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To Those Shareholders with Voting Rights

Employees within the Group

Major Lenders

Principal Offices and Plants

Status of Accounting Auditor

Summary of the Systems and of Operational Status thereof to Ensure the Propriety of Business Operations

Consolidated Statement of Changes in Equity for the 101st Fiscal Term

Notes to the Consolidated Financial Statements for the 101st Fiscal Term

Non-Consolidated Statement of Changes in Equity for the 101st Fiscal Term

Notes to the Non-Consolidated Financial Statements for the 101st Fiscal Term

In accordance with the relevant laws and regulations and the Articles of Incorporation, the above matters are excluded from the paper copy to be sent to shareholders who have requested it.

DENSO CORPORATION

Employees within the Group

Geographical Segment	Number of Employees	
Japan	76,935	(16,264)
North America	24,480	(1,796)
Europe	14,178	(3,026)
Asia	43,590	(9,961)
Other Regions	2,846	(73)
Total	162,029	(31,120)

Note: "Number of Employees" indicates the number of persons working within the Group (i.e., exclusive of those loaned from outside the Group to within the Group and inclusive of those loaned from within the Group to outside the Group). The average yearly number of temporary employees (including fixed-term employees, temporary workers dispatched by personnel agencies, part-timers, contract employees, etc.) is indicated in parentheses.

Major Lenders

Name of Lender	Balance of Borrowings (Millions of yen)
Sumitomo Mitsui Banking Corporation	129,500
MUFG Bank, Ltd.	123,000
Mizuho Bank, Ltd.	65,000
Tokyo Branch, Citibank, N.A.	64,040
The Norinchukin Bank	25,000
Resona Bank, Limited.	16,000
The Bank of Kyoto, Ltd.	15,000
The Hokkaido Bank, Ltd.	14,000
MUFG Bank, Ltd., Syndicate Loan	10,000
Shinkin Central Bank	10,000
The Aichi Bank, Ltd.	10,000
Others	59,000
Total	540,540

Notes:

1. "Major lenders" of the DENSO Group above means the Company's major lenders.
2. MUFG Bank, Ltd., Syndicate Loan refers to a syndicate loan involving several financial institutions, for which the lead manager is MUFG Bank, Ltd.

Principal Offices and Plants

1) The Company

Name	Location (Prefecture)
Headquarters	Aichi
Tokyo Office	Tokyo
Tokyo Division	Tokyo
Osaka Division	Osaka
Hiroshima Division	Hiroshima
Anjo Plant	Aichi
Nishio Plant	Aichi
Takatana Plant	Aichi
Kota Plant	Aichi
Toyohashi Plant	Aichi
Hirose Plant	Aichi
Agui Plant	Aichi
Toyohashi Higashi Plant	Aichi
Zemmyo Plant	Aichi
Kosai Plant	Shizuoka
Daian Plant	Mie
Advanced Research and Innovation Center	Aichi
Global R&D Tokyo	Tokyo
Global R&D Tokyo, Haneda	Tokyo

2) Subsidiaries

Refer to “BUSINESS REPORT, 1. CURRENT SITUATION OF THE DENSO GROUP, (7) Significant Subsidiaries” in the NOTICE OF THE 101ST ORDINARY GENERAL MEETING OF SHAREHOLDERS.

Status of Accounting Auditor

(1) Name of the Accounting Auditor

Deloitte Touche Tohmatsu LLC

(2) Fees Payable to the Accounting Auditor for the year ended March 31, 2024

1) Amount of fees to be paid by the Company to the Accounting Auditor pertaining to the audit for the current year	¥173 million
2) Total of cash and other financial benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	¥358 million

Notes:

1. The audit agreement entered into by the Accounting Auditor and the Company does not distinguish the fee for the audit under the Companies Act and the fee for the audit under the Financial Instruments and Exchange Act, and the two fees cannot be practically distinguished from each other. Therefore, the fee in 1) above indicates the total of these two kinds of fees.
2. The Company entrusts the Accounting Auditor with advisory services, which are non-audit services other than services set forth for in Article 2, Paragraph 1 of the Certified Public Accountants Act, and pays consideration therefor.
3. Of the Company's significant subsidiaries, some overseas subsidiaries and other companies are audited by Certified Public Accountants ("CPA"), accounting firms or those who have qualifications equivalent to CPAs or accounting firms. Their auditors are other than the Accounting Auditor of the Company.
4. The Audit & Supervisory Board has given the consent of its members with regard to fee for the Accounting Auditor as a result of careful examination of the auditing plans by the Accounting Auditor, the basis for calculations as a premise of the remuneration, and the appropriateness of the progress of accounting audits.

(3) Policy on Decisions of Dismissal or Non-Reappointment of Accounting Auditor

- 1) The Audit & Supervisory Board shall, upon consent of all the Audit & Supervisory Board Members, dismiss the Accounting Auditor if it determines a circumstance falling under any of the items set forth in Article 340, Paragraph 1, of the Companies Act, to have taken place or if the Accounting Auditor is in the status of having violated or conflicted with any provision of the Certified Public Accountants Act.
- 2) If the Company determines that the appropriate execution of duties by Accounting Auditor is not ensured, the Audit & Supervisory Board shall decide the content of the proposal for the dismissal or non-reappointment of the Accounting Auditor to be submitted to a general meeting of shareholders.

Summary of the Systems and of Operational Status thereof to Ensure the Propriety of Business Operations

Systems

The Company has resolved at its Board of Directors meetings the following basic policies for its internal control.

(1) Systems to Ensure Compliance of the Execution of Duties by Board Members with Laws, Regulations and the Articles of Incorporation

- 1) Board members shall thoroughly disseminate the universal values, ethics and convictions set forth in the DENSO Philosophy and the DENSO Spirit through their behavior and corporate documents.
- 2) Effective mutual supervision by and among board members shall be pursued for decision making by cross-sectional collegial bodies such as various meetings and committees in addition to the executive collegial bodies consisting of the Board of Directors, the Management Deliberation Meeting and the Management Strategy Meeting.
- 3) Board members shall endeavor to ensure appropriate financial reporting and appropriately disclose information at the right time.

(2) Systems to Keep and Manage Information Pertaining to the Execution of Duties by Board Members

The Company shall appropriately keep and manage important information in accordance with the in-house rules. The minutes of the Board of Directors meetings shall be kept forever.

(3) Rules and Other Systems Regarding Loss Risk Management

- 1) The risks involved in our businesses and investments shall be managed companywide by the executive collegial bodies such as the Board of Directors and the Management Deliberation Meeting in accordance with the in-house rules. At the same time, the Function Group Heads and the Business Group Heads shall manage divisional risks in their respective fields.
- 2) As for other risk management, the Risk Management Meeting shall generally streamline and manage relevant companywide systems, whereas each responsible department shall manage its relevant risk factors.

(4) Systems to Ensure the Efficient Execution of Board Members' Duties

- 1) The Company shall pursue downsized, efficient management by leveraging the Senior Executive Officer system with fewer board members.
- 2) The organizational systems, organizational management and authority of the respective organizations shall be determined in accordance with the in-house rules for more systematic and efficient operation of business activities.
- 3) Under the medium- and long-term management guidelines and annual group guidelines, the Company shall prepare annual plans to form a unified companywide intention to achieve its goals. The progress of the goals and plans, as well as operations at the respective departments, shall be managed and periodically reported in accordance with the in-house rules.

(5) Systems to Ensure Compliance of the Execution of Duties by Employees with Laws, Regulations and the Articles of Incorporation

- 1) The Management Deliberation Meeting shall establish and revise the Code of Conduct, conduct necessary enlightenment activities and prepare proposals for the relevant organizations.
- 2) The Code of Conduct shall be fully disseminated among all employees via compliance education.
- 3) The "Corporate Ethics Hotline" shall be operated as an internal reporting system that allows any employee who has an ethical or compliance-related concern to directly communicate such concern to the competent internal department or an outside lawyer.
- 4) The Internal Audit Department shall internally audit the legality, the propriety and the efficiency of operations in accordance with the in-house rules and improve and reinforce the business management and operation systems at the respective departments based on such valuable input from the Internal Audit Department.

(6) Systems to Ensure the Propriety of Business Operations Conducted by the Corporate Group Consisting of DENSO CORPORATION and Its Subsidiaries

- 1) Decision making at the respective Group companies shall be conducted on a “reserved authority” basis pursuant to the respective in-house rules, according to a policy of maximally respecting the autonomy of each Group company.
- 2) Group-wide policies and plans shall be prepared on a consolidated basis under the medium- and long-term management guidelines and annual group guidelines to unify the Group’s intention to achieve its goals. The progress of the goals and plans shall be managed and periodically reported in accordance with the in-house rules.
- 3) As for risk management and compliance within the Group companies, the Company shall propose guidelines to the respective Group companies to promote the establishment and operation of group-wide systems. The DENSO Group Employee Code of Conduct shall be shared by and disseminated to all the Group companies.
- 4) Contributing to realizing a sustainable society through business activities shall be positioned as a group-wide important management priority, and the respective specialized organs of the Company shall have the functions of orientation and follow-up on relevant activities of the Group companies.
- 5) The Domestic DENSO Group Corporate Ethics Hotline shall be operated as an internal reporting system for the Group companies in Japan.
- 6) Each department shall provide advice and support to ensure the appropriateness of operations at the Group companies through the exchange of information with the Group companies.
- 7) Each competent department shall monitor and verify the appropriateness of operations at the Group companies.

(7) Employees in Cases Where an Audit & Supervisory Board Member Requests That the Company Place Several Employees as Assistants to Support His/Her Duties and the Independence of the Employees Concerned from Board Members in Such Cases

- 1) The Audit & Supervisory Board Office, which was established as a dedicated organ, shall support the Audit & Supervisory Board Members in conducting their duties.
- 2) Personnel changes and organizational restructuring of the Audit & Supervisory Board Office shall require the prior consent of the Audit & Supervisory Board or of a standing Audit & Supervisory Board Member appointed by the Audit & Supervisory Board.
- 3) The board members shall cooperate with the Audit & Supervisory Board Office so that the Office can collect the information necessary for the audits conducted by the Audit & Supervisory Board Members, internally and from any of the Group companies according to the instructions given by the Audit & Supervisory Board Members.

(8) Systems to Help Board Members and Employees Report to the Audit & Supervisory Board Members and Other Systems Relating to Reporting to the Audit & Supervisory Board Members

- 1) The board members of the Company, as well as the board members and Audit & Supervisory Board Members of the Group companies, shall appropriately report on the execution of major business operations, as required, to the Audit & Supervisory Board Members through the division/department that they are in charge of. Furthermore, if they find any facts that could result in detrimental damage to the Company, they shall immediately report such facts to the Audit & Supervisory Board Members.
- 2) The board members, Audit & Supervisory Board Members, Executive Vice President, Senior Executive Officers, Executive Officers, Senior Directors and employees of the Company and the Group companies shall periodically or occasionally report on their operations to the Audit & Supervisory Board Members if so requested by any Audit & Supervisory Board Member or the Audit & Supervisory Board Office.

(9) Other Systems to Ensure Effective Audits by the Audit & Supervisory Board Members

- 1) To raise the effectiveness of the audits conducted by the Audit & Supervisory Board Members, the board members shall cooperate with them in their auditing activities including attendance at meetings of the Board of Directors and other official meetings such as those of various committees, the examination of important documents such as *kessaisho* (documents for approval) on operations, audits at the respective departments and the Group companies, and meetings with the Accounting Auditor.

- 2) The board members shall ensure that the expenses that would be necessary for the Audit & Supervisory Board Members to execute their duties are provided and that the direct recruiting of necessary external human resources by the Audit & Supervisory Board Members is conducted.
- 3) The Audit & Supervisory Board Members shall regularly or occasionally exchange information as required with the internal audit department, the Accounting Auditor, and the internal control department.
- 4) The board members of the Company and the Group companies shall ensure that anyone who has reported to an Audit & Supervisory Board Member does not suffer from detrimental treatment for the reason of having made the said report.

Operational Status

The operational status of several major initiatives to ensure the propriety of business operations implemented during the current fiscal year is as follows:

(1) Initiatives to Ensure the Efficient Execution of Duties

- 1) We downsized the number of board members and achieved speedy decision making and operations by clearly separating and clarifying the roles of board members in charge of management (decision making and supervision) and the Executive Vice President and Senior Executive Officers engaged in the execution of business operations.
- 2) We have formulated the Authority Rules, the Organizational Management Rules, the Collegial Body Rules and the Conference and Committee Rules for more systematic and efficient operation of business activities.
- 3) The DENSO Group Long-term Policy 2030 was established to unify the group-wide intention to achieve its goals.
- 4) The progress of the goals and plans in terms of sales, profit, productivity and other factors is reported to the Management Deliberation Meeting every month to prepare for necessary follow-up actions.

(2) Risk Management-Related Initiatives

- 1) Important risks involved in our businesses and investments are deliberated and decided by the Board of Directors, the Management Deliberation Meeting and the Management Strategy Meeting. During the current fiscal year, 13 Board of Directors meetings, 41 Management Deliberation Meetings and 22 Management Strategy Meetings were held.
- 2) The Risk Management Meeting, which was established to reinforce the group-wide risk-response capability, set priority tasks and followed up on relevant measures.
- 3) We selected risk items to be managed companywide based on risk assessment results as well as items in the fields of occupational accidents, quality-related issues, information security and the like. Each responsible department in charge of companywide risk factors made or conducted necessary onsite diagnosis and educational or training sessions. For example, QC diagnosis workshops, opportunities to confirm and provide guidance on structural reinforcement activities for quality improvement, were held at six internal divisions/departments and eight Group companies as training bases.
- 4) To reinforce group-wide risk management, we appointed a CRO (Chief Risk Officer) and established organizations for controlling risk management.

(3) Compliance-Related Initiatives

- 1) Effective mutual supervision by and among board members is pursued for decision making by cross-sectional official meetings such as the Production Supply Strategy Meeting and the M&A Strategy Meeting, in addition to the executive collegial bodies consisting of the Board of Directors, the Management Deliberation Meeting and the Management Strategy Meeting.
- 2) The respective official meetings set priority tasks and followed up on relevant activities during the current fiscal year, aimed at the practice and steady implementation of trusted corporate activities.
- 3) We offered compliance education for newly appointed management executives, as well as discussions at work sites and Intranet-based compliance tests.

- 4) We took diverse measures to prevent individual compliance infringements such as education for the prevention of bribery and corruption.
- 5) To prevent infringement with antitrust laws, we took measures, such as the inspection of meetings with any competitive companies and external e-mails, as well as education to thoroughly reinforce compliance with antitrust laws.
- 6) We offered and enhanced education about the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors and fair transactions, including clarifying explicit discussions with suppliers in pricing decisions.
- 7) We strove to disseminate the “Corporate Ethics Hotline,” the internal whistle-blowing system, and each competent department responsibly handled specific reporting and counseling cases.
- 8) The internal audit department conducted audits for 29 internal functional departments and five internal divisions/departments based on three themes according to its annual auditing plan. The department also conducted audits for 42 domestic and overseas Group companies.

(4) Group Control-Related Initiatives

- 1) We streamlined the DENSO Management Manual, which stipulates the decision-making scheme for Group companies based on the reserved authority system. As for business operations beyond the discretionary framework of the respective Group companies, including cases of high-value capital investments and/or significant contracts, decision making is based on consultations between the competent department and the relevant Group companies.
- 2) We promote the establishment and operation of group-wide systems by proposing risk/compliance-related guidelines, including the Risk Management Regulations and the Basic Policies on Information Security.
- 3) We held global conferences by business group or by functional center and provided assistance and advice to Group companies for the purpose of exchanging information and ensuring appropriate operations.

(5) Initiatives to Ensure Effective Audits by the Audit & Supervisory Board Members

- 1) Based on the annual auditing plan, the Audit & Supervisory Board Members of the Company conducted audits for 53 internal departments/divisions and 49 domestic/overseas Group companies during the current fiscal year.
- 2) The Audit & Supervisory Board Members attended official meetings of the Company including the Board of Directors, the Management Deliberation Meeting and the Management Strategy Meeting, examined *kessaisho* documents for decision making on important business operations and expressed remarks thereon, as required.
- 3) The Audit & Supervisory Board Office was established as an organ to support the Audit & Supervisory Board Members in conducting their duties, and three persons are designated thereat.
- 4) The Audit & Supervisory Board Members had occasional meetings to exchange opinions as required with the board members, Executive Vice President, Senior Executive Officers, Executive Officers, and/or Senior Directors, and the Audit & Supervisory Board conducted hearings on their execution of business operations. In addition, the Finance & Accounting Division, the Human Resources Division, the Legal Division and the like regularly reported on proper business operations to the Audit & Supervisory Board Members.
- 5) The Audit & Supervisory Board Members regularly or occasionally exchanged information as required with the internal audit department, the Accounting Auditor, and the internal control department.
- 6) The Audit & Supervisory Board Members regularly held liaison meetings with the Audit & Supervisory Board Members of the Group companies and separately exchanged information, as required, with the Audit & Supervisory Board Members of the respective Group companies.
- 7) The Audit & Supervisory Board Members Reporting Regulations prohibit detrimental treatment of any person who has reported to an Audit & Supervisory Board Member.

DENSO CORPORATION
Consolidated Statement of Changes in Equity
(From April 1, 2023, to March 31, 2024)

(Millions of yen)

	Equity attributable to owners of the parent company					
	Capital stock	Capital surplus	Treasury stock	Other components of equity		
				Net fair value gain on equity instruments designated as FVTOCI	Remeasurements of defined benefit pension plans	Exchange differences on translating foreign operations
Balance as of April 1, 2023	187,457	273,664	(252,270)	660,038	-	300,274
Profit for the year	-	-	-	-	-	-
Other comprehensive income	-	-	-	954,695	18,329	217,980
Comprehensive income for the year	-	-	-	954,695	18,329	217,980
Acquisition of treasury stock	-	-	(200,024)	-	-	-
Disposal of treasury stock	-	44	154	-	-	-
Dividends	-	-	-	-	-	-
Changes in the ownership interest in subsidiaries without loss of control	-	(227)	-	-	-	-
Transfer to retained earnings	-	-	-	(54,352)	(18,329)	-
Transfer to other comprehensive income associated with assets held for sale	-	-	-	(258,936)	-	-
Other increase (decrease)	-	-	-	-	-	-
Total transactions with the owners	-	(183)	(199,870)	(313,288)	(18,329)	-
Balance as of March 31, 2024	187,457	273,481	(452,140)	1,301,445	-	518,254

	Equity attributable to owners of the parent company					Non-controlling interests	Total equity
	Other components of equity		Other comprehensive income associated with assets held for sale	Retained earnings	Total		
	Cash flow hedges	Total					
Balance as of April 1, 2023	(4,483)	955,829	-	3,212,248	4,376,928	202,783	4,579,711
Profit for the year	-	-	-	312,791	312,791	42,782	355,573
Other comprehensive income	342	1,191,346	-	-	1,191,346	10,721	1,202,067
Comprehensive income for the year	342	1,191,346	-	312,791	1,504,137	53,503	1,557,640
Acquisition of treasury stock	-	-	-	-	(200,024)	-	(200,024)
Disposal of treasury stock	-	-	-	-	198	-	198
Dividends	-	-	-	(146,029)	(146,029)	(42,559)	(188,588)
Changes in the ownership interest in subsidiaries without loss of control	-	-	-	-	(227)	(2,251)	(2,478)
Transfer to retained earnings	-	(72,681)	-	72,681	-	-	-
Transfer to other comprehensive income associated with assets held for sale	-	(258,936)	258,936	-	-	-	-
Other increase (decrease)	-	-	-	3	3	43	46
Total transactions with the owners	-	(331,617)	258,936	(73,345)	(346,079)	(44,767)	(390,846)
Balance as of March 31, 2024	(4,141)	1,815,558	258,936	3,451,694	5,534,986	211,519	5,746,505

Notes to the Consolidated Financial Statements

1. Basis of Presenting the Consolidated Financial Statements

(1) Basis of preparation of the consolidated financial statements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter “IFRS”) under the provision of Article 120, Paragraph 1 of the Rules of Corporate Accounting. Certain disclosures required by IFRS have been omitted from these consolidated financial statements under the provision set forth in the second sentence of said paragraph.

(2) Scope of consolidation

1) Number of consolidated subsidiaries: 193

2) Names of the principal consolidated subsidiaries:

(Domestic)

A total of 57 companies including DENSO ELECTRONICS CORPORATION, DENSO SOLUTION JAPAN CORPORATION, and DENSO TEN LTD.

(Overseas)

A total of 136 companies including DENSO INTERNATIONAL AMERICA, INC., DENSO MANUFACTURING MICHIGAN, INC., DENSO MANUFACTURING TENNESSEE, INC., DENSO MANUFACTURING ATHENS TENNESSEE, INC., DENSO SALES CANADA, INC., DENSO MEXICO S.A. DE C.V., DENSO EUROPE B.V., DENSO MANUFACTURING HUNGARY LTD., DENSO INTERNATIONAL ASIA PTE., LTD. (Singapore), DENSO (THAILAND) CO., LTD., SIAM DENSO MANUFACTURING CO., LTD., DENSO SALES (THAILAND) CO., LTD., PT. DENSO SALES INDONESIA, DENSO (CHINA) INVESTMENT CO., LTD., TIANJIN DENSO ELECTRONICS CO., LTD. and GUANGZHOU DENSO CO., LTD.

(3) Application of the equity method

1) Number of associates accounted for by the equity method: 70

2) Name of the principal associates accounted for by the equity method:

(Domestic) TSUDA INDUSTRIES CO., LTD., ADVICS CO., LTD., Toshiba Information Systems (Japan) Corporation and 19 other companies (a total of 22)

(Overseas) MICHIGAN AUTOMOTIVE COMPRESSOR, INC. and 47 other companies (a total of 48)

(4) Summary of significant accounting policies

1) Business combination and goodwill

Business combinations are accounted for using the acquisition method. Consideration transferred in a business combination is measured at as the sum of the acquisition-date fair value of the assets transferred, the liabilities assumed and equity instruments issued by the Company and its subsidiaries (hereinafter the “Group”) in exchange for control over an acquiree. Acquisition-related costs incurred are recognized as expenses.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in other versions of IFRS.

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

- Deferred tax assets (or liabilities) and liabilities (or assets) related to employee benefit arrangements are recognized and measured in accordance with International Accounting Standard (“IAS”) 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- 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; and
- Liabilities or equity instruments related to share-based remuneration of the acquiree or share-based remuneration of the Group entered into to replace such arrangements of the acquiree are measured in

accordance with IFRS 2 *Share-based Payment*.

Any excess of the consideration of acquisition over the fair value of identifiable assets and liabilities is recognized as goodwill in the consolidated statement of financial position. If the consideration of acquisition is lower than the fair value of the identifiable assets and liabilities, the difference is immediately recognized as gain in the consolidated statement of income. The additional acquisition of non-controlling interests after obtaining control is accounted for as an equity transaction without recognition of goodwill.

Goodwill has been measured at the initially recognized value at the date of the business combination less accumulated impairment losses and included in "Intangible assets" in the consolidated statement of financial position. Goodwill is not amortized, but instead, tested for impairment annually or whenever there is any indication of impairment. Impairment losses on goodwill are recognized in the consolidated statement of income and no subsequent reversal is made.

If the initial accounting of 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 uncompleted accounting items. The Group will revise the provisional amounts during the measurement period (not exceeding one year) or recognize additional assets or liabilities in order to reflect new information obtained regarding 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 such amounts have been ascertained.

2) Financial assets

i) Initial recognition and measurement

The Group classifies financial assets into financial assets measured at amortized cost and financial assets measured at fair value based on their nature and holding purposes. The Group determines the classification at initial recognition. The sale or purchase of financial assets which occurs in the normal course of business is recognized or derecognized at the transaction date.

a) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial 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.

The financial assets measured at amortized cost are measured initially at fair value plus transaction costs directly attributable to the acquisition.

b) Financial assets measured at fair value

If the financial assets do not meet the above conditions, they are classified as financial assets measured at fair value through profit or loss or other comprehensive income.

Equity instruments are measured at fair value. By its irrevocable designation, the financial assets held for trading are measured at fair value with changes recognized through profit or loss, or otherwise are measured at fair value with changes recognized through other comprehensive income. The designation has been applied consistently.

Financial assets other than equity instruments that do not meet the condition in relation to the measurement of amortized cost are measured at fair value with changes recognized through profit or loss.

Financial assets measured at fair value through profit or loss are initially measured at fair value and transaction costs are recognized in profit or loss when they occur. Financial assets measured at fair value through other comprehensive income are initially measured at fair value plus transaction costs directly attributable to the acquisition.

ii) Subsequent measurement

After initial recognition, financial assets are measured based on the classification as follows:

a) Financial assets measured at amortized cost

The carrying amount of financial assets measured at amortized cost is 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 the financial asset to the net carrying amount of the financial asset. 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) Financial assets measured at fair value

Changes in the fair value of financial assets measured at fair value are recognized in profit or loss.

However, gains or losses occurring from the disposal or remeasurement of fair value of the equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income and accumulated within "Other components of equity," and is not recognized in profit or loss. The amount is transferred to retained earnings when the equity instruments are derecognized. Dividends for equity instruments are recognized in profit or loss when the right to receive dividends is established and included in "Finance income" in the consolidated statement of income. Net gains or losses arising from the equity instruments measured at fair value through profit or loss are recognized as "Finance income" or "Finance costs" in the consolidated statement of income. The interest income from the debt instruments is also included in net gains or losses above.

iii) Impairment of financial assets measured at amortized cost

The Group assesses, at the end of each reporting period, whether credit risk on a financial asset measured at amortized cost has increased significantly since initial recognition. If credit risk on a financial asset has increased significantly since initial recognition or a financial asset is credit-impaired, an amount equal to lifetime expected credit losses is recognized as an allowance for doubtful accounts. If not, an amount equal to 12-month expected credit losses is recognized as an allowance for doubtful accounts. Expected credit losses are measured based on the discounted present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive.

For trade receivables, an amount equal to lifetime expected losses is recognized as an allowance for doubtful accounts from initial recognition.

The provision of an allowance for doubtful accounts or the reversal of an allowance for doubtful accounts in the case of reducing the allowance concerning a financial asset is included in profit or loss.

iv) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when 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 asset and the relevant liabilities that might possibly be paid in association therewith.

3) Hedge accounting and derivatives

The Group utilizes derivatives, including currency swaps, interest rate swaps and foreign exchange forward contracts to hedge 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.

The Group has derivatives held for hedging purposes that do not qualify for hedge accounting. The fluctuation on the fair value of these derivatives is recognized in profit or loss immediately.

At the inception of the hedge, the Group documents the relationship between the hedging instruments and the hedged items in accordance with the objectives of risk management and the strategies for undertaking various hedge transactions. In addition, the Group assesses on a quarterly basis whether the hedging instruments are highly effective in offsetting changes in cash flows of the hedged items attributable to the hedged risk at the inception of the hedge and during its term. A cash flow hedge is applied to a forecast transaction only when the transaction is highly probable.

Cash flow hedge

The Group adopts only cash flow hedge as its approach to hedge accounting.

The effective portion of gains or losses on hedging instruments is recognized as other comprehensive income, while the ineffective portion is recognized immediately in profit or loss in the consolidated statement of income.

The amount of hedging instruments recognized in other comprehensive income is reclassified to profit or loss when the transactions of the hedged items affect profit or loss.

Hedge accounting is discontinued prospectively when the hedge no longer qualifies for hedge accounting, or when the hedging instrument expires or is sold, terminated or exercised, or when the designation is revoked.

When hedge accounting is discontinued, the Group continues to record the balance of other comprehensive income related to cash flow hedges which have been recognized in other comprehensive income until the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the balance of other comprehensive income related to cash flow hedges is recognized immediately in profit or loss.

4) Inventories

Inventories are measured at the lower of cost and net realizable value. Inventories include costs of purchase, costs of conversion and all other costs incurred in bringing the inventories to their present location and condition and the cost is determined mainly using the periodic average method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

5) Depreciation or amortization methods of property, plant and equipment, right-of-use assets and intangible assets

i) Property, plant and equipment

Except for assets that are not subject to depreciation such as land and construction in progress, property, plant and equipment are amortized mainly using the straight-line method over their estimated useful lives as follows.

The estimated useful lives and depreciation method are reviewed at the end of each reporting period.

- Buildings and structures: 6 to 50 years
- Machinery and vehicles: 3 to 10 years
- Other: 2 to 10 years

ii) Right-of-use assets

Right-of-use assets are amortized on a straight-line basis over the estimated useful lives or lease terms, whichever is shorter.

iii) Intangible assets

Intangible assets with finite useful lives are amortized by using the straight-line method over their estimated useful lives.

Major estimated useful lives are as follows:

- Software: 3 to 5 years
- Development costs: 3 years
- Customer-related assets: 3 to 25 years
- Technology-related assets: 10 to 19 years

6) Impairment of non-financial assets

The Group assesses, for each fiscal year, whether there is any indication that an asset may be impaired. If any indication exists, or in cases where the impairment test is required to be performed each year, the recoverable amount of the asset is estimated. In cases that the recoverable amount cannot be estimated for each asset, it is estimated by the cash-generating unit to which the asset belongs. The grouping of assets in applying impairment accounting of the Group is determined by business group, which is the unit used in management accounting to understand profits and losses on an ongoing basis. In addition, assets are grouped into the rented property group and the idle property group, with each property as a minimum unit. Meanwhile, the headquarters and welfare facilities are categorized as corporate assets because they do not generate cash flows independently.

The impairment losses are included in “Other expenses” in the consolidated statement of income. Assessment for impairment is performed with respect to each asset, cash-generating unit or group of cash-generating units. The recoverable amount of an asset or a cash-generating unit (or group of cash-generating units) is determined at the higher of its fair value less costs of disposal and its value in use. If the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, impairment is recognized for the asset and the carrying amount is reduced to the recoverable amount. In determining the fair value less costs of disposal, the Group uses an appropriate valuation model supported by available fair value indicators.

In determining the value in use, estimated future cash flows are calculated using discount rates that reflect current market assessments of the time value of money.

The Group assesses whether there is any indication that an impairment loss recognized in prior years for an asset other than goodwill may no longer exist or may have decreased, 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 or the carrying amount (net of depreciation) that would have been determined if no impairment losses had been recognized in prior years. However, an impairment loss recognized for goodwill is not reversed.

7) Recognition criteria for provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required for the Group to settle the obligations, and reliable estimates can be made of the amount of the obligations.

Where the effect of the time value of money is material, the amount of a provision is measured by discounting the estimated future cash flows to the present value at a pre-tax discount rate that reflects current market assessments of 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 costs" in the consolidated statement of income.

The main provisions are recorded as follows.

Reserve for product warranties:

Reserve for product warranties is recognized at an estimated amount of warranty expenses and timing of economic benefit outflows based on past experiences for after-sales service expenses incurred. The estimated amount of warranty expenses is subject to uncertainties regarding assumptions such as the number of vehicles to be covered, the unit repair cost per vehicle, the rate at which defects are addressed, and the expected proportion of the amount to be borne by the customer on a pro-rata basis. Therefore, it is possible that the estimates may change significantly due to changes in the circumstances on which the estimates are based.

Provision for loss on antitrust issues:

Provision for loss on antitrust issues is recognized at an estimated amount of potential future losses to prepare for payments of settlements, etc., with regard to the alleged violation of antitrust law or competition law in connection with certain past transactions regarding specific auto parts.

8) Employee benefits

i) Post-employment benefits

a) Defined benefit plans

The Group has defined benefit pension plans and lump-sum benefit plans.

Defined benefit plans are post-employment benefit plans other than defined contribution plans (refer to b) below). The Group's net defined benefit obligations are calculated respectively for each plan by estimating the future amount of benefits that employees have earned in exchange for their service for the previous years and the current year and discounting the amount to the present value. These calculations are performed annually by qualified actuaries using the projected unit credit method. The fair values of plan assets are deducted from the above calculation results. In the event a defined benefit plan is overfunded, the asset ceiling is set at the present value of available future economic benefits, in the form of a reduction in future premiums or cash refunds.

The discount rates are equivalent to the market yields of AA credit-rated corporate bonds at the end of each reporting period that have maturities approximating those of the Group's defined benefit obligations. Changes in defined benefit obligations for employees' past services due to the revision of the pension plan are recognized in profit or loss. The Group recognizes changes in obligations due to the remeasurement of benefit obligations and plan assets of defined benefit plans in other comprehensive income and then immediately reclassifies the cumulative amount to retained earnings.

b) Defined contribution plans

Defined contribution plans are post-employment benefit plans in which the employer makes fixed contributions to other independent entities and has no legal or constructive obligation to make further contributions. The contributions to defined contribution plans are recognized as an expense during the period when the service is rendered by employees.

ii) Other long-term employee benefits

For long-term employee benefit plans, such as long-service employee awards, benefit amounts are determined by discounting the future amount of benefits estimated based on these plans to the present value when the Group has present constructive obligations to pay as a result of past employee service, and when reliable estimates of the obligations can be made.

The discount rates are equivalent to the market yields of AA credit-rated corporate bonds at the end of each reporting period that have maturities approximating those of the Company's obligations.

iii) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed when the service is rendered.

For bonuses, estimated amounts to be paid based on the plans are recognized as liabilities when the Group has present legal or constructive obligations to pay as a result of past employee service, and when reliable estimates of the obligations can be made.

9) Revenue

The Group recognizes revenue based on the following five-step approach:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

In the parts supply business for automobile manufacturers, the Group manufactures and sells products of the thermal system, powertrain system, mobility electronics, electrification system, advanced devices in auto parts mainly to domestic and overseas automobile manufacturers. In the aftermarket and Non-automotive Business, the Group mainly sells automotive service parts to end users.

The Group's performance obligations are mainly to supply finished products to customers. In principle, revenue is recognized when products are delivered to customers since the Group deems that control over the products is transferred to the customers and performance obligations are satisfied at that point in time.

Consideration for these performance obligations is received generally within one year after the performance obligations are satisfied under separately prescribed payment terms, and includes no significant financing components. Revenue is measured at consideration promised in contracts with customers. Moreover, in the case of executing product sales transactions based on a provisional unit price, revenue is estimated as variable consideration by an appropriate method using the most likely amount method, etc.

For part of supply transactions for fees falling under the definition of repurchase agreements, inventories are continuously recognized as financing transactions, and financial liabilities are recognized for the ending inventories of supplies which remain at supply destinations.

10) Foreign currency translation

i) Translation of foreign currency transactions

The financial statements of each company in the Group are prepared based on the currency of the primary economic environment in which the entity operates (functional currency), and transactions in currencies other than the functional currency of each company (foreign currencies) are translated at the exchange rates prevailing at the transaction dates or approximations of the rates.

At the end of the reporting period, monetary items denominated in foreign currencies are translated at the exchange rates prevailing at the fiscal year-end, while non-monetary items denominated in foreign currencies measured at cost are translated at the exchange rates at the transaction dates and those measured at fair value are translated at the rates prevailing at the dates when the fair value is determined.

Differences arising from the translation or settlement are recognized in profit or loss during the period and presented in "Foreign exchange gain or loss" in the consolidated statement of income.

ii) Translation of foreign operations

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the parent and the presentation currency of the consolidated financial statements. In order to present the consolidated financial statements, the assets and liabilities of foreign operations are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end, while their

revenue and expenses are translated into Japanese yen at the average exchange rates for the period, except for foreign operations in a hyperinflationary economy. If translation differences occur, they are recognized as “Exchange differences on translating foreign operations” in other comprehensive income and its cumulative amount is classified as “Other components of equity” of the equity section. In the event of a loss of control due to the disposal of foreign operations, the relevant cumulative amount of translation differences is reclassified to profit or loss during the period in which they are disposed of.

Goodwill and fair value adjustments resulting from the acquisition of foreign operations are retranslated as assets and liabilities of such foreign operations as at the end of the reporting period, and exchange differences are classified into “Other components of equity.”

iii) Financial reporting in hyperinflationary economies

In accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*, consolidated subsidiaries that use the Argentine peso or the Turkish lira as their functional currencies are subject to adjustments using hyperinflationary accounting. The impact of inflation is reflected in the financial statements of foreign operations in hyperinflationary economies, with revenue and expenses being translated into Japanese yen at the exchange rates prevailing at the fiscal year-end.

2. Notes to Changes in Accounting Policies

The Group has applied the following amendments to IAS 12 *Income Taxes* starting from the current fiscal year.

(1) Deferred taxes related to the assets and liabilities arising from a single transaction

With the adoption of IAS 12 *Income Taxes* (amended in May 2021), the accounting treatment at initial recognition for transactions that generate equal amounts of future taxable and deductible temporary differences at the transaction time has been clarified. Deferred tax liabilities and deferred tax assets for these future taxable and deductible temporary differences are respectively recognized in the consolidated statement of financial position. The impact of these amendments on the consolidated financial statements is immaterial.

(2) International tax reform—Pillar Two Model Rules

Following the adoption of IAS 12 *Income Taxes* (amended in May 2023), the Group has retroactively applied an exception that temporarily relieves the need to recognize and disclose deferred tax assets and deferred tax liabilities related to taxes subject to the taxation system on the Pillar Two Model Rules announced by the Organisation for Economic Co-operation and Development (OECD).

In Japan, the fiscal year 2023 tax reform introduced a corporation income tax in alignment with the global minimum tax. This reform was encapsulated in tax reform act (“Act for Partial Revision of the Income Tax Act and Other Acts.” (Act No. 3 of 2023), hereinafter referred to as the “Revised Corporation Income Tax Act”), which was enacted on March 28, 2023. The Revised Corporation Income Tax Act introduces the Income Inclusion Rule (IIR) as part of the global minimum tax rules. From fiscal years beginning on or after April 1, 2024, parent companies located in Japan will be subject to additional surtax until the tax burden of their subsidiaries reach the minimum tax rate (15%). In the Group, the tax burden may fall below the minimum tax rate (15%) for subsidiaries located in the United Arab Emirates, etc., but the impact of such tax on the consolidated financial statements is immaterial.

3. Notes to Accounting Estimates

The significant accounting estimates of the Group and the amounts recorded in the fiscal year ended March 31, 2024 are as follows.

(1) Impairment of non-financial assets

Amount of impairment losses ¥— million

Regarding non-financial assets such as property, plant and equipment, right-of-use assets and intangible assets, if there is an event or change in circumstances indicating that the carrying amount of the asset or cash-generating unit may exceed the recoverable amount, the recoverable amount of the asset or cash-generating unit is estimated, assuming there is an indication of possible impairment. In estimating the recoverable amount, assumptions such as the remaining useful life of the asset, projections of future cash flow, and discount rates are used.

The Group believes that the judgments concerning the recognition of an indication of possible impairment and impairment loss, as well as estimates of recoverable amounts, are reasonable. However, due to the fact that these estimates include uncertainties, if unpredictable changes to assumptions, etc., lead to changes in estimates related to assessing non-financial assets, this may result in additional impairment losses in the

- future.
- (2) Recoverability of deferred tax assets
- | | |
|------------------------------------|------------------|
| Amount of deferred tax assets | ¥56,057 million |
| Amount of deferred tax liabilities | ¥382,752 million |
- Deferred tax assets are recognized for deductible temporary differences, unused tax credit carryforwards and loss carryforwards to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that there will be sufficient taxable profit against which all or part of the deferred tax assets can be utilized.
- The Group believes that the estimates related to assessing the recoverability of deferred tax assets are reasonable. However, due to the fact that these estimates include uncertainties, if unpredictable changes to assumptions, etc., lead to changes in estimates related to assessing the recoverability of deferred tax assets, this may result in an additional reduction of deferred tax assets in the future.
- (3) Reserve for product warranties
- | | |
|--|------------------|
| Amount of reserve for product warranties | ¥265,971 million |
|--|------------------|
- Warranty expenses include repair expenses for repair requests, which are primarily from end users, as well as repair expenses for covered vehicles, which are based on defect handling (including recalls) determined by automobile manufacturers and other customers.
- Of the above, the reserve for product warranties related to the defect handling is calculated based on the reasonably expected amount which would be paid by the Group, in the event that automobile manufacturers or other customers handled the repairs for products manufactured by the Group in the past. The amount is calculated by multiplying the following: a) the number of vehicles to be covered; b) the unit repair expense per vehicle; c) the defect handling incidence rate; and d) the expected burden ratio with customers such as automobile manufacturers. These assumptions cause a relatively higher degree of uncertainty because they include an estimate of the man-hours required for repairs, which depend on the cause of product defects as well as the results of negotiations with customers such as automobile manufactures.
- The Group believes that the estimates of the assumptions related to the calculation of warranty expenses are reasonable. However, these estimates include uncertainties, and if the estimates differ from the actual warranty expenses as a result of unpredictable changes made to assumptions, etc., it may be necessary to recognize additional reserve for product warranties or make reversal of it.
- (4) Provision for loss on antitrust issues
- | | |
|--|-----------------|
| Amount of provision for loss on antitrust issues | ¥13,619 million |
|--|-----------------|
- Provision for loss on antitrust issues is recognized at an estimated amount of potential future losses to prepare for settlements, etc., with regard to the alleged violation of antitrust law or competition law in connection with certain past transactions regarding specific auto parts.
- Settlements, etc. mainly include a) surcharges that are ordered to be paid as a result of investigations by national governments and competition authorities; b) litigation settlements to be paid as a result of settlement negotiations with the plaintiffs in civil cases; and c) settlements to be paid as a result of individual settlement negotiations with automobile manufacturers. The Group has established an internal system to prevent violations of the Antitrust Law, and publicly announced a safety declaration regarding the Antitrust Law in March 2012. As such, the Group believes that the risk of antitrust violations has been reduced. However, the Group estimates the amounts of settlements that are expected to occur in the future, and reviews the estimates for the cases with provision amounts already been recorded, in a timely manner. For the estimates and the reviews, the Group considers the status of investigations by the national governments and competition authorities related to transactions before March 2012, the progress of settlement negotiations, the settlement of past settlement sought cases, and consultation with the attorneys in charge. The Group believes that it reasonably estimates surcharges and settlements, as well as reviews these estimates. However, these estimates and estimate revisions include uncertainties, which depend on the intentions of the authorities and counterparties, and it may be necessary to make additional provisions for loss on antitrust issues or reversal as a result of unpredictable changes made to assumptions, etc.
- (5) Measurements of defined benefit obligations
- | | |
|--|------------------|
| Amount of assets related to defined benefit plans | ¥105,937 million |
| Amount of liabilities related to defined benefit plans | ¥238,201 million |
- The present value of the defined benefit obligation is determined with actuarial calculations using assumptions such as discount rate, rate of salary increase, rate of employee turnover and mortality rate. The discount rate is a particularly significant assumption. The discount rates are equivalent to the market yields

of AA credit-rated corporate bonds at the end of each reporting period that have maturity terms approximating those of the Group's defined benefit obligations.

The Group believes that the estimates of the assumptions related to the calculation of defined benefit obligation are reasonable. However, due to the fact that these estimates include uncertainties, this could have an impact on the evaluation of Group's defined benefit obligation, if the assumptions differ from the actual results, or if there are changes made to the assumptions.

(6) Fair value measurement of financial instruments

Amount of financial instruments

See "7. Notes to Financial Instruments."

The fair value of certain assets and liabilities have been determined using market information such as quoted market prices, and valuation methodologies such as the market approach, income approach and cost approach. If available, quoted prices on active markets, or observable prices, are used to measure fair value. If such information is not available, unobservable inputs that reflect the Group's judgment on assumptions, which market participants would use when pricing the assets or liabilities, are used. The Group develops unobservable inputs using the best information available in the circumstances, which might include the Group's own data.

The Group believes that assessments of fair value of financial instruments are reasonable. However, due to the fact that these assessments include uncertainties, this could result in changes in fair value measurement if there are changes in estimates for financial instruments, which may arise from unpredictable changes made to assumptions, etc.

4. Notes to Changes in Accounting Estimates

Previously, the Group recorded reserve for product warranties for expenses to be borne in relation to defects that arose on certain products manufactured by the Group, but it changed its estimates during the fiscal year ended March 31, 2024, based on the subsequent circumstances.

As a result of this change, provisions under current liabilities, and selling, general and administrative expenses each increased by ¥179,000 million.

5. Notes to the Consolidated Statement of Financial Position

(1) Accumulated depreciation of property, plant and equipment ¥4,683,671 million

Accumulated depreciation of property, plant and equipment includes accumulated impairment loss.

(2) Other

The details of contingent liabilities in the fiscal year ended March 31, 2024 are as follows:

Concerning the antitrust law

1) Investigations by countries and competition authorities

The Company is responding to the authorities' investigations in certain jurisdictions.

2) Civil lawsuits

3) The Company (along with its certain subsidiaries) is among the defendants named in the lawsuit filed by a certain customer in a U.K. court, wherein damages are claimed on suspicion of violation of antitrust law or competition law in connection with certain past transactions regarding specific auto parts. The case will be proceeded in accordance with the rule of the civil procedure in the U.K., and the Company could commence settlement discussions with the plaintiffs at any time in the proceedings and reach a settlement. Individual settlement negotiations

The Company has been engaged in negotiations with its major customers (certain automobile manufacturers), individually concerning the alleged violation of antitrust law or competition law in connection with certain past transactions regarding specific auto parts.

In relation to some of these matters, the Company has estimated its potential payable amounts and has reserved such amounts in the "Other expenses" category.

Please note that pursuant to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Company has not disclosed the overall content of these disputes because the disclosure of such information could be expected to prejudice the position of the Company.

6. Notes to the Consolidated Statement of Changes in Equity

(1) Type and total number of shares issued as of March 31, 2024: 3,151,779,804 shares of common stock

(2) Dividends

1) Dividends paid

Resolution	Type of stock	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 27, 2023	Common stock	71,141	95	March 31, 2023	May 25, 2023
Board of Directors meeting held on October 31, 2023	Common stock	74,888	100	September 30, 2023	November 27, 2023

Note: On October 1, 2023, the Company conducted a four-for-one stock split of its common stock.
“Dividend per share” indicates the amount prior to such stock split.

2) Of the dividends for which the record date belongs to the fiscal year ended March 31, 2024, those for which the effective date of the dividends will be in the fiscal year ending March 31, 2025.

A resolution was made as follows at the Board of Directors meeting held on April 26, 2024.

Resolution	Type of stock	Total dividend amount (Millions of yen)	Source of funds for dividends	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 26, 2024	Common stock	87,327	Retained earnings	30	March 31, 2024	May 23, 2024

Note: On October 1, 2023, the Company conducted a four-for-one stock split of its common stock.
“Dividend per share” indicates the amount after such stock split.

7. Notes to Financial Instruments

(1) Status of financial instruments

1) Capital management

The Group aims to continuously enhance its corporate value by keeping lasting and stable return to shareholders as well as using funds for capital investment, research and development, and merger and acquisition that are necessary for sustained growth, while ensuring financial soundness. Generally, the operating cash flows cover business funds necessary to achieve the goal by keeping and strengthening the Group’s profitability and cash-generating ability, with additional interest-bearing debt, such as bonds and borrowings, if necessary. In addition, the Group secures funds to maintain the stable financial health in the long term. The Group is not subject to any externally imposed restriction on capital as of March 31, 2024.

2) Description and extent of risks arising from financial instruments

i) Risk management policy

In the course of business activities, the Group is exposed to financial risks, such as credit risks, market risks and liquidity risks, and performs risk management activities in accordance with certain policies to avoid or reduce these risks. The policy of asset management and derivative transactions are primarily approved by the Board of Directors of the Company at the beginning of each fiscal year, while the transactions and relevant risk management during the period are implemented primarily in accordance with internal regulations.

The Group uses derivatives for the purpose of avoiding risks stated below, and does not enter into derivative transactions for speculation purposes.

a) Credit risk

Notes and accounts receivable, or the Group’s trade receivables, are exposed to credit risk of the customers. The Group manages the due dates and balances of trade receivables by customer. For those customers whose credit risk is of concern to the Group, measures to protect the receivables are individually developed and implemented by periodically monitoring the status and evaluating the default risk due mainly to deterioration of their financial standing at an earlier stage.

As short-term bond investment trusts as well as government and corporate bonds held by the Group for investment in debt instruments are all highly-rated instruments or instruments issued by highly-

rated financial institutions and other issuers in accordance with internal asset management regulations, credit risk is deemed as immaterial.

The Group enters into derivative transactions only with highly-rated financial institutions to minimize counterparty risks.

The carrying amount after impairment of financial assets presented in the consolidated financial statements represents the maximum exposure of the Company's financial assets to credit risks.

The Group determines whether credit risk has increased significantly since initial recognition based on changes in default risk, and considers the financial condition, past due information and other factors of the customer for the determination. The Group, in principle, determines that the credit risk has increased significantly if contractual payments are more than 30 days past due. The Group considers reasonable and supportable information that is available without undue cost or effort for the determination, and determines that the credit risk has not increased significantly if it can be rebutted based on the information.

Moreover, in principle, the Group determines that default has occurred if contractual payments are more than 90 days past due and credit impairment has occurred. At the end of each reporting period, the Group assesses whether there is objective evidence of credit impairment. The evidence of credit impairment includes default or delinquency of the borrower, extension of the due date under terms and conditions which the Group would not have granted in other circumstances, indication of bankruptcy of the borrower or the issuer and disappearance of an active market. Further, a write-off is executed if future collection is reasonably unexpected.

b) Market risk

Foreign exchange risk

Since the Group operates its business globally, it executes foreign currency transactions and is exposed to a risk that profit or loss, cash flows and other items may be impacted by foreign exchange fluctuations. In order to avoid the foreign exchange risk, the Group uses mainly forward foreign currency contracts for foreign currency trade receivables and payables and currency swaps for foreign currency borrowings as derivative transactions.

Risk management is performed by the Company's Finance & Accounting Division based on derivative transaction regulations which prescribe the authority and the limits for each transaction. The consolidated subsidiaries conduct management based on the derivative transaction regulations.

Interest rate risks

The Group is exposed to an interest rate risk since the Group borrows funds with both fixed interest rates and variable interest rates. The Group's interest-bearing debt mainly consist of bonds and borrowings with fixed interest rates, and borrowings with variable interest rates are practically equivalent to borrowings with fixed interest rates by using interest-rate swap agreements in principle.

Risk management is performed by the Company's Finance & Accounting Division based on the derivative transaction regulations which prescribe the authority and the limits for each transaction. The consolidated subsidiaries conduct management based on the derivative transaction regulations.

c) Liquidity risk

The Group raises funds by borrowings and bonds and is exposed to a liquidity risk that the Group may not be able to repay debts on the due dates due to the deterioration of the financing environment. The Group manages its liquidity risk by holding adequate volumes of assets with liquidity to cover the amounts of one month's consolidated revenue or more, along with adequate financial planning developed and revised by the Finance & Accounting Division based on the reports from each business unit.

d) Price fluctuation risk of equity instruments

The Group is exposed to share price fluctuation risk arising from equity instruments (stocks). As these investments are not held for short-term trading purpose, but mainly for forming a business alliance or strengthening a business relationship with business partners, the Group reviews the holding status on an ongoing basis in light of the relationship with the business partners by periodically evaluating their fair values as well as the financial condition of the issuers (i.e., business partners).

(2) Fair value of financial instruments

The carrying amounts and fair values of financial instruments held as of March 31, 2024 (end of the current fiscal year) are presented as follows.

1) Financial instruments measured at amortized cost

(Unit: Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Debt securities	295	300	-	-	300
Financial liabilities					
Long-term borrowings (Note)	476,500	-	-	473,491	473,491
Bonds (Note)	195,705	187,903	-	-	187,903

Note: The current portions are included in these amounts.

As the fair value of short-term financial assets and short-term financial liabilities, which are measured at amortized cost, approximates their carrying amount, their note disclosures are omitted.

The fair value of long-term borrowings is calculated based on the present value which is obtained by discounting the sum of the principal amount and interest payments at an interest rate assumed to be applied if the same loans were newly executed.

2) Fair value of financial assets and liabilities measured at fair value on a recurring basis

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Derivative assets	-	18,598	-	18,598
Stocks				
Listed stocks	2,679,492	-	-	2,679,492
Unlisted stocks	-	-	330,373	330,373
Other equity securities	-	-	3,712	3,712
Total	2,679,492	18,598	334,085	3,032,175
Derivative liabilities	-	7,187	-	7,187
Total	-	7,187	-	7,187

Derivatives used by the Group primarily consist of foreign exchange forward contracts, interest rate swaps, and currency swaps.

The fair values of foreign exchange forward contracts are determined based on forward exchange rates and other factors. The fair values of interest rate swaps and currency swaps are determined based on observable market data such as interest rates quoted by financial institutions.

For the fair value measurement of unlisted stocks and other equity securities, the most appropriate method is selected according to particular conditions. The fair values are determined using the discounted cash flow method or the adjusted net asset method to adjust the market value using the PBR as necessary.

The illiquidity discount, which is a significant unobservable input used in measuring the fair values of unlisted shares and other equity securities, is determined at 30%.

8. Notes to Per Share Data

(1) Equity per share attributable to owners of the parent company ¥1,901.56

(2) Basic earnings per share ¥104.97

Note: On October 1, 2023, the Company conducted a four-for-one stock split of its common stock.

Each amount of per share data is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2024.

9. Notes to Business Combination

Effective as of August 1, 2023, the Company newly made Belua Beheer B.V. a wholly owned subsidiary of the Company.

(1) Overview of the business combination

On August 1, 2023, the Company acquired shares of Belua Beheer B.V., the parent company of the Certhon

Group, which includes Certhon Build B.V., thereby making Belua Beheer B.V. a wholly owned subsidiary. Consequently, the ratio of voting rights in Belua Beheer B.V. held by the Company rose from 40% (as of July 31, 2023) to 100% (as of August 1, 2023), and thus the Company holds all of the voting rights.

(2) Reason for the business combination

This is aimed at accelerating the global expansion of the agricultural production business.

(3) Overview of the acquired company

Name: Belua Beheer B.V.

Business Line: Development and sale of greenhouse horticulture solutions

(4) Date of the acquisition of control

August 1, 2023

(5) Consideration transferred and breakdown thereof

(Unit: Millions of yen)

	Amount
Cash consideration for the acquisition	12,427
Fair value of equity interest in Belua Beheer B.V. already held at the time of acquisition of control	8,285
Total consideration transferred	20,712

As a result of the remeasurement of equity interest already held at the time of acquisition of control by the Company in Belua Beheer B.V. at fair value on the acquisition date, the Company recognized a gain on the acquisition of ¥2,858 million. This gain is recorded as “Other income” in the consolidated statement of income. Acquisition-related costs of ¥298 million (previous fiscal year: ¥89 million, current fiscal year: ¥209 million) such as advisory fee arising from the business combination are recorded in “Selling, general and administrative expenses.”

(6) Fair values of assets and liabilities and goodwill at the date of the acquisition of control

(Unit: Millions of yen)

	Initial provisional fair value	Subsequent adjustments (Note 1)	Post-adjustment fair value
Total consideration transferred (A)	20,712	-	20,712
Assets			
Cash and cash equivalents	1,317	-	1,317
Trade and other receivables	2,660	-	2,660
Other current assets	1,102	-	1,102
Property, plant and equipment	1,780	-	1,780
Intangible assets	68	10,201	10,269
Other non-current assets	19	-	19
Total assets	6,946	10,201	17,147
Liabilities			
Current liabilities	3,697	-	3,697
Non-current liabilities	1	2,632	2,633
Total liabilities	3,698	2,632	6,330
Net assets (B)	3,248	7,569	10,817
Goodwill (Note 2) (A - B)	17,464	(7,569)	9,895

Note 1: Adjustments to provisional amounts

The amount of consideration transferred is allocated to the acquired assets based on the fair value on the date of the acquisition of control. The allocation of the consideration transferred was completed in the three-month period ended March 31, 2024. Major adjustments from initial provisional amounts are as follows:

An additional analysis on the fair value of Belua Beheer B.V. brought intangible assets and deferred tax liabilities up ¥10,201 million and ¥2,632 million, respectively. As a result, goodwill decreased by ¥7,569 million.

Note 2: Goodwill

Goodwill reflects prospective excess earning power that is expected from future business development and synergy between the Company and the acquired company. There is no goodwill amount that is expected to be tax deductible.

(7) Revenue and profit for the year of the acquired company

The revenue and loss for the year from the acquired company before the elimination of inter-company transactions after the date of acquisition of control, which are recognized in the consolidated statement of income, are ¥5,397 million and ¥524 million, respectively.

In addition, the above loss for the year includes amortization for intangible assets, etc. recognized at the time of acquisition of control.

(8) Consolidated revenue and consolidated profit for the year assuming the business combination had been completed at the beginning of the fiscal year

Assuming that the date of the acquisition of control had been April 1, 2023 for the business combination with Belua Beheer B.V., pro forma information (unaudited) on the Company's consolidated operating results for the 12 months ended March 31, 2024 would be as follows:

(Unit: Millions of yen)	
	Amount
Revenue (Pro forma information)	7,148,981
Profit for the year (Pro forma information)	355,617

10. Notes to Revenue

(1) Disaggregation of revenue

The Group is a global automotive component manufacturer that supplies advanced automotive technologies, systems and products. Parts supply for automakers is its core business. In the aftermarket and non-automotive business, it chiefly sells automotive service parts and other accessories to end-users. The revenue generated from these businesses is in accordance with contracts with customers and is presented as revenue.

Disaggregated revenue by customer is as follows.

(Unit: Millions of yen)	
	Amount
	3,667,452
For Toyota Group	3,667,452
Other	2,821,623
Total for parts supply business for automobile manufacturers	6,489,075
Aftermarket and non-automotive business	655,658
Total	7,144,733

(Notes) 1. The amounts are after deduction of inter-group transactions.

2. The "Total for parts supply business for automobile manufacturers" includes income from subleasing right-of-use assets of ¥14,622 million, under IFRS 16.

Disaggregated revenue by product is as follows.

In line with the organizational change on January 1, 2023, from the current fiscal year, the following classification change has been made: certain products previously listed under Non-automotive business field now come under Thermal Systems.

(Unit: Millions of yen)	
	Amount
	1,730,859
Thermal Systems	1,730,859
Powertrain Systems	1,518,566
Mobility Electronics Systems	1,941,723
Electrification Systems	1,241,622
Advanced Devices	423,934
Other	143,199
Total for automotive field	6,999,903
Non-automotive business field	144,830
Total	7,144,733

(Notes) 1. The amounts are after deduction of inter-group transactions.

2. The "Total for automotive field" includes income from subleasing right-of-use assets of ¥14,622 million, under IFRS 16.

(2) Contract balances

The breakdown of contract balances of the Group is as follows.

(Unit: Millions of yen)

	As of March 31, 2024
Receivables from contracts with customers	
Trade and other receivables	1,123,568
Total	1,123,568
Contract assets	
Other current assets	3,957
Other non-current assets	4,491
Total	8,448

For contract assets, the balance is immaterial, and there are no significant changes. Of the revenue recognized for the current fiscal year, the amounts included in the balance of contract liabilities at the beginning of the period, or the amounts of revenue recognized from performance obligations that have been satisfied (or partially satisfied) in previous periods, are immaterial.

(3) Refund liabilities

In certain product sales transactions, the Group expects to refund a portion of customer considerations received due to estimated discounts. Refund liabilities of ¥16,771 million are included in “Other current liabilities” for the current fiscal year.

(4) Transaction prices allocated to remaining performance obligations

As the Group does not have significant contracts with an expected term in excess of one year, the Group has applied the practical expedient and omitted the information on remaining performance obligations. In addition, considerations arising from contracts with customers do not include significant amounts that are not included in the transaction prices.

11. Note to Significant Subsequent Events

No significant event to note.

Non-Consolidated Statement of Changes in Equity
(From April 1, 2023, to March 31, 2024)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus		Legal reserve	Retained earnings				Treasury stock, at cost	Shareholders' equity
		Additional paid-in capital	Other capital surplus		Other retained earnings			Earned surplus carried forward		
					Reserve for advanced depreciation of fixed assets	Reserve for special account	General reserve			
Balance as of April 1, 2023	187,457	265,985	1,299	43,274	658	250	896,390	538,481	(252,259)	1,681,535
Changes in the fiscal year										
Dividends from surplus	-	-	-	-	-	-	-	(146,029)	-	(146,029)
Provision of reserve for advanced depreciation of fixed assets	-	-	-	-	(178)	-	-	178	-	-
Net income	-	-	-	-	-	-	-	229,747	-	229,747
Acquisition of treasury stock	-	-	-	-	-	-	-	-	(200,024)	(200,024)
Disposal of treasury stock	-	-	44	-	-	-	-	-	154	198
Net changes in items other than those in shareholders' equity	-	-	-	-	-	-	-	-	-	-
Total of changes in the fiscal year	-	-	44	-	(178)	-	-	83,896	(199,870)	(116,108)
Balance as of March 31, 2024	187,457	265,985	1,343	43,274	480	250	896,390	622,377	(452,129)	1,565,427

	Variance of estimate/conversion		Total equity
	Net unrealized gain on available-for-sale securities	Deferred gains on derivatives under hedge accounting	
Balance as of April 1, 2023	722,721	(426)	2,403,830
Changes in the fiscal year			
Dividends from surplus	-	-	(146,029)
Provision of reserve for advanced depreciation of fixed assets	-	-	-
Net income	-	-	229,747
Acquisition of treasury stock	-	-	(200,024)
Disposal of treasury stock	-	-	198
Net changes in items other than those in shareholders' equity	834,490	(312)	834,178
Total of changes in the fiscal year	834,490	(312)	718,070
Balance as of March 31, 2024	1,557,211	(738)	3,121,900

Notes to the Non-Consolidated Financial Statements

1. Significant Accounting Policies

(1) Standard and method of valuation of securities

1) Investment in subsidiaries and associates

Stated at cost using the moving-average method.

2) Available-for-sale securities

Securities other than shares, etc. that do not have a market price:

Stated at the market price, based on the market quotation at the fiscal year-end. Unrealized gains and losses are reported, net of applicable taxes, as a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Shares, etc. that do not have a market price:

Stated at cost using the moving-average method.

(2) Derivatives are stated at the market price.

(3) Inventories are stated at cost using the gross average method (write-down of book values due to a decline in profitability for the amounts stated in the non-consolidated balance sheet)

(4) Depreciation of property, plant and equipment (excluding leased assets) is computed by the declining-balance method, and the amortization of intangible assets (excluding leased assets) and depreciation of leased assets are computed using the straight-line method.

(5) Accounting standards for reserves

Allowance for doubtful accounts:

Allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the past loan loss ratio for bad debts for ordinary receivables and on the estimated recoverability for specific doubtful receivables.

Accrued bonuses to employees:

Accrued bonuses to employees are recognized for payments of bonuses to employees at an amount estimated by the Company to be recorded for the current fiscal year.

Accrued bonuses to directors and corporate auditors:

Accrued bonuses to directors and corporate auditors are recognized for payments of bonuses to board members and audit & supervisory board members at an estimated amount to be recorded for the current fiscal year.

Reserve for product warranties:

Reserve for product warranties is provided at an amount projected for after-sales service of products based on past experience.

Provision for loss on antitrust issues:

Provision for loss on antitrust issues is recognized at an estimated amount of potential future losses to prepare for payments of settlements, etc., with regard to the alleged violation of antitrust law or competition law in connection with certain past transactions regarding specific auto parts.

Liability for employees' retirement benefits:

Liability for employees' retirement benefits is provided at an amount calculated based on the projected benefit obligations and plan assets as of March 31, 2024. Liability for employees' retirement benefits and retirement benefit expenses are accounted for as follows:

1) Method of allocating the projected retirement benefits to periods

In calculating the projected benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits to the years of service up to the end of the current fiscal year.

2) Amortization method for actuarial gains or losses and prior service cost

Actuarial gains or losses are amortized for the pro-rata amount computed by the straight-line method over a certain period (10 years), which is shorter than the average remaining service period of employees at the time of the occurrence, commencing from the following fiscal year of occurrence.

Prior service cost is amortized using the straight-line method over a certain period (10 years), which is shorter than the average remaining service period of employees at the time of the occurrence.

The accounting procedures for unrecognized actuarial gains or losses and unrecognized prior service cost pertaining to retirement benefits in the non-consolidated balance sheet are different from those used in the consolidated statement of financial position.

Provision for environmental measures:

Provision for environmental measures is recognized at an amount expected to be incurred in the future to prepare for costs related to environmental measures, such as soil contamination measures.

Provision for loss on litigation:

Provision for loss on litigation is recognized to prepare for losses on litigation at an amount deemed necessary based on the estimate of the potential losses that may be incurred in the future.

(6) Hedge accounting

Interest rate and currency swap agreements are accounted for by deferred hedging accounting (valuation gains/losses on hedging instruments are deferred as assets/liabilities until the gains/losses on the underlying hedged instruments are realized). Preferential treatment accounting is applied to certain interest rate and currency swap agreements that satisfy the requirements.

(7) Application of the group tax sharing system

The Company has applied the group tax sharing system.

(8) Revenue and expense recognition standards

The Company recognizes revenue based on the following five-step approach:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

In the parts supply business for automobile manufacturers, the Company manufactures and sells products of the thermal system, powertrain system, mobility electronics, electrification system, advanced devices in auto parts mainly to domestic and overseas automobile manufacturers. In the aftermarket and Non-automotive Business, the Group mainly sells automotive service parts to end users.

The Company's performance obligations are mainly to supply finished products to customers. In principle, revenue is recognized when products are delivered to customers since the Group deems that control over the products is transferred to the customers and performance obligations are satisfied at that point in time.

Consideration for these performance obligations is received generally within one year after the performance obligations are satisfied under separately prescribed payment terms, and includes no significant financing components. Revenue is measured at consideration promised in contracts with customers less discounts, rebates, and consideration payable to a customer for transactions of parts provided to suppliers with charge under the repurchase agreement. Moreover, in the case of executing product sales transactions based on a provisional unit price, revenue is estimated as variable consideration by an appropriate method using the most likely amount method, etc.

2. Notes to Accounting Estimates

The significant accounting estimates of the Company and the amounts recorded in the fiscal year ended March 31, 2024 are as follows.

(1) Impairment of fixed assets

Amount of impairment losses ¥— million

Regarding fixed assets, if certain conditions are confirmed, including continuous negative income or cash flow being generated from operating activities for an asset or asset group or the expectation thereof, the Company judges that there is an indication of impairment. If the undiscounted total amount of future cash flows that will be generated by the asset or asset group judged to have an indication of impairment is below the carrying amount, the carrying amount is reduced to the recoverable amount, and the amount of the reduction is recorded as an impairment loss. The Company believes that the judgments concerning the recognition of an indication of possible impairment and impairment loss, as well as estimates of recoverable amounts, are reasonable. However, due to the fact that these estimates include uncertainties, if unpredictable changes to assumptions, etc., lead to changes in estimates related to assessing fixed assets, this may result in additional impairment losses in the future.

(2) Recoverability of deferred tax assets

Amount of deferred tax assets ¥— million

Amount of deferred tax liabilities ¥375,115 million

(3) Reserve for product warranties	
Amount of reserve for product warranties	¥248,285 million
(4) Provision for loss on antitrust issues	
Amount of provision for loss on antitrust issues	¥11,989 million
(5) Liability for employees' retirement benefits	
Amount of liability for employees' retirement benefits	¥183,280 million
Amount of prepaid pension cost	¥107,220 million
(6) Valuation of shares in subsidiaries and associates, etc.	
Loss on valuation of shares of subsidiaries and associates	¥542 million

Regarding the valuation of shares of subsidiaries and associates, etc., if the real value of the shares, etc. of subsidiaries and associates, which mostly do not have market prices, declines significantly, the Company assesses the possibility of a recovery based on future business plans. The carrying amounts of shares, etc. of subsidiaries and associates that are judged to lack recoverability are reduced to the real value, and the amount of the reduction is recorded as a valuation loss. Estimates of real value and recoverability are based on financial statements and business plans obtained prior to the fiscal year-end, adjusted for any information that comes to light that will materially impact these factors. The Company believes that the valuations of shares of subsidiaries and associates, etc. are reasonable. However, due to the fact that these valuations include uncertainties, if unpredictable changes to assumptions, etc., lead to changes in estimates related to valuation of shares of subsidiaries and associates, etc., the valuation amount of shares of subsidiaries and associates, etc. may fluctuate.

Note:

Information contributing to an understanding of the details of estimates has been omitted from the Notes to the Non-Consolidated Financial Statements where the same information is provided in the Notes to the Consolidated Financial Statements.

3. Notes to Changes in Accounting Estimates

Previously, the Company recorded reserve for product warranties for expenses to be borne in relation to defects that arose on certain products manufactured by the Company, but it changed its estimates during the fiscal year ended March 31, 2024, based on subsequent circumstances.

As a result of this change, reserve for product warranties and selling, general and administrative expenses each increased by ¥179,000 million.

4. Notes to the Non-Consolidated Balance Sheet

(1) Short-term monetary receivables due from subsidiaries and associates	¥500,484 million
(2) Short-term monetary payables due to subsidiaries and associates	¥272,252 million
(3) Accumulated depreciation of property, plant and equipment	¥2,592,515 million
(4) Other	

See Item (2) of "5. Notes to the Consolidated Statement of Financial Position" in "Notes to the Consolidated Financial Statements."

5. Notes to the Non-Consolidated Statement of Income

(1) Sales to subsidiaries and associates	¥2,928,212 million
(2) Purchases from subsidiaries and associates	¥1,225,882 million
(3) Other operating transactions with subsidiaries and associates	¥41,209 million
(4) Transactions with subsidiaries and associates other than operating transactions	¥151,212 million

6. Note to the Non-Consolidated Statement of Changes in Equity

Number of shares of treasury stock at the end of the fiscal year:	240,877,686 shares
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7. Note to Tax-Effect Accounting

(1) The significant components of deferred tax assets and liabilities are summarized as follows:

(Deferred tax assets)	(Millions of yen)
Depreciation and amortization	130,113
Reserve for product warranties	74,659
Liability for employees' retirement benefits	54,422
Impairment loss on investment securities	33,987
Loss on valuation of shares of subsidiaries and associates	21,795
Accrued bonuses to employees	14,118
Other	78,689
Subtotal deferred tax assets	407,783
Valuation allowance	(56,460)
Total deferred tax assets	351,323
(Deferred tax liabilities)	
Net unrealized gain on available-for-sale securities	(641,161)
Prepaid pension cost	(61,530)
Other	(23,747)
Total deferred tax liabilities	(726,438)
Net deferred tax liabilities	(375,115)

(2) Accounting treatment of corporation tax and local corporation tax, and accounting treatment of related tax-effect accounting

The Company has applied the group tax sharing system. The accounting treatment and disclosure of corporation tax and local corporation tax, and the accounting treatment and disclosure of related tax-effect accounting are in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42 of August 12, 2021).

8. Notes to Transactions with Related Parties

Category	Company name	Ownership percentage of voting rights	Business line	Relationship with the Company		Description of important transactions	Transaction amount (Millions of yen)	Account item	The fiscal year-end balance (Millions of yen)
				Officers' posts concurrently held (Persons)	Business relationship				
Other subsidiaries/ associates	Toyota Motor Corporation	Directly holding 20.58%	Manufacture and sale of automobiles and automotive components	Concurrent appointment: 1	The Company's products are sold thereto.	Operating transactions	1,614,017	Accounts receivable—trade	147,182
		Indirectly holding 0.00%						Electronically recorded monetary claims—operating	41,992

Notes:

1. The transaction amount does not include consumption taxes, whereas the fiscal year-end balance includes consumption taxes.
2. The above transactions are conducted through negotiations by taking into account the market price and other factors similar to those for general transactions.

9. Notes to Revenue Recognition

Information forming the basis for clarification of revenue arising from customer contracts is omitted, as the same information is given under "1. Basis of Presenting the Consolidated Financial Statements, (4) Summary of significant accounting policies, 9) Revenue" in Notes to the Consolidated Financial Statements and "10. Notes to Revenue" in Notes to the Consolidated Financial Statements.

10. Notes to Per Share Data

(1) Equity per share	¥1,072.49
(2) Net income per share	¥77.10

Note: On October 1, 2023, the Company conducted a four-for-one stock split of its common stock.

Each amount of per share data is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2024.

11. Note to Significant Subsequent Events

No significant event to note.

12. Note to Company to which Consolidated Dividend Regulations Apply

The Company is a company to which consolidated dividend regulations apply.

13. Other Note

The amounts stated in the non-consolidated financial statements are rounded off to the nearest unit.