Regarding the reliability of the environmental information published in this CSR report, the J-AOEI mark is registration proof that the report satisfies the J-AOEI mark standards designated by the Japanese Association of Assurance Organizations for Environmental Information.

This report is printed on recycled paper with soy ink.

The Stoma plays a crucial role for the life of a plant. It opens up when it’s sunny and evaporates water from its leaves to gather water and nutrients from its roots. At the same time, it takes in carbon dioxide necessary for photosynthesis, and releases oxygen as a result. The “MRT Fiber” of Teijin Fiber opens its fabric by reacting to sweat, which improves the ventilation by double with its self-regulating mechanism fabric. Furthermore, we combined our efforts with NIKE to create “NIKE Sphere React” and are expanding our sales globally. It is a popular clothing line that absorbs sweat and dries quickly.

Learning from the principles of nature
That is the Teijin way
The Teijin Group established “Quality of Life” as its corporate philosophy in June 1993, 75 years after our foundation. Ten years later, in April 2003, “Human Chemistry, Human Solutions” was established as the brand statement to represent the Teijin Group’s commitment to our customers and society. We will continue to fulfill our mission, developing and enhancing our “Quality of Life” corporate philosophy, and acting as a corporate group that can be trusted by society and by our customers.

Corporate Philosophy
Quality of Life

The Teijin Group is committed to enhancing the quality of life of people everywhere through a deep insight into human nature and the application of our creative abilities.

Empowering our People

We encourage our employees to achieve self-realization by developing and exercising their abilities to the fullest. In doing so, we nurture a corporate community with a wide variety of abilities and personalities to foster creative innovation.

Brand Statement
Human Chemistry, Human Solutions

Our promise is to continue to develop chemical technologies that are friendly to both people and global environment. It is to keep providing solutions that deliver the real value that society and our customers expect.

CSR Basic Policy (Midterm CSR Plan)

1 Fulfill its social responsibility through Teijin Group’s Corporate Philosophy and Corporate Code of Conduct.
2 Balance out Management and Business activities and CSR activities to work in harmony with society to continue Teijin Group’s development.
3 Enhance communication with stakeholders to better understand the needs of society and incorporate CSR management.
4 Take voluntary actions on global environmental issues in the global society, and treat this as a priority.
5 Safety and disaster prevention is acknowledged as the highest risk management factor, so risk management is focused on these.
6 Under the acknowledgement of the stakeholders, the employees shall deploy safety and health activities.
7 CSR activities are promoted on the common level of the Teijin Group and alternative activities performed by group companies are also promoted.

Before reading our report

The 2007 Teijin Group CSR Report was created with consideration to the following points so that more people would be able to understand the Teijin Group’s CSR (Corporate Social Responsibility) activities.

Completeness and Materiality

The contents in the following report adhere to the guidelines below and with issues pertaining to Socially Responsible Investment (SRI) in our questionnaire. With regard to the business conditions of our group, the contents were specifically selected to clarify the issues most critical to the focus of this special issue. Teijin Group’s diverse business activities involve numerous transactions with our partners, some of which may be either unclear or irrelevant to general customers. In this publication, we emphasize our company’s communications and active engagement with society.

Clarity

Most readers of this report are interested in our approach to CSR. We have therefore endeavored to limit the number of pages for concise and clear understanding of the report. We have also arranged our chapters to conform to the specific features of our group’s CSR Management. Easy-to-use search features, such as (PXX), cross references, refer readers directly to the pages introduced in our contents and sub-cross references. We have also endeavored to limit the number of pages for concise understanding of the report. We have also arranged our chapters to conform to the specific features of our group’s CSR Management. Easy-to-use search features, such as (PXX), cross references, refer readers directly to the pages introduced in our contents and sub-cross references, making our report as much easier to navigate.

Reliability

The Teijin Group requires comprehensibility and reliable disclosure of information. Corporate ethics is one of the most important components of our management. We have appointed ENQA, NQA (Quality Assurance Management), to perform independent review of this report.

The Coverage of Boundaries

The data published in this report is for the period from January 2006 to March 2007 (Fiscal year 2006). The description information is the very latest available up to May 2007. Information about Teijin Group Companies (571 elements and 9 overseas group companies) is covered in this report. However, for CSR management, relevant information is also included in the CSR Management System and other divisions that do not fall under the control of all Teijin Group Companies, the relevant material is provided in separate sections.

Addition Information

Detailed information about our business activities, financial information, and Eco-products and Eco-services are published and updated regularly on our company website in addition, the following documents are available upon request:

- CSR report (English)
- Corporate Profile (Japanese)
- Financial Statements (Japanese, English)
- Shareholders’ Report (Japanese)

> "Guideline References"
> "Environmental Reporting Guideline (World Bank-Directors General's 1996 advisory)" (UNEP’s Ministry for the Environment)" and "Sustainability Reporting Guideline 2008 (Global Reporting Initiative)

URL: http://www.teijin.co.jp

Published
August 2007
Final publication: July 2008
Contact
Teijin Limited CSR Staff Office
TEL.: +81-3-3506-4037
FAX.: +81-3-3506-4037

Opinions from Third Parties

All products and services named in this report are trademarks or registered trademarks of the Teijin Group. Other names of products and services are trademarks or registered trademarks of each company.

Environment and Safety

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- Environmental Performance 21
- Disaster Prevention, Safety and Health Performance 25
- Eco-Products/Eco-Business 29
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Social Report

- Compliance and Risk Management 33
- Quality Assurance Management 35
- Human Resource Management 37
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Evolution of CSR Management

The Trinity of Our Midterm Management Plan
In FY2006, the Teijin Group started its “STEP UP 2006” Midterm management plan. In this plan, I stressed the importance of what I called the “Trinity Concept”, that is, Corporate Social Responsibility (CSR), Business Strategy and Corporate Governance should be considered as single unit.

That is to say, without an optimal business strategy we cannot respond to market or customer needs, and without effective corporate governance we cannot sustain sound business operations. And finally, without meeting society’s expectations that we act responsibly, we cannot win the trust of the stakeholders.

I believe that by reinforcing management based on this triple concept we can increase corporate value in a sustainable manner. I have emphasized the importance of the Trinity Concept and have explained the Midterm management plan at both our internal meetings with employees and in our meetings with investors.

I was encouraged by the warm reception my idea received when I spoke about the Trinity Concept at a forum on corporate management in December last year. I feel the Trinity Concept will become part of the mainstream of sustainable corporate management in the future.

Further Progress towards Environmental Management
Implementing a program of social responsibility can improve management quality and that is one way you could define truly good management. There are many issues in corporate management and it is often difficult to decide which issues should have the highest priority. Presently, however, I think it goes without saying that the most urgent issue for corporations to address is the risk of climate change. If humankind cannot do something to stop global warming, our existence itself could be at risk. This has been rapidly recognized around the world over the last year.

The Kyoto Protocol came into force in February 2005. Japan has committed itself to reducing CO2 emissions by 6% of 1990 levels over a five year period from 2008 to 2012. From a corporate management viewpoint this means that sustainable growth is impossible without strategies for increasing added value while reducing CO2 emissions.

The Teijin Group aims to reduce CO2 emissions by 10% of 1990 levels by fiscal year 2010. In recent years, we have been able to meet these objectives in terms of the growth of sales and profit while reducing the CO2 emissions.

It is needless to say that the Teijin Group will make every effort to further reduce CO2 emissions in the future and must hasten this transition to an environmentally friendly management style. To this end, in April 2006 we created “The Environmental Management Research Group” to study how we can operate as an environmentally friendly company in our medium and long-term strategies. From April 2007 onwards, we will take actions to put our plan into effect.

Together with Stakeholders
The Teijin Group, using its technological progress acquired over many years, has established a chemical recycling technology for polyester products. This is already being put to use for “Bottle-to Bottle” recycling which creates new PET bottles from waste PET bottles and for our ECO-CIRCLE recycling system which reclaims polyester resin from used polyester products. As these projects advanced, we realized that the cooperation and understanding of stakeholders is indispensable. In FY2006, we hosted our first stakeholder dialogue regarding ECO-CIRCLE with the help of knowledgeable experts.

In addition, the Teijin Group has joined as a member company the international NGO, the World Business Council for Sustainable Development (WBCSD), that tackles social issues such as global environmental problems poverty and energy resource issues. In FY2006, the WBCSD started the “Chemical Sector Project” which studies how the chemical industry can become more socially responsible. The Teijin Group is participating in this project and hopes to fulfill its role in resolving these international social problems.

Towards More Socially Responsible Employees
I was appointed President in 2001 and my first act was to enhance corporate governance and establish a new corporate brand. At the same time, our brand statement of “Human Chemistry, Human Solutions” was established, which embodies our promise to continue to develop chemical technologies that are friendly to both people and the global environment, and to keep providing solutions that deliver the real value that society and our customers expect.

I have stressed that for Group employees, the brand statement should be regarded as a promise to society, and Corporate Social Responsibility is a core element of that promise.

In addition, we revised the Japanese edition of our Corporate Code of Conduct in 2006 aiming at the inclusion of current social requirements upon our employees and our daily operations from a socially responsible standpoint.

To All our Readers
The Teijin Group, including our overseas group companies, while promoting socially responsible management, is working with our partners to sincerely address global issues and work with all members of society to achieve sustainable growth.

We welcome your opinions and proposals regarding the Teijin Group as important contributions to our wellbeing.

May 2007
President and Chief Executive Officer
Toru Nagashima
Globally Expanding Our Area of Business

The Teijin Group’s various advanced material technologies and solutions know-how, together with our brand statement “Human Chemistry, Human Solutions,” connects us directly to the lives of every person through the business activities of our partners.

**Teijin Group’s Business Development**

The Teijin Group was established in 1918 as the first company in Japan to produce rayon yarn. Since our launch of the polyester business, we have expanded into a diverse range of businesses, which are produced using our proprietary fiber technologies. Teijin Limited and its approximately 160 group companies are now active in the fields of “synthetic fibers,” “films and plastics,” “pharmaceuticals and home care health,” “trading and retail” and “IT.” Our company also conducts business on a global scale, spanning the borders of the United States, Europe and Asia.

With the restructuring of our businesses, we have seen changes in the number of our employees. Currently, there are about 19,000 group company employees, approximately of which 9,000 work at our overseas companies, with another 200 seconded from Japan. In addition, although the average annual number of temporary employee for domestic and overseas companies was about 2,800 for FY2006, they are not included in the number of group employees.

The Teijin Group is primarily involved in the production of materials and in business activities that do not link us directly to consumers. However, through our engagement in various fields of industry and the numerous products and services of other corporations, we achieve a deep and enduring relationship with consumers.

**Profile of Teijin Limited**

**Established:** June 17, 1918
**Capital:** 70,767 million yen
**Osaka Head Office:** 6-7, Mito-cho Honmachi 1-chome, Chuo-ku, Osaka 541-8187 Japan
  - Tel: +81-6-6208-2112
**Tokyo Head Office:** 1-1, Uchisaiwaicho 2-chome, Chiyoda-ku, Tokyo 100-8185 Japan
  - Tel: +81-3-3506-4529

**Representative:** Taru Nagashima, President and CEO
**URL:** http://www.teijin.co.jp/english/

**Group Outline**

- **Holding Company:** 1
- **Domestic Group Companies:** 82
- **Overseas Group Companies:** 74
- **Total:** 157
- **Number of Employees in Japan:** 10,277
- **Number of Employees overseas:** 8,776
- **Total:** 19,053

(as of March 31, 2007)

**Profile of Teijin Limited**

<table>
<thead>
<tr>
<th>Field</th>
<th>Sales by Business Field</th>
<th>Sales by Business Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Synthetic Fibers</td>
<td>260 Billion Yen (25.1%)</td>
<td>108 Billion Yen (10.8%)</td>
</tr>
<tr>
<td>Films and Fibers</td>
<td>287 Billion Yen (28.5%)</td>
<td>178 Billion Yen (17.7%)</td>
</tr>
<tr>
<td>Pharmaceuticals/Health Care</td>
<td>113 Billion Yen (11.2%)</td>
<td></td>
</tr>
<tr>
<td>Total Sales</td>
<td>1,004 Billion Yen</td>
<td></td>
</tr>
</tbody>
</table>

For more information, see the “Profile section” on our website.

**Trends in Consolidated Net Sales and Operating Income**

<table>
<thead>
<tr>
<th>FY</th>
<th>Consolidated Net Sales (billions of yen)</th>
<th>Operating Income (billions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>03</td>
<td>890.4</td>
<td>2.0</td>
</tr>
<tr>
<td>04</td>
<td>915.6</td>
<td>2.0</td>
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<tr>
<td>05</td>
<td>890.4</td>
<td>2.0</td>
</tr>
<tr>
<td>06</td>
<td>1037.8</td>
<td>2.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2006 Sales (Billion Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>553.3</td>
</tr>
<tr>
<td>Americas</td>
<td>342.0</td>
</tr>
<tr>
<td>Europe and Oceania</td>
<td>136.6</td>
</tr>
<tr>
<td>Others</td>
<td>11.7</td>
</tr>
</tbody>
</table>

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**Consolidated Sales Breakdown for FY2006**

<table>
<thead>
<tr>
<th>Sales by Business Field</th>
<th>Sales by Areas</th>
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<tbody>
<tr>
<td>Synthetic Fibers</td>
<td>Europe 108 Billion Yen (10.8%)</td>
</tr>
<tr>
<td>Films and Fibers</td>
<td>USA 108 Billion Yen (10.8%)</td>
</tr>
<tr>
<td>Pharmaceuticals/Health Care</td>
<td>Asia 178 Billion Yen (17.7%)</td>
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<tr>
<td>Total Sales</td>
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</table>

**Changes in Main Management Index**

<table>
<thead>
<tr>
<th>FY</th>
<th>Reference of CU vehicles</th>
</tr>
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<tbody>
<tr>
<td>03</td>
<td>7.3</td>
</tr>
<tr>
<td>04</td>
<td>7.3</td>
</tr>
<tr>
<td>05</td>
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  - Tel: +81-3-3506-4529 |

**Representative:** Taru Nagashima, President and CEO
**URL:** http://www.teijin.co.jp/english/
**Offering Safety, Comfort and Security Through Various Technologies**

**Synthetic Fibers Business**

In the field of polyester fiber, we have accrued extensive polyester related technologies over decades of experience in this business. Through the organic amalgamation of our polymer and textile business that focuses on high performance products.

In the high performance fibers area, we are supplying products for a broad range of applications. Carbon fibers are being developed for airplanes, fuel cell batteries and automobiles. “TENAX”, which is strong and lightweight, is used for blades on wind turbine generators.

**Films and Plastics Business**

We are the world’s largest manufacturer in the films and plastics business, where new technology and improvements to materials supports emerging industries. Polymethacrylonitrile (PEN) film, which was developed by the Teijin Group, is a film that is mostly used in magnetic media, and for hybrid vehicle parts and other industrial materials.

We are also the world’s premier manufacturer of high-purity polycarbonate resin, the material used to make DVDs, and continue to hold the top position in the global market share for these products. We are also working to realize a system that recycles used polycarbonate resin.

**Teijin Fiber and Nike US have jointly developed a self-regulating fiber which is the “TEFLEX” concept. TEFLEX fiber is capable of reversible transformation: it expands and contracts when moisture is absorbed and shrinks when it dries out. This has made it possible to make and control outstanding moisture absorption and stretch functionality and lets the wearer visibly see the change as it reacts to changes in moisture levels, which is a new value. Many famous athletes wear this sportswear for its highly efficient performance.**

**Tenax®**

Lightweight and with excellent strength and tensile modulus, "Tenax" manufactured by Toho Tenax, has been adopted for use in wind turbine generator blades. Control of CO2 emissions is sought as global warming continues to advance so there is a growing need for larger wind turbine generators all over the world. The blades for these new generators can be as long 60m so they need to be stronger than existing wind turbine blades. As a result, Tenax has begun to be used for these blades.

**TENAX®**

Lightweight and with excellent strength and tensile modulus, TENAX® manufactured by Toyo Tenax, has been adopted for use in wind turbine generator blades. Control of CO2 emissions is sought as global warming continues to advance so there is a growing need for larger wind turbine generators all over the world. The blades for these new generators can be as long 60m so they need to be stronger than existing wind turbine blades. As a result, Tenax has begun to be used for these blades.

**MRT Fiber**

Teijin Fiber and Nike US have jointly developed a self-regulating fiber which is the “TEFLEX SPECTRA” concept. MRT fiber is capable of reversible transformation: it expands and contracts when moisture is absorbed and shrinks when it dries out. This has made it possible to make and control outstanding moisture absorption and stretch functionality and lets the wearer visibly see the change as it reacts to changes in moisture levels, which is a new value. Many famous athletes wear this sportswear for its highly efficient performance.

**AEROSHELTER**

Ni Teijin Shoji markets the AEROSHELTER, a large, inflatable, temporary tent that can be pitched in a short period of time. It is made of a lightweight, high strength polyester cloth called "Tetron Powerfleece" as a base. It is one of the lightest weights of a conventional tent and is highly fire resistant and has high weather resistance and wind cannot easily blow through it. Although the actual size is 170m², it can be put up in only 30 minutes and can be folded down for easy carry. Recently, it has been used for temporary tents for those who lost their homes and various events, receiving many orders from government offices and local municipalities.

**IT Business**

Offering a wide range of total IT solutions such as system management and content distribution services, we also offer GRANDIT, a wholly Internet-based next-generation Enterprise Resource Planning (ERP) software package for other companies.

**New Business Development**

To create new businesses, we examined Teijin’s core competencies, information and electronics, environment and energy, automobiles and aircraft, and health care to ascertain the next line of business we should undertake.

**Pharmaceutical and Home Health Care Business**

We focus on bone and joint diseases, respiratory illnesses, and cardiovascular and metabolic diseases, and hold one of the largest shares in the global market for such applications. In Japan, we have created a nationwide home health care network, providing both medical and home health care service around the clock.

**Bonalon®**

Teijin Pharma’s Bonalon Tablet 35mg, Japan’s first once-weekly drug for osteoporosis, was approved for production and sale. Osteoporosis is a chronic disease that is associated with bone fractures and it is estimated to affect 10 million Japanese. “Bonalon Tablet 35mg” has been sold since 2001 but this tablet requires daily intake. “Bonalon Tablet 35mg” needs to be taken only once a week and its safety and effects have been ensured and the patient few from frequent intake. With this new medicine, Teijin makes a new contribution to pharmacotherapeutic advances in the treatment of osteoporosis.

**Emergency Call®**

EMC (Emergency Call) is a system developed to inquire about employee’s safety and to secure emergency headquarters personnel in the event of major disasters or accidents. Presently, this system is recognized as a risk-management and prevention program for natural disasters and crimes and is used in many private educational organizations as an “information system that protects the safety of children.” We have also begun the introduction of satellite mobile phones in case of emergency. To call the system, the telephone is turned off and the mobile phone is then used as a satellite phone.

**Raheama®**

As a countermeasure to respond to the needs of handling the heat induction in electronic equipment with highly advanced technology, Teijin developed "Raheama", a heat conductive carbon fiber. Realizing that the best thermal conductivity exceeds copper and silver in commercial radiation of heat materials, the rate of thermal expansion was low as ceramic, but had high electrical conductivity traits, and it can expect functions such as prevention of static charge and electric wave shielding. In addition, the dispensability of resin material is good, making it possible to design an effective configuration of the radiation.
Since 1999, Teijin has continued to revolutionize its management structures and we promoted the further development of corporate governance measures and internal controls in FY2006. The CSR management headed by the CSRO intends to incorporate these measures for all of its group companies.

Corporate Governance

Since 1999, the Teijin Group implemented a series of groundbreaking management reforms, with the aims of enhancing transparency, ensuring fairness and objectivity, securing independence, and accelerating decision-making. These include the establishment of a management system and business operations best suited for these aims.

In 2003, we published the “Corporate Governance Guide 2003” to state clearly our views. In correspondence with the enforcement of the later company law and reinforcement of the internal control, we performed a review and a partial revision and announced it in April 2007.

Countermeasures to Large-Scale Acquisitions of Teijin Shares

Teijin Limited introduced Countermeasures to Large-Scale Acquisitions of Teijin Shares (Takeover Defense Measures) approved by shareholders to enhance corporate governance, and to secure and improve the corporate value of the company and the common interests of the shareholders.

Promotion of Internal Control

The Teijin Group started the internal control promotion project in April 2006 to correspond to the Japanese version of the SOX law. This internal control promotion project was established to organize the internal control system that dealt with financial reports and is headed by the CFO. Members are from the Business Auditing Office, Accounting and Finance Division, Logistics Division and the CIO Staff Office that promotes the entire group's IT strategy issues. The scope of internal control includes validation of the operation, reliability of the financial report, observing legal matter pertaining to operation and securing property, but for this particular project, we will be looking into “reliability of the financial report.”

From June 2006, Teijin Techno Products which is a central company in the High Performance Fibers Business Group, conducted a pilot test with the following objectives:

- Acquisition of the documentation method by the project members
- Creating models to be used when the project expands to the whole group
- Confirmation of the adequacy of the progress methods when the project expands
- Confirmation of work volume and man-hour

Following the test, we have finished the documentation of all of operation process by November and have prepared an English version of the documentation for overseas.

We had the kickoff at the core companies in December 2006 and have gradually proceeded to other domestic and overseas group companies.

CSR Promotion Activities

Under the CSRO (Chief Social Responsibility Officer), The Representative Vice President is appointed who acts as the CEO, the Teijin Group’s CSR Management is promoted in the entire group. The CSR Committee chaired by the CSRO is established and discusses important CSR issues. The committee is comprised of General Managers of the eight business groups, CHO, CMD, CTQ, CSRO Assistant, and General Managers of PR&IR Office, Legal Office and Business Auditing Office. There are five panels under the CSR committee where we work on specific CSR issues as shown in a chart on page 9.

At the Group CSR Staff Subcommittee, we discuss CSR issues not dealt by the four Subcommittees, such as human resources and labor, procurement, distribution and contribution to society with members from related holding company’s staff functions. The CSR Staff Office observes the entire group’s compliance and risk management activities, management of security export control, and the promotion of the entire group’s activities for contribution to society.

Aiming for New Challenges in Environmental Management

In last year’s report, we made an appeal for the importance of basic CSR activities, such as business ethics, compliance, ESH (Environment, Safety and Health), PL and quality assurance and this past year, we put our efforts into strengthening these issues.

As one of the results, we were able to decrease the frequency rate of injuries with lost days and the number of occurrences of serious accidents and disaster damage. However, a fire erupted in December last year at the Komatsu Plant of Teijin Modern Yarn Co., Ltd. Although no one was hurt, there was damage to the building and some equipment and machinery leading to extensive damage to the group company’s business activities. Taking this as an opportunity, we once more returned to the basic principle of “safety first” and take action to make sure that the entire group worked together on checking and improving safety management and disaster prevention activities as part of their everyday business activities.

Next, I would like to report on the results of our expansive activities that reflect CSR in human resources and labor policies, purchasing and distribution policy. As written in the “CSR Report,” I feel that we were able to positively proceed with our activities with work life balance policies, diversity, a large-scale revision of re-employment policies for those over 60 age and in retirement, reconfirmation of our policy on non-regular labor forces, as well as CSR procurements.

Thirdly, in regards to “selective CSR activities” (social contribution), in cooperation with external NPOs, we were able to start events of “Nature Observation” and “Bird Watching for Beginner.” We hope that leaders will emerge from participants of these volunteer activities.

In addition, I would like to remark on the new challenges we face for “Environmental Management” that is to begin in 2007. This is an attempt to fulfill our promises of “Human Chemistry, Human Solutions” at the three fields which is, 1) Environmental Conservation, 2) environmentally friendly design and 3) environmental business. We would like to try to achieve an ideal situation as an environmentally advanced business, so we hope that you will keep a close eye on our future endeavors.

May 2007
Teijin Group's Midterm CSR Plans and Evaluation

<table>
<thead>
<tr>
<th>Classification</th>
<th>Midterm Goals</th>
<th>Achievements for FY2006</th>
<th>Self Evaluation</th>
<th>Goals and Challenges for FY2007</th>
<th>Reference Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision and Strategy</td>
<td>Midterm CSR Plans and Evaluation</td>
<td>By examining our results of the past year, the issues that needed to be solved by the Teijin Group became clear.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teijin’s CSR Vision</td>
<td>To Further Improve CSR Management</td>
<td>We conducted a self-evaluation of our implemented activities based on the CSR Midterm Plan established in FY2006.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Feature: Promotion of “ECO-CIRCLE®”

Aim for a recycle-based society

Teijin’s “ECO-CIRCLE®”

In 1992, the Teijin Group established the “Global Environmental Charter” utilizing chemical technology to create business models for the compatibility of both environmental and financial issues. One of the models was “ECO-CIRCLE,” which allows polyester products to be converted back to its raw material, and the raw material is used for new products. We are contributing to the realization of a sustainable society by completely recycling these materials.

The significance of the development of “ECO-CIRCLE”
Teijin Group’s development of the world’s first chemical recycling technology for polyester allows polyester fibers and PET bottles to chemically decompose and be converted into new polyester raw materials equal in quality to those made from petroleum.

According to the Ministry of Economy, Trade, and Industry’s 2001 Fiber Industrial Promotion action investment evaluation, it is expected that 640,000 tons of polyester will be produced in Japan in 2010, and 1.74 million tons of fiber waste will be generated from these businesses. The TEIJIN Group believes that by recycling these materials, we move one step closer to contributing more to build a sustainable society.

LCA Evaluation of Recycling Polyester Material
The LCA evaluation of ECO-CIRCLE regarding the preservation of natural resources was that it can expect the reduction of crude oil and natural gas by using polyester products as raw materials. For example, by having the “ECO-CIRCLE” in full operations, it is possible to reduce 33 thousand tons of crude oil and 24 million Nm3 of natural gas in one year.

Compared to when manufacturing raw polyester material (DMM) from petroleum, it is possible to reduce the CO2 by 50% and about 80% when CO2 produced from burning materials is added when it concerns the depression effect of global warming of CO2. So, with 1 ton of polyester, it is possible to reduce CO2 by approximately 3.2 tons.

About 80% of reduction is estimated compared with the case when raw polyester material is produced from petroleum by the reduction effect of the energy.

Aiming toward activities which reaches in the consumer
For these companies that approve the ECO-CIRCLE, the TEIJIN Group has those companies register as an ECO-CIRCLE member, and we cooperate to develop, commercialize, retrieve, and recycle products that answers the customers needs for products that are coniderate to the global environment. This movement is now expanding into the Recycling of uniforms, underwear, train seats, train or bus passes and other products. In the future, we hope to expand our “ECO-CIRCLE” system to general consumers.

Not only do we consider the environment for product development, we cannot forget the views and opinions of the consumer, where we will develop products that will emphasize an additional value of functionality and design so that our customer will purchase these products with an “ECO-CIRCLE” incentive.

To increase the recycling of polyester
Chairman Oshibue (abbreviated hereafter): I feel it is important to greatly expand the scope of Teijin’s “ECO-CIRCLE®” as a business model. In order to do this, I think the panel needs to look at the way society is organized and how it behaves in regard to recycling. Do you have ideas on this?

Hattori: We should try to wear clothes for as long as possible, based on the 3Rs (Reduce, Reuse, and Recycle). Unlike PET bottles, which have a short life from consumption to disposal, in most households, clothes are worn until they cannot be worn anymore and thrown out; so it is difficult to collect them. However, for uniforms and other clothes that are only worn for fixed periods of time, it should be possible to collect some of them. Another issue is that consumers tend to put greater value on design than on environmental considerations. In order to persuade consumers to purchase ECO-CIRCLE products, we need to provide some incentive for them to do so.

Sato: For most consumers, it is difficult to persuade them of the merits of recycling clothes. Rather than saying “recycle clothes”, it may be more effective to stress that this material “should not be thrown away as garbage.”

Umeda: If we consider the increase in volume of material that needs to be processed, we not only have to consider B2B (Business-to-Business) recycling that is at the core of ECO-CIRCLE, but we also have to include B2C (Business-to-Consumer) recycling as well.

Enhancing the appeal to ordinary consumers
Teijin: For example, in the case of Teijin’s B2B recycling, we just need to talk to their business partners, but whom should we speak to about B2C recycling?

Hosoda: In addition to enlightening consumers of the merits of recycling, it is also important to improve the labeling for polyester products to increase consumer’s awareness of the need to separate these products from other waste. We also need to think about how we can best explain the flow for the separation of these products.

Hattori: The collection of polyester is insufficient. We need to consider how we make it easier to extract polyester from existing recycling routes. For example, if there is clear labeling about separation for recycling agencies, then it should be possible to use existing routes.

Sato: As you can see from this LCA (Life Cycle Assessment) graph, even if we only eliminate the polyester from waste that is incinerated, we can reduce CO2 emissions by 50%. The other point we need to stress is that this will not mean a reduction in quality. We should point out to consumers that this reduces CO2 emission without affecting the quality of products.

Hattori: The problem is that unlike the disposal of PET bottles or empty cans, the recycling of fiber is not regarded as a social problem, so consumers are not aware that fiber is included in garbage.

Oshibue: If there is a way to raise the awareness of consumers, who are the users of these products, of this problem, then we can use that to strengthen legal requirements.

Sato: It is important to get consumers to think about the environment when buying clothes. For example, by includ-
Feature: Promotion of “ECO-CIRCLE®”
Aim for a recycle-based society

Teijin’s “ECO-CIRCLE®”

Stakeholder Dialogue

Since fiber has not become a social issue, consumers are unaware of the amount of waste fiber.

Working for the enactment of a “Fiber Recycling Law” that covers imported products

Importance of cooperation with similar industries and retailers

Oshibi: The vast majority of fiber products are imported from China. Working out how we can get China involved in helping to resolve this issue is a major consideration.

Teijin: This is an issue that cannot be resolved by Teijin alone, but requires the involvement of industry as a whole.

Hosoda: As a national strategy, we can consider the introduction of a “Fiber Recycling Law” for imported products. This could be done by applying a recycling fee to all companies, including importers. This amount could all be considered as a recycling charge. Raw material producers who possess recycling technology would process their own products for free, but process those of other companies for a fee. In this way, raw material producers could fulfill their social responsibility, while also completing their EPR (Extended Producer Responsibility) as a business that can coexist with the environment. Not only that, it would help Japan’s fiber industry to prosper. By the way, do you know which fields use polyester the most?

Teijin: Uniforms, sportswear, school PE garments (jerseys), etc. Ladies black formal wear is usually made of polyester. Also, fleecewear and linings tend to be made of polyester. Cutting edge dustproof clothing, which has to have a fine mesh, also uses ultrafine polyester fabric.

Teijin: As for how we can best collect this material, we think it is important for Teijin to work for the rapid introduction of a system that encourages retailers to recycle material in the future.

Sato: What is needed is a campaign to promote the image of a responsible society. For example, a campaign that promotes a social awareness for material that encompasses long use, the reuse, and finally the recycling of material.

Hosoda: The long use and reuse of material of is important, but it is Teijin’s responsibility to recycle material. If a company reduces waste as much as possible, it cannot but help business and the environment to coexist.

Oshibi: These ideas cost money. Are there any opinions on how we can reduce this cost?

Umeda: While we need to constantly appeal to consumers, companies need to start with cooperation with other companies in the same industry and also need to approach fiber recycling agents.

Hattori: It is difficult to get consumers to change their behavior just on an idea. We need a way of explaining to people in simple terms that by recycling fiber, we can avoid using oil.

Oshibi: Finally, could I ask each of you a few words towards Teijin.

Umeda: As a raw materials producer, introducing such a system would be very welcome. I would like to see Teijin set an example of how this could be achieved. On the other hand, I would also like to see you set up a recovery system that includes imported products. By pursuing a pioneering strategy, in the end it is Teijin’s responsibility to recycle material. If a company reduces waste as much as possible, it cannot but help business and the environment to coexist.

Sato: For general consumers this is not the first time they have been asked to recycle chemicals, and it is just a question of finding a means of successfully convincing them that this does not mean any loss of quality. By cooperating with the industry as a whole, increasing awareness, and reducing transportation costs, it should be possible to get consumers to accept this idea. Since Teijin is a upstream company, I would like to see it cooperate with clothing stores and shopping malls to communicate this message more directly to consumers.

Hattori: I feel it is important for Teijin to expand its innovative fiber-to-fiber recycling system to the whole industry. It is also a question of persuading consumers to choose environmentally friendly products, and to understand the significance of the ECO-CIRCLE system. I hope that Teijin will introduce advances that help the environment, not only now but also in the future, and hope to see a constructive exchange of views between industry and NPOs, despite their different viewpoints.

Hosoda: First of all, it is important to decide on the basic concept. For example, when promoting the 3Rs, we need to consider how this can be positioned so that it appeals to consumers. Next, there is a need for a methodology and data to help people implement this within a business. Also, for a raw material producer it would be helpful to view this from a manufacturer’s perspective. With the realization that 85% of imports come from China, the distributors bringing these fiber products into Japan should bear some responsibility for recycling them. The EU is pursuing this strategy. Connected with the basic concept, mentioned earlier, I don’t think anybody can object to the statement “working as a business while protecting the environment is best.”

In the end, joint coordination between different companies in the same industry and clothing manufacturers is important. Through this vertical cooperation it should be possible to create a network that can solve various problems involved, including recovery and delivery, of recycled material. At the moment, Teijin is taking a lead in this area, but on a national level some legal procedures will need to be implemented. For example, a revision could be made to the Law for Promotion of Effective Utilization of Resources to encourage the recycling of fibers.

Oshibi: Implementing each of these recommendations from the specialists on the panel may be difficult, but I would like to see them implemented over time.

Results of the stakeholder dialogue

We have had various views on constructing a recycling society from some Japanese specialists in this field. The aspects that struck home for us, was our lack of consideration for the consumer’s viewpoint, the need to increase society’s understanding of our ECO-CIRCLE recycling system, and the need for the industry as a whole to make a stronger approach to recycling. Although this is a serious problem, the opinions and ideas we received through this dialogue will be very useful for our future efforts.
We received high praises from society regarding our CSR activities but we also had our share of incidents and accidents. We will introduce various happenings under our FY2006 Teijin Group’s CSR activities.

**Revision of the Japanese version of the Standards of Conduct**

Regarding the Midterm CSR Management Plan, the Teijin Group has stated that “for employees, practicing CSR is practicing our corporate philosophy and corporate code of conduct.” Locking over our corporate code of conduct for FY2005, we took a second look at the contents of our recent CSR imperatives. For FY2006, the contents of the corporate Standards of Conduct (established in 1998) was revised in which we reconsidered the conduct level of executives and employees in detail, and incorporated all necessary items as CSR and made an official public announcement.

In April 2007, we handed out the corporate ethics handbook (Japanese version) that included parts of the revised corporate code of conduct and standards of conduct to all our group employees. The newly incorporated contents from CSR perspectives as follows.

- Expand the sustenance of the environment, disaster prevention, safety and health to procurement (supply chain)
- Cooperate and understanding with local communities
- Interest handling of stakeholders’ opinions and reports, prohibition of power harassment
- Support individual development of knowledge, improvement of work-life balance
- Prohibition of political donation
- Compensation for employee’s inventions

**The 16th Global Environment Awards Awarded the Corporate Excellency Award chosen by the Global Environment Committee**

Teijin received the “Corporate Excellency Award chosen by the Global Environment Committee” at the 16th Global Environment Awards. This award aims for the co-existing of the global environment and industrial development and is given to corporations that making a contribution to the realization of a sustainable, recycling-oriented society. Teijin was one of the first to develop a chemical recycling technology for polyester and was awarded for our activities in the recycling of PET bottles and fiber products.

**Teijin Fiber Matsuyama Plant was authorized as an “Outstanding Recycling Plant”**

In February 2007, Teijin Fibers Matsuyama Plant was authorized as an “Outstanding Recycling Plant.” This system recognizes plants and businesses that are actively tackling recycling and controlling the production of waste materials and will be a role model that will contribute to the recycling society in Ehime Prefecture. Since the Matsuyama Plant uses a “fiber to fiber” recycling method, they play a major role in the recycling society where they continuously circulate recyclable resources.

**Lohas Club and the sale of Eco Bag begins**

Teijin Fiber began the sales of “My Design Eco Bag x ECO-CIRCLE” together with the Lohas Club from June 2006. Through such activity, we wanted everyone to have fun while raising awareness of global environmental issues and to contribute to the promotion of the action plan, “set’s reduce CO2 through shopping and garbage” of the prevention of global warming led by the Ministry of the Environment titled “Team Minus 6%.” Portions of the sales of the Eco Bag will be donated to environmental NGO and NPO activities through the Lohas Club.

**Japanese and Chinese government and private sector members visit the “Bottle to Bottle” recycling facilities**

Representatives from The Japan Chemical Fibers Association, Ministry of Economy, Trade and Industry and the Commercial Affairs Section of the Chinese Government visited Teijin Fiber Tokuyama Plant’s “Bottle-to-Bottle” recycling facilities. This is to make the relationship of China and Japan’s chemical substance trade and investment go smoothly and to aim toward the healthy development of the chemical industry for both countries as it was done as part of “Japanese-Chinese Chemical Government Discussions.” The visit was very enthusiastic with many questions regarding equipment and operational technology being asked.

**SRI Index Employment Situation**

As of May 2007, the Teijin Group has adopted both the “FTSE4Good” and “Ethibel Sustainability Index.” We have also adopted the “Morningstar Socially Responsible Investment Index” as well.

**Two fiber group companies in Thailand have received Thailand’s Safety Award**

Teijin Polyester Limited (TPL) and Tejin Limited (Thailand) (TJT) have received the “National Occupation Safety and Health Award” which is a safety award in Thailand. The Ministry of Labor of the Thai Government evaluates a local company’s ESH (Environmental, Safety and Health) policies and work environment and awards it to the most outstanding company. TPL as won this award for five consecutive years and TJT for three.

**The loss of a personal computer with personal data**

On May 21, 2006, through our group company Infocom, a personal computer with 110,000 personal data information was lost. We immediately notified our clients and the police to report the loss and held a press conference to apologize to all those involved. The computer that was lost had a complicated login password so as of yet; there are no reports of any illegal transactions or usage of the information. At Infocom, information security and personal information protection are ranked as the most important management issue with a full time organization to handle the details as well as auditing by external organizations for the acquiring of the certification of ISMS (Information Security Management System) and privacy mark authentication. Safety measures, through the education of employees and the handling information are also enforced. However, we have taken the seriousness of the loss of the computer to heart and have re-examined related policies and are working diligently on preventive measures for the entire Infocom Group’s employees through education and raising awareness and reinforcing security for handling work related computers as well as reinforcing internal audits.
The Environment, Disaster Prevention, Safety and Health are Integrated and Managed in Organized Systems

In accordance with our corporate philosophy, we have determined the Teijin Group Global Environmental Charter, Activity Goals and Basic Policies on ESH. The Group ESH*2 Subcommittee has established an integral management concern the environment, disaster prevention, safety and health issues. We will periodically audit the ESH activities and we will continue to improve the system.

Group ESH Management Organizations

The Teijin Group has specified the "Teijin Group Global Environmental Charter," the "Teijin Group’s Global Environmental Activity Goals," and the "Teijin Group ESH Basic Policies" based on our corporate philosophy as the basic policy on environmental, disaster prevention, safety and health issues with regard to all business operations.

Also, for the reduction of environmental impact on the global environment and local communities, as well as to secure the safety and health of the employees and to fulfill our social responsibility as a company while contributing to a sustainable social development, we have established the Group CSR Committee to manage ESH. The CSRO (Chief Social Responsibility Officer: Group CSR head) who also acts as the CEO is in charge of these activities (参5).

An ESH subcommittee has been established under the CSR committee, to unify and promote environment, disaster prevention, safety and health issues.

The group ESH subcommittee is comprised of the chairman of each business group’s CSR committee and the corporate staff, and they discuss and determine the group’s policies midterm targets and yearly priority activities. It also periodically audits the status of ESH activities. Furthermore, the group sets regulations, standards and guidelines for ESH management that should be shared among groups and shares them on the corporate intranet and group companies, among groups and shares them on the corporate intranet and group companies.

ESH Audit, Debriefing Session, and Educational Programs

**ESH Audit**
The ESH Audit implemented by the ESH Management System has an ESH Audit I, in which it audits the ESH management aspect for plants, factories, and other manufacturing sites by the business group’s ESH Chairman and an ESH Audit II where it audits the environmental activity aspect of the business group’s ESH chairperson.

Furthermore, the implementation aspect of each business group’s Audit I and II is reported by ESH Audit I and the CSRO handles all necessary guidance and counseling for each business group’s activities.

**Teijin Group ESH Debriefing Session and Each Business Group’s Assembly**
Annually, the Teijin Group holds a general assembly and debriefing session hosted by the ESH committee, concerning each business group’s ESH activities to share information and to enhance ESH management.

At the assembly, each division will report their ESH related activities, have a panel discussion or have an outside speaker come to speak about ESH. Also, the CED, CSRO and all the business group’s heads will attend the ESH debriefing session annually to report to the CED and CSRO about their business group’s ESH management aspects.

**ESH Educational Programs**
To enhance the ESH management in domestic and overseas group companies, the Teijin Group offers educational programs for the president of each group company and executives involved with ESH management and activities, ESH staff, and line management.

The Educational Programs started in January 2002 for management in the domestic group companies to teach them about activity contents, concept and management system of the group’s ESH policies. The workshop for overseas group companies started in South-East Asia in 2003. With substantial group company growth in China in 2006, the first ESH workshop that targeted China was held for the first time in Shanghai. The workshop is held every year in Japan and every two years in South East Asia, EU, North America and China.

Also, to enhance and promote the whole of the Teijin Group’s ESH compliance, we began a training seminar for ESH Compliance internal auditors, for all domestic group companies in 2005, so that all auditors approved will have a certain level of knowledge. From 2006 till now, there are 358 approved managers as corporate internal auditors within in the group.

Studying about the Environment through E-learning

Until recently, although the Teijin Group did implement ESH education such as ESH Training seminars or Compliance Internal Auditors Training for management and executives, we did not implement such education and training for all group employees.

In FY2006, we created an e-learning test with additional content regarding environmental issues that affect the Teijin Group’s voluntary management activity, and made this information available on the corporate intranet for all domestic group companies to fill in the blank of employees who have access in June. Every month, we select approximately 700 company group employees, and in the 3 months from June 2006 to March 2007, approximately 6,700 employees took this environmental study which consists of 80% of the employees who have read the text. After April 2007, we are planning to continue this education with these employees who were unable to take it the previous year and for new employees.

In FY2006 Audit Results

<table>
<thead>
<tr>
<th>ESH Audit I</th>
<th>ESH audits at production sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>27 Domestic businesses, 12 overseas businesses</td>
<td></td>
</tr>
</tbody>
</table>

ESH Audit II

Audits concerning environmental activities

Comparison: same as above

For each of 8 business groups

ESH Audit III

Audits of the results of ESH audits conducted by individual business groups

CSRO

Carried out for 8 business groups and individual management companies

ESH Management
Measures Taken to Reduce the Environmental Impact in All Life Cycles

Response to the global environmental problems are considered as important part of our social responsibility, and we strive to capture the environmental impacts resulting from business activities over the entire life cycle. We are working on reducing environmental impacts in our business activities and make an effort to raise awareness among employees.

Environmental Impact of the Teijin Group

The Teijin Group’s operations impact on the environment in several ways: usage of energy such as fuel, as well as chemical substances, handling of chemical substances, waste disposal, and usage of water, generating chemical substances, and other impacts. Observing the rules and regulations for environmental impacts with local governments, the group is carrying out various activities, through saving energy and cutting down the emissions of waste chemicals, to reduce the overall environmental impact.

It is necessary to consider the environmental impacts brought on by the consumption, use, and disposal of products by customers of the Teijin Group. For this reason, the environmental impact of a product is considered, recyclables and reusability are pursued, and the development of new functions to reduce this impact is being pursued.

Prevention of Global Warming and Energy Conservation

Main Midterm Targets (FY2006-2030)

Domestic: Reduce CO2 emissions more than 10% below FY1990 level by FY2010
Overseas: Reduce unit index of CO2 by 1% compared to the previous year

The Teijin Group has been working to improve energy efficiency to prevent global warming by promoting energy conservation.

From FY2005 following the Kyoto Protocol, we have set reduction goals for the total amount of CO2 emissions for domestic companies and are shifting to the energies with less CO2 emissions, such as biomass fuels and so forth.

The amount of CO2 emissions for FY2006 in Japan was 2.10 million tons, accounting for energy savings and the changes in the production volume. This means that we have achieved 2% reduction compared to 2.15 million in FY2005.

Meanwhile, for the overseas group companies, we have improved the energy efficiency with energy saving promotions and are now working on improving the unit index of CO2 emissions. There were 7 factory/plants among the 19 overseas factory/plants that were able to improve the unit index of CO2 emissions by more than 1% for FY2006.

Efforts to Reduce CO2 Emissions

The Teijin Group is working on reducing its CO2 emission by converting from heavy oil to natural gas using more renewable energy such as biomass fuel. At the Teijin Techno Products Mihara Plant, we are estimating to reduce 32 thousand tons of CO2 emissions annually by installing a co-generation system that uses biomass fuel.

At the Teijin Dupont Film Utsunomiya Plant, we have finished the construction to switch from heavy oil for the boiler to natural gas in February 2007 that will help reduce CO2 emissions by 4 thousand tons per year from FY2007.

The Teijin Iwakuni Plant is also proceeding to switching its boiler fuel from heavy oil to natural gas that will help reduce CO2 emissions by nearly 10 thousand tons per year.

From September 2006, Teijin Polyester (Thailand) has switched from heavy oil to natural gas reducing their CO2 emissions by 16 thousand million tons per year.

We will strive to take actions for saving energies in order to decrease the amount of CO2 emissions, taking into account the restriction of the infrastructure and the current energy consumption at each plant.

Eco-Marathon 2006

The Teijin Group encourages “Eco-Marathon” where the employees can implement energy conservation in their daily lifestyle.

Under the “self-evaluation system” with the full mark of 10 points, each lifestyle is accounted for in terms of the reduction of energy consumption. The results of the self-evaluation are to be converted into a CO2 amount, which is then used as the basis for calculating an indication for tree absorption of CO2 along with the method adopted since FY2005. In FY2006, 1,668 people participated in this activity and as a result of the 3 months from July to September, 73 1 tons of CO2 were reduced, which is equivalent to the amount of CO2 which can be absorbed by 5,220 trees per year.

Furthermore, from FY2005, we held an “ideas contest” where we accepted ideas regarding energy conservation in daily lifestyle and the idea with the most votes from the other employees would be recognized. In addition to this, we began the “environmental household account book” activity in 2006 and the participating employees were able to choose from 3 courses. The “environmental household account book” has all the participants file their electricity, gas, kerosene and other utility usage for a month and recognize the energy consumption amount of for one person and compare that amount with a Japanese standard household. This activity began in July 2006 and continues for a year until June 2007. These “Eco-Marathon” activities were introduced on the “Team Minus 6%” web page of the Ministry of the Environment as a “Team Member’s Activity Report” on February 8, 2007.

Environmental Impact of the Teijin Group in 2006

<table>
<thead>
<tr>
<th>Input</th>
<th>Energy</th>
<th>Raw materials</th>
<th>Freshwater consumption</th>
<th>Seawater consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>486.6 10^6 GJ</td>
<td>2.26 million tons</td>
<td>105 million tons</td>
<td>128 million tons</td>
</tr>
</tbody>
</table>

Environmental impact and processing

Output

<table>
<thead>
<tr>
<th>CO2</th>
<th>Chemical substances</th>
<th>No-efficient-use waste</th>
<th>Total water discharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.56 million tons</td>
<td>3.404 tons</td>
<td>12.2 thousand tons</td>
<td>215 million tons</td>
</tr>
</tbody>
</table>

Trends in CO2 Emissions

Mihara Plant biomass storage facility

The amount of CO2 emissions from FY1990 through 2005 were recalculated using the emission factors determined by the “Law Concerning the Promotion of the Measures to Cope with Global Warming”.
Reduction of Chemical Substance Discharge

Chemical Substance Discharge Situation for FY2006

The amount of emission that the Teijin Group's target substance for FY2006 was 3,404 tons as a result of improved recovery by absorption of substances discharged into the atmosphere and the introduction of decommission by combustion equipment. The discharged amount decreased by 12% as compared to FY2005 for domestic group, and increased by 13% for overseas group due to increasing production in China. As a result, the Teijin Group achieved 5% reduction as compared to FY2005 as a whole.

The amount of emissions of chemical substances declared by 'The Chemical Substance Management Law' Class 1 was 2,124 tons in FY2006 and 4.0% decrease, compared to 2,214 tons in FY2005.

The VOC emissions amounted 2,126 tons for domestic group companies in FY2006, a 38% decrease compared to 3,420 in FY2005.

Air and Wastewater Discharge, COD (BOD) Load

Through combustible use, the Teijin Group generated 6.6 thousand tons of SOx in the domestic group companies and 3.7 thousand tons for the overseas group companies, for a group total which was nearly the same as in FY2005.

Top 10 substances in the Chemical Substance Discharged in FY2006

The amount of industrial water (including groundwater) and drinking water used in FY2006 by the Teijin Group was 3.3 million tons for the domestic group companies and 18 million tons for the overseas group companies, totaling 100 million tons for the Teijin Group as a whole which was about the same as FY2005. To reduce the amount of water usage, the Teijin Group uses seawater for cooling. The total amount of discharged water including the 128 million tons of seawater was 215 million tons in total, which is about the same as FY2005.

The amount of COD (Chemical Oxygen Demand) load and BOD (Biochemical Oxygen Demand) load for domestic group companies was 646 tons and 653 tons for overseas group companies.

Class 1 Chemical Substances Discharged under the Chemical Substance Management Law

- Methanol: 200 tons
- Ethylene glycol: 27 tons
- Xylene: 21 tons
- Toluene: 45 tons
- Acetone: 102 tons
- Propyl alcohol: 45 tons
- Methanol: 22 tons
- Acetone: 21 tons
- Xylene: 22 tons
- Toluene: 43 tons
- Acetone: 104 tons

The total number of plants and factories that achieved zero emission to 10 domestic plants and factories in the Teijin Group that have achieved zero emissions.

Prevention and Decontamination of Landfill and Groundwater Contamination

In October 2004, a voluntary survey on soil pollution was conducted in preparation for the sale of the land then used for an employees' recreational facility at Teijin's Osaka Research Center in Ibaragi City, Osaka. The survey results revealed the pollution of soil and groundwater in part of the lot at concentrations exceeding the standards. We reported this to Ibaragi City immediately, decontamination of the polluted soil following the advice of the city began in February, 2005. At present, we are monitoring some additional work that remains to be done and the work will be completed soon. With this experience, we have decided to add "Prevention and cleanup of landfill and groundwater contamination" to our new ESH Midterm target.

The drafting of the contamination control management guideline has finished during FY2006 and we will place further emphasis on the prevention of soil and groundwater contamination based on this guideline.

Topics

Matsuyama Plant achieves zero emission

Matsuyama Plant, which is the largest domestic plant for the Teijin Group, is now able to recycle and reuse almost 100% of their discharged waste and they have achieved zero emissions in January 2007 by containing the amount of waste emission and reducing industrial waste and also by enhancing and expanding their recycling activities. This will make 10 domestic plants and 2 overseas plants in the Teijin Group that have achieved zero emissions.
Disaster Prevention Activities

In order to aim for the prevention of accidents and disasters such as explosions, fires, leaks or spills of hazardous/harmful substances, we are working on disaster prevention management in many ways. By making the group’s common guidelines, we are promoting prevention activities such as education and drills, disaster prevention diagnosis and earthquake provision measures.

Moreover, accidents and disasters which affect the local community are defined as serious accidents and disasters, and information on the disclosure of leaks or spills of hazardous/harmful substances, buildings collapses, etc. has also been collected in addition to that for explosions and fires since 2003. We are revealing this information within the group to strive to prevent recurrence.

Following these activities, there were zero leaks or spills of hazardous/harmful substances in FY2006 but there was a fire at the Teijin Modern Yarn’s Komatsu Plant. The Teijin Group takes this accident seriously and will work on recurrence prevention and horizontal development within the group.

Disaster Prevention Activities

To secure safety, we are following the PDCA flow and disaster prevention management is implemented in a proactive manner. For our main plants, we are continuously performing risk communication activities and we are now in the midst of improving them.

Disaster Prevention, Safety and Health Performance

For our main plants, we are continuously performing risk communication activities and we are now in the midst of improving them.

Disaster Prevention PDCA Flow by Disaster Prevention Diagnosis

Prevention Measures at High-risk Facilities

The Teijin Group established Teijin group Chemical Accident Prevention specialist team (TCAP) in FY2006. This specialist team, which is knowledgeable about plant disaster prevention and has experienced members on accidents caused by equipment factors or explosions and fires at chemical plants or industrial power plants, supports group companies. Preparations for their activities finished in FY2006, and they will begin support activities, disaster prevention management and technical training for management for domestic group companies in FY2007.

Disaster Prevention Diagnoses

The Teijin Group has been implementing disaster prevention diagnoses by voluntary standard since 1980. Safety is assessed every 5 years by expert inspectors at key plants where large amounts of hazardous substances or high-pressure gas are handled.

Since FY2005, disaster prevention diagnoses have expanded to overseas businesses and in 2006, four overseas companies were diagnosed and a meeting was held to analyze the results. For FY2006, four domestic plants and one overseas plant were diagnosed to verify and strengthen the disaster prevention framework.

Prevently, disaster prevention diagnoses are ongoing at 25 plants but for FY2006, small hazardous area such as hazardous material storage, combustible storage and boilers will have a mini disaster prevention diagnosis so that we can enhance disaster prevention management in these smaller plants and facilities.

Anti-Earthquake Measures

Following the Hanshin-Awaji Earthquake, we implemented measures to lower the damage during large earthquakes.

Regarding seismic measures for buildings, 61 buildings in domestic group companies built before 1981 were diagnosed and we are in the midst of removing and improving seismic reinforcement in buildings those earthquake-resistance strength were diagnosed as not sufficient in the future, under the 2006 revised Earthquake-Resistant Building Renewal Promotion Law, we will expand our seismic diagnosis measures and enhance earthquake countermeasures.

Local Risk Communication

To fulfill our social responsibilities to explain our ESH activities to the local community, communication measures are being taken with the local community so we can be known as a business with an open-door policy. Following the enforcement of the Chemical Substance Management Law in April 2001, the Teijin Group began exchanging information with neighboring town associations, school personnel, local governments, etc., at major domestic factories, to assure our neighbors that we will remain accountable for our management of chemical substances, environmental conservation, disaster prevention and other ESH management, and taking them on a tour of our facilities. These Local Risk Communications are held once every two years at 8 plants and factories in 6 locations, and in 2006, it was held at 6 plants and factories in 5 locations.

Trends in the Number of Serious Accidents and Disasters

The Fire Accident at Teijin Modern Yarn Komatsu Plant

On December 20, 2006, a fire broke out at the Teijin Modern Yarn’s Komatsu Plant. Approximately 7,600 m² of its facilities and the third plant building was reduced to ashes and damages to equipment were approximately 600 million yen. No one was injured and the fire did not reach our neighboring buildings but we did cause some anxiety and inconvenience to the local residents, customers, related agencies and others.

A thread that had become wrapped around a revolving roller on a fiber processing machine caused this accident, and the rubber roller which had become hot due to the friction, fell off its spool and ignited flammable oil solutions that were on the floor. Because of the delay of finding the problem, the fire spread and expanded to whole factory.

After the accident, Teijin unilaterally established an investigation committee on the day following the accident and they investigated the cause of the accident, determined prevention measures and worked on horizontal development within the entire group.

A full inspection was completed within the group about the lack of prevention countermeasures with the spools for the rubber rollers, lack of detection devices, and the inadequate treatment of unused flammable oil solutions and inadequate preventive measures from past experiences and we are now in the midst of improving the strategies for these measures.

The Teijin Group has put into effect disaster prevention measures for chemical plants, large tank yard and self-generated plants with high explosive or fire risks. However, with this accident, we re-realized that fires in small and mid-size plants and buildings have a large impact on the local community and our customers. We will establish a fire prevention management enforcement special committee in 2007 and will promote the enhancement of the entire group’s fire prevention management.

Environmental and Safety Report

Disaster Prevention, Safety and Health Performance

Securing Peace of Mind for the Local Community and the Safety and Health for the Employees

To secure safety, we are following the PDCA flow and disaster prevention management is implemented in a proactive manner. For our main plants, we are continuously performing risk communication activities so that the local community has a better understanding of our main plants and businesses.

Trends in the Number of Plants that had Disaster Prevention Diagnosis

The Teijin DuPont Film Gifu Plant held a risk communication seminar for the local residents. Approximately 40 people including the chair person of the neighborhood community association, school personnel and prefectural and town office staff participated, and we explained our basic policies for ESH activities and the situation on the reduction of air pollutant materials and chemical substances under the Chemical Substance Management Law.

This was the second information seminar following the one in 2004 and we reported how we reduced facility risks that come from earthquakes and disasters due to our independent process diagnosis and our zero emission situation. We also had for the first time, questionnaires regarding social contribution by our plants and guided tours of our clean room. The results of these questionnaires and other information from our group companies will be reported at the next and third information seminar in 2008.
Measures for Occupational Safety

Main Midterm Target (FY2006-2010)

Set the frequency rate of injuries with lost days at 0.3 or under in 2007 and maintain it.

To set a challenging target number for the entire group, we have set the number for the frequency rate of injuries with lost days at 0.5 or under in 2007 and beyond, and we have set it for 0.3 or under.

The safety results for 2006 was 0.29 for the domestic frequency rate of injuries with lost days compared to 0.86 in the previous year showing great improvements but for overseas, it was 0.68 which was worse. The total group rate was 0.47 and we were able to achieve our 2006 target of 0.5 or under.

In FY2006, we held safety guidance for 5 plants by the ESH Office after reviewing the work-related accidents in 2005. For 2007 and beyond, we will have safety guidance for 8 plants every year and plan on finishing safety guidance for all domestic plants by FY2009.

The Frequency Rate of Injuries with Lost Days*1

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>Overseas</th>
<th>Entire Teijin Group</th>
<th>Domestic Chemical Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>0.76</td>
<td>1.22</td>
<td>0.98</td>
<td>1.00</td>
</tr>
<tr>
<td>2004</td>
<td>0.60</td>
<td>0.80</td>
<td>0.76</td>
<td>0.86</td>
</tr>
<tr>
<td>2005</td>
<td>0.43</td>
<td>0.60</td>
<td>0.50</td>
<td>0.60</td>
</tr>
</tbody>
</table>

*1 Number of persons injured involving days away from work or died in accidents per million working hours.

Three Pillars of Safety Activities

We consider that it is necessary to raise employees’ safety awareness to prevent occupational accidents that are caused by human factors. The Teijin Group positioned 55 Activity, Hyatt-Hatto Activity and Safety Patrol as 3 pillars for our safety activities. 55 activity progress state and measures against possible unsafe states picked up by hyatt-hatto (close call) activity are to be confirmed by our safety patrol. For our hyatt-hatto activities, there may be differences among plants but we are making sure that each will achieve 0.5 cases/person per month through our educational program and ESH audits.

Risk Management of Machinery Design

Our thoughts on occupational accidents prevention measures are as shown in the chart on the right.

From this point of view, we made risk assessment system for machinery design and are implementing the system to ensure intrinsic safety or safety by protective devices (distance guards, interlocking guards). On the basis of our aim for the prevention of occupational accidents, during design stage of new installation, modification and renewal, we shall reduce any considerable risks, such as entanglement, drawing-in, cutting, ablation, collision with falling objects and so on, to tolerable level, and point out specifically residual risks that cannot be measured by safety design method for promoting machinery users to take countermeasures.

OHSAS18001

With the aim to further expand and enhance our safety management system, we have made a goal for each group company to get the certificate of conformance of the Occupational Health and Safety Management System OHSAS18001 and are promoting to get the certificate.

In FY2006, Toho Tenax Europe in Germany, Toho Tenax Mishima, Ibigawa and Tokushima have acquired the certificate.

In FY2007, Teijin Europe expanded the scope of safety management to the entire group, we have set the number of persons injured involving days away from work or died in accidents per million working hours.

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>Overseas</th>
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<th>Domestic Chemical Industry</th>
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<td>2006</td>
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<td>0.58</td>
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<tr>
<td>2008</td>
<td>0.19</td>
<td>0.60</td>
<td>0.32</td>
<td>0.53</td>
</tr>
<tr>
<td>2009</td>
<td>0.13</td>
<td>0.60</td>
<td>0.26</td>
<td>0.44</td>
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</tbody>
</table>

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<tr>
<th>Year</th>
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<th>Overseas</th>
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</tbody>
</table>

*1 Number of persons injured involving days away from work or died in accidents per million working hours.

Our perspectives on the occupational accidents preventive plan

1. Any risks that are not eliminated will lead to accidents.
2. It is important to prevent reasonably any access between persons and hazards to effectively secure safety.
3. It is human nature to make mistakes. To ask people for consistently reliable measures has its limits.
4. First and foremost when considering safety, you must understand that "people make mistakes and machinery breaks down." It is important to make efforts to prevent human mistakes and machinery break-downs, but that is not essential to risk management. The essence for risk management is to ensure safety for everyone who use machines and machinery break-downs.
5. In order to prevent occupational accidents, intrinsic safety and safety by protective devices (distance guards, interlocking guards) are the proper measures.

Health and Sanitary Measures

Consideration of New Policies for Health Care Activities by Health Specialist Committee

With an increasing number of employeess who need medical attention from the periodical health examination and those who take leave due to mental health issues, the health index data is shifting towards the worse. With the revision of health laws for the elderly, a specific health inspection and health guidance will be required for all those with health insurance from April 2008.

With these new issues, the Teijin group has established a health specialist committee (including health insurance union and labor union members) in August 2006 for further health management activities.

As a result, it was decided that new measures would be developed after FY2007 regarding the enhancement of health activity promotion system, mental health measures, and lifestyle disease measures promotion. For the lifestyle-related disease measures, which were inadequate, we will provide our employees: the education through e-learning to raise awareness of the employee’s health management. For the specific health inspection and health guidance, we are working together with the health insurance union by establishing a committee to promote activities for its start in April 2008.

Promotion of Mental Health Care

The Teijin group sets one month aside every year as the “Mental Health Care Month” to assess the employees’ work stress**. This assessment system is based on 12 questions on the intranet where the employee can assess their stress levels, support from co-workers, workload and rate of discretion. Then, the system automatically assesses the stress level and health risks on a nationwide average of 100. Depending on the number of this assessment, each section will take different measures.

In FY2006, we have added a system where the healthcare staff will have access to the results of each plant and business area to assess them. Thanks to this, we are now able to pinpoint which workplace has a higher health risk.

Efforts for Passive Smoking Control

After the Health Promotion Law was established in May 2003, we established the Passive Smoking Control Promotion Standards to achieve complete division of workplaces into smoking and non-smoking areas. The Teijin Group places great importance on the health of our employees and has been promoting passive smoking control by the unified regulation throughout the entire group in 2004 and have achieved total separation of smoking and non-smoking areas in March 2007.

The same implementation is being achieved for overseas companies with the goal set for December 2007.

Promotion of Activities against Asbestos Issues

We have placed a great deal of importance on handling asbestos-related issues that were featured as a social problem in Japan, and we have implemented an asbestos health check up in FY2005, changed materials made from asbestos into materials without them and promoted standard disclosure prevention measures for asbestos. The ex-employees asbestos health check up that began in FY2005 will continue every 6 months until FY2008 and the implementation beyond that will also be considered.

As of the end of March 2007, the results for the ex-employees asbestos health check found 5 cases of mesothelioma (all patients have died), 4 cases of lung cancer (2 of which have died), and 1 case of Pneumoniosis before the Tejin became a holding company. We are sincerely dealing with the employment proof certificates necessary for occupational accident authorization and application of the asbestos-related health hazard law.
Promote Environmental Management and Provide Environmentally Friendly Products and Technology.

*The Environmental Management Research Study Group* was established to enhance the creation of technology and environmentally friendly products as well as consider environmental safety. The 3R’s of business is implemented in all business activities and we appeal Teijin’s stand on these issues by participating and displaying our products at Eco-Products Exhibitions.

Our Perspectives on Environmentally Friendly Products

The Teijin Group is providing a variety of Eco-Products for the market under our own mission statement: “Toward the Creation of Recycling Oriented Technologies and Products” that was launched in 1997 for the development of environmentally friendly products and technology. Under the 3R (Reduce, Reuse, and Recycle) concept, we have been working on reducing environmental load in every process from development to production, distribution, consumption and disposal.

Furthermore, we have established the “Environmental Management Workshops” with the ongoing theme of “environmental management” under the supervision of the CSR Office in April 2006, to continuously contribute to society through new management strategies that will raise corporate values and create harmony with environmental safety.

At this workshop, the Environmental Safety Committee chairperson of the holding companies presides as the chair with members from the Marketing Planning Committee, CTO Staff Room and CSR Staff Office and discusses and examines 1. environmental conservation activities to reduce the environmental impact during manufacturing, processing and marketing stages, 2. design of environmentally friendly products, and 3. research of environmental businesses.

In addition, to be thorough about our concept for environmental management for every employee, the products and the environmental contents in the “Corporate Standard Conduct” was reviewed and revised in 2006.

Display at the Eco-Products Fair

The Teijin Group has been participating in the Eco-Products Fair every year since 1999, as a place to present our environmentally friendly technology, materials and products.

In FY2006, 60 employees from 9 group companies participated, presenting the groups 3R based Eco Statement as our basic concept with fiber to fiber Eco-CIRCLE, bottle to bottle PET Bottle Recycling system, Eco Bag (official name: My Design EcoBag x ECO-CIRCLE), biological degradation plastics, recycle panel “e-pet,” energy conserving high intensity screen. At the same time, we offered educational environment for elementary and middle school students at the exhibition through our making their Eco Bags. Each child drew their own picture on their own Eco Bag and went happily on their way.

We received high praise from the staff of the Ministry of the Environment and from other corporate groups, saying that our booth was easy to understand and the attendants were energetic and talked to visitors freely.

At the “Eco-Products Fair Tohoku 2006,” our Eco-Bags received great interest and we received many inquiries from local companies and local public authorities.

Points to Consider for Environmental Friendliness

1. Less energy consumed during manufacture compared to conventional products by group companies
2. Energy saved during use of products
3. More durable than conventional products by group companies
4. Easily reusable and recyclable after use
5. Reduce and use of recyclable materials
6. Substitutions for materials with environmental impact
7. Lower emission of substances with environmental impact (during manufacturing stage)
8. Lower emission of substances with environmental impact (after use)
9. Lower emission of substances with environmental impact (after use)
10. Environmental cleanup functions
11. Others

Eco-Products and Eco Service of the Teijin Group

Starting with the recycling technology of polyester (MPDS), we have developed the following environmentally friendly products and materials included in the categories below:

1) Apparrel, Interior Goods, Daily Products
2) Packaging Materials
3) Vehicle Markets
4) Electric Appliances, Electronic Components, and Semiconductors
5) Building and Civil Engineering Materials
6) Environmental Cleanup and Conservation

See more details in the guidebook “Toward the Creation of Recycling Oriented Technologies and Products.”

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E-mail: ekoha@teijin.co.jp

Environmentally Friendly Products and Technology

**Suffron** Enhances the Durability of Tires

Suffron, modified aramid derived from Twaron, is a rubber ingredient that has been chemically processed from cut fiber and when absorbed by the tread of a tire, it disperses inside the rubber and as it conforms to the rubber, the tire becomes more durable. It also reduces a rolling resistance, which improve fuel efficiency. Presently, tire manufacturers all over the world are considering its development. It is anticipated to grow into a new business model for Twaron and we are aiming for its commercialization by mid 2007.

**Highly Transparent and Heat Resistant Bioplastic**

Teijin and Musashino Chemical Laboratory, Inc., have decided to jointly develop a new heat-resistant bioplastic. It has a melting point of 210°C which exceeds that of poly lactide, thought to be the bioplastic currently on the market with the most growth potential, by 40, and offers superior transparency to that of the highly versatile PET.

Our target is to enter the market at an annual scale of several hundred tons by the end of 2008. In the near future, we intend to work on the mass production of the new heat-resistant bioplastic based on a full production system incorporating everything from raw materials onwards.

**Reftel**: Highly Transparent, Heat Insulating Film

Teijin developed Reftel, a highly transparent and heat insulating film using Teijin DuPont Films polyester film. When affixed to a window, it is so transparent that it is barely visible and blocks 25-50% of the sun’s direct light. It softens the heat around the window, which lowers the temperature, keeps the summers cool, and winters warm and help conserve energy. It is a product that screens UV rays and shields electro-magnetic waves so it creates a comfortable lifestyle space that is friendly for the earth.

**Reftel Insulating Film**

For more details on Teijin Group’s environmental friendly products, please go to the “WEB Catalogue.”

http://catalog.teijin.co.jp/
Establish a Management System that Unifies the Environment, Labor Safety and Quality Assurance

We are creating a management system based upon specified certifications such as ISO and OHSAS. Also, we are implementing ESH accounting calculating disaster prevention, safety and health related investments in addition to environment for quantitative measures of our ESH activities.

**ESH-related Accounting**

Referring to the environmental accounting guidelines published by the Ministry of the Environment, the Teijin Group will calculate the expenses and the effects of the environmental conservation, energy conservation, conserving natural resources and recycling activities by the domestic and overseas group companies, as well as the investment and expense used for disaster prevention, safety and health.

**Acquiring Management System Certifications**

The Teijin Group actively promotes the acquisition of management system certifications for environmental management (ISO14001), occupational health and safety (OHS001). Certification of the entire group under universally recognized management systems will enable us to make continuous improvements in a standardized framework.

**Current Status of ISO14001 Certification of Approval (Facilities newly certified in FY2006 are in red)**

- **Domestic:** (26 companies, 44 facilities)
  - Teijin (Indianapolis, Mishima, Tokushima), Toho Tenax (Mishima, Tokushima)
  - Teijin Fibers, Teijin Industries, Teijin Chemicals, Teijin Europe, Toho Tenax Europe

- **Overseas:** (9 facilities)
  - Teijin Fibers, Teijin Industries, Teijin Chemicals, Toho Tenax Europe

**Current Status of OHS18001 Certification of Compliance (Facilities newly certified in FY2006 are in red)**

- **Domestic:**
  - Teijin (Indianapolis, Mishima, Tokushima), Toho Tenax (Mishima, Tokushima)
  - Teijin Fibers, Teijin Industries, Teijin Chemicals, Toho Tenax Europe

- **Overseas:**
  - Teijin Fibers, Teijin Industries, Teijin Chemicals, Toho Tenax Europe

**Range of ESH Report**

- **Fibers**
  - Teijin Polyester
  - Toho Tenax
  - Toho Tenax America

- **Plastics**
  - Teijin DUPONT Films
  - Teijin Dupont Films Japan

- **Chemicals**
  - Teijin Chemicals
  - Toho Tenax

- **Pharmaceuticals and Home Health Care**
  - Teijin Pharma

- **Trading and Retail**
  - Teijin Tenax

- **New Businesses**
  - Teijin Advanced Fibers

- **Individual Management Companies**
  - Toho Tenax, Teijin Logistics, Teijin Eco-Science, Teijin Engineering

**Corporate staff, others**

- Teijin Creative Staff, Teijin Entech

**Note:** Company names are as of May 2007. Company names are shown without (United Co., Ltd., Inc., etc.)
Promotion of Unified Compliance and Risk Management

We believe that compliance and risk management are the basis for sound corporate governance and that the establishment of a unified management system can help achieve this. We have re-evaluated our corporate standards of conduct and have added the requests of society to recent CSR topics.

Compliance and Risk Management

The Teijin Group states that risk management and corporate ethics support corporate governance internally.

Positioning of Corporate Ethics and Risk Management

Corporate Governance
- A risk, management and independent management system

Internal Control
- Compliance
- Risk Management

Concept:
- System and process for evaluating, preventing and controlling corporate risk

PDCA Cycle of Corporate Ethics Activities and Risk Management

Establishing a yearly plan and prioritizing activities
Authorization of the Compliance and Risk Management Subcommittee meetings

Lessons learned from this fiscal year to be incorporated for the following year
Achievements for this year and selection of issues

CSRO Audit: Once a year
Corporate Ethics Awareness Survey: Once a year

Results of the CSRO Audit
Since FY2003, we have implemented a CSRO (Group CSR Manager) audit in February for the calendar year’s (January 1st to December 31st) compliance and risk management activities. This audit assesses if there were any violations of laws or accidents, as well as checking compliance and risk management activities for each group company and at business groups based on the surveys they submit. In 2006, all 82 domestic companies and 14 out of 74 overseas companies submitted a survey form, and there were no major violations of law that year included in the results. However, there were the following major accidents or incidents:
1. Fire at Teijin Modern Yarn Komatsu Plant (● P15)
2. Loss of a personal computer with customer information by Infocom (● P18)

Corporate Ethics and Compliance Activities

The Teijin Group has revised the Japanese version of the corporate Standards of Conduct and distributed it to all domestic group company employees in 2007 (● P17).

Corporate Ethics Awareness Survey
The corporate ethics awareness survey, which has been implemented every year since 1999, was again distributed in 2006. Out of all domestic group company’s directors and employees, 10% are chosen at random to answer approximately 50 questions.

We can see that many support the activities of corporate ethics but the ratio of people who participate in the workshops are decreasing which can be regarded as an issue.

The CSR Staff Office will upgrade and expand the opportunities for training.

Hotline Operations
In 1999, we implemented the internal counseling and reporting system where we introduced a “Speak Out” system where employees could directly consult or approach the president on the Intranet. In 2003, we revised the “Speak Out” section on our corporate ethics homepage to the “Corporate Ethics Suggestion Box” and which is a direct consultation and information window to the CRO (CSR). Furthermore, a “Compliance Hotline” was set up which connects to an external lawyer’s office. At the same time, a “Sexual Harassment Hotline” that is operated by an external specialist agency has been in operation since 1999. Privacy is maintained for all reported issues and these counselors work hard on helping employees solve their issues. Since 2004, all issues and hotline information are disclosed within the group while maintaining the privacy of those who reported the issues. From July 2006, we have established a consultation window where suppliers and clients can report any issues on the web.

The hotline is very useful for the early detection of risks and quick resolution of them, by helping employees solve an issue.

Risk Management Activities
Risk Management Promotion System
The Teijin Group has appointed a risk management promotion spokesperson for each group company since 2003, to promote the enhancement of risk management through the CSGO Guideline by clarifying risks, assessing the risk through repetition and degree of influence, risk prevention, control and response training.

The 2,860 risk cases that were selected from each group under the Heat Map (risk assessment chart) were narrowed down to major risks that should be managed by the Teijin Group’s management, and reported to the Total Risk Management (TRM) committee within the Board of Directors.

Training for Verifying Safety in Emergencies by an Emergency Call (EMC) in the past year, we held EMC training, which was introduced in 2005, to verify the safety and security of personnel during a large earthquake or acts of terrorism. During an actual training session, 91% of those registered were able to respond within 2 hours, their extent of damage and whether they would be able to come to work, showing the effectiveness of our training.

Basic Policies of the Teijin Group Regarding Bird Flu
HSN1A is a highly pathogenic bird flu, which is transmitted from birds to farm or domestic animals at present. The World Health Organization (WHO) has classified the process into 6 levels, transmission from a human to another human and a possible rapid and widespread outbreak. At the moment, it is at level 3. Since the Teijin Group has many group companies located overseas, we have established a manual (basic policies) to handle this infectious disease.

Progress of the Business Continuity Plan (BCP) at the Tokyo Head Office
The Teijin Group established the Business Continuity Plan (BCP) at the Tokyo head office to handle earthquakes in the greater metropolitan area. We are planning to implement training, procure equipment, and develop and maintain conditions to handle such situations.

- The Committee of Sponsoring Organizations of the Treadway Commission in the GRC at established a common definition of internal controls and standards.
- Business Continuity Plan form an organization prepares for future events. The plan is developed even if it suffered heavy damage, and to how quickly they could recover and return activity or services without appreciating critical functions and to minimize the cost of such events.

Internal and external issues that were reported and consulted upon in 2006

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenses management</th>
<th>Environment and Safety Issues</th>
<th>Abuse/General harassment</th>
<th>Faulty equipment</th>
<th>Personal rights</th>
<th>Other</th>
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<td>2 accounts</td>
<td>3 accounts</td>
<td>8 accounts</td>
<td>49 accounts</td>
</tr>
</tbody>
</table>

Teijin CSR Report 2007
Quality Assurance Management

Product safety and quality assurance activities for all Teijin Group products and services are all implemented under the “Teijin Group Regulations for Group PL and Quality Assurance.” Under these regulations, we are actively promoting our PL and quality assurance activities for our business groups by setting a target and basic policy regarding PL and quality assurance under the Group PL and Product Assurance Subcommittee. We examine the business group’s activities by audits and link it to our actions and give advice and recommendations to any business group that finds it necessary. With these activities, we can quickly adjust to the diversified social environment to deliver products that are safe for our customers.

PL and Quality Assurance New Midterm Targets

1. Set the basis for PL and Quality Assurance Unit System activities.
2. Broader scope of PL and Quality Assurance Unit System activities to overseas group companies.
3. Offer clear information about the purchased products’ quality and usage to the customer and provide as much information as possible.
4. Improves and enhances the standards and regulations.

Improvements and Maintaining PL and Quality Assurance Activities System

In order to continuously improve our overall activities, a PL and Quality Assurance Manager is designated for each line of products, and we are enforcing a PL and Quality Assurance Unit System for continual improvement using the PDCA cycle which includes customers. This PL and Quality Assurance Unit System is our own management system added to the International ISO9001’s quality management system. We began our efforts for these activities in April 2003. Some of the main domestic companies and European and U.S. group companies have finished building this system. We are in the midst of efforts to further broaden and implement this system in overseas group companies outside Europe and the US.

Dealing with Claims

The Teijin Group received no claim concerning PL (Product Liability) in 2006, but there were 6 instances regarding serious quality claims, as established by internal standards. We have taken these issues seriously and implemented measures to prevent recurrences.

PL Quality Assurance Assessment

Before new products go out to the market, the Teijin Group has a “PL and Quality Assurance Assessment System,” where we check the products’ life cycle and confirm their quality and safety. In 2006, there were 365 assessments including simplified types. From FY2007, we will begin reviewing the PL and Quality Assurance Assessments we performed in the past to respond to the rapidly changing environment.

PL and Quality Assurance Audit

From FY2005, in all the business groups, there has been an implementation of the PL and Quality Assurance Unit System, we have implemented an audit system to check on how the system is working, and to verify the effectiveness of the system. We are working on establishing a PL and Quality Assurance Unit System for overseas group companies and to established activities for the PL and Quality Assurance Unit System. At the moment there is an expanding gap within PL and Quality Assurance Unit Systems and within the various business groups. However, claim concerning PL as major performance indicator continues 0 and also the number of occurrence of serious quality claim is now declining. So that PL and quality assurance activities are going establish steadily though step by step.

To make the PL and Quality Assurance more concrete, we will proceed in tackling these activities in the future.

Using the Database

The sharing of information and creation of a database for business efficiency has been established at one of the Teijin Group’s core companies, Teijin Chemicals, since 1997. This database is used for customer claims and complaints. This system allows employees to search and browse production, sales, research and development and other necessary information needed for business and, in the beginning of 2007, we expanded the system for use at overseas plants and overseas affiliate sales companies. If a customer makes any new claim or complaint, we can search the database for relevant cases in the past for immediate action.

Information Management System for Chemical Substances

To comply with the Europe’s new legislation REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) that was enforced on June 1, 2007, we established the expert subcommittee for compliance with REACH within the group PL and Quality Assurance Subcommittee in June 2006. The committee will create guidelines and policies to handle any issues dealing with the REACH for the entire group. We are also promoting the restructuring of the chemical substance information management system through compliance with REACH to ascertain that we are providing information for our customers. We have also set up the MSDS* and other systems to receive opinions from our customers that reflect upon our products.

Enhancement of the Protection of Personal Information Education for the Entire Teijin Group

The Teijin CIO (Chief Information Officer) Staff Committee have implemented the personal information protection audit for all group companies in order to improve the personal information protection management level and to drive personal information protection activities for each group company. In FY2006, in light of the loss of a computer with personal information, we audited 12 group companies that handled highly classified personal information. We are working on improving the management level by correcting inadequacies that we found from the audit results and pinpointing what can be improved for each group company.

On the other hand, in 2006, almost 100% of all group employees (including temp staff and part timers) that use a computer have finished the e-learning that was implemented for domestic employees since 2004.

*Material Safety Data Sheet: This sheet informs industrial purchasers and users of the hazardous chemicals contained in a product. The Teijin Group’s MSDS is based on JISZ7250.

Programmed learning through electronic means has expanded drastically in Teijin, except for our employees’ personal information protection education. In the future, we will create a system that provides learning, and make full use of the system. In order to do so, we have set up an activity system to consider experience and actual MEMO. Memos are set in various departments and at the same time, they are taken for practical use in order to improve the employees’ work environment.
Aiming for a Diverse Working Environment Where All Employees Can Realize Their Full Potential

To realize our corporate philosophy of “empowering our people,” we have been promoting the work-life balance measures that places importance on all the employees’ QOL (Quality of Life) as well as respect of the diversity of the human resource development and recruiting.

Midterm and Long-Term Goals and Measures

Since changing to a holding company system in 2003, we have established the “Teijin Basic Policy for Human Resources” to realize the improvement of QOL (Quality of Life) under our corporate philosophy of “empowering our people” and have set 7 standards such as a basic policy for FY2007. Based on this, the Teijin Group has established the Global Human Resource Training System following the abolition of the international personnel registration system, we have implemented a new human resource training system that aims for global communication ability within the new system. We are also proceeding with a specific plan with the establishment of The STRETCH I, II, SLP and other ranking programs.

Young Employees Internal Cross-Divisional Networking Program

The Teijin Group implemented the “Internal Cross-Divisional Networking Program” for young employees in their late 20’s and early 30’s to nurture and cultivate a sense of identity. The “Internal Cross-Divisional Networking Program” was implemented in 2003 when we shifted to a holding company system. It was started to nurture and develop younger employees, and to provide a continuation of the Group’s unifying force that sometimes gets lost when a company changes to a holding company system. At the present moment, it also functions as an opportunity for younger employees to speak out to the management in a bottom-up style of communication.

This program is made up of one team of 6 to 7 employees who are selected every year from the main domestic group companies. Six months are spent on making proposals and a detailed plan is handed into the top management. This network is quickly becoming the source of activities with younger employees at its core.

Improvement Activities by the Entire Group in Japan

The entire group is working on improvement activities to make sure each and every employee’s voice is heard, refresh the workplace to become more efficient in business. By making the most of each business group’s special features and measures, we are promoting those improvement activities by sharing information and reinforcing measures for the entire group. These activities began in April 2004 and have made over 2,500 improvements in the past 3 years.

Assignments and Transfers in Japan

We have adopted various measures in order to realize “placing the right person in the right position” and “implementing transfers that reflect the employees’ abilities and will.”

For personnel transfers, we have established an “annual human resource plan” for employees to carry out objective and transparent transfer plans. A self-assessment system was added to make sure we respected each employee’s disposition regarding transfer and new assignments. We are also continuing with our “Job Challenge System” that was established in 1988 as an inhouse staff recruitment system and there were 25 people who used this system in 2006.

Employee Satisfaction Survey

The CSR Committee has implemented a comprehensive employee satisfaction survey within the corporate ethics questionnaire regarding “respect for individuality and character” and the “realization of affinity and comfort” to ascertain the degree of satisfaction of employees. The past 3 years saw that the employees were increasingly satisfied with “respect for individuality and character” but there were no visible difference for “the realization of affinity and comfort.” Comparing male and female answers, the female employees seem to be more satisfied compared to the males on both topics.

Degree of Satisfaction for the Respect of the Employees Individuality and Character

Approximately 80 people signed up for the first year.

Teijin Techno College

As a massive retirement of the baby-boom generation is on its way, we opened the Teijin Techno College in April 2007 aiming to improve on-site skills and technology to be handed down from veteran employees. Targeting those on their 20’s or 30’s employees, the training lasts one year to foster on-site leaders.

Implementing the Career Challenge System

For new employees, we will implement a hire and transfer system to the Teijin Group Company for those employees who had been in the company for 5 years from FY2007. At this time, we have also created a system in which, if the employees wish, they can have a meeting with their division manager and request a transfer. For employees already working at the company, the same system will be applied along with the self-declaration system and will be operated under the career challenge system.

Sound Working Relationships in Japan

The labor union is considered an important stakeholder and we are working on enhancing and reinforcing a sound relations with it. The Teijin Group (B domestic core group companies) and the Teijin Labor Union respect each other’s presence and work together for the benefit and development of business as well as to the welfare for our union members, establish industrial peace, and sincerely respect the other’s viewpoint. This is a preamble to the labor agreement which is the fundamental law for an employer-employee relationship.

The basics of the labor-management relations are enforcement and mutual understanding of prior consultation, and the Teijin group defends these basics and establishes healthy labor-management relations.

Human Resource Development in Japan

The Teijin Group has established the “Speak Together--the enhancement of a company respected by society.” As its human resource development, we have established the Tutor System in 2003, we have established the Tutor System for an employer-employee relationship.

The Tutor System

We have implemented the “tutor system” from April 2007 to support the education of new employees. Veteran employees help ease the new employees’ anxieties and fears and help them grow independently and adapt to their workplace. Also, by guiding the new employees, the tutor themselves can expect to grow and raise their own awareness.

A division head elects an employee in a career track position who has been with the company 5 to 8 years to support the new employee, and is provided with the necessary training through manuals and tutor training.

The role of the tutor is to periodically interview the new employee on a once a week basis for a year and half after their assignment, share, advise and ease their anxieties on issues and report the process to the division head and verify the new employees growth.

Global Human Resource Training System

Following the abolition of the international personnel registration system, we have implemented a new human resource training system that aims for global communication ability within the new system. We are also proceeding with a specific plan with the establishment of The STRETCH I, II, SLP and other ranking programs.

Teijin Group’s Education Training System and New Assignment and Transfer Mechanism

Topics

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The basics of the labor-management relations are enforcement and mutual understanding of prior consultation, and the Teijin group defends these basics and establishes healthy labor-management relations.
Promotion of Diversity among Employees

The Teijin Group respects the characters and individuality of the employees and accepts their diversity including gender, age, nationality, race, and the differently abled at the stage of recruiting, employ- ment and promotion. We welcome various values and ideas so we can offer job satisfaction and challenges, and hope to create a working environment where employees can apply their abilities in full.

During the hiring process, we have increased career positions and introduced measures such as internships, year-round employment and other systems. We have promoted the hiring of those who are differently abled and from March 31, 2007 to the present, we have hired 230 such employees within the 82 domestic group companies, compared to the 211 that are required by law.

We are also in the process of employing those over 60 years of age.

At the same time, we will continue to increase appointment to managerial positions for various personnel in all areas of our business.

Promoting Diversity through the Promotion and Advancement of Female Employees
Since 1999, efforts to promote and support female employees have been undertaken by the Teijin Group so that female employees can fully use their knowledge in their workplace. From FY2006, these activities have further been developed by the implementation of “Diversity Promotion” to promote both male and female employees’ work-life balance. We are aiming for a workplace where each employee can display their knowledge to the fullest without discrimination on gender, age, disability, nationality or race.

In order to do so, we have proceeded with improving and revitalizing our corporate culture and build confidence with “a corporate culture that respects diverse values.”

Promotion and Support of Female Employees’ Activities

Many measures are being undertaken so that female employees can participate in activities in their workplace. In regards to the hiring process, we have set a target to hire over 30% female from new recruits, and in FY2006, we were able to hire 34%. For 2007, we have set a target to hire 60% female employees in managerial roles (above section managers) and as of the end of FY2006, we have 52 females in those positions.

Promotion of Work-Life Balance

The Teijin Group is putting emphasis on work-life balance activities to respond to the requests of CSR and employee’s diversified work awareness so that they can feel satisfaction, a sense of accomplishment and happiness with their work.

We are proceeding with the activities below to decrease the number of work hours:

• Application for overtime work
• Maximize efficiency by improving and restructuring of work units
• Through implementation of a non-overtime day
• Male associates by holding time management workshops

The results of these activities led to a reduction to an average of 17.4 hours of overtime work for 12 main domestic companies in the first half of FY2006.

Promotion of Childcare Leave for Male Employees

The main 12 domestic companies of the Teijin Group have incorporated the promotion for childcare leave for male and female employees and consideration for working hours during child rearing for the action-based plan for the Assistance Strategies for Raising the Next Generation Law (2005-2006). The childcare participation of our male employees was the key to achieving this target, so we have implemented various measures to promote childcare leave.

At the 8 main domestic companies of the Teijin Group, they were able to acquire the promotion of male staff by alleviating the requirements for childcare leave in April 2006. Furthermore, we held a campaign for both male and female employees of the Teijin Group that for employees who took 2 or more days off from childcare leave would receive a Teijin product helpful for child rearing.

There were a total of 43 male employees in the Teijin Group who took childcare leave during FY2006 as a result of this.

Volunteer Leave System

From the viewpoint of promoting volunteer activities and work-life balance, the Teijin Group has implemented a Volunteer Leave System for FY2002 for the 8 main domestic companies. As of March 2007, there are 25 employees using the volunteer leave system. (See p43 for more information)

Childcare and Nursing Care Support System

Since 1999, the 8 main domestic group companies of the Teijin Group implemented the “HELLO-AGAIN” system to respond to the requests of CSR and employee’s work-life balance activities, it would be a great guideline for those to follow, and we could share information. In addition, if we could utilize company benefits such as health checks, I’m sure more people would be more involved with this system.

Eiki Yamada

Promotion of Diversity among Employees

Changes in the number of newly recruited female university graduates on the main career track:

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Ratio of Female</th>
<th>No. of recruited graduates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>220</td>
<td>150</td>
<td>68.17%</td>
<td>370</td>
</tr>
<tr>
<td>2002</td>
<td>220</td>
<td>170</td>
<td>77.27%</td>
<td>390</td>
</tr>
<tr>
<td>2003</td>
<td>220</td>
<td>180</td>
<td>81.82%</td>
<td>400</td>
</tr>
<tr>
<td>2004</td>
<td>220</td>
<td>190</td>
<td>86.36%</td>
<td>410</td>
</tr>
</tbody>
</table>

Changes in the ratio of female employees in management positions:

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio of Female Employees in Management Positions</th>
<th>No. of Female Employees in Management Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>10.0%</td>
<td>22</td>
</tr>
<tr>
<td>2002</td>
<td>12.5%</td>
<td>27</td>
</tr>
<tr>
<td>2003</td>
<td>15.0%</td>
<td>30</td>
</tr>
<tr>
<td>2004</td>
<td>17.5%</td>
<td>33</td>
</tr>
</tbody>
</table>

*1 The average of 8 main domestic group companies. However, this does not include management and middle ranks of the sales group that has been discussed in the various reports.
*2 The special offer is only applicable to employees of Teijin Limited. After FY2003, the employees of the 8 core group companies constitute 95% of the domestic group companies comprise the subject population.

Shifts in the number of employees taking childcare leave:

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>2006</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>2007</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

*3 The ratio of females in management positions is for the subject population.
CSR Procurement

The Teijin Group purchases and procures various materials and machinery from all over the world. In response to the increasing concern for CSR, we have been promoting CSR procurement activity that further meets requirements today.

We have released “Purchasing and Procurement” contents on the Teijin Group website, which contain basic policy, procedures for initial transactions, and flow chart of purchasing.

To enhance the reliability of Teijin Group procurement, we issued "Teijin group CSR procurement guideline," where, we require close cooperation with suppliers referring to cooperate finance, product quality management, environmental management, human rights and labor, safety and health, fair trade and ethics, information security, philanthropy, and management of chemicals.

In FY2006, we developed a CSR supplier questionnaire system to assess the suppliers’ CSR promotion situation. It is accessible from the Teijin website and designed for suppliers to input information repeatedly whenever their renewal is made necessary. The questionnaire contains dozens of question which are related to “Teijin group procurement guidelines.” Collecting replies of our main 90 suppliers, we have established a suppliers’ CSR database which enables to analyze data according to “The Teijin Group Suppliers’ assessment standards” in April 2007.

Intelligence obtained through this database can be provided to our suppliers for supporting them to improve their CSR activities and to rebuild our transparent and fair relations.

Green Procurement and Green Purchasing

Based on the “Teijin Green Procurement Guideline,” we have implemented green procurement to check and request the establishment of an environmental management system in our suppliers who provide specified substances. We are working on the green management of all chemical substances in the materials of Teijin products. For the management of substances subject to the Chemical Substances Control Law and RoHS (Restriction of Hazardous Substances), the “Teijin Group Chemical Substance Self-Imposed Control Guideline” has been revised to enhance the procurement management of the chemical substances. We also built up a chemical substance database system in FY2006 to begin batch registration management of the raw materials purchased by the Teijin Group.

The purchasing of stationary and other office supplies are based on the “Green Purchasing Guideline.” The Green Purchasing ratio was 76% in FY2006.

Green Logistics

In the field of logistics, the Teijin Group is working on reducing the effects on the environment based on Teijin Group’s global environmental charter. We are working on modal shift and improvement of cary efficiency for energy saving and recycling and reusing packaging material such as pallets used for product transport for resource saving.

We were able to reduce the effects on the environment on the importing to Japan of overseas products which is increasing by globalization in 2006. Before, the partly finished products overseas were once stocked in Matsuyama and then, transported to the Mihara processing plants by trucks, but by changing the port of landing to the nearest one of the processing plant, we were able to reduce 70% per inland trucks transportation amount (freight ton-km) compared to the previous year.

Also, by using bigger size containers for the manufactured products that land at the port nearest to the plant, we were able to reduce the number of containers by 13% compared to the previous year.

We are also working on improving the management system of environmental effects. We built the environmental effects data calculation system where we are now able to periodically see the transportation ton-km and the amount of CO2 emission for inland transportation in Japan that the Teijin Group arranges for the main group companies. We are planning on using this system to reduce the environmental effects under the management of the PDDCA cycle.

Collaborative Research with Industry, Government and Universities

The Teijin Group realizes that research and development activities bring about sustainable growth for a company. We have been collaborating with universities, governments and industries since the 1970’s in various fields, and are promoting and accelerating collaborative research with them. For example, we are working with universities and public research organizations in the areas of basic research and future technologies, and with our customers on our product development and applied technology. Moreover, in order to cultivate the knowledge of our research engineers, the researchers and technicians are actively participating in academic conferences and research study groups, and researchers are being dispatched to universities both inside and outside Japan.

“Teijin 21st Century Forum” to Reinforce the Cooperation between Industries and Universities

The "Open Innovation" strategy which has strengthened the cooperation of industry and universities is being recommended as a technological strategy for the midterm management plan “STEP UP 2006” by the Teijin Group. The “Teijin 21st Century Forum” was held to help nurture young researchers and build a network of researchers in the biotechnology related field and macromolecular field in February 2007. Students and university researchers who are on the cutting edge of their fields, in both Japan and overseas, were invited and seminars and panel discussions were held. We also had some awards for young researchers.

Supporting the Japan-China University Joint Program

Teijin is a sponsor for the Tokyo Institute of Technology and China’s Tsinghua University (Beijing) Joint Graduate Programme and we support exchange students from Tsinghua University. This program aims to produce human resources that will lead both Japan and China’s academism and industry.

The combined symposium held by the two universities in March 2007 had the two universities present their latest developments in biotechnology and Teijin introduced regenerative medical research topics.

Striving for Procurement, Distribution and Research & Development that is based on CSR

We are aiming for a shift from Green Procurement to CSR Procurement with the cooperation of related companies.

Through collaboration with the industry, universities and government organizations, we would like to expand our research activities, hold forums and support next generation research.
Promote Communication with Society as a Good Corporate Citizen

Focusing our efforts on the fields of environment, social education and global interaction, we are developing nature conservation activities as the group's common program for social contribution. We are also promoting our contribution to society within each group company and factory.

Promotion of Social Contribution Activities

In compliance with our corporate Code of Corporate Standards of Conduct, the Teijin Group have set basic policies for social contributions in FY2006. We joined Nippon Keidanren’s 1% Club in March 2003, and since then, we have been setting aside more than 1% of our current profits for social contribution costs.

Furthermore, we are supporting employee volunteer activities with a volunteer leave system, official approved leave for bone marrow donor and those registered with the fire department so that each individual employee may contribute to society and their local community. Actual activities include the promotion of a common social contribution program for the entire group from FY2006 in addition to the corporate citizen activities that each group company and factory has been promoting separately.

The Group’s Common Program for Social Contribution

The Environment, Global Interaction and Social Education are set as important areas but for the 2006-2008 Midterm management plan, we have set nature conservation activities as the theme for our program and are proceeding with its promotion together with employee volunteer activities. In FY2006, our aim was to promote volunteer activities among employees by having a common program with the Wild Bird Society of Japan and The Nature Conservation Society of Japan. We held “Nature Observation,” “Bird Watching for Beginners” and other events to enjoy nature in 10 locations. Earlier, we also held “Nature Observation Leader Workshop” and “Bird Watching Leader Workshop.” In 2007, we plan to promote leadership training so that our employees can act as volunteer leaders to implement environmental education programs together with an NPO. Furthermore, we will work on an afforestation project overseas, along with tree planting operations and preservation activities at Satoyama.

Volunteer Leave System

While earning 85% of their monthly salary, employees over 50 years of age and have worked over 10 years, are allowed to take a leave of absence for volunteer activities. Maximum of 4 years for those over 50 years of age and 3 years for those over 55.

Leave of Absence to join Japan Overseas Cooperation Volunteers

Employees who have been at the company for more than 2 years and are willing to come back to Teijin after the leave of absence to join the Japan Overseas Cooperation Volunteers, can take a leave of absence for a certain period of time.

Leave of Absence to be a Bone Marrow Donor

Those wishing to become a bone marrow donor, can take a leave of absence from the time they register as a donor until the actual extraction.

Leave of Absence for Local Fire Station Activities

Employees, who are a member of their local community fire station and are mandated during a disaster, can take a leave of absence as long as it does not affect their work load.

Topics

Ms. Shimura of The Nature Conservation Society of Japan (NACS-J)

that Operates a Joint Program

The workshops, group employees learn about the conservation of nature through observing nature in FY2006. Also, we held the Teijin sponsored Nature Observation with the local nature conservation educator leading the way to show the participants the nature that we fail to notice because of our busy schedules and how it surrounds us in our everyday lives. In 2007, we jointly hosted the Workshop for training the Nature Conservation Educator (Tokyo, Yamaguch) and will continue to expand our cooperation in observing nature. The workshop for the Nature Observation Educator is our original personnel training system, but to create a society that will conserve nature needs the cooperation of not just the NGO, but from local municipalities, universities and companies which are eager to enforce CSR activities. One of those companies is the Teijin Group. The recent nature conservation situation is that companies avoid development that would destroy or damage the diversity of living organisms and try to think about the future of society in a sustainable way. The NACS-J is hoping to work together with everyone at Teijin to contribute to the local community and continue with our vigorous activities.

The Teijin Approach

Supporting the Fine Arts, Culture and Sports

The Arnhem Philharmonic Orchestra whose main sponsor is Teijin Twaron of the Netherlands, made their first Japan tour from the end of February to the beginning of March in 2007. Teijin actively supported the tour as a special sponsor in all the cities they visited. In support of amateur sports, we also support the All Japan High School Soccer Tournament, the Japan Wheelchair Basketball Tournament and the Teijin All Japan Veteran Tennis Tournament 2006 and the Kids Tennis Project for Kindergarten and Elementary School Children sponsored by the Japan Tennis Association.

Send Picture Books to Children in Indonesia

In May 2006, to answer to the call to translate Japanese picture books to send to the children in Indonesia by the former Councilor, the group employees collected approximately 1,000 picture books. 30 employees from the Teijin Group volunteered to stick the translated text onto the books. These books will be sent to elementary schools and libraries in Indonesia through local educational foundations.

Scholarship Foundation for Young Scientists

The Teijin Foundation has been set up as the Teijin Kumura Scholarship from 1994. The name was taken from Seita Kumura who was a pioneer in the chemical fiber industry, and the scholarship is for the purpose of fostering young scientists and engineers who will contribute to the development of international societies and cultures.

Support to Assist Recovery after Major Disasters

We made contributions of support for recovery after the May 2006 Java Earthquake in Indonesia and the March 2007 Noto Peninsula Earthquake in Japan.

Support for Major Disasters (2006 to date)

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<td>Indonesia Government 50 million yen</td>
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<td>FIPECO Company</td>
<td>Indonesia’s Ministry of Social Development and Human Security Approx. 300 million yen to rehabilitation</td>
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<tr>
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</tr>
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The Arnhem Philharmonic Orchestra’s tour in Japan was conducted by tonic’s Noboru with included Japanese Picture books as part of the Kota Maru Project, and it turned out a great success with many classical music fans.

25 group employees and their families participated at the Bird watching Minami-Osaka Hall on June 2005. manager: Noto Osa City, Japan.

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Undertakings by Group Companies and Factories

The Teijin Group’s factories, research centers and group companies are all promoting their independent social contribution activities. For example, many are involved in social welfare activities using the volunteer leave system and the Matsuyama Factory supports the “Teijin Soccer School” and the Isawa Factory supports the “Mini Relay Marathon” and many other sporting events. We also have internships at many of the factories.

Other activities include clean up activities, afforestation volunteer activities, festivals and other local events.

For the group company activities, community service according to the specialties of the business and regional characteristics are being put into effect. For example, on the domestic side, a research grant and contributions to promote arts and sciences are made by Teijin Pharma, environmental education by Teijin Fiber and personal computer workshops by Infocom are just few of the examples.

Overseas activities include Nantong Teijin (China) scholarships for high school students through Shanghai’s Charitable Funds, contributions for new building foundations by Teijin for The Stedelijk Museum Amsterdam, and other social contribution activities in Thailand, Indonesia, Singapore and America by the local subsidiary companies.

Community service activities through each workplace is implemented by the unions belonging to The Teijin Group Workers’ union council such as Teijin Labors Union.

Communication Activities

Product and Technology Networking
“Business Matching 2006”

The Matsuyama Plant participated in the “Business Matching 2006” in October 2006. This event networks or matches companies with high technology and companies who has the motivation for development and expansion to utilize Shimane prefecture’s economy. The Teijin Group exhibited “Eco-Bag” (see P11, 42) and “Shagarol”, a highly waterproof and weather resistant spun-dyed flame retardant fiber for tent.

Commercialization Activities

Online Shopping: The Renewal of “Kurashi@Science” (Life Science)

The “Kurashi@Science” operated by NIL Teijin Shoji has been in operation for two years now. Sales have increased by 2.2 times, compared to the first year, and will almost reach 10,000 mail-magazine and shopping members all together. In light of this, we have established an “allergy measures section” and aim for further improvement with more convenience for the users with this renewal.

Topics

Aiming for PR and IR Activities that are easy to understand

Awarded the PR Award Grand Prize Routine Division Award

The PR Award Grand Prix is held by the Public Relations Society of Japan to promote greater understanding of PR in society in general. The “Routine Division Award” is awarded to those who received excellent results from their daily PR activities.

“Teijin Techno Forum – Opening the Door to the Future with Innovation!”

Held in November 2006, its aims were to introduce the Teijin Group’s technology and technical strategy for analysts and mass media. Approximately 400 people participated including technical university students searching for jobs. This year we displayed panels and samples focused on the four fields that were set by the midterm management targets. Our Chief Technology Officer (CTO) Mr. Takashi Yamagishi introduced the entire group’s technological strategy.

Nationwide Seminars on Sleep Apnea Syndrome

Since Sleep Apnea Syndrome (SAS) is a disease that causes drowsiness during the daytime, it leads to traffic accidents and also leads to lifestyle diseases and metabolic syndrome. Teijin Pharma and Teijin Home Healthcare have held seminars open to the public at 20 venues across Japan to raise awareness and talk about the prevention and treatment of this disease.

Participation in the 33rd International Homecare and Rehabilitation Exhibition

In September 2006, the Teijin Group exhibited the heat insulating window film, an ozone deodorant, relief sheets that absorbs fluids, patient movable mat, fracture prevention protector and other creative products at WELLIFE.

Social contribution activities promoted by the Teijin Labors Union (Activities for FY2006)

The Teijin Labors Union is promoting social contribution activities through the workplace. For example, after the Java Earthquake, we implemented the “Emergency Donation Campaign” and sent 410,500 yen to Indonesia’s TIFICO Union.

Teijin Labors Union also donated 242,478 yen to Isawa, son of a Asahi Kasei Chemicals Employees Union member, who is suffering from a malignant disease. We have supported the activities of sending used clothes to the needy people of Laos and Thailand through CSA (The commission for the Solidarity with the Asian Underprivileged) and were able to collect 34 boxes full of clothes and 41,248 yen worth of collected donations. We also participate twice a year in the Japanese Federation of Textile, Chemical, Food, Commercial, Service and General Workers’ Union’s chemical department’s “One yen coin donation for love” campaign (collection at the end of October and March) and were able to collect 235,385yen in October and 248,193yen in March.

The Teijin Soccer School (Matsuyama Factory) has 190 elementary school students. To promote their independent social contribution activities. For example, many are promoting their independent social contribution activities in group companies and centers and group companies are all promoting their independent social contribution activities. For example, many are promoting their independent social contribution activities.

The Teijin Group exhibit the heat insulating window film, an ozone deodorant, relief sheets that absorbs fluids, patient movable mat, fracture prevention protector and other creative products at WELLIFE.

Not the only one: Teijin” : advertisement series awarded “Nikkei BP Good Advertising Award”

The 4-part series “Not the only one: Teijin” advertisement in the Nikkei Business received the Nikkei BP Advertising Award. The versatile ad introduced the features, advantages and broad usage of our company’s materials and business, that we could not include on our TV commercials, and was full of impressive visuals. As a B to B corporate ad, we were evaluated for our easy to understand statement and our positive attitude for wanting to relay our message.
I agree with CEO Nagashima’s declaration that “CSR, Business Strategy, and Corporate Governance should be considered as a trinity.” In his “Message from the President,” it is impressive that the top management has such a philosophy regarding CSR.

The only issue that comes to mind as a possible cause for concern is its risk management policy. I support corporate ethics issues, but I do not agree with CEO Nagashima’s view that CSR can be regarded as “not causing problems for society and helping to solve social problems.” In the field of labor relations, the issues of working hours, female employees, work-life balance, wage structure, full-time/part-time wage and training differences, and contact labor etc., need to be positively addressed.

In separate two pages on the field of occupational health and safety, they achieve the numerical targets for their safety record. I also expect them to take measures to improve their handling of the mental health issues that can affect those temporarily suspended from work.

Considering these issues, I would like to see them continue this stakeholder dialogue. The second key point is “self-evaluation.” We can fairly assess the overall activities, and having midterm targets for each CSR activity is important. The revisions to the Teijin Group’s employment and labor system are ambitious. In particular, its appointment and promotion opportunities for female employees, to enhance the work-life balance, are revealed in this report. CSR can be regarded as “not causing problems for society and helping to solve social problems.” In the field of labor relations, the issues of working hours, female employees, work-life balance, wage structure, full-time/part-time wage and training differences, and contact labor etc., need to be positively addressed.

This shows a recognition of stakeholders, and will be very helpful in implementing the commitment to the new standards of conduct. Depending on the company, some companies have a separate “environment” organization or “corporate ethics” or “CSR” organization. I feel Teijin’s unified approach is far more rational. From a CSR standpoint, this international outlook with “respect for various cultures and customs” is quite unique. In particular, I would like to concentrate on the inclusion of an “improved work-life balance.” Although some companies touch upon the issues of work-life balance in their CSR reports, it is unusual for them to incorporate them into their Standards of Conduct, the way Teijin has. How about making this a theme for next year’s Feature? A feature would give us an understanding of the current situation, and it would be interesting to see how companies compare with the situation in five- or ten-year time.

Regarding governance and corporate ethics

Message from the President

The Teijin Group

Reform of the Teijin Group

The Teijin Group’s CSR report contained some serious issues. Its earnest efforts to understand and fulfill its responsibility to society in its business activities are evident throughout the report. The provisions of the “Teijin Group CSR” are almost complete/perfect. For example, its policies regarding global warming, management of chemical substances, waste management, and also the green procurement of raw materials and environmental education, touch on most of the issues facing industry.

The only issue that comes to mind is the possibility for concern in its risk management for unexpected events. The quality control and environmental management systems for ISO are just system standards. We hope that we will see a more detailed risk management system. Global warming is raised as the most important issue in the “Message from the President” at the beginning of this report. It has been raised at the G8 Summit every year recently, so this is very timely. I feel that the most important thing for a company when considering measures to counter global warming is that it should implement the Federation of Economic Organizations (Keidanren’s) action plan. However, the Teijin Group can suggest the circumstances its own industry, and its viewpoint. Also, as shown by the feature on its “bottle-to-bottle” recycling system ECO-CIRCLE, I would like to see Teijin take a leadership role for the synthetic fiber industry. Incidentally, I was disappointed that there was little mention of developing a “bottle-to-bottle” recycling system in the report. For the next report, it would be nice to see some results regarding this and development of a practical system that could be used.

Regarding environmental management

Evaluation of revised edition of the “Teijin Group Corporate Ethics Handbook”

Regarding improved performance and expectation for further information disclosure

Regardings human resources and labor safety

Regarding social contributions and communications

Expectation for a “Open Company” that values dialogue with stakeholders

The revisions to the Teijin Group’s employment and labor system are ambitious. In particular, its appointment and promotion opportunities for female employees, to enhance the work-life balance, are revealed in this report.

CSR can be regarded as “not causing problems for society and helping to solve social problems.” In the field of labor relations, the issues of working hours, female employees, work-life balance, wage structure, full-time/part-time wage and training differences, and contact labor etc., need to be positively addressed.

This report highlighted Teijin’s efforts on increasing diversity, work-life balance, employee satisfaction, and employee development, which are advances from previous years. For its “female employees’ activities,” we can see that it has a relatively high ratio of female employees in positions with a prospect of promotions and is implementing plans to promote female employees to managerial posts. Regarding work-life balance, this is not restricted to child care issues, but also covers a broad range of issues including working hours, child care support, support for volunteer activities, etc.

Not only does Teijin fulfill the legal requirements regarding employment of the differently-abled, it is expected to set a higher target value plan that will improve employment rate as part of its social responsibility.

In separate two pages on the field of occupational health and safety, they achieve the numerical targets for their safety record. I also expect them to take measures to improve their handling of the mental health issues that can affect those temporarily suspended from work.

Finally, CSR issues are divided into three fields in this report. It is important that human rights and labor need to be acknowledged as the basics for CSR as a UN Global Compact proposes 10 principles in 4 areas of human rights, Labor Standard, Environment, and Anti-Corruption.

I hope that you will overcome the restrictions for the limitations of information disclosure due to the number of pages.
Opinions from Third Parties

Independent Review Report

As with the previous year, we have performed our third-party review of 2007 TEIJIN Group CSR report in light of the global evolution of its CSR management.

Regarding the environmental performance, we recognized that the Teijin Group rules were not partly applied in the process of summarizing the data concerning the releases and transfers of chemical substances. We hope that the rules are fully complied by each group entity. On the other hand, we could see efforts being made for the improvement of accuracy of the total waste emission data, by changing the format to be more user-friendly.

For the social performance, the compliance risk management, quality control assessment management and other global management strategies have been implemented, however, the indexes associated with human resource management are limited to the scope of only ten major companies in Japan. We assume that it is not easy to implement the united measures in terms of the global human resource management, but we hope that Teijin Group will strive to disclose wider range of relevant indexes in related to these areas for more transparent reporting.

Opinions from Readers

The following points has been focused in on 2007 CSR Report

1. Concentrate on the most important contents of the CSR Report.
2. Use indicators as much as possible.
3. Reflect the stakeholders opinions.
4. Description for general readers to easily understand.
5. A continuity from the 2006 CSR report.

As you can see, in the stakeholders dialogue, we were surprised to receive strategies and ideas that we ourselves would have never thought up. Furthermore, we received many suggestions and advice from the many specialists in their fields.

After receiving the opinions from third-party and the Independent Review Report

The operation of “Enjoying Nature” with the cooperation of NPO groups and the introduction of a self-evaluation system are just some of those examples.

We would like to express our gratitude to all the internal and external group companies, local municipalities, NPOs, and those who allowed us to use their real names, for their understanding the meaning of our CSR report and their cooperation toward the fair information disclosure. We would like to take this opportunity to thank all of you for your cooperation and support.