



Akihiro Nikkaku

Akihiro Nikkaku
President

To Our Stockholders and Investors



Toray Group provides innovative technologies and advanced materials. The Group is committed to further increasing revenues and profits by contributing to society through the creation of new value with innovative ideas, technologies, and products that are in high market demand.

Toray Group's Unwavering Management

Materials offer infinite possibilities. We at Toray Group maintain the unwavering belief that materials, which form the foundation of all products, have the power to intrinsically change society. Guided by this belief, we are working diligently to develop and commercialize innovative technologies and advanced materials ahead of the global competition in an effort to contribute to society at large. Persistent research as well as technologies and know-how accumulated over a long period are essential to unearthing first-in-class materials. The manufacturing process is also grounded in efforts to hone a competitive spirit throughout the workplace as a wellspring for innovation. Our role therefore is to tackle the world's long-term challenges head-on and to focus closely on our operational competency at work place while considering how to utilize the potential of new materials from a long-term perspective. Based on a firm grasp of existing conditions, we are drawing a clear image of the very best that we can be, setting and addressing those issues that need to be overcome, and adopting an unwavering management style that is unaffected by popular trends.

"Having the Integrity to Do the Right Thing in the Right Way"

With respect to safety, accident prevention and environmental preservation, corporate ethics and 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. We have drawn up the "Sixth CSR Roadmap," which covers the three-year

period to fiscal 2019, and systematically continue to promote CSR in every aspect of business. Working to ensure balance between the need for Toray Group's sustainable growth and fulfilling our CSR, we are working to align CSR initiatives with the Group's management strategies.

Under these circumstances, it was discovered that Toray Hybrid Cord, Inc., a subsidiary of the Company, had inappropriately overwritten data in product inspection reports. It has been confirmed in this case that there were no legal violations and no problems relating to the safety of customers' products. An evaluation submitted by an expert committee entrusted by Toray Group to investigate the matter stated that while the Group's response was essentially appropriate, it recommended that steps be taken to strengthen compliance measures. In addition, this incident provided us with the opportunity to investigate quality data of the entire Group at the same time. We have subsequently confirmed that there are no legal violations or problems which will affect the safety of customers' products.

Toray Group has initiated measures to secure the effectiveness of quality assurance activities across the entire Group and will redouble efforts relating to compliance adherence, including quality assurance. In order to ensure quality assurance and address problems in a rapid and appropriate manner if they occur, Toray Group will strengthen communication with customers. The Board of Directors and Corporate Auditors receive regular reports about the status of progress of these measures to fulfill the Group's governance functions. The Group will henceforth engage in its corporate activities with the concerted commitment of all of executives and employees "to have the integrity to do the right thing in the right way."

Overview of Toray Group's Performance in Fiscal 2017 (The Fiscal Year Ended March 31, 2018)

Record High Sales and Operating Income

From here, we will report our performance in fiscal 2017. In addition to signs of the economy picking up in emerging countries, the global economy in general, including the U.S. and Europe, continued along a recovery path in fiscal 2017. On the domestic front, the Japanese economy also maintained its gradual recovery on the back of improving employment and income conditions. Meanwhile, the rise in raw material and fuel prices had a negative impact on Toray Group's profits.

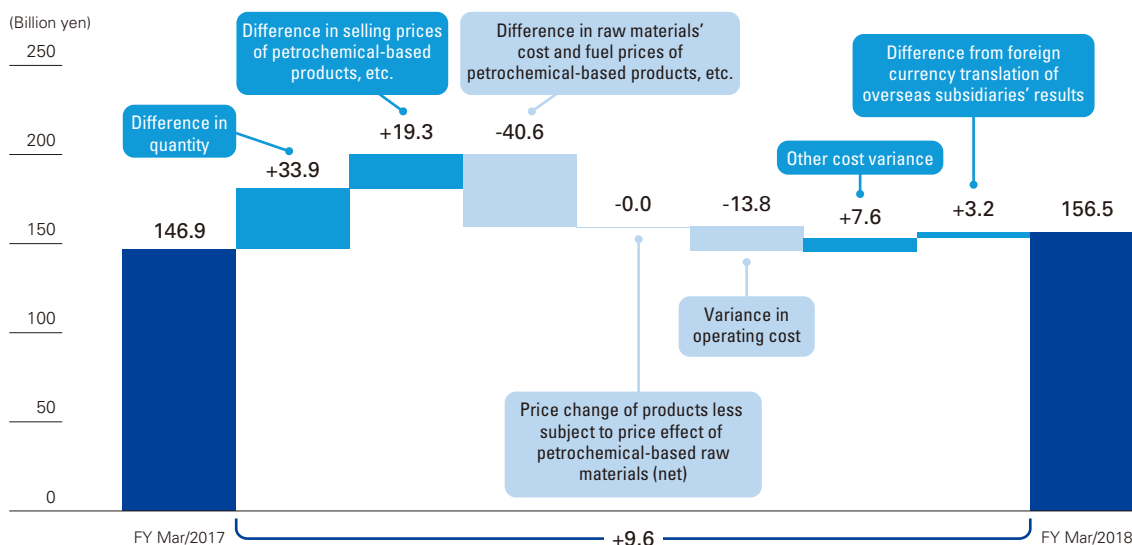
Under these business circumstances, Toray Group embarked on the new medium-term management program, "Project AP-G 2019," which spans the three-year period from April 2017 to the end of March 2020. Under this program, we are implementing growth strategies

that are designed to secure business expansion in growth business fields as well as growth countries and regions, while strengthening our competitiveness.

As a result, consolidated net sales for fiscal 2017 increased 8.8% compared with the previous fiscal year, to ¥2,204.9 billion. From a profit perspective on a year-on-year basis, operating income improved 6.5%, to ¥156.5 billion. Net income attributable to owners of parent, on the other hand, fell 3.5%, to ¥95.9 billion. Taking the aforementioned into consideration, Toray Group achieved record high net sales and operating income in the fiscal year under review.

As far as the return of profits to shareholders is concerned, we have set the annual cash dividend at ¥15 per share, a year-on-year increase of ¥1 per share. This takes into account our performance in fiscal 2017.

Income Variance Factor Analysis



"Petrochemical-based products, etc." are the total of Fibers & Textiles, Performance Chemicals, and Carbon Fiber Composite Materials segments.



The Medium-term Management Program

“Project AP-G 2019”

Toray Group’s Approach to Management Based on a Long-term Perspective

Toray Group maintains a long-term perspective in the conduct of its business. Within the framework of its Long-term Corporate Vision, which looks 10 years into the future, the Company identifies key medium-term issues that need to be addressed over a span of three years as a part of efforts to achieve its vision. At the same time, we work diligently to address short-term issues based on annual budgets. In this sense, we do not focus on medium-term “plans,” but more on medium-term “programs” to address key “issues.” Rather than put in place a plan that is grounded in a set of numerical targets, our focus is on medium-term issues. In this regard, the achievement of numerical targets is simply a by-product of efforts designed to implement programs aimed at addressing specific issues.

Based on this understanding, Toray Group put in place the Long-term Corporate Vision “AP-Growth TORAY

2020” (Vision 2020) in 2011 in a bid to become a corporate group that continually increases revenues and profits and provides high value for all stakeholders. Under Vision 2020, we have set our sights on sustainably increasing revenues and profits. In specific terms, we are targeting consolidated net sales of ¥3 trillion, operating income of ¥300 billion, and an ROE of 13% around 2020.

The current medium-term management program, “Project AP-G 2019” is the third stage of Vision 2020. Under “Project AP-G 2019,” we are carrying out the three conventional basic strategies of business expansion in growth business fields, expansion and advancement of global business, and growth by strengthening our competitiveness. At the same time, we are focusing on creating new businesses that will help drive Toray Group through a period of renewed growth during the 2020s. As far as our performance targets are concerned, we will look to achieve consolidated net sales of ¥2,700 billion and consolidated operating income of ¥250 billion in fiscal 2019, the last fiscal year of “Project AP-G 2019.”

Basic Issues of “Project AP-G 2019”

- 1 Proactively expand business in growth fields, countries, and regions
- 2 Improve profitability by continuously creating and expanding differentiated products
- 3 Steadily realize profit improvements through radical reforms both in business and organizational structures
- 4 Continue “strengthening of cost competitiveness” to reinforce and strengthen earning structure
- 5 Continue “pursuit of the ultimate limits” for the creation of new and innovative materials and create large-scale new businesses
- 6 Thoroughly implement “safety, accident prevention, and environmental preservation” and “business ethics and legal compliance” globally
- 7 Secure and develop human resources that can contribute to “strong workplace capability”

THREE BASIC
STRATEGIES

01 Business Expansion in Growth Business Fields

Toray Group is working diligently to put forward the two Group-wide Green Innovation Business Expansion (GR) and Life Innovation Business Expansion (LI) projects.

The Green Innovation Business Expansion Project

In addition to preserving the global environment, Toray Group provides solutions that help address energy and resource issues while targeting business expansion. As a result, the Company takes every opportunity to reduce greenhouse gas (GHG) emissions, lower its environmental footprint, and to support the treatment of water, recycling, and air purification. In fiscal 2017, net sales from GR Project businesses were ¥712.3 billion, up 13.4% compared with the previous fiscal year.

Upgrading and Expanding the Carbon Fiber Reinforced Plastics (CFRP) Business Foundation That Contributes to the Reduction of GHG Emissions

Toray Group and France-based Safran concluded an implementation agreement for the supply of higher performance carbon fiber composite materials for use in next-generation aircraft engines in March 2018. By deepening its direct contact and discussions with aircraft engine manufacturers and continuing its development of innovative composite materials, the Company is taking steps to further expand its business by promoting aviation and aircraft engine applications, which are projected to increase in the future, while working to enhance performance, conserve energy, and lower costs.

Moreover, Toray Group reached an agreement to acquire all of the shares of TenCate Advanced Composites Holding B.V. (TCAC) based in the Netherlands in March 2018. With its main manufacturing bases in Europe and the U.S., TCAC is especially strong in carbon fiber composite materials using thermoplastic resins that improve the efficiency of molding parts. By introducing Toray Group's carbon fiber and polymer technologies and combining the two companies' supply chains, this acquisition is expected to generate significant synergies going forward. We will respond swiftly to demand expansion of the market for small-sized aircraft and expand the business further for industrial applications including automobiles in the medium to long term.

Boosting Battery Separator Film (BSF) Production Capacity for Electric Vehicles and Other Uses

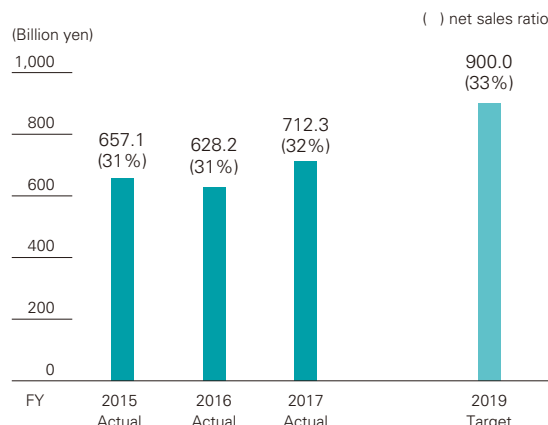
Toray Group decided to increase its BSF production capacity in the Republic of Korea by roughly 50% in October 2017. At the same time, steps are being taken to substantially increase coating capacity. Battery separator films that offer a high level of performance and reliability are widely used as separators in the lithium-ion secondary batteries

(LIBs) that commonly go into manufacturing mobile electronic devices, electric vehicles and other products. We have focused on capturing a definitive share of the rapidly expanding demand in recent years and are endeavoring to secure a leading position in the global market for BSF.

Received an Order to Supply the Ultrafiltration (UF) Membrane, TORAYFIL™, for the Large-scale Wastewater Treatment Facility for Production of Drinking Water in the U.S.

Toray Group received an order to supply hollow fiber UF membrane modules TORAYFIL™ for the largest wastewater treatment facility for production of drinking water in the U.S. in March 2018. Acclaimed for its high running performance and durability, plans are in place to commence shipments of TORAYFIL™ from around 2019 and for the facility to start production in 2021. Currently, the U.S. is plagued with an acute shortage of water. This is especially the case along the west coast where the demand for wastewater reuse is projected to expand. Looking ahead, Toray Group will focus on securing project orders that help address these water issues as a global player that handles a comprehensive range of UF, reverse osmosis (RO) and microfiltration (MF) membranes as well as membrane bioreactor (MBR) systems.

Expansion of Green Innovation Businesses



The Life Innovation Business Expansion (LI) Project

Making the most of its management resources, Toray Group is working to expand its business by enhancing the quality of medical care, alleviating the burden of medical professionals, and contributing to the maintenance of health and longevity. In fiscal 2017, net sales from LI Project businesses were ¥211.9 billion, up 8.4% compared with the previous fiscal year.

Expanding Polypropylene (PP) Spunbond Production Bases to Address the Demand for Disposable Diapers in China

China has forged a position as the largest consumer of disposable diapers. In addition to its existing local base in East China, Toray Group acquired land for commercial use in South China for the purpose of expanding its high-performance PP spunbond production capacity in November 2017. Plans are in place for a new production facility to commence operations in fiscal 2019. Demand for disposable diapers continues to expand in China as lifestyles improve on the back of rising incomes and the number of newborns increases following discontinuation of the nation's one-child policy. As a result, major sanitary product manufacturers are actively establishing or expanding production facilities for disposable diapers in China. In addition to capturing a definitive share of this demand, Toray Group is accelerating the pace of global PP spunbond business expansion where it boasts considerable strengths from each of the production network and quality perspectives.

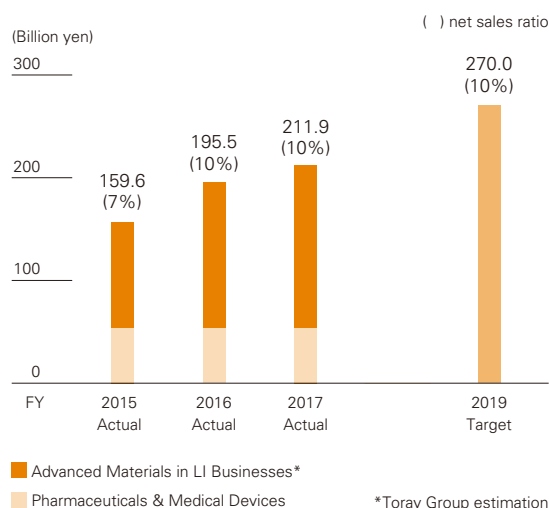
General Sales of High-performance Limited-use (Disposable) Protective Clothing

Building on its track record of developing products for a wide range of applications including decontamination work on an individual basis, Toray Group commenced general sales of LIVMOA®, a line of highly breathable limited-use (disposable) protective clothing in May 2017. Recognized as highly breathable, LIVMOA® helps to enhance comfort by reducing the sticky sensation caused by humid conditions and is distinguished by its particle absorption and dust-proofing properties.

Advancing Clinical Trials while Working to Secure Early Regulatory Approval of TRK-950 as an Epoch-making Cancer Treatment

Toray Group is advancing phase I clinical trials in the U.S. and France on TRK-950, a proprietary therapeutic agent for the treatment for solid cancer. TRK-950 is a monoclonal antibody preparation that combines with and attacks cancer cells. Developed by the Group's New Frontiers Research Laboratories, which was established in 2003, TRK-950 is the culmination of efforts aimed at deepening and integrating Toray Group's core technologies and a key tool in cultivating opportunities in the medical business domain. Advancing global clinical development in Europe and the U.S., the Group is working to secure the early regulatory approval of TRK-950 as a first-in-class cancer treatment drug.

Expansion of Life Innovation Businesses



THREE BASIC STRATEGIES

02 Expansion and Advancement of Global Business

Looking at conditions in which Toray Group operates, the need for advanced technologies in such wide-ranging fields as automobiles and energy is increasing in the U.S. and Europe. At the same time, standards of living are improving and environmental regulations becoming more stringent in China and emerging countries. Against this backdrop, Toray Group is working to expand its global business by capturing profit opportunities. In fiscal 2017, overseas sales were ¥1,150.8 billion, up 10.4% compared with the previous fiscal year.

Acquired an Equity Interest in a Major Knitted Fabrics Company Based in Hong Kong; Company Included in the Scope of Consolidation as an Equity-method Affiliate

Toray Group acquired a 28% stake in Pacific Textiles Holdings Ltd. (Pacific Textiles), a Hong Kong-based company that engages in the manufacture and sale of knitted, dyed and printed fabrics, for an acquisition cost of approximately ¥59 billion in July 2017. The company has been included in Toray Group's scope of consolidation as an equity-method affiliate. With a production scale that is matched by only a handful of companies throughout the world, Pacific Textiles is a highly profitable business entity thanks to its considerable cost and quality competitive advantage that is making significant inroads targeting major apparel companies in Europe and the U.S. as well as specialty store retailers of private label apparel (SPA). By acquiring an equity interest, Toray Group will further strengthen its relationship with Pacific Textiles, expand its knitted fabrics business, and work vigorously to increase the sophistication of its operations as a global integrated business.

Newly Established a Polyphenylene Sulfide (PPS) Resin Compound Base in Hungary

Operations commenced at a new PPS resin compound production facility at the Hungarian plant of Toray Group's U.S. subsidiary Zoltek Companies, Inc., the world's largest supplier of large tow carbon fibers in March 2018. This represents Toray Group's first resin compound production facility in Europe. Working with its sales company Toray Resins Europe GmbH, a company that was established in Germany to engage in marketing and technical service functions in 2015, Toray Group will position this new production facility at the heart of efforts to expand the resin business in Europe and to further cement the Group's status as the world's leading manufacturer of PPS resins.

Planning to Open the Automotive Center Europe in Germany

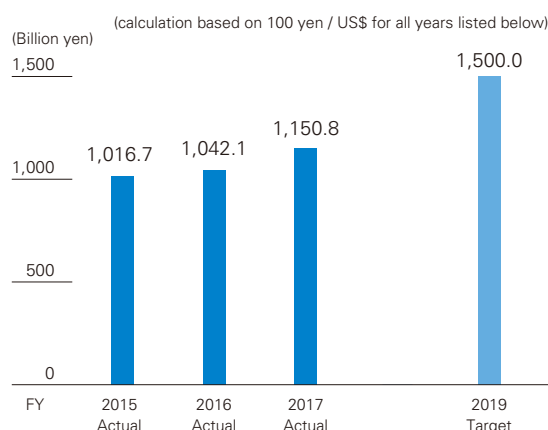
Toray Group has announced that it will open the Automotive Center Europe (AMCEU) in August 2018 in Germany, as a part of efforts to strengthen its R&D function in Europe, which stands at the forefront of

environmental restrictions in the world. Building on the experience of the Automotive Center (AMC), which is located within Toray Group's Nagoya Plant, and in order to further drive expansion of Toray Group's automotive-related business, AMCEU will play the major role of a core technology development base in Europe that is capable of handling new applications through R&D and offering one-stop service to customers in Europe.

Initiating Steps to Fully Expand Business in India

In February 2018, Toray Group acquired land in Sri City in the State of Andhra Pradesh, India as a base to be used primarily for new business by its Indian subsidiary Toray Industries (India) Private Limited (TID). Accordingly, Toray Group will actively direct management resources toward developing this land as an important base for its advanced materials business. In business fields where demand is expected to expand, Toray Group will work from this newly developed site to address domestic demand in India and to grow its global operations focusing mainly on South Asia. As an initial step, a new base for the PP spun-bond for hygiene products business targeting disposable diapers will be established (operations scheduled to commence in 2020). Thereafter, a new production facility for nylon and PBT resin compounds will be constructed to meet the demand for high-performance resins in line with automobile market expansion (operations scheduled to commence in September 2019).

Overseas Net Sales (Total of Overseas Consolidated Subsidiaries)



THREE BASIC
STRATEGIES**03** Strengthening Competitiveness

In addition to the growth strategies of “business expansion in growth business fields” and “expansion and advancement of global business,” Toray Group is promoting efforts to strengthen its competitiveness from three specific perspectives: (1) total cost reduction, (2) strengthening its corporate structure, and (3) strengthening sales and marketing.

Total Cost Reduction	<ul style="list-style-type: none"> ▶ Promote Total Cost Reduction (TC) Project on a Group-wide basis ▶ Activities of variable cost reduction (annual target at over 3.6%) ▶ Control fixed costs using the P-ratio* accounting method (P-ratio=under 0.96 each fiscal year) ▶ For innovation of the production process, identify themes by category in terms of “innovative cost reduction,” “large-scale total cost reduction” and “capacity increase of existing facilities” to achieve reduction effects by more than ¥50 billion in three years
Strengthening Corporate Structure	<ul style="list-style-type: none"> ▶ Clarify issues of companies and businesses with profitability problems, and gather Toray Group’s collective efforts to improve revenue and profit <ul style="list-style-type: none"> → options include reducing or withdrawing from businesses with limited growth potential or excessive competition ▶ Manage the Group’s assets effectively and expand revenue and profit
Strengthening Sales and Marketing	<ul style="list-style-type: none"> ▶ Sales and marketing leads to build a “profit-making system” in cooperation with production, technology, R&D departments and external partners ▶ Maximize the revenue and profit of existing businesses through improvements in price policies, distribution systems and brand initiatives

Strengthen the Corporate Structure as well as Sales and Marketing while Promoting Cost Reduction

As a part of efforts to secure total cost reduction, Toray Group is implementing the Group-wide Total Cost Reduction (TC) Project. In carrying out this project, the Company is looking to reduce costs by a total of ¥220 billion over a three-year period from fiscal 2017 through a process of variable cost, fixed cost, and production process innovation.

In order to strengthen its corporate structure, Toray Group is conducting a share and management transfer

of a Chinese subsidiary which manufactures textiles. In addition to modifying an existing facility in its film business, the decision has also been made to start production of multilayered ceramic capacitor (MLCC) release films, a growth field.

As far as efforts to strengthen sales and marketing are concerned, Toray Group entered into a technical cooperation agreement relating to OLED materials with Idemitsu Kosan Co., Ltd. Moreover, the Company is proactively collaborating with leading outside partners. This included participation in a joint exhibition with UNIQLO for the first time in New York.

Total Cost Reduction Results of FY2017

Variable Costs	Reduced: 28.0 billion yen (Reduction ratio 3.2%)	Total Reduced: 69.3 billion yen
Fixed Costs	Reduced: 25.0 billion yen (P-ratio*=0.99)	
Innovation of Production Processes	Reduced: 16.3 billion yen	

*P (Performance)-ratio=fixed cost growth rate/marginal profit growth rate. Target: less than 1.0 or monitored by division under budget.

Performance Forecasts for Fiscal 2018

Working Toward Further Increasing Revenues and Profits

In fiscal 2018, the global economy as a whole is expected to continue its gradual expansion, as the economies of the U.S., Europe, and other developed countries maintain their expansion and emerging economies in general perform strongly except for a slight slowdown in China. However, attention should be paid to risk factors such as the protectionism trade policies of developed countries, expansion of trade friction, and financial market turmoil caused by moves toward monetary policy normalization in the U.S. and Europe. The Japanese economy is also expected to continue on a gradual recovery track on the back of improving employment and income conditions, though there are concerns that the economy may be affected by uncertainties in overseas economies and fluctuations in crude oil prices and in financial markets.

Under these conditions, consolidated net sales for fiscal 2018 are projected to reach ¥2,450 billion. From a profit perspective, operating income is forecast to come in at ¥165 billion and net income attributable to owners of parent at ¥98 billion. With the Corporate Mission of continuously increasing cash dividends in line with the Company's performance, Toray Group plans to pay an annual dividend of ¥16 per share for fiscal 2018.

Proactively Undertaking Investments Designed to Secure Sustainable Growth on an Ongoing Basis

In fiscal 2018, Toray Group will work diligently to realize the effects of the global increase in production and sales of such products as battery separator films for lithium-ion secondary batteries (LIBs), PP spunbond for hygiene products and carbon fiber composite materials. At the same time, the

Consolidated Business Forecast for Fiscal 2018

Billion yen

	FY2018 (Forecast)	Changes
Net Sales	2,450.0	+245.1
Operating Income	165.0	+8.5
Net Income Attributable to Owners of Parent	98.0	+2.1

Assumed exchange rate : 110 yen / US\$
(Released August 6, 2018)

Forecast by Segment for Fiscal 2018

Billion yen

	Net Sales (Changes)		Operating Income (Changes)	
Fibers & Textiles	1,000.0	(+86.4)	81.0	(+8.6)
Performance Chemicals	895.0	(+91.7)	79.0	(+7.6)
Carbon Fiber Composite Materials	215.0	(+37.1)	15.0	(-5.8)
Environment & Engineering	260.0	(+21.7)	16.0	(+2.7)
Life Science	60.0	(+6.2)	1.0	(-0.9)
Others	20.0	(+2.1)	4.0	(+1.1)
Adjustment	—		-31.0	(-4.8)
Consolidated	2,450.0	(+245.1)	165.0	(+8.5)

(Released August 6, 2018)



Company will shift to high value-added products and cultivate new applications and customers across each of its businesses. 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 pursuing M&A and alliance opportunities. Furthermore, every effort will be made to secure a business structure that is insulated as much as possible from the effects of such factors as changes in foreign currency exchange rates as well as raw material and fuel prices by making use of the Group's global business foundations. Toray Group will aim to sustain its growth through capital expenditure, research and development, and human resources development from a medium- to long-term perspective.

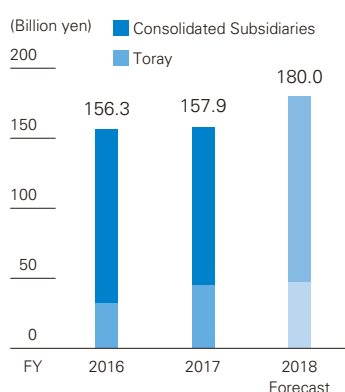
As far as its capital expenditure is concerned, Toray Group is looking at engaging in investments totaling ¥500 billion over a three-year period from fiscal 2017. At the same time, in line with plans to undertake R&D expenses of around ¥220 billion mainly in Green Innovation Business Expansion and Life Innovation Business Expansion projects, Toray Group plans to undertake capital expenditures (depreciation and amortization of ¥105 billion) of ¥180 billion and R&D expenses of ¥73 billion in fiscal 2018.

Adopting a Policy of Public Interest Capitalism

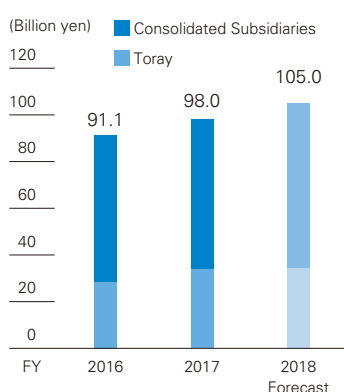
Toray Group recognizes that corporations are public institutions. Based on this understanding, the Company is aiming to contribute to the growth and development of society at large including all stakeholders such as shareholders, customers, employees, and the local community. Guided by the concept of public interest capitalism, Toray Group is committed to securing the sustainable growth in concert with society. In other words, the Company will work diligently to develop and commercialize innovative technologies and advanced materials that are capable of changing people's lives. Every effort will be made to contribute to society by creating new value that addresses market needs, which will in turn lead to further expansion of revenues and profits.

We ask all shareholders and investors for the long-term support and understanding of our management style and endeavors.

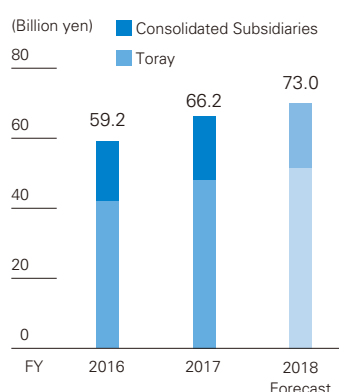
Capital Expenditures*



Depreciation



R&D Expenses



* Total of tangible assets and intangible assets (excluding goodwill)

Major Capital Expenditure Projects

FY March 2018	Toray Advanced Materials Korea Inc.	High-functional polypropylene spunbond production facilities
	Zoltek Companies, Inc.	Large tow carbon fiber ZOLTEK™ production facilities
	Toray Battery Separator Film Korea Limited	Battery separator film SETELA™ production facilities
	Toray Composite Materials America, Inc.	Carbon fiber TORAYCA™ prepreg integrated production facilities
FY March 2019	Toray Battery Separator Film Korea Limited	Battery separator film SETELA™ production facilities
	Alcantara S.p.A.	Alcantara™ production facilities
	Zoltek Companies, Inc.	Large tow carbon fiber ZOLTEK™ production facilities
	Toray Polytech (Foshan) Co., Ltd.	High-functional polypropylene spunbond production facilities