

Sustainable Management System

We at Toray Group believe a company is a public institution for the public good. Therefore, we run our business based on a long-term perspective. The word “Chemistry” in our corporate slogan “Innovation by Chemistry” has two meanings. The obvious one is the science that forms the basis for the advanced materials that we supply. The other is rapport. We will work to realize a sustainable society by maintaining good rapport and cooperation with everyone involved with Toray—customers, employees, stockholders, business partners, and people in the local community. It is our mission to create a global group with high inherent value that is ready to take on global social issues related to our environment, resources and energy.

Principal SRI indexes in which Toray is included

- DJSI Asia Pacific
- MSCI ESG Indexes
- Ethibel Pioneer & Excellence Registers
- Morningstar Socially Responsible Investment Index
- Euronext Vigeo World 120 Index
- SNAM Sustainability Indices

(as of March 31, 2017)

Contributing to a Sustainable Society

The world is facing increasing challenges. We believe it is our public duty to help address social issues, such as increasing global warming, food and water scarcity due to population increases, sustainability of resources and energy, and uncertainty over security and health.

As the foundation of products, materials have the power to bring about fundamental transformations in society. We believe we can help realize a sustainable society and fulfill our social responsibilities in a way that is only possible for Toray: by producing original materials that bring new value to the world. This is based on our corporate philosophy of "contributing to society through the creation of new value with innovative ideas, technologies and products."

Social Role as a Manufacturer of Advanced Materials

Toray's carbon fiber composite materials are making aircraft and automobiles lighter. This is helping to drastically reduce CO₂ emissions and bringing low-carbon societies closer to becoming a reality. Toray's advanced materials can also make a major contribution to the renewable energy field, such as carbon fiber for wind turbine blades and battery separator films for lithium-ion secondary batteries.

To realize a recycling-oriented society we must overcome water resource issues. Our membrane separation technology, developed over many years, can help resolve water scarcity by enabling seawater desalination and wastewater treatment.

We are pushing forward with research and development to improve so-

ciety's health and welfare. We will thus maximize the utilization of our advanced materials and core technologies to wrestle with the rising costs of medical care and ageing populations.

Our role as a basic materials manufacturer is to constantly develop innovative materials for society. This will also drive our sustainable growth.

Achieving Sustainable Corporate Growth

At Toray we want to grow sustainably and make significant progress with our advanced materials globally under our long-term corporate vision, "AP-Growth TORAY 2020" (Vision 2020). We have established a new medium-term management program, "Project AP-G 2019," starting in fiscal 2017 (year ending March 2018), as the third stage in achieving this long-term vision. One of the basic strategies of this is business expansion in growth business fields. Under this we are working on two group-wide projects, Green Innovation Business Expansion (GR) Project and Life Innovation Business Expansion (LI) Project. Through these we are working to solve critical issues relating to the global environment, resources, and energy, as well as to enhance the quality of medical care and contribute to health and longevity.

Sustainable growth is essential for a company to survive for more than a century. Numerous factors are needed to maintain sustainable growth. We must develop diverse human resources and partnerships, domestically and abroad, and maintain a competitive advantage based on proprietary technological capabilities and intellectual property strategies. It is also vital we, as members of society, maintain good relations with all stakeholders.

We, at Toray Group, will achieve sus-

tainable growth founded on principles. As a materials manufacturer, we will manage our Group based on trustworthiness, fairness, and transparency, while always maintaining thorough product safety and quality, and safety, accident prevention, and environmental preservation. This is because we believe that we are a public institution with a duty to make valuable contributions to society and the public good.

Sustainable Management System

Stakeholder Engagement

Toray Group has established Basic Policies to Promote Dialogue with Stakeholders. We are proactively communicating with various stakeholders in all aspects of our corporate activities.

Engaging with Shareholders and Investors

The Group actively communicates with institutional investors and securities company analysts by providing information materials when requested and holding same-day results briefings when quarterly earnings are announced. The Group also provides a wide variety of information about management policy and strategy as well as financial and earnings information through its annual report, IR materials, and information pages on its website for stockholders and investors. In fiscal 2016, Toray held four results briefings and held 646 meetings with investors and analysts.

Engaging with Customers

Toray believes that the customer comes first. We closely communicate with our customers, mainly through our sales departments, and periodically conduct customer satisfaction surveys. The results of these surveys are shared internally at Board meetings and through in-house newsletters as we strive to provide even higher quality customer service.

Engaging with Business Partners

While providing materials and products as a manufacturer of advanced materials, Toray Group must engage in upstream management of its supply chains to better fulfill the needs of its customers, including the areas of production facilities and procured raw materials and resources. Accordingly, the Group has established its Basic Purchasing Policies to emphasize this approach and ensure fair purchasing practices.

Toray's Basic Distribution Policies emphasize environmental preservation and continuous work to improve quality and reduce environmental impact from transportation, together with fair and equitable transactions. Together with our business partners we are working toward more secure supply chain management.

Engaging with Employees

The Group communicates with employees through in-house newsletters, intranet, company-wide bulletin boards and other media. To share information and deepen understanding of management and business topics, messages from the President, Japanese, English, and Chinese versions of in-house newsletters, and explanations of management and business topics and projects are made available via all types of media.

Engaging with the Mass Media

Toray recognizes that public relations and corporate communication activities have a role in fulfilling responsibilities for information disclosure as well as influencing public opinion. Accordingly, Toray's Corporate Communications Department reports directly to the president, and actively engages with a wide range of media organizations, acting as the public's point of contact with the Company. Based on Toray's Information Disclosure Principles, the department provides fair and impartial information, even if it may cast the Company in a bad light, in a timely and appropriate manner. In fiscal 2016, the Company issued 187 press releases and responded to 289 media requests for information.

Engaging with Local Communities

Toray Group strives to engage in more active dialogue with nearby residents in a variety of settings, including participating in events sponsored by local governments and inviting local residents onto factory grounds for summer festivals.

Following the Toray Group Social Initiatives Policies, we aim for our social contribution activities to contribute to sustainable development while meeting the expectations of local communities. We are proactively improving science and technology in various countries. We contribute through our Toray Science Foundation in Japan and similar foundations in Malaysia, Thailand and Indonesia. We also actively promote sports in Asia by co-sponsoring the Shanghai International Marathon.

Retaining and Nurturing Employees who Generate New Value

The success or failure of a company is decided by its people—employees shape its destiny. Guided by this concept, Toray Group considers securing and developing outstanding human resources as one of its most important tasks and a fundamental management priority. As part of future global business development, Toray Group will continue to secure and develop human resources that operate on a global level with a strong sense of commitment. Based on the following four goals, Toray Group is promoting human resource development.

- Development of fair-minded individuals who act with high ethical standards and a sense of responsibility
- Training of professionals with advanced expertise, technical skills and originality in problem solving
- Development of leaders who act with foresight and a sense of balance
- Development of leaders and professionals who can competently compete on a global level

To achieve these goals, Toray Group conducts various kinds of training programs tailored to each of the four goals. These programs are systematic and logically organized, and they are offered to employees of all levels working in every field in the Group. With a view to strengthening international operations, Toray Group has designed the training to improve management capabilities, sales performance, production technical skills, and specialized skills.

Respect for Human Rights

Toray Group believes that respect for human rights is a mandatory principle for corporate management, without which it would not be possible to engage in corporate activities while building positive relationships with stakeholders. Toray Group works to promote and raise awareness of human rights, and, in its Corporate Ethics and Legal Compliance Code of Conduct, outlines the importance of respecting human rights. Discrimination of any kind based on race, creed, skin color, gender, religion, nationality, language, physical characteristics, possessions, place of birth, or any other personal characteristic is strictly forbidden in every process—from recruiting and hiring to work placement, compensation, training, and retirement. In fiscal 2014, the Group expanded this commitment to address discrimination based on gender identification and sexual orientation.

Internationally, Toray Group takes stringent measures to comply with the related laws and regulations of each country in which it operates. Furthermore, the Group respects international standards including the United Nations Universal Declaration of Human Rights and the International Labour Organization's standards prohibiting all forced labor and child labor. Toray Group makes every effort to prevent it from becoming complicit in human rights abuses.

We hold human rights promotion campaigns annually, promoting a better understanding about preventing sexual harassment, power harassment and maternity harassment. The campaigns also address lesbian, gay, bisexual, and transgender (LGBT) issues (i.e., sexual minorities).

Promoting Diversity

Toray Group is committed to promoting employee diversity to help build thriving workplaces where each individual's abilities can flourish. We believe this is key to sustainable growth. We are employing personnel regardless of nationality not only at our Group companies around the world but also at our headquarters in Japan, in line with the trend of increasing globalization.

We are currently actively promoting female employees to managerial positions and improving the working conditions of our female employees. We are also expanding our employment of people with disabilities and re-employment of retirees (60 and older). Moreover, we are working to improve the work-life balance of our employees. We are improving and expanding our welfare and child care support systems, as well as reducing overtime hours and encouraging use of paid leave.

Sustainable Management System

Environmental Management Initiatives

Promotion of LCM-based Environmental Management

To solve global environmental problems, it is vital that we address these problems across the entire life cycle of products and services. Thereby reducing their environmental footprint while also improving their economic and social value. To this end, Toray Group promotes lifecycle management (LCM).

This approach is the foundation of Toray's Green Innovation Businesses. Toray Group has adopted LCA*¹ methods and the Toray Eco-Efficiency Analysis (T-E2A)*² tool to promote and entrench LCM.

*1 Life cycle assessment: Assessment of environmental impacts taking into account the entire life cycle of products and services—from resource extraction to manufacturing, use, and disposal.

*2 Toray Eco-Efficiency Analysis (T-E2A): Environmental analysis tool developed by Toray. It produces a map of multiple products plotted along the axes of environmental impact and economic performance, enabling users to select the most environmentally friendly and economical products.

Initiatives to Conserve Energy and Efforts against Global Warming

Toray Group was an early adopter of greenhouse gas (GHG) emissions reduction initiatives in order to help realize sustainable, low-carbon societies. In fiscal 2016 we announced our Fifth Medium-term Environmental Plan, under which we are systematically conserving energy by improving our processes and installing gas cogeneration systems, among other initiatives.

Voluntary Reduction in Atmospheric Emission of Chemical Substances

Since we are engaged in the chemicals business, Toray Group believes that the reduction of environmental impacts, including release of chemical substances into the atmosphere, is one of its most important priorities.

We are actively reducing emissions. Our Fifth Medium-term Environmental Plan (fiscal 2016 to fiscal 2020) sets out our targets for such initiatives, particularly for substances covered by the PRTR law and volatile organic substances (VOCs).

Initiatives to Prevent Air and Water Pollution

Toray Group has ongoing environmental protection initiatives in place at its production facilities. The Group will focus efforts on reducing sulfur oxide (SOx) emissions by installing desulfurization systems and converting to alternative fuels, as well as on lowering chemical oxygen demand (COD) levels by expanding our wastewater treatment facilities and other measures.

Water Resource Management Initiatives

Toray Group, through its water treatment business, is addressing water resource issues around the world. The Group also takes steps to ensure the proper management of water resources used in its business activities, including using recycled water to enhance water usage efficiency.

Toray Group practices the 3Rs (reduce, reuse, recycle) in consuming water resources, and monitors the quality of water that is released into public bodies of water.

Initiatives to Reduce Waste

Toray Group recognizes the importance of effectively utilizing resources and facilitating zero emissions in creating a sustainable, recycling-oriented society. We have set group-wide targets toward attaining zero emissions and are making steady progress toward our various numerical goals for our ratios of directly disposed waste, landfill, and recycling.

Biodiversity Initiatives

Toray Group recognizes the protection of biodiversity as an important theme in its initiatives for reducing greenhouse gases and confronting global environmental problems. We aim to help realize a sustainable society by analyzing the impact of our business activities on biodiversity.

Based on the Toray Group's Biodiversity Initiatives, we have been formulating three-year road maps and implementing measures in order of priority.

The plants of Toray industries, Inc. and its affiliated companies in Japan operate greenery policies and plans through 2020, guided by the Toray Group Basic Policy for Increasing Green Areas. The plans encompass initiatives to conserve green areas, including natural forests*³ that have been protected since the plants began operating. Sustainable greenery conservation initiatives also help to conserve the environment for communities.

We periodically conduct a survey to determine the usage of bio-based raw materials in product manufacturing. We also incorporated into our management rules a process for checking for impact on biodiversity, while also looking to conserve biodiversity through our social contribution activities.

*3 Natural forests: Natural groves or forestation formed of vegetation native to that area

Sustainable Management System

Corporate Governance

Basic Policy

From the outset, one of Toray Group's managerial principles has been that the purpose of a company is to contribute to society. The Group has developed a Management Philosophy that incorporates this principle. The Group systematizes the Management Philosophy as a Corporate Philosophy, Corporate Missions, and Corporate Guiding Principles. Among these, the Corporate Missions call for desirable relationships with stakeholders and enunciate the Group's commitment "To provide our stockholders with dependable and trustworthy management." In addition, the Corporate Guiding Principles stipulate the Group's commitment to "Obtaining the trust of society and meeting the expect-

tations by acting fairly while maintaining high ethical standards and a strong sense of responsibility and maintaining transparency in management."

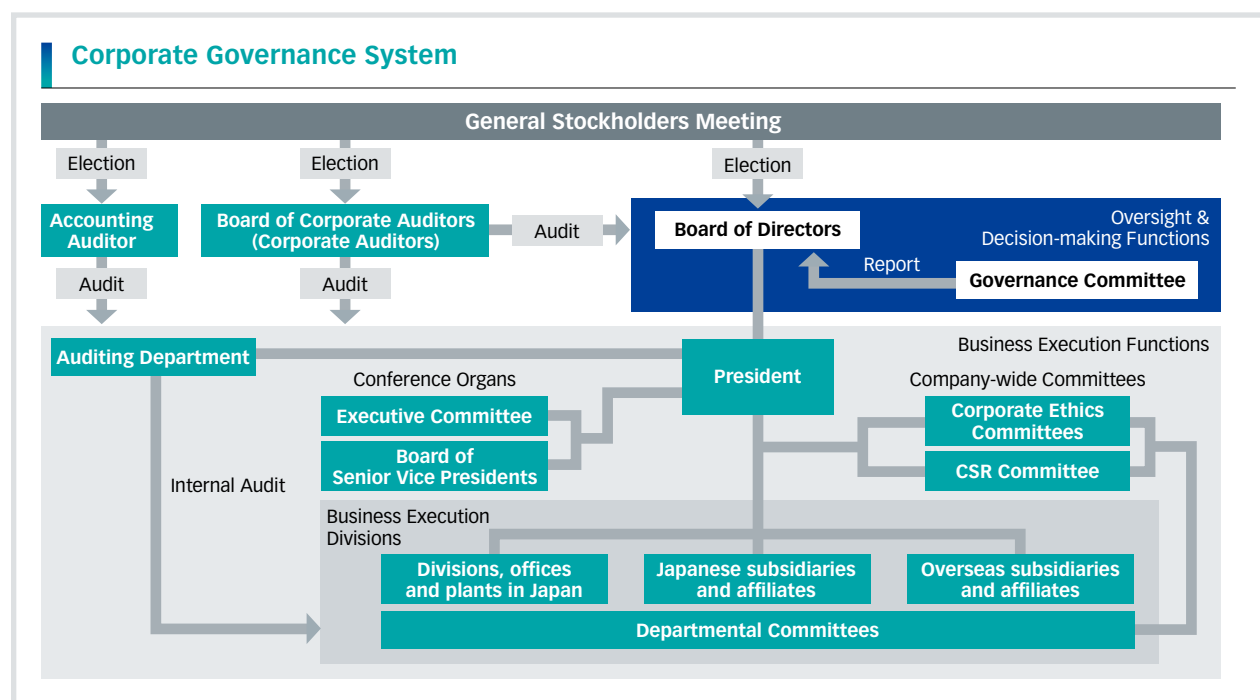
When establishing the corporate governance structure, the Group seeks to realize these philosophies as its basic policy.

Systems for Executing and Supervising Management

Toray is a company with a Board of Corporate Auditors, and the members of the Board and corporate auditors are elected at the general meeting of stockholders. Members of the Board and corporate auditors, as officers directly elected at the general meeting of stockholders, clearly recognize their fiduciary responsibility to stockholders, who have

entrusted them with management. They seek to appropriately fulfill their respective roles while fulfilling their duty to report on management status to stockholders and other stakeholders.

Toray's Board of Directors consists of 25 members. Since Toray Group supplies materials to a wide range of industries and globally plays an active part in a broad scope of business fields, it is necessary to evaluate various risks multilaterally based on expertise relevant to worksites, not only for management judgment and decision-making but also for oversight. To that end, the Board of Directors formulates a structure in which members of the Board familiar with Toray Group businesses oversee management and make decisions from various viewpoints. Meanwhile, Toray also elects two outside directors to the board to ensure



Toray Group's Management Philosophy: <http://www.toray.com/aboutus/philosophy.html>

Toray Group's Basic Policy on Corporate Governance: http://www.toray.com/aboutus/governance/gov_001.html

transparency and fairness, to ensure oversight from an even broader perspective, and to obtain appropriate managerial advice from a medium- to long-term perspective. Furthermore, the Board of Corporate Auditors oversees the execution of operations by members of the Board based on professional knowledge in fields such as finance, accounting and law in addition to an understanding about businesses, from a standpoint entirely independent of the Board of Directors as a system to secure transparency and fairness of oversight and decision-making.

Toray has established the Governance Committee, as an advisory body to the Board of Directors in order to report on important medium- to long-term issues regarding our corporate governance. The Governance Committee consists of the Chairman of the Board, President, and all of the outside directors of Toray. An outside director chairs the committee. The Committee deliberates on matters regarding the Company's overall corporate governance, including:

- Structure of the Board of Directors and the Board of Corporate Auditors
- Evaluation of the management and

operation of the Board of Directors

- Policy on nominating candidates for members of the Board and corporate auditors
- Remuneration system for members of the Board and corporate auditors
- Basic policy on electing the senior management, including the President

Election of Outside Directors

At Toray, we ensure objectivity and transparency of corporate governance by establishing and disclosing standards for independence of outside directors and outside corporate auditors. Toray's outside directors and outside corporate auditors meet Toray's standards for independence and meet the independence requirements set by the Tokyo Stock Exchange. We, therefore, have submitted notification to the Tokyo Stock Exchange of their status as independent officers.

Progress in Establishing Risk Management and Internal Control Systems

To realize the Management Philosophy, the Company shall establish a structure to execute its business legally and effectively by improving its internal control system according to the following basic policy as a structure to enable it to appropriately establish organization, formulate regulations, communicate information, and monitor the execution of operations.

1. System to ensure that the execution of duties by members of the Board and employees complies with laws and regulations and the Company's Articles of Incorporation

The following table outlines the basis for election of our outside directors/corporate auditors and details of their independence.

Kunio Ito (Director)	<ul style="list-style-type: none"> • Is highly expert in accounting and business administration as a university professor • Has extensive experience as a corporate outside director • No matters affect his independence from Toray
Ryoji Noyori (Director)	<ul style="list-style-type: none"> • Has extensive experience as a university professor and highly specialized expertise in organic synthetic chemistry, which is a core Toray technology • Has experience as a corporate outside director • Although he served as a special adviser for Toray's research and technology strategy until April 2015, the annual remuneration he was paid by Toray over the past three years, even at its peak, was less than 10% of his total income; therefore, this is considered to have no impact on his independence
Toshio Nagai (Corporate auditor)	<ul style="list-style-type: none"> • Has an excellent track record of high standing in the legal profession and a solid character and judgement, so we believe he can audit appropriately from an objective standpoint • No matters affect his independence from Toray
Kazuya Jono (Corporate auditor)	<ul style="list-style-type: none"> • Has held key positions in the corporate world and has solid character and judgement, so we believe he can audit appropriately from an objective standpoint • Formerly employed by Sumitomo Mitsui Banking Corporation and Citibank Bank Ltd.; Toray has regular banking transactions with both banks. With respect to Sumitomo Mitsui Banking Corporation, over three years have passed since he retired from the board, and we have no borrowing from Citibank Bank Ltd., therefore independence is not affected. Toray's balance of borrowing from Sumitomo Mitsui Banking Corporation (including syndicated loans) as of 31 March 2017 is 0.9% of total assets, which is not high compared with other banks.

Standards for Judging the Independence of Outside Directors/Corporate Auditors

http://www.toray.com/aboutus/governance/gov_002.html

▶ Toray shall establish the Corporate Ethics Committee, as one of the company-wide committees to promote observance of corporate ethics and legal compliance, and shall take other measures to improve the required internal systems, including the establishment of dedicated organizations.

▶ We shall establish the Corporate Ethics and Legal Compliance Code of Conduct as specific provisions to be observed by members of the Board and employees, and shall take other measures to improve the required guidelines, etc. Especially with regard to eliminating relations with antisocial forces, the Company shall act as one to stand firmly against them.

▶ We shall establish an internal reporting system (whistle-blowing system) for the reporting of the discovery of violation of laws, regulations, or the Company's Articles of Incorporation.

▶ We shall establish a Security Trade Control Program, one of the most important legal compliance issues, and establish an organization dedicated to security export control.

2. System to ensure the efficient execution of duties by members of the Board

▶ Toray shall establish the Authority of Top Management to stipulate matters with respect to which decision-making authority is reserved by the Board of Directors and matters with respect to which decision-making is delegated to the President, General Managers, etc., from among matters necessary for decision-making.

▶ Toray shall establish the Executive Committee and Board of Senior Vice Presidents as deliberative organs for important matters decided by the Board of Directors or the President. The Executive Committee shall be responsible for the general direction of

policy, while the Board of Senior Vice Presidents shall be in charge of issues related to implementation.

3. System for preserving and managing information pertaining to the execution of duties by the members of the Board

▶ Toray shall establish regulations for important documents and important information related to management, confidential information and personal information, and appropriately preserve and manage them in accordance with the regulations.

4. Regulations and other systems pertaining to controls over risks of loss

▶ Toray shall identify potential risks in business activities, promote company-wide risk management to strive to reduce the level of risk under normal business conditions, and prevent future crises, as well as improve regulations and establish an internal committee so we can respond rapidly in the event of a major crisis.

▶ We shall establish an internal control system for financial reporting that ensures the reliability of financial reporting.

5. System for ensuring appropriate business operations within subsidiaries

▶ To establish a system under which subsidiaries report to the Company on matters regarding the execution of duties by members of the Board, etc. of the subsidiaries, the Company shall provide regulations on the regular reporting of important management information to the Company and regularly hold conferences at which the Company's management receives direct reports on the status of the management of the subsidiaries.

▶ To establish regulations and other systems pertaining to controls over risks of loss for subsidiaries, the Company shall provide subsidiaries with guidance to help them to establish risk

management systems appropriate for their respective business forms and business environments, and shall receive regular reports on the status of their activities.

▶ To establish a system for ensuring that members of the Board, etc. of subsidiaries effectively execute their duties, the Company shall provide regulations on the scope under which the Company can reserve its authority over the execution of business operations. In addition, the Company shall endeavor to grasp management information in a unified manner and provide assistance and guidance necessary for subsidiaries by determining divisions, etc. with control over its respective subsidiaries.

▶ To establish a system for ensuring that the execution of duties by members of the Board, etc., and employees of subsidiaries complies with laws and regulations and the Articles of Incorporation, the Company shall thoroughly familiarize its subsidiaries with the Company's Corporate Ethics and Legal Compliance Code of Conduct as a code of conduct in common for the Toray Group. At the same time, the Company shall request the subsidiaries to establish their own codes of conduct, guidelines, etc. in consideration of the laws and regulations, business practices, business forms, and other factors in their respective countries. In addition, the Company shall direct its subsidiaries to establish systems under which the status of internal whistle-blowing by members of the Board, etc. and employees of the subsidiaries is appropriately reported to the Company.

6. System for reporting to corporate auditors and systems for ensuring that persons who report to corporate auditors are not treated disadvantageously because of their reporting

- ▶ Members of the Board, etc. and employees of Toray Group and corporate auditors of subsidiaries shall report matters regarding the execution of duties to corporate auditors in response to requests from the corporate auditors.
 - ▶ The department in charge of the internal reporting system (whistle-blowing system) shall regularly report the status of internal whistle-blowing in the Toray Group to the corporate auditors.
 - ▶ Toray shall stipulate regulations to the effect that members of the Board and employees who report to corporate auditors shall not be subjected to any disadvantageous treatment because of the said reporting, and shall provide subsidiaries with guidance to help them stipulate the same regulations.
7. Items pertaining to the handling of expenses and liabilities arising from the execution of duties by corporate auditors

- ▶ Toray shall pay expenses, etc. incurred from the execution of duties by corporate auditors.

8. Items pertaining to employees assisting with corporate auditors' duties, items pertaining to the independence of said employees from members of the Board, and items pertaining to the assurance of effectiveness of instructions from the corporate auditors to said employees

- ▶ Toray shall assign a full-time employee to provide assistance if and when corporate auditors request assistance. The said employee shall exclusively follow the corporate auditors' commands and instructions, and the Company shall consult with corporate auditors in advance with respect to the personnel arrangements for the said employee.

9. Other systems for ensuring effective implementation of audits by corporate auditors

- ▶ Corporate auditors shall attend Board of Directors meetings and other important meetings so that they may ascertain important decision-making processes and the execution of operations.
- ▶ Corporate auditors shall hold regular meetings with members of the Board and management and conduct regular visiting audits of Toray offices, plants, and subsidiaries.

Remuneration for Members of the Board

Given their roles, remuneration for members of the Board consists of monthly remuneration, a bonus and stock acquisition rights as stock options. Remuneration for outside directors consists only of monthly remuneration. Remuneration is set at a level that enables the Company to secure superior human resources and further motivate them to improve performance, referring to the

Details of Remuneration in Fiscal 2016

Position	Total remuneration (millions of yen)	Total remuneration by type (millions of yen)				Recipients
		Basic	Bonuses	Provision for the allowance for retirement benefits	Stock options as remunerations	
Members of the Board (excluding outside directors)	1,334	928	154	0	252	29
Corporate auditors (excluding outside corporate auditors)	81	81	—	—	—	3
Outside directors	24	24	—	—	—	2
Outside corporate auditors	19	19	—	—	—	2

Notes: 1. Recipients included six members of the Board and one corporate auditor who retired during fiscal 2016.
2. Total amounts of remuneration do not include the ¥81 million paid in salaries to eleven employee-directors.

Total Remuneration Received by Members of the Board and Corporate Auditors

Name	Total consolidated remuneration (millions of yen)	Position	Status of company	Total consolidated remuneration by type (millions of yen)			
				Basic	Bonuses	Provision for the allowance for retirement benefits	Stock options as remuneration
Akihiro Nikkaku	149	Member of the Board	Filing company	104	20	—	25

Note: Total remuneration only includes persons receiving more than ¥100 million.

results of a survey of other companies' remuneration by an external third-party organization.

With respect to monthly remuneration, the maximum limit of total remuneration is determined at general meetings of stockholders. Within the scope of the maximum limit, monthly remuneration to each member of the Board is determined by the President based on the Company's internal regulations with a resolution at a Board of Directors meeting.

The provision and the total amount of bonuses are determined each time at a general meeting of stockholders. Particulars of the agenda at the general meeting of stockholders are resolved by the Board of Directors through conference among the senior management, including the President, in consideration of the consolidated and non-consolidated business results for each fiscal year plus the historical record. A bonus to each member of the Board is determined by the President according to each member's performance based on the Company's internal regulations with a resolution at a Board of Directors meeting.

The maximum limit of total number of Stock Acquisition Rights as well as the limit of remuneration relating to the granting of the Stock Acquisition Rights as stock options to members of the Board is resolved at the general meeting of stockholders, and within that limit, the total number of Stock Acquisition Rights to be allocated to the members of the Board shall be decided at the Board of Directors meeting based on the Company's internal regulations.

Given their roles, remuneration for corporate auditors consists only of monthly remuneration. Remuneration is set at a level that enables the Company to secure superior human resources, referring to the results of a survey of other

companies' remuneration by an external third-party organization. With respect to monthly remuneration, the maximum limit of total remuneration is determined at general meetings of stockholders. Within the scope of the maximum limit, monthly remuneration to each corporate auditor is determined through negotiations with the said auditor based on the Company's internal regulations.

Status of Compliance Initiatives

Toray Group is keenly aware that strict adherence to laws, regulations and social norms is an essential facet of corporate management. Toray's top management takes a clear position on corporate ethics and legal compliance, and strives to improve the conduct of all companies in Toray Group.

Framework for Promoting Corporate Ethics and Legal Compliance

Toray operates a Corporate Ethics Committee chaired by the President. The committee oversees corporate policies relating to corporate ethics, and implements initiatives through the joint efforts of labor and management. Underneath it is a Company-Wide Legal Compliance Committee that functions as a forum for sharing the views of management and the policies that are decided by the Corporate Ethics Committee and for reporting status of implementation of corporate ethics and compliance initiatives at workplaces. This committee is primarily comprised of section managers and, while communicating with upper management, takes initiatives that address company-wide compliance issues. Furthermore, CSR/legal compliance committees operate at the divisional and plant levels

to implement initiatives rooted in the workplace and fully engage all employees.

Toray has established CSR/legal compliance committees at its domestic Group companies, and appointed executives and section managers in charge of legal compliance. Furthermore, relevant departments at Toray's headquarters collaborate to hold a group-wide corporate ethics and legal compliance meetings annually to improve understanding of revised laws and particular issues.

CSR/legal compliance committees have also been established at Group companies around the world. With support from Toray's International Division, CSR Operations Department, and other relevant sections, the committees independently promote initiatives related to legal compliance and corporate ethics.

The Corporate Ethics and Legal Compliance Code of Conduct is a strict set of standards that every Toray Group executive and employee closely follows when performing corporate activities. In the event that a violation is discovered, strict discipline is carried out in consultation with the Company's Rewards and Sanctions Committee. Toray has put together the Corporate Ethics and Legal Compliance Handbook, which explains the code and gives details of the compliance helpline, to ensure comprehensive understanding for all Toray and Japanese affiliated company executives and employees, including contracted, part-time and temporary workers.

Overseas Group and affiliated companies make corporate ethics and legal compliance handbooks for each country or region. These are then distributed to all managers and employees to ensure comprehensive understanding of the code of conduct.

Status of Risk Management Initiatives

Toray has established a Risk Management Committee under the CSR Committee to regularly monitor the progress of risk reduction measures across all Group companies and conduct planning and promotion of risk management measures. Under the Risk Management Committee, local risk management committees have been established at each of Toray's divisions, departments, offices, and plants.

Group-wide measures determined by the Risk Management Committee are given to local risk management committees, which then incorporate these measures in their own initiatives to reduce risks particular to their respective division, department, office or plant, while carrying out coordinated risk management activities.

Toray Group has also established a risk management system for the Group and affiliated companies in Japan and overseas, led by their presidents. The system promotes initiatives to reduce the specific risks faced by each company. Each Group company reports on the results of these initiatives to the Risk Management Committee every fiscal year.

Toray Group regularly evaluates company-wide risks, identifies risks that should be prioritized in light of their potential impact on management of the Group, and is working to reduce these risks through the PDCA cycle.

Addressing Priority Risks

Once every three years, Toray reviews its priority risks. The activities for reducing each risk are led by a specific department or working group, and implemented in line with a three-year roadmap. Fiscal 2016 was the second year of implementing initiatives identified in the third risk priority screening. As a result of these efforts, Toray surpassed its target for priority risks identified and mitigated in fiscal 2016.

Considerable progress was made in improving the accuracy of the existing business continuity plan, particularly for major earthquakes and new strains of influenza. Moreover, tighter information security measures were undertaken in certain business fields, above and beyond Group standards.

Toray also conducted a simple risk evaluation questionnaire of each department head in fiscal 2016. This was used to evaluate whether any potential risks had dramatically increased since the group-wide fiscal 2014 evaluation. This evaluation confirmed that there were no issues to be added as priority risks for the current term.

The status of risk at Group and affiliated companies in Japan was investigated through a questionnaire on the status of their risk management activities. Interviews were conducted at some of these companies, and specific mitigation measures for risk were discussed with leading sections in headquarters.

In fiscal 2016, we also started discussions on methods and procedures for conducting a risk assessment group-wide, including affiliated companies.

Supply Chain Risk Reduction

In fiscal 2016, we analyzed the results and gave feedback to the suppliers surveyed in last year's CSR procurement survey. We also further reviewed ways of addressing global human rights issues, particularly in our overseas Group supply chain.

Moreover, Toray Group conducts checks for the use of conflict minerals in all products and has been working to make its responses to customers' requests for surveys quicker and more efficient by integrating data management.

Maintaining Information Security

In fiscal 2016, we changed the IT Promotion Committee, which has been working for greater dissemination of information in general at Toray, to an organization specifically focused on Toray Group information security.

Besides this, we have established a group-wide committee working to reduce existing serious risks, such as legal compliance; fluctuations in raw material prices, exchange rates or economic conditions; business strategy; and security export control at Toray Group. Whenever necessary, the committee reports on the status of risk reduction activities to the Board of Directors.

Crisis Management System

In its Crisis Management Regulations, Toray Group has clearly defined the basic principles for a group-wide response to serious risks affecting Toray Group in order to ensure a consistent and comprehensive response in a crisis situation. The regulations are revised as appropriate so as to prepare for new risks that may emerge as a result of change in the social environment.

In fiscal 2016, Toray reviewed crisis management regulations focusing on the risk management of domestic and overseas affiliated companies and revised them in May 2017.

As part of our crisis management activities, we also recognize the importance of, and continue to provide appropriate and timely advice to Toray Group employees on, issues such as managing personal safety on overseas business trips, and countermeasures for terrorism or political instability risks.

Preparedness for a Major Earthquake

Identifying major earthquakes as a priority risk factor, Toray Group continues to develop its business continuity plan for large-scale earthquakes. In fiscal 2016, we formulated the Toray Group Business Continuity Plan for Large-scale Earthquakes by systematizing our previously held preparedness activities. Further, we selected products for which we have a strong responsibility to supply to society in the event of an earthquake. To this end we compiled procedures for developing business continuity plans for important products that are essential to society and strategically important to our business. In fiscal 2017, we will continue developing business continuity

plans for these selected products.

In addition, we finished introducing a safety confirmation system covering all domestic affiliated companies and continued systematic earthquake-proofing of plant buildings.

Since fiscal 2012, Toray Group has conducted drills to create a temporary group-wide headquarters. In fiscal 2016, the Group began conducting drills based on a disaster scenario involving an earthquake comparable to the March 2011 Great East Japan Earthquake and a secondary earthquake striking directly underneath Tokyo simultaneously that would cause extensive damage to Group companies and plants situated in all areas of Japan to the east of and including Shizuoka Prefecture. First, drills were held to establish a temporary group-wide headquarters in Kansai. Then, in a scenario in which the Tokyo headquarters has been restored, drills simulating moving the temporary group-wide headquarters back to Tokyo were held. Efforts were made to make the drills as realistic as possible with some parts of the scenario undisclosed to drill participants. Also, in conjunction with the drills, we reviewed the most important tasks of the headquarters' staff and the departments.

The Group launched the Toray Disaster Map System after the Great East Japan Earthquake. This system is for rapidly and accurately grasping the extent of damage caused by an earthquake to Toray Group and at its business partners. The system helped to ensure business continuity after the April 2016 Kumamoto earthquake.

Preparedness for New Influenza Pandemic

In June 2015, we revised the Toray Group Business Continuity Plan for Pandemic Influenza to address both strongly and weakly virulent influenzas. Toray Group's business offices and plants have revised and begun implementing their crisis management systems and measures to prevent the spread of infection by virus.

In fiscal 2016, we continued finalizing our Guidelines for Continuity Plan and Scale-down Plan of Business Operations to prevent the spread of infection in an emergency and to fulfill our social responsibility for the supply of products. This involved planning for securing management resources such as our supply chain and operational structure based on a classification of the importance of each of our products and operations according to the level of epidemic.

Domestic affiliated companies have established and started operating crisis management systems and infection prevention measures similar to Toray's. Moreover, overseas affiliated companies are working to reduce the particular risks they face in their respective countries.

Sustainable Management System

Board of Directors and Corporate Auditors

(As of June 27, 2017)



President
and Representative
Member of the Board
Akihiro Nikkaku



Executive Vice President
and Representative
Member of the Board
Koichi Abe



Executive Vice President
and Representative
Member of the Board
Kazushi Hashimoto



Senior Vice President
(Member of the Board and Member
of the Executive Committee)
Ryo Murayama



Senior Vice President
(Member of the Board and Member
of the Executive Committee)
Yukichi Deguchi



Senior Vice President
(Member of the Board and Member
of the Executive Committee)
Akira Umeda



Senior Vice President
(Member of the Board and Member
of the Executive Committee)
Mitsuo Ohya



Senior Vice President
(Member of the Board)
Hiroshi Otani



Senior Vice President
(Member of the Board)
Toru Fukasawa



Senior Vice President
(Member of the Board)
Yasuo Suga



Senior Vice President
(Member of the Board)
Hirofumi Kobayashi



Senior Vice President
(Member of the Board)
Kazuhiko Shuto



Senior Vice President
(Member of the Board)
Tetsuya Tsunekawa



Senior Vice President
(Member of the Board)
Kazuo Morimoto



Senior Vice President
(Member of the Board)
Osamu Inoue



Vice President
(Member of the Board)
Satoru Nishino



Vice President
(Member of the Board)
Yoshiyuki Tanaka



Vice President
(Member of the Board)
Takashi Fujimoto



Vice President
(Member of the Board)
Yuji Fukuda



Vice President
(Member of the Board)
Shigeki Taniguchi



Vice President
(Member of the Board)
Toshiyuki Kondo



Vice President
(Member of the Board)
Kenichiro Miki



Vice President
(Member of the Board)
Hideki Hirabayashi



Vice President
(Member of the Board)
Kunio Ito^{*1}



Vice President
(Member of the Board)
Ryoji Noyori^{*1}



Corporate Auditor
Shogo Masuda



Corporate Auditor
Shoshiro Taneichi



Corporate Auditor
Toshio Nagai^{*2}



Corporate Auditor
Kazuya Jono^{*2}

^{*1} Kunio Ito and Ryoji Noyori are outside directors.

^{*2} Toshio Nagai and Kazuya Jono are outside corporate auditors.