

CSR Annual Report 2005  
April 1, 2004 - March 31, 2005

## Backgrounder

We at Toray Group are proud to present our CSR Annual Report 2005 to provide you with an overview of our corporate social responsibility (CSR) initiatives and achievements during the fiscal year ended March 2005 (FY Mar/05).

Toray Group has published environmental reports since 1999 as part of our efforts to disclose information about the environmental initiatives we have taken in conjunction with our business activities. We established our CSR Committee in 2004 and published our first CSR Annual Report covering a broad range of the Group's social and economic activities.

This year's CSR Annual Report will discuss our current efforts to fulfill the Toray Group's CSR Guidelines and CSR Action Programs, which we established in December 2004.

In addition to looking at the main manufacturing subsidiaries of the Toray Group from an environmental perspective, we will also cover a broad range of social topics related to our ongoing CSR activities.

This report has been prepared in conformity with the Environmental Reporting Guidelines published by Japan's Ministry of the Environment and the Sustainability Reporting Guideline 2002 of the Global Reporting Initiative; it also complies with the Responsible Care Codes of Practice.



We hope the report will be widely read by all our stakeholders—customers, local residents near our business facilities, shareholders and investors, business partners and suppliers, NPOs, rating agencies, research institutions, the media, and employees—so that they may gain an accurate appreciation for our CSR work.

Published: September 2005

### Outline of Toray Industries, Inc. (As of March 31, 2005)

**Established:** January 1926  
**Capital:** ¥96,937,230,771  
**Employees:** 33,707 (consolidated basis)  
**Subsidiaries and affiliates:** 237

	Japanese	Overseas	Total
<b>Consolidated subsidiaries</b>	68	71	139
<b>Equity method subsidiaries</b>	39	20	59
<b>Equity method affiliates</b>	16	23	39
<b>Total companies subject to consolidation</b>	123	114	237

Consolidated financial results (FY Mar/05)	(¥ million)
<b>Net sales</b>	1,298,606
<b>Operating income</b>	81,052
<b>Ordinary income</b>	76,800
<b>Net income</b>	34,397

### Information available on our website

Home page: <http://www.toray.com>  
 Environmental initiatives: <http://www.toray.com/environment/index.html>  
 Investor relations: <http://www.toray.com/ir/index.html>

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

## Toray Group Corporate Image in the 21st Century

(Long-term corporate vision, AP New TORAY21, established in April 2002)

### 1 A corporate group that continues to develop on the basis of science and technology

Building on its core technologies in organic chemistry, polymer chemistry, and fiber engineering, Toray Group pursues the development of state-of-the-art technology and new products by pioneering new fields including biotechnology, information technology, and nanotechnology. With these new technological fields as solid business bases, the Group aims for further growth and development.

### 2 A corporate group that never ceases to promote innovative attitudes and ideas while strengthening its corporate structure

Ceaselessly promoting innovative attitudes and ideas creates a corporate atmosphere of frontier spirit, integrity, fortitude, and entrepreneurship. At the same time, the Group keeps its corporate structure strong enough to maintain stability even in a rapidly changing business environment.

### 3 A corporate group that pursues growth through globalization and group management

Each Toray Group company establishes itself in a competitive position through its own identity and initiative. Toray Group pursues global growth by strengthening the synergetic collaborations among this group of companies that has Toray as its core.

### 4 A corporate group that strives to carry out business as a "New Value Creator"

Toray Group is not satisfied with merely manufacturing and selling products. The Group plays a comprehensive role in providing solutions for customers by transforming into a "New Value Creator" that develops new business models.

### 5 A corporate group that secures and develops outstanding human resources

Toray Group secures and develops the outstanding human resources required for its corporate strategies. Toray Group aims to promote management activities that use human and organizational resources to their best advantage so that everyone can share the joy of achieving goals in a challenging environment and improving their abilities and skills.

### 6 A corporate group that regards safety, accident prevention, and environmental preservation as its top priorities

Placing the utmost priority on safety, accident prevention, and environmental preservation, Toray Group ensures the safety and health of employees, customers, and society. The Group also plays an active role in environmental protection by developing environmentally friendly products and technologies.

### 7 A corporate group that recognizes its responsibility to be a good corporate citizen by contributing to society

Toray Group builds beneficial partnerships with the communities in which it operates businesses. The Group also makes every effort to improve the transparency of its corporate management and to protect consumers. Its international activities, including those of the Toray Science Foundation, which support and develop science and technology, contribute to the betterment of society.

### 8 A corporate group that establishes and develops a vital corporate culture and corporate ethics of the highest standards

Toray Group establishes and develops a vital corporate culture to shape a lively and attractive corporate character appropriate for the 21st century. The Group acts with fairness and high ethical standards to serve society sincerely as a trustworthy corporate citizen.

## Companies Covered in this Report

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

Japanese Subsidiaries and Affiliates (25 Companies)	
Fibers and Textiles	Du Pont-Toray Co., Ltd.
	Opelontex Co., Ltd.
	Ogaki Fuso Spinning Co., Ltd.
	Toray Textiles, Inc.
	Inami Textiles, Inc.
	Matsumoto Textiles Co., Ltd.
	Toray Coatex Co., Ltd.
	Towa Orimono Co., Ltd.
	Toray Monofilament Co., Ltd.
	Toyo Tire Cord Co., Ltd.
	Toyo Flocking Co., Ltd.
	Maruichi Fiber Co., Ltd.
Sowa Textile Co., Ltd.	
Plastics and Chemicals	Toyo Plastic Seiko Co., Ltd.
	Toray PEF Products Inc.
	Toray Advanced Film Co., Ltd.
	Dow Corning Toray Silicone Co., Ltd.
	Toray Fine Chemicals Co., Ltd.
Soda Aromatic Co., Ltd.	
Housing and Engineering	Toray ACE Co., Ltd.
	Toray Engineering Co., Ltd.
	Toray Precision Co., Ltd.
Pharmaceuticals and Medical Products	Toray Medical Co., Ltd.
Information and Services	Toray Research Center, Inc.
	Toyo Jitsugyo Co., Ltd.

Overseas Subsidiaries and Affiliates (27 Companies)			
United States	Plastics and Chemicals	Toray Plastics (America), Inc. Toray Resin Co.	
	New Products and Other Businesses	Toray Carbon Fibers America, Inc. Toray Composites (America), Inc.	
	Fibers and Textiles	Toray Textiles Europe Ltd. Alcantara S.p.A. Toray Textiles Central Europe s.r.o.	
Europe	Plastics and Chemicals	Toray Plastics Europe S.A.	
	New Products and Other Businesses	Société des Fibres de Carbone S.A.	
Indonesia	Fibers and Textiles	P.T. Acryl Textile Mills P.T. Century Textile Industry Tbk P.T. Easterntex P.T. Indonesia Synthetic Textile Mills P.T. Indonesia Toray Synthetics	
	Fibers and Textiles	Luckytex (Thailand) Public Co., Ltd. Thai Toray Textile Mills Public Co., Ltd.	
		Fibers and Textiles / Plastics and Chemicals	Thai Toray Synthetics Co., Ltd.
	Malaysia	Fibers and Textiles	Penfabric Sdn. Berhad
Fibers and Textiles / Plastics and Chemicals		Penfibre Sdn. Berhad	
Plastics and Chemicals		Toray Plastics (Malaysia) Sdn. Berhad	
China	Fibers and Textiles	Toray Fibers (Nantong) Co., Ltd. Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd. TALTEX (Zhuhai) Ltd.	
		Plastics and Chemicals	LIBI Plastic Compounding (Shenzhen) Co., Ltd. (currently: Toray Plastics (Shenzhen) Ltd.) Toray Film Products (Zhongshan) Ltd. Toray Sanko Precision (Zhongshan) Ltd.

Company names are listed as of March 2005.

Safety data includes non-manufacturing companies in addition to the above-listed manufacturing companies. Data was collected for Toray Industries, Inc., 64 Japanese subsidiaries and affiliates, and 33 overseas subsidiaries and affiliates. Reporting on our social initiatives pertains mainly to Toray Industries, Inc. but information about efforts to communicate with local communities and external commendations cover the entire Toray Group. Economic reporting covers Toray Group consolidated subsidiaries.

## Contents

02	Backgrounder / Outline of Toray Industries, Inc. Toray Group Corporate Image in the 21st Century
04	Message from the President / Management Philosophy
06	Business Activities of the Toray Group
08	Toray Products for Land, Sea, and Air
10	Toray Group CSR Committee Chairman Q&A / CSR Guidelines / Corporate Ethics and Compliance Code of Conduct / Ten Basic Environmental Rules
14	Topics in FY Mar/05
	1. New Initiatives in Plastics
	2. Working Team to Promote the Advancement of Women
	3. Established CSR Procurement Guidelines to Promote a Better Society
	4. Reducing Greenhouse Gases
18	Toray Group and Its Stakeholders
20	CSR Guideline 1
	1 Basic Policy: Enhance corporate governance and management transparency
22	CSR Guideline 2
	2 Uphold corporate ethics and comply with laws and regulations
24	CSR Guideline 3
	3 Emphasize safety, accident prevention, and environmental preservation
36	CSR Guideline 4
	4 Ensure product safety and quality
38	CSR Guideline 5
	5 Perform risk management
40	CSR Guideline 6
	6 Promote dialogue with stakeholders
44	CSR Guideline 7
	7 Step up environmental and recycling efforts
46	CSR Guideline 8
	8 Secure and train personnel and promote human rights
50	CSR Guideline 9
	9 Cooperate with suppliers in their environmental and social initiatives
52	CSR Guideline 10
	10 Pursue social initiatives
54	External Commendations
56	Environmental and Social Contribution of Toray Products
58	Overview of Environmental Burden
60	Chemical Substance Emissions and Transfer Data
61	Controlled Chemical Substances List and Banned Chemical Substances List
62	Environmental Data for Toray's 12 Plants
64	Chronology of CSR Initiatives
65	Global Reporting Initiative Guidelines Reference Chart
66	Third Party Opinions
67	Environmental Management Rating and Closing Note

## Message from the President

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

### We at the Toray Group hope to benefit society by improving the environment through our business activities



Message from the President

Toray was founded in 1926 and will celebrate its 80th anniversary in 2006. I believe the company has been able to sustain growth throughout its long history due to a firm commitment to working for the benefit of society. I take pride that our predecessors helped transform the lives of people around by world by developing and supplying advanced materials and products to meet the needs of the times.

I believe our corporate culture embodies our mission to be a pioneer in providing new technologies and new products to the world, our ethical perspective of placing the highest priority on safety, accident prevention, and environmental preservation as a manufacturer, and our management philosophy of valuing society by working in harmony with local communities.

#### Realizing Our Corporate Philosophy

Back in 1955, when the company was named Toyo Rayon Co., Ltd., it adopted "Toyo Rayon serves society" as the Company

Creed. I admire the innovative spirit and foresight of our predecessors for incorporating "community service" into the creed of a private commercial enterprise.

We revised our Company Creed and established our Corporate Philosophy - Contributing to society through the creation of new value by innovative ideas, technologies, and products - in 1986. We sought to realign our management practices on the basis of our Corporate Philosophy and then rounded out our overall Management Philosophy with the addition of our Corporate Missions and Guiding Principles in 1995.

I think the basis of corporate management is to realize the Corporate Philosophy and, therefore, it is my primary mission as president to manage this company with a view to fulfilling this philosophy. I believe Toray Group, by providing solutions to the problems facing the global community today and in the future, can indeed fulfill its Corporate Philosophy of "contributing to society through the creation of new value by innovative ideas, technologies and products."

#### CSR-Based Management

I believe companies should work to increase earnings while giving an appropriate amount back to society. In this sense, the ultimate goal is to use corporate earnings as a means to contribute to society. I view this as a fundamental objective of the Toray Group, and I keep this in mind in managing the company.

The business environment has changed dramatically in recent years. Corporate managers have lost their authority and become more inclined to follow current trends. In contrast, I seek to adapt our management to suit the times rather than follow the latest trends. I continue to study the essence of management with a view to developing an approach that is unique to Toray, transcending a simply Japanese or American style of management.

In this sense, CSR forms the basis of good management. It is essential for achieving sustainable growth and involves business selection and other aspects of risk management. Accordingly, I believe Toray Group must work for the benefit of society by improving the environment through its business activities.

#### Basis of New Toray Reforms

Toray Group has pursued its New Toray (NT) reform program since April 2002. During the first two years of this program we adopted a "defensive" management posture to overcome the financial crisis facing the company. Building on the results of these efforts, we launched "Project NT-II" as the second stage of our NT reform program in April 2004.

This project is based on the dual pursuit of earnings growth and CSR initiatives. Essentially, we are adopting an "offensive" management posture to achieve stable earnings growth while sincerely pursuing CSR initiatives to ensure sustainable growth.

The goal of our NT reform program is to propel Toray Group into the 21st century as a highly profitable corporate group. We are developing a highly profitable business structure with a view to

contributing to the global community.

#### Status of CSR Initiatives

As part of our CSR initiatives, we established the CSR Committee under my authority in 2003 and published our first CSR Annual Report in 2004. We also prepared our CSR Guidelines and Action Programs at the end of 2004, and we are currently working within a project structure based on our ten guidelines, which encompass the ten themes of 1) corporate governance and management transparency, 2) corporate ethics and legal compliance, 3) safety, accident prevention, and environmental preservation, 4) product safety and quality, 5) risk management, 6) dialogue with stakeholders, 7) environmental and recycling efforts, 8) securing and training personnel and promoting human rights, 9) the environmental and social initiatives of suppliers, and 10) social initiatives.

We consider these themes to be extremely important issues of management, and though we have worked hard to address each theme individually, in some cases we did not specify clear targets or establish written rules. Revising our approach, we have established a clear direction to be shared by all Group companies and we are focusing on linking our activities to the Plan-Do-Check-Action cycle.

As a group-wide movement we launched CSR activities at the workplace level in April 2005.

#### Taking the Initiative in CSR

Toray Group consists of roughly 240 companies located in 21 countries and regions around the world, and we have leveraged our unique position as a materials manufacturer to expand into a wide range of businesses. We have a vast number of customers and suppliers in these countries and regions, and I am confident that our efforts to collaborate with these customers and suppliers in pursuing CSR activities will become a major force throughout the world. Toray Group is taking the initiative in CSR to independently fulfill its corporate social mission and provide leadership to the various companies comprising its supply chain.

We have prepared our CSR Annual Report 2005 as an overview of our CSR achievements in FY Mar/05. I hope the report will give readers a better understanding of Toray Group and the steady progress we are making in the area of CSR. I also look forward to hearing your opinions and requests.

September 2005  
Sadayuki Sakakibara



## Management Philosophy

(Adopted April 1995)

### Corporate Philosophy

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

### Corporate Missions

#### For our customers:

To provide new value to our customers through high-quality products and superior services

#### For our employees:

To provide our employees with opportunities for self-development in a challenging environment

#### For our shareholders:

To provide our shareholders with dependable and trustworthy management

#### For the local community:

To act as a responsible corporate citizen to build a long-lasting, beneficial partnership with the local communities in which we do business

### Guiding Principles

- **Safety and environment:**

Placing top priority on safety, accident prevention, and environmental preservation, always ensuring the safety and health of our employees, our customers, and society

- **Customer satisfaction:**

Making full use of our technology and wisdom to remain ahead of the times and ensuring greater customer satisfaction

- **International competitiveness:**

Increasing the competitiveness of our products and services in quality, cost, and value-in-use, thereby assuring our continued growth in global markets

- **Global teamwork:**

Joining together in mind and spirit to realize our combined strengths as the Toray Group active on the global stage

- **Identity and self-improvement:**

Solving the task before us through self-improvement efforts, recognizing the role and identity expected of us from the Company and society

- **Meaning in work:**

Creating an optimal corporate climate for fully motivating our employees and enabling every area of our organizations to function effectively, while sharing the joy of achieving goals in a challenging environment

- **Fairness and sincerity:**

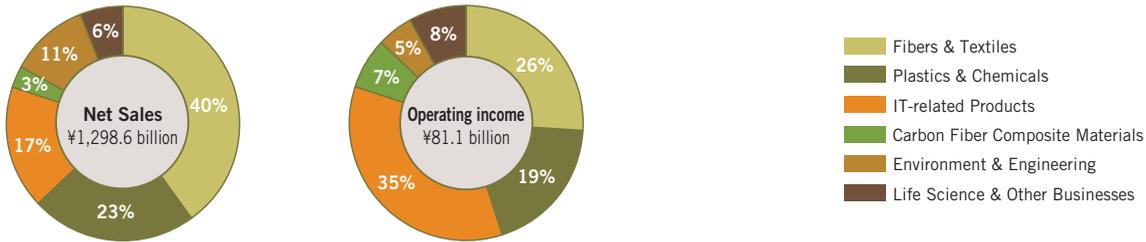
Behaving fairly with a strong feeling of responsibility and a high ethical sense, thereby establishing a trustworthy relationship with society

## Business Activities of the Toray Group

### Business Strategy and Current Status of the Toray Group

Toray Group is involved in a wide range of business activities. We leverage the advanced materials we have developed based on our core technologies of organic synthetic chemistry, polymer chemistry, and biochemistry to further cultivate the market for these businesses and expand them globally. We position fibers & textiles and plastics & chemicals as foundation businesses while expanding IT-related Products, carbon fiber composite materials, environmental products, and life sciences as strategic growth businesses.

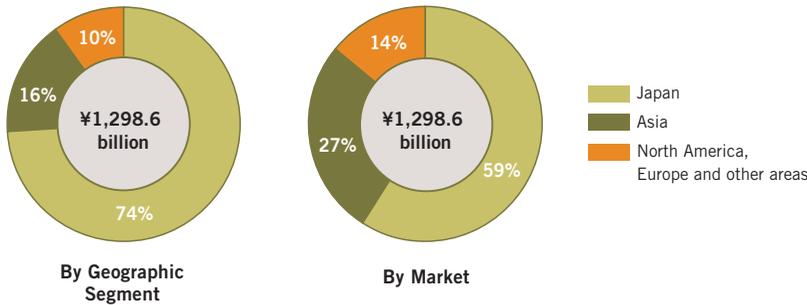
Net Sales and Operating Income by Business Segment in FY Mar/05



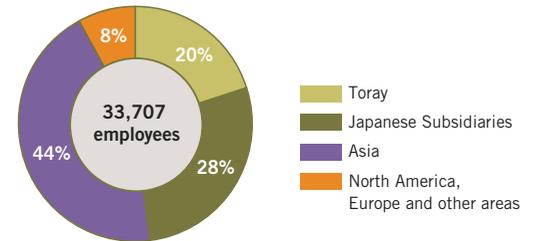
### Toray Group Network

Toray Group operates globally with offices and plants located in 21 countries and regions around the world. In our foundation businesses, which include fibers & textiles and plastics & chemicals, we have utilized overseas production for many years. Our basic strategy is to underpin earnings in these businesses by creating a global manufacturing network and tailoring our sales activities to each region. In our strategic growth businesses, which are involved mainly with advanced materials, we are expanding production facilities around the world to better serve the needs of local markets. For instance, in our carbon fiber business, we plan to augment our facilities in Japan, North America, and Europe on an annual basis.

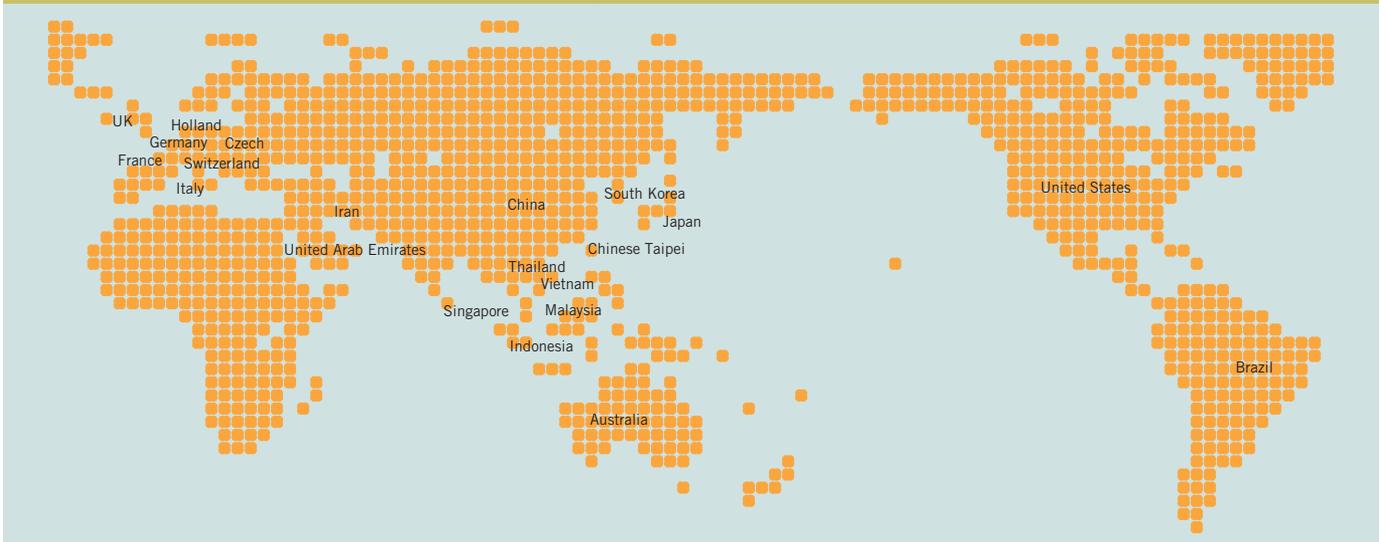
Net Sales by Geographic Segment and Market in FY Mar/05



Employees by Geographic Segment in FY Mar/05



Main Countries and Regions with Toray Group Business Facilities



(As of March 31, 2005)

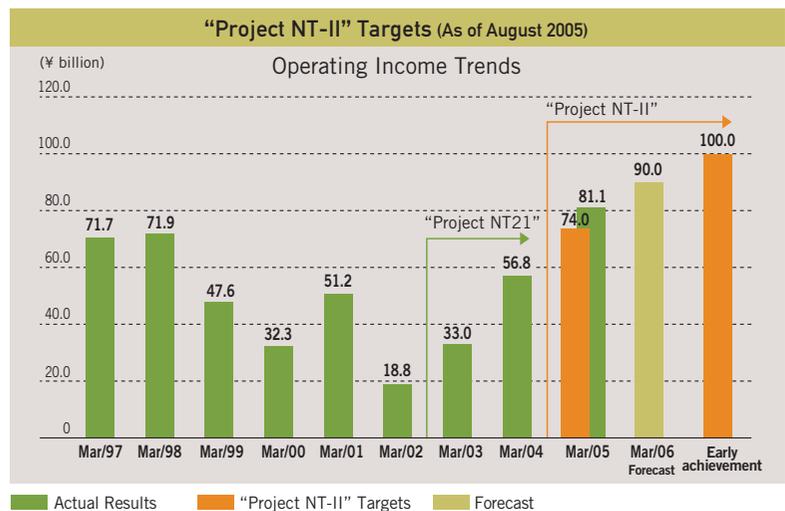
## NT Reform Program

Earnings took a sharp downturn in FY Mar/02 as Toray Group faced severe difficulties for the first time since its founding. We launched our Project New Toray 21 (Project NT21) reforms in April 2002 as a sweeping structural reform program designed to return Toray to being a highly profitable corporate group by restoring its high social status and creating a robust corporate structure not affected by changes in the business environment. One goal of these reforms is to transform Toray Group from a 20th-century-styled manufacturer into a New value creator befitting of the 21st century. We therefore are focusing our business resources into the three promising high growth areas of 1) IT-related products, 2) environment, safety and amenity, and 3) life sciences with the goal of using these strategic growth businesses to drive overall growth of the Toray Group in the 21st century.



## Mid-Term Management Reform Program "Project NT-II"

We launched "Project NT21" as the first stage of our corporate reform efforts in April 2002. In this project we sought to quickly improve earnings through a shared sense of crisis by prioritizing efforts to strengthen our profit base through reinforcing our corporate structure. This project was initially planned for three years, but we were able to achieve our objectives one year ahead of schedule. We launched "Project NT-II" as the second stage of our NT reform program in April 2004 based on the idea of "developing a highly profitable corporate group by continuing to reinforce our corporate structure and making additional reforms to our business structure." To achieve this objective, we seek to increase profits in existing businesses through rigorous profit management for each product, and to expand and strengthen our 1) advanced materials businesses, 2) global No. 1 businesses, and 3) businesses outside Japan, all of which represent valuable assets that we are proud to have developed throughout our long history. In conjunction with these efforts to increase profits, we are also placing a priority on safety, accident prevention, and environmental preservation, working to uphold corporate ethics and comply with laws and regulations, and otherwise fulfill our corporate social responsibilities.



## Toray Products for Land, Sea, and Air

Toray has a wide range of seen and unseen products from toothbrushes to satellites that are used in a variety of settings on land, in the sea, and in the air.

Toray is primarily involved in manufacturing materials. Our products touch countless lives in surprisingly familiar places, including mobile phones, clothes, and sofas. Toray products are used in a wide array of settings and we can only introduce some of these products here. We hope this list provides a better understanding about Toray, whose products are always nearby.



Rockets



Wind power turbines



Golf club shafts



Outdoor tents



Snowboards and snowboard wear



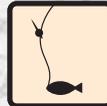
Skiwear, skis, and ski poles



Vinyl houses



Fishing nets



Fishing rods and line



Road pavement material



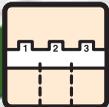
Event tents



Artificial turf



Medicine



Desalination equipment



Swimsuits



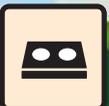
Volleyball nets and supports



Rackets



Televisions



Video tapes



Personal computers



Dialyzers



Towels



Futons



Incense

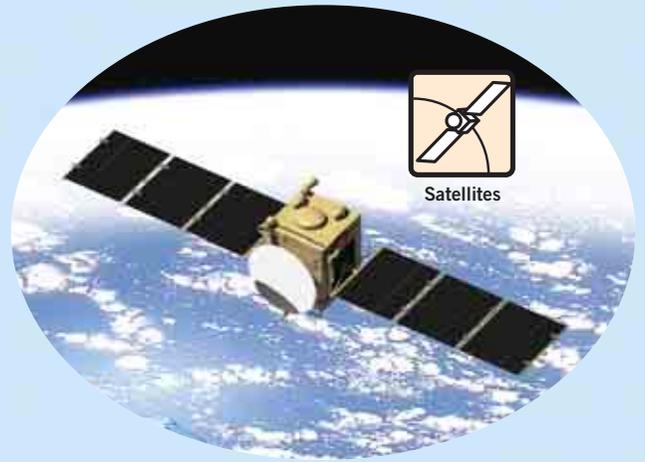


Bicycles

Note: Blue icons indicate end products and cream-colored icons indicate materials.



Aircrafts



Satellites



Ships



Sailboats



Condominium buildings



Waterless printing systems



Cosmetics



Stockings



Eyeglass wipes



Sofas



Clothing



Kimonos



Summer kimonos



Wall materials



Contact lenses



Curtains



Handbags



Shampoos and conditioners



Sponges



Water purifiers



Wheelchair raincoats



Mobile phones



Shaving lotion



Toothbrushes



Umbrellas



Cars



Shoes



Diapers



Veterinary medicines



Tiles

## Toray Group CSR Committee Chairman Q&A

CSR Committee Chairman: **Kazuo Tomiita**, Executive Vice President and Representative Director of Toray Industries, Inc.



Throughout its long history the Toray Group has endeavored to uphold corporate ethics, address environmental issues, and contribute to society. However, the time has now come to review how we respond to the concept of CSR. We established the CSR Committee in November 2003 and we spoke with the committee's chairman, Executive Vice President Kazuo Tomiita, about reforms taken to encourage a greater dialogue with stakeholders.

### Q. How does the Toray Group approach and position CSR?

**A.** Toray Group did not commence CSR activities on account of the recent attention given to the subject. On the contrary, I am proud to say that we have been pursuing a CSR-like approach for some time. However, the requirements of CSR are wide reaching, and we need to consider new ideas if our efforts are to encompass all aspects of our business, including our supply chain. We should earnestly pursue environmental and social initiatives to address the real issues of our times.

In "Project NT-II", the mid-term management reform program launched in April 2004, we position CSR alongside earnings growth as a top management priority. Earnings growth is a primary goal of management, but environmental and social considerations are essential to achieving sustainable growth. I believe the profitability of a business must be considered in combination with environmental and social factors. In other words, in all aspects of our corporate management and business operations, we need to strike a balance between the triple bottom line of the economy, environment, and society. I believe such efforts are ultimately valuable in enhancing our credibility as a company.

### Q. What initiatives have you taken thus far?

**A.** We established Toray Group CSR Committee under the direct authority of the president in November 2003. The CSR Committee cuts across several other committees, including the Corporate

Ethics Committee established in 1997 as well as the long-standing Global Environment Committee and Product Safety Committee. Our approach at Toray is to listen first before taking action. Given that individuals may be somewhat self-centered when diligently pursuing their duties, we seek to have them reflect on their actions and then move forward on the basis of this reflection.

The CSR Committee commenced full-scale activity in April 2004 and our first step was to improve upon the issues identified in the environmental management rating program hosted by the NPO Sustainable Management Rating Institute (SMRI). Additionally, the Nippon Keidanren revised its Charter of Corporate Behavior from a CSR perspective in June 2004, and we have revised our group-wide management practices in accordance with the charter's Implementation Guidance. We also prepared CSR Guidelines and Action Programs for the entire Toray Group at the end of 2004.

### Q. From what standpoint were the CSR Guidelines and Action Programs prepared? What sort of details do they contain?

**A.** We prepared these guidelines with the goal of responding to nearly all aspects of CSR frameworks advocated around the world. However, we expect to revise our guidelines as needed to account for any changes in the world. We also referenced the Nippon Keidanren's Charter of Corporate Behavior and gave consideration to environmental management ratings and socially responsible

investment. Accordingly, our CSR Guidelines and Action Programs cover a wide range of subjects from corporate governance to social contributions. These guidelines were prepared from the standpoint of how Toray Group can pursue sustainable business activities both in Japan and overseas and pro-actively contribute to creating a sustainable society.

Our CSR Guidelines fully incorporate the basic management objectives of Toray Group, including to remain primarily involved in manufacturing, to be a global corporate group operating in 21 countries and regions around the world, and to achieve further growth based on dialogue and cooperation with our stakeholders. As items uniquely representative of Toray, I would cite the example of our seventh guideline—Step up environmental and recycling efforts—as a declaration of our intention to contribute to improving the global environment through research and technological development and by developing and expanding our businesses. I would also note our eighth guideline—Secure and train personnel and promote human rights—as a clear expression of our intention to protect the jobs of our employees. Additionally, as a cutting-edge initiative, our ninth guideline—Cooperate with suppliers in their environmental and social initiatives—brings supply chain management within the scope of CSR.

**Q. Can you talk about the framework for implementing CSR activities in accordance with the CSR Guidelines?**

**A.** We have prepared action programs for each guideline and determined short-term implementation details and schedules. We have also identified leaders responsible for implementation and established an implementation framework. We plan to have these implementation leaders attend quarterly meetings of the CSR Committee to provide a status report. Implementation leaders will play a leadership role in promoting their individual theme throughout Toray Group. I believe the skills of these employees are extremely important because they are creating a framework that transcends organizations, not to mention national boundaries.

**Q. In what ways are the two guidelines mentioned above uniquely representative of Toray?**

**A.** The third guideline—Emphasize safety, accident prevention, and environmental preservation and fourth guideline—Ensure product safety and quality—reflect the fact that Toray is a manufacturer. However, these guidelines are basic and essentially “defensive” in nature. In contrast, our seventh guideline is uniquely representative of Toray. This “offensive” oriented guideline signals our intention to contribute to society by pursuing research and technological development and by developing and expanding environmental, safety, and amenity businesses, in which we are focusing our resources as prospective growth areas. The eighth guideline—Secure and train personnel and promote human rights—is also uniquely representative of Toray because it shows

## CSR Guidelines

(Adopted December 2004 and revised June 2005)

### 1. Basic Policy and Enhance corporate governance and management transparency

Sincerely pursue CSR activities to help create a sustainable society by fulfilling our Corporate Philosophy, Corporate Missions, and Guiding Principles, and strive to enhance corporate governance and management transparency.

### 2. Uphold corporate ethics and comply with laws and regulations

Earn the trust of society by all executives and employees upholding our Corporate Ethics and Legal Compliance Code of Conduct and acting with fairness, high ethical standards, and sense of responsibility.

### 3. Emphasize safety, accident prevention, and environmental preservation

Give safety, accident prevention, and environmental preservation top priority above all other management issues, and work to ensure the safety and health of society and employees while protecting the environment in all of our business activities, from procuring raw materials to manufacturing, supplying, and disposing of products.

### 4. Ensure product safety and quality

Recognize the importance of product safety and quality assurance in supplying safe and highly reliable products, and strive to enhance management systems and disclose appropriate information.

### 5. Perform risk management

Seek to reduce potential risk, develop a system capable of responding quickly to unexpected situations and disclosing accurate information, and work to inform all employees about this system.

### 6. Promote dialogue with stakeholders

Encourage dialogue and cooperation with employees, shareholders, investors, business partners, consumers, local communities, non-profit organizations, government and administrative agencies, mass media, analysts, and other parties.

### 7. Step up environmental and recycling efforts

Pursue research and technological development related to environmentally friendly products and recycling, and contribute to improving the global environment by developing and expanding environmental, safety, and amenity businesses.

### 8. Secure and train personnel and promote human rights

Secure and train personnel and diversify employment while striving to protect employee jobs, respect human rights, and continuously improve workplace environments.

### 9. Cooperate with suppliers in their environmental and social initiatives

Cooperate with suppliers in promoting CSR activities, including environmental consideration, compliance with laws and regulations, and promotion of human rights.

### 10. Pursue social initiatives

Voluntarily conduct promotional programs for science and technology, arts and culture, social welfare, sports, and other activities by allocating an appropriate amount of resources as a good corporate citizen.

our commitment to diversifying employment opportunities while protecting the jobs of our employees. Toray has not laid off any employees throughout its 80 year history. I believe it is important to improve the skills of employees that have joined the company, based on a belief that people determine a company's fortunes and create its future. On the other hand, work style has been diversified. Some want to join Toray and some may leave in order to advance job career. Thus, we will not retain employees by all means, but rather give them the freedom to come and go as they please. What we want to emphasize here is that we will not allow the company's situation to be a cause of anxiety in their lives.

**Q. In addition to the CSR Guidelines, in what other areas are you moving forward, including a response to new laws and regulations?**

**A.** We established our Personal Information Management Rules on March 1 prior to the Personal Information Protection Law coming into force in April 2005. In terms of complying with laws and regulations, no matter what advanced systems companies may employ, I believe people are ultimately responsible. Though companies must work to create a corporate culture that prevents corruption, I believe that maintaining and improving employee morals is a question of whether the company has confidence and pride in each individual employee.

In response to the Law to Promote Support Measures for Nurturing Future Generations coming into force in April 2005, we are working to create an environment to help both male and female employees achieve a healthy balance between work and home by conducting education and communication activities to create an atmosphere conducive to taking maternity leave, extending the period during which employees can work shorter hours to facilitate childcare, and holding presentations and workshops concerning the advancement of women. In fully utilizing female employees, though child rearing is a major issue, I believe both male and female employees should be allowed to freely demonstrate their full capabilities. In my view, we should move to eliminate gender-based employment data.

Additionally, in response to major earthquakes in several regions during 2004 and 2005, we are working to prepare a Business Continuation Plan to help us maintain operations in the event of a major earthquake.

**Q. What is your approach to CSR going forward?**

**A.** As I have discussed thus far, during the past year and a half, the CSR Committee has taken a lead in pursuing top-down projects to address the various issues confronting the Toray Group. In conjunction with these activities, I think we also need a framework to pursue bottom-up CSR initiatives at the workplace. I issued a CSR Declaration as a message to all employees of the Toray Group on April 1.

We previously established a Legal Compliance Committee in all

departments at Toray as well as at all subsidiaries and affiliates in Japan and overseas. We changed the name of this committee to the CSR and Legal Compliance Committee and expanded its mandate to include CSR in addition to legal compliance. We also launched a Multi-Communication Campaign in July 2004 to encourage more rigorous reporting, communication, and consultation with the aim of enhancing workplace communication in all directions. Our first goal is to improve workplace communication. We established one Communication Day each month on which employees must hold discussions about business performance, safety, and legal compliance. We subsequently added CSR as a required topic of discussion. CSR is becoming well-established in our local offices and plants and a variety of changes are taking place along with a change in the outlook of individual employees. I believe we should approach our local CSR activities with a view to changing the outlook of each and every employee. This type of approach will perhaps foster a new corporate culture and sense of vitality. Going forward, I hope to link the activities of the CSR Committee with those of workplace in an effort to generate synergies.

**TORAY**

CSR Declaration

One and a half years have passed since the CSR Committee was established in November 2003. Our first achievement was to publish the CSR Annual Report in September 2004, and our second achievement was to prepare the CSR Guidelines and Action Programs in December 2004. I believe we have generally finished our communication efforts, which included instructions from top management and a company newsletter.

Moving into FY Mar/06, I believe the time has come to launch organized activities across the entire Toray Group. Specifically, I would like to expand the mandate of our Legal Compliance Committee to include CSR activities with a view to focusing on the three areas of 1) safety, accident prevention, and environmental preservation, 2) corporate ethics and legal compliance, and 3) stakeholder communication. I would like the employees of the Toray Group to add CSR as an essential element of our ongoing Multi-Communication Campaign and to pursue their activities from a variety of perspectives. By pursuing these activities and implementing our CSR Action Programs, we are beginning to work toward our goal of establishing a CSR management system in FY Mar/06.

April 1, 2005

CSR Committee Chairman

*H. Jami*

## Corporate Ethics and Legal Compliance Code of Conduct

(Adopted October 2003)

### 1. Contribute to society

As a company aspiring to be a New Value Creator, provide trustworthy products and services that satisfy our customers.

### 2. Communicate with society

Communicate with the various parties associated with the Company, including its customers and shareholders as well as members of the local community. Actively and fairly disclose pertinent information about the Company.

### 3. Behave as a good corporate citizen

Comply with laws and regulations, respect human rights, and actively contribute to society as a good corporate citizen.

### 4. Play an active role in preserving the global environment

Recognize that playing an active role in preserving the global environment is an important management issue, and strive to coexist with the environment in all corporate activities by conserving energy, reducing emissions and waste, promoting recycling, and so forth.

### 5. Prioritize fairness and trust in corporate activities

Engage in proper trade based on free, fair, and transparent market competition, and conduct corporate activities that earn the deep trust of society.

### 6. Comply with national laws and regulations

Pursue management reform from a global perspective, comply with the respective national laws and regulations in overseas operations, and be self-disciplined with high ethical standards. Conduct corporate activities with respect to the culture and customs of each country and contribute to the advancement of local communities.

### 7. Raise motivation and create a corporate culture that lets employees demonstrate their ability

Strive to create a corporate environment that allows each and every employee to be motivated to demonstrate their ability, respect individual human rights, character, and personality, and maximize creativity and professionalism.

### 8. Break off relations with antisocial forces

Always work for the good of society, break off relations with antisocial forces that threaten the order and safety of civil society, and take a resolute stand as a unified company.

## Ten Basic Environmental Rules

(Adopted in January 2000)

### 1. Prioritize environmental preservation

We shall comply with all laws, regulations, and agreements in all of our business activities while placing the highest priority on environmental preservation in the manufacture, handling, use, sale, transport, and waste disposal of products.

### 2. Prevent global warming

We shall promote energy conservation and work to reduce our unit energy consumption and our carbon dioxide emissions.

### 3. Achieve zero emissions of environmental pollutants

We shall strive continuously to reduce our emissions with the ultimate goal of achieving zero emissions of hazardous chemical substances and waste materials into the environment.

### 4. Use safer chemical substances

We shall collect, maintain, and provide information on the health and environmental effects of the chemical substances we handle while striving to use safer chemical substances.

### 5. Promote recycling

We shall develop recycling technologies for products, containers, and packaging and cooperate with society in promoting the recovery and reuse of such items.

### 6. Improve the level of environmental management

We shall work to maintain and improve the level of our environmental management while working to upgrade our environmental management technology and skills, performing self auditing, and taking other measures.

### 7. Contribute to society through environmental improvement technologies and products

We shall meet the challenge of developing new technologies and shall contribute to society through environmental improvement technologies as well as products that place a low burden on the environment.

### 8. Improve the environmental management of our overseas businesses

In our overseas business activities, we shall place top priority on complying with local laws and regulations, and further, we shall manage those businesses in accordance with the management standards of the Toray Group.

### 9. Improve employees' environmental awareness

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

### 10. Share environmental information with society

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

## New Initiatives in Plastics

### Plastics Ecology & Recycling Department

Toray is pursuing a variety of initiatives to help preserve the global environment and create a closed-loop recycling society, and we established the Plastics Ecology & Recycling Department in August 2004.

The new department is comprised of members from sales, technology, and planning departments, and it is intended to provide a cross-sectional response to growing social demands to address environmental issues. The department will centralize environmental activities previously pursued separately in the various departments related to the plastics & films businesses, and it will work to develop and expand environmentally friendly plastics & films businesses while focusing on the two themes of promoting plastic recycling and developing environmentally friendly products.

Visit <http://www.toray.co.jp/news/film/nr041026.html> for more information.

Made from  
corn.



Uniform Ecodeaf\*\* logo



Toray's Ecodeaf\*\* PLA fiber is used in the chassis of Fujitsu's FMV-BIBLO notebook computer.

### Plant-Based PLA Plastic Used in PCs

Toray, together with Fujitsu Ltd. and Fujitsu Laboratories Ltd., developed a PC chassis that uses an environmentally friendly polylactic acid (PLA) material made from corn and other plant materials. The new material is used in Fujitsu's notebook computers. The material reduces the consumption of petroleum resources because it is made from about 50% natural materials. When used in the chassis of a notebook computer, the new material helps lower the environmental burden by reducing CO<sub>2</sub> emissions by roughly 15% throughout the entire product life cycle in comparison to previous petroleum-based plastics.

Visit <http://www.toray.co.jp/news/pla/nr050113.html> for more information.

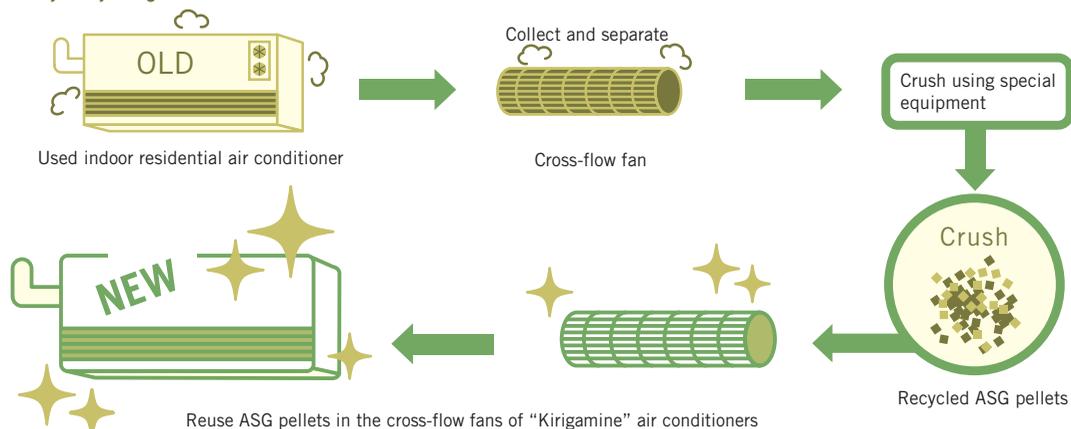
### Recycling Residential Air Conditioner Fans

Toray teamed up with Mitsubishi Electric in developing the world's first material recycling technology to separate, recycle, and reuse the fiberglass-reinforced AS plastic (ASG) used in the cross-flow fans of indoor residential air conditioners. This technology achieves recycled ASG with physical properties nearly equivalent to using 100% new raw materials.

Recycled ASG is manufactured using an optimal blend of recycled and new raw materials to ensure the same quality as using completely new raw materials. Toray started producing 300 tons annually in February 2005 and Mitsubishi Electric plans to use recycled ASG for the cross-flow fans of 400,000 air conditioners. This will contribute to reducing the environmental burden.

Visit <http://www.toray.co.jp/news/pla/nr050207.html> for more information.

#### Voluntary recycling of air conditioner cross-flow fan material



# Working Team to Promote the Advancement of Women



Toray established the Working Team to Promote the Advancement of Women in October 2004. The team is comprised of 18 members, including participants from group companies, and is charged with creating a corporate culture that allows women to excel. Toray has taken the initiative through ongoing efforts to hire and promote women, but to ascend to the next level and help women overcome the hurdles of getting married, giving birth, and taking care of their children, we are considering what measures are needed to allow women who wish to continue contributing to the company to work to the best of their ability. Two original members of the working team are on child care leave and one member is stationed overseas. The team hopes that this will give them firsthand insight into the demands of child-rearing faced by working women as well as into the working conditions of women overseas. In addition to using a conventional meeting format, the working team pursues its agenda through informal discussions held at various locations and times.



## Enthusiastic Team Members

The term CSR has recently come into widespread use, and I believe our team will take a long-term, down-to-earth approach to our activities. (Sasaki)

I look forward to the day when it will be common to see pregnant women and parents holding hands with small children while coming to work with smiles on their faces. (Otani)

Promoting the advancement of women is imperative for Japanese society. I am working hard to make Toray a shining example in this regard. I am also working for the future of my three daughters. (Aoki)

I am grateful for the help I receive from the female subordinates in my office. Going forward, I hope to lend my support in helping them advance. (Miyamoto)

I hope to contribute to creating an open working environment in which employees with various values forget the distinction between female and male. (Yamauchi)

I want to help create an environment at Toray in which women can work with peace of mind until mandatory retirement age without hearing the phrase "because she's a woman." (Horinouchi)

I would like to pool the knowledge of this working team to play a useful role in creating a workplace environment that allows women to fully demonstrate their capabilities. (Kaino)

Women are a prime human resource. Whether a system survives depends on the discretion of the department or section manager. A small container will overflow. Let's work together to help women flourish. (Sato)

Through the efforts of this working team, I hope to make improvements in the right direction by conveying the opinions of local employees. (Ohashi)

Utilizing women is an important aspect of CSR. Whether women play an active role can affect external assessments of a company. I will assist in creating an environment in which both women and men can make an individual effort. (Ubukata)

I want to create a corporate culture in which both men and women can work in an enjoyable atmosphere. Though I am currently on child care leave, I hope to draw on this experience and contribute to creating this culture. (Otaka)

Through these activities, I would like to create a company at which all employees of the Toray Group, both women and men alike, find their work rewarding. (Kawabata)

I will be pleased if our activities help employees overcome various hurdles to continuing their work and broaden their opportunities to accept new challenges. (Sakasai)

I realize there are a variety of problems when I come to these meetings. As a man, I find the meetings to be thought-provoking. (Nakamura)

I hope to create a broad network to encourage and support the hard-working women of Toray. (Konishi)

Since deciding to participate on this team, I have become pregnant, given birth, and am now caring for my child. I hope to contribute in some small way by drawing on this experience. (Nishio)

I seek to support working mothers by creating an environment and culture in which women can feel secure at home and at work before and after childbirth and while caring for their newborn. (Kobayashi)

(Quotes are listed in random order and job titles have been omitted.)



See page 48 for related information on efforts to utilize female employees.

# Established CSR Procurement Guidelines to Promote a Better Society

## Basic Purchasing Policies and CSR Procurement Guidelines

Toray is working to enhance chemical substance management and we enacted our Green Procurement Guidelines in June 2004 with a view to disclosing information and appropriately managing chemical substances at all stages from raw material procurement to product sales.

Responding to a growing worldwide trend toward emphasizing environmental and social considerations in management, we enacted our CSR Procurement Guidelines in December 2004 to jump start our comprehensive CSR procurement activities, which also encompass our suppliers.

These new guidelines are consistent with our efforts to support the environmental and social initiatives of our suppliers, which is an important item in our CSR Guidelines. To fulfill our CSR commitments, we need to develop cooperative relations throughout our entire supply chain and ensure that all companies comprising our supply chain share an awareness about CSR and pursue CSR activities on a daily basis, including environmental consideration, compliance with laws and regulations, and promotion of human rights.

Our CSR Procurement Guidelines are published on our website and they add to our Basic Purchasing Policies as another pillar of our CSR activities.

 See page 51 for related information about green procurement.

## CSR Procurement Guidelines

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

## Questionnaire Survey about the Status of CSR Activities at Suppliers

As part of our CSR procurement efforts, we conducted a questionnaire survey about the status of CSR activities at our supplying manufacturers, trading companies, and agencies in March 2005. We received replies from about 1,300 companies by the end of March.

The purpose of this survey was to gauge the status of CSR activities at our suppliers and to cooperate in moving forward with these activities. We plan to select CSR Partners on the basis of this survey, but we also think the survey provided a good opportunity to inform our suppliers about our CSR procurement policies and to create a greater awareness about the importance of independent CSR initiatives.

## Reducing Greenhouse Gases



The Toray Group has achieved results from advanced systems installed to reduce greenhouse gases.

Toray has been working to reduce greenhouse gas emissions by 6% compared to FY Mar/91, which is equivalent to Japan's overall commitment target in the Kyoto Protocol. However, we expect to achieve our goal in FY Mar/06, and we have raised our reduction target to 10% and we are working to achieve this goal in FY Mar/09.



We reduced greenhouse gas emissions by 3.6% in FY Mar/05 compared to our base year of FY Mar/91.

At the Tokai Plant, we commenced mixed combustion of wood chips in our private power generation boilers in 2000, and, as a project subsidized by the New Energy and Industrial Technology Development Organization (NEDO), we developed the ability to generate power using ultra-low pressure steam turbines powered by steam collected from manufacturing processes in 2001. Additionally, we began biomass power generation using methane fermentation of industrial wastewater in 2002, and we installed a natural gas cogeneration facility in 2004.

At the Okazaki Plant, we finished converting from using heavy oil as boiler fuel to using city gas in February 2005.

As a result of these efforts, we expect to achieve our previous reduction target of 6% ahead of schedule in FY Mar/06.

At our subsidiaries and affiliates overseas, we started up a natural gas

cogeneration facility at P.T. Century Textile Industry Tbk (CENTEX) in Indonesia in March 2005.

We are expanding our efforts to convert to new boiler fuel and install cogeneration facilities at other subsidiaries and affiliates in Southeast Asia. We are also developing technology to reduce the amount of nitrous oxide (N<sub>2</sub>O) emitted during manufacturing processes, and we will remain actively involved in efforts to prevent global warming.

Visit <http://www.toray.com/environment/index.html> for more information.



See page 29 for related information on measures to prevent global warming.

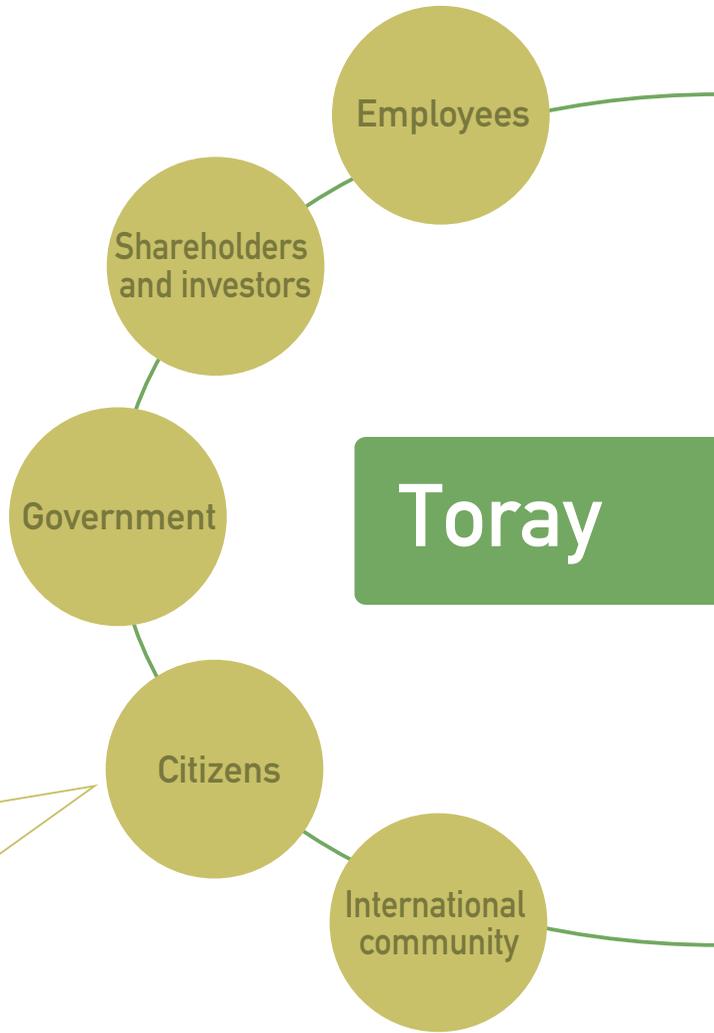
### Supplying Water to the Genpei River at the Request of Mishima City

Toray's Mishima Plant purchases 93,000 tons of surface water from the Kakida River every day to use in the plant. At the request of Mishima City, we are supplying 16,800-36,000 tons per day of clean water used as cooling water for temperature regulation to the Genpei River for use in agriculture. This contributes to restoring the Genpei River, which is experiencing a lower volume of spring water from its source Mount Fuji and has occasionally dried up completely.



Local residents enjoying the Genpei River

## Toray Group & Its Stakeholders



### Participating in Various Exhibits to Hear Customer Opinions

Toray exhibited at Eco-Products 2004 held at the Tokyo International Exhibition Center (Tokyo Big Sight) on December 9-11 2004 and at the Second Environment & Welfare Business Fair in Kumamoto held at the Grandmesse Kumamoto on February 4-6 2005. Overseas, we exhibited at Eco-Products International Fair 2004 held in Kuala Lumpur, Malaysia on September 2-4 2004. These exhibits offer important opportunities to meet with and hear the opinions of the consumer public, with whom we normally have little direct contact due to the nature of our business as a materials manufacturer. We try to respond to the opinions collected through questionnaires at these events.



Second Environment & Welfare Business Fair



Eco-Products International Fair 2004



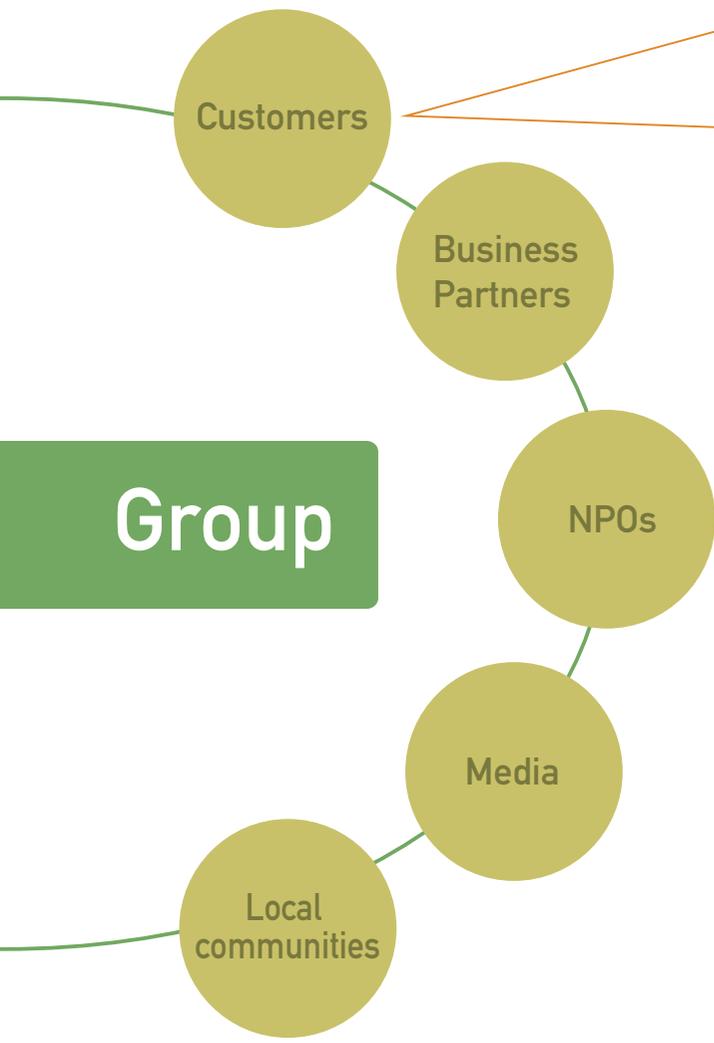
Eco-Products 2004

### Preserving Green Space to Maintain the Ecosystem of Forest Land

Toray's Basic Research Laboratories in Kamakura concluded an agreement with Kamakura City to preserve the forested area on the laboratory's grounds as the Teburo Otani Green Space. This agreement preserves an outstanding green space environment in an otherwise urban and residential area. The animals and plant life inhabiting the area will be maintained and preserved in a pristine state. A survey revealed that this area is home to 75 genera and 179 species of plant life, five genera and five species of mammals, 22 genera and 36 species of birds, three genera and three species of reptiles, three genera and five species of amphibians, 130 genera and 485 species of insects, three genera and four species of fish, and 21 genera and 24 species of benthic animals.

Toray Basic Research Laboratories also publishes site reports.

Toray Group seeks to form partnerships with its many stakeholders both in Japan and overseas.



Tebiro Otani Green Space

## View from the Field

### Making towels from Toray's *Sotake*\* material



President  
IKEUCHI TOWEL Co., Ltd.

#### Keishi Ikeuchi

At IKEUCHI TOWEL, as part of our efforts to focus on the environment, we are expanding our line of towels that use organic cotton. With bamboo fiber attracting attention over the past several years, we started doing business with Toray in response to requests for samples of towels that use Toray's *Sotake*\* bamboo fiber.

The ability of *Sotake*\* to resist quality deterioration is consistent with our company's basic philosophy of "creating towels that maintain their quality for as long as possible while considering the impact of our corporate activities on the global environment." Bamboo is widespread throughout the world, and I believe it will gain more attention as a raw material. Going forward, we hope Toray, in addition to using bamboo as a raw material, will take its CSR and environmental initiatives to an even higher level, including procurement on a fair trade basis.



### Using Toray's *SALAKALA*\* quick-drying material in clothing for nurses who assist in bathing

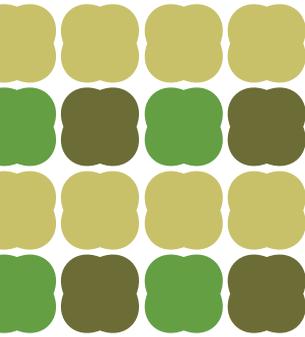


Director and General Manager of  
the Product Creation Department  
and Feel Aligner Department  
Footmark Co., Ltd.

#### Takamasa Hamabe

Our business with Toray had previously been limited to swimwear products. Over the past several years, however, we have been exploring the idea of whether we could expand our market beyond traditional swimwear for swimming in the ocean or pools. These efforts led to the creation of spa-wear using Toray's *SALAKALA*\* quick-drying material. We then developed bathrobes for senior citizens to use for general bathing. While developing this product, we learned from nurses that when providing bathing assistance, normal swimwear becomes physically troublesome when it remains wet for long periods of time. This prompted us to consider using *SALAKALA*\* in nursing care applications, and we are currently developing special bathrobes to be used by nurses.

We have done business with Toray for a long time and have the utmost confidence in its ability to develop materials and provide a variety of information.



## CSR Guideline

Implementation Leader:  
**Kazuo Tomiita**

Executive Vice President, and  
Representative Director,  
CSR Committee Chairman  
Toray Industries, Inc.

### Commitment

I view CSR in terms of a company taking the initiative to fulfill its social responsibilities. I believe these efforts should be pursued on an ongoing basis as any pause is equivalent to taking a step backward. CSR is extremely important, and I intend to work patiently to promote and firmly establish it within the Toray Group. I believe my role as CSR Committee Chairman is to pursue a dialogue with our various stakeholders while working toward management well suited to the times.

## Basic Policy: Enhance Corporate Governance and Management Transparency

Sincerely pursue CSR activities to help create a sustainable society by fulfilling our Corporate Philosophy, Corporate Missions, and Guiding Principles, and strive to enhance corporate governance and management transparency.

### Action Program

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

### Toray Group Governance Framework

Toray Group established a governance framework based on its Management Philosophy to manage its operations on a global basis.

Our Corporate Missions state the explicit goal of providing our shareholders with dependable and trustworthy management, and one of our Guiding Principles is to behave fairly with a strong feeling of responsibility and a high ethical sense, thereby establishing a trustworthy relationship with society. We are working to develop a framework to fulfill these goals and enhance management transparency.

#### Business Execution by the Board of Directors and Executive Committees

Toray's Board of Directors is comprised of 30 directors. Toray Group is involved in manufacturing and supplying basic materials to a wide range of industries, and this requires management to make a variety of judgments and decisions based on specialized knowledge of local operations. Consequently, we believe that fulfilling our management responsibilities and enhancing management transparency requires business decision-making, oversight, and execution by directors elected by the general stockholders meeting that possess a full knowledge of the Company's business. We therefore do not employ outside directors and have not adopted an operating officer system. However, we have established and rigorously uphold decision-making rules for top management.

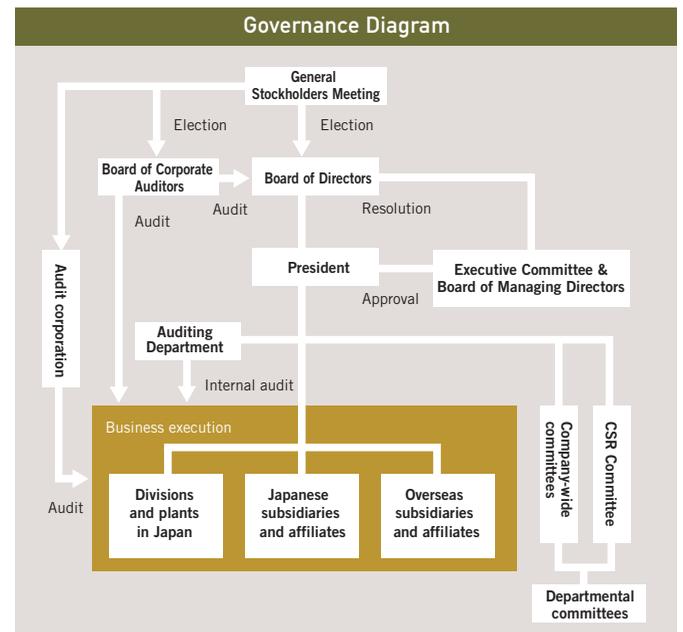
Toray's business execution framework has the following three features.

1. Each organization, including the president, has a defined decision-making authority that is rigorously upheld.
2. The expected role and function of each executive committee is clearly defined and rigorously upheld.
3. The Board of Directors is the body responsible for deciding important matters, including those pertaining to commercial laws and regulations, as well as the forum for reporting on the activities of directors and exchanging opinions to provide mutual oversight of the performance of their duties.

For example, when deciding important matters such as capital investment and financing, we have established rules for Board of Directors resolutions, presidential approvals, and decisions by division and department managers and their subordinates based on the level of importance, or the amounts involved in the case of capital investment and financing. As deliberative bodies for Board of

Directors resolutions and presidential approvals, the Executive Committee discusses matters of policy and the Board of Managing Directors discusses business execution.

We have also established company-wide cross-cutting committees for each important management theme, and these committees play a supplementary role in business execution in conjunction with the CSR Committee.



#### Corporate Auditors, Auditing Department, and Audit Corporation

Our Board of Corporate Auditors is comprised four auditors, including two outside auditors. Outside auditors do not have any business relationships or other interests in Toray Group. All four auditors attend meetings of the Board of Directors, and the Board of Corporate Auditors meets at least once every three

months and prepares an Audit Policy and Audit Plan for each fiscal year. In accordance with this policy and plan, auditors hold meetings with all directors, including the president, and with division and department managers, conduct regular audits at offices, plants, and Japanese and overseas subsidiaries and affiliates, and oversee directors in the performance of their duties.

The Auditing Department conducts internal audits, including at subsidiaries and affiliates.

For accounting audits, we select an outside auditing firm to audit our compliance with the Commercial Code and Securities and Exchange Law. The auditing firm also consults with Auditors and the Auditing Department on a regular basis.

**Information Disclosure Principles**

The Toray Group operates on the basic principle of remaining an “open company” and we have established the following Information Disclosure Principles to achieve this objective. We are working toward voluntary and proactive disclosure while preventing leaks of confidential information.

**Information Disclosure Principles**

1. Information Disclosure Principle:  
Do not avoid reality, conceal facts, or lie when disclosing information.
2. Voluntary Disclosure Principle:  
Comply with legal disclosure requirements and voluntarily disclose information that can be disclosed.
3. Timely Disclosure Principle:  
Disclose information that can be disclosed as quickly as possible.
4. Fair Disclosure Principle:  
Disclose information to all stakeholders fairly and without bias.
5. Information Management Principle:  
Employees responsible for disclosure shall strive to maintain strict information management until disclosure.

Adopted January 2004

**Disclosing Information to Labor Unions**

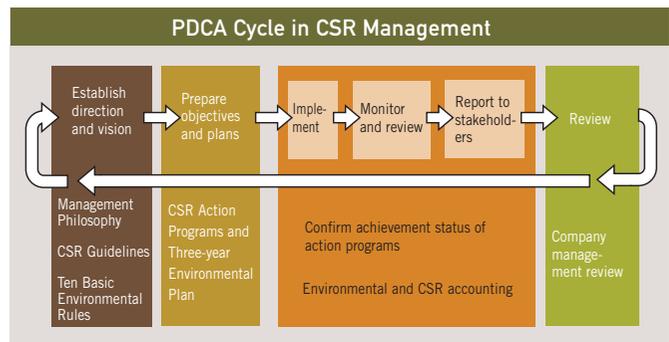
The Toray Group has been working to enhance communication with labor unions. Our Central Labor and Management Council, comprising all directors and labor leadership down to the branch level, and our “Project NT-II” Labor and Management Council, comprising top management down to senior managing directors and top labor leadership, meet twice a year. We also hold quarterly meetings to make sure management and labor are moving in the same direction. At these forums, in addition to reporting on our business activities, we disclose important management issues and exchange opinions.

**Activities of the CSR Committee**

We established the CSR Committee, chaired by the vice president, as a company-wide committee under the direct authority of the president in November 2003. The CSR Committee has overarching control over other company-wide committees, and the CSR Executive Committee, comprised of executives with CSR duties, and the CSR Secretariat, comprised of department managers with CSR duties, are responsible for planning and orienting CSR activities.

We have a CSR and Legal Compliance Committee, renamed from the Legal Compliance Committee, in all divisions, departments, offices, and plants. These committees serve as the implementation arms of the CSR Committee and are responsible for pursuing local CSR activities.

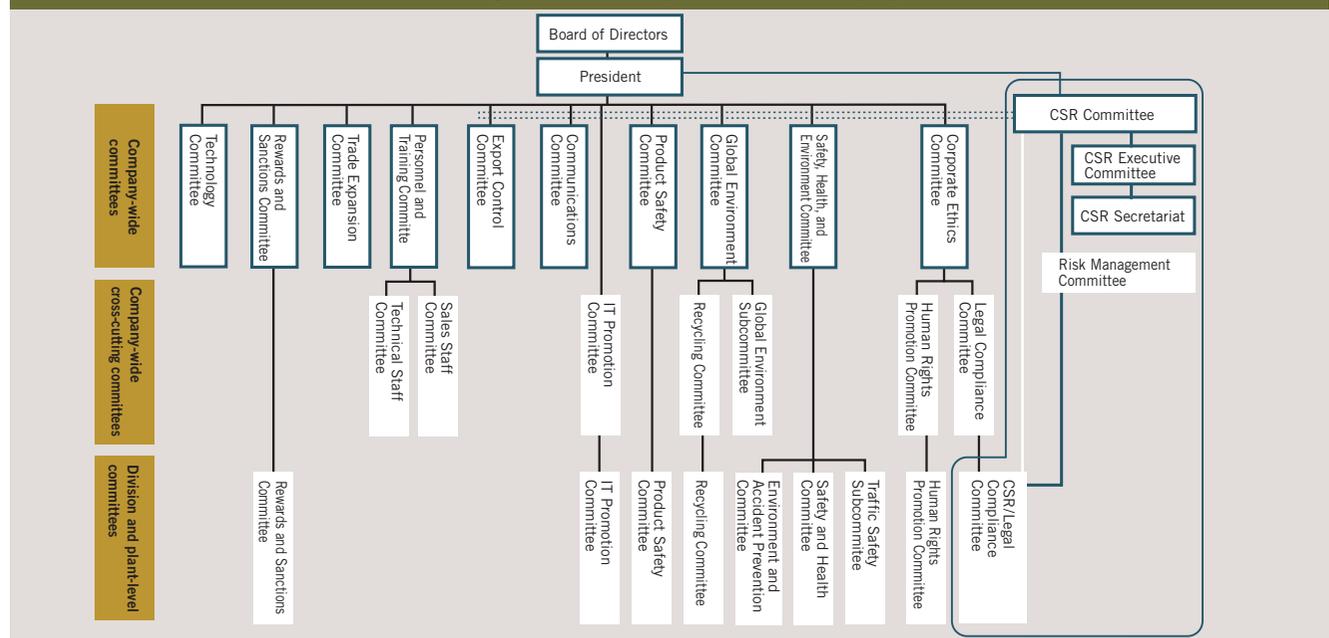
Local CSR activities are focused mainly on 1) environmental and safety issues, 2) ensuring compliance, and 3) communicating with stakeholders. Stakeholder communication involves assessing the respective stakeholders of each company and division, preparing action plans from the standpoint of employee and customer satisfaction, and following the PDCA cycle in CSR management.

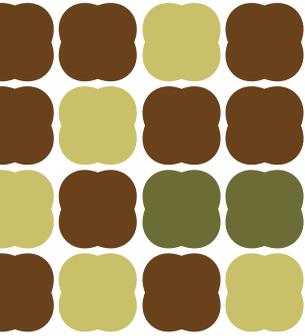


**Nippon Keidanren Charter of Corporate Behavior and Toray Group CSR Guidelines**

Toray Group is a member of Nippon Keidanren and is working to comply with its Charter of Corporate Behavior. This charter was revised to reflect a CSR perspective in May 2004 and can now be considered a CSR Charter. We completed a thorough review of each item to help us in preparing CSR Guidelines and Action Programs for Toray Group.

**CSR Committee Positioning and Relationship with Various Company-wide Committees**





Implementation Leader:  
**Kiyoshi Fukuchi**

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

### Commitment

A company's existence hinges upon whether it can earn the trust and goodwill of society. Each and every employee is responsible for upholding corporate ethics, and I believe that creating an open corporate culture is the first step in gaining this trust. I hope to create an environment that encourages employees to approach their work with a strong sense of ethics.

## Uphold Corporate Ethics and Comply with Laws and Regulations

Earn the trust of society by all executives and employees upholding our Corporate Ethics and Legal Compliance Code of Conduct and acting with fairness, high ethical standards, and sense of responsibility.

### Action Program

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

### Management Emphasizing Corporate Ethics and Legal Compliance

The Toray Group places corporate ethics and legal compliance as a priority management issue alongside safety, accident prevention, and environmental preservation. The entire Toray Group is working together based on a clear stance and active leadership of our top management.

#### Promoting Corporate Ethics and Legal Compliance

Toray has developed a framework for promoting corporate ethics and legal compliance based on its Corporate Ethics Committee, established in 1997, its Legal Compliance Committee, established as a subordinate organization in 2002, and CSR/Legal Compliance Committees in all divisions and plants.

The Corporate Ethics Committee is chaired by the president and comprised of all company directors and chair of the labor union, and it deliberates on policies related to corporate ethics and the employee code of conduct while promoting effective efforts with labor and management working together.

The Legal Compliance Committee is comprised mainly of front-line section managers and its activities focus on facilitating direct communication with top management.

Our division and plant-level CSR/Legal Compliance Committees undertake a variety of locally-based activities to enhance employee awareness.

Based on the idea that each and every employee is responsible for corporate ethics, the Personnel Department serves at the secretariat of this company-wide promotion framework, and corporate auditors attend committee meetings as observers to offer specific advice and monitor proceedings.

We are also establishing CSR/Legal Compliance Committees at subsidiaries and affiliates in Japan and overseas, and we have established committees at 51 companies in Japan and 63 companies overseas as of March 31, 2005.

### Framework to Promote Corporate Ethics and Legal Compliance

#### Corporate Ethics Committee

Chair : President  
Members : All directors and chair of the Toray Labor Union  
Observers : Auditors  
Secretariat : Personnel Department

#### Legal Compliance Committee

Chair : Representative Director, General Administration Division, Legal Division, and Personnel & Industrial Relations Division  
Members : Representative Directors, General managers of Manufacturing Division and Legal Division, and representatives from the Division and Plant-level CSR/Legal Compliance Committees  
Observers : Auditors  
Secretariat : Personnel Department

#### Division and Plant-level CSR/Legal Compliance Committees

Chair : Division or plant general manager  
Members : In principle, the general managers of each department, but additional members can be added as needed  
Plant-level committees also include branch labor union leaders

### Corporate Ethics and Legal Compliance Code of Conduct

In an effort to promote corporate ethics and legal compliance, we prepared our Corporate Ethics and Legal Compliance Code of Conduct in October 2003 to provide specific rules of conduct for ensuring compliance during a variety of corporate activities both in Japan and overseas. All executives and employees are to perform their daily tasks while making their best effort to comply with these rules.

We also prepared our Corporate Ethics and Legal Compliance Guidelines to provide an even more detailed explanation about important matters related to corporate ethics and legal compliance. We combined these guidelines with our code of conduct to prepare our Corporate Ethics and Legal Compliance Handbook, which was distributed to all of the executives and employees.

We also prepared similar codes of conduct, guidelines, and handbooks for all Japanese and overseas subsidiaries and affiliates that have a CSR and Legal Compliance Committee.

 See page 13 for related information about our Corporate Ethics and Legal Compliance Code of Conduct.

**Fostering a Corporate Culture to Respect Corporate Ethics and Legal Compliance**

Toray is working to create a greater awareness among its employees about corporate ethics and legal compliance, but these efforts require independent and voluntary actions in the workplace where employees carry out their daily activities.

To maximize self-improvement efforts and facilitate a swift and precise response when problems arise, we are conducting a host of educational and other activities on an ongoing basis in all divisions and plants.

We have taken a variety of workplace initiatives, including preparing lists and guides outlining the laws and regulations related to various work activities, preparing a collection of examples of how laws and rules could potentially be violated in the workplace and how to prevent this from occurring, conducting case studies using newspaper and magazine articles about corporate scandals, and checking the level of employee awareness using a checklist. Additionally, as part of the Multi-Communication Campaign launched by the president in July 2004, each workplace must hold at least one Communication Day each month for employees to discuss corporate ethics and legal compliance. We hope such workplace discussions with all employees participating will encourage an honest exchange of opinions and lead to improvements.

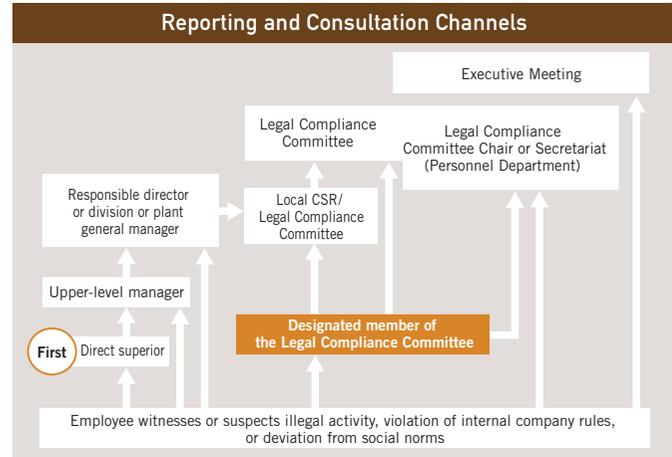


Toray's Corporate Ethics and Legal Compliance Handbook

**Establishing and Utilizing Reporting and Consultation Channels**

If employees witness or suspect any illegal activity, violation of internal company rules, or deviation from social norms, they should first report the incident or consult with their direct superior. If this is difficult, they can contact a designated member of the Legal Compliance Committee in their division or plant.

Employees can also report or consult directly with the chair or secretariat of the Legal Compliance Committee using a dedicated phone line or by email. Further, the Executive Meeting comprised of representative directors accepts a broad range of proposals and opinions from employees as well as information concerning corporate ethics and legal compliance.



To protect an employee reporting or consulting about an incident, Toray has had a policy of strict confidentiality since before the Whistleblower Protection Law was enacted in June 2004. We are also working to ensure that the employee is not treated unfairly as a result of reporting or consulting about an incident while promptly investigating and handling the incident and providing feedback to the employee as needed.

All Toray executives and employees are responsible for abiding by our Corporate Ethics and Legal Compliance Code of Conduct, and any actions in violation of these rules will result in strict punishment after consulting with the Rewards and Sanctions Committee. Additionally, in the event of a violation, we will thoroughly investigate the cause, disclose any pertinent information, and take measures to prevent recurrence.



Corporate Ethics and Legal Compliance handbooks for Japanese and overseas subsidiaries and affiliates



**View from the Field**

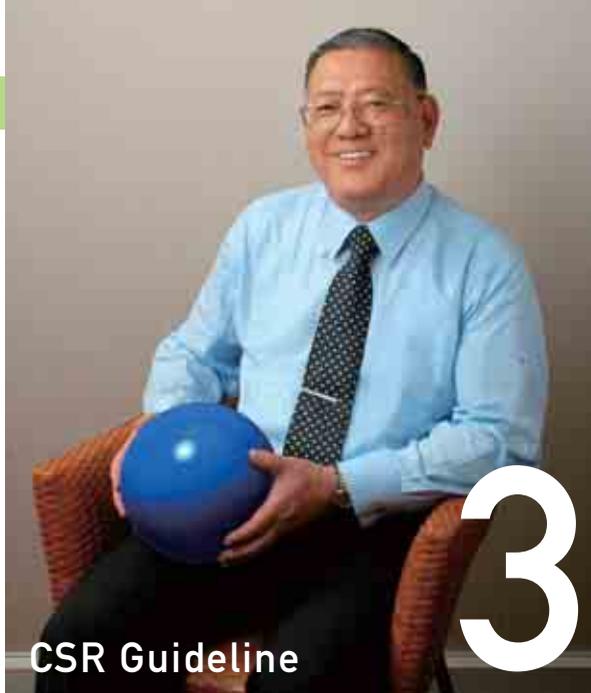
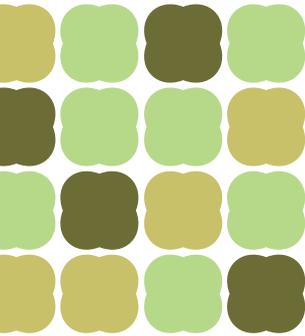


General Manager  
of Corporate Affairs and Legal Department  
Toray Industries (Malaysia) Sdn.  
Berhad

**K.K. Hun**

**Corporate Ethics and Legal Compliance Activities of the Toray Group in Malaysia**

At Toray Malaysia Group, we have launched corporate ethics and legal compliance activities on the basis of the Toray Group's guiding principle of "fairness and sincerity." We believe the key to success is tailoring activities to suit the host country's culture and business environment. In preparing the code of corporate ethics and legal compliance, we took into consideration Malaysia's diverse religious, philosophical, and cultural values. Currently, we are educating our trainers to provide training to all the employees. As a committed member of the Toray Group, we are looking to redouble our efforts to earn the respect and trust of our stakeholders and the society.



Implementation Leader:  
**Osamu Nakatani**

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

CSR Guideline

3

**Commitment**

My colleagues and I seek to create safe and vibrant workplaces while moving steadily toward the goal of zero accidents. We are placing the highest priority on accident prevention and environmental preservation while working to gain the understanding of local communities. Through these efforts, we aspire to be the top diversified chemicals company in terms of safety, accident prevention, and environmental preservation.

**Emphasize Safety, Accident Prevention, and Environmental Preservation**

Give safety accident prevention, and environmental preservation top priority above all other management issues, and work to ensure the safety and health of society and employees while protecting the environment in all of our business activities, from procuring raw materials to manufacturing, supplying, and disposing of products.

**Action Program**

The 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. The 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 Preservation Management System**

Toray established the Safety, Health, and Environment Committee as a company-wide committee to manage and promote the Group's safety, health, and environmental preservation efforts. The committee is responsible for reviewing the current status of safety, health, accident prevention, and environmental preservation throughout the entire Toray Group while discussing and determining the direction of future initiatives. Additionally, the Global Environment Committee is responsible for discussing and deciding on matters related to environmentally friendly business, product recycling, and global warming.

We use the Safety, Health, Accident Prevention, and Environment Conference for subsidiaries and affiliates as forums to publicize the policies of the Toray Group as well as review and improve upon current conditions.

We also set aside the first Monday of each month as a company-wide Safety Day and convene a Safety and Health Committee at each office and plant. We do not hold any conferences or meetings requiring travel on this day to allow all production line managers to attend the Safety and Health Committee.



*Safety, Health, Accident Prevention, and Environment Conference for Japanese subsidiaries and affiliates held at the Urayasu Office on May 20, 2004*

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



### Safety, Health, Accident Prevention, and Environmental Audits

The Toray Group conducts safety, health, accident prevention, and environmental audits at the 12 plants and one research laboratory of Toray and at 24 subsidiaries in Japan and 27 companies overseas in order to objectively evaluate and improve the efforts of each of our companies and plants. Audits are conducted in three stages: 1) internal audits at each plant using a uniform auditing checklist; 2) preliminary confirmation and auditing by the auditing staff (document check for subsidiaries and affiliates); and 3) executive auditing by Toray's directors and representatives or controlling company presidents for each country.

During FY Mar/05, directors held special safety inspections at Toray, company presidents at Japanese subsidiaries held mutual safety inspections, and Toray directors held special safety inspections at overseas subsidiaries and affiliates.

### Safety, Health, Accident Prevention, and Environmental Education

Toray provides employees with safety, health, accident prevention, and environmental education through a variety of programs, including new employee training, safety, accident prevention, and environmental education at Toray School of Technology and Business, Industrial Safety and Health Law education for new managerial candidates, and ISO14001 education. We also provide safety, health, accident prevention, and environmental education for front-line managers responsible for these areas at Japanese subsidiaries and affiliates as well as similar programs to the managing staff at overseas subsidiaries and affiliates.



Accident prevention training held March 29–30, 2004 at the Shiga Plant

### Responsible Care Activities

Chemical substances are indispensable to modern society, but if handled improperly, they can have adverse effects on human health and the natural environment. We must therefore take measures to ensure these substances are handled properly. Responsible Care refers to voluntary and responsible actions taken by businesses that handle chemical substances and consists of safety, health, and environmental measures during the entire product cycle from development to manufacturing, distribution, use, and final disposal. Toray participated as a founding member in the Japan Responsible Care Council (JRCC) in 1995 and we have been involved in Responsible Care ever since.

In FY Mar/05, we placed a priority on green procurement and purchasing, and, in response to the green procurement policies of our customers, on providing information about chemical substances contained in our products. We pursued several company-wide initiatives, including the introduction of a green procurement and purchasing system.

 See page 51 for related information about our green procurement and purchasing initiatives.

### ISO14001 Certification

In the course of our Responsible Care efforts, we have been working to obtain certification to the ISO14001 international standard for environmental management. We had successfully obtained this certification for all 12 Toray plants by the end of 2000. We have also gained certification for subsidiaries and affiliates that place relatively large burdens on the environment. In FY Mar/05, we newly acquired certification at one plant at one Japanese subsidiary and at five plants at four overseas subsidiaries. As a result, we have obtained certification for a total of 23 plants at 11 Japanese subsidiaries and at 16 plants at 15 overseas subsidiaries. We are continuing our efforts to gain certification at 10 plants at eight Japanese subsidiaries and at 15 plants at 11 overseas subsidiaries.

Toray Group Safety, Health, Accident Prevention, and Environmental Action Policies for 2004	
Policy	Priority Actions
Common	Improve workplace discipline Enhance risk management <ul style="list-style-type: none"> <li>• Hold meetings before and after work</li> <li>• Prevent crisis situations in advance</li> </ul>
Safety	To have employees take safe action thoroughly <ul style="list-style-type: none"> <li>• To set a plan to have employees follow the basic rules and implement it</li> <li>• Eliminate near accidents and adhere to 3S</li> <li>• Adhere to point and calling procedures</li> </ul>
Health	Rigorously manage occupational health <ul style="list-style-type: none"> <li>• Promote mental health management—Superior/subordinate communication—</li> <li>• Reconfirm and maintain chemical substance management</li> </ul>
Accident prevention	Enhance accident prevention measures <ul style="list-style-type: none"> <li>• Identify and address defects in anti-earthquake measures</li> <li>• Use prior incidents and lesson to improve fire prevention management and measures</li> <li>• Review and improve accident prevention and environmental measures at chemical plants</li> </ul>
Environment	Steadily implement Second Three-Year Environmental Plan <ul style="list-style-type: none"> <li>• Enhance environmental emissions management and reduce emissions</li> <li>• Strive to achieve zero emissions</li> <li>• Adopt green purchasing and green procurement</li> </ul>

### ISO14001 Certification (As of March 2005)\*1 Underlined are newly certified companies and plants in FY Mar/05.

#### Toray: All 12 plants

Shiga, Seta, Ehime, Nagoya, Tokai, Aichi, Okazaki, Mishima, Chiba, Tsuchiuri, Gifu, Ishikawa

#### Japanese subsidiaries: 23 plants at 11 subsidiaries\*2

Du Pont-Toray Co., Ltd., Opelontex Co., Ltd.,  
 Toray Coatex Co., Ltd. (Kyoto Plant, Chemical Products Plant),  
Toyo Tire Cord Co., Ltd., Toyo Plastic Seiko Co., Ltd. (Mishima, Koriyama),  
 Toray PEF Products Inc. (Konan, Tsukuba),  
 Toray Advanced Film Co., Ltd. (Mishima, Takatsuki, Fukushima, Nakatsugawa),  
 Dow Corning Toray Silicone Co., Ltd.\*3 (Chiba, Fukui),  
 Toray Fine Chemicals Co., Ltd. (Moriyama, Matsuyama, Tokai, Chiba),  
 Soda Aromatic Co., Ltd. (Noda, Koriyama, Okayama Chemicals), and Suido Kiko Kaisha, Ltd.

#### Overseas subsidiaries: 16 plants at 15 companies

USA Toray Plastics (America) Inc. (Rhode Island Plant, Virginia Plant)  
 UK Toray Textiles Europe Ltd.  
 France Toray Plastics Europe S.A.  
 Italy Alcantara S.p.A.  
 Indonesia P.T. Century Textile Industry Tbk  
P.T. Indonesia Toray Synthetics  
 Thailand Thai Toray Textile Mills Public Co., Ltd.  
Thai Toray Synthetics Co., Ltd. (Bangkok Plant)  
 Malaysia Penfibre Sdn. Berhad (Mill-3)  
 China Toray Fibers (Nantong) Co., Ltd.  
Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd.  
LIBI Plastic Compounding (Shenzhen) Co., Ltd.\*4  
Toray Film Products (Zhongshan) Ltd.  
 South Korea Toray Saehan Inc.  
STECO, Ltd.

\*1 Underlined companies and plants gained certification during FY Mar/05.

\*2 Twelve other subsidiaries located on the grounds of Toray plants have also received certification.

\*3 Currently Dow Corning Toray Co., Ltd.

\*4 Currently Toray Plastics (Shenzhen) Ltd.

## Second Three-Year Environmental Plan

The Toray Group launched its Second Three-Year Environmental Plan in FY Mar/04. The plan establishes medium-term environmental preservation targets and we are working hard to achieve these targets by FY Mar/07.

In FY Mar/05, Toray achieved its BOD reduction and waste landfill rate targets, and Japanese subsidiaries and affiliates achieved their recycling rate targets.

Second Three-Year Environmental Plan			
Area	FY Mar/07 target	FY Mar/05 status	Reference page
Global warming prevention	Reduce greenhouse gas emissions (FY Mar/09 target compared to FY Mar/91)*1 Toray Greenhouse gases : 10% reduction CO <sub>2</sub> : Reduce to 1990 levels	Greenhouse gases : 3.6% reduction (13.2% YoY reduction) CO <sub>2</sub> : 1.6% increase (6.6% YoY reduction)	29
	Energy conservation Toray: Reduce unit energy consumption by 1% annually Japanese subsidiaries and affiliates*2: Reduce unit energy consumption by 1% annually	Toray: 1.8% increase in unit energy consumption Japanese subsidiaries and affiliates: 1% reduction at four plants	
Chemical substance control	Reduce atmospheric emissions of chemical substances Toray (Compared to FY Mar/96) PRTR Law substances : 80% reduction JCIA PRTR substances: 70% reduction	PRTR Law substance emissions : 348 tons (67% reduction) JCIA PRTR substance emissions : 542 tons (65% reduction)	30
	Japanese subsidiaries and affiliates (Compared to FY Mar/99) PRTR Law substances : 60% reduction JCIA PRTR substances: 60% reduction	PRTR Law substance emissions : 370 tons (54% reduction) JCIA PRTR substance emissions : 860 tons (49% reduction)	
	Overseas subsidiaries and affiliates (Compared to FY Mar/01) PRTR Law substances : 30% reduction JCIA PRTR substances: 30% reduction	PRTR Law substance emissions : 544 tons (15% increase) JCIA PRTR substance emissions : 567 tons (16% increase)	
Air quality	Toray (Compared to FY Mar/99) SOx emissions : 40% reduction NOx emissions : 15% reduction Dust emissions : 40% reduction	SOx emissions : 3,364 tons (33% reduction) NOx emissions : 2,462 tons (14% reduction) Dust emissions : 192 tons (40% reduction)	31
Water quality	Toray (Compared to FY Mar/99) BOD emissions : 20% reduction COD emissions : 20% reduction	BOD emissions : 1,095 tons (30% reduction) COD emissions : 941 tons (11% reduction)	32
Waste reduction	Toray Total waste generated : 27% reduction over FY Mar/99 Landfill waste : 5% or lower of total waste generated Recycling rate : 95% or higher	Total waste generated : 4% reduction Landfill waste : 4.1% Recycling rate : 88.5%	33
	Japanese subsidiaries and affiliates Total waste generated : 20% reduction over FY Mar/99 Landfill waste : 5% or lower of total waste generated Recycling rate : 88% or higher	Total waste generated : 6% increase Landfill waste : 6.0% Recycling rate : 88.2%	

\*1 Greenhouse gas emission reduction target was revised from a 6% reduction to a 10% reduction.

\*2 Type 1 energy control designated plants.

## Environmental Accounting

Toray began keeping track of environment related investment in 1969, and to make it easier for people outside the company to understand our environmental preservation efforts, we have prepared and disclosed environmental accounting data in accordance with the Ministry of the Environment's guidelines since FY Mar/00.

### FY Mar/05 Results

Environmental capital investment totaled ¥4.02 billion, including lease related investment of ¥1.48 billion, and was comprised mainly of investment to convert to using natural gas for boiler fuel to reduce SOx emissions, install natural gas cogeneration facilities, install equipment to reduce chemical substance emissions, augment wastewater treatment capabilities, install ultrapure water recycling systems, and upgrade refrigeration equipment that use chlorofluorocarbons.

Environmental expenses totaled ¥7.55 billion, and included ¥1.32 billion in air related costs and ¥2.28 billion in water quality related costs. The bulk of these expenses were comprised of operating costs for previously installed exhaust gas and wastewater treatment facilities. Environmental damage costs included a ¥30 million investment and ¥60 million in expenses for a ground pollution survey at the Nagoya Plant. Additionally, for PCB waste stored by Toray, we allocated reserves to cover future disposal expenses estimated at ¥1.49 billion and finished writing off losses.

As a result of these investments and expenditures, we reduced energy costs by ¥590 million and waste disposal costs by ¥20 million, and we recorded ¥520 million in sales of valuable recycled resources.

### Toray FY Mar/05 Environmental Accounting

Costs				
Item	Subcategory and Details	Investments (M¥)	Expenses (M¥)	
Business area costs	Pollution prevention costs	Air (including CFC measures)	845	1,315
		Water quality	793	2,282
		Noise and vibration	20	11
		Greening	13	342
		Foul odor and other	38	18
	Global environment preservation costs	Energy conservation and global warming prevention	2,102	—
Resource recycling costs	Industrial waste reduction, recycling, disposal, and PCB waste disposal reserves	88	2,755	
Upstream and downstream costs	Product recycling	89	2	
	Container and packaging recycling	0	2	
Management activities costs	Indirect labor costs, ISO certification and maintenance, and environmental communications and education	0	383	
Social initiative costs	Local community initiatives, support for organizations, etc.	0	35	
Environmental damage costs	SOx levies and litigation expenses	29	404	
Total		4,017	7,549	

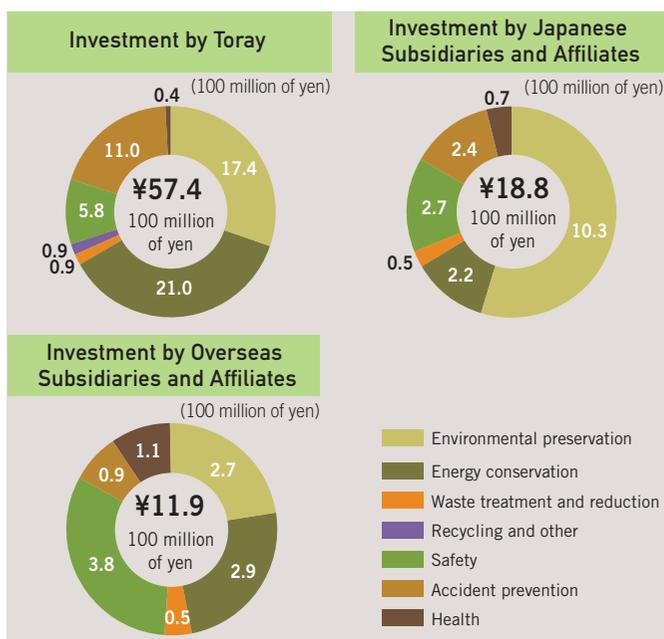
### Effects

Item	Amount (M¥)
Reduction in energy costs	585
Reduction in industrial waste disposal costs	23
Sales of valuable recycled resources	516

### Capital Investment in Safety, Health, Accident Prevention, Environment, and Energy Conservation

In addition to capital investment in environmental preservation, energy conservation, recycling, and other areas subject to environmental accounting, the Toray Group also calculates its capital investment in safety, accident prevention, and health. In FY Mar/05, Toray invested ¥5.7 billion in these areas, Japanese subsidiaries and affiliates invested ¥1.9 billion, and overseas subsidiaries and affiliates invested ¥1.2 billion.

Safety related investment included modifications to make equipment intrinsically safe, and accident prevention investment included seismic reinforcement of buildings to help them better withstand earthquakes, measures to prevent liquefaction of tank foundations in the event of an earthquake, and upgrades to fire prevention and extinguishing equipment.



### Toray Environmental Accounting Standards

- Some categories were changed based on the Ministry of the Environment's Guidelines for FY Mar/06.
- Only economic effects that can be determined with a high degree of certainty are calculated. Presumed effects are not calculated.
- Capital investment also includes investments for which environmental preservation is not the main objective. Capital investment resulting from leases is also included. Expenses include labor costs and depreciation. However, internal labor costs related to local volunteer activities are not included.
- Energy cost reduction figures show the amount of reduction for 12 months after the completion of an energy conservation facility. Expenses are not recorded because they are deducted when the effect is calculated.
- Waste disposal cost reduction figures show the amount of reduction achieved through waste reduction efforts and resource recycling for 12 months after the measures are taken.
- In allocating reserves to cover anticipated future expenses for PCB waste disposal or other matters, the entire amount is expensed in the year the reserves are allocated.

## Environmental Risk Management

The Toray Group is working to manage and reduce environmental risk to fulfill the first Guiding Principle of our Management Philosophy, which states our objective of "Placing top priority on safety, accident prevention, and environmental preservation, always ensuring the safety and health of our employees, our customers, and society."

### Environmental Risk Management

The Toray Group places a priority on environmental risk management, and we are working to manage and reduce environmental risk through discussions of group-wide measures and policies in our Safety, Health, and Environment Committee, and by providing emergency response education and training at all of our plants. We confirm the status of these environmental risk management initiatives through yearly safety, health, accident prevention, and environmental audits.

### Proper Waste Disposal

The Toray Group established Waste Disposal Management Regulations in response to the growing interest in illegal dumping. From the standpoint of a party responsible for waste disposal, these regulations require that we choose a reliable waste disposal operator and perform on-site confirmation of waste disposal conditions at least once a year. We confirm compliance with these regulations through annual safety, health, accident prevention, and environmental audits and we are working toward rigorous waste disposal management.

### Proper PCB Disposal

The Toray Group properly stores about 100 tons of specially controlled industrial waste, including PCBs in transformer insulating oil and other materials. Transformers and other equipment that use PCBs are securely stored using locks to prevent leakage or loss.

The PCB Special Measures Law stipulates that we must dispose of PCB waste by 2016. The Toray Group has contracted with the Japan Environmental Safety Corporation, a government-owned PCB disposal operator, to dispose of this waste by 2011. We also allocated a reserve of ¥1.79 billion to cover future anticipated disposal expenses and finished writing off losses in FY Mar/05.

### Measures to Prevent Soil and Groundwater Pollution

The Toray Group has constructed facilities for handling hazardous chemicals as well as dikes around storage tanks to prevent these chemicals from spilling into the surrounding area and penetrating the soil in the event of a leak.

We have also conducted soil surveys and confirmed contamination at our Nagoya Plant and at Toyo Seisen. These findings have been publicly disclosed and are discussed in more detail below. We plan to continue conducting voluntary surveys, disclose survey results, and clean up any contaminated areas.

### Environmental Compliance and Accidents

Toray Group companies and plants were not assessed any administrative penalties for legal or regulatory violations in FY Mar/05. We had a total of six accidents resulting from equipment troubles, including wastewater discharge abnormalities and a chemical leak. As discussed below, dioxin concentrations in discharged water temporarily exceeded emission standards at the Tokai Plant. However, we immediately reported these accidents to local authorities and adopted measures to prevent their recurrence. We also had 23 incidents of complaints and requests from neighboring residents concerning noise, odor, or other annoyances, which we took seriously and responded to by improving the situation.

#### Environmental and Accident Prevention Related Incidents in FY Mar/05

	Toray Group
Administrative penalties for legal and regulatory violations <sup>*1</sup>	0
Accidents (fire, explosion, environmental accident, etc.)	6
Complaints and requests (noise, odor, etc.)	23

<sup>\*1</sup> Includes improvement orders and fines. Improvement guidance and recommendations are included with accidents.

#### Wastewater Abnormality at the Tokai Plant

At the Tokai Plant, we installed and have safely operated activated carbon absorption equipment and coagulating sedimentation equipment in order to treat dioxins in wastewater.

However, measurements taken by Aichi Prefecture on December 7, 2004 revealed wastewater dioxins concentrations of 24pg-TEQ/l, higher than the effluent standard of 10pg-TEQ/l.

We checked our wastewater treatment equipment the same day and found that the suspended solids removal efficiency of our activated carbon absorption equipment and coagulating sedimentation equipment had decreased. An inspection on the previous day had not revealed any problems. Concerns about reduced performance in the removal of dioxins from waste water prompted us to immediately take emergency measures. Subsequent measurements taken on December 12 showed that the concentration level had fallen to 1.2pg-TEQ/l, sufficiently below the effluent standard. As a permanent measure to prevent recurrence, we installed fiber filtration equipment and continuous monitoring equipment in May 2005.

#### Soil Contamination at the Nagoya Plant

At the Nagoya Plant, after suspending the operations of our caprolactam production facilities in May 2004, we conducted a survey based on the Soil Contamination Countermeasures Law and Nagoya municipal ordinances. The survey detected levels of trichloroethylene, trichloroethylene degradation products, and benzene in excess of environmental standards in the manufacturing facilities, surrounding soil, and groundwater. It also detected levels of PCB and dioxins in excess of standards in portions of the surface soil. We reported these results to the Nagoya municipal government and made a public disclosure on March 28, 2005. We are moving forward under the direction of the Nagoya municipal government and will start cleanup efforts as soon as possible.

#### Soil Contamination at Toyo Seisen

Kyoto-based Toyo Seisen suspended its business activities in December 2004 and conducted a voluntary soil survey. The survey detected levels of tetrachloroethylene,

tetrachloroethylene decomposed product, arsenic, and lead in excess of environmental standards. These results were reported to the Kyoto municipal government and then publicly disclosed on March 8, 2005. Given that Toyo Seisen has no history of using these substances, the company is not believed to have caused the contamination. However, based on a directive from the Kyoto municipal government, we replaced the contaminated soil and are monitoring groundwater.

#### Health Effects and Response to Asbestos

The Toray Group, in response to a growing social awareness about the health risks posed by asbestos, established the Asbestos Response Meeting and is working to confirm the health effects of asbestos and to find alternatives to any building materials that may contain asbestos. The following table shows the health effects on former employees of Toray and 29 Japanese subsidiaries and affiliates involved in manufacturing and other activities as of July 2005. We have not received any reports of adverse health effects from residents living near our facilities.

	People (deaths)
Certified occupational accident	0 (0)
Issued healthcare log	1 (0) (former employee)
Consultations for workers' compensation	3 (0) (former employees)

We plan to take the following two actions to address this issue going forward. First, we will conduct health examinations and take appropriate steps for former employees that underwent a special asbestos checkup while on the job and for current and former employees that have had consultations. Second, we will systematically replace any building materials, insulating materials, or other materials containing asbestos that are currently used in our plant buildings and other facilities.

We have also designated representatives at Toray ACE and at Toray Construction, which have previously manufactured and sold building materials containing asbestos, to sincerely provide explanations and answer questions from our customers.

## Global Warming Measures

We have been working to reduce our greenhouse gas emissions by conserving energy and converting to cleaner fuels in an effort to help prevent global warming.

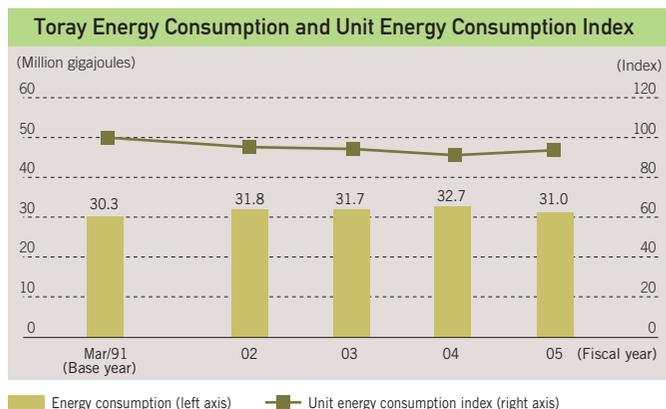
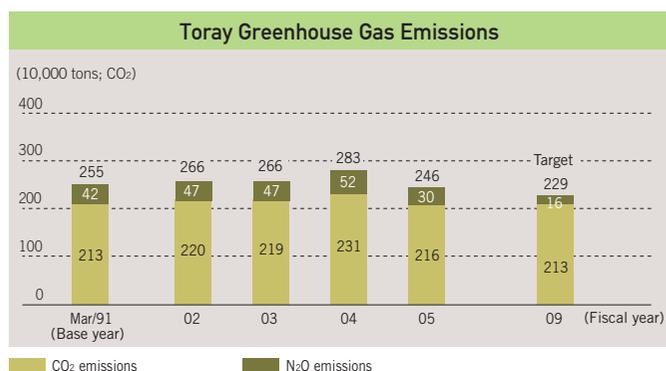
	Second Three-Year Environmental Plan (FY Mar/07 targets)	FY Mar/05 Status	FY Mar/06 Goal
Toray	Reduce unit energy consumption by 1% annually	Increased 1.8% YoY	Continue regular energy conservation activities and conduct an energy conservation assessment
	Reduce greenhouse gas emissions by 10% over FY Mar/91 (FY Mar/09 target) Reduce CO <sub>2</sub> to 1990 levels	Greenhouse gas emissions decreased 3.6% over 1990 CO <sub>2</sub> emissions increased 1.6% over 1990	Reduce N <sub>2</sub> O emissions at the Tokai Plant
Japanese subsidiaries and affiliates	Reduce unit energy consumption by 1% annually	Reduced 1% at four plants	Continue regular energy conservation activities and conduct an energy conservation assessment

### Toray Global Warming Measures

Toray reduced its greenhouse gas emissions by 3.6% in FY Mar/05 as a result of ongoing efforts to achieve its FY Mar/09 target of a 6% reduction over FY Mar/91. We have developed new technology for thermal decomposition of N<sub>2</sub>O and are making greater-than-expected progress in converting to cleaner fuel sources. We expect to achieve our 6% reduction target ahead of schedule in FY Mar/06. Consequently, to make an even greater contribution to the prevention of global warming, we have revised our greenhouse gas emission reduction target to 10%.

Toray seeks to reduce unit energy consumption by 1% annually, but unit energy consumption actually increased by 1.8% in FY Mar/05. A decrease in production volume caused unit energy consumption to increase by 2.8%, due partly to the suspension of caprolactam\*<sup>1</sup> production at the Nagoya Plant. However, energy conservation measures decreased unit energy consumption by 1.0%, which helped limit the overall increase.

\*<sup>1</sup> Caprolactam is the main raw material of nylon fibers and resins produced from naphtha and benzene.



### Initiatives at Toray

At our Tokai Plant, we commenced operations of a natural gas cogeneration facility with four 5,500 KW generators in December 2004. We also upgraded our Okazaki Plant to convert from using heavy oil for boiler fuel to using city gas in February 2005. These two actions lowered our CO<sub>2</sub> emissions by 16,000 tons.



Natural gas boiler at the Okazaki Plant

In FY Mar/06, to offset additional greenhouse gas emissions resulting from our plans to boost production of carbon fiber and other products, we are treating N<sub>2</sub>O gas from manufacturing processes at our Tokai Plant through thermal decomposition, and we seek to reduce our N<sub>2</sub>O emissions by 180,000 tons as converted to CO<sub>2</sub>.

### Initiatives at Overseas Subsidiaries and Affiliates

We are pursuing energy conservation initiatives at our subsidiaries and affiliates in Southeast Asia. In particular, we plan to move forward in converting our fuel source to natural gas, and we installed and started up a natural gas cogeneration facility at Century Textile Industry in Indonesia in March 2005.

### Protecting the Ozone Layer

Toray discontinued the use of specific chlorofluorocarbons (CFCs) in manufacturing processes in 1994. We also stopped purchasing CFCs for replenishing refrigerators and are upgrading to refrigeration equipment that use alternatives to CFCs.

## Voluntarily Reducing Atmospheric Emissions of Chemical Substances

We are working to reduce atmospheric emissions of chemical substances throughout the entire Toray Group, including overseas. We are taking independent reduction measures to achieve the targets in our Second Three-Year Environmental Plan.

	Second Three-Year Environmental Plan (FY Mar/07 targets)	FY Mar/05 Status	FY Mar/06 Goal
Toray	Reduce PRTR Law substance emissions by 80% over FY Mar/96	Reduced 67%	Implement measures at the Ehime Plant and Tokai Plant
Japanese subsidiaries and affiliates	Reduce PRTR Law substance emissions by 60% over FY Mar/99	Reduced 54%	Implement measures at Toray Advanced Film
Overseas subsidiaries and affiliates	Reduce PRTR Law substance emissions by 30% over FY Mar/01	Increased 15%	Implement measures at Toray Plastics (Malaysia)

### Initiatives at Toray

We installed an organic exhaust gas absorption and recovery system and catalytic combustion system at our Ehime Plant in FY Mar/05. Atmospheric emissions of PRTR Law substances\*1 were generally flat year-on-year because these systems came on line at the end of the fiscal year, but we expect to cut emissions by 42 tons in FY Mar/06 when these systems are operating for the full year.



Organic exhaust gas absorption and recovery system at the Ehime Plant

We plan to implement a variety of measures in FY Mar/06, including installing regenerative combustion systems at the Ehime Plant and Tokai Plant, and we will continue to work steadily to achieve the targets in our Second Three-Year Environmental Plan.

We are planning several measures in FY Mar/06, including installing a catalytic combustion system at Toray Advanced Film, and we expect to achieve our targets in FY Mar/07.

### Initiatives at Overseas Subsidiaries and Affiliates

At overseas subsidiaries and affiliates, we started conducting voluntary PRTR surveys in 2000 and established the 2006 target of reducing overall PRTR substance emissions by 30% compared to 2000.

Atmospheric emissions were flat year-on-year in 2004, but we expect to begin full-fledged voluntary reductions in 2005 as a result of measures taken at Toray Plastics (Malaysia) and other facilities.

### Reducing Atmospheric Emissions of JCIA PRTR Substances

The Toray Group is also pursuing voluntary reductions of JCIA PRTR substances\*2 with the goal of lowering our group-wide emissions by 60% by FY Mar/07. We have achieved a 47% reduction through FY Mar/05.

### Initiatives at Japanese Subsidiaries and Affiliates

We also implemented various measures at Japanese subsidiaries and affiliates during FY Mar/05, including installing organic exhaust gas direct combustion systems at Toray Advanced Film and Toray Coatex. As a result, we reduced PRTR substance emissions by 20% year-on-year and by 54% over FY Mar/99.



Organic exhaust gas direct combustion system at Toray Advanced Film

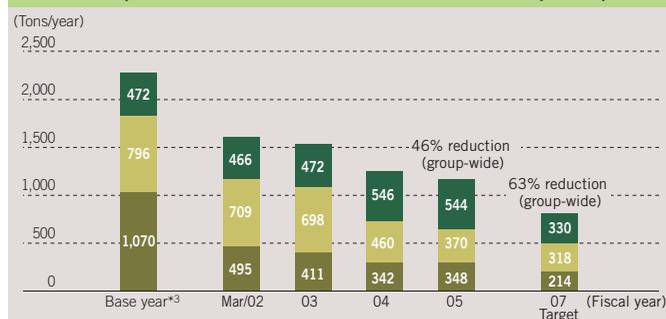
\*1 PRTR (Pollutant Release and Transfer Register) Law

The PRTR Law establishes a framework in which businesses that handle chemical substances report to the national government about their environmental emissions and waste transfers of 354 designated substances. The government calculates the totals of these reports and publishes the results. Data on the Toray Group's reported emissions during FY Mar/05 is shown on page 60.

\*2 JCIA PRTR

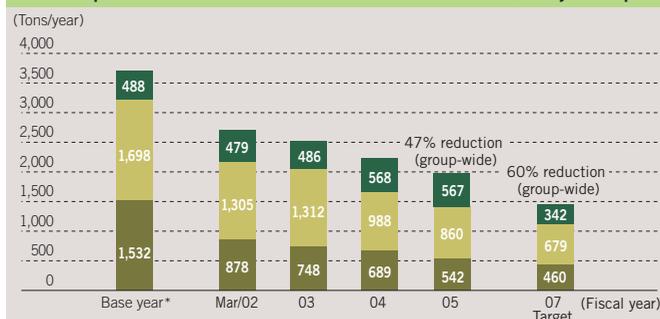
JCIA PRTR refers to a voluntary PRTR survey initiated by the Japan Chemical Industry Association (JCIA) in FY Mar/96. This survey covers 480 substances, including the 354 substances covered by the PRTR Law, of which 124 substances apply to the Toray Group.

### Atmospheric Emissions of PRTR Substances (Toray Group)



	Substances	FY Mar/07 reduction target
Overseas subsidiaries and affiliates	34	30% reduction
Japanese subsidiaries and affiliates	46	60% reduction
Toray	59	80% reduction

### Atmospheric Emissions of JCIA PRTR Substances (Toray Group)



	Substances	FY Mar/07 reduction target
Overseas subsidiaries and affiliates	46	30% reduction
Japanese subsidiaries and affiliates	73	60% reduction
Toray	91	70% reduction

\*3 Base year refers to the fiscal year in which surveys began. The base year is Mar/96 for Toray, Mar/99 for Japanese subsidiaries and affiliates, and Mar/01 for overseas subsidiaries and affiliates.

## Preventing Air Pollution

We are actively converting to natural gas to achieve the targets in our Second Three-Year Environmental Plan and we are working to reduce our SOx, NOx, and dust emissions. We moved within striking distance of our NOx and dust emission reduction targets in FY Mar/05 .

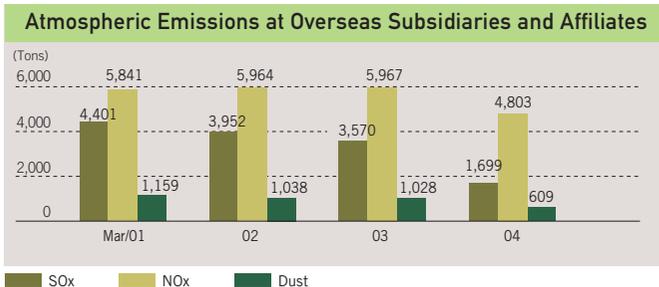
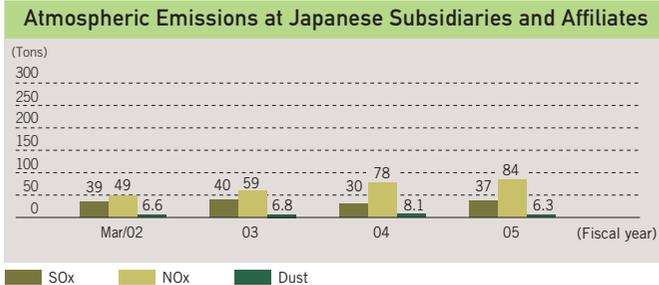
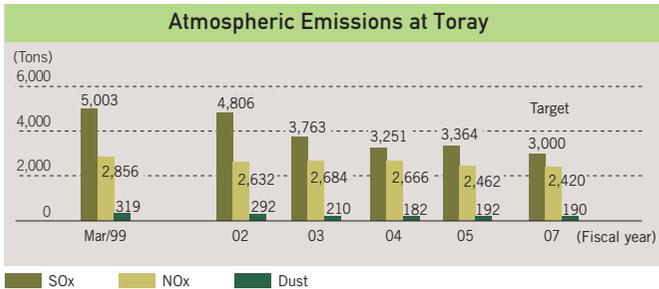
	Second Three-Year Environmental Plan (FY Mar/07 targets)	FY Mar/05 Status	FY Mar/06 Goal
Toray	Reduce SOx emissions by 40% over FY Mar/99	Reduced 33%	Install high-efficiency cogeneration facility at the Tsuchiura Plant
	Reduce NOx emissions by 15% over FY Mar/99	Reduced 14%	Install high-efficiency cogeneration facility at the Tsuchiura Plant
	Reduce dust emissions by 40% over FY Mar/99	Reduced 40%	Raise efficiency of desulfurization systems at the Aichi Plant

### Toray Group Emissions

Toray reduced NOx emissions by 14% year-on-year and dust emissions by 40% in FY Mar/05, putting us one step away from our targets in the Second Three-Year Environmental Plan. SOx emissions were up slightly due to an increase in production volume, but emissions decreased in the second half of FY Mar/05 with the startup of cogeneration facilities at the Tokai Plant and Okazaki Plant.

Emissions at Japanese subsidiaries and affiliates were negligible compared to Toray and overseas subsidiaries and affiliates. NOx emissions increased slightly due to the installation of cogeneration facilities to conserve energy.

At overseas subsidiaries and affiliates, thanks to our efforts to convert to natural gas, SOx emissions were down 61%, NOx emissions down 18%, and dust emissions down 47% compared to 2001.



### Initiatives at Toray

To reduce emissions of greenhouse gases and atmospheric pollutants, we commenced operations of a natural gas cogeneration facility at the Tokai Plant in December 2004 and made upgrades at the Okazaki Plant to convert from using heavy oil for boiler fuel to using city gas in February 2005. We expect these actions to help lower the environmental burden of these plants in FY Mar/06 by reducing SOx emissions by 120 tons, NOx emissions by nine tons, and dust emissions by 11 tons. We are also installing a high-efficiency cogeneration facility at the Tsuchiura Plant in FY Mar/06.



Gas cogeneration facility at the Tokai Plant

### Initiatives at Overseas Subsidiaries and Affiliates

In Thailand, with a view to reducing the environmental burden and expanding the use of natural gas in accordance with government policy, we finished converting three heavy oil boiler systems to natural gas at Mill-2 of Luckytex, a major consumer of heavy oil, in December 2004. We also installed a natural gas cogeneration facility at Century Textile Industry in Indonesia.

In Malaysia as well, we plan to actively convert boilers that use a large volume of heavy oil to natural gas.

Our subsidiaries and affiliates in Southeast Asia have cleared legal and regulatory requirements for some time, but by converting to using natural gas, we hope to make a further contribution to lowering the environmental burden.



Gas cogeneration facility at Century Textile Industry



## Preventing Water Pollution

Toray purifies wastewater from its plants using activated sludge treatment systems and other means before discharging it into rivers and the sea. We are also working to improve our processes and wastewater treatment systems to achieve our reduction targets.

	Second Three-Year Environmental Plan (FY Mar/07 targets)	FY Mar/05 Status	FY Mar/06 Goal
Toray	Reduce BOD emissions by 20% over FY Mar/99	Reduced BOD emissions by 30% over FY Mar/99	Improve wastewater treatment facilities at the Ehime Plant and Tokai Plant
	Reduce COD emissions by 20% over FY Mar/99	Reduced COD emissions by 11% over FY Mar/99.	

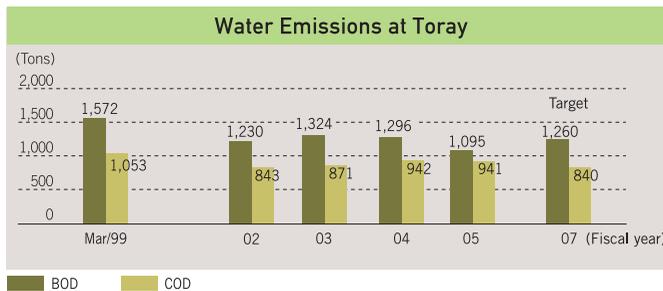
### Toray Group Emissions

Toray reduced its BOD emissions by 200 tons year-on-year in FY Mar/05 to achieve its voluntary reduction target of 20% two years early.

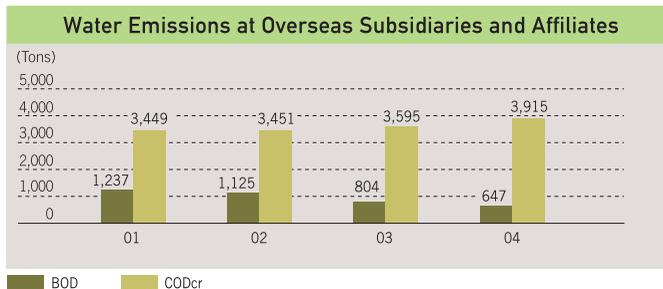
COD emissions were unchanged year-on-year, but we are working to achieve reductions through process improvements and other means.

Japanese subsidiaries and affiliates achieved further reductions in BOD and COD emissions in FY Mar/05 thanks to improvements to wastewater treatment facilities and other factors.

At overseas subsidiaries and affiliates, BOD emissions were down 20% year-on-year, but COD emissions increased 9%. In Southeast Asia and China, BOD emissions decreased as a result of augmenting activated sludge treatment facilities in conjunction with an increase in production. However, COD is relatively difficult to remove, and this hampered our reduction efforts.



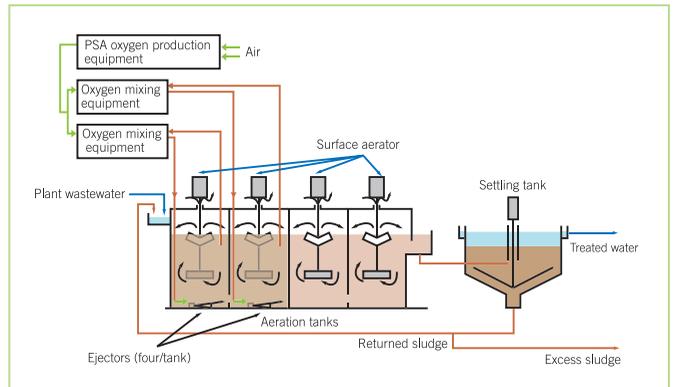
BOD\*<sup>1</sup> figures are for Toray's 12 plants and one research institute; COD\*<sup>2</sup> figures are for the six plants subject to Total Pollutant Load Control.



BOD\*<sup>1</sup> stands for biochemical oxygen demand and is an indicator of river water pollution. COD\*<sup>2</sup> stands for chemical oxygen demand and is an indicator of sea and lake water pollution. COD<sub>Mn</sub> is used in Japan and COD<sub>cr</sub> is used overseas.

### Initiatives at Toray

At the Tokai Plant, we have been purifying wastewater using two activated sludge treatment systems. However, we upgraded one system to a combined oxygen and activated sludge treatment system, which has been operating smoothly since September 2004. This increased our treatment capacity from a BOD load of 1.3 kg/m<sup>3</sup> per day to 2.1 kg/m<sup>3</sup> per day. Though BOD concentrations increased 1.8-fold as a result of expanding our production facilities, these improvements allowed us to keep the quality of treated water at the same level, which means we were able to increase production without placing an additional burden on the environment. This treatment method also helps stabilize water quality because we can flexibly adapt to load fluctuations.



Combined oxygen and activated sludge treatment system at the Tokai Plant

### Initiatives at Japanese Subsidiaries and Affiliates

Toray Monofilament was first in Toray Group in Japan to install membrane bioreactor (MBR) system, which was developed by Toray, and commenced operations in March 2005. Conventional activated sludge treatment systems use settling tanks or float separation tanks to separate activated sludge from treated water, but MBR systems produce extremely clean treated water by using immersed membranes to separate activated sludge, and they achieve high treatment efficiency by maintaining a high concentration of activated sludge.



MBR facility at Toray Monofilament

### Initiatives at Overseas Subsidiaries and Affiliates

Luckytex in Thailand expanded its activated sludge treatment tanks by about 24% as an improvement measure taken in response to a roughly 14% increase in the wastewater load resulting from an increase in production volume. This has helped to improve wastewater quality because the facility can operate with lower volume loads in the activated sludge treatment tanks. We are also working to lower energy consumption by using high-efficiency aerators.



Luckytex's Mill-2 (Thailand)

## Reducing Waste

The Toray Group continues its efforts to reduce waste and contribute to creating a closed-loop recycling society. We are also working toward zero waste emissions and a total of eight plants at six companies have achieved this status as of FY Mar/05.

	Second Three-Year Environmental Plan (FY Mar/07 targets)	FY Mar/05 Status	FY Mar/06 Goal
Toray	Reduce total waste generated to at least 24,500 tons Landfill rate of 5% or lower Recycling rate of 95% or higher	32,300 tons 4.1% 88.5%	Full operation of the sludge reduction facility at the Tokai Plant
Japanese subsidiaries and affiliates	Reduce total waste generated to at least 19,800 tons Landfill rate of 5% or lower Recycling rate of 88% or higher	26,200 tons 6.0% 88.2%	Reduce landfill waste

### Toray Group Waste Generated, Landfill Rate, and Recycling Rate

The Toray Group generated a total 91,600 tons of waste in FY Mar/05, an increase of 8,000 tons year-on-year. We attribute the increase to a higher volume of waste at the Nagoya Plant as a result of consolidating facilities and taking other actions. We generated 40,200 tons of simply disposed waste<sup>\*1</sup>, for a decrease of 500 tons year-on-year.

The recycling rate was held to 88.5% due to an increase of simply disposed waste at Toray. At Japanese subsidiaries and affiliates, the recycling rate increased to 88.2%, achieving our target for FY Mar/07, thanks to progress in waste recycling. We are also working to recycle waste at overseas subsidiaries and affiliates, and the recycling rate was 60.2%.

The landfill rate was 4.1% at Toray, 6.0% at Japanese subsidiaries and affiliates, and 47% at overseas subsidiaries and affiliates. Toray achieved its target rate of 5% or lower.

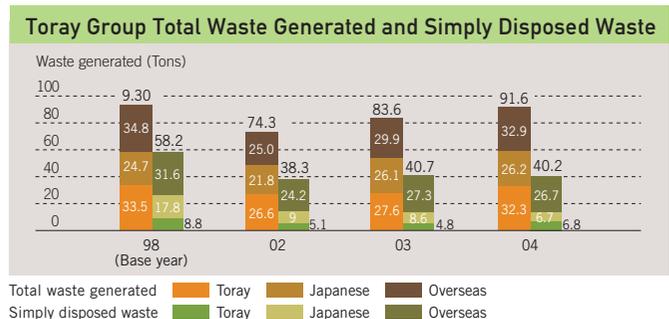
\*1 Simply disposed waste refers to incinerated or landfill waste that is not recycled.

### Waste Reduction Initiatives at Opelontex

Opelontex reduced waste by 230 tons annually by modifying specifications to make it easier to recycle the paper tubing on which its fiber products are spun and extending these specifications throughout its product lineup.

### Expanding Fluorescent Light Recycling to Japanese Subsidiaries and Affiliates

Used fluorescent lights have become a difficult item to recycle or dispose of because they contain trace amounts of mercury. Matsushita Electric Industrial offers its "Light and Trust Service" to lease fluorescent lights and then recycle all used lights. Toray has subscribed to this service on a company-wide basis since April 2004, and because it allows us to guarantee that our waste is recycled, we have been expanding the use of this service to Japanese subsidiaries and affiliates, and a total of 32 facilities of our Japanese subsidiaries and affiliates are now using this service.



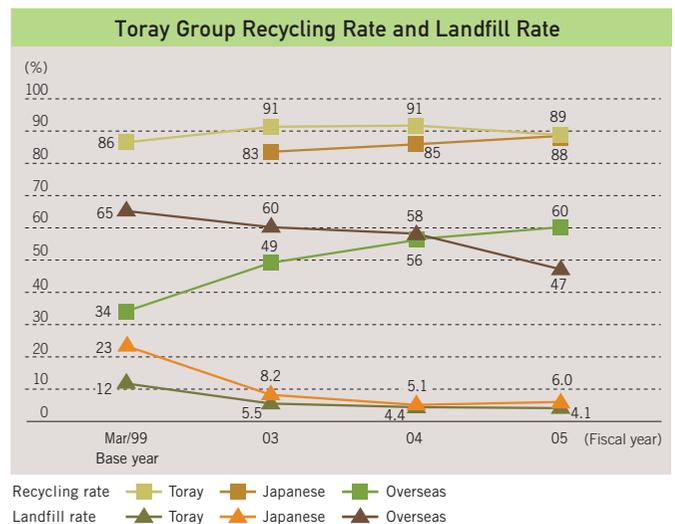
### Zero Emissions

The Toray Group defines zero waste emissions as simply disposed waste comprising less than 1% of total waste generated. All of our plants are pursuing waste recycling with the goal of achieving zero emissions, and eight plants at six companies have achieved zero emissions status as of FY Mar/05. We are redoubling our efforts to reduce and recycle waste with a view to achieving zero emissions status at an even greater number of companies and plants.

At overseas subsidiaries and affiliates, Toray Film Products (Zhongshan) has achieved zero emissions status for two consecutive years by selling all of its waste plastics and other waste products.

#### Zero Emission Companies and Plants in FY Mar/05

Toray: Okazaki Plant and Gifu Plant  
 Japan: Matsumoto Textiles, Toray Coatex, Toyo Plastic Seiko (Mishima Plant, Okazaki Plant), and Toyo Jitsugyo (Ishikawa Plant)  
 Overseas: Toray Film Products (Zhongshan)



## Environmental Efforts in Distribution

### Environmentally Friendly Distribution Policies

Toray established Basic Distribution Policies and is pursuing environmentally friendly distribution practices.

#### 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 the 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.

### Green Distribution (Reducing the Environmental Burden of Transport)

We are working to lower our diesel oil consumption per transport volume and reduce CO<sub>2</sub> and NO<sub>x</sub> emissions through a variety of ongoing initiatives, including enhancing transport efficiency, increasing the number of vehicles that carry a return load, changing the modes of transport, and increasing the size of our shipments. One of our main actions in FY Mar/05 was to switch from truck to rail transport in shipping staple fibers from our Ehime Plant to various locations around Japan. This reduced our CO<sub>2</sub> emissions by 1,188 tons annually.

We also expanded the use of rail transport in shipping films and plastics. These efforts allowed us to reduce our CO<sub>2</sub> emissions by 1,490 tons annually in FY Mar/05.



Staple fibers transported by JR



Green Management Certification

### Encouraging Green Management Certification

Achieving green distribution operations requires the cooperation of transport companies.

Toray encourages the transport companies it employs to acquire the Green Management Certification advocated by the Ministry of Land, Infrastructure and Transport. The relevant business divisions of Japanese affiliate Toyo Logistics were registered in June 2005, and main transport companies plan to acquire Green Management Certification by the end of September 2005.

In recognition of these efforts, Toray is listed on EcoMo Foundation's website as an environmentally friendly company that encourages green management practices.

## Safety Efforts in Distribution

Toray is working to ensure safety in transporting chemical substances as part of its engagement in Responsible Care.

In transporting hazardous substances, we are required to ensure safety based on various laws and regulations, including the Fire Defense Law, High-Pressure Gas Safety Law, and the Poisonous and Deleterious Substances Control Law. We have therefore established our Hazardous Substance Transport Safety Management Regulations to govern matters related to the safe transport of combustible and hazardous materials.

We are concluding safety agreements with our customers and suppliers of raw materials and resources to ensure safe transport.

We have also prepared Yellow Cards to be carried by our drivers to help them as well as firefighters and other parties take safe, quick, and appropriate actions in the event of an accident during transport to prevent the damage from spreading.



Yellow Card \*1

\*1 Yellow Cards contain a variety of concise information, including the name of the hazardous substance, relevant laws and regulations, hazardous properties, emergency procedures in the case of an accident, emergency reporting and contact information, methods to prevent the damage from spreading, and so forth.

In our plants, we are working to ensure the safety of cargo handling operations by conducting emergency drills to respond to a leak while receiving raw materials or shipping products and through rigorous safety confirmation when receiving materials.



Leak response drill at the Nagoya Plant on October 21, 2004

## Accident Prevention

Toray believes that preventing fire and explosion accidents is a fundamental responsibility as a diversified chemicals company. We carry out a variety of voluntary safety activities to prevent fires and explosions and conduct emergency drills to prepare for the possibility of an accident occurring.

### Measures for Coping with a Large-scale Earthquake

We have conducted simple earthquake resistance assessments of 83 buildings that are three or more stories high and at least 1,000m<sup>2</sup> in size in accordance with the Seismic Retrofitting Promotion Law since 2002. We are now performing seismic reinforcement work based on a three-year plan starting in 2004 for about 75 buildings deemed important for avoiding an impact outside the company in terms of human life, accident prevention, and the environment.

### Accident Prevention

We prepared an independent fire and explosion prevention checklist comprised of 550 items in 1997. We have carried out comprehensive inspections at Toray Group companies both in Japan and overseas and made roughly 5,000 small to large-scale improvements. We are continuing to use this checklist to conduct voluntary inspections each year at all companies. Additionally, a steam leak accident at a nuclear power plant in 2004 prompted the Ministry of Economy, Trade and Industry to request a variety of information from companies possessing power generation facilities. We independently prepared our Thermal Power Generation Facilities Inspection and Safety Assurance Guidelines based on the information requested, and we are measuring the thickness of water and steam pipes and taking steps to ensure the safety of our workers. We are working hard through these and other efforts to prevent industrial accidents.

### Accident Prevention Education and Training

Toray Group companies are providing a variety of realistic fire and explosion demonstrations and practical education as part of their fire prevention training for employees, and they are systematically conducting fire prevention drills covering communication, evacuation, fire extinguishing, and other actions to help minimize damage in the event of an accident occurring.



Explosion demonstration and practical education at the Gifu Plant



Fire ignition experiment



Emergency drill at the Tokai Plant

## Occupational Safety

The Toray Group is working toward integrated group-wide safety management that includes Japanese and overseas subsidiaries and affiliates.

### Integrated Group-wide Safety Management

Toray's Safety, Health, and Environment Committee determines priority group-wide measures and the Safety, Health, Accident Prevention, and Environment Conference for Japanese subsidiaries and affiliates disseminates information about these measures.

We also hold our annual Toray Group Domestic Safety Presentation Meeting in Japan with Toray's president and directors and the presidents of Japanese subsidiaries and affiliates participating to directly inform each company and plant about top management policies and to report on safety efforts. Through these and other means we are working toward integrated group-wide safety activities and safety management.

 See pages 24–25 for related information about our occupational safety and health promotion framework.

### Safety Results in 2004

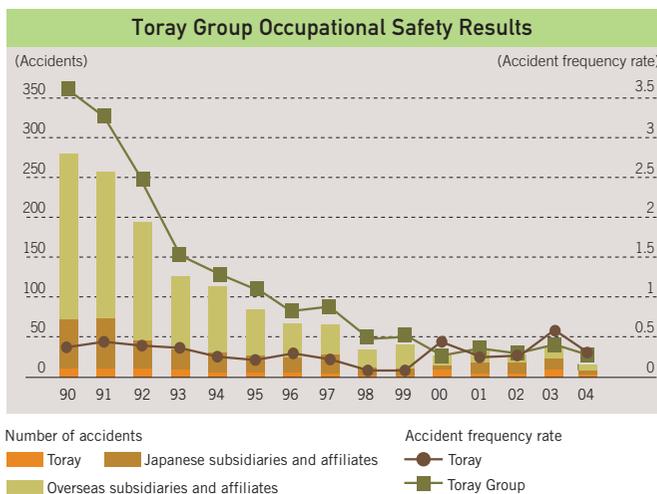
The Toray Group had a total of 16 accidents (both those causing and not causing an absence from work) in 2004. This is the best safety record in our Company's history. Five of these accidents occurred at Japanese subsidiaries and affiliates and eight occurred at overseas subsidiaries and affiliates. Both figures represent record lows.

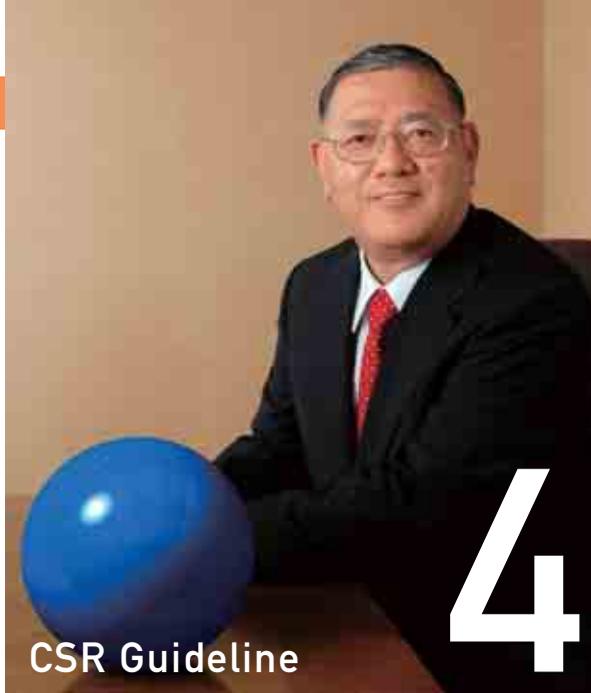
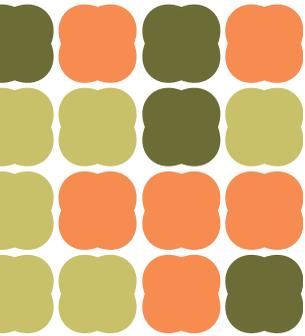
The Toray Group's lost worktime frequency rate\*1 was 0.12, and all accident frequency rate, which includes accidents not resulting in lost worktime, was 0.22. Compared to a lost worktime rate of 0.99 for Japan's manufacturing industry as a whole, the Toray Group continues to maintain a good safety record. The accident rates for Japanese and overseas subsidiaries and affiliates have improved in recent years to the same level as Toray at 0.21 (Japan: 0.25, Overseas: 0.21). This shows the effects of integrated group-wide safety management.

\*1: Injuries resulting in lost worktime per one million working hours

### Priorities in 2005

The Toray Group is placing priority on efforts to eliminate near accidents in 2005 with a view to raising our safety levels even further.





Implementation Leader:  
**Osamu Nakatani**

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

## CSR Guideline

# 4

### Commitment

Product safety and quality are integral to fulfilling our Management Philosophy of creating new value. These lay at the core of all our factory production along with safety, accident prevention, and environmental preservation. We believe this commitment lets us achieve true customer satisfaction (CS) in the field of materials manufacturing.

## Ensure Product Safety and Quality

Recognize the importance of product safety and quality assurance in supplying safe and highly reliable products, and strive to enhance management systems and disclose appropriate information.

### Action Program

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

### Product Safety Management Basic Policies

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

under a management system led by the Product Safety Committee.

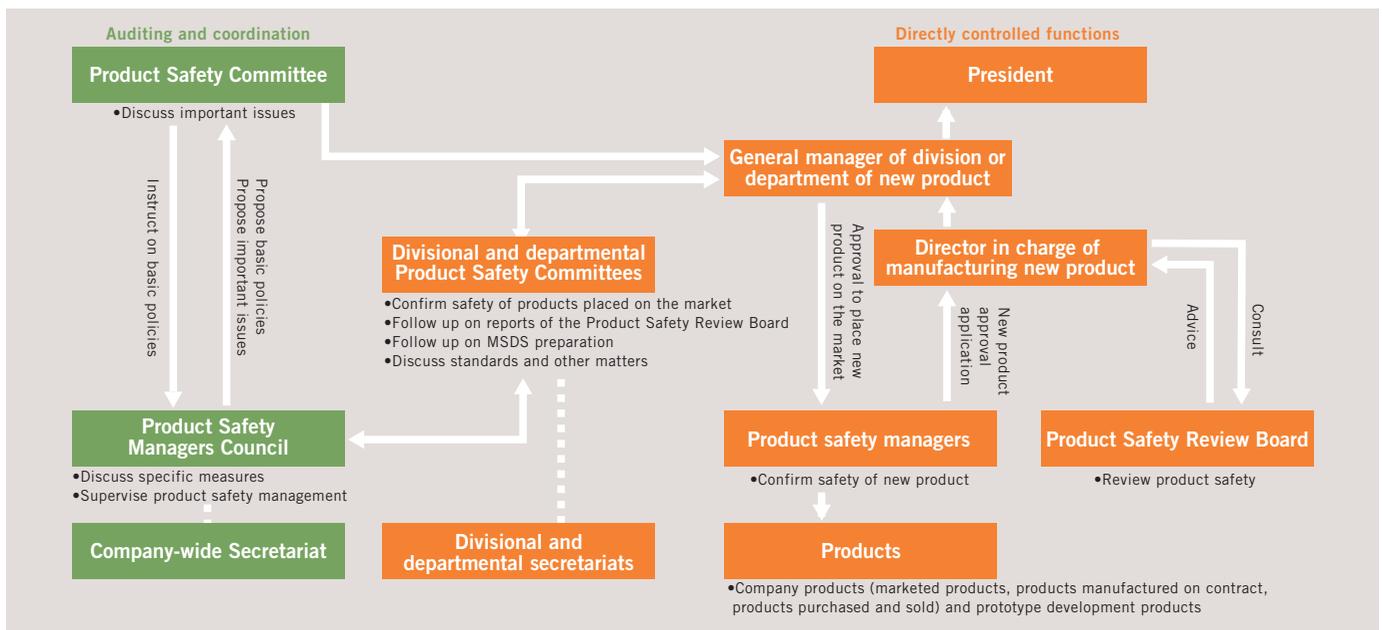
### Confirming the Safety of New Products

When placing a new product on the market, the director in charge of manufacturing the new product conducts a product safety review, and only after receiving the director's approval can the product be released. The product safety review involves a product safety check as well as a review of Material Safety Data Sheet (MSDS), the handling instructions (including warning labels), catalogue, and all other information provided to the customer to ensure safe use.

If there are any doubts about safety at this stage, then the director in charge of manufacturing convenes the Product Safety Review Board comprised of

### Product Safety at Toray

Toray completely revised its Product Safety Management Regulations in 1994 in order to bolster its product safety system. On the basis of these Regulations, we have established basic policies and are working to ensure product safety



independent experts from inside and outside the Company. The product must then be accepted by the review board before being placed on the market.

The Product Safety Review Board is required to attach an environmental assessment checklist, so in addition to product safety, the board considers whether releasing the new product will place an additional burden on the environment. In FY Mar/05, roughly 110 new products were subject to a product safety review, of which about 30 were examined by the Product Safety Review Board.

### Ensuring Product Safety

The Product Safety Committee is responsible for advancing Toray's product safety efforts, and every year it establishes common company-wide product safety challenges that reflect the conditions of group-wide activities as well as social trends. Through the Product Safety Managers Council, the Product Safety Committee follows up on the activities of the Divisional and Departmental Product Safety Committees to fully carry out our product safety efforts. In FY Mar/05, we sought to raise the level of product safety by strengthening inspection activities from the design stage onward and making complete checklists based on applicable laws and standards. We also instituted a training program for new section managers, key to implementation, to educate them on the importance of product safety.

As part of our efforts to reduce the risk of chemical substances, we worked together to ensure reliable control of chemical substances subject to no-use commitments with our customers in the electrical and electronic, automotive, and other industries. Furthermore, in June 2004, in response to laws and regulations in Japan and overseas as well as to trends and requests from our customers, we revised and strengthened our control of raw materials in the form of Green Procurement Guidelines. We also integrated RoHS\*1 requirements into our product safety deliberations.

The Divisional and Departmental Product Safety Committees, which are located within operating divisions and departments and are responsible for confirming product safety, establish product safety issues every year for their respective divisions and departments. This structure is intended to raise the level of product safety management in cooperation with the manufacturing, technology, and sales departments.

Subsidiaries and affiliates in Japan and overseas have also enacted Product Safety Management Regulations in order to pursue product safety management similar to Toray, and by providing support and guidance to our subsidiaries and affiliates through the Affiliated Companies Division and to the relevant operating divisions and departments, we seek to improve the level of product safety across the entire Toray Group.

\*1 Directive 2002/95/EC on the restriction of the use of certain hazardous substances in electrical and electronic equipment, an EU law which goes into effect July 2006 prohibiting certain substances in electrical or electronic equipment.

## Quality Management

Ever since its founding, the philosophy of "quality first" has guided Toray. In April, 1993, the Manufacturing Division Quality Guidelines were established to position quality as the highest priority along with safety in development and manufacturing. The Guidelines also describe strategies for ensuring product quality.

### Quality Management Policies

1. We give utmost precedence to safety and quality in the development and production.
2. We determine quality at the design and development stages and improve it in the production process.

For this;

- (1) All the divisions, including manufacturing, sales, and research & development, abide by the "Quality First" principle.
- (2) We focus on the "market-in" concept to satisfy customers' demands.
- (3) We institute a quality assurance system, maintain and improve it.
- (4) We establish and substantiate an education system to develop human resources.
- (5) We obtain the Certification of ISO9000 and GMP, and maintain and raise the quality management system.

### Quality Control Activities at Plants

The Mishima Plant was the first to attain ISO9001 certification in October 1993 as part of an overall drive to establish a quality control system. Presently all of Toray's Japanese plants have completed the transition to ISO9001 2000. Quality Control Section Managers take the lead, with plant managers ultimately responsible, for activities promoting quality improvements for each manufacturing division to ensure customer satisfaction.

Quality control systems matching the needs of each product type are also in place: GMP\*1 and ISO13485\*2 for pharmaceutical and medical products, and JIS Q 9100\*3 for aerospace products, for example. Toray is actively pursuing such certifications at all production centers. Subsidiaries and affiliates in Japan and overseas are all pursuing ISO9001 certification, with 55 having reached this goal as of the end of June, 2005.

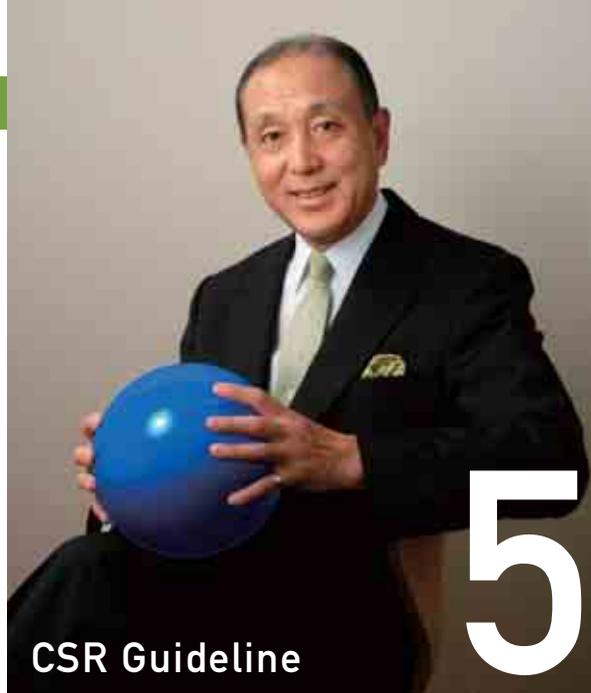
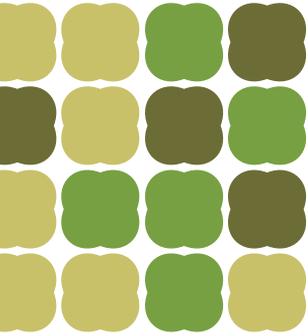
\*1 Good Manufacturing Practice standards for pharmaceutical production and quality control

\*2 Standards for medical device quality management systems (currently switching over to 2003 standards)

\*3 Standards for aeronautic quality management systems



JIS Q 9100 management system certificate awarded to Toray's Ehime Plant



## CSR Guideline

Implementation Leader:

**Kazuhiro Maruyama**

Director, General Manager,  
General Administration Division  
Toray Industries, Inc.

### Commitment

Forty years ago, actor Keiji Sada (father of actor Kiichi Nakai) died at the peak of his popularity in a car accident at the age of 38. The other passengers were spared because they had been awake and thus able to prepare for the crash, while Sada was asleep and therefore perished. Companies have to be aware of the risks surrounding them to prepare for host of risks. We want to foresee all possible eventualities and make thorough preparedness a daily goal.

## Perform Risk Management

Seek to reduce potential risk, develop a system capable of responding quickly to unexpected circumstances and disclosing accurate information, and work to inform all employees about this system.

### Action Program

The 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.

## Risk Management Systems

Crisis management is more important now than it ever was: In addition to the examples presented by a series of scandals in which corporations' crisis management capabilities should have played a crucial role, recent years have seen a series of major earthquakes and other serious disasters that bear witness to this point. In this context, Toray established company-wide Crisis Management Regulations in January 2004 and has prepared mechanisms for both normal times and the outbreak of a crisis. In addition to reducing risk and preventing crisis during normal times, in the event of a major crisis occurring, we seek to prevent escalation and to quickly control and normalize the situation through a prompt and precise response.

Specifically, in normal times the CSR Committee and the Risk Management Committee which is a subordinate organization, are responsible for risk-related activities. When a company-wide crisis such as a large earthquake, other natural disaster, accident, serious product safety problems, or legal infractions occurs, a Company-Wide Solution Team is established under direct authority of the president to take necessary measures.

### Building a PDCA Cycle for Risk Management

While the CSR Committee and the Risk Management Committee determine company-wide policies, risk management teams established on the company, division, department, and plant level autonomously determine specific risk management and education measures for their respective areas.

We have already made efforts at risk reduction in terms of safety and accident prevention as well as emergency response.

From FY Mar/06, we are constructing a PDCA cycle for risk management in which each risk management team identifies potential risks, flags serious ones, and formulates basic action plans in an effort to systematically reduce risk.

### Immediate Company-Wide Crisis Response

When a crisis requiring company-wide response occurs, the Company-Wide Solution Team and appropriate Local Solution Teams cooperate in coping with the crisis. This may include preventing spread of the crisis, clean-up, normalization, and responding to local residents, government organs, the press, and other stakeholders. Because of damage sustained by the original crisis, it is possible that affected divisions or plants may not be able to respond adequately on their own; for this reason supporting plants and personnel and materiel necessary for resuming business are determined in advance.

### Toray's Risk Management Structure

Crisis Management Regulations (effective January 2004)

Company-wide risk management structure

Oversight: CSR Committee

Promotion: Risk Management Committee

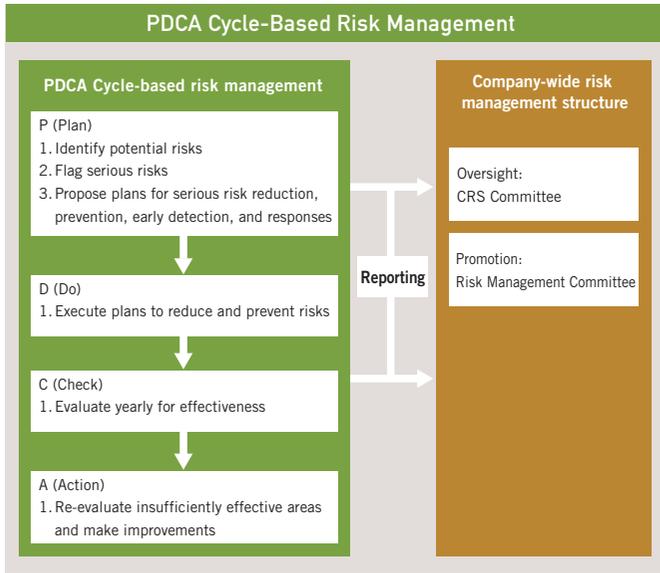
Risk management in divisions and plants

#### Function of Risk Management Committee

- Follow-up on risk management status
- Report on risk management status
- Plan and propose company-wide policies

#### Challenges for FY Mar/06

- Establish risk management structure for divisions and plants
- Re-evaluate and improve plans for business continuity in event of a major earthquake

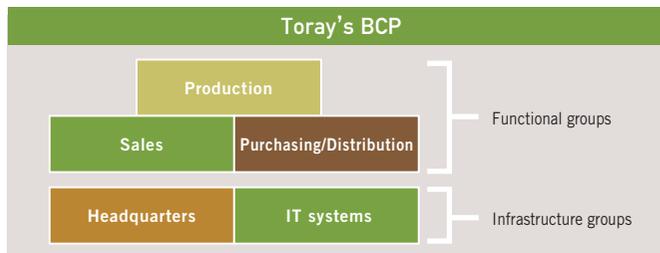


## Business Continuity Efforts

Any cessation of operations that affected Toray as the result of fires, explosions, or large-scale earthquakes would damage not only us but our business partners as well. For this reason the issue of how to resume business as quickly as possible has begun gaining more attention in the field of risk management. In order to minimize this kind of risk, identifying risks related to cessation of operations must be a part of everyday activities; this must be matched by evaluating effects on business activities and preparation of Business Continuity Plans (BCP<sup>\*1</sup>) to help restore business as usual.

Our efforts thus far to cope with large-scale earthquakes include simple assessment of buildings for seismic resistance, seismic retrofitting, and earthquake disaster planning. As of FY Mar/05, we are concentrating on integrating Business Continuity Management (BCM), including BCP, into our overall risk management structure. Specifically, we are dividing all of Toray's activities into the five functions of production, sales, purchasing/distribution, headquarters, and IT system, crafting a BCP for each of these. These five functions were further divided into "infrastructure" and "functional" groups, with an overarching BCP to encompass all of them as well. We aim for a March 2006 completion of this project.

<sup>\*1</sup> Business continuity planning: Advance plans made for unforeseen emergencies which result in cessation of business activities. BCP prioritize business activities to be maintained with remaining capabilities and provide measures for full resumption of activities within allotted schedules.



### BCP Schedule

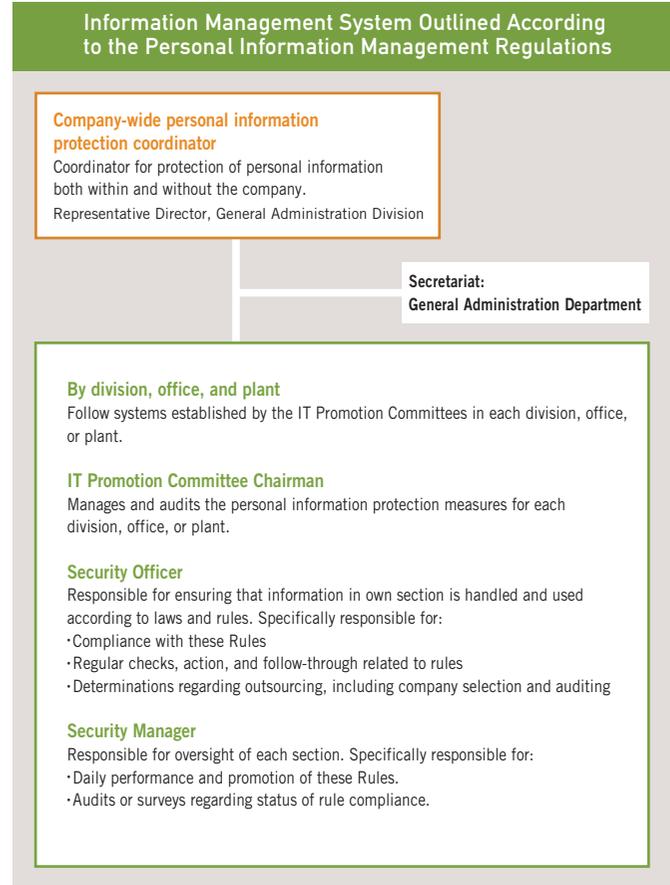
Year	2005												2006		
	Month	4	5	6	7	8	9	10	11	12	1	2	3		
Stage	Survey/analysis														
				Conceptual foundations											
						Determine/execute plans									
													Completion		

## Personal Information Protection Law

Recently, reports personal information leaks seem to be a daily occurrence. And yet, such information is a crucial part of business given the proliferation of massive databases and online services. As a result, accidents involving the business resource that is information are creating an ever larger social impact, making information handling a necessary challenge and a risk for management.

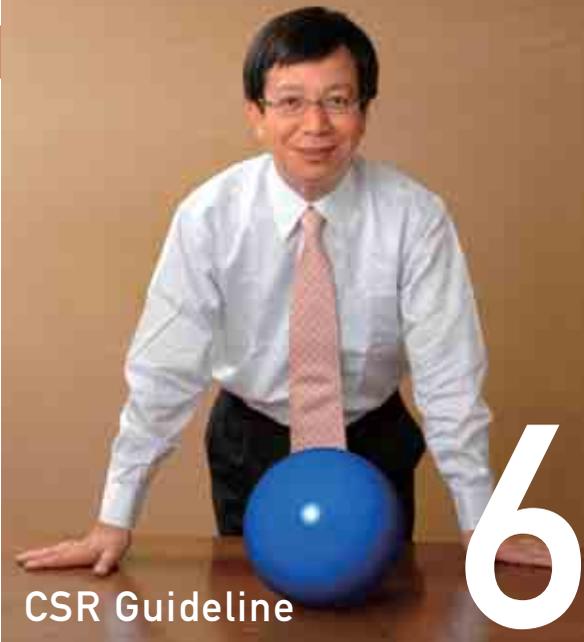
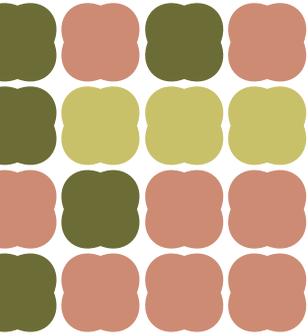
In preparation for the Law concerning Protection of Personal Information taking effect in April 2005, in March 2005 Toray enacted its Personal Information Management Regulations, which govern policies regarding protection of personal information, internal management information systems, and employee roles relating to these.

It appears that temporary staff are responsible for a great number of information leak incidents, so thoroughly inform all employees about the system, from executives to full-time workers to temporary staff.



For more information regarding privacy policies, see [http://www.toray.com/common/html/com\\_005.html](http://www.toray.com/common/html/com_005.html)





CSR Guideline

6

Implementation Leader:  
**Norihiko Saitou**

Director,  
Chief Investor Relations Officer,  
Corporate Communications Department,  
Advertising Department  
Toray Industries, Inc.

**Commitment**

We believe that stakeholder satisfaction lies at the heart of CSR. By fulfilling our information disclosure duties and viewing ourselves in the mirror, we may gain insight allowing us to further improve Toray as a company. Every Toray Group employee is at the forefront of dialogue and cooperation with stakeholders.

## Promote Dialogue with Stakeholders

Encourage a dialogue and cooperation with employees, shareholders, investors, business partners, consumers, local communities, non-profit organizations, government and administrative agencies, mass media, analysts, and other parties.

### Action Program

The Toray Group will review its corporate behavior and implement reforms through dialogue and cooperation with stakeholders.

### Toray Group Stakeholders as Partners

At Toray we consider all of our many stakeholders, both within and without Japan, as partners. Therefore, we share information and common values with our stakeholders through promotion of dialogue, and promote mutual understanding, so that they understand our management philosophy and action. The key to these is a mutual give-and-take and timely opportunities for interaction. We believe it is necessary not just to convey information but also to listen, and to remember the importance of meeting stakeholder expectations. We know we must maintain a balance between the many different expectations stakeholders may have, and to integrate them all into the Toray vision.

### Communication with Suppliers and Customers

#### Establishment of Toray Synthetic Fiber Cluster for New Partnerships

In June 2004 Toray founded the Toray Synthetic Fiber Cluster in order to form new partnerships with textile, weaving, dying, and sewing companies. Our aim is to enhance Japan's international competitiveness in the textile industry, an area where Japan boasts a high level of technical skill, preventing a hollowing of regional industry and invigorating it. To accomplish this, we will transcend group boundaries and create a context in which synthetic fiber manufacturers can meet as equals to share information and cooperate.

As of June 2005, 92 companies are participating in one of nine working groups. One example of concrete progress is the formation of an integrated framework for manufacturing, selling, and collecting environmentally friendly uniforms in the Hokuriku region. Plans for this regional recycling-based business model were submitted to the Organization for Small & Medium Enterprises and Regional Innovation in May 2005 as a joint project. The group is also pushing ahead with development of cutting-edge technology such as nanotechnology process and plant-based fibers.

### Third Textile Industry Symposium

Toray joined forces with Toray Corporate Business Research, Inc. to host the third Textile Industry Symposium in Kanazawa City on March 11, 2005. The symposium included lectures by Naoko Munakata, Textiles Chief for the Manufacturing Industries Bureau of the Ministry of Economy, Trade, and Industry, Professor Hiroyuki Itami of Hitotsubashi University, and Director Hideyasu Okawara of Toray. The symposium was attended by roughly 500 customers and suppliers with strong ties to the fibers and textiles business of the Toray Group, including textile manufacturers, knitting manufactures, dyeing plants, trading companies, and so forth.

The main theme of the Textile Industry Symposium is to overcome current problems and reinvigorate the Japanese textile industry and we started the symposium in 2003 with the goal of contributing to the business operations of our customers and suppliers. Going forward, we will continue to offer a variety of opportunities to provide valuable information to our customers and suppliers.



Third Textile Industry Symposium (March 11, 2005)

### Customer Consulting Services

The Toray Group handles a variety of end products, and in addition to providing customers with product explanations and handling instructions on our website, we have established a toll-free telephone consultation service to respond to customer questions and inquiries about our products. We are also drawing on the opinions of our customers to help improve our products and develop new products.

## Communication with Stockholders and Investors

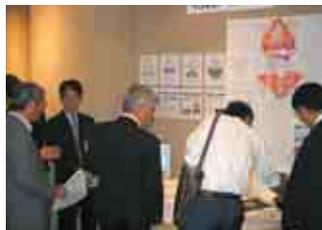
### General Stockholders Meeting

Toray avoids holding its general stockholders meeting on the same day as many other companies to make it easier for stockholders to attend. We also send out stockholders meeting invitations as early as possible to give stockholders adequate time to consider the meeting's proposals.

### Investor Briefings

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

In FY Mar/05, we took further steps to improve communication with individual investors. For example, the director in charge of IR participated in a results briefing for individual investors sponsored by the Nagoya Stock Exchange.



Results briefing for individual investors sponsored by the Nagoya Stock Exchange (October 6, 2004)

### Internet-Based IR Disclosure

We publish our financial statements, materials from the results briefing, and other explanatory materials in the investor relations section of our website at the same time as announcing results. We strive daily to enrich the content of these materials by listening to the opinions of our investors. We also try to publish English language materials without delay and are working to achieve fair disclosure for our shareholders and individual investors both in Japan and overseas.

### Reflecting Investor Opinion in Management and Business Activities

The Investor Relations Department, which operates under direct authority of the president, works to perform timely and accurate disclosure to our investors and help reflect opinion gained from daily communication with the investor community in management and business activities. It does this by making regular reports to the Board of Directors and the company-wide Communications Committee.

## View from the Field



Communications Group,  
Corporate Communications Department,  
Toray Industries, Inc.

**Katsuko Sakasai**

### In Charge of TorayNavi

TorayNavi was developed as part of the MC initiative, which began in July 2004. Thanks to the efforts of everyone in the Systems Division, the system began trial operations in August 2004, and it opened company-wide in March 2005. I am in charge of the company-wide section of the intranet, and I think the most important part of this is "From Sakakibara," where president Sakakibara himself frequently sends messages to all employees. This helps improve motivation, as employees feel closer to the president.

## Employee Communications

### Results Briefings for Employees

Following publication of annual and semi-annual financial reports, the president and other executives head for various plants and other business facilities for Results Briefings. These meetings help promote communication between executives and employees as the executives explain the published results and answer questions in a free exchange of opinion. Not only Toray but also employees from affiliated companies attend these meetings. The most important questions and answers from these meetings are included in the Toray Group Communication Magazine so that all employees from Toray and affiliated companies can read them.



Results Briefing for Employees at the Tokyo headquarters (May 27, 2004)

### Multi-Communication (MC) Initiative

In July 2004 Toray launched its MC initiative to improve method of communication and information sharing within the company on a variety of levels to help energize workplaces and organizations. To accomplish this, the MC initiative will facilitate workplace communication (encompassing notifications, contacts, and discussions), vertical communication within hierarchies, information sharing between groups, and lateral communication. We also began a program to use the company intranet "TorayNavi" to help spur information sharing both company wide and within each organization, beginning with regular messages from the president.



TorayNavi intranet screen

## Communicating with Local Communities

### Tours and Informal Discussions

We conduct tours and informal discussions for local residents at our business facilities in Japan and overseas to help deepen their understanding of our business activities and environmental preservation efforts.

We believe contact and a sense of community with local residents is important, and we are involved in a variety of activities such as holding volleyball clinics with the Toray Arrows, our men's and women's volleyball teams, inviting residents to summer festivals, opening physical education facilities and grounds, and participating in community promotion activities.



*Kendo and Judo clinics at the Okazaki Plant*



*Volleyball clinic by the Toray Arrows at the Ehime Plant*



*Participation in Tsuchiura city industrial festival by the Tsuchiura Plant*

### Second Responsible Care Community Dialogue for Aichi Region

The Japan Responsible Care Council held a community dialogue on March 10, 2005 to help develop ties of communication with local communities. A representative from a Nagoya local business association and from the government were invited. During the dialogue environmental performance and responsible care activities of 21 business facilities from 18 member companies were discussed, including accident prevention efforts from Toray's Nagoya plant. This provided a valuable opportunity for an exchange of views, and participants reported that they considered it a success in terms of increasing mutual understanding.



*MC was Manager Mr. Kanai, Environment and safety section of Toray's Tokai Plant*



*Mr. Koike, Manager, Environment and safety section of Nagoya plant*

An environmental investigation group sponsored by Mishima City tours the plastic bottle recycling facilities of Mishima Shokusan Inc.



Toray's Mishima Plant participates in river cleanup activities as part of various environmental groups.



Plant grounds are opened up for use by commuting elementary school students at Toray's Seta Plant to help improve traffic safety. The new sidewalk in front of the main gate uses our *Toraysurou*\*, an environmentally friendly permeable ceramic paving material.



### Cooperation with Local Companies at the Ehime Plant

The Community Sales Contact Group was established at Toray's Ehime Plant in 2001 to promote connections with local companies, government bodies, and universities, as well as pursue joint research into new materials and other technology. These efforts have led to concrete results such as commercialization by local companies of paving materials made from remnants from the Ehime Plant and air purifiers using waste from the same plant.



*Members of local companies touring the Ehime Plant*

## Media Communications

Toray first established a Communications Division in 1956, and since then has a long history of successful media relations. The current Corporate Communications Department was reorganized in 1987 under direct control of the president; it functions as a communications center for the Toray Group as a whole and performs daily tasks related to mass media communications. Communications activities from aiding reporters to handling survey responses helps fulfill our corporate duty of disclosure and inform public opinion. In FY Mar/05 the Corporate Communications Department performed 180 presentations for the press (mostly in Japan), responded to 502 requests by reporters, and responded to 280 surveys. This is in addition to publishing the corporate newsletter and distributing it to the media, creating various brochures, and operating a website.

In addition, the Corporate Communications Department was engaged in supporting Toray's strategic expansion into business and research in China, Korea, and other overseas locations by holding overseas news conferences with top management and other efforts.

In this way the Corporate Communications Department helped achieve a good understanding of the Toray Group's management and business activities in society at large while also providing feedback to management in terms of what society hopes and expects of us.



Regular meeting between the president and reporters

## NPO Communications

Toray supports the Community Care Aid Program sponsored by the Community Care Center. The Community Care Center is a non-profit organization whose mission is the creation of a more equal society through robust social welfare programs. The Community Care Aid Program is a program for aiding citizen groups in beginning new projects of their own. In October 2004 a Toray representative was present for the public selection meeting of the fourth Community Care Aid Program. Programs receiving aid are determined by participants in the selection committee, whose open deliberations are one of the defining characteristics of the NPO. The applications as well as the selection meeting are also open. The goal of the Center is not simply to aid other groups, but to have those groups go on to aid others as well, so that a mutually supporting web of NPOs develops. We at Toray want to actively develop ties with NPOs working toward social welfare through this emerging network.



Public selection meeting of the fourth Community Care Aid Program (October 2004)



Nature School (a Community Care Aid Program)



A disabled persons fashion show (a Community Care Aid Program)

## View from the Field



Office Director,  
Community Care Center

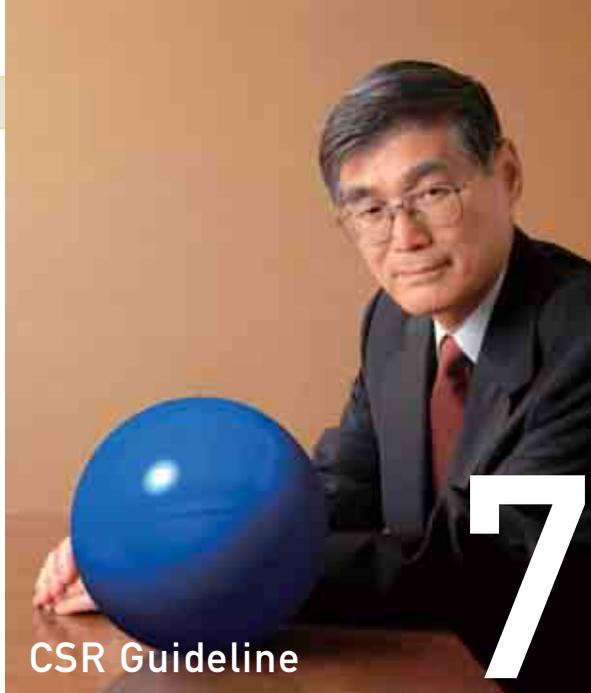
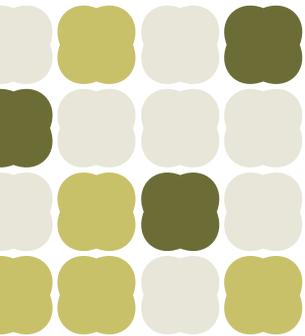
**Osamu Satoh**

### Improving social welfare

Our goal at the Community Care Center is to build a mutually supportive NPO network while fostering independent NPOs across the country. Specifically, we are engaged in monetary aid programs, creating avenues for personal exchange, and providing aid for NPO activities themselves.

Our philosophy is to foster connections toward the creation of a more equal society through robust social welfare programs. We believe such connections should not be limited to NPOs, so we place great emphasis on reaching out to corporations and government bodies as well. The basis for all this is not solely connections between organizations, but between individuals as well. We believe that the starting point for corporate CSR is the social context of each individual, which is why we hope that as many corporate personnel as possible will become active in this area.

For these reasons we seek aid from socially responsible companies with a point of view matching our own. We are extremely glad to benefit from the generosity of Toray, a company that places emphasis on social responsibility and stands for the importance of connections between people.



CSR Guideline

7

Implementation Leader:  
**Hiroaki Kobayashi**

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

**Commitment**

At Toray we consider it our corporate responsibility to actively engage in business activities that will have a positive effect on the environment. We have positioned "Ecodream" as overall brand to describe our environmentally friendly goods and services and as a general description for all our environmental-protection activities. We at Toray look to use our wide base in materials—ranging from fibers & textiles, plastics and films to maximize our positive influence on the environment.

**Step Up Environmental and Recycling Efforts**

Pursue research and technological development related to environmentally friendly products and recycling, and contribute to improving the global environment by developing and expanding environmental, safety, and amenity businesses.

**Action Program**

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

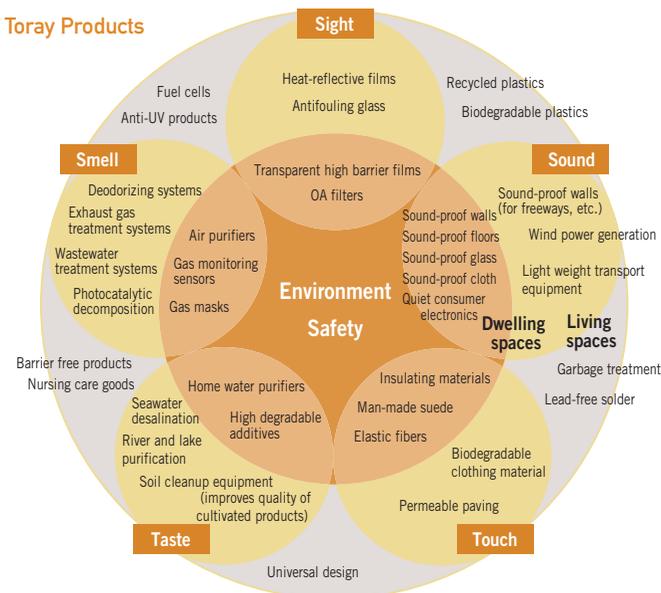
**Toray Environmental Technology Scheme**

Toray is looking to contribute to society through environmental improvement technologies and products in accordance with its Ten Basic Environmental Rules.

We established the Global Environment Research Laboratory (now the Global Environment Research Laboratories) in 1991 to pursue research and development in a variety of areas related to air, water, and environmental cleanup. We are providing new products and technologies to society.

Toray's products can be classified as either environmental or safety products, and they encompass everything encountered by the five senses of sight, sound, touch, taste, and smell. We believe the advanced materials of Toray can be used in an infinite number of fields.

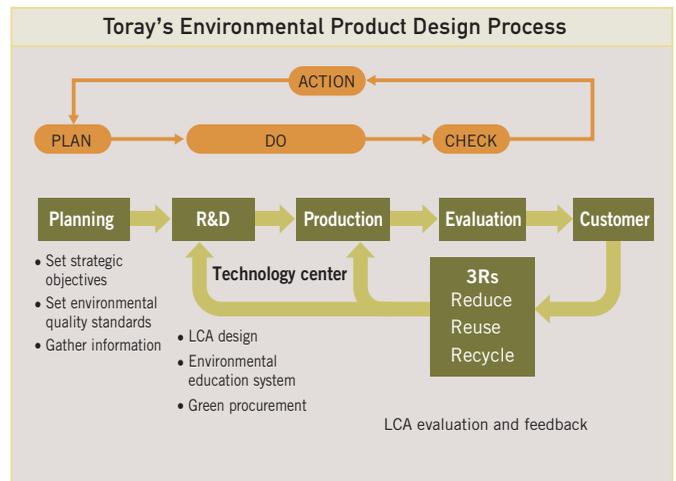
**Toray Products**



**Environmental Product Design**

The process from product planning to research and development, manufacturing, and commercialization is shown below. We take a variety of steps at each stage of this process to promote environmental design, and PDCA cycle based on life cycle assessment (LCA) methods.

We assure continuous improvement by PDCA as well as employ LCA method for environmental product design.



**Recycling Activities**

We have invested much effort in the recycling of products and materials. The entire company is involved in recycling efforts based on our basic recycling philosophy to be described.

### Basic Recycling Philosophy

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

1. The fundamental aspect of recycling is energy conservation and protection of the earth's environment.
2. We should not expend more energy than necessary to recycle or emit more CO<sub>2</sub> than necessary.
3. We should use various recycling technologies depending on the properties of the material to realize the ideal of Less Energy Recycle.

The company-wide Recycling Committee unifies the separate areas of fibers & textiles, plastics, and carbon fiber composite materials (composite materials below) to deal with the wide variety of materials that Toray handles.



Recycling activity principles were codified in FY Mar/05

### Recycling Activities 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.

### Fibers & Textiles Recycling

In March 2005 we began chemical recycling of nylon-6 industrial nets.

Together with construction rental material company Kyowa, we received a Kouiki Nintei Certification\*<sup>1</sup> for industrial waste from the Ministry of the Environment, allowing us to construct a legal system for recovery and recycling.

Up until now recycling of nylon-6 was centered mostly on apparel applications, but we intend to expand this to the area of industrial applications as well.

\*<sup>1</sup> The Kouiki Nintei system is a special system under the Waste Management Law for processing of industrial waste applied when manufacturers of a product recovers and recycles that product.

### Plastic Recycling

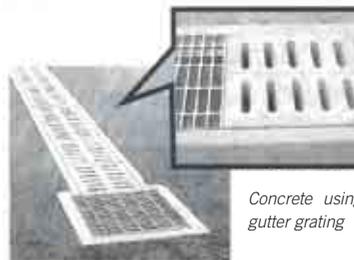
In August 2004 Toray established the Plastics Ecology Recycling Department, which pursues the following activities in addition to developing environmentally friendly products.

1. Joint efforts with certain customers.
2. Effective use of internal waste.
3. Green procurement and other industry- and market-based efforts.

See page 14 for related information.

### Carbon Fiber Composite Materials Recycling

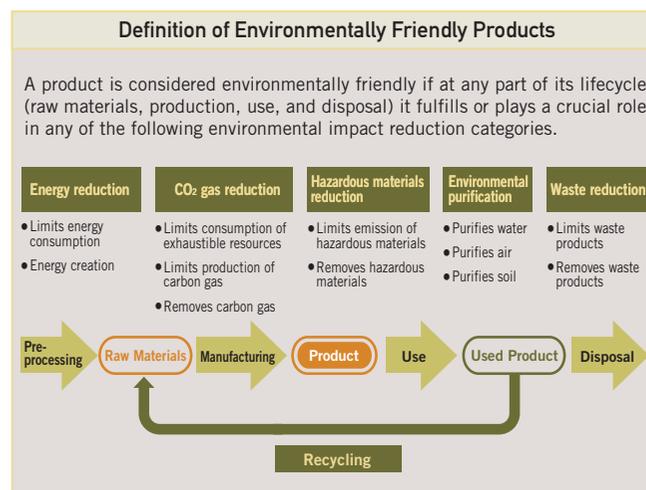
In FY Mar/05, Toray succeeded in incorporating recycled carbon fiber reinforced plastic (CFRP) into concrete.



Concrete using recycled CFRP in lattice gutter grating

### Stepping Up Environmental and Recycling Efforts

Up to now we at Toray have pursued development of environmentally friendly products and R&D on recycling in an effort to reduce our impact on the environment. In order to involve the entire company-wide organization in our environmental and recycling efforts we decided to clearly define environmentally friendly products and put together a system for focusing managerial resources. As the definition below shows, there are 13 items in six areas, any one of which can qualify a product as environmentally friendly.



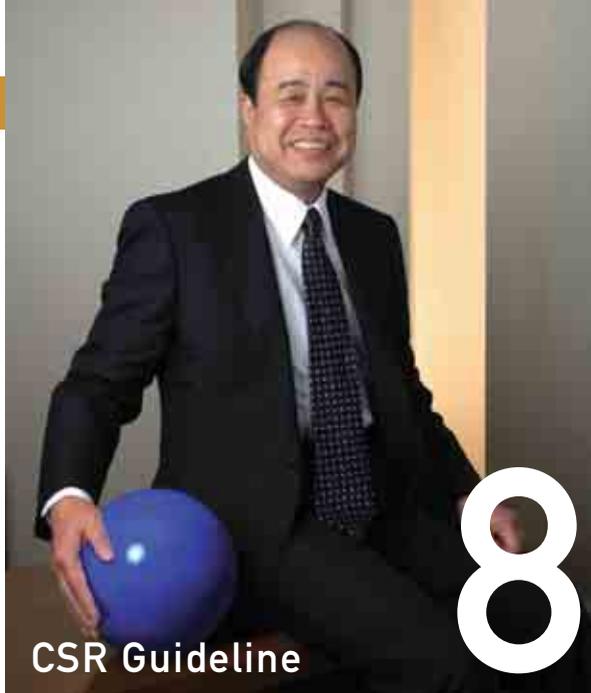
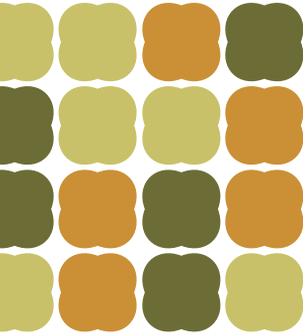
### Ecodream

We first developed the motto "Ecodream\*<sup>2</sup>" in conjunction with fibers & textiles recycling in March 2002 and later continued using it in exhibitions and the like as a theme to describe our environmental and recycling efforts. We have now positioned it as an overall brand to describe our environmentally friendly goods and services and as a general description for all our environmental-protection activities. Stepping up efforts on the environment and recycling as symbolized by "Ecodream" is a way of 1) dramatically increasing the sales of environmentally friendly products in the near future, and 2) promoting Toray's form of wide-spectrum recycling.

\*<sup>2</sup> "Ecodream" is a registered trademark for related Toray goods and services in all fields.



CSR Guidelines 1 2 3 4 5 6 7 8 9 10



CSR Guideline

8

Implementation Leader:  
**Kiyoshi Fukuchi**

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

**Commitment**

Toray Group pursues people-based management with the idea that a company's fortunes are determined by its people, and that these people create the company's future. With this in mind, we work to train first-class, well-rounded employees who can compete on the global stage, while also providing them with a fair, meaningful workplace and taking steps to make all our employees happy.

**Secure and Train Personnel and Promote Human Rights**

Secure and train personnel and diversify employment while striving to protect employee jobs, respect human rights, and continuously improve workplace environments.

**Action Program**

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

**Promoting Human Rights**

We at Toray Group believe that respect for human rights is a fundamental condition for creating a work environment conducive to successful business and the happiness of each employee. Therefore, we strive to increase awareness of human rights issues as we prohibit discrimination based on race, creed, gender, academic background, nationality, or religion. We follow international rules such as the United Nations Global Compact, prohibit forced labor and child labor under any circumstances, and comply with the laws and regulations of each country and region in which we operate.

**Human Rights Promotion Program**

We established a dedicated section to promote human rights as well as company-wide, and office and plant-level Human Rights Promotion Committees under the Corporate Ethics Committee. We also hold workshops and human rights promotion campaigns on a regular basis, and are deepening our employees' understanding and recognition of human rights issues. We have also appointed approximately 300 Human Rights Promotion Officers at each workplace to make all Toray work environments pleasant and productive.

**Human Rights Workshops**

In order to raise consciousness regarding human rights, we at Toray hold workshops both at headquarters and at each office and plant. Workshops held in FY Mar/05 are shown below.

**Attendance of Human Rights Workshops**

	Workshops Held	Attendees
Headquarters	21	1,580
Offices and plants	1,449	30,937
Outside workshops, etc.	57	119

**Responding to Sexual Harassment**

We consider sexual harassment to be an important human rights issue and established our Sexual Harassment Prevention Guidelines in 1999. When problems occur, we swiftly launch investigations so appropriate steps can be taken, but to prevent them from even occurring, we also educate our employees about sexual harassment through training at each level of our organization, and have established counseling services and implemented the Speak Up program using a complaint box at all our offices and plants.

CSR Guidelines  
1  
2  
3  
4  
5  
6  
7  
8  
9  
10

**Human Rights Promotion System**



(As of April 2005)



Campaign poster and pamphlet from the 2005 Human Rights Promotion Campaign

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

### Fostering a Culture of Corporate Entrepreneurship

One main theme of the ACT Project, one of the eight projects within NT-II, is fostering a culture of corporate entrepreneurship. This project is making many changes to create an enlivened organizational culture in which people with a frontier spirit and the entrepreneurial attitude that they can make a difference within the company, offer their own proposals, and bravely challenge themselves in new endeavors, are free to pursue such goals. Currently we are working to change individual attitudes and enliven the workplace through "Number One Declaration" and "Professional Personnel Declaration" activities as well as analyzing attitude surveys with concrete suggestions made after reading suggested books.

### Management by Objectives and Personnel Evaluation

Toray respects the character and personality of each and every employee and aspires to create a personnel system that allows employees to feel a deep sense of accomplishment. We have therefore implemented self-assessment, individual meetings and management-by-objectives programs designed to help us draw out and apply to the fullest the enthusiasm of our employees, as well as personnel evaluations designed to fairly reflect individual employees' abilities, job performance, and other contributions to the company. We are also working to improve receptiveness to evaluations by holding individual meetings to provide feedback about the results of personnel evaluations.

### Assessment System

For general staff, we perform assessments on a regular basis in the form of reviews based on work presentations and personnel interviews to better grasp each employee's level of development and work aptitude, and define the direction and strengthening points of development. We provide feedback to employees through their supervisors and use the assessment results to help enhance individual career development.

## Development and Promotion of Local Talent Overseas

The Toray Group sees promoting the localization of its overseas subsidiaries and affiliates as an integral part of its global management strategy. Thus we strive to develop local talent and promote them to executive positions.

### An Infrastructure for Developing and Promoting Local Talent

The Toray Group works to unify headquarters and overseas subsidiaries and affiliates in efforts to develop and promote overseas employees. As part of this system, Toray headquarters maintain a list of local employees-referred to as National Core Staff-who are in positions considered crucial to global management of the Toray Group. Those positions are divided into four levels (or bands) according to standards common to Toray Group. Capabilities and behaviors required of core local staff are published in the Toray Global Competency Model as part of our efforts to develop careers through individualized, long-term development plans. We also share information with core local staff through the Toray Global Database.

### System for Developing and Training Local Talent

It is absolutely essential for global management that core local staff thoroughly understand Toray management philosophy and guidelines. For this reason, we have established training programs in Japan for core local staff at each level of management. For example, in 2004, the first Toray Group Executive Seminar was held in Japan for local senior managers. Furthermore, we require that training assignment plans be included in the previously-mentioned individualized, long-term development plans for core local staff. Toray headquarters are also closely involved in planning workshops and training programs held at Toray Group companies overseas.



Participants in the 2004 Toray Group Executive Seminar



European core staff at a training seminar

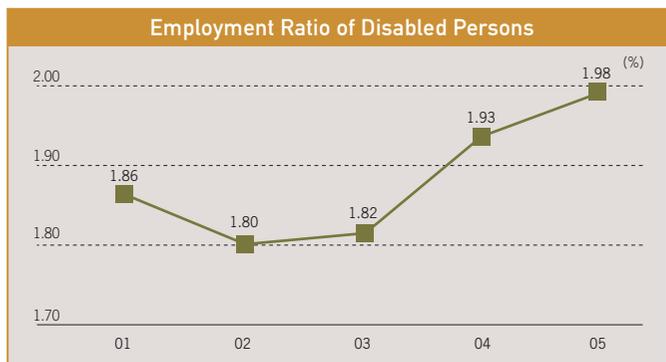
## Providing Equal Employment Opportunities

### Reemployment System

For general employees reaching the mandatory age of retirement, we are introducing a reemployment system that will ultimately allow employees to continue working until age 65. Starting in April 2004, we began offering reemployment through age 62, and all employees who wish to continue working will be rehired by the Toray Group.

### Employment of Disabled Persons

Toray actively seeks to provide a work environment friendly to disabled persons and to employ disabled persons in the course of fulfilling our corporate social responsibilities. This has allowed us to achieve the legally required employment ration of 1.8%.



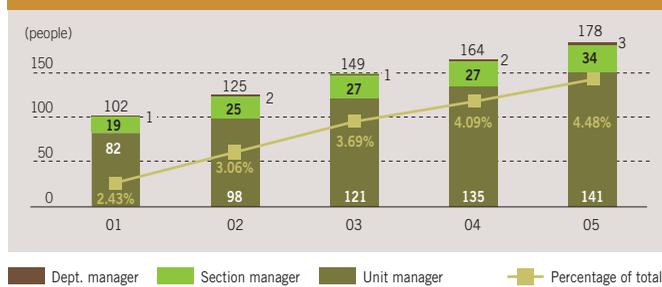
Note: Figures for each year as of June

## Establishing a Corporate Culture Conducive to the Advancement of Women

Toray has always actively hired and given women the chance to give full play to their talents, striving to treat both men and women equally. We were ahead of other companies in appointing a first female manager in 1958, and since then our proportion of female managers has increased steadily. One Japanese subsidiary has even appointed a woman president in 2003. We have strived to provide a work environment conducive to working women, including creating a child care leave program in 1974, nearly 20 years before these became legally mandated (in 1992).

As a result of these efforts, the proportion of women in management positions of unit manager or higher has increased yearly, with the proportion of females in these positions reaching 4.48% in April 2005.

Number of Women in Management Positions and Women as Percentage of Toray Workforce



Note: Figures for each year as of April

### “Advancement of Women” Project

One main theme of the ACT Project, one of the eight projects within NT-II, is “establishing a corporate culture that facilitates the advancement of women.”

We at Toray look to make advances in this area by ensuring that the corporate culture achieved thus far of advancing women takes root, and by creating a workplace environment that allows these women to create fruitful careers.

### Main Efforts of the “Advancement of Women” Project

Working team formed (Oct. 2004)	Team of 12 women and six men make various proposals for promoting the advancement of women.
Female leadership training (scheduled for 2005)	Training intended to develop female leaders, raise consciousness and encourage ambition, and create a network of female employees.
Draft book of examples of female career development (scheduled for 2005)	Intended to show examples of career development within Toray Group, balance of work and life, and support from superiors.
Begin educational activities (from May 2005)	Perform education about activities and important facts regarding development of female employees.

See page 15 for related information about the Working Team for Advancement of Women.

### Response to the Next Generation Cultivation Promotion Law

In response to the Next Generation Cultivation Promotion Law, which went into effect April 2005, Toray determined its First Action Plan (in effect for two years beginning April 2005), which is positioned as part of the Advancement of Women Project.

### Action Plan for the Next Generation Cultivation Promotion Law

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

### Programs to Promote Balance in Work and Family Life

As a fundamental aspect of establishing a corporate culture that facilitates the advancement of women, Toray is working to enhance its child and family care programs to help employees balance their work and family responsibilities and be able to choose a variety of lifestyles.

### Major Recent Efforts

Extending the child care leave period (from April 2005)	Child care leave extended until the end of the fiscal year in which the child turns 1 year old, or until the child turns 18 months old, whichever is longer.
Relaxing restrictions on taking family care leave (from April 2005)	A total of 365 days for each instance.
Expansion of employees eligible for child care or family care leave (from April 2005)	Fixed-term employees (temporary or part-time workers) are eligible for child care or family care leave if they meet certain requirements, such as work continuation.
Nursing care leave (from April 2002)	May take nursing care leave five days each year until the child enters elementary school.
Registration system for employees wishing reemployment (from Sept. 2004)	When employees need to leave the company because they married, gave birth, had to tend to children, provide family care, or because a spouse was transferred away, there is a program to register for an opportunity for reemployment.

### Usage of Child Care and Family Care Leave System

Fiscal Year	Mar/02	Mar/03	Mar/04	Mar/05
Child care leave users	67	54	79	70
Family care leave users	1	4	2	2
	(1)	(0)	(0)	(1)

Note: Number of employees beginning leave ( ) Numbers in parentheses indicate men

### Other Leave and Sabbatical Programs

Toray offers programs to support employees in a variety of volunteer activities ranging from donating bone marrow to participating in the Japan Overseas Cooperation Volunteers (maximum of 2 years, 4 months).

## View from the Field



Manager for Sales Development Section,  
Skin-Care Toraysee Dept.  
Toray Industries, Inc.

**Naomi Sasaki**

### Returning to work after taking child care leave

I realized when I came back to work that the secret to balancing child rearing and work is ultimately your emotional commitment to work. It's so difficult to maintain motivation in the face of an overwhelmingly busy lifestyle! Therefore, my suggestion is for the employee returning to work, a representative from HR, and the person's direct superior all meet, both at the time of returning to work and six months later. It was only after becoming a working mother that both I and people at work realized there were many problems to overcome. Identifying these in a timely manner during these meetings can help you, your superior, and the company identify these problems and come up with solutions. I think that putting the entire burden on the person or the workplace will result in something falling apart down the line. In the end, regardless of whatever systems may be in place, it's your own commitment to work and the degree of trust you have with your superior, colleagues, and company that will help you continue. I also want to encourage more and more men to take child care leave. I hope the first one comes out of my section, although all the men are single...

## Developing Human Resources who can Create New Value

Toray Group views the development of human resources as one of its most important managerial objectives and has promoted integrated practices. We view Toray Group of the 21st century as a "corporate group that retains and develops excellent human resources." We therefore conduct personnel training with the 3 goals of developing (1) fair-minded members of society with high ethical standards and a sense of responsibility, (2) professional personnel with advanced expertise, technical skill, and originality, and (3) leaders with foresight and a sense of balance.

### Employee Training System

Our employee training system represents a rational, systematic approach to human resource development. Various types of programs are offered for all levels, specialties, and purposes, with courses focusing on everything from management to sales and production management, specialty skills, international operations and more. For example, we offer the voluntary Challenge Training program to help motivated employees develop their skills and the Overseas Junior Training program to help develop human resources capable of operating globally.

	Management	Technical	Sales	International	General
Developing leaders	Management leaders	Executive training Toray Management School			Overseas Management School
	Business area leaders	Section management improvement training	Technological development leadership training	Sales leadership training	Overseas departmental management training
	Workplace leaders	Management supervisor training Toray School of Technology and Business	Production management training	Sales skills improvement training	Overseas section management training
Developing professional personnel	Knowledge and skills shared across divisions	Common management training	Mid-level engineers patent training Various technical courses Management skills courses	Marketing strategy training Sales skills improvement training Sales practices courses	Overseas assignment basic training English writing
	Knowledge and skills specific to divisions	Each division and plant training			Language skills improvement training
Developing members of society	Each division and plant training				
	New employee training	2nd technical training 1st technical training	2nd sales training 1st sales training		Distance Learning

Company-wide Training Course Enrollment in FY Mar/05 (excl. divisional and plant training)	
Training category	Persons enrolled
Management	640
Technical	791
Sales	541
International	86
General	538
Total	2,596



Toray Human Resources Development Center  
(Mishima, Shizuoka)



The kokorozashi ("commitment") stone

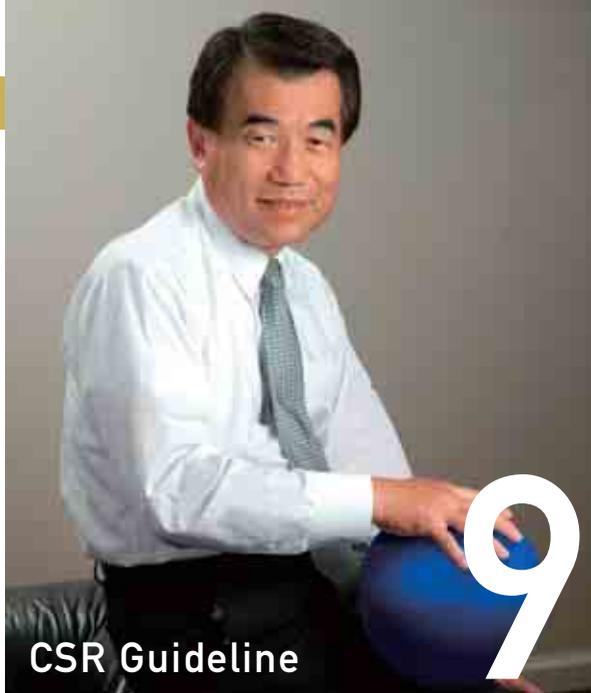
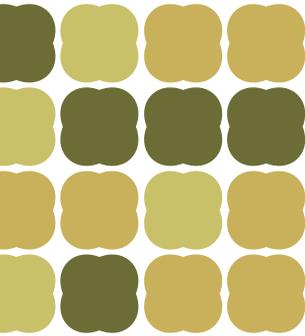
### Early Leadership Development

Responding quickly to changing times requires improved leadership and managements skills. Toray is currently working to teach coaching skills\*1 to section and unit managers and to enhance problem solving skills using logical thinking\*2. Courses to promote unified management of the Toray Group have been held at the Toray Management School since 1991 with the aim of developing future executives. There, section managers are taught the knowledge and skills they need to take on executive-level responsibilities. We also established the Toray School of Technology and Business to develop midlevel employees at manufacturing facilities and offer a 1-year boarding school educational program.

\*1 Communication skills to help encourage independent action in subordinates.

\*2 Skills to find and solve problems in a rational, logical manner.





CSR Guideline

Implementation Leader:  
**Munehiro Se**

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

**Commitment**

We believe that our corporate responsibility is not limited to business activities alone, but extends down the entire value chain to enhance corporate value as well. When selecting suppliers for raw materials, we believe that environmental and other aspects of CSR are a valuable criteria in determining whom to purchase from. Actualizing "CSR-based purchasing" for the Toray Group as a whole is part of the core mission assigned to the purchasing and logistics division.

**Cooperate with Suppliers in their Environmental and Social Initiatives**

Cooperate with suppliers in promoting CSR activities, including environmental consideration, compliance with laws and regulations, and promotion of human rights.

**Action Program**

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

**Toray Purchasing and Procurement**

We at Toray purchase a wide array of raw materials, fuels, packaging materials, assembled parts, machinery, and other good with which to manufacture our products. Our products, be they synthetic fibers, plastics, chemicals, carbon fiber, or electronic materials, then become raw materials for our customers' products. This means that our purchasing and procurement activities must reflect the ultimate needs of our customers. We have molded our entire value chain according to customer requests, for example by ensuring that products or materials are free of specified chemicals. We also perform the regular inspections of our suppliers specified by ISO9001 in addition to our normal quality tests. We also take appropriate actions in response to requests from Toray product customers, including confirming that products and raw materials do not contain specific chemical substances and acquiring certification as a green partner from our customers.

Because we serve as a source of green procurement for our customers in their efforts to product environmentally friendly products, we take our own purchasing and procurement activities seriously.

**Basic Purchasing Policies**

The three purchasing guidelines in effect until now have been disclosed on Toray's website: 1) impartial selection (economic rationality), 2) open to suppliers (fairness and equality of opportunity), and 3) social responsibility (legal compliance and environmental preservation).

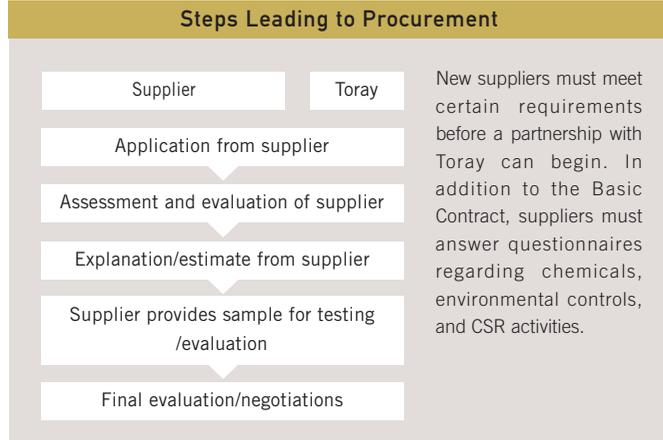
In recognition of the increased importance and interest in environmental and social responsibility all the way down the supply chain, Toray established the Green Procurement and Purchasing Guidelines in April 2004 and the CSR Procurement Guidelines in December, both of which are reflected in the new Basic Purchasing Policies.

1. Impartial selection (economic rationality)
2. Open to suppliers (fairness and equality of opportunity)
3. Legal compliance and environmental preservation (Green Purchasing)
4. Maintenance and improvement of quality
5. CSR procurement

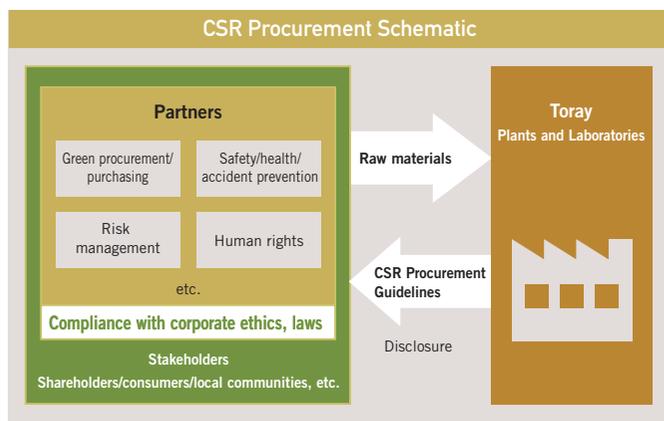
**Basic Purchasing Policies**

1. Toray does its best to select suppliers and determine individual purchases fairly and on the basis of economic rationality, with consideration for price, quality, ability to provide stable supplies, technological capabilities, reliability, and other factors.
2. In selecting suppliers Toray opens its doors to a wide range of companies inside and outside Japan. Toray does not rely solely on vendors it has existing or past relationships with, or on members of its corporate group.
3. In making purchases Toray complies with relevant laws and regulations while taking environmental preservation and fulfilling corporate social responsibility (CSR) issues into account. Toray actively pursues green procurement and purchasing as part of its environmental efforts.
4. Toray works to maintain and improve the quality of purchased products through cooperation with its suppliers.
5. Toray works to uphold its corporate social responsibilities on a company-wide basis. However, the cooperation of our partners is essential in our CSR efforts. We set forth our CSR Procurement Guidelines for the purpose of dealing with partners who will cooperate in our CSR efforts.

**Steps Leading to Procurement**



See page 16 for related information about the CSR Procurement Guidelines.



**Green Procurement and Green Purchasing Efforts**

Green Procurement refers to the practice of giving priority to suppliers actively engaged in environmental preservation, including environmentally friendly raw materials, sub-raw materials, and packing and packaging materials. Green Purchasing refers to the practice of giving priority to suppliers of environmentally friendly office supplies, paper, office equipment, and the like. These basic philosophies inform our actions in the following concrete ways.

**Operation of Green Procurement Guidelines**

Beginning in 2000, certain hazardous substances became outlawed in the EU due to legislation such as ELV\*1 and RoHS\*2. In Japan as well the electrical and electronic equipment industries and the Japan Chemical Industry Association became the center of a movement to share standards for Green Procurement.

Based on these trends, the Green Procurement Guidelines, which took effect in June 2004, include Toray's own lists of Controlled Chemical Substances and Banned Chemical Substances.

\*1 An EU directive concerning used cars

\*2 EU directive concerning restrictions on using specific harmful substances in electrical and electronic equipment

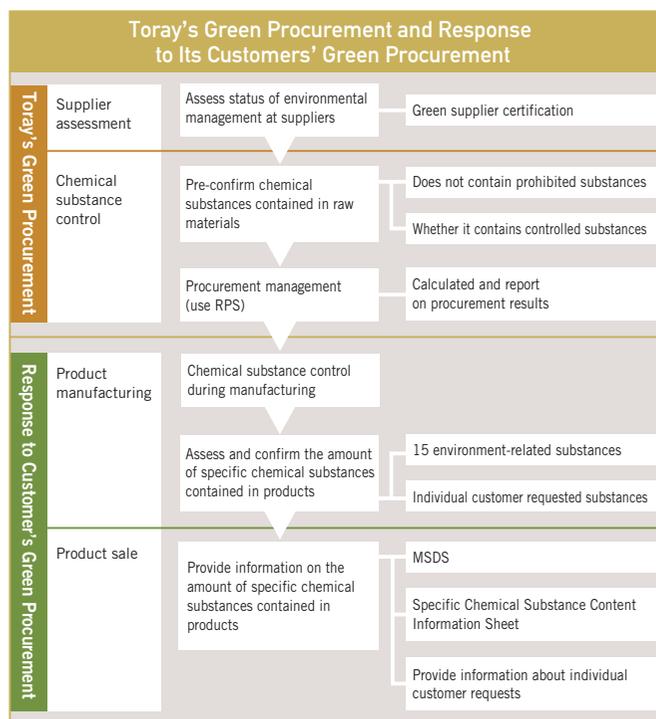
Banned Chemical Substances	Controlled Chemical Substances
Chemicals substances whose use is prohibited in Japan.	1. Chemical substances whose use is controlled (requiring permission for manufacture and notification of results) in Japan. 2. Chemical substances whose use in Toray products is controlled by overseas laws.
<ul style="list-style-type: none"> <li>Type I substances according to the Chemical Substances Control Law (PCB), etc.</li> <li>Substances whose manufacture is prohibited in the Labor Safety and Health Law (asbestos, etc.)</li> </ul> etc.	<ul style="list-style-type: none"> <li>Type II substances according to the Chemical Substances Control Law (trichloroethylene), etc.</li> <li>Substances controlled according to EU/RoHS laws (cadmium, etc.)</li> </ul> etc.
47 substance groups	64 substance groups

See page 61 for related information about controlled and banned chemical substances.

Toray's Green Procurement Guidelines mandate that we ascertain the status of chemical substances contained in procured products and evaluate supplier environmental controls. Results of the study performed in December 2004 were reflected as of April 2005 in the purchasing system (RPS), which is currently in operation.

Also, we have designated those suppliers (most ISO14001 certified) with particularly impressive environmental efforts as determined above as "Green Suppliers." We make continuous efforts to improve the reliability of our procurement management system.

**Toray's Green Procurement**



**Questionnaires About Specific Chemical Substances and Environmental Management**

We received answers from 500 Japanese and overseas companies in response to our December 2004 questionnaire regarding specific chemical substances and environmental management. The questionnaire asked suppliers to confirm that their products contained no banned chemicals, what controlled chemicals were present, and what environmental certifications (such as ISO14001) they had received.

**Summary of Questionnaire Results**

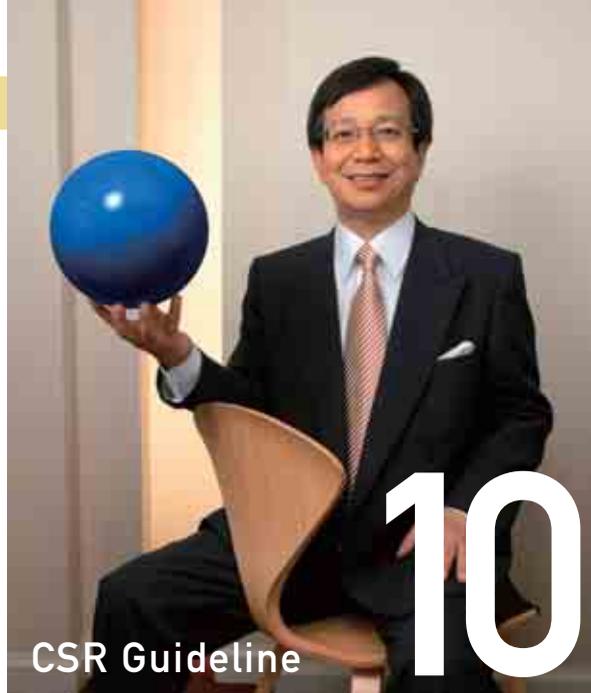
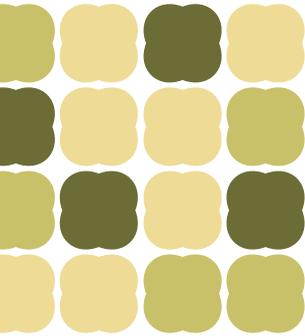
There were no products procured by Toray which contained banned chemicals. There were 113 products containing controlled chemicals, a number which we are resolved to reduce. At the same time we will quantitatively measure the quantities of "15 environmentally related substance groups" and disclose this information to our customers in Specified Chemical Information Sheets. Finally, more than 70% of suppliers had already obtained or were planning on obtaining ISO14001 certification.

**Enacting Green Purchasing Guidelines**

In the past we at Toray have pursued Green Purchasing for copy and printer paper, using 100% recycled materials. In 2004 we began appending a "G" symbol to product lists for office supplies, paper, and office equipment on the electronic expense sheet database in a system which allows us to quantitatively measure purchasing patterns. At the same time, we began joint purchasing from catalogs for affiliated synthetic fiber companies and Internet-based Green Purchasing of low-priced items such as office-supplies, factory goods, and physics and chemistry instruments.

**Green Purchasing Results (April 2004 - March 2005)**

Paper (printer, copier)	90%
Writing instruments (pencils, mechanical pencils)	88%
Office supplies (notebooks, files)	75%



CSR Guideline

10

Implementation Leader:  
**Norihiko Saitou**Director,  
Chief Investor Relations Officer,  
Corporate Communications Department,  
Advertising Department  
Toray Industries, Inc.**Commitment**

We at Toray Group consider social initiatives both a duty as a corporate citizen and a way to facilitate good relationships with local communities. Our entire range of activities in this area, from contributions to the Toray Science Foundations to supporting employee volunteer activities, will in the end help build a foundation of prosperity for the country as a whole.

**Pursue Social Initiatives**

Voluntarily conduct promotional programs for science and technology, arts and culture, social welfare, sports, and other activities by allocating an appropriate amount of resources as a good corporate citizen.

**Action Program**

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

**Toray Group Social Initiative Policies**

Toray believes in the philosophy of "to act as a responsible corporate citizen to build a long-lasting, beneficial partnership with the local communities in which we do business" which is enshrined in the Corporate Missions as part of Toray's management philosophy. To this end we have made contributions to Toray Science Foundations as part of a continuous effort to contribute to society. In May 2005, we codified our Social Initiative Policies to help guide us in the future based on our efforts thus far.

**Toray Group Social Initiative Policies**

1. Based on its Corporate Philosophy of "contributing to society through the creation of new value by innovative ideas, technologies, and products," we will contribute to sustainable development of local and international society as a good corporate citizen while continuously supporting employee social initiatives.
2. We will pursue unique programs dedicated to improvement of social welfare in local communities, international exchange through traditional culture, sports promotion, and especially the advancement of science.
3. Using company awards as other measures, we will create a culture that encourages employee 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.

**FY Mar/05 Social Initiative Accomplishments**

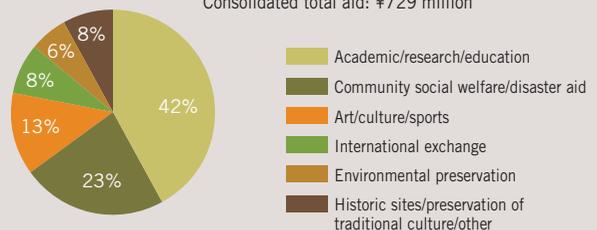
This we continued our tradition of social initiatives, leading to activities worth ¥729 million for the Toray Group as a whole and ¥521 million for Toray Industries, Inc. In 1990 Toray was admitted to Keidanren's 1% Club for contributions amounting to about 1% of consolidated ordinary income; actual contributions during the year under review were equivalent to about 1% of consolidated ordinary income and, on a parent-only basis, were equivalent to about 1.2% of parent ordinary income during the year.

Major recipients of aid included the Toray Science Foundation, Toray ASEAN Science Foundations, water access rights for agriculture and firefighting in Mishima, Shizuoka, Sumatra earthquake victims, Indian ocean tidal wave victims, the Mitsui Group exhibit at the Expo 2005 in Aichi, Japan, and "Florence: The Birth of the Art Capital," the main sponsor for which is the Nihon Keizai Shimbun.

Toray Science Foundation: <http://www.toray.com/tsf/index.html>

**FY Mar/05 Social Initiatives by Category**

Consolidated total aid: ¥729 million



## Raising Future Generations

We contributed to the second Japan Science and Engineering Challenge (JSEC 2004), a competition held by Asahi Shimbun for high school students.



JSEC 2004 participants

Toray Global Environment Research Laboratories and Toray Research Center host a hands-on science and technology program for interested high school students in Spring Science Campaign 2005.



Spring Science Campaign  
(March 29-30, 2005)



Ninth Toray DCA  
Grand Prize winner *The Gate of the Devil World*,  
by Shunsaku Hayashi

The ninth Toray Digital Creation Awards (DCA) were held in FY Mar/05. This was the sixth year with a Junior Section for artists 15 and under to show off their talents. Grand Prize winner in the Junior Section was Shunsaku Hayashi's *The Gate of the Devil World*. This was the first time that any artist has won the Grand Prize two years in a row.



View from the Field



two-time DCA Grand Prize winner  
(2003, 2004 Junior Section)

**Shunsaku Hayashi**

I was very happy when I heard that I had been awarded the Grand Prize for the second year. I was very surprised, as I only decided to enter the competition when I heard that Nobumichi Tosa from Maywa Denki was going to be a judge. In his critique, Mr. Tosa said that I could make a name for myself, so I decided to quit fooling around and now I'm really working hard on my painting. Right now I'm working on a large painting and some animation for an exhibit. I'll enter next year's DCA, too. I just want to continue to paint what I love.

We contributed to the Sustainable Society Education Project in their program to provide copies of the book *Sekai wo Kaeru Okane no Tsukaikata* (How to Use Your Money to Change the World) to elementary, secondary, and high schools. This book shows ways that even 100 yen can be used to help the world through environmental preservation or social welfare.



## Involvement in Cultural Programs

We actively support international exchange through the medium of art and culture. This year we supported the USA-based Shanghai Quartet in their first Japanese performance in two years, during which they performed Beethoven's entire string quartet repertoire. We also supported various art exhibits.



Shanghai Quartet performing in Japan (October 13-14, 2004)



European performance of Youkiza's *Byoubu*  
(September-October, 2004)

We also actively support continuation of Japanese traditional arts and overseas performances. This year we supported performances such as *Byoubu*, a Franco-Japanese creative collaboration featuring the string puppet troop Youkiza, and a concert by Ora-J, a group using traditional Japanese instruments.

## Lead Sponsorship of Sporting Events

We consider the act of giving back to society integral to sporting event sponsorships, even though they are positioned as part of Toray's advertising activities rather than social initiatives. The Toray Pan Pacific Open Tennis Tournament (Toray PPO) and the Toray Cup Shanghai International Marathon follow this ideal, with a Japanese-Korean tennis exchange and a racket donation program to Asian countries held during the former.



Ninth Toray Cup Shanghai International Marathon  
(November 13, 2004)



Maria Sharapova, winner of the 22nd Toray PPO Tennis Tournament (February 6, 2005)

## External Commendations

### Environment and social responsibility

#### Maruichi Fiber receives Minister of Health, Labour and Welfare Award

Maruichi Fiber was recognized with the FY Mar/05 Minister of Health, Labour and Welfare Award as an excellent employer of disabled people. The award was presented at Prism Hall, Tokyo Dome City on October 4.

The company was praised for the social responsibility achieved through its ongoing efforts to have 5.1% of its workforce represented by disabled people compared to the legal quota of 1.8%, and also for its promotion of workplace commitment through fine tuned follow-up services, one-on-one counseling, and family contacts for disabled employees in their daily work tasks.



Director Ooie, who heads Manufacturing, with the award certificate



Members of the office that won the award

#### Toray Gifu Plant wins Safety Award

On 18 May 2005, the Japan Chemical Industry Association (JCIA) held an awards ceremony at its 14th Annual Conference, where Chairman Mitsuo Ohashi of the JCIA and the Japan Responsible Care Council (JRCC) presented Toray's Gifu Plant with its Safety Award. This gave the plant an impetus to further efforts to improve safety.



Safety Award being presented to Toray's Gifu Plant

#### External commendations (Toray)

	Awarding Institution	Commendation	Award-winning plant/company
Toray	Ministry of Health, Labour and Welfare	Minister of Health, Labour and Welfare Award for Excellence in Health and Safety	Okazaki Plant
	Ministry of Health, Labour and Welfare Labour Standards Bureau	Class 3 Zero Accidents Certificate	Okazaki Plant
	Ministry of Health, Labour and Welfare Labour Standards Bureau	Class 3 Zero Accidents Certificate	Gifu Plant
	Ministry of Health, Labour and Welfare Labour Standards Bureau	Class 2 Zero Accidents Certificate	Shiga Plant
	JCIA and JRCC	Safety Effort Award	Gifu Plant
	Fire and Disaster Management Agency	Hazardous Material Facility Excellence Commendation	Seta Plant



Safety award for Toray's Okazaki Plant

#### External commendations (Japanese subsidiaries and affiliates)

	Awarding Institution	Commendation	Award-winning plant/company
Japanese subsidiaries and affiliates	Ministry of Health, Labour and Welfare	Minister of Health, Labour and Welfare Award for Excellence in Employment of Disabled People	Maruichi Fiber
	Ministry of Health, Labour and Welfare Labour Standards Bureau	Zero Accidents in Construction Award (TFC S-Project construction works)	Toray Engineering
	Aichi Labour Bureau	Commendation	Toray Textiles/Tokai Plant
	Toyama Labour Bureau	Commendation	Inami Textiles
	Osaka Labour Bureau	Class 4 Zero Accidents Certificate	Towa Orimono
	Gifu Labour Bureau Head	Commendation	Toray Advanced Film/Nakatsugawa Plant
	Aichi Labor Standards Association	Excellence Award	Toyo Tire Cord
	Shiga Labor Standards Association Yokaichi Branch	600 Day Accident Free Certificate	Toray PEF Products
	Niigata Federation of Labor Standards Associations	Safety Management Excellence Award	Maruichi Fiber/Shoji Inomata
	Chiba Federation of Labor Standards Associations	Hygiene Management Excellence Award	Soda Aromatic/Noda Branch
	Fire and Disaster Management Agency	Hazardous Material Facility Excellence Commendation	Toray PEF Products Toyo Metallizing (current Toray Advanced Film)/Mishima Plant
	Chiba Prefectural Federation of Associations for Safety of Hazardous Materials	Award for Excellence in Safe Handling of Hazardous Materials	Masaaki Ino, Dow Corning Toray Silicone/Chiba Plant
	Chiba Prefectural Federation of Associations for Safety of Hazardous Materials	Award for Excellence in Safe Handling of Hazardous Materials	Toray Fine Chemicals
	Aichi Prefectural Police Department Aichi Prefectural Council for Safe Driving Management	Certificate of Thanks	Dow Corning Toray Silicone/Chiba Plant Rubber Development Group: I love rubbers group
	Shiga Prefectural Safe Driving Management Association	Safe Driving Management Excellence Award	Shiga Cable Network
	Japan Institute of Plant Maintenance	Special TPM Award	Du Pont-Toray/Tokai Plant, Kevlar Manufacturing Department
	Japan Institute of Plant Maintenance	Class 1 TPM Excellence Award	Dow Corning Toray Silicone/Chiba Plant
Japan Institute of Plant Maintenance	Class 1 Continued TPM Excellence Award	Dow Corning Toray Silicone/Fukui Plant	
Information Processing Society of Japan	Best Paper Award of IPSJ National Convention	Toray Systems Center/Osaka Office Atsushi Isomura	



'KEVLAR®' manufacturing department of Du Pont-Toray's Tokai Plant receives special TPM award



Certificate from the Fire and Disaster Management Agency for the Mishima Plant of Toyo Metallizing (current Toray Advanced Film)

## External commendations (overseas affiliates and subsidiaries)

Overseas affiliates and subsidiaries	Awarding Institution	Commendation	Award-winning plant/company
	Government of Thailand	Labor Safety, Health, and Environmental Excellence Award	Thai Toray Synthetics/Ayutthaya Plant, Luckytex (Thailand)/Mill-1, Mill-2, Mill-3 Thai Toray Textile Mills
	Government of Thailand	Zero accidents seven years award	Thai Toray Textile Mills
	Government of Thailand	Queen's 72nd Birthday Green Factory Award	Luckytex (Thailand)/Mill-2, Mill-3
	Government of Indonesia	Zero Accidents 6,969,365 Hours Award	Easterntex
	Korea Occupational Safety & Health Agency	Zero accident award	Daehan Precision



Ayutthaya Plant of Thai Toray Synthetics receives Labor Safety, Health, and Environmental Excellence Award (Center: Thai Minister of Labor, with Thai Toray Synthetics Director Miyaishi to his right)



Mill-2 of Luckytex (Thailand) receives Green Factory Award

## Research and technical development

### Sillook Duet\* wins materials sector prize in FY05 Senken Shimbun awards

*Sillook Duet\** has been well received as the ultimate material in Toray's *Sillook\** series. It is based on Toray's ultra high-speed spinning, a fiber structural control technology borne out of Toray's ceaseless R&D efforts.



*Sillook Duet\**

### Swimwear Material SALAKALA\* wins award



Nikkei Superior Products and Services Award Ceremony

## External commendations (Toray)

Toray	Award	Notes
	Senken Shimbun Awards: Materials	Development of silky-touch polyester filament yarn <i>Sillook Duet*</i>
	Senken Shimbun Awards: Four divisions including Grand Prix	Toray Synthetic Textile Cluster
	Nikkei Superior Products and Services Award	<i>SALAKALA*</i> swimwear material
	Society for the Advancement of Material and Process Engineering Product & Technology Award	High-speed, molding technology for large-scale composite materials
	The Society of Fiber Science and Technology, Japan, Technology Award	Development of a polylactic acid fiber-based board (received together with Toyota Motor and Araco)
	Society for the Advancement of Material and Process Engineering 2004 Awards	<i>Torayca*</i> lamination method
	Minister of Education, Culture, Sports, Science and Technology Award for Innovation	1) <i>Anti-Pollen*</i> 2) <i>Toraysurou*</i>
	Nikkan Kogyo Shimbun Award	Kenaf/polylactic acid base material (used in spare tire cover in Toyota Raum)
Nagoya Mayor's Award	Optically active tartaric acid derivative manufacturing process	

## 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.

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



Bedding stuffed with *Ecodear\** plant-based fiber



Used uniforms can be recycled



*Lumirror\* ZV* non-halogen fire-retardant PET film



Seawater desalination plant using Romembra® reverse osmosis membrane



Wind power generator blades made using Torayca® carbon fiber



Airliner built from Torayca® prepregs, scheduled for launch in 2008

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

\*1 Associated with lower energy consumption or energy generation.

\*2 Associated with reduction or prevention carbon dioxide generation, reduction in usage of exhaustible resources.

\*3 Associated with reduction or prevention of hazardous substances.

\*4 Associated with decontamination of water, air, or soil.

\*5 Associated with reduction or prevention of waste substances.

\*6 Products and technologies associated with recycling.

## Overview of Environmental Burden

Toray						
INPUT		OUTPUT				
		Item	FY Mar/04	FY Mar/05	YoY(%)	Ref. page
Energy 31 million GJ →	Toray's business activities	→ <b>PRTR Law substances (tons)</b>				30
		Atmospheric emissions	342	348	+1.8	
		Water emissions	32	26	-18.8	
		Waste transfers	966	1,056	+9.3	
→ <b>Greenhouse gases (10,000 tons; CO<sub>2</sub>)</b>						29
Six gases including CO <sub>2</sub>		283	246	-13.1		
Water 193 million tons →		→ <b>Air pollutants (tons)</b>				31
		SO <sub>x</sub>	3,251	3,364	+3.5	
		NO <sub>x</sub>	2,652	2,462	-7.2	
		Dust	181	192	+6.1	
Raw materials →	→ <b>Industrial wastewater (million tons)</b>	175	178	+1.7		
	→ <b>Water pollutants (tons) *<sup>1</sup></b>				32	
	BOD	1,296	1,095	-15.5		
	COD <sub>Mn</sub>	942	941	-0.1		
	Nitrogen	909	774	-14.9		
	Phosphorous	39	33	-15.4		
	→ <b>Waste (thousand tons)</b>				33	
	Recycled	22.8	25.4	+11.4		
Incineration and other	3.6	5.5	+52.8			
Direct landfill disposal	1.2	1.3	+8.3			
	→ <b>Coal ash (thousand tons)</b>					
	Recycled	60.3	61.4	+1.8		
	Direct landfill disposal	0.4	0.4	0		

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

Japanese Subsidiaries and Affiliates						
INPUT		OUTPUT				
		Item	FY Mar/04	FY Mar/05	YoY(%)	Ref. page
Energy 5.8 million GJ →	Japanese subsidiaries and affiliates' business activities	→ <b>PRTR Law substances (tons)</b>				30
		Atmospheric emissions	460	370	-19.6	
		Water emissions	0	0	0	
Waste transfers		1,258	1,058	-15.9		
		→ <b>Greenhouse gases (10,000 tons; CO<sub>2</sub>) *1</b>				29
		Six gases including CO <sub>2</sub>	31.3	33.0	+5.4	
Water 14 million tons →		→ <b>Air pollutants (tons) *2</b>				31
		SOx	30	37	+23.3	
		NOx	78	84	+7.7	
		Dust	8.1	6.2	-23.5	
		→ <b>Industrial wastewater (million tons)</b>	14.0	13.5	-3.6	
Raw materials →		→ <b>Water pollutants (tons)</b>				32
	BOD	93	64	-31.2		
	COD <sub>Mn</sub> *3	46	38	-17.4		
	→ <b>Waste (thousand tons)</b>				33	
	Recycled	17.6	19.5	+10.8		
	Simple incineration and other	7.2	5.0	-30.6		
	Landfill disposal	1.3	1.6	+23.1		

\*1 Greenhouse gas figures for FY Mar/04 were revised due to calculation mistakes at seven companies.

\*2 SOx figures for FY Mar/04 were revised due to calculation mistakes at two companies.

\*3 COD figures are the totals of seven plants at seven companies that are subject to Total Pollutant Load Control.

Overseas Subsidiaries and Affiliates						
INPUT		OUTPUT				
		Item	FY Mar/04	FY Mar/05	YoY(%)	Ref. page
Energy 23.7 million GJ →	Overseas subsidiaries and affiliates' business activities	→ <b>PRTR Law substances (tons) *1</b>				30
		Atmospheric emissions	546	544	-0.4	
		Water emissions	4	4	0	
Waste transfers		839	924	+10.1		
		→ <b>Greenhouse gases (10,000 tons; CO<sub>2</sub>)</b>				29
		CO <sub>2</sub>	127	126	-0.8	
Water 32 million tons →		→ <b>Air pollutants (tons)</b>				31
		SOx *2	5,967	4,803	-19.5	
		NOx	3,570	1,699	-52.4	
		Dust	1,028	609	-40.8	
		→ <b>Industrial wastewater (million tons)</b>	19	20	+5.3	
Raw materials →		→ <b>Water pollutants (tons)</b>				32
	BOD	804	647	-19.5		
	COD <sub>Cr</sub> *3	3,593	3,915	+9.0		
	→ <b>Waste (thousand tons)</b>				33	
	Recycled	2.5	6.2	+250		
	Simple incineration and other	9.9	11.3	+14.1		
	Landfill disposal	17.4	15.5	-10.9		

\*1 Figures are totals for substances subject to Japan's PRTR Law.

\*2 Figures are estimated as if all sulfur content in fuels is converted into SOx.

\*3 COD figures are based on the potassium dichromate method (figures are based on the potassium permanganate method in Japan).

## Chemical Substance Emissions and Transfer Data

PRTR Law substance emissions and transfer data for FY Mar/05

### Toray

(Tons; dioxins: mg-TEQ)

Substance Name	Atmospheric Emission	Water Emission	Soil Emission/ Company Landfill	Waste Transfer
Methyl acrylate	2.8	0.8	0.0	0.0
Acrylonitrile	100.8	5.2	0.0	0.1
Acetaldehyde	8.8	0.0	0.0	0.0
Acetonitrile	0.0	0.0	0.0	2.5
Antimony and other compounds	0.0	0.0	0.0	0.5
Bisphenol-A type epoxy resin	0.0	0.0	0.0	7.0
Ethylene glycol	1.1	0.0	0.0	57.2
Ethylene glycol monoethyl ether	3.9	0.1	0.0	2.7
ε-Caprolactam	0.0	14.1	0.0	104.8
Xylene	12.6	0.0	0.0	21.8
Silver and other water soluble compounds	0.0	0.0	0.0	1.3
Chlorobenzene	3.6	0.0	0.0	71.6
Chloroform	0.2	0.0	0.0	11.8
Cobalt and other compounds	0.0	1.6	0.0	6.8
Acetic acid 2-ethoxyethyl	0.0	0.0	0.0	0.1
Inorganic cyanide	71.0	0.0	0.0	0.0
Diuron	0.0	0.0	0.0	1.1
o-Dichlorobenzene	0.0	0.0	0.0	1.2
p-Dichlorobenzene	1.9	0.0	0.0	0.0
Dichloromethane	2.6	0.0	0.0	4.1
N,N-dimethylformamide	15.4	0.0	0.0	29.3
Styrene	24.9	0.0	0.0	1.5
Decabromodiphenyl ether	0.0	0.0	0.0	2.8
Terephthalic acid	0.0	0.0	0.0	633.0
Dimethyl terephthalate	0.0	0.0	0.0	0.7
Trichloroethylene	2.7	0.3	0.0	12.0
Toluene	3.1	0.0	0.0	27.4
Lead and other compounds	0.0	0.0	0.0	1.2
Nickel	0.0	0.2	0.0	0.0
Nitrobenzene	0.0	0.0	0.0	26.8
Pyridine	0.0	0.0	0.0	2.8
m-Phenylenediamine	0.0	2.8	0.0	0.0
Phenol	0.0	2.5	0.0	0.0
Bromomethane	74.0	0.0	0.0	0.0
Benzene	0.7	0.0	0.0	0.1
Boron and other compounds	0.0	0.0	0.0	0.7
Poly (oxyethylene) alkyl ether	1.7	0.0	0.0	0.4
Poly (oxyethylene) nonylphenyl ether	0.0	0.0	0.0	3.7
Formaldehyde	0.0	0.0	0.0	0.2
Manganese and other compounds	0.0	0.3	0.0	3.0
Methyl methacrylate	16.1	0.0	0.0	15.8
Dioxins	4.6	91.2	0.0	10252.0
Total	348	26	0	1056

Note: Of Toray's 59 PRTR Law substances, emissions or transfers of the above 42 substances exceeded 50 kg.

### Japanese Subsidiaries and Affiliates

(Tons; dioxins: mg-TEQ)

Substance Name	Atmospheric Emission	Water Emission	Soil Emission/ Company Landfill	Waste Transfer
Ethyl acrylate	0.2	0.0	0.0	0.0
Acetonitrile	0.1	0.0	0.0	2.3
Ethylbenzene	4.9	0.0	0.0	0.5
Ethylene oxide	0.5	0.0	0.0	0.0
Ethylene glycol	0.0	0.0	0.0	15.0
Ethylene glycol monoethyl ether	2.7	0.0	0.0	0.2
Ethylene diamine	0.0	0.0	0.0	0.1
Epichlorohydrin	0.5	0.0	0.0	10.0
Xylene	54.7	0.0	0.0	27.7
Chlorobenzene	0.0	0.0	0.0	18.3
Acetic acid 2-ethoxyethyl	1.1	0.0	0.0	0.4
1,2-Dichloroethane	5.8	0.0	0.0	1.1
1,1-Dichloro-1-fluoroethane (HCFC-141b)	3.5	0.0	0.0	0.0
1,3-Dichloro-2-propanol	0.0	0.0	0.0	20.7
Dichloromethane	4.3	0.0	0.0	13.1
N,N-dimethylformamide	41.9	0.0	0.0	282.8
Decabromodiphenyl ether	0.0	0.0	0.0	0.1
Toluene	237.1	0.0	0.0	606.9
Lead and other compounds	0.0	0.0	0.0	0.2
Bis (2-ethylhexyl) phthalate	0.0	0.0	0.0	2.2
Poly (oxyethylene) alkyl ether	0.0	0.0	0.0	52.7
Formaldehyde	0.1	0.0	0.0	0.1
Methyl methacrylate	0.3	0.0	0.0	0.0
3-Methylpyridine	12.3	0.0	0.0	3.7
Dioxins	30.7	0.0	0.0	11.0
Total	460	0	0	1258

Note: Of the 46 PRTR Law substances of Japanese subsidiaries and affiliates, emissions or transfers of the above 25 substances exceeded 50 kg.

## Controlled Chemical Substances List

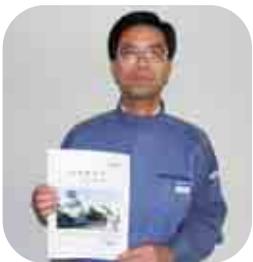
Established: June 1, 2004

No.	Chemical Names	CAS No.	Applied Laws and Regulations
1	Trichloroethene	79-01-6	Law Concerning the Examination and Regulation of Manufacture, etc. of Chemical Substances (Japan)
2	Tetrachloroethylene	127-18-4	
3	Tetrachloromethane	56-23-5	
4	Triphenyltin=N,N-dimethyldithiocarbamate	1803-12-9	
5	Triphenyltinfluoride	379-52-2	
6	Triphenyltinacetate	900-95-8	
7	Triphenyltinchloride	639-58-7	
8	Triphenyltinhydroxide	76-87-9	
9	Triphenyltin fatty acid (C=9-11) salts	18380-71-7, etc.	
10	Triphenyltin chloroacetate	7094-94-2	
11	Tributyltin methacrylate	2155-70-6	
12	Bis(tributyltin) fumarate	24291-45-0, etc.	
13	Tributyltin fluoride	1983-10-4, etc.	
14	Bis(tributyltin) 2,3-dibromosuccinate	31732-71-5, etc.	
15	Tributyltin acetate	56-36-0	
16	Tributyltin laurate	3090-36-6	
17	Bis(tributyltin) phthalate	4782-29-0	
18	Copolymer of alkyl (C=8) acrylate, methyl methacrylate and tributyltin methacrylate	67772-01-4	
19	Tributyltin sulfamate	6517-25-5	
20	Bis(tributyltin) maleate	24291-45-0	
21	Tributyltin chloride	7342-38-3, etc.	
22	Tributyltin cyclopentane carbonate=mixture	85409-17-2	
23	Tributyltin-1,2,3,4,4A,4B,5,6,10,10A-decahydro-7-isopropyl-1,4A-dimethyl-1-phenanthrene carboxylate mix	26239-64-5	
24	Amiton and its alkylated or protonated salts	78-53-5	
25	Perfluoroisobutylene (PFIB)	382-21-8	
26	3-Quinuclidinyl benzilate (BZ)	6581-06-2	
27	Chemicals, except for listed in "Banned Chemical Substances", containing a phosphorus atom to which is bonded one methyl, ethyl or propyl (normal or iso) group but not further carbon atoms (Exemption : Fonofos)	756-79-6, etc.	
28	N,N-Dialkyl (Me, Et, n-Pr or i-Pr) phosphoramidic dihalides	—	
29	Dialkyl (Me, Et, n-Pr or i-Pr) N,N-dialkyl (Me, Et, n-Pr or i-Pr)-Phosphoramidates	—	
30	Arsenic trichloride	7784-34-1	
31	Benzilic acid	76-93-7	
32	Quinuclidin-3-O1	1619-34-7	
33	N,N-dialkyl (Me, Et, n-Pr or i-Pr) aminoethyl-2-chlorides and its protonated salts	96-79-7, etc.	
34	N,N-dialkyl (Me, Et, n-Pr or i-Pr) aminoethane-2-ols and its protonated salts	96-80-0, etc.	
35	N,N-dialkyl (Me, Et, n-Pr or i-Pr) aminoethane-2-thiols and its protonated salts	100-38-9, etc.	
36	Bis(2-hydroxyethyl)sulfide	111-48-8	
37	3,3-dimethylbutan-2-ol	464-07-3	
38	Phosgene	75-44-5	
39	Cyanogen chloride	506-77-4	
40	Hydrogen cyanide	74-90-8	
41	Trichloronitromethane	76-06-2	
42	Phosphoryl trichloride	10025-87-3	
43	Phosphorus trichloride	7719-12-2	
44	Phosphorus pentachloride	10026-13-8	
45	Trimethyl phosphite	121-45-9	
46	Triethyl phosphite	122-52-1	
47	Dimethyl phosphonate	868-85-9	
48	Diethyl phosphonate	762-04-9	
49	Disulfur dichloride	10025-67-9	
50	Sulfur dichloride	10545-99-0	
51	Thionyl dichloride	7719-09-7	
52	N-ethyldiethanolamine	139-87-7	
53	2,2'-(methylimino)di-ethanol	105-59-9	
54	Triethanolamine	102-71-6	
55	Cadmium and its compounds	7440-43-9, etc.	
56	Chromium(VI) and its compounds	10588-01-9, etc.	
57	Lead and its compounds	7439-92-1, etc.	
58	Mercury and its compounds	7439-97-6, etc.	
59	Polybrominated biphenyls	—	
60	Polybrominated biphenyl ethers	—	
61	Chlorinated paraffine	85535-84-8, etc.	
62	Azo colorants	—	
63	Ozone depleting substances	—	
64	Radioactive substances	—	

## Banned Chemical Substances List

Established: June 1, 2004

No.	Chemical Names	CAS No.	Applied Laws and Regulations
1	Polychlorinated biphenyls (PCBs)	1336-36-3, etc.	Law Concerning the Examination and Regulation of Manufacture, etc. of Chemical Substances (Japan)
2	Polychloronaphthalenes (Cl) <sub>3</sub> =3	1321-65-9, etc.	
3	Hexachlorobenzene	18-74-1	
4	Aldrin	309-00-2	
5	Dieldrin	60-57-1	
6	Endrin	72-20-8	
7	Dichlorodiphenyl-trichloroethane (DDT)	50-29-3	
8	Chlorodanes	57-74-9, etc.	
9	Bis (tributyltin) Oxide	56-35-9	
10	N, N'-Ditolyl-p-phenylenediamine, N-Tolyl-N'-xylyl-p-phenylenediamine and N, N'-Dixylyl-p-phenylenediamine	27417-40-9, 28726-30-9, 70290-05-0	
11	2, 4, 6-Tri-tert-butylphenol	732-26-3	
12	Toxaphene	8001-35-2	
13	Mirex	2385-85-5	
14	Phosphorus	7723-44-0	
15	Benzidine and its salt	92-87-5, etc.	
16	4-nitrophenyl and its salts	92-67-1, etc.	
17	Bis(chloromethyl)ethyl	542-88-1	
18	β-naphthylamine and its salts	91-59-8, etc.	
19	Amosite	12172-73-5	
20	Crocidolite	12001-28-4	
21	Asbestos	1332-21-4	
22	O-alkyl (C<=10, incl. Cycloalkyl) (Me, Et, n-Pr or i-Pr)-phosphonofluoridates	96-64-0, etc.	
23	O-alkyl (C<=10, incl. Cycloalkyl) N,N-dialkyl (Me, Et, n-Pr or i-Pr) phosphoramidocyanidates	77-81-6, etc.	
24	O-alkyl (C<=10, incl. Cycloalkyl) S-2-dialkyl (Me, Et, n-Pr or i-Pr) -aminoethyl alkyl (Me, Et, n-Pr, i-Pr) phosphonothiolate and its alkylated or protonated salts	50782-69-9	
25	S-2-dialkyl (Me, Et, n-Pr or i-Pr) -aminoethyl=hydrogen= alkyl (Me, Et, n-Pr, i-Pr) phosphonothiolate and its alkylated or protonated salts	—	
26	2-chloroethylchloromethylsulfide	2625-76-5	
27	Bis(2-chloroethyl)sulfide	505-60-2	
28	Bis(2-chloroethylthio)methane	63869-13-6	
29	1,2-bis(2-chloroethylthio)ethane	3563-36-8	
30	1,3-bis(2-chloroethylthio)-n-propane	63905-10-2	
31	1,4-bis(2-chloroethylthio)-n-butane	142868-93-7	
32	1,5-bis(2-chloroethylthio)-n-pentane	142868-94-8	
33	Bis(2-chloroethylthio)methyl ether	63918-90-1	
34	Bis(2-chloroethylthio)ether	63918-89-8	
35	2-chlorovinyl dichloroarsine	541-25-3	
36	Bis(2-chlorovinyl)chloroarsine	40334-69-8	
37	Tris(2-chlorovinyl)arsine	40334-70-1	
38	Bis(2-chloroethyl)ethylamine	538-07-8	
39	Bis(2-chloroethyl)methylamine	51-75-2	
40	Tris(2-chloroethyl)amine	555-77-1	
41	Saxitoxin	35523-89-8	
42	Ricin	9009-86-3	
43	Alkyl (Me, Et, n-Pr or i-Pr) phosphonyldifluorides	676-99-3, etc.	
44	O-alkyl (C<=10, incl. cycloalkyl) O-2-dialkyl (Me, Et, n-Pr or i-Pr) -aminoethyl alkyl (Me, Et, n-Pr or i-Pr) phosphonites and its alkylated or protonated salts	57856-11-8	
45	O-2-dialkylethyl (Me, Et, n-Pr or i-Pr) = hydrogen = alkyl (Me, Et, n-Pr or i-Pr) phosphonites and its alkylated or protonated salts	—	
46	O-isopropyl methylphosphonochloridate	1445-76-7	
47	O-pinacolyl methylphosphonochloridate	7040-57-5	

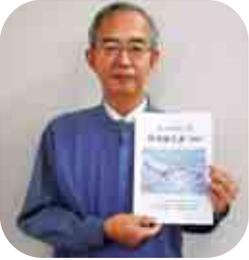
Shiga Plant				Seta Plant				Ehime Plant			
											
<b>Takehiko Okada</b> General Manager Shiga Plant				<b>Takehiko Okada</b> General Manager Seta Plant				<b>Yasunobu Nishimoto</b> General Manager Ehime Plant			
Main items produced <i>Ecsaine</i> * synthetic suede <i>Lumirror</i> * polyester film <i>TOPTICAL</i> * color filter				Main items produced Synthetic spun yarn Medical products (Inoue balloon catheter and <i>Anthrone</i> * P-U catheter)				Main items produced <i>Tetoron</i> * staple fiber <i>Torayca</i> * carbon fiber <i>Toraycon</i> * PBT resin <i>Romembra</i> * reverse osmosis membrane module			
PRTR	Emissions	Air	4 tons/year	PRTR	Emissions	Air	0 tons/year	PRTR	Emissions	Air	170 tons/year
		Water	0 tons/year			Water	0 tons/year			Water	9 tons/year
		Soil & landfill	0 tons/year			Soil & landfill	0 tons/year			Soil & landfill	0 tons/year
		Waste transfer	120 tons/year			Waste transfer	0 tons/year			Waste transfer	126 tons/year
Greenhouse gases			126,000 tons CO <sub>2</sub> /year	Greenhouse gases			41,000 tons CO <sub>2</sub> /year	Greenhouse gases			452,000 tons CO <sub>2</sub> /year
Gas emissions	SOx	988 tons/year		Gas emissions	SOx	0.6 tons/year		Gas emissions	SOx	332 tons/year	
		282 tons/year				1.6 tons/year				582 tons/year	
		30 tons/year				0.2 tons/year				49 tons/year	
Water emissions	BOD	126 tons/year		Water emissions	BOD	1.0 tons/year		Water emissions	BOD	71 tons/year	
		—				—				141 tons/year	
Wastewater			24 million m <sup>3</sup> /year	Wastewater			0.5 million m <sup>3</sup> /year	Wastewater			33.4 million m <sup>3</sup> /year
Waste	Recycled	1,965 tons/year		Waste	Recycled	66 tons/year		Waste	Recycled	5,924 tons/year	
		554 tons/year				3 tons/year				523 tons/year	
		11 tons/year				1 tons/year				228 tons/year	

## Environmental Data for Toray's 12 Plants

Nagoya Plant				Tokai Plant				Aichi Plant			
											
<b>Hirohito Okino</b> General Manager Nagoya Plant				<b>Satoshi Kanehara</b> General Manager Tokai Plant				<b>Tadahito Nagayasu</b> General Manager Aichi Plant			
Main items produced Nylon staple fiber <i>Amilan</i> * nylon resin Various fine chemicals				Main items produced Caprolactam Terephthalic acid <i>Tetoron</i> * chips <i>Torelina</i> * PPS resin				Main items produced Nylon filament yarn <i>Raytela</i> * plastic optical fiber			
PRTR	Emissions	Air	10 tons/year	PRTR	Emissions	Air	83 tons/year	PRTR	Emissions	Air	0 tons/year
		Water	1 tons/year			Water	17 tons/year			Water	0 tons/year
		Soil & landfill	0 tons/year			Soil & landfill	0 tons/year			Soil & landfill	0 tons/year
		Waste transfer	142 tons/year			Waste transfer	612 tons/year			Waste transfer	15 tons/year
Greenhouse gases			265,000 tons CO <sub>2</sub> /year	Greenhouse gases			945,000 tons CO <sub>2</sub> /year	Greenhouse gases			33,000 tons CO <sub>2</sub> /year
Gas emissions	SOx	6.3 tons/year		Gas emissions	SOx	28 tons/year		Gas emissions	SOx	21 tons/year	
		423 tons/year				359 tons/year				28 tons/year	
		16 tons/year				6.3 tons/year				2.2 tons/year	
Water emissions	BOD	384 tons/year		Water emissions	BOD	392 tons/year		Water emissions	BOD	4.4 tons/year	
		270 tons/year				395 tons/year				—	
Wastewater			32.8 million m <sup>3</sup> /year	Wastewater			17.3 million m <sup>3</sup> /year	Wastewater			0.2 million m <sup>3</sup> /year
Waste	Recycled	2,649 tons/year		Waste	Recycled	5,058 tons/year		Waste	Recycled	239 tons/year	
		3,170 tons/year				1,073 tons/year				16 tons/year	
		401 tons/year				499 tons/year				28 tons/year	

Okazaki Plant				Mishima Plant				Chiba Plant			
											
<b>Kousuke Katsuki</b> General Manager Okazaki Plant				<b>Akira Umeda</b> General Manager Mishima Plant				<b>Eizou Goto</b> General Manager Chiba Plant			
Main items produced Nylon filament yarn Filtalyzer* artificial kidney Toray Waterless Plate* printing plate Torayvino* home water purifiers				Main items produced Tetoron* filament yarn Lumirror* polyester film Feron* natural interferon-B preparation Dorner* (Prostacyclin (PGI <sub>2</sub> ) derivative)				Main items produced Toyolac* ABS resin			
PRTR	Emissions	Air	9 tons/year	PRTR	Emissions	Air	4 tons/year	PRTR	Emissions	Air	58 tons/year
		Water	0 tons/year			Water	0 tons/year			Water	0 tons/year
Soil & landfill		0 tons/year	Soil & landfill			0 tons/year	Soil & landfill			0 tons/year	
	Waste transfer		22 tons/year		Waste transfer		4 tons/year		Waste transfer		2 tons/year
Greenhouse gases			130,000 tons CO <sub>2</sub> /year	Greenhouse gases			273,000 tons CO <sub>2</sub> /year	Greenhouse gases			37,000 tons CO <sub>2</sub> /year
Gas emissions	SOx	307 tons/year		Gas emissions	SOx	981 tons/year		Gas emissions	SOx	22 tons/year	
	NOx	153 tons/year			NOx	396 tons/year			NOx	16 tons/year	
	Dust	46 tons/year			Dust	20 tons/year			Dust	6.9 tons/year	
Water emissions	BOD	51 tons/year		Water emissions	BOD	41 tons/year		Water emissions	BOD	—	
	COD	62 tons/year			COD	—			COD	66 tons/year	
Wastewater			8.3 million m <sup>3</sup> /year	Wastewater			37 million m <sup>3</sup> /year	Wastewater			4.4 million m <sup>3</sup> /year
Waste	Recycled	3,800 tons/year		Waste	Recycled	1,595 tons/year		Waste	Recycled	3,241 tons/year	
	Simple incineration and other	0 tons/year			Simple incineration and other	188 tons/year			Simple incineration and other	97 tons/year	
	Landfill disposal	2 tons/year			Landfill disposal	75 tons/year			Landfill disposal	46 tons/year	

All 12 Toray plants publish a site report each year. (Plant General Managers are as of August 2005)

Tsuchiura Plant				Gifu Plant				Ishikawa Plant			
											
<b>Mikio Sugimura</b> General Manager Tsuchiura Plant				<b>Katsumi Bokuda</b> General Manager Gifu Plant				<b>Kouji Okada</b> General Manager Ishikawa Plant			
Main items produced Torayfan* BO polypropylene film				Main items produced Ecsaine* synthetic suede Lumirror* polyester film Torelina* PPS film				Main items produced Tetoron* filament yarn Nylon filament yarn			
PRTR	Emissions	Air	0 tons/year	PRTR	Emissions	Air	9 tons/year	PRTR	Emissions	Air	0 tons/year
		Water	0 tons/year			Water	0 tons/year			Water	0 tons/year
Soil & landfill		0 tons/year	Soil & landfill			0 tons/year	Soil & landfill			0 tons/year	
	Waste transfer		0 tons/year		Waste transfer		13 tons/year		Waste transfer		0 tons/year
Greenhouse gases			29,000 tons CO <sub>2</sub> /year	Greenhouse gases			92,000 tons CO <sub>2</sub> /year	Greenhouse gases			62,000 tons CO <sub>2</sub> /year
Gas emissions	SOx	103 tons/year		Gas emissions	SOx	419 tons/year		Gas emissions	SOx	157 tons/year	
	NOx	14 tons/year			NOx	57 tons/year			NOx	147 tons/year	
	Dust	2.4 tons/year			Dust	3.8 tons/year			Dust	8.5 tons/year	
Water emissions	BOD	0.7 tons/year		Water emissions	BOD	9.3 tons/year		Water emissions	BOD	9.2 tons/year	
	COD	—			COD	6.4 tons/year			COD	—	
Wastewater			0.3 million m <sup>3</sup> /year	Wastewater			12 million m <sup>3</sup> /year	Wastewater			8.3 million m <sup>3</sup> /year
Waste	Recycled	157 tons/year		Waste	Recycled	387 tons/year		Waste	Recycled	229 tons/year	
	Simple incineration and other	5 tons/year			Simple incineration and other	0 tons/year			Simple incineration and other	27 tons/year	
	Landfill disposal	0 tons/year			Landfill disposal	0 tons/year			Landfill disposal	27 tons/year	

## Chronology of CSR Initiatives

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

Toyo Rayon Co., Ltd. founded	1926	
Toyo Rayon Health Insurance Association established	1940	
Toyo Rayon Labor Union Federation established	1946	
Monthly company magazine Toray Newsletter first published (name changed to People in April 1986)	1953	
Company creed "Toyo Rayon serves society" adopted	1955	
Pension plan established	1956	
Central Production Committee convenes (reorganized into the Labor and Management Council in 1965)	1958	
Toyo Rayon Science Foundation established (now the Toray Science Foundation)	1960	
English annual report first published	1965	Accident Prevention Technology Section established (now the Environment & Safety Department)
Mandatory retirement age of 60 adopted	1966	
	1969	Environmental Pollution Prevention Committee established (now the Safety, Health, and Environment Committee)
Company name changed to Toray Industries, Inc.	1970	Environment Technology Section established at all Toray plants (now the Environment & Safety Section)
	1973	Environment Management Regulations and Basic Policy for Greening adopted; plant greening work started
Five-day workweek implemented	1974	Accident prevention and safety inspections of chemical plants started (expanded to all plants in 1984)
Child care leave of absence system established	1976	Occupational Safety and Health Management Regulations enacted
	1979	Accident Prevention and Safety Management Regulations enacted
	1979	Chemical Substance Safety Management Guideline enacted
Toray Welfare Society established	1980	Standard for the Prevention of Earthquake Disasters established
	1981	Energy Technology Department established
	1982	First Company-wide Grand Safety Meeting held, Product Safety Management Regulation enacted
	1983	First Energy Conservation Technology Presentation Meeting held
	1984	Environment, Accident Prevention, Safety, and Health Assessment system established at the equipment planning stage
		First Monday of each month established as company-wide Safety and Accident Prevention Day
Corporate Philosophy, "contributing to society through the creation of new value by innovative ideas, technologies, and products," adopted	1986	
English language version of company magazine People first published	1989	Mutual inspections of safety and accident prevention start at domestic subsidiaries and affiliates
Admitted into Keidanren's 1% Club	1990	First Grand Safety Meeting of Domestic Subsidiaries and Affiliates held
	1991	Industrial Waste Reduction Project started
	1991	Global Environment Committee and Product Safety Committee established
	1991	Global Environment Research Laboratory established (now Global Environment Research Laboratories)
Started shortening scheduled working hours with the goal of 1,800 hours	1993	Safety, health, accident prevention, and environmental audits start at Toray plants
Toray Science Foundations established in Indonesia and Malaysia	1994	
Toray Science Foundation established in Thailand	1994	Safety, Health, Accident Prevention, and Environment Conference and Product Safety Conference created for domestic subsidiaries and affiliates
Management Philosophy (Corporate Philosophy, Corporate Missions, and Guiding Principles) adopted	1995	Purchase and manufacturing use of certain chlorofluorocarbons abolished
Involved in establishing the Ecological Life and Culture Organization	1995	Joined Japan Responsible Care Council as a founding member
Toray Human Resources Development Center opens,	1996	Safety, health, accident prevention, and environmental audits start at overseas subsidiaries and affiliates
Toray Europe Labor and Management Council established	1996	
Human Rights Promotion Committee established	1997	
Corporate Ethics Committee established	1997	
	1998	Safety, health, accident prevention, and environmental audits start at domestic subsidiaries and affiliates
	1998	Safety, Health, Accident Prevention, and Environment Conference and Product Safety Conference created for overseas subsidiaries and affiliates
	1999	Environmental Report published
	1999	Second Waste Reduction Plan prepared
	1999	Toray Group Domestic Grand Safety Meeting held (first Group meeting)
	2000	Three-Year Environmental Plan started, Ten Basic Environmental Rules adopted
	2000	Toray Group Environmental Management Standards established, environmental accounting results for FY Mar/00 announced
	2000	All 12 Toray plants acquire ISO14001 certification
	2001	Recycling Committee established
Compliance Committee established	2002	
CSR Committee established	2003	Second Three-Year Environmental Plan started
CSR Guidelines and Action Programs adopted	2004	CSR Annual Report published

# Global Reporting Initiative Guidelines Reference Chart

Item	Guideline	CSR Annual Report Page
<b>Vision and strategy</b>		
1.1	Statement of the organization's vision and strategy regarding its contribution to sustainable development.	4-5
1.2	Statement from the CEO describing key elements of the report.	4-5
<b>Profile of reporting organization</b>		
2.1	Name of reporting organization.	2
2.2	Major products and services.	8-9, 62-63
2.3	Operational structure of the reporting organization.	6
2.4	Description of major divisions, operating companies, subsidiaries, and joint ventures.	3
2.5	Countries in which the organization's operations are located.	3, 7
2.6	Nature of ownership (legal form).	2
2.7	Nature of markets served.	7, 8-9
2.8	Scale of the reporting organization.	6-7
2.9	List of stakeholders.	2, 8-19
2.10	Contact person(s) for the report.	Back cover, 2
2.11	Reporting period for information provided.	2
2.13	Scope of the report.	3
2.14	Significant changes that have occurred since the previous report.	n/a
2.15	Basis for reporting situations that can significantly affect comparability.	n/a
2.16	Nature, effect and reasons for any re-statements.	n/a
2.17	Decisions not to apply GRI principles or protocols in the preparation of the report.	2 (Refer to GRI)
2.18	Criteria and definitions used in any accounting for economic, environmental, and social costs and benefits.	27
2.19	Significant changes since issuing previous reports in the measurement methods applied to key economic, environmental, and social information.	n/a
2.20	Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability that can be placed on the sustainability report.	2, 65, 66 Best effort to cover guideline items; Third Party Opinions section
2.21	Policy and current practice with regard to providing independent assurance for the full report.	
2.22	Means by which report users can obtain additional information and reports about economic, environmental, and social aspects of the organization's activities, including facility-specific information.	2
<b>Governance structure and management systems</b>		
3.1	Governance structure of the organization, including major committees under the board of directors that are responsible for setting strategy and for oversight of the organization.	20-21
3.2	Percentage of the board of directors that are independent, non-executive directors.	20
3.4	Board-level processes for overseeing the organization's identification and management of economic, environmental, and social risks and opportunities.	21, 38
3.6	Organizational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies.	21, 22, 24, 36, 38, 46
3.7	Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental, and social performance and the status of implementation.	2, 5, 11, 13, 34, 36, 37, 45, 50, 52
3.8	Mechanisms for shareholders to provide recommendations or direction to the board of directors.	41
3.9	Basis for identification and selection of major stakeholders.	18-19, 40
3.10	Approaches to stakeholder consultation.	40-43
3.11	Type of information generated by stakeholder consultations.	40-43
3.12	Use of information resulting from stakeholder engagements.	40-43
3.13	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	28, 35, 38-39
3.14	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives to which the organization subscribes or which it endorses.	2, 21
3.15	Principal memberships in industry and business associations and national and international advocacy organizations.	2, 21
3.16	Policies and systems for managing upstream and downstream impacts, including:	36, 50
	supply chain management as it pertains to outsourcing and supplier environmental and social performance; and product and service stewardship initiatives.	16, 37
3.17	Reporting organization's approach to managing indirect economic, environmental, and social impacts resulting from its activities.	16, 51
3.18	Major decisions during the reporting period regarding the location of, or changes in, operations.	n/a
3.19	Programs and procedures pertaining to economic, environmental, and social performance.	20, 22, 24, 26, 36, 38, 40, 44, 46, 48, 50, 52
3.20	Status of certification pertaining to economic, environmental, and social management systems.	25, 37
<b>Economic performance indicators</b>		
EC1	Customers Net sales	6
EC2	Geographic breakdown of markets.	7
EC10	Public sector Donations to community, civil society, and other groups.	52

Item	Guideline	CSR Annual Report Page
<b>Environmental performance indicators</b>		
EN3	Energy Direct energy use.	58-59
EN4	Indirect energy use.	
EN5	Water Total water use.	58-59
EN20	Water sources and related ecosystems and habitats significantly affected by the reporting organization's use of water.	(18)
EN6	Biodiversity Location and size of land owned, leased, or managed in biodiversity-rich habitats.	18
EN8	Emissions, effluents, and waste Greenhouse gas emissions. (CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFCs, PFCs, SF <sub>6</sub> ).	29, 58-59, 62-63
EN9	Use and emissions of ozone-depleting substances.	(29)
EN10	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions.	30, 31, 58-59, 61, 62-63
EN11	Total amount of waste by type and treatment method.	33, 58-59, 62-63
EN12	Significant discharges to water by type.	58-59, 62-63
EN13	Significant spills of chemicals, oils, and fuels in terms of total number and total volume.	28
EN33	Suppliers Performance of suppliers relative to environmental components of programs and procedures described in response to Section 3.16.	51
EN14	Products & Services Significant environmental impacts of principal products and services.	44-45
EN16	Compliance Obligations and penalties for violating environmental regulations.	28
EN34	Transport Significant environmental impacts of transportation used for logistical purposes.	34
EN35	Overall Total environmental expenditures by type.	58-59
<b>Social performance indicators</b>		
LA1	Employment Breakdown of workforce.	7
LA12	Employee benefits beyond those legally mandated.	48
LA4	Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organization's operations.	21
LA6	Formal joint health and safety committees comprising management and worker representatives.	24, 35
LA7	Standard injury, lost day, absentee rates, and number of work-related fatalities.	35
LA9	Training & Education Average hours of training per year per employee by category of employee.	(49)
LA16	Description of programs to support the continued employability of employees and to manage career endings.	49
LA17	Specific policies and programs for skills management or for lifelong learning.	49
LA10	Diversity & Opportunity Description of equal opportunity policies or programs, as well as monitoring systems to ensure compliance and results of monitoring.	46-47, 48
LA11	Composition of senior management and corporate governance bodies.	48
HR1	Strategy & Management Description of policies, guidelines, corporate structure, and procedures to deal with all aspects of human rights relevant to operations.	11, 13, 46
HR2	Strategy & Management Evidence of consideration of human rights impacts as part of investment and procurement decisions.	11, 16
HR3	Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors.	16
HR8	Employee training on policies and practices concerning all aspects of human rights relevant to operations.	46
HR4	Non-discrimination Description of global policy, procedures, and programs preventing all forms of discrimination in operations.	46
HR6	Child labor Description of policy excluding child labor and of procedures and programs to address this issue.	16, 46
HR7	Forced labor Description of policy to prevent forced and compulsory labor and of procedures and programs to address this issue.	16, 46
HR9	Disciplinary Practices Description of appeal practices.	23
HR10	Non-retaliation policy and effective, confidential employee grievance system.	23
SO1	Community Policies to manage impacts on communities in areas affected by the organization's activities and procedures and programs to address this issue.	13, 52
SO4	Awards relevant to social, ethical, and environmental performance.	54-55
SO7	Description of policy, procedures, management systems, and compliance mechanisms for preventing anti-competitive behavior.	13, 23
PR1	Customer health & Safety Policy for preserving customer health and safety during use of products and services and procedures and programs to address this issue.	36-37
PR2	Products & Services Policy for procedures, management systems and compliance mechanisms related to product information and labeling.	36-37
PR3	Respect for privacy Policy, procedures, management systems, and compliance mechanisms for consumer privacy.	39

Bold type indicates essential items and indicators  
Regular type indicates optional indicators

## Third Party Opinions

### Independent Review Comments on Toray's CSR Annual Report 2005

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

PRICEWATERHOUSECOOPERS

This is an English translation of ChuoAoyama Sustainability Certification's independent review comments of the Japanese version of Toray's "CSR Annual Report 2005".

September 26, 2005

The objective of this review is to express our independent view on the features, achievements, developments and direction of the Toray Group (hereafter "the Group")'s approach towards social and environmental issues as well as reporting of significant corporate activities in such areas contained in the "CSR Annual Report 2005"(hereafter "the Report"). Our comments are based on the following procedures:

1. Interview with Mr. Kazuo Tomiita, Executive Vice President and Representative Director (Corporate Social Responsibility (CSR) Committee Chairman)
2. Interview with implementation leaders of CSR Action Programs (Mr. Kiyoshi Fukuchi, Director; Mr. Munchiro Se, Director; and Mr. Norihiko Saitou, Director)
3. Review of the final Japanese draft of the Report

#### 1. Establishment of CSR Guidelines and Action Programs (See the Report P.10)

Since the launch of the CSR Committee in November 2003, the Group has reviewed its group-wide activities from a CSR perspective. This effort resulted in the establishment of CSR Guidelines and Action Programs in December 2004, which specify the issues that the Group should address. The Action Programs are designed to facilitate the prompt and effective implementation of the Guidelines, specifying the personnel in charge and goals of each activity. We commend the Group for putting the Guidelines and implementation structure in place simultaneously.

#### 2. Promotion of Dialogues with Stakeholders (P.40)

The Group considers promoting dialogues with stakeholders as an important agenda. As a part of these efforts, the Group started a Multi-Communication Initiative, a program for employees, in July 2004, with the aim of encouraging further cross-sectional information sharing and communication.

As the Group intends to review its corporate behavior through the process of dialogues and collaboration with various stakeholders, holding dialogues is an imperative first step to achieving this goal. We commend the Group's new initiative in this respect. The next step should be how to incorporate the feedback obtained from such dialogues into the Group's activities, which calls for a mechanism to ensure that the results of such feedback are effectively applied.

#### 3. Clarification of the Definition of Environmentally Friendly Products (P.45)

During the fiscal year ended March 2005, the Group clarified its definition of environmentally friendly products. We commend this action, as such a definition helps the Group to explain its contribution to protecting the environment through its products, and promotes its

group-wide efforts to produce environmentally friendly products. We look forward to seeing further development and active marketing of environmentally friendly products under the slogan of "Toray Ecodream".

#### 4. Promotion of the Advancement of Women (P.48)

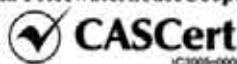
The Group takes pride in itself as a pioneer in promoting more opportunities for female workers. But at the same time, it also recognizes that there remains room for improvement and therefore launched its "Advancement of Women" Project in October 2004. Major activities conducted or planned under this project and schedules for them are covered in the Report. Future progress is expected in this area.

#### 5. Establishment of CSR Procurement Guidelines (P.16)

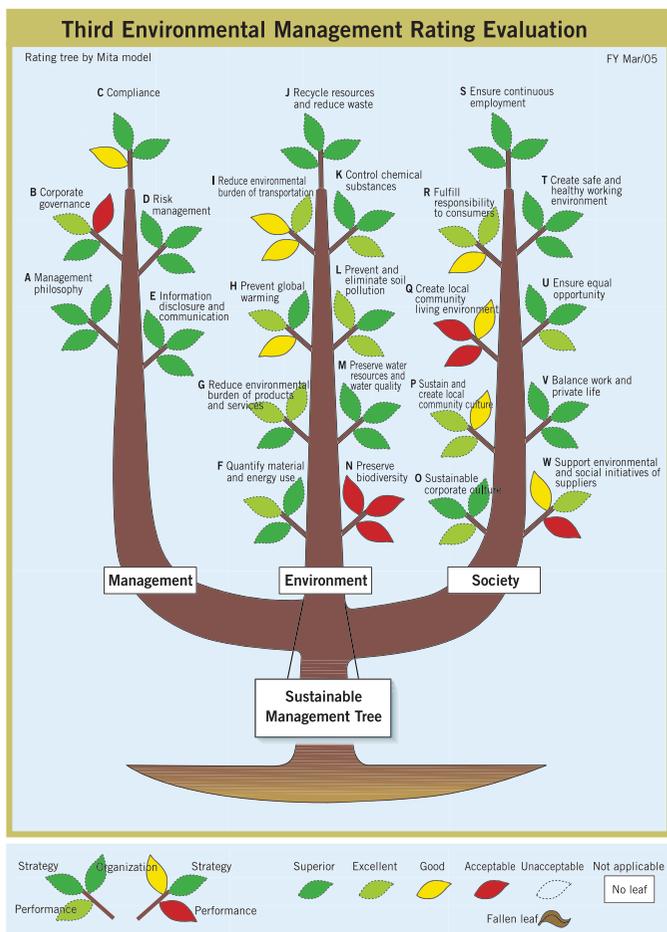
The Group established CSR Procurement Guidelines in December 2004, based on the recognition that CSR efforts should be promoted across the entire supply chain, rather than only within the Group itself. The Group believes that as a supplier it should try its best to meet the CSR needs of customers, and as a procurer it should demand higher levels of CSR activities from its suppliers. It is highly commendable that the Group set up these Guidelines, asked for suppliers' compliance and began ongoing collaborative efforts on CSR. We anticipate that the implementation of the Guidelines will help to progress CSR initiatives through the supply chain.

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

ChuoAoyama Sustainability Certification Co., Ltd.  
(ChuoAoyama PricewaterhouseCoopers Group)



IC2005-0009



## Evaluation by the Sustainable Management Rating Institute

The Sustainable Management Rating Institute (SMRI) was established in 2001 by the Sustainable Management Forum of Japan, a non-profit organization, to perform environmental management rating evaluations for organizations and companies.

Toray began its involvement with the environmental management rating program in FY Mar/04, the second year of the program, and we received our second rating evaluation in FY Mar/05. The latest evaluation covered five items related to management, nine items related to the environment, and nine items related to society, for a total of 23 items. It then examined these items at the three stages of strategy, organization, and performance, for a total of 69 evaluation items. Each item is represented by a leaf on a tree comprising three limbs to represent management, the environment, and society. A green leaf indicates a superior rating, a pale green leaf an excellent rating, a yellow leaf a good rating, a red leaf an acceptable rating, and a fallen leaf an unacceptable rating.

We had one fallen leaf in FY Mar/04, but fortunately did not have any in FY Mar/05. However, we did receive several red and yellow leaves, which give clear indication of where further improvement is needed. We believe it is extremely important to solicit and disclose outside evaluations to help us avoid complacency in our CSR activities. We seek to attain an even higher level of performance with each environmental management rating evaluation. To this end, we are continuing our efforts to deepen and enrich our CSR activities.

## Closing Note

I would like to express my thanks for reading our CSR Annual Report 2005. We sought to provide as many specific examples as possible while introducing the CSR activities of the Toray Group. We considered the following three points in preparing this report. The first was to provide an account of our steady efforts over the past year that is easy to understand. The second point was to not embellish on the actual progress we have made in accordance with our CSR Guidelines. The third point was to provide opinions about our activities from people affected by our activities.



Toray head office employees aged 25 and younger

President Sakakibara, Vice President and CSR Committee Chairman Tomiita, and CSR Guideline implementation leaders are shown in photographs throughout this report holding a blue ball to signify the frontier spirit that continues to pervade the corporate culture of the Toray Group. I am confident that combining this frontier spirit with a new corporate culture suited to the changing times will breathe new life into the Toray Group. I hope to pass this along to future generations.

September 2005

Director  
Toray Industries, Inc.  
Secretary of CSR Committee

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

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