# Annual Financial report 2022

## For the year ended March 31, 2022

**CONTENTS**



TOYOTA BOSHOKU CORPORATION

# Consolidated financial statements
## Consolidated Statement of Financial Position

(Millions of yen)

| | Notes | As of March 31, 2021 | As of March 31, 2022 |
|---|---|---|---|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 195,180 | 237,952 |
| Trade and other receivables | 8 | 222,827 | 261,814 |
| Inventories | 9 | 61,848 | 79,345 |
| Other financial assets | 30 | 14,416 | 19,990 |
| Income taxes receivable | | 3,710 | 3,279 |
| Other current assets | 10 | 8,868 | 11,933 |
| Total current assets | | 506,851 | 614,317 |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 263,841 | 270,477 |
| Goodwill | 12 | 4,881 | 4,889 |
| Intangible assets | 12 | 13,177 | 13,060 |
| Investments accounted for using the equity method | 13 | 13,447 | 13,377 |
| Other financial assets | 30 | 26,219 | 27,563 |
| Deferred tax assets | 14 | 15,725 | 19,355 |
| Other non-current assets | 10 | 1,632 | 1,698 |
| Total non-current assets | | 338,926 | 350,422 |
| Total assets | | 845,778 | 964,740 |

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

(Millions of yen)

| | Notes | As of March 31, 2021 | As of March 31, 2022 |
|---|---|---|---|
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 15 | 175,133 | 218,979 |
| Bonds and borrowings | 16 | 22,151 | 28,381 |
| Other financial liabilities | 30 | 4,076 | 4,622 |
| Income taxes payable | | 7,498 | 9,359 |
| Provisions | 18 | 5,937 | 6,358 |
| Other current liabilities | 19 | 71,213 | 92,256 |
| Total current liabilities | | 286,010 | 359,958 |
| Non-current liabilities | | | |
| Bonds and borrowings | 16 | 119,623 | 111,358 |
| Other financial liabilities | 30 | 6,490 | 7,901 |
| Retirement benefit liability | 20 | 55,376 | 56,107 |
| Provisions | 18 | 224 | 288 |
| Deferred tax liabilities | 14 | 6,552 | 3,352 |
| Other non-current liabilities | | 1,848 | 1,937 |
| Total non-current liabilities | | 190,116 | 180,946 |
| Total liabilities | | 476,127 | 540,904 |
| Equity | | | |
| Share capital | 21 | 8,400 | 8,400 |
| Capital surplus | 21 | 3,092 | 3,097 |
| Retained earnings | 21 | 316,931 | 345,680 |
| Treasury shares | 21 | (1,620) | (1,583) |
| Other components of equity | | 8,131 | 30,567 |
| Total equity attributable to owners of the parent | | 334,935 | 386,162 |
| Non-controlling interests | | 34,715 | 37,672 |
| Total equity | | 369,650 | 423,835 |
| Total liabilities and equity | | 845,778 | 964,740 |

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

(Millions of yen)

| | Notes | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|---|---|---|
| Revenue | 23 | 1,272,140 | 1,421,451 |
| Cost of sales | | 1,138,717 | 1,270,778 |
| Gross profit | | 133,423 | 150,673 |
| Selling, general and administrative expenses | 24 | 77,774 | 89,523 |
| Other income | 25 | 6,243 | 4,730 |
| Other expenses | 25 | 4,789 | 5,589 |
| Operating profit | | 57,103 | 60,290 |
| Finance income | 26 | 2,102 | 6,432 |
| Finance expenses | 26 | 1,437 | 2,058 |
| Share of profit (loss) of investments accounted for using the equity method | 13 | (423) | (134) |
| Profit before income taxes | | 57,345 | 64,529 |
| Income tax expense | 14 | 19,748 | 18,563 |
| Profit for the period | | 37,597 | 45,966 |
| Profit attributable to | | | |
| Owners of the parent | | 31,188 | 39,260 |
| Non-controlling interests | | 6,408 | 6,705 |
| | | | |
| Earnings per share attributable to owners of the parent | 27 | | |
| Basic (Yen) | | 166.93 | 210.15 |
| Diluted (Yen) | | — | 210.13 |

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, 2021 | Fiscal year ended March 31, 2022 |
|---|---|---|---|
| Profit for the period | | 37,597 | 45,966 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements of defined benefit plans | 20,28 | 2,552 | 1,900 |
| Net change in fair value of equity instruments measured at fair value through other comprehensive income | 28,30 | 4,663 | 899 |
| Share of other comprehensive income of investments accounted for using the equity method | 13,28 | 23 | 63 |
| Items that may be reclassified to profit or loss | | | |
| Exchange differences on translation of foreign operations | 28 | 14,455 | 24,605 |
| Net change in fair value of debt instruments measured at fair value through other comprehensive income | 28,30 | (8) | 9 |
| Share of other comprehensive income of investments accounted for using the equity method | 13,28 | 82 | 241 |
| Total other comprehensive income, net of tax | | 21,769 | 27,719 |
| Comprehensive income | | 59,366 | 73,686 |
| Comprehensive income attributable to | | | |
| Owners of the parent | | 50,506 | 63,705 |
| Non-controlling interests | | 8,859 | 9,980 |

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

## Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2021

(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, 2020 | | 8,400 | 3,044 | 289,880 | (1,674) | – |
| Profit for the period | | | | 31,188 | | |
| Other comprehensive income | | | | | | 2,592 |
| Comprehensive income | | – | – | 31,188 | – | 2,592 |
| Purchase of treasury shares | 21 | | | | (0) | |
| Disposal of treasury shares | 21 | | (13) | | 54 | |
| Dividends | 22 | | | (6,725) | | |
| Changes in ownership interest in subsidiaries | 13 | | 62 | | | |
| Change in increase of capital | | | | | | |
| Change in scope of consolidation | | | | | | |
| Transfer to retained earnings | | | | 2,587 | | (2,592) |
| Total transactions with owners | | – | 48 | (4,138) | 54 | (2,592) |
| Balance at March 31, 2021 | | 8,400 | 3,092 | 316,931 | (1,620) | – |

| | 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, 2020 | | 4,167 | (98) | (12,668) | 291,051 | 30,649 | 321,701 |
| Profit for the period | | | | | 31,188 | 6,408 | 37,597 |
| Other comprehensive income | | 4,677 | 0 | 12,048 | 19,318 | 2,451 | 21,769 |
| Comprehensive income | | 4,677 | 0 | 12,048 | 50,506 | 8,859 | 59,366 |
| Purchase of treasury shares | 21 | | | | (0) | | (0) |
| Disposal of treasury shares | 21 | | | | 40 | | 40 |
| Dividends | 22 | | | | (6,725) | (4,880) | (11,605) |
| Changes in ownership interest in subsidiaries | 13 | | | | 62 | (105) | (42) |
| Change in increase of capital | | | | | – | 151 | 151 |
| Change in scope of consolidation | | | | | – | 39 | 39 |
| Transfer to retained earnings | | 4 | | | – | | – |
| Total transactions with owners | | 4 | – | – | (6,623) | (4,794) | (11,417) |
| Balance at March 31, 2021 | | 8,849 | (98) | (619) | 334,935 | 34,715 | 369,650 |

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

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 increase of capital | | | | | | |
| 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 increase of capital | | | | | — | | — |
| 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 |

**Consolidated Statement of Cash Flows**

(Millions of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 57,345 | 64,529 |
| Depreciation and amortization | 39,947 | 42,566 |
| Interest and dividend income | (1,465) | (2,606) |
| Decrease (increase) in trade receivables | (17,965) | (24,490) |
| Decrease (increase) in inventories | 8,004 | (11,525) |
| Increase (decrease) in trade payables | (96) | 11,150 |
| Increase (decrease) in retirement benefit liability | (1,216) | 2,525 |
| Increase (decrease) in other current liabilities | (2,085) | 12,987 |
| Other | 5,933 | 47,702 |
| (Subtotal) | 88,401 | 142,840 |
| Interest received | 1,303 | 2,389 |
| Dividends received | 1,460 | 896 |
| Interest paid | (1,232) | (891) |
| Income taxes paid | (15,449) | (22,301) |
| Net cash provided by (used in) operating activities | 74,483 | 122,933 |

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

(Millions of yen)

| | Fiscal year ended March 31, 2021 | Fiscal year ended March 31, 2022 |
|---|---|---|
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (48,922) | (34,202) |
| Proceeds from sales of property, plant and equipment | 1,818 | 2,562 |
| Purchase of intangible assets | (5,494) | (3,581) |
| Payments into time deposits | (8,382) | (14,194) |
| Proceeds from withdrawal of time deposits | 11,033 | 9,436 |
| Other | (1,445) | (913) |
| Net cash provided by (used in) investing activities | (51,392) | (40,893) |
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | 791 | 10,092 |
| Repayments of short-term borrowings | (12,816) | (14,067) |
| Proceeds from long-term borrowings | 45,909 | — |
| Repayments of long-term borrowings | (17,923) | (1,234) |
| Dividends paid | (6,728) | (12,516) |
| Dividends paid to non-controlling interests | (4,856) | (6,785) |
| Repayments of lease liabilities | (1,786) | (24,151) |
| Other | 169 | (0) |
| Net cash provided by (used in) financing activities | 2,756 | (48,664) |
| Effect of exchange rate changes on cash and cash equivalents | 5,955 | 9,396 |
| Net increase (decrease) in cash and cash equivalents | 31,802 | 42,772 |
| Cash and cash equivalents at beginning of period | 163,377 | 195,180 |
| Cash and cash equivalents at end of period | 195,180 | 237,952 |

**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”.

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## 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 2022.

(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

“Increase (decrease) in other current liabilities”, which was included in “Other” under “Cash flows from operating activities” in the fiscal year ended March 31, 2021, has been separately presented from the fiscal year ended March 31, 2022, due to an increase in activities leading to there being material balances. The consolidated financial statements for the fiscal year ended March 31, 2021 have also been reclassified to reflect this change. As a result, the 3,847 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, 2021 has been reclassified as (2,085) million yen in “Increase (decrease) in other current liabilities” and 5,933 million yen in “Other”.

“Purchase of equity instruments”, which had been separately presented in “Cash flows from investing activities”, is included in “Other” in the fiscal year ended March 31, 2022 because it became immaterial. The consolidated financial statements for the fiscal year ended March 31, 2021 have also been reclassified to reflect this change. As a result, the amount of (292) million yen presented as “Purchase of equity instruments” in “Cash flows from investing activities” in the consolidated statements of cash flows in the fiscal year ended March 31, 2021 has been reclassified as “Other”.

“Payments for acquisition of interests in subsidiaries from non-controlling interests”, which had been separately presented in “Cash flows from financing activities”, is included in “Other” in the fiscal year ended March 31, 2022 because it became immaterial. The consolidated financial statements for the fiscal year ended March 31, 2021 have also been reclassified to reflect this change. As a result, the amount of (36) million yen presented as “Payments for acquisition of interests in subsidiaries from non-controlling interests” in “Cash flows from financing activities” in the consolidated statements of cash flows in the fiscal year ended March 31, 2021 has been reclassified as “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 4 to 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 asset group 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: 23,267 million yen as of March 31, 2021 and 21,777 million yen as of March 31, 2022).

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 fair value of land and buildings based on the useful lives of machinery and equipment which are principal 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: 15,725 million yen and 19,355 million yen for the fiscal year ended March 31, 2021 and 2022, 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 is evaluating the impact of 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.

From the fiscal year ended March 31, 2022, China, which was previously included in "Asia and Oceania", has been separately presented as "China" segment as a result of reviewing segments for performance management for the Group. Consequently, the previous four segments of "Japan", "North, Central and South America", "Asia and Oceania" and "Europe and Africa" were changed to five segments of "Japan", "North, Central and South America", "China", "Asia and Oceania" and "Europe and Africa".

Segment information for the fiscal year ended March 31, 2021 disclosed in this report was prepared based on the reportable segment classification after the change.

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

FY2021 (From April 1, 2020 to March 31, 2021)

(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 | 646,608 | 242,924 | 169,345 | 131,983 | 81,278 | 1,272,140 | – | 1,272,140 |
| Inter-segment revenue (Note 3) | 53,051 | 3,119 | 11,088 | 12,487 | 1,357 | 81,103 | (81,103) | – |
| Total | 699,659 | 246,043 | 180,434 | 144,470 | 82,635 | 1,353,243 | (81,103) | 1,272,140 |
| Segment profit (loss) | 14,057 | 1,459 | 18,456 | 17,131 | 6,024 | 57,129 | (26) | 57,103 |
| Segment assets | 514,262 | 127,178 | 110,474 | 105,536 | 54,003 | 911,455 | (65,677) | 845,778 |
| Finance income | | | | | | | | 2,102 |
| Finance expenses | | | | | | | | 1,437 |
| Share of loss of investments accounted for using equity method | | | | | | | | (423) |
| Profit before income taxes | | | | | | | | 57,345 |

(Notes) 1. (26) million yen in eliminations for segment profit is mainly inter-segment transactions.

2. Eliminations for segment assets include corporate assets of 92,861 million yen and eliminations of receivables and payables, etc. of (158,538) 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 | 21,118 | 7,262 | 3,885 | 5,035 | 2,645 | 39,947 | – | 39,947 |
| Impairment losses | – | – | 537 | 412 | – | 950 | – | 950 |
| Reversal of impairment losses | – | – | – | – | – | – | – | – |
| Investments accounted for using equity method | 7,510 | 2,591 | 320 | 1,480 | 1,544 | 13,447 | – | 13,447 |
| Increase in non-current assets | 29,269 | 5,127 | 7,895 | 3,880 | 2,185 | 48,358 | – | 48,358 |

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

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

(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 | 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 (loss) | 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 | | | | | | Elimi-nations | Consoli-dated |
|---|---|---|---|---|---|---|---|---|
| | Japan | North, Central and South America | China | Asia and Oceania | Europe and Africa | Total | | |
| 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.

(3) Information about products and services

FY2021 (From April 1, 2020 to March 31, 2021)

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

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.

## (4) Geographic information

### Revenue from external customers

(Millions of yen)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Japan | 628,922 | 617,037 |
| U.S.A. | 156,205 | 207,095 |
| China | 168,925 | 198,831 |
| Other | 318,086 | 398,487 |
| Total | 1,272,140 | 1,421,451 |

(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)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Japan | 161,553 | 156,216 |
| China | 32,672 | 39,024 |
| U.S.A. | 33,802 | 33,951 |
| Other | 55,431 | 60,826 |
| Total | 283,460 | 290,018 |

(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)

| FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|
| 922,698 | 1,017,517 |

## 7. Cash and Cash Equivalents

Cash and cash equivalents consist of the following.

(Millions of yen)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Cash and deposits | 195,180 | 237,952 |
| Total | 195,180 | 237,952 |

## 8. Trade and Other Receivables

Trade and other receivables consist of the following.

(Millions of yen)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Trade notes and accounts receivable | 162,637 | 184,685 |
| Electronically recorded monetary claims - trade | 23,627 | 15,989 |
| Lease receivables | 24,802 | 51,157 |
| Other | 12,193 | 10,843 |
| Allowance for doubtful accounts | (432) | (861) |
| Total | 222,827 | 261,814 |

(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)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Merchandise and finished goods | 7,865 | 9,371 |
| Work in process | 15,578 | 20,616 |
| Raw materials and supplies | 38,404 | 49,358 |
| Total | 61,848 | 79,345 |

(Note) The amount of inventory write-downs recorded in cost of sales in the fiscal year ended March 31, 2022 was 928 million yen. (314 million yen in the fiscal year ended March 31, 2021)

In the fiscal years ended March 31, 2021 and 2022, there was no significant reversal of write-downs.

## 10. Other Assets

Other assets consist of the following.

(Millions of yen)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| (Other current assets) | | |
| Prepaid expenses | 2,123 | 1,916 |
| Advance payments to suppliers | 2,410 | 3,206 |
| Consumption taxes receivable | 1,000 | 3,322 |
| Other | 3,333 | 3,487 |
| Total | 8,868 | 11,933 |
| (Other non-current assets) | | |
| Long-term prepaid expenses | 968 | 806 |
| Other | 664 | 891 |
| Total | 1,632 | 1,698 |

## 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, 2020 | 28,216 | 208,819 | 332,911 | 65,771 | 21,346 | 657,065 |
| Acquisition | – | 1,599 | 4,846 | 1,316 | 33,303 | 41,065 |
| Disposal | 0 | (318) | (17,097) | (3,897) | (2) | (21,316) |
| Exchange differences on translation of foreign operations | 322 | 4,185 | 10,338 | 1,498 | 532 | 16,878 |
| Other | (91) | 10,870 | 21,247 | 3,476 | (36,070) | (567) |
| As of March 31, 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 |

(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, 2020 | 679 | 114,719 | 242,899 | 52,847 | – | 411,146 |
| Depreciation | – | 8,176 | 21,497 | 5,300 | – | 34,974 |
| Impairment losses | 68 | 362 | 266 | 41 | – | 738 |
| Disposal | – | (274) | (15,564) | (3,707) | – | (19,546) |
| Exchange differences on translation of foreign operations | – | 2,436 | 7,819 | 1,204 | – | 11,460 |
| Other | – | (380) | 1,092 | (67) | – | 644 |
| As of March 31, 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 |

(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, 2020 | 27,537 | 94,099 | 90,011 | 12,924 | 21,346 | 245,919 |
| As of March 31, 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 |

(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)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Assets pledged as collateral | | |
| Buildings and structures | 172 | 157 |
| Land | 939 | 939 |
| Total | 1,112 | 1,097 |
| Secured liabilities | | |
| Long-term guarantee deposits | 138 | 85 |
| Total | 138 | 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 | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Property, plant and equipment [see (1) Movements] | 253,706 | 258,590 |
| Right-of-use assets | 10,134 | 11,887 |
| Balance of property, plant and equipment recognized in the consolidated statement of financial position | 263,841 | 270,477 |

(4) Impairment losses

FY2021

There were no significant impairment losses.

FY2022

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, 2020 | 14,229 | 704 | 4,871 | 63 | 3,746 | 23,614 |
| Acquisition | 3,132 | – | – | 2,300 | 43 | 5,475 |
| Internally generated | – | 18 | – | – | – | 18 |
| Disposal | (47) | – | – | – | (12) | (59) |
| Exchange differences on translation of foreign operations | 201 | – | – | – | 193 | 394 |
| Other | (149) | (4) | 10 | – | 38 | (104) |
| As of March 31, 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 |

(Millions of yen)

| Accumulated amortization and accumulated impairment losses | Software | Development cost | Goodwill | Patents | Other | Total |
|---|---|---|---|---|---|---|
| As of April 1, 2020 | 4,918 | 441 | – | 56 | 2,657 | 8,073 |
| Amortization expenses | 2,775 | 80 | – | 65 | 155 | 3,077 |
| Impairment losses | – | – | – | – | – | – |
| Disposal | (42) | – | – | – | (7) | (49) |
| Exchange differences on translation of foreign operations | 113 | – | – | – | 174 | 288 |
| Other | 25 | – | – | – | (29) | (3) |
| As of March 31, 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 |

(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, 2020 | 9,311 | 263 | 4,871 | 6 | 1,088 | 15,541 |
| As of March 31, 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 |

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)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Research and development expenditures recognized in profit or loss | 41,764 | 44,759 |

(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 | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Intangible assets [see (1) Movements] | 13,070 | 12,958 |
| Right-of-use assets | 107 | 101 |
| Balance of intangible assets recognized in the consolidated statement of financial position | 13,177 | 13,060 |

(3) Material intangible assets

There were no individually material intangible assets recorded in the consolidated statement of financial position as of March 31, 2021 and March 31, 2022, respectively.

(4) Impairment losses

FY2021

Not applicable.

FY2022

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 | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|---|
| Japan | The Company | 4,747 | 4,747 |
| Europe and Africa | TOYOTA BOSHOKU LEGNICA SP. Z O.O. | 133 | 141 |
| | Total | 4,881 | 4,889 |

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 4.6%.

There were no impairment losses on goodwill recognized in the fiscal years ended March 31, 2021 and 2022, 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, 2022 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<br>[75.0] |
| TOYOTA BOSHOKU (GUANGZHOU) AUTOMOTIVE PARTS CO., LTD. | Guangzhou, Guangdong Province, China | Auto parts | 100.0<br>[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<br>[100.0] |
| SHENYANG TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. | Shenyang, Liaoning Province, China | Auto parts | 100.0<br>[100.0] |
| SHIN SAN SHING CO., LTD. | Hsinchu, Taiwan | Auto parts | 47.0<br>[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<br>[30.0] |
| TOYOTA BOSHOKU AUTOMOTIVE INDIA PRIVATE LIMITED | Karnataka, India | Auto parts | 95.0<br>[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<br>[80.0] |
| TOYOTA BOSHOKU SIAM METAL CO., LTD. | Chonburi, Thailand | Auto parts | 87.1<br>[87.1] |
| TOYOTA BOSHOKU HAIPHONG CO., LTD. | Haiphong, Vietnam | Auto parts | 100.0 |
| BOSHOKU AUTOMOTIVE (THAILAND) CO., LTD. | Rayong, Thailand | Auto parts | 90.0<br>[90.0] |
| TOYOTA BOSHOKU TURKIYE OTOMOTIV SANAYI VE TICARET A.S. | Adapazari, Turkey | Auto parts | 90.0<br>[90.0] |
| TOYOTA BOSHOKU SOUTH AFRICA (PTY) LTD. | Kwazulu-Natal, South Africa | Auto parts | 85.0<br>[85.0] |
| TOYOTA BOSHOKU EUROPE N.V. | Zaventem, Belgium | Auto parts | 100.0 |
| TOYOTA BOSHOKU LLC | St. Petersburg, Russia | Auto parts | 95.0<br>[95.0] |
| TOYOTA BOSHOKU POLAND SP. Z O.O. | Lower Silesian Voivodeship, Poland | Auto parts | 100.0<br>[100.0] |
| 31 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, 2021 and 2022, 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)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Consideration for acquisition | 42 | – |
| Decrease in non-controlling interests | (105) | (0) |
| Changes in capital surplus | 62 | 0 |

Gains (losses) associated with a loss of control of subsidiaries for the fiscal years ended March 31, 2021 and 2022 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)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Carrying amount | 13,447 | 13,377 |

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)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Amount of equity in profit | (423) | (134) |
| Amount of equity in other comprehensive income | 106 | 305 |
| Total comprehensive income | (316) | 171 |

## 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.

FY2021 (From April 1, 2020 to March 31, 2021)

(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 | 833 | 256 | – | – | 1,089 |
| Accrued paid absences | 3,587 | (47) | – | – | 3,540 |
| Accrued bonuses | 2,931 | 86 | – | – | 3,017 |
| Retirement benefit liability | 15,732 | 384 | (1,992) | – | 14,124 |
| Provisions | 762 | (184) | – | – | 577 |
| Net operating loss carry-forwards for tax purposes | 6,897 | 2,987 | – | – | 9,884 |
| Tax credits carry-forwards | – | – | – | – | – |
| Other | 5,559 | 1,183 | – | – | 6,742 |
| Total deferred tax assets | 36,302 | 4,666 | (1,992) | – | 38,977 |
| Deferred tax liabilities | | | | | |
| Depreciation | 2,747 | 1,173 | – | – | 3,920 |
| Undistributed profits at subsidiaries and associates | 13,113 | 2,468 | – | – | 15,581 |
| Financial assets measured at fair value through other comprehensive income | 1,795 | 28 | 2,074 | – | 3,898 |
| Other | 5,849 | 554 | – | – | 6,403 |
| Total deferred tax liabilities | 23,506 | 4,224 | 2,074 | – | 29,804 |
| Net amount | 12,796 | 442 | (4,066) | – | 9,173 |

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 |

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

(Millions of yen)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Deferred tax assets | 15,725 | 19,355 |
| Deferred tax liabilities | 6,552 | 3,352 |
| Net amount | 9,173 | 16,002 |

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)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Deductible temporary differences | 100,928 | 28,490 |
| Net operating loss carry-forwards for tax purposes | 43,995 | 33,087 |
| Tax credits carry-forwards | 18,105 | 15,663 |
| Total | 163,029 | 77,241 |

In line with the promulgation of the act on tax reform of Japan in March 2020, the consolidated taxation system will shift to the Japanese group relief system from April 1, 2022. The Company has adopted the consolidated taxation system, and will shift to the Japanese group relief system from April 1, 2022.

In the fiscal year ended March 31, 2021, the Company recognized deferred tax assets for the portion equivalent to national taxes (24%), since the Company concluded that it was more likely than not that the future taxable profit can be reduced, as a result of the evaluation of recoverability taking into account expected future taxable profit of the consolidated tax filing group.

While the Company recognized deferred tax assets for the portion equivalent to national taxes (24%) as a result of the evaluation of the recoverability, the amounts of deductible temporary differences and net operating loss carry-forwards for tax purposes for which deferred tax assets for the portion equivalent to local taxes (7%) are not recognized were included in the above table.

As of March 31, 2021, the amounts of deductible temporary differences and net operating loss carry-forwards for tax purposes for which deferred tax assets for the portion equivalent to local taxes (7%) are not recognized were 81,865 million yen and 12,519 million yen, respectively (expiration in the fifth year and thereafter).

In the fiscal year ended March 31, 2022, the Company recognized deferred tax assets for the portion equivalent to local taxes (7%) in addition to the portion equivalent to national taxes (24%), since the Company concluded that it was more likely than not that the future taxable profit can be reduced, as a result of the evaluation of recoverability taking into account expected future taxable profit of the consolidated tax filing group.

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)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| First year | 2,331 | 2,151 |
| Second year | 1,803 | 2,456 |
| Third year | 1,963 | 1,573 |
| Fourth year | 1,358 | 2,482 |
| Fifth year and thereafter | 36,537 | 24,423 |
| Total | 43,995 | 33,087 |

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

(Millions of yen)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| First year | 4,238 | 1,137 |
| Second year | 1,137 | 324 |
| Third year | 423 | – |
| Fourth year | – | – |
| Fifth year and thereafter | 12,305 | 14,200 |
| Total | 18,105 | 15,663 |

(2) Income tax expenses

Income tax expenses consist of the following.

(Millions of yen)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Current tax expenses | 18,151 | 24,837 |
| Deferred tax expenses | 1,596 | (6,273) |
| Total income tax expenses | 19,748 | 18,563 |

Deferred tax expenses for the fiscal year ended March 31, 2022 include the amount of benefit from net operating loss carry-forwards, tax credit carry-forwards or temporary differences for which deferred tax assets were not recognized in a prior period. The resulting decrease in deferred tax expenses for the fiscal year ended March 31, 2022 was 5,046 million yen.

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

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Applicable tax rate | 30.9% | 30.9% |
| Difference in income tax rates of foreign subsidiaries | (5.5)% | (7.6)% |
| Tax credit for R&D expenses | (1.3)% | (2.1)% |
| Undistributed profits at subsidiaries and associates | 6.9% | 5.0% |
| Permanent differences such as entertainment expenses | 2.4% | 2.2% |
| Foreign tax credits | (0.4)% | (2.6)% |
| Increase or decrease in temporary differences for which deferred tax assets are not recognized | 0.9% | 5.6% |
| Other | 0.7% | (2.6)% |
| Average actual tax rate | 34.4% | 28.8% |

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

(%)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Applicable tax rate | 30.9 | 30.9 |

## 15. Trade and Other Payables

Trade and other payables consist of the following.

(Millions of yen)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Trade notes and accounts payable | 132,598 | 151,807 |
| Electronically recorded obligations - trade | 15,227 | 14,283 |
| Lease liabilities | 16,751 | 37,736 |
| Other | 10,557 | 15,152 |
| Total | 175,133 | 218,979 |

## 16. Bonds and Borrowings

Bonds and borrowings consist of the following.

(Millions of yen)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) | Average interest rate (%) | Repayment due |
|---|---|---|---|---|
| Short-term borrowings | 20,933 | 18,381 | 0.71 | – |
| Current portion of long-term borrowings | 1,217 | – | – | – |
| Corporate bonds | 40,000 | 40,000 | – | – |
| Long-term borrowings | 79,623 | 81,358 | 0.68 | April 2023 - May 2030 |
| Total | 141,774 | 139,740 | – | – |
| | | | | |
| Current liabilities | 22,151 | 28,381 | – | – |
| Non-current liabilities | 119,623 | 111,358 | – | – |
| Total | 141,774 | 139,740 | – | – |

(Note) The average interest rate reflects the weighted-average interest rate against the balance at the end of the fiscal year ended March 31, 2022. 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 | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) | 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 | 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 |

## 17. Leases

(1) Lease transactions as lessee

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

(i) Lease expenses

(Millions of yen)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Depreciation of right-of-use assets | | |
| Land | 289 | 304 |
| Buildings and structures | 947 | 1,334 |
| Machinery and equipment and vehicles | 451 | 480 |
| Tools, furniture and fixtures | 47 | 48 |
| Intangible assets | 16 | 10 |
| Total | 1,752 | 2,179 |
| Interest expenses | 70 | 69 |
| Expenses for short-term leases | 204 | 125 |
| Expenses for leases of low-value assets | 4 | 5 |
| Variable lease payments | – | – |

(ii) Sublease income

(Millions of yen)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Sublease income | 18,612 | 42,292 |

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)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Total cash outflow for leases | 26,126 | 24,271 |

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

(Millions of yen)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| 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, 2020 | 6,119 | 3,416 | 1,053 | 151 | 204 | 10,946 |
| As of March 31, 2021 | 5,934 | 3,107 | 981 | 110 | 107 | 10,241 |
| As of March 31, 2022 | 6,116 | 4,801 | 861 | 108 | 101 | 11,989 |

Increase of right-of-use assets for the fiscal years ended March 31, 2021 and 2022 is 1,573 million yen and 44,926 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)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Selling profit or loss | 3,648 | 4,786 |
| 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)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Within one year | 17,817 | 30,217 |
| Over one year but within two years | 5,850 | 15,487 |
| Over two years but within three years | 749 | 2,448 |
| Over three years but within four years | 379 | 1,912 |
| Over four years but within five years | 5 | 1,042 |
| Over five years | – | 50 |
| Total | 24,802 | 51,157 |
| Unearned finance income | – | – |
| Finance lease receivables | 24,802 | 51,157 |

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)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Within one year | 589 | 599 |
| Over one year but within two years | 538 | 568 |
| Over two years but within three years | 533 | 538 |
| Over three years but within four years | 519 | 526 |
| Over four years but within five years | 506 | 494 |
| Over five years | 3,183 | 2,712 |
| Total | 5,870 | 5,439 |

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, 2020 | 3,921 | 255 | 4,176 |
| Increase during period | 2,873 | 4 | 2,878 |
| Decrease during period (intended use) | (930) | (1) | (931) |
| Decrease during period (reversal) | (11) | (34) | (46) |
| Interest expense over the discount period | – | – | – |
| Exchange differences on translation of foreign operations | 84 | – | 84 |
| As of March 31, 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 |

For warranty provision, some or all of the expenditure is expected to be reimbursed by agreement with suppliers. The expected amount of reimbursements was 2,879 million yen and 2,833 million yen as of March 31, 2021 and 2022, respectively, and is included in “Trade and other receivables.”

## 19. Other Current Liabilities

Other current liabilities consist of the following.

(Millions of yen)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| (Other current liabilities) | | |
| Accrued consumption taxes | 5,596 | 8,526 |
| Accrued bonuses | 12,424 | 12,700 |
| Accrued paid absences | 14,015 | 15,202 |
| Advances received | 1,352 | 9,890 |
| Other | 37,823 | 45,936 |
| Total | 71,213 | 92,256 |

## 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)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Balance of defined benefit obligations at beginning of period | 98,576 | 99,389 |
| Service cost | 5,246 | 5,029 |
| Interest cost | 680 | 766 |
| Actuarial gains and losses (demographic) | (1,264) | (13) |
| Actuarial gains and losses (financial) | (1,224) | (2,214) |
| Actuarial gains and losses (revised results) | 380 | (673) |
| Past service cost | 175 | – |
| Benefits paid | (3,446) | (2,708) |
| Exchange differences on translation of foreign operations | 265 | 342 |
| Balance of defined benefit obligations at end of period | 99,389 | 99,918 |

(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)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Balance of plan assets at beginning of period | 39,593 | 44,712 |
| Interest income | 290 | 348 |
| Income from plan assets other than interest | 3,787 | 944 |
| Pension contributions of the Group | 2,531 | 2,452 |
| Benefits paid | (1,476) | (1,165) |
| Exchange differences on translation of foreign operations | (14) | 151 |
| Other | – | 9 |
| Balance of plan assets at end of period | 44,712 | 47,453 |

(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)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Present value of defined benefit obligations of funded plans | 42,023 | 41,855 |
| Fair value of plan assets | 44,712 | 47,453 |
| Subtotal | (2,688) | (5,597) |
| Present value of defined benefit obligations of unfunded plans | 57,365 | 58,062 |
| Net amount of defined benefit obligations and plan assets | 54,676 | 52,464 |
| Effect of asset ceiling (Note) | 700 | 3,643 |
| Amounts in the consolidated statement of financial position | | |
| Retirement benefit liability | 55,376 | 56,107 |
| Retirement benefit asset | – | – |
| Defined benefit liabilities recognized in the consolidated statement of financial position | 55,376 | 56,107 |

(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, 2021 and 2022 are as follows.

FY2021 (As of March 31, 2021)

(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) | 1,473 | 11,191 | 12,665 |
| Commingled funds (overseas) | 54 | 17,630 | 17,684 |
| Insurance contracts (Note) | – | 9,402 | 9,402 |
| Other | 792 | 4,167 | 4,959 |
| Total | 2,319 | 42,392 | 44,712 |

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

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.

(v) Actuarial assumptions

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

(%)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Discount rate | 0.69 | 0.84 |

(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.

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Discount rate: Decreased by 0.5% | Increase of 7,712 million yen | Increase of 7,265 million yen |
| Discount rate: Increased by 0.5% | Decrease of 6,714 million yen | Decrease of 6,634 million yen |

(vii) Information on future cash flows

Contributions to defined benefit plans of the Group expected in the fiscal year ending March 31, 2023 are as follows.

(Millions of yen)

| Period | Amount |
|---|---|
| From April 1, 2022 to March 31, 2023 | 3,168 |

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

(Years)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Weighted-average duration | 17.0 | 16.7 |

(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, 2021.

(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)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Amount recognized as expenses related to the defined contribution pension plan | 2,313 | 2,396 |

(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)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Employee benefit expenses | 227,198 | 249,605 |

## 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.

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Total equity attributable to owners of the parent (millions of yen) | 334,935 | 386,162 |
| Total assets (millions of yen) | 845,778 | 964,740 |
| Ratio of equity attributable to owners of the parent (%) | 39.6 | 40.0 |

(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, 2020 | 500,000,000 | 187,665,738 | 8,400 | 3,044 |
| Increase (decrease) | – | – | – | 48 |
| Balance as of March 31, 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 |

(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, 2020 | 845,736 | 1,674 |
| Increase (decrease) | (27,276) | (54) |
| Balance as of March 31, 2021 | 818,460 | 1,620 |
| Increase (decrease) | (18,475) | (36) |
| Balance as of March 31, 2022 | 799,985 | 1,583 |

(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, 2021 and 2022 consist of the following.

| Resolutions | Class of shares | Source of dividends | Total dividends (millions of yen) | Dividends per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| Ordinary General Meeting of Shareholders held on June 17, 2020 | Common shares | Retained earnings | 4,857 | 26.00 | March 31, 2020 | June 18, 2020 |
| Board of Directors meeting held on October 29, 2020 | Common shares | Retained earnings | 1,868 | 10.00 | September 30, 2020 | November 26, 2020 |
| 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 |

Of dividends with a record date in the fiscal year ended March 31, 2022, 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 28, 2022 | Common shares | Retained earnings | 5,979 | 32.00 | March 31, 2022 | May 30, 2022 |

## 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

FY2021 (From April 1, 2020 to March 31, 2021)

(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 | 626,739 | 242,924 | 165,482 | 131,983 | 81,278 | 1,248,409 |
| Revenue recognized from other sources | 19,868 | – | 3,862 | – | – | 23,731 |
| Total | 646,608 | 242,924 | 169,345 | 131,983 | 81,278 | 1,272,140 |

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 |

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.

FY2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

| | As of April 1, 2020 | As of March 31, 2021 |
|---|---|---|
| Receivables from contracts with customers | | |
| Trade notes and accounts receivable | 130,882 | 162,637 |
| Electronically recorded monetary claims - trade | 25,444 | 23,627 |
| Contract liabilities | 2,327 | 1,683 |

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 |

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

FY2021 (From April 1, 2020 to March 31, 2021)

Of revenue recognized in the fiscal year ended March 31, 2021, 2,327 million yen was included in the balance of contract liabilities as of April 1, 2020. During the fiscal year ended March 31, 2021, there was no revenue amount recognized from performance obligations satisfied (or partially satisfied) in previous fiscal years.

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

Of revenue recognized in the fiscal year ended March 31, 2022, 1,683 million yen was included in the balance of contract liabilities as of April 1, 2021. During the fiscal year ended March 31, 2022, there was no revenue amount recognized from performance obligations satisfied (or partially satisfied) in previous fiscal years.

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)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Freight expenses | 5,082 | 5,691 |
| Employee benefit expenses | 35,753 | 38,314 |
| Depreciation and amortization | 6,075 | 7,815 |
| Research and development expenses | 9,360 | 11,971 |
| Other | 21,503 | 25,730 |
| Total | 77,774 | 89,523 |

## 25. Other Income and Other Expenses

Other income and other expenses consist of the following.

Other income

(Millions of yen)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Rental income | 749 | 725 |
| Other | 5,494 | 4,004 |
| Total | 6,243 | 4,730 |

Other expenses

(Millions of yen)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Depreciation | 535 | 513 |
| Loss on retirement of fixed assets | 614 | 438 |
| Impairment losses | 950 | 936 |
| Other | 2,689 | 3,701 |
| Total | 4,789 | 5,589 |

## 26. Finance Income and Finance Expenses

Finance income and finance expenses consist of the following.

Finance income

(Millions of yen)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Interest income | | |
| Financial assets measured at amortized cost | 1,301 | 2,389 |
| Gains (losses) on foreign currency translation | – | 3,818 |
| Gains (losses) on derivatives | 402 | – |
| Other | 398 | 224 |
| Total | 2,102 | 6,432 |

Finance expenses

(Millions of yen)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Interest expenses | | |
| Financial liabilities measured at amortized cost | 1,120 | 750 |
| Gains (losses) on foreign currency translation | 179 | – |
| Gains (losses) on derivatives | – | 977 |
| Other | 137 | 330 |
| Total | 1,437 | 2,058 |

## 27. Earnings per Share

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

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Basis of calculation for basic earnings per share | | |
| Profit attributable to owners of the parent (millions of yen) | 31,188 | 39,260 |
| Weighted-average number of common shares outstanding (thousands of shares) | 186,839 | 186,823 |
| Basic earnings per share (yen) | 166.93 | 210.15 |
| Basis of calculation for diluted earnings per share | | |
| Profit for the period used for calculation of diluted earnings per share (millions of yen) | 31,188 | 39,260 |
| Weighted-average number of common shares outstanding (thousands of shares) | 186,839 | 186,823 |
| Increase in common shares due to transfer-restricted share-based remuneration plan (thousands of shares) | – | 21 |
| Weighted-average number of diluted common shares outstanding (thousands of shares) | 186,839 | 186,845 |
| Diluted earnings per share (yen) | – | 210.13 |

## 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)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| (Items that will not be reclassified to profit or loss) | | |
| Remeasurements of defined benefit plans | | |
| Amount incurred during the period | 4,544 | 404 |
| Reclassification adjustments | – | – |
| Before tax effect | 4,544 | 404 |
| Tax effect | (1,992) | 1,495 |
| Net of tax effect | 2,552 | 1,900 |
| Net change in fair value of equity instruments measured at fair value through other comprehensive income | | |
| Amount incurred during the period | 6,728 | 1,270 |
| Reclassification adjustments | – | – |
| Before tax effect | 6,728 | 1,270 |
| Tax effect | (2,065) | (371) |
| Net of tax effect | 4,663 | 899 |
| Share of other comprehensive income of investments accounted for using equity method | | |
| Amount incurred during the period | 23 | 63 |
| Reclassification adjustments | – | – |
| Before tax effect | 23 | 63 |
| Tax effect | – | – |
| Net of tax effect | 23 | 63 |
| (Items that may be reclassified to profit or loss) | | |
| Exchange differences on translation of foreign operations | | |
| Amount incurred during the period | 14,435 | 24,605 |
| Reclassification adjustments | 19 | – |
| Before tax effect | 14,455 | 24,605 |
| Tax effect | – | – |
| Net of tax effect | 14,455 | 24,605 |
| 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) | 8 |
| Net of tax effect | (8) | 9 |
| Share of other comprehensive income of investments accounted for using equity method | | |
| Amount incurred during the period | 82 | 241 |
| Reclassification adjustments | – | – |
| Before tax effect | 82 | 241 |
| Tax effect | – | – |
| Net of tax effect | 82 | 241 |

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Total other comprehensive income | | |
| Amount incurred during the period | 25,815 | 26,586 |
| Reclassification adjustments | 19 | – |
| Before tax effect | 25,835 | 26,586 |
| Tax effect | (4,066) | 1,132 |
| Net of tax effect | 21,769 | 27,719 |

## 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 41 million yen and 30 million yen for the fiscal years ended March 31, 2022 and 2021, 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 First Section 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, 2021 and 2022 are as follows.

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Date of grant | July 16, 2020 | July 9, 2021 |
| Number of shares granted (shares) | 27,398 | 18,767 |
| Grant-date fair value per share (yen) | 1,469 | 2,243 |

## 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)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Financial assets | | |
| Equity instruments measured at fair value through other comprehensive income | 24,056 | 24,759 |
| Shares | 23,240 | 24,294 |
| Other | 816 | 465 |
| Debt instruments measured at fair value through other comprehensive income | 311 | 284 |
| Financial assets measured at fair value through profit or loss | 1,447 | 1,179 |
| Derivatives | 601 | – |
| Other | 846 | 1,179 |
| Financial assets measured at amortized cost | 432,292 | 521,098 |
| Cash and cash equivalents | 195,180 | 237,952 |
| Trade and other receivables | 222,827 | 261,814 |
| Other | 14,284 | 21,330 |
| Total | 458,108 | 547,321 |
| Financial liabilities | | |
| Financial liabilities measured at fair value through profit or loss | 73 | 450 |
| Derivatives | 73 | 450 |
| Financial liabilities measured at amortized cost | 327,285 | 370,793 |
| Trade and other payables | 175,133 | 218,979 |
| Bonds and borrowings | 141,774 | 139,740 |
| Deposits payable | 2,334 | 2,033 |
| Other | 8,043 | 10,040 |
| Total | 327,359 | 371,243 |

(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, 2021 and 2022 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)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Towa Real Estate Co., Ltd. | 16,073 | 17,163 |
| Toyota Motor Corporation | 2,080 | 2,740 |
| TACHI-S CO., LTD. | 1,825 | 1,513 |
| DENSO Corporation | 595 | 636 |
| Toyota Tsusho Corporation | 529 | 577 |

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

(ii) Dividends income

(Millions of yen)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Investments derecognized during the period | 0 | 22 |
| Investments held as of the end of the period | 163 | 194 |
| Total | 164 | 217 |

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

(Millions of yen)

| FY2021 (From April 1, 2020 to March 31, 2021) | | FY2022 (From April 1, 2021 to March 31, 2022) | |
|---|---|---|---|
| Fair value at time of disposal | Cumulative gains (losses) | Fair value at time of disposal | Cumulative gains (losses) |
| 2 | (6) | 660 | 161 |

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, 2021 and 2022, cumulative profit or loss (net of tax) reclassified from other components of equity to retained earnings was (4) million yen and 101 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, 2022, 63.6% 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)

| | FY2021<br>(From April 1, 2020<br>to March 31, 2021) | FY2022<br>(From April 1, 2021<br>to March 31, 2022) |
|---|---|---|
| Balance at beginning of period | 245 | 433 |
| Increase during period | 204 | 625 |
| Decrease during period | (22) | (28) |
| Foreign currency translation differences | 6 | 70 |
| Balance at end of period | 433 | 1,101 |

(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.

FY2021 (As of March 31, 2021)

(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 | | 175,133 | 170,767 | 4,366 | | | | |
| Corporate bonds | | 40,000 | 136 | 10,133 | 10,087 | 10,048 | 33 | 10,048 |
| Borrowings | | 101,774 | 22,635 | 495 | 19,819 | 138 | 10,138 | 50,319 |
| Lease liabilities | | 7,261 | 1,577 | 902 | 547 | 393 | 272 | 3,569 |
| Deposits payable | | 2,334 | 2,334 | | | | | |
| Total | | 326,503 | 197,450 | 15,897 | 30,454 | 10,579 | 10,443 | 63,936 |
| Derivative financial liabilities | | | | | | | | |
| Currency and interest rate swaps | Income | | (3,252) | (2,586) | | | | |
| | Expenditure | 73 | 3,272 | 2,602 | | | | |
| Total | | 73 | 19 | 16 | – | – | – | – |

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 | – | – | – | – | – |

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)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| U.S. dollar | (176) | (146) |
| Euro | (22) | (37) |
| Chinese renminbi | (41) | (79) |
| Thai baht | (30) | (79) |

For the fiscal years ended March 31, 2021 and 2022, 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, 2021 and 2022, decreases in other comprehensive income (before adjusting tax effect) would have been 62 million yen and 60 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)

| | FY2021 (As of March 31, 2021) | | FY2022 (As of March 31, 2022) | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Bonds and borrowings | 141,774 | 141,877 | 139,740 | 139,237 |

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.

FY2021 (As of March 31, 2021)

(Millions of yen)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equity instruments measured at fair value through other comprehensive income | 6,206 | – | 17,849 | 24,056 |
| Listed shares | 6,206 | | | 6,206 |
| Unlisted shares | | | 17,033 | 17,033 |
| Other | | | 816 | 816 |
| Debt instruments measured at fair value through other comprehensive income | – | – | 311 | 311 |
| Financial assets measured at fair value through profit or loss | – | 601 | 846 | 1,447 |
| Derivatives | | 601 | | 601 |
| Other | | | 846 | 846 |
| Financial liabilities measured at fair value through profit or loss | – | 73 | – | 73 |
| Derivatives | | 73 | | 73 |

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 |
| Derivatives | | – | | – |
| Other | | | 1,179 | 1,179 |
| Financial liabilities measured at fair value through profit or loss | – | 450 | – | 450 |
| Derivatives | | 450 | | 450 |

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)

| | FY2021 (From April 1, 2020 to March 31, 2021) | | | FY2022 (From April 1, 2021 to March 31, 2022) | | |
|---|---|---|---|---|---|---|
| | Equity instruments measured at fair value through other comprehensive income | Debt instruments measured at fair value through other comprehensive income | Financial assets measured at fair value through profit or loss | Equity instruments measured at fair value through other comprehensive income | Debt instruments measured at fair value through other comprehensive income | Financial assets measured at fair value through profit or loss |
| Balance at beginning of period | 12,344 | 282 | 588 | 17,849 | 311 | 846 |
| Purchase | 600 | | 247 | | 0 | 418 |
| Profit or loss | | | 9 | | | (62) |
| Other comprehensive income (Note) | 4,907 | (0) | | 842 | (27) | |
| Sales and repayment | (5) | (3) | | (0) | (0) | (24) |
| Foreign currency translation differences | 3 | 0 | | 3 | 1 | |
| Other | (0) | 32 | | (0) | (0) | |
| Balance at end of period | 17,849 | 311 | 846 | 18,695 | 284 | 1,179 |

(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, 2021 and 2022.

(Millions of yen)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Financial assets | | |
| Trade and other receivables | 24,735 | 21,353 |
| Financial liabilities offset (Note) | 23,521 | 19,847 |
| Financial assets on the consolidated statement of financial position | 1,213 | 1,505 |
| Financial liabilities | | |
| Trade and other payables | 70,065 | 64,246 |
| Financial assets offset (Note) | 23,521 | 19,847 |
| Financial liabilities on the consolidated statement of financial position | 46,544 | 44,398 |

(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)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Right-of-use assets acquired through leases | 1,573 | 44,926 |

## 32. Changes in Liabilities Arising from Financing Activities

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

FY2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

| | Short-term borrowings | Long-term borrowings | Corporate bonds | Lease liabilities | Total |
|---|---|---|---|---|---|
| Balance as of April 1, 2020 | 32,659 | 51,873 | 40,000 | 8,197 | 132,730 |
| Changes from financing cash flows | (12,025) | 27,985 | – | (1,786) | 14,172 |
| Acquisition of right-of-use assets | – | – | – | 1,573 | 1,573 |
| Change in scope of consolidation | – | – | – | – | – |
| Foreign currency translation difference and others | 299 | 982 | – | (723) | 558 |
| Balance as of March 31, 2021 | 20,933 | 80,841 | 40,000 | 7,261 | 149,035 |

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 |

## 33. Related Parties

(1) Related party transactions

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

FY2021 (From April 1, 2020 to March 31, 2021)

(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 | 922,698 | 149,940 |
| | | Purchase of automotive components | 119,790 | 20,602 |

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 |

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)

| | FY2021 (From April 1, 2020 to March 31, 2021) | FY2022 (From April 1, 2021 to March 31, 2022) |
|---|---|---|
| Basic compensation | 376 | 348 |
| Bonuses | 137 | 158 |
| Share-based payment | 40 | 42 |
| Total | 554 | 549 |

## 34. Commitments

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

(Millions of yen)

| | FY2021 (As of March 31, 2021) | FY2022 (As of March 31, 2022) |
|---|---|---|
| Contractual commitments for the acquisition of property, plant and equipment | 3,459 | 3,927 |
| Contractual commitments for the acquisition of intangible assets | 1,042 | 3,089 |

## 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, 2022, 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, 2022, 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.

| Impairment assessment for property, plant and equipment and intangible assets in the Unit Components Business of Toyota Boshoku Corporation<br>(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 (the Company), the carrying amount of property, plant and equipment and intangible assets totaled 21,777 million yen as of March 31, 2022 (2.3% of the consolidated total assets).<br><br>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, supply chain issues including the semiconductor shortage, unexpected accidents and earthquakes, typhoons and floods caused by climate change, a pandemic, and others, and profitability has been impacted by the price competition and requests for price reductions from the customers, increases in research and development costs, and others.<br><br>Under the business environment described above, an indication of impairment has been identified in the Unit Components Business that is an asset group 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.<br><br>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 | We performed the following procedures over the impairment assessment for for property, plant and equipment and intangible assets in the Unit Components Business of Toyota Boshoku Corporation (the Company):<br><br>We obtained an understanding of the processes relating to the identification of impairment indicators and the recognition of an impairment loss for property, plant and equipment and intangible assets, including the process to estimate the future sales projections and develop the assumptions such as variable cost ratio by product and pre-tax discount rate.<br><br>We performed the following procedures over the estimated future cash flows of the Company:<br><br>• We performed the following procedures over the Group's Mid-term Business Plan:<br>　– Compared the prior year plan and the current year results<br>　– Inquired of management about future sales projections and comparison with the prior year results<br>　– Compared future sales projections with the vehicle production forecast from the independent external source information<br>　– Analyzed the reasonableness of variable cost ratio by product<br><br>• We compared the major components of pre-tax discount rate with the external information.<br><br>• We assessed the appropriateness of the result of the real-estate appraisal that the Company obtained for the fair value of land and buildings based on the useful lives of machinery and equipment which are principal assets. |

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|---|---|
| production plans presented by the auto makers, assumptions such as variable cost ratio by product and pre-tax discount rate, and estimates of fair value of land and buildings based on the useful lives of machinery and equipment which are principal assets.<br><br>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 prospects and the 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.
We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

**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.

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Kenji Tezuka

Designated Engagement Partner
Certified Public Accountant

August 30, 2022

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