

DENSO

Crafting the Core

DENSO MANUFACTURING CZECH s.r.o.

ANNUAL REPORT

FOR THE YEAR ENDED 31 MARCH 2024

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 2023 fiscal year were JPY 7,144.7 billion with a net profit of JPY 312.8 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 thousand employees.



President's Statement

In presenting our 23rd Annual Report, I would like to extend my heartfelt thanks to you, our dedicated employees, for the exceptional work you do for the Company. In the past year, we encountered several challenges – including sudden fluctuations in production volumes, infrastructure failures, and disruptions to logistics flows. Nevertheless, thanks to your commitment, along with the strong relationships we maintain with our suppliers and business partners, we have successfully fulfilled our business obligations and met our customers' needs. We are deeply grateful for this.

Allow me to briefly reflect on the fiscal year 2023. In terms of financial performance, we achieved 90% of our planned turnover and 60% of our projected profit. To mitigate the impact of unpredictable developments in production and to enhance profitability, we are actively working on strengthening our capacity to adapt to fluctuations in production volumes, reducing fixed costs, implementing energy-saving measures, and increasing productivity. I sincerely thank you for your engagement in these initiatives and for the hard work you dedicated to them.

It was an exceptionally challenging year for us in terms of safety and quality within our production infrastructure. Last December, DMCZ experienced its first-ever accident with permanent consequences. This tragic incident resulted from a failure by management to recognise the risks, allowing an abnormal condition to gradually become accepted as the norm, which ultimately created difficult working conditions for all. This incident has prompted us to reflect deeply and redouble our efforts to ensure the creation of a safe working environment for everyone.

Although we saw a slight improvement in the customer complaint index within the area of quality, certain structural issues persist. These include the inadequate handling of abnormalities, non-compliance with rules, management challenges on the production lines, and insufficient measures to prevent defects from recurring. It is crucial, therefore, that we remain steadfast in our efforts to make DENSO a company that prioritises safety and quality at every level.

The fiscal year 2024 is expected to be just as challenging as the previous one, with ongoing uncertainty in manufacturing and unclear scenarios surrounding our customers' transition to electric mobility. Despite these complexities, we are committed to making this year as productive as possible and achieving sustainable growth that is resilient to external influences.

To achieve this, we must:

1. focus on the future – this means anticipating future needs and taking the necessary actions today to prepare for them,
2. improve the quality of work processes – by reflecting on the fundamental purpose of our work, approaching tasks with professionalism, and paying close attention to both the inputs and outputs of our efforts,
3. strengthen team unity through open, honest communication – this involves fostering more frequent and meaningful communication within the team, placing emphasis on quality interactions, and celebrating success together.

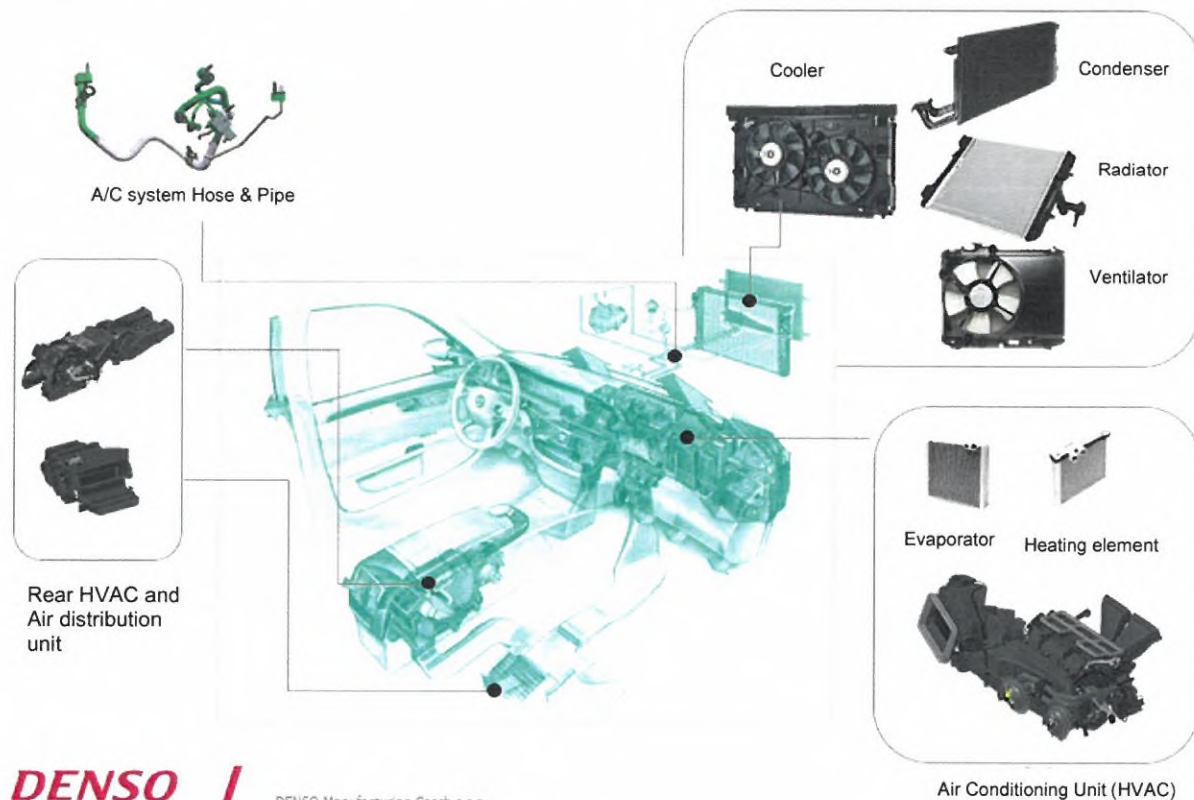
It is essential that every employee remains mindful of these key points, actively contributes to strengthening our corporate foundation and production infrastructure, and takes meaningful steps towards achieving our VISION 2030.

Finally, I would like to express my sincere gratitude to all our suppliers and business partners for their ongoing support and collaboration.



Kakiuchi
Akihiko Kakiuchi
President and Statutory
Executive of the Company

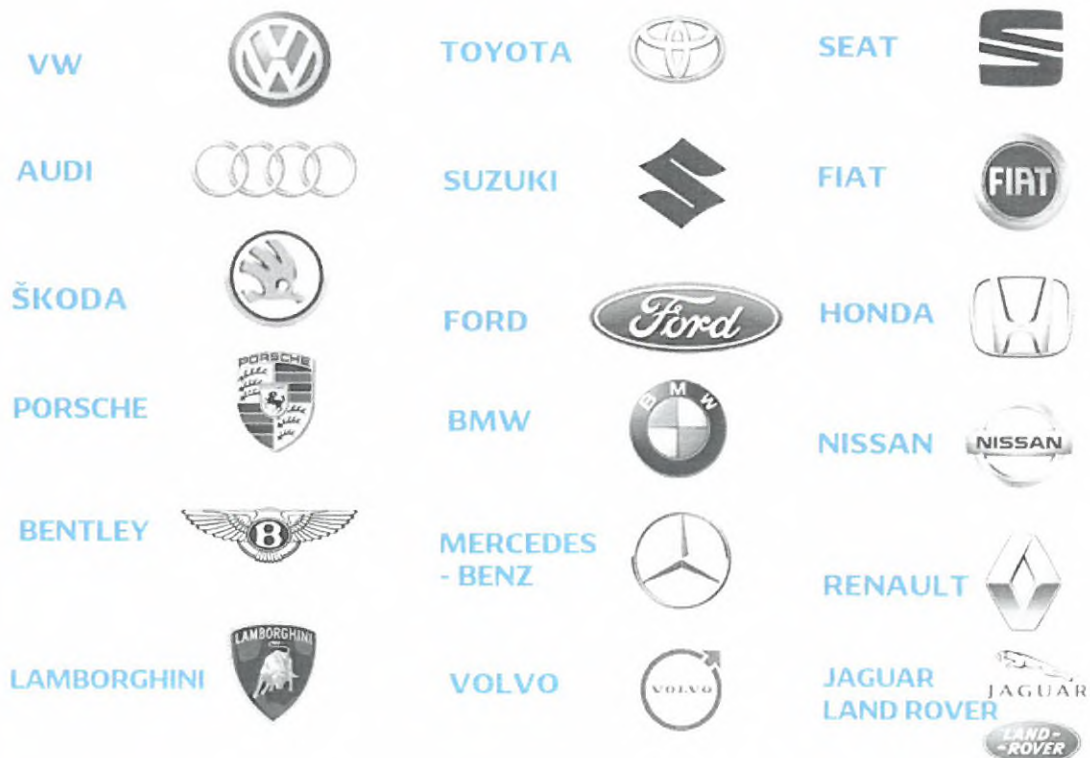
DMCZ Products and Customers



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DMCZ End Customers in 2023



Environmental Protection

DENSO Manufacturing Czech s.r.o., along with the entire DENSO Group, places a strong emphasis on environmental protection.

The management of our environmental protection system, in line with ISO 14001 standards, is an integral part of the Company's strategy and daily operations.

At DENSO Manufacturing Czech s.r.o., the commitment to environmental protection is upheld through a responsible approach at all levels of management, with individual responsibility being equally important.

A well-established and maintained environmental management system not only shapes our overall attitude and behaviour towards the environment but also requires full compliance from everyone involved in DENSO's activities – including employees and third parties alike.

In 2023, all relevant binding legislative and other stakeholder requirements relating to the Company's activities and products and their environmental impact were met.

Compliance with the requirements of ISO14001 was verified by an independent external audit conducted by TUV NORD with an excellent result.

The requirements of the global corporate environmental vision, DENSO ECO VISION 2025, have been integrated into our Environmental Action Plan and were actively monitored and evaluated throughout the year.

Key aspects of the plan included waste reduction, energy consumption management, CO2 emission reduction, volunteer activities in environmental protection, raising environmental awareness, and other initiatives.



Environmental Impact:

In 2023, our environmental impact management and assessment focused on key environmental aspects such as resource and raw material and energy consumption, waste generation, air protection, water protection, management of chemicals and mixtures.

Consumption of Raw Materials, Resources and Energy

We continued to promote principles such as reducing raw material, material, and energy consumption, recycling of materials, reusing existing or used resources, and implementing energy-saving measures in line with ISO 50001 requirements.

Additionally, the Company took part in the DENSO global corporate competition for the best Energy Reduction Poster designs, where we were proud to be among the top winners in Europe.

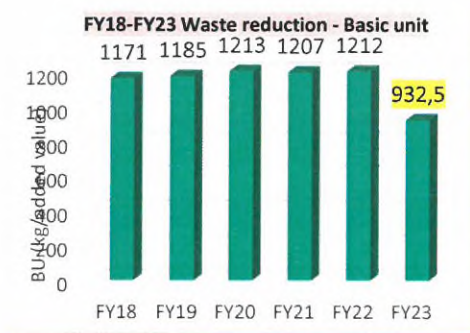
Waste Management

The waste generated by the Company's activities represents a significant environmental risk.

Our approach focuses on preventing waste generation wherever possible, utilising technology and production processes to efficiently use raw materials and recycling materials when feasible.

For the waste that does arise, we aim to minimise it as much as possible, prioritising its further use through material recycling and energy recovery (e.g., paper, plastics, metals).

In 2023, we generated a total of 3,641 tonnes of waste, which is 473 tonnes less than in 2022. This is equivalent to 932.5 BU (where BU is a basic unit representing kg of waste per unit of productivity value added).



Air Pollution Control

DENSO Manufacturing Czech s.r.o. operates several stationary sources of air pollution, which pose significant environmental risks.

These include combustion sources from heating plants and water heaters, as well as technological sources from metal surface treatment, degreasing processes, soldering furnaces, and powder coating plants.

In 2023, we conducted the planned authorised measurements of air pollutants in accordance with legislative requirements, demonstrating compliance with the permitted emission limits.

Additionally, we adhered to stricter corporate emission limits, which are set at 80% of the legislative limits.

Water Protection

The Company also pays great attention to water conservation. Municipal wastewater is discharged into public sewers. Process water is pre-treated and neutralised in a neutralisation plant within the premises of the Company before being discharged into the municipal sewer.

Stormwater is pre-treated in light liquid separators, capturing any leakage of operating fluids from vehicles.

In accordance with the requirements for the protection of watercourses and flood prevention, there is a retention tank in the premises to provide protection against torrential rain.

The specified authorised water quality measurements were carried out as planned and compliance with the legislative limits was demonstrated.

Chemical Substances and Compounds

The Company has a chemical and mixture management system in place to comply with legislative and other requirements in order to minimise risks and environmental impacts.

To improve the management of the recording and monitoring of chemical substances and mixtures used, we keep a Register of Chemicals and Mixtures to meet the needs of the Company and its users.

Objectives and Inspection

The objectives and target values set as a way of continuous improvement in the field of environmental protection were continuously monitored and evaluated, including in the aforementioned Action Plan.

The control mechanism for compliance with ISO 14001 and corporate requirements continued to be carried out by internal and external audits, successfully passed by the Company in 2023.

Conclusion

In conclusion, it can be stated that DENSO Manufacturing Czech, s.r.o. fulfilled its obligations in the area of environmental protection in 2023.

Occupational Health and Safety; Fire Protection

In 2023, the Company's management placed even greater emphasis on occupational health and safety (OHS), including fire protection, which remains a top priority for DENSO Manufacturing Czech s.r.o. Liberec.

DENSO Liberec continues to enhance occupational health and safety beyond legal and regulatory requirements by maintaining an ISO 45001 occupational health and safety management system. We conduct numerous inspections of all processes, with a focus on preventive activities and risk identification at all management levels. The system was re-evaluated and successfully passed a control audit in the second half of September 2023.

In the 2023 fiscal year, we focused on improving the following fields:

- Completely eliminate the risk of injury from machinery, even in the event of forgetfulness or mistakes. The Company has invested significant financial and human resources into modifying machines to enhance safety.
- Increase management presence in production and develop a deeper understanding of activities that pose injury risks and impact human health at all management levels.
- Fire and explosion prevention, with a total of 2 evacuation drills conducted at both DENSO plants, and together with the Fire Brigade of the Liberec Region, we carried out training on evacuation of persons from a forklift in the logistics warehouse.



Evaluation of the OHS level in DMCZ according to the Accident Rate

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 2023 OHS results are as follows:

We recorded a total of 15 accidents at work, of which:

- 3 accidents resulting in an incapacity to work;
- 2 accident requiring medical treatment; and
- 10 minor accidents.

In fiscal year 2023, we achieved a notable 35% reduction in the total number of injuries compared to previous years.

An analysis of disabling and medical treatment injuries revealed that most accidents occur during routine tasks, with 90% resulting from inattention while walking. The primary causes of these incidents were rule violations, poor working methods, and general inattention.

To prevent occupational illness, we are committed to reducing physical strain. This involves collaboration with the Company doctor and external partners to enhance workplace ergonomics.

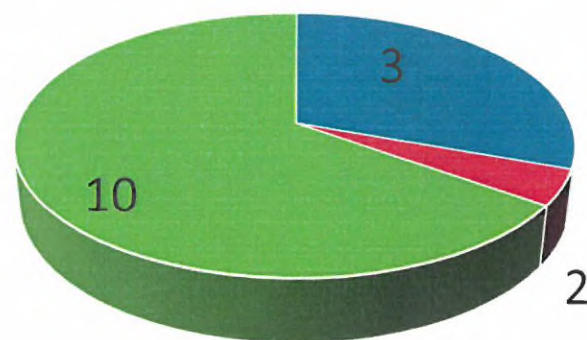
Special attention is given to new equipment, where ergonomic risks are addressed during the design phase using virtual reality.

The system of established rules in the field of occupational health and safety (OHS) is regularly verified through inspections conducted in accordance with applicable legislation. This year, these checks have been further strengthened by new initiatives from our sister plants. Additionally, we have supported an independent perspective on occupational safety through internal audits and stakeholder engagement. No significant deficiencies were identified during these inspections.

Fire protection

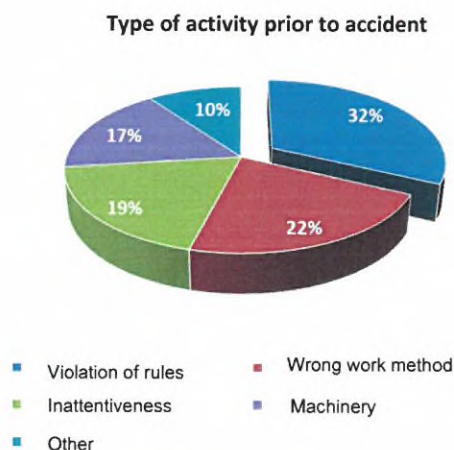
In fiscal year 2023, we conducted preventive fire inspections at all workplaces and premises according to the established plan. These inspections were completed on schedule without any delays. Additionally, in conjunction with the new PV plant, we have reviewed and enhanced our prevention systems and knowledge to address the requirements introduced by new technologies.

Work accidents by gravity (in number of cases):



- Accident resulting in work absence
- Accident resulting in medical treatment
- Minor accident

Work accidents by cause (in %):



Research and Development Activities

In the 2023 fiscal year, as in the previous 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. 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

In fiscal year 2023, we continued to navigate challenging conditions across the automotive industry sector.

In employee development and training, our focus was on achieving the objectives of VISION 2030. We emphasised workshops and activities designed to enhance internal collaboration, improve communication, and develop the skills of directors and managers. To address a key leadership competency identified in our corporate engagement survey – the ability to give and receive feedback effectively – we organised specialised consultations.

We adopted a comprehensive approach to employee development by intensifying our programme for identifying and utilising top talent, which now encompasses the entire production and maintenance division. The results from our workshops and task definitions are set to be implemented in the coming period, with the goal of progressively involving the entire management team at DMCZ.

In response to the ongoing labour market challenges, including a shortage of employees in operational roles and the increasing trend towards automation in our manufacturing processes, we expanded the range of technical training offered at our Training Centre.

The KNOWLEDGE MASTERS programme, aimed at sharing internal expertise, was highly valued by participants. Consequently, we plan to broaden the scope of topics covered and enhance the involvement of internal trainers in the next period. A major initiative of the Education and Development Centre this year was strengthening our collaboration with secondary schools and the local university. This included creating tailored programmes for students within the Company, providing targeted support for both short-term and long-term internships, and involving teachers in activities related to student education.

Recruitment and Retention

Fiscal year 2023 was quieter in terms of recruiting operators for production, and we are still continuing to stabilise and integrate employees from outside the EU. The situation for technical and administrative positions was quite stable in terms of the Company's needs.

PR and CSR

In fiscal year 2023, we strived to meet the PR&CSR plan we established for this period. We focused on activities in both the Employee Actions and Corporate Social Responsibility areas. We held a number of events for our employees aimed at strengthening relationships not only within Denso but

also with their families, promoting community spirit and social responsibility.

Employee Events

For the first time, we celebrate each employee's birthday with a sweet treat. Each month, around 150 employees receive a small gift in the form of a delicious snack.



We also hold regular events to honour our employees' milestones. These gatherings involve personal meetings between the management and employees who have reached significant anniversaries of 5, 10, 15, or even 20 years with DENSO. These meetings occur four times a year, scheduled on two different dates to accommodate shift patterns. Employees are recognised with benefits and gifts, and a member of the top management, either the president or the statutory executive, represents the Company at these events.



At the beginning of April 2023, we handed out Easter lambs to our employees. The President of the Company and a representative of the administration attended the ceremony.



In the spring of 2023, we celebrated Earth Day together with the Liberec ZOO. Interactive stations were set up for employees and families, guided tours took place and there were also creative workshops.



Another sports activity, especially for the youngest members of our employees' families, were tickets to Nisa Park Vratislavice.



As part of our sporting activities, we joined the nationwide challenge "Bike to Work". Those interested formed a team of 2 - 5 members, registered and rode a bike, scooter, skateboard or even ran to work. 37 employees participated in this activity. They logged a total of 8,367 kilometres from 1 May to 31 May 2023. These "green" kilometres saved about 1,325 tonnes of CO₂ emissions (compared to driving).





We again supported the very popular suburban camp – Hravé prázdniny (Playful Holidays). Every year it takes place in the Sport Park Liberec and the adjacent Home Credit Arena. Children could try sports like floorball, badminton, judo, athletics, BMX bikes or softball.



Throughout the summer months, the "Answer and Win" competition offered participants the chance to win vouchers worth CZK 1,000. Winners were selected from those who submitted correct answers.



We prepared a bag filled with essential school supplies for the children of our staff starting primary school this year. A total of 37 employees requested this gift to support their children's first steps into school.



On 23 September 2023, we hosted the "Opening Denso" event at our main premises, welcoming both employees and the public. Visitors had the opportunity to tour the plant from 11:00 a.m. to 5:00 p.m., exploring 17 different stations that showcased various aspects of our production. The event featured helium balloons, interactive stations from the Liberec Secondary School of Industry, and a playroom in the relaxation zone, where activities included face painting, balloon art, and small prizes for completing a tour card. Additionally, personal cars featuring models and brands that utilise our products were displayed

at select locations. The event attracted nearly 2,000 visitors.

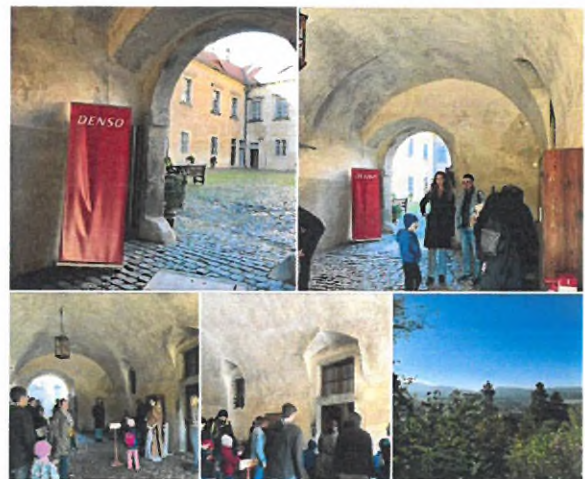


In the autumn, the traditional Technical Skills Competition was held. Employees and students from secondary schools in Liberec and Jablonec participated, testing their abilities to identify discrepancies and inaccuracies in simulated samples. A total of 13 teams competed in the event.

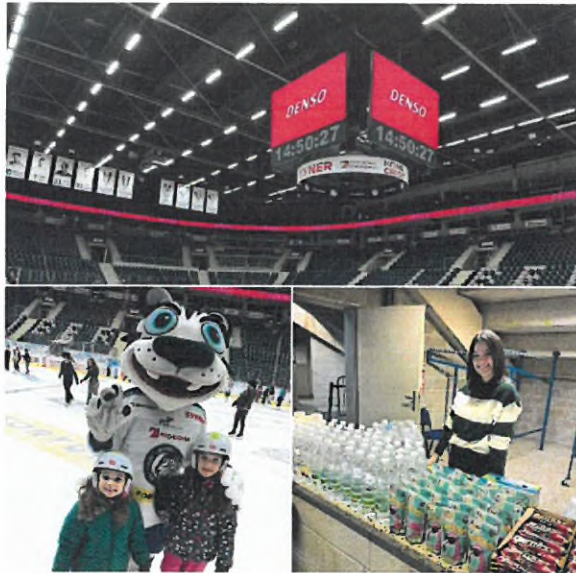


After a short break, we again resumed our sponsorship activities for employees and the public. Each quarter, we assess and select the projects we intend to support financially.

This autumn, we offered free admission to Grabštejn Castle for our employees and their families.



Other events for our employees included, for example, a Christmas card tree for the children of our employees, a free Christmas lunch and ice skating for the Liberec ice hockey players. In addition, we provided our staff with tickets for sports events, theatre performances, festivals, and films.



Business partner special
DENSO
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VALENTÝNSKÉ KINO

As part of our communication with employees, we still publish the Company's quarterly *Denso Dnes* magazine. We also use the internet, intranet, bulletin boards, television, Facebook and mass e-mail communication. In the current fiscal year, we have added some information in the circular "DMCZ News", which is published approximately every two weeks.

Corporate Social Responsibility

Denso remained committed to its social responsibility throughout this fiscal year. We continued to support our traditional partner organisations and organised several fundraisers.

In celebration of Mother's Day and Children's Day, we prepared gift packages for mothers and children at St. Monica's shelter in Liberec and St. Anne's shelter in Stráž nad Nisou.



With the support of Denso, concerts were held at the Home for the Elderly in Vratislavice. The pictures below are from the performance of the dulcimer music under the baton of Dušan Kotlár.



During the year, we made a financial donation for the purchase of new sets of Matějovský bed linen for St. Zdislava Hospice.



During the summer of 2023, Denso also supported the Garden Festival at the Jedlička Institute in Liberec. The garden festival included the sale of products from the institute's workshops.

DENSO MANUFACTURING CZECH s.r.o.

Furthermore, there were several fundraisers, both financial and in-kind, for our employees and partner organisations.



Another event supported was a contribution to the 8th annual Dedefest music festival.



During summer holidays, we were pleased to support the Children's Centre in Liberec and its kids activities. These included a group trip to the botanical garden, dance and art camps, as well as an adventure camp called "Výletníci".



Food collection for the Home for Mothers with Children in Need.



Collection of Christmas decorations to support the Amelie Centre, which offers free help to cancer patients and their loved ones.



Other donations included, for example, equipment for the firefighters of the Liberec region.



We would like to thank all of our donors for their contributions to the 2023 fundraisers this past year. Also, many thanks to all of the staff who were involved in organising these PR&CSR events.

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 2024 except for the facts disclosed in Note 3.27 to the financial statements.

After the year end, there was the following change in the management of the Company.

Change of Statutory Executive:

Position	Previous	Successor	Date of Change
Statutory Executive	Homare Kotate	Akihiko Kakiuchi	19 January 2024

This change was entered into the Register of Companies on 15 April 2024.

On 5 April 2024, the Company received a decision on the disbursement of a subsidy under the EU Operational Programme Enterprise and Innovation for Competitiveness – Innovation Programme. The amount of the subsidy received on 4 April 2024 totalled CZK 68,459,109.77. It is a reimbursement of part of the acquisition value of new production equipment acquired in the years 2021-2023.

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 at 31 March 2024, 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 material accounting policy 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 at 31 March 2024, 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 determines 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 27 September 2024

Audit firm:

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



Statutory auditor:

Lukáš Pytlíček
registration no. 2460



Financial Statements of the Company


FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

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 27 September 2024.

Statutory body of the reporting entity:	Signature
Akihiko Kakiuchi	

BALANCE SHEET
full version

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

As of
31.03.2024
(in CZK thousand)

Heyrovského 476
Liberec XXIII-Doubí
463 12 Liberec

		31.03.2024			31.03.2023
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	16 093 349	8 338 695	7 754 654	8 063 302
B.	Fixed assets	12 273 184	8 270 798	4 002 386	4 174 584
B.I.	Intangible fixed assets	129 298	119 938	9 360	12 296
B.I.2.	Valuable rights	128 021	119 803	8 218	11 563
B.I.2.1.	Software	128 021	119 803	8 218	11 563
B.I.4.	Other intangible fixed assets	150	135	15	40
B.I.5.	Prepayments for intangible fixed assets and intangible fixed assets under construction	1 127		1 127	693
B.I.5.2.	Intangible fixed assets under construction	1 127		1 127	693
B.II.	Tangible fixed assets	12 143 886	8 150 860	3 993 026	4 162 288
B.II.1.	Land and structures	2 365 258	825 178	1 540 080	1 519 240
B.II.1.1.	Land	113 859		113 859	113 859
B.II.1.2.	Structures	2 251 399	825 178	1 426 221	1 405 381
B.II.2.	Tangible movable assets and prepayments for tangible movable assets	9 552 434	7 325 682	2 226 752	2 258 886
B.II.5.	Prepayments for tangible fixed assets and tangible fixed assets under construction	226 194		226 194	384 162
B.II.5.1.	Prepayments for tangible fixed assets	65 593		65 593	163 954
B.II.5.2.	Tangible fixed assets under construction	160 601		160 601	220 208
C.	Current assets	3 139 522	67 897	3 071 625	3 157 214
C.I.	Inventories	1 250 371	61 637	1 188 734	1 309 359
C.I.1.	Material	885 195	40 161	845 034	932 565
C.I.2.	Work in progress and semifinished goods	140 399	5 823	134 576	123 705
C.I.3.	Products and goods	207 682	15 653	192 029	212 440
C.I.3.1.	Products	112 151	8 657	103 494	140 925
C.I.3.2.	Goods	95 531	6 996	88 535	71 515
C.I.5.	Prepayments for inventories	17 095		17 095	40 649
C.II.	Receivables	1 857 168	6 260	1 850 908	1 824 310
C.II.2.	Short-term receivables	1 857 168	6 260	1 850 908	1 824 310
C.II.2.1.	Trade receivables	1 302 698	6 260	1 296 438	1 227 027
C.II.2.3.	Receivables - associates	158		158	283
C.II.2.4.	Receivables - other	554 312		554 312	597 000
C.II.2.4.3.	State - tax receivables	2 977		2 977	2 632
C.II.2.4.4.	Short-term prepayments made	1 010		1 010	1 261
C.II.2.4.5.	Estimated receivables	538 497		538 497	582 252
C.II.2.4.6.	Sundry receivables	11 828		11 828	10 855
C.IV.	Cash	31 983		31 983	23 545
C.IV.1.	Cash on hand	550		550	421
C.IV.2.	Cash at bank	31 433		31 433	23 124
D.	Other assets	680 643		680 643	731 504
D.1.	Deferred expenses	363 922		363 922	382 530
D.2.	Complex deferred expenses	316 721		316 721	348 974

		31.03.2024	31.03.2023
	TOTAL LIABILITIES & EQUITY	7 754 654	8 063 302
A.	Equity	2 304 703	2 552 617
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>	-1 619 006	-1 671 880
A.IV.1.	Accumulated profits or losses brought forward (+/-)	-1 745 576	-1 798 450
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>	-247 919	52 869
B.+C.	Liabilities	5 405 546	5 464 892
B.	Reserves	216 624	220 782
B.IV.	Other reserves	216 624	220 782
C.	Payables	5 188 922	5 244 110
C.I.	<i>Long-term payables</i>	1 440 734	1 680 719
C.I.6.	Payables - controlled or controlling entity	1 401 897	1 667 790
C.I.8.	Deferred tax liability	38 837	12 929
C.II.	<i>Short-term payables</i>	3 748 188	3 563 391
C.II.4.	Trade payables	714 201	669 955
C.II.6.	Payables - controlled or controlling entity	1 896 023	1 874 941
C.II.8.	<i>Other payables</i>	1 137 964	1 018 495
C.II.8.3.	Payables to employees	70 116	67 061
C.II.8.4.	Social security and health insurance payables	36 671	34 915
C.II.8.5.	State - tax payables and subsidies	143 219	141 997
C.II.8.6.	Estimated payables	884 663	771 333
C.II.8.7.	Sundry payables	3 295	3 189
D.	Other liabilities	44 405	45 793
D.2.	Deferred income	44 405	45 793

PROFIT AND LOSS ACCOUNT
structured by the nature of expense method

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

Year ended
31.03.2024
(in CZK thousand)

Heyrovského 476
Liberec XXIII-Doubí
463 12 Liberec

		Year ended 31.03.2024	Year ended 31.03.2023
I.	Sales of products and services	10 289 225	9 590 197
II.	Sales of goods	210 702	329 113
A.	Purchased consumables and services	8 454 813	8 553 842
A.1.	Costs of goods sold	341 937	425 767
A.2.	Consumed material and energy	6 908 570	6 941 353
A.3.	Services	1 204 306	1 186 722
B.	Change in internally produced inventory (+/-)	-138 892	-198 949
D.	Staff costs	1 372 205	1 312 537
D.1.	Payroll costs	979 000	958 410
D.2.	Social security and health insurance costs and other charges	393 205	354 127
D.2.1.	Social security and health insurance costs	325 637	318 106
D.2.2.	Other charges	67 568	36 021
E.	Adjustments to values in operating activities	695 802	776 818
E.1.	Adjustments to values of intangible and tangible fixed assets	696 957	735 089
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	702 948	694 032
E.1.2.	Adjustments to values of intangible and tangible fixed assets - temporary	-5 991	41 057
E.2.	Adjustments to values of inventories	-1 240	42 306
E.3.	Adjustments to values of receivables	85	-577
III.	Other operating income	232 986	763 351
III.1.	Sales of fixed assets	6 506	172 117
III.2.	Sales of material	124 981	97 896
III.3.	Sundry operating income	101 499	493 338
F.	Other operating expenses	283 921	251 448
F.1.	Net book value of sold fixed assets	2 295	165 660
F.2.	Material sold	144 913	112 887
F.3.	Taxes and charges	14 895	14 678
F.4.	Reserves relating to operating activities and complex deferred expenses	23 822	-86 797
F.5.	Sundry operating expenses	97 996	45 020
*	Operating profit or loss (+/-)	65 064	-13 035
J.	Interest expenses and similar expenses	79 974	28 866
J.1.	Interest expenses and similar expenses - controlled or controlling entity	79 974	28 866
VII.	Other financial income	187 411	359 571
K.	Other financial expenses	394 512	279 324
*	Financial profit or loss (+/-)	-287 075	51 381
**	Profit or loss before tax (+/-)	-222 011	38 346
L.	Income tax	25 908	-14 523
L.2.	Deferred income tax (+/-)	25 908	-14 523
**	Profit or loss net of tax (+/-)	-247 919	52 869
***	Profit or loss for the current period (+/-)	-247 919	52 869
*	Net turnover for the current period	10 920 324	11 042 232

STATEMENT OF CHANGES IN EQUITY

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

Year ended
31.03.2024
(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 or loss for the current period	TOTAL EQUITY
Balance at 31 March 2022	3 373 800	731 919	65 909	-1 527 491	126 570	-270 959	2 499 748
Distribution of profit or loss				-270 959		270 959	
Profit or loss for the current period						52 869	52 869
Balance at 31 March 2023	3 373 800	731 919	65 909	-1 798 450	126 570	52 869	2 552 617
Distribution of profit or loss				52 869		-52 869	
Profit or loss for the current period						-247 919	-247 919
Rounding				5			5
Balance at 31 March 2024	3 373 800	731 919	65 909	-1 745 576	126 570	-247 919	2 304 703

CASH FLOW STATEMENT

DENSO MANUFACTURING CZECH s.r.o.

Corporate ID 254 32 338

Year ended
31.03.2024
(in CZK thousand)

Heyrovského 476
Liberec XXIII-Doubí
463 12 Liberec

		Year ended 31.03.2024	Year ended 31.03.2023
P.	Opening balance of cash and cash equivalents	23 545	29 475
	Opening balance of cash and cash equivalents after transformation		
Z.	Profit or loss before tax	-222 011	38 346
A.1.	Adjustments for non-cash transactions	1 031 833	998 043
A.1.1.	Depreciation of fixed assets	702 948	694 032
A.1.2.	Change in provisions and reserves	-11 304	33 999
A.1.3.	Profit/(loss) on the sale of fixed assets	-4 211	-6 457
A.1.5.	Interest expense and interest income	79 974	28 866
A.1.6.	Adjustments for other non-cash transactions	264 426	247 603
A.*	Net operating cash flow before changes in working capital	809 822	1 036 389
A.2.	Change in working capital	239 514	-210 886
A.2.1.	Change in operating receivables and other assets	70 332	459 073
A.2.2.	Change in operating payables and other liabilities	53 068	-991 450
A.2.3.	Change in inventories	116 114	321 490
A.**	Net cash flow from operations before tax	1 049 336	825 502
A.3.	Interest paid	-90 370	-28 892
A.***	Net operating cash flows	958 966	796 610
B.1.	Fixed assets expenditures	-457 234	-531 086
B.2.	Proceeds from fixed assets sold	6 506	172 117
B.***	Net investment cash flows	-450 728	-358 969
C.1.	Change in payables from financing	-499 800	-443 571
C.***	Net financial cash flows	-499 800	-443 571
F.	Net increase or decrease in cash and cash equivalents	8 438	-5 930
R.	Closing balance of cash and cash equivalents	31 983	23 545

Notes to the Financial Statements of the Company

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

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 2024, no changes or amendments were made to the Register of Companies.

Change of the Statutory Executive:

Position	Original	New	Date of change
Statutory Executive	Kenichi Tokunaga	Hiroki Matsumoto	10 May 2023
Statutory Executive	Homare Kotate	Akihiko Kakiuchi	19 January 2024

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	Akihiko Kakiuchi*
Statutory executive	Hiroki Matsumoto

*This change was recorded in the Register of Companies on 15 April 2024 – for more information, see Subsequent Events.

1.4. Organisational Structure

The organisational structure of the Company effective as of 31 March 2024:

HOD	MGR	HFU	HOD	MGR	HFU	HOD	MGR
HR J. Heteš	HR Administration S. Procházková	Manufacturing Unit L. Stary <i>Y. Yamashita Sr. Consultant</i>	Manufacturing Planning R. Bartoš	TIE R. Bartoš*	Technical Function Unit S. Hashimoto	PE F. Valenta	Eng. planning R. Tanzyna
	HR Mfg. P. Vavřila			Flot/LG IS D. Svoboda			HE1 PE M. Gajdošík
	People Development T. Krejčí			Maintenance R. Müller			HE2 PE Takeda
	General Services P. Vavřila			Facility / T&D M. Ehm			HE3 PE V. Bartoš
	SHE V. Verner						HVAC Assy PE R. Ozaki
BP/Finance/IS H. Matsumoto	ISD O. Zahradník	Production M. Blaho		Prod1 (EVA/ICON) J. Beran		Quality D. Vrtal	Mold PE O. ElBedoui
	CP H. Matsumoto *			Prod2 (HTR, Rad./Press) R. Nižnik			Application Design A. Jon
	BP S. Kurita			Prod3 (Con/OHX/PA) P. Havlíček			Customer QA 1 K. Nishimura
	Finance/Account J. Bouda			Prod4 (Mold) J. Jiříkovský			Customer QA 2 and QMS J. Hlavatý
	Security Management H. Matsumoto *			Prod5 (HVAC) R. Kremlina			Supplier QA *K. Nishimura *J. Hlavatý
Purchasing R. Foltman	PU1 M. Korec	PCL/NPI A. Kakiuchi		Prod6 (HVAC) R. Vykusová		DNDE Design A. Janků	Test/Measure P. Knirsh
	PU2 SV			Prod7 (H&P) J. Froněk			Design 1 M. Sasaki
President	1			Project D. Bečvářovský			Design 2 T. Lobl
HFU	2			PC H. Hara			
HOD	8			LG M. Fidirik			
Section MGR	33						

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 2024 and 2023 (the "Regulation").

These financial statements have been prepared as of the balance sheet date of 31 March 2024 for the fiscal year from 1 April 2023 to 31 March 2024.

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, 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 reports 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. The Company does not used derivatives in the current year.

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.

The Company is subject to the new enacted Pillar Two model rules concerning the global minimum level of taxation. These model rules were transposed to the Czech legislation with effect for tax periods starting after 31 December 2023. In the fiscal year 2024, the Company has carried out the assessment of its potential exposure to the Pillar Two top-up income taxes at the level of the European group management. Currently, on the basis of available data, the Company is not able to assess whether it will be exposed to the effects of the Pillar Two top-up taxes.

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 2024, 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 are executed at the current rate, which is determined by DENSO EUROPE B.V. on the basis of the exchange rates declared by the ECB for each exchange separately.

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 2024	31 March 2023
Cash on hand and cash in transit, stamps and vouchers	550	421
Bank accounts	31 433	23 124
Total cash and cash equivalents	31 983	23 545

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

	Opening balance	Effects of the merger	Additions	Disposals	Transfers	Closing balance
Research and development	0	0	0	0	0	0
Other valuable rights	0	0	0	0	0	0
Software	124 410	0	3 769	158	0	128 021
Other IFA	150	0	0	0	0	150
IFA under construction	693	0	4 056	0	3 622	1 127
Total 2023	125 253	0	7 825	158	3 622	129 298
Total 2022	116 228	0	20 637	11 612	0	125 253

Provisions and accumulated amortisation

	Opening balance	Effects of the merger	Additions	Disposals	Closing balance	Provisions	Net book value
Research and development	0	0	0	0	0	0	0
Other valuable rights	0	0	0	0	0	0	0
Software	112 847	0	6 956	0	119 803	0	8 218
Other IFA	110	0	25	0	135	0	15
IFA under construction	0	0	0	0	0	0	1 127
Total 2023	112 957	0	6 981	0	119 938	0	9 360
Total 2022	105 931	0	7 325	299	112 957	0	12 296

3.2. Tangible Fixed Assets (TFA)

Cost

	Opening balance	Effects of the merger	Additions	Disposals	Transfers	Closing balance
Land	113 859	0	0	0	0	113 859
Buildings	2 156	0	94 480	0	0	2 251 399
Tangible fixed assets and sets thereof	9 363	0	580 025	391 186	0	9 552 434
Prepayments made for TFA	595	0	193 538	291 899	0	65 593
TFA under construction	163 954	0	614 898	674 505	0	160 601
Total 2023	12 018 535	0	1 482 941	1 357 590	0	12 143 886
Total 2022	11 969 595	0	1 636 440	1 587 500	0	12 018 535

Provisions and accumulated depreciation

	Opening balance	Effects of the merger	Additions	Disposals	Closing balance	Provisions	Net book value
Land	0	0	0	0	0	0	113 859
Buildings	751 538	0	73 640	0	825 178	0	1 426 221
Tangible fixed assets and sets thereof	7 104 709	0	612 010	391 037	7 325 682	0	2 226 752
Prepayments made for TFA	0	0	0	0	0	0	65 593
TFA under construction	0	0	0	0	0	0	160 601
Total 2023	7 856 247	0	685 650	391 037	8 150 860	0	3 993 026
Total 2022	7 391 671	0	692 385	227 809	7 856 247	0	4 162 288

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.

In the fiscal year 2023, the most significant investments included the acquisition of the new type of a furnace that is used in the manufacture of exchangers. Significant investments were also made in machinery that will be used for new projects and to increase the level of robotisation and automation of production.

The Company also invested in the construction of facilities for a solar power plant that will be operated by the CEZ group on the Company's plot of land.

3.3. Inventory

(CZK '000)		
Gross	Balance at 31 March 2024	Balance at 31 March 2023
Material including spare parts	885 195	965 470
Work in progress, semi-finished products	140 399	129 356
Products	112 151	149 628
Goods without moulds and tools	17 815	21 613
Purchased moulds and tools intended for sale	77 716	82 159
Prepayments made	17 095	40 649
Total	1 250 371	1 388 875

(CZK '000)		
Adjustment	Balance at 31 March 2024	Balance at 31 March 2023
Provisions against material including spare parts	40 161	32 905
Provisions against work in progress and semi-finished products	5 823	5 651
Provisions against products	8 657	8 703
Provisions against goods including moulds and tools and relating prepayments	6 996	32 257
Total	61 637	79 516

3.4. Short-Term Receivables

3.4.1. Aging of Trade Receivables

(CZK '000)				
Year ended	Category	Before due date	Total past due date	Total
31 March 2024	Gross	1 203 973	98 725	1 302 698
	Provisions	0	6 260	6 260
	Net	1 203 973	92 465	1 296 438
31 March 2023	Gross	1 137 616	95 585	1 233 201
	Provisions	0	6 174	6 174
	Net	1 137 616	89 411	1 227 027

3.4.2. Receivables – Associates

Short-term receivables from the controlling entity as of 31 March 2024 of CZK 158 thousand consist of a positive balance on the cash-pooling account (31 March 2023 of CZK 283 thousand).

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

Tax receivables as of 31 March 2024 predominantly include a receivable arising from withholding tax of CZK 1,390 thousand. As of 31 March 2023, the largest portion of this receivable included a receivable arising from withholding tax of CZK 2,019 thousand.

Tax payables as of 31 March 2024 primarily include debts arising from VAT of CZK 141,862 thousand (31 March 2023: CZK 141,262 thousand).

3.4.4. Estimated Receivables

As of 31 March 2024, estimated receivables in the aggregate amount of CZK 538,497 thousand (as of 31 March 2023: CZK 582,256 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

Provisions against:	Opening balance	Net change in the reporting period	(CZK '000) Balance at 31 March 2024
Fixed assets	110 785	-5 992	104 793
Inventory	79 516	-17 879	61 637
Receivables – statutory	0	0	0
Receivables – other	6 174	86	6 260
Total	196 475	-23 785	172 690

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

3.6. Current Financial Assets

	(CZK '000)	
	Balance at 31 March 2024	Balance at 31 March 2023
Cash		
Stamps and vouchers	0	0
Cash	550	421
Current accounts		
Cash at bank	31 433	23 124
Total current financial assets	31 983	23 545

3.7. Deferred Expenses and Other Assets

As of 31 March 2024 and 2023, deferred expenses amounted to CZK 363,922 thousand and CZK 382,530 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 accruals 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 2024 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 303,501 thousand (as of 31 March 2023: CZK 318,771 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.

Complex deferred expenses also include development costs of CZK 13,219 thousand as of 31 March 2024 (as of 31 March 2023: CZK 30,203 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 profit or loss for the 2023 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 2022 fiscal year of CZK 52,869 thousand was allocated to Profits or losses brought forward. Other profit was used for transactions related to the merger as of 1 April 2018 with effect on the Company's profit.

3.9. Reserves

Other reserves

	(CZK '000)	
	Balance at 31 March 2024	Balance at 31 March 2023
Anticipated losses from the sale of moulds and tools	5 963	38 650
Guarantee costs	0	0
Future complaints	123 664	77 287
Staff costs, employee benefits	86 997	104 845
Additional probable decrease in sale prices	0	0
Other reserves	0	0
Total other reserves	216 624	220 782

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 2023 and 2022, the Company reported loans from DENSO EUROPE B.V. as follows:

1. Loan

- CZK 1,007,139 thousand (EUR 39,800 thousand and CZK 934,902 thousand (EUR 39,800 thousand) as of 31 March 2024 and 31 March 2023, respectively.

The loan is payable in three instalments due on 31 March 2026, 2027, 2028.
As of 31 March 2024, the loan is classified as a long-term loan.

2. Loan

- CZK 789,516 thousand (EUR 31,200 thousand) and CZK 1,099,332 thousand (EUR 46,800 thousand) as of 31 March 2024 and 2023, 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, 2023, 2024, 2025.

As of 31 March 2024, 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 0 thousand (EUR 0 thousand) and CZK 156,209 thousand (EUR 6,650 thousand) as of 31 March 2024 and 31 March 2023, respectively.

The loan was 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 29 March 2024, the loan was repaid.

4. Cash-pooling

- The portion of short-term payables also includes a negative balance on the cash-pooling account in the amount of CZK 1,501,265 thousand and CZK 1,352,288 thousand as of 31 March 2024 and 31 March 2023, respectively.

3.11. Short-Term Payables

3.11.1. Aging of Short-Term Trade Payables

(CZK '000)

Year ended	Category	Before due date	Total past due date	Total
31 March 2024	Short-term	665 493	48 708	714 201
31 March 2023	Short-term	615 442	54 513	669 955

3.11.2. Short-Term Intercompany Trade Payables

Name of the entity (relation to the Company*)	(CZK '000)	
	Balance at 31 March 2024	Balance at 31 March 2023
Short-term trade payables		
DENSO CORPORATION (controlling entity)	91 833	19 972
DENSO AIR SYSTEMS CO, LTD.	1 853	469
DENSO DO BARCELONA S.A.	2 801	3 265
DENSO SISTEMAS TÉRMICOS ESPANA	5	0
Denso Manufacturing Italia s.p.a.	28 571	14 733
DENSO MANUFACTURING MICHIGAN, INC.	0	112
DENSO AIR SYSTEMS DE MEXICO S.A. DE C.V	2 024	4 261
DENSO EUROPE B.V.	11 323	6 586
DENSO AUTOMOTIVE Deutschland GmbH	0	254
DENSO KIRLOSKAR INDUSTRIES	32	0
DENSO MANUFACTURING UK LTD.	4 626	3 875
DENSO THERMAL SYSTEMS S.p.A.	5 595	5 543
TD Deutsche Klimakompressor GmbH (part of consolidation group)	2 991	2 198
DENSO OTOMOTIV PARCALARI SANAYI A.S.	0	35
DENSO CZECH s.r.o.	3 290	5 573
LIPLASTEC s.r.o.	48 623	63 332
DENSO (THAILAND) CO., LTD.	0	4
DENSO International Europe B.V. (controlling entity)	2 491	2 761
Denso(Tianjin)Thermal Products	0	3
PT.DENSO MANUFACTURING INDONESIA	3 225	1 529
PT.TD Automot.Compressor Indonesia	3 396	3 149
Total short-term intercompany trade payables	212 679	137 654

* 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 2024, estimated payables in the amount of CZK 884,663 thousand (CZK 771,333 thousand as of 31 March 2023) 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 2024 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 previous reporting periods, 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 2023, this form of translation is not be used and the Company translates EUR into CZK and JPY using current (daily) exchange rates issued by the ECB.

3.14. Deferred Income Tax

The deferred tax liability/asset is analysed as follows:

Deferred tax items	(CZK '000)			
	Balance at 31 March 2024		Balance at 31 March 2023	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between the accounting and tax net book values of fixed assets	-1 070 937	0	-981 075	0
Other temporary differences:	1 357	0	754	0
Provision against receivables	0	0	0	0
Provision against inventory	61 638	0	79 516	0
Provision against fixed assets	104 794	0	110 785	0
Accumulated amortisation/depreciation of fixed assets	0	0	0	0
Inventory	0	0	0	0
Reserves	216 623	0	217 977	0
Estimated receivables/payables		0	0	0

Tax loss from prior years	501 588	0	503 997	0
Total temporary differences	-184 937	0	-68 046	0
Deferred tax	-38 837	0	-12 929	0

Deferred tax was recognised in the profit and loss account.

(CZK '000)

Analysis of movements	
31 March 2023	-12 929
Current changes charged to the profit and loss account	-25 908
Total charges against the profit and loss account	-25 908
Change of method	0
Current changes recognised in equity	0
Total recognised in equity	0
31 March 2024	-38 837

3.15. Details of Income by Principal Activity

(CZK '000)

	Year ended 31 March 2024			Year ended 31 March 2023		
	In-country	Cross-border	Total	In-country	Cross-border	Total
Sales of purchased tools	0	65 458	65 458	0	188 842	188 842
Sales of purchased finished products (goods)	0	145 244	145 244	0	140 271	140 271
Sales of goods	0	210 702	210 702	0	329 113	329 113
Sales of own products	1 632 214	8 555 381	10 187 595	1 355 173	8 113 178	9 468 351
Sale of services	316	101 314	101 630	157	121 689	121 846
Total sales of products and services	1 632 530	8 656 695	10 289 225	1 355 330	8 234 867	9 590 197

3.16. Purchased Consumables and Services

Costs of goods sold and consumed material and energies:

(CZK '000)

	Year ended 31 March 2024	Year ended 31 March 2023
Purchased tools – goods	92 577	174 096
Other goods	249 360	251 671
Total costs of goods sold	341 937	425 767
Consumed material	6 640 378	6 671 553
Consumed energies	268 192	269 800
Total	7 250 507	7 367 120

3.17. Services

(CZK '000)

	Year ended 31 March 2024	Year ended 31 March 2023
Repairs and maintenance	34 517	39 577
Travel expenses	3 935	3 513
Telephone, fax, internet	825	938
Rental, operating leases	37 751	31 733
Transportation	47 879	41 839
Licence fees	471 770	447 749
Hiring out of labour force	210 364	113 682
Storage	73 439	81 616
Translations, interpreting	2 492	2 076
Cleaning services	20 257	18 428
Training	6 957	5 758
Technical support, technical assistance	174 635	227 670
Legal, tax, HR and SW services	29 502	27 291
Management fees	300	57 696
Other services	89 683	87 156
Total	1 204 306	1 186 722

3.18. Employees, Management and Statutory Bodies

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

(CZK '000)

	Year ended 31 March 2024		Year ended 31 March 2023	
	Number of staff	Total staff costs	Number of staff	Total staff costs
Staff	2 062	1 372 205	2 185	1 312 537

Managers	2	0	2	0
Total	2 064	1 372 205	2 187	1 312 537

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 2024, 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 2024

	(CZK '000)
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)	2 719

During the year ended 31 March 2024, the Company's statutory representatives received no loans or borrowings.

During the year ended 31 March 2024 and 2023, 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 '000)
	Year ended 31 March 2024	Year ended 31 March 2023
Rebiling of expenses + billing for modifications of customer tools etc.	44 755	434 847
Income from waste sold	39 029	49 893
Income from the lease of non-residential premises + low-value billing to employees	2	
	454	3 378
Compensation for deadstock	447	1 235
Insurance proceeds	629	818
Billing in relation to complaints made	12 555	2 253
Stocktaking surpluses	939	914
Other	691	0
Total	101 499	493 338

3.20. Sundry Operating Expenses

	(CZK '000)	
	Year ended 31 March 2024	Year ended 31 March 2023
Deficits and damage	5 751	6 983
Fines and penalties	11	7
Compensation provided to suppliers	61 184	18 871
Quick saving – new projects	11 640	0
Write-off of receivables	984	221
Insurance premiums	11 275	10 986
Nomination fee	4 847	3 690
Membership contributions	58	56
Payment of deadstock to suppliers	0	224
Thwarted investments, sale of TZH and other expenses relating to customer tools	0	6 803
Other	2 246	16 050
Total	97 996	45 020

3.21. Other Financial Income

		(CZK '000)
	Year ended 31 March 2024	Year ended 31 March 2023
Foreign currency gains	124 224	65 142
Foreign currency gains – unrealised	63 187	294 290
Gains from the revaluation of derivative financial instruments as of the balance sheet date	0	0
Other	0	139
Total	187 411	359 571

3.22. Other Financial Expenses

	(CZK '000)	
	Year ended 31 March 2024	Year ended 31 March 2023
Foreign currency losses	85 670	144 828
Foreign currency losses – unrealised	308 415	134 215
Losses from the revaluation of derivative financial instruments as of the balance sheet date	0	0
Costs of derivative transactions	0	0
Banking charges	0	0
Banking fees	303	281
Other	124	0
Total	394 512	279 324

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 10,487,940 thousand (year ended 31 March 2023: CZK 9,942,947 thousand).

As of 31 March 2024, short-term receivables from related parties amounted to CZK 1,284,397 thousand (31 March 2023: CZK 1,222,567 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 2024, the Company records short-term payables to related parties in the amount of CZK 212,679 thousand (31 March 2023: CZK 137,654 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 '000)	
	Year ended 31 March 2024	Year ended 31 March 2023
Obligatory audit of the financial statements	1 052	1 092
Other non-audit services	0	0
Total	1 052	1 092

The costs of the obligatory audit of the financial statements in the amount of CZK 1,052 thousand include the contractual price for the audit of the 2023 fiscal year, completion of the audit of the 2022 fiscal year. The costs of the obligatory audit of the financial statements as of 31 March 2023 of CZK 1,092 thousand include the contractual price for the audit of the 2022 fiscal year, completion of the audit of the 2021 fiscal year.

3.25. Total Research and Development Costs

	(CZK '000)	
	Year ended 31 March 2024	Year ended 31 March 2023
Research and development costs (including the costs of the Design centre)	167 742	208 019
Total	100 384	208 019

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 company cars, 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 2024, the Company reports no significant current or future losses that are not reflected in the accounting records.

Legal Disputes

As of 31 March 2024, 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 2024, 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 2024. After the year-end, there was the following change in the management of the Company. This change was listed in the Commercial Register on 15 April 2024.

Change of Statutory Executive:

Position	Previous	Successor	Date of Change
Statutory Executive	Homare Kotate	Akihiko Kakiuchi	19 January 2024

On 5 April 2024, the Company received a decision regarding the disbursement of a grant under the EU Operational Programme Business and Innovation for Competitiveness – Innovation Programme. The grant amount received on 4 April 2024 amounts to CZK 68,459,109.77. This grant covers a portion of the acquisition cost for new production equipment purchased between 2021 and 2023.

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 2023 in accordance with Section 82 (9) of Act No. 90/2012 Coll. for the year ended 31 March 2024.

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 2024:

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.

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 is included in the licence fee.

In the fiscal year 2023, performance from this contract exceeded 10% of the Company's equity.

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.

In the fiscal year 2023, performance from this agreement exceeded 10% of the Company's equity.

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 2024. 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 Labor 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., on the one part 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, on the other part 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 2024, the Company realised 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 2024, 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 2024 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 28 June 2024



Akihiko Kakiuchi
Company President