ADIENT PLC

Annual Report

For the Year Ended September 30, 2023

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ADIENT PLC
DIRECTORS' REPORT
For the Financial Year Ended September 30, 2023

The directors present their report and the audited consolidated financial statements of Adient plc and its subsidiaries (collectively, the "Company") for the financial year ended September 30, 2023, which are set out on pages 51 to 104, and audited Parent Company (as defined below) financial statements for the financial year ended September 30, 2023, which are set out on pages 105 to 113.

The directors have elected to prepare the consolidated financial statements of Adient plc and its subsidiaries (hereinafter referred to as "Adient") in accordance with Section 279 of the Companies Act 2014 (the "Act"), which provides that a true and fair view of the state of affairs and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), as defined in Section 279 of the Act, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Act or of any regulations made thereunder.

The directors have elected to prepare the Adient plc parent company ("Parent Company") financial statements in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Ireland" ("FRS 102"), together with the Act.

DIRECTORS' COMPLIANCE STATEMENT

The directors acknowledge that they are responsible for securing the Parent Company’s compliance with its relevant obligations.

The directors confirm that the Parent Company has;

1. Drawn up a compliance policy statement setting out the Parent Company’s policies respecting compliance by the Parent Company with its relevant obligations.
2. Put in place appropriate arrangements or structures that are designed to secure material compliance with the Parent Company’s relevant obligations.
3. Conducted a review during fiscal 2023 of the arrangements and structures, referred to at 2 above.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with Irish law.

Irish law requires the directors to prepare financial statements for each financial year giving a true and fair view of Adient's assets, liabilities and financial position at the end of the financial year and the profit or loss of Adient for the financial year. Under that law, the directors have prepared the consolidated financial statements in accordance with U.S. accounting standards, as defined by Section 279(1) of the Act, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Act or of any regulations made thereunder and the Parent Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and promulgated by the Institute of Chartered Accountants in Ireland and Irish law).

Under Irish law, the directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of Adient's assets, liabilities and financial position as at the end of the financial year and the profit or loss of Adient for the financial year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards and identify the standards in question, subject to any material departures from those standards being disclosed and explained in the notes to the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that Adient will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of Adient;
- enable, at any time, the assets, liabilities, financial position and profit or loss of Adient to be determined with reasonable accuracy; and
- enable the directors to ensure that the financial statements comply with the Act and enable those financial statements to be audited.

The directors are also responsible for safeguarding the assets of Adient and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on Adient's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared in United States dollars and reflect the consolidated operations of Adient. Unless otherwise indicated, references to 2023 and 2022 are to Adient's financial years ending September 30, 2023 (fiscal 2023) and 2022 (fiscal 2022), respectively.

PRINCIPAL ACTIVITIES

Adient is a global leader in the automotive seating supply industry with leading market positions in the Americas, Europe and China and maintains longstanding relationships with the largest global automotive original equipment manufacturers ("OEMs"). Adient's proprietary technologies extend into virtually every area of automotive seating solutions, including complete seating systems, frames, mechanisms, foam, head restraints, armrests and trim covers. Adient is a global seat supplier with the capability to design, develop, engineer, manufacture, and deliver complete seat systems and components in every major automotive producing region in the world.

Adient designs, manufactures and markets a full range of seating systems and components for passenger cars, commercial vehicles and light trucks, including vans, pick-up trucks and sport/crossover utility vehicles. Adient operates more than 200 wholly- and majority-owned manufacturing or assembly facilities, with operations in 29 countries. Additionally, Adient has partially-owned affiliates in China, Asia, Europe and North America. Through its global footprint and vertical integration, Adient leverages its capabilities to drive growth in the automotive seating industry.

Adient's business model is focused on developing and maintaining long-term customer relationships, which allows Adient to successfully grow with leading global OEMs. Adient and its engineers work closely with customers as vehicle platforms are developed, which results in close ties with key decision makers at OEM customers.

Business Organization and Strategy

Global Manufacturing Footprint Adient is a global leader in automotive seating. With more than 70,000 employees operating in more than 200 manufacturing and assembly plants in 29 countries worldwide, Adient produces and delivers automotive seating for all vehicle classes and all major OEMs. From complete seating systems to individual components, Adient’s manufacturing capabilities span every aspect of the automotive seat-making process. Integrated, in-house skills allows Adient to take products from research and design all the way to engineering and manufacturing and into millions of vehicles every year.

Operational Efficiencies Adient intends to maintain high capacity utilization and increase its efficiency through continued use of standardized manufacturing processes, which represent a core competency. These standardized manufacturing processes allow Adient to deliver high quality levels and minimize waste. Adient achieves scale advantages through a global manufacturing footprint and an integrated supply chain. Adient fosters an environment of continuous improvement and identifies best business practices through the analysis of process and cost metrics, which are then shared globally throughout Adient's manufacturing network.

To ensure appropriate service levels, minimal inventory and optimal factory utilization, Adient employs a Sales & Operational Planning, or S&OP, process. A well-executed S&OP process provides two strategic advantages: focused customer service and on-time delivery which result in both customer retention and the opportunity for market share gain.

Longstanding Customer Relationships with Leading Global OEMs Adient works with OEMs to develop complete seating solutions to meet consumer expectations for performance, safety and comfort. Adient does business with all major global OEM customers, and in many cases, works closely with those customers to develop a seating solution integrated into the overall vehicle appearance and architecture.

Through dedicated customer teams, Adient maintains close relationships with its global OEM customers. These relationships enable Adient to clearly understand its customers' needs so that it is positioned to meet its customers' requirements. Adient's customer teams also lead the new business acquisition process, which ensures alignment with Adient's product, process and manufacturing strategies.

Product Innovation and Process Leadership Adient has a strong record for developing winning product and process technologies over many years, which has created a competitive advantage for Adient and its customers. Management expects to increase investment in innovation.

Adient utilizes a global Core Product Portfolio, or CPP, strategy for part and design reuse in all of its product applications. Adient intends to continue investing in its CPP to sustain and expand its market success and to leverage its existing modular and scalable systems and interchangeable components. Through the CPP strategy, Adient provides high quality products for its customers with market competitive cost and mass (low weight to improve fuel economy) while meeting their performance requirements. Adient continues to use its CPP to advance Adient's lean manufacturing initiatives by providing standard, flexible processes that reduce complexity, inventory and floor space. This will yield reductions in development time, product cost and investment.

Global Development Network Adient participates in innovating and developing key competitive differentiators in the automotive seating business. In the development process, key downstream elements of the product are locked in, including material costs, plant conversion costs, quality characteristics and certain technical requirements. Adient uses a common product development process globally that ensures that these elements are correct at the outset of the development process, reflects the best practices of Adient's operations worldwide and meets the expectations of Adient's diverse customer base. Its product launch system is customizable and scalable based on customer and product requirements.

Adient's worldwide engineering network includes ten core development centers. These development centers utilize a globally consistent approach to the process for developing seating products. By leveraging a network of subject matter technical experts, Adient efficiently implements best practices and improves product cost and quality. Adient's product development practices also entail leveraging low cost country development centers in India, China, Czech Republic and Slovakia.

Development Centers	
Plymouth (USA)	Trencin (Slovakia)
Burscheid (Germany)	Yokohama (Japan)
Solingen (Germany)	Chongqing (China)
Kaiserslautern (Germany)	Ceska Lipa (Czech Republic)
Ansan (South Korea)	Pune (India)

Leadership Position in China Adient is a leading supplier of "just-in-time" seating in China. It operates through its wholly owned entities and 6 joint ventures (nonconsolidated and consolidated) with 36 manufacturing locations in 22 cities, which are supported by additional technical centers. Adient's strong position with European and American automakers is complemented by partnerships with all major auto groups in China, which has resulted in Adient's broad market penetration relative to seating competitors and market leadership in the industry's largest market. Adient leverages its operating expertise and innovation capabilities developed worldwide to further support its growth in China.

Platform for Global Growth Adient's current global platform creates multiple opportunities for growth, such as:

- *Market share expansion in seating and seating components.* Adient has relationships with global OEM customers. These relationships, combined with Adient's product offerings, enhance Adient's ability to expand its business with regional customers who are growing and expanding globally and also with new entrants to the automotive market.

- *Regional growth opportunities.* Adient is able to leverage its position as the market leader in Europe, North America and China to grow in other markets, such as Southeast Asia.

- *Vertical integration.* Adient's operations provide opportunities for continued vertical integration in areas that could enhance Adient's capabilities, expand profit margins and grow revenues with customers who employ component sourcing strategies.

Research and Development Costs

Expenditures for research activities relating to product development and improvement (other than those expenditures that are contractually guaranteed for reimbursement from the customer) are charged against income as incurred and included within selling, general and administrative expenses in the consolidated statements of income. Such expenditures for the years ended September 30, 2023 and 2022 were $362 million and $322 million, respectively. A portion of these costs associated with these activities are reimbursed by customers and, for the fiscal years ended September 30, 2023 and 2022 were $250 million and $194 million, respectively.

Product/Systems

Adient designs and manufactures a full range of seating systems and components for passenger cars, commercial vehicles and light trucks, including vans, pick-up trucks and sport/crossover utility vehicles. Adient's technologies extend into virtually every area of automotive seating solutions including complete seating systems, frames, mechanisms, foam, head restraints, armrests and trim covers.

Customers

Adient is a supplier to all of the global OEMs and has longstanding relationships with premier automotive manufacturers, including BMW, Mercedes-Benz Group, Ford Motor Company, General Motors Company, Honda Motor Company, Hyundai Motor Company, Jaguar Land Rover, Kia Corporation, Mazda Motor Corporation, Mitsubishi Motor Corporation, Nissan Motor Corporation, Renault Group, Stellantis N.V., Suzuki Motor Corporation, Toyota Motor Corporation, Volkswagen Group and Volvo Car Group. Adient also supplies most of the growing regional OEMs such as Beijing Automotive Group Co., Ltd., Changan Automobile (Group) Co., Ltd., FAW Group Corporation, Proton Holdings Berhad, Ashok Leyland, Tata Motors Limited and Zhejiang Geely Holding Group Co., Ltd. and newer auto manufacturers such as NIO and Xpeng Motors. Additionally, Adient has more than 6 joint venture partnerships with key OEMs, including Guangzhou Automobile Group Co., Ltd., Beijing Automobile Group Co., Ltd. and FAW Group Corporation. Further details regarding Adient's customers is provided in Note 1, "Organization and Summary of Significant Accounting Policies," of the notes to consolidated financial statements.

Industry

The Automotive Seating industry provides OEMs with complete seats on a "just-in-time" or "in-sequence" basis. Seats are assembled to specific order and delivered on a predetermined schedule directly to an automotive assembly line. The components for these complete seat assemblies such as seating foam, metal structures, fabrics, seat covers and seat mechanisms are shipped to Adient or competitor seating assembly plants. Adient is a global leader in complete seat assembly and one of the largest in all major seating components, operating manufacturing plants that produce seating foam, metal structures, seat covers and seat mechanisms.

Demand for automotive parts in the OEM market is generally a function of the number of new vehicles produced, which is primarily driven by macro-economic factors such as credit availability, interest rates, fuel prices, consumer confidence, employment and other trends. Although OEM demand is tied to actual vehicle production, participants in the automotive supplier industry also have the opportunity to grow through increasing product content per vehicle by further penetrating business with existing customers and in existing markets, gaining new customers and increasing their presence in global markets. Adient believes that, as a company with a global presence and advanced technology, engineering, manufacturing and customer support capabilities, it is well positioned to benefit from these opportunities.

Sourcing Patterns by OEMs Most OEMs have adopted global vehicle platforms to increase standardization, reduce per unit cost and increase capital efficiency and profitability. In seating, three sourcing patterns exist:

1. *Core seat structures*: By developing common front seat frames and mechanisms across multiple vehicle platforms, OEMs are reducing costs.

2. *Component sourcing*: Several OEMs have shifted from sourcing a complete seating system to a components approach where the OEM sources each of the different components of the seat and seating assembly as separate business awards.

3. *Engineering "in-sourcing"*: Some OEMs are conducting the design and engineering internally and are selecting suppliers that have the capability to manufacture products on a worldwide basis and adapt to regional variations.

As a supplier with global scale and strong design, engineering and lean manufacturing capabilities in both complete seat systems and components Adient is well-positioned to accommodate each of these three sourcing patterns.

Shorter Product Development Cycles As a result of new safety and environmental regulations, as well as a trend of more rapid customer preference changes, OEMs are requiring suppliers to respond faster with new designs and product innovations. Although these trends are more significant in mature markets, emerging markets are moving rapidly towards the regulatory standards and consumer preferences of the more mature markets. Suppliers with strong technologies, robust global engineering and development capabilities will be best positioned to meet OEM demands for rapid innovation.

Electric Vehicles Electric vehicles ("EVs") continue to be a focus in the global automotive industry driven by a variety of product offerings from legacy manufacturers and from new entrants. The rollout of EVs platforms vary across the regions with factors such as pricing, affordability, government incentives, infrastructure and overall consumer acceptance influencing the pace of adoption. While seating systems are not largely impacted by the shift to EVs, key attributes of seat design are evolving as the market pivots toward EVs. This movement provides Adient with unique opportunities to provide value added solutions through Adient's Evolution of Seating Systems Sustainability ("ES^{3}") and to capture market share through new entrants based on Adient's existing leading market position.

Advanced Driver Assist Systems ("ADAS") and Automated Driving Systems ("ADS") As the global automotive industry continues to incorporate ADAS/ADS into its vehicles and as alternative usage models evolve, such as car sharing and urban mobility, Adient is poised to capitalize on greater seating content that may accompany these new innovations. Adient has developed an interiors concept for autonomous driving which addresses major seating and other interior trends that are expected to drive the automotive industry of the future. Adient will continue to partner with OEMs and other customers in the development of ADAS and ADS concepts.

Competition

Adient faces competition from other automotive suppliers and, with respect to certain products, from the automobile OEMs who produce or have the capability to produce certain products the business supplies. The automotive supply industry competes on the basis of technology, quality, reliability of supply and price. Design, engineering and product planning are increasingly important factors. The competitive landscape for seating and components can be categorized into three segments: (1) traditional seating suppliers, (2) component specialists and (3) competitors who are partnered with an OEM through ownership or interlocking business relationships. Independent suppliers that represent the principal competitors of Adient include Lear Corporation, Toyota Boshoku Corporation, Forvia SE and Magna International Inc. Adient's deep vertical integration, global footprint and broad product offering make it well positioned to compete against the traditional global Tier-1 suppliers and component specialists.

Raw Materials

Raw materials used by Adient in connection with its operations include steel, aluminum, polyurethane chemicals, fabrics, leather, vinyl and polypropylene. Continuing into fiscal 2023, the automotive industry has experienced a period of significant volatility in commodity prices. This price volatility may continue into the future as demand increases and/or supply remains constrained. Price volatility has resulted in an overall increase of input costs for Adient that may not be, or may only be partially, offset through customer negotiations. During fiscal 2024, commodity prices and availability could fluctuate throughout the year and significantly affect Adient's results of operations. Refer to the Principal Risks and Uncertainties section for additional information on risks associated with the supply of Adient's raw materials.

Intellectual Property

Generally, Adient seeks statutory protection for strategic or financially important intellectual property developed in connection with its business. Certain intellectual property, where appropriate, is protected by contracts, licenses, confidentiality or other agreements.

Adient owns numerous U.S. and non-U.S. patents (and their respective counterparts), the more important of which cover those technologies and inventions embodied in current products or which are used in the manufacture of those products. While Adient believes patents are important to its business operations and in the aggregate constitute a valuable asset, no single patent, or group of patents, is critical to the success of the business. Adient, from time to time, grants licenses under its patents and technology and receives licenses under patents and technology of others.

Adient's trademarks are registered or otherwise legally protected in the United States and many non-U.S. countries where products and services of Adient are sold.

Most works of authorship produced for Adient, such as computer programs, catalogs and sales literature, carry appropriate notices indicating Adient's claim to copyright protection under U.S. law and appropriate international treaties.

Regulation

Adient operates in a constantly evolving global regulatory environment and is subject to numerous and varying regulatory requirements for its product performance and material content. Adient's practice is to identify potential regulatory and quality risks early in the design and development process and proactively manage them throughout the product lifecycle through the use of routine assessments, protocols, standards, performance measures and audits. New regulations and changes to existing regulations are managed in collaboration with the OEM customers and implemented through Adient's global systems and procedures designed to ensure compliance with existing laws and regulations. Adient demonstrates material content compliance through the International Material Data System ("IMDS") which is the automotive industry material data system. In the IMDS, all materials used for automobile manufacturing are archived and maintained, in order to meet the obligations placed on the automobile manufacturers and thus on their suppliers by national and international standards, laws and regulations.

Adient works collaboratively with a number of stakeholder groups including government agencies (*e.g.*, National Highway Traffic Safety Administration), its customers and its suppliers to proactively engage in federal, state and international public policy processes.

Legal Matters

Adient is involved in various lawsuits, claims and proceedings incident to the operation of its businesses, including those pertaining to product liability, environmental, safety and health, intellectual property, employment, commercial and contractual matters, and various other matters. Although the outcome of such lawsuits, claims and proceedings cannot be predicted with certainty and some may be disposed of unfavorably to Adient, it is management's opinion that none of these will have a material adverse effect on Adient's financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented. Further details regarding Adient's commitments and contingencies is provided in Note 24, "Commitments and Contingencies," of the notes to consolidated financial statements.

Environmental, Social and Governance

At Adient, we recognize robust and responsible environmental, social and governance ("ESG") policies and practices are essential to the long-term success of our business and the well-being of our stakeholders, including our investors, employees, suppliers, customers and communities. We embed sustainability into our company by integrating ESG principles into our product development initiatives, manufacturing processes, procurement practices, corporate governance activities and other key business areas. Our Board of Directors and senior managers ensure we operate our business ethically and in accordance with applicable laws and regulations, and, as appropriate, they oversee and implement our ESG policies and strategies with input from a cross-functional team of subject matter experts across our organization. We regularly communicate our ESG targets and related actions to our stakeholders through our SEC filings, media releases, quarterly earnings reports and our annual corporate sustainability report.

Production Processes

Adient remains committed to improving sustainability in its global operations and utilizing standardized processes to reduce energy consumption, conserve water and generate less waste and emissions at our facilities globally. In fiscal year 2021, Adient set a goal of reducing its scope 1 and 2 greenhouse gas emissions 75% by 2030 (with 2019 as our base year), and continues to make progress toward that goal. In 2023, Adient expanded its goal with a longer term target of achieving carbon neutrality at its manufacturing locations for scope 1 and 2 greenhouse gas emissions by 2040. Some recent examples of how Adient is reducing emissions and improving sustainability in its operations include:

- Replacing company pool vehicles with EVs as leases end.
- Recovering waste heat from air compressors and using it to help warm buildings.
- Adding occupant sensors to plant floors and other areas to automatically turn lights on and off as needed.
- Optimizing how foam mold temperature machines are connected in parallel to ensure only heating the necessary number of machines
- Replacing cardboard boxes with reusable packaging and eliminating unnecessary cardboard inserts to cut waste and optimize loads.
- Collecting, storing and using rainwater in sanitary applications such as toilets.

In addition, Adient has set a goal to attribute 100% of the electricity needed worldwide to renewable sources by 2035. Several of Adient’s facilities already generate renewable electricity on-site via solar panel installations, and more than 60 Adient locations now consume electricity from a renewable source.

Products

Sustainability has been an inherent part of product development and innovation at Adient for more than three decades, and customers' sustainability targets are closely tracked to ensure its efforts align with the needs and goals of its customers. More recently, vehicle electrification and a general move toward increasingly efficient transportation have emphasized the need for automotive seating products that are lighter, slimmer and made of more environmentally friendly materials than traditional seating products. To help meet this need, Adient has developed products such as the Soft Back Panel and Soft Side Valance components, which integrate up to 70% recycled polyethylene terephthalate ("PET") while improving knee clearance and reducing the weight of each seat by as much as 2 kg. Adient has also developed an innovative, EV-ready concept seat - the Pure Essential - that combines a high degree of comfort with a sleek appearance while reducing cost, complexity, weight and the seat's overall carbon footprint. The Pure Essential seat promotes product circularity by using just two primary eco-friendly material types: green steel for the seat structure and recyclable polyester for comfort features and trim covers. Through Adient's ES^3 approach to product design, Adient is continuously identifying and integrating materials and manufacturing methods that minimize environmental impact and promote a circular economy.

Adient also recognizes the importance of its supply chain's environmental risks and impacts and are working with its suppliers to reduce scope 3 (value chain) emissions 35% by 2030 (with 2019 as the base year). In fiscal year 2024, Adient plans to expand the use of its proprietary Product Carbon Footprint Tool - data-based software that calculates the carbon footprint of a specific product based on its bill of materials - impacting designer, engineer and customer decisions and supporting its scope 3 emissions-reduction goal. As noted in Adient's recently updated Deforestation Commitment and Policy and natural resources webpage. Adient is making progress on its commitments in procuring forest commodities from more sustainable sources to reduce the impact on deforestation and protect natural habitats globally.

People

Adient continues to work to protect the human rights and well-being of its employees, suppliers, customers and communities in which Adient operates globally. To those ends, Adient updated its Ethics Policy in 2023 to address evolving laws and regulations, including those regarding ESG. Employees reviewed the updated Ethics Policy as part of the annual ethics certification campaign. In 2023, Adient also initiated ESG-related due diligence questionnaires for top suppliers to promote transparency in supply chain human rights policies and practices. Additionally, Adient is proud to support women-, minority- and veteran-owned businesses by spending more than $1 billion with diverse suppliers every year.

Human Capital Resources

Adient's ability to sustain and grow its business requires it to hire, retain and develop a highly skilled and diverse workforce. Adient values character and integrity as much as qualifications and fosters an empowerment culture where employees have ownership in business outcomes. The highest levels of Adient's management drive these practices with the alignment and support of all levels within the organization. Our Executive Vice President, Chief Legal and Human Resources Officer, and Corporate Secretary, reporting directly to the Chief Executive Officer ("CEO"), oversees Adient's global talent processes to attract, develop and retain the most valuable asset - its employees. Adient has more than 70,000 employees worldwide who represent a wide variety of backgrounds. Adient's workforce composition (including employees at consolidated joint ventures), as of September 30, 2023, consists of approximately:

- 45% work in the Americas, 42% work in EMEA and 13% work in our Asia-Pacific region
- 41% of the global workforce is female
- 49% of employees in the U.S. have identified themselves as an ethnic minority.

Adient ensures its people are engaged and working collaboratively to achieve company goals through positive employee relations activities that focus on supporting employees and their families. Adient also provides and encourages many forms of corporate communication such as town hall meetings, open-door policy and an ethics Integrity Helpline so that employees can hear directly from Adient leadership and have the opportunity to ask questions, make suggestions and provide input. Because the attraction, development and retention of the employee base is significant to its business strategy, executive management provides frequent updates on these metrics to the board of directors.

Health and Safety

We are committed to protecting the safety and well-being of our colleagues, customers, suppliers and people using our premises by providing and maintaining a safe working environment that protects both physical and mental well-being. Adient requires protective equipment, enforces comprehensive safety policies and procedures, and encourages employees and leaders to look regularly for ways to improve workplace safety. Adient has implemented and maintains a health and safety management system that is certified to the ISO 45001 Occupational Health and Safety standard. Globally, 100% of Adient's facilities are internally audited and compliant, and 60% are also third-party audited and certified. We work together across the globe, sharing best practice ideas, procedures, and information regarding accidents and injuries. At Adient, every new machine, operation, building or workstation change requires a safety risk assessment. When our employees come to work, they can know that where they work has undergone an extensive review of associated risks of injury or illness and that those risks are eliminated and/or minimized through robust controls. Adient provides regular updates on health and safety to its board of directors.

Diversity, Equity and Inclusion

Adient strives to build a culture of diversity and inclusion through our purchasing and human resource practices and policies, and we strive to eliminate discrimination and harassment in all its forms, including but not limited to discrimination against women, minorities and other protected groups. Adient President and CEO signed the "CEO Action for Diversity & Inclusion" pledge promulgated by the CEO Action for Diversity & Inclusion initiative, the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. In addition, Adient is a member of the Center for Automotive Diversity, Inclusion and Advancement ("CADIA"). In fiscal 2022, Adient published two documents - a Human Rights Policy Statement and a Diversity, Equity & Inclusion ("DE&I") Commitment Statement - both of which emphasize Adient's commitment to protecting the safety, well-being and human rights of our people while driving a diverse and inclusive work culture. Adient developed and tracks human capital metrics relating to diversity and inclusion, which the Chief Legal and Human Resources Officer reviews semi-annually with the board of directors.

Since success in this area requires listening to diverse voices, Adient established DE&I Councils in each of its three business regions: 1) the Americas, which is inclusive of North America and South America; 2) Europe, the Middle East and Africa ("EMEA") and 3) Asia Pacific/China ("Asia"). These councils drive strategic and tactical actions in the areas of talent acquisition and retention, communications and employee feedback, training and education, metrics and key performance indicators, and Adient's diverse and employee-led business resource groups ("BRGs"). While the three councils primarily work within their regions, they also communicate and collaborate across regions to ensure alignment and progress toward enterprise-wide DE&I goals. Additionally, Adient has an annual global online training to all salaried employees focused on DE&I.

In 2023, Adient employees launched a new BRG in the Americas region - the South Asian Community ("SAC") BRG - in addition to growing the existing HOLA! (Hispanic Origins • Latino Ancestry) BRG, African Ancestry BRG ("AABRG"), True Colors Network ("TCN"), and Women's Resource Network ("WRN"). We continue to develop and refine our diversity initiatives to achieve our DE&I vision of being a premier employer that champions an inclusive and equitable work culture enriched by our diversity, where all employees are valued and respected.

Succession and Talent Development

At Adient, we believe that attracting, developing, motivating and retaining employees is key to our sustainable and profitable growth. We understand that, like customers, our employees and potential employees have choices of where to work, and we must compete for the best talent. Adient supports employee development in multiple ways. Adient has a global performance management process through which employees provide a self-assessment and managers provide evaluation and feedback on performance. This process informs employee development goals. Adient's Leadership Talent Review ("LTR") is its annual process for identifying and evaluating talent for the purposes of aligning individual aspirations and development plans with the organization's needs and building a diverse pipeline of leaders to mitigate leadership vacancy risk. LTR is designed to be an inclusive process that promotes visibility of talent, increases the validity of succession plans and ensures development efforts are applied efficiently. Talent potential assessments and succession plans are calibrated with broader groups of leaders to drive consistency, awareness and alignment on decisions and development actions. Adient's executive leadership provides annual updates on succession and talent development to the board of directors.

Seasonal Factors

Adient's principal operations are directly related to the automotive industry. Consequently, Adient may experience seasonal fluctuations to the extent automotive vehicle production slows, such as in the summer months when many customer plants close for model year changeovers and in December when many customer plants close for the holidays.

CAUTIONARY STATEMENTS FOR FORWARD-LOOKING INFORMATION

This document contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. Forward-looking statements can also be identified by words such as "future," "anticipates," "believes," "should," "forecast," "project," "estimates," "expects," "intends," "plans," "predicts," "will," "would," "could," "can," "may," or similar terms. Forward-looking statements are not guarantees of future performance and Adient's actual results may differ significantly from the results discussed in the forward-looking statements. Adient cautions that these statements are subject to numerous important risks, uncertainties, assumptions and other factors, some of which are beyond Adient's control, that could cause Adient's actual results to differ materially from those expressed or implied by such forward-looking statements, including, among others, risks related to: the effects of local and national economic, credit and capital market conditions (including the persistence of high interest rates and volatile currency exchange rates) on the global economy, work stoppages, including due to strikes, supply chain disruptions and similar events, wage inflationary pressures due to labor shortages and new labor negotiations, volatile energy markets, Adient's ability and timing of customer recoveries for increased input costs, the availability of raw materials and component products (including components required by our customers for the manufacture of vehicles), geopolitical uncertainties such as the Ukraine and Middle East conflicts and the impact on the regional and global economies and additional pressure on supply chain and vehicle production, the ability of Adient to execute its restructuring plans and achieve the desired benefit, automotive vehicle production levels, mix and schedules, as well as our concentration of exposure to certain automotive manufacturers, the ability of Adient to effectively launch new business at forecast and profitable levels, the ability of Adient to meet debt service requirements and, terms of future financing, the impact of global tax reform legislation, uncertainties in U.S. administrative policy regarding trade agreements, tariffs and other international trade relations, shifts in market shares among vehicles, vehicle segments or away from vehicles on which Adient has significant content, changes in consumer demand, global climate change and related emphasis on ESG matters by various stakeholders, and the ability of Adient to achieve its ESG-related goals, cancellation of or changes to commercial arrangements, and the ability of Adient to identify, recruit and retain key leadership. Factors that might cause differences include, but are not limited to, those discussed under the heading "Principal Risks and Uncertainties" which are incorporated herein by reference. All information presented herein is based on the Adient's fiscal calendar. Unless otherwise stated, references to particular years, quarters, months or periods refer to Adient's fiscal years ended in September and the associated quarters, months and periods of those fiscal years. Adient assumes no obligation to revise or update any forward-looking statements for any reason, except as required by law.

PRINCIPAL RISKS AND UNCERTAINTIES

Risks Related to Adient's Global Business

General economic, credit, capital market and global political conditions could adversely affect Adient's financial performance, Adient's ability to grow or sustain its businesses and Adient's ability to access the capital markets.

Adient competes around the world in various geographic regions and product markets. Global economic conditions, including supply chain disruptions, inflationary concerns and labor availability, affect Adient's business. As discussed in greater detail below, any future distress in the industries and/or markets where Adient competes could negatively affect Adient's revenues and financial performance in future periods, result in future restructuring charges, and adversely impact Adient's ability to grow or sustain its businesses.

The global automotive industry has experienced significant volatility over the past few years relative to supply chain disruptions, inflationary pressures, labor shortages, geopolitical uncertainties, higher interest rates and foreign currency fluctuations. Although Adient's seating products have not typically been dependent directly on the components causing the supply chain disruptions, Adient has been directly impacted by lower production levels at the OEMs as a direct result of these disruptions. These disruptions have moderated in fiscal 2023, but supply chains remain fragile and in the past have led to unplanned downtime at Adient's production facilities, often with very little warning, which created operating inefficiencies and limited Adient's ability to adequately mitigate such inefficiencies. The automotive industry has also experienced a period of significant price volatility (generally resulting in an increase in commodities, energy costs, freight costs, labor costs and other input costs), as well as encountering an environment of unfavorable foreign currency exposures and rising interest rates. While some of these input cost increases have moderated in fiscal 2023, other exposures will likely continue into fiscal 2024 and perhaps further into the future. This environment of significant price volatility has resulted in, and may continue to result in, increased costs for Adient that may not be, or may only be partially, offset. Adient also experienced constrained labor availability which has resulted in wage inflationary pressures, both internally and at key vendors. Adient continues to assess any impact labor shortages and wage inflation might have on Adient's ability to perform its obligations. Although Adient has developed and implemented strategies to mitigate the impact of supply chain disruptions along with the impact of higher input and other costs, these strategies, together with commercial negotiations with Adient's customers and suppliers, typically offset only a portion (less than 100%) of the adverse impact. Additionally, Adient's operating model requires long lead times between the design and development of products and the launch of production. This lead time requires Adient to secure vendor supply well in advance to minimize launch and production inefficiencies. During such lead times, price commitments are subject to change and could lead to an inability of Adient to fully recover all such price changes.

The capital and credit markets provide Adient with liquidity to operate and grow its business beyond the liquidity that operating cash flows provide. A worldwide economic downturn and/or disruption of the credit markets likely would reduce Adient's access to capital necessary for its operations and executing its strategic plan. Adient's ability to borrow against the ABL Credit Facility is limited to its borrowing base, which consists primarily of accounts receivable, inventory and certain cash account balances. Such working capital account balances fluctuate significantly depending on production levels and operating activities. If Adient's access to capital were to become constrained significantly, or if costs of capital increased significantly, due to lowered credit ratings, prevailing industry conditions, the volatility of the capital markets or other factors, Adient's financial condition, results of operations and cash flows likely would be adversely affected.

Unfavorable changes in the condition of the global automotive industry and the condition of individual automakers may adversely affect Adient's results of operations.

Adient's financial performance depends, in part, on conditions in the automotive industry. Automotive production and sales are highly cyclical and depend on general economic conditions and other factors, including consumer spending and preferences. Automakers may experience a decline in the number of new vehicle sales, whether as a result of economic decline, ongoing supply chain disruptions and labor shortages, increasing consumer borrowing rates or for various other reasons. Automakers may also become less cost competitive due to rising input costs, such as labor or raw materials, and thereby experience a loss of demand for their products as consumers shift to lower cost options. As a result, Adient may experience reductions in orders from these customers, incur write-offs of accounts receivable, incur impairment charges or require additional restructuring actions beyond its current restructuring plans, particularly if any of the automakers cannot adequately fund their operations or experience financial distress. Such adverse changes likely would have a negative impact on Adient's business, financial condition or results of operations. In addition, Adient relies in part on its customers' forecasting of their expected needs, which forecasts can change rapidly and may not be accurate. Any inaccurate forecast data received by customers could also have an adverse impact on Adient's results of operations.

Risks associated with joint venture partnerships may adversely affect Adient's business and financial results.

Adient has several joint ventures worldwide and may enter into additional joint ventures in the future. Adient's joint venture partners may at any time have economic, business or legal interests or goals that are inconsistent with Adient's goals or with the goals of the joint venture which could lead to, among other things, dissolution, liquidation and/or modification of the joint venture terms. Adient may compete against its joint venture partners in certain of its markets and certain negotiations with its customers may negatively impact its joint venture business with those same customers. Disagreements with Adient's business partners may impede Adient's ability to maximize the benefits of its partnerships and/or may consume management time and other resources to negotiate, and which could lead to, among other things, dissolution, liquidation and/or modification of the joint venture terms. Adient's joint venture arrangements may require Adient, among other matters, to pay certain costs or to make certain capital investments or to seek its joint venture partner's consent to take certain actions. Adient does not control the ability to collect cash dividends from its non-consolidated joint ventures. In addition, Adient does not control the financial reporting of its non-consolidated joint ventures, which may impact its ability to complete its financial statements in a timely or accurate manner. Delays in the collection of dividends, even by a few days, could adversely affect Adient's financial position and cash flows. Adient's joint venture partners may be unable or unwilling to meet their economic or other obligations under the operative documents, and Adient may be required to either fulfill those obligations alone to ensure the ongoing success of a joint venture or to dissolve and liquidate a joint venture. Further, joint venture partnerships are subject to renewal or expiration at various times. The failure to renew or extend the terms of Adient's joint venture partnerships could impact other areas of Adient's business, including its business relationships. The above risks, if realized, could result in a material adverse effect on Adient's business and financial results.

Furthermore, non-consolidated joint ventures present various risks, including the risk that Adient may be slower or less able to identify or react to problems affecting its non-consolidated joint ventures than Adient would for a wholly-owned subsidiary or consolidated joint venture. In addition, these arrangements may cause Adient to be slower to detect compliance related problems and make its design of effective internal controls more challenging. Each of these challenges may be more costly to implement, and the risk of failure potentially higher, than would be the case in a more centralized structure. Depending on the nature of the problems, the failure to identify, detect or react could materially adversely affect Adient’s business, financial condition or results of operations.

Risks associated with Adient's non-U.S. operations could adversely affect Adient's business, financial condition and results of operations.

Adient has significant operations in a number of countries outside the U.S., some of which are located in emerging markets. Long-term economic or political uncertainty in some of the regions of the world in which Adient operates, such as Asia, South America and Europe and other emerging markets, could result in the disruption of markets and negatively affect cash flows from Adient's operations to cover its capital needs and debt service requirements.

In addition, as a result of Adient's global presence, a significant portion of its revenues and expenses is denominated in currencies other than the U.S. dollar. Adient is therefore subject to foreign currency risks and foreign exchange exposure. While Adient employs financial instruments to hedge some of its transactional foreign exchange exposure, these activities do not insulate Adient completely from those exposures. Exchange rates can be volatile and could adversely impact Adient's financial results and the comparability of results from period to period. Our use of financial instruments to limit this risk is guided by strict policies and processes and the success of our hedging programs depends primarily on the performance of the business in comparison with our forecasted sales proceeds and costs. If we incorrectly forecast these and other related factors, the transactions we have entered into may have an adverse impact on our financial results. No assurance can be given that our judgment in this respect will be correct.

There are other risks that are inherent in Adient's non-U.S. operations, including the potential for changes in socioeconomic conditions, laws and regulations, including sanctions, import, export, direct and indirect taxes, value-added taxes, labor and environmental laws, and monetary and fiscal policies; protectionist measures that may prohibit acquisitions or joint ventures, or impact trade volumes; unsettled political conditions or instability; government-imposed plant or other operational shutdowns; backlash from foreign labor organizations related to Adient's restructuring actions; asset freezes and seizures; corruption; natural and man-made disasters; global health epidemics (such as COVID-19); hazards and losses; armed conflict, territorial disputes or acts of aggression in Asia, South America, Europe or otherwise; violence, civil and labor unrest; and possible terrorist attacks.

On December 30, 2020, the U.K. completed its withdrawal from the European Union and entered into an agreement regarding their future relationship, the Trade and Cooperation Agreement, which was ratified by the parties and entered into full force on May 1, 2021. However, certain economic uncertainties remain in connection with the future of the U.K. and its relationship with the European Union. These uncertainties have caused and may continue to cause disruptions to capital and currency markets worldwide as well as cause disruptions to Adient’s operations.

Russia’s invasion of Ukraine in February 2022 resulted in significant uncertainty and instability in global supply chains and availability of certain commodities and raw materials. Although Adient has no operations in Ukraine and its operation in Russia has since been disposed, certain of its suppliers as well as customers depend on commodities and other material supplies that originate in Ukraine or Russia. In response to Russia’s invasion in Ukraine, a number of countries, including the United States, the United Kingdom and members of the European Union, have implemented economic sanctions on Russia and certain Russian enterprises including several large banks. The conflict also led to increases in the cost of energy and the potential for energy shortages, especially in Europe. Although the impact of this conflict has moderated in fiscal 2023, if the conflict continues or expands, it may trigger a series of additional economic and other sanctions which in turn could further disrupt the global automotive supply chains by limiting supplies of key components and increasing inflationary pressures. This ongoing conflict, along with other geopolitical uncertainties such as the current conflict in the Middle East, could have broader adverse impacts on macroeconomic factors that impact Adient's business, cash flows, financial condition and results of operations.

Adient's business in China is subject to aggressive competition and is sensitive to economic and market conditions.

Maintaining a strong position in the Chinese market is a key component of Adient's strategy. Adient's business in China is conducted through both consolidated subsidiaries and nonconsolidated joint ventures. The automotive supply market in China is highly competitive, with competition from many of the largest global manufacturers and numerous smaller domestic manufacturers. As the size of the Chinese market evolves and as Chinese OEMs penetrate other markets around the globe, often with lower-cost products, Adient anticipates that market participants will act aggressively to increase or maintain their market share. Increased competition may result in price reductions, reduced margins and Adient's inability to gain or hold market share. In addition to the risks imposed by U.S. economic trade policy discussed further below, Adient's business in China is sensitive to economic, political and market conditions that drive automotive sales volumes in China. If Adient is unable to maintain its position in the Chinese market, or if vehicle sales in China decrease or do not continue to increase, then Adient's business and financial results may be adversely affected.

Changes in U.S. administrative policy, including changes to existing trade agreements and any resulting changes in international trade relations, may have an adverse effect on Adient.

There is continued uncertainty about the future relationship between the U.S. and various other countries, most significantly China, with respect to trade policies, treaties, government regulations and tariffs. Under the Biden administration, changes in U.S. administrative policy could lead to changes to existing trade agreements, greater restrictions on free trade generally, and significant increases in tariffs on goods imported into the U.S., particularly tariffs on products manufactured in Mexico and China, among other possible changes. A trade war, other governmental action related to tariffs or international trade agreements, changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where Adient currently manufactures and sells products, and any resulting negative sentiments towards the U.S. as a result of such changes, likely would have an adverse effect on Adient's business, financial condition or results of operations.

The regulation of Adient's international operations, and any failure of Adient to comply with those regulations, could adversely affect its business, results of operations and reputation.

Due to Adient's global operations, Adient is subject to many laws governing international relations and its international operations, including laws that prohibit improper payments to government officials and commercial customers and that restrict where Adient can do business, what information or products Adient can import and export to and from certain countries and what information Adient can provide to a non-U.S. government. These laws include but are not limited to the U.S. Foreign Corrupt Practices Act, the Irish Criminal Justice ("Corruption Offences") Act, the U.K. Bribery Act, the U.S. Export Administration Act and U.S. and international economic sanctions and money laundering regulations. Adient has internal policies and procedures relating to compliance with such laws; however, there is a risk that such policies and procedures will not always protect Adient from the improper acts of employees, agents, business partners, joint venture partners or representatives, particularly in the case of recently acquired operations that may not have significant training in applicable compliance policies and procedures. Violations of these laws, which are complex, may result in criminal penalties, sanctions and/or fines, and may also result in costly and time-consuming governmental investigations, any or all of which could have an adverse effect on Adient's business, financial condition and results of operations and reputation. In addition, Adient is subject to antitrust laws in various countries throughout the world. Changes in these laws or their interpretation, administration or enforcement may occur over time. Any such changes may limit Adient's future acquisitions, divestitures or operations. Violations of antitrust laws may result in penalties, sanctions and/or fines, and may also result in costly and time-consuming governmental investigations, any or all of which could have an adverse effect on Adient's business, financial condition and results of operations and reputation.

Risks Related to Adient's Operations

Increases in the costs and restrictions on the availability of raw materials, energy, commodities, freight, labor and product components could adversely affect Adient's financial performance.

Raw material, energy, commodity, freight and labor costs can be volatile. Although Adient has developed and implemented strategies to mitigate the impact of higher raw material, energy, commodity, freight and labor costs, these strategies, together with commercial negotiations with Adient's customers and suppliers, may only offset a portion of the adverse impact. Certain of these strategies also may limit Adient's opportunities in a declining commodity environment. In addition, the availability of raw materials, commodities, transportation and product components fluctuates from time to time due to factors outside of Adient's control. Due to a variety of global factors, the automotive industry experienced, and may continue to experience, supply chain disruptions from an insufficient availability of raw materials, components and labor. As a result of these disruptions, the automotive industry has seen volatility in the volume of automobile production, which has resulted in, and may continue to result in, decreased sales, without a corresponding decrease in labor costs, for Adient. In addition, the automotive industry has seen periods of price increases for commodities, primarily related to steel, and to a lesser extent petrochemicals, and energy costs in Europe. Adient has also experienced constrained labor availability which has resulted in wage inflationary pressures, both internally and at key vendors. Given the recent United Auto Workers ("UAW") strike that lasted six weeks beginning in September 2023, and UAW's ongoing strategy of targeted strikes, Adient may see increased pressure for wage and benefit increases in the U.S. These increases may continue into the future as demand increases and as supply may remain constrained, which has resulted in, and may continue to result in, increased costs for Adient. If the costs of raw materials, energy, commodities, freight costs, labor costs and product components increase or the availability thereof is restricted, it could adversely affect Adient's financial condition, operating results and cash flows.

Adient operates in the highly competitive automotive supply industry.

The global automotive component supply industry is highly competitive. Competition is based primarily on price, technology, quality, delivery and overall customer service. There can be no assurance that Adient's products will be able to compete successfully with the products of Adient's competitors. Furthermore, the rapidly evolving nature of the markets in which Adient competes, including as a result of the autonomous vehicle market and consumer preferences for mobility on demand services, such as car- and ride-sharing, may attract new entrants. Additionally, consolidation in the automotive industry may lead to decreased product purchases from Adient.

As a result, Adient's sales levels and margins could be adversely affected by pricing pressures from OEMs and pricing actions of competitors. These factors may lead to selective resourcing of business to competitors. Adient's competitors may develop, design or duplicate technologies that compete with Adient's owned or licensed intellectual property. Developments or assertions by or against Adient relating to intellectual property rights, or any inability to protect Adient's rights, could have an adverse impact on its business and competitive position. In addition, any of Adient's competitors may foresee the course of market development more accurately than Adient, develop products that are superior to Adient's products, produce similar products at a lower cost than Adient, or adapt more quickly than Adient to new technologies or evolving customer requirements. Adient cannot provide assurances that certain of Adient’s products will not become obsolete or that Adient will be able to achieve the technological advances that may be necessary to remain competitive. As a result, Adient's products may not be able to compete successfully with its competitors' products and Adient may not be able to meet the growing demands of customers. In addition, Adient’s customers may increase levels of production insourcing for a variety of reasons, such as shifts in customers’ business strategies or the emergence of low-cost production opportunities in other countries. These trends may adversely affect Adient's sales as well as the profit margins on Adient's products.

Adient's profitability and results of operations may be adversely affected by a significant failure or inability to comply with the specifications and manufacturing requirements of its OEM customers or by program launch difficulties.

Adient's business faces the production demands and requirements of its OEM customers, as described in the Principal Activities section of this report. As a result of safety and environmental regulations, as well as a trend of more rapid customer preference changes, OEMs are requiring suppliers like Adient to respond faster with new designs and product innovations. A significant failure or inability to comply with customer specifications and manufacturing requirements or delays or other problems with existing or new products often results in financial penalties, increased costs, loss of sales, loss of customers or potential breaches of customer contracts, which likely would have an adverse effect on Adient's profitability and results of operations.

In addition, to the extent Adient experiences product launch difficulties (which could be the result of a wide range of factors, including the production readiness of Adient's and its suppliers' manufacturing facilities and manufacturing processes, as well as factors related to tooling, equipment, employees, initial product quality and other factors), vehicle production at Adient’s customers could be significantly delayed or shut down. Such situations could result in significant financial penalties to Adient, a diversion of personnel and financial resources to improving launches rather than investment in continuous process improvement or other growth initiatives, and could result in Adient’s customers shifting work away from Adient to a competitor, all of which could result in loss of revenue, loss of market share and likely would have an adverse effect on Adient’s profitability and cash flows. Adient's failure to successfully launch material new or takeover business, or Adient's inability to accurately estimate the cost to design, develop and launch new or takeover business, likely would have an adverse effect on Adient's profitability and results of operations.

Adient may not be able to successfully negotiate pricing and other terms with its customers or may be unable to achieve product cost reductions that offset customer-imposed price reductions, both of which may adversely affect its results of operations.

Adient negotiates sales price adjustments and other contractual terms periodically with its automotive customers. There is no guarantee that Adient will be able to successfully negotiate pricing or other terms that are favorable or beneficial to Adient. Further, any cost-cutting initiatives that its customers adopt generally result in increased downward pressure on pricing. If Adient is unable to generate sufficient production or supply chain cost savings in the future to offset price reductions, Adient's results of operations may be adversely affected. In particular, large commercial settlements with Adient's customers likely would adversely affect Adient's results of operations. In addition, Adient must negotiate contract and other program changes during the life of customer programs to address situations unforeseen at the beginning of the program, including those relating to labor shortages and material cost increases. The inability of Adient to negotiate these contract or program changes in a manner favorable to Adient could also adversely affect Adient’s results of operations.

Work stoppages, including those at Adient's customers, and similar events could significantly disrupt Adient's business.

Because the automotive industry relies heavily on just-in-time delivery of components during the assembly and manufacture of vehicles, a work stoppage at one or more of Adient's manufacturing and assembly facilities could have adverse effects on the business. Similarly, if one or more of Adient's customers were to experience a work stoppage, such as what occurred during the six weeks of the UAW strike in the U.S. resulting in an estimated $155 million of lost revenue to Adient (through November 3, 2023), ongoing supply chain disruptions, or otherwise, that customer would likely halt or limit purchases of Adient's products, which could result in the shutdown of the related Adient manufacturing facilities and or other cost-reduction initiatives. In addition in certain instances we may be unable to adjust our staffing levels to correspond to a customer's work stoppage such that we incur increased labor costs along with a decrease in production. A significant disruption in the supply of a key component due to a work stoppage at one of Adient's suppliers or any other supplier could have the same consequences, and accordingly, have an adverse effect on Adient's financial results.

Adient may be unable to realize the expected benefits of its restructuring actions, which could adversely affect its profitability and operations.

In order to align Adient's resources with its strategies, operate more efficiently and control costs and to realign its businesses, with customer and market needs and operating conditions, Adient has periodically announced, and in the future may continue to announce, restructuring plans, which may include workforce reductions, global plant closures and consolidations, asset impairments and other cost reduction initiatives. In each of the last five fiscal years, Adient announced restructurings related to cost reduction initiatives, which included workforce reductions, plant closures and asset impairments. Adient may undertake additional restructuring actions, including plant closures and workforce reductions in the future. As these plans and actions are complex, unforeseen factors could result in expected savings and benefits to be delayed or not realized to the full extent planned (if at all), and Adient's operations and business may be disrupted, which likely would adversely affect Adient's financial condition, operating results and cash flow. Furthermore, to the extent such initiatives involve workforce changes, such changes may temporarily reduce workforce productivity, which could be disruptive to our business and adversely affect our results of operations.

A failure of Adient's information technology ("IT") and data security infrastructure could adversely impact Adient's business, operations and reputation.

Adient relies upon the capacity, reliability and security of its IT and data security infrastructure, as well as its ability to expand and continually update this infrastructure in response to the changing needs of its business. If Adient experiences a problem with the functioning of an important IT system or a security breach of Adient's IT systems, including a potential ransomware attack, due to failure to timely upgrade systems or during system upgrades and/or new system implementations, the resulting disruptions could have an adverse effect on Adient's business.

Adient and certain of its third-party vendors receive and store personal information in connection with Adient's human resources operations and other aspects of Adient's business. Despite Adient's implementation of security measures, Adient's IT systems, like those of other companies, are vulnerable to damages from computer viruses, natural disasters, unauthorized access, cyber-attack, ransomware attack, and other similar disruptions. Any system failure, accident or cyber security breach or incident could result in disruptions to Adient's operations. A material network breach in the security of Adient's IT systems could lead to the theft of Adient's intellectual property, trade secrets, customer information, human resources information or other confidential information. To the extent that any disruptions or security breach results in a loss or damage to Adient's data, or an inappropriate disclosure of confidential, proprietary or customer information, it could cause significant damage to Adient's reputation, affect Adient's relationships with its customers and vendors, lead to claims against Adient and ultimately harm its business. In addition, Adient may be required to incur significant costs to protect against damage caused by these disruptions or security breaches in the future.

In addition, legislators and/or regulators in countries in which Adient operates are increasingly adopting or revising privacy, information security and data protection laws. In particular, the European Union's General Data Protection Regulation and the China security law both have extra-territorial scope. Violations of such laws and regulations may result in penalties, sanctions and/or fines, and may also result in costly and time-consuming governmental investigations, any or all of which could have an adverse effect on Adient's business, financial condition and results of operations and reputation.

Negative or unexpected tax consequences could adversely affect Adient's results of operations.

Adverse changes in the underlying profitability and financial outlook of Adient's operations in several jurisdictions could lead to additional changes in Adient's valuation allowances against deferred tax assets and other tax reserves on Adient's statements of financial position. Additionally, changes in tax laws in Ireland, the U.S. or in other countries where Adient has significant operations could materially affect deferred tax assets and liabilities on Adient's statements of financial position and income tax provision on Adient's statements of income.

Adient is also subject to tax audits for both direct and indirect taxes by governmental authorities on a worldwide basis. Governmental authorities have become more aggressive in proposing tax assessments, including interest related to income taxes and transaction taxes such as Value Added Tax ("VAT"). Negative unexpected results from one or more such tax audits could adversely affect Adient's results of operations.

If Adient does not respond appropriately, the evolution of the automotive industry towards autonomous vehicles and mobility on demand services could adversely affect Adient's business.

The automotive industry is increasingly focused on the development of advanced driver assistance technologies, with the goal of developing and introducing a commercially-viable, fully automated driving experience. There has also been an increase in consumer preferences for mobility on demand services, such as car- and ride-sharing, as opposed to automobile ownership, which may result in a long term reduction in the number of vehicles per capita. These evolving areas have also attracted increased competition from entrants outside the traditional automotive industry. If Adient does not continue to innovate to develop or acquire new and compelling products that capitalize upon new technologies in response to OEM and consumer preferences, this could have an adverse impact on Adient's results of operations.

Adient may incur material losses and costs as a result of warranty claims and product liability actions that may be brought against Adient.

Adient faces an inherent business risk of exposure to warranty claims and product liability in the event that its products fail to perform as expected and, in the case of product liability, such failure of its products results, or is alleged to result, in bodily injury and/or property damage. While Adient will maintain reasonable limits of insurance coverage to appropriately respond to such exposures, large product liability claims, if made, could exceed Adient's insurance coverage limits and insurance may not continue to be available on commercially acceptable terms, if at all Adient may incur significant costs to defend these claims or experience product liability losses in the future. If any of Adient's products are or are alleged to be defective, Adient may be required to participate in a recall involving such products. As suppliers become more integrally involved in the vehicle design process and assume more of the vehicle assembly functions, auto manufacturers are increasingly looking to their suppliers for contribution when faced with recalls and product liability claims. A recall claim brought against Adient that is not insured, or a product liability claim brought against Adient in excess of its available insurance, could have an adverse impact on Adient's results of operations. In addition, a recall claim could require Adient to review its entire product portfolio to assess whether similar issues are present in other product lines, which could result in significant disruption to Adient's business and could have an adverse impact on Adient's results of operations.

Auto manufacturers are also increasingly requiring their suppliers to guarantee or warrant their products and bear the costs of repair and replacement of such products under new vehicle warranties. Depending on the terms under which Adient supplies products to an auto manufacturer, an auto manufacturer may attempt to hold Adient responsible for some or all of the repair or replacement costs of defective products under new vehicle warranties, when the vehicle manufacturer asserts that the product supplied did not perform as warranted.

Although Adient cannot assure that the future costs of warranty claims by its customers and product liability claims will not be material, Adient believes its established reserves are adequate to cover potential settlements. Adient's reserves are based on Adient's best estimates of amounts necessary to settle future and existing claims. Adient regularly evaluates the level of these reserves, and adjusts them when appropriate. However, the final amounts determined to be due related to these matters could differ materially from Adient's recorded estimates.

Any changes in consumer credit availability or cost of borrowing could adversely affect Adient's business.

Declines in the availability of consumer credit and increases in consumer borrowing costs have negatively impacted global automotive sales and resulted in lower production volumes in the past. Substantial declines in automotive sales and production by Adient's customers likely would have an adverse effect on Adient's business, results of operations and financial condition.

Global climate change and related emphasis on ESG matters by various stakeholders could negatively affect Adient's business.

Increased public awareness and concern regarding global climate change may result in more regional and/or federal requirements to reduce or mitigate the effects of greenhouse gas emissions. There continues to be a lack of consistent climate legislation, which creates economic and regulatory uncertainty. Such regulatory uncertainty extends to future incentives for energy efficient vehicles and costs of compliance, which may impact the demand for Adient's products and Adient's results of operations.

The effects of climate change, such as extreme weather conditions, create financial risk to Adient's business. For example, the demand for Adient's products and services may be affected by unseasonable weather conditions. Climate changes could also disrupt Adient's operations by impacting the availability and cost of materials needed for manufacturing and could increase insurance and other operating costs. These factors may impact Adient's decisions to construct new facilities or maintain existing facilities in areas most prone to physical climate risks. Adient could also face indirect financial risks passed through the supply chain, and process disruptions due to physical climate changes could result in price modifications for Adient's products and the resources needed to produce them.

Furthermore, customer, investor, regulatory and employee expectations in areas such as ESG have been rapidly evolving and increasing. Specifically, regulatory bodies around the globe continue to develop ESG reporting requirements, many of which will be subject to independent audits. Emerging European legislation is requiring detailed emissions data reporting for imported carbon intensive commodities, subject to financial payment mechanisms after a transition period. Further European legislation is requiring extensive value chain diligence for forest related commodities to ensure goods do not result from recent deforestation, forest degradation or breaches of local law. Also, certain customers are beginning to require that Adient provide information on its plans and goals relating to certain climate-related matters such as carbon and greenhouse gas emissions and renewable energy. Product design activities for lower carbon emission products must keep pace with customer carbon emission reduction and pricing expectations. The enhanced stakeholder focus on ESG issues relating to Adient requires the continuous monitoring of various and evolving standards and the associated reporting requirements. A failure to adequately meet regulatory requirements and stakeholder expectations or achieve its ESG-related goals may result in the loss of business, diluted market valuation, an inability to attract customers or an inability to attract and retain top talent.

As of the date of this filing, Adient has made several public commitments regarding our intended reduction of carbon emissions, including commitments to science-based targets to reduce carbon emissions from its operations and the operations of its customers. Although Adient intends to meet these commitments, it may be required to expend significant resources to do so, which could increase its operational costs. Further, there can be no assurance that any of Adient’s commitments will be achieved, or that any future investments it makes to achieve such targets and goals will meet investor expectations or any binding or non-binding legal standards regarding sustainability performance. Moreover, Adient may determine that it is in the best interest of Adient and its shareholders to prioritize other business, social, governance or sustainable investments over the achievement of our current commitments based on economic, regulatory and social factors, business strategy or pressure from investors, activist groups or other stakeholders. If Adient is unable to meet these commitments, then it could incur adverse publicity and reactions from investors, activist groups and other stakeholders, which could adversely impact the perception of Adient and its products and services by current and potential customers, as well as investors, which could in turn adversely impact its results of operations.

Risks related to Adient's defined benefit retirement plans may adversely impact Adient's results of operations and cash flow.

Significant changes in actual investment return on defined benefit plan assets, discount rates, mortality assumptions and other factors could adversely affect Adient's results of operations and the amounts of contributions Adient must make to its defined benefit plans in future periods. For example, Adient has recorded mark-to-market adjustments on the revaluation of its pension obligations that have significantly impacted its overall results the past two years. Generally accepted accounting principles in the U.S. require that Adient calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial markets and interest rates, which may change based on economic conditions. Funding requirements for Adient's defined benefit plans are dependent upon, among other factors, interest rates, underlying asset returns and the impact of legislative or regulatory changes related to defined benefit funding obligations.

Legal proceedings in which Adient is, or may be, a party may adversely affect Adient.

Adient is currently and may in the future become subject to legal proceedings and commercial, contractual or other disputes. These are typically lawsuits, claims and proceedings that arise in the normal course of business including, without limitation, claims pertaining to product liability, product safety, environmental, safety and health, intellectual property, employment, commercial, contractual and various other matters. The outcome of such lawsuits, claims or proceedings cannot be predicted with certainty and some may be disposed of unfavorably to Adient. There exists the possibility that such claims may have an adverse impact on Adient's results of operations that is greater than Adient anticipates, and/or negatively affect Adient's reputation.

A downgrade in the ratings of Adient's debt capital could restrict Adient's ability to access the debt capital markets and increase Adient's interest costs.

Unfavorable changes in the ratings that rating agencies assign to Adient's debt may ultimately negatively impact Adient's access to the debt capital markets and increase the costs Adient incurs to borrow funds. Future tightening in the credit markets and a reduced level of liquidity in many financial markets due to turmoil in the financial and banking industries could adversely affect Adient's access to the debt capital markets or the price Adient pays to issue debt. A downgrade in Adient's ratings or volatility in the financial markets causing limitations to the debt capital markets could have an adverse effect on Adient's business or Adient's ability to meet its liquidity needs. There can be no assurance that Adient would be able to obtain additional financing or refinancing and failure to obtain such additional financing or refinancing could have a material adverse impact on our operations. Adient may incur or assume significantly more debt in the future. If Adient incurs more debt in the future and does not retire existing debt, the risks described above could increase.

Adient's debt obligations could adversely affect Adient's business, profitability and the ability to meet its obligations.

As of September 30, 2023, Adient's total consolidated indebtedness approximated $2.5 billion. This significant amount of debt could potentially have adverse consequences to Adient and its debt and equity investors, including:

- making it more difficult to satisfy other obligations;
- increasing the risk of a future credit ratings downgrade of its debt, which could increase future debt costs and limit the future availability of debt financing;
- increasing Adient's vulnerability to general adverse economic and industry conditions;
- placing Adient at a competitive disadvantage relative to its competitors that may not be as highly leveraged with debt; and
- limiting Adient's ability to borrow additional funds as needed.

Adient's business success depends on attracting and retaining qualified personnel and our attempts to fully reopen our offices and operate under a hybrid working environment may not be successful.

Adient's ability to sustain and grow its business requires it to hire, retain and develop a highly skilled and diverse management team and workforce. Failure to ensure that Adient has the leadership capacity with the necessary skill set and experience could impede Adient's ability to deliver its growth objectives and execute its strategic plan. Organizational and reporting changes as a result of any future leadership transition and corporate initiatives, including restructuring actions, could result in increased turnover. Additionally, any unplanned turnover or inability to attract and retain key employees could have a negative effect on Adient's results of operations. Further, certain of the recent austerity measures related to employee compensation, along with the on-going unpredictability of production schedules, could result in employees pursuing other employment opportunities outside of Adient.

Adient is operating under a “hybrid” working environment, meaning that the majority of its non-plant employees have the flexibility to work remotely at least some of the time, for the foreseeable future. The hybrid working environment may impair Adient’s ability to maintain its collaborative and innovative culture, and may cause disruptions among employees, including decreases in productivity, challenges in communications between on-site and off-site employees and, potentially, employee dissatisfaction and attrition. If Adient’s attempts to operate under a hybrid working environment are not successful, its business could be adversely impacted.

Adverse developments affecting, or the financial distress of, one or more of Adient's suppliers or other third party counterparties could adversely affect Adient's financial performance.

Adient obtains components and other products and services from numerous automotive suppliers and other vendors throughout the world. In addition, Adient is party to various arrangements with third parties who owe Adient money or goods and services, or who purchase goods and services from Adient. Adient is responsible for managing its supply chain, including suppliers that may be the sole sources of products that Adient requires, which Adient's customers direct Adient to use or which have unique capabilities that would make it difficult and/or expensive to re-source. In addition, with fewer sources of supply for certain components, each supplier may perceive that it has greater leverage and, therefore, some ability to seek higher prices from us at a time that we face substantial pressure from OEMs to reduce the prices of our products. This could adversely affect our customer relations and business. In certain instances, entire industries may experience short-term capacity constraints. Additionally, Adient's production capacity, and that of Adient's customers and suppliers, may be adversely affected by natural disasters. Any such significant disruption could adversely affect Adient's financial performance. Unfavorable economic or industry conditions could also result in financial distress within Adient's supply chain or among other third party counterparties, thereby increasing the risk of supply disruption or lost orders. Although market conditions generally have improved in recent years, uncertainty remains and another economic downturn or other unfavorable industry conditions in one or more of the regions in which Adient operates could cause a supply disruption or loss of customer orders and thereby adversely affect Adient's financial condition, operating results and cash flows.

The loss of business with respect to, or the lack of commercial success of, a vehicle model for which Adient is a significant supplier could adversely affect Adient's financial performance.

Although Adient receives purchase orders from its customers, these purchase orders often provide for the supply of a customer's annual requirements for a particular vehicle model and assembly plant, or in some cases, for the supply of a customer's requirements for the life of a particular vehicle model, rather than for the purchase of a specific quantity of products. In addition, it is possible that Adient's customers could elect to manufacture its products internally or increase the extent to which they require Adient to utilize specific suppliers or materials in the manufacture of its products. The loss of business with respect to, the lack of commercial success of or an increase in directed component sourcing for a vehicle model for which Adient is a significant supplier could reduce Adient's sales or margins and thereby adversely affect Adient's financial condition, operating results and cash flows.

Shifts in market shares among vehicles, vehicle segments or shifts away from vehicles on which Adient has significant content or overall changes in consumer demand could have an adverse effect on Adient's profitability.

While Adient supplies parts for a wide variety of vehicles produced globally, Adient does not supply parts for all vehicles produced, nor is the number or value of parts evenly distributed among the vehicles for which Adient does supply parts. Shifts in market shares among vehicles or vehicle segments, including as a result of the autonomous vehicle market, particularly shifts away from vehicles on which Adient has significant content and shifts away from vehicle segments in which Adient's sales may be more heavily concentrated, could have an adverse effect on Adient's profitability. Similarly, certain vehicles or vehicle segments Adient supplies may be disproportionately impacted by overall industry disruptions such that Adient’s sales may be adversely effected relative to the industry in general or our competitors, which could have a negative effect on Adient’s business. Increases in energy costs or other factors (e.g., climate change concerns) may also shift consumer demand away from motor vehicles that typically have higher interior content that Adient supplies, such as light trucks, crossover vehicles, minivans and sports utility vehicles, to smaller vehicles having less interior content. The loss of business with respect to, or a lack of commercial success of, one or more particular vehicle models for which Adient is a significant supplier could reduce Adient's sales and harm Adient's profitability, thereby adversely affecting Adient's results of operations.

Adient may not pay dividends on its ordinary shares, which may impact Adient’s investor base.

Adient currently does not have plans to pay dividends on its ordinary shares. The timing, declaration, amount and payment of future dividends to shareholders will fall within the discretion of Adient's board of directors. The board's decisions regarding the payment of dividends will depend on many factors, such as Adient's financial condition, earnings, sufficiency of distributable reserves, capital requirements, debt service obligations, legal requirements, regulatory constraints and other factors that the board deems relevant. Adient's ability to pay dividends will depend on its ongoing ability to generate cash from operations and access capital markets. Adient cannot guarantee that it will pay dividends in the future which may impact Adient’s investor base.

A variety of other factors could adversely affect Adient's results of operations.

Any of the following could adversely impact Adient's results of operations: the inability of Adient to execute continued turnaround actions to improve profitability; the loss of, or changes in, automobile supply contracts, sourcing strategies or customer claims with Adient's major customers or suppliers; increased freight or shipping costs resulting from extreme weather conditions or supply chain disruptions, lack of commodity availability and unfavorable commodity pricing; start-up expenses associated with new vehicle programs or delays or cancellations of such programs; underutilization of Adient's manufacturing facilities, which are generally located near, and devoted to, a particular customer's facility; inability to recover engineering and tooling costs; market and financial consequences of any recalls that may be required on products that Adient has supplied or sold into the automotive aftermarket; delays or difficulties in new product development and integration; quantity and complexity of new program launches, which are subject to Adient's customers' timing, performance, design and quality standards; interruption of supply of certain single-source components; the potential introduction of similar or superior technologies; changing nature and prevalence of Adient's joint ventures and relationships with its strategic business partners; global overcapacity and vehicle platform proliferation; and the implementation of new internal control systems and procedures that fail to achieve accurate financial reporting or that fail to prevent fraudulent activity (such as vendor payments to fraudulent bank accounts).

Risks Related to Adient's Jurisdiction of Incorporation

As an Irish public limited company, certain capital structure decisions require shareholder approval, which may limit Adient's flexibility to manage its capital structure.

Irish law provides that a board of directors may allot shares (or rights to subscribe for or convertible into shares) only with the prior authorization of shareholders. At our most recent Annual General Meeting, Adient's shareholders renewed this authorization for a period of 18 months (unless previously renewed, varied or revoked). This authorization will need to be further renewed by ordinary resolution, being a resolution passed by a simple majority of votes cast, prior to expiration. We anticipate seeking another authorization at our next Annual General Meeting and annually thereafter. Should this authorization not be approved, our ability to issue equity could be limited which could adversely affect our securities holders.

Irish law also generally provides shareholders with preemptive rights when new shares are issued for cash; however, it is possible for shareholders to vote to exclude preemptive rights in a general meeting. At our most recent Annual General Meeting, Adient's shareholders renewed this authorization for a period of 18 months (unless previously renewed, varied or revoked). This authorization will need to be renewed by special resolution, being a resolution passed by not less than 75% of votes cast, upon expiration. We anticipate seeking another authorization at our next Annual General Meeting and annually thereafter. Should this authorization not be approved, our ability to issue equity could be limited which could adversely affect our securities holders.

The laws of Ireland differ from the laws in effect in the U.S. and may afford less protection to holders of Adient securities.

It may not be possible to enforce court judgments obtained in the U.S. against Adient in Ireland based on the civil liability provisions of the U.S. federal or state securities laws. In addition, there is some uncertainty as to whether the courts of Ireland would recognize or enforce judgments of U.S. courts obtained against Adient or its directors or officers based on the civil liabilities provisions of the U.S. federal or state securities laws or hear actions against Adient or those persons based on those laws. The U.S. currently does not have a treaty with Ireland providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters in Ireland. Therefore, a final judgment for the payment of money rendered by any U.S. federal or state court based on civil liability, whether or not based solely on U.S. federal or state securities laws, would not automatically be enforceable in Ireland.

A judgment obtained against Adient will be enforced by the courts of Ireland if the following general requirements are met: (i) U.S. courts must have had jurisdiction in relation to the particular defendant according to Irish conflict of law rules (the submission to jurisdiction by the defendant would satisfy this rule) and (ii) the judgment must be final and conclusive and the decree must be final and unalterable in the court which pronounces it. A judgment can be final and conclusive even if it is subject to appeal or even if an appeal is pending. Where however the effect of lodging an appeal under the applicable law is to stay execution of the judgment, it is possible that in the meantime the judgment may not be actionable in Ireland. It remains to be determined whether final judgment given in default of appearance is final and conclusive. However, Irish courts may refuse to enforce a judgment of the U.S. courts which meets the above requirements for one of the following reasons: (i) if the judgment is not for a definite sum of money; (ii) if the judgment was obtained by fraud; (iii) the enforcement of the judgment in Ireland would be contrary to natural or constitutional justice; (iv) the judgment is contrary to Irish public policy or involves certain U.S. laws which will not be enforced in Ireland; or (v) jurisdiction cannot be obtained by the Irish courts over the judgment debtors in the enforcement proceedings by personal service in Ireland or outside Ireland under Order 11 of the Ireland Superior Courts Rules.

As an Irish company, Adient is governed by the Irish Companies Act 2014, which differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including, among others, differences relating to interested director and officer transactions and shareholder lawsuits. Likewise, the duties of directors and officers of an Irish company generally are owed to Adient only. Shareholders of Irish companies generally do not have a personal right of action against directors or officers of Adient and may exercise such rights of action on behalf of Adient only in limited circumstances. Accordingly, holders of Adient's securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the U.S.

In addition, the Adient articles of association provide that the Irish courts have exclusive jurisdiction to determine any and all derivative actions in which a holder of Adient ordinary shares asserts a claim in the name of Adient, actions asserting a claim of breach of a fiduciary duty of any of the directors of Adient and actions asserting a claim arising pursuant to any provision of Irish law or Adient's articles of association. Under Irish law, the proper claimant for wrongs committed against Adient, including by the Adient directors, is considered to be Adient itself. Irish law permits a shareholder to initiate a lawsuit on behalf of a company such as Adient only in limited circumstances, and requires court permission to do so.

Adient's effective tax rate could be volatile and materially change as a result of changes in tax laws, mix of earnings and other factors.

A change in tax laws is one of many factors that impact Adient's effective tax rate. The U.S. Congress, the Organization for Economic Co-operation and Development ("OECD") and other government agencies in jurisdictions where Adient and its affiliates do business have had an extended focus on issues related to the taxation of multinational corporations. One example is in the area of base erosion and profit shifting, including situations where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. As a result, the tax laws in the U.S. and other countries in which Adient and its affiliates do business could change on a prospective or retroactive basis, and any such changes could adversely impact Adient and its affiliates, including potential adverse impacts to Adient's effective tax rate.

On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the "IRA") into law. The corporate tax provisions include (a) the creation of a 15% corporate minimum tax, effective for Adient's fiscal year 2024, and (b) a nondeductible 1% excise tax on share buy-backs of covered corporations, effective for stock repurchases that occur after December 31, 2022. Based upon current IRS guidance and Adient income levels, Adient does not expect to be subject to either provision. However, Adient will continue to monitor and reassess the impact, if any, as the IRS and U.S. Treasury issue additional guidance on the IRA provisions. Given the current political environment, it is uncertain whether additional U.S. corporate tax reform could be expected. There are a number of corporate income tax topics that were not addressed in the IRA that could be raised in the future, for example: increasing the U.S. corporate tax rate, increasing the rate of tax on certain earnings of foreign subsidiaries (the corporate minimum tax), modifying the base erosion and anti-abuse tax rules to target outbound payments to low-taxed jurisdictions, and further limiting interest expense deductibility. If any or all of these (or similar) proposals are ultimately enacted into law, in whole or in part, Adient's effective tax rate could be negatively impacted.

In 2021, the OECD released a framework for the fundamental reform of international tax rules. The framework provides for two primary "Pillars"; however, only Pillar Two, which provides for a global minimum corporate tax rate of 15%, is expected to be applicable to Adient (Pillar One is not expected to be applicable as Adient does not currently meet the turnover threshold – EUR 20 billion). In December 2022, Pillar Two was adopted by the Council of the European Union for implementation by European Union member states by December 31, 2023, with effect for tax years beginning in calendar year 2024 (Adient's 2025 fiscal year). Similar directives under Pillar Two are already adopted or expected to be adopted by taxing authorities in other countries where Adient does business, with widespread implementation of the global minimum tax in calendar years 2024 and 2025. The OECD, and its member countries, continue to release new guidance on these rules and Adient is continuously evaluating the impact to its financial position. Currently, the global enactment of Pillar Two is not expected to materially impact Adient's effective tax rate or cash flows. However, Adient will continue to monitor and evaluate new legislation and guidance, which could change our current assessment.

Currently, Adient incurs losses in certain countries where it does not receive a financial statement benefit, and Adient operates in countries which have different statutory rates. Consequently, changes in the mix and source of earnings between countries could have a material impact on Adient's overall effective tax rate.

Legislative and other proposals that would deny governmental contracts to U.S. companies that move their corporate location abroad may affect Adient if adopted.

Various U.S. federal and state legislative and other proposals that would deny governmental contracts to U.S. companies (and subsidiaries of U.S. companies) that move (or have moved) their corporate location abroad may affect Adient and/or its affiliates if adopted. It is difficult to predict the likelihood that any such proposals might be adopted, the nature of the regulations that might be promulgated, or the effect such adoptions and increased regulatory scrutiny might have on Adient's business.

Adient's status as a foreign corporation for U.S. federal tax purposes could be affected by a change in law.

Under current law, Adient is expected to be treated as a foreign corporation for U.S. federal tax purposes and Section 7874 is not otherwise expected to apply to Adient or its affiliates as a result of the separation from Johnson Controls International plc ("the Former Parent") in 2016. However, changes to the rules contained in Section 7874 and the Treasury Regulations promulgated thereunder, or other changes in law, could adversely affect Adient's and/or its affiliates' status as foreign corporations for U.S. federal tax purposes, the ability of Adient's U.S. affiliates to use certain attributes or deductions, the Adient group's effective tax rate and/or future tax planning for the Adient group, and any such changes could have prospective or retroactive application to Adient, its shareholders and affiliates, and/or the separation and distribution from the Former Parent.

Recent legislative and other proposals have aimed to expand the scope of U.S. corporate tax residence. Under such proposals, Adient and/or its affiliates could be treated as U.S. corporations if the management and control of Adient or such affiliates were determined to be located primarily in the U.S. In addition, recent legislative and other proposals have aimed to expand the scope of Section 7874, or otherwise address certain perceived issues arising in connection with so-called inversion transactions. Such proposals, if made retroactively effective to transactions completed during the period in which the separation from the Former Parent occurred, could cause Adient and/or its affiliates to be treated as U.S. corporations for U.S federal tax purposes. If enacted, these proposals could cause the Adient group to be subject to substantially greater U.S. tax liability than currently contemplated.

Potential indemnification liabilities to Adient's former parent company pursuant to the separation agreement could adversely affect Adient.

The separation arrangements with the Former Parent company provide for, among other things, the principal corporate transactions required to effect the separation, certain conditions to the separation and provisions governing the relationship between Adient and the Former Parent company with respect to and resulting from the separation, including ongoing relationships. Among other things, the separation arrangements provide for indemnification obligations designed to make Adient financially responsible for substantially all liabilities that may exist relating to its business activities, whether incurred prior to or after the separation, as well as those obligations of the Former Parent assumed by Adient pursuant to the separation arrangements and in respect of the conduct of the parties post-separation. Adient may be subject to substantial liabilities under these indemnifications.

Transfers of Adient ordinary shares, other than by means of the transfer of book-entry interests in the Depository Trust Company, may be subject to Irish stamp duty.

It is expected that, for the majority of transfers of Adient ordinary shares, there will not be any Irish stamp duty. Transfers of Adient ordinary shares effected by means of the transfer of book-entry interests in the Depository Trust Company, which we refer to as DTC, are not subject to Irish stamp duty. But if Adient ordinary shares are held directly rather than beneficially through DTC, any transfer of Adient ordinary shares could be subject to Irish stamp duty (currently at the rate of 1% of the higher of the price paid or the market value of the shares acquired). A shareholder who directly holds Adient ordinary shares may transfer those shares into his or her own broker account to be held through DTC (or vice versa) without giving rise to Irish stamp duty provided that there is no change in the beneficial ownership of the shares as a result of the transfer and the transfer is not in contemplation of a sale of the shares by a beneficial owner to a third party.

Payment of Irish stamp duty is generally a legal obligation of the transferee. The potential for stamp duty could adversely affect the price of Adient ordinary shares.

Certain provisions in Adient's articles of association, among other things, could prevent or delay an acquisition of Adient, which could decrease the trading price of Adient ordinary shares.

Adient's articles of association include measures that may be found in the charters of U.S. companies and that could have the effect of deterring coercive takeover practices, inadequate takeover bids and unsolicited offers. These provisions include, among others: (i) the power for the board of directors to issue and allot preferred shares or implement a shareholder rights plan without shareholder approval in certain circumstances; (ii) a provision similar to Section 203 of the Delaware General Corporation Law, which provides that, subject to limited exceptions, persons that acquire, or are affiliated with a person that acquires, more than 15 percent of the outstanding ordinary shares of Adient shall not engage in any business combination with Adient, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the date on which that person or its affiliates becomes the holder of more than 15 percent of Adient's outstanding ordinary shares; (iii) rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings; and (iv) the ability of the Adient board of directors to fill vacancies on the board of directors in certain circumstances.

It could be difficult for Adient to obtain shareholder approval for a merger or negotiated transaction because the shareholder approval requirements for certain types of transactions differ, and in some cases are greater, under Irish law than under U.S. state law.

In addition, several mandatory provisions of Irish law could prevent or delay an acquisition of Adient. For example, Adient will be subject to various provisions of Irish law relating to mandatory bids, voluntary bids, requirements to make a cash offer and minimum price requirements, as well as substantial acquisition rules and rules requiring the disclosure of interests in Adient ordinary shares in certain circumstances. Also, Irish companies, including Adient, may only alter their memorandum of association and articles of association with the approval of the holders of at least 75% of Adient's shares present and voting in person or by proxy at a general meeting of Adient (and certain provisions of Adient's memorandum of association and articles of association may only be amended with the approval of the holders of at least 80% in nominal value of Adient's issued ordinary shares).

Irish law requires that Adient meet certain additional financial requirements before it declares dividends.

Under Irish law, Adient will be able to declare dividends and make distributions only out of "distributable reserves." Distributable reserves are the accumulated realized profits of Adient that have not previously been utilized in a distribution or capitalization less accumulated realized losses that have not previously been written off in a reduction or reorganization of capital, and include reserves created by way of a reduction of capital, including the share premium account. In addition, no distribution or dividend may be paid or made by Adient unless the net assets of Adient are equal to, or exceed, the aggregate of Adient's called up share capital plus non-distributable reserves and the distribution does not reduce Adient's net assets below such aggregate. Non-distributable reserves include the share premium account, the capital redemption reserve fund and the amount by which Adient's accumulated unrealized profits that have not been previously utilized by any capitalization exceed Adient's accumulated unrealized losses that have not previously been written off in a reduction or reorganization of capital.

FINANCIAL RISK MANAGEMENT

Interest Rate and Foreign Currency Risk Management

Adient regularly reviews its underlying foreign exchange and interest rate exposures, both on a stand-alone basis and in conjunction with applicable derivative hedge positions. Given the effective horizons of Adient's risk management activities and the anticipatory nature of the exposures, there is no assurance the "derivative hedge" positions will offset more than a portion of the financial impact resulting from movements in Adient's underlying foreign exchange or interest rate exposures. Further, the recognition of the gains and losses related to these instruments may not coincide with the timing of gains and losses related to the underlying economic exposures and, therefore, may adversely affect Adient's financial condition and operating results.

Adient selectively uses derivative instruments to reduce market risk associated with changes in foreign currency. All hedging transactions were authorized and executed pursuant to clearly defined policies and procedures, which strictly prohibit the use of financial instruments for speculative purposes. At the inception of the hedge, Adient assesses the effectiveness of the hedge instrument and designates the hedge instrument as either (1) a hedge of a recognized asset or liability or of a recognized firm commitment (a fair value hedge), (2) a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to an unrecognized asset or liability (a cash flow hedge) or (3) a hedge of a net investment in a non-U.S. operation (a net investment hedge). Adient performs hedge effectiveness testing on an ongoing basis depending on the type of hedging instrument used. All other derivatives not designated as hedging instruments under ASC 815, "Derivatives and Hedging," are revalued in the consolidated statements of income.

For all foreign currency derivative instruments designated as cash flow hedges, Adient tests their effectiveness at the cash flow hedge’s inception and on an on-going basis. The fair value of the hedged exposures and the fair value of the hedge instruments are revalued, and the ratio of the cumulative sum of the periodic changes in the value of the hedge instruments to the cumulative sum of the periodic changes in the value of the hedge is calculated. The hedge is deemed as highly effective if the ratio is between 80% and 125%.

For all designated net investment hedges, Adient assessed its net investment position in non-U.S. operations and compared it with the outstanding net investment hedge principal on a quarterly basis. All hedges are deemed highly effective if the aggregate outstanding principal of the hedge instrument designated as the net investment hedge in a non-U.S. operation is between 80% and 125% of its net investment position in respective non-U.S. operations.

Further details are provided in the notes to consolidated financial statements. A discussion of Adient's accounting policies for derivative financial instruments is included in Note 1, "Organization and Summary of Significant Accounting Policies," and further disclosure relating to derivatives and hedging activities is included in Note 15, "Derivative Instruments and Hedging Activities," and Note 16, "Fair Value Measurements," of the notes to consolidated financial statements.

Interest Rate Risk

Adient's exposure to changes in global interest rates relates primarily to Adient's investment portfolio and outstanding debt. While Adient is exposed to global interest rate fluctuations, Adient's interest income and expense are most sensitive to fluctuations in U.S. interest rates. Changes in global interest rates affect the interest earned on Adient's cash, cash equivalents and marketable securities and the fair value of those securities, as well as costs associated with hedging and interest paid on Adient's debt.

Adient's investment policy and strategy are focused on preservation of capital and supporting Adient's liquidity requirements. Adient uses a combination of internal and external management to execute its investment strategy and achieve its investment objectives. Adient typically invests in highly-rated securities, and its investment policy generally limits the amount of credit exposure to any one issuer. The policy requires investments generally to be investment grade, with the primary objective of minimizing the potential risk of principal loss.

Further details regarding Adient's debt and financing arrangements are provided in Note 11, "Debt and Financing Arrangements," of the notes to consolidated financial statements.

Foreign Currency Risk

Adient has manufacturing, sales and distribution facilities around the world and thus makes investments and enters into transactions denominated in various foreign currencies. In order to maintain strict control and achieve the benefits of Adient's global diversification, foreign exchange exposures for each currency are netted internally so that only its net foreign exchange exposures are, as appropriate, hedged with financial instruments.

On an annual basis, Adient hedges 70% to 90% of the nominal amount of each of its known foreign exchange transactional exposures. Adient primarily enters into foreign currency exchange contracts to reduce the earnings and cash flow impact of the variation of non-functional currency denominated receivables and payables. Gains and losses resulting from hedging instruments offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities of the forward exchange contracts generally coincide with the settlement dates of the related transactions. Realized and unrealized gains and losses on these contracts are recognized in the same period as gains and losses on the hedged items. During fiscal 2023, Adient had hedge contracts outstanding with the aim of hedging balance sheet items, or with the aim of hedging forecasted commitments. Foreign exchange contracts hedging balance sheet items are marked-to-market through the income statement, while foreign exchange contracts to hedge forecasted commitments are designated in a hedge relationship as a cash flow hedge. These are marked-to-market through other comprehensive income when effective.

Adient's euro-denominated bond and certain foreign currency forward contracts have been designated to selectively hedge portions of Adient's net investments in Europe and China. The currency effects of its euro-denominated bond and foreign currency forward contracts are reflected in the accumulated other comprehensive income account ("AOCI") within shareholders' equity attributable to Adient where they offset gains and losses recorded on Adient's net investments in Europe and China. As of September 30, 2023, the €123 million ($130 million) aggregate principal amount of 3.50% euro-denominated unsecured notes due August 2024 was designated as a net investment hedge to selectively hedge portions of Adient's net investment in Europe.

At September 30, 2023 and 2022, Adient estimates that the fair value of outstanding foreign exchange contracts would have been adversely impacted by approximately $47 million and $31 million, respectively, from an unfavorable 10% change in all applicable foreign currency exchange rates versus the U.S. Dollar. In practice, such a change would generally be offset by an opposing fair value change of the underlying asset, liability or transaction.

Commodity Risk

Adient's exposures to market risk from changes in the price of production material are managed primarily through indexing arrangements and negotiations with suppliers and customers, although not all customer commodity exposures are covered by indexing arrangements and there can be no assurance that Adient will otherwise be able to recover all such costs. Adient’s current indexing arrangements with its customers typically provide for partial recovery of commodity price changes on a lag of 3 months to, in some cases, more than 12 months between cost occurrence and partial recovery. Adient continues to evaluate its arrangements with its customers and to pursue negotiated commercial settlements related to commodity pricing matters. Adient evaluates from time to time derivatives available in the marketplace and may decide to utilize derivatives in the future to manage select commodity risks if acceptable hedging instruments and counterparties are identified for its exposure level at that time, as well as the effectiveness of the financial hedge among other factors.

Liquidity Risk

Refer to the Liquidity and Capital Resources section below.

KEY PERFORMANCE INDICATORS

Adient is a global leader in the automotive seating supply industry with relationships with the largest global auto manufacturers. Adient's technologies extend into virtually every area of automotive seating solutions, including complete seating systems, frames, mechanisms, foam, head restraints, armrests and trim covers. Adient is an independent seat supplier with global scale and the capability to design, develop, engineer, manufacture, and deliver complete seat systems and components in every major automotive producing region in the world.

Adient designs, manufactures and markets a full range of seating systems and components for passenger cars, commercial vehicles and light trucks, including vans, pick-up trucks and sport/crossover utility vehicles. Adient operates more than 200 wholly- and majority-owned manufacturing or assembly facilities, with operations in 29 countries. Additionally, Adient has partially-owned affiliates in China, Asia, Europe and North America. Through its global footprint and vertical integration, Adient leverages its capabilities to drive growth in the automotive seating industry.

Adient manages its business on a geographic basis and operates in the following three reportable segments for financial reporting purposes: 1) Americas, which is inclusive of North America and South America; 2) Europe, the Middle East and Africa ("EMEA") and 3) Asia Pacific/China ("Asia").

Adient evaluates the performance of its reportable segments using an adjusted EBITDA metric defined as income before income taxes and noncontrolling interests, excluding net financing charges, restructuring and impairment costs, restructuring related-costs, net mark-to-market adjustments on pension and postretirement plans, transaction gains/losses, purchase accounting amortization, depreciation, stock-based compensation and other non-recurring items. Also, certain corporate-related costs are not allocated to the segments. The reportable segments are consistent with how management views the markets served by Adient and reflect the financial information that is reviewed by its chief operating decision maker. Refer to Note 22, "Segment Information," of the notes to the consolidated financial statements for additional information on Adient's reportable segments.

Factors Affecting Adient’s Operating Environment

Adient, along with the automotive industry, has experienced significant volatility over the past few years relative to supply chain constraints causing disruptions to customer production schedules, inflationary pressures on raw materials and energy prices, wage inflation caused by constrained labor availability, impacts from geopolitical uncertainties such as the Russia/ Ukraine conflict, higher interest rates and foreign currency fluctuations. Although supply chain conditions have steadily improved and certain inflationary pressures have moderated throughout fiscal year 2023, Adient continues to face uncertainties associated with a fragile supply chain environment, rising interest rates and wage inflationary pressures (as evidenced by the UAW strike in the U.S. that lasted six weeks beginning in September 2023), among other macroeconomic factors. Refer to the consolidated results of operations and segment analysis discussion below for additional information on the impacts of these items on Adient's results.

Consolidated Results of Operations

(in millions)	Year Ended September 30, 2023	Change	2022
Net sales	$ 15,395	9%	$ 14,121
Cost of sales	14,362	8%	13,314
Gross profit	1,033	28%	807
Selling, general and administrative expenses	554	(7)%	598
Restructuring and impairment costs	40	60%	25
Equity income (loss)	84	12%	75
Earnings (loss) before interest and income taxes	523	>100%	259
Net financing charges	195	(9)%	215
Other pension expense (income)	33	>100%	(10)
Income (loss) before income taxes	295	>100%	54
Income tax provision (benefit)	—	n/a	94
Net income (loss)	295	>100%	(40)
Income (loss) attributable to noncontrolling interests	90	13%	80
Net income (loss) attributable to Adient	$ 205	>100%	$ (120)

Net Sales

(in millions)	Year Ended September 30, 2023	Change	2022
Net sales	$ 15,395	9%	$ 14,121

Net sales increased by $1,274 million, or 9%, in fiscal 2023 as compared to fiscal 2022 due to higher overall production volumes in all operating segments ($1,558 million) and net favorable pricing adjustments ($141 million), partially offset by the unfavorable impact of foreign currencies ($301 million) and unfavorable material economics recoveries ($124 million).

Refer to the segment analysis below for a discussion of segment net sales.

Cost of Sales / Gross Profit

(in millions)	Year Ended September 30, 2023	Change	2022
Cost of sales	$ 14,362	8%	$ 13,314
Gross profit	1,033	28%	807
% of sales	6.7 %		5.7 %

Cost of sales increased by $1,048 million, or 8%, and gross profit increased by $226 million in fiscal 2023 as compared to fiscal 2022. The year-over-year increase in cost of sales was due to higher production volumes ($1,312 million), increased utilities and labor costs along with operating inefficiencies associated with supply chain issues ($104 million), and the impact of prior year gains associated with retrospective recoveries of Brazil indirect tax credits ($29 million), partially offset by the favorable impact of foreign currencies ($282 million), favorable supplier pricing ($69 million), non-recurring current year net benefits largely associated with insurance recoveries ($29 million), the favorable impact of the KEIPER supply agreement modifications ($11 million), and lower depreciation expense ($6 million). Gross profit was favorably impacted by higher overall production volumes, net favorable pricing adjustments, and non-recurring net benefits largely associated with insurance recoveries, partially offset by higher utilities and labor costs, and unfavorable net material economics. Refer to the segment analysis below for a discussion of segment profitability.

Selling, General and Administrative Expenses

	Year Ended September 30,		
(in millions)	**2023**	**Change**	**2022**
Selling, general and administrative expenses	$ 554	(7)%	$ 598
% of sales	3.6 %		4.2 %

Selling, general and administrative expenses ("SG&A") in fiscal 2023 decreased by $44 million, or 7%, as compared to fiscal 2022. The-year-over year decrease in SG&A is attributable to the favorable impact of foreign currencies ($12 million), one-time gain on sale of a restructured facility ($10 million), lower transaction costs ($5 million), non-recurring unfavorable prior year costs ($17 million), lower overall engineering and other administrative spending ($15 million), and lower depreciation and amortization expense ($4 million), partially offset by higher compensation expense including stock-based and performance-based incentive compensation costs due in part to the non-recurrence of prior year austerity measures ($19 million).

Restructuring and Impairment Costs

	Year Ended September 30,		
(in millions)	**2023**	**Change**	**2022**
Restructuring and impairment costs	$ 40	60%	$ 25

Restructuring and impairment costs were higher by $15 million in fiscal 2023 as compared to fiscal 2022 due primarily to higher levels of restructuring actions taken in EMEA. Refer to Note 20, "Restructuring and Impairment Costs," of the notes to the consolidated financial statements for information related to Adient’s restructuring plans.

Equity Income

	Year Ended September 30,		
(in millions)	**2023**	**Change**	**2022**
Equity income	$ 84	12%	$ 75

Equity income was $84 million in fiscal 2023 compared to $75 million in fiscal 2022. The increase is primarily attributable to higher production volumes and favorable operating performance at Adient's partially-owned affiliates ($28 million), one-time gain on divestiture of investment at an affiliate ($4 million), and lower non-cash impairment charges recorded on certain of Adient's investments in non-consolidated affiliates ($2 million), partially offset by the impact of the KEIPER supply agreement modifications executed over the past two fiscal years ($17 million), the unfavorable impact of foreign currencies ($7 million), and restructuring-related activities at certain affiliates ($1 million). Refer to Note 23, "Nonconsolidated Partially-Owned Affiliates," of the notes to the consolidated financial statements for more information.

Net Financing Charges

	Year Ended September 30,		
(in millions)	**2023**	**Change**	**2022**
Net financing charges	$ 195	(9)%	$ 215

Net financing charges decreased by $20 million in fiscal 2023 as compared to fiscal 2022 due to higher premiums paid to tender outstanding debt in the prior year and higher accelerated expensing of deferred financing costs in the prior year.

Other Pension Expense

	Year Ended September 30,				
(in millions)	**2023**		**Change**	**2022**	
Other pension expense (income)	$	33	>100%	$	(10)

Other pension expense (income) consists of mark-to-market adjustments of Adient's retirement plans and non-service components of Adient's net periodic pension costs. Other pension expense was higher by $43 million in fiscal 2023 as compared to fiscal 2022 due primarily to a $19 million current year mark-to-market loss (compared to a $8 million gain in fiscal 2022), an $8 million curtailment loss primarily associated with employee termination benefit plans in the Americas segment, and higher pension interest expense. Refer to Note 19, "Retirement Plans," of the notes to the consolidated financial statements for more information.

Income Tax Provision

	Year Ended September 30,				
(in millions)	**2023**		**Change**	**2022**	
Income tax provision (benefit)	$	—	n/a	$	94

The fiscal 2023 income tax expense of $0 million was lower than the Irish statutory rate of 12.5% primarily due to the release of valuation allowances in Mexico, partially offset by the inability to recognize a tax benefit for losses in jurisdictions with valuation allowances, the repatriation of foreign earnings, and foreign tax rate differentials.

Adient reviews the realizability of its deferred tax assets on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or combined group recording the net deferred tax asset are considered, along with any other positive or negative evidence. All of the factors that Adient considers in evaluating whether and when to establish or release all or a portion of the deferred tax asset valuation allowance involve significant judgment. Since future financial results may differ from previous estimates, periodic adjustments to Adient's valuation allowances may be necessary.

Given current earnings and anticipated future earnings at certain subsidiaries, Adient believes that there is a reasonable possibility that sufficient positive evidence may become available that would allow the release of all, or a portion of, valuation allowances at certain subsidiaries within the next twelve months. A release of valuation allowances, if any, would result in the recognition of certain deferred tax assets which could generate a material income tax benefit for the period in which such release is recorded.

As a result of Adient's fiscal 2023 analysis of the realizability of its worldwide deferred tax assets, and after considering tax planning initiatives and other positive and negative evidence, Adient determined it was more likely than not that certain deferred tax assets in Mexico would be realizable and recorded an income tax benefit of $114 million to release valuation allowances. In addition, Adient determined it was necessary to release valuation allowances and establish valuation allowances in other jurisdictions that did not have a material impact on Adient’s financial statements. Adient continues to record valuation allowances on certain deferred tax assets in Germany, Hungary, Luxembourg, Mexico, Poland, Spain, the United Kingdom, the U.S. and other jurisdictions as it remains more likely than not that they will not be realized.

The fiscal 2022 income tax expense of $94 million was higher than the Irish statutory rate of 12.5% primarily due to the inability to recognize a tax benefit for losses in jurisdictions with valuation allowances, the establishment of valuation allowances in certain jurisdictions, and the repatriation of foreign earnings, partially offset by tax benefits related to the release of valuation allowances in certain jurisdictions.

As a result of Adient's fiscal 2022 analysis of the realizability of its worldwide deferred tax assets, and after considering tax planning initiatives and other positive and negative evidence, Adient determined it was more likely than not that certain deferred tax assets in Canada, Japan, and other jurisdictions would not be realized and recorded income tax expense of $12 million, $3 million and $3 million, respectively, to establish valuation allowances. Additionally, Adient determined it was more likely than not that deferred tax assets in the Czech Republic and other jurisdictions would be realizable and recorded income tax benefit of $11 million and $2 million, respectively, to release valuation allowances.

Adient is subject to income taxes in Ireland, the U.S. and other non-U.S. jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of Adient's business, there are many transactions and calculations where the ultimate tax determination is uncertain. Adient's income tax returns for various fiscal years remain under audit by the respective tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

Adient does not generally provide for additional income taxes which would become payable upon repatriation of undistributed earnings of wholly owned foreign subsidiaries. Adient's intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax efficient.

Income Attributable to Noncontrolling Interests

	Year Ended September 30,		
(in millions)	**2023**	**Change**	**2022**
Income attributable to noncontrolling interests	$ 90	13%	$ 80

The $10 million increase in income attributable to noncontrolling interests in fiscal 2023 as compared to fiscal 2022 is primarily attributable to higher production volumes at affiliates in various jurisdictions.

Net income (Loss) Attributable to Adient

	Year Ended September 30,		
(in millions)	**2023**	**Change**	**2022**
Net income (loss) attributable to Adient	$ 205	>100%	$ (120)

Net income attributable to Adient was $205 million in fiscal 2023, compared to $120 million of net loss attributable to Adient in fiscal 2022. The higher net income in fiscal 2023 is primarily attributable to higher overall production volumes, favorable pricing and business performance, one-time insurance recoveries, one-time income tax benefit related to the release of certain tax valuation allowances, lower SG&A expenses, lower net financing charges, and higher equity income, partially offset by unfavorable material economics, higher other pension expense, higher restructuring cost, higher income attributable to noncontrolling interests, and the unfavorable impact of foreign currencies.

Comprehensive Income (Loss) Attributable to Adient

	Year Ended September 30,		
(in millions)	**2023**	**Change**	**2022**
Comprehensive income (loss) attributable to Adient	$ 208	>100%	$ (338)

Comprehensive income attributable to Adient was $208 million in fiscal 2023 compared to $338 million of comprehensive loss in fiscal 2022. The increase of $546 million is due primarily to higher net income ($335 million), the favorable impact of foreign currency translation adjustments resulting from the overall weakening of U.S. dollar against certain other major currencies ($233 million) and the impact of realized and unrealized gains on derivatives ($21 million), partially offset by higher comprehensive income attributable to noncontrolling interests ($42 million).

SEGMENT RESULTS

Adient manages its business on a geographic basis and operates in the following three reportable segments for financial reporting purposes: 1) Americas, which is inclusive of North America and South America; 2) Europe, the Middle East and Africa ("EMEA") and 3) Asia Pacific/China ("Asia").

Adient evaluates the performance of its reportable segments using an adjusted EBITDA metric defined as income before income taxes and noncontrolling interests, excluding net financing charges, restructuring and impairment costs, restructuring related-costs, net mark-to-market adjustments on pension and postretirement plans, transaction gains/losses, purchase accounting amortization, depreciation, stock-based compensation and other non-recurring items. Also, certain corporate-related costs are not allocated to the segments. The reportable segments are consistent with how management views the markets served by Adient and reflect the financial information that is reviewed by its chief operating decision maker.

	Year Ended September 30,	
(in millions)	**2023**	**2022**
Net Sales		
Americas	$ 7,220	$ 6,557
EMEA	5,195	4,764
Asia	3,085	2,926
Eliminations	(105)	(126)
Total net sales	$ 15,395	$ 14,121

	Year Ended September 30,	
(in millions)	**2023**	**2022**
Adjusted EBITDA		
Americas	$ 336	$ 242
EMEA	232	138
Asia	464	383
Corporate-related costs (1)	(94)	(88)
Restructuring and impairment costs (2)	(40)	(25)
Purchase accounting amortization (3)	(52)	(54)
Restructuring related activities (4)	2	(6)
Depreciation	(290)	(298)
Stock based compensation	(34)	(29)
Other items (5)	(1)	(4)
Earnings (loss) before interest and income taxes	523	259
Net financing charges	(195)	(215)
Other pension income/(expense)	(33)	10
Income (loss) before income taxes	$ 295	$ 54

Notes:

(1) Corporate-related costs not allocated to the segments include executive office, communications, corporate development, legal and corporate finance.

(2) Reflects restructuring charges for costs that are directly attributable to restructuring activities and meet the definition of restructuring under ASC 420 and non-recurring impairment charges. During fiscal 2022, an impairment charge of $4 million related to the withdrawal from and sale of its operations in Russia, and a held-for-sale impairment charge of $6 million were recorded in EMEA. Refer to Note 20, "Restructuring and Impairment Costs," of the notes to the consolidated financial statements for more information.

(3) Reflects amortization of intangible assets including those related to partially owned affiliates recorded within equity income.

(4) Reflects restructuring related charges for costs that are directly attributable to restructuring activities, but do not meet the definition of restructuring under ASC 420 along with restructuring costs at partially owned affiliates recorded within equity income. Fiscal 2023 includes a $10 million gain on the sale of a restructured facility in Americas.

(5) Fiscal 2023 reflects $3 million and $3 million of non-cash impairment related to certain of Adient's investments in nonconsolidated partially-owned affiliates in Asia and EMEA, respectively, and $3 million of transaction costs, partially offset by $4 million of one-time divestiture gain at an affiliate, and $4 million of a gain associated with the retrospective recovery of indirect tax credits in Brazil. Fiscal 2022 includes $3 million and $7 million of non-cash impairments of certain of Adient's investments in nonconsolidated partially-owned affiliates in Asia and EMEA, respectively, $8 million of transaction costs, a $14 million charge related to a non-recurring contract related settlement, $1 million of allowance for doubtful accounts resulting from the withdrawal from and sale of operations in Russia, and $2 million of loss on finalization of asset sale in Turkey, partially offset by a gain of $32 million associated with the retrospective recovery of indirect tax credits in Brazil.

Americas

	Year Ended September 30,		
(in millions)	**2023**	**Change**	**2022**
Net sales	$ 7,220	10%	$ 6,557
Adjusted EBITDA	$ 336	39%	$ 242

Net sales increased in fiscal 2023 by $663 million primarily as a result of higher current year production volumes ($669 million) and favorable net pricing adjustments ($73 million), partially offset by the unfavorable impact of material economics recoveries ($79 million).

Adjusted EBITDA increased in fiscal 2023 by $94 million due to higher current year production volumes ($93 million), net material margin improvements including the impact of the KEIPER supply agreement modifications ($79 million), non-recurring net benefits associated with insurance recoveries ($13 million), and higher equity income ($1 million), partially offset by higher labor, utility and launch costs ($58 million), unfavorable material economics, net of recoveries ($17 million), higher administrative and engineering expense due in part to the non-recurrence of prior year austerity measures ($8 million), and the unfavorable impact of foreign currencies ($9 million).

EMEA

	Year Ended September 30,		
(in millions)	**2023**	**Change**	**2022**
Net sales	$ 5,195	9%	$ 4,764
Adjusted EBITDA	$ 232	68%	$ 138

Net sales increased in fiscal 2023 by $431 million primarily as a result of higher current year production volumes ($511 million), and net favorable pricing adjustments ($87 million), partially offset by the unfavorable impact of foreign currency ($124 million) and the unfavorable impact of material economics recoveries ($43 million).

Adjusted EBITDA increased in fiscal 2023 by $94 million due primarily to net material margin improvements ($117 million), higher current year production volumes ($81 million), non-recurring net benefits associated with insurance recoveries ($17 million), the favorable impact of foreign currencies ($22 million), higher equity income ($4 million), and lower administrative and engineering expense ($6 million), partially offset by unfavorable material economics, net of recoveries ($111 million) and higher input costs including freight, labor and utilities ($42 million).

Asia

	Year Ended September 30,				
(in millions)	**2023**		**Change**	**2022**	
Net sales	$	3,085	5%	$	2,926
Adjusted EBITDA	$	464	21%	$	383

Net sales increased in fiscal 2023 by $159 million due to higher production volume and mix ($360 million), partially offset by the unfavorable impact of foreign currencies ($180 million), net unfavorable pricing adjustments ($19 million), and the unfavorable impact of material economics recoveries ($2 million).

Adjusted EBITDA increased in 2023 by $81 million due primarily to favorable volume and mix ($72 million), net material margin improvements including the impact of the KEIPER supply agreement modifications and including certain favorable pricing adjustments in China that are non-recurring ($25 million), higher equity income at partially-owned affiliates ($13 million), favorable operating performance ($17 million), and favorable impact of material economics, net of recoveries ($4 million), partially offset by the unfavorable impact of foreign currencies ($26 million), the impact of the KEIPER supply agreement modifications on equity income ($18 million), and higher administrative and engineering expense ($6 million).

LIQUIDITY AND CAPITAL RESOURCES

Adient's primary liquidity needs are to fund general business requirements, including working capital, capital expenditures, restructuring costs and debt service requirements. Adient's principal sources of liquidity are cash flows from operating activities, the revolving credit facility and other debt issuances, and existing cash balances. Adient actively manages its working capital and associated cash requirements and continually seeks more effective uses of cash. During fiscal 2023, Adient also announced a share repurchase authorization (up to $600 million) with no expiration date, wherein Adient expects to take a measured approach as to the timing and amount of share repurchases as part of its assessment of the most effective use of cash. Working capital is highly influenced by the timing of cash flows associated with sales and purchases, and therefore can be difficult to manage at times. See below and refer to Note 11, "Debt and Financing Arrangements," of the notes to consolidated financial statements for discussion of financing arrangements. Refer to Note 4, "Acquisitions and Divestitures," for more information on strategic transactions that have provided significant liquidity that allowed for additional voluntary debt pay down in fiscal 2022. Following the first quarter of fiscal 2019 dividend payout, Adient suspended future dividends. Adient believes that its current financial resources will be sufficient to fund its liquidity requirements for at least the next twelve months.

Indebtedness

Adient US LLC (“Adient US”), a wholly owned subsidiary of Adient, together with certain of Adient's other subsidiaries, maintains an asset-based revolving credit facility (the “ABL Credit Facility”), which provides for a revolving line of credit up to $1,250 million, including a North American subfacility of up to $950 million and a European subfacility of up to $300 million, subject to borrowing base capacity and certain other restrictions, including a minimum fixed charge coverage ratio. The ABL Credit Facility, as amended in November 2022, is set to mature on November 2, 2027, subject to certain springing maturity provisions. Adient paid $7 million in debt issuance costs for the amended ABL Credit Facility and will pay a commitment fee of 0.25% to 0.375% on the unused portion of the commitments under the asset-based revolving credit facility based on average global availability. Letters of credit are limited to the lesser of (x) $150 million and (y) the aggregate unused amount of commitments under the ABL Credit Facility then in effect. Subject to certain conditions, the ABL Credit Facility may be expanded by up to $250 million in additional commitments. Loans under the ABL Credit Facility may be denominated, at the option of Adient, in U.S. dollars, Euros, Pounds Sterling or Swedish Kroner. It also provides flexibility for future amendments to the ABL Facility to incorporate certain sustainability-based pricing provisions. The ABL Credit Agreement is secured on a first-priority lien on all accounts receivable, inventory and bank accounts (and funds on deposit therein) and a second-priority lien on all of the tangible and intangible assets of certain Adient subsidiaries. Interest is payable on the ABL Credit Facility at a fluctuating rate of interest determined by reference to Term SOFR, in the case of amounts outstanding in dollars, EURIBOR, in the case of amounts outstanding in euros, STIBOR, in the case of amounts outstanding in Swedish krona and SONIA, in the case of amounts outstanding in pounds sterling, in each case, plus an applicable margin of 1.50% to 2.00%. As of September 30, 2023, Adient had not drawn down on the ABL Credit Facility and had availability under this facility of approximately $900 million (net of $12 million of letters of credit).

In addition, Adient US and Adient Global Holdings S.à r.l., a wholly-owned subsidiary of Adient, maintain a senior secured term loan facility (the "Term Loan B Agreement") that had an outstanding balance of $988 million as of September 30, 2022. During fiscal 2023, Adient prepaid $350 million of the Term Loan B Agreement principal, and wrote off $2 million of previously deferred financing costs to net financing charges. As of September 30, 2023, the remaining balance of this debt was $635 million, maintained fully at Adient Global Holdings S.à r.l., which is due at final maturity on April 8, 2028. Interest on the Term Loan B Agreement accrues at the Eurodollar rate plus an applicable margin equal to 3.25%. The Term Loan B Agreement also permits Adient to incur incremental term loans in an aggregate amount not to exceed the greater of $750 million and an unlimited amount subject to a pro forma first lien secured net leverage ratio of not greater than 1.75 to 1.00 and certain other conditions. In April 2023, the Term Loan B Agreement was amended to replace the LIBOR base rate with Term SOFR.

The ABL Credit Facility and Term Loan B Agreement contain covenants that are usual and customary for facilities and debt instruments of this type and that, among other things, restrict the ability of Adient and its restricted subsidiaries to: create certain liens and enter into sale and lease-back transactions; create, assume, incur or guarantee certain indebtedness; pay dividends or make other distributions on, or repurchase or redeem, Adient's capital stock or certain other debt; make other restricted payments; and consolidate or merge with, or convey, transfer or lease all or substantially all of Adient's and its restricted subsidiaries' assets, to another person. These covenants are subject to a number of other limitations and exceptions set forth in the agreements. The agreements also provide for customary events of default, including, but not limited to, cross-default clauses with other debt arrangements, failure to pay principal and interest, failure to comply with covenants, agreements or conditions, and certain events of bankruptcy or insolvency involving Adient and its significant subsidiaries.

During fiscal 2023, Adient Global Holdings Ltd. ("AGH"), a wholly-owned subsidiary of Adient, issued (i) $500 million (net proceeds of $494 million) in aggregate principal amount of 7% senior secured notes due 2028 and (ii) $500 million (net proceeds of $494 million) in aggregate principal amount of 8.250% senior unsecured notes due 2031. Interest on both of these notes will be paid on April 15 and October 15 each year, beginning on October 15, 2023. These notes contain covenants that are usual and customary. The total net proceeds of $988 million along with cash on hand were used primarily to redeem $350 million of the senior secured term loan facility under the Term Loan B Agreement as described above, and repurchase €700 million ($743 million) of the 3.50% unsecured notes due 2024 as described below. Adient paid $16 million in debt issuance costs for these new debt issuances.

AGH previously maintained $900 million aggregate principal amount of 4.875% USD-denominated unsecured notes due 2026. Adient redeemed $103 million and $2 million during fiscal 2020 and 2021, respectively, resulting in a remaining balance of $795 million as of September 30, 2023 and 2022.

AGH also previously maintained €1.0 billion aggregate principal amount of 3.50% unsecured notes due in August 2024. During fiscal 2022, Adient repurchased €177 million ($198 million) of the 3.50% unsecured notes due 2024 at a premium of €3 million ($4 million) plus €3 million ($3 million) of accrued and unpaid interest, and expensed €1 million ($1 million) of previously deferred financing costs to net financing charges, resulting in a remaining balance of €823 million ($809 million) as of September 30, 2022. During fiscal 2023, Adient repurchased an additional €700 million ($743 million) of the 3.50% unsecured notes due 2024 at a premium of €7 million ($7 million) plus €3 million ($3 million) of accrued and unpaid interest, and expensed €2 million ($2 million) of previously deferred financing costs to net financing charges. As of September 30, 2023, the remaining balance of this debt was €123 million ($130 million) and is classified as current portion of long-term debt on the consolidated statement of financial position.

Adient Germany Ltd. & Co. KG, a wholly owned subsidiary of Adient, previously maintained €135 million ($156 million) in an unsecured term loan from the European Investment Bank ("EIB") due in 2022. The loan bore interest at the 6-month EURIBOR rate plus 158 basis points. During fiscal 2021, Adient repaid $36 million of the EIB loan, triggered in part by the redemption of debt and the sale of the fabrics business in the prior year. Adient fully repaid the remaining balance of the EIB loan in May 2022 upon its maturity.

In April 2020, Adient US issued $600 million (net proceeds of $591 million) aggregate principal amount of 9.00% Senior First Lien Notes due 2025. In fiscal 2022, Adient repurchased the full $600 million of 9.00% Senior First Lien Notes due 2025 at a premium of $34 million plus $19 million of accrued and unpaid interest, and expensed $7 million of previously deferred financing costs to net financing charges.

Sources of Cash Flows

(in millions)	Year Ended September 30, 2023	2022
Cash provided (used) by operating activities	$ 667	$ 274
Cash provided (used) by investing activities	(229)	484
Cash provided (used) by financing activities	(271)	(1,273)
Capital expenditures	(252)	(227)

Cash flows from operating activities

Fiscal 2023 compared to Fiscal 2022: The increase in cash flows from operating activities is primarily due to the higher net income attributable to Adient in fiscal 2023 and favorable overall changes to working capital year-over-year due to lower levels of inventory and higher levels of current liabilities. See the working capital section below for further information on changes in working capital.

Cash flows from investing activities

Fiscal 2023 compared to Fiscal 2022: The increase in cash used by investing activities is primarily related to the non-recurrence of the prior year cash inflows associated with business divestitures including the $651 million of proceeds received related to the 2021 Yanfeng Transaction, $46 million in proceeds received from the sale of the assets in Turkey, and the collection of $41 million of deferred proceeds from the sale of Adient's interest in YFAI as part of the 2020 Yanfeng Transaction. Refer to Note 4, "Acquisitions and Divestitures," and Note 15, "Derivative Instruments and Hedging Activities," of the notes to the consolidated financial statements for more information.

Cash flows from financing activities

Fiscal 2023 compared to Fiscal 2022: The decrease in cash used by financing activities is attributable to prior year financing activities. This includes repayment of long-term debt of $744 million (including $34 million of premiums), amounts paid to acquire the noncontrolling interest of CQADNT ($153 million), and higher dividend payments to noncontrolling interests. These are partially offset by current year debt refinancing activities totaling $102 million and common stock repurchases of $65 million. Refer to Note 4, "Acquisitions and Divestitures," and Note 11, "Debt and Financing Arrangements," of the notes to the consolidated financial statements for more information.

Capital expenditures

Fiscal 2023 compared to Fiscal 2022: A $25 million increase in capital expenditures is primarily associated with new program launches particularly in EMEA and Asia, and additional investments in continuous improvement initiatives in all regions.

Working capital

(in millions)	September 30, 2023	2022
Current assets	$ 4,316	$ 4,163
Current liabilities	3,738	3,501
Working capital	$ 578	$ 662

Working capital decreased by $84 million due to decreases in inventories and increases in accounts payable and current portion of long-term debt, partially offset by increases in cash and other current assets. All such activity was in line with higher sales and related production volumes in fiscal 2023 or due to contractual related maturities.

Off-Balance Sheet Arrangements and Contractual Obligations

Adient enters into supply chain financing programs in domestic and certain foreign jurisdictions to either sell or discount accounts receivable without recourse to third-party institutions. Sales or discounts of accounts receivable are reflected as a reduction of accounts receivable on the consolidated statements of financial position and the proceeds are included in cash flows from operating activities in the consolidated statements of cash flows. As of September 30, 2023 and 2022, $170 million and $269 million have been funded under these programs, respectively.

A summary of Adient's significant contractual obligations as of September 30, 2023:

(in millions)	Total	2024	2025-2026	2027-2028	Beyond 2029
Long-term debt	$ 2,564	$ 132	$ 797	$ 1,135	$ 500
Interest on long-term debt	875	175	340	236	124
Operating leases	286	88	104	49	45
Purchase obligations (1)	376	251	10	36	79
Pension contributions	100	20	18	16	46
Total contractual cash obligations	$ 4,201	$ 666	$ 1,269	$ 1,472	$ 794

(1) Primarily consists of commitments for production materials and other supply items, as well as $102 million of committed capital expenditures.

ACQUISITION AND CANCELLATION OF OWN SHARES

In November 2022, Adient’s board of directors authorized the repurchase of Adient’s ordinary shares up to an aggregate purchase price of $600 million with no expiration date. Under the share repurchase authorization, Adient’s ordinary shares may be purchased either through discretionary purchases on the open market, by block trades or privately negotiated transactions. The number of ordinary shares repurchased, if any, and the timing of repurchases will depend on a number of factors, including share price, trading volume and general market conditions, as well as on working capital requirements, general business conditions and other factors. During fiscal 2023, Adient repurchased $65 million of its ordinary shares at an average price of $37.00 a share under the program. As of September 30, 2023, Adient has a remaining repurchase authorization of $535 million.

There was no share repurchase activity during the three months ended September 30, 2023.

DIVIDENDS

Adient suspended its cash dividends following the dividend paid in the first quarter of fiscal 2019. Any future dividends will be at the discretion of the board of directors and will depend upon Adient's financial condition, results of operations, capital requirements, alternative uses of capital and other factors the board of directors may consider at its discretion. In addition, under Irish law, dividends and distributions (including the payment of cash dividends or share repurchases) may be made only from "distributable reserves" on Adient's unconsolidated balance sheet prepared in accordance with the Irish Companies Act 2014. In addition, no distribution or dividend may be paid or made by Adient unless the net assets of Adient are equal to, or exceed, the aggregate of Adient's share capital that has been paid up or that is payable in the future plus non-distributable reserves, and the distribution does not reduce Adient's net assets below such aggregate.

FUTURE DEVELOPMENTS

The directors do not anticipate any significant changes in Adient's strategic activities following the date of this report.

ACCOUNTING RECORDS

The measures that the directors have taken to secure compliance with the requirements of Sections 281 to 285 of the Companies Act 2014 with regards to the keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerized accounting systems. In accordance with Section 283 of the Companies Act

2014, sufficient books of account are maintained in Adient's registered office at 3 Dublin Landings, North Wall Quay, Dublin 1, Ireland and at Adient's offices at 49200 Halyard Drive, Plymouth, MI 48170, USA to disclose, with reasonable accuracy, the financial position of Adient.

SIGNIFICANT EVENTS SINCE YEAR END

Subsequent events have been evaluated through February 7, 2024, the date this report was approved by the board of directors.

The UAW strike that commenced in September 2023 reached tentative agreements around October 30, 2023, ending the six week strike. The agreements were then ratified by the UAW membership as final in November 2023.

During the first quarter of fiscal year 2024, Adient repurchased $100 million of its ordinary shares at an average price of $33.32 per share.

DIRECTORS

The following table lists directors who have served during fiscal 2023.

DIRECTORS' AND CORPORATE SECRETARY INTERESTS IN SHARES

The interests in the ordinary shares of the Parent Company of the directors and corporate secretary of Adient plc holding office at the end of the fiscal year 2023 and fiscal year 2022 were as follows:

	September 30, 2023	September 30, 2022
Directors	**Ordinary Shares**	**Ordinary Shares**
Julie L. Bushman	37,133	33,821
Peter H. Carlin	31,905	28,593
Raymond L. Conner (1)	36,214	36,214
Jodi E. Eddy (2)	—	—
José Gutiérrez	32,816	29,504
Jerome J. Dorlack (3)	101,136	50,110
Douglas G. Del Grosso (4)	382,050	240,630
Richard Goodman	36,452	33,140
Frederick A. Henderson	69,461	64,208
Barb J. Samardzich	36,063	32,751
Ricky T. Dillon	10,436	7,124
Corporate Secretary		
Heather M. Tiltmann	11,685	9,419

(1) Raymond L. Conner retired as a director of Adient on March 7, 2023.
(2) Jodi E. Eddy was appointed as a director of Adient on September 19, 2023.
(3) Jerome J. Dorlack was appointed as a director of Adient on January 1, 2024.
(4) Douglas G. Del Grosso retired as a director of Adient on December 31, 2023.

POLITICAL DONATIONS

No political donations were made during fiscal 2023 and fiscal 2022.

NON-FINANCIAL STATEMENT

For the purposes of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 (as amended) pages 1 through 99 of our 2023 Sustainability Report, as published on our website at https://investors.adient.com/~/media/Files/A/Adient-IR/goverance-docs/adient-sustainability-report-2023-v1.pdf is deemed to be incorporated into this part of the Directors' Report. Additional information on Adient's business model is also included under "Principal Activities" at pages 5 through 11 of this Report. A description of principal risks facing Adient, including those related to non-financial matters, can be found at pages 12 through 25 of this Report.

SUBSIDIARY COMPANIES AND UNDERTAKINGS

Refer to Note 29, "Significant Subsidiaries," of the notes to consolidated financial statements for information regarding significant subsidiaries. Refer to Note 23, "Nonconsolidated Partially-Owned Affiliates," of the notes to the consolidated financial statements for information regarding significant nonconsolidated affiliates.

GOING CONCERN

Adient, along with the automotive industry, has experienced significant volatility over the past few years relative to supply chain constraints causing disruptions to customer production schedules, inflationary pressures on raw materials and energy prices, wage inflation caused by constrained labor availability, impacts from geopolitical uncertainties such as the Russia/ Ukraine conflict, higher interest rates and foreign currency fluctuations. Although supply chain conditions have steadily improved and certain inflationary pressures have moderated throughout fiscal year 2023, Adient continues to face uncertainties associated with a fragile supply chain environment, rising interest rates and wage inflationary pressures (as evidenced by the UAW strike in the U.S. that lasted six weeks beginning in September 2023), among other macroeconomic factors.

Although these factors are presenting challenges to Adient, the board of directors, after taking the above uncertainties into consideration, has formed a judgment at the time of approving the financial statements that there is a reasonable expectation that Adient have adequate resources to continue in operational existence for at least the next twelve-month period extending from the time of approving the financial statements.

In assessing the potential impact of these uncertainties on its liquidity, Adient prepared cash flow forecasts covering a period of at least twelve months from the date of these financial statements. This assessment included consideration of the forecasted business performance, the cash and financial facilities available to Adient, the potential impact of fragile supply chain environment, rising interest rates and wage inflationary pressures. Adient continues to expect that existing cash at bank and in hand, the cash generated by our operations, our available credit facility, as well as our expected ability to access the capital and debt markets will be sufficient to fund Adient’s operating and capital needs for at least the next twelve months and thereafter for the foreseeable future. To its knowledge, the board of directors reasonably believes that these uncertainties would not have a material impact on our ability to continue as a going concern as of the financial statements’ approval date.

Adient continues to actively monitor its liquidity position and working capital needs. During fiscal 2023, Adient issued $500 million in aggregate principal amount of 7% senior secured notes due 2028 and $500 million in aggregate principal amount of 8.250% senior unsecured notes due 2031. The net proceeds of these debt along with approximately $100 million of cash on hand were used primarily to redeem $350 million of the senior secured term loan facility under the Term Loan B Agreement, and repurchase €700 million ($743 million) of the 3.50% unsecured notes due 2024. Adient maintains an asset-based revolving credit facility (the “ABL Credit Facility”), which provides for a revolving line of credit up to $1,250 million, including a North American sub facility of up to $950 million and a European sub facility of up to $300 million, subject to borrowing base capacity. In November 2022, Adient extended its maturity date to November 2, 2027.

As a result of Adient's assessment of its ability to fund its expected operating and capital needs and the steps it could take in the event of a more significant broader economic impact arising from the uncertainties described above, the directors are satisfied that is appropriate that the going concern basis continues to be adopted in the preparation of the Consolidated Financial Statements and the Company Financial Statements.

Refer also to Factors Affecting Adient’s Operating Environment under Key Performance Indicators for additional information.

AUDIT COMMITTEE

An Audit Committee as required by the Companies Act 2014, Section 167, has been in place for the fiscal year ended September 30, 2023.

STATUTORY AUDITORS

The statutory auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Disclosure of information to auditors

The directors in office at the date of this report have each confirmed that:

- As far as he/she is aware, there is no relevant audit information of which Adient's statutory auditors are unaware; and
- He/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that Adient's statutory auditors is aware of that information.

On behalf of the Directors:

/s/ Jerome J. Dorlack	/s/ Richard Goodman
Jerome J. Dorlack	Richard Goodman
President and Chief Executive Officer and Director	Director
February 7, 2024	February 7, 2024

Independent auditors’ report to the members of Adient plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Adient plc’s consolidated financial statements and company financial statements (the “financial statements”) give a true and fair view of the group’s and the company’s assets, liabilities and financial position as at 30 September 2023 and of the group’s profit and cash flows for the year then ended;

- the consolidated financial statements have been properly prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), as defined in Section 279 of the Companies Act 2014, to the extent that the use of those principles in the preparation of the consolidated financial statements does not contravene any provision of Part 6 of the Companies Act 2014;

- the company financial statements have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and Irish law); and

- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report, which comprise:

- the consolidated statement of financial position as at 30 September 2023;
- the company balance sheet as at 30 September 2023;
- the consolidated statement of income (loss) and consolidated statement of comprehensive income (loss) for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of shareholders' equity for the year then ended;
- the company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (“ISAs (Ireland)”) and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA’s Ethical Standard as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

	Overall materiality · $40 million (2022: $40 million) - Consolidated financial statements · Equates to c. 0.3% of net sales. · $24 million (2022: $24 million) - Company financial statements · Based on c. 1% of total assets. Performance materiality · $30 million (2022: $30 million) - Consolidated financial statements. · $18 million (2022: $18 million) - Company financial statements.
	Audit scope · The group is structured along three reportable segments being Americas (includes North and South America), EMEA (Europe, Middle East and Africa) and Asia (Asia Pacific/China) · We conducted work on 15 reporting components. We paid particular attention to these components due to their size or characteristics and to ensure appropriate audit coverage. · Taken together the components where we performed our audit work accounted for in excess of 75% of net sales, group total assets and group total liabilities.
	Key audit matters · Annual Goodwill Impairment Assessment.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Annual Goodwill Impairment Assessment *Refer to the Goodwill and Other Intangible Assets section in note 1 "Organization and Summary of Significant Accounting Policies", note 2 "Critical Accounting Estimates" and note 5 "Goodwill and Other Intangible Assets"* As described in notes 1 and 5 of the consolidated financial statements, the Group had a goodwill balance, which comprises the Americas, EMEA and Asia reporting units, of $2,094 million, representing circa 22% of the Group's total assets, as of September 30, 2023. The Group conducts its annual impairment test during the fourth fiscal quarter or more frequently if events or changes in circumstances indicate the carrying value of goodwill might be impaired. The Group performed its annual goodwill impairment test using a fair value method. This method requires management to make assumptions about future cash flows, including projected revenues, operating margins, and discount rates. As disclosed in note 5, management determined that goodwill was not impaired. We determined the goodwill impairment assessment to be a key audit matter due to the significant judgement exercised by management in determining key assumptions in estimating the fair value of the reportable segments. These include assumptions in respect of projected revenues for the Asia reporting unit, operating margins for the Americas and the EMEA reporting units and the discount rate for the EMEA reporting unit.	We tested the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the valuation of the Company's reporting units. We tested management's process for developing the fair value estimates including evaluating the appropriateness of the discounted cash flow analyses and the completeness and accuracy of the underlying data used in the fair value model. We considered the assumptions included in the discounted cash flow analyses. We focused our audit effort on evaluating the reasonableness of the significant assumptions related to estimates of the operating margins for the Americas reporting unit, estimates of the operating margins as well as the discount rate for the EMEA reporting unit, and estimates of the revenue for the Asia reporting unit. When assessing these assumptions used by management, we evaluated whether the assumptions used were reasonable considering the current and past performance of the reportable segments and consistency with relevant industry data. We engaged PwC professionals with specialised skills and knowledge to assist in evaluating the appropriateness of the discounted cash flow analyses and the reasonableness of the discount rate for the EMEA reporting unit. We evaluated the appropriateness of the related disclosures in the notes to the financial statements.

How we tailored the audit scope

The group has operations in 29 countries, including wholly owned subsidiaries, entities in which it has a controlling interest and joint ventures. Reporting components are structured by individual plants, grouping of plants or on a country basis depending on their management team and structure and also include joint ventures. The majority of the group's components are supported by one of two principal shared service centres in Bratislava and Dalian.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, including those performed at the group's shared services centres and the industry in which the group operates. We paid particular attention to 15 components due to their size or characteristics and to ensure appropriate audit coverage.

In determining our audit scope, we considered the type of work that needed to be performed by us, as the Irish group engagement team, PwC US as the global engagement team, or other component auditors within other PwC network firms. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work of those reporting components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the financial statements as a whole.

Overall, through full scope audits and specific audit procedures on certain balances within the reporting components where we conducted our work, we obtained coverage in excess of 75% of net sales, group total assets and group total liabilities. We allocated materiality levels and issued instructions to each component auditor. In addition to the audit report from each of the component auditors, we received detailed memoranda of examinations on work performed and relevant findings which supplemented our understanding of the component, its results and the audit findings and we participated in a number of audit clearance meetings with the component teams. In addition to this, we reviewed certain audit working papers of the significant components. Together with additional procedures performed at group level, this gave us the evidence we needed for our opinion on the financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Consolidated financial statements	***Company financial statements***
Overall materiality	$40 million (2022: $40 million).	$24 million (2022: $24 million).
	Equates to c. 0.3% of net sales.	Based on c. 1% of total assets.
Rationale for benchmark applied	We considered a number of materiality benchmarks including “net sales”, “adjusted EBITDA” and “income before income taxes” in determining our overall materiality level. In considering the materiality levels by reference to the various benchmarks we considered a materiality level of $40 million to be appropriate which equates to c. 0.3.% of net sales. We also considered the reasonableness of overall materiality by reference to the materiality used in the prior year.	As the company is a holding company, whose main activity is the management of investments in subsidiaries, it is deemed that total assets is the most appropriate benchmark to determine materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to $30 million (group audit) and $18 million (company audit).

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $4 million (group audit) (2022: $3 million) and $2 million (company audit) (2022: $2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group and company's ability to continue to adopt the going concern basis of accounting included:

- obtaining management's going concern assessment for a period of at least twelve months from the date on which the financial statements are authorised for issue;
- agreeing that the cash flow projections underlying management's going concern assessment are materially consistent with the board approved forecasts, assessing how these forecasts are compiled, and evaluating the key assumptions;
- evaluating management's assessment of the impacts that geopolitical uncertainties, such as the Russia/ Ukraine conflict, may continue to have through the going concern assessment period;
- considering available facilities and the maturity profile of the group's debt to assess liquidity and considering expected compliance with debt covenants for the going concern assessment period;
- reviewing the going concern disclosures within note 1 of the consolidated financial statements and note 2 of the company financial statements in order to assess whether the disclosures are appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's or the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the "Non Financial Statement" as defined by that Act on which we are not required to report) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below:

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report) for the year ended 30 September 2023 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- Based on our knowledge and understanding of the group and company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report (excluding the information included in the "Non Financial Statement" on which we are not required to report).

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 (Ireland) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the U.S Foreign Corrupt Practices Act, the U.K. Bribery Act, the U.S. and international economic sanctions and money laundering regulations and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2014 and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to (1) the posting of inappropriate journal entries to manipulate financial results; and (2) management bias in determining accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit, the Group's internal and external legal counsel, and the head of ethics and compliance, including consideration of the Group's response to matters reported on the Group's whistleblowing helpline;

- Reading the minutes of Board meetings to identify any inconsistencies with other information provided by management;
- Obtaining legal confirmations from external lawyers and assessing the confirmations for any information indicating non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in determining significant accounting estimates, including performing look back procedures, where appropriate;
- Identifying and testing unusual journal entries, in particular journal entries posted with unusual account combinations, and testing all material consolidation journals;
- Incorporating unpredictability into our audit approach.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://iaasa.ie/wp-content/uploads/2022/10/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the company financial statements to be readily and properly audited.
- The company balance sheet is in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Prior financial year Non Financial Statement

We are required to report if the company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 in respect of the prior financial year. We have nothing to report arising from this responsibility.

/s/Alisa Hayden
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
7 February, 2024

ADIENT PLC
CONSOLIDATED STATEMENT OF INCOME (LOSS)

(in millions, except per share data)	Note	Year Ended September 30, 2023	2022
Net sales	3	$ 15,395	$ 14,121
Cost of sales		14,362	13,314
Gross profit		1,033	807
Selling, general and administrative expenses		554	598
Restructuring and impairment costs	20	40	25
Equity income	23	84	75
(Loss) earnings before interest and income taxes		523	259
Net financing charges	11	195	215
Other pension expense/(income)		33	(10)
(Loss) income before income taxes		295	54
Income tax provision	21	—	94
Net income (loss)		295	(40)
Income attributable to noncontrolling interests		90	80
Net income (loss) attributable to Adient		$ 205	$ (120)
Earnings (loss) per share:			
Basic	1	$ 2.17	$ (1.27)
Diluted	1	$ 2.15	$ (1.27)
Shares used in computing earnings (loss) per share:			
Basic	1	94.5	94.8
Diluted	1	95.4	94.8

The accompanying notes are an integral part of the consolidated financial statements.

ADIENT PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

		Year ended September 30	
(in millions)	Note	2023	2022
Net income (loss)		$ 295	$ (40)
Other comprehensive income (loss), net of taxation			
Foreign currency translation adjustments		(17)	(250)
Realized and unrealized gains (losses) on derivatives	15	21	—
Pension and postretirement plans	19	—	1
Other comprehensive income (loss)		4	(249)
Total comprehensive income (loss)		299	(289)
Comprehensive income attributable to noncontrolling interests	18	91	49
Comprehensive income (loss) attributable to Adient		$ 208	$ (338)

The accompanying notes are an integral part of the consolidated financial statements.

ADIENT PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		September 30,	
(in millions, except share and per share data)	**Note**	**2023**	**2022**
Assets			
Cash and cash equivalents		$ 1,110	$ 947
Accounts receivable, less allowance for doubtful accounts of $15 and $21, respectively	1	1,874	1,852
Inventories	8	841	953
Other current assets	7	491	411
Current assets		4,316	4,163
Property, plant and equipment - net	6	1,382	1,377
Goodwill	5	2,094	2,057
Other intangible assets - net	5	408	467
Investments in partially-owned affiliates	23	303	286
Assets held for sale	4	7	11
Other noncurrent assets	7	914	797
Total assets		$ 9,424	$ 9,158
Liabilities and Shareholders' Equity			
Short-term debt	11	$ 2	$ 3
Current portion of long-term debt	11	132	11
Accounts payable	12	2,526	2,478
Accrued compensation and benefits		384	335
Provisions - current	14	118	122
Other current liabilities	13	576	552
Current liabilities		3,738	3,501
Long-term debt	11	2,401	2,564
Provisions - noncurrent	14	328	314
Other noncurrent liabilities	13	354	359
Long-term liabilities		3,083	3,237
Commitments and Contingencies	24		
Redeemable noncontrolling interests	18	57	45
Preferred shares issued, par value $0.001; 100,000,000 shares authorized zero shares issued and outstanding at September 30, 2023		—	—
Ordinary shares issued, par value $0.001; 500,000,000 shares authorized 93,697,704 shares issued and outstanding at September 30, 2023		—	—
Additional paid-in capital		3,973	4,026
Retained earnings (accumulated deficit)		(903)	(1,108)
Accumulated other comprehensive (loss)	18	(842)	(845)
Shareholders' equity attributable to Adient		2,228	2,073
Noncontrolling interests		318	302
Total shareholders' equity		2,546	2,375
Total liabilities and shareholders' equity		$ 9,424	$ 9,158

The accompanying notes are an integral part of the consolidated financial statements.

Approved by the board of directors on February 7, 2024 and signed on its behalf by:

/s/ Jerome J. Dorlack	/s/ Richard Goodman
Jerome J. Dorlack	Richard Goodman
President and Chief Executive Officer and Director	Director

ADIENT PLC
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(in millions)	Ordinary Shares, par value	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity Attributable to Adient	Shareholders' Equity Attributable to Noncontrolling Interests	Total Equity
Balance at September 30, 2021	**$ —**	**$ 3,991**	**$ (988)**	**$ (627)**	**$ 2,376**	**$ 342**	**$ 2,718**
Net income (loss)	—	—	(120)	—	**(120)**	45	**(75)**
Foreign currency translation adjustments	—	—	—	(219)	**(219)**	(20)	**(239)**
Employee retirement plans	—	—	—	1	**1**	—	**1**
Dividends attributable to noncontrolling interests	—	—	—	—	**—**	(53)	**(53)**
Purchase of subsidiary shares from noncontrolling interest	—	12	—	—	**12**	(12)	**—**
Share based compensation and other	—	23	—	—	**23**	—	**23**
Balance at September 30, 2022	**$ —**	**$ 4,026**	**$ (1,108)**	**$ (845)**	**$ 2,073**	**$ 302**	**$ 2,375**
Net income (loss)	—	—	205	—	**205**	63	**268**
Foreign currency translation adjustments	—	—	—	(18)	**(18)**	(2)	**(20)**
Realized and unrealized gains (losses) on derivatives	—	—	—	21	**21**	—	**21**
Dividends attributable to noncontrolling interests	—	—	—	—	**—**	(45)	**(45)**
Repurchase and retirement of ordinary shares	—	(65)	—	—	**(65)**	—	**(65)**
Share based compensation and other	—	12	—	—	**12**	—	**12**
Balance at September 30, 2023	**$ —**	**$ 3,973**	**$ (903)**	**$ (842)**	**$ 2,228**	**$ 318**	**$ 2,546**

The accompanying notes are an integral part of the consolidated financial statements.

ADIENT PLC
CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions)	Year ended September 30 2023	2022
Operating Activities		
Profit (loss) on ordinary activities after taxation attributable to Adient ordinary shareholders	$ 205	$ (120)
Income attributable to noncontrolling interest	90	80
Profit (loss) on ordinary activities after taxation	295	(40)
Adjustments to reconcile profit (loss) on ordinary activities after taxation to net cash provided by operating activities:		
Depreciation	290	298
Amortization of intangibles	50	52
Pension and postretirement benefit expense (income)	38	(2)
Pension and postretirement contributions, net	(17)	(16)
Equity in earnings of partially-owned affiliates, net of dividends received (includes purchase accounting amortization of $2 and $2, respectively)	(34)	4
(Gain) on sale of / impairment of nonconsolidated partially owned affiliates	6	10
Premium paid on repurchase of debt	7	38
Retrospective recoveries of Brazil indirect tax credits	—	(29)
Derivative loss on the 2021 Yanfeng Transaction	—	3
Deferred income taxes	(124)	5
Non-cash restructuring and impairment charges	—	14
Equity-based compensation	34	29
Other	(4)	17
Changes in assets and liabilities:		
Receivables	16	(576)
Inventories	126	(62)
Other assets	(26)	32
Restructuring reserves	(53)	(57)
Accounts payable and accrued liabilities	34	542
Accrued income taxes	29	12
Cash provided (used) by operating activities	667	274
Investing Activities		
Capital expenditures	(252)	(227)
Sale of property, plant and equipment	26	20
Settlement of derivative contracts	—	(30)
Acquisition of businesses, net of cash acquired	(6)	(19)
Business divestitures	5	740
Other	(2)	—
Cash provided (used) by investing activities	(229)	484

Continued on next page

ADIENT PLC
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(in millions)	Year ended September 30 2023	2022
Financing Activities		
Increase (decrease) in short-term debt	(1)	(14)
Increase (decrease) in long-term debt	1,002	—
Repayment of long-term debt	(1,104)	(987)
Debt financing costs	(23)	(1)
Share repurchases	(65)	—
Cash paid to acquire a noncontrolling interest	—	(153)
Dividends paid to noncontrolling interests	(67)	(106)
Other	(13)	(12)
Cash provided (used) by financing activities	(271)	(1,273)
Effect of exchange rate changes on cash and cash equivalents	(4)	(59)
Increase (decrease) in cash and cash equivalents, including cash classified within current assets held for sale	163	(574)
Increase (decrease) in cash and cash equivalents	163	(574)
Cash and cash equivalents at beginning of period	947	1,521
Cash and cash equivalents at end of period	$ 1,110	$ 947

The accompanying notes are an integral part of the consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

The directors have elected to prepare the consolidated financial statements of Adient plc and its subsidiaries (hereinafter referred to as "Adient") in accordance with Section 279 of the Companies Act 2014 (the "Act"), which provides that a true and fair view of the state of affairs and profit or loss may be given by preparing the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), as defined in Section 279 of the Act, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Act or of any regulations made thereunder.

Adient plc is a public limited company incorporated under registration number 584907 and domiciled in Ireland. The address of its registered office is: 3 Dublin Landings, North Wall Quay, Dublin 1.

Adient is a global leader in the automotive seating supply industry with leading market positions in the Americas, Europe and China and maintains longstanding relationships with the largest global automotive original equipment manufacturers ("OEMs"). Adient's proprietary technologies extend into virtually every area of automotive seating solutions, including complete seating systems, frames, mechanisms, foam, head restraints, armrests and trim covers. Adient is a global seat supplier with the capability to design, develop, engineer, manufacture, and deliver complete seat systems and components in every major automotive producing region in the world.

Basis of Presentation

The consolidated financial statements include the consolidated statement of financial position of Adient plc and its subsidiaries as of September 30, 2023 and 2022, and the related consolidated statement of income (loss), statement of comprehensive income, statement of shareholders' equity and statement of cash flows for the twelve months ended September 30, 2023 and 2022. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), as defined in Section 279 of the Act, to the extent that the use of those principles in the preparation of the financial statements does not contravene any provision of the Act or of any regulations made thereunder.

Adient manages its business on a geographic basis and operates in the following three reportable segments for financial reporting purposes: 1) Americas, which is inclusive of North America and South America; 2) Europe, the Middle East and Africa ("EMEA") and 3) Asia Pacific/China ("Asia").

Adient evaluates the performance of its reportable segments using an adjusted EBITDA metric defined as income before income taxes and noncontrolling interests, excluding net financing charges, restructuring and impairment costs, restructuring related-costs, net mark-to-market adjustments on pension and postretirement plans, transaction gains/losses, purchase accounting amortization, depreciation, stock-based compensation and other non-recurring items. Also, certain corporate-related costs are not allocated to the segments. The reportable segments are consistent with how management views the markets served by Adient and reflect the financial information that is reviewed by its chief operating decision maker.

Irish Company Law contains specific requirements for the classification of any liability uncertain as to the amounts at which it will be settled or as to the date on which it will be settled. These liabilities are classified as provisions. Refer to Note 14, "Provisions," of the notes to consolidated financial statements for those liabilities which meet the provision classification requirements under Irish Company Law.

Going Concern

Adient, along with the automotive industry, has experienced significant volatility over the past few years relative to supply chain constraints causing disruptions to customer production schedules, inflationary pressures on raw materials and energy prices, wage inflation caused by constrained labor availability, impacts from geopolitical uncertainties such as the Russia/Ukraine conflict, higher interest rates and foreign currency fluctuations. Although supply chain conditions have steadily improved and certain inflationary pressures have moderated throughout fiscal year 2023, Adient continues to face uncertainties associated with a fragile supply chain environment, rising interest rates and wage inflationary pressures (as evidenced by the UAW strike in the U.S. that lasted six weeks beginning in September 2023), among other macroeconomic factors.

Although these factors are presenting challenges to Adient, the board of directors, after taking the above uncertainties into consideration, has formed a judgment at the time of approving the financial statements that there is a reasonable expectation that Adient have adequate resources to continue in operational existence for at least the next twelve-month period extending from the time of approving the financial statements.

In assessing the potential impact of these uncertainties on its liquidity, Adient prepared cash flow forecasts covering a period of at least twelve months from the date of these financial statements. This assessment included consideration of the forecasted business performance, the cash and financial facilities available to Adient, the potential impact of fragile supply chain environment, rising interest rates and wage inflationary pressures. Adient continues to expect that existing cash at bank and in hand, the cash generated by operations, available credit facility, as well as expected ability to access the capital and debt markets will be sufficient to fund Adient’s operating and capital needs for at least the next twelve months and thereafter for the foreseeable future. To its knowledge, the board of directors reasonably believes that these uncertainties would not have a material impact on Adient's ability to continue as a going concern as of the financial statements’ approval date.

Adient continues to actively monitor its liquidity position and working capital needs. During fiscal 2023, Adient issued $500 million in aggregate principal amount of 7% senior secured notes due 2028 and $500 million in aggregate principal amount of 8.250% senior unsecured notes due 2031. The net proceeds of these debt along with approximately $100 million of cash on hand were used primarily to redeem $350 million of the senior secured term loan facility under the Term Loan B Agreement, and repurchase €700 million ($743 million) of the 3.50% unsecured notes due 2024. Adient maintains an asset-based revolving credit facility (the “ABL Credit Facility”), which provides for a revolving line of credit up to $1,250 million, including a North American sub facility of up to $950 million and a European sub facility of up to $300 million, subject to borrowing base capacity. In November 2022, Adient extended its maturity date to November 2, 2027.

As a result of Adient's assessment of its ability to fund its expected operating and capital needs and the steps it could take in the event of a more significant broader economic impact arising from the uncertainties described above, the directors are satisfied that is appropriate that the going concern basis continues to be adopted in the preparation of the Consolidated Financial Statements and the Company Financial Statements.

Principles of Consolidation

The consolidated financial statements of Adient have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). Adient consolidates its wholly-owned subsidiaries and those entities in which it has a controlling interest. Investments in partially-owned affiliates are accounted for by the equity method when Adient's interest exceeds 20% and does not have a controlling interest. Refer to Note 29, "Significant Subsidiaries," of the notes to consolidated financial statements for a list of Adient's significant subsidiaries.

Consolidated VIEs

Based upon the criteria set forth in the Financial Accounting Standards Board Accounting Standards Codification ("ASC") 810, "Consolidation," Adient has determined that it was the primary beneficiary in two variable interest entities ("VIEs") for the reporting periods ended September 30, 2023 and 2022, respectively, as Adient absorbs significant economics of the entities and has the power to direct the activities that are considered most significant to the entities.

The two VIEs manufacture seating products in North America for the automotive industry. Adient funds the entities' short-term liquidity needs through revolving credit facilities and has the power to direct the activities that are considered most significant to the entities through its key customer supply relationships.

The carrying amounts and classification of assets (none of which are restricted) and liabilities included in Adient's consolidated statements of financial position for the consolidated VIEs are as follows:

(in millions)	September 30, 2023	September 30, 2022
Current assets	$ 265	$ 262
Noncurrent assets	$ 121	113
Total assets	$ 386	$ 375
Current liabilities	$ 228	$ 233
Noncurrent liabilities	13	14
Total liabilities	$ 241	$ 247

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The consolidated financial statements reflect management's estimates as of the reporting date. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The fair values of cash and cash equivalents, accounts receivable, short-term debt and accounts payable approximate their carrying values. See Note 15, "Derivative Instruments and Hedging Activities," and Note 16, "Fair Value Measurements," of the notes to consolidated financial statements for fair value of financial instruments, including derivative instruments and hedging activities.

Cash and Cash Equivalents

Adient considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is managed by legal entity, with cash pooling agreements in place for all participating entities on a global basis, as applicable.

Receivables

Receivables consist of amounts billed and currently due from customers and revenues that have been recognized for accounting purposes but not yet billed to customers. Adient extends credit to customers in the normal course of business and maintains an allowance for doubtful accounts resulting from the inability or unwillingness of customers to make required payments. The allowance for doubtful accounts is established based on historical data along with Adient's assessment of expected credit losses that reflects current and forecasted industry and economic conditions. This methodology is in accordance with ASC Topic 326, Financial Instruments - Credit Losses. Adient enters into supply chain financing programs in certain domestic and foreign jurisdictions to either sell or discount accounts receivable without recourse to third-party institutions. Sales or discounts of accounts receivable are reflected as a reduction of accounts receivable on the consolidated statements of financial position and the proceeds are included in cash flows from operating activities in the consolidated statements of cash flows. As of September 30, 2023 and 2022, $170 million and $269 million have been funded under these programs, respectively.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out ("FIFO") method. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs.

Pre-Production Costs Related to Long-Term Supply Arrangements

Adient's policy for engineering, research and development, and other design and development costs related to products that will be sold under long-term supply arrangements requires such costs to be expensed as incurred or capitalized if reimbursement from the customer is contractually assured. Income related to recovery of these costs is recorded within selling, general and administrative expense in the consolidated statements of income. At September 30, 2023 and 2022, Adient recorded within the consolidated statements of financial position $274 million and $239 million, respectively, of engineering and research and development costs for which customer reimbursement is contractually assured. The reimbursable costs are recorded in other current assets if reimbursement will occur in less than one year and in other noncurrent assets if reimbursement will occur beyond one year. At September 30, 2023, Adient had $104 million and $170 million of reimbursable costs recorded in current and noncurrent assets, respectively. At September 30, 2022, Adient had $73 million and $166 million of reimbursable costs recorded in current and noncurrent assets, respectively.

Costs for molds, dies and other tools used to make products that will be sold under long-term supply arrangements are capitalized within property, plant and equipment if Adient has title to the assets or has the non-cancelable right to use the assets during the term of the supply arrangement. Capitalized items, if specifically designed for a supply arrangement, are amortized over the term of the arrangement; otherwise, amounts are amortized over the estimated useful lives of the assets. At September 30, 2023 and 2022, approximately $53 million and $53 million, respectively, of costs for molds, dies and other tools were capitalized within property, plant and equipment which represented assets to which Adient had title. In addition, at September 30, 2023, Adient recorded within the consolidated statements of financial position in other current and noncurrent assets $151 million and $11 million, respectively, of costs for molds, dies and other tools for which customer reimbursement is contractually assured. At September 30, 2022, Adient recorded within the consolidated statements of financial position in other current and noncurrent assets $74 million and $15 million, respectively, of costs for molds, dies and other tools for which customer reimbursement is contractually assured.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. The estimated useful lives range from 3 to 40 years for buildings and improvements and from 3 to 15 years for machinery and equipment.

Leases

Operating lease right-of-use ("ROU") assets and liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement dates. ROU assets also include payments made in advance and exclude lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that such options are to be exercised. Adient uses its incremental borrowing rate, which is the rate of interest it would pay to borrow on a collateralized basis over a similar term to the lease in a similar economic environment, for discounting lease consideration as most lease agreements do not provide an implicit rate. Refer to Note 10, "Leases" of the notes to consolidated financial statements for more information regarding Adient's leases.

Goodwill and Other Intangible Assets

Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. Adient reviews goodwill for impairment during the fourth fiscal quarter or more frequently if events or changes in circumstances indicate the asset might be impaired. Adient performs impairment reviews for its reporting units, which have been determined to be Adient's reportable segments using a fair value method based on management's judgments and assumptions or third party valuations. The fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. In estimating the fair value, Adient primarily uses an income approach utilizing discounted cash flow analyses. Adient also uses a market approach utilizing published multiples of earnings of comparable entities with similar operational and economic characteristics to further support the fair value estimates. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement." The estimated fair value is then compared with the carrying amount of the reporting unit, including recorded goodwill. An impairment is recorded to the extent the estimated fair value is below the carrying amount of the reporting unit.

Intangible assets with definite lives are amortized over their estimated useful lives and are subject to impairment testing if events or changes in circumstances indicate that the asset might be impaired.

Impairment of Long-Lived Assets

Adient reviews long-lived assets, including property, plant and equipment, operating lease ROU assets and other intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. Adient conducts its long-lived asset impairment analyses in accordance with ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets." ASC 360-10-15 requires Adient to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis or appraisals.

Impairment of Investments in Partially-Owned Affiliates

Adient monitors its investments in partially-owned affiliates for indicators of other-than-temporary declines in value on an ongoing basis. If Adient determines that an other-than-temporary decline in value has occurred, it recognizes an impairment loss, which is measured as the difference between the recorded book value and the fair value of the investment. Fair value is generally determined using an income approach based on discounted cash flows or negotiated transaction values. Refer to Note 23, "Nonconsolidated Partially-Owned Affiliates," of the notes to consolidated financial statements for more information on Adient’s partially-owned affiliates.

Revenue Recognition

Adient provides production and service parts to its customers under awarded multi-year programs. The duration of a program is generally consistent with the life cycle of a vehicle, however, an awarded program does not reach the level of a performance obligation until Adient receives either a purchase order and/or a materials release from the customer for a specific number of parts at a specified price, at which point an enforceable contract exists. Sales revenue is recognized at the point in time when parts are shipped and control has transferred to the customer, at which point an enforceable right to payment exists. Contracts may provide for annual price reductions over the production life of the awarded program, and prices are adjusted on an ongoing basis to reflect changes in product content/cost and other commercial factors. The amount of revenue recognized reflects the consideration that Adient expects to be entitled to in exchange for such products based on purchase orders, annual price reductions and ongoing price adjustments. Refer to Note 3, "Revenue Recognition," of the notes to consolidated financial statements for information on Adient's revenue recognition.

Customers

Essentially all of Adient's sales are to the automotive industry. Adient's most significant customers, Volkswagen Group and Stellantis N.V., comprised 11% and 10%, respectively, of consolidated net sales in fiscal 2023. Stellantis N.V. comprised 12% of consolidated net sales in fiscal 2022.

Research and Development Costs

Expenditures for research activities relating to product development and improvement (other than those expenditures that are contractually guaranteed for reimbursement from the customer) are charged against income as incurred and included within selling, general and administrative expenses in the consolidated statements of income. Such expenditures for the years ended September 30, 2023 and 2022 were $362 million and $322 million, respectively. A portion of these costs associated with these activities are reimbursed by customers and, for the fiscal years ended September 30, 2023 and 2022 were $250 million and $194 million, respectively.

Government Assistance

Adient periodically receives government incentives in the forms of cash grants which are based on making qualifying capital investments in property, plant and equipment. Such assistance is initially recorded as a reduction to property, plant and equipment. Once in use, the balance is systematically recognized in the statements of income as the asset is depreciated over the useful life of the underlying asset. Adient also periodically receives government assistance for creating new job opportunities and maintaining a certain number of employees. Such employment-related incentives are normally deferred as current or noncurrent liabilities as appropriate. These benefits are recognized in the statements of income as a reduction of expense when Adient has met or is expected to meet all related contractual obligations. The impact of government assistance received by Adient during fiscal 2023 and related balances as of September 30, 2023 were immaterial.

Foreign Currency Translation

Adient's international operations, in general, use the respective local currency as the functional currency. Assets and liabilities of international entities have been translated at period-end exchange rates, and income and expenses have been translated using average exchange rates for the period. Monetary assets and liabilities denominated in non-functional currencies are adjusted to reflect period-end exchange rates. The resulting translation adjustments are accumulated as a component of AOCI. The aggregate transaction gains (losses) included in net income for the years ended September 30, 2023 and 2022 were $4 million and $6 million, respectively.

Derivative Financial Instruments

The fair values of all derivatives are recorded in the consolidated statements of financial position. The change in a derivative's fair value is recorded each period in current earnings or accumulated other comprehensive income, depending on whether the derivative is designated as part of a hedge transaction and if so, the type of hedge transaction. Refer to Note 15, "Derivative Instruments and Hedging Activities," and Note 16, "Fair Value Measurements," of the notes to consolidated financial statements for disclosure of Adient's derivative instruments and hedging activities.

Stock-Based Compensation

Stock-based compensation is initially measured at the fair value of the awards on the grant date and is recognized in the financial statements over the period the employees are required to provide services in exchange for the awards. The fair value of restricted stock awards is based on the number of units granted and the stock price on the grant date. The fair value of performance-based share unit, or PSU, awards is based on the stock price at the grant date and the assessed probability of meeting future performance targets. The fair value of cash settled awards are recalculated at the end of each reporting period and the liability and expense are adjusted based on the new fair value. Refer to Note 17, "Stock-Based Compensation," of the notes to consolidated financial statements for Adient's stock based compensation disclosures.

Pension and Postretirement Benefits

Adient utilizes a mark-to-market approach for recognizing pension and postretirement benefit expenses, including measuring the market related value of plan assets at fair value and recognizing actuarial gains and losses in the fourth quarter of each fiscal year or at the date of a remeasurement event. Refer to Note 19, "Retirement Plans," of the notes to consolidated financial statements for disclosure of Adient's pension and postretirement benefit plans.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and other loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Adient records a valuation allowance that primarily represents operating and other loss carryforwards for which realization is uncertain. Management judgment is required in determining Adient's provision for income taxes, deferred tax assets and liabilities, and the valuation allowance recorded against Adient's net deferred tax assets.

Adient reviews the realizability of its deferred tax assets on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or combined group recording the net deferred tax asset are considered, along with any other positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to Adient's valuation allowances may be necessary.

Adient is subject to income taxes in Ireland, the U.S. and other non-U.S. jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of Adient's business, there are many transactions and calculations where the ultimate tax determination is uncertain. Adient's income tax returns for various fiscal years remain under audit by the respective tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

Adient does not generally provide for additional income taxes which would become payable upon repatriation of undistributed earnings of wholly owned foreign subsidiaries. Adient's intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax efficient.

Refer to Note 21, "Income Tax Provision," of the notes to consolidated financial statements for Adient's income tax disclosures.

Earnings Per Share

The following table shows the computation of basic and diluted earnings per share:

(in millions, except per share data)	Year Ended September 30, 2023	Year Ended September 30, 2022
Numerator:		
Net income (loss) attributable to Adient	$ 205	$ (120)
Denominator:		
Shares outstanding	94.5	94.8
Effect of dilutive securities	0.9	—
Diluted shares	95.4	94.8
Earnings per share:		
Basic	$ 2.17	$ (1.27)
Diluted	$ 2.15	$ (1.27)

The effect of common stock equivalents which would have been anti-dilutive was excluded from the calculation of diluted earnings per share for fiscal 2023 and was immaterial. Potentially dilutive securities whose effect would have been antidilutive are excluded from the computation of diluted earnings per share for fiscal 2022 which is a result of being in a loss position.

New Accounting Pronouncements

Standards Adopted During Fiscal 2023

On October 1, 2022, Adient adopted Accounting Standards Codification ("ASU") 2020-06, Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40). ASU 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity by reducing the number of accounting models for convertible debt and convertible preferred stock. The adoption of this guidance on October 1, 2022 did not significantly impact Adient's consolidated financial statements for fiscal 2023.

On October 1, 2022, Adient adopted ASU 2021-10, Government Assistance (Topic 832) - Disclosures by Business Entities about Government Assistance. The ASU requires annual disclosures of: (i) information about the nature of government assistance transactions and the related accounting policy used to account for the transactions; (ii) the balance sheet and income statement line items affected by the transactions, and the amounts for each financial statement line item; and (iii) significant transaction terms and conditions. The adoption of this guidance on October 1, 2022 resulted in new disclosures but did not significantly impact Adient's consolidated financial statements for fiscal 2023.

Standards Effective After Fiscal 2023

Adient has considered the ASU summarized below, effective after fiscal 2023, which is not expected to significantly impact the consolidated financial statements but will result in new disclosures:

Standard Pending Adoption	Description	Date Effective
ASU 2022-04, Liabilities - Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations	The ASU requires buyers of goods and services to disclose information about supplier finance programs if such arrangements are used to manage their payables. The disclosures should include both qualitative and quantitative information including key terms and the amount of outstanding obligations.	October 1, 2023

2. Critical Accounting Estimates

Adient prepares its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). This requires management to make estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from those estimates. The following policies are considered by management to be the most critical in understanding the judgments that are involved in the preparation of Adient's consolidated financial statements and the uncertainties that could impact results of operations, financial position and cash flows.

Revenue Recognition

Adient records revenue when persuasive evidence of an arrangement exists, delivery occurs or services are rendered, the sales price or fee is fixed or determinable and collectability is reasonably assured. Adient delivers products and records revenue pursuant to commercial agreements with its customers generally in the form of an approved purchase order, including the effects of contractual customer price productivity. Adient does negotiate discrete price changes with its customers, which are generally the result of unique commercial issues between Adient and its customers. Adient records amounts associated with discrete price changes as a reduction to revenue when specific facts and circumstances indicate that a price reduction is probable and the amounts are reasonably estimable. Adient records amounts associated with discrete price changes as an increase to revenue upon execution of a legally enforceable contractual agreement and when collectability is reasonably assured. Refer to Note 1, "Organization and Summary of Significant Accounting Policies," and Note 3, "Revenue Recognition," of the notes to the consolidated financial statements for more information.

Impairment of Goodwill, Other Long-lived Assets and Investments in Partially Owned Affiliates

Goodwill reflects the cost of an acquisition in excess of the fair values assigned to identifiable net assets acquired. Adient reviews goodwill for impairment during the fourth fiscal quarter or more frequently if events or changes in circumstances indicate the asset might be impaired. Adient performs impairment reviews for its reporting units, which have been determined to be Adient's reportable segments, using a fair value method based on management's judgments and assumptions or third-party valuations. The fair value of a reporting unit refers to the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date. In estimating the fair value, Adient uses the income approach in which discounted cash flow analyses are used to derive estimates of fair value of each reporting unit. Multiples of earnings based on the average of historical, published multiples of earnings of comparable entities with similar operations and economic characteristics are also used in developing estimated fair values. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement." These calculations contain uncertainties as they require management to make assumptions about market comparables, future cash flows and appropriate discount rates (based on weighted average cost of capital ranging from 17.0% to 20.5% at September 30, 2023) to reflect the risk inherent in the future cash flows and to derive a reasonable enterprise value and related premium.

The estimated future cash flows reflect management's latest assumptions of the financial projections based on current and anticipated competitive landscape, including estimates of revenue based on production volumes over the foreseeable future and long-term growth rates, and operating margins based on historical trends and future cost containment activities. The financial projections considered the impact of the various issues causing the volatility in the automotive industry such as wage inflationary pressures and higher interest rates. As a result of the tests, there was no goodwill impairment recorded during the fourth quarter of fiscal 2023. A change in any of these estimates and assumptions could produce significantly lower fair values of Adient's reporting units, which could have a material impact on its results of operations. Refer to Note 5, "Goodwill and Other Intangible Assets," of the notes to the consolidated financial statements for additional information.

Adient reviews long-lived assets, including property, plant and equipment and other intangible assets with definite lives, for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. Adient conducts its long-lived asset impairment analyses in accordance with ASC 360-10-15, "Impairment or Disposal of Long-Lived Assets." ASC 360-10-15 requires Adient to group assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities and evaluate the asset group against the sum of the undiscounted future cash flows. If the undiscounted cash flows do not indicate the carrying amount of the asset is recoverable, an impairment charge is measured as the amount by which the carrying amount of the asset group exceeds its fair value based on discounted cash flow analysis or appraisals. Intangible assets with definite lives continue to be amortized over their estimated useful lives and are subject to impairment testing as part of their asset group if events or changes in circumstances indicate that the asset might be impaired. A considerable amount of management judgment and assumptions are required in performing the impairment tests. No triggering events were identified during fiscal 2023 and 2022.

Adient monitors its investments in partially-owned affiliates for indicators of other-than-temporary declines in value on an ongoing basis. If Adient determines that an other-than-temporary decline in value has occurred, it recognizes an impairment loss, which is measured as the difference between the recorded book value and the fair value of the investment. Fair value is generally determined using an income approach based on discounted cash flows or negotiated transaction values. During fiscal 2023, Adient concluded that indicators of other-than-temporary impairment were present related to two nonconsolidated partially-owned affiliates, and recorded a $6 million ($3 million in Asia and $3 million in EMEA) non-cash impairment as a result. During fiscal 2022, Adient entered into agreements, whereby Adient would sell its interests in two joint ventures in China held directly by Adient, each of which represented 25% of their total issued and outstanding equity interests, for $3 million. As a result, Adient concluded that indicators of other-than-temporary impairment were present related to the investments in these joint ventures, and recorded a non-cash impairment charge of $3 million. Also during fiscal 2022, Adient concluded that indicators of other-than-temporary impairment were present related to a partially-owned affiliate in South Africa as Adient pursued a sale of a portion of its interest in the joint venture and recorded a non-cash impairment charge of $6 million. Refer to Note 23, "Nonconsolidated Partially-Owned Affiliates," of the notes to the consolidated financial statements for additional information.

Employee Benefit Plans

Adient provides a range of pension benefits to its employees and retired employees. These benefits are Adient's direct obligation and have been recorded within Adient's consolidated financial statements. Plan assets and obligations are measured annually, or more frequently if there is a remeasurement event, based on Adient's measurement date utilizing various actuarial assumptions such as discount rates, assumed rates of return, compensation increases, turnover rates and health care cost trend rates as of that date. Adient reviews its actuarial assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when appropriate.

Adient utilizes a mark-to-market approach for recognizing pension benefit expenses, including measuring the market related value of plan assets at fair value and recognizing actuarial gains and losses in the fourth quarter of each fiscal year or at the date of a remeasurement event.

U.S. GAAP requires that companies recognize in the statement of financial position a liability for defined benefit pension and postretirement plans that are underfunded or unfunded, or an asset for defined benefit pension and postretirement plans that are overfunded. U.S. GAAP also requires that companies measure the benefit obligations and fair value of plan assets that determine a benefit plan's funded status as of the date of the employer's fiscal year end.

Adient considers the expected benefit payments on a plan-by-plan basis when setting assumed discount rates. As a result, Adient uses different discount rates for each plan depending on the plan jurisdiction, the demographics of participants and the expected timing of benefit payments. For the U.S. pension plans, Adient uses a discount rate provided by an independent third party calculated based on an appropriate mix of high quality bonds. For the non-U.S. pension, Adient consistently uses the relevant country specific benchmark indices for determining the various discount rates. Adient's discount rate on U.S. pension plans was 5.87% and 5.51% at September 30, 2023 and 2022, respectively. Adient's weighted average discount rate on non-U.S. plans was 5.60% and 4.98% at September 30, 2023 and 2022, respectively.

In estimating the expected return on plan assets, Adient considers the historical returns on plan assets, adjusted for forward-looking considerations, inflation assumptions and the impact of the active management of the plans' invested assets. Reflecting the relatively long-term nature of the plans' obligations, approximately 60% of the plans' assets are invested in fixed income securities and 15% in equity securities, with the remainder primarily invested in alternative investments. For fiscal years 2023 and 2022, Adient's expected long-term return on U.S. pension plan assets used to determine net periodic benefit cost was 6.75% and 6.75% respectively. The actual rate of return on U.S. pension plans was above 6.75% in fiscal 2023 and was below 6.75% in fiscal 2022. For fiscal years 2023 and 2022, Adient's weighted average expected long-term return on non-U.S. pension plan assets was 4.53% and 3.20%, respectively. The actual rate of return on non-U.S. pension plans was below 4.53% in fiscal 2023 and was above 3.20% in fiscal 2022.

For fiscal 2024, Adient estimates the long-term rate of return will approximate 6.75% and 4.95% for U.S. pension and non-U.S. pension plans, respectively. Any differences between actual investment results and the expected long-term asset returns will be reflected in net periodic benefit costs in the fourth quarter of each fiscal year. If Adient's actual returns on plan assets are less than Adient's expectations, additional contributions may be required.

In fiscal 2023, total Adient contributions to the defined benefit pension plans were $17 million. Adient expects to contribute at least $20 million in cash to its defined benefit pension plans in fiscal 2024.

Based on information provided by its independent actuaries and other relevant sources, Adient believes that the assumptions used are reasonable; however, changes in these assumptions could impact Adient's financial position, results of operations or cash flows.

The following table illustrates estimated increases (decreases) in projected benefit obligation ("PBO") and net periodic benefit cost excluding changes in mark-to-market adjustments and settlement charges ("NPBC") as of September 30, 2023 and for fiscal 2023 assuming a decrease of 100 basis points in the discount rate and expected return on plan assets.

	Pension Benefits			
	U.S. Plans		Non-U.S. Plans	
(in millions)	Change in PBO	Change in NPBC	Change in PBO	Change in NPBC
100 basis point decrease in discount rate	$ 1	$ —	$ 40	$ (2)
100 basis point decrease in expected return on plan assets	N/A	—	N/A	3

Refer to Note 19, "Retirement Plans," of the notes to consolidated financial statements for more information on Adient's pension plans.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and other loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Adient records a valuation allowance that primarily represents operating and other loss carryforwards for which realization is uncertain. Management judgment is required in determining Adient's provision for income taxes, deferred tax assets and liabilities, and the valuation allowance recorded against Adient's net deferred tax assets.

Adient reviews the realizability of its deferred tax assets on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or combined group recording the net deferred tax asset are considered, along with any other positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to Adient's valuation allowances may be necessary.

Adient is subject to income taxes in Ireland, the U.S. and other non-U.S. jurisdictions. Judgment is required in determining its worldwide provision for income taxes and recording the related assets and liabilities. In the ordinary course of Adient's business, there are many transactions and calculations where the ultimate tax determination is uncertain. Adient's income tax returns for various fiscal years remain under audit by the respective tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provisions included amounts sufficient to pay assessments, if any, which may be proposed by the taxing authorities. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

Adient does not generally provide for additional income taxes which would become payable upon repatriation of undistributed earnings of wholly owned foreign subsidiaries. Adient's intent is for such earnings to be reinvested by the subsidiaries or to be repatriated only when it would be tax efficient.

Refer to Note 21, "Income Tax Provision," of the notes to consolidated financial statements for Adient's income tax disclosures.

Restructuring Costs

Adient accrues costs in connection with its restructuring actions. These accruals include estimates primarily related to employee headcount, local statutory benefits, and other employee termination costs. Actual costs may vary from these estimates. These accruals are reviewed on a quarterly basis and changes to restructuring actions are appropriately recognized when identified. Refer to Note 20, "Restructuring and Impairment Costs," of the notes to consolidated financial statements for more information.

During fiscal 2023, Adient committed to a restructuring plan ("2023 Plan") of $39 million. Adient also recorded additional charges totaling $1 million related to prior year plans. The restructuring actions relate to cost reduction initiatives and consist primarily of workforce reductions in EMEA. The restructuring actions are expected to be substantially completed by fiscal 2025.

During fiscal 2022, Adient committed to a restructuring plan ("2022 Plan") of $25 million that was offset by $10 million of prior year underspend. The restructuring actions relate to cost reduction initiatives and consist primarily of workforce reductions in EMEA and Americas. The restructuring actions were substantially completed by fiscal 2023.

3. Revenue Recognition

Adient generates revenue through the sale of automotive seating solutions, including complete seating systems and the components of complete seating systems. Adient provides production and service parts to its customers under awarded multi-year programs. The duration of a program is generally consistent with the life cycle of a vehicle, however, the program can be canceled at any time without cause by the customer. Programs awarded to Adient to supply parts to its customers do not contain a firm commitment by the customer for volume or price and do not reach the level of a performance obligation until Adient receives either a purchase order and/or a materials release from the customer for a specific number of parts at a specified price, at which point an enforceable contract exists. Sales revenue is generally recognized at the point in time when parts are shipped and control has transferred to the customer, at which point an enforceable right to payment exists. Contracts may provide for annual price reductions over the production life of the awarded program, and prices are adjusted on an ongoing basis to reflect changes in product content/cost and other commercial factors. The amount of revenue recognized reflects the consideration that Adient expects to be entitled to in exchange for such products based on purchase orders, annual price reductions and ongoing price adjustments (some of which are accounted for as variable consideration and subject to being constrained), net of the impact, if any, of consideration paid to the customer. Approximately 1% of net sales recorded in fiscal 2023 were related to product sales transacted in prior fiscal years.

In a typical arrangement with the customer, purchase orders are issued for pre-production activities which consist of engineering, design and development, tooling and prototypes for the manufacture and delivery of component parts. Adient has concluded that these activities are not in the scope of ASC 606, "Revenue from Contracts with Customers."

Adient includes shipping and handling fees billed to customers in revenue, while including costs of shipping and handling in cost of sales. Taxes collected from customers are excluded from revenue and credited directly to obligations to the appropriate government agencies. Payment terms with customers are established based on customary industry and regional practices. Adient has evaluated the terms of its arrangements and determined that they do not contain significant financing components.

Contract assets primarily relate to the right to consideration for work completed, but not billed at the reporting date on contracts with customers. The contract assets are transferred to receivables when the rights become unconditional. Contract liabilities primarily relate to contracts where advance payments or deposits have been received, but performance obligations have not yet been satisfied and revenue has not been recognized. No significant contract assets or liabilities exist at September 30, 2023. As described above, the issuance of a purchase order and/or a materials release by the customer represents the point at which an enforceable contract with the customer exists. Therefore, Adient has elected to apply the practical expedient in ASC 606, paragraph 606-10-50-14 and does not disclose information about the remaining performance obligations that have an original expected duration of one year or less. Refer to Note 22, "Segment Information," of the notes to consolidated financial statements for disaggregated revenue by geographical market.

4. Acquisitions and Divestitures

2023 Transactions

Adient completed the acquisition of Nantong Yanfeng Adient Seating Trim Co., Ltd. (“YFAT”) from KEIPER Seating Mechanisms Co., Ltd. (“KEIPER”), in April 2023 for ¥150 million ($23 million). Adient made an initial deposit of ¥75 million ($12 million) in fiscal 2022, which represents 50% of the purchase price (reflected within other current assets as of September 30, 2022). During fiscal 2023, Adient paid the remaining purchase price of ¥75 million ($11 million). The acquisition was accounted for using the acquisition method, and the operating results and cash flows of YFAT are included in Adient's consolidated financial statements starting from May 2023. The acquisition is expected to provide additional synergies within the Asia segment. Adient recorded a purchase price allocation for the assets acquired and liabilities assumed based on their fair values as of the April 2023 acquisition date, which included $13 million of goodwill and $5 million of acquired cash. The allocation of the purchase price is based on the valuations performed to determine the fair value of the net assets as of the acquisition date. If the acquisition of YFAT had occurred on October 1, 2021, its impact on Adient's net sales and net income attributable to Adient for fiscal 2022 and fiscal 2023 would have been immaterial. Upon acquisition, YFAT was renamed as Adient (Nantong) Automotive Seating Components Co., Ltd.

Adient also completed in fiscal 2023 the transfer of all of the issued and outstanding equity interests in two joint ventures in China held directly by Adient, each of which represents 25% of their total issued and outstanding equity interests, to Yanfeng Automotive Trim Systems Company Ltd. ("Yanfeng") for $3 million. Adient concluded that indicators of other-than-temporary impairment were present related to the investments in these joint ventures during fiscal 2022, and recorded a non-cash impairment charge of $3 million.

2021 Yanfeng Transaction
On March 12, 2021, Adient, Yanfeng, Yanfeng Adient Seating Co., Ltd. ("YFAS"), a joint venture owned, directly or indirectly, by Yanfeng (50.01%) and Adient (49.99%), and KEIPER, a joint venture owned, directly or indirectly, by Yanfeng (50%) and Adient (50%), entered into a Master Agreement (the "2021 Agreement"), pursuant to which the parties agreed to, among other things, transactions that resulted in the sale of Adient’s 49.99% interest in YFAS to Yanfeng, the sale of Adient’s ownership interests in 3 other related joint ventures (ranging from 10% to 25%) to YFAS/KEIPER, and the purchase of YFAS’s 50% interest in Chongqing Adient Automotive Components Co., Ltd. ("CQADNT") and YFAS’s 100% interest in Adient (Langfang) Seating Co., Ltd. ("LFADNT") (collectively, the "2021 Yanfeng Transaction"). The 2021 Yanfeng Transaction closed on September 30, 2021 ("Closing Date").

As a result of the 2021 Yanfeng Transaction, Adient received net cash proceeds of $1,141 million ($489 million in September 2021 and $652 million in December 2021) for the sale of Adient’s 49.99% interest in YFAS to Yanfeng, $100 million as the final cash dividend from YFAS, $59 million for the sale of Adient’s ownership interests in the 3 other related joint ventures, $54 million for granting a license of intellectual property to Yanfeng for use on a non-exclusive and perpetual basis, and a business consulting fee of $13 million. Adient also made a net payment of $211 million to Yanfeng related to the purchase CQADNT and LFADNT (the purchase price of $271 million, less $60 million cash acquired) on the Closing Date.

In conjunction with the 2021 Yanfeng Transaction, Adient provided Chongqing Boxun Industrial Co., Ltd. ("Boxun"), which owned 25% of CQADNT, an option to sell its interest in CQADNT. This option was reflected as $194 million of redeemable noncontrolling interest on Adient’s statement of financial position as of September 30, 2021. Boxun exercised its option in October 2021, and Adient acquired Boxun’s 25% interest effective January 2022. The total payment to Boxun from Adient was approximately $200 million, of which $15 million of historical dividends were paid in December 2021, and $185 million, including $32 million of historical dividends, was paid later in fiscal 2022. With the acquisitions of Boxun’s 25% and YFAS’s 50% interest of CQADNT, Adient owns 100% of CQADNT effective January 2022.

As a result of the 2021 Agreement, Adient also received $41 million during fiscal 2022 ($19 million had been receiving in fiscal 2021) representing the remaining balance of proceeds from the sale of its interest in Yanfeng Global Automotive Interior Systems Co. ("YFAI"), a joint venture previously owned, directly or indirectly, by Yanfeng (70%) and Adient (30%), which was part of the 2020 Yanfeng Transaction (as defined and described in Adient's fiscal 2022 Annual Report).

In November 2023, Adient sold 51% of its interest in LFADNT for ¥44 million ($6 million), resulting in the deconsolidation of LFADNT, including $9 million of cash. Adient recorded an $8 million loss as a result of the transaction in the Asia segment, including $5 million of allocated goodwill.

Russia/Ukraine conflict
Following Russia's invasion of Ukraine in February 2022, Adient determined to withdraw from the Russian market. Adient recorded a charge of $5 million during fiscal 2022 in conjunction with completion of the withdrawal from and sale of its Russian operations for one ruble.

Assets held for sale
During fiscal 2022, Adient committed to sell certain assets in EMEA. As a result, these assets were classified as assets held for sale and were required to be adjusted to the lower of fair value less cost to sell or carrying value. This resulted in an impairment charge of $6 million. The impairment was measured using third party sales pricing to determine fair values of the assets. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement.”

During fiscal 2021, Adient committed to sell certain assets in France and Turkey. As a result, these assets were classified as assets held for sale (including an allocation of $11 million of goodwill) and were required to be adjusted to the lower of fair value less cost to sell or carrying value. This resulted in Adient recording an impairment charge of $9 million within restructuring and impairment costs on the consolidated statement of income (loss) related to the assets in France. The impairment was measured using third party sales pricing to determine fair values of the assets. The inputs utilized in the analyses are classified as Level 3 inputs within the fair value hierarchy as defined in ASC 820, "Fair Value Measurement." The sale of the assets in France was completed in fiscal 2021 for minimal proceeds while the sale of the assets in Turkey was completed in fiscal 2022 for total proceeds of $46 million, of which $36 million was collected at closing, and $10 million was collected later in fiscal 2022.

5. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill are as follows:

(in millions)	Americas	EMEA	Asia	Total
Balance at September 30, 2022	$ 607	$ 295	$ 1,155	$ 2,057
Business acquisitions	—	—	13	13
Currency translation and other	2	22	—	24
Balance at September 30, 2023	$ 609	$ 317	$ 1,168	$ 2,094

Refer to Note 4, "Acquisitions and Divestitures," of the notes to consolidated financial statements for additional information.

Adient performed its annual goodwill impairment test during the fourth quarter of fiscal year 2023 using a fair value method based on management's judgments and assumptions regarding future cash flows. These calculations contain uncertainties as they require management to make assumptions about market comparables, future cash flows, and the appropriate discount rates (based on weighted average cost of capital ranging from 17.0% to 20.5%) to reflect the risk inherent in the future cash flows and to derive a reasonable enterprise value and related premium. The estimated future cash flows reflect management's latest assumptions of the financial projections based on current and anticipated competitive landscape, including estimates of revenue based on production volumes over the foreseeable future and long-term growth rates, and operating margins based on historical trends and future cost containment activities. The financial projections considered the impact of the various issues causing the volatility in the automotive industry such as wage inflationary pressures and higher interest rates. As a result of the test, there was no goodwill impairment recorded for fiscal year 2023. A change in any of these estimates and assumptions could produce significantly lower fair values of Adient’s reporting units, which could have a material impact on its results of operations.

Adient performed its annual goodwill test during the fourth quarter of fiscal 2022 using similar methods and assumptions as described above (based on weighted average cost of capital ranging from 17.5% to 21.0%). As a result of the tests, there was no goodwill impairment recorded in fiscal 2022.

Adient's other intangible assets, primarily from business acquisitions valued based on independent appraisals, consisted of:

	September 30, 2023			September 30, 2022		
(in millions)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets						
Patented technology	$ 79	$ (32)	$ 47	$ 80	$ (25)	$ 55
Customer relationships	550	(201)	349	560	(163)	397
Trademarks	17	(17)	—	19	(17)	2
Miscellaneous	24	(12)	12	25	(12)	13
Total intangible assets	$ 670	$ (262)	$ 408	$ 684	$ (217)	$ 467

Amortization of other intangible assets for the fiscal years ended September 30, 2023 and 2022 was $50 million and $52 million, respectively. Adient anticipates amortization for fiscal 2024, 2025, 2026, 2027 and 2028 will be approximately $48 million, $47 million, $45 million, $39 million and $31 million, respectively.

6. Property, Plant and Equipment

Property, plant and equipment consisted of the following:

(in millions)	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Land	Total Tangible Assets
Cost:					
At September 30, 2022	$ 1,053	$ 2,889	$ 146	$ 82	$ 4,170
Capital expenditures	—	—	252	—	252
Business acquisitions	1	4	—	—	5
Disposals and other	(127)	(152)	(2)	(1)	(282)
Held for sale reclassifications	—	(6)	—	—	(6)
Transfers	31	218	(249)	—	—
Currency translation	32	144	2	3	181
At September 30, 2023	$ 990	$ 3,097	$ 149	$ 84	$ 4,320
Accumulated depreciation:					
At September 30, 2022	$ (597)	$ (2,196)	$ —	$ —	$ (2,793)
Depreciation expense	(44)	(246)	—	—	(290)
Disposals and other	126	150	—	—	276
Held for sale reclassifications	—	3	—	—	3
Currency translation	(19)	(114)	—	—	(133)
At September 30, 2023	$ (534)	$ (2,403)	$ —	$ —	$ (2,937)
Net book value:					
At September 30, 2022	$ 456	$ 693	$ 146	$ 82	$ 1,377
At September 30, 2023	$ 456	$ 694	$ 149	$ 84	$ 1,383

There were no material finance leases included in net property, plant and equipment at September 30, 2023 and 2022.

As of September 30, 2023, Adient is the lessor of properties included in gross building and improvements for $13 million and accumulated depreciation of $9 million. As of September 30, 2022, Adient is the lessor of properties included in gross building and improvements for $12 million and accumulated depreciation of $8 million.

7. Other Assets

As of September 30, 2023 and 2022, other current assets were comprised of:

(in millions)	September 30 2023		2022	
Customer tooling	$	151	$	74
VAT and other non-income tax receivables		121		155
Capitalized engineering		103		73
Prepaid expenses		52		42
All other		64		67
Other current assets	$	491	$	411

As of September 30, 2023 and 2022, other noncurrent assets were comprised of:

(in millions)	September 30 2023		2022	
Deferred tax asset	$	253	$	111
VAT and other non-income tax receivables		41		48
Capitalized engineering		170		166
Customer tooling		11		15
Operating lease right-of-use assets		241		266
All other		198		191
Other noncurrent assets	$	914	$	797

Certain figures for fiscal 2022 were regrouped to conform to fiscal 2023 presentation.

Refer to Note 10, "Leases," of the notes to consolidated financial statements for additional information related operating lease right-of-use assets. Refer to Note 21, "Income Tax Provision," of the notes to consolidated financial statements for additional information on the release of income tax valuation allowances in fiscal 2023.

8. Inventories

Inventories consisted of the following:

(in millions)	September 30, 2023		2022	
Raw materials and supplies	$	644	$	755
Work-in-process		34		26
Finished goods		163		172
Inventories	$	841	$	953

The employee costs capitalized in finished goods balances are $30 million and $30 million as of September 30, 2023 and 2022, respectively. Refer to Note 27, "Employees," of the notes to consolidated financial statements for additional information related to employee related costs.

9. Product Warranties

Adient offers warranties to its customers depending upon the specific product and terms of the customer purchase agreement. A typical warranty program requires that Adient replace defective products within a specified time period from the date of sale. Adient records an estimate for future warranty-related costs based on actual historical return rates and other known factors. Based on analysis of return rates and other factors, Adient's warranty provisions are adjusted as necessary. Adient monitors its warranty activity and adjusts its reserve estimates when it is probable that future warranty costs will be different than those estimates. Adient's product warranty liability is recorded in the consolidated statements of financial position in other current liabilities.

The changes in Adient's total product warranty liability are as follows:

	Year Ended September 30,	
(in millions)	**2023**	**2022**
Balance at beginning of period	$ 21	$ 23
Accruals for warranties issued during the period	8	8
Settlements made (in cash or in kind) during the period	(8)	(9)
Currency translation	—	(1)
Balance at end of period	$ 21	$ 21

10. Leases

Adient's lease portfolio consists of operating leases for real estate including production facilities, warehouses and administrative offices, equipment such as forklifts and computer servers and laptops, and fleet vehicles. Adient has elected not to record leases with an initial term of 12 months or less on its consolidated statement of financial position.

A lease liability and corresponding ROU asset are recognized based on the present value of lease payments. To determine the present value of lease payments, Adient uses its incremental borrowing rate as of lease commencement. The incremental borrowing rate ("IBR") is defined as the rate Adient would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Adient primarily derives its IBR from its debt portfolio, adjusted for collateralization, lease term and jurisdictional factors.

The components of lease costs for the years ended September 30, 2023 and 2022 were as follows:

	Year Ended September 30,	
(in millions)	**2023**	**2022**
Operating lease cost	$ 108	$ 117
Short-term lease cost	29	20
Total lease cost	$ 137	$ 137

Operating lease right-of-use assets and lease liabilities included in the consolidated statement of financial position were as follows:

(in millions)		September 30, 2023	2022
Operating leases:			
Operating lease right-of-use assets	Other noncurrent assets	$ 241	$ 266
Operating lease liabilities - current	Other current liabilities	$ 77	$ 81
Operating lease liabilities - noncurrent	Other noncurrent liabilities	163	186
		$ 240	$ 267
Weighted average remaining lease term:			
Operating leases		5 years	6 years
Weighted average discount rate:			
Operating leases		6.1 %	5.6 %

Maturities of operating lease liabilities and minimum payments for operating leases having initial or remaining non-cancelable terms in excess of one year as of September 30, 2023 were as follows:

Fiscal years (in millions)	Operating Leases
2024	$ 88
2025	63
2026	41
2027	29
2028	20
Thereafter	45
Total lease payments	286
Less: imputed interest	(46)
Present value of lease liabilities	$ 240

Supplemental cash flow information related to leases was as follows:

(in millions)	Year Ended September 30, 2023	2022
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases (non-cash activity)	$ 35	$ 52
Operating cash flows:		
Cash paid for amounts included in the measurement of lease liabilities	$ 108	$ 116

Adient’s finance leases were not significant to the consolidated financial statements during fiscal 2023 and 2022. Refer to Note 11, "Debt and Financing Arrangements," of the notes to consolidated financial statements for additional information.

11. Debt and Financing Arrangements

Long-term and short-term debt consisted of the following:

	September 30,	
(in millions)	**2023**	**2022**
Long-term debt:		
8.25% Notes due 2031	$ 500	$ —
7.00% Secured Notes due 2028	500	—
Term Loan B due in 2028	635	988
4.875% Notes due in 2026	795	795
3.50% Notes due in 2024	130	809
Other bank borrowings and finance lease obligations	4	1
Less: debt issuance costs	(31)	(18)
Gross long-term debt	2,533	2,575
Less: current portion	132	11
Net long-term debt	$ 2,401	$ 2,564
Short-term debt:		
Other bank borrowings [(1)]	$ 2	$ 3
Total short-term debt	$ 2	$ 3

[(1)] The weighted average interest rates on short-term debts, based on levels of debt maintained in various jurisdictions, were 10.1% and 6.0% at September 30, 2023 and 2022, respectively.

Adient US LLC ("Adient US"), a wholly owned subsidiary of Adient, together with certain of Adient's other subsidiaries, maintains an asset-based revolving credit facility (the "ABL Credit Facility"), which provides for a revolving line of credit up to $1,250 million, including a North American subfacility of up to $950 million and a European subfacility of up to $300 million, subject to borrowing base capacity and certain other restrictions, including a minimum fixed charge coverage ratio. The ABL Credit Facility, as amended in November 2022, is set to mature on November 2, 2027, subject to certain springing maturity provisions. Adient paid $7 million in debt issuance costs for the amended ABL Credit Facility and will pay a commitment fee of 0.25% to 0.375% on the unused portion of the commitments under the asset-based revolving credit facility based on average global availability. Letters of credit are limited to the lesser of (x) $150 million and (y) the aggregate unused amount of commitments under the ABL Credit Facility then in effect. Subject to certain conditions, the ABL Credit Facility may be expanded by up to $250 million in additional commitments. Loans under the ABL Credit Facility may be denominated, at the option of Adient, in U.S. dollars, Euros, Pounds Sterling or Swedish Kroner. It also provides flexibility for future amendments to the ABL Facility to incorporate certain sustainability-based pricing provisions. The ABL Credit Agreement is secured on a first-priority lien on all accounts receivable, inventory and bank accounts (and funds on deposit therein) and a second-priority lien on all of the tangible and intangible assets of certain Adient subsidiaries. Interest is payable on the ABL Credit Facility at a fluctuating rate of interest determined by reference to Term SOFR, in the case of amounts outstanding in dollars, EURIBOR, in the case of amounts outstanding in euros, STIBOR, in the case of amounts outstanding in Swedish krona and SONIA, in the case of amounts outstanding in pounds sterling, in each case, plus an applicable margin of 1.50% to 2.00%. As of September 30, 2023, Adient had not drawn down on the ABL Credit Facility and had availability under this facility of approximately $900 million (net of $12 million of letters of credit).

In addition, Adient US and Adient Global Holdings S.à r.l., a wholly-owned subsidiary of Adient, maintain a senior secured term loan facility (the “Term Loan B Agreement”) that had an outstanding balance of $988 million as of September 30, 2022. During fiscal 2023, Adient prepaid $350 million of the Term Loan B Agreement principal, and wrote off $2 million of previously deferred financing costs to net financing charges. As of September 30, 2023, the remaining balance of this debt was $635 million, maintained fully at Adient Global Holdings S.à r.l., which is due at final maturity on April 8, 2028. Interest on the Term Loan B Agreement accrues at Term SOFR rate plus an applicable margin equal to 3.25%. The Term Loan B Agreement also permits Adient to incur incremental term loans in an aggregate amount not to exceed the greater of $750 million and an unlimited amount subject to a pro forma first lien secured net leverage ratio of not greater than 1.75 to 1.00 and certain other conditions. In January 2024, the Term Loan B Agreement was amended to reduce the applicable margin from 3.25% to 2.75% and extend final maturity to January 31, 2031.

The ABL Credit Facility and Term Loan B Agreement contain covenants that are usual and customary for facilities and debt instruments of this type and that, among other things, restrict the ability of Adient and its restricted subsidiaries to: create certain liens and enter into sale and lease-back transactions; create, assume, incur or guarantee certain indebtedness; pay dividends or make other distributions on, or repurchase or redeem, Adient's capital stock or certain other debt; make other restricted payments; and consolidate or merge with, or convey, transfer or lease all or substantially all of Adient's and its restricted subsidiaries' assets, to another person. These covenants are subject to a number of other limitations and exceptions set forth in the agreements. The agreements also provide for customary events of default, including, but not limited to, cross-default clauses with other debt arrangements, failure to pay principal and interest, failure to comply with covenants, agreements or conditions, and certain events of bankruptcy or insolvency involving Adient and its significant subsidiaries.

During fiscal 2023, Adient Global Holdings Ltd. ("AGH"), a wholly-owned subsidiary of Adient, issued (i) $500 million (net proceeds of $494 million) in aggregate principal amount of 7% senior secured notes due 2028 and (ii) $500 million (net proceeds of $494 million) in aggregate principal amount of 8.250% senior unsecured notes due 2031. Interest on both of these notes will be paid on April 15 and October 15 each year, beginning on October 15, 2023. These notes contain covenants that are usual and customary. The total net proceeds of $988 million along with cash on hand were used primarily to redeem $350 million of the senior secured term loan facility under the Term Loan B Agreement as described above, and repurchase €700 million ($743 million) of the 3.50% unsecured notes due 2024 as described below. Adient paid $16 million in debt issuance costs for these new debt issuances.

AGH previously maintained $900 million aggregate principal amount of 4.875% USD-denominated unsecured notes due 2026. Adient redeemed $103 million and $2 million during fiscal 2020 and 2021, respectively, resulting in a remaining balance of $795 million as of September 30, 2023 and 2022.

AGH also previously maintained €1.0 billion aggregate principal amount of 3.50% unsecured notes due in August 2024. During fiscal 2022, Adient repurchased €177 million ($198 million) of the 3.50% unsecured notes due 2024 at a premium of €3 million ($4 million) plus €3 million ($3 million) of accrued and unpaid interest, and expensed €1 million ($1 million) of previously deferred financing costs to net financing charges, resulting in a remaining balance of €823 million ($809 million) as of September 30, 2022. During fiscal 2023, Adient repurchased an additional €700 million ($743 million) of the 3.50% unsecured notes due 2024 at a premium of €7 million ($7 million) plus €3 million ($3 million) of accrued and unpaid interest, and expensed €2 million ($2 million) of previously deferred financing costs to net financing charges. As of September 30, 2023, the remaining balance of this debt was €123 million ($130 million) and is classified as current portion of long-term debt on the consolidated statement of financial position.

Adient Germany Ltd. & Co. KG, a wholly owned subsidiary of Adient, previously maintained €135 million ($156 million) in an unsecured term loan from the European Investment Bank (EIB) due in 2022. The loan bore interest at the 6-month EURIBOR rate plus 158 basis points. During fiscal 2021, Adient repaid $36 million of the EIB loan, triggered in part by the redemption of debt and the sale of the fabrics business in the prior year. Adient fully repaid the remaining balance of the EIB loan in May 2022 upon its maturity.

In April 2020, Adient US issued $600 million (net proceeds of $591 million) aggregate principal amount of 9.00% Senior First Lien Notes due 2025. In fiscal 2022, Adient repurchased the full $600 million of 9.00% Senior First Lien Notes due 2025 at a premium of $34 million plus $19 million of accrued and unpaid interest, and expensed $7 million of previously deferred financing costs to net financing charges.

Principal payments required on long-term debt during the next five years are as follows:

	Year Ended September 30,					
(in millions)	**2024**	**2025**	**2026**	**2027**	**2028**	**Thereafter**
Principal payments	$ 132	$ —	$ 797	$ —	$ 1,135	$ 500

Net Financing Charges

Adient's net financing charges in the consolidated statements of income (loss) contained the following components:

	Year Ended September 30,	
(in millions)	**2023**	**2022**
Interest expense, net of capitalized interest costs	$ 186	$ 161
Banking fees and debt issuance cost amortization	20	22
Interest income	(22)	(9)
Premium paid on repurchase of debt	7	38
Derivative loss on Yanfeng transaction	—	3
Net foreign exchange	4	—
Net financing charges	$ 195	$ 215

Banking fees in fiscal 2023 and 2022 includes $4 million and $8 million, respectively, of one-time accelerated-deferred financing fee charges associated with voluntary repayments of debt. Total interest paid on both short and long-term debt for the fiscal years ended September 30, 2023 and 2022 was $132 million and $192 million, respectively.

Adient enters into supply chain financing programs in certain domestic and foreign jurisdictions to either sell or discount accounts receivable without recourse to third-party institutions. Sales or discounts of accounts receivable are reflected as a reduction of accounts receivable on the consolidated statements of financial position and the proceeds are included in cash flows from operating activities in the consolidated statements of cash flows. As of September 30, 2023, $170 million was funded under these programs compared to $269 million as of September 30, 2022.

12. Accounts Payable

Accounts payable consisted of the following:

	September 30,	
(in millions)	**2023**	**2022**
Trade accounts payable	$ 1,984	$ 1,800
Accrued payables	542	678
Accounts payable	$ 2,526	$ 2,478

Amounts are payable at various dates within a year after the end of the fiscal year in accordance with usual and customary credit terms.

13. Other Liabilities

As of September 30, 2023 and 2022, other current liabilities were comprised of:

	September 30	
(in millions)	2023	2022
Customer tooling	$ 146	$ 128
VAT liability	122	146
Accrued income tax	34	22
Operating lease liabilities	77	81
Accrued interest	48	9
All other	149	166
Other current liabilities	$ 576	$ 552

Certain figures for fiscal 2022 were regrouped to conform to fiscal 2023 presentation.

As of September 30, 2023 and 2022, other noncurrent liabilities were comprised of:

	September 30	
(in millions)	2023	2022
Accrued income tax	$ 115	$ 101
Operating lease liabilities	163	186
All other	76	72
Other noncurrent liabilities	$ 354	$ 359

Accrued income taxes are payable in the time frame set forth in the relevant legislation.

Refer to Note 10, "Leases," of the notes to consolidated financial statements for additional information related to operating lease liabilities.

14. Provisions

Irish law defines provisions as amounts that are uncertain in respect of the amount or the date they will be settled. Adient splits provisions between amounts expected to be settled within 12 months of the balance sheet date (current) and amounts expected to be settled later (noncurrent). As of September 30, 2023 and 2022, certain provisions within the consolidated statement of financial position are shown below:

	September 30, 2022	Charges	Utilization	Other	September 30, 2023
Current					
Warranty accrual	$ 21	$ 8	$ (8)	$ —	$ 21
Environmental	2	—	(2)	—	—
Insurance	22	17	(14)	—	25
Legal	12	—	(6)	(1)	5
Pension and benefits	5	16	(5)	—	16
Restructuring liabilities	60	39	(53)	5	51
Provisions - current	$ 122	$ 80	$ (88)	$ 4	$ 118
Noncurrent					
Environmental	$ 4	$ —	$ —	$ —	$ 4
Insurance	24	4	—	(2)	26
Deferred tax liability	198	15	(5)	(2)	206
Pension and benefits	88	23	(9)	(10)	92
Provisions - noncurrent	$ 314	$ 42	$ (14)	$ (14)	$ 328

The provisions as of September 30, 2023 are based on the latest estimates. Actual amounts payable upon settlement may differ from the amounts provided, and the timing of payments may also differ from the estimates.

Refer to Note 20, "Restructuring and Impairment Costs" of the notes to consolidated financial statements for further disclosure related to Adient's restructuring provisions. Refer to Note 19, "Retirement Plans" of the notes to consolidated financial statements for further disclosure related to Adient's pension and postretirement provisions.

15. Derivative Instruments and Hedging Activities

Adient selectively uses derivative instruments to reduce Adient's market risk associated with changes in foreign currency. Under Adient's policy, the use of derivatives is restricted to those intended for hedging purposes; the use of any derivative instrument for speculative purposes is strictly prohibited. A description of each type of derivative utilized to manage Adient's risk is included in the following paragraphs. In addition, refer to Note 16, "Fair Value Measurements," of the notes to consolidated financial statements for information related to the fair value measurements and valuation methods utilized by Adient for each derivative type.

Adient has global operations and participates in the foreign exchange markets to minimize its risk of loss from fluctuations in foreign currency exchange rates. Adient primarily uses foreign currency exchange contracts to hedge certain foreign exchange rate exposures. Adient hedges 70% to 90% of the nominal amount of each of its known foreign exchange transactional exposures. Gains and losses on derivative contracts offset gains and losses on underlying foreign currency exposures. These contracts have been designated as cash flow hedges under ASC 815, "Derivatives and Hedging," and the hedge gains or losses due to changes in fair value are initially recorded as a component of AOCI and are subsequently reclassified into earnings when the hedged transactions occur and affect earnings. All contracts were highly effective in hedging the variability in future cash flows attributable to changes in currency exchange rates at September 30, 2023 and 2022, respectively.

As of September 30, 2023, the €123 million ($130 million) aggregate principal amount of 3.50% euro-denominated unsecured notes due August 2024 was designated as a net investment hedge to selectively hedge portions of Adient's net investment in Europe. The currency effects of Adient's euro-denominated notes are reflected in the AOCI account within shareholders' equity attributable to Adient where they offset gains and losses recorded on Adient's net investment in Europe. In October 2023, Adient de-designated these notes as a net investment hedge concurrent with entering into a foreign exchange forward contract designated as a fair value hedge of the remaining principal balance on the 3.50% notes. The impact of foreign currency changes on the notes and the contract will be recorded in net financing charges until payment of the notes and maturity of the foreign exchange forward contract in August 2024.

Adient entered into a ¥240 million ($35 million) foreign exchange forward contract during the second quarter of fiscal 2023 to selectively hedge portions of its net investment in China. The currency effects of the forward contract were reflected in the AOCI account within shareholders' equity attributable to Adient, where they offset gains and losses recorded on Adient's net investment in China. During fiscal 2023, the foreign exchange forward contract matured, the impact of which was not material.

Adient entered into a ¥150 million ($23 million) foreign exchange forward contract during fiscal 2022 to selectively hedge portions of its net investment in China. The currency effects of the forward contract are reflected in the AOCI account within shareholders' equity attributable to Adient, where they offset gains and losses recorded on Adient's net investment in China. The forward contract matured in early fiscal 2023, the impact of which was not material.

In January 2024, Adient entered into a ¥685 million ($96 million) foreign exchange forward contract to selectively hedge portions of its net investment in China. The contract is set to mature in October 2024.

The following table presents the location and fair values of derivative instruments and other amounts used in hedging activities included in Adient's consolidated statements of financial position:

	Derivatives and Hedging Activities Designated as Hedging Instruments under ASC 815		**Derivatives and Hedging Activities Not Designated as Hedging Instruments under ASC 815**	
	September 30,			
(in millions)	**2023**	**2022**	**2023**	**2022**
Other current assets				
Foreign currency exchange derivatives	$ 30	$ 17	$ 4	$ 3
Total assets	$ 30	$ 17	$ 4	$ 3
Other current liabilities				
Foreign currency exchange derivatives	$ 8	$ 20	$ —	$ —
Other noncurrent liabilities				
Foreign currency exchange derivatives	6	2	—	1
Long-term debt				
Foreign currency denominated debt	130	809	—	—
Total liabilities	$ 144	$ 831	$ —	$ 1

Adient enters into International Swaps and Derivatives Associations master netting agreements with counterparties that permit the net settlement of amounts owed under the derivative contracts. The master netting agreements generally provide for net settlement of all outstanding contracts with a counterparty in the case of an event of default or a termination event. Adient has not elected to offset the fair value positions of the derivative contracts recorded in the consolidated statements of financial position. Collateral is generally not required of Adient or the counterparties under the master netting agreements. As of September 30, 2023 and 2022, no cash collateral was received or pledged under the master netting agreements.

The gross and net amounts of derivative instruments and other amounts used in hedging activities are as follows:

	Assets		**Liabilities**	
	September 30,			
(in millions)	**2023**	**2022**	**2023**	**2022**
Gross amount recognized	$ 34	$ 20	$ 144	$ 832
Gross amount eligible for offsetting	(12)	(19)	(12)	(19)
Net amount	$ 22	$ 1	$ 132	$ 813

The following table presents the effective portion of pretax gains (losses) recorded in other comprehensive income related to cash flow hedges:

	Year Ended September 30,	
(in millions)	**2023**	**2022**
Foreign currency exchange derivatives	$ 89	$ 8

The following table presents the location and amount of the effective portion of pretax gains (losses) on cash flow hedges reclassified from AOCI into Adient's consolidated statements of income:

		Year Ended September 30,	
(in millions)		**2023**	**2022**
Foreign currency exchange derivatives	Cost of sales	$ 66	$ 6

During the next twelve months, $23 million of pretax gains on cash flow hedges are expected to be reclassified from AOCI into Adient's consolidated statements of income.

The following table presents the location and amount of pretax gains (losses) on derivatives not designated as hedging instruments recognized in Adient's consolidated statements of income (loss):

		Year Ended September 30,	
(in millions)		**2023**	**2022**
Foreign currency exchange derivatives	Cost of sales	$ 8	$ —
Foreign currency exchange derivatives	Net financing charges	(10)	(33)
Total		$ (2)	$ (33)

The effective portion of pretax gains (losses) recorded in currency translation adjustment ("CTA") within other comprehensive income (loss) related to net investment hedges was $(67) million and $151 million for the fiscal years ended September 30, 2023 and 2022, respectively. For the years ended September 30, 2023 and 2022, respectively, no significant gains or losses were reclassified from CTA into income for Adient's outstanding net investment hedges. For the years ended September 30, 2023 and 2022, no gains or losses were recognized in income for the ineffective portion of cash flow hedges.

16. Fair Value Measurements

ASC 820, "Fair Value Measurement," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

> *Level 1:* Observable inputs such as quoted prices in active markets;
>
> *Level 2:* Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
>
> *Level 3:* Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Recurring Fair Value Measurements

The following tables present Adient's fair value hierarchy for those assets and liabilities measured at fair value. Refer to Note 19, "Retirement Plans," of the notes to consolidated financial statements for fair value tables of pension assets.

		Fair Value Measurements Using:		
(in millions)	**Total as of September 30, 2023**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Other current assets				
Foreign currency exchange derivatives	$ 34	$ —	$ 34	$ —
Total assets	$ 34	$ —	$ 34	$ —
Other current liabilities				
Foreign currency exchange derivatives	$ 8	$ —	$ 8	$ —
Other noncurrent liabilities				
Foreign currency exchange derivatives	6	—	6	—
Total liabilities	$ 14	$ —	$ 14	$ —

		Fair Value Measurements Using:		
(in millions)	**Total as of September 30, 2022**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Other current assets				
Foreign currency exchange derivatives	$ 20	$ —	$ 20	$ —
Total assets	$ 20	$ —	$ 20	$ —
Other current liabilities				
Foreign currency exchange derivatives	$ 20	$ —	$ 20	$ —
Other noncurrent liabilities				
Foreign currency exchange derivatives	3	—	3	—
Total liabilities	$ 23	$ —	$ 23	$ —

Valuation Methods

Foreign currency exchange derivatives Adient selectively hedges anticipated transactions and net investments that are subject to foreign exchange rate risk primarily using foreign currency exchange hedge contracts. The foreign currency exchange derivatives are valued under a market approach using publicized spot and forward prices. Changes in fair value on foreign exchange derivatives accounted for as hedging instruments under ASC 815 are initially recorded as a component of AOCI and are subsequently reclassified into earnings when the hedged transactions occur and affect earnings. These contracts were highly effective in hedging the variability in future cash flows attributable to changes in currency exchange rates at September 30, 2023 and 2022, respectively. The changes in fair value of foreign currency exchange derivatives not designated as hedging instruments under ASC 815 are recorded in the consolidated statements of income.

The fair value of cash and cash equivalents, accounts receivable, short-term debt and accounts payable approximate their carrying values. The fair value of long-term debt, which was $2.5 billion and $2.4 billion at September 30, 2023 and 2022, respectively, was determined primarily using market quotes classified as Level 1 inputs within the ASC 820 fair value hierarchy.

17. Stock-Based Compensation

Adient provides certain key employees equity awards in the form of restricted stock units ("RSU") and performance share units ("PSUs") under the Adient plc 2016 Omnibus Incentive Plan and the Adient plc 2021 Omnibus Incentive Plan (collectively, the "Plan"). Adient also provides directors with share awards under the Adient plc 2016 Director Share Plan and the Adient plc 2021 Omnibus Incentive Plan. These 2016 plans were adopted in conjunction with the separation. The 2021 plan was adopted in March 2021.

Total stock-based compensation cost included in the consolidated statements of income was $34 million and $29 million for fiscal years ended September 30, 2023 and 2022, respectively. No material income tax benefits were recognized in the consolidated statements of income for the share-based compensation arrangements in any of these years due to tax valuation allowances in those years.

The following tables present activity related to the granting of awards during the year ended September 30, 2023 along with the composition of outstanding and exercisable awards at September 30, 2023.

Restricted Stock

The Plan provides for the award of restricted stock or restricted stock units to certain employees. These awards are typically share settled except for certain non-U.S. employees which are settled in cash. Cash settled awards are recorded in Adient's consolidated statements of financial position as a liability and adjusted each reporting period for changes in share value until the settlement of the award. Restricted stock awards typically vest over a three year period following the grant date. The Plan allows for different vesting terms on specific grants with approval by Adient's board of directors.

A summary of the status of nonvested restricted stock awards at September 30, 2023, and changes for the fiscal year then ended, is presented below:

	Weighted Average Price	Restricted Shares/Units
Nonvested, September 30, 2022	$ 32.94	872,417
Granted	$ 38.38	678,147
Vested	$ 29.42	(523,325)
Forfeited	$ 38.32	(65,150)
Nonvested, September 30, 2023	$ 38.32	962,089

At September 30, 2023, Adient had approximately $22 million of total unrecognized compensation cost related to nonvested restricted stock arrangements granted. That cost is expected to be recognized over a weighted-average period of 1.9 years.

Performance Share Awards

The Plan permits the grant of PSU awards. The number of PSUs granted is equal to the PSU award value divided by the closing price of a Adient ordinary share at the grant date. The PSUs are generally contingent on the achievement of predetermined performance goals over a three-year performance period as well as on the award holder's continuous employment until the vesting date. Each PSU that is earned will be settled with an ordinary share of Adient following the completion of the performance period except for certain non-U.S. employees which are settled in cash. Cash settled awards are recorded in Adient's consolidated statements of financial position as a liability and adjusted each reporting period for changes in share value until the settlement of the award.

A summary of the status of Adient's nonvested PSUs at September 30, 2023, and changes for the fiscal year then ended is presented below:

	Weighted Average Price	Performance Shares/Units
Nonvested, September 30, 2022	$ 29.51	1,068,714
Granted	$ 38.50	342,889
Vested	$ 20.69	(442,622)
Forfeited	$ 35.57	(110,398)
Nonvested, September 30, 2023	$ 36.87	858,583

At September 30, 2023, Adient had approximately $19 million of total unrecognized compensation cost related to nonvested performance share units granted. That cost is expected to be recognized over a weighted-average period of 1.8 years.

Stock Options

No new stock options have been granted under the Plan. Stock option awards typically vest between two and three years after the grant date and expire ten years from the grant date. The fair value of each option was estimated on the date of grant using a Black-Scholes option valuation model.

A summary of stock option activity at September 30, 2023, and changes for the year then ended, is presented below:

	Weighted Average Option Price	Shares Subject to Option	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Outstanding and exercisable, September 30, 2022	$ 38.32	49,939		
Exercised	$ 25.79	(20,638)		
Forfeited or expired	$ 27.54	(2,444)		
Outstanding and exercisable, September 30, 2023	$ 48.93	26,857	1.3	$ —

There were no stock options granted in fiscal years 2023 and 2022, respectively. The total intrinsic value of options exercised by Adient employees during the fiscal years ended September 30, 2023 and 2022 was approximately $1 million and $1 million, respectively.

Stock Appreciation Rights

No new SARs have been granted under the Plan. SARs vest under the same terms and conditions as stock option awards; however, they are settled in cash for the difference between the market price on the date of exercise and the exercise price. As a result, SARs are recorded in Adient's consolidated statements of financial position as a liability until the date of exercise.

The fair value of each SAR award is estimated using a similar method described for stock options. The fair value of each SAR award is recalculated at the end of each reporting period and the liability and expense are adjusted based on the new fair value.

A summary of SAR activity at September 30, 2023, and changes for the year then ended, is presented below:

	Weighted Average SAR Price	Shares Subject to SAR	Weighted Average Remaining Contractual Life (years)	Aggregate Intrinsic Value (in millions)
Outstanding, September 30, 2022	$ 43.87	42,454		
Exercised	$ 45.78	(34,269)		
Forfeited or expired	$ 35.84	(8,185)		
Outstanding, September 30, 2023		—	—	$ —

In conjunction with the exercise of SARs, Adient made payments of $1 million and $2 million during the fiscal years ended September 30, 2023 and 2022, respectively.

18. Equity and Noncontrolling Interests

The following table presents changes in AOCI attributable to Adient:

	Year Ended September 30,	
(in millions)	**2023**	**2022**
Foreign currency translation adjustments		
Balance at beginning of period	$ (836)	$ (617)
Aggregate adjustment for the period, net of tax	(18)	(219)
Balance at end of period [(1)]	(854)	(836)
Realized and unrealized gains (losses) on derivatives		
Balance at beginning of period	(8)	(8)
Current period changes in fair value, net of tax	79	6
Reclassification to income, net of tax	(58)	(6)
Balance at end of period	13	(8)
Pension plans		
Balance at beginning of period	(1)	(2)
Net reclassifications to AOCI	—	1
Balance at end of period	(1)	(1)
Accumulated other comprehensive income (loss), end of period	$ (842)	$ (845)

[(1)] Foreign currency translation adjustments as of September 30, 2023 and 2022 include derivative net investment hedge gains of $76 million and $143 million, respectively. During the next twelve months, no significant gains or losses are expected to be reclassified from AOCI into Adient's consolidated statements of income.

Adient consolidates certain subsidiaries in which the noncontrolling interest party has within their control the right to require Adient to redeem all or a portion of its interest in the subsidiary. These redeemable noncontrolling interests are reported at their estimated redemption value. Any adjustment to the redemption value impacts retained earnings but does not impact net income. Redeemable noncontrolling interests which are redeemable only upon future events, the occurrence of which is not currently probable, are recorded at carrying value. The following table presents changes in the redeemable noncontrolling interests:

(in millions)	Year Ended September 30, 2023	2022
Beginning balance	$ 45	$ 240
Net income	27	35
Dividends	(18)	(66)
Change in noncontrolling interest share	—	(153)
Foreign currency translation adjustments	3	(11)
Ending balance	$ 57	$ 45

Refer to Note 4, "Acquisitions and Divestitures," of the notes to the consolidated financial statements for more information on the business acquisition addition of redeemable noncontrolling interest and change in noncontrolling interest share.

Repurchases of Equity Securities

In November 2022, Adient's board of directors authorized the repurchase of Adient's ordinary shares up to an aggregate purchase price of $600 million with no expiration date. Under the share repurchase authorization, Adient's ordinary shares may be purchased either through discretionary purchases on the open market, by block trades or privately negotiated transactions. The number of ordinary shares repurchased, if any, and the timing of repurchases will depend on a number of factors, including share price, trading volume and general market conditions, as well as on working capital requirements, general business conditions and other factors. During fiscal 2023, Adient repurchased and immediately retired 1,756,777 shares of its ordinary shares at an average purchase price per share of $37.00. The aggregate amount of cash paid to repurchase the shares was $65 million. As of September 30, 2023, the remaining aggregate amount of authorized repurchases was $535 million. During the first quarter of fiscal 2024, Adient repurchased $100 million of its ordinary shares at an average price of $33.32 a share under the program.

19. Retirement Plans

Pension Benefits

Adient maintains non-contributory defined benefit pension plans covering primarily non-U.S. employees and a limited number of U.S. employees. The benefits provided are primarily based on years of service and average compensation or a monthly retirement benefit amount. Funding for non-U.S. plans observes the local legal and regulatory limits. Funding for U.S. pension plans equals or exceeds the minimum requirements of the Employee Retirement Income Security Act of 1974.

For pension plans with accumulated benefit obligations ("ABO") that exceed plan assets, the projected benefit obligation ("PBO"), ABO and fair value of plan assets of those plans were $155 million, $137 million and $48 million, respectively, as of September 30, 2023, and $129 million, $112 million and $37 million, respectively, as of September 30, 2022.

For pension plans with a PBO that exceed plan assets, the PBO, ABO and fair value of plan assets of those plans were $155 million, $137 million and $48 million, respectively, as of September 30, 2023 and $129 million, $112 million and $37 million, respectively, as of September 30, 2022.

In fiscal 2023, Adient paid contributions to the defined benefit pension plans of $17 million. Contributions of at least $20 million in cash to its defined benefit pension plans are expected in fiscal 2024. Projected benefit payments from the plans as of September 30, 2023 are estimated as follows (in millions):

2024	$ 32
2025	21
2026	24
2027	24
2028	24
2029-2033	135

Savings and Investment Plans

Adient sponsors various defined contribution savings plans that allow employees to contribute a portion of their pre-tax and/or after-tax income in accordance with plan specified guidelines. Under specified conditions, Adient will contribute to certain savings plans based on the employees' eligible pay and/or will match a percentage of the employee contributions up to certain limits. Matching contributions expense in connection with these plans amounted to $46 million and $23 million for fiscal years 2023 and 2022, respectively.

Plan Assets

Adient's investment policies employ an approach whereby a mix of equities, fixed income and alternative investments are used to maximize the long-term return of plan assets for a prudent level of risk. The investment portfolio primarily contains a diversified blend of equity and fixed income investments. Equity investments are diversified across domestic and non-domestic stocks, as well as growth, value and small to large capitalizations. Fixed income investments include corporate and government issues, with short-, mid- and long-term maturities, with a focus on investment grade when purchased and a target duration close to that of the plan liability. Investment and market risks are measured and monitored on an ongoing basis through regular investment portfolio reviews, annual liability measurements and periodic asset/liability studies. The majority of the real estate component of the portfolio is invested in a diversified portfolio of high-quality, operating properties with cash yields greater than the targeted appreciation. Investments in other alternative asset classes, including hedge funds and commodities, diversify the expected investment returns relative to the equity and fixed income investments. As a result of Adient's diversification strategies, there are no significant concentrations of risk within the portfolio of investments.

Adient's actual asset allocations are in line with target allocations. Adient rebalances asset allocations as appropriate, in order to stay within a range of allocation for each asset category.

The expected return on plan assets is based on Adient's expectation of the long-term average rate of return of the capital markets in which the plans invest. The average market returns are adjusted, where appropriate, for active asset management returns. The expected return reflects the investment policy target asset mix and considers the historical returns earned for each asset category. Adient's plan assets by asset category, are as follows:

	Fair Value Measurements Using:				
(in millions)	**Total as of September 30, 2023**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Net Asset Value (NAV)**
Pension					
Cash	$ 6	$ 6	$ —	$ —	$ —
Equity Securities					
Domestic	1	1	—	—	—
International - Developed	17	17	—	—	—
Fixed Income Securities					
Government	128	30	75	—	23
Corporate/Other	59	24	25	—	10
Hedge Fund	34	—	34	—	—
Real Estate	18	—	—	4	14
Total	$ 263	$ 78	$ 134	$ 4	$ 47

(in millions)	Total as of September 30, 2022	Fair Value Measurements Using: Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Pension					
Cash	$ 2	$ 2	$ —	$ —	$ —
Equity Securities					
Domestic	1	1	—	—	—
International - Developed	18	14	—	—	4
International - Emerging	1	—	—	—	1
Fixed Income Securities					
Government	125	33	67	—	25
Corporate/Other	76	22	43	—	11
Hedge Fund	38	—	38	—	—
Real Estate	22	—	—	7	15
Total	$ 283	$ 72	$ 148	$ 7	$ 56

The following is a description of the valuation methodologies used for assets measured at fair value.

Cash: The fair value of cash is valued at cost.

Equity Securities: The fair value of equity securities is determined by direct quoted market prices. The underlying holdings are direct quoted market prices on regulated financial exchanges.

Fixed Income Securities: The fair value of fixed income securities is determined by direct or indirect quoted market prices. If indirect quoted market prices are utilized, the value of assets held in separate accounts is not published, but the investment managers report daily the underlying holdings. The underlying holdings are direct quoted market prices on regulated financial exchanges.

Hedge Funds: The fair value of hedge funds is determined by the custodian. The custodian obtains valuations from underlying managers based on market quotes for the most liquid assets and alternative methods for assets that do not have sufficient trading activity to derive prices. Adient and custodian review the methods used by the underlying managers to value the assets. Adient believes this is an appropriate methodology to obtain the fair value of these assets.

Real Estate: The fair value of certain investments in real estate is deemed Level 3 since these investments do not have a readily determinable fair value and requires the fund managers independently to arrive at fair value by calculating NAV per share. In order to calculate NAV per share, the fund managers value the real estate investments using any one, or a combination of, the following methods: independent third party appraisals, discounted cash flow analysis of net cash flows projected to be generated by the investment and recent sales of comparable investments. Assumptions used to revalue the properties are updated every quarter. Adient believes this is an appropriate methodology to obtain the fair value of these assets.

Investments at NAV: For mutual or collective funds where a NAV is not publicly quoted, the NAV per share is used as a practical expedient and is based on the quoted market prices of the underlying net assets of the fund as reported daily by the fund managers. Funds valued based on NAV per share as a practical expedient are not categorized within the fair value hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Adient believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following sets forth a summary of changes in the fair value of pension assets measured using significant unobservable inputs (Level 3):

(in millions)	Real Estate
Asset value as of September 30, 2022	$ 7
Redemptions	(2)
Unrealized gain	(1)
Asset value as of September 30, 2023	$ 4

Funded Status

The table that follows contains the ABO and reconciliations of the changes in the PBO, the changes in plan assets and the funded status:

	Pension Benefits	
(in millions)	**2023**	**2022**
Accumulated Benefit Obligation	$ 331	$ 322
Change in Projected Benefit Obligation:		
Projected benefit obligation at beginning of year	$ 340	$ 574
Service cost	5	7
Interest cost	18	11
Actuarial (gain) loss	(15)	(169)
Benefits paid	(20)	(20)
Curtailments, settlements and other	(6)	—
Currency translation adjustment	27	(63)
Projected benefit obligation at end of year	$ 349	$ 340
Change in Plan Assets:		
Fair value of plan assets at beginning of year	$ 283	$ 493
Actual return on plan assets	(23)	(149)
Employer contributions, net	17	16
Benefits paid	(20)	(20)
Curtailments, settlements and other	(14)	(1)
Currency translation adjustment	20	(56)
Fair value of plan assets at end of year	$ 263	$ 283
Funded status	$ (86)	$ (57)
Amounts recognized in the statement of financial position consist of:		
Prepaid benefit cost	$ 22	$ 35
Accrued benefit liability	(108)	(92)
Net amount recognized	$ (86)	$ (57)

	Pension Benefits			
	U.S. Plans		Non-U.S. Plans	
	2023	**2022**	**2023**	**2022**
Weighted Average Assumptions [1]:				
Discount rate [2]	5.87 %	5.51 %	5.60 %	4.98 %
Rate of compensation increase	N/A	N/A	4.53 %	4.43 %

(1) Plan assets and obligations are determined based on a September 30 measurement date.

(2) Adient considers the expected benefit payments on a plan-by-plan basis when setting assumed discount rates. As a result, Adient uses different discount rates for each plan depending on the plan jurisdiction, the demographics of participants and the expected timing of benefit payments. For the U.S. pension plan, Adient uses a discount rate provided by an independent third party calculated based on an appropriate mix of high quality bonds. For the non-U.S. pension plans, Adient consistently uses the relevant country specific benchmark indices for determining the various discount rates.

Accumulated Other Comprehensive Income

The amounts in AOCI on the consolidated statements of financial position, exclusive of tax impacts, that have not yet been recognized as components of net periodic benefit cost at September 30, 2023 and 2022 were $2 million and $2 million, respectively, related to pension benefits.

The amounts in AOCI expected to be recognized as components of net periodic benefit cost over the next fiscal year for pension and postretirement benefits are not significant.

Net Periodic Benefit Cost

The tables that follow contain the components and key assumptions of net periodic benefit cost related to Adient's pension plans:

	Pension Benefits	
(in millions)	**2023**	**2022**
Components of Net Periodic Benefit Cost (Credit):		
Service cost	$ 5	$ 7
Interest cost	18	10
Expected return on plan assets	(12)	(14)
Net actuarial (gain) loss	19	(7)
Settlement (gain) loss	8	1
Net periodic benefit cost (credit)	$ 38	$ (3)

	Pension Benefits			
	U.S. Plans		Non-U.S. Plans	
	2023	**2022**	**2023**	**2022**
Expense Assumptions:				
Discount rate	5.51 %	3.06 %	4.98 %	2.14 %
Expected return on plan assets	6.75 %	6.75 %	4.53 %	3.20 %
Rate of compensation increase	N/A	N/A	4.43 %	4.05 %

20. Restructuring and Impairment Costs

To better align its resources with its overall strategies and reduce the cost structure of its global operations to address the softness in certain underlying markets, Adient commits to restructuring plans as necessary.

During fiscal 2023, Adient committed to a restructuring plan of $39 million. Adient also recorded additional charges totaling $1 million related to prior year plans. The restructuring actions relate to cost reduction initiatives and consist primarily of workforce reductions in EMEA. The restructuring actions are expected to be substantially completed by fiscal 2025. Restructuring costs are included in restructuring and impairment costs in the consolidated statements of income (loss). The following tables summarize the changes in Adient's restructuring reserve.

(in millions)	Employee Severance and Termination Benefits	Currency Translation and Other	Total
Balance at September 30, 2022	$ 69	$ (9)	$ 60
2023 Plan charges	39	—	39
Utilized - cash	(53)	—	(53)
Noncash adjustment - (under) overspend and other	1	4	5
Balance at September 30, 2023	$ 56	$ (5)	$ 51

Adient's restructuring plans have included workforce reductions of approximately 14,000. Restructuring charges associated with employee severance and termination benefits are paid over the severance period granted to each employee or on a lump sum basis in accordance with individual severance agreements. As of September 30, 2023, approximately 12,000 of the employees have been separated from Adient pursuant to the restructuring plans. In addition, the restructuring plans included twenty-eight plant closures. As of September 30, 2023, twenty-three of the twenty-eight plants have been closed.

Adient's management closely monitors its overall cost structure and continually analyzes each of its businesses for opportunities to consolidate current operations, improve operating efficiencies and locate facilities in low cost countries in close proximity to customers. This ongoing analysis includes a review of its manufacturing, engineering, purchasing and administrative functions, as well as the overall global footprint for all its businesses. Because of the importance of new vehicle sales by major automotive manufacturers to operations, Adient is affected by the general business conditions in the automotive industry. Future adverse developments in the automotive industry could impact Adient's liquidity position, lead to impairment charges and/or require additional restructuring of its operations.

21. Income Tax Provision

Consolidated income (loss) before income taxes for the years ended September 30, 2023 and 2022 is as follows:

(in millions)	Year Ended September 30, 2023	Year Ended September 30, 2022
Ireland	$ (1)	$ (2)
United States	(178)	(595)
Other Foreign	474	651
Income before income taxes	$ 295	$ 54

The components of the provision (benefit) for income taxes are as follows:

	Year Ended September 30,	
(in millions)	**2023**	**2022**
Current		
Ireland	$ —	$ (1)
US - Federal and State	4	6
Other Foreign	120	84
	124	89
Deferred		
Ireland	—	1
US - Federal and State	1	(1)
Other Foreign	(125)	5
	(124)	5
Income tax provision	$ —	$ 94

The significant components of Adient's income tax provision are summarized in the following tables. These amounts do not include the impact of income tax expense related to our nonconsolidated partially-owned affiliates, which is netted against equity income on the consolidated statements of income (loss).

The reconciliation between the Irish statutory income tax rate, and Adient's effective tax rate is as follows:

	Year Ended September 30,	
(in millions)	**2023**	**2022**
Tax expense at Ireland statutory rate	$ 37	$ 7
State and local income taxes, net of federal benefit	(5)	(38)
Foreign tax rate differential	22	(1)
Notional interest deduction	(6)	(6)
Credits and incentives	(7)	(15)
Repatriation of foreign earnings	24	24
Foreign exchange	(7)	(2)
Impact of tax rate changes	—	(3)
Audit settlements and change in uncertain tax positions	(8)	(2)
Change in valuation allowance	(61)	94
Tax impact of corporate equity and business restructuring transactions	1	30
Other	10	6
Income tax provision	$ —	$ 94

The income tax expense was lower than the Irish statutory rate of 12.5% for fiscal 2023 primarily due to the release of valuation allowances in Mexico, partially offset by the inability to recognize a tax benefit for losses in jurisdictions with valuation allowances, the repatriation of foreign earnings, and foreign tax rate differentials. No items included in the other category are individually, or when appropriately aggregated, significant.

The income tax expense was higher than the Irish statutory rate of 12.5% for fiscal 2022 primarily due to the inability to recognize a tax benefit for losses in jurisdictions with valuation allowances, the establishment of valuation allowances in certain jurisdictions, and the repatriation of foreign earnings, partially offset by tax benefits related to the release of valuation allowances in certain jurisdictions. No items included in the other category are individually, or when appropriately aggregated, significant.

The foreign tax rate differential expense for fiscal 2023 is primarily driven by income earned in jurisdictions where the statutory rate is greater than 12.5%, partially offset by jurisdictions with losses where the statutory rate is greater than 12.5% and by the pretax book income of nonconsolidated partially-owned affiliates whose corresponding income tax expense is netted against equity income on the consolidated statements of income. The foreign tax rate differential benefit for fiscal 2022 is primarily driven by losses earned in jurisdictions where the statutory rate is greater than 12.5% and by the pretax book income of nonconsolidated partially-owned affiliates whose corresponding income tax expense is netted against equity income on the consolidated statements of income, partially offset by income earned in jurisdictions where the statutory rate is greater than 12.5%.

Deferred taxes are classified in the consolidated statements of financial position as follows:

	September 30,	
(in millions)	**2023**	**2022**
Other noncurrent assets	$ 253	$ 111
Provisions - noncurrent	(206)	(198)
Net deferred tax asset/(liability)	$ 47	$ (87)

Temporary differences and carryforwards which gave rise to deferred tax assets and liabilities included:

	September 30,	
(in millions)	**2023**	**2022**
Deferred tax assets:		
Accrued expenses and reserves	$ 135	$ 87
Employee and retiree benefits	25	38
Net operating loss and other credit carryforwards	1,293	1,226
Property, plant and equipment	113	113
Intangible assets	132	150
Operating lease liabilities	55	61
Research and development	66	27
Other	—	2
	1,819	1,704
Valuation allowances	(1,655)	(1,662)
	164	42
Deferred tax liabilities:		
Unremitted earnings of foreign subsidiaries	38	35
Indirect tax credits	10	25
Foreign currency adjustments	—	8
Operating lease right-of-use assets	55	61
Other	14	—
	117	129
Net deferred tax asset/(liability)	$ 47	$ (87)

At September 30, 2023, Adient had available net operating loss carryforwards of approximately $4.7 billion which are available to reduce future tax liabilities. Net operating loss carryforwards of $2.4 billion will expire at various dates between 2024 and 2043, with the remainder having an indefinite carryforward period. Net operating loss carryforwards of $3.4 billion are offset by a valuation allowance.

Adient reviews the realizability of its deferred tax assets on a quarterly basis, or whenever events or changes in circumstances indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or combined group recording the net deferred tax asset are considered, along with any other positive or negative evidence. All of the factors that Adient considers in evaluating whether and when to establish or release all or a portion of the deferred tax asset valuation allowance involve significant judgment. Since future financial results may differ from previous estimates, periodic adjustments to Adient's valuation allowances may be necessary.

Given current earnings and anticipated future earnings at certain subsidiaries, Adient believes that there is a reasonable possibility that sufficient positive evidence may become available that would allow the release of all, or a portion of, valuation allowances at certain subsidiaries within the next twelve months. A release of valuation allowances, if any, would result in the recognition of certain deferred tax assets which could generate a material income tax benefit for the period in which such release is recorded.

As a result of Adient's fiscal 2023 analysis of the realizability of its worldwide deferred tax assets, and after considering tax planning initiatives and other positive and negative evidence, Adient determined it was more likely than not that certain deferred tax assets in Mexico would be realizable and recorded an income tax benefit of $114 million to release valuation allowances. In addition, Adient determined it was necessary to release valuation allowances and establish valuation allowances in other jurisdictions that did not have a material impact on Adient’s financial statements. Adient continues to record valuation allowances on certain deferred tax assets in Germany, Hungary, Luxembourg, Mexico, Poland, Spain, the United Kingdom, the U.S. and other jurisdictions as it remains more likely than not that they will not be realized.

As a result of Adient's fiscal 2022 analysis of the realizability of its worldwide deferred tax assets, and after considering tax planning initiatives and other positive and negative evidence, Adient determined it was more likely than not that certain deferred tax assets in Canada, Japan, and other jurisdictions would not be realized and recorded income tax expense of $12 million, $3 million and $3 million, respectively, to establish valuation allowances. In addition, Adient determined it was more likely than not that certain deferred tax assets acquired as part of the 2021 Yanfeng Transaction would not be realized and recorded a net adjustment to goodwill of $7 million, primarily to establish valuation allowances. Additionally, Adient determined it was more likely than not that deferred tax assets in the Czech Republic and other jurisdictions would be realizable and recorded income tax benefit of $11 million and $2 million, respectively, to release valuation allowances.

Adient is subject to income taxes in Ireland, the U.S. and other foreign jurisdictions. With few exceptions, Adient is no longer subject to income tax examination by U.S. federal, state or local tax authorities or by non-U.S. tax authorities for years before 2014.

Adient regularly assesses the likelihood of an adverse outcome resulting from examinations to determine the adequacy of its tax reserves. For the year ended September 30, 2023, Adient believes that it is more likely than not that the tax positions it has taken will be sustained upon the resolution of its audits resulting in no material impact on its consolidated financial statements. However, the final determination with respect to tax audits and any related litigation could be materially different from Adient’s estimates.

For the years ended September 30, 2023 and 2022, Adient had gross tax effected unrecognized tax benefits of $527 million and $499 million, respectively. If recognized, $167 million of Adient's unrecognized tax benefits would impact the effective tax rate. Total net accrued interest for the years ended September 30, 2023 and 2022, was approximately $31 million and $22 million, respectively (net of tax benefit). Adient recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Year Ended September 30,	
(in millions)	**2023**	**2022**
Beginning balance	$ 499	$ 499
Additions for tax positions related to the current year	2	62
Additions for tax positions of prior years	50	2
Reductions for tax positions of prior years	(5)	(52)
Settlements with taxing authorities	(11)	(3)
Statute closings	(8)	(9)
Ending balance	$ 527	$ 499

During the next twelve months, it is likely that tax audit resolutions or applicable statute of limitation lapses could result in a significant change in the balance of gross unrecognized tax benefits. Given the number of years, jurisdictions and positions subject to examination, Adient is unable to estimate the full range of possible adjustments to the balance of unrecognized tax benefits.

Adient has recorded a deferred tax liability of approximately $38 million as of September 30, 2023 on the undistributed earnings of certain consolidated and unconsolidated foreign affiliates for which Adient does not have an indefinite reinvestment assertion. Adient has not provided for deferred taxes on the remainder of undistributed earnings from consolidated foreign affiliates because such earnings should not give rise to additional tax liabilities upon repatriation or are considered to be indefinitely reinvested. It is not practicable to determine the unrecognized deferred tax liability on these earnings because the actual tax liability, if any, is dependent on circumstances existing when remittance occurs.

Income taxes paid for the fiscal year ended September 30, 2023 were $94 million. Income taxes paid for the fiscal year ended September 30, 2022 were $77 million.

Impacts of Tax Legislation and Change in Statutory Tax Rates

On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 into law. Adient does not expect the provisions of the legislation to have a significant impact on the effective tax rate or the income tax payable and deferred income tax positions of Adient.

During fiscal years 2023 and 2022, other tax legislation was adopted in various jurisdictions. These law changes did not have a material impact on the consolidated financial statements.

Tax Impact of One-Time Items

During fiscal 2022, Adient recognized a one-time gain of $32 million associated with the retrospective recovery of indirect tax credits in Brazil resulting from the Company’s prioritization of those credits, resulting in net tax expense of $4 million.

22. Segment Information

Adient manages its business on a geographic basis and operates in the following three reportable segments for financial reporting purposes: 1) Americas, which is inclusive of North America and South America; 2) Europe, Middle East, and Africa ("EMEA") and 3) Asia Pacific/China ("Asia").

Adient evaluates the performance of its reportable segments using an adjusted EBITDA metric defined as income before income taxes and noncontrolling interests, excluding net financing charges, restructuring and impairment costs, restructuring related-costs, net mark-to-market adjustments on pension and postretirement plans, transaction gains/losses, purchase accounting amortization, depreciation, stock-based compensation and other non-recurring items. Also, certain corporate-related costs are not allocated to the segments. The reportable segments are consistent with how management views the markets served by Adient and reflect the financial information that is reviewed by its chief operating decision maker.

	Year Ended September 30,	
(in millions)	**2023**	**2022**
Net Sales		
Americas	$ 7,220	$ 6,557
EMEA	5,195	4,764
Asia	3,085	2,926
Eliminations	(105)	(126)
Total net sales	$ 15,395	$ 14,121

(in millions)	Year Ended September 30, 2023	2022
Adjusted EBITDA		
Americas	$ 336	$ 242
EMEA	232	138
Asia	464	383
Corporate-related costs (1)	(94)	(88)
Restructuring and impairment costs (2)	(40)	(25)
Purchase accounting amortization (3)	(52)	(54)
Restructuring related charges (4)	2	(6)
Depreciation	(290)	(298)
Stock based compensation	(34)	(29)
Other items (5)	(1)	(4)
Earnings (loss) before interest and income taxes	523	259
Net financing charges	(195)	(215)
Other pension income (expense)	(33)	10
Income (loss) before income taxes	$ 295	$ 54

Notes:

(1) Corporate-related costs not allocated to the segments include executive office, communications, corporate development, legal and corporate finance.

(2) Reflects restructuring charges for costs that are directly attributable to restructuring activities and meet the definition of restructuring under ASC 420 and non-recurring impairment charges. During fiscal 2022, an impairment charge of $4 million related to the withdrawal from and sale of its operations in Russia, and a held-for-sale impairment charge of $6 million were recorded in EMEA. Refer to Note 20, "Restructuring and Impairment Costs," of the notes to the consolidated financial statements for more information.

(3) Reflects amortization of intangible assets including those related to partially owned affiliates recorded within equity income.

(4) Reflects restructuring related charges for costs that are directly attributable to restructuring activities, but do not meet the definition of restructuring under ASC 420 along with restructuring costs at partially owned affiliates recorded within equity income. Fiscal 2023 includes a $10 million gain on the sale of a restructured facility in Americas.

(5) Fiscal 2023 reflects $3 million of non-cash impairment related to certain of Adient's investments in nonconsolidated partially-owned affiliates in Asia and EMEA, respectively, and $3 million of transaction costs, partially offset by $4 million of one-time divestiture gain at an affiliate, and $4 million of a gain associated with the retrospective recovery of indirect tax credits in Brazil. Fiscal 2022 includes $3 million and $7 million of non-cash impairments of certain of Adient's investments in nonconsolidated partially-owned affiliates in Asia and EMEA, respectively, $8 million of transaction costs, a $14 million charge related to a non-recurring contract related settlement, $1 million of allowance for doubtful accounts resulting from the withdrawal from and sale of operations in Russia, and $2 million of loss on finalization of asset sale in Turkey, partially offset by a gain of $32 million associated with the retrospective recovery of indirect tax credits in Brazil.

Additional Segment Information

(in millions)	Year Ended September 30, 2023				
	Reportable Segments			Reconciling Items(1)	Consolidated
	Americas	EMEA	Asia		
Net Sales	$ 7,220	$ 5,195	$ 3,085	$ (105)	$ 15,395
Equity Income	3	16	71	(6)	84
Total Assets	3,122	2,252	2,930	1,120	9,424
Depreciation	133	107	50	—	290
Amortization	12	3	35	—	50
Capital Expenditures	114	81	57	—	252

(1) Reconciling items include the elimination of intercompany transactions, corporate-related assets and other amounts to reconcile to consolidated totals. Specific reconciling items for equity income represents $6 million of non-cash impairments of Adient's investments in partially-owned affiliates, $2 million of restructuring related charges, and $2 million of purchase accounting amortization, partially offset by a $4 million gain on sale of certain assets at affiliates in China. Corporate-related assets primarily include cash and deferred income tax assets.

(in millions)	Year Ended September 30, 2022				
	Reportable Segments			Reconciling Items(1)	Consolidated
	Americas	EMEA	Asia		
Net Sales	$ 6,557	$ 4,764	$ 2,926	$ (126)	$ 14,121
Equity Income	—	12	76	(13)	75
Total Assets	3,073	2,166	2,959	960	9,158
Depreciation	130	116	52	—	298
Amortization	12	4	36	—	52
Capital Expenditures	104	73	50	—	227

(1) Reconciling items include the elimination of intercompany transactions, corporate-related assets and other amounts to reconcile to consolidated totals. Specific reconciling items for equity income represents $10 million of non-cash impairments of Adient's investments in partially-owned affiliates, $1 million of restructuring related charges, $2 million of purchase accounting amortization, $7 million of a non-recurring customer termination charge at an affiliate in Asia, partially offset by a $7 million non-recurring gain on sale of land use rights at an affiliate in China. Corporate-related assets primarily include cash and deferred income tax assets.

Geographic Information

Financial information relating to Adient's operations by geographic area is as follows:

Net Sales

	Year Ended September 30,	
(in millions)	**2023**	**2022**
Americas		
United States	$ 6,530	$ 5,876
Mexico	2,661	2,427
Other Americas	338	377
Regional Elimination	(2,309)	(2,123)
	7,220	6,557
EMEA		
Germany	1,046	862
Poland	963	770
Czech Republic	900	962
Spain	725	674
Other EMEA	2,989	2,788
Regional Elimination	(1,428)	(1,292)
	5,195	4,764
Asia		
China	1,385	1,374
Thailand	564	508
Korea	534	534
Japan	373	264
Other Asia	284	270
Regional Elimination	(55)	(24)
	3,085	2,926
Inter-segment elimination	(105)	(126)
Total	$ 15,395	$ 14,121

Long-Lived Assets (consisting of net property, plant and equipment)

(in millions)	September 30, 2023	September 30, 2022
Americas		
United States	$ 446	$ 460
Mexico	152	164
Other Americas	18	19
	616	643
EMEA		
Poland	131	118
Germany	127	126
Spain	38	39
Czech Republic	30	29
Other EMEA	190	184
	516	496
Asia		
China	113	111
Japan	51	47
Thailand	45	41
Korea	22	21
Other Asia	19	18
	250	238
Total	$ 1,382	$ 1,377

23. Nonconsolidated Partially-Owned Affiliates

Investments in the net assets of nonconsolidated partially-owned affiliates are reported in the "Investments in partially-owned affiliates" line in the consolidated statements of financial position. Equity in the net income of nonconsolidated partially-owned affiliates are reported in the "Equity income" line in the consolidated statements of income (loss). Adient maintains total investments in partially-owned affiliates of $303 million and $286 million at September 30, 2023 and 2022, respectively. Operating information for nonconsolidated partially-owned affiliates is as follows:

Name of key partially-owned affiliate	% ownership at September 30, 2023	% ownership at September 30, 2022
KEIPER Seating Mechanisms Co., Ltd. (KEIPER)	50.0%	50.0%
Changchun FAWAY Adient Automotive Systems Co. Ltd. (CFAA)	49.0%	49.0%

(in millions)	Year Ended September 30, 2023	Year Ended September 30, 2022
Income statement data:		
Net sales	$ 3,791	$ 4,039
Gross profit	$ 346	$ 374
Net income	$ 173	$ 189
Net income attributable to the entity	$ 171	$ 187

(in millions)	September 30, 2023	2022
Balance sheet data:		
Current assets	$ 1,800	$ 1,784
Noncurrent assets	$ 756	$ 826
Current liabilities	$ 1,639	$ 1,843
Noncurrent liabilities	$ 283	$ 159
Noncontrolling interests	$ —	$ 6

During fiscal 2023, Adient concluded that indicators of other-than-temporary impairment were present related to nonconsolidated partially-owned affiliates in Asia and EMEA, and recorded non-cash impairment charges of $3 million and $3 million as a result, respectively.

Over the past two fiscal years, Adient and KEIPER have modified existing supply agreements, resulting in reductions in Adient's purchase prices on certain products. Such modifications resulted in reductions of $25 million and $34 million in Adient's cost of sales and equity income, respectively, during fiscal 2023. The modifications resulted in reductions of $14 million and $17 million in Adient's cost of sales and equity income, respectively, during fiscal 2022.

24. Commitments and Contingencies

Adient is involved in various lawsuits, claims and proceedings incident to the operation of its businesses, including those pertaining to product liability, casualty, environmental, safety and health, intellectual property, employment, trade compliance, commercial and contractual matters, and various other matters. Although the outcome of any such lawsuit, claim or proceeding cannot be predicted with certainty and some may be disposed of unfavorably to Adient, it is management's opinion that none of these will have a material adverse effect on Adient's financial position, results of operations or cash flows. Costs related to such matters were not material to the periods presented.

Adient accrues for potential environmental liabilities when it is probable a liability has been incurred and the amount of the liability is reasonably estimable. Reserves for environmental liabilities totaled $4 million and $6 million at September 30, 2023 and 2022, respectively. Adient reviews the status of its environmental sites on a quarterly basis and adjusts its reserves accordingly. Such potential liabilities accrued by Adient do not take into consideration possible recoveries of future insurance proceeds. They do, however, take into account the likely share other parties will bear at remediation sites. It is difficult to estimate Adient's ultimate level of liability at many remediation sites due to the large number of other parties that may be involved, the complexity of determining the relative liability among those parties, the uncertainty as to the nature and scope of the investigations and remediation to be conducted, the uncertainty in the application of law and risk assessment, the various choices and costs associated with diverse technologies that may be used in corrective actions at the sites, the often quite lengthy periods over which eventual remediation may occur, and changing environmental laws. Nevertheless, Adient does not currently believe that any claims, penalties or costs in connection with known environmental matters will have a material adverse effect on Adient's financial position, results of operations or cash flows.

25. Directors' Remuneration

The amounts below include compensation for Douglas G. Del Grosso, President and CEO, (referred to as "Managerial Services") as well as compensation for all non-employee directors in their capacities as such (referred to as "Director Services"):

(in millions)	Year ended September 30 2023	2022
Managerial services (1)	$ 15	$ 14
Director services (2)	2	2
	$ 17	$ 16

(1) This calculation was made in accordance with the requirements of the Companies Act 2014 and includes the following during fiscal 2023 and 2022, respectively: base compensation earned of $1 million and $1 million; incentive and performance-based compensation earned of $2 million and $2 million and stock awards granted of $12 million and $11 million calculated based on the grant date fair value in accordance with U.S. GAAP.

(2) This calculation was made in accordance with the requirements of the Companies Act 2014.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and include the directors as well as key executive members of Adient who are not directors. The compensation provided to key management personnel during fiscal 2023 was $29 million (fiscal 2022: $29 million). This includes the costs disclosed in the table above as well as employer social insurance, national insurance contributions and costs relating to long term incentive plans.

26. Auditors' Remuneration

Auditors' remuneration paid to PricewaterhouseCoopers Ireland included $0.3 million and $0.3 million of audit fees for fiscal 2023 and 2022, respectively.

Auditors' remuneration to affiliates of PricewaterhouseCoopers Ireland for fiscal years 2023 and 2022 are presented in the table below.

	Year ended September 30	
(in millions)	**2023**	**2022**
Audit fees [1]	$ 8	$ 8
Audit related fees [2]	—	—
Tax fees [3]	—	—
All other fees [4]	—	—
	$ 8	$ 8

(1) Audit fees include professional services rendered for the audit of Adient's annual financial statements and internal control over financial reporting, statutory and subsidiary audits and services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

(2) Audit related fees include assurance services related to special reports including those performed under specified attestation standards.

(3) Tax fees consist of professional services for tax compliance, tax planning and advice, assistance with tax audits, and tax advice related to transfer pricing matters.

(4) All other fees primarily represent assurance related services associated with non-financial reporting topics, subscriptions to technical resources, and generic knowledge sharing, survey participation and training seminars related to accounting, reporting and general business matters.

27. Employees

The average number of persons employed by Adient during the years ended September 30, 2023 and 2022 was 73,000 and 75,000, respectively.

Total employee costs consist of the following:

	Year Ended September 30	
(in millions)	**2023**	**2022**
Wages and salaries	$ 2,452	$ 2,229
Social insurance costs	548	484
Stock based compensation	33	29
Retirement benefit costs	32	12
Other compensation costs	13	11
	$ 3,078	$ 2,765

Of the total employee costs, $2,590 million and $2,304 million have been capitalized into inventory during fiscal 2023 and 2022, respectively.

28. Related Party Transactions

In the ordinary course of business, Adient enters into transactions with related parties, such as equity affiliates. Such transactions consist of the sale or purchase of goods and other arrangements. Subsequent to the separation, transactions with the former Parent and its businesses represent third-party transactions.

The following table sets forth the location and amounts of net sales to and purchases from related parties included in Adient's consolidated statements of income (loss):

		Year Ended September 30,	
(in millions)		**2023**	**2022**
Net sales to related parties	Net sales	$ 253	$ 247
Purchases from related parties	Cost of sales	397	434

The following table sets forth the location and amount of accounts receivable due from and payable to related parties in Adient's consolidated statements of financial position:

		September 30,	
(in millions)		**2023**	**2022**
Accounts receivable due from related parties	Accounts receivable	$ 26	$ 34
Accounts payable due to related parties	Accounts payable	67	95

Average receivable and payable balances with related parties remained consistent with the period end balances shown above.

29. Significant Subsidiaries

Adient's principal subsidiaries, being those subsidiaries whose assets, liabilities, financial position or profit or loss, in the opinion of the directors, principally affected the consolidated financial statements, were as follows:

Name	Nature of Business	Group Ordinary Share	Registered Office and Country of Incorporation
Adient & Summit Corporation Ltd.	Seating	68.0%	Thailand
Adient (Chengdu) Automotive Components Co., Ltd	Seating	100.0%	China
Adient (Chongqing) Automotive Components Co., Ltd	Seating	100.0%	China
Adient (Daqing) Automotive Components Co., Ltd	Seating	100.0%	China
Adient (Nantong) Automotive Seating Components Co., Ltd.	Seating	100.0%	China
Adient (Thailand) Co., Ltd.	Seating	68.0%	Thailand
Adient Asia Holdings Co., Limited	Seating	100.0%	Hong Kong
Adient Automotive Argentina S.R.L.	Seating	100.0%	Argentina
Adient Automotive Components GmbH	Seating	100.0%	Germany
Adient Automotive Interior Investment Co., Limited	Seating	100.0%	Hong Kong
Adient Automotive Romania S.R.L.	Seating	100.0%	Romania
Adient Automotive Seating (M) Sdn. Bhd.	Seating	87.0%	Malaysia
Adient Automotive SLU	Seating	100.0%	Spain
Adient Belgium BV	Seating	100.0%	Belgium
Adient Beteiligungs GmbH	Seating	100.0%	Germany
Adient Clanton Inc.	Seating	100.0%	US
Adient Components Ltd. & Co. KG	Seating	100.0%	Germany
Adient Czech Republic s.r.o.	Seating	100.0%	Czech Republic
Adient do Brasil Bancos Automotivos Ltda.	Seating	100.0%	Brazil
Adient DongSung Inc	Seating	60.0%	Korea
Adient Eldon Inc.	Seating	100.0%	US
Adient Engineering and IP GmbH	Seating	100.0%	Germany
Adient Financial Luxembourg S.a r.l.	Seating	100.0%	Luxembourg
Adient France SAS	Seating	100.0%	France
Adient Germany Ltd. & Co. KG.	Seating	100.0%	Germany
Adient GK	Seating	100.0%	Japan
Adient Global Holdings Ltd	Seating	100.0%	Jersey
Adient Global Holdings S.à r.l.	Seating	100.0%	Luxembourg
Adient Hungary Kft.	Seating	100.0%	Hungary
Adient India Private Limited	Seating	100.0%	India
Adient Interiors Ltd. & Co. KG	Seating	100.0%	Germany
Adient Korea Inc.	Seating	100.0%	Korea
Adient Ltd. & Co. KG	Seating	100.0%	Germany
Adient Luxembourg Asia Holding S.a.r.l.	Seating	100.0%	Luxembourg
Adient Metal Forming Technologies GmbH	Seating	100.0%	Germany
Adient Mexico Automotriz S. de R.L. de C.V.	Seating	100.0%	Mexico
Adient Mezölak Kft.	Seating	100.0%	Hungary
Adient Novo mesto, proizvodnja avtomobilskih sedežev, d.o.o.	Seating	100.0%	Slovenia
Adient Poland Sp. z o.o.	Seating	100.0%	Poland
Adient Properties UK Ltd	Seating	100.0%	UK
Adient Saarlouis Ltd. & Co. KG	Seating	100.0%	Germany
Adient Seating d.o.o.	Seating	100.0%	Serbia

Name	Nature of Business	Group Ordinary Share	Registered Office and Country of Incorporation
Adient Seating Holding Spain SLU	Seating	100.0%	Spain
Adient Seating Poland Spółka z ograniczona odpowiedzialnoscia	Seating	100.0%	Poland
Adient Seating Spain SLU	Seating	100.0%	Spain
Adient Seating UK Ltd	Seating	100.0%	UK
Adient South Africa (Pty) Ltd.	Seating	100.0%	South Africa
Adient Strasbourg	Seating	100.0%	France
Adient Sweden AB	Seating	100.0%	Sweden
Adient US LLC	Seating	100.0%	US
Adient Verwaltungs GmbH & Co. KG	Seating	100.0%	Germany
Adient Yufu (Chongqing) Automotive Components Co., Ltd	Seating	100.0%	China
Adient Zwickau GmbH	Seating	100.0%	Germany
Avanzar Interior Technologies de Mexico S. de R.L. de C.V.	Seating	100.0%	Mexico
Avanzar Interior Technologies, Ltd.	Seating	49.0%	US
Beijing Adient Automotive Components Co., Ltd.	Seating	51.0%	China
Bridgewater Interiors, LLC	Seating	49.0%	US
Ensamble de Interiores Automotrices Mexico, S. de R.L. de C.V.	Seating	100.0%	Mexico
Guangzhou Adient Automotive Seating Co. Ltd.	Seating	52.0%	China
PT Adient Automotive Indonesia	Seating	100.0%	Indonesia
TechnoTrim de Mexico, S. de R.L. de C.V.	Seating	51.0%	Mexico
TechnoTrim, Inc.	Seating	51.0%	US

ADIENT PLC

Company Financial Statements

For the Year Ended September 30, 2023

ADIENT PLC
COMPANY BALANCE SHEET

(in millions)	Note	September 30, 2023		September 30, 2022	
Fixed assets					
Financial assets (investment in subsidiaries)	4	$	2,494	$	2,481
Other assets					
Debtors (amounts falling due after one year)	7		—		—
			—		—
Current liabilities					
Creditors	8		26		26
Net assets		$	2,468	$	2,455
Capital and reserves					
Called-up share capital presented as equity	9	$	—	$	—
Share premium account			500		500
Other reserves			107		94
Profit and loss account			1,861		1,861
Shareholders' equity		$	2,468	$	2,455

Adient's profit (loss) for the years ended September 30, 2023 and 2022 as determined in accordance with FRS 102 was $65 million and $(2) million, respectively.

Approved by the board of directors on February 7, 2024 and signed on its behalf by:

/s/ Jerome J. Dorlack

Jerome J. Dorlack
President and Chief Executive Officer and Director

/s/ Richard Goodman

Richard Goodman
Director

February 7, 2024

ADIENT PLC
COMPANY STATEMENT OF CHANGES IN EQUITY

	Called-up Share Capital							
	Ordinary Shares		Deferred Shares					
(dollars in millions)	**Number**	**Amount**	**Number**	**Amount**	**Share Premium**	**Profit and Loss Account**	**Other Reserves**	**Total**
Balance as of September 30, 2021	**94,378,004**	**$ —**	**—**	**$ —**	**$ 500**	**$ 1,863**	**$ 72**	**$ 2,435**
Total comprehensive loss for the year	—	$ —	—	$ —	$ —	$ (2)	$ —	$ (2)
Dividends	—	—	—	—	—	—	—	—
Share based compensation	480,152	—	—	—	—	—	22	22
Balance as of September 30, 2022	**94,858,156**	**$ —**	**—**	**$ —**	**$ 500**	**$ 1,861**	**$ 94**	**$ 2,455**
Total comprehensive gain for the year	—	$ —	—	$ —	$ —	$ 65	$ —	$ 65
Dividends	—	—	—	—	—	—	—	—
Repurchase and retirement of ordinary shares	(1,756,777)	—	—	—	—	(65)	—	(65)
Share based compensation	596,325	—	—	—	—	—	13	13
Balance as of September 30, 2023	**93,697,704**	**$ —**	**—**	**$ —**	**$ 500**	**$ 1,861**	**$ 107**	**$ 2,468**

1. Basis of Presentation

Adient was incorporated on June 24, 2016 as a private limited company incorporated in Ireland (registered number 584907) and was re-registered as a public limited company on October 3, 2016.

The principal activity of Adient is investment holding. Its registered office is located at 3 Dublin Landings, North Wall Quay, Dublin 1, Ireland.

The Company Financial Statements (the "Financial Statements") have been prepared in accordance with Generally Accepted Accounting Practice in Ireland (applicable accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland and the 2014 Act). The Financial Statements comply with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'(FRS 102).

The Financial Statements present the Parent Company Balance Sheet (the "Balance Sheet") and the Parent Company Statement of Changes in Equity (the "Statement of Changes in Equity") on a stand-alone basis, including related party transactions.

The Parent Company ("Adient plc") is a qualifying entity for the purposes of FRS 102. As a qualifying entity, the Company has availed of a number of exemptions from the disclosure requirements of FRS 102 in the preparation of the Financial Statements.

The accompanying financial statements have been prepared in United States dollars and reflect the operations of Adient ("we," "us," or "our").

Exemptions
Disclosure Exemptions for Qualifying Entities under FRS 102 - FRS 102 allows a qualifying entity to avail of certain disclosure exemptions. The Company has taken advantage of the below exemptions for qualifying entities. These exemptions are:

i. the requirement to prepare a statement of cash flows. [Section 7 of FRS 102 and paragraph 3 17(d)]
ii. certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the Group in which the entity is consolidated. [FRS 102 paragraph 11.39-11 48A, 12.26 - 12.29]
iii. certain disclosure requirements of Section 26 in respect of share based payments provided that (a) for a subsidiary, the share based payment concerns equity instruments of another group entity; or (b) for an ultimate parent, the share based payment concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the group; and in both cases, the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated. [FRS 102 paragraph 26.18(b), 26.19 - 26.21, 26.23]
iv. related party disclosures related to key management services provided by a separate management entity. [paragraph 18A of ISA24]

2. Summary of Significant Accounting Policies

Statement of compliance
The entity financial statements have been prepared on a going concern basis and in accordance with accounting standards issued by the UK Financial Reporting Council and the Companies Act 2014. The entity financial statements comply with Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland (FRS102).

Going concern
As Adient plc’s operational existence relies on the activities of Adient plc and its subsidiaries as a group (collectively, “Adient”) a going concern assessment performed during the approval of the consolidated financial statements is deemed relevant to support the Adient plc’s ability to continue as a going concern. Adient's board of directors has formed a judgment at the time of approving the financial statements that there is a reasonable expectation that Adient have adequate resources to continue in operational existence for at least the next twelve-month period extending from the time of approving the financial statements.

The board of directors has considered uncertainties that surround Adient. Those included supply chain constraints, inflationary pressures on raw materials and energy prices, wage inflation caused by constrained labor availability, higher interest rates, volatile foreign currency movements, and impacts of the geopolitical conflicts in Europe and Middle East. The extent to which such uncertainties continue to impact Adient’s results of operations, financial condition, liquidity position and availability of financing sources will depend on future developments that are highly uncertain and difficult to predict.

In assessing the potential impact of these uncertainties on its liquidity, Adient prepared cash flow forecasts covering a period of at least twelve months from the date of these financial statements. This assessment included consideration of the forecasted business performance, the cash and financial facilities available to Adient. Adient continues to expect that existing cash at bank and in hand, the cash generated by operations, available credit facility, as well as expected ability to access the capital and debt markets will be sufficient to fund Adient's operating and capital needs for at least the next twelve months and thereafter for the foreseeable future. To its knowledge, the board of directors reasonably believes that these uncertainties would not have a material impact on Adient's ability to continue as a going concern as of the financial statements' approval date.

Accounting convention
The financial statements have been prepared under the historical cost convention.

Functional and presentation currency
The currency of the primary economic environment in which the Company operates is the US dollar ($). These financial statements are presented in US dollars.

Foreign currencies
Transactions denominated in foreign currencies are translated into US dollars at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Investments in subsidiaries
Adient's investments in its subsidiaries are stated at cost less provision for any impairment in value. Cost represents the fair value on October 31, 2016 , the date of the spin-off, based on the Company's market capitalisation at that time plus subsequent capital contributions and acquisitions.

The Company reviews investments for impairment if events or changes in circumstances indicate that the carrying value may be impaired. The Company assesses whether such indicators exist at each reporting date. Where the recoverable amount of the investment is less than the carrying amount, an impairment is recognised.

Dividends
Dividend income is recognised when the right to receive the payment is established. Interim dividends on ordinary shares to the Company's external shareholders are recognised in the Financial Statements when they are paid.

Cash flow statement
The Company has not presented a separate cash flow statement as it has availed of the exemption available under FRS 102 Section 1.12 (b). This exemption is available as 100% of the Company's voting rights are controlled within the consolidated group and the consolidated financial statements of Adient (in which the Company is included) are publicly available.

Contingencies
The Company has guaranteed certain liabilities and credit arrangements. The Company reviews the status of these guarantees at each reporting date and considers whether it is required to make a provision for payment on those guarantees based on the probability of the commitment being called. Refer to Note 12, "Guarantees and Contingencies" for further details of the Parent Company's guarantees.

Financial instruments
The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial Assets
Basic financial assets, including cash and cash equivalents and short-term deposits, are initially recognized at transaction price (including transaction costs). Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss. If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions

Financial Liabilities
Basic financial liabilities, including amounts due to subsidiary undertakings, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction. Where the arrangement constitutes a financing transaction, the resulting financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Amounts due to subsidiary undertakings and financial liabilities from arrangements which constitute financing transactions are subsequently carried at amortized cost, using the effective interest method. Financial liabilities are derecognized when the liability is extinguished, that is when the contractual obligation is discharged, canceled or expires.

Cash at bank and in hand
Adient considers all highly liquid investments purchased with maturities of three months or less from the time of purchase to be cash equivalents.

Share Based Compensation Accounting
Adient has applied the requirements of FRS 102 Section 26 Share-Based Payment in accounting for all share based compensation, consequently the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors is based on estimated fair values.

Adient issues equity-settled share-based payments to certain employees of its subsidiaries. Equity-settled share based payments are measured at fair value at the date of grant and recognized over the vesting period, based on Adient's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. These awards are typically share settled unless the employee is a non-US employee or elects to defer settlement until retirement, at which point the award would be settled in cash. The fair value of cash settled awards are recalculated at the end of each reporting period and the liability and expense are adjusted based on the new fair value. All related share-based compensation expense for employees is recharged by Adient to its subsidiaries and shown as a change to the financial asset on the balance sheet.

Share capital presented as equity
Equity shares issued are recognized at the proceeds received or the fair value of services provided. Incremental costs directly attributable to the issue of new equity shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Repurchases of the Company's shares are reflected as a reduction of its shareholder's equity.

3. Critical Accounting Judgement and Estimation Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key risk identified by the directors relates to impairment of the Company's investments in its subsidiaries. Consequently the Company assesses at each reporting date whether there is any indication that an investment in a subsidiary has been impaired. If such an indication exists, the Company is required to undertake a review for impairment and estimate the recoverable amount of the asset.

4. Financial Assets (Investment in Subsidiaries)

Financial assets included on the Company Balance Sheet are as follows:

(in millions)	**Financial Assets**
As of September 30, 2022	$ 2,481
Additions	13
As of September 30, 2023	$ 2,494

The additions during the financial period consisted of net capital contributions in relation to share based compensation granted to key executives.

Adient plc directly owns the following financial investments as of September 30, 2023:

			Ownership %	
Company	Country	Type	September 30, 2023	Date of Acquisition
Adient Global Holdings Sarl	Luxembourg	Holding co.	100 %	April 26, 2017
Adient Holding Ireland Limited	Ireland	Holding co.	100 %	June 20, 2017
Adient International Ltd.	Jersey	Holding co.	6 %	June 18, 2017

5. Directors' Remuneration

Refer to Note 25, "Directors' Remuneration" of the consolidated financial statements for information related to remuneration paid to the directors.

6. Auditors' Remuneration

Adient's auditors received approximately $0.3 million and $0.3 million of remuneration during the years ended September 30, 2023 and 2022, respectively, for the audit of the Company financial statements.

Refer to Note 26, "Auditors' Remuneration" of the consolidated financial statements which provides additional details of audit fees paid to the statutory auditor, PricewaterhouseCoopers Ireland.

7. Debtors (Amounts Falling Due After One Year)

Debtors included on the Company Balance Sheet are as follows:

	September 30,	
(in millions)	**2023**	**2022**
Amounts falling due after one year:		
Amounts owed by subsidiary undertakings	$ —	$ —

Amounts owed by parent undertakings and fellow subsidiary undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

There is a potential deferred tax asset arising from share based payments, however this has not been recognised as it is not deemed to be recoverable. No deferred tax balances were recognized on the Company's Balance Sheet as of September 30, 2023 and 2022.

8. Creditors

Creditors included on the Company Balance Sheet are as follows:

	September 30	
(in millions)	**2023**	**2022**
Amounts falling due within one year:		
Bank borrowings	$ 12	$ 26
Amounts owed to subsidiary undertakings	14	—
	$ 26	$ 26

9. Capital & Reserves

Share Capital

(dollars in thousands)	September 30, 2023	September 30, 2022
Authorised		
500,000,000 ordinary shares of $0.001 each	$ 500	$ 500
100,000,000 preferred shares of $0.001 each	100	100
25,000 deferred shares of €1.00 each	—	—
	$ 600	$ 600
Allotted and Called-up share capital		
93,697,704 and 94,858,156 ordinary shares, respectively, of $0.001	$ 94	$ 95
0 and 0 deferred shares, respectively, of €1.00 each (€1 = $1.1184)	—	—
Total called-up share capital	$ 94	$ 95

All proceeds from the issuance of shares were used to facilitate the establishment of Adient. Contemporaneously with the issuance by Adient of ordinary shares on October 31, 2016 (as described in Note 1) the 1 ordinary share of $0.001 and 25,000 euro deferred shares of €1.00 each as of September 30, 2016 were redeemed and canceled.

Share Premium

Share Premium comprises of a premium arising on the issue of shares. (See Note 1 for details on the transfer of share premium to the profit and loss account.) The initial share premium upon the issuance of shares on October 31, 2016 was calculated by reference to the fair value of Adient on that date based on Adient's market capitalization using the closing share price at that date less the par value of shares issued. During fiscal 2023, Adient repurchased $65 million of its ordinary shares at an average price of $37.00 a share under the program. As of September 30, 2023, Adient has a remaining repurchase authorization of $535 million.

During the first quarter of fiscal 2024, Adient repurchased $100 million of its ordinary shares at an average price of $33.32 a share under the program.

Profit and Loss Account

Profit and Loss Account represents accumulated comprehensive income for the financial year and prior year financial years.

Other Reserves

Other Reserves represents the ordinary and deferred shares redeemed and canceled contemporaneously with the issuance by Adient of ordinary shares on October 31, 2016 and also includes share based compensation activity (as described in Note 1). The creation of distributable reserves of Adient was accomplished by transferring a portion of share premium to the profit and loss account in the amount of $3,763 million, which the Irish High Court approved on December 5, 2016.

Dividends

No dividends were paid during the financial period. Refer to the Dividends section of the consolidated financial statements for additional information.

10. Related Party Transactions

Adient has availed of the exemption provided in FRS 102 Section 33, for disclosure of transactions with subsidiary undertakings, 100% of whose voting rights are controlled within Adient. Consequently, the financial statements do not contain disclosures of transactions with other related entities in Adient. During financial years 2023 and 2022, only transactions with subsidiaries which are fully owned have occurred.

11. Profit / (Loss) Attributable to Adient plc

In accordance with Section 304(2) of the Companies Act of 2014, the Company is availing of the exemption provided from presenting and filing its individual Profit and Loss Account. Adient's profit (loss) for the years ended September 30, 2023 and 2022 as determined in accordance with FRS 102 was $65 million and $(2) million, respectively.

12. Guarantees and Contingencies

As of September 30, 2023, Adient was the guarantor of a $0.6 billion term loan with interest of SOFR plus 3.25% due 2028, a revolving facility in the aggregate amount of $1.25 billion, $0.8 billion aggregate principal amount of 4.875% dollar-denominated senior unsecured notes due 2026, and €0.1 billion aggregate principal amount of 3.50% euro-denominated senior unsecured notes due 2024. In addition, as of September 30, 2023, Adient was the guarantor of approximately $282 million of trade related guarantees.

13. Events Since the Balance Sheet Date

The UAW strike that commenced in September 2023 reached tentative agreements around October 30, 2023, ending the six week strike. The agreements were then ratified by the UAW membership as final in November 2023.

During the first quarter of fiscal year 2024, Adient repurchased $100 million of its ordinary shares at an average price of $33.32 per share.

The directors are not aware of any other matters or circumstances not otherwise dealt with in the financial statements, that have significantly or may significantly affect the operation of Adient.

14. Approval of the Balance Sheet

The financial statements were approved by the directors on February 7, 2024.