Toray Group CSR Report 2006

April 1, 2005 – March 31, 2006

Tokyo, Japan

The information in this report is available on our website:
http://www.toray.com

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KLD Global Climate 100SM Index is made up of companies that are leaders in providing solutions for global warming and offsetting the long-term effects of climate change.
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 environmental 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
President, CEO and COO, Representative Director Toray Industries, Inc.

August 2006
### 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’s Global Network

With bases in twenty countries and regions including Japan, Toray Group is currently planning further global expansion. 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.

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### 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 those 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.

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

- **Basic Strategy**
  - **Transforming to a highly profitable business group**
  - **Expanding highly profitable businesses**

- **Key Performance Indicators**
  - **Net Sales**
  - **Foundation Businesses**
  - **Operating Income**
  - **Advanced Materials Ratio**

- **Foundation Businesses**
  - **Strategically Developing Businesses**
  - **Strategically Expanding Businesses**

- **Operating Income Margin**

### Overview of Businesses Structure Reform

#### Advanced materials

<table>
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<tr>
<th>Business Segment</th>
<th>FY 2005 Net Sales (Billion yen)</th>
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</table>
| Fibers & Textiles | 1,427.5
| Plastics & Chemicals | 1,427.5
| IT-related Products | 34,670
| Carbon Fiber Composite Materials | 3,000
| Environment & Engineering | 933.0
| Life Science & Other Businesses | 933.0

#### Geographic Segment

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<tr>
<th>Country</th>
<th>FY 2005 Net Sales (Billion yen)</th>
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| Japan | 1,427.5
| North America, Europe, and other areas | 73%
| Asia | 19%
| China | 16%
| Europe, Middle East, and Africa | 12%
| Asia (excluding China) | 9%
| Other areas | 9%
| United States | 10%
| China | 9%
| Brazil | 8%
| India | 3%
| Other Asian countries and regions | 6%

### Overview of the Growth in Advanced Materials

- **Advanced materials**
  - **Operating Income Margin**
  - **Advanced Materials Ratio**

### Businesses and Strategically Developing Businesses

- **Foundation Businesses**
  - **Strategically Developing Businesses**
  - **Strategically Expanding Businesses**

- **Operating Income**

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

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.”
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.

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

Tooray 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 Corporate 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 Action Programs. From April 2005, the chairman of the CSR Committee was appointed to institute 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 midterm plan indicating the direction of future activities. The road map incorporates the direction and objectives that have been set for the items, which fall below, from the perspectives of all companies, all accidents, all promotion, and environmental preservation.

The road map is 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.”

Company-wide issues (excluding issues in separate departments, and separate themes)

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<th>Improvement of prevention system</th>
<th>Re-organization of management system</th>
<th>Establishment of full-fledged organizations</th>
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<td>Review of CSR Guidelines and Action Programs</td>
<td>Re-organization of committees system</td>
<td>Establishment of full-fledged organizations</td>
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<td>1</td>
<td>Deploy CSR Line Activities to Japanese and overseas group companies</td>
<td>Japanese subsidiaries and affiliates</td>
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<td>3</td>
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<td>Implement dialogues with stakeholders</td>
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<td>3</td>
<td>Establish CSR data management system</td>
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<td>3</td>
<td>4</td>
<td>Develop and implement measures for promotion and cooperation</td>
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<td>4</td>
<td>1</td>
<td>Formulate CSR self-evaluation standards</td>
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<tr>
<td>4</td>
<td>2</td>
<td>Implement CSR audits</td>
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<td>4</td>
<td>3</td>
<td>Fixed-point observation (CSR awareness surveys)</td>
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<tr>
<td>5</td>
<td>Compliance with new corporate regulations, internal control systems</td>
<td>Internal control systems</td>
<td>Compliance to Japanese SOX Law</td>
</tr>
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</table>

CSR Guidelines

(Adopted December 2004 and revised June 2005)

- Basic Policy & Enhance corporate governance and management transparency
- Promote dialogue with stakeholders
- Uphold corporate ethics and comply with laws and regulations
- Step up environmental and recycling efforts
- Secure and train personnel and promote human rights
- Cooperate with suppliers in their environmental and social initiatives
- Promote environmental awareness
- Share environmental information with society

CSR Guidelines

(Adopted October 2003)

1. Contribute to society
2. Communicate with society
3. Behave as a good corporate citizen
4. Play an active role in preserving the global environment
5. Behave as a good corporate citizen
6. Comply with national laws and regulations
7. Prioritize fairness and trust in corporate activities
8. Comply with national laws and regulations
9. Cooperate with suppliers in promoting CSR activities
10. Prioritize fairness and trust in corporate activities
11. Cooperate with suppliers in promoting CSR activities
12. Comply with national laws and regulations
13. Prioritize fairness and trust in corporate activities
14. Cooperate with suppliers in promoting CSR activities
15. Comply with national laws and regulations
16. Prioritize fairness and trust in corporate activities
17. Cooperate with suppliers in promoting CSR activities
18. Comply with national laws and regulations

Ten Basic Environmental Rules

(Adopted January 2006)

1. Prioritize environmental preservation
2. Prevent global warming
3. Safeguard zero emissions of hazardous pollutants
4. Use safer chemical substances
5. Promote recycling
6. Contribute to society through environmental improvement technologies and products
7. Improve the environmental management of our overseas businesses
8. Share environmental information with society

We shall realize 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.

We shall strive to improve our employees’ awareness of environmental issues through environmental education, social activities, internal communications activities, and other means.

We shall deepen mutual understanding of Toray Group environmental policies and strategies by-wide publicizing our environmental preservation efforts and their results in environmental reports and other publications directed at local communities, investors, and the media.

(Adopted December 2004 and revised June 2005)
Toray Group Environmental 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. Has Toray Group’s management positioned the company’s environmentally friendly businesses?
A. Along with safety and accident prevention, Toray Group has adopted environmental conservation as a top-priority issue for management. Of equal importance, and which are pursued 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 those 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 use less energy or less resources. 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 those products have been named the “Ecodream” Project, which is being promoted throughout the Group.

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 environment, 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 in 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 use 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. Although the carbon fiber production 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 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.

Some of these are 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-petroleum chemical materials that have become a topic of late.
A. Toray Group is purchasing polymers made from non-petroleum chemical materials and processing these into fibers or plastics & films. Specifically, these include polyactic acid fibers, plastics and films, and insulated cable 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-petroleum chemical materials.

Polyactic 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 polyactic acid, and is engaged in actual technical tie-ups. Polyactic 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 of prices, so I believe that the relative cost competitiveness of polyactic acid will strengthen.

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

The market scale of these polyactic 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 environment 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 polylactic film, LCD color filters not incorporating heavy metals and CFC Waterless Print”, plating materials for print use that don’t generate hazardous waste fluids. While giving consideration to these kinds of environmental factors, 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.

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.”
Energy savings through weight reduction in cars

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

Energy savings through weight reduction in aircraft

- Quantum increase of CFRP in aircraft application

Incentives toward adoption of non-petrochemical-based products

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

Biotechnology

- Polylactic acid compared with petrochemical-based materials enable savings of resources of between 4.0 liters of polypropylene, 6.4 liters of nylon (in addition to raw materials, including the amount of energy consumed in the manufacturing process converted to petroleum equivalent)

Energetic Expansion of “Ecodream” Activities

- We invited the representative of WPA in Europe, and gave a seminar on conclusion of waterless printing (November 2005)
- We participated in JGAS2005 at Tokyo Big Site and conducted PRI for waterless printing (October 2005)
- We exhibited our products to customers at the 3rd Environment & Welfare Business Fair in Kumamoto, Japan (February 2006)
- We operated an exhibit at Eco Products International Trade Show in Thailand (November 2005)
- We operated an exhibit at Eco Products International Trade Show in Thailand (October 2005)

Participation and exhibits at major environment-related events

- Related Article: Refer to “Step Up Environmental and Recycling Efforts” on pages 46-47.

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

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.

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 unfamilair 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 steady for several decades and would like to see this take root in Toray’s corporate culture.
Aiming for Global Leadership

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 held 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.

Fostering Comradeship, Indifferent to National Borders

― A Linguistic Trainee’s Approach

“Treat your colleagues with care,” is a sentiment that transcends nationalities, but has a particularly strong resonance 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 exchange 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 those to my work in the future.
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Basic Stance
Toray is working positively to reduce greenhouse gases through steady energy saving activities and aggressive investment in natural gas fuel conversion.

Company-wide Energy Conservation Technology Presentation Meeting started

2005

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

2006

Penfabric Sdn. Berhad (Malaysia)
Fuel conversion boiler

2007

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

Country | Company |
---------|---------|
England | Toray Textiles Europe Ltd. |
France | Toray Plastics Europe S.A. |
Italy | Alcantara S.p.A. |
Czech Republic | Toray Textiles Central Europe a.s. |

Main Energy-saving Achievements
- Reduced heat from boiler and used high efficiency lighting fixtures
- Reduced and recovered heat from steam pipes
- Reduced and recovered heat from furnace
- Optimized operating time of freezers and ventilation equipments
- Recovered and reused cooling water and recovered hot water

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]
KTP Industries Inc. [Korea]
Toray Okazaki Plant, operation of ultra low pressure steam generation facility started

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 a.s. Recovered and reused cooling water and recovered hot water

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.
Basic Policy & Enhance Corporate Governance and Management Transparency

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 reasonable and appropriate decision on management based on specialized knowledge of local operations. Toray believes that management accountability and transparency are best achieved through decisions made by 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.

Implementation of the Internal Control System

(The fundamental policy for the Internal Control System was finalized at a board meeting held in May 2006.)

Further, 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.

Audit 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 auditors in their duties in response to a request from the auditors. External auditors have no business interest in their relationships with the company.

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 2006, 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 workplace 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 Nissei Kosakuura 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 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: Toray Orimono Co., Ltd., Toray Monofilament Co., Ltd., Ichimura Sangyo Co., Ltd., Toray Polymers Co., Ltd., Toray International Inc., Toray Construction Co., Ltd., and Soda Aromatics Co., Ltd. From the latter half of FY 2006, we will expand activities to all Japanese affiliated companies.
Uphold Corporate Ethics and Comply with Laws and Regulations

**Action Program (FY 2005)**

- **1.** Education and enlightenment on CSR for 115 affiliated companies of Toray Industries, Inc. and overseas subsidiaries and affiliates.
- **2.** The survey on 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.

**Action Program Results**

- **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 employees and executives. The Handbook provides a clear and comprehensive list of guidelines.
  - 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.

**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.

**View from the Field**

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

**View from the Field**

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<thead>
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Emphasize Safety, Accident Prevention, and Environmental Protection

**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 the 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.

**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 define 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 review the activity and performance of 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 discussion of workplace 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.

**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 2005, we acquired new certifications in Japan and Allies. In FY 2005, we 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.

**Preservation**

2. In the Second-Year Environmental Plan, in order to achieve our goal in FY 2006, we aimed to voluntarily reduce the quantity of chemical substances discharged into the atmosphere as well as to reduce the discharge of greenhouse gases (GHG) from the production processes.

**Responsible Care (RC) Activities**

Chemical substances are indispensable 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 product cycle from the development of products 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 activity since then. In FY 2006, we placed priority on “green procurement and green purchases” continuously from the previous year.

**Commitment**

I am planning to ensure safe workplaces where workers feel safe to express their opinions and are moving forward towards a zero accident. The first priority for tackling accident prevention, health and environmental preservation. We try our best to maintain a better understanding in society by presenting CSR reports and exchanging views with various 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.

**Implementation Leader:**
Osamu Nakatani
Senior Managing Director, General Manager, Manufacturing Division
Toray Industries, Inc.
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.

- **Reduce greenhouse gas emissions** (FY 2008 target compared to FY 1990) *
  - Toray: 18% reduction
  - JCA: 22% reduction
  - Japanese subsidiaries and affiliates: 22% reduction

- **Air quality**
  - SOx emissions: 41% reduction
  - NOx emissions: 30% reduction

- **Water quality**
  - BOD emissions: 25% reduction

- **Waste reduction**
  - Total waste generated: 22% reduction over FY 1998
  - Landfill waste: 5% or fewer of total waste generated

**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.

**Environmental Accounting**

Since 1996, 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.

**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.

**Environmental Accounting Standards**

Some criteria were changed based on the Ministry of the Environment’s Guidelines for FY 2003. Only economic effects that can be determined with a high degree of certainty are calculated. Presumed effects are not calculated.

- **Environmental accounting standards**
  - Investment in facilities for safety, health, accident prevention, environmental protection and energy-saving

**Environmental Accounting**

<table>
<thead>
<tr>
<th>Item</th>
<th>Subcategory and Details</th>
<th>Investment (100 million yen)</th>
<th>Expenses (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Air (including CFC measures)</td>
<td>793</td>
<td>1,406</td>
<td></td>
</tr>
<tr>
<td>Water quality</td>
<td>881</td>
<td>2,158</td>
<td></td>
</tr>
<tr>
<td>Noise and vibration</td>
<td>71</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Greening</td>
<td>0</td>
<td>303</td>
<td></td>
</tr>
<tr>
<td>Food odor and other</td>
<td>70</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Global environmental preservation</td>
<td>645</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resource recycling</td>
<td>79</td>
<td>2,172</td>
<td></td>
</tr>
<tr>
<td>Plastic recycling</td>
<td>23</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Container and packaging recycling</td>
<td>0</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Management and environmental activities costs</td>
<td>0</td>
<td>417</td>
<td></td>
</tr>
<tr>
<td>Social initiative costs</td>
<td>0</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Environmental damage costs</td>
<td>239</td>
<td>605</td>
<td></td>
</tr>
</tbody>
</table>

**Total** | 2,810 | 6,310 |

**Effects**

<table>
<thead>
<tr>
<th>Item</th>
<th>Aircool (100 million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in energy costs</td>
<td>681</td>
</tr>
<tr>
<td>Reduction in industrial waste disposal costs</td>
<td>57</td>
</tr>
<tr>
<td>Sales of valuable recycled resources</td>
<td>750</td>
</tr>
</tbody>
</table>

**Investment by Toray**

- **Environmental Conservation**
  - 39.5 billion yen
- **Waste Treatment and Reduction**
  - 9.6 billion yen
- **Recycling and Other**
  - 9.7 billion yen
- **Safety**
  - 10.5 billion yen
- **Accident prevention**
  - 12.4 billion yen
- **Health**
  - 0.8 billion yen

**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 PCD waste disposal or other matters, the entire amount is expensed in the year the reserves are allocated.**
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 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 Education with Awareness of Surrounding Environment

In environmental risk management, it is important to be aware of what kinds of risks exist. For example, in 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 chemicals. To better understand this water as it relates to the surrounding environment, and instill a full understanding of the pollutants. To better understand this water as it relates to the surrounding environment, and instill a full understanding of the pollutants. To better understand this water as it relates to the surrounding environment, and instill a full understanding of the pollutants.

In order to implement the Corporate Guiding Principles of the Toray Group, we have implemented the “Nagoya Plant tourists” program. Up to now, 867 individuals have attended lectures, contributing to elevating the level of water treatment management.

Initiatives to Prevent Soil and Groundwater Pollution

To prepare for contingencies, Toray Group has constructed dikes around the facilities or storage tanks containing hazardous 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 publication, 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, after 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 Audits

Toray Group companies and plants were not assessed any administrative penalties or 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)

Incident at Nippon Plant (Nippon Plant) on 2 February, 2006, a Heat medium circulation pump at a polymerization intake facilities (cooling, cleaning) at Toray Advanced Film Co., Ltd. had seizure of the motor, 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.

Health Effects and Response to Accidents

Toray Group at present does not manufacture or import asbestos products, although it made use of some asbestos building materials containing asbestos in the past. Because certain facilities and buildings still incorporate asbestos building materials and thermal insulation, we have established an Asbestos Response Team. In the event of an accident, we have been implementing safety countermeasures to those buildings and facilities.

In FY 2005, there were no cases in which workers had had possible contact with asbestos particles, either through direct contacts or potentially by deteriorating asbestos materials. This event was handled by the company’s occupational health and safety department.

We received physical checkups for 3,000 current and former employees who might have come into contact with asbestos building materials or asbestos contaminated workplace, including those who came for individual consultations, the number of known affected factors are shown below. We have not received any reports of adverse health effects from residents living near our facilities.

Organic exhaust gas direct combustion system at Toray Advanced Film

<table>
<thead>
<tr>
<th>Asbestos removals or treatments</th>
<th>Asbestos health victims eligible for compensation (fatality)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>8</td>
</tr>
</tbody>
</table>

* Includes employment cases and Joshin, Improvement guidelines and recommendations made in asbestos facilities.

We have taken precautions to prevent the recurrence of similar mishaps at the Nippon Plant and at other locations. To prevent the recurrence, we have continued the new improved construction design and circuit breakers and electrical leakage alarms on the same model pumps at all Toray Group plants.

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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.

**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 that 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 load at the Mishima Plant to city gas. Since in operation, we anticipate reductions in annual emissions at these three plants by 20,000, 40,000 and 60,000 tons, respectively.

**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.

**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%.

**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. (Shah Alam) in Malaysia, which led to a year-on-year reduction of over 10% in energy usage.

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**Second Three-Year Environmental Plan (FY 2006 target)**

- Reduce unit energy consumption by 1% annually
- Reduce greenhouse gas emissions by 10% over 1990
- GHG emissions over FY 1990, and has been implementing measures to reduce and prevent accidents.
- Conducted an energy conservation assessment at 3 plants
- Complete fuel conservation at the Chiba Plant co-generation and the Shiga Plant boilers

**Performance of Toray Group**

- Reduce total waste generated to at least 24,500 tons
- Landfill ratio of 5% or lower
- Recycling rate of 25% or higher
- Reduce total waste generated to at least 19,800 tons
- Landfill ratio of 5% or lower
- Recycling rate of 25% or higher
- Reduce total waste generated

**Toray Initiatives**

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.

**Initiatives at Overseas Subsidiaries and Affiliates**

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**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%.

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**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.

**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%.

**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. (Shah Alam) in Malaysia, which led to a year-on-year reduction of over 10% in energy usage.

**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.
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.

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 target 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 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 (46%); NOx (47%); and dust (53%) were achieved relative to the base years (1998 for Toray; 2001 for Toray Group Performance) for Japanese and overseas subsidiaries and affiliates.

Toray Initiatives

In FY 2005, the fuel conversion for the boiler at the Otsu Plate 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 2004, 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%.

Fuel conversion was subsequently implemented at a third company in Malaysia, Permatang Sdn. Berhad and Toray Plastics (Malaysia) Sdn. Berhad in Malaysia during 2005. From FY 2006, we decided to implement a similar fuel conversion at the Okazaki Plant of Toray Shiga Plant, due to an insufficiency of the dust suppressant at the boiler.

Toray Group Performance

With the year-on-year volume of BOD emissions being 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 0%, 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 46% relative to the base years (1998 for Toray; 2001 for Japanese and overseas subsidiaries and affiliates).

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 Permatang Sdn. Berhad and Toray Plastics (Malaysia) Sdn. Berhad in Malaysia during 2005. Fuel conversion was subsequently implemented at a third company in Malaysia, Permatang Sdn. Berhad and Toray Plastics (Malaysia) Sdn. Berhad in Malaysia during 2005.

In addition to compliance with the laws and regulations at our overseas 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 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.

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 facility 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 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%.

Initiatives at Toray

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CSR Guideline 3
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 related to transport. In addition, the initiatives have also been 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.

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 related to distribution. To encourage the transport companies that work as its distribution partners to obtain such environmental management certifications as ISO14001, “Green Management Certification” and Eco Stage, Toray has set up a system of joint initiatives. In FY 2005, our major partners completed such certification activities as follows:

- In recognition of these initiatives, Toray was acknowledged on the Ecobase 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.

Safety Achievements in Toray Group
In 2005, Toray Group had a total of 25 accidents (both those causing and not causing lost worktime), of these nine 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:0.2). 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 roatating 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 safety management activities.

Large-scale Earthquake Countermeasures
Since 2002, Toray has been conducting earthquake resistance assessments of buildings covered by the Japanese 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 have undergone seismic reinforcement, which will be completed during 2007 to 2009, outside for these seismic reinforcements totaled 570 million yen.

Occupational Safety
Toray 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
- Developing horizontally the dedication of potential near accidents and preparation of countermeasures
- Reducing the number of accidents by 10% per year and construction works
- Encourage wearing of protective gear

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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 safety management activities.
Ensure Product Safety and Quality

Action Program (FY 2005)

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.)

Action Program Results

1. Through education, awareness training and a scheme for product safety review procedures, we implemented detailed plans for Product Safety Management Regulations.
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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.

Quality and Control

Toray, since its establishment, bases its corporate philosophy to achieve 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. The quality improvement activities are carried out to ensure the satisfaction of our customers.

To ensure 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 manages 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* approval for manufacturing and sales, it is also necessary to obtain ISO14001 certification for carbon fiber composite materials utilized in aircraft applications. Products, JIS 9701** 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 as the company headquarters and prepared for the expansion of the development and production 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.

"*Good Manufacturing Practice standards for pharmaceutical production and quality control standards for medical devices as a quality management system"**Standards for aerosol quality management systems

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 derived from users 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 General 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 2006, 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 in Japan and overseas also engage in the same control process as Toray. Each of these sets up its own “product safety management necessaries” 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.

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 matters 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 an increasing importance. We assume responsibility for the safety and quality of all of our company’s product, and strive to provide products that our customers will place on the market 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**

1. A risk management system was developed at each division, department, office, and plant, and risk-handling activities were reviewed.

2. A Business Continuity Plan (BCP) was elaborated based on the assumed occurrence of a major earthquake.

**Building a Risk Management System**

**Launch of a Risk Management System 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 satisfying a risk management setup so that we would be ready to deal with any crisis with grave impacts on the company in as short a time as possible.

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 proposes 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 issues as product safety, export control, corporate ethics, laws-and-regulations compliance and information risk control. At all 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 group 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;
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 office, and information system, and each of these functions is buffered by its own business continuity plan conceived on an assumption of a major earthquake.

<table>
<thead>
<tr>
<th>The status of progress for FY 2005 is as described below:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Head Office Function</strong></td>
</tr>
<tr>
<td>• 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.</td>
</tr>
<tr>
<td>• A basic concept has been completed for the emergency response plan.</td>
</tr>
<tr>
<td>• 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 targeted. Targeted recovery time has been clearly posted. Items required for business conduct have been listed up.</td>
</tr>
<tr>
<td><strong>Information System</strong></td>
</tr>
<tr>
<td>• The targeted system recovery time frame has been established as one week after an earthquake with a magnitude of 6+ has occurred.</td>
</tr>
<tr>
<td>• 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.</td>
</tr>
<tr>
<td>• We have studied the idea of utilizing other offices and plants as temporary bases of activity.</td>
</tr>
<tr>
<td><strong>Production, Marketing and Sales, and Purchasing and Logistics</strong></td>
</tr>
<tr>
<td>• 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.</td>
</tr>
<tr>
<td>• 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).</td>
</tr>
</tbody>
</table>

**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 (intended) 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.
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**

Norihiro 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 want 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.

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**Basic Policies to Promote Dialogue with Stakeholders**

- Toray Group will promote dialogue and collaboration with all stakeholders, including customers, shareholders & investors, business partners, employees, government, local communities, NPOs, citizens, and other stakeholders.
- 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.
- 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.

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**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 decided on its own stakeholders and determines issues, and through communication with those stakeholders the activities are promoted.

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**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 allergen-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, some 92 companies have joined, with nine different working groups in operation. 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.

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 1997 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.

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 Hokuri 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.

Toshiro Nojiri
Representative Director, Fujitexmori Co., Ltd.
Chief, HokuLink,
Toray Synthetic Textile Cluster

View from the Field

Recycled Uniforms Came Out of the Toray Synthetic Textile Cluster
**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 Environmental 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.

**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 efforts to create a sustainable recycling-oriented society and make a global contribution to saving natural resources and protecting the global environment.

**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.

**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 Actives Principles established in 2004, with the following basic ideas.

**Basic Recycling Philosophy**

Toray’s basic philosophy regarding recycling in “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.

**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 FDCA 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.

**Implementation Leader:**

Hiroaki Kobayashi

**Executive Vice President and Representative Director:**

General Manager, Technology Center

**Toray Industries, Inc.**
Secure and Train Personnel and Promote Human Rights

### 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 promote discrimination based on race, creed, gender, academic background, nationality, religion or physical characteristics in the area of recruiting, hiring, positioning, compensation, evaluation 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, and are determined to honor and 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.

### Developing Human Resources Which Can Create New Values
- 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 promote discrimination based on race, creed, gender, academic background, nationality, religion or physical characteristics in the area of recruiting, hiring, positioning, compensation, evaluation 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, and are determined to honor and labor under any circumstances, and comply with the laws and regulations of each country and region in which we operate.

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

### Responding to Sexual Harassment
- Toray established Sexual Harassment Offenders 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 recurrences. We also educate our employees about sexual harassment through training seminars at each level of our organization as a means of 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.

### Fostering a Culture of Corporate Entrepreneurship
- This program is the key to creating an entrepreneurial 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 MT-II. Various steps are employed to develop 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 personal 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.
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 fully develop, 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 entrust all of our accomplishments in encouraging the advancement of women into our corporate culture and continue our efforts to build a vitalized workplace that enables women to fulfill greater career potential.

Working days (October 2004)

- Made various proposals for the development of women
- Composed of 12 women and one male member (serving in FY 2003)

Self-enlightenment (June 2004)

- Discussed the purpose of activities and key points of training female employees, and enlightened each other

Consultant services provided (November 2004)

- Responded to questions and consultations concerning various support systems, and formulated a plan based on opinions

Seminars and lectures held on Advancement of Women (December 2003)

- Aimed to nurture female leaders, reform the environment of female staff, foster their morale and build their network.
- Six seminars conducted, attended by 330 participants

Examples of female career development to be compiled (scheduled for FY 2004)

- 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 plan are incorporated into Toray’s Advancement of Women Project.

- **Action Plan for the Next Generation Cultivation Promotion Law (in FY 2005)**

  - **Law Principles**
    - Promote taking of child-care leave
    - Pursue education and PR activities to advocate child-care
  - **Targets**
    - Implement systems for two-three times of working hours until children begin elementary school (from July 2005)
    - Reduced overtime
    - Establish recommended days of vacation per year, early go-home days, etc.
  - **Reduced Change**
    - About priority of work and roles according to gender
  - **Other**
    - Continuous 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 nurses-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 for child carestarting under 1**
    - 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 arrangement and possible reduction in female hours**
    - After child-care leave, a maximum of 9 days leave are granted, and a provision has been provided to the child-care facility
  - **Restrictions on taking family care leave extended**
    - A total of 385 days allotted for each case
  - **Employee eligible for child-care or family-care leave expanded**
    - Fixed-term employees (temporary or part-time employees) are eligible for child-care or family-care leave if they meet certain requirements, such as working for a software company.

In order to improve advantages of the flexibility systems already in use and half-day leave system, (1) employed employees of a time working for maternity protection, caring for children or family members can now fragment required units of their working hours, 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** (as of December 31, 2005)

  - **Child-care leave taken**
    - 75, 70, and 90 employees
  - **Family-care leave taken**
    - 2, 0, and 0 employees

- **In light of the above, long-term leave has in fact reduced to only one-third of the expected level.**

Note: Figures for each year as of April 2006.

**Initiatives toward More Diversified Employment**

Toray Group is taking a variety of initiatives to vitalize workplaces where diverse individuals can comfortably 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 age groups. 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 software as educational training at the time of hiring or improvements to the workplace reflecting the suggestions and requests by the disabled.

- **Employment Ratio of Disabled Persons**

  - **Fiscal year**
    - 02: 1.82%
    - 03: 1.82%
    - 04: 1.82%
    - 05: 1.82%

- **Note:** For each year as of June

**Mid-career Recruitment, Employment of Foreign Students**

Toray promotes the mid-career recruitment of experienced students with the mid-career 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 in 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 in society in which anyone can continue working become a reality.

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.

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 the National Core 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 seminars held 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 Development Seminar: 94
    - Toray Group Management Development Seminar: 12
    - Toray Group Supervisor Development Seminar: 13
  - **Local Training (Participated in by Toray)**
    - 2nd European Core Management Seminar: 13
    - 1st and 2nd Global New Manager Development Seminar: 30

**View from the Field**

Since the Promotion of Local Personnel Initiative was launched, we have had such meetings with local executives in Malaysia and Indonesia. Furthermore, Toray is expected to hold the Executive Seminar in China in May 2007. Furthermore, a seminar in Singapore will be held in June 2007. Therefore, we were able to view this seminar as a wonderful opportunity to share our experiences.
Cooperate with Suppliers in their Environmental and Social Initiatives

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

CSR Procurement Guidelines
- Establish an internal CSR organization and be committed to CSR
- Work to enhance corporate ethics and comply fully with all laws and regulations
- Position safety, accident prevention, and environmental preservation as a management priority and practice green procurement and purchasing whenever and wherever possible
- Put crisis management systems in place, including capabilities for responding swiftly in unexpected situations, and disclose accurate information
- Encourage dialogue and cooperation among all stakeholders
- Ensure product safety as a precondition for supplying products
- Respect human rights, eliminate discrimination, and improve workplace environments; eschew forced labor, slave labor, child labor, and unjust low-wage labor
- 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 that included 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.

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 an 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 philosophies 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 embargoed all fully vetted chemical substances from our purchasing office supplies and purchased throughout the enterprise.

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.

1. Chemical substances whose use is prohibited in Japan.
   - Type I substances according to the Chemical Substances Control Law (PVs, etc.)
   - Substances whose manufacture is prohibited in the Labor Safety and Health Law (butane, ethylene, etc.)

2. Chemical substances whose use in Toray products is controlled by overseas laws.
   - Type II substances according to the Chemical Substances Control Law II (phenol, toluene, etc.)
   - Substances controlled according to EU/US laws (cadmium, etc.)

"I LOVE GREEN"
Visit our website for the entire list of the Information Disclosure Principles.
Pursue Social Initiatives

Toray Group Social Initiative Policies

1. Based on the 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. Listing 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.

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.

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 to 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 stood 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 exhibit. 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.

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 no 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 performing arts are collectively an arts. 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.

Implementation Leader

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

Commitment

In terms of 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 social initiatives. Toray does not only create useful assets for society, but seeks to do a company whose very presence itself is recognized as an asset. In pursuing its corporate image as a company that has a world's respect, we strive to move forward while exercising our ingenuity to the maximum.

CSR Guideline

For society: to establish ties and develop mutual trust as a responsible corporate citizen. To keep traditional performing arts alive. To nurture future generations. As a good corporate citizen while continuously supporting employee social initiatives.
External Commendations

**Environment and Social Responsibility**

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<thead>
<tr>
<th>Awarding Institution</th>
<th>Commendations</th>
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<tr>
<td>World Golf of Physics Japan Committee</td>
<td>Chairperson's Award</td>
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<tr>
<td>Ministry of Health, Labour and Welfare</td>
<td>Minister of Health, Labour and Welfare Award</td>
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<tr>
<td>Ministry of Education, Culture, Sports, Science and Technology</td>
<td>Award for Innovation in Science and Technology Award by Minister of ECSST</td>
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**Award Winners**

- Toray Science Foundation Awarded by World Year of Physics Japan Committee
- Toray Gifu Plant Awarded for its Excellence in Health and Safety by Minister of Health, Labour and Welfare

**General Manager of Toray Gifu Plant received the award.**

**Research and Technical Development**

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<tr>
<th>Awarding Institution</th>
<th>Commendations</th>
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<tr>
<td>Prime Minister</td>
<td>Outstanding Performance Award for the World's Fittest Nippon Grand Award</td>
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<tr>
<td>Osaka Memorial Award</td>
<td>Osaka Memorial Award for Scientific and Technical Contributions (KFST)</td>
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<tr>
<td>Ministry of Education, Culture, Sports, Science and Technology</td>
<td>Ministry of Education, Culture, Sports, Science and Technology Award 2005</td>
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**Award-winning Plant/Company**

- Tokyo, Toray Plant
- Osaka, Toray Plant
- Kobe, Toray Plant

**Matters for Commendations**

- Manufacturing technology development of Toray-con ducted high-performance carbon fiber prepreg for primary structural material in civil aircraft
- Development of high-performance odor filters with non-photosensitive polyimide for LCD cellular phones

**Research and Technical Development**

- The High-performance Carbon Fiber Prepreg Received the Outstanding Performance Award at the 1st Monodzukuri Nippon Grand Award
- The High-performance Color Filter Received the 52nd Okochi Memorial Production Award

**Commeminations for the Group Companies in Japan**

- **Toray Science Foundation**
  - Certificate from Fire and Disaster Management Agency for the Ayukata Plant of Tonei's Materials
  - Certificate from Fire and Disaster Management Agency for the Rokul Plant of Coda Enviro Tech

- **Toray Gifu Plant**
  - Certificate from Fire and Disaster Management Agency for the Gifu Plant of Coda Enviro Tech
  - Certificate from Fire and Disaster Management Agency for the Gifu Plant of Coda Enviro Tech

- **Toray Saehan**
  - Certificate from Fire and Disaster Management Agency for the Gifu Plant of Coda Enviro Tech

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

- 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 quality 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.

**Four Companies in Thailand Acknowledged by Rajaprapanrjug Foundation**

- Toray Industries (Thailand), Ltd.,* 'Rajaprapanrjug' Foundation
- Toray Industries, Thailand, Ltd.,* 'Rajaprapanrjug' Foundation
- Toray Industries, Thailand, Ltd.,* 'Rajaprapanrjug' Foundation
- Toray Industries, Thailand, Ltd.,* 'Rajaprapanrjug' Foundation

**Tory Saehan Received the Silver Medal (Presidential Award) of 31st National Quality Management Conference (TPM)**

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.

### Environmental and Social Contribution of Toray Products

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Overview of Environmental Burden

Japanese Subsidiaries and Affiliates

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<th>Substance Name</th>
<th>Raw materials</th>
<th>Energy</th>
<th>Water</th>
<th>Water emission</th>
<th>Atmospheric emission</th>
<th>Waste emission</th>
<th>Waste transfer</th>
<th>Greenhouse gases</th>
<th>Total</th>
<th>PRTR Law substances</th>
<th>Business activities</th>
<th>Reference page</th>
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Overseas Subsidiaries and Affiliates

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<th>Water emission</th>
<th>Atmospheric emission</th>
<th>Waste emission</th>
<th>Waste transfer</th>
<th>Greenhouse gases</th>
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Chemical Substance Emissions and Transfer Data

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<th>Water</th>
<th>Water emission</th>
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Note: Of Toray’s 59 PRTR Law substances, emissions or transfers of the above 44 substances were subject to Total Pollutant Load Control.

List of companies subject to Total Pollutant Load Control:

- Overseas subsidiaries and affiliates
- Companies subject to 2004 PRTR Law
- Overseas subsidiaries of Total Pollutant Load Control
- Companies subject to 2004 PRTR Law

*(Tons; dioxins: mg-TEQ)

Note: If Toray’s PRTR Law substances, emissions or transfers of the above 21 substances exceed 0.0.

* Figures are based on the 2004 PRTR Law substances of the Japanese subsidiaries and affiliates, emissions or transfers of the above 21 substances exceed 0.0.

**(Tons; dioxins: mg-TEQ)

Note: If Toray’s PRTR Law substances, emissions or transfers of the above 44 substances exceed 0.0.

**Figures are based on the 2004 PRTR Law substances of the Japanese subsidiaries and affiliates, emissions or transfers of the above 21 substances exceed 0.0.

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### Environmental Data for Toray 12 Plants

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

<table>
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<th>Main items produced</th>
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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 red a no leaf 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.

Status of Toray Stocks Incorporated into “Socially Responsible Investment Funds”

Socially Responsible Investment (SRI) is an investment form aimed 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 index of Toray stocks incorporated 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.

Investigated based on corporate reports and hearings as of July 2006.

First Sustainable Management Rating Evaluation

<table>
<thead>
<tr>
<th>Year</th>
<th>First CSR management general ranking</th>
<th>10% place</th>
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<tbody>
<tr>
<td>2003</td>
<td>First CSR management general ranking</td>
<td>10% place</td>
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</table>

Names of media

Weekly Toyo Keizai: February 18, 2006
Newsweek, Japan: June 21, 2006

Performance

A: Management
B: Governance
C: Compliance

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 red a no leaf 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.

Status of Toray Stocks Incorporated into “Socially Responsible Investment Funds”

Socially Responsible Investment (SRI) is an investment form aimed 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 index of Toray stocks incorporated 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.

Investigated based on corporate reports and hearings as of July 2006.

Third Party Opinions

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### Global Reporting Initiative Guidelines Reference Chart

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### 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 protection efforts have also become deeply embedded in its corporate culture.

**1946**
- Toray Industries, Inc. established
- English version of company magazine People first published

**1947**
- Five-day workweek implemented

**1948**
- Mandatory retirement age of 60 adopted
- First energy-efficient boiler installed

**1950**
- Company creed “Toyo Rayon serves society” adopted

**1956**
- First energy-efficient boiler installed

**1958**
- English annual report first published

**1960**
- Mandatory retirement age of 60 adopted

**1963**
- First energy-efficient boiler installed

**1969**
- Standard for the Prevention of Disaster Disasters established

**1970**
- Energy Technology Development established

**1977**
- First Company-wide Grand Safety Meeting held

**1984**
- Corporate Philosophy (Corporate Missions, and Guiding Principles) adopted

**1985**
- Management Philosophy (Corporate Philosophy, Corporate Missions, and Guiding Principles) adopted

**1986**
- English language version of company magazine People first published

**1987**
- First Grand Safety Meeting of Domestic Subsidiaries and Affiliates

**1990**
- First Grand Safety Meeting of Domestic Subsidiaries and Affiliates

**1991**
- Global Environment Activities and Product Safety Committee established

**1993**
- Safety, health, accident prevention, and environmental audits start at Toray plants

**1994**
- Safety, health, accident prevention, and environmental audits start at Toray plants

**1995**
- Reemployment system introduced

**1996**
- English annual report first published

**1997**
- First Grand Safety Meeting of Domestic Subsidiaries and Affiliates

**1998**
- Mandatory retirement age of 60 adopted

**1999**
- Environmental Report published

**2000**
- Remanufactured system introduced

**2001**
- Compliance Committee established

**2002**
- CSR Committee established

**2003**
- Second Three-Year Environmental Plan started

**2004**
- CSR Guidelines and Action Programs published

**2005**
- CSR Report published

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