

All executives and employees in Toray Group constantly strive to fulfill their social responsibilities in all domains of Toray's business activities with the aim of realizing sustainable growth together with society. Toray pursues a wide range of corporate social responsibility (CSR) activities in ensuring safety, accident prevention, environmental preservation, corporate ethics and compliance with laws and regulations while maintaining management transparency. The Group also utilizes its unique research and technological development capabilities to expand businesses of products that provide solutions to global environmental problems. At the same time, we provide support for science and technology, social welfare, the arts, culture and sports, and we work in collaboration with non-profit organizations and local communities.

For full details on Toray Group's CSR activities, please refer to our website or the Toray Group CSR Report. The latest CSR report can be downloaded from the website.
(<http://www.toray.com/csr/download/index.html>)

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CORPORATE GOVERNANCE AND INTERNAL CONTROL

BASIC POLICY

Toray Group positions the following basic policy on corporate governance as a top priority managerial principle:

- “We will provide our shareholders with dependable and trustworthy management.” (Our Corporate Mission)
- “We will obtain the trust of society and meet the expectations by acting fairly while maintaining high ethical standards and a strong sense of responsibility, and maintaining transparency in management.” (Our Corporate Guiding Principles)

Toray Group carries out activities covering diverse domains on a global scale. We supply a wide range of industries with basic materials based on our core technologies in the areas of polymer chemistry, organic synthetic chemistry, biotechnology and nanotechnology. Therefore, we believe that management judgment and decision-making must be based on the expertise closely related to each business, and we believe it is important that members of the Board well-versed in Toray’s businesses, elected at general stockholders meetings, have responsibilities for managerial decision-making, business execution and oversight of management so that they can fulfill their management responsibilities to shareholders.

For this reason, we have not introduced an operating officer system. Rather, we will continue to work within the framework of the Board of Directors and Board of Corporate Auditors.

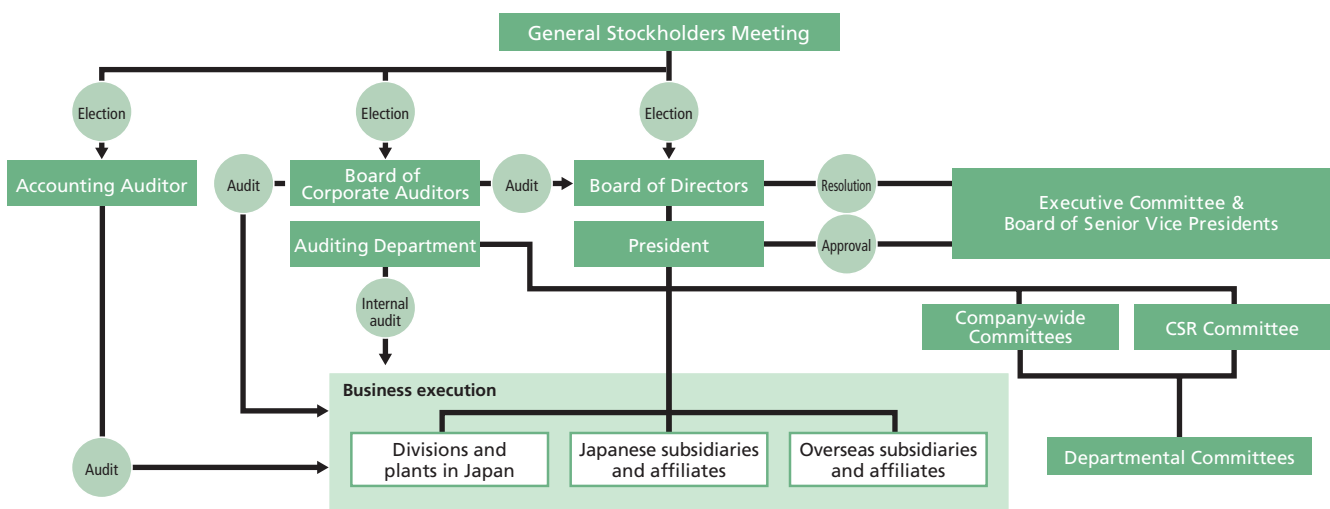
At present, our governance structure does not include outside directors. However, all members of the Group’s top management recognize the importance of incorporating useful outside perspectives, and the matter of how best to introduce outside directors in a way that truly benefits the Group is an ongoing management issue.

CORPORATE GOVERNANCE SYSTEM

Toray Group is building a management system aimed at implementing its basic policies with respect to corporate governance, which are to “provide a sincere and trustworthy management” and “obtain the trust of society and meet the expectations by acting fairly while maintaining high ethical standards and a strong sense of responsibility and maintaining transparency in management.”

Toray Group established the Authority of Top Management as regulations that stipulate authority reserved respectively for the Board of Directors, President, and General Managers of each division and strictly keep to the regulations. The Board of Directors, which meets at least once a month, is not only responsible for decision-making concerning important matters, including those as stipulated by the Corporation Law, but also functions as a setting where members of the Board present reports and exchange opinions in order to mutually monitor the execution of their respective duties. We clearly define the role and functions, under which each executive committee strictly operates. For example, there are explicit rules governing decisions on important matters, such as capital investments. Such matters are decided either by the Board of Directors, President, or General Managers of divisions and departments depending on the importance of the issue, the amount of investment involved in this case. The Executive Committee deliberates the general direction of policy concerning matters for which the Board of Directors and President have the authority to make decisions, while the Board of Senior Vice Presidents concerns itself with issues related to implementation.

Governance Diagram



Additionally, for every key management issue, company-wide committees are established in order to oversee and play a supplementary role in management execution.

As of June 24, 2009, the Board of Directors consisted of 28 members.

The role of the Group's corporate auditors is to monitor the business execution of the members of the Board by attending Board of Directors meetings and other important company meetings. Based on annual policies and plans adopted by the Board of Corporate Auditors, which meets at least once every three months, corporate auditors perform regular audits of Toray offices and plants worldwide, including subsidiaries and affiliates. They also meet with the President, all the members of the Board, and General Managers of divisions and departments. As of June 24, 2009, there were four corporate auditors, of whom two were outside corporate auditors. The outside corporate auditors have no business dealings whatsoever with Toray Group. Auditing Department conducts internal audits, including audits of subsidiaries and affiliates.

Toray has appointed Ernst & Young ShinNihon LLC as its independent auditor. The auditor performs Corporation Law and Financial Instruments and Exchange Law audits. Corporate auditors and Auditing Department confirm outlining audit plans with the independent auditor and receive the outcome of audits from the independent auditor, and regularly engage in discussions with the independent auditor.

CORPORATE ETHICS AND LEGAL COMPLIANCE ACTIVITIES

Corporate ethics and legal compliance are priority management issues on a par with maintaining safety, accident prevention and environmental preservation. Toray Group works together towards these goals.

The Corporate Ethics Committee is chaired by the President & CEO and includes all members of the Board, with corporate auditors and the chair of the labor union in attendance as observers. The Committee ensures legal compliance and the observance of corporate ethics, two key components of corporate social responsibility. The Company-wide Legal Compliance Committee and the CSR / Legal Compliance Committees at all offices and plants and major Japanese and overseas subsidiaries and affiliates work under the Corporate Ethics Committee to strengthen activities throughout the organization.

To ensure that all executives and employees observe corporate ethics and comply with laws and regulations, Toray has adopted a Corporate Ethics and Legal Compliance Code of Conduct and Corporate Ethics and Legal Compliance Guidelines. The code of conduct and guidelines has been combined in the Corporate Ethics and Legal Compliance

Handbook to ensure thorough dissemination to all executives and employees. We are also establishing an Internal Reporting System for executives and employees to report violation of laws, regulations, or the Company's Articles of Incorporation.

Toray subsidiaries and affiliates in Japan respectively promote their own CSR / Legal Compliance Committees activities with support from the Affiliated Companies Division. Overseas subsidiaries and affiliates also respectively promote their CSR / Legal Compliance Committee activities in collaboration with the International Division, CSR Operations Department and other relevant departments.

MAINTENANCE, OPERATION AND ASSESSMENT OF INTERNAL CONTROL SYSTEM FOR FINANCIAL REPORTING

In FY Mar/08, Toray Group established an internal control system for financial reporting, which became mandatory under Japan's Financial Instruments and Exchange Law, enacted in FY Mar/09. Toray Group implemented the system in April 2008 to fulfill its obligations for submitting internal control reports and undertaking independent audits regarding internal control. An assessment of Toray's implementation of an internal control system in compliance with the Financial Instruments and Exchange Law determined that in FY Mar/09, the Group had an effective internal control system for financial reporting.

INFORMATION DISCLOSURE AND SYSTEM FOR ACHIEVING ACCOUNTABILITY

As a basic principle, Toray Group will continue functioning in an open manner and achieve accountability to all stakeholders. We are committed to independent and fair disclosure of information based on our Information Disclosure Principles. Business results are announced in annual, and quarterly financial reports, and important information related to the Group is disclosed in a timely manner through a variety of channels. These include filing reports with the Tokyo Stock Exchange, issuing press releases to media organizations, and posting information on the Toray website.

We have a robust system for storing and managing important documents and information, including minutes and financial reports related to management decision-making. Such information is kept available for reference as necessary. Confidential information is controlled by Confidential Information Management Regulations, which specify systems and methods for the appropriate management of such information. We have also adopted measures to prevent improper access to such information by those outside the Group. In addition, Toray has put in place a system for protecting personal information through its Personal Information Management Regulations.

RISK MANAGEMENT

BASIC POLICY

For Toray Group, risk management is the root of business management. Toray has formulated Crisis Management Regulations and identified potential risks in its activities to reduce risk in everyday situations, and to prevent future crises. At the same time, we are putting in place emergency response measures in the event of a major crisis.

PROMOTION OF GROUP-WIDE RISK MANAGEMENT

In addition to mitigating risks in everyday situations, Toray's risk management encompasses internal control, product safety, export control and responding to other individual risks. We are also building a company-wide risk management system that sets countermeasures for dealing with a wide range of risks we have identified as having the potential to affect our business activities.

In FY Mar/09, Toray identified nine priority risks that need to be addressed, based on an extensive assessment exercise undertaken the previous fiscal year. During the year under review, the respective divisions responsible for such risk implemented specific risk mitigation measures. During the year, we established a Working Group to formulate and implement comprehensive risk mitigation measures for three risks affecting several divisions and for which jurisdiction is unclear. These risks relate to new influenza strains, information leaks and the supply chain.

ENHANCEMENT OF BUSINESS CONTINUITY PLAN

Toray Group has previously established measures under an Emergency Response Plan for Major Earthquakes in line with the serious risks posed by the occurrence of a major earthquake. In FY Mar/09, we formulated three measures from the standpoint of head office functions based on the scenario of an earthquake occurring in the Tokyo metropolitan area: (1) Emergency Response Plan; (2) Early Recovery Plan; and (3) measures for confirming the safety of personnel and establishing contact, with the aim of resuming important activities on the third day after the event.

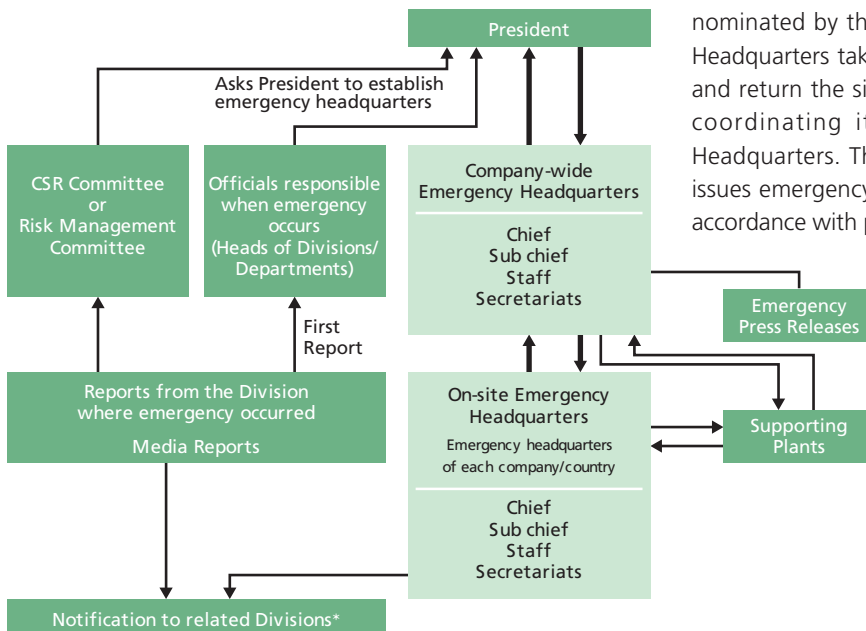
With respect to Toray Group's information systems, we undertook earthquake proofing at the Information Systems Center on the Shiga Plant. We also implemented measures to restrict damage caused by an earthquake to an absolute minimum with the aim of restoring operations as soon as possible.

In July 2008, we launched group-wide protocols for confirming damage and maintaining information regarding production, purchasing and logistics in the event of a major earthquake. The protocols cover not only Toray Group's activities, but also those of customers, raw material manufacturers and others in the supply chain.

CRISIS MANAGEMENT SYSTEM

Crisis Management Regulations set out basic principles for a company-wide response in the event of a major crisis. Should a crisis occur, the emergency response system is activated, whereupon a Company-wide Emergency Headquarters is established under the leadership of the President or a person nominated by the President. The Company-wide Emergency Headquarters takes steps to prevent the crisis from escalating and return the situation to normal as early as possible, while coordinating its efforts with the On-site Emergency Headquarters. The Company-wide Emergency Headquarters issues emergency bulletins to internal and external entities in accordance with predetermined rules.

Emergency Quick Response System



* Notification will be conducted according to the Emergency Reporting Route for Significant Disasters, Environmental Accidents, and Other Crisis Outbreaks.