

Overview of Toray Group's Performance in Fiscal 2018 (The Fiscal Year Ended March 31, 2019)

Record High Sales Against the Backdrop of a Harsh Profit Environment

With the goals of becoming a corporate group that continually increases revenues and profits while offering high value to all stakeholders, Toray Group formulated the long-term corporate vision "AP-Growth TORAY 2020 (abbreviated as "Vision 2020")" in 2011. Under this vision, 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 ROE of 13% around 2020.

The current medium-term management program, "Project AP-G 2019," which covers the three-year period from April 2017 to March 2020, is the third stage of Vision 2020. Under Project AP-G 2019, we are carrying out three growth strategies 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. At the same time, we are promoting initiatives aimed at creating new sources of earnings that will help drive Toray Group through a period of sustainable growth from 2020 onwards and enhance corporate value.

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 toward the end of the fiscal year. At the same time, however, the rise in raw material and fuel prices had a negative impact on Toray Group's profit.

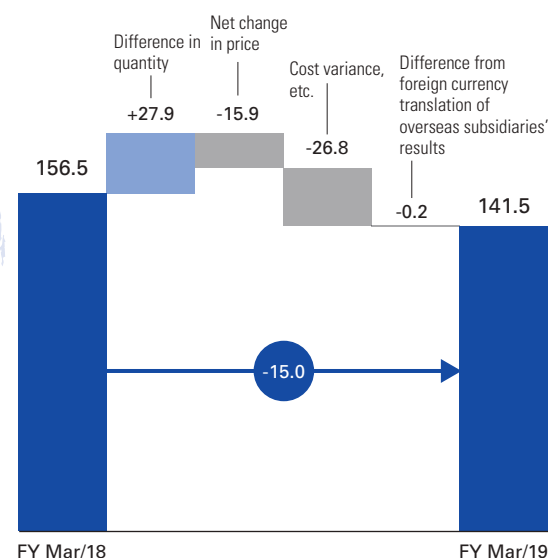
Under these circumstances, Toray Group's consolidated performance saw year-on-year increases in net sales across all segments excluding the Life Science business. In specific terms, consolidated net sales surged to a record high, climbing 8.3% compared with the previous fiscal year, to ¥2,388.8 billion. From a profit perspective, sales expenses increased on the back of sales expansion. At the same time, the Group incurred an upswing in production fixed costs. While steps were taken to pass rising raw materials costs on to selling prices, Toray Group was unable to fully pass on the raw materials price increase to the sales price. As a result, the Group reported a negative gap between raw material costs and selling prices. Taking into account each of these factors, consolidated operating income for the fiscal year under review came to ¥141.5 billion, down 9.6% compared with the previous fiscal year. Net income attributable to owners of parent was ¥79.4 billion, a year-on-year decrease of 17.2%.

As far as dividends are concerned, in light of the aforementioned performance trends, Toray Group set the annual dividend for fiscal 2018 at ¥16 per share, up ¥1 per share, for a dividend payout ratio of 32.3%.

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"

Income Variance Factor Analysis (Billion yen)



Medium-term Management Program: Project AP-G 2019

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.



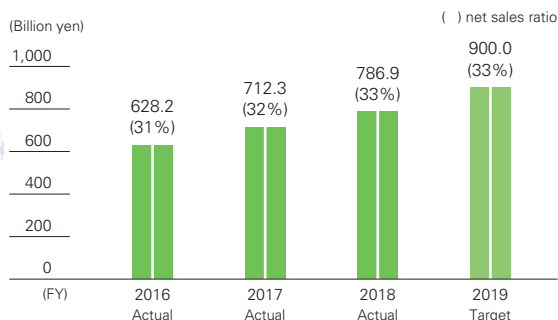
Green Innovation Business Expansion (GR) Project

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 Group 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 2018, net sales from GR Project businesses were ¥786.9 billion, up 10.5% compared with the previous fiscal year.

Expanding Business in Fields That Address Issues such as the Reduction of GHG Emissions, Biomass, and Water Treatment

Under the fiscal 2018 GR Project, the decision was made to increase large tow carbon fiber production capacity at the facility in Hungary at Zoltek Companies, Inc., as a part of efforts to reduce GHG emissions. Moreover, the Company developed the new carbon fiber TORAYCA® MX series that realizes both higher tensile strength and tensile modulus. In the biomass field, we released Ultrasuede® BX, non-woven material with a suede texture that realizes the highest proportion of plant-based raw materials in the world. Turning to the field of water treatment, Toray Group commenced sales of the ROMEMBRA®TLF series, reverse osmosis (RO) membrane element ideal for the treatment of wastewater. The TLF series offers 30% higher permeability compared with current models, which in turn helps to significantly reduce operating costs. Utilizing a new membrane surface coating technology, the TLF series also lowers the frequency of replacement.

Net Sales of Green Innovation Businesses



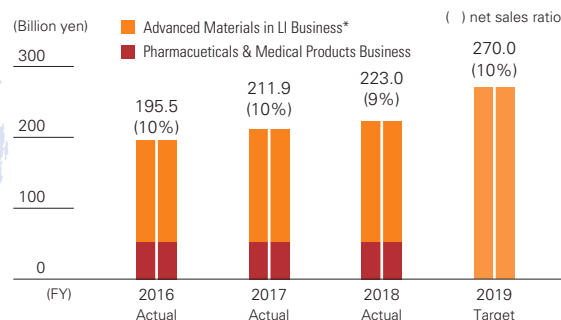
Life Innovation Business Expansion (LI) Project

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 2018, net sales from LI Project businesses were ¥223.0 billion, up 5.2% compared with the previous fiscal year.

Rolling Out the LI Project by Promoting Advanced Materials in Addition to Pharmaceuticals and Medical Devices

Under the LI Project, Toray Group upgraded and expanded its lineup of INOUE BALLOON™ expanding balloon mitral valvuloplasty catheters for use in aortic valves in the pharmaceuticals and medical devices fields. Moreover, the Company signed a license agreement with Meiji Seika Pharma Co., Ltd. on an orally disintegrating tablets formulation of the antipruritic drug TRK-820 developed and manufactured by Toray Group. The license allows Meiji Seika Pharma to exclusively develop and commercialize the product in Thailand and Indonesia. Meanwhile, every effort is being made to accelerate the rollout of the LI Project through advanced materials. Toray Group developed and commenced sales of hitoe®, a wearable monitoring system, for long-term medical use. In addition to acquiring the EU type examination certificate (CE marking) for its chemical protective clothing LIVMOA® 3000 series, the Company also developed LIVMOA® CL, a sterilized type of LIVMOA® comfortable disposable protective wear, for use in cleanrooms.

Net Sales of Life Innovation Businesses



*Toray Group estimation

Medium-term Management Program: Project AP-G 2019

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 2018, overseas sales were ¥1,271.3 billion, up 10.5% compared with the previous fiscal year.

Decision to Increase Production Capacity in the U.S. and Asia

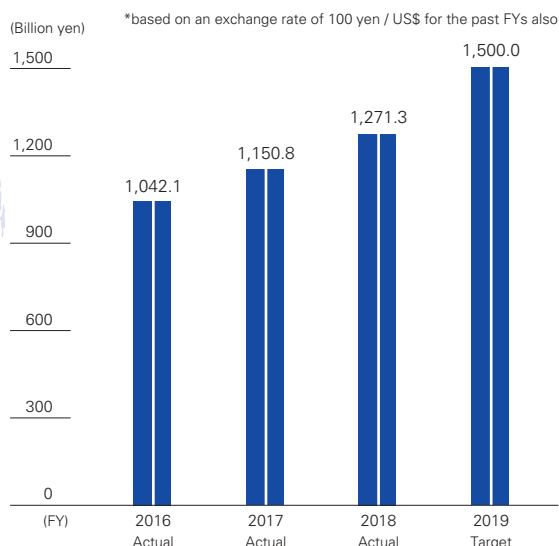
In a bid to expand and advance its global business, Toray Group ramped up efforts to increase production capacity in the U.S. and Asia. Turning first to India, the decision was made to establish a production facility for the nylon and polybutylene terephthalate (PBT) resin compounds used in such products as electronic components of automobiles and electrical and electronic connectors.

In Malaysia, Toray Group decided to increase its production capacity of its acrylonitrile butadiene styrene (ABS) resin TOYOLAC®. Operations are forecasted to commence in November 2020, in a bid to expand transparent-grade sales where the Group has the leading global market share. In China, positive steps were taken to establish a joint venture corporation to manufacture and market drinking water treatment facilities with ORIX Corporation and China Water Affairs Group Ltd.

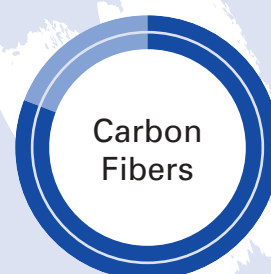
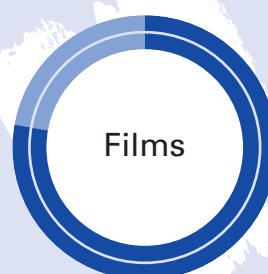
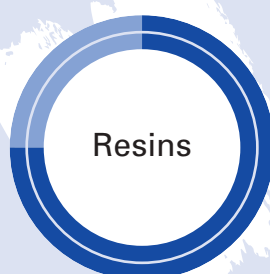
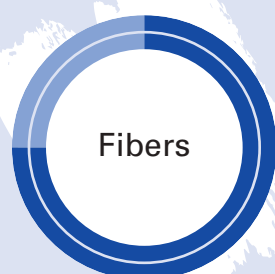
Moving on to the U.S., Toray Group decided to increase the production capacity of its polypropylene film TORAYFAN® in order to address increasing demand in the food packaging market. The aim is to commence operations from 2020.

Net Sales of Expansion and Advancement of Global Businesses

(Combined sales of overseas consolidated subsidiaries)



Overseas Production Ratio of Main Products (Production capacity at the end of March 2019)



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

- ▶ 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

- ▶ Clarify issues of companies and businesses with profitability problems, and gather Toray Group’s collective efforts to improve revenue and profit
 - > 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

- ▶ 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

Carried out Total Cost Reductions That Exceed the Previous Fiscal Year

Under its Group-wide Total Cost Reduction (TC) Project, Toray Group is looking to curtail costs by a total of ¥220 billion over the three-year period from fiscal 2017 through cutbacks in variable and fixed costs as well as production process innovation. In fiscal 2018, successful steps were taken to reduce costs by ¥84.1 billion compared with ¥69.3 billion in fiscal 2017.

In a bid to strengthen the Group’s corporate structure, Toray Advanced Material Korea Inc. absorbed Toray Chemical Korea Inc. in April 2019 with the aim of creating further synergies and pursuing operational efficiency. Working to strengthen sales and marketing, Toray Group completed the acquisition of TenCate Advanced Composites Holding B.V., a company that manufactures and markets carbon fiber composite materials, in July 2018. By unifying the brand name to “Toray Advanced Composites” and increasing awareness, the goal is to consolidate the employees of each company both in name and substance while strengthening collaboration.

Total Cost Reduction Results of FY2018



*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 2019

Working Toward Further Increasing Revenues and Profits by Strengthening the Company's Corporate Structure, Expanding Business, and Promoting Business Structure Reform

The global economy as a whole is expected to recover slightly from late 2019, though a slowdown is expected 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 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 growths in exports and production are likely to slow. Nevertheless, it is necessary to note the economic impact of uncertainties in overseas economies and the fluctuations in crude oil prices and in the financial markets.

Under these circumstances, Toray Group is projecting consolidated net sales for fiscal 2019 of ¥2,530 billion. From a profit perspective, the forecast for operating income is ¥160 billion and net income attributable to owners of parent is ¥93 billion.

Based on the aforementioned, Toray Group is expected to pay an annual dividend of ¥16 per share, unchanged from the fiscal year under review.

Taking into consideration the various trends over these three years, including the rise in raw material and fuel prices, increasingly fierce trade friction between such countries as the U.S. and China, and the downturn in the Chinese economy, operating conditions in which Toray Group operates have changed dramatically compared with initial forecasts. Accordingly, results are anticipated to fall below the goals identified at the time AP-G 2019 was initially set. In fiscal 2019, every effort will again be made to stringently control fixed costs. At the same time, energies will be directed toward carrying out a project that aims to address priority issues. With the full support of the Group, steps will be taken to accelerate the pace of problem resolution, expand business, and promote business structure reform.

Consolidated Business Forecast for Fiscal 2019

Billion yen

	FY 2019 (Forecast)	Changes
Net Sales	2,530.0	+5.9%
Operating Income	160.0	+13.1%
Net Income Attributable to Owners of Parent	93.0	+17.2%

Assumed exchange rate : 110 yen / US\$

Forecast by Segment for Fiscal 2019

Billion yen

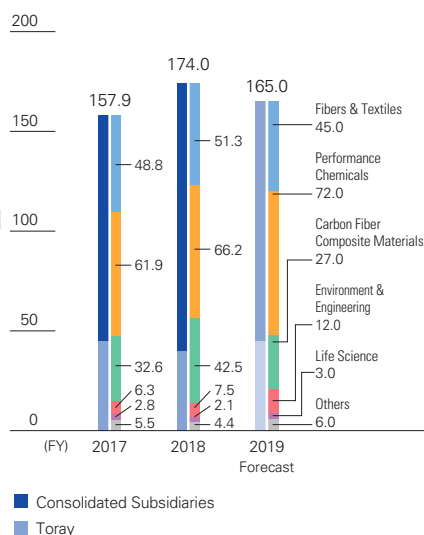
	Net Sales (Changes)	Operating Income (Changes)
Fibers & Textiles	1,000.0 (+25.7)	70.0 (-2.9)
Performance Chemicals	935.0 (+66.2)	81.0 (+13.3)
Carbon Fiber Composite Materials	250.0 (+34.1)	22.0 (+10.5)
Environment & Engineering	270.0 (+12.3)	14.0 (+1.8)
Life Science	55.0 (+1.3)	0.0 (-1.3)
Others	20.0 (+1.5)	3.0 (-0.1)
Adjustment	—	-30.0 (-2.7)
Consolidated	2,530.0 (+141.2)	160.0 (+18.5)

Promoting Capital Investments in Growth Fields with Focus on Overseas Businesses

As far as capital investments are concerned, Toray Group will look to reinforce facilities in growth fields with focus on overseas businesses. Plans are in place to undertake capital investments totaling ¥165 billion (depreciation and amortization of ¥113 billion) and R&D expenses of ¥73 billion in fiscal 2019.

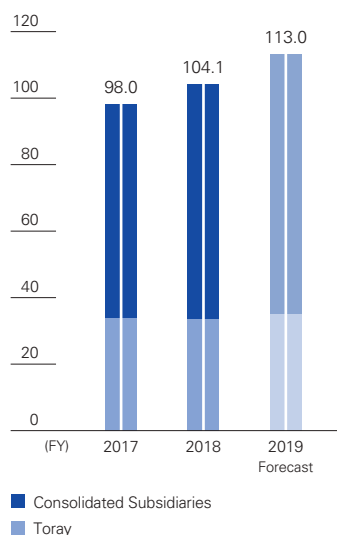
Capital Expenditures*

(Billion yen)



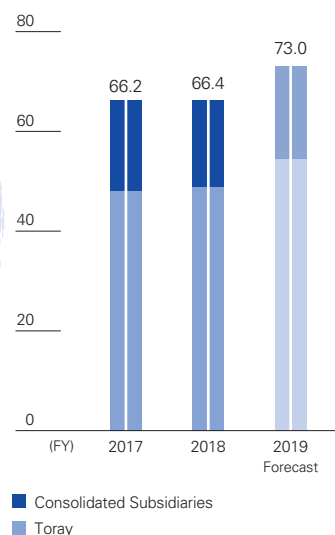
Depreciation*

(Billion yen)



R&D Expenses

(Billion yen)



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

Major Capital Expenditure Projects

FY March 2019	Toray Battery Separator Film Korea Limited	Battery separator film SETELA® production facilities
	Zoltek Companies, Inc.	Large tow carbon fiber ZOLTEK™ production facilities
	Alcantara S.p.A.	Alcantara® production facilities
	Toray BSF Coating Korea Limited	Battery separator film SETELA® coating facilities
FY March 2020	Alcantara S.p.A.	Alcantara® production facilities
	Zoltek Zrt.	Large tow carbon fiber ZOLTEK™ production facilities
	Toray Plastics (Malaysia) Sdn. Berhad	ABS resin TOYOLAC® production facilities