><td>20%</td></tr> <tr><td>[3]</td><td>30%</td></tr> <tr><td>[2]</td><td>27%</td></tr> <tr><td>[1]</td><td>8%</td></tr> <tr><td>[0]</td><td>16%</td></tr> </table>	Rank	Percentage	[4]	20%	[3]	30%	[2]	27%	[1]	8%	[0]	16%
Rank	Percentage													
[4]	20%													
[3]	30%													
[2]	27%													
[1]	8%													
[0]	16%													

Supplemental information:

[4] Addressed well

[3] Addressed

[2] Addressed at minimum level

[1] Will address in one year

[0] Not addressed

For questions 4 to 8, only [3], [1], and [0] are used; no value has been set for [4] or [2].

For questions 9 to 11, only [4] [3], [1], and [0] are used; no value has been set for [2]."

As part of efforts to promote human rights protections and environmental conservation in the supply chain, the Company enables individuals to report relevant issues at any time via the Toray website. Out of a total of 279 inquiries and consultations received in fiscal 2022 via the CSR inquiry form on the Toray website, none were related to human rights in the supply chain.

Related Information

> [Inquiries concerning CSR initiatives by Toray Group and its business partners](#)

Human Rights Training for Contracted Security Companies

CSR Roadmap 2022
Main Initiatives (2)

Toray Group outsources security services to companies specialized in that field, depending on the situation in the area where a business site is located.

In addition to training on the guard services required, the Group also provides training on human rights as necessary when contracting services.

Addressing Conflict Minerals

CSR Roadmap 2022
Main Initiatives (2)

The Toray Group CSR Procurement Policies prohibit the use of minerals that come from conflict zones or high-risk areas, as well as those that are clearly tied to armed conflict or human rights violations.

To comply with the rules, Toray Industries investigates whether conflict minerals are used in any of the raw materials and production equipment used for its products. If conflict minerals are used, the Company investigates the suppliers to determine the locations of smelters and mines.

In fiscal 2022, the Company also investigated products made with four raw materials: tin, tantalum, tungsten, and gold. It confirmed that none of the raw materials used were from conflict areas. Toray Industries has also set up an internal system for surveys and responses so that it can respond promptly and appropriately to requests from customers in regard to surveys on conflict minerals.

Click [here](#) for the main initiatives for CSR Guideline 9, “Establishing Sustainable Supply Chain” in CSR Roadmap 2022.

CSR Activity Report (CSR Guideline Activity Reports) - Establishing Sustainable Supply Chain Toray Group Distribution Initiatives

Working Together with Business Partners

CSR Roadmap 2022
Main Initiatives (3)/(5)/(6)

Holding Basic Distribution Policy Briefings

Toray Industries, Inc. promotes understanding of Toray Group's distribution policies and works to improve distribution performance with annual Basic Distribution Policy Briefings for logistics companies as part of its ongoing effort to improve quality and reduce the environmental impact of its distribution process. In fiscal 2022, the briefing was held both online and in person, and 65 logistics companies participated.



Basic Distribution Policy Briefing (fiscal 2022)

Participation in White Logistics Movement and Efforts to Improve the Logistics Environment

Toray Industries participates in the White Logistics Movement,¹ an initiative designed to ensure the provision of the stable logistics necessary for consumers' lives and for industrial activities, while also contributing to economic growth. In line with the declaration of voluntary activities given below, the Company is actively working to improve the logistics environment based on mutual understanding and cooperation with business partners and logistics companies.

¹ In response to the growing shortage of truck drivers in Japan, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), Ministry of Economy, Trade and Industry (METI) and Ministry of Agriculture, Forestry and Fisheries (MAFF) are working together to encourage the participation of shipping and logistics companies. The aim is to improve the productivity of truck transportation and raise logistical efficiency, while looking to realize a fairer labor environment, thereby making it easier for women and drivers over the age of 60 to work in the industry.

Initiative	Details
Cooperate with the logistics improvement and proposals	Seriously work on eliminating incidental work, etc. that leads to increased duty hours of truck drivers.
Use pallets, etc.	Expand use of packing styles (pallets, etc.) that enables loading using forklifts to reduce cargo loading time.
Extend lead time	Secure sufficient lead time corresponding to the transportation distance.

Initiative	Details
Take legal compliance status into account	Give utmost priority to assess compliance status with relevant laws upon selecting logistics companies for signing agreements.
Actively utilize logistics vendors engaged in working style reforms, etc.	Actively utilize logistics companies engaged in work-style reforms, improvement of transportation safety and logistics quality.
Suspend, discontinue, etc. of operation in case of adverse weather, etc.	Give utmost priority to the truck driver's safety in the event of adverse weather, earthquake, etc.

Improving Loading Operations Through Plant Logistics Innovation

The Mishima Plant of Toray Industries has faced the issue of trucks waiting for excessive periods of time at the plant's film warehouse before being able to load. As part of Japan's White Logistics Movement to enhance logistics efficiency, Toray Industries decided to resolve this issue by creating a new digital system to shorten waiting times. The drivers can now check the waiting times online before heading to the warehouse and reserve an appropriate time slot.

Also, shipping forms that used to be printed out are now handled in electronic form using tablet devices. The elimination of paper forms has reduced the burden on workers and drivers, while also helping to create a paperless society. These internal logistics reforms are now being expanded to other Toray plants.

Initiative	Effect
· Reduction of average truck waiting times	56 minutes per vehicle before implementation 15 minutes per vehicle after implementation (73% reduction)
· Digitization of shipping documents	Before implementation: 120 sheets of paper per day After implementation: 0 sheets of paper per day

Improving Logistics Productivity by Using Smart Pallets

Toray Industries, Inc. is the first in the industry to use smart pallets equipped with active tags developed by UPR Co., Ltd. Typically, pallets must be replaced with different pallets during transportation and storage to prevent their loss or outflow, and the loaded products must be reloaded each time. Smart pallets, on the other hand, do not need to be replaced, since the coming, going, and inventory of pallets can be managed from a distance with the embedded active tags. Adoption of these smart pallets allows Toray's products to go on the same pallet from production to storage, transportation, and use by the customer. This has eliminated cargo handling work by truck drivers and warehouse personnel, shortened loading and unloading time, improved the working environment, and increased logistics productivity. Moreover, the Company is reducing CO₂ emissions related to pallet recovery by using its packaging materials recovery system to recover empty pallets.

In recognition of the Company's contribution to reducing the environmental impact and the burden on transportation companies, Toray Industries jointly received, with UPR Co., Ltd., the Special Award in the Fiscal 2020 Green Logistics Partnership Conference Award for Excellent Business Operators.² In fiscal 2021, Toray Industries and UPR jointly received the Sustainable Activity Award in the 22nd Logistics Environment Award³.

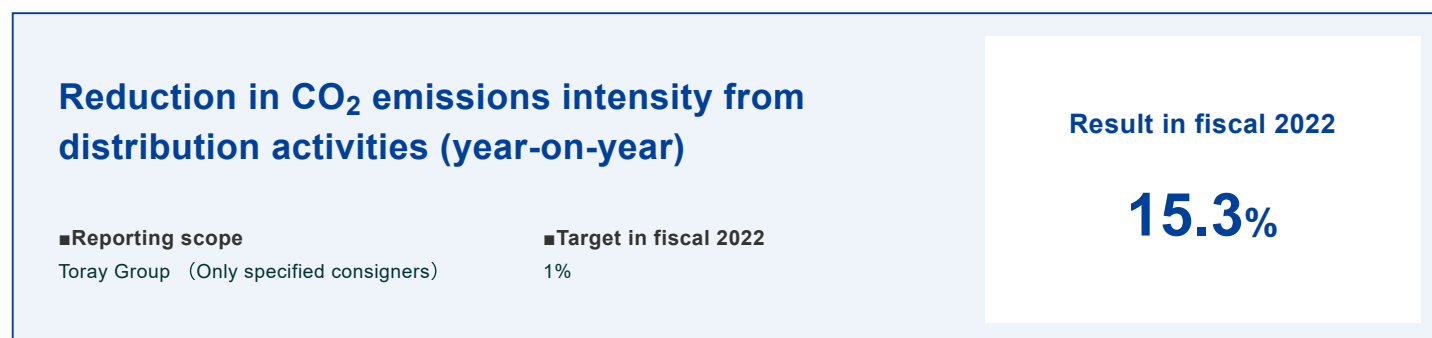
- 2 An award, presented by the Ministry of Economy, Trade and Industry, the Ministry of Land, Infrastructure, Transport and Tourism, and others, that recognizes businesses for their remarkable contributions to the establishment of sustainable logistics systems by reducing environmental burdens in the logistics sector or improving productivity in terms of distribution.
- 3 An award, presented by the Japan Association for Logistics and Transport, that recognizes groups, companies, and individuals who are contributing to the development of the logistics industry by reducing environmental impact. This includes conducting outstanding environmental preservation or awareness-raising activities or pioneering technological development in the logistics field.

Various Effects of Toray Industries' Use of Smart Pallets (Fiscal 2021)

Initiative	Effect
· Reduce CO ₂ emissions related to pallet recovery	83% reduction (by 197 t-CO ₂ /year)
· Reduce product loading and unloading time	75% reduction (by 23,788 hours/year)
· Improve efficiency of office work	100% reduction in work time (by 1,584 hours/year)
· Reduce truck standby time	38% reduction (by 5,947 hours/year)
· Reduce distribution accidents (broken bags)	35% reduction (by 148 incidents/year)

Reducing the Environmental Impact of Distribution

CSR Roadmap 2022
Main Initiatives (3)(4)(5)



Toray Group is working hard to reduce CO₂ emissions in transport. These initiatives include reducing transport distances, shifting modes of transport to those which have less environmental impact such as sea and rail (modal shift), and raising transportation efficiency.

In fiscal 2022, at Toray Group (only specified consigners⁴ in Japan), CO₂ emissions from distribution activities⁵ were 27,300 tons, down 3,100 tons (10.3%) from the previous fiscal year, due primarily to a decrease in transport volume.

Due to an increase in net sales, which is the denominator, at Toray Industries and other group companies, CO₂ emissions intensity⁶ decreased significantly for Toray Group. With the fiscal 2014 level (set at 100) as the base, the change in the Group's CO₂ emissions intensity was 77.0 in fiscal 2022, representing a decrease of 15.3% from the previous fiscal year (fiscal 2021).

In fiscal 2022, Toray Industries' CO₂ emissions from distribution activities totaled 24,000 tons, down 226 tons from the previous fiscal year. This was primarily due to efforts for full-load transport, increased loading rates and reductions in inefficient transport. In addition, transport volume fell for resin and film products in particular, resulting in an emissions decrease of 2,800 tons (10.3%) from the previous year.

Toray Industries' CO₂ emissions intensity from distribution activities decreased by 17.4% year on year (from fiscal 2021) because, CO₂ emissions decreased, while net sales, the base unit denominator, increased. Over the past five years, however, CO₂ emissions intensity decreased an average of 3.5% per year. As a result, Toray Industries is reliably meeting its legal mandate to reduce CO₂ emissions intensity by an average of at least 1% every year. Toray Group will continue to seek CO₂ emissions reductions by pursuing environmentally responsible distribution.

4 Toray Industries, Inc. and Toray Advanced Film Co., Ltd., which have annual cargo transport totaling 30 million ton-kilometers or more, are "specified consigners" under Japanese law.

5 CO₂ emissions from distribution activities refers to "CO₂ emissions related to the transportation of cargo entrusted to freight carriers" stipulated in the Act on Rationalizing Energy Use (Revised Energy Conservation Act)

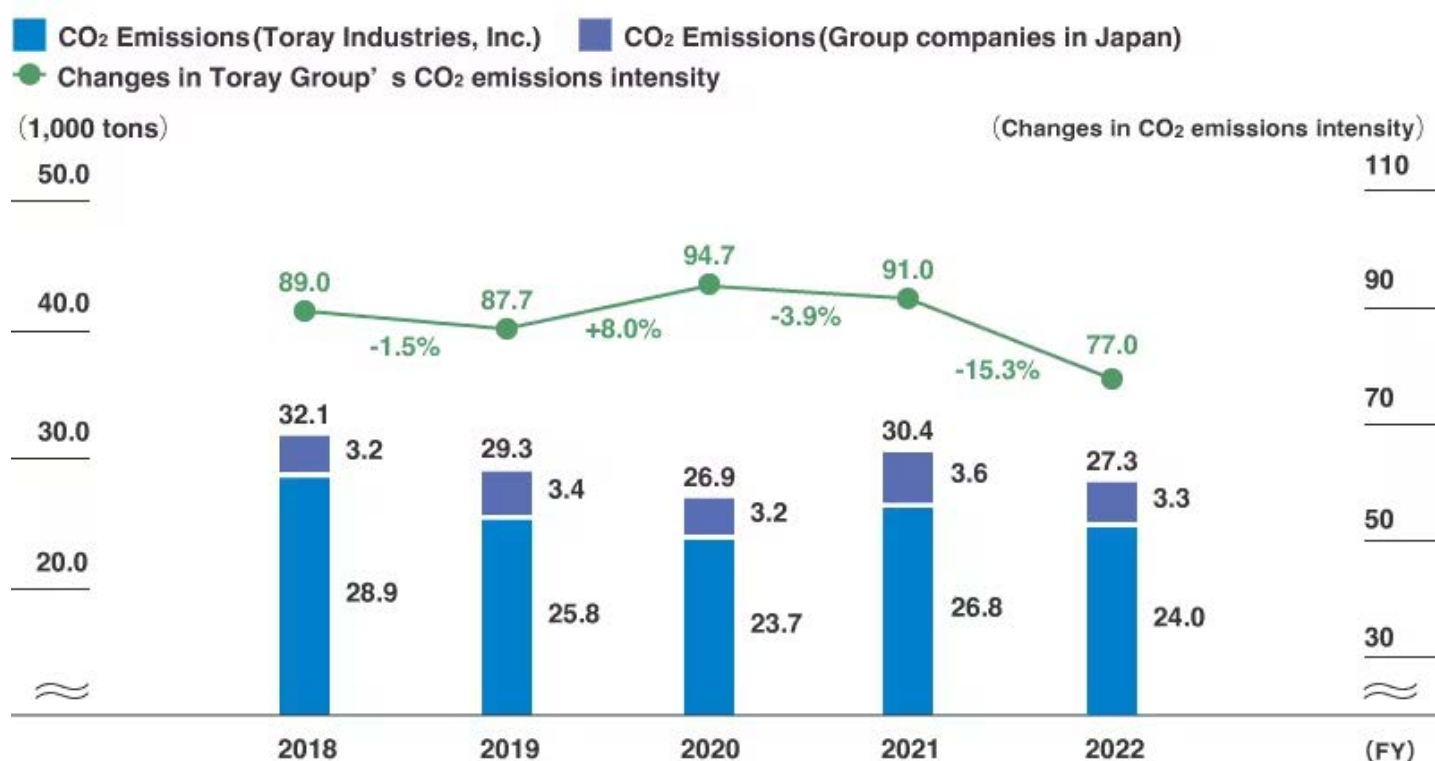
6 CO₂ emissions from distribution activities ÷ the following transport-related indexes

Toray Industries, Inc. = Net sales

Toray Advanced Film Co., Ltd. = Shipping volume

Specified consigners are required to endeavor to meet the legal mandate to reduce CO₂ emissions intensity by an average of at least 1% every year over the medium- and long-term.

CO₂ Emissions Resulting from Distribution Activities and CO₂ emissions intensity (Toray Group's Specified Consigners in Japan)



Notes:

1 Changes in Toray Group's CO₂ emissions intensity = Change in CO₂ emissions intensity at each specified consigner group company × Each group company's CO₂ emissions / Total Toray Group CO₂ emissions

2 Change in CO₂ emissions intensity at each group company = CO₂ emissions / Change in transport-related indexes (Fiscal 2014 = 100)

3 This shows the emissions level and intensity for specified consignors Toray Industries, Inc. and Toray Advanced Film Co., Ltd. in fiscal 2022.

CO₂ Emissions Reduction in Distribution Activities (Toray Industries, Inc.)

Details of initiatives	CO ₂ Reduction (1,000 tons)
Full-load transport, increased loading rates, and strategic positioning of warehouses, etc.	0.103
Reduction of inefficient transport, revision of inventory storage locations, and loading at the nearest port, etc.	0.070
Improved calculation accuracy (maximum loading capacity, average loading rate review, and fuel efficiency review, etc.)	0.054
Total	0.226

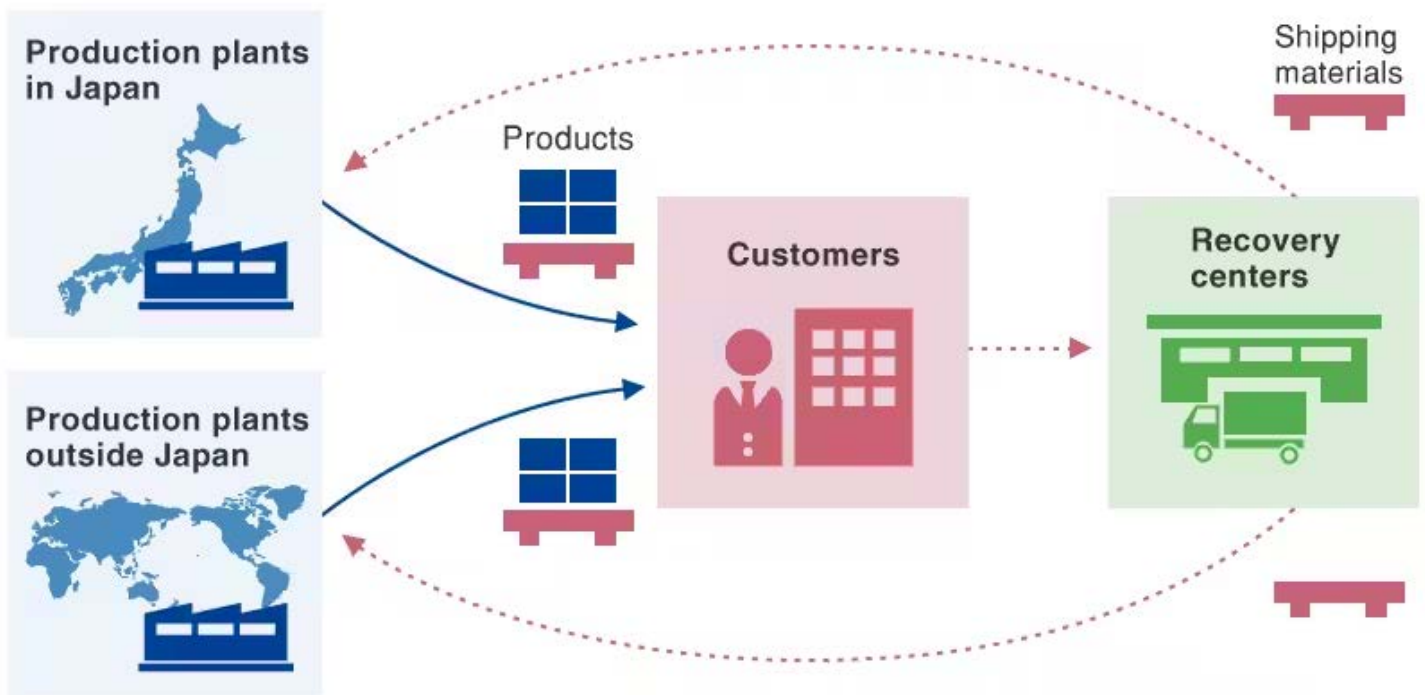
Expanding Collection and Reuse of Packaging Materials

Toray Group is establishing a global framework to collect and recycle packaging and shipping materials that are included with products used by customers.

The value of these materials collected by Toray Industries in fiscal 2022 was 650 million yen, a decrease of 70 million yen (9.8%) from the previous fiscal year.

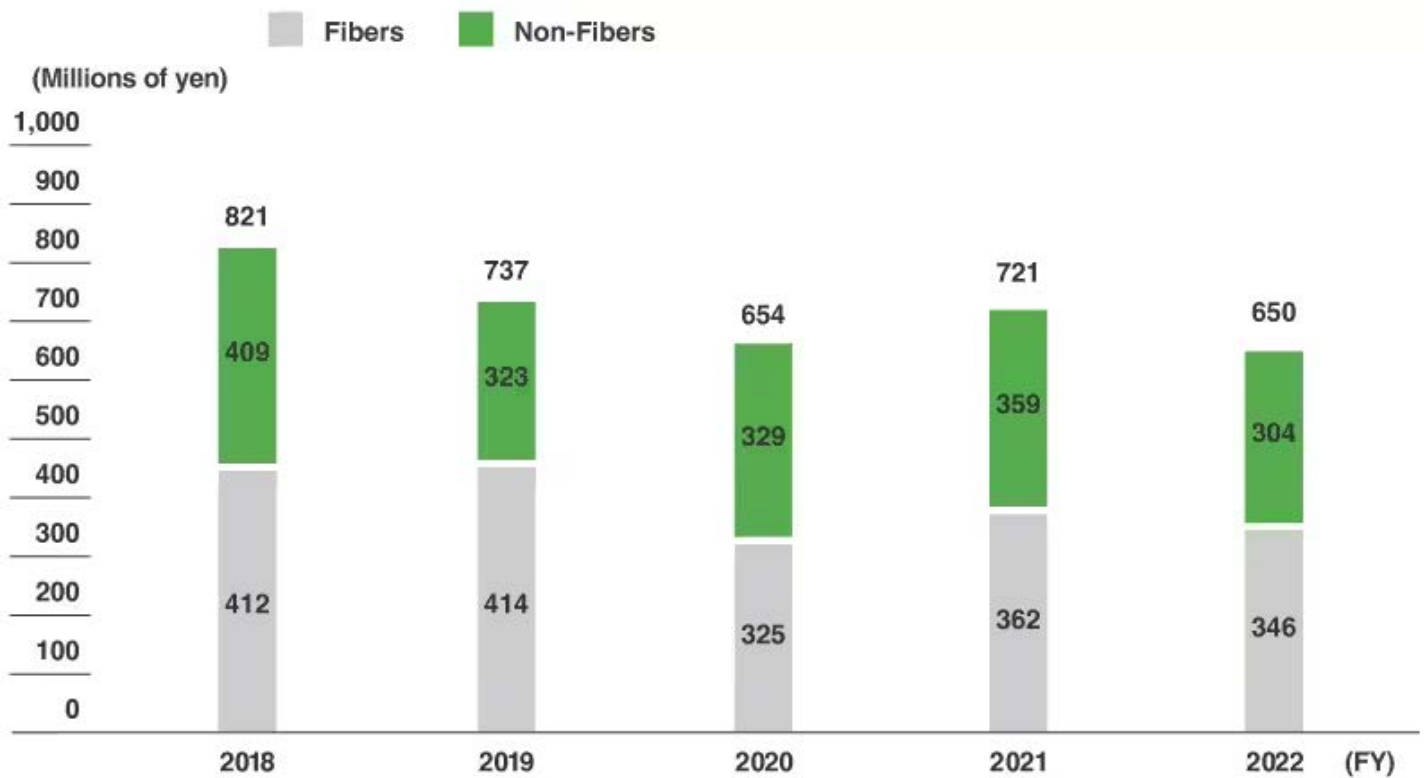
The volume of the materials collected also decreased due to a drop in shipment volumes for films. In order to reduce the amount of new material purchasing, the Group internally shares information on the inventories of used shipping materials being collected, such as temporary inventories at collection centers.

System for Reusing Shipping Materials (Toray Industries, Inc.)



More packaging materials are reused, including at plants outside Japan

Monetary Amounts Recovered for Packaging Materials (Toray Industries, Inc.)



Related Information

> [Recycling of Film Packing Materials](#)

Promoting a Modal Shift

CSR Roadmap 2022
Main Initiatives (4)

Modal shift to sea or rail for transport across distances for 500 km or more (%)

■ Reporting scope
Toray Industries, Inc.

■ Target
40% (2022 target) (Calendar year)

Result in 2022 (Calendar year)

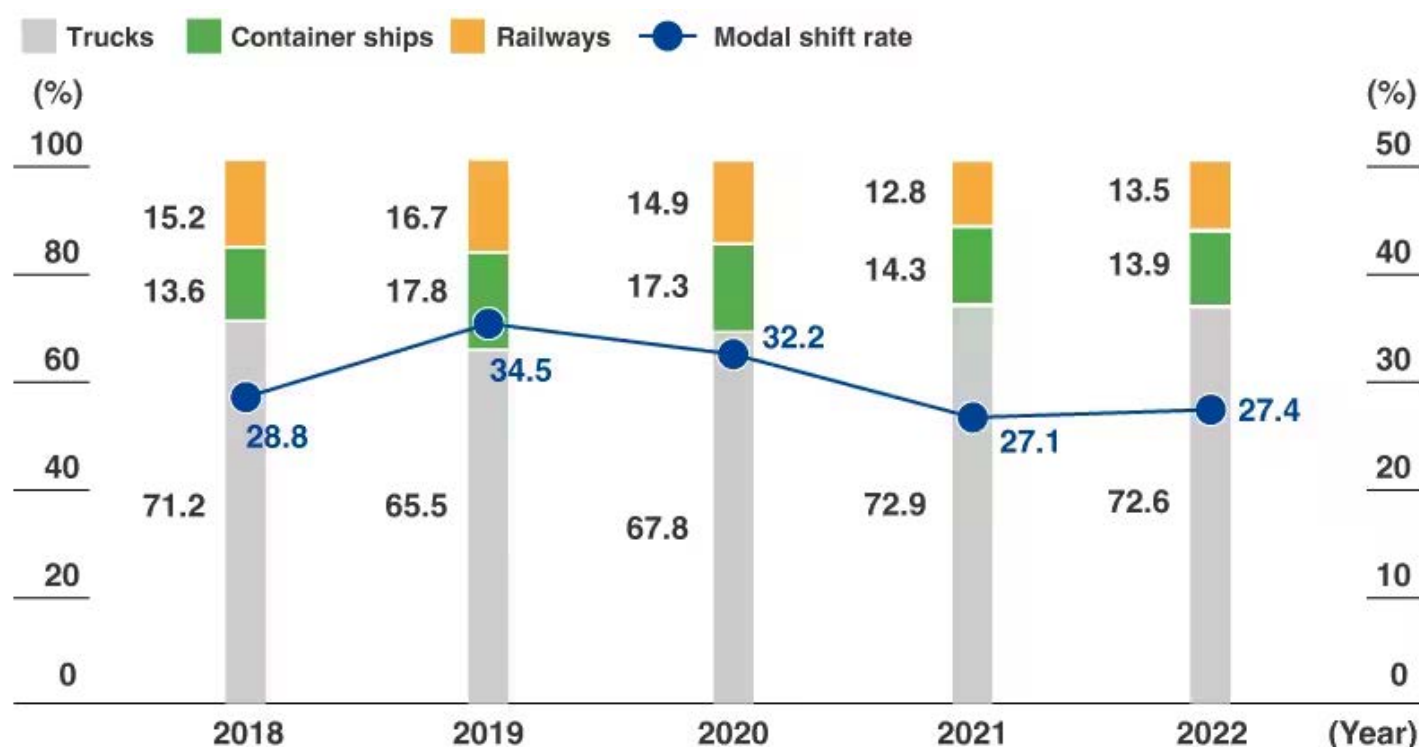
27%

Toray Industries laid out its commitment to environmentally friendly distribution in its Basic Distribution Policies (Revised in March 2022), in which it aimed to balance consideration for the environment in the distribution process with better competition achieved by cost-cutting. Toward this end, the Company has actively pursued modal shift (switching from trucks to rail and ship transport). In addition, modal shift is also effective as a measure to address the recent vulnerabilities in truck transport caused by a shortage of drivers. Toray Industries set a modal shift target of 40% to be achieved by 2022 and actively promoted initiatives to achieve this goal.

The modal shift rate for January to December 2022 increased by 0.3 points from the previous year to 27.4% due to efforts to expand the use of rail transport. This was supported by investigating a shift to rail for transport distances of less than 500 kilometers, which were not previously under consideration. However, with the increase in rail transport demand in Japan in 2022, transport by truck increased due to the difficulty of securing containers for rail transportation and the increase in the number of cases where lead times for rail transportation were unacceptable. As a result, the Company fell short of its 2022 modal shift rate target of 40%.

Toray Group will continue pursuing modal shift in diverse product and materials transport and will work more closely with distribution partners. Through these efforts, the Group will promote environmentally responsible distribution while taking into consideration the environmental impact of the distribution process.

Modal Shift Rate (Toray Industries, Inc.)



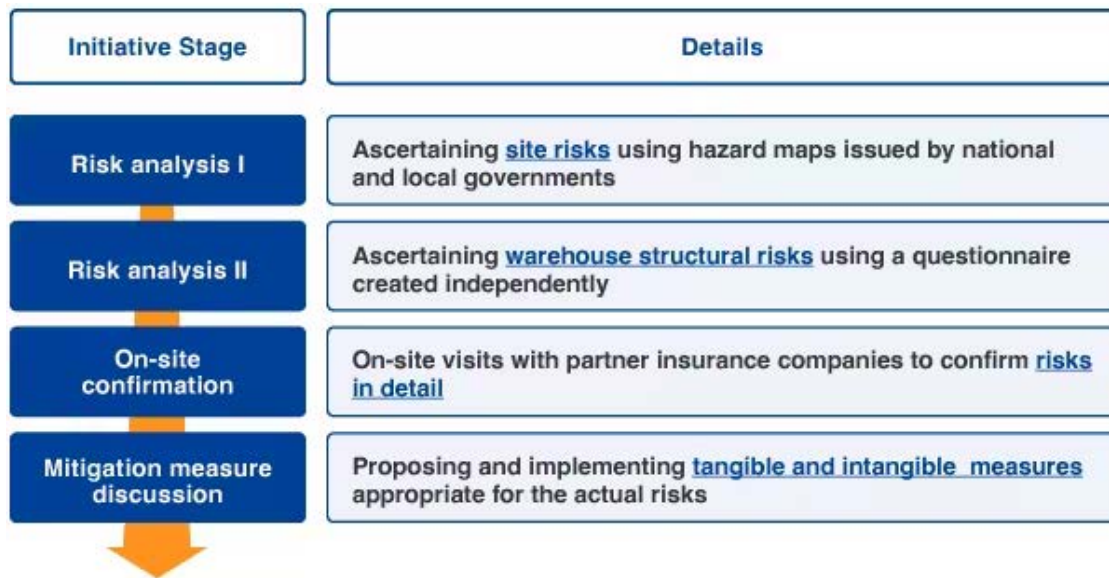
Acquisition of Eco Rail Mark and Eco Ship Mark

Toray Industries has certified as an Eco Rail Mark Company by Japan's Ministry of Land, Infrastructure, Transport and Tourism and the Railway Freight Association. This recognizes Toray's active efforts to use rail freight transport, a relatively environmentally friendly means of transportation. The Company also obtained Eco Rail Mark Product certifications for its TORAY TETORON™ fiber and TORAYCON™ polybutylene terephthalate (PBT) resin. Moreover, in fiscal 2017 Toray Industries achieved the Eco Ship Mark certification related to its film products, which are difficult to ship by rail. This program recognizes companies that are switching to ship transport and use maritime transport, which has a low environmental impact, to a certain extent.



Toray Industries implements measures to prevent or minimize the damage caused by natural disasters such as typhoons and heavy rains, which have been increasing in frequency in recent years. It does this by continually investigating and identifying natural disaster risks at external warehouse sites in Japan, and by implementing response measures together with warehouse operators.

In fiscal 2022, the Company ascertained the natural disaster risks at 67 main external warehouse sites. This was determined based on the structure of the warehouse buildings and the site environments, using tools such as hazard maps issued by the national and local governments. Eight sites were determined to be at high risk, and on-site inspections were conducted to confirm the actual situations. Based on the results of the investigation, tangible and intangible mitigation measures were discussed with the warehouse operators and improvements are being made. Specifically, disaster prevention manuals were created based on flood risk information released by the Japan Meteorological Agency, while portable water dams were prepared and pallets were raised off of warehouse floors. In fiscal 2021 and 2022, Toray completed on-site inspections at 16 locations and discussed countermeasures. In fiscal 2023, further on-site inspections and discussions will be carried out to better mitigate risks.



Portable water dam (measure example)



Pallets raised above the floor level (measure example)

Toray Industries is working on a project to improve transport quality. The Company works with distribution partners to improve distribution quality and safety and to reduce the incidence of problems by sharing accident analysis data and distribution quality enhancement reports, conducting on-site inspections and holding quality control meetings with partners. Partners that make outstanding contributions to improving quality are recognized through annual awards⁷. These initiatives are aimed at reducing the number of problems such as those involving breakage, and reducing transport delays and incorrect shipments of Toray products.

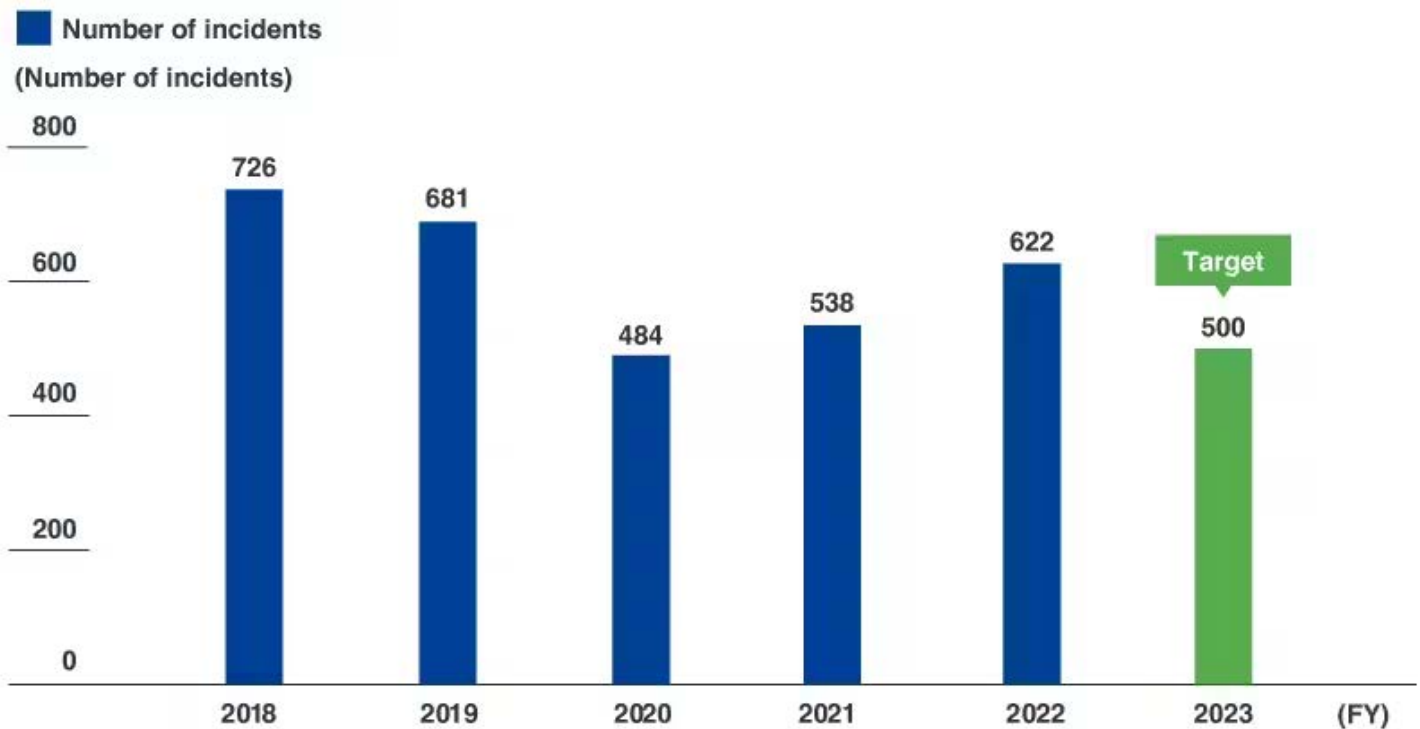
⁷ Distribution-partner companies receiving awards in fiscal 2022 (alphabetical order):

Iyoshoun Inc., Shikoku Meitetsu Transportation Co., Ltd., Sukagawa Tobu Logistics Co., Ltd., Daisei Warehousing & Transportation Co., Ltd., Nagahama-Reizou, Japan Transcity Corporation, Meitetsu Transportation Co., Ltd.

Distribution Incidents

Recently, transport and warehousing companies in Japan have experienced a labor shortage, and incidents during transport have become more common.

Consequently, Toray Industries has seen an increase in product damage during transport on routes for smaller packages. In order to reduce this kind of damage as well as misdelivery, the Company approached distribution partners with high incident rates, in an effort to improve distribution quality. Discussions were held on improvement measures, on-site visits were made, and educational activities were carried out. Despite this, the number of distribution incidents in fiscal 2022 was 622, an increase of 16% compared to the previous year. The Company will continue working with partner companies to improve distribution quality.



Logistics Efforts for Security Trade Control

In order to ensure thorough compliance with security trade controls relating to the export of its products, Toray Industries provides ongoing security trade control training to external warehouses where regulated items are stored. In fiscal 2022, in addition to explaining security trade control measures to seven sites belonging to six companies, important points were highlighted regarding the handling of regulated items, based on past near-miss incidents. Through this training, Toray once again stressed the importance of managing and handling regulated products appropriately.

Recommending that Distribution Partners Acquire Third Party Certification

Toray Industries recommends that its distribution partner acquire external certifications such as ISO 9001, ISO 14001, Green Management Certification⁸ and G Mark.⁹ These certifications require companies to achieve legal compliance, improve quality, and practice environmental conservation in distribution processes. Toray Industries also pursues CSR initiatives in collaboration with distribution partners.

⁸ Certification is awarded by the Foundation for Promoting Personal Mobility and Ecological Transportation to companies that demonstrate a certain level of environmental improvement activities based on a manual for implementing green management (business management with a low environmental impact)

⁹ A system that recognizes companies that meet certain criteria and demonstrate excellent safety, based on an assessment by the Safety Evaluation Committee established by the Japan Trucking Association of proactive initiatives for legal compliance and safety recommended by the Ministry of Land, Infrastructure, Transport and Tourism

Yellow Card Emergency Response Measures

Drivers of shipping vehicles carry a yellow card¹⁰ detailing emergency measures to be taken to minimize damage in the event of an accident. Toray Industries has also established an emergency communication system and carries out emergency training. In the unlikely event of such an accident, the Company has procedures in place enabling the necessary staff to be dispatched as swiftly as possible to the accident site for assistance.

¹⁰ A Card listing the names of any hazardous substances, applicable laws and regulations, hazardous properties, procedures in case of accident, emergency reporting and contact information, methods for minimizing the spread of damage, and other relevant information.

Initiatives to Prevent Overloading

The overloading of trucks causes vibration, noise, damage to roads and facilities, and also creates driving hazards. Consequently, Toray Industries is putting considerable effort into the prevention of overloading.

Compliance and Security Measures for Importing and Exporting

As a measure to ensure the legality and safety of imports and exports as part of Toray Group's expanding global operations, a US subsidiary of Toray International, Inc. enrolled in the Customs-Trade Partnership Against Terrorism (C-TPAT)¹¹ with the aim of strengthening global supply chain compliance. In order to realize more efficient imports and exports of materials and to strengthen supply chain compliance and security measures, Toray Group is also encouraging its worldwide distribution partners to obtain Authorized Economic Operator (AEO)¹² status.

- 11 A voluntary program introduced by United States Customs and Border Protection in November 2004. The aim of the program is ensure and strengthen security through the global supply chain, based on international cooperation with private operators importing goods into the US.
- 12 A status implemented by the EU in December 2006 that gives priority in customs procedures to importers and exporters with a high level of compliance for cargo security. The Japanese Customs Act was also revised in 2007, and a similar qualification system was established to provide priority in customs procedures to highly compliant operators.

Click [here](#) for the main initiatives for CSR Guideline 9, “Establishing Sustainable Supply Chain” in CSR Roadmap 2022.