財務情報

Financial Section

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Financial Section

Selected Consolidated Financial Data

Years ended March 31,

	J-GAAP			
	2012	2013*1	2014	2015
Revenue*5	1,588,604	1,592,279	1,837,778	2,010,734
Fibers & Textiles	638,375	632,150	755,474	856,676
Performance Chemicals	—	—	—	—
Carbon Fiber Composite Materials	69,914	77,620	113,342	158,365
Environment & Engineering	170,247	178,355	180,197	179,988
Life Science	55,554	56,599	58,205	57,039
Other	13,295	14,127	14,277	14,321
Plastics & Chemicals	397,815	395,835	470,542	496,370
IT-related Products	243,404	237,593	245,741	247,975
Core operating income*5	107,721	83,436	105,253	123,481
Profit before tax	101,091	77,828	97,760	114,469
Profit attributable to owners of parent	64,218	48,477	59,608	71,021
Cash flows from operating activities	104,410	100,815	161,455	141,282
Cash flows from investing activities	(104,002)	(107,525)	(214,826)	(140,662)
Free cash flow	408	(6,710)	(53,371)	620
Total assets	1,581,501	1,731,933	2,119,683	2,357,925
Interest-bearing liabilities	481,906	532,002	654,163	700,258
Equity attributable to owners of parent*5	627,111	724,161	859,001	985,668
Per share data:				
Basic earnings per share	39.41	29.75	36.59	44.33
Diluted earnings per share	37.46	28.90	35.70	44.28
Cash dividends per share	10.00	10.00	10.00	11.00
Book value per share	384.90	444.45	527.32	616.70
Ratios:				
Core operating margin*5	6.8	5.2	5.7	6.1
Return on assets	6.8	5.0	5.5	5.5
Return on equity	10.5	7.2	7.5	7.7
Equity ratio	39.7	41.8	40.5	41.8
D/E ratio (times)	0.77	0.73	0.76	0.71
Stock price range:				
High	631	654	786	1,057.5
Low	511	421	584	626
Number of employees	40,227	42,584	45,881	45,789

*1 Certain overseas subsidiaries adopted IAS 19 "Employee Benefits" (revised on June 16, 2011) effective from the year ended March 31, 2014. The related figures for the year ended March 31, 2013 are retrospectively restated accordingly.

*2 Toray Group changed the reportable segments effective from the year ended March 31, 2018. The related figures for the year ended March 31, 2017 are retrospectively restated accordingly.

*3 "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) is applied from the year ended March 31, 2019 and onward. The related figures for the year ended March 31, 2018 are retrospectively restated accordingly.

Millions of yen

J-GAAP					IFRS	
2016	2017*2	2018*3	2019	2020	2020*4	**2021**
2,104,430	2,026,470	2,204,858	2,388,848	2,214,633	2,091,166	**1,883,600**
892,039	856,124	913,610	974,265	883,137	830,963	**719,239**
—	724,648	803,310	868,847	770,814	761,208	**720,418**
186,196	161,608	177,949	215,913	236,922	236,885	**182,884**
183,324	212,548	238,256	257,673	252,282	190,846	**193,524**
55,841	54,150	53,803	53,653	53,250	53,023	**52,965**
14,720	17,392	17,930	18,497	18,228	18,241	**14,570**
521,238	—	—	—	—	—	—
251,072	—	—	—	—	—	—
154,480	146,893	156,464	141,469	131,186	125,532	**90,265**
137,808	139,012	136,612	127,419	94,046	123,304	**65,566**
90,132	99,418	95,915	79,373	55,725	84,230	**45,794**
196,142	173,958	129,180	176,239	225,767	238,262	**211,591**
(154,414)	(135,242)	(186,685)	(260,247)	(142,364)	(142,875)	**(97,872)**
41,728	38,716	(57,505)	(84,008)	83,403	95,387	**113,719**
2,278,386	2,396,785	2,575,910	2,788,351	2,650,687	2,733,520	**2,848,839**
704,253	716,399	816,325	976,251	938,913	991,024	**973,927**
945,568	1,021,272	1,090,695	1,131,033	1,093,748	1,116,075	**1,237,851**
						Yen
56.38	62.17	59.97	49.61	34.83	52.65	**28.61**
56.31	62.10	59.90	49.56	34.58	52.26	**28.57**
13.00	14.00	15.00	16.00	16.00	16.00	**9.00**
591.50	638.64	681.92	706.95	683.61	697.57	**773.44**
						%
7.3	7.2	7.1	5.9	5.9	6.0	**4.8**
6.7	6.3	6.3	5.3	4.8	4.5	**3.2**
9.3	10.1	9.1	7.1	5.0	7.5	**3.9**
41.5	42.6	42.3	40.6	41.3	40.8	**43.5**
0.74	0.70	0.75	0.86	0.86	0.89	**0.79**
						Yen
1,146.0	1,027.5	1,208.0	1,035.5	848.5	848.5	**756.5**
871.7	854.0	903.1	705.1	397.4	397.4	**425.2**
45,839	46,248	45,762	48,320	48,031	48,031	**46,267**

*4 Toray Group has adopted International Financial Reporting Standards (IFRS) instead of generally accepted accounting principles in Japan (J-GAAP) since the year ended March 31, 2021. Comparative information in accordance with IFRS is also presented for the year ended March 31, 2020.

*5 For the figures prepared under J-GAAP, "Net sales," "Operating income," "Net assets less non-controlling interests and share acquisition rights" and "Operating income to net sales" are presented in place of "Revenue," "Core operating income," "Equity attributable to owners of parent" and "Core operating margin," respectively.

Management Discussion and Analysis

Toray Group has adopted International Financial Reporting Standards (IFRS) instead of generally accepted accounting principles in Japan (J-GAAP) since the year ended March 31, 2021. The figures for the year ended March 31, 2020 are restated in accordance with IFRS for comparison and analysis in the following analysis of financial performance, financial position and cash flows.

1. Financial performance

During the year ended March 31, 2021, the global economy was hit hard by the novel coronavirus (COVID-19) pandemic. The stagnation in production and consumption activities as well as the disruption to supply chains caused by the restrictions on international movement of people and goods resulted in chaos in both Japanese and overseas economies, causing a record-setting drop in the economy. Subsequently, the global economy rebounded around July, as economic activities resumed, initially in China and followed by the U.S. and Europe. There were times when growth rate slowed, depending on the country, due to restrictions on economic activities caused by the resurgence of COVID-19 infections, but the global economy has been maintaining a recovery trend in general.

Under such circumstances, Toray Group in May 2020 launched the new medium-term management program "Project AP-G 2022" aimed at achieving sound, sustainable growth through the implementation of basic strategies such as global expansion in growth business fields, strengthening competitiveness, and strengthening the management foundation.

As a result, consolidated revenue for the year ended March 31, 2021, declined 9.9% compared with the previous year to ¥1,883.6 billion, and core operating income fell 28.1% to ¥90.3 billion. Operating income declined 51.3% to ¥55.9 billion and profit attributable to owners of parent declined by 45.6% to ¥45.8 billion as a U.S. subsidiary recorded an impairment loss.

Billions of yen

	2020	2021	Year-over-year (%)
Revenue	2,091.2	**1,883.6**	(9.9)
Core operating income*	125.5	**90.3**	(28.1)
Operating income	114.7	**55.9**	(51.3)
Profit attributable to owners of parent	84.2	**45.8**	(45.6)

* Core operating income is calculated by excluding income and expenses due to non-recurring factors from operating income.

Revenue for the year ended March 31, 2021 dropped in all the reportable segments except Environment & Engineering segment compared with the previous year. Core operating income increased in Performance Chemicals, Environment & Engineering and Life Science segments whereas it decreased in Fibers & Textiles and Carbon Fiber Composite Materials segments.

The following tables summarize revenue and core operating income by segment and analysis of changes in core operating income.

Billions of yen

Revenue	2020	2021	Change
Fibers & Textiles	831.0	**719.2**	(111.7)
Performance Chemicals	761.2	**720.4**	(40.8)
Carbon Fiber Composite Materials	236.9	**182.9**	(54.0)
Environment & Engineering	190.8	**193.5**	2.7
Life Science	53.0	**53.0**	(0.1)
Other*1	18.2	**14.6**	(3.7)
Consolidated total	2,091.2	**1,883.6**	(207.6)

Billions of yen

Core Operating Income	2020	2021	Change				
			Total	Difference in quantity	Net change in price	Cost variance and other	Translation of foreign subsidiaries
Fibers & Textiles	59.6	**36.6**	(23.0)	(31.8)	2.1	6.7	0.1
Performance Chemicals	54.5	**67.0**	12.4	1.7	2.5	9.0	(0.6)
Carbon Fiber Composite Materials	22.6	**(7.5)**	(30.1)	(46.6)	3.9	12.7	(0.1)
Environment & Engineering	10.6	**14.5**	4.0	2.5	(0.6)	2.0	(0.0)
Life Science	0.5	**1.3**	0.8	1.7	(1.9)	1.0	(0.0)
Other and Reconciliations[*1, 2]	(22.2)	**(21.6)**	0.6	(1.9)	—	2.5	(0.0)
Consolidated total	125.5	**90.3**	(35.3)	(74.4)	5.9	33.9	(0.7)

*1 "Other" represents service-related businesses such as analysis, physical evaluation and research.
*2 "Reconciliations" include intersegment eliminations and corporate expenses.

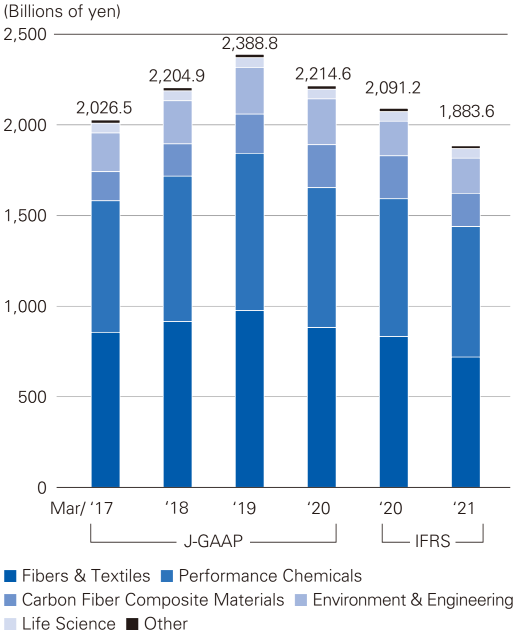
- "Difference in quantity" caused a decrease of ¥74.4 billion in core operating income due to a decrease in sales and production with the impact of COVID-19.
- "Net change in price" caused an increase of ¥5.9 billion because of the decline in raw material prices compared with the year ended March 31, 2020.
- "Cost variance and other" caused an increase of ¥33.9 billion as a result of efforts to reduce operating expenses, production fixed costs and other expenses.

Detailed discussion on the financial performance by segment is as follows.

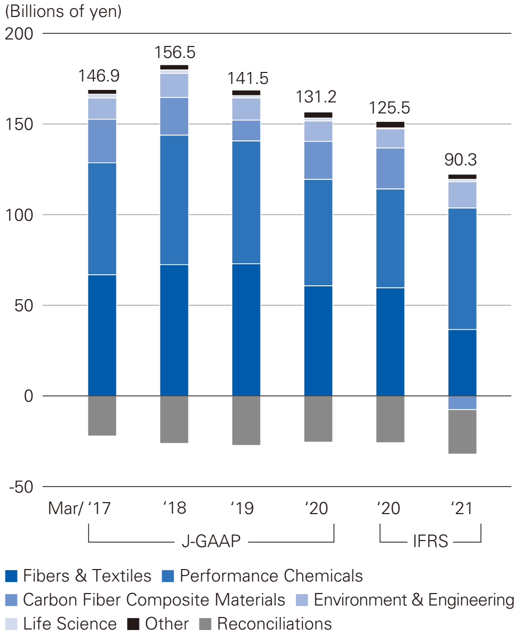
(1) Fibers & Textiles

The segment was affected by the stagnation in production activities and consumption behavior caused by the COVID-19 in Japan and overseas. In the apparel applications, demand declined due to lockdown and excessive channel inventory in various countries, while in industrial applications, general purpose materials remained weak and sales volume declined. Demand for nonwoven fabrics increased for the applications of medical gowns and masks and there have been signs of recovery in the automotive applications from the third quarter, but these factors fell short of offsetting the decline in the overall sales volume in the segment.

Revenue by Segment



Core Operating Income by Segment



* For the J-GAAP periods, net sales and operating income are presented in place of revenue and core operating income, respectively.

As a result, revenue of overall Fibers & Textiles segment declined 13.4% to ¥719.2 billion compared with the previous year and core operating income fell 38.6% to ¥36.6 billion.

(2) Performance Chemicals

The resins business was affected by the stagnation in production activities caused by the COVID-19, but demand has been strong since the third quarter with automobile manufacturers operating and the recovery of the Chinese economy. The chemicals business saw a recovery trend in the basic chemicals market. In the films business, battery separator films for lithium-ion secondary batteries were affected by lower market prices, while polyester films for optical applications and electronic components performed strongly. In the electronic & information materials business, OLED-related demand increased.

As a result, revenue of overall Performance Chemicals segment declined 5.4% to ¥720.4 billion compared with the previous year while core operating income rose 22.8% to ¥67.0 billion.

(3) Carbon Fiber Composite Materials

While the sales of wind turbine blade applications remained strong in industrial applications, aerospace application was affected by the decline in the production rate of commercial aircraft.

As a result, revenue of overall Carbon Fiber Composite Materials segment declined 22.8% to ¥182.9 billion compared with the previous year. The segment posted core operating loss of ¥7.5 billion, a decline of ¥30.1 billion from the previous year.

(4) Environment & Engineering

In the water treatment business, demand for reverse osmosis membranes and other products grew strongly on the whole, while shipment to some regions were affected by the COVID-19. In the environment and amenity business, demand for air filters was strong.

Among domestic subsidiaries in the segment, an engineering subsidiary experienced decreases in the shipment of some electronics related equipment. A construction subsidiary posted profits from completion of a real estate project.

As a result, revenue of overall Environment & Engineering segment increased 1.4% to ¥193.5 billion compared with the previous year and core operating income rose 37.5% to ¥14.5 billion.

(5) Life Science

In the pharmaceutical business, sales of pruritus treatment REMITCH®* were affected by the introduction of its generic versions as well as by a major NHI drug price revision in April 2020.

In the medical devices business, shipment of dialyzers grew strongly in Japan and overseas, despite the impact of medical institutions postponing non-urgent operations due to the spread of the COVID-19.

As a result, revenue of overall Life Science segment remained at the same level compared with the previous year, at ¥53.0 billion, and core operating income rose by ¥0.8 billion to ¥1.3 billion.

* REMITCH® is a registered trademark of Torii Pharmaceutical Co., Ltd.

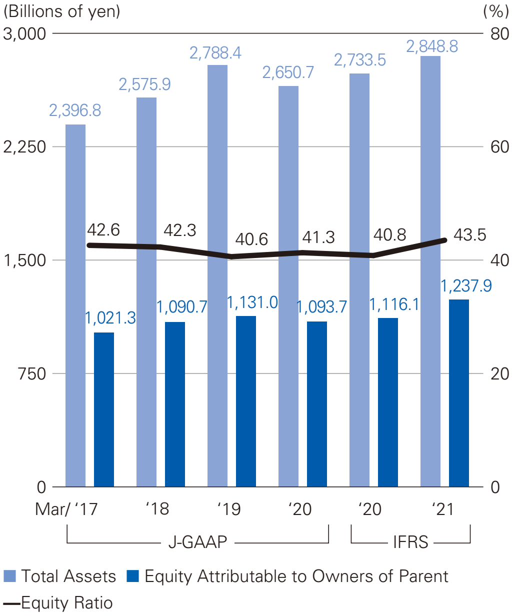
(6) Other

Revenue from other businesses declined 20.1% to ¥14.6 billion compared with the previous year and core operating income fell 18.2% to ¥2.9 billion.

2. Financial position

As of March 31, 2021, Toray Group's total assets stood at ¥2,848.8 billion, up ¥115.3 billion from March 31, 2020. Current assets increased ¥29.1 billion as cash

Total Assets and Equity Attributable to Owners of Parent



*1 "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) is applied from the year ended March 31, 2019 and onward. The related figures for the year ended March 31, 2018 are retrospectively restated accordingly.

*2 For the J-GAAP periods, net assets less non-controlling interests and share acquisition rights are presented in place of equity attributable to owners of parent.

and cash equivalents rose, and non-current assets also rose ¥86.2 billion due primarily to increases in property, plant and equipment as well as other financial assets.

Total liabilities declined ¥6.1 billion from March 31, 2020 to ¥1,526.6 billion, owing mainly to declines in bonds and borrowings.

Total equity rose by ¥121.4 billion compared with March 31, 2020 to ¥1,322.3 billion, reflecting an increase in other components of equity. Equity attributable to owners of parent stood at ¥1,237.9 billion. Equity ratio at March 31, 2021 came to 43.5%, a 2.6 percentage-point increase compared with the level at March 31, 2020. D/E ratio declined 0.10 compared with the level at March 31, 2020 to 0.79.

3. Cash flows

For the year ended March 31, 2021, net cash provided by operating activities exceeded net cash used in investing activities by ¥113.7 billion while net cash used in financing activities came to ¥69.4 billion due mainly to a decrease in interest-bearing liabilities. As a result, cash and cash equivalents as of March 31, 2021 amounted to ¥236.4 billion, up by ¥52.7 billion compared with March 31, 2020.

(1) Cash flows from operating activities

Net cash provided by operating activities decreased by ¥26.7 billion (11.2%) compared with the previous year to ¥211.6 billion. This was primarily because profit before tax decreased by ¥57.7 billion compared with the previous year while decrease in inventories increased by ¥27.4 billion.

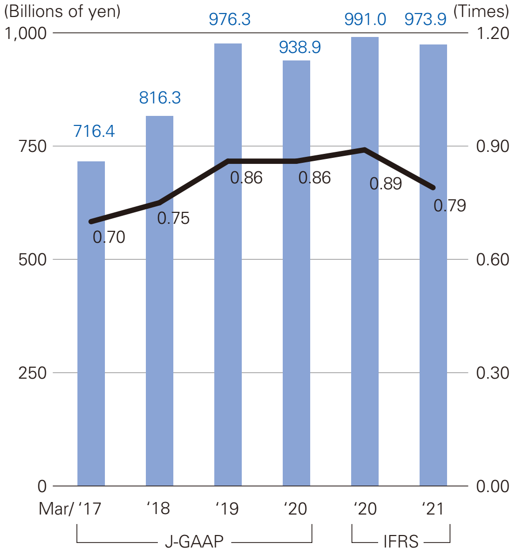
(2) Cash flows from investing activities

Net cash used in investing activities decreased by ¥45.0 billion (31.5%) compared with the previous year to ¥97.9 billion mainly because of decrease in purchase of property, plant and equipment and intangible assets by ¥18.3 billion compared with the previous year and increase in proceeds from sale and redemption of investments by ¥12.5 billion.

(3) Cash flows from financing activities

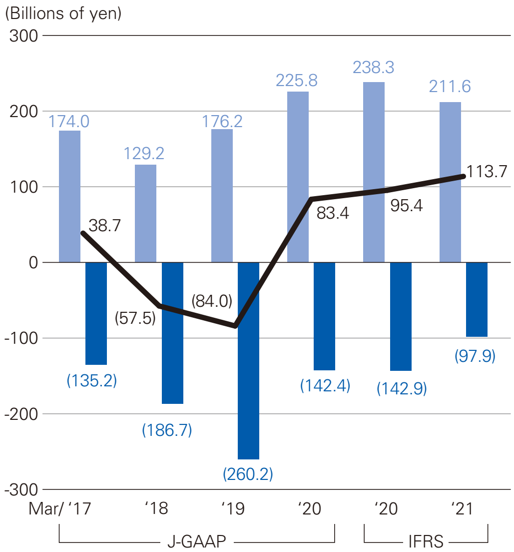
Net cash used in financing activities came to ¥69.4 billion, down by ¥4.4 billion (6.0%) compared with the previous year. Net increase in short-term borrowings increased by ¥33.6 billion compared with the previous year while redemption of bonds and repayments of long-term borrowings increased by ¥23.3 billion.

Interest-bearing Liabilities and D/E Ratio



■ Interest-bearing Liabilities
—D/E Ratio

Cash Flows



■ Cash Flows from Operating Activities
■ Cash Flows from Investing Activities
—Free Cash Flow

Consolidated Statement of Financial Position

Date of Transition to IFRS (April 1, 2019) and March 31, 2020 and 2021

Millions of yen

Assets	Note	April 1, 2019	March 31, 2020	March 31, 2021
Current assets				
Cash and cash equivalents	7	167,435	183,703	**236,354**
Trade and other receivables	8	561,106	496,064	**522,259**
Inventories	9	431,928	405,269	**369,110**
Other financial assets	15	5,658	19,505	**6,136**
Other current assets	16	48,167	47,350	**47,180**
Total current assets		1,214,294	1,151,891	**1,181,039**
Non-current assets				
Property, plant and equipment	10	974,219	969,196	**998,358**
Right-of-use assets	11	55,829	47,095	**50,481**
Goodwill	12	85,712	83,406	**85,565**
Intangible assets	12	85,095	79,502	**78,305**
Investments accounted for using equity method	14	165,286	171,176	**174,142**
Other financial assets	15	231,940	183,984	**217,341**
Deferred tax assets	17	17,917	16,844	**14,414**
Retirement benefit asset	21	19,608	15,806	**34,879**
Other non-current assets	16	19,457	14,620	**14,315**
Total non-current assets		1,655,063	1,581,629	**1,667,800**
Total assets		2,869,357	2,733,520	**2,848,839**

Millions of yen

Liabilities and Equity	Note	April 1, 2019	March 31, 2020	March 31, 2021
Current liabilities				
Trade and other payables	18	325,569	285,702	**282,812**
Bonds and borrowings	19	290,976	278,962	**278,678**
Lease liabilities	11	10,449	9,884	**10,635**
Other financial liabilities	20	17,585	13,911	**12,872**
Income taxes payable	17	11,939	10,155	**11,956**
Other current liabilities	22	88,925	77,344	**84,425**
Total current liabilities		745,443	675,958	**681,378**
Non-current liabilities				
Bonds and borrowings	19	713,028	674,701	**654,608**
Lease liabilities	11	33,889	27,477	**30,006**
Other financial liabilities	20	8,839	7,606	**6,699**
Deferred tax liabilities	17	45,370	32,123	**41,516**
Retirement benefit liability	21	103,223	101,979	**100,852**
Other non-current liabilities	22	13,435	12,830	**11,505**
Total non-current liabilities		917,784	856,716	**845,186**
Total liabilities		1,663,227	1,532,674	**1,526,564**
Equity	23			
Equity attributable to owners of parent				
Share capital		147,873	147,873	**147,873**
Capital surplus		121,429	121,987	**120,493**
Retained earnings		803,209	860,128	**899,994**
Treasury shares		(20,358)	(20,308)	**(19,985)**
Other components of equity		72,137	6,395	**89,476**
Total equity attributable to owners of parent		1,124,290	1,116,075	**1,237,851**
Non-controlling interests		81,840	84,771	**84,424**
Total equity		1,206,130	1,200,846	**1,322,275**
Total liabilities and equity		2,869,357	2,733,520	**2,848,839**

Consolidated Statement of Profit or Loss

Years ended March 31, 2020 and 2021

Millions of yen

	Note	2020	2021
Revenue	25	2,091,166	**1,883,600**
Cost of sales		(1,661,879)	**(1,506,100)**
Gross profit		429,287	**377,500**
Selling, general and administrative expenses		(300,651)	**(286,981)**
Other income	26	7,533	**5,388**
Other expenses	27	(21,469)	**(40,028)**
Operating income		114,700	**55,879**
Finance income	28	7,065	**6,099**
Finance costs	28	(9,166)	**(9,224)**
Share of profit of investments accounted for using equity method	14	10,705	**12,812**
Profit before tax		123,304	**65,566**
Income tax expense	17	(29,461)	**(18,227)**
Profit		93,843	**47,339**
Profit attributable to:			
Owners of parent		84,230	**45,794**
Non-controlling interests		9,613	**1,545**
		93,843	**47,339**
Earnings per share:	30		
Basic (Yen)		52.65	**28.61**
Diluted (Yen)		52.26	**28.57**

Consolidated Statement of Comprehensive Income

Years ended March 31, 2020 and 2021

Millions of yen

	Note	2020	2021
Profit		93,843	**47,339**
Other comprehensive income	29		
Items that will not be reclassified to profit or loss			
Investments in equity instruments		(19,933)	**35,002**
Remeasurements of defined benefit plans		(4,922)	**10,249**
Share of other comprehensive income of investments accounted for using equity method		(532)	**663**
		(25,387)	**45,914**
Items that may be reclassified to profit or loss			
Cash flow hedges		404	**(389)**
Deferred costs of hedging		(602)	**613**
Exchange differences on translation		(44,650)	**54,941**
Share of other comprehensive income of investments accounted for using equity method		2	**2**
		(44,846)	**55,167**
Total other comprehensive income		(70,233)	**101,081**
Comprehensive income		23,610	**148,420**
Comprehensive income attributable to:			
Owners of parent		16,810	**143,039**
Non-controlling interests		6,800	**5,381**
		23,610	**148,420**

Consolidated Statement of Changes in Equity

Years ended March 31, 2020 and 2021

Millions of yen

2020

	Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Investments in equity instruments	Cash flow hedges	Deferred costs of hedging	Exchange differences on translation	Remeasurements of defined benefit plans	Total other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
		Equity attributable to owners of parent				Other components of equity								
At April 1, 2019		147,873	121,429	803,209	(20,358)	72,351	(602)	388	—	—	72,137	1,124,290	81,840	1,206,130
Profit		—	—	84,230	—	—	—	—	—	—	—	84,230	9,613	93,843
Other comprehensive income		—	—	—	—	(19,886)	406	(602)	(42,434)	(4,904)	(67,420)	(67,420)	(2,813)	(70,233)
Comprehensive income		—	—	84,230	—	(19,886)	406	(602)	(42,434)	(4,904)	(67,420)	16,810	6,800	23,610
Exercise of share acquisition rights		—	(51)	—	51	—	—	—	—	—	—	0	—	0
Share-based payment transactions	31	—	325	—	—	—	—	—	—	—	—	325	—	325
Dividends	24	—	—	(25,612)	—	—	—	—	—	—	—	(25,612)	(3,312)	(28,924)
Changes in ownership interest in subsidiaries		—	284	—	—	—	—	—	—	—	—	284	(557)	(273)
Transfer from other components of equity to retained earnings		—	—	(1,699)	—	(3,205)	—	—	—	4,904	1,699	—	—	—
Other changes		—	0	—	(1)	—	(21)	—	—	—	(21)	(22)	—	(22)
Total transactions with owners and other		—	558	(27,311)	50	(3,205)	(21)	—	—	4,904	1,678	(25,025)	(3,869)	(28,894)
At March 31, 2020		147,873	121,987	860,128	(20,308)	49,260	(217)	(214)	(42,434)	—	6,395	1,116,075	84,771	1,200,846

Millions of yen

2021

	Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Investments in equity instruments	Cash flow hedges	Deferred costs of hedging	Exchange differences on translation	Remeasurements of defined benefit plans	Total other components of equity	Total equity attributable to owners of parent	Non-controlling interests	Total equity
		Equity attributable to owners of parent				Other components of equity								
At April 1, 2020		**147,873**	**121,987**	**860,128**	**(20,308)**	**49,260**	**(217)**	**(214)**	**(42,434)**	**—**	**6,395**	**1,116,075**	**84,771**	**1,200,846**
Profit		**—**	**—**	**45,794**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**45,794**	**1,545**	**47,339**
Other comprehensive income		**—**	**—**	**—**	**—**	**34,806**	**(387)**	**613**	**52,113**	**10,100**	**97,245**	**97,245**	**3,836**	**101,081**
Comprehensive income		**—**	**—**	**45,794**	**—**	**34,806**	**(387)**	**613**	**52,113**	**10,100**	**97,245**	**143,039**	**5,381**	**148,420**
Exercise of share acquisition rights		**—**	**(323)**	**—**	**323**	**—**	**—**	**—**	**—**	**—**	**—**	**0**	**—**	**0**
Share-based payment transactions	31	**—**	**355**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**355**	**—**	**355**
Dividends	24	**—**	**—**	**(20,012)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(20,012)**	**(3,532)**	**(23,544)**
Changes in ownership interest in subsidiaries		**—**	**(1,696)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,696)**	**(2,196)**	**(3,892)**
Transfer from other components of equity to retained earnings		**—**	**—**	**14,084**	**—**	**(3,984)**	**—**	**—**	**—**	**(10,100)**	**(14,084)**	**—**	**—**	**—**
Other changes		**—**	**170**	**—**	**(0)**	**—**	**(80)**	**—**	**—**	**—**	**(80)**	**90**	**—**	**90**
Total transactions with owners and other		**—**	**(1,494)**	**(5,928)**	**323**	**(3,984)**	**(80)**	**—**	**—**	**(10,100)**	**(14,164)**	**(21,263)**	**(5,728)**	**(26,991)**
At March 31, 2021		**147,873**	**120,493**	**899,994**	**(19,985)**	**80,082**	**(684)**	**399**	**9,679**	**—**	**89,476**	**1,237,851**	**84,424**	**1,322,275**

Consolidated Statement of Cash Flows

Years ended March 31, 2020 and 2021

Millions of yen

	Note	2020	2021
Cash flows from operating activities			
Profit before tax		123,304	**65,566**
Depreciation and amortization		114,725	**115,819**
Impairment losses (reversal of impairment losses)		7,569	**28,867**
Share of loss (profit) of investments accounted for using equity method		(10,705)	**(12,812)**
Finance income and finance costs		2,149	**2,264**
Decrease (increase) in trade and other receivables		54,081	**(13,916)**
Decrease (increase) in inventories		19,270	**46,702**
Increase (decrease) in trade and other payables		(30,724)	**(7,247)**
Changes in retirement benefit asset and liability		(4,104)	**(7,467)**
Other adjustments		(18,144)	**9,819**
Subtotal		257,421	**227,595**
Interest received		2,389	**1,538**
Dividends received		14,031	**14,669**
Interest paid		(5,970)	**(5,738)**
Income taxes refund (paid)		(29,609)	**(26,473)**
Net cash provided by operating activities		238,262	**211,591**
Cash flows from investing activities			
Purchase of property, plant and equipment, and intangible assets		(140,738)	**(122,483)**
Proceeds from sale of property, plant and equipment, and intangible assets		6,018	**1,459**
Payments for acquisition of subsidiaries		(3,466)	**—**
Purchase of investments		(7,405)	**(2,126)**
Proceeds from sale and redemption of investments		8,603	**21,129**
Other inflows (outflows) of cash		(5,887)	**4,149**
Net cash used in investing activities		(142,875)	**(97,872)**
Cash flows from financing activities	33		
Net increase (decrease) in short-term borrowings		(28,863)	**4,731**
Proceeds from issuance of bonds and long-term borrowings		87,024	**75,042**
Redemption of bonds and repayments of long-term borrowings		(91,581)	**(114,916)**
Repayments of lease liabilities		(11,166)	**(11,615)**
Dividends paid to owners of parent		(25,612)	**(20,018)**
Dividends paid to non-controlling interests		(3,322)	**(3,532)**
Other inflows (outflows) of cash		(275)	**905**
Net cash provided by (used in) financing activities		(73,795)	**(69,403)**
Effect of exchange rate changes on cash and cash equivalents		(5,324)	**8,335**
Net increase (decrease) in cash and cash equivalents		16,268	**52,651**
Cash and cash equivalents at beginning of period		167,435	**183,703**
Cash and cash equivalents at end of period	7	183,703	**236,354**

Notes to the Consolidated Financial Statements

Date of Transition to IFRS (April 1, 2019) and Years ended March 31, 2020 and 2021

Note 1. Reporting Entity

Toray Industries, Inc. (the Company) is a stock company domiciled in Japan and the registered address of its head office is Chuo-ku, Tokyo. The consolidated financial statements for the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021) include the accounts of the Company and its subsidiaries (the Group) and the Group's interests in associates and joint arrangements. The ultimate parent of the Group is the Company.

The Group's main businesses include "Fibers & Textiles," "Performance Chemicals," "Carbon Fiber Composite Materials," "Environment & Engineering" and "Life Science" businesses (see "Note 6. Segment Information").

Note 2. Basis of Preparation

1. Statement of compliance with IFRS and matters related to first-time adoption

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to Article 93 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976), as the Group meets the requirements for a "specified company complying with designated international accounting standards" set forth in Article 1-2 of the regulation. The Group has adopted IFRS starting from the year ended March 31, 2021, and the date of transition to IFRS is April 1, 2019.

Upon transition to IFRS, the Group has applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" (IFRS 1). The impact of the transition to IFRS on the Group's financial position, financial performance and cash flows is stated in "Note 38. First-time Adoption."

2. Approval of consolidated financial statements

The Group's consolidated financial statements were authorized for issue on June 22, 2021 by Akihiro Nikkaku, President and Representative Member of the Board.

3. Basis of measurement

The Group's consolidated financial statements have been prepared on a historical cost basis, except for certain items including financial instruments measured at fair value.

4. Presentation currency

The Group's consolidated financial statements are presented in Japanese yen (millions of yen, rounded off to the nearest million yen), which is the Company's functional currency.

Note 3. Significant Accounting Policies

The following accounting policies have been applied consistently to all periods presented in these consolidated financial statements (including the consolidated statement of financial position at the date of transition to IFRS).

1. Basis of consolidation

The consolidated financial statements of the Group are prepared based on uniform accounting policies.

(1) Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date on which the Company obtains control over the subsidiaries until the date on which the Company loses that control.

All intragroup balances and transactions and any unrealized gains or losses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Any changes in the Company's ownership interests in the consolidated subsidiaries that do not result in loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity as equity attributable to owners of parent.

If the Company loses control of a subsidiary, the Group measures and recognizes any investment retained at its fair value at the date when control is lost. Any gain or loss resulting from loss of control is recognized in profit or loss.

Non-controlling interests in subsidiaries are identified separately from the Group's interests. Total comprehensive income of subsidiaries is attributed to owners of parent and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

If the fiscal year-end of a subsidiary is not the same as that of the consolidated financial statements, the subsidiary provisionally closes its accounts for consolidation purposes at the fiscal year-end of the consolidated financial statements.

(2) Associates

An associate is an entity over which the Group has significant influence but does not have control or joint control in the entity's decision-making on the financial and operating policies. If the Group holds 20 to 50 percent of the voting power of an entity, it is usually presumed that the Group has significant influence.

Investments in associates are recognized at cost at the date of acquisition and accounted for using the equity method from the date on which the Group obtains significant influence over the associates to the date on which the Group loses that influence.

Investments in associates include goodwill recognized upon acquisition.

(3) Joint arrangements

A joint arrangement is an arrangement where decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. For investments in joint operations, the Group recognizes assets, liabilities, revenues and expenses according to the Group's shares in the assets, liabilities, revenues and expenses of the joint operation.

2. Business combinations

Business combinations are accounted for using the acquisition method. The consideration for an acquisition is measured as the sum of the acquisition-date fair values of the assets transferred in exchange for control of the acquiree, the liabilities incurred by former owners of the acquiree and the equity interests issued by the Group.

When the Group acquires a business, the Group classifies and designates the identifiable assets acquired and liabilities assumed on the basis of the contractual terms, economic conditions and other pertinent conditions as they exist at the acquisition date. Those assets and liabilities are, in principle, measured at their acquisition-date fair values.

Non-controlling interests in an acquiree are measured at the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets.

The excess of (a) the aggregate of the consideration for an acquisition, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of the Group's previously held equity interest in the acquiree over (b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed is recognized as goodwill. If (b) is in excess of (a), the gain is recognized in profit or loss.

Acquisition-related costs incurred in a business combination are recognized as expenses in the periods in which the costs are incurred.

3. Foreign currency translation

(1) Foreign currency transactions

Each individual entity within the Group has its own functional currency, and their transactions are measured at their own functional currencies.

Foreign currency transactions are translated into the functional currency at the spot exchange rate at the date of the transaction or at the rate that approximates the spot exchange rate.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities that are denominated in foreign currencies and measured at cost are translated to the functional currency using the spot exchange rate at the date of the transaction. Non-monetary assets and liabilities that are denominated in foreign currencies and measured at fair value are translated into the functional currency at the spot exchange rate at the date when the fair value is determined.

Exchange differences arising from the translation or settlement are recognized in profit or loss. However, exchange differences arising from equity instruments measured at fair value through other comprehensive income and cash flow hedges are recognized in other comprehensive income.

(2) Foreign operations

The assets and liabilities of foreign operations are translated into Japanese yen using the exchange rate at the end of the reporting period, and the income and expenses of foreign operations are translated into Japanese yen using the average exchange rate for the reporting period, except in cases where the exchange rate fluctuates significantly. Exchange differences arising from the translation of a foreign operation's financial statements are recognized in other comprehensive income.

On the disposal of a foreign operation, the cumulative exchange differences relating to the foreign operation are reclassified to profit or loss for the period of disposal.

4. Financial instruments

(1) Non-derivative financial assets

(a) Initial recognition and measurement

The Group initially recognizes trade and other receivables on the date when they arise and other financial assets on the trade date when the Group becomes a party to the contract.

Financial assets are classified as either of the followings at initial recognition:

(i) Financial assets measured at amortized cost

The Group classifies a financial asset as those measured at amortized cost only if both of the following conditions are met:

- the financial asset is held within a business model with an objective of collecting contractual cash flows, and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Debt instruments measured at fair value through other comprehensive income

The Group classifies a financial asset as a debt instrument measured at fair value through other comprehensive income only if both of the following conditions are met:

- the financial asset is held within a business model with an objective of both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(iii) Equity instruments measured at fair value through other comprehensive income

Equity instruments such as shares held primarily for the purposes of strengthening business relationships with customers and expanding businesses are designated as those measured at fair value through other comprehensive income. This designation is applied consistently.

(iv) Financial assets measured at fair value through profit or loss

Financial assets that are not classified as any of the above are classified as those measured at fair value through profit or loss.

Except for financial assets measured at fair value through profit or loss, financial assets are initially measured at fair value plus transaction costs. Transaction costs of financial assets measured at fair value through profit or loss are recognized as profit or loss.

(b) Subsequent measurement

After initial recognition, financial assets are measured based on their classification as follows:

(i) Financial assets measured at amortized cost

Such assets are measured at amortized cost using the effective interest method.

(ii) Debt instruments measured at fair value through other comprehensive income

Such debt instruments are measured at fair value and subsequent changes in the fair value are recognized in other comprehensive income, except that foreign exchange gains or losses, impairment losses, and finance income based on the effective interest method are recognized in profit or loss. When these debt instruments are derecognized, cumulative gains or losses recognized in other comprehensive income are reclassified to profit or loss as reclassification adjustments.

(iii) Equity instruments measured at fair value through other comprehensive income

Such equity instruments are measured at fair value and subsequent changes in the fair value are recognized in other comprehensive income.

When these equity instruments are derecognized, cumulative gains or losses recognized through other comprehensive income are reclassified from other components of equity to retained earnings. Dividends and interest income from these equity instruments are recognized as finance income in profit or loss.

(iv) Financial assets measured at fair value through profit or loss

Such financial assets are measured at fair value and subsequent changes in the fair value are recognized in profit or loss.

(c) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership of the financial asset.

(d) Impairment of financial assets

Allowance for doubtful accounts is recognized for expected credit losses in respect of financial assets measured at amortized cost. Accordingly, the Group assesses whether the credit risk on these financial assets has increased significantly since initial recognition at the end of each reporting period. If the credit risk on a financial asset has not increased significantly since initial recognition, the allowance for doubtful accounts for the financial asset is measured at an amount equal to the 12-month expected credit losses. If the credit risk on a financial asset has increased significantly since initial recognition, the allowance for doubtful accounts for the financial asset is measured at an amount equal to the lifetime expected credit losses. However, an allowance for doubtful accounts for trade receivables without any significant financing components is always measured at an amount equal to the lifetime expected credit losses.

Whether the credit risk has increased significantly or not is determined mainly based on past due information and credit ratings. A financial asset is considered credit-impaired primarily when there is a substantial delay in payment or a significant financial difficulty of the borrower.

The expected credit loss is measured by reflecting the time value of money on the difference between the total contractual cash flows that are due to the Group and the total cash flows that the Group expects to receive, and is recognized in profit or loss.

(2) Non-derivative financial liabilities

(a) Initial recognition and measurement

Non-derivative financial liabilities are classified, at initial recognition, as financial liabilities measured at amortized cost and financial liabilities measured at fair value through profit or loss. All financial liabilities are initially measured at fair value, except for financial liabilities measured at amortized cost, which are measured at fair value less directly attributable transaction costs.

(b) Subsequent measurement

(i) Financial liabilities measured at amortized cost

Such liabilities are measured at amortized cost using the effective interest method. Amortization using the effective interest method and gains or losses on derecognition are recognized in profit or loss.

(ii) Financial liabilities measured at fair value through profit or loss

Such financial liabilities are measured at fair value and subsequent changes in the fair value are recognized in profit or loss.

(c) Derecognition

The Group derecognizes a financial liability when it is extinguished, i.e., when the obligation specified in the contract is performed, discharged, cancelled or expired.

(3) Hedge accounting and derivatives

(a) Qualifying hedging instruments and hedged items

The Group enters into derivative transactions, including forward exchange contracts, cross-currency swaps and interest rate swaps, to manage currency risk and interest rate risk. As the prerequisite for application of hedge accounting, at the inception of a hedge, the Group formally designates and documents the relationships between the hedging instruments and hedged items, and its risk management objectives and strategies. The documentation includes concrete items or transactions of hedging instruments and hedged items, the nature of the risks being hedged, and methods to assess effectiveness of hedging relationships. Furthermore, the Group evaluates on an ongoing basis whether a hedging instrument is highly effective during its term in offsetting changes in fair values or cash flows of the relevant hedged item.

Derivatives for which hedge accounting is not applied are classified as "financial assets measured at fair value through profit or loss" or "financial liabilities measured at fair value through profit or loss" and accounted for based on their classification.

(b) Cash flow hedges

The effective portion of the gain or loss on hedging instruments is recognized in other comprehensive income as cash flow hedges and the cumulative gain or loss is included in other components of equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. The portion of the foreign currency basis spread related to cross-currency swaps is excluded from hedging instruments and recognized in other comprehensive income as deferred costs of hedging, and the cumulative amount is included in other components of equity.

The amount accumulated in other components of equity is reclassified to profit or loss as a reclassification adjustment in the same period when the hedged items affect profit or loss. However, if a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the amount accumulated in other components of equity is accounted for as an adjustment to the initial carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated or exercised, or ceases to meet the hedge accounting criteria, the application of hedge accounting is discontinued prospectively. If a forecast transaction is no longer expected to occur, the accumulated gain or loss recognized through other comprehensive income is immediately reclassified to profit or loss.

(c) Fair value hedges

A gain or loss on a hedging instrument is recognized in profit or loss. Changes in the fair value of a hedged item attributable to the hedged risk is recognized in profit or loss after adjusting the carrying amount of the hedged item. If the hedged item is a financial instrument measured at amortized cost, amortization of the cumulative adjustment to the carrying amount of the hedged item begins when the application of hedge accounting is discontinued.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments with a maturity of three months or less from the date of acquisition that are readily convertible to cash and which are subject to an insignificant risk of changes in value.

6. Inventories

Inventories are measured at the lower of cost and net realizable value. Costs of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, and are mainly determined using the moving-average cost method. Net realizable value is determined by the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

7. Property, plant and equipment

The Group applies the cost model for measurement of property, plant and equipment. Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Costs of property, plant and equipment include costs directly attributable to the acquisition of the asset, costs of dismantling and removing the asset and restoring the site on which it is located, and borrowing costs eligible for capitalization.

Property, plant and equipment, except for land and construction in progress, are depreciated mainly using the straight-line method over the estimated useful lives. The estimated useful lives of major items of property, plant and equipment are as follows:

- Buildings and structures: 3-60 years
- Machinery and vehicles: 2-20 years

The depreciation method, useful life and residual value of property, plant and equipment are reviewed at each fiscal year-end, and any changes, if necessary, are accounted for prospectively as changes in accounting estimates.

8. Goodwill and intangible assets

(1) Goodwill

The measurement of goodwill at initial recognition is described in “2. Business combinations.” Goodwill is stated at cost less accumulated impairment losses.

Goodwill is not amortized and is tested for impairment annually and whenever there is an indication of impairment.

(2) Intangible assets

The Group applies the cost model for measurement of intangible assets. Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately are measured at cost at initial recognition and those acquired in a business combination are measured at their fair value at the acquisition date.

Expenditures generated internally at a research phase are recognized as expenses as incurred. Expenditures generated internally at a development phase are recognized as intangible assets only if all of the requirements for capitalization are met.

Intangible assets with finite useful lives are amortized by the straight-line method over their estimated useful lives. The estimated useful lives of major intangible assets are as follows:

- Customer-related intangible assets: 14-21 years
- Technology-based intangible assets: 8-24 years
- Software: Mainly 5 years

The amortization method, useful life and residual value of an intangible asset are reviewed at each fiscal year-end, and any changes, if necessary, are accounted for prospectively as changes in accounting estimates.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are not amortized, and are tested for impairment annually and whenever there is an indication of impairment.

9. Leases

The Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a lease liability is measured at the present value of the lease payments that are not paid at that date. An incremental borrowing rate is used for a discount rate unless the interest rate implicit in the lease can be readily determined. A right-of-use asset is measured at the amount of the initial measurement of the lease liability, adjusted by initial direct costs and prepaid lease payments, plus an estimated cost of dismantling and removing the asset and restoring the site on which the asset is located.

Right-of-use assets are depreciated mainly over the lease term after the commencement date of the lease. The lease term is determined by adding a period when it is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, to the non-cancellable period of the lease. Lease payments are apportioned between finance costs and repayments of lease liabilities based on the effective interest method.

For leases with a lease term of 12 months or less and leases for which the underlying asset is of low value, the related lease payments are recognized as expenses on a systematic basis over the lease term.

10. Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that non-financial assets, including property, plant and equipment, intangible assets and goodwill, may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. For goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use, their recoverable amounts are estimated annually and whenever there is any indication of impairment.

The recoverable amount is the higher of the asset's fair value less costs of disposal or its value in use. When the recoverable amount of an individual asset cannot be estimated, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The value in use is determined as the discounted present value of future cash flows to be derived from continuing use of the asset and from its ultimate disposal. The discount rate used for determining the value in use is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset, a cash-generating unit or a group of cash-generating units is less than its carrying amount, an impairment loss is recognized in profit or loss. An impairment loss recognized for a cash-generating unit (group of units) is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and is then allocated to the other assets pro rata on the basis of the carrying amount of each asset.

At the end of each reporting period, the Group assesses whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the individual asset or cash-generating unit is estimated. If the estimated recoverable amount exceeds the carrying amount of the asset, impairment losses are reversed to the extent that the carrying amount of the asset does not exceed the lower of its recoverable amount determined and the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior periods. The amount of reversal of impairment losses is recognized in profit or loss.

Impairment losses recognized for goodwill are not reversed.

11. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. When the effect of the time value of money is material, a provision is measured at the present value of the expenditure expected to be required to settle the obligation. The discount rate used for determining the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

12. Employee benefits

(1) Post-employment benefits

The Group has defined contribution plans and defined benefit plans as retirement benefit plans for employees.

(a) Defined contribution plans

Contributions to defined contribution plans are recognized as expenses when services are rendered by employees.

(b) Defined benefit plans

The present value of defined benefit obligations and current service cost, as well as past service costs are determined using the projected unit credit method. The discount rate is determined based on market yields at the end of the reporting period on high quality corporate bonds for the corresponding period up to the estimated date of future benefit payments.

The net defined benefit liability (asset) is recognized at the present value of defined benefit obligations net of the fair value of plan assets.

Service costs and net interest on the net defined benefit liability (asset) are recognized in profit or loss. Remeasurements of the net defined benefit liability (asset) are recognized in other comprehensive income in the period when they occur and transferred immediately to retained earnings. Past service cost is recognized in profit or loss in the period when they are incurred.

(2) Other employee benefits

Short-term employee benefits are recognized as expenses when the associated services are rendered by employees at undiscounted amounts.

When the Group has a legal or constructive obligation to make payments of bonuses and paid leave expenses and a reliable estimate can be made of the obligation, a liability is recognized for the estimated amount to be paid based on the respective programs.

13. Equity

Common shares are recorded at issue value in share capital and capital surplus.

Treasury shares are valued at cost and deducted from equity. When treasury shares are disposed of, the difference between the carrying amount and the consideration received is recognized as capital surplus.

14. Share-based payments

The Company has adopted a share option plan as an equity-settled share-based remuneration plan. The grant-date fair value of share options is recognized as an expense over the vesting period, and the corresponding amount is recognized as an increase in equity. The fair value of options granted is determined using the Black-Scholes model.

15. Revenue recognition

The Group's revenue is recognized based on the following five-step model:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group operates Fibers & Textiles, Performance Chemicals, Carbon Fiber Composite Materials, Environment & Engineering, Life Science and other businesses and, with regard to sales of products of these businesses, the Group determines that its performance obligation is satisfied typically when a customer obtains control of the product upon the delivery. Accordingly, revenue is mainly recognized when the product is delivered. For engineering and other service contracts at certain subsidiaries operating the Environment & Engineering business, revenue is recognized over time based on the progress in satisfying the performance obligation because control of a product or service is transferred over time. The progress is measured by a ratio of the actual cost to the total estimated cost.

Revenue is recognized at the consideration promised in a contract with a customer, less discounts, rebates, returned products and other items, and only to the extent that it is highly probable that a significant reversal will not occur. In addition, contracts do not contain a significant financing component because consideration is normally collected about within one year from the time when the performance obligation is satisfied.

16. Income taxes

Income taxes consist of current taxes and deferred taxes. They are recognized in profit or loss, except for those related to business combinations and items recognized in other comprehensive income or directly in equity.

Current taxes are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognized for temporary differences between the accounting carrying amount and the tax base of assets and liabilities and for the carryforward of unused tax credits and unused tax losses at the end of the reporting period. Deferred tax liabilities are, in principle, recognized for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, and the recoverability of deferred tax assets is reassessed each period.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- temporary differences arising from the initial recognition of goodwill;
- temporary differences arising from the initial recognition of assets and liabilities in transactions (excluding business combinations) which affect neither accounting profit nor taxable profit;
- taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, to the extent that the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future; and
- deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, to the extent that it is not probable that the temporary difference will reverse in the foreseeable future or it is not probable that taxable profit will be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and income taxes are levied by the same taxation authority on the same taxable entity.

The Company and some of its subsidiaries file consolidated tax returns.

17. Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to common shareholders of the parent entity by the weighted average number of common shares outstanding, adjusted for treasury shares, during the period. Diluted earnings per share are calculated by adjusting for the effects of all dilutive potential common shares.

Note 4. Significant Accounting Estimates and Judgements

In preparing the consolidated financial statements, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on management's best judgements, but may differ from actual results.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effects of revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods.

Accounting judgements, estimates and assumptions that have a significant impact on the amounts recognized in the Group's consolidated financial statements are principally as follows:

1. Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that non-financial assets, including property, plant and equipment, intangible assets and goodwill, may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. For goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use, their recoverable amounts are estimated annually and whenever there is any indication of impairment.

In determining the recoverable amount, certain assumptions are established for future cash flows, discount rates and other items. These assumptions are determined by management's best estimates and judgements but may be affected by changes in future economic conditions and business plans. If it becomes necessary to review the assumptions, the consolidated financial statements may be materially affected.

The relevant details are described in "Note 10. Property, Plant and Equipment" and "Note 12. Goodwill and Intangible Assets."

2. Recoverability of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, and their recoverability is reviewed every period. In determining the recoverability, the amount and timing of taxable profit generated are estimated based on business plans. These assumptions are determined by management's best estimates and judgements but may be affected by changes in future economic conditions and other events. If it becomes necessary to review the assumptions, the consolidated financial statements may be materially affected.

The relevant details are described in "Note 17. Income Taxes."

3. Measurement of defined benefit obligations

The net defined benefit liability (asset) is recognized at the present value of defined benefit obligations net of the fair value of plan assets. Defined benefit obligations are calculated based on actuarial assumptions, which include estimates of discount rates, employee turnover, mortality and future increases in salaries. These actuarial assumptions may be affected by changes in future economic climates or social conditions. If it becomes necessary to review the assumptions, the consolidated financial statements may be materially affected.

The relevant details are described in "Note 21. Employee Benefits."

The Group makes accounting estimates, including valuation of non-financial assets, assuming that the global economy will maintain a recovery trend backed by large-scale additional economic measures implemented by the U.S. and the rollout of coronavirus vaccines, but a full-scale recovery will be achieved in the year ending March 31, 2022 or thereafter due to the slow pace of recovery.

Note 5. New Standards Not Yet Applied

None of the new standards or interpretations that have been established or revised by the date of authorization for issue of the consolidated financial statements have a significant impact on the Group's consolidated financial statements.

Note 6. Segment Information

1. Overview of reportable segments

The reportable segments of the Group are the components of the Group for which discrete financial information is available and which are subject to periodic review by the Board of Directors and other relevant bodies to determine the allocation of management resources and evaluate business performance.

The Company identifies five reportable segments based on the product's nature and market similarity: "Fibers & Textiles," "Performance Chemicals," "Carbon Fiber Composite Materials," "Environment & Engineering" and "Life Science." The main products belonging to each reportable segment are as follows:

Reportable segment	Main products
Fibers & Textiles	Filament yarns, staple fibers, spun yarns, woven and knitted fabrics of nylon, polyester, acrylic and others; nonwoven fabrics; nonwoven material created using ultra-fine fibers in an "Island in the Sea" configuration; apparel products
Performance Chemicals	Nylon, ABS, PBT, PPS and other resins and molded products; polyolefin foam; polyester, polyethylene, polypropylene and other films and processed film products; raw materials for synthetic fibers and other plastics; fine chemicals; electronic and information materials; and graphic materials
Carbon Fiber Composite Materials	Carbon fibers, carbon fiber composite materials and their molded products
Environment & Engineering	Comprehensive engineering; condominiums; industrial equipment and machinery; IT-related equipment; water treatment membranes and related equipment; materials for housing, building and civil engineering applications
Life Science	Pharmaceuticals, medical devices, etc.

The accounting policies for each reportable segment are the same as described in "Note 3. Significant Accounting Policies." Intersegment revenue is determined based mainly on market prices.

2. Information on reportable segments

Millions of yen

	2020								
	Reportable segments								
	Fibers & Textiles	Performance Chemicals	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Other*1	Total	Reconciliations*2, 3	Consolidated total
Revenue									
Revenue from external customers	830,963	761,208	236,885	190,846	53,023	18,241	2,091,166	—	2,091,166
Intersegment revenue	1,215	15,485	848	60,466	1	26,785	104,800	(104,800)	—
Total	832,178	776,693	237,733	251,312	53,024	45,026	2,195,966	(104,800)	2,091,166
Core operating income*4	59,589	54,523	22,598	10,567	478	3,593	151,348	(25,816)	125,532
Segment assets	800,830	959,550	613,893	261,796	68,437	86,270	2,790,776	(57,256)	2,733,520
(Other items)									
Depreciation and amortization	30,790	46,255	27,631	5,143	3,136	2,053	115,008	(283)	114,725
Impairment losses	901	3,844	1,779	5	9	—	6,538	1,031	7,569
Capital expenditures*5	38,020	64,659	22,432	11,317	2,887	2,026	141,341	804	142,145

*1 "Other" represents service-related businesses such as analysis, physical evaluation and research.
*2 "Reconciliations" of core operating income of ¥(25,816) million include intersegment eliminations of ¥(152) million and corporate expenses of ¥(25,664) million. The corporate expenses consist of the headquarters' research expenses that are not allocated to each reportable segment.
*3 "Reconciliations" of segment assets of ¥(57,256) million include intersegment eliminations of ¥(82,584) million and corporate assets of ¥25,328 million. The corporate assets consist of the headquarters' research assets that are not allocated to each reportable segment.
*4 Core operating income is calculated by excluding income and expenses due to non-recurring factors from operating income.
*5 Capital expenditures do not include the increase in assets resulting from business combinations.

Millions of yen

	2021								
	Reportable segments								
	Fibers & Textiles	Performance Chemicals	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Other*1	Total	Reconciliations*2, 3	Consolidated total
Revenue									
Revenue from external customers	**719,239**	**720,418**	**182,884**	**193,524**	**52,965**	**14,570**	**1,883,600**	**—**	**1,883,600**
Intersegment revenue	**1,045**	**11,185**	**712**	**56,724**	**1**	**24,891**	**94,558**	**(94,558)**	**—**
Total	**720,284**	**731,603**	**183,596**	**250,248**	**52,966**	**39,461**	**1,978,158**	**(94,558)**	**1,883,600**
Core operating income (loss)*4	**36,565**	**66,963**	**(7,476)**	**14,532**	**1,295**	**2,939**	**114,818**	**(24,553)**	**90,265**
Segment assets	**808,565**	**1,075,600**	**564,046**	**297,697**	**72,943**	**86,689**	**2,905,540**	**(56,701)**	**2,848,839**
(Other items)									
Depreciation and amortization	**30,729**	**44,982**	**28,765**	**5,871**	**3,328**	**2,401**	**116,076**	**(257)**	**115,819**
Impairment losses	**2,903**	**864**	**25,100**	**—**	**—**	**—**	**28,867**	**—**	**28,867**
Capital expenditures*5	**23,240**	**74,905**	**19,899**	**11,104**	**2,787**	**2,434**	**134,369**	**(1,169)**	**133,200**

*1 "Other" represents service-related businesses such as analysis, physical evaluation and research.
*2 "Reconciliations" of core operating income of ¥(24,553) million include intersegment eliminations of ¥310 million and corporate expenses of ¥(24,863) million. The corporate expenses consist of the headquarters' research expenses that are not allocated to each reportable segment.
*3 "Reconciliations" of segment assets of ¥(56,701) million include intersegment eliminations of ¥(77,905) million and corporate assets of ¥21,204 million. The corporate assets consist of the headquarters' research assets that are not allocated to each reportable segment.
*4 Core operating income is calculated by excluding income and expenses due to non-recurring factors from operating income.
*5 Capital expenditures do not include the increase in assets resulting from business combinations.

Reconciliation of core operating income to profit before tax is as follows:

Millions of yen

	2020	2021
Core operating income	125,532	**90,265**
Gain on sale or disposal of fixed assets	3,031	**288**
Loss on sale or disposal of fixed assets	(6,195)	**(5,807)**
Impairment losses	(7,569)	**(28,867)**
Other	(99)	**—**
Operating income	114,700	**55,879**
Finance income	7,065	**6,099**
Finance costs	(9,166)	**(9,224)**
Share of profit of investments accounted for using equity method	10,705	**12,812**
Profit before tax	123,304	**65,566**

3. Information about geographical areas

The breakdown of revenue from external customers and non-current assets by geographical area is as follows:

(1) Revenue from external customers

Millions of yen

	2020	2021
Japan	922,860	**829,191**
Asia		
China	368,008	**367,856**
Other	424,443	**373,514**
North America, Europe and other	375,855	**313,039**
Total	2,091,166	**1,883,600**

* Revenue is attributed to each area based on the location of customers.

(2) Non-current assets (excluding financial instruments, deferred tax assets and retirement benefit asset)

Millions of yen

	April 1, 2019	March 31, 2020	March 31, 2021
Japan	373,750	364,703	**355,817**
Asia			
Republic of Korea	230,429	213,901	**234,735**
Other	180,642	173,802	**183,300**
North America, Europe and other			
U.S.A.	277,723	268,438	**245,105**
Europe and other	157,768	172,975	**208,067**
Total	1,220,312	1,193,819	**1,227,024**

Note 7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

Millions of yen

	April 1, 2019	March 31, 2020	March 31, 2021
Cash on hand and demand deposits	135,058	142,518	**177,697**
Time deposits and other short-term investments	32,377	41,185	**58,657**
Total	167,435	183,703	**236,354**

Note 8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

Millions of yen

	April 1, 2019	March 31, 2020	March 31, 2021
Trade receivables	530,095	470,067	**489,070**
Contract assets	16,518	16,125	**24,195**
Other receivables	16,590	12,240	**11,264**
Allowance for doubtful accounts	(2,097)	(2,368)	**(2,270)**
Total	561,106	496,064	**522,259**

* Trade and other receivables, excluding contract assets, are classified as financial assets measured at amortized cost.

Note 9. Inventories

The breakdown of inventories is as follows:

Millions of yen

	April 1, 2019	March 31, 2020	March 31, 2021
Merchandise and finished goods	237,811	219,906	**195,221**
Work in process	88,372	86,332	**76,093**
Raw materials and supplies	105,745	99,031	**97,796**
Total	431,928	405,269	**369,110**

* The amounts of write-down of inventories recognized as expenses for the years ended March 31, 2020 and 2021 were ¥4,714 million and ¥2,567 million, respectively.

Note 10. Property, Plant and Equipment

1. Changes in property, plant and equipment

Changes in carrying amount, acquisition cost, and accumulated depreciation and accumulated impairment losses are as follows:

(1) Carrying amount

Millions of yen

	Land	Buildings and structures	Machinery and vehicles	Construction in progress	Other	Total
At April 1, 2019	67,682	279,767	456,542	145,043	25,185	974,219
Additions	105	31,499	95,990	(3,973)	9,140	132,761
Depreciation	—	(14,785)	(72,001)	—	(7,432)	(94,218)
Impairment losses	—	(99)	(6,222)	(546)	(701)	(7,568)
Disposal	(39)	(670)	(1,346)	(5)	(156)	(2,216)
Exchange differences on translation	(2,185)	(8,882)	(18,828)	(4,832)	(649)	(35,376)
Other	550	2,003	(1,486)	561	(34)	1,594
At March 31, 2020	**66,113**	**288,833**	**452,649**	**136,248**	**25,353**	**969,196**
Additions	**39**	**18,784**	**92,159**	**(4,782)**	**7,528**	**113,728**
Depreciation	**—**	**(15,038)**	**(72,627)**	**—**	**(7,503)**	**(95,168)**
Impairment losses	**—**	**(10,218)**	**(17,581)**	**(366)**	**(589)**	**(28,754)**
Disposal	**(190)**	**(450)**	**(1,489)**	**(553)**	**(179)**	**(2,861)**
Exchange differences on translation	**2,319**	**10,351**	**23,144**	**5,009**	**780**	**41,603**
Other	**(446)**	**(255)**	**696**	**363**	**256**	**614**
At March 31, 2021	**67,835**	**292,007**	**476,951**	**135,919**	**25,646**	**998,358**

*1 Additions include the transfer from construction in progress to other accounts of property, plant and equipment.
*2 Depreciation is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss, and impairment losses are included in "Other expenses" in the consolidated statement of profit or loss.

(2) Acquisition cost

Millions of yen

	Land	Buildings and structures	Machinery and vehicles	Construction in progress	Other	Total
At April 1, 2019	67,941	645,113	2,044,822	147,605	111,644	3,017,125
At March 31, 2020	66,373	661,816	2,051,461	139,266	113,339	3,032,255
At March 31, 2021	**67,883**	**693,912**	**2,181,505**	**139,257**	**119,282**	**3,201,839**

(3) Accumulated depreciation and accumulated impairment losses

Millions of yen

	Land	Buildings and structures	Machinery and vehicles	Construction in progress	Other	Total
At April 1, 2019	259	365,346	1,588,280	2,562	86,459	2,042,906
At March 31, 2020	260	372,983	1,598,812	3,018	87,986	2,063,059
At March 31, 2021	**48**	**401,905**	**1,704,554**	**3,338**	**93,636**	**2,203,481**

Note 11. Leases

The Group leases land, buildings, production facilities and other assets. Some of the lease contracts contain extension options and termination options. Amounts recognized in profit or loss and cash outflows related to leases and the breakdown of the carrying amount of right-of-use assets are as follows:

1. Amounts recognized in profit or loss and cash outflows related to leases

Millions of yen

	2020	**2021**
Depreciation charge for right-of-use assets		
Land	398	**455**
Buildings and structures	8,391	**8,579**
Machinery and vehicles	2,218	**2,266**
Other	663	**609**
Total	11,670	**11,909**
Interest expense on lease liabilities	510	**470**
Expense relating to short-term leases	1,233	**1,362**
Expense relating to leases of low-value assets	1,231	**881**
Total cash outflow for leases	14,140	**14,328**

2. Breakdown of carrying amount of right-of-use assets

Millions of yen

	April 1, 2019	March 31, 2020	**March 31, 2021**
Land	11,102	10,551	**10,847**
Buildings and structures	29,532	22,769	**27,602**
Machinery and vehicles	13,067	11,923	**10,694**
Other	2,128	1,852	**1,338**
Total	55,829	47,095	**50,481**

Additions to right-of-use assets for the years ended March 31, 2020 and 2021 were ¥4,832 million and ¥14,464 million, respectively.

The maturity analysis of lease liabilities is presented in “Note 32. Financial Instruments.”

Note 12. Goodwill and Intangible Assets

1. Changes in goodwill and intangible assets

Changes in carrying amount, acquisition cost, and accumulated amortization and accumulated impairment losses are as follows:

(1) Carrying amount

Millions of yen

	Goodwill	Intangible assets			
		Customer-related intangible assets	Technology-based intangible assets	Other	Total
At April 1, 2019	85,712	42,822	26,810	15,463	85,095
Additions	—	—	—	4,389	4,389
Amortization	—	(2,764)	(1,339)	(4,455)	(8,558)
Exchange differences on translation	(2,306)	(942)	(566)	(420)	(1,928)
Other	—	—	—	504	504
At March 31, 2020	**83,406**	**39,116**	**24,905**	**15,481**	**79,502**
Additions	**—**	**—**	**—**	**4,854**	**4,854**
Amortization	**—**	**(2,246)**	**(1,320)**	**(4,926)**	**(8,492)**
Exchange differences on translation	**2,159**	**655**	**393**	**408**	**1,456**
Other	**—**	**—**	**—**	**985**	**985**
At March 31, 2021	**85,565**	**37,525**	**23,978**	**16,802**	**78,305**

*1 There were no significant internally generated intangible assets at April 1, 2019, March 31, 2020 and March 31, 2021.
*2 Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.
*3 Research and development expenses recognized as expenses for the years ended March 31, 2020 and 2021 were ¥66,798 million and ¥62,818 million, respectively.

(2) Acquisition cost

Millions of yen

	Goodwill	Intangible assets			
		Customer-related intangible assets	Technology-based intangible assets	Other	Total
At April 1, 2019	85,712	52,001	34,693	57,008	143,702
At March 31, 2020	83,406	49,630	33,508	57,994	141,132
At March 31, 2021	**85,565**	**50,879**	**34,609**	**65,720**	**151,208**

(3) Accumulated amortization and accumulated impairment losses

Millions of yen

	Goodwill	Intangible assets			
		Customer-related intangible assets	Technology-based intangible assets	Other	Total
At April 1, 2019	—	9,179	7,883	41,545	58,607
At March 31, 2020	—	10,514	8,603	42,513	61,630
At March 31, 2021	**—**	**13,354**	**10,631**	**48,918**	**72,903**

2. Material intangible assets

The material intangible assets recorded in the consolidated statement of financial position are the customer-related intangible assets and technology-based intangible assets of TenCate Advanced Composites Holding B.V. (currently Toray TCAC Holding B.V.), which were acquired in July 2018. The carrying amounts of these assets are as follows:

Millions of yen

	April 1, 2019	March 31, 2020	**March 31, 2021**
Customer-related intangible assets	38,192	35,161	**33,932**
Technology-based intangible assets	24,881	23,357	**22,706**

* The remaining useful life at March 31, 2021 was 19 to 22 years.

3. Impairment tests for goodwill

Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually and whenever there is an indication of impairment. The carrying amounts of material goodwill are as follows:

Millions of yen

Reportable segment	Cash-generating unit or group of cash-generating units	April 1, 2019	March 31, 2020	**March 31, 2021**
Carbon Fiber Composite Materials	Toray TCAC Holding B.V.	60,459	59,285	**60,309**
Carbon Fiber Composite Materials	Zoltek Companies, Inc.	11,610	11,384	**11,580**

The recoverable amount of each cash-generating unit was measured at value in use. The value in use was determined based on the business plan for the next five years approved by management combined with a terminal value, reflecting past experience and external information. The business plan is primarily affected by changes in sales volumes and sales prices. The terminal value was calculated using the growth rate based on the expected inflation rate of the country to which the cash-generating unit belonged (2.2 to 2.3% at April 1, 2019, March 31, 2020 and March 31, 2021). The discount rate used in the measurement of value in use was 8.1 to 8.3% at April 1, 2019, March 31, 2020 and March 31, 2021.

As the recoverable amount is sufficiently higher than the carrying amount, it is considered unlikely that a significant impairment loss would be incurred even if the key assumptions used in the impairment test were to change within a reasonably foreseeable range.

Note 13. Impairment Losses

The Group generally identifies cash-generating units on the basis of management accounting segmentation.

The major assets for which impairment losses were recognized for the years ended March 31, 2020 and 2021 are as follows. The impairment losses are recorded in "Other expenses" in the consolidated statement of profit or loss.

2020				
Reportable segment	Location	Use	Class of asset	Impairment losses (Millions of yen)
Carbon Fiber Composite Materials	Markgröningen, Germany and other	Carbon fiber composite materials production facilities	Machinery and vehicles Construction in progress Other	905 180 645
Performance Chemicals	Gyeongsangbuk-do, Republic of Korea	Film production facilities	Machinery and vehicles Other	1,331 4
Performance Chemicals	Saint-Maurice-de-Beynost, France	Film production facilities	Machinery and vehicles	1,266
—	Tokai, Aichi, Japan	Research and development facilities	Machinery and vehicles	1,031

The carrying amounts of, mainly, operating assets with declining profitability and assets to be disposed of were reduced to their recoverable amounts. The recoverable amount was measured at fair value less costs of disposal or at value in use. The fair value less costs of disposal was estimated at appraisal value or by other valuation techniques for those available for sale, and was assumed to be zero for those that were difficult to convert to other uses or sell. The value in use was calculated by discounting the future cash flows at discount rates of 7.4 to 10.2%.

2021				
Reportable segment	Location	Use	Class of asset	Impairment losses (Millions of yen)
Carbon Fiber Composite Materials	**Washington, U.S.A. and other**	**Carbon fiber composite materials production facilities**	**Buildings and structures**	**9,844**
			Machinery and vehicles	**14,275**
			Construction in progress	**313**
			Other	**536**
Fibers & Textiles	**Penang, Malaysia**	**Fiber production facilities**	**Buildings and structures**	**225**
			Machinery and vehicles	**1,589**
			Other	**21**

The carrying amounts of, mainly, operating assets with declining profitability were reduced to their recoverable amounts. The recoverable amount was measured at value in use. The value in use was calculated by discounting the future cash flows at discount rates of 7.8 to 9.0%.

The carrying amount of the carbon fiber composite materials production facilities in Washington, U.S.A. and other was reduced to the recoverable amount due to a decline in profitability caused by sluggish demand for aircraft, and the recoverable amount was measured at value in use of ¥53,192 million. The value in use was calculated by discounting the future cash flows at a discount rate of 7.8%. The future cash flows were estimated based on the business plan for the next five years approved by management, reflecting past experience and external information, and for the years after the five years, estimated using the growth rate based on the expected inflation rate of the country to which the cash-generating unit belongs. The business plan is primarily affected by changes in sales volumes and sales prices.

Note 14. Investments Accounted for Using Equity Method

1. Investments in joint ventures

The aggregate information about the carrying amount of investments in joint ventures and the share of profit, other comprehensive income and comprehensive income is as follows:

Millions of yen

	April 1, 2019	March 31, 2020	**March 31, 2021**
Carrying amount of investments in joint ventures	30,012	31,278	**32,564**

Millions of yen

	2020	**2021**
Share of profit	2,566	**5,123**
Share of other comprehensive income	96	**(15)**
Share of comprehensive income	2,662	**5,108**

2. Investments in associates

The aggregate information about the carrying amount of investments in associates and the share of profit, other comprehensive income and comprehensive income is as follows:

Millions of yen

	April 1, 2019	March 31, 2020	March 31, 2021
Carrying amount of investments in associates	135,274	139,898	**141,578**

Millions of yen

	2020	2021
Share of profit	8,139	**7,689**
Share of other comprehensive income	(626)	**680**
Share of comprehensive income	7,513	**8,369**

Note 15. Other Financial Assets

1. Breakdown

The breakdown of other financial assets is as follows:

Millions of yen

	April 1, 2019	March 31, 2020	March 31, 2021
Financial assets measured at amortized cost			
Time deposits and other short-term investments	2,841	7,071	**3,390**
Leasehold and guarantee deposits	9,697	9,175	**9,311**
Other	8,977	12,591	**10,689**
Financial assets measured at fair value through profit or loss			
Derivative assets	16,127	12,488	**7,363**
Other	300	300	**411**
Financial assets measured at fair value through other comprehensive income			
Shares and investments in capital	199,656	161,864	**192,313**
Total	237,598	203,489	**223,477**
Current assets	5,658	19,505	**6,136**
Non-current assets	231,940	183,984	**217,341**
Total	237,598	203,489	**223,477**

2. Equity instruments measured at fair value through other comprehensive income

The Group designates equity securities held mainly for the purpose of strengthening business relationships, facilitating business alliances, and enhancing joint research and technological development as equity instruments measured at fair value through other comprehensive income.

The fair values of major equity instruments measured at fair value through other comprehensive income are as follows:

Millions of yen

	April 1, 2019
Issue	Fair value
Mitsui Fudosan Co., Ltd.	13,596
Kaken Pharmaceutical Co., Ltd.	11,543
FUJIFILM Holdings Corp.	11,150
Daiichi Sankyo Co., Ltd.	10,199
Mitsui Chemicals, Inc.	7,973
United Therapeutics Corp.	7,816
Toyota Industries Corp.	6,342
Sumitomo Mitsui Financial Group, Inc.	5,855
Mitsubishi Heavy Industries, Ltd.	5,772
Mitsui & Co., Ltd.	5,388

Millions of yen

	March 31, 2020
Issue	Fair value
Daiichi Sankyo Co., Ltd.	12,637
FUJIFILM Holdings Corp.	12,047
Kaken Pharmaceutical Co., Ltd.	11,543
Mitsui Fudosan Co., Ltd.	9,140
Toyota Industries Corp.	5,919
Mitsui Chemicals, Inc.	5,840
Daikin Industries, Ltd.	4,791
Mitsui & Co., Ltd.	4,714
MS&AD Insurance Group Holdings, Inc.	4,471
Sumitomo Mitsui Financial Group, Inc.	3,963

Millions of yen

	March 31, 2021
Issue	Fair value
FUJIFILM Holdings Corp.	**14,555**
Daiichi Sankyo Co., Ltd.	**13,544**
Mitsui Fudosan Co., Ltd.	**12,282**
Toyota Industries Corp.	**11,267**
Kaken Pharmaceutical Co., Ltd.	**9,948**
Daikin Industries, Ltd.	**8,120**
Mitsui & Co., Ltd.	**7,217**
Sumitomo Mitsui Financial Group, Inc.	**6,052**
TBS Holdings, Inc.	**5,038**
MS&AD Insurance Group Holdings, Inc.	**4,802**

3. Derecognition of equity instruments measured at fair value through other comprehensive income

The Group sells (derecognizes) equity instruments measured at fair value through other comprehensive income mainly as a result of streamlining its assets and reviewing its business relationships. The fair value at the time of sale and the cumulative gain or loss (before tax) on the sale are as follows. The cumulative gain or loss (net of tax) recognized as other components of equity was reclassified to retained earnings upon sale.

Millions of yen

	2020	**2021**
Fair value at time of sale	8,405	**20,667**
Cumulative gain (loss)	4,531	**5,116**

Note 16. Other Assets

The breakdown of other current assets and other non-current assets is as follows:

Millions of yen

	April 1, 2019	March 31, 2020	**March 31, 2021**
Prepayments	18,685	19,861	**18,360**
Value-added taxes receivable	17,771	16,733	**18,560**
Investment property	17,761	12,186	**11,943**
Other	13,407	13,190	**12,632**
Total	67,624	61,970	**61,495**
Current assets	48,167	47,350	**47,180**
Non-current assets	19,457	14,620	**14,315**
Total	67,624	61,970	**61,495**

Note 17. Income Taxes

1. Deferred tax assets and deferred tax liabilities

The breakdown of and changes in deferred tax assets and deferred tax liabilities by major cause are as follows:

Millions of yen

	2020				
	At beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Other	At end of period
Deferred tax assets					
Property, plant and equipment and intangible assets	11,941	734	—	(505)	12,170
Employee benefits	45,635	642	145	(264)	46,158
Lease liabilities	11,525	(1,610)	—	(107)	9,808
Other	32,528	(1,561)	1,568	(201)	32,334
Total	101,629	(1,795)	1,713	(1,077)	100,470
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(47,486)	1,419	—	1,212	(44,855)
Right-of-use assets	(11,309)	1,332	—	111	(9,866)
Investments in subsidiaries, associates and joint arrangements	(19,847)	(1,397)	793	(1)	(20,452)
Financial assets measured at fair value through other comprehensive income	(38,304)	—	8,468	(87)	(29,923)
Other	(12,136)	(987)	2,566	(96)	(10,653)
Total	(129,082)	367	11,827	1,139	(115,749)

Millions of yen

	2021				
	At beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Other	At end of period
Deferred tax assets					
Property, plant and equipment and intangible assets	**12,170**	**(98)**	**—**	**182**	**12,254**
Employee benefits	**46,158**	**(110)**	**(400)**	**133**	**45,781**
Lease liabilities	**9,808**	**(35)**	**—**	**143**	**9,916**
Other	**32,334**	**2,147**	**(4,007)**	**519**	**30,993**
Total	**100,470**	**1,904**	**(4,407)**	**977**	**98,944**
Deferred tax liabilities					
Property, plant and equipment and intangible assets	**(44,855)**	**5,823**	**—**	**(981)**	**(40,013)**
Right-of-use assets	**(9,866)**	**(44)**	**—**	**(143)**	**(10,053)**
Investments in subsidiaries, associates and joint arrangements	**(20,452)**	**(2,752)**	**(1,026)**	**(2)**	**(24,232)**
Financial assets measured at fair value through other comprehensive income	**(29,923)**	**—**	**(8,658)**	**(3)**	**(38,584)**
Other	**(10,653)**	**282**	**(2,805)**	**12**	**(13,164)**
Total	**(115,749)**	**3,309**	**(12,489)**	**(1,117)**	**(126,046)**

2. Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognized

The amounts (in income tax terms) of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognized are as follows:

Millions of yen

	April 1, 2019	March 31, 2020	**March 31, 2021**
Deductible temporary differences*1	13,524	12,446	**13,807**
Unused tax losses and unused tax credits*2	15,178	15,302	**20,383**

*1 Deductible temporary differences related to investments in subsidiaries, associates and joint arrangements are not included. The aggregate amount (in taxable income terms) of deductible temporary differences associated with investments in subsidiaries, associates and joint arrangements for which no deferred tax asset was recognized were ¥113,116 million, ¥133,488 million and ¥125,673 million at April 1, 2019, March 31, 2020 and March 31, 2021, respectively.
*2 The amounts by expiry date are as follows:

Millions of yen

	April 1, 2019	March 31, 2020	**March 31, 2021**
1 year or less	1,138	329	**478**
Over 1 year to 5 years	2,686	2,453	**3,189**
Over 5 years	11,354	12,520	**16,716**
Total	15,178	15,302	**20,383**

3. Taxable temporary differences for which deferred tax liabilities have not been recognized

The aggregate amount (in taxable income terms) of taxable temporary differences associated with investments in subsidiaries, associates and joint arrangements for which deferred tax liabilities had not been recognized was ¥28,771 million, ¥27,208 million and ¥41,883 million at April 1, 2019, March 31, 2020 and March 31, 2021, respectively. Deferred tax liabilities are not recognized for these temporary differences because the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

4. Breakdown of income tax expense

The breakdown of income tax expense is as follows:

Millions of yen

	2020	**2021**
Current tax expense	28,033	**23,440**
Deferred tax expense	1,428	**(5,213)**
Total	29,461	**18,227**

5. Reconciliation of effective tax rate

Reconciliation between the statutory effective tax rate and the actual average effective tax rate is as follows:

%

	2020	**2021**
Statutory effective tax rate	30.6	**30.6**
Share of profit (loss) of investments accounted for using equity method	(2.7)	**(6.0)**
Tax rate differences with foreign subsidiaries	(4.6)	**(3.6)**
Changes in unrecognized deferred tax assets	1.3	**6.2**
Other	(0.7)	**0.6**
Actual average effective tax rate	23.9	**27.8**

Note 18. Trade and Other Payables

The breakdown of trade and other payables is as follows:

Millions of yen

	April 1, 2019	March 31, 2020	**March 31, 2021**
Trade payables	243,945	213,541	**209,343**
Other payables and accrued expenses	81,624	72,161	**73,469**
Total	325,569	285,702	**282,812**

* Trade and other payables are classified as financial liabilities measured at amortized cost.

Note 19. Bonds and Borrowings

1. Breakdown

The breakdown of bonds and borrowings is as follows:

Millions of yen

	April 1, 2019	March 31, 2020	**March 31, 2021**	Average interest rate (%) *2	Maturity
Short-term borrowings	196,980	154,888	**143,135**	0.34	—
Commercial papers	—	10,000	**30,000**	(0.06)	—
Long-term borrowings	466,917	498,588	**469,993**	0.81	2021 - 2032
Bonds payable*3	340,107	290,187	**290,158**	—	—
Total	1,004,004	953,663	**933,286**		
Current liabilities	290,976	278,962	**278,678**		
Non-current liabilities	713,028	674,701	**654,608**		
Total	1,004,004	953,663	**933,286**		

*1 Bonds and borrowings are classified as financial liabilities measured at amortized cost.
*2 The average interest rate represents the weighted average interest rate on the balance at March 31, 2021.
*3 The schedule of bonds payable is as follows:

Millions of yen

Issuer	Issue	Issue date	April 1, 2019	March 31, 2020	**March 31, 2021**	Interest rate (%)	Collateral	Maturity
Toray Industries, Inc.	28th unsecured straight bonds	July 20, 2012	20,606	20,408	**20,231**	0.925	None	July 20, 2022
Toray Industries, Inc.	29th unsecured straight bonds	July 17, 2013	21,054	20,831	**20,578**	1.012	None	July 14, 2023
Toray Industries, Inc.	30th unsecured straight bonds	July 19, 2017	59,801	59,825	**59,849**	0.375	None	July 16, 2027
Toray Industries, Inc.	31st unsecured straight bonds	July 19, 2017	39,890	39,911	**39,932**	0.250	None	July 19, 2024
Toray Industries, Inc.	32nd unsecured straight bonds	July 18, 2018	39,871	39,892	**39,912**	0.240	None	July 18, 2025
Toray Industries, Inc.	33rd unsecured straight bonds	July 18, 2018	39,848	39,865	**39,881**	0.380	None	July 18, 2028
Toray Industries, Inc.	34th unsecured straight bonds	July 18, 2018	19,895	19,901	**19,906**	0.830	None	July 16, 2038
Toray Industries, Inc.	Zero coupon convertible bonds due 2019	June 9, 2014	49,902	—	**—**	—	—	—
Toray Industries, Inc.	Zero coupon convertible bonds due 2021	June 9, 2014	49,240	49,554	**49,869**	—	None	August 31, 2021
	Total		340,107	290,187	**290,158**			

2. Assets pledged as collateral and liabilities with collateral

Assets pledged as collateral are as follows:

Millions of yen

	April 1, 2019	March 31, 2020	March 31, 2021
Property, plant and equipment	1,191	247	**183**
Other financial assets	2,548	2,799	**3,718**
Total	3,739	3,046	**3,901**

Liabilities with collateral are as follows:

Millions of yen

	April 1, 2019	March 31, 2020	March 31, 2021
Trade and other payables	8,279	4,547	**5,345**
Bonds and borrowings	1,853	1,339	**1,279**
Total	10,132	5,886	**6,624**

Note 20. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

Millions of yen

	April 1, 2019	March 31, 2020	March 31, 2021
Financial liabilities measured at amortized cost			
Deposits received	16,094	12,385	**9,571**
Other	6,493	4,832	**5,197**
Financial liabilities measured at fair value through profit or loss			
Derivative liabilities	3,837	4,300	**4,803**
Total	26,424	21,517	**19,571**
Current liabilities	17,585	13,911	**12,872**
Non-current liabilities	8,839	7,606	**6,699**
Total	26,424	21,517	**19,571**

Note 21. Employee Benefits

1. Post-employment benefits

The Company and some of its subsidiaries have defined benefit corporate pension plans, lump-sum retirement benefit plans and defined contribution pension plans.

The Company's defined benefit corporate pension plan is managed by a corporate pension fund (the Fund), which is legally separated from the Company in accordance with laws and regulations. The directors of the Fund and the pension fund trustee are required by laws and regulations to faithfully perform their duties for the Fund, and are responsible for managing the plan assets based on the prescribed policies. The amount of contributions to the defined benefit plan is reviewed regularly through financial recalculations to ensure that the pension plan maintains financial balance into the future. With respect to the investment of plan assets in the Fund, it seeks to secure the required total return over the long term with the aim of ensuring the payment of pension benefits and lump-sum benefits to the participants into the future. In addition, the Fund gives full consideration to the medium- to long-term trends in the ratio of income, including contributions, to expenditure, including benefit payments, as well as the impact of uncertainty in the plan assets on the financial balance of the pension plan and the degree of acceptable uncertainty in the rate of return on the plan assets.

(1) Defined benefit plans

(a) Amounts recognized in the consolidated statement of financial position

The relationship of the net defined benefit liability (asset) recognized in the consolidated statement of financial position with the defined benefit obligations and plan assets is as follows:

Millions of yen

	April 1, 2019	March 31, 2020	**March 31, 2021**
Present value of defined benefit obligations	191,464	184,417	**182,154**
Fair value of plan assets	(107,849)	(98,244)	**(116,181)**
Net defined benefit liability (asset)	83,615	86,173	**65,973**
Amounts on the consolidated statement of financial position			
Retirement benefit liability	103,223	101,979	**100,852**
Retirement benefit asset	(19,608)	(15,806)	**(34,879)**
Net defined benefit liability (asset)	83,615	86,173	**65,973**

(b) Reconciliation of present value of defined benefit obligations

Changes in the present value of defined benefit obligations are as follows:

Millions of yen

	2020	**2021**
At beginning of period	191,464	**184,417**
Current service cost	7,139	**7,131**
Interest expense	1,193	**1,382**
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	(186)	**—**
Actuarial gains and losses arising from changes in financial assumptions	(789)	**1**
Actuarial gains and losses arising from experience adjustments	409	**465**
Past service cost	285	**202**
Benefits paid	(12,764)	**(12,771)**
Other	(2,334)	**1,327**
At end of period	184,417	**182,154**

* The weighted average durations of the defined benefit obligations at April 1, 2019, March 31, 2020 and March 31, 2021 were 8.9 years, 8.6 years and 8.5 years, respectively.

(c) Reconciliation of fair value of plan assets

Changes in the fair value of plan assets are as follows:

Millions of yen

	2020	**2021**
At beginning of period	107,849	**98,244**
Interest income	617	**691**
Remeasurements		
Return on plan assets	(7,554)	**15,253**
Contributions by employer	7,039	**7,296**
Benefits paid	(7,958)	**(6,907)**
Other	(1,749)	**1,604**
At end of period	98,244	**116,181**

* The amount of expected contributions to the defined benefit plans for the year ending March 31, 2022 is ¥7,696 million.

(d) Breakdown by type of fair value of plan assets

The breakdown by type of the fair value of plan assets is as follows:

Millions of yen

	April 1, 2019			March 31, 2020			March 31, 2021		
	Quoted market prices in active markets			Quoted market prices in active markets			Quoted market prices in active markets		
	Available	Not available	Total	Available	Not available	Total	Available	Not available	Total
Cash and cash equivalents	17,003	—	17,003	14,833	—	14,833	**15,603**	—	**15,603**
Equity securities (mainly Japanese equity securities)	48,635	—	48,635	38,892	—	38,892	**53,330**	—	**53,330**
Debt securities (mainly Japanese debt securities)	9,286	—	9,286	13,398	—	13,398	**15,926**	—	**15,926**
General accounts of life insurance companies	—	29,086	29,086	—	30,912	30,912	—	**31,026**	**31,026**
Other	730	3,109	3,839	112	97	209	**195**	**101**	**296**
Total	75,654	32,195	107,849	67,235	31,009	98,244	**85,054**	**31,127**	**116,181**

(e) Significant actuarial assumptions

The significant assumptions used in the actuarial calculations are as follows:

	April 1, 2019	March 31, 2020	March 31, 2021
Discount rate	Mainly 0.4%	Mainly 0.5%	**Mainly 0.5%**

(f) Sensitivity analysis

The effect of changes in discount rates, which are the significant actuarial assumptions, on the present value of defined benefit obligations is as follows. This sensitivity analysis assumes that all actuarial assumptions other than those subject to the analysis remain constant.

Millions of yen

		March 31, 2020	March 31, 2021
Discount rate	Increase by 0.5%	(7,354)	**(7,075)**
	Decrease by 0.5%	6,562	**5,860**

(2) Defined contribution plans

The amounts of expenses for the defined contribution plans recognized for the years ended March 31, 2020 and 2021 were ¥20,287 million and ¥20,763 million, respectively.

2. Employee benefit expenses

Employee benefit expenses for the years ended March 31, 2020 and 2021 totaled ¥294,053 million and ¥285,945 million, respectively, and are included in “Cost of sales,” “Selling, general and administrative expenses” and “Other expenses” in the consolidated statement of profit or loss.

Note 22. Other Liabilities

The breakdown of other current liabilities and other non-current liabilities is as follows:

Millions of yen

	April 1, 2019	March 31, 2020	**March 31, 2021**
Short-term employee benefits	47,451	45,335	**50,901**
Contract liabilities	24,031	14,799	**17,189**
Value-added taxes payable	7,899	8,609	**9,874**
Other	22,979	21,431	**17,966**
Total	102,360	90,174	**95,930**
Current liabilities	88,925	77,344	**84,425**
Non-current liabilities	13,435	12,830	**11,505**
Total	102,360	90,174	**95,930**

Note 23. Share Capital and Other Equity Items

1. Share capital

Changes in the number of authorized shares and the number of issued shares are as follows:

Thousands of shares

	2020	**2021**
Number of authorized shares	4,000,000	**4,000,000**
Number of issued shares		
At beginning of period	1,631,481	**1,631,481**
Changes during period	—	**—**
At end of period	1,631,481	**1,631,481**

* All shares the Company is authorized to issue are common shares that have no par value. All issued shares are fully paid up.

2. Capital surplus and retained earnings

(1) Capital surplus

Capital surplus consists of amounts arising from equity transactions that are not included in share capital. The Companies Act of Japan stipulates that at least one-half of the amount paid or delivered for the issuance of shares shall be incorporated into share capital, and the remainder shall be recorded as legal capital reserve included in capital surplus. In addition, the amount of share acquisition rights issued under the Company's share option plan and the amount classified as an equity element of bonds with share acquisition rights at the time of issuance are recorded in capital surplus.

(2) Retained earnings

Retained earnings consist of items recognized in profit or loss and items reclassified from other comprehensive income in the current year and prior years. The Company's distributable retained earnings under the Companies Act is calculated based on the surpluses in the Company's accounting books prepared in accordance with generally accepted accounting principles in Japan. Accordingly, adjustments to the consolidated financial statements in accordance with IFRS do not affect the calculation of the distributable amount under the Companies Act.

3. Treasury shares

Changes in treasury shares are as follows:

Thousands of shares

	2020	2021
At beginning of period	31,610	**31,532**
Exercise of share acquisition rights	(80)	**(503)**
Other	2	**1**
At end of period	31,532	**31,030**

* 824 thousand shares in the Company held by its associates were included in the balances at March 31, 2020 and 2021.

Note 24. Dividends

1. Dividends paid

2020

Resolution	Class of shares	Total amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of stockholders held on June 25, 2019	Common stock	12,806	8.00	March 31, 2019	June 26, 2019
Board of directors meeting held on November 7, 2019	Common stock	12,806	8.00	September 30, 2019	December 2, 2019

2021

Resolution	Class of shares	Total amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of stockholders held on June 23, 2020	**Common stock**	**12,806**	**8.00**	**March 31, 2020**	**June 24, 2020**
Board of directors meeting held on November 6, 2020	**Common stock**	**7,206**	**4.50**	**September 30, 2020**	**December 1, 2020**

2. Dividends whose record dates fall in the year ended March 31, 2021 and whose effective dates fall in the year ending March 31, 2022

2021

Resolution	Class of shares	Total amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary general meeting of stockholders held on June 22, 2021	**Common stock**	**7,206**	**4.50**	**March 31, 2021**	**June 23, 2021**

Note 25. Revenue

1. Disaggregation of revenue

As described in "Note 6. Segment Information," the Group has five reportable segments: "Fibers & Textiles," "Performance Chemicals," "Carbon Fiber Composite Materials," "Environment & Engineering" and "Life Science." In addition, revenue is disaggregated by geographical area based on the location of the Group entities. The relationship between the disaggregated revenue and the revenue (revenue from external customers) of each reportable segment is as follows:

Millions of yen

	2020						
	Fibers & Textiles	Performance Chemicals	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Other	Total
Japan	494,378	422,568	66,322	165,012	44,633	17,645	1,210,558
Asia	286,407	248,075	16,525	18,587	5,212	544	575,350
North America, Europe and other	50,178	90,565	154,038	7,247	3,178	52	305,258
Total	830,963	761,208	236,885	190,846	53,023	18,241	2,091,166

Millions of yen

	2021						
	Fibers & Textiles	Performance Chemicals	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Other	Total
Japan	**422,351**	**388,992**	**47,890**	**166,583**	**45,596**	**14,389**	**1,085,801**
Asia	**257,425**	**240,866**	**14,251**	**20,637**	**5,144**	**135**	**538,458**
North America, Europe and other	**39,463**	**90,560**	**120,743**	**6,304**	**2,225**	**46**	**259,341**
Total	**719,239**	**720,418**	**182,884**	**193,524**	**52,965**	**14,570**	**1,883,600**

2. Contract balances

The balances of receivables, contract assets and contract liabilities from contracts with customers are as follows:

Millions of yen

	Receivables from contracts with customers	Contract assets	Contract liabilities
At April 1, 2019	528,187	16,329	24,031
At March 31, 2020	467,897	15,927	14,799
At March 31, 2021	**487,078**	**23,917**	**17,189**

*1 The amount of revenue recognized that was included in the contract liabilities at the beginning of the period was ¥23,270 million and ¥13,667 million for the years ended March 31, 2020 and 2021, respectively.
*2 The amount of revenue recognized from performance obligations satisfied in the prior years was not material for the years ended March 31, 2020 and 2021.

3. Transaction prices allocated to the remaining performance obligations

The transaction prices allocated to the remaining performance obligations and the expected timing of revenue recognition are as follows. The Group applies the practical expedient in paragraph C5(d) of IFRS 15 "Revenue from Contracts with Customers" in accordance with the exemption in paragraph D34 of IFRS 1, and does not disclose the transaction prices allocated to the remaining performance obligations and the expected timing of revenue recognition at March 31, 2020.

Millions of yen

	March 31, 2021
1 year or less	**39,201**
Over 1 year	**35,722**

*1 The Group has adopted the practical expedient and therefore the transactions that have an original expected duration of one year or less are not included in the table.
*2 There is no significant amount of consideration from contracts with customers that is not included in the transaction prices.

Note 26. Other Income

The breakdown of other income is as follows:

Millions of yen

	2020	2021
Gain on sale or disposal of fixed assets	3,031	**288**
Other	4,502	**5,100**
Total	7,533	**5,388**

Note 27. Other Expenses

The breakdown of other expenses is as follows:

Millions of yen

	2020	2021
Loss on sale or disposal of fixed assets	6,195	**5,807**
Impairment losses	7,569	**28,867**
Other	7,705	**5,354**
Total	21,469	**40,028**

Note 28. Finance Income and Finance Costs

1. Finance income

The breakdown of finance income is as follows:

Millions of yen

	2020	2021
Interest income		
Financial assets measured at amortized cost	2,152	**1,537**
Dividend income		
Equity instruments measured at fair value through other comprehensive income		
Derecognized during period	42	**613**
Held at end of period	4,837	**3,770**
Other	34	**179**
Total	7,065	**6,099**

2. Finance costs

The breakdown of finance costs is as follows:

Millions of yen

	2020	2021
Interest expenses		
Financial liabilities measured at amortized cost	7,256	**5,209**
Lease liabilities	510	**470**
Foreign exchange loss	973	**1,348**
Other	427	**2,197**
Total	9,166	**9,224**

Note 29. Other Comprehensive Income

Reclassification adjustments and income taxes for each component of other comprehensive income are as follows:

Millions of yen

	2020	2021
Investments in equity instruments		
Gains (losses) for the period	(29,889)	**50,194**
Income taxes	9,956	**(15,192)**
Net of tax	(19,933)	**35,002**
Cash flow hedges		
Gains (losses) for the period	992	**(4,042)**
Reclassification adjustments	(409)	**3,474**
Income taxes	(179)	**179**
Net of tax	404	**(389)**
Deferred costs of hedging		
Gains (losses) for the period	(232)	**1,374**
Reclassification adjustments	(636)	**(491)**
Income taxes	266	**(270)**
Net of tax	(602)	**613**
Exchange differences on translation		
Gains (losses) for the period	(45,443)	**55,967**
Income taxes	793	**(1,026)**
Net of tax	(44,650)	**54,941**
Remeasurements of defined benefit plans		
Gains (losses) for the period	(6,988)	**14,787**
Income taxes	2,066	**(4,538)**
Net of tax	(4,922)	**10,249**
Share of other comprehensive income of investments accounted for using equity method	(530)	**665**
Total other comprehensive income	(70,233)	**101,081**

Note 30. Earnings per Share

1. Basis for calculation of basic earnings per share

Millions of yen

	2020	2021
Profit attributable to common shareholders of parent		
Profit attributable to owners of parent	84,230	**45,794**
Profit not attributable to common shareholders of parent	—	**—**
Profit used for calculation of basic earnings per share	84,230	**45,794**
Average number of common shares for the period (Thousands of shares)	1,599,937	**1,600,360**
Basic earnings per share (Yen)	52.65	**28.61**

2. Basis for calculation of diluted earnings per share

Millions of yen

	2020	2021
Diluted profit attributable to common shareholders		
Profit used for calculation of basic earnings per share	84,230	**45,794**
Adjustments to profit	—	**—**
Profit used for calculation of diluted earnings per share	84,230	**45,794**
Average number of common shares for the period (Thousands of shares)	1,599,937	**1,600,360**
Increase in common shares		
Bonds with share acquisition rights (Thousands of shares)	9,549	**—**
Share acquisition rights (Thousands of shares)	2,154	**2,445**
Average number of diluted common shares for the period (Thousands of shares)	1,611,640	**1,602,804**
Diluted earnings per share (Yen)	52.26	**28.57**
Summary of potential shares not included in the calculation of diluted earnings per share because they were antidilutive for the period	The Company's Zero coupon convertible bonds due 2021 61,721 thousand shares	**The Company's Zero coupon convertible bonds due 2021 62,282 thousand shares**

Note 31. Share-based Payments

1. Overview of share option plan

The Company has introduced a share compensation-type share option plan (share acquisition rights) for the Company's members of the Board, vice presidents, executive fellows and directors to enhance their motivation and willingness to improve the Group's performance and to promote sharing of share price benefits with the shareholders.

The share acquisition rights allocated under this plan are vested depending on the number of months in office during the specified service period. Holders of share acquisition rights may exercise their rights only within ten days after the day on which they lose any of their positions as a member of the Board, vice president, executive fellow or director of the Company.

The Company's share option plan is accounted for as an equity-settled share-based payment transaction. The amounts of expenses recognized for the plan were ¥325 million and ¥355 million for the years ended March 31, 2020 and 2021, respectively.

2. Number and weighted average exercise price of share options

The number and weighted average exercise price of share options granted during the period are as follows. The number of share options is presented in terms of the number of shares to be issued upon exercise of the options.

	2020		2021	
	Number of options (Thousands of shares)	Weighted average exercise price (Yen)	Number of options (Thousands of shares)	Weighted average exercise price (Yen)
Outstanding at beginning of period	1,969	1	**2,389**	**1**
Granted	500	1	**863**	**1**
Exercised	(80)	1	**(503)**	**1**
Forfeited	—	—	**(10)**	**—**
Outstanding at end of period	2,389	1	**2,739**	**1**
Exercisable at end of period	2,237	1	**2,502**	**1**

*1 The weighted average share prices at the date of exercise of share options exercised were ¥824 and ¥508.1 for the years ended March 31, 2020 and 2021, respectively.
*2 The exercise price of issued options remaining at the end of the period was ¥1 for both the years ended March 31, 2020 and 2021, and the weighted average remaining contractual years were 26.3 years and 26.5 years at March 31, 2020 and 2021, respectively.

3. Fair value and method of fair value measurement of share options granted during period

The fair value of share options was measured using the Black-Scholes model with the following input assumptions:

	2020	2021
Name	Toray Industries, Inc. 9th share acquisition rights	**Toray Industries, Inc. 10th share acquisition rights**
Fair value	684 yen/share	**421 yen/share**
Share price at grant date	775.2 yen	**509.4 yen**
Exercise price	1 yen/share	**1 yen/share**
Expected volatility*1	24.079%	**27.382%**
Expected remaining life of the option*2	6 years	**6 years**
Expected dividend*3	16 yen/share	**16 yen/share**
Risk-free interest rate*4	(0.347)%	**(0.070)%**

*1 The expected volatility is determined as a historical volatility based on the share price over the past 6 years.
*2 The expected remaining life is determined based on the number of years past officers were in office, due to difficulty in making other reasonable estimations.
*3 The expected dividends for the years ended March 31, 2020 and 2021 are determined using the actual dividends in the years ended March 31, 2019 and 2020, respectively.
*4 The risk-free interest rate is determined as the interest rate of the Japanese government bond with a remaining maturity corresponding to the expected remaining life of the option.

Note 32. Financial Instruments

1. Capital management

The Group's basic capital management policy is to secure and maintain financial soundness in order to achieve sustainable growth. The Group monitors the debt-to-equity (D/E) ratio as the management indicator for capital management, and the status at April 1, 2019, March 31, 2020 and March 31, 2021 was as follows.

The Company is not subject to any significant capital requirements (other than the general provisions of the Companies Act, etc.).

	April 1, 2019	March 31, 2020	March 31, 2021
Interest-bearing liabilities (Millions of yen)	1,048,342	991,024	**973,927**
Owner's equity (Millions of yen)	1,124,290	1,116,075	**1,237,851**
D/E ratio	0.93	0.89	**0.79**

* Interest-bearing liabilities: Bonds and borrowings + Lease liabilities
Owner's equity: Equity attributable to owners of parent
D/E ratio: Interest-bearing liabilities / Owner's equity

2. Risks arising from financial instruments

The Group conducts risk management based on the following policies to respond to credit risk, liquidity risk and market risk arising from financial instruments.

(1) Credit risk management

Trade receivables of the Group are exposed to customer credit risk. In order to mitigate the risk, under its internal regulations, the Company carefully manages the due dates and outstanding balances of receivables from each customer and regularly monitors the credit standing of major customers. Consolidated subsidiaries also monitor and manage the credit standings of their customers. The Group is not exposed to any credit risk that is excessively concentrated on particular counterparties.

(a) Maximum exposure to credit risk

The maximum exposure to credit risk at each fiscal year-end is the carrying amount of financial assets, net of impairment. With regard to guarantee obligations, the Group's maximum exposure to credit risk is the balance of guarantee obligations shown in "Note 36. Commitments and Contingent Liabilities."

(b) Changes in allowance for doubtful accounts

Changes in allowance for doubtful accounts are as follows. There was no significant change in the gross carrying amounts of financial assets that would affect the changes in allowance for doubtful accounts for the years ended March 31, 2020 and 2021.

Millions of yen

	Allowance for financial assets not credit-impaired	Allowance for credit-impaired financial assets	Total
At April 1, 2019	1,457	3,705	5,162
Net provision (reversal)	248	94	342
Write-off	(42)	(251)	(293)
Other	(81)	(20)	(101)
At March 31, 2020	**1,582**	**3,528**	**5,110**
Net provision (reversal)	**5,292**	**1,778**	**7,070**
Write-off	**(278)**	**(1,115)**	**(1,393)**
Transfer to credit-impaired financial assets	**(5,223)**	**5,223**	**—**
Other	**14**	**407**	**421**
At March 31, 2021	**1,387**	**9,821**	**11,208**

*1 The allowance for financial assets that are not credit-impaired mainly relates to trade receivables, etc. to which the simplified approach is applied.
*2 The net provision (reversal) related to trade receivables, etc. from contracts with customers was ¥5,181 million for the year ended March 31, 2021 and is included in "Selling, general and administrative expenses" in the consolidated statement of profit or loss. Other provisions and reversals mainly relate to loans receivable and are included in "Finance income" and "Finance costs" in the consolidated statement of profit or loss.

(2) Liquidity risk management

The Group raises funds by borrowing from banks and issuing corporate bonds and is accordingly exposed to the risk of facing difficulty in the repayment due to deterioration in the business climates and funding environment. To mitigate the risk, the Group procures funds by determining the best timing, size and instruments after comprehensively taking into consideration the projected fund needs and the financial market trends. The Group also takes measures for effective use of excess cash within the Group by using the cash management system. In addition, the liquidity risk is managed by monitoring projected and actual cash flows. At the same time, to prepare for the urgent fund needs due to deterioration in operating results and cash flows and for the financial market turmoil, the Group secures liquidity by concluding overdraft agreements and other credit facilities with domestic and overseas financial institutions.

The analysis of undiscounted contractual cash flows of financial liabilities by maturity is as follows:

Millions of yen

	April 1, 2019						
	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Non-derivative financial liabilities							
Trade and other payables	325,569	—	—	—	—	—	325,569
Bonds and borrowings	306,215	132,468	82,112	88,301	112,362	319,086	1,040,544
Lease liabilities	10,940	9,034	7,600	4,500	2,570	11,774	46,418
Other financial liabilities							
Deposits received	16,094	—	—	—	—	—	16,094
Derivative financial liabilities							
Other financial liabilities							
Derivative liabilities	7	(138)	(485)	(483)	(488)	5,381	3,794

Millions of yen

	March 31, 2020						
	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Non-derivative financial liabilities							
Trade and other payables	285,702	—	—	—	—	—	285,702
Bonds and borrowings	285,890	104,966	99,172	110,805	51,970	326,477	979,280
Lease liabilities	10,525	8,695	4,995	2,811	2,322	10,005	39,353
Other financial liabilities							
Deposits received	12,385	—	—	—	—	—	12,385
Derivative financial liabilities							
Other financial liabilities							
Derivative liabilities	781	(89)	(100)	(136)	(172)	4,289	4,573

Millions of yen

	March 31, 2021						
	1 year or less	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 4 years	Over 4 years to 5 years	Over 5 years	Total
Non-derivative financial liabilities							
Trade and other payables	**282,812**	**—**	**—**	**—**	**—**	**—**	**282,812**
Bonds and borrowings	**283,643**	**123,263**	**127,250**	**67,863**	**72,827**	**276,004**	**950,850**
Lease liabilities	**11,114**	**8,937**	**7,241**	**4,253**	**2,258**	**9,414**	**43,217**
Other financial liabilities							
Deposits received	**9,571**	**—**	**—**	**—**	**—**	**—**	**9,571**
Derivative financial liabilities							
Other financial liabilities							
Derivative liabilities	**2,269**	**(96)**	**(239)**	**(405)**	**3,260**	**—**	**4,789**

* Contractual cash flows of derivative financial liabilities are presented on a net basis, as net cash inflow or outflow.

(3) Market risk management

The Group is exposed to the risk of fluctuations in fair value and future cash flows of financial instruments due to changes in market prices. Major market risks that the Group is exposed to include currency risk, interest rate risk and equity price risk. In order to mitigate these risks, the Group uses derivative transactions such as forward exchange contracts and interest rate swaps as necessary. Derivative transactions are executed and managed in accordance with internal regulations prescribing the authorizations for transactions. In addition, the Group carries out derivative transactions only with financial institutions with a high credit rating in order to mitigate the credit risk associated with derivative transactions. The Group uses derivatives only for hedging market risks and does not enter into derivative transactions for speculative purposes.

(a) Currency risk

Trade receivables and payables denominated in foreign currencies that arise from the Group's global business operations are exposed to the foreign currency exchange rate risk. The Group hedges this risk mainly through the use of forward exchange contracts against net positions of receivables and payables denominated in the same foreign currencies. Likewise, the Group mainly uses cross-currency swaps to hedge the foreign currency exchange rate risk of borrowings denominated in foreign currencies.

For financial instruments held by the Group at March 31, 2020 and 2021, the impact of a 1% appreciation of each currency against the functional currencies on "Profit before tax" in the consolidated statement of profit or loss is as follows. The effects of translating financial instruments denominated in the functional currencies and the assets, liabilities, income and expenses of foreign operations into yen are not included. In addition, it is assumed that currencies other than that used in the calculation do not fluctuate and assumed that other variable factors remain constant.

Millions of yen

	March 31, 2020	March 31, 2021
Impact on profit before tax	68	**16**

(b) Interest rate risk

The Group's interest-bearing liabilities are exposed to the risk of market interest rate fluctuation. Those with floating rates bear the risk of higher nominal interest expenses when market interest rates rise, whereas those with fixed rates bear the risk of higher real interest expenses when market interest rates fall. The Group uses interest rate swaps as necessary to mitigate the risk of interest rate fluctuation, taking into consideration the balance between fixed-rate liabilities and floating-rate liabilities.

For interest-bearing liabilities with floating interest rates held by the Group at March 31, 2020 and 2021, the impact of a 1% increase in interest rates at the end of the period on "Profit before tax" in the consolidated statement of profit or loss is as follows. It is assumed that all other variables remain constant.

Millions of yen

	March 31, 2020	**March 31, 2021**
Impact on profit before tax	(2,318)	**(2,363)**

(c) Equity price risk

The Group holds shares not for trading purposes but mainly for the purposes of strengthening business relationships, smoothing business alliances and reinforcing joint research and technology development activities. These shares are exposed to stock price fluctuation risk. The Group regularly monitors the financial positions of the issuing entities and reviews holding status by taking into consideration the relationships with customers. These are designated as equity instruments measured at fair value through other comprehensive income, and therefore there is no impact on profit or loss arising from stock price fluctuations.

3. Fair value of financial instruments

(1) Fair value hierarchy of financial instruments

The fair value hierarchy of financial instruments is categorized from Level 1 to Level 3 as follows:

Level 1: Fair value measured by quoted prices in active markets

Level 2: Fair value calculated, directly or indirectly, using observable prices other than Level 1

Level 3: Fair value calculated using valuation techniques including inputs not based on observable market data

Transfers between levels of the fair value hierarchy are recognized as if they have occurred at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the years ended March 31, 2020 and 2021.

(2) Fair value of financial instruments measured at amortized cost

The following table compares the fair value and the carrying amount of financial instruments measured at amortized cost. Financial instruments whose carrying amount is a reasonable approximation of the fair value and financial instruments with low materiality are not included in the following table.

Millions of yen

	April 1, 2019		March 31, 2020		**March 31, 2021**	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Bonds and borrowings						
Bonds payable	340,107	342,788	290,187	290,682	**290,158**	**291,255**
Long-term borrowings	466,917	466,645	498,588	500,227	**469,993**	**468,489**
Total	807,024	809,433	788,775	790,909	**760,151**	**759,744**

* The fair value of the above financial instruments is categorized within Level 2.

The fair value of major financial instruments measured at amortized cost is determined as follows:

(a) Cash and cash equivalents, trade and other receivables

Since these are settled in the short term, the fair value reasonably approximates the carrying amount.

(b) Trade and other payables, short-term borrowings, commercial papers

Since these are settled in the short term, the fair value reasonably approximates the carrying amount.

(c) Bonds payable

The fair value of a bond is determined based on the market price, if available. If a market price is not available, the fair value is determined as the present value of total principal and interest amount discounted using an estimated interest rate reflecting the bond's remaining term and credit risk. Such fair value is categorized within Level 2.

(d) Long-term borrowings

The fair value of a long-term borrowing is determined as the present value of total principal and interest amount discounted using an estimated interest rate of hypothetical, equivalent new borrowings. Such fair value is categorized within Level 2.

(3) Financial instruments measured at fair value

The breakdown of financial assets and liabilities measured at fair value on a recurring basis that are categorized by level of the fair value hierarchy is as follows:

Millions of yen

	April 1, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Shares and investments in capital	180,446	—	19,210	199,656
Derivative assets	—	16,127	—	16,127
Other	—	—	300	300
Total	180,446	16,127	19,510	216,083
Financial liabilities				
Other financial liabilities				
Derivative liabilities	—	3,837	—	3,837
Total	—	3,837	—	3,837

Millions of yen

	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Shares and investments in capital	145,365	—	16,499	161,864
Derivative assets	—	12,488	—	12,488
Other	—	—	300	300
Total	145,365	12,488	16,799	174,652
Financial liabilities				
Other financial liabilities				
Derivative liabilities	—	4,300	—	4,300
Total	—	4,300	—	4,300

Millions of yen

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Shares and investments in capital	**174,614**	**—**	**17,810**	**192,424**
Derivative assets	**—**	**7,363**	**—**	**7,363**
Other	**—**	**—**	**300**	**300**
Total	**174,614**	**7,363**	**18,110**	**200,087**
Financial liabilities				
Other financial liabilities				
Derivative liabilities	**—**	**4,803**	**—**	**4,803**
Total	**—**	**4,803**	**—**	**4,803**

The fair value of major financial instruments measured at fair value is determined as follows:

(a) Shares and investments in capital

The fair value of shares whose market prices in active markets are available is measured using market prices and is categorized within Level 1. The fair value of shares and investments in capital whose market prices in active markets are not available is measured using appropriate valuation techniques, such as the comparable company method, and is categorized within Level 3. Adjustments including certain illiquidity discounts are taken into account as necessary.

(b) Derivative assets and derivative liabilities

The fair value of forward exchange contracts is determined based on forward exchange rates or prices quoted by financial institutions, and the fair value of cross-currency swaps and interest rate swaps is determined based on prices quoted by financial institutions. Both are categorized within Level 2.

Reconciliation of the balance at the beginning and end of the period for recurring fair value measurement categorized within Level 3 of the fair value hierarchy is as follows:

Millions of yen

	2020	2021
At beginning of period	19,510	**16,799**
Gains (losses) recognized in profit or loss	—	**7**
Gains (losses) recognized in other comprehensive income	(2,820)	**3,699**
Purchases	462	**766**
Sales	(263)	**(641)**
Transfer to Level 1 due to listing	—	**(2,614)**
Other	(90)	**94**
At end of period	16,799	**18,110**

*1 Gains (losses) recognized in profit or loss is included in "Finance income" and "Finance costs" in the consolidated statement of profit or loss, and gains (losses) recognized in other comprehensive income is included in "Investments in equity instruments" in the consolidated statement of comprehensive income.

*2 The method of measurement of financial instruments categorized within Level 3 is determined by the department in charge in accordance with the valuation policies and procedures for the fair value measurement approved by the appropriate authority. Fair value is measured by the said department and the results of the fair value measurement are approved by the appropriate persons in charge.

4. Hedge accounting

(1) Overview of hedges

The Group enters into derivative transactions to reduce currency risk and interest rate risk, and applies hedge accounting to those that qualify as cash flow hedges or fair value hedges. Cash flow hedges are used primarily to reduce the risk of fluctuations in future cash flows related to forecast transactions and borrowings denominated in foreign currencies and borrowings with floating interest rates. Fair value hedges are used to convert the interest rates on borrowings to floating interest rates and accordingly reduce the risk of changes in the fair value of such borrowings.

The currency basis spread of a cross-currency swap used to reduce currency risk is excluded from the hedging instrument and recognized as a deferred cost of hedging in other comprehensive income. In addition, in applying hedge accounting, in principle, since the important conditions such as the quantity, term, and benchmark interest rate for the hedged items and the hedging instruments are made almost the same, the ineffective portion of hedging is immaterial.

(2) Information on items designated as hedging instruments

The nominal amount and its timing and the carrying amount of hedging instruments are as follows:

Millions of yen

	April 1, 2019			
	Nominal amount	Of which due over 1 year	Carrying amount (fair value)	
			Assets	Liabilities
Cash flow hedges				
Currency risk				
Forward exchange contracts	30,334	40	186	99
Cross-currency swaps	142,071	138,425	13,102	2,827
Interest rate risk				
Interest rate swaps	40,504	40,000	29	—
Fair value hedges				
Interest rate risk				
Interest rate swaps	66,900	66,900	1,975	—

Millions of yen

	March 31, 2020			
	Nominal amount	Of which due over 1 year	Carrying amount (fair value)	
			Assets	Liabilities
Cash flow hedges				
Currency risk				
Forward exchange contracts	52,471	—	300	81
Cross-currency swaps*1	137,269	87,618	10,953	3,319
Interest rate risk				
Interest rate swaps*2	100,271	59,785	223	—
Fair value hedges				
Interest rate risk				
Interest rate swaps	26,900	26,900	186	—

Millions of yen

	March 31, 2021			
	Nominal amount	Of which due over 1 year	Carrying amount (fair value)	
			Assets	Liabilities
Cash flow hedges				
Currency risk				
Forward exchange contracts	**37,421**	**299**	**246**	**840**
Cross-currency swaps*1	**87,647**	**86,870**	**5,418**	**2,439**
Interest rate risk				
Interest rate swaps*2	**59,785**	**59,785**	**196**	**—**
Fair value hedges				
Interest rate risk				
Interest rate swaps	**26,900**	**26,900**	**130**	**—**

*1 These are mainly contracts to borrow yen principal in exchange for U.S. dollar principal. The average rates of the contracts at March 31, 2020 and 2021 were ¥102.9 and ¥107.2 per U.S. dollar, respectively.
*2 The average paying fixed interest rates at March 31, 2020 and 2021 were (0.17)% and (0.18)%, respectively, and the receiving floating interest rates were mainly yen LIBOR.
*3 Derivatives used as hedging instruments are included in "Other financial assets" and "Other financial liabilities" in the consolidated statement of financial position.

(3) Information on items designated as hedged items

The impact of items designated as hedged items on the consolidated statement of financial position is as follows:

(a) Cash flow hedges

Millions of yen

	April 1, 2019	March 31, 2020	March 31, 2021
	Cash flow hedge reserve (net of tax)	Cash flow hedge reserve (net of tax)	Cash flow hedge reserve (net of tax)
Currency risk			
Principal and interest on bonds and borrowings	(594)	(504)	**(364)**
Forecast operating transactions and other	11	162	**(436)**
Interest rate risk			
Interest on bonds and borrowings	(19)	125	**116**

* The amount of cash flow hedge reserve related to hedging relationships for which hedge accounting was discontinued is immaterial.

(b) Fair value hedges

Millions of yen

	April 1, 2019			
	Carrying amount of hedged items		Accumulated fair value hedge adjustments included in carrying amount of hedged items	
	Assets	Liabilities	Assets	Liabilities
Interest rate risk				
Bonds and borrowings	—	68,781	—	1,975

Millions of yen

	March 31, 2020			
	Carrying amount of hedged items		Accumulated fair value hedge adjustments included in carrying amount of hedged items	
	Assets	Liabilities	Assets	Liabilities
Interest rate risk				
Bonds and borrowings	—	27,078	—	186
Discontinued hedge (bonds and borrowings)	—	41,240	—	1,291

Millions of yen

	March 31, 2021			
	Carrying amount of hedged items		Accumulated fair value hedge adjustments included in carrying amount of hedged items	
	Assets	Liabilities	Assets	Liabilities
Interest rate risk				
Bonds and borrowings	**—**	**27,018**	**—**	**130**
Discontinued hedge (bonds and borrowings)	**—**	**40,809**	**—**	**843**

(4) Impact of hedge accounting on the consolidated statement of profit or loss and the consolidated statement of comprehensive income

The impact (before tax) of hedge accounting on the consolidated statement of profit or loss and the consolidated statement of comprehensive income is as follows:

Millions of yen

	2020		**2021**	
	Changes in value of hedging instruments recognized in other comprehensive income	Reclassification adjustments to profit or loss	Changes in value of hedging instruments recognized in other comprehensive income	Reclassification adjustments to profit or loss
Cash flow hedges				
Currency risk*1	735	(359)	**(4,092)**	**3,537**
Interest rate risk*2	257	(50)	**50**	**(63)**

*1 Reclassification adjustments related to currency risk are included in "Revenue," "Finance income" and "Finance costs" in the consolidated statement of profit or loss.
*2 Reclassification adjustments related to interest rate risk are included in "Finance income" and "Finance costs" in the consolidated statement of profit or loss.
*3 The amount recognized in profit or loss for the ineffective portion of hedges was immaterial for the years ended March 31, 2020 and 2021.

(5) Uncertainty arising from interest rate benchmark reform

The Group has floating interest rate liabilities linked to yen LIBOR or U.S. dollar LIBOR, which are hedged by interest rate swaps or cross-currency swaps. Of these hedging relationships, those with maturity dates subsequent to the date of cessation of LIBOR publication are subject to uncertainties arising from the interest rate benchmark reform. The Group assumes that uncertainties will exist until an alternative benchmark rate is determined and the cash flows based on the benchmark rate are confirmed. The nominal amount of the hedging instruments related to the affected hedging relationships was ¥172,585 million at March 31, 2020 and 2021.

The Group is working with the financial institutions involved in such floating rate liabilities and hedging transactions to prepare for the transition to an alternative benchmark rate.

5. Transfers of financial assets that do not qualify for derecognition

The Group converts a portion of trade receivables into cash before the due date through such methods as discounting trade notes and liquidating accounts receivable. If these transferred receivables become uncollectible, the Group will be obligated to make payments to financial institutions. Therefore, the transferred receivables continue to be included in "Trade and other receivables" in the consolidated statement of financial position, and the amount received for the transfer is included in "Bonds and borrowings."

The carrying amount of transferred receivables that do not qualify for derecognition and related liabilities is as follows:

Millions of yen

	April 1, 2019	March 31, 2020	**March 31, 2021**
Trade and other receivables	13,852	13,080	**12,920**
Bonds and borrowings	13,852	13,080	**12,920**

Note 33. Cash Flow Information

Reconciliation of liabilities arising from financing activities is as follows:

Millions of yen

	2020						
			Non-cash changes				
	At beginning of period	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair value	New leases	Other	At end of period
Short-term borrowings	196,980	(38,863)	(3,229)	—	—	—	154,888
Commercial papers	—	10,000	—	—	—	—	10,000
Long-term borrowings	466,917	45,443	(13,825)	—	—	53	498,588
Bonds payable	340,107	(50,000)	—	—	—	80	290,187
Lease liabilities	44,338	(11,166)	(539)	—	4,299	429	37,361
Derivatives used to hedge liabilities	(12,052)	—	—	4,079	—	—	(7,973)
Total	1,036,290	(44,586)	(17,593)	4,079	4,299	562	983,051

Millions of yen

	2021						
			Non-cash changes				
	At beginning of period	Changes from financing cash flows	Changes in foreign exchange rates	Changes in fair value	New leases	Other	At end of period
Short-term borrowings	**154,888**	**(15,269)**	**3,516**	**—**	**—**	**—**	**143,135**
Commercial papers	**10,000**	**20,000**	**—**	**—**	**—**	**—**	**30,000**
Long-term borrowings	**498,588**	**(39,874)**	**11,246**	**—**	**—**	**33**	**469,993**
Bonds payable	**290,187**	**—**	**—**	**—**	**—**	**(29)**	**290,158**
Lease liabilities	**37,361**	**(11,615)**	**675**	**—**	**14,550**	**(330)**	**40,641**
Derivatives used to hedge liabilities	**(7,973)**	**4,906**	**—**	**(205)**	**—**	**—**	**(3,272)**
Total	**983,051**	**(41,852)**	**15,437**	**(205)**	**14,550**	**(326)**	**970,655**

Note 34. Subsidiaries

The major subsidiaries at March 31, 2021 were as follows:

Company name	Main business*	Location	March 31, 2021 Ownership percentage of voting rights (%)
Toray International, Inc.	Trading	Japan	**100.0**
Chori Co., Ltd.	Trading	Japan	**52.8**
Toray Engineering Co., Ltd.	Environment & Engineering	Japan	**100.0**
Toray Composite Materials America, Inc.	Carbon Fiber Composite Materials	U.S.A.	**100.0**
Toray Plastics (America), Inc.	Performance Chemicals	U.S.A.	**100.0**
Toray Carbon Fibers Europe S.A.	Carbon Fiber Composite Materials	France	**100.0**
P.T. Indonesia Toray Synthetics	Fibers & Textiles, Performance Chemicals	Indonesia	**100.0**
Thai Toray Synthetics Co., Ltd.	Fibers & Textiles, Performance Chemicals	Thailand	**90.0**
Toray Plastics (Malaysia) Sdn. Berhad	Performance Chemicals	Malaysia	**100.0**
Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd.	Fibers & Textiles	China	**84.8**
Toray Advanced Materials Korea Inc.	Fibers & Textiles, Performance Chemicals, Carbon Fiber Composite Materials, Environment & Engineering	Republic of Korea	**100.0**

* "Main business" shows segment names except for trading companies.

Note 35. Related Parties

Total key management personnel compensation of the Group is as follows:

Millions of yen

	2020	2021
Basic remuneration and bonus	1,105	**777**
Share compensation-type share option plan	188	**123**
Total	1,293	**900**

Note 36. Commitments and Contingent Liabilities

1. Commitments for the acquisition of assets

Commitments for the acquisition of assets are as follows:

Millions of yen

	March 31, 2020	March 31, 2021
Property, plant and equipment	8,925	**6,275**
Intangible assets	562	**468**
Total	9,487	**6,743**

2. Guarantee obligations

The amount of guarantee obligations related to bank loans, etc. of joint ventures, associates and third parties is as follows:

Millions of yen

	March 31, 2020	March 31, 2021
Joint ventures and associates	5,106	**4,232**
Customers in housing business and other	2,791	**1,180**
Total	7,897	**5,412**

Note 37. Subsequent Events

Not applicable.

Note 38. First-time Adoption

The Group started disclosing the consolidated financial statements in accordance with IFRS from the year ended March 31, 2021. The most recent consolidated financial statements prepared in accordance with generally accepted accounting principles in Japan (J-GAAP) are for the year ended March 31, 2020, and the date of transition to IFRS is April 1, 2019.

1. Exemptions from retrospective application

IFRS 1 requires in principle that first-time adopters retrospectively apply IFRS, but exceptionally permits exemptions from retrospective application for certain standards. The exemptions that the Group has adopted are as follows:

(1) Business combinations

Under IFRS 1, first-time adopters may elect not to apply IFRS 3 "Business Combinations" (IFRS 3) retrospectively to business combinations that occurred before the date of transition to IFRS. Adopting this exemption, the Group has elected not to apply IFRS 3 retrospectively to business combinations that occurred before April 1, 2019. As a result, the carrying amount of goodwill arising in business combinations that occurred before April 1, 2019 is based on the carrying amount in accordance with J-GAAP at that date. The goodwill was tested for impairment at April 1, 2019 regardless of whether there was an indication of impairment.

(2) Exchange differences on translation of foreign operations

Under IFRS 1, first-time adopters may elect to deem the cumulative exchange differences on translation of foreign operations to be zero at the date of transition to IFRS. The Group has elected to deem the cumulative exchange differences on translation of foreign operations to be zero at April 1, 2019.

(3) Leases

Under IFRS 1, first-time adopters may assess whether a contract existing at the date of transition to IFRS contains a lease on the basis of facts and circumstances existing at that date. In addition, when recognizing lease liabilities and right-of-use assets, first-time adopters may measure the lease liabilities and right-of-use assets at the date of transition to IFRS.

Adopting this exemption, the Group has assessed whether a contract existing at April 1, 2019 contains a lease on the basis of facts and circumstances existing at that date. In addition, except for short-term leases and leases for which the underlying asset is of low value, the Group has measured the lease liability at the present value of the remaining lease payments at April 1, 2019, discounted using the lessee's incremental borrowing rate at that date, and the right-of-use asset at an amount equal to the lease liability.

(4) Designation of financial instruments recognized before the date of transition to IFRS

Under IFRS 1, first-time adopters should determine the classification under IFRS 9 "Financial Instruments" (IFRS 9) on the basis of the facts and circumstances that exist at the date of transition to IFRS rather than at the date of initial recognition, and may designate investments in equity instruments as financial assets measured at fair value through other comprehensive income on the basis of the facts and circumstances that exist at that date. The Group has determined the classification under IFRS 9 on the basis of the facts and circumstances that exist at April 1, 2019, and has designated investments in equity instruments as financial assets measured at fair value through other comprehensive income.

2. Reconciliations

The effects of the transition from J-GAAP to IFRS on the Group's financial position, financial performance and cash flows are as follows. In these reconciliations, "Reclassification" mainly includes items that affect neither retained earnings nor comprehensive income, and "Recognition and measurement difference" mainly includes items that affect retained earnings and comprehensive income.

I. Reconciliation of equity

Millions of yen

Item presented under J-GAAP	April 1, 2019 J-GAAP	Reclassification (11)	Recognition and measurement difference	IFRS	Note	Item presented under IFRS
Assets						Assets
Current assets						Current assets
Cash and time deposits	168,507	4,571	(5,643)	167,435	(6)	Cash and cash equivalents
Notes and accounts receivable - trade	531,058	13,666	16,382	561,106	(1)(6)	Trade and other receivables
Merchandise and finished goods	228,480	191,047	12,401	431,928	(1)	Inventories
Work in process	85,880	(85,880)	—	—		
Raw materials and supplies	105,167	(105,167)	—	—		
	—	5,148	510	5,658	(6)	Other financial assets
Other current assets	74,517	(25,576)	(774)	48,167		Other current assets
Allowance for doubtful accounts	(2,280)	2,280	—	—		
Total current assets	1,191,329	89	22,876	1,214,294		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	996,876	(21,871)	(786)	974,219		Property, plant and equipment
	—	16,137	39,692	55,829	(2)	Right-of-use assets
Intangible assets						
Goodwill	85,712	—	—	85,712		Goodwill
Other	85,537	(438)	(4)	85,095		Intangible assets
Investments and other assets						
Investment securities	333,670	(333,670)	—	—		
Long-term loans receivable	2,477	(2,477)	—	—		
	—	163,052	2,234	165,286	(7)	Investments accounted for using equity method
	—	205,978	25,962	231,940	(6)	Other financial assets
Deferred tax assets	21,978	—	(4,061)	17,917	(8)	Deferred tax assets
Retirement benefit asset	24,440	—	(4,832)	19,608	(4)	Retirement benefit asset
Other	49,113	(29,581)	(75)	19,457		Other non-current assets
Allowance for doubtful accounts	(2,781)	2,781	—	—		
Total non-current assets	1,597,022	(89)	58,130	1,655,063		Total non-current assets
Total assets	2,788,351	—	81,006	2,869,357		Total assets

Millions of yen

Item presented under J-GAAP	April 1, 2019 J-GAAP	Reclassification (11)	Recognition and measurement difference	IFRS	Note	Item presented under IFRS
Liabilities						Liabilities and equity
						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	240,554	77,243	7,772	325,569	(6)	Trade and other payables
Short-term borrowings	175,567	101,602	13,807	290,976	(6)	Bonds and borrowings
Long-term borrowings due within one year	44,094	(44,094)	—	—		
Bonds due within one year	50,000	(50,000)	—	—		
	—	380	10,069	10,449	(2)	Lease liabilities
	—	13,307	4,278	17,585	(1)	Other financial liabilities
Income taxes payable	13,578	(1,639)	—	11,939		Income taxes payable
Reserve for employees' bonuses	22,029	(22,029)	—	—		
Reserve for officers' bonuses	179	(179)	—	—		
Other current liabilities	150,492	(74,475)	12,908	88,925	(5)	Other current liabilities
Total current liabilities	696,493	116	48,834	745,443		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds	290,000	412,761	10,267	713,028	(6)	Bonds and borrowings
Long-term borrowings	412,761	(412,761)	—	—		
	—	3,379	30,510	33,889	(2)	Lease liabilities
	—	6,018	2,821	8,839	(6)	Other financial liabilities
Deferred tax liabilities	48,758	—	(3,388)	45,370	(8)	Deferred tax liabilities
Reserve for retirement benefits for officers	1,337	(1,337)	—	—		
Retirement benefit liability	100,730	—	2,493	103,223	(4)	Retirement benefit liability
Other non-current liabilities	24,328	(8,176)	(2,717)	13,435		Other non-current liabilities
Total non-current liabilities	877,914	(116)	39,986	917,784		Total non-current liabilities
Total liabilities	1,574,407	—	88,820	1,663,227		Total liabilities
Net assets						Equity
Shareholders' equity						Equity attributable to owners of parent
Share capital	147,873	—	—	147,873		Share capital
Capital surplus	117,760	1,338	2,331	121,429	(6)	Capital surplus
Retained earnings	817,263	—	(14,054)	803,209	(10)	Retained earnings
Treasury shares	(20,358)	—	—	(20,358)		Treasury shares
Accumulated other comprehensive income	68,495	—	3,642	72,137	(4)(6)(9)	Other components of equity
Share acquisition rights	1,338	(1,338)	—	—		
Non-controlling interests	81,573	—	267	81,840		Non-controlling interests
Total net assets	1,213,944	—	(7,814)	1,206,130		Total equity
Total liabilities and net assets	2,788,351	—	81,006	2,869,357		Total liabilities and equity

Millions of yen

	March 31, 2020					
Item presented under J-GAAP	J-GAAP	Reclassification (11)	Recognition and measurement difference	IFRS	Note	Item presented under IFRS
Assets						Assets
Current assets						Current assets
Cash and time deposits	173,698	9,983	22	183,703		Cash and cash equivalents
Notes and accounts receivable - trade	483,761	8,151	4,152	496,064	(1)(6)	Trade and other receivables
Merchandise and finished goods	214,957	178,698	11,614	405,269	(1)	Inventories
Work in process	79,520	(79,520)	—	—		
Raw materials and supplies	99,178	(99,178)	—	—		
	—	13,017	6,488	19,505	(6)	Other financial assets
Other current assets	79,907	(30,721)	(1,836)	47,350		Other current assets
Allowance for doubtful accounts	(2,569)	2,569	—	—		
Total current assets	1,128,452	2,999	20,440	1,151,891		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	1,006,509	(36,386)	(927)	969,196		Property, plant and equipment
	—	26,054	21,041	47,095	(2)	Right-of-use assets
Intangible assets						
Goodwill	71,950	—	11,456	83,406	(3)	Goodwill
Other	78,741	(476)	1,237	79,502		Intangible assets
Investments and other assets						
Investment securities	284,696	(284,696)	—	—		
Long-term loans receivable	5,579	(5,579)	—	—		
	—	149,339	21,837	171,176	(7)	Investments accounted for using equity method
	—	171,547	12,437	183,984	(6)	Other financial assets
Deferred tax assets	18,215	—	(1,371)	16,844	(8)	Deferred tax assets
Retirement benefit asset	19,783	—	(3,977)	15,806	(4)	Retirement benefit asset
Other	39,253	(25,293)	660	14,620		Other non-current assets
Allowance for doubtful accounts	(2,491)	2,491	—	—		
Total non-current assets	1,522,235	(2,999)	62,393	1,581,629		Total non-current assets
Total assets	2,650,687	—	82,833	2,733,520		Total assets

Millions of yen

Item presented under J-GAAP	J-GAAP	Reclassification (11)	Recognition and measurement difference	IFRS	Note	Item presented under IFRS
	March 31, 2020					
Liabilities						Liabilities and equity
						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	212,323	70,918	2,461	285,702		Trade and other payables
Short-term borrowings	132,358	127,362	19,242	278,962	(6)	Bonds and borrowings
Long-term borrowings due within one year	108,131	(108,131)	—	—		
	—	3,106	6,778	9,884	(2)	Lease liabilities
	—	11,265	2,646	13,911	(1)	Other financial liabilities
Income taxes payable	11,185	(1,043)	13	10,155		Income taxes payable
Reserve for employees' bonuses	21,362	(21,362)	—	—		
Reserve for officers' bonuses	166	(166)	—	—		
Other current liabilities	145,250	(81,949)	14,043	77,344	(5)	Other current liabilities
Total current liabilities	630,775	—	45,183	675,958		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds	290,000	383,068	1,633	674,701	(6)	Bonds and borrowings
Long-term borrowings	383,068	(383,068)	—	—		
	—	12,200	15,277	27,477	(2)	Lease liabilities
	—	4,287	3,319	7,606	(6)	Other financial liabilities
Deferred tax liabilities	33,916	—	(1,793)	32,123	(8)	Deferred tax liabilities
Reserve for retirement benefits for officers	1,407	(1,407)	—	—		
Retirement benefit liability	100,575	—	1,404	101,979	(4)	Retirement benefit liability
Other non-current liabilities	31,374	(15,080)	(3,464)	12,830		Other non-current liabilities
Total non-current liabilities	840,340	—	16,376	856,716		Total non-current liabilities
Total liabilities	1,471,115	—	61,559	1,532,674		Total liabilities
Net assets						Equity
Shareholders' equity						Equity attributable to owners of parent
Share capital	147,873	—	—	147,873		Share capital
Capital surplus	118,062	1,602	2,323	121,987	(6)	Capital surplus
Retained earnings	849,268	—	10,860	860,128	(10)	Retained earnings
Treasury shares	(20,308)	—	—	(20,308)		Treasury shares
Accumulated other comprehensive income	(1,147)	—	7,542	6,395	(4)(6)(9)	Other components of equity
Share acquisition rights	1,602	(1,602)	—	—		
Non-controlling interests	84,222	—	549	84,771		Non-controlling interests
Total net assets	1,179,572	—	21,274	1,200,846		Total equity
Total liabilities and net assets	2,650,687	—	82,833	2,733,520		Total liabilities and equity

Notes on reconciliation of equity

(1) Revenue recognition

(a) Change in timing of revenue recognition

Revenue from sale of goods transactions that was recognized upon shipment under J-GAAP is recognized upon delivery of goods under IFRS. As a result of this change, “Trade and other receivables” have decreased, and “Inventories” have increased.

(b) Repurchase agreements in processing contracts

Under J-GAAP, products and materials (inventories) supplied to contractors for a fee in a contract where the goods supplied are processed and sold back to the Group were derecognized at the time of supply to the processors. Under IFRS, such transactions are deemed as financing transactions, under which “Inventories” continue to be recognized and “Other financial liabilities” (current liabilities) are recognized.

(c) Construction contracts

Construction contracts that were accounted for using the completed contract method under J-GAAP are accounted for using the cost recovery method under IFRS. Accordingly, “Inventories” have decreased, and “Trade and other receivables” have increased.

(2) Leases

Under J-GAAP, a lessee classified leases as either a finance lease or an operating lease and accounted for operating leases using the accounting method similar to that for ordinary rental transactions. Under IFRS, instead of making such classification, a lessee recognizes “Right-of-use assets” and “Lease liabilities” for all leases except for short-term leases and leases for which the underlying asset is of low value.

(3) Goodwill

Under J-GAAP, goodwill was amortized on a straight-line basis over a period for which goodwill is expected to have an effect with a maximum period of 20 years after recognition. Under IFRS, goodwill is not amortized. Accordingly, “Goodwill” increased at March 31, 2020.

(4) Retirement benefits

As a result of remeasuring defined benefit obligations based on the discount rate and other assumptions in accordance with IFRS, “Retirement benefit asset” has decreased, and “Retirement benefit liability” has increased. Under J-GAAP, actuarial gains and losses were recognized in other comprehensive income as incurred and subsequently expensed over a certain number of years within the average remaining service period of employees. Under IFRS, remeasurements of defined benefit plans including actuarial gains and losses are recognized in other comprehensive income as incurred and immediately reclassified to retained earnings.

(5) Unused paid absences

Unused paid absences of employees, which were not required to be recognized as liabilities under J-GAAP, are recognized as liabilities under IFRS. As a result, “Other current liabilities” have increased.

(6) Financial instruments

(a) Notes maturing at the fiscal year end and cash settlements due on the fiscal year end

Under J-GAAP, notes maturing at the fiscal year end and cash settlements (limited to those settled on the same terms and conditions as notes) due on the fiscal year end were accounted for as if they had been settled at the maturity date even when the fiscal year end fell on a bank holiday. Under IFRS, they are derecognized on the actual clearing or settlement date. As a result of this change, “Cash and cash equivalents” have decreased, and “Trade and other receivables” and “Trade and other payables” have increased.

(b) Accounts receivable factoring and securitization

Of factored or securitized receivables that were derecognized at the time of transfer under J-GAAP, those that do not qualify for derecognition under IFRS are not derecognized and the considerations received are recognized as borrowings. As a result, "Trade and other receivables" and "Bonds and borrowings" (current liabilities) have increased.

(c) Valuation of unlisted equity securities

Unlisted equity securities were stated at cost using the moving-average cost method under J-GAAP, but are stated at fair value under IFRS. As a result, "Other financial assets" (non-current assets) and "Other components of equity" have increased.

(d) Cross-currency swaps and interest rate swaps

In applying hedge accounting, cross-currency swaps were accounted for using the allocation method and interest rate swaps were accounted for using the special accounting method under J-GAAP. Under IFRS, cross-currency swaps and interest rate swaps are accounted for using the cash flow hedge method or the fair value hedge method. Accordingly, "Other financial assets" (current assets and non-current assets), "Bonds and borrowings" and "Other financial liabilities" (non-current liabilities) have increased.

(e) Bonds payable (bond issuance costs, convertible bonds)

Bond issuance costs, which were expensed as incurred under J-GAAP, are deducted from the carrying amount of the bonds and expensed using the effective interest method under IFRS. Convertible bonds, which were recognized as liabilities in their entirety under J-GAAP, are separated into the bond component, which is recognized as a liability, and the share acquisition right component, which is recognized as an equity, under IFRS. As a result, "Bonds and borrowings" have decreased, and "Capital surplus" has increased.

(7) Equity method

(a) Change in scope of application of equity method

Certain entities that were excluded from the scope of equity method in view of their immateriality at March 31, 2019 under J-GAAP are included in the scope of equity method effective from the date of transition to IFRS. As a result, "Investments accounted for using equity method" have increased at April 1, 2019. These entities are also included in the scope of equity method effective from the beginning of the year ended March 31, 2020 under J-GAAP.

(b) Equity method goodwill

Equity method goodwill, which was amortized under J-GAAP, is not amortized under IFRS. Accordingly, "Investments accounted for using equity method" have increased at March 31, 2020.

(8) Tax effects

Tax effects of the elimination of unrealized gains and losses were determined using the tax rates of sellers under J-GAAP, but are determined using the tax rates of buyers under IFRS. The recoverability is also reassessed under IFRS. In addition, the amounts of "Deferred tax assets" and "Deferred tax liabilities" have been adjusted for temporary differences as a result of the reconciliation from J-GAAP to IFRS.

(9) Exchange differences on translation of foreign operations

As a result of applying the exemptions provided in IFRS 1, the cumulative exchange differences on translation of foreign operations were all reclassified to retained earnings at April 1, 2019.

(10) Retained earnings

The effects of adjustments on retained earnings upon application of IFRS are as follows:

Millions of yen

	April 1, 2019	March 31, 2020
Change in timing of revenue recognition (see (1))	(1,622)	(1,906)
Goodwill (see (3))	—	10,942
Retirement benefits (see (4))	(2,229)	(5,489)
Unused paid absences (see (5))	(12,007)	(12,784)
Bonds payable (see (6))	(1,571)	(2,123)
Change in scope of application of equity method (see (7))	2,027	—
Equity method goodwill (see (7))	—	21,599
Tax effects (see (8))	1,024	972
Exchange differences on translation of foreign operations (see (9))	896	896
Other	(572)	(1,247)
Total	(14,054)	10,860

(11) Reclassifications

In addition to the above, the Group has made certain reclassifications to comply with the provisions of IFRS. The major items of the reclassifications are as follows:

- Time deposits with deposit terms exceeding three months, which were included in "Cash and time deposits" under J-GAAP, are reclassified and presented in "Other financial assets" (current assets) under IFRS. Short-term investments with a maturity of three months or less, which were included in "Other current assets" under J-GAAP, are reclassified and presented in "Cash and cash equivalents" under IFRS.
- Other receivables included in "Other current assets" under J-GAAP are reclassified and presented in "Trade and other receivables" under IFRS.
- Leased assets, which were included in "Property, plant and equipment" under J-GAAP, are separately presented as "Right-of-use assets" under IFRS. Investment property, which was included in "Property, plant and equipment" under J-GAAP, is reclassified and presented in "Other non-current assets" under IFRS.
- Of "Investment securities," which were separately presented under J-GAAP, and investments in capital, which were included in "Other" of "Investments and other assets" under J-GAAP, investments subject to the equity method are separately presented as "Investments accounted for using equity method" and other items are presented in "Other financial assets" (non-current assets) under IFRS.
- Other payables and accrued expenses included in "Other current liabilities" under J-GAAP are reclassified and presented in "Trade and other payables" under IFRS.
- "Reserve for employees' bonuses" and "Reserve for officers' bonuses," which were separately presented under J-GAAP, are reclassified and presented in "Other current liabilities" under IFRS.
- "Short-term borrowings," "Long-term borrowings due within one year" and "Bonds due within one year," which were separately presented in current liabilities under J-GAAP, are reclassified and presented in "Bonds and borrowings" (current liabilities) under IFRS. "Bonds" and "Long-term borrowings," which were separately presented in non-current liabilities under J-GAAP, are reclassified and presented in "Bonds and borrowings" (non-current liabilities) under IFRS.
- Lease liabilities, which were included in "Other current liabilities" and "Other non-current liabilities" under J-GAAP, are separately presented as "Lease liabilities" in current and non-current liabilities, respectively, under IFRS.

II. Reconciliation of profit or loss and comprehensive income

Millions of yen

	2020					
Item presented under J-GAAP	J-GAAP	Reclassification (7)	Recognition and measurement difference	IFRS	Note	Item presented under IFRS
Net sales	2,214,633	—	(123,467)	2,091,166	(1)	Revenue
Cost of sales	(1,776,276)	(9,451)	123,848	(1,661,879)	(1)(3)	Cost of sales
Gross profit	438,357	(9,451)	381	429,287		Gross profit
Selling, general and administrative expenses	(307,171)	(4,144)	10,664	(300,651)	(2)(3)	Selling, general and administrative expenses
	—	7,147	386	7,533		Other income
	—	(21,205)	(264)	(21,469)		Other expenses
Operating income	131,186	(27,653)	11,167	114,700		Operating income
Non-operating income	11,237	(11,237)	—	—		
Non-operating expenses	(39,068)	39,068	—	—		
Special gains	7,691	(7,691)	—	—		
Special losses	(17,000)	17,000	—	—		
	—	11,218	(4,153)	7,065	(4)	Finance income
	—	(10,172)	1,006	(9,166)	(4)	Finance costs
	—	(10,805)	21,510	10,705	(5)	Share of profit of investments accounted for using equity method
Income before income taxes	94,046	(272)	29,530	123,304		Profit before tax
Income taxes	(29,131)	272	(602)	(29,461)	(6)	Income tax expense
Net income	64,915	—	28,928	93,843		Profit

Millions of yen

	2020					
Item presented under J-GAAP	J-GAAP	Reclassification (7)	Recognition and measurement difference	IFRS	Note	Item presented under IFRS
Net income	64,915	—	28,928	93,843		Profit
Other comprehensive income						Other comprehensive income
						Items that will not be reclassified to profit or loss
Net unrealized gains (losses) on securities	(20,488)	—	555	(19,933)	(4)	Investments in equity instruments
Remeasurements of defined benefit plans	(5,083)	—	161	(4,922)	(3)	Remeasurements of defined benefit plans
	—	(520)	(12)	(532)		Share of other comprehensive income of investments accounted for using equity method
						Items that may be reclassified to profit or loss
Net deferred gains (losses) on hedges	1,037	—	(633)	404		Cash flow hedges
	—	—	(602)	(602)		Deferred costs of hedging
Foreign currency translation adjustments	(44,857)	—	207	(44,650)		Exchange differences on translation
Share of other comprehensive income of investments accounted for using equity method	(2,904)	520	2,386	2		Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	(72,295)	—	2,062	(70,233)		Total other comprehensive income
Comprehensive income	(7,380)	—	30,990	23,610		Comprehensive income

Notes on reconciliation of profit or loss and comprehensive income

(1) Revenue recognition

For transactions undertaken as an agent, “Net sales” and “Cost of sales” were presented on a gross basis under J-GAAP, whereas they are presented on a net basis under IFRS. In addition, revenue from sale of goods transactions that was recognized upon shipment under J-GAAP is recognized upon delivery of goods under IFRS. As a result of these adjustments, “Revenue” has decreased.

(2) Goodwill

Under J-GAAP, goodwill was amortized on a straight-line basis over a period for which goodwill is expected to have an effect with a maximum period of 20 years after recognition. Under IFRS, goodwill is not amortized. Accordingly, “Selling, general and administrative expenses” have decreased.

(3) Retirement benefits

Under J-GAAP, actuarial gains and losses were recognized in other comprehensive income as incurred, subsequently amortized over a certain number of years within the average remaining service period of employees and recognized in profit or loss. Under IFRS, remeasurements of defined benefit plans including actuarial gains and losses are recognized in other comprehensive income as incurred and immediately reclassified to retained earnings. As a result, "Cost of sales" and "Selling, general and administrative expenses" have been adjusted.

(4) Financial instruments

Under J-GAAP, gains and losses on sale and impairment losses of investments in equity instruments were recognized in profit or loss. Under IFRS, for investments in equity instruments designated as measured at fair value through other comprehensive income, the amount of changes in the fair value is recognized in other comprehensive income, and reclassified to retained earnings at the time of sale. Accordingly, "Finance income" and "Finance costs" have decreased.

(5) Equity method goodwill

Equity method goodwill, which was amortized under J-GAAP, is not amortized under IFRS. Accordingly, "Share of profit of investments accounted for using equity method" has increased.

(6) Tax effects

As a result of temporary differences arising from the reconciliation from J-GAAP to IFRS, the amount of income taxes has been adjusted.

Tax effects of the elimination of unrealized gains and losses, which were determined using the tax rates of sellers under J-GAAP, are determined using the tax rates of buyers under IFRS.

(7) Reclassifications

In addition to the above, the Group has made certain reclassifications to comply with the provisions of IFRS. The major items of the reclassifications are as follows:

- "Expenses related to start-up of new facilities" and "Expenses related to idle facilities," which were presented in "Non-operating expenses" under J-GAAP, are included in "Selling, general and administrative expenses" and "Cost of sales," respectively, under IFRS. Of the other items that were presented in "Non-operating income," "Non-operating expenses," "Special gains" and "Special losses" under J-GAAP, finance-related items and foreign exchange gains and losses are presented in "Finance income" or "Finance costs," gains and losses related to the equity method in "Share of profit of investments accounted for using equity method" and other items in "Other income" or "Other expenses."

III. Reconciliation of cash flows

Main differences between the consolidated statement of cash flows in accordance with J-GAAP and that in accordance with IFRS for the year ended March 31, 2020 are as follows:

- Under J-GAAP, notes maturing at the fiscal year end and cash settlements (limited to those settled on the same terms and conditions as notes) due on the fiscal year end were accounted for as if they had been settled at the maturity date even when the fiscal year end fell on a bank holiday. Under IFRS, they are derecognized on the actual clearing or settlement date. As a result of this change, "Cash and cash equivalents at beginning of period" have decreased, and "Cash flows from operating activities" have increased.
- Lease payments for operating leases, which were classified in "Cash flows from operating activities" under J-GAAP, are classified in "Cash flows from financing activities" as repayments of lease liabilities under IFRS.

Independent Auditor's Report

The Board of Directors
Toray Industries, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Toray Industries, Inc. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill in the Carbon Fiber Composite Materials segment

Description of Key Audit Matter	Auditor's Response
As described in "Note 12. Goodwill and Intangible Assets" in the notes to the consolidated financial statements, the Company recorded goodwill of 85,565 million yen (3.0% of total assets) as of March 31, 2021. Of this amount, in the Carbon Fiber Composite Materials segment, 60,309 million yen (70.5% of total goodwill) was recorded for Toray TCAC Holding B.V. and 11,580 million yen (13.5% of total goodwill) was recorded for Zoltek Companies, Inc. The Company tests cash-generating units or groups of cash-generating units to which goodwill has been allocated for impairment annually and whenever there is an indication of impairment, and measures the recoverable amount of each cash-generating unit at its value in use. The value in use was determined by combining the discounted present value of the future cash flows based on the business plan for the next five years approved by management with a terminal value, reflecting past experience and external information. The business plan is primarily affected by	We performed the following audit procedures in considering the valuation of goodwill in the Carbon Fiber Composite Materials segment, among others: • We verified the valuation method used in calculating value in use by involving valuation specialists of our network firms. • For sales volumes and sales prices set forth in business plans, we held discussions with management and analyzed the figures by comparing them with past actual results. • We compared the Company's demand outlook for its products, which is a premise used in estimating sales volumes, with market forecasts and available external data. • We evaluated the effectiveness of the estimation process that management uses for the business plan by comparing business plans from prior fiscal years with the corresponding actual results. • We verified the consistency between future cash flows and the business plan approved

changes in sales volumes and sales prices. The terminal value was calculated using the growth rate based on the expected inflation rate of the country to which the cash-generating unit belonged.

The key assumptions used in estimating value in use are sales volumes and sales prices set forth in the business plan, as well as the growth rate and discount rate used in calculating the terminal value.

Given that sales volumes and sales prices set forth in the business plan as well as the growth rate and discount rate, which are key assumptions underlying estimates of the aforementioned goodwill, are subject to uncertainty and thus require management's judgment and, further, considering that the balance of the goodwill is also material to the consolidated financial statements, we determined the valuation of goodwill in the Carbon Fiber Composite Materials segment to be a key audit matter.

by management.

- We compared the growth rate and discount rate with estimates that were prepared by valuation specialists of our network firms using available external data.
- We performed a sensitivity analysis with regards to changes in key assumptions.

Valuation of production facilities in the Carbon Fiber Composite Materials segment

Description of Key Audit Matter

As described in "Note 13. Impairment Losses" in the notes to the consolidated financial statements, the Company recorded impairment loss of 24,968 million yen on production facilities in the Carbon Fiber Composite Materials segment located in Washington, U.S.A. and other areas for the fiscal year ended March 31, 2021 due to a decline in profitability caused by sluggish demand for aircraft. The carrying amount after recording impairment loss is 53,192 million yen, which is included in property, plant and equipment and intangible assets.

The Company estimates the recoverable amounts of property, plant and equipment and intangible assets when there is any indication that they may be impaired and records impairment loss when the estimated recoverable amounts of these assets are less than its carrying amounts. In considering the amount to record for impairment loss on production facilities in the Carbon Fiber Composite Materials segment located in Washington, U.S.A. and other areas, the Company measures the recoverable amounts of cash-generating units at their value in use.

The value in use was calculated by discounting the future cash flows at a discount rate of 7.8%. The future cash flows were estimated based on the business plan for the next five years approved

Auditor's Response

We involved component auditors and performed the following audit procedures in considering impairment loss on production facilities in the Carbon Fiber Composite Materials segment located in Washington, U.S.A. and other areas, among others:

- We verified the valuation method used in calculating value in use by involving valuation specialists of our network firms.
- For sales volumes and sales prices set forth in the business plan, we held discussions with management and analyzed the figures by comparing them with past actual results.
- We compared the Company's demand outlook for its products, which is a premise used in estimating sales volumes, with available external data.
- We evaluated the effectiveness of the estimation process that management uses for the business plan by comparing business plans from prior fiscal years with the corresponding actual results.
- We verified the consistency between future cash flows and the business plan approved by management.
- We compared growth rate and discount rate with estimates that were prepared by valuation

by management, reflecting past experience and external information, and for years after the five years, estimated using the growth rate based on the expected inflation rate of U.S.A., the country to which the cash-generating unit belonged. The business plan is primarily affected by changes in sales volumes and sales prices. The key assumptions used in estimating value in use are sales volumes and sales prices set forth in the business plan, as well as the growth rate and discount rate used in calculating future cash flows after the five years. Given that sales volumes and sales prices set forth in the business plan as well as the growth rate and discount rate, which are key assumptions underlying estimates of the aforementioned property, plant and equipment and intangible assets, are subject to uncertainty and thus require management's judgment and, further, considering that the balances of the property, plant and equipment and intangible assets are also material to the consolidated financial statements, we determined that the valuation of production facilities in the Carbon Fiber Composite Materials segment to be a key audit matter.	specialists of our network firms using available external data. • We performed a sensitivity analysis with regards to changes in key assumptions.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 22, 2021

/s/ Kazuhiro Suzuki
Designated Engagement Partner
Certified Public Accountant

/s/ Takeshi Isogai
Designated Engagement Partner
Certified Public Accountant

/s/ Tsuyoshi Nakano
Designated Engagement Partner
Certified Public Accountant