MATTERS DISCLOSED ON THE INTERNET RELATED TO THE NOTICE OF THE 74TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

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Chori Co., Ltd.

The abovementioned items are disclosed to shareholders on Website of Chori Co., Ltd. in accordance with laws and regulations as well as Article 16 of the Articles of Incorporation of Chori Co., Ltd.

Accounting Auditor

1. Accounting Auditor's Name

Deloitte Touche Tohmatsu LLC

2. Summary of the Limited Liability Agreement

Not applicable

3. Accounting Auditor's Compensation, etc. for the Current Fiscal Year

1) Accounting Auditor's compensation, etc., for the current fiscal year	¥75 million
2) Total amount of compensation paid by the Company or its subsidiaries	¥90 million

(Notes)

1. The Audit & Supervisory Committee carries out the necessary verification to determine whether the Accounting Auditor's audit plan, performance of accounting audit duties, and grounds for calculation of compensation estimates are appropriate in light of the content and scale of the Company's business, and consequently makes a decision on consent with regard to the amount of compensation for the Accounting Auditor pursuant to Article 399, Paragraph 1 of the Companies Act.
2. The Company's major overseas subsidiaries are audited by certified public accountants (or audit corporations) other than the Company's Accounting Auditor.
3. Under the audit agreement between the Company and its Accounting Auditor, the amount of compensation, etc. for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not strictly separated, and cannot be virtually separated. Consequently, the amount of compensation, etc. for the current fiscal year reflects total amount of compensation for these audits.

4. Description of Non-Audit Services

Advisory and guidance services on data utilization for group management

5. Policy Regarding Determination of Termination or Nonrenewal of Appointment of Accounting Auditors

The Audit & Supervisory Committee shall decide on a proposal concerning the termination or nonrenewal of the Accounting Auditor's appointment in the event that the Audit & Supervisory Committee determines that it is necessary to do so because the execution of duties by the Accounting Auditor is hindered or for other reasons, and, based on that decision, the Board of Directors shall submit the proposal to the General Meeting of Shareholders.

In cases where the Accounting Auditor falls under any one of the items of Paragraph 1, Article 340 of the Companies Act, the Audit & Supervisory Committee shall terminate the Accounting Auditor's appointment upon consent of all Audit & Supervisory Committee Members. Under these circumstances, an Audit & Supervisory Committee Member selected by the Audit & Supervisory Committee shall report the termination of the Accounting Auditor and the reasons for the termination at the first General Meeting of Shareholders following the termination of the appointment.

Company’s Systems and Policies

1. System to Ensure Proper Execution of Business and Operating Status of That System

1. System to Ensure that the Directors and Employees of the Group Execute their Duties in Compliance with Laws and Regulations and the Articles of Incorporation
   - Rules concerning compliance systems such as the Guidelines for Corporate Behavior shall be established to set compliance with laws and regulations and social ethics as a code of conduct of our business.
   - The Company shall acknowledge its corporate social responsibilities and sever and eliminate relations with antisocial forces and groups that threaten social order and security.
   - In order to make all of Directors, Executive Officers and employees of the Group fully aware of the initiatives for compliance, Corporate Divisions shall collaborate to hold compliance training and other training programs.
   - The Legal Compliance Committee with the President as a chairman shall be established to discuss important matters regarding compliance of the Group and report the results to the Board of Directors and the Executive Committee as necessary.
   - Directors and Executive Officers who are in charge of business operations are responsible for analyzing compliance matters unique to each operation of the Group and shall develop specific measures for them.
   - Internal control system to ensure the reliability of financial reporting, based on the Internal Control Rules, shall be established and operated accordingly.
   - The Governance Committee shall be established as an advisory body for the Board of Directors. The Governance Committee shall deliberate on matters related to the nomination and compensation of Directors and Executive Officers and determine policies, original plans, etc., in order to ensure objectivity and transparency regarding the nomination, compensation, etc. of Directors.
   - The Internal Auditing Department shall conduct audits on the status of compliance of the Group based on the Internal Audit Rules, and its activities will be reported to the Board of Directors and the Audit & Supervisory Committee on a regular basis.
   - A Contact System, where employees can provide information directly to the Legal Compliance Committee, the lawyer in charge at the law firm with which the Company has concluded advisory agreement, the labor union, the Audit & Supervisory Committee and a lawyer who has no conflict of interest with the Company, shall be set up, and prevention of disadvantageous treatment on the grounds of the provision of such information shall be ensured.
   - For violations of laws and regulations, the Articles of Incorporation, and internal regulations and rules, specific punishment shall be determined by the Board of Directors and the Executive Committee through discussion at the Disciplinary Committee.

   (Operating Status of the System)

   The Group has established rules such as the Guidelines for Corporate Behavior and developed a system aimed at promoting compliance with laws and regulations and social ethics in order to establish internal controls concerning compliance and to carry out supervision.

   Furthermore, in order to make all Group Directors, Executive Officers and employees fully aware of compliance, compliance training and other educational programs are carried out on a regular basis.
2. System for Storage and Management of Information related to the Execution of Duties of the Company’s Directors
   - The storage and management of the minutes of meetings, approval request documents, financial information and other important documents and information related to decision-making on business shall be prescribed in the Document Management Rules and other internal rules. Each of the said documents shall be recorded and stored in the form of paper or electromagnetic media (hereinafter the “documentations”).
   - Such documentations shall be kept accessible by Directors and Executive Officers whenever necessary.
   - The Company shall clearly assign personnel who are responsible for the management of documentations recorded and stored by electromagnetic means in order to thoroughly control such documentations and take measures for the prevention of unauthorized access from outside the Group.

   (Operating Status of the System)

   The Document Management Rules and other internal rules regarding storage and management of the minutes of meetings, approval request documents, financial information and other important documents and information related to decision-making on business have been established. Recorded and stored documents are kept accessible by Directors and Executive Officers whenever necessary.

3. Rules or any other Systems of the Group for Management of Risk of Loss
   - The Company shall identify potential risks in business activities of the Group, make efforts to reduce the level of such risks and prevent the occurrence of risk events, as well as develop a system to promptly respond and take appropriate actions in case of the occurrence of risk events.
   - The Risk Management Rules, the Credit Management Rules, the Rules for Information Security Management, the Rules for Protection and Management of Personal Information and other rules shall be established in respective department in charge and be fully understood by all through trainings and the preparation and distribution of manuals. Those rules shall be continuously reviewed and revised.
   - Corporate Divisions and Business Administration Sections shall collaborate in monitoring the status of the Group's risks and responding to risks.
   - For newly identified risks, departments shall be promptly assigned to be responsible for said risk management and appropriate measures shall be taken.

   (Operating Status of the System)

   With regard to the Group's monitoring of risk status and risk response, the Credit Management Rules, the Rules for Information Security Management, the Rules for Protection and Management of Personal Information and other rules have been established, and training and preparation and distribution of manuals are carried out regularly.
4. System to Ensure the Efficient Execution of Duties by the Company's Directors (excluding Directors who are Audit & Supervisory Committee Members)
   - The Authority Rules shall be established as rules for decision-making, in which decision authorities held by each position, such as the Board of Directors and the President, shall be clearly stated.
   - The Governance Committee shall periodically deliberate and confirm the effectiveness of the Board of Directors as a whole.
   - The Executive Committee comprising Executive Officers shall be set up as a deliberation body that facilitates decisions by the President for efficient execution of duties.
   - The Board of Directors shall consist of Directors, including Directors who are Audit & Supervisory Committee Members, and divide business execution duties to each Director and Executive Officer, and such Executive Directors and Executive Officers shall manage and supervise their relevant departments and subsidiaries in accordance with the Rules for Division of Duties.
   - The Group's goals that shall be shared among all Executive Directors, Executive Officers, and employees shall be developed, and each department and subsidiary shall set up respective operational targets and budgets to meet said goals and conduct performance management on a timely basis.
   - The Board of Directors and the Executive Committee shall analyze monthly performance and take measures for improvement.
   - The operational and clerical efficiency improvement and expense rationalization project shall be established to promote the vitalization and efficiency of any business operation.

   (Operating Status of the System)

   The Executive Committee comprising Executive Officers has been set up as a deliberation body that facilitates decisions by the President for efficient execution of duties, and holds monthly meetings. In addition, the Board of Directors and the Executive Committee analyze monthly performance and formulate measures for improvement.
5. System to Ensure the Proper Operations of the Company Group, comprising the Group as well as its Parent Company
   - The Subsidiaries and Affiliates Management Rules and the Overseas Branches Management Rules shall be established for the purpose of ensuring consistency in operations and efficient business execution while respecting the autonomy of management of subsidiaries.
   - Executive Directors, Executive Officers, each Senior Manager, and each Department Manager shall develop and operate system to ensure appropriateness of business execution at subsidiaries associated with business area which they are in charge of.
   - In order to ensure the appropriateness of business execution at subsidiaries, a system shall be established under which the Company's prior approval shall be given and discussion held for important management matters based on relevant rules. In addition, a system shall be established for reporting performance regularly, or as necessary when important matters arise.
   - The audit team assigned by the President shall conduct internal audits based on the Internal Auditing Rules regarding the legitimacy, propriety, and efficiency of business execution at each of subsidiaries. The result will be reported to relevant departments and said departments will provide support and advice for guidance and implementation of measures for improvement as needed.
   - The Governance Committee shall periodically deliberate on the status of transactions with TORAY INDUSTRIES, INC., the Company's parent company, and ensures their appropriateness.

- Information exchange with TORAY INDUSTRIES, INC., the Company's parent company, shall be carried out on a regular basis to understand issues on legal compliance and issues from the viewpoint of the efficiency.

(Operating Status of the System)

With regard to the management of subsidiaries, the Subsidiaries and Affiliates Management Rules and the Overseas Branches Management Rules have been established to ensure proper business execution at subsidiaries, and a system has been established for prior approval and consultation with the Company regarding important management matters.

Furthermore, based on the Internal Auditing Rules, the audit team conducts internal audits and regularly conducts audits regarding the legitimacy, propriety, and efficiency of business execution at each subsidiary.

6. Matters regarding Employees who Assist the Duties of the Audit & Supervisory Committee, and the Independence of such Employees as well as Matters regarding Ensuring of Effectiveness of Instructions to such Employees
   - Dedicated staff shall be assigned to assist the duties of the Audit & Supervisory Committee. In addition, the Internal Auditing Department shall assist the Audit & Supervisory Committee.
   - Dedicated staff of the Audit & Supervisory Committee and employees of the Internal Auditing Department who are requested to assist the duties necessary for auditing shall perform such duties as instructed by Audit & Supervisory Committee Members and shall not be directed or ordered by Directors (excluding Directors who are Audit & Supervisory Committee Members), Executive Officers, or the Department Manager of the Internal Auditing Department.
   - The Audit & Supervisory Committee shall be consulted in advance concerning the personnel change and evaluation of such dedicated staff and employees.

   (Operating Status of the System)

   Dedicated staff who are independent of the executive departments are assigned to assist the duties of the Audit & Supervisory Committee. In addition, the Internal Auditing Department assists duties necessary for auditing.

7. System to Report to the Company's Audit & Supervisory Committee by the Group's Directors (excluding Directors who are Audit & Supervisory Committee Members) and Employees, other Reporting System to the Audit & Supervisory Committee and System to Ensure that the Persons who Reported do not Receive Disadvantageous Treatment on the Grounds of such Reporting
   - Executive Directors, Executive Officers, and employees of the Group shall report matters concerning the execution of duties upon requests from the Audit & Supervisory Committee.
   - System shall be established for Audit & Supervisory Committee Members to attend the Board of Directors meetings and other important meetings to understand material decision-making process as well as the status of execution of business.
   - System shall be developed so that material matters concerning the performance status of internal auditing and risk management as well as important items concerning compliance will be reported to the Audit & Supervisory Committee in a timely manner, and it shall be ensured that the persons reporting such matters do not receive disadvantageous treatment on the grounds of such reporting to the Audit & Supervisory Committee.

   (Operating Status of the System)

   Each Audit & Supervisory Committee Member attends the Executive Committee and other important meetings, in addition to meetings of the Board of Directors, to confirm the status of business execution and status of compliance by the Directors, etc., and conducts exchanges of information with the Accounting Auditor and others, thereby strengthening and enhancing the management monitoring function.

8. Matters regarding Policy on Expenses Incurred for Execution of Duties of the Audit & Supervisory Committee and Other Systems to Ensure that Audits by the Audit & Supervisory Committee are Effective
   - Based on the audit policies and plans prescribed by the Audit & Supervisory Committee, Audit & Supervisory Committee Members shall conduct individual meetings with each Director (excluding Directors who are Audit & Supervisory Committee Members), Executive Officer, and important employee, and set up regular opportunities to exchange information with the President.
   - System shall be ensured so that the Audit & Supervisory Committee can appoint, as needed, lawyers, certified public accountants, and other experts such as external advisers to seek advice on performing audits.
   - When the Audit & Supervisory Committee requests advance payment or reimbursement of the necessary expenses for executing its duties, such expenses or debts shall be promptly paid or reimbursed.

   (Operating Status of the System)

Based on the audit policies and plans prescribed by the Audit & Supervisory Committee, Audit & Supervisory Committee Members conduct individual meetings with each Director, Executive Officer, and important employee, and regularly exchange information with them.

2. Basic Policy regarding the Company's control

No specific provisions are prescribed on this matter.

3. Items Concerning Transactions with the Parent Company and Others

The Company has transactions with its parent company, TORAY INDUSTRIES, INC., including for the purchase and sale of fibers and chemicals, etc., but the terms of these transactions are decided by negotiation with reference to market price, etc. In addition, the Company engages in transactions with TORAY INDUSTRIES, INC. to borrow or deposit funds, but these transactions are based on the TORAY Group's Cash Management System, and are at reasonable interest rates taking into consideration market interest rates.

The Company's Board of Directors understands the details of the above transactions, and because the final decision-making is carried out independently of the parent company, the Board of Directors deems that there is no harm to the Company's interests.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended March 31, 2021

(Millions of Japanese Yen)

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income(loss)	Non-controlling interests	Total net assets
Balance as of April 1, 2020	¥6,800	¥1,753	¥49,797	¥ (741)	¥57,608	¥42	¥148	¥ (497)	¥ (116)	¥ (423)	¥93	¥57,279
Changes of items during the period												
Dividends from earnings			(1,130)		(1,130)							(1,130)
Net income attributable to owners of the parent			1,247		1,247							1,247
Purchases of treasury stock				(1)	(1)							(1)
Disposals of treasury stock		39		44	84							84
Other			(10)		(10)							(10)
Net changes of items other than shareholders' equity during the period						1,621	(9)	(207)	17	1,420	(57)	1,363
Total changes of items during the period	-	39	106	43	189	1,621	(9)	(207)	17	1,420	(57)	1,552
Balance as of March 31, 2021	¥6,800	¥1,792	¥49,903	¥ (698)	¥57,798	¥1,663	¥138	¥ (705)	¥ (99)	¥997	¥36	¥58,831

(Reference)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended March 31, 2021

Item	Amounts
	Millions of Japanese Yen
Net income	¥1,192
Other comprehensive income	
Valuation difference on available-for-sale securities	1,621
Deferred gains or losses on hedges	(9)
Foreign currency translation adjustments	(121)
Remeasurements of defined benefit plans, net of tax	17
Share of other comprehensive income of entities accounted for using equity method	(88)
Total other comprehensive income	1,419
Comprehensive income	2,611
Total comprehensive income attributable to:	
Owners of the parent	2,668
Non-controlling interests	(56)

Notes to the Consolidated Financial Statements

Amounts less than one million yen were rounded down in the consolidated financial statements.

Significant Items Forming the Basis of Preparation for the Consolidated Financial Statements

1. Scope of Consolidation

(1) Consolidated subsidiaries

a) Number of consolidated subsidiaries 30

b) Names of significant subsidiaries Asada U Co., Ltd.; Miyako Kagaku Co., Ltd.; Kozakura Shokai Co., Ltd.; Chori Glex Co., Ltd.; Chori Machinery Co., Ltd.; Business Anchor Corporation; Chori America, Inc.; and Chori (China) Co., Ltd.

(2) Unconsolidated subsidiaries

a) Name of major unconsolidated subsidiary Chori Iran Co., Ltd.

b) Reasons for exclusion from the scope of consolidation

Total assets, sales, net income/loss and retained earnings (amounts corresponding to the equity interes) of the unconsolidated subsidiary were excluded from the scope of consolidation as they would not have a material effect on the consolidated financial statements.

2. Application of the Equity Method

(1) Unconsolidated subsidiaries and affiliates accounted for by the equity method

a) Number of unconsolidated subsidiaries and affiliates 11

b) Name of major company Megachem Limited

(2) Unconsolidated subsidiaries and affiliates not accounted for by the equity method

a) Name of major company Fieltex Industria Textil Ltda.

b) Reason for not applying the equity method

This company was excluded from the scope of application of the equity method. It has suspended its business activities and become dormant and its exclusion has no significant effect on the consolidated financial statements and is not material as a whole.

3. Changes in the Scope of Consolidation and Application of the Equity Method

(1)Consolidation

One newly established company was added to the scope of consolidation.

(2)Equity method

There were no changes.

4. Change in Fiscal Year of a Consolidated Subsidiary

A consolidated subsidiary, Asada U Co., Ltd., changed its fiscal year-end from January 31 to March 31. This subsidiary made the necessary adjustments for significant transactions which occurred after the prior fiscal year-end date and the consolidated year-end date.

The Company consolidated the non-consolidated financial statements of Asada U Co., Ltd. for the 14-month period from February 1, 2020 to March 31, 2021, in this current fiscal year. The effect of this change in fiscal year was adjusted through the accounts of the consolidated statement of income.

The impact of this change on the consolidated net sales, operating income, ordinary income, and profit before income taxes was not material.

5. Matters related to Accounting Policies

(1)Valuation standards and methods for significant assets

a) Securities

Available-for-sale securities

With market value: Fair value based on market value on the balance sheet date (unrealized gains and losses are included in the net assets section of the balance sheet, and costs of securities sold are generally calculated using the moving-average method).

Without market value: Valued at cost, generally by the moving-average method.

b) Derivatives are stated at fair value.

c) Inventories are stated at cost, generally by the monthly average method.

(Carrying costs on the consolidated balance sheet are written down based on the decreased profitability of such assets.)

(2)Depreciation and amortization methods for significant depreciable assets

a) Property, plant and equipment (excluding leased assets) are generally depreciated using the straight-line method.

The useful lives of major assets are summarized as follows.

Buildings and structures 2-38 years

Machinery, equipment and vehicles 2-15 years

b) Intangible assets (excluding leased assets) are amortized using the straight-line method.

Software for internal use is generally amortized using the straight-line method over their estimated useful lives (five years or less).

c) Leased assets are depreciated or amortized using the straight-line method over the lease term with a residual value of zero.

(3)Accounting standards for allowances

a) Allowance for doubtful accounts

To provide for losses due to bad debt expense, the allowance for doubtful accounts is recorded at amounts considered to be appropriate based upon past credit loss experience for general receivables with specific consideration for certain receivables deemed doubtful of collection.

b) Accrued employee bonuses

Accrued employee bonuses are provided for based on estimated amounts attributable to services rendered by employees for the current fiscal year, which are paid in the following fiscal year.

c) Allowance for losses from liquidation of subsidiaries and affiliates

To provide for a loss arising from the liquidation of an unconsolidated subsidiary, the estimated loss to be borne by the Company exceeding equity investments in and loans receivables from this subsidiary was recorded.

(4) Accounting for retirement benefits

a) Method of attributing projected retirement benefits to periods

The liability for retirement benefits was determined based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis.

b) Method of amortizing net actuarial gains and losses for retirement benefits

Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 12 years, no longer than the expected average remaining service period of the employees.

c) Adoption of the simplified method for small-sized companies

Certain consolidated subsidiaries have adopted the simplified method for calculating the liability for retirement benefits and net periodic benefit costs, by determining retirement benefit obligations based on the hypothetical amount of voluntary retirement payments that would have been payable at fiscal yearend.

(5)Accounting standards for revenue and expenses

The Company has adopted the revised “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 (revised 2020), originally issued on March 30, 2018) and the revised “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30 (revised 2021), originally issued on March 30, 2018), and recognizes revenue when (or as) control of promised good or service is transferred to a customer for the expected entitled amount.

(6) Standards for translation of foreign currency denominated assets and liabilities into Japanese Yen

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet date. The resulting translation gains or losses are included in the determination of net income. Assets, liabilities, revenue and expenses of overseas subsidiaries are translated into Japanese yen based on spot exchange rates at their respective fiscal closing dates. Differences arising from such translations are included in both “Foreign currency translation adjustments” and “Non-controlling interests” in the net assets section of the balance sheet.

(7)Significant hedge accounting methods

a) Hedge accounting methods

In principle, the Company uses deferred hedging. Forward exchange contracts qualifying for hedge accounting are translated at the contracted rates.

b) Hedging instruments and hedged items

Hedging instruments	Related hedged items
Forward exchange contracts	Receivables, payables, and forecasted transactions denominated in foreign currencies

c) Hedging policies

The Company and certain consolidated subsidiaries use derivatives to mitigate the risk of foreign exchange fluctuations in accordance with internal management rules.

d) Methods of assessing hedging effectiveness

Forward exchange contracts are entered into for the same currencies and the same periods in accordance with hedging policies, and as their correlations related to subsequent fluctuations in market exchange rates are already determined, assessments of the effectiveness of the forward exchange contracts as of the balance sheet date are omitted.

(8)Amortization of goodwill

Goodwill is generally amortized ratably over five years, but is written off in its entirety in the year of occurrence when such amounts are not significant.

(9)Other significant items for preparation of the consolidated financial statements

Accounting for consumption tax

Consumption taxes are excluded from items in the consolidated statement of income.

Notes to Changes in Accounting Policies, etc.

1. Adoption of the Accounting Standard for Revenue Recognition, etc.

As the revised Accounting Standard for Revenue Recognition and revised Implementation Guidance on Accounting Standard for Revenue Recognition became applicable prior to the beginning of the fiscal year ended March 31, 2021, the Company adopted this standard and guidance starting from the beginning of the current fiscal year, and recognizes revenue when (or as) control of a promised good or service is transferred to a customer in the expected entitled amount.

Accordingly, the Company recognizes revenue on a net basis as an agent for transactions where the nature of its promise to a customer is a performance obligation to arrange for a good or service to be provided by another party. For transactions where the Company supplies materials to a customer for the production of goods for which the Company has a purchase obligation, the Company accounts for such transactions as a financial transaction and recognizes the physical inventory of such supplied materials at fiscal year-end as “Work in process” and the consideration received from such customer as “Deposits payable (financial liabilities).”

As a result of this change in accounting method, net sales and cost of sales both decreased by ¥41,755 million, work in process increased by ¥768 million, and other current liabilities increased by ¥799 million for the current fiscal year.

The Company adopted the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. This transitional treatment had no impact on the balance of retained earnings at the beginning of the fiscal year, net income for the current fiscal year, and per share information.

2. Change in Depreciation Method for Property, Plant and Equipment

Starting this fiscal year, the Company and its consolidated Japan subsidiaries changed their depreciation method to the straight-line method for certain items of property, plant and equipment previously depreciated using the declining-balance method.

The Group launched its new medium-term management plan, the Chori Innovation Plan 2022, this fiscal year, and business investments in growing fields both in Japan and overseas, such as a large-scale bailed equipment, have taken shape.

Triggered by the execution of these capital investments in growing businesses in response to changes in the business environment, the Company reevaluated the actual use of such assets and concluded these assets will be operated on a stable long-term basis in the future. The Company judged that it is more appropriate to allocate depreciation expenses ratably to periods to reflect the actual use of the assets and the business environment and therefore, changed the depreciation method to the straight-line method.

The impact of this change on the consolidated financial statements is not significant.

Notes to Revenue Recognition

The Group recognizes revenue related to customer contracts based on the following five-step approach.

Step 1: Identifying a contract with a customer.

Step 2: Identifying a performance obligations in the contract.

Step 3: Determining the transaction price.

Step 4: Allocate the transaction price to the performance obligation in the contract.

Step 5: Recognizing revenue when (or as) the performance obligations are fulfilled.

The Group's business primarily consists of product sales of its three business segments: textiles, chemicals, and machinery. Revenue from product sales are primarily recognized at time of delivery, as in most cases, our performance obligation is fulfilled when the customer takes control of the goods upon delivery. For certain product sales in Japan, revenue is recognized at a specific point in time (upon shipment) before a customer obtains control of the goods.

Notes to Changes on Presentation

1. Changes Due to the Adoption of the "Accounting Standard for Disclosure of Accounting Estimates"

The Company adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the current fiscal year, and included "Notes to Accounting Estimates" in the "Notes to the Consolidated Financial Statements."

2. Consolidated Balance Sheet

"Distressed receivables," included in "Other" under "Investments and other assets" last fiscal year, was presented as a separate line item this fiscal year due to its increased significance.

Notes to Accounting Estimates

Allowance for Doubtful Accounts for Receivables from the Jiangyin Chengxing Industrial Group

A consolidated subsidiary named Tohcho Co., Limited (hereinafter "Tohcho"), recorded a total of ¥5,085 million (converted from US$45,934 thousand at the fiscal year end exchange rate) in distressed receivables from Jiangyin Chengold Packaging Materials Co., Ltd. (hereinafter "Chengold Packaging") and Jiangsu Chengxing Phosph-Chemicals Group I/E Co., Ltd. (hereinafter "Chengxing Phosph-Chemicals"), which are both part of the Jiangyin Chengxing Industrial Group (hereinafter the "Chengxing Group").

Payments from the Chengxing Group to Tohcho were delayed due to unstable cash flow related to sluggishness of the Chengxing Group's primary petrochemical business caused by the temporary total suspension of economic activities in China from the global spread of the novel coronavirus, etc.

The Chori Group has filed a collective security assignment to collateralize physical inventories held by the Chengxing Group, is focusing on negotiations to collect the receivables, and initiating payment lawsuits and other legal procedures (including execution of the collective security assignment).

The Company has confirmed that a major Chinese bank filed bankruptcy proceedings against Chengold Packaging in February 2021 and against Chengxing Phosph-Chemicals in March 2021, both of which have been accepted as reconstructive bankruptcy proceedings by a court in Jiangyin City, Jiangsu Province (the Intermediate People's Court of Jiangyin Municipality). In April 2021, the first creditors' meetings of Chengold Packaging and Chengxing Phosph-Chemicals were held. The Company received reports from bankruptcy administrators regarding the financial condition, the status of collateral and other established claims related to assets, and the status of creditor claims filed, for each of these debtor companies.

The Company has recorded an allowance for doubtful accounts of ¥5,085 million for the current fiscal year, which covers the total amount of the receivables based on comprehensive estimates of the latest financial condition of Chengold Packaging and Chengxing Phosph-Chemicals, collateral values, the likelihood of exercising collateral rights, and the prospects of the reconstructive bankruptcy proceedings.

The amount of the allowance for doubtful accounts recognized in the consolidated financial statements for the following fiscal year may fluctuate depending on the progress of the reconstructive bankruptcy proceedings of Chengold Packaging and Chengxing Phosph-Chemicals and the progress of the legal proceedings for receivable collection.

Notes to the Consolidated Balance Sheet

(Millions of Japanese Yen)

1. Assets Pledged as Collateral and Secured Liabilities

(1) Assets pledged as collateral

Cash and deposits	¥149
Investment securities	2,710
Total	¥2,859

(2) Secured liabilities

Notes and accounts payable-trade	¥5,331

2. Contingent Liabilities

Discounted export notes	¥10,375
Endorsed notes receivable	964
Repurchase obligations for notes receivable sold	161

Tax litigation

A consolidated subsidiary in Indonesia, PT. Chori Indonesia, has incurred a contingent liability of ¥269 million (converted from IDR38,449 million at the fiscal year end exchange rate), due to a difference in opinion with Indonesian tax authorities related to additional VAT (value-added tax).

PT. Chori Indonesia filed a tax case in October 2020, to assert the validity of its opinions. Depending on the outcome of the case and other factors, some surcharges, etc. may be imposed.

The Company has not recorded an allowance for this matter, with respect to the potential impact on the Company's consolidated financial position and operating results for the current fiscal year, as the outcome is dependent on the judgment of the court, and due to the difficulty of rationally determining such amount.

3. The stated amount of "Accumulated depreciation" includes accumulated impairment losses.

4. Tax Purpose Reduction

Acquisition costs for certain machinery, equipment and vehicles acquired using subsidies in the current year were reduced by ¥380 million based on certain tax regulations.

Notes to the Consolidated Statement of Income

Loss on Liquidation of Subsidiary

"Loss on liquidation of a subsidiary" primarily consisted of a loss from inventory write-downs, impairment losses, special severance payments and other liquidation expenses.

The "Loss on liquidation of a subsidiary" includes the following impairment losses.

(Millions of Japanese Yen)

Location	Use	Type	Amount
Taito-ku, Tokyo, etc.	Assets to be disposed of	Buildings and structures Tools, furniture and fixtures Other	¥76 ¥0 ¥5

The Group groups assets to be disposed of on an individual asset basis.

When the decision was made to wind down the business of the liquidated consolidated subsidiary, the carrying amounts of thee above fixed assets are reduced to their recoverable amounts, with the amount of the reductions recognized as impairment losses. The recoverable amounts were determined based on their utility values.

Notes to the Consolidated Statement of Changes in Equity

1. Numbers and Types of Shares Issued and Treasury Stock

(Shares)

Types of stock	As of April 1, 2020	Increase	Decrease	As of March 31, 2021
Shares issued				
Common stock	25,303,478	-	-	25,303,478
Total	25,303,478	-	-	25,303,478
Treasury stock				
Common stock	747,620	693	45,047	703,266
Total	747,620	693	45,047	703,266

(Summary of reasons for changes)

1. The increase in the number of common stock shares of treasury stock is due to an increase of 693 shares from purchases of fractional shares.
2. The decrease in the number of common stock shares of treasury stock is due to a decrease of 45,047 shares from to disposal of treasury stock as restricted stock compensation.

2. Dividends

(1) Amount of dividends paid

(Millions of Japanese Yen unless otherwise specified)

Resolution	Type of stock	Total amount of dividends	Dividends per share (Japanese Yen)	Record date	Effective date
Board of Directors Meeting (May 19, 2020)	Common stock	¥785	¥32.00	March 31, 2020	June 17, 2020
Board of Directors Meeting (October 26, 2020)	Common stock	344	14.00	September 30, 2020	December 1, 2020

(2) Dividends for which the record date is in the fiscal year ended March 31, 2021 and the effective date is in the following fiscal year.

(Millions of Japanese Yen unless otherwise specified)

Resolution	Type of stock	Dividend source	Total amount of dividends	Dividends per share (Japanese Yen)	Record date	Effective date
Board of Directors Meeting (May 11, 2021)	Common stock	Retained earnings	¥565	¥23.00	March 31, 2021	June 3, 2021

Financial Instruments

1. Matters Concerning Financial Instruments

The Group restricts its investment of funds to short-term deposits, etc. and procures funds through loans from financial institutions.

Risk reduction of customer credit risks related to notes and accounts receivable-trade are handled in accordance with internal management rules.

Investment securities primarily consist of stock, and the market values of listed shares are checked quarterly.

The usage of loans payable, etc. is mainly for working capital purposes. Derivatives are utilized based on actual demand and in accordance with internal management rules.

2. Matters Concerning the Fair Value of Financial Instruments

Carrying amounts on the consolidated balance sheet, fair values and as of March 31, 2021 (current consolidated closing date) are as follows.

(Millions of Japanese Yen)

	Carrying amount on the consolidated balance sheet	Fair value	Unrealized gain
(1) Cash and deposits	¥14,828	¥14,828	-
(2) Deposit paid in subsidiaries and affiliates	3,000	3,000	-
(3) Notes and accounts receivable-trade	56,141	56,141	-
(4) Investment securities			
Shares of unconsolidated subsidiaries and affiliates	1,188	1,315	¥127
Available-for-sale securities	8,190	8,190	-
(5) Distressed receivables	5,669		
Allowance for doubtful accounts	(5,541)		
	127	127	-
(6) Notes and accounts payable-trade	[39,622]	[39,622]	-
(7) Short-term loans payable	[1,809]	[1,809]	-
(8) Accrued income taxes	[1,703]	[1,703]	-
(9) Derivatives	234	234	-

(*1) Allowance for doubtful accounts stated separately for specific distressed receivables is deduction item.

(*2) Amounts recorded as a liability are shown in brackets [ ].

(Note 1) Calculation methods for the fair value of financial instruments and matters concerning marketable securities and derivative transactions.

(1) Cash and deposits, (2) Deposit paid in subsidiaries and affiliates, (3) Notes and accounts receivable-trade

The carrying values of these items approximate fair value because of their short maturities.

(4) Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments.

(5) Distressed receivables

As the amount of doubtful accounts for distressed receivables is estimated based on the amount of receivables expected to be collectible and other factors, the market values of distressed receivables approximate the amount of “Distressed receivables” stated on the consolidated balance sheet as of the balance sheet date less the current estimate of doubtful accounts. Accordingly, said amount is used as the market price.

(6) Notes and accounts payable-trade, (7) Short-term loans payable, (8) Accrued income taxes

The carrying values of these items approximate fair value because of their short maturities.

(9) Derivative transactions

a) Derivative transactions to which hedge accounting is not applied: The contracted amounts or principal-equivalent amounts set forth in contracts, market values, unrealized gain or loss, and method of calculating market values for each type of transaction item as of the fiscal year end were as follows.

Currency related (the calculation method for market value is based on market forward exchange rates.)

(Millions of Japanese Yen)

Category	Type of derivative financial instrument	Contract amount		Fair value	Unrealized gain /loss
			Due after 1 year		
Transactions other than market transactions	Foreign currency forward contracts				
	Selling				
	U.S. Dollar	¥48	-	¥(0)	¥(0)
	Buying				
	U.S. Dollar	190	-	1	1
	Baht	565	-	33	33
Total		¥803	-	¥34	¥34

b) Derivative transaction to which hedge accounting is applied: The contracted amounts or principal-equivalent amounts set forth in contracts for each hedge accounting method as of the consolidated fiscal year end were as follows.

(Millions of Japanese Yen)

Hedge accounting method	Type of derivative financial instrument	Hedged item	Contract amount	Contract amount due after 1 year	Fair value (*1)
Forward contracts qualifying for hedge accounting translated at contract rates	Foreign currency forward contracts Selling	Accounts receivable			(*2)
	U.S. Dollar		¥ 6,812	-	
	Yuan		246	-	
	Euro		12	-	
	Foreign currency forward contracts Buying	Accounts payable			(*2)
	U.S. Dollar		9,420	-	
	Yuan		115	-	
	Euro		44	-	
	Yen		9	-	
	Pound		8	-	
Forward contracts qualifying for hedge accounting for which gains and losses are deferred	Foreign currency forward contracts Selling	Accounts receivable			
	U.S. Dollar		3,832	-	¥ (52)
	Yuan		40	-	(0)
	Foreign currency forward contracts Buying	Accounts payable			
	U.S. Dollar		4,359	-	233
	Yuan		459	-	19

(*1) The fair value of derivative transactions is measured at the quoted price obtained from the financial institution with which the Company has transactions.

(*2) The foreign currency forward contracts qualifying for hedge accounting translated at contract rates were accounted for together with the underlying receivables and payables, and their market values are included in the market values of such receivables and payables.

(Note 2) Nonlisted shares, etc. (recorded as ¥2,807 million in the consolidated balance sheet) having no market price and estimable future cash flows were recognized as being difficult to determine market value for, and were not included in "(4) Investment securities."

Per Share Information

	(Japanese Yen)
(1) Net assets per share	¥2,390.06
(2) Net income per share	50.73

Notes for Significant Subsequent Events

Not applicable.

Other

The Company resolved at a Board of Directors meeting held on February 26, 2021, to acquire all issued and outstanding shares of Sumitex International Company Limited (hereinafter "Sumitex International") to make it a subsidiary of the Company.

As a result of this acquisition, Sumitex International and its subsidiaries, Sumitex Vietnam Limited Liability Company and Sumitex China Company Limited, will become consolidated subsidiaries of the Company.

Business Combination – Merger through Acquisition

1. Overview of the Business Combination

(1) Name of the acquired company and description of its business

Name of the acquired company: Sumitex International Company Limited

Description of its business: Manufacturing and distribution of textile products (clothing, fabric materials, etc.)

(2) Main reasons for the business combination

Sumitex International is a textile trading company with a history of over 120 years dating back to its founding in 1898, starting out as a textile raw material (cotton) business and later producing apparel as an OEM for customers in various categories. With a background of providing wide-reaching and detailed service cultivated over many years, it has developed a business centered on customers in Japan.

The Company is defined by its comprehensive development, handling raw materials for textiles, from textiles to apparel, in a well-balanced manner. From environmental products to high-performance products, the Company offers a wide range of "Chori Original Products" using built-up global supply chains and marketing functions, leveraging its global networks which are the foundation of a trading enterprise.

Making Sumitex International a subsidiary of the Company enables the comprehensive development of main textile raw materials through the cotton that Sumitex International has traditionally handled to the synthetic fibers in which the Company has a competitive edge. It also allows presenting Sumitex International's customers with "Chori Original Products," and strengthens the competitiveness of both companies through shared global apparel production bases, making it possible to capture synergetic effects. The Company believes that it will enhance the corporate value of both companies greatly.

(3) Date of the business combination

June 1, 2021 (scheduled)

(4) Legal form of the corporate integration

Share acquisition with cash as consideration (planned)

(5) Name of the company after business combination

Not determined at this time.

(6) Percentage of voting rights to be acquired

100% (planned)

2. Acquisition Cost of the Acquired Company and Breakdown of Consideration by Type

This information is not disclosed because the Company bears an obligation of confidentiality in accordance with the provisions of the stock purchase agreement.

3. Breakdown and Amount of Major Acquisition Costs

Advisory fees, etc. ¥83 million (projected)

NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended March 31, 2021

(Millions of Japanese Yen)

	Shareholders' equity								Valuation and translation adjustments			
	Capital stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Total net assets
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings						
Balance as of April 1, 2020	¥6,800	¥1,700	¥53	¥1,753	¥40,447	¥40,447	¥(741)	¥48,259	¥60	¥148	¥209	¥48,468
Changes of items during the period												
Dividends from earnings					(1,130)	(1,130)		(1,130)				(1,130)
Net income					95	95		95				95
Purchases of treasury stock							(1)	(1)				(1)
Disposals of treasury stock			39	39			44	84				84
Net changes of items other than shareholders' equity during the period									473	(9)	463	463
Total changes of items during the period	-	-	39	39	(1,035)	(1,035)	43	(951)	473	(9)	463	(488)
Balance as of March 31, 2021	¥6,800	¥1,700	¥92	¥1,792	¥39,412	¥39,412	¥(698)	¥47,307	¥533	¥138	¥672	¥47,979

Notes to the Nonconsolidated Financial Statements

Amounts less than one million yen have been rounded down in the nonconsolidated financial statements.

Significant Accounting Policies

1. Valuation Standards and Methods for Assets

(1) Securities

Stocks of subsidiaries and affiliates: Valued at cost by the moving-average method

Available-for-sale securities:

With market value: Fair value based on market value on the balance sheet date
(Unrealized gains and losses are included in the net assets section of the balance sheet, and cost of securities sold is calculated using the moving-average method.)

Without market value: Valued at cost by the moving-average method

(2) Derivatives are stated at fair value.

(3) Inventories are valued at cost, determined by the monthly average method.
(Carrying costs on the balance sheet were written down based on the decreased profitability of such assets.)

2. Depreciation and Amortization Methods for Non-current Assets

(1) Property, plant and equipment are depreciated using the straight-line method.

The ranges of useful lives for assets are summarized as follows.

Buildings, structures	2-37 years
Machinery and equipment	2-10 years

(2) Intangible assets are amortized using the straight-line method.

Software for internal use is amortized using the straight-line method over estimated useful lives (five years or less).

3. Standards for Translation of Foreign Currency Denominated Assets and Liabilities into Japanese Yen

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing on the balance sheet date. The resulting translation gains or losses are included in the determination of net income.

4. Accounting Standards for Allowances

(1) Allowance for Doubtful Accounts

To provide for losses due to bad debt expense, the allowance for doubtful accounts is recorded at amounts considered to be appropriate based upon past credit loss experience for general receivables with specific consideration for certain receivables deemed doubtful of collection.

(2) Accrued Employee Bonuses

Accrued employee bonuses are provided for based on estimated amounts attributable to services rendered by employees for the current fiscal year, which are paid in the following fiscal year.

(3) Allowance for losses from liquidation of subsidiaries and affiliates

To provide for a loss arising from the liquidation of an unconsolidated subsidiary, the estimated loss amounts to be borne by the Company exceeding equity investments in and loans receivables from the subsidiary was recorded.

(4) Liability for Retirement Benefits

Liability for retirement benefits are provided for based on the projected retirement benefit obligations as of the end of the current fiscal year.

a) Method of Attributing Projected Retirement Benefits to Periods

To calculate retirement benefit obligations, projected retirement benefits attributable through the end of the current fiscal year are determined by the benefit formula method.

b) Method of Amortizing Net Actuarial Gains and Losses for Retirement Benefits

Net actuarial gains and losses are amortized ratably using the straight-line method over a fixed period (12 years) not longer than the average remaining service years of employees for the fiscal year in which the differences occurred, beginning with the following fiscal year.

5. Hedge Accounting Methods

(1) Methods of Hedge Accounting

In principle, the Company uses deferred hedging. Forward exchange contracts qualifying for hedge accounting are translated at the contracted rates.

(2) Hedging Instruments and Hedged Items

Hedging Instruments	Related Hedged Items
Forward exchange contracts	Receivables, payables, and forecasted transactions denominated in foreign currencies

(3) Hedging Policies

The Company uses derivatives to mitigate the risk of foreign exchange fluctuations in accordance with internal management rules.

(4) Methods of Assessing Hedging Effectiveness

Forward exchange contracts are entered into for the same currencies and the same periods in accordance with hedging policies, and as their correlations related to subsequent fluctuations in market exchange rates are already determined, assessments of the effectiveness of the forward exchange contracts as of the balance sheet date are omitted.

6. Accounting Standards for Revenue and Expenses

The Company has adopted the revised "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 (revised 2020), originally issued on March 30, 2018) and the revised "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30 (revised 2021), originally issued on March 30, 2018), and recognizes revenue when (or as) control of promised good or service is transferred to a customer for the expected entitled amount.

7. Other Significant Items Forming the Basis of Preparation for the Nonconsolidated Financial Statements

(1) Accounting for Retirement Benefits

The accounting method for unrecognized net actuarial gains and losses related to the retirement benefits is different from the method used in the consolidated financial statements.

(2) Accounting for Consumption Tax

Consumption taxes are excluded from items in the nonconsolidated statement of income.

Notes to Changes in Accounting Policies, etc.

1. Adoption of the Accounting Standard for Revenue Recognition, etc.

As the revised Accounting Standard for Revenue Recognition and revised Implementation Guidance on Accounting Standard for Revenue Recognition became applicable prior to the beginning of the fiscal year ended March 31, 2021, the Company adopted this standard and guidance starting from the beginning of the current fiscal year, and recognizes revenue when (or as) control of a promised good or service is transferred to a customer in the expected entitled amount.

Accordingly, the Company recognizes revenue on a net basis as an agent for transactions where the nature of its promise to a customer is a performance obligation to arrange for a good or service to be provided by another party. For transactions where the Company supplies materials to a customer for the production of goods for which the Company has a purchase obligation, the Company accounts for such transactions as a financial transaction and recognizes the physical inventory of such supplied materials at fiscal year-end as "Work in process" and the consideration received from such customer as "Deposits payable (financial liabilities)."

As a result of this change in accounting method, net sales and cost of sales both decreased by ¥8,485 million, work in process increased by ¥454 million, and other current liabilities increased by ¥472 million for the current fiscal year.

The Company adopted the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. This transitional treatment had no impact on the balance of retained earnings at the beginning of the fiscal year, net income for the current fiscal year, and per share information.

2. Change in Depreciation Method for Property, Plant and Equipment

Starting this fiscal year, the Company and its consolidated Japan subsidiaries changed their depreciation method to the straight-line method for certain items of property, plant and equipment previously depreciated using the declining-balance method.

The change was due that the Group launched its new medium-term management plan, the Chori Innovation Plan 2022, this fiscal year, and business investments in growing fields both in Japan and overseas, such as a large-scale bailed equipment, have taken shape.

Triggered by the execution of these capital investments in growing businesses in response to changes in the business environment, the Company reexamined the actual use of such assets and concluded the assets will be operated on a stable long-term basis in the future. The Company judged that it is more appropriate to allocate deprecation expenses ratably to periods to reflect the actual use of the assets and the business environment and, therefore, changed the depreciation method to the straight-line method.

The impact of this change on the nonconsolidated financial statements is not significant.

Notes to Revenue Recognition

These notes are omitted since the same information is provided in "Notes to Revenue Recognition" in "Notes to the Consolidated Financial Statements."

Notes to Changes on Presentation

1. Changes Due to the Adoption of the "Accounting Standard for Disclosure of Accounting Estimates"

The Company adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the current fiscal year, and included "Notes to Accounting Estimates" in the "Notes to the Nonconsolidated Financial Statements."

2. Nonconsolidated Balance Sheet

"Distressed receivables," included in "Other" under "Investments and other assets" last fiscal year, was presented as a separate line item this fiscal year due to its increased significance.

Notes to Accounting Estimates

Allowance for Doubtful Accounts for Loans Receivable from Tohcho Co., Limited

As stated in "Notes to Accounting Estimates" in "Notes to Consolidated Financial Statements," Tohcho Co., Limited (hereinafter "Tohcho"), a consolidated subsidiary, was unable to collect receivables totaling ¥5,085 million from two subsidiaries belonging to the Jiangyin Chengxing Industrial Group (hereinafter the "Chengxing Group"). The Company recorded an allowance for doubtful accounts of ¥5,085 million, which covers the entire amount of such receivables, taking into consideration the latest financial position, etc. of each company.

As a result, the Company recorded the ¥5,148 million receivables from Tohcho as bankruptcy and reorganization claims, considering the significantly deteriorated financial position of Tohcho, which had excess liabilities of ¥5,138 million as of March 31, 2021.

At the end of the current fiscal year, the Company recorded an allowance for doubtful accounts of ¥5,114 million, considering the collectability of these bankruptcy and reorganization claims.

The allowance for doubtful accounts for the distressed receivables against Tohcho recorded in the current fiscal year was estimated and recorded based on the assumption that the amount of Tohcho's excess liabilities is the uncollectable amount.

The collectability of said distressed receivables will be affected by the financial status of Tohcho, which will be mainly affected by the collection status of the receivables due from the two companies belonging to the Chengxing Group. Accordingly, the amount of allowance for doubtful accounts recognized in the nonconsolidated financial statements of the Company may fluctuate depending on changes in these circumstances.

Notes to the Nonconsolidated Balance Sheet

		Millions of Japanese Yen
1.	Accumulated Depreciation of Property, Plant and Equipment	¥1,157

2. Monetary Receivables from and Payable to Subsidiaries and Affiliates

Monetary receivables from and payable to subsidiaries and affiliates, other than those separately presented, are set out below.

Short-term monetary receivables	¥2,898
Long-term monetary receivables	5,148
Short-term monetary payable	4,837

3. Contingent Liabilities

Discounted export notes	¥215
Repurchase obligations for notes receivable sold	161

4. Tax Purpose Reduction

Acquisition costs for certain machinery, equipment and vehicles acquired using subsidies in the current year were reduced by ¥380 million based on certain tax regulations.

Notes to the Nonconsolidated Statement of Income

		Millions of Japanese Yen
Transactions with Subsidiaries and Affiliates	Net sales	¥11,256
	Amount of purchase	13,798
	Non-operating transactions	5,815

Notes to the Nonconsolidated Statement of Changes in Equity

Numbers and Types of Treasury Stock

(Shares)

Types of stock	As of April 1, 2020	Increase	Decrease	As of March 31, 2021
Common stock	747,620	693	45,047	703,266
Total	747,620	693	45,047	703,266

(Summary of reasons for changes)

The increase in common stock shares of treasury stock is due to an increase of 693 shares from purchases of fractional shares.

The decrease in common stock shares of treasury stock is due to a decrease of 45,047 shares due to disposal of treasury stock as restricted stock compensation.

Notes to Tax Effect Accounting

Breakdown of Major Factors for Deferred Tax Assets and Deferred Tax Liabilities

(Millions of Japanese Yen)

Deferred tax assets	
Loss on valuation of goods	¥23
Impairment loss on investment securities	25
Impairment loss on stocks of subsidiaries and affiliates	220
Loss on valuation of golf club membership	3
Allowance for doubtful accounts	1,696
Accrued enterprise tax	74
Accrued employee bonuses	143
Allowance for losses from liquidation of subsidiaries and affiliates	12
Liability for retirement benefits	595
Other	320
Subtotal deferred tax assets	3,117
Valuation allowances	(2,197)
Total deferred tax assets	¥919
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥ (275)
Deferred gains or losses on hedges	(61)
Total deferred tax liabilities	(336)
Net deferred tax assets	¥583

Notes to Transactions with Related Parties

Parent Company, Major Corporate Shareholders, etc.

(Millions of Japanese Yen)

Company type	Company name or person's name	Location	Capital stock or equity investments	Description of business or occupation	Percentage of ownership (or owned) of voting rights, etc.	Relation with the related party	Details of transactions	Amount of transactions	Account	Balance at the end of fiscal year
Parent company	TORAY INDUSTRIES, INC.	Chuo-ku, Tokyo	¥147,873	Manufacture, processing and sale and purchase of fibers, chemicals, etc.	(Owned) Directly: 52.78% Indirectly: -	Sale and purchase of fibers, chemicals, etc.; common director; borrowing of funds and deposit of funds	Sale of fibers, chemicals, etc.	¥1,716	Accounts receivable-trade	¥340
							Purchase of fibers, chemicals, etc.	5,048	Accounts payable-trade	1,124
							Borrowing of funds	1,500	-	-
							Deposit of funds	4,500	Deposits held by related companies	3,000

Terms and conditions of transactions and policies for their determination

(Notes)
1. Terms and conditions concerning sales and purchases of fibers, chemicals, etc. are determined through negotiation based on market prices, etc.
2. Consumption taxes are not included in the amounts of transactions, while consumption taxes are included in the balances (excluding deposits held by related companies) at fiscal year-end.
3. The borrowing of funds and deposit of funds are made through the Toray Group's Cash Management System. Interest rates on these transactions are determined at reasonable levels after due consideration of market interest rates. In addition, since the borrowing of funds and deposit of funds are made on a daily basis, the amounts for both transactions are reported at their maximum amounts.

Subsidiaries and Affiliates, Etc.

(Millions of Japanese Yen unless otherwise specified)

Company type	Company name or person's name	Location	Capital stock or equity investments	Description of business or occupation	Percentage of ownership (or owned) of voting rights, etc.	Relation with the related party	Details of transactions	Amount of transactions	Account	Balance at the end of fiscal year
Subsidiary	Chori (China) Co., Ltd.	Shanghai (China)	55,314 thousand yuan	Sale in China, export and import, and overseas transactions of various products	(Ownership) Directly: 100.00% Indirectly: -	Sale and purchase of fibers, chemicals, etc.; common officers	Sale of fibers, chemicals, etc.	¥3,775	Accounts receivable-trade	¥772
Subsidiary	Chori Machinery Co., Ltd.	Minato-ku, Tokyo	¥100	Sale of transportation equipment, etc.	(Ownership) Directly: 100.00% Indirectly: -	Sale of transportation equipment, etc.; custody of funds	Custody of funds	546	–	–
Subsidiary	Miyako Kagaku Co., Ltd.	Chiyoda-ku, Tokyo	¥296	Sale of chemicals, etc.	(Ownership) Directly: 100.00% Indirectly: -	Sale and purchase of chemicals, etc.; custody and deposit of funds; common officers	Custody of funds	1,000	Deposits payable	900
							Deposit of funds	400	–	-
Subsidiary	Kozakura Shokai Co., Ltd.	Minato-ku, Tokyo	¥60	Sale of chemicals, etc.	(Ownership) Directly: 100.00% Indirectly: -	Sale of chemicals, etc.; custody of funds	Custody of funds	1,200	Deposits payable	1,200
Subsidiary	Tohcho Co., Limited	Minato-ku, Tokyo	¥50	Sale of chemicals, etc.	(Ownership) Directly: 60.00% Indirectly: -	Purchase of chemicals, etc.; financial support	Loan of funds	5,148	Distressed receivables	5,148

Terms and conditions of transactions and policies for their determination

(Notes)
1. Terms and conditions concerning sales of fibers, chemicals, etc. are determined through negotiation based on market prices, etc.
2. Consumption taxes are not included in the amounts of transactions and in the balances at fiscal year end.
3. Custody and deposit of funds are managed in accordance with funding needs. Interest rates on these transactions are determined at reasonable levels after due consideration of market interest rates. In addition, since the custody and deposit of funds are made on a daily basis, the amounts for both transactions are reported at their maximum amounts.
4. The Company recorded an allowance for doubtful accounts and a provision for allowance for doubtful accounts of ¥5,114 million respectively, for bankruptcy and reorganization claims (loans receivable) due from Tohcho Co., Limited in the current fiscal year. The Company does not receive interest on such claims for the purpose of providing financial support related to the delayed collection of receivables.

Per Share Information

		(Japanese Yen)
(1)	Net assets per share	¥1,950.38
(2)	Net income per share	3.87

Notes for Significant Subsequent Events

Not applicable.

Other

Business Combination – Merger through Acquisition

These notes are omitted since the same information is provided in “Other” in “Notes to the Consolidated Financial Statements.”