MATTERS DISCLOSED ON THE INTERNET RELATED TO THE NOTICE OF THE 75TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

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	¥81 million
2) Total amount of compensation paid by the Company or its subsidiaries	¥100 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 services on disclosure of climate-related financial disclosures (TCFD) and response to corporate governance code

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 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 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 body that deliberates matters to be discussed at the Board of Directors and matters specified for 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, in addition to matters to be discussed at meetings of the Board of Directors, 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 Associates 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 Internal Auditing Department shall conduct internal audits under the direct control of the President 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 Associates 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 Internal Auditing Department 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, 2022

(Millions of Japanese Yen)

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total net assets
	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)		
Balance as of April 1, 2021	¥6,800	¥1,792	¥49,903	¥ (698)	¥57,798	¥1,663	¥138	¥ (705)	¥ (99)	¥997	¥36	¥58,831
Changes of items during the period												
Dividends from earnings			(1,599)		(1, 599)							(1,599)
Net income attributable to owners of the parent			6,811		6,811							6,811
Purchases of treasury stock				(1)	(1)							(1)
Disposals of treasury stock		6		9	16							16
Change in scope of equity method			(300)		(300)							(300)
Other			(10)		(10)							(10)
Net changes of items other than shareholders' equity during the period						(442)	146	1,623	15	1,342	5	1,348
Total changes of items during the period	-	6	4,901	8	4,916	(442)	146	1,623	15	1,342	5	6,264
Balance as of March 31, 2022	¥6,800	¥1,799	¥54,804	¥ (689)	¥62,714	¥1,221	¥285	¥917	¥ (84)	¥2,340	¥41	¥65,096

(Reference)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended March 31, 2022

Item	Amounts
	Millions of Japanese Yen
Net income	¥6,814
Other comprehensive income	
Valuation difference on available-for-sale securities	(442)
Deferred gains or losses on hedges	146
Foreign currency translation adjustments	1,323
Remeasurements of defined benefit plans, net of tax	15
Share of other comprehensive income of entities accounted for using equity method	299
Total other comprehensive income	1,342
Comprehensive income	8,157
Total comprehensive income attributable to:	
Owners of the parent	8,154
Non-controlling interests	2

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: 33

b) Names of significant subsidiaries: STX Company Limited; 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.

(Note) STX Company Limited changed its corporate name from Sumitex International Company Limited on January 1, 2022. The note for this change shall be omitted hereinafter.

(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 interest) 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 associates accounted for by the equity method

a) Number of unconsolidated subsidiaries and associates: 9

b) Name of major company: Megachem Limited

(2) Unconsolidated subsidiaries and associates 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 influence 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

STX Company Limited and its two subsidiaries were newly consolidated due to acquisition of shares and one company was newly consolidated due to establishment. One company was excluded from the scope of consolidation due to liquidation.

(2) Equity method

One company was excluded form the scope of application of equity method due to sale of shares and one company was excluded from the scope of application of equity method because it has no significant influence on the consolidated financial statements.

4. Matters related to Accounting Policies

(1) Valuation standards and methods for significant assets

a) Securities

Available-for-sale securities

Other than nonmarketable available-for-sale securities: Fair value (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).

Nonmarketable available-for-sale securities: 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).

Customer-related assets are amortized using the straight-line method over their useful lives (9 to 14 years).

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 associates

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 (in principle), 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 Group recognizes revenue based on the following five-step approach.

Step 1: Identifying the contract(s) with a customer

Step 2: Identifying the 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 entity satisfies a performance obligation

The Group sells products including textiles, chemicals, and machinery. Revenue from product sales is primarily recognized at time of delivery as our performance obligation is satisfied 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.

Revenue is measured at the consideration promised in contracts with customers, less discounts, returns, rebates, etc. A significant financing component is not included since the consideration in the sales contract is primarily recovered within one year from when the performance obligations are satisfied.

Revenue is recognized as a net amount if the nature of its promise in contracts with customers is a performance obligation to arrange for goods or services to be provided by another party as an agent. The Group determines whether the nature of its promise is a principal or an agent based on comprehensive consideration of whether it has primary responsibility, discretion in pricing, inventory risk, etc.

For transactions where the Group supplies materials to a customer with charge under repurchase agreement, the Group accounts for such transactions as a financial transaction and recognizes the physical inventory of such supplied materials retained by the customer at the end of fiscal year as “Work in process" and the consideration received from said customer as "Deposits received (financial liabilities)."

(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 non-deductible consumption tax

Non-deductible consumption taxes, etc., pertaining to assets are included in expenses for the fiscal year in which they occur.

Notes to Changes in Accounting Policies

Adoption of the Accounting Standard for Fair Value Measurement, etc.

The Company adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) etc. starting from the beginning of the current fiscal year and in accordance with the transitional treatment stipulated in Article 19 of the Accounting Standard for Fair Value Measurement and Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company prospectively adopts new accounting policies stipulated by the Accounting Standard for Fair Value Measurement, etc. There is no impact of this change on the consolidated financial statements.

Notes to Accounting Estimates

Valuation of goodwill and customer-related assets arising from the acquisition of STX Company Limited

As stated in "Business Combination – Merger through Acquisition" under "Other" in "Notes to the Consolidated Financial Statements," goodwill of ¥1,004 million and customer-related assets of ¥1,069 million were recorded as the Company acquired all shares in STX Company Limited on June 1, 2021. On the consolidated balance sheet as of the end of the current fiscal year, goodwill of ¥1,053 million was recorded, including goodwill pertaining to STX Company Limited of ¥848 million (81% of the overall goodwill).

In evaluating goodwill and customer-related assets (hereinafter the "Goodwill, etc."), the Company reviews its long-lived assets for impairment whether events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

To estimate future cash flows, the Company used the business plan and medium-term management plan (hereinafter the "Business Plan, etc."), which includes hypotheses and assumptions in consideration of future uncertainties in net sales and expenses and are determined based on the management's best estimates and judgement. These hypotheses may be affected by uncertainty in future economic conditions and the Company's business conditions, which may have a material effect on the amount of Goodwill, etc. to be recorded on the consolidated financial statements for the next fiscal year.

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	¥132
Investment securities	1,966
Total	¥2,098
(2) Secured liabilities	
Notes and accounts payable-trade	¥6,179
2. Contingent Liabilities	
Discounted export notes	¥13,995
Endorsed notes receivable	1,617
Repurchase obligations for notes receivable sold	650

Tax litigation

A consolidated subsidiary in Indonesia, PT. Chori Indonesia, has incurred a total contingent liability of ¥312 million (converted from IDR39,029 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) for fiscal year ended March 31, 2017 and 2019.

PT. Chori Indonesia filed a tax case for the fiscal year ended March 31, 2017 in October and another case for the fiscal year ended March 31, 2019 in May 2021, 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. Tax Purpose Reduction

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

Notes to the Consolidated Statement of Income

Impairment loss

In the current fiscal year, the Group has recorded an impairment loss for the following asset group.

(Millions of Japanese Yen)

Location	Use	Type	Amount
Ho Chi Minh City (Vietnam)	Software for internal use	Software	¥21

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

With regard to the software of which the use was determined to be discontinued at the consolidated subsidiary, its carrying amount is reduced to its recoverable amount, with the amount of the reduction recognized as an impairment loss. The recoverable amount is determined based on its utility value.

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, 2021	Increase	Decrease	As of March 31, 2022
Shares issued				
Common stock	25,303,478	-	-	25,303,478
Total	25,303,478	-	-	25,303,478
Treasury stock				
Common stock	703,266	705	9,477	694,494
Total	703,266	705	9,477	694,494

(Summary of reasons for changes)

1. The increase in the number of common stock shares of treasury stock is due to an increase of 705 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 9,477 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 11, 2021)	Common stock	¥565	¥23.00	March 31, 2021	June 3, 2021
Board of Directors Meeting (October 26, 2021)	Common stock	1,033	42.00	September 30, 2021	December 1, 2021

(2) Dividends for which the record date is in the fiscal year ended March 31, 2022 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 (April 28, 2022)	Common stock	Retained earnings	¥1,033	¥42.00	March 31, 2022	June 1, 2022

Notes to 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 their differences as of March 31, 2022 (current consolidated closing date) are as follows.

(Millions of Japanese Yen)

	Carrying amount on the consolidated balance sheet	Fair value	Unrealized gain
(1) Investment securities (*2)			
Investments in unconsolidated subsidiaries and associates	¥1,398	¥1,627	¥229
Available-for-sale securities	7,288	7,288	-
(2) Derivatives (*3)	543	543	-

(*1) Cash and deposits, notes and accounts receivable-trade, notes and accounts payable-trade, short-term loans payable, and accrued income taxes omitted as the carrying values of these items approximate fair value because of their short maturities.

(*2) The financial instruments below are not included in "(1) Investment securities" as they are investments with no market price. These financial instruments are recorded as below on the consolidated balance sheet.

(Millions of Japanese Yen)

Category	Current fiscal year (March 31, 2022)
Unlisted equity securities	1,929

(*3) Net receivables and payables arising from derivatives are stated on a net basis and items in parentheses represent net debt in total.

Derivatives

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 are 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	Contract amount: Due after 1 year	Fair value	Unrealized gain /loss
Transactions other than market transactions	Foreign currency forward contracts				
	Selling				
	U.S. Dollar	¥6	-	¥(0)	¥(0)
	Buying				
	Baht	1,101	-	89	89
	U.S. Dollar	157	-	5	5
Total		¥1,265	-	¥93	¥93

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

(Millions of Japanese Yen)

<table>
<tr><th>Hedge accounting method</th><th>Type of derivative financial instrument</th><th>Hedged item</th><th>Contract amount</th><th>Contract amount due after 1 year</th><th>Fair value (*1)</th></tr>
<tr><td rowspan="2">Forward contracts qualifying for hedge accounting translated at contract rates</td><td>Foreign currency forward contracts
Selling
U.S. Dollar
Yuan
Euro</td><td>Accounts receivable</td><td>¥8,977
243
49</td><td>-
-
-</td><td>(*2)</td></tr>
<tr><td>Foreign currency forward contracts
Buying
U.S. Dollar
Yuan
Euro
Pound
Yen</td><td>Accounts payable</td><td>10,964
304
66
29
8</td><td>-
-
-
-
-</td><td>(*2)</td></tr>
<tr><td rowspan="2">Forward contracts qualifying for hedge accounting for which gains and losses are deferred</td><td>Foreign currency forward contracts
Selling
U.S. Dollar
Yuan</td><td>Accounts receivable</td><td>5,444
133</td><td>-
-</td><td>¥(289)
(1)</td></tr>
<tr><td>Foreign currency forward contracts
Buying
U.S. Dollar
Yuan
Baht
Euro</td><td>Accounts payable</td><td>12,925
586
12
3</td><td>-
-
-
-</td><td>710
28
1
0</td></tr>
</table>

(*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 are accounted for together with the underlying receivables and payables, and their market values are included in the market values of such receivables and payables.

3. Matters Concerning Breakdown of Fair Value of Financial Instrument by Appropriate Classifications

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured by using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement

Level 2 fair value: Fair value measured by using observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured by using unobservable inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in the level of the lowest priority in the fair value measurement among the levels to which each of these inputs belongs.

(Note) Valuation method and inputs related to the measurement of fair value

Investment securities

Listed equity securities are evaluated at market prices. The fair value of listed equity securities is classified into Level 1 as they are traded in active markets.

Derivative transactions

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution with which the Company has transactions and classified into Level 2.

Notes to Revenue Recognition

1. Disaggregation of Revenue from Contracts with Customers

Year Ended March 31, 2022

(Millions of Japanese Yen)

	Reportable segments				Others (Note)	Total
	Fibers, textiles and garments	Chemicals	Machinery	Subtotal		
Domestic	¥31,561	¥60,027	¥13	¥91,603	¥77	¥91,680
Import	42,831	36,391	—	79,222	—	79,222
Export	8,212	28,004	1,919	38,137	—	38,137
Overseas	32,934	39,732	2,390	75,056	—	75,056
Total	¥115,539	¥164,155	¥4,323	¥284,019	¥77	¥284,096

(Note) "Others" is a business segment not included in the reportable segments and includes provision of various services such as entrusted administrative work.

Above transactions are defined as below:

Domestic: Sales at the Company and its domestic consolidated subsidiaries which are purchased from and sold to domestic corporations

Import: Sales at the Company and its domestic consolidated subsidiaries which are purchased from foreign corporations and sold to domestic corporations

Export: Sales at the Company and its domestic consolidated subsidiaries which are purchased from domestic corporations and sold to foreign corporations

Overseas: Sales at the Company and its domestic consolidated subsidiaries which are purchased from corporations and sold to foreign corporation and sales at overseas consolidated subsidiaries.

2. Basic Information to Understand Revenues from Contracts with Customers

Basic information to understand revenues from contracts with customers is stated in "4. Matters related to Accounting Policies (5) Accounting standards for revenue and expenses (Significant Items Forming the Basis of Preparation for the Consolidated Financial Statements)."

3. Information About the Relationship Between Satisfaction of Performance Obligations and Cash Flows Arising from the Contracts with Customers, and Information on the Expected Amount and Timing of Revenue Recognition which is included in the contract balance at the End of the Current Consolidated Fiscal Year

(1) Contract balance

The balance of contract liabilities is as follows:

(Millions of Japanese Yen)

	Year Ended March 31, 2022
Contract liabilities (balance at beginning of the year)	¥833
Contract liabilities (balance at end of the year)	1,178

Contract liabilities mainly consist of advances received from customers before a delivery or shipment of products. The amount of revenue recognized, which is included in the balance of contract liabilities at beginning of the year is not material for the year ended March 31, 2022. The amount of revenue recognized from performance obligations which had been satisfied in the past year is not material for the year ended March 31, 2022.

(2) Transaction price allocated to the remaining performance obligation

The Group has no significant transactions with individual expected contractual terms exceeding one year. In addition, there is no significant amount in consideration from contracts with customers which is not included in transaction price.

Per Share Information

	(Japanese Yen)
(1) Net assets per share	¥2,643.55
(2) Net income per share	276.82

Notes for Significant Subsequent Events

Not applicable.

Other

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 (share acquisition date)

June 30, 2021 (deemed acquisition date)

(4) Legal form of the corporate integration

Share acquisition with cash as consideration

(5) Name of the company after business combination

STX Company Limited (corporate name changed as of January 1, 2022)

(6) Percentage of voting rights acquired

100%

(7) Rationale for determining that the Company is acquirer

The Company acquired the shares in exchange for cash consideration.

2. Period of Financial Results of the Acquiree included in the Consolidated Financial Statements

From July 1, 2021 to March 31, 2022.

3. Acquisition Cost of the Acquiree 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.

4. Breakdown and Amount of Major Acquisition Costs

Advisory fees, etc. ¥83 million

5. Amount of Goodwill Recognized, Cause of the Recognition, Amortization Method and Period

(1) Amount of goodwill recognized

¥1,004 million

(2) Cause of recognition

Excess earning power that is expected from business development going forward

(3) Amortization method and period

Straight-line method over five years

6. Acquired Assets and Liabilities Assumed on the Date of the Business Combination

Current assets	¥12,309 million
Non-current assets	825 million
Total assets	¥13,134 million
Current liabilities	¥10,321 million
Non-current liabilities	95 million
Total liabilities	¥10,416 million

7. Amount Allocated to Intangible Assets Other Than Goodwill, Breakdown by Major Type and Weighted Average Amortization Period by Major Type

Breakdown by major type	Amount	Weighted average amortization period
Customer-related assets	¥1,069 million	11 years

8. Estimated Amount of Impact on the Consolidated Statement of Income for the Current Fiscal Year Assuming That the Business Combination Completed at the Beginning of the Fiscal Year and Calculation Method

Net sales ¥7,082 million

Ordinary loss ¥ (262) million

(Calculation method of estimated amount)

The estimated amount of the impact is the difference between net sales and ordinary income calculated on the assumption that the business combination completed at the beginning of the fiscal year and net sales and ordinary income in the consolidated statement of income of the acquirer. In addition, the estimated amount is calculated on the assumption that intangible assets such as goodwill, etc. recognized upon the business combination completed at the beginning of the current fiscal year. These notes have not received audit certification.

NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended March 31, 2022

(Millions of Japanese Yen)

	Shareholders' equity								Valuation and translation adjustments			Total net assets
	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	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings						
Balance as of April 1, 2021	¥6,800	¥1,700	¥92	¥1,792	¥39,412	¥39,412	¥(698)	¥47,307	¥533	¥138	¥672	¥47,979
Changes of items during the period												
Dividends from earnings					(1,599)	(1,599)		(1,599)				(1,599)
Net income					5,950	5,950		5,950				5,950
Purchases of treasury stock							(1)	(1)				(1)
Disposals of treasury stock			6	6			9	16				16
Net changes of items other than shareholders' equity during the period									161	34	195	195
Total changes of items during the period	-	-	6	6	4,351	4,351	8	4,366	161	34	195	4,562
Balance as of March 31, 2022	¥6,800	¥1,700	¥99	¥1,799	¥43,763	¥43,763	¥(689)	¥51,673	¥695	¥173	¥868	¥52,541

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 associates: Valued at cost by the moving-average method

Available-for-sale securities:

Other than nonmarketable available-for-sale securities: Fair value

(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.)

Nonmarketable available-for-sale securities: 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 associates

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 recognizes revenue based on the following five-step approach.

Step 1: Identifying the contract with a customer

Step 2: Identifying the 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 entity satisfies a performance obligation

The Company sells products including textiles and chemicals, among others. Revenue from product sales is primarily recognized at time of delivery as our performance obligation is satisfied 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.

Revenue is measured at the consideration promised in contracts with customers, less discounts, returns, rebates, etc. A significant financing component is not included since the consideration in the sales contract is primarily recovered within one year from when the performance obligations are satisfied.

Revenue is recognized as a net amount if the nature of its promise in contracts with customers is a performance obligation to arrange for goods or services to be provided by another party as an agent. The Company determines whether the nature of its promise is a principal or an agent based on comprehensive consideration of whether it has primary responsibility, discretion in pricing, inventory risk, etc.

For transactions where the Company supplies materials to a customer with charge under repurchase agreement, the Company accounts for such transactions as a financial transaction and recognizes the physical inventory of such supplied materials retained by the customer at the end of fiscal year as “Work in process” and the consideration received from said customer as “Deposits received (financial liabilities).”

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 Non-deductible Consumption Tax

Non-deductible consumption taxes, etc., pertaining to assets are included in expenses for the fiscal year in which they occur.

Notes to Changes in Accounting Policies

Adoption of the Accounting Standard for Fair Value Measurement, etc.

The Company adopted the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) etc. starting from the beginning of the current fiscal year and in accordance with the transitional treatment stipulated in Article 19 of the Accounting Standard for Fair Value Measurement and Article 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company prospectively adopt new accounting policies stipulated by the Accounting Standard for Fair Value Measurement, etc. There is no impact of this change on the nonconsolidated financial statements.

Notes to the Nonconsolidated Balance Sheet

	Millions of Japanese Yen
1. Accumulated Depreciation of Property, Plant and Equipment	¥1,338

2. Monetary Receivables from and Payable to Subsidiaries and Associates

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

Short-term monetary receivables	¥3,434
Long-term monetary receivables	5,691
Short-term monetary payable	5,270

3. Contingent Liabilities

Discounted export notes	¥140
Repurchase obligations for notes receivable sold	650

4. Amount of Reduction Entry

The amount of reduction entry deducted from the acquisition cost for property, plant and equipment was 3.80 million yen for machinery and equipment.

Notes to the Nonconsolidated Statement of Income

		Millions of Japanese Yen
Transactions with Subsidiaries and Associates	Net sales	¥11,320
	Amount of purchase	16,751
	Non-operating transactions	717

Notes to the Nonconsolidated Statement of Changes in Equity

Numbers and Types of Treasury Stock

(Shares)

Types of stock	As of April 1, 2021	Increase	Decrease	As of March 31, 2022
Common stock	703,266	705	9,477	694,494
Total	703,266	705	9,477	694,494

(Summary of reasons for changes)

The increase in common stock shares of treasury stock is due to an increase of 705 shares from purchases of fractional shares.

The decrease in common stock shares of treasury stock is due to a decrease of 9,477 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	¥11
Impairment loss on investment securities	25
Impairment loss on stocks of subsidiaries and associates	301
Loss on valuation of golf club membership	2
Allowance for doubtful accounts	1,871
Accrued enterprise tax	78
Accrued employee bonuses	197
Allowance for losses from liquidation of subsidiaries and associates	12
Liability for retirement benefits	619
Other	371
Subtotal deferred tax assets	3,492
Valuation allowances	(2,462)
Total deferred tax assets	¥1,030
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥ (301)
Deferred gains or losses on hedges	(76)
Total deferred tax liabilities	(377)
Net deferred tax assets	¥652

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: 52.76% Indirectly: -	Sale and purchase of fibers, chemicals, etc.; common director; borrowing of funds and deposit of funds	Sale of fibers, chemicals, etc.	¥1,467	Accounts receivable-trade	¥307
							Purchase of fibers, chemicals, etc.	5,432	Accounts payable-trade	1,250
							Borrowing of funds	3,500	-	-
							Deposit of funds	5,500	-	-

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 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 Associates, 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.	¥3,784	Accounts receivable-trade	¥959
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	1,400	Deposits received	600
Subsidiary	Kozakura Shokai Co., Ltd.	Minato-ku, Tokyo	¥60	Sale of chemicals, etc.	(Ownership) Directly: 100.00% Indirectly: -	Sale and purchase of chemicals, etc.; custody of funds	Custody of funds	1,400	Deposits payable	1,400
Subsidiary	Tohcho Co., Limited	Minato-ku, Tokyo	¥50	Sale of chemicals, etc.	(Ownership) Directly: 60.00% Indirectly: -	Financial support	Loan of funds	5,691	Deposits received	5, 691
Subsidiary	STX Company Limited	Chiyoda-ku, Tokyo	¥830	Manufacturing and distribution of clothing, fabric materials, etc.	(Ownership) Directly: 100.00% Indirectly: -	Sale and purchase of fibers, etc.; financial support; common officers	Deposit of funds	2,900	Deposit paid in subsidiaries and associates	2,900
Subsidiary	Thai Chori Co., Ltd.	Bangkok (Thailand)	THB202,000 thousand	Sale in Thailand, export and import, and overseas transactions of various products	(Ownership) Directly: 98.94% Indirectly: -	Sale and purchase of fibers, chemicals, etc.	Custody of funds	899	Deposits received	899

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 of ¥5,667 million 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.

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."

Per Share Information

		(Japanese Yen)
(1)	Net assets per share	¥2,135.07
(2)	Net income per share	241.83

Notes for Significant Subsequent Events

Not applicable.