

Since the dawn of the synthetic fibers market shortly after the end of the Second World War, Toray Group has not only supplied materials to primary users such as spinning companies and fiber merchants, but has also focused its energies on promoting the use of new material brands, including “Nylon” and “Tetoron” throughout the supply chain, from wholesalers to distributors. As the market for ready-made garments from brand-name apparel manufacturers increased in the 1960s–1970s, Toray organized its domestic production team, largely in Hokuriku manufacturing region, for the weaving, spinning, dyeing, fiber processing, and knitting segments, contributing to the establishment of an integrated fiber and textile business model.

The Group moved to accelerate global operations in the 1980s and 1990s, advancing the establishment of an integrated production system that covered everything from fiber to dyeing, in Southeast Asia and China.

The turn of the century saw strong growth in SPA (specialty store retailer of private label apparel) and fast fashion businesses. The SPA business model is very different from the traditional product-out business model, in which production is maintained at a constant level at each stage. In the SPA business model, production immediately reflects consumer behavior based on data collected at the store, bypassing interim distributors and allowing companies to completely sell out products while avoiding both excess inventories and lost sales opportunities.

## Building a Supply Chain Unrivaled in the World with Our Powerful Partners

VALUE CREATION

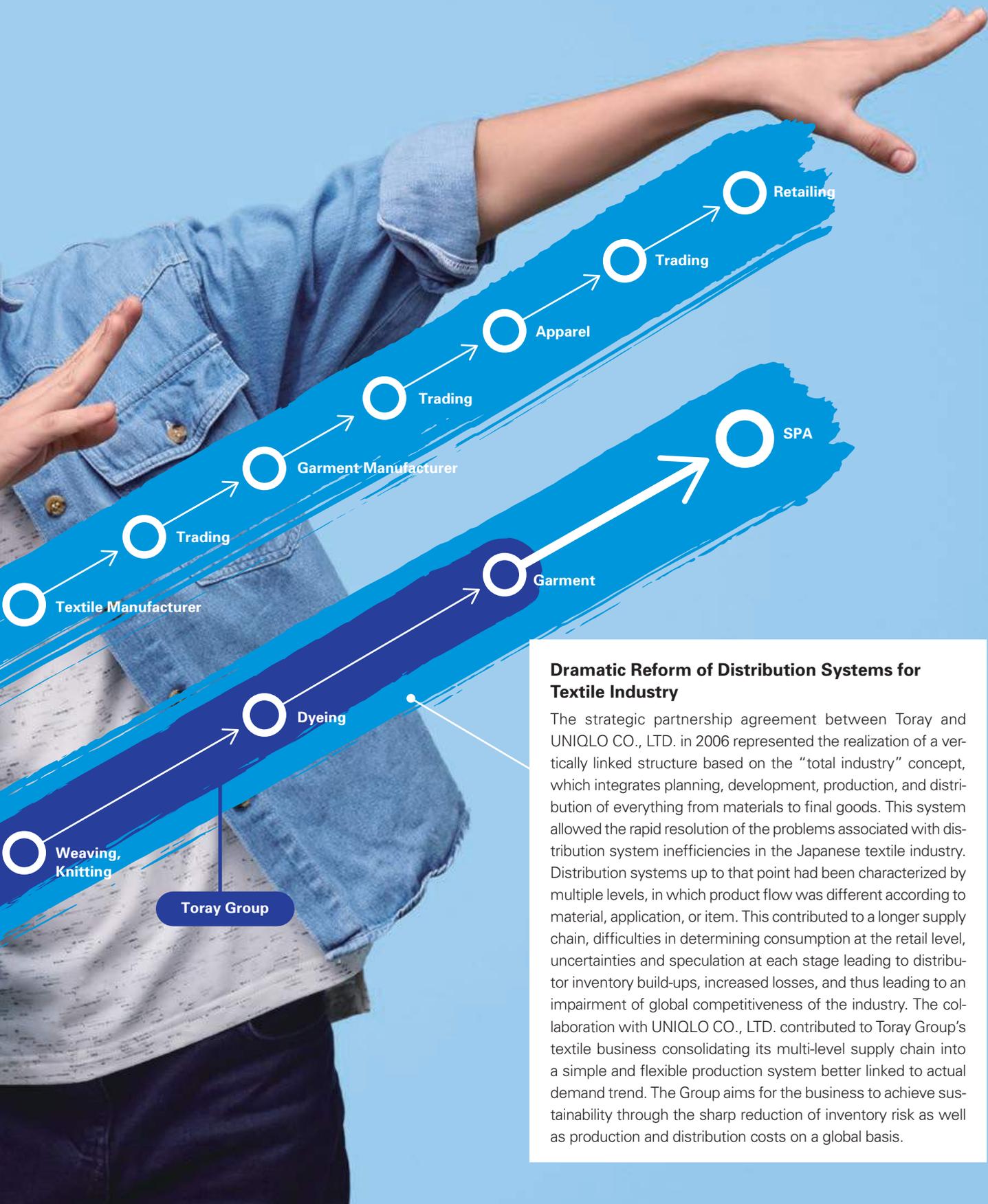
Toray's  
Strengths

03

# Supply Chain Management

Toray Group had the production technology capable of mass producing high-quality products, as well as a strategy for the global textile business that was well suited to the SPA mechanism. The Group also had a robust R&D system for the development of new and unique products. The Company in 2006 agreed to a strategic partnership with UNIQLO CO., LTD. and thereafter reformed the distribution system for fibers & textiles. The two companies moved to bridge the boundaries between a material manufacturer and a specialty store retailer of private label apparel (SPA), establishing an unprecedented business model in the world in which the two operated together as a virtual company that handled planning, development, production, and distribution for everything from raw materials to finished products. This contributed to the establishment of a global supply system, with production bases being located not only in China, but also in the ASEAN countries and Bangladesh. The Company has since continued to expand its integrated fibers, textiles, and garments business. Toray remains focused on building and operating a global supply chain network that can organically tie together a variety of processing stages and quickly deliver products with identical levels of quality thanks to the optimally located, efficient, and cost competitive production bases. Toray's building of a supply chain system unparalleled in the world contributed to the radical transformation of distribution systems in Japan, and appealing Japanese technology to the world, which has added new value to the textile industry.





### Dramatic Reform of Distribution Systems for Textile Industry

The strategic partnership agreement between Toray and UNIQLO CO., LTD. in 2006 represented the realization of a vertically linked structure based on the "total industry" concept, which integrates planning, development, production, and distribution of everything from materials to final goods. This system allowed the rapid resolution of the problems associated with distribution system inefficiencies in the Japanese textile industry. Distribution systems up to that point had been characterized by multiple levels, in which product flow was different according to material, application, or item. This contributed to a longer supply chain, difficulties in determining consumption at the retail level, uncertainties and speculation at each stage leading to distributor inventory build-ups, increased losses, and thus leading to an impairment of global competitiveness of the industry. The collaboration with UNIQLO CO., LTD. contributed to Toray Group's textile business consolidating its multi-level supply chain into a simple and flexible production system better linked to actual demand trend. The Group aims for the business to achieve sustainability through the sharp reduction of inventory risk as well as production and distribution costs on a global basis.