'TORAY'
Innovation by Chemistry

Consolidated Financial Statements 2024

Consolidated Financial Statements
& Independent Auditor's Report
For the Year ended March 31, 2024
Toray Industries, Inc. and Subsidiaries

Contents

Consolidated Statement of Financial Position

March 31, 2023 and 2024

Millions of yen

Assets	Note	March 31, 2023	March 31, 2024
Current assets			
Cash and cash equivalents	7	223,995	**235,887**
Trade and other receivables	8	586,114	**659,600**
Inventories	9	521,598	**531,959**
Other financial assets	16	30,692	**12,973**
Other current assets	17	66,301	**67,110**
Assets held for sale	10	579	**15,111**
Total current assets		1,429,279	**1,522,640**
Non-current assets			
Property, plant and equipment	11	1,007,843	**1,081,115**
Right-of-use assets	12	49,149	**50,486**
Goodwill	13	95,451	**95,996**
Intangible assets	13	84,575	**95,269**
Investments accounted for using equity method	15	234,645	**228,989**
Other financial assets	16	214,730	**278,254**
Deferred tax assets	18	24,269	**26,144**
Retirement benefit asset	22	40,146	**70,975**
Other non-current assets	17	13,954	**16,650**
Total non-current assets		1,764,762	**1,943,878**
Total assets		3,194,041	**3,466,518**

Millions of yen

Liabilities and Equity	Note	March 31, 2023	March 31, 2024
Current liabilities			
Trade and other payables	19	324,140	**340,256**
Bonds and borrowings	20	376,993	**379,847**
Lease liabilities	12	10,022	**11,005**
Other financial liabilities	21	11,133	**13,988**
Income taxes payable	18	9,018	**12,760**
Other current liabilities	23	94,905	**107,878**
Total current liabilities		826,211	**865,734**
Non-current liabilities			
Bonds and borrowings	20	534,121	**530,557**
Lease liabilities	12	28,957	**28,275**
Other financial liabilities	21	5,783	**4,966**
Deferred tax liabilities	18	56,309	**89,331**
Retirement benefit liability	22	91,979	**86,396**
Other non-current liabilities	23	14,871	**14,897**
Total non-current liabilities		732,020	**754,422**
Total liabilities		1,558,231	**1,620,156**
Equity	24		
Equity attributable to owners of parent			
Share capital		147,873	**147,873**
Capital surplus		120,919	**120,944**
Retained earnings		1,037,120	**1,068,364**
Treasury shares		(19,617)	**(19,220)**
Other components of equity		248,733	**418,073**
Total equity attributable to owners of parent		1,535,028	**1,736,034**
Non-controlling interests		100,782	**110,328**
Total equity		1,635,810	**1,846,362**
Total liabilities and equity		3,194,041	**3,466,518**

Consolidated Statement of Profit or Loss

Years ended March 31, 2023 and 2024

Millions of yen

	Note	2023	2024
Revenue	26	2,489,330	**2,464,596**
Cost of sales		(2,068,495)	**(2,021,073)**
Gross profit		420,835	**443,523**
Selling, general and administrative expenses		(330,907)	**(346,344)**
Other income	27	33,978	**8,985**
Other expenses	28	(14,905)	**(48,513)**
Operating income		109,001	**57,651**
Finance income	29	8,484	**12,149**
Finance costs	29	(13,013)	**(19,083)**
Share of profit of investments accounted for using equity method	15	7,398	**8,850**
Profit before tax		111,870	**59,567**
Income tax expense	18	(31,031)	**(29,112)**
Profit		80,839	**30,455**
Profit attributable to:			
Owners of parent		72,823	**21,897**
Non-controlling interests		8,016	**8,558**
		80,839	**30,455**
Earnings per share:	31		
Basic (Yen)		45.49	**13.67**
Diluted (Yen)		45.40	**13.65**

Consolidated Statement of Comprehensive Income

Years ended March 31, 2023 and 2024

Millions of yen

	Note	2023	2024
Profit		80,839	**30,455**
Other comprehensive income	30		
Items that will not be reclassified to profit or loss			
Investments in equity instruments		8,433	**55,776**
Remeasurements of defined benefit plans		10,189	**24,712**
Share of other comprehensive income of investments accounted for using equity method		696	**159**
		19,318	**80,647**
Items that may be reclassified to profit or loss			
Cash flow hedges		2,198	**1,137**
Deferred costs of hedging		(207)	**9**
Exchange differences on translation		66,611	**133,237**
Share of other comprehensive income of investments accounted for using equity method		(3)	**(4)**
		68,599	**134,379**
Total other comprehensive income		87,917	**215,026**
Comprehensive income		168,756	**245,481**
Comprehensive income attributable to:			
Owners of parent		157,934	**230,631**
Non-controlling interests		10,822	**14,850**
		168,756	**245,481**

Consolidated Statement of Changes in Equity

Years ended March 31, 2023 and 2024

Millions of yen

	Note	2023												
		Equity attributable to owners of parent												
						Other components of equity								
		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
At April 1, 2022		147,873	120,698	978,980	(19,813)	74,648	(509)	328	103,386	-	177,853	1,405,591	94,058	1,499,649
Profit		-	-	72,823	-	-	-	-	-	-	-	72,823	8,016	80,839
Other comprehensive income		-	-	-	-	8,573	2,196	(207)	63,857	10,692	85,111	85,111	2,806	87,917
Comprehensive income		-	-	72,823	-	8,573	2,196	(207)	63,857	10,692	85,111	157,934	10,822	168,756
Exercise of share acquisition rights		-	(194)	-	194	-	-	-	-	-	-	0	-	0
Share-based payment transactions	32	-	403	-	-	-	-	-	-	-	-	403	-	403
Dividends	25	-	-	(27,229)	-	-	-	-	-	-	-	(27,229)	(4,275)	(31,504)
Changes in ownership interest in subsidiaries		-	12	-	-	-	-	-	-	-	-	12	(63)	(51)
Transfer from other components of equity to retained earnings		-	-	12,546	-	(1,854)	-	-	-	(10,692)	(12,546)	-	-	-
Other changes		-	0	-	2	-	(1,685)	-	-	-	(1,685)	(1,683)	240	(1,443)
Total transactions with owners and other		-	221	(14,683)	196	(1,854)	(1,685)	-	-	(10,692)	(14,231)	(28,497)	(4,098)	(32,595)
At March 31, 2023		147,873	120,919	1,037,120	(19,617)	81,367	2	121	167,243	-	248,733	1,535,028	100,782	1,635,810

Millions of yen

	Note	2024												
		Equity attributable to owners of parent												
						Other components of equity								
		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
At April 1, 2023		**147,873**	**120,919**	**1,037,120**	**(19,617)**	**81,367**	**2**	**121**	**167,243**	**-**	**248,733**	**1,535,028**	**100,782**	**1,635,810**
Profit		**-**	**-**	**21,897**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21,897**	**8,558**	**30,455**
Other comprehensive income		**-**	**-**	**-**	**-**	**55,360**	**1,134**	**9**	**128,268**	**23,963**	**208,734**	**208,734**	**6,292**	**215,026**
Comprehensive income		**-**	**-**	**21,897**	**-**	**55,360**	**1,134**	**9**	**128,268**	**23,963**	**208,734**	**230,631**	**14,850**	**245,481**
Exercise of share acquisition rights		**-**	**(398)**	**-**	**398**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Share-based payment transactions	32	**-**	**386**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**386**	**-**	**386**
Dividends	25	**-**	**-**	**(28,839)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(28,839)**	**(5,169)**	**(34,008)**
Changes in ownership interest in subsidiaries		**-**	**36**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**36**	**(135)**	**(99)**
Transfer from other components of equity to retained earnings		**-**	**-**	**38,186**	**-**	**(14,223)**	**-**	**-**	**-**	**(23,963)**	**(38,186)**	**-**	**-**	**-**
Other changes		**-**	**0**	**-**	**(1)**	**-**	**(1,208)**	**-**	**-**	**-**	**(1,208)**	**(1,209)**	**-**	**(1,209)**
Total transactions with owners and other		**-**	**25**	**9,347**	**397**	**(14,223)**	**(1,208)**	**-**	**-**	**(23,963)**	**(39,394)**	**(29,625)**	**(5,304)**	**(34,929)**
At March 31, 2024		**147,873**	**120,944**	**1,068,364**	**(19,220)**	**122,504**	**(72)**	**130**	**295,511**	**-**	**418,073**	**1,736,034**	**110,328**	**1,846,362**

Consolidated Statement of Cash Flows

Years ended March 31, 2023 and 2024

Millions of yen

	Note	2023	2024
Cash flows from operating activities			
Profit before tax		111,870	**59,567**
Depreciation and amortization		126,375	**129,194**
Impairment losses (reversal of impairment losses)		5,996	**36,784**
Share of loss (profit) of investments accounted for using equity method		(7,398)	**(8,850)**
Finance income and finance costs		3,241	**2,868**
Loss (gain) on loss of control of subsidiaries		(25,066)	**-**
Decrease (increase) in trade and other receivables		3,405	**(51,380)**
Decrease (increase) in inventories		(33,608)	**22,860**
Increase (decrease) in trade and other payables		(10,735)	**(3,104)**
Changes in retirement benefit asset and liability		(4,358)	**(1,081)**
Other adjustments		7,796	**21,113**
Subtotal		177,518	**207,971**
Interest received		3,636	**6,103**
Dividends received		17,107	**18,159**
Interest paid		(10,728)	**(16,748)**
Income taxes refund (paid)		(42,320)	**(29,805)**
Net cash provided by operating activities		145,213	**185,680**
Cash flows from investing activities			
Purchase of property, plant and equipment, and intangible assets		(102,216)	**(134,130)**
Proceeds from sale of property, plant and equipment, and intangible assets		3,628	**2,400**
Payments for acquisition of subsidiaries		-	**(6,456)**
Purchase of investments		(2,038)	**(3,580)**
Proceeds from sale and redemption of investments		5,353	**23,222**
Other inflows (outflows) of cash		(7,451)	**(2,453)**
Net cash used in investing activities		(102,724)	**(120,997)**
Cash flows from financing activities	34		
Net increase (decrease) in short-term borrowings		44,998	**32,011**
Proceeds from issuance of bonds and long-term borrowings		70,367	**100,494**
Redemption of bonds and repayments of long-term borrowings		(129,468)	**(185,858)**
Repayments of lease liabilities		(11,704)	**(11,605)**
Dividends paid to owners of parent		(27,225)	**(28,828)**
Dividends paid to non-controlling interests		(4,275)	**(5,168)**
Other inflows (outflows) of cash		(71)	**28,584**
Net cash provided by (used in) financing activities		(57,378)	**(70,370)**
Effect of exchange rate changes on cash and cash equivalents		8,529	**17,579**
Net increase (decrease) in cash and cash equivalents		(6,360)	**11,892**
Cash and cash equivalents at beginning of period		230,355	**223,995**
Cash and cash equivalents at end of period	7	223,995	**235,887**

Notes to the Consolidated Financial Statements

Years ended March 31, 2023 and 2024

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, 2024 (from April 1, 2023 to March 31, 2024) 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

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.

2. Approval of consolidated financial statements

The Group's consolidated financial statements were authorized for issue on June 25, 2024 by Mitsuo Ohya, President and Representative Member of the Board.

3. 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. Material Accounting Policy Information

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 usually presumes control over an entity when it holds the majority of the voting rights. However, even if the Group does not hold the majority of the voting rights, it treats an entity as a subsidiary if it assesses that it substantially controls the entity based on contractual arrangements and other evidence. If the fiscal year-end of a subsidiary differs from that of the Company, the subsidiary provisionally closes its accounts for consolidation purposes at the fiscal year-end of the Company.

(2) Associates and joint ventures

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. The Group usually presumes significant influence over an entity when it holds 20 to 50 percent of the voting rights. However, even if the Group holds less than 20 percent of the voting rights, it treats an entity as an associate if it assesses that it has significant influence over the entity based on the representation on the board of directors and other evidence.

A joint venture is an arrangement whereby two or more parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method. If there is any objective evidence that an investment in an associate or a joint venture is impaired, the entire carrying amount of the investment is tested for impairment as a single asset.

The reporting dates of the financial statements of some associates and joint ventures used in applying the equity method differ from the Company's fiscal year-end date. The fiscal year-end dates of these entities are mainly the end of December. Adjustments are made for the effects of significant transactions or events that occur between the fiscal year-end dates of the entities and the Company's fiscal year-end date.

2. Business combinations

Business combinations are accounted for using the acquisition method. 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.

3. Foreign currency translation

(1) Foreign currency transactions

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 at the end of the reporting period are translated into the functional currency at the exchange rate at the end of the reporting period.

Exchange differences arising from the translation or settlement are recognized in profit or loss and included in finance income and finance costs. 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. The income and expenses 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. These exchange differences are accumulated in other components of equity and reclassified to profit or loss upon disposal of the related foreign operation.

4. Financial instruments

(1) Financial assets measured at amortized cost

The Group's major financial assets, except for equity instruments and derivatives, are classified as financial assets measured at amortized cost because they are held to collect contractual cash flows that are solely payments of principal and interest that arise on specified dates. These financial assets are initially measured at the transaction price or other relevant value and are subsequently measured at amortized cost using the effective interest method.

(2) 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 financial assets measured at fair value through other comprehensive income. This designation is applied consistently. These financial assets are initially measured at fair value plus transaction costs on the trade date, and subsequent changes in the fair value are recognized in other comprehensive income. The cumulative amount of the changes is included in other components of equity and reclassified to retained earnings at the time of sale. Dividends from these financial assets are recognized in profit or loss and included in finance income.

(3) Impairment of financial assets

Loss allowance for financial assets measured at amortized cost is measured at an amount equal to the 12-month expected credit losses if the credit risk has not increased significantly since initial recognition or at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. However, loss allowance 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.

(4) Financial liabilities measured at amortized cost

The Group's financial liabilities, except for derivatives, are mainly classified as financial liabilities measured at amortized cost and are initially measured at fair value less transaction costs. Such liabilities are subsequently 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.

(5) Hedge accounting and derivatives

The Group enters into derivative transactions, including forward exchange contracts and cross-currency swaps, to hedge currency risk and interest rate risk. Hedging relationships that meet the qualifying criteria for hedge accounting are accounted for as cash flow hedges in which these derivatives are designated as hedging instruments, and the portions of the gains or losses on the hedging instruments that are determined to be effective hedges are recognized in other comprehensive income. These effective portions are accumulated in other components of equity and reclassified to profit or loss as a reclassification adjustment in the same period during which 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 is accounted for as an adjustment to the initial carrying amount of the asset or liability.

5. Cash equivalents

Cash equivalents mainly comprise time deposits with a maturity of three months or less from the deposit date.

6. Inventories

Inventories are measured at the lower of cost and net realizable value. Costs of inventories 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.

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

8. Leases

For a lease for which the Group is a lessee, the Group recognizes a right-of-use asset and a lease liability at the commencement date of the lease. Right-of-use assets are initially measured at the amount of initial measurement of lease liabilities plus prepaid lease payments and other related costs and are depreciated mainly over the lease term. Lease liabilities are initially measured at the present value of the portion of lease payments that are not paid, discounted mainly by an incremental borrowing rate. Lease payments associated with short-term leases and leases of low-value assets are recognized as expenses over the lease term mainly on a straight-line basis.

9. Goodwill and intangible assets

Goodwill is not amortized and is stated at cost less accumulated impairment losses.

Intangible assets mainly comprise intangible assets acquired through business combinations and software acquired separately. 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 with finite useful lives are amortized using the straight-line method over the estimated useful lives. The estimated useful lives of major intangible assets are as follows:

- Customer-related intangible assets: 9-21 years
- Technology-based intangible assets: 24 years
- Software: Mainly 5 years

10. Impairment of non-financial assets

If any indication that non-financial assets, including property, plant and equipment, intangible assets and goodwill, may be impaired exists at the end of the reporting period, the Group estimates the recoverable amount of the asset. In addition, each cash-generating unit or group of cash-generating units to which goodwill is allocated is tested for impairment annually, irrespective of whether 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. Generally, the Group identifies a cash-generating unit on the basis of management accounting segmentation.

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 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 or a cash-generating unit (group of units) is less than its carrying amount, an impairment loss is recognized. The impairment loss is recognized in profit or loss and included in other expenses. 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.

If 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, the recoverable amount is estimated. If the recoverable amount exceeds the carrying amount of the asset, the impairment loss is 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.

12. Post-employment benefits

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

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

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 by reference to the market yields of high-quality corporate bonds.

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

Actuarial gains and losses on defined benefit obligations and fair value changes related to plan assets are recognized in other comprehensive income as the remeasurements of defined benefit plans in the period when they arise and transferred immediately to retained earnings.

13. Share capital and other equity items

(1) Share capital

Share capital is stated at the amount of the Company's share capital recorded in accordance with the Companies Act of Japan. All shares the Company is authorized to issue are common shares that have no par value, and all issued shares are fully paid up.

(2) 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 is included in capital surplus.

(3) 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.

(4) Treasury shares

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

(5) Other components of equity

Other components of equity consist of amounts accumulated in equity through other comprehensive income arising mainly from changes in the fair value of equity instruments and translation of the financial statements of foreign operations.

14. Revenue recognition

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 construction and other 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, because the Group determines that the incurrence of cost is proportional to the progress of performance obligations.

Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates, returned products and other items. 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.

15. Income taxes

Income taxes comprise current taxes and deferred taxes. Current taxes are measured at the amount expected to be paid to or recovered from the taxation authorities. 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 losses and unused tax credits at the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences and carryforwards can be utilized, and their recoverability is reviewed every period. Deferred tax assets for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and that taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are, in principle, recognized for all taxable temporary differences. However, deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures are not recognized if 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when they are realized or settled, reflecting the tax consequences that would follow from the Group's expected manner of reversal of temporary differences.

The Group has applied the exception in paragraph 4A of IAS 12 "Income Taxes" and does not recognize or disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

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

If any indication that non-financial assets, including property, plant and equipment, intangible assets and goodwill, may be impaired exists at the end of the reporting period, the Group estimates the recoverable amount of the asset. In addition, each cash-generating unit or group of cash-generating units to which goodwill is allocated is tested for impairment annually, irrespective of whether 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 11. Property, Plant and Equipment" and "Note 13. 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 deductible temporary differences and carryforwards 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 18. 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 22. Employee Benefits."

Note 5. New Standards Not Yet Applied

The major new standards and interpretations that have been established or revised by the date of authorization for issue of the consolidated financial statements but that the Group has not yet applied as of March 31, 2024 are as follows. The Group is currently assessing the possible impacts of the application on the consolidated financial statements.

Title	Effective date (Year beginning on or after)	Summary of new IFRS
IFRS 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027	Comprehensive amendment to the presentation and disclosure in 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	Water treatment membranes and related equipment; comprehensive engineering; condominiums; industrial equipment and machinery; IT-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. Material Accounting Policy Information." Intersegment revenue is determined based mainly on market prices.

2. Information by reportable segment

Millions of yen

	2023								
	Reportable segments								
	Fibers & Textiles	Performance Chemicals	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Other *1	Total	Reconcilia-tions *2, 3	Consolidated total
Revenue									
Revenue from external customers	999,199	909,416	281,717	228,814	53,763	16,421	2,489,330	-	2,489,330
Intersegment revenue	1,354	20,897	723	43,804	-	26,164	92,942	(92,942)	-
Total	1,000,553	930,313	282,440	272,618	53,763	42,585	2,582,272	(92,942)	2,489,330
Core operating income	51,246	30,368	15,928	19,720	189	2,505	119,956	(23,927)	96,029
Total assets	949,014	1,160,652	653,720	329,508	65,601	84,150	3,242,645	(48,604)	3,194,041
(Other items)									
Depreciation and amortization	33,057	48,364	31,374	7,690	3,482	2,459	126,426	(51)	126,375
Impairment losses	2,069	3,734	51	43	60	85	6,042	-	6,042
Capital expenditures *4	27,225	40,892	26,489	9,276	2,960	4,489	111,331	1,215	112,546

*1 "Other" represents service-related businesses such as analysis, physical evaluation and research.

*2 "Reconciliations" of core operating income of ¥(23,927) million include intersegment eliminations of ¥313 million and corporate expenses of ¥(24,240) million. The corporate expenses consist of the headquarters' research expenses that are not allocated to each reportable segment.

*3 "Reconciliations" of total assets of ¥(48,604) million include intersegment eliminations of ¥(71,652) million and corporate assets of ¥23,048 million. The corporate assets consist of the headquarters' research assets that are not allocated to each reportable segment.

*4 Capital expenditures do not include the increase in assets resulting from business combinations.

Millions of yen

	2024								
	Reportable segments								
	Fibers & Textiles	Performance Chemicals	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Other *1	Total	Reconcilia-tions *2, 3	Consolidated total
Revenue									
Revenue from external customers	974,790	886,079	290,478	244,086	52,234	16,929	2,464,596	-	2,464,596
Intersegment revenue	1,785	17,493	830	52,145	-	27,804	100,057	(100,057)	-
Total	976,575	903,572	291,308	296,231	52,234	44,733	2,564,653	(100,057)	2,464,596
Core operating income (loss)	54,730	36,682	13,193	23,220	(1,343)	3,295	129,777	(27,159)	102,618
Total assets	1,006,923	1,262,247	718,427	386,236	71,826	111,898	3,557,557	(91,039)	3,466,518
(Other items)									
Depreciation and amortization	35,061	48,703	31,677	7,729	3,455	2,542	129,167	27	129,194
Impairment losses	5,663	11,775	19,305	16	25	-	36,784	-	36,784
Capital expenditures *4	34,053	58,089	42,337	6,435	3,455	2,778	147,147	18	147,165

*1 "Other" represents service-related businesses such as analysis, physical evaluation and research.

*2 "Reconciliations" of core operating income of ¥(27,159) million include intersegment eliminations of ¥(763) million and corporate expenses of ¥(26,396) million. The corporate expenses consist of the headquarters' research expenses that are not allocated to each reportable segment.

*3 "Reconciliations" of total assets of ¥(91,039) million include intersegment eliminations of ¥(114,619) million and corporate assets of ¥23,580 million. The corporate assets consist of the headquarters' research assets that are not allocated to each reportable segment.

*4 Capital expenditures do not include the increase in assets resulting from business combinations.

Core operating income is calculated by excluding income and expenses due to non-recurring factors from operating income. Reconciliation of core operating income to operating income is as follows:

Millions of yen

	2023	2024
Core operating income	96,029	102,618
Gain on sale or disposal of fixed assets	2,601	1,298
Gain on loss of control of subsidiaries	25,066	-
Loss on sale or disposal of fixed assets	(5,247)	(7,671)
Impairment losses	(6,042)	(36,784)
Provision for product warranties *1	(3,452)	(1,810)
Other	46	-
Operating income	109,001	57,651

*1 Provision for product warranties includes the costs for replacing and repairing some possibly defective products for industrial applications in the Carbon Fiber Composite Materials segment, which the Company manufactured and sold in the past.

*2 Reconciliation of operating income to profit before tax is presented in the consolidated statement of profit or loss.

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

	2023	2024
Japan	971,468	975,211
Asia		
China	499,039	464,893
Other	490,299	454,857
North America, Europe and other	528,524	569,635
Total	2,489,330	2,464,596

* 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

	March 31, 2023	March 31, 2024
Japan	335,003	**341,501**
Asia		
Republic of Korea	207,340	**224,535**
Other	200,103	**205,455**
North America, Europe and other		
U.S.A.	280,152	**302,921**
Europe and other	228,374	**265,104**
Total	1,250,972	**1,339,516**

Note 7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

Millions of yen

	March 31, 2023	March 31, 2024
Cash on hand and demand deposits	151,288	**171,901**
Time deposits and other short-term investments	72,707	**63,986**
Total	223,995	**235,887**

Note 8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

Millions of yen

	March 31, 2023	March 31, 2024
Trade receivables	553,898	**617,953**
Contract assets	20,090	**31,639**
Other receivables	17,026	**13,507**
Loss allowance	(4,900)	**(3,499)**
Total	586,114	**659,600**

* 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

	March 31, 2023	March 31, 2024
Merchandise and finished goods	274,638	**270,658**
Work in process	112,102	**119,381**
Raw materials and supplies	134,858	**141,920**
Total	521,598	**531,959**

* The amounts of write-down of inventories recognized as expenses for the years ended March 31, 2023 and 2024 were ¥2,922 million and ¥1,900 million, respectively.

Note 10. Assets Held for Sale

The breakdown of assets held for sale is as follows:

Millions of yen

	March 31, 2023	March 31, 2024
Assets held for sale		
Property, plant and equipment	579	**3**
Investments formerly accounted for using equity method *	-	**15,108**
Total	579	**15,111**

* The investments formerly accounted for using the equity method as of March 31, 2024 represent the investment in a joint venture, LG Toray Hungary Battery Separator Kft. ("LTHS") in the Performance Chemicals segment. The joint venture agreement with LG Chem, Ltd. ("LG Chem") for the operation of LTHS stipulates that, after two and a half years from June 16, 2022, the date of formation of the joint venture, the Company is to sell 20% of its 50% interest in LTHS to LG Chem, changing the share of the Company's and LG Chem's interests in LTHS to 30:70. Accordingly, the Company's interest to be sold is classified as held for sale. The investment is measured at fair value less costs to sell based on the expected price of sale and is categorized within Level 3 of the fair value hierarchy. The cumulative exchange differences on translation amounted to ¥1,611 million as of March 31, 2024.

Note 11. 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, 2022	68,598	311,566	513,357	69,976	27,236	990,733
Additions	366	16,140	63,099	5,722	8,268	93,595
Depreciation	-	(16,973)	(79,940)	-	(7,929)	(104,842)
Impairment losses	-	(1,563)	(3,546)	(387)	(112)	(5,608)
Disposal	(27)	(465)	(1,436)	(222)	(155)	(2,305)
Exchange differences on translation	1,231	9,588	22,165	2,868	792	36,644
Other	167	91	483	(887)	(228)	(374)
At March 31, 2023	**70,335**	**318,384**	**514,182**	**77,070**	**27,872**	**1,007,843**
Additions	**983**	**17,748**	**61,602**	**34,658**	**9,804**	**124,795**
Depreciation	**-**	**(17,929)**	**(81,013)**	**-**	**(8,241)**	**(107,183)**
Impairment losses	**-**	**(2,874)**	**(15,429)**	**(178)**	**(327)**	**(18,808)**
Disposal	**(139)**	**(554)**	**(2,289)**	**(171)**	**(193)**	**(3,346)**
Exchange differences on translation	**3,419**	**21,149**	**44,904**	**7,234**	**1,717**	**78,423**
Other	**(126)**	**(110)**	**(27)**	**(485)**	**139**	**(609)**
At March 31, 2024	**74,472**	**335,814**	**521,930**	**118,128**	**30,771**	**1,081,115**

*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.

2. Acquisition cost

Millions of yen

	Land	Buildings and structures	Machinery and vehicles	Construction in progress	Other	Total
At April 1, 2022	69,314	743,560	2,349,016	73,111	129,161	3,364,162
At March 31, 2023	71,051	774,309	2,448,025	80,324	135,221	3,508,930
At March 31, 2024	**75,188**	**826,967**	**2,617,863**	**121,759**	**144,440**	**3,786,217**

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, 2022	716	431,994	1,835,659	3,135	101,925	2,373,429
At March 31, 2023	716	455,925	1,933,843	3,254	107,349	2,501,087
At March 31, 2024	**716**	**491,153**	**2,095,933**	**3,631**	**113,669**	**2,705,102**

Note 12. Leases

The Group leases offices, business sites, production facilities and other assets. Some of the lease contracts, such as real estate leases, contain extension and termination options. When it is reasonably certain to exercise an extension option, or not to exercise a termination option, the period covered by the option is included in the lease term. 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

	2023	**2024**
Depreciation charge for right-of-use assets		
Land	555	**536**
Buildings and structures	8,968	**9,349**
Machinery and vehicles	2,125	**1,965**
Other	403	**343**
Total	12,051	**12,193**
Interest expense on lease liabilities	659	**566**
Expense relating to short-term leases	1,262	**1,307**
Expense relating to leases of low-value assets	923	**929**
Total cash outflow for leases	14,548	**15,273**

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

Millions of yen

	March 31, 2023	**March 31, 2024**
Land	11,580	**12,813**
Buildings and structures	28,276	**26,786**
Machinery and vehicles	8,311	**9,956**
Other	982	**931**
Total	49,149	**50,486**

Additions to right-of-use assets for the years ended March 31, 2023 and 2024 were ¥11,753 million and ¥10,909 million, respectively.

The maturity analysis of lease liabilities is presented in “Note 33. Financial Instruments.”

Note 13. 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, 2022	88,122	39,821	25,030	15,862	80,713
Additions	-	-	-	6,220	6,220
Amortization	-	(2,953)	(1,472)	(4,792)	(9,217)
Exchange differences on translation	7,503	3,507	2,299	453	6,259
Other	(174)	51	-	549	600
At March 31, 2023	**95,451**	**40,426**	**25,857**	**18,292**	**84,575**
Additions	**3,827**	**2,050**	**-**	**11,431**	**13,481**
Amortization	**-**	**(3,144)**	**(1,572)**	**(4,822)**	**(9,538)**
Impairment losses	**(15,128)**	**(1,859)**	**(911)**	**(59)**	**(2,829)**
Exchange differences on translation	**11,846**	**5,056**	**3,347**	**1,059**	**9,462**
Other	**-**	**-**	**-**	**118**	**118**
At March 31, 2024	**95,996**	**42,529**	**26,721**	**26,019**	**95,269**

*1 There were no significant internally generated intangible assets for the years ended March 31, 2023 and 2024.

*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, 2023 and 2024 were ¥68,192 million and ¥69,486 million, respectively.

(2) Acquisition cost

Millions of yen

	Goodwill	Intangible assets			
		Customer-related intangible assets	Technology-based intangible assets	Other	Total
At April 1, 2022	96,897	56,945	30,457	71,579	158,981
At March 31, 2023	104,693	61,679	33,229	75,894	170,802
At March 31, 2024	**121,836**	**71,776**	**37,678**	**89,329**	**198,783**

(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, 2022	8,775	17,124	5,427	55,717	78,268
At March 31, 2023	9,242	21,253	7,372	57,602	86,227
At March 31, 2024	**25,840**	**29,247**	**10,957**	**63,310**	**103,514**

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 Advanced Composites Holding B.V.), which were acquired in July 2018. The carrying amounts of these assets are as follows:

Millions of yen

	March 31, 2023	**March 31, 2024**
Customer-related intangible assets	36,502	**38,882**
Technology-based intangible assets	24,839	**26,721**

* The remaining useful life at March 31, 2024 was 16 to 19 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	March 31, 2023	**March 31, 2024**
Carbon Fiber Composite Materials	Toray Advanced Composites Holding B.V.	72,740	**82,480**
Carbon Fiber Composite Materials	Zoltek Companies, Inc.	13,967	**-**

The recoverable amount of Toray Advanced Composites Holding B.V. 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. The growth rates used in the calculation of the terminal value were 2.0% and 2.1% for the years ended March 31, 2023 and 2024, respectively. The discount rates used in the measurement of value in use were 9.8% and 9.7% for the years ended March 31, 2023 and 2024, respectively. For the year ended March 31, 2024, the recoverable amount exceeded the carrying amount by ¥31,711 million; however, if the discount rate had increased by 1.5%, the recoverable amount would have been equal to the carrying amount.

An impairment loss for goodwill relating to Zoltek Companies, Inc. was recognized in the year ended March 31, 2024. The details are described in “Note 14. Impairment Losses.”

Note 14. Impairment Losses

The major assets for which impairment losses were recognized are as follows.

2023				
Reportable segment	Location	Use	Class of asset	Impairment losses (Millions of yen)
Performance Chemicals	Otsu, Shiga, Japan	Resin production facilities	Machinery and vehicles	2,382
			Other	433
Total				2,815

The carrying amount of the resin production facilities in Otsu, Shiga, Japan was reduced to zero due to declining profitability. The recoverable amount was based on value in use.

2024				
Reportable segment	Location	Use	Class of asset	Impairment losses (Millions of yen)
Carbon Fiber Composite Materials	**Missouri, U.S.A. and other**	**Carbon fiber composite materials business**	**Goodwill**	**15,128**
			Customer-related intangible assets	**1,859**
			Other	**2,191**
Total				**19,178**
Performance Chemicals	**Gyeongsangbuk-do, Republic of Korea**	**Battery separator films production facilities**	**Machinery and vehicles**	**7,436**
			Other	**844**
Total				**8,280**
Fibers & Textiles	**Guangdong, China**	**Fibers production facilities**	**Machinery and vehicles**	**2,923**
			Other	**181**
Total				**3,104**
Performance Chemicals	**Rhode Island, U.S.A.**	**Films production facilities**	**Machinery and vehicles**	**1,854**
			Other	**748**
Total				**2,602**

The carrying amount of goodwill, customer-related intangible assets and other assets relating to the carbon fiber composite materials business in Missouri, U.S.A. and other (Zoltek Companies, Inc.) was reduced to the recoverable amount due to a decline in profitability caused by sluggish demand for wind turbine blade applications, and the recoverable amount was measured at value in use of ¥96,489 million. 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 of 2.1% based on the expected inflation rate of the country to which the cash-generating unit belongs. The discount rates used in the measurement of value in use was 10.6%.

The carrying amount of the battery separator films production facilities in Gyeongsangbuk-do, Republic of Korea, whose competitiveness has decreased, was reduced to zero. The recoverable amount was based on fair value less costs of disposal.

The carrying amount of the fibers production facilities in Guangdong, China, was reduced to the recoverable amount due to a decline in profitability. The recoverable amount was measured at value in use of ¥3,348 million.

The carrying amount of the films production facilities in Rhode Island, U.S.A., whose competitiveness has decreased, was reduced to zero. The recoverable amount was based on fair value less costs of disposal.

Note 15. Investments Accounted for Using Equity Method

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

Millions of yen

	March 31, 2023	March 31, 2024
Carrying amount		
Joint ventures	81,675	**76,300**
Associates	152,970	**152,689**

Millions of yen

	2023	2024
Profit		
Joint ventures	3,396	**3,366**
Associates	10,939	**4,559**
Other comprehensive income		
Joint ventures	38	**59**
Associates	655	**96**
Comprehensive income		
Joint ventures	3,434	**3,425**
Associates	11,594	**4,655**

* In addition to the above, “Share of profit of investments accounted for using equity method” in the consolidated statement of profit or loss includes impairment losses (or reversals thereof) on investments accounted for using the equity method of ¥(6,937) million and ¥809 million for the years ended March 31, 2023 and 2024, respectively, and gains (losses) on disposal of investments accounted for using the equity method of ¥116 million for the year ended March 31, 2024.

Note 16. Other Financial Assets

The breakdown of other financial assets is as follows:

Millions of yen

	March 31, 2023	March 31, 2024
Financial assets measured at amortized cost		
Time deposits and other short-term investments	9,133	**8,223**
Leasehold and guarantee deposits	10,719	**11,321**
Other	12,681	**13,904**
Financial assets measured at fair value through profit or loss		
Derivative assets	23,209	**10,441**
Other	300	**300**
Financial assets measured at fair value through other comprehensive income		
Shares and investments in capital	189,380	**247,038**
Total	245,422	**291,227**
Current assets	30,692	**12,973**
Non-current assets	214,730	**278,254**
Total	245,422	**291,227**

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

Millions of yen

	March 31, 2023
Issue	Fair value
FUJIFILM Holdings Corp.	14,836
Daiichi Sankyo Co., Ltd.	14,464
Mitsui & Co., Ltd.	12,904
Mitsui Fudosan Co., Ltd.	12,137
GOLDWIN Inc.	10,930
Daikin Industries, Ltd.	8,606
Kaken Pharmaceutical Co., Ltd.	8,480
Toyota Industries Corp.	8,399
Sumitomo Mitsui Financial Group, Inc.	8,003
MS&AD Insurance Group Holdings, Inc.	5,442

Millions of yen

	March 31, 2024
Issue	Fair value
Mitsui Fudosan Co., Ltd.	**24,150**
Mitsui & Co., Ltd.	**22,278**
Toyota Industries Corp.	**17,883**
Daiichi Sankyo Co., Ltd.	**14,329**
Sumitomo Mitsui Financial Group, Inc.	**13,457**
MS&AD Insurance Group Holdings, Inc.	**10,779**
TBS Holdings, Inc.	**10,111**
Mitsubishi Heavy Industries, Ltd.	**9,092**
GOLDWIN Inc.	**8,557**
Toyota Motor Corp.	**8,366**

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.

Millions of yen

	2023	**2024**
Fair value at time of sale	4,625	**22,756**
Cumulative gain (loss)	2,162	**20,306**

Note 17. Other Assets

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

Millions of yen

	March 31, 2023	**March 31, 2024**
Prepayments	27,622	**35,089**
Value-added taxes receivable	23,042	**23,065**
Investment property	11,119	**11,154**
Other	18,472	**14,452**
Total	80,255	**83,760**
Current assets	66,301	**67,110**
Non-current assets	13,954	**16,650**
Total	80,255	**83,760**

Note 18. 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

	2023				
	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	21,458	685	-	548	22,691
Employee benefits	46,178	(3,268)	(581)	200	42,529
Lease liabilities	9,067	(514)	-	274	8,827
Other	36,302	1,423	2,394	1,214	41,333
Total	113,005	(1,674)	1,813	2,236	115,380
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(46,116)	1,932	-	(3,231)	(47,415)
Right-of-use assets	(9,115)	544	-	(276)	(8,847)
Investments in subsidiaries, associates and joint arrangements	(28,752)	(4,673)	(1,083)	(16)	(34,524)
Financial assets measured at fair value through other comprehensive income	(36,157)	-	(2,908)	-	(39,065)
Other	(13,246)	1,909	(6,178)	(54)	(17,569)
Total	(133,386)	(288)	(10,169)	(3,577)	(147,420)

Millions of yen

	2024				
	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	22,691	(1,303)	-	1,334	22,722
Employee benefits	42,529	(1,793)	(102)	307	40,941
Lease liabilities	8,827	(299)	-	382	8,910
Unused tax losses and unused tax credits	11,505	742	-	1,417	13,664
Other	29,828	1,232	(4,344)	770	27,486
Total	115,380	(1,421)	(4,446)	4,210	113,723
Deferred tax liabilities					
Property, plant and equipment and intangible assets	(47,415)	4,129	-	(5,148)	(48,434)
Right-of-use assets	(8,847)	325	-	(380)	(8,902)
Investments in subsidiaries, associates and joint arrangements	(34,524)	311	(3,397)	(27)	(37,637)
Financial assets measured at fair value through other comprehensive income	(39,065)	-	(17,876)	(3)	(56,944)
Other	(17,569)	(760)	(6,566)	(98)	(24,993)
Total	(147,420)	4,005	(27,839)	(5,656)	(176,910)

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

	March 31, 2023	March 31, 2024
Deductible temporary differences *1	15,354	18,446
Unused tax losses and unused tax credits *2	28,563	39,307

*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 ¥90,634 million and ¥95,099 million at March 31, 2023 and 2024, respectively.

*2 The amounts by expiry date are as follows:

Millions of yen

	March 31, 2023	March 31, 2024
1 year or less	1,096	2,254
Over 1 year to 5 years	4,106	5,152
Over 5 years	23,361	31,901
Total	28,563	39,307

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 ¥105,039 million and ¥144,018 million at March 31, 2023 and 2024, 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

	2023	2024
Current tax expense	29,069	**31,696**
Deferred tax expense	1,962	**(2,584)**
Total	31,031	**29,112**

5. Reconciliation of effective tax rate

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

%

	2023	2024
Statutory effective tax rate	30.6	**30.6**
Impairment losses on goodwill	0.1	**7.8**
Share of profit (loss) of investments accounted for using equity method	(2.1)	**(4.5)**
Tax rate differences with foreign subsidiaries	(2.0)	**(1.9)**
Changes in unrecognized deferred tax assets	2.5	**17.5**
Other	(1.4)	**(0.6)**
Actual average effective tax rate	27.7	**48.9**

6. Exposure to Pillar Two income taxes

Pillar Two legislation has been enacted in some jurisdictions in which the Group operates, and it will apply to the Group starting from the year ending March 31, 2025. Since the Pillar Two effective tax rates are expected to exceed 15% in the majority of the jurisdictions, the Group has concluded that the impact of such legislation on the Group is not significant.

Note 19. Trade and Other Payables

The breakdown of trade and other payables is as follows:

Millions of yen

	March 31, 2023	March 31, 2024
Trade payables	244,357	**255,608**
Other payables and accrued expenses	79,783	**84,648**
Total	324,140	**340,256**

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

Note 20. Bonds and Borrowings

1. Breakdown

The breakdown of bonds and borrowings is as follows:

Millions of yen

	March 31, 2023	March 31, 2024	Average interest rate (%) *2	Maturity
Short-term borrowings	192,043	**244,783**	4.44	-
Commercial papers	15,000	**15,000**	0.14	-
Long-term borrowings	484,344	**421,004**	1.85	2024 - 2036
Bonds payable	219,727	**229,617**	-	-
Total	911,114	**910,404**		
Current liabilities	376,993	**379,847**		
Non-current liabilities	534,121	**530,557**		
Total	911,114	**910,404**		

*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, 2024.

The schedule of bonds payable is as follows:

Millions of yen

Issuer	Issue	Issue date	March 31, 2023	March 31, 2024	Interest rate (%)	Collateral	Maturity
The Company	29th unsecured straight bonds	July 17, 2013	20,073	**-**	-	-	-
The Company	30th unsecured straight bonds	July 19, 2017	59,897	**59,921**	0.375	None	July 16, 2027
The Company	31st unsecured straight bonds	July 19, 2017	39,973	**39,994**	0.250	None	July 19, 2024
The Company	32nd unsecured straight bonds	July 18, 2018	39,953	**39,973**	0.240	None	July 18, 2025
The Company	33rd unsecured straight bonds	July 18, 2018	39,914	**39,930**	0.380	None	July 18, 2028
The Company	34th unsecured straight bonds	July 18, 2018	19,917	**19,922**	0.830	None	July 16, 2038
The Company	35th unsecured straight bonds	November 24, 2023	-	**13,946**	0.973	None	November 22, 2030
The Company	36th unsecured straight bonds	November 24, 2023	-	**15,930**	1.291	None	November 24, 2033
Total			219,727	**229,617**			

2. Assets pledged as collateral and liabilities with collateral

Assets pledged as collateral are as follows:

Millions of yen

	March 31, 2023	March 31, 2024
Property, plant and equipment	32	**77**
Other financial assets	2,800	**3,065**
Total	2,832	**3,142**

Liabilities with collateral are as follows:

Millions of yen

	March 31, 2023	March 31, 2024
Trade and other payables	5,746	**5,526**
Bonds and borrowings	1,441	**1,567**
Total	7,187	**7,093**

Note 21. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

Millions of yen

	March 31, 2023	March 31, 2024
Financial liabilities measured at amortized cost		
Deposits received	8,957	**9,050**
Other	5,291	**6,066**
Financial liabilities measured at fair value through profit or loss		
Derivative liabilities	1,215	**2,894**
Other	1,453	**944**
Total	16,916	**18,954**
Current liabilities	11,133	**13,988**
Non-current liabilities	5,783	**4,966**
Total	16,916	**18,954**

Note 22. 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

	March 31, 2023	**March 31, 2024**
Present value of defined benefit obligations	164,977	**159,298**
Fair value of plan assets	(113,144)	**(143,877)**
Net defined benefit liability (asset)	51,833	**15,421**
Amounts on the consolidated statement of financial position		
Retirement benefit liability	91,979	**86,396**
Retirement benefit asset	(40,146)	**(70,975)**
Net defined benefit liability (asset)	51,833	**15,421**

(b) Reconciliation of present value of defined benefit obligations

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

Millions of yen

	2023	**2024**
At beginning of period	177,293	**164,977**
Current service cost	6,873	**6,809**
Interest expense	1,857	**2,527**
Remeasurements		
Actuarial gains and losses arising from changes in financial assumptions	(6,458)	**(1,420)**
Actuarial gains and losses arising from experience adjustments	(1,055)	**(2,644)**
Benefits paid	(13,733)	**(12,441)**
Other	200	**1,490**
At end of period	164,977	**159,298**

* The weighted average durations of the defined benefit obligations at March 31, 2023 and 2024 were 7.6 years and 7.1 years, respectively.

(c) Reconciliation of fair value of plan assets

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

Millions of yen

	2023	2024
At beginning of period	107,296	**113,144**
Interest income	1,526	**2,216**
Remeasurements		
Return on plan assets	6,865	**31,563**
Contributions by employer	4,338	**1,208**
Benefits paid	(7,128)	**(6,131)**
Other	247	**1,877**
At end of period	113,144	**143,877**

* The amount of expected contributions to the defined benefit plans for the year ending March 31, 2025 is ¥4,726 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

	March 31, 2023			March 31, 2024		
	Quoted market prices in active markets		Total	Quoted market prices in active markets		Total
	Available	Not available		Available	Not available	
Cash and cash equivalents	12,164	-	12,164	**12,689**	**-**	**12,689**
Equity securities (mainly Japanese equity securities)	47,549	-	47,549	**75,924**	**-**	**75,924**
Debt securities (mainly Japanese debt securities)	13,299	-	13,299	**10,957**	**-**	**10,957**
General accounts of life insurance companies	-	39,641	39,641	**-**	**43,671**	**43,671**
Other	386	105	491	**520**	**116**	**636**
Total	73,398	39,746	113,144	**100,090**	**43,787**	**143,877**

(e) Significant actuarial assumptions

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

	March 31, 2023	March 31, 2024
Discount rate	Mainly 0.9%	**Mainly 1.2%**

(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, 2023	March 31, 2024
Discount rate	Increase by 0.5%	(5,700)	**(5,236)**
	Decrease by 0.5%	5,786	**5,076**

(2) Defined contribution plans

The amounts of expenses for the defined contribution plans recognized for the years ended March 31, 2023 and 2024 were¥22,695 million and ¥22,606 million, respectively.

2. Employee benefit expenses

Employee benefit expenses for the years ended March 31, 2023 and 2024 totaled ¥325,664 million and ¥350,635 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 23. Other Liabilities

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

Millions of yen

	March 31, 2023	March 31, 2024
Short-term employee benefits	53,372	**59,902**
Contract liabilities	25,197	**26,538**
Value-added taxes payable	7,745	**9,427**
Other	23,462	**26,908**
Total	109,776	**122,775**
Current liabilities	94,905	**107,878**
Non-current liabilities	14,871	**14,897**
Total	109,776	**122,775**

Note 24. Share Capital and Other Equity Items

Changes in the numbers of authorized shares, issued shares and treasury shares are as follows:

Thousands of shares

	Number of authorized shares	Number of issued shares	Number of treasury shares
At April 1, 2022	4,000,000	1,631,481	30,762
Exercise of share acquisition rights	-	-	(302)
Other	-	-	(2)
At March 31, 2023	**4,000,000**	**1,631,481**	**30,458**
Exercise of share acquisition rights	**-**	**-**	**(620)**
Other	**-**	**-**	**1**
At March 31, 2024	**4,000,000**	**1,631,481**	**29,839**

* 821 thousand shares in the Company held by its associates were included in the number of treasury shares at March 31, 2023 and 2024.

Note 25. Dividends

1. Dividends paid

2023

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, 2022	Common stock	12,812	8.00	March 31, 2022	June 24, 2022
Board of directors meeting held on November 8, 2022	Common stock	14,416	9.00	September 30, 2022	December 1, 2022

2024

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 27, 2023	**Common stock**	**14,417**	**9.00**	**March 31, 2023**	**June 28, 2023**
Board of directors meeting held on November 8, 2023	**Common stock**	**14,422**	**9.00**	**September 30, 2023**	**December 1, 2023**

2. Dividends whose record dates fall in the year ended March 31, 2024 and whose effective dates fall in the year ending March 31, 2025

2024					
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, 2024	**Common stock**	**14,422**	**9.00**	**March 31, 2024**	**June 26, 2024**

Note 26. Revenue

1. Disaggregation of revenue

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

	2023						
	Fibers & Textiles	Performance Chemicals	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Other	Total
Japan	519,777	500,275	60,066	185,936	43,775	15,942	1,325,771
Asia	403,749	265,279	29,283	25,092	6,208	404	730,015
North America, Europe and other	75,673	143,862	192,368	17,786	3,780	75	433,544
Total	999,199	909,416	281,717	228,814	53,763	16,421	2,489,330

Millions of yen

	2024						
	Fibers & Textiles	Performance Chemicals	Carbon Fiber Composite Materials	Environment & Engineering	Life Science	Other	Total
Japan	**508,476**	**457,469**	**53,263**	**194,697**	**43,146**	**16,133**	**1,273,184**
Asia	**388,023**	**278,430**	**18,693**	**30,752**	**5,490**	**741**	**722,129**
North America, Europe and other	**78,291**	**150,180**	**218,522**	**18,637**	**3,598**	**55**	**469,283**
Total	**974,790**	**886,079**	**290,478**	**244,086**	**52,234**	**16,929**	**2,464,596**

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, 2022	546,223	17,956	22,257
At March 31, 2023	549,241	20,013	25,197
At March 31, 2024	**614,741**	**31,630**	**26,538**

*1 Contract assets mainly represent the Group's rights, relating to construction contracts at certain subsidiaries operating the Environment & Engineering business, to unbilled consideration for the performance obligations satisfied in part or in full as of the end of reporting period. These contract assets are recognized as construction progresses and reclassified to receivables upon billing as a result of the completion of construction or other events. Contract liabilities mainly represent advances received from customers and are reclassified to revenue upon satisfaction of the performance obligation in the contract.

*2 The amounts of revenue recognized in the years ended March 31, 2023 and 2024 that were included in the contract liability balance at the beginning of the period were ¥19,842 million and ¥22,148 million, respectively.

*3 The amount of revenue recognized from performance obligations satisfied in the prior years was immaterial for the years ended March 31, 2023 and 2024.

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 and therefore the transactions that have an original expected duration of one year or less are not included in the amounts.

Millions of yen

	March 31, 2023	**March 31, 2024**
1 year or less	81,857	**70,432**
Over 1 year	65,015	**65,587**

* There is no significant amount of consideration from contracts with customers that is not included in the transaction prices.

Note 27. Other Income

The breakdown of other income is as follows:

Millions of yen

	2023	**2024**
Gain on sale or disposal of fixed assets	2,601	**1,298**
Gain on loss of control of subsidiaries*	25,066	**-**
Other	6,311	**7,687**
Total	33,978	**8,985**

* In the year ended March 31, 2023, LG Chem invested US$375 million in Toray Industries Hungary Kft. (“THU”), a 100% subsidiary of the Company engaged in manufacture and sales of battery separator film in Hungary, and THU was converted into a joint venture, LTHS, in which the Company and LG Chem each held a 50% interest. As a result, the Group recorded a gain of ¥25,066 million for the loss of control of THU, which includes the gain of ¥20,974 million that is attributable to measuring the retained investment at fair value at the date of loss of control.

Note 28. Other Expenses

The breakdown of other expenses is as follows:

Millions of yen

	2023	**2024**
Loss on sale or disposal of fixed assets	5,247	**7,671**
Impairment losses	6,042	**36,784**
Other	3,616	**4,058**
Total	14,905	**48,513**

Note 29. Finance Income and Finance Costs

1. Finance income

The breakdown of finance income is as follows:

Millions of yen

	2023	**2024**
Interest income		
Financial assets measured at amortized cost	3,499	**5,718**
Dividend income		
Equity instruments measured at fair value through other comprehensive income		
Derecognized during period	76	**278**
Held at end of period	4,602	**5,702**
Other	307	**451**
Total	8,484	**12,149**

2. Finance costs

The breakdown of finance costs is as follows:

Millions of yen

	2023	2024
Interest expenses		
Financial liabilities measured at amortized cost	10,015	**16,274**
Lease liabilities	659	**566**
Foreign exchange loss	1,208	**1,081**
Other	1,131	**1,162**
Total	13,013	**19,083**

Note 30. Other Comprehensive Income

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

Millions of yen

	2023	2024
Investments in equity instruments		
Gains (losses) for the period	11,871	**79,999**
Income taxes	(3,438)	**(24,223)**
Net of tax	8,433	**55,776**
Cash flow hedges		
Gains (losses) for the period	11,934	**19,618**
Reclassification adjustments	(8,767)	**(17,977)**
Income taxes	(969)	**(504)**
Net of tax	2,198	**1,137**
Deferred costs of hedging		
Gains (losses) for the period	115	**660**
Reclassification adjustments	(414)	**(647)**
Income taxes	92	**(4)**
Net of tax	(207)	**9**
Exchange differences on translation		
Gains (losses) for the period	71,799	**136,725**
Reclassification adjustments	(4,105)	**(91)**
Income taxes	(1,083)	**(3,397)**
Net of tax	66,611	**133,237**
Remeasurements of defined benefit plans		
Gains (losses) for the period	14,378	**35,627**
Income taxes	(4,189)	**(10,915)**
Net of tax	10,189	**24,712**
Share of other comprehensive income of investments accounted for using equity method	693	**155**
Total other comprehensive income	87,917	**215,026**

Note 31. Earnings per Share

1. Basis for calculation of basic earnings per share

Millions of yen

	2023	2024
Profit attributable to common shareholders of parent		
Profit attributable to owners of parent	72,823	**21,897**
Profit not attributable to common shareholders of parent	-	**-**
Profit used for calculation of basic earnings per share	72,823	**21,897**
Average number of common shares for the period (Thousands of shares)	1,600,961	**1,601,540**
Basic earnings per share (Yen)	45.49	**13.67**

2. Basis for calculation of diluted earnings per share

Millions of yen

	2023	2024
Diluted profit attributable to common shareholders		
Profit used for calculation of basic earnings per share	72,823	**21,897**
Adjustments to profit	-	**-**
Profit used for calculation of diluted earnings per share	72,823	**21,897**
Average number of common shares for the period (Thousands of shares)	1,600,961	**1,601,540**
Increase in common shares		
Share acquisition rights (Thousands of shares)	3,103	**3,103**
Average number of diluted common shares for the period (Thousands of shares)	1,604,065	**1,604,642**
Diluted earnings per share (Yen)	45.40	**13.65**
Summary of potential shares not included in the calculation of diluted earnings per share because they were antidilutive for the period	-	**-**

Note 32. 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 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 capital surplus. The amounts of expenses recognized for the plan were ¥403 million and ¥386 million for the years ended March 31, 2023 and 2024, respectively.

2. Number and weighted average exercise price of share options

The number and weighted average exercise price of share options 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.

	2023		2024	
	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	3,043	1	**3,334**	**1**
Granted	595	1	**561**	**1**
Exercised	(302)	1	**(620)**	**1**
Forfeited	(2)	-	**-**	**-**
Outstanding at end of period	3,334	1	**3,275**	**1**
Exercisable at end of period	3,163	1	**3,109**	**1**

*1 The weighted average share prices at the date of exercise of share options exercised were ¥730.7 and ¥794.2 for the years ended March 31, 2023 and 2024, respectively.

*2 The weighted average remaining contractual years of issued options remaining at the end of the period were 26.1 years and 26.0 years at March 31, 2023 and 2024, 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:

	2023	2024
Fair value	685 yen/share	**677 yen/share**
Share price at grant date	776.4 yen	**778.5 yen**
Exercise price	1 yen/share	**1 yen/share**
Expected volatility *1	27.836 %	**28.435 %**
Expected remaining life of option *2	6 years	**6 years**
Expected dividend *3	16 yen/share	**18 yen/share**
Risk-free interest rate *4	0.030 %	**0.318 %**

*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, 2023 and 2024 are determined using the actual dividends in the years ended March 31, 2022 and 2023, 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 33. 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 March 31, 2023 and 2024 was as follows.

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

	March 31, 2023	March 31, 2024
Interest-bearing liabilities (Millions of yen)	950,093	**949,684**
Owner's equity (Millions of yen)	1,535,028	**1,736,034**
D/E ratio	0.62	**0.55**

* 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. 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 37. Commitments and Contingent Liabilities."

(b) Changes in loss allowance

Changes in loss allowance for expected credit losses are as follows. There was no significant change in the gross carrying amounts of financial instruments that would affect the changes in loss allowance for the years ended March 31, 2023 and 2024.

Millions of yen

	Allowance for financial assets that are not credit-impaired	Allowance for credit-impaired financial assets	Allowance for financial guarantee contracts	Total
At April 1, 2022	1,490	10,720	871	13,081
Net provision (reversal)	(73)	1,445	510	1,882
Write-off	(6)	(408)	-	(414)
Other	(64)	899	72	907
At March 31, 2023	**1,347**	**12,656**	**1,453**	**15,456**
Net provision (reversal)	**412**	**1,190**	**(613)**	**989**
Write-off	**(2)**	**(1,703)**	**-**	**(1,705)**
Other	**(11)**	**1,386**	**104**	**1,479**
At March 31, 2024	**1,746**	**13,529**	**944**	**16,219**

*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 amounts of net provision (reversal) related to trade receivables, etc. from contracts with customers were ¥1,556 million and ¥976 million for the years ended March 31, 2023 and 2024, respectively, and are 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 financial guarantees and are included in “Finance income” and “Finance costs” in the consolidated statement of profit or loss.

*3 The carrying amount (net of loss allowance) of credit-impaired financial assets was ¥7,348 million at March 31, 2023. The vast majority of the carrying amount is covered by trade insurances.

(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 sources 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

	March 31, 2023						
	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	324,140	-	-	-	-	-	324,140
Bonds and borrowings	390,154	116,704	105,687	43,039	64,379	219,087	939,050
Lease liabilities	10,572	8,565	6,853	4,091	2,163	8,924	41,168
Other financial liabilities							
Deposits received	8,957	-	-	-	-	-	8,957
Derivative financial liabilities							
Other financial liabilities							
Derivative liabilities	1,166	51	-	-	-	-	1,217

Millions of yen

	March 31, 2024						
	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	**340,256**	**-**	**-**	**-**	**-**	**-**	**340,256**
Bonds and borrowings	**390,133**	**130,909**	**52,705**	**67,523**	**100,674**	**195,763**	**937,707**
Lease liabilities	**11,555**	**9,122**	**5,540**	**3,267**	**2,437**	**9,991**	**41,912**
Other financial liabilities							
Deposits received	**9,050**	**-**	**-**	**-**	**-**	**-**	**9,050**
Derivative financial liabilities							
Other financial liabilities							
Derivative liabilities	**2,874**	**20**	**-**	**-**	**-**	**-**	**2,894**

* 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, 2023 and 2024, 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, 2023	March 31, 2024
Impact on profit before tax	49	**146**

(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, 2023 and 2024, 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, 2023	March 31, 2024
Impact on profit before tax	(2,430)	**(2,801)**

(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 sells shares with the diminished significance of holding due to a change in business relationships and other reasons. 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, 2023 and 2024.

(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

	March 31, 2023		March 31, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Bonds and borrowings				
Bonds payable	219,727	218,023	**229,617**	**227,674**
Long-term borrowings	484,344	471,644	**421,004**	**408,643**
Total	704,071	689,667	**650,621**	**636,317**

* 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

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Shares and investments in capital	171,934	-	17,446	189,380
Derivative assets	-	23,209	-	23,209
Other	-	-	300	300
Total	171,934	23,209	17,746	212,889
Financial liabilities				
Other financial liabilities				
Derivative liabilities	-	1,215	-	1,215
Total	-	1,215	-	1,215

Millions of yen

	March 31, 2024			
	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Shares and investments in capital	**228,159**	**-**	**18,879**	**247,038**
Derivative assets	**-**	**10,441**	**-**	**10,441**
Other	**-**	**-**	**300**	**300**
Total	**228,159**	**10,441**	**19,179**	**257,779**
Financial liabilities				
Other financial liabilities				
Derivative liabilities	**-**	**2,894**	**-**	**2,894**
Total	**-**	**2,894**	**-**	**2,894**

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

	2023	**2024**
At beginning of period	18,473	**17,746**
Gains (losses) recognized in other comprehensive income	(323)	**1,260**
Purchases	214	**6**
Sales	(680)	**(26)**
Other	62	**193**
At end of period	17,746	**19,179**

*1 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 hedge currency risk and interest rate risk. When applying the hedge accounting, the Group performs necessary procedures such as the documentation of hedging relationships and the assessment of hedge effectiveness. 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, the ineffective portion of hedging is immaterial because, in applying hedge accounting, the important conditions such as the quantity, term and benchmark interest rate for the hedged items and the hedging instruments are in principle made almost the same.

(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

	March 31, 2023			
	Nominal amount	Of which due over 1 year	Carrying amount (fair value)	
			Assets	Liabilities
Cash flow hedges				
Currency risk				
Forward exchange contracts	36,938	957	89	165
Cross-currency swaps *1	107,253	28,903	21,250	-
Interest rate risk				
Interest rate swaps *2	59,785	-	145	-
Fair value hedges				
Interest rate risk				
Interest rate swaps	8,200	-	17	-

Millions of yen

	March 31, 2024			
	Nominal amount	Of which due over 1 year	Carrying amount (fair value)	
			Assets	Liabilities
Cash flow hedges				
Currency risk				
Forward exchange contracts	**96,738**	**178**	**1,084**	**1,253**
Cross-currency swaps *1	**32,773**	**32,773**	**6,825**	**-**

*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, 2023 and 2024 are ¥107.2 per U.S. dollar and ¥120.6 per U.S. dollar, respectively.

*2 The average paying fixed interest rate at March 31, 2023 was (0.19)% and the receiving floating interest rate was Tokyo Term Risk Free Rate.

*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

	March 31, 2023	March 31, 2024
	Cash flow hedge reserve (net of tax)	Cash flow hedge reserve (net of tax)
Currency risk		
Principal and interest on bonds and borrowings	(59)	**(15)**
Forecast operating transactions and other	(37)	**(57)**
Interest rate risk		
Interest on bonds and borrowings	98	**-**

* 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

	March 31, 2023			
	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				
Continuing hedge	-	8,216	-	17
Discontinued hedge	-	20,073	-	75

(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

	2023		2024	
	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	11,938	(8,661)	**19,665**	**(17,882)**
Interest rate risk *2	(4)	(106)	**(47)**	**(95)**

*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, 2023 and 2024.

5. Interest rate benchmark reform

The Group had floating interest rate borrowings and cross-currency swaps linked to U.S. dollar LIBOR, but it completed the process to transition to Term SOFR during the year ended March 31, 2024. Therefore, the Group did not have any financial instrument that had yet to transition to an alternative benchmark rate at March 31, 2024.

6. 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

	March 31, 2023	March 31, 2024
Trade and other receivables	14,998	**14,792**
Bonds and borrowings	14,998	**14,792**

Note 34. Cash Flow Information

1. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities is as follows:

Millions of yen

	2023						
	At beginning of period	Changes from financing cash flows	Non-cash changes				At end of period
			Changes in foreign exchange rates	Changes in fair value	New leases	Other	
Short-term borrowings	152,698	29,998	9,347	-	-	-	192,043
Commercial papers	-	15,000	-	-	-	-	15,000
Long-term borrowings	505,397	(39,101)	18,020	-	-	28	484,344
Bonds payable	239,946	(20,000)	-	-	-	(219)	219,727
Lease liabilities	37,617	(11,704)	1,175	-	11,689	202	38,979
Derivatives used to hedge liabilities	(12,871)	-	-	(8,534)	-	-	(21,405)
Total	922,787	(25,807)	28,542	(8,534)	11,689	11	928,688

Millions of yen

	2024						
	At beginning of period	Changes from financing cash flows	Non-cash changes				At end of period
			Changes in foreign exchange rates	Changes in fair value	New leases	Other	
Short-term borrowings	**192,043**	**32,011**	**20,729**	**-**	**-**	**-**	**244,783**
Commercial papers	**15,000**	**-**	**-**	**-**	**-**	**-**	**15,000**
Long-term borrowings	**484,344**	**(95,235)**	**31,868**	**-**	**-**	**27**	**421,004**
Bonds payable	**219,727**	**9,871**	**-**	**-**	**-**	**19**	**229,617**
Lease liabilities	**38,979**	**(11,605)**	**1,966**	**-**	**10,160**	**(220)**	**39,280**
Derivatives used to hedge liabilities *	**(21,405)**	**28,854**	**-**	**(14,274)**	**-**	**-**	**(6,825)**
Total	**928,688**	**(36,104)**	**54,563**	**(14,274)**	**10,160**	**(174)**	**942,859**

* Changes from financing cash flows are included in “Other inflows (outflows) of cash” in “Cash flows from financing activities” in the consolidated statement of cash flows.

2. Cash flows arising from loss of control of subsidiaries

The breakdown of assets and liabilities in former subsidiaries at the dates of loss of control is as follows. The detailed information of the loss of control of a subsidiary in the year ended March 31, 2023 is described in “Note 27. Other Income.”

Millions of yen

	2023	2024
Assets at loss of control		
Cash and cash equivalents	1,110	**-**
Property, plant and equipment and other	31,526	**-**
Liabilities at loss of control		
Bonds and borrowings and other	3,244	**-**

Note 35. Subsidiaries

The major subsidiaries at March 31, 2024 were as follows:

Company name	Main business *	Location	March 31, 2024 Ownership percentage of voting rights (%)
Toray International, Inc.	Trading	Japan	**100.0**
Chori Co., Ltd.	Trading	Japan	**52.4**
Toray Engineering Co., Ltd.	Environment & Engineering	Japan	**100.0**
Toray Plastics (America), Inc.	Performance Chemicals	U.S.A.	**100.0**
Toray Composite Materials America, Inc.	Carbon Fiber Composite Materials	U.S.A.	**100.0**
Zoltek Companies, Inc.	Carbon Fiber Composite Materials	U.S.A.	**100.0**
Alcantara S.p.A.	Fibers & Textiles	Italy	**70.0**
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 36. Related Parties

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

Millions of yen

	2023	2024
Basic remuneration and bonus	647	**740**
Share compensation-type share option plan	107	**111**
Total	754	**851**

Note 37. 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, 2023	March 31, 2024
Property, plant and equipment	21,842	**36,603**
Intangible assets	3,248	**2,328**
Total	25,090	**38,931**

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, 2023	March 31, 2024
Joint ventures and associates	1,259	**1,392**
Customers in housing business and other	3,697	**5,815**
Total	4,956	**7,207**

Note 38. Subsequent Events

Not applicable.

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, 2024, 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, 2024, 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 13. Goodwill and Intangible Assets" in the notes to the consolidated financial statements, the Company recorded goodwill of 95,996 million yen (2.8% of total assets) as of March 31, 2024. Of this amount, in the Carbon Fiber Composite Materials segment, 82,480 million yen (85.9% of total goodwill) was recorded for Toray Advanced Composites Holding B.V. As described in "Note 14. Impairment Losses" in the notes to the consolidated financial statements, the Company recorded an impairment loss of 15,128 million yen in the fiscal year ended March 31, 2024 for goodwill relating to Zoltek Companies, Inc. in the Carbon Fiber Composite Materials segment due to a decline in profitability caused by sluggish demand for wind turbine blade applications. 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 recoverable amount of each cash-	We performed the following audit procedures for the valuation method and key assumptions used in estimating the value in use of cash-generating units in considering the valuation of goodwill in the Carbon Fiber Composite Materials segment, among others: - We assessed the valuation method used in calculating value in use by involving valuation specialists of our network firms. - We considered sales volumes and sales prices set forth in the business plan by comparing figures to past actual results and by holding discussions with management related to future trends. - We considered the Company's demand outlook for its products, which is a premise used in estimating sales volumes, by comparing it to market forecasts and available external data related to carbon fiber composite materials. - We evaluated the effectiveness of the estimation process that management uses for the business plan by comparing business plans from prior fiscal years to the corresponding actual results.

generating unit that included goodwill belonging to the Carbon Fiber Composite Materials segment exceeded its corresponding carrying amounts in the impairment tests for the fiscal year ended March 31, 2024, with the exception of the cash-generating unit related to Zoltek Companies, Inc., for which the above-mentioned impairment loss was recognized. The value in use of cash-generating units 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 changes in sales volumes and sales prices and 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 the 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, which are key assumptions underlying estimates of the aforementioned goodwill, are subject to uncertainties, such as declining demand and prices of products due to product demand and trends in market conditions, and thus require management judgment, we determined the valuation of goodwill in the Carbon Fiber Composite Materials segment to be a key audit matter.	- We assessed whether future cash flows used in calculating value in use were consistent with the business plan approved by management. - We compared the growth rate and discount rate used in calculating value in use to the estimates by the valuation specialists of our network firms using external data. - We performed a sensitivity analysis with regard to 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.

Other Information

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor’s report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

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 consolidated 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, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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 25, 2024

Noriaki Kenmochi
Designated Engagement Partner
Certified Public Accountant

Minoru Io
Designated Engagement Partner
Certified Public Accountant

Makoto Matsumura
Designated Engagement Partner
Certified Public Accountant

Ryohei Shigematsu
Designated Engagement Partner
Certified Public Accountant