

DENSO Crafting the Core

DENSO MANUFACTURING CZECH s.r.o.

DENSO

Crafting the Core

DENSO MANUFACTURING CZECH s.r.o.

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2022

DENSO slogan
Safety comes First.

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Introduction of DENSO MANUFACTURING CZECH s.r.o.

DENSO MANUFACTURING CZECH s.r.o. (hereinafter the "Company") is based in the Liberec Industrial Zone – South and is a subsidiary of Denso International Europe B.V. and part of the Japanese multinational DENSO CORPORATION group.

DENSO CORPORATION's headquarters are located in Kariya, Japan, in the Aichi prefecture. Since its establishment in 1949, the company has expanded its influence mainly thanks to ground-breaking research and the outstanding quality of its products. It is one of the leading global suppliers of modern technologies, and the systems and components thereof. DENSO collaborates globally with the main automobile manufacturers in the fields of air-conditioning, engine control systems, electronics, driving and safety controls of road vehicles, as well as in the fields of information technology and communication. DENSO uses its patented technologies and know-how in the field of industrial systems and air-conditioning also outside of the automobile industry.

Its consolidated revenues for the 2021 fiscal year were JPY 5,515.5 billion with a net profit of JPY 341.2 billion.

After its establishment in 2001, DENSO MANUFACTURING CZECH s.r.o., which is presented in this report, underwent the process of building a production plant. The total investment amounted to almost CZK 3 billion. The completion of the plant in the autumn of 2003 was followed by a half-year period of technology installation and the fine-tuning of the launch and production process. The grand opening that took place on 17 May 2004 started individual production projects and since the end of 2005, the plant has been operating at full capacity. The Company's main production programme includes air-conditioning units for passenger cars and accessories thereof (heating units, condensers and radiators).

The Company's clients include the leading European automobile manufacturers, such as VW, BMW, AUDI, DAIMLER, SUZUKI, ŠKODA AUTO, TOYOTA and others. At present, the Company has over 2,400 employees.



President's Statement

First of all, please allow me to thank and express my appreciation for the efforts of all our employees and external co-workers in the implementation of company activities in the area of environmental protection, quality improvement, sales and profit generation in the 2021 fiscal year and give them my thanks. 2021 was a major challenge for us – the COVID-19 epidemic, and the crisis in Ukraine had a significant impact on Czech society as well as a negative impact on the economic management of DMCZ. The spread of COVID-19 had a noticeable impact on our production due to customer shutdowns, and the Ukrainian crisis and related unpredictable external factors have dealt us a further blow. I would therefore like to thank you for your ingenuity in responding to previously unthinkable changes and for enabling us to close 2021 without stopping production.

Although we did not achieve our planned profit, we did well in the areas that are an absolute priority for us – safety and quality. This is mainly due to the fact that we shared the Company's plans with you, you clearly understood their significance and acted accordingly.

Let's first look at safety and environmental protection. Thanks to increased safety awareness among all employees, regular site inspections by managers and thorough training of new employees, we did not have a single serious accident last year. However, hidden risks remain. That's why we will continue activities like kokai dandori and 3S+D in 2022 to make your workplace even safer and make safe workplace behaviour a matter of course. At the same time, we will strive for lower CO2 emissions to become carbon neutral.

We also performed well on the quality front and met the targets set for the fiscal year 2021. This was mainly due to your efforts and your high awareness of the importance of quality. We actively pursued the elimination of D-rank risk factors and systematically built more stable and change-resistant production processes. For this, we are very grateful to all of you. The goal for the 2022 fiscal year is to eliminate C/C2 risk factors and to improve early-stage control of projects.

In terms of profits, all employees have done a great job in trying to neutralise the negative impacts of the COVID-19 re-emergence, the semiconductor shortage, extreme energy and material prices,

DENSO MANUFACTURING CZECH s.r.o.
the Ukrainian crisis and other unprecedented changes in the business environment. The efforts made in implementing the dantotsu plant concept and introducing VA/VE activities are proof of this. Despite all this, we were unable to prevent the decline in sales caused by external factors and unfortunately did not achieve the planned profits.

We expect the business environment to remain unchanged in 2022 and we will continue to face many challenges. Therefore, let me share with you three important challenges ahead.

The first will be to strengthen the foundations built so far. Although we have met the safety and quality objectives, I see some shortcomings and we are still not at a level where activities in these two areas are the norm for us (atarimae). Moreover, we need to be aware of the new risks associated with information security. We will therefore focus on strengthening our production infrastructure in order to maintain the trust of our customers and to build a plant where you, our employees, can concentrate on your work in peace.

The next challenge will be to restore our competitiveness. Even at a time when the prices of materials, energy and other inputs are rising, we must not forget our efforts to reduce costs. Of course, we will also consider the possibility of sharing cost increases with our customers, but we should not limit ourselves to this solution. It is the changes that the market is going through that can trigger new ideas. So let's not be afraid to face challenges, let's strive to optimise costs and let's take our skill and finesse (what we call monozukuri) to a new level to the satisfaction of our customers

And the last important task is for all of us to have a clear vision of our future and to work towards its fulfilment. In a difficult situation, we tend to focus only on what is immediately in front of us. But it is in these difficult times that we should look ahead and adjust our actions accordingly. We will inform you at the earliest opportunity about the future direction of our company.

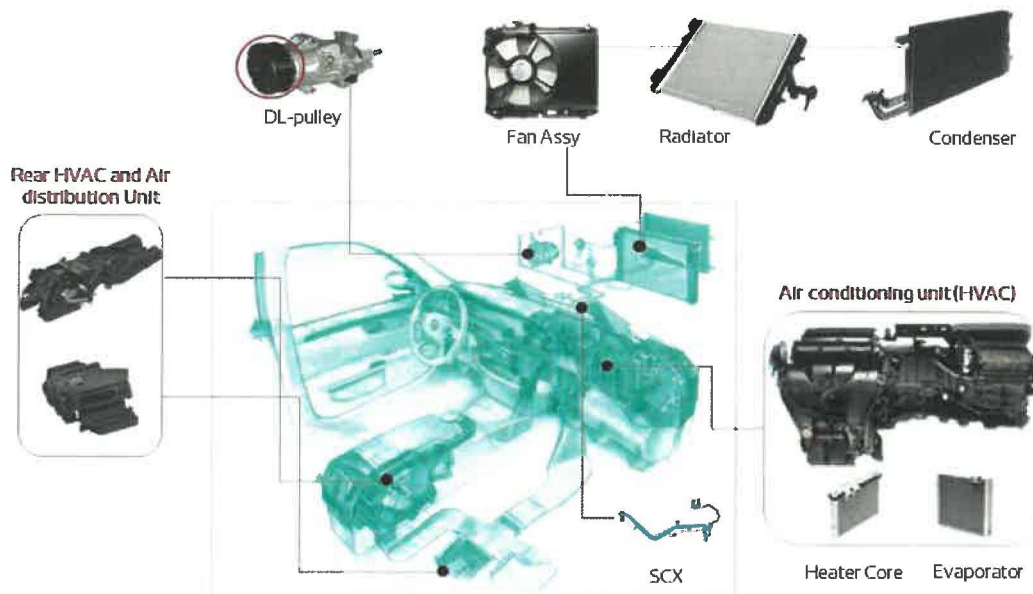
Let's work together to build a company on solid foundations and with sustainable management that will be beneficial for the whole society.



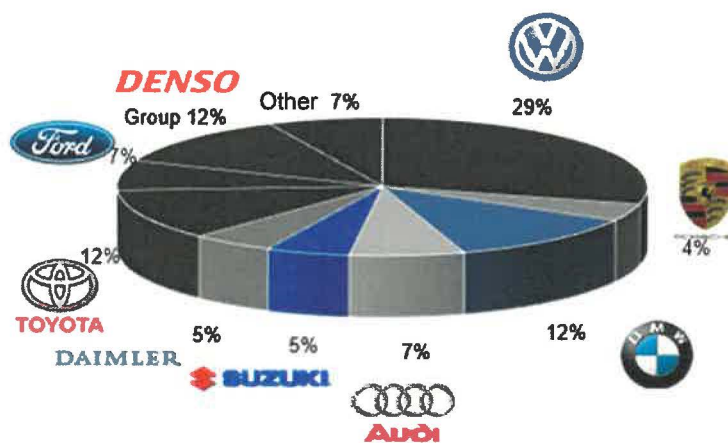
Homare Kotate

President of the Company

DMCZ Products and Customers



DMCZ End Customers in 2021



2021 turnover by customer

Environmental Protection

Environmental protection is an important and integral part of the strategy and activities of DENSO Manufacturing Czech s.r.o.

In the last year DMCZ maintained the trend of responsible approach to environmental protection. All mandatory obligations, i.e. legal requirements related to activities and products and their impact on the environment, were fulfilled. Other obligations were also met, e.g. corporate requirements, whereby the implementation of the Environmental Action Plan within the framework of the global environmental vision ECO DENSO VISION 2025 continuously reduced environmental risks (waste reduction, CO2 reduction, volunteer environmental activities - care of greenery, woodlands, support for environmental education of children and youth, etc.).



Influence on the environment:

Consumption of Raw Material and Resources

We continued to promote the Japanese principles of "MOTTAINAI" – 3R+R (Reduce consumption, Reuse, Recycle + Respect the environment).

Waste Management

Waste production - one of the significant risks to the environment as a result of DMCZ activities.

The strategy is to prevent the production of waste in the first place (by efficient use of input resources and raw materials), and to reduce the amount of waste produced and to prioritise the reuse of waste over landfill.

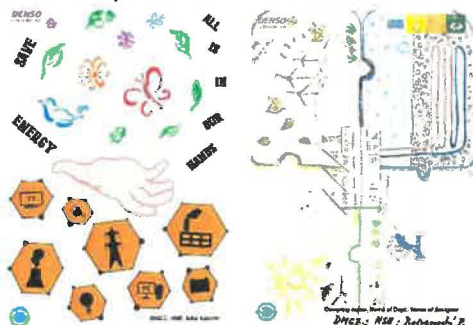
In FY2021, 3,664 t of waste was generated (1,128 Basic unit = kg waste/added value productivity). Of this, 99.95% was sent for reuse (recycled, energy recovery - plastics, metals, paper, oil, etc.) and only 0.05% was landfilled.

Air Pollution Control

Air pollution sources are another significant environmental risk.

In DMCZ, these include stationary combustion sources (plant heating, hot water heating) and technological sources (metal surface treatment, degreasing and soldering furnaces, powder coating plant, etc.).

Authorised measurements have been carried out in accordance with the legislation in force and have shown compliance with the emission limits.



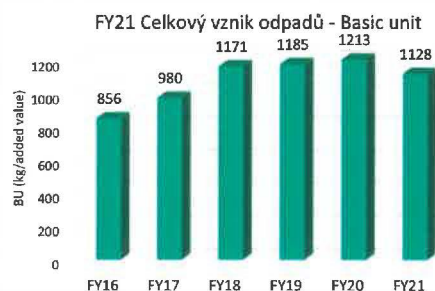
Water Protection

Water is another integral component of life, which is why DMCZ pays great attention to it.

Process water is pre-treated in a neutralisation plant before being discharged into the public sewerage system.

Rainwater is pre-treated in a light liquid separator, capturing any leaked fuel and oil from vehicles.

In accordance with the requirements for watercourse protection and flood prevention, there is also a retention basin in the DMCZ against torrential rainfall.



The corporate internal limits, which are even stricter, were also met and are set at 80% of the legislative limits.

Energy Consumption

In FY21, energy conservation measures were implemented in accordance with ISO50001 requirements and the DENSO ECO VISION 2025 corporate plan and environmental vision.

In the global competition for the best posters to promote energy reduction, the best 3 posters by our employees were selected by the CEO of DMCZ.

All specified discharged water quality measurements were carried out as planned and the results showed compliance with the legislative limits.

Chemical Substances and Compounds

Hazardous chemical substances and mixtures are handled in DMCZ in accordance with legal regulations in order to reduce risks as much as possible and to minimise negative impacts on the surrounding environment.



Conclusion

To continuously improve environmental protection, environmental targets have been set, monitored and evaluated, which are, among other things, derived from environmental risk assessments.

Internal audits have been carried out as an internal control mechanism for compliance with all requirements.

As part of the external control of compliance with the requirements and conditions of the ISO14001:2015 standard, and verification of compliance, an external auditing company conducted a recertification audit of the environmental system, on the basis of which DMCZ received the ISO14001 Certificate for a further three-year period.

In conclusion, it can be stated that DENSO Manufacturing Czech, s.r.o. has successfully fulfilled its obligations in the field of environmental protection.



Occupational Health and Safety; Fire Protection

Occupational health and safety (OHS), including fire protection, is a priority of DENSO MANUFACTURING CZECH s.r.o.

DMCZ improves the state of OHS beyond the framework set by legal requirements and other regulations by adopting the OHS management system in accordance with ISO 45001. The system successfully underwent a certification audit in September 2021.

*OH&S = Occupational Health and Safety Assessment Series

In the 2021 fiscal year we focused on improving the following fields:

- Improvement in the behaviour of staff in the logistics zone where daily checks were carried out;
- 100% compliance with 3S+D, where we checked the knowledge of workers during each Safety Patrol and re-trained production foremen and adjusters. We also began to create 3S+D work instructions for all machines; and
- Fire and explosion prevention, where we conducted a total of 4 evacuation drills at both the main plant and the H&P plant.



Accident Rate at DMCZ

DMCZ distinguishes three categories of work accidents:

1. Accidents resulting in an inability to work;
2. Accidents requiring medical treatment but not resulting in an inability to work; and
3. Minor accidents (no inability to work and no medical treatment).

The results are as follows:

We recorded a total of 27 accidents at work, of which:

- 6 accidents resulting in an incapacity to work (22%);
- 4 accidents requiring medical treatment (15%); and
- 17 minor accidents (63%).

In the 2021 fiscal year, the Company again recorded a decrease in the total number of accidents compared to previous fiscal years.

An analysis of accidents resulting in an incapacity to work showed that accidents mainly occurred in routine work on lines (70%). The most common cause of accidents was dangerous behaviour or dangerous conditions, 40% in both cases.

In order to prevent occupational diseases, we cooperate with Staff Advance s.r.o. on the improvement of the ergonomics of existing equipment and worksites. We pay an equal amount of attention to future equipment, with ergonomic risks being taken into account already during their design.

The system of OHS rules is regularly reviewed in accordance with effective legislation. These reviews were complemented by thematic checks and internal audits. No serious deficiencies were found during these reviews.

Fire protection

In the 2021 fiscal year, preventive fire inspections took place in line with the plan on all premises and workplaces. We also conducted 4 evacuation drills in total. All findings, defects and deficiencies were eliminated within the planned deadlines.

Work accidents by gravity:**Work accidents by cause:**

Research and Development Activities

In the 2021 fiscal year, we worked on the development and industrialisation of air-conditioning units for the 5-8 range of future BMW vehicles which will also incorporate a new type of evaporators with an improved temperature profile. The project goes into series production in June 2022. From products developed for other plants, we have designed the Booster product for the Audi PPE platform.

Last but not least, we have collaborated on product development in the context of acquisitions for the

new Volvo, Mercedes Benz and Jaguar-Land Rover platforms. If the nominations are successful, these air conditioners will go into series production in early 2025.

In terms of serial projects, we focused primarily on decreasing variable product costs by implementing construction changes as part of the VAVE methodology.



Organisational Branches Abroad, Acquisition of Treasury Shares / Holdings

The Company has no branch or other business part abroad. The Company did not acquire any treasury shares/holdings.

Human Resources

Development and Education

During FY 2021, we faced many issues caused by the subsiding COVID pandemic and the subsequent war in Ukraine. The turbulences in production volume, unreliable sales plans and related headcount fluctuations, downtimes and subsequent lack of employees in production, pressure on cost-savings and many other matters. A positive aspect was that we further strengthened our awareness of the importance of the personal development of employees, especially in the area of emotional intelligence. We continued the activities of 2020, for example, professional education related to automation, programmes for adjusters, foremen and supervisors. We also continued the activities of the "People development 2020" programme, which we believe will enhance our competitiveness on the job market and increase the engagement of DMCZ employees.

Recruitment and Retention

In terms of recruitment of production operators, we recorded a stabilisation in our ability to integrate employees from outside the EU in 2021, especially from Serbia and Ukraine. However, the conflict in Ukraine is changing the labour market in the Czech Republic, which will have to be reflected in our recruiting methods in the near future. The situation of administrative positions continued to be affected by the efforts to reduce fixed costs, i.e. efforts to decrease the number of administrative employees. This was implemented in the 2021 fiscal year through a hiring freeze – aside from exceptions approved by VP TEC.

PR and CSR

We have continued to build a new PR concept with the main goal of building loyalty.

As was the case in the previous fiscal year, 2021 was heavily impacted by the development of the COVID-19 pandemic and the associated order fluctuation.

Corporate Social Responsibility

Denso is a contributing and responsible company, so we try to help wherever it is needed. Our assistance in the form of in-kind, financial and volunteer support is directed to various entities that depend on donations to a greater or lesser extent. This year, another volunteer afternoon took place when our employees went to the Jizera Mountains to maintain tree plantations. Our employees were able to celebrate International Dog Day by walking dogs from the shelter. Our company is global and some projects are supported by all branches together. A noteworthy event was organised in support of the non-profit organisation Rise Against Hunger, where for every 5 kilometres run or walked, we donated food to people in developing countries. In the context of ever-increasing demands for environmental protection, all branches implemented a project at the global level called "Let's Care for the Environment Together", which aims to use Denso bottles instead of disposable pet bottles, cups and cans. Through this activity we have reduced the amount of waste. At the end of the fiscal year, the world was paralysed by the news of the Russian invasion of Ukraine. Together, we extended a helping hand to families affected by the war in Ukraine and organised a collection among employees. Denso doubled the amount collected. The funds were used to cover the costs of transporting family members of our employees from the border to safety and to supply the Liberec Red Cross, which provides humanitarian aid to Ukraine, with food of a non-perishable nature, hygiene and drinks.



Volunteer afternoon in Jizera Mountains

Employee Events

A busy schedule of entertainment, sports and culture has been prepared for 2021. When preparing the events calendar, we pay particular attention to the frequency of events and their regularity to show our employees that they are important to us. Unfortunately, the implementation of the planned events was affected throughout the year by the pandemic situation and subsequent government measures, including the fluctuation of contracts, which caused us significant financial losses every month. We therefore had to either cancel or reschedule planned events altogether.

Thanks to these facts, we have moved to the online environment, where we have prepared various competitions for our employees. Easter, 1 May, summer holidays, flying kites and the beauty of autumn or Valentine's Day became the topics of our Facebook competitions. In addition, employees could compete for tickets to hockey matches, cinema or take part in a running challenge and run for a voucher to a sports shop.

We did manage to organise some events.

Those in which employees and their families could participate included an unusual tour with a princess at Sychrov Castle or ice skating on the ice of the White Tigers. Employees could register their children for a suburban camp focused on learning English during a week of games and fun. Fruit refreshments on the first day of summer or International Chocolate Day were among the events we used to make our employees' working days more enjoyable.

Regular meetings of those celebrating their anniversary could not be held throughout the fiscal year. Although we were unable to meet employees who celebrated significant work anniversaries at the company for a joint celebration, we prepared at least a small gift for them. Children of our employees who were about to start their first day of school were given the gift of a schedule and a lunch box full of school supplies. We don't forget about our new mothers, either, for whom we send a birthday card along with a gift package directly to their homes.



Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Partner of DENSO MANUFACTURING CZECH s.r.o.

Having its registered office at: Heyrovského 476, Liberec XXIII-Doubí, 463 12 Liberec

Opinion

We have audited the accompanying financial statements of DENSO MANUFACTURING CZECH s.r.o. (hereinafter also the "Company") prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 March 2022 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of DENSO MANUFACTURING CZECH s.r.o. as of 31 March 2022 and of its financial performance and its cash flows for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic 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.

Other Information in the Annual Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Statutory Executives are responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements.
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Company's Statutory Executives for the Financial Statements

The Statutory Executives are responsible for the preparation and fair presentation of the financial statements in accordance with accounting regulations applicable in the Czech Republic and for such internal control as the Statutory Executives determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Statutory Executives are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Statutory Executives either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Statutory Executives.
- Conclude on the appropriateness of the Statutory Executives' 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

In Prague on 30 September 2022

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

Ladislav Šauer
registration no. 2261




Financial Statements of the Company

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Name of the Company: DENSO MANUFACTURING CZECH s.r.o.
Registered Office: Heyrovského 476, Liberec XXIII-Doubí, 463 12 Liberec
Legal Status: Limited Liability Company
Corporate ID: 254 32 338

Components of the Financial Statements:**Balance Sheet****Profit and Loss Account****Statement of Changes in Equity****Cash Flow Statement****Notes to the Financial Statements**

These financial statements were prepared on 30 September 2022

Statutory body of the reporting entity:	Signature
Homare Kotate	

BALANCE SHEET

full version

DENSO MANUFACTURING CZECH s.r.o.

Corporate ID 254 32 338

As of
31.03.2022
(in CZK thousand)Heyrovského 476
Liberec XXIII-Doubí
463 12 Liberec

		31.03.2022			31.03.2021
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	16 792 584	7 583 556	9 209 028	8 862 797
B.	Fixed assets	12 131 613	7 543 392	4 588 221	4 659 362
B.I.	Intangible fixed assets	162 018	151 721	10 297	8 366
B.I.1.	Development	45 790	45 790		
B.I.2.	Valuable rights	112 211	105 846	6 365	7 808
B.I.2.1.	Software	112 211	105 846	6 365	7 808
B.I.4.	Other intangible fixed assets	150	85	65	90
B.I.5.	Prepayments for intangible fixed assets and intangible fixed assets under construction	3 867		3 867	468
B.I.5.1.	Prepayments for intangible fixed assets	40		40	
B.I.5.2.	Intangible fixed assets under construction	3 827		3 827	468
B.II.	Tangible fixed assets	11 969 595	7 391 671	4 577 924	4 650 996
B.II.1.	Land and structures	2 214 369	682 188	1 532 181	1 569 475
B.II.1.1.	Land	113 859		113 859	113 859
B.II.1.2.	Structures	2 100 510	682 188	1 418 322	1 455 616
B.II.2.	Tangible movable assets and sets of tangible movable assets	9 053 102	6 709 483	2 343 619	2 600 688
B.II.5.	Prepayments for tangible fixed assets and tangible fixed assets under construction	702 124		702 124	480 833
B.II.5.1.	Prepayments for tangible fixed assets	132 554		132 554	120 698
B.II.5.2.	Tangible fixed assets under construction	569 570		569 570	360 135
C.	Current assets	3 851 235	40 164	3 811 071	3 418 273
C.I.	Inventories	1 711 786	33 413	1 678 373	1 266 387
C.I.1.	Material	1 107 866	8 111	1 099 755	821 975
C.I.2.	Work in progress and semifinished goods	138 883	1 837	137 046	113 135
C.I.3.	Products and goods	350 394	23 465	326 929	241 049
C.I.3.1.	Products	160 031	6 544	153 487	134 537
C.I.3.2.	Goods	190 363	16 921	173 442	106 512
C.I.5.	Prepayments for inventories	114 643		114 643	90 228
C.II.	Receivables	2 109 974	6 751	2 103 223	2 110 334
C.II.2.	Short-term receivables	2 109 974	6 751	2 103 223	2 110 334
C.II.2.1.	Trade receivables	1 013 566	6 751	1 006 815	1 439 733
C.II.2.2.	Receivables - controlled or controlling entity				176
C.II.2.4.	Receivables - other	1 096 408		1 096 408	670 425
C.II.2.4.3.	State - tax receivables	7 231		7 231	5 507
C.II.2.4.4.	Short-term prepayments made	3 706		3 706	2 511
C.II.2.4.5.	Estimated receivables	1 083 840		1 083 840	660 532
C.II.2.4.6.	Sundry receivables	1 631		1 631	1 875
C.IV.	Cash	29 475		29 475	41 552
C.IV.1.	Cash on hand	634		634	689
C.IV.2.	Cash at bank	28 841		28 841	40 863
D.	Other assets	809 736		809 736	785 162
D.1.	Deferred expenses	521 411		521 411	509 165
D.2.	Complex deferred expenses	288 325		288 325	275 997

		31.03.2022	31.03.2021
	TOTAL LIABILITIES & EQUITY	9 209 028	8 862 797
A.	Equity	2 499 748	2 770 707
A.I.	<i>Share capital</i>	3 373 800	3 373 800
A.I.1.	Share capital	3 373 800	3 373 800
A.II.	<i>Share premium and capital funds</i>	731 919	731 919
A.II.2.	<i>Capital funds</i>	731 919	731 919
A.II.2.1.	Other capital funds	731 919	731 919
A.III.	<i>Funds from profit</i>	65 909	65 909
A.III.1.	Other reserve funds	65 909	65 909
A.IV.	<i>Retained earnings (+/-)</i>	-1 400 921	-1 412 016
A.IV.1.	Accumulated profits or losses brought forward (+/-)	-1 527 491	-1 538 586
A.IV.2.	Other profit or loss from prior years (+/-)	126 570	126 570
A.V.	<i>Profit or loss for the current period (+/-)</i>	-270 959	11 095
A.VI.	Profit share prepayments declared (-)		
B.+C.	Liabilities	6 654 690	6 037 209
B.	Reserves	269 569	330 234
B.IV.	Other reserves	269 569	330 234
C.	Payables	6 385 121	5 706 975
C.I.	<i>Long-term payables</i>	1 330 829	1 639 005
C.I.6.	Payables - controlled or controlling entity	1 303 378	1 631 448
C.I.8.	Deferred tax liability	27 451	7 557
C.II.	<i>Short-term payables</i>	5 054 292	4 067 970
C.II.4.	Trade payables	739 875	1 033 215
C.II.6.	Payables - controlled or controlling entity	2 877 750	1 594 466
C.II.8.	<i>Other payables</i>	1 436 667	1 440 289
C.II.8.3.	Payables to employees	68 121	71 529
C.II.8.4.	Social security and health insurance payables	34 802	35 710
C.II.8.5.	State - tax payables and subsidies	82 695	148 075
C.II.8.6.	Estimated payables	1 247 712	1 082 970
C.II.8.7.	Sundry payables	3 337	102 005
D.	Other liabilities	54 590	54 881
D.2.	Deferred income	54 590	54 881

PROFIT AND LOSS ACCOUNT
structured by the nature of expense method

DENSO MANUFACTURING CZECH s.r.o.
Corporate ID 254 32 338

Year ended
31.03.2022
(in CZK thousand)

Heyrovského 476
Liberec XXIII-Doubí
463 12 Liberec

		Year ended 31.03.2022	Year ended 31.03.2021
I.	Sales of products and services	8 168 909	8 903 794
II.	Sales of goods	190 783	317 089
A.	Purchased consumables and services	7 011 589	7 427 585
A.1.	Costs of goods sold	225 789	284 407
A.2.	Consumed material and energy	5 753 992	5 969 313
A.3.	Services	1 031 808	1 173 865
B.	Change in internally produced inventory (+/-)	-126 297	34 124
D.	Staff costs	1 288 505	1 352 848
D.1.	Payroll costs	945 957	992 011
D.2.	Social security and health insurance costs and other charges	342 548	360 837
D.2.1.	Social security and health insurance costs	309 675	328 217
D.2.2.	Other charges	32 873	32 620
E.	Adjustments to values in operating activities	770 069	765 163
E.1.	Adjustments to values of intangible and tangible fixed assets	777 163	772 642
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	721 031	766 391
E.1.2.	Adjustments to values of intangible and tangible fixed assets - temporary	56 132	6 251
E.2.	Adjustments to values of inventories	-4 493	2 513
E.3.	Adjustments to values of receivables	-2 601	-9 992
III.	Other operating income	301 091	333 060
III.1.	Sales of fixed assets	8 254	15 768
III.2.	Sales of material	66 906	75 117
III.3.	Sundry operating income	225 931	242 175
F.	Other operating expenses	321 931	71 465
F.1.	Net book value of sold fixed assets	5 418	6 866
F.2.	Material sold	86 616	83 365
F.3.	Taxes and charges	16 078	20 018
F.4.	Reserves relating to operating activities and complex deferred expenses	-70 407	-85 690
F.5.	Sundry operating expenses	284 226	46 906
*	Operating profit or loss (+/-)	-605 014	-97 242
J.	Interest expenses and similar expenses	1 898	1 791
J.1.	Interest expenses and similar expenses - controlled or controlling entity	1 898	1 791
VII.	Other financial income	1 766 756	549 798
K.	Other financial expenses	1 410 909	399 624
*	Financial profit or loss (+/-)	353 949	148 383
**	Profit or loss before tax (+/-)	-251 065	51 141
L.	Income tax	19 894	40 046
L.2.	Deferred income tax (+/-)	19 894	40 046
**	Profit or loss net of tax (+/-)	-270 959	11 095
***	Profit or loss for the current period (+/-)	-270 959	11 095
*	Net turnover for the current period	10 427 539	10 103 741

**STATEMENT OF
CHANGES IN EQUITY**

DENSO MANUFACTURING CZECH s.r.o.

Corporate ID 254 32 338

Year ended
31.03.2022
(in CZK thousand)

Heyrovského 476
Liberec XXIII-Doubí
463 12 Liberec

	Share capital	Capital funds	Funds from profit, reserve fund	Accumulated profits or losses brought forward	Other profit or loss from prior years	Profit share prepayments declared	Profit or loss for the current period	TOTAL EQUITY
Balance at 31 December 2019	3 373 800	731 919	65 909	-1 091 541	126 570		-447 045	2 759 612
Distribution of profit or loss				-447 045			447 045	
Profit or loss for the current period							11 095	11 095
Balance at 31 December 2020	3 373 800	731 919	65 909	-1 538 586	126 570		11 095	2 770 707
Distribution of profit or loss				11 095			-11 095	
Profit or loss for the current period							-270 959	-270 959
Balance at 31 December 2021	3 373 800	731 919	65 909	-1 527 491	126 570		-270 959	2 499 748

CASH FLOW STATEMENT

DENSO MANUFACTURING CZECH s.r.o.
Corporate ID 254 32 338

Year ended
31.03.2022
(in CZK thousand)

Heyrovského 476
Liberec XXIII-Doubí
463 12 Liberec

		Year ended 31.03.2022	Year ended 31.03.2021
P.	Opening balance of cash and cash equivalents	41 552	7 584
	Opening balance of cash and cash equivalents after transformation		
	<i>Cash flows from ordinary activities (operating activities)</i>		
Z.	Profit or loss before tax	-251 065	51 141
A.1.	Adjustments for non-cash transactions	956 811	898 159
A.1.1.	Depreciation of fixed assets	721 031	766 391
A.1.2.	Change in provisions and reserves	-11 627	-101 491
A.1.3.	Profit/(loss) on the sale of fixed assets	-2 836	-8 902
A.1.5.	Interest expense and interest income	1 898	1 791
A.1.6.	Adjustments for other non-cash transactions	248 345	240 370
A.*	Net operating cash flow before changes in working capital	705 746	949 300
A.2.	Change in working capital	1 132 898	518 474
A.2.1.	Change in operating receivables and other assets	52 072	-178 392
A.2.2.	Change in operating payables and other liabilities	1 494 279	629 749
A.2.3.	Change in inventories	-413 453	67 117
A.**	Net cash flow from operations before tax	1 838 644	1 467 774
A.3.	Interest paid	-1 924	-1 761
A.***	Net operating cash flows	1 836 720	1 466 013
	<i>Cash flows from investing activities</i>		
B.1.	Fixed assets expenditures	-755 414	-720 343
B.2.	Proceeds from fixed assets sold	8 254	15 768
B.***	Net investment cash flows	-747 160	-704 575
	<i>Cash flow from financial activities</i>		
C.1.	Change in payables from financing	-1 101 637	-727 470
C.***	Net financial cash flows	-1 101 637	-727 470
F.	Net increase or decrease in cash and cash equivalents	-12 077	33 968
R.	Closing balance of cash and cash equivalents	29 475	41 552

Notes to the Financial Statements of the Company

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

Name of the company: DENSO MANUFACTURING CZECH s.r.o.

Registered office: Heyrovského 476, Liberec XXIII-Doubí,
463 12 Liberec

Legal status: Limited Liability Company

Corporate ID: 254 32 338

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1. GENERAL INFORMATION

1.1. Incorporation and Description of the Business

DENSO MANUFACTURING CZECH s.r.o. (hereinafter the "Company") was formed as a limited liability company on the basis of a deed of foundation on 25 May 2001 and was incorporated following its registration in the Register of Companies maintained by the Court in Ústí nad Labem on 12 July 2001. The Company principally engages in producing air-conditioning systems for cars.

The Company's registered office is located at Heyrovského 476, Liberec XXIII-Doubí, 463 12 Liberec.

The Company's issued share capital is CZK 3,373,800 thousand.

The following table shows individuals and legal entities holding an investment in the Company's share capital and the amount of their equity interest:

Owner	Ownership percentage
DENSO INTERNATIONAL EUROPE B.V., corporate ID: 32027898 1077 XX Amsterdam, Strawinskylaan 1865, the Netherlands	100%

1.2. Year-on-Year Changes in and Amendments to the Register of Companies

During the year ended 31 March 2022, no changes or amendments were made to the Register of Companies.

1.3. Statutory Body and Supervisory Board as of the Balance Sheet Date

The Company has not established a supervisory board. The Company's statutory bodies are the statutory executives.

	Name
Statutory executive	Shinichiro Yamaji
Statutory executive	Kenichi Tokunaga

Change of the Statutory Executive:

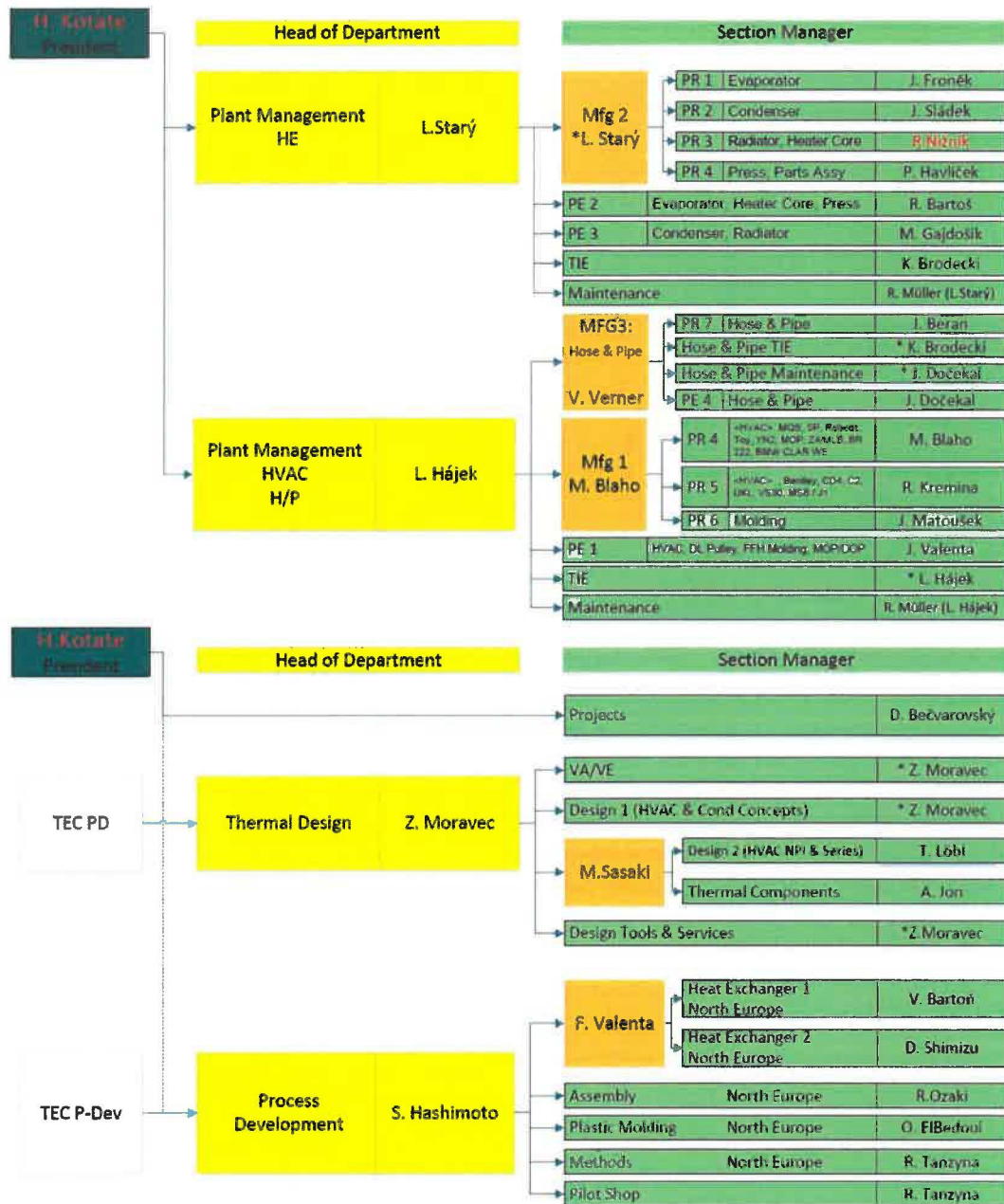
Position	Original	New	Date of change
Statutory Executive	Shinichiro Yamaji	Homare Kotate	5 May 2022

The change was entered in the Register of Companies on 23 May 2022.

1.4. Organisational Structure

The organisational structure of the Company effective as of 31 March 2022:





1.5. Group Identification

The Company is included in the multinational DENSO CORPORATION Group (Japan). DENSO CORPORATION with its registered office at 1-1, Showa-cho, Kariya-shi, Aichi-ken, Japan, is a leading global supplier of modern car technologies, systems and components which predominantly include motor-related products, air-conditioning units, car electronics, and steering and safety components. DENSO CORPORATION operates in a number of regions worldwide.

The consolidated financial statements of the widest group of reporting entities of which the Company is a member as a consolidated reporting entity are prepared by Denso Corporation, having its registered office at 1-1 Show-cho Kariya, Aichi 448-8661, Japan. These consolidated financial statements are available on the website of the consolidating entity (https://www.denso.com/global/en/investors/library/annual_report/).

2. BASIS OF ACCOUNTING

The accompanying unconsolidated financial statements were prepared in accordance with Accounting Act 563/1991 Coll., as amended (the "Accounting Act"); Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of Accounting Act 563/1991 Coll., as amended, for reporting entities that are businesses maintaining double-entry accounting records, as amended; in the wording effective for 2020 and 2019 (the "Regulation").

These financial statements have been prepared as of the balance sheet date of 31 March 2022 for the fiscal year from 1 April 2021 to 31 March 2022.

These financial statements are presented in thousands of Czech crowns (CZK), unless stated otherwise.

2.1. Tangible and Intangible Fixed Assets

Tangible Fixed Assets

Tangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 40 thousand on an individual basis.

Purchased tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment losses.

The cost of fixed asset improvements exceeding CZK 40 thousand for the taxation period increases the acquisition cost of the relevant fixed asset.

Depreciation is charged so as to write off the cost of tangible fixed assets, other than land and assets under construction, over their estimated useful lives as follows:

Type of assets	Depreciation method	Number of years
Buildings and structures	Straight line	40
Accessories for buildings	Straight line	7
Moulding dies	Straight line	5
Machinery and equipment	Straight line	5-10
Cars	Straight line	4
Forklifts	Straight line	7
Hardware	Straight line	3
Furniture	Straight line	5

Depreciation periods are reviewed and adjusted over the period of the use of assets, taking into account the materiality and true and fair view principles.

Assets held under finance leases are depreciated by the lessor.

Gains and losses from the disposal or retirement of assets are recognised in the profit and loss account and determined as the difference between the sales revenue and the net book value of the assets as of the sale date.

Low-value tangible assets were directly expensed and reported off the balance sheet as set out in the table below except for the deferred low-value tangible fixed assets:

Assets	Estimated useful life exceeding one year, set out below the limits of acquisition costs (CZK)		
	< 2,999/ pc.	3,000 – 39,999/ pc.	> 40,000/ pc.
Tangible FA -specified	Operating expenses, or low-value items	Low-value FA (reported off the balance sheet), recognised under operating expenses	Standard tangible FA (recorded in the register, depreciation period according to the asset type)
Tangible FA - other	Operating expenses	Operating expenses, or low-value items	Standard tangible FA
Tangible FA - special	< 9,999/ pc.	10,000–39,999/pc.	
	Operating expenses	Low-value FA (recorded in the register, depreciation period: 2 years)	Standard tangible FA
Deferred assets	Significant low-value tangible assets with the unit cost not exceeding CZK 40 thousand (primarily stillage including clumps, holders, containers, carts for Molding), recorded off balance sheet are reported as deferred expenses and released to expenses in line with the anticipated useful lives.		

Specified tangible fixed assets include HW technologies, fax machines, copiers, printers, shredders, scanners, projectors, cameras, mobile phones, washing machines, dryers, dish washers, refrigerators, blenders, measuring devices and carts.

Other tangible fixed assets principally include furniture.

Special tangible fixed assets include production agents.

Deferred low-value tangible fixed assets include stillages and carts.

Provisioning

Provisions are made against tangible fixed assets that are damaged or unused on a long-term basis based on the results of the inventory taking, to the extent that the carrying value temporarily does not match the actual balance.

Intangible Fixed Assets

Intangible fixed assets include assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 60 thousand on an individual basis.

Intangible assets arising from research and development, software and valuable rights generated internally for the Company's internal needs are not capitalised.

Purchased intangible fixed assets are stated at cost net of accumulated amortisation and accumulated impairment loss.

Expenditures on internal development activities are recognised as expenses in the period in which they are incurred.

The cost of fixed asset improvements exceeding CZK 40 thousand for the taxation period increases the acquisition cost of the related intangible fixed asset.

Amortisation of intangible fixed assets is recorded on a straight-line basis over their estimated useful lives as follows:

	Number of years
Software,	3
Valuable rights	7
Research and development	5

Low-value intangible assets were expensed as set out in the table below:

Assets	Estimated useful life exceeding one year, set out below the limits of acquisition costs (CZK)	
	≤40,000/ pc (40,000 – 60,000>	> 60,000/ pc
Intangible FA	Operating expenses Low-value intangible fixed assets (recorded in the register)	Standard intangible FA (recorded in the register)

Provisioning

Provisions are made against unused intangible fixed assets based on the results of the inventory taking, to the extent that the carrying value temporarily does not match the actual balance.

2.2. Financial Assets

Financial assets with a maturity of more than one year or that are intended to be held for more than one year are reported under non-current assets; financial assets with a maturity of less than one year or that are intended to be held for less than one year are reported under current assets.

Non-current financial assets consist of loans with maturity exceeding one year, equity investments in subsidiaries and associates, securities available for sale and debt securities with maturity over one year held to maturity.

At the balance sheet date, current financial assets included cash on hand, cash at bank, and stamps and vouchers.

2.3. Derivative Financial Transactions

In accordance with the group risk management strategy, the Company uses derivative financial instruments as effective hedging instruments. The Company does not document compliance with the requirements of Czech accounting regulations for hedge accounting and thus does not account for these derivative financial instruments as hedging instruments.

The Company reported the valuation of derivatives from relevant contracts in the balance sheet lines "Other receivables (short-term)", or "Other payables (short-term)" and in the profit and loss account lines "Other financial income" or "Other financial expenses".

Derivatives are stated at fair value.

2.4. Inventory

Purchased inventory is valued at acquisition costs. Acquisition costs include the purchase cost and indirect acquisition costs such as customs fees, freight costs and storage fees, commissions, and insurance payments.

Movements of inventory into and out of stock are recognised at pre-determined (standard) prices, except for spare parts. Standard material prices are set as equal to purchase prices valid on the first day of the reporting period, or during the period for new items or items where prices of material significantly changed. Internally developed inventory is valued on the basis of the allocation of the appropriate amount of direct and indirect expenses. Variances between the actual and fixed price are expensed and proportionally allocated on a quarterly basis to the value of inventory.

Spare parts are valued using the FIFO method, first-in, first-out.

Provisioning

The Company recognises provisions against inventory whose impairment is not deemed permanent by reference to, for instance, an aging analysis of inventory and analysis of selling prices of finished products. In addition, provisions reflect predictable risks and potential losses relating to the sale of supplier tools (moulds).

2.5. Receivables

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate provisions for doubtful and bad amounts.

Provisioning against doubtful and bad receivables

Accounting provisions against receivables	
Past due	Provisioning rate
6-12 months	50%
>12 months	100%

In addition, the Company recognises additional provisions based on an individual assessment of individual recorded trade receivables.

2.6. Complex Deferred Expenses

Complex deferred expenses include deferred application costs incurred in relation to research and development and similar activities, relating to products that will be manufactured in the following periods. Complex deferred expenses are released in the profit or loss over the following four years, which corresponds to the expected average useful period arising from the application costs in relation to new or running projects. The release period differs when the Company has the information arising from contracts or similar documentation on a different appropriate release period so that they are released in the period to which they relate.

Complex deferred expenses also include development costs related to deferred expenses that concern, in aggregate, specific projects. Their settlement is performed in the period to which they relate on an accrual basis, i.e. in the anticipated period of realisation of the relevant projects.

2.7. Payables

Payables are stated at their nominal value.

2.8. Loans

Loans are stated at their nominal value. The portion of long-term loans maturing within one year from the balance sheet date is included in short-term loans.

2.9. Reserves

Reserves are intended to cover future risks and expenditure, the nature of which is clearly defined, and which are likely to be incurred, but which are uncertain as to the amount or the date on which they will arise.

The Company recognises a reserve for customer complaints, a probable additional decrease in selling prices, anticipated losses from the sale of loss-making inventory, a reserve for annual bonuses for employees, a reserve for outstanding vacation days, a reserve for corporate income tax and other risks and losses.

2.10. Foreign Currency Translation

Transactions denominated in foreign currencies during the year are translated using a fixed monthly exchange rate promulgated by the Czech National Bank ("CNB") as of the last business day before the start of the next month.

At the balance sheet date, assets and liabilities denominated in foreign currencies are translated using the effective exchange rate promulgated by the CNB as of that date. Any resulting foreign exchange rate gains and losses are recorded through the current year's financial expenses or revenues as appropriate.

2.11. Finance Leases

Lease payments are charged to expenses. Lump-sum payments under finance leases are accrued and expensed over the lease period.

2.12. Government Grants

Grants received to offset costs are recognised as other operating and financial income over the period necessary to match them with the related costs. Grants received to acquire tangible and intangible fixed assets and technical improvements and grants towards interest expenses added to the cost are deducted in reporting their cost or internal cost.

2.13. Taxation

2.13.1. Depreciation of Fixed Assets for Tax Purposes

Depreciation of fixed assets for tax purposes is calculated using the straight-line method.

2.13.2. Current Tax Payable

Czech tax legislation is subject to ongoing amendments. Since various interpretations of tax laws and regulations exist for individual types of transactions, the values reported in the Company's financial statements may change based on the ultimate opinion of the tax authorities.

2.13.3. Deferred Tax

Deferred tax is accounted for using the balance sheet liability method.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset and reported on an aggregate net basis in the balance sheet, except when partial tax assets cannot be offset against partial tax liabilities.

2.14. Impairment

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of the net selling price and the value in use. In assessing the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

2.15. Revenue Recognition

Revenue is measured at the value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT, and other sales-related taxes.

Sales of goods are recognised when goods are delivered and the ownership title has passed.

2.16. Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

2.17. Year-on-Year Changes in Valuation, Depreciation or Accounting Policies, Correction of Misstatements

During the year ended 31 March 2021, no changes in policies or corrections of misstatements were made – all changes were reflected in the opening balance sheet.

2.18. Other Matters

In order to eliminate the impact of foreign exchange risks, the Company decided to use the services of DENSO EUROPE B.V. Regular translations from EUR to CZK and EUR to JPY are made using a fixed annual exchange rate, including potential adjustments in the case of significant exchange rate fluctuations.

2.19. Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash equivalents include current liquid assets easily convertible into cash in an amount agreed in advance. Cash and cash equivalents can be analysed as follows:

	(CZK '000)	
	31 March 2022	31 March 2021
Cash on hand and cash in transit, stamps and vouchers	634	689
Bank accounts	28 841	40 863
Total cash and cash equivalents	29 475	41 552

Balances presented in the table above match the "current financial assets" line on the face of the balance sheet.

Cash flows from operating, investment, and financial activities presented in the cash flow statement are not offset.

3. ADDITIONAL INFORMATION

3.1. Intangible Fixed Assets (IFA)

Cost

						(CZK thousand)
	Opening balance	Effects of the merger	Additions	Disposals	Transfers	Closing balance
Research and development	45 790	0	0	45 790	0	0
Other valuable rights	0	0	0	0	0	0
Software	113 883	0	6 643	8 315	0	112 211
Other IFA	150	0	0	0	0	150
IFA under construction	468	0	10 042	6 643	0	3 867
Total 2021	160 291	0	16 685	60 748	0	116 228
Total 2020	154 832	0	12 851	6 982	0	160 701

Provisions and accumulated amortisation

						(CZK thousand)
	Opening balance	Effects of the merger	Additions	Disposals	Closing balance	Provisions Net book value
Research and development	45 790	0	0	45 790	0	0
Other valuable rights	410	0	0	410	0	0
Software	106 075	0	8 081	8 310	105 846	0 6 365
Other IFA	60	0	25	0	85	0 65
IFA under construction	0	0	0	0	0	0 3 867
Total 2021	152 335	0	8 106	54 510	105 931	0 10 297
Total 2020	144 837	0	7 498	0	152 335	0 8 366

3.2. Tangible Fixed Assets (TFA)

Cost

						(CZK thousand)
	Opening balance	Effects of the merger	Additions	Disposals	Transfers	Closing balance
Land	113 859	0	0	0	0	113 859
Buildings	2 071 083	0	29 427	0	0	2 100 510
Tangible fixed assets and sets thereof	8 828 552	0	451 512	226 962	0	9 053 102
Prepayments made for TFA	120 698	0	167 103	155 247	0	132 554
TFA under construction	360 135	0	794 386	584 951	0	569 570
Total 2021	11 494 327	0	1 442 428	967 160	0	11 969 595
Total 2020	10 945 266	0	1 770 310	1 221 249	0	11 494 327

Provisions and accumulated depreciation

(CZK thousand)

	Opening balance	Effects of the merger	Additions	Disposals	Closing balance	Provisions	Net book value
Land	0	0	0	0	0	0	113 859
Buildings	615 467	0	66 721	0	682 188	0	1 418 322
Tangible fixed assets and sets thereof	6 227 864	0	701 178	219 559	6 709 483	0	2 343 619
Prepayments made for TFA	0	0	0	0	0	0	132 554
TFA under construction	0	0	0	0	0	0	569 570
Total 2021	6 843 331	0	767 899	219 559	7 391 671	0	4 577 924
Total 2020	6 275 151	0	747 640	179 460	6 843 331	0	4 650 996

The Company adjusted the valuation of tangible fixed assets owing to their low value through the recognition of a provision in expenses (refer to Note 3.5).

Interest on loans was not capitalised as part of the cost of tangible fixed assets in the reporting period.

3.3. Inventory

(CZK thousand)

Gross	Balance at 31 March 2022	Balance at 31 March 2021
Material including spare parts	1 107 866	839 804
Work in progress, semi-finished products	138 883	113 913
Products	160 031	143 076
Goods without moulds and tools	16 141	12 939
Purchased moulds and tools intended for sale	174 222	110 557
Prepayments made	114 643	90 228
Total	1 711 786	1 310 517

(CZK thousand)

Adjustment	Balance at 31 March 2022	Balance at 31 March 2021
Provisions against material including spare parts	8 111	17 829
Provisions against work in progress and semi-finished products	1 837	778
Provisions against products	6 544	8 539
Provisions against goods including moulds and tools and relating prepayments	16 921	16 984
Total	33 413	44 130

3.4. Short-Term Receivables

3.4.1. Aging of Trade Receivables

(CZK thousand)

Year ended	Category	Before due date	Total past due date	Total
31 March 2022	Gross	953 719	59 847	1 013 566
	Provisions	0	6 751	6 751
	Net	953 719	53 096	1 006 815
31 March 2021	Gross	1 378 791	70 294	1 449 085
	Provisions	0	9 352	9 352
	Net	1 378 791	60 942	1 439 733

3.4.2. Receivables – Controlled or Controlling Entity

Short-term receivables from the controlling entity as of 31 March 2022 (2021) of CZK 0 thousand (CZK 176 thousand) consist of a positive balance on the cash-pooling account.

3.4.3. State – Tax Receivables, State – Tax Payables and Subsidies

Tax receivables as of 31 March 2022 predominantly include a receivable arising from withholding tax of CZK 5,932 thousand. As of 31 March 2021, the largest portion of this receivable included a receivable arising from withholding tax of CZK 2,774 thousand.

Tax payables as of 31 March 2022 primarily include debts arising from VAT of CZK 81,935 thousand (31 March 2021: CZK 147,337 thousand).

3.4.4. Estimated Receivables

As of 31 March 2022 (2021), estimated receivables in the aggregate amount of CZK 1,083,840 thousand (CZK 660,532 thousand) primarily include the calculated amount of commissions, unbilled design services and amounts for employees assigned under the hiring out of labour contracts concluded with entities within the group.

3.5. Provisions

Provisions represent the temporary impairment of assets (disclosed in Notes 3.1., 3.2., 3.3. and 3.4.)

Changes in provisions

(CZK thousand)			
Provisions against:	Opening balance	Net change in the reporting period	Balance at 31 March 2022
Fixed assets	13 597	56 132	69 729
Inventory	44 130	-10 717	33 413
Receivables – statutory	0	0	0
Receivables – other	9 352	-2 601	6 751
Total	67 079	42 814	109 893

Statutory provisions are recognised in compliance with the Act on Reserves and are tax-deductible.

3.6. Current Financial Assets

(CZK thousand)		
	Balance at 31 March 2022	Balance at 31 March 2021
Cash		
Stamps and vouchers	0	0
Cash	634	689
Current accounts		
Cash at bank	28 841	40 863
Total current financial assets	29 475	41 552

3.7. Deferred Expenses and Other Assets

As of 31 March 2022 and 2021, deferred expenses amounted to CZK 521,411 thousand and CZK 509,165 thousand, respectively. These principally included the costs of purchases of returnable packages and deferred contributions for the acquisition of tools, nomination fees, modification of sold moulds, deferred low-value assets and the application costs of selected projects that will be included in the period to which they relate on an accrual's basis.

The cost of packages is released to expenses most frequently over the period of six years which is an estimated useful life of these packages. The cost of the tools is released to expenses over the period of 4 – 10 years. The cost of the modifications to moulds is released to expenses most frequently over 5 years.

Complex deferred expenses as of 31 March 2022 (31 March 2021) include deferred application costs incurred on the research and development and similar activities of products that will be manufactured in future reporting periods in the amount of CZK 268,246 thousand (CZK 250,082 thousand). Complex deferred expenses are deferred over the following four years. The release period differs only when the entity has the information resulting from contracts or similar documentation on a different release period so that the release is made in the period to which it relates.

At present, only application costs that are deferred until 2021 are released over the period of more than four years pursuant to the agreed relating billing to the customer.

Complex deferred expenses also include development costs of CZK 20,079 thousand as of 31 March 2022 (2021: CZK 25,915 thousand) related to deferred expenses that concern, in aggregate, specific projects. Their settlement is performed in the period to which they relate on an accrual basis, i.e. in the anticipated period of realisation of the relevant projects.

3.8. Equity and Other Profit or Loss

Refer to the Statement of Changes in Equity.

The proposed allocation of the loss for the 2021 fiscal year consists of a transfer to accumulated losses brought forward.

Based on the resolution of the general meeting of the Company, the profit for the 2020 fiscal year of CZK 11,095 thousand was allocated to Profits or losses brought forward.

3.9. Reserves

Other reserves:

	(CZK thousand)	
	Balance at 31 March 2022	Balance at 31 March 2021
Anticipated losses from the sale of moulds and tools	59 062	58 982
Guarantee costs	0	0
Future complaints	93 533	160 844
Staff costs, employee benefits	87 683	79 002
Additional probable decrease in sale prices	0	0
Unpaid bonuses	29 291	31 406
Total other reserves	269 569	330 234

3.10. Payables – Controlled or Controlling Entity (Long-term, Short-term)

Only the portions of long-term loans provided by the fellow subsidiary in the group that mature within a period greater than the subsequent 12 months are classified as long-term under this item as of the balance sheet date.

Short-term payables – controlled or controlling entity include a negative balance on the cash-pooling account and a portion of long-term loans from the fellow subsidiary maturing within 12 months.

In the years ended 31 March 2022 and 2021, the Company reported loans from DENSO EUROPE B.V. as follows:

1. Loan

- CZK 0 thousand (EUR 0 thousand) and CZK 277,137 thousand (EUR 10,600 thousand) as of 31 March 2022 and 31 March 2021, respectively.
The loan was payable at once on 18 June 2021.
The loan has been repaid. As of 31 March 2021, the loan was classified as a short-term loan.

2. Loan

- CZK 1,521,624 thousand (EUR 62,400 thousand) and CZK 1,631,448 thousand (EUR 62,400 thousand) as of 31 March 2022 and 31 March 2021, respectively.
The loan is payable in four instalments of which each in the amount of EUR 15,600 thousand on the following dates: 31 May 2022, 31 May 2023, 31 May 2024, 31 May 2025.
As of 31 March 2022, the loan is classified as a long-term loan except for the portion maturing within 1 year which is classified as a short-term loan.

3. Loan

- CZK 324,321 thousand (EUR 13,300 thousand) and CZK 0 thousand (EUR 0 thousand) as of 31 March 2022 and 31 March 2021, respectively.
The loan is payable in two instalments of which each in the amount of EUR 6,650 thousand on the following dates: 31 March 2023 and 29 March 2024.
As of 31 March 2022, the loan is classified as a long-term loan except for the portion maturing within 1 year.

Cash-pooling

- The portion of short-term payables also includes a negative balance on the cash-pooling account in the amount of CZK 2,334,587 thousand and CZK 1,317,329 thousand as of 31 March 2022 and 31 March 2021, respectively.

3.11. Short-Term Payables

3.11.1. Aging of Short-Term Trade Payables

(CZK thousand)				
Year ended	Category	Before due date	Total past due date	Total
31 March 2022	Short-term	665 208	74 667	739 875
31 March 2021	Short-term	825 953	207 262	1 033 215

3.11.2. Short-Term Intercompany Trade Payables

Name of the entity (relation to the Company*)	Balance at 31 March 2022	Balance at 31 March 2021
Short-term trade payables		
DENSO CORPORATION (controlling entity)	56 160	38 025
DENSO AIR SYSTEMS CO.,LTD.	2 880	6 431
DENSO DO BRASIL LTDA	2 023	17 349
DENSO SISTEMAS TÉRMICOS ESPANA	5	0
Denso Manufacturing Italia s.p.a.	9 388	180
DENSO MANUFACTURING MICHIGAN,INC.	27 929	110 574
DENSO AIR SYSTEMS DE MEXICO S.A. DE C.V	1 014	808
DENSO EUROPE B.V.	6 129	88 551
DENSO AUTOMOTIVE Deutschland GmbH	0	0
DENSO BARCELONA S.A.	4 289	2 596
DENSO MANUFACTURING UK LTD.	4 952	633
DENSO THERMAL SYSTEMS S.p.A.	32 105	5 946
TD Deutsche Klimakompressor GmbH (part of the consolidation group)	7 757	9 528
DENSO OTOMOTIV PARCALARI SANAYI A.S.	0	0
DENSO THERMAL PRODUCTS CO. Ltd.		1 807
DENSO CZECH s.r.o. (former ASMO CZECH s.r.o.)	7 651	12 386
LIPLASTEC s.r.o.	69 483	57 180
DENSO (THAILAND) CO.,LTD.	3	2 035
GUANGZHOU DENSO CO.,LTD.	0	0
AIR SYSTEMS (THAILAND) CO.,LTD.	0	458
PT.DENSO MANUFACTURING INDONESIA	0	10 529
DENSO MARSTON LTD.	0	823
Total short-term intercompany trade payables	231 768	365 839

* Unless stated otherwise, the above-listed entities are fellow subsidiaries of DENSO MANUFACTURING CZECH s.r.o.

3.12. Estimated Payables

In the year ended 31 March 2022, estimated payables in the amount of CZK 1,247,712 thousand (CZK 1,082,970 thousand as of 31 March 2021) principally include estimated payables for a retrospective decrease in selling prices in respect of group entities, estimated payables for licence fees, estimated payables for customer complaints, estimated payables for technical support and estimated payables for received, yet as of 31 March 2022 unbilled supplies. Their amounts have been determined based on orders – concluded contracts, supplies made, calculations and expert estimates.

3.13. Derivative Financial Instruments

In the current reporting period, the Company translated EUR into CZK and JPY using a fixed exchange rate based on the Currency Exchange Agreement concluded with DENSO EUROPE B.V.

As of 1 April 2022, this form of translation will not be used and the Company will translate EUR into CZK and JPY using current (daily) exchange rates issued by the ECB.

As of 31 March 2021, the fair value of this derivative amounted to CZK 86,706 thousand in respect of exchanges from EUR to CZK and CZK 11,908 thousand in respect of exchanges from EUR to JPY (the sum was reported in line C.II.8.7. – Sundry payables).

3.14. Deferred Income Tax

The deferred tax liability/asset is analysed as follows:

Deferred tax items	Balance at 31 March 2022		Balance at 31 March 2021	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between the accounting and tax net book values of fixed assets	-1 041 713	0	-802 610	0
Other temporary differences:	754	0	750	0
Provision against receivables	0	0	0	0
Provision against inventory	33 412	0	44 130	0
Provision against fixed assets	69 729	0	13 597	0
Accumulated amortisation/depreciation of fixed assets	0	0	0	0
Inventory	0	0	0	0
Reserves	269 569	0	330 234	0
Estimated receivables/payables	0	0	0	0
Tax loss from prior years	523 768	0	374 124	0
Total temporary differences	-144 481	0	-39 775	0
Deferred tax	- 27 451	0	- 7 557	0

Deferred tax was recognised in the profit and loss account.

(CZK thousand)

Analysis of movements	
31 March 2021	-7 557
Current changes charged to the profit and loss account	-19 894
Total charges against the profit and loss account	-19 894
Change of method	0
Current changes recognised in equity	0
Total recognised in equity	0
31 March 2022	-27 451

3.15. Details of Income by Principal Activity

(CZK thousand)

	Year ended 31 March 2022			Year ended 31 March 2021		
	In-country	Cross-border	Total	In-country	Cross-border	Total
Sales of purchased tools	0	122 413	122 413	0	240 112	240 112
Sales of purchased finished products (goods)	0	68 370	68 370	0	76 977	76 977
Sales of goods	0	190 783	190 783	0	317 089	317 089
Sales of own products	1 065 486	7 058 759	8 124 245	1 118 150	7 753 343	8 871 493
Sale of services	158	44 506	44 664	414	31 887	32 301
Total sales of products and services	1 065 644	7 103 265	8 168 909	1 118 564	7 785 230	8 903 794

3.16. Purchased Consumables and Services

Costs of goods sold and consumed material and energies:

	(CZK thousand)	
	Year ended 31 March 2022	Year ended 31 March 2021
Purchased tools – goods	110 235	220 287
Other goods	115 554	64 120
Total costs of goods sold	225 789	284 407
Consumed material	5 530 069	5 842 926
Consumed energies	223 923	126 387
Total	5 979 781	6 253 720

3.17. Services

	(CZK thousand)	
	Year ended 31 March 2022	Year ended 31 March 2021
Repairs and maintenance	37 758	35 257
Travel expenses	1 633	1 153
Telephone, fax, internet	986	1 399
Rental, operating leases	33 321	33 313
Transportation	33 452	43 906
Licence fees	382 717	461 818
Hiring out of labour force	64 556	117 130
Storage	60 714	56 556
Translations, interpreting	2 016	1 948
Cleaning services	16 970	17 587
Training	5 466	2 542
Technical support, technical assistance	209 863	179 914
Legal, tax, HR and SW services	24 575	24 153
Management fees	60 674	51 071
Other services	97 107	146 118
Total	1 031 808	1 173 865

3.18. Employees, Management and Statutory Bodies

The number of employees, members of management and staff costs were as follows:

	(CZK thousand)			
	Year ended 31 March 2022		Year ended 31 March 2021	
	Number of staff	Total staff costs	Number of staff	Total staff costs
Staff	2 372	1 288 505	2 420	1 352 848
Managers	2	0	2	0
Total	2 374	1 288 505	2 422	1 352 848

The number of employees is based on the average headcount. The category of "managers" includes the Company's statutory executives.

In the year ended 31 March 2022, all other costs relate to holding the position of a statutory executive in services related to the agreement on international hiring of labour force.

Year Ended 31 March 2022

	(CZK thousand)
Members of the governing bodies	
Cars/other movable and immovable assets that may be used for private purposes (the figure increases the tax base of employees)	373

During the year ended 31 March 2022, the Company's statutory representatives received no loans or borrowings.

During the year ended 31 March 2022, members of the management, supervisory and administrative bodies received no prepayments, earnest payments, loans, borrowing, awarded guarantees or other advantages, and hold no equity interests in the Company.

3.19. Sundry Operating Income

	(CZK thousand)	
	Year ended 31 March 2022	Year ended 31 March 2021
Rebilling of expenses + billing for modifications of customer tools etc.	87 497	189 458
Income from waste sold	50 134	32 197
Income from the lease of non-residential premises + low-value billing to employees	3 782	10 822
Compensation for deadstock	9 615	448
Insurance proceeds	1 771	913
Billing in relation to complaints made	4 529	6 023
Stocktaking surpluses	1 051	1 868
Other	0	446
Total	158 379	242 175

3.20. Sundry Operating Expenses

	(CZK thousand)	
	Year ended 31 March 2022	Year ended 31 March 2021
Deficits and damage	8 379	10 744
Fines and penalties	103	3
Dantotsu relocation costs	0	32
DNEU logistic services – credit note	0	2 541
Write-off of receivables	647	1 000
Insurance premiums	10 934	11 628
Purchase of microchips – price increases	247 146	0
Nomination fee	5 211	5 209
Membership contributions	116	67
Payment of deadstock to suppliers	4 841	1 265
Thwarted investments, sale of TZH and other expenses relating to customer tools	4 490	13 876
Other	2 359	541
Total	284 226	46 906

3.21. Other Financial Income

	(CZK thousand)	
	Year ended 31 March 2022	Year ended 31 March 2021
Foreign currency gains	1 413 003	218 707
Foreign currency gains – unrealised	353 753	331 091
Gains from the revaluation of derivative financial instruments as of the balance sheet date	0	0
Income from derivative transactions	0	0
Total	1 766 756	549 798

3.22. Other Financial Expenses

	(CZK thousand)	
	Year ended 31 March 2022	Year ended 31 March 2021
Foreign currency losses	1 302 700	102 771
Foreign currency losses – unrealised	107 901	197 984
Losses from the revaluation of derivative financial instruments as of the balance sheet date	0	0
Costs of derivative transactions	0	98 614
Banking charges	0	0
Banking fees	308	255
Total	1 410 909	399 624

3.23. Related Party Transactions

The Company customarily sells products and services almost exclusively to related parties or through related parties. During the reporting period, the sales volume amounted to CZK 8,351,795 thousand (year ended 31 March 2021: CZK 9,210,781 thousand).

As of 31 March 2022, short-term receivables from related parties amounted to CZK 1,006,543 thousand (31 March 2021: CZK 1,430,172 thousand).

The Company purchases products from and uses the services of related parties as part of its normal course of business.

All related party transactions are carried out in line with the arm's length principle.

As of 31 March 2022, the Company records short-term payables to related parties in the amount of CZK 231,779 thousand (31 March 2021: CZK 365,839 thousand), refer to Note 3.11.2.

For short-term and long-term intercompany loans refer to Note 3.10.

3.23.1. Other Related Party Transactions

Technical Support and Technical Assistance

Other significant transactions with related parties included technical support (application costs) and technical assistance.

Technical support (application costs) represents primarily the development of products and changes to product designs provided by the DENSO group. These costs are paid primarily to DENSO CORPORATION, DENSO EUROPE B.V. and DENSO INTERNATIONAL AMERICA, Inc.

Since September 2007, development and design activities have been carried out at DMCZ, the Design Centre that was established for these purposes.

In addition, the design centre of the Company provides development work for fellow subsidiaries. The Company reports this income as sales of services.

Technical assistance includes help with the implementation of technologies, search for suppliers, etc. The costs of the technical assistance are paid to DENSO CORPORATION.

Translation of EUR to CZK and JPY

Another significant transaction between the Company and DENSO EUROPE B.V. is a regular exchange of Euros to Czech crowns and Japanese yens.

Since November 2006, the Company has not exchanged Euros for Czech crowns with any other institution.

3.24. Total Costs of Fees to the Statutory Auditor/Audit Company

	(CZK thousand)	
	Year ended 31 March 2022	Year ended 31 March 2021
Obligatory audit of the financial statements	933	1 212
Other non-audit services	0	0
Total	933	1 212

The costs of the obligatory audit of the financial statements in the amount of CZK 933 thousand include the contractual price for the audit of the 2021 fiscal year, completion of the audit of the 2020 fiscal year. The costs of the obligatory audit of the financial statements as of 31 March 2021 of CZK 1,212 thousand include the contractual price for the audit of the 2020 fiscal year, completion of the audit of the 2019 fiscal year and costs of the J-SOX audit.

3.25. Total Research and Development Costs

	(CZK thousand)	
	Year ended 31 March 2022	Year ended 31 March 2021
Research and development costs (including the costs of the Design centre)	184 280	161 617
Total	184 280	161 617

Development costs are included particularly in the application costs which the Company pays primarily to DENSO CORPORATION and DENSO EUROPE B.V. Since September 2007, the Company has operated the Design Centre, which is located in the Company's premises, the operating costs of which are included in development costs.

3.26. Off Balance Sheet Commitments

The Company's accounting records do not include future liabilities arising from the concluded operating lease contracts (relating to the lease of fork lifts and office equipment – printers, copy machines). Other known liabilities have been included in the Company's accounting records.

Material Contingent Losses

As of 31 March 2022, the Company reports no significant current or future losses that are not reflected in the accounting records.

Legal Disputes

As of 31 March 2022, the Company was involved in no legal dispute, the outcome of which would significantly impact the Company.

Environmental Liabilities

In the year ended 31 March 2022, the Company did not report any current or future environmental liabilities.

3.27. Post Balance Sheet Events

The Company is not aware of any facts that would have an impact on a potential change or assessment of the data disclosed in the financial statements prepared as of 31 March 2022.

As of 31 May 2022, the Company received a new long-term intercompany loan in the amount of EUR 39.8 million.

Related Party Transactions Report

Related Party Transactions Report

The statutory body of DENSO MANUFACTURING CZECH s.r.o., with its registered office at Heyrovského 476, Liberec 463 12, corporate ID: 25432338, recorded in the Register of Companies held by the Regional Court in Ústí nad Labem, File C, Insert 18069, prepared this report on relations between the controlling entity and the controlled entity and the controlled entity and entities controlled by the same controlling entity on 30 June 2022 in accordance with Section 82 (9) of Act No. 90/2012 Coll. for the year ended 31 March 2022.

Structure of Relations

Controlling entity:	DENSO CORPORATION (DNJP) 1-1Showa-Cho, Kariya-Shi, Aichi-Ken 448-8661, Japan
Owner (share of 100%):	Denso International Europe B.V. 1077 XX Amsterdam, Strawinskylaan 1865, Netherlands
Controlled entity:	DENSO MANUFACTURING CZECH s.r.o. (DMCZ) Heyrovského 476, Liberec 463 12, Czech Republic Hereinafter: the "Company"

The principal activity of the controlled entity is the manufacturing of air-conditioning units for cars and their accessories (heating units, condensers and radiators).

Other related parties controlled by the same controlling entity, or related parties belonging to DENSO CORPORATION consolidation group, which recorded transactions with DENSO MANUFACTURING CZECH s.r.o. in the year ended 31 March 2022:

The Netherlands

- DENSO EUROPE B.V.
- DENSO INTERNATIONAL EUROPE B.V.

Japan

- DENSO UNITY SERVICE CORPORATION
- DENSO CORPORATION
- ASMO CO. LTD.
- Denso Air Systems Japan
- DENSO AIR SYSTEMS CORPORATION

USA

- DENSO INTERNATIONAL AMERICA, INC.
- DENSO MANUFACTURING MICHIGAN, INC.

Canada

- DENSO MANUFACTURING CANADA, INC.

Mexico

- DENSO AIR SYSTEMS DE MEXICO S.A. DE C.V.
- DENSO MEXICO S.A. DE C.V.

Argentina

- DENSO MANUFACTURING ARGENTINA S.A.

Brazil

- DENSO DO BRASIL LTDA.
- DENSO SISTEMAS TERMICOS DO BRASIL LTDA.

Europe / Others

United Kingdom

- DENSO MANUFACTURING UK LTD.
- DENSO SALES UK Ltd.
- DENSO Marston Ltd.

Germany

- DENSO AUTOMOTIVE Deutschland GmbH
- TD Deutsche Klimakompressor GmbH (DENSO CORPORATION owns 35%, the company is part of the DENSO CORPORATION consolidation group)

Spain

- DENSO BARCELONA S.A.
- DENSO SISTEMAS TERMICOS ESPANA S.A.

Italy

- DENSO THERMAL SYSTEMS S.p.A.
- Denso Manufacturing Italia S.p.a./C

Hungary

- DENSO MANUFACTURING HUNGARY LTD.

Poland

- DENSO THERMAL SYSTEMS POLSKA Sp. z o.o.

Czech Republic

- DENSO Czech s.r.o.
- LIPLASTEC s.r.o.

Turkey

- DENSO OTOMOTIV PARCALARI SANAYI A.S.

Morocco

- DENSO THERMAL SYSTEMS MOROCCO S.A.R.L.

Thailand

- DENSO (THAILAND) CO., LTD.
- DENSO SALES (THAILAND) CO., LTD.
- DENSO TOOL & DIE (THAILAND) CO., LTD.

China

- DENSO (China) Investment Co.
- GUANGZHOU DENSO CO., LTD.
- TIANJIN FAWER DENSO AIR-CONDITIONER CO., LTD.
- Denso Thermal Products Co. Ltd.
- DENSO (TIANJIN) THERMAL PRODUCTS CO., LTD.

India

- DENSO KIRLOSKAR INDUSTRIES PVT. LTD.
- DENSO THERMAL SYSTEMS PUNE PVT.LTD.

Indonesia

- PT. ASMO INDONESIA

Method and Means of Control

DENSO MANUFACTURING CZECH s.r.o. is owned by Denso International Europe B.V. (100%)

Denso International Europe B.V. is wholly owned by DENSO CORPORATION.

DENSO MANUFACTURING CZECH s.r.o. is controlled on the basis of the above ownership structure. The controlled entity is controlled through the decision-making at the general meeting, or other instructions as appropriate. As the sole owner, the controlling entity appoints and recalls the controlled entity's statutory executives, through whom it manages the Company.

Agreements concluded with the controlling entity DENSO CORPORATION (DNJP)

- Contracts relating to the provision of technical services, including licence fees

Trade Name, Company Mark and Trade Mark License Agreement

Agreement date: 2 January 2003

This agreement defines conditions for trade name and trade mark utilisation. The trade name and trade mark fee are included in the licence fee.

Technical Assistance Agreement and Agreement of Entrustment

Agreement date: 1 November 2002 and 30 October 2012

Based on these agreements, the Company uses technical assistance from DENSO CORPORATION when producing its products and pays license fees under the Technical Assistance Agreement.

Agreement for Personnel Dispatching and Receiving

Agreement date: 1 November 2002

This contract is applicable when dispatching Japanese employees to the Company to provide support.

Agreement concerning Work Assistance and Assistance Agreement

Agreement date: 7 March 2003

This agreement gives the Company the possibility to dispatch technical associates to DENSO CORPORATION or DENSO MANUFACTURING UK LTD for training.

General Service Agreement

Agreement date: 30 July 2004

This agreement specifies the conditions when DENSO CORPORATION provides various activities in defined areas upon the Company's request.

Agreement on Expatriates' Dispatch

Agreement date: 14 January 2005

These agreements define the conditions of DENSO CORPORATION associates' dispatch to the Company.

Agreement for Network Services

Agreement date: 10 July 2006

According to this agreement, the Company has access to GCMS system and has a possibility to use financial information for its internal purposes.

Agreement for Licensing of Profit Planning System Computer Software

Agreement date: 10 July 2006

The Company can utilise the software tool Profit Planning System to budgets calculation based on this agreement.

- Contracts relating to the purchase of components

Long term supply agreement

Agreement date: 29 March 2004

Based on this contract, the Company purchases material for production.

Agreement for price of knockdown parts

Agreement date: 1 April 2009

This contract specifies the method used to calculate the process between DENSO CORPORATION and the Company.

- Other contracts

Warranty agreement

Agreement date: 5 May 2004

This contract defines the scope of responsibility of DENSO CORPORATION for defects of material purchased according to II.1.2.

Agreement on the international hiring of a labour force and Memorandum for labour costs and other expenses of staff on assignment

Agreement date: 1 October 2017

This contract defines the conditions of secondments of DENSO CORPORATION employees.

Purchase Agreement

Agreement date: 1 April 2011

The Company delivers contractual products to DENSO CORPORATION based on this agreement.

Long-Term International Job Assignment (Expat)

Agreement date: 3 June 2014

Pursuant to this contract, the Company second an employee to DENSO CORPORATION.

Agreement for use of NICE-NET

Agreement date: 29 March 2004

This contract defines the conditions of the lease of lines between the Company and other entities in the group. In accordance with the contract, supplies are made and billed from DENSO EUROPE B.V

• **Other Supplies**

In addition to the above-mentioned supplies, the Company purchased tangible fixed assets from DENSO CORPORATION in the year ended 31 March 2022. These assets predominantly included production equipment.

Agreements concluded with DENSO MANUFACTURING UK LTD. (DMUK)

Agreement concerning Work Assistance and Assistance Agreement

Agreement date: 7 March 2003

This contract gives the Company the possibility to dispatch technical associates to DNJP or DENSO MANUFACTURING UK LTD for training. In addition, the Company can provide designer work to DENSO MANUFACTURING UK LTD.

International Hiring-Out of Labour Force Agreement

Agreement date: 21 May 2008

Based on this agreement, the Company employs associates of DENSO MANUFACTURING UK LTD.

Entrustment Agreement

Agreement date: 1 April 2020

Based on this agreement, the Company provides technical support for production engineering of DENSO MANUFACTURING UK LTD.

Agreements concluded with DENSO International EUROPE B.V. (DIEU)

Entrustment Agreement

Agreement date: 1 October 2018

Based on this agreement, DIEU provides the Company with support in these areas: Internal audit, Business management system, Business planning, Communication, Legal & compliance, Finance & Accounting, HR, Quality, IPS, IS, Regulatory Affairs.

Service Agreement

Agreement date: 1 October 2021

Based on this agreement, the Company provides support when designing a new accounting and purchasing software for Denso International Europe B.V.

Agreements concluded with DENSO EUROPE B.V. (DNEU)

Entrustment Agreement

Agreement date: 1 February 2012

This agreement defines the conditions of providing support in procurement, quality, technology, designer work, drawing documentation, etc.

Entrustment Agreement

Agreement date: 1 April 2020

This agreement defines the conditions of providing support in design work, testing, specific setting of production equipment, technical support of production preparation, support of development and purchasing of production equipment, etc.

Cash Pooling Agreement

Agreement date: 30 January 2004

Based on this agreement, the Company has access to short-term financial sources.

Loan Agreement

Agreement date: 30 September 2013, a new loan tranche and agreement date of 16 March 2018

According to this agreement, the Company received a long-term loan from DNEU in the amount of EUR 44,000 thousand.

Loan Agreement

Agreement date: 16 March 2018

According to this agreement, the Company received a long-term loan from DNEU in the amount of EUR 10,800 thousand.

Loan Agreement

Agreement date: 29 May 2019

According to this agreement, the Company received a long-term loan from DNEU in the amount of EUR 62,400 thousand.

Loan Agreement

Agreement date: 15 July 2021

According to this agreement, the Company received a long-term loan from DNEU in the amount of EUR 13,300 thousand.

Loan Agreements (taken over during the merger as of 1 April 2018)

The Company has taken over the balances of the long-term loans provided by DNEU in the amount of EUR 14,000 thousand.

Entrustment Agreement for Legal Services

Agreement date: 1 April 2007

According to this agreement, the Company is allowed to utilise the services of the legal department of DENSO EUROPE B.V.

Currency Exchange Agreement

Agreement date: 1 May 2007

This agreement allows the Company to execute regular exchanges of EUR to CZK with DENSO EUROPE B.V. The Company exchanges EUR to CZK twice per month at an annual fixed rate.

Guideline Work Agreement and Agreement for the use of NICE-NET

Agreement date: 24 May 2007

According to the Agreement for the Use of NICE-NET with DENSO CORPORATION, the performance under the Agreement for the Use of NICE-NET is provided and invoiced by DENSO EUROPE B.V. based on the Guideline Work Agreement.

Purchase Agreement

Agreement date: 1 April 2004

Based on this agreement, the Company delivers contractual products to DENSO EUROPE B.V. (DNEU)

Agreement of Entrustment

Agreement date: 1 April 2009

This contract serves as a basis for invoicing the activities of DMCZ IS departments for the purposes of DNEU IS.

Agreements concluded with DENSO FINANCE & ACCOUNTING CENTER CO. LTD. (DFAC)

Agreement for Personnel Dispatching

Agreement date: 1 December 2002

This agreement can be applied when dispatching Japanese associates to the Company.

Agreements concluded with DENSO MARSTON LTD. (DNMN)

Framework Agreement on Assignment of Employees

Agreement date: 1 January 2017

On the basis of this agreement, DNMN employees can be assigned to the Company.

Agreements concluded with DENSO THERMAL SYSTEMS S.p.A. (DNTS)

Entrustment Agreement

Agreement date: 1 April 2013

This agreement defines the conditions of providing support in management, finance and planning, HR, procurement, business development, industrial process, etc.

Long-Term International Job Assignment (Expat)

Agreement date: 30 April 2014

Pursuant to this contract, the Company seconded an employee to DENSO THERMAL SYSTEMS S.p.A.

Service agreement

Agreement date: 1 September 2020

On the basis of this agreement, the Company provides analytical and support reporting services for DENSO THERMAL SYSTEMS S.p.A.

Agreements concluded with DENSO AUTOMOTIVE DEUTSCHLAND GmbH (DNDE)

Agreement of Entrustment

Agreement date: 1 April 2002

This contract defines conditions of providing support in procurement, quality, technology, etc.

Assignment to DMCZ (Framework Agreement on Assignment of Employees)

Agreement date: 1 August 2012

Based on this agreement, the Company employs employees of DENSO AUTOMOTIVE DEUTSCHLAND GmbH.

Assignment to DNDE

Agreement date: 20 December 2012

Pursuant to this contract, the Company has seconded an employee to DENSO AUTOMOTIVE DEUTSCHLAND GmbH.

Agreement of Entrustment

Agreement date: 1 April 2017

Based on this agreement, among other things, activities related to services provided to Production Innovation Center are billed.

Agreements concluded with DENSO INTERNATIONAL AMERICA, INC. (DIAM)

Application work agreement

Agreement date: 23 August 2011

This agreement defines the relations regarding activities relating to modifications, applications, design work, etc.

Agreements concluded with DENSO OTOMOTIV PARCALARI SAN, A.S. (DNTR)**Entrustment Agreement**

Agreement date: 1 April 2020

Based on this agreement, the Company provides technical support for production engineering of DENSO OTOMOTIV PARCALARI SAN, A.S.

Agreements concluded with DENSO AIR SYSTEMS CORPORATION (ASJP)**Agreement on the international hiring of a labour force**

Agreement date: 1 April 2018

This contract defines the conditions of secondments of DENSO AIR SYSTEMS CORPORATION employees on work missions to the Company.

Other Supplies

As of 1 April 2018 based on the merger through amalgamation project between the subsidiary Denso Air Systems Czech, s.r.o., of the one party as the dissolving company, and Denso Manufacturing Czech s.r.o., having its registered office at Heyrovského 476, Liberec XXIII-Doubí, 463 12 Liberec, Corporate ID No. 254 32 338, of the other party as the successor company, Denso Air Systems Czech, s.r.o., ceased to exist without liquidation and its net assets passed on to the successor entity Denso Manufacturing Czech s.r.o., which assumed the legal position of the dissolving entity and continued to make purchases from the fellow subsidiary DENSO AIR SYSTEMS CORPORATION (ASJP) based on the contracts and agreements concluded prior to the date of the merger.

The Company decided not to disclose the supplies amounts of individual agreements concluded with related entities in the Related Party Transactions Report as we consider the information to be information subject to trade secrecy under Section 82 (6) of the BCA.

Measures Among Group Entities Unspecified Above

In the year ended 31 March 2022 the Company realised the following purchases and sales of tangible and intangible fixed assets with related parties:

If a contract for specific income or purchases is not listed above, related party transactions are based on orders.

The Company performed no acts at the instigation or in the interest of the controlled entity or entities controlled by it in relation to assets in excess of 10% of the controlled entity's equity.

Confidentiality of Information

Confidential information in the group comprises information and facts that are part of the business secret of the controlling and controlled entities and other related parties, and information that was designated as confidential by any group member. In addition, confidential information includes any business information, including the terms agreed by the contractual parties in individual contracts, that could, on its own or in connection with other information or facts, cause damage to any entity within the group. For this reason, this Related Party Transactions Report has been prepared so as not to cause any damage to these entities and contains no information on the prices or the relevant amounts.

Conclusion

This report describes all transactions between the controlled and controlling entities and related parties within the group that originated and were carried out in the year ended 31 March 2022, ongoing transactions from prior periods based on contracts concluded earlier or acts and measures performed and adopted earlier, and transactions that originated in the year ended 31 March 2022 yet whose implementation will be ongoing or will start in the subsequent periods. All of the above-described transactions were carried out or concluded based on an arm's length principle; therefore, the Company believes that no detriment arises for it from the contracts concluded or the acts and measures performed and adopted. The Company considers the above-described transactions to be balanced. The cooperation brings mutual benefits.

In Liberec on 30 June 2022



Homare Kotale
Company President

Post Balance Sheet Events

The Company is not aware of any facts that would have an impact on a potential change or assessment of the data recorded in the financial statements prepared as of 31 March 2022 except for the facts disclosed in Note 3.27 to the financial statements.