

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. Finally, the Toray Group CSR Procurement Policies and the Toray Group CSR Procurement Guidelines are continuously reviewed and updated in response to changes in society and other factors.

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. Finally, the Basic Purchasing Policies and the Basic Distribution Policies are continuously reviewed and updated in response to changes in society and other factors.

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.

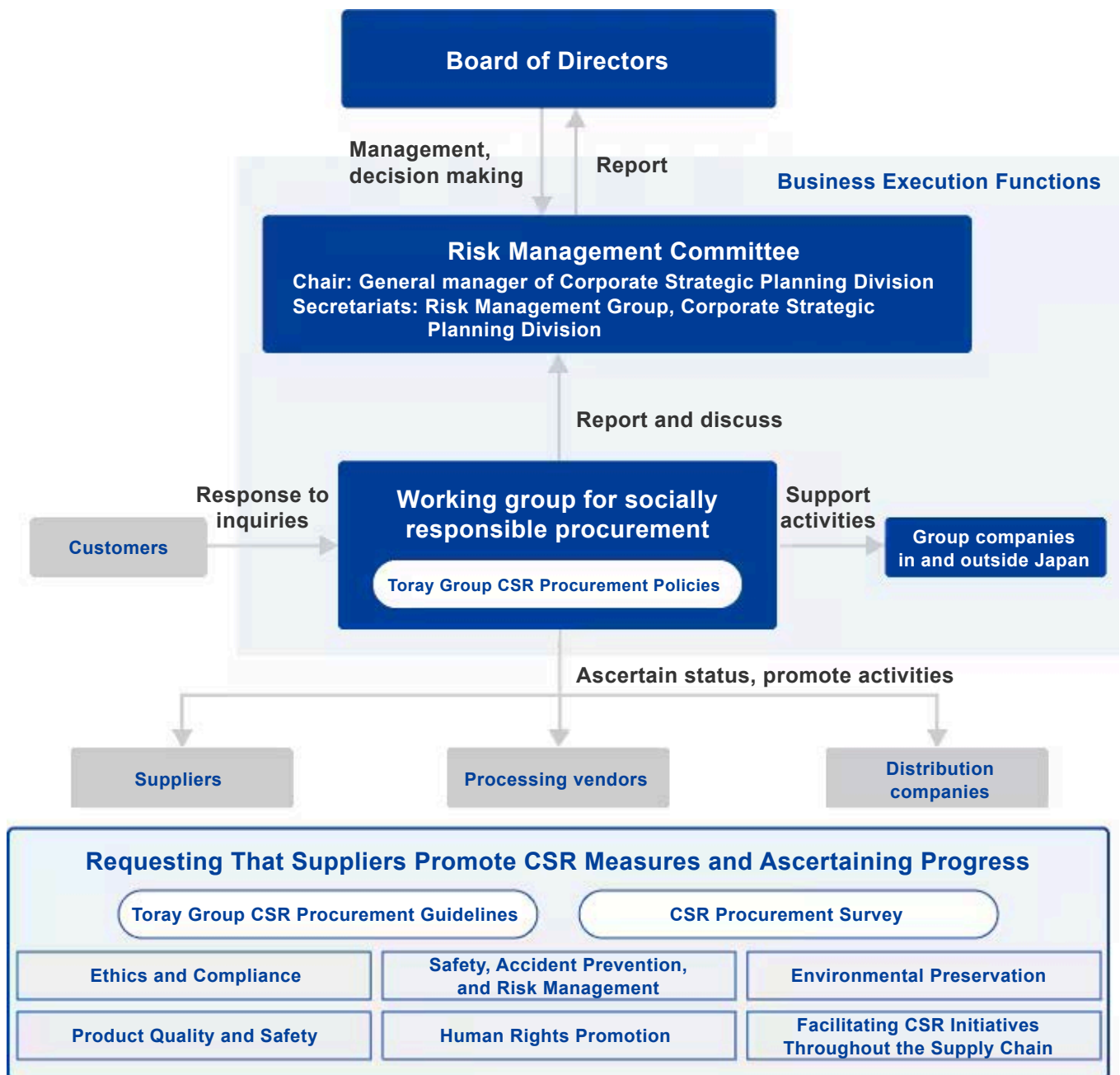
Basic Distribution Policies Revised March 2022

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 Committee², which oversees overall risks. The issues reported are discussed by the committee members.

² As of July 2024, a senior vice president (member of the board) serves as the Risk Management Committee Chair.



Initiatives for Human Rights and Environmental Due Diligence³ 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.

Furthermore, even in the case of business partners that met the standards required by Toray Industries based on the CSR Procurement Survey results, on-site audits are progressively being carried out for those in industries where the risks of negative impacts are a concern.

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.

³ Due Diligence: 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 2025 Targets

CSR Roadmap goals

To ensure socially responsible procurement by the Toray Group, work with suppliers, processing vendors, subcontractors and other business partners to implement CSR initiatives that include compliance with laws and regulations, amelioration of global warming, environmental conservation, and respect for human rights

Main Initiatives and Key Performance Indicators

	KPI
(1) Request suppliers to comply with the Toray Group CSR Procurement Guidelines, and strive to ascertain the status of each company's CSR initiatives	9-①
(2) Identify high-risk areas that may have a negative impact on the environment and human rights, and promote supply chain due diligence to implement measures to prevent or mitigate the identified risks	9-②
(3) Promote procurement of responsibly sourced materials such as non-conflict minerals and sustainable palm oil	9-③
(4) Reduce CO ₂ emissions intensity from distribution activities	9-④
(5) Continually investigate and ascertain logistics risks related to natural disasters such as typhoons and heavy rains, and strive to reduce risks	9-⑤
(6) Continually work to reduce the environmental impact and improve the quality of distribution activities	-
(7) 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 2023 Result
	Fiscal 2023	Fiscal 2024	Fiscal 2025	
9-① Suppliers agreeing to the Toray Group CSR Procurement Guidelines (%)	At least 75%	At least 85%	At least 90%	76.8%
9-② Implementation of supply chain due diligence (% of cases)	At least 60% (Fiscal 2024)		At least 90%	5
9-③ Oil procurement needs met by palm oil sourced in a manner that is environmentally responsible and respectful of human rights (% of oil purchased, by value)	At least 70% (Fiscal 2024)		At least 90%	6
9-④ Reduction in CO ₂ emissions per unit of sales from distribution activities (year-on-year)	1%	1%	1%	11.5%
9-⑤ Key external inventory sites that have been assessed for natural disaster risk and have implemented measures to mitigate serious risks (%)	At least 60%	At least 75%	At least 90%	59%

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

Toray Industries, Inc. (9-③ and 9-⑤)

Toray Group (Only specified consigners, Toray Industries, Inc., TAF) (9-④)

4 The White Logistics Movement: 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

5 Since efforts to achieve the fiscal 2024 target began recently, there are no figures to report for fiscal 2023. During this year, measures were taken to determine the anticipated high-risk issues, countries, regions, and industries, and preparations were made to identify and investigate the relevant suppliers.

6 Since efforts to achieve the fiscal 2024 target began recently, there are no figures to report for fiscal 2023. The plan is to survey the Company's major suppliers of lubricants containing palm oil by investigating those that account for 90% or more of the Company's palm oil-related purchasing amount in fiscal 2023.

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

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](#)

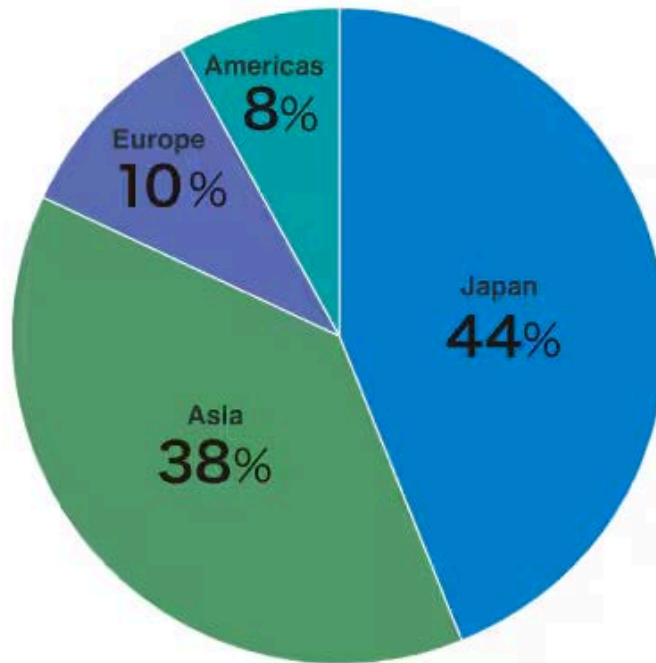
CSR Activity Report (CSR Guideline Activity Reports) - Establishing Sustainable Supply Chain Socially Responsible Procurement Initiatives at Toray Group

Toray Group Supply Chain

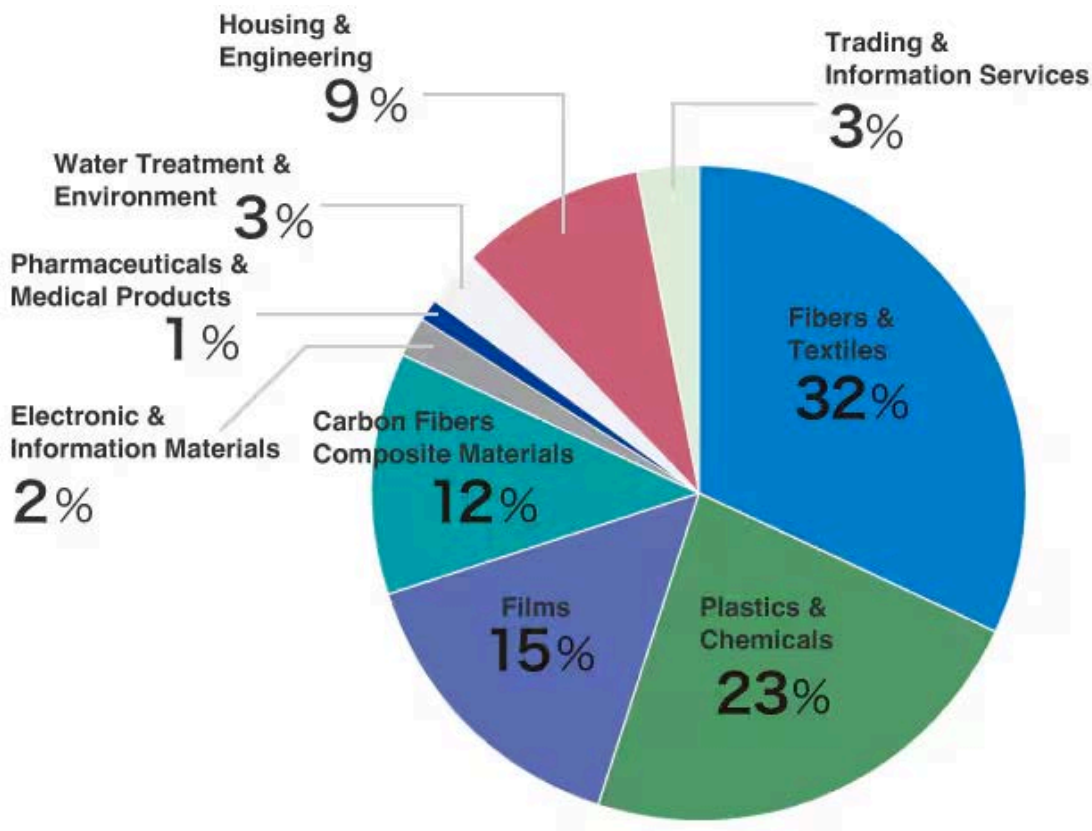
Toray Group's supply chain extends to diverse countries and regions around the world. In fiscal 2023, the Group's purchasing by region was 44% in Japan, 38% in the rest of Asia, 10% in Europe, and 8% in the Americas. Purchasing by business segment was 32% for Fibers & Textiles, 23% for Plastics & Chemicals, 15% for Films, 12% for Carbon Fibers Composite Materials, and 18% for others. Operating in a wide range of industries, the Group's suppliers include general trading companies, specialized trading companies, and worldwide producers of petrochemicals, fuels, pharmaceuticals, molded products, packaging materials, machine tools, precision equipment, machine parts, and processed materials. The Group conducts both regular and spot transactions.

Fiscal 2023 Purchasing Breakdowns by Region and Business Segment (Based on Transaction Value)

Purchasing Breakdown by Region



Purchasing Breakdown by Business Segment



Toray Group's Socially Responsible Procurement Activities

CSR Roadmap 2025
Main Initiatives (1)/(2)

Suppliers agreeing to the Toray Group CSR Procurement Guidelines (%)

■ Reporting scope: Toray Group
■ Target in fiscal 2023: At least 75%

Result in fiscal 2023

76.8%

Implementation of supply chain due diligence (% of cases)

■ Reporting scope: Toray Group
■ Target: At least 60% (Fiscal 2024)

Result in fiscal 2023

1

¹ Since efforts to achieve the fiscal 2024 target began recently, there are no figures to report for fiscal 2023. During this year, measures were taken to determine the anticipated high-risk issues, countries, regions, and industries, and preparations were made to identify and investigate the relevant suppliers.

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. Toray Group uses its own questionnaire survey system to conduct regular surveys of suppliers and monitor their CSR efforts. The Group assesses suppliers based on uniform group standards, provides feedback on the results to suppliers, and follows up on poor-performing suppliers. By maintaining this due diligence process, 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.

Initiatives to Mitigate Global CSR Procurement Risk

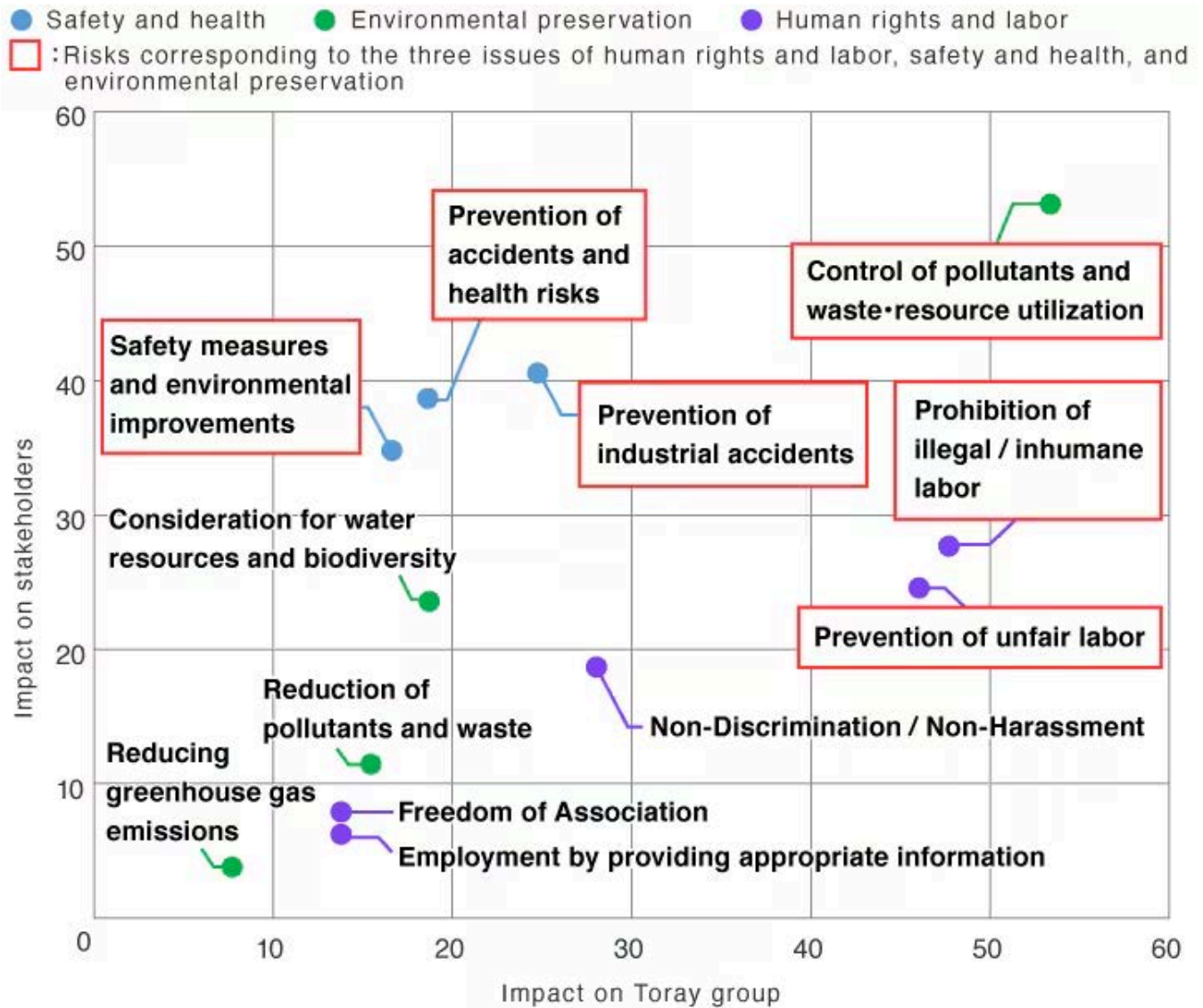
To mitigate CSR procurement risks within Toray Group, a process was developed to identify key CSR procurement risk factors such as country, region, and industry. The process identifies suppliers for investigation, followed by risk assessments, audits, and mitigation measures.

After identifying and prioritizing CSR procurement risks, the Group decided to focus on three key issues for detailed investigation: human rights and labor, safety and hygiene, and environmental protection. Questionnaires and audit procedures were created to investigate these issues with suppliers.

To evaluate the operational feasibility of the prepared questionnaires and audit procedures, tests were conducted together with group companies worldwide, in preparation for the actual implementation of the investigation process. To pick out suppliers requiring investigation, an identification process was created that narrows down suppliers based on information collected from group companies worldwide, taking into account factors such as the supplier country, region, and industry.

In fiscal 2024, the Group will establish the risk identification and investigation processes, conduct risk assessments of identified suppliers, and perform audits and follow-up actions in cases where risks are found. Through these efforts, CSR procurement risks will continue to be mitigated across the entire Toray Group.

CSR Procurement Risk Map (High-Risk Issues in the Supply Chain)



As a KPI under its CSR Roadmap 2025, Toray Group has adopted the implementation rate for supply chain due diligence and is promoting efforts accordingly.

Each of the 80 group companies outside Japan is working to identify and survey suppliers deemed high-risk in terms of human rights and labor, safety and hygiene, and environmental protection. This applies to the 2,341 major suppliers that have received the Toray Group CSR Procurement Guidelines. The higher risk suppliers are identified based on factors such as the country, region, and industry. The goal is to achieve a due diligence implementation rate of 60% or higher by fiscal 2024 and 90% or higher by fiscal 2025.

Supply Chain Due Diligence Process



① Incorporating responsible corporate behavior into corporate policies and management systems

- Toray Group Policy for Human Rights
- Ten Basic Environmental Rules
- Recycling Activity Principles
- Toray Group Biodiversity Basic Policy
- Toray Group's Basic Policy for Increasing Green Areas
- Toray Group CSR Procurement Policies
- Presenting the Toray Group CSR Procurement Guidelines to business partners and obtaining written agreements for compliance

② Identifying and assessing negative impacts in the Company's business, supply chain, and business relationships

- Conducting and evaluating the CSR Procurement Survey
- Establishing a whistleblowing hotline system
- Investigating high-risk issues related to CSR procurement
- Confirming business partner risks using a corporate search system
- Auditing business partners

③ Stopping, preventing, and mitigating negative impacts

- Providing individual feedback to each business partner using the evaluation results of the CSR Procurement Survey
- Visiting low-score companies and requesting improvements

④ Follow-up surveys to check measure implementation and results

- Verifying improvement situations using the next CSR Procurement Survey and other means

- ⑤ Communicating how the impacts were addressed
 - Public announcement in the Group's CSR Report and in the UK Modern Slavery Act statement
- ⑥ Taking or cooperating on corrective actions where appropriate
 - Establishing a compliance violation reporting mechanism (setting up a whistleblowing hotline)

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 B² 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 for fiscal 2023. The feedback was provided to each company in the form of a score sheet, which included not only their individual assessment, but also the overall averages, including the scores of other companies. In fiscal 2023, the Company individually visited all six suppliers that were rated C or D to confirm actual conditions and discussed measures for improvement. As a result, many improvements were made by these suppliers, such as establishing internal regulations on ethics and compliance and reflecting them in employee work rules, developing an internal business continuity plan (BCP) for disaster prevention and risk management, conducting internal training on human rights and labor, and using the Toray Group Supply Chain CSR Promotion Guidebook to request compliance measures from their own suppliers. Furthermore, in the case of business partners that met the standards required by Toray Industries based on the CSR Procurement Survey results, on-site audits are also progressively being carried out for those in industries where the risks of negative impacts are a concern.

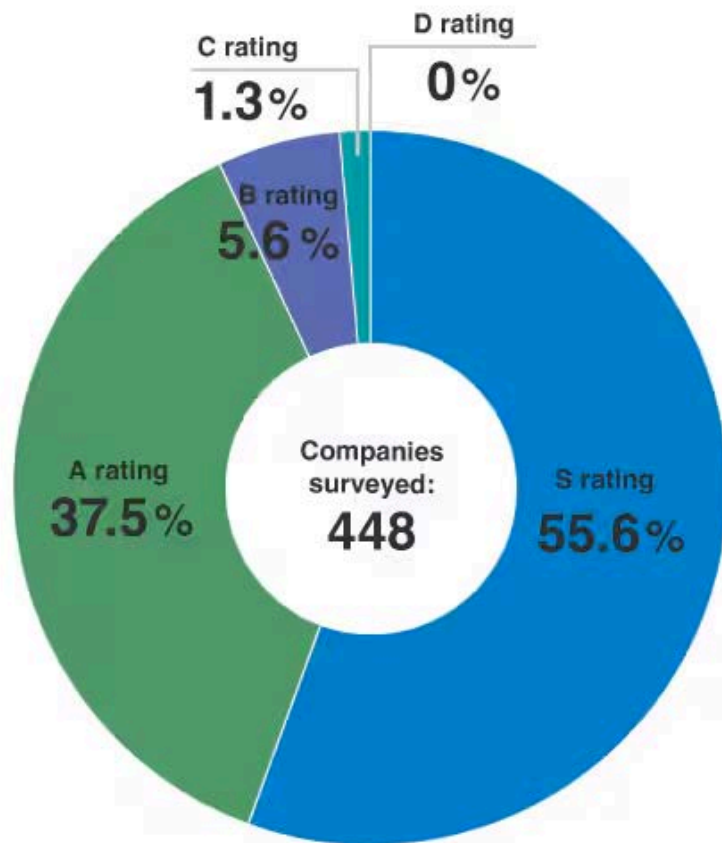
In parallel with efforts to understand, assess, and improve the current status through CSR Procurement Surveys, Toray Industries is mitigating CSR-related risks by asking its suppliers to understand and comply with the Toray Group CSR Procurement Guidelines, established in March 2022, as part of efforts 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. In fiscal 2023, the Company did the same for 26 suppliers (reaching a total of 502 suppliers by the end of March 2024). In addition to asking for suppliers' understanding and compliance, efforts have also been made to obtain written agreement from suppliers stating that they will adhere to the guidelines. As a result, 379 companies had provided such agreements by the end of fiscal 2023.

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

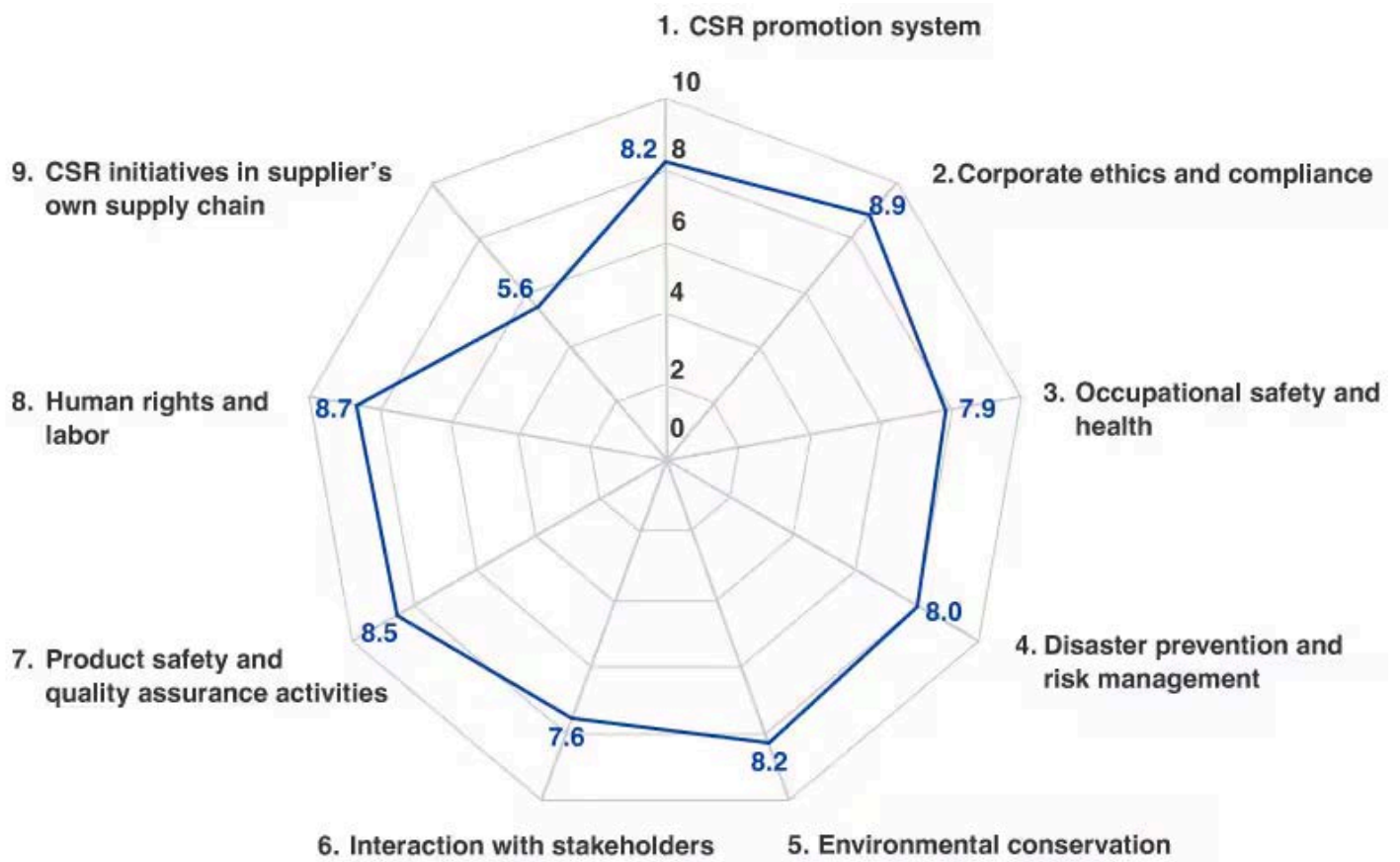
2 Survey responses are assessed on a 10-point scale for each of the nine survey items. Taking the average score for the nine items as the overall score, 8 or more points is rated as S, 6 or more points but less than 8 is rated as A, 5 or more points but less than 6 is rated as B, 3 or more points but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

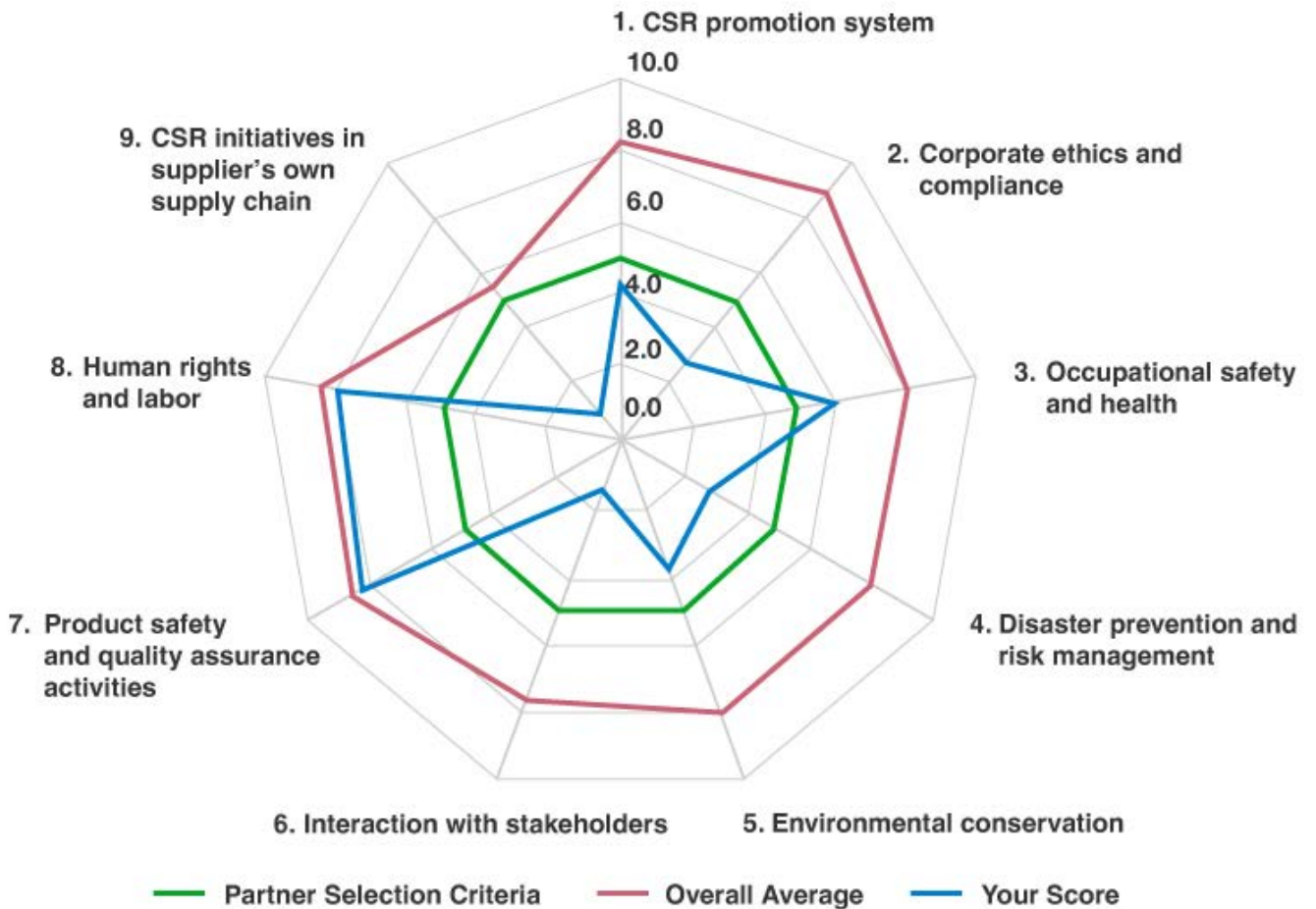
Fiscal 2022 CSR Status of Suppliers (Toray Industries, Inc.)



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



Feedback Using the Fiscal 2022 Toray Industries CSR Procurement Survey Evaluation Results (Example)



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

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 fiscal 2023, 129 more business partners were contacted, reaching a total of 2,341 major suppliers as of March 31, 2024. In addition to requesting cooperation and compliance, the group companies are working to obtain written agreement from them stating they will adhere to the guidelines. As a result, by the end of fiscal 2023, they had obtained such agreements from 1,542 suppliers, excluding 121 companies that group companies do not expect to do business with in the future. With the support of Toray Industries, group companies outside Japan 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 2023, these companies conducted a CSR procurement survey among their major suppliers and received 851 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 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. In fiscal 2023, 14 more business partners were contacted, reaching a total of 1,553 major suppliers as of March 31, 2024. Group companies in Japan have been carrying out activities to obtain written agreements from suppliers on adherence to the guidelines. As a result, by the end of fiscal 2023, these group companies obtained written agreements from 1,319 suppliers, excluding 57 suppliers that these group companies do not expect to do business with in the future. With the support of Toray Industries, the group companies in Japan will continue to obtain written agreements from existing and new suppliers.

Furthermore, the CSR Roadmap 2025 sets KPI for the percentage of group-wide suppliers that have agreed to follow the Toray Group CSR Procurement Guidelines. The targets for fiscal 2023, 2024, and 2025 are 75%, 85% and 90% or higher, respectively. In fiscal 2023, agreement was obtained from 3,240 out of 4,218 major Toray Group suppliers, representing 76.8% of business partners.

Examples of Workplace Initiatives in Fiscal 2023

Initiatives by the U.S. Toray Group Procurement Team

The Toray Group procurement team in the United States, consisting of procurement representatives from eight Toray Group companies in the country, participated in the annual conference held by the Institute for Supply Management in Dallas, Texas. The team also engaged in discussions regarding initiatives relating to Toray Group projects in 2023 and 2024.



Members of the U.S. Toray Group procurement team who attended the meeting

Human Rights in the Supply Chain

CSR Roadmap 2025
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 conducted individual status checks and requested responses from those suppliers who answered "Will address in one year" ([1] in the table below) and "Not addressed" ([0] in the table below). The Company will confirm the results of supplier improvement measures using the fiscal 2024 CSR Procurement Survey.

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%	[4] 51% [3] 31% [2] 17% [1] 0% [0] 0%
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%	[4] 52% [3] 26% [2] 21% [1] 0% [0] 1%
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%	[4] 41% [3] 25% [2] 33% [1] 1% [0] 1%
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%	[3] 100% [1] 0% [0] 0%
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%	[3] 99% [1] 0% [0] 0%
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%	[3] 96% [1] 3% [0] 1%
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%	[3] 100% [1] 0% [0] 0%
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%	[3] 99% [1] 0% [0] 0%
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%	[3] 99% [1] 1% [0] 0%
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%	[3] 96% [1] 3% [0] 1%
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%	[3] 97% [1] 2% [0] 1%
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%	[3] 99% [1] 1% [0] 0%
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%	[4] 18% [3] 24% [2] 29% [1] 8% [0] 22%

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 conducted 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. Improvements were requested as necessary, and the Company will confirm the results of supplier improvement measures using the fiscal 2024 CSR Procurement Survey.

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%	[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%	[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%	[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%	[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%	[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%	[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%	[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%	[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%	[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%	[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%	[4] 45% [3] 40% [1] 3% [0] 12%
12. Do you request the suppliers for promotion of environmental preservation?	76.4%	[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 319 inquiries and consultations received in fiscal 2023 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](#)

Addressing Conflict Minerals

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 2023, 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.

Sustainable Palm Oil Procurement

CSR Roadmap 2025
Main Initiatives (3)

Oil procurement needs met by palm oil sourced in a manner that is environmentally responsible and respectful of human rights (% of oil purchased, by value)

■ Reporting scope
Toray Industries, Inc.

■ Target
At least 70% (Fiscal 2024)

Result in fiscal 2023

3

3 Since efforts to achieve the fiscal 2024 target began recently, there are no figures to report for fiscal 2023. The plan is to survey the Company's major suppliers of lubricants containing palm oil by investigating those that account for 90% or more of the Company's palm oil-related purchasing amount in fiscal 2023.

Toray Industries is investigating whether certain oil products it procures are made from palm oil grown and harvested based on principles of environmental conservation and respect for human rights. The Company has set a target for fiscal 2024 of at least 70% for the proportion of relevant products it procures made from sustainable palm oil. This serves as a KPI under the CSR Roadmap 2025, and the aim is to achieve at least 90% by fiscal 2025.

Moreover, the Toray Group CSR Procurement Guidelines require that these products also meet criteria such as measures to help preserve biodiversity and ensure that no forced or slave labor is used.

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 palm oil use.

CSR Procurement Training

CSR Roadmap 2025
Main Initiatives (2)

In November 2020 and February 2021, Toray Industries delivered two separate CSR e-learning modules to all executives and employees (including contractual workers, part-time staff, and temporary workers), which included content related to CSR procurement. A total of 13,947 individuals participated in the training. Special articles on CSR procurement have been featured in the Toray Group's internal newsletter to enhance group-wide awareness. In March 2024, Toray Industries invited an external consultant with expertise in CSR procurement to conduct a CSR webinar titled "The Importance of CSR Procurement and Due Diligence." The online seminar was for Toray Group employees, including procurement personnel, to enhance their understanding of this topic.

Group companies worldwide are also conducting similar awareness-raising activities through the distribution of internal educational materials. These cover the necessity of CSR procurement, required activities, and examples of risk incidents.

Related Information

> [Communication with Employees](#)

Human Rights Training for Contracted Security Companies

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.

Click [here](#) for the main initiatives for CSR Guideline 9, "Establishing Sustainable Supply Chain" in CSR Roadmap 2025.

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

Working Together with Business Partners

CSR Roadmap 2025
Main Initiatives (4)(6)(7)

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 2023, the briefing was held both online and in person, and 71 logistics companies participated.



Basic Distribution Policy Briefing (fiscal 2023)

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

Toray Industries participates in the White Logistics Movement¹, 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 The White Logistics Movement: 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.
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.

Addressing the 2024 Logistics Problem Through the Physical Internet Realization Conference and the Chemical Products Working Group

The logistics industry in Japan is experiencing an increase in small parcel logistics, while simultaneously facing a shortage of transportation capacity due to the aging of drivers and boat crews and a lack of human resources. The situation for transportation capacity continues to be challenging as a result. Additionally, with Japan's so-called "2024 problem", predictions indicate a 34% shortfall in logistics transportation capacity by 2030. This makes logistics one of the most critical challenges for the chemical industry. Furthermore, chemical products have unique properties, packaging formats, and are often heavy. This results in diverse transport methods and conditions, making it difficult for individual companies to implement effective measures to combat the 2024 problem.

To address these challenges, Toray Industries, alongside Mitsubishi Chemical Group Corporation, Mitsui Chemicals, Inc., and Tosoh Corporation, established the Chemical Products Working Group in July 2023, under the Physical Internet Realization Conference, organized by the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism.

The Chemical Products Working Group currently includes 79 companies primarily comprising shippers and logistics providers (as of July 2024), as well as participants from the Japan Chemical Industry Association, the Japan Petrochemical Industry Association, and relevant departments of the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism. The working group announced a voluntary action plan on March 29, 2024. For more details (in Japanese only), please click [here](#).

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 introduced a new digital system to shorten waiting times in fiscal 2021. The drivers can now check the waiting times online before heading to the warehouse and reserve an appropriate time slot. Also, shipping forms that had been printed out were shifted in fiscal 2022 to 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.

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

Toray Industries is also advancing similar initiatives at its other plants. The Gifu Plant adopted a loading reservation system and implemented paperless procedures in fiscal 2022 and 2023. The Nagoya, Okazaki, and Chiba Plants have also implemented their own loading reservation systems. The Company will continue to promote internal logistics reforms, thereby helping to improve logistics efficiency as a consignor.

Improving Logistics Productivity by Using Smart Pallets

Toray Industries is the first in the industry to use smart pallets equipped with active RFID 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 RFID 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.

Reduction in CO₂ emissions per unit of sales from distribution activities (year-on-year)

■Reporting scope

Toray Group (Only specified consigners, Toray Industries, Inc., TAF)

■Target in fiscal

2023
1%

Result in fiscal 2023

11.5%

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 2023, at Toray Group (only specified consigners² in Japan), CO₂ emissions from distribution activities³ were 25,400 tons, down 2,400 tons (8.7%) 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 intensity⁴ decreased for Toray Group. With the fiscal 2014 level (set at 100) as the base, the change in the Group's CO₂ emissions intensity was 70.6 in fiscal 2023, representing a decrease of 11.5% from the previous fiscal year (fiscal 2022).

In fiscal 2023, Toray Industries' CO₂ emissions from distribution activities totaled 21,900 tons, down 114 tons from the previous fiscal year. This was primarily due to efforts for full-load transport, increased loading rates and modal shift achievement. In addition, transport volume fell for resin and film products in particular, resulting in an emissions decrease of 2,100 tons (8.9%) from the previous year.

Toray Industries' CO₂ emissions intensity from distribution activities decreased by 13.6% year on year (from fiscal 2022) 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 6.2% 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.

² 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.

³ 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)

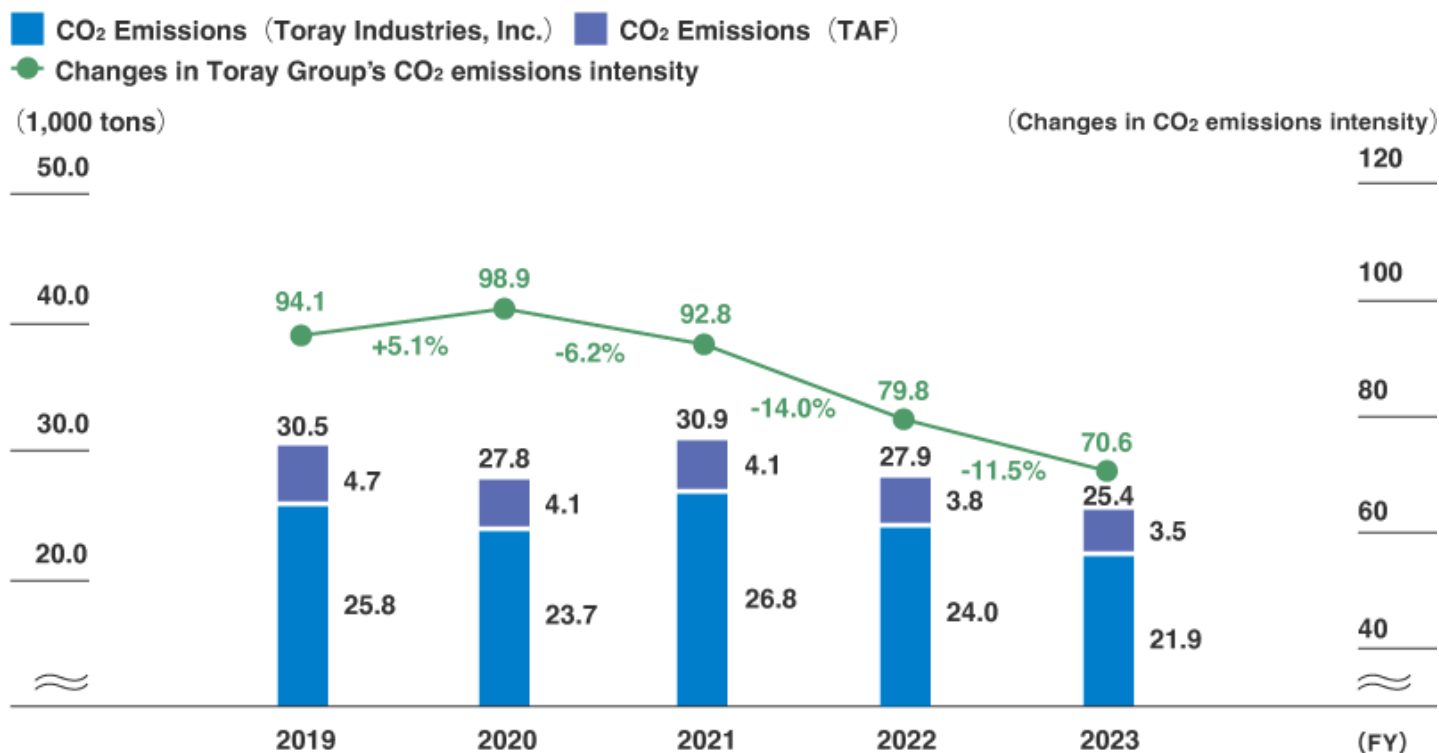
⁴ CO₂ emissions from distribution activities ÷ the following transport-related indexes

Toray Industries, Inc. = Net sales

Toray Advanced Film Co., Ltd. (TAF) = 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)



Graph data revised:

Due to revisions made to TAF's CO₂ emissions and CO₂ emissions intensity figures from fiscal 2019 to fiscal 2022, the applicable figures in the graph for that period have also been corrected retroactively.

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)

CO₂ Reduction Through Modal Shift Promotion (Toray Industries, Inc.)

Details of initiatives	CO ₂ Reduction (1,000 tons)
Full-load transport, and increased loading rates, etc.	0.070
Revision of inventory storage locations, and loading at the nearest port, etc.	0.036
Modal Shift	0.008
Total	0.114

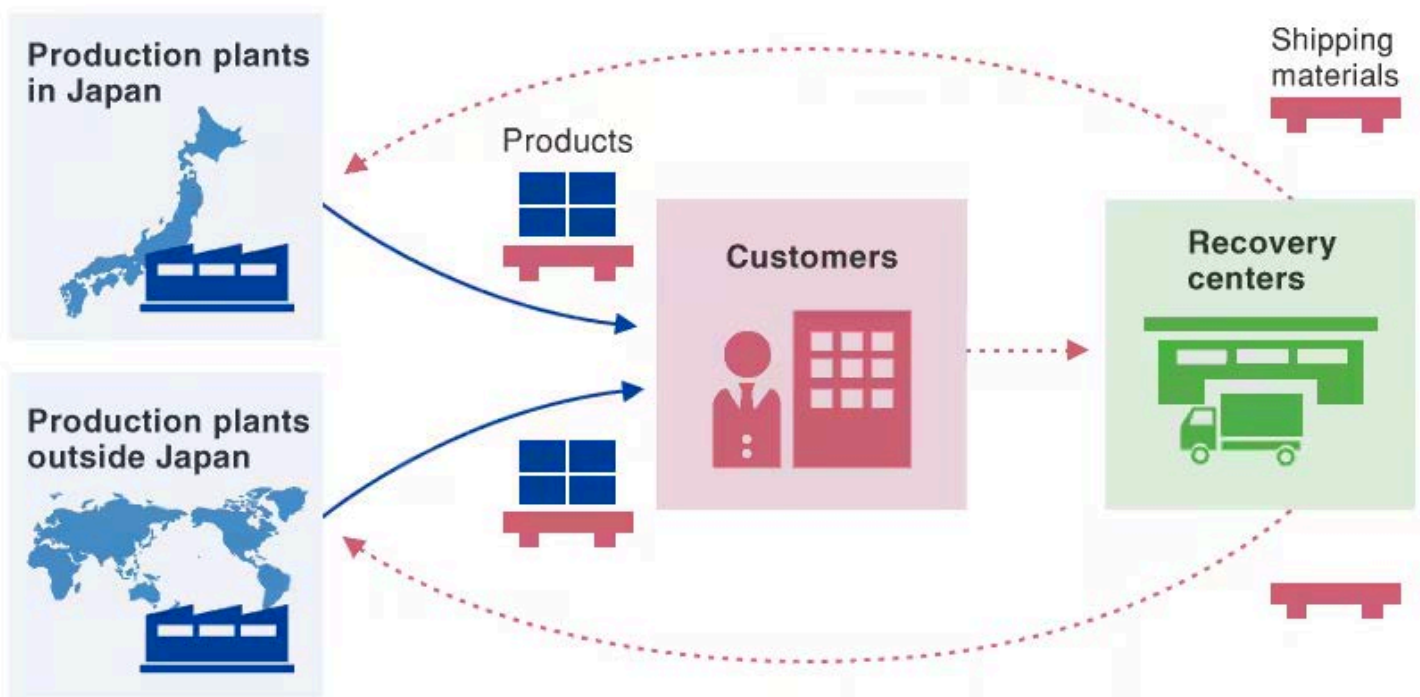
Expanding Collection and Reuse of Packaging Materials

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 2023 was 590 million yen, a decrease of 60 million yen (9.2%) from the previous fiscal year.

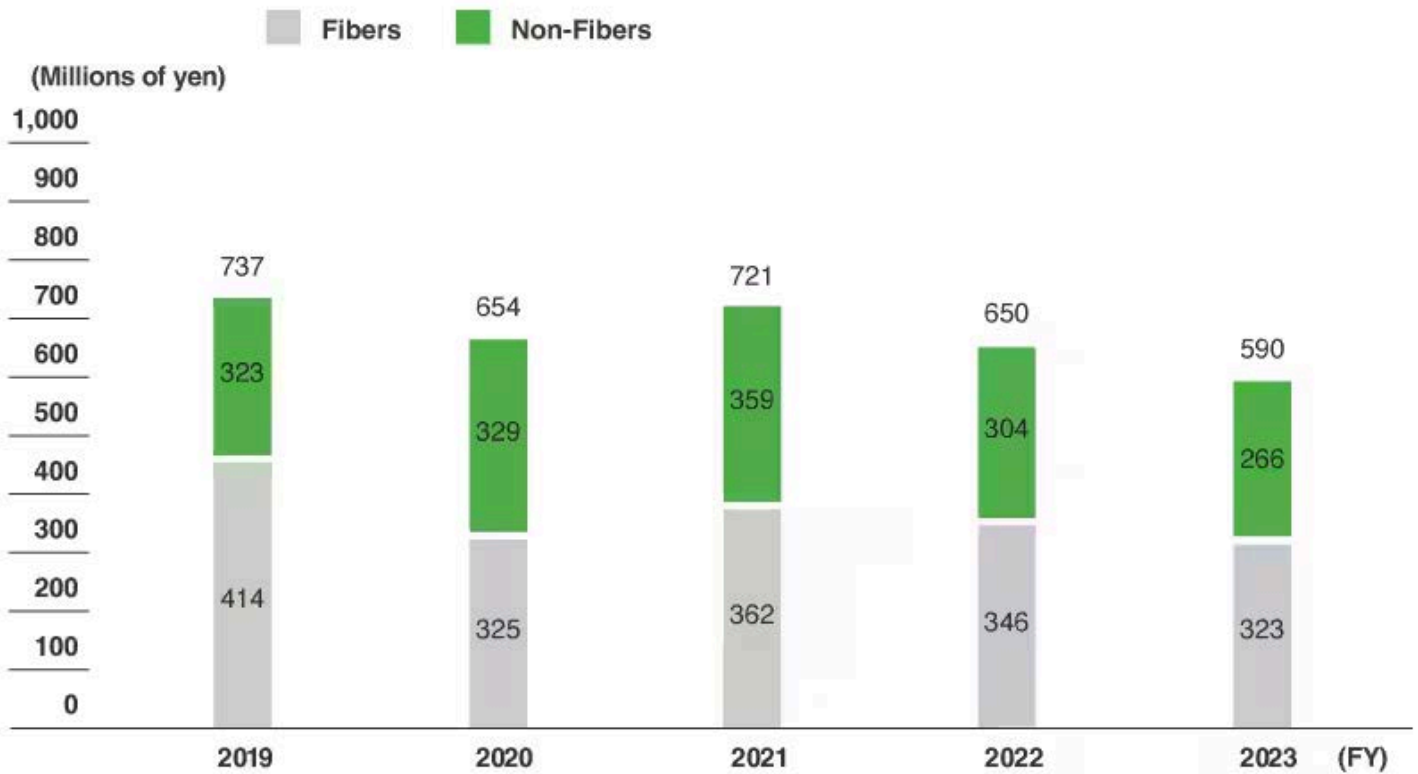
The volume of the materials collected also decreased due to a drop in shipment volumes for fibers and films. In order to reduce the amount of new material purchasing, the Group internally shares information on the inventories of used shipping materials being collected, such as temporary inventories at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

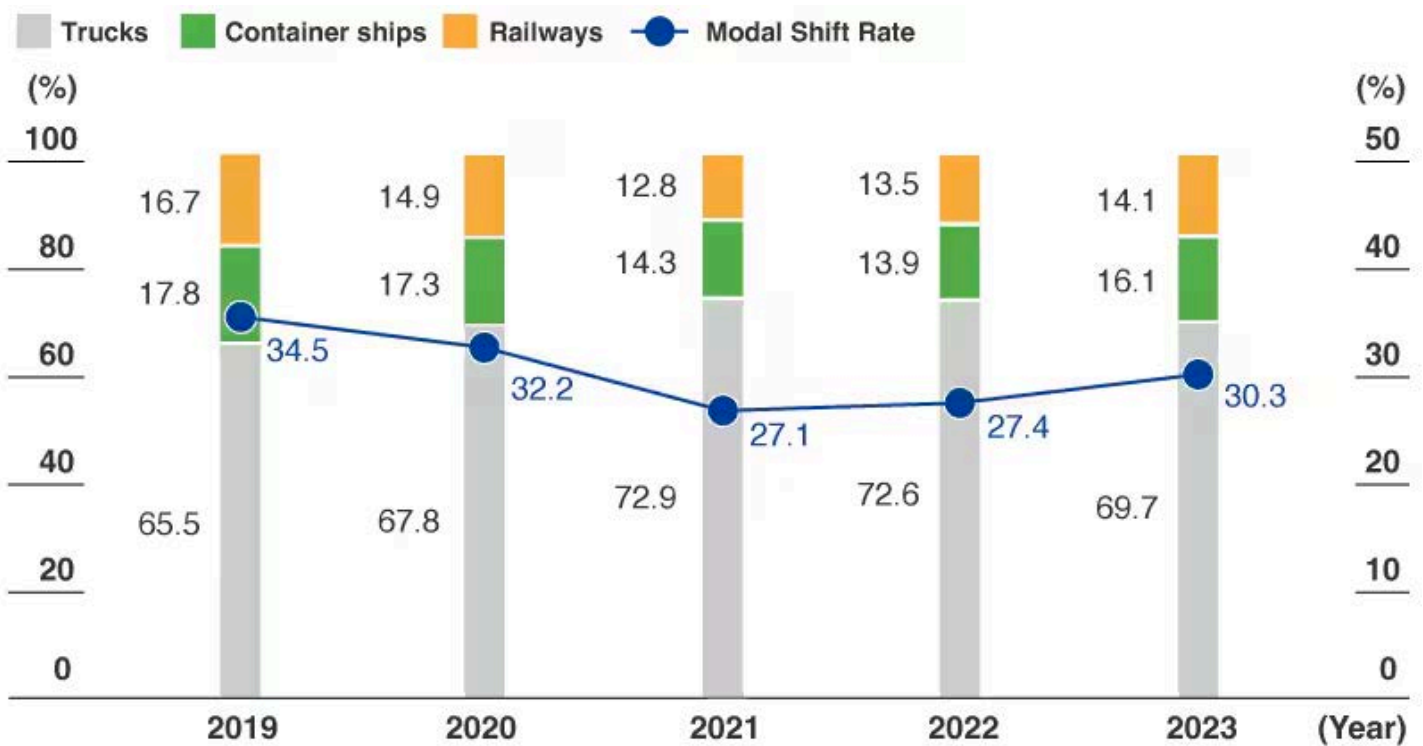
CSR Roadmap 2025
Main Initiatives (4)

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.

In 2023 (Jan – Dec), the modal shift rate increased by 2.9 points from the previous year to 30.3%, by actively investigating opportunities for switching from truck to rail transport and expanding the use of rail.

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

CSR Roadmap 2025
Main Initiatives (6)

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.



Eco Rail Mark	
Toray Industries, Inc.	(certification for company)
Toray TETORON™ fiber	(certification for products)
TORAYCON™ resin	(certification for products)



Eco Ship Mark	
Toray Industries, Inc.	(certification for company)

Minimizing Natural Disaster Risks

CSR Roadmap 2025
Main Initiatives (1)(5)

Key external inventory sites that have been assessed for natural disaster risk and have implemented measures to mitigate serious risks (%)

Result in fiscal 2023

59%

■ Reporting scope
Toray Industries, Inc.

■ Target in fiscal 2023
At least 60%

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.

The Company ascertained the natural disaster risks at 68 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. Some sites were determined to be at high risk, and on-site inspections were conducted. Based on the results of the investigation, 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 water gate barriers were prepared, the floor was leveled, and pallets were raised off of warehouse floors.

From fiscal 2021 to fiscal 2023, inspections were completed at 47 out of the 68 main warehouse sites. Of these, 28 sites were assessed as safe, while 19 sites were found to be at risk. Mitigation measures have been completed for 12 of the 19 sites at risk. As a result, 40 of the 68 sites (59%) are now either risk-free or have completed the appropriate mitigation measures. In fiscal 2024, 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 awards⁵. 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.

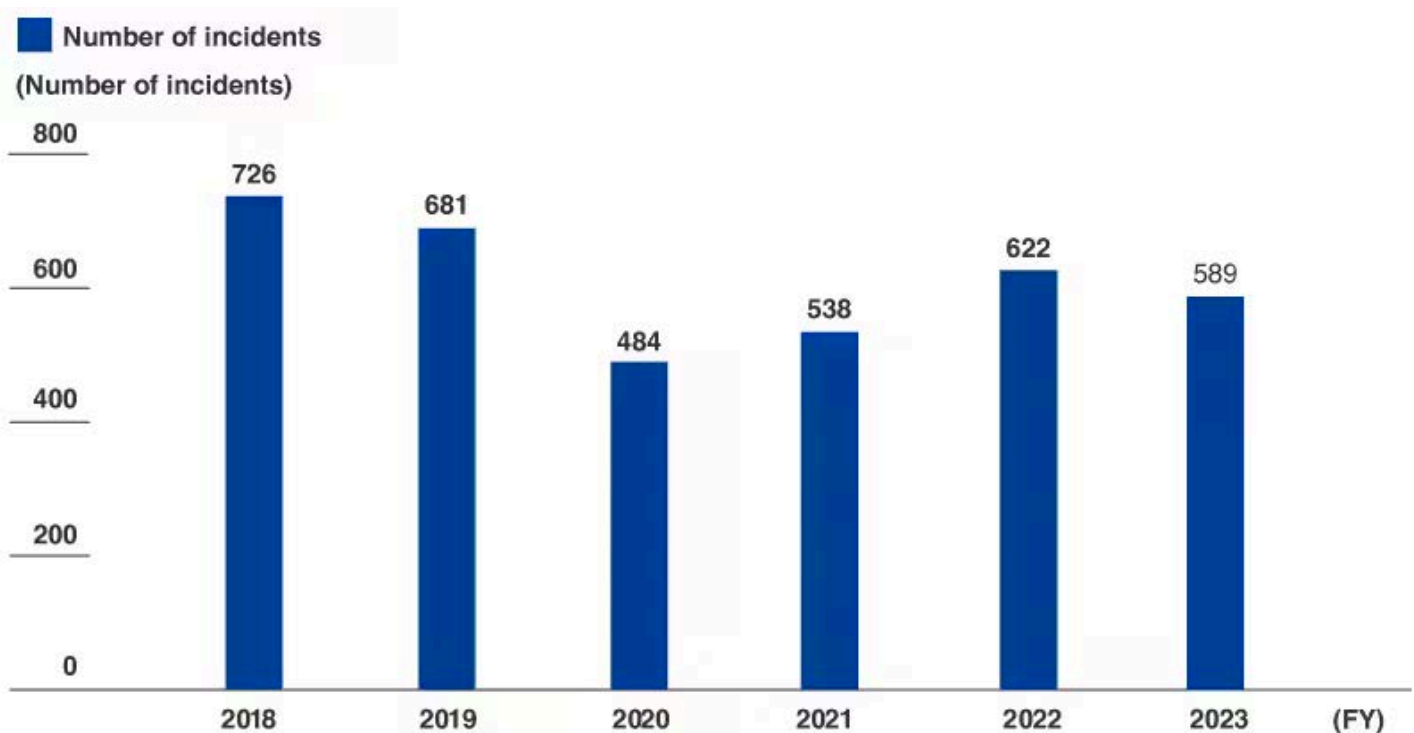
⁵ Distribution-partner companies receiving awards in fiscal 2023 (alphabetical order):

Iyoshoun Inc., KUSUHARA Transportation Co., Ltd., Shikoku Meitetsu Transportation Co., Ltd., The Shibusawa Warehouse Co.,Ltd., Daisei Warehousing & Transportation Co., Ltd., Nagahama-Reizou, Fuji Logitech Holdings, Inc.

Distribution Incidents

Recently, logistics companies in Japan have experienced a labor shortage, and incidents such as product damage during transport have become more common.

Consequently, Toray Industries has seen an increase in product damage and misdelivery during transport on routes for smaller packages. In order to improve distribution quality, the Company approached distribution partners with high incident rates. Discussions were held on improvement measures, on-site visits were made, and educational activities were carried out. As a result, the number of distribution incidents in fiscal 2023 was 589, a reduction of 5% 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 2023, 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 Certification⁶ and G Mark⁷. 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.

⁶ Green Management Certification: 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)

⁷ G Mark: 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 card⁸ 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.

⁸ A yellow card: 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)⁹ 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)¹⁰ status.

⁹ C-TPAT: A voluntary program introduced by United States Customs and Border Protection in November 2004. The aim of the program is to ensure and strengthen security through the global supply chain, based on international cooperation with private operators importing goods into the US.

¹⁰ AEO: 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.

Two-Star Certification From a Driver-Friendly Workplace Program [Toyo Logistics Co., Ltd. (TLS)]

In February 2022, TLS obtained a one-star certification as a Certified Excellent Workplace for Drivers and in 2023, achieved a two-star certification for all of its transport business sites.

This program was established by the Ministry of Land, Infrastructure, Transport and Tourism as part of a comprehensive initiative to address the shortage of drivers in the road transport industry, in collaboration with the Ministry of Health, Labour and Welfare. The goal is to promote recruitment at certified businesses. Moreover, being publicly listed as a driver-friendly workplace on the program website enhances confidence in certified company among its business partners. To obtain certification, businesses must meet benchmark scores in categories such as working hours and days off for truck drivers, physical and mental health measures, safety and security, and efforts to recruit and train diverse personnel. TLS is committed to further improving its work environments and is striving to achieve three-star certification.



Driver-Friendly Workplace Certificate

Click [here](#) for the main initiatives for CSR Guideline 9, “Establishing Sustainable Supply Chain” in CSR Roadmap 2025.