

**'TORAY'**

**Notice of the  
138th Ordinary  
General Meeting  
of Stockholders**

For the Fiscal Year Ended March 31, 2019



**2019**

**Toray Industries, Inc.**

1-1, Nihonbashi-Muromachi 2-chome,  
Chuo-ku, Tokyo 103-8666, Japan

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

## To Our Stockholders

Dear Stockholder:

Please take notice that the 138th Ordinary General Meeting of Stockholders of the Company will be held as set forth to the right and that you are cordially invited to attend.

If you do not expect to attend the meeting, you can exercise your voting rights by either of the following methods outlined below. Please review the accompanying information and exercise your voting rights by 5:30 p.m., Monday, June 24, 2019 (Japan standard time).

### Voting via Mail:

Please indicate your vote for or against each proposition on the enclosed voting form and return the form to us by the time described above.

### Voting via the Internet:

Please review "Exercise of Voting Rights via the Internet, etc." on page 4 and enter your vote for or against each proposition by the above time limit.

June 5, 2019

Akihiro Nikkaku  
President, Chief Executive Officer and  
Chief Operating Officer

Toray Industries, Inc.  
1-1, Nihonbashi-Muromachi 2-chome,  
Chuo-ku, Tokyo 103-8666, Japan

## Notes

1. Date and time of meeting:  
Tuesday, June 25, 2019, 10:00 a.m.
2. Place:  
Tokyo International Forum  
(Hall A),  
5-1, Marunouchi 3-chome,  
Chiyoda-ku, Tokyo, Japan
3. Matters to be discussed and to be reported:
  1. The Business Report and Consolidated Financial Statements for the 138th business year (from April 1, 2018 to March 31, 2019), and Reports of Independent Auditors and the Board of Corporate Auditors on the relevant Consolidated Financial Statements conducted respectively
  2. Report on the Nonconsolidated Financial Statements for the 138th business year (from April 1, 2018 to March 31, 2019)

### Matters to be acted upon:

- |  |    |
|--|----|
| Proposition No. 1:<br>Appropriation of Surplus .....   | 5  |
| Proposition No. 2:<br>Partial Amendments to the Articles of<br>Incorporation .....           | 6  |
| Proposition No. 3:<br>Election of one Member of the Board .....                              | 7  |
| Proposition No. 4:<br>Election of five Corporate Auditors .....                              | 10 |
| Proposition No. 5:<br>Revision of the Amount of Remuneration for<br>Corporate Auditors ..... | 16 |
| Proposition No. 6:<br>Payment of Bonuses to Members of the<br>Board .....                    | 16 |

(\*1) Please note that the website  
(www.web54.net) is available only in  
Japanese.

4. Matters decided upon convocation:

(1) If a stockholder exercises two or more online votes (including votes through smartphones), only the latest vote shall be effective.

(2) If a stockholder exercises his/her vote in duplicate, both online (including votes through smartphones) and via the enclosed proxy form, only the online vote (including votes through smartphones) shall be effective.

Incorporation of the Company, provided that such proxy shall submit to the Company a document evidencing his/her power of representation, such as power of attorney.

From among the documents to be provided with this notice of convocation, the "Organization and Policies of the Company," "Consolidated Statements of Changes in Net Assets," "Notes to Consolidated Financial Statements," "Nonconsolidated Statements of Changes in Net Assets," and "Notes to Nonconsolidated Financial Statements" are provided to stockholders on the Company's website ([www.toray.com](http://www.toray.com)) in accordance with laws and regulations and the provisions of the Articles of Incorporation of the Company, and are not stated in the documents attached to this notice. Therefore, the documents attached to this notice constitute only some of the documents audited by the Independent Auditors and Corporate Auditors for the preparation of their respective audit reports.

If the Company finds the need to make any correction in the Voting Information, Business Report, Consolidated Financial Statements, or Nonconsolidated Financial Statements, the Company will announce the correction through the Company's website ([www.toray.com](http://www.toray.com)).

If you attend the meeting in person, please present the enclosed proxy form to the receptionist.

If attending the meeting by proxy, a stockholder may exercise his/her voting rights by authorizing one (1) other stockholder with voting rights to act as his/her proxy as stipulated in the Articles of

---

**A Guide for the Exercise of Voting Rights**

Please review the accompanying information on page 5 and later and exercise your voting rights by any of the following methods.

<b>If you are able to attend the meeting</b>
--

**Attend the meeting**

Please bring the enclosed voting form with you and present it to the receptionist.

Date and time of meeting: Tuesday, June 25, 2019, 10:00 a.m.

[The receptionist is scheduled to be ready at 9:00 a.m.]

<b>If you are unable to attend the meeting</b>
--

**Voting via Postal Mail**

Please indicate your vote for or against each proposition on the enclosed voting form and return the form to the Company's Transfer Agent by the deadline.

Deadline for voting: The voting form must be received by 5:30 p.m., Monday, June 24, 2019.

**Exercise of Voting Rights via the Internet, etc.**

(For details, please see the next page.)

**Voting through smartphones**

Please scan the QR code® at the bottom right of the enclosed voting form with your smartphone or tablet to log into the website for the exercise of voting rights for smartphones.

\* QR Code® is a registered trademark of DENSO WAVE INCORPORATED.

Deadline for voting: Your votes must be exercised by 5:30 p.m., Monday, June 24, 2019.

**Voting via the Internet**

Please access <https://www.web54.net>, the website for the exercise of voting rights, via a personal computer, smartphone, etc. and enter the code for the exercise of voting rights and password indicated on the enclosed voting form. Follow the instructions on the screen and register your vote for or against each proposition.

Deadline for voting: Your votes must be exercised by 5:30 p.m., Monday, June 24, 2019.

**Matters to note concerning the duplicated exercise of voting rights**

- (1) If two or more online votes (including votes through smartphones) are exercised, only the latest vote will count.
- (2) If a vote is exercised in duplicate using the voting form and via online (including votes through smartphones), only the online vote (including votes through smartphones) will count.

If you have any questions about the exercise of your voting rights, please call one of the following numbers.

Transfer Agent: Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited

For the exercise of voting rights

0120-652-031 (toll-free within Japan only)

(9:00 to 21:00)

For other inquiries

0120-782-031 (toll-free within Japan only)

(9:00 to 17:00 on weekdays)

## Exercise of Voting Rights via the Internet, etc.

### Voting through smartphones

- 1) Access the website for the exercise of voting rights through smartphones  
Scan the QR Code® at the bottom right of the enclosed voting form with your smartphone or tablet to log into the website for the exercise of voting rights through smartphones.
- 2) Open the website for the exercise of voting rights  
Click the displayed URL to open the website for the exercise of voting rights.  
There are two methods for the exercise of voting rights.
- 3) Indicate your vote individually for or against each proposition.  
Please follow the instructions on the screen to indicate your vote for or against each proposition.
- 4) Indicate your vote for all of the Company's propositions.  
If no problems appear on the confirmation screen, you can finalize your votes by clicking "Exercise your voting rights as shown here."

If you intend to change any of your votes after you have exercised your voting rights, you will be required to scan the QR code® again and re-enter the "code for the exercise of voting rights" and "password" indicated on the enclosed voting form.

(You may directly access <https://www.web54.net>, the website for the exercise of voting rights, from a personal computer, as well.)

### Voting via the Internet

- 1) Access the website for the exercise of voting rights  
<https://www.web54.net>
- 2) Log into the website  
Enter the "code for the exercise of voting rights" indicated on the enclosed voting form.
- 3) Enter your password  
Enter the "password" indicated on the enclosed voting form.
- 4) Please follow the instructions on the screen to vote for or against each proposition.

- \* Connection fees payable to Internet service providers and communication expenses payable to telecommunication carriers, etc. when using the website for the exercise of voting rights will be borne by stockholders.
- \* In certain Internet user environments, subscribing to certain services, or when using certain devices, you may be unable to use the website for the exercise of voting rights.

### For Institutional Investors

In addition to voting via the Internet as mentioned above, institutional investors have the option of voting via the Electronic Proxy Voting Platform operated by ICJ Inc. Please note, however, that this voting platform is available only to those who subscribe in advance.

## Voting Information

Propositions and Related Information:

***Proposition No. 1:***  
*Appropriation of Surplus*

With regard to the year-end dividend for the business year, management intends to pay ¥8 per share in light of Toray's business performance, financial strength and other factors. As a result, the annual dividend, consisting of an interim dividend of ¥8 and a year-end dividend of ¥8, will be ¥16 per share, an increase of ¥1 per share as compared to the previous fiscal year.

Year-end dividend

- (1) Type of dividend assets: Money
- (2) Allotment of dividend assets to stockholders and the total amount
  - Allotment of dividend assets to stockholders: ¥8 per share of common stock
  - Total amount: ¥12,805,559,928
- (3) Effective date of distribution of surplus
  - June 26, 2019

***Proposition No. 2:****Partial Amendments to the Articles of Incorporation*

In order to further enhance and strengthen the audit structure, the Company proposes to amend the provisions of Article 27 of its Articles of Incorporation.

The proposed amendment is as follows. The proposed amendment to the Articles of Incorporation shall become effective at the close of this general meeting of stockholders.

(Underlined parts of the English text are amended.)

Current Articles of Incorporation	Proposed Amendment
(Number) Article 27. The number of Corporate Auditors shall not exceed <u>four (4)</u> .	(Number) Article 27. The number of Corporate Auditors shall not exceed <u>five (5)</u> .

**Proposition No. 3:**

*Election of one Member of the Board*

The stockholders are requested to hold an election to name one Member of the Board to fill the vacancy of Yasuo Suga who will resign as a Member of the Board at the close of this general meeting of stockholders.

The inside members of the Board consist of members who cover the Group's business fields and major management functions without redundancy. On the other hand, the outside directors consist of members who supervise the management from a broader perspective to further enhance its transparency and fairness and are capable of offering advice to the management from a medium to long-term perspective.

The concept on the number and composition of the members of the Board was reviewed by the Governance Committee and thereupon the candidate for a member of the Board was nominated.

Required Information on the Candidate for a Member of the Board is as follows.

[Candidate]

**Nobuyuki Inohara**

(Newly appointed)

<b>Date of Birth:</b>	<b>Personal History:</b>	
<i>May 5, 1960</i>	April 1983	Joined the Company
<b>Shares Owned:</b> <i>9,176</i>	April 2005	General Manager, Polyester Polymers Dept.
	April 2010	General Manager, Torayca Reinforced Plastics Dept.
	May 2013	General Manager, Resins Division & General Manager, Torayca Reinforced Plastics Dept.
	April 2014	General Manager, Resins Division
	June 2015	President and Representative Member of the Board, Toray Plastics Precision Co., Ltd. (incumbent)

(Reason for recommending him as candidate for member of the Board position)  
Nobuyuki Inohara has gained rich experience, knowledge, and deep expertise and is well versed in worksites over his many years of engagement mainly in sales related to the resin business at the Company. He has also accrued sufficient knowledge of management through his duties of core positions in the relevant business field and as a president of a domestic group company. We believe that he will be able to execute his duties by making appropriate management judgments and decisions based on his knowledge and ability, and will supervise management from an objective viewpoint. We therefore request his election as a new member of the Board.

[Newly appointed] Newly appointed candidate for member of the Board

Note: There are no special interests between the candidate for member of the Board and the Company.



[(Reference) Composition of the Board of Directors subject to the approval of the election under the Proposition No. 3 (inside members of the Board: 17 persons, outside directors: 2 persons)]

Name	Positions, responsibilities and significant concurrent positions at the Group
Akihiro Nikkaku	President and Representative Member of the Board (Chief Executive Officer, Chief Operating Officer)
Koichi Abe	Executive Vice President and Representative Member of the Board (In charge of Intellectual Property Division, Global Environment Business Strategic Planning Dept., and Life Innovation Business Strategic Planning Dept.; General Manager, Technology Center; General Manager, Toray Human Resources Development Center)
Ryo Murayama	Executive Vice President and Representative Member of the Board (In charge of Marketing and Sales; in charge of Corporate Marketing Planning Dept., and branches; General Manager, Affiliated Companies Division; Director, Chori Co., Ltd.)
Yukichi Deguchi	Executive Vice President and Representative Member of the Board (General Manager, Corporate Strategic Planning Division; General Manager, Quality Assurance Division; in charge of Legal & Compliance Division (Security Trade Administration Dept.), HS Business Development Dept.)
Mitsuo Ohya	Senior Vice President (Member of the Board and Member of the Executive Committee) (General Manager, Fibers & Textiles Division; General Manager, Osaka Head Office)
Hiroshi Otani	Senior Vice President (Member of the Board and Member of the Executive Committee) (General Manager, Water Treatment & Environment Division; Chairman, Toray Asia Pte. Ltd.; Director, Suido Kiko Kaisha, Ltd.)
Toru Fukasawa	Senior Vice President (Member of the Board and Member of the Executive Committee) (General Manager, Finance & Controller's Division)
Kazuo Morimoto	Senior Vice President (Member of the Board and Member of the Executive Committee) (General Manager, Torayca & Advanced Composites Division; Chairman, Toray Carbon Fibers Europe S.A.)
Osamu Inoue	Senior Vice President (Member of the Board and Member of the Executive Committee) (General Manager, Films Division; Chairman, Toray Films Europe S.A.S.)
Hirofumi Kobayashi	Senior Vice President (Member of the Board) (General Manager, Pharmaceuticals & Medical Products Division)

Name	Positions, responsibilities and significant concurrent positions at the Group
Tetsuya Tsunekawa	Senior Vice President (Member of the Board) (General Manager, Research & Development Division; General Manager, Basic Research Center)
Takashi Fujimoto	Senior Vice President (Member of the Board) (General Manager, Information Systems Division, Purchasing & Logistics Division; General Manager, Engineering Division)
Kazuyuki Adachi	Senior Vice President (Member of the Board) (General Manager, Manufacturing Division; General Manager, Textile Technology & Manufacturing Division)
Shigeki Taniguchi	Vice President (Member of the Board) (General Manager, Personnel & Industrial Relations Division)
Hideki Hirabayashi	Vice President (Member of the Board) (In charge of CSR; General Manager, Legal & Compliance Division; General Manager, General Administration & Communications Division; General Manager, Tokyo Head Office)
Hiroshi Enomoto	Vice President (Member of the Board) (General Manager, Electronic & Information Materials Division)
Nobuyuki Inohara	[Newly appointed] Vice President (Member of the Board) (General Manager, Resins & Chemicals Division)
Kunio Ito	[Outside] [Independent] Outside Director
Ryoji Noyori	[Outside] [Independent] Outside Director

[Outside] Outside Director

[Independent] Independent director registered at the Exchange

**Proposition No. 4:**

*Election of five Corporate Auditors*

The term of office of all the four Corporate Auditors will expire at the close of the general meeting. The stockholders are requested to hold an election to name five corporate auditors, including one additional outside corporate auditor to be appointed subject to the approval of Proposition No. 2.

The Company has obtained the Board of Corporate Auditors' prior consent to the submission of this proposition.

Required Information on Candidates for Corporate Auditor is as follows.

[List of Candidates]

Candidate No.	Name	Current positions and significant concurrent positions at the Group	Attendance at the meetings of the Board of Directors	Attendance at the meetings of the Board of Corporate Auditors
1	Shogo Masuda [Reappointed]	Corporate Auditor	100% (15 out of 15)	100% (11 out of 11)
2	Shoshiro Taneichi [Reappointed]	Corporate Auditor	100% (15 out of 15)	100% (11 out of 11)
3	Toshio Nagai [Reappointed] [Outside] [Independent]	Outside Corporate Auditor	93% (14 out of 15)	100% (11 out of 11)
4	Kazuya Jono [Reappointed] [Outside] [Independent]	Outside Corporate Auditor	93% (14 out of 15)	100% (11 out of 11)
5	Hiroyuki Kumasaka [Newly appointed] [Outside] [Independent]	—	—	—

[Newly appointed] Newly appointed candidate for Corporate Auditor

[Reappointed] Reappointed candidate for Corporate Auditor

[Outside] Candidate for Outside Corporate Auditor

[Independent] Candidate for independent auditor registered at the Exchange

No. 1

**Shogo Masuda**

(Reappointed)

***Date of Birth:***

*August 15, 1951*

***Shares Owned:***

*143,400*

***Personal History:***

April 1975	Joined the Company
January 1999	Director, Penfabric Sdn. Berhad; General Manager on Special Assignment, Finance & Controller's Division (Chief, Finance & Controller's Division for Malaysia)
June 2001	General Manager, Controller's Dept.
June 2006	Assistant General Manager, Affiliated Companies Division; General Manager, Affiliated Companies Administration Dept.; General Manager on Special Assignment, Corporate Strategic Planning Division
June 2007	Vice President (Member of the Board)
June 2011	Senior Vice President (Member of the Board)
June 2016	Senior Vice President (Member of the Board & Member of the Executive Committee)
June 2017	Corporate Auditor (incumbent)

(Reason for recommending him as a candidate for corporate auditor position)

Shogo Masuda has broad knowledge on the overall management of the Company and considerable knowledge of financing and accounting based on his many years of experience of holding key managerial offices and engagement in the accounting affairs of the Company. We believe that he will be able to conduct appropriate audits from an objective viewpoint. We therefore continue to recommend his election as a corporate auditor.

No. 2

**Shoshiro Taneichi**

(Reappointed)

***Date of Birth***

*July 29, 1953*

***Shares Owned:***

*38,600*

***Personal History:***

April 1979	Joined the Company
June 2000	General Manager, Third Production Technical Dept.; General Manager on Special Assignment, Technology Center Planning Dept.
June 2002	General Manager, Electronic & Information Materials Dept.
June 2006	General Manager, Electronic and Imaging Materials Research Laboratories
May 2009	General Manager, Electronic & Information Materials Division (Technology and Manufacturing)
May 2011	General Manager, Environment & Amenity Products Division (Technology and Manufacturing); General Manager, Shiga Plant
May 2012	General Manager, Shiga Plant
June 2016	Corporate Auditor (incumbent)

(Reason for recommending him as a candidate for corporate auditor position)  
Shoshiro Taneichi has broad knowledge on the overall management of the Company based on his many years of experience holding key managerial offices in the Company. He would conduct appropriate audits objectively. We therefore continue to recommend his election as a corporate auditor.

**No. 3**

**Toshio Nagai**

(Reappointed)	(Candidate for outside corporate auditor and independent auditor positions)	
<b><i>Date of Birth:</i></b> <i>July 13, 1949</i>	<b><i>Personal History:</i></b>	
<b><i>Shares Owned:</i></b> <i>0</i>	April 1974	Appointed to an assistant judge
	April 1997	Chief Judge of Division, Tokyo District Court
	September 2001	Senior Research Officer, Supreme Court
	December 2006	Head, Kofu District Court & Family Court
	December 2007	Chief Judge of Division, Tokyo High Court
	November 2008	Chief Research Officer, Supreme Court
	March 2012	President, Hiroshima High Court
	March 2013	President, Osaka High Court
	July 2014	Mandatorily retired
	September 2014	Registered as a lawyer (The Dai-ichi Tokyo Bar Association) Takusyou Sogo Law Office (incumbent)
	June 2015	Outside Corporate Auditor of the Company (incumbent)
	June 2016	Outside Corporate Auditor, SUMITOMO CORPORATION (incumbent)

(Reason for recommending him as candidate for outside corporate auditor position)  
Toshio Nagai has established a highly regarded record of achievements working in a succession of key posts in legal circles and is known for his good personality and deep insight. He would conduct appropriate audits objectively. We therefore continue to recommend his election as an outside corporate auditor.

While he has not participated in corporate management, we believe that he will be able to perform the duties of outside corporate auditor appropriately for the aforementioned reasons.

His term of office as outside corporate auditor will reach 4 years at the close of this general meeting.

(Matters regarding independency)

Toshio Nagai satisfies the requirements for independent director/auditor set forth in the regulations of Tokyo Stock Exchange and the standards for judging the independence stipulated by the Company.

In addition, we have not concluded any advisory or consulting agreements or engaged in any transactions on a regular basis with Takusyou Sogo Law Office, the firm to which Toshio Nagai belongs.

No. 4

**Kazuya Jono**

(Reappointed) (Candidate for outside corporate auditor and independent auditor positions)

**Date of Birth:** **Personal History:**

December 10, 1954

April 1977

Joined Mitsui Bank, Limited

**Shares Owned:**

June 2005

Executive Officer, Sumitomo Mitsui Banking Corporation

4,400

April 2007

Managing Executive Officer, Sumitomo Mitsui Banking Corporation

April 2009

Managing Executive Officer, Sumitomo Mitsui Banking Corporation; Managing Executive Officer, Sumitomo Mitsui Financial Group, Inc.; Representative Director and President, SMFG Card & Credit, Inc.

April 2010

Senior Managing Director, Sumitomo Mitsui Banking Corporation; Senior Managing Directors (Executive Officers), Sumitomo Mitsui Financial Group, Inc.; Representative Director and President, SMFG Card & Credit, Inc.

June 2011

Senior Managing Director, Sumitomo Mitsui Banking Corporation; Director, Sumitomo Mitsui Financial Group, Inc.

March 2012

Retired

June 2012

Representative Director, President & CEO, Citibank Japan Ltd.

May 2014

Retired

June 2015

Outside Corporate Auditor, The Japan Steel Works, Ltd. (incumbent)

June 2015

Outside Corporate Auditor of the Company (incumbent)

(Reason for recommending him as candidate for outside corporate auditor position)

Kazuya Jono has successively held key posts in economic circles and is known for his good personality and deep insight. He would conduct appropriate audits objectively. We therefore continue to recommend his election as an outside corporate auditor.

His term of office as outside corporate auditor will reach 4 years at the close of this general meeting.

(Matters regarding independency)

Kazuya Jono satisfies the requirements for independent director/auditor set forth in the regulations of Tokyo Stock Exchange and the standards for judging the independence stipulated by the Company.

In addition, Kazuya Jono is a former officer of Sumitomo Mitsui Banking Corporation and Citibank Japan Ltd. (currently Citibank, N.A., Tokyo Branch), two of the Company's customers, and the Company engages in regular banking transactions with both banks. Notwithstanding, the balance of loans (including an amount participated in syndicate loans) from Sumitomo Mitsui Banking Corporation at the end of the fiscal year ended March 31, 2019 made up only 3.2% of the total assets of the Company, a ratio not prominent compared with the balance of loans from other banks, and there was no balance of loans from Citibank, N.A., Tokyo Branch.

No. 5

**Hiroyuki Kumasaka**

(Newly appointed)	(Candidate for outside and independent corporate auditor positions)	
<b>Date of Birth:</b>	<b>Personal History:</b>	
June 30, 1948	April 1973	Joined FUSO Audit Corporation (later MISUZU Audit Corporation)
<b>Shares Owned:</b>	January 1983	Partner, the Audit Corporation
0	February 1989	Senior Partner, the Audit Corporation
	May 2006	Councilor, the Audit Corporation
	January 2007	Chairs of the Board of Council; Head, Tokyo Office, the Audit Corporation
	August 2007	Representative Liquidator, the Audit Corporation
	June 2008	Outside Corporate Auditor, MATSUDA SANGYO CO., LTD.
	March 2011	External Corporate Auditor of the Board, Japan Airlines Co., Ltd.
	June 2015	Outside Audit and Supervisory Committee Member, MATSUDA SANGYO CO., LTD.

(Reason for recommending him as candidate for outside corporate auditor position)  
Hiroyuki Kumasaka has gained rich experience and achievements as a certified public accountant, and advanced knowledge about accounting. He is also known for his good personality and deep insight. He would conduct appropriate audits objectively. We therefore recommend his election as an outside corporate auditor. While he has not participated in corporate management, we believe that he will be able to perform the duties of outside corporate auditor appropriately for the aforementioned reasons.

(Matters regarding independency)  
Hiroyuki Kumasaka satisfies the requirements for independent director/auditor set forth in the regulations of Tokyo Stock Exchange and the standards for judging the independence stipulated by the Company. For some time during the period from 1992 to 2005, Hiroyuki Kumasaka served as an independent auditor of the Company in the capacity of a designated and engagement partner of an audit corporation of which he was formerly a member. Over 10 years have passed since Hiroyuki Kumasaka was removed from that position in charge of accounting audits of the Company.

- Note 1: There are no special interests between each of the candidates for corporate auditor position and the Company.  
 Note 2: The Tokyo Stock Exchange has been notified that Toshio Nagai, Kazuya Jono and Hiroyuki Kumasaka are independent auditors under the regulations of the Tokyo Stock Exchange.  
 Note 3: In accordance with the Articles of Incorporation, the Company intends to continue an agreement with Toshio Nagai and Kazuya Jono and enter into an agreement with Hiroyuki Kumasaka upon approval of the election of Toshio Nagai, Kazuya Jono and Hiroyuki Kumasaka as outside corporate auditors, with respect to the limitation of liabilities for damages arising from negligence in the performance of duties. Under these agreements, the damage liability of the outside corporate auditor shall be limited to the minimum amount stipulated in Article 425, paragraph 1 of the Companies Act if such outside corporate auditor has performed his duties in good faith and without gross negligence.



***Proposition No. 5:******Revision of the Amount of Remuneration for Corporate Auditors***

The monthly amount of remuneration for corporate auditors was resolved to be within 9 million yen at the 130th Ordinary General Meeting of Stockholders held in June 2011. These amounts remain effective to the present.

The Company proposes a revision of the amount of remuneration for corporate auditors to within 11 million yen a month, in consideration of several factors, including the increase in the number of corporate auditors by one subject to the approval of Propositions No. 2 and No. 4.

If Propositions No. 2 and No. 4 are approved as proposed, the number of corporate auditors will be five, effective from the close of the general meeting.

***Proposition No. 6:******Payment of Bonuses to Members of the Board***

In light of business results during the period under review, the Company proposes to pay the following bonuses to the seventeen members of the Board (excluding outside directors) who are in office as of the end of the fiscal year: ¥163,100,000.

(Reference)

Standards for Judging the Independence of Outside Directors/Corporate Auditors

Toray Industries, Inc. (the “Company”) established the following standards for the independence of outside directors and outside corporate auditors (collectively, “Outside Director/Corporate Auditor”) to ensure the objectivity and transparency of governance.

If an Outside Director/Corporate Auditor or a candidate for Outside Director/Corporate Auditor is found not to fall under any of the following items as a result of an investigation of the candidate performed by the Company to a reasonably practicable extent, the Company shall judge that he/she possesses independence.

1. An executive (Note 1) of the Company, its subsidiaries, or affiliated companies (collectively, the “Group”) or a person who has been an executive of the Group in the past 10 years.
2. A current major shareholder of the Company (Note 2) or an executive thereof.
3. A party of which the Group directly or indirectly holds 10% or more voting rights out of the total number of voting rights, or an executive thereof.
4. A major client or supplier (Note 3) of the Group or an executive thereof.
5. A person who belongs to an audit company acting as the independent auditor of the Company or Group companies.
6. A person rendering professional services, such as a consultant, attorney-at-law, or certified public accountant, who receives a large amount of monetary consideration or other property (Note 4) from the Group besides remuneration as a member of the Board or corporate auditor (if the person receiving such property is a body such as a legal person and partnership, including a consulting firm, legal firm, or accounting firm, a person who belongs to such body).
7. A person who receives a large donation (Note 5) from the Group (if the person receiving such large donation is a body such as a legal person and partnership, an executive thereof).
8. An executive of a company in which an executive of the Group is elected as a member of the Board or corporate auditor.
9. A person who has fallen under any of items 2 through 8 above in the past 3 years.
10. If a person who falls under any of items 1 through 8 above is an important person (Note 6), a spouse or relative within the second degree of kinship thereof.
11. Any other person who is likely to have conflicts of interest with general shareholders and is subject to circumstances reasonably deemed unable to fulfill his/her duties as an independent Outside Director/Corporate Auditor.

**Notes**

1. An “executive” means an executive director, executive officer, operating officer of a legal person or other body, or other person or employee similar thereto. When judging the independence of an outside corporate auditor, a non-executive director is included.
2. A “major shareholder” means a shareholder who holds shares with 10% or more of voting rights in his/her own name or another person’s name at the end of the most recent fiscal year of the Company.
3. A “major client or supplier” means a person who comes under any of the following.
  - (1) A business partner that has been provided with products, etc. by the Group and has made payments to the Company in an aggregate amount of not less than the higher of 2% of the annual consolidated net sales of the Company or one hundred million yen (¥100,000,000) in the most recent fiscal year.
  - (2) A business partner that has provided the Group with products, etc. and has received payments from the Company in an aggregate amount of not less than the higher of 2% of the annual consolidated net sales of the business partner or one hundred million yen (¥100,000,000) in the most recent fiscal year.
  - (3) A financial institution that has extended a loan to the Group, whereby the outstanding balance of the loan is more than 2% of the consolidated total assets of the Company at the end of the fiscal year of the Company.
4. A “large amount of monetary consideration or other property” means either of the following cases:
  - (1) In the case where the person who provides professional services is an individual, the amount refers to the total amount of the relevant property received from the Group excluding remuneration as a director/corporate auditor, exceeding ten million yen (¥10,000,000) in the most recent fiscal year; and
  - (2) In the case where the person who provides professional services is an entity such as a corporation or partnership, the amount refers to the total amount of the relevant property received from the Company, exceeding the higher of 2% of the consolidated net sales or total annual revenue of the relevant entity, or ten million yen (¥10,000,000) in the most recent fiscal year.
5. A “large donation” means a donation from the Group to a recipient of more than ten million yen (¥10,000,000) annually in the most recent fiscal year.
6. An “important person” means an executive director, executive officer, operating officer, or an employee who executes important operations, such as a person in charge of a division.

**[Attached Documents]****Business Report (from April 1, 2018 to March 31, 2019)****1. Review of Operations of Toray Group****(1) Operations and Results for the Period****The Business Environment and Trends in Sales and Profitability**

During the period under review, the global economy as a whole continued to recover gradually, underpinned by the strong U.S. economy amid prolonged pressure from the uncertain future weighing on the economy, but the pace of growth slowed in the second half of the fiscal year due to intensified trade frictions and the notable deceleration in the Chinese economy. The Japanese economy continued on its gradual recovery track, as both the corporate and household sectors remained steady in general, although there were some weaknesses in exports and production towards the end of the fiscal year.

In addition, the rise in raw material and fuel prices had a negative impact on Toray Group's profit.

Under such circumstances, Toray Group, since April, 2017, has been working on the medium-term management program "Project AP-G 2019" that spans over three years through fiscal year 2019 and has been implementing the growth strategy with focus on taking advantage of growth business fields, pursuing business expansion in growth countries and regions as well as further bolstering its cost competitiveness.

As a result, consolidated net sales for the fiscal year ended March 31, 2019 increased 8.3% compared with the previous fiscal year to ¥2,388.8 billion. Operating income declined 9.6% to ¥141.5 billion, and ordinary income fell 11.7% to ¥134.5 billion. Net income attributable to owners of parent declined 17.2% to ¥79.4 billion.

Business performance by segment is described below.

**Fibers and Textiles**

In Japan, demand for industrial applications such as automobiles was strong in general, while shipment of apparel applications remained weak partly due to the unseasonable weather. Against this background, Toray Group not only strived to

expand sales in each application but also worked to expand the business format that integrates fibers to textiles to final products while focusing on strengthening cost competitiveness.

Overseas, business performance of some subsidiaries in Southeast Asia remained slow, and was affected by a slowdown in demand for materials for automotive and other applications from the second half of the fiscal year, reflecting the deceleration of the Chinese economy. The Group expanded the integrated business for apparel applications.

The segment's business both in Japan and abroad was generally affected by the increase in raw material prices.

As a result, overall sales of Fibers & Textiles segment increased 6.6% to ¥974.3 billion from the previous year and operating income rose 0.6% to ¥72.9 billion.

**Performance Chemicals**

In the resins business, Toray Group expanded sales of automotive applications while passing on the rise in raw material prices to the sales price, but the business was affected by the economic slowdown in China. The chemicals business saw an improvement in the basic materials market and sales of fine chemical products also increased. In the films business, shipment of battery separator films for lithium-ion secondary batteries increased reflecting demand growth, while polyester films and other products were broadly affected by the increase in raw material prices. The electronic & information materials business was affected by the slowing demand in the smartphone market.

As a result, overall sales of Performance Chemicals segment increased 8.2% to ¥868.8 billion from the previous year. Operating income declined 5.1% to ¥67.7 billion.

**Carbon Fiber Composite Materials**

In the Carbon Fiber Composite Materials segment, demand for aircraft applications was mostly strong given the completion of the inventory adjustment in the supply chain. Demand for industrial applications showed a

recovery trend for the most part, primarily in the environment and energy-related fields led by compressed natural gas tank applications and wind turbine blade applications.

However, the segment was affected by rising raw material prices and intensifying competition. The cost of starting a new project at a composite subsidiary overseas increased and the segment also incurred fees related to the acquisition of the entire stake in TenCate Advanced Composites Holding B.V.

As a result, overall sales of Carbon Fiber Composite Materials segment increased 21.3% to ¥215.9 billion from the previous year while operating income fell 44.4% to ¥11.5 billion.

### **Environment & Engineering**

In the water treatment business, demand for reverse osmosis membranes and other products grew strongly on the whole in Japan and abroad.

Among domestic subsidiaries in the segment, the trading volume of a trading subsidiary increased, while an engineering subsidiary outside Japan was affected by the conclusion of a large-scale plant construction project.

As a result, overall sales of Environment & Engineering segment increased 8.1% to ¥257.7 billion from the previous year while operating income declined 7.9% to ¥12.2 billion.

### **Life Science**

In the pharmaceutical business, while sales volume of orally active prostacyclin derivative DORNER<sup>®</sup> increased in the overseas markets, the sales were affected by its generic versions and the revision of National Health Insurance drug price revision in Japan. Sales of pruritus treatment REMITCH<sup>®\*</sup> were influenced by the market entry of its generic versions.

In the medical devices business, dialyzers was affected by the reduction of the insurance reimbursement amount in Japan and the increase in raw material prices, while its shipment grew strongly in Japan and overseas and sales volume of dialysis machines also expanded.

As a result, overall sales of Life Science

segment declined 0.3% to ¥53.7 billion from the previous year and operating income fell 33.0% to ¥1.3 billion.

\* REMITCH<sup>®</sup> is a registered trademark of Torii Pharmaceutical Co., Ltd.

### **New Investments, R&D, and Other Activities**

In order to implement growth strategies of “Project AP-G 2019,” Toray Group is making proactive capital investment and implementing M&As and alliances primarily in growth business fields and growth countries and regions.

In terms of new major capital investment in the resins business of the Performance Chemicals segment, Toray Group made a decision to establish production facilities for nylon resin and PBT resin compounds with an annual production capacity of 5,000 tons at Toray Industries (India) Private Limited, an Indian subsidiary, in order to capture new demand for automobiles, home electric appliances, etc. in India, a market expected to rapidly grow. Moreover, Toray Group decided to strengthen production capacity at Toray Plastics (Malaysia) Sdn. Berhad, a Malaysian subsidiary, in order to increase sales of transparent grades of the ABS resin TOYOLAC<sup>®</sup>, a material lineup that has already captured the leading share of the world market. In anticipation of steady growth in the demand for high-performance ABS resins with added functionalities such as high heat resistance and chemical resistance, Toray Group plans to take advantage of its increased production capacity to enter the European and Indian markets while continuing sales to its main customers of the Chinese and ASEAN markets. This expansion of production facilities will increase the annual production capacity to 497,000 tons throughout the entire Group.

In the films business of the Performance Chemicals segment, Toray Group made a decision to strengthen the production capacity of TORAYFAN<sup>®</sup> by adding an annual capacity of 30,000 tons at Toray Plastics (America), Inc., a U.S. subsidiary. This increase in facilities will

capture a demand increase in the biaxially oriented polypropylene film market in North America, where sustainable growth is expected to continue in step with the growing population in the future. This increase will also meet increasingly diversified and complicated customer needs in the market for high-value-added packaging materials, a market where Toray Plastics (America), Inc. enjoys a high market share in North America.

In the Carbon Fiber Composite Materials segment, Toray Group completed procedures to acquire all shares issued of TenCate Advanced Composites Holding B.V., a manufacturer that holds technologies and production facilities for thermoplastic prepreg. The applications of thermoplastic prepreg will increase in step with the expanding market for small passenger aircrafts. Demand for thermoplastic prepreg is also expected for automotive applications in the future. Toray Group therefore plans to further expand its business in the Carbon Fiber Composite Materials segment by further improving its products and technologies and strengthening its supply chain.

In the Environment & Engineering segment, Toray Group made a decision to establish Toray Membrane (Foshan) Co., Ltd. as a new manufacturer and seller of water treatment membrane products in Foshan City, Guangdong Province, China. The Company has steadily contributed to water environment improvements and water shortage alleviation in China by supplying various water treatment membranes used for water supply and industrial water treatment systems, seawater desalination systems, and recycling wastewater systems, in addition to promoting the sales of home-use water purifiers. Toray Group will respond to the rapid growth of the water treatment membrane market in China by constructing a new base in Foshan City.

Toray Group invests continuously in research & development for sustainable growth in the future.

The Group has been vigorously developing products based on core technologies, namely organic synthetic chemistry, polymer chemistry, biochemistry, and nanotechnology.

For the period under review, the Group achieved solid results in the Green Innovation businesses towards the solution of issues facing the global environment and natural resources and energy and water resources. In the Fibers & Textiles segment, the Company was selected by the Ministry of the Environment to take part in a large-scale national project as a “business generating innovative and comfortable new materials to realize the decreased use of air conditioners.” The Group will henceforth develop and verify new types of future-oriented materials that can keep people comfortable in environments that rely less on air conditioners. In the films field of the Performance Chemicals segment, the Group deepened nano-scale lamination technologies used for nano-layered film PICASUS® and developed an innovative heat shield film that realizes the world’s highest thermal efficiency against infrared rays, a material that prevents the sun from raising interior temperatures while maintaining a transparency equivalent to that of glass. Toray Group will promote further improvements in thermal efficiency and commercialization in the future. In the electronic information materials field of the Performance Chemicals segment, the Group received the 67th CSJ Award for Technical Development from the Chemical Society of Japan. The award was bestowed to commend the Company for “developing and commercializing high-performance photosensitive and positive siloxane.” Toray Group has been highly evaluated for the massive potential and social significance of its technologies, including the proprietary technologies that contribute to the higher performance of optical devices and the product's outstanding practicality. In the future Toray Group will promote business expansion together with initiatives toward a larger share. In the Carbon Fiber Composite Materials segment, Toray Group developed a prepreg for the primary

structural components of aircrafts, a material that works with vacuum pressure modeling technologies to enable fabrication without using autoclaves. According to the result of an examination, this prepreg matches the capabilities of earlier materials produced through autoclave modeling and has extremely low deficiencies. The Group will henceforth deepen this new technology and promote its application in aircraft manufacturing, a field where higher productivity and lower cost are mandatory. The Group will also strive for wide-ranging application to components for automotive and general industrial use in order to promote increasing demand for CFRP. In the water treatment business field, meanwhile, Toray Group developed technologies to increase the speed of feed waters while controlling resistance to the lowest possible level when feed waters and filtrated waters are flowed through reverse osmosis membrane (RO membrane) elements, and thereby enhance the efficiency of desalination by twofold or more. In the future, the Group will advance global verification toward a scaling up and aim to expand its large-scale industrial RO membrane elements.

In the Life Innovation business field focused on improving the quality of healthcare, easing burden on medical professionals and contributing to health and longevity in general, Toray Group developed LIVMOA<sup>®</sup>, a line of highly permeable disposable protective clothing suitable for sterilized use in clean rooms. Toray Group will contribute to the advancement of medical care quality, ease the burden for health care providers, and health in general by improving safety and comfort at medical institutions specialized in the growing field of regenerative medicine, pharmaceutical manufacturing, and other fields that require operations in clean rooms. In the life science business field, Toray Group received an approval from the U.S. Food and Drug Administration (FDA) to initiate a Phase 1 clinical trial for TRK-250, a nucleic acid candidate developed in collaboration with BONAC Corporation for the treatment of idiopathic

pulmonary fibrosis, and started the clinical trial. Because the agent received an orphan drug designation, Toray will be granted preferential allowances for TRK-250, including exclusive rights to sell the agent as an originator drug for seven years in the U.S. Toray has also added new facilities for clinical trials on TRK-950, an antibody drug in a Phase I clinical trial, and administered the agent in combination with existing anticancer drugs for different tumors to search for carcinoma types on which the agent is efficacious. Toray will continue to accelerate development in cooperation with the relevant organizations with a view to receiving early approval of the agent as cancer therapy.

## **(2) Issues to be Addressed**

In 2011 Toray Group drew up the “AP-Growth TORAY 2020,” a long-term corporate vision. Toray Group worked on “Project AP-G 2013,” a medium-term management program for the three-year period through FY 2013 as the first stage of the vision, and “Project AP-G 2016,” a medium-term management program for the three-year period through FY 2016 as the second stage of the vision. From FY 2017 Toray Group is working on “Project AP-G 2019,” a new medium-term management program for the three-year period through FY 2019. Toray Group will complete the programs it has worked on so far to address management issues, while following its cornerstone policies in the former two medium-term management programs: “expand business in growth business fields and growth countries and regions” and “strengthen its competitiveness.” At the same time, Toray Group will strengthen initiatives to generate new revenue resources for sustainable growth and increased corporate value for FY 2020 and onward.

The global economy as a whole is expected to recover slightly from late 2019, though it is expected to see a slowdown in the pace of growth primarily in China and the U.S. However, attention should be also paid to risk factors such as increasing trade friction between countries such as the U.S. and China, the downward swing in the

Chinese economy and the outcome of the negotiations for the U.K.'s withdrawal from the EU. The Japanese economy is expected to continue on a gradual recovery track on the back of improvement in the employment and income environment while growth in exports and production are likely to slow. Nevertheless, it is necessary to note the economic impact of the uncertainties in overseas economies and the fluctuations in crude oil prices and in the financial markets.

Under such circumstances, Toray Group will expand business by taking advantage of advanced materials, core technologies and global business foundations. Toray Group will prioritize capital expenditure, research & development, and allocation of other management resources in growth business fields and growth countries and regions. If synergies appear to be achievable through the use of the Group's strengths, Toray Group will extend and supplement the growth of its existing businesses by flexibly planning M&As and alliances.

In dealing with changes in foreign exchange rates or raw materials and fuel prices, the Group will continue to maintain a business structure insulated from these external factors insofar as can be practically achieved, by making use of its global business foundations. Further, the Group will aim to sustain its growth through capital expenditure, research & development, and human resources development from a medium- to long-term perspective and practice management to meet the trust and expectations of stockholders and other stakeholders.

As for dividend policy, Toray will continue to maintain stable and continuous increase of dividend distributions to stockholders at a level commensurate with the improvement of business performance.

With respect to safety, accident prevention, and environmental preservation, corporate ethics, legal compliance, and other essentials of Corporate Social Responsibility (CSR), Toray Group is strengthening its CSR initiatives as issues that take the highest managerial priority. Toray Group has drawn up the "Sixth CSR Roadmap" for three

years through FY 2019 and systematically continues to promote CSR in every aspect of business. Through these initiatives, the Group will strive to combine sustainable growth with CSR and balance its management strategies with CSR according to the "CSR Roadmap."

Toray Group, with the belief that the materials, which form the base of all products, have the power to intrinsically change society, aims to develop and commercialize cutting-edge technologies and new materials by constantly pursuing technological innovations ahead of its competition around the world. Further, Toray Group shall aim to sustain its growth by focusing on all the aspects of our business activities, grasping the situation thoroughly and overcoming the hurdles through analysis of the situation, and shall strive to realize the ideals of its corporate philosophy of "contributing to society through the creation of new value with innovative ideas, technologies and products."

We hope all stockholders will grant continued understanding and support in the future.

### (3) Investment in Fixed Assets

The following are major investments in production facilities that have been implemented during the business year.

- 1) Major production facilities completed during the year:

***Fibers and Textiles:***

Expansion of production facilities for polypropylene spunbond (at Toray Advanced Materials Korea Inc.)

***Performance Chemicals:***

Establishment of production facilities for PPS resin (at Toray Advanced Materials Korea Inc.)

***Performance Chemicals:***

Expansion of production facilities for battery separator film (at Toray Battery Separator Film Korea Limited)

***Carbon Fiber Composite Materials:***

Expansion of production facilities for carbon fiber (at Zoltek de Mexico, S.A. de C.V.)



- 2) Establishment or expansion of major production facilities under construction during the year:

***Fibers and Textiles:***

Establishment of production facilities for nylon fiber and airbag fabric (at Toray Advanced Textile Mexico, S.A. de C.V.)

***Fibers and Textiles:***

Expansion of production facilities for Alcantara® (at Alcantara S.p.A.)

***Performance Chemicals:***

Expansion of production facilities for ABS resin (at Toray Plastics (Malaysia) Sdn. Berhad)

***Performance Chemicals:***

Expansion of production facilities for battery separator film (at Toray Battery Separator Film Korea Limited)

***Performance Chemicals:***

Expansion of coating facilities for battery separator film (at Toray BSF Coating Korea Limited)

***Performance Chemicals:***

Expansion of production facilities for polypropylene film (at Toray Plastics (America), Inc.)

***Carbon Fiber Composite Materials:***

Establishment of production facilities for carbon fiber and prepreg (at Toray Composite Materials America, Inc.)

***Carbon Fiber Composite Materials:***

Establishment of production facilities for fuel cell electrode substrate (at the Ehime Plant of the Company)

***Carbon Fiber Composite Materials:***

Expansion of production facilities for carbon fiber (at Zoltek Zrt.)

## (4) Financing Activities

Toray Group raised funds mainly in the form of bank loans and bond issuance.

## (5) Financial Highlights

### Toray Group (Consolidated basis)

Years ended	Billions of yen			
	except per share data			
March 31	2016	2017	2018	2019
Net sales	¥2,104.4	¥2,026.5	¥2,204.9	<b>¥2,388.8</b>
Operating income	154.5	146.9	156.5	<b>141.5</b>
Ordinary income	150.2	143.7	152.3	<b>134.5</b>
Net income attributable to owners of parent	90.1	99.4	95.9	<b>79.4</b>
Net income per share (yen)	56.38	62.17	59.97	<b>49.61</b>
Net assets	1,024.9	1,100.2	1,169.2	<b>1,213.9</b>
Total assets	2,278.4	2,396.8	2,575.9	<b>2,788.4</b>

Note 1: Net income per share is calculated based on the average number of shares outstanding during the year after deducting treasury stock.

Note 2: Figures are shown rounded to the nearest ¥0.1 billion.

Note 3: Effective from the beginning of the fiscal year under review, the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28 February 16, 2018), etc. are applied. The figures for the fiscal year ended March 31, 2018 in the above financial highlights are accordingly restated to reflect the retrospective application of the standards.

## (6) Major Subsidiaries

	Capital stock (Millions)	Toray's stake (%)	Main business
Toray International, Inc.	¥2,040	100.00	Export and domestic sales of Toray Group products
Chori Co., Ltd.	¥6,800	51.25	Purchasing and sales of textile products and chemical products, etc.
Toray Engineering Co., Ltd.	¥1,500	99.99	General engineering and electronics business
Toray Composite Materials America, Inc.	US\$114	— (100.00)	Development, manufacturing and sales of carbon fibers and prepreg
Toray Plastics (America), Inc.	US\$238	— (100.00)	Manufacturing and sales of polyester and polypropylene films, and polyolefin foam
Toray Carbon Fibers Europe S.A.	EUR185	100.00	Manufacturing and sales of carbon fibers
P.T. Indonesia Toray Synthetics	US\$105	92.37 (7.63)	Manufacturing and sales of nylon fibers, polyester fibers and resin compound products
Thai Toray Synthetics Co., Ltd.	THB3,078	70.77 (19.24)	Manufacturing and sales of nylon fibers, polyester fibers, resin compound products and polypropylene films
Toray Plastics (Malaysia) Sdn. Berhad	US\$73	93.85 (6.15)	Manufacturing and sales of ABS resin; sales of PBT resin, etc.
Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd.	RMB1,442	69.43 (15.40)	Weaving, dyeing and marketing of polyester filament textiles
Toray Advanced Materials Korea Inc.	Won670,100	100.00	Manufacturing and sales of polyester films, polyester filament yarns, non-woven fabrics, PPS resin and carbon fibers

Note: Figures in parenthesis under "Toray's stake" indicate Toray's subsidiaries' stake.

## (7) Main Business

Manufacturing, processing and sales of the following products, among others:

### *Fibers and Textiles:*

Filament yarns, staple fibers, spun yarns, woven and knitted fabrics of nylon, polyester, acrylic and others; non-woven fabrics; ultra-microfiber non-woven fabric with suede texture; apparel products.

### *Performance Chemicals:*

Nylon, ABS, PBT, PPS and other resins and molded products; polyolefin foam; polyester, polyethylene, polypropylene and other films and processed film products; raw materials for synthetic fibers and other plastics; fine chemicals; electronic and information materials and graphic materials.

### *Carbon Fiber Composite Materials:*

Carbon fibers, carbon fiber composite materials and their molded products.

### *Environment and Engineering:*

Comprehensive engineering; condominiums; industrial equipment and machinery; IT-related equipment; water treatment membranes and related equipment; materials for housing, building and civil engineering applications.

### *Life Science:*

Pharmaceuticals, medical devices, etc.

### *Others:*

Analysis, physical evaluation, research, and other services.

## (8) Directory

1) Toray Industries, Inc.

### *Head Office:*

1-1, Nihonbashi-Muromachi 2-chome,  
Chuo-ku, Tokyo 103-8666, Japan

### *Osaka Head Office:*

3-3, Nakanoshima 3-chome,  
Kita-ku, Osaka 530-8222, Japan

### *Branches:*

Nagoya (Aichi), Hokuriku (Fukui), Kyushu (Fukuoka),  
Tohoku (Miyagi) and Chugoku & Shikoku (Hiroshima)

### *Plants:*

Shiga, Seta (Shiga), Ehime, Nagoya (Aichi), Tokai  
(Aichi), Aichi, Okazaki (Aichi), Mishima (Shizuoka),  
Chiba, Tsuchiura (Ibaraki), Gifu, Ishikawa and  
Nasu (Tochigi)

### *Laboratories:*

Fibers and Textiles Research Laboratories  
(Shizuoka), Films and Film Products Research  
Laboratories (Shiga), Chemicals Research  
Laboratories (Aichi), Composite Materials Research  
Laboratories (Ehime), Electronic and Imaging  
Materials Research Laboratories (Shiga), Global  
Environment Research Laboratories (Shiga),  
Pharmaceutical Research Laboratories (Kanagawa),  
New Frontiers Research Laboratories (Kanagawa),  
Advanced Materials Research Laboratories (Shiga)

2) Major Subsidiaries

Toray International, Inc. (Tokyo, Japan)  
Chori Co., Ltd. (Osaka, Japan)  
Toray Engineering Co., Ltd. (Tokyo, Japan)  
Toray Composite Materials America, Inc. (U.S.A.)  
Toray Plastics (America), Inc. (U.S.A.)  
Toray Carbon Fibers Europe S.A. (France)  
P.T. Indonesia Toray Synthetics (Indonesia)  
Thai Toray Synthetics Co., Ltd. (Thailand)  
Toray Plastics (Malaysia) Sdn. Berhad (Malaysia)  
Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd.  
(China)  
Toray Advanced Materials Korea Inc. (Republic of Korea)

## (9) Employees

Segment	Number of employees	Increase (decrease) from the end of last fiscal year
Fibers and Textiles	20,050	628
Performance Chemicals	12,466	375
Carbon Fiber Composite Materials	6,881	1,422
Environment and Engineering	4,266	83
Life Science	1,461	(83)
Others	2,442	137
Corporate	754	(4)
Total	48,320	2,558

## (10) Principal Lenders

	Outstanding loan amount (Millions of yen)
Sumitomo Mitsui Banking Corporation	135,788
MUFG Bank, Ltd.	128,551
Mizuho Bank, Ltd.	61,448
Development Bank of Japan Inc.	35,000
The Bank of Kyoto, Ltd.	10,200

Note 1: Outstanding loan amount includes loans from overseas subsidiaries of the lenders.

Note 2: In addition to the above, we have ¥208,026 million of outstanding syndicated loans.

## 2. Stock Information

(1) Total Number of Shares Authorized to be Issued:	4,000,000,000 shares
(2) Number of Shares of Common Stock in Issue:	1,600,694,991 shares (excluding treasury stock of 30,786,412 shares)
(3) Number of Stockholders at March 31, 2019:	176,504
(4) Principal Stockholders:	

	Number of shares held (Thousands)	Percentage of total shares (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	131,980	8.25
Japan Trustee Services Bank, Ltd. (Trust Account)	93,983	5.87
Nippon Life Insurance Co.	71,212	4.45
Mitsui Life Insurance Co., Ltd.	35,961	2.25
National Mutual Insurance Federation of Agricultural Cooperatives	32,193	2.01
Japan Trustee Services Bank, Ltd. (Trust 5 Account)	29,813	1.86
Sumitomo Mitsui Banking Corporation	27,022	1.69
Japan Trustee Services Bank, Ltd. (Trust 4 Account)	25,856	1.62
Japan Trustee Services Bank, Ltd. (Trust 9 Account)	25,404	1.59
JP MORGAN CHASE BANK 385151	23,565	1.47

Note 1: The percentage of total shares is computed after deducting treasury stock (30,786,412 shares)

Note 2: Mitsui Life Insurance Co., Ltd. was renamed TAIJU LIFE INSURANCE COMPANY LIMITED on April 1, 2019.

## 3. Stock Acquisition Rights

(1) Outline of Stock Acquisition Rights held by Members of the Board of the Company as of the end of the Fiscal Year

	No.1 Stock Acquisition Right	No.2 Stock Acquisition Right	No.3 Stock Acquisition Right
Date of resolution of issuance	July 29, 2011	July 19, 2012	July 26, 2013
Number of Stock Acquisition Rights	116	162	143
Number of persons held	6 members of the Board	7 members of the Board	8 members of the Board
Type and number of shares to be issued upon exercise	Common Stock: 116,000 shares	Common Stock: 162,000 shares	Common Stock: 143,000 shares
Issue price of Stock Acquisition Rights	¥513	¥394	¥546
Exercise price	¥1	¥1	¥1
Exercise period for Stock Acquisition Rights	From August 21, 2011 to August 20, 2041	From August 5, 2012 to August 4, 2042	From August 11, 2013 to August 10, 2043

	No.4 Stock Acquisition Right	No.5 Stock Acquisition Right	No.6 Stock Acquisition Right
Date of resolution of issuance	July 23, 2014	July 28, 2015	July 27, 2016
Number of Stock Acquisition Rights	161	107	163
Number of persons held	9 members of the Board	9 members of the Board	13 members of the Board
Type and number of shares to be issued upon exercise	Common Stock: 161,000 shares	Common Stock: 107,000 shares	Common Stock: 163,000 shares
Issue price of Stock Acquisition Rights	¥605	¥987	¥902
Exercise price	¥1	¥1	¥1
Exercise period for Stock Acquisition Rights	From August 10, 2014 to August 9, 2044	From August 23, 2015 to August 22, 2045	From August 21, 2016 to August 20, 2046

	No.7 Stock Acquisition Right	No.8 Stock Acquisition Right
Date of resolution of issuance	July 24, 2017	July 25, 2018
Number of Stock Acquisition Rights	184	245
Number of persons held	16 members of the Board	17 members of the Board
Type and number of shares to be issued upon exercise	Common Stock: 184,000 shares	Common Stock: 245,000 shares
Issue price of Stock Acquisition Rights	¥899	¥710
Exercise price	¥1	¥1
Exercise period for Stock Acquisition Rights	From August 20, 2017 to August 19, 2047	From August 19, 2018 to August 18, 2048

## (2) Outline of Stock Acquisition Rights Granted to Employees, etc. of the Company during the Fiscal Year

	No.8 Stock Acquisition Right
Date of resolution of issuance	July 25, 2018
Number of Stock Acquisition Rights	142
Number of persons granted	35 directors of the Company
Type and number of shares to be issued upon exercise	Common Stock: 142,000 shares
Issue price of Stock Acquisition Rights	¥710
Exercise price	¥1
Exercise period for Stock Acquisition Rights	From August 19, 2018 to August 18, 2048

(3) Bonds with Stock Acquisition Rights

	Stock Acquisition Rights attached to Zero Coupon Convertible Bonds due 2019	Stock Acquisition Rights attached to Zero Coupon Convertible Bonds due 2021
Date of resolution of issuance	May 22, 2014	May 22, 2014
Number of Stock Acquisition Rights	5,000	5,000
Type and number of shares to be issued upon exercise	Common Stock: 56,850,483 shares	Common Stock: 61,244,487 shares
Issue price of Stock Acquisition Rights	Gratis	Gratis
Conversion price	¥879.5	¥816.4
Exercise period for Stock Acquisition Rights	From June 23, 2014 to August 16, 2019	From June 23, 2014 to August 17, 2021
Outstanding amount of Bonds with Stock Acquisition Rights	¥50,000 million	¥50,000 million

Note: The number of shares to be issued upon exercise is computed by dividing the outstanding amount of Bonds with Stock Acquisition Rights by the conversion price.

## 4. Members of the Board and Corporate Auditors

### (1) Names and Titles

**Akihiro Nikkaku**, *President and Representative Member of the Board (Chief Executive Officer, Chief Operating Officer)*

**Koichi Abe**, *Executive Vice President and Representative Member of the Board* (In charge of Intellectual Property Division, Automotive Material Strategic Planning Dept., Global Environment Business Strategic Planning Dept., and Life Innovation Business Strategic Planning Dept.; General Manager, Technology Center; General Manager, Toray Human Resources Development Center)

**Ryo Murayama**, *Executive Vice President and Representative Member of the Board* (In charge of Marketing and Sales; in charge of Corporate Marketing Planning Dept., and branches; General Manager, Affiliated Companies Division; Director, Chori Co., Ltd.)

**Yukichi Deguchi**, *Executive Vice President and Representative Member of the Board* (General Manager, Corporate Strategic Planning Division; General Manager, Quality Assurance Division; in charge of Legal & Compliance Division (Security Trade Administration Dept.), HS Business Development Dept.)

**Mitsuo Ohya**, *Senior Vice President (Member of the Board and Member of the Executive Committee)* (General Manager, Fibers & Textiles Division; General Manager, Osaka Head Office)

**Hiroshi Otani**, *Senior Vice President (Member of the Board and Member of the Executive Committee)* (General Manager, Water Treatment & Environment Division; Chairman, Toray Asia Pte. Ltd.; Director, Suido Kiko Kaisha, Ltd.)

**Toru Fukasawa**, *Senior Vice President (Member of the Board and Member of the Executive Committee)* (General Manager, Finance & Controller's Division)

**Kazuo Morimoto**, *Senior Vice President (Member of the Board and Member of the Executive Committee)* (General Manager, Resins & Chemicals Division)

**Osamu Inoue**, *Senior Vice President (Member of the Board and Member of the Executive Committee)* (General Manager, Films Division; Chairman, Toray Films Europe S.A.S.)

**Yasuo Suga**, *Senior Vice President (Member of the Board)* (General Manager, Torayca & Advanced Composites Division; Chairman, Toray Composite Materials America, Inc.; Chairman, Toray Carbon Fibers Europe S.A.)

**Hirofumi Kobayashi**, *Senior Vice President (Member of the Board)* (General Manager, Pharmaceuticals & Medical Products Division)

**Tetsuya Tsunekawa**, *Senior Vice President (Member of the Board)* (General Manager, Research & Development Division; General Manager, Basic Research Center)

**Takashi Fujimoto**, *Senior Vice President (Member of the Board)* (General Manager, Information Systems Division, Purchasing & Logistics Division; General Manager, Engineering Division)

**Kazuyuki Adachi \***, *Senior Vice President (Member of the Board)* (General Manager, Manufacturing Division; General Manager, Textile Technology & Manufacturing Division)

**Shigeki Taniguchi**, *Vice President (Member of the Board)* (General Manager, Personnel & Industrial Relations Division)

**Hideki Hirabayashi**, *Vice President (Member of the Board)* (In charge of CSR; General Manager, Legal & Compliance Division; General Manager, General Administration & Communications Division; General Manager, Tokyo Head Office)

**Hiroshi Enomoto\***, *Vice President (Member of the Board)* (General Manager, Electronic & Information Materials Division; General Manager, Electronic Materials Division)



**Kunio Ito** *Vice President (Member of the Board)*  
(Member of the Board, Akebono Brake Industry Co., Ltd.; Director, Kobayashi Pharmaceutical Co., Ltd.; Director, Seven & i Holdings Co., Ltd.)

**Ryoji Noyori**, *Vice President (Member of the Board)*  
(Director, TAKASAGO INTERNATIONAL CORPORATION)

**Shogo Masuda**, *Corporate Auditor*

**Shoshiro Taneichi**, *Corporate Auditor*

**Toshio Nagai**, *Corporate Auditor* (Lawyer, Takusyou Sogo Law Office; Corporate Auditor, SUMITOMO CORPORATION)

**Kazuya Jono**, *Corporate Auditor* (Corporate Auditor, The Japan Steel Works, Ltd.)

Note 1: Kunio Ito and Ryoji Noyori are outside directors in accordance with Article 2, paragraph 15 of the Companies Act.

Note 2: The Tokyo Stock Exchange has been notified that Kunio Ito and Ryoji Noyori are independent directors/auditors under the regulations of the Exchange.

Note 3: Toshio Nagai and Kazuya Jono are outside corporate auditors in accordance with Article 2, paragraph 16 of the Companies Act.

Note 4: The Tokyo Stock Exchange has been notified that Toshio Nagai and Kazuya Jono are independent directors/auditors under the regulations of the Exchange.

Note 5: Shogo Masuda, Corporate Auditor, has been in charge of accounting in the Company and its overseas group companies for many years, and has considerable knowledge of financing and accounting matters.

Note 6: Kazuya Jono, Corporate Auditor, has been in charge of financing businesses at a bank for many years, and has considerable knowledge of financing and accounting matters.

Note 7: Members of the Board marked with an Asterisk(\*) were

newly appointed to these positions at the 137th Ordinary General Meeting of Stockholders held on June 26, 2018.

Note 8: The following members of the Board retired from their positions at the close of the 137th Ordinary General Meeting of Stockholders held on June 26, 2018.

**Kazushi Hashimoto**, *Executive Vice President and Representative Member of the Board*

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

**Kazuhiko Shuto**, *Senior Vice President (Member of the Board)*

**Satoru Nishino**, *Vice President (Member of the Board)*

**Yoshiyuki Tanaka**, *Vice President (Member of the Board)*

**Yuji Fukuda**, *Vice President (Member of the Board)*

**Toshiyuki Kondo**, *Vice President (Member of the Board)*

**Kenichiro Miki**, *Vice President (Member of the Board)*

Note 9: As of April 1, 2019, the assignments and important offices held concurrently by members of the Board have been changed as follows.

**Yasuo Suga**, *Senior Vice President (Member of the Board)*  
(General Manager, Torayca & Advanced Composites Division; Chairman, Toray Carbon Fibers Europe S.A.)

**Hiroshi Enomoto**, *Vice President (Member of the Board)*  
(General Manager, Electronic & Information Materials Division)

## (2) Outline of the agreement to limit the liability of outside directors and outside corporate auditors

In accordance with the Articles of Incorporation, the Company enters into an agreement with each of the outside directors and outside corporate auditors with respect to the limitation of liabilities for damages arising from negligence in the performance of their duties. Under these agreements, the damage liability of each outside director or outside corporate auditor shall be limited to the minimum amount stipulated in Article 425, paragraph 1 of the Companies Act if such outside director or outside corporate auditor has performed his/her duties in good faith and without gross negligence.

### (3) Amounts of Remuneration to Members of the Board and Corporate Auditors

	Persons paid	Amounts of remuneration during the year
Members of the Board (inclusive of Outside Directors)	27 (2)	¥1,195 million [¥24 million]
Corporate Auditors (inclusive of Outside Corporate Auditors)	4 (2)	¥98 million [¥19 million]
<b>Total</b>	<b>31</b>	<b>¥1,293 million</b>

Note 1: The number of recipients includes eight members of the Board who retired in the current period.

Note 2: The total amount of remuneration includes ¥163 million (members of the Board, ¥163 million) of bonuses for members of the Board to be resolved at the 138th Ordinary General Meeting of Stockholders.

Note 3: The total amount of remuneration includes ¥190 million of stock options (stock acquisition rights) granted to members of the Board.

Note 4: The amount equivalent to ¥47 million of employee's salary of the employee-director is not included in the above amount.

Note 5: In addition to the above, the Company paid two retiring members of the Board ¥165 million as retirement benefits for termination resulting from the abolition of the retirement benefit system for members of the Board and corporate auditors, as resolved at the 130th Ordinary General Meeting of Stockholders.

### (4) Outside Directors and Outside Corporate Auditors

1) Offices concurrently held by the outside directors and outside corporate auditors

**Kunio Ito**, *Outside Director* (Member of the Board, Akebono Brake Industry Co., Ltd.; Director, Kobayashi Pharmaceutical Co., Ltd.; Director, Seven & i Holdings Co., Ltd.)

**Ryoji Noyori**, *Outside Director* (Director,

TAKASAGO INTERNATIONAL CORPORATION)  
**Toshio Nagai**, *Outside Corporate Auditor* (Lawyer, Takusyou Sogo Law Office; Corporate Auditor, SUMITOMO CORPORATION)

**Kazuya Jono**, *Outside Corporate Auditor* (Corporate Auditor, The Japan Steel Works, Ltd.)

Note: There is no special relationship between the Company and corporations, etc. in which outside directors and outside corporate auditors concurrently hold office.

2) Main activities of the outside directors and outside corporate auditors

**Kunio Ito**, *Outside Director*

Attended all 15 meetings of the Board of Directors held during the period under review. Contributed to these meetings with appropriate comments from his professional perspective based mainly on experience of research and study activities on accounting and business administration.

**Ryoji Noyori**, *Outside Director*

Attended all 15 meetings of the Board of Directors held during the period under review. Contributed to these meetings with appropriate comments from his academic and technological perspective based mainly on experience of research and study activities on organic synthetic chemistry.

**Toshio Nagai**, *Outside Corporate Auditor*

Attended 14 out of 15 meetings of the Board of Directors and all 11 meetings of the Board of Corporate Auditors held during the period under review. Also participated in audits of Toray's plants and Group companies. Contributed to these meetings and audits with appropriate comments based mainly on his professional perspective as a lawyer.

**Kazuya Jono**, *Outside Corporate Auditor*

Attended 14 out of 15 meetings of the Board of Directors and all 11 meetings of the Board of Corporate Auditors held during the period under review. Also participated in audits of Toray's plants and Group companies. Contributed to these meetings and audits with appropriate comments based on his professional perspective as an executive with rich experience.

## 5. Independent Auditor

### (1) Name of Independent Auditor

Ernst & Young ShinNihon LLC

### (2) Amounts of Remuneration to Independent Auditor

- 1) Amount of remuneration paid for the fiscal year ended March 31, 2019 was ¥225 million.
- 2) The total amount of remuneration paid or payable to independent auditors by the Company and its consolidated subsidiaries was ¥524 million.

Note 1: Given that the audit engagement contract between the Company and the independent auditors does not differentiate the amount of audit fees payable under the Companies Act from the amount of audit fees payable under the Financial Instruments and Exchange Law, and given that such differentiation is practically impossible, the amount of remunerations shown in 1) above is an aggregate of both amounts.

Note 2: Based on the “Practical Guidelines for Cooperation with Independent Auditors” announced by the Japan Audit & Supervisory Board Members Association, the Board of Corporate Auditors checked the audit hours in auditing plans, changes in audit fees, status of auditing plans versus actual results in previous fiscal years, etc., and examined the appropriateness of the estimated amount of remuneration. As a result, the Board of Corporate Auditors approved the remuneration paid or payable to the independent auditors as set forth in Article 399, paragraph 1 of the Companies Act.

Note 3: Among major subsidiaries of the Company, Chori Co., Ltd., Toray Composite Materials America, Inc., Toray Plastics (America), Inc., Toray Carbon Fibers Europe S.A., P.T. Indonesia Toray Synthetics, Thai Toray Synthetics Co., Ltd, Toray Plastics (Malaysia) Sdn. Berhad, Toray Sakai Weaving & Dyeing

(Nantong) Co., Ltd., and Toray Advanced Materials Korea Inc. are audited by certified public accountants or independent auditors other than Toray’s independent auditors.

### (3) Non-audit Work

The Company commits to independent auditors, with compensation, certain services regarding advice on transition to the IFRS, etc., other than the services stipulated in Article 2, Clause 1 of the Certified Public Accountants Act of Japan.

### (4) Policy for Determining the Dismissal or Non-reappointment of Independent Auditors

If an independent auditor is deemed to fall under any of the items of Article 340, paragraph 1 of the Companies Act, such independent auditor shall be dismissed subject to the unanimous approval of the Board of Corporate Auditors.

In addition to the case mentioned above, if any event that impairs the qualifications or independence of an independent auditor occurs and is therefore expected to make it difficult for such independent auditor to perform appropriate audits, the Board of Corporate Auditors shall determine the content of a proposal for the dismissal or non-reappointment of the independent auditors to be submitted to the General Meeting of Stockholders.

## Consolidated Balance Sheet

Toray Industries, Inc. and Subsidiaries  
March 31, 2019

Assets	Millions of yen	Liabilities	Millions of yen
<b>Current assets:</b>	<b>¥1,191,329</b>	<b>Current liabilities:</b>	<b>¥ 696,493</b>
Cash and time deposits	168,507	Notes and accounts payable - trade	240,554
Notes and accounts receivable - trade	531,058	Short-term borrowings	175,567
Merchandise and finished goods	228,480	Long-term borrowings due within one year	44,094
Work in process	85,880	Bonds due within one year	50,000
Raw materials and supplies	105,167	Income taxes payable	13,578
Other current assets	74,517	Reserve for employees' bonuses	22,029
Allowance for doubtful accounts	(2,280)	Reserve for bonuses of members of the Board	179
<b>Noncurrent assets:</b>	<b>1,597,022</b>	Other current liabilities	150,492
<b>Property, plant and equipment:</b>	<b>996,876</b>	<b>Noncurrent liabilities:</b>	<b>877,914</b>
Buildings and structures	286,229	Bonds	290,000
Machinery, equipment and vehicles	457,674	Long-term borrowings	412,761
Land	77,687	Deferred tax liabilities	48,758
Construction in progress	143,847	Reserve for retirement benefits of members of the Board and corporate auditors	1,337
Other	31,439	Net defined benefit liability	100,730
<b>Intangible assets:</b>	<b>171,249</b>	Other noncurrent liabilities	24,328
Goodwill	85,712	<b>Total liabilities</b>	<b>1,574,407</b>
Other	85,537	<b>Net assets</b>	
<b>Investments and other assets:</b>	<b>428,897</b>	<b>Stockholders' equity:</b>	<b>1,062,538</b>
Investment securities	333,670	Common stock	147,873
Long-term loans receivable	2,477	Capital surplus	117,760
Deferred tax assets	21,978	Retained earnings	817,263
Net defined benefit asset	24,440	Treasury stock, at cost	(20,358)
Other	49,113	<b>Accumulated other comprehensive income:</b>	<b>68,495</b>
Allowance for doubtful accounts	(2,781)	Net unrealized gains (losses) on securities	64,662
		Net deferred gains (losses) on hedges	75
		Foreign currency translation adjustments	896
		Remeasurements of defined benefit plans	2,862
		<b>Stock acquisition rights</b>	<b>1,338</b>
		<b>Non-controlling interests</b>	<b>81,573</b>
<b>Total assets</b>	<b>¥2,788,351</b>	<b>Total net assets</b>	<b>1,213,944</b>
		<b>Total liabilities and net assets</b>	<b>¥2,788,351</b>

Note: Figures are shown rounded to the nearest ¥1 million.

## Consolidated Statement of Income

Toray Industries, Inc. and Subsidiaries

April 1, 2018 - March 31, 2019

	Millions of yen
<b>Net sales</b>	<b>¥2,388,848</b>
Cost of sales	1,935,486
<b>Gross profit</b>	<b>453,362</b>
Selling, general and administrative expenses	311,893
<b>Operating income</b>	<b>141,469</b>
<b>Nonoperating income:</b>	<b>21,897</b>
Interest and dividend income	6,883
Equity in earnings of unconsolidated subsidiaries and affiliated companies	9,619
Other income	5,395
<b>Nonoperating expenses:</b>	<b>28,848</b>
Interest expense	7,161
Other expenses	21,687
<b>Ordinary income</b>	<b>134,518</b>
<b>Special gains:</b>	<b>22,342</b>
Gain on sales of property, plant and equipment	15,827
Gain on sales of investment securities	1,896
Gain on return of assets from retirement benefits trust	2,532
Other special gains	2,087
<b>Special losses:</b>	<b>29,441</b>
Loss on sales and disposal of property, plant and equipment	6,076
Loss on impairment of fixed assets	18,414
Loss on write-down of investment securities	2,521
Loss on liquidation and devaluation of subsidiaries and affiliated companies	673
Settlement package	864
Other special losses	893
<b>Income before income taxes</b>	<b>127,419</b>
Income taxes:	
Current	37,293
Deferred	2,338
<b>Net income</b>	<b>87,788</b>
Net income attributable to non-controlling interests	8,415
<b>Net income attributable to owners of parent</b>	<b>¥79,373</b>

Note: Figures are shown rounded to the nearest ¥1 million.

## Nonconsolidated Balance Sheet

Toray Industries, Inc.  
March 31, 2019

Assets	Millions of yen	Liabilities	Millions of yen
<b>Current assets:</b>	<b>¥ 345,004</b>	<b>Current liabilities:</b>	<b>¥ 257,172</b>
Cash and time deposits	43,077	Notes payable - trade	5,686
Notes receivable - trade	5,156	Accounts payable - trade	46,719
Accounts receivable - trade	135,802	Short-term borrowings	40,000
Finished goods	60,725	Convertible bond due within one year	50,000
Work in process	21,403	Accounts payable - other	34,574
Raw materials and supplies	27,789	Accrued expenses	17,134
Prepaid expenses	1,607	Income taxes payable	4,160
Short-term loans receivable	34,097	Deposits received	47,877
Accounts receivable - other	17,958	Reserve for employees' bonuses	8,600
Other current assets	3,561	Reserve for bonuses of members of the Board	163
Allowance for doubtful accounts	(6,173)	Other current liabilities	2,257
<b>Noncurrent assets:</b>	<b>1,219,912</b>	<b>Noncurrent liabilities:</b>	<b>649,408</b>
<b>Property, plant and equipment:</b>	<b>267,383</b>	Bonds	290,000
Buildings	92,042	Long-term borrowings	272,977
Structures	13,166	Deferred tax liabilities	6,310
Machinery and equipment	96,715	Reserve for employees' retirement benefits	65,481
Vehicles	118	Reserve for loss on guarantees	3,677
Tools and furniture	7,155	Reserve for loss on business of subsidiaries and affiliated companies	265
Land	31,250	Other noncurrent liabilities	10,698
Construction in progress	26,936	<b>Total liabilities</b>	<b>906,580</b>
<b>Intangible assets:</b>	<b>6,895</b>	<b>Net assets</b>	
Software	2,518	<b>Stockholders' equity:</b>	<b>597,088</b>
Goodwill	893	<b>Common stock</b>	<b>147,873</b>
Other intangible assets	3,484	<b>Capital surplus:</b>	<b>136,743</b>
<b>Investments and other assets:</b>	<b>945,634</b>	Additional paid-in capital	136,727
Investment securities	170,096	Other capital surplus	16
Investment securities in subsidiaries and affiliated companies	606,269	<b>Retained earnings:</b>	<b>332,250</b>
Investment in subsidiaries' and affiliated companies' capital	148,897	Legal reserve	24,234
Prepaid pension cost	15,341	Other retained earnings	308,016
Other	5,045	Reserve for advanced depreciation of fixed assets for tax purposes	12,795
Allowance for doubtful accounts	(13)	General reserve	112,000
		Retained earnings brought forward	183,221
		<b>Treasury stock, at cost</b>	<b>(19,779)</b>
		<b>Valuation, translation adjustments and other:</b>	<b>59,911</b>
		Net unrealized gains (losses) on securities	59,872
		Net deferred gains (losses) on hedges	39
		<b>Stock acquisition rights</b>	<b>1,338</b>
<b>Total assets</b>	<b>¥1,564,916</b>	<b>Total net assets</b>	<b>658,336</b>
		<b>Total liabilities and net assets</b>	<b>¥1,564,916</b>

Note: Figures are shown rounded to the nearest ¥1 million.

## Nonconsolidated Statement of Income

Toray Industries, Inc.  
April 1, 2018 - March 31, 2019

	Millions of yen
<b>Net sales</b>	<b>¥ 621,808</b>
Cost of sales	487,930
<b>Gross profit</b>	<b>133,879</b>
Selling, general and administrative expenses	115,960
<b>Operating income</b>	<b>17,918</b>
<b>Nonoperating income:</b>	<b>58,744</b>
Interest and dividend income	56,801
Other income	1,944
<b>Nonoperating expenses:</b>	<b>7,337</b>
Interest expense	946
Other expenses	6,391
<b>Ordinary income</b>	<b>69,326</b>
<b>Special gains:</b>	<b>21,544</b>
Gain on sales of property, plant and equipment	15,255
Gain on sales of investment securities	1,757
Gain on return of assets from retirement benefits trust	2,532
Other special gains	2,000
<b>Special losses:</b>	<b>19,393</b>
Loss on sales and disposal of property, plant and equipment	4,081
Loss on impairment of fixed assets	944
Loss on write-down of investment securities	2,043
Loss on liquidation and devaluation of subsidiaries and affiliated companies	12,323
Other special losses	2
<b>Income before income taxes</b>	<b>71,477</b>
Income taxes:	
Current	6,524
Deferred	612
<b>Net income</b>	<b>¥64,340</b>

Note: Figures are shown rounded to the nearest ¥1 million.

---

(Translation)  
Independent Auditor's Report

May 15, 2019

The Board of Directors  
Toray Industries, Inc.

---

Ernst & Young ShinNihon LLC  
Kazuhiro Suzuki  
Certified Public Accountant  
Designated and Engagement Partner

---

Takeshi Isogai  
Certified Public Accountant  
Designated and Engagement Partner

---

Tsuyoshi Nakano  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Toray Industries, Inc. (the "Company") applicable to the fiscal year from April 1, 2018 through March 31, 2019.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Toray Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2019 in conformity with accounting principles generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

*Notice to Readers:*

The original consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements, applicable to the fiscal year ended March 31, 2019 are written in Japanese.



---

(Translation)  
Independent Auditor's Report

May 15, 2019

The Board of Directors  
Toray Industries, Inc.

---

Ernst & Young ShinNihon LLC  
Kazuhiro Suzuki  
Certified Public Accountant  
Designated and Engagement Partner

---

Takeshi Isogai  
Certified Public Accountant  
Designated and Engagement Partner

---

Tsuyoshi Nakano  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Toray Industries, Inc. (the "Company") applicable to the 138th fiscal year from April 1, 2018 through March 31, 2019.

*Management's Responsibility for the Financial Statements and the Related Supplementary Schedules*

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of Toray Industries, Inc. applicable to the 138th fiscal year ended March 31, 2019 in conformity with accounting principles generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

*Notice to Readers:*

The original financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules, applicable to the fiscal year ended March 31, 2019 are written in Japanese. The related supplementary schedules have been omitted in the accompanying financial statements.

**Audit Report of the Board of Corporate Auditors (For Reference Only)**

The Board of Corporate Auditors, following its review and deliberation of the reports prepared by each corporate auditor concerning the execution of duties by members of the Board for the 138th fiscal term from April 1, 2018 to March 31, 2019, has prepared this Audit Report as its unanimous opinion and hereby submits it as follows:

**1. Methods and Contents by the Corporate Auditors and the Board of Corporate Auditors**

- (1) The Board of Corporate Auditors established the auditing policies and plans, received reports and explanations on the status and results of audits from each corporate auditor, received reports and explanations on the status of the execution of duties from the members of the Board and independent auditors, and requested explanations as necessary.
- (2) In accordance with the auditing standards for corporate auditors determined by the Board of Corporate Auditors and the auditing policies and plans, each corporate auditor made efforts to collect information and established auditing circumstances through communication with members of the Board, the Auditing Department and other employees, and conducted audit in accordance with the following procedures:
  - 1) Each corporate auditor attended the Board of Directors meetings and other important meetings to receive reports regarding execution of duties from members of the Board and employees and requested explanations as necessary. Each corporate auditor also inspected the approved documents and examined the status of operations and conditions of assets at the Company's head office and principal offices (plants). In addition, each corporate auditor received from subsidiaries their business reports as necessary through communication and information sharing with their directors and corporate auditors.
  - 2) With respect to the resolutions adopted by the Board of Directors regarding the establishment of a system for ensuring that duties of members of the Board are performed in conformity of laws, ordinances and the Articles of Incorporation of the Company and the establishment of a system necessary to ensure proper business operations of the company group, which consists of the joint stock company and its consolidated subsidiaries, set forth in Paragraphs 1 and 3 of Article 100 of Enforcement Regulations of the Companies Act as described in the business report, as well as the systems (Internal Control System) established in accordance with a resolution of the Board of Directors, each corporate auditor regularly received briefing from members of the Board and the employees on the status of the establishment and operations, requested them to provide explanations as necessary, and expressed his opinions. Regarding internal control over financial reporting, each corporate auditor received reports on the evaluation of the relevant internal control and the status of audits from the members of the Board, etc. and Ernst & Young ShinNihon LLC, and requested explanations as necessary
  - 3) Further, corporate auditors monitored the independent auditors to verify that the

independent auditors maintained independence and conducted the audit appropriately. Each corporate auditor also received reports on the status of the execution of duties from the independent auditors and requested explanations as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations) in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005) by the independent auditors and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the business reports and supplementary schedules, the nonconsolidated financial statements (the nonconsolidated balance sheet, nonconsolidated statement of operations, nonconsolidated statement of net assets and notes to the nonconsolidated financial statements) and the supplementary schedules, and the consolidated financial statements (the consolidated balance sheet, consolidated statement of operations, consolidated statement of changes in net assets and notes to the consolidated financial statements) for the year ended March 31, 2019.

**2. Results of Audit**

- (1) Results of audit of the business report and others
  - 1) The business report and supplementary schedules are found to present fairly the state of the Company in accordance with laws, ordinances and the Articles of Incorporation.
  - 2) In connection with the performance by members of the Board of their duties, no dishonest act or material fact in contravention of laws, ordinances, or the Articles of Incorporation is found to exist.
  - 3) Resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional mention regarding the content of business report described on the internal control and the execution of duties by members of the Board.
- (2) Results of audit of the nonconsolidated financial statements and the supplementary schedules  
The auditing methods and results of the independent auditors, Ernst & Young ShinNihon LLC, are fair and reasonable.
- (3) Results of audit of the consolidated financial statements  
The auditing methods and results of the independent auditor, Ernst & Young ShinNihon LLC, are fair and reasonable.

May 17, 2019

Board of Corporate Auditors  
Toray Industries, Inc.

Shogo Masuda, Corporate Auditor  
Shoshiro Taneichi, Corporate Auditor  
Toshio Nagai, Outside Corporate Auditor  
Kazuya Jono, Outside Corporate Auditor