

Consolidated Financial Statements

2026

**Consolidated Financial Statements
& Independent Auditor's Report**
For the Year ended March 31, 2026
Toray Industries, Inc. and Subsidiaries

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Consolidated Statement of Financial Position

March 31, 2025 and 2026

Millions of yen

| Assets | Note | March 31, 2025 | March 31, 2026 |
|---|------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 7 | 237,295 | 265,295 |
| Trade and other receivables | 8 | 605,967 | 642,708 |
| Inventories | 9 | 520,505 | 538,586 |
| Other financial assets | 16 | 17,227 | 10,817 |
| Other current assets | 17 | 66,051 | 71,100 |
| Assets held for sale | 10 | 14,943 | 453 |
| Total current assets | | 1,461,988 | 1,528,959 |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 1,109,588 | 1,175,896 |
| Right-of-use assets | 12 | 53,914 | 53,133 |
| Goodwill | 13 | 94,643 | 100,809 |
| Intangible assets | 13 | 99,299 | 105,544 |
| Investments accounted for using equity method | 15 | 216,714 | 186,985 |
| Other financial assets | 16 | 154,653 | 169,095 |
| Deferred tax assets | 18 | 25,162 | 25,340 |
| Retirement benefit asset | 22 | 59,888 | 114,474 |
| Other non-current assets | 17 | 16,748 | 16,741 |
| Total non-current assets | | 1,830,609 | 1,948,017 |
| Total assets | | 3,292,597 | 3,476,976 |

Millions of yen

| Liabilities and Equity | Note | March 31, 2025 | March 31, 2026 |
|---|------|----------------|----------------|
| Current liabilities | | | |
| Trade and other payables | 19 | 315,896 | 317,156 |
| Bonds and borrowings | 20 | 367,089 | 380,968 |
| Lease liabilities | 12 | 10,952 | 11,662 |
| Other financial liabilities | 21 | 11,569 | 11,726 |
| Income taxes payable | 18 | 39,823 | 14,035 |
| Other current liabilities | 23 | 112,201 | 122,440 |
| Total current liabilities | | 857,530 | 857,987 |
| Non-current liabilities | | | |
| Bonds and borrowings | 20 | 432,468 | 483,014 |
| Lease liabilities | 12 | 32,150 | 29,915 |
| Other financial liabilities | 21 | 4,183 | 4,114 |
| Deferred tax liabilities | 18 | 51,115 | 56,534 |
| Retirement benefit liability | 22 | 80,254 | 75,839 |
| Other non-current liabilities | 23 | 14,325 | 41,737 |
| Total non-current liabilities | | 614,495 | 691,153 |
| Total liabilities | | 1,472,025 | 1,549,140 |
| Equity | 24 | | |
| Equity attributable to owners of parent | | | |
| Share capital | | 147,873 | 147,873 |
| Capital surplus | | 120,562 | 119,528 |
| Retained earnings | | 1,170,508 | 1,161,871 |
| Treasury shares | | (57,240) | (52,485) |
| Other components of equity | | 327,281 | 423,271 |
| Total equity attributable to owners of parent | | 1,708,984 | 1,800,058 |
| Non-controlling interests | | 111,588 | 127,778 |
| Total equity | | 1,820,572 | 1,927,836 |
| Total liabilities and equity | | 3,292,597 | 3,476,976 |

Consolidated Statement of Profit or Loss

Years ended March 31, 2025 and 2026

| | Note | 2025 | 2026 |
|---|------|-------------|--------------------|
| Millions of yen | | | |
| Revenue | 26 | 2,563,280 | 2,585,077 |
| Cost of sales | | (2,057,385) | (2,065,029) |
| Gross profit | | 505,895 | 520,048 |
| Selling, general and administrative expenses | | (366,106) | (381,361) |
| Other income | 27 | 11,507 | 7,981 |
| Other expenses | 28 | (23,843) | (49,447) |
| Operating income | | 127,453 | 97,221 |
| Finance income | 29 | 11,092 | 8,587 |
| Finance costs | 29 | (21,906) | (19,737) |
| Share of profit (loss) of investments accounted for using equity method | 15 | (2,351) | 21,528 |
| Profit before tax | | 114,288 | 107,599 |
| Income tax expense | 18 | (27,615) | (18,163) |
| Profit | | 86,673 | 89,436 |
| Profit attributable to: | | | |
| Owners of parent | | 77,911 | 79,521 |
| Non-controlling interests | | 8,762 | 9,915 |
| | | 86,673 | 89,436 |
| Earnings per share: | 31 | | |
| Basic (Yen) | | 48.93 | 52.96 |
| Diluted (Yen) | | 48.84 | 52.87 |

Consolidated Statement of Comprehensive Income

Years ended March 31, 2025 and 2026

| | Note | 2025 | 2026 |
|--|------|----------|----------------|
| Millions of yen | | | |
| Profit | | 86,673 | 89,436 |
| Other comprehensive income | 30 | | |
| Items that will not be reclassified to profit or loss | | | |
| Investments in equity instruments | | (3,353) | 26,903 |
| Remeasurements of defined benefit plans | | (6,609) | 40,349 |
| Share of other comprehensive income of investments accounted for using equity method | | (430) | 1,708 |
| | | (10,392) | 68,960 |
| Items that may be reclassified to profit or loss | | | |
| Cash flow hedges | | 883 | 1,900 |
| Deferred costs of hedging | | (52) | (85) |
| Exchange differences on translation | | (26,502) | 89,130 |
| Share of other comprehensive income of investments accounted for using equity method | | (5) | 15 |
| | | (25,676) | 90,960 |
| Total other comprehensive income | | (36,068) | 159,920 |
| Comprehensive income | | 50,605 | 249,356 |
| Comprehensive income attributable to: | | | |
| Owners of parent | | 40,886 | 232,309 |
| Non-controlling interests | | 9,719 | 17,047 |
| | | 50,605 | 249,356 |

Consolidated Statement of Changes in Equity

Years ended March 31, 2025 and 2026

| | | Millions of yen | | | |
|---|------|-----------------|-----------------|-------------------|-----------------|
| | Note | 2025 | | | |
| Equity attributable to owners of parent | | | | | |
| | | Share capital | Capital surplus | Retained earnings | Treasury shares |
| At April 1, 2024 | | 147,873 | 120,944 | 1,068,364 | (19,220) |
| Profit | | - | - | 77,911 | - |
| Other comprehensive income | | - | - | - | - |
| Comprehensive income | | - | - | 77,911 | - |
| Exercise of share acquisition rights | | - | (345) | - | 346 |
| Share-based payment transactions | 32 | - | 355 | - | - |
| Purchase of treasury shares | | - | (7) | - | (38,366) |
| Dividends | 25 | - | - | (28,849) | - |
| Changes in ownership interest in subsidiaries | | - | (385) | - | - |
| Transfer from other components of equity to retained earnings | | - | - | 53,082 | - |
| Other changes | | - | 0 | - | 0 |
| Total transactions with owners and other | | - | (382) | 24,233 | (38,020) |
| At March 31, 2025 | | 147,873 | 120,562 | 1,170,508 | (57,240) |

| | | Millions of yen | | | | | | | | |
|---|------|-----------------------------------|------------------|---------------------------|-------------------------------------|---|----------------------------------|---|---------------------------|--------------|
| | Note | 2025 | | | | | | | | |
| Equity attributable to owners of parent | | | | | | | | | | |
| Other components of equity | | | | | | | | | | |
| | | 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, 2024 | | 122,504 | (72) | 130 | 295,511 | - | 418,073 | 1,736,034 | 110,328 | 1,846,362 |
| Profit | | - | - | - | - | - | - | 77,911 | 8,762 | 86,673 |
| Other comprehensive income | | (3,629) | 876 | (52) | (27,627) | (6,593) | (37,025) | (37,025) | 957 | (36,068) |
| Comprehensive income | | (3,629) | 876 | (52) | (27,627) | (6,593) | (37,025) | 40,886 | 9,719 | 50,605 |
| Exercise of share acquisition rights | | - | - | - | - | - | - | 1 | - | 1 |
| Share-based payment transactions | 32 | - | - | - | - | - | - | 355 | - | 355 |
| Purchase of treasury shares | | - | - | - | - | - | - | (38,373) | - | (38,373) |
| Dividends | 25 | - | - | - | - | - | - | (28,849) | (8,819) | (37,668) |
| Changes in ownership interest in subsidiaries | | - | - | - | - | - | - | (385) | 360 | (25) |
| Transfer from other components of equity to retained earnings | | (59,675) | - | - | - | 6,593 | (53,082) | - | - | - |
| Other changes | | - | (685) | - | - | - | (685) | (685) | - | (685) |
| Total transactions with owners and other | | (59,675) | (685) | - | - | 6,593 | (53,767) | (67,936) | (8,459) | (76,395) |
| At March 31, 2025 | | 59,200 | 119 | 78 | 267,884 | - | 327,281 | 1,708,984 | 111,588 | 1,820,572 |

Millions of yen

| | Note | 2026 | | | |
|---|------|---|-----------------|-------------------|-----------------|
| | | Equity attributable to owners of parent | | | |
| | | Share capital | Capital surplus | Retained earnings | Treasury shares |
| At April 1, 2025 | | 147,873 | 120,562 | 1,170,508 | (57,240) |
| Profit | | - | - | 79,521 | - |
| Other comprehensive income | | - | - | - | - |
| Comprehensive income | | - | - | 79,521 | - |
| Exercise of share acquisition rights | | - | (854) | - | 855 |
| Share-based payment transactions | 32 | - | 99 | - | 271 |
| Purchase of treasury shares | | - | (61) | - | (111,636) |
| Cancellation of treasury shares | | - | (115,265) | - | 115,265 |
| Dividends | 25 | - | - | (29,128) | - |
| Changes in ownership interest in subsidiaries | | - | (343) | - | - |
| Transfer from retained earnings to capital surplus | | - | 115,390 | (115,390) | - |
| Transfer from other components of equity to retained earnings | | - | - | 56,360 | - |
| Other changes | | - | 0 | - | 0 |
| Total transactions with owners and other | | - | (1,034) | (88,158) | 4,755 |
| At March 31, 2026 | | 147,873 | 119,528 | 1,161,871 | (52,485) |

Millions of yen

| | Note | 2026 | | | | | | | | |
|---|------|---|------------------|---------------------------|-------------------------------------|---|---|------------------|---------------------------|------------------|
| | | Equity attributable to owners of parent | | | | | | | Non-controlling interests | Total equity |
| | | Other components of equity | | | | | Total equity attributable to owners of parent | | | |
| | | 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 | | | |
| At April 1, 2025 | | 59,200 | 119 | 78 | 267,884 | - | 327,281 | 1,708,984 | 111,588 | 1,820,572 |
| Profit | | - | - | - | - | - | - | 79,521 | 9,915 | 89,436 |
| Other comprehensive income | | 27,592 | 1,916 | (85) | 83,276 | 40,089 | 152,788 | 152,788 | 7,132 | 159,920 |
| Comprehensive income | | 27,592 | 1,916 | (85) | 83,276 | 40,089 | 152,788 | 232,309 | 17,047 | 249,356 |
| Exercise of share acquisition rights | | - | - | - | - | - | - | 1 | - | 1 |
| Share-based payment transactions | 32 | - | - | - | - | - | - | 370 | - | 370 |
| Purchase of treasury shares | | - | - | - | - | - | - | (111,697) | - | (111,697) |
| Cancellation of treasury shares | | - | - | - | - | - | - | - | - | - |
| Dividends | 25 | - | - | - | - | - | - | (29,128) | (5,637) | (34,765) |
| Changes in ownership interest in subsidiaries | | - | - | - | - | - | - | (343) | 346 | 3 |
| Transfer from retained earnings to capital surplus | | - | - | - | - | - | - | - | - | - |
| Transfer from other components of equity to retained earnings | | (16,271) | - | - | - | (40,089) | (56,360) | - | - | - |
| Other changes | | - | (438) | - | - | - | (438) | (438) | 4,434 | 3,996 |
| Total transactions with owners and other | | (16,271) | (438) | - | - | (40,089) | (56,798) | (141,235) | (857) | (142,092) |
| At March 31, 2026 | | 70,521 | 1,597 | (7) | 351,160 | - | 423,271 | 1,800,058 | 127,778 | 1,927,836 |

Consolidated Statement of Cash Flows

Years ended March 31, 2025 and 2026

| | Note | 2025 | Millions of yen 2026 |
|--|------|-----------|-------------------------|
| Cash flows from operating activities | | | |
| Profit before tax | | 114,288 | 107,599 |
| Depreciation and amortization | | 129,095 | 131,615 |
| Impairment losses (reversal of impairment losses) | | 9,919 | 33,796 |
| Share of loss (profit) of investments accounted for using equity method | | 2,351 | (21,528) |
| Finance income and finance costs | | 7,102 | 8,482 |
| Decrease (increase) in trade and other receivables | | 48,182 | (18,613) |
| Decrease (increase) in inventories | | 4,891 | 2,980 |
| Increase (decrease) in trade and other payables | | (29,772) | (1,297) |
| Changes in retirement benefit asset and liability | | (3,772) | (1,718) |
| Other adjustments | | 3,061 | 42,845 |
| Subtotal | | 285,345 | 284,161 |
| Interest received | | 5,294 | 4,146 |
| Dividends received | | 16,602 | 16,498 |
| Interest paid | | (17,750) | (17,445) |
| Income taxes refund (paid) | | (34,458) | (75,597) |
| Net cash provided by operating activities | | 255,033 | 211,763 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment, and intangible assets | | (179,248) | (146,501) |
| Proceeds from sale of property, plant and equipment, and intangible assets | | 6,120 | 1,524 |
| Payments for acquisition of subsidiaries | | (225) | (631) |
| Purchase of investments | | (2,447) | (1,255) |
| Proceeds from sale and redemption of investments | | 113,747 | 80,358 |
| Other inflows (outflows) of cash | | (1,145) | (430) |
| Net cash used in investing activities | | (63,198) | (66,935) |
| Cash flows from financing activities | | | |
| | 34 | | |
| Net increase (decrease) in short-term borrowings | | (3,759) | 14,130 |
| Proceeds from issuance of bonds and long-term borrowings | | 48,060 | 132,112 |
| Redemption of bonds and repayments of long-term borrowings | | (144,250) | (122,516) |
| Repayments of lease liabilities | | (12,455) | (13,028) |
| Purchase of treasury shares | | (38,373) | (111,697) |
| Dividends paid to owners of parent | | (28,831) | (29,127) |
| Dividends paid to non-controlling interests | | (8,820) | (5,637) |
| Other inflows (outflows) of cash | | (92) | 6,767 |
| Net cash provided by (used in) financing activities | | (188,520) | (128,996) |
| Effect of exchange rate changes on cash and cash equivalents | | (1,907) | 12,168 |
| Net increase (decrease) in cash and cash equivalents | | 1,408 | 28,000 |
| Cash and cash equivalents at beginning of period | | 235,887 | 237,295 |
| Cash and cash equivalents at end of period | 7 | 237,295 | 265,295 |

Notes to the Consolidated Financial Statements

Years ended March 31, 2025 and 2026

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, 2026 (from April 1, 2025 to March 31, 2026) 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 312 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 consolidated financial statements of the Group were authorized for issue on June 22, 2026 by Mitsuo Ohya, Representative Member of the Board, President and CEO.

3. Presentation currency

The consolidated financial statements of the Group 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, 2026 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) | Reporting period of application by the Group | Summary of new IFRS |
|---|---|--|--|
| IFRS 18 "Presentation and Disclosure in Financial Statements" | January 1, 2027 | Year ending March 31, 2028 | 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; 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

| | 2025 | | | | | | Total | Reconciliations *2, 3 | Consolidated total |
|---|----------------------|--------------------------|--|---------------------------------|--------------|----------|-----------|--------------------------|-----------------------|
| | Reportable segments | | | | | Other *1 | | | |
| | Fibers & Textiles | Performance Chemicals | Carbon Fiber Composite Materials | Environment & Engineering | Life Science | | | | |
| Revenue | | | | | | | | | |
| Revenue from external customers | 1,011,099 | 944,854 | 299,963 | 236,524 | 53,163 | 17,677 | 2,563,280 | - | 2,563,280 |
| Intersegment revenue | 1,590 | 11,670 | 554 | 82,538 | - | 28,727 | 125,079 | (125,079) | - |
| Total | 1,012,689 | 956,524 | 300,517 | 319,062 | 53,163 | 46,404 | 2,688,359 | (125,079) | 2,563,280 |
| Core operating income (loss) | 64,182 | 60,007 | 22,515 | 25,915 | (774) | 2,440 | 174,285 | (31,523) | 142,762 |
| Total assets | 942,240 | 1,169,020 | 748,335 | 358,740 | 69,435 | 115,162 | 3,402,932 | (110,335) | 3,292,597 |
| (Other items) | | | | | | | | | |
| Depreciation and amortization | 34,418 | 48,641 | 31,923 | 8,021 | 3,524 | 2,613 | 129,140 | (45) | 129,095 |
| Impairment losses | 6,406 | 3,273 | 159 | 20 | 61 | - | 9,919 | - | 9,919 |
| Investments accounted for using equity method | 83,912 | 82,944 | 6,439 | 28,654 | 1,301 | 13,806 | 217,056 | (342) | 216,714 |
| Capital expenditures *4 | 44,305 | 63,933 | 86,483 | 6,989 | 3,167 | 2,620 | 207,497 | 922 | 208,419 |

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

*2 "Reconciliations" of core operating income of ¥(31,523) million include intersegment eliminations of ¥(2,923) million and corporate expenses of ¥(28,600) million. The corporate expenses consist of the headquarters' research expenses that are not allocated to each reportable segment.

*3 "Reconciliations" of total assets of ¥(110,335) million include intersegment eliminations of ¥(139,936) million and corporate assets of ¥29,601 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.

| | 2026 | | | | | | Total | Reconciliations *2, 3 | Consolidated total |
|---|----------------------|--------------------------|--|---------------------------------|--------------|----------|-----------|--------------------------|-----------------------|
| | Reportable segments | | | | | | | | |
| | Fibers & Textiles | Performance Chemicals | Carbon Fiber Composite Materials | Environment & Engineering | Life Science | Other *1 | | | |
| Revenue | | | | | | | | | |
| Revenue from external customers | 1,051,102 | 894,423 | 300,071 | 266,898 | 52,424 | 20,159 | 2,585,077 | - | 2,585,077 |
| Intersegment revenue | 1,344 | 10,985 | 904 | 57,010 | - | 33,690 | 103,933 | (103,933) | - |
| Total | 1,052,446 | 905,408 | 300,975 | 323,908 | 52,424 | 53,849 | 2,689,010 | (103,933) | 2,585,077 |
| Core operating income (loss) | 68,041 | 56,285 | 17,640 | 28,824 | (114) | 2,466 | 173,142 | (31,229) | 141,913 |
| Total assets | 1,039,314 | 1,164,405 | 833,600 | 383,190 | 71,728 | 170,961 | 3,663,198 | (186,222) | 3,476,976 |
| (Other items) | | | | | | | | | |
| Depreciation and amortization | 34,555 | 50,214 | 31,916 | 8,876 | 3,176 | 2,891 | 131,628 | (13) | 131,615 |
| Impairment losses | 1,057 | 31,795 | 7 | 937 | - | - | 33,796 | - | 33,796 |
| Investments accounted for using equity method | 75,803 | 64,563 | 6,755 | 25,989 | 1,434 | 12,755 | 187,299 | (314) | 186,985 |
| Capital expenditures *4 | 30,328 | 53,751 | 46,396 | 8,821 | 3,126 | 2,663 | 145,085 | 869 | 145,954 |

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

*2 "Reconciliations" of core operating income of ¥(31,229) million include intersegment eliminations of ¥(1,314) million and corporate expenses of ¥(29,915) million. The corporate expenses consist of the headquarters' research expenses that are not allocated to each reportable segment.

*3 "Reconciliations" of total assets of ¥(186,222) million include intersegment eliminations of ¥(211,875) million and corporate assets of ¥25,653 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:

| | 2025 | 2026 |
|--|---------|----------|
| Core operating income | 142,762 | 141,913 |
| Gain on sale or disposal of fixed assets | 4,240 | 725 |
| Loss on sale or disposal of fixed assets | (7,681) | (10,214) |
| Impairment losses | (9,919) | (33,796) |
| Economic compensation *1 | (1,949) | - |
| Loss on warehouse fire *2 | - | (1,407) |
| Operating income | 127,453 | 97,221 |

*1 Economic compensation includes the estimated payments to employees accompanying the production transfer from Toray Plastics (Shenzhen) Ltd., a resin compound manufacturing and sales subsidiary in China, to Toray Resins (Foshan) Co., Ltd. in the Performance Chemicals business.

*2 Loss on warehouse fire includes a loss of inventories and other assets resulting from the fire accident which occurred at P.T. TAK Textiles Indonesia, a textiles manufacturing and sales subsidiary in Indonesia under the Fibers & Textiles business.

*3 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

| | 2025 | 2026 |
|---------------------------------|-----------|-----------|
| Japan | 997,967 | 1,044,985 |
| Asia | | |
| China | 494,239 | 493,135 |
| Other | 491,576 | 497,539 |
| North America, Europe and other | 579,498 | 549,418 |
| Total | 2,563,280 | 2,585,077 |

* 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)

| | March 31, 2025 | March 31, 2026 |
|---------------------------------|----------------|----------------|
| Japan | 366,530 | 374,268 |
| Asia | | |
| Republic of Korea | 212,188 | 195,791 |
| Other | 198,597 | 199,002 |
| North America, Europe and other | | |
| U.S.A. | 325,689 | 365,375 |
| Europe and other | 271,188 | 317,687 |
| Total | 1,374,192 | 1,452,123 |

Note 7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

| | March 31, 2025 | March 31, 2026 |
|--|----------------|----------------|
| Cash on hand and demand deposits | 193,082 | 224,491 |
| Time deposits and other short-term investments | 44,213 | 40,804 |
| Total | 237,295 | 265,295 |

Note 8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows:

| | March 31, 2025 | March 31, 2026 |
|-------------------|----------------|----------------|
| Trade receivables | 566,877 | 596,524 |
| Contract assets | 29,032 | 34,455 |
| Other receivables | 12,280 | 13,740 |
| Loss allowance | (2,222) | (2,011) |
| Total | 605,967 | 642,708 |

* 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:

| | March 31, 2025 | Millions of yen March 31, 2026 |
|--------------------------------|----------------|-----------------------------------|
| Merchandise and finished goods | 272,332 | 274,485 |
| Work in process | 109,020 | 123,102 |
| Raw materials and supplies | 139,153 | 140,999 |
| Total | 520,505 | 538,586 |

* The amounts of write-down of inventories recognized as expenses for the years ended March 31, 2025 and 2026 were ¥876 million and ¥3,110 million, respectively.

Note 10. Assets Held for Sale

The breakdown of assets held for sale is as follows:

| | March 31, 2025 | Millions of yen March 31, 2026 |
|--|----------------|-----------------------------------|
| Assets held for sale | | |
| Property, plant and equipment | 24 | 453 |
| Investments formerly accounted for using equity method * | 14,919 | - |
| Total | 14,943 | 453 |

* The investments formerly accounted for using the equity method as of March 31, 2025 represent the investment in a joint venture, LG Toray Hungary Battery Separator Kft. ("LTHS") in the Performance Chemicals segment. The investment was measured at fair value less costs to sell based on the expected price of sale and was categorized within Level 3 of the fair value hierarchy. The cumulative exchange differences on translation amounted to ¥1,611 million as of March 31, 2025. In the year ended March 31, 2026, the Company completed the sale of its interest in LTHS. The details are described in "Note 15. Investments Accounted for Using Equity Method."

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, 2024 | 74,472 | 335,814 | 521,930 | 118,128 | 30,771 | 1,081,115 |
| Additions | 80 | 24,767 | 77,120 | 64,750 | 9,400 | 176,117 |
| Depreciation | - | (18,349) | (80,198) | - | (8,466) | (107,013) |
| Impairment losses | (6) | (874) | (8,011) | (864) | (137) | (9,892) |
| Disposal | (481) | (1,276) | (1,696) | (164) | (138) | (3,755) |
| Exchange differences on translation | (2,396) | (7,587) | (11,923) | (4,600) | (606) | (27,112) |
| Other | 8 | 45 | (74) | 93 | 56 | 128 |
| At March 31, 2025 | 71,677 | 332,540 | 497,148 | 177,343 | 30,880 | 1,109,588 |
| Additions | 2,294 | 42,650 | 106,082 | (21,528) | 9,614 | 139,112 |
| Depreciation | - | (19,124) | (80,270) | - | (8,616) | (108,010) |
| Impairment losses | - | (8,428) | (23,439) | (238) | (576) | (32,681) |
| Disposal | (60) | (677) | (3,005) | (394) | (266) | (4,402) |
| Exchange differences on translation | 1,863 | 17,335 | 33,859 | 9,499 | 1,263 | 63,819 |
| Other | (363) | 837 | 6,612 | 1,339 | 45 | 8,470 |
| At March 31, 2026 | 75,411 | 365,133 | 536,987 | 166,021 | 32,344 | 1,175,896 |

*1 Additions include the transfer from construction in progress to other accounts of property, plant and equipment, and acquisitions through business combinations.

*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, 2024 | 75,188 | 826,967 | 2,617,863 | 121,759 | 144,440 | 3,786,217 |
| At March 31, 2025 | 72,400 | 830,073 | 2,592,658 | 181,542 | 146,356 | 3,823,029 |
| At March 31, 2026 | 76,134 | 902,020 | 2,789,069 | 170,484 | 155,808 | 4,093,515 |

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, 2024 | 716 | 491,153 | 2,095,933 | 3,631 | 113,669 | 2,705,102 |
| At March 31, 2025 | 723 | 497,533 | 2,095,510 | 4,199 | 115,476 | 2,713,441 |
| At March 31, 2026 | 723 | 536,887 | 2,252,082 | 4,463 | 123,464 | 2,917,619 |

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

| | 2025 | 2026 |
|--|--------|--------|
| Millions of yen | | |
| Depreciation charge for right-of-use assets | | |
| Land | 519 | 535 |
| Buildings and structures | 9,903 | 10,170 |
| Machinery and vehicles | 2,025 | 2,198 |
| Other | 281 | 264 |
| Total | 12,728 | 13,167 |
| Interest expense on lease liabilities | 655 | 903 |
| Expense relating to short-term leases | 1,305 | 1,584 |
| Expense relating to leases of low-value assets | 990 | 1,029 |
| Total cash outflow for leases | 15,712 | 16,617 |

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

| | March 31, 2025 | March 31, 2026 |
|--------------------------|----------------|----------------|
| Millions of yen | | |
| Land | 12,153 | 12,837 |
| Buildings and structures | 30,045 | 28,535 |
| Machinery and vehicles | 10,840 | 10,270 |
| Other | 876 | 1,491 |
| Total | 53,914 | 53,133 |

Additions to right-of-use assets for the years ended March 31, 2025 and 2026 were ¥16,869 million and ¥9,036 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 | | | Total |
| | | Customer-related intangible assets | Technology-based intangible assets | Other | |
| At April 1, 2024 | 95,996 | 42,529 | 26,721 | 26,019 | 95,269 |
| Additions | - | - | - | 14,937 | 14,937 |
| Amortization | - | (2,780) | (1,456) | (4,821) | (9,057) |
| Exchange differences on translation | (1,353) | (543) | (304) | (300) | (1,147) |
| Other | - | (253) | - | (450) | (703) |
| At March 31, 2025 | 94,643 | 38,953 | 24,961 | 35,385 | 99,299 |
| Additions | 928 | - | - | 12,450 | 12,450 |
| Amortization | - | (2,747) | (1,438) | (5,897) | (10,082) |
| Impairment losses | (928) | - | - | (161) | (161) |
| Exchange differences on translation | 6,166 | 2,315 | 1,642 | 1,206 | 5,163 |
| Other | - | (299) | - | (826) | (1,125) |
| At March 31, 2026 | 100,809 | 38,222 | 25,165 | 42,157 | 105,544 |

*1 There were no significant internally generated intangible assets for the years ended March 31, 2025 and 2026.

*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, 2025 and 2026 were ¥72,877 million and ¥74,906 million, respectively.

(2) Acquisition cost

| | Millions of yen | | | | |
|-------------------|-----------------|------------------------------------|------------------------------------|----------------|----------------|
| | Goodwill | Intangible assets | | | Total |
| | | Customer-related intangible assets | Technology-based intangible assets | Other | |
| At April 1, 2024 | 121,836 | 71,776 | 37,678 | 89,329 | 198,783 |
| At March 31, 2025 | 119,412 | 70,350 | 37,207 | 101,070 | 208,627 |
| At March 31, 2026 | 127,841 | 74,730 | 39,786 | 112,880 | 227,396 |

(3) Accumulated amortization and accumulated impairment losses

| | Millions of yen | | | | |
|-------------------|-----------------|------------------------------------|------------------------------------|---------------|----------------|
| | Goodwill | Intangible assets | | | Total |
| | | Customer-related intangible assets | Technology-based intangible assets | Other | |
| At April 1, 2024 | 25,840 | 29,247 | 10,957 | 63,310 | 103,514 |
| At March 31, 2025 | 24,769 | 31,397 | 12,246 | 65,685 | 109,328 |
| At March 31, 2026 | 27,032 | 36,508 | 14,621 | 70,723 | 121,852 |

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:

| | March 31, 2025 | Millions of yen March 31, 2026 |
|------------------------------------|----------------|-----------------------------------|
| Customer-related intangible assets | 35,919 | 35,758 |
| Technology-based intangible assets | 24,961 | 25,165 |

* The remaining useful life at March 31, 2026 was 14 to 17 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:

| Reportable segment | Cash-generating unit or group of cash-generating units | March 31, 2025 | Millions of yen March 31, 2026 |
|----------------------------------|--|----------------|-----------------------------------|
| Carbon Fiber Composite Materials | Toray Advanced Composites Holding B.V. | 81,450 | 87,094 |

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 2.1% and 2.2% for the years ended March 31, 2025 and 2026, respectively. The discount rates used in the measurement of value in use were 9.2% and 9.3% for the years ended March 31, 2025 and 2026, respectively. For the year ended March 31, 2026, the recoverable amount exceeded the carrying amount by ¥34,214 million; however, if the discount rate had increased by 1.4%, the recoverable amount would have been equal to the carrying amount.

Note 14. Impairment Losses

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

| 2025 | | | | |
|--------------------|-------------------------------------|------------------------------|------------------------|-------------------------------------|
| Reportable segment | Location | Use | Class of asset | Impairment losses (Millions of yen) |
| Fibers & Textiles | Gyeongsangbuk-do, Republic of Korea | Fibers production facilities | Machinery and vehicles | 3,605 |
| | | | Other | 315 |
| Total | | | | 3,920 |

The carrying amount of the fibers production facilities in Gyeongsangbuk-do, Republic of Korea, was reduced to the recoverable amount due to a decline in profitability. The recoverable amount was measured at value in use of ¥4,680 million. The discount rate used in the measurement of value in use was 11.1%.

| 2026 | | | | |
|-----------------------|-------------------------------------|---|---------------------------------|-------------------------------------|
| Reportable segment | Location | Use | Class of asset | Impairment losses (Millions of yen) |
| Performance Chemicals | Gyeongsangbuk-do, Republic of Korea | Battery separator films production facilities | Buildings and structures | 6,685 |
| | | | Machinery and vehicles | 17,744 |
| | | | Other | 643 |
| Total | | | | 25,072 |
| Performance Chemicals | Penang, Malaysia | Films production facilities | Buildings and structures | 1,340 |
| | | | Machinery and vehicles | 4,325 |
| | | | Other | 58 |
| Total | | | | 5,723 |

The carrying amount of the battery separator films production facilities in Gyeongsangbuk-do, Republic of Korea, was reduced to the recoverable amount due to a decline in profitability mainly in automotive applications caused by sluggish EV market and other factors. The recoverable amount was measured at value in use of ¥14,552 million. The discount rate used in the measurement of value in use was 9.8%.

The carrying amount of the films production facilities in Penang, Malaysia, was reduced to the recoverable amount due to a decline in profitability. The recoverable amount was measured at value in use of ¥6,298 million. The discount rate used in the measurement of value in use was 12.1%.

Note 15. Investments Accounted for Using Equity Method

1. Investments in joint ventures and associates

| | March 31, 2025 | Millions of yen March 31, 2026 |
|-----------------|----------------|-----------------------------------|
| Carrying amount | | |
| Joint ventures | 64,519 | 40,286 |
| Associates | 152,195 | 146,699 |

2. Share of profit and other comprehensive income of joint ventures and associates

| | 2025 | Millions of yen 2026 |
|----------------------------|---------|-------------------------|
| Profit | | |
| Joint ventures | (3,358) | 2,773 |
| Associates | 8,344 | 9,783 |
| Other comprehensive income | | |
| Joint ventures | 6 | 33 |
| Associates | (441) | 1,690 |
| Comprehensive income | | |
| Joint ventures | (3,352) | 2,806 |
| Associates | 7,903 | 11,473 |

*1 In addition to the above, "Share of profit (loss) 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 ¥(7,432) million and ¥(7,474) million, and gains (losses) on disposal of investments accounted for using the equity method of ¥95 million and ¥16,446 million for the years ended March 31, 2025 and 2026, respectively.

*2 For the year ended March 31, 2025, share of loss of investments accounted for using equity method of ¥(12,904) million was recognized for LTHS, a joint venture, following the impairment of non-current assets caused by the decrease in profit mainly from stagnation of the U.S. and European EV markets.

3. Disposal of investments accounted for using equity method

Year ended March 31, 2026

(1) The Company sold its entire interest in LTHS, a joint venture in the Performance Chemicals segment, to its partner company, LG Chem, Ltd. ("LG Chem"). Under the joint venture agreement with LG Chem for the operation of LTHS, the Company was required, on or after June 30, 2025, to sell 20% of its 50% interest in LTHS to LG Chem, thereby changing the ownership interests of the Company and LG Chem to 30% and 70%, respectively. Accordingly, the 20% interest to be sold was classified as held for sale as of March 31, 2025.

In the year ended March 31, 2026, the Company and LG Chem subsequently agreed for the Company to sell its remaining 30% interest in LTHS to LG Chem, and the sale of the entire 50% interest in LTHS was completed. As a result, an impairment loss of ¥6,176 million was recognized to reduce the carrying amount of the remaining 30% interest in LTHS to its fair value.

(2) The Company sold its entire interest in Japan Vilene Company, Ltd., an associate in the Fibers & Textiles segment, following the exercise of a call option by its partner company, Freudenberg SE, in accordance with the joint venture agreement.

Note 16. Other Financial Assets

The breakdown of other financial assets is as follows:

| | March 31, 2025 | Millions of yen March 31, 2026 |
|--|----------------|-----------------------------------|
| Financial assets measured at amortized cost | | |
| Time deposits and other short-term investments | 6,247 | 5,430 |
| Leasehold and guarantee deposits | 10,364 | 9,793 |
| Other | 13,681 | 16,019 |
| Financial assets measured at fair value through profit or loss | | |
| Derivative assets | 9,385 | 8,258 |
| Other | 300 | 157 |
| Financial assets measured at fair value through other comprehensive income | | |
| Shares and investments in capital | 131,903 | 140,255 |
| Total | 171,880 | 179,912 |
| Current assets | 17,227 | 10,817 |
| Non-current assets | 154,653 | 169,095 |
| Total | 171,880 | 179,912 |

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

| | Millions of yen March 31, 2025 |
|---------------------------------------|-----------------------------------|
| Issue | Fair value |
| Mitsui Fudosan Co., Ltd. | 19,503 |
| Mitsui & Co., Ltd. | 17,553 |
| Kaken Pharmaceutical Co., Ltd. | 8,570 |
| Sumitomo Mitsui Financial Group, Inc. | 7,384 |
| GOLDWIN Inc. | 7,164 |
| MS&AD Insurance Group Holdings, Inc. | 6,646 |
| TBS Holdings, Inc. | 6,593 |
| Sumitomo Mitsui Trust Group, Inc. | 3,777 |
| Komatsu Matere Co., Ltd. | 3,451 |
| Izumi Inc. | 2,867 |

| | Millions of yen March 31, 2026 |
|---------------------------------------|-----------------------------------|
| Issue | Fair value |
| Mitsui & Co., Ltd. | 37,364 |
| Mitsui Fudosan Co., Ltd. | 24,267 |
| Sumitomo Mitsui Financial Group, Inc. | 9,739 |
| Kaken Pharmaceutical Co., Ltd. | 4,750 |
| Izumi Inc. | 3,829 |
| GOLDWIN Inc. | 3,802 |
| MS&AD Insurance Group Holdings, Inc. | 3,675 |
| Komatsu Matere Co., Ltd. | 3,387 |
| Shinkong Synthetic Fibers Corp. | 2,747 |
| Sumitomo Mitsui Trust Group, Inc. | 2,493 |

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:

| | 2025 | 2026 |
|----------------------------|---------|--------|
| Fair value at time of sale | 112,452 | 31,221 |
| Cumulative gain (loss) | 86,519 | 23,258 |

Millions of yen

Note 17. Other Assets

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

| | March 31, 2025 | March 31, 2026 |
|------------------------------|----------------|----------------|
| Prepayments | 35,849 | 35,733 |
| Value-added taxes receivable | 20,848 | 20,769 |
| Investment property | 11,226 | 12,453 |
| Other | 14,876 | 18,886 |
| Total | 82,799 | 87,841 |
| Current assets | 66,051 | 71,100 |
| Non-current assets | 16,748 | 16,741 |
| Total | 82,799 | 87,841 |

Millions of yen

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:

| | 2025 | | | | Millions of yen |
|--|------------------------|------------------------------|--|--------------|------------------|
| | 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 | 22,722 | 2,869 | - | (258) | 25,333 |
| Employee benefits | 40,941 | 982 | (412) | (224) | 41,287 |
| Lease liabilities | 8,910 | 1,466 | - | 146 | 10,522 |
| Investments in subsidiaries, associates and joint arrangements | 7 | 126 | - | 2 | 135 |
| Unused tax losses and unused tax credits | 13,664 | (828) | - | (234) | 12,602 |
| Other | 27,479 | 661 | (522) | (89) | 27,529 |
| Total | 113,723 | 5,276 | (934) | (657) | 117,408 |
| Deferred tax liabilities | | | | | |
| Property, plant and equipment and intangible assets | (48,434) | (248) | - | 601 | (48,081) |
| Employee benefits | (20,712) | (1,247) | 2,334 | 84 | (19,541) |
| Right-of-use assets | (8,902) | (1,439) | - | (138) | (10,479) |
| Investments in subsidiaries, associates and joint arrangements | (37,637) | 4,418 | 506 | (4) | (32,717) |
| Financial assets measured at fair value through other comprehensive income | (56,944) | - | 28,181 | (1) | (28,764) |
| Other | (4,281) | 134 | 316 | 52 | (3,779) |
| Total | (176,910) | 1,618 | 31,337 | 594 | (143,361) |

| | 2026 | | | | |
|--|------------------------|------------------------------|--|----------------|------------------|
| | 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 | 25,333 | (1,959) | - | 1,016 | 24,390 |
| Employee benefits | 41,287 | 774 | (1,749) | 694 | 41,006 |
| Lease liabilities | 10,522 | (1,582) | - | 362 | 9,302 |
| Investments in subsidiaries, associates and joint arrangements | 135 | 18,955 | (693) | - | 18,397 |
| Unused tax losses and unused tax credits | 12,602 | (33) | - | 999 | 13,568 |
| Other | 27,529 | 280 | (858) | 540 | 27,491 |
| Total | 117,408 | 16,435 | (3,300) | 3,611 | 134,154 |
| Deferred tax liabilities | | | | | |
| Property, plant and equipment and intangible assets | (48,081) | 1,322 | - | (2,948) | (49,707) |
| Employee benefits | (19,541) | (429) | (16,354) | (501) | (36,825) |
| Right-of-use assets | (10,479) | 1,485 | - | (363) | (9,357) |
| Investments in subsidiaries, associates and joint arrangements | (32,717) | (111) | (100) | (11) | (32,939) |
| Financial assets measured at fair value through other comprehensive income | (28,764) | - | (4,185) | (5) | (32,954) |
| Other | (3,779) | 116 | 296 | (199) | (3,566) |
| Total | (143,361) | 2,383 | (20,343) | (4,027) | (165,348) |

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:

| | March 31, 2025 | March 31, 2026 |
|---|----------------|----------------|
| Deductible temporary differences *1 | 16,969 | 17,615 |
| Unused tax losses and unused tax credits *2 | 45,455 | 59,763 |

*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 ¥112,684 million and ¥84,422 million at March 31, 2025 and 2026, respectively.

*2 The amounts by expiry date are as follows:

| | March 31, 2025 | March 31, 2026 |
|------------------------|----------------|----------------|
| 1 year or less | 588 | 659 |
| Over 1 year to 5 years | 6,458 | 6,691 |
| Over 5 years | 38,409 | 52,413 |
| Total | 45,455 | 59,763 |

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 ¥129,539 million and ¥174,494 million at March 31, 2025 and 2026, 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:

| | 2025 | 2026 |
|------------------------|---------|----------|
| Current tax expense | 34,509 | 36,981 |
| Deferred tax expense * | (6,894) | (18,818) |
| Total | 27,615 | 18,163 |

Millions of yen

* The deferred tax expense includes tax benefits arising from deductible temporary differences related to investments in subsidiaries, associates and joint arrangements that were previously unrecognized. Consequently, the deferred tax expense decreased by ¥18,955 million for the year ended March 31, 2026.

5. Reconciliation of effective tax rate

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

| | 2025 | 2026 |
|---|-------|--------|
| Statutory effective tax rate | 30.6 | 30.6 |
| Share of profit (loss) of investments accounted for using equity method | 0.6 | (1.4) |
| Tax rate differences with foreign subsidiaries | (3.7) | (2.9) |
| Tax credit for research and development expenses in Japan | (4.6) | (4.1) |
| Withholding tax on dividends from foreign subsidiaries | 2.0 | 2.2 |
| Changes in unrecognized deferred tax assets | 5.5 | 8.3 |
| Investments in subsidiaries, associates and joint arrangements | (4.0) | (17.6) |
| Other | (2.2) | 1.8 |
| Actual average effective tax rate | 24.2 | 16.9 |

%

Note 19. Trade and Other Payables

The breakdown of trade and other payables is as follows:

| | March 31, 2025 | Millions of yen March 31, 2026 |
|-------------------------------------|----------------|-----------------------------------|
| Trade payables | 225,953 | 238,070 |
| Other payables and accrued expenses | 89,943 | 79,086 |
| Total | 315,896 | 317,156 |

* 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:

| | March 31, 2025 | March 31, 2026 | Average interest rate (%) *2 | Millions of yen Maturity |
|-------------------------|----------------|----------------|------------------------------|-----------------------------|
| Short-term borrowings | 249,982 | 292,625 | 3.64 | - |
| Long-term borrowings | 359,870 | 421,585 | 1.66 | 2026 - 2036 |
| Bonds payable | 189,705 | 149,772 | - | - |
| Total | 799,557 | 863,982 | | |
| Current liabilities | 367,089 | 380,968 | | |
| Non-current liabilities | 432,468 | 483,014 | | |
| Total | 799,557 | 863,982 | | |

*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, 2026.

The schedule of bonds payable is as follows:

| Issuer | Issue | Issue date | March 31, 2025 | March 31, 2026 | Interest rate (%) | Collateral | Millions of yen Maturity |
|-------------|-------------------------------|-------------------|----------------|----------------|-------------------|------------|-----------------------------|
| The Company | 30th unsecured straight bonds | July 19, 2017 | 59,945 | 59,969 | 0.375 | None | July 16, 2027 |
| The Company | 32nd unsecured straight bonds | July 18, 2018 | 39,994 | - | - | - | - |
| The Company | 33rd unsecured straight bonds | July 18, 2018 | 39,946 | 39,963 | 0.380 | None | July 18, 2028 |
| The Company | 34th unsecured straight bonds | July 18, 2018 | 19,928 | 19,933 | 0.830 | None | July 16, 2038 |
| The Company | 35th unsecured straight bonds | November 24, 2023 | 13,954 | 13,962 | 0.973 | None | November 22, 2030 |
| The Company | 36th unsecured straight bonds | November 24, 2023 | 15,937 | 15,945 | 1.291 | None | November 24, 2033 |
| | Total | | 189,705 | 149,772 | | | |

2. Assets pledged as collateral and liabilities with collateral

Assets pledged as collateral are as follows:

| | March 31, 2025 | Millions of yen March 31, 2026 |
|-------------------------------|----------------|-----------------------------------|
| Property, plant and equipment | 10 | 10 |
| Other financial assets | 2,998 | 3,201 |
| Total | 3,008 | 3,211 |

Liabilities with collateral are as follows:

| | March 31, 2025 | Millions of yen March 31, 2026 |
|--------------------------|----------------|-----------------------------------|
| Trade and other payables | 5,372 | 4,902 |
| Bonds and borrowings | 800 | 100 |
| Total | 6,172 | 5,002 |

Note 21. Other Financial Liabilities

The breakdown of other financial liabilities is as follows:

| | March 31, 2025 | Millions of yen March 31, 2026 |
|---|----------------|-----------------------------------|
| Financial liabilities measured at amortized cost | | |
| Deposits received | 10,370 | 8,718 |
| Other | 4,386 | 4,527 |
| Financial liabilities measured at fair value through profit or loss | | |
| Derivative liabilities | 771 | 2,595 |
| Other | 225 | - |
| Total | 15,752 | 15,840 |
| Current liabilities | 11,569 | 11,726 |
| Non-current liabilities | 4,183 | 4,114 |
| Total | 15,752 | 15,840 |

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:

| | March 31, 2025 | March 31, 2026 |
|---|----------------|-----------------|
| | | Millions of yen |
| Present value of defined benefit obligations | 149,161 | 137,993 |
| Fair value of plan assets | (128,795) | (176,628) |
| Net defined benefit liability (asset) | 20,366 | (38,635) |
| Amounts on the consolidated statement of financial position | | |
| Retirement benefit liability | 80,254 | 75,839 |
| Retirement benefit asset | (59,888) | (114,474) |
| Net defined benefit liability (asset) | 20,366 | (38,635) |

(b) Reconciliation of present value of defined benefit obligations

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

| | 2025 | 2026 |
|--|----------|-----------------|
| | | Millions of yen |
| At beginning of period | 159,298 | 149,161 |
| Current service cost | 6,686 | 6,412 |
| Interest expense | 2,707 | 3,178 |
| Remeasurements | | |
| Actuarial gains and losses arising from changes in demographic assumptions | - | (92) |
| Actuarial gains and losses arising from changes in financial assumptions | (3,565) | (7,332) |
| Actuarial gains and losses arising from experience adjustments | 1,193 | (849) |
| Benefits paid | (13,621) | (12,585) |
| Other | (3,537) | 100 |
| At end of period | 149,161 | 137,993 |

* The weighted average durations of the defined benefit obligations at March 31, 2025 and 2026 were 6.6 years and 6.0 years, respectively.

(c) Reconciliation of fair value of plan assets

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

| | 2025 | 2026 |
|---------------------------|----------|-----------------|
| | | Millions of yen |
| At beginning of period | 143,877 | 128,795 |
| Interest income | 2,446 | 2,723 |
| Remeasurements | | |
| Return on plan assets | (10,822) | 50,196 |
| Contributions by employer | 3,441 | 1,267 |
| Benefits paid | (6,678) | (5,995) |
| Other | (3,469) | (358) |
| At end of period | 128,795 | 176,628 |

* The amount of expected contributions to the defined benefit plans for the year ending March 31, 2027 is ¥3,635 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:

| | March 31, 2025 | | | March 31, 2026 | | |
|---|--|---------------|---------|--|---------------|---------|
| | Quoted market prices in active markets | | Total | Quoted market prices in active markets | | Total |
| | Available | Not available | | Available | Not available | |
| Cash and cash equivalents | 9,323 | - | 9,323 | 8,721 | - | 8,721 |
| Equity securities (mainly Japanese equity securities) | 65,168 | - | 65,168 | 113,171 | - | 113,171 |
| Debt securities (mainly Japanese debt securities) | 10,337 | - | 10,337 | 16,772 | - | 16,772 |
| General accounts of life insurance companies | - | 43,286 | 43,286 | - | 37,202 | 37,202 |
| Other | 562 | 119 | 681 | 638 | 124 | 762 |
| Total | 85,390 | 43,405 | 128,795 | 139,302 | 37,326 | 176,628 |

Millions of yen

(e) Significant actuarial assumptions

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

| | March 31, 2025 | March 31, 2026 |
|---------------|----------------|----------------|
| Discount rate | Mainly 1.8% | Mainly 2.7% |

(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.

| | | March 31, 2025 | March 31, 2026 |
|---------------|------------------|----------------|----------------|
| Discount rate | Increase by 0.5% | (4,578) | (3,620) |
| | Decrease by 0.5% | 4,366 | 3,803 |

Millions of yen

(2) Defined contribution plans

The amounts of expenses for the defined contribution plans recognized for the years ended March 31, 2025 and 2026 were ¥23,598 million and ¥23,730 million, respectively.

2. Employee benefit expenses

Employee benefit expenses for the years ended March 31, 2025 and 2026 totaled ¥375,067 million and ¥393,725 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:

| | March 31, 2025 | Millions of yen March 31, 2026 |
|------------------------------|----------------|-----------------------------------|
| Short-term employee benefits | 63,446 | 70,262 |
| Contract liabilities | 24,812 | 29,367 |
| Value-added taxes payable | 9,068 | 10,570 |
| Other * | 29,200 | 53,978 |
| Total | 126,526 | 164,177 |
| Current liabilities | 112,201 | 122,440 |
| Non-current liabilities | 14,325 | 41,737 |
| Total | 126,526 | 164,177 |

* The "Other" category as of March 31, 2026, includes damages of ¥21,764 million and interest for delay received from Sawai Pharmaceutical Co., Ltd. and Fuso Pharmaceutical Industries, Ltd. in connection with a lawsuit for infringement of a drug use patent related to the oral antipruritus medication REMITCH® OD Tablets. Sawai Pharmaceutical Co., Ltd. and Fuso Pharmaceutical Industries, Ltd. filed an appeal with the Supreme Court, and as the entitlement to the amounts received remains uncertain, damages and interest for delay are recognized as other non-current liabilities.

Note 24. Share Capital and Other Equity Items

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

| | Number of authorized shares | Number of issued shares | Thousands of shares Number of treasury shares |
|---|--------------------------------|----------------------------|---|
| At April 1, 2024 | 4,000,000 | 1,631,481 | 29,839 |
| Exercise of share acquisition rights | - | - | (538) |
| Purchase of treasury shares based on a resolution of the Board of Directors | - | - | 38,467 |
| Other | - | - | 1 |
| At March 31, 2025 | 4,000,000 | 1,631,481 | 67,768 |
| Exercise of share acquisition rights | - | - | (1,003) |
| Disposal of treasury shares as restricted stock remuneration | - | - | (305) |
| Purchase of treasury shares based on a resolution of the Board of Directors | - | - | 108,883 |
| Cancellation of treasury shares | - | (127,000) | (127,000) |
| Other | - | - | 1 |
| At March 31, 2026 | 4,000,000 | 1,504,481 | 48,344 |

* 821 thousand shares in the Company held by its associates were included in the number of treasury shares at March 31, 2025 and 2026.

Note 25. Dividends

1. Dividends paid

| 2025 | | | | | |
|---|-----------------|--------------------------------|--------------------------|--------------------|------------------|
| Resolution | Class of shares | Total amount (Millions of yen) | Dividend per share (Yen) | Record date | Effective date |
| Ordinary general meeting of stockholders on June 25, 2024 | Common stock | 14,422 | 9.00 | March 31, 2024 | June 26, 2024 |
| Board of directors meeting on November 7, 2024 | Common stock | 14,427 | 9.00 | September 30, 2024 | December 2, 2024 |

| 2026 | | | | | |
|---|-----------------|--------------------------------|--------------------------|--------------------|------------------|
| Resolution | Class of shares | Total amount (Millions of yen) | Dividend per share (Yen) | Record date | Effective date |
| Ordinary general meeting of stockholders on June 26, 2025 | Common stock | 14,081 | 9.00 | March 31, 2025 | June 27, 2025 |
| Board of directors meeting on November 14, 2025 | Common stock | 15,047 | 10.00 | September 30, 2025 | December 2, 2025 |

2. Dividends whose record dates fall in the year ended March 31, 2026 and whose effective dates fall in the year ending March 31, 2027

The proposition for the ordinary general meeting of stockholders, scheduled to be held on June 24, 2026, is as follows:

| 2026 | | | | | |
|---|-----------------|--------------------------------|--------------------------|----------------|----------------|
| Resolution | Class of shares | Total amount (Millions of yen) | Dividend per share (Yen) | Record date | Effective date |
| Ordinary general meeting of stockholders on June 24, 2026 | Common stock | 14,570 | 10.00 | March 31, 2026 | June 25, 2026 |

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

| | 2025 | | | | | | Total |
|---------------------------------|-------------------|-----------------------|----------------------------------|---------------------------|---------------|---------------|------------------|
| | Fibers & Textiles | Performance Chemicals | Carbon Fiber Composite Materials | Environment & Engineering | Life Science | Other | |
| Japan | 539,296 | 474,490 | 58,782 | 185,647 | 43,679 | 16,940 | 1,318,834 |
| Asia | 398,671 | 315,777 | 17,969 | 28,393 | 5,796 | 666 | 767,272 |
| North America, Europe and other | 73,132 | 154,587 | 223,212 | 22,484 | 3,688 | 71 | 477,174 |
| Total | 1,011,099 | 944,854 | 299,963 | 236,524 | 53,163 | 17,677 | 2,563,280 |

Millions of yen

| | 2026 | | | | | | Total |
|---------------------------------|-------------------|-----------------------|----------------------------------|---------------------------|---------------|---------------|------------------|
| | Fibers & Textiles | Performance Chemicals | Carbon Fiber Composite Materials | Environment & Engineering | Life Science | Other | |
| Japan | 571,265 | 461,909 | 61,343 | 203,738 | 42,904 | 19,421 | 1,360,580 |
| Asia | 404,243 | 299,852 | 18,735 | 26,793 | 5,680 | 722 | 756,025 |
| North America, Europe and other | 75,594 | 132,662 | 219,993 | 36,367 | 3,840 | 16 | 468,472 |
| Total | 1,051,102 | 894,423 | 300,071 | 266,898 | 52,424 | 20,159 | 2,585,077 |

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, 2024 | 614,741 | 31,630 | 26,538 |
| At March 31, 2025 | 564,687 | 29,022 | 24,812 |
| At March 31, 2026 | 594,551 | 34,443 | 29,367 |

*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, 2025 and 2026 that were included in the contract liability balance at the beginning of the period were ¥22,567 million and ¥21,966 million, respectively.

*3 The amount of revenue recognized from performance obligations satisfied in the prior years was immaterial for the years ended March 31, 2025 and 2026.

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.

| | March 31, 2025 | Millions of yen March 31, 2026 |
|----------------|----------------|-----------------------------------|
| 1 year or less | 62,459 | 77,937 |
| Over 1 year | 85,134 | 97,388 |

* 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:

| | 2025 | Millions of yen 2026 |
|--|--------|-------------------------|
| Gain on sale or disposal of fixed assets | 4,240 | 725 |
| Other | 7,267 | 7,256 |
| Total | 11,507 | 7,981 |

Note 28. Other Expenses

The breakdown of other expenses is as follows:

| | 2025 | Millions of yen 2026 |
|--|--------|-------------------------|
| Loss on sale or disposal of fixed assets | 7,681 | 10,214 |
| Impairment losses | 9,919 | 33,796 |
| Economic compensation | 1,949 | - |
| Loss on warehouse fire | - | 1,407 |
| Other | 4,294 | 4,030 |
| Total | 23,843 | 49,447 |

Note 29. Finance Income and Finance Costs

1. Finance income

The breakdown of finance income is as follows:

| | 2025 | Millions of yen 2026 |
|--|--------|-------------------------|
| Interest income | | |
| Financial assets measured at amortized cost | 5,112 | 3,862 |
| Dividend income | | |
| Equity instruments measured at fair value through other comprehensive income | | |
| Derecognized during period | 2,122 | 675 |
| Held at end of period | 3,665 | 3,609 |
| Other | 193 | 441 |
| Total | 11,092 | 8,587 |

2. Finance costs

The breakdown of finance costs is as follows:

| | 2025 | 2026 |
|--|--------|--------|
| Interest expenses | | |
| Financial liabilities measured at amortized cost | 16,526 | 16,478 |
| Lease liabilities | 655 | 903 |
| Foreign exchange loss | 3,609 | 1,593 |
| Other | 1,116 | 763 |
| Total | 21,906 | 19,737 |

Millions of yen

Note 30. Other Comprehensive Income

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

| | 2025 | 2026 |
|--|----------|----------|
| Investments in equity instruments | | |
| Gains (losses) for the period | (3,390) | 38,479 |
| Income taxes | 37 | (11,576) |
| Net of tax | (3,353) | 26,903 |
| Cash flow hedges | | |
| Gains (losses) for the period | (3) | 6,493 |
| Reclassification adjustments | 1,276 | (3,717) |
| Income taxes | (390) | (876) |
| Net of tax | 883 | 1,900 |
| Deferred costs of hedging | | |
| Gains (losses) for the period | 129 | 88 |
| Reclassification adjustments | (204) | (211) |
| Income taxes | 23 | 38 |
| Net of tax | (52) | (85) |
| Exchange differences on translation | | |
| Gains (losses) for the period | (26,201) | 100,841 |
| Reclassification adjustments | - | (10,124) |
| Income taxes | (301) | (1,587) |
| Net of tax | (26,502) | 89,130 |
| Remeasurements of defined benefit plans | | |
| Gains (losses) for the period | (8,450) | 58,469 |
| Income taxes | 1,841 | (18,120) |
| Net of tax | (6,609) | 40,349 |
| Share of other comprehensive income of investments accounted for using equity method | (435) | 1,723 |
| Total other comprehensive income | (36,068) | 159,920 |

Millions of yen

Note 31. Earnings per Share

1. Basis for calculation of basic earnings per share

| | 2025 | 2026 |
|--|-----------|-----------|
| Profit attributable to common shareholders of parent | | |
| Profit attributable to owners of parent | 77,911 | 79,521 |
| Profit not attributable to common shareholders of parent | - | - |
| Profit used for calculation of basic earnings per share | 77,911 | 79,521 |
| Average number of common shares for the period (Thousands of shares) | 1,592,166 | 1,501,551 |
| Basic earnings per share (Yen) | 48.93 | 52.96 |

2. Basis for calculation of diluted earnings per share

| | 2025 | 2026 |
|---|-----------|-----------|
| Diluted profit attributable to common shareholders | | |
| Profit used for calculation of basic earnings per share | 77,911 | 79,521 |
| Adjustments to profit | - | - |
| Profit used for calculation of diluted earnings per share | 77,911 | 79,521 |
| Average number of common shares for the period (Thousands of shares) | 1,592,166 | 1,501,551 |
| Increase in common shares | | |
| Share acquisition rights (Thousands of shares) | 3,089 | 2,286 |
| Restricted stock (Thousands of shares) | - | 190 |
| Average number of diluted common shares for the period (Thousands of shares) | 1,595,256 | 1,504,027 |
| Diluted earnings per share (Yen) | 48.84 | 52.87 |
| 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. Share compensation-type share option plan

The Company has issued a share compensation-type share option (share acquisition rights) for the Company's members of the Board, vice presidents, fellows and directors ("Eligible Officers"). 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, fellow or director of the Company. Due to the introduction of the restricted stock remuneration plan, the share compensation-type share option plan has been abolished except for the share options already granted from the year ended March 31, 2026.

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 ¥356 million and ¥73 million for the years ended March 31, 2025 and 2026, respectively.

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.

| | 2025 | | 2026 | |
|------------------------------------|---|---|---|---|
| | 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 | 3,275 | 1 | 3,253 | 1 |
| Granted | 561 | 1 | - | - |
| Exercised | (538) | 1 | (1,003) | 1 |
| Forfeited | (45) | - | - | - |
| Outstanding at end of period | 3,253 | 1 | 2,250 | 1 |
| Exercisable at end of period | 3,130 | 1 | 2,250 | 1 |

*1 The weighted average share prices at the date of exercise of share options exercised were ¥709.6 and ¥1,026.3 for the years ended March 31, 2025 and 2026, respectively.

*2 The weighted average remaining contractual years of issued options remaining at the end of the period were 25.9 years and 24.8 years at March 31, 2025 and 2026, respectively.

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

| | 2025 | 2026 |
|--------------------------------------|---------------|------|
| Fair value | 648 yen/share | - |
| Share price at grant date | 749.4 yen | - |
| Exercise price | 1 yen/share | - |
| Expected volatility *1 | 29.844 % | - |
| Expected remaining life of option *2 | 6 years | - |
| Expected dividend *3 | 18 yen/share | - |
| Risk-free interest rate *4 | 0.519 % | - |

*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 dividend for the year ended March 31, 2025 is determined using the actual dividend in the year ended March 31, 2024.

*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.

2. Restricted stock remuneration plan

The Company has introduced a restricted stock remuneration plan for the Eligible Officers to provide with an incentive to strive for the sustainable improvement in the Company's corporate value, and to promote sharing of value with stockholders.

The Eligible Officers tender all monetary claims provided by the Company under this plan as assets subscribed in kind and receive the issuance or disposal of the shares of the Company's common stock. For such issuance or disposal, the Company and the Eligible Officers shall conclude an agreement, the contents of which shall include that the Eligible Officers shall be prohibited from transferring the restricted shares allotted under this plan ("Allotted Shares") to a third party or otherwise disposing of them during the transfer restriction period, and that the Company may acquire Allotted Shares without compensation if certain circumstances arise.

The transfer restrictions will be lifted for all Allotted Shares upon the expiration of the transfer restriction period, on the condition that the Eligible Officers continuously hold one of the positions of member of the Board, vice president, fellow, or director of the Company during the transfer restriction period. In the event that an Eligible Officer vacates all positions of member of the Board, vice president, fellow, or director of the Company due to expiration of term of office, retirement, or other legitimate reason, the transfer restrictions will be lifted immediately after the Eligible Officer's vacation of their positions.

The Company's restricted stock remuneration plan is accounted for as an equity-settled share-based payment transaction. The amount of expenses recognized for the plan was ¥275 million for the year ended March 31, 2026.

The details of the restricted shares granted during the period are as follows:

| | 2025 | 2026 |
|-----------------------------|------|-----------------|
| Grant date | - | August 18, 2025 |
| Number of granted shares | - | 304,950 shares |
| Fair value * | - | 973.9 yen/share |
| Transfer restriction period | - | 30 years |

* The fair value is calculated based on the closing price of the Company's common stock at the Tokyo Stock Exchange on the business day preceding the date of the resolution regarding the share grant by the Company's Board of Directors.

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 and healthy growth. The Group monitors the debt-to-equity (D/E) ratio as the management indicator for capital management, and the status at March 31, 2025 and 2026 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, 2025 | March 31, 2026 |
|--|----------------|----------------|
| Interest-bearing liabilities (Millions of yen) | 842,659 | 905,559 |
| Owner's equity (Millions of yen) | 1,708,984 | 1,800,058 |
| D/E ratio | 0.49 | 0.50 |

* 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, 2025 and 2026.

| | 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, 2024 | 1,746 | 13,529 | 944 | 16,219 |
| Net provision (reversal) | (304) | 46 | (987) | (1,245) |
| Write-off | (6) | (796) | - | (802) |
| Other | 100 | (142) | 268 | 226 |
| At March 31, 2025 | 1,536 | 12,637 | 225 | 14,398 |
| Net provision (reversal) | (185) | 59 | (4) | (130) |
| Write-off | (40) | (8,730) | - | (8,770) |
| Other | (33) | 598 | (221) | 344 |
| At March 31, 2026 | 1,278 | 4,564 | - | 5,842 |

*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 ¥(1,400) million and ¥(155) million for the years ended March 31, 2025 and 2026, 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.

(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, 2025 | | | | | | Total |
|--------------------------------------|----------------|------------------------|-------------------------|-------------------------|-------------------------|--------------|---------|
| | 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 | |
| Non-derivative financial liabilities | | | | | | | |
| Trade and other payables | 315,896 | - | - | - | - | - | 315,896 |
| Bonds and borrowings | 375,005 | 67,356 | 71,202 | 88,071 | 49,762 | 170,515 | 821,911 |
| Lease liabilities | 11,674 | 9,259 | 7,636 | 4,699 | 2,968 | 10,100 | 46,336 |
| Other financial liabilities | | | | | | | |
| Deposits received | 10,370 | - | - | - | - | - | 10,370 |
| Derivative financial liabilities | | | | | | | |
| Other financial liabilities | | | | | | | |
| Derivative liabilities | 771 | - | - | - | - | - | 771 |

Millions of yen

| | March 31, 2026 | | | | | | Total |
|--------------------------------------|----------------|------------------------|-------------------------|-------------------------|-------------------------|--------------|---------|
| | 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 | |
| Non-derivative financial liabilities | | | | | | | |
| Trade and other payables | 317,156 | - | - | - | - | - | 317,156 |
| Bonds and borrowings | 390,063 | 84,335 | 96,702 | 57,724 | 47,004 | 223,707 | 899,535 |
| Lease liabilities | 12,532 | 10,115 | 5,941 | 3,855 | 2,867 | 10,747 | 46,057 |
| Other financial liabilities | | | | | | | |
| Deposits received | 8,718 | - | - | - | - | - | 8,718 |
| Derivative financial liabilities | | | | | | | |
| Other financial liabilities | | | | | | | |
| Derivative liabilities | 2,584 | 11 | - | - | - | - | 2,595 |

* 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, 2025 and 2026, 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.

| | March 31, 2025 | March 31, 2026 |
|-----------------------------|----------------|----------------|
| Impact on profit before tax | 125 | 133 |

Millions of yen

(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, 2025 and 2026, 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.

| | March 31, 2025 | March 31, 2026 |
|-----------------------------|----------------|----------------|
| Impact on profit before tax | (2,554) | (2,991) |

Millions of yen

(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 on the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 for the years ended March 31, 2025 and 2026.

(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.

| | March 31, 2025 | | March 31, 2026 | |
|-----------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial liabilities | | | | |
| Bonds and borrowings | | | | |
| Bonds payable | 189,705 | 183,477 | 149,772 | 141,181 |
| Long-term borrowings | 359,870 | 346,162 | 421,585 | 398,714 |
| Total | 549,575 | 529,639 | 571,357 | 539,895 |

Millions of yen

* 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:

| | March 31, 2025 | | | Total |
|-----------------------------------|----------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | |
| Financial assets | | | | |
| Other financial assets | | | | |
| Shares and investments in capital | 112,776 | - | 19,127 | 131,903 |
| Derivative assets | - | 9,385 | - | 9,385 |
| Other | - | - | 300 | 300 |
| Total | 112,776 | 9,385 | 19,427 | 141,588 |
| Financial liabilities | | | | |
| Other financial liabilities | | | | |
| Derivative liabilities | - | 771 | - | 771 |
| Total | - | 771 | - | 771 |

Millions of yen

| | March 31, 2026 | | | |
|-----------------------------------|----------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Other financial assets | | | | |
| Shares and investments in capital | 120,050 | - | 20,205 | 140,255 |
| Derivative assets | - | 8,258 | - | 8,258 |
| Other | - | - | 157 | 157 |
| Total | 120,050 | 8,258 | 20,362 | 148,670 |
| Financial liabilities | | | | |
| Other financial liabilities | | | | |
| Derivative liabilities | - | 2,595 | - | 2,595 |
| Total | - | 2,595 | - | 2,595 |

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 | |
|---|-----------------|--------|
| | 2025 | 2026 |
| At beginning of period | 19,179 | 19,427 |
| Gains (losses) recognized in other comprehensive income | 90 | 587 |
| Purchases | 696 | 937 |
| Sales | (449) | (712) |
| Other | (89) | 123 |
| At end of period | 19,427 | 20,362 |

*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.

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, 2025 | | | |
| | Nominal amount | Of which due over 1 year | Carrying amount (fair value) | |
| Assets | | | Liabilities | |
| Cash flow hedges | | | | |
| Currency risk | | | | |
| Forward exchange contracts | 40,758 | - | 261 | 126 |
| Cross-currency swaps *1 | 32,364 | - | 6,413 | - |

| | Millions of yen | | | |
|----------------------------|-----------------|-----------------------------|------------------------------|-----|
| | March 31, 2026 | | | |
| | Nominal amount | Of which due over 1 year | Carrying amount (fair value) | |
| Assets | | | Liabilities | |
| Cash flow hedges | | | | |
| Currency risk | | | | |
| Forward exchange contracts | 41,521 | 448 | 290 | 477 |
| Cross-currency swaps *1 | 25,852 | 25,852 | 4,289 | - |
| Interest rate risk | | | | |
| Interest rate swaps *2 | 12,000 | 12,000 | 1,092 | - |

*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, 2025 and 2026 were ¥120.6 per U.S. dollar and ¥143.6 per U.S. dollar, respectively.

*2 The average paying fixed interest rate at March 31, 2026 was 1.55% and the receiving floating interest rate was TIBOR (Tokyo Interbank Offered 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:

| | Millions of yen | |
|--|---|---|
| | March 31, 2025 | March 31, 2026 |
| | Cash flow hedge reserve (net of tax) | Cash flow hedge reserve (net of tax) |
| Cash flow hedges | | |
| Currency risk | | |
| Principal and interest on bonds and borrowings | 35 | 940 |
| Forecast operating transactions and other | 84 | (91) |
| Interest rate risk | | |
| Interest on bonds and borrowings | - | 748 |

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

(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:

| | 2025 | | 2026 | |
|-----------------------|--|--|--|--|
| | 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 | (3) | 1,276 | 5,457 | (3,773) |
| Interest rate risk *2 | - | - | 1,036 | 56 |

Millions of yen

*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, 2025 and 2026.

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

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

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

| | March 31, 2025 | March 31, 2026 |
|-----------------------------|----------------|----------------|
| Trade and other receivables | 9,371 | 7,896 |
| Bonds and borrowings | 9,371 | 7,896 |

Millions of yen

Note 34. Cash Flow Information

Reconciliation of liabilities arising from financing activities is as follows:

| | | | | | | | | Millions of yen |
|---------------------------------------|------------------------|-----------------------------------|---|-----------------------------------|-----------------------|---------------|------------|------------------|
| | | | | | | | | 2025 |
| | At beginning of period | Changes from financing cash flows | Obtaining or losing control of subsidiaries | Changes in foreign exchange rates | Changes in fair value | New leases | Other | At end of period |
| Short-term borrowings | 244,783 | 11,241 | - | (6,086) | - | - | 44 | 249,982 |
| Commercial papers | 15,000 | (15,000) | - | - | - | - | - | - |
| Long-term borrowings | 421,004 | (56,190) | - | (5,038) | - | - | 94 | 359,870 |
| Bonds payable | 229,617 | (40,000) | - | - | - | - | 88 | 189,705 |
| Lease liabilities | 39,280 | (12,455) | - | (459) | - | 16,765 | (29) | 43,102 |
| Derivatives used to hedge liabilities | (6,825) | - | - | - | 412 | - | - | (6,413) |
| Total | 942,859 | (112,404) | - | (11,583) | 412 | 16,765 | 197 | 836,246 |

| | | | | | | | | Millions of yen |
|---|------------------------|-----------------------------------|---|-----------------------------------|-----------------------|--------------|--------------|------------------|
| | | | | | | | | 2026 |
| | At beginning of period | Changes from financing cash flows | Obtaining or losing control of subsidiaries | Changes in foreign exchange rates | Changes in fair value | New leases | Other | At end of period |
| Short-term borrowings | 249,982 | 14,130 | 7,869 | 20,658 | - | - | (14) | 292,625 |
| Long-term borrowings | 359,870 | 49,596 | 1,377 | 9,719 | - | - | 1,023 | 421,585 |
| Bonds payable | 189,705 | (40,000) | - | - | - | - | 67 | 149,772 |
| Lease liabilities | 43,102 | (13,028) | 150 | 2,010 | - | 8,801 | 542 | 41,577 |
| Derivatives used to hedge liabilities * | (6,413) | 6,592 | - | - | (5,560) | - | - | (5,381) |
| Total | 836,246 | 17,290 | 9,396 | 32,387 | (5,560) | 8,801 | 1,618 | 900,178 |

* 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.

Note 35. Subsidiaries

The major subsidiaries at March 31, 2026 were as follows:

| Company name | Main business * | Location | March 31, 2026 |
|--|---|-------------------|---|
| | | | 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 | |
|---|-----------------|------|
| | 2025 | 2026 |
| Basic remuneration and bonus | 806 | 709 |
| Share compensation-type share option plan | 105 | 26 |
| Restricted stock remuneration | - | 65 |
| Total | 911 | 800 |

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, 2025 | March 31, 2026 |
| Property, plant and equipment | 35,405 | 21,552 |
| Intangible assets | 966 | 1,834 |
| Total | 36,371 | 23,386 |

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, 2025 | March 31, 2026 |
| Joint ventures and associates | 2,295 | - |
| Customers in housing business and other | 3,698 | 739 |
| Total | 5,993 | 739 |

Note 38. Subsequent Events

Transfer of shares of Soda Aromatic Co., Ltd.

On May 29, 2026, the Company entered into a share transfer agreement to sell its entire 66% interest in Soda Aromatic Co., Ltd., a subsidiary in the Performance Chemicals segment, to Samyang Corporation Japan, Inc., a subsidiary established by Samyang Corporation of the Republic of Korea, together with Mitsui & Co., Ltd., which holds the remaining 34% interest.

Subject to approvals from the relevant regulatory authorities and other customary conditions, the transaction is scheduled to be completed within the first half of the year ending March 31, 2027. The Company expects to recognize a gain on the sale of approximately ¥8 billion (net of tax). The assets and liabilities of the subsidiary will be classified as held for sale in the first quarter of the year ending March 31, 2027.

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, 2026, 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, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

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, including those applicable to audits of financial statements of public interest entities, 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 |
|--|---|
| <p>As described in “Note 13. Goodwill and Intangible Assets” in the notes to the consolidated financial statements, the Company recorded goodwill of 100,809 million yen (2.9% of total assets) as of March 31, 2026. Of this amount, in the Carbon Fiber Composite Materials segment, 87,094 million yen (86.4% of total goodwill) was recorded for Toray Advanced Composites Holding B.V.</p> <p>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-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, 2026.</p> | <p>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:</p> <ul style="list-style-type: none"> - 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. |

| Description of Key Audit Matter | Auditor's Response |
|--|--|
| <p>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.</p> <p>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.</p> <p>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.</p> | <ul style="list-style-type: none"> - 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. - 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 IFRS Accounting Standards, 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 IFRS Accounting Standards, 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 IFRS Accounting Standards.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review 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 22, 2026

Takayuki Ueki
Designated Engagement Partner
Certified Public Accountant

Makoto Matsumura
Designated Engagement Partner
Certified Public Accountant

Makoto Okabe
Designated Engagement Partner
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