Innovation by Chemistry

July 25, 2019

Toray Industries, Inc.

Notice regarding Issuance of Stock Compensation-Type Stock Options (Stock Acquisition Rights)

Toray Industries, Inc. ("the Company", hereinafter) announced today that the Company reached the decision at its meeting of the Board of Directors held today to establish the following terms and conditions regarding the offering of stock acquisition rights as stock compensation-type stock options to its vice presidents Members of the Board and directors, and to solicit subscribers to said stock acquisition rights, in the Company's aim to enhance the motivation and willingness to improve the Company's performance and to promote sharing of stock price benefits with its shareholders, pursuant to the provisions of Paragraph 1, Articles 236, Paragraphs 1 and 2, 238 and Paragraph 1, Article 240 of the Companies Act.

1. Name of the Stock Acquisition Rights: Toray Industries, Inc. – 9th Stock Acquisition Rights

2. Maximum Number of Stock Acquisition Rights: 500

The above number is the maximum number of the Stock Acquisition Rights that are expected to be allotted and, accordingly, in the event that the total number of application for subscription of the Stock Acquisition Rights does not reach the above-mentioned number or there occurs a reduction in the total number of the Stock Acquisition Rights to be allotted, the total number of the Stock Acquisition Rights shall be equal to the total number of the Stock Acquisition Rights that are actually allotted.

3. Type and Number of Shares Underlying the Stock Acquisition Rights

The type of shares underlying the Stock Acquisition Rights shall be common shares in the Company, and the number of shares to be issued upon exercise of one Stock Acquisition Right (hereinafter referred to as the "Number of Granted Shares") shall be 1,000 shares; provided, however, that, when the Company conducts any share split (including any allotment of common shares in the Company free of charge, and the same shall apply hereinafter for any reference to share splits) or any share consolidation for its common shares after the date of allotment ("date of allotment", hereinafter) of the Stock Acquisition Rights, the Number of Granted Shares shall be adjusted in accordance with the formula set forth below and any fraction less than one whole share arising therefrom shall be rounded down to the nearest one whole share.

Post-Adjustment Number of Granted Shares = Pre-Adjustment Number of Granted Shares × Share split (or share consolidation) ratio

Post-Adjustment Number of Granted Shares shall apply from the next day of the record date of the share split in case of share split (if base date is not set, from the effective date), and from the effective date of

share consolidation in case of share consolidation. However, if the share split shall be conducted on condition that (i) a resolution of the general meeting of shareholders indicating that the amount of surplus will be reduced and capital and capital reserve shall be increased accordingly will be approved and (ii) the record date of such share split will be set prior to the date of completion of such general meeting of shareholders, Post-Adjustment Number of Granted Shares shall, after the next day of completion of such general meeting of shareholders, apply retroactively from the next day of such record date. The Company shall adjust the Number of Granted Shares to the extent reasonable in case there occurs any event such as a merger or a split of the Company that would require such adjustment after the date of allotment of the Stock Acquisition Rights.

Furthermore, the Company shall, in adjusting the Number of Granted Shares, notify or report each holder of the Stock Acquisition Rights registered in the Stock Acquisition Rights Register (hereinafter referred to as the "Holders") of the relevant matters by no later than the day immediately preceding the date from which the Post-Adjustment Number of Granted Shares is to be applied; provided, however, that, in the event the Company is unable to give such notice or report prior to such date, the Company shall promptly give such notice thereafter.

4. Value of Assets Contributed upon the Exercise of the Stock Acquisition Rights:

The value of the assets to be contributed upon the exercise of each Stock Acquisition Right shall be the amount calculated by multiplying the Number of Granted Shares by one yen, the exercise price per share granted upon the exercise of each Stock Acquisition Right (hereinafter referred to as "Exercise Price").

5. Period during which Stock Acquisition Rights may be Exercised:

From August 18, 2019 to August 17, 2049.

6. Matters Regarding the Amount of Capital and Capital Reserve to be Increased:

(1) The amount by which the capital will be increased as a result of the issuance of shares upon the exercise of the Stock Acquisition Rights shall be the "maximum amount of increase in capital, etc." to be calculated in accordance with Paragraph 1, Article 17 of the Corporate Calculation Rules multiplied by 0.5 (with any fraction less than one yen arising therefrom rounded up to the nearest one yen).

(2) The amount by which the capital reserve will be increased as a result of the issuance of shares upon the exercise of the Stock Acquisition Rights shall be the above-mentioned "maximum amount of increase in capital, etc." minus the above-mentioned amount of capital increase.

7. Restrictions on Transfer of the Stock Acquisition Rights:

Transfer of the Stock Acquisition Rights shall be subject to an approval of the Board of Directors of the Company.

8. Conditions of Acquisition of Stock Acquisition Rights:

The Company may acquire the Stock Acquisition Rights from the Holders free of charge on a date to be separately determined by the Board of Directors of the Company in the event the following proposals (1),

(2), (3), (4) and (5) are approved by a resolution of the general meeting of shareholders (in case resolution of the general meeting of shareholders is not required, by a resolution of the Board of Directors of the Company):

(1) a proposal for an approval of a merger agreement under which the Company shall be the dissolving company

(2) a proposal for an approval of a demerger agreement or a demerger plan under which the Company shall be the transferor

(3) a proposal for an approval of a statutory share exchange (*kabushiki kokan*) agreement or a statutory share transfer (*kabushiki iten*) agreement under which the Company shall be the wholly-owned subsidiary

(4) a proposal for an approval of an amendment to the Articles of Incorporation to establish new provisions by which any transfer of shares to be issued by the Company will be subject to the Company's approval.

(5) a proposal for an approval of amendments to the Articles of Incorporation to establish new provisions by which any acquisition by way of transfer of the type of any shares to be issued upon exercise of stock acquisition rights to be offered will be subject to the Company's approval or the Company may acquire all of the shares in the relevant type (if any) to be issued upon exercise of stock acquisition rights to be offered by the general meeting of the shareholders of the Company.

9. Grant of the Stock Acquisition Rights in relation to Organizational Restructuring:

In the case where the Company conducts any merger (limited to cases where the Company is the dissolving company), demerger by transfer to an existing company (*kyushu-bunkatsu*), demerger by transfer to a newly established company (*shinsetsu-bunkatsu*) (limited to cases where the Company is the divisively reorganizing company in each case), statutory share exchange (*kabushiki kokan*) or statutory share transfer (*kabushiki iten*) (limited to cases where the Company becomes a wholly owned subsidiary in each case) (collectively, hereinafter referred to as the "Organizational Restructuring"), each person that holds the Stock Acquisition Rights that are outstanding immediately prior to the time at which the relevant Organizational Restructuring becomes effective (in case of absorption-type merger, the date on which the absorption-type merger takes effect; in case of consolidation-type merger, the date on which the consolidation-type merger takes effect; in case of demerger by transfer to an existing company, the date on which the demerger merger takes effect; in case of demerger by transfer to a newly established company, the date on which the demerger takes effect; in case of statutory share exchange, the date on which the statutory share exchange takes effect; and in case of statutory share transfer, the date on which the wholly owning parent company incorporated through share transfer is established. The same applies below) (hereinafter referred to as the "Outstanding Stock Acquisition Rights") shall be granted the stock acquisition rights to acquire shares in the respective "*kabushiki kaisha*" as set forth in Article 236, Paragraph 1, Item 8(a) to 8(e) of the Companies Act (hereinafter referred to as the "Successor Company"); provided, however, that this shall be on condition that the issuance of the stock acquisition rights by the Successor Company in accordance with the following terms and conditions is set forth in the relevant merger agreement, demerger agreement or demerger plan, statutory share exchange agreement or statutory share transfer plan:

(1) Number of the stock acquisition rights to be issued by the Successor Company:
Same number as the Outstanding Stock Acquisition Rights held by the relevant Holder.

(2) Type of the shares underlying the stock acquisition rights:
Common shares in the Successor Company.

(3) Number of the shares underlying the stock acquisition rights:
To be determined in accordance with 3. above, upon taking into account the terms and conditions of the relevant Organizational Restructuring.

(4) Amount of the property to be provided as contribution upon the exercise of each stock acquisition right:
The amount of the property to be provided as contribution upon the exercise of each stock acquisition right shall be calculated by multiplying the Post-Reorganization exercise price by the number of shares underlying each stock acquisition right as set forth in (3) above. The Post-Reorganization exercise price shall be one yen per share of the Successor Company to be granted upon the exercise of the issued each stock acquisition right.

(5) Period during which the stock acquisition rights may be exercised:
The period commencing on the later of (i) the first day of the period during which the Stock Acquisition Rights may be exercised as set forth in 5. above or (ii) the date on which the relevant Organizational Restructuring becomes effective, and ending on the expiration date of the period during which Stock Acquisition Rights may be exercised as set forth in 5. above.

(6) Matters regarding the amount of capital and capital reserve to be increased:
To be determined in accordance with 6. above.

(7) Restrictions on transfer of the stock acquisition rights:
Transfer of the stock acquisition rights shall be subject to an approval of the Board of Directors of the Successor Company.

(8) Event and conditions of acquisition of the stock acquisition rights:
To be determined in accordance with 8. above.

(9) Other conditions for exercising the stock acquisition rights:
To be determined in accordance with 11. below.

10. Treatment of Fractional Share Arising from the Exercise of the Stock Acquisition Rights:
If there arises any fractional share of less than one whole share as a result of exercising the Stock Acquisition Rights, such fractional share shall be rounded down to the nearest one whole share.

11. Other Conditions for Exercise of Stock Acquisition Rights:

(1) Person to whom the Stock Acquisition Rights are allotted (hereinafter referred to as the "Allottee") may exercise such Stock Acquisition Rights from the day following the date on which the Allottee loses the positions of vice president Members of the Board and director (hereinafter referred to as the "date of forfeiture of position") within the period prescribed under 5. above. In this case, however, the Allottee may exercise the Stock Acquisition Rights for 10 days from the day following the date of forfeiture of position.

(2) (1) above does not apply to those who inherited the Stock Acquisition Rights.

(3) The Holder may not exercise any of the Stock Acquisition Rights that he/she has abandoned.

12. Computation Method for the Amount to be Paid upon allocation of Stock Acquisition Rights

The amount to be paid in exchange for each Stock Acquisition Right shall be the amount derived by multiplying the option price per share calculated based on the following formula, which is the Black-Scholes model, and the basic values in (2) through (7) below, by the Number of Granted Shares.

$$C = Se^{-qT}N(d) - Xe^{-rT}N\left(d - \sigma\sqrt{T}\right)$$

in which

$$d = \frac{\ln\left(\frac{S}{X}\right) + \left(r - q + \frac{\sigma^2}{2}\right)T}{\sigma\sqrt{T}}$$

(1) Option price per share (C)

(2) Stock price (S): The closing price of the common shares in the Company under normal trading on the Tokyo Stock Exchange on August 17, 2019 (in case there is no closing price, the closing price on the trading day immediately preceding August 17, 2019.)

(3) Exercise Price (X): One yen

(4) Expected remaining period (T): 6 years

(5) Volatility (σ): The fluctuation rate calculated based on the closing price of the common shares in the Company on each of the trade dates during the 6 years (from August 18, 2013 to August 17, 2019)

(6) Risk-free interest rate (r): Interest rate on a government bond, the outstanding years of which corresponds to the expected remaining period.

(7) Dividend yield (q): Dividend per share (dividend paid for the fiscal year ended March 31, 2019) divided by the stock price provided for in (2) above.

(8) Cumulative distribution function for standard normal distribution ($N(\cdot)$)

13. Date of the Allotment of the Stock Acquisition Rights:

August 17, 2019

14. Due Date for Payment in Exchange for the Stock Acquisition Rights

The due date for payment shall be August 17, 2019.

15. Method of Exercise of the Stock Acquisition Rights and the Payment of the Subscription Money:

(1) In order to make a request to exercise the Stock Acquisition Rights, the Holder must complete and execute the Company-prescribed exercise request form, and then submit it to the Exercise Request Handling Place set forth in 16. below.

(2) In addition to submitting the exercise request form set forth in 15. (1) above, the Holder must fully pay in cash into the Company-designated account held with the Subscription Payment Handling Place set forth in 17. below the amount calculated by multiplying the amount of the property to be

provided as contribution upon the exercise of each Stock Acquisition Right by the number of the Stock Acquisition Rights related to the relevant exercise.

16. Exercise Request Handling Place for the Stock Acquisition Rights:
Personnel Department of the Company (or any other relevant department in charge from time to time).

17. Subscription Payment Handling Place for the Stock Acquisition Rights:
Sumitomo Mitsui Banking Corporation Main Office (or any other successor bank or successor branch from time to time).

18. Allottees of the Allotment of Stock Acquisition Rights, and the Number of Persons and the Number of Stock Acquisition Rights that are expected to be Allotted:

Allottees	Number of Allottees	Number of Stock Acquisition Rights to be Allotted
The Company's Vice Presidents Members of the Board	17	282
The Company's Directors	44	218
Total	61	500

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