Annual Financial Report 2023

For the year ended March 31, 2023

CONTENTS

TOYOTA BOSHOKU CORPORATION

Key Financial Data

(Millions of Yen, unless stated otherwise)

Fiscal Year		IFRS				
		94th business term	95th business term	96th business term	97th business term	98th business term
Year end		March 2019	March 2020	March 2021	March 2022	March 2023
Revenue		1,417,376	1,372,616	1,272,140	1,421,451	1,604,036
Profit before income taxes		61,489	48,074	57,345	64,529	52,291
Profit attributable to owners of the parent		27,457	24,786	31,188	39,260	14,679
Comprehensive income		30,273	16,462	59,366	73,686	34,348
Total equity attributable to owners of the parent		292,199	291,051	334,935	386,162	400,741
Total assets		793,599	780,714	845,778	964,740	1,007,392
Equity per share attributable to owners of the parent	(Yen)	1,573.44	1,557.93	1,792.56	2,066.53	2,144.33
Earnings per share attributable to owners of the parent – Basic	(Yen)	147.85	132.88	166.93	210.15	78.57
Earnings per share attributable to owners of the parent – Diluted	(Yen)	—	—	—	210.13	78.56
Ratio of equity attributable to owners of the parent	(%)	36.8	37.3	39.6	40.0	39.8
Ratio of profit to equity attributable to owners of the parent	(%)	9.6	8.5	10.0	10.9	3.7
Price earnings ratio	(Times)	11.3	9.7	11.0	9.5	27.2
Cash flows from operating activities		60,720	79,673	74,483	122,933	89,428
Cash flows from investing activities		(58,915)	(54,175)	(51,392)	(40,893)	(36,461)
Cash flows from financing activities		(19,526)	(13,964)	2,756	(48,664)	(40,812)
Cash and cash equivalents at end of period		158,192	163,377	195,180	237,952	248,195
Number of Employees [Average number of part-time employees, not included in number of employees above]	(Persons)	43,103 [8,888]	44,375 [8,017]	44,154 [6,745]	44,264 [7,777]	44,581 [8,849]

(Notes) 1. Earnings per share attributable to owners of the parent - Diluted for the 94th, 95th, and 96th business terms are not calculated because there are no dilutive shares.

2. Number of employees is the number of workers (excluding people dispatched from Toyota Boshoku Corporation and its consolidated subsidiaries("the Group") to outside the Group, but including people dispatched from outside the Group to the Group).

3. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

History

Date	Overview
January 1918	Founded Toyoda Boshoku Corporation
November 1923	Established Kariya Plant
September 1931	Merged with Kikui Boshoku Corporation
February 1942	Merged with four companies Utsumi Boshoku Co., Ltd., Chuo Boshoku Co., Ltd., Kyowa Boseki Co., Ltd., and Toyoda Oshikiri Boshoku Corporation to establish Chuo Spinning Company
November 1943	Merged with Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)
May 1950	Established Minsei Spinning Co., Ltd. as a separate independent entity from Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)
August 1950	Stock listed on the Nagoya Stock Exchange
September 1956	Established Oguchi Plant
August 1967	Company name changed to Toyoda Boshoku Corporation
March 1968	Merged with Gifu Boseki Co., Ltd. (currently Gifu Plant)
December 1972	Added “Production, processing and sales of auto parts” to its purpose of business
February 1973	Started production of ignition coils
September 1973	Started production of seat fabrics
April 1985	Started production of air filters
February 1990	Started production of fender liners
May 1990	Started production of molded headliners
April 1995	Started production of airbag base fabrics
December 1995	Started production of bumpers
January 1998	Started production of cabin air filters and revolving sensors
January 1999	Started production of silencer pads
June 1999	Started production of oil filters
March 2000	Stock listed on the Tokyo Stock Exchange, First Section
May 2000	Began production for the first time as an interior system supplier for Toyota Motor Corporation’s new RAV4
July 2000	Started production of intake manifolds
October 2000	Merged with Toyota Kakoh Co., Ltd. Through merger, succeeded to Kisogawa Plant and other three plants, and added floor carpets to the Company’s production lineup
October 2004	Merged with two companies Araco Corporation (car interior components business) and Takanichi Co., Ltd. to form Toyota Boshoku Corporation Through merger, succeeded to Sanage Plant, Takaoka Plant and other seven plants, and added seats and door trims to the Company’s production lineup
July 2005	TNAT (THAILAND) CO., LTD. was merged with TOYODABO ASIA CO., LTD., and the surviving company was renamed TOYOTA BOSHOKU ASIA CO., LTD. (currently a consolidated subsidiary) and was made the Asian regional management hub
July 2005	Two companies TOYODABO AMERICA, INC. and Takanichi-USA, Inc. were merged with ARACO AMERICA INC., and the surviving company was renamed TOYOTA BOSHOKU AMERICA, INC. (currently a consolidated subsidiary) and was made the North American regional management hub
July 2005	Established TOYOTA BOSHOKU EUROPE N.V. (currently a consolidated subsidiary) in Belgium as European regional management hub
October 2007	Reorganized the businesses of six Japanese subsidiaries through a merger into four companies in order to optimize the production system and reform the operational processes

Date	Overview
February 2008	Changed the operations of TOYOTA BOSHOKU (SHANGHAI) CO., LTD. from trading operations to investment operations and changed its name to TOYOTA BOSHOKU (CHINA) CO., LTD. (currently a consolidated subsidiary) to strengthen the business management and collaboration function in the China region
August 2008	Established Toyota Boshoku Technical Skills Academy for the purpose of developing human resources that will become core personnel of technical-related workplaces
September 2008	A subsidiary in the North American region acquired and reorganized five plants of Trim Masters, Inc. with the aim of establishing an efficient system for business operations in the Americas region
October 2008	Acquired Sieto Plant from FAURECIA S.A., a French automobile seat manufacturer, and established TOYOTA BOSHOKU SOMAIN S.A.S. (currently a consolidated subsidiary)
October 2008	Spun off the Research and Development Department as an independent organization to establish Toyota Boshoku Research Laboratories
August 2009	Established Fuji Susono Plant to streamline production and build an optimal supply system in domestic plants
May 2010	Established the No.2 building of Sanage Technical Center to consolidate and fortify development functions for automotive interior systems
July 2011	Acquired the interior business of POLYTEC Holding AG to strengthen interior technological capabilities and realize business with European car manufacturers
December 2012	Started production of motor core components for hybrid systems
July 2013	Started production of railway seats utilized in the Hokuriku Bullet Train “Gran Class” car
April 2015	Started production of aircraft seats for economy class on domestic flights, which were jointly developed with ALL NIPPON AIRWAYS CO., LTD.
November 2015	Acquired the business for automotive seat frame mechanism components such as recliners and slide rails for Toyota Motor Corporation and the Company that had been owned by Aisin Seiki Co., Ltd. (currently AISIN CORPORATION) and Shiroki Corporation (currently AISIN SHIROKI CORPORATION)
June 2016	Through reorganization of the Europe business, all the shares of Boshoku Automotive Europe GmbH, Boshoku Automotive Poland Sp. Z o.o., and Boshoku Automotive Czech s. r. o. and part of business operations of the Munich Branch of TOYOTA BOSHOKU EUROPE N.V. were transferred to Megatech Industries AG
January 2018	Marked the 100th anniversary of the Company’s founding
November 2019	Established MONOZUKURI Innovation Centre in order to build next-generation production lines that utilize AI technology and automation technology, and to promote the streamlining and enhancement of product manufacturing
August 2020	Established the New Main Building of the Global Mainstay Hub in Kariya Japan in order to consolidate the corporate functions and strengthen the global management base
April 2022	The Company’s stock that had been listed on the First Section of the Tokyo Stock Exchange was transferred to the Prime Market due to a restructuring of the market segments of the Tokyo Stock Exchange

Information on subsidiaries and associates

Company name	Location	Share capital	Principal business	Percentage of voting rights of the Company (%)	Relationship			
					Con-current service by officers, etc.	Loan of funds	Business transactions	Lease of facilities
(Consolidated subsidiaries)								
TOYOTA BOSHOKU TOHOKU CORPORATION (Note 3)	Kitakami-shi, Iwate	JPY million 1,667	Auto parts	100.0	Yes	None	Purchase of TOYOTA BOSHOKU TOHOKU CORPORATION's products	Yes
COWERK CO., LTD. (Note 3)	Kariya-shi, Aichi	JPY million 97	Auto parts	52.0	Yes	None	Purchase of COWERK CO., LTD.'s products	Yes
TOYOTA BOSHOKU KYUSHU CORPORATION (Note 3)	Kanzaki-shi, Saga	JPY million 480	Auto parts	100.0	Yes	None	Purchase of TOYOTA BOSHOKU KYUSHU CORPORATION's products	Yes
TB LOGISTICS CORPORATION	Toyota-shi, Aichi	JPY million 50	Transporta-tion business	100.0	Yes	None	Transportation services for the Company's products	Yes
TB KAWASHIMA USA, INC. (Notes 2, 3)	South Carolina, U.S.A.	USD thousand 40,500	Auto parts	100.0 (100.0)	None	None	None	None
KAWASHIMA TEXTILE MANUFAC-TURERS (SHANGHAI) LTD. (Notes 2, 3)	Shanghai, China	CNY thousand 198,387	Auto parts	80.0 (80.0)	None	None	None	None
TB KAWASHIMA CO., LTD.	Aisho-cho, Echi-gun, Shiga	JPY million 490	Auto parts	99.9	Yes	Yes	Purchase of TB KAWASHIMA CO., LTD.'s products	Yes
TBDN TENNESSEE COMPANY, LLC (Notes 2, 3)	Tennessee, U.S.A.	USD thousand 22,000	Auto parts	80.0 (80.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU AMERICA, INC. (Notes 3, 4)	Kentucky, U.S.A.	USD thousand 539,742	Auto parts	100.0	None	None	Contracting of design work	None
TOYOTA BOSHOKU TENNESSEE, LLC (Notes 2, 3)	Tennessee, U.S.A.	USD thousand 50,000	Auto parts	100.0 (100.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU KENTUCKY, LLC (Notes 2, 3)	Kentucky, U.S.A.	USD thousand 29,989	Auto parts	100.0 (100.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU ARGENTINA S.R.L. (Notes 2, 3)	Buenos Aires, Argentina	ARS thousand 519,149	Auto parts	95.0 (95.0)	None	None	Sales of the Company's products	None

Company name	Location	Share capital	Principal business	Percentage of voting rights of the Company (%)	Relationship			
					Con-current service by officers, etc.	Loan of funds	Business transactions	Lease of facilities
TOYOTA BOSHOKU CANADA, INC. (Notes 2, 3)	Ontario, Canada	USD thousand 29,000	Auto parts	100.0 (100.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU MISSISSIPPI, LLC (Notes 2, 3)	Mississippi, U.S.A.	USD thousand 49,000	Auto parts	100.0 (100.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU DO BRASIL LTDA. (Notes 2, 3)	Sao Paulo, Brazil	BRL thousand 245,318	Auto parts	100.0 (0.1)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU INDIANA, LLC (Notes 2, 3)	Indiana, U.S.A.	USD thousand 115,000	Auto parts	100.0 (100.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU ILLINOIS, LLC (Notes 2, 3)	Illinois, U.S.A.	USD thousand 57,400	Auto parts	100.0 (100.0)	None	None	Sales of the Company's products	None
CHENGDU TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. (Notes 2, 3)	Chengdu, Sichuan Province, China	USD thousand 15,560	Auto parts	53.0 (53.0)	Yes	None	Sales of the Company's products	None
TOYOTA BOSHOKU (CHINA) CO., LTD. (Note 3)	Shanghai, China	USD thousand 133,498	Auto parts	100.0	Yes	None	Contracting of design work	None
NINGBO TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. (Notes 2, 3)	Ningbo, Zhejiang Province, China	USD thousand 8,200	Auto parts	80.0 (40.0)	Yes	None	Purchase of NINGBO TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD.'s products	None
TIANJIN INTEX AUTO PARTS CO., LTD. (Notes 2, 3)	Tianjin, China	USD thousand 24,500	Auto parts	75.0 (75.0)	Yes	None	Sales of the Company's products	None
TIANJIN TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. (Note 3)	Tianjin, China	USD thousand 11,800	Auto parts	80.0	Yes	None	Sales of the Company's products	None
GUANGZHOU INTEX AUTO PARTS CO., LTD. (Notes 2, 3)	Guangzhou, Guangdong Province, China	USD thousand 22,500	Auto parts	75.0 (75.0)	Yes	None	Sales of the Company's products	None
TOYOTA BOSHOKU (GUANGZHOU) AUTOMOTIVE PARTS CO., LTD. (Notes 2, 3)	Guangzhou, Guangdong Province, China	USD thousand 20,000	Auto parts	100.0 (100.0)	Yes	None	Sales of the Company's products	None

Company name	Location	Share capital	Principal business	Percentage of voting rights of the Company (%)	Relationship			
					Con-current service by officers, etc.	Loan of funds	Business transactions	Lease of facilities
TOYOTA BOSHOKU FOSHAN CO., LTD. (Note 3)	Foshan, Guangdong Province, China	USD thousand 9,600	Auto parts	80.0	Yes	None	Sales of the Company's products Purchase of TOYOTA BOSHOKU FOSHAN CO., LTD.'s products	None
TOYOTA BOSHOKU (TIANJIN) AUTOMOTIVE PARTS CO., LTD. (Notes 2, 3)	Tianjin, China	USD thousand 16,500	Auto parts	100.0 (100.0)	Yes	None	Sales of the Company's products	None
SHENYANG TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. (Notes 2, 3)	Shenyang, Liaoning Province, China	CNY thousand 180,000	Auto parts	100.0 (100.0)	Yes	None	Sales of the Company's products	None
SHIN SAN SHING CO., LTD. (Notes 2, 3)	Hsinchu, Taiwan	TWD thousand 330,000	Auto parts	47.0 [3.8]	None	None	Sales of the Company's products	None
PT. TOYOTA BOSHOKU INDONESIA (Note 3)	Jawa Barat, Indonesia	USD thousand 13,750	Auto parts	81.8	None	None	Sales of the Company's products Purchase of PT. TOYOTA BOSHOKU INDONESIA's products	None
TOYOTA BOSHOKU PHILIPPINES CORPORATION (Note 3)	Laguna, the Philippines	PHP thousand 377,000	Auto parts	95.0	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU GATEWAY (THAILAND) CO., LTD. (Notes 2, 3)	Chachoeng-sao, Thailand	THB thousand 250,000	Auto parts	80.0 (30.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU AUTOMOTIVE INDIA PRIVATE LIMITED (Notes 2, 3)	Karnataka, India	INR thousand 795,285	Auto parts	95.0 (25.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU ASIA CO., LTD. (Note 3)	Bangkok, Thailand	THB thousand 728,080	Auto parts	100.0	None	None	Contracting of design work	None
TOYOTA BOSHOKU FILTRATION SYSTEM (THAILAND) CO., LTD. (Notes 2, 3)	Rayong, Thailand	THB thousand 300,000	Auto parts	80.0 (80.0)	None	None	Sales of the Company's products	None

Company name	Location	Share capital	Principal business	Percentage of voting rights of the Company (%)	Relationship			
					Con-current service by officers, etc.	Loan of funds	Business transactions	Lease of facilities
TOYOTA BOSHOKU SIAM METAL CO., LTD. (Notes 2, 3)	Chonburi, Thailand	THB thousand 350,000	Auto parts	87.1 (87.1)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU HAIPHONG CO., LTD. (Note 3)	Haiphong, Vietnam	USD thousand 9,100	Auto parts	100.0	None	None	Sales of the Company's products	None
BOSHOKU AUTOMOTIVE (THAILAND) CO., LTD. (Notes 2, 3)	Rayong, Thailand	THB thousand 331,000	Auto parts	90.0 (90.0)	None	None	None	None
TOYOTA BOSHOKU TURKIYE OTOMOTIV SANAYI VE TICARET A.S. (Notes 2, 3)	Adapazari, Turkey	TRY thousand 25,696	Auto parts	90.0 (90.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU SOUTH AFRICA (PTY) LTD. (Notes 2, 3)	Kwazulu-Natal, South Africa	ZAR thousand 225,750	Auto parts	85.0 (85.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU EUROPE N.V. (Note 3)	Zaventem, Belgium	EUR thousand 436,134	Auto parts	100.0	None	None	Contracting of design work	None
TOYOTA BOSHOKU LLC (Note 2)	St. Petersburg, Russia	RUB thousand 149,161	Auto parts	95.0 (95.0)	None	None	None	None
TOYOTA BOSHOKU POLAND SP. Z O.O. (Notes 2, 3)	Lower Silesian Voivode-ship, Poland	PLN thousand 56,263	Auto parts	100.0 (100.0)	None	None	Sales of the Company's products	None
30 other companies								

Company name	Location	Share capital	Principal business	Percentage of voting rights of the Company (%)	Relationship			
					Con-current service by officers, etc.	Loan of funds	Business transactions	Lease of facilities
(Associates accounted for using equity method)								
TOKAI CHEMICAL INDUSTRIES, LTD.	Mitake-cho, Kani-gun, Gifu	JPY million 825	Auto parts	20.0	None	None	Purchase of TOKAI CHEMICAL INDUSTRIES, LTD.'s products	None
TOYOTA BODY SEIKO CO., LTD.	Takahama-shi, Aichi	JPY million 869	Auto parts	33.6	Yes	None	Purchase of TOYOTA BODY SEIKO CO., LTD.'s products	None
TOYOTA BOSHOKU AKI USA, LLC (Note 2)	Alabama, U.S.A.	USD thousand 60,000	Auto parts	50.0 (50.0)	Yes	None	None	None
TIANJIN KAHOU AUTOMOBILE DECORATION CO., LTD.	Tianjin, China	USD thousand 27,510	Auto parts	48.0	Yes	None	None	None
14 other companies								

(Notes) 1. The name of business division is shown in the "Principal business" field.

2. In the "Percentage of voting rights of the Company" field, the figures shown in parentheses, included in the figures directly above, represent the indirect ownership ratio, and the figures shown in square brackets, not included in the figures directly above, represent the ownership ratio of close persons, etc.
3. Companies indicated are specified subsidiaries.
4. Revenue of TOYOTA BOSHOKU AMERICA, INC. accounts for more than 10% of consolidated revenue (excluding inter-segment revenue between consolidated companies).

Key Financial Data	(1)	Revenue	346,003 million yen
	(2)	Loss before income taxes	2,028 million yen
	(3)	Loss for the period	12,729 million yen
	(4)	Total equity	59,317 million yen
	(5)	Total assets	170,064 million yen

5. As Toyota Motor Corporation is treated as an "other affiliated company" and its information is stated under "Related party transactions," its information is not stated here. In addition, Toyota Motor Corporation files an annual securities report.

Employees

(1) Consolidated group companies

As of March 31, 2023

Segment name	Number of employees	
Japan	13,420	[1,346]
North, Central and South America	12,381	[796]
China	7,761	[1,548]
Asia and Oceania	6,156	[3,909]
Europe and Africa	4,863	[1,250]
Total	44,581	[8,849]

(Notes) 1. The number of employees represents the number of the actual workforce (i.e., excludes staff seconded to non-Group companies from Group companies and includes staff seconded to Group companies from non-Group companies) and denotes full-time employees. The number of temporary employees is expressed as the average annual number of such employees and stated in square brackets, and it is not included in the figure on the left.

2. Temporary employees include fixed-term contract employees, part-timers and employees under non-regular contract, but exclude temporary staff (staff employed by the staffing agency).

Management policy, management environment and issues to be addressed

This section contains forward-looking statements, which are based on the group's judgments as of the end of the current fiscal year.

(1) Management policy

The Group sets the following management policies as "Basic Principles".

1. Society	The Company will promote corporate growth while fulfilling the following responsibilities as a good corporate citizen: 1) Maintain ethical values, ensuring that our corporate activities are fair and transparent; 2) Supply safe products that do not harm the environment; Promote corporate activities that help protect the global environment; 3) Create a better society as a member of our local communities
2. Customers	The Company will develop innovative technologies and products to deliver quality that satisfies our customers.
3. Shareholders	The Company will promote innovative management policies that ensure future corporate growth and the trust of our shareholders.
4. Employees	The Company will build and maintain positive labor-management relations, respect the individuality of its employees and create safe and comfortable workplaces.
5. Business partners	The Company will promote open and mutually beneficial relationships with its business partners in pursuit of long-term growth and prosperity.

(2) Management environment, and issues to be addressed

In order to continue our sustainable growth in the midst of the economic and geopolitical instability and uncertainty that is expected to continue throughout the world, we will promote the following initiatives to solve social issues and to become a corporation needed by society.

(i) Strengthen MONOZUKURI competitiveness

Aiming to secure MONOZUKURI competitiveness that wins us customer trust and patronage, we strive to shorten the lead time from planning and development to production and delivery, which will enable us to (1) improve design and manufacturing quality with a market orientation[1], (2) achieve competitive cost reductions, and (3) contribute to improved cash flow.

(ii) Strengthen R&D capabilities

We will work to improve our R&D capabilities in order to become an Interior Space Creator. First, we will (1) develop a technology roadmap to readily respond to changes in the environment. Then, we will (2) acquire technological capabilities as an interior system supplier, (3) strengthen planning and development of space solutions, and (4) promote social implementation to sow the seeds of new businesses separate from the core business. Above all, we will rapidly improve our R&D capabilities to respond to vehicle electrification.

(iii) Strengthen sales capacity

In order to win the patronage of various customers around the world, we aim to increase orders received by enhancing our sales capacity and making proposals to them, appealing to the above (i) MONOZUKURI competitiveness and (ii) R&D capabilities.

(iv) Strengthen management foundation

In order to implement (i) through (iii) above, it is essential to have a system and structure to manage resources in terms of people, goods, and money. In order to keep pace with the rapid changes in the surrounding environment, we will strive to speed up decision-making and strengthen governance by quickly obtaining and sharing financial and non-financial management information through digital transformation (DX). We will also continue to promote TQM activities[2] aimed at fostering an open workplace culture in which all employees can fully maximize their potential and improve the quality of their work. Moreover, we will systematically recruit and train human resources to realize our vision for 2030. At the same time, we will enhance systems and programs to encourage employees to take on new challenges in order to create innovation.

In addition to the above, as an environmental measure, we will promote activities to reduce CO_2 emissions not only at our own production sites but also throughout our supply chain, and respond to new demands from society such as biodiversity.

Through the development of advanced technologies and high-quality manufacturing, we aim to become “a corporation that continues to be needed by society” by providing solutions for people-centered mobility spaces, thereby improving economic value while solving social issues.

1 Market orientation: To develop and provide products that are based on customer needs and meet customer needs.

2 TQM (Total Quality Management) activities: Activities to maintain a flexible and resilient corporate structure, by improving the quality of operations, increasing the capabilities of humans, the organization and processes, founded on the basic TQM philosophy of “customer first,” “continuous *kaizen*,” and “total participation.”

Approach to Sustainability and our initiatives

The group's sustainability approaches and initiatives are as follows.

This section contains forward-looking statements, which are based on the group's judgments as of the end of the current fiscal year.

(1) Sustainability

[Strategy]

Based on the Principles of Toyoda, which bring together the ideas of our founder Sakichi Toyoda, the Toyota Boshoku group has established its Corporate Philosophy and is steadily implementing this in our business activities in order to continue to earn the trust of all stakeholders.

We are striving to enhance our economic value through the pursuit of sustainable growth and to return the results to our stakeholders. We are also striving to enhance our corporate value over the medium and long term by investing in sustainable growth, thereby meeting the expectations of our stakeholders and contributing to the development of the international and local communities.

We are already actively involved in CSR*1 activities and have contributed to the achievement of the SDGs*2. In line with changes in society, since March 2019 we have been accelerating the shift from CSR to CSV*3 management. In July 2020, we defined as our materiality the identification of important issues to be addressed through our group's operations from among a variety of social issues and the approach we adopt to resolve them. Then, in November 2020, we announced our 2025 Mid-Term Business Plan, which incorporates measures to realize our materiality.

Furthermore, in order to clarify the concept of CSV management, we reviewed the concept of CSR and, formulated the Toyota Boshoku Group Sustainability Policy with the approval of the Board of Directors in November 2021.

We have also formulated and shared the TB Way and the Toyota Boshoku Group Code of Conduct as common values and patterns of behavior on a global scale in order to put our Corporate Philosophy into practice.

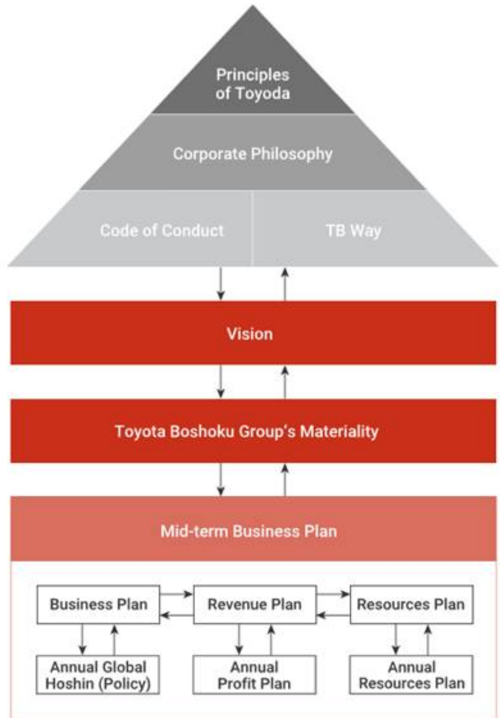
Toyota Boshoku Group Sustainability Policy

The Toyota Boshoku group's Sustainability Policy is composed of the "Management Concept," "Materiality," and "The management structure we aim to become."

1. Management Concept

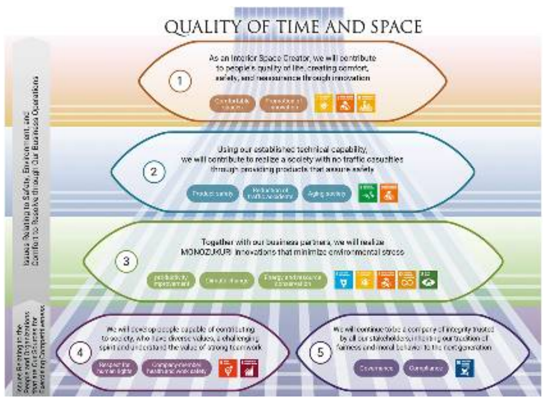
The Toyota Boshoku Group has established Materiality based on the Principles of Toyoda* and contributes to society through its core business activities.

*Toyota Boshoku's company belief, which stipulates the founding spirit of Sakichi Toyoda, "for the world and for people," as our daily motto



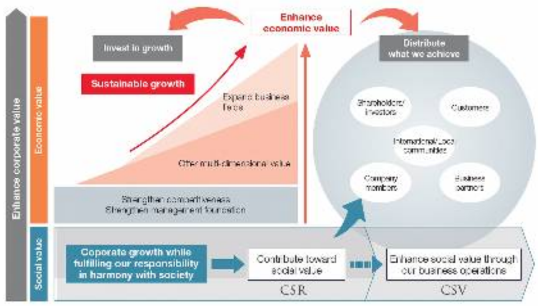
2. Materiality

As an Interior Space Creator, we will create comfort, safety, and reassurance and contribute to people's quality of life and a society with no traffic casualties. We will also take on the challenge of using renewable energy and realizing carbon neutrality in the circular economy.



3. The management structure we aim to become

We will contribute to social value as a good corporate citizen, improve economic value through efforts to strengthen our competitiveness and management foundation, and increase corporate value. In addition, we will strive to meet the expectations of our stakeholders while at the same time pursuing sustainable growth.

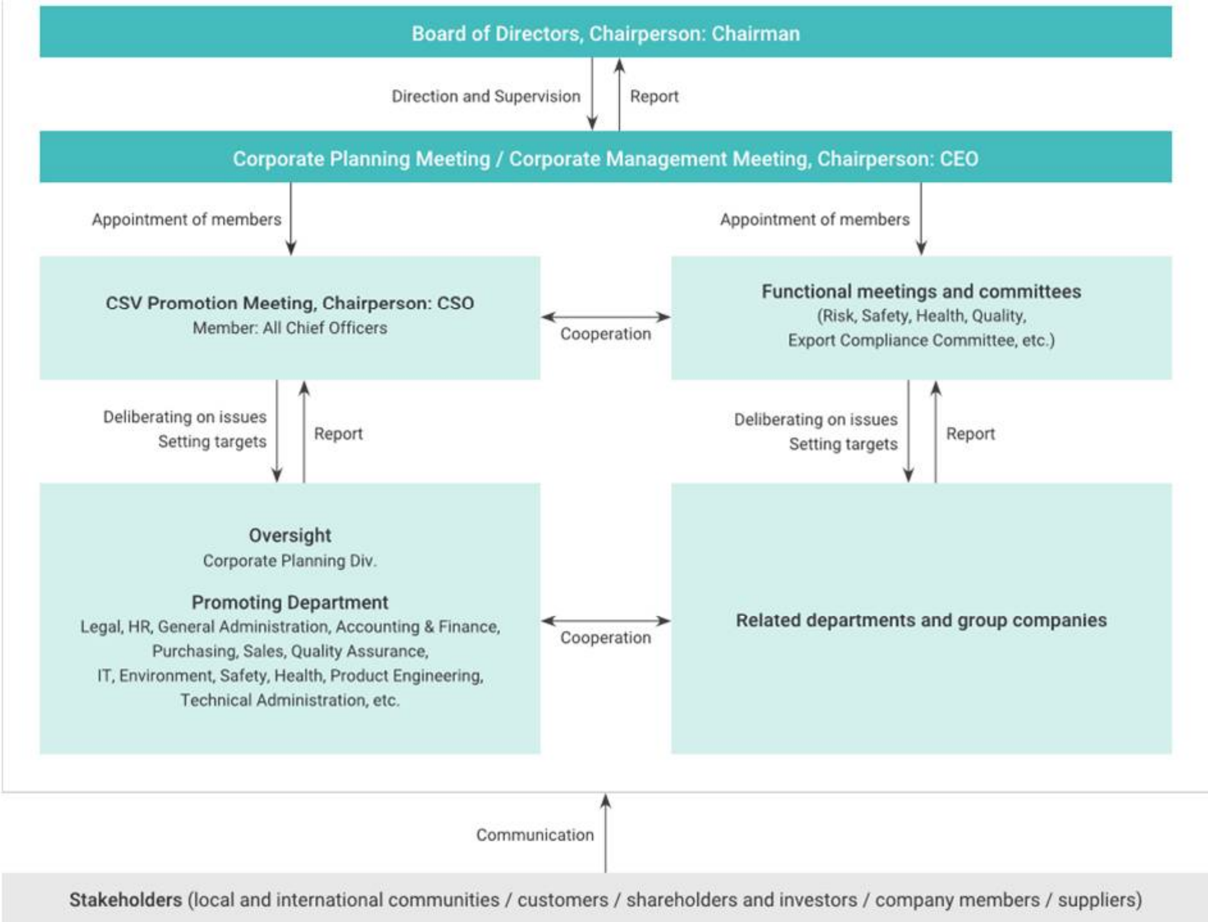


[Governance]

In conducting activities, the CSV Promotion Meeting (chaired by the Chief Strategy Officer (CSO)), which is held twice a year, reports and deliberates on issues and the direction to take in order to enhance corporate value based on the concept of CSV, and reports the details of the activities to the Board of Directors.

In addition, all chief officers responsible for ESG KPIs, which are organized from an ESG perspective and measure progress on materiality, attend the CSV Promotion Meeting to monitor ESG KPIs. Through these activities, we accurately assess the degree to which materiality has been achieved, and we implement the PDCA cycle, as necessary, to get back on track.

Structural Chart

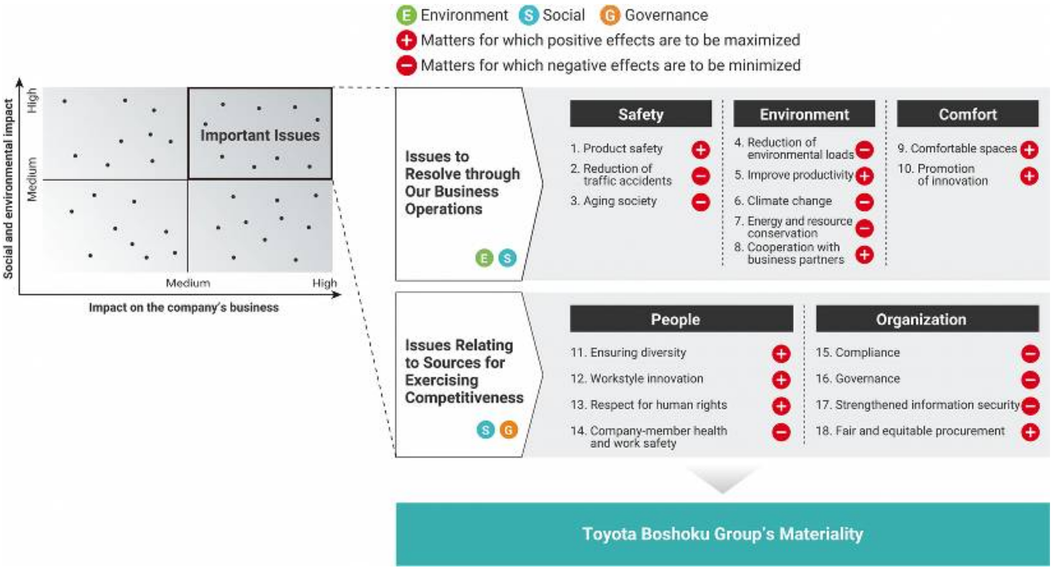


[Risk management]

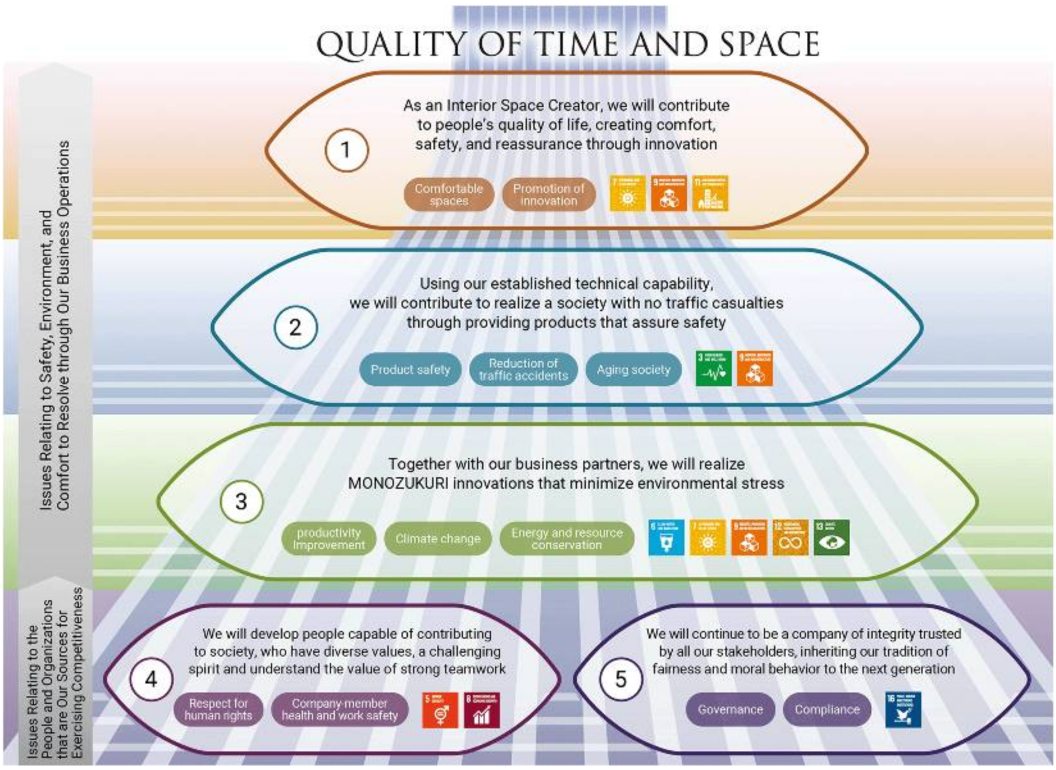
From April 2019 to July 2020, we made a company-wide effort to identify important issues and formulated our materiality.

The important issues identified were classified into those that "Matters for which positive effects are to be maximized," which enrich people and their lives, and those that "Matters for which negative effects are to be minimized," which avoid risk. They were then organized into "Issues Relating to Safety, Environment, and Comfort to Resolve through Our Business Operations," and "Issues Relating to the People and Organizations that are Our Sources for Exercising Competitiveness." The materiality of the Toyota Boshoku group was determined by adding the approach we adopt to resolve each issue.

Plotting of social issues and extraction of important issues



The materiality of the Toyota Boshoku group



[Indicators and targets]

In addition to the financial KPIs established in the Mid-term Business Plan for 2025, which measure economic value, in December 2021 we established ESG KPIs, non-financial KPIs—to measure social value.

Based on the ESG KPIs, we will meet the expectations of our stakeholders by realizing our materiality and enhancing our corporate value.

The ESG KPIs are followed up at the CSV Promotion Meeting (Chairperson: Chief Strategy Officer (CSO)), which is held twice a year.

Approach to formulation of ESG KPIs

1. Organize from an ESG standpoint
2. In line with the Toyota Boshoku Group Sustainability Policy
3. Progress toward materiality can be measured
4. In line with the Corporate Governance Code
5. Responds to the demands of society

No. (*)	Materiality	KPI evaluation items	FY2023 results (Year ended March 31, 2023)	Target	
				FY2026 (Year ended March 31, 2026)	FY2031 (Year ended March 31, 2031)
1	(iii)	Production CO_2 emissions reduction ratio (compared to FY2014)	31%	25%	50%
2	(iii)	Renewable energy installation ratio	23%	15%	40%
3	(iii)	CO_2 emissions reduction ratio in logistics (compared to FY2012)	30%	14%	20%
4	(iii)	Waste emissions reduction ratio (compared to FY2012)	20%	14%	20%
5	(iii)	Water consumption reduction ratio (compared to FY2014)	35%	6%	8%
6	(iii)	Symbiosis with nature (number of trees planted)	72,000	Cumulative 640,000	Cumulative 770,000
7	(iii)	Ratio of sales of unit components of products related to vehicle electrification that will lead to minimization of environmental impact	6.5%	10%	45%
8	(i) (ii)	Number of patent applications	325	320/year	500/year
9	(i) (ii)	Number of external presentations and papers	66	90/year	120/year
10	(i)	Rate of new product development leading to Interior Space Creator	5%	15%	30%
11	(ii)	Ratio of vehicles that are expected to use products that contribute to traffic safety	–	20%	50%
12	(iv)	Number of participants in social contribution activities	Total 2,980	Total 2,000	Total 2,000
13	(v)	Degree of implementation of the Code of Conduct	87%	100%	100%
14	(iv)	Number of stress checks conducted for all employees	1/year	1/year	1/year
15	(iv)	Health checkup rate	99.98%	100%	100%
16	(iv)	Number of serious accidents involving employees	0	0	0
17	(iii) (v)	Number of serious accidents involving outside contractors and visitors	0	0	0

No. (*)	Materiality	KPI evaluation items	FY2023 results (Year ended March 31, 2023)	Target	
				FY2026 (Year ended March 31, 2026)	FY2031 (Year ended March 31, 2031)
18	(iii) (v)	Number of environmental abnormalities and complaints	1	0	0
19	(v)	Number of serious cyber security incidents	1	0	0
20	(v)	DX certification	Certified company	DX-Excellent company	DX-Excellent company
21	(v)	Number of violations of antitrust laws	0	0	0
22	(v)	Number of violations of anti-bribery laws	0	0	0
23	(iv) (v)	Countermeasure to human rights risks in the supply chain (conducting human rights due diligence)	Held workshops with suppliers	Conducting ratio 100%	Conducting ratio 100%
24	(v)	External awards from customers	8	5	5
25	(v)	Compliance with timely and appropriate disclosure	100%	100%	100%

(*) Of the above KPI results and targets, No. 1, 2, 4, 5, 6, 13, 16, 17, 18, 19, 21, and 22 apply to the global Toyota Boshoku group and No. 3, 7, 8, 9, 10, 11, 12, 14, 15, 20, 23, 24, and 25 apply to the non-consolidated Toyota Boshoku Corporation.

(2) Human Capital

1. Human resource strategy

The automotive industry is poised to undergo a major, once-in-a-century transformation, requiring responses that go beyond conventional frameworks.

In our human resource strategy, we will further promote active roles for diverse human resources and invigorate innovation by fostering an open workplace culture where everyone can frankly express their opinions in order to contribute to business expansion and the creation of new businesses.

In addition, it is expected to become even more difficult to secure necessary resources due to the declining labor force and other factors. While introducing new recruitment methods that are not an extension of conventional methods, we will develop a system to ensure that necessary resources are secured globally and in a timely manner.

1) Promoting active roles for diverse human resources

We respect diverse career paths and work styles (independent choices) and accept diversity regardless of nationality, age, sex, or physical or mental disability, and are promoting systems that reward each individual's activities and contributions, and systems and environments that enable everyone to take on challenges and play an active role.

From 2022 onward, the Employee Network Resource Group (ENRG) was established and began efforts to capture the real voices of employees and convey them to management for problem solving.

(i) Promoting active roles for women

Number and ratio of female managers in Toyota Boshoku (non-consolidated)

Fiscal year	Unit	2021 (Year ended March 31, 2021)	2022 (Year ended March 31, 2022)	2023 (Year ended March 31, 2023)	2031 (Year ended March 31, 2031)
Number of female managers	Persons	24	29	33	65
Ratio of female managers	%	2.0	2.4	2.7	5.0

Implementation measures

Career development support	- Work assignment and training transfers based on self-assessment and ability maps - Registration and training of priority training targets
Flexible working rules Enhancement of our offices and IT environments	- Introduction of flextime without core hours and remote work systems - Introduction of production lines that make it easier for employees who are raising children to work - Expansion of shortened work hour system - System to rehire employees who resigned due to spouse's overseas job transfer
Reforming awareness of female employees and their supervisors	- Education for supervisors, seminars on returning to work after childcare leave, and conventions to promote women's active roles

(ii) Encouraging male employees to take childcare leave

We believe that creating an environment that allows employees to balance work and family life will lead to higher employee motivation and a review of work procedures, and we are promoting greater awareness and workplace understanding of men taking childcare leave.

From 2023 onward, we will also begin providing financial support during childcare leave to encourage employees to take it.

Number and ratio of male employees taking childcare leave

Fiscal year	Unit	2021 (Year ended March 31, 2021)	2022 (Year ended March 31, 2022	2023 (Year ended March 31, 2023	2026 (Year ended March 31, 2026
Number of male employees taking childcare leave	Persons	18	36	70	–
Ratio of male employees taking childcare leave	%	6	15	28	90*

* Childcare leave taken by 100% of employees who wished to take it

(iii) Promoting active roles for foreign nationals, persons with disabilities, and senior human resources

We accept trainees from group companies outside Japan, activate transfers across regions, and actively accept and recruit interns from universities around the world.

In addition, we promote the creation of a workplace environment in which persons with various disabilities can work comfortably. In particular, for the hard of hearing, each plant makes accommodations such as conducting sign language workshops and posting information on large displays during morning meetings.

We are also implementing measures to enable senior personnel to work more dynamically and actively, such as a job posting system for those 50 years of age and older, a system that rewards personnel who continue to hold high positions of responsibility and produce results after the age of 60 with benefits, and the expansion of opportunities for senior personnel to take an active role, including with suppliers.

Foreign nationals, persons with disabilities, and senior human resources in Toyota Boshoku Corporation (non-consolidated)

Fiscal year		Unit	2019 (Year ended March 31, 2019)	2020 (Year ended March 31, 2020)	2021 (Year ended March 31, 2021)	2022 (Year ended March 31, 2022)	2023 (Year ended March 31, 2023)
Foreign nationals		Persons	36	42	47	64	61
Persons with disabilities		Persons	144	150	159	167	162
	Ratio of employment	%	2.20	2.21	2.33	2.50	2.53
Senior human resources	Ratio of elderly continued employment	%	77	82	76	81	89
	Number of re-employment system users	Persons	267	314	343	354	392

(iv) Support for LGBTQ+ and sexual diversity

To promote understanding of sexual diversity, we provide education for managers and have established an in-house consultation window.

We will continue to develop an environment where LGBTQ+ people can work comfortably and promote activities to raise awareness and understanding among employees and foster a culture that respects all forms of sexuality.

2) Human resource development (enhancing existing organizations and human resources)

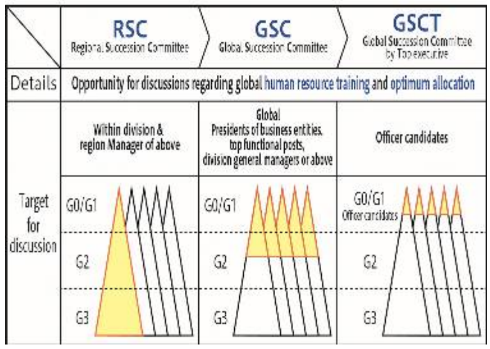
We have formulated the TB Way competencies (Code of Conduct For Global Leaders) based on our philosophy, and are training and appointing people globally who can demonstrate well-balanced abilities in the four areas of "strategic planning," "execution and accomplishment," "improvement of human resource and organizational capabilities," and "people skills."

(i) GHR Platform

Since FY2014, we have been systematically promoting the identification, development, and promotion of the Toyota Boshoku group's full-time employees by certifying their qualifications for managerial positions and above. In addition, since FY2021, we have revised the system so that employees who assume positions with greater responsibility are treated more favorably, facilitating the appointment of the right people, including younger employees, to the right positions, and enhancing our ability to respond to new management issues.

(ii) Support for training the next-generation of executive management candidates

Succession Committees (Summary)



Since FY2019, we have sequentially established succession committees (GSCT, GSC, RSC) to identify the next-generation of management candidates and discuss succession plans and individual development plans for cross-regional appointments and development through our global executive training programs (GEDP[1], GLDP[2]).

1 Global Executive Development Program

Selective training for mid-level executives

2 Global Leader Development Program

Selective training for key talents and young executives

(iii) Developing innovative human resources

We have launched two programs from 2022 to develop human resources who will be responsible for expanding our business areas and creating new businesses.

Initiatives	Details
Create opportunities to generate new value Re:act	1) Workshop that provides opportunities for the generation of innovative ideas (1,629 participants in 2022 with the theme of "space") 2) Idea contest, which is an opportunity to test one's abilities
Practical education program that generates new value We:ave	1) Open recruitment system, assigned for six months 2) Investigate commercialization of one's own idea with guidance from an expert 3) Results presentation

3) Creating an open workplace culture

In order to make the expansion of diversity our strength, we believe that it is essential to create an open workplace where everyone can openly express their opinions, and we are working to foster a culture where employees can fully demonstrate their abilities and work with peace of mind.

(i) Conducting 360-degree evaluations

In FY2021, we introduced 360-degree assessments, which are used as a reference index for identifying, promoting, and assigning human resources. We also provide feedback to individuals to increase their awareness and provide opportunities for further growth.

(ii) Initiatives to create an open workplace culture

In 2022, we implemented the Action Declaration by the officers, training for managers on prevention of harassment, and lectures by experts.

In addition, from 2023, we will provide psychiatry-based education to foster appreciative and compassionate communication, and strengthen our response to employees with psychological problems by having professional psychologists on staff.

Employee satisfaction: Positive response rate (KPI on vibrant work environment)

Fiscal year	Unit	2021 (Year ended March 31, 2021)	2022 (Year ended March 31, 2022)	2023 (Year ended March 31, 2023)	2026 (Year ended March 31, 2026)
Employee satisfaction (KPI on vibrant work environment)	%	**71.5**	71.1	70.4	85.0

4) Health and productivity management

We regard enhancement of the health of our employees as a management task, and based on the Toyota Boshoku Health Declaration, formulated in 2019, we are promoting the creation of a company in which employees can work in good health and with vitality. In recognition of our efforts, we were certified as an Excellent Enterprise of Health and Productivity Management 2023 (White 500), as we were last year for 2022.

Smoking has been banned on our premises since April 2023, and we will also support employee efforts to quit smoking. We also endeavor to improve the health literacy of our employees by creating an environment in which they can consider improving their lifestyles through the use of health activity promoters assigned to each department.

2023
健康経営優良法人
Health and productivity
ホワイト500

(3) Response to the TCFD

Based on its Corporate Philosophy of “Promote corporate activities that help protect the global environment”, the Toyota Boshoku group makes collective efforts to contribute to preserving the global environment in order to realize a sustainable society.

We formulated the 2050 Environmental Vision in 2016 and identified our Materiality (important issue to be resolved through our business operations) of “Together with our business partners, we will realize MONOZUKURI innovations that minimize environmental stress” in 2020 in order to promote environmental initiatives.

In April 2020, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). By extensively analyzing the impact of climate change on our business and the risks and opportunities that result from it based on scenarios, we will confirm the direction of our company’s initiatives and reflect them in our future management strategy.

[Governance]

Concrete measures related to climate change and other environmental issues are decided upon by the Board of Directors, and implemented by such bodies as the Corporate Strategy Meeting, the Corporate Planning Meeting, and the Corporate Management Meeting.

Policies and plans to respond to environmental issues identified by the Board of Directors, the Corporate Strategy Meeting, and the Corporate Planning Meeting are shared at the Carbon Neutral Environmental Promotion Meeting, which is held five times annually, and is connected with implementation planning and progress management for environmental issues affecting the Toyota Boshoku group. Additionally, KPI are created based on implementation planning, and these are reported and subjected to management review at monthly Corporate Management Meetings.

Matters deliberated upon at the Carbon Neutral Environmental Promotion Meeting are reported to the Board of Directors, whose directions and supervision allow such matters to be incorporated into group strategy.

[Strategy]

Scenario analysis of climate-related risks and opportunities

(i) Scenario analysis results

We have identified short-term, medium-term, and long-term risks and opportunities based on the 1.5 to 2°C scenario[1] developed by the International Energy Agency (IEA), in which the impact of transition risks surfaces, and the 4°C scenario[2] developed by the Intergovernmental Panel on Climate Change (IPCC), in which the impact of physical risks surfaces. The table below lists the risks and opportunities that are assessed as particularly high.

1 1.5°C scenario: NZE (IEA World Energy Outlook 2021); under 2°C scenario: SDS (IEA World Energy Outlook 2021)

2 4°C scenario: RCP 8.5 (IPCC 5th Assessment Report)

	Causes	Risks / Opportunities	Assessment	Actions	Response cost*3 (FY2024)
Transition risks and opportunities (1.5 to 2°C)	Enhancement of climate change policies, including carbon pricing	• Increase in procurement costs by introducing carbon prices, etc.	Risk	• Survey of suppliers (CO_2 emissions, efforts to reduce CO_2 emissions, etc.) Promotion of activities for setting CO_2 emission reduction targets • Support for suppliers (Sharing of energy saving cases, joint development of new materials and new methods, joint purchase of renewable energy, etc.)	—
		• Increase in operating costs due to the direct impact of the introduction of carbon prices or its indirect impact on energy prices	Risk	• Introduction of highly efficient equipment to promote further energy saving and promotion of the development of new methods • Promotion of the introduction of renewable energy • Optimization of logistics (Reduction of CO_2 emissions associated with transportation through the promotion of local production for local consumption)	4.5 billion yen
		• Increase in cost due to investment in energy saving and renewable energy for decarbonization	Risk	• Optimization of investment by introducing ICP (Internal Carbon Pricing)	—
	Enhancement of efforts to promote vehicle electrification	• Expansion of business in new fields through collaboration between Toyota group companies	Opportunity	• Expansion of new business domains and diversification of provided value	1.3 billion yen
		• Increase in demand for electrified products	Opportunity	• Further planning and development of electrified products	2.9 billion yen
	Change in evaluation by customers and the consumer value standard (raised environmental awareness, etc.)	• Decrease in sales due to lower demand for products with insufficent low-carbon technology	Risk	• Planning and development of products to further reduce carbon emissions • Planning and development of plant-derived products and lightweight products • Improvement of recyclability and promotion of simple disassembly design	3.2 billion yen
		• Increase in sales by developing low-carbon products • Expansion of demand for plant-derived products and lightweight products • Enhancement of competitiveness by developing technology to improve recyclability	Opportunity		
Physical risks and opportunities (4°C)	Worsening of extreme weather, including heavy rain and subsequent flooding	• Decrease in sales due to the impact of supply chain disruption on production	Risk	• Risk management using a system to manage the range of supplier impact • Selection of logistics routes that minimize the impact of disaster	—
		• Decrease in sales due to factory shutdown	Risk	• Enhancement of the BCP system (Creation of manuals and establishment of an information collection/sharing system)	—

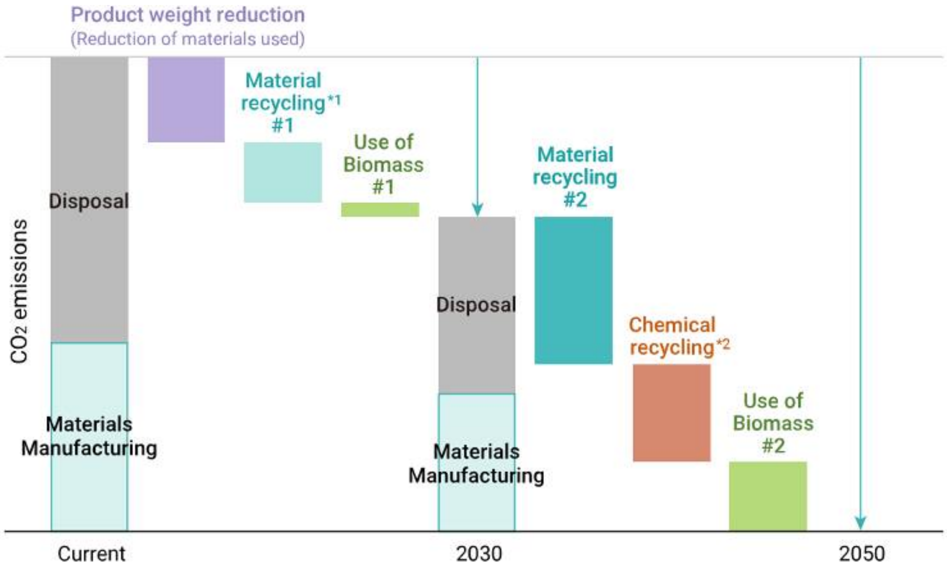
3 The response costs will be updated in accordance with the next mid-term business plan.

(ii) Priority action

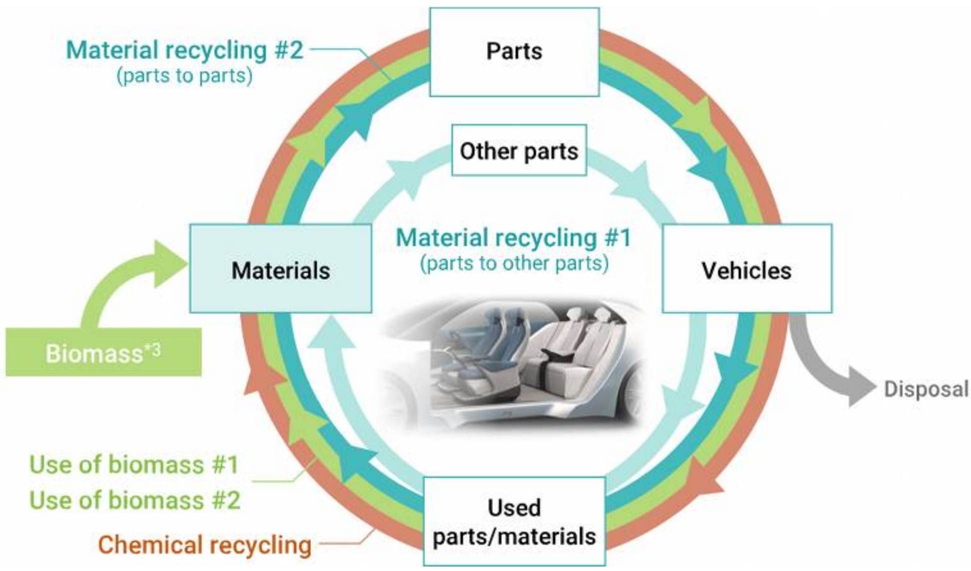
Challenge to Carbon Neutrality through a Circular Economy for Product Materials

The Toyota Boshoku group promotes the reduction of CO2 emissions in the product life cycle. In addition to reducing the weight of products, using plant-derived materials (biomass), and developing technologies for electrified products, we will improve the recyclability of products. We will also work to reduce CO2 emissions from the materials used in our products toward carbon neutrality.

(1) Measures to reduce CO_2 emissions from product materials



(2) Initiatives for a circular economy



Challenge to carbon neutrality by 2050 by recycling product materials and using biomass

1 Reusing products as raw materials to produce new products

2 Chemical decomposition of used products and reuse as raw materials for new products

3 A renewable resource of biological origin

(iii) Through Scenario Analysis

- We have recognized the magnitude of risks and opportunities that climate change poses to our business and have confirmed that our initiatives have led to risk reduction and opportunity expansion.

- The results of scenario analysis will be used as a reference when we promote the initiatives in the 2025 Mid-Term Business Plan and consider the 2030 Mid-Term Business Plan and will be reflected in our management strategy.
- Based on the results of scenario analysis, we will continue to strengthen our response to risks and opportunities and work on further information disclosure.

[Risk management]

The Carbon Neutral Environmental Center monitors climate change-related changes in the external or internal environment on a company-wide basis, and identifies risks that could negatively impact our business.

Climate-related risks are deliberated upon at the Carbon Neutral Environmental Promotion Meeting, and officially identified at the Risk Management Promotion Meeting, with participation from both the Chairman and the President, and with the Chief Human Resources Officer(CHRO), head of the Human Resources & General Administration Segment acting as chairperson.

The Risk Management Promotion Meeting receives reports from various departments, and discusses climate change-influenced risks of all kinds, such as typhoons and flooding. Judgments are made concerning the relative severity of risks, with consideration made to the relationship between various risks. Finally, climate-related risks which affect the entire company are identified.

Identified risks are reported to the Board of Directors, under the management of the Chief Risk Officer (CRO).

[Indicators and targets]

Medium- and long-term targets

- 2050 Environmental Vision

  Challenge of achieving zero CO2 emissions in the Toyota Boshoku group

  Challenge of achieving zero CO2 emissions in the product life cycle

GHG emissions

Targets

- 2030 targets

  50% reduction in CO2 emissions versus FY2014
- Environmental Action Plan for 2025

  25% reduction in CO2 emissions versus FY2014

Results

Items	FY2023 Results (estimated)* (Year ended March 31, 2023)
CO_2 (scope 1)	59,340 t-CO_2
CO_2 (scope 2)	196,595 t-CO_2

Scope 1 and 2 target achievement status

113%

* A third-party guarantee will be obtained from KPMG AZSA Sustainability Co., Ltd.

Business and other risks

In relation to the matters described in the annual securities report concerning the overview of business or financial information, the management recognizes the following key risks that may have a material impact to the consolidated financial position, financial performance and cash flows of the Group. Forward-looking statements in this report represent the judgment of the Group as of the filing date of Japanese annual securities report (June 21, 2023).

(1) Economic conditions

The Group's businesses encompass the production and sales of products and the provision of services worldwide. Demand for automobile-related products, which make up an important part of that, is vulnerable to the effects of the economic conditions of the countries or regions in which we provide our products and services. Accordingly, an economic recession or a shrinkage in demand for automobiles in the Group's major markets, including Japan, North, Central and South America, China, Asia and Oceania, and Europe may have an adverse impact on the Group's financial performance and financial position.

Moreover, the Group's businesses may be indirectly affected by the economic conditions of regions in which competitors conduct their production. For example, if a competitor has employed a labor force in the place of production at lower personnel costs and provides the same type of products as the Group provides but at lower prices, then that may have an adverse impact on the sales of the Group. Furthermore, if there is a fall in the local currency of a region where components or raw materials are produced, the cost of production may drop not only for the Group but for other manufacturers as well. If such a trend arises, competition for exports and prices would intensify, which may have an adverse impact on the Group's financial performance and financial position.

(2) Reliance on certain customers

The Group mainly sells various auto parts, notably auto interior parts to Toyota Motor Corporation ("TMC"). For the current fiscal year, the sales to TMC accounted for 21.5% of the Company's revenue. Therefore, the performance of TMC's vehicle sales may have an adverse impact on the Group's financial performance and financial position.

As of March 31, 2023, the ratio of the Company's voting rights held by TMC was 31.0%, which indicates the direct ownership ratio.

(3) Potential risks associated with international activities and overseas operations

The production and sales activities of the Group are conducted in a wide range of markets, including Japan, North, Central and South America, China, Asia and Oceania, and Europe. Therefore, the deployment of business operations in these regional markets involves various risks such as those listed below due to differences in the various circumstances of the countries.

1) Unforeseen changes to laws and regulations and disadvantageous changes to the tax system

2) Immaturities in public infrastructure that affect business activities

3) Occurrence of disadvantageous circumstances from political or economic causes

4) Risks associated with hiring or securing personnel and labor problems

5) Social turmoil caused by terrorism, war, infectious disease or other factor

(4) Exchange rate fluctuations

The Group's businesses encompass the production and sales of products and the provision of services worldwide. Items denominated in foreign currency including sales, expenses, assets and liabilities in each region are converted into yen to prepare consolidated financial statements. Even if values of these items do not change in the local currency, the exchange rate when converting these items could have an impact on the values of these items after conversion into yen. Generally, the strengthening of the yen against other currencies may have an adverse impact on the Group's financial performance and financial position.

(5) Price competition

The Group faces extremely intensified price competition in the automobile industry.

The Group considers itself as a corporate enterprise that supplies products of superior technology, quality and price to all markets globally, and which is capable of meeting its customers' demands, but the Group has no assurances that it can effectively compete like this in the future as well. That is because a new competitor in a specific product market or regional market in which the Group operates could form a business alliance with existing competitors and rapidly expand their market share. Loss of customers due to price pressure or being unable to effectively compete may have an adverse impact on the Group's financial performance and financial position.

(6) Reliance on suppliers of raw materials and components

The Group's products rely on various raw materials and components from suppliers outside the Group. The Group has concluded basic business contracts with suppliers outside the Group and such stable transactions for raw materials and components are a base for the Group's stable production. However, the Group has no assurances against future securement of raw materials and components, which may arise from a global shortage due to tight supply, an unforeseen accident involving a supplier, or large earthquake, typhoon or flooding caused by abnormal weather, or infectious disease outbreak involving a supplier. Such shortages could have a delay on the Group's production and cause an increase in costs. In addition, a significant increase in the price of electricity, gas and other energy used in the production of raw materials and parts may also increase costs.

(7) Environmental regulations

Guided by its corporate philosophy, the Group considers that part of its fundamental activities includes strict adherence to corporate ethics, promotion of fairness and transparency in corporate activities, and promotion of corporate activities with an emphasis on protection of the global environment, and takes thorough efforts to reduce environmental burdens and to comply with laws and regulations. Specifically, the Group strives to develop products that meet the environmental regulations; to develop processes and technologies that reduce the occurrence of environmentally harmful materials; and to reduce environmentally harmful materials at the production stage.

However, various environmental laws and regulations could also be revised and strengthened in the future. Accordingly, any delays by the Group in responding to such changes could result in restrictions or reductions in product development and product manufacturing, and may have an adverse impact on the Group's financial performance and financial position.

Moreover, if the Group is delayed in its response to various laws and regulations relating to the environment, it could lose trust from countries, municipalities, local residents, and customers, which may have an adverse impact on the Company's reputation and credibility.

(8) Capability to develop new products

The Group makes efforts to develop new products that anticipate the sophisticated and diversifying market needs and earn customer satisfaction in line with one of its corporate philosophies: to develop innovative technologies and products to deliver quality products that satisfy our customers. Going forward, the Group believes it will be able to continue to develop and sell new products. However, the process required to achieve this is complicated and uncertain and involves various risks, including the risks below.

1) The Group has no assurances of adequacy regarding the necessary funds and resources for investment in new products and new technologies going forward.
2) The Group has no assurances that long-term investments and usage of a large amount of resources will lead to successful development of new products or new technologies.
3) The value of the Group's products may sharply drop due to rapid progress in technology or changes in market needs.
4) The Group may be unable to respond to the demands of the market and miss out on earning opportunities due to delays in the commercialization of new technologies currently under development.

(9) Intellectual property rights

The Group accumulates technology and know-how to differentiate its products from those made by other companies and directs efforts toward the protection of that technology and know-how. However, in certain regions it is difficult to completely protect intellectual property or the Group is currently in a situation where there is only limited protection of intellectual property. Therefore, the Group may be unable to prevent a third party from producing a product that is similar to the Group's product by using the Group's intellectual property. In addition, a third party may develop technology that is similar or superior to that of the Group, and the Group may be unable to prevent a third party from emulating or analyzing and studying the Group's patents and corporate secrets. Moreover, the Group conducts development of products and technologies while being conscientious of the intellectual property rights of third parties. However, in the future, circumstances may arise where the Group is judged to have violated a third party's intellectual property rights.

(10) Product defects

The Group is engaged in initiatives aimed at harnessing its total capabilities to improve quality in line with one of its corporate philosophies: to supply safe products that do not harm the environment and promote corporate activities that help protect the global environment. However, the Group cannot guarantee all its products will be defect-free and that product recalls or product liability indemnities will not occur in the future.

Moreover, the Group takes out an insurance policy against product liability indemnities. However, the Group has no assurances that the insurance will cover all amounts of indemnities that the Group may ultimately have to bear. Product defects that could lead to large-scale recalls and product liability indemnities could result in large cost burdens and have a significant negative impact on the reputation of the Group. It could also have an adverse impact on the Group's financial performance and financial position due to a decrease in sales and profit.

(11) Large-scale disasters, outbreaks of infectious diseases

The Group carries out various measures to minimize the impact on business activities from large-scale disasters, such as by promoting the development of systems for business continuity, creating a safety confirmation system, and carrying out regular training and regular checks and inspections of its production facilities.

In addition, when responding to infectious diseases, the Group carries out measures to obtain information from external sources as required to prevent delays in initial response; to strengthen education on infectious diseases and improve individual infection protective measures; and to prepare standards for health management, stockpiled supplies and working arrangement according to the official category level of the infectious disease.

However, there is no assurance the Group can completely prevent or lessen the impact of human related or natural disasters and power blackouts occurring at the Group's and its suppliers' production facilities. Specifically, the majority of the Group's domestic production facilities and most of its business partners are located in the Tokai region, and if a large-scale earthquake, a typhoon, flooding from local torrential downpour, or a major infectious disease outbreak occurred in this region, such an event may cause delays or stoppages of production or shipment activities. In addition, criminal acts, etc. may have an impact on the Group's operations and cause turmoil in the Group's sales networks or supply networks. If such delays or stoppages and the turmoil are prolonged, it could have an adverse impact on the Group's financial performance and financial position.

(12) Information security

With regard to cyberattacks, which are becoming increasingly sophisticated and precise, the Group recognizes that illegal intrusions and access to systems by third parties, infections of computer viruses, leakage of confidential information or other cyber security breaches are serious risks, and promotes security measures. The Group believes it is important to also strengthen the operational aspects through awareness campaigns, trainings and education targeting employees, and in addition to strengthening measures to protect systems, efforts are carried out to maintain and enhance trust in the Group by systematically and continuously raising the security awareness of employees.

However, cyberattacks or intentional fraudulent acts or negligence could cause information system failure or confidential information leakage to the third parties. Such occurrences could have a stalling effect on the Group's business activities or lower society's trust in the Group, which may have an adverse impact on the Group's financial performance and financial position.

To address the aforementioned and other risks, the Group comprehensively identifies and manages risks through the Risk Management Promotion Meeting and conducts activities to prevent and mitigate potential losses from those risks. Specifically, the Group identifies risks, prioritize the risks by analysis and evaluation, and considers and executes measures to protect against and respond to the risks. After the execution of such measures, the Group conducts monitoring and review, and confirms and assesses the progress of such measures.

Management's analysis of financial performance, operating results, and cash flows

(1) Summary of business results

The following is a summary of the group's financial position, financial performance, and cash flows (hereinafter "business results") for the fiscal year ended March 31, 2023.

1) Financial position and financial performance

■ The business environment

While restrictions on economic activities due to the coronavirus pandemic eased in many countries, the global economy during the fiscal year ended March 31, 2023 faced increasing concerns of a slowdown due to rising energy costs triggered by the situation in Ukraine, accelerating inflation, and rising interest rates in many countries. The automotive industry is expected to continue to face difficult conditions due to the prolonged shortage of semiconductors and the significant impact of soaring raw material and logistics costs.

In addition to global warming mitigation in response to climate change, there are growing calls for companies to take proactive actions to solve social issues, such as resource recycling, measures toward symbiosis with nature, observance of human rights, and respect and acceptance of diversity in human resources.

■ Business overview for the fiscal year ended March 31, 2023

(i) Strengthening the competitiveness in the current situation

During the fiscal year ended March 31, 2023, the Company has been responding flexibly to production in a challenging environment of large fluctuations in automobile production volume and increasingly high raw material and logistics costs. At our production sites, we have established a system that allows people to move back and forth and help each other between plants, including those in Tohoku and Kyushu. In addition, by integrating TPS[1] and DX[2], we promoted further efficiency in manufacturing through a simulation of the actual production process reproduced in cardboard, etc. Furthermore, in order to strengthen price competitiveness and improve earning power even under reduced production, we have promoted cost planning for new products and streamlined fixed costs.

(ii) Initiatives from a medium- to long-term perspective

We are on track to complete the restructuring of the seat frame mechanism component business, which we have been promoting since 2015 in order to become "home"[3] as an interior system supplier, which is our vision for 2025. In addition, to expand sales, we were able to gain orders from new customers in Indonesia and India. In the future, we will increase orders received for motor cores and other electrification components in line with the progress of vehicle electrification.

Furthermore, in order to fulfill our goal of creating new value as an Interior Space Creator, which is our vision for 2030, we presented an item that achieves rideshare[4] mobility as one of our vehicle interior space solutions at CES 2023, a trade show for electronic devices held in Las Vegas, Nevada, USA in January of this year. This is also the result of our work with the startup companies we have invested in. We were also highly evaluated for our proposal of a space concept that enables wheelchair users to move safely and independently without a caregiver. Next, we would like to move up from the planning and demonstration phase to the implementation phase so that we can provide this technology to the world as soon as possible.

1 TPS: Toyota Production System

2 DX (digital transformation): Enhancing the quality of business and life through information technology (IT), such as high-speed Internet, cloud services, and artificial intelligence (AI)

3 Home: Business or region with a local presence that can add value on its own and has an edge over competitors

4 Rideshare: Any social service that matches the demand for carpooling with the demand for passenger cars, with the aim of easing traffic congestion and reducing environmental impact

Consolidated revenue for the fiscal year ended March 31, 2023 increased 182.5 billion yen (12.8%) year-on-year to 1,604.0 billion yen due to the effect of increased production resulting from global demand recovery and the impact of foreign exchange rates, despite the impact of production constraints caused by parts supply problems and other factors. In terms of profit, although there were positive effects of increased production due to a recovery in global demand, the changes in the model mix mainly due to parts supply problems in Japan and expenses associated with the termination of the Russian operations caused consolidated operating profit to decrease by 12.6 billion yen (-20.9%) year-on-year to 47.6 billion yen, and profit before income taxes to decrease 12.2 billion yen (-19.0%) year-on-year to 52.2 billion yen. Profit attributable to owners of the parent decreased 24.5 billion yen (-62.6%) year-on-year to 14.6 billion yen.

As for our financial position as of March 31, 2023, assets increased 42.6 billion yen year-on-year to 1,007.3 billion yen, mainly due to increases in cash and cash equivalents and trade receivables. Meanwhile, liabilities increased by 29.5 billion yen year-on-year to 570.4 billion yen. This was mainly due to an increase in trade payables. Equity increased by 13.0 billion yen year-on-year to 436.8 billion yen. This was mainly due to the recording of net profit attributable to owners of the parent.

Segment results are as follows.

Japan

In this region, revenue increased 32.2 billion yen (4.6%) year-on-year to 732.9 billion yen, mainly due to the effect of increased production. Operating profit increased 2.0 billion yen (21.3%) from year-on-year to 11.6 billion yen, mainly due to the impact of transfer price taxation adjustments, despite changes in the model mix due to parts supply problems and increased overhead costs.

North, Central and South America

In this region, revenue increased 70.9 billion yen (22.3%) year-on-year to 388.7 billion yen, mainly due to an increase in production volume and foreign exchange effects. Operating loss was 1.1 billion yen (operating profit of 2.9 billion yen for the fiscal year ended March 31, 2022) due to an increase in various expenses associated with model changes and the launch of new models, despite the effect of increased production.

China

In this region, revenue increased 32.4 billion yen (15.3%) year-on-year to 244.6 billion yen, mainly due to an increase in production volume caused by the launch of new vehicles in the second half of the previous fiscal year, and foreign exchange effects. Operating profit increased 5.4 billion yen (34.7%) year-on-year to 21.2 billion yen, mainly due the effects of increased production and a boost from new products, and foreign exchange effects.

Asia & Oceania

In this region, revenue increased 59.1 billion yen (31.1%) year-on-year to 249.6 billion yen, mainly due to an increase in production volume and foreign exchange effects. Operating profit decreased 12.6 billion yen (-47.5%) from year-on-year to 14.0 billion yen, mainly due to the impact of transfer price taxation adjustments, despite an increase in production volume and foreign exchange effects.

Europe & Africa

In this region, revenue increased 12.0 billion yen (12.5%) year-on-year to 108.2 billion yen, mainly due to an increase in production volume and foreign exchange effects. Operating profit decreased 3.3 billion yen (-63.8%) from year-on-year to 1.9 billion yen, mainly due to expenses recorded from the cessation of operations in Russia, despite an increase in production volume and foreign exchange effects.

2) Cash flows

Cash and cash equivalents as of March 31, 2023 on a consolidated basis increased 10.2 billion yen (4.3%) year-on-year to 248.1 billion yen.

The status of each cash flow and their factors during the current fiscal year are as follows.

Net cash provided by operating activities

Net cash provided by operating activities amounted to 89.4 billion yen. This was mainly due to such cash-increasing factors as profit before income taxes of 52.2 billion yen and depreciation and amortization of 47.0 billion yen.

Net cash used in investing activities

Net cash used in investing activities amounted to 36.4 billion yen. This was mainly due to such cash-decreasing factors as expenditures of 45.6 billion yen for the purchase of property, plant and equipment.

Net cash used in financing activities

Net cash used in financing activities amounted to 40.8 billion yen. This was mainly due to such cash-decreasing factors as repayment of lease liabilities totaling 31.0 billion yen and dividends paid of 12.5 billion yen.

3) Production, Orders and Sales

a. Production

The table below shows production performance by segment in the current fiscal year.

Segment name	FY2023 (April 1, 2022 - March 31, 2023)	Year-on-year change (%)
Japan (millions of yen)	695,177	4.6
North, Central and South America (millions of yen)	360,405	22.4
China (millions of yen)	216,552	17.3
Asia & Oceania (millions of yen)	222,533	30.5
Europe & Africa (millions of yen)	90,509	12.6
Total	1,585,178	13.7

(Notes) 1. Amounts are based on sales prices.

2. Production performance in the Asia & Oceania segment increased mainly due to an increase in production volume and foreign exchange effects.

b. Orders

The group receives production plans for each quarter and the following month from various customers, mainly Toyota Motor Corporation, and makes production plans and products in consideration of production capacity.

c. Sales

The table below shows sales performance by segment in the current fiscal year.

Segment name	FY2023 (April 1, 2022 - March 31, 2023)	Year-on-year change (%)
Japan (millions of yen)	643,570	1.6
North, Central and South America (millions of yen)	384,129	22.3
China (millions of yen)	235,866	16.8
Asia & Oceania (millions of yen)	233,911	32.3
Europe & Africa (millions of yen)	106,559	12.3
Total	1,604,036	12.8

(Notes) 1. Inter-segment transactions are offset and eliminated.

2. Sales performance in the Asia & Oceania segment increased mainly due to an increase in production volume and foreign exchange effects.

3. Sales performance by major business partners and their ratio of total sales results for the two most recent fiscal years are as follows.

Business partner	FY2022 (April 1, 2021 - March 31, 2022)		FY2023 (April 1, 2022 - March 31, 2023)	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)
Toyota Motor Corporation	359,861	25.3	345,660	21.5
Toyota Motor North America	163,283	11.5	162,051	10.1
TOYOTA AUTO BODY CO., LTD.	147,326	10.4	150,938	9.4

(2) Management's analysis and discussion of business results

1) Significant accounting policies and estimates

The significant accounting policies adopted by the group in its consolidated financial statements are described in "Notes to Consolidated Financial Statements", "3. Significant Accounting Policies" and, "4. Significant Accounting Estimates and Judgments."

2) Understanding, analysis and discussion of business results for the current fiscal year

As for the group's operating results for the current fiscal year, consolidated revenue increased 182.5 billion yen (12.8%) year-on-year to 1,604.0 billion yen. Consolidated operating profit decreased 12.6 billion yen (-20.9%) year-on-year to 47.6 billion yen. Consolidated profit before income taxes decreased 12.2 billion yen (-19.0%) year-on-year to 52.2 billion yen. Profit attributable to owners of the parent decreased 24.5 billion yen (-62.6%) year-on-year to 14.6 billion yen.

The group is affected by fluctuations in automobile production volume, sales volume, and vehicle models sold by the automobile manufacturers with whom it does business, among other factors that have a significant impact on its operating results.

a. Revenue

Revenue increased 182.5 billion yen (12.8%) year-on-year to 1,604.0 billion yen due to the effect of increased production resulting from global demand recovery and the impact of foreign exchange rates, despite the impact of production constraints caused by parts supply problems and other factors.

b. Operating profit

Although there were positive effects of increased production due to a recovery in global demand, the changes in the model mix mainly due to parts supply problems in Japan and expenses associated with the termination of the Russian operations caused operating profit to decrease by 12.6 billion yen (-20.9%) year-on-year to 47.6 billion yen.

c. Profit before income taxes

Profit before income taxes decreased 12.2 billion yen (-19.0%) year-on-year to 52.2 billion yen, mainly due to the decrease in operating profit.

d. Income tax expenses

Income tax expense increased 12.9 billion yen (69.5%) year-on-year to 31.4 billion yen. Moreover, the ratio to profit before income taxes was 60.2%, up from 28.8% in the previous fiscal year.

e. Profit attributable to owners of the parent

Profit attributable to owners of the parent decreased 24.5 billion yen (-62.6%) year-on-year to 14.6 billion yen, and basic earnings per share were 78.57 yen.

3) Analysis and discussion of cash flows and information on capital resources and liquidity of funds

a. Cash flows

An analysis of cash flows for the current fiscal year is presented in "(1) Summary of business results, (ii) Cash flows."

b. Approach to management and finances

The group's Management Vision is to enhance corporate value over the medium to long term by steadily and continuously returning the fruits of economic value enhancement to stakeholders and reinvesting for future growth. Therefore, we will strengthen our management base and competitiveness, while offering multi-dimensional value to customers and society and expanding our business domain.

c. Funding policy and methods

The group raises funds to continue its business activities, maintain adequate liquidity, stabilize its financial structure, and invest in growth. Funding methods are determined based on a comprehensive assessment of the market environment for both direct and indirect financing, as well as diversification of funding methods and economic rationality.

Long-term capital needs, such as capital expenditures and R&D expenses, are met by long-term borrowings from financial institutions and the issuance of bonds. In doing so, we level the amount of repayments and redemptions by fiscal year in order to reduce the repayment burden. Working capital needs are met through short-term borrowings.

In addition, in order to ensure a stable financing environment within a diversifying financing environment, the group has obtained credit ratings from rating agencies in Japan. As of the date of submission of this report, Japan Credit Rating Agency, Ltd. has assigned us a rating of AA (stable). These evaluations of the group's financial condition by external institutions are based on the fact that the group maintains a certain level of cash position, among other factors.

In addition, the Company has established a commitment line of credit to secure funds for urgent capital needs.

4) Management policies and strategies, objective indicators for judging the achievement of management goals

In the Mid-term Business Plan announced in November 2020, we set as our management targets for 2025: revenue of 1,600 billion yen plus alpha by expanding sales of existing core products and acquiring new OEMs; and operating profit of 100 billion yen plus alpha, with an operating profit ratio of 6-7%, while securing future growth budget by reducing fixed costs and lowering the cost of goods sold through further efficiency enhancements.

Financial results for FY2023 show that revenue increased by 182.5 billion yen year-on-year to 1,604.0 billion yen, operating profit decreased by 12.6 billion yen to 47.6 billion yen, profit before income taxes decreased by 12.2 billion yen to 52.2 billion yen, and profit attributable to owners of the parent decreased by 24.5 billion yen to 14.6 billion yen.

Although we have been working on the Implementation Plan in the second year of the Mid-term Business Plan, profits decreased from the previous fiscal year due to the impact of changes in the external environment and other factors. Even under difficult external environments, we will steadily implement initiatives for the future and achieve our management targets for FY2026.

Consolidated Financial Statements
Consolidated Statement of Financial Position

(Millions of yen)

	Notes	As of March 31, 2022	As of March 31, 2023
Assets			
Current assets			
Cash and cash equivalents	7	237,952	248,195
Trade and other receivables	8	261,814	286,181
Inventories	9	79,345	87,684
Other financial assets	30	19,990	14,596
Income taxes receivable		3,279	6,648
Other current assets	10	11,933	12,975
Total current assets		614,317	656,281
Non-current assets			
Property, plant and equipment	11	270,477	276,096
Goodwill	12	4,889	4,898
Intangible assets	12	13,060	14,237
Investments accounted for using the equity method	13	13,377	13,661
Other financial assets	30	27,563	27,643
Deferred tax assets	14	19,355	12,857
Other non-current assets	10	1,698	1,714
Total non-current assets		350,422	351,110
Total assets		964,740	1,007,392

The accompanying notes are an integral part of these consolidated financial statements.

(Millions of yen)

	Notes	As of March 31, 2022	As of March 31, 2023
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	15	218,979	235,900
Bonds and borrowings	16	28,381	64,229
Other financial liabilities	30	4,622	3,735
Income taxes payable		9,359	9,665
Provisions	18	6,358	6,724
Other current liabilities	19	92,256	88,438
Total current liabilities		359,958	408,694
Non-current liabilities			
Bonds and borrowings	16	111,358	90,000
Other financial liabilities	30	7,901	8,452
Retirement benefit liability	20	56,107	55,524
Provisions	18	288	297
Deferred tax liabilities	14	3,352	5,492
Other non-current liabilities		1,937	2,035
Total non-current liabilities		180,946	161,802
Total liabilities		540,904	570,497
Equity			
Share capital	21	8,400	8,400
Capital surplus	21	3,097	3,101
Retained earnings	21	345,680	349,426
Treasury shares	21	(1,583)	(1,547)
Other components of equity		30,567	41,360
Total equity attributable to owners of the parent		386,162	400,741
Non-controlling interests		37,672	36,153
Total equity		423,835	436,894
Total liabilities and equity		964,740	1,007,392

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Revenue	23	1,421,451	1,604,036
Cost of sales		1,270,778	1,449,619
Gross profit		150,673	154,416
Selling, general and administrative expenses	24	89,523	106,942
Other income	25	4,730	10,877
Other expenses	25	5,589	10,679
Operating profit		60,290	47,672
Finance income	26	6,432	6,582
Finance expenses	26	2,058	2,781
Share of profit (loss) of investments accounted for using the equity method	13	(134)	816
Profit before income taxes		64,529	52,291
Income tax expense	14	18,563	31,465
Profit for the period		45,966	20,825
Profit attributable to			
Owners of the parent		39,260	14,679
Non-controlling interests		6,705	6,146
Earnings per share attributable to owners of the parent	27		
Basic (Yen)		210.15	78.57
Diluted (Yen)		210.13	78.56

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit for the period		45,966	20,825
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	20,28	1,900	1,825
Net change in fair value of equity instruments measured at fair value through other comprehensive income	28,30	899	714
Share of other comprehensive income of investments accounted for using the equity method	13,28	63	(33)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	28	24,605	10,716
Net change in fair value of debt instruments measured at fair value through other comprehensive income	28,30	9	0
Share of other comprehensive income of investments accounted for using the equity method	13,28	241	299
Total other comprehensive income, net of tax		27,719	13,522
Comprehensive income		73,686	34,348
Comprehensive income attributable to			
Owners of the parent		63,705	27,059
Non-controlling interests		9,980	7,288

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2022

(Millions of yen)

	Notes	Equity attributable to owners of the parent				
						Other components of equity
		Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans
Balance at April 1, 2021		8,400	3,092	316,931	(1,620)	–
Profit for the period				39,260		
Other comprehensive income						1,906
Comprehensive income		–	–	39,260	–	1,906
Purchase of treasury shares	21				(0)	
Disposal of treasury shares	21		4		37	
Dividends	22			(12,519)		
Changes in ownership interest in subsidiaries	13		0			
Change in scope of consolidation						
Transfer to retained earnings				2,008		(1,906)
Total transactions with owners		–	5	(10,511)	36	(1,906)
Balance at March 31, 2022		8,400	3,097	345,680	(1,583)	–

	Notes	Equity attributable to owners of the parent				Non-controlling interests	Total
		Other components of equity			Total		
		Net change in fair value of equity instruments measured at fair value through other comprehensive income	Net change in fair value of debt instruments measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations			
Balance at April 1, 2021		8,849	(98)	(619)	334,935	34,715	369,650
Profit for the period					39,260	6,705	45,966
Other comprehensive income		961	9	21,566	24,444	3,274	27,719
Comprehensive income		961	9	21,566	63,705	9,980	73,686
Purchase of treasury shares	21				(0)		(0)
Disposal of treasury shares	21				42		42
Dividends	22				(12,519)	(7,023)	(19,542)
Changes in ownership interest in subsidiaries	13				0	(0)	–
Change in scope of consolidation					–		–
Transfer to retained earnings		(101)			–		–
Total transactions with owners		(101)	–	–	(12,477)	(7,023)	(19,500)
Balance at March 31, 2022		9,710	(89)	20,946	386,162	37,672	423,835

The accompanying notes are an integral part of these consolidated financial statements.

Fiscal year ended March 31, 2023

(Millions of yen)

	Notes	Equity attributable to owners of the parent				
						Other components of equity
		Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans
Balance at April 1, 2022		8,400	3,097	345,680	(1,583)	−
Profit for the period				14,679		
Other comprehensive income						1,829
Comprehensive income		−	−	14,679	−	1,829
Purchase of treasury shares	21				(0)	
Disposal of treasury shares	21		3		36	
Dividends	22			(12,520)		
Changes in ownership interest in subsidiaries	13					
Change in scope of consolidation						
Transfer to retained earnings				1,586		(1,829)
Total transactions with owners		−	3	(10,933)	36	(1,829)
Balance at March 31, 2023		8,400	3,101	349,426	(1,547)	−

	Notes	Equity attributable to owners of the parent				Non-controlling interests	Total
		Other components of equity			Total		
		Net change in fair value of equity instruments measured at fair value through other comprehensive income	Net change in fair value of debt instruments measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations			
Balance at April 1, 2022		9,710	(89)	20,946	386,162	37,672	423,835
Profit for the period					14,679	6,146	20,825
Other comprehensive income		680	0	9,869	12,379	1,142	13,522
Comprehensive income		680	0	9,869	27,059	7,289	34,348
Purchase of treasury shares	21				(0)		(0)
Disposal of treasury shares	21				39		39
Dividends	22				(12,520)	(8,820)	(21,340)
Changes in ownership interest in subsidiaries	13				−		−
Change in scope of consolidation					−	12	12
Transfer to retained earnings		242			−		−
Total transactions with owners		242	−	−	(12,481)	(8,808)	(21,289)
Balance at March 31, 2023		10,633	(89)	30,816	400,741	36,153	436,894

Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities			
Profit before income taxes		64,529	52,291
Depreciation and amortization		42,566	47,040
Cost of sales from sublease		41,120	20,420
Interest and dividend income		(2,606)	(4,927)
Loss (gain) on sale of property, plant and equipment		(274)	(3,076)
Decrease (increase) in trade receivables		(24,490)	(16,117)
Decrease (increase) in inventories		(11,525)	(5,250)
Increase (decrease) in trade payables		11,150	13,772
Increase (decrease) in retirement benefit liability		2,525	1,097
Increase (decrease) in other current liabilities		12,987	(319)
Other		6,856	5,633
(Subtotal)		142,840	110,563
Interest received		2,389	4,669
Dividends received		896	1,170
Interest paid		(891)	(1,975)
Income taxes paid		(22,301)	(24,998)
Net cash provided by (used in) operating activities		122,933	89,428

The accompanying notes are an integral part of these consolidated financial statements.

(Millions of yen)

	Notes	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from investing activities			
Purchase of property, plant and equipment		(34,202)	(45,680)
Proceeds from sales of property, plant and equipment		2,562	7,451
Purchase of intangible assets		(3,581)	(4,785)
Payments into time deposits		(14,194)	(9,341)
Proceeds from withdrawal of time deposits		9,436	15,372
Other		(913)	522
Net cash provided by (used in) investing activities		(40,893)	(36,461)
Cash flows from financing activities			
Proceeds from short-term borrowings	32	10,092	157,467
Repayments of short-term borrowings	32	(14,067)	(145,865)
Repayments of long-term borrowings	32	(1,234)	—
Proceeds from issuance of bonds	32	—	10,000
Redemption of bonds	32	—	(10,000)
Dividends paid	22	(12,516)	(12,517)
Dividends paid to non-controlling interests		(6,785)	(8,805)
Repayments of lease liabilities	32	(24,151)	(31,091)
Other		(0)	(0)
Net cash provided by (used in) financing activities		(48,664)	(40,812)
Effect of exchange rate changes on cash and cash equivalents		9,396	(1,911)
Net increase (decrease) in cash and cash equivalents		42,772	10,243
Cash and cash equivalents at beginning of period		195,180	237,952
Cash and cash equivalents at end of period	7	237,952	248,195

Notes to Consolidated Financial Statements

1. Reporting Entity

Toyota Boshoku Corporation (hereinafter, the "Company") is a company domiciled in Japan. The addresses of its registered head office and principal offices are disclosed on the Company's website (URL https://www.toyota-boshoku.com).

The accompanying consolidated financial statements comprise the Company and its consolidated subsidiaries (collectively, the "Group"), and the Company's interests in affiliates. The Group manufactures and sells mainly seats, interior and exterior components, and unit parts in automotive components in the segments of "Japan", "North, Central and South America", "China", "Asia and Oceania" and "Europe and Africa".

2. Basis of Presentation

(1) Compliance with international financial reporting standards ("IFRS")

As the Company meets the requirements of "Specified Company Applying Designated International Financial Reporting Standards" pursuant to Article 1-2 of the Ordinance on Consolidated Financial Statements, the consolidated financial statements of the Company have been prepared in accordance with IFRS as permitted by the provision of Article 93 of the Ordinance.

The consolidated financial statements have been approved by Masayoshi Shirayanagi, President, and Shunichi Iwamori, Chief Financial Officer, on August 30 2023.

(2) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments and others measured at fair value as detailed in "3. Significant Accounting Policies".

(3) Functional currency and presentation currency

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

(4) Changes in presentation

"Cost of sales from sublease" and "Loss (gain) on sale of property, plant and equipment", which were included in "Other" under "Cash flows from operating activities" in the fiscal year ended March 31, 2022, has been separately presented from the fiscal year ended March 31, 2023, to increase clarity and due to increased significance, respectively. The consolidated financial statements for the fiscal year ended March 31, 2022 have also been reclassified to reflect these changes.

As a result, the 47,702 million yen included in "Other" under "Cash flows from operating activities" in the consolidated statements of cash flows in the fiscal year ended March 31, 2022 has been reclassified as 41,120 million yen in "Cost of sales from sublease," (274) million yen in "Loss (gain) on sale of property, plant and equipment," and 6,856 million yen in "Other".

3. Significant Accounting Policies

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities that are controlled by the Group. 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.

Consolidation of a subsidiary begins from the date the Group obtains control of the subsidiary and ceases on the date it loses control of the same subsidiary.

Subsidiaries' financial statements are adjusted 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.

When the ownership interest in a subsidiary is partially disposed of, the transaction is accounted for as an equity transaction if the Group retains control of the subsidiary. The carrying amount of the Group's equity and non-controlling interests is adjusted to reflect changes in the Group's interest in its subsidiary. Any difference between the amount of adjustment to the non-controlling interests and the fair value of the consideration is recognized directly in equity attributable to owners of the parent.

If 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.

2) 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.

Investments in associates are accounted for by the equity method. Under the equity method, investments in associates are initially recognized at cost, and the Group's share of the investee's profit or loss and other comprehensive income is recognized as the Group's profit or loss and other comprehensive income and the carrying amount of the investee is adjusted, from the date on which the Group possesses a significant influence until the date on which the Group loses the significant influence. Any excess of the initial cost of acquisition over the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill and included in the carrying amount of the investment, and is not amortized.

(2) Business combinations and goodwill

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 Group. 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.

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 income. Acquisition-related costs are recognized as expenses when they are incurred. Goodwill is carried at cost less accumulated impairment losses, without being amortized but tested for impairment.

The identifiable assets acquired and the liabilities assumed are measured at fair values at the acquisition date, except that:

- Deferred tax assets and liabilities and liabilities (or assets) related to employee benefit arrangements are recognized and measured in accordance with IAS 12, "Income Taxes," and IAS 19, "Employee Benefits," respectively;
- Non-current assets or disposal groups that are classified as held for sale in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations," are recognized and measured in accordance with the standard;
- Liabilities or equity instruments related to share-based remuneration of the acquiree or the replacement of the acquiree's share-based remuneration with share-based remuneration of the Group are measured in accordance with IFRS 2, "Share-based Payment"; and
- As for leases in which the acquiree is the lessee, the Group deems acquired leases to be new leases at the acquisition date, and measures lease liabilities at the present value of the remaining lease payments. In addition, right-of-use assets are measured at an amount equal to the lease liability in

principle. For a short-term lease with a lease term of 12 months or less and a lease with an underlying asset of low value, the Group does not recognize the right-of-use asset and the lease liability.

The additional acquisition of non-controlling interests after obtaining control is accounted for as an equity transaction without recognition of goodwill.

If the initial accounting for a business combination has not been completed by the end of the reporting period in which the business combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. The Group will retrospectively adjust the provisional amounts during the measurement period (not exceeding one year) or recognize additional assets or liabilities in order to reflect new information obtained about the facts and circumstances that existed as of the date of acquisition and would have affected the amounts recognized on the date of acquisition, if known.

(3) Foreign currency translation

1) Foreign currency transactions

Foreign currency transactions are converted into the functional currency of each Group company using the exchange rate at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate at the end of the reporting period. Non-monetary assets and liabilities 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 of transactions are recognized as profit or loss. However, if a gain or loss on non-monetary items is recorded in other comprehensive income, translation differences are also recorded in other comprehensive income.

2) 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 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. These differences are included as exchange differences on translation of foreign operations in other components of equity. If a foreign operation is disposed of and the Group loses control over the operation, cumulative translation differences are transferred to profit or loss in the period of the disposal.

(4) Financial instruments

1) Financial assets (excluding derivatives)

(i) Initial recognition and measurement

Financial assets are classified into financial assets based on their nature and holding purposes. The Group determines the classification at initial recognition. The sale or purchase of financial assets that occurred in the normal course of business are recognized or derecognized on the transaction date.

(a) Financial assets measured at amortized cost

The Group classifies financial assets as financial assets measured at amortized cost if the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, financial assets measured at amortized cost are measured at fair value plus transaction costs that are directly attributable to the acquisition.

(b) Debt instruments measured at fair value through other comprehensive income

The Group classifies financial assets as debt instruments measured at fair value through other comprehensive income if the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, debt instruments measured at fair value through other comprehensive income are measured at fair value plus transaction costs that are directly attributable to the acquisition.

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

Among financial assets to be measured at fair value through profit or loss without being classified as financial assets measured at amortized cost or debt instruments measured at fair value through other comprehensive income, as for investments in equity instruments not held for trading, it is permitted to make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of such investments, and the Group makes this designation for each financial instrument.

At initial recognition, equity instruments measured at fair value through other comprehensive income are measured at fair value plus transaction costs that are directly attributable to the acquisition.

(d) Financial assets measured at fair value through profit or loss

The Group classifies financial assets other than the above as financial assets measured at fair value through profit or loss.

At initial recognition, financial assets measured at fair value through profit or loss are measured at fair value, and transaction costs that are directly attributable to the acquisition are recognized in profit or loss when they occur.

(ii) Subsequent measurement

After initial recognition, financial assets are measured based on the following classifications:

(a) Financial assets measured at amortized cost

Carrying amount of financial assets measured at amortized cost are measured using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of financial assets to the gross carrying amount of the financial assets. Interest income is recognized in profit or loss, and included in “Finance income” in the consolidated statement of income.

In cases where a financial asset measured at amortized cost is derecognized, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss.

(b) Debt instruments measured at fair value through other comprehensive income

After initial recognition, such financial assets are measured at fair value and any subsequent changes in fair value are recognized in other comprehensive income. When such financial assets are derecognized, the accumulated amount recognized as other comprehensive income is transferred to profit or loss.

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

After initial recognition, such financial assets are measured at fair value and any subsequent changes in fair value are recognized in other comprehensive income. When such financial assets are derecognized, the accumulated amount recognized as other comprehensive income is transferred to retained earnings, not to profit or loss. Dividends are recognized as profit or loss.

(d) Financial assets measured at fair value through profit or loss

After initial recognition, such financial assets are measured at fair value and any subsequent changes in fair value are recognized in profit and loss.

(iii) Impairment of financial assets

Financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income are assessed for impairment based on expected credit losses.

At the end of the reporting period, if credit risk 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 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 life of the financial instrument (lifetime expected credit losses).

However, regardless of the above, lifetime expected credit loss measurement always applies to trade receivables and lease receivables.

(iv) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when the Group transfers the contractual right to receive cash flows from financial assets in transactions in which substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor holds substantially all the risks and rewards of ownership of the asset and continues to control the transferred asset, the Group recognizes the retained interest on the assets and the relevant liabilities that might possibly be paid in association therewith.

2) Financial liabilities (excluding derivatives)

(i) Initial recognition and measurement

The Group classifies financial liabilities as financial liabilities measured at amortized cost. All financial liabilities are initially measured at fair value after deducting transaction costs that are directly attributable to the issuance of financial liabilities.

(ii) Subsequent measurement

After initial recognition, financial liabilities are measured at amortized cost using the effective interest method. The interest cost is included in “Finance expenses” in the consolidated statement of income. Gains or losses on derecognition are recognized as “Finance income” or “Finance expenses” in the consolidated statement of income.

(iii) Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires.

3) Derivatives

The Group employs derivatives, including currency swaps, interest rate swaps, and foreign exchange forward contracts to mitigate foreign exchange and interest rate risks. These derivatives are initially measured at fair value when the contract is entered into, and are subsequently remeasured at fair value at the end of each reporting period.

4) Offsetting financial assets and liabilities

Financial assets are offset against financial liabilities and the net amounts are presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize assets and settle liabilities simultaneously.

(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. The cost of inventories is determined mainly by using the weighted-average method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing them to the present location and condition. 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.

(7) Property, plant and equipment

Property, plant and equipment are measured using the cost model and stated at 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 removing the assets and restoration costs, as well as borrowing costs to be capitalized. Except for assets that are not subject to depreciation such as land and construction in progress, property, plant, and equipment is mainly 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 3 to 50 years
- Machinery and equipment and vehicles 2 to 10 years
- Tools, furniture and fixtures 2 to 20 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.

Property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition is included in profit or loss when it is derecognized.

(8) Intangible assets

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

1) Intangible assets acquired separately

Intangible assets acquired separately are measured at acquisition cost at initial recognition and are carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately with indefinite useful lives are carried at cost less accumulated impairment losses, without being amortized but tested for impairment, in the same way as goodwill.

2) Internally generated intangible assets

Expenditure on research is recognized as an expense in the consolidated statement of income in the fiscal year in which it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognized 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) its intention to complete the intangible asset and use or sell it

(iii) its 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) its ability to measure reliably the expenditure attributable to the intangible asset during its development

The amount initially recognized of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria above.

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

3) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are 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.

4) 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 major intangible assets are as follows:

• Software 5 years

• Development cost 5 years

The estimated useful lives, residual values and amortization 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.

5) Derecognition of intangible assets

Intangible assets is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition is included in profit or loss when it is derecognized.

(9) Leases

The Group assesses whether a contract is, or contains, a lease at inception of a contract. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is, or contains, a lease.

1) Leases as lessee

If the Group determines that a contract is, or contains, a lease, it recognizes right-of-use assets and lease liabilities at the commencement date of the lease. Lease liabilities are measured at the present value of the lease payments that are not paid at that date, and right-of-use assets are measured at cost that comprises the initial measurement amount of lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in restoring the underlying asset to the condition required by the terms and conditions of the lease and others.

To many of lease contracts on land and buildings entered into by the Group, an extension option exercisable by the Group as the lessee is included for a variety of purposes such as ensuring flexibility in business. The Group assesses whether it is reasonably certain to exercise an extension option. When the Group determines that it is reasonably certain, the extension option period is included in the lease term.

After initial recognition, right-of-use assets are depreciated using the straight-line method over their useful lives or lease terms, whichever is shorter.

However, for a short-term lease with a lease term of 12 months or less and a lease with an underlying asset of low value, the Group recognizes the lease payments as expenses over the lease terms either on a straight-line basis or other systematic basis, instead of recognizing the right-of-use asset and the lease liability.

Right-of-use assets are included in “Property, plant and equipment” or “Intangible assets” in the consolidated statement of financial position, and stated at cost less accumulated depreciation and amortization and accumulated impairment losses. Lease liabilities are included in “Trade and other payables” and “Other financial liabilities” in the consolidated statement of financial position.

2) Leases as lessor

The Group classifies its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, and classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

For lease receivables related to finance lease transactions, an amount equal to the net investment in the lease is recognized as receivables. If the Group is a manufacturer lessor in a finance lease, for the portion deemed as sales of goods, it recognizes revenue and the corresponding cost of sales and selling profit or loss at the commencement date of the lease.

(10) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(11) Impairment of non-financial assets

The Group reviews non-financial assets of consolidated companies, excluding inventories and deferred tax assets, at the end of each reporting period to determine whether there is any indication of impairment. If there is any indication of impairment, impairment testing is conducted by estimating the recoverable amount of the asset or the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. In addition, for goodwill and intangible assets with indefinite useful lives, and intangible assets not yet available for use, the Group conducts impairment testing at the same time every year, or if there is any indication of impairment by estimating the recoverable amount. For goodwill, the cash-generating unit is determined based on the lowest level for internal management purposes of goodwill, which is equal to or smaller than an operating segment.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use and its fair value less costs of disposal. In the calculation of value in use, estimated future cash flows are calculated using the discounted cash flow model where pre-tax cash flows are discounted by a pre-tax discount rate.

Because corporate assets of consolidated companies do not generate independent cash inflows, if there is an indication that a corporate asset may be impaired, impairment testing is conducted based on the recoverable amount for the cash-generating unit to which the corporate asset belongs.

Impairment loss is recognized in profit or loss when the carrying amount of the asset or cash-generating unit exceeds the 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.

The Group assesses whether any indication of a potential decrease in impairment loss recognized in prior periods for an asset other than goodwill exists, such as any changes in assumptions used for the determination of the recoverable amount. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases that the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, impairment losses are reversed up to the lower of the estimated recoverable amount and the carrying amount less necessary depreciation and amortization costs that would have been determined if no impairment losses had been recognized in prior periods. An impairment loss recognized for goodwill is not reversed.

(12) Non-current assets held for sale

An asset or asset group for which the carrying amount is expected to be recovered through a sale transaction rather than through continuing use is classified as a held-for-sale when the following conditions are met: it is highly probable that the asset or asset group will be sold within one year, the asset or asset group is available for immediate sale in its present condition, and the Group management commits to the sale plan. In such cases, the non-current asset is not depreciated or amortized and is measured at the lower of its carrying amount and its fair value less costs to sell.

(13) Provisions

Provisions are recognized when there are present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of obligations. In case the time value of money is material, provisions are measured at the present value by the estimated future cash flow that is discounted by a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount due to the passage of time is recognized as “Finance expenses” in the consolidated statement of income.

To prepare for payment of expenses for claims arising within the term of warranty for products, warranty provision is recorded at the estimated amount of claims arising in the remaining term of warranty based on historical experience.

(14) Employee benefits

1) Post-employment benefits

(i) Defined benefit plans

The Group has the defined benefit corporate pension plan and lump-sum retirement benefit plan.

Retirement benefit assets (liabilities) are calculated for each plan by making adjustments for the asset ceiling where necessary, considering economic benefits available, to the estimated amount of future benefits earned by employees over the previous fiscal years and the current fiscal year less fair value of the plan assets.

Market yields on high grade investment corporate bonds with the similar maturity to that of the Group’s defined benefit obligations as of the end of the reporting period are used in calculating the discount rate. Increase/decrease in benefit obligations for employees’ past service at the present value due to revisions to the pension plan are recognized in profit or loss. The Group recognizes other remeasurements of the net defined benefit liability in other comprehensive income and then immediately reclassifies them from other comprehensive income to retained earnings.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans in which the employer pays fixed contributions into separate entities and will have no legal or constructive obligation to make further contributions. Contributions under the defined contribution plan are expensed during the period when the employees’ services are provided.

2) Other long-term employee benefits

Other long-term employee benefits are recognized as a liability when the Group has present constructive obligations to pay as a result of employee service in prior fiscal years and the current fiscal year, and when reliable estimates of the obligation can be made. The Group’s other long-term employee benefits are calculated by discounting the estimated future amount of benefits to the present value.

Market yields on high grade investment corporate bonds with the similar maturity to that of the Company’s obligations as of the end of the reporting period are used in calculating the discount rate.

3) Short-term employee benefits

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

For bonus accrual and paid absences, when the Group has present legal or constructive obligations to pay as a result of past employee service, 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.

(15) Share-based payment

The Company has introduced a transfer-restricted share-based remuneration plan as an equity-settled share-based remuneration plan for directors (excluding outside directors).

Consideration for services received is measured at fair value as of the grant date of shares of the Company and recognized as expenses over the vesting period from the grant date, and the corresponding amount is recognized as an increase in equity.

(16) Equity

1) Common shares

The amount of equity instruments issued by the Company is recognized in “Share capital” and “Capital surplus,” and direct issuance costs (net of tax) are deducted from “Capital surplus.”

2) Treasury shares

When the Company acquires treasury shares, the consideration paid, together with direct transaction costs and tax effects, is recorded as a deduction from equity. When the Company disposes treasury shares, gains or losses on disposal, including the exercise of stock options, are recorded in “Capital surplus.”

(17) Revenues

The Group recognises revenue for the transfer of goods or services, other than revenue from lease contracts within the scope of IFRS 16 Leases, at an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services based on the following steps.

(i) Identify the contract with a customer

(ii) Identify the performance obligations in the contract

(iii) Determine the transaction price

(iv) Allocate the transaction price to the separate performance obligations in the contract

(v) Recognize revenue when (or as) the entity satisfies a performance obligation

The Group mainly engages in manufacture and sale of automotive components. For sales of such products, the Group recognizes revenue when a customer accepts goods since the customer obtains control of the goods at that time and the performance obligations are considered to be satisfied, the Group normally recognizes revenue when a customer accepts goods after inspection. Revenue is measured at the amount of consideration promised in a contract with the customer.

(18) Government grants

Government grants are measured at fair value and recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them, and that the grants will be received. Grants related to income are recorded as revenue in the same fiscal year in which the expenses are incurred. Government grants related to assets are presented by deducting the grant in arriving at the carrying amount of the asset.

(19) 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 recognized at the amount that expected to be paid to or refunded from the taxation authorities. For the calculation of the tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the period.

Deferred tax assets are recognized for deductible temporary differences and unused tax credits and tax losses carried forward to the extent that it is probable that taxable profit will be available against which they can be utilized. Deferred tax liabilities are, in principle, recognized for all taxable temporary differences.

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 that are not business combinations and affect neither accounting profit nor taxable profit or tax loss at the time of the transaction;
- 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 such temporary differences are not reversed in a foreseeable future; and
- For 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.

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

Deferred tax assets are reviewed in every period, and their carrying amount is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of all or part of that deferred tax asset to be utilised. 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.

The Group recognizes the amount of the reasonable estimate for uncertain tax positions related to income tax as an asset or liability based on the interpretation of tax laws.

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.

Current tax assets and liabilities are offset, if, and only if the entity has a legally enforceable right to offset current tax assets against current tax liabilities, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(20) Fair value measurements

Certain assets and liabilities are required to be recognized at fair value. The fair values of those assets and liabilities have been determined using market information such as quoted market prices and valuation methodologies such as the market approach and cost approach. The following three levels of inputs are used to measure fair value.

Level 1

The market prices of the same assets or liabilities in active markets (which continuously ensure sufficient trading frequencies and transaction volumes) that the Group can access ~~to~~ as of the measurement date are used without adjustments.

Level 2

This level includes the published prices of similar assets or liabilities in active markets; the published prices of the same assets or liabilities in markets that are not active; inputs other than the observable published prices of assets and liabilities; and inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3

Because data are available only from limited markets, the Group uses unobservable inputs which reflect the judgment of the Group in the assumptions used by market participants to decide the prices of assets and liabilities. The Group calculates inputs based on the best available information, including the data of the Group itself.

(21) Levies

A liability to pay a levy is recognized in the amount to be paid when the Group has a present obligation to pay the levy.

(22) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the parent company 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 by adjusting the effects of all dilutive potential common shares.

(23) Dividends

Dividends are recognized as liabilities in the period in which each year-end dividend and interim dividend is approved by the Board of Directors.

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 estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate are recognised in the period of the change and future periods.

The following items are accounting estimates and judgments that have significant effects on the amounts recognized in the consolidated financial statements for the current and future periods.

(1) Impairment assessment for property, plant and equipment and intangible assets in the Company's Unit Components Business

An indication of impairment has been identified in the Unit Components Business that is an cash-generating unit of the Company since the operating results have deteriorated in the Unit Components Business as seen in continuous negative operating results (the carrying amount of property, plant and equipment and intangible assets in the Unit Components Business: 21,777 million yen as of March 31, 2022 and 19,781 million yen as of March 31, 2023).

As a result of considering whether the recoverable amount of the Unit Components Business is less than the carrying amount, the recoverable amount exceeded the carrying amount, and therefore the Company did not recognize any impairment losses.

The recoverable amount is measured based on value in use. The value in use is calculated by discounting estimated future cash flows. The Company forecasts the estimated total amount of future cash flows based on the Group's Mid-term Business Plan approved by the Company's Board of Directors. This estimate includes the future sales projections reflecting external factors such as the business environment and production plans presented by the auto makers, assumptions such as variable cost ratio by product and pre-tax discount rate, and estimates of net cash-flows to be received for the disposal of land and buildings at the end of the useful lives of assets.

While these assumptions are determined based on the management's best estimates and judgments, they may be affected by results of changes in uncertain economic conditions in the future, and could have significant effects on amounts to be recognized in consolidated financial statements in the next fiscal year if they need to be reviewed.

(2) Recoverability of deferred tax assets

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that they can be used against future taxable profit (The amounts recorded: 19,355 million yen and 12,857 million yen for the fiscal year ended March 31, 2022 and 2023, respectively). When recognizing deferred tax assets, the Group reasonably estimates the timing and amount of taxable profit that can be earned in the future and calculates the amount in judgment of the probability that taxable profit will be available.

The timing and amount of taxable profit being available may be affected by changes in uncertain economic conditions in the future, and could have significant effects on amounts to be recognized in consolidated financial statements in the next fiscal year if the actual timing and amount differ from the estimates.

5. New Standards Not Yet Adopted

Establishments or amendments of accounting standards and interpretations that have been issued by the approval date of the consolidated financial statements are as follows. The Group has not adopted this for an earlier period. The Group expects there to be no significant impacts to the consolidated financial statements upon adoption.

IFRS		Mandatory effective date (Fiscal year beginning on or after)	Reporting period of adoption by the Group	Description of establishments and amendments
IAS 12	Income Taxes	January 1, 2023	Fiscal year ending March 31, 2024	Clarifying accounting treatment for deferred taxes on leases and decommissioning obligations

6. Segment Information

(1) Outline of reportable segments

The reportable segments are the segments of the Group for which discrete financial information is available and for which operating profit (loss) amounts are evaluated regularly by the Company’s Board of Directors in deciding resources to be allocated and in assessing performance.

The Group mainly engages in manufacture and sale of automotive components, and local companies incorporated within each region formulate a comprehensive strategy and operate business activities.

The Company is responsible for Japan; TOYOTA BOSHOKU AMERICA, INC. is in charge of North, Central and South America, which includes the U.S. and Canada as well as geographically close countries of Mexico, Brazil and Argentina; TOYOTA BOSHOKU ASIA CO., LTD. covers Asia and Oceania (mainly Thailand, India, Indonesia, Malaysia, the Philippines, Vietnam, and Australia, etc.) with a view to strengthening the community-based structure on both fronts of optimum production and supply network; and TOYOTA BOSHOKU (CHINA) CO., LTD. is responsible for China. TOYOTA BOSHOKU EUROPE N.V. is responsible for Europe and Africa (mainly France, Poland, Russia, Slovakia, Turkey, South Africa, etc.), and these regions are managed as one management unit.

The accounting method of segment information is based on “3. Significant Accounting Policies”.

Segment profit is based on operating profit in the consolidated statement of income. Finance income, finance expenses, share of profit of investments accounted for using equity method, and income tax expense are excluded from segment performance, because these items are not included in segment profit that is reviewed by the Company’s Board of Directors.

(2) Revenue, profits or losses, and other material items for each reportable segment

FY2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment							
	Japan	North, Central and South America	China	Asia and Oceania	Europe and Africa	Total	Eliminations (Note 1, 2)	Consolidated (Note 4)
Revenue								
Revenue from external customers	633,726	314,026	202,016	176,803	94,878	1,421,451	–	1,421,451
Inter-segment revenue (Note 3)	66,964	3,764	10,165	13,617	1,399	95,912	(95,912)	–
Total	700,690	317,791	212,181	190,421	96,278	1,517,364	(95,912)	1,421,451
Segment profit	9,602	2,992	15,780	26,701	5,304	60,381	(91)	60,290
Segment assets	539,993	157,071	154,743	129,593	54,537	1,035,938	(71,197)	964,740
Finance income								6,432
Finance expenses								2,058
Share of loss of investments accounted for using equity method								(134)
Profit before income taxes								64,529

(Notes) 1. (91) million yen in eliminations for segment profit is mainly inter-segment transactions.

2. Eliminations for segment assets include corporate assets of 98,385 million yen and eliminations of receivables and payables, etc. of (169,583) million yen. Corporate assets are mainly funds not attributable to reportable segments.

3. Inter-segment revenue are based on transaction prices that are determined through price negotiation, taking into account market prices and total costs incurred.

4. Segment profit (loss) reconciles to operating profit disclosed in the consolidated financial statements.

Other material items

(Millions of yen)

	Reportable segment							
	Japan	North, Central and South America	China	Asia and Oceania	Europe and Africa	Total	Elimi-nations	Consoli-dated
Depreciation and amortization	21,616	7,489	5,638	4,927	2,894	42,566	–	42,566
Impairment losses	936	–	–	–	–	936	–	936
Reversal of impairment losses	–	–	–	–	–	–	–	–
Investments accounted for using equity method	7,758	1,654	940	1,639	1,385	13,377	–	13,377
Increase in non-current assets	21,341	4,103	7,991	5,618	2,955	42,010	–	42,010

Non-current assets exclude financial assets, deferred tax assets, and retirement benefit asset.

FY2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment						Eliminations (Note 1, 2)	Consolidated (Note 4)
	Japan	North, Central and South America	China	Asia and Oceania	Europe and Africa	Total		
Revenue								
Revenue from external customers	643,570	384,129	235,866	233,911	106,559	1,604,036	–	1,604,036
Inter-segment revenue (Note 3)	89,341	4,622	8,784	15,696	1,738	120,182	(120,182)	–
Total	732,911	388,751	244,650	249,607	108,297	1,724,219	(120,182)	1,604,036
Segment profit (loss) (Note 5)	11,643	(1,141)	21,257	14,008	1,917	47,686	(13)	47,672
Segment assets	576,462	174,080	146,321	140,606	53,106	1,090,577	(83,185)	1,007,392
Finance income								6,582
Finance expenses								2,781
Share of profit of investments accounted for using equity method								816
Profit before income taxes								52,291

(Notes) 1. (13) million yen in eliminations for segment profit is mainly inter-segment transactions.

2. Eliminations for segment assets include corporate assets of 107,732 million yen and eliminations of receivables and payables, etc. of (190,917) million yen. Corporate assets are mainly funds not attributable to reportable segments.

3. Inter-segment revenue are based on transaction prices that are determined through price negotiation, taking into account market prices and total costs incurred.

4. Segment profit (loss) reconciles to operating profit disclosed in the consolidated financial statements.

5. On September 30, 2022, the decision was made to terminate operations of TOYOTA BOSHOKU LLC in Russia. As a result of the termination of operations in Russia, impairment losses on fixed assets, valuation losses on inventories, employee termination benefits expenses and compensation to suppliers were recorded as cost of sales, selling, general and administrative expenses, other income and other expenses in the consolidated statement of income, resulting in a decrease of 7,215 million yen in segment profit of the Europe and Africa segment.

Other material items

(Millions of yen)

	Reportable segment						Elimi-nations	Consoli-dated
	Japan	North, Central and South America	China	Asia and Oceania	Europe and Africa	Total		
Depreciation and amortization	22,152	9,231	7,110	5,766	2,780	47,040	–	47,040
Impairment losses	210	–	–	–	956	1,167	–	1,167
Reversal of impairment losses	–	–	–	–	–	–	–	–
Investments accounted for using equity method	5,884	1,667	2,440	2,070	1,598	13,661	–	13,661
Increase in non-current assets	25,297	11,484	7,857	7,448	1,892	53,980	–	53,980

Non-current assets exclude financial assets, deferred tax assets, and retirement benefit asset.

(3) Information about products and services

FY2022 (From April 1, 2021 to March 31, 2022)

Since revenue from external customers for products and services other than auto parts is insignificant, the information is omitted.

FY2023 (From April 1, 2022 to March 31, 2023)

Since revenue from external customers for products and services other than auto parts is insignificant, the information is omitted.

(4) Geographic information

Revenue from external customers

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Japan	617,037	623,521
China	198,831	237,437
U.S.A.	207,095	219,278
Other	398,487	523,798
Total	1,421,451	1,604,036

(Notes) 1. Countries which have significant impact on the consolidated financial statements are individually presented.
2. Revenue is provided by location of customer.

Non-current assets

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Japan	156,216	155,148
U.S.A.	33,951	39,782
China	39,024	39,044
Other	60,826	62,531
Total	290,018	296,507

(Notes) 1. Countries which have significant impact on the consolidated financial statements are individually presented.
2. Non-current assets (excluding financial assets, deferred tax assets, and retirement benefit asset) are provided by location of assets.

(5) Principal customer information

The principal customer is Toyota Motor Corporation and its subsidiaries. Revenue from the principal customer is recorded in all segments (Japan; North, Central and South America; China; Asia and Oceania; and Europe and Africa).

(Millions of yen)

FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
1,017,517	1,121,267

7. Cash and Cash Equivalents

Cash and cash equivalents consist of the following.

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Cash and deposits	237,952	248,195
Total	237,952	248,195

8. Trade and Other Receivables

Trade and other receivables consist of the following.

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Trade notes and accounts receivable	184,685	219,882
Electronically recorded monetary claims - trade	15,989	17,343
Lease receivables	51,157	39,615
Other	10,843	10,437
Allowance for doubtful accounts	(861)	(1,097)
Total	261,814	286,181

(Note) The amount net of allowance for doubtful accounts is shown in the consolidated statement of financial position.

9. Inventories

Inventories consist of the following.

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Merchandise and finished goods	9,371	10,038
Work in process	20,616	24,310
Raw materials and supplies	49,358	53,335
Total	79,345	87,684

(Note) The amount of inventory write-downs recorded in cost of sales in the fiscal year ended March 31, 2023 was 532 million yen. (928 million yen in the fiscal year ended March 31, 2022)

In the fiscal years ended March 31, 2022 and 2023, there were no significant reversal of write-downs.

10. Other Assets

Other assets consist of the following.

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
(Other current assets)		
Prepaid expenses	1,916	1,878
Advance payments to suppliers	3,206	3,857
Consumption taxes receivable	3,322	2,839
Other	3,487	4,399
Total	11,933	12,975
(Other non-current assets)		
Long-term prepaid expenses	806	402
Other	891	1,312
Total	1,698	1,714

11. Property, Plant and Equipment

(1) Movements

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

(Millions of yen)

Acquisition cost	Land	Buildings and structures	Machinery and equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of April 1, 2021	28,446	225,156	352,246	68,164	19,110	693,124
Acquisition	6	896	4,842	1,571	27,468	34,785
Disposal	(315)	(2,061)	(16,131)	(3,414)	(21)	(21,945)
Exchange differences on translation of foreign operations	345	8,431	20,605	2,594	1,003	32,980
Other	30	5,063	20,347	5,890	(31,008)	323
As of March 31, 2022	28,514	237,486	381,910	74,806	16,553	739,270
Acquisition	37	1,472	5,061	2,385	37,421	46,377
Disposal	(1,845)	(6,258)	(15,711)	(7,385)	(708)	(31,909)
Exchange differences on translation of foreign operations	349	4,007	10,763	1,120	509	16,750
Other	6,282	6,114	20,263	4,846	(36,580)	926
As of March 31, 2023	33,338	242,821	402,287	75,773	17,194	771,414

(Note) “Other” includes transfers from “Construction in progress” to each item.

(Millions of yen)

Accumulated depreciation and accumulated impairment losses	Land	Buildings and structures	Machinery and equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of April 1, 2021	747	125,040	258,011	55,618	–	439,417
Depreciation	–	8,313	22,529	6,323	–	37,165
Impairment losses	315	181	222	41	38	799
Disposal	(68)	(1,618)	(15,140)	(3,375)	–	(20,202)
Exchange differences on translation of foreign operations	–	4,687	14,866	2,098	–	21,651
Other	–	1,228	533	86	–	1,848
As of March 31, 2022	994	137,832	281,022	60,791	38	480,679
Depreciation	–	8,991	25,392	6,310	–	40,694
Impairment losses	137	37	991	—	0	1,166
Disposal	(315)	(4,607)	(14,677)	(7,217)	–	(26,817)
Exchange differences on translation of foreign operations	–	2,302	8,248	900	0	11,451
Other	46	489	(525)	1,180	(33)	1,157
As of March 31, 2023	862	145,046	300,452	61,965	5	508,333

(Note) Depreciation of property, plant and equipment is included in “Cost of sales”, “Selling, general and administrative expenses” and “Other expenses” in the consolidated statement of income.

(Millions of yen)

Carrying amount	Land	Buildings and structures	Machinery and equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of April 1, 2021	27,699	100,115	94,234	12,546	19,110	253,706
As of March 31, 2022	27,519	99,653	100,887	14,014	16,514	258,590
As of March 31, 2023	32,475	97,774	101,835	13,807	17,188	263,081

(2) Carrying amount of property, plant and equipment pledged as collateral

Assets pledged as collateral and corresponding liabilities consist of the following.

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Assets pledged as collateral		
Buildings and structures	157	127
Land	939	939
Total	1,097	1,067
Secured liabilities		
Long-term guarantee deposits	85	85
Total	85	85

(3) Breakdown of property, plant and equipment

Property, plant and equipment consist of owned property, plant and equipment and right-of-use assets, and their carrying amounts are as follows:

(Millions of yen)

Carrying amount	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Property, plant and equipment [see (1) Movements]	258,590	263,081
Right-of-use assets	11,887	13,015
Balance of property, plant and equipment recognized in the consolidated statement of financial position	270,477	276,096

(4) Impairment losses

FY2022 (From April 1, 2021 to March 31, 2022)

There were no significant impairment losses.

FY2023 (From April 1, 2022 to March 31, 2023)

There were no significant impairment losses.

12. Goodwill and Intangible Assets

(1) Movements

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

(Millions of yen)

Acquisition cost	Software	Development cost	Goodwill	Patents	Other	Total
As of April 1, 2021	17,365	718	4,881	2,363	4,009	29,339
Acquisition	3,404	–	–	–	66	3,470
Internally generated	–	86	–	–	–	86
Disposal	(36)	–	–	–	(0)	(36)
Exchange differences on translation of foreign operations	285	–	–	–	199	485
Other	63	–	7	–	407	478
As of March 31, 2022	21,083	805	4,889	2,363	4,682	33,823
Acquisition	4,604	–	–	–	95	4,699
Internally generated	–	142	–	–	–	142
Disposal	(1,550)	–	–	–	(20)	(1,571)
Exchange differences on translation of foreign operations	101	–	–	–	(51)	49
Other	583	–	9	–	336	929
As of March 31, 2023	24,822	948	4,898	2,363	5,041	38,074

(Millions of yen)

Accumulated amortization and accumulated impairment losses	Software	Development cost	Goodwill	Patents	Other	Total
As of April 1, 2021	7,790	521	–	122	2,951	11,386
Amortization expenses	3,237	74	–	156	178	3,647
Impairment losses	133	–	–	–	4	137
Disposal	(31)	–	–	–	–	(31)
Exchange differences on translation of foreign operations	205	–	–	–	169	375
Other	31	–	–	–	429	460
As of March 31, 2022	11,366	596	–	279	3,733	15,975
Amortization expenses	3,618	65	–	156	179	4,020
Impairment losses	–	–	–	–	0	0
Disposal	(1,535)	–	–	–	(18)	(1,553)
Exchange differences on translation of foreign operations	67	–	–	–	(50)	16
Other	229	–	–	–	353	583
As of March 31, 2023	13,746	661	–	436	4,198	19,043

(Note) Amortization expenses of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

(Millions of yen)

Carrying amount	Software	Development cost	Goodwill	Patents	Other	Total
As of April 1, 2021	9,575	196	4,881	2,187	1,110	17,952
As of March 31, 2022	9,716	209	4,889	2,083	949	17,848
As of March 31, 2023	11,076	286	4,898	1,926	843	19,031

Research and development expenditures recognized in profit or loss consist of the following. These are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Research and development expenditures recognized in profit or loss	44,759	47,163

(2) Breakdown of intangible assets

Intangible assets consist of owned intangible assets and right-of-use assets, and their carrying amounts are as follows:

(Millions of yen)

Carrying amount	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Intangible assets [see (1) Movements]	12,958	14,132
Right-of-use assets	101	104
Balance of intangible assets recognized in the consolidated statement of financial position	13,060	14,237

(3) Material intangible assets

There were no individually material intangible assets recorded in the consolidated statement of financial position as of March 31, 2022 and March 31, 2023, respectively.

(4) Impairment losses

FY2022 (From April 1, 2021 to March 31, 2022)

There were no significant impairment losses.

FY2023 (From April 1, 2022 to March 31, 2023)

There were no significant impairment losses.

(5) Impairment test of goodwill

The aggregate carrying amounts of goodwill allocated to each cash-generating unit are as follows.

(Millions of yen)

Geographical area	Cash-generating unit	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Japan	The Company	4,747	4,747
Europe and Africa	TOYOTA BOSHOKU LEGNICA SP. Z O.O.	141	150
	Total	4,889	4,898

For the recoverable value of cash-generating units to which goodwill is allocated, value in use is calculated by discounting the estimated amount of cash flows, which is based on a business plan covering a maximum of five years that was prepared by reflecting past experience and external information and has been approved by the management, to present value using the pre-tax weighted average cost of capital (WACC) of the cash-generating unit, which is approximately 3.4%.

There were no impairment losses on goodwill recognized in the fiscal years ended March 31, 2022 and 2023, respectively.

The Group concluded that, even if there were reasonably possible changes in key assumptions used in the impairment assessment, it is unlikely that a material impairment would arise.

13. Involvement in Subsidiaries and Associates

Major subsidiaries for the fiscal year ended March 31, 2023 consist of the following.

Company name	Location	Principal business	Percentage of voting rights of the Company (%)
TOYOTA BOSHOKU TOHOKU CORPORATION	Kitakami-shi, Iwate	Auto parts	100.0
COWERK CO., LTD.	Kariya-shi, Aichi	Auto parts	52.0
TOYOTA BOSHOKU KYUSHU CORPORATION	Kanzaki-shi, Saga	Auto parts	100.0
TB LOGISTICS CORPORATION	Toyota-shi, Aichi	Transportation business	100.0
TB KAWASHIMA USA, INC.	South Carolina, U.S.A.	Auto parts	100.0 [100.0]
KAWASHIMA TEXTILE MANUFACTURERS (SHANGHAI) LTD.	Shanghai, China	Auto parts	80.0 [80.0]
TB KAWASHIMA CO., LTD.	Echi-gun, Shiga	Auto parts	99.9
TBDN TENNESSEE COMPANY, LLC	Tennessee, U.S.A.	Auto parts	80.0 [80.0]
TOYOTA BOSHOKU AMERICA, INC.	Kentucky, U.S.A.	Auto parts	100.0
TOYOTA BOSHOKU TENNESSEE, LLC	Tennessee, U.S.A.	Auto parts	100.0 [100.0]
TOYOTA BOSHOKU KENTUCKY, LLC	Kentucky, U.S.A.	Auto parts	100.0 [100.0]
TOYOTA BOSHOKU ARGENTINA S.R.L.	Buenos Aires, Argentina	Auto parts	95.0 [95.0]
TOYOTA BOSHOKU CANADA, INC.	Ontario, Canada	Auto parts	100.0 [100.0]
TOYOTA BOSHOKU MISSISSIPPI, LLC	Mississippi, U.S.A.	Auto parts	100.0 [100.0]
TOYOTA BOSHOKU DO BRASIL LTDA.	Sao Paulo, Brazil	Auto parts	100.0 [0.1]
TOYOTA BOSHOKU INDIANA, LLC	Indiana, U.S.A.	Auto parts	100.0 [100.0]
TOYOTA BOSHOKU ILLINOIS, LLC	Illinois, U.S.A.	Auto parts	100.0 [100.0]
CHENGDU TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD.	Chengdu, Sichuan Province, China	Auto parts	53.0 [53.0]
TOYOTA BOSHOKU (CHINA) CO., LTD.	Shanghai, China	Auto parts	100.0
NINGBO TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD.	Ningbo, Zhejiang Province, China	Auto parts	80.0 [40.0]
TIANJIN INTEX AUTO PARTS CO., LTD.	Tianjin, China	Auto parts	75.0 [75.0]
TIANJIN TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD.	Tianjin, China	Auto parts	80.0

Company name	Location	Principal business	Percentage of voting rights of the Company (%)
GUANGZHOU INTEX AUTO PARTS CO., LTD.	Guangzhou, Guangdong Province, China	Auto parts	75.0 [75.0]
TOYOTA BOSHOKU (GUANGZHOU) AUTOMOTIVE PARTS CO., LTD.	Guangzhou, Guangdong Province, China	Auto parts	100.0 [100.0]
TOYOTA BOSHOKU FOSHAN CO., LTD.	Foshan, Guangdong Province, China	Auto parts	80.0
TOYOTA BOSHOKU (TIANJIN) AUTOMOTIVE PARTS CO., LTD.	Tianjin, China	Auto parts	100.0 [100.0]
SHENYANG TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD.	Shenyang, Liaoning Province, China	Auto parts	100.0 [100.0]
SHIN SAN SHING CO., LTD.	Hsinchu, Taiwan	Auto parts	47.0 [3.8]
PT. TOYOTA BOSHOKU INDONESIA	Jawa Barat, Indonesia	Auto parts	81.8
TOYOTA BOSHOKU PHILIPPINES CORPORATION	Laguna, the Philippines	Auto parts	95.0
TOYOTA BOSHOKU GATEWAY (THAILAND) CO., LTD.	Chachoengsao, Thailand	Auto parts	80.0 [30.0]
TOYOTA BOSHOKU AUTOMOTIVE INDIA PRIVATE LIMITED	Karnataka, India	Auto parts	95.0 [25.0]
TOYOTA BOSHOKU ASIA CO., LTD.	Bangkok, Thailand	Auto parts	100.0
TOYOTA BOSHOKU FILTRATION SYSTEM (THAILAND) CO., LTD.	Rayong, Thailand	Auto parts	80.0 [80.0]
TOYOTA BOSHOKU SIAM METAL CO., LTD.	Chonburi, Thailand	Auto parts	87.1 [87.1]
TOYOTA BOSHOKU HAIPHONG CO., LTD.	Haiphong, Vietnam	Auto parts	100.0
BOSHOKU AUTOMOTIVE (THAILAND) CO., LTD.	Rayong, Thailand	Auto parts	90.0 [90.0]
TOYOTA BOSHOKU TURKIYE OTOMOTIV SANAYI VE TICARET A.S.	Adapazari, Turkey	Auto parts	90.0 [90.0]
TOYOTA BOSHOKU SOUTH AFRICA (PTY) LTD.	Kwazulu-Natal, South Africa	Auto parts	85.0 [85.0]
TOYOTA BOSHOKU EUROPE N.V.	Zaventem, Belgium	Auto parts	100.0
TOYOTA BOSHOKU LLC	St. Petersburg, Russia	Auto parts	95.0 [95.0]
TOYOTA BOSHOKU POLAND SP. Z O.O.	Lower Silesian Voivodeship, Poland	Auto parts	100.0 [100.0]
30 other companies			

(Notes) 1. The name of business division is shown in the “Principal business” field.

2. In the “Percentage of voting rights of the Company” field, the figures shown in parentheses, included in the figures directly above, represent the indirect ownership ratio, and the figures shown in square brackets, not included in the figures directly above, represent the ownership ratio of close persons, etc.

3. The Group only holds less than 50% stake in SHIN SAN SHING CO., LTD., and the percentage of its voting rights at shareholders’ meetings is also less than 50%. However, because the Company substantively controls the said company by a contract, this company is deemed as its subsidiary.

There were no subsidiaries or associates of individual significance for which the Company has non-controlling interests for the fiscal years ended March 31, 2022 and 2023, respectively.

Impacts on capital surplus due to changes in ownership interests in consolidated subsidiaries that do not result in a loss of control

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Consideration for acquisition	–	–
Decrease in non-controlling interests	(0)	–
Changes in capital surplus	0	–

Gains (losses) associated with a loss of control of subsidiaries for the fiscal years ended March 31, 2022 and 2023 were insignificant.

The carrying amounts of interests in individually insignificant associates attributable to the Group, which are accounted for using the equity method, are as follows.

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Carrying amount	13,377	13,661

The amounts of equity in comprehensive income of individually insignificant associates accounted for using the equity method consist of the following. These amounts are after adjusting for the Group’s ownership ratio.

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Amount of equity in profit	(134)	816
Amount of equity in other comprehensive income	305	265
Total comprehensive income	171	1,082

14. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

Increase (decrease) in deferred tax assets and deferred tax liabilities consist of the following.

FY2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Balance at beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Other	Balance at end of period
Deferred tax assets					
Accrued expenses	1,089	156	–	–	1,245
Accrued paid absences	3,540	547	–	–	4,087
Accrued bonuses	3,017	765	–	–	3,782
Retirement benefit liability	14,124	2,031	1,495	–	17,652
Provisions	577	170	–	–	747
Net operating loss carry-forwards for tax purposes	9,884	3,723	–	–	13,608
Tax credits carry-forwards	–	–	–	–	–
Other	6,742	2,167	–	–	8,910
Total deferred tax assets	38,977	9,562	1,495	–	50,035
Deferred tax liabilities					
Depreciation	3,920	444	–	–	4,364
Undistributed profits at subsidiaries and associates	15,581	1,626	–	–	17,208
Financial assets measured at fair value through other comprehensive income	3,898	(49)	363	–	4,212
Other	6,403	1,843	–	–	8,247
Total deferred tax liabilities	29,804	3,864	363	–	34,032
Net amount	9,173	5,697	1,132	–	16,002

FY2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Balance at beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Other	Balance at end of period
Deferred tax assets					
Accrued expenses	1,245	(110)	–	–	1,135
Accrued paid absences	4,087	(62)	–	–	4,025
Accrued bonuses	3,782	(171)	–	–	3,611
Retirement benefit liability	17,652	1,195	(828)	–	18,019
Provisions	747	(25)	–	–	722
Net operating loss carry-forwards for tax purposes	13,608	(10,020)	–	–	3,587
Tax credits carry-forwards	–	–	–	–	–
Other	8,910	(954)	–	–	7,955
Total deferred tax assets	50,035	(10,150)	(828)	–	39,057
Deferred tax liabilities					
Depreciation	4,364	(2,551)	–	–	1,813
Undistributed profits at subsidiaries and associates	17,208	(1,532)	–	–	15,676
Financial assets measured at fair value through other comprehensive income	4,212	115	318	–	4,645
Other	8,247	1,309	–	–	9,556
Total deferred tax liabilities	34,032	(2,659)	318	–	31,692
Net amount	16,002	(7,490)	(1,146)	–	7,365

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, 2022)	FY2023 (As of March 31, 2023)
Deferred tax assets	19,355	12,857
Deferred tax liabilities	3,352	5,492
Net amount	16,002	7,365

Deductible temporary differences, net operating loss carry-forwards for tax purposes, and tax credits carry-forwards for which no deferred tax asset is recognized are as follows.

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Deductible temporary differences	28,490	26,392
Net operating loss carry-forwards for tax purposes	33,087	75,667
Tax credits carry-forwards	15,663	17,559
Total	77,241	119,618

In line with the promulgation of the act on tax reform of Japan in March 2020, the Company has shifted to the Japanese group relief system from April 1, 2022.

Expiration of net operating loss carry-forwards for tax purposes for which deferred tax assets are not recognized is expected as follows.

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
First year	2,151	2,358
Second year	2,456	2,104
Third year	1,573	1,997
Fourth year	2,482	1,951
Fifth year and thereafter	24,423	67,254
Total	33,087	75,667

Expiration of tax credits carry-forwards for which deferred tax assets are not recognized is expected as follows.

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
First year	1,137	256
Second year	324	–
Third year	–	199
Fourth year	–	–
Fifth year and thereafter	14,200	17,103
Total	15,663	17,559

(2) Income tax expenses

Income tax expenses consist of the following.

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Current tax expenses	24,837	22,606
Deferred tax expenses	(6,273)	8,858
Total income tax expenses	18,563	31,465

Deferred tax expense for the prior fiscal year includes previously unrecognized tax losses, tax credits or benefits arising from temporary differences in prior periods. The corresponding decrease in deferred tax expense for the prior fiscal year was 5,046 million yen.

Deferred tax expense for the current fiscal year includes previously unrecognized tax losses, tax credits or benefits arising from temporary differences in prior periods and expenses arising from devaluation of deferred tax assets or reversal of devaluation previously recorded. The related increase in deferred tax expense for the current fiscal year was 9,516 million yen.

The reconciliation between the applicable tax rate and the average actual tax rate consists of the following.

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Applicable tax rate	30.9%	30.9%
Difference in income tax rates of foreign subsidiaries	(7.6)%	(0.5)%
Tax credit for R&D expenses	(2.1)%	(1.8)%
Undistributed profits at subsidiaries and associates	5.0%	4.0%
Permanent differences such as entertainment expenses	2.2%	0.2%
Foreign tax credits	(2.6)%	0.4%
Increase or decrease in temporary differences for which deferred tax assets are not recognized	5.6%	24.7%
Other	(2.6)%	2.3%
Average actual tax rate	28.8%	60.2%

The applicable tax rate was calculated as follows based on income, inhabitant and enterprise taxes in Japan.

(%)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Applicable tax rate	30.9	30.9

15. Trade and Other Payables

Trade and other payables consist of the following.

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Trade notes and accounts payable	151,807	175,887
Electronically recorded obligations - trade	14,283	17,616
Lease liabilities	37,736	29,265
Other	15,152	13,130
Total	218,979	235,900

16. Bonds and Borrowings

Bonds and borrowings consist of the following.

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)	Average interest rate (%)	Repayment due
Short-term borrowings	18,381	31,200	5.04	–
Current portion of long-term borrowings	–	23,029	1.62	–
Corporate bonds	40,000	40,000	–	–
Long-term borrowings	81,358	60,000	0.23	March 2026 - May 2030
Total	139,740	154,229	–	–
Current liabilities	28,381	64,229	–	–
Non-current liabilities	111,358	90,000	–	–
Total	139,740	154,229	–	–

(Note) The average interest rate reflects the weighted-average interest rate against the balance at the end of the fiscal year ended March 31, 2023. Rates for corporate bonds are indicated in the detailed schedule of corporate bonds.

Detailed schedule of corporate bonds

(Millions of yen)

Company name	Name	Issuance date	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)	Interest rate (%)	Colla-teral	Maturity date
Toyota Boshoku Corporation	2nd unsecured straight bonds	December 5, 2013	10,000	10,000	0.714	None	September 20, 2023
Toyota Boshoku Corporation	3rd unsecured straight bonds	December 7, 2017	10,000	–	0.110	None	December 20, 2022
Toyota Boshoku Corporation	4th unsecured straight bonds	December 7, 2017	10,000	10,000	0.210	None	December 20, 2024
Toyota Boshoku Corporation	5th unsecured straight bonds	December 7, 2017	10,000	10,000	0.330	None	September 17, 2027
Toyota Boshoku Corporation	6th unsecured straight bonds	December 15, 2022	–	10,000	0.290	None	December 15, 2027

17. Leases

(1) Lease transactions as lessee

The Group leases land, buildings and structures, molds and others.

(i) Lease expenses

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Depreciation of right-of-use assets		
Land	304	326
Buildings and structures	1,334	1,290
Machinery and equipment and vehicles	480	398
Tools, furniture and fixtures	48	49
Intangible assets	10	5
Total	2,179	2,070
Interest expenses	69	83
Expenses for short-term leases	125	36
Expenses for leases of low-value assets	5	7
Variable lease payments	–	–

(ii) Sublease income

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Sublease income	42,292	23,582

Cost of sales for subleases is included in “Cost of sales” in the consolidated statement of income.

(iii) Total cash outflow for leases

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Total cash outflow for leases	24,271	31,129

(iv) Gains or losses arising from sale and leaseback transactions

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Gains or losses arising from sale and leaseback transactions	–	–

(v) Carrying amount of right-of-use assets

	Land	Buildings and structures	Machinery and equipment and vehicles	Tools, furniture and fixtures	Intangible assets	Total
As of April 1, 2021	5,934	3,107	981	110	107	10,241
As of March 31, 2022	6,116	4,801	861	108	101	11,989
As of March 31, 2023	6,879	5,112	970	52	104	13,117

Increase of right-of-use assets for the fiscal years ended March 31, 2022 and 2023 is 44,926 million yen and 22,928 million yen, respectively.

(vi) Lease liabilities

Maturity analysis of lease liabilities is provided in "30. Financial Instruments, (5) Liquidity risk management."

The balance of lease liabilities is included in "Trade and other payables" and "Other financial liabilities" in the consolidated statement of financial position. Lease liabilities included in "Trade and other payables" are lease transactions for molds, and the payment period is mainly two years. For these mold transactions, sublease contracts are implemented, and the amount of minimum sublease payments receivable under the sublease contracts is equal to the balance of finance lease receivables in (2) Lease transactions as lessor.

(2) Lease transactions as lessor

Finance lease transactions

The Group leases molds and others.

(i) Lease income

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Selling profit or loss	4,786	2,653
Finance income	–	–
Variable lease payments	–	–

(ii) Finance lease receivables

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

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Within one year	30,217	26,857
Over one year but within two years	15,487	8,982
Over two years but within three years	2,448	2,313
Over three years but within four years	1,912	1,321
Over four years but within five years	1,042	140
Over five years	50	–
Total	51,157	39,615
Unearned finance income	–	–
Finance lease receivables	51,157	39,615

The balance of lease receivables is included in "Trade and other receivables" in the consolidated statement of financial position. These leases are lease transactions for molds, and the collection period is mainly two years. There is no residual value after the lease term.

Operating lease transactions

The Group leases land, buildings and structures, machinery and equipment and vehicles, and others.

Maturity analysis of lease payments based on operating lease transactions is as follows.

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Within one year	599	599
Over one year but within two years	568	551
Over two years but within three years	538	527
Over three years but within four years	526	500
Over four years but within five years	494	220
Over five years	2,712	2,492
Total	5,439	4,891

Lease income is mainly rental income, and is stated in “25. Other Income and Other Expenses.”

18. Provisions

The breakdown and changes of provisions are as follows.

(Millions of yen)

	Warranty provision	Other	Total
As of April 1, 2021	5,937	224	6,161
Increase during period	729	59	788
Decrease during period (intended use)	(320)	(0)	(321)
Decrease during period (reversal)	(118)	–	(118)
Interest expense over the discount period	–	–	–
Exchange differences on translation of foreign operations	130	4	135
As of March 31, 2022	6,358	288	6,646
Increase during period	831	3	834
Decrease during period (intended use)	(379)	–	(379)
Decrease during period (reversal)	(181)	–	(181)
Interest expense over the discount period	–	–	–
Exchange differences on translation of foreign operations	95	5	100
As of March 31, 2023	6,724	297	7,021

For warranty provision, some or all of the expenditure is expected to be reimbursed by agreement with suppliers. The expected amount of reimbursements was 2,833 million yen and 2,921 million yen as of March 31, 2022 and 2023, respectively, and is included in “Trade and other receivables.”

19. Other Current Liabilities

Other current liabilities consist of the following.

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
(Other current liabilities)		
Accrued consumption taxes	8,526	5,271
Accrued bonuses	12,700	13,592
Accrued paid absences	15,202	16,040
Advances received	9,890	5,796
Other	45,936	47,738
Total	92,256	88,438

20. Employee Benefits

The Company and certain consolidated subsidiaries have defined benefit corporate pension plans, lump-sum retirement benefit plans, and defined contribution pension plans as retirement benefit plans.

The amount of benefits under the defined benefit corporate pension plans and lump-sum retirement benefit plans is determined based on points earned by employees for each year of service, the number of years of service and other terms.

To provide for future benefits, the Company and certain consolidated subsidiaries make contributions for defined benefit corporate pension plans based on actuarial calculations using an estimated rate of wages and salaries, operating them as funded plans. In addition, these plans are operated by a pension fund that is legally separate from the Company in compliance with relevant laws and regulations. The board of this pension fund and the entrusted pension management institution are required by laws and regulations to behave in a way that gives utmost priority to the interest of plan participants, and they assume the responsibility for managing plan assets based on the investment policy. Corporate pension funds fall under the category of related parties.

As an unfunded plan, the Company also has an unfunded plan for which the Company has obligations to pay benefits at due date.

(1) Defined benefit plans

(i) Risks related to defined benefit plans

The Group is exposed to various risks in relation to defined benefit plans. Major risks are as follows. The Group is not exposed to significant concentration risk in relation to plan assets.

Fluctuations of plan assets	Investments in equity instruments, debt instruments, etc. are exposed to risk of fluctuations.
Changes in interest rates on corporate bonds	A decline in market yield of corporate bonds will be partially offset by a rise in value of bonds held by plans, but will increase defined benefit obligations.

Present value of defined benefit obligations and fair value of plan assets are as follows.

(ii) Changes in present value of defined benefit obligations

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Balance of defined benefit obligations at beginning of period	99,389	99,918
Service cost	5,029	5,088
Interest cost	766	911
Actuarial gains and losses (demographic)	(13)	(25)
Actuarial gains and losses (financial)	(2,214)	(6,229)
Actuarial gains and losses (revised results)	(673)	(1,031)
Past service cost	–	74
Benefits paid	(2,708)	(2,694)
Exchange differences on translation of foreign operations	342	456
Others	–	164
Balance of defined benefit obligations at end of period	99,918	96,634

(Note) Service cost and interest cost are included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income.

(iii) Changes in fair value of plan assets

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Balance of plan assets at beginning of period	44,712	47,453
Interest income	348	435
Income from plan assets other than interest	944	(582)
Pension contributions of the Group	2,452	2,348
Benefits paid	(1,165)	(1,064)
Exchange differences on translation of foreign operations	151	(2)
Other	9	248
Balance of plan assets at end of period	47,453	48,835

(Note) Interest income is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

(iv) Reconciliation of balances of defined benefit obligations and plan assets

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Present value of defined benefit obligations of funded plans	41,855	39,669
Fair value of plan assets	47,453	48,835
Subtotal	(5,597)	(9,165)
Present value of defined benefit obligations of unfunded plans	58,062	56,964
Net amount of defined benefit obligations and plan assets	52,464	47,799
Effect of asset ceiling (Note)	3,643	7,284
Amounts in the consolidated statement of financial position		
Retirement benefit liability	56,107	55,524
Retirement benefit asset	–	440
Defined benefit liabilities recognized in the consolidated statement of financial position	56,107	55,084

(Note) An unrecognized surplus has arisen in some pension plans of the Group, from which economic benefits cannot be used because future contributions will not be reduced or refunded. The amount of the asset ceiling is as indicated above.

Investment policy

The Group's investment policy for the plan assets of its defined benefit pension plans is to procure an adequate return to provide future payments of pension benefits over the long term by optimizing risk tolerance and formulating a well-diversified portfolio including investments such as equity instruments, debt instruments, and insurance contracts.

Considering the funded status of the pension plans and surrounding economic environment for investments, the Group's investment strategy may be revised as needed.

Moreover, the Group continuously monitors and pays extra attention to the diversification of risks relevant to strategies and investment managers for the purpose of risk control and, thereby, pursues efficiencies in investment.

Major components of plan assets

Fair values of plan assets as of March 31, 2022 and 2023 are as follows.

FY2022 (As of March 31, 2022)

(Millions of yen)

Category	Items with published market value in an active market	Items with no published market value in an active market	Total
Commingled funds (domestic)	–	12,298	12,298
Commingled funds (overseas)	–	18,165	18,165
Insurance contracts (Note)	–	10,100	10,100
Other	1,014	5,875	6,889
Total	1,014	46,439	47,453

(Note) Insurance contracts principally include life insurance general account for which the principal and expected interest rate are guaranteed.

FY2023 (As of March 31, 2023)

(Millions of yen)

Category	Items with published market value in an active market	Items with no published market value in an active market	Total
Commingled funds (domestic)	–	11,352	11,352
Commingled funds (overseas)	–	18,225	18,225
Insurance contracts (Note)	–	10,300	10,300
Other	1,179	7,777	8,956
Total	1,179	47,656	48,835

(Note) Insurance contracts principally include life insurance general account for which the principal and expected interest rate are guaranteed.

(v) Actuarial assumptions

The major items of actuarial assumptions as of each fiscal year-end are as follows.

(%)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Discount rate	0.84	1.35

(vi) Sensitivity analysis

Changes in the key assumptions may affect the measurement of defined benefit obligations as follows. This analysis shows the sensitivity to the key assumptions without taking into account all information of projected cash flow, based on the premise that assumptions other than those analyzed remain constant.

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Discount rate: Decreased by 0.5%	Increase of 7,265 million yen	Increase of 6,421 million yen
Discount rate: Increased by 0.5%	Decrease of 6,634 million yen	Decrease of 5,770 million yen

(vii) Information on future cash flows

Contributions to defined benefit plans of the Group expected in the fiscal year ending March 31, 2024 are as follows.

(Millions of yen)

Period	Amount
From April 1, 2023 to March 31, 2024	3,016

Weighted-average duration of defined benefit obligations is as follows.

(Years)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Weighted-average duration	16.7	15.7

(viii) Information on matching of assets and liabilities

In the case of funded plans, the Group matches assets and liabilities through long-term investments in line with obligations based on the pension scheme. Mainly corporate pension funds of each company actively monitor how duration and expected yield of investments correspond to expected cash outflows arising from pension obligations, and this risk management process has not been changed from the fiscal year ended March 31, 2022.

(2) Defined contribution pension plan

The amount recognized as expenses related to the defined contribution pension plan is as follows. Welfare insurance premiums are accounted for in the same way as the defined contribution plan and included in employee benefits expenses.

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Amount recognized as expenses related to the defined contribution pension plan	2,396	2,616

(3) Employee benefit expenses

Employee benefit expenses included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income are as follows.

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Employee benefit expenses	249,605	287,360

21. Equity and Other Equity Items

Consolidated companies make capital investments and investments in research and development, etc. to enhance corporate value through growth on a global basis. In order to meet such demand for funds, the Group conducts capital management taking into account appropriate balance of debt and equity associated with financing.

In addition, the Group aims for the equity ratio of approximately 40% in 2025, as announced in the Mid-term Business Plan for 2025.

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Total equity attributable to owners of the parent (millions of yen)	386,162	400,741
Total assets (millions of yen)	964,740	1,007,392
Ratio of equity attributable to owners of the parent (%)	40.0	39.8

(1) Share capital and capital surplus

The Companies Act in Japan (hereinafter, the "Companies Act") stipulates that no less than half of the contribution for issuing share shall be incorporated into share capital, and the remaining amount shall be incorporated into capital reserve, which is included in capital surplus. Moreover, the capital reserve may be incorporated into share capital by a resolution of the General Meeting of Shareholders under the Companies Act.

Changes in the number of shares authorized, the number of shares issued, and the balance of share capital, etc. are as follows.

	Number of shares authorized (shares)	Number of shares issued (shares)	Share capital (millions of yen)	Capital surplus (millions of yen)
Balance as of April 1, 2021	500,000,000	187,665,738	8,400	3,092
Increase (decrease)	–	–	–	5
Balance as of March 31, 2022	500,000,000	187,665,738	8,400	3,097
Increase (decrease)	–	–	–	3
Balance as of March 31, 2023	500,000,000	187,665,738	8,400	3,101

(Note) 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.

(2) Treasury shares

Changes in the number and balance of treasury shares consist of the following.

	Number of shares (shares)	Amount (millions of yen)
Balance as of April 1, 2021	818,460	1,620
Increase (decrease)	(18,475)	(36)
Balance as of March 31, 2022	799,985	1,583
Increase (decrease)	(18,432)	(36)
Balance as of March 31, 2023	781,553	1,547

(Note) Increases (decreases) during periods were mainly due to disposal for transfer-restricted share-based remuneration, as well as buyback of shares less than one share unit.

(3) Retained earnings

The Companies Act stipulates that one tenth of the amount paid as dividend of surplus shall be accumulated as capital reserve or retained earnings reserve until the total amount of capital reserve and retained earnings reserve reaches one fourth of capital. Accumulated retained earnings reserve may be appropriated to compensate for losses. Moreover, retained earnings reserve may be reduced by a resolution of the General Meeting of Shareholders.

22. Dividends

Dividends paid for the fiscal years ended March 31, 2022 and 2023 consist of the following.

Resolutions	Class of shares	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors meeting held on April 28, 2021	Common shares	Retained earnings	6,539	35.00	March 31, 2021	May 27, 2021
Board of Directors meeting held on October 29, 2021	Common shares	Retained earnings	5,979	32.00	September 30, 2021	November 26, 2021
Board of Directors meeting held on April 28, 2022	Common shares	Retained earnings	5,979	32.00	March 31, 2022	May 30, 2022
Board of Directors meeting held on October 28,2022	Common shares	Retained earnings	6,540	35.00	September 30, 2022	November 25, 2022

Of dividends with a record date in the fiscal year ended March 31, 2023, the total amount of those for which the effective date falls in the following fiscal year is as follows.

Resolutions	Class of shares	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors meeting held on April 27, 2023	Common shares	Retained earnings	6,540	35.00	March 31, 2023	May 26, 2023

23. Revenue

The Group mainly engages in manufacture and sale of automotive components, and satisfies performance obligations and recognizes revenues at the time of customer acceptance. Amounts of consideration do not contain any significant financial components, and are generally paid within three months from the time of satisfying performance obligations. While revenues recorded based on provisional unit prices mainly fall under variable consideration, such consideration is insignificant.

In addition, the Company promises to provide products that meet a level of quality required by customers.

(1) Disaggregation of revenues

FY2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment					
	Japan	North, Central and South America	China	Asia and Oceania	Europe and Africa	Total
Revenue recognized from contracts with customers	595,837	314,026	190,014	176,803	94,878	1,371,561
Revenue recognized from other sources	37,888	–	12,002	–	–	49,890
Total	633,726	314,026	202,016	176,803	94,878	1,421,451

FY2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment					
	Japan	North, Central and South America	China	Asia and Oceania	Europe and Africa	Total
Revenue recognized from contracts with customers	621,814	384,129	230,771	233,911	106,559	1,577,186
Revenue recognized from other sources	21,756	–	5,094	–	–	26,850
Total	643,570	384,129	235,866	233,911	106,559	1,604,036

Revenue recognized from other sources is mainly lease income based on IFRS 16.

(2) Contract balances

Contract balances of the Group consist of the following.

FY2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	As of April 1, 2021	As of March 31, 2022
Receivables from contracts with customers		
Trade notes and accounts receivable	162,637	184,685
Electronically recorded monetary claims - trade	23,627	15,989
Contract liabilities	1,683	11,037

FY2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	As of April 1, 2022	As of March 31, 2023
Receivables from contracts with customers		
Trade notes and accounts receivable	184,685	219,882
Electronically recorded monetary claims - trade	15,989	17,343
Contract liabilities	11,037	6,750

(Note) Contract liabilities are included in “Other current liabilities” in the consolidated statement of financial position.

Of revenue recognized in the fiscal year ended March 31, 2022 and 2023 the amount included in the balance of contract liabilities is as follows. There was no revenue amount recognized from performance obligations satisfied (or partially satisfied) in previous fiscal years.

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Of revenue recognized the amount included in the balance of contract liabilities	1,683	11,037

The Group does not disclose information on remaining performance obligations whose original expected duration is one year or less, as it applies the practical expedient in paragraph 121 of IFRS 15.

Furthermore, in consideration arising from contracts with customers, there is no significant amount that is not included in transaction price.

24. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following.

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Freight expenses	5,691	6,665
Employee benefit expenses	38,314	45,148
Depreciation and amortization	7,815	12,392
Research and development expenses	11,971	4,004
Other	25,730	38,730
Total	89,523	106,942

25. Other Income and Other Expenses

Other income and other expenses consist of the following.

Other income

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Rental income	725	679
Gain on sale of fixed assets	511	3,571
Other	3,492	6,626
Total	4,730	10,877

Other expenses

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Depreciation	513	491
Impairment losses	936	1,167
Other	4,139	9,020
Total	5,589	10,679

26. Finance Income and Finance Expenses

Finance income and finance expenses consist of the following.

Finance income

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Interest income		
Financial assets measured at amortized cost	2,389	4,669
Gains (losses) on foreign currency translation	3,818	1,182
Other	224	731
Total	6,432	6,582

Finance expenses

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Interest expenses		
Financial liabilities measured at amortized cost	750	1,807
Gains (losses) on derivatives	977	–
Other	330	973
Total	2,058	2,781

27. Earnings per Share

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

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Basis of calculation for basic earnings per share		
Profit attributable to owners of the parent (millions of yen)	39,260	14,679
Weighted-average number of common shares outstanding (thousands of shares)	186,823	186,838
Basic earnings per share (yen)	210.15	78.57
Basis of calculation for diluted earnings per share		
Profit for the period used for calculation of diluted earnings per share (millions of yen)	39,260	14,679
Weighted-average number of common shares outstanding (thousands of shares)	186,823	186,838
Increase in common shares due to transfer-restricted share-based remuneration plan (thousands of shares)	21	21
Weighted-average number of diluted common shares outstanding (thousands of shares)	186,845	186,860
Diluted earnings per share (yen)	210.13	78.56

28. Other Comprehensive Income

Amount incurred during the period and reclassification adjustments to profit or loss, as well as tax effect, by component of other comprehensive income consist of the following.

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
(Items that will not be reclassified to profit or loss)		
Remeasurements of defined benefit plans		
Amount incurred during the period	404	2,653
Reclassification adjustments	–	–
Before tax effect	404	2,653
Tax effect	1,495	(828)
Net of tax effect	1,900	1,825
Net change in fair value of equity instruments measured at fair value through other comprehensive income		
Amount incurred during the period	1,270	1,033
Reclassification adjustments	–	–
Before tax effect	1,270	1,033
Tax effect	(371)	(318)
Net of tax effect	899	714
Share of other comprehensive income of investments accounted for using equity method		
Amount incurred during the period	63	(33)
Reclassification adjustments	–	–
Before tax effect	63	(33)
Tax effect	–	–
Net of tax effect	63	(33)
(Items that may be reclassified to profit or loss)		
Exchange differences on translation of foreign operations		
Amount incurred during the period	24,605	10,750
Reclassification adjustments	–	(34)
Before tax effect	24,605	10,716
Tax effect	–	–
Net of tax effect	24,605	10,716
Net change in fair value of debt instruments measured at fair value through other comprehensive income		
Amount incurred during the period	0	0
Reclassification adjustments	–	–
Before tax effect	0	0
Tax effect	8	(0)
Net of tax effect	9	0
Share of other comprehensive income of investments accounted for using equity method		
Amount incurred during the period	241	299
Reclassification adjustments	–	–
Before tax effect	241	299
Tax effect	–	–
Net of tax effect	241	299

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Total other comprehensive income		
Amount incurred during the period	26,586	14,703
Reclassification adjustments	–	(34)
Before tax effect	26,586	14,669
Tax effect	1,132	(1,146)
Net of tax effect	27,719	13,522

29. Share-based Payment

The Company has introduced a transfer-restricted share-based remuneration plan. This plan aims to give incentives for sustainable enhancement of corporate value of the Company to directors of the Company (excluding outside directors; hereinafter, "Eligible Directors") and to promote further sharing of value between them and shareholders.

Eligible Directors pay all monetary compensation claims provided by the Company under the plan, as properties contributed in kind, and receive issuance or disposal of common shares of the Company. In the issuance or disposal of common shares of the Company under the plan, the Company and Eligible Directors have entered into a transfer-restricted share allocation agreement, containing provisions to the effect (1) that Eligible Directors must not transfer, establish security interest in, or otherwise dispose of common shares of the Company allocated under the transfer-restricted stock allocation agreement for a certain period, and (2) that the Company shall acquire the common shares without compensation if any of certain events occurs.

Expenses for share-based payment were 40 million yen and 41 million yen for the fiscal years ended March 31, 2023 and 2022, respectively, which are included in "Selling, general and administrative expenses".

The grant-date fair value is measured based on the closing price of common shares of the Company on the Prime Market, which was the First Section for the previous fiscal year, of the Tokyo Stock Exchange on the business day before the date of resolution of the Board of Directors regarding the share grant. Details of transfer-restricted share granted in the fiscal years ended March 31, 2022 and 2023 are as follows.

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Date of grant	July 9, 2021	July 12, 2022
Number of shares granted (shares)	18,767	18,611
Grant-date fair value per share (yen)	2,243	2,149

30. Financial Instruments

(1) Capital management

The purpose of capital management at the Group is to maintain its ability to continue as a going concern so that it can provide returns to shareholders, provide benefits to other stakeholders, and maintain optimal capital structure to reduce the cost of equity.

In order to maintain or adjust the capital structure, the Group may vary the amount of dividends paid to shareholders, redeem capital to shareholders, issue new shares, or reduce debts by selling assets.

The Group monitors capital based on the ratio of equity attributable to owners of the parent. The ratio of equity attributable to owners of the parent is provided in “21. Equity and Other Equity Items”.

At the Group, each time a Mid-term Business Plan is prepared or reviewed, management monitors and checks these indicators in addition to revenue and investment plans.

The Group is not subject to any material capital restrictions (excluding general provisions of the Companies Act, etc.).

(2) Classification of financial instruments

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Financial assets		
Equity instruments measured at fair value through other comprehensive income	24,759	25,614
Shares	24,294	25,081
Other	465	532
Debt instruments measured at fair value through other comprehensive income	284	286
Financial assets measured at fair value through profit or loss	1,179	1,313
Other	1,179	1,313
Financial assets measured at amortized cost	521,098	549,403
Cash and cash equivalents	237,952	248,195
Trade and other receivables	261,814	286,181
Other	21,330	15,026
Total	547,321	576,617
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	450	–
Derivatives	450	–
Financial liabilities measured at amortized cost	370,793	402,318
Trade and other payables	218,979	235,900
Bonds and borrowings	139,740	154,229
Deposits payable	2,033	1,996
Other	10,040	10,191
Total	371,243	402,318

(Note) Financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss are included in “Other financial assets” in the consolidated statement of financial position.

Financial liabilities measured at fair value through profit or loss are included in “Other financial liabilities” in the consolidated statement of financial position.

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

The Group designates shares held over a long term for the purpose of revenue base expansion through maintaining and reinforcing business relations with investees as equity instruments measured at fair value through other comprehensive income.

Major investees and their fair values and associated dividends of the equity instruments measured at fair value through other comprehensive income included in "Other financial assets as of March 31, 2022 and 2023 consist of the following.

(i) Major investees and their fair values of equity instruments measured at fair value through other comprehensive income

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
TOYOTA FUDOSAN CO., LTD.	17,163	18,401
Toyota Motor Corporation	2,740	2,344
TACHI-S CO., LTD.	1,513	1,237
DENSO Corporation	577	641
Toyota Tsusho Corporation	636	603

(Note) TOYOTA FUDOSAN CO., LTD. changed its company name from Towa Real Estate Co., Ltd. on April 27, 2022.

(ii) Dividends income

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Investments derecognized during the period	22	0
Investments held as of the end of the period	194	257
Total	217	258

Equity instruments measured at fair value through other comprehensive income disposed of during the period consist of the following.

(Millions of yen)

FY2022 (From April 1, 2021 to March 31, 2022)		FY2023 (From April 1, 2022 to March 31, 2023)	
Fair value at time of disposal	Cumulative gains (losses)	Fair value at time of disposal	Cumulative gains (losses)
660	161	594	(381)

These assets were disposed of through sale mainly to increase efficiency and promote the effective use of assets in holding. In the fiscal years ended March 31, 2022 and 2023, cumulative profit or loss (net of tax) reclassified from other components of equity to retained earnings was 101 million yen and (242) million yen, respectively.

(3) Financial risk management

The Group is exposed to various risks such as credit risk, liquidity risk, and market risk (foreign currency risk and interest rate risk). As for derivative transactions, the Group’s policy is to use forward exchange contracts, currency swap transactions and interest rate swap transactions to mitigate foreign currency risk associated with assets and liabilities denominated in foreign currencies, as well as interest rate fluctuation risk, and not to conduct any derivative transaction for trading or speculative purposes.

In addition, the Group raises necessary funds according to the capital expenditure plan. Temporary excess funds are invested in highly safe assets, and short-term working capital is financed through bank loans. Liquidity risk related to financing is managed by means of each company's developing a financing plan on a monthly basis.

(4) Credit risk management

The Group is exposed to credit risk, which is the risk that a counterparty to financial assets in holding defaults on debts and consequently the financial assets become impossible to recover. To respond to this risk, in accordance with internal management procedures, the Group conducts due date management and balance management for each business partner at least semi-annually, and assesses the credit status of major business partners. Of the Group's trade and other receivables as of March 31, 2023, 63.8% is from Toyota Motor Corporation and its subsidiaries. In addition, most of the remaining receivables are from associates of Toyota Motor Corporation.

As for financial assets, the carrying amounts after impairment presented in the consolidated statement of financial position represent the Group's maximum exposure to credit risk.

With regard to the exposure to this credit risk, there are no properties held as security or other credit enhancements.

Regarding trade receivables, lease receivables, loans receivable, and securities that are debt instruments, if all or part of them cannot be collected or are deemed to be extremely difficult to collect, they are regarded as default.

Trade receivables and lease receivables are mainly from Toyota Motor Corporation and its group companies. As they are highly creditworthy, the credit risk is limited. In addition, there are no significant overdue receivables.

When using derivative transactions, the Group deals with major financial institutions that are highly creditworthy, and recognizes that there is extremely insignificant credit risk.

With regard to trade receivables and lease receivables of debtors who have no significant difficulties in their business conditions, the expected credit loss is measured collectively and allowance for doubtful accounts is recorded, taking into account the past track record of bad debts and other factors.

Changes in allowance for doubtful accounts

Changes in allowance for doubtful accounts are as follows.

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Balance at beginning of period	433	1,101
Increase during period	625	249
Decrease during period	(28)	(155)
Foreign currency translation differences	70	65
Balance at end of period	1,101	1,261

(5) Liquidity risk management

The Group procures working capital and funds for capital expenditure through issuance of corporate bonds and borrowings from financial institutions, and is exposed to the risk that it becomes difficult to fulfill obligations related to them, that is liquidity risk. The Group obtains borrowings from financial institutions as appropriate to secure minimum funds on hand in conducting businesses.

In addition, the Company identifies demand for funds of each group company as appropriate, and then prepares funding plans on a monthly basis, and conducts monitoring by means of comparing the plans with daily cash flows to manage liquidity risk.

The amounts of non-derivative financial liabilities and derivative financial liabilities of the Group by remaining contract maturity are as follows.

FY2022 (As of March 31, 2022)

(Millions of yen)

		Carrying amount	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
Non-derivative financial liabilities								
Trade and other payables		218,979	203,646	15,332				
Corporate bonds		40,000	10,133	10,087	10,048	33	33	10,015
Borrowings		99,740	18,896	21,578	138	10,138	10,098	40,221
Lease liabilities		8,830	1,648	603	429	334	267	5,547
Deposits payable		2,033	2,033					
Total		369,583	236,357	47,602	10,615	10,505	10,398	55,783
Derivative financial liabilities								
Currency and interest rate swaps	Income		(3,746)					
	Expenditure	450	4,351					
Total		450	605	–	–	–	–	–

FY2023 (As of March 31, 2023)

(Millions of yen)

		Carrying amount	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
Non-derivative financial liabilities								
Trade and other payables		235,900	226,549	9,351				
Corporate bonds		40,000	10,131	10,092	76	76	20,046	
Borrowings		114,229	54,456	138	10,138	10,098	98	40,123
Lease liabilities		9,251	1,499	754	529	409	948	5,110
Deposits payable		1,996	1,996					
Total		401,378	294,633	20,336	10,744	10,583	21,093	45,233
Derivative financial liabilities								
Currency and interest rate swaps	Income							
	Expenditure	–						
Total		–	–	–	–	–	–	–

The amount of “Trade and other payables” due in over one year but within two years represents lease liabilities for molds.

(6) Market risk management

(i) Foreign currency risk management

The Group engages in business globally, and therefore conducts transactions in foreign currencies and is exposed to the risk that profit or loss, cash flow and others will be affected by exchange rate fluctuations.

As for derivative transactions, the Group utilizes currency swaps and others to alleviate foreign exchange risk. Execution and management of derivative transactions are mainly implemented in accordance with internal management procedures, and the status of transactions are regularly reported to the director in charge of accounting of the Company. In addition, when using derivative transactions, the Group deals with major financial institutions that are highly creditworthy, and recognizes that there is extremely insignificant credit risk.

Exchange rate sensitivity analysis

Sensitivity analysis of the Group's foreign currency risk exposure (net amount) is as follows.

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
U.S. dollar	(146)	(222)
Euro	(37)	(20)
Chinese renminbi	(79)	(40)
Thai baht	(79)	(193)

For the fiscal years ended March 31, 2022 and 2023, impacts on profit before income taxes in the case where the Japanese yen appreciates by 1% against the above foreign currencies were as indicated above. This analysis is based on the assumption that all other variables are constant.

(ii) Interest rate risk

The Group pays interest accrued in connection with procurement of working capital and funds needed for capital expenditure in implementing business activities. If borrowings with floating interest rates are obtained, the amount of interest is affected by fluctuations in market interest rates, and therefore the Group is exposed to interest rate risk that future cash flows of the interest fluctuate. As for long-term borrowings with floating interest rates whose purpose is raising funds for capital expenditure, etc., the Group has entered into interest rate swap contracts with financial institutions for setting floating interest rates for interest received and fixed interest rates for interest paid, and receiving and paying the difference, in order to curb a rise in interest payment caused by an increase in interest rates. As a result, substantially fixing the interest rates on long-term borrowings helps stabilize future cash flows of interest and enables mitigation of interest rate risk. Accordingly, the Group's exposure to interest rate risk is limited, and effects of fluctuations in interest rates are insignificant.

(iii) Price fluctuation risk of equity financial instruments

The Group holds listed shares of companies with business relationships and is exposed to price fluctuation risk of equity financial instruments. The Group constantly reviews the status of its holdings of these financial instruments, taking into account relationships with and financial conditions of business partners.

The Group does not hold equity financial instruments for short-term trading purposes and does not actively trade these investments.

If the Group assumes a 1% decline in the prices of listed shares held by the Group for the fiscal years ended March 31, 2022 and 2023, decreases in other comprehensive income (before adjusting tax effect) would have been 60 million yen and 53 million yen, respectively.

Moreover, because the shares held by the Group are designated as equity instruments measured at fair value through other comprehensive income, the assumed 1% rise or drop of share prices will not have a significant impact on profit or loss.

Liquidity discounts are an important unobservable input used to measure the fair value of unlisted shares and other equity securities. A significant increase (decrease) of these discounts will cause a significant decrease (increase) in fair value.

(7) Carrying amount and fair value of financial instruments

(i) Method of fair value measurement

Fair values of financial assets and financial liabilities are determined as follows. In the estimation of fair value of financial instruments, market prices are used when they are available. Fair value of financial instruments whose market prices are not available is estimated by the method of discounting future cash flows, or other appropriate valuation methods.

(ii) Fair value by category of financial instruments

Fair values of financial assets and financial liabilities measured at amortized cost consist of the following. Because the fair value of financial assets and financial liabilities that are settled in a short period of time approximates their carrying amount, the fair value is deemed to be equal to the carrying amount. Financial instruments measured at fair value are disclosed in “(2) Classification of financial instruments.”

Corporate bonds are measured based on market prices.

Since short-term borrowings are settled in a short period of time, the fair value approximates the carrying amount. Therefore, carrying amounts are used for their fair values. Long-term borrowings are calculated with present value obtained by discounting future cash flows with the expected interest rate when newly undertaking similar borrowings.

(Millions of yen)

	FY2022 (As of March 31, 2022)		FY2023 (As of March 31, 2023)	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds and borrowings	139,740	139,237	154,229	153,362

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

(iii) Fair value hierarchy

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

The classifications from Level 1 to Level 3 are provided in “3. Significant Accounting Policies, (20) Fair value measurements”.

The Group recognizes transfers of assets and liabilities between levels at the end of the reporting period in which it carried out the transfer. In the fiscal years ended March 31, 2021 and 2022, there was no transfer between levels.

FY2022 (As of March 31, 2022)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Equity instruments measured at fair value through other comprehensive income	6,064	–	18,695	24,759
Listed shares	6,064			6,064
Unlisted shares			18,229	18,229
Other			465	465
Debt instruments measured at fair value through other comprehensive income	–	–	284	284
Financial assets measured at fair value through profit or loss	–	–	1,179	1,179
Other			1,179	1,179
Financial liabilities measured at fair value through profit or loss	–	450	–	450
Derivatives		450		450

FY2023 (As of March 31, 2023)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Equity instruments measured at fair value through other comprehensive income	5,352	–	20,261	25,614
Listed shares	5,352			5,352
Unlisted shares			19,728	19,728
Other			532	532
Debt instruments measured at fair value through other comprehensive income	–	–	286	286
Financial assets measured at fair value through profit or loss	–	–	1,313	1,313
Other			1,313	1,313
Financial liabilities measured at fair value through profit or loss	–	–	–	–
Derivatives		–		–

Fair values of derivatives are measured based on prices provided mainly by financial institutions.

The Group uses the modified book value method when measuring fair values of unlisted shares and investments in capital. In addition, fair values of insignificant investments are calculated using the book value method. The illiquidity discount, which is an unobservable input, is 30%.

Fair value is measured by the accounting department in accordance with the evaluation policy and procedures of the Group, using the evaluation model that can most appropriately reflect individual characteristics, features and risks of financial instruments. Moreover, changes are continuously examined for important indicators which affect fluctuations of fair value.

For financial assets and financial liabilities measured at fair value on a recurring basis, an increase or decrease in such assets and liabilities that are classified as Level 3 in the fair value hierarchy is as follows.

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)			FY2023 (From April 1, 2022 to March 31, 2023)		
	Equity instruments measured at fair value through other comprehen-sive income	Debt instruments measured at fair value through other comprehen-sive income	Financial assets measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehen-sive income	Debt instruments measured at fair value through other comprehen-sive income	Financial assets measured at fair value through profit or loss
Balance at beginning of period	17,849	311	846	18,695	284	1,179
Purchase		0	418	400		274
Profit or loss			(62)			(45)
Other comprehensive income (Note)	842	(27)		1,167	0	
Sales and repayment	(0)	(0)	(24)	(3)		(93)
Foreign currency translation differences	3	1		1	1	
Other	(0)	(0)		(0)	(0)	
Balance at end of period	18,695	284	1,179	20,261	286	1,313

(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 “Net change in fair value of equity instruments measured at fair value through other comprehensive income” or “Net change in fair value of debt instruments measured at fair value through other comprehensive income” on the consolidated statement of comprehensive income.

(8) Offsetting of financial assets and financial liabilities

The following information pertains to the offsetting of financial assets and financial liabilities recognized against the same business partners for the fiscal years ended March 31, 2022 and 2023.

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Financial assets		
Trade and other receivables	21,353	24,594
Financial liabilities offset (Note)	19,847	23,095
Financial assets on the consolidated statement of financial position	1,505	1,499
Financial liabilities		
Trade and other payables	64,246	80,821
Financial assets offset (Note)	19,847	23,095
Financial liabilities on the consolidated statement of financial position	44,398	57,725

(Note) These assets and liabilities are related to subcontract processing with charged materials.

31. Non-cash Transactions

The details of non-cash transactions are as follows.

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Right-of-use assets acquired through leases	44,926	22,928

32. Changes in Liabilities Arising from Financing Activities

Changes in the balances of liabilities arising from financing activities are as follows.

FY2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Short-term borrowings	Long-term borrowings	Corporate bonds	Lease liabilities	Total
Balance as of April 1, 2021	20,933	80,841	40,000	7,261	149,035
Changes from financing cash flows	(3,975)	(1,234)	–	(24,151)	(29,361)
Acquisition of right-of-use assets	–	–	–	44,926	44,926
Change in scope of consolidation	–	–	–	–	–
Foreign currency translation difference and others	1,423	1,752	–	1,780	4,955
Other increases (decreases)	–	–	–	16,751	16,751
Balance as of March 31, 2022	18,381	81,358	40,000	46,567	186,307

FY2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Short-term borrowings	Long-term borrowings	Corporate bonds	Lease liabilities	Total
Balance as of April 1, 2022	18,381	81,358	40,000	46,567	186,307
Changes from financing cash flows	11,601	–	–	(31,091)	(19,489)
Acquisition of right-of-use assets	–	–	–	22,928	22,928
Change in scope of consolidation	–	–	–	–	–
Foreign currency translation difference and others	1,216	1,671	–	113	3,001
Balance as of March 31, 2023	31,200	83,029	40,000	38,517	192,747

33. Related Parties

(1) Related party transactions

Details of significant transactions conducted between the Group and related parties are as follows.

FY2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

Category	Company name	Transactions	Transaction amounts	Outstanding balance
Entity with significant influence over the Group	Toyota Motor Corporation and its subsidiaries	Sales of automotive components	1,017,517	166,639
		Purchase of automotive components	121,723	26,759

FY2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

Category	Company name	Transactions	Transaction amounts	Outstanding balance
Entity with significant influence over the Group	Toyota Motor Corporation and its subsidiaries	Sales of automotive components	1,121,267	182,675
		Purchase of automotive components	121,061	27,373

Conditions of transactions and determination policies

For prices and other conditions of transactions for sales of automotive components, the Group offers prices based on consideration of market price, total costs incurred, etc. of the products, and negotiates prices and conditions individually.

For prices and other conditions of transactions for purchase of automotive components, the Group negotiates prices and conditions individually based on prices and other conditions offered.

(2) Management personnel compensation

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

(Millions of yen)

	FY2022 (From April 1, 2021 to March 31, 2022)	FY2023 (From April 1, 2022 to March 31, 2023)
Basic compensation	348	342
Bonuses	158	131
Share-based payment	42	39
Total	549	513

34. Commitments

Commitments related to expenditures subsequent to the reporting date are as follows.

(Millions of yen)

	FY2022 (As of March 31, 2022)	FY2023 (As of March 31, 2023)
Contractual commitments for the acquisition of property, plant and equipment	3,927	10,542
Contractual commitments for the acquisition of intangible assets	3,089	879

35. Subsequent Events

Not applicable.

Independent Auditor's Report

To the Board of Directors of Toyota Boshoku Corporation

Opinion

We have audited the consolidated financial statements of Toyota Boshoku Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment assessment for property, plant and equipment and intangible assets in the Unit Components Business of Toyota Boshoku Corporation (4. Significant Accounting Estimates and Judgments (1) in Notes to Consolidated Financial Statements)	
Key audit matter description	How our audit addressed the key audit matter
Toyota Boshoku Corporation and its consolidated subsidiaries manufacture and sell automotive and textile components. In the Unit Components Business of Toyota Boshoku Corporation , that is a cash-generating unit, the carrying amount of property, plant and equipment and intangible assets totaled 19,781 million yen as of March 31, 2023 (2.0% of the consolidated total assets). The operating performance of the Company has been significantly affected by the changes in automotive industry product demand in regions where the Company offers products and services, the ongoing semiconductor shortage, continued high prices of raw materials and costs of logistics, the price competition and requests for price reductions from the customers and others, which impacted the profitability of the Company. Under the business environment described above, an indication of impairment has been identified in the Unit Components Business of the Company since the operating results have deteriorated in the Unit Components Business as seen in continuous negative operating results. As a result of considering whether the recoverable amount of the Unit Components Business is less than the carrying amount, the recoverable amount exceeded the carrying amount, and therefore the Company did not recognize any impairment losses. The recoverable amount is measured based on value in use. The value in use is calculated by discounting estimated future cash flows. The Company forecasts the estimated total amount of future cash flows based on the Group's Mid-term Business Plan approved by the Company's Board of Directors. This estimate includes the future sales projections reflecting external factors such as the business environment and production plans presented by the auto makers, assumptions such as variable cost ratio by product and pre-tax discount rate, and	We performed the following procedures over the impairment assessment for property, plant and equipment and intangible assets in the Unit Components Business of Toyota Boshoku Corporation , that is a cash-generating unit: We obtained an understanding of the internal controls related to the identification of impairment indicators and the recognition of an impairment loss for property, plant and equipment and intangible assets, including the internal controls over the estimate of future sales projections and development of assumptions such as variable cost ratio by product and pre-tax discount rate. We performed the following procedures over the estimated future cash flows of the Company: • We performed the following procedures over the Group's Mid-term Business Plan: - Compared the prior year plan to the current year results - Inquired of management about future sales projections and compared with the prior year results - Compared future sales projections with the vehicle production forecast from the independent external source information - Analyzed the reasonableness of variable cost ratio by product • We compared the major components of pre-tax discount rate with the external information. • We assessed the appropriateness of the result of the real-estate appraisal that the Company obtained to measure the net cash flows to be received for the disposal of land and buildings at the end of the useful life of the assets .

estimates of net cash flows to be received for the disposal of land and buildings at the end of the useful life of the assets. We considered the impairment assessment for property, plant and equipment and intangible assets in the Unit Components Business of the Company to be a key audit matter as the estimate of the total amount of future cash flows includes the future sales projections and assumptions such as variable cost ratio by product and pre-tax discount rate in the Unit Components Business of the Company, and the resulting amount is considered material.	• We independently estimated the future cash flows reflecting the uncertainties seen in the trend of deviation of the prior year plan with the actual result, and assessed the impact to the identification of indicators of impairment.

Other Information

The other information comprises the information included in the securities report, but does not include the consolidated financial statements and our auditor's report thereon.
Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

手塚 謙二

Kenji Tezuka

Designated Engagement Partner
Certified Public Accountant

平岩 修一

Shuichi Hiraiwa

Designated Engagement Partner
Certified Public Accountant

August 30, 2023

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