To Those Shareholders with Voting Rights

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 99th Fiscal Term

Notes to the Consolidated Financial Statements for the 99th Fiscal Term

Non-Consolidated Statement of Changes in Equity for the 99th Fiscal Term

Notes to the Non-Consolidated Financial Statements for the 99th Fiscal Term

The above documents are provided to shareholders of DENSO CORPORATION (the "Company") by posting them on the Company's website (https://www.denso.com/global/en/) in accordance with the relevant laws and regulations and Article 16 of the Articles of Incorporation. They form a part of the information subject to audits when the Audit & Supervisory Board prepared its Audit Report and the Accounting Auditor prepared their Independent Auditor's Report.

May 24, 2022

DENSO CORPORATION

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, 2022

1) Amount of fees to be paid by the Company to the Accounting Auditor pertaining to the audit for the current year	¥187 million
2) Total of cash and other financial benefits to be paid by the Company and its subsidiaries to the Accounting Auditor	¥347 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 entrust compilation of comfort letters, which is a non-audit service other than the services set forth in Article 2, Paragraph 1, of the Certified Public Accountant Law, to the Accounting Auditor, and pay the 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 hierarchical 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, Senior Executive Officers 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, 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 collegial bodies 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, 12 Board of Directors meetings, 41 Management Deliberation Meetings and 34 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 42 risk items to be managed companywide 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 eight internal divisions/departments as training bases. In addition, with September 8 designated as "Companywide Safety Day," employees of the Company discussed overall safety at diverse work sites.

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 collegial bodies such as the Production and Purchasing Meeting and the Investment Council, 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 collegial bodies 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 strove to disseminate the "Corporate Ethics Hotline," the internal whistle-blowing system, and each competent department responsibly handled specific reporting and counseling cases.

7) The internal audit department conducted audits for 23 internal functional departments and six internal divisions/departments based on two themes according to its annual auditing plan. The department also conducted audits for 38 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 Crisis Communications Manual 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 29 internal departments/divisions and 66 domestic/overseas Group companies during the current fiscal year.

2) The Audit & Supervisory Board Members attended collegial bodies 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 two dedicated 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, 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 domestic Group companies and separately exchanged information, as required, with the Audit & Supervisory Board Members of the respective domestic 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, 2021, to March 31, 2022)

(Millions of yen)

	Equity attributable to owners of the parent company				
				Other components of equity	
	Capital stock	Capital surplus	Treasury stock	Net fair value gain on equity instruments designated as FVTOCI	Remeasurements of defined benefit pension plans
Balance as of April 1, 2021	**187,457**	**272,517**	**(56,830)**	**664,905**	**-**
Profit for the year	-	-	-	-	-
Other comprehensive income	-	-	-	152,937	43,119
Comprehensive income for the year	**-**	**-**	**-**	**152,937**	**43,119**
Acquisition of treasury stock	-	-	(97,540)	-	-
Disposal of treasury stock	-	1,281	2,024	-	-
Dividends	-	-	-	-	-
Changes in the ownership interest in subsidiaries without loss of control	-	5	-	-	-
Changes by business combinations	-	-	-	-	-
Transfer to retained earnings	-	-	-	(29,366)	(43,119)
Other increase (decrease)	-	-	-	-	-
Total transactions with the owners	**-**	**1,286**	**(95,516)**	**(29,366)**	**(43,119)**
Balance as of March 31, 2022	**187,457**	**273,803**	**(152,346)**	**788,476**	**-**

	Equity attributable to owners of the parent company					Non-controlling interests	Total equity
	Other components of equity						
	Exchange differences on translating foreign operations	Cash flow hedges	Total	Retained earnings	Total		
Balance as of April 1, 2021	**26,472**	**40**	**691,417**	**2,796,451**	**3,891,012**	**185,705**	**4,076,717**
Profit for the year	-	-	-	263,901	263,901	24,853	288,754
Other comprehensive income	160,614	(2,819)	353,851	-	353,851	12,920	366,771
Comprehensive income for the year	**160,614**	**(2,819)**	**353,851**	**263,901**	**617,752**	**37,773**	**655,525**
Acquisition of treasury stock	-	-	-	-	(97,540)	-	(97,540)
Disposal of treasury stock	-	-	-	-	3,305	-	3,305
Dividends	-	-	-	(115,865)	(115,865)	(39,518)	(155,383)
Changes in the ownership interest in subsidiaries without loss of control	-	-	-	-	5	(23)	(18)
Changes by business combinations	-	-	-	-	-	6,309	6,309
Transfer to retained earnings	-	-	(72,485)	72,485	-	-	-
Other increase (decrease)	-	-	-	688	688	(77)	611
Total transactions with the owners	**-**	**-**	**(72,485)**	**(42,692)**	**(209,407)**	**(33,309)**	**(242,716)**
Balance as of March 31, 2022	**187,086**	**(2,779)**	**972,783**	**3,017,660**	**4,299,357**	**190,169**	**4,489,526**

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: 198

2) Names of the principal consolidated subsidiaries:

(Domestic)

A total of 63 companies including DENSO ELECTRONICS CORPORATION, DENSO SOLUTION JAPAN CORPORATION, and DENSO TEN LTD.

(Overseas)

A total of 135 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., and TIANJIN DENSO ELECTRONICS CO., LTD.

(3) Application of the equity method

1) Number of associates accounted for by the equity method: 84

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

(Domestic) TSUDA INDUSTRIES CO., LTD., G.S. Electech Inc., Toshiba Information Systems (Japan) Corporation and 20 other companies (a total of 23)

(Overseas) MICHIGAN AUTOMOTIVE COMPRESSOR, INC. and 60 other companies (a total of 61)

(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: 8 to 25 years
- Technology-related assets: 10 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.

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

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.

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, unless the exchange rates significantly fluctuate during the period. 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."

2. Notes to Accounting Estimates

The significant accounting estimates of the Group and the amounts recorded in the fiscal year ended March 31, 2022 are as follows.

The outlook for the global economy remains unclear due to the spread of COVID-19. However, it is assumed that the current situation will continue into the fiscal year ending March 31, 2023, with no significant impact on the manufacture or delivery of auto parts foreseen. Of the following accounting estimates, the impact primarily concerns the impairment of non-financial assets, the recoverability of deferred tax assets and fair value measurement of financial instruments, but has no significant effect on the consolidated financial statements for the fiscal year ended March 31, 2022. However, due to the fact that these estimates include uncertainties, if unpredictable changes to assumptions, etc., lead to changes in estimates, this may result in additional costs or losses in the future.

(1) Impairment of non-financial assets

Amount of impairment losses ¥9,934 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 ¥36,871 million

Amount of deferred tax liabilities ¥197,122 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 ¥121,280 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 ¥14,889 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 ¥111,351 million

Amount of liabilities related to defined benefit plans ¥265,188 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 “5. 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.

3. Notes to the Consolidated Statement of Financial Position

(1) Accumulated depreciation of property, plant and equipment ¥4,045,291 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, 2022 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

A subsidiary of the Company is among the defendants named in the lawsuit filed by a certain customer in Germany, wherein damages are claimed on suspicion of violation of antitrust law or competition law in connection with certain past transactions regarding specific auto parts. This case will proceed in accordance with the rule of civil procedures in Germany, and the company could commence settlement discussions with the plaintiffs at any time in the proceedings and reach a settlement.

3) 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.

4. Notes to the Consolidated Statement of Changes in Equity

(1) Type and total number of shares issued as of March 31, 2022: 787,944,951 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 28, 2021	Common stock	54,243	70	March 31, 2021	May 25, 2021
Board of Directors meeting held on October 29, 2021	Common stock	61,622	80	September 30, 2021	November 26, 2021

2) Of the dividends for which the record date belongs to the fiscal year ended March 31, 2022, those for which the effective date of the dividends will be in the fiscal year ending March 31, 2023

A resolution was made as follows at the Board of Directors meeting held on April 28, 2022.

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 28, 2022	Common stock	64,886	Retained earnings	85	March 31, 2022	May 25, 2022

5. 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, 2022.

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, 2022 (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	348	348	-	-	348
Financial liabilities					
Long-term borrowings (Note)	516,028	-	-	514,110	514,110
Bonds (Note)	301,196	296,169	-	-	296,169

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	-	5,255	-	5,255
Stocks				
Listed stocks	1,691,751	-	-	1,691,751
Unlisted stocks	-	-	147,580	147,580
Other equity securities	-	-	3,023	3,023
Total	1,691,751	5,255	150,603	1,847,609
Derivative liabilities	-	9,141	-	9,141
Total	-	9,141	-	9,141

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%.

6. Notes to Per Share Data

(1) Equity per share attributable to owners of the parent company ¥5,632.38
(2) Basic earnings per share ¥342.77

7. Notes to Business Combination

(1) Jeco Co., Ltd.

Effective as of April 1, 2021, the Company has made Jeco Co., Ltd. a newly consolidated subsidiary of the Company.

1) Overview of the business combination

Jeco Co., Ltd., which as an associate of the Company was chiefly engaged in the manufacture and sale of display-related products, became a newly consolidated subsidiary of the Company on April 1, 2021 as a result of the share exchange implemented on the same day. Consequently, the ratio of Jeco Co., Ltd.'s voting rights held by the Company rose from 41.89% (as of March 31, 2021) to 100% (as of April 1, 2021), and thus the Company holds all of the voting rights.

2) Reason for the business combination

The aim of this business combination is to put in place a system that enables the optimization, unified management and mutual utilization of the management resources and promote flexible management, in order to maintain and strengthen the Group's competitive advantage and achieve sustainable growth.

3) Overview of acquired company

Name: Jeco Co., Ltd.

Business Line: Manufacture and sale of automotive clocks, automotive meters, motors for in-vehicle devices, and application products.

4) Date of the acquisition of control

April 1, 2021

5) Consideration transferred and breakdown thereof

(Unit: Millions of yen)

	Amount
Fair value of the Company's shares granted under the share exchange.	3,200
Fair value of equity interest in Jeco Co., Ltd. held at the time of acquisition of control	2,307
Total consideration transferred	5,507

As a result of the remeasurement of equity interest already held at the time of acquisition of control by the Company in Jeco Co., Ltd. at fair value on the acquisition date, the Company recognized a loss on the acquisition of ¥2,752 million. The loss is recorded as "Other expenses" in the consolidated statement of income.

Acquisition-related costs of ¥82 million (previous fiscal year: ¥74 million, current fiscal year: ¥8 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)	5,507	-	5,507
Assets			
Trade and other receivables	6,407	-	6,407
Other current assets	3,594	-	3,594
Property, plant and equipment	7,844	63	7,907
Other non-current assets	2,200	-	2,200
Total assets	20,045	63	20,108
Liabilities			
Current liabilities	4,359	-	4,359
Non-current liabilities	1,956	19	1,975
Total liabilities	6,315	19	6,334
Net assets (B)	13,730	44	13,774
Goodwill (Note 2) (A-B)	(8,223)	(44)	(8,267)

Note 1: Adjustments to provisional amounts

The amount of consideration transferred is allocated to 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 September 30, 2021. Major adjustments from initial provisional amounts are as follows:

An additional analysis on the fair value of Jeco Co., Ltd. brought property, plant and equipment and deferred tax liabilities up ¥63 million and ¥19 million, respectively. As a result, negative goodwill increased by ¥44 million.

Note 2: Goodwill

Negative goodwill of ¥8,267 million arose from the share exchange because the fair value of the acquired net assets exceeded the cost of acquisition. This gain is recorded in “Other income” in the consolidated statement of income.

7) Proceeds from the acquisition of control over subsidiaries

(Unit: Millions of yen)

	Amount
Cash and cash equivalents held by the acquired company at the time of acquisition of control	960
Proceeds in cash from the acquisition of control over the subsidiary	960

8) Revenue and profit for the year of the acquired company

The revenue and profit for the year from the acquired company before elimination of inter-company transactions after the date of acquisition of control, which are recognized in the consolidated statement of income, are ¥26,274 million and ¥591 million, respectively.

In addition, the above profit for the year includes depreciation for property, plant and equipment, etc. recognized at the time of acquisition of control.

(2) Chongqing Chaoli Electric Appliance Co., Ltd.

Effective as of August 4, 2021, the Company has made Chaoli Electric Appliance Co., Ltd. a newly consolidated subsidiary of the Company.

1) Overview of the business combination

On August 4, 2021, the Company acquired shares in Chongqing Chaoli Electric Appliance Co., Ltd., a subsidiary of Chongqing Chaoli Hi-Tech Co., Ltd., making the former a consolidated subsidiary of the Company. As a result, the ratio of Chongqing Chaoli Electric Appliance Co., Ltd. voting rights held by the Company rose to 51% (as of August 4, 2021), and thus the Company holds the majority of the voting rights.

2) Reason for the business combination

The aim of this acquisition is to maintain and strengthen the Group’s competitive advantage in the China region, and achieve sustainable growth.

3) Overview of acquired company

Name: Chongqing Chaoli Electric Appliance Co., Ltd.

Business Line: Development, manufacture and sale of thermal products (heating, ventilation, and air conditioning equipment, heat exchangers, piping, etc.).

4) Date of the acquisition of control

August 4, 2021

5) Consideration transferred and breakdown thereof

(Unit: Millions of yen)

	Amount
Cash consideration for the acquisition	9,289
Total consideration transferred	9,289

Part of the above consideration for acquisition has been appropriated to an escrow account provided under the share transfer agreement in the previous fiscal year. Acquisition-related costs of ¥271 million (previous fiscal year: ¥107 million, current fiscal year: ¥164 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)	9,289	-	9,289
Assets			
Trade and other receivables	8,188	-	8,188
Other current assets	3,881	600	4,481
Property, plant and equipment	1,947	1,690	3,637
Right-of-use assets	431	377	808
Intangible assets	49	5,654	5,703
Total assets	14,496	8,321	22,817
Liabilities			
Current liabilities	8,722	-	8,722
Non-current liabilities	33	1,248	1,281
Total liabilities	8,755	1,248	10,003
Net assets (B)	5,741	7,073	12,814
Non-controlling interests (Note 2) (C)	2,813	3,496	6,309
Goodwill (Note 3) (A-(B-C))	6,361	(3,577)	2,784

Note 1: Adjustments to provisional amounts

The amount of consideration transferred is allocated to 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 December 31, 2021. Major adjustments from initial provisional amounts are as follows:

An additional analysis on the fair value of Chongqing Chaoli Electric Appliance Co., Ltd. brought inventories, property, plant and equipment, right-of-use assets, intangible assets and deferred tax liabilities up ¥600 million, ¥1,690 million, ¥377 million, ¥5,654 million and ¥1,248 million, respectively. As a result, non-controlling interests increased by ¥3,496 million and goodwill decreased by ¥3,577 million.

Note 2: Non-controlling interests

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquired company's net assets in the event of liquidation are measured at the recognized amount of the acquired company's identifiable net assets as of the date of the acquisition of control, multiplied by the ratio of the non-controlling interests as of the date of the acquisition of control after the business combination.

Note 3: 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) Payment for the acquisition of control over subsidiaries

(Unit: Millions of yen)

	Amount
Cash consideration for the acquisition	9,289
Cash and cash equivalent held by the acquired company at the time of acquisition of control	360
Payment by cash for the acquisition of control over the subsidiary	8,929

8) Revenue and profit for the year of the acquired company

The revenue and loss for the year from the acquired company before elimination of inter-company transactions after the date of acquisition of control, which are recognized in the consolidated statement of income, are ¥9,317 million and ¥836 million, respectively.

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

9) 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, 2021 for the business combination with Chongqing Chaoli Electric Appliance Co., Ltd., pro forma information (unaudited) on the Company's consolidated operating results for the 12 months ended March 31, 2022 would be as follows:

(Unit: Millions of yen)

	Amount
Revenue (Pro forma information)	5,521,234
Profit for the year (Pro forma information)	288,875

8. 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
	For Toyota Group	2,846,572
	Other	2,028,557
Total for parts supply business for automobile manufacturers		4,875,129
Aftermarket and non-automotive business		640,383
Total		5,515,512

(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 ¥20,119 million, under IFRS 16.

Disaggregated revenue by product is as follows.

In line with the organizational change on January 1, 2021, effective from the previous fiscal year, the Business Group "Mobility Electronics" was renamed "Mobility Systems,", and the "Sensors & Semiconductors" unit has been renamed "Sensing Systems & Semiconductors" from the current fiscal year in line with the organizational change on April 1, 2021. Furthermore, from the current fiscal year, the following classification changes have been made: certain Thermal Systems products are now included in the non-automotive business field, and certain other products previously listed as Other businesses now come under Mobility Systems.

An organizational overhaul took place on January 1, 2022, but in the current fiscal year, the above classification is used for statement purposes.

(Unit: Millions of yen)

		Amount
	Thermal Systems	1,282,040
	Powertrain Systems	1,245,085
	Mobility Systems	1,356,424
	Electrification Systems	1,136,264
	Sensing Systems & Semiconductors	176,018
	Other	132,807
Total for automotive field		5,328,638
Non-automotive business field		186,874
Total		5,515,512

(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 ¥20,119 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, 2022
Receivables from contracts with customers	
Trade and other receivables	1,023,767
Total	1,023,767
Contract assets	
Other current assets	976
Other non-current assets	3,302
Total	4,278

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 ¥20,839 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.

9. Note to Significant Subsequent Events

No significant event to note.

Non-Consolidated Statement of Changes in Equity

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

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus		Retained earnings					Treasury stock, at cost	Shareholders' equity
		Additional paid-in capital	Other capital surplus	Legal reserve	Other retained earnings					
					Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	General reserve	Earned surplus carried forward		
Balance as of April 1, 2021	**187,457**	**265,985**	**-**	**43,274**	**18**	**654**	**896,390**	**358,536**	**(56,819)**	**1,695,495**
Changes in the fiscal year										
Dividends from surplus	-	-	-	-	-	-	-	(115,865)	-	(115,865)
Reversal of reserve for special depreciation	-	-	-	-	(18)	-	-	18	-	-
Provision of reserve for advanced depreciation of fixed assets	-	-	-	-	-	4	-	(4)	-	-
Net income	-	-	-	-	-	-	-	201,389	-	201,389
Acquisition of treasury stock	-	-	-	-	-	-	-	-	(97,540)	(97,540)
Disposal of treasury stock	-	-	1,281	-	-	-	-	-	2,024	3,305
Net changes in items other than those in shareholders' equity	-	-	-	-	-	-	-	-	-	-
Total of changes in the fiscal year	**-**	**-**	**1,281**	**-**	**(18)**	**4**	**-**	**85,538**	**(95,516)**	**(8,711)**
Balance as of March 31, 2022	**187,457**	**265,985**	**1,281**	**43,274**	**-**	**658**	**896,390**	**444,074**	**(152,335)**	**1,686,784**

	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, 2021	**706,228**	**(69)**	**2,401,654**
Changes in the fiscal year			
Dividends from surplus	-	-	(115,865)
Reversal of reserve for special depreciation	-	-	-
Provision of reserve for advanced depreciation of fixed assets	-	-	-
Net income	-	-	201,389
Acquisition of treasury stock	-	-	(97,540)
Disposal of treasury stock	-	-	3,305
Net changes in items other than those in shareholders' equity	122,362	(56)	122,306
Total of changes in the fiscal year	**122,362**	**(56)**	**113,595**
Balance as of March 31, 2022	**828,590**	**(125)**	**2,515,249**

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, 2022. 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 loss on business of subsidiaries and associates:

Provision for loss on business of subsidiaries and associates is recognized at an expected amount to prepare for possible losses that could derive from the business of any subsidiaries and associates by taking into account the financial conditions of those companies.

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.

(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 consolidated taxation system

The Company has applied the consolidated taxation system.

(8) Application of Tax Effect Accounting for the transition from the consolidated taxation system to the group tax sharing system

In regard to the transition to the group tax sharing system created in the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and accounting items for which the single-entity taxation system was revised in line with the transition to the group tax sharing system, tax-effect accounting treatment and disclosure are adopted, based on the provisions of the laws on taxation after amendment, and Paragraph 31 of the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (PITF No. 42 of August 12, 2021) have been applied. The effects of this application on deferred tax assets and deferred tax liabilities are immaterial.

(9) 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. Changes in Significant Accounting Policies

Application of "Accounting Standard for Revenue Recognition" and other standards

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 of March 31, 2020; hereinafter "Revenue Recognition Standard") and other standards from the beginning of the current fiscal year. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

Major effects on the financial statements for the current fiscal year caused by adoption of the above accounting standards are as follows.

The effects on operating profit are immaterial.

- Certain expenses previously recorded as cost of sales are deducted from net sales from the current fiscal year, as considerations to be paid to the customer. As a result, both net sales and cost of sales in the current fiscal year decreased by ¥45,456 million.
- In die and mold transactions, net sales and cost of sales previously recorded over a certain period of time are now stated at a given point in time. The impact on net sales and cost of sales in the current fiscal year were immaterial.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the current fiscal year, with the new accounting policies applied from the beginning balance. Also, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been reclassified based on the new presentation method.

Application of “Accounting Standard for Fair Value Measurement” and other standards

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 of July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the current fiscal year, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 of July 4, 2019). This has no effects on the non-consolidated financial statements.

3. Changes in Presentation

Non-consolidated statement of income

Provision for loss on antitrust issues (¥575 million for the previous fiscal year), which was included in other in extraordinary losses in the previous fiscal year, is separately presented in the current fiscal year since it grew in importance.

4. Notes to Accounting Estimates

The significant accounting estimates of the Company and the amounts recorded in the fiscal year ended March 31, 2022 are as follows. The outlook for the global economy remains unclear due to the spread of COVID-19. However, it is assumed that the current situation will continue into the following fiscal year, with no significant impact on the manufacture or delivery of auto parts foreseen. Of the following accounting estimates, the impact primarily concerns the impairment of fixed assets, the recoverability of deferred tax assets and valuation of financial instruments, but has no significant effect on the non-consolidated financial statements for the current fiscal year. However, due to the fact that these estimates include uncertainties, if unpredictable changes to assumptions, etc., lead to changes in estimates, this may result in additional costs or losses in the future.

(1) Impairment of fixed assets

Amount of impairment losses	¥672 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	¥109,950 million

(3) Reserve for product warranties

Amount of reserve for product warranties ¥106,757 million

(4) Provision for loss on antitrust issues

Amount of provision for loss on antitrust issues ¥13,638 million

(5) Liability for employees' retirement benefits

Amount of liability for employees' retirement benefits ¥189,276 million

Amount of prepaid pension cost ¥85,565 million

(6) Valuation of shares in subsidiaries and associates, etc.

Loss on valuation of shares of subsidiaries and associates ¥— 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.

5. Notes to the Non-Consolidated Balance Sheet

(1) Short-term monetary receivables due from subsidiaries and associates ¥429,244 million

(2) Short-term monetary payables due to subsidiaries and associates ¥237,729 million

(3) Accumulated depreciation of property, plant and equipment ¥2,484,690 million

(4) Other

See Item (2) of "3. Notes to the Consolidated Statement of Financial Position" in "Notes to the Consolidated Financial Statements."

6. Notes to the Non-Consolidated Statement of Income

(1) Sales to subsidiaries and associates	¥2,480,489 million
(2) Purchases from subsidiaries and associates	¥1,019,674 million
(3) Other operating transactions with subsidiaries and associates	¥42,952 million
(4) Transactions with subsidiaries and associates other than operating transactions	¥72,540 million

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

Number of shares of treasury stock at the end of the fiscal year: 24,582,996 shares

8. Note to Tax-Effect Accounting

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

(Deferred tax assets)	(Millions of yen)
Depreciation and amortization	134,766
Liability for employees' retirement benefits	56,414
Impairment loss on investment securities	33,363
Reserve for product warranties	32,102
Loss on valuation of shares of subsidiaries and associates	20,177
Accrued bonuses to employees	13,540
Other	63,344
Subtotal deferred tax assets	353,706
Valuation allowance	(58,157)
Total deferred tax assets	295,549
(Deferred tax liabilities)	
Net unrealized gain on available-for-sale securities	(329,079)
Prepaid pension cost	(55,192)
Other	(21,228)
Total deferred tax liabilities	(405,499)
Net deferred tax liabilities	109,950

9. Notes to Transactions with Related Parties

Transactions with other subsidiaries/associates

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					
Toyota Motor Corporation	Directly holding 24.76% Indirectly holding 0.22%	Manufacture and sale of automobiles and automotive components	Concurrent appointment: 1	The Company's products are sold thereto.	Operating transactions	Sale of various automotive components	1,312,945	Accounts receivable—trade Electronically recorded monetary claims-operating	116,473 36,377

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.

10. 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 "8. Notes to Revenue" in Notes to the Consolidated Financial Statements.

11. Notes to Per Share Data

(1) Equity per share ¥3,294.96

(2) Net income per share ¥261.56

12. Note to Significant Subsequent Events

No significant event to note.

13. Other Note

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