Disclosed information on the Internet at the Time of Notifying Convocation of the 135th Ordinary General Meeting of Stockholders

Consolidated Statement of Changes in Net Assets
Notes to Consolidated Financial Statements
Nonconsolidated Statement of Changes in Net Assets
Notes to Nonconsolidated Financial Statements
(From April 1, 2015 to March 31, 2016)

Toray Industries, Inc.

All matters above are provided to stockholders of the Company on the website of the Company on the Internet (http://www.toray.com) in accordance with laws and regulations, and the provision of the Articles of Incorporation of the Company.

Consolidated Statement of Changes in Net Assets

Toray Industries, Inc. and Subsidiaries
April 1, 2015- March 31, 2016

Millions of yen

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total stockholders' equity
Balance at beginning of the fiscal year	¥147,873	¥136,727	¥544,557	¥(21,345)	¥807,812
Changes during the fiscal year:					
Cash dividend			(19,191)		(19,191)
Net income attributable to owners of parent			90,132		90,132
Purchase of treasury stock				(64)	(64)
Disposal of treasury stock		(52)		246	194
Change in equity attributable to parent arising from transaction with non-controlling shareholders		(17,547)			(17,547)
Effect of change in accounting period of subsidiaries and affiliated companies			(1,105)		(1,105)
Other		52	(59)		(7)
Net changes in items other than stockholders' equity during the fiscal year					
Total changes during the fiscal year	–	(17,547)	69,777	182	52,412
Balance at end of the fiscal year	¥147,873	¥119,180	¥614,334	¥(21,163)	¥860,224

Millions of yen

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains on securities	Net deferred losses on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income			
Balance at beginning of the fiscal year	¥79,093	¥(387)	¥100,097	¥(947)	¥177,856	¥1,207	¥93,882	¥1,080,757
Changes during the fiscal year:								
Cash dividend								(19,191)
Net income attributable to owners of parent								90,132
Purchase of treasury stock								(64)
Disposal of treasury stock								194
Change in equity attributable to parent arising from transaction with non-controlling shareholders								(17,547)
Effect of change in accounting period of subsidiaries and affiliated companies								(1,105)
Other								(7)
Net changes in items other than stockholders' equity during the fiscal year	(17,821)	(103)	(70,827)	(3,761)	(92,512)	(26)	(15,722)	(108,260)
Total changes during the fiscal year	(17,821)	(103)	(70,827)	(3,761)	(92,512)	(26)	(15,722)	(55,848)
Balance at end of the fiscal year	¥61,272	¥(490)	¥29,270	¥(4,708)	¥85,344	¥1,181	¥78,160	¥1,024,909

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

Notes to Consolidated Financial Statements

Notes to Basis of Presenting Consolidated Financial Statements, etc.

1. Principles of Consolidation of Toray Group

(1) Number of Subsidiaries: 158
Names of major consolidated subsidiaries are omitted here as they are shown in "(6) Major Subsidiaries" of "1. Review of Operations of Toray Group."
Effective from the year ended March 31, 2016, six subsidiaries were consolidated due to establishment and other reasons, and four subsidiaries were removed from consolidation due to liquidation and other reasons.

(2) Names of major unconsolidated subsidiaries
The major unconsolidated subsidiaries are Meinan Service, Inc. and Toray International Taipei Inc.
(Main reason for exclusion of subsidiaries from consolidation)
Unconsolidated subsidiaries are small in scale and the Company's interests in their respective amounts of total assets, net sales and net income as well as retained earnings do not significantly affect the Group's consolidated financial statements.

2. Application of Equity Method

(1) Number of unconsolidated subsidiaries accounted for by the equity method: 61
Meinan Service, Inc. and Toray International Taipei Inc. are major unconsolidated subsidiaries. Effective from the year ended March 31, 2016, four subsidiaries were included in the list of unconsolidated subsidiaries subject to the equity method due to establishment and other reasons, and two subsidiaries were removed from the list of those because one subsidiary was consolidated due to its increased significance, etc.

(2) Number of affiliated companies accounted for by the equity method: 35
Major affiliated companies are Dow Corning Toray Co., Ltd. and Du Pont-Toray Co., Ltd. Effective from the year ended March 31, 2016, two companies were included in the list of those accounted for by the equity method due to the acquisition of shares and other reasons, and five companies were removed from the list of those accounted for by the equity method due to sales and other reasons.

(3) Twenty-one unconsolidated subsidiaries including Toray International (Korea), Inc. were removed from the list of subsidiaries accounted for by the equity method due to the overall insignificance of the Company's interests in their respective amounts of net income and retained earnings which might not affect the consolidated financial statements in any significant way.

(4) Nine affiliated companies including Chiyoda Video Co., Ltd. are not subject to the equity method due to the overall insignificance of the Company's interests in their respective amounts of net income and retained earnings which might not affect the consolidated financial statements in any significant way.

3. Fiscal Year for Consolidated Subsidiaries
Main consolidated subsidiaries with a year-end date different from the consolidated closing date are as follows:

(Names of consolidated subsidiaries)	(Year-end date)
Toray Fibers (Nantong) Co., Ltd. and 43 subsidiaries	December 31

When compiling the consolidated financial statements, the relevant computations were made for Toray Fibers (Nantong) Co., Ltd. and 19 subsidiaries on the basis of a provisional settlement of accounts as of the Company's year-end date equivalent to regular settlement of accounts. For CHORI (CHINA) CO., LTD. and 23 subsidiaries, the relevant computations were made on the basis of the subsidiaries year-end date, while their major transactions carried out during the period between such date and the Company's year-end date were addressed with necessary adjustments for the purpose of consolidation in the financial statements.
For consolidated subsidiaries having a year-end date of December 31, the relevant computations in the previous fiscal years were made on the basis of the subsidiaries year-end date, while their major transactions carried out during the period between such date and the Company's year-end date were addressed with necessary adjustments for the purpose of consolidation in the financial statements. From among these subsidiaries, however, effective from the year ended March 31, 2016, Toray Advanced Materials Korea Inc. and 33 subsidiaries have changed their year-end date to March 31, and the relevant computations have been made for Toray Fibers (Nangtong) Co., Ltd. and 18 subsidiaries on the basis of a provisional settlement of accounts as of the Company's year-end date equivalent to regular settlement of accounts.
For consolidated subsidiaries having a year-end date of September 30, the relevant computations in the previous fiscal years were made on the basis of a provisional settlement of accounts as of December 31 equivalent to regular settlement of accounts, while their major transactions carried out during the period between such date and the Company's year-end date were addressed with necessary adjustments for the purpose of consolidation in the financial statements. Effective from the year ended March 31, 2016, however, Zoltek Companies, Inc. and 7 subsidiaries have changed their year-end date to March 31.
Net income or loss of these subsidiaries during the period between January 1, 2015 and March 31, 2015 was adjusted as decrease in retained earnings.

4. Significant Accounting Policies

(1) Valuation of major assets:
(a) Valuation of securities:
Held-to-maturity debt securities:
Amortized cost method (Straight-line method).
Other securities:
With readily determinable market value:
Based on market value at the end of the year (unrealized gains and losses are accounted for as "net

unrealized gains on securities" in net assets and sales costs are determined by the moving-average cost method).
With non-readily determinable market value:
Moving-average cost method.
(b) Derivative financial instruments: Based on market value.
(c) Valuation of inventories:
Principally moving-average cost method (balance sheets amounts are lower of the acquisition cost or the net selling value, due to decreased profitability of inventories)

(2) Depreciation and amortization for major fixed assets:
(a) Property, plant and equipment (except lease assets):
Principally straight-line method
(b) Intangible assets (except lease assets):
Straight-line method
As for software (for internal use), principally the straight-line method is used with a useful life of 5 years.
(c) Lease assets:
Principally, a depreciation method is identical to the method applicable to its own fixed assets. Finance lease transactions which do not transfer the ownership of leased assets whose lease inceptions are on or before March 31, 2008 are accounted for by a method similar to the method applicable to ordinary operating leases.

(3) Reserves:
(a) Allowance for doubtful accounts:
The allowance for doubtful accounts, including receivables and loans, is determined from the amounts considered unlikely to be recovered, estimated from claim rate records for general receivables and from studying the probability of recovery in individual cases where there is concern over claims.
(b) Reserve for employees' bonuses:
The reserve for employees' bonuses is based on the expected liability for the total bonus amount payable to employees during the year ended March 31, 2016.
(c) Reserve for bonuses of members of the Board:
The reserve for bonuses of members of the Board is based on the expected liability for the total bonus amount payable to directors during the year ended March 31, 2016.
(d) Reserve for retirement benefits of members of the Board and corporate auditors:
The reserve for retirement benefits of members of the Board and corporate auditors represents the amount required at the end of the year ended March 31, 2016 based on internal regulations.

(4) Translation of foreign currency transactions and foreign currency financial statements:
All monetary assets and liabilities denominated in the same foreign currencies, whether long-term or short-term, are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are included in net income or loss for the period.
Translation of foreign currency financial statements of overseas subsidiaries into Japanese yen for consolidation purposes is made by using the current exchange rates prevailing at their respective balance sheet dates, with the exception that the translation of stockholders' equity is made by using historical rates. Revenue and expense accounts are principally translated at the period's average rate of exchange. Differences in yen amounts arising from the use of different rates are presented as "foreign currency translation adjustments" in net assets except for the portion belonging to non-controlling stockholders which is included in "non-controlling interests" in net assets.

(5) Hedge transactions:
The Company and its consolidated subsidiaries apply the deferral accounting method for hedging transactions. For hedging foreign currency exchange rate risk, the allocation method is applied whenever the specific requirements for these transactions are met, while the special accounting method is applied for interest rate swap agreements in cases where the specific requirements for this treatment are fulfilled.

(6) Net defined benefit liability:
To provide for the payment of retirement benefits to employees, net defined benefit liability is recognized at an amount equal to the expected retirement benefit obligations at the end of the year ended March 31, 2016 net of the value of pension assets.
Past service costs are amortized using the straight-line method over a certain period within the employees' average remaining years of service (primarily 13 years) when the costs are incurred.
Actuarial gains and losses are amortized using the straight-line method over a certain period within the employees' average remaining years of service (primarily 13 years) from the following period.
Unrecognized actuarial gains and losses and unrecognized past service costs are recognized in remeasurements of defined benefit plans in accumulated other comprehensive income under the net assets section, net of deferred taxes.

(7) Amortization of goodwill and its period:
Goodwill is generally amortized on a straight-line basis over its estimated useful life within twenty years.

(8) Consumption taxes:
Consumption taxes are not included in sales nor in expense accounts.

(9) Consolidated taxation system:
Effective from the year ended March 31, 2016, the Company and some of its consolidated subsidiaries have adopted the consolidated taxation system.

Notes to Changes in Accounting Policy

Effective from the year ended March 31, 2016, the Company has adopted the "Revised Accounting Standard for Business

Combinations" (the Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013, hereinafter "Business Combinations Accounting Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013, hereinafter "Consolidation Accounting Standard") and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013, hereinafter, "Business Divestitures Accounting Standard"). Accordingly, the Company records differences arising from changes in its equity interest in subsidiaries that remain under its control as capital surplus and charges acquisition-related costs for business combinations to expenses in the period when such costs are incurred. With regard to any business combination made on or after April 1, 2015, any adjustment of an allocated amount of acquisition costs arising from a determination of provisional treatment is reflected in the consolidated financial statements for the period when the business combination occurs. Furthermore, the Company has changed the presentation of net income, etc. and the presentation of "minority interests" to "non-controlling interests".

When applying the accounting standards, the Company follows the transitional treatment set forth in Section 58-2 (4) of the Business Combinations Accounting Standard, Section 44-5 (4) of the Consolidation Accounting Standard and Section 57-4 (4) of the Business Divestitures Accounting Standard. The accounting standards are applied to the period from April 1, 2015 onward.

As a result, capital surplus at the end of the year ended March 31, 2016 decreased by ¥17,547 million. The impact on consolidated statement of income for the year ended March 31, 2016 was insignificant.

Note to Changes in Presentation Method

In relation to Consolidated Statement of Income

Effective from the year ended March 31, 2016, "Loss on write-down of investment securities" (¥93 million in the previous fiscal year), an item included in "Other special losses" under "Special losses" in the previous fiscal year, is separately presented due to an increase in materiality.

Note to Changes in Accounting Estimate

When accounting for retirement benefits, actuarial gains and losses and past service costs were previously amortized primarily over 14 years but are now amortized primarily over 13 years, effective from the year ended March 31, 2016, due to a decrease in employees' average remaining years of service. The impact of this change on consolidated statement of income for the year ended March 31, 2016 was insignificant.

Notes to Consolidated Balance Sheet

(Millions of yen)

1.	Accumulated depreciation for property, plant and equipment	¥	1,843,832
2.	Assets pledged as collateral and debts with collateral		
	Assets pledged as collateral:		
	Cash and time deposits	¥	774
	Property, plant and equipment, net	¥	7,072
	Investment securities	¥	799
	Other in Investments and other assets	¥	512
	Debts with collateral:		
	Notes and accounts payable - trade	¥	5,966
	Short-term borrowings	¥	3,290
	Long-term borrowings	¥	255
3.	Guarantees of bank loans, etc. of subsidiaries and affiliated companies	¥	11,283
	Guarantees of bank loans, etc. of clients and employees	¥	9,148
4.	Discounted notes receivable - trade	¥	89
	Endorsed notes receivable - trade	¥	1,160
	Discounted export bills	¥	635
5.	Contingent liabilities associated with securitization of receivables	¥	9,573
6.	Total committed lines of credit*	¥	400
	Loans receivables outstanding	¥	156
	Balance	¥	244

* This commitment does not necessarily mean that the Company will extend loans to the maximum limit, since every provision of funds has been made after financial positions and cash flows of the respective subsidiaries and affiliated companies have been taken into consideration by the Company.

Notes to Consolidated Statement of Changes in Net Assets

1. Number of shares in issue and outstanding as of the end of year ended March 31, 2016
   Common stock 1,631,481,403 shares

2. Dividends
(1) Amounts to be paid

Resolution	Ordinary General Meeting of Stockholders held on June 24, 2015	Board of Directors Meeting held on November 10, 2015
Class of shares	Common stock	Common stock
Total amount	¥9,595 million	¥9,597 million
Dividend per share	¥6	¥6
Record date	March 31, 2015	September 30, 2015
Effective date	June 25, 2015	December 1, 2015

(2) For dividends with record dates that fall in the year ended March 31, 2016, dividends with effective dates that fall after the end of the year ended March 31, 2016.
The Company will propose, at the Ordinary General Meeting of Stockholders to be held on June 28, 2016, the distribution of the following dividend on common stock:
(a) Total amount: ¥11,196 million
(b) Dividend per share (yen): ¥7
(c) Record date: March 31, 2016
(d) Effective date: June 29, 2016

Retained earnings are scheduled to be used as a dividend resource.

3. Type and number of shares to be issued upon exercise of the stock acquisition rights (excluding those rights whose exercise period has not yet commenced) as of the end of year ended March 31, 2016
   Common stock 2,123,000 shares

Notes to Financial Instruments

1. Conditions of financial instruments
(1) Policy in relation to financial instruments
The policy of Toray Group (the Company and its consolidated subsidiaries) is to manage funds only by short-term deposits, etc. and to raise funds by borrowing from banks and issuing corporate bonds. The Group uses derivatives to hedge risks associated with foreign currency exchange rates and fluctuations of borrowing interest rates and does not enter into derivative transactions for speculative or trading purposes.
(2) Contents and risk of financial instruments and risk management system
Notes and accounts receivable - trade are operating receivables and therefore are exposed to customer credit risk. Under its internal regulations, the Company carefully manages the payment periods for receivables and outstanding balances of all customers and regularly monitors the credit standing of major clients. Consolidated subsidiaries also monitor and manage the credit standings of their clients.
Operating receivables and payables denominated in foreign currencies that arise from the global business operations are also exposed to the foreign currency exchange risk. The Group hedges this risk mainly through the use of forward exchange contracts against positions after netting receivables and payables denominated in the same foreign currencies.
Likewise, the Group mainly uses currency swaps to hedge the foreign currency exchange risk of borrowings denominated in foreign currencies.
Investment securities are mostly the shares of corporations with which the Group has business relationships and are exposed to the risk of market price fluctuations. The fair value of the investment securities and financial positions of the issuing entities (clients) are regularly monitored.
Notes and accounts payable - trade are operating payables, most of which are due and payable within one year.
Short-term borrowings and commercial paper are financing instruments mainly for operating transactions, while long-term borrowings and bonds (due within ten years, in principle) are primarily for capital expenditure. Borrowings and bonds are exposed to the risk of interest rate fluctuation. Borrowings and bonds at floating interest rates carry the risk of higher interest expenses when rates rise, while borrowings and bonds at fixed interest rates carry the risk of higher interest expenses when rates fall. The Group uses derivative transactions (interest rate swap transactions) to minimize the risk of interest rate fluctuation, taking into consideration the balance between fixed interest rates and floating interest rates.
The method for hedge accounting is stated in "Notes to Basis of Presenting Consolidated Financial Statements, etc." 4. (5).
Derivative transactions are executed and managed in accordance with the internal regulations prescribing the authorizations for transactions. To mitigate credit risk, the Group carries out derivative transactions only with highly rated financial institutions.

(3) Supplemental explanation on fair value of financial instruments
The fair value of financial instruments is based on market prices, or reasonable estimates of fair value for instruments for which market prices are not available. Estimates of fair value are subject to fluctuation because they employ various factors and assumptions.

2. Fair value of financial instruments
Carrying value, fair value and difference as of March 31, 2016 are as follows.
In addition, financial instruments, for which it is extremely difficult to measure the fair value, are not included. (See note 2)

	Carrying value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Cash and time deposits	¥120,168	¥120,168	–
(2) Notes and accounts receivable - trade	402,220	402,220	–
(3) Investment securities			
(a) Held-to-maturity debt securities	105	110	5
(b) Investment securities in subsidiaries and affiliated companies	20,785	19,178	(1,607)
(c) Other securities	151,051	151,051	–
Assets	694,329	692,727	(1,602)
(1) Notes and accounts payable - trade	213,143	213,143	–
(2) Short-term borrowings	135,960	135,960	–
(3) Commercial paper	6,000	6,000	–
(4) Bonds (*1)	140,020	163,078	23,058
(5) Long-term borrowings (*2)	418,836	422,631	3,795
Liabilities	913,959	940,812	26,853
Derivative transactions (*3)			
(a) Hedge accounting is not applied	56	56	–
(b) Hedge accounting is applied	12	12	–
Derivative transactions	68	68	–

*1: Bonds include bonds due within one year.
*2: Long-term borrowings include long-term borrowings due within one year.
*3: Receivables and payables arising from derivative transactions are indicated in net amounts. Total net payables, if any, are shown in parenthesis.

Note 1: Estimation method for fair value of financial instruments and items related to securities and derivative transactions

Assets

(1) Cash and time deposits and (2) Notes and accounts receivable - trade
Carrying value is used for fair value since the items will be settled within the short term and the fair value is approximately equal to the carrying value.

(3) Investment securities
Securities are valued at quoted market price. Bonds, etc. are valued at quoted market price or at the price provided by correspondent financial institutions.

Liabilities

(1) Notes and accounts payable - trade, (2) Short-term borrowings, and (3) Commercial paper
Carrying value is used for fair value since the items will be settled within the short term and the fair value is approximately equal to the carrying value.

(4) Bonds
The fair value of bonds with market price is based on market price. The fair value of bonds without market price is estimated by discounting the principal amounts and interest based on interest rates adjusted for the remaining periods and credit risk of the bonds. However, for floating-rate bonds or fixed-rate bonds converted to floating using interest rate swaps accounted for under the special accounting treatment for interest rate swaps, the fair value is approximately equal to the carrying value because the interest rates are adjusted periodically. Therefore, the fair value is based on the carrying value.

(5) Long-term borrowings
The fair value of long-term borrowings is estimated by discounting the principal amounts and interest based on estimated interest rates if similar new borrowings were entered into in the year ended March 31, 2016. The fair value of long-term borrowings for which the special accounting method for interest rate swaps is applied is estimated by discounting the total principal amount and interest (accounted for together with the interest rate swaps) based on estimated interest rates if similar new borrowings were entered into in the year ended March 31, 2016. For long-term borrowings at floating interest rates, however, the fair value is approximately equal to the carrying value because the interest rates are adjusted periodically. Therefore, the fair value is based on the carrying value.

Derivative transactions

(a) Hedge accounting is not applied
The fair value of derivative transactions for which hedge accounting is not applied is the forward foreign exchange quotation or the price provided by correspondent financial institutions.

(b) Hedge accounting is applied
The fair value of derivative transactions for which hedge accounting is applied is the forward foreign exchange quotation or the price provided by correspondent financial institutions. However, that the fair value of a derivative transaction subject to the special accounting method for interest rate swaps is included in the fair value of bonds and long-term borrowings because the derivative transactions are accounted for together with the hedged bonds and long-term borrowings. The fair value of forward foreign exchange contracts, etc. to which the allocation method is applied, except for forecasted transactions, is included in the fair value of

receivables, payables, long-term borrowings, etc. because such forward foreign exchange contracts are accounted for together with the corresponding receivables and payables, long-term borrowings, etc.

Note 2: Financial instruments for which it is extremely difficult to determine the fair value

	Carrying value (Millions of yen)
Unlisted equity securities	¥83,080
Unlisted debt securities	2,000

These securities have no quoted market price and the fair value is extremely difficult to determine. Therefore, they are not included in "Assets (3) (b) Investment securities in subsidiaries and affiliated companies and (c) Other securities."

Notes to Per Share Information

1. Net assets per share: ¥591.50
2. Net income per share: ¥56.38

Nonconsolidated Statement of Changes in Net Assets

Toray Industries, Inc.
April 1, 2015 - March 31, 2016

Millions of yen

	Stockholders' equity						
		Capital surplus		Retained earnings			
					Other retained earnings		
	Common stock	Additional paid-in capital	Other capital surplus	Legal reserve	Reserve for write-down of fixed assets for tax purposes	General reserve	Retained earnings brought forward
Balance at beginning of the fiscal year	¥147,873	¥136,727	¥—	¥24,234	¥10,605	¥112,000	¥43,051
Changes during the fiscal year:							
Cash dividend							(19,191)
Reserve for write-down of fixed assets for tax purposes					452		(452)
Reversal of reserve for write-down of fixed assets for tax purposes					(372)		372
Net income							34,172
Purchase of treasury stock							
Disposal of treasury stock			(52)				
Transfer of loss on disposal of treasury shares			52				(52)
Net changes in items other than stockholders' equity during the fiscal year							
Total changes during the fiscal year	—	—	—	—	80	—	14,849
Balance at end of the fiscal year	¥147,873	¥136,727	¥—	¥24,234	¥10,685	¥112,000	¥57,899

Millions of yen

	Stockholders' equity		Valuation, translation adjustments and other				
	Treasury stock, at cost	Total stockholders' equity	Net unrealized gains on securities	Net deferred gains (losses) on hedges	Total valuation, translation adjustments and other	Stock acquisition rights	Total net assets
Balance at beginning of the fiscal year	¥(20,765)	¥453,726	¥74,297	¥(344)	¥73,953	¥1,010	¥528,690
Changes during the fiscal year:							
Cash dividend		(19,191)					(19,191)
Reserve for write-down of fixed assets for tax purposes		—					—
Reversal of reserve for write-down of fixed assets for tax purposes		—					—
Net income		34,172					34,172
Purchase of treasury stock	(64)	(64)					(64)
Disposal of treasury stock	246	194					194
Transfer of loss on disposal of treasury shares		—					—
Net changes in items other than stockholders' equity during the fiscal year			(16,244)	272	(15,973)	157	(15,815)
Total changes during the fiscal year	182	15,110	(16,244)	272	(15,973)	157	(705)
Balance at end of the fiscal year	¥(20,583)	¥468,836	¥58,053	¥(72)	¥57,981	¥1,168	¥527,985

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

Notes to Nonconsolidated Financial Statements

Notes (Significant Accounting Policies)

1. Valuation of securities:
   Equity securities issued by subsidiaries and affiliated companies:
   Moving-average cost method
   Other securities:
   With readily determinable market value:
   Based on market value at the end of the period (unrealized gains and losses are accounted for as "net unrealized gains on securities" in net assets and sales costs are determined by the moving-average cost method)
   With non-readily determinable market value:
   Moving-average cost method

2. Valuation of inventories:
   Moving-average cost (balance sheets amounts are lower of the acquisition cost or the net selling value, due to decreased profitability of inventories)

3. Depreciation and amortization for fixed assets:
   Property, plant and equipment: Straight-line method
   Intangible assets: Straight-line method
   As for software (for internal use), the straight-line method is used with a useful life of 5 years.

4. Reserves:
   Allowance for doubtful accounts:
   The allowance for doubtful accounts, including receivables and loans, is determined from the amounts considered unlikely to be recovered, estimated from claim rate records for general receivables and from studying the probability of recovery in individual cases where there is concern over claims.
   Reserve for employees' bonuses:
   The reserve for employees' bonuses is based on the expected liability for the total bonus amount payable to the employees during the year ended March 31, 2016.
   Reserve for bonuses of members of the Board:
   The reserve for bonuses of members of the Board is based on the expected liability for the total bonus amount payable to directors during the year ended March 31, 2016.
   Reserve for employees' retirement benefits:
   The reserve for employees' retirement benefits is based on the expected retirement benefit obligations payable to employees and the value of pension assets at the end of the year ended March 31, 2016. Past service costs are amortized using the straight-line method over a certain period within the employees' average remaining years of service (13 years) when the costs are incurred. Actuarial gains and losses are amortized using the straight-line method, over a certain period within the employees' average remaining years of service (13 years), from the following period.
   Reserve for loss on business of subsidiaries and affiliated companies:
   Reserve for loss on business of subsidiaries and affiliated companies represents the loss estimated based on consideration of the financial conditions and business results, etc. of the subsidiaries and affiliated companies.

5. Hedge transactions:
   The Company applies the deferral accounting method for hedging transactions. For hedging foreign currency exchange rate risk, the Company applies the allocation method whenever the specific requirements for these transactions are met, while the special accounting method is applied for interest rate swap agreements in cases where the specific requirements for this treatment are fulfilled.

6. Retirement benefits:
   The accounting method adopted for actuarial gains and losses and unrecognized past service costs in relation to retirement benefits in the nonconsolidated financial statements differs from the accounting method for the same items in the consolidated financial statements.

7. Consumption taxes:
   Consumption taxes are not included in sales nor in expense accounts.

8. Consolidated taxation system:
   Effective from the year ended March 31, 2016, the Company has adopted the consolidated taxation system.

Note to Changes in Accounting Estimates

When accounting for retirement benefits, actuarial gains and losses and past service costs were previously amortized primarily over 14 years but are now amortized primarily over 13 years, effective from the year ended March 31, 2016, due to a decrease in employees' average remaining years of service. The impact of this change on nonconsolidated statement of income for the year ended March 31, 2016 was insignificant.

Notes to Nonconsolidated Balance Sheet

(Millions of yen)

1.	Accumulated depreciation for property, plant and equipment	¥	1,004,406
2.	Guarantees of bank loans, etc. of subsidiaries and affiliated companies	¥	61,997
	Guarantees of bank loans, etc. of clients and employees	¥	4
3	Contingent liabilities associated with securitization of receivables	¥	1,801
4	Total committed lines of credit*	¥	106,120
	Loans receivable outstanding	¥	32,544
	Balance	¥	73,576

* This commitment does not necessarily mean that the Company will extend loans to the maximum limit, since every provision of funds has been made after financial positions and cash flows of the respective subsidiaries and affiliated companies have been taken into consideration by the Company.

5 Amounts due from and amounts due to subsidiaries and affiliated companies:

Short-term amounts due from subsidiaries and affiliated companies	¥	108,999
Long-term receivables from subsidiaries and affiliated companies	¥	2,191
Short-term amounts due to subsidiaries and affiliated companies	¥	84,312
Long-term payable to subsidiaries and affiliated companies	¥	7,499

Notes to Nonconsolidated Statement of Income

(Millions of yen)

Transactions with subsidiaries and affiliated companies:

Sales of goods to subsidiaries and affiliated companies	¥	275,427
Purchases of goods from subsidiaries and affiliated companies	¥	164,573
Transactions other than operating transactions with subsidiaries and affiliated companies	¥	38,272

Note to Nonconsolidated Statement of Changes in Net Assets

Type and number of shares of treasury stock at March 31, 2016

Common stock 32,052,824 shares

Notes to Tax Effect Accounting

Details of recognition of deferred tax assets and liabilities by principal causes

(Millions of yen)

Deferred tax assets:	
Reserve for employees' retirement benefits	¥ 21,839
Investment securities in subsidiaries and affiliated companies	¥ 16,218
Reserve for employees' bonuses	¥ 2,623
Other	¥ 17,394
Gross deferred tax assets	¥ 58,074
Valuation allowance	¥(21,295)
Total deferred tax assets	¥ 36,779
Deferred tax liabilities:	
Unrealized gains on securities	¥(24,904)
Prepaid pension cost	¥(8,325)
Reserve for write-down of fixed assets for tax purposes	¥(4,719)
Other	¥(280)
Total deferred tax liabilities	¥(38,228)
Net deferred tax liabilities	¥(1,449)

Transactions with Related Parties

Type	Name of company, etc.	Ownership percentage of voting rights, etc.	Relationship with related parties	Details of transaction	Transaction amount (Millions of yen)	Account	Balance as of the end of the fiscal year (Millions of yen)
Subsidiary	Toray International, Inc.	Direct 100%	Business transactions, members of the Board or corporate auditors serving concurrently	Sales of goods, etc. (Note 1)	194,667	Accounts receivable - trade	41,548
				Purchases of goods, etc. (Note 1)	99,937	Accounts payable - trade	10,049
Subsidiary	Toray Carbon Fibers Europe S. A.	Direct 100%	Guarantee liability, members of the Board or corporate auditors serving concurrently	Guarantee liability (Note 2)	14,558	—	—
Subsidiary	Toray Engineering Co., Ltd.	Direct 99.99%	Deposit of surplus funds received, members of the Board or corporate auditors serving concurrently	Deposit of surplus funds received (Note 3)	—	Deposits received	24,160
Subsidiary	Toray Holding (U.S.A.), Inc.	Direct 100%	Underwriting of capital increase, members of the Board or corporate auditors serving concurrently	Underwriting of capital increase	17,521	—	—

The transaction amounts in the table referred to above do not include consumption taxes, but the balances as of the end of the fiscal year include consumption taxes.

Conditions of transactions and policy for determining conditions of transactions:
Note 1: Conditions of transactions for sales, purchases of goods, etc. are determined by the same methods used to determine the general terms and conditions of business, based on considerations of market value and other factors.
Note 2: The Company has guaranteed the loans of Toray Carbon Fibers Europe S. A.
Note 3: The interest rates for the deposits of surplus funds received from Toray Engineering Co., Ltd. are determined based on considerations of the market interest rates.

Notes to Per Share Information

1. Net assets per share: ¥329.38

2. Net income per share: ¥21.37