

# **MATTERS DISCLOSED ON THE INTERNET RELATED TO THE NOTICE OF THE 72ND ANNUAL GENERAL MEETING OF SHAREHOLDERS**

## **<Business Report>**

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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 | ¥70 million  |
| 2) Total amount of compensation paid by the Company or its subsidiaries | ¥109 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 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 International Financial Reporting Standards (IFRS) and advisory service on establishment of human resources system.

### 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 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 and the Audit & Supervisory Committee, 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 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 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, 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.
  - Information exchange with the Affiliated Companies Division of 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, 2019

(Millions of Japanese Yen)

	Shareholders' equity					Accumulated other comprehensive income					Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Accumulated other comprehensive income		
Balance as of April 1, 2018	¥6,800	¥1,747	¥41,241	¥ (744)	¥49,044	¥1,642	¥63	¥357	¥ (31)	¥2,031	¥77	¥51,153
Changes of items during the period												
Dividends from earnings			(1,522)		(1,522)							(1,522)
Net income attributable to owners of parent			5,630		5,630							5,630
Purchases of treasury stock				(2)	(2)							(2)
Disposals of treasury stock		5		6	12							12
Other			(12)		(12)							(12)
Net changes of items other than shareholders' equity during the period					—	(868)	186	(680)	(4)	(1,367)	6	(1,361)
Total changes of items during the period	—	5	4,095	3	4,105	(868)	186	(680)	(4)	(1,367)	6	2,743
Balance as of March 31, 2019	¥6,800	¥1,753	¥45,337	¥ (740)	¥53,149	¥773	¥249	¥ (323)	¥ (35)	¥664	¥83	¥53,897

**(Reference)**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Year Ended March 31, 2019

Item	Amounts
	Millions of Japanese Yen
Net income	¥5,637
Other comprehensive income	
Unrealized gain on available-for-sale securities	(868)
Deferred gain on derivatives under hedge accounting	186
Foreign currency translation adjustments	(509)
Defined retirement benefit plans	(4)
Share of other comprehensive income in affiliates	(172)
Total other comprehensive income	(1,367)
Comprehensive income	4,269
Total comprehensive income attributable to:	
Owners of parent	4,262
Noncontrolling interests	6



## 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 | 29   |
| b) Names of significant subsidiaries   | Chori Machinery Co., Ltd.; Miyako Kagaku Co., Ltd.;<br>Kozakura Shokai Co., Ltd.; Chori Glex Co., Ltd.; Asada U Corporation;<br>Tokyo Shirayurikai Co., Ltd.; Business Anchor Corporation;<br>Chori America, Inc.; and Chori (China) Co., Ltd. |

The following consolidated subsidiary changed its company name in the current fiscal year.

Chori Glex Co., Ltd. (Formerly, PTI Japan 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 (the amounts corresponding to equity shares) 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 Equity Method

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

- |   |                  |
|---|------------------|
| a) Number of unconsolidated subsidiaries and affiliates | 9                |
| b) Name of major company                                | Megachem Limited |

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

- |  |  |
|--|--|
| a) Name of major company                     | P.T. Matsuoka Industries Indonesia   |
| b) Reason for not applying the equity method | The equity method is not applied, because the net income and retained earnings attributable to this company not accounted for by the equity method (the amounts corresponding to the equity shares) would have a material effect on the consolidated financial statements. |

#### 3. Change of the fiscal year end date of consolidated subsidiary

Kozakura Shokai Co., Ltd., a consolidated subsidiary changed its fiscal year end from June 30 to March 31 to be consistent with the Group's fiscal year end, with the aim of increasing efficiency in business operations, such as budgeting and performance management of the Group.

This consolidated subsidiary previously prepared provisional financial statements as of December 31 for consolidation purposes. Starting this fiscal year, its financial statements were consolidated as of the fiscal year end. Income and expenses of this consolidated subsidiary for the period from January 1, 2019 to March 31, 2019 were accounted for through the consolidated statement of income using adjustment methods. Net sales, operating income, ordinary income, and income before income taxes of the consolidated subsidiary for this period were ¥4,669 million, ¥106 million, ¥113 million and ¥117 million, respectively.

#### 4. 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 equity 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 Methods for Significant Assets

- a) Tangible fixed assets are generally depreciated using the declining-balance method over their estimated useful lives.

Buildings (including building improvements) are generally depreciated using the straight-line method.

The useful lives of major assets are summarized as follows.

Buildings and structures 3-50 years

Machinery, equipment and vehicles 2-15 years

- b) Intangible fixed 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).

(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 losses arising from the liquidation of subsidiaries and affiliates, the estimated loss amounts to be borne by the Company exceeding equity investments in and loans receivables from subsidiaries and affiliates, etc. are recorded.

(4) 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 "Noncontrolling interests" in the equity section of the balance sheet.

(5) 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

Forward exchange contracts

Related Hedged Items

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.

(6) 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.

(7) Other Significant Items for Preparation of the Consolidated Financial Statements

a) Accounting Methods for Retirement Benefits

i) 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.

ii) 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.

b) Accounting Methods for Consumption Tax

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

Notes to Changes in Presentation

Application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the current fiscal year. Accordingly, deferred tax assets are presented under investments and other assets, and deferred tax liabilities are presented under noncurrent liabilities.

**Other**

**Notes to the Consolidated Balance Sheet**

1. Assets Pledged as Collateral and Secured Liabilities

(1) Assets pledged as collateral

Millions of Japanese Yen

Cash and deposits	¥802
Buildings	280
Land	560
Investment securities	956

Total ¥2,599

(2) Secured liabilities

Notes and accounts payable-trade	¥8,279
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2. Contingent Liabilities

Discounted export notes	¥6,140
Endorsed notes receivable	822
Repurchase obligations for notes receivable sold	1,111

3. Treatment of Notes Maturing on the Fiscal Year End Date

Notes maturing on the fiscal year end date were treated for accounting purposes as being settled on their clearance dates.

As the fiscal year end date was a bank holiday, the following notes which matured on the fiscal year end date were included in the following accounts:

Millions of Japanese Yen

Notes receivable-trade	¥506
Notes payable-trade	1,367

**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, 2018	Increase	Decrease	As of March 31, 2019
Shares issued				
Common stock	25,303,478	—	—	25,303,478
Total	25,303,478	—	—	25,303,478
Treasury stock				
Common stock	745,608	7,874	6,365	747,117
Total	745,608	7,874	6,365	747,117

(Summary of reasons for changes)

- The increase in the number of common stock shares of treasury stock is due to an increase of 1,198 shares from purchases of fractional shares and an increase of 6,676 shares from the return of restricted stock.

2. The decrease in the number of common stock shares of treasury stock is due to a decrease of 98 shares from sales of fractional shares and a decrease of 6,267 shares from disposals of treasury shares for restricted stock compensation.

## 2. Dividends

### (1) Amount of dividends paid

Resolution	Type of stock	Total amount of dividends (Millions of Japanese Yen)	Dividends per share (Japanese Yen)	Record date	Effective date
Board of Directors Meeting (April 25, 2018)	Common stock	¥884	¥36.00	March 31, 2018	May 31, 2018
Board of Directors Meeting (October 24, 2018)	Common stock	638	26.00	September 30, 2018	December 3, 2018

(Note) The dividends per share resolved at the Board of Directors meeting held on April 25, 2018, included the Company's 70th anniversary dividend of ¥10.

### (2) Dividends for which the record date is in the fiscal year ended March 31, 2019 and the effective date is in the following fiscal year.

Resolution	Type of stock	Dividend source	Total amount of dividends (Millions of Japanese Yen)	Dividends per share (Japanese Yen)	Record date	Effective date
Board of Directors Meeting (April 23, 2019)	Common stock	Retained earnings	¥834	¥34.00	March 31, 2019	June 4, 2019

## 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 for working capital purposes. Derivatives are utilized based on actual demand and in accordance with internal management rules.

### 2. Matters Concerning the Market Value of Financial Instruments

Carrying values on the consolidated balance sheet, market values and the differences as of March 31, 2019 (current consolidated closing date) are as follows.

(Millions of Japanese Yen)

	Carrying value on the consolidated balance sheet (*)	Market value (*)	Difference
(1) Cash and deposits	¥12,896	¥12,896	-
(2) Notes and accounts receivable-trade	66,537	66,537	-
(3) Investment securities			
Shares of unconsolidated subsidiaries and affiliates	1,145	949	¥(196)
Available-for-sale securities	7,008	7,008	-
(4) Notes and accounts payable-trade	[52,635]	[52,635]	-
(5) Short-term loans payable	[1,937]	[1,937]	-
(6) Accrued income taxes	[1,411]	[1,411]	-
(7) Derivatives	363	363	-

(\*) Amounts recorded as a liability are shown as [    ].

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

(1) Cash and deposits, (2) Notes and accounts receivable-trade

As these items are settled on a short-term basis with market values closely approximating book values, the subject book values were recognized.

(3) Investment securities

Market value of shares refers to quoted prices per stock exchanges.

(4) Notes and accounts payable-trade, (5) Short-term loans payable, (6) Accrued income taxes

As these items are settled on a short-term basis with market values closely approximating book values, the subject book values were recognized.

(7) Derivative transactions

a) Items for 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	Contracted amount		Market value	Unrealized gain or loss
			Portion longer than 1 year		
Transactions other than market transactions	Foreign currency forward contracts				
	Selling				
	U.S. Dollar	¥81	—	¥0	¥0
	Buying				
	U.S. Dollar	199	—	(0)	(0)
	Baht	375	—	3	3
Total		¥656	—	¥3	¥3

b) Items for 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	Contracted amount	Contracted amounts longer than 1 year	Market value (*1)
Forward contracts qualifying for hedge accounting translated at contract rates	Foreign currency forward contracts	Accounts receivable			
	Selling			—	(*)2
	U.S. Dollar		¥ 6,479	—	
	Yuan		43	—	
Forward contracts qualifying for hedge accounting for which gains and losses are deferred	Foreign currency forward contracts	Accounts payable			
	Buying			—	(*)2
	U.S. Dollar		6,815	—	
	Yuan		41	—	
	Yen		4	—	
Forward contracts qualifying for hedge accounting for which gains and losses are deferred	Foreign currency forward contracts	Accounts receivable			
	Selling			—	39
	U.S. Dollar		7,829	—	0
	Yuan		18	—	(0)
	Yen		51	—	
Forward contracts qualifying for hedge accounting for which gains and losses are deferred	Foreign currency forward contracts	Accounts payable			
	Buying			—	322
	U.S. Dollar		13,594	—	(2)
	Yuan		409	—	

(\*1) Calculations of market value were based on prices presented by financial institutions 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 ¥2,857 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 “(3) Investment securities.”

**Per Share Information**

	Japanese Yen
(1) Equity per share	2,191.45
(2) Net income per share	229.28

**Notes to Significant Subsequent Events**

Not applicable.

# NONCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended March 31, 2019

(Millions of Japanese Yen)

	Shareholders' equity								Valuation and translation adjustments			Total equity
	Capital stock	Capital surplus			Retained earnings		Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Valuation and translation adjustments	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings						
					Retained earnings brought forward							
Balance as of April 1, 2018	¥6,800	¥1,700	¥ 47	¥1,747	¥34,454	¥ 34,454	¥ (744)	¥42,257	¥854	¥ 62	¥917	¥43,174
Changes of items during the period												
Dividends from earnings					(1,522)	(1,522)		(1,522)				(1,522)
Net income					4,452	4,452		4,452				4,452
Purchases of treasury stock							(2)	(2)				(2)
Disposals of treasury stock			5	5			6	12				12
Net changes of items other than shareholders' equity during the period								—	(406)	187	(219)	(219)
Total changes of items during the period	—	—	5	5	2,930	2,930	3	2,940	(406)	187	(219)	2,720
Balance as of March 31, 2019	¥6,800	¥1,700	¥53	¥ 1,753	¥ 37,384	¥ 37,384	¥ (740)	¥45,197	¥447	¥249	¥697	¥45,895

## 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 equity 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 Methods for Fixed Assets

(1) Depreciation of tangible fixed assets is generally computed using the declining-balance method over the estimated useful lives of the assets.

However, depreciation of buildings (including building improvements) is computed using the straight-line method.

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

Buildings, structures                      3-37 years

Machinery and equipment            2-11 years

(2) Amortization of intangible fixed assets is computed 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 losses arising from the liquidation of subsidiaries and affiliates, the estimated loss amounts to be borne by the Company exceeding equity investments in and loans receivables from subsidiaries and affiliates, etc. are recorded.

(4) Allowance for Retirement Benefits

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

(1) Accounting Methods 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 Methods for Consumption Tax

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

### Notes to Changes in Presentation

Application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the current fiscal year. Accordingly, deferred tax assets are presented under investments and other assets.

### Other

#### Notes to the Nonconsolidated Balance Sheet

Millions of Japanese Yen

1. Accumulated Depreciation of Tangible Fixed Assets	¥1,129
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	¥3,691
Long-term monetary receivables	31
Short-term monetary payable	5,989
3. Contingent Liabilities	
Discounted export notes	¥333
Repurchase obligations for notes receivable sold	1,111
4. Treatment of Notes Maturing on the Balance Sheet Date	
Notes maturing on the balance sheet date were treated for accounting purposes as being settled on their clearance dates.	
As the balance sheet date was a bank holiday, the following notes which matured on the balance sheet date were included in the following accounts:	
Notes receivable-trade	¥297
Notes payable-trade	684

#### Notes to the Nonconsolidated Statement of Income

Millions of Japanese Yen

Transactions with Subsidiaries and Affiliates	Net sales	¥14,005
	Amount of purchase	18,476
	Nonoperating transactions	781

#### Notes to the Nonconsolidated Statement of Changes in Equity

Numbers and Types of Treasury Stock

(Shares)

Types of stock	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Common stock	745,608	7,874	6,365	747,117
Total	745,608	7,874	6,365	747,117

(Summary of reasons for changes)

- The increase in the number of common stock shares of treasury stock is due to an increase of 1,198 shares from purchases of fractional shares and an increase of 6,676 shares from the return of restricted stock.
- The decrease in the number of common stock shares of treasury stock is due to a decrease of 98 shares from sales of fractional shares and a decrease of 6,267 shares from disposals of treasury shares for 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	¥ 30
Impairment loss on investment securities	41
Impairment loss on stocks of subsidiaries and affiliates	203
Loss on valuation of golf club membership	6
Allowance for doubtful accounts	101
Accrued employee bonuses	208
Allowance for losses from liquidation of subsidiaries and affiliates	12
Accrued enterprise tax	53
Liability for retirement benefits	567
Other	440
Subtotal deferred tax assets	1,666
Valuation allowances	(615)
Total deferred tax assets	¥1,050
Deferred tax liabilities	
Deferred gain on derivatives under hedge accounting	¥ (110)
Unrealized gain on available-for-sale securities	(231)
Total deferred tax liabilities	(341)
Net deferred tax assets	¥709

## Notes to Transactions with Related Parties

Parent Company, Major Corporate Shareholders, etc.

Company type	Company name or person's name	Location	Capital stock or equity investments (Millions of Japanese yen)	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 (Millions of Japanese Yen)	Account	Balance at the end of fiscal year (Millions of Japanese Yen)
Parent company	TORAY INDUSTRIES, INC.	Chuo-ku, Tokyo	¥147,873	Manufacture, processing and sale and purchase of fibers, chemicals, etc.	(Owned) Directly: 52.88 Indirectly: —	Sale and purchase of fibers, chemicals, etc.; common director; borrowing of funds and deposit of funds	Sale of fibers, chemicals, etc.	¥2,735	Accounts receivable-trade	¥496
							Purchase of fibers, chemicals, etc.	7,631	Accounts payable-trade	1,966
							Borrowing of funds	5,500	—	—
							Deposit of funds	2,200	—	—

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 amount of transactions but 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 Affiliates, Etc.

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 (Millions of Japanese Yen)	Account	Balance at the end of fiscal year (Millions of Japanese Yen)
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.	¥3,298	Accounts receivable-trade	¥408
Subsidiary	Chori Machinery Co., Ltd.	Minato-ku, Tokyo	¥100 million	Sale of transportation equipment, etc.	(Ownership) Directly: 100.00 Indirectly: —	Sale and purchases of transportation equipment, etc.; custody of funds	Custody of funds	2,669	Deposits payable	2,219
Subsidiary	Miyako Kagaku Co., Ltd.	Chiyoda-ku, Tokyo	¥296 million	Sale of chemicals, etc.	(Ownership) Directly: 100.00 Indirectly: —	Sale and purchase of chemicals, etc.; deposit of funds; common officers	Deposit of funds	1,000	Deposit paid to subsidiaries and affiliates	1,000

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 amount of transactions and 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.

Per Share Information

Japanese Yen

- |     |                      |           |
|-----|----------------------|-----------|
| (1) | Equity per share     | ¥1,868.98 |
| (2) | Net income per share | 181.33    |

Notes to Significant Subsequent Events

Not applicable.