

SUBARU CORPORATION

Financial Report for

The Year Ended March 31, 2022

(Under IFRS)

1 [Consolidated Financial Statements and Notes]
[Consolidated Financial Statements]
(1) Consolidated Statement of Financial Position

		(Unit: Millions of yen)	
	Note	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Assets			
Current assets			
Cash and cash equivalents	7	907,326	883,074
Trade and other receivables	8,21	341,907	337,387
Inventories	9	419,053	483,113
Income taxes receivable		19,820	18,331
Other financial assets	10	228,279	243,204
Other current assets		66,378	77,134
Subtotal		1,982,763	2,042,243
Assets held for sale		69	—
Total current assets		1,982,832	2,042,243
Non-current assets			
Property, plant and equipment	11	839,648	841,553
Intangible assets and goodwill	12	216,652	250,897
Investment property	13	24,282	21,942
Investments accounted for using equity method	14	10,177	10,828
Other financial assets	10	101,389	124,574
Other non-current assets		127,826	161,167
Deferred tax assets	25	108,906	90,549
Total non-current assets		1,428,880	1,501,510
Total assets		3,411,712	3,543,753

		(Unit: Millions of yen)	
	Note	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	15	267,824	273,546
Financing liabilities	16,28	26,334	51,645
Other financial liabilities	17,28	61,282	69,624
Income taxes payable		2,908	4,685
Provisions	18	194,497	143,217
Other current liabilities	21	322,295	309,538
Total current liabilities		875,140	852,255
Non-current liabilities			
Financing liabilities	16,28	307,549	282,400
Other financial liabilities	17,28	78,528	81,848
Employee benefits	19	55,817	58,196
Provisions	18	89,954	95,448
Other non-current liabilities	21	210,491	267,530
Deferred tax liabilities	25	7,850	5,057
Total non-current liabilities		750,189	790,479
Total Liabilities		1,625,329	1,642,734
Equity			
Equity attributable to owners of parent			
Capital stock	20	153,795	153,795
Capital surplus	20	160,178	160,178
Treasury shares	20	(6,524)	(6,324)
Retained earnings	20	1,435,291	1,466,322
Other components of equity	20	34,995	116,818
Total equity attributable to owners of parent		1,777,735	1,890,789
Non-controlling interests		8,648	10,230
Total equity		1,786,383	1,901,019
Total liabilities and equity		3,411,712	3,543,753

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Income

		(Unit: Millions of yen)	
	Note	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Revenue	6,21	2,830,210	2,744,520
Cost of sales		(2,337,614)	(2,240,595)
Gross profit		492,596	503,925
Selling, general and administrative expenses	22	(279,867)	(303,136)
Research and development expenses		(104,157)	(103,587)
Other income	23	5,073	8,447
Other expenses	23	(11,057)	(13,887)
Share of profit (loss) of investments accounted for using equity method	14	(120)	(1,310)
Operating profit		102,468	90,452
Finance income	24	21,003	19,720
Finance costs	24	(9,517)	(3,200)
Profit before tax		113,954	106,972
Income tax expense	25	(36,634)	(36,376)
Profit for the period		77,320	70,596
Profit for the period attributable to			
Owners of parent		76,510	70,007
Non-controlling interests		810	589
Profit for the period		77,320	70,596
Profit for the period per share attributable to owners of parent			
Basic (yen)	26	99.77	91.28

Consolidated Statement of Comprehensive Income

		(Unit: Millions of yen)	
	Note	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Profit for the period		77,320	70,596
Other comprehensive income (after deduction of tax)			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		4,467	3,886
Net changes in revaluation of capital financial assets measured at fair value through other comprehensive income	30	6,527	17,309
Share of other comprehensive income of investments accounted for using equity method	14	—	1,019
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		20,031	70,275
Share of other comprehensive income of investments accounted for using equity method	14	6	66
Net changes in revaluation of liability financial assets measured at fair value through other comprehensive income	30	745	(5,675)
Other comprehensive income (after deduction of tax) total	20	31,776	86,880
Comprehensive income		109,096	157,476
Comprehensive income attributable to			
Owners of parent		107,690	155,894
Non-controlling interests		1,406	1,582
Comprehensive income		109,096	157,476

(3) Consolidated Statement of Changes in Equity
FYE 2021 (April 1, 2020 to March 31, 2021)

(Unit: Millions of yen)

	Note	Equity attributable to owners of parent					Total	Non-controlling interests	Total capital
		Capital stock	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
Balance at the beginning of the year		153,795	160,178	(6,722)	1,397,239	8,391	1,712,881	7,242	1,720,123
Comprehensive income									
Profit for the period		—	—	—	76,510	—	76,510	810	77,320
Other comprehensive income (after deduction of tax)	20	—	—	—	—	31,180	31,180	596	31,776
Comprehensive income total		—	—	—	76,510	31,180	107,690	1,406	109,096
Transfer to retained earnings	20	—	—	—	4,576	(4,576)	—	—	—
Transactions with owners									
Dividends paid	27	—	—	—	(42,966)	—	(42,966)	—	(42,966)
Purchase of treasury shares		—	—	(14)	—	—	(14)	—	(14)
Disposal of treasury shares		—	(68)	212	—	—	144	—	144
Transfer from retained earnings to capital surplus		—	68	—	(68)	—	—	—	—
Total transactions with owners		—	—	198	(43,034)	—	(42,836)	—	(42,836)
Balance at the end of the year		153,795	160,178	(6,524)	1,435,291	34,995	1,777,735	8,648	1,786,383

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

(Unit: Millions of yen)

	Equity attributable to owners of parent						Total	Non-controlling interests	Total capital
	Note	Capital stock	Capital surplus	Treasury shares	Retained earnings	Other components of equity			
Balance at the beginning of the year		153,795	160,178	(6,524)	1,435,291	34,995	1,777,735	8,648	1,786,383
Comprehensive income									
Profit for the period		—	—	—	70,007	—	70,007	589	70,596
Other comprehensive income (after deduction of tax)	20	—	—	—	—	85,887	85,887	993	86,880
Comprehensive income total		—	—	—	70,007	85,887	155,894	1,582	157,476
Transfer to retained earnings	20	—	—	—	4,064	(4,064)	—	—	—
Transactions with owners									
Dividends paid	27	—	—	—	(42,969)	—	(42,969)	—	(42,969)
Purchase of treasury shares		—	—	(8)	—	—	(8)	—	(8)
Disposal of treasury shares		—	(71)	208	—	—	137	—	137
Transfer from retained earnings to capital surplus		—	71	—	(71)	—	—	—	—
Total transactions with owners		—	—	200	(43,040)	—	(42,840)	—	(42,840)
Balance at the end of the year		153,795	160,178	(6,324)	1,466,322	116,818	1,890,789	10,230	1,901,019

(4) Consolidated Statement of Cash Flows

		(Unit: Millions of yen)	
	Note	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Net cash provided by (used in) operating activities			
Profit before tax		113,954	106,972
Depreciation and amortization		206,317	224,055
Share of loss (profit) of investments accounted for using equity method		120	1,310
Finance income		(21,003)	(19,720)
Finance costs		9,517	3,200
Decrease (increase) in trade and other receivables		24,459	7,690
Decrease (increase) in inventories		39,564	(42,349)
Increase (decrease) in trade and other payables		(62,046)	(4,800)
Increase (decrease) in provisions and employee benefits		(22,404)	(46,929)
Others		35,553	(12,971)
Subtotal		324,031	216,458
Interest received		4,229	3,866
Dividends received		896	3,196
Interest paid		(2,013)	(1,962)
Income taxes paid		(37,767)	(25,907)
Net cash provided by (used in) operating activities		289,376	195,651
Net cash provided by (used in) investing activities			
Net decrease (increase) in time deposits		3,039	(5,435)
Purchase of property, plant and equipment		(124,725)	(101,251)
Proceeds from sale of property, plant and equipment		568	1,855
Purchase of intangible assets and expenditure on internally generated intangible assets		(67,798)	(84,991)
Purchase of other financial assets		(328,675)	(217,967)
Proceeds from sale and collection of other financial assets		247,496	229,609
Others		(2,079)	(1,543)
Net cash provided by (used in) investing activities		(272,174)	(179,723)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term borrowings	28	(540)	(900)
Repayments of long-term borrowings	28	(7,421)	(24,991)
Proceeds from long-term borrowings	28	65,500	16,000
Proceeds from issuance of bonds	28	40,000	10,000
Repayments of lease liabilities	28	(40,425)	(55,625)
Dividends paid to owners of parent		(42,947)	(42,933)
Others		(201)	(53)
Net cash provided by (used in) financing activities		13,966	(98,502)
Effect of exchange rate changes on cash and cash equivalents		17,192	58,322
Net increase (decrease) in cash and cash equivalents		48,360	(24,252)
Cash and cash equivalents at beginning of period		858,966	907,326
Cash and cash equivalents at end of period	7	907,326	883,074

【Notes to Consolidated Financial Statements】

SUBARU CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. Reporting Entity

SUBARU CORPORATION (“the Company”) is a public company domiciled in Japan.

The Company’s consolidated financial statements comprise the Company and its consolidated subsidiaries (“the Group”) and the Group’s interests in affiliates.

Principal manufacturing facilities are located in Japan and the United States of America.

In automotive business, the Group manufactures, sells, and repairs passenger cars and related products.

In aerospace business, the Group manufactures, sells, and repairs aircrafts, space-related devices, and the parts.

2. Basis of Preparation

(1) Compliance of consolidated financial statements with International Financial Reporting Standards (“IFRS”)

The Group’s consolidated financial statements have been prepared in accordance with IFRS as prescribed in Article 93 of Ordinance on Consolidated Financial Statements as they satisfy the requirement of a “Specified Company” set forth in Article 1-2 of Ordinance on Consolidated Financial Statements.”

The public announcement of the consolidated financial statements for the consolidated fiscal year ended March 31, 2022 have been approved by Tomomi Nakamura, the Representative Director of the Board, President and Chief Executive Officer, and Katsuyuki Mizuma, Director, Executive Vice President, Chief Financial Officer, on June 23, 2022.

(2) Functional currency and presentation currency

The Group’s consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency. Amounts presented in Japanese yen are rounded to the nearest million yen, except when otherwise indicated.

(3) Basis of measurement

The Group’s consolidated financial statements have been prepared on the historical cost basis, except for certain assets and liabilities separately stated in "3. Significant Accounting Policies".

3. Significant Accounting Policies

The following accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to all the reporting periods presented.

(1) Basis of consolidation

1. Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Financial statements of subsidiaries are included in the consolidated financial statements from the date when the control is obtained until the date when the control is lost.

The financial statements of subsidiaries have been adjusted in order to ensure consistency with the accounting policies adopted by the Company as necessary. Intragroup balances and transactions, and any unrealized gain or loss arising from intragroup transactions are eliminated in preparation of the consolidated financial statements. Changes in the Company’s ownership interests in subsidiaries that do not result in a loss of control are accounted

for as equity transactions. The difference between adjustment of non-controlling interests and fair value of any consideration paid is recognized directly in equity as the interest attributed to the owners of the parent.

Non-controlling interests of consolidated subsidiaries are recognized separately from the interests of the Group. Comprehensive income of a subsidiary is attributed to the owners of the parent and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When control over a subsidiary is lost, any gain or loss on disposal of the interest sold is recognized in profit or loss.

2. Affiliates

Affiliates are entities over which the Group has a significant influence over the decisions on financial and operating policies, but does not have control.

Investment in an affiliate is initially recognized at cost and then is accounted for using the equity method of accounting.

The financial statements of affiliates have been adjusted, if necessary, when their accounting policies differ from those of the Group.

(2) Foreign currency translation

1. Foreign currency transactions

Each company in the Group specifies its own functional currency, the currency of the primary economic environment in which the entity operates, and measures transactions based on the functional currency.

When the entity prepares non-consolidated financial statements, the foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the fiscal year end date.

Exchange differences arising from the translation and settlement are usually recognized in profit or loss. However, exchange differences arising from the translation of equity financial instruments specified as measuring fair value through other comprehensive income are recognized in other comprehensive income.

2. Financial statements of foreign operations

All the assets and liabilities of foreign operations are translated at the exchange rates at the end of the reporting period. Revenue and expenses of foreign operations are translated into Japanese yen at the average exchange rates for the period, unless exchange rates significantly fluctuate during the period. If the exchange rates significantly fluctuate, revenue and expenses of foreign operations are translated at the foreign exchange rates at the date of the transaction.

Exchange differences arising from translation of foreign operations' financial statements are recognized in other comprehensive income. When a foreign operations are disposed of, the cumulative amount of exchange differences relating to the foreign operations are recognized in profit or loss.

(3) Financial instruments

1. Financial assets

(i) Initial recognition and measurement

The Group classifies financial assets as financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, or financial assets subsequently measured at amortized cost.

The Group initially recognizes trade receivables on the date when they arise. All other financial instruments are initially recognized when the Group becomes a party to the contractual provision of a financial instrument.

Financial assets are initially measured at their fair value plus transaction costs that are directly attributable to the acquisition of the financial asset, unless they are classified as measured at fair value through profit or loss. Trade receivables that do not contain a significant financing component are initially measured at the transaction price.

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

- A financial asset is held within a business model whose objective is to hold the asset in order to collect the 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.

Investments in debt instrument are classified as financial assets measured at fair value through other comprehensive income if both of the following conditions are met:

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

When any of the above-mentioned conditions is not met for financial assets except for equity instruments, the financial assets are classified as financial assets measured at fair value through profit or loss.

Equity instruments may be designated as financial assets measured at fair value through other comprehensive income on an individual basis, except for equity instruments held for trading purposes. The designation has been applied continuously. Equity instruments that are not designated as such are classified as measured at fair value through profit or loss.

(ii) Subsequent measurement

Financial assets are subsequently measured based on the classification of the asset as follows.

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method. Changes in the fair value of financial assets measured at fair value through profit or loss are recognized in profit or loss.

Changes in the fair value of debt instruments measured at fair value through other comprehensive income are recognized in other comprehensive income, except for interest income, exchange gain and loss, and impairment loss recognized in net profit and loss. Profit or loss is recognized at derecognition.

Meanwhile, changes in the fair value of equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income. The dividends from relevant financial assets are recognized in profit or loss as part of the financial income. The cumulative amount recognized in other comprehensive income is reclassified not to profit or loss but to retained earnings when the financial asset is derecognized or the fair value of the asset declines significantly.

(iii) Impairment of financial assets

For impairment of financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, lease receivables, and contract assets, expected credit losses are recognized as a loss allowance.

The Group determines, at the end of each reporting period, whether credit risk on the asset has increased significantly since initial recognition. When the credit risk has not increased significantly since initial recognition, an amount equal to 12-month expected credit losses is measured as the loss allowance. When the credit risk has increased significantly since initial recognition, an amount equal to lifetime expected credit losses is measured as the loss allowance.

However, for trade receivables, lease receivables and contract assets, the loss allowance is measured at an amount equal to the lifetime expected credit losses.

Expected credit losses of financial instruments are estimated using the following methods:

- An unbiased and probability-weighted amount determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort at the reporting date.

The amounts of these measurements are recognized in profit or loss.

If the amount measured as expected credit losses decreases after recognition of impairment loss, the decreased amount is reversed and recognized in profit or loss.

(iv) Derecognition of financial assets

The Group derecognizes its financial assets only if the contractual rights to receive the cash flows from the financial assets expire, or if the Group transfers substantially all the risks and rewards of ownership of the financial asset.

2. Financial liabilities

(i) Initial recognition and measurement

The Group classifies financial liabilities as financial assets measured at fair value through profit or loss, or financial assets measured at amortized cost. The Group determines the classification at initial recognition. The Group recognizes financial liabilities when the Group becomes a party to the contractual provisions of the instruments. All the financial liabilities are initially measured at fair value. However, financial liabilities measured at amortized cost are measured at their fair value less transaction costs that are directly attributable to the acquisition.

(ii) Subsequent measurement

Financial liabilities are subsequently measured according to the classification as follows.

Financial liabilities held for trading and derivatives are included in financial liabilities measured at fair value through profit or loss. They are subsequently measured at fair value, and changes in the fair value are recognized in profit or loss for the period.

Financial liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method.

Amortization using the effective interest method and gains and losses on derecognition are recognized in profit or loss for the period as part of the financial income or costs.

(iii) Derecognition of financial liabilities

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

3. Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legal right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. Derivatives and hedge accounting

The Group enters into forward exchange contracts in order to fix cash flows related to the recognized financial assets and liabilities and future transaction. Interest rate swaps are used in order to fix cash flows of interest paid related to the borrowings.

There are no derivatives stated above to which hedge accounting is applied.

(4) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with maturities of three months or less that is readily convertible to cash and subject to insignificant risk of change in value.

(5) Inventories

Inventories are measured at the lower of acquisition cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated selling expenses. The acquisition cost is generally calculated using the cost method based on the moving average method and comprises all the costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(6) Property, plant and equipment

Property, plant, and equipment is measured based on the cost model and stated at acquisition cost less accumulated depreciation and impairment losses.

The acquisition cost includes costs directly attributable to the acquisition of the asset, costs related to disassembly, retirement and site restoration, as well as borrowing costs to be capitalized.

Depreciation of assets other than land and construction in progress is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives of major assets are as follows;

- Buildings and structures: 2 to 60 years
- Machinery and vehicles: 2 to 20 years
- Tools, furniture and fixtures: 2 to 20 years

The estimated useful lives, residual value, and amortization methods are reviewed at the end of each fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(7) Intangible assets and goodwill

1. Goodwill

The Group measures goodwill as the fair value of consideration transferred including the recognized amount of any non-controlling interests in the acquiree at the acquisition date, less the net recognized amount (usually fair value) of the identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill is not amortized. Instead, it is tested for impairment annually and if any indication of potential impairment exists. Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods. Goodwill is recorded at acquisition cost less any accumulated impairment losses.

2. Capitalized development costs

Expenditures related to research activities in order to gain new scientific and technical knowledge are recognized as expenses as incurred. Development expenditure is capitalized as intangible assets only when the cost can be measured reliably, there is a technical and commercial feasibility of completing the development, it is probable that the outcome will generate a future economic benefit, and the Group has intention, ability and sufficient resources to use or sell the outcome of the development and to complete the development.

The estimated useful lives of capitalized development costs that are amortized using the straight-line method are as follows.

- Capitalized development costs: 2 to 5 years

3. Other intangible assets

The Group applies the cost method in measuring separately acquired intangible assets, which are recorded at acquisition cost at initial recognition. After initial recognition, intangible assets excluding goodwill are amortized using the straight-line method over their estimated useful lives, and are recorded at acquisition cost less accumulated amortization and impairment losses. Estimated useful lives of major intangible assets are as follows. The Group has no intangible assets with indefinite useful lives.

- Software: 2 to 10 years

The estimated useful lives and amortization methods are reviewed at the end of each fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(8) Lease

At the inception of the lease contract, the Group assesses whether an arrangement is a lease or contains a lease. When the right to control the use of specific assets transfers in exchange for consideration for a certain period due to a contract, it means lease or includes lease. When the Group determines if the right to control the use of specific assets transfers or not, the Group uses the definition of lease in IFRS 16.

<Lease as a lessee>

The Group recognizes right-of-use assets and lease liabilities at the inception of the lease.

Right-of-use assets are measured at acquisition cost at the inception of the lease. After the commencement date, right-of-use assets are measured by using the cost model at acquisition cost less accumulated depreciation and impairment losses. Right-of-use assets are amortized from the date of inception to the end of estimated useful life of the underlying leased asset if the right to use is transferred to lessee until the end of the lease term or if acquisition cost of right-of-use assets reflects the exercise of a purchase option. Otherwise right-of-use assets are amortized from the date of inception to the earlier of the end of the estimated useful life of the right-of-use assets or the end of the lease term.

Lease liabilities are measured at the present value of the lease payments that are not paid at the date of inception. After the commencement date, the carrying amount of the lease liabilities are increased to reflect interest on the lease liabilities and decreased the lease payments made. Lease liabilities are re-measured and carrying amounts of right-of-use assets are revised or the change is recognized in profit or loss if the Group reviews lease liabilities or if the modification is not accounted for as a separate lease.

As for short-term leases or leases for which the underlying asset is of low value, the Group applies IFRS 16.5, 6, and recognizes lease payments as an expense using the straight-line method over the lease term.

<Lease as a lessor>

Lease transactions are classified as finance leases if all the risks and rewards incidental to ownership of underlying assets are substantially transferred, and all other leases are classified as operating leases.

A receivable from customer held under a finance lease is initially recognized at the amount of the gross investment in the lease discounted at the interest rate implicit in the lease and included in Trade and other receivables in the consolidated statement of financial position.

An underlying asset subject to an operating lease is recognized in the consolidated statement of financial position, and lease payments from operating leases are recognized as revenue over the lease term.

(9) Investment property

Investment property is held to earn rentals or for capital appreciation or both. Investment property is measured by using the cost model and is recorded at acquisition cost less accumulated depreciation and impairment losses. Depreciation of an investment property other than land and construction in progress is recognized on a straight-line basis over the estimated useful lives of the asset. The estimated useful lives of major assets are as follows:

- Buildings and structures: 2 to 50 years

(10) Impairment

At the end of each fiscal year, the Group assesses the carrying amounts of non-financial assets other than inventory and deferred tax assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Recoverable amounts of goodwill and intangible assets that are not yet ready for use are estimated at the same time every year.

The recoverable amount of an individual asset or cash-generating units is the higher of value in use or fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset. Assets not assessed individually in test of impairment are integrated into the smallest cash-generating unit that generates cash inflows which are largely independent of cash inflows from other assets or a group of assets. Cash-generating units of goodwill are determined on the basis of the units managed for the purpose of internal reporting and are within the scope of operating segments before aggregation. The goodwill acquired in a business combination is allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination.

Corporate assets in the Group do not generate cash inflows independently. If there is any indication that corporate assets may be impaired, the Group practices test of impairment on the basis of the recoverable amount of the cash-generating unit to which corporate asset belongs.

When the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized in profit or loss. An impairment loss for a cash-generating unit is recognized by first reducing the carrying amount of any goodwill allocated to the cash-generating unit, and then reducing proportionally the carrying amount of other assets in the unit.

An impairment loss for goodwill is not reversed. 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 at the end of each fiscal year. An impairment loss is reversed when there has been a change in the estimates used to determine an asset's recoverable amount. Impairment losses are reversed up to the amount not exceeding the carrying amount (net of depreciation) that would have been determined if no impairment losses had been recognized in prior years.

(11) Employee benefits

1. Short-term employee benefits

For short-term employee benefits including salaries, bonuses and paid annual leave, when the employees render related services, the amounts expected to be paid in exchange for those services are recognized as expenses.

2. Retirement benefit plans

The Group sponsors a defined benefit plan and a defined contribution plan as retirement benefit plans for employees.

(a) Defined contribution plans

For defined contribution plans, when the employees render related services, the contribution payables to the defined contribution plan are recognized as expenses.

(b) Defined benefit plans

The Group has adopted lump-sum payment on retirement and defined benefit pension plans as defined benefit plans.

The present value of defined benefit obligations, related current service costs and past service costs are determined using the projected unit credit method.

The discount rates are determined by reference to market yields at the end of the reporting period on high-quality corporate bonds which have maturities corresponding to the future settlements of benefits in each year.

The net defined benefit liability (asset) is determined as the present value of the defined benefit obligation less the fair value of the plan assets. Net interest on the net defined benefit liability (asset) is recognized in profit or loss as financial expenses.

The Group recognizes the difference arising from remeasurement of present value of the defined benefit obligation and the fair value of the plan asset in other comprehensive income when it is incurred, and reclassifies it immediately to retained earnings from other components of equity.

The Group recognizes any past service cost as an expense at the earlier of the following dates.

- (i) when the plan amendment or curtailment occurs; and
- (ii) when related restructuring costs are recognized

(12) 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 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 at the discounted present value of the estimated future cash flow using a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount due to the passage of time is recognized as finance costs.

1. Asset retirement obligations

Provisions for asset retirement obligations are recognized mainly for the estimated cost of restoring the leased site at the end of the lease term.

2. Provision for product warranties

The Group provides product warranties based on the terms and conditions of warranties granted at the time of product sales, as well as free repair services on an individual basis in accordance with the notification to the competent authority. The coverage of product warranties based on the terms and conditions of warranties is determined by the duration, mileage, cause of defects, and other factors in accordance with the terms and conditions of warranties in each country.

The Group recognizes estimated warranty costs for the product warranties when products are sold to customers based on the terms and conditions of warranties. The estimated warranty costs are recorded based on the best estimates of future occurrences, which are based on the past repair experience and past sales volume for the total cost of repairing or replacing parts due to defects occurring within the warranty period.

The estimated expenses related to the warranty items in accordance with notifications to the competent authority are recognized as provision for product warranties when it is probable that outflows of resources embodying economic benefits will be required, and reliable estimates can be made of the amount of the obligations. The estimated expenses are recorded based on the best estimate of the warranty expenses that will be incurred in the future per vehicle and the number of units subject to repair, which is calculated based on historical experience of warranty services provided in the past.

3. Provision for loss on construction contracts

The provision for losses on uncompleted construction contracts in the Aerospace segment is provided when substantial losses on the contracts are anticipated at the fiscal year end and such losses can be reasonably estimated.

4. Provision for environmental measures

The provision for environmental measures is recorded for the amount of the estimated expenses for complying with environmental regulations at the end of the fiscal year.

(13) Revenue

1. Revenue from contracts with customer

The Group identifies a performance obligation in a contract with a customer, and recognizes as revenue the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to the customer. Amounts collected on behalf of taxation authorities such as consumption taxes and value added taxes are not included into the amount. If variable consideration is included in the consideration promised in a contract with a customer, some or all of an amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenue is recognized at a point in time or over a certain period of time in accordance with satisfaction of a performance obligation in a contract with a customer.

With regard to revenue from the sale of cars in automotive business, performance obligations are principally considered to be fulfilled at the time of delivery of the cars, at which point customers obtain control of the cars and revenue is recognized.

In automotive business, fare-paying extended warranty service is provided for the products as an option in addition to normal Non-Conformance Liabilities. The revenue from the extended warranty service is recognized over a certain period of time in accordance with the progress of the performance obligation.

The aerospace business has contracts with customers. Revenue from contract construction is recognized over a certain period of time based on the progress of performance obligations. The progress is measured by an input method based on the costs incurred. Payments for contracts are generally made in stages based on the contracts with customers.

2. Revenue from financial lease

When the Group is lessor as the manufacturer or dealer, cost of sales and selling profit or loss corresponding to revenue for a portion identified as sale of products are recognized in profit or loss at the inception of the leases.

Finance income from financial leases is recognized based on a pattern reflecting a constant rate of return on the net investment in the lease of the Group.

3. Revenue from operating leases

Revenue from operating leases is recognized on a straight-line basis over the lease term.

4. Interest income

Interest income is recognized using the effective interest method.

5. Dividend income

Dividend income is recognized when the right to receive the payment is established.

(14) Government grants

Government grants are recognized at fair value when there is a reasonable assurance that the Group complies with the conditions attached to them and the grants will be received. Government grants are recognized in profit or loss over the periods in which the related costs for which the grants are intended to compensate are recognized as expenses. With regard to government grants that are compensation for acquisition of assets, the amount of the grants is deducted from the acquisition cost of the assets.

(15) Income taxes

Income taxes are composed of current and deferred taxes. Income taxes are recognized in profit or loss, except for items that are recognized in other comprehensive income or directly in equity and those arising from business combinations.

Current income taxes are measured at the amount that is expected to be paid to or refunded from the taxation authorities. The amount of these taxes is calculated based on tax rates and tax laws that are enacted or substantively enacted by the end of the consolidated reporting period in the countries where the Group conducts business activities and gains net taxable profit or loss.

Deferred income taxes are recognized based on the temporary differences between the tax base for assets and liabilities and the carrying amounts at the end of the consolidated reporting period, and the carryforward of unused tax losses and unused tax credits.

Deferred tax assets are recognized for all the deductible temporary differences etc. to the extent that it is probable that taxable profit will be available against which the deductible temporary differences etc. can be utilized. Deferred tax liabilities are recognized for all the taxable temporary differences in principle.

However, no deferred tax assets and liabilities are recognized on following temporary differences:

- Taxable temporary differences arising from the initial recognition of goodwill;
- Temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the transaction, affects neither accounting profit nor taxable profit; and
- Taxable temporary differences associated with investments in subsidiaries and affiliates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilize all or part of the benefit of the deferred tax assets. Unrecognized deferred tax assets are reassessed at the end of each reporting period and recognized only to the extent that it is probable that the deferred tax assets can be recovered by future taxable profits.

Deferred tax assets and liabilities are measured at the tax rates and tax laws that are expected to apply to the fiscal year when the assets are realized or the liabilities are settled, based on tax rates and tax laws that are enacted or substantively enacted at the end of the consolidated reporting period.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to offset current tax liabilities against current tax assets, and income taxes are levied by the same taxation authority on the same taxable entity.

(16) Earnings per share

Basic earnings per share is calculated by dividing profit for the year attributable to owners of the parent by the weighted average number of capital stock outstanding during the reporting period, adjusted for the number of treasury share acquired.

(17) Operating segment

An operating segment is a component of the Group that engages in business activities where revenues are earned and expenses are incurred, including inter-segment transactions. The Board of Directors regularly reviews the operating results of all the operating segments for which discrete financial information is available, in order to make decisions about resources to be allocated to the segments and assess their performance.

(18) Non-current assets held for sale

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

(19) Equity

1. Capital stock and capital surplus

The common shares issued by the Company are classified as equity, and the proceeds from issuance of common shares are included in capital stock and capital surplus.

2. Treasury share

Treasury share is measured at acquisition cost, and deducted from equity. No gain or loss is recognized on the purchase, sale or retirement of the Group's treasury share. Any difference between the carrying amount and consideration received on the sale of treasury share is recognized directly in capital surplus.

(20) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of that asset, until the asset is substantially ready for its intended use or sale.

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

4. Significant accounting estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

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

Judgments made by management that have significant effects on the amounts reported in the consolidated financial statements are as follows:

- Recognition of intangible assets arising from development (note “3. Significant Accounting Policies, (7) Intangible assets and goodwill”); and
- Accounting for contracts including lease (note “3. Significant Accounting Policies, (8) Lease”).

Significant accounting estimates made by management are as follows. Please refer each note for recorded amount, the method of calculation, major assumptions, and uncertainty of estimation.

- Accounting treatments of provisions for product warranties.(note “3. Significant Accounting Policies, (12) Provisions”, note “18. Provisions”); and
- Recoverability of deferred tax assets (note “3. Significant Accounting Policies, (15) Income taxes”, note “25. Notes on Income Taxes”)

5. New accounting standards not yet adopted by the Group

None of the new or revised major standards and interpretations that have been issued by the date of approval of the public announcement of the consolidated financial statement but are not yet adopted early by the Group significantly affects the Group's consolidated financial statements.

6. Segment information

The reportable segments are the components of the Company for which separate financial information is available that is evaluated regularly by the Board of Directors in deciding allocation of management resources and in assessing performance.

The Company recognizes Automotive as its main business, and introduces an internal company system in Aerospace division. This framework makes clearer the responsibility of each division and accelerates business execution. The Company manages the subsidiaries on the basis of this classification. Therefore, the operating segments consist of "Automotive", "Aerospace", and "Others" which neither belongs to Automotive nor Aerospace. The reportable segments are "Automotive" and "Aerospace" segments.

Accounting method for operating segment reported is almost the same as the description in "3. Significant Accounting Policies".

Reportable segment profit or loss is based on the operating profit.

Intersegment sales and transfers are based on the current market prices.

Principal products and services of each segment are as follows:

Segment	Principal products and services
Automotive	Automobiles and relevant products
Aerospace	Aircrafts, parts of space-related devices, and relevant products
Others	Real estate lease, etc.

(1) Information about the amount of revenue, profit or loss and other material items for each segment

Operating segment information of the Group as of and for the consolidated fiscal years ended March 31, 2021 and 2022 is as follows:

FYE 2021 (April 1, 2020 to March 31, 2021)

	(Unit: Millions of yen)					
	Automotive	Aerospace	Subtotal	Others	Eliminations or Corporate	Consolidated
Revenue						
(1) External customers	2,737,503	87,693	2,825,196	5,014	—	2,830,210
(2) Intersegment	2,277	3	2,280	29,497	(31,777)	—
Total revenue	2,739,780	87,696	2,827,476	34,511	(31,777)	2,830,210
Operating profit (loss)	109,067	(9,811)	99,256	3,070	142	102,468
Finance Income						21,003
Finance Costs						(9,517)
Profit before tax						113,954
Segment assets	3,103,212	265,857	3,369,069	67,329	(24,686)	3,411,712
Other items						
Depreciation and amortization	200,003	4,771	204,774	1,543	—	206,317
Share of profit (loss) of investments accounted for using the equity method	329	—	329	(449)	—	(120)
Investments accounted for using the equity method	7,605	—	7,605	2,572	—	10,177
Additional non-current assets	249,715	7,671	257,386	843	—	258,229

Note: 1. The method to calculate the operating profit (loss) of each segment is correspondent to the method to calculate the operating profit (loss) in the consolidated statement of income, and Finance income, Finance costs, and Income tax expense are not included. Operating costs which are not allocated to each segment directly are allocated on the basis of the most reasonable standard to allocate.

- The total amount of segment assets of each segment and Eliminations or Corporate is correspondent to the amount of total assets in the consolidated statement of financial position, and Investments accounted for using the equity method, derivative assets, and deferred tax assets are included. Assets which are not allocated to each segment directly less the amount included in Eliminations or Corporate are allocated into each segment on the basis of the most reasonable standard to allocate.
- Eliminations or Corporate includes elimination of intersegment transactions and corporate assets. Corporate assets primarily consist of cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

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

	(Unit: Millions of yen)					
	Automotive	Aerospace	Subtotal	Others	Eliminations or Corporate	Consolidated
Revenue						
(1) External customers	2,677,465	62,291	2,739,756	4,764	—	2,744,520
(2) Intersegment	2,483	2	2,485	32,063	(34,548)	—
Total revenue	2,679,948	62,293	2,742,241	36,827	(34,548)	2,744,520
Operating profit (loss)	92,541	(7,005)	85,536	4,782	134	90,452
Finance Income						19,720
Finance Costs						(3,200)
Profit before tax						106,972
Segment assets	3,237,256	264,954	3,502,210	67,164	(25,621)	3,543,753
Other items						
Depreciation and amortization	217,616	4,928	222,544	1,511	—	224,055
Share of profit (loss) of investments accounted for using the equity method	(1,049)	—	(1,049)	(261)	—	(1,310)
Investments accounted for using the equity method	6,455	—	6,455	4,373	—	10,828
Additional non-current assets	236,300	7,114	243,414	1,022	—	244,436

- Note: 1. The method to calculate the operating profit (loss) of each segment is correspondent to the method to calculate the operating profit (loss) in the consolidated statement of income, and Finance income, Finance costs, and Income tax expense are not included. Operating costs which are not allocated to each segment directly are allocated on the basis of the most reasonable standard to allocate.
- The total amount of segment assets of each segment and Eliminations or Corporate is correspondent to the amount of total assets in the consolidated statement of financial position, and Investments accounted for using the equity method, derivative assets, and deferred tax assets are included. Assets which are not allocated to each segment directly less the amount included in Eliminations or Corporate are allocated into each segment on the basis of the most reasonable standard to allocate.

3. Eliminations or Corporate includes elimination of intersegment transactions and corporate assets. Corporate assets primarily consist of cash and cash equivalents and financial assets measured at fair value through other comprehensive income.

(2) Information about products and services

Information about products and services is omitted since the classifications of products and services are the same as reportable segments.

(3) Information about geographic areas

The revenue and carrying amounts of non-current assets other than financial instruments and deferred tax assets based on the location of the Group as of and for the consolidated fiscal years ended March 31, 2021 and 2022 are as follows:

FYE 2021 (April 1, 2020 to March 31, 2021)

	(Unit: Millions of yen)						
	Japan	North America (U.S.A)		Europe	Asia	Others	Total
Revenue	498,336	2,083,039	1,962,964	53,586	94,024	101,225	2,830,210
Non-current assets (other than financial instruments and deferred tax assets)	890,893	316,677	312,082	501	337	—	1,208,408

Note: Revenue is based on the location of customers and classified by countries or areas.

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

	(Unit: Millions of yen)						
	Japan	North America (U.S.A)		Europe	Asia	Others	Total
Revenue	488,018	2,003,970	1,864,890	64,211	73,403	114,918	2,744,520
Non-current assets (other than financial instruments and deferred tax assets)	922,811	350,819	345,980	782	1,147	—	1,275,559

Note: Revenue is based on the location of customers and classified by countries or areas.

(4) Information about major customers

Information about major customers is omitted because there was no specific customer whose revenue is equal to or more than 10% of the revenue on the consolidated statement of income.

7. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	(Unit: Millions of yen)	
	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Cash and deposits	901,141	882,286
Short-term investments	6,185	788
Total	907,326	883,074

Cash and cash equivalents are classified as financial assets measured at amortized cost.

Short-term investments held by the Group are mainly money market funds.

There are no cash and cash equivalents which is subject to the limitation of use as of March 31, 2022.

8. Trade and other receivables

Trade and other receivables consist of the following:

	(Unit: Millions of yen)	
	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Notes receivable and Accounts receivable-trade	107,756	92,382
Accounts receivable-other	36,548	48,571
Trade loans	177,039	165,676
Others	20,564	30,758
Total	341,907	337,387
Receivables expected to be collected within 12 months	187,797	200,833
Receivables expected to be collected beyond 12 months	154,110	136,554
Total	341,907	337,387

Trade and other receivables other than lease receivables and contract assets are classified as financial assets measured at amortized cost.

9. Inventories

Inventories consist of the following:

	(Unit: Millions of yen)	
	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Finished goods and merchandise	237,312	254,369
Work in process	82,197	100,958
Raw materials and supplies	99,544	127,786
Total	419,053	483,113

The amounts of write-down of inventories recognized as an expense for the consolidated fiscal years ended March 31, 2021 and 2022 were 5,772 million yen and 10,256 million yen respectively.

10. Other financial assets

Other financial assets consist of the following:

	(Unit: Millions of yen)	
	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Financial assets measured at amortized cost		
Debt instruments	57,356	53,787
Financial assets measured at fair value through profit or loss		
Derivatives	—	1
Debt securities	30,701	37,824
Financial assets measured at fair value through other comprehensive income		
Equity securities	97,510	123,079
Debt securities	144,101	153,087
Total	329,668	367,778
Financial assets expected to be collected within 12 months	228,279	243,204
Financial assets expected to be collected beyond 12 months	101,389	124,574
Total	329,668	367,778

Equity securities including stocks held to maintain or strengthen the business relationship with investees are, at initial recognition, designated as financial assets measured at fair value through other comprehensive income. Major securities included in the equity securities designated as financial assets measured at fair value through other comprehensive income for the consolidated fiscal years ended March 31, 2021 and 2022 consist of the following:

FYE 2021 (as of March 31, 2021)

	(Unit: Millions of yen)
	Fair value
TOYOTA MOTOR CORPORATION	77,317
The Gunma Bank, Ltd.	1,132
The Kyoritsu Co., Ltd.	1,028
TOKYO LIGHT ALLOY CO., LTD.	1,012
Sakamoto Research & Development Holdings Ltd.	713
Shigeru Co., Ltd.	650
Mizuho Financial Group, Inc.	595
NIPPON STEEL KOWA REAL ESTATE CO., LTD.	483
OSHIMA ELECTRIC WORKS CO., LTD.	349

FYE 2022 (as of March 31, 2022)

	(Unit: Millions of yen)
	Fair value
TOYOTA MOTOR CORPORATION	99,720
The Kyoritsu Co., Ltd.	1,101
TOKYO LIGHT ALLOY CO., LTD.	1,045
The Gunma Bank, Ltd.	1,009
Sakamoto Research & Development Holdings Ltd.	798
Shigeru Co., Ltd.	637
Mizuho Financial Group, Inc.	583
NIPPON STEEL KOWA REAL ESTATE CO., LTD.	537
CHIYODA INDUSTRIES CO., LTD	389

(Derecognition of equity securities designated as financial assets measured at fair value through other comprehensive income)

A part of the financial assets measured at fair value through other comprehensive income are sold based on the assessment of business relationship, etc. The fair value of equity securities designated as financial assets measured at fair value through other comprehensive income that are derecognized upon sale and cumulative gains and losses that have been previously recognized in equity as other comprehensive income for the consolidated fiscal years ended March 31, 2021 and 2022 consist of the following:

	(Unit: Millions of yen)	
	FYE 2021	FYE 2022
	(April 1, 2020 to March 31, 2021)	(April 1, 2021 to March 31, 2022)
Fair value	811	2,213
Cumulative gains (losses)	171	1,055

There are no equity securities designated as financial assets measured at fair value through other comprehensive income for which cumulative gain or loss is transferred to retained earnings due to significant decrease of fair value.

Most of dividend received from equity securities designated as financial assets measured at fair value through other comprehensive income arise from the investment held as of the end of reporting period.

11. Property, plant and equipment

(1) The movement of carrying amount, acquisition cost, accumulated depreciation and accumulated impairment losses of "Property, plant and equipment" are the follows:

FYE 2021 (April 1, 2020 to March 31, 2021)

Carrying amount

	(Unit: Millions of yen)								
	Buildings and structures	Machinery, equipment and vehicles	Vehicles used for operating lease*1	Land	Tools, furniture and fixtures	Construction in progress *2	Right-of-use assets	Others	Total
Beginning balance	224,665	202,449	19,013	172,430	80,518	40,611	99,818	—	820,491
Acquisition	31,169	50,221	11,360	2,190	18,430	72,981	94,438	—	269,429
Depreciation *3	(14,635)	(47,009)	(2,035)	—	(34,849)	—	(56,808)	—	(153,301)
Disposals	(1,310)	(3,959)	(2,283)	(544)	(1,127)	(56)	(3)	—	(6,999)
Reclassification to assets held for sale	(33)	(2)	—	(34)	—	—	—	—	(69)
Foreign exchange differences	958	604	127	147	250	143	775	—	2,877
Others*4	(144)	(7,161)	(11,789)	(648)	5	(78,183)	(6,649)	—	(92,780)
Ending balance	240,670	195,143	14,393	173,541	63,227	35,496	131,571	—	839,648

Note: 1. Amounts of "Vehicles used for operating lease" are included in "Machinery, equipment and vehicles".

2. Construction in progress includes the expenditures related to the property, plant and equipment under construction.

3. Depreciation is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

4. Others include transfers from vehicles to inventory, construction in progress to each item, etc.

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

Carrying amount

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Vehicles used for operating lease*1	Land	Tools, furniture and fixtures	Construction in progress *2	Right-of- use assets	Others	Total
Beginning balance	240,670	195,143	14,393	173,541	63,227	35,496	131,571	—	839,648
Acquisition	24,982	31,109	4,838	2,402	17,104	69,628	77,267	—	222,492
Depreciation *3	(15,877)	(46,928)	(2,994)	—	(34,209)	—	(73,986)	—	(171,000)
Disposals	(1,296)	(2,638)	(951)	(1,502)	(416)	(516)	(1,319)	—	(7,687)
Foreign exchange differences	5,523	4,617	1,067	774	3,002	859	3,171	—	17,946
Others*4	194	252	(3,893)	971	(22)	(58,951)	(2,290)	—	(59,846)
Ending balance	254,196	181,555	12,460	176,186	48,686	46,516	134,414	—	841,553

Note: 1. Amounts of "Vehicles used for operating lease" are included in "Machinery, equipment and vehicles".

2. Construction in progress includes the expenditures related to the property, plant and equipment under construction.

3. Depreciation is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

4. Others include transfers from vehicles to inventory, construction in progress to each item, etc.

Acquisition costs

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Vehicles used for operating lease*1	Land	Tools, furniture and fixtures	Construction in progress *2	Right-of-use assets	Others	Total
FYE 2021 (as of April 1, 2020)	466,314	673,572	22,605	184,281	405,041	40,611	184,697	1,036	1,955,552
FYE 2021 (as of March 31, 2021)	493,061	695,669	17,192	185,347	407,100	35,496	209,873	155	2,026,701
FYE 2022 (as of March 31, 2022)	521,720	718,354	16,746	187,460	430,235	46,516	265,112	131	2,169,528

Note: 1. Amounts of "Vehicles used for operating lease" are included in "Machinery, equipment and vehicles".

2. Construction in progress includes the expenditures related to the property, plant and equipment under construction.

Accumulated depreciation and accumulated impairment loss

(Unit: Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Vehicles used for operating lease*1	Land	Tools, furniture and fixtures	Right-of-use assets	Others	Total
FYE 2021 (as of April 1, 2020)	241,649	471,123	3,592	11,851	324,523	84,879	1,036	1,135,061
FYE 2021 (as of March 31, 2021)	252,391	500,526	2,799	11,806	343,873	78,302	155	1,187,053
FYE 2022 (as of March 31, 2022)	267,524	536,799	4,286	11,274	381,549	130,698	131	1,327,975

Note: Amounts of "Vehicles used for operating lease" are included in "Machinery, equipment and vehicles".

(2) The carrying amount of property, plant and equipment pledged as collateral for liabilities

For the amount of property, plant and equipment pledged as collateral for liabilities, please refer to "16. Financing liabilities".

(3) Commitment

For our commitments to acquire property, plant and equipment, please refer to "32. Commitments".

12. Intangible assets and goodwill

The movement of carrying amount, acquisition cost, accumulated amortization and accumulated impairment losses of Intangible assets and goodwill are as follows:

FYE 2021 (April 1, 2020 to March 31, 2021)

Carrying amount

	(Unit: Millions of yen)			
	Software	Capitalized development costs	Others	Total
Beginning balance	30,600	141,764	37,411	209,775
Separate acquisitions	15,994	—	19,376	35,370
Internally generated	—	44,347	—	44,347
Amortization *1	(10,834)	(40,502)	(1,284)	(52,620)
Disposals	(681)	—	—	(681)
Foreign exchange differences	132	—	143	275
Others	(93)	(7,307)	(12,414)	(19,814)
Ending balance	35,118	138,302	43,232	216,652

Note: 1. Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

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

Carrying amount

	(Unit: Millions of yen)			
	Software	Capitalized development costs	Others	Total
Beginning balance	35,118	138,302	43,232	216,652
Separate acquisitions	19,933	—	29,132	49,065
Internally generated	—	50,363	—	50,363
Amortization *1	(12,686)	(39,091)	(839)	(52,616)
Disposals	(533)	—	(37)	(570)
Foreign exchange differences	1,070	—	300	1,370
Others	1,487	(1,185)	(13,669)	(13,367)
Ending balance	44,389	148,389	58,119	250,897

Note: 1. Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of income.

Acquisition costs

	(Unit: Millions of yen)			
	Software	Capitalized development costs	Others	Total
FYE 2021 (as of April 1, 2020)	104,143	229,585	45,694	379,422
FYE 2021 (as of March 31, 2021)	103,629	241,532	44,690	389,851
FYE 2022 (as of March 31, 2022)	141,322	284,133	70,500	495,955

Accumulated depreciation and Accumulated impairment losses

	(Unit: Millions of yen)			
	Software	Capitalized development costs	Others	Total
FYE 2021 (as of April 1, 2020)	73,543	87,821	8,283	169,647
FYE 2021 (as of March 31, 2021)	68,510	103,230	1,459	173,199
FYE 2022 (as of March 31, 2022)	96,933	135,744	12,381	245,058

13. Investment property

The movement of carrying amount, acquisition cost, accumulated depreciation and accumulated impairment losses of Investment property are as follows:

(1) The movement of carrying amount of Investment property

Carrying amount

	(Unit: Millions of yen)	
	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Beginning balance	23,986	24,282
Acquisition	77	93
Depreciation	(396)	(439)
Disposals	(21)	(1,135)
Reclassification from (to) Property, plant and equipment	87	(590)
Others	549	(269)
Ending balance	24,282	21,942

(2) Acquisition costs, accumulated depreciation, accumulated impairment losses, and fair value

	(Unit: Millions of yen)	
	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Acquisition costs	36,256	33,314
Accumulated depreciation	(11,251)	(10,649)
Accumulated impairment losses	(723)	(723)
Carrying amount	24,282	21,942
Fair value	39,191	37,579

The fair value of major investment property is based on the assessment by the independent appraiser certified as adequate professional in the area in which the property is located.

The assessment is based on the appraised value by discounted cash flow method or transaction prices in market of observable similar assets, etc.

The level of the fair value hierarchy of investment property is level 3.

For fair value hierarchy, please refer to "30. Fair Value".

(3) Profit and loss from investment property

	(Unit: Millions of yen)	
	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Rental income	3,489	3,531
Rental expenses	(1,821)	(1,793)
Profit	1,668	1,738

Rental income is mainly stated in "Revenue" in the consolidated statement of income.

Rental expenses are the expenses corresponding to rental income (costs related to depreciation, repairs, insurance and taxes, etc.), and stated in "Cost of sales" and "Selling, general and administrative expenses", and "Other expenses" in the consolidated statement of income.

14. Investments accounted for using the equity method

The carrying amounts of investments accounted for using the equity method are as follows:

	(Unit: Millions of yen)	
	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Investments accounted for using the equity method	10,177	10,828

The Group's share of profit (loss) and other comprehensive income (loss) of investments accounted for using the equity method are as follows:

	(Unit: Millions of yen)	
	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Share of profit (loss) of investments accounted for using the equity method	(120)	(1,310)
Share of other comprehensive income (loss) of investments accounted for using the equity method	6	1,085
Total	(114)	(225)

For the consolidated fiscal years ended March 31, 2021 and 2022, there are no individually significant affiliates or joint ventures in investments accounted for using the equity method.

15. Trade and other payables

Trade and other payables consist of the following:

	(Unit: Millions of yen)	
	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Notes payable and Accounts payable-trade	218,516	220,918
Electronically recorded obligations-operating	22,484	17,464
Accounts payable-other	25,887	33,465
Others	937	1,699
Total	267,824	273,546
Payables expected to be paid within 12 months	267,824	273,546
Payables expected to be paid beyond 12 months	—	—
Total	267,824	273,546

Trade and other payables are classified as financial liabilities measured at amortized cost.

16. Financing liabilities

(1) Financing liabilities consist of the following:

Financial covenants are attached to a part of borrowings as of March 31, 2022.

The Company observes the covenants for the consolidated fiscal year ended March 31, 2022. The covenants are monitored to maintain the required level.

	(Unit: Millions of yen)			
	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)	Average interest rate*1	Payment due date
Short-term borrowings	1,343	493	2.49%	
Current portion of long-term borrowings	24,991	51,152	0.19%	
Long-term borrowings	227,549	192,400	0.19%	2023-2030
Bonds	80,000	90,000	*2	*2
Total	333,883	334,045		

Note: 1. Average interest rate represents the weighted-average interest rates on outstanding balances of financing liabilities as of March 31, 2022.

2. For Average interest rate and Payment due date of Bonds, please refer to (2) below.

(2) Bonds consist of the following

(Unit: Millions of yen)

Company Name	Brand	Date of issuance of bonds	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)	Interest rate	Repayment Date
The Company	1st Unsecured bond Limited to inter-bond transactions with a pari passu clause	December 17, 2019	10,000	10,000	0.12%	December 17, 2024
The Company	2nd Unsecured bond Limited to inter-bond transactions with a pari passu clause	December 17, 2019	15,000	15,000	0.21%	December 17, 2026
The Company	3rd Unsecured bond Limited to inter-bond transactions with a pari passu clause	December 17, 2019	15,000	15,000	0.28%	December 17, 2029
The Company	4th Unsecured bond Limited to inter-bond transactions with a pari passu clause	September 10, 2020	10,000	10,000	0.01%	September 8, 2023
The Company	5th Unsecured bond Limited to inter-bond transactions with a pari passu clause	September 10, 2020	10,000	10,000	0.17%	September 10, 2025
The Company	6th Unsecured bond Limited to inter-bond transactions with a pari passu clause	September 10, 2020	20,000	20,000	0.42%	September 10, 2030
The Company	7th Unsecured bond Limited to inter-bond transactions with a pari passu clause	December 16, 2021	—	10,000	0.35%	December 16, 2031

(3) Assets pledged as collateral

1. Assets pledged as collateral consist of the following:

(Unit: Millions of yen)

	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Assets pledged as collateral		
Buildings and structures	6,481	5,397
Land	6,615	4,994
Total	13,096	10,391

2. Secured liabilities

Secured liabilities consist of the following:

	(Unit: Millions of yen)	
	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Current portion of long-term borrowings	389	376
Long-term borrowings	9,768	9,394
Others	908	496
Total	11,065	10,266

As is customary in Japan, bank loans are extended under general agreements which provide that security and guarantees for present and future indebtedness will be given upon request from the bank. And in the event of delay in payment or default by the Group, the bank shall have the right to offset cash deposits about all the liabilities and to foreclose depending on the content of agreement.

17. Other financial liabilities

Other financial liabilities consist of the following:

	(Unit: Millions of yen)	
	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Financial liabilities measured at amortized cost		
Liabilities related to chargeable subcontracting	23,467	30,007
Long-term accounts payable-other	277	1,339
Guarantee deposits received	6,779	6,748
Financial liabilities measured at fair value through profit or loss		
Derivatives	7,644	6,255
Lease liabilities		
Lease liabilities (Current)	30,171	33,362
Lease liabilities (Non-current)	71,472	73,761
Total	139,810	151,472
Liabilities expected to be paid within 12 months	61,282	69,624
Liabilities expected to be paid beyond 12 months	78,528	81,848
Total	139,810	151,472

18. Provisions

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

(Unit: Millions of yen)

	Provision for product warranties	Provision for loss on construction contracts	Others*1	Total
Beginning balance	238,900	7,033	38,518	284,451
Increase during the year	152,655	2,318	44,778	199,751
Decrease during the year (utilized)	(207,258)	(3,816)	(36,342)	(247,416)
Decrease during the year (reversal)	(1,125)	—	(108)	(1,233)
Others	1,850	—	1,262	3,112
Ending balance	185,022	5,535	48,108	238,665
Current liabilities	95,175	5,535	42,507	143,217
Non-current liabilities	89,847	—	5,601	95,448
Total	185,022	5,535	48,108	238,665

Note: 1. Others include asset retirement obligations, provision for environmental measures, etc.

(Provision for product warranties)

Provision for product warranties is recognized at the total amount of the following estimations to cover warranty costs for products sold.

1. Estimated amount based on past experiences with consideration given to the expected level of future warranty costs in accordance with the terms and conditions of the warranties
2. Estimated amount calculated as the expenses related to product recall in accordance with the notifications to the competent authorities

Provision for product warranties is used for expenditures based on the demand from customers and dealers. We believe that we have made sufficient provisions for the warranty costs that we expect to be incurred based on currently available information. However, since the calculation of the provision for product warranties involves the estimate of the warranty costs that would be incurred over multiple years in the future, the actual warranty costs may deviate from the estimates. This could cause the necessity of recording additional provisions for product warranties, and a significant impact on the consolidated financial statements.

(Provision for loss on construction contracts)

To cover loss on contracts in the Aerospace segment, a provision for loss on construction contracts is recognized for uncompleted construction of contracts at the consolidated fiscal year - end for which substantial losses are anticipated and such losses can be reasonably estimated. The timing of expenditure depends on the progress of construction contracts in the future.

19. Employee benefits

(1) Outline of employee benefits

The Company and its consolidated domestic subsidiaries have lump-sum retirement payment plans, defined benefit pension plans, and the Company and certain domestic subsidiaries have defined contribution pension plans. In addition, in certain occasions, additional retirement payments are made to employees for their retirement.

Consolidated foreign subsidiaries primarily have defined contribution plans.

As of March 31, 2022, 51 companies including the Company and its consolidated domestic subsidiaries have lump-sum retirement payment plans, and there are 6 defined benefits pension plans, and also 26 defined contribution plans. In addition, there are 2 multi-employer defined benefits pension plans.

In contract-type corporate pension plan, the Company is obliged to comply with laws and regulations, appointments made by Minister of Ministry of Health, as well as to faithfully accomplish their duties for the participants, etc. It is prohibited that the Company signs asset management agreement for the purpose of a third party interest other than self or participants and orders specific method about the management of contribution. In domestic corporate pension plan, the Company makes actuarial review on the basis of corporate financial position and review of asset management every five years, and raises premium when funding standard is not satisfied.

In the management of plan assets, the Company builds most appropriate portfolio for the purpose of the securement of stable income under the acceptable risks to secure employees' future benefit, and makes an effort to keep the allocation of assets based on the portfolio, and reviews the portfolio regularly in response to the change of market environment and status of funding.

Major plans of the Group are exposed to the interest rate risk, etc.

(2) Reconciliation

FYE 2021 (April 1, 2020 to March 31, 2021)

	(Unit: Millions of yen)					
	Plan assets		The present value of the defined benefit obligations		Net defined benefit liabilities(assets)	
	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan
Beginning balance	110,528	5,875	135,459	35,661	24,931	29,786
Current service cost	—	—	8,197	2,090	8,197	2,090
Interest income or expense	771	—	676	1,138	(95)	1,138
Remeasurements of net defined benefit liabilities(assets)						
(i) Return on plan assets (excluding amounts included in interest)	3,280	983	—	—	(3,280)	(983)
(ii) Actuarial gains and losses	—	—	(894)	40	(894)	40
Actuarial gains and losses arising from changes in demographic assumptions	—	—	48	(1,501)	48	(1,501)
Actuarial gains and losses arising from changes in financial assumptions	—	—	(942)	1,541	(942)	1,541
Effect of changes on foreign exchange rates	—	144	—	739	—	595
Contributions to the plan						
Contributions by the employer	4,731	221	—	—	(4,731)	(221)
Payments from the plan	(2,424)	(345)	(4,489)	(907)	(2,065)	(562)
Others	—	125	28	183	28	58
Ending balance	116,886	7,003	138,977	38,944	22,091	31,941

This reconciliation does not include other employee benefits about welfare program, etc., 1,808 million yen of beginning balance, 1,785 million yen of ending balance.

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

(Unit: Millions of yen)

	Plan assets		The present value of the defined benefit obligations		Net defined benefit liabilities (assets)	
	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan
Beginning balance	116,886	7,003	138,977	38,944	22,091	31,941
Current service cost	—	—	8,019	2,436	8,019	2,436
Interest income or expense	1,990	—	774	1,191	(1,216)	1,191
Remeasurements of net defined benefit liabilities(assets)						
(i) Return on plan assets (excluding amounts included in interest)	(391)	460	—	—	391	(460)
(ii) Actuarial gains and losses	—	—	(2,623)	(2,730)	(2,623)	(2,730)
Actuarial gains and losses arising from changes in demographic assumptions	—	—	(815)	(84)	(815)	(84)
Actuarial gains and losses arising from changes in financial assumptions	—	—	(1,808)	(2,646)	(1,808)	(2,646)
Effect of changes on foreign exchange rates	—	780	—	4,086	—	3,306
Contributions to the plan						
Contributions by the employer	3,871	219	—	—	(3,871)	(219)
Payments from the plan	(3,000)	(361)	(5,218)	(1,290)	(2,218)	(929)
Others	—	142	(387)	210	(387)	68
Ending balance	119,356	8,243	139,542	42,847	20,186	34,604

This reconciliation does not include other employee benefits about welfare program, etc., 1,785 million yen of beginning balance, 1,865 million yen of ending balance.

Assets about retirement benefit, — million yen of beginning balance, 1,541 million yen of ending balance are included in “Other non-current assets” of Consolidated Statement of Financial Position.

(3) Components of plan assets

(Unit: Millions of yen)

	FYE 2021 (as of March 31, 2021)			FYE 2022 (as of March 31, 2022)		
	Quoted market prices in active markets			Quoted market prices in active markets		
	With	Without	Total	With	Without	Total
Cash and cash equivalents	4,226	—	4,226	5,716	—	5,716
Shares issued by Japanese companies	12,349	—	12,349	11,164	—	11,164
Shares issued by foreign companies	7,841	—	7,841	8,861	—	8,861
Subtotal	20,190	—	20,190	20,025	—	20,025
Bonds issued in Japan	75,385	—	75,385	68,254	—	68,254
Bonds issued in foreign countries	4,263	—	4,263	7,572	—	7,572
Subtotal	79,648	—	79,648	75,826	—	75,826
Life insurance - General accounts	—	3,861	3,861	—	3,971	3,971
Others	—	15,964	15,964	—	22,061	22,061
Subtotal	—	19,825	19,825	—	26,032	26,032
Total	104,064	19,825	123,889	101,567	26,032	127,599

(4) Significant actuarial assumptions used to determine the present value of defined benefit obligations at the end of each consolidated fiscal year are as follows:

	FYE 2021 (as of March 31, 2021)		FYE 2022 (as of March 31, 2022)	
	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan
Discount rate	0.6%	3.2%	0.7%	3.7%

Sensitivity analysis about effects on defined benefit obligations due to any change in actuarial assumptions mentioned above are as follows:

	(Unit: Millions of yen)			
	FYE 2021		FYE 2022	
	(as of March 31, 2021)		(as of March 31, 2022)	
	Plans in Japan	Plans outside Japan	Plans in Japan	Plans outside Japan
Discount rate				
1.0% increase	(12,089)	(4,335)	(11,498)	(4,406)
1.0% decrease	14,654	4,029	13,871	4,328

Sensitivity analysis about effects of each actuarial assumption is calculated on the basis that there are no changes in other actuarial assumptions.

Therefore, if these assumptions change in combination, the effects may be different from the amounts stated above.

In addition, approximate amounts are stated above because the projected cash flow is not taken into account for all benefit payments of the plans.

The Group expects to contribute 4,090 million yen from April 1, 2022 to March 31, 2023.

The Group's weighted-average durations of the defined benefit obligations for the consolidated fiscal years ended March 31, 2021 and 2022 were 12 years in Japan and 6 years outside Japan, and 11 years in Japan and 6 years outside Japan, respectively.

(5) Multi-employer plan

Some domestic subsidiaries participate in a pension fund, which is a multi-employer plan.

The fund is a defined benefits pension plan. However, the amount of pension assets corresponding to contributions cannot be calculated reasonably. Therefore, the method where contribution payable to the pension fund is recognized as retirement benefit expenses is adopted.

If a plan is liquidated and settled, shortfalls are collected or residual assets are distributed on the basis of the minimum base amount calculated by laws. If an employer withdraws from the multi-employer plan, liabilities and shortfalls expected due to withdrawal are collected.

Information about the multi-employer plan is as follows:

Funding status of the multi-employer plan as a whole

	(Unit: Millions of yen)	
	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Plan assets	9,422	9,636
Total amount of actuarial liabilities and minimum actuarial reserve for the purpose of pension financing calculation	10,108	10,161
Difference	(686)	(525)

Note: The latest figures for each consolidated fiscal year end are mainly disclosed.

Ratio of contributions by the Group to the fund in the overall plan

FYE 2021 5% (Principally, April 1, 2020 to March 31, 2021)

FYE 2022 5% (Principally, April 1, 2021 to March 31, 2022)

(Contributions to the multi-employer plans in the next financial year)

The Group estimates the contributions to the multi-employer plans for the consolidated fiscal year ending March 31, 2023 to be 26 million yen.

(6) Personnel expenses

Personnel expenses included in the consolidated statement of income are as follows:

	(Unit: Millions of yen)	
	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Personnel expenses	299,979	307,253
Contributions to defined contribution pension plans	5,306	5,364

Personnel expenses include salaries, bonuses, social security expenses and retirement benefit expenses, etc.

20. Equity and Other components of equity

(1) Management of Capital

The Group makes investments in capital and research and development to improve corporate value through growth on a global basis.

In order to meet these funding needs, the Group makes capital management through consideration of the balance between financing liabilities and equity.

Equity Ratios as of March 31, 2021 and 2022 are as follows:

Equity means "equity attributable to owners of the parent", and Equity Ratio is obtained by dividing equity by total liabilities and equity.

	(Unit: Millions of yen)	
	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Equity	1,777,735	1,890,789
Total Liabilities and Equity	3,411,712	3,543,753
Equity Ratio	52.1%	53.4%

(2) Capital stock and capital surplus

The Companies Act of Japan provides that no less than 50% of the paid-in amount or proceeds of issuance of shares shall be incorporated in capital stock, and that the remaining shall be incorporated in capital reserves included in capital surplus. Capital reserves may be incorporated in capital stock upon approval of the General Meeting of Shareholders.

Number of authorized shares as of March 31, 2021 and 2022 is 1,500,000,000. The changes in the number of the paid-in outstanding shares for the consolidated fiscal years ended March 31, 2021 and 2022 are as follows:

	Number of Shares
FYE 2021 (as of April 1, 2020)	769,175,873
Change	—
FYE 2021 (as of March 31, 2021)	769,175,873
Change	—
FYE 2022 (as of March 31, 2022)	769,175,873

All shares issued by the Company are no-par-value stock with no restriction on rights.

(3) Retained Earnings

The Companies Act of Japan provides that earnings in an amount equal to 10% of the cash dividends from retained earnings shall be appropriated as capital reserves or legal retained earnings on the date of distribution of retained earnings until an aggregated amount of capital reserve and legal reserve equals 25% of the capital stock. The amount of legal retained earnings can be used to compensate for deficits. Legal reserves may be used upon approval of the General Meeting of Shareholders.

(4) Treasury share

Under the Companies Act of Japan, the number of shares and total value of treasury share acquisition may be determined, upon approval of the General Meeting of Shareholders, within the amount available for distribution. Furthermore, treasury share may be acquired through market transactions or tender offers in accordance with the articles of incorporation within the conditions set forth in the Companies Act, upon approval of the Board of Directors.

The changes in the treasury share as of April 1, 2020 and March 31, 2021 and 2022 are as follows:

	Number of Shares
FYE 2021 (as of April 1, 2020)	2,360,368
Increase	6,589
Decrease	(61,827)
FYE 2021 (as of March 31, 2021)	2,305,130
Increase	3,688
Decrease	(60,716)
FYE 2022 (as of March 31, 2022)	2,248,102

The increase of 6,589 treasury share in the consolidated fiscal year ended March 31, 2021 is due to purchase of shares less than one unit. The decrease of 61,827 treasury share in the consolidated fiscal year ended March 31, 2021 is due to disposal on August 7, 2020 as compensation to grant restricted stock that was passed as a resolution in the Board of Directors Meeting on April 28, 2017.

The increase of 3,688 treasury share in the consolidated fiscal year ended March 31, 2022 is due to purchase of shares less than one unit. The decrease of 60,716 treasury share in the consolidated fiscal year ended March 31, 2021 is due to disposal on August 5, 2021 as compensation to grant restricted stock that was passed as a resolution in the Board of Directors Meeting on April 28, 2017.

(5) Other Components of Equity

1. Remeasurements of defined benefit plans

The amount of remeasurements of defined benefit plans is comprised of the amounts of the difference between the actuarial assumptions and actual results at the beginning of the consolidated fiscal year, changes in actuarial assumptions and revenue from plan assets excluding amount included in interest. This amount is recognized as other comprehensive income and immediately transferred from other components of equity to retained earnings.

2. Net changes in revaluation of equity instruments designated as measured at fair value through other comprehensive income and net changes in revaluation of debt instruments measured at fair value through other comprehensive income.

Cumulative gain or loss on revaluation of financial assets measured at fair value through other comprehensive income.

3. Exchange differences on translating foreign operations

Exchange differences arising from translation of the financial statement of consolidated foreign operations from the respective functional currencies to Japanese yen, which is the presentation currency of the Group.

The changes in the components of accumulated other components of equity as of March 31, 2021 and 2022 are as follows:

(Unit: Millions of yen)

	Remeasurements of defined benefit plans	Net changes in revaluation of equity instruments designated as measured at fair value through other comprehensive income	Net changes in revaluation of debt instruments measured at fair value through other comprehensive income	Exchange differences on translating foreign operations	Other comprehensive income under the equity method	Total
FYE 2021 (as of April 1, 2020)	—	3,082	2,153	3,523	(368)	8,391
Adjustment during the year	4,467	6,527	745	19,436	6	31,180
Reclassification to retained earnings	(4,467)	(109)	—	—	—	(4,576)
FYE 2021 (as of March 31, 2021)	—	9,500	2,898	22,959	(362)	34,995
Adjustment during the year	3,886	17,309	(5,675)	69,282	1,085	85,887
Reclassification to retained earnings	(3,886)	(178)	—	—	—	(4,064)
FYE 2022 (as of March 31, 2022)	—	26,631	(2,777)	92,241	723	116,818

(6) Other Comprehensive Income

Each component of other comprehensive income and related tax effect including non-controlling interests for the consolidated fiscal years ended March 31, 2021 and 2022 are as follows:

	(Unit: Millions of yen)					
	FYE 2021 (April 1, 2020 to March 31, 2021)			FYE 2022 (April 1, 2021 to March 31, 2022)		
	Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit (expense)	Net of tax
Items that will not be reclassified to profit or loss:						
Remeasurements of defined benefit plans:						
Amount incurred during the year	4,934	(467)	4,467	5,459	(1,573)	3,886
Net changes	4,934	(467)	4,467	5,459	(1,573)	3,886
Net changes in revaluation of equity instruments designated as measured at fair value through other comprehensive income:						
Amount incurred during the year	9,293	(2,766)	6,527	24,650	(7,341)	17,309
Net changes	9,293	(2,766)	6,527	24,650	(7,341)	17,309
Share of other comprehensive income of investments accounted for using the equity method:						
Amount incurred during the year	—	—	—	1,466	(447)	1,019
Net changes	—	—	—	1,466	(447)	1,019
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations:						
Amount incurred during the year	20,031	—	20,031	70,275	—	70,275
Reclassification to profit or loss	—	—	—	—	—	—
Net changes	20,031	—	20,031	70,275	—	70,275
Share of other comprehensive income of investments accounted for using the equity method:						
Amount incurred during the year	6	—	6	66	—	66
Reclassification to profit or loss	—	—	—	—	—	—
Net changes	6	—	6	66	—	66
Net changes in revaluation of debt instruments measured at fair value through other comprehensive income						
Share of other comprehensive income						
Amount incurred during the year	944	(199)	745	(7,184)	1,509	(5,675)
Reclassification to profit or loss	—	—	—	—	—	—
Net changes	944	(199)	745	(7,184)	1,509	(5,675)
Total other comprehensive income	35,208	(3,432)	31,776	94,732	(7,852)	86,880

The components of other comprehensive income included in non-controlling interests for the consolidated fiscal years ended March 31, 2021 and 2022 are as follows:

	(Unit: Millions of yen)	
	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Exchange differences on translating foreign operations	596	993

21. Revenue

(1) Breakdown of revenue

The Group has adopted “IFRS 15 Revenue from Contracts with Customers” and recognizes revenue based on the following five—step approach.

Step 1: Identify the contracts with a customer

Step 2: Identify the performance obligations in the contracts

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to performance obligations

Step 5: Recognize revenue when performance obligations are satisfied

The automotive segment is mainly engaged in manufacturing and sales of automobiles as well as providing services such as maintenance.

For sale of vehicles, revenue is recognized primarily at the time of delivery of the product as we consider that upon delivery the customer obtains control of the product and the performance obligation is satisfied. Maintenance and other service revenue are recognized over a certain period of time. Payment for the sale of a product is generally made within 30 days of the transfer of control of the product to the customer.

The contract with the customer for the sale of the product includes a clause that guarantees that the product complies with the agreed specifications and the Group recognizes the provision for product warranty for the costs related to that warranty. For details of the provision for product warranty, please refer to "3. Significant Accounting Policies (12) Provisions 2. Provision for product warranty".

The aerospace segment has contracts with customers. Revenue from contract construction is recognized based on the progress of performance obligations. The progress is measured by an input method based on the costs incurred. Payments for contracts are generally made in stages based on the contracts with customers.

As described in “6. Segment Information” in the notes to the consolidated financial statements, the Group’s operating segment is classified into three categories: automotive, aerospace, and others. Revenue is broken down by region based on the location of the customer. The relationship between these disaggregated revenues and the revenue of each reportable segment is as follows:

FYE 2021 (April 1, 2020 to March 31, 2021)

	(Unit: Millions of yen)			
	Automotive	Aerospace	Others*3	Total
Revenue from contracts with customers				
Japan	441,705	40,700	1,908	484,313
North America	2,034,229	46,986	171	2,081,386
Europe	53,555	7	24	53,586
Asia	94,012	—	12	94,024
Others	101,180	—	45	101,225
Total	2,724,681	87,693	2,160	2,814,534
Revenue arising from other sources *2	12,822	—	2,854	15,676
Total	2,737,503	87,693	5,014	2,830,210

Note: 1. The amounts mentioned above reflect elimination of internal transactions.

2. Revenue recognized from other sources includes lease income, etc. of products that are accounted for in accordance with "IFRS 16 Leases".

3. Other segment includes real estate leasing business, etc.

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

	(Unit: Millions of yen)			
	Automotive	Aerospace	Others	Total
Revenue from contracts with customers				
Japan	440,644	36,393	1,549	478,586
North America	1,975,705	25,898	226	2,001,829
Europe	64,181	—	30	64,211
Asia	73,390	—	13	73,403
Others	114,887	—	31	114,918
Total	2,668,807	62,291	1,849	2,732,947
Revenue arising from other sources *2	8,658	—	2,915	11,573
Total	2,677,465	62,291	4,764	2,744,520

Note: 1. The amounts mentioned above reflect elimination of internal transactions.

2. Revenue recognized from other sources includes lease income, etc. of products that are accounted for in accordance with "IFRS 16 Leases".

3. Other segment includes real estate leasing business, etc.

(2) Contract balances

The balances of receivables, contract assets and contract liabilities arising from contracts with customers as of March 31, 2021 and 2022:

	(Unit: Millions of yen)	
	FYE 2021	FYE 2022
	(as of March 31, 2021)	(as of March 31, 2022)
Receivables included in Trade and other receivables	107,756	92,382
Contract assets included in Trade and other receivables	6,521	16,387
Contract liabilities included in other current liabilities	119,043	150,223
Contract liabilities included in other non-current liabilities	202,419	245,373

The contract assets mainly relate to the Group's right to the consideration for the work of contracts for aircraft production and periodic repairs in the aerospace business that have been recognized based on measurement of progress. Contract assets are transferred to receivables when all deliveries of such construction are completed. The contract liability mainly relates to contracts with defense industries in the aerospace business for which revenue is recognized upon completion of aircraft production and periodic repairs, as well as advance consideration received from customer for contracts.

Of the revenues recognized in the consolidated fiscal year ended March 31, 2022, the amount included in the contract liability balance at the beginning of the consolidated fiscal year was 83,905 million yen, and the amount in the consolidated fiscal year ended March 31, 2021 was 78,298 million yen.

The amount of revenue recognized in the consolidated fiscal year ended March 31, 2022 from performance obligations satisfied (or partially satisfied) in past periods is immaterial.

(3) Transaction price allocated to the remaining performance obligations

Breakdown of the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) and revenue expected to be recognized for each period are as follows:

There are no significant amounts that are not included in the transaction price among the consideration arising from contracts with customers. In addition, as a practical expedient, transactions whose expected contract periods are equal to or less than one year on an individual basis are not included in the following breakdown calculation.

	(Unit: Millions of yen)	
	FYE 2021	FYE 2022
	(as of March 31, 2021)	(as of March 31, 2022)
Within 1 year	140,814	161,650
Over 1 year	348,352	462,778
Total	489,166	624,428

(4) Assets recognized from the costs to obtain or fulfil a contract with a customer

The Group has no material incremental costs incurred to obtain or fulfil a contract with a customer that should be recognized as assets.

22. Selling, general and administrative expenses

The breakdown of selling, general and administrative expenses is as follows:

	(Unit: Millions of yen)	
	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Advertising expenses	69,724	76,671
Salary and bonus	71,710	74,910
Depreciation and amortization expenses	27,452	30,436
Transportation and warehousing expenses	14,423	16,618
Others	96,558	104,501
Total	279,867	303,136

23. Other income and other expenses

(1) Other income

Breakdown of other income is as follows:

	(Unit: Millions of yen)	
	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Government grants	2,748	2,444
Gain on sales of property, plant and equipment	458	673
Revenue from investment property	410	403
Others	1,457	4,927
Total	5,073	8,447

(2) Other expenses

Breakdown of other expenses is as follows:

	(Unit: Millions of yen)	
	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Loss on sales and retirement of property, plant and equipment	5,119	5,752
Compensation expenses	—	2,349
Others	5,938	5,786
Total	11,057	13,887

24. Finance Income and Finance Costs

(1) Finance income

Finance income for the consolidated fiscal years ended March 31, 2021 and 2022 consist of the following:

	(Unit: Millions of yen)	
	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Interest income:		
Financial assets measured at amortized cost	1,659	1,556
Debt instruments measured at fair value through other comprehensive income	2,365	2,264
Gains (losses) on derivatives:		
Financial assets and financial liabilities measured at fair value through profit or loss	—	1,391
Dividends received:		
Equity instruments measured at fair value through other comprehensive income	793	3,258
Gains (losses) on investment trust:		
Debt instruments measured at fair value through profit or loss	10,245	2,056
Gains (losses) on foreign exchange	3,489	7,505
Others	2,452	1,690
Total	21,003	19,720

(2) Finance cost

Finance costs for the consolidated fiscal years ended March 31, 2021 and 2022 consist of the following:

	(Unit: Millions of yen)	
	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Interest expense:		
Financial liabilities measured at amortized cost	874	569
Lease liabilities	1,072	1,206
Gains (losses) on derivatives:		
Financial assets and financial liabilities measured at fair value through profit or loss	6,748	—
Gains (losses) on investment trust:		
Debt instruments measured at fair value through profit or loss	68	192
Others	755	1,233
Total	9,517	3,200

25. Notes on Income Taxes

(1) Income Taxes

1. Income tax expense recognized in profit or loss

	(Unit: Millions of yen)	
	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Current income tax expense		
Current year	35,662	26,699
Prior year adjustment	(1,500)	2,986
Total current income tax expense	34,162	29,685
Deferred income tax expense		
Recognition and reversal of temporary differences	2,423	5,828
Write-down of deferred tax asset	49	863
Total deferred income tax	2,472	6,691
Total	36,634	36,376

2. Reconciliation between the statutory income tax rate and the average effective tax rate

The statutory income tax rate in Japan for the consolidated fiscal years ended March 31, 2021 and 2022 is 30.5%.

The tax rates for the foreign subsidiaries are calculated based on the general tax rate in each tax jurisdiction.

	(Unit: Millions of yen)	
	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Statutory income tax rate	30.5 %	30.5 %
Permanently non-deductible items	3.5 %	3.7 %
Modification and refund of income taxes for prior periods	(1.3) %	2.8 %
Difference in statutory income tax rates of foreign subsidiaries	(7.2) %	(4.9) %
Changes in unrecognized deferred tax assets	0.0 %	0.8 %
Undistributed profits	5.4 %	0.7 %
Others	1.2 %	0.4 %
Average effective tax rate after applying tax effect accounting	32.1 %	34.0 %

(2) Deferred Tax Assets and Deferred Tax Liabilities

1. The components by major factor in deferred tax assets and deferred tax liabilities

FYE 2021 (April 1, 2020 to March 31, 2021)

(Unit: Millions of yen)

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Others (translation gains and losses, etc.)	Ending balance
Deferred tax assets					
Unrealized profit on inventories	17,320	(9,029)	—	—	8,291
Retirement benefit liabilities	25,480	(825)	(467)	100	24,288
Depreciation of fixed assets	9,783	102	—	—	9,885
Provisions	96,526	(9,940)	—	253	86,839
Inventories	2,053	930	—	49	3,032
Accrued business tax	234	(183)	—	—	51
Carryforward of unused tax losses	868	20,176	—	18	21,062
Others	47,530	(4,907)	—	(416)	42,207
Total deferred tax assets	199,794	(3,676)	(467)	4	195,655
Deferred tax liabilities					
Depreciation of fixed assets	26,084	(6,485)	—	(82)	19,517
Deferred income of overseas subsidiaries	17,874	(3,147)	—	(158)	14,569
Financial assets measured at fair value through other comprehensive income	1,872	—	2,965	68	4,905
Reserve for advanced depreciation	1,705	(63)	—	—	1,642
Intangible assets	44,001	(628)	—	(11)	43,362
Undistributed profits	—	6,140	—	—	6,140
Others	1,485	2,979	—	—	4,464
Total deferred tax liabilities	93,021	(1,204)	2,965	(183)	94,599
Net deferred tax assets (liabilities)	106,773	(2,472)	(3,432)	187	101,056

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

(Unit: Millions of yen)

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Others (translation gains and losses, etc.)	Ending balance
Deferred tax assets					
Unrealized profit on inventories	8,291	(577)	—	—	7,714
Retirement benefit liabilities	24,288	727	(1,573)	817	24,259
Depreciation of fixed assets	9,885	1,605	—	134	11,624
Provisions	86,839	(17,238)	—	759	70,360
Inventories	3,032	1,263	—	193	4,488
Accrued business tax	51	455	—	—	506
Carryforward of unused tax losses	21,062	17,460	—	104	38,626
Others	42,207	(9,429)	—	883	33,661
Total deferred tax assets	195,655	(5,734)	(1,573)	2,890	191,238
Deferred tax liabilities					
Depreciation of fixed assets	19,517	(7,286)	—	1,410	13,641
Deferred income of overseas subsidiaries	14,569	1,654	—	1,684	17,907
Financial assets measured at fair value through other comprehensive income	4,905	(153)	6,279	101	11,132
Reserve for advanced depreciation	1,642	(59)	—	—	1,583
Intangible assets	43,362	5,553	—	262	49,177
Undistributed profits	6,140	724	—	—	6,864
Others	4,464	524	—	454	5,442
Total deferred tax liabilities	94,599	957	6,279	3,911	105,746
Net deferred tax assets (liabilities)	101,056	(6,691)	(7,852)	(1,021)	85,492

Deferred tax assets and liabilities recognized in the consolidated statement of financial position are as follows:

(Unit: Millions of yen)

	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Deferred tax assets	108,906	90,549
Deferred tax liabilities	7,850	5,057
Net deferred tax assets (liabilities)	101,056	85,492

2. Deductible temporary differences and carryforward of unused tax losses and unused tax credits for which deferred tax assets are not recognized are as follows. Deductible temporary differences and carryforward of unused tax losses are presented on a tax amount basis.

(Unit: Millions of yen)

	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Deductible temporary differences	3,392	8,311
Carryforward of unused tax losses	445	2,068
Carryforward of unused tax credits	—	6,382
Total	3,837	16,761

3. The components by expiry of the carryforward of unused tax losses for which deferred tax assets are not recognized are as follows. The following amounts are presented on a tax amount basis.

(Unit: Millions of yen)

	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Within 1 year	—	2
Within 2 years	—	—
Within 3 years	—	841
Within 4 years	—	—
Over 5 years	445	1,225
Total	445	2,068

4. The components by expiry of the carryforward of unused tax credits for which deferred tax assets are not recognized are as follows,

(Unit: Millions of yen)

	FYE 2021 (as of March 31, 2021)	FYE 2022 (as of March 31, 2022)
Within 1 year	—	309
Within 2 years	—	2,803
Within 3 years	—	3,270
Within 4 years	—	—
Over 5 years	—	—
Total	—	6,382

5. Effective from the consolidated fiscal year ended March 31, 2021, the Group has recognized deferred tax liabilities for the taxable temporary differences related to investments in subsidiaries, which relate to undistributed earnings that are expected to be distributed at the end of the reporting period.

For the consolidated fiscal years ended March 31, 2021 and 2022, the Group does not recognize deferred tax liabilities for taxable temporary differences related to the investment in subsidiaries, except for the taxable temporary differences mentioned above. This is because the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The temporary differences related to the investment in subsidiaries for which deferred tax liabilities are not

recognized as of March 31, 2021 and 2022 are 460,966 million yen and 494,872 million yen, respectively.

6. Deferred tax assets are recognized to the extent that it is probable that taxable income will be earned against which the deductible temporary differences etc. can be utilized. Deferred tax liabilities are recognized in principle for all taxable temporary differences.

The calculation of deferred tax assets may be affected by changes in uncertain economic conditions and other factors, and if the timing and amount of actual taxable income may differ from the estimates, this could cause a significant impact on the amount of deferred tax assets in the consolidated financial statements for the following fiscal year.

26. Earnings per Share

Basis for calculation of Earnings Per Share

Earnings per share attributable to owners of the parent for the consolidated fiscal years ended March 31, 2021 and 2022 are calculated based on the following information. There were no potentially dilutive common shares outstanding for the consolidated fiscal years ended March 31, 2021 and 2022.

	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Profit for the year attributable to owners of the parent (millions of yen)	76,510	70,007
Weighted average number of common shares outstanding, basic (thousands of shares)	766,856	766,911
Basic earnings per share attributable to owners of the parent (yen)	99.77	91.28

27. Dividends

1. Dividend payout

The amounts of dividends paid are as follows:

FYE 2021 (April 1, 2020 to March 31, 2021)

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source for dividend
The 89th Ordinary General Meeting of Shareholders on June 23, 2020	Common shares	21,482	28.0	March 31, 2020	June 24, 2020	Retained earning
The Board of Directors Meeting on November 4, 2020	Common shares	21,484	28.0	September 30, 2020	December 1, 2020	Retained earning

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

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source for dividend
The 90th Ordinary General Meeting of Shareholders on June 23, 2021	Common shares	21,484	28.0	March 31, 2021	June 24, 2021	Retained earning
The Board of Directors Meeting on November 5, 2021	Common shares	21,485	28.0	September 30, 2021	December 1, 2021	Retained earning

2. Dividends payable for the case when resolution made on or after April 1, 2022

Dividends payable for the case when the record date is in the consolidated fiscal year ended March 31, 2022, effective on or after April 1, 2022 is as follows:

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date	Source for dividend
The 91st Ordinary General Meeting of Shareholders on June 22, 2022	Common shares	21,485	28.0	March 31, 2022	June 23, 2022	Retained earning

28. Cash Flow Information

(1) Reconciliation of liabilities arising from financing activities

FYE 2021 (April 1, 2020 to March 31, 2021)

(Unit: Millions of yen)

	Beginning balance	Cash flow	Non-cash changes			Ending balance
			Acquisitions	Changes in foreign currency exchange rates	Others	
Short-term borrowings	4,753	(540)	—	78	(2,948)	1,343
Long-term borrowings	194,457	58,079	—	—	4	252,540
Bonds	40,000	40,000	—	—	—	80,000
Lease liabilities	82,450	(40,425)	63,732	848	(4,962)	101,643
Total	321,660	57,114	63,732	926	(7,906)	435,526

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

(Unit: Millions of yen)

	Beginning balance	Cash flow	Non-cash changes			Ending balance
			Acquisitions	Changes in foreign currency exchange rates	Others	
Short-term borrowings	1,343	(900)	—	50	—	493
Long-term borrowings	252,540	(8,991)	—	—	3	243,552
Bonds	80,000	10,000	—	—	—	90,000
Lease liabilities	101,643	(55,625)	57,909	3,524	(328)	107,123
Total	435,526	(55,516)	57,909	3,574	(325)	441,168

29. Financial Risk Management

(1) Risk Management

The Group's business activities are affected by the business environment and the financial market environment. Financial instruments held or assumed during the course of the business activities are subject to inherent risks.

The risks include (1) credit risk, (2) market risk and (3) liquidity risk.

The Group establishes an internal management system and implements crisis management to minimize the impact on the Group's financial condition and business performance using financial instruments.

Specifically, the Group manages those risks according to the following methods.

(2) Credit Risk

(a) Credit risk of financial assets held by the Group

Credit risk is the risk that a party to a financial instrument defaults on its contractual obligations and causes a financial loss for the Group. Specifically, the Group is exposed to the following credit risks:

1. The Group's trade receivables, lease receivables, contract assets and other receivables are exposed to the credit risk of customers and counterparties.
2. Bonds and other securities held to manage surplus funds are exposed to the credit risk of the issuers.
3. Derivative transactions conducted by the Group for the purpose of hedging foreign exchange and interest rate risks as well as banking transactions are exposed to the credit risk of the financial institutions that are counterparties to the transactions."

(b) The Group's response to the risks

Regarding credit risk of customers, the Group has a system where the due date and balances of each customer are managed and the credit status is monitored in accordance with the credit management standards of each company.

For receivables except for trade receivables, lease receivables and contract assets, the Group determines that the credit risk of a financial asset has increased significantly since initial recognition if the financial asset is 30 days or more past the contractual due date (including a request for a grace period) after the transaction date.

However, the Group does not determine that the credit risk has increased significantly if it is due to temporary demand for funds and the risk of default is low and it is obvious that the customer has the ability to meet contractual cash flow obligations in the near future based on objective data such as external ratings even if there is a delay in payment and a request for a grace period.

For debt instruments recorded as securities, the Group determines that the credit risk has increased significantly from initial recognition if the credit risk is not assessed to be low based on the rating information provided by the major rating agencies.

Expected credit losses are measured and recognized based on financial information available during the transaction and credit risk management processes, taking into account macroeconomic conditions such as the number of bankruptcies and material changes in the actual or expected performance of the debtor.

If the debtor does not pay within 90 days after the due date or the debtor commences legal liquidation proceedings due to bankruptcy, etc., it is determined as a default.

If there is a default, or if there is evidence of impairment of the issuer or debtor, such as significant financial difficulties, it is determined that the credit is impaired. The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof and determines that write-off is appropriate based on a credit check.

Even if a financial asset is written down, the collection activities are continued for fulfillment and the amounts collected are recorded in profit or loss.

The Group's receivables do not have a significant concentration of credit risk on a particular business partner or group of business partners.

Since the Group conducts derivative transactions and banking transactions only with financial institutions with high creditworthiness, there is little credit risk due to the default of the counterparties. In addition, the Group conducts surplus investment and derivative transactions only with highly rated financial institutions in order to reduce the occurrence of credit risk beforehand. The finance and accounting department obtains the approval by the applicable person set forth in the authority rules for each case based on each company's internal rules and related policies that define the details.

There are few past due receivables.

Aggregation of the net carrying value of financial assets and the amount of guarantee obligation recognized in the consolidated statement of financial position without taking into account the value of the collateral received as credit enhancement is the maximum exposure to credit risk.

The Group generally holds on products that have been sold as collateral for operating loans to customers.

(Measurement of expected credit losses on other receivables and debt instruments)

If the credit risk on other receivables and debt securities is not found to have increased significantly since initial recognition as of the closing date, the Group calculates the loss allowance for the financial instruments by estimating the 12-month expected credit losses using grouping by similar credit risk characteristics and based on historical credit loss experience and forecast information.

On the other hand, if the credit risk is found to have increased significantly since initial recognition as of the closing date, the Group calculates the loss allowance by estimating the lifetime expected credit losses for the collection of the financial instrument based on historical credit loss experience and forecast information.

(Measurement of expected credit losses on trade receivables, lease receivables, and contract assets)

For all trade receivables, lease receivables and contract assets, the loss allowance is calculated based on the lifetime expected credit losses until the trade receivables, lease receivables or contract assets, as applicable, are collected using a simplified approach and grouping by similar credit risk characteristics.

For trade receivables, the loss allowance is calculated by estimating the lifetime expected credit losses based on historical bad debt experience and forecast information on the age of receivables for each trade receivable.

(Unit: Millions of yen)

	Loss allowance for expected credit loss measured at an amount equal to 12-month expected credit losses	Loss allowance for expected credit loss measured at an amount equal to the lifetime expected credit losses			Total
		Assets that are not credit-impaired financial assets	Credit-impaired financial assets	Trade receivables, lease receivables, contract assets	
FYE 2021 (Balance as of April 1, 2020)	16	295	490	159	960
Increase during the period (provision)	28	27	56	17	128
Decrease during the period (intended use)	(6)	(71)	(16)	—	(93)
Others*1	62	—	(8)	—	54
FYE 2021 (Balance as of March 31, 2021)	100	251	522	176	1,049
Increase during the period (provision)	—	—	—	—	—
Decrease during the period (intended use)	—	(40)	(65)	—	(105)
Others*1	(37)	(23)	(26)	(21)	(107)
FYE 2022 (Balance as of March 31, 2022)	63	188	431	155	837

Note: 1. Others mainly include the reversal of loss allowance due to collection.

2. All debt instruments measured at fair value through other comprehensive income have high credit ratings and no material provisions are recognized for them.

Guarantee contract

The Group mainly provides guarantees to subsidiaries' business partners, but credit risk is not included in the above table because it is limited and immaterial.

The amount of the guarantees is described in "34. Contingencies".

(3) Market risk

1) Foreign currency exchange risk

(Foreign currency exchange risk management)

The Group hedges foreign currency fluctuation risks of trade receivables and payables denominated in foreign currencies that are identified by currency and by month by using, in principle, forward exchange contracts and currency options. Depending on the exchange rate situation, forward exchange contracts and other transactions are used against the net position of trade receivables and trade payables denominated in foreign currencies for a maximum of six months.

(Currency sensitivity analysis)

Sensitivity analysis of the foreign currency exchange risk associated with financial instruments held at the end of the consolidated fiscal years ended March 31, 2021 and 2022 is as follows. The following scenario demonstrates the impact of a 1% appreciation (increase) of the Japanese yen against the US dollar on profit after tax, holding all variables other than the foreign currency exchange rate as constant, for foreign exchange risk exposure arising from deposits, trade receivables and payables denominated in foreign currencies of which foreign exchange differences are recognized at the end of the consolidated fiscal year in profit or loss.

	(Unit: Millions of yen)	
	FYE 2021	FYE 2022
	(as of March 31, 2021)	(as of March 31, 2022)
Impact on profit after income taxes	(219)	(386)

(4) Liquidity Risk

Liquidity Risk Management

"The Group raises funds by borrowings from financial institutions and corporate bonds. The Group is exposed to a risk that the Group would not be able to repay liabilities by the due date in the event of disruptions of financial system and financial markets or a significant reduction of credit rating by rating agencies. (Hereinafter referred to as "Liquidity risk".)

In order to ensure liquidity and stability, the Group has sufficient cash and cash equivalents as well as maintains liquidity that satisfies the level of cash required by entering into commitment line agreements, etc. with major financial institutions.

The unused portions of the committed lines are as follows:

	(Unit: Millions of yen)	
	FYE 2021	FYE 2022
	(as of March 31, 2021)	(as of March 31, 2022)
Specified commitment line contract	197,500	198,500

(Maturity analysis of financial liabilities)

1) Non-derivative financial liabilities

Non-derivative financial liabilities by maturity as of March 31, 2021 and 2022 are as follows:

FYE 2021 (as of March 31, 2021)

	(Unit: Millions of yen)							
	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total contractual cash flows
Trade and other payables	267,824	267,824	—	—	—	—	—	267,824
Financing liabilities	333,883	26,957	51,758	55,926	69,448	31,353	101,809	337,251
Other financial liabilities	132,166	61,282	18,048	7,001	6,035	7,265	46,890	146,521
Total	733,873	356,063	69,806	62,927	75,483	38,618	148,699	751,596

FYE 2022 (as of March 31, 2022)

	(Unit: Millions of yen)							
	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total contractual cash flows
Trade and other payables	273,546	273,546	—	—	—	—	—	273,546
Financing liabilities	334,045	52,315	55,993	69,512	47,406	55,795	56,226	337,247
Other financial liabilities	145,217	63,369	14,981	10,042	7,192	7,030	50,341	152,955
Total	752,808	389,230	70,974	79,554	54,598	62,825	106,567	763,748

Financial guarantee contracts cause payment obligation on the basis of demand for performance. Guarantees to the clients are described in “34. Contingencies”.

2) Derivative financial liabilities

Derivative financial liabilities by maturity as of March 31, 2021 and 2022 are as follows:

FYE 2021 (as of March 31, 2021)

	(Unit: Millions of yen)							
	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total contractual cash flows
Revenue	—	169,825	—	—	—	—	—	169,825
Expenditure	—	(177,408)	(29)	(20)	(12)	—	—	(177,469)
Derivative financial liabilities	(7,644)	(7,583)	(29)	(20)	(12)	—	—	(7,644)

FYE 2022 (as of March 31, 2022)

	(Unit: Millions of yen)							
	Carrying amount	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total contractual cash flows
Revenue	—	109,472	—	—	—	—	—	109,472
Expenditure	—	(115,723)	(4)	—	—	—	—	(115,727)
Derivative financial liabilities	(6,255)	(6,251)	(4)	—	—	—	—	(6,255)

30. Fair Value

(1) Definition of Fair Value Hierarchy

The Group uses a three-level hierarchy system when measuring fair value. The following is a description of the three levels of hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities that the Group has the ability to access as of the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: Unobservable inputs for the assets or liabilities

(2) Method of Fair Value Measurement

The fair values of assets and liabilities are determined based on relevant market information and through the use of an appropriate valuation method.

The measurement methods and assumptions used in the measurement of assets and liabilities are as follows:

(Cash and cash equivalents, Trade and other receivables, Trade and other payables)

Cash and cash equivalents, Trade and other receivables, and Trade and other payables are measured at amortized cost. Lease receivables are measured in accordance with IFRS 16.

The fair value of operating loans and lease receivables is calculated based on the present value of the receivables discounted by the interest rate, taking into account the maturity period and credit risk, for each receivable classified by a certain period. Therefore, fair value measurements are classified as Level 3 because credit risks are not observable.

The fair values of financial assets other than lease receivables and operating loans approximate their carrying amounts of those financial assets due to their short-term maturities.

(Other debt instruments)

Debt instruments (instruments measured at fair value) consist mainly of government bonds, corporate bonds, and investment trust.

The fair value of government bonds and investment trust with an active market is measured by using quoted market prices. Fair value measurement for government bonds and investment trust is classified as Level 1.

The fair value of other debt instruments except for the instruments mentioned above is measured based on the proprietary pricing models provided by financial institutions using observable inputs in the market such as credit ratings and discount rates. Fair value measurements for other debt instruments are classified as Level 2.

Other debt instruments are reported as other financial assets (current).

(Equity instruments)

Equity instruments consist mainly of stocks.

The fair value of equity instruments with an active market is measured by using quoted market prices.

Fair value measurement for equity instruments with an active market is classified as Level 1.

As a general rule, the fair value of equity instruments with no active market is measured mainly by using the comparable company valuation method and other appropriate valuation methods. Fair value measurement for equity instruments with no active market is classified as Level 3.

Equity instruments are reported as other financial assets (non-current).

Such fair value measurements are conducted in accordance with the Group accounting policy approved by the appropriate person of authority and based upon valuation methods determined by an accountant of the Group.

(Financing liabilities)

Financing liabilities are measured at amortized cost. The fair value of financing liabilities is measured by discounting future cash flows using interest rates currently available for liabilities of similar terms and remaining maturities. Fair value measurement for financing liabilities is mainly classified as Level 2.

(Derivatives)

Derivatives consist mainly of foreign currency forward exchange contracts, and interest rate swap agreements. The fair values of derivatives are measured based on observable inputs such as foreign exchange rates and quoted prices obtained from the financial institutions. Fair value measurements for these derivatives are classified as Level 2.

Derivatives are reported as other financial assets (current) or other financial liabilities (current).

(Other financial liabilities)

Other financial liabilities other than derivatives mainly include liabilities related to chargeable subcontracting. Liabilities related to chargeable subcontracting are measured at amortized cost.

Lease liabilities are measured in accordance with IFRS 16.

(3) Assets and Liabilities Measured at Fair Value on a recurring basis

FYE 2021 (as of March 31, 2021)

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Other financial assets				
Financial assets measured at fair value through profit or loss:				
Derivatives	—	—	—	—
Debt instruments	30,390	311	—	30,701
Total	30,390	311	—	30,701
Financial assets measured at fair value through other comprehensive income:				
Equity instruments	92,347	—	5,163	97,510
Debt instruments	59,440	84,661	—	144,101
Total	151,787	84,661	5,163	241,611
Total	182,177	84,972	5,163	272,312
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives	—	7,644	—	7,644
Total	—	7,644	—	7,644

FYE2022 (as of March 31, 2022)

(Unit: Millions of yen)

	Level 1	Level 2	Level 3	Total
Other financial assets				
Financial assets measured at fair value through profit or loss:				
Derivatives	—	1	—	1
Debt instruments	37,636	188	—	37,824
Total	37,636	189	—	37,825
Financial assets measured at fair value through other comprehensive income:				
Equity instruments	117,655	—	5,424	123,079
Debt instruments	54,559	98,528	—	153,087
Total	172,214	98,528	5,424	276,166
Total	209,850	98,717	5,424	313,991
Other financial liabilities:				
Financial liabilities measured at fair value through profit or loss:				
Derivatives	—	6,255	—	6,255
Total	—	6,255	—	6,255

The Group recognizes the transfers between the levels of the fair value hierarchy at the end of the day on which an event or change in conditions that causes the transfer has occurred.

There were no material transfers between the levels.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the consolidated fiscal years ended March 31, 2021 and 2022 are as follows:

	(Unit: Millions of yen)	
	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
	Equity instruments	Equity instruments
Beginning balance	4,818	5,163
Total gains or losses:		
Profit or loss	—	—
Other comprehensive income	345	261
Purchases	—	—
Sales	—	—
Exchange differences on translating foreign operations	—	—
Ending Balance	5,163	5,424
Unrealized gains or losses included in profit or loss on assets held at March 31, 2021 and 2022	—	—

Note: 1. Gains or losses included in profit or loss for the consolidated fiscal years ended March 31, 2021 and 2022 are included in finance income and finance costs in the consolidated statement of income.

2. Gains or losses included in other comprehensive income for the consolidated fiscal years ended March 31, 2021 and 2022 are included in net changes in revaluation of equity instruments designated as measured at fair value through other comprehensive income in the consolidated statement of comprehensive income.

(4) Financial Assets and Financial Liabilities that are not measured at fair value

The carrying amounts and fair values of financial assets and financial liabilities that are not measured at fair value as of March 31, 2021 and 2022 are as follows:

	(Unit: Millions of yen)			
	FYE 2021 (as of March 31, 2021)		FYE 2022 (as of March 31, 2022)	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables				
Operating loans	177,039	184,792	165,676	171,866
Lease receivables	11,915	13,160	11,550	12,665
Account receivables and other receivables*1	152,954	—	160,161	—
Other financial asset*1&2	57,356	—	53,787	—
Financing liabilities				
Borrowings	253,883	252,789	244,045	242,987
Bonds payables	80,000	79,550	90,000	89,237
Trade and other payables*1	267,824	—	273,546	—
Other financial liabilities*1&3	30,523	—	38,094	—

Note: 1. Disclosure of fair value is omitted because the fair values approximate their carrying amounts due to their short-term maturities.

2. Items disclosed in “(3) Assets and Liabilities Measured at Fair Value on a recurring basis” are not included.

3. Other financial liabilities do not include derivatives of 7,644 million yen (March 31, 2021) and 6,255 million yen (March 31, 2022) and lease liabilities of 101,643 million yen (March 31, 2021) and 107,123 million yen (March 31, 2022).
4. Cash and cash equivalents are not included in this table because the carrying amounts and fair values of cash and cash equivalents are approximative.

(5) Assets and Liabilities Measured at Fair Value on a non-recurring basis

There are no assets and liabilities measured at fair value on a non-recurring basis as of March 31, 2021 and 2022.

31. Offsetting of Financial Assets and Financial Liabilities

Information about offsetting of financial assets and financial liabilities as of March 31, 2021 and 2022 is as follows:

FYE 2021 (as of March 31, 2021)

(Unit: Millions of yen)

	Gross amounts of recognized financial assets and financial liabilities	Amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Amounts subject to master netting agreements or similar agreements that do not meet offsetting criteria	Net amounts
Other financial assets					
Derivatives	—	—	—	—	—
Other financial liabilities					
Derivatives	7,644	—	7,644	—	7,644

FYE 2022 (as of March 31, 2022)

(Unit: Millions of yen)

	Gross amounts of recognized financial assets and financial liabilities	Amounts offset in the consolidated statement of financial position	Net amounts presented in the consolidated statement of financial position	Amounts subject to master netting agreements or similar agreements that do not meet offsetting criteria	Net amounts
Other financial assets					
Derivatives	1	—	1	—	1
Other financial liabilities					
Derivatives	6,255	—	6,255	—	6,255

Amounts that do not meet offsetting criteria are financial assets and financial liabilities subject to enforceable master netting agreements that the Group does not intend to settle on a net basis.

32. Commitment

The following table shows commitments for the purchase of assets after the reporting period:

	(Unit: Millions of yen)	
	FYE 2021	FYE 2022
	(as of March 31, 2021)	(as of March 31, 2022)
Purchase of property, plant and equipment	36,548	79,890

33. Leases

1. Information as Lessee

(1) Information as Lessee

	(Unit: Millions of yen)	
	FYE 2021	FYE 2022
	(April 1, 2020 to March 31, 2021)	(April 1, 2021 to March 31, 2022)
Real estate	7,926	8,728
Machinery	1,560	1,662
Vehicles	11	11
Tools, furniture and fixtures	47,311	63,585
Total depreciation charge for right-of-use assets	56,808	73,986
Interest expense on lease liabilities	1,072	1,206
Lease expenses with the exemption of short-term lease*1	1,411	2,154
Lease expenses with the exemption of leases of low-value assets*2	1,089	695
Total lease expense (net)	60,380	78,041
Total cash outflow for leases	43,997	59,680

There is no material income from sub-leasing of right-of-use assets.

Note: 1. The Group applies IFRS 16.6 to short-term leases.

2. The Group applies IFRS 16.6 to leases of low-value assets.

3. For increase in right-of-use assets, please refer to "11. Property, plant and equipment".

	(Unit: Millions of yen)	
	FYE 2021	FYE 2022
	(as of March 31, 2021)	(as of March 31, 2022)
Real estate	49,606	56,336
Machinery	16,135	15,547
Vehicles	32	23
Tools, furniture and fixtures	65,798	62,508
Total carrying amount of right-of-use assets	131,571	134,414

(2) Maturity analysis of lease liabilities

	(Unit: Millions of yen)						
	Total	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years
FYE 2021 (as of March 31, 2021)	109,418	31,231	17,162	6,486	6,035	5,503	43,001
FYE 2022 (as of March 31, 2022)	116,215	34,716	14,041	7,417	7,160	6,929	45,952

Management policy for Liquidity Risk

Exposure to liquidity risk is managed by maintaining sufficient capital resources, a sufficient level of liquidity and a sound balance sheet.

(3) The nature of the lessee's leasing activities

The Group is the lessee under several operating leases, primarily for production tools such as molds, and network equipment and devices, as well as for real estate such as stores, company-owned houses and warehouses for the automotive business.

(4) Future cash outflows to which the lessee is potentially exposed and which are not reflected in the measurement of lease liabilities

There are no material future cash outflows to which the lessee is potentially exposed and which are not reflected in the measurement of lease liabilities.

(5) Restrictions or covenants imposed by leases

There are no restrictions or covenants imposed by leases (e.g. restrictions on dividends, additional borrowings and additional leases).

(6) Variable lease payments

For some lease agreements, the amount of lease payment varies based on the transactions with the counterparties. The amounts of variable lease payments recognized as expenses in the consolidated fiscal years ended March 31, 2020 and 2021 are not material.

2. Information as Lessor

(1) Finance Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

A lease receivable under a finance lease is recognized at an amount equal to the net investment in the lease at the commencement date.

The Group purchases insurance to cover physical damages to vehicles.

(i) Lease income

	(Unit: Millions of yen)	
	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Selling profit or loss	943	215
Finance income on the net investment in the lease	1,449	1,302

(ii) The nature of the lessor's leasing activities (finance lease)

The Group mainly leases out vehicles under finance leases.

(iii) Significant changes in the carrying amount of the net investment in the lease

Not applicable

(iv) Maturity analysis of the lease payments receivable

	(Unit: Millions of yen)	
	FYE 2021	FYE 2022
	(as of March 31, 2021)	(as of March 31, 2022)
Within 1 year	5,710	5,053
1 to 2 years	3,557	3,775
2 to 3 years	2,245	2,207
3 to 4 years	1,522	1,604
4 to 5 years	1,073	1,094
After 5 years	6	10
Total	14,113	13,743
Unearned financial income	2,523	2,447
Present value of unguaranteed residual value	325	254
The net investment in the lease	11,915	11,550

(2) Operating Lease

(i) Lease income

	(Unit: Millions of yen)	
	FYE 2021	FYE 2022
	(April 1, 2020 to March 31, 2021)	(April 1, 2021 to March 31, 2022)
Lease income	5,373	5,866

(ii) The nature of the lessor's leasing activities (operating lease)

The Group leases out vehicles and real estates such as office buildings under operating leases.

(iii) Maturity analysis of lease payments

	(Unit: Millions of yen)						
	Total	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	After 5 years
FYE 2021 (as of March 31, 2021)	1,200	964	194	30	11	1	—
FYE 2022 (as of March 31, 2022)	945	713	197	28	5	2	—

The Group purchases insurance to cover physical damages to vehicles.

Most of the amounts disclosed in (i) lease income are vehicle rental fees at overseas subsidiaries and real estate rental income from office buildings, etc. Vehicle rental fees are paid in full at the time the contract starts, and the possibility that lessee's option of cancellation is not exercised by lessee is not secure reasonably as for real estate rental income. Therefore, (iii) the maturity analysis of lease payments does not include the amounts related to those transactions.

34. Contingencies

(1) Guarantees

Guarantees provided by the Group to the clients are as follows:

	(Unit: Millions of yen)	
	FYE 2021	FYE 2022
	(as of March 31, 2021)	(as of March 31, 2022)
Customers of SUBARU Canada Inc.	23,341	4,992
Employees:	4,439	3,633
Others	255	186
Total	28,035	8,811

(2) Other Contingencies

Based on the modified agreement between the U.S.A. subsidiary of Takata Co., Ltd. (Current, TKJP Corporation) and the National Highway Traffic Safety Administration (NHTSA) of the United States dated May 4, 2016, Notification "Extended schedule of the recalls of airbag inflators manufactured by Takata Co., Ltd." released by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) of Japan dated May 27, 2016, and recall policies in other regions including China and Australia in consideration of the request by the U.S.A. and Japanese authorities, expenses for extension of recall for airbag inflators manufactured by Takata Co., Ltd. are accrued to the extent that the amount can be reasonably estimated. There is a possibility that additional accrual may be required due to events in the future.

35. Significant subsidiaries

Significant subsidiaries as of March 31, 2022

Name of Subsidiary	Location	Capital stock	Percentage of Voting Rights of The Company	Main Businesses
Fuji Machinery Co., Ltd.	Gunma	480 Million yen	100.0%	Manufacture and sales of automotive parts
Ichitan Co., Ltd.	Gunma	480 Million yen	100.0%	Manufacture and sales of automotive parts
KIRYU INDUSTRY Co., Ltd.	Gunma	400 Million yen	100.0%	Manufacturing of repair parts for Subaru cars, Subaru vehicle rust prevention works, Manufacture of custom-build car, etc.
Subaru Logistics Co., Ltd.	Gunma	96 Million yen	100.0%	Shipping, land freight and warehousing of Subaru vehicles, etc.
H.B.C. Co., Ltd.	Kanagawa	490 Million yen	68.0%	Storing and shipping of Subaru vehicles
Hokkaido Subaru Inc.	Hokkaido	98 Million yen	100.0%	Sales of Subaru vehicles and components
Miyagi Subaru Inc.	Miyagi	80 Million yen	100.0%	Sales of Subaru vehicles and components
Niigata Subaru Inc.	Niigata	100 Million yen	100.0%	Sales of Subaru vehicles and components
Kanagawa Subaru Inc.	Kanagawa	100 Million yen	100.0%	Sales of Subaru vehicles and components
Chiba Subaru Inc.	Chiba	100 Million yen	100.0%	Sales of Subaru vehicles and components
Tokyo Subaru Inc.	Tokyo	100 Million yen	100.0%	Sales of Subaru vehicles and components
Nagoya Subaru Inc.	Aichi	100 Million yen	100.0%	Sales of Subaru vehicles and components
Osaka Subaru Inc.	Osaka	100 Million yen	100.0%	Sales of Subaru vehicles and components
Hiroshima Subaru Inc.	Hiroshima	92 Million yen	100.0%	Sales of Subaru vehicles and components
Fukuoka Subaru Inc.	Fukuoka	50 Million yen	100.0%	Sales of Subaru vehicles and components
Subaru Finance Co., Ltd.	Tokyo	2,000 Million yen	100.0%	Leasing and rental of Subaru vehicles; credit and financing related to Subaru vehicles
Subaru of Indiana Automotive, Inc. (SIA)	U.S.A	USD 794,045,000	100.0%	Purchasing of production parts for Subaru vehicles, sales of completed vehicles to Subaru of America Inc. (SOA) and others
Subaru of America, Inc. (SOA)	U.S.A	USD 241,000	100.0%	Sales of Subaru manufactured vehicles, Subaru of Indiana Automotive, Inc. (SIA) manufactured vehicles and parts
Subaru Canada, Inc. (SCI)	Canada	CND 30,000,000	100.0%	Sales of Subaru manufactured vehicles, Subaru of Indiana Automotive, Inc. (SIA) manufactured vehicles and parts
Subaru Europe N.V./S.A. (SE)	Belgium	EUR 87,504,000	100.0%	Sales of Subaru vehicles and components
Subaru of China Ltd. (SOC)	China	CNY 187,354,000	60.0%	Sales of Subaru vehicles and components

Name of Subsidiary	Location	Capital stock	Percentage of Voting Rights of The Company	Main Businesses
North American Subaru Inc. (NASI)	U.S.A	USD 5,000	100.0%	Technical investigation for Subaru manufactured vehicles, Subaru of Indiana Automotive, Inc. (SIA) manufactured vehicles in North America market, automobile related regulatory compliance in the U.S.A
Yusoki Kogyo K.K.	Aichi	100 Million yen	100.0%	Manufacture and sales of aircraft parts to Subaru
Fuji Aircraft Maintenance Co., Ltd.	Tokyo	30 Million yen	100.0%	Inspection, service and maintenance of aircrafts
Subaru Kohsan Co., Ltd.	Tokyo	675 Million yen	100.0%	Rental and management of real estate
SUBARU IT CREATIONS CORPORATIONS	Saitama	100 Million yen	100.0%	IT system development and operation for Subaru Group

36. Related Parties

Compensation to Key Management

Compensation paid to the directors and corporate auditors of the Company is as follows:

	(Unit: Millions of yen)	
	FYE 2021 (April 1, 2020 to March 31, 2021)	FYE 2022 (April 1, 2021 to March 31, 2022)
Short-term employee benefits	467	459
Stock compensation	53	52

37. Significant Subsequent Event

Not applicable.

2【Others】

Quarterly information for the current consolidated fiscal year,

Cumulative period	Unit	1st quarter	2nd quarter	3rd quarter	FYE 2022
Revenue	(millions of yen)	635,171	1,341,655	2,007,514	2,744,520
Profit before tax	(millions of yen)	34,257	61,170	91,250	106,972
Profit for the period attributable to owners of parent	(millions of yen)	18,514	44,788	62,868	70,007
Profit for the period per share, basic	(yen)	24.14	58.40	81.98	91.28

Accounting period	Unit	1st quarter	2nd quarter	3rd quarter	4th quarter
Profit per share, basic	(yen)	24.14	34.26	23.57	9.31



Independent Auditor's Report

To the Board of Directors of SUBARU CORPORATION:

Opinion

We have audited the accompanying consolidated financial statements of SUBARU CORPORATION (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated statement of financial position as of March 31, 2022, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards prescribed in Article 93 of “the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (hereinafter referred to as “IFRS”).

Basis for Opinion

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

Key Audit Matters

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

Reasonableness of the estimate of a specific provision for product warranties pursuant to notifications to the competent authority	
The key audit matter	How the matter was addressed in our audit
<p>As described in Note 18. “Provisions” to the consolidated financial statements, the Group recorded provisions for product warranties of 95,175 million yen in current liabilities and 89,847 million yen in non-current liabilities in its consolidated financial statements within the automobile segment. These amounts include a specific provision for product warranties pursuant to notifications to the competent authority, among others.</p> <p>The Group recognizes a specific provision for product warranties for future expenses related to the covered repairs under warranty pursuant to notifications to the competent authority when it is probable that outflows of resources embodying economic benefits will be required, and reliable</p>	<p>The primary procedures we performed to assess whether the estimate of a specific provision for product warranties pursuant to notifications to the competent authority was reasonable are set forth below. As part of these procedures, we requested the component auditors of subsidiaries in the U.S.A. to perform an audit and evaluated the report of the component auditors to conclude on whether sufficient and appropriate audit evidence was obtained.</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Group’s internal controls relevant to estimating a specific provision for product warranties pursuant to notifications to the competent authority, including controls related to</p>

<p>estimates can be made of the amount of the obligations.</p> <p>The aforementioned future warranty expenses are calculated by estimating the expected number of vehicles for which warranty services will be provided (hereinafter, “Expected Number of Affected Units”) and the warranty expenses that will be incurred in the future per vehicle (hereinafter, “Per-unit Future Warranty Expense”) based on the historical experience of warranty services provided in the past, and multiplying these two figures. As the estimates of the Expected Number of Affected Units and the Per-unit Future Warranty Expense included significant management judgment, there was a risk that the provision for product warranties may not be properly measured.</p> <p>We, therefore, determined that the reasonableness of the estimate of a specific provision for product warranties pursuant to notifications to the competent authority was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>the determination of assumptions used for the estimate and those related to the completeness and accuracy of underlying data.</p> <p>(2) Assessment of the reasonableness of the estimate of a specific provision for product warranties</p> <p>In order to evaluate the appropriateness of the assumption used for the estimate and completeness and accuracy of underlying data in assessing the reasonableness of a specific provision for product warranties pursuant to notifications to the competent authority, we performed the following audit procedures:</p> <ul style="list-style-type: none"> ● assessed the appropriateness of key assumptions related to the estimate of the Expected Number of Affected Units and the Per-unit Future Warranty Expense by inquiring of personnel in the relevant departments about the methods used to estimate the Expected Number of Affected Units and Per-unit Future Warranty Expense and by inspecting the meeting minutes and the supporting materials; ● assessed whether any changes in key assumptions underlying the estimate of the Per-unit Future Warranty Expense were necessary by performing a data analysis in which we compared the trend of actual warranty expenses for each claim with the provision balance; and ● assessed whether underlying data used to estimate the Expected Number of Affected Units and the Per-unit Future Warranty Expense were consistent with the supporting materials and the historical data of warranty services provided in the past.
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Other Information

The other information comprises the information included in the disclosure documents that contain or accompany the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor’s report thereon.

We do not perform any work on the other information as we determine such information does not exist.

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

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

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

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

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

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



MASAKAZU HATTORI
Designated Engagement Partner
Certified Public Accountant



TAKASHI HASUMI
Designated Engagement Partner
Certified Public Accountant



SHUJI YASUZAKI
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 23, 2022