Annual Financial Report 2024

For the year ended March 31, 2024

CONTENTS

TOYOTA BOSHOKU CORPORATION

Key Financial Data

(Millions of Yen, unless stated otherwise)

Fiscal Year		IFRS				
		95th business term	96th business term	97th business term	98th business term	99th business term
Year end		March 2020	March 2021	March 2022	March 2023	March 2024
Revenue		1,372,616	1,272,140	1,421,451	1,604,036	1,953,625
Profit before income taxes		48,074	57,345	64,529	52,291	87,372
Profit attributable to owners of the parent		24,786	31,188	39,260	14,679	57,885
Comprehensive income		16,462	59,366	73,686	34,348	94,840
Total equity attributable to owners of the parent		291,051	334,935	386,162	400,741	448,961
Total assets		780,714	845,778	964,740	1,007,392	1,127,694
Equity per share attributable to owners of the parent	(Yen)	1,557.93	1,792.56	2,066.53	2,144.33	2,515.01
Earnings per share attributable to owners of the parent – Basic	(Yen)	132.88	166.93	210.15	78.57	311.74
Earnings per share attributable to owners of the parent – Diluted	(Yen)	—	—	210.13	78.56	311.69
Ratio of equity attributable to owners of the parent	(%)	37.3	39.6	40.0	39.8	39.8
Ratio of profit to equity attributable to owners of the parent	(%)	8.5	10.0	10.9	3.7	13.6
Price earnings ratio	(Times)	9.7	11.0	9.5	27.2	8.2
Cash flows from operating activities		79,673	74,483	122,933	89,428	174,898
Cash flows from investing activities		(54,175)	(51,392)	(40,893)	(36,461)	(86,698)
Cash flows from financing activities		(13,964)	2,756	(48,664)	(40,812)	(91,595)
Cash and cash equivalents at end of period		163,377	195,180	237,952	248,195	244,191
Number of Employees [Average number of part-time employees, not included in number of employees above]	(Persons)	44,375 [8,017]	44,154 [6,745]	44,264 [7,777]	44,581 [8,849]	46,972 [9,401]

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

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

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

History

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

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

Information on subsidiaries and associates

Company name	Location	Share capital	Principal business	Percentage of voting rights of the Company (%)	Relationship			
					Con-current service by officers, etc.	Loan of funds	Business transactions	Lease of facilities
(Consolidated subsidiaries)								
TOYOTA BOSHOKU TOHOKU CORPORATION (Note 3)	Kitakami-shi, Iwate	JPY million 1,667	Auto parts	100.0	Yes	None	Purchase of TOYOTA BOSHOKU TOHOKU CORPORATION's products	Yes
COWERK CO., LTD. (Note 3)	Kariya-shi, Aichi	JPY million 97	Auto parts	52.0	Yes	Yes	Purchase of COWERK CO., LTD.'s products	Yes
TOYOTA BOSHOKU KYUSHU CORPORATION (Note 3)	Kanzaki-shi, Saga	JPY million 480	Auto parts	100.0	Yes	None	Purchase of TOYOTA BOSHOKU KYUSHU CORPORATION's products	Yes
TOYOTA BOSHOKU SEIKO CORPORATION (Note 3)	Takahama-shi Aichi	JPY million 869	Auto parts	66.4	Yes	Yes	Purchase of TOYOTA BOSHOKU SEIKO CORPORATION's products	None
SEAT METAL PARTS CHINA CO.,LTD (Notes 2,3)	Zhejiang, China	CNY thousand 45,000	Auto parts	90.0 (90.0)	None	None	Sales of the Company's products	None
TB KAWASHIMA CO., LTD.	Aisho-cho, Echi-gun, Shiga	JPY million 490	Auto parts	99.9	Yes	Yes	Purchase of TB KAWASHIMA CO., LTD.'s products	Yes
TB KAWASHIMA USA, INC. (Notes 2, 3)	South Carolina, U.S.A.	USD thousand 40,500	Auto parts	100.0 (100.0)	None	None	None	None
KAWASHIMA TEXTILE MANUFAC-TURERS (SHANGHAI) LTD. (Notes 2, 3)	Shanghai, China	CNY thousand 198,387	Auto parts	80.0 (80.0)	None	None	None	None
TOYOTA BOSHOKU AMERICA, INC. (Notes 3, 4)	Kentucky, U.S.A.	USD thousand 539,742	Auto parts	100.0	None	None	Contracting of design work	None
TBDN TENNESSEE COMPANY, LLC (Notes 2, 3)	Tennessee, U.S.A.	USD thousand 22,000	Auto parts	80.0 (80.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU TENNESSEE, LLC (Notes 2, 3)	Tennessee, U.S.A.	USD thousand 50,000	Auto parts	100.0 (100.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU KENTUCKY, LLC (Notes 2, 3)	Kentucky, U.S.A.	USD thousand 29,989	Auto parts	100.0 (100.0)	None	None	Sales of the Company's products	None

Company name	Location	Share capital	Principal business	Percentage of voting rights of the Company (%)	Relationship			
					Con-current service by officers, etc.	Loan of funds	Business transactions	Lease of facilities
TOYOTA BOSHOKU ARGENTINA S.R.L. (Notes 2, 3)	Buenos Aires, Argentina	ARS thousand 519,149	Auto parts	95.0 (95.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU CANADA, INC. (Notes 2, 3)	Ontario, Canada	USD thousand 29,000	Auto parts	100.0 (100.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU MISSISSIPPI, LLC (Notes 2, 3)	Mississippi, U.S.A.	USD thousand 49,000	Auto parts	100.0 (100.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU DO BRASIL LTDA. (Notes 2, 3)	Sao Paulo, Brazil	BRL thousand 245,318	Auto parts	100.0 (0.1)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU INDIANA, LLC (Notes 2, 3)	Indiana, U.S.A.	USD thousand 115,000	Auto parts	100.0 (100.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU ILLINOIS, LLC (Notes 2, 3)	Illinois, U.S.A.	USD thousand 57,400	Auto parts	100.0 (100.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU WESTERN KENTUCKY, LLC.(Notes 2, 3)	Kentucky, U.S.A.	USD thousand 134,800	Auto parts	100.0 (100.0)	None	None	None	None
TOYOTA BOSHOKU (CHINA) CO., LTD. (Note 3)	Shanghai, China	USD thousand 133,498	Auto parts	100.0	Yes	None	Contracting of design work	None
CHENGDU TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. (Notes 2, 3)	Chengdu, Sichuan Province, China	USD thousand 15,560	Auto parts	53.0 (53.0)	Yes	None	Sales of the Company's products	None
NINGBO TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. (Notes 2, 3)	Ningbo, Zhejiang Province, China	USD thousand 8,200	Auto parts	80.0 (40.0)	Yes	None	Purchase of NINGBO TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD.'s products	None
TIANJIN INTEX AUTO PARTS CO., LTD. (Notes 2, 3)	Tianjin, China	USD thousand 24,500	Auto parts	75.0 (75.0)	Yes	None	Sales of the Company's products	None
TIANJIN TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. (Note 3)	Tianjin, China	USD thousand 11,800	Auto parts	80.0	Yes	None	Sales of the Company's products	None

Company name	Location	Share capital	Principal business	Percentage of voting rights of the Company (%)	Relationship			
					Con-current service by officers, etc.	Loan of funds	Business transactions	Lease of facilities
GUANGZHOU INTEX AUTO PARTS CO., LTD. (Notes 2, 3)	Guangzhou, Guangdong Province, China	USD thousand 22,500	Auto parts	75.0 (75.0)	Yes	None	Sales of the Company's products	None
TOYOTA BOSHOKU (GUANGZHOU) AUTOMOTIVE PARTS CO., LTD. (Notes 2, 3)	Guangzhou, Guangdong Province, China	USD thousand 20,000	Auto parts	100.0 (100.0)	Yes	None	Sales of the Company's products	None
TOYOTA BOSHOKU FOSHAN CO., LTD. (Note 3)	Foshan, Guangdong Province, China	USD thousand 9,600	Auto parts	80.0	Yes	None	Sales of the Company's products Purchase of TOYOTA BOSHOKU FOSHAN CO., LTD.'s products	None
TOYOTA BOSHOKU (TIANJIN) AUTOMOTIVE PARTS CO., LTD. (Notes 2, 3)	Tianjin, China	USD thousand 16,500	Auto parts	100.0 (100.0)	Yes	None	Sales of the Company's products	None
SHENYANG TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD. (Notes 2, 3)	Shenyang, Liaoning Province, China	CNY thousand 180,000	Auto parts	100.0 (100.0)	Yes	None	Sales of the Company's products	None
TOYOTA BOSHOKU ASIA CO., LTD. (Note 3)	Bangkok, Thailand	THB thousand 728,080	Auto parts	100.0	None	None	Contracting of design work	None
SHIN SAN SHING CO., LTD. (Notes 2, 3)	Hsinchu, Taiwan	TWD thousand 330,000	Auto parts	47.0 [3.8]	None	None	Sales of the Company's products	None
PT. TOYOTA BOSHOKU INDONESIA (Note 3)	Jawa Barat, Indonesia	USD thousand 13,750	Auto parts	81.8	None	None	Sales of the Company's products Purchase of PT. TOYOTA BOSHOKU INDONESIA's products	None
TOYOTA BOSHOKU PHILIPPINES CORPORATION (Note 3)	Laguna, the Philippines	PHP thousand 377,000	Auto parts	95.0	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU GATEWAY (THAILAND) CO., LTD. (Notes 2, 3)	Chachoeng-sao, Thailand	THB thousand 250,000	Auto parts	80.0 (30.0)	None	None	Sales of the Company's products	None

Company name	Location	Share capital	Principal business	Percentage of voting rights of the Company (%)	Relationship			
					Con-current service by officers, etc.	Loan of funds	Business transactions	Lease of facilities
TOYOTA BOSHOKU AUTOMOTIVE INDIA PRIVATE LIMITED (Notes 2, 3)	Karnataka, India	INR thousand 795,285	Auto parts	95.0 (25.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU FILTRATION SYSTEM (THAILAND) CO., LTD. (Notes 2, 3)	Rayong, Thailand	THB thousand 300,000	Auto parts	80.0 (80.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU SIAM METAL CO., LTD. (Notes 2, 3)	Chonburi, Thailand	THB thousand 350,000	Auto parts	87.1 (87.1)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU HAIPHONG CO., LTD. (Note 3)	Haiphong, Vietnam	USD thousand 9,100	Auto parts	100.0	None	None	Sales of the Company's products	None
PT. SHIROKI INDONESIA (Notes 2,3)	Jawa Barat, Indonesia	USD thousand 29,990	Auto parts	80.0 (80.0)	None	None	None	None
BOSHOKU AUTOMOTIVE (THAILAND) CO., LTD. (Notes 2, 3)	Rayong, Thailand	THB thousand 331,000	Auto parts	90.0 (90.0)	None	None	None	None
TOYOTA BOSHOKU DEVICE INDIA PRIVATE LIMITED (Note 2)	Haryana India	INR thousand 293	Auto parts	80.0 (80.0)	None	Yes	None	None
TOYOTA BOSHOKU EUROPE N.V. (Note 3)	Zaventem, Belgium	EUR thousand 436,134	Auto parts	100.0	None	None	Contracting of design work	None
TOYOTA BOSHOKU TURKIYE OTOMOTIV SANAYI VE TICARET A.S. (Notes 2, 3)	Adapazari, Turkey	TRY thousand 25,696	Auto parts	90.0 (90.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU SOUTH AFRICA (PTY) LTD. (Notes 2, 3)	Kwazulu-Natal, South Africa	ZAR thousand 225,750	Auto parts	85.0 (85.0)	None	None	Sales of the Company's products	None
TOYOTA BOSHOKU SOMAIN S.A.S. (Notes 2)	Zone Industrielle de la Renaissance, France	EUR thousand 2,698	Auto parts	100.0 (100.0)	None	None	Sales of the Company's products	None

Company name	Location	Share capital	Principal business	Percentage of voting rights of the Company (%)	Relationship			
					Con-current service by officers, etc.	Loan of funds	Business transactions	Lease of facilities
TOYOTA BOSHOKU POLAND SP. Z O.O. (Notes 2, 3)	Lower Silesian Voivode-ship, Poland	PLN thousand 56,263	Auto parts	100.0 (100.0)	None	None	Sales of the Company's products	None
29 other companies								

Company name	Location	Share capital	Principal business	Percentage of voting rights of the Company (%)	Relationship			
					Con-current service by officers, etc.	Loan of funds	Business transactions	Lease of facilities
(Associates accounted for using equity method)								
NARUKO CORPORATION	Toyota-shi Aichi	JPY million 60	Auto parts	21.3	None	None	Purchase of NARUKO CORPORATION's products	Yes
TOKAI CHEMICAL INDUSTRIES, LTD.	Mitake-cho, Kani-gun, Gifu	JPY million 100	Auto parts	20.0	None	None	Purchase of TOKAI CHEMICAL INDUSTRIES, LTD.'s products	None
TOYOTA BOSHOKU AKI USA, LLC (Note 2)	Alabama, U.S.A.	USD thousand 60,000	Auto parts	50.0 (50.0)	Yes	None	None	None
QINGDAO INJELIC MOULD CO., LTD. (Note 2)	Shandong Province Qingdao China	CNY thousand 87,500	Auto parts	20.0 (20.0)	Yes	None	None	None
12 other companies								

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

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

3. Companies indicated are specified subsidiaries.

4. Revenue of TOYOTA BOSHOKU AMERICA, INC. accounts for more than 10% of consolidated revenue (excluding inter-segment revenue between consolidated companies).

Key Financial Data	(1)	Revenue	474,719 million yen
	(2)	Loss before income taxes	1,898 million yen
	(3)	Loss for the period	2,263 million yen
	(4)	Total equity	57,053 million yen
	(5)	Total assets	304,162 million yen

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

Employees

(1) Consolidated group companies

As of March 31, 2024

Segment name	Number of employees	
Japan	14,708	［1,670］
North, Central and South America	13,079	［746］
China	7,090	［1,370］
Asia and Oceania	7,450	［4,733］
Europe and Africa	4,645	［882］
Total	46,972	［9,401］

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

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

Management policy, management environment and issues to be addressed

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

(1) Management policy

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

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

(2) Management environment and issues to be addressed

In order to continue our sustainable growth, we will promote the following initiatives.

(i) We will work to improve our planning and proposal capabilities, and R&D capabilities in order to become an Interior Space Creator:

1) Promote planning and proposals for mobility spaces as a whole through an enhanced marketing and planning structure;
2) Formulate and promote technology strategies for Interior Space Creator, multi-pathway[1], and creation of new businesses;
3) Clarify our technology roadmap[2] and secure development resources;
4) Restructure development processes for efficiency and ensure reliable cost planning and profitability

(ii) We aim to secure MONOZUKURI competitiveness that wins us customer trust and patronage throughout our supply chain:

1) Develop a foundation for global development based on production model lines to achieve the 2030 MONOZUKURI Strategy[3];
2) Achieve sustainable and connected logistics that addresses labor shortages and promotes carbon neutrality;
3) Promote profit improvement and rationalization activities at America region;
4) Advance defect prevention activities for next-generation seat frame-related components

(iii) In order to win the patronage of various customers around the world, we aim to enhance our sales capacity:

1) Establish strategic orientation for target customers and projects;
2) Strengthen proposal capabilities and build trust to win us customer patronage;
3) Further enhance the global sales structure

(iv) We will work to strengthen management foundation that supports the implementation of i) through iii) above across the board:

1) Implement environmental management through prioritized environmental actions (global warming prevention, resource circulation, and co-existence with nature);
2) Create a corporate culture and organization that empowers diverse human resources to play an active role with a sense of satisfaction and fulfillment;

3) Establish a robust profitability and financial base toward 2030;
4) Drive internal innovation and enhance competitiveness through CVC[4], alliances and the commercialization of new businesses;
5) Continuously improve management and operational quality through TQM[5] implementation

We aim to "become a company, as an Interior Space Creator, which realizes comfortable mobility spaces and contributes to solving social issues while expanding our product range and customer base", and enhancing economic and social value with the implementation of CSV management[6].

In alignment with the recently announced Toyota Group Vision[7], we will continue our efforts to evolve into a trusted corporation by embracing our founding spirit of "for the world and for people."

1 Multi-pathway: Toyota Motor Corporation's management strategy centered around developing diverse powertrains, ranging from hybrid electric vehicles (HEVs) to electric vehicles (EVs), plug-in hybrid electric vehicles (PHEVs), and fuel cell vehicles (FCVs).

2 Technology roadmap: A plan that clarified the required technology items and their timelines for systematically acquiring the technologies and development facilities that we will need in the future, aiming to realize a comfortable, safe, and secure automobile interior space.

3 2030 MONOZUKURI Strategy: A strategy that took a holistic view of manufacturing, from development through to production engineering and manufacturing, linked our technology roadmap to the development of methods to clarify issues, and arranged initiatives to resolve them.

4 CVC (Corporate Venture Capital): Investments and supportive activities undertaken by entities in unlisted startups (ventures) through dedicated funds using their own capital, and the entities engaged in these activities.

5 TQM (Total Quality Management): To maintain a flexible and resilient corporate structure, aiming to increase the capabilities of humans, the organization and processes founded on the basic TQM philosophy of "total participation," "customer first," and "continuous *kaizen*."

6 CSV (Creating Shared Value) management: Management that works to solve social issues within its core business activities and aims to achieve both economic and social value.

7 Toyota Group Vision: A new vision announced on January 30, 2024, by Chairman Akio Toyoda, outlining the future direction for 17 Toyota Group companies.

Approach to Sustainability and our initiatives

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

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

(1) Sustainability

[Strategy]

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

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

We are already actively involved in CSR activities and have contributed to the achievement of the SDGs. In line with changes in society, since March 2019 we have been accelerating the shift from CSR to CSV management. In July 2020, we defined as our materiality the identification of important issues to be addressed through our group's operations from among a variety of social issues and the approach we adopt to resolve them.

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

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

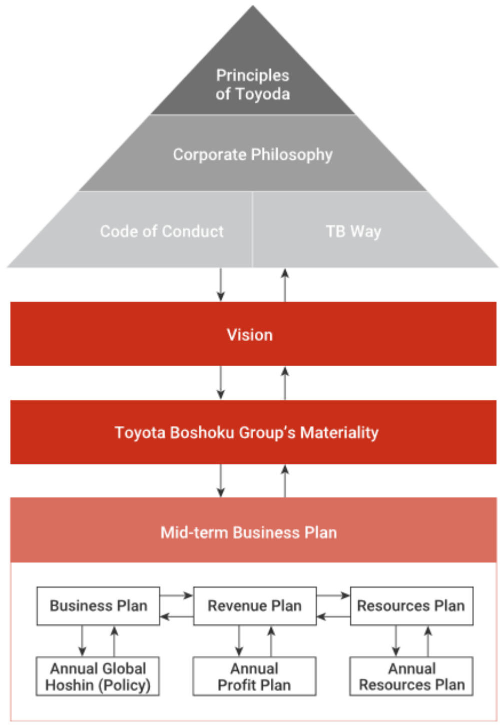
Toyota Boshoku Group Sustainability Policy

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

1. Management Concept

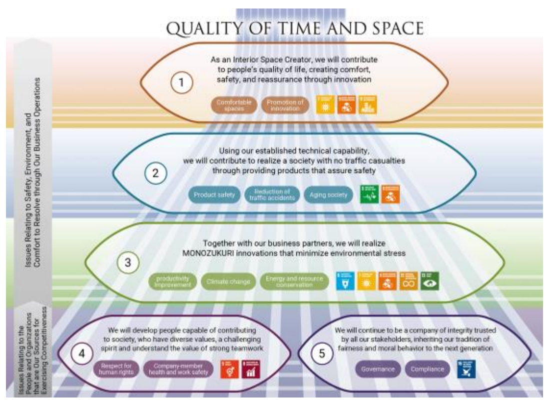
The Toyota Boshoku Group has established Materiality based on the Principles of Toyoda* and contributes to society through its core business activities.

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



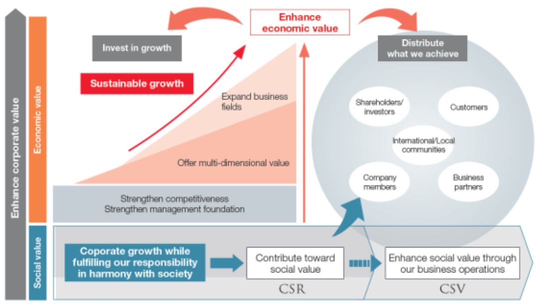
2. Materiality

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



3. The management structure we aim to become

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



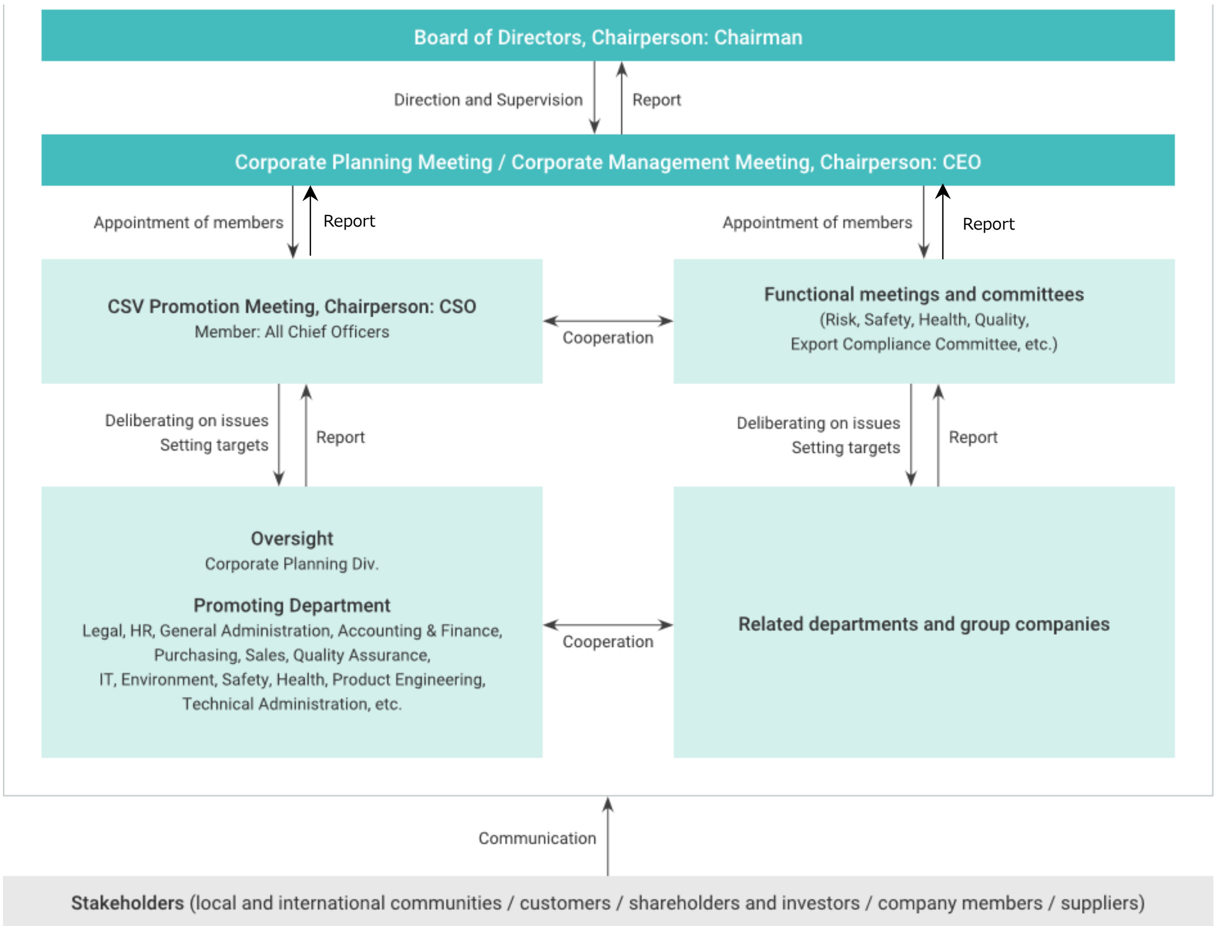
[Governance]

The CSV Promotion Meeting (chaired by the Chief Strategy Officer (CSO)) reports and deliberates on issues and the direction to take in order to enhance corporate value, establishes goals and monitors progress in implementing them.

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

Cooperating with each function and related divisions, we promote initiatives to contribute to social value of the Toyota Boshoku group as a whole through daily activities.

Structural Chart

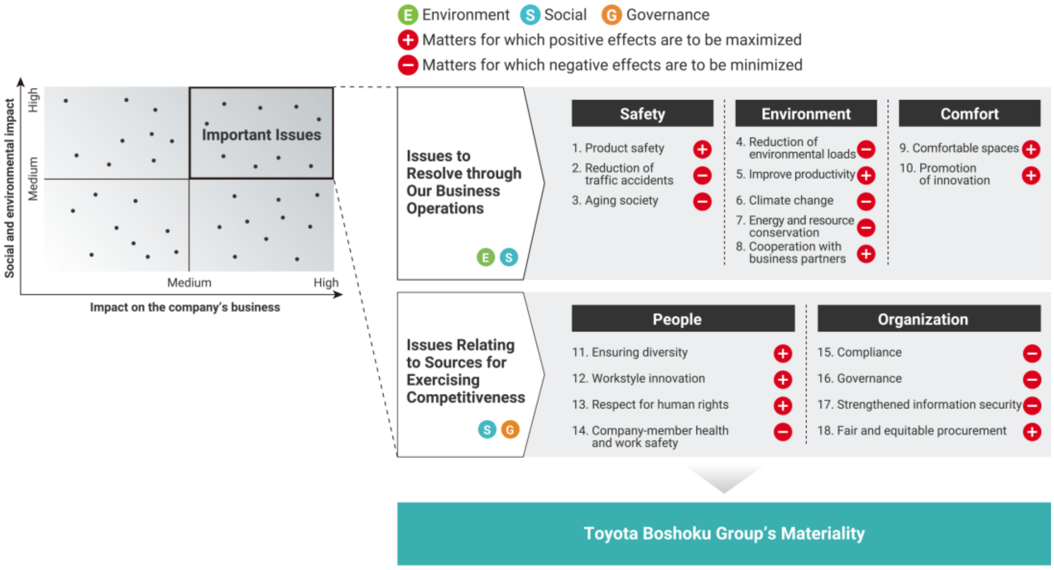


[Risk management]

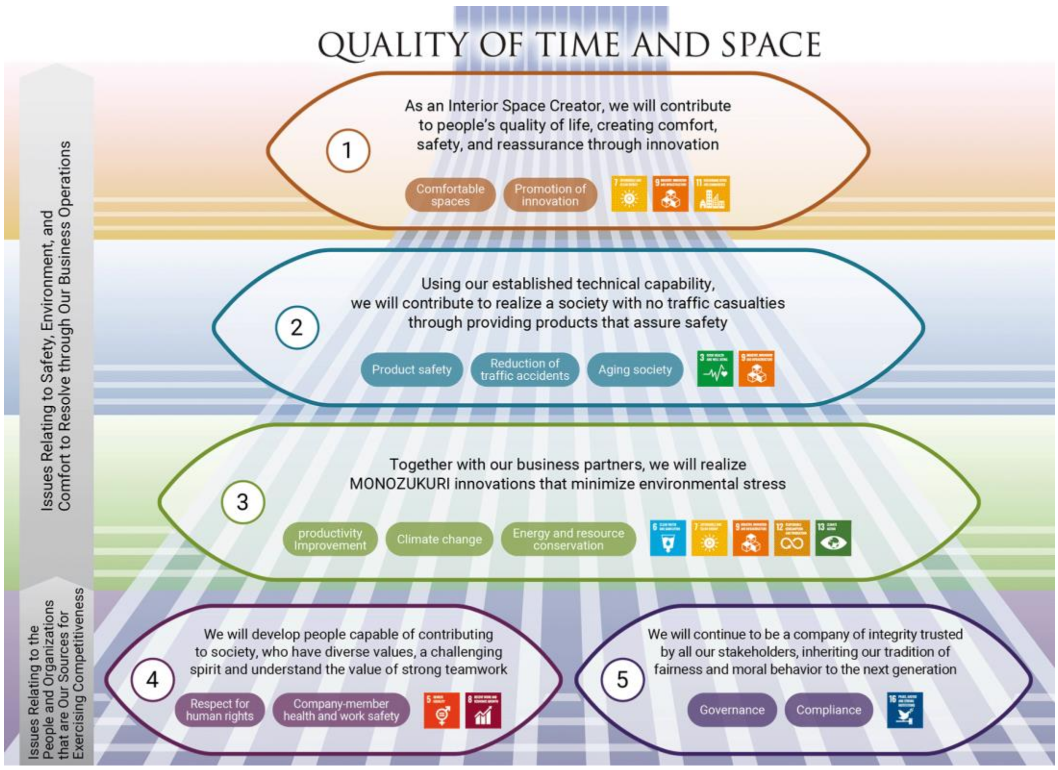
From April 2019 to July 2020, we made a company-wide effort to identify important issues and formulated our materiality.

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

Plotting of social issues and extraction of important issues



The materiality of the Toyota Boshoku group



[Indicators and targets]

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

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

The ESG KPIs are followed up at the CSV Promotion Meeting (Chairperson: Chief Strategy Officer (CSO)).

We also reviewed our ESG KPIs in conjunction with the formulation of our 2030 Mid-term Business plan. Starting in fiscal year 2025, we will monitor the new ESG KPIs.

Approach to formulation of ESG KPIs

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

No. (*)	Materiality	KPI evaluation items	FY2024 results (Year ended March 31, 2024)	Target	
				FY2026 (Year ended March 31, 2026)	FY2031 (Year ended March 31, 2031)
1	(iii)	Production CO_2 emissions reduction ratio (compared to FY2020)	38%	25%	50%
2	(iii)	Renewable energy installation ratio	34%	35%	50%
3	(iii)	CO_2 emissions reduction ratio in logistics (compared to FY2012)	29%	14%	20%
4	(iii)	Waste emissions reduction ratio (compared to FY2012)	36%	14%	20%
5	(iii)	Water consumption reduction ratio (compared to FY2014)	36%	6%	8%
6	(iii)	Symbiosis with nature (number of trees planted)	44,000	Cumulative 640,000	Cumulative 770,000
7	(iii)	Ratio of sales of unit components of products related to vehicle electrification that will lead to minimization of environmental impact	8%	10%	45%
8	(i) (ii)	Number of patent applications	324	320/year	500/year
9	(i) (ii)	Number of external presentations and papers	74	90/year	120/year
10	(i)	Rate of new product development leading to Interior Space Creator	9%	15%	30%
11	(ii)	Ratio of vehicles that are expected to use products that contribute to traffic safety	25%	20%	50%
12	(iv)	Number of participants in social contribution activities	Total 2,728	Total 2,000	Total 2,000
13	(v)	Degree of implementation of the Code of Conduct	87.6%	90%	90%
14	(iv)	Number of stress checks conducted for all employees	1/year	1/year	1/year
15	(iv)	Health checkup rate	100%	100%	100%
16	(iv)	Number of serious accidents involving employees	1	0	0
17	(iii) (v)	Number of serious accidents involving outside contractors and visitors	0	0	0

No. (*)	Materiality	KPI evaluation items	FY2024 results (Year ended March 31, 2024)	Target	
				FY2026 (Year ended March 31, 2026)	FY2031 (Year ended March 31, 2031)
18	(iii) (v)	Number of environmental abnormalities and complaints	1	0	0
19	(v)	Number of serious cyber security incidents	1	0	0
20	(v)	DX certification	Working to become a certified and notable company	DX-Excellent company	DX-Excellent company
21	(v)	Number of violations of antitrust laws	0	0	0
22	(v)	Number of violations of anti-bribery laws	0	0	0
23	(iv) (v)	Countermeasure to human rights risks in the supply chain (conducting human rights due diligence)	Conducting ratio 100%	Conducting ratio 100%	Conducting ratio 100%
24	(v)	External awards from customers	3	5	5
25	(v)	Compliance with timely and appropriate disclosure	100%	100%	100%

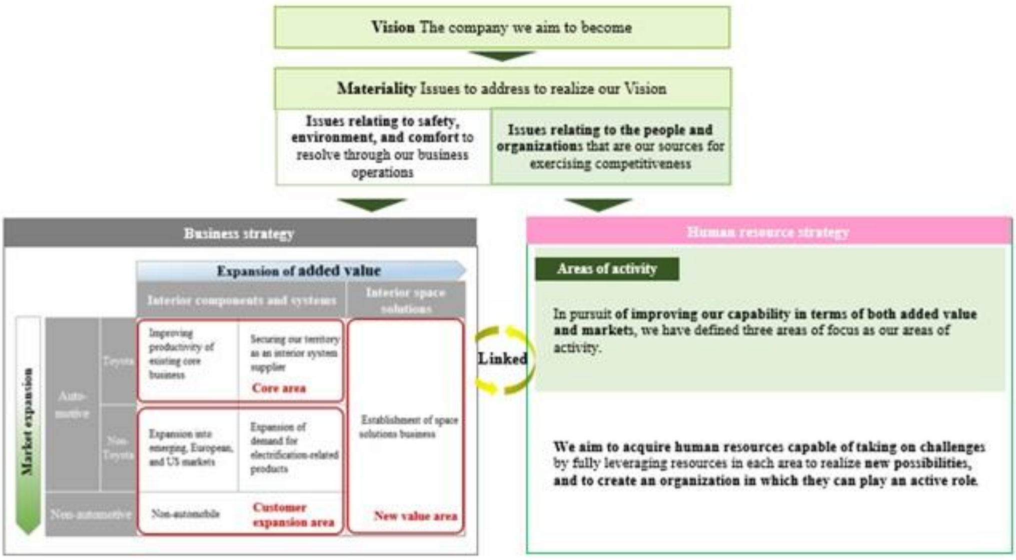
(*) Of the above KPI results and targets, No. 1, 2, 4, 5, 6, 13, 16, 17, 18, 19, 21, and 22 apply to the global Toyota Boshoku group and No. 3, 7, 8, 9, 10, 11, 12, 14, 15, 20, 23, 24, and 25 apply to the non-consolidated Toyota Boshoku Corporation.

(2) Human Capital

1. Human Capital management initiatives

The 2030 target of the Toyota Boshoku group is to “become a company, as an Interior Space Creator, which realizes comfortable mobility spaces and contributes to solving social issues while expanding our product range and customer base.” Moving forward, in response to changes in the automotive market, as well as the diversification of customer needs, besides honing our MONOZUKURI competitiveness, we will need to enhance the value we provide to customers and grow into an Interior Space Creator that can plan and propose the entire automobile interior space. To achieve this, we need to create an environment in which people with diverse identities are attracted to the Toyota Boshoku group and come together, freely sharing their opinions and respecting each other, so that new values and ideas can continue to be born.

To this end, we need to formulate an HR strategy that is consistent with our business strategy. We defined the themes to be addressed for 2023, our target, and the specific personnel measures, and established KPIs to manage their progress. By establishing and leveling up a cycle of human capital management to achieve our target, we hope to realize the well-being of our company members, their families, and our customers.



Overview of human resource strategy

2. Personnel measures to implement

Personnel measures to implement	Priority initiatives
1 Clarification of required human resources	(1) Formulating a human resources portfolio and a mid-term headcount plan (2) Visualizing the activities of human resources secured using KPIs (3) Resource shift to new areas through optimization of coordinator assignment
2 Securing of talented human resources	(1) Expanding recruitment market (global, other industries, etc.) (2) Diversifying recruitment methods (referral, alumni, etc.) (3) Communicating our appeal externally (PR activities through internships, recruiters, and digital channels)
3 Support for growth	(1) Developing executives and future managers (2) Providing education and careers beyond an individual's own area of expertise (3) Strengthening and developing skills (4) Energizing innovation
4 Penetration of Diversity & Inclusion	(1) Activities of Employee Network Resource Group (ENRG) (2) Promoting active roles for diverse human resources (women, seniors, etc.) (3) Responding to sexual diversity (LGBTQ+ community)
5 Pursuit of ease of working	(1) Promoting vibrant work style innovation (2) Fostering an open workplace culture (3) Enhancing mechanisms for gathering feedback from company members
6 Promotion of health & safety	(1) Health management (2) Safety and health
7 Adherence to compliance and ethics	(1) Respect for human rights (2) Risk and information management

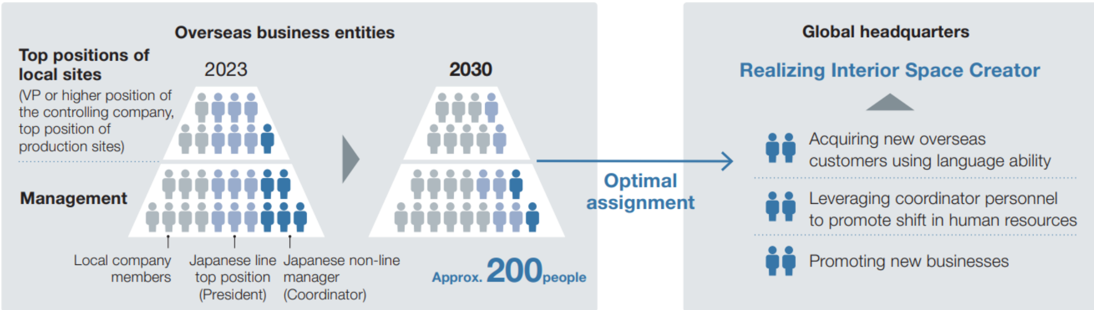
* For further details on our human capital initiatives and KPIs, please refer to the Human Capital Report. https://www.toyota-boshoku.com/_assets/dl/company/library/human_capital_2023_en.pdf

1) Clarification of required human resources

We aim to secure the required human resources in the three areas of activity in a timely and efficient manner by establishing systems for recruiting and developing human resources based on the human resource portfolio, and for monitoring human resource activities.

Area	Definition	Required human resources
Core area	An area in which we create high-quality products and leverage our advanced technological capabilities to expand the types and functions of our products	● Human resources capable of strengthening the fields of electronic control and information technology ● Human resources who can fundamentally reform the way business is conducted by utilizing DX ● Maintenance personnel with expertise in both hardware and software ● Human resources with outstanding sewing skills
Customer expansion area	An area in which we increase product sales to growth markets and build efficient supply chains to promote expansion worldwide, including non-automotive fields (expansion to other brand, geographic regions and sectors)	● Local executive human resources on a global basis ● Human resources with global planning and negotiation skills ● Human resources from different industries, who can re-examine business strategy ● Marketing personnel responsible for developing new markets and expanding our customer base
New value area	An area in which we develop projects to address new types of mobility and future mobility spaces, make pioneering proposals for the CASE[4] and MaaS markets, and conduct R&D for new business creation	● Human resources capable of creating new value through integration of advanced technologies and their insight into trends ● Human resources who can design spaces based on specialized fields such as Kansei engineering and ergonomics ● Human resources with the ability to think and act with an eye on the future ● Human resources who can solve social issues and help to create an enriched society

Furthermore, we promote the appointment of local personnel as the presidents of business sites in countries outside Japan and in senior positions at Regional Management & Collaboration Hubs so as to optimize a large number of Japanese coordinators (non-line managers) to overseas business entities to ensure smooth coordination with the head office in Japan, and enable them to flourish in new areas.



Fiscal year	Unit	2022	2023	2024		2031
Percentage of local company members in positions such as presidents of sites outside Japan	%	25.3	21.7	29.2		80.0

2) Support for growth

Starting in 2023, to nurture human resources who can play an active role in each of the three areas of activity, we are providing opportunities for company members to learn from industries and fields outside their own area of expertise. Additionally, to encourage company members to take on new challenges, we have expanded the scope of our internal recruitment system, which allows members to transfer to a division or post of their choice, to include younger company members. In the internal recruitment system, 13 candidates were successfully matched to fill 37 available positions.

We will bolster skills and technical capabilities in the core area, and global responsiveness in the customer expansion area. In the new value area, we are focusing on developing the necessary experts in each field for making pioneering proposals, as well as executive and management-level personnel to construct new business models. To expand our business fields and develop leaders in the creation of new businesses, we are promoting measures such as conducting workshops and idea contests, establishing a system to dispatch company members to venture companies, peer companies, and universities with the aim of acquiring new values and ways of thinking, and establishing a division specializing in planning new businesses.

3) Penetration of Diversity & Inclusion

In 2022, the Employee Network Resource Group (ENRG) was established to ascertain the real views of company members and convey them to management for problem solving. The Group consists of five subgroups: “women,” “young people,” “non-Japanese company members,” “seniors,” and “people with disabilities,” each pursuing their specific activities.

In 2023, five ENRG subgroups took the lead in organizing Diversity & Inclusion (D&I) Week. During the Week, a series of events was conducted to provide simulations of pregnancy and wheelchair use, stories from individuals who took childcare leave (male and female), introductions of senior and disabled groups, and a panel discussion with a group of Boeing employees.

For career support for female employees, priority trainees are registered and receive training at each workplace following the formulation of individual development plans. Additionally, to raise awareness on the part of the individual and their supervisor, we provide career education for female employees at the Senior Specialist level (group manager level) and their supervisors, seminars prior to returning to work after childcare leave, along with programs on unconscious bias.

Fiscal year	Unit	2022	2023	2024		2031
Number of management positions(Women)	People	29	33	35		65
Women as percentage	%	2.4	2.7	2.7		5.0

We have also reviewed a range of systems to support company members, regardless of gender, facing various life events, such as childcare and nursing care, to balance their careers by giving them a variety of options.

From 2023 onward, we have proceeded to establish a new leave system that can be taken for a wide range of reasons, such as family care (childcare, nursing care, support for spouses during pregnancy) and infertility treatment, which began operating in April 2024. The short-time working system for childcare can be combined with flexible working hours and teleworking. Additionally, this system offers expanded working hour options and is available until children reach the age of 18.

Furthermore, we believe that creating an environment that allows employees to balance work and family life will lead to higher employee motivation and a review of work procedures, and we are promoting greater awareness and workplace understanding of men taking childcare leave. From 2023 onward, we have also initiated a financial support system to supplement the reduced income following the receipt of childcare leave benefits, providing financial assistance during childcare leave and encouraging employees to utilize this system.

Fiscal year	Unit	2022	2023	2024	2026
Number of company members taking childcare leave(Men)	People	36	70	145	-
Ratio of men taking childcare leave (applicants)	%	15 (-)	28 (-)	67 (96)	90 (100)

4) Pursuit of ease of working

In order to quantitatively evaluate the extent to which company members feel vibrant and fulfilled, we have introduced the KPI on vibrant work environment as a company-wide metric, and we have been working to improve the system and environment in order to further enhance this since then.

In our approach to vibrant work style innovation, we are developing a flexible, efficient, and creative work environment. This includes expanding teleworking systems (introduction of long-term remote work in remote areas), promoting reduced working hours through a proposal system aimed at improving operational efficiency (with incentives), reviewing meeting bodies, and establishing no-meeting days. At the same time, to foster an open workplace culture where everyone can openly and freely express their ideas, we have continued initiatives from the previous year, including Thanks activity, Greeting activity, Harassment prevention education, Compassionate communication training, lectures by experts, and Vibrant communication activity (with communication expenses covered by the Company). We are focusing on fostering a workplace in which company members can work happily and energetically with a sense of enjoyment, holding frank and genuine dialogue meetings at each workplace. These meetings explore themes such as “What it means to be able to speak your mind” and “What we should do to create a workplace where members can speak their minds.”

Fiscal year	Unit	2022	2023	2024	2026
Company member satisfaction (KPI on vibrant work environment)	%	71.1	70.4	72.4	85.0

(3) Response to the TCFD

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

We formulated the 2050 Environmental Vision in 2016 and identified our Materiality (important issue to be resolved through our business operations) of “Together with our business partners, we will realize MONOZUKURI innovations that minimize environmental stress” in 2020 in order to promote environmental initiatives. In 2023, we partially revised our 2050 Environmental Vision in light of social trends.

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

[Governance]

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

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

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

[Strategy]

Scenario analysis of climate-related risks and opportunities

(i) Scenario analysis results

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

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

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

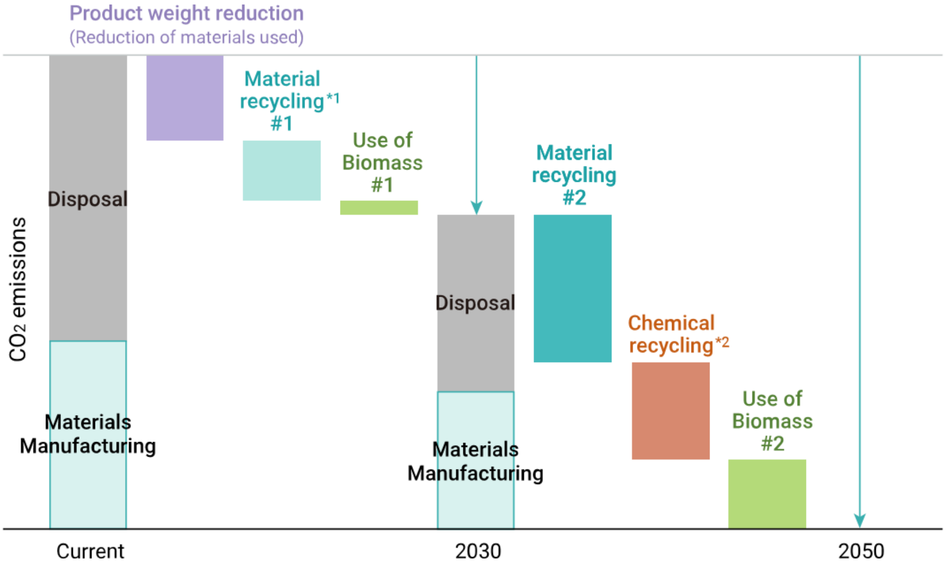
	Causes	Risks/Opportunities	Assessment	Actions	Response cost (FY2025)
Transition risks and opportunities (1.5 to 2° C)	Enhancement of climate change policies, including carbon pricing	· Increase in procurement costs by introducing carbon prices, etc.	Risk	· Survey of suppliers (CO2 emissions, efforts to reduce CO2 emissions, etc.) Promotion of activities for setting CO2 emission reduction targets · Support for suppliers (Sharing of energy saving cases, joint development of new materials and new methods, joint purchase of renewable energy, etc.)	–
		· Increase in operating costs due to the direct impact of the introduction of carbon prices or its indirect impact on energy prices	Risk	· Introduction of highly efficient equipment to promote further energy saving and promotion of the development of new methods · Promotion of the introduction of renewable energy · Optimization of logistics (Reduction of CO2 emissions associated with transportation through the promotion of local production for local consumption)	2.6 billion yen
		· Increase in cost due to investment in energy saving and renewable energy for decarbonization	Risk	· Optimization of investment by introducing ICP (Internal Carbon Pricing)	
	Enhancement of efforts to promote vehicle electrification	· Expansion of business in new fields through collaboration between Toyota group companies	Opportunity	· Expansion of new business domains and diversification of provided value	1.4 billion yen
		· Increase in demand for electrified products	Opportunity	· Further planning and development of electrified products	4.2 billion yen
	Change in evaluation by customers and the consumer value standard (raised environmental awareness, etc.)	· Decrease in sales due to lower demand for products with insufficent low-carbon technology	Risk	· Planning and development of products to further reduce carbon emissions · Planning and development of plant-derived products and lightweight products · Improvement of recyclability and promotion of simple disassembly design	2.1 billion yen
		· Increase in sales by developing low-carbon products · Expansion of demand for plant-derived products and lightweight products · Enhancement of competitiveness by developing technology to improve recyclability	Opportunity		
Physical risks and opportunities (4° C)	Worsening of extreme weather, including heavy rain and subsequent flooding	· Decrease in sales due to the impact of supply chain disruption on production	Risk	· Risk management using a system to manage the range of supplier impact · Selection of logistics routes that minimize the impact of disaster	–
		· Decrease in sales due to factory shutdown	Risk	· Enhancement of the BCP system (Creation of manuals and establishment of an information collection/sharing system)	0.5 billion yen

(ii) Priority action

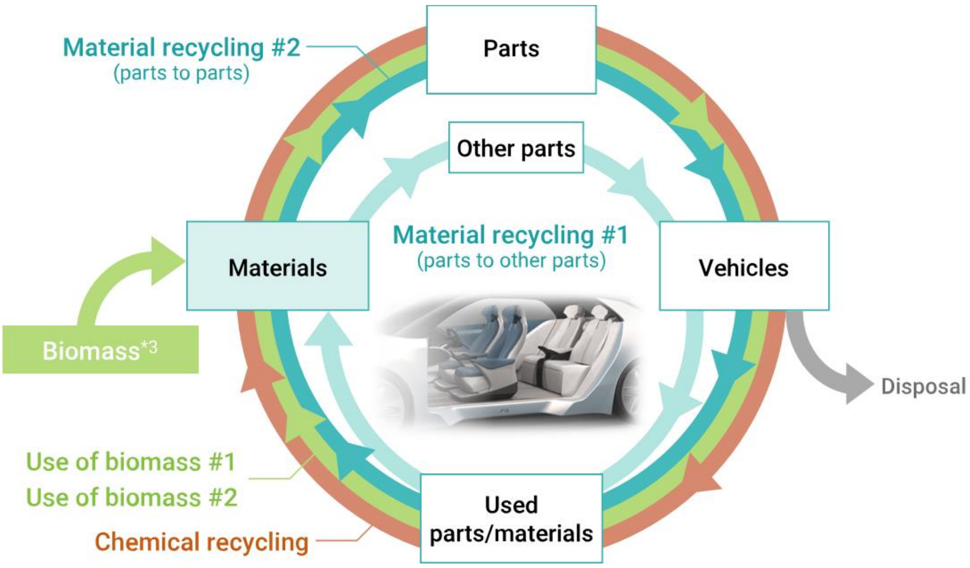
Challenge to Carbon Neutrality through a Circular Economy for Product Materials

The Toyota Boshoku group promotes the reduction of CO_2 emissions in the product life cycle. In addition to reducing the weight of products, using plant-derived materials (biomass), and developing technologies for electrified products, we will improve the recyclability of products. We will also work to reduce CO_2 emissions from the materials used in our products toward carbon neutrality.

(1) Measures to reduce CO_2 emissions from product materials



(2) Initiatives for a circular economy



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

1 Reusing products as raw materials to produce new products

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

3 A renewable resource of biological origin

(iii) Through Scenario Analysis

- We have recognized the magnitude of risks and opportunities that climate change poses to our business and have confirmed that our initiatives have led to risk reduction and opportunity expansion.
- The results of scenario analysis will be used as a reference when we promote the initiatives in the 2025 Mid-term Business Plan and consider the 2030 Mid-term Business Plan and will be reflected in our management strategy.
- Based on the results of scenario analysis, we will continue to strengthen our response to risks and opportunities and work on further information disclosure.

[Risk management]

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

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

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

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

[Indicators and targets]

Medium- and long-term targets

- 2050 Environmental Vision

  Challenge of achieving zero CO_2 emissions in the Toyota Boshoku group

  Challenge of achieving zero CO_2 emissions in the product life cycle

GHG emissions

Targets

Scope 1, 2

- 2030 targets

  50% reduction in CO_2 emissions versus FY2020

- Environmental Action Plan for 2025

  25% reduction in CO_2 emissions versus FY2020

Scope 3

- 2030 targets

  30% reduction in CO_2 emissions versus FY2020

Results

Items	FY2024 Results (estimated) [1] (Year ended March 31, 2024)	FY2020 Results (Year ended March 31, 2020)	Reduction rate compared to FY2020
CO_2 (scope 1)	69,592 t-CO_2e	76,444 t-CO_2e	30% reduction
CO_2 (scope 2)	164,872 t-CO_2 e	260,470 t-CO_2e	
CO_2 (scope 3)	Calculating [2]		

1. A third-party guarantee will be obtained from KPMG AZSA Sustainability Co., Ltd.
2. Calculations are ongoing due to changes in the calculation method for scope 3.

Business and other risks

In relation to the matters described in the annual securities report concerning the overview of business or financial information, the management recognizes the following key risks that may have a material impact to the consolidated financial position, financial performance and cash flows of the Group. Forward-looking statements in this report represent the judgment of the Group as of the filing date of Japanese annual securities report (June 20, 2024).

(1) Economic conditions

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

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

(2) Reliance on certain customers

The Group mainly sells various auto parts, notably auto interior parts to Toyota Motor Corporation (“TMC”). For the current fiscal year, the sales to TMC accounted for 23.1% of the Company’s revenue. Therefore, the performance of TMC’s vehicle sales may have an adverse impact on the Group’s financial performance and financial position.

As of March 31, 2024, the ratio of the Company’s voting rights held by TMC was 32.5%, which indicates the direct ownership ratio.

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

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

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

2) Immaturities in public infrastructure that affect business activities

3) Occurrence of disadvantageous circumstances from political or economic causes

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

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

(4) Exchange rate fluctuations

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

(5) Price competition

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

(6) Reliance on suppliers of raw materials and components

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

(7) Environmental regulations

Guided by its corporate philosophy, the Group considers that part of its fundamental activities and promotion of corporate activities with an emphasis on protection of the global environment, and takes thorough efforts to reduce environmental burdens and to comply with laws and regulations. Specifically, the Group strives to develop products that meet the environmental regulations; to develop processes and technologies that reduce the occurrence of environmentally harmful materials; and to reduce environmentally harmful materials at the production stage.
However, various environmental laws and regulations could also be revised and strengthened in the future. Accordingly, any delays by the Group in responding to such changes could result in restrictions or reductions in product development and product manufacturing, and may have an adverse impact on the Group's financial performance and financial position.
Moreover, if the Group is delayed in its response to various laws and regulations relating to the environment, it could lose trust from countries, municipalities, local residents, and customers, which may have an adverse impact on the Company's reputation and credibility.

(8) Capability to develop new products

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

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

(9) Intellectual property rights

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

(10) Product defects

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

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

(11) Large-scale disasters

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

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

(12) Information security

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

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

To address the aforementioned and other risks, the Group comprehensively identifies and manages risks through the Risk Management Promotion Meeting and conducts activities to prevent and mitigate potential losses from those risks.

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

(1) Summary of business results

The following is a summary of the group’s financial position, financial performance, and cash flows (hereinafter “business results”) for the fiscal year ended March 31, 2024.

1) Financial position and financial performance

■ The business environment

During the fiscal year ended March 31, 2024, The global economy slowed in the fiscal year under review due to unstable international conditions and heightened uncertainty. There were also regional differences in economic direction, including prolonged inflation and monetary tightening. In the automotive industry, although raw material and logistics costs remained high, the overall sales volume of the market increased due to increased production and other factors as a result of the elimination of semiconductor shortages. On the other hand, while the shift to BEV [1] in automobiles has progressed rapidly toward carbon neutrality, the industry has been experiencing rapid and intense changes, such as intensifying price competition due to the entry of a large number of manufacturers and a slowdown in the growth rate of BEV in Europe and the United States.

■ Business overview for the fiscal year ended March 31, 2024

(i) Strengthening the competitiveness in the current situation

Amid persistently high raw material and logistics costs, our company has been flexibly responding to the recovery of automobile production, while shifting prices appropriately in terms of both sales and procurement prices. In addition, we have joined companies such as Toyota Boshoku Hirose and Toyota Boshoku Seiko, which develop and produce sheet skeleton parts, to build a consistent development and production system from component parts to finished sheets, thereby further strengthening the competitiveness of manufacturing. In addition, in order to strengthen price competitiveness and improve earning power, we have worked to improve variable costs by promoting cost planning and VA [2], and to improve the efficiency of fixed costs such as capital investment and expenses. We have also implemented detailed measures to improve earnings for each business entity in each region, resulting in record operating profits.

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

Based on changes in the mobility environment, we formulated a Mid-term business plan for 2030, which was announced in November 2023. Taking advantage of our company's strengths such as its ability to develop technology for products closest to users, its ability to deploy large products such as seats in a just-in-time manner on a global scale, and its abundant global human resources, we have set "Become a company as the Interior Space Creator [3] which contributes in solving social issues while expanding product range and customer base" as our vision for 2030. In order to achieve this goal, we revised our organization and structure on April 1 2024, integrating our product business and technology development fields, and reorganized our mobile space planning headquarters, mobile space development headquarters, unit parts business headquarters, and technology development headquarters.

We also announced MOOX-RIDE at JAPAN MOBILITY SHOW 2023. This is a mobility entertainment with a VR/AR experience linked to the view of the car window. We also participated in the "Aichi Digital Island Project" [4], and conducted demonstration experiments on public roads. We plan to evaluate these results and consider commercialization. In this project, we also conducted a demonstration experiment on behavior change using a behavior and attribute visualization system [5] that our company already provides for Central Japan International Airport Co., Ltd. In the future, we will continue to plan the entire car cabin space and create new services that add experience value and new value in the living space, thereby acquiring new business opportunities and promoting commercialization.

1. BEV (Battery Electric Vehicle): Electric Vehicle

2. VA (Value Analysis): One of the methods to realize rationalization through design and process changes without lowering the quality and function of the proposed product.
3. Interior Space Creator: A leading company that can create solutions that exceed customer expectations, from one component to total coordination, and provide QUALITY OF TIME AND SPACE ("Quality Space" for all types of mobility)
4. Aichi Digital Island Project: A project in Aichi Prefecture that aims to be the first to put into practical use in Central Japan International Airport Island and the surrounding area, a project that is expected to be widely used in the world in 2030.
5. Behavior/Attribute Visualization System: A system developed by our company to visualize and analyze human behavior/attribute data

Consolidated revenue for the fiscal year ended March 31, 2024 increased by 349.5 billion yen, or 21.8%, to 1,953.6 billion yen, due to increased production in line with the recovery of vehicle production globally. As for profits, consolidated operating income increased by 30.9 billion yen, or 65.0%, to 78.6 billion yen, and profit before tax increased by 35.0 billion yen, or 67.1%, to 87.3 billion yen, due to the effects of increased production, changes in the model mix, and rationalization. Profit attributable to owners of the parent increased by 43.2 billion yen, or 294.3%, to 57.8 billion yen.

As for our financial position as of March 31, 2024, assets increased by 120.3 billion yen to 1,127.6 billion yen due to an increase in property, plant and equipment. On the other hand, liabilities increased by 64.2 billion yen to 634.7 billion yen. The main factor was an increase in trade and other payables. Equity increased by 56 billion yen to 492.9 billion yen. The main factor was the recording of profit attributable to owners of the parent.

Segment results are as follows.

Japan

Revenue increased by 189.9 billion yen, or 25.9%, to 922.8 billion yen, mainly due to an increase in production volume. In terms of operating income, although there were effects of an increase in production and a change in the model composition in addition to an increase in production, the impact of the cost of strengthening our corporate structure and the transfer pricing tax adjustment in the previous fiscal year decreased by 0.9 billion yen, or 8.5%, to 10.6 billion yen.

North, Central and South America

Revenue increased by 111.6 billion yen, or 28.7%, to 500.3 billion yen, mainly due to an increase in production volume. Operating income was 0.6 billion yen (operating loss 1.1 billion yen in the previous fiscal year) due to the effects of increased production due to the launch of new models and the recovery of costs due to production fluctuations in the previous fiscal year, despite an increase in overhead costs associated with production preparation.

China

Revenue decreased by 8.4 billion yen, or 3.4%, to 236.2 billion yen, mainly due to a decrease in production volume. Operating income decreased by 2.7 billion yen, or 13.1%, to 18.4 billion yen, mainly due to a decrease in production volume, despite changes in the model mix.

Asia & Oceania

Revenue increased by 24.3 billion yen, or 9.7%, to 273.9 billion yen, mainly due to an increase in production volumes following expanded sales in India and Indonesia and the impact of foreign exchange rates. Operating income increased by 22.9 billion yen, or 163.8%, to 36.9 billion yen, mainly due to an increase in production and rationalization resulting from expanded sales and the impact of a transfer pricing tax adjustment in the previous fiscal year.

Europe & Africa

Revenue increased by 22.9 billion yen, or 21.2%, to 131.2 billion yen, mainly due to an increase in production volumes and the impact of foreign exchange rates. Operating income increased by 10 billion yen, or 521.6%, to 11.9 billion yen, mainly due to the effects of increased production, rationalization, and the elimination of expenses associated with the termination of the Russian business in the previous fiscal year.

2) Cash flows

Cash and cash equivalents as of March 31, 2024 on a consolidated basis decreased 4.0 billion yen, 1.6%, to 244.1 billion yen.

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

Net cash provided by operating activities

Net cash provided by operating activities resulted in an increase in cash by 174.8 billion yen as a result of operating activities. This was mainly due to an increase in cash provided by income before tax of 87.3 billion yen and depreciation and amortization of 52.2 billion yen.

Net cash used in investing activities

Net cash used in investing activities resulted in a decrease in cash by 86.6 billion yen as a result of investment activities. This was mainly due to a decrease in cash provided by 64.6 billion yen in purchases of property, plant and equipment.

Net cash used in financing activities

Net cash used in financing activities resulted in a decrease in cash by 91.5 billion yen as a result of financing activities. This was mainly due to a decrease in cash due to the repayment of lease liabilities of 32.8 billion yen and payment of dividends of 14.5 billion yen.

3) Production, Orders and Sales

a. Production

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

Segment name	FY2024 (April 1, 2023 - March 31, 2024)	Year-on-year change (%)
Japan (millions of yen)	869,233	25.0
North, Central and South America (millions of yen)	468,372	30.0
China (millions of yen)	208,251	(3.8)
Asia & Oceania (millions of yen)	246,286	10.7
Europe & Africa (millions of yen)	107,659	18.9
Total	1,899,803	19.8

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

2. Production performance in the North, Central and South America segment increased mainly due to an increase in production volume.

b. Orders

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

c. Sales

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

Segment name	FY2024 (April 1, 2023 - March 31, 2024)	Year-on-year change (%)
Japan (millions of yen)	848,314	31.8
North, Central and South America (millions of yen)	495,572	29.0
China (millions of yen)	224,677	(4.7)
Asia & Oceania (millions of yen)	255,684	9.3
Europe & Africa (millions of yen)	129,375	21.4
Total	1,953,625	21.8

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

2. Sales performance in the Japan segment increased mainly due to an increase in production volume.

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

Business partner	FY2023 (April 1, 2022 - March 31, 2023)		FY2024 (April 1, 2023 - March 31, 2024)	
	Amount (millions of yen)	Ratio (%)	Amount (millions of yen)	Ratio (%)
Toyota Motor Corporation	345,660	21.5	450,992	23.1
Toyota Motor North America	162,051	10.1	228,214	11.7
TOYOTA AUTO BODY CO., LTD.	150,938	9.4	199,711	10.2

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

1) Material Accounting Policies and Significant Accounting Estimates

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

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

As for the group's operating results for the current fiscal year, consolidated revenue increased 349.5 billion yen, or 21.8% to 1,953.6 billion yen. Consolidated operating profit increased 30.9 billion yen, or 65.0% to 78.6 billion yen. Consolidated profit before income taxes increased 35.0 billion yen, or 67.1% to 87.3 billion yen. Profit attributable to owners of the parent increased 43.2 billion yen, or 294.3% to 57.8 billion yen.

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

a. Revenue

Revenue increased 349.5 billion yen, or 21.8% to 1,953.6 billion yen due to increased production following a recovery in global vehicle production.

b. Operating profit

Operating profit increased 30.9 billion yen, or 65.0%, to 78.6 billion, due to factors such as increased production, changes in model mix, and rationalization.

c. Profit before income taxes

Profit before income taxes increased 35.0 billion yen, or 67.1% to 87.3 billion yen, mainly due to an increase in operating profit.

d. Income tax expenses

Income tax expense decreased 11.5 billion yen, 36.8% to 19.8 billion yen. Moreover, the ratio to profit before income taxes was 22.8%, down from 60.2% in the previous fiscal year.

e. Profit attributable to owners of the parent

Profit attributable to owners of the parent increased 43.2 billion yen, or 294.3%, to 57.8 billion yen, and basic earnings per share were 311.74 yen.

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

a. Cash flows

An analysis of cash flows for the current fiscal year is presented in “(1) Summary of business results, 2) Cash flows.”

b. Approach to management and finances

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

c. Funding policy and methods

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

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

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

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

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

In Mid-term Business Plan announced in November 2023, we set as our management targets for 2030 as “become a company as the Interior Space Creator that realizes comfortable mobile spaces and contributes in solving social issues while expanding product range and customer base” and set our financial targets for 2030 as follows: revenue of 2,200 billion yen , operating profit of 150 billion yen, and an operating profit ratio of 7%.

Financial results for FY2024 show that revenue increased by 349.5 billion, to 1,953.6 billion yen, operating profit increased by 30.9 billion yen, to 78.6 billion yen.

In FY2024, while production in Japan decreased and expenses for strengthening our corporate structure for the future were recorded, we steadily implemented activities to strengthen competitiveness, such as company-wide efforts to improve profits at unprofitable entities and collecting customers. Going forward, we will continue to actively make upfront investments such as strategic investment in human resources, research and development, and sales expansion to new customers, with the aim of realizing the 2030 Mid-term Business Plan.

Consolidated Financial Statements

Consolidated Statement of Financial Position

(Millions of yen)

	Notes	As of March 31, 2023	As of March 31, 2024
Assets			
Current assets			
Cash and cash equivalents	8	248,195	244,191
Trade and other receivables	9	286,181	304,115
Inventories	10	87,684	83,648
Other financial assets	32	14,596	32,235
Income taxes receivable		6,648	17,084
Other current assets	11	12,975	13,449
Subtotal		656,281	694,725
Assets held for sale	12	—	14,063
Total current assets		656,281	708,788
Non-current assets			
Property, plant and equipment	13	276,096	329,382
Goodwill	14	4,898	6,026
Intangible assets	14	14,237	18,091
Investments accounted for using the equity method	15	13,661	11,778
Other financial assets	32	27,643	36,887
Deferred tax assets	16	12,857	14,281
Other non-current assets	11	1,714	2,458
Total non-current assets		351,110	418,906
Total assets		1,007,392	1,127,694

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

(Millions of yen)

	Notes	As of March 31, 2023	As of March 31, 2024
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	17	235,900	251,524
Bonds and borrowings	18	64,229	10,000
Other financial liabilities	32	3,735	4,951
Income taxes payable		9,665	12,973
Provisions	20	6,724	4,699
Other current liabilities	21	88,438	111,739
Sub total		408,694	395,888
Liabilities directly associated with assets held for sale	12	—	9,607
Total current liabilities		408,694	405,495
Non-current liabilities			
Bonds and borrowings	18	90,000	155,000
Other financial liabilities	32	8,452	7,591
Retirement benefit liability	22	55,524	57,883
Provisions	20	297	730
Deferred tax liabilities	16	5,492	5,665
Other non-current liabilities		2,035	2,381
Total non-current liabilities		161,802	229,253
Total liabilities		570,497	634,748
Equity			
Share capital	23	8,400	8,400
Capital surplus	23	3,101	3,095
Retained earnings	23	349,426	393,577
Treasury shares	23	(1,547)	(21,515)
Other components of equity		41,360	65,403
Total equity attributable to owners of the parent		400,741	448,961
Non-controlling interests		36,153	43,985
Total equity		436,894	492,946
Total liabilities and equity		1,007,392	1,127,694

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

(Millions of yen)

	Notes	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Revenue	25	1,604,036	1,953,625
Cost of sales		1,449,619	1,742,151
Gross profit		154,416	211,473
Selling, general and administrative expenses	26	106,942	119,984
Other income	27	10,877	7,506
Other expenses	27	10,679	20,358
Operating profit		47,672	78,636
Finance income	28	6,582	10,403
Finance expenses	28	2,781	3,162
Share of profit (loss) of investments accounted for using the equity method	15	816	1,494
Profit before income taxes		52,291	87,372
Income tax expense	16	31,465	19,877
Profit for the period		20,825	67,494
Profit attributable to			
Owners of the parent		14,679	57,885
Non-controlling interests		6,146	9,609
Earnings per share attributable to owners of the parent	29		
Basic (Yen)		78.57	311.74
Diluted (Yen)		78.56	311.69

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, 2023	Fiscal year ended March 31, 2024
Profit for the period		20,825	67,494
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	22,30	1,825	(118)
Net change in fair value of equity instruments measured at fair value through other comprehensive income	30,32	714	7,810
Share of other comprehensive income of investments accounted for using the equity method	15,30	(33)	188
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	30	10,716	19,049
Net change in fair value of debt instruments measured at fair value through other comprehensive income	30,32	0	7
Share of other comprehensive income of investments accounted for using the equity method	15,30	299	408
Total other comprehensive income, net of tax		13,522	27,345
Comprehensive income		34,348	94,840
Comprehensive income attributable to			
Owners of the parent		27,059	82,771
Non-controlling interests		7,288	12,069

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

Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2023

(Millions of yen)

	Notes	Equity attributable to owners of the parent				
						Other components of equity
		Share capital	Capital surplus	Retained earnings	Treasury shares	Remeasurements of defined benefit plans
Balance at April 1, 2022		8,400	3,097	345,680	(1,583)	—
Profit for the period				14,679		
Other comprehensive income						1,829
Comprehensive income		—	—	14,679	—	1,829
Purchase of treasury shares	23				(0)	
Disposal of treasury shares	23		3		36	
Dividends	24			(12,520)		
Changes in ownership interest in subsidiaries	15					
Change in scope of consolidation						
Transfer to retained earnings				1,586		(1,829)
Total transactions with owners		—	3	(10,933)	36	(1,829)
Balance at March 31, 2023		8,400	3,101	349,426	(1,547)	—

	Notes	Equity attributable to owners of the parent				Non-controlling interests	Total
		Other components of equity					
		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	Total		
Balance at April 1, 2022		9,710	(89)	20,946	386,162	37,672	423,835
Profit for the period					14,679	6,146	20,825
Other comprehensive income		680	0	9,869	12,379	1,142	13,522
Comprehensive income		680	0	9,869	27,059	7,289	34,348
Purchase of treasury shares	23				(0)		(0)
Disposal of treasury shares	23				39		39
Dividends	24				(12,520)	(8,820)	(21,340)
Changes in ownership interest in subsidiaries	15				—		—
Change in scope of consolidation					—	12	12
Transfer to retained earnings		242			—		—
Total transactions with owners		242	—	—	(12,481)	(8,808)	(21,289)
Balance at March 31, 2023		10,633	(89)	30,816	400,741	36,153	436,894

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

Fiscal year ended March 31, 2024

(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, 2023		8,400	3,101	349,426	(1,547)	—
Profit for the period				57,885		
Other comprehensive income						(20)
Comprehensive income		—	—	57,885	—	(20)
Purchase of treasury shares	23				(20,000)	
Disposal of treasury shares	23		7		32	
Dividends	24			(14,577)		
Changes in ownership interest in subsidiaries	15		(12)			
Change in scope of consolidation	7					
Transfer to retained earnings	32			843		20
Total transactions with owners		—	(5)	(13,734)	(19,968)	20
Balance at March 31, 2024		8,400	3,095	393,577	(21,515)	—

	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, 2023		10,633	(89)	30,816	400,741	36,153	436,894
Profit for the period					57,885	9,609	67,494
Other comprehensive income		8,001	7	16,898	24,886	2,459	27,345
Comprehensive income		8,001	7	16,898	82,771	12,069	94,840
Purchase of treasury shares	23				(20,000)		(20,000)
Disposal of treasury shares	23				39		39
Dividends	24				(14,577)	(7,929)	(22,507)
Changes in ownership interest in subsidiaries	15				(12)	(0)	(13)
Change in scope of consolidation	7				—	3,692	3,692
Transfer to retained earnings	32	(863)			—		—
Total transactions with owners		(863)	—	—	(34,551)	(4,237)	(38,789)
Balance at March 31, 2024		17,770	(81)	47,714	448,961	43,985	492,946

Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities			
Profit before income taxes		52,291	87,372
Depreciation and amortization		47,040	52,294
Impairment loss recognized on the measurement to fair value less costs to sell of a disposal group held for sale	12	—	6,063
Cost of sales from sublease		20,420	47,911
Interest and dividend income		(4,927)	(8,463)
Interest expenses		1,807	2,811
Loss (gain) on sale of property, plant and equipment		(3,076)	36
Decrease (increase) in trade receivables		(16,117)	1,833
Decrease (increase) in inventories		(5,250)	11,913
Increase (decrease) in trade payables		13,772	(10,723)
Decrease (increase) in other current assets		87	(2,561)
Increase (decrease) in other current liabilities		(319)	10,746
Other		4,835	(544)
(Subtotal)		110,563	198,692
Interest received		4,669	8,265
Dividends received		1,170	890
Interest paid		(1,975)	(2,891)
Income taxes paid		(24,998)	(30,058)
Net cash provided by (used in) operating activities		89,428	174,898

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

(Millions of yen)

	Notes	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from investing activities			
Purchase of property, plant and equipment		(45,680)	(64,663)
Proceeds from sales of property, plant and equipment		7,451	1,257
Proceeds from sale of investment securities		1,079	3,824
Purchase of intangible assets		(4,785)	(6,320)
Payments into time deposits		(9,341)	(26,187)
Proceeds from withdrawal of time deposits		15,372	12,737
Purchases of shares of subsidiaries resulting in changes in scope of consolidation		—	(6,748)
Other		(557)	(598)
Net cash provided by (used in) investing activities		(36,461)	(86,698)
Cash flows from financing activities			
Proceeds from short-term borrowings	34	157,467	161,768
Repayments of short-term borrowings	34	(145,865)	(218,220)
Proceeds from long-term borrowings	34	—	55,000
Repayments of long-term borrowings	34	—	(24,865)
Proceeds from issuance of bonds	34	10,000	20,000
Redemption of bonds	34	(10,000)	(10,000)
Purchase of treasury shares	23	(0)	(20,000)
Dividends paid	24	(12,517)	(14,577)
Dividends paid to non-controlling interests		(8,805)	(7,929)
Repayments of lease liabilities	34	(31,091)	(32,801)
Other		—	32
Net cash provided by (used in) financing activities		(40,812)	(91,595)
Effect of exchange rate changes on cash and cash equivalents		(1,911)	5,064
Net increase (decrease) in cash and cash equivalents		10,243	1,669
Cash and cash equivalents at beginning of period		237,952	248,195
Cash and cash equivalents included in assets held for sale	12	—	(5,673)
Cash and cash equivalents at end of period	8	248,195	244,191

Notes to Consolidated Financial Statements

1. Reporting Entity

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

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

2. Basis of Presentation

(1) Compliance with international financial reporting standards (“IFRS”)

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

The consolidated financial statements have been approved by Masayoshi Shirayanagi, President, and Shunichi Iwamori, Chief Financial Officer, on August 30 2024.

(2) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments, the application of hyperinflation accounting in a subsidiary in Argentina, and others measured at fair value as detailed in “3. Material Accounting Policies” and “37. Hyperinflation adjustment.”

(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 accounting policies

(i) Deferred tax related to assets and liabilities arising from a single transaction

From the current fiscal year, the Group has applied IAS 12 “Income Taxes” (amended in May 2021).

The amendments clarify the accounting for the initial recognition concerning transactions that give rise to equal taxable and deductible temporary differences at the time of the transaction such as leases and decommissioning obligations, and companies are required to recognize the deferred tax liabilities and deferred tax assets respectively, in the consolidated statement of financial position.

There are no significant impacts to the consolidated financial statements upon adoption.

(ii) International Tax Reform—Pillar Two Model Rules

From the current fiscal year, the Group has applied IAS 12 “Income Taxes” (amended in May 2021).

The amendments clarify that IAS 12 applies to income taxes arising from tax laws enacted or substantively enacted to implement the OECD’s BEPS (Base Erosion and Profit Shifting) Pillar Two GloBE (global minimum tax) rules. The amendments provide a temporary exception that requires deferred tax assets and liabilities relating to income taxes arising from the global minimum tax rule not to be recognized and disclosed. The Group has applied this exception from the current fiscal year and has not recognized or disclosed any deferred tax assets or liabilities for income taxes arising from the global minimum tax rules.

3. Material 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 payment of the acquiree or the replacement of the acquiree's share-based payment with share-based payment 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 or the currency is of a hyperinflationary economy. 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. The financial statements of subsidiaries in hyperinflationary economies are translated at closing rates and reflected in the consolidated financial statements.

(4) Financial instruments

1) Financial assets (excluding derivatives)

(i) Initial recognition and measurement

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Subsequent measurement

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

(iii) Impairment of financial assets

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

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

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

(iv) Derecognition of financial assets

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

2) Financial liabilities (excluding derivatives)

(i) Initial recognition and measurement

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

(ii) Subsequent measurement

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

(iii) Derecognition of financial liabilities

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

3) Derivatives

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

4) Offsetting financial assets and liabilities

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

(5) Cash and cash equivalents

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

(6) Inventories

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated selling cost.

(7) Property, plant and equipment

Property, plant and equipment are measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes cost directly incidental to the acquisition of assets, the costs of dismantling and removing the assets and restoration costs, as well as borrowing costs to be capitalized. Except for assets that are not subject to depreciation such as land and construction in progress, property, plant, and equipment is mainly depreciated using the straight-line method over the respective estimated useful lives.

The estimated useful lives of major asset items are as follows:

- Buildings and structures 3 to 50 years
- Machinery and equipment and vehicles 2 to 10 years
- Tools, furniture and fixtures 2 to 20 years

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

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

(8) Intangible assets

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

1) Intangible assets acquired separately

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

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

2) Internally generated intangible assets

Expenditure on research is recognized as an expense in the consolidated statement of income in the fiscal year in which it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the Group can demonstrate all of the following:

(i) the technical feasibility of completing the intangible asset so that it will be available for use or sale

(ii) its intention to complete the intangible asset and use or sell it

(iii) its ability to use or sell the intangible asset

(iv) how the intangible asset will generate probable future economic benefits

(v) the availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset

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

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

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

3) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

After initial recognition, intangible assets acquired in a business combination are carried at cost less accumulated amortization and accumulated impairment losses.

4) Amortization of intangible assets

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives.

The estimated useful lives of major intangible assets are as follows:

• Software 5 years

• Development cost 5 years

• Customer-related intangible assets 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 are 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 payment plan as an equity-settled share-based payment 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 recognizes 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 recognized 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 utilized. Unrecognized deferred tax assets are reassessed in every period and recognized to the extent that it has become probable that the deferred tax assets can be recovered by future taxable profits.

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 recognized in the period of the change and future periods.

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

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

An indication of impairment has been identified in the Unit Components Business that is an cash-generating unit of the Company since the operating results have deteriorated in the Unit Components Business as seen in continuous negative operating results (the carrying amount of property, plant and equipment and intangible assets in the Unit Components Business: 19,781 million yen as of March 31, 2023 and 18,072 million yen as of March 31, 2024).

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 profit plan approved by management. This estimate includes the future sales projections reflecting external factors such as the business environment and production plans presented by the auto makers and variable cost projections such as pre-tax discount rate, and estimates of net cash-flows to be received for the disposal of land and buildings at the end of the useful lives of assets.

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

(2) Recoverability of deferred tax assets

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that they can be used against future taxable profit (The amounts recorded: 12,857 million yen and 14,281 million yen for the fiscal year ended March 31, 2023 and 2024, 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 which the Group has not adopted are as follows. The Group is evaluating the impact of the adoption of IFRS 18 on its operations.

IFRS		Mandatory effective date (Fiscal year beginning on or after)	Reporting period of adoption by the Group	Description of establishments and amendments
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending March 31, 2028	Improved comparability across income statements, increased transparency of management-defined performance measures, and more useful grouping of information in financial statements

6. Segment Information

(1) Outline of reportable segments

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

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

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

The accounting method of segment information is based on "3. Material 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

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

(Millions of yen)

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

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

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

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

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

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

Other material items

(Millions of yen)

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

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

FY2024 (From April 1, 2023 to March 31, 2024)

(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	848,314	495,572	224,677	255,684	129,375	1,953,625	—	1,953,625
Inter-segment revenue (Note 3)	74,529	4,814	11,564	18,252	1,882	111,043	(111,043)	—
Total	922,844	500,386	236,242	273,936	131,257	2,064,668	(111,043)	1,953,625
Segment profit (loss) (Note 5)	10,652	619	18,480	36,948	11,921	78,622	14	78,636
Segment assets	705,327	214,863	143,887	151,240	61,129	1,276,448	(148,753)	1,127,694
Finance income								10,403
Finance expenses								3,162
Share of profit of investments accounted for using equity method								1,494
Profit before income taxes								87,372

(Notes) 1. 14 million yen in eliminations for segment profit is mainly inter-segment transactions.

2. Eliminations for segment assets include corporate assets of 93,940 million yen and eliminations of receivables and payables, etc. of (242,694) million yen. Corporate assets are mainly funds not attributable to reportable segments.
3. Inter-segment revenue are based on transaction prices that are determined through price negotiation, taking into account market prices and total costs incurred.
4. Segment profit (loss) reconciles to operating profit disclosed in the consolidated financial statements
5. On March 28, 2024, the Company decided to issue new shares and increase the capital of TB Kawashima Co., Ltd., a consolidated subsidiary of the Company, through a third-party allotment with AUNDE Achter & Ebels GmbH as the allottee. As a result, changes in TB Kawashima Co., Ltd. and its subsidiaries will result in their exclusion from the Company's consolidation scope. Consequently, assets and liabilities held by TB Kawashima Co., Ltd. and its subsidiaries were recognized as assets held for sale and liabilities directly associated with assets held for sale at the end of the fiscal year. A disposal group classified as held for sale was measured at fair value less costs to sell, as the fair value less costs to sell fell below its carrying amount. The recognized loss is recorded in "Other expenses," and the segment profit of the Japan segment decreased by 6,063 million yen.

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	24,631	10,679	7,345	6,327	3,309	52,294	–	52,294
Impairment losses	538	—	—	—	—	538	–	538
Reversal of impairment losses	—	—	—	—	—	—	–	—
Investments accounted for using equity method	4,484	2,421	1,084	1,979	1,806	11,778	–	11,778
Increase in non-current assets	52,817	20,277	14,735	10,329	3,662	101,822	–	101,822

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

(3) Information about products and services

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

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

FY2024 (From April 1, 2023 to March 31, 2024)

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)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Japan	623,521	814,884
China	237,437	293,658
U.S.A.	219,278	225,249
Other	523,798	619,831
Total	1,604,036	1,953,625

(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)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Japan	155,148	174,374
U.S.A.	39,782	54,293
China	39,044	48,258
Other	62,531	78,692
Total	296,507	355,617

(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)

FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
1,121,267	1,427,625

7. Business combinations

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

Not applicable.

FY2024 (From April 1, 2023 to March 31, 2024)

(Business combination through acquisition of shares of Toyota Auto Body Seiko Co., LTD.)
The Board of Directors of the Company resolved, at its meeting held on December 27, 2022, to acquire additional shares of Toyota Auto Body Seiko Co., LTD. (hereinafter, "Toyota Auto Body Seiko") from Toyota Auto Body Co., LTD., thereby making Toyota Auto Body Seiko a subsidiary of the Company effective from October 1, 2023.

1) Outline of the business combination

(i) Outline of the acquiree

Name:	Toyota Auto Body Seiko Co., LTD.
Line of business:	Manufacture of rear seat frames, long slide rails, etc.

(ii) Reasons for the business combination

The Company positioned Toyota Auto Body Seiko as a major manufacturer of rear seat frames and long slide rails. Through close collaboration to further strengthen the competitiveness of the automotive seat business, our goal is to become a solution company of vehicle interior space who is capable of creating new corporate value as an Interior Space Creator.

(iii) Date of business combination

October 1, 2023

(iv) Name of the company after the business combination

Toyota Boshoku Seiko Corporation
(Note) The company name was changed effective October 1, 2023.

(v) Legal form of the business combination

Acquisition of shares

(vi) Percentage of voting rights acquired

Percentage of voting rights before acquisition: 33.6%
Percentage of voting rights after acquisition: 66.4%

(vii) Main reason for determining the combining entity

The Company acquired a majority of the voting rights of Toyota Auto Body Seiko by acquiring shares in exchange for cash.

(viii) Consideration for acquisition

Fair value of the equity interest in Toyota Auto Body Seiko held immediately before the acquisition date	1,306 million yen
Cash	1,279 million yen
Total (Note)	2,586 million yen

(Note) In addition to the cash payment as consideration for the acquisition, the Company extended a cash loan of 15,850 million yen to Toyota Auto Body Seiko to assist in repaying its debts.

2) Major acquisition-related costs

Advisory fee, etc.: 44 million yen

The amount indicated above is included in “Selling, general and administrative expenses” in the consolidated statement of income.

3) Loss on step acquisition

The equity interest of 33.6% in Toyota Auto Body Seiko held by the Company immediately before the acquisition date was remeasured at its acquisition-date fair value. Consequently, a loss on step acquisition of 317 million yen was recognized in this business combination. This loss is included in “Other expenses” in the consolidated statement of income.

4) Breakdown of assets acquired and liabilities assumed on the acquisition date

	(Millions of yen)
Cash and cash equivalents	1,212
Trade and other receivables	20,853
Inventories	1,559
Property, plant and equipment	12,681
Other assets	1,750
Total assets	38,057
Trade and other payables	10,670
Bonds and borrowings	15,200
Provisions	83
Other liabilities	7,799
Total liabilities	33,753

5) Non-controlling interest

Non-controlling interest recognized at the acquisition date was 1,499 million yen. This was determined by calculating the net assets at fair value of Toyota Auto Body Seiko at the acquisition date and then multiplying this value by the non-controlling interest percentage of 33.6%.

6) Amount of negative goodwill incurred and reason for negative goodwill

(i) Amount of negative goodwill incurred

382 million yen

(ii) Reason for negative goodwill incurred

As the net amount of assets acquired and liabilities assumed exceeded the acquisition price of shares, the difference was recognized as “Other income” in the consolidated statement of income.

7) Revenue and profit attributable to owners of the parent of the acquiree

Revenue and profit attributable to owners of the parent arising from this business combination included in the consolidated statement of income for the fiscal year ended March 31, 2024, as well as revenue and profit attributable to owners of the parent assuming this business combination had taken place at the beginning of the fiscal year, will not have a significant impact on the consolidated financial statements.

(Business combination through acquisition of shares of PT. SHIROKI INDONESIA)
The Board of Directors of the Company resolved, at its meeting held on July 28, 2023, to enter into a Share Purchase Agreement, under which AISIN SHIROKI Corporation (hereinafter, "AISIN SHIROKI") transferred the shares of PT. SHIROKI INDONESIA (a subsidiary of AISIN SHIROKI; hereinafter, "SID") to TOYOTA BOSHOKU ASIA CO., LTD. (hereinafter, "TBAS"), a subsidiary of Toyota Boshoku Corporation, thereby making SID a sub-subsidiary of the Company effective from November 1, 2023.

1) Outline of the business combination

(i) Name and line of business of the acquiree

Name: PT. SHIROKI INDONESIA
Line of business: Manufacture of seat recliners, seat adjusters, etc.

(ii) Reasons for the business combination

Since 2015, the Company has been gradually taking over the development and production functions of seat frame mechanism parts for Toyota Motor Corporation in order to become "home" (Note) as an interior system supplier. Following this acquisition, the Company will enhance the sales and production functions of the Toyota Boshoku group to further strengthen competitiveness and become a solution company of vehicle interior space who is capable of creating new corporate value as an Interior Space Creator.
(Note) Home: Business or region with a local presence that can add value on its own and has an edge over competitors

(iii) Date of business combination

November 1, 2023

(iv) Name of the company after the business combination

PT.SHIROKI INDONESIA

(v) Legal form of the business combination

Acquisition of shares

(vi) Percentage of voting rights acquired

Percentage of voting rights before acquisition: –%
Percentage of voting rights after acquisition: 80.0%

(vii) Main reason for determining the combining entity

TBAS, a subsidiary of the Company, acquired a majority of the voting rights of SID by acquiring shares in exchange for cash.

(viii) Consideration for acquisition

Cash 17 million U.S. dollars (2,574 million yen)

2) Major acquisition-related costs

Advisory fee, etc.: 81 million yen
The amount indicated above is included in "Selling, general and administrative expenses" in the consolidated statement of income.

3) Breakdown of assets acquired and liabilities assumed on the acquisition date

	(Millions of yen)
Cash and cash equivalents	541
Trade and other receivables	986
Inventories	405
Property, plant and equipment	1,942
Other assets	1,050
Total assets	4,927
Trade and other payables	647
Other liabilities	430
Total liabilities	1,078

4) Non-controlling interest

Non-controlling interest recognized at the acquisition date was 769 million yen. This was determined by calculating the net assets at fair value of SID at the acquisition date and then multiplying this value by the non-controlling interest percentage of 20.0%.

5) Amount of negative goodwill incurred and reason for negative goodwill

(i) Amount of negative goodwill incurred

504 million yen

(ii) Reason for negative goodwill incurred

As the net amount of assets acquired and liabilities assumed exceeded the acquisition price of shares, the difference was recognized as "Other income" in the consolidated statement of income.

6) Revenue and profit attributable to owners of the parent of the acquiree

Revenue and profit attributable to owners of the parent arising from this business combination included in the consolidated statement of income for the fiscal year ended March 31, 2024, as well as revenue and profit attributable to owners of the parent assuming this business combination had taken place at the beginning of the fiscal year, will not have a significant impact on the consolidated financial statements.

(Business combination through acquisition of shares of SHIROKI AUTOMOTIVE INDIA PRIVATE LIMITED)
The Board of Directors of the Company resolved, at its meeting held on August 31, 2023, to enter into a Share Purchase Agreement, under which AISIN SHIROKI Corporation (hereinafter, “AISIN SHIROKI”) transferred the shares of SHIROKI AUTOMOTIVE INDIA PVT. LTD. (a subsidiary of AISIN SHIROKI; hereinafter, “SAI”) to TOYOTA BOSHOKU ASIA CO., LTD. (hereinafter, “TBAS”), a subsidiary of Toyota Boshoku Corporation, thereby making SAI a sub-subsidiary of the Company effective from March 15, 2024.

1) Outline of the business combination

(i) Name and line of business of the acquiree

Name: SHIROKI AUTOMOTIVE INDIA PRIVATE LIMITED
Line of business: Manufacture of seat recliners, seat adjusters, etc.

(ii) Reasons for the business combination

Since 2015, the Company has been gradually taking over the development and production functions of seat frame mechanism parts for Toyota Motor Corporation in order to become “home” (Note) as an interior system supplier. Following this acquisition, the Company will enhance the sales and production functions of the Toyota Boshoku group to further strengthen competitiveness and become a solution company of vehicle interior space who is capable of creating new corporate value as an Interior Space Creator.
(Note) Home: Business or region with a local presence that can add value on its own and has an edge over competitors

(iii) Date of business combination

March 15, 2024

(iv) Name of the company after the business combination

TOYOTA BOSHOKU DEVICE INDIA PRIVATE LIMITED
(Note) The company name was changed effective May 8, 2024.

(v) Legal form of the business combination

Acquisition of shares

(vi) Percentage of voting rights acquired

Percentage of voting rights before acquisition: –%
Percentage of voting rights after acquisition: 80.0%

(vii) Main reason for determining the combining entity

TBAS, a subsidiary of the Company, acquired a majority of the voting rights of SAI by acquiring shares in exchange for cash.

(viii) Consideration for acquisition

Cash 33 million U.S. dollars (4,903 million yen)

2) Major acquisition-related costs

Advisory fee, etc.: 63 million yen
The amount indicated above is included in “Selling, general and administrative expenses” in the consolidated statement of income.

3) Breakdown of assets acquired and liabilities assumed on the acquisition date

The fair value of the assets acquired and liabilities assumed on the date on which the Company obtains control is currently being determined. Since the allocation of acquisition cost has not been completed, the following "Breakdown of assets acquired and liabilities assumed on the acquisition date by amount and type," amount of 4) Non-controlling interest, and 5) Amount of goodwill incurred may be subject to change.

	(Millions of yen)
Cash and cash equivalents	523
Trade and other receivables	1,525
Inventories	1,072
Property, plant and equipment	1,683
Other assets	1,307
Total assets	6,112
Trade and other payables	966
Other liabilities	403
Total liabilities	1,370

4) Non-controlling interest

Non-controlling interest recognized at the acquisition date was 948 million yen. This was determined by calculating the net assets at fair value of SAI at the acquisition date and then multiplying this value by the non-controlling interest percentage of 20.0%.

5) Amount of goodwill incurred and reason for goodwill

(i) Amount of goodwill incurred

1,109 million yen

(ii) Reason for goodwill incurred

An asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. No amount of goodwill expected to be deductible for tax purposes was incurred.

6) Revenue and profit attributable to owners of the parent of the acquiree

Revenue and profit attributable to owners of the parent arising from this business combination included in the consolidated statement of income for the fiscal year ended March 31, 2024, as well as revenue and profit attributable to owners of the parent assuming this business combination had taken place at the beginning of the fiscal year, will not have a significant impact on the consolidated financial statements.

8. Cash and Cash Equivalents

Cash and cash equivalents consist of the following.

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Cash and deposits	248,195	244,191
Total	248,195	244,191

9. Trade and Other Receivables

Trade and other receivables consist of the following.

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Trade notes and accounts receivable	219,882	209,071
Electronically recorded monetary claims - trade	17,343	22,098
Lease receivables	39,615	64,259
Other	10,437	10,698
Allowance for doubtful accounts	(1,097)	(2,012)
Total	286,181	304,115

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

10. Inventories

Inventories consist of the following.

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Merchandise and finished goods	10,038	10,705
Work in process	24,310	14,218
Raw materials and supplies	53,335	58,724
Total	87,684	83,648

(Note) The amount of inventory write-downs recorded in cost of sales in the fiscal year ended March 31, 2024 was 687 million yen. (532 million yen in the fiscal year ended March 31, 2023)

In the fiscal years ended March 31, 2023 and 2024, there were no significant reversal of write-downs.

11. Other Assets

Other assets consist of the following.

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
(Other current assets)		
Prepaid expenses	1,878	2,269
Advance payments to suppliers	3,857	4,046
Consumption taxes receivable	2,839	2,030
Other	4,399	5,103
Total	12,975	13,449
(Other non-current assets)		
Long-term prepaid expenses	402	653
Other	1,312	1,804
Total	1,714	2,458

12. Assets held for sale

In the fiscal year ended March 31, 2024, the Company decided to issue new shares and increase the capital of TB Kawashima Co., Ltd., a consolidated subsidiary of the Company, through a third-party allotment with AUNDE Achter & Ebels GmbH as the allottee. As a result, changes in TB Kawashima Co., Ltd. and its subsidiaries will result in their exclusion from the Company's consolidation scope. Consequently, assets and liabilities held by TB Kawashima Co., Ltd. and its subsidiaries were recognized as assets held for sale and liabilities directly associated with assets held for sale at the end of the fiscal year. The implementation of this capital increase through the third-party allotment is subject to obtaining clearance from the competition authorities of the relevant countries.

A disposal group classified as held for sale was measured at fair value less costs to sell, as the fair value less costs to sell fell below its carrying amount. The resulting loss of 6,063 million yen was recognized in “Other expenses” in the consolidated statement of income. The disposal group classified as held for sale is attributed to the reportable segment “Japan.”

Assets held for sale and liabilities directly associated with assets held for sale are as follows:

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
(Assets held for sale)		
Cash and cash equivalents	—	5,673
Trade and other receivables	—	5,930
Inventories	—	2,508
Income taxes receivable	—	15
Other current assets	—	214
Property, plant and equipment	—	5,072
Intangible assets	—	25
Other financial assets	—	516
Deferred tax assets	—	160
Other non-current assets	—	10
Loss recognized by measuring a disposal group held for sale at fair value less costs to sell	—	(6,063)
Total	—	14,063
(Liabilities directly associated with assets held for sale)		
Trade and other payables	—	5,712
Bonds and borrowings	—	125
Income taxes payable	—	118
Other current liabilities	—	551
Other financial liabilities	—	1,944
Retirement benefit liability	—	352
Deferred tax liabilities	—	801
Total	—	9,607

13. 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, 2022	28,514	237,486	381,910	74,806	16,553	739,270
Acquisition	37	1,472	5,061	2,385	37,421	46,377
Disposal	(1,845)	(6,258)	(15,711)	(7,385)	(708)	(31,909)
Exchange differences on translation of foreign operations	349	4,007	10,763	1,120	509	16,750
Hyperinflation adjustment	23	1,041	2,413	256	(69)	3,665
Other	6,258	5,072	17,850	4,589	(36,511)	(2,739)
As of March 31, 2023	33,338	242,821	402,287	75,773	17,194	771,414
Acquisition	1,530	2,150	6,353	2,214	54,011	66,260
Acquisition by business combination	1,866	6,293	30,897	1,779	1,895	42,731
Disposal	(490)	(1,354)	(12,825)	(3,270)	(105)	(18,046)
Transfer to assets held for sale	(449)	(2,256)	(3,727)	(481)	(92)	(7,007)
Exchange differences on translation of foreign operations	612	8,397	22,545	2,365	1,574	35,495
Hyperinflation adjustment	39	1,960	4,200	434	1,327	7,961
Other	2,376	7,228	25,486	2,444	(39,415)	(1,879)
As of March 31, 2024	38,823	265,239	475,218	81,258	36,389	896,929

(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, 2022	994	137,832	281,022	60,791	38	480,679
Depreciation	–	8,991	25,392	6,310	–	40,694
Impairment losses	137	37	991	—	0	1,166
Disposal	(315)	(4,607)	(14,677)	(7,217)	–	(26,817)
Exchange differences on translation of foreign operations	–	2,302	8,248	900	0	11,451
Hyperinflation adjustment	–	380	1,575	228	–	2,183
Other	46	109	(2,100)	951	(33)	(1,025)
As of March 31, 2023	862	145,046	300,452	61,965	5	508,333
Depreciation	—	9,608	28,954	6,352	—	44,915
Impairment losses	40	148	348	1	0	538
Acquisition by business combination	—	2,476	16,873	1,145	—	20,495
Disposal	(212)	(1,205)	(11,488)	(3,150)	—	(16,057)
Transfer to assets held for sale	—	(1,137)	(2,135)	(373)	(3)	(3,649)
Exchange differences on translation of foreign operations	—	5,196	17,201	1,875	1	24,274
Hyperinflation adjustment	—	695	2,838	390	—	3,923
Other	—	(292)	746	(2,570)	41	(2,074)
As of March 31, 2024	690	160,535	353,791	65,636	45	580,699

(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.

(Change in presentation method)
“Hyperinflation adjustment,” which was included in “Other” in the previous fiscal year, has become significant in terms of amount and is therefore presented separately from the current fiscal year. In order to reflect this change in presentation method, the notes for the previous fiscal year have been reclassified.

(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, 2022	27,519	99,653	100,887	14,014	16,514	258,590
As of March 31, 2023	32,475	97,774	101,835	13,807	17,188	263,081
As of March 31, 2024	38,132	104,703	121,426	15,622	36,344	316,230

(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)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Assets pledged as collateral		
Buildings and structures	127	95
Land	939	939
Total	1,067	1,034
Secured liabilities		
Long-term guarantee deposits	85	85
Total	85	85

(3) Breakdown of property, plant and equipment

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

(Millions of yen)

Carrying amount	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Property, plant and equipment [see (1) Movements]	263,081	316,230
Right-of-use assets	13,015	13,152
Balance of property, plant and equipment recognized in the consolidated statement of financial position	276,096	329,382

(4) Impairment losses

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

There were no significant impairment losses.

FY2024 (From April 1, 2023 to March 31, 2024)

There were no significant impairment losses.

14. 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	Customer-related intangible assets	Other	Total
As of April 1, 2022	21,083	805	4,889	2,363	—	4,682	33,823
Acquisition	4,604	—	—	—	—	95	4,699
Internally generated	—	142	—	—	—	—	142
Disposal	(1,550)	—	—	—	—	(20)	(1,571)
Exchange differences on translation of foreign operations	101	—	—	—	—	(51)	49
Hyperinflation adjustment	85	—	—	—	_	560	645
Other	498	—	9	—	—	(223)	284
As of March 31, 2023	24,822	948	4,898	2,363	—	5,041	38,074
Acquisition	4,769	—	1,109	71	2,770	104	8,825
Internally generated	—	75	—	—	—	—	75
Acquisition by business combination	235	—	—	—	_	564	800
Disposal	(2,121)	—	—	—	—	(5)	(2,126)
Transfer to assets held for sale	(222)	—	—	—	_	(15)	(238)
Exchange differences on translation of foreign operations	269	—	—	—	—	(285)	(15)
Hyperinflation adjustment	152	—	—	—	_	771	924
Other	8	—	18	—	—	22	48
As of March 31, 2024	27,914	1,023	6,026	2,434	2,770	6,198	46,367

(Millions of yen)

Accumulated amortization and accumulated impairment losses	Software	Development cost	Goodwill	Patents	Customer-related intangible assets	Other	Total
As of April 1, 2022	11,366	596	－	279	－	3,733	15,975
Amortization expenses	3,618	65	－	156	－	179	4,020
Impairment losses	－	－	－	－	－	0	0
Disposal	(1,535)	－	－	－	－	(18)	(1,553)
Exchange differences on translation of foreign operations	67	－	－	－	－	(50)	16
Hyperinflation adjustment	77	－	－	－	－	532	609
Other	151	－	－	－	－	(178)	(26)
As of March 31, 2023	13,746	661	－	436	－	4,198	19,043
Amortization expenses	3,509	64	－	188	554	237	4,554
Impairment losses	0	－	－	－	－	－	0
Acquisition by business combination	36	－	－	－	－	381	417
Disposal	(2,114)	－	－	－	－	(5)	(2,119)
Transfer to assets held for sale	(201)	－	－	－	－	(11)	(213)
Exchange differences on translation of foreign operations	189	－	－	－	－	(274)	(85)
Hyperinflation adjustment	137	－	－	－	－	722	859
Other	(22)	－	－	－	－	(53)	(75)
As of March 31, 2024	15,281	726	－	625	554	5,193	22,380

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

(Change in presentation method)

“Hyperinflation adjustment,” which was included in “Other” in the previous fiscal year, has become significant in terms of amount and is therefore presented separately from the current fiscal year. In order to reflect this change in presentation method, the notes for the previous fiscal year have been reclassified.

(Millions of yen)

Carrying amount	Software	Development cost	Goodwill	Patents	Customer-related intangible assets	Other	Total
As of April 1, 2022	9,716	209	4,889	2,083	－	949	17,848
As of March 31, 2023	11,076	286	4,898	1,926	－	843	19,031
As of March 31, 2024	12,633	297	6,026	1,809	2,216	1,004	23,986

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)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Research and development expenditures recognized in profit or loss	47,163	50,276

(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	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Intangible assets [see (1) Movements]	14,132	17,960
Right-of-use assets	104	130
Balance of intangible assets recognized in the consolidated statement of financial position	14,237	18,091

(3) Material intangible assets

There were no individually material intangible assets recorded in the consolidated statement of financial position as of March 31, 2023 and March 31, 2024, respectively.

(4) Impairment losses

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

There were no significant impairment losses.

FY2024 (From April 1, 2023 to March 31, 2024)

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	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Japan	The Company	4,747	4,747
Asia and Oceania	TOYOTA BOSHOKU DEVICE INDIA PRIVATE LIMITED	—	1,109
Europe and Africa	TOYOTA BOSHOKU LEGNICA SP. Z O.O.	150	168
	Total	4,898	6,026

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 5.5%.

There were no impairment losses on goodwill recognized in the fiscal years ended March 31, 2023 and 2024, 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.

15. Involvement in Subsidiaries and Associates

Major subsidiaries for the fiscal year ended March 31, 2024 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
TOYOTA BOSHOKU SEIKO CORPORATION	Takahama-shi, Aichi	Auto parts	66.4
SEAT METAL PARTS CHINA CO.,LTD	Zhejiang, China	Auto parts	90.0 [90.0]
TB KAWASHIMA CO., LTD.	Echi-gun, Shiga	Auto parts	99.9
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]
TOYOTA BOSHOKU AMERICA, INC.	Kentucky, U.S.A.	Auto parts	100.0
TBDN TENNESSEE COMPANY, LLC	Tennessee, U.S.A.	Auto parts	80.0 [80.0]
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]
TOYOTA BOSHOKU WESTERN KENTUCKY, LLC.	Kentucky, U.S.A.	Auto parts	100.0 [100.0]
TOYOTA BOSHOKU (CHINA) CO., LTD.	Shanghai, China	Auto parts	100.0
CHENGDU TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD.	Chengdu, Sichuan Province, China	Auto parts	53.0 [53.0]
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
GUANGZHOU INTEX AUTO PARTS CO., LTD.	Guangzhou, Guangdong Province, China	Auto parts	75.0 [75.0]
TOYOTA BOSHOKU (GUANGZHOU) AUTOMOTIVE PARTS CO., LTD.	Guangzhou, Guangdong Province, China	Auto parts	100.0 [100.0]
TOYOTA BOSHOKU FOSHAN CO., LTD.	Foshan, Guangdong Province, China	Auto parts	80.0
TOYOTA BOSHOKU (TIANJIN) AUTOMOTIVE PARTS CO., LTD.	Tianjin, China	Auto parts	100.0 [100.0]
SHENYANG TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD.	Shenyang, Liaoning Province, China	Auto parts	100.0 [100.0]

Company name	Location	Principal business	Percentage of voting rights of the Company (%)
TOYOTA BOSHOKU ASIA CO., LTD.	Bangkok, Thailand	Auto parts	100.0
SHIN SAN SHING CO., LTD.	Hsinchu, Taiwan	Auto parts	47.0 [3.8]
PT. TOYOTA BOSHOKU INDONESIA	Jawa Barat, Indonesia	Auto parts	81.8
TOYOTA BOSHOKU PHILIPPINES CORPORATION	Laguna, the Philippines	Auto parts	95.0
TOYOTA BOSHOKU GATEWAY (THAILAND) CO., LTD.	Chachoengsao, Thailand	Auto parts	80.0 [30.0]
TOYOTA BOSHOKU AUTOMOTIVE INDIA PRIVATE LIMITED	Karnataka, India	Auto parts	95.0 [25.0]
TOYOTA BOSHOKU FILTRATION SYSTEM (THAILAND) CO., LTD.	Rayong, Thailand	Auto parts	80.0 [80.0]
TOYOTA BOSHOKU SIAM METAL CO., LTD.	Chonburi, Thailand	Auto parts	87.1 [87.1]
TOYOTA BOSHOKU HAIPHONG CO., LTD.	Haiphong, Vietnam	Auto parts	100.0
PT. SHIROKI INDONESIA	Jawa Barat, Indonesia	Auto parts	80.0 [80.0]
BOSHOKU AUTOMOTIVE (THAILAND) CO., LTD.	Rayong, Thailand	Auto parts	90.0 [90.0]
TOYOTA BOSHOKU DEVICE INDIA PRIVATE LIMITED	Haryana, India	Auto parts	80.0 [80.0]
TOYOTA BOSHOKU EUROPE N.V.	Zaventem, Belgium	Auto parts	100.0
TOYOTA BOSHOKU TURKIYE OTOMOTIV SANAYI VE TICARET A.S.	Adapazari, Turkey	Auto parts	90.0 [90.0]
TOYOTA BOSHOKU SOUTH AFRICA (PTY) LTD.	Kwazulu-Natal, South Africa	Auto parts	85.0 [85.0]
TOYOTA BOSHOKU SOMAIN S.A.S.	Zone Industrielle de la Renaissance, France	Auto parts	100.0 [100.0]
TOYOTA BOSHOKU POLAND SP. Z O.O.	Lower Silesian Voivodeship, Poland	Auto parts	100.0 [100.0]
29 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, 2023 and 2024, 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)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Consideration for acquisition	–	13
Decrease in non-controlling interests	–	(0)
Changes in capital surplus	–	(12)

Gains (losses) associated with a loss of control of subsidiaries for the fiscal years ended March 31, 2023 and 2024 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)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Carrying amount	13,661	11,778

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)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Amount of equity in profit	816	1,494
Amount of equity in other comprehensive income	265	596
Total comprehensive income	1,082	2,091

16. Income Taxes

(1) Deferred tax assets and deferred tax liabilities

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

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

(Millions of yen)

	Balance at beginning of period	Recognized in profit or loss (Note)	Recognized in other comprehensive income	Other	Balance at end of period
Deferred tax assets					
Accrued expenses	1,245	(110)	–	–	1,135
Accrued paid absences	4,087	(62)	–	–	4,025
Accrued bonuses	3,782	(171)	–	–	3,611
Retirement benefit liability	17,652	1,195	(828)	–	18,019
Provisions	747	(25)	–	–	722
Net operating loss carry-forwards for tax purposes	13,608	(10,020)	–	–	3,587
Tax credits carry-forwards	–	–	–	–	–
Other	10,631	(1,245)	–	–	9,386
Total deferred tax assets	51,757	(10,441)	(828)	–	40,487
Deferred tax liabilities					
Depreciation	4,364	(2,551)	–	–	1,813
Undistributed profits at subsidiaries and associates	17,208	(1,532)	–	–	15,676
Financial assets measured at fair value through other comprehensive income	4,212	115	318	–	4,645
Other	9,968	1,018	–	–	10,987
Total deferred tax liabilities	35,754	(2,950)	318	–	33,122
Net amount	16,002	(7,490)	(1,146)	–	7,365

(Note)Foreign currency translation differences are included in the amount recognized through profit or loss.
As described in "2. Basis of Presentation (4) Changes in accounting policies," IAS No. 12 has been applied retrospectively and restated for the prior year.

FY2024 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Balance at beginning of period	Recognized in profit or loss(Note)	Recognized in other comprehensive income	Business combination	Transfer to assets and liabilities held for sale	Other	Balance at end of period
Deferred tax assets							
Accrued expenses	1,135	96	―	―	―	―	1,231
Accrued paid absences	4,025	571	―	89	―	―	4,686
Accrued bonuses	3,611	805	―	1	―	―	4,417
Retirement benefit liability	18,019	809	69	16	―	―	18,914
Provisions	722	(152)	―	―	―	―	569
Net operating loss carry-forwards for tax purposes	3,587	576	―	―	(66)	―	4,097
Tax credits carry-forwards	―	―	―	―	―	―	―
Other	9,386	3,521	―	179	(93)	―	12,994
Total deferred tax assets	40,487	6,228	69	287	(160)	―	46,912
Deferred tax liabilities							
Depreciation	1,813	(646)	―	(117)	―	―	1,049
Undistributed profits at subsidiaries and associates	15,676	3,975	―	―	(243)	―	19,408
Financial assets measured at fair value through other comprehensive income	4,645	(378)	3,488	―	―	―	7,756
Other	10,987	(1,592)	―	1,245	(558)	―	10,082
Total deferred tax liabilities	33,122	1,358	3,488	1,127	(801)	―	38,296
Net amount	7,365	4,870	(3,419)	(840)	641	―	8,615

(Note)Foreign currency translation differences are included in the amount recognized through profit or loss.

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

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Deferred tax assets	12,857	14,281
Deferred tax liabilities	5,492	5,665
Net amount	7,365	8,615

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)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Deductible temporary differences	26,392	17,693
Net operating loss carry-forwards for tax purposes	75,667	85,618
Tax credits carry-forwards	17,559	19,339
Total	119,618	122,652

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

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

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
First year	2,358	1,569
Second year	2,104	2,044
Third year	1,997	1,941
Fourth year	1,951	3,092
Fifth year and thereafter	67,254	76,971
Total	75,667	85,618

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

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
First year	256	—
Second year	–	1,247
Third year	199	2,849
Fourth year	–	—
Fifth year and thereafter	17,103	15,243
Total	17,559	19,339

(2) Income tax expenses

Income tax expenses consist of the following.

(Millions of yen)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Current tax expenses	22,606	22,143
Deferred tax expenses	8,858	(2,266)
Total income tax expenses	31,465	19,877

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

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

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Applicable tax rate	30.9%	30.9%
Difference in income tax rates of foreign subsidiaries	(0.5)%	(11.8)%
Tax credit for R&D expenses	(1.8)%	(1.6)%
Undistributed profits at subsidiaries and associates	4.0%	7.6%
Permanent differences such as entertainment expenses	0.2%	0.2%
Foreign tax credits	0.4%	2.6%
Increase or decrease in temporary differences for which deferred tax assets are not recognized	24.7%	(4.4)%
Other	2.3%	(0.8)%
Average actual tax rate	60.2%	22.8%

(Note) Increase or decrease in temporary differences for which deferred tax assets are not recognized for the fiscal year ended March 31, 2024 include the effects of uncertain tax positions arising from transfer pricing in international transactions between the Company and its overseas subsidiaries. These positions were calculated using the most likely amount determined from assessing uncertainty across multiple scenarios formulated from discussions under the Advance Pricing Arrangement.

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

(%)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Applicable tax rate	30.9	30.9

(3)Global minimum tax rules

From the current fiscal year, the Group has applied the amendments to IAS 12 "Income Taxes" (International Tax Reform—Pillar Two Model Rules) issued in May 2023.

The Group has no significant current tax exposure related to the rules, but is evaluating its potential exposure in anticipation of the implementation of the global minimum tax rules.

Due to the complexity of the global minimum tax rules and the calculation of GloBE income, the quantitative impact of applying these rules is beyond reasonable estimation. Therefore, we are currently preparing for the implementation of such rules with the guidance of tax specialists.

17. Trade and Other Payables

Trade and other payables consist of the following.

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Trade notes and accounts payable	175,887	176,981
Electronically recorded obligations - trade	17,616	11,827
Lease liabilities	29,265	42,900
Other	13,130	19,814
Total	235,900	251,524

18. Bonds and Borrowings

Bonds and borrowings consist of the following.

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)	Average interest rate (%)	Repayment due
Short-term borrowings	31,200	–	–	–
Current portion of long-term borrowings	23,029	–	–	–
Corporate bonds	40,000	50,000	–	–
Long-term borrowings	60,000	115,000	0.49	March 2026 - February 2034
Total	154,229	165,000	–	–
Current liabilities	64,229	10,000	–	–
Non-current liabilities	90,000	155,000	–	–
Total	154,229	165,000	–	–

(Note) The average interest rate reflects the weighted-average interest rate against the balance at the end of the fiscal year ended March 31, 2024. 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	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)	Interest rate (%)	Colla-teral	Maturity date
Toyota Boshoku Corporation	2nd unsecured straight bonds	December 5, 2013	10,000	–	0.714	None	September 20, 2023
Toyota Boshoku Corporation	4th unsecured straight bonds	December 7, 2017	10,000	10,000	0.210	None	December 20, 2024
Toyota Boshoku Corporation	5th unsecured straight bonds	December 7, 2017	10,000	10,000	0.330	None	September 17, 2027
Toyota Boshoku Corporation	6th unsecured straight bonds	December 15, 2022	10,000	10,000	0.439	None	December 15, 2027
Toyota Boshoku Corporation	7th unsecured straight bonds	October 19, 2023	–	10,000	0.578	None	October 19, 2028
Toyota Boshoku Corporation	8th unsecured straight bonds	October 19, 2023	–	10,000	1.155	None	October 19, 2033

19. Leases

(1) Lease transactions as lessee

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

(i) Lease expenses

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Depreciation of right-of-use assets		
Land	326	427
Buildings and structures	1,290	1,854
Machinery and equipment and vehicles	398	699
Tools, furniture and fixtures	49	61
Intangible assets	5	10
Total	2,070	3,052
Interest expenses	83	39
Expenses for short-term leases	36	61
Expenses for leases of low-value assets	7	7
Variable lease payments	–	—

(ii) Sublease income

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Sublease income	23,582	47,751

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)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Total cash outflow for leases	31,129	32,864

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

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Gains or losses arising from sale and leaseback transactions	–	—

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

(Millions of yen)

	Land	Buildings and structures	Machinery and equipment and vehicles	Tools, furniture and fixtures	Intangible assets	Total
As of April 1, 2022	6,116	4,801	861	108	101	11,989
As of March 31, 2023	6,879	5,112	970	52	104	13,117
As of March 31, 2024	6,884	4,573	1,553	140	130	13,283

Increase of right-of-use assets for the fiscal years ended March 31, 2023 and 2024 is 22,928 million yen and 51,340 million yen, respectively(including 205 million yen of acquisition by business combination). In addition, the transferred amount of assets held for sale for the current fiscal year was (1,714) million yen.

(vi) Lease liabilities

Maturity analysis of lease liabilities is provided in "32. 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)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Selling profit or loss	2,653	5,405
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)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Within one year	26,857	41,015
Over one year but within two years	8,982	20,075
Over two years but within three years	2,313	2,203
Over three years but within four years	1,321	585
Over four years but within five years	140	378
Over five years	–	—
Total	39,615	64,259
Unearned finance income	–	—
Finance lease receivables	39,615	64,259

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)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Within one year	599	589
Over one year but within two years	551	541
Over two years but within three years	527	513
Over three years but within four years	500	240
Over four years but within five years	220	233
Over five years	2,492	2,340
Total	4,891	4,459

Lease income is mainly rental income, and is stated in “27. Other Income and Other Expenses.”

20. Provisions

The breakdown and changes of provisions are as follows.

(Millions of yen)

	Warranty provision	Other	Total
As of April 1, 2022	6,358	288	6,646
Increase during period	831	3	834
Decrease during period (intended use)	(379)	–	(379)
Decrease during period (reversal)	(181)	–	(181)
Interest expense over the discount period	–	–	–
Exchange differences on translation of foreign operations	95	5	100
As of March 31, 2023	6,724	297	7,021
Increase during period	665	357	1,022
Business combination	16	67	83
Decrease during period (intended use)	(2,823)	—	(2,823)
Decrease during period (reversal)	(62)	—	(62)
Interest expense over the discount period	—	—	—
Exchange differences on translation of foreign operations	180	9	189
As of March 31, 2024	4,699	730	5,430

For warranty provision, some or all of the expenditure is expected to be reimbursed by agreement with suppliers. The expected amount of reimbursements was 2,921 million yen and 1,414 million yen as of March 31, 2023 and 2024, respectively, and is included in “Trade and other receivables.”

21. Other Current Liabilities

Other current liabilities consist of the following.

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
(Other current liabilities)		
Accrued consumption taxes	5,271	7,954
Accrued bonuses	13,592	16,947
Accrued paid absences	16,040	20,055
Advances received	5,796	2,856
Other	47,738	63,925
Total	88,438	111,739

22. 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)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Balance of defined benefit obligations at beginning of period	99,918	96,634
Service cost	5,088	4,661
Interest cost	911	1,361
Actuarial gains and losses (demographic)	(25)	(652)
Actuarial gains and losses (financial)	(6,229)	(3,849)
Actuarial gains and losses (revised results)	(1,031)	(193)
Past service cost	74	21
Benefits paid	(2,694)	(4,034)
Exchange differences on translation of foreign operations	456	604
Business combination	―	3,886
Transfer to liabilities directly associated with assets held for sale	―	(510)
Others	164	(135)
Balance of defined benefit obligations at end of period	96,634	97,794

(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)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Balance of plan assets at beginning of period	47,453	48,835
Interest income	435	698
Income from plan assets other than interest	(582)	3,346
Pension contributions of the Group	2,348	2,393
Benefits paid	(1,064)	(1,266)
Exchange differences on translation of foreign operations	(2)	193
Business combination	—	2,557
Transfer to liabilities directly associated with assets held for sale	—	(157)
Other	248	28
Balance of plan assets at end of period	48,835	56,628

(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)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Present value of defined benefit obligations of funded plans	39,669	39,808
Fair value of plan assets	48,835	56,628
Subtotal	(9,165)	(16,819)
Present value of defined benefit obligations of unfunded plans	56,964	57,985
Net amount of defined benefit obligations and plan assets	47,799	41,166
Effect of asset ceiling (Note)	7,284	16,375
Amounts in the consolidated statement of financial position		
Retirement benefit liability	55,524	57,883
Retirement benefit asset	440	341
Defined benefit liabilities recognized in the consolidated statement of financial position	55,084	57,542

(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, 2023 and 2024 are as follows.

FY2023 (As of March 31, 2023)

(Millions of yen)

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

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

FY2024 (As of March 31, 2024)

(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)	—	14,745	14,745
Commingled funds (overseas)	—	21,405	21,405
Insurance contracts (Note)	—	10,658	10,658
Other	1,275	8,543	9,819
Total	1,275	55,352	56,628

(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.

(%)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Discount rate	1.35	1.64

(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.

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Discount rate: Decreased by 0.5%	Increase of 6,421 million yen	Increase of 5,891 million yen
Discount rate: Increased by 0.5%	Decrease of 5,770 million yen	Decrease of 5,471 million yen

(vii) Information on future cash flows

Contributions to defined benefit plans of the Group expected in the fiscal year ending March 31, 2025 are as follows.

(Millions of yen)

Period	Amount
From April 1, 2024 to March 31, 2025	4,129

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

(Years)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Weighted-average duration	15.7	15.3

(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, 2023.

(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)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Amount recognized as expenses related to the defined contribution pension plan	2,616	3,041

(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)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Employee benefit expenses	287,360	337,370

23. 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 50% in 2030, as announced in the Mid-term Business Plan for 2030.

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Total equity attributable to owners of the parent (millions of yen)	400,741	448,961
Total assets (millions of yen)	1,007,392	1,127,694
Ratio of equity attributable to owners of the parent (%)	39.8	39.8

(1) Share capital and capital surplus

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

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

	Number of shares authorized (shares)	Number of shares issued (shares)	Share capital (millions of yen)	Capital surplus (millions of yen)
Balance as of April 1, 2022	500,000,000	187,665,738	8,400	3,097
Increase (decrease)	–	–	–	3
Balance as of March 31, 2023	500,000,000	187,665,738	8,400	3,101
Increase (decrease)	–	–	–	(5)
Balance as of March 31, 2024	500,000,000	187,665,738	8,400	3,095

(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, 2022	799,985	1,583
Increase (decrease)	(18,432)	(36)
Balance as of March 31, 2023	781,553	1,547
Increase (decrease)	8,371,355	19,968
Balance as of March 31, 2024	9,152,908	21,515

(Note) Increases (decreases) during periods were mainly due to disposal for transfer-restricted share-based payment, 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.

24. Dividends

Dividends paid for the fiscal years ended March 31, 2023 and 2024 consist of the following.

Resolutions	Class of shares	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Board of Directors meeting held on April 28, 2022	Common shares	Retained earnings	5,979	32.00	March 31, 2022	May 30, 2022
Board of Directors meeting held on October 28, 2022	Common shares	Retained earnings	6,540	35.00	September 30, 2022	November 25, 2022
Board of Directors meeting held on April 27, 2023	Common shares	Retained earnings	6,540	35.00	March 31, 2023	May 26, 2023
Board of Directors meeting held on October 31,2023	Common shares	Retained earnings	8,036	43.00	September 30, 2023	November 27, 2023

Of dividends with a record date in the fiscal year ended March 31, 2024, 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 26, 2024	Common shares	Retained earnings	7,676	43.00	March 31, 2024	May 27, 2024

25. 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

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

(Millions of yen)

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

FY2024 (From April 1, 2023 to March 31, 2024)

(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	798,931	495,572	221,619	255,684	129,375	1,901,182
Revenue recognized from other sources	49,383	–	3,058	–	–	52,442
Total	848,314	495,572	224,677	255,684	129,375	1,953,625

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.

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

(Millions of yen)

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

FY2024 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	As of April 1, 2023	As of March 31, 2024
Receivables from contracts with customers		
Trade notes and accounts receivable	219,882	209,071
Electronically recorded monetary claims - trade	17,343	22,098
Contract liabilities	6,750	12,254

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

Of revenue recognized in the fiscal year ended March 31, 2023 and 2024 the amount included in the balance of contract liabilities is as follows. There was no revenue amount recognized from performance obligations satisfied (or partially satisfied) in previous fiscal years.

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Of revenue recognized the amount included in the balance of contract liabilities	11,037	6,750

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.

26. Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of the following.

(Millions of yen)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Freight expenses	6,665	8,770
Employee benefit expenses	45,148	49,989
Depreciation and amortization	12,392	13,024
Research and development expenses	4,004	4,002
Miscellaneous expenses	12,206	14,713
Other	26,524	29,483
Total	106,942	119,984

27. Other Income and Other Expenses

Other income and other expenses consist of the following.

Other income

(Millions of yen)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Rental income	679	695
Gain on sale of fixed assets	3,571	131
Other	6,626	6,679
Total	10,877	7,506

Other expenses

(Millions of yen)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Depreciation	491	457
Impairment losses	1,167	538
Loss recognized by measuring a disposal group held for sale at fair value less costs to sell	—	6,063
Loss on net monetary position	4,133	7,614
Other	4,886	5,683
Total	10,679	20,358

（Note） The loss recognized by measuring a disposal group classified as held for sale at fair value less costs to sell was recorded in response to the scheduled exclusion of TB Kawashima Co., Ltd. and its subsidiaries from the Company’s consolidation scope. The details of such expenses are provided in “12. Assets Held for Sale.”

(Changes in presentation)
“Loss on net monetary position,” which was included in “Other” for the fiscal year ended March 31, 2023, has been presented as a separate line item from the fiscal year ended March 31, 2024 due to the increased amount of the loss. The notes to the consolidated financial statements for the fiscal year ended March 31, 2023 have also been reclassified to reflect this change.

28. Finance Income and Finance Expenses

Finance income and finance expenses consist of the following.

Finance income

(Millions of yen)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Interest income		
Financial assets measured at amortized cost	4,669	8,265
Gains (losses) on foreign currency translation	1,182	1,875
Other	731	262
Total	6,582	10,403

Finance expenses

(Millions of yen)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Interest expenses		
Financial liabilities measured at amortized cost	1,807	2,811
Other	973	351
Total	2,781	3,162

29. Earnings per Share

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

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Basis of calculation for basic earnings per share		
Profit attributable to owners of the parent (millions of yen)	14,679	57,885
Weighted-average number of common shares outstanding (thousands of shares)	186,838	185,682
Basic earnings per share (yen)	78.57	311.74
Basis of calculation for diluted earnings per share		
Profit for the period used for calculation of diluted earnings per share (millions of yen)	14,679	57,885
Weighted-average number of common shares outstanding (thousands of shares)	186,838	185,682
Increase in common shares due to transfer-restricted share-based payment plan (thousands of shares)	21	30
Weighted-average number of diluted common shares outstanding (thousands of shares)	186,860	185,713
Diluted earnings per share (yen)	78.56	311.69

30. 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)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
(Items that will not be reclassified to profit or loss)		
Remeasurements of defined benefit plans		
Amount incurred during the period	2,653	(187)
Reclassification adjustments	–	—
Before tax effect	2,653	(187)
Tax effect	(828)	69
Net of tax effect	1,825	(118)
Net change in fair value of equity instruments measured at fair value through other comprehensive income		
Amount incurred during the period	1,033	11,296
Reclassification adjustments	–	—
Before tax effect	1,033	11,296
Tax effect	(318)	(3,485)
Net of tax effect	714	7,810
Share of other comprehensive income of investments accounted for using equity method		
Amount incurred during the period	(33)	188
Reclassification adjustments	–	—
Before tax effect	(33)	188
Tax effect	–	—
Net of tax effect	(33)	188
(Items that may be reclassified to profit or loss)		
Exchange differences on translation of foreign operations		
Amount incurred during the period	10,750	19,171
Reclassification adjustments	(34)	(122)
Before tax effect	10,716	19,049
Tax effect	–	—
Net of tax effect	10,716	19,049
Net change in fair value of debt instruments measured at fair value through other comprehensive income		
Amount incurred during the period	0	11
Reclassification adjustments	–	—
Before tax effect	0	11
Tax effect	(0)	(3)
Net of tax effect	0	7
Share of other comprehensive income of investments accounted for using equity method		
Amount incurred during the period	299	408
Reclassification adjustments	–	—
Before tax effect	299	408
Tax effect	–	—
Net of tax effect	299	408
Total other comprehensive income		
Amount incurred during the period	14,703	30,888
Reclassification adjustments	(34)	(122)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Before tax effect	14,669	30,765
Tax effect	(1,146)	(3,419)
Net of tax effect	13,522	27,345

31. Share-based Payment

The Company has introduced a transfer-restricted share-based payment 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 39 million yen and 40 million yen for the fiscal years ended March 31, 2024 and 2023, respectively, which are included in "Selling, general and administrative expenses".

The grant-date fair value is measured based on the closing price of common shares of the Company on the Prime Market, which was the First Section for the previous fiscal year, of the Tokyo Stock Exchange on the business day before the date of resolution of the Board of Directors regarding the share grant. Details of transfer-restricted share granted in the fiscal years ended March 31, 2023 and 2024 are as follows.

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Date of grant	July 12, 2022	July 11,2023
Number of shares granted (shares)	18,611	16,475
Grant-date fair value per share (yen)	2,149	2,427.5

32. 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 “23. 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)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Financial assets		
Equity instruments measured at fair value through other comprehensive income	25,614	33,600
Shares	25,081	33,013
Other	532	586
Debt instruments measured at fair value through other comprehensive income	286	251
Financial assets measured at fair value through profit or loss	1,313	1,414
Other	1,313	1,414
Financial assets measured at amortized cost	549,403	582,164
Cash and cash equivalents	248,195	244,191
Trade and other receivables	286,181	304,115
Other	15,026	33,857
Total	576,617	617,429
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	–	–
Financial liabilities measured at amortized cost	402,318	429,067
Trade and other payables	235,900	251,524
Bonds and borrowings	154,229	165,000
Deposits payable	1,996	2,693
Other	10,191	9,849
Total	402,318	429,067

(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.

(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, 2023 and 2024 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)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
TOYOTA FUDOSAN CO., LTD.	18,401	26,355
Toyota Motor Corporation	2,344	4,711
Toyota Industries Corporation	249	531
TOYOTA-KAI Medical Corporation	424	476
Chiyoda Industry Co.,Ltd	163	170

(Note)Because stocks are held primarily for strategic investment purposes, they are designated as financial assets measured at fair value through other comprehensive income.

(ii) Dividends income

(Millions of yen)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Investments derecognized during the period	0	99
Investments held as of the end of the period	257	97
Total	258	197

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

(Millions of yen)

FY2023 (From April 1, 2022 to March 31, 2023)		FY2024 (From April 1, 2023 to March 31, 2024)	
Fair value at time of disposal	Cumulative gains (losses)	Fair value at time of disposal	Cumulative gains (losses)
594	(381)	3,650	1,242

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, 2023 and 2024, cumulative profit or loss (net of tax) reclassified from other components of equity to retained earnings was (242) million yen and 863 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, 2024, 67.8% is from Toyota Motor Corporation and its subsidiaries. In addition, most of the remaining receivables are from associates of Toyota Motor Corporation.

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

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

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

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

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

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

Changes in allowance for doubtful accounts

Changes in allowance for doubtful accounts are as follows.

(Millions of yen)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Balance at beginning of period	1,101	1,261
Increase during period	249	969
Decrease during period	(155)	(218)
Foreign currency translation differences	65	168
Balance at end of period	1,261	2,180

(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.

FY2023 (As of March 31, 2023)

(Millions of yen)

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

FY2024 (As of March 31, 2024)

(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		251,524	237,979	13,544				
Corporate bonds		50,000	10,265	250	250	20,219	10,147	10,525
Borrowings		115,000	561	10,561	10,521	521	20,521	76,279
Lease liabilities		8,948	2,066	897	524	379	1,346	3,733
Deposits payable		2,693	2,693					
Total		428,166	253,566	25,253	11,295	21,120	32,014	90,538
Derivative financial liabilities								
Currency and interest rate swaps	Income							
	Expenditure	–						
Total		–	–	–	–	–	–	–

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

(6) Market risk management

(i) Foreign currency risk management

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

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

Exchange rate sensitivity analysis

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

(Millions of yen)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
U.S. dollar	(222)	(177)
Euro	(20)	(21)
Chinese renminbi	(40)	(107)
Thai baht	(193)	(12)

For the fiscal years ended March 31, 2023 and 2024, 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, 2023 and 2024, decreases in other comprehensive income (before adjusting tax effect) would have been 53 million yen and 52 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)

	FY2023 (As of March 31, 2023)		FY2024 (As of March 31, 2024)	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds and borrowings	154,229	153,362	165,000	164,010

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. Material 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, 2023 and 2024, there was no transfer between levels.

FY2023 (As of March 31, 2023)

(Millions of yen)

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

FY2024 (As of March 31, 2024)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Equity instruments measured at fair value through other comprehensive income	5,256	–	28,344	33,600
Listed shares	5,256			5,256
Unlisted shares			27,757	27,757
Other			586	586
Debt instruments measured at fair value through other comprehensive income	–	–	251	251
Financial assets measured at fair value through profit or loss	–	–	1,414	1,414
Other			1,414	1,414
Financial liabilities measured at fair value through profit or loss	–	–	–	–
Derivatives		–		–

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

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

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

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

(Millions of yen)

	FY2023 (From April 1, 2022 to March 31, 2023)			FY2024 (From April 1, 2023 to March 31, 2024)		
	Equity instruments measured at fair value through other comprehen-sive income	Debt instruments measured at fair value through other comprehen-sive income	Financial assets measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehen-sive income	Debt instruments measured at fair value through other comprehen-sive income	Financial assets measured at fair value through profit or loss
Balance at beginning of period	18,695	284	1,179	20,261	286	1,313
Purchase	400		274	430		127
Profit or loss (Note 1)			(45)			154
Other comprehensive income (Note 2)	1,167	0		7,650	2	
Sales and repayment	(3)		(93)	(0)	(10)	(181)
Foreign currency translation differences	1	1		3		
Other	(0)	(0)		(0)	(26)	
Balance at end of period	20,261	286	1,313	28,344	251	1,414

(Note 1) Gains and losses included in profit or loss are related to financial assets measured at fair value through profit or loss. These gains and losses are included in "Finance income" and "Finance expenses" in the consolidated statements of income.

(Note 2) 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, 2023 and 2024.

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Financial assets		
Trade and other receivables	24,594	21,546
Financial liabilities offset (Note)	23,095	19,872
Financial assets on the consolidated statement of financial position	1,499	1,674
Financial liabilities		
Trade and other payables	80,821	64,438
Financial assets offset (Note)	23,095	19,872
Financial liabilities on the consolidated statement of financial position	57,725	44,566

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

33. Non-cash Transactions

The details of non-cash transactions are as follows.

(Millions of yen)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Right-of-use assets acquired through leases	22,928	51,340

34. Changes in Liabilities Arising from Financing Activities

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

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

(Millions of yen)

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

FY2024 (From April 1, 2023 to March 31, 2024)

(Millions of yen)

	Short-term borrowings	Long-term borrowings	Corporate bonds	Lease liabilities	Total
Balance as of April 1, 2023	31,200	83,029	40,000	38,517	192,747
Changes from financing cash flows	(56,451)	30,134	10,000	(32,801)	(49,119)
Acquisition of right-of-use assets	—	—	—	51,135	51,135
Business combination	22,800	165	—	(3,529)	19,436
Transfer to assets held for sale	—	—	—	(1,900)	(1,900)
Foreign currency translation difference and others	2,451	1,670	—	428	4,550
Balance as of March 31, 2024	—	115,000	50,000	51,849	216,849

35. Related Parties

(1) Related party transactions

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

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

(Millions of yen)

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

FY2024 (From April 1, 2023 to March 31, 2024)

(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	1,428,389	206,143
		Purchase of automotive components	153,214	22,381

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)

	FY2023 (From April 1, 2022 to March 31, 2023)	FY2024 (From April 1, 2023 to March 31, 2024)
Basic compensation	342	344
Bonuses	131	177
Share-based payment	39	39
Total	513	562

36. Commitments

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

(Millions of yen)

	FY2023 (As of March 31, 2023)	FY2024 (As of March 31, 2024)
Contractual commitments for the acquisition of property, plant and equipment	10,542	12,330
Contractual commitments for the acquisition of intangible assets	879	1,268

37. Hyperinflation adjustment

During the six months ended September 30, 2018, the Group determined that its subsidiary in Argentina, whose functional currency is the Argentine peso, was operating in a hyperinflationary economy. This conclusion was based on the national wholesale price index for Argentina, which indicated that the cumulative three-year inflation rate in the country exceeded 100%. Therefore, in accordance with IAS 29, "Financial Reporting in Hyperinflationary Economies," the financial statements of the subsidiary have been restated into the measuring unit current at the end of the reporting period and are included in the current fiscal year's consolidated financial statements.

For the purpose of adjusting the financial statements of its subsidiary in Argentina, the Group uses conversion factors calculated from the Consumer Price Index (CPI) of Argentina published by Federación Argentina de Consejos Profesionales de Ciencias Económicas (Argentine Federation of Professional Councils of Economic Sciences, FACPCE).

The CPIs and corresponding conversion factors since July 2003 are as follows.

Date of Statement of Financial Position	Consumer price index	Conversion factor
July 31, 2003	100.0	344.929
March 31, 2004	106.1	324.984
March 31, 2005	115.1	299.576
March 31, 2006	127.7	270.099
March 31, 2007	136.2	253.279
March 31, 2008	157.6	218.841
March 31, 2009	168.8	204.397
March 31, 2010	192.1	179.573
March 31, 2011	217.0	158.961
March 31, 2012	244.8	140.885
March 31, 2013	276.8	124.595
March 31, 2014	348.2	99.056
March 31, 2015	400.9	86.040
March 31, 2016	542.6	63.565
March 31, 2017	661.5	52.146
March 31, 2018	829.5	41.585
March 31, 2019	1,283.4	26.875
March 31, 2020	1,890.0	18.250
March 31, 2021	2,687.3	12.835
March 31, 2022	4,117.0	8.378
March 31, 2023	8,487.4	4.064
March 31, 2024	34,492.9	1.000

For the subsidiary in Argentina, non-monetary items such as property, plant, and equipment presented at cost are adjusted using conversion factors based on the acquisition date.

Monetary and non-monetary items presented at current cost are not adjusted, since they are considered to be presented in the measuring unit current at the end of the reporting period.

The effect of inflation on net monetary position is presented in other expenses in the statement of income.

Additionally, the statements of income and cash flows of the subsidiary in Argentina for the fiscal years ended March 31, 2023 and 2024, have been restated using the conversion factors listed in the table above.

The financial statements of the subsidiary in Argentina are translated at the exchange rate at the end of the fiscal year and are reflected in the consolidated financial statements of the Group.

38. 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, 2024, 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, 2024, 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.

<table>
<tr><td colspan="2">Impairment assessment for property, plant and equipment and intangible assets in the Unit Components Business of Toyota Boshoku Corporation

(4. Significant Accounting Estimates and Judgments (1) in Notes to Consolidated Financial Statements)</td></tr>
<tr><td>Key audit matter description</td><td>How our audit addressed the key audit matter</td></tr>
<tr><td>Toyota Boshoku Corporation and its consolidated subsidiaries manufacture and sell automotive and textile components. In the Unit Components Business of Toyota Boshoku Corporation, that is a cash-generating unit, the carrying amount of property, plant and equipment and intangible assets totaled 18,072 million yen as of March 31, 2024 (1.6% of the consolidated total assets).

The operating performance of the Company has been significantly affected by the changes in automotive industry product demand in regions where the Company offers products and services, continued high prices of raw materials and costs of logistics, the price competition and others, which impacted the profitability of the Company.

Under the business environment described above, an indication of impairment has been identified in the Unit Components Business of the Company since the operating results have deteriorated in the Unit Components Business as seen in continuous negative operating results. As a result of considering whether the recoverable amount of the Unit Components Business is less than the carrying amount, the recoverable amount exceeded the carrying amount, and therefore the Company did not recognize any impairment losses.

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

We considered the impairment assessment for property, plant and equipment and intangible assets in the Unit Components Business of the Company to be a key audit matter as the estimate</td><td>We performed the following procedures over the impairment assessment for property, plant and equipment and intangible assets in the Unit Components Business of Toyota Boshoku Corporation, that is a cash-generating unit:

We obtained an understanding of the internal controls related to the identification of impairment indicators and the recognition of an impairment loss for property, plant and equipment and intangible assets, including the internal controls over the estimate of future sales projections and variable cost projections and development of assumptions such as pre-tax discount rate.

We performed the following procedures over the estimated future cash flows of the Company:

• We performed the following procedures over the profit plan:
− Compared the prior year plan to the current year results
− Inquired of management about future sales projections and compared with the prior year results
− Compared future sales projections with the vehicle production forecast from the independent external source information
− Analyzed the reasonableness of variable cost projections

• We compared the major components of pre-tax discount rate with the external information.

• We assessed the appropriateness of the result of the real-estate appraisal that the Company obtained to measure the net cash flows to be received for the disposal of land and buildings at the end of the useful life of the assets.

• 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.</td></tr>
</table>

of the total amount of future cash flows includes the future sales projections and variable cost projections and assumptions such as pre-tax discount rate in the Unit Components Business of the Company, which involves a high level of uncertainty and management's judgment, along with the quantitative significance of the amounts.	

Other Information

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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.

Fee-related Information
In connection with our audit of the consolidated financial statements for the year ended March 31, 2024, the amounts of fees for the audit and the other services charged to Toyota Boshoku Corporation and its controlled entities by PricewaterhouseCoopers Japan LLC and other PwC Network firms are ¥605 million and ¥94 million, respectively.

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

手塚　謙二

Kenji Tezuka

Designated Engagement Partner
Certified Public Accountant

平岩　修一

Shuichi Hiraiwa

Designated Engagement Partner
Certified Public Accountant

August 30, 2024

TOYOTA BOSHOKU CORPORATION
1-1 Toyoda-cho, Kariya-shi, Aichi 448-8651, Japan
https://www.toyota-boshoku.com/global/