Disclosed information on the Internet at the Time of Notifying Convocation of the 141st Ordinary General Meeting of Stockholders

Organization and Policies of the Company
Consolidated Statement of Changes in Equity
Notes to Consolidated Financial Statements
Non-consolidated Statement of Changes in Net Assets
Notes to Non-consolidated Financial Statements
(From April 1, 2021 to March 31, 2022)

Toray Industries, Inc.

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

Organization and Policies of the Company

System to ensure that the members of the Board perform their duties in compliance with laws and regulations as well as the Articles of Incorporation, and other systems for ensuring appropriate business operations.

Following are the basic policy on the internal control system resolved by the Board of Directors of the Company and the principal activities conducted during the period under review based on the policy ("Overview of Operation").

[Contents of the Basic Policy]
To realize the Toray Philosophy, the Company shall establish a structure to execute its business legally and effectively by improving its internal control system according to the following basic policy as a structure to enable it to appropriately establish organization, formulate regulations, communicate information, and monitor the execution of operations.

1. System to ensure that the execution of duties by members of the Board and employees complies with laws and regulations and the Company's Articles of Incorporation

[Contents of the Basic Policy]
(1) Toray shall establish the Corporate Ethics and Compliance Committee, as one of the Group-wide committees to promote observance of corporate ethics and legal compliance, and shall take other measures to improve the required internal systems, including the establishment of dedicated organizations.
(2) Toray shall establish the Ethics & Compliance Code of Conduct as specific provisions to be observed by members of the Board and employees, and shall take other measures to improve the required guidelines, etc. Especially with regard to eliminating relations with antisocial forces, the Company shall act as one to stand firmly against them.
(3) Toray shall establish an internal reporting system (whistle-blowing system) for the reporting of the discovery of violation of laws, regulations, or the Company's Articles of Incorporation.
(4) Toray shall establish Security Trade Control Program, one of the most important legal compliance issues, and establish an organization dedicated to security export control.

[Overview of Operations]
(1) During the period under review, the Company held the Board of Directors meetings fourteen times and the Corporate Ethics and Compliance Committee twice.
(2) In accordance with the Regulations on Corporate Ethics and Compliance, the Company strove to detect company misconduct in the earlier stage, investigated all instances of company misconduct and scandals, their causes, and the parties responsible, and resolved such cases accordingly while carrying out measures to prevent recurrences.
(3) As a code of conduct with which each company of Toray Group and all Board members and employees should comply, the Ethics & Compliance Code of Conduct stipulates a specific code of conduct (compliance matters and prohibited matters) regarding compliance for (i) safety and the environment, (ii) quality, (iii) human rights, (iv) fair business activities, (v) intellectual property, and (vi) information management.
(4) The Company handles all internal whistle-blowing according to the predetermined procedures.
(5) The Company confirms that counterparties to transactions are not antisocial forces. Also, the Company communicates with such counterparties in a written form as necessary for confirming the fact that they are not antisocial forces, termination of agreements in case of being antisocial forces, etc.
(6) The Company has established the Security Trade Administration Dept. as a department dedicated to security export control. The Company has also established the Security Trade Administration Committee as a company-wide committee, held a meeting of the Security Trade Administration Committee once during the period under review, and checked the results of activities and deliberated issues for initiatives.
(7) "Basic Purchasing Policies," "Basic Distribution Policies," and "CSR Procurement Policies" have been revised in March 2022.
(8) As stated in "Issues to be Addressed," the Company's certain resin products were inappropriately identified as receiving certification from UL LLC, a third-party safety science organization in the U.S. Based on the investigation results and recommendations on recurrence prevention from the expert committee, the Company will take measures to ensure the effectiveness of compliance and quality assurance across the entire Group.

2. System to ensure the efficient execution of duties by members of the Board and employees

[Contents of the Basic Policy]
(1) Toray shall establish the Authority of Top Management to stipulate matters with respect to which decision-making authority is reserved by the Board of Directors and matters

with respect to which decision-making is delegated to the President, General Managers, etc., from among matters necessary for decision-making.
(2) Toray shall establish the Executive Committee as deliberative organs for important matters decided by the Board of Directors or the President. The Executive Committee shall deliberate on the general direction of policy or issues related to implementation.

[Overview of Operations]
(1) During the period under review, the Company revised part of the Authority of Top Management in February 2022.
(2) During the period under review, the Company held the Executive Committee meetings twenty-four times.

3. System for preserving and managing information pertaining to the execution of duties by the members of the Board and employees

[Contents of the Basic Policy]
(1) Toray shall establish regulations for important documents and important information related to management, confidential information and personal information, and appropriately preserve and manage them in accordance with the rules.

[Overview of Operations]
(1) The Company established the Confidential Information Management Regulations as a set of company-wide regulations, prescribed a confidential information management standard for each division, department and plant, and periodically provided training sessions and made them thoroughly familiar to all officers and employees of the Company.

4. Regulations and other systems pertaining to controls over risks of loss

[Contents of the Basic Policy]
(1) In order to identify potential risks in business activities, strive to mitigate such risks under normal business conditions, and prevent future crises, Toray shall establish the Risk Management Committee as one of the Group-wide committees to promote company-wide risk management, and improve regulations to enable immediate implementation in the event of a major crisis.
(2) Toray shall establish an internal control system for financial reporting that ensures the reliability of financial reporting.

[Overview of Operations]
(1) The Company established Risk Management Regulations. During the period under review, the Company held the Risk Management Committee, one of the company-wide committees, once.
(2) In June 2021, the Company prepared and submitted an internal control report to the effect that internal control related to financial reporting was effective.

5. System for ensuring appropriate business operations within subsidiaries

[Contents of the Basic Policy]
(1) To establish a system under which subsidiaries report to the Company on matters regarding the execution of duties by members of the Board, etc. of the subsidiaries, the Company shall provide regulations on the regular reporting of important management information to the Company and regularly hold conferences at which the Company's management receives direct reports on the status of the management of the subsidiaries.
(2) To establish regulations and other systems pertaining to controls over risks of loss for subsidiaries, the Company shall provide subsidiaries with guidance to help them to establish risk management systems appropriate for their respective business forms and business environments, and shall receive regular reports on the status of their activities.
(3) To establish a system for ensuring that members of the Board, etc. of subsidiaries effectively execute their duties, the Company shall provide regulations on the scope under which the Company can reserve its authority over the execution of business operations. In addition, the Company shall endeavor to grasp management information in a unified manner and provide assistance and guidance necessary for subsidiaries by determining divisions, etc. with control over its respective subsidiaries.
(4) To establish a system for ensuring that the execution of duties by members of the Board, etc. and employees of subsidiaries complies with laws and regulations and the Articles of Incorporation, the Company shall thoroughly familiarize its subsidiaries with the Company's Ethics & Compliance Code of Conduct as a code of conduct in common for the Toray Group. At the same time, the Company shall request the subsidiaries to establish their own codes of conduct, guidelines, etc. in consideration of the laws and regulations, business practices, business forms, and other factors in their respective countries.

In addition, the Company shall direct its subsidiaries to establish systems under which the status of internal whistle-blowing by members of the Board, etc. and employees of the subsidiaries is appropriately reported to the Company.

[Overview of Operations]

(1) The Company established a Standard for Assistance and Administration for Domestic Group Companies and a Standard for Assistance and Administration for Overseas Group Companies as regulations governing the subsidiaries' reports on important management information. During the period under review, the Company made partial amendments to the two standards. The Company also held a Domestic Group Company Conference once during the period under review as a conference at which the top management directly received reports from subsidiaries on their business conditions. The Company also held the respective regional committees for overseas Group companies, when appropriate.

(2) The Company promoted risk reduction activities at the subsidiaries. The Company also completed the development of Risk Management Regulations in subsidiaries.

(3) The Company stipulated the scope under which the Company can reserve its authority over the execution of business operations by subsidiaries (excluding listed subsidiaries) in Guidelines for Reserving Authority over Domestic Group Companies and Standards for the Execution of Business Operations at Overseas Group Companies. The Company concluded the Agreement on Group Management with listed subsidiaries as part of its risk management framework for group business operations.

(4) With respect to the matters stated in 1. (2) and (3) of the Overview of Operations, the Company applies them to its subsidiaries and makes them thoroughly familiar to its subsidiaries, in consideration of the laws, regulations, and business practices of the countries in which the subsidiaries are located. The Company established the Corporate Ethics and Legal Compliance Helpline System, a system for receiving internal whistle-blowing on matters including seriously fraudulent acts from the overall Group.

6. System for reporting to corporate auditors and systems for ensuring that persons who report to corporate auditors are not treated disadvantageously because of their reporting

[Contents of the Basic Policy]

(1) Members of the Board, etc. and employees of Toray Group and corporate auditors of subsidiaries shall report matters regarding the execution of duties to corporate auditors in response to requests from the corporate auditors.

(2) Department in charge of the internal reporting system (whistle-blowing system) shall regularly report the status of internal whistle-blowing in the Toray Group to the corporate auditors.

(3) Toray shall stipulate regulations to the effect that members of the Board and employees who report to corporate auditors shall not be subjected to any disadvantageous treatment because of the said reporting, and shall provide subsidiaries with guidance to help them stipulate the same regulations.

[Overview of Operations]

(1) At the meetings with the corporate auditors and the audits by the corporate auditors, the members of the Board, etc. and employees of Toray Group and corporate auditors of subsidiaries reported matters regarding the execution of duties to the corporate auditors and otherwise responded to requests from the corporate auditors.

(2) The Department in charge of the internal reporting system (whistle-blowing system) appropriately reported the status of internal whistle-blowing to the corporate auditors, and otherwise regularly reported to the corporate auditors.

(3) Based on the Whistleblower Protection Act, the Company stipulated the prohibition of disadvantageous treatment in the Unified Labor Agreement, Central Labor Agreement, and Work Regulations. In addition, the Company instructs its subsidiaries to formulate similar regulations in consideration of laws and regulations, etc. of the countries in which the subsidiaries are located.

7. Items pertaining to the handling of expenses and liabilities arising from the execution of duties by corporate auditors

[Contents of the Basic Policy]

(1) Toray shall pay expenses, etc. incurred from the execution of duties by corporate auditors.

[Overview of Operations]

(1) The Company pays expenses, etc. incurred from the execution of duties by corporate auditors.

8. Items pertaining to employees assisting with corporate auditors' duties, items pertaining to the independence of said employees from members of the Board, and items pertaining to the assurance of effectiveness of instructions from the corporate auditors to said employees

[Contents of the Basic Policy]

(1) Toray shall assign a full-time employee to provide assistance if and when corporate auditors request assistance. The said employee shall exclusively follow the corporate auditors' commands and instructions, and the Company shall consult with corporate auditors in advance with respect to the personnel arrangements for the said employee.

[Overview of Operations]

(1) The Company has established a Corporate Auditors Office as a staff organization under the direct control of corporate auditors, to assist corporate auditors in the performance of their duties.

9. Other systems for ensuring effective implementation of audits by corporate auditors

[Contents of the Basic Policy]

(1) Corporate auditors shall attend Board of Directors meetings and other important meetings so that they may ascertain important decision-making processes and the execution of operations.

(2) Corporate auditors shall hold regular meetings with members of the Board and management and conduct regular visiting audits of Toray offices, plants, and subsidiaries.

[Overview of Operations]

(1) During the period under review, the corporate auditors attended all fourteen meetings of the Board of Directors and all twenty-four meetings of the Executive Committee.

(2) In accordance with auditing policy and plans formulated by the Board of Corporate Auditors in July 2021, corporate auditors held meetings with members of the Board as well as divisional and departmental general managers during the period under review, and conducted audits of the Company's offices and plants as well as Japanese and overseas subsidiaries.

Consolidated Statement of Changes in Equity

Toray Industries, Inc. and Subsidiaries
April 1, 2021 - March 31, 2022

Millions of yen

	Equity attributable to owners of parent			
	Share capital	Capital surplus	Retained earnings	Treasury shares
At April 1, 2021	**¥147,873**	**¥120,493**	**¥899,994**	**¥(19,985)**
Profit	–	–	84,235	–
Other comprehensive income	–	–	–	–
Comprehensive income	–	–	84,235	–
Exercise of share acquisition rights	–	(173)	–	173
Share-based payment transactions	–	384	–	–
Dividends	–	–	(20,018)	–
Changes in ownership interest in subsidiaries	–	(6)	–	–
Transfer from other components of equity to retained earnings	–	–	14,769	–
Other changes	–	0	–	(1)
Total transactions with owners and other	–	205	(5,249)	172
At March 31, 2022	**¥147,873**	**¥120,698**	**¥978,980**	**¥(19,813)**

Millions of yen

	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, 2021	**¥80,082**	**¥(684)**	**¥399**	**¥9,679**	**¥–**	**¥89,476**	**¥1,237,851**	**¥84,424**	**¥1,322,275**
Profit	–	–	–	–	–	–	84,235	9,374	93,609
Other comprehensive income	(140)	703	(71)	93,707	9,475	103,674	103,674	4,106	107,780
Comprehensive income	(140)	703	(71)	93,707	9,475	103,674	187,909	13,480	201,389
Exercise of share acquisition rights	–	–	–	–	–	–	0	–	0
Share-based payment transactions	–	–	–	–	–	–	384	–	384
Dividends	–	–	–	–	–	–	(20,018)	(3,150)	(23,168)
Changes in ownership interest in subsidiaries	–	–	–	–	–	–	(6)	21	15
Transfer from other components of equity to retained earnings	(5,294)	–	–	–	(9,475)	(14,769)	–	–	–
Other changes	–	(528)	–	–	–	(528)	(529)	(717)	(1,246)
Total transactions with owners and other	(5,294)	(528)	–	–	(9,475)	(15,297)	(20,169)	(3,846)	(24,015)
At March 31, 2022	**¥74,648**	**¥(509)**	**¥328**	**¥103,386**	**¥–**	**¥177,853**	**¥1,405,591**	**¥94,058**	**¥1,499,649**

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

Notes to Consolidated Financial Statements

Basis of Preparation and Other Important Matters

1. Basis of Preparation of Consolidated Financial Statements
The consolidated financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS") pursuant to the provisions of Article 120, Paragraph 1 of the Regulation on Corporate Accounting. Certain disclosure items required by IFRS are omitted pursuant to the provisions in the latter part of the said paragraph.

2. Scope of Consolidation
(1) Number of consolidated subsidiaries: 195
(2) Names of major consolidated subsidiaries
Please see "(6) Major Subsidiaries" of "1. Review of Operations of Toray Group, Business Report."
(3) Change in the number of consolidated subsidiaries
Increase: 9 (due to acquisition of shares and other reasons)
Decrease: 1 (due to liquidation)

3. Application of Equity Method
(1) Number of companies accounted for using equity method: 95
(2) Names of major companies accounted for using equity method
Dow Toray Co., Ltd. and Du Pont-Toray Co., Ltd.
(3) Change in the number of companies accounted for using equity method
Increase: 5 (due to establishment and other reasons)
Decrease: 6 (due to sale of shares and other reasons)

4. Significant Accounting Policies
(1) Financial assets
1) Non-derivative financial assets
(a) Initial recognition and measurement
The Group initially recognizes trade and other receivables on the date when they arise and other financial assets on the trade date when the Group becomes a party to the contract.
Financial assets are classified as either of the followings at initial recognition:
(i) Financial assets measured at amortized cost
The Group classifies a financial asset as those measured at amortized cost only if both of the following conditions are met:
- the financial asset is held within a business model with an objective of collecting contractual cash flows, and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
(ii) Debt instruments measured at fair value through other comprehensive income
The Group classifies a financial asset as a debt instrument measured at fair value through other comprehensive income only if both of the following conditions are met:
- the financial asset is held within a business model with an objective of both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
(iii) Equity instruments measured at fair value through other comprehensive income
Equity instruments such as shares held primarily for the purposes of strengthening business relationships with customers and expanding businesses are designated as those measured at fair value through other comprehensive income. This designation is applied consistently.
(iv) Financial assets measured at fair value through profit or loss
Financial assets that are not classified as any of the above are classified as those measured at fair value through profit or loss.
Except for financial assets measured at fair value through profit or loss, financial assets are initially measured at fair value plus transaction costs. Transaction costs of financial assets measured at fair value through profit or loss are recognized as profit or loss.
(b) Subsequent measurement
After initial recognition, financial assets are measured based on their classification as follows:
(i) Financial assets measured at amortized cost
Such assets are measured at amortized cost using the effective interest method.
(ii) Debt instruments measured at fair value through other comprehensive income
Such debt instruments are measured at fair value and subsequent changes in the fair value are recognized in other comprehensive income, except that foreign exchange gains or losses, impairment losses, and finance income based on the effective interest method are recognized in profit or loss.
When these debt instruments are derecognized, cumulative gains or losses recognized in other comprehensive income are reclassified to profit or loss as reclassification adjustments.
(iii) Equity instruments measured at fair value through other comprehensive income
Such equity instruments are measured at fair value and subsequent changes in the fair value are recognized in other comprehensive income.
When these equity instruments are derecognized, cumulative gains or losses recognized through other comprehensive income are reclassified from other components of equity to retained earnings.
Dividends and interest income from these equity

instruments are recognized as finance income in profit or loss.

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

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

(c) Derecognition

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

(d) Impairment of financial assets

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

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

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

2) Hedge accounting and derivatives

(a) Qualifying hedging instruments and hedged items

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

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

(b) Cash flow hedges

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

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

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

(c) Fair value hedges

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

(2) Inventories

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

(3) Property, plant and equipment

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

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

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

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

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

(4) Goodwill and intangible assets

1) Goodwill

Goodwill is stated at cost less accumulated impairment losses.

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

2) Intangible assets

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

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

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

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

- Customer-related intangible assets: 9-21 years
- Technology-based intangible assets: 8-24 years
- Software: Mainly 5 years

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

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

(5) Leases

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

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

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

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

(6) Provisions

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

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

(7) Impairment of non-financial assets

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

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

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

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

Impairment losses recognized for goodwill are not reversed.

(8) Employee benefits

1) Post-employment benefits

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

(a) Defined contribution plans

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

(b) Defined benefit plans

The present value of defined benefit obligations and current service cost, as well as past service costs are determined using the projected unit credit method.

The discount rate is determined based on market yields at the end of the reporting period on high quality corporate bonds for the corresponding period up to the estimated date of future benefit payments.

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

Service costs and net interest on the net defined benefit liability (asset) are recognized in profit or loss.

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

2) Other employee benefits

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

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

(9) Revenue recognition

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

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

Revenue is 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.

(10) Foreign currency translation

1) Foreign currency transactions

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

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the end of the reporting period.

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

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

2) Foreign operations

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

Significant Accounting Estimates and Judgements

1. Impairment of non-financial assets

   At the end of each reporting period, the Group assesses whether there is any indication that non-financial assets, including property, plant and equipment (¥990,733 million), intangible assets (¥80,713 million) and goodwill (¥88,122 million), may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. For goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use, their recoverable amounts are estimated annually and whenever there is any indication of impairment.

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

2. Recoverability of deferred tax assets

   Deferred tax assets (¥22,286 million) are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, and their recoverability is reviewed every period.

   In determining the recoverability, the amount and timing of taxable profit generated are estimated based on business plans. These assumptions are determined by management's best estimates and judgements but may be affected by changes in future economic conditions and other events. If it becomes necessary to review the assumptions, the consolidated financial statements may be materially affected.

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 (retirement benefit asset of ¥28,384 million and liability of ¥98,381 million). 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 Group makes accounting estimates, including valuation of non-financial assets, assuming that the global economy, including Japan, is likely to continue its recovery with the rollout of coronavirus vaccines and progress in economic measures, though there are concerns about the resurgence in infections from variants, supply chain constraints caused by shortage of parts and labor, logistic congestion, and the prolonged situation in Ukraine.

Notes to Consolidated Statement of Financial Position

(Millions of yen)

1.	Assets pledged as collateral and liabilities with collateral		
	Assets pledged as collateral		
	Property, plant and equipment	¥	111
	Other financial assets	¥	2,955
	Liabilities with collateral		
	Trade and other payables	¥	6,192
	Bonds and borrowings	¥	1,019
2.	Allowance for doubtful accounts directly deducted from assets		
	Trade and other receivables	¥	2,999
	Other financial assets	¥	9,211
3.	Accumulated depreciation and accumulated impairment losses on property, plant and equipment	¥	2,373,429
4.	Guarantee obligations		
	Those related to bank loans, etc. of joint ventures and associates	¥	4,436
	Those related to bank loans, etc. of customers in housing business and other	¥	2,865

Notes to Consolidated Statement of Profit or Loss

1. Impairment losses

The carrying amount of property, plant and equipment, goodwill, and other assets for the Company's and a Korean subsidiary's battery separator films business was reduced to the recoverable amount due to declining profitability mainly in the automotive applications resulting from intensifying market competition. The decrease (¥12,896 million for property, plant and equipment, ¥8,393 million for goodwill, and ¥1,287 million for other assets) was recorded as an impairment loss and included in "Other expenses" in the consolidated statement of profit or loss. The recoverable amount was mainly determined based on the value in use.

Notes to Consolidated Statement of Changes in Equity

1. Number of issued shares at March 31, 2022
   Common stock 1,631,481 thousand shares

2. Dividends

(1) Amounts paid during the year ended March 31, 2022

Resolution	Ordinary General Meeting of Stockholders held on June 22, 2021	Board of Directors Meeting held on November 9, 2021
Class of shares	Common stock	Common stock
Total amount	¥7,206 million	¥12,812 million
Dividend per share	¥4.50	¥8.00
Record date	March 31, 2021	September 30, 2021
Effective date	June 23, 2021	December 1, 2021

(2) Dividends whose record dates fall in the year ended March 31, 2022 and whose effective dates fall in the year ending March 31, 2023

The Company will propose, at the Ordinary General Meeting of Stockholders to be held on June 23, 2022, the distribution of dividends as follows:

Resolution (scheduled)	Ordinary General Meeting of Stockholders to be held on June 23, 2022
Class of shares	Common stock
Total amount	¥12,812 million
Dividend per share	¥8.00
Record date	March 31, 2022
Effective date	June 24, 2022

3. Class and number of shares to be issued upon exercise of share acquisition rights (excluding those rights whose exercise period has not yet commenced) at March 31, 2022
   Common stock 3,043 thousand shares

Financial Instruments

1. 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.

(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.

(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.

1) 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.

2) 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.

3) 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.

2. Fair value of financial instruments and fair value by level of fair value hierarchy

(1) Fair value hierarchy of financial instruments

The fair value hierarchy of financial instruments is categorized from Level 1 to Level 3 as follows:
Level 1: Fair value measured by quoted prices in active markets
Level 2: Fair value calculated, directly or indirectly, using observable prices other than Level 1
Level 3: Fair value calculated using valuation techniques including inputs not based on observable market data
Transfers between levels of the fair value hierarchy are recognized as if they have occurred at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the year ended March 31, 2022.

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

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

(Millions of yen)

	Carrying amount	Fair value
Financial liabilities		
Bonds and borrowings		
Bonds payable	239,946	240,080
Long-term borrowings	505,397	496,850

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:

1) Cash and cash equivalents, trade and other receivables

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

2) 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.

3) 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.

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

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

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Shares and investments in capital	163,528	–	18,173	181,701
Derivative assets	–	16,054	–	16,054
Other	–	–	300	300
Total	163,528	16,054	18,473	198,055
Financial liabilities				
Other financial liabilities				
Derivative liabilities	–	3,429	–	3,429
Total	–	3,429	–	3,429

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

1) 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.

2) 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)

	Amount
At beginning of period	18,110
Gains (losses) recognized in other comprehensive income	414
Purchases	59
Sales	(303)
Transfer to Level 1 due to listing	(14)
Other	207
At end of period	18,473

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.

Revenue Recognition

1. Disaggregation of revenue

The disaggregated revenue is as follows. The disaggregation by geographical area is based on the location of the Group entities.

(Millions of yen)

	Japan	Asia	North America, Europe and other	Total
Fibers & Textiles	446,174	339,087	50,921	836,182
Performance Chemicals	487,223	294,832	127,945	910,000
Carbon Fiber Composite Materials	48,623	23,038	143,554	215,215
Environment & Engineering	169,257	22,603	7,425	199,285
Life Science	44,024	5,809	2,121	51,954
Other	15,695	148	44	15,887
Total	1,210,996	685,517	332,010	2,228,523

2. Contract balances

The balances of receivables, contract assets and contract liabilities from contracts with customers are as follows. The revenue recognized in the year ended March 31, 2022 that was included in the contract liability balance at the beginning of the period was ¥15,743 million.

(Millions of yen)

	Receivables from contracts with customers	Contract assets	Contract liabilities
At April 1, 2021	487,078	23,917	17,189
At March 31, 2022	546,223	17,956	22,257

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.

1 year or less	¥58,784 million
Over 1 year	¥50,016 million

Per Share Information

1. Book value per share ¥878.10

2. Basic earnings per share ¥52.63

Non-consolidated Statement of Changes in Net Assets

Toray Industries, Inc.
April 1, 2021 - March 31, 2022

Millions of yen

	Shareholders' equity						
		Capital surplus		Retained earnings			
					Other retained earnings		
	Share capital	Additional paid-in capital	Other capital surplus	Legal reserve	Reserve for tax purpose reduction entry	General reserve	Retained earnings brought forward
Balance at beginning of the fiscal year	¥147,873	¥136,727	¥61	¥24,234	¥11,968	¥112,000	¥174,284
Changes during the fiscal year:							
Cash dividend							(20,018)
Reversal of reserve for tax purpose reduction entry					(419)		419
Net income							67,272
Purchase of treasury shares							
Disposal of treasury shares			(6)				
Net changes in items other than shareholders' equity during the fiscal year							
Total changes during the fiscal year	–	–	(6)	–	(419)	–	47,673
Balance at end of the fiscal year	¥147,873	¥136,727	¥55	¥24,234	¥11,549	¥112,000	¥221,958

Millions of yen

	Shareholders' equity		Valuation, translation adjustments and other				
	Treasury shares	Total shareholders' equity	Net unrealized gains (losses) on securities	Net deferred gains (losses) on hedges	Total valuation, translation adjustments and other	Stock acquisition rights	Total net assets
Balance at beginning of the fiscal year	¥(19,406)	¥587,742	¥67,618	¥735	¥68,354	¥1,599	¥657,695
Changes during the fiscal year:							
Cash dividend		(20,018)					(20,018)
Reversal of reserve for tax purpose reduction entry		–					–
Net income		67,272					67,272
Purchase of treasury shares	(1)	(1)					(1)
Disposal of treasury shares	173	167					167
Net changes in items other than shareholders' equity during the fiscal year			(3,647)	(302)	(3,949)	218	(3,731)
Total changes during the fiscal year	172	47,420	(3,647)	(302)	(3,949)	218	43,689
Balance at end of the fiscal year	¥(19,234)	¥635,163	¥63,972	¥433	¥64,405	¥1,817	¥701,384

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

Notes to Non-consolidated Financial Statements

Notes (Significant Accounting Policies)

1. Valuation of securities:
   Equity securities issued by subsidiaries and affiliated companies:
   Moving-average cost method
   Other securities:
   Items other than shares, etc. that do not have a market price:
   Based on market value (unrealized gains and losses are accounted for as "net unrealized gains on securities" in net assets and sales costs are determined by the moving-average cost method)
   Shares, etc. that do not have a market price:
   Moving-average cost method

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

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

4. Reserves:
   Allowance for doubtful accounts:
   The allowance for doubtful accounts, including receivables and loans, is determined from the amounts considered unlikely to be recovered, estimated from claim rate records for general receivables and from studying the probability of recovery in individual cases where there is concern over claims.
   Reserve for employees' bonuses:
   The reserve for employees' bonuses is based on the expected liability for the total bonus amount payable to the employees during the year ended March 31, 2022.
   Reserve for bonuses of members of the Board:
   The reserve for bonuses of members of the Board is based on the expected liability for the total bonus amount payable to directors during the year ended March 31, 2022.
   Reserve for employees' retirement benefits:
   The reserve for employees' retirement benefits is based on the expected retirement benefit obligations payable to employees and the value of pension assets at the end of the year ended March 31, 2022. Past service costs are amortized using the straight-line method over a certain period within the employees' average remaining years of service (11 years) when the costs are incurred. Actuarial gains and losses are amortized using the straight-line method, over a certain period within the employees' average remaining years of service (11 years), from the following period.
   Reserve for loss on guarantees:
   Reserve for loss on guarantees represents the loss estimated based on the financial conditions, etc. of the guaranteed companies.
   Reserve for loss on business of subsidiaries and affiliated companies:
   Reserve for loss on business of subsidiaries and affiliated companies represents the loss estimated based on consideration of the financial conditions and business results, etc. of the subsidiaries and affiliated companies.

5. Revenue and expense recognition standards:
   The Company operates Fibers & Textiles, Performance Chemicals, Carbon Fiber Composite Materials, Environment & Engineering, and Life Science businesses and, with regard to sales of products of these businesses, the Company 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.
   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.

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

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

8. Consolidated taxation system:
The Company adopts the consolidated taxation system.

9. Tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system
The Company will transition from the consolidated taxation system to the group tax sharing system from the following period. However, with regard to items to be transitioned to a group tax sharing system instituted in the "Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020)" and items to be amended in the non-consolidated taxation system in line with the transition to the group tax sharing system, the Company did not apply the provision of Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018)," pursuant to Paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (PITF No. 39, March 31, 2020)." Accordingly, the amounts of deferred tax assets and deferred tax liabilities are stated based on the provisions of tax acts in effect before the amendments.
From the beginning of the following period, the Company will apply "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (PITF No. 42, August 12, 2021)" which stipulates accounting treatment and disclosure of income taxes and local income taxes and tax effect accounting in applying group tax sharing system.

Notes to Changes in Accounting Policies

Effective from the beginning of the fiscal year ended March 31, 2022, the Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Standard") and other standards.
The Company will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standards for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019).
These changes do not affect the non-consolidated financial statements and per share information for the fiscal year ended March 31, 2022.

Notes to Changes in Presentation Method

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Accounting Standard") and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020) and disclosed notes to revenue recognition.

Notes to Accounting Estimates

1. Impairment of non-current assets
At the end of each reporting period, the Company assesses whether there is any indication that non-current assets, including property, plant and equipment (¥237,433 million) and intangible assets (¥4,189 million), may be impaired. If any such indication exists, the Company determines whether it is necessary to recognize an impairment loss by using undiscounted future cash flows and, when it is necessary, the recoverable amounts of the assets are estimated by using the discounted future cash flows.
In determining the recoverable amount, certain assumptions are established for the amount and timing of estimated future cash flows, the 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 non-consolidated financial statements may be materially affected.

2. Recoverability of deferred tax assets
Deferred tax assets (¥39,340 million before netting with deferred tax liabilities) are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, and their recoverability is reviewed every period. In determining the recoverability, the amount and timing of taxable profit generated are estimated based on business plans. These assumptions are determined by management's best estimates and judgements but may be affected by changes in future economic conditions and other events. If it becomes necessary to review the assumptions, the non-consolidated financial statements may be materially affected.

3. Measurement of prepaid pension cost and reserve for employees' retirement benefits
The prepaid pension cost (¥10,533 million) and the reserve for employees' retirement benefits (¥65,356 million) are recognized at the net amount of retirement benefit obligations less pension assets. Retirement benefit obligations and pension assets are calculated based on actuarial assumptions which include estimates of discount rates, employee turnover, mortality, future increases in salaries, and the expected rate of return. These assumptions may be affected by changes in future economic climates or social conditions. If it becomes necessary to review the assumptions, the non-consolidated financial statements may be materially affected.

4. Valuation of investment securities in subsidiaries and affiliated companies
   Upon valuation of shares of the Company's subsidiary Toray TCAC Holding B.V. (¥118,322 million), its excess earning power is reflected in the net asset value. Business plans of subsidiaries and affiliated companies that affect the excess earnings power are based on management's best estimates and judgements. However, a decrease in excess earnings power due to future economic conditions or other items reduces the net asset value significantly, the non-consolidated financial statements may be materially affected.

   Accounting estimates related to the effects of the novel coronavirus pandemic are described in the Notes to Consolidated Financial Statements.

Notes to Non-consolidated Balance Sheet

(Millions of yen)

1.	Accumulated depreciation for property, plant and equipment	¥	1,107,605
2.	Guarantees of bank loans, etc. of subsidiaries and affiliated companies (including guarantee obligations)	¥	98,222
	Guarantees of bank loans, etc. of clients	¥	4
3.	Total committed lines of credit*	¥	87,160
	Loans receivable outstanding	¥	24,126
	Balance	¥	63,034

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

4.	Amounts due from and amounts due to subsidiaries and affiliated companies:		
	Short-term amounts due from subsidiaries and affiliated companies	¥	102,640
	Long-term receivables from subsidiaries and affiliated companies	¥	95
	Short-term amounts due to subsidiaries and affiliated companies	¥	91,821
	Long-term payable to subsidiaries and affiliated companies	¥	566

Notes to Non-consolidated Statement of Income

(Millions of yen)

Transactions with subsidiaries and affiliated companies:

Sales of goods to subsidiaries and affiliated companies	¥	288,141
Purchases of goods from subsidiaries and affiliated companies	¥	188,471
Transactions other than operating transactions with subsidiaries and affiliated companies	¥	73,365

Note to Non-consolidated Statement of Changes in Net Assets

Class and number of treasury shares at March 31, 2022

Common stock 29,937,504 shares

Notes to Tax Effect Accounting

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

(Millions of yen)

Deferred tax assets:	
Investment securities in subsidiaries and affiliated companies	¥ 36,909
Reserve for employees' retirement benefits	¥ 20,901
Reserve for employees' bonuses	¥ 2,850
Other	¥ 21,600
Gross deferred tax assets	¥ 82,261
Valuation allowance	¥(42,920)
Total deferred tax assets	¥ 39,340
Deferred tax liabilities:	
Unrealized gains on securities	¥(28,434)
Reserve for advanced depreciation of fixed assets for tax purposes	¥(5,097)
Prepaid pension cost	¥(3,225)
Securities returned from retirement benefit trust	¥(1,954)
Other	¥(1,044)
Total deferred tax liabilities	¥(39,754)
Net deferred tax liabilities	¥(414)

Transactions with Related Parties

1. Subsidiaries, affiliated companies, etc.

Type	Name of company, etc.	Ownership percentage of voting rights, etc.	Relationship with related parties	Details of transaction	Transaction amount (Millions of yen)	Account	Balance as of the end of the fiscal year (Millions of yen)
Subsidiary	Toray International, Inc.	Direct 100%	Business transactions, members of the Board or corporate auditors serving concurrently	Sales of goods, etc. (Note 1)	208,476	Accounts receivable - trade	42,504
				Purchases of goods, etc. (Note 1)	101,981	Accounts payable - trade	14,411
Subsidiary	Toray Composite Materials America, Inc.	Indirect 100%	Guarantee liability, members of the Board or corporate auditors serving concurrently	Guarantee liability (Note 2)	60,888	—	—
Subsidiary	Toray Engineering Co., Ltd.	Direct 100%	Deposit of surplus funds received, members of the Board or corporate auditors serving concurrently	Deposit of surplus funds received (Note 3)	—	Deposits received	20,740

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

Conditions of transactions and policy for determining conditions of transactions:
Note 1: Conditions of transactions for sales, purchases of goods, etc. are determined by the same methods used to determine the general terms and conditions of business, based on considerations of market value and other factors.
Note 2: The Company has guaranteed the obligations related to borrowings, etc. of Toray Composite Materials America, Inc.
Note 3: The interest rates for the deposits of surplus funds received are determined based on considerations of the market interest rates.

2. Corporate pension for employees, etc.

Type	Name of company, etc.	Ownership percentage of voting rights, etc.	Relationship with related parties	Details of transaction	Transaction amount (Millions of yen)	Account	Balance as of the end of the fiscal year (Millions of yen)
Corporate pension	Retirement benefit trust	—	Pension assets on retirement benefit accounting	Partial return of assets	22,388	—	—

Notes to Revenue Recognition

Useful information in understanding revenue is as stated in "Notes (Significant Accounting Policies), 5. Revenue and expense recognition standards."

Notes to Per Share Information

1. Net assets per share: ¥436.81
2. Net income per share: ¥42.01