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 The MS-SRI, the Morningstar Socially Responsible Investment Index, tracks the share performance of 150 selected Japanese companies based on their commitment to CSR.

The KLD Global Climate 100SM Index is made up of companies that are leaders in providing solutions to global warming and offsetting the long-term effects of climate change.



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**Toray Group
CSR Report
2006**

April 1, 2005 – March 31, 2006



This "CSR Report" adopts a format covering our CSR activities and achievements during FY 2005 (April 2005~March 2006), along with the Group's respective proprietary CSR guidelines.

Toray Group has published environment reports from FY 1998. From FY 2003, it has issued annual reports covering the full range of CSR activities, including social activities.

From FY 2003, which can be regarded as the beginning of the CSR Era, the year in which Toray Group initiated the systematic adoption of CSR activities, we have pursued a three-year road map. This report covers FY 2005, the third year that marks completion of the first step.


CSR deals with a wide range of areas, and I believe that our efforts for it to penetrate and take root throughout the entire Toray Group will never cease.

The adoption of these efforts by our Group is merely at the developing stage, and is not yet satisfactory, but through this report I think you will see we are progressing step by step.

The photographs included herein show President, CEO and COO Sadayuki Sakakibara and the implementation leaders for promotion of CSR grasping a blue sphere, in our corporate color of blue, from which a fresh sprout emerges, so as to symbolize the sprouting of our "Toray Spirit."

This report focuses on environment-related aspects conducted by Toray and 52 manufacturing subsidiaries engaged in "Safety, Health, Accident Prevention and Environmental Audits"; social-related aspects with Toray at the core, which deal with wide-ranging issues; and economic-related aspects involving the consolidated companies of Toray Group. It was produced in accordance with the *Environmental Reporting Guidelines (2003 edition)* published by Japan's Ministry of the Environment, the *Sustainability Reporting Guidelines 2002* issued by the Global Reporting Initiative and other sources. It also complies with the Responsible Care Codes of Practice.

We will be pleased if this report is read by all stakeholders and others concerned with Toray Group.


 Managing Director
 August 2006

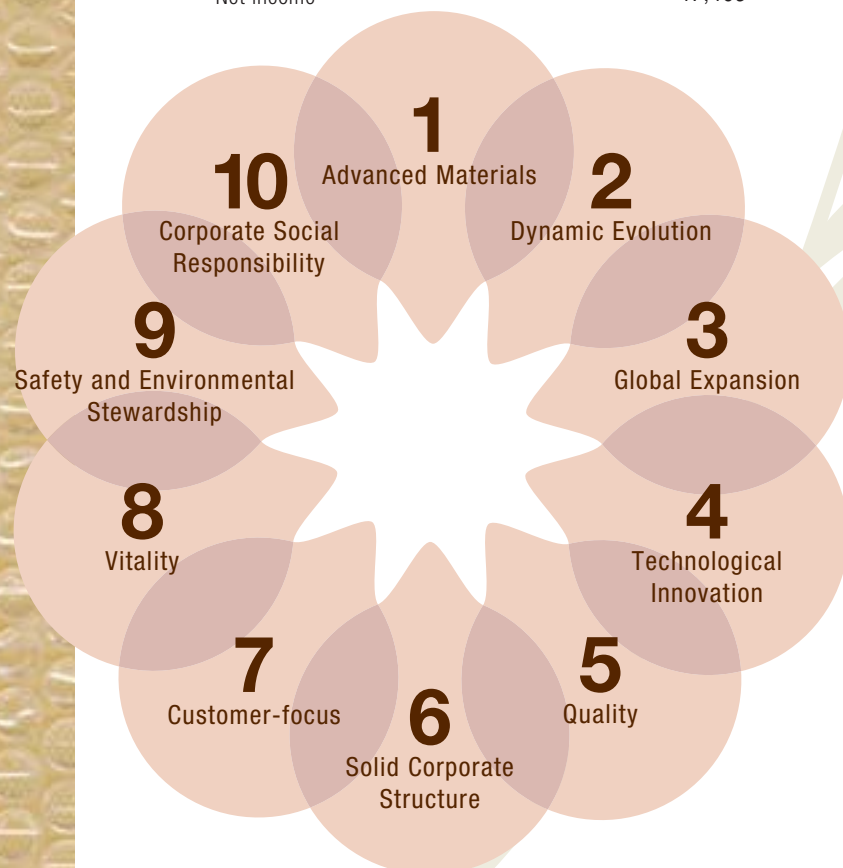
Outline of Toray Industries, Inc. As of March 31, 2006

Established:	January 1926		
Capital:	¥96,937,230,771		
Employees:	34,670 (consolidated basis)		
Subsidiaries and affiliates:	238		

	Japanese	Overseas	Total
Consolidated subsidiaries	67	71	138
Equity method subsidiaries	38	21	59
Equity method affiliates	17	24	41
Total companies subject to consolidation	122	116	238

Consolidated Financial Result (FY 2005) (¥million)

Net sales	1,427,488
Operating income	93,043
Ordinary income	87,650
Net income	47,409



Toray Group Corporate Image in the 21st Century
 (Long-term Corporate Vision "AP-Innovation TORAY 21," Established April 2006)

Information available on our website

<http://www.toray.com>

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Companies Covered in this Environmental-related Report

The environmental reporting in this CSR Report covers Toray Industries, Inc. as well as Toray Group manufacturing companies in Japan and overseas that perform safety, health, accident prevention, and environmental audits.

Japanese Subsidiaries and Affiliates 25 Companies

Du Pont-Toray Co., Ltd.	Toyo Plastic Seiko Co., Ltd.
Opelontex Co., Ltd.	Toray PEF Products Inc.
Ogaki Fusu Spinning Co., Ltd.	Toray Advanced Film Co., Ltd.
Toray Textiles, Inc.	Dow Corning Toray Co., Ltd.
Inami Textiles, Inc.	Toray Fine Chemicals Co., Ltd.
Matsumoto Textiles Co., Ltd.	Soda Aromatic Co., Ltd.
Toray Coatex Co., Ltd.	Toray ACE Co., Ltd.
Towa Orimono Co., Ltd.	Toray Engineering Co., Ltd.
Toray Monofilament Co., Ltd.	Toray Precision Co., Ltd.
Toyo Tire Cord Co., Ltd.	Toray Medical Co., Ltd.
Toyo Flocking Co., Ltd.	Toray Research Center, Inc.
Maruichi Fiber Co., Ltd.	Toyo Jitsugyo Co., Ltd.
Sowa Textile Co., Ltd.	

Overseas Subsidiaries and Affiliates 27 Companies

Toray Plastics (America), Inc.
Toray Resin Co.
Toray Carbon Fibers America, Inc.
Toray Composites (America), Inc.
Toray Fluorofibers (America), Inc.
Toray Textiles Europe Ltd.
Alcantara S.p.A.
Toray Textiles Central Europe s.r.o.
Toray Plastics Europe S.A.
Société des Fibres de Carbone S.A.
P.T. Acryl Textile Mills
P.T. Century Textile Industry Tbk
P.T. Easterntex
P.T. Indonesia Synthetic Textile Mills
P.T. Indonesia Toray Synthetics
Luckytex (Thailand) Public Co., Ltd.
Thai Toray Textile Mills Public Co., Ltd.
Thai Toray Synthetics Co., Ltd.
Penfabric Sdn. Berhad
Penfibre Sdn. Berhad
Toray Plastics (Malaysia) Sdn. Berhad
Toray Fibers (Nantong) Co., Ltd.
Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd.
TALTEX (Zhuhai) Ltd.
Toray Plastics (Shenzhen) Ltd.
Toray Film Products (Zhongshan) Ltd.
Toray Sanko Precision (Zhongshan) Ltd.

Note: Safety data includes non-manufacturing companies in addition to the above-listed manufacturing companies. Data was collected for Toray Industries, Inc., 63 Japanese subsidiaries and affiliates, and 31 overseas subsidiaries and affiliates.

Throughout this report an asterisk (*) is used to indicate a registered trademark of Toray Industries, Inc. or member company of Toray Group.

Through “Innovation,” Toray Group strives to become corporate group for all stakeholders by playing a leading role in contribution to society.



Toray was originally founded in 1926 under the name of Toyo Rayon as a manufacturer of viscous rayon. This year we are celebrating our 80th anniversary.

In the years after WWII, the three major synthetic fibers of nylon, polyester and acrylic formed the foundation of our businesses. Around 1970, the company name was changed to Toray, and since then our operations have expanded into plastics, films and chemical products, as well as carbon fiber composite materials, pharmaceuticals and medical products, IT-related products, water treatment and more.

Since our founding, our corporate culture has been forged under the concept of “Safety First” along with the fundamental philosophy of “aiming for strength and discipline, we place importance on human resource development and contribution to society.” In addition, “R&D-centered management” and “management with a pioneering spirit” are also the roots of our corporate culture.

Taking into account our experience and history, we look to the future and can see many assets that can be further developed and implemented. Among them, we are particularly proud of pointing out “our power of know-how all accumulated at the workplace” of R&D, manufacturing technologies, and marketing and sales. In addition to these assets, we can stress our “power of management” with a high degree of adaptability to changing times toward greater progress.

This power of know-how obtained at the workplace has expanded into a broad domain of original Toray technologies to further create the core technologies, cultivated by manufacturing synthetic fibers, of organic synthetic chemistry, polymer science and biochemistry integrated with nanotechnology. These have further accelerated the development of new products and technologies. In addition, together with our strong R&D capabilities, our accumulated expertise in manufacturing technologies and marketing and sales are all very important assets to Toray.

The realm of management capability consists of three significant aspects. First, through our self-improvement efforts we have further strengthened our profit base. At this point, while the Japanese economy has essentially recovered, we should never forget that difficult times will always lie ahead. Accordingly, we must create a business model that can respond to the inevitable cycles in the economy, what can be called a “self-improvement management style.” The countermeasures developed to cope with difficult economic times create the wisdom that further enhances our management capability.

The second aspect is the “development of global operations.” Our fibers & textiles and films operations are just that, proceeding on a worldwide scale, with excellent profitability. Moreover, demand for carbon fiber is particularly large in the United States and Europe, owing largely to the manufacture of aircraft. We are currently producing in three bases, Japan, Europe and North America, and therefore we are rapidly leaving behind our competitors in this field. Using this field as a model, we are making efforts to globalize our other areas of operations as well.

The third aspect is the “continual cultivation of strategic businesses” that sustains our company’s growth and supports its backbone with the aim of maintaining the development of mid- and long-term operations. Specifically, the expansion of our businesses in IT-related products and carbon fiber composite materials is strategic for our profitability, while life science businesses including pharmaceuticals and medical products as well as water treatment

businesses are expected to develop into a strong pillar of our company’s operation in the future.

Nowadays, the social and economic environment in which Toray Group operates continues to undergo faster-than-expected changes in a mighty surge. In all manufacturing industries, there is unprecedented competition on a global scale, with crude oil prices skyrocketing. Such issues of energy, natural resources, the global environment and rising demand for corporate social responsibility also urge all of us to respond adequately to their dizzying changes.

Toray Group is readily coping with these changes in the external environment in the belief that now is the time to secure sustainable growth and fulfill our great mission. For this reason, we continue to take steps to create a strong management foundation for our operations while pursuing “Innovation” to create new value. This sort of forward-looking evolution is of great importance to our future.

This year, as we celebrate our 80th anniversary, we look to a future of sustainable growth and the creation of new and innovative ideas and programs to revitalize Toray Group under a long-term management vision that was announced on April 1st of this year. We have named it “AP-Innovation TORAY 21,” and have adopted the corporate slogan of “Innovation by Chemistry” to reflect our corporate philosophy and previously established long-term corporate visions with the aim of becoming “a global top company of advanced materials.”

In all the domains of Toray’s business activities, not just in technological innovation, Toray now has a strong determination to challenge “Innovation.” This policy will not only ensure high profitability, but also will serve to make the company evolve more dynamically and sustain its growth.

Along with all of our efforts for the expansion of our businesses and profitability, we dedicate ourselves to the principles of corporate social responsibility as manifested in safety, accident prevention and environmental preservation programs, including corporate ethics and compliance programs. In essence, Toray Group has been taking a proactive stance toward corporate social responsibility. By placing importance on contributing to society and striving to be an excellent corporate group valuable to all of our stakeholders, we are firmly resolved to fulfill our long-term management visions.

In the months and years to come, we will further strengthen our management foundation under the theme of “innovation and creation” with the aim of becoming a corporate group with a sustainable business vision into the 21st century.

It is my hope that, with this report on our CSR activities, you will gain a better insight into the workings of our CSR efforts for the fiscal year 2005. Also, by taking note of the results, you can understand our steady progress in realizing the objectives of programs designed to address the challenges we face. We in Toray Group ask for your further understanding and support for our operations now and in the future.

August 2006

**President, CEO and COO,
Representative Director
Toray Industries, Inc.**

Corporate Philosophy

Contributing to society through the creation of new value with innovative ideas, technologies and products

Corporate Missions

- ◆ **For our customers**
To provide new value to our customers through high-quality products and superior services
- ◆ **For our employees**
To provide our employees with opportunities for self development in a challenging environment
- ◆ **For our shareholders**
To provide our shareholders with dependable and trustworthy management
- ◆ **For society**
To establish ties and develop mutual trust as a responsible corporate citizen

Corporate Guiding Principles

- ◆ **Safety and Environment**
Placing top priority on safety, accident prevention and environmental preservation, ensuring the safety and health of our employees, our customers and local communities, and actively promoting environmental preservation
- ◆ **Ethics and Fairness**
Obtaining the trust of society and meeting the expectations by acting fairly while maintaining high ethical standards and a strong sense of responsibility and maintaining transparency in management
- ◆ **Customer-focus**
Providing customers with new values and solutions, and achieving sustainable growth together
- ◆ **Innovation**
Achieving continuous innovation in all corporate activities, and aiming for dynamic evolution and growth
- ◆ **Fieldwork and Initiative**
Strengthening fieldwork abilities and initiative, the foundations of our corporate activities, through consistently learning from one another and constant self-driven efforts
- ◆ **Global Competitiveness**
Pursuing competitiveness through global top quality standards and cost management, and achieving growth and expansion in the global marketplace
- ◆ **Global Coalition**
Developing global coalition through integrated internal linkages and strategic alliances with external parties
- ◆ **Emphasis on Human Resources**
Providing an environment where employees find value in their work, and building positive, energetic relationships between people and the organization
(Adopted April 1995)

Business Activities of Toray Group

Businesses Strategy and Current Status of Toray Group

Toray Group is involved in a wide range of business activities. In all of our areas of expertise, we have opened up and cultivated the market for the “advanced materials” we have developed. We have accomplished this by combining core technologies, such as organic synthetic chemistry, polymer science, biotechnology and nanotechnology. Moreover, a distinctive characteristic of Toray Group is that we have deployed these businesses globally.

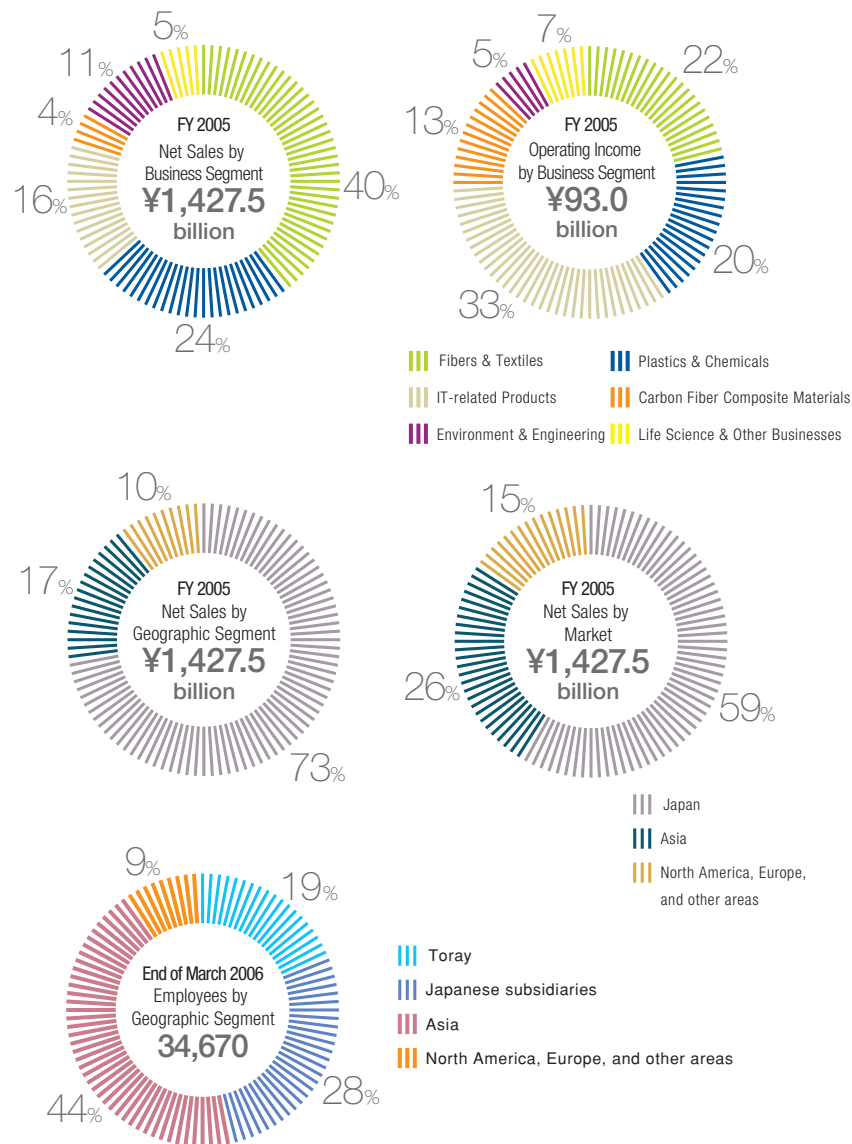
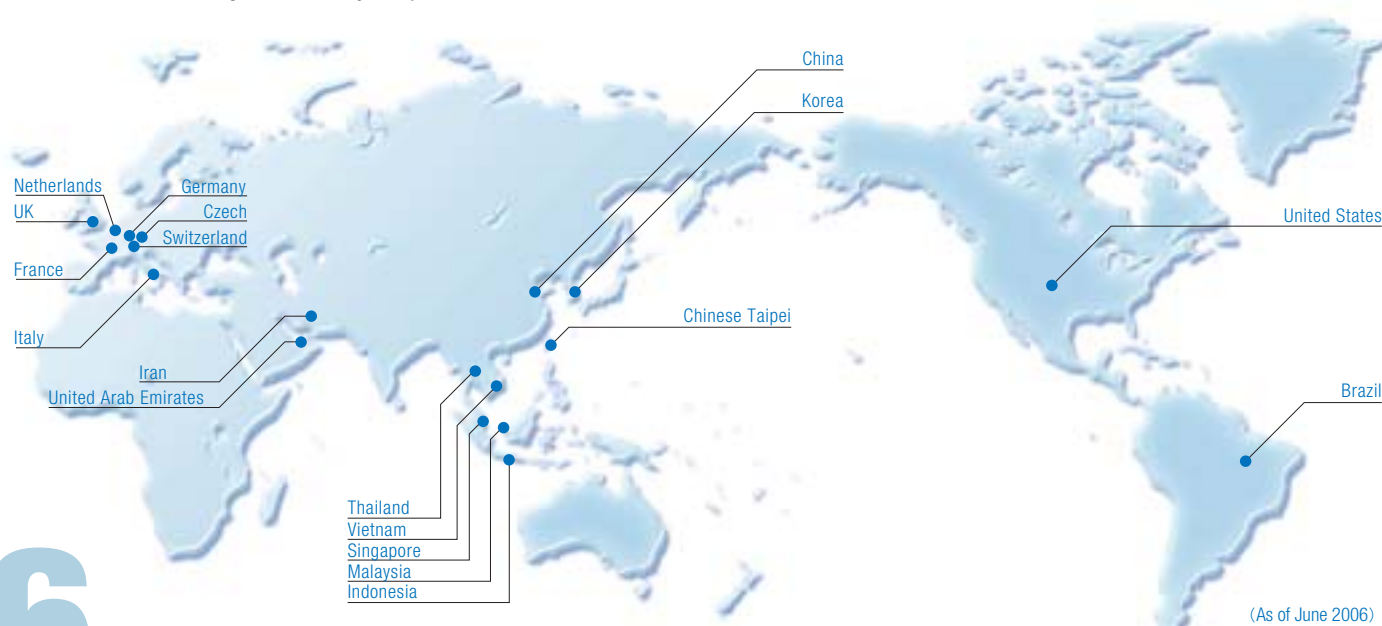
While establishing our Foundation Businesses in “Fibers & Textiles” and “Plastics & Chemicals” and ensuring secure revenue from these, we have broadened our focus on what we call Strategically Expanding Businesses, such as “IT-related Products” and “Carbon Fiber Composite Materials” with the intent of augmenting our revenue. At the same time, we have developed Strategically Developing Businesses that include working in “Environment” and “Life Science,” which we view as next generation driver businesses that will help us maintain continuous development.

Toray Group Global Network

With bases in twenty countries and regions including Japan, Toray Group is currently planning further global expansion. In our Foundation Businesses, “Fibers & Textiles” and “Plastics & Chemicals” we boast a long history of production and overseas achievements. This global operation, which enables us to network global production bases systematically and sell the products best suited to each area, is our fundamental strategy to ensure stable revenue.

In our Strategically Expanding Businesses, where advanced materials are the core products, we are broadening our businesses globally, working closely with the appropriate markets. For example, we are focusing on businesses dealing with “IT-related Products” in Japan and Korea, and “Carbon Fiber Composite Materials” businesses in our three stronghold regions: Japan, the U.S. and Europe.

Main Countries and Regions with Toray Group Subsidiaries and Affiliates



Long-term Corporate Vision –“AP-Innovation TORAY 21” (AP: Action Program)

Since April 2004, Toray Group has been working on strengthening our structural reinforcement and drastically reforming its business structures through management reform programs (NT Reforms) —“Project NT21” and, subsequently, “Project NT-II.” In addition, we have been aggressively promoting projects such as Expanding Advanced Material Businesses, Expanding No.1 Businesses and Expanding Businesses Outside Japan. With the continuous efforts of the entire company for the past four years under these NT Reforms, we have actually begun to recover and steadily achieve positive business results.

Nonetheless, the social paradigm is shifting dramatically at an unexpected pace and this increases uncertainty in the management environment of Toray Group. In order to respond to the changes of the external environment more quickly and maintain continuous growth, it is becoming more important that we build an even stronger management foundation and at the same time create new value by continuously pursuing innovations.

Harnessing the momentum of the 80th anniversary of the founding of Toray Group in April 2006, we devised a new Long-term Corporate Vision called “AP-Innovation TORAY 21” aiming for sustainable development and further growth.

As part of “AP-Innovation TORAY 21,” we have taken “Innovation by Chemistry” as our corporate slogan and pursued technological innovation with “Chemistry” as the key word; our goal being to become “a global top company of advanced materials.” We are challenging ourselves to put “Innovation” into practice in all areas of corporate activities and create new values. Moreover, through these activities, we can play our important role more aggressively for contributing to the sustainable growth of society and environmental protection and harmonious coexistence.

Then, by implementing “Innovation”, under this long-term corporate vision, we aim to realize our corporate philosophy of “Contributing to society through the creation of new values with innovative ideas, technologies and products.”

Summary of the Long-term Corporate Vision “AP-Innovation TORAY 21”

Basic Strategy

Transforming to a highly profitable business group
Achieve transformation to a highly profitable business group, while sustainably expanding business.
1) Increase sales by 5% annually
2) Increase operating income by 10% annually (“5-10 Growth Plan”)
Improve capital efficiency
1) By around the year 2015:
Over 10% ROA, over 12% ROE

Expanding highly profitable businesses
Drive profit growth through Strategically Expanding Businesses and Strategically Developing Businesses while preserving stable profits through Foundation Businesses.

Expanding the advanced materials businesses
Expand the advanced material businesses in every segment and increase these businesses ratio of net sales.
1) Triple advanced materials sales by around 2015.
2) Increase ratio of net sales from the current 30% to 60% by around 2015.

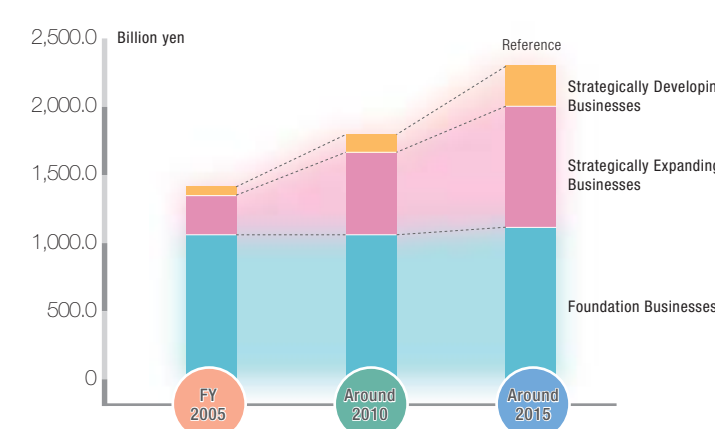
Advancing business structure reform
Move forward with business structure reform through expansion of Strategically Expanding Businesses and Strategically Developing Businesses.
1) Triple sales in Strategically Expanding Businesses and Strategically Developing Businesses by around 2015
2) Expand ratio of net sales from the current 25% to 50% by around 2015.

Key Performance Indicators

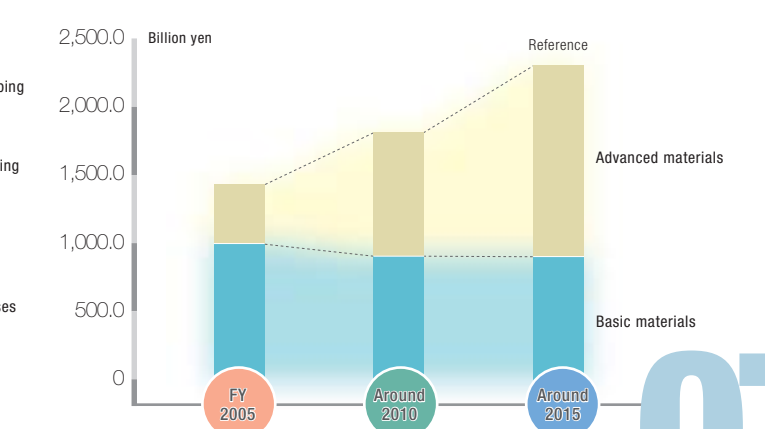
	FY 2005	Around 2010	Reference Around 2015
Unit: Billion yen			
Net Sales	1,427.5	1,800.0	2,300.0
Foundation Businesses*	1,060.5 (75%)	1,070.0 (60%)	1,150.0 (50%)
Strategically Expanding/Developing Businesses	367.0 (25%)	730.0 (40%)	1,150.0 (50%)
Advanced Materials Ratio	30%	50%	60%
Operating Income	93.0	150.0	230.0
Operating Income Margin	6.5%	8.3%	10.0%
Foundation Businesses	47.2 (50%)	52.0 (35%)	60.0 (25%)
Strategically Expanding/Developing Businesses	45.8 (50%)	98.0 (65%)	170.0 (75%)
Advanced Materials Ratio	60%	75%	85%
ROA	6.3%	8%	10% or above
ROE	9.6%	11%	12% or above

*Foundation Businesses include Engineering and others.

Overview of Business Structure Reform

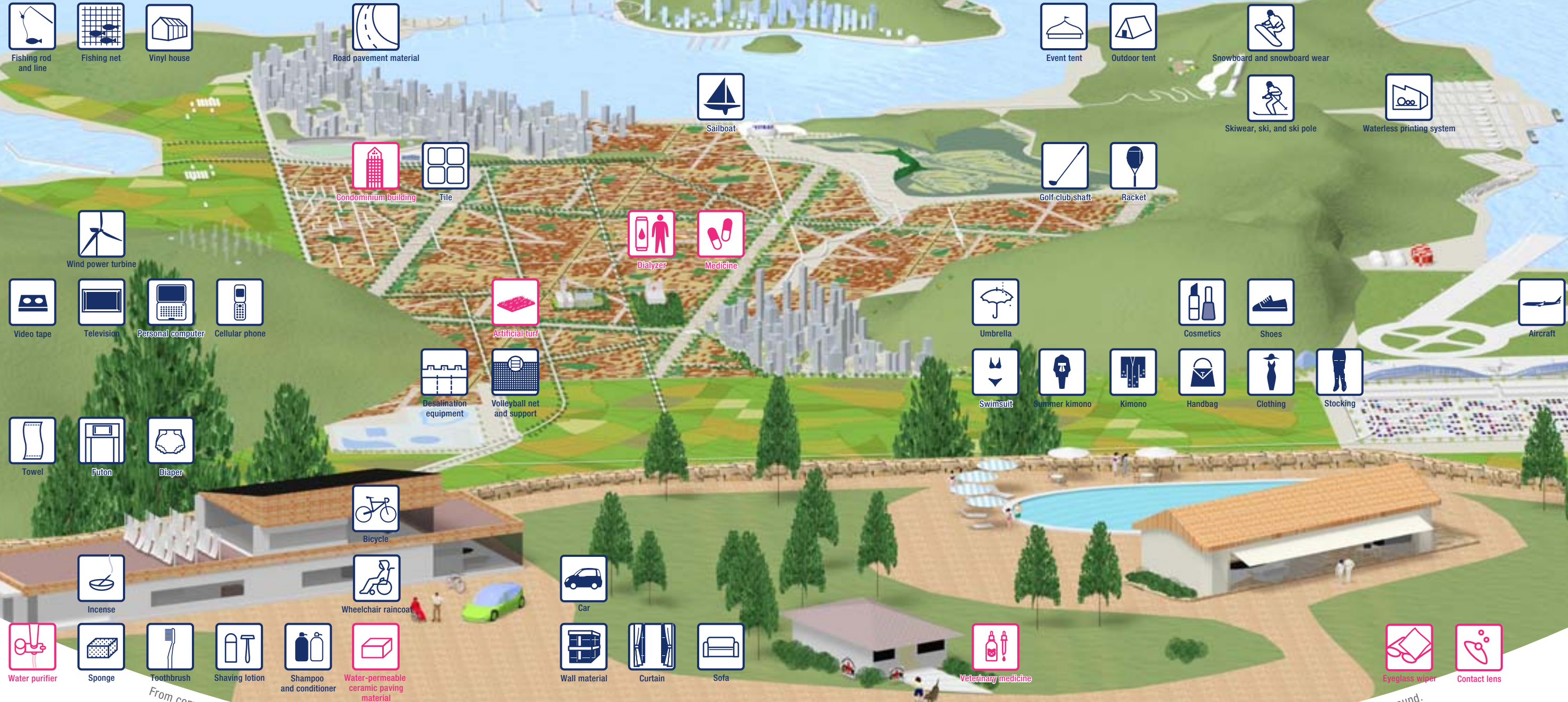


Overview of the Growth in Advanced Materials



Toray Products, Surprisingly Nearby

Toray products, supporting your life and making it secure, paint a picture of your future. From the very beginning, Toray fibers clothe people, serve to protect them and realize their dreams. Toray materials find a virtually endless array of uses. Finally, Toray products progress with the times to create new lifestyle choices.



Toray Products, Surprisingly Nearby

From communication tools such as cellular phones and personal computers – to transport devices such as bicycles, motor vehicles, ships and even airplanes – in every facet of life, from working and playing to relaxing, Toray helps make the world go around.

■ PINK represents end products
■ BLUE represents materials

Toray Group CSR for Today and Tomorrow

In addition to CSR practices by Toray Group up to now, we have established CSR Guidelines and Action Programs to incorporate CSR on an even wider scale in the future. We intend to place additional emphasis on practicing CSR at the work site.

To Realize Greater Trust

Toray Group, whose Corporate Missions are in accordance with its Corporate Philosophy of “Contributing to society through the creation of new value with innovative ideas, technologies and products,” initiates company activities with the awareness of all of our stakeholders—our customers, employees, shareholders and local communities. However, in the midst of changing environments besieging businesses, such as globalization, computerization, the worsening of environmental problems and the changing awareness toward businesses, we decided that we needed more than ever to align our internal activities from an external point of view. This led to the start of our CSR activities in FY 2003 that we have engaged in up to the present.

In November 2003, the CSR Committee was launched as a committee that reports directly to the president, and a three-year road map was drawn up, which has been pursued up to now. Its results led to the establishment, in December 2004, of CSR Guidelines and creation of Action Programs. From April 2005, the chairman of the CSR Committee issued a CSR Declaration to initiate company-wide CSR activities. The publication of CSR reports forms an important element of these CSR activities.

Toward the Next Step

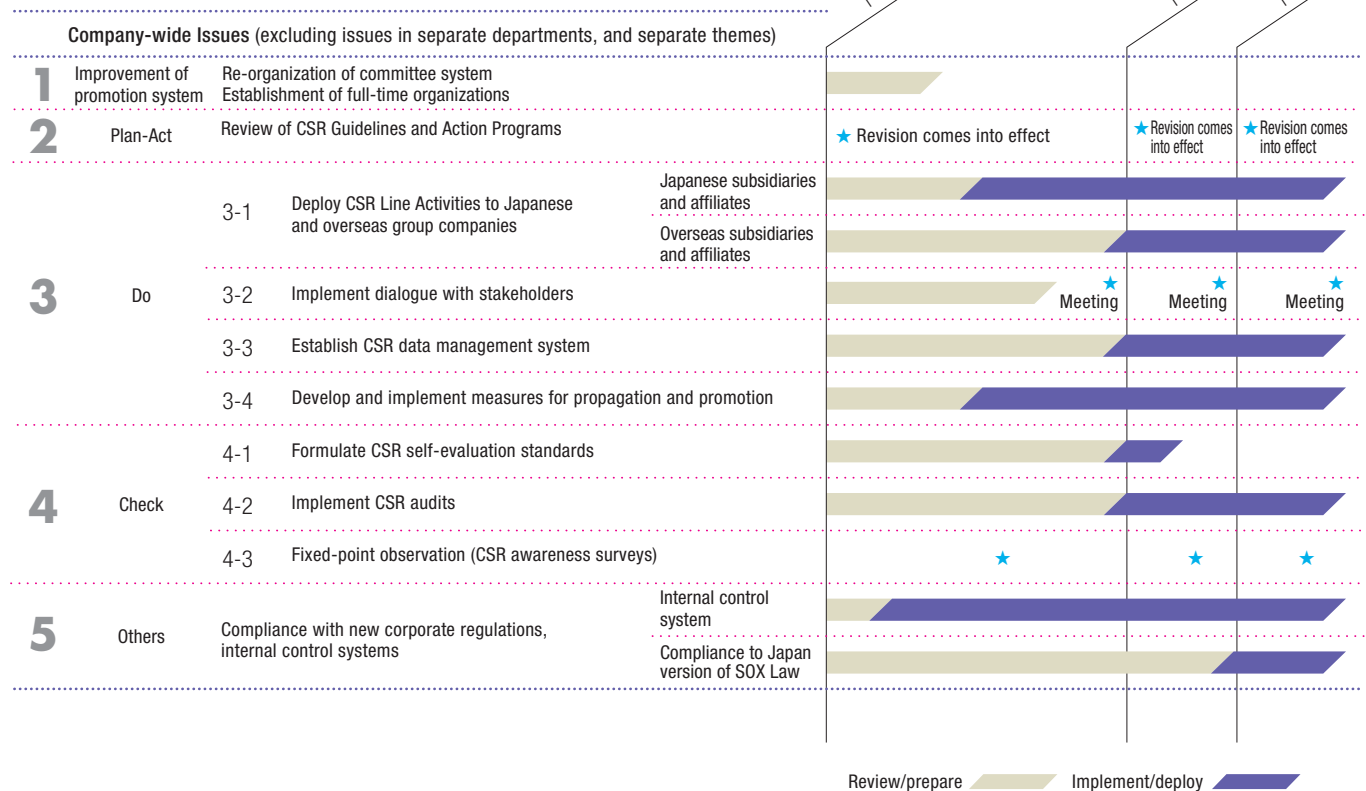
In March 2006, looking back on the issues with which we have contended, a new road map was drawn up with the aim of maintaining and developing CSR activities by Toray Group. Along with Action Programs planned on an annual basis, the road map grasps CSR activities by Toray Group from their mid-term perspectives, and serves as a mid-term plan indicating the direction of future activities.

The road map incorporates the direction and objectives that have been set for the items, which follow below, from the perspectives of all companies in Toray Group.

- Improvement of a promotion system
- Deployment to subsidiaries and affiliates in Japan
- Dialogue with stakeholders
- Implementation of CSR auditing
- Fixed-point surveys of awareness

Through the precise implementation of this road map, the PDCA management cycle can be applied to Toray Group CSR activities, realizing genuine social responsibility, as we seek to become an enterprise that is trusted by society. We believe this will serve to create the “Toray Group Corporate Image in the 21st Century.”

CSR Road Map (Midterm Action Plan)



CSR Guidelines

(Adopted December 2004 and revised June 2005)

- 1 Basic Policy & Enhance corporate governance and management transparency**
Sincerely pursue CSR activities to help create a sustainable society by fulfilling our Corporate Philosophy, Corporate Missions, and Guiding Principles, and strive to enhance corporate governance and management transparency.
- 2 Uphold corporate ethics and comply with laws and regulations**
Earn the trust of society by all executives and employees upholding our Corporate Ethics and Legal Compliance Code of Conduct and acting with fairness, high ethical standards, and sense of responsibility.
- 3 Emphasize safety, accident prevention, and environmental preservation**
Give safety, accident prevention, and environmental preservation top priority above all other management issues, and work to ensure the safety and health of society and employees while protecting the environment in all of our business activities, from procuring raw materials to manufacturing, supplying, and disposing of products.
- 4 Ensure product safety and quality**
Recognize the importance of product safety and quality assurance in supplying safe and highly reliable products, and strive to enhance management systems and disclose appropriate information.
- 5 Perform risk management**
Seek to reduce potential risk, develop a system capable of responding quickly to unexpected situations and disclosing accurate information, and work to inform all employees about this system.
- 6 Promote dialogue with stakeholders**
Encourage dialogue and cooperation with employees, shareholders, investors, business partners, consumers, local communities, non-profit organizations, government and administrative agencies, mass media, analysts, and other parties.
- 7 Step up environmental and recycling efforts**
Pursue research and technological development related to environmentally friendly products and recycling, and contribute to improving the global environment by developing and expanding environmental, safety, and amenity businesses.
- 8 Secure and train personnel and promote human rights**
Secure and train personnel and diversify employment while striving to protect employee jobs, respect human rights, and continuously improve workplace environments.
- 9 Cooperate with suppliers in their environmental and social initiatives**
Cooperate with suppliers in promoting CSR activities, including environmental consideration, compliance with laws and regulations, and promotion of human rights.
- 10 Pursue social initiatives**
Voluntarily conduct promotional programs for science and technology, arts and culture, social welfare, sports, and other activities by allocating an appropriate amount of resources as a good corporate citizen.

Corporate Ethics and Legal Compliance Code of Conduct

(Adopted October 2003)

- 1 Contribute to society**
As a company aspiring to be a New Value Creator, provide trustworthy products and services that satisfy our customers.
- 2 Communicate with society**
Communicate with the various parties associated with the company, including its customers and shareholders as well as members of the local community. Actively and fairly disclose pertinent information about the company.
- 3 Behave as a good corporate citizen**
Comply with laws and regulations, respect human rights, and actively contribute to society as a good corporate citizen.
- 4 Play an active role in preserving the global environment**
Recognize that playing an active role in preserving the global environment is an important management issue, and strive to coexist with the environment in all corporate activities by conserving energy, reducing emissions and waste, promoting recycling, and so forth.
- 5 Prioritize fairness and trust in corporate activities**
Engage in proper trade based on free, fair, and transparent market competition, and conduct corporate activities that earn the deep trust of society.
- 6 Comply with national laws and regulations**
Pursue management reform from a global perspective, comply with the respective national laws and regulations in overseas operations, and be self-disciplined with high ethical standards. Conduct corporate activities with respect to the culture and customs of each country and contribute to the advancement of local communities.
- 7 Raise motivation and create a corporate culture that lets employees demonstrate their ability**
Strive to create a corporate environment that allows each and every employee to be motivated to demonstrate their ability, respect individual human rights, character, and personality, and maximize creativity and professionalism.
- 8 Break off relations with antisocial forces**
Always work for the good of society, break off relations with antisocial forces that threaten the order and safety of civil society, and take a resolute stand as a unified company.

Ten Basic Environmental Rules

(Adopted January 2000)

- 1 Prioritize environmental preservation**
We shall comply with all laws, regulations, and agreements in all of our business activities while placing the highest priority on environmental preservation in the manufacture, handling, use, sale, transport, and waste disposal of products.
- 2 Prevent global warming**
We shall promote energy conservation and work to reduce our unit energy consumption and our carbon dioxide emissions.
- 3 Achieve zero emissions of environmental pollutants**
We shall strive continuously to reduce our emissions with the ultimate goal of achieving zero emissions of hazardous chemical substances and waste materials into the environment.
- 4 Use safer chemical substances**
We shall collect, maintain, and provide information on the health and environmental effects of the chemical substances we handle while striving to use safer chemical substances.
- 5 Promote recycling**
We shall develop recycling technologies for products, containers, and packaging and cooperate with society in promoting the recovery and reuse of such items.
- 6 Improve the level of environmental management**
We shall work to maintain and improve the level of our environmental management while working to upgrade our environmental management technology and skills, performing self-auditing, and taking other measures.
- 7 Contribute to society through environmental improvement technologies and products**
We shall meet the challenge of developing new technologies and shall contribute to society through environmental improvement technologies as well as products that place a low burden on the environment.
- 8 Improve the environmental management of our overseas businesses**
In our overseas business activities, we shall place top priority on complying with local laws and regulations, and further, we shall manage those businesses in accordance with the management standards of Toray Group.
- 9 Improve employees' environmental awareness**
We shall strive to improve our employees' awareness of environmental issues through environmental education, social activities, internal communications activities, and other means.
- 10 Share environmental information with society**
We shall deepen mutual understanding of Toray Group environmental policies and practices by widely publicizing our environmental preservation efforts and their results in environmental reports and other publications directed at local communities, investors, and the media.

Toray Group Environmentally Friendly Businesses Q&A

To meet society's expectations, it will be necessary to keep developing products that will help to foster a sustainable recycling society. Toray Group is aggressively pursuing these challenges.



Q: How has Toray Group's management positioned the company's environmentally friendly businesses?

A: Along with safety and accident prevention, Toray Group has adopted environmental preservation as a top-priority issue for management. Of equal importance, and which we're pursuing aggressively, are business activities such as environmentally friendly products and recycling that contribute towards the global environment.

Q: What initiatives are being taken to promote recycling?

A: We've set up two committees to deal with all aspects of the environment, the Global Environment and Recycling Committees, which are actively engaged in these tasks. In particular, we've established organizations to promote the recycling of fibers & textiles, and plastics, the Fibers & Textiles Recycling Department and Plastics Ecology & Recycling Department. These have been promoting a wide range of recycling activities throughout Toray Group. In the Fibers & Textiles Businesses, we're working with clients to develop a uniform recycling system, and in Plastics we're stepping up joint efforts with appliance and auto makers, beginning with the cross-flow fans in air conditioners, to build a system for recycling, including collection. In the future these initiatives will be expanded. Furthermore efforts to reuse waste generated in the fibers and textiles, plastics and films manufacturing process is being linked between the respective plants for more effective utilization of resources. Also in the Carbon Fiber Composite Materials Businesses, which we expect to expand in the future, we position recycling as an important issue.

Q: What are your thoughts regarding the environmentally friendly businesses of Toray Group?

A: From raw materials to manufactured products for use, and then their final disposal, we have to find ways to reduce the burden on the environment at the entire stage of the life cycle. In concrete terms that means we define environmentally friendly business as business to create products that result in use of less energy or are cleaner. This would also include businesses that recycle discarded products or waste generated in the manufacturing process so that they can be re-used as raw materials.

Q: Please explain some ideas about Toray's "Ecodream" Project.

A: Toray Group has adopted the name "Ecodream" for initiatives to put it at the forefront of conservation of resources and protection of the global environment, both of which aim to develop a sustainable recycling society. To clarify our thinking, we have taken up the concepts of "Clean" and "Less Energy."

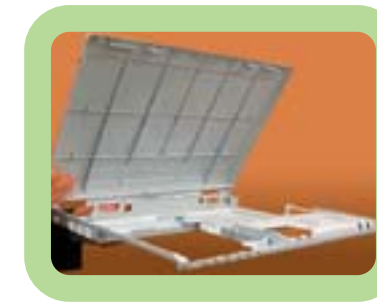
Regarding our "Environment and Recycling Initiatives," to facilitate the understanding of communications, both internally and externally, we have also applied "Ecodream" as the comprehensive brand name

for our environmentally friendly products, (including recycled products). Initiatives to expand the business of these products have been named the "Ecodream" Project, which is being promoted throughout the Group.

H. Kobayashi
Executive Vice President and Representative Director, General Manager, Technology Center Toray Industries, Inc.



Aircraft using carbon fiber composite materials will be 20% lighter in weight, and consume 20% less fuel.



Personal computer chassis utilizing polyactic acid plastic made from plant raw materials.



High-performance membrane module, used for water purification and wastewater treatment, contributing to alleviating water shortages.

Total sales of environmental products and recycled products by Toray Group came to approximately 153 billion Japanese yen in FY 2005, equivalent to about 11% of consolidated sales. Operating income came to some 24 billion yen, which was about 26% of consolidated operating income. For the "Ecodream" Project to contribute further to energy savings and global environmental protection, we aim to increase our environmentally friendly and recycled products, with targets for FY 2010 set at 340 billion yen in sales and 56 billion yen in operating income, more than double that of the FY 2005.

Q: Could you please tell us some more specific details about the products and their impact?

A: To improve automobile fuel efficiency, weight reduction is an important issue. Here, engineering plastics have been taking on an increasingly greater role. I am certain that in the near future carbon fiber reinforced plastic (CFRP) will be utilized on a major scale in automobiles. We can expect the next generation of passenger cars to weigh about two-thirds that of the present models. This will mean that over their life cycle they will consume about 15% less fuel than cars today. Our engineering plastics and CFRP will be making a major contribution to weight reduction.

Regarding reducing the weight of aircraft, we can foresee an even more drastic era. More CFRP is being used as structural material, particularly as primary structural material with the advent of the Boeing 787 "Dreamliner" scheduled to debut from 2008. In the future, CFRP will come to be used in up to 50% of aircraft structural materials. This will result in 20% reduction in weight, enabling fuel consumption to also be cut by 20%. We are therefore certain that the volume of carbon fiber composite materials in use will be undergoing a quantum leap in the future. Both Boeing and Airbus will be utilizing carbon fiber in their aircraft structures, and Boeing has given our carbon fiber for primary structural materials for the 777 and 787 exclusive authorization.

While wind power generation has been more widely adopted in Europe than in Japan, in large-capacity generators the windmill blade size continues to increase and are now in the 30 to 40 meter range. CFRP is also being utilized in these larger blades to reduce their weight.

Fuel cells are a product with a promising future, and we are briskly shipping samples of such products as polymer electrolyte membranes and carbon/carbon composite paper for electrode use. Films produced by Toray Group for use in the back sheets of solar cells are used extensively.

Toray Group products are also used in the polypropylene film for large-capacity capacitors and the capacitor case, which are key components in hybrid cars.

These are some of the ways that Toray Group is continuously expanding its various products, which are contributing to energy conservation in an ever-widening range of areas.

Q: Please tell us what Toray is doing related to the non-petrochemical materials that have become a topic of late.

A: Toray Group is purchasing polymers made from non-petrochemical materials and processing these into fibers or plastics & films. Specifically, these include polylactic acid fibers, plastics and films, 3GT fiber, and soft heat-resistant film using plant oil as the raw material. We are presently expanding our scope of business through variety of products based on these kinds of non-petrochemical materials.

Polylactic acid is a raw material sourced 100% from such plants as corn or sweet potatoes. That means it is a carbon neutral material that even when

incinerated does not add to the carbon monoxide and dioxide gas that are a factor in global warming. Toray Group has concluded an umbrella agreement with Nature Works, a maker of polylactic acid, and is engaged in active technical tie-ups. Polylactic acid has not been significantly affected by the recent price increases of petroleum, and as production is getting boosted it will enjoy the cost reduction. In contrast, the cost of general-use plastics is increasing in tandem with rising oil prices, so I believe that the relative cost competitiveness of polylactic acid will strengthen.

On the other hand, polylactic acid is a polymer with numerous defects, so we will be applying a variety of essential technologies, particularly the nanotechnology in which we're specialists, to improve upon these defects. Then to develop a variety of applications for fibers & textiles, plastics & films products, we have established a committee for the promotion of a polylactic acid business expansion promotion meeting as a company-wide project.

The market scale of these polylactic acid products, with their reduced impact on the global environment, doubled from 2004 to 2005, and we foresee continued expansion of the market. Toray Group intends to continue to maintain its pace as a front-runner in this market.

Q: What are some of environmentally friendly products in the information and communications fields?

A: These would include development of such eco-friendly materials as halogen-free flame retardant plastics and copper-clad laminated polyamide film, LCD color filters not incorporating heavy metals and CTP Waterless Plate*, plating materials for print use that don't generate hazardous waste fluids. While giving consideration to these kinds of environmental facets, we also foresee growth in the information and communications fields.

Q: What are some of the issues to be taken up in the future?

A: These will include reinforcing our external activities and disclosure of information. It is necessary for us to bolster our tie-ups outside the Group through cooperative efforts with customers, as well as participation in major external organs or research associations. As a manufacturer of materials with a relatively small number of consumer products, we would also like to strengthen our "Ecodream" brand. We will be making greater efforts to expand PR and advertising activities, and apply for more socially responsible investing funds. We also intend to actively apply for awards outside the Group and improve further external evaluations.

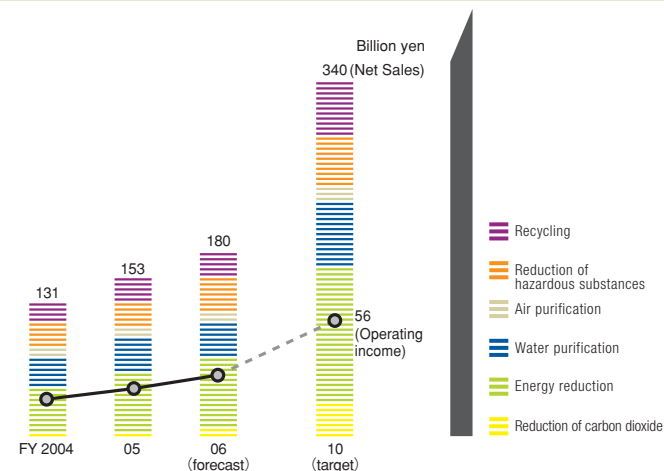
Q: Finally, please let us have your views regarding Toray Group's posture toward becoming an environment friendly businesses in the future.

A: The 21st century will be an age in which society will strongly seek companies to put forth sustainable, recycling-type social initiatives. Toray Group, as a materials manufacturer based on science and technology, hopes to actively contribute to improvement of the global environment through promotion of research and technical development of environmentally friendly products, including recyclable products, as well as through business development and expansion in the fields of "Environment, Water and Energy," which we have positioned as key areas to be taken up in the new mid-term business strategies "Innovation TORAY 2010."

Related Article:
Refer to pages 14-15 concerning the "Ecodream" Project.

Business Expansion by "Ecodream" Project

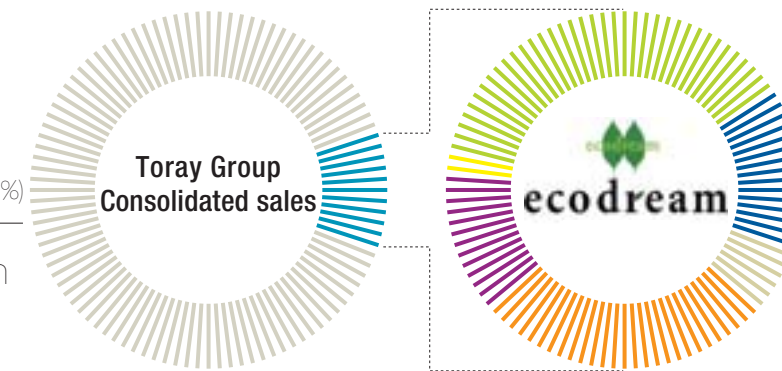
With the catchphrase of "Ecodream" promoting its environmental initiatives, Toray Group strengthened initiatives in FY 2005. Under the "Ecodream" project, we have set annual targets for sales of environmentally friendly products and increase them by more than two-fold over the next five years. FY 2005 targets were met.



FY 2005

Environmentally friendly products

153.0 billion yen (11%)
1,427.5 billion yen



Sales composition by expected effect

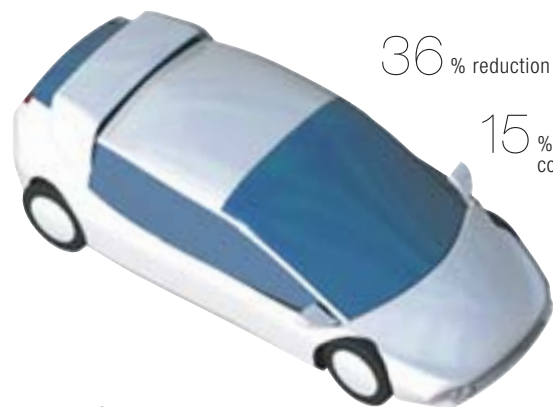
- Energy reduction
- Water purification (water treatment)
- Air purification
- Reduction of hazardous substances
- Recycling
- Reduction of carbon dioxide

Projection for sales of environmentally friendly products in FY 2006 is 180 billion yen.

Environmentally Friendly Products Carbon Fiber Composite Materials (CFRP) and Engineering Plastics

Energy savings through weight reduction in cars

To save energy (reduction in greenhouse gases), expanded utilization of engineering plastics, CFRP



36% reduction in body weight

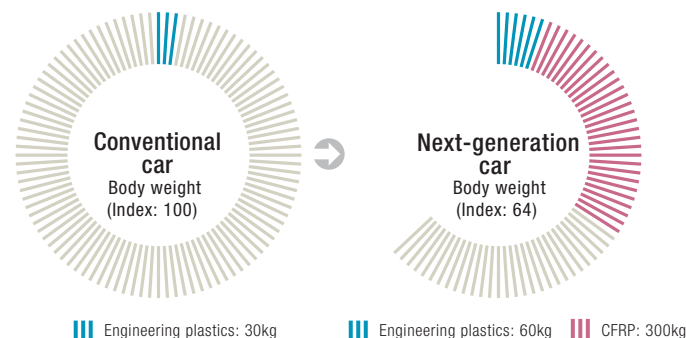
15% reduction in energy consumption

- Engine cover
- Cylinder head cover
- Cooling fan
- Radiator tank
- Lamp reflector
- Lamp reflector
- Platform
- Drive shaft
- Hood (bonnet)
- Roof
- Trunk (boot) lid
- Rear spoiler

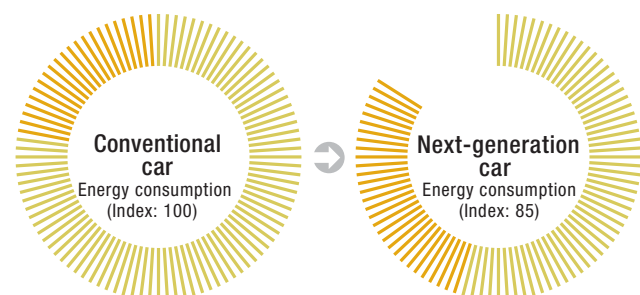
Future trends:

- Application of engineering plastics to be further expanded
- CFRP to be fully applied to cars

Comparison of weight reduction



LCA comparison of energy consumption



Energy savings through weight reduction in aircraft

Quantum increase of CFRP in aircraft application

- By increase in CFRP to up to 50% of structural material, weight can be reduced by approximately 20%.
- Including the adoption of advanced engines, fuel consumption can be reduced by 20%.

20% weight reduction

20% reduction in fuel consumption

Future trends:

- Wider application of CFRP as structural materials
- Large-scale adoption of primary structural material

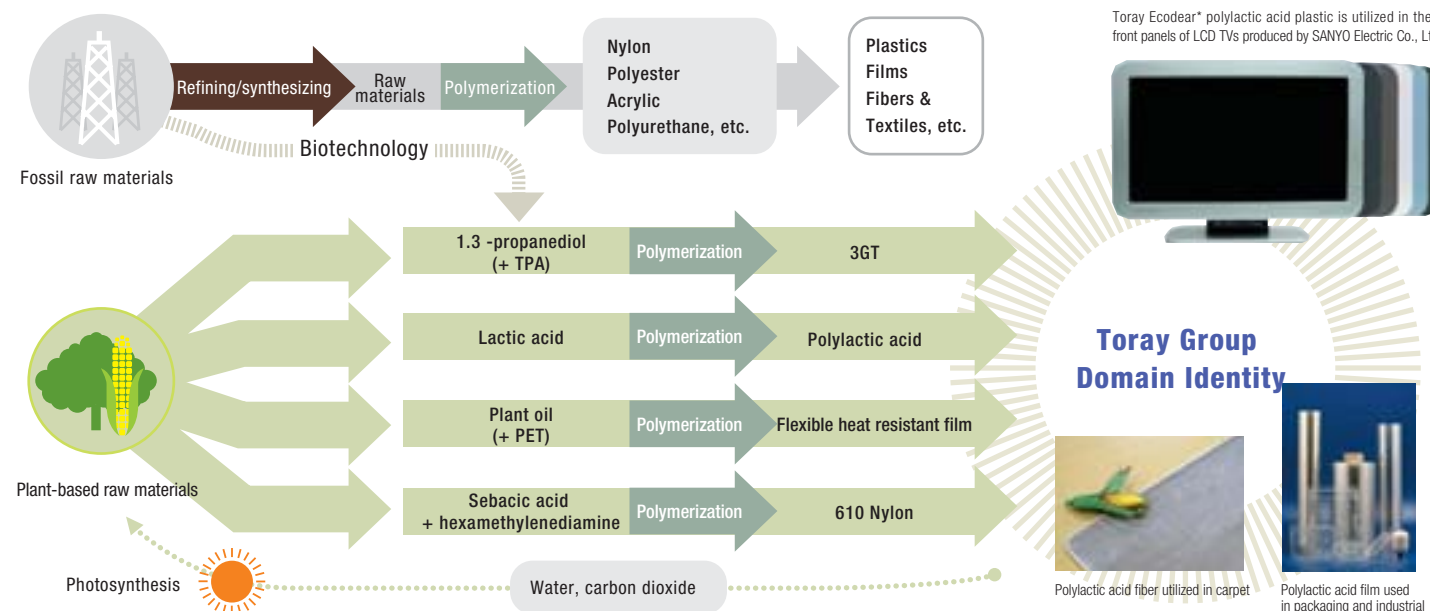
Related Article:

Refer to "Step Up Environmental and Recycling Efforts" on pages 46-47.

Environmentally Friendly Products Non-petrochemical-based Products

Incentives toward adoption of non-petrochemical-based products

Promotion of development and commercialization of non-petrochemical-based products harnessing biotechnology



Toray Ecodream* poly(lactic acid) plastic is utilized in the front panels of LCD TVs produced by SANVO Electric Co., Ltd.



Toray Group Domain Identity



The amount of petroleum needed to produce a carpet of 3.3 square meters (one tatami mat) (in addition to raw materials, including the amount of energy consumed in the manufacturing process converted to petroleum equivalent)

6.4 liters of nylon, 4.0 liters of polypropylene → 2.6 liters of poly(lactic acid) (energy utilized in the manufacturing process only)
 Poly(lactic acid) compared with petrochemical-based materials enable savings of resources of between 40 to 60 percent.

Future trends:

- The market for non-petrochemical-based products will expand in response to heightened awareness toward the global environment.
- Non-petrochemical-based products, being less susceptible to effects of oil price fluctuations, can anticipate stable cost reductions.

Energetic Expansion of "Ecodream" Activities

Participation and exhibits at major environment-related events



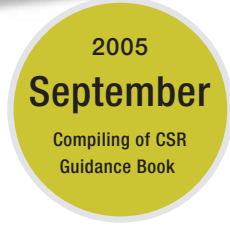
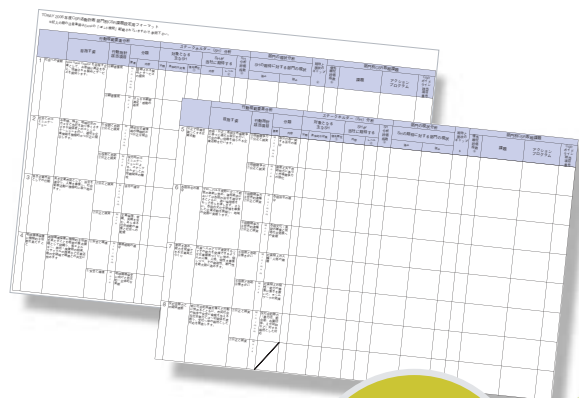
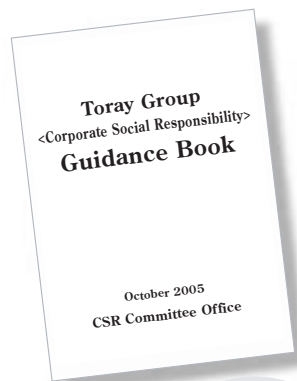
Toray staff are doing their part to publicize "Ecodream" initiatives.

- A** We invited the representative of WPA in Europe, and gave a seminar on dissemination of waterless printing (November 2005)
- B** Toray's president appeared at Eco Products 2005, Tokyo Big Site (December 2005)
- C** We participated in JGAS2005 at Tokyo Big Site and conducted PR for waterless printing (October 2005)
- D** We exhibited our products to customers at the 3rd Environment & Welfare Business Fair in Kumamoto, Japan (February 2006)
- E** We operated an exhibit at Eco Products International Trade Show in Thailand (October 2005)

Number of events in which we participated: 7

For Deploying CSR Activities

Each member of Toray Group has the personal responsibility to put CSR into practice. To make this possible, Toray conducted on-the-job CSR training for all the workers.



Numbers of participants: 163
(24 staff from six affiliates in Japan)



Number of participants:	11,011	Number of training sessions:	722
Board members/Directors	34	Conducted training rate:	96%
Managers/Specialists	955		
Regular staff	6,701		
Contract/part-time workers	2,156		
Temporary workers	564		
Others	601		



Views among Participants

- Toray Group has adopted the concept of CSR from an early stage, and now I understand that, in order to soundly fulfill the role of CSR, we should put the corporate philosophy into practice.
- I knew almost nothing about the necessity for CSR, but through this training I understood the concept.
- I thought CSR would be complicated, but the illustrations made it understandable.
- Because the issues were set in relation to my job, I can adopt them without any concerns.
- Through in-house training activities, I think the company's position putting importance on CSR has significantly penetrated among the staff.

Views among Leaders/Key Persons

- The on-the-job study materials this time were well produced, so it was easy for me to give explanations.
- A lot of people had been confused because they didn't understand the contents of CSR activities, but with this training, case studies were used with immediate problems that they could relate to, so we were able to establish fundamentals for CSR activities to be brought closer to them.
- In the case studies, I was surprised to hear so many different opinions. The understanding of Toray's guidelines has definitely deepened.
- I made extra efforts to explain the basic items to shift workers, and while showing specific examples I did my best to provide understandable explanations.
- After the training, we heard people asking each other in the course of their daily work, "Does this follow the CSR actions or not?", so it also helped to raise the morale of Toray staff.

In April 2005, the CSR Committee Chairman issued the CSR Declaration. Based on that, in September of the same year, the *CSR Guidance Book*, an on-the-job training text, was compiled. In October Toray conducted trainings for the CSR promoting leaders/key persons of section manager class.

From February 2006, Toray conducted CSR on-the-job training for all personnel at all locations, including temporary workers and part-time staff. Afterwards Action Programs were implemented in each department or division, with results confirmed and improvement measures adopted. Similar programs are also planned for subsidiaries and affiliates in Japan and overseas.

View from the Field

We promote CSR activities at Toray Shiga Plant, with the CSR/Legal Compliance Committee at the axis, engaging in discussions each month on such topics as the new and revised laws introduced and cases at other companies. We also carry out activities placing importance on discussions related to CSR at scheduled monthly briefings and others. The first thing I felt in discussions at the workplace was that the word "CSR" itself was unfamiliar or confusing to quite a few people. Therefore I make efforts myself, as a key person, to change whatever I say to more easily understandable words. Like the safety activities at Toray, I believe that CSR activities will continue steadily for several decades and would like to see this take root in Toray's corporate culture.



Taizo Ishihama
Section Manager, Axtar Department
Toray Fibers Production Division
Formerly CSR/Legal Compliance Committee member
at Shiga Plant

View from the Field

When the CSR Line Activities began, the first agenda was "How do we get this to penetrate to every employee?" As for a method of getting each staff member to voice their opinions, we were aware that it would be meaningless at the stage where the basic knowledge had not been conveyed, so we came up with the idea of designating a leader or key person at each office (or plant) whose ideas were adopted as a starter to penetrate the activities. In the course of this, Mr. Ishihama and the other leaders informed us of the actual situation concerning each type of activity at their workplace, and provided a number of ideas for penetration techniques. Through the efforts of each leader or key person, I get the feeling that CSR activities within Toray have taken off.



Susumu Ota
Director, Toray Industries (Malaysia) Sdn. Berhad
President, Penfibre Sdn. Berhad
Formerly General Manager on Special Assignment of
Corporate Planning Department, Toray Industries, Inc.
In charge of CSR Line Training
CSR Secretariat in FY 2005

For Enhancing Global Linkages

Toray Group employs some 35,000 people in 20 countries and regions around the world, including Japan. These people, irrespective of differences in their nationality, race, religion and culture, share many common values. To advance mutual cooperation on a global scale, a variety of activities are conducted.

⋮ Aiming for Global Leadership

Person General Manager, Research and Development Alcantara S.p.A. (Italy)

⋮ **Carlo Ammirati**

Last December I attended the second Toray EUSMS, which gave me the opportunity to make the acquaintance of 12 managers, of five different nationalities, who came from seven different European Toray affiliates. As a key point of the seminar, we had a stimulating workshop on "Developing Global Leadership." The basic concepts of cross cultural competence were: How to examine your own cultural orientation and recognize the differences in others; and how to develop globally effective leadership style and a capacity for international communications.

To give one example, you should never say "perhaps" to an American if you really mean "No!". Or, take a moment to read Japanese business cards and when receiving one, never put it in your back pocket and sit on it.

These just a few useful tips of the many lessons I learned during the seminar. I'm strongly convinced it will help me and the other participants deal with our daily responsibilities in the future.



2005
December

Took part in EU Senior Management Seminar

⋮ Workplace Reforms Underway

Person Assistant Manager, Technical Department, Manufacturing Division, Fiber Division, Penfibre Sdn. Berhad (Malaysia)

⋮ **Muralitharan Shanmugam**

2005
July → December

As an NE trainee, studied at Toray Ehime Plant



I attended NE (national engineer) training during the 2005 fiscal year. During the five months of training, I was able to observe and learn a lot about different cultures and also obtained valuable technical knowledge.

The main items that I learned and hope to apply in Penfibre include such points as the importance of communication in good leadership. Explanation, through the use of numerous examples, and more dialogues with consideration for human relationships are necessary to demonstrate leadership.

At Penfibre, I feel there is much that can be improved. I hope to do my part to learn more about leadership and communication skills, improve objectives management systems and job speed. Besides, I would like to standardize work procedures and set up an information sharing system.

⋮ Fostering Comradeship, Indifferent to National Borders — A Linguistic Trainee's Approach

Person Osaka Technical Office, Fibers Technical Application Department, Toray Industries, Inc.

⋮ **Masaya Ikenori**

"Treat your colleagues with care," is a sentiment that transcends nationalities, but has a particularly strong awareness in China. During the six months of training I spent at Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd., I began teaching Japanese language classes. My objective, more than to nurture language ability, was to engage in exchanges and realize mutual understanding with local staff, and I believe this was a good opportunity for us to become "colleagues."

"Taking advantage of language ability to forge closer relationships with local staff" was exactly for what I was assigned as a language trainee. Placing importance on the personal ties fostered through my training, I look forward to applying these to my work in the future.



2004 2005
January → July

After undergoing language study at Fudan University, assigned to on-the-job training at Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd.



For Stopping Global Warming

At the time of the oil shock in 1973, when prices of crude oil were reaching unprecedented levels, all Toray employees worked as a team to reduce energy consumption as much as possible in every situation. Today, that spirit continues in our many programs designed to reduce energy consumption and to help prevent global warming.



Company-wide Energy Conservation Technology Presentation Meeting started



Toray Plastics (America), Inc. Operation of natural gas cogeneration facility started



Indonesia P.T. Century Textile Industry Tbk Operation of natural gas cogeneration facility started



Toray Tokai Plant Operation of N₂O thermal decomposition facility started

Basic Stance

Toray is working positively to reduce greenhouse gases through steady energy saving activities and aggressive investment in natural gas fuel conversion.

1982

1988

1989

1990

1991

1992

1993

1994

1995

1996

1997

2000

2001

2002

2003

2004

2005

2006

2007

Framework Convention on Climate Change enacted

Kyoto Protocol adopted

Kyoto Protocol enacted

Energy Conservation Assessment started in overseas subsidiaries and affiliates

P.T. Indonesia Toray Synthetics [Indonesia]

Luckytex (Thailand) Public Co., Ltd. [Thailand]

Woodard Textile Mills Sdn. Berhad [Malaysia]

P.T. Easterntex [Indonesia]

Thai Toray Textile Mills Public Co., Ltd. [Thailand]

Penfibre Sdn. Berhad [Malaysia]

P.T. Indonesia Synthetic Textile Mills [Indonesia]

Luckytex (Thailand) Public Co., Ltd. [Thailand]

PENTEX Sdn. Berhad, Penfabric Sdn. Berhad [Malaysia]

Toray Nylon Thai Co., Ltd. [Thailand]

Toray Fibers (Nantong) Co., Ltd., Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd. [China]

Toray Plastics (Malaysia) Sdn. Berhad [Malaysia]

Toray Tokai Plant, operation of ultra low pressure steam generation facility started

KTP Industries Inc. [Korea]

P.T. Century Textile Industry Tbk [Indonesia]

Penfabric Sdn. Berhad [Malaysia]

Toray Saehan Inc. [Korea]

Toray Okazaki Plant, operation of fuel conversion boiler (heavy oil→gas) started

Toray Tokai Plant, operation of natural gas cogeneration facility started

Four Malaysian subsidiaries, operation of fuel conversion boiler (heavy oil→gas) started

Thai Toray Textile Mills Public Co., Ltd., Thai Toray Synthetics Co., Ltd. [Thailand]

TAL Knits Ltd. (Zhuhai) [China]

Toray Chiba Plant, operation of natural gas cogeneration facility started

Toray Shiga Plant, operation of fuel conversion boiler (heavy oil→gas) start (planned)

Toray Mishima Plant, operation of fuel conversion boiler (heavy oil→gas) start (planned)

※Assessed Companies colored in gray.



Country	Company	Main Energy-saving Achievements
England	Toray Textiles Europe Ltd.	Reduced heat from boiler and used high efficiency lighting fixtures
France	Toray Plastics Europe S.A.	Reduced and recovered heat from steam pipes
	Société des Fibres de Carbone S.A.	Reduced and recovered heat from furnace
Italy	Alcantara S.p.A.	Optimized operating time of freezers and ventilation equipments
Czech Republic	Toray Textiles Central Europe s.r.o.	Recovered and reused cooling water and recovered hot water

Basic Policy & Enhance Corporate Governance and

Management Transparency

Action Program (FY 2005)

Toray Group will develop a framework for engaging in CSR activities based on a CSR management system and undertake specific initiatives at all group companies. Toray Group will research issues pertaining to corporate governance and internal control mechanisms and will maintain and enhance management transparency through greater accountability.

Action Program Results

1. With the declaration of the CSR Chair, the Line Activities got underway in April 2005. CSR leader and key person education was launched.
2. CSR tasks were outlined and defined at the department and section levels, and training courses were completed by all employees.
3. A task team, charged with studying corporate governance and internal control, was formed and steps were taken to prepare for its launch. (The fundamental policy for the Internal Control System was finalized at a board meeting held in May 2006.)

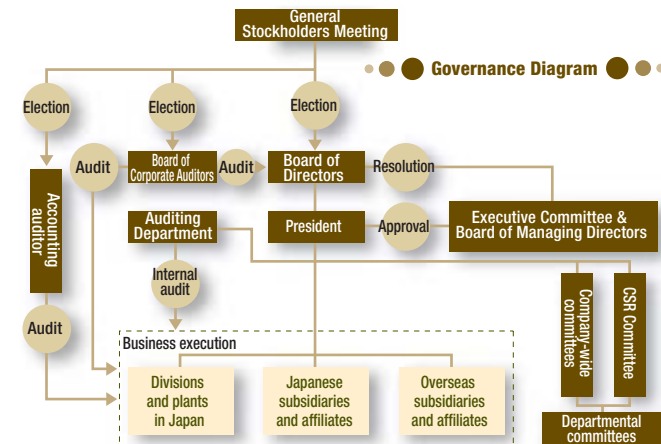
Toray Group Governance Organization

Toray Group established a governance organization based on its management philosophy to manage its operations on a global basis.

Implementation by the Board of Directors and Executive Committees

The Board of Directors consists of 30 members. As a manufacturing company supplying basic materials to a wide range of industries, Toray Group must make a remarkable array of judgments and decisions that are highly relevant to management based on specialized knowledge of local operations. Toray believes that management accountability and transparency are best achieved through the decision-making, supervision and implementation by directors well versed in the operations of the company. Rather than hiring external board directors or placing executive directors, we instead pursue an independent corporate governance path through strict adherence to decision-making by the "authority of top management."

Furthermore, for greater efficiency, we operate both the Executive Committee to discuss policy matters and the Board of Managing Directors to deliberate implementation as the deliberative organ for decisions finally made by the board meeting and substantially by the president. We have also established company-wide committees for each important management theme, which play a supplementary role in conjunction with the CSR Committee.



Auditing Organization

There are four auditors, of whom two are external auditors. The external auditors have no business interest in their relationships with our company. All auditors attend the Board of Directors Meetings and, based on policies and plans adopted by Board of Corporate Auditors meetings held quarterly, then perform regular audits of Toray offices and plants worldwide, including subsidiaries and affiliates.

Starting in May 2006, an organization was created to assist auditors in their duties in response to a request from the auditors.

Internal audits cover affiliated companies as well, and these are conducted by the Auditing Department. Upon request, the auditors may have the cooperation of the Auditing Department.

For accounting audits, an external auditing corporation is selected for the conduct of an audit in observance of the Corporation Law and the Securities Exchange Law.

Internal Control System

As the Corporation Law went into effect in May 2006, our Board of Directors approved a "framework for the creation of an internal control system," which was announced on the Toray website. We announced this internal control system to help us pursue straightforward and trustworthy management practices, with conduct based on impartiality, ethics and a sense of social responsibility in keeping with society's confidence in us. We will continue to maintain and improve a sound framework for all Board Directors and all employees to embody the very management ideals conceived in our Corporate Philosophy, Corporate Missions and Corporate Guiding Principles publications.

Information Disclosure and Management Framework

Toray Group will continue to function in an open manner as a basic principle. We will establish a set of Information Disclosure Principles which will guide our commitment to independent and fair disclosure of information. We will also formulate rules regarding important documents and information, including proceedings and financial information pertaining to managing decision-making, and always make them available to the general public.

The entire text of the Information Disclosure Principles is available on our website.

Dialogue with Labor Unions

Toward enhancing communication with labor unions, we hold a twice-yearly Project NT-II Labor and Management Council (attended by senior managing directors or higher, along with union representatives) in addition to a twice-yearly Central Labor and Management Council (attended by managing directors or higher, and heads or higher of union branches) for the purpose of promoting communications at least once every three months. At these meetings we report on our business activities, disclose important issues and engage in dialogue with labor representatives.

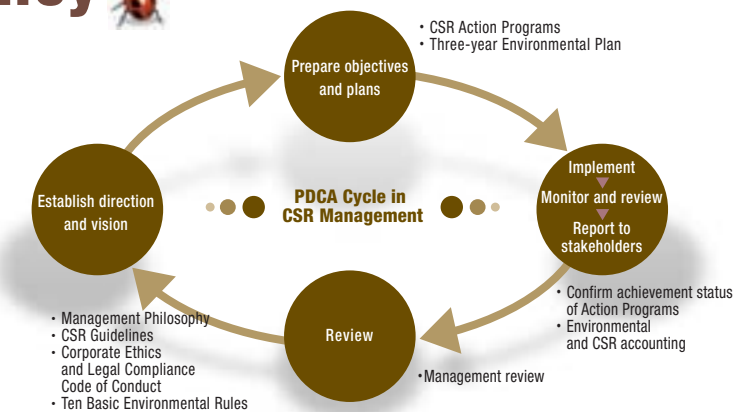
CSR (Social Responsibility) Promotion Framework

Toray Group regards CSR and business profitability growth as twin pillars of central, equal-standing management themes. The CSR Committee is under direct control by the president and chaired by the vice-president, who coordinates six company-wide committees. Planning and steering are handled by the CSR Executive Committee, made up of executives, and the CSR Committee Secretariat, comprised of department managers.

As task force units of the CSR Committee, CSR/Legal Compliance Committee field offices have been installed at subsidiaries and affiliates, and divisions, departments, offices and plants to promote CSR activities.

One feature of Toray Group CSR promotion activities is the unique on-site and all-hands-on-deck CSR Line Activity program. Each workplace identifies the stakeholders and defines CSR issues based on CSR Guidelines and Action Programs, following the PDCA cycle method.

In FY 2005, all the Toray field offices including some Japanese subsidiaries and affiliates chose leaders and key persons for CSR implementation who were then educated and trained. Every worksite decided its own issues on CSR, and took steps to address them.



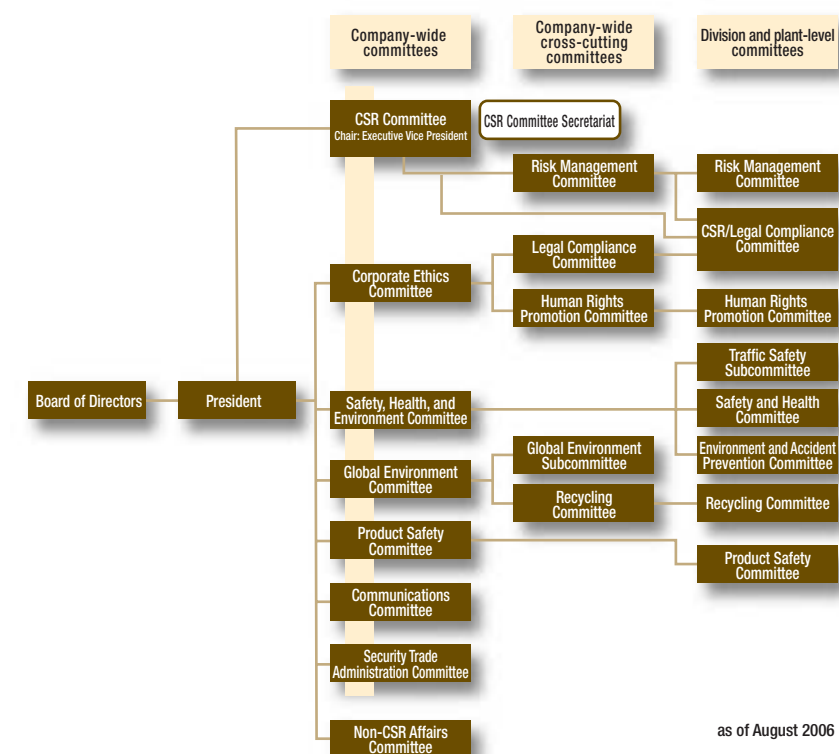
CSR Guidelines and Action Programs

Toray Group CSR Guidelines were created in December 2004, by checking and reviewing the Nippon Keidanren Charter of Corporate Behavior revised in May 2004, and then analyzing the results of their work. At that time, we addressed the Action Programs of Toray Group. This program is for our action policy and plan of CSR activities aimed at the ideal of creating a sustainable society while also making our business sustainable on a global scale. In March 2006, we reviewed the actions taken during FY 2005 in order to formulate revised Action Programs in April 2006.

Toray Group CSR Activities

The basic stance in Corporate Philosophy, Corporate Missions and Corporate Guiding Principles is shared by the entire Toray Group. All Group companies perform CSR activities as a team in accordance with our CSR Guidelines and Action Programs. On April 6, 2006 we trained key persons selected from the six companies: Towa Orimono Co., Ltd., Toray Monofilament Co., Ltd., Ichimura Sangyo Co., Ltd., Toray International Inc., Toray Construction Co., Ltd. and Soda Aromatic Co., Ltd. From the latter half of FY 2006, we will expand activities to all Japanese affiliated companies.

CSR Committee Positioning and Relationship with Various Company-wide Committees



Implementation Leader:
Akikazu Shimomura
Executive Vice President and Representative Director, CSR Committee Chairman
Toray Industries, Inc.

Commitment

I believe that the aim of CSR for a corporation is to become a global enterprise by taking initiatives to fulfill its social responsibilities and pursue the goal of sustainable development. Toray Group has addressed issues such as corporate ethics and legal compliance, environmental protection and activities to benefit society. However, in view of CSR, a broader scope of activities is necessary. I believe my role as CSR Committee Chairman is to optimize CSR achievements for the entire Toray Group worldwide, including subsidiaries and affiliates, while taking on the challenges of the latest regulations and ISO requirements.

Uphold Corporate Ethics and Comply with Laws and Regulations

Action Program (FY 2005)

Toray Group will conduct ongoing educational activities concerning corporate ethics and compliance with laws and regulations through promotional activities of the Legal Compliance Committee and will examine and confirm the functioning of reporting (consultation) routes and implement revisions if necessary.

Action Program Results

1. Education and enlightenment on CSR for 115 affiliated companies of Toray Group are being continued.
2. The issue related to Corporate Ethics and Activities of Legal Compliance in FY 2005 was decided and completed by all on the lines.
3. The survey on Corporate Ethics and Legal Compliance was made to all employees.



Implementation Leader:

Kiyoshi Fukuchi

Director, General Manager
Personnel and Industrial Relations Division
Toray Industries, Inc.

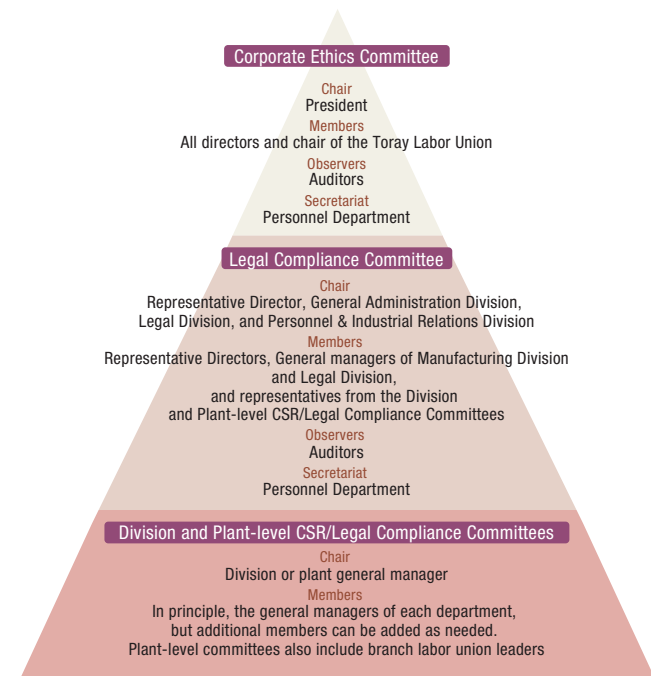
Commitment

A corporation is a gathering of employees. Each and every employee in the Group, therefore, is responsible for upholding corporate ethics, and complying with laws and regulations. We make steady yet fair efforts to enhance our motivation for corporate ethics and legal compliance. Toray Group will continue to make consistent work by engaging in these efforts and earning the trust and support of local communities at each business location and internationally while expanding our business to the world.

Emphasizing Corporate Ethics and Legal Compliance

Good corporate ethics and solid legal compliance are a priority management issue alongside safety, accident prevention and environmental preservation. Based on a clearly defined stance and the leadership of top management, Toray Group works together toward these goals.

Framework to Promote Corporate Ethics and Legal Compliance



Promoting Corporate Ethics and Legal Compliance

Toray's framework for promoting corporate ethics and legal compliance is based on its Corporate Ethics Committee, Legal Compliance Committee, and CSR/ Legal Compliance Committees in each division, department, office and plant. All committees hold their meetings with the attendance of auditors as observers to offer professional advice and to monitor the proceedings.

The Corporate Ethics Committee, chaired by the president, includes all company directors and the head of the labor union. This committee determines policies related to corporate ethics and the employee code of conduct, and encourages labor and management to work together for more effective CSR efforts.

The Legal Compliance Committee is made up primarily of front-line section managers, and works to facilitate closer communication with top management. Since all employees are responsible for proper corporate ethics, the Personnel Department serves as the secretariat of this committee, and corporate auditors attend committee meetings as observers to offer specific advice and monitor proceedings.

The CSR/Legal Compliance Committees execute a wide range of locally based programs to enhance employee awareness in the division, department, office and plant level. Toray has also established CSR/Legal Compliance Committees at subsidiaries and affiliates in Japan and overseas. As of March 31, 2006, committees have been established at 52 companies in Japan and 63 overseas.

Warning on Export Application from METI

Toray and its affiliate, Toray International Inc., was given a warning about foreign exchange and trading applications by the Director-General of the Trading and Economic Cooperation Bureau of METI on May 10, 2006. Every employee in Japan and overseas has seriously heeded this warning, and we pledge to prevent such events in the future. (Security Trade Administration Committee)



Corporate Ethics and Legal Compliance Code of Conduct and the Handbook

The Corporate Ethics and Legal Compliance Code of Conduct adopted in October 2003 must be observed by all executives and employees to the best of their abilities during their various business activities both in Japan and overseas.

We have also established Corporate Ethics and Legal Compliance Guidelines to provide highly detailed explanations of important issues related to corporate ethics and legal compliance. These guidelines, combined with our code of conduct, have been compiled in the *Corporate Ethics and Legal Compliance Handbook* distributed to both executives and employees. All Japanese and overseas subsidiaries and affiliates have also published similar codes of conduct, guidelines and a handbook.

Related Article:

Refer to page 11 for more information on our Corporate Ethics and Legal Compliance Code of Conduct

A Corporate Culture Based on Ethics and Legal Compliance

Toray places emphasis on the importance of employees' independent and voluntary activities of education and enlightenment in the workplace to promote their awareness about corporate ethics and legal compliance.

A variety of workplace initiatives also includes preparing lists and guidelines of laws and regulations related to various jobs, compiling examples of how laws and rules could potentially be violated in the workplace, and how to prevent violations from occurring by studying cases of corporate misdeeds reported by the media.

As part of the Multi-Communication (MC) Campaign launched in July 2004, each workplace must hold at least one Communication Day every month for employees to discuss corporate ethics and legal compliance to enhance awareness. We reviewed these activities annually through the process of identifying issues, taking actions and making follow-ups to implement more effective measures.

We conducted a survey on corporate ethics and legal compliance to all employees (including part-time, temporary and outside contract employees) from October to November 2005. Important issues will be identified upon full analysis of the results, and then follow-up plans can be made.

View from the Field

Corporate Ethics and Legal Compliance The Progressive Spirit of Luckytex (Thailand) Public Company Limited

Corporate Ethics and Legal Compliance activities were launched at Luckytex in 2004. Initially, a pocket-sized *Mini Handbook* was published to communicate key concepts to all employees in conjunction with their regular training. More concern was paid to legal issues, reviewing how well we have been complying and adapting to changes in the laws. Beyond the legal issues, we are taking steps toward ethical awareness by applying the principles of fairness and sincerity to such activities as our Product Liability Committee.

I think of it as a long-term investment. In the future, I believe the efforts we make through our corporate social responsibility activities will be rewarded with greater social acceptance.



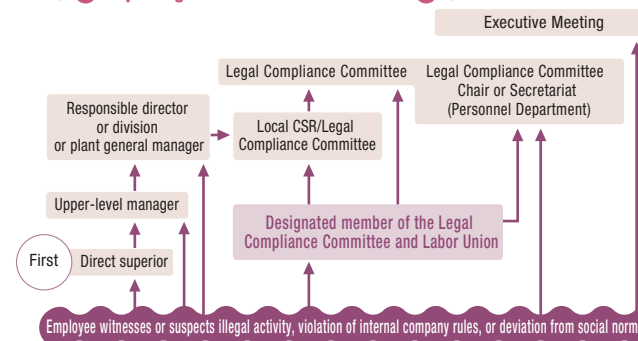
Nantika Hirunus
Manager,
Corporate Affairs Section,
Human Resources Department,
Luckytex (Thailand) Public
Company Limited

Establishing and Utilizing Reporting and Consultation Channels

If illegal activity is suspected or witnessed, including violation of internal company rules or deviation from social norms, employees are, in principle, to first report to or consult with their direct superior. Should this be difficult, employees may contact a designated member of the Legal Compliance Committee in their division, department, office and plant. Each workplace, with its own ethical norm, is expected to readily cope with any problem for quick and proper solution.

Employees can also report or consult directly with the chair or secretariat of the Legal Compliance Committee by e-mail, or through a special hot line. The Executive Meeting, attended by representative directors, accepts a broad range of proposals and opinions from employees, along with information on corporate ethics and legal compliance.

Reporting and Consultation Channels



To protect an employee reporting on an incident, Toray has had a policy of strict confidentiality. We are also working to ensure that employees are not treated unfairly as a result of reporting or consulting about an incident. Such incidents are promptly investigated, and we provide feedback to the employee as needed.

All Toray executives and employees are responsible for abiding by our Corporate Ethics and Legal Compliance Code of Conduct. Violations of these rules result in strict punishment after consulting with the Rewards and Sanctions Committee. In the event of a violation, our information disclosure, thorough investigation and recurrence prevention, will be fully enforced.

All these processes are in accordance with the Whistleblower Protection Act adopted in April 2006.

Emphasize Safety, Accident Prevention, and Environmental Preservation

Action Program (FY 2005)

Toray Group will set the Safety, Health, and Environment Committee as a forum for promoting safety, health, and environmental issues throughout Toray Group and develop an action plan and begin taking forward-looking actions. Toray Group will establish medium-term environmental objectives as per the Ten Basic Environmental Rules, and the Group will work to achieve these objectives.

Action Program Results:

- As Toray Group Safety, Health, Accident Prevention, and Environmental Action Policies for FY 2005, we selected 15 key action items to promote at companies and plants, and this was followed up by the Safety, Health, Accident Prevention, and Environmental Audits.
- In the Second Three-Year Environmental Plan, in order to achieve our goal in FY 2006, we attempted to voluntarily reduce the quantity of chemical substances discharged into the atmosphere as well as to reduce the discharge of greenhouse gases (N₂O) from the production processes.

Safety, Health, Accident Prevention, and Environmental Management System

Based on our basic strategy to establish a centralized management system for the entire Toray Group, each year we defined Safety, Health, Accident Prevention, and Environmental Action Policies to be promoted by the entire group. In 2005, we have promoted 15 key Priority Actions shown in the table below. Placing the Safety, Health, and Environment Committee as a promotion organization throughout the company, we reviewed the activity status and performance at each Toray Group company and plant, while discussing and deciding on future strategies. The topics of environmentally friendly products, product recycling and global warming measures are reviewed and decisions are made by the Global Environment Committee.

We host the Toray Group Safety Meeting in Japan each year in November to promote employee awareness of safety. Over 200 employees, including the President of Toray, presidents of Japanese subsidiaries and affiliates, the board of directors and general managers of plants, participate in this Meeting.

In addition, the first Monday of each month is designated as a company-wide Safety Day for the entire company. All the Safety and Health Committees meet at the same time throughout the company on this day. We also developed our custom of not scheduling any business meetings requiring line directors to travel on business that day so that they can attend the safety meeting.

Responsible Care (RC) Activities

Chemical substances are indispensably useful to modern society, but if handled improperly, they can have adverse effects on human health and the natural environment. We must therefore make sure that these substances are handled properly. RC (Responsible Care) refers to voluntary and responsible actions taken by whoever handles chemical substances and consists of safety, health and environmental measures during the entire product cycle from the development of products, manufacturing, and distribution to use and final disposal. Toray participated as a founding member in the Japan Responsible Care Council (JRCC) in 1995 and has been involved in RC actively since then. In FY 2005, we placed priority on "green procurement and green purchases" continuously from the previous year.

ISO14001 Certification

As a part of RC activities, we have been working to acquire certification of the ISO14001 international standards for environmental management. We have successfully acquired this certification for all 12 Toray plants. In FY 2005, we acquired new certifications in Japan and overseas at 5 subsidiaries and 5 plants. As a result, we have acquired certifications for a total of 56 plants at 32 subsidiaries. Also in FY 2005, requests for the examination for transfer to the 2004 ISO14001 standards were filed, which has been completed successfully.



The Safety, Health, Accident Prevention, and Environmental Audit for Toray Monofilament Co., Ltd.

Safety, Health, Accident Prevention, and Environmental Audit

Each year Toray Group conducts Safety, Health, Accident Prevention, and Environmental Audits in order to objectively evaluate and improve the activity and management status at each manufacturing company and plant. Specifically, the audit process consists of the following three stages: 1) internal audit at each plant using a uniform auditing checklist, 2) preliminary on-site audit or document audit by the Auditing staff, and 3) executive audit by Toray's board of directors and representatives or controlling company presidents for each country. In FY 2005, audits were conducted at a total of 13 Toray offices and plants, 24 Japanese subsidiaries, and 37 overseas plants of affiliates with primary emphasis on the status of handling highly toxic chemical substances.

Safety, Health, Accident Prevention, and Environmental Education

Toray provides all employees with safety, health, accident prevention and environmental education through a variety of programs for new employees, students at the Toray School of Technology and Business and newly-appointed managers. Since January 2006, we started new educational programs regarding the Occupational Safety and Health Law and Rules for notification of new chemical substances in accordance with the Chemical Substances Control Law as requirements for training newly-appointed managers. Also, Safety, Health, Accident Prevention, and Environmental Education is also provided as one unit of the programs for managers for Japanese subsidiaries and affiliates, and as one unit of Overseas Senior Management Seminar and Overseas Trainees Program for overseas subsidiaries and affiliates, in an attempt to strengthen and enhance Toray Group's centralized management system.



Implementation Leader:

Osamu Nakatani

Senior Managing Director,
General Manager, Manufacturing Division
Toray Industries, Inc.



Safety, Health, Accident Prevention, and Environment Conference for Japanese subsidiaries and affiliates in FY 2005

Toray Group Safety, Health, Accident Prevention, and Environmental Action Policies for FY 2005

	Policies	Priority Actions
Common	<ul style="list-style-type: none"> Improve workplace discipline Enhance risk management 	<ul style="list-style-type: none"> Hold meetings before and after work Promote One Day Safety Chairperson Conduct trainings with Work Standard Textbook Enhance risk management and strengthen the response capability
Safety	<ul style="list-style-type: none"> Eliminate near accidents 	<ul style="list-style-type: none"> Detect potentially near accidents, and prepare countermeasures and horizontal developments Enhance safety management for non-regular jobs and construction works Encouragement to wear protective gear
Health	<ul style="list-style-type: none"> Rigorously manage occupational health 	<ul style="list-style-type: none"> Promote mental health management Retrain on harmful effects of toxic chemical substances
Accident Prevention	<ul style="list-style-type: none"> Enhance accident prevention measures 	<ul style="list-style-type: none"> Systematically promote anti-earthquake measures (with both, hardware and software) Review and strengthening of fire prevention management Review and improve accident prevention and environmental measures at chemical plants Promote systematically activities on reducing environmental emissions Strive to achieve zero emissions
Environment	<ul style="list-style-type: none"> Steadily implement Second Three-Year Environmental Plan 	<ul style="list-style-type: none"> Full-scale deployment of green procurement and green purchasing

ISO14001 Certification (As of March 2006)

Toray : All 12 plants

Shiga Seta Ehime Nagoya Tokai Aichi Okazaki Mishima Chiba Tsuchiura Gifu Ishikawa

Japanese subsidiaries: 26 plants at 14 subsidiaries*

Du Pont-Toray Co., Ltd., Opelontex Co., Ltd., **Toray Textiles, Inc.**,
Toray Coatex Co., Ltd. (Kyoto Plant, Chemical Products Plant), **Toray Monofilament Co., Ltd.**,
Toyo Tire Cord Co., Ltd., Toyo Plastic Seiko Co., Ltd. (Mishima, Koriyama),
Toray PEF Products Inc. (Konan, Tsukuba),
Toray Advanced Film Co., Ltd. (Mishima, Takatsuki, Fukushima, Nakatsugawa),
Dow Corning Toray Co., Ltd. (Chiba, Fukui),
Toray Fine Chemicals Co., Ltd. (Moriyama, Matsuyama, Tokai, Chiba), Soda Aromatic Co., Ltd. (Noda, Koriyama, Okayama Chemicals), **Toray ACE Co., Ltd.**, and Suido Kiko Kaisha, Ltd.

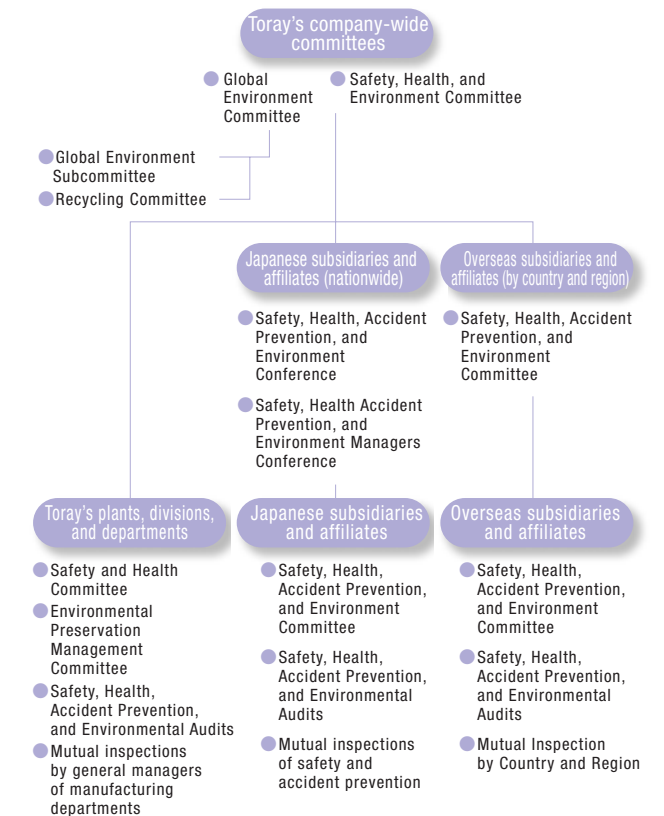
* 12 other subsidiaries located on the grounds of Toray plants have also received certification.

Overseas subsidiaries: 18 plants at 17 companies

USA: Toray Plastics (America) Inc. (Rhode Island Plant)(Virginia Plant)
Toray Resin Co.
UK: Toray Textiles Europe Ltd.
France: Toray Plastics Europe S.A.
Italy: Alcantara S.p.A.
Indonesia: P.T. Century Textile Industry Tbk
P.T. Indonesia Toray Synthetics
Thailand: Thai Toray Textile Mills Public Co., Ltd.
Thai Toray Synthetics Co., Ltd. (Bangkok Plant)
Malaysia: Penfibre Sdn. Berhad (Mill-3)
Toray Plastics (Malaysia) Sdn. Berhad
China: Toray Fibers (Nantong) Co., Ltd.
Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd.
Toray Plastics (Shenzhen) Ltd.
Toray Film Products (Zhongshan) Ltd.
South Korea: Toray Saehan Inc., STECO, Ltd.

Colored companies and plants gained certification during FY 2005.

Safety, Health, Accident Prevention, and Environmental Preservation Promotion System



Commitment

I am planning to ensure safe workplaces where workers feel fulfilled in their activities and definitely are moving forward towards a zero accident. The first priority to tackle is accident prevention, and environmental preservation. We try our best to establish a better understanding in society by presenting CSR reports and exchanging ideas with citizens in local areas. Through these activities, we are now aiming at becoming the top corporate group in the area of safety, accident prevention, and environmental preservation.

Emphasize Safety, Accident Prevention, and Environmental

Preservation

A Second Three-Year Environmental Plan

During FY 2005 we continued work on completing the Second Three-Year Environmental Plan, launched in FY 2003 as the mid-term program concerning environmental preservation. Highlights of FY 2005 included achieving goals to reduce Toray's emissions of SOx, NOx and BOD into the air and water. Toray has achieved its goals of reducing the waste landfill together with Japanese subsidiaries and affiliates, who also have succeeded to increase the recycling rate.

●●● Second Three-Year Environmental Plan ●●●

Area	FY 2006 Target	FY 2005 Status	Reference Page
Global warming prevention	Reduce greenhouse gas emissions (FY 2008 target compared to FY 1990)*1		32
	Toray		
	Greenhouse gases: 10% reduction	Greenhouse gases: 7.1% reduction (3.7% YoY reduction)	
	CO2: Reduce to 1990 levels	CO2: 0.4% reduction (1.9% YoY reduction)	
	Energy conservation		
	Toray Reduce unit energy consumption by 1% annually	Toray 1.4% reduction in unit energy consumption	
	Japanese subsidiaries and affiliates*2 Reduce unit energy consumption by 1% annually	Japanese subsidiaries and affiliates 1% reduction at 9 plants	
Chemical substance control	Reduce chemical substances emitted to atmosphere		31
	Toray (Compared to FY 1995)		
	PRTR Law substances: 80% reduction	PRTR Law substance emissions: 307 tons (71% reduction)	
	JCIA PRTR substances: 70% reduction	JCIA PRTR substance emissions: 437 tons (71% reduction)	
	Japanese subsidiaries and affiliates (Compared to FY 1998)		
	PRTR Law substances: 60% reduction	PRTR Law substance emissions: 259 tons (67% reduction)	
	JCIA PRTR substances: 60% reduction	JCIA PRTR substance emissions: 703 tons (59% reduction)	
	Overseas subsidiaries and affiliates (Compared to FY 2000)		
	PRTR Law substances: 30% reduction	PRTR Law substance emissions: 450 tons (15% increase)	
	JCIA PRTR substances: 30% reduction	JCIA PRTR substance emissions: 481 tons (15% increase)	
Air quality	Toray (Compared to FY 1998)		34
	SOx emissions: 40% reduction	SOx emissions: 2,991 tons (40% reduction)	
	NOx emissions: 15% reduction	NOx emissions: 2,308 tons (19% reduction)	
Water quality	Toray (Compared to FY 1998)		35
	BOD emissions: 20% reduction	BOD emissions: 1,126 tons (28% reduction)	
	COD emissions: 20% reduction	COD emissions: 924 tons (12% reduction)	
Waste reduction	Toray		33
	Total waste generated: 27% reduction over FY 1998	Total waste generated: 7% reduction	
	Landfill waste: 5% or lower of total waste generated	Landfill waste: 3.8%	
	Recycling rate: 95% or higher	Recycling rate: 91.1%	
	Japanese subsidiaries and affiliates		
	Total waste generated: 20% reduction over FY 1998	Total waste generated: 11% increase	
	Landfill waste: 5% or lower of total waste generated	Landfill waste: 4.7%	
	Recycling rate: 75% or higher	Recycling rate: 80.8%	

*1 Greenhouse gas emission reduction target was revised from a 6% reduction to a 10% reduction.
*2 Type 1 energy control designated plants. (The legal amendment changed the number of targeted plants, 14 to 19.)

Environmental Accounting

Since 1969, Toray has calculated the amount of investment related to environmental preservation. From FY 1999, the method of environmental accounting has been based on the guidelines established by the Japanese Ministry of the Environment, with full disclosure of Toray's environmental preservation activities to the public.

Results of Accounting for FY 2005

Investment in facilities totaled 2.81 billion yen, mainly for installing facilities to reduce nitrous oxide (N₂O), considered a greenhouse gas; to reduce the emission of chemical substances; modifying facilities for product recycling; and for the cleanup of ground pollution at the Nagoya Plant. Total costs were calculated at 6.3 billion yen, with 1.47 billion yen for air-quality efforts, 2.16 billion for water-quality efforts, primarily operating costs for pre-existing exhaust gas and wastewater treatment facilities. The costs for repair of environmental damage included 240 million yen invested for soil cleanup at the Nagoya Plant, with its operating cost of 170 million yen. Concerning the results, energy cost savings amounted to 690 million yen, the reduction of industrial waste saved 57 million yen, and the sales of valuable recycled resources came to 750 million yen.

●●● Toray FY 2005 Environmental Accounting ●●●

Costs				
Item	Subcategory and Details	Investments (million yen)	Expenses (million yen)	
Business area costs	Pollution prevention costs	Air (including CFC measures)	793	1,466
		Water quality	881	2,158
		Noise and vibration	71	12
		Greening	0	323
		Foul odor and other	70	29
Global environment preservation costs	Energy conservation and global warming prevention	646	—	
		Resource recycling costs	Industrial waste reduction, recycling, disposal, and PCB waste disposal reserves	78
Upstream and downstream costs	Product recycling	32	3	
		Container and packaging recycling	0	2
Management activities costs	Indirect labor costs, ISO certification and maintenance, and environmental communications and education	0	417	
Social initiative costs	Local community initiatives, support for organizations, etc.	0	22	
Environmental damage costs	SOx levies and litigation expenses	239	606	
Total		2,810	6,310	

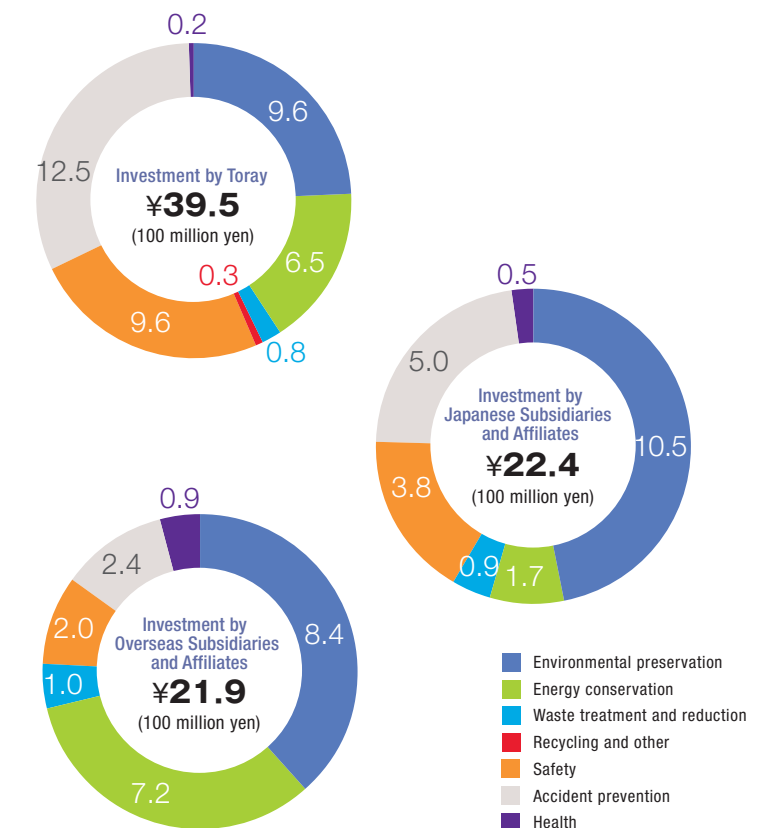
Effects	
Item	Amount (million yen)
Reduction in energy costs	691
Reduction in industrial waste disposal costs	57
Sales of valuable recycled resources	750

Toray Environmental Accounting Standards

- Some categories were changed based on the Ministry of the Environment's Guidelines for FY 2005.
- Only economic effects that can be determined with a high degree of certainty are calculated. Presumed effects are not calculated.
- Capital investment also includes investments for which environmental preservation is not the main objective. Capital investment resulting from leases is also included. Expenses include labor costs and depreciation. However, internal labor costs related to local volunteer activities are not included.

Investment in Facilities for Safety, Health, Accident Prevention, Environmental Protection and Energy-saving

Toray Group's environmental accounting also states investments in facilities for environmental preservation, energy conservation and recycling as well as for safety, health and accident prevention, which amounted to 4 billion yen for Toray, 2.2 billion yen for Toray's subsidiaries and affiliates in Japan, and 2.2 billion yen for overseas subsidiaries and affiliates. In the field of safety, we made investments in retrofitting existing equipment to improve fundamental safety. In the area of accident prevention, to increase resistance to earthquakes, we made investment to strengthen buildings and other structures, and to prevent the release of dangerous fluid substances. In Toray's overseas operations, facilities were installed to reduce the emissions of chemical substances in factory exhaust at Toray Plastics (Malaysia) Sdn. Berhad and at P.T. Century Textile Industry Tbk in Indonesia, a natural gas cogeneration facility was installed.



- Energy cost reduction figures show the amount of reduction for 12 months after the completion of an energy conservation facility. Expenses are not recorded because they are deducted when the effect is calculated.
- Waste disposal cost reduction figures show the amount of reduction achieved through waste reduction efforts and resource recycling for 12 months after the measures are taken.
- In allocating reserves to cover anticipated future expenses for PCB waste disposal or other matters, the entire amount is expensed in the year the reserves are allocated.

Emphasize Safety, Accident Prevention, and Environmental

Preservation

Environmental Risk Management

In order to implement the Corporate Guiding Principles of the Toray Corporate Philosophy of "Placing top priority on safety, accident prevention, and environmental preservation, ensuring the safety and health of our employees, our customers, and local communities, and actively promoting environmental preservation," we are promoting activities to control and reduce environmental risks.

Environmental Risk Management

Toray Group has positioned environmental risk management as an issue of paramount importance, and the Safety, Health and Environment Committee reviews company-wide guidelines and policies. FY 2005 was targeted as the year for "fulfillment of risk management," with key activities set at each company and plant, and a variety of risk reduction activities, education and drills were planned and carried out. We followed up the status of these activities with Safety, Health, Accident Prevention, and Environmental Audits.



Environmental accident drill at Toray Okazaki Plant

Environmental Education with Awareness of Surrounding Environment

In environmental risk management, it is important to be aware of what kinds of risks exist. For example, at a plant, after precious water resources have been utilized, the water can be treated and then drained back into rivers. But serious repercussions on the surrounding ecological system might occur in case of spilling of pollutants. To better understand this water as it relates to the surrounding environment, and instill a full understanding of the absolute need to avoid spills in the mind of every worker, the Shiga Plant regularly conducts "Water Course Tour Education." Up to now 867 individuals have attended lectures, contributing to elevating the level of water treatment management.

Water Course Tour Education



Initiatives to Prevent Soil and Groundwater Pollution

To prepare for contingencies, Toray Group has constructed dikes around the facilities or storage tanks containing dangerous or hazardous substances, to prevent spills from leaking into the surrounding area and penetrating the soil. In the event soil or groundwater pollution is detected, along with speedy reporting and public disclosure, we will carry out remedial treatment.

Concerning the soil pollution that was confirmed at the Nagoya Plant in March 2005 (please refer to our *CSR Annual Report 2005*), we performed treatment and pavement reconstruction, under the direction of Nagoya City, to replace the polluted soil. Groundwater treatment was carried out by means of a pump aeration facility set up in March 2006. Future guidelines call for conducting of surveys on a voluntary basis and if pollution is confirmed, in addition to reporting and public disclosures, we will take thorough countermeasures to effect a solution.

Environmental Compliance and Accidents

Toray Group companies and plants were not assessed any administrative penalties for legal or regulatory violations in FY 2005. Eight minor mishaps including a fire at the Nagoya Plant (see below), abnormal discharge of waste water caused by a trouble at facilities, leakage of chemicals, were immediately reported to local governments and measures adopted to prevent recurrences. We also had 15 incidents of complaints or requests from neighboring residents concerning noise, odors or other annoyances, which we took seriously and responded to by making improvements.

Environmental and Accidents Prevention Related Incidents in FY 2005 (Toray Group)



*1 Includes improvement orders and fines. Improvement guidance and recommendations are included with accidents.

Self-imposed Initiatives to Reduce Atmospheric Emissions of Chemical Substances

The entire Toray Group, including overseas operations, has adopted initiatives to reduce the volume of chemical emissions into the atmosphere. In FY 2005, we succeeded in reductions equivalent to 55% of the base year.

	Second Three-Year Environmental Plan (FY 2006 targets)	FY 2005 Status	FY 2006 Goal
Toray	Reduce PRTR Law substance emissions by 80% over FY 1995	71% Reduced	Implement measures with a catalytic combustion system at Ehime Plant
Japan	Reduce PRTR Law substance emissions by 60% over FY 1998	67% Reduced	Implement measures at Toray Coatex
Overseas	Reduce PRTR Law substance emissions by 30% over FY 2000	15% Increased	Implement measures at Toray Plastics (Malaysia)

Initiatives at Toray

In FY 2005 at the Ehime Plant, we installed a distillation recovery system (in the 4th stage) and a catalytic combustion system (in the 2nd stage). Thanks to the adsorption and recovery system we had installed the previous year having reached full operation, the volume of atmospheric emissions of substances covered by the PRTR Law*1 were reduced year-on-year by 12% (a reduction of 71% compared to the FY 1995 base year).



Organic exhaust gas distillation recovery system installed at Toray Ehime Plant.

In FY 2006, through such measures as the catalytic combustion system planned for installation at the Ehime Plant (3rd stage), we are anticipating further reductions in the future.

Initiatives at Domestic Subsidiaries and Affiliates

Domestic subsidiaries and affiliates in FY 2005 implemented measures as installation (in the 3rd stage) of a catalytic combustion system for organic gas discharged at Toray Advanced Film Co., Ltd. As a result, substances covered by the PRTR Law were reduced by 67% relative to FY 1998 (a reduction of 30% from the previous year), attaining the Second Three-Year Environmental Plan ahead of schedule. In FY 2005 reduction measures are planned at Toray Coatex Co., Ltd., in initiatives that should lead to further reductions.



Organic exhaust gas direct combustion system at Toray Advanced Film

*1 The PRTR (Pollutant Release and Transfer Register) Law establishes a framework in which businesses that handle chemical substances report to the national government about their environmental emissions and waste transfers of 354 designated substances. The government calculates the totals of these reports and publishes the results. Data on Toray Group's reported emissions during FY 2005 is shown on page 61.
 *2 Because an error was made in the compilation at one overseas affiliate, we reverted to the previous figures and corrected the results.
 *3 Japan Chemical Industry Association PRTR (JCIA PRTR) refers to a voluntary PRTR survey initiated by the Japan Chemical Industry Association (JCIA) in FY 1995. This survey covers 480 substances, including the 354 covered by the PRTR Law, of which 124 substances apply to Toray Group.

Related Article:
 Refer to "Chemical Substance Emissions and Transfer Data" on page 61.

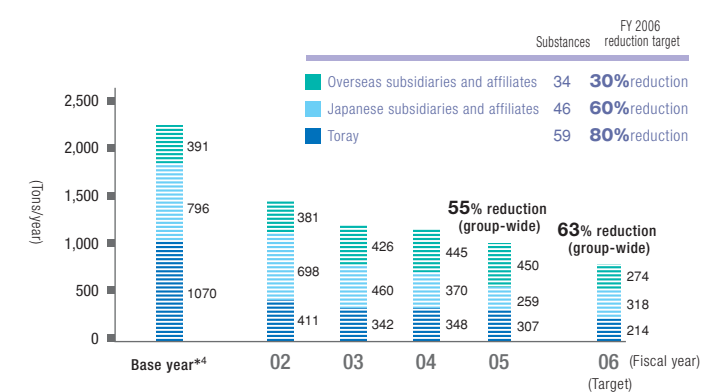
Initiatives at Overseas Subsidiaries and Affiliates

Toray overseas subsidiaries and affiliates commenced voluntary PRTR surveys from FY 2000. In FY 2005 Toray Plastics (Malaysia) Sdn. Berhad implemented stronger measures to recover organic exhaust gas. Because the measures were adopted at the end of the fiscal year, the total volume of gas emitted in FY 2005, 450 tons*2, was roughly unchanged from the previous year. The full results are expected to be shown in FY 2006, at which time we expect reduction of approximately 50 tons. Efforts at reduction will be ongoing.

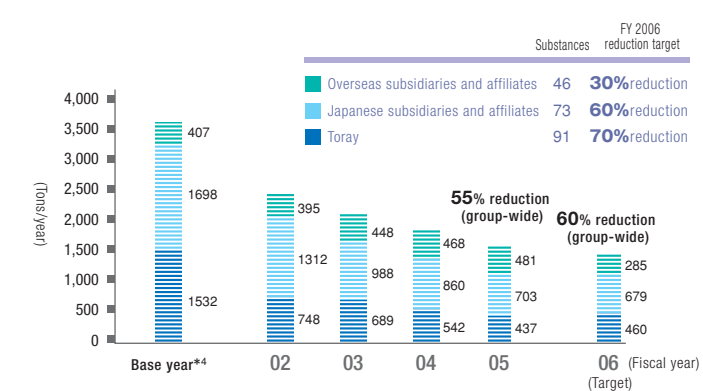
Japan Chemical Industry Association PRTR

By FY 2006, Toray Group has set a voluntary target to reduce atmospheric emissions of substances covered by the Japan Chemical Industry Association (JCIA)*3 by the base year ratio of 60%. In FY 2005, measures to achieve a significant reduction of cyclohexane emissions at the Tokai Plant achieved a year-on-year reduction of 13% (55% down from the base year).

Atmospheric Emissions of PRTR Substances



Atmospheric Emissions of JCIA PRTR Substances



*4 Base year refers to the fiscal year in which surveys began. The base year is 1995 for Toray, 1998 for Japanese subsidiaries and affiliates, and 2000 for overseas subsidiaries and affiliates.

Emphasize Safety, Accident Prevention, and Environmental Preservation

Certified occupational accident	3 (2)
Certified asbestos health victim eligible for compensation	1 (1)

Certified asbestos health victim eligible for compensation (fatality)

Emphasize Safety, Accident Prevention, and Environmental

Preservation

Initiatives to Prevent Global Warming

By means of energy conservation and fuel conversion, Toray is pursuing plans to reduce greenhouse gas emissions in an effort to help prevent global warming.

	Second Three-Year Environmental Plan (FY 2006 targets)	FY 2005 Status	FY 2006 Goal
Toray	Reduce unit energy consumption by 1% annually Reduce greenhouse gas emissions by 10% over 1990 ※FY 2008 target Reduce CO ₂ to 1990 levels	Reduced 1.4% YoY Greenhouse gas emissions decreased 7.1% over 1990 CO ₂ emissions reduced 0.4% over 1990	Continue regular energy conservation activities and conduct an energy conservation assessment Complete fuel conversion for the Chiba Plant co-generation and the Shiga Plant boilers
Japan	Reduce unit energy consumption by 1% annually	Reduced 1% at 10 plants	Continue regular energy conservation activities and conduct an energy conservation assessment
Overseas	Set up goals at each company	Conducted an energy conservation assessment at 3 plants	Continue regular energy conservation activities and conduct an energy conservation assessment

Toray Global Warming Countermeasures

By FY 2008, Toray has targeted a 6% reduction in its greenhouse gas (GHG) emissions over FY 1990, and has been implementing measures to meet this target. In FY 2005, the technology for thermal decomposition of N₂O was perfected and a facility put into operation. Also, through steady efforts at energy conservation by means of such methods as waste heat recovery, we surpassed the 6% waste reduction target ahead of schedule, reaching 7.1% over FY 1990.

We have set our next, higher target as a 10% reduction over FY 1990 by FY 2008, thereby making an even greater contribution to prevention of global warming.

In addition, Toray has set the target of reducing its unit energy consumption annually by 1%, and we achieved a reduction of 1.4% in FY 2005. This was accomplished through steady energy-conservation activities at plants, the use of in-house experts to conduct energy conservation assessment and adoption of a new turbine at the Tokai Plant to reduce energy losses.

Toray Initiatives

In November 2005, a facility at the Tokai Plant to break down the N₂O gas emitted in the production process utilizing thermal decomposition went into operation. As the plant plans to raise production of carbon fiber, the facility was developed for the purpose of offsetting any additional carbon dioxide emissions. By converting the N₂O emissions to carbon dioxide this will result in a projected reduction of 180,000 tons per year.

We will convert the fuels to natural gas at the cogeneration facility at the Chiba Plant in FY 2006. In addition, toward FY 2007 and later, plans are under way to introduce a city gas cogeneration facility at the Shiga Plant and convert the boiler at the Mishima Plant to city gas. Once in operation, we anticipate reductions in annual emissions at these three plants by 20,000, 40,000 and 60,000 tons, respectively.



Toray Tokai Plant N₂O thermal decomposition facility

Initiatives at Overseas Subsidiaries and Affiliates

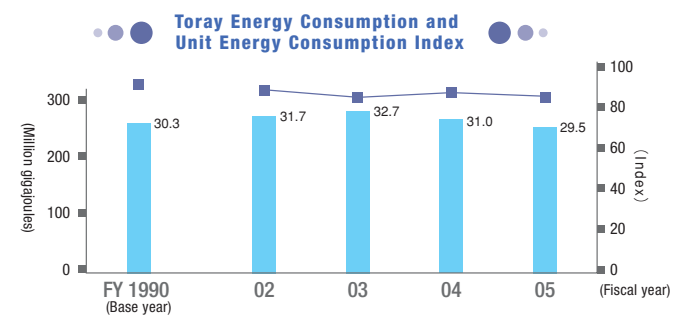
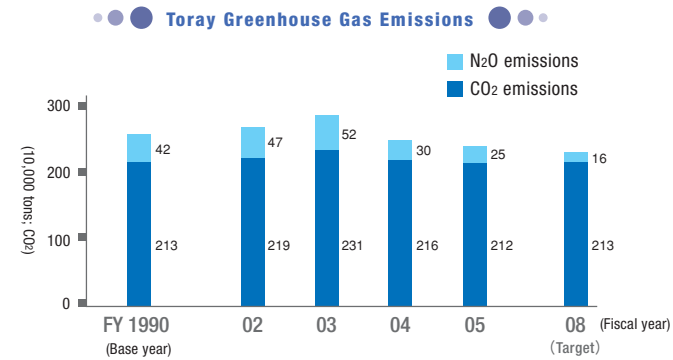
We are also promoting energy conservation at subsidiaries and affiliates in Southeast Asia and China, with the aim of preventing global warming through reduction in energy usage. In FY 2005 we carried out the annual overseas energy conservation assessment at plants in Thailand and China. Based on the results of the assessment, we undertook process improvements or changed to more efficient facilities at TAL Knits Ltd. (Zuhai) in China, which led to a year-on-year reduction of over 10% in energy usage.



Energy conservation activities at TAL Knits Ltd. (Zuhai) in China

Initiatives to Protect the Ozone Layer

In 1994, we halted the use of chlorofluorocarbon in all manufacturing processes. We also eliminated purchases of chlorofluorocarbon in all cooling equipment and have been sequentially substituting hydrochlorofluorocarbon.



Initiatives to Reduce Waste

In FY 2005, in addition to group-wide reduction of 4,000 tons of waste, 11 plants at 7 companies achieved zero waste emissions. Japanese subsidiaries and affiliates achieved the target of reducing landfill waste to below 5%.

	Second Three-Year Environmental Plan (FY 2006 target)	FY 2005 Status	FY 2006 Goal
Toray	Reduce total waste generated to at least 24,500 tons Landfill rate of 5% or lower Recycling rate of 95% or higher	31,100 tons 3.8% 91.1%	Reduce total waste generated Increase recycling rate
Japan	Reduce total waste generated to at least 19,800 tons Landfill rate of 5% or lower Recycling rate of 75% or higher	27,400 tons 4.7% 80.8%	Reduce total waste generated
Overseas	With no overall objectives established, each company respectively set targets for reducing the waste generated		

Performance of Toray Group

The 88,000 tons of total waste volume generated by Toray Group represents a year-on-year reduction of 4,000 tons. The main factor in the increase of waste by approximately 5,000 tons in FY 2005 was boosted production at plants, but the total volume of reduced waste still exceeded that increase. One of the chief accomplishments was the reduction in wastewater at the Chiba Plant of Toray Fine Chemicals Co., Ltd., by which the industrial effluent that had previously accounted for waste was processed in-house by means of reinforced wastewater treatment facilities. Toray Plastics (Malaysia) Sdn. Berhad reduced processing waste by 25,000 tons.

Toray Group also made efforts to reduce the volume of landfill disposal, reducing its total to 22,000 tons, for a year-on-year decline of 2,000 tons. As a result, in FY 2005, Toray realized a landfill ratio of 3.8%, surpassing its 5% target for three consecutive years. Japanese subsidiaries and affiliates, meanwhile, met their target for the first time with 4.7%.

Through promoting re-use of discarded plastics and other measures, we raised the rate of recycling by 2.6%, to 91.1%. Japanese subsidiaries and affiliates succeeded, this year again, to accomplish 80.8% to surpass their set target of 75%. The recycling rate at overseas subsidiaries and affiliates was improved by 9.5% over the previous year, to 64.9%.

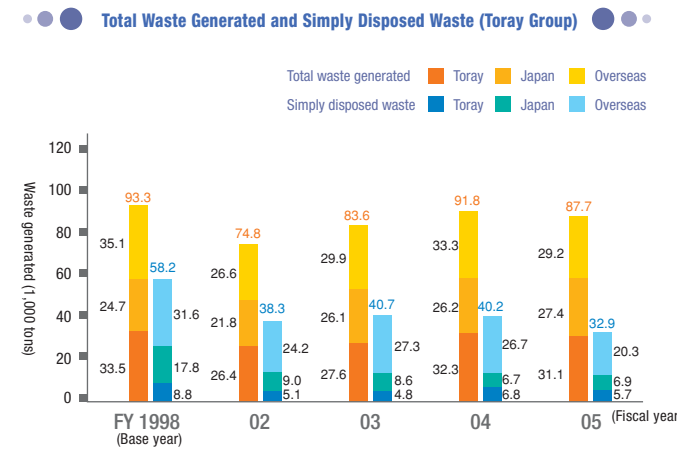
Zero Emissions Activities

Toray Group defines "zero waste emissions as simply disposed waste comprising less than 1% of total waste generated." All of our companies and plants are pursuing reduction and recycling of waste with this as their goal. In FY 2005, 11 plants at 7 companies had achieved zero emissions status, an increase of 3 plants from the previous year.

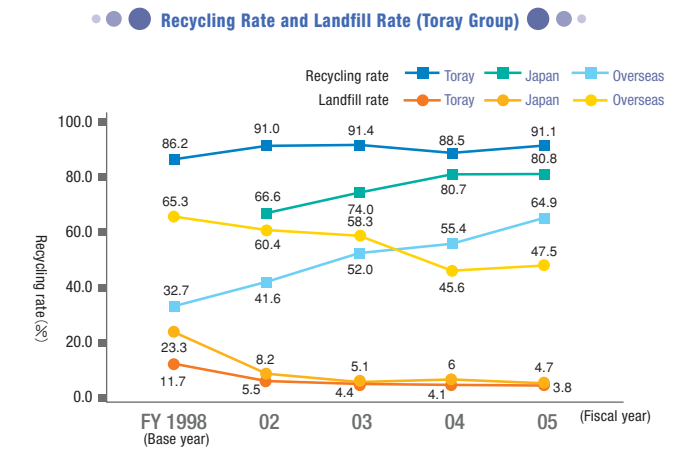
Toray Seta Plant has been recycling fiber waste and others and finally achieved zero emissions by recycling the cotton waste at the spinning facility and chemical container bottles as well.

At Toray Tsuchiura Plant, the last challenge of zero emissions activities was achieved through the invention that left waste containing a mixture of discarded plastic and metal can be effectively utilized as an auxiliary fuel material at copper refining plants.

Such information is being shared between the companies and plants in the Group, serving to further promote activities. Additional activities will be adopted for reducing waste and recycling with the aim of achieving zero emissions at more companies and plants.



*1 The recycling rate (%) = (recycled wastes + valuable resources) ÷ (total waste generated + valuable resources) × 100
*2 Coal ash is compiled separately from waste (p.60). Up to last year, part of the waste figures from overseas included coal ash so that the current figures have been revised retroactively.



Zero Emission Companies and Plants in FY 2005

Colored plants and company newly achieved in FY 2005

- Toray** Seta Plant, Okazaki Plant, Gifu Plant, and Tsuchiura Plant
- Japan** Matsumoto Textiles, Toray Coatex, Toyo Plastic Seiko (Mishima Plant, Okazaki Plant), Toyo Jitsugyo (Ishikawa Plant), and Du Pont-Toray
- Overseas** Toray Film Products (Zhongshan)

Emphasize Safety, Accident Prevention, and Environmental

Preservation

Initiatives to Prevent Air Pollution

With the aim of meeting the objectives set by the Second Three-Year Environmental Plan, we achieved targets for SOx and NOx emissions one year ahead of schedule, through aggressive promotion of such measures as conversion from heavy oil to natural gas. We are also close to achieving dust emissions targets.

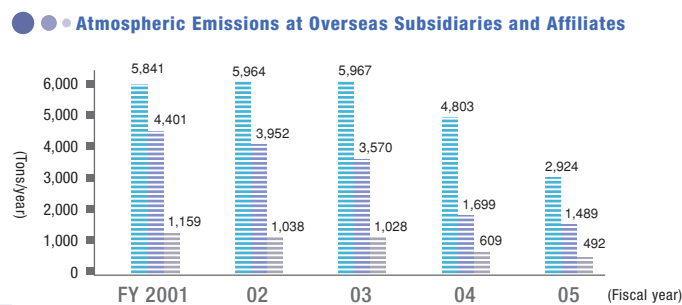
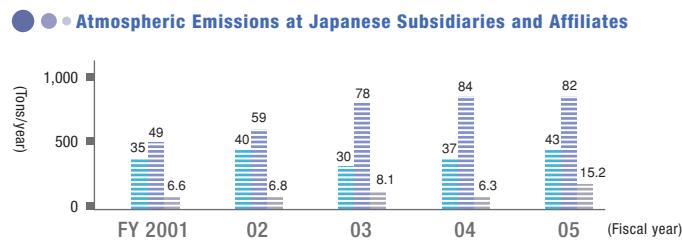
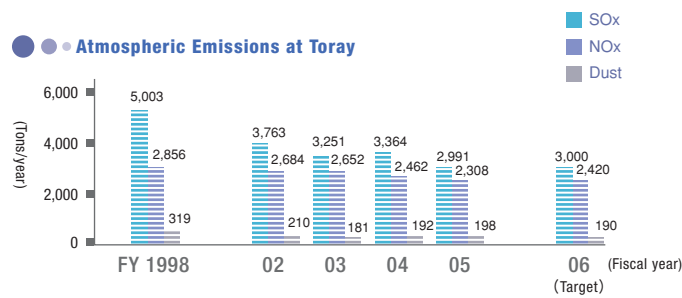
	Second Three-Year Environmental Plan (FY 2006 targets)	FY 2005 Status	FY 2006 Goal
Toray	Reduce SOx emissions by 40% over FY 1998	Reduced 40%	Fuel to be converted to natural gas for boilers at Shiga Plant
	Reduce NOx emissions by 15% over FY 1998	Reduced 19%	—
	Reduce dust emissions by 40% over FY 1998	Reduced 38%	Fuel to be converted to natural gas for boilers at Shiga Plant

Toray Group Performance

Toray emissions of SOx and NOx in FY 2005 were reduced by 11% and 6% respectively, thereby realizing the objectives set in the Second Three-Year Environmental Plan one year ahead of schedule. In Toray Mishima Plant, due to an insufficiency of the dust suppressant at the boiler, dust emissions increased slightly, but it is expected to meet the targets set for FY 2006. Toray Shiga Plant expects to convert to natural gas from January 2007, which will result in further reduction in SOx and NOx emissions.

Boosted production at Japanese subsidiaries and affiliates resulted in a year-on-year rise in emissions, but this came to less than 3% of those of Toray parent.

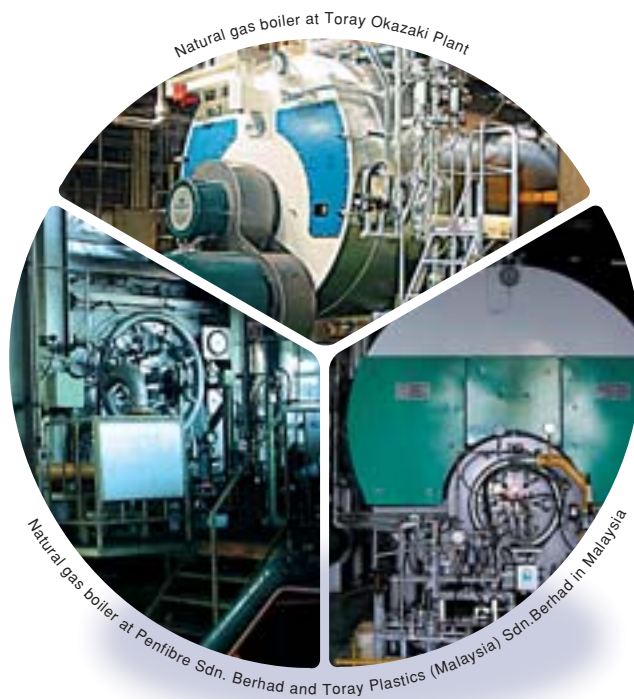
At overseas subsidiaries and affiliates, especially in Southeast Asia, through aggressive conversions to natural gas fuel for boilers during the past year or so, significant reductions have been realized, with SOx reduced by 50%, NOx down by 66% and dust by 58% compared to the FY 2001 base year. As a result, significant group-wide reductions of SOx (45%); NOx (47%); and dust (53%) were achieved relative to the base years (1998 for Toray; 2001 for Japanese and overseas subsidiaries and affiliates).



Toray Initiatives

In FY 2005, the fuel conversion for the boiler at the Okazaki Plant was completed in February 2005 and it went into operation smoothly. We have confirmed that this measure had the effect of reducing the environmental load by 176 tons of SOx, 58 tons of NOx and 20 tons of dust.

From FY 2006, we decided to implement a similar fuel conversion at the Shiga Plant (with operation startup planned in January 2007). We expect this conversion will have the effect of cutting SOx by some 170 tons, reducing company-wide emissions by an additional 5%.



Initiatives at Overseas Subsidiaries and Affiliates

In Southeast Asia, following on the heels of the conversion to natural gas fuel at subsidiaries and affiliates in Thailand and Indonesia, conversion was carried out at Penfibre Sdn. Berhad and Toray Plastics (Malaysia) Sdn. Berhad in Malaysia during 2005.

Fuel conversion was subsequently implemented at a third company in Malaysia, Penfabric Sdn. Berhad (mill 2 and 4).

In addition to compliance with the laws and regulations at our Southeast Asian subsidiaries and affiliates, we also took the initiative in Malaysia, which does not regulate SOx emissions, by converting to natural gas and thereby contributing through reducing the environmental load.

Initiatives to Prevent Water Pollution

All wastewater from plant production activities is purified by activated sludge treatment systems before being released. Through improvements in manufacturing processes and wastewater treatment facilities, we achieved Second Three-Year Environmental Plan targets for BOD emissions, and reduced COD by 12%.

	Second Three-Year Environmental Plan (FY 2006 target)	FY 2005 Status	FY 2006 Goal
Toray	Reduce BOD emissions by 20% over FY 1998	Reduced 28%	Reduce BOD and COD totally at Ehime, Tokai, and Chiba Plants
	Reduce COD emissions by 20% over FY 1998	Reduced 12%	

Toray Group Performance

While the year-on-year volume of BOD emissions was largely unchanged during FY 2005, we could remain on target as in the previous year, to achieve the 20% reduction target set by the Second Three-Year Environmental Plan.

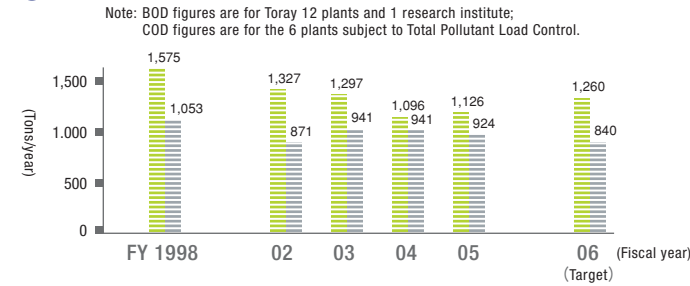
COD emissions declined by 1.6% from the previous year, reaching 12% relative to the base year. Through such improvements as process improvement and drainage stabilization, we are working to achieve voluntary reduction targets.

The BOD and COD emissions at Japanese subsidiaries and affiliates constitute only a minute fraction, compared with those of Toray parent, but due to increased production, BOD emissions increased year-on-year by 5%, while COD declined by 9%.

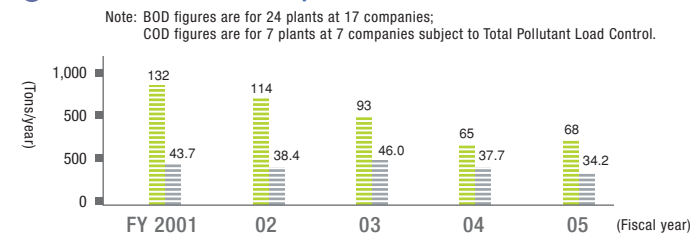
At overseas subsidiaries and affiliates in Southeast Asia, China and elsewhere, BOD emissions declined year-on-year by 10% and COD by 2%.

As a result, the entire Toray Group achieved a BOD reduction of 40% relative to the base years (1998 for Toray; 2001 for Japanese and overseas subsidiaries and affiliates).

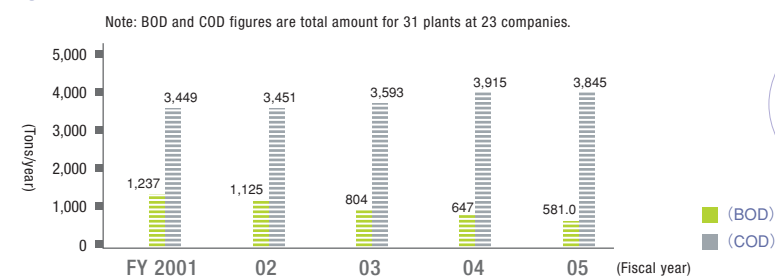
Emissions to Water at Toray



Emissions to Water at Japanese Subsidiaries and Affiliates



Emissions to Water at Overseas Subsidiaries and Affiliates



Initiatives at Toray

With the boost in production of Torayca* carbon fiber at the Ehime Plant, we installed newly an MBR (membrane bioreactor) facility as a water treatment measure and started operation from August 2006.

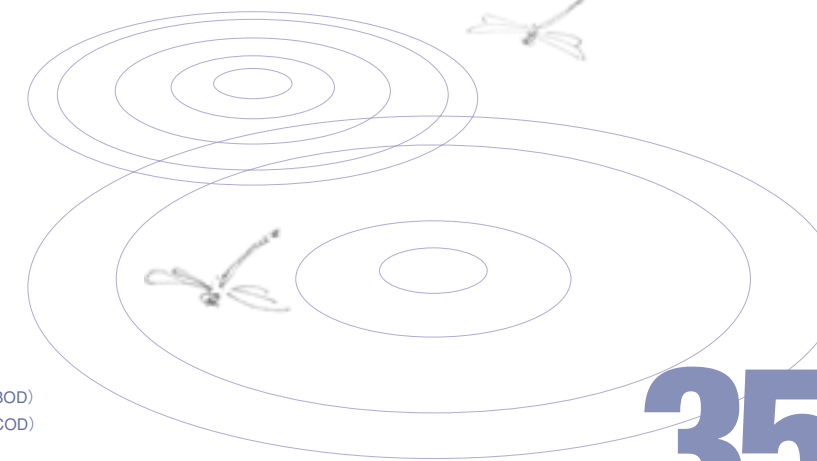
Compared with previous activated sludge treatment, separation of sludge and processed water has been vastly improved, so that purely treated water can be obtained and at the same time they achieve high treatment efficiency by maintaining a high concentration of activated sludge.



Initiatives at Japanese Subsidiaries and Affiliates

Industrial waste at OKAYAMA CHEMICAL INDUSTRY & CO., LTD. was treated by a two-stage aeration lagoon treatment facility, but was affected by inability to realize sufficient processing performance in winter,

when the water temperature declined to around 6 degrees centigrade. As a remedial measure, we added a small activated sludge treatment facility right behind the lagoon processing facility to elevate the water temperature to 23 degrees centigrade in winter. After it went into operation from January 2006, we confirmed that stable processing was achieved.



Emphasize Safety, Accident Prevention, and Environmental Preservation

Environmental Initiatives for Distribution

We have clarified considerations toward the environment in our Basic Distribution Policies, and while cooperating with our partners are seeking to reduce the environmental burden.

Strengthening Cooperative Ties with Distribution Partners

Toray has set Basic Distribution Policies, and has engaged in ongoing initiatives to reduce the environmental burden related to transport and storage in Japan, with bolstered initiatives also planned in the future. Specifically, in addition to reduction of CO₂ emissions by transport, through the reinforcement of the cooperative system with our distribution partners, we are also adopting initiatives with new ways to reduce the environmental burden related to international transport.

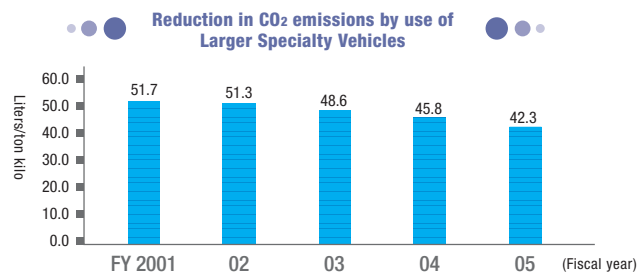
Basic Distribution Policies

- ① We shall select our transport and storage providers and determine individual agreements impartially and based on economic rationality with consideration given to price, quality, supply stability, technological capabilities, reliability, efforts to reduce environmental burden, and other factors.
- ② We shall be open in selecting our transport and storage providers rather than relying on companies with which we have done business in the past or companies affiliated with Toray Group.
- ③ We shall comply with relevant laws and regulations, consider environmental preservation, and fulfill our corporate social responsibilities in outsourcing our transport and storage operations.
- ④ We shall cooperate with our transport and storage providers in gauging and reducing the environmental burden of our transport and storage operations.

Reduction in Transport-related CO₂ Emissions

To reduce CO₂ emissions during transporting of materials and goods, we have adopted a policy of continuous "modal shifts"^{*1}, to change the modes of transport for staple fibers, plastics and films that have been used up to now. Compared with previous transport by truck, CO₂ emissions were cut by approximately 1,131 tons in FY 2005.

^{*1} Indicates switch to rail, ship or other transport method with smaller environmental impact. In the case of transport by specialized vehicle, larger vehicles are used in order to raise efficiency. As a result, in FY 2005, consumption of diesel oil was reduced by approximately 20% compared to FY 2001 levels.



Encouraging Our Distribution Partners to Obtain Certification

The cooperation of transport and warehousing companies is essential in order to reduce the burden on the environment as relates to distribution. To encourage the transport companies that work as its distribution partners to obtain such environmental management certifications as "ISO14000," "Green Management Certification" and "Eco Stage," Toray has put into operation a system of joint initiatives. In FY 2005, our major partners completed such certifications.

In recognition of these initiatives, Toray was acknowledged on the EcoMo Foundation's website as a "company that promotes green management initiatives."

International Transport Initiatives

With the globalization of business, the transport of products between countries, and collection of packaging materials has continued to increase each year, and we have taken initiatives to reduce the environmental burden in international transport as well. For example, the core rolls and steel racks used for film products imported from Malaysia are recycled via a collection network put into operation in Japan. In the future we intend to expand this for other products through tie-ups with overseas plants.



Distribution Safety Initiatives

Should an accident occur during transport, Toray has set up an emergency contact system and conducted practice drills, working to ensure safety during transport.

Safety Management for Transport of Hazardous Substances

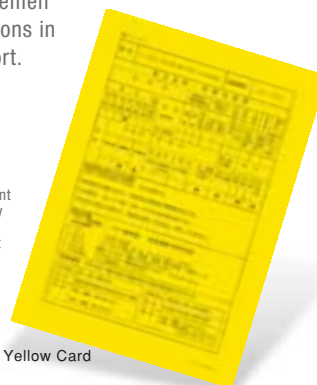
Transport of hazardous substances requires compliance with the relevant laws, including the Fire Defense Law, High-pressure Gas Safety Law and the Poisonous and Deleterious Substances Control Law. Toray has established its Hazardous Substance Transport Safety Management Regulations to govern matters related to the safe transport of combustible or hazardous materials. We are concluding safety agreements with our customers, suppliers of raw materials and resources, and transport companies to ensure safe transport. Up to now, agreements have been concluded with 21 companies.

Emergency Measures

Should an accident occur involving products in transit, a system has been set up by which the necessary personnel will be dispatched to provide accident handling support for transport companies and concerned authorities.

We have also prepared Yellow Cards with the description of emergent measures. They are carried by our lorry or truck drivers to help them, as well as firefighters, policemen and other parties, take appropriate actions in the event of an accident during transport.

Yellow Card
Yellow Cards contain a variety of concise information, including the name of the hazardous substance, relevant laws and regulations, hazardous properties, emergency procedures in the case of an accident, emergency reporting and contract information, methods to prevent the damage from spreading, and so forth.



Large-capacity vehicle introduced

Preservation

Accident Prevention

To prevent fire and explosion accidents, in addition to a variety of voluntary safety activities, Toray conducts emergency drills to prepare for the possibility of an accident.

Voluntary Safety Checks Using Independent Checklist

As part of efforts to prevent fire and explosion accidents, Toray Group has prepared an independent checklist of 550 items (the FP checklist) which are used to conduct voluntary inspections each year at all group companies including subsidiaries and affiliates. In 2005, multiple checks were conducted regarding the hazards of mixing handled chemicals.

Accident Prevention Education and Drills

Toray Group companies conduct a variety of realistic fire and explosion demonstrations using test devices to let employees experience the potential danger of handled chemicals and explosions. This practical education is provided as part of fire prevention training for employees.

In order to minimize damage in the event of an accident, staffs conduct systematic fire prevention drills covering communications, evacuation, fire extinguishing and other actions. At Toray Tokai Plant, which produces chemical products, a total of 69 large- and small-scale drills were conducted during FY 2005.



Large-scale Earthquake Countermeasures

Since 2002, Toray has been conducting earthquake resistance assessments of buildings covered by the Seismic Retrofitting Promotion Law. Of these, some 77 important structures were determined to require modifications to avoid an impact in terms of human life, accident prevention and the environment. All of them now undergo seismic reinforcement, which will be completed during 2007. In FY 2005, outlays for these seismic reinforcements totaled 570 million yen.

Occupational Safety

Toray Group seeks a zero accident and adopts practices to ensure a safer work environment.

Group-wide Safety Activities

With Safety and the Environment promoted as the first item in the Corporate Guiding Principles of Toray Corporate Philosophy, we have assigned top priority to safety in the workplace and creation of a safer working environment.

The safety policies to be emphasized in Toray Group are determined by the Safety, Health and Environment Committee, and disseminated to Japanese and overseas subsidiaries and affiliates. Toray's president, board members, plant general managers, presidents of subsidiaries and affiliates meet each year for a Toray Group Safety Presentation Meeting, at which each company and plant are directly informed of top management policies and report on safety efforts. Through these and with the spirit of learning from each other's successes, we are working toward integrated, group-wide safety activities and safety management.

Safety Slogan 2005

Play the Lead for Zero Accident in NT-II

Main Efforts 2005

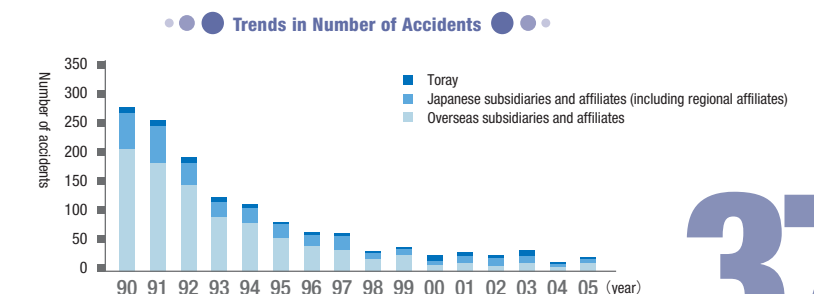
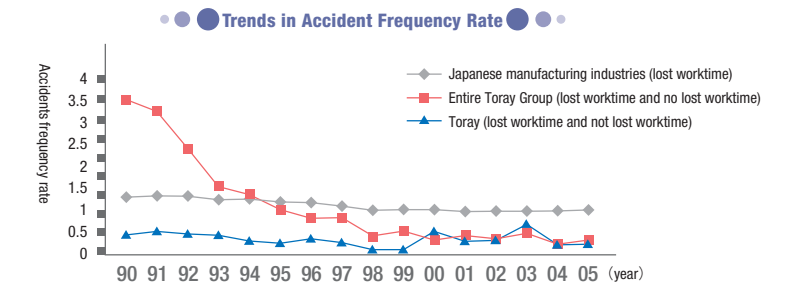
- Develop horizontally the detection of potential near accidents and preparation of countermeasures
- Enhance safety management of non-regular jobs and construction works
- Encourage wearing of protective gear

Safety Achievements in Toray Group

In 2005, Toray Group had a total of 25 accidents (both those causing and not causing lost worktime). Three of these accidents occurred at Toray; 8 at Japanese subsidiaries and affiliates; and 14 at overseas subsidiaries and affiliates. Toray Group's lost worktime frequency rate^{*1} was 0.16 (Toray parent: 0.07), and all accident frequency rate, which includes accidents not resulting in lost worktime, was 0.32 (Toray parent: 0.22). Compared to a lost worktime rate of 1.01 for Japan's manufacturing industry as a whole, Toray Group continues to maintain a good safety record. To improve on this record, we are redoubling safety efforts at the rotating object and moving machine part where the highest rate of accidents has occurred.

Further, when work accidents do occur, we issue an accident report in a format standardized throughout the entire Toray Group, including overseas, as part of our ongoing efforts to eliminate accidents.

^{*1} Deaths or injuries resulting in lost worktime per 1 million working hours



Ensure Product Safety and Quality

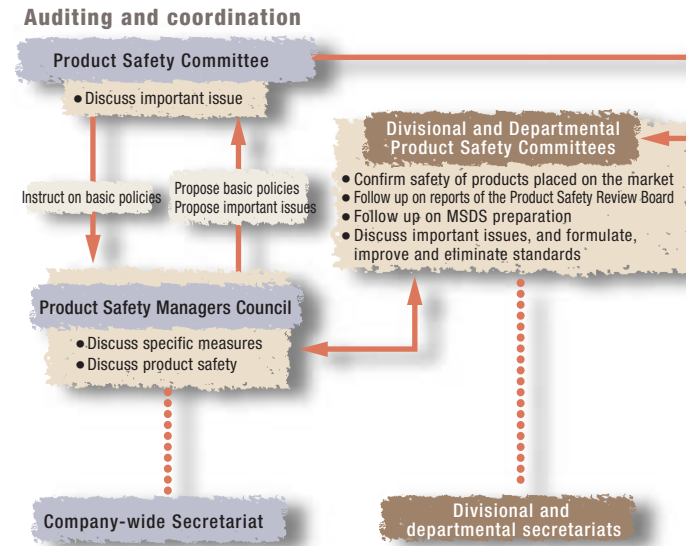
Action Program (FY 2005)

Toray Group will, on an on-going basis, work to systematically improve product safety management and to maintain and improve our quality assurance system with the Product Safety Committee, a forum for promoting product safety issues throughout Toray Group and will continuously improve quality by taking our customers' needs in advance.

Action Program Results

1. We reevaluated review rules for products to be placed on the market and implemented these retroactively in reviews of 1,600 products.
2. Through education, awareness training and a scheme for product safety review procedures, we implemented detailed plans for Product Safety Management Regulations.
3. We convened Quality Assurance Section Managers Conference from all plants, during which we discussed the format of a quality assurance promotion organization. (In April 2006, we established an Advanced Composites Quality Assurance Department.)

Product Safety System



Product Safety Management Basic Policies

- ① We shall place priority on the various measures required to ensure product safety.
- ② We shall conduct adequate safety evaluation prior to marketing a new product.
- ③ For products already on the market, we shall take note of information from customers and the general public and always remain attentive to safety.

Product Safety at Toray

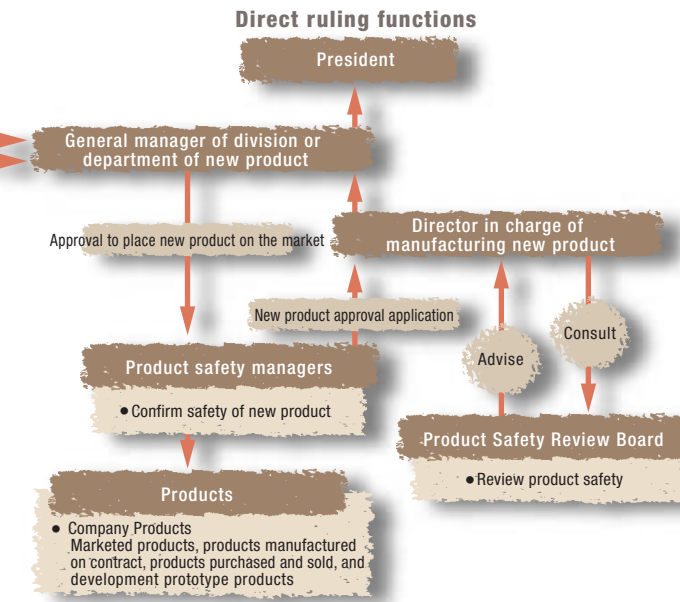
In 1994, to strengthen its product safety system, Toray adopted a control system centered on a Product Safety Committee based on a totally revised set of Product Safety Management Regulations. We are making efforts to secure the safety of products as stipulated in the Basic Policies shown above.

Confirming Safety in New Products

With regard to products newly launched in markets, we conduct product safety review under the supervision of "directors responsible for manufacture of the relevant product." In addition to safety checks on the products themselves, these reviews are also performed on the data provided in Material Safety Data Sheet (MSDS), handling instructions (including warning labels) and catalogs for the customer's safety during use. Products that meet these review standards then go on the market. If the results of reviews leave even the slightest doubt regarding safety, we have adopted a system whereby impartial knowledgeable individuals within or outside the company will convene a Product Safety Review Board whose approval must be granted before the product can be put on the market.

In addition, the Product Safety Review Board is also obliged to attach an "environmental assessment check sheet" by which they simultaneously confirm the product's environmental impact.

During FY 2005, touching on the importance of product safety as an aspect of CSR, we identified all products that had previously been put on the market but with suspected problems, and conducted detailed review, including re-testing, on their safety. By this, major progress was made in reforming awareness toward product safety as well as reinforcing the constitution of the company. In FY 2005, we conducted product safety reviews on some 214 new products, and of these, some 36 were taken up by the Product Safety Review Board.



The Promotion and All-out Efforts in Product Safety Activities (System)

For the Product Safety Committee to promote product safety activities in Toray Group, each year we consider the status of overall activities and social trends, and identify the company-wide issues related to product safety. Then, via a Product Safety Managers Council we discuss and supervise any concrete measures, and plan for detailed activities through Divisional and Departmental Product Safety Committees. In FY 2005, along with amplification of reviews at the design stages, we reinforced chemical substance controls under the Health and Safety Law and Chemical Substances Control Law. For this purpose, we improved check lists to cover legal regulations and standards, evaluation items, data on accidents and near accident cases and others, in order to improve the quality of product safety inspections. On the practical side, we continued training for newly assigned responsible section managers, and in addition adopted education based on business type and level to reform staff awareness toward product safety.

Because the Divisional and Departmental Product Safety Committees assume the responsibility for assuring product safety within each division or department, their own product safety issues are established each year. Then the responsible manufacturing, technology and sales departments cooperate closely with each other to ensure product safety control and raise its standards.

Subsidiaries and affiliates in Japan and overseas also engage in the same control process as Toray. Each of these sets up its own "product safety management regulations" and, with the full support and instructions from the Affiliated Companies Division and each division, works to elevate the level of product safety throughout Toray Group.

Reinforcement of Chemical Substance Control for Products

Taking action in tandem with the industrial associations to which our customers belong, we are planning to formulate global control standards.

Quality Management Policies

1. We give utmost precedence to safety and quality in the development and production.
 2. We determine quality at the design and development stages and improve it in the production process.
- For this;
- ① All the divisions, including manufacturing, sales, and research & development, abide by the "Quality First" principle.
 - ② We focus on the "market-in" concept to satisfy customers' demands.
 - ③ We institute a quality assurance system, maintain and improve it.
 - ④ We establish and substantiate an education system to develop human resources.
 - ⑤ We obtain the Certification of ISO9000 and GMP, and maintain and raise the quality management system.

Quality and Control

Toray, since its establishment, bases its corporate philosophy to accord the first priority to quality, and we have worked to improve our quality. With fundamentals aimed at providing customers with products of new value, high quality and service, we enacted our Manufacturing Division Quality Guidelines in April 1993 as our supreme quality guidelines. Within these, we assigned safety and quality to the highest priority, and adopted detailed measures to secure quality.

Activities to Maintain and Elevate Product Quality

We make efforts to secure quality at the design and development stages, and throughout the entire manufacturing process, centered on Quality Control Sections under the responsibility of the general manager of each plant, quality improvement activities are carried out to ensure the satisfaction of our customers.

To execute a quality assurance system, we obtained ISO9001 certification, beginning with the Mishima Plant in October 1993 and followed by the other plants. These have completed the transition to the ISO9001:2000. In the same manner, our subsidiaries and affiliates in Japan and overseas obtained ISO9001 certification, bringing the total number in the Group, as of April 2006, to 55 companies.

Toray Group manufactures a variety of products, so that various quality control systems are required to meet their respective characteristics. For example, in the case of pharmaceuticals or medical products, in addition to obtaining the GMP^{*1} approval for manufacturing and sales, it is also necessary to obtain ISO13485^{*2} certification. For carbon fiber composite materials utilized in aircraft applications products, JIS Q 9100^{*3} certification is required. The Toray plants involved in their manufacture are energetically engaged in obtaining the respective certifications.

In FY 2005, Toray conducted a review for improvement of its quality assurance system from a worldwide perspective. As a result of the review, in April 2006 we established a Torayca and Advanced Composites Quality Assurance Department at the company headquarters and prepared for the expansion of the development and product range of global activities for our advanced composite material businesses utilizing Torayca* carbon fiber. From now on, business linkages among the manufacturing bases in Japan, North America and Europe will be strengthened to maintain and improve the quality of carbon fiber composite materials.

*1 Good Manufacturing Practice standards for pharmaceutical production and quality control
 *2 Standards for medical device quality management systems
 *3 Standards for aeronautic quality management systems



Implementation Leader

Osamu Nakatani

Senior Managing Director,
 General Manager, Manufacturing Division
 Toray Industries, Inc.

Commitment

I recognize that the assurance of safety and quality of products are issues of key importance, which are a part of this company's management philosophy of putting the customer first. As customer requirements for products become more advanced year by year, the securing of safety and quality take on increasing importance. We assume responsibility for the safety and quality of all our company's products, and seek to provide products that our customers can use with a sense of security and satisfaction.

Perform Risk Management



Action Program (FY 2005)
Toray Group will propose a group-wide implementation framework and develop a system for conducting regular checks through the Risk Management Committee, a subordinate organization to the CSR Committee.
Action Program Results
<ol style="list-style-type: none"> 1. A risk management system was developed at each division, department, office and plant, and risk-handling activities were reviewed. 2. A BCP plan was elaborated based on the assumed occurrence of a major earthquake.



Implementation Leader:
Norihiko Saitou
In charge of IR, Corporate Communications, Advertising, and Legal Department, Head of General Administration Division Toray Industries, Inc.

Commitment
There are endless numbers of risks while conducting our management activities. We must try to avoid as many risks in advance and try to minimize as many negative effects as possible. Those are the corporate responsibilities toward our stakeholders. Therefore, we are going to devote ourselves to clarify all the assumable risks and develop these appropriate countermeasures. Even if an unpredictable risk occurs, we are firmly determined to seek the best solution.

Building a Risk Management System

Launch of a Risk Management Committee as a Company-wide Organization

At Toray, we endeavor to identify the risks that are potentially present in our management activities so that, even as we work under business-as-usual conditions, we can learn to consciously minimize risks and prevent crises. In January 2004, we created Crisis Management Regulations with the aim of solidifying a risk management setup so that we would be ready to deal with any crisis with grave impact potential.

In May 2005, we launched, as a subordinate organ to the CSR Committee, a Risk Management (RM) Committee charged with the operation of risk management for the entire company. Directors in charge of Environment and Safety were assigned to responsible posts in the RM Committee while other posts were assumed by the General Managers of Corporate Planning, General Administration Department, Legal Department, Corporate Communication Department, Environment and Safety Department. The RM Committee's task is to follow up how risk management is handled by Toray's divisions, departments, offices and plants in their day-to-day operations and report the findings to the CSR Committee. Additionally, it elaborates plans and proposals regarding company-wide risk management-related policy as well as personnel education, training, and other efforts.

Development of Risk Management System and Monitoring of Activity Status

The Risk Management Regulations stipulate that the divisions, departments, offices and plants of Toray Group establish their risk management organizations chaired by their respective heads to fulfill their duties of risk management at normal times.

In FY 2005, we implemented a survey of how the risk management system was functioning on the division, department, office and plant levels. We have confirmed that, as of March 2006, the management

system was satisfactorily operational at all the divisions, departments, offices and plants of Toray. In terms of system operation, in some cases a dedicated risk management committee is put in place while in others existing organs such as the CSR Committee, Environment Committee, etc. are assigned to given tasks.

A survey was also conducted of the status concerning risk management activities. The main themes for checking in the case of offices and plants for FY 2005 included such incidents as earthquake, fire and explosion, environmental mishap, handling of threats and undesirable persons, while in the case of divisions and departments the themes for checking included such items as product safety, export control, corporate ethics, laws-and-regulations compliance and information leak control. At the offices and plants, possibly in part reflecting the fact that "Reinforcement of Risk Management" was newly added to the Toray Group Safety, Health, Accident Prevention, and Environmental Action Policies for 2005, it was methodically integrated with the existing program, but at the division and department levels, it is noted, the new program has not yet been fully implemented, and it will have to be carried over to the FY 2006 agenda calendar.

Follow-up on Risk Identification and Status Recognition

For a grasp of how risk management is being promoted relative to how risk management is actually functioning at Toray, the RM Committee conducted an evaluation of the current status in the area of risk identification. Based on the result of the evaluation, we try to tighten risk management for the following four broadly established categories:

- (1) Items posing no problem with existing promotion system;
- (2) Items with room for a more vigorous implementation of the existing promotion system;
- (3) Items needing to be addressed for a newly proposed reorganization of the system; and
- (4) Items that should be addressed by the RM Committee as the promotion organ.

Promotion of Business Continuity Plan (BCP)

Should business operations come to a halt due to a fire, explosion, earthquake or any other disaster, it is reasonable based on the cases of recent disasters to assume that not only our own company but also others with whom we do business may be affected. Toray has been elaborating a Business Continuity Plan (BCP) under which, in the event of business operation shutdown, we would be able to restore and continue our activities as quickly as possible and at as near-normal, pre-event a level as possible. In concrete terms, this would mean that Toray business activities are broken down into the five functions of production; marketing and sales; purchasing and logistics; head offices; and information system, and each of these functions is buttressed by its own business continuity plan conceived on an assumption of a major earthquake.

● The status of progress for FY 2005 is as described below:

Head Office Function

- Based on an analysis of the assumed damage to our head office building brought on by an earthquake with its epicenter directly under the metropolitan Tokyo region, it has been ascertained that the damage will be of minor impact.
- A basic concept has been completed for the emergency response plan.
- Important items of work have been identified and earmarked for early resumption. Alternatives for them and alternative departments and sections that can take over have been identified. The items of work and the assigned personnel have been identified. Targeted recovery time has been clearly posted. Items required for business conduct have been listed up.

Information System

- The targeted system recovery time frame has been established as one week after an earthquake with a magnitude of 6+ has occurred.
- We have studied a reinforcement plan for the internal installations of the company's Technology Center located in Shiga Prefecture and a more positive operation of its external installations.
- We have studied the idea of utilizing other offices and plants as temporary bases of activity.

Production, Marketing and Sales, and Purchasing and Logistics

- We have made assumptions regarding how our production facilities would be damaged if an earthquake with a magnitude of 6+ were to hit them and how long it would take to restore the production capability.
- We have identified as "crucial products" those products which we have a high degree of social responsibility to supply ("crucial products" being defined as pharmaceutical and other products on whose availability life could depend, such as products with a significant impact on the market which may be difficult for other manufacturers' products to replace).

Addressing Personal Information Protection

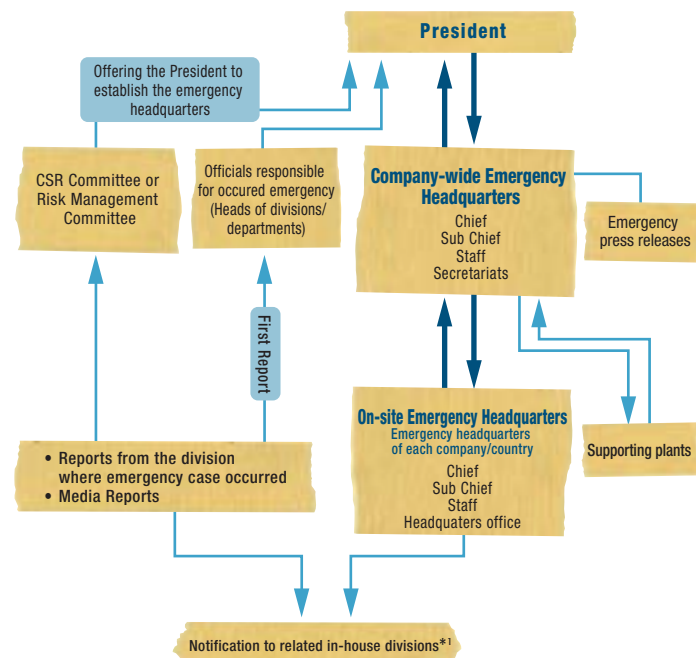
In March, 2005, ahead of the enactment of the Law concerning Personal Information Protection in April of the same year, Toray laid down Personal Information Management Regulations, firmly putting in place a personal information protection system.

Moving quickly in the same year, we launched a Personal Information Management Database on the company's Intranet. With respect to the personal information retained by each of the company's internal organizations, the following items of information have been registered and placed under strictest management:

Name, Subject of Information (e.g.: customer, company employee, former (retired) employee), Item of Collected Information (e.g.: name, company name, name of department/section, title, address) Status of Information Retention, Quantity of Information, Responsible Person Assigned to Information Management

About 2,200 pieces of registered information are on file, covering the entire corporate system.

●●● Risk Management System (in Emergency Time) ●●●
Emergency Quick Response System



*1 Notification will be conducted according to the "Emergency Report Route on Significant Disasters, Environmental Accidents, and Other Outbreak of the Crisis."

●●● Risk Management System (in Normal Time) ●●●



Promote Dialogue with Stakeholders

Promote Dialogue with Stakeholders

Action Program (FY 2005)
Toray Group will review its corporate behavior and implement reforms through dialogue and cooperation with stakeholders.

Action Program Results

1. A fundamental policy for promoting dialogue with stakeholders was established.
2. A fact-finding survey on corporate communications at Toray parent was conducted.



Implementation Leader:
Norihiko Saitou
In charge of IR, Corporate Communications, Advertising, and Legal Department, Head of General Administration Division Toray Industries, Inc.

Commitment
Upon the discovery of unethical business practices by various enterprises, the best initial solution is to further improve the way a corporation communicates with the public. I listen carefully and work to promote business reform that reflects the voices of society, and through this process and what results from it, I believe that highly transparent disclosure is an extremely important part of fulfilling our corporate responsibilities. I would like, therefore, to express our determination of carrying out management conforming to today's situation.

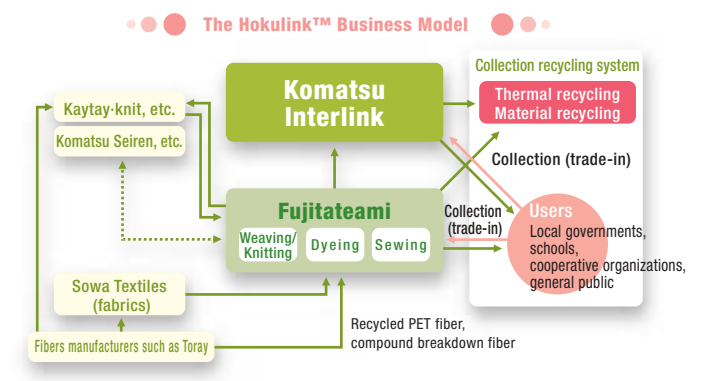
Basic Policies to Promote Dialogue with Stakeholders

- 1 Toray Group will promote dialogue and collaboration with all stakeholders, including customers, shareholders & investors, business partners, employees, government, local communities, NPOs, citizens, international community and the media.
- 2 Each company in Toray Group, through dialogue and collaboration with stakeholders, will take steps to enact reforms designed to increase the satisfaction level of everyone.
- 3 All Toray Group employees, in their respective workplaces, shall create an environment conducive to CSR activities, and, in order to increase the satisfaction level of stakeholders, specific issues shall be determined, and steps taken to provide solutions.

Adopted September 20, 2005

Stakeholder Communication through CSR Line Activities
As explained in our CSR Guidelines 1, one characteristic of Toray Group CSR activities is that importance is placed on the actual practice in the workplace of CSR Line Activities originally developed and promoted by everyone. Each workplace identifies its own stakeholders and determines issues, and through communication with those stakeholders the activities are promoted.

Communication and Collaboration with Business Partners and Customers
Toray Synthetic Textile Cluster for Promoting Collaboration
Toray established the Toray Synthetic Textile Cluster to form new partnerships with textile, weaving, dyeing and sewing companies. As of March 2006, some 92 companies have joined, with nine different working groups in operation.
Achievements in FY 2005 include a new development in the Nanotech Materials Sub-Cluster of an allergic-prevention curtain impregnated with a semi-permanent compound to control allergens in pollen. The product named Alleru-Buster Curtain is now on sale. In addition, in the Self-sustaining Business Development Sub-Cluster, a new business network has been established in three prefectures of the Hokuriku region of Japan. An integrated framework has been developed for manufacturing, selling and collecting and recycling work uniforms in the Hokuriku region. In operation since March 2006, this new business model, Hokulink™, was selected by the Ministry of Economy, Trade and Industry as one of Businesses for Independence of Small & Medium Fiber Manufacturers in FY 2005.
Toray intends for the Toray Synthetic Textile Cluster to help revitalize the fiber and textile industries in Japan, and is working closely with government and academia with the aim of further growth. In addition, with each success of activities, it provides Toray with new models for cooperation with its business partners.



Audits of Customer Satisfaction Levels
In order to determine how customers were evaluating Toray's performance through continued efforts with its mid-term business strategies NT21 and NT-II in FY 2005, and to improve the levels of customer satisfaction, Toray undertook a survey of customers to determine areas that require improvement. The results of the survey indicated overall higher levels of satisfaction than were recorded in a 2002 survey. However, it was revealed that customers had specific requests for improving response, which are now being studied by concerned divisions within Toray. In addition, the survey results were a good reference in the creation of the Long-Term Corporate Vision "AP-Innovation TORAY 21."

Promote Dialogue with Stakeholders

Communication with Stockholders and Investors

General Stockholders Meeting

To encourage good attendance, Toray schedules its General Stockholders Meeting on a date that differs from other companies. We also intend to send out invitations as far in advance as possible to give stockholders adequate time to consider the meeting's proposals. In FY 2005, we sent them out four weeks prior to the meeting.

Investor Briefings

Toray discloses detailed information in the media through press briefings and other means when announcing business results. We also hold a briefing on the same day that the financial results are announced, with the president attending, to provide explanations to institutional investors and securities analysts and to listen to their opinions.

In order to improve direct communication with individual investors, the director in charge of IR participated in a briefing for individual investors sponsored by the Nagoya Stock Exchange.

Internet-based IR Information Disclosure

We set up an investor relations section on our website to promote the disclosure of information to stockholders and investors. At the same time that announcements to the stock exchanges and the media are made, we post information right away on the financial statements, as well as the materials used in the briefing for investors in the IR Information on our website. All of the materials are also translated into English. Thus, we are making positive efforts to disclose fair information for our individual investors in Japan and also investors overseas.



Communication with Employees

Results Briefings for Employees

After announcement of annual and semi-annual business results, the president and other executives head for each office and plant to hold Results Briefings with employees of affiliated companies, give explanations of the financial results and provide a place to exchange opinions.

In FY 2005, it was held in 15 locations. The various topics for these meetings are from the Global Strategy for Research and Technology Development and Actions for Emergencies and daily MC activities. The Briefing has become a place for active communication. We intend to publish the most important questions and answers from the Results Briefings in our corporate magazines and encourage the employees of Toray and its affiliated companies to review them extensively.

Multi-Communication (MC) Initiative

Toray developed its "MC initiative" at each workplace. We have made efforts to invigorate each workplace and organization by improving vertical communication within hierarchies, information sharing between groups and of lateral communication. We have developed a company intranet, TorayNavi, as a tool for the MC initiative. It has a window for responses to topics, and for independent purposes of each division. As well, there is a section in which the president sends out regular messages to employees and receives proposals from them via email. Thus, we promote "multi-faceted communication" shared in all directions of the company, including management executives.

Communication and Collaboration with Local Communities

Interaction with Local Communities through Sports

Toray manages its volleyball team, Toray Arrows, and each business facility also has various sports clubs. We carry on active interaction with local communities through sports events such as holding the Toray Arrows Volleyball Clinics and opening our sports facilities to local residents to whom our employees voluntarily provide instruction in their skilled sports.

Additionally, we promote communication with local residents by inviting them to summer festivals, while also participating in activities to revitalize the town.



Media Communication

Corporate Communication Department Correspondence

The Corporate Communications Department was reorganized in 1987 under direct control of the president. It functions as an interface with the media and performs daily tasks related to various media communication. We help reporters and handle various surveys with awareness that these activities greatly help fulfill our corporate duty of disclosure and informed public opinion. For information disclosure, we actively strive to send out information, including information that could be considered sensitive or negative, following our established Information Disclosure Principles.

Related Article:

Refer to Information Disclosure and Management Framework on page 23.

We distribute publications such as company brochures to the media. We also provide up-to-date information through our website information. For international operations, we have implemented PR in response to our global management activities, with press conferences regarding our business expansion being conducted by management executives. Through these activities, we strive to promote a fair understanding of our management and business activities by offering necessary information through media channels. At the same time, we have committed ourselves to process feedbacks to management concerning the needs and concerns of society toward Toray Group.

NPO Communication

This year again, Toray supported the Community Care Aid Program in FY 2005 sponsored by the Community Care Aid Center. The Center supports NPOs that operate in various regions with the aim of creating a society in which everybody can live in comfort and safety. We will positively continue our proactive communication with NPOs in the future.

Major PR Activities in FY 2005



() Previous fiscal year cases

Major IR Activities in FY 2005

Items	Attendees from Toray	Number of Meetings (cases being handled)	Approximate Number of Participants (cases being handled)
Business Results Announcements	President, Financial Accountant, Director, Director in charge of IR	4	599 (611)
Briefing on Business Strategies for Institutional Investors	General Managers of Divisions & Departments	4	446 (233)
Briefing for Institutional Investors	Director in charge of IR	1	220 (213)
Interview Handling for Investors and Analysts	Director in charge of IR, IR Staff, etc.	—	565 (482)

() Performance of the previous year

View from the Field

Recycled Uniforms Came Out of the Toray Synthetic Textile Cluster

In April, 2005, the Toray Synthetic Textile Cluster office made a proposal for recycled uniforms made of recycled PET fiber. This operation was later named HokuLink™. In this system, uniforms that use environmentally friendly materials are manufactured and sold in the Hokuriku region (Japan) and they are collected after use and made into solid fuel or products such as cotton work gloves and felt for construction material.

I readily agreed to this proposal since I myself hope to make even a little contribution to the regional environment through this system. Now, one year later, our company has established itself as a corporation which has an understanding of the environment, and sales have increased. I continue to energetically participate in activities by the Toray Synthetic Textile Cluster and work to revitalize the Japanese fibers & textiles industry.



Toshio Nojiri
Representative Director, Fujitateami Co., Ltd. Chief, HokuLink, Toray Synthetic Textile Cluster

Step Up Environmental and Recycling Efforts

Action Program (FY 2005)

Toray Group will develop a framework to pursue the environment and recycling businesses and establish and work to achieve environmental and recycling objectives and targets. Toray Group will drive recycling forward with the Recycling Committee.

Action Program Results

1. We have more than doubled our targeted sales in FY 2010 for environmentally friendly products over that of FY 2005 through promotion of the "Ecodream" project.
2. At an IR Seminar, we introduced our efforts on stepping up environmental and recycling activities.



Implementation Leader:
Hiroaki Kobayashi
Executive Vice President and Representative Director, General Manager, Technology Center Toray Industries, Inc.

Commitment
At Toray, we consider it a corporate responsibility to actively develop business activities that will have a positive effect on the global environment. We promote research and technological development for environmentally friendly products and recycling in order to create a sustainable recycling-oriented society and make a global contribution to saving natural resources and protecting the global environment.

Environmental and Recycling Activities

Toray Group considers development of technology and products that have a reduced impact on the environment and promotion of recycling as an important way of contributing to society.

Since we established the Global Environment Research Laboratories in 1991, we have utilized our total power as a group to pursue development and research on reducing effects on the environment, such as conserving natural resources and energy, environmental cleanup and recycling. We believe that the basics of "environment and recycling" are the key to the formation of a recycling-oriented society, or reducing impact on the environment, decreasing resource consumption and ensuring material recycling in society. We have set up the Vision and Concept as shown below. Also, we have positioned "Ecodream" as an overall brand mark to describe our environmental activity at Toray Group to conduct reinforcement and promotion of our efforts.

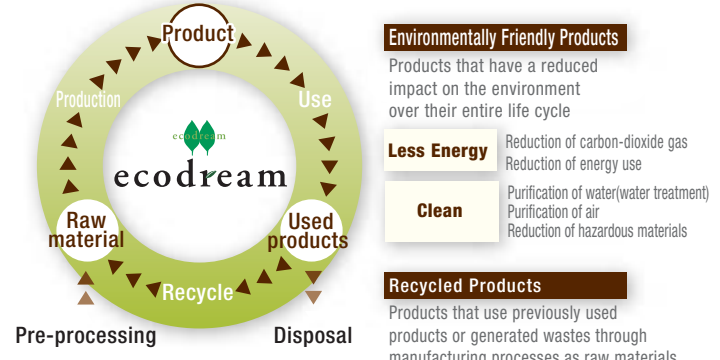
Vision We are making a global contribution to conserving natural resources and environmental preservation in order to move toward development of a sustainable, recycling-oriented society

Concept "Clean" and "Less Energy"

Related Article:
Refer to pages 12-15 for more details on Environment and Recycling.

Definition of Environmentally Friendly Products and Recycled Products

We have clarified the definition of environmentally friendly products and recycled products in order to promote the environment and recycling efforts as a comprehensive group-wide effort.



Status of Efforts on Environmentally Friendly Products

We have developed each product and technology and begun operation on the basis of reducing carbon-dioxide gas and energy, purifying water and air and reducing hazardous materials in order to support our clean and less energy philosophy.

Expected Effects	Products
CO ₂ Gas Reduction	PLA (Polylactic Acid) fibers, plastics, films 3GT fibers & textiles Bamboo composite fibers Cellulose fibers Soybean protein-fibers Flexible and heat resistant films
Energy Reduction	Torayca* for transport machineries Engineering plastics Components for turbine generators Components for fuel cells Films for solar cells Capacitor films for hybrid cars
Water Purification (Water treatment)	RO (reverse osmosis) membranes UF-MF membranes Immersed membranes for MBR Water treatment system businesses Trayvino*
Air Purification	Heat resistant bag filters (PPS, PTEF fibers) Air filters
Hazardous Materials Reduction	Non-halogen fire-retardant (fibers & textiles, plastics, films) Waterless CTP plate Non-halogen circuit materials Heavy metal-free color filters
Recycling	PET Nylon 6 PBT ABS PPS CFRP Toraysurou* DMSO

Recycling Actives Principles

- ① We shall design, produce, and sell products that reduce impact on the environment.
 - ② We shall purchase and use materials and products which will help reduce impact on the environment.
 - ③ We shall disclose information related to recycling programs and recycled goods.
 - ④ We shall voluntarily cooperate with customers to recycle or otherwise appropriately dispose of our products.
- Adopted in March 17, 2004

Status of Efforts on Recycling Products

The Recycling Committee, a subordinate organization of the Global Environment Committee, functions as a recycling base to implement activities under the Recycling Activities Principles established in 2004, with the following basic ideas.

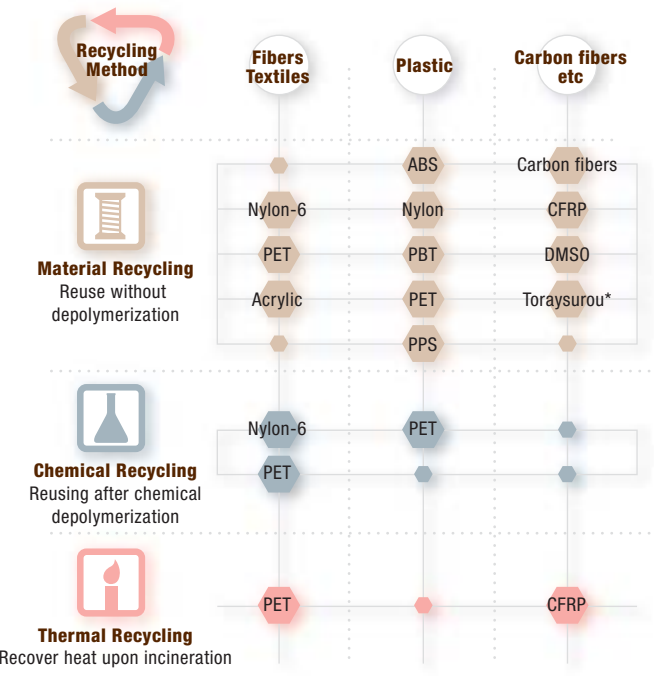
Basic Recycling Philosophy

Toray's basic philosophy regarding recycling is "Less Energy" Recycling.

- The fundamental aspect of recycling is energy conservation and protection of the earth's environment.
- We should not expend more energy than necessary to recycle or emit more CO₂ than necessary.
- We should use various recycling technologies depending on the properties of the material to realize the ideal of "Less Energy" Recycling.

Status of Basic Philosophy and Recycling Efforts

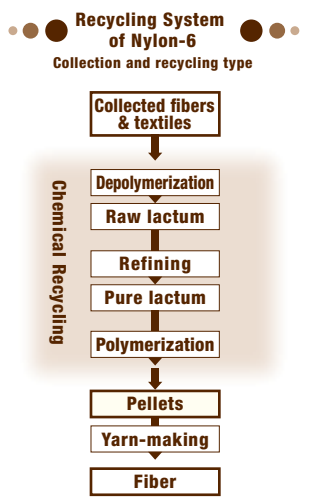
- Active expansion and promotion of recycling
- "Less Energy" Recycling is the foundation which is multiple adoption of various recycling technologies, depending on the characteristics of the materials.



Related Article:
Refer to pages 58-59 for Environmental and Social Contribution of Toray.

Chemical Recycling of Nylon Fiber

We have actively developed and utilized a chemical recycling technology invented by Toray. Nylon-6 is a material which requires more energy in the process of manufacturing from petroleum than polyester, and its recycled fiber is more easily applied, particularly in terms of lower energy usage. We've established the technology for chemical recycling of collected apparel products reproduced into fibrous raw materials.

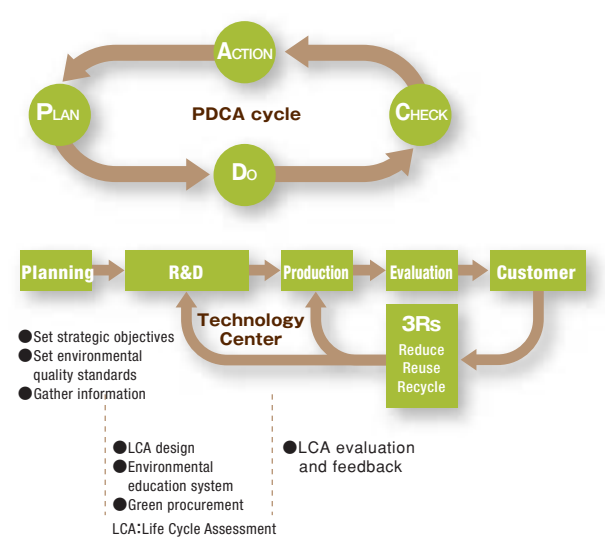


Environmental Product Design

Under the "environmental product design" of Toray Group products, we take a variety of steps at each stage of the process, from product planning, research and development to manufacturing for this "environmental product design." We have adopted the LCA (life cycle assessment) method and have worked to continuously improve the PDCA cycle.

Upon marketing, we conduct a product safety review and are obligated to create an Environmental Assessment Check Sheet. We have paid consideration not only to the safety of the products, but also to avoiding an increase in environmental impact.

Toray Environmental Product Design Process



Related Article:
Refer to pages 38-39 for Product Safety Review.

Secure and Train Personnel and Promote Human Rights

Secure and Train Personnel and Promote Human Rights

Action Program (FY 2005)

Toray Group will draft positive action plans and execute these plans to address a variety of issues on a group-wide basis such as the promotion of human rights, including the elimination of child labor, consideration of employment diversity, active promotion of women employees, support for displaced workers, and the improvement of workplace environments.

Action Program Results

1. We carried out the 2005 Human Rights Promotion Campaign and other training programs on the concept and practice of human rights.
2. We created the first-term action program in accordance with the Next Generation Cultivation Promotion Law, and then made revisions, such as extending the coverage of the flex- and short-time work systems for child-care to the first year of primary school.
3. We provided consultant services at each office and plant as a part of the Advancement of Women Project. We also held lectures and training aimed at changing awareness and improving motivation.



Implementation Leader:

Kiyoshi Fukuchi

Director, General Manager, Personnel and Industrial Relations Division, Toray Industries, Inc.

Commitment

For our aggressive management and further business growth, with a focus on advanced materials, the key is to secure, cultivate and entrench superior human resources. With the idea that "a company's rise and fall are determined by its people and they create the company's future," I myself take the lead by continuously creating a vigorous environment in which employees with different backgrounds, thrive on their work, and are motivated to bring out their personal quality and capability to the fullest.

Human Rights Promotion Efforts

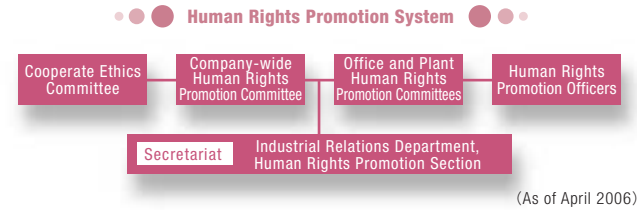
We in the Toray Group believe that respect for human rights is a fundamental condition for creating a work environment in which each employee can be fully motivated to work hard.

Therefore, we strive to promote and increase awareness of human rights issues as we prohibit discrimination based on race, creed, gender, academic background, nationality, religion or physical characteristics in the area of recruiting, hiring, positioning, compensation, education and retirement.

We also respect international rules such as the United Nations Universal Human Rights Declaration, the United Nations Global Compact and the ILO Treaty, prohibiting forced labor and child labor under any circumstances, and comply with the laws and regulations of each country and region in which we operate.

Human Rights Promotion System

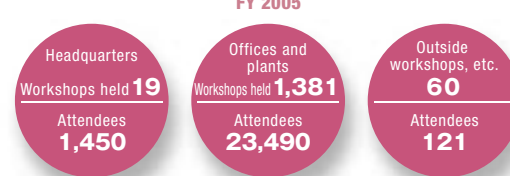
We established a Human Rights Promotion Section dedicated to promoting human rights throughout Toray, along with a Human Rights Promotion Committee under the Corporate Ethics Committee, which functions on the office and plant levels. We have also appointed some 300 Human Rights Promotion Officers at each workplace to make the work environment pleasant and productive.



Implementation of Human Rights Training Workshops

In order to increase awareness on human rights issues, training workshops and campaigns are held at headquarters, and at each office and plant. The theme of the 2005 campaign was prevention of sexual and "power" harassment in the workplace. We have also developed similar efforts at subsidiaries and affiliates in Japan and abroad.

Attendance of Human Rights Workshops FY 2005



Responding to Sexual Harassment

Toray established Sexual Harassment Prevention Guidelines in 1999. When problems occur, we swiftly launch investigations so appropriate steps can be taken to help the victimized party, while taking steps to prevent reoccurrences. We also educate our employees about sexual harassment through training seminars at each level of our organization as a means of its prevention. In addition, counseling services have been established, along with the Speak-Up Program that makes use of a complaint box in every Toray office and plant. We also undertake educational activities aimed at preventing "power" harassment.



2006 Human Rights Promotion Campaign posters

Developing Human Resources Which Can Create New Values

The development of human resources is one of the most important managerial objectives of the Toray Group. We conduct personnel training with three objectives: 1) the cultivation of fair-minded members of society with high ethical standards and a sense of responsibility; 2) the training of professional personnel with advanced expertise, technical skills, and originality; and 3) the cultivation of leaders with foresight and a sense of balance.

Rational and Well-organized Training System

The Toray employee education system represents a rational, systematic approach to human resources responding to various needs in every field. Many types of training are given to employees of all levels, as well as education for specialists with courses on such topics as improving management performance, improvement of sales performance, production management skills, professional skills, and international operations. For example, the voluntary Challenge Training Program helps motivated employees develop their own talents, while the Overseas Junior Training Program develops human resources suitable for employment globally.

Early Leadership Development

Leadership and management skills need to be constantly improved as a quick response to changing times. Toray is currently working on improving coaching skills*1 of section and unit managers, with an emphasis on problem-solving skills using logical thinking*2 concepts.

Courses to promote unified management have been held at the Toray Management School since 1991 with the aim of cultivating future executives. Here, section managers are taught the

*1 Communication skills to encourage independent action in subordinates.
*2 Skills to define and solve problems in a rational, logical manner

Personnel Training Programs

	Management	Technical	Sales	International	General
Developing leaders	Executive training Toray Management School	Strategic technology training	Marketing executive training	Toray Group Executive Seminar	
	Toray Group Management School				General and specific studies in Japan, Overseas Junior Training Program, Challenge Training program (open enrollment), IT education, training outside the company, and cross-industry exchange seminars
	Business area leaders improvement training	Technological development leadership training	Sales leadership training	Toray Group Senior Management Seminar	
Developing professional personnel	Workplace leaders Management supervisor training Toray School of Technology and Business	Production management training	Sales skills improvement training	Toray Group Management Seminar	
	Knowledge and skills shared across divisions	Mid-level engineers patent training Various technical courses Management skills courses	Marketing strategy training Sales skills improvement training Sales practices courses	Toray Group Supervisor Seminar	
	Knowledge and skills specific to divisions	Each division and plant training		Overseas assignment basic training	
Developing members of society		Each division and plant training		Language skills improvement training	Distance Learning
	New employee training	2nd technical training 1st technical training	2nd sales training 1st sales training		

Company-wide Training Course Enrollment in FY 2005 (excl. divisional and plant training)

Training category	Persons enrolled
Management	658
Technical	730
Sales	430
International	66
General	488
Total	2,372



Toray Human Resources Development Center (Mishima, Shizuoka)

knowledge and skills they need to fulfill executive-level responsibilities. We also founded the Toray School of Technology and Business to develop mid-level employees at manufacturing facilities, and offer a one-year boarding school educational program.

Personnel System Emphasizing a Challenging Corporate Culture and a Sense of Achievement

Fostering a Culture of Corporate Entrepreneurship

This program is the key to creating an enlivened organizational culture in which people can bravely challenge themselves in new endeavors, carrying them out proactively. We promote this effort as one main theme of the ACT project, one of the eight projects within NT-II. Various steps are being taken to change individual attitudes and energize the workplace through the Number One Declaration and Professional Personnel Declaration programs. As well, attitude surveys are analyzed and book reports with concrete suggestions on reading recommended books are collected.

We also implement an in-house system to invite ideas from employees and encourage them to participate in new business development and strategic business expansion whenever appropriate. Additionally, in the area of intellectual property, we modified the compensation system for inventions at the workplace in April 2005 and now support, more than ever, the creation of excellent inventions with enhanced compensation.

Management by Objectives and Personnel Evaluation

We at Toray respect the individuality and personal quality of all employees and work towards the personnel system aimed to allow them to feel a deep sense of accomplishment and satisfaction. We have devised a self-assessment system, individual meetings and a

management-by-objectives system, so that we are able to elicit the enthusiasm of our employees and take full advantage of their abilities. As well, personnel evaluations are designed to accurately reflect the abilities of individual employees, along with their job performance and other contributions to the company. We are also working to improve the degree of each employee's consent by conducting individual interviews designed to provide feedback on evaluations.

Career Assessment System

General staff are assessed on a regular basis by our Career Assessment System, which includes compound reviews based on work presentations and personnel interviews. These provide an accurate picture of each employee's

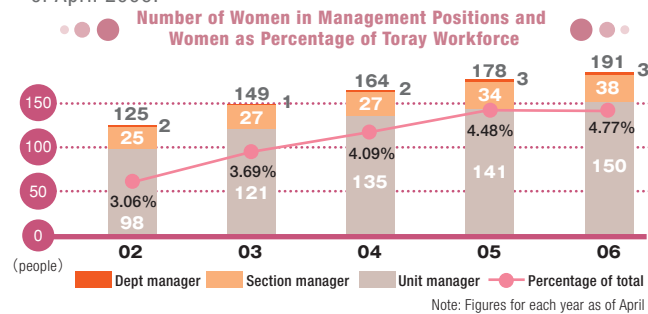
qualifications and level of personnel development, while defining direction and strengthening points of development. Feedback to employees is given through their immediate superiors, who use the assessment results to help their career building and enhance individual development.

Secure and Train Personnel and Promote Human Rights

Establishing a Corporate Culture Conducive to the Advancement of Women

From as early as 1958, Toray took the lead ahead of other companies in promoting women to management positions. We also have adopted a variety of initiatives that aim to provide a work environment in which women can work fully motivated, such as a child-care leave program from 1974, nearly two decades before such programs became legally mandated in Japan. One Japanese subsidiary even appointed a woman president in 2003.

Through these efforts, the proportion of women ranked at the level of unit manager or higher has continued to increase, with 4.77% of supervisory or managerial positions held by females as of April 2006.



Advancement of Women Project

A key theme of the ACT Project, which is one of the projects seriously pursued within NT-II, is "establishing a corporate culture conducive to the advancement of women."

We entrench all of our accomplishments in encouraging the advancement of women into our corporate culture and continue our further efforts to build a vitalized workplace that enables women to fulfill greater careers.

Main Efforts of the Advancement of Women Project

Working team formed (October 2004)	Made various proposals for advancement of women Composed of 12 women and six men Three meetings convened in FY 2005
Self-enlightenment Rounds conducted (August-September, 2005)	Discussed the purpose of activities and key points of training female employees, and enlightened each other
Consultant services provided (November 2005)	Responded to questions and consultations concerning various support systems, and formulated policies based on opinions
Seminars and lectures held on Advancement of Women Forum (From December 2005)	Aimed to nurture female leaders, reform the awareness of female staff, boost their morale and build their network. Six seminars conducted, with a total of some 300 participants
Examples of female career development to be compiled (scheduled for FY 2006)	Aimed to share examples of career development, balancing work and family, or support in the workplace within Toray Group

Response to the Next Generation Cultivation Promotion Law

Toray has established the First Action Plan based on Japan's Next Generation Cultivation Promotion Law, which went into effect in April 2005. Key aspects of the action plan are incorporated into Toray's Advancement of Women Project.

Action Plan for the Next Generation Cultivation Promotion Law in FY 2005

Law Principles	Targets
Promote taking of child-care leave	Pursue education and PR activities to cultivate a corporate culture accepting of child-care leave
Flex- and short-time work systems for child-care	Extend systems for flex-time and shortening of work hours until children begin elementary school (from July 2005)
Reduced overtime	Establish recommended days of vacation per year, early go-home days, etc.
Changed attitude about priority of work and roles according to gender	Hold seminars and training sessions about female advancement (from August 2005) and create a counseling system for offices and plants (from November 2005)
Other	Continue and improve internship programs

Programs to Promote Balance in Work and Family Life

To lay the groundwork for a "corporate culture conducive to the advancement of women," as well as to enable a variety of diverse lifestyle choices for both men and women, Toray improves support systems that enable our employees to balance work and family responsibilities.

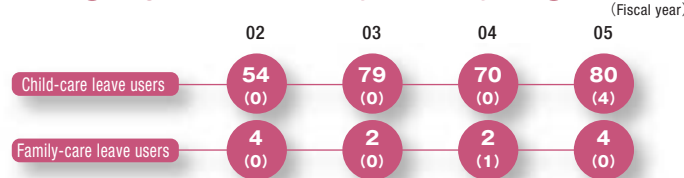
In April 2002, before the relevant law went into effect, Toray had already adopted a nursing-care leave system. In September 2004, we began to register employees who were obliged to leave the company for such reasons as marriage, giving birth, tending to children, caring for family members or due to the transfer of their spouse, and implemented a system to provide opportunities for them to be reemployed.

In FY 2005, four male employees availed themselves of the child-care leave system.

Recent Major Initiatives in FY 2005

Child-care leave period extended (from April 2005)	Extended until the end of the fiscal year in which the child turns one year old, or until 18 months old, whichever is longer
Leave for day-care orientation period provided (From July 2005)	After child-care leave, a maximum of five days leave is allotted for a day-care familiarization period, provided a designated child-care facility is utilized.
Restrictions on taking family-care leave relaxed (from April 2005)	A total of 365 days allotted for each case
Employees eligible for child-care or family-care leave expanded (from April 2005)	Fixed-term employees (temporary or part-time workers) are eligible for child-care or family-care leave if they meet certain requirements, such as work continuation.
Improving flexibility in working formats (From July 2005)	In order to improve advantages of the flextime system already in use and half-day leave system, (1) employees eligible for short-time working for maternity protection, caring for children or family members can now fragment required units of their working time; and (2) restrictions on the number of times of taking a half-day leave are also relaxed.

Usage of Child-Care and Family-Care Leave System (Fiscal year)



View from the Field



Madoka Iguchi
General Manager
Education Division
JCB Service Co., Ltd.

Taking Charge of the Advancement of Woman Forum Seminar

I was fortunately assigned to make a plan for this seminar, and have many moving memories of warm encounters with the members of the Advancement of Women team and others involved in the project, who made me feel this initiative was taken up in a serious manner. The words voiced at the start of this seminar by Mr. Fukuchi, General Manager of the Personnel and Industrial Relations Division, left me with the lasting impression that the company has adopted these initiatives in earnest.

The staff who I met at the seminar gave me the impression that they were enthusiastic about their work, while taking pride in their own jobs. After the seminar, I was delighted to receive numerous messages saying how, by having "remade" themselves, they desired to "bring about changes their company." In Japan, it's still difficult for women to balance work and family life. Moves for advancement of women are proceeding at various companies, and I fervently hope to see a society in which anyone can continue working become a reality.

Initiatives toward More Diversified Employment

Toray Group is taking a variety of initiatives to vitalize workplaces where diverse individuals can comfortably coexist and exert their respective abilities.

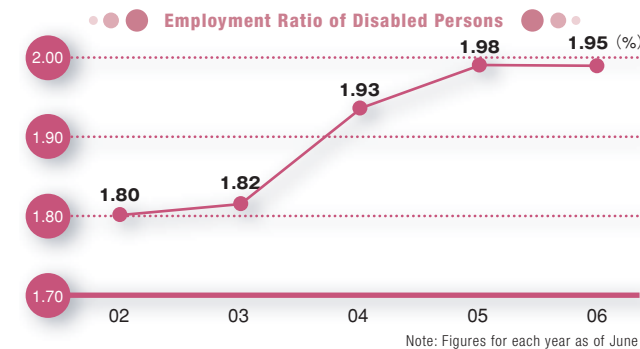
Reemployment System

Employment of employees beyond age 60 offers merits for the company in terms of retaining technical skills and for the worker in terms of maintaining a stable livelihood. Toray has concluded a labor-management agreement for union members from FY 2001 that adopted a reemployment system that in principle opens up this pathway to all who wish to continue working. Presently this is offered through age 62, but ultimately this will be expanded to age 65 in accordance with legal guidelines.

In December 2005, the labor-management agreement related to reemployment was revised to expand its provisions to those in management and occupational specialist categories.

Employment of Disabled Persons

Toray has fulfilled its social obligations of employing disabled persons through achieving the legally required employment ratio of 1.8%. It has also improved work environment friendly to disabled persons, both in terms of hardware, such as the creation of "barrier free" facilities, as well as such software as educational training at the time of hiring or improvements to the workplace reflecting the suggestions and requests by the disabled.



Mid-career Recruitment, Employment of Foreign Students

Toray promotes the mid-career recruitment of experienced individuals with specialized knowledge and skills, and employment of students with foreign nationality holding graduate degrees from Japanese universities. Full advantage is taken of their skills and personal quality in their positions.

Development and Promotion of Local Personnel Overseas

To promote global management, Toray Group encourages localization at its subsidiaries and affiliates overseas through the development of human resources at the local level, including promotion to executive positions.



Participants at Toray Group Executive Seminar

An Infrastructure for Developing and Promoting Local Personnel

Positions deemed crucial by Toray Group's global management are segmented into four levels (or bands) based on a group-wide common standard. Local staff who fit these positions, designated National Core Staff, are singled out for development and promotion through joint efforts by the head office and overseas subsidiaries and affiliates.

As examples of this, by clarifying qualifications and standards of conduct sought from the National Core Staff and the Toray Global Competency Model, we nurture their careers based on individualized long-term career development plans. We are also creating an information sharing system via the Toray Global Database.

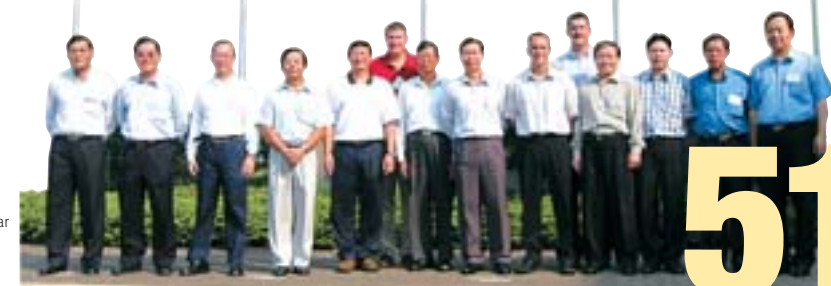
Systems for Developing and Training Local Personnel

For the enhancement of global management, Toray considers it imperative that core local staff fully comprehend Toray's management philosophy and guidelines. We have organized training programs in Japan for core local staff at their respective levels of management, and for the individualized long-term development plans as well.

In 2004, Toray Group's first Executive Seminar in Japan for local executives / board members was held. Furthermore, Toray headquarters participated in local efforts of training conducted in various countries and regions to foster global leadership and improve intercultural communication skills.

Results of Training in FY 2005

Training in Japan	Toray Group Senior Management Seminar	14
	Toray Group Management Seminar	12
	Toray Group Supervisor Seminar	11
Local Training (Participated in by Toray)	2nd Europe Senior Management Seminar	13
	1st, 2nd Malaysia Global Management Seminar	30



Toray Group Executive Seminar

Cooperate with Suppliers in their Environmental

and Social Initiatives

Action Program (FY 2005)

Toray Group will draft CSR Purchasing Guidelines for the Group and construct a PDCA cycle and will assess and examine tangible results.

Action Program Results

1. The results of a CSR promotion status survey of suppliers (conducted in March 2005) were compiled, and the status and problems related to CSR promotion among suppliers were readjusted.
2. We adopted the basic position that we encouraged suppliers to promote CSR at the level of Toray Group, and periodic efforts were made to grasp the procurement ratios from suppliers that fulfilled the standards.
3. We created a system to cooperate with the suppliers whose levels did not fulfill the standards, in order to raise those levels.

Basic Purchasing Policies

- ① Toray does its best to select suppliers and determine individual purchases fairly and on the basis of economic rationality, with consideration for price, quality, ability 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 In making purchases Toray complies with relevant laws and regulations while taking environmental preservation and fulfilling corporate social responsibility (CSR) issues into account. Toray actively pursues green procurement and purchasing as part of its environmental efforts.
- ④ Toray works to maintain and improve the quality of purchased products through cooperation with its suppliers.
- ⑤ Toray works to uphold its corporate social responsibilities on a company-wide basis.

Toray Procurement and Purchasing Activities

The synthetic fibers, plastics, chemicals, carbon fiber, electronic materials and others produced by Toray become the raw materials for our customers' products. We must, therefore, conduct serious and important consideration to reflect on our customer needs for procurement and purchase of the various raw materials, fuels, packaging materials, assembly component materials and equipment, to name a few.

As its basic policies for purchasing practices, Toray has for some time adhered to three basic principles posted on its corporate website. These are 1) impartial selection (economic rationality), 2) open-door policy for suppliers (fairness and equality of opportunity), and 3) social responsibility (legal compliance and environmental preservation). To cope with the increasing demand to grasp the properties of chemical substances in products, in June 2004 we rationalized control of chemical substances from each respective stage from raw materials and resources to product sale. To make data public, we enacted our Green Procurement Guidelines, thereby further ensuring chemical substance controls. Then in December 2004, adopting measures that reflected management's emphasis on responding to heightened worldwide awareness, we embarked on comprehensive CSR procurement activities including suppliers, and enacted our CSR Procurement Guidelines.

As important facets of social responsibility, these measures are stipulated in Toray Group CSR Guidelines as follows: Cooperate with suppliers in their environmental and social initiatives. To realize a sustainable society, it is important that all of us in the entire supply chain involved in this company's products possess a common awareness toward environmental initiatives, comply with the laws, and promote human rights and other aspects of CSR on a daily basis.

As we take a positive role of a "green partner" for our own customers, we believe it is necessary to construct a cooperative working relationship along the entire supply chain.

The present basic purchasing guidelines, in addition to the CSR Procurement Guidelines shown below, are posted on Toray's corporate website.

CSR Procurement Guidelines

- ① Establish an internal CSR organization and be committed to CSR
- ② Work to enhance corporate ethics and comply fully with all laws and regulations
- ③ Position safety, accident prevention, and environmental preservation as a management priority and practice green procurement and purchasing whenever and wherever possible
- ④ Put crisis management systems into place, including capabilities for responding swiftly in unexpected situations, and disclose accurate information
- ⑤ Encourage dialogue and cooperation among all stakeholders
- ⑥ Ensure product safety as a precondition for supplying products
- ⑦ Respect human rights, eliminate discrimination, and improve workplace environments; eschew forced labor, slave labor, child labor, and unjust low-wage labor
- ⑧ Maintain the confidentiality of information and respect others' intellectual property rights

Setting up of CSR Procurement Promotion Committee

In October 2005, we set up a Purchasing & Logistics Planning & Administration Department in the Purchasing & Logistics Division, under the direct supervision of the General Manager, to control CSR procurement including green procurement and purchasing. In addition, a CSR Procurement Promotion Committee was initiated as a task team.

At present, it has begun activities as a task force entrusted with applying the PDCA cycle to promote CSR procurements.

Pursuing Green Procurement Guidelines

In the Green Procurement Guidelines, we have produced our own list of "banned chemical substances" and "controlled chemical substances" subject to self-imposed controls, and have stipulated that these be subjected to pre-procurement surveys of chemical substances in procured items, as well as requiring assessments of suppliers' environment control status.

The results of a survey total of 113 items, including the "controlled chemical substances" based on the Green Procurement Guidelines implemented in December 2004 were reflected in the RPS purchasing system begun from April 2005, and we began providing a Specific Chemical Substance Content Information Sheet to customers.

Banned Chemical Substances 47 substance groups

Chemical substances whose use is prohibited in Japan.

- Type I substances according to the Chemical Substances Control Law (PCB), etc.
- Substances whose manufacture is prohibited in the Labor Safety and Health Law (asbestos, others) etc.

Controlled Chemical Substances 64 substance groups

1. Chemical substances whose use is controlled (requiring permission for manufacture and notification of results) in Japan.
2. Chemical substances whose use in Toray products is controlled by overseas laws.

- Type II substances according to the Chemical Substances Control Law (trichloroethylene), others
- Substances controlled according to EU/RoHS laws (cadmium, others) etc.

Visit our website for the entire text of the Information Disclosure Principles.

From the results of the survey of environment control status conducted at the same time, over 70% of companies had obtained ISO14001 certification or were planning to do so, and we are making efforts to boost the reliability of our procurement controls through promotion of this certification.

Pursuit of Green Purchasing Guidelines

Toray has for some time been promoting green purchasing through the utilization of 100% recycled paper in its copy and printer paper. Along with displaying the "G-mark" (for green) on office supplies, paper, and office equipment on the electronic expense sheet database in a system which allows us to quantitatively measure purchasing patterns. At the same time, we began joint catalog purchases with affiliated synthetic fiber companies, and also commenced green purchasing of low-priced items such as office supplies, factory goods, and physics and chemistry instruments via the Internet.

Green Purchasing Results (April 2005-March 2006)

Paper (printer, copier)	91%
Writing instruments (pencils, mechanical pencils)	89%
Office supplies (notebook, files)	83%

I LOVE GREEN ♡

Implementation Leader:
Kazuhiro Maruyama

Managing Director, General Manager,
Purchasing and Logistics Division
Toray Industries, Inc.

Commitment

It is necessary to regard a company's social responsibility as existing not only within the range of its own corporate operations, but throughout the entire value chain that makes up its value as an enterprise. Consequently, we believe that CSR measures, including environmental and social considerations, taken by the suppliers from which we purchase raw materials are also an important decision standard.

The entire Toray Group has taken up the promotion of "CSR procurement" as an essential mission among its purchasing and logistics divisions.

Pursue Social Initiatives

Action Program (FY 2005)

Toray Group will establish guidelines for the social initiatives with an eye on global trends and will assess and examine group-wide activities.

Action Program Results

1. In May 2005, we established Toray Group Social Initiative Policies.
2. We compiled and published the results of activities during FY 2004 in our *CSR Annual Report 2005*.

Toray Group Social Initiative Policies

- ① Based on its Corporate Philosophy of "contributing to society through the creation of new value with innovative ideas, technologies, and products," we will contribute to sustainable development of local and international society as a good corporate citizen while continuously supporting employee social initiatives.
- ② We will pursue unique programs dedicated to improvement of social welfare in local communities, international exchange through traditional culture, sports promotion, and especially the advancement of science.
- ③ Using company awards as other measures, we will create a culture that encourages employees to participate in society in constructive ways like volunteer activities, all the while performing aid activities with an eye to local needs.
- ④ We will examine all marketing and advertising activities from the perspective of social contribution before finalizing them.
- ⑤ We will contribute funds amounting to about 1% of our consolidated ordinary income to social initiatives.

Adopted May 2005

Toray Group Social Contribution Activities

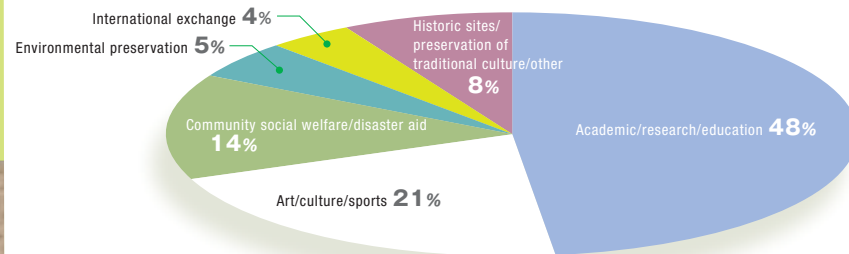
"For society: to establish ties and develop mutual trust as a responsible corporate citizen" is one of the Corporate Missions that Toray Group incorporates into its corporate philosophy. Through focusing on our funding support domestically and internationally to the Toray Science Foundation we have continuously engaged in social action programs. The principles and scope of these are delineated in our Social Initiative Policies.

In 1990, Toray became a member of the 1% Club established within Japan's Keidanren, pledging to contribute 1% of its consolidated ordinary income to social initiatives. In our Policies formulated in May 2005, we put this particular pledge in the statutory form to express our positive determination toward social contributions.

Results of Social Contributions in FY 2005

As a result of the social initiatives carried out by Toray Group during the fiscal year, approximately 910 million yen was contributed on a consolidated basis, including by our subsidiaries and affiliates, with Toray alone contributing some 690 million yen. This contribution corresponds to about 1% of the consolidated ordinary income in the period under review, and approximately 1.3% of ordinary income of Toray alone.

The main recipients of our supports included the Toray Science Foundation and the Toray ASEAN Science Foundations, Mishima City, Shizuoka Prefecture to whom we provided water for agricultural irrigation, firefighting and its water park and the exhibition of Napoleon and Versailles, co-sponsored by Toray.



Breakdown of Corporate Contributions

Refer to our website for details concerning the Toray Science Foundation.



- A-G Performances at the Youkiza
- B Master Class performance by the Shanghai Quartet
- C Japan Science Engineering Challenge
- D-E Students experience Classical Japanese Dance, Koto at JAPAN TENT
- F DCA2005 Junior Grand Prize winning picture (Junior Section)
- H Book titled *If the Earth's Temperature Rises 2°C*

To Nurture Future Generations

We have supported a number of activities to help nurture development of future generations of human resources. These include involvement support for the Japan Science & Engineering Challenge (JSEC) for high school students, whose main sponsor is the Asahi Shimbun Company and the Spring Science Camp, a science and technology experience, aimed at high school students with an interest in science. In addition, we have co-sponsored cultural events such as Master Class performances by the Shanghai Quartet; the holding of Toray Digital Creation Awards; and distribution of a book titled *If the Earth's Temperature Rises 2°C* to students in elementary and junior high schools.

Co-sponsoring Cultural Events in FY 2005

U.S. Tour of Chikamatsuza of Shochiku Grand Kabuki

From June 11-24, 2005, the Chikamatsuza Shochiku Grand Kabuki troupe toured Seattle and other cities on the U.S. West Coast. Toray's co-sponsorship of the event also received support from Boeing Corporation, our major customer. The event stands out as an excellent case of Japanese and U.S. corporations collaborating to introduce Japan's traditional culture to America.

Art Deco Exhibit

In cooperation with the main sponsor, the Yomiuri Shimbun, Toray supported an Art Deco exhibition. Following display from April 16 to June 26, 2005 at the Tokyo Metropolitan Museum of Art, the exhibition continued until November 2005 at the Fukuoka Art Museum and Suntory Museum in Osaka.



Sponsoring Crown Events

As part of our public relations activities aimed at giving back returns appropriately to society, Toray supports a number of major sports events. These include the Toray Cup Shanghai International Marathon, which has been held 10 times in cooperation with the municipality of Shanghai, and the Toray Pan Pacific Open (Toray PPO) tennis tournament. During the Toray PPO, we conduct various activities, including tennis exchanges with the Republic of Korea and presentations of racquets to people in Asian countries.



Restore a Hopeful Future



On October 28-30, 2005 the Mine race circuit in Yamaguchi Prefecture hosted the 1st LeMans Classic Japan. Toray sees its support of this historic FIA-sanctioned event as an opportunity to explore the coexistence between civilization and the sustainable future.

View from the Field



Manzaburo Umewaka
Director
Umewaka Kennohkai Foundation

To Keep Traditional Performing Arts Alive

My relationship with Toray goes back a long way. Taking the opportunity of joint development of Noh costumes, I requested Toray to support our public performances in Europe. At that time, Toray's response was that we should not go only once; they wanted us to make it ongoing. Toray is a company with a deep understanding of Japanese culture, and I think what makes it different from others is that it also a company which adopts new things to the same degree. Some people might say that cultural heritage is akin to endangered species, but the old performing arts are comfortably alive. This is why it's necessary for the arts to be linked with economic activities. I would like to continue to nurture this partnership. The performance may be prone to leave the audience behind, but I do my utmost to communicate with them. This, I believe, is of the utmost importance.



Co-sponsoring the Umewaka Kennohkai Europe Tour
From October 27 to November 10, 2005, Toray co-sponsored the Umewaka Kennohkai's performances at five cities in four countries, including Cologne, Germany; Paris, France; and Brussels, Belgium.

Implementation Leader
Norihiko Saitou

In charge of IR,
Corporate Communications,
Advertising, and Legal Department,
Head of General Administration Division
Toray Industries, Inc.

Commitment

In terms of our social presence, we always seek to do the right thing as a corporation. At every opportunity, we consider what we can do from the perspective of contributing to society, and initiating new activities. Toray does not only create useful assets for society, but seeks to be a company whose very presence itself is recognized as an asset. In pursuit of a corporate image deserving of the world's respect, we strive to move forward while exercising our ingenuity to the maximum.

External Commendations

Environment and Social Responsibility

Toray

Awarding Institutions	Commendations	Award Winners
World Year of Physics Japan Committee	Chairperson's Award	Toray Science Foundation
Ministry of Health, Labour and Welfare	Minister of Health, Labour and Welfare Award for Excellence in Health and Safety	Gifu Plant
Ministry of Education, Culture, Sports, Science and Technology	Award for Innovative Contribution (Science and Technology Award by Minister of ECSST)	Tomoyuki Uno, Toyolac Technical Department, Chiba Plant



Toray Science Foundation Awarded by World Year of Physics Japan Committee

World Year of Physics Japan Committee awarded Toray Science Foundation for its long-standing activities of continuously offering commendations and supports in the field of science and technology with the funds donated by the companies of Toray Group.

Mr. Hiramoto, Executive Director of Toray Science Foundation received the award at the Autumn Event of World Year of Physics.



Toray Gifu Plant Awarded for its Excellence in Health and Safety by Minister of Health, Labour and Welfare

Toray Gifu Plant, whose standard of labor safety and health was superior enough to serve as a model to others, received the Award for Excellence in Safety and Health from the Minister of Health, Labour and Welfare.

General Manager of Toray Gifu Plant received the award.

Japanese Subsidiaries and Affiliates

Awarding Institution	Commendation/ Reasons for Commendation	Award-winning Plant/Company
Fire and Disaster Management Agency	Hazardous Material Facility Excellence Commendation	Du Pont-Toray/Tokai Plant Dow Corning Toray/Fukui Plant Soda Aromatic/Koriyama Plant
Aichi Labour Bureau, Minister of Health, Labour and Welfare	Excellence Award	Toyo Tire Cord
Ishikawa Labour Bureau, Minister of Health, Labour and Welfare,	Commendation	Sowa Textile/Nonoichi Plant
Shiga Labour Bureau, Minister of Health, Labour and Welfare	Commendation	Toray Precision
Japan Institute of Plant Maintenance	PM Excellent Engineering Award 2005 (Succession Award)	Toray Engineering
Kyoto Chapter, Japanese Red Cross Society	Certificate of Gratitude for long-standing contributions to Red Cross works	Toray Coatex
Aichi Scout Council, Scout Association of Japan	Certificate of Gratitude for long-standing cooperation on Scout movements	Toray Monofilament



Toyo Tire Cord received Excellence Award from Aichi Labour Bureau

Commendations for the Group Companies in Japan



Certificate from Fire and Disaster Management Agency for the Koriyama Plant of Soda Aromatic



Certificate from Fire and Disaster Management Agency for the Fukui Plant of Dow Corning Toray

Overseas Subsidiaries and Affiliates

Awarding Institution	Commendation/ Reasons for Commendation	Award-winning Plant/Company
Rajaprajanugroh Foundation	Plaque of Gratitude (For Donations for the Indian Ocean Tsunami Disaster)	Thai Toray Holding, Luckytex (Thailand), Thai Toray Synthetics, Thai Toray Textile Mills
Ministry of Labor and Welfare, Thailand	Labor Safety, Health and Environmental Excellence Award	Thai Toray Textile Mills, Luckytex (Thailand), Thai Toray Synthetics/Bangkok Plant, Ayuthaya Plant
Ministry of Commerce, Industry, and Energy, Korea	Silver Medal (Presidential Award) of 31st National Quality Management Conference Research Team (Improvement)	Toray Saehan
Ministry of Commerce, Industry, and Energy, Korea	Silver Medal (Presidential Award) of 31st National Quality Management Conference (TPM)	Toray Saehan



Four Companies in Thailand Acknowledged by Rajaprajanugroh Foundation

Toray Industries (Thailand), Luckytex (Thailand), Thai Toray Synthetics, and Thai Toray Textile Mills respectively received the Plaque of Gratitude for their donation for the Indian Ocean Disaster occurred at the end of 2004.

His Majesty King Bhumibol Adulyadej personally bestowed handed the plaque to the president of Toray Industries (Thailand).

Toray Saehan Received the Silver Medal (Presidential Award) of 31st National Quality Management Conference (TPM) by the Ministry of Commerce, Industry, and Energy, Korea.



Research and Technical Development

Research and Technical Development

Awarding Institutions	Commendations	Matters for Commendation
Prime Minister	Outstanding Performance Award at the 1st Monodzukuri Nippon Grand Award	Manufacturing technology development of Torayca* high-performance carbon fiber prepreg for primary structural material in civil aircraft
Okochi Memorial Foundation	52nd Okochi Memorial Production Award	Development of high-performance color filters with non-photosensitive polyimide for LCD cellular phones
Japan Fashion Association	2nd Japan Creation Grand Prix (Environmental Technology)	Development of membrane separation technology contributing to solutions to global water problems
International Nanotechnology Exhibition & Conference	nano tech Award 2006 (Materials)	Development of nano-dispersion technology based on alloy technology
Chemical Society of Japan	11th CSJ Award for Technical Development	Development and industrialization of high-performance DNA chip using columnar structure
Society of Polymer Science, Japan	17th Award of the Society of Polymer Science, Japan	Development and industrialization of carbon fiber reinforced composite material for electronics
Society of Fiber Science and Technology, Japan	31th Technical Award	Sillook Duet*, developed by the innovation of fiber structure control technology
International Desalination Association	Chairperson's Award	Contributions made by Masaru Kurihara, Senior Director of Toray, as Technical Program Leader of the Singapore Conference 2005 of International Desalination Association
Japan Institute of Industrial Engineering	34th Award for Japan IE Documentary Literature	Documentary literature written by Hiroshi Furuya, Manager of Lumirror* Technology of Toray Plastics (America) on his originally created supporting system of engineering control contributing to productivity enhancement
FujiSankei Business i	19th Fuji Sankei Advanced Technology Grand Prix	Development of high-performance DNA chip
Senken Shimbun	Senken Shimbun Technical Award	Development of Nano-Matrix, a nano technology of fiber application
Senken Shimbun	Senken Shimbun Hit Product Award	Sales of ultrafine polyester filament yarn, "uts"



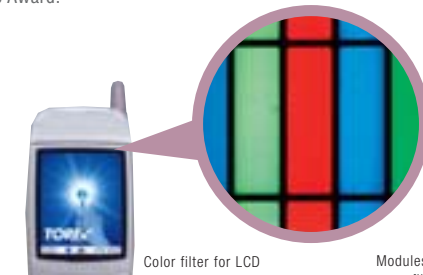
High-performance carbon fiber Torayca* and Torayca* prepreg

The High-performance Carbon Fiber Prepreg Received the Outstanding Performance Award at the 1st Monodzukuri Nippon Grand Award

The Monodzukuri Nippon Grand Award presented by the prime minister of Japan originated in FY 2005. "Monodzukuri" is a culture of making goods that has supported Japanese industry and traditional culture. For the preservation and ongoing development of the tradition, the Award aims at encouraging those individuals engaged in monodzukuri and publicizing their existence. In its first contest, our manufacturing technology development of Torayca* high-performance carbon fiber prepreg for primary structural material in civil aircraft was recognized and given the Outstanding Performance Award.

The High-performance Color Filter Received the 52nd Okochi Memorial Production Award

By pursuing a high-definition processing technology of color filters with our originally developed method of non-photosensitive polyimide, we have made the development and quantity production of high-performance color filters possible, with which the color purity of cellular phone LCDs has been much improved. This particular contribution was highly valued.



High-performance color filter Topical*
Enlarged portion of the color filter

Color filter for LCD
(Applied for cellular phones)

Modules of reverse osmosis membrane and nano-filtration membrane



Seawater desalination plant in Singapore, using reverse osmosis membrane

Photo by Hyflux Limited

The Water Treatment Membrane Technology Received the Environmental Technology Award of Japan Fashion Association

The Japan Creation Grand Prix presented by Japan Fashion Association is to award for contributions to the creation of new culture and promotion of lifestyle. Toray received the Environmental Technology Award for its various membrane separation technologies, including reverse osmosis membrane for seawater desalination, drinking water production and wastewater treatment, contributing to solutions to global water problems.



Environmental and Social Contribution of Toray Products

Toray Group is pushing forward with environmental design in its products in order to make contributions to environmental preservation and improvement through lowering the environmental burden posed by its products and technologies.

Business Area	Product/technology	Description	Environmental benefits						
			Carbon dioxide reduction ^{*1}	Energy reduction ^{*2}	Water purification ^{*3}	Air purification ^{*4}	Hazardous substances reduction ^{*5}	Recycling ^{*6}	Other
Fibers & Textiles	Torcon*, Toyoflon*, Teflon*, Tefaire*	PPS fibers and fluorofibers used to collect dust in the exhaust gas of garbage incinerators and coal-fired boilers.				●			
	Ecodear*	Poly-lactic acid fiber made from corn or other plants.	●	●					
	Sotake*	Bamboo-based fiber combining the superior features of natural bamboo with Toray's technologies.	●						
	UNFLA-ex*	Non-halogen fire-resistant polyester material using phosphorous flame retardants.						●	
	Warmensor*	Moisture-absorbent, heat-generating, insulating material achieved through special fiber structure processing.		●					
	Eco Dye process	Low-energy carpet fiber dyeing method that reduces the amount of water needed for dyeing and cuts the number of processes through consistent dyeing and heat treatment.		●					
	Fieldmate* biodegradable fishing line	Fishing line that largely breaks down into water and carbon dioxide to return to the natural environment if accidentally left in the water or on the ground after use.						●	
	Fieldmate* biodegradable material	Used to provide underground support for trees but returns to the natural environment over time.						●	
	Recyclon*	Recycled fiber made from used PET (Poly (ethylene terephthalate)) bottles, nylon fibers and other products.							●
	Nylon-6 recycling	Spent nylon-6 products are depolymerized back into their constituent monomers, and then repolymerized to make new nylon-6.							●
Plastics	Acrylic recycling	Acrylic fiber scrap from spinners, knitters, and other manufacturers is collected and dissolved to make new fibers.							●
	Ecodear*	High-functional plastic on the base of poly-lactic acid made from plant-origin materials like corn	●	●					
	Non-halogen fire-retardant ABS, nylon, PBT resins	Non-halogen fire-retardant plastics that do not generate harmful substances when incinerated or disposed of.						●	
	Automotive engineering plastics	Plastics are lighter than conventional materials, and the use of Toray's products in components helps to improve fuel efficiency.		●					
	Eco Toyolac*	Recycled ABS (Acrylonitrile butadiene styrene copolymer) resin.							●
	Eco Amilan*	Recycled nylon resin.							●
	Eco Toraycon*	Recycled PBT (Poly (butylene terephthalate)) resin.							●
	Eco Torelina*	Recycled PPS (Poly (phenylene sulfide)) resin.							●
	Ecodear*	Poly-lactic acid film made from corn or other plants.	●	●					
	PBT resin ceramic appearance grade	PBT resin for injection molding to substitute for china with fine texture and luster or thermoset plastic.						●	
	Lumirror* ZV	Non-halogen fire-resistant PET film that does not generate bromine-based harmful substances when incinerated or disposed of.						●	
	Steel sheet laminating films	Polyester films for laminating steel sheets as a replacement for PVC in unit bathrooms.						●	
	Food can laminating films	Polyester films ideal for laminating cans as a replacement for chemical coatings or tin plating.		●				●	
	Capacitor films for hybrid cars	Ultra-thin polypropylene film that remains stable under the very high voltages needed to improve hybrid car efficiency.		●					
	Solar cell films	Polyester film ideal for use as the base back sheet in solar cells.		●					
	Solar control films	Polyester film that helps reduce energy consumption in air conditioners and heaters by reflecting heat.		●					
	Transparent evaporating film Barriolox*	Transparent gas barrier film that does not generate harmful gases when incinerated because it does not use chlorine- or nitrogen-based substances or aluminum foil as raw materials.						●	

*1 Associated with reduction or prevention of carbon dioxide generation and reduction in usage of exhaustible resources. *2 Associated with lower energy consumption or energy generation. *3 Associated with purification of water.

Business Area	Product/technology	Description	Environmental benefits						
			Carbon dioxide reduction ^{*1}	Energy reduction ^{*2}	Water purification ^{*3}	Air purification ^{*4}	Hazardous substances reduction ^{*5}	Recycling ^{*6}	Other
Water treatment	Romembra*	Reverse osmosis membrane element used for the production of drinking water and ultrapure water for the semiconductor industry.			●				
	Water treatment systems	Water purification systems for desalinating seawater and brackish water.			●				
	Ultrafiltration, microfiltration membrane modules	Ultrafiltration, microfiltration membrane modules used in the production of drinking water.			●				
	Membrane bioreactor (MBR) modules	Modules for MBR systems, which allow effluent and waste water to be reused.			●				
	Torayca* carbon fiber	Used in wind power generator blades and compressed natural gas (CNG) tanks for low-emission CNG vehicles.			●				
Composite materials	Torayca* prepreg	Sheet-form carbon fiber Torayca* impregnated with resin, used as a lightweight structural material for aircraft.			●				
	Advanced composite materials	Production of large-scale structural molding components using PAN-based carbon fiber.			●				
	Toray carbon paper	Used as an electrode material in fuel cells, which are expected to offer a clean source of energy.			●				
	Torayca* fabric construction	A method for using Torayca* fabrics made from lightweight, reinforcing carbon fibers to extend the life of existing buildings and bridges.			●				●
	Torayca* laminate construction	A simple construction method of adhering carbon fiber reinforced sheets as a surface treatment, thereby shortening construction time and improving working environments.			●				●
	Positive Photoneece*	Photosensitive polyimide that can be developed using an environmentally-friendly alkali aqueous solution instead of organic developing fluids.							●
	Type K, Type S Toray copper clad polyimide laminate film	Non-halogen polyimide film that does not generate bromine-based harmful substances when incinerated or disposed of.							●
	Optical* LCD color filter	Uses environmentally friendly resins and black matrix and does not use harmful heavy metals.							●
	Toray Waterless Plate*	Offset printing plates that do not use dampening water, which is a harmful wastewater generated during printing.							●
	Chemicals	HALOSORB*	Zeolite-supported silver radioactive iodine adsorptive material for removing iodine from waste gases and liquids.						
Thiokol LP*		Liquid polysulfide polymer, used as a sealant material for laminated glass.		●					
Cellulose sponge		Environmentally friendly product that is made from wood pulp, does not generate harmful gases when incinerated, and is biodegradable when buried in the ground.	●						●
Toraymicron*		Ultra-fine nonwoven fabric used in air filter and mask as it can clean foul air at the micro level.							●
Wosep* microfiber nonwoven material		A non-woven fabric made from polypropylene microfibers that can separate the oil content of oil wastewater and does not generate harmful gases after disposal.							●
Ionex*		Ion exchange fibers used in decontamination of water condensate in nuclear power, water quality testing filter papers, and water purification systems.							●
DMSO		DMSO (Dimethyl sulfoxide), recyclable, used in separating agent and cleaning solution for electronic components.							●
Torayvino*		Home-use water purification systems that remove residual chlorine, impurities, and general bacteria by combining hollow membrane fibers and activated carbon.							●
Air filters		Air conditioning and industrial process filters that trap microscopic particles using electrolyte microfiber non-woven fabrics.							●
Amenity products		Loop Bonding and Tough Binder Construction	This construction method using a resin-molded binder and a nylon-cut fiber prevents external tiles from falling off.						
	Tekarisarari* oil-removing cloth	Oil-removing cloth made using microfiber technology that can be washed and reused.							●
	Water-permeable ceramic blocks Toraysurou*	Recycled ceramic material, with its water permeability and water-retention qualities, ideal for reducing the heat island effect and preventing flooding in cities.							●
	Toraycool*	A recycled product that uses 80% tile waste material, and its water-retention capability helps mitigate summer heat.							●
	Others	Environmental measurement survey	Surveys various environmental problems, such as of dioxins and PCBs and extremely small concentrations of endocrine disruptors, persistent organic pollutants, and perfluorooctanyl sulfonate, and publishes reports.						
Analysis and evaluation of industrial materials		Analysis of gases given off by materials, detection of hazardous materials defined in RoHS directives in electric and electronic equipment, combustion testing of materials.							●
Environmental consulting		Statutory environmental assessments, other consulting work covering survey and analysis of range of natural and living environments.							●

*4 Associated with purification of air. *5 Associated with reduction or prevention of hazardous substances. *6 Products and technologies associated with recycling.



A Wind power generator blades made using Torayca* carbon fiber
 B Seawater desalination plant using Romembra* reverse osmosis membrane
 C Airliner built from Torayca* prepregs, scheduled for launch in 2008
 D Bedding stuffed with Ecodear* plant-based fiber
 E Used uniforms can be recycled
 F Lumirror* ZV non-halogen fire-retardant PET film

Overview of Environmental Burden

Business activities		FY 2004	FY 2005	YoY (%)	Reference page
INPUT	OUTPUT Item				
	PRTR Law substances (tons)				31
	Atmospheric emissions	342	307	-10.2	
	Water emissions	26	32	+23.1	
	Waste transfers	1,056	972	+8.0	
	Greenhouse gases (10,000 tons; CO ₂)				32
	Six gases including CO ₂	246	237	-3.7	
	Air pollutants (tons)				34
	SO _x	3,364	2,991	-11.1	
	NO _x	2,462	2,308	-6.3	
	Dust	192	198	+3.1	
	Industrial wastewater (million tons)				
		180	177	-1.7	
	Water pollutants (tons) *1				35
	BOD	1,096	1,126	+2.7	
	COD _{Mn}	941	924	-1.8	
	Nitrogen	775	708	-8.6	
	Phosphorous	34	36	+5.9	
	Waste (thousand tons)				33
	Recycled	25.4	25.5	+0.4	
	Incineration and other	5.5	4.5	-18.2	
	Direct landfill disposal	1.3	1.2	-7.7	
	Coal ash (thousand tons)				
	Recycled	61.4	64.8	+5.5	
	Direct landfill disposal	0.4	0.4	0	

*1 BOD, nitrogen, phosphorous figures are totals for all 12 plants and one research laboratory; COD figures are the totals of 6 plants subject to Total Pollutant Load Control.

Business activities		FY 2004	FY 2005	YoY (%)	Reference page
INPUT	OUTPUT Item				
	PRTR Law substances (tons)				31
	Atmospheric emissions	370	259	-30.0	
	Water emissions	0	0	0	
	Waste transfers	1,058	1,284	+17.6	
	Greenhouse gases (10,000 tons; CO ₂) *1				32
	Six gases including CO ₂	33.7	38.8	+15.1	
	Air pollutants (tons)				34
	SO _x	36.5	42.9	+17.5	
	NO _x	83.9	82.4	-1.8	
	Dust	6.3	15.2	+141	
	Industrial wastewater (million tons)				
		11.1	11.4	+2.7	
	Water pollutants (tons) *2				35
	BOD	64.7	71.3	+10.2	
	COD _{Mn}	37.7	34.2	-9.3	
	Waste (thousand tons)				33
	Recycled	19.5	20.5	+5.1	
	Simple incineration and other	5.1	5.6	+9.8	
	Landfill disposal	1.6	1.3	-8.7	

*1 Greenhouse gas figures for FY 2004 were revised due to calculation mistakes at one company. *2 BOD figures are the totals of 24 plants at 17 companies; COD figures are the totals of 7 plants at 7 companies subject to Total Pollutant Load Control.

Business activities		FY 2004	FY 2005	YoY (%)	Reference page
INPUT	OUTPUT Item				
	PRTR Law substances (tons) *1				31
	Atmospheric emissions	445	450	+1.1	
	Water emissions	1	1	0	
	Waste transfers	924	902	+2.4	
	Greenhouse gases (10,000 tons; CO ₂)				32
	CO ₂	126	124	-1.6	
	Air pollutants (tons) *				34
	SO _x *2	4,803	2,924	-39.1	
	NO _x	1,699	1,489	-12.4	
	Dust	609	492	-19.2	
	Industrial wastewater (million tons) *				
		19.9	19.8	-0.5	
	Water pollutants (tons)				35
	BOD	647	581	-10.2	
	COD _{Cr} *3	3,915	3,845	-1.8	
	Waste (thousand tons)				33
	Recycled	6.6	8.8	+33.3	
	Simple incineration and other	11.5	6.4	-44.3	
	Landfill disposal	15.2	13.9	-8.6	
	Coal ash (thousand tons)				
	Recycled *4	15.5	14.3	-7.7	
	Direct landfill disposal	5.7	5.1	-10.5	

*1 Figures are totals for substances subject to Japan's PRTR Law. Atmospheric figures for FY 2004 were revised due to calculation mistakes at one company. *2 Figures are estimated as if all sulfur content in fuels is converted into SO₂. *3 COD figures are based on the potassium dichromate method (figures are based on the potassium permanganate method in Japan). *4 The amount sold as a resource is included.



Chemical Substance Emissions and Transfer Data

PRTR Law substance emissions and transfer data for FY 2005

Substance Name	Emission/Transfer (Tons; dioxins: mg-TEQ)			
	Atmospheric Emission	Water Emission	Soil Emission/Company Landfill	Waste Transfer
Methyl acrylate	4.7	0.6	0.0	0.0
Acrylonitrile	77.3	4.6	0.0	0.1
Acetaldehyde	7.9	0.0	0.0	0.0
Antimony and other compounds	0.0	0.0	0.0	0.2
Bisphenol-A type epoxy resin	0.0	0.0	0.0	20.8
Ethylbenzene	0.0	0.0	0.0	0.3
Ethylene glycol	1.1	0.0	0.0	54.7
Ethylene glycol monoethyl ether	5.0	0.1	0.0	2.7
ε-Caprolactam	0.0	15.4	0.0	104.8
Xylene	13.4	0.0	0.0	40.2
Silver and other water soluble compounds	0.0	0.0	0.0	1.2
o-Chlorotoluene	0.8	0.0	0.0	0.0
Chlorobenzene	3.6	0.0	0.0	71.6
Chloroform	4.0	0.0	0.0	34.5
Cobalt and other compounds	0.0	0.8	0.0	7.3
Inorganic cyanide	50.0	0.0	0.0	0.0
1,4-Dioxane	0.0	3.0	0.0	0.0
Diuron	0.0	0.0	0.0	1.1
o-Dichlorobenzene	0.0	0.0	0.0	1.4
p-Dichlorobenzene	1.4	0.0	0.0	0.0
Dichloromethane	2.0	0.0	0.0	4.7
N,N-dimethylformamide	11.9	3.6	0.0	28.0
Hydrargyrum	0.0	0.0	0.0	0.1
Styrene	25.6	0.0	0.0	1.7
Decabromodiphenyl ether	0.0	0.0	0.0	2.3
Terephthalic acid	0.0	0.0	0.0	481.1
Dimethyl terephthalate	0.0	0.0	0.0	1.6
Trichloroethylene	1.9	0.2	0.0	0.1
Toluene	3.3	0.0	0.0	45.0
Lead and other compounds	0.0	0.0	0.0	1.3
Nickel	0.0	0.2	0.0	0.0
Nitrobenzene	0.0	0.0	0.0	25.7
Pyridine	0.0	0.0	0.0	2.3
m-Phenylenediamine	0.0	2.2	0.0	0.0
Bromomethane	75.0	0.0	0.0	0.0
Benzene	0.1	0.9	0.0	0.0
Hexamethylenediamine	0.0	0.0	0.0	8.8
Boron and other compounds	0.0	0.0	0.0	1.0
Poly (oxyethylene) alkyl ether	1.3	0.0	0.0	0.3
Poly (oxyethylene) nonylphenyl ether	0.0	0.0	0.0	3.6
Formaldehyde	0.0	0.0	0.0	0.2
Manganese and other compounds	0.0	0.2	0.0	2.0
Methyl methacrylate	17.1	0.0	0.0	21.5
Dioxins	3.2	35.0	0.0	306.6
Total	307	32	0	972

Note: Of Toray's 59 PRTR Law substances, emissions or transfers of the above 44 substances exceeded 50kg.

Substance Name	Emission/Transfer (Tons; dioxins: mg-TEQ)			
	Atmospheric Emission	Water Emission	Soil Emission/Company Landfill	Waste Transfer
Ethyl acrylate	0.2	0.0	0.0	0.0
2,2'-azobisisobutyronitrile	0.3	0.0	0.0	10.7
Linear alkylbenzene sulfonate and other salts	0.0	0.0	0.0	0.2
Ethylbenzene	5.6	0.0	0.0	0.4
Ethylene oxide	0.5	0.0	0.0	0.0
Ethylene glycol	0.0	0.0	0.0	15.4
Ethylene glycol monoethyl ether	3.8	0.0	0.0	0.2
Ethylene diamine	0.0	0.0	0.0	0.1
Epichlorohydrin	0.2	0.0	0.0	5.2
Xylene	46.4	0.0	0.0	60.9
Chloroethene	0.0	0.0	0.0	0.1
Chlorobenzene	0.0	0.0	0.0	11.6
1,2-Dichloroethane	0.5	0.0	0.0	6.4
1,1-Dichloro-1-fluoroethane (HCFC-141b)	2.5	0.0	0.0	0.0
1,3-Dichloro-2-propanol	0.0	0.0	0.0	16.7
Dichloromethane	5.6	0.0	0.0	15.9
N,N-dimethylformamide	48.1	0.0	0.0	302.4
Decabromodiphenyl ether	0.0	0.0	0.0	0.2
Toluene	135.3	0.0	0.0	773.2
Lead and other compounds	0.0	0.0	0.0	1.4
Bis (2-ethylhexyl) phthalate	0.0	0.0	0.0	1.5
Poly (oxyethylene) alkyl ether	0.0	0.0	0.0	51.4
Formaldehyde	0.1	0.0	0.0	0.1
n-Butyl methacrylate	0.1	0.0	0.0	0.0
Methyl methacrylate	0.3	0.0	0.0	0.0
3-Methylpyridine	9.0	0.0	0.0	10.4
Dioxins	4.3	0.0	0.0	12.3
Total	259	0	0	1,284

Note: Of the 46 PRTR Law substances of Japanese subsidiaries and affiliates, emissions or transfers of the above 27 substances exceeded 50kg.

Environmental Data for Toray 12 Plants

All 12 Toray plants publish a site report each year. (Plant General Managers are as of August 2006.)



External Evaluation

Our Management Rated by the Sustainable Management Rating Institute

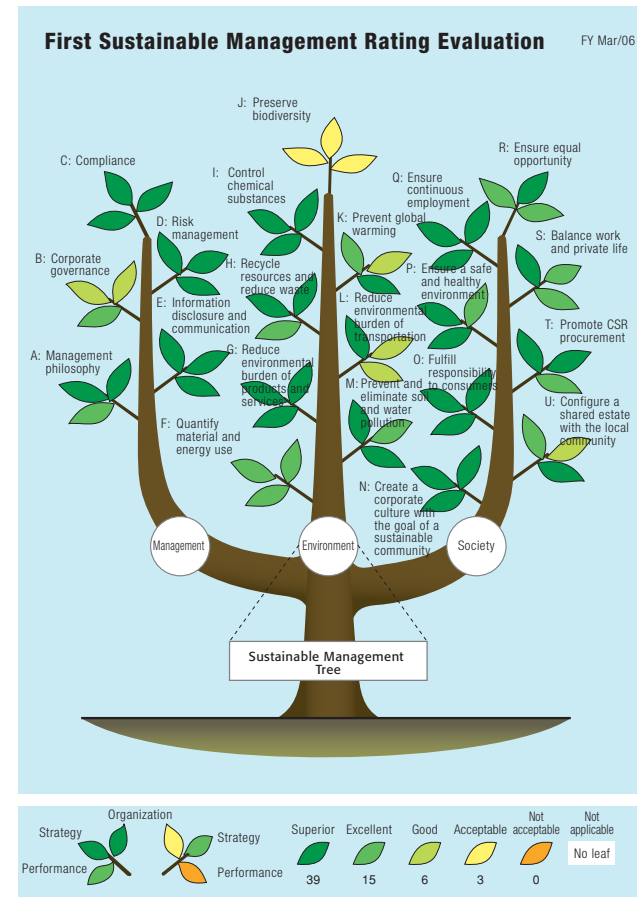
The Sustainable Management Rating Institute is an associate organization to the non-profit Sustainable Management Forum of Japan, and has conducted the Environmental Management Rating since FY 2002. After FY 2005 it was developed as the Sustainable Management Rating that evaluates the contribution of a corporation to the configuration of a sustainable society.

Toray Group participated in the evaluation of the rating in FY 2003 (second year of the program) and received the third year evaluation in FY 2005.

It is illustrated as the Sustainable Management Tree consisting of three large branches of management, environment and society, with each branch consisting of five, eight and eight small branches, respectively, forming a total of 21 small branches. Then, each small branch has the three items leaves of strategy, organization and performance. The overall result is a total of 63 evaluation leaves. The evaluation is divided into a dark green indicating a superior rating, standard green an excellent rating, pale green a good rating, yellow an acceptable rating, and brown a "not acceptable" rating based on the evaluation scores (maximum score is 100%).

The overall results of the evaluation for FY 2005 were improved compared to that in FY 2004, in particular due to improvements in social aspects. The number of leaves indicating an acceptable rating (red in FY 2004, yellow in FY 2005) was seven in FY 2004, but decreasing to three this fiscal year.

Corresponding to needs in society, Toray Group is committed to improve its CSR activities by making good use of such external ratings.



CSR Ranking

Various media organizations have conducted evaluations and rankings of corporations from the standpoint of CSR.

The diagram to the right presents evaluation results for Toray Group.

Names of media	Date published	Name of ranking	Toray ranking
Weekly Toyo Keizai	January 28, 2006	First CSR management general ranking	10th place
Newsweek, Japan	June 21, 2006	Global corporate ranking "Newsweek Global 500" CSR + financial achievement "Excellent Companies 500"	150th place (32nd among Japanese corporations)

Status of Toray Stocks Incorporated into "Socially Responsible Investment Funds"

Socially Responsible Investment aims at stable profits by identifying and evaluating a corporation, not only based on its traditional financial analysis, but also from the social, ethical and environmental standpoints of CSR including corporate governance, compliance with laws, employment issues, human rights, consumer response, and contribution to society and local areas.

Socially responsible investment funds select corporations to be included in their portfolios based on various studies. Toray Group actively responds to these study results and has the goal of incorporating its stocks into those funds. The table to the right lists socially responsible investment funds in Japan which include Toray stocks into their portfolios.

The stock index of Toray created from the stock values of a corporations selected from the standpoint of CSR is adopted in the Morningstar Socially Responsible Index (MS-SRI) targeted at Japanese stocks and the KLD Global Climate 100 Index targeted at global stocks.

Names of Funds	Popular name	Operating companies
AIG-SAIKYO Japan CSR Fund	Suiren	AIG Global Investment Corp.
AIG/Risona Japan CSR Fund	Seijitsu no Mori	AIG Global Investment Corp.
AIG-Hirogin Japan Stocks CSR Fund	Class G	AIG Global Investment Corp.
UBS Global Equity 40	—	UBS Global Asset Management (Japan) Ltd.
Asahi Life SRI Social Contribution Fund	Asu no Hane	Asahi Life Asset Management Co., Ltd
STB SRI Japan Open	Good Company	STB Asset Management Co., Ltd.
Fukoku SRI Fund	—	Shinkin Asset Management Co., Ltd.
Chikyuryoku	—	Shinko Investment Trust Management Co., Ltd.
Daiwa SRI Fund	—	Daiwa Asset Management Co., Ltd.
Daiwa Eco Fund	—	Daiwa Asset Management Co., Ltd.
Nikko Eco Fund	—	Nikko Asset Management Co., Ltd
Japan SRI Open	Kizuna	Japan Investment Trust Management Co., Ltd.
Morningstar SRI Index Open	Tsunagari	Nomura Asset Management Co., Ltd.
Eco Balance	Umi to Sora	Sumitomo Mitsui Asset Management Co., Ltd.
Eco Partners	Midori no Tsubasa	Mitsubishi UFJ Asset Management Co., Ltd.
Mitsubishi UFJ SRI Fund	Family Friendly	Mitsubishi UFJ Asset Management Co., Ltd.

Investigated based on operational reports and hearings as of July 2006

Third Party Opinions

Third Party Comments on Toray Group's CSR Annual Report 2006

To Mr. Sadayuki Sakakibara,
President, CEO & COO
Representative Director
Toray Industries, Inc.

A network firm of
PricewaterhouseCoopers

This is an English translation of MISUZU Sustainability Certification's third party comments of the Japanese version of Toray Group's "CSR Annual Report 2006".

September 1, 2006

The objective of these comments is to express our independent view on the features, achievements, developments and direction of Toray Group (hereafter, "the Group")'s approach towards social and environmental issues as well as the reporting of the significant corporate activities in such areas contained in the "CSR Annual Report 2006" (hereafter, "the Report"). Our comments are based on the following procedures:

1. Interview with Mr. Norihiko Saitou, Managing Director
2. Interview with the members of CSR Secretariat
3. Examination of the final Japanese draft of the Report

1. Development of a Plan for CSR Line Activities

Based on the establishment of the CSR Guidelines and Action Programs in fiscal year 2004, CSR initiatives, mainly driven by CSR implementation leaders, were undertaken in fiscal year 2005. Such initiatives include identifying material stakeholders and issues for each department, planning CSR line activities, and implementing education and trainings given by CSR implementation leaders and participated in by all employees. In this way, involvement of each and every employee leads to enhancing the feasibility of the plans, and enables its employees to reaffirm the importance of incorporating CSR perspectives into their daily business activities. In fiscal year 2006, the Group will enter a phase to fully execute the plans. We expect that site level CSR initiatives, such as holding active and continuous discussions at each department about the execution results, will be designed to have further significance.

2. Perspective on Accountability and Information Disclosure

The Group regards accountability as efforts to obtain input from stakeholders, embed voices of the society into the management, and give an explanation on such processes and outcomes in a transparent manner. The progress of these efforts should be clearly described next. International guidelines such as the AA1000 Series, which provide guidance on accountability and stakeholder engagement, have been established recently, and have led to the building of a common perception on the assessment of CSR initiatives. We believe the Group's CSR initiatives will be further enhanced by evaluating its practices by both internal and external experts, sharing feedback obtained through these evaluations within the Group, and disclosing such results to external parties.

3. An Understanding of Greenhouse Gas Emission Data

The Group sets specific targets to reduce greenhouse gas (GHG) emissions and makes efforts to accelerate the schedule. It is expected that some kind of regulations will be imposed in the future, which may lead to the further raising of investors' interests. Against this backdrop, strategic group-wide initiatives are more necessary than ever.

A good understanding of GHG emission data is crucial for taking proper GHG measures, as reliable data represents the results of the Group's activities taken to date, and enables it to articulate its progress towards achieving emission reduction targets. To this

end, there may be an increasing necessity to review the current status of the data collection structure and accuracy of the emission data included in the Report, with a view to utilizing external experts for data improvement.

4. Expansion of Environmentally-friendly Products and Disclosure of its Effects

The Group is committed to promoting environmentally-friendly products. Under this commitment, the Group sets and discloses a target for fiscal year 2010 to sell more than double the sales of such products compared to fiscal year 2005. In addition, a clear definition of environmentally-friendly products, adopting an LCA perspective, is given in the Report. The Report also describes the reduction of the environmental burden generated from the use of its environmentally-friendly products, and introduces specific reduction data of some products.

Collecting and disclosing information on the positive effects of environmentally-friendly products is an effective tool to demonstrate its efforts towards reducing its environmental burden, while expanding their businesses. Further development in information disclosure is expected in the future.

5. Initiatives for Advancement of Women

In fiscal year 2004, the Group initiated an Advancement of Women Project, which encouraged activities including the holding of seminars and lectures and the planning of a project to collect career development examples.

Creating a working environment free of gender issues is a major challenge faced by companies worldwide. Taking into greater consideration human rights and a better working environment, identification of specific targets and continuous evaluation of the progress and effectiveness of the activities will be essential. While the Group discloses the proportion of females in management positions, we suggest the proportion be used as a Key Performance Indicator (KPI), an indicator that clarifies the progress of the activities and level of goal attainment, as well as an indicator disclosed in the Report.

※These comments DO NOT express any of our views and/or opinions on the effectiveness and/or reliability of the processes used to collect and report the data and information included in the Report.

MISUZU Sustainability Certification Co., Ltd.
(MISUZU Audit Corporation Group)



Global Reporting Initiative Guidelines Reference Chart

Item	Guideline	CSR Report Page
Vision and strategy		
1.1	Statement of the organization's vision and strategy regarding its contribution to sustainable development.	4-5, 7, 10
1.2	Statement from the CEO describing key elements of the report.	4-5
Profile on reporting organization		
2.1	Name of reporting organization.	2
2.2	Major products and services.	8-9, 58-59
2.3	Operational structure of the reporting organization.	6
2.4	Description of major divisions, operating companies, subsidiaries, and joint ventures.	3
2.5	Countries in which the organization's operations are located.	3, 6
2.6	Nature of ownership (legal form).	2
2.7	Nature of markets served.	6
2.8	Scale of the reporting organization.	6
2.9	List of stakeholders.	42-43
2.10	Contact person(s) for the report.	Back cover
2.11	Reporting period for information provided.	2
2.13	Scope of the report.	2-3
2.14	Significant changes that have occurred since the previous report.	n/a
2.15	Basis for reporting situations that can significantly affect comparability.	n/a
2.16	Nature, effect and reasons for any re-statements.	n/a
2.17	Decisions not to apply GRI principles or protocols in the preparation of the report.	2 (Refer to GRI)
2.18	Criteria and definitions used in any accounting for economic, environmental, and social costs and benefits.	29
2.19	Significant changes since issuing previous reports in the measurement methods applied to key economic, environmental, and social information.	n/a
2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability that can be placed on the sustainability report.	2, 65-66 Best effort to cover guideline items, Third Party Opinions section
2.21	Policy and current practice with regard to providing independent assurance for the full report.	
2.22	Means by which report users can obtain additional information and reports about economic, environmental, and social aspects of the organization's activities, including facility-specific information.	2
Governance structure and management systems		
3.1	Governance structure of the organization, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organization.	22-23
3.2	Percentage of the board of directors that are independent, non-executive directors.	22
3.4	Board-level processes for overseeing the organization's identification and management of economic, environmental, and social risks and opportunities.	22, 40-41
3.6	Organizational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies.	22-23, 24, 26-27, 38-39, 48
3.7	Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental, and social performance and the status of implementation.	2, 5, 11, 38, 39, 42, 47, 52, 54
3.8	Mechanisms for shareholders to provide recommendations or direction to the board of directors.	44
3.9	Basis for identification and selection of major stakeholders.	5, 42-45
3.10	Approaches to stakeholder consultations.	42-45
3.11	Type of information generated by stakeholder consultations.	42-45
3.12	Use of information resulting from stakeholder engagements.	42-45
3.13	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	30, 37, 40-41
3.14	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives to which the organization subscribes or which it endorses.	2
3.15	Principal memberships in industry and business associations and national and international advocacy organizations.	2
3.16	Policies and systems for managing upstream and downstream impacts, including supply chain management as it pertains to outsourcing and supplier environmental and social performance; and product and service stewardship initiatives.	52-53 39
3.17	Reporting organization's approach to managing indirect economic, environmental, and social impacts resulting from its activities.	46-47, 52-53
3.18	Major decisions during the reporting period regarding the location of, or changes in, operations.	n/a
3.19	Programs and procedures pertaining to economic, environmental, and social performance.	10, 22, 24, 26, 38, 40, 42, 46, 48, 52, 54
3.20	Status of certification pertaining to economic, environmental, and social management systems.	27, 39

● indicates essential items and indicators. ● indicates optional indicators

GRI: Global Reporting Initiative

An international NGO, headquartered in Amsterdam, Holland, whose mission is to establish and promote the Sustainability Reporting Guidelines

Item	Guideline	CSR Report Page
Economic performance indicators		
EC1	Customers Net sales	6
EC2	Geographic breakdown of markets.	6
EC10	Public sector Donations to community, civil society, and other groups	54
Environmental performance indicators		
EN3	Energy Direct energy use	60
EN4	Indirect energy use	
EN5	Water Total water use	60
EN20	Water sources and related ecosystems and habitats significantly affected by the reporting organization's use of water	(30)
EN8	Emissions, effluents, and waste Greenhouse gas emissions. (CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆)	32, 60
EN9	Use and emissions of ozone-depleting substances.	(30)
EN10	NOx, SOx, and other significant air emissions.	31, 34-35, 60-61, 62-63
EN11	Total amount of waste by type and treatment method.	33, 60-61, 62-63
EN12	Significant discharges to water by type.	60, 62-63
EN13	Significant spills of chemicals, oils, and fuels in terms of total number and total volume.	30
EN33	Suppliers Performance of suppliers relative to environmental components of programs and procedures described in response to Section 3.16.	53
EN14	Products & Services Significant environmental impacts of principal products and services.	12-13, 14-15, 58-59
EN16	Compliance Obligations and penalties for violating environmental regulations.	30
EN34	Transport Significant environmental impacts of transportation used for logistical purposes.	36
EN35	Overall Total environmental expenditures by type.	29
Social performance indicators		
LA1	Employment Breakdown of workforce.	6
LA12	Employee benefits beyond those legally mandated.	50
LA4	Labor and employee-employer relation Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organization's operations.	23
LA6	Health and safety Formal joint health and safety committees comprising management and worker representatives.	24, 35
LA7	Standard injury, lost day, absentee rates and number of work-related fatalities.	37
LA9	Training & Education Average hours of training per year per employee by category of employee.	(49)
LA16	Description of programs to support the continued employability of employees and to manage career endings.	49
LA17	Specific policies and programs for skills management or for lifelong learning.	49
LA10	Diversity & Opportunity Description of equal opportunity policies or programs, as well as monitoring systems to ensure compliance and results of monitoring.	50-51
LA11	Composition of senior management and corporate governance bodies.	50
HR1	Strategy & Management Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations.	11, 48
HR2	Evidence of consideration of human rights impacts as part of investment and procurement decisions.	52-53
HR3	Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors.	52-53
HR8	Employee training on policies and practices concerning all aspects of human rights relevant to operations.	48
HR4	Non-discrimination Description of global policy, procedures, and programs preventing all forms of discrimination in operations.	48
HR6	Child labor Description of policy excluding child labor and of procedures and programs to address this issue.	48, 52-53
HR7	Forced labor Description of policy to prevent forced and compulsory labor and of procedures and programs to address this issue.	48, 52-53
HR9	Disciplinary practices Description of appeal practices.	25
HR10	Non-retaliation policy and effective, confidential employee grievance system.	25
S01	Community Policies to manage impacts on communities in areas affected by the organization's activities and procedures and programs to address this issue.	11, 54
S04	Awards relevant to social, ethical, and environmental performance.	56-57
S07	Competition & Price setting Description of policy, procedures, management systems, and compliance mechanisms for preventing anti-competitive behavior.	11, 25
PR1	Customer health & Safety Policy for preserving customer health and safety during use of products and services and procedures and programs to address this issue.	38-39
PR2	Products & Services Policy for procedures, management systems and compliance mechanisms related to product information and labeling.	38-39
PR8	Corporate policy, procedures, management systems, compliance mechanisms for customer satisfaction	43
PR3	Respect for privacy Policy, procedures, management systems, and compliance mechanisms for consumer privacy.	41

Chronology of CSR Initiatives

Toray has maintained good relations between labor and management since its founding and has developed a corporate culture with a social emphasis. Company-wide safety, accident prevention, and environmental preservation efforts have also become deeply embedded in its corporate culture.

Toyo Rayon Co., Ltd. founded	1926	
Toyo Rayon Health Insurance Association established	1940	
Toyo Rayon Labor Union Federation established	1946	
Monthly company magazine <i>Toray Newsletter</i> first published (name changed to <i>People</i> in April 1986)	1953	
Company creed "Toyo Rayon serves society" adopted	1955	
Pension plan established	1956	
Central Production Committee convenes (reorganized into the Labor and Management Council in 1965)	1958	
Toyo Rayon Science Foundation established (now the Toray Science Foundation)	1960	
English annual report first published	1965	Accident Prevention Technology Section established (now the Environment & Safety Department)
Mandatory retirement age of 60 adopted	1966	
	1969	Environmental Pollution Prevention Committee established (now the Safety, Health, and Environment Committee)
Company name changed to Toray Industries, Inc.	1970	Environment Technology Section established at all Toray plants (now the Environment & Safety Section)
	1973	Environment Management Regulations and Basic Policy for Greening adopted; plant greening work started
Five-day workweek implemented	1974	Accident prevention and safety inspections of chemical plants started (expanded to all plants in 1984)
Child care leave of absence system established		Occupational Safety and Health Management Regulations enacted
	1976	Accident Prevention and Safety Management Regulations enacted
	1979	Chemical Substance Safety Management Guideline enacted
Toray Welfare Society established	1980	Standard for the Prevention of Earthquake Disasters established
	1981	Energy Technology Department established
	1982	First Company-wide Grand Safety Meeting held, Product Safety Management Regulation enacted
	1983	First Energy Conservation Technology Presentation Meeting held
	1984	Environment, Accident Prevention, Safety, and Health Assessment system established at the equipment planning stage
		First Monday of each month established as a company-wide Safety and Accident Prevention Day
Corporate Philosophy, "contributing to society through the creation of new value by innovative ideas, technologies, and products," adopted	1986	
English language version of company magazine <i>People</i> first published	1989	Mutual inspections of safety and accident prevention start at Japanese subsidiaries and affiliates.
Admitted into Keidanren's 1% Club	1990	First Grand Safety Meeting of Domestic Subsidiaries and Affiliates held Industrial Waste Reduction Project started
	1991	Global Environment Committee and Product Safety Committee established
		Global Environment Research Laboratory established (now Global Environment Research Laboratories)
Started shortening scheduled working hours with the goal of 1,800 hours	1993	Safety, health, accident prevention, and environmental audits start at Toray plants
Toray Science Foundations established in Indonesia and Malaysia		
Toray Science Foundation established in Thailand	1994	Safety, Health, Accident Prevention, and Environment Conference and Product Safety Conference created for Japanese subsidiaries and affiliates
		Purchase and manufacturing use of certain chlorofluorocarbons abolished
Management Philosophy (Corporate Philosophy, Corporate Missions, and Guiding Principles) adopted	1995	Joined Japan Responsible Care Council as a founding member
Involved in establishing the Ecological Life and Culture Organization		Safety, health, accident prevention, and environmental audits start at overseas subsidiaries and affiliates
Toray Human Resources Development Center opens, Toray Europe Labor and Management Council established	1996	
Human Rights Promotion Committee established		
Corporate Ethics Committee established	1997	
	1998	Safety, health, accident prevention, and environmental audits start at Japanese subsidiaries and affiliates
		Safety, Health, Accident Prevention, and Environment Conference and Product Safety Conference created for overseas subsidiaries and affiliates
	1999	<i>Environmental Report</i> published
		Second Waste Reduction Plan prepared
		Toray Grope Domestic Grand Safety Meeting held (first Group meeting)
2000		Three-Year Environmental Plan started, Ten Basic Environmental Rules adopted
		Toray Group Environmental Management Standards established, environmental accounting results for FY 1999 announced
		All 12 Toray plants acquire ISO14001 certification
Reemployment system introduced	2001	Recycling Committee established
Compliance Committee established	2002	
CSR Committee established	2003	Second Three-Year Environmental Plan started
CSR Guidelines and Action Programs adopted	2004	<i>CSR Annual Report</i> published
CSR-Line Activity started	2005	<i>CSR Report</i> published