TOYODA GOSEI

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In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Annual Financial Report

For the year ended March 31,2024

Contents

TOYODA GOSEI CO., LTD.

(1)【Consolidated Financial Statements】

① Consolidated Statement of Financial Position

(Millions of yen)

	Notes	As of March 31, 2023	As of March 31, 2024
Assets			
Current assets			
Cash and cash equivalents	7	105,268	146,000
Trade and other receivables	8	185,640	183,871
Other financial assets	9	4,380	8,963
Inventories	10	99,171	87,493
Other current assets		24,646	28,858
Total current assets		419,108	455,187
Non-current assets			
Property, plant and equipment	11, 15	327,838	341,789
Intangible assets	12	5,240	6,190
Other financial assets	9	50,239	60,500
Investments accounted for using equity method		16,529	25,434
Retirement benefit asset	18	3,581	2,418
Deferred tax assets	13	18,021	17,371
Other non-current assets	23	24,740	24,454
Total non-current assets		446,192	478,160
Total assets		865,300	933,347

(Millions of yen)

	Notes	As of March 31, 2023	As of March 31, 2024
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	16	142,453	149,795
Bonds and borrowings	14	32,906	38,937
Other financial liabilities	17	3,912	5,912
Income taxes payable	13	4,220	6,773
Provisions	20	4,503	4,987
Other current liabilities		8,049	10,499
Total current liabilities		196,047	216,906
Non-current liabilities			
Bonds and borrowings	14	130,116	99,441
Other financial liabilities	17	13,136	11,764
Retirement benefit liability	18	31,867	31,271
Provisions	20	3,303	4,068
Deferred tax liabilities	13	3,211	1,699
Other non-current liabilities		1,249	1,461
Total non-current liabilities		182,885	149,706
Total liabilities		378,932	366,612
Equity			
Share capital	21	28,093	28,114
Capital surplus	21	24,860	24,722
Treasury shares	21	(1,235)	(1,736)
Other components of equity	21	52,420	82,601
Retained earnings	21	344,275	388,635
Total equity attributable to owners of parent		448,413	522,337
Non-controlling interests		37,953	44,396
Total equity		486,367	566,734
Total liabilities and equity		865,300	933,347

② Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income
(Consolidated Statement of Profit or Loss)

(Millions of yen)

	Notes	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Revenue	23	951,877	1,071,107
Cost of sales		(836,299)	(913,195)
Gross profit		115,577	157,912
Selling, general and administrative expenses	24	(76,519)	(84,633)
Other income	25	4,472	4,539
Other expenses	25	(8,460)	(10,115)
Operating profit		35,069	67,703
Finance income	26	3,681	6,103
Finance costs	26	(3,691)	(6,741)
Share of profit of investments accounted for using equity method		263	4,737
Profit before tax		35,323	71,801
Income tax expenses	13	(14,274)	(13,476)
Profit		21,048	58,325
Profit attributable to			
Owners of parent		16,004	51,454
Non-controlling interests		5,043	6,871
Profit		21,048	58,325
Earnings per share			
Basic earnings per share (yen)	28	123.62	400.22
Diluted earnings per share (yen)	28	123.61	400.20

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Notes	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit		21,048	58,325
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Equity financial assets measured at fair value through other comprehensive income	27, 30	(1,155)	15,365
Remeasurements of defined benefit plans	18, 30	397	944
Share of other comprehensive income of investments accounted for using equity method		1	92
Total		(756)	16,401
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	27	12,396	25,711
Share of other comprehensive income of investments accounted for using equity method	27	460	925
Total		12,857	26,636
Total other comprehensive income		12,101	43,038
Total comprehensive income		33,150	101,364
Comprehensive income attributable to			
Owners of parent		26,397	90,853
Non-controlling interests		6,753	10,510
Total comprehensive income		33,150	101,364

③ Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2023

(Millions of yen)

	Notes	Equity attributable to owners of parent						
					Other components of equity			
		Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Equity financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total components of equity
Balance at April 1, 2022		28,069	24,465	(1,233)	18,407	24,026	-	42,433
Profit		-	-	-	-	-	-	-
Other comprehensive income		-	-	-	11,162	(1,149)	379	10,392
Total comprehensive income		-	-	-	11,162	(1,149)	379	10,392
Issuance of new shares	19, 21	23	23	-	-	-	-	-
Purchase of treasury shares	21	-	-	(1)	-	-	-	-
Dividends	22	-	-	-	-	-	-	-
Changes in ownership interest in subsidiaries		-	288	-	-	-	-	-
Change in increase of capital		-	-	-	-	-	-	-
Change in scope of consolidation		-	82	-	-	-	-	-
Transfer from other components of equity to retained earnings		-	-	-	-	(26)	(379)	(406)
Total transactions with owners		23	395	(1)	-	(26)	(379)	(406)
Balance at March 31, 2023		28,093	24,860	(1,235)	29,570	22,849	-	52,420

	Notes	Equity attributable to owners of parent		Non-controlling interests	Total equity
		Retained earnings	Total		
Balance at April 1, 2022		335,069	428,804	33,989	462,794
Profit		16,004	16,004	5,043	21,048
Other comprehensive income		-	10,392	1,709	12,101
Total comprehensive income		16,004	26,397	6,753	33,150
Issuance of new shares	19, 21	-	47	-	47
Purchase of treasury shares	21	-	(1)	-	(1)
Dividends	22	(7,122)	(7,122)	(2,868)	(9,990)
Changes in ownership interest in subsidiaries		-	288	40	328
Change in increase of capital		-	-	39	39
Change in scope of consolidation		(82)	-	-	-
Transfer from other components of equity to retained earnings		406	-	-	-
Total transactions with owners		(6,799)	(6,788)	(2,788)	(9,576)
Balance at March 31, 2023		344,275	448,413	37,953	486,367

Fiscal year ended March 31, 2024

(Millions of yen)

	Notes	Equity attributable to owners of parent						
					Other components of equity			
		Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Equity financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total components of equity
Balance at April 1, 2023		28,093	24,860	(1,235)	29,570	22,849	-	52,420
Profit		-	-	-	-	-	-	-
Other comprehensive income		-	-	-	23,006	15,452	940	39,399
Total comprehensive income		-	-	-	23,006	15,452	940	39,399
Issuance of new shares	19, 21	21	21	-	-	-	-	-
Purchase of treasury shares	21	-	-	(8,161)	-	-	-	-
Cancellation of treasury shares	21	-	(158)	7,659	-	-	-	-
Dividends	22	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings		-	-	-	-	(8,277)	(940)	(9,217)
other		-	-	-	-	-	-	-
Total transactions with owners		21	(137)	(501)	-	(8,277)	(940)	(9,217)
Balance at March 31, 2024		28,114	24,722	(1,736)	52,576	30,024	-	82,601

	Notes	Equity attributable to owners of parent		Non-controlling interests	Total equity
		Retained earnings	Total		
Balance at April 1, 2023		344,275	448,413	37,953	486,367
Profit		51,454	51,454	6,871	58,325
Other comprehensive income		-	39,399	3,639	43,038
Total comprehensive income		51,454	90,853	10,510	101,364
Issuance of new shares	19, 21	-	42	-	42
Purchase of treasury shares	21	-	(8,161)	-	(8,161)
Cancellation of treasury shares	21	(7,500)	-	-	-
Dividends	22	(8,807)	(8,807)	(4,067)	(12,875)
Transfer from other components of equity to retained earnings		9,217	-	-	-
other		(4)	(4)	-	(4)
Total transactions with owners		(7,094)	(16,930)	(4,067)	(20,997)
Balance at March 31, 2024		388,635	522,337	44,396	566,734

④ Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities			
Profit before tax		35,323	71,801
Depreciation and amortization		47,633	50,853
Impairment losses (reversal of impairment losses)	11	3,955	3,502
Increase (decrease) in provision		119	261
Increase (decrease) in retirement benefit liability		1,316	1,205
Decrease (increase) in retirement benefit asset		300	32
Finance income		(7,610)	(13,265)
Finance costs		3,623	3,469
Share of loss (profit) of investments accounted for using equity method		(263)	(4,737)
Loss (gain) on sale of fixed assets		230	594
Decrease (increase) in inventories		(636)	20,818
Decrease (increase) in trade and other receivables		1,354	9,298
Increase (decrease) in trade and other payables		(11,212)	667
Other		(5,670)	(450)
Subtotal		68,464	144,052
Interest received		2,489	4,615
Dividends received		1,202	1,779
Interest paid		(3,603)	(3,673)
Income taxes paid		(14,578)	(18,405)
Net cash provided by (used in) operating activities		53,973	128,368
Cash flows from investing activities			
Payments into time deposits		(4,882)	(14,156)
Proceeds from withdrawal of time deposits		19,623	8,706
Purchase of property, plant and equipment, and intangible assets		(46,129)	(46,709)
Proceeds from sale of property, plant and equipment, and intangible assets		1,615	1,177
Purchase of investments		(1,028)	(2,536)
Proceeds from sale of investments		109	12,723
Other		(1,259)	108
Net cash provided by (used in) investing activities		(31,952)	(40,686)
Cash flows from financing activities			
Proceeds from short-term borrowings	29	20,703	2,535
Repayments of short-term borrowings	29	(48,450)	(10,831)
Proceeds from long-term borrowings	29	31,307	3,265
Repayments of long-term borrowings	29	(18,461)	(27,748)
Proceeds from Issuance of bonds	29	-	4,974
Repayments of lease liabilities	29	(4,197)	(4,189)
Payments for purchase of treasury shares		(1)	(8,161)
Dividends paid	22	(7,120)	(8,808)
Dividends paid to non-controlling interests		(2,706)	(4,103)
Capital contribution from non-controlling interests		367	-
Net cash provided by (used in) financing activities		(28,558)	(53,066)
Net increase (decrease) in cash and cash equivalents		(6,537)	34,615
Cash and cash equivalents at beginning of period		109,145	105,268
Effect of exchange rate changes on cash and cash equivalents		2,660	6,116
Cash and cash equivalents at end of period	7	105,268	146,000

Notes to Consolidated Financial Statements

1. Reporting Entity

Toyoda Gosei Co., Ltd. (hereinafter the "Company") is an entity located in Japan. The accompanying consolidated financial statements are for the reporting period ended March 31, 2024 and comprise the Company, its consolidated subsidiaries, and the Company's interests in affiliates (collectively, the "Group").

The main business of the Group is manufacturing and selling automotive parts. Detailed information about each segment is provided in "6. Segment Information."

2. Basis of Presentation

(1) Compliance with IFRS

The Group's consolidated financial statements satisfy the requirements of "Specified Company Applying Designated International Financial Reporting Standards" pursuant to Article 1-2 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976), and have been prepared in accordance with International Financial Reporting Standards ("IFRS") set out in Article 93 of the regulation.

These consolidated financial statements were approved by Katsumi Saito, President on June 13, 2024.

(2) Functional currency and presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, rounded down to the nearest million yen.

3. Material Accounting Policies

(1) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities the Group controls. The Group controls an entity when the Group is exposed, or has rights, to variable returns from the Group's involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries' financial statements are included in the scope of consolidation from the date on which the Group acquired control to the date on which the control is forfeited.

Subsidiaries' financial statements are adjusted as needed if their accounting policies differ from those of the Group. Intra-group balances, transactions, and any unrealized gains or losses resulting from intra-group transactions are eliminated in preparing the consolidated financial statements.

Subsidiaries' comprehensive income is allocated according to equity attributable to owners of parent and non-controlling interests, even when the balance of non-controlling interests is negative.

When the Group loses control of a subsidiary, gain or loss on disposal is calculated as the difference between the total of the fair value of the consideration received and the fair value of the residual interest and the carrying amount of the subsidiary's assets (including goodwill), liabilities and non-controlling interests at the time control is lost, and is recognized in profit or loss.

(ii) Associates

Associates are entities over which the Group has significant influence in participating in the financial and operating policy decisions but of which the Group does not control or jointly control of those policies. When the Group owns 20% or more but 50% or less of the voting rights of another entity, the Group is presumed to have significant influence over that entity.

Investments into associates are recognized on an acquisition cost basis at the time of acquisition and accounted for using the equity method thereafter.

Associates' financial statements are adjusted as needed if their accounting policies differ from those of the Group.

(2) Business combinations

Business combinations are accounted for using the acquisition method. The consideration for acquisition is measured as the sum of the acquisition-date fair values of the assets transferred in exchange of control of the acquiree, the liabilities incurred by the Group to former owners of the acquiree, and the equity interests issued by the Company. Any excess of the consideration for acquisition over the fair value of the identifiable assets and liabilities is recognized as goodwill in the consolidated statement of financial position. If the consideration for acquisition is lower than the fair value of the identifiable assets and liabilities, the difference is immediately recognized as profit or loss in the consolidated statement of profit or loss.

Brokerage fees, lawyer's fees, due diligence fees, and other transaction costs that arise in relation to business combinations are recorded as expenses when they arise.

The additional acquisition of non-controlling interests is accounted for as an equity transaction; therefore, goodwill is not recognized.

The Group chooses on a transaction-by-transaction basis whether non-controlling interests are measured at fair value or based on the proportionate share of non-controlling interests in the acquiree's identifiable net assets.

(3) Foreign currency translation

(i) Foreign currency transactions

Each company in the Group designates their own functional currency as the currency of the primary economic environment in which they conduct business activities; these functional currencies are used to measure the respective companies.

When each company prepares its financial statements, it translates each transaction in a currency other than their functional currency using the exchange rate on the day of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the end of a reporting period are translated into the functional currency using the exchange rate at the end of the period. Non-monetary assets denominated in foreign currencies that are measured at fair value are translated into the functional currency using the exchange rate at the date of measurement. Translation differences arising from these translations or settlements are recognized as profit or loss.

(ii) Financial statements of foreign operations

Assets and liabilities of foreign operations are translated at the exchange rate at the end of the reporting period. Income and expenses of foreign operations are translated into Japanese yen at the average exchange rates during the reporting period, except in cases where exchange rates fluctuate significantly. Translation differences arising from translation of financial statements of foreign operations are recognized as other comprehensive income. Translation differences of foreign operations are recognized as profit or loss in the period in which the foreign operations were disposed of.

(4) Financial instruments

Financial instruments are agreements that generate financial assets for one entity and financial liabilities or equity instruments for another entity. The Group recognizes financial instruments as financial assets or financial liabilities when the Group becomes a party to an agreement. The sale or purchase of financial assets are recognized or derecognized on the transaction date.

(i) Financial assets other than derivatives

The Group classifies financial assets other than derivatives at initial recognition as financial assets measured at amortized cost, equity instruments measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss. Each of these financial assets—except those measured at fair value through profit or loss—is measured by adding the fair value to the transaction cost directly attributable to it. Please refer to “30. Financial Instruments (8) Fair value of financial instruments” for details about fair value measurement.

<u>Financial assets measured at amortized cost</u>

The Group classifies financial assets that are owned for business purposes for collecting contractual cash flows and that generate cash flows solely through payments of principal and interest on the principal amount outstanding on specified dates under the contractual terms thereof as financial assets measured at amortized cost. After initial recognition, financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

<u>Equity instruments measured at fair value through other comprehensive income</u>

Shares and other financial assets held primarily to maintain and reinforce business relations with investees are designated as financial assets measured at fair value through other comprehensive income at initial recognition.

Regarding equity instruments measured at fair value through other comprehensive income, fluctuations of fair value after initial recognition are recognized as other comprehensive income.

However, dividend income from financial assets measured at fair value through other comprehensive income is recognized as profit or loss.

When equity instruments measured at fair value through other comprehensive income are derecognized, the accumulated amount of other comprehensive income recognized as other components of equity on the consolidated statement of financial position is transferred directly to retained earnings.

<u>Financial assets measured at fair value through profit or loss</u>

Financial assets measured at fair value but not designated as financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are measured at fair value at initial recognition, and fluctuations of fair value thereafter are recognized as profit or loss.

(ii) Financial liabilities other than derivatives

The Group measures financial liabilities other than derivatives at fair value at initial recognition and measures them at amortized cost using the effective interest method thereafter. These financial liabilities are measured using fair value less the transaction expenses directly attributable to that financial liabilities.

The Group derecognizes financial liabilities when contractual obligations are discharged or cancelled or expired.

(iii) Derivatives

The Group uses forward exchange contracts, currency swaps to hedge against risks of exchange and interest rate fluctuations. The Group initially recognizes all of these derivatives as assets or liabilities when the Group becomes a party to a derivative agreement, and measures them at fair value. All fluctuations of the fair value of these derivatives are immediately recognized as profit or loss.

(iv) Offsetting financial assets and liabilities

The Group has the legally enforceable right to offset the values of financial assets and financial liabilities recognized as assets and liabilities, and offsets them only when the Group intends either to settle on a net basis or realize the assets and settle the liabilities simultaneously, presenting the net amount on the consolidated statement of financial position.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

(6) Inventories

Inventories are measured at the lower of acquisition cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling cost. The acquisition cost of inventories is determined mainly by using the weighted-average method, and comprises all costs of purchase, costs of conversion and other costs incurred in bringing them to the present location and condition.

(7) Property, plant and equipment

Property, plant and equipment are measured using the cost model and stated at the acquisition cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes cost directly incidental to the acquisition of assets, the costs of dismantling and removal and the cost of restoring land, as well as borrowing costs to be capitalized.

These assets—except those that are not subject to depreciation such as land and construction in progress—are depreciated using the straight-line method over the respective estimated useful lives. The estimated useful lives of major asset items are as follows:

・ Buildings and structures	8–50 years
・ Machinery and equipment and vehicles	3–10 years
・ Tools, furniture and fixtures	2–15 years

The estimated useful lives, residual values and depreciation methods of assets are reviewed at the end of each fiscal year, and any changes are applied prospectively as a change in an accounting estimate.

(8) Intangible assets

Intangible assets are measured using the cost model and stated at the acquisition cost less accumulated amortization and accumulated impairment losses.

(i) Intangible assets acquired separately

Intangible assets acquired separately with finite useful lives are presented as the acquisition cost less accumulated amortization and accumulated impairment losses. Intangible assets acquired separately with indefinite useful lives are presented as the acquisition cost less accumulated impairment losses, without being amortized but tested for impairment.

(ii) Internally generated intangible assets

Expenditure on research activities is recognized as an expense in the consolidated statement of profit or loss in the reporting period in which it is incurred.

Costs arising in the development process (or the development phase of an internal project) are capitalized if, and only if, the Group can demonstrate all of the following:

i) the technical feasibility of completing the intangible asset so that it will be available for use or sale
ii) the entity’s intention to complete the intangible asset and use or sell it
iii) the entity’s ability to use or sell the intangible asset
iv) how the intangible asset will generate probable future economic benefits
v) the availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset
vi) the entity’s ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognized of an internally generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets all of the recognition criteria above until the development is complete. When internally generated intangible assets are not recognized, development cost is recognized as an expense in the consolidated statement of profit or loss in the reporting period in which it is incurred.

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

(iii) Intangible assets acquired in a business combination

The acquisition cost of intangible assets acquired in a business combination is measured at fair value at the acquisition date. After initial recognition, intangible assets acquired in a business combination are carried at cost less accumulated amortization and accumulated impairment losses.

(iv) Amortization of intangible assets

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The estimated useful lives of the main items are as follows:

・ Software	5 years
・ Development cost	6 years

(v) Derecognition of intangible assets

Intangible assets are derecognized on disposal or when future economic benefits are no longer expected from their continued use or disposal. Any gain or loss arising from derecognition of intangible assets is included in profit or loss when they are derecognized.

(9) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the Group will satisfy the collateral conditions for receiving them, and that the grants will be received.

Government grants related to assets are presented by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are recognized as profit or loss. When grants are intended to supplement related expenses, they are deducted from the related expenses, and grants received under any other conditions are recorded as other income.

(10) Leases

(i) Leases as lessee

The definition of leases in IFRS 16 "Leases" is the basis for determining whether a contract is, or contains, a lease. Right-of-use assets, which represent the right to use an underlying asset, and lease liabilities, which represent the obligation to pay lease payments, are recognized on the commencement date of the lease.

On the commencement date of the lease, right-of-use assets are recognized at the initially measured amount of lease liabilities adjusted for direct costs at acquisition and others and with the cost of restoring the underlying asset to the condition required by the terms and conditions of the lease and the like added, and lease liabilities are recognized at the discounted present value of lease payments. Normally, the Group uses the interest rate of additional loans as the discount rate. After the commencement date of the lease, right-of-use assets are measured using the cost model and stated at the acquisition cost less accumulated depreciation and accumulated impairment losses. Depreciation of right-of-use assets is recorded using the straight-line method from the commencement date of the lease until the earlier of the useful lives of the underlying assets or the conclusion of the lease term, except in cases where it is reasonably certain that the Group will acquire ownership of the leased asset at the conclusion of the lease term.

Lease payments are accounted for as reductions to lease liabilities, less interest on the lease liabilities. Finance costs are classified and presented as depreciation of right-of-use assets on the consolidated statement of profit or loss. Notably, lease payments for leases with a lease term ending within 12 months and leases with underlying assets of low value are recognized on the consolidated statement of profit or loss as expenses using the straight-line method throughout the lease term.

(ii) Leases as lessor

For lease receivables related to finance lease transactions, an amount equal to the net investment in the lease transactions is recorded as receivables. If the Group is a manufacturer lessor in a finance lease, profit or loss from the sale of the finance lease is recognized according to the same accounting policies as for sales of goods (Please refer to "15. Revenues" for accounting policies for sales of goods).

(11) Impairment

(i) Financial assets

The Group considers impairment of financial assets measured at amortized cost based on expected credit loss.

At the end of the reporting period, if credit risk associated with financial instruments has not increased significantly since initial recognition, the amount of loss allowance is calculated based on the expected credit losses resulting from default events that are possible within 12 months after the reporting date (12-month expected credit losses). On the other hand, at the end of the reporting period, if credit risk associated with financial instruments has increased significantly since initial recognition, the amount of loss allowance is calculated based on the expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime expected credit losses).

However, regardless of the above, lifetime expected credit loss measurement always applies to lease receivables and trade receivables that do not contain any significant financing components.

A significant increase in credit risk is a significant increase in the risk of default at the end of the period compared to the level at initial recognition. When a debtor's payment of interest or principal is delayed, the Group determines whether a credit risk significantly increases in light of the likelihood that a debtor's ability to repay will change in the future.

The Group also determines that receivables for which over 90 days have passed since the payment due date fall under default.

For details, please refer to "30. Financial Instruments (3) Credit risk management."

(ii) Non-financial assets

The Group reviews the carrying amounts of non-financial assets of the Company, excluding inventories and deferred tax assets, at the end of each reporting period to determine whether there is any indication of impairment. When an indication of impairment is present, the Group estimates the recoverable amount of the asset. For goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use, the Group estimates the recoverable amount at the same time every year. Although these estimates are conducted based on management's best estimates, they may differ from actual results due to changes in uncertain economic conditions in the future.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less selling expenses. In the calculation of value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. Assets not tested individually for impairment are integrated into the smallest cash-generating unit that, through continued use, generates cash inflows that are generally independent of the cash inflows of other assets and asset groups. When testing goodwill for impairment, cash-generating units to which goodwill is allocated are integrated such that impairment is tested to reflect the smallest unit with which the goodwill is associated. Goodwill acquired in business combinations is allocated to cash-generating units expected to yield the synergy of the combinations.

The Group's corporate assets do not generate independent cash inflows. When there is any indication of impairment in corporate assets, the recoverable amount of cash-generating units to which corporate assets are attributable is determined.

Impairment loss is recognized when the carrying amount of the asset or cash-generating unit exceeds the estimated recoverable amount. An impairment loss recognized in relation to a cash-generating unit is allocated to first reduce the carrying amount of goodwill allocated to the cash-generating unit, and then the carrying amount of other assets within the cash-generating unit is reduced on a pro rata basis.

An impairment loss recognized for goodwill is not reversed. Previously recognized impairment loss for other assets is evaluated at the end of each reporting period to determine whether there is any indication that the loss has decreased or been extinguished. When the estimates used to determine recoverable amounts change, impairment loss is reversed. Impairment loss is reversed up to the carrying amount when impairment loss was not recognized, less the necessary depreciation and amortization expenses.

(12) Employee benefits

(i) Post-employment benefits

The Group manages defined benefit plans and defined contribution plans as employee retirement benefit plans.

The Group uses the projected unit credit method to calculate the present value of defined benefit obligations as well as related current and past service costs. Notably, defined benefit obligations include estimates of discount rates, future wage levels, retirement rates, mortality rates, and the like.

Discount rates are calculated based on market yields on high-grade investment corporate bonds at the end of each reporting period corresponding to discount periods set based on the period through the expected day of benefit payment in each future fiscal year.

Liabilities and assets associated with defined benefit plans are recognized by adjusting the asset ceiling where necessary, considering economic benefits available, with respect to the present value of defined benefit obligations less the fair value of plan assets.

The net interest expense of the net amount of defined benefit liabilities (assets) is calculated by multiplying the net amount of defined benefit liabilities (assets) by the discount rate, and is recorded as employee benefit expenses.

Remeasurements of defined benefit plans are recognized in sum with the other components of other comprehensive income in the period in which they arise and are immediately reclassified from other components of equity to retained earnings.

When plans are revised or reduced, changes in the present value of defined benefit obligations caused by changes in benefits paid for past work performed by employees are immediately recognized as profit or loss.

Expenses associated with defined contribution-type retirement benefits are recognized as expenses when the employees provide the services.

(ii) Short-term employee benefits

Costs of short-term employee benefits are expensed as the relevant services are provided and are not discounted.

When the Group has legal or constructive obligations to pay bonus accrual and paid absences, and when reliable estimates of the obligation can be made, the Group recognizes the estimated amount to be paid based on these plans as a liability.

(13) Share-based payment

The Company has introduced a transfer-restricted share-based remuneration plan to provide incentives to Company directors (excluding outside directors) and executive officers who do not concurrently serve as directors of the Company. Compensation under the transfer-restricted share-based remuneration plan is measured in reference to the fair value of common share of the Company on the grant date and is recognized as an expense over the vesting period from the grant date, and the corresponding amount is recognized as an increase in equity.

(14) Provisions

Provisions are recognized when the Group bears present legal or constructive obligations as a result of past events, it is probable that outflows of economic resources will arise to settle the obligations, and reliable estimates can be made of the amount of obligations. Regarding provisions, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the asset. The unwinding of the discount due to the passage of time is recognized as finance costs.

For warranty provision, the Group records an estimated amount of claims expected to arise in the future based on the occurrence rate of past claims to prepare for warranty expenses that arise after goods are delivered. While the Group makes efforts to manufacture highly reliable products based on globally accepted quality control standards, the Group's warranty liabilities are impacted by factors such as defect rates and actual repair costs. Accordingly, when actual defect rates or repair costs differ from estimations, the estimated amount of the warranty provision must be revised.

(15) Revenues

The Group applies the following steps to recognize revenue from contracts with customers other than mold revenue based on IFRS 16 "Leases" and the like.

Step 1: Identify the contract with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

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

Step 5: Recognize revenue when (or as) the performance obligations are satisfied.

The Group manufactures and sells safety systems, interiors and exteriors, functional components, and weatherstrips, and its main customers are Japanese and foreign automobile manufacturers and automotive parts manufacturers.

Performance obligations for revenue recorded for automobile manufacturers and automotive parts manufacturers, who are the Group's major customers, are satisfied after the Group's products complete the acceptance inspection by the customer, at which time revenue is recorded.

This is because control of the product is considered to have been transferred when the Group's product is delivered to the customer's designated location and inspected, at which point the customer is able to use the product at their own discretion and derive benefit from it.

Revenue from the sale of products is measured at the amount of consideration under the sales contract, less discounts and other items.

(16) Finance income and finance costs

Finance income consists of interest income, dividend income, profit on foreign currency translation, derivative income, and the like. Interest income is recognized using the effective interest method. Dividend income is recognized on the Group's vesting day.

Finance costs consist of interest expenses, losses on foreign currency translation, derivative losses, and the like.

(17) Income taxes

Income taxes consist of current taxes and deferred taxes. The income taxes are recognized in profit or loss, except for items that are recognized in other comprehensive income or directly in equity and those arising from business combinations.

Current taxes are measured at the amount that expected to be paid to or refunded from the taxation authorities. When calculating taxes, the Group uses the tax rates and abides by the tax laws that were enacted or substantively enacted by the end of the consolidated reporting period in each country in which the Group engaged in business activities and earned profits subject to taxation.

Deferred taxes are recognized in terms of temporary differences between carrying amounts of assets and liabilities for accounting purposes and monetary amounts of assets and liabilities for tax purposes at the end of the reporting period.

In principle, deferred tax liabilities are recognized in terms of all taxable temporary differences. Deferred tax assets are recognized in terms of all future deductible temporary differences to the extent that it is probable that sufficient taxable profits will be available to allow the future deductible temporary differences to be utilized.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of assets or liabilities in transactions other than business combinations that affect neither accounting profits nor taxable profits and that do not result in identical taxable or deductible temporary differences when the transactions occur;
- For taxable temporary differences associated with investments in subsidiaries and associates, in cases where the timing of reversal can be controlled and it is probable that the temporary differences are not reversed in a foreseeable future; and
- For future deductible temporary differences associated with investments in subsidiaries and associates, in cases where it is not probable that sufficient taxable profits will be available against which the benefits of the temporary differences can be utilized, or cases where it is not probable that the temporary differences are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed in every period and reduced for the portion for which it is not probable that sufficient taxable profits will be available to allow the benefit of all or part of that deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed in every period and recognized to the extent that it has become probable that the deferred tax assets can be recovered by future taxable profits.

Deferred tax assets are recognized to the extent that it is probable that sufficient taxable profits will be available to allow future deductible temporary differences to be utilized. In the process of judging the possibility of taxable profits being available, the timing and amounts of taxable profits are estimated based on business plans. Although these estimates are conducted based on management's best estimates, they may differ from actual results due to changes in uncertain economic conditions in the future.

Deferred tax assets and liabilities are measured using tax rates and tax laws expected to apply to the period when the assets are realized or the liability is settled, based on tax rates and tax laws that were enacted or substantively enacted by the end of the consolidated reporting period.

Deferred tax assets and liabilities are offset if, and only if the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and they are related to income taxes levied by the same taxation authority on the same taxable entity.

(18) Earnings per share

Basic earnings per share are calculated by dividing current profit or loss attributable to common shareholders of parent by the weighted-average number of common shares outstanding, adjusted by the number of treasury shares, during the period.

Diluted earnings per share are calculated with respect to the effect of all common shares that could possibly be converted, by dividing current profit or loss attributable to common shareholders of parent by the weighted-average number of common shares outstanding, adjusted by the number of treasury shares, during the period.

(19) Equity

The amount of common shares issued by the Company is recognized in share capital and capital surplus, and direct issuance costs (after tax effect) are deducted from capital surplus.

When the Company acquires treasury shares, the consideration paid, together with direct transaction costs and tax effects, is recognized as a deduction from equity. When the Company sells treasury shares, the difference between the carrying amount and the consideration received is recognized as capital surplus.

(Note on change to accounting policy)

IAS 12 – Income Taxes

Deferred taxes on assets and liabilities from single transactions

As of fiscal 2023, the Group is applying the amended "IAS 12 – Income Taxes" (clarification of accounting for deferred taxes on assets and liabilities from single transactions). Notably, this has no significant impact on the Group's consolidated financial statements.

4. Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses.

Actual results could differ from these estimates.

The Group reviews the estimates and underlying assumptions on an ongoing basis. The Group recognizes the effect of a change in an accounting estimate in the period of the change and future periods.

Management's judgments and estimates that have a significant impact on the monetary amounts of consolidated financial statements are as follows.

- Impairment of property, plant and equipment (Note 11)
- Recoverability of deferred tax assets (Note 3 (17))
- Accounting and evaluation of provisions (Note 3 (14))
- Measurement of defined benefit obligations (Note 18)
- Fair value of financial instruments (Note 30)

Management's judgments and estimates that have an especially significant impact on the monetary amounts of consolidated financial statements are as follows.

<u>Recoverability of deferred tax assets</u>

Deferred tax assets are recorded to the extent that future deductible temporary differences and the like have the effect of reducing future tax burdens. In the process of judgments thereof, the timing of reversal of future deductible temporary differences, the timing and amounts of future taxable profits, and the like are estimated based on business plans and the like.

The Company's deferred tax assets are the main component of the 17,371 million yen of deferred tax assets on the consolidated statement of financial position (1.9% of total assets). From this amount, 10,099 million yen of the portion of deferred tax assets from net operating loss carried forward, future deductible temporary differences, and the like judged to be unrecoverable was deducted and offset against the same taxable entity's deferred tax liabilities. Deferred tax assets of 10,215 million yen (58.8% of total deferred tax assets) for the Company include 14,706 million yen of deferred tax assets related to temporary differences arising from the write-down of shares of affiliated companies for Toyoda Gosei UK Ltd. that became available for scheduling based on restructuring plans, etc. in previous fiscal years. The Company expects that these temporary differences will reverse in future fiscal years, resulting in net operating loss carried forward for tax purposes, and that deferred tax assets related to such net operating loss carried forward will be recognized on a consolidated basis as well. The Group concluded that the estimates made in the process of assessing the recoverability of deferred tax assets are reasonable. Notably, for the assumptions that form the basis for the estimates, the Group uses the latest forecasts in light of operating status during fiscal 2023, recent order status, and other factors.

Although the recoverability of deferred tax assets is assessed based on management's best estimates, deferred tax assets may be reduced to the recoverable amount in the consolidated financial statements for the next period due to developments such as reduced orders as a result of economic slowdowns in the Group's major markets, which include Japan, the Americas, Asia, Europe, and Africa.

5. New Standards Not Yet Adopted

As of March 31, 2024, there were no significant new accounting standards or interpretations established or amended by the approval date of the consolidated financial statements that the Group has not applied.

6. Segment Information

(1) Overview of reportable segments

The Group's reportable segments are those for which discrete financial information is available and of which the Company's Board of Directors regularly makes evaluation, in deciding operating resource amounts to be allocated and in assessing performance.

The Group manufactures and sells automotive parts; for products handled, domestic consolidated subsidiaries and local consolidated subsidiaries draft comprehensive strategies and implement business activities in their respective regions as independent management units inside and outside Japan, respectively. Therefore, the Group comprises segments in each company's location based on manufacturing and selling automotive parts.

Specifically, the four reportable segments are Japan, the Americas, Asia, and Europe and Africa.

(2) Segment revenue and performance

The revenue and performance of the Group's reportable segments are as follows.

Note that inter-segment revenue is based on market prices.

Additionally, profits of reportable segments are based on operating profit.

FY2022 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment				Total	Adjustment	Consolidated
	Japan	Americas	Asia	Europe and Africa			
Revenue							
Revenue from external customers	357,435	325,889	241,169	27,382	951,877	-	951,877
Inter-segment revenue	36,762	3,584	37,212	1,159	78,718	(78,718)	-
Total	394,197	329,473	278,382	28,541	1,030,595	(78,718)	951,877
Segment profit (loss)	6,331	15,976	16,669	(3,722)	35,256	(186)	35,069
Finance income							3,681
Finance costs							(3,691)
Share of profit of investments accounted for using equity method							263
Profit before tax							35,323
Segment assets	627,389	237,529	191,012	23,643	1,079,573	(214,273)	865,300
Other items							
Depreciation and amortization	17,684	18,577	10,585	1,222	48,070	(436)	47,633
Capital expenditure	17,925	17,554	15,158	1,471	52,110	(599)	51,511

(Notes) 1. The total of segment profit (loss) matches the operating profit on the consolidated statement of profit or loss.
2. The adjustments are eliminations of inter-segment transactions and the like.

FY2023 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Reportable segment				Total	Adjustment	Consolidated
	Japan	Americas	Asia	Europe and Africa			
Revenue							
Revenue from external customers	403,262	394,235	240,493	33,116	1,071,107	-	1,071,107
Inter-segment revenue	40,174	3,066	46,495	1,400	91,137	(91,137)	-
Total	443,436	397,301	286,988	34,517	1,162,244	(91,137)	1,071,107
Segment profit (loss)	15,920	26,248	22,727	2,777	67,673	30	67,703
Finance income							6,103
Finance costs							(6,741)
Share of profit of investments accounted for using equity method							4,737
Profit before tax							71,801
Segment assets	672,496	275,721	200,883	21,103	1,170,204	(236,857)	933,347
Other items							
Depreciation and amortization	17,736	20,524	11,369	1,418	51,048	(194)	50,853
Capital expenditure	18,513	17,402	14,942	920	51,779	(170)	51,609

(Notes) 1. The total of segment profit (loss) matches the operating profit on the consolidated statement of profit or loss.
2. The adjustments are eliminations of inter-segment transactions and the like.

(3) Information about products and services

Since revenue from external customers for automotive parts comprises nearly all revenue on the consolidated statement of profit or loss, the information is omitted.

(4) Region-specific information

The following is a breakdown of revenue and non-current assets for individual regions.

Revenue from external customers

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Japan	357,194	400,332
USA	214,994	262,608
China	99,788	91,886
Other	279,899	316,279
Total	951,877	1,071,107

(Note) Revenue depends on where the products are sold.

Non-current assets

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Japan	156,175	156,169
USA	103,019	111,085
China	30,746	33,867
Other	67,878	71,312
Total	357,820	372,434

(Note) Non-current assets depend on the location of the assets, and do not include assets associated with financial instruments, deferred tax assets, or retirement benefit assets.

(5) Principal customer information

The principal customers are Toyota Motor Corporation and its subsidiaries; revenue for these customers was 517,305 million yen in fiscal 2022 and 613,242 million yen in fiscal 2023.

Notably, revenue for these customers is included in all reportable segments.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of the following.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Cash and cash equivalents		
Cash and deposits	93,316	134,423
Time deposits with a deposit term of no more than three months	11,952	11,576
Total	105,268	146,000

The balance of cash and cash equivalents on the consolidated statement of financial position matches the balance of cash and cash equivalents on the consolidated statement of cash flows.

8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Trade notes and accounts receivable	151,531	147,574
Accounts receivable-other	7,616	5,844
Lease receivables	26,888	30,959
Allowance for doubtful accounts	(394)	(506)
Total	185,640	183,871
Current assets	185,640	183,871
Non-current assets	-	-
Total	185,640	183,871

(Note) Trade and other receivables are classified as financial assets measured at amortized cost.

9. Other Financial Assets

(1) Breakdown of other financial assets

The breakdown of other financial assets is as follows.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Other financial assets		
Time deposits with a deposit term longer than three months (Note 1)	3,072	8,765
Derivative assets (Note 2)	778	67
Marketable securities (Note 3)	49,335	58,035
Other	1,433	2,594
Total	54,620	69,464
Current assets	4,380	8,963
Non-current assets	50,239	60,500
Total	54,620	69,464

(Notes) 1. Time deposits with a deposit term longer than three months are classified as financial assets measured at amortized cost.

2. Derivative assets are classified as financial assets measured at fair value through profit or loss.

3. Marketable securities are mainly classified as equity instruments measured at fair value through other comprehensive income.

(2) Equity instruments measured at fair value through other comprehensive income

Major investees and their fair values of equity instruments measured at fair value through other comprehensive income are as follows.

(Millions of yen)

Name	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
TOYOTA MOTOR CORPORATION	17,091	34,473
Toyota Fudosan Co., Ltd.	15,541	15,721
Daicel Corporation	760	1,150
NIPPON KAYAKU CO., LTD.	871	950
SUZUKI MOTOR CORPORATION	605	876
TOKAI RIKA CO., LTD.	217	349
DENSO CORPORATION	2,390	-
TOYOTA TSUSHO CORPORATION	2,350	-
TOYOTA BOSHOKU CORPORATION	1,731	-
Ashimori Industry Co., Ltd. (Note 2)	1,219	-
TOYOTA INDUSTRIES CORPORATION	1,051	-
Mitsubishi UFJ Financial Group, Inc.	482	-
SUBARU CORPORATION	289	-
AISIN CORPORATION	231	-
JTEKT Corporation	186	-

(Notes) 1. Shares are held for the purpose of maintaining and reinforcing business relations and the like, and are therefore designated as equity instruments measured at fair value through other comprehensive income.

2. Recategorized as shares of affiliated companies due to the Group’s acquisition of additional shares of Ashimori Industry Co., Ltd. during fiscal 2023

(3) Derecognition of equity instruments measured at fair value through other comprehensive income

A portion of equity instruments measured at fair value through other comprehensive income were sold and derecognized to increase efficiency and promote the effective use of assets in holding. Cumulative profit and loss and dividend income recognized at fair value at the time of the sale and as other comprehensive income in each fiscal year are as follows.

Additionally, the entire amounts of cumulative profit (loss) from disposal have been reclassified as retained earnings.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Fair value at derecognition	100	12,723
Cumulative profit (loss) from disposal	22	7,626
Dividends	-	297

10. Inventories

The breakdown of inventories is as follows.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Merchandise and finished goods	30,238	21,979
Work in process	14,368	14,886
Raw materials	39,643	39,514
Supplies	14,920	11,112
Total	99,171	87,493

The amounts of inventories recognized as expenses were 836,299 million yen in fiscal 2022 and 913,195 million yen in fiscal 2023. Additionally, the write-downs of inventories expensed as cost of sales in fiscal 2022 and fiscal 2023 were 1,374 million yen and 671 million yen, respectively.

11. Property, Plant and Equipment

(1) Breakdown of property, plant and equipment

The breakdown of "Property, plant and equipment" in the consolidated statement of financial position is as follows.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Property, plant and equipment	313,314	327,500
Right-of-use assets	14,523	14,289
Total	327,838	341,789

(2) Schedule of changes in property, plant and equipment (excluding right-of-use assets)

Changes in acquisition cost, accumulated depreciation and accumulated impairment losses and the carrying amounts of property, plant and equipment are as follows.

Acquisition cost

(Millions of yen)

	Buildings and structures	Machinery and equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
April 1, 2022	247,129	473,316	70,988	33,121	22,843	847,400
Acquisition	2,727	9,214	4,966	400	35,055	52,364
Sale or disposal	(2,338)	(19,063)	(3,699)	-	(10)	(25,111)
Exchange differences on translation of foreign operations	7,030	16,210	1,908	434	1,211	26,794
Other	7,695	24,511	713	12	(36,337)	(3,404)
March 31, 2023	262,245	504,190	74,877	33,968	22,760	898,042
Acquisition	2,496	8,952	3,684	29	35,741	50,905
Sale or disposal	(5,281)	(31,237)	(3,134)	(467)	(39)	(40,160)
Change in scope of consolidation	(478)	(881)	(168)	(66)	(47)	(1,643)
Exchange differences on translation of foreign operations	14,231	37,192	4,147	952	1,731	58,256
Other	8,090	20,882	3,114	9	(36,009)	(3,912)
March 31, 2024	281,305	539,099	82,521	34,426	24,136	961,488

(Notes) 1. Amounts related to property, plant and equipment under construction are presented as construction in progress.
2. "Other" includes transfers from "Construction in progress" to each item.

Accumulated depreciation and accumulated impairment losses

(Millions of yen)

	Buildings and structures	Machinery and equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
April 1, 2022	141,095	346,633	58,727	16	-	546,472
Depreciation	8,883	30,027	6,219	-	-	45,130
Impairment losses	294	1,970	323	-	-	2,587
Sale or disposal	(2,289)	(17,555)	(3,469)	-	-	(23,314)
Exchange differences on translation of foreign operations	2,851	11,041	1,609	0	-	15,502
Other	190	(368)	(1,473)	1	-	(1,649)
March 31, 2023	151,025	371,748	61,936	17	-	584,728
Depreciation	9,494	31,710	7,320	-	-	48,525
Impairment losses	12	2,790	242	1	455	3,502
Sale or disposal	(2,921)	(30,725)	(3,011)	-	-	(36,658)
Change in scope of consolidation	(416)	(815)	(162)	-	-	(1,393)
Exchange differences on translation of foreign operations	6,312	26,886	3,530	2	-	36,731
Other	13	(74)	(1,386)	-	-	(1,447)
March 31, 2024	163,520	401,521	68,469	20	455	633,987

(Note) Depreciation of property, plant and equipment is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

Carrying amount

(Millions of yen)

	Buildings and structures	Machinery and equipment and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
April 1, 2022	106,034	126,683	12,261	33,105	22,843	300,928
March 31, 2023	111,220	132,441	12,941	33,950	22,760	313,314
March 31, 2024	117,784	137,577	14,052	34,405	23,681	327,500

(3) Right-of-use assets

The carrying amounts of the right-of-use assets are as follows.

(Millions of yen)

	Buildings and structures	Machinery and equipment and vehicles	Tools, furniture and fixtures	Land	Total
April 1, 2022	9,670	1,294	380	4,626	15,972
March 31, 2023	9,133	888	161	4,340	14,523
March 31, 2024	9,211	962	272	3,842	14,289

(4) Impairment losses

FY2022 (From April 1, 2022 to March 31, 2023)

Property, plant and equipment are grouped based on the smallest unit of an asset group that is generally identified as generating independent cash inflows, and are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

Impairment losses recognized in fiscal 2022 were mainly due to a decline in profitability. The carrying amount of such assets was reduced to the recoverable amount mainly for buildings and structures, machinery and equipment and vehicles, and tools, furniture and fixtures, and the recoverable amount was calculated based on the value in use. Value in use is valued at zero because future cash flows are negative.

Impairment losses are recorded in “Other expenses” in the consolidated statement of profit or loss.

FY2023 (From April 1, 2023 to March 31, 2024)

Property, plant and equipment are grouped based on the smallest unit of an asset group that is generally identified as generating independent cash inflows, and are reviewed at the end of each reporting period to determine whether there is any indication of impairment.

Impairment losses recognized in fiscal 2023 were mainly due to a decline in profitability. The carrying amount of such assets was reduced to the recoverable amount mainly for machinery and equipment and vehicles, and tools, furniture and fixtures, and the recoverable amount was calculated based on the value in use. Recoverable amounts are evaluated at fair market value, and are calculated based mainly on market approach-based third-party valuations. Notably, the fair value hierarchy is Level 3.

Impairment losses are recorded in “Other expenses” in the consolidated statement of profit or loss.

The breakdown of impairment losses by segment is as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Japan	910	193
Americas	-	3,176
Asia	3,027	131
Europe and Africa	18	-
Total	3,955	3,502

(5) Reversal of impairment losses

Not applicable.

12. Intangible Assets

(1) Schedule of changes

Changes in acquisition cost, accumulated amortization and accumulated impairment losses and the carrying amounts of intangible assets are as follows.

Acquisition cost

(Millions of yen)

	Intangible assets			
	Software	Development cost	Other	Total
April 1, 2022	11,932	2,653	3,156	17,742
Acquisition	897	299	2	1,200
Sale or disposal	(134)	-	(11)	(145)
Exchange differences on translation of foreign operations	81	-	157	239
Other	(5)	-	78	72
March 31, 2023	12,771	2,953	3,383	19,108
Acquisition	1,780	379	6	2,166
Sale or disposal	(84)	-	(0)	(84)
Exchange differences on translation of foreign operations	199	-	208	408
Other	(11)	-	33	21
March 31, 2024	14,655	3,332	3,632	21,620

Accumulated amortization and accumulated impairment losses

(Millions of yen)

	Intangible assets			
	Software	Development cost	Other	Total
April 1, 2022	9,919	549	2,119	12,588
Amortization expenses	760	387	89	1,237
Sale or disposal	(115)	-	18	(97)
Exchange differences on translation of foreign operations	66	-	82	149
Other	(8)	-	(2)	(10)
March 31, 2023	10,622	937	2,306	13,867
Amortization expenses	857	387	58	1,303
Sale or disposal	(6)	-	-	(6)
Exchange differences on translation of foreign operations	149	-	93	242
Other	(11)	-	34	23
March 31, 2024	11,611	1,325	2,492	15,430

(Note) Amortization expenses of intangible assets are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

Carrying amount

(Millions of yen)

	Intangible assets			
	Software	Development cost	Other	Total
April 1, 2022	2,012	2,103	1,037	5,154
March 31, 2023	2,148	2,015	1,076	5,240
March 31, 2024	3,043	2,007	1,139	6,190

The Group’s expenditures for research and development recognized as expenses during fiscal 2022 and fiscal 2023 amounted to 24,358 million yen and 29,146 million yen, respectively, and are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.

13. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

The major components and changes in deferred tax assets and liabilities are as follows.

FY2022 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	April 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	March 31, 2023
Deferred tax assets				
Accrued bonuses	2,650	496	-	3,147
Warranty provision	121	(39)	-	82
Assets and liabilities for retirement benefits	7,355	1,025	(89)	8,291
Property, plant and equipment and intangible assets	10,236	(6,514)	-	3,722
Allowance for paid vacation	1,760	131	-	1,892
Outsourcing expenses	104	(104)	-	-
Net operating loss carry- forwards for tax purposes	4,294	(3,316)	-	977
Investments in subsidiaries	12,810	818	-	13,628
Other	3,654	5,439	-	9,093
Total	42,987	(2,062)	(89)	40,835
Deferred tax liabilities				
Equity instruments measured at fair value through other comprehensive income	(10,875)	-	535	(10,339)
Property, plant and equipment and intangible assets	(11,226)	578	-	(10,647)
Undistributed profits	(2,510)	△713	-	(3,223)
Other	(4,973)	3,158	-	(1,815)
Total	(29,585)	3,023	535	(26,025)
Net amount	13,402	961	446	14,809

FY2023 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	April 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	March 31, 2024
Deferred tax assets				
Accrued bonuses	3,147	1,222	-	4,369
Warranty provision	82	919	-	1,001
Assets and liabilities for retirement benefits	8,291	(1,277)	(327)	6,686
Property, plant and equipment and intangible assets	3,722	4,145	-	7,867
Allowance for paid vacation	1,892	403	-	2,295
Net operating loss carry-forwards for tax purposes	977	(397)	-	580
Investments in subsidiaries	13,628	1,471	-	15,100
Assets for research and development	2,841	1,651		4,492
Other	6,252	(1,322)	-	4,930
Total	40,835	6,815	(327)	47,323
Deferred tax liabilities				
Equity instruments measured at fair value through other comprehensive income	(10,339)	-	(3,333)	(13,672)
Property, plant and equipment and intangible assets	(10,647)	(2,763)	-	(13,410)
Undistributed profits	(3,223)	(324)	-	(3,547)
Other	(1,815)	794	-	(1,021)
Total	(26,025)	(2,292)	(3,333)	(31,651)
Net amount	14,809	4,522	(3,660)	15,672

(Note) "Assets for research and development" were included in "Other" in fiscal 2022; however, given their increased importance, they have their own category in fiscal 2023.

"Deferred tax assets" and "Deferred tax liabilities" on the consolidated statement of financial position consist of the following.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Deferred tax assets	18,021	17,371
Deferred tax liabilities	3,211	1,699
Net amount	14,809	15,672

(2) Unrecognized deferred tax assets

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Net operating loss carried forward for tax purposes	12,308	12,696
Deductible temporary differences	37,801	25,293
Total	50,109	37,989

The amounts of net operating loss carried forward for which deferred tax assets are not recognized, by expiration date, are as follows.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
First year	694	823
Second year	1,289	-
Third year	405	1,204
Fourth year	1,108	2,684
Fifth year and thereafter	8,810	7,984
Total net operating loss carry-forwards for tax purposes	12,308	12,696

(3) Unrecognized deferred tax liabilities

The amounts of taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities are not recognized are as follows.

Deferred tax liabilities are not recognized for these temporary differences because the timing of their reversal is controllable and it is more likely than not that they will not reverse within a foreseeable period of time.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Temporary differences associated with investments in subsidiaries for which deferred tax liabilities are not recognized	116,731	137,307
Total	116,731	137,307

(4) Income tax expenses

The breakdown of income tax expenses is as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Current tax expenses	12,396	14,391
Deferred tax expenses	1,878	(914)
Total income tax expenses	14,274	13,476
Income taxes on other comprehensive income	(434)	7,292
Total	13,840	20,768

(5) Tax rate adjustments

Reconciliation between the statutory effective tax rate and the average actual tax rate consists of the following.

(%)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Statutory effective tax rate	31.19	31.19
Tax credits	(5.33)	(6.26)
Dividends received from foreign subsidiaries, etc.	1.32	0.49
Difference from applicable tax rates of foreign subsidiaries	(8.25)	(4.04)
Foreign withholding dividend taxes	2.37	1.69
Net operating loss carry-forwards for tax purposes by subsidiaries	12.58	2.40
Effect of assessment of recoverability of deferred tax assets	9.57	(4.88)
Effect of investments accounted for using the equity method	(0.23)	(2.06)
Other	(2.81)	0.24
Average actual tax rate	40.41	18.77

(Note) "Effect of investments accounted for using the equity method" was included in "Other" in fiscal 2022; however, given its increased importance, it has its own category in fiscal 2023.

14. Bonds and Borrowings

(1) Breakdown of financial liabilities

The breakdown of bonds and borrowings is as follows.

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)	Average interest rate	Repayment due
	Millions of yen	Millions of yen	%	
Short-term borrowings	12,413	4,583	0.48	–
Current portion of long-term borrowings	20,493	24,360	0.50	–
Current portion of corporate bonds	—	9,994	—	
Long-term borrowings	120,128	94,466	0.41	2025–2032
Corporate bonds	9,987	4,975	—	–
Total	163,022	138,378	—	–
Current liabilities	32,906	38,937	—	–
Non-current liabilities	130,116	99,441	—	–
Total	163,022	138,378	—	–

(Note) The average interest rate reflects the weighted-average interest rate against the balance at the end of the fiscal year ended March 31, 2024. Bonds are shown in (3) Bond issuance information.

Bonds and borrowings are financial liabilities measured at amortized cost.

(2) Assets pledged as collateral

Assets pledged as collateral for borrowings are as follows.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Land	662	338
Buildings and structures	560	315
Total	1,223	653

The corresponding liabilities are as follows.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Short-term borrowings	946	39
Long-term borrowings (including current portion of long-term borrowings)	110	99
Total	1,056	139

(3) Bond issuance information

A summary of the terms of the bond issuance is as follows.

(Millions of yen)

Company name	Name	Issuance date	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)	Interest rate (%)	Collateral	Maturity date
Submitting company	4th unsecured bonds	March 13, 2018	10,000	10,000	0.24	None	March 13, 2025
Submitting company	5th unsecured bonds	March 12, 2024	-	5,000	0.69	None	March 12, 2029

15. Leases

(1) Lease transactions as lessee

As a lessee, the Group leases buildings and structures, machinery and equipment and vehicles, tools, furniture and fixtures, and land, and lease liabilities are included in “Other financial liabilities” in the consolidated statement of financial position.

For the lease agreements, there are no material items in the variable lease payments, residual value guarantees, leases entered into by the lessee but not yet commenced, restrictions or limitations imposed by the lease, or sale and leaseback transactions.

(i) Disclosures about lessee lease expenses

The breakdown of the expenses associated with the lessee’s leases is as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Depreciation of right-of-use assets		
Buildings and structures	1,536	1,439
Machinery and equipment and vehicles	369	383
Tools, furniture and fixtures	90	88
Land	75	85
Total	2,070	1,997
Short-term lease expenses	189	290
Small-value asset lease expenses	807	928

(ii) Extension and cancellation options

Extension and cancellation options are included in leases primarily for the Group’s real estate.

We consider the need to exercise these options from time to time for the purpose of utilizing real estate for our business.

(iii) Breakdown of carrying amount of right-of-use assets

The breakdown of the carrying amount of right-of-use assets is provided in Note “11. Property, Plant and Equipment.”

(iv) Increase in right-of-use assets

The increase in right-of-use assets is as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Increase in right-of-use assets	2,313	1,819

(v) Cash outflows for leases

The cash outflows for leases are as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Cash outflows for leases	5,195	5,408

(vi) Maturity analysis of lease liabilities

Maturity analysis of lease liabilities is provided in “30. Financial Instruments, (4) Liquidity risk management.”

(2) Lease transactions as lessor

As a lessor, the Group leases molds and other equipment classified as finance leases. The collection period is primarily two years, and there is no unearned finance income or discounted unguaranteed residual value for lease receivables.

For finance leases, the amount of revenue related to sales gains and losses, finance income on net investment in leases, and revenue from variable lease payments that are not included in the measurement of net investment in leases is not material.

Maturity analysis of lease receivables based on finance leases consists of the following.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Within one year	6,867	8,045
Over one year but within two years	17,333	20,715
Over two years but within three years	1,495	1,614
Over three years but within four years	852	383
Over four years but within five years	338	200
Total	26,888	30,959

16. Trade and Other Payables

The breakdown of trade and other payables is as follows.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Trade notes and accounts payable	87,374	88,192
Accrued expenses	34,849	40,056
Other	20,230	21,546
Total	142,453	149,795

(Note) Trade and other payables are mainly financial liabilities measured at amortized cost. Other includes primarily short-term employee benefit obligations and accounts payable.

17. Other Financial Liabilities

The breakdown of other financial liabilities is as follows.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Derivative liabilities	2,367	3,038
Lease liabilities	14,681	14,637
Total	17,049	17,676
Current liabilities	3,912	5,912
Non-current liabilities	13,136	11,764
Total	17,049	17,676

18. Employee Benefits

The Company and some of its consolidated subsidiaries have a defined benefit plan consisting of a corporate pension fund plan and a lump-sum retirement benefit plan (unfunded). In addition, certain consolidated subsidiaries have defined contribution plans, which cover almost all employees.

(1) Defined benefit plans

(i) Breakdown of retirement benefit liabilities (assets)

The relationship between the defined benefit obligations and plan assets and the net defined benefit liabilities and assets recognized in the consolidated statement of financial position is as follows.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Present value of defined benefit obligations of funded plans	50,418	50,369
Fair value of plan assets	(62,735)	(69,253)
Effect of asset ceiling	10,254	17,504
Subtotal	(2,062)	(1,379)
Present value of defined benefit obligations of unfunded plans	30,348	30,232
Net amount of defined benefit obligations and plan assets	28,285	28,853
Liabilities for defined benefits, net	31,867	31,271
Assets for defined benefits, net	3,581	2,418
Net defined benefit obligations and plan assets recognized in the consolidated statement of financial position	28,285	28,853

(ii) Reconciliation of present value of defined benefit obligations

Changes in present value of defined benefit obligations are as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Balance of present value of defined benefit obligations at beginning of period	84,685	80,766
Service cost	3,314	2,912
Interest cost	1,350	1,688
Remeasurement		
Actuarial gains and losses arising from changes in demographic assumptions	832	(1,160)
Actuarial gains and losses arising from changes in financial assumptions	(4,657)	(3,118)
Actuarial gains and losses arising from revised results	(2,468)	351
Benefits paid	(2,805)	(3,336)
Exchange differences on translation of foreign operations	516	2,498
Balance of present value of defined benefit obligations at end of period	80,766	80,602

The weighted-average duration of the defined benefit obligations was 15.9 years in fiscal 2022 and 15.6 years in fiscal 2023.

(iii) Significant actuarial assumptions and sensitivity analysis

(%)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Discount rate	2.0	2.4

Assuming no change in other assumptions, if the discount rate were to change by the percentages shown below, the defined benefit obligation would change as follows. The sensitivity analysis assumes no change in other assumptions, but in actuality, changes in other assumptions may affect the sensitivity analysis.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
If the discount rate increases by 0.5%	(4,884)	(4,742)
If the discount rate decreases by 0.5%	5,458	5,274

(iv) Reconciliation of fair value of plan assets

Changes in the fair value of plan assets are as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Balance of fair value of plan assets at beginning of period	63,727	62,735
Interest income	1,079	1,405
Remeasurement		
Income from plan assets	(1,324)	4,446
Employer contributions	1,335	1,329
Benefits paid	(2,234)	(2,569)
Exchange differences on translation of foreign operations	152	1,905
Balance of fair value of plan assets at end of period	62,735	69,253

(Note) The expected contribution amount for fiscal 2024 is 1,423 million yen.

(v) Itemized breakdown of plan assets

The breakdown of plan assets by major category is as follows.

(Millions of yen)

	FY2022 (As of March 31, 2023)			FY2023 (As of March 31, 2024)		
	Assets with quoted prices in an active market	Assets without quoted prices in an active market	Total	Assets with quoted prices in an active market	Assets without quoted prices in an active market	Total
Cash and cash equivalents	1,218	-	1,218	2,056	-	2,056
Jointly managed trust (stock)	-	17,601	17,601	-	18,534	18,534
Jointly managed trust (bonds)	-	21,285	21,285	-	26,125	26,125
Life insurance general account	-	11,640	11,640	-	10,693	10,693
Other	-	10,988	10,988	-	11,843	11,843
Total	1,218	61,517	62,735	2,056	67,196	69,253

The Group’s basic policy for the management of plan assets is primarily aimed at securing the necessary comprehensive income over the long term in order to ensure the future payment of pension and lump-sum benefits as stipulated in the fund’s rules and regulations.

The target rate of return is the rate of return necessary to maintain sound pension operations in the future, specifically, the rate of return over the long term that exceeds the expected interest rate on pension financing and other factors.

The asset composition to achieve the investment objectives is reviewed as necessary whenever the conditions at the time of formulation change.

Corporate pension funds fall under the category of related parties.

(vi) Effect of asset ceiling

Changes in the impact of the asset ceiling are as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Effect at the beginning of period	5,721	10,254
Interest cost	49	147
Remeasurements of defined benefit plans		
Changes in effect of asset ceiling	4,483	7,102
Effect at the end of period	10,254	17,504

When a defined benefit plan is overfunded, the defined benefit asset (retirement benefit asset) recognized in the consolidated statement of financial position uses the present value of the available future economic benefits in the form of reduced future contributions to the defined benefit plan as the asset ceiling amount.

(2) Defined contribution plan

The amounts recognized as expenses for the defined contribution plan were 2,969 million yen in fiscal 2022 and 3,957 million yen in fiscal 2023. Welfare insurance premiums are accounted for in the same way as the defined contribution plan and included in employee benefit expenses.

(3) Employee benefit expenses

The total employee benefit expenses were included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss for fiscal 2022 and fiscal 2023 and amounted to 117,009 million yen and 138,336 million yen, respectively.

19. Share-based Payment

(1) Details of the plan

The Company has introduced a transfer-restricted share-based remuneration plan in order to provide incentives to sustainably increase corporate value and to implement further value sharing with the Company's shareholders. Under the plan, the following eligible directors and officers pay all monetary compensation claims provided by the Company, as properties contributed in kind, and receive issuance or disposal of common shares of the Company.

The details of this plan are as follows.

Eligibility	Company directors (excluding outside directors) and executive officers who do not concurrently serve as directors of the Company (collectively, the "eligible directors, etc.")
Stock compensation quota	Up to 100 million yen per year
Class and total number of shares to be allotted	Common shares Up to 100,000 shares per year in total for eligible directors
Transfer restriction period	The period from the date of allotment until the retirement from a position predetermined by the Board of Directors of the Company
Conditions for lifting transfer restrictions	Restriction is lifted upon expiration of the transfer restriction period
Acquisition by the Company without compensation	In the event that an eligible director, etc. resigns from a position predetermined by the Board of Directors of the Company before the expiration of the period from the commencement date of the transfer restriction period to the conclusion of the first upcoming ordinary general meeting of shareholders, the Company shall acquire the allotted shares without compensation, unless there is a justifiable reason for such resignation such as expiration of term of office or death.

(2) Number of shares granted during the period and fair value

Details of the transfer-restricted shares granted in fiscal 2022 and fiscal 2023 are as follows. The fair value per share on the grant date is measured based on the closing price of common shares of the Company on the Tokyo Stock Exchange on the business day before the date of resolution of the Board of Directors.

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Grant date	July 1, 2022	July 7, 2023
Number of transfer-restricted shares granted	Common shares of the Company 23,098 shares	Common shares of the Company 15,543 shares
Fair value per share on grant date	2,088 yen	2,554.5 yen

(Note) The expected dividend has not been factored into the fair value measurement.

(3) Stock compensation expenses

The stock compensation expenses were included in "Selling, general and administrative expenses" in the consolidated statement of profit or loss for fiscal 2022 and fiscal 2023 and amounted to 47 million yen and 41 million yen, respectively.

20. Provisions

The breakdown of provisions and changes in provisions are as follows.

(Millions of yen)

	Warranty provision	Restructuring provision	Asset retirement obligation	Other provisions	Total
April 1, 2022	1,063	3,214	1,033	569	5,881
Increase during the period	400	836	1,678	946	3,862
Decrease during the period (intended use)	(224)	(1,021)	(33)	(514)	(1,793)
Decrease during the period (reversal)	(52)	(130)	-	(90)	(273)
Exchange differences on translation of foreign operations	48	96	(24)	9	130
March 31, 2023	1,236	2,996	2,655	919	7,807
Increase during the period	641	7	213	3,603	4,467
Decrease during the period (intended use)	(412)	(2,299)	-	(454)	(3,166)
Decrease during the period (reversal)	-	(813)	(22)	(43)	(879)
Exchange differences on translation of foreign operations	130	289	231	174	826
March 31, 2024	1,595	180	3,078	4,200	9,055

The warranty provision is recognized as a provision for the amount expected to be spent for future free-of-charge repairs. Most of the expenditures are expected to be addressed and spent within one year of occurrence, but some expenditures are expected to be made over several years due to the time required for product recalls and similar measures.

The restructuring provision is recognized in prior fiscal years as provisions for the expected future expenditures of termination benefits and professional fees, mainly for employees of the subsidiary Toyoda Gosei UK Ltd. in fiscal 2023, they have been canceled as liquidation proceedings have begun.

The asset retirement obligation is recognized as provisions for the expected future expenditures of restoring plant facilities and the like used by the Group to original condition and removing hazardous substances. Although we expect to incur most of these expenditures at least one year after closing, they will be affected by future business plans and the like.

21. Equity and Other Equity Items

(1) Number of shares authorized

The number of shares authorized is as follows.

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Number of shares authorized	200,000,000	200,000,000

(2) Total number of shares issued

The number of shares authorized is as follows. All shares issued by the Company are common shares, which has no restrictions on the content of rights and no par value. All issued shares are fully paid.

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Total number of shares issued		
Balance at beginning of period	130,048,006	130,071,104
Increase/decrease during the period	23,098	(2,456,957)
Balance at end of period	130,071,104	127,614,147

(Note) The increase in the number of shares issued in fiscal 2022 is due to the paid issuance of new shares for the purpose of granting transfer-restricted share-based remuneration.

The decrease in the number of shares issued in fiscal 2023 is due to an increase from the paid issuance of new shares for the purpose of granting transfer-restricted share-based remuneration, and a decrease from the cancellation of treasury shares.

(3) Treasury shares

The number of treasury shares is as follows.

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Number of treasury shares	584,410	585,871

(Note) The acquisition of treasury shares based on the October 31, 2023 resolution of the Board of Directors caused the number of treasury shares to increase by 2,472,500 shares, and the cancellation of treasury shares based on the November 24, 2023 resolution of the Board of Directors caused the number of treasury shares to decrease by 2,472,500 shares. The increase apart from that is due to acquiring fractions of shares.

(4) Description and purpose of other capital surplus

(i) Capital surplus

The details of capital surplus are as follows.

i) Capital reserve

The Companies Act in Japan stipulates that at least one-half of the amount to be paid or delivered upon the issuance of shares shall be incorporated into share capital, and the amount not to be accounted for as share capital shall be accounted for as capital reserve.

ii) Other capital surplus

Changes in ownership interests in subsidiaries that do not involve a loss of control are treated as equity transactions, and the difference resulting from changes in the Company’s ownership interests in subsidiaries is recorded as other capital surplus.

(ii) Retained earnings

The details of retained earnings are as follows.

i) Retained earnings reserve

The Companies Act in Japan stipulates that one-tenth of the amount to be appropriated as dividends from capital surplus excluding capital reserve and from retained earnings excluding retained earnings reserve shall be transferred to capital reserve or retained earnings reserve, respectively, until the total amount of capital reserve and retained earnings reserve equals one-fourth of share capital. Certain foreign subsidiaries are also required to make similar accumulations in accordance with local laws.

ii) Other retained earnings

This is the cumulative amount of profit earned by the Group.

(5) Description and purpose of other components of equity

(i) Exchange differences on translation of foreign operations

These are translation differences arising from the consolidation of financial statements of foreign subsidiaries prepared in foreign currencies.

(ii) Equity instruments measured at fair value through other comprehensive income

These are the valuation differences for fair values of equity instruments measured at fair value through other comprehensive income.

(iii) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans are the effect of differences between actuarial assumptions and actual results at the beginning of the period and the effect of changes in actuarial assumptions. This is recognized in other comprehensive income as incurred and transferred immediately from other components of equity to retained earnings.

22. Dividends

The amount of dividends paid is as follows.

FY2022 (From April 1, 2022 to March 31, 2023)

Date of resolution	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
Board of Directors meeting held on April 28, 2022	3,237	25.00	March 31, 2022	June 1, 2022	Retained earnings
Board of Directors meeting held on October 28, 2022	3,885	30.00	September 30, 2022	November 25, 2022	Retained earnings

FY2023 (From April 1, 2023 to March 31, 2024)

Date of resolution	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
Board of Directors meeting held on April 27, 2023	3,885	30.00	March 31, 2023	May 31, 2023	Retained earnings
Board of Directors meeting held on October 31, 2023	4,921	38.00	September 30, 2023	November 27, 2023	Retained earnings

Dividends whose effective dates are in the following year are as follows.

FY2022 (From April 1, 2022 to March 31, 2023)

Date of resolution	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
Board of Directors meeting held on April 27, 2023	3,885	30.00	March 31, 2023	May 31, 2023	Retained earnings

FY2023 (From April 1, 2023 to March 31, 2024)

Date of resolution	Total dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date	Source of dividends
Board of Directors meeting held on April 26, 2024	7,242	57.00	March 31, 2024	May 30, 2024	Retained earnings

23. Revenue

(1) Disaggregation of revenues

(i) Revenue from contracts with customers and other sources

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Revenue from contracts with customers	928,293	1,042,352
Revenue from other sources	23,583	28,754
Total	951,877	1,071,107

(Note) Revenue from other sources is revenue in accordance with IFRS 16.

(ii) Relationship between disaggregated revenue and segment revenue

FY2022 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Safety systems	Interiors and exteriors	Functional components	Weatherstrips	Total
Revenue	333,262	336,568	152,411	106,050	928,293

FY2023 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Safety systems	Interiors and exteriors	Functional components	Weatherstrips	Total
Revenue	393,365	356,801	174,084	118,100	1,042,352

The Group manufactures and sells safety systems, interiors and exteriors, functional components, and weatherstrips, and its main customers are Japanese and foreign automobile manufacturers and automotive parts manufacturers.

Performance obligations for revenue recorded for automobile manufacturers and automotive parts manufacturers, who are the Group’s major customers, are satisfied after the Group’s products complete the acceptance inspection by the customer, at which time revenue is recorded.

This is because control of the product is considered to have been transferred when the Group’s product is delivered to the customer’s designated location and inspected, at which point the customer is able to use the product at their own discretion and derive benefit from it.

Payment is generally received within three months after delivery of the product, which is the point at which the performance obligation is satisfied.

Revenue from the sale of products is measured at the amount of consideration under the sales contract, less discounts and other items.

While revenues recorded based on provisional unit prices mainly fall under variable consideration, no material reversals have occurred.

Revenue by region is shown in Note “6. Segment Information.” In addition, revenues generated from other sources are primarily from the Japan segment.

(2) Contract balances

The breakdown of receivables from contracts with customers and contract assets is as follows.

(Millions of yen)

	Balance as of April 1, 2022	Balance as of March 31, 2023	Balance as of March 31, 2024
Receivables from contracts with customers	156,551	158,701	152,804
Contract assets	133	50	107

Contract assets relate to consideration for work that has not been completed as of the reporting date, primarily for subcontracted design contracts for automotive parts. Contract assets are transferred to receivables when the work is completed. The revenue amount recognized from performance obligations satisfied (or partially satisfied) in previous fiscal years was not material.

(3) Transaction price allocated to remaining performance obligations

Since the Group has no significant transactions with individual expected contract terms exceeding one year, the practical expedient has been used and information on residual performance obligations has been omitted. There are no material amounts of consideration from contracts with customers that are not included in the transaction price.

(4) Assets recognized from the cost of fulfilling the contract

Assets recognized from the cost of fulfilling the contract are as follows.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Assets recognized from the cost of fulfilling the contract	25,315	29,202

Assets recognized from the cost of fulfilling the contract are those that are directly related to that contract or to a specifically identifiable contract, that create or increase resources that will be used in the future to satisfy performance obligations, and that are expected to be recovered.

Assets recognized from the cost of fulfilling the contract are mainly included in “Other non-current assets” in the consolidated statement of financial position. Amortization expenses, which amounted to 3,794 million yen in fiscal 2022 and 5,881 million yen in fiscal 2023, are amortized in proportion to the revenue earned from the performance of the contracts. These are mainly included in “Cost of sales” in the consolidated statement of profit or loss. No impairment loss was recognized in either fiscal 2022 or fiscal 2023.

24. Selling, General and Administrative Expenses

Major expenses included in selling, general and administrative expenses are as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Packing and transport charges	6,301	6,376
Product warranty provisions	269	467
Salary and benefits	25,599	29,482
Welfare expenses	3,764	3,944
Retirement benefit expenses	1,993	1,609
Depreciation	5,335	6,094
Research and development expenses	8,733	9,044
Other	24,521	27,613
Total	76,519	84,633

25. Other Income and Other Expenses

The breakdown of other income is as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Gain on sale of fixed assets	169	418
Subsidy income	633	1,060
Rental income	271	323
Compensation received	782	25
Scrap sales	535	598
Reversal of the restructuring provision	-	813
Other	2,081	1,299
Total	4,472	4,539

(Note) The reversal of the restructuring provision in fiscal 2023 is a reflection of the fact that part of the provision was canceled because it was no longer necessary given that liquidation proceedings had begun for the subsidiary Toyoda Gosei UK Ltd.

The breakdown of other expenses is as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Loss on sale of fixed assets	417	997
Loss on tax purpose reduction entry of fixed assets	33	222
Impairment losses	3,955	3,502
Restructuring provisions	836	-
Compensation paid	2,233	1,340
Other	981	4,052
Total	8,460	10,115

26. Finance Income and Finance Costs

The breakdown of finance income is as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Interest income		
Financial assets measured at amortized cost	2,467	4,835
Dividends income		
Equity instruments measured at fair value through other comprehensive income	967	1,267
Gains on foreign currency translation	246	—
Total	3,681	6,103

The breakdown of finance costs is as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Interest expenses		
Financial liabilities measured at amortized cost	(3,600)	(3,399)
Losses on foreign currency translation	—	(3,272)
Other	(91)	(69)
Total	(3,691)	(6,741)

27. Other Comprehensive Income

The amounts incurred during the period and reclassification adjustments to profit or loss for each item of other comprehensive income and the tax effects are as follows.

FY2022 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Amount incurred during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Equity instruments measured at fair value through other comprehensive income	(1,678)	-	(1,678)	523	(1,155)
Remeasurements of defined benefit plans	486	-	486	(89)	397
Share of other comprehensive income of investments accounted for using equity method	1	-	1	-	1
Total for items that will not be reclassified to profit or loss	(1,190)	-	(1,190)	434	(756)
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	12,396	-	12,396	-	12,396
Share of other comprehensive income of investments accounted for using equity method	460	-	460	-	460
Total for items that may be reclassified to profit or loss	12,857	-	12,857	-	12,857
Total	11,667	-	11,667	434	12,101

FY2023 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Amount incurred during the period	Reclassification adjustments	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Equity instruments measured at fair value through other comprehensive income	22,330	-	22,330	(6,965)	15,365
Remeasurements of defined benefit plans	1,271	-	1,271	(327)	944
Share of other comprehensive income of investments accounted for using equity method	92	-	92	-	92
Total for items that will not be reclassified to profit or loss	23,694	-	23,694	(7,292)	16,401
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	25,711	-	25,711	-	25,711
Share of other comprehensive income of investments accounted for using equity method	925	-	925	-	925
Total for items that may be reclassified to profit or loss	26,636	-	26,636	-	26,636
Total	50,331	-	50,331	(7,292)	43,038

28. Earnings per Share

Basis of calculation for basic earnings per share and diluted earnings per share during the period is as follows.

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Basis of calculation for basic earnings per share		
Profit attributable to owners of parent (millions of yen)	16,004	51,454
Profit not attributable to common shareholders of parent (millions of yen)	-	-
Profit for the period used for calculation of basic earnings per share (millions of yen)	16,004	51,454
Weighted-average number of common shares outstanding (thousands of shares)	129,470	128,564
Basic earnings per share (yen)	123.62	400.22
Basis of calculation for diluted earnings per share		
Profit for the period used for calculation of basic earnings per share (millions of yen)	16,004	51,454
Profit for the period adjustment (millions of yen)	-	-
Profit for the period used for calculation of diluted earnings per share (millions of yen)	16,004	51,454
Weighted-average number of common shares outstanding (thousands of shares)	129,470	128,564
Increase in common shares due to transfer-restricted share-based remuneration plan (thousands of shares)	10	7
Weighted-average number of diluted common shares outstanding (thousands of shares)	129,480	128,571
Diluted earnings per share (yen)	123.61	400.20

29. Cash Flow Information

(1) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows.

FY2022 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	April 1, 2022	Changes with cash flows	Changes without cash flows			March 31, 2023
			New leases	Foreign exchange fluctuations	Other	
Short-term borrowings	37,866	(27,747)	-	2,295	-	12,413
Long-term borrowings	125,849	12,846	-	1,925	-	140,621
Corporate bonds	9,980	-	-	-	6	9,987
Lease liabilities	15,224	(4,197)	3,853	(198)	-	14,681
Derivative liabilities	1,042	-	-	-	191	1,233
Total	189,963	(19,098)	3,853	4,022	197	178,938

(Notes) 1. Long-term borrowings include current portion of long-term borrowings.

2. Derivatives are held to hedge against foreign exchange and interest rate risk on long-term borrowings.

FY2023 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	April 1, 2023	Changes with cash flows	Changes without cash flows			March 31, 2024
			New leases	Foreign exchange fluctuations	Other	
Short-term borrowings	12,413	(8,296)	-	465	-	4,583
Long-term borrowings	140,621	(24,482)	-	2,687	-	118,826
Corporate bonds	9,987	4,974	-	-	6	14,969
Lease liabilities	14,681	(4,189)	3,163	982	-	14,637
Derivative liabilities	1,233	-	-	119	(975)	377
Total	178,938	(31,993)	3,163	4,254	(968)	153,393

(Notes) 1. Long-term borrowings include current portion of long-term borrowings.

2. Corporate bonds include those scheduled to mature within one year.

3. Derivatives are held to hedge against foreign exchange and interest rate risk on long-term borrowings.

(2) Significant non-cash transactions

FY2022 (From April 1, 2022 to March 31, 2023)

The increase in right-of-use assets is shown in Note “15. Leases.”

FY2023 (From April 1, 2023 to March 31, 2024)

The increase in right-of-use assets is shown in Note “15. Leases.”

30. Financial Instruments

(1) Capital management

The Group aims to maximize corporate value through sustainable growth while ensuring a sound financial position.

The business funds required for this purpose will be basically financed through operating cash flow by maintaining and strengthening the revenues and cash generation capabilities of the consolidated companies, and will be supplemented by corporate bonds and borrowings as needed.

There are no significant capital controls to which the Group is subject.

(2) Financial risk management

In the course of its management operations, the Group is exposed to financial risks (credit risk, liquidity risk, foreign exchange risk, interest rate risk, and market price fluctuation risk) and manages risks in order to mitigate such financial risks.

The Group uses derivatives transactions to hedge against foreign exchange and interest rate fluctuation risks and does not engage in speculative transactions.

(3) Credit risk management

Credit risk is the risk that a customer will default on a contractual obligation, resulting in financial loss to the Group.

Most of the Group’s receivables are due from Toyota Motor Corporation and its group companies and are exposed to the credit risk of the group, but the credit risk is limited due to their high creditworthiness.

The Group sets and manages credit limits for its business partners in accordance with its credit management rules and regulations.

Derivatives are exposed to credit risk of contracted financial institutions. The use of derivatives is limited to highly rated financial institutions and their credit risk is limited.

The carrying amount of financial assets presented in the consolidated financial statements after impairment represents the maximum exposure of the Group’s financial assets to credit risk.

The Group always establishes an allowance for doubtful accounts for trade and lease receivables that do not contain significant financing components in an amount equal to the expected credit loss for the entire period.

Changes in allowance for doubtful accounts are as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Balance at beginning of period	370	455
Increase during the period	185	396
Decrease during the period (intended use)	(105)	(225)
Decrease during the period (reversal)	(16)	(108)
Other increases (decreases)	21	52
Balance at end of period	455	570

(4) Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet its obligations to repay financial liabilities as they fall due.

The Group manages liquidity risk by preparing adequate funds for repayment, securing lines of credit available from financial institutions from time to time, and monitoring cash flow plans and performance on an ongoing basis.

The balances of financial liabilities (including derivative financial instruments) by due date are as follows.

FY2022 (As of March 31, 2023)

(Millions of yen)

	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years	Total
Non-derivative financial liabilities							
Trade and other payables	142,453	-	-	-	-	-	142,453
Bonds and borrowings	33,937	38,834	14,484	28,506	23,882	26,493	166,141
Lease liabilities	2,778	2,352	1,841	1,580	1,403	4,725	14,681
Derivative financial liabilities							
Derivatives	1,134	-	-	246	-	986	2,367
Total	180,304	41,187	16,326	30,334	25,286	32,205	325,644

FY2023 (As of March 31, 2024)

(Millions of yen)

	Within one year	Over one year but within two years	Over two years but within three years	Over three years but within four years	Over four years but within five years	Over five years	Total
Non-derivative financial liabilities							
Trade and other payables	149,795	-	-	-	-	-	149,795
Bonds and borrowings	39,525	18,752	28,467	22,150	30,323	776	139,995
Lease liabilities	2,993	3,124	1,839	1,562	1,374	3,742	14,637
Derivative financial liabilities							
Derivatives	2,661	-	-	377	-	-	3,038
Total	194,976	21,877	30,306	24,090	31,697	4,519	307,467

(5) Foreign exchange risk management

Since the Group operates internationally through investments, equity participation, and the establishment of joint ventures, fluctuations in the exchange rate of the U.S. dollar mainly have a significant impact on our business results.

As for derivative transactions, the Group utilizes principally forward exchange contracts for trade receivables and payables denominated in foreign currencies and currency swaps for borrowings denominated in foreign currencies, to mitigate foreign exchange fluctuation risks.

Forward exchange contracts and other transactions are executed in accordance with internal management procedures that stipulate transaction authority and other details.

The details of foreign exchange risk in the Group are as follows.

Derivative transactions to which hedge accounting is not applied

(Millions of yen)

	FY2022 (As of March 31, 2023)			FY2023 (As of March 31, 2024)		
	Contract amount	Of which, over one year	Fair value	Contract amount	Of which, over one year	Fair value
Forward exchange contract transactions						
Sell:						
U.S. dollar	40,820	1,900	79	44,313	1,900	(1,392)
Canadian dollar	16,787	-	(274)	19,413	-	(416)
British pound	8,940	-	(246)	-	-	-
Euro	3,132	-	(94)	4,325	-	(54)
Indonesian rupiah	1,504	-	(31)	710	-	(10)
Buy:						
Thai baht	9,775	-	(34)	10,400	-	21
Currency and interest rate swap transactions						
Buy:						
U.S. dollar	6,261	6,261	(998)	2,740	755	(215)
Chinese yuan	2,233	466	11	5,936	1,124	(504)
Indian rupee	-	-	-	2,562	-	(399)
Total	89,454	8,627	(1,589)	90,402	3,779	(2,970)

Exchange rate sensitivity analysis

The effect on profit before tax of a 1% change in the Japanese yen against the relevant foreign exchange in each fiscal year is as follows. It does not include the effect of translating into yen the assets and liabilities, and revenues and expenses of financial instruments denominated in the functional currency and of foreign operations. Other variable factors are assumed to remain constant.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Profit before tax		
U.S. dollar	5	14

(6) Interest rate risk management

The Group is exposed to various interest rate risks in the course of its business operations, and in particular, changes in interest rates have a significant impact on borrowing costs.

Floating-rate borrowings are, in principle, subject to interest rate swap agreements, which have substantially the same effect as fixed-rate borrowings. Interest rate swaps are executed in accordance with internal management procedures that stipulate transaction authority and other details.

There were no floating-rate borrowings in fiscal 2022 or fiscal 2023.

(7) Market price fluctuation risk management

The Group holds equity instruments such as listed shares of companies with which it has business relationships and is exposed to the risk of fluctuations in the market value of such assets. In view of the purpose for which they are held, they are designated as financial assets measured at fair value through other comprehensive income, which means that their variable value affects other comprehensive income rather than profit or loss.

The Company regularly monitors the fair value and the financial condition of the issuer and reports changes in holdings and fair value to the officer in charge of the accounting department.

The effect on other comprehensive income (before tax effect) of a 10% change in the market price of equity instruments held by the Group as of the end of the period is as follows.

In this analysis, other variable factors are assumed to remain constant.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Other comprehensive income (before tax effect)	3,035	3,793

(8) Fair value of financial instruments

(i) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows.

Financial instruments measured at amortized cost, except for long-term borrowings (including current portion of long-term borrowings) and corporate bonds, are not included in the following table because their carrying amounts are a reasonable approximation of fair value due to their short maturities.

(Millions of yen)

	FY2022 (As of March 31, 2023)		FY2023 (As of March 31, 2024)	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term borrowings	140,621	138,484	118,826	117,210
Corporate bonds	9,987	9,987	14,969	14,958
Total	150,609	148,471	133,795	132,168

(Note) The fair value hierarchy of financial liabilities measured at amortized cost is Level 2.

The fair value of long-term borrowings is determined based on the present value obtained by discounting the total principal and interest at the interest rate when newly undertaking a similar borrowing. The fair value of corporate bonds is determined based on market prices.

(ii) Financial instruments measured at fair value

For financial instruments measured at fair value, fair value measurements are classified into Level 1, Level 2 or Level 3 according to observability and materiality of inputs used for the measurement.

Level 1: Market value of identical assets or liabilities in an active market

Level 2: Fair value calculated directly or indirectly using observable inputs, other than Level 1

Level 3: Fair value calculated from valuation techniques that include unobservable inputs

FY2022 (As of March 31, 2023)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Marketable securities	-	-	1,267	1,267
Derivative assets	-	778	-	778
Financial assets measured at fair value through other comprehensive income				
Marketable securities	30,355	-	17,298	47,653
Total	30,355	778	18,565	49,699
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	2,367	-	2,367
Total	-	2,367	-	2,367

(Note) There were no financial instruments that were materially transferred between levels in fiscal 2022.

FY2023 (As of March 31, 2024)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Marketable securities	-	-	1,498	1,498
Derivative assets	-	67	-	67
Financial assets measured at fair value through other comprehensive income				
Marketable securities	37,936	-	17,948	55,884
Total	37,936	67	19,446	57,451
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	-	3,038	-	3,038
Total	-	3,038	-	3,038

(Note) There were no financial instruments that were materially transferred between levels in fiscal 2023.

Level 1 financial instruments are shares issued by a publicly traded company. The fair value of listed shares is based on the value at the end of the period of an active market.

Level 2 financial instruments are forward exchange contracts, interest rate swaps, and currency swaps. The fair value of forward exchange contracts is determined based on forward exchange rates and other factors. The fair value of interest rate swaps and currency swaps is determined using prices quoted by counterparty financial institutions.

The main financial instruments in Level 3 are shares issued by unlisted Japanese companies. The fair value of unlisted shares is determined based on the market approach, using the comparable listed company analysis method (a method in which multiples of various financial figures are calculated with respect to the market share price of comparable listed companies and necessary adjustments are made). The unobservable input for the fair value measurement of financial assets classified as Level 3 is the illiquidity discount, and the calculations using the comparable listed company analysis method are based on the comparison of several comparable listed companies on an ongoing basis and also take into account the illiquidity discount, with the illiquidity discount calculated at 30%. The relationship is such that when the illiquidity discount increases, the fair value decreases.

Unobservable inputs may be affected by the outcome of future changes in uncertain economic conditions, which, if they were to be reviewed, could have a significant impact on the fair value of the financial instrument.

A reconciliation of balances at the beginning and end of the period for financial instruments classified as Level 3 is as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Balance at beginning of period	17,459	18,565
Purchase	620	693
Sale	(131)	-
Other comprehensive income (Note)	685	213
Profit or loss	(68)	(25)
Balance at end of period	18,565	19,446

(Note) Gains and losses included in other comprehensive income are those for financial assets measured at fair value through other comprehensive income. These gains and losses are included in “Equity instruments measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

(9) Offsetting financial assets and liabilities

The Group has the legally enforceable right to offset the recognized amounts of certain financial assets and financial liabilities, and has the intention to settle them on a net basis or to realize the asset and settle the liability simultaneously, thus offsetting the financial assets and liabilities and presenting them on a net basis in the consolidated statement of financial position.

The following is a breakdown of the amounts of financial assets and financial liabilities recognized for the same counterparty that were offset in the consolidated statement of financial position and the amounts recognized in the consolidated statement of financial position.

FY2022 (As of March 31, 2023)

(Millions of yen)

	Total financial assets	Total financial liabilities offset in the consolidated statement of financial position	Net financial assets presented in the consolidated statement of financial position
Financial assets			
Trade and other receivables	12,411	(6,250)	6,161
Other financial assets	67,077	(34,833)	32,244

(Millions of yen)

	Total financial liabilities	Total financial assets offset in the consolidated statement of financial position	Net financial liabilities presented in the consolidated statement of financial position
Financial liabilities			
Trade and other payables	89,593	(6,250)	83,343
Bonds and borrowings	154,961	(34,833)	120,128

FY2023 (As of March 31, 2024)

(Millions of yen)

	Total financial assets	Total financial liabilities offset in the consolidated statement of financial position	Net financial assets presented in the consolidated statement of financial position
Financial assets			
Trade and other receivables	10,264	(5,339)	4,924
Other financial assets	46,369	(22,807)	23,561

(Millions of yen)

	Total financial liabilities	Total financial assets offset in the consolidated statement of financial position	Net financial liabilities presented in the consolidated statement of financial position
Financial liabilities			
Trade and other payables	93,894	(5,339)	88,555
Bonds and borrowings	117,273	(22,807)	94,466

31. Major Consolidated Subsidiaries

The breakdown of the major consolidated subsidiaries of the Group as of the end of the fiscal year ended March 31, 2024 is as follows.

Company name	Location	Reportable segments	Percentage of voting rights of the company(%)
Toyoda Gosei North America Corporation	Michigan, United States of America	Americas	100.0
TG Missouri Corporation	Missouri, United States of America	Americas	80.0
TG Kentucky, LLC	Kentucky, United States of America	Americas	100.0
TG Automotive Sealing Kentucky, LLC	Kentucky, United States of America	Americas	100.0
Toyoda Gosei Texas, LLC	Texas, United States of America	Americas	100.0
Toyoda Gosei Holdings Inc.	Quebec, Canada	Americas	100.0
Waterville TG Inc.	Quebec, Canada	Americas	100.0
TG Minto Corporation	Ontario, Canada	Americas	100.0
Toyoda Gosei Automotive Sealing Mexico, S.A. de C.V.	San Luis Potosi, Mexico	Americas	100.0
Toyoda Gosei Irapuato Mexico, S.A. de C.V.	Guanajuato, Mexico	Americas	91.4
GDBR Industria e Comercio de Componentes Quimicos e de Borracha Ltda.	Sao Paulo, Brazil	Americas	94.8
Pecval Industria Ltda.	Sao Paulo, Brazil	Americas	95.0
Toyoda Gosei Asia Co., Ltd.	Chonburi, Thailand	Asia	100.0
Toyoda Gosei (Thailand) Co., Ltd.	Chonburi, Thailand	Asia	78.5
Toyoda Gosei Rubber (Thailand) Co., Ltd.	Samutsakorn, Thailand	Asia	70.0
Toyoda Gosei Haiphong Co., Ltd.	Haiphong City, Vietnam	Asia	95.0
PT Toyoda Gosei Indonesia	Jawa Barat, Indonesia	Asia	80.0
Toyoda Gosei Minda India Pvt. Ltd.	Alwar Rajasthan, India	Asia	50.1
Toyoda Gosei South India Pvt. Ltd.	Ramanagara Taluk, India	Asia	95.0
Toyoda Gosei(China) Investment Co., Ltd.	Shanghai, China	Asia	100.0
Tianjin Toyoda Gosei Co., Ltd.	Tianjin, China	Asia	90.1

Company name	Location	Reportable segments	Percentage of voting rights of the company(%)
Toyoda Gosei (Zhangjiagang) Co., Ltd.	Zhangjiagang Free Trade Zone, Jiangsu Province, China	Asia	100.0
Toyoda Gosei (Foshan) Rubber Parts Co., Ltd.	Foshan City, Guangdong Province, China	Asia	70.0
Toyoda Gosei (Foshan) Auto Parts Co., Ltd.	Foshan City, Guangdong Province, China	Asia	95.0
Toyoda Gosei UK Ltd.	South Yorkshire, United Kingdom	Europe & Africa	100.0
Toyoda Gosei Czech, s.r.o.	Klasterec Nad Ohri, Czech Republic	Europe & Africa	80.0
Ichiei Kogyo Co., Ltd.	Ichinomiya, Aichi	Japan	65.0
Toyoda Gosei Hinode Co., Ltd.	Yokkaichi, Mie	Japan	100.0
Hoshin Gosei Co., Ltd.	Nakagawa, Kamiina-gun, Nagano	Japan	100.0
TG Opseed Co., Ltd.	Chuo-ku Hamamatsu, Shizuoka	Japan	100.0
Toyoda Gosei East Japan Co.,Ltd.	Kurihara, Miyagi	Japan	100.0
Toyoda Gosei Kyushu Co., Ltd.	Miyawaka, Fukuoka	Japan	100.0

32. Related Parties

(1) Related party transactions

Transactions between the Group and related parties are as follows.

Terms and conditions of transactions with related parties are determined by presenting a suggested price in consideration of market price and total cost, and negotiating the price every term.

FY2022 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

Category	Company name, etc.	Transaction	Transaction amount	Outstanding amount
Entity with significant influence over the Group	Toyota Motor Corporation and its subsidiaries	Sales of automotive parts, etc.	517,305	72,674

FY2023 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

Category	Company name, etc.	Transaction	Transaction amount	Outstanding amount
Entity with significant influence over the Group	Toyota Motor Corporation and its subsidiaries	Sales of automotive parts, etc.	613,242	70,398

(2) Compensation for key management personnel

Compensation to directors and Audit & Supervisory Board members of the Company is as follows.

(Millions of yen)

	FY2022 (From April 1, 2022 to March 31, 2023)	FY2023 (From April 1, 2023 to March 31, 2024)
Basic compensation	369	343
Bonuses	74	106
Share-based payment	28	23
Total	472	473

33. Commitments

Commitments related to expenditures subsequent to the end of the period are as follows.

(Millions of yen)

	FY2022 (As of March 31, 2023)	FY2023 (As of March 31, 2024)
Acquisition of property, plant and equipment	4,964	6,283

34. Contingent Liabilities

As announced by the Company on May 18, 2023, General Motors Company (GM) is recalling three models manufactured between 2014 and 2017 due to a potential malfunction of the gas generator (inflator) of the driver's side airbag in the event of a collision (announced as approximately 990,000 vehicles in the U.S. and 40,000 vehicles in Canada). The inflators in question were manufactured by ARC Automotive Inc. (ARC) of the United States and delivered to the Company's U.S. subsidiaries. As the cause of the said inflator malfunction has not been identified at this time, the Company is cooperating with GM and ARC in the investigation.

At this time, there is no high probability of an outflow of economic benefits of the Group related to this issue, and we cannot predict the impact of this issue on the Group's financial position, operating results, or cash flow.

35. Subsequent Events

Not applicable.

(2)【Other】

Quarterly information in the fiscal year ended March 31, 2024

(Cumulative period)	First quarter	Second quarter	Third quarter	Full year
Revenue (Millions of yen)	259,326	522,849	804,222	1,071,107
Profit before taxes (Millions of yen)	16,599	34,124	58,342	71,801
Profit attributable to owners of the parent (Millions of yen)	11,616	23,270	41,284	51,454
Basic earnings per share (Yen)	89.71	179.72	319.85	400.22

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly basic earnings per share (Yen)	89.71	90.00	140.45	80.07

TOYODA GOSEI
1 Haruhinagahata, Kiyosu, Aichi, 452-8564, Japan
https://www.toyoda-gosei.com