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TURNING TECHNOLOGY INTO VALUE

“Innovation by Chemistry” expresses our drive to become a global top company in advanced materials, with chemistry at our core.

Toray's Performance in Fiscal 2016

We would like to express our sincere appreciation for the continuous support and understanding of our stockholders and investors.

In fiscal 2016 (the year ended March 31, 2017), the global economy, on the whole, maintained its recovery. The Japanese economy also continued on a gradual recovery track.

Under such circumstances, Toray Group, based on the Medium-term Management Program, “Project AP-G 2016,” which spans the three years from fiscal 2014 to fiscal 2016, implemented a growth strategy focused on taking advantage of growth business fields, pursuing business expansion in growth countries and regions, and further bolstering its competitiveness in accordance with the program. As for foreign exchange rates, the yen remained stronger against the U.S. dollar and other major currencies compared with a year earlier, resulting in declines in net sales and profits at overseas subsidiaries when converted into yen.

As a result, consolidated net sales for fiscal 2016 declined 3.7% compared with the same period of the previous fiscal year to ¥2,026.5 billion. Operating income decreased 4.9% to ¥146.9 billion, and ordinary income fell 4.3% to ¥143.7 billion. Net income attributable to owners of parent increased by 10.3% to ¥99.4 billion.

Promotion of Long-term Corporate Vision and Medium-term Management Program

Toray Group established a ten-year, long-term corporate vision, “AP-Growth TORAY 2020” (Vision 2020) in 2011, aiming to be

a corporate group that continually increases revenues and profits and that provides high value for all stakeholders. "Vision 2020" sets our sights on sustainably increasing revenue and profit, as we aim to have consolidated net sales of ¥3 trillion, operating income of ¥300 billion and ROE of 13% around 2020.

As the first stage of "Vision 2020," we established "Project AP-G 2013," a three-year medium-term management program starting in fiscal 2011. We followed this with our second stage, "Project AP-G 2016," from fiscal 2014.

Under "Project AP-G 2016," we focused on growth business fields—Green Innovation Business Expansion (GR) Project and Life Innovation Business Expansion (LI) Project—and growing in growth countries and regions—Asia, Americas, Developing Countries Business Expansion (AE-II) Project.

Combined with the Total Cost Reduction (TC-III) Project, for bolstering competitiveness, the entire Toray Group is moving forward jointly on these four projects.

Review of "Project AP-G 2016"

Our GR Project aims to expand busi-

nesses in fields that contribute to resolving global environmental, resource, and energy issues. We have steadily expanded this business, taking net sales from ¥463.1 billion in fiscal 2013 to ¥628.2 billion in fiscal 2016. We had important progress in the aircraft field, in which we signed a long-term, comprehensive supply contract for carbon fiber prepreg with The Boeing Company in November 2015. We have started joint development under a new framework and have decided to build new, integrated production facilities for carbon fiber prepreg in South Carolina, United States.

Meanwhile, in the automotive industry, Toray started supplying carbon fiber components for fuel cell vehicles, in November 2014, to Toyota Motor Corporation and, in April 2016, to Honda Motor Co., Ltd. We expect this sector to grow in the future.

As the demand for lithium battery separators increases in the battery materials field, we are following increased capacity in Japan from September 2015 with additional production capabilities in the Republic of Korea.

In the water-treatment membrane field, we contribute to solving water resource issues. We received orders for

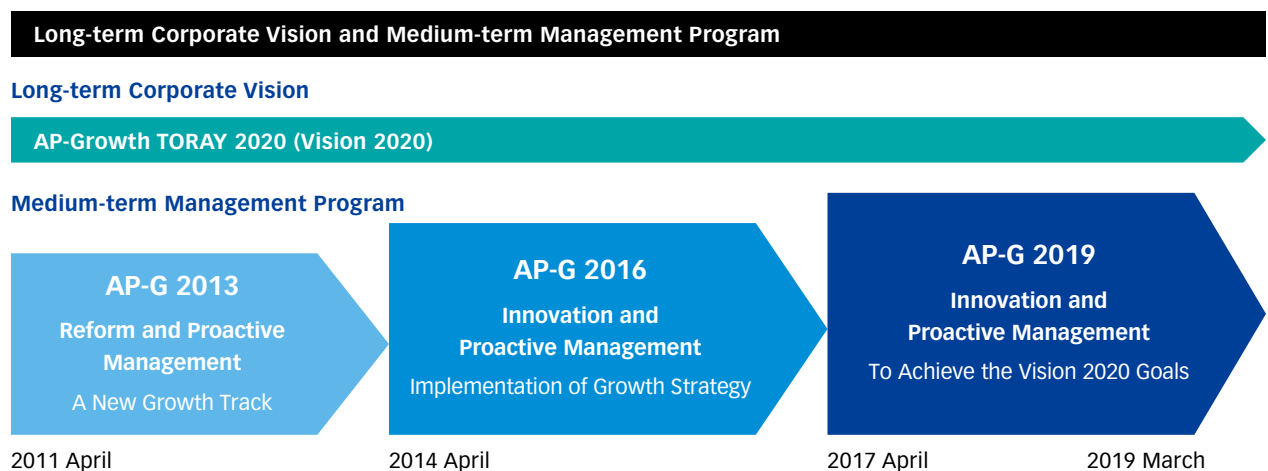
our hollow fiber ultrafiltration membrane modules, in April 2015, from the Republic of Korea's largest membrane filtration water purification facility and, in December 2015, from a water filtration facility in Thailand, which is the largest such facility in Southeast Asia.

In our LI Project, we have been working to improve quality of healthcare, ease burdens on medical professionals, and contribute to health and longevity.

We have steadily increased our net sales from ¥119.6 billion in fiscal 2013 to ¥195.5 billion in fiscal 2016. In the advanced materials field, demand for PP spunbond for hygiene products is rapidly increasing in Asia, and we have continued to strengthen our production capacity in our plants in the Republic of Korea, China, and Indonesia. Thus, Toray has built a strong supply network as a main supplier of PP spunbond in Asia.

In the pharmaceutical and medical devices field, we obtained approval of an additional indication for our oral antipruritus drug REMITCH® (a registered trademark of Torii Pharmaceutical Co., Ltd.), as well as approval in February 2017 to start clinical trials of our new cancer drug TRK-950.

In the AE-II Project, we have worked



to open new markets and expand our business by organically strengthening collaboration with Toray Group’s overseas bases, resulting in steadily increasing net sales from ¥809.3 billion in fiscal 2013 to ¥919.6 billion in fiscal 2016. In this period, Toray established a new joint-venture water treatment company in China, Toray WBD Membrane Technology (JS) Co., Ltd., in June 2016. In the Americas, Toray established a resin compounding company in Mexico in October 2014. In March 2016, we expanded large tow carbon fiber capacity, and decided to build a new integrated plant for airbag fibers and fabrics in July 2016.

In our TC-III Project we have been thoroughly reducing variable and fixed costs while pursuing production process innovation and total operational cost reduction in sales and marketing. We thus reduced cost by a total of ¥194.9 billion over the three years from fiscal 2014 to fiscal 2016.

Aiming for Sustainable Medium- to Long-term Growth

In February 2017, Toray formulated the new Medium-term Management Pro-

gram, “Project AP-G 2019.” It follows “Project AP-G 2016” as the third stage of “Vision 2020,” which covers the period from fiscal 2017 to fiscal 2019. With “Innovation and Proactive Management” as its overarching theme, “Project AP-G 2019” is for completing our ongoing initiatives while also enhancing initiatives to create new revenue sources for increasing our corporate value and supporting sustainable growth from 2020 onwards. (For more information on “Project AP-G 2019,” please see pages 9–18.)

Toray Management Style and Sustainability

Our corporate philosophy of “contributing to society through creating new value with innovative ideas, technologies and products,” is the basis for our strong belief that “technology changes materials and materials change society.” Vital in creating new value is management from a long-term perspective. Developing materials takes time and accumulated technology; as such, it also requires unwavering management in the long term. To achieve unwavering, farsighted management it is vital to be faithful to the fundamentals, work to

be the best we can be, and do what should be done.

People-centric management is also important. To this end, we are investing in human resource development based on the concept that the success or failure of a company is decided by its people—employees shape its destiny.

Valuing human resources is an aspect in which Japanese management excels. At Toray Group, we are not only managing in this style in Japan but in our entire global operations.

We hold a medium- to long-term view of our environment and have a solid grasp on our situation, which allows us to do what should be done and address the issues we need to in advance of our global competitors. We are growing sustainably as we face our next step, and continue to be a corporate group that provides high value to our stockholders, and all our stakeholders. We hope you share our long-term vision and we ask for your continued support.

September 2017
Akihiro Nikkaku



Targets and Results of Medium-term Management Program: Project AP-G 2016

