Materials for the 142nd Ordinary General Meeting of Stockholders
(Matters omitted from the delivered documents)

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, 2022 to March 31, 2023)

Toray Industries, Inc.

Consolidated Statement of Changes in Equity

Toray Industries, Inc. and Subsidiaries
April 1, 2022 - March 31, 2023

Millions of yen

	Equity attributable to owners of parent			
	Share capital	Capital surplus	Retained earnings	Treasury shares
At April 1, 2022	**¥147,873**	**¥120,698**	**¥978,980**	**¥(19,813)**
Profit	—	—	72,823	—
Other comprehensive income	—	—	—	—
Comprehensive income	—	—	72,823	—
Exercise of share acquisition rights	—	(194)	—	194
Share-based payment transactions	—	403	—	—
Dividends	—	—	(27,229)	—
Changes in ownership interest in subsidiaries	—	12	—	—
Transfer from other components of equity to retained earnings	—	—	12,546	—
Other changes	—	0	—	2
Total transactions with owners and other	—	221	(14,683)	196
At March 31, 2023	**¥147,873**	**¥120,919**	**¥1,037,120**	**¥(19,617)**

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

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 Toray Industries, Inc. ("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: 192
(2) Names of major consolidated subsidiaries
Please see "(4) Major Subsidiaries" of "1. Review of Operations of Toray Group, Business Report."
(3) Change in the number of consolidated subsidiaries
Increase: 5 (due to establishment and other reasons)
Decrease: 8 (due to merger and other reasons)

3. Application of Equity Method
(1) Number of companies accounted for using equity method: 92
(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: 2 (due to establishment)
Decrease: 5 (due to liquidation 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
Loss allowance 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 loss allowance 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 loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses. 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.
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: 15-24 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 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.

(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.

(11) Tax effect accounting related to revision of Corporation Tax Act to implement global minimum tax

Japan's FY2023 tax reform established the corporation tax corresponding to the global minimum tax, and the tax reform act (Act for Partial Revision of the Income Tax Act, etc. (Act No. 3 of 2023)) stipulating the related rules (the "Global Minimum Tax System") was enacted on March 28, 2023.
Since IAS 12 "Income Taxes" does not provide specifically applicable guidance for the income tax under the Global Minimum Tax System, it is unclear how an entity accounts for deferred taxes related to income tax under the system. In addition, as the tax rate that will apply to excess profit in future periods depends on a number of factors, it is difficult, if not impossible, to forecast reliably.
Accordingly, the Group used its judgement in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" to develop an appropriate accounting policy. As a result, the Group did not recognize deferred taxes related to income tax under the Global Minimum Tax System.

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 (¥1,007,843 million), intangible assets (¥84,575 million) and goodwill (¥95,451 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 (¥24,269 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 ¥40,146 million and liability of ¥91,979 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.

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	¥	32
	Other financial assets	¥	2,800
	Liabilities with collateral		
	Trade and other payables	¥	5,746
	Bonds and borrowings	¥	1,441
2.	Loss allowance directly deducted from assets		
	Trade and other receivables	¥	4,900
	Other financial assets	¥	9,103
3.	Accumulated depreciation and accumulated impairment losses on property, plant and equipment	¥	2,501,087
4.	Guarantee obligations		
	Those related to bank loans, etc. of joint ventures and associates	¥	1,259
	Those related to bank loans, etc. of customers in housing business and other	¥	3,697

Notes to Consolidated Statement of Profit or Loss

1. Gain on loss of control of subsidiaries
   During the year ended March 31, 2023, LG Chem, Ltd. invested US$375 million in Toray Industries Hungary Kft. ("THU"), a 100% subsidiary of the Company engaged in manufacture and sales of battery separator film in Hungary, to form a joint venture in which the Company and LG Chem, Ltd. each held a 50% interest. As a result, the Group recorded a gain of ¥25,066 million for the loss of control of THU as "Other income" in the consolidated statement of profit or loss.

Notes to Consolidated Statement of Changes in Equity

1. Number of issued shares at March 31, 2023
   Common stock 1,631,481 thousand shares

2. Dividends
(1) Amounts paid during the year ended March 31, 2023

Resolution	Ordinary General Meeting of Stockholders held on June 23, 2022	Board of Directors Meeting held on November 8, 2022
Class of shares	Common stock	Common stock
Total amount	¥12,812 million	¥14,416 million
Dividend per share	¥8.00	¥9.00
Record date	March 31, 2022	September 30, 2022
Effective date	June 24, 2022	December 1, 2022

(2) Dividends whose record dates fall in the year ended March 31, 2023 and whose effective dates fall in the year ending March 31, 2024
The Company will propose, at the Ordinary General Meeting of Stockholders to be held on June 27, 2023, the distribution of dividends as follows:

Resolution (scheduled)	Ordinary General Meeting of Stockholders to be held on June 27, 2023
Class of shares	Common stock
Total amount	¥14,417 million
Dividend per share	¥9.00
Record date	March 31, 2023
Effective date	June 28, 2023

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, 2023
   Common stock 3,334 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, 2023.

(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	219,727	218,023
Long-term borrowings	484,344	471,644

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	171,934	–	17,446	189,380
Derivative assets	–	23,209	–	23,209
Other	–	–	300	300
Total	171,934	23,209	17,746	212,889
Financial liabilities				
Other financial liabilities				
Derivative liabilities	–	1,215	–	1,215
Total	–	1,215	–	1,215

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	18,473
Gains (losses) recognized in other comprehensive income	(323)
Purchases	214
Sales	(680)
Other	62
At end of period	17,746

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

2. Contract balances

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

(Millions of yen)

	Receivables from contracts with customers	Contract assets	Contract liabilities
At April 1, 2022	546,223	17,956	22,257
At March 31, 2023	549,241	20,013	25,197

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.
The amount of revenue recognized in the year ended March 31, 2023 that was included in the balance of contract liabilities at the beginning of the period was ¥19,842 million.

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	¥81,857 million
Over 1 year	¥65,015 million

Per Share Information

1. Book value per share ¥958.78

2. Basic earnings per share ¥45.49

Non-consolidated Statement of Changes in Net Assets

Toray Industries, Inc.
April 1, 2022 - March 31, 2023

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	¥55	¥24,234	¥11,549	¥112,000	¥221,958
Changes during the fiscal year:							
Cash dividend							(27,229)
Reversal of reserve for tax purpose reduction entry					(507)		507
Net income							71,137
Purchase of treasury shares							
Disposal of treasury shares			(2)				
Net changes in items other than shareholders' equity during the fiscal year							
Total changes during the fiscal year	–	–	(2)	–	(507)	–	44,415
Balance at end of the fiscal year	¥147,873	¥136,727	¥53	¥24,234	¥11,043	¥112,000	¥266,372

Millions of yen

	Shareholders' equity		Valuation, translation adjustments and other			Stock acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity	Net unrealized gains (losses) on securities	Net deferred gains (losses) on hedges	Total valuation, translation adjustments and other		
Balance at beginning of the fiscal year	¥(19,234)	¥635,163	¥63,972	¥433	¥64,405	¥1,817	¥701,384
Changes during the fiscal year:							
Cash dividend		(27,229)					(27,229)
Reversal of reserve for tax purpose reduction entry		–					–
Net income		71,137					71,137
Purchase of treasury shares	(1)	(1)					(1)
Disposal of treasury shares	194	192					192
Net changes in items other than shareholders' equity during the fiscal year			6,295	(274)	6,021	211	6,232
Total changes during the fiscal year	193	44,100	6,295	(274)	6,021	211	50,332
Balance at end of the fiscal year	¥(19,040)	¥679,262	¥70,266	¥159	¥70,425	¥2,028	¥751,716

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, 2023.
   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, 2023.
   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, 2023. Past service costs are amortized using the straight-line method over a certain period within the employees' average remaining years of service (10 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 (10 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.
   Reserve for product warranties:
   Reserve for product warranties presents the amount estimated to be necessary in the future to exchange and repair products we manufactured or sold in the past.

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.

Notes to Changes in Accounting Policies

Effective from the beginning of the fiscal year ended March 31, 2023, the Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021).
The Company will prospectively apply the new accounting policies stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement in accordance with the transitional treatment provided in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.
These changes do not affect the non-consolidated financial statements and per share information for the fiscal year ended March 31, 2023.

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 (¥228,287 million) and intangible assets (¥4,826 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 (¥39,785 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 (¥14,243 million) and the reserve for employees' retirement benefits (¥64,397 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 Advanced Composites 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.

Notes to Changes in Accounting Estimates

Regarding the accounting treatment for retirement benefits, actuarial gains and losses and past service costs have been previously amortized over 11years. Effective from the fiscal year ended March 31, 2023, this period is changed to 10 years because the employees' average remaining years of service has been shortened.
As a result, operating income, ordinary income and income before income taxes for the fiscal year ended March 31, 2023 each increased by ¥564 million.

Notes to Non-consolidated Balance Sheet

(Millions of yen)

1.	Assets pledged as collateral		
	Other of investments and other assets	¥	120
2.	Accumulated depreciation for property, plant and equipment	¥	1,119,672
3.	Guarantees of bank loans, etc. of subsidiaries and affiliated companies (including guarantee obligations)	¥	102,107
	Guarantees of bank loans, etc. of clients	¥	3
4.	Total committed lines of credit*	¥	92,610
	Loans receivable outstanding	¥	31,602
	Balance	¥	61,008

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

5.	Amounts due from and amounts due to subsidiaries and affiliated companies:		
	Short-term amounts due from subsidiaries and affiliated companies	¥	112,325
	Long-term receivables from subsidiaries and affiliated companies	¥	29
	Short-term amounts due to subsidiaries and affiliated companies	¥	88,937
	Long-term payable to subsidiaries and affiliated companies	¥	557

Notes to Non-consolidated Statement of Income

(Millions of yen)

Transactions with subsidiaries and affiliated companies:

Sales of goods to subsidiaries and affiliated companies	¥	332,311
Purchases of goods from subsidiaries and affiliated companies	¥	221,728
Transactions other than operating transactions with subsidiaries and affiliated companies	¥	80,260

Note to Non-consolidated Statement of Changes in Net Assets

Class and number of treasury shares at March 31, 2023

Common stock 29,636,294 shares

Notes to Tax Effect Accounting

1. 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	¥ 37,075
Reserve for employees' retirement benefits	¥20,607
Reserve for employees' bonuses	¥ 2,504
Other	¥ 22,243
Gross deferred tax assets	¥ 82,429
Valuation allowance	¥(42,644)
Total deferred tax assets	¥ 39,785
Deferred tax liabilities:	
Unrealized gains on securities	¥(31,006)
Reserve for advanced depreciation of fixed assets for tax purposes	¥(4,874)
Prepaid pension cost	¥(4,361)
Securities returned from retirement benefit trust	¥(1,954)
Other	¥(842)
Total deferred tax liabilities	¥(43,038)
Net deferred tax liabilities	¥(3,253)

2. Accounting treatment of income taxes, local income taxes, and their tax effect accounting

The Company has applied the group tax sharing system from the fiscal year ended March 31, 2023. In accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No.42, August 12, 2021), the Company implemented accounting treatment and disclosure of corporation income tax, local corporation income tax, and their tax effect accounting.

Transactions with Related Parties

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)	238,126	Accounts receivable - trade	43,208
				Purchases of goods, etc. (Note 1)	119,332	Accounts payable - trade	12,127
Subsidiary	Toray Composite Materials America, Inc.	Indirect 100%	Guarantee liability, members of the Board or corporate auditors serving concurrently	Guarantee liability (Note 2)	65,134	—	—
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	14,889

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.

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: ¥468.02
2. Net income per share: ¥44.41