Integrated Report 2019 Financial Section

DENSO CORPORATION

Contents

Financial Review

Financial Summary

DENSO CORPORATION and its Consolidated Subsidiaries

< IFRS >

Period ended	March, 2015	March, 2016	March, 2017	March, 2018	**March, 2019**
Revenue (Millions of yen)	4,309,787	4,524,522	4,527,148	5,108,291	**5,362,772**
Operating profit (Millions of yen)	331,376	315,728	330,551	412,676	**316,196**
Profit for the year (Millions of yen)	276,709	260,565	273,895	343,444	**279,609**
Profit for the year: attributable to owners of the parent company (Millions of yen)	258,382	244,251	257,619	320,561	**254,524**
Comprehensive income (Millions of yen)	634,988	(75,245)	329,248	435,494	**144,565**
Equity: attributable to owners of the parent company (Millions of yen)	3,327,938	3,123,578	3,312,724	3,598,321	**3,595,694**
Total assets (Millions of yen)	5,283,257	5,042,896	5,150,762	5,764,417	**5,792,414**
Equity per share: attributable to owners of the parent company (Yen)	4,171.93	3,939.97	4,215.46	4,614.87	**4,640.36**
Basic profit per share (Yen)	324.01	307.19	326.32	410.45	**326.47**
Diluted profit per share (Yen)	323.93	307.18	—	—	**—**
Equity ratio attributable to owners of the parent (%)	62.99	61.94	64.32	62.42	**62.08**
Return on equity attributable to owners of the parent company (%)	8.43	7.57	8.01	9.28	**7.08**
Price-to-earnings ratio (Times)	16.92	14.73	15.01	14.18	**13.22**
Net cash provided by operating activities (Millions of yen)	383,156	552,862	467,779	558,001	**533,487**
Net cash used in investing activities (Millions of yen)	(111,504)	(544,834)	(108,037)	(529,053)	**(514,700)**
Net cash used in financing activities (Millions of yen)	(135,686)	(104,663)	(240,526)	(40,312)	**(92,240)**
Cash and cash equivalents at end of year (Millions of yen)	792,414	672,482	793,550	783,338	**711,638**
Number of employees	146,714	151,775	154,493	168,813	**171,992**

(Note) DENSO CORPORATION and its subsidiaries in Japan and overseas (collectively referred to as the "Group") have adopted International Financial Reporting Standards ("IFRS") for the consolidated financial statements of the annual report.

< JGAAP >

Period ended	**March, 2015**
Net Sales (Millions of yen)	4,308,754
Ordinary income (Millions of yen)	397,431
Income before income taxes (Millions of yen)	427,238
Net income: attributable to owners of the parent company (Millions of yen) (Note)	293,099
Comprehensive income (Millions of yen)	615,611
Equity (Millions of yen)	3,341,439
Total assets (Millions of yen)	5,032,742
Equity per share (Yen)	4,006.62
Basic net income per share (Yen)	367.54
Diluted net income per share (Yen)	367.45
Equity-to-total capital ratio (%)	63.51
Return on equity (%)	9.96
Price-to-earnings ratio (Times)	14.92
Net cash provided by operating activities (Millions of yen)	374,181
Net cash used in investing activities (Millions of yen)	(112,618)
Net cash used in financing activities (Millions of yen)	(125,606)
Cash and cash equivalents at end of year (Millions of yen)	792,414
Number of employees	146,714

(Note) In accordance with the adoption of the Accounting Standard for Business Combinations (Accounting Standards Board of Japan Statement No. 21, September 13, 2013) under Generally Accepted Accounting Principles in Japan ("JGAAP"), "Net income" is changed to "Net income: attributable to owners of the parent company" as of March 31, 2016.

Revenue by Segment

DENSO CORPORATION and Its Consolidated Subsidiaries

For the Years ended March 31, 2015 to 2019

(Unit: Millions of yen)

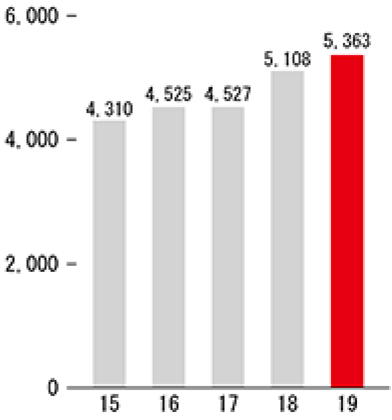
		FY2015 2014/4-2015/3	FY2016 2015/4-2016/3	FY2017 2016/4-2017/3	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Japan	Customers	1,838,448	1,801,547	1,871,838	2,140,729	2,284,190
	Intersegment	826,077	845,023	814,166	943,073	981,828
	Total	2,664,525	2,646,570	2,686,004	3,083,802	3,266,018
North America	Customers	942,251	1,081,058	1,050,460	1,122,847	1,182,012
	Intersegment	24,206	31,625	26,743	33,405	30,343
	Total	966,457	1,112,683	1,077,203	1,156,252	1,212,355
Europe	Customers	524,754	568,183	550,244	620,193	609,417
	Intersegment	29,999	25,394	27,025	42,139	43,085
	Total	554,753	593,577	577,269	662,332	652,502
Asia	Customers	930,792	1,014,708	989,505	1,146,037	1,215,115
	Intersegment	118,933	146,525	149,770	176,786	201,288
	Total	1,049,725	1,161,233	1,139,275	1,322,823	1,416,403
Total	Customers	4,236,245	4,465,496	4,462,047	5,029,806	5,290,734
	Intersegment	999,215	1,048,567	1,017,704	1,195,403	1,256,544
	Total	5,235,460	5,514,063	5,479,751	6,225,209	6,547,278
Others	Customers	73,542	59,026	65,101	78,485	72,038
	Intersegment	261	474	715	513	709
	Total	73,803	59,500	65,816	78,998	72,747
Consolidated		4,309,787	4,524,522	4,527,148	5,108,291	5,362,772

(Note) The Group has reported "Japan," "North America," "Europe," and "Asia" as the Group's reportable segments. The Group has been manufacturing and selling mainly automotive products in each reportable segment. "Others" is an operating segment that contains businesses not included in the reportable segments, such as activities of subsidiaries in South America.

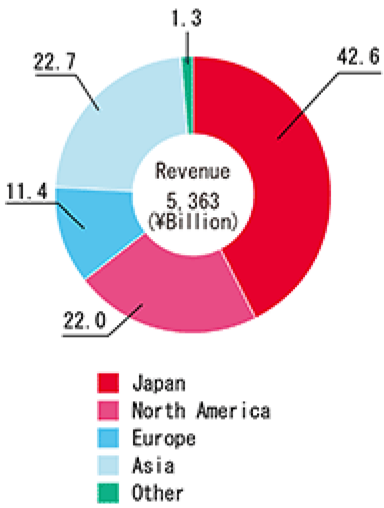
Financial Highlights

For the years ended March 31, 2015 to 2019

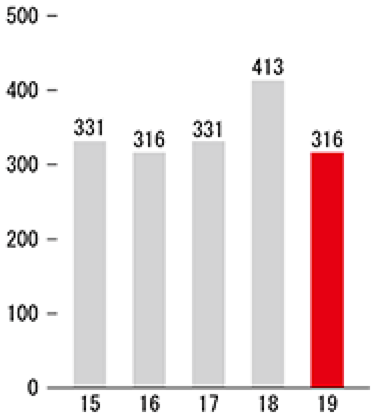
Revenue
(¥Billion)



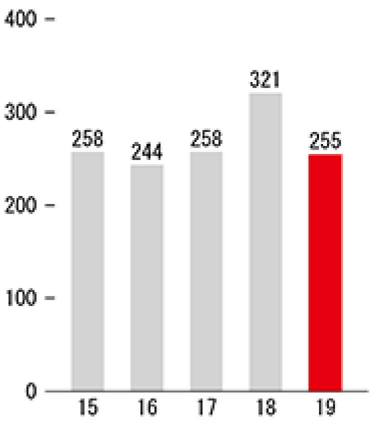
Revenue by segment
(For external customers only)
(%)



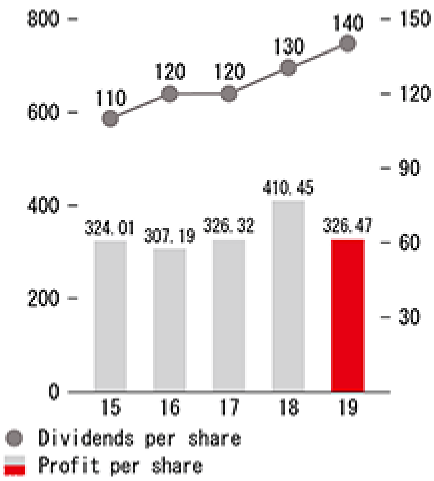
Operating profit
(¥Billion)



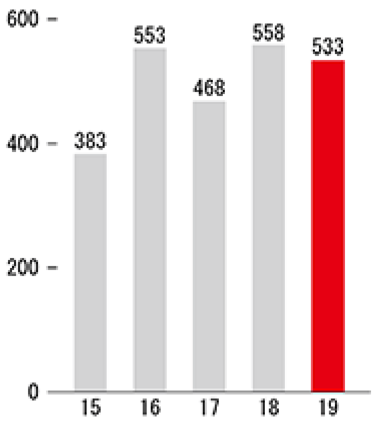
Profit for the year:attributable to owners of the parent company
(¥Billion)



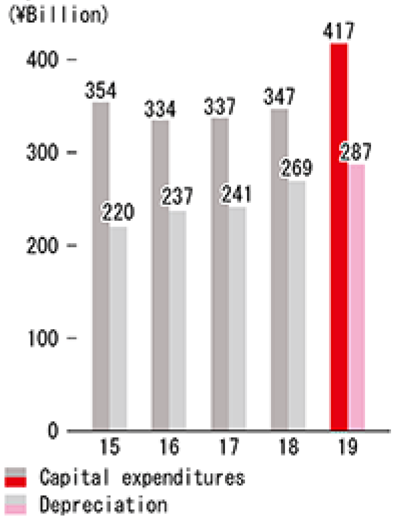
Basic profit per share and Dividends per share
(Yen)



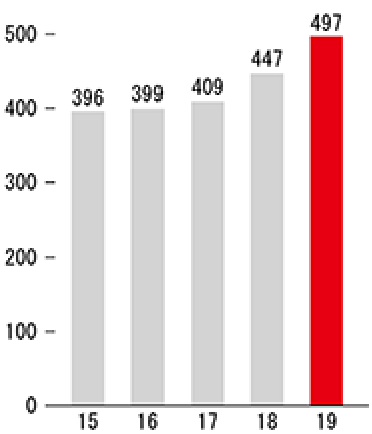
Net cash provided by operating activities
(¥Billion)



Capital expenditures and Depreciation
(¥Billion)



R&D expenses
(¥Billion)



Management's Discussion and Analysis

1. Business overview

During the fiscal year ended March 31, 2019, the world economy maintained steady growth on the whole, backed by effective policies taken by the respective governments such as accelerated infrastructure investment and economic stimulus measures, although exports and investments decreased against a backdrop of uncertainty due to the trade conflict between the United States and China. The Japanese economy experienced a slowdown, effected by a decline in exports to China and other factors. The global automobile industry sustained growth overall, as represented by market expansion in India, which enjoyed a robust economy, and emerging countries including ASEAN. However, China scaled down due to stagnant personal consumption and the United States saw an increase in interest rates, leading to contractions in the two major markets. In Japan, although sales exceeded those of the previous year supported by stable sales in light vehicles, the growth rate slowed, effected by the downturn in the economy.

2. Management strategy

DENSO CORPORATION (hereinafter referred to as the "Company") formulated the Group Long-term Policy 2030 ("Long-term Policy 2030") together with the slogan "Bringing hope for the future for our planet, society, and all people." In addition, as a road map to realize the above Policy, the Company formulated the Group Long-term Plan 2025 ("Long-term Plan 2025"). According to these initiatives, we will endeavor to strengthen our business operations by targeting the Fields of Focus: Electrification, Advanced Safety & Automated Driving, Connected Car, and Non-automotive Businesses (FA* and agriculture, etc.).

*FA: Factory automation: Automation of production lines through mechanization

<Fields of focus>

(1) Electrification (hybrid and electric vehicles)

1) **TOYOTA's electronic component operations consolidated**

TOYOTA MOTOR CORPORATION and the Company have officially decided on consolidating core electronic component businesses conducted by both companies, and concluded a contract to transfer the electronic component business on TOYOTA's side to the Company. The consolidation is planned to take place in April 2020, integrating development and production businesses. Given the progress in electronic control for various automotive parts, the electronic component businesses are expected to be more important. By consolidating these operations, we aim to build a speedy and competitive development and production structure and make the most of resources, thereby strengthening the competitiveness of the Group as a whole.

2) **A joint venture to develop and sell drive-train modules established** (AISIN SEIKI CO., LTD., and the Company)

In April 2019, AISIN SEIKI CO., LTD., and the Company established BluE Nexus, a joint venture to develop and sell package drive-train modules, which consists of key components essential for electric vehicles. BluE Nexus offers a variety of drive-train modules in response to wide-ranging demand for electrification, such as hybrid vehicles (HVs), plug-in hybrid vehicles (PHVs) and electric vehicles (EVs). It also builds a system that adapts to performance requirements and local needs. In this way, the new company aims to spread electrification worldwide.

(2) Advanced Safety & Automated Driving

1) **A joint venture to develop integrated control software established** (AISIN SEIKI CO., LTD., ADVICS CO., LTD., JTEKT CORPORATION and the Company)

Realizing automated driving calls for a more sophisticated integrated vehicle control system to better coordinate sensors, brakes and steering systems needed for cars to run, turn and stop. To sophisticate the software and quicken its development, the four companies above established J-QuAD DYNAMICS in April 2019. The joint venture combines the companies technical expertise on automated driving, vehicle control, and other technologies.

2) **Retrofittable devices that help improve safety of new and sold cars**

Retrofittable driver status monitor

Monitoring a driver's facial image captured by an in-vehicle camera, this device estimates the driver's condition to determine if the driver is being distracted, drowsy or is actually sleeping, or if the driver has poor posture for driving. If such conditions are detected, it sounds an alarm to alert the driver.

Retrofittable acceleration suppression device to counter inadvertent accelerator operation (jointly developed with TOYOTA MOTOR CORPORATION)

This device detects any obstacle on the road when a driver starts driving from a parked or stopped position, and displays an alert message and sounds an alarm to alert the driver. If the driver strongly presses the accelerator after the alert, the device prevents the car from accelerating to reduce damage from a possible collision.

(3) Connected (connected car)

1) **The Company's "Connected" technology to connect various things with mobility exhibited at the CES 2019**

The Company exhibited "Mobility IoT Core," the latest IoT technology to enable vehicles to access the cloud, and other products, at the Consumer Electronics Show ("CES"), one of the world's largest fairs, held in the United States. Taking advantage of these technologies, the Company conducted demonstrations where visitors experienced future mobility services.

"Connected" technology toward realizing MaaS systems developed by the Company

- Digital Twin: A cloud technology to uniformly manage and share vehicle-related data
- Mobility IoT Core: An in-vehicle edge computer to connect cars to the cloud
- Block Chain: An advanced technology to prevent falsification of vehicle-related software and data

3. Results of operations

(1) Revenue and profit

Revenue of the Group increased by ¥254.5 billion, or 5.0%, to ¥5,362.8 billion for the year ended March 31, 2019, supported by an increases in vehicle production volume and sales expansion globally, as well as the effects of DENSO TEN LIMITED (hereinafter referred to as "DENSO TEN"), which became a subsidiary during the previous fiscal year, despite decelerating market trends in Europe and China.

Operating profit decreased by ¥96.5 billion, or 23.4%, to ¥316.2 billion, reflecting accelerated investments in future growth fields, the effects of nonrecurring temporary profit reported in the previous fiscal year, and a provision for quality costs. Consequently, profit before income taxes decreased by ¥93.9 billion, or 20.9%, to ¥356.0 billion, and profit attributable to owners of the parent company decreased by ¥66.0 billion, or 20.6%, to ¥254.5 billion.

(2) Policy on allocation of earnings

Dividends

As for dividends from surplus, the Company intends to stably improve the dividends level on an ongoing basis by comprehensively taking into account the consolidated operating results, the payout ratio, and the amount of dividends.

Moreover, the Company intends to allocate retained earnings not only to the capital investment and R&D investment required to maintain long-term business development, but also to the acquisition of treasury stock in the pursuit of distributing profits to shareholders while paying attention to the status of funds.

The Company stipulates in its Articles of Incorporation that it may distribute dividends from surplus upon resolution of the Board of Directors in accordance with Article 459 of the Companies Act of Japan (the "Companies Act").

Accordingly, the Company, at its Board of Directors meeting held on April 26, 2019, resolved that the fiscal year-end dividends for the fiscal year ended March 31, 2019, be ¥70 per share of the Company's common stock (for a total of ¥54.2 billion) and the date of commencement of the dividends payment thereof be May 27, 2019. The annual dividends for the fiscal year ended March 31, 2019, including the interim dividends, is ¥140 per share.

Acquisition of treasury stock

The Company stipulates in its Articles of Incorporation that it may acquire treasury stock upon resolution of the Board of Directors in accordance with Article 165, Paragraph 3 of the Companies Act.

In the future, while giving consideration to cash flows, the Company will maintain this share repurchasing policy as an important tool in improving ROE and increasing shareholder value.

Source of funds and liquidity risk management

The Group's fundamental financial policy is designed to ensure efficient funding and management of funds for the operational activities of the entire Group, secure an optimum level of funds and liquidity, and maintain a sound financial position.

Capital expenditures/depreciation

The Group applies a number of benchmarks to ensure appropriate decisions are made with regard to capital expenditures. These benchmarks include projected cash flows, return on assets (ROA), the number of years to recover investments, and forecasts of profitability. As part of the drive to reduce medium-term fixed costs, the Group is minimizing the scale of its production lines, standardizing components, and using global procurement to reduce facilities costs.

Capital expenditures and depreciation during the fiscal year ended March 31, 2019 were ¥416.8 billion and ¥287.3 billion, respectively.

Capital expenditures/depreciation by segment

In regard to capital expenditures by geographic segment, the Group focused its investment on the most of regions to increase production, and mainly invests in new products and rationalization measures. As a result, capital expenditures spent in Japan were ¥258.2 billion.

In regions outside Japan, capital expenditures in North America, Europe, Asia, and other areas were ¥60.3 billion, ¥25.5 billion, ¥69.5 billion, and ¥3.4 billion, respectively.

Research and Development (R&D) activities

The Company formulated the DENSO Long-term Policy 2030 together with the slogan "Bringing hope for the future for our planet, society, and all people." Supported by the three core axioms of "Green," "Peace of Mind," and the newly added "Inspiring," the Company and its subsidiaries in Japan and overseas (collectively referred to as the "Group") will endeavor to create new value and contribute to ensuring a society filled with smiling faces.

The Group's R&D expenses, including the amount recognized as assets for the fiscal year ended March 31, 2019, totaled ¥497.4 billion.

R&D expenses by segment

By geographic segment, R&D expenses in Japan were ¥438.9 billion.

In regions outside Japan, R&D expenses in North America, Europe, Asia, and other areas were ¥31.2 billion, ¥12.5 billion, ¥13.8 billion, and ¥1.0 billion, respectively.

Approximately 88% of total R&D expenses arose in Japan. The Group continues to aim for the achievement of a society with global-advanced-mobility through the reinforcement of research function in other areas.

4. Risk management

Economic risk

Demand for auto parts, which account for the majority of the Group's operating revenue around the world, is easily affected by the economic situation in the countries and regions where the Group makes sales. Accordingly, an economic downturn and a resulting decrease in demand for auto parts in the Group's major markets, including Japan, North America, Europe, and Asia, may have an adverse effect on the Group's operating results and financial condition.

Further, Group operations can be indirectly affected by the economic situation in regions where competitors have their manufacturing bases. For example, if a competitor is able to employ local labor at a lower cost and provide equivalent products at prices below those of the Group, this may adversely affect sales. Further, if the local currency of regions where parts and raw materials are sourced falls, there is a chance that the manufacturing cost not only for the Group, but also for other manufacturers, will fall. As a result of these trends, export and price wars may intensify and have an adverse effect on the Group's operating results and financial condition.

Exchange rate risk

Operations within the Group include the sale and manufacture of products around the world. All regional items in local currency, including sales, costs, and assets are converted to yen for the purpose of preparing consolidated financial statements. Based on the exchange rate used in conversion, even though the value of items has not changed as denominated in local currency, there is a possibility that the amount expressed in yen after the conversion could change. In general, a strong yen (in particular against the U.S. dollar and euro, which constitute a major part of the Group's sales) has an adverse effect on the Group's operations, and a weak yen has a positive effect on the Group's operations.

For Group operations involving manufacturing in Japan for export, a strong yen against other currencies decreases the worldwide price competitiveness of its products and can have an adverse effect on operating results. The Group performs currency hedging, and makes efforts to minimize the adverse effect of short-term fluctuations in the exchange rates of major currencies, including the U.S. dollar, euro, and yen. However, as a result of medium- and long-term movements in exchange rates, there are cases where procurement, manufacturing, distribution, and sales cannot be performed exactly as planned and, as a result, exchange rate movements may have an adverse effect on the Group's operating results and financial condition.

Raw materials and component supply risk

The Group procures raw materials and components used to manufacture its products from numerous external vendors. Although basic business contracts have been executed with these external vendors, and transactions are generally stable, there is no guarantee that there will not be shortages or increased prices for raw materials and components due to fluctuations in market conditions, unforeseen accidents at vendors, or other such events. In such cases, the Group could incur higher manufacturing costs or be forced to halt production, which may in turn have an adverse effect on the Group's operating results and financial condition.

New product development risk

While the Group believes that it can continue to develop original and appealing new products, the product development and sales process is, by its nature, complex and uncertain, and is subject to the following risks:

・There is no guarantee of acquiring sufficient funds and resources for investments in new products and new technologies.

・There is no guarantee that the long-term investments and allocation of large amounts of resources will lead to the development of successful new products and the creation of new technologies.

・It is not certain that the Group will be able to correctly predict which new products and new technologies will earn the support of the Group's customers, and there is no guarantee that the sales of these products will be successful.

・As a result of fast-paced technological advances and changes in market needs, there is a possibility that the Group's products will become outdated.
・As a result of delays in the commercialization of new technologies under development, there is a possibility that market demands might not be met.

Beginning with the risks outlined above, if the Group is unable to fully anticipate industry and market changes, and is unable to develop attractive new products, this may result in a drop in future growth and profitability and may have an adverse effect on the Group's operating results and financial condition.

Pricing risk

Price competition in the automotive industry is fierce. In particular, demands for price reductions by automakers have increased in recent years.

Further, the Group expects that it will face intensified competition in the component fields and regional markets that it operates in. Competitors include other component manufacturers, some of which are providing products at lower prices than the Group. Also, in line with the evolution of the automotive electronics business, there has been a rise in new competitors, such as consumer-electronics manufacturers and tie-ups between existing competitors, therefore there is a chance that they will quickly gain a large share of the market.

While we believe that the Group is the leading component manufacturer in the world and continues to develop automotive parts that are technically advanced, of high quality, and high added value, there is no guarantee that the Group will be able to compete effectively in the future. There is always a possibility that pricing pressure and ineffectively competitive practices on the Group's part will lead to a decrease in customers, which may have an adverse effect on the Group's operating results and financial condition.

Potential risks of international activities and overseas expansion

The proportion of manufacturing and sales activities carried out in North America and Europe, as well as in developing and emerging markets in Asia, has been increasing in recent years.

Expansion into these overseas markets has the following inherent risks, which, if they materialize, may have an adverse effect on the Group's operating results and financial condition.
・Unforeseen changes in laws or regulations.
・Unfavorable political or economic conditions.
・Difficulties in employing and retaining personnel.
・Inadequate social infrastructure that may adversely affect the Group's business activities.
・The potentially adverse impact of tax regulations.
・Social or economic turmoil caused by terrorist incidents, military conflict, epidemics, and other events.

Intellectual property risk

The Group has accumulated technology and expertise that allows it to differentiate its products from those of its competitors. However, legal restrictions in certain regions and countries are inadequate to fully protect these technologies and expertise as intellectual property. Consequently, the Group may not be able to effectively prevent third parties from using its intellectual property to manufacture similar products. Additionally, because the Group's products employ a broad range of technologies, there is a possibility that these products may be judged to have infringed upon third-party intellectual property rights in the future.

OEM (Original Equipment Manufacturer) customer risk

The OEM business, which constitutes the majority of the Group's business, serves automobile manufacturers around the world and supplies a wide range of products, including air conditioning, engines, driving controls and safety equipment, and information and communication products. Sales to OEM customers may be affected by factors that the Group cannot control, such as the operating results of OEM customers. In addition, demands for reduced prices from OEM customers may reduce the Group's profit margins. Further, there is a possibility that OEM customers' business downturns, unforeseen contract cancellations, changes in OEM customers procurement policies, and price cuts to satisfy large customers may have an adverse effect on the Group's operating results and financial condition.

Sales to the Toyota Motor Corporation and its subsidiaries account for roughly half of the Group's sales. Such sales made to a specific client group can be significantly impacted by the operating results of the customer.

Product defect risk

The Group manufactures a variety of products to meet internationally recognized quality control standards at factories around the world. However, there is no guarantee that all of the Group's products are defect-free and that there will be no product recalls in the future. Also, while the Group does have product liability insurance coverage, there is no guarantee that this insurance will completely cover any compensation that the Group may be forced to pay. Further, the Group may not be able to continue to subscribe to this insurance under conditions acceptable to the Group. Product defects that lead to large-scale product recalls or product liability compensation could have a significant cost and large impact on the Group's reputation, and this may lead to a decrease in sales and adversely affect the Group's operating results and financial condition.

Risks of natural disasters and power outages

In order to minimize the potential negative impact of manufacturing lines being shut down, the Group carries out disaster-prevention inspections and equipment checks on a regular basis.

However, there is no guarantee that the Group can totally prevent or reduce the impact of natural disasters, power outages, or other stoppages of the Group's manufacturing lines and those of the Group's corporate customers and suppliers. For example, many of the Group's places of the business are in the Tokai region of Japan, and if a disastrous earthquake were to hit this region, there is a possibility that the Group's production and delivery activities would be suspended.

Pension liability risk

Costs and liabilities for employees' retirement benefits are calculated based on actuarial assumptions such as the discount rate and the expected rate of return on pension assets. When actual results differ from the assumptions used for calculation, or when changes are made to the assumptions, the effect is accumulated and brought forward into future calculations, generally resulting in an impact on reported future costs and liabilities.

Legal proceedings

The Group endeavors to ensure continual legal compliance in the course of its business activities. Nevertheless, it is possible that the Group may become party to legal proceedings due to judicial action or the actions of a regulating authority. Accordingly, such an event may have an adverse effect on the Group's operating results and financial condition.

Results of Operations

1. Overview

The Group has adopted International Financial Reporting Standards ("IFRS") for preparing its consolidated financial statements in the annual report since the fiscal year ended March 31, 2015. In addition, the following items are reported based on the consolidated financial statements prepared in accordance with IFRS.

(1) Results of operations

1) Revenue and profit

Revenue of the Group increased by ¥254.5 billion, or 5.0%, to ¥5,362.8 billion for the year ended March 31, 2019, supported by an increases in vehicle production volume and sales expansion globally, as well as the effects of DENSO TEN, which became a subsidiary during the previous fiscal year, despite decelerating market trends in Europe and China.

Operating profit decreased by ¥96.5 billion, or 23.4%, to ¥316.2 billion, reflecting accelerated investments in future growth fields, the effects of nonrecurring temporary profit reported in the previous fiscal year, and a provision for quality costs. Consequently, profit before income taxes decreased by ¥93.9 billion, or 20.9%, to ¥356.0 billion, and profit attributable to owners of the parent company decreased by ¥66.0 billion, or 20.6%, to ¥254.5 billion.

Revenue and profit by segment

By geographical segment, revenue in Japan increased by ¥182.2 billion, or 5.9% year over year, to ¥3,266.0 billion, as a result of the increased rate of installment of accident prevention and safety products, and the impact of making DENSO TEN a consolidated subsidiary. Operating profit decreased by ¥74.6 billion, or 37.2% year over year, to ¥126.0 billion, mainly due to increased expenses for investment into future growth areas, the absence of temporary earnings seen in the previous fiscal year, and provision for quality costs, despite production volume increase and the rationalization effects of cost reduction. Assets stood at ¥3,531.4 billion, mainly due to increases in property, plant and equipment, and inventories.

Revenue in North America increased by ¥56.1 billion, or 4.9% year over year, to ¥1,212.4 billion, mainly due to production increases and sales expansion. Operating profit decreased by ¥12.9 billion, or 30.3% year over year, to ¥29.6 billion, mainly due to an increase in advanced development costs and investment for increased production capacity, despite rationalization effects of cost reduction. Assets stood at ¥614.9 billion, ¥37.3 billion more than at the previous fiscal year-end, mainly due to increases in property, plant and equipment, and inventories.

Revenue in Europe decreased by ¥9.8 billion, or 1.5% year over year, to ¥ 652.5 billion. Operating profit increased by ¥2.8 billion, or 13.8% year over year, to ¥22.8 billion due to rationalization effects of cost reduction. Assets stood at ¥409.9 billion, ¥22.7 billion less than at the previous fiscal year-end, mainly due to decreases in cash and cash equivalents, and trade and other receivables.

Revenue in Asia increased by ¥93.6 billion, or 7.1% year over year, to ¥1,416.4 billion, due to vehicle production volume increase. Operating profit decreased by ¥8.3 billion yen, or 6.1% year over year, to ¥128.4 billion, mainly due to business impairment on a base in South Korea, despite production volume increase and rationalization effects of cost reduction. Assets stood at ¥1,104.0 billion, ¥59.0 billion more than at the previous fiscal year-end, mainly due to an increase in cash and cash equivalents.

Revenue in other regions decreased by ¥6.3 billion, or 7.9% year over year, to ¥72.7 billion. Operating profit decreased by ¥3.1 billion, or 23.1% year over year, to ¥10.3 billion. Assets stood at ¥46.9 billion, ¥9.6 billion less than at the previous fiscal year-end, mainly due to decreases in investments accounted for using the equity method, and other financial assets.

2) Financial position

Total assets as of March 31, 2019, increased by ¥28.0 billion, to ¥5,792.4 billion due to an increase in fixed assets. The total for current and non-current liabilities increased by ¥31.9 billion, to ¥2,022.0 billion due to increases in bonds and borrowings. Equity decreased by ¥3.9 billion, to ¥3,770.4 billion, primarily reflecting increases in retained earnings and a decrease in mark-to-market of investment securities.

3) Cash flows

In terms of cash flows for the fiscal year ended March 31, 2019, operating activities provided net cash of ¥533.5 billion, investing activities used net cash of ¥514.7 billion, and financing activities used net cash of ¥92.2 billion. As a result, cash and cash equivalents decreased by ¥71.7 billion, to ¥711.6 billion.

Net cash provided by operating activities for the fiscal year ended March 31, 2019 totaled ¥533.5 billion, ¥24.5 billion less than in the previous year. This mainly reflected a decrease of profit before income taxes, ¥93.9 billion over the previous fiscal year.

Net cash used in investing activities decreased by ¥14.4 billion, compared with the previous fiscal year to ¥514.7 billion, mainly due to a decrease in purchases of equity instruments.

Net cash used in financing activities was ¥92.2 billion, an increase of ¥51.9 billion from the previous fiscal year. This increase mainly reflected repayments of borrowings, an increase of ¥62.6 billion, compared to the previous fiscal year.

(2) Parallel disclosure information

The consolidated financial statements have not been prepared in accordance with the Ordinance on Consolidated Financial Statements (excluding Chapters 7 and 8; hereinafter "Japanese GAAP" or "JGAAP"). The major items in the consolidated financial statements prepared in accordance with IFRS, which are different from the consolidated financial statements prepared in accordance with JGAAP, are as follows. The estimated increasing/decreasing amounts were calculated to the extent that they can be recognized under certain assumptions.

1) Depreciation of property, plant and equipment

With regard to the depreciation method of property, plant and equipment, the Company and its subsidiaries in Japan have mainly adopted the declining-balance method under JGAAP; however, the Group has adopted the straight-line method under IFRS.

This resulted in an increase in operating profit for the fiscal year ended March 31, 2019 by ¥26.4 billion compared to the operating profit under JGAAP.

2) Defined benefit plans

Under JGAAP, actuarial gains or losses and past service costs were reported in equity through other comprehensive income, and are amortized over a certain period that is shorter than the average remaining service period of employees; however, under IFRS, actuarial gains or losses are recognized in shareholders' equity through other comprehensive income then immediately transferred to retained earnings, and past service costs are recognized as other income or other expenses.

Net interest relevant to the defined benefit plans (i.e., expected return on assets and interest expense under JGAAP) is presented as part of cost of revenue or selling, general and administrative expenses; however, it is reported as finance costs under IFRS.

As a result, operating profit and finance costs increased by ¥3.8 billion and ¥0.7 billion, respectively, and other comprehensive income decreased by ¥9.4 billion in the fiscal year ended March 31, 2019 compared to under JGAAP.

Consolidated Statement of Financial Position

(Unit: Millions of yen)

	Note	FY2018 As of March 31, 2018	**FY2019 As of March 31, 2019**
Assets			
Current assets			
Cash and cash equivalents	7	783,338	**711,638**
Trade and other receivables	8	993,549	**1,009,049**
Inventories	9	550,291	**612,539**
Other financial assets	10	151,122	**182,921**
Other current assets		85,533	**96,163**
Total current assets		2,563,833	**2,612,310**
Non-current assets			
Property, plant and equipment	11	1,591,207	**1,689,949**
Intangible assets	12	76,968	**86,292**
Other financial assets	10	1,330,820	**1,200,258**
Investments accounted for using the equity method	32	88,718	**106,138**
Retirement benefit assets	17	53,864	**38,324**
Deferred tax assets	13	35,020	**29,774**
Other non-current assets		23,987	**29,369**
Total non-current assets		3,200,584	**3,180,104**
Total assets		5,764,417	**5,792,414**

(Unit: Millions of yen)

	Note	FY2018 As of March 31, 2018	**FY2019 As of March 31, 2019**
Liabilities and equity			
Current liabilities			
Bonds and borrowings	14	170,003	**144,038**
Trade and other payables	15	923,272	**939,550**
Other financial liabilities		16,483	**26,263**
Income tax payables		53,609	**26,474**
Provisions	16	69,295	**87,959**
Other current liabilities		57,674	**69,663**
Total current liabilities		1,290,336	**1,293,947**
Non-current liabilities			
Bonds and borrowings	14	303,847	**406,160**
Other financial liabilities		10,119	**8,595**
Retirement benefit liabilities	17	245,387	**250,634**
Provisions	16	1,515	**1,198**
Deferred tax liabilities	13	121,272	**42,352**
Other non-current liabilities		17,648	**19,162**
Total non-current liabilities		699,788	**728,101**
Total liabilities		1,990,124	**2,022,048**
Equity			
Capital stock	18	187,457	**187,457**
Capital surplus	18	265,985	**268,776**
Treasury stock	18	(57,677)	**(56,803)**
Other components of equity	18	528,418	**401,582**
Retained earnings	18	2,674,138	**2,794,682**
Equity attributable to owners of the parent company		3,598,321	**3,595,694**
Non-controlling interests		175,972	**174,672**
Total equity		3,774,293	**3,770,366**
Total liabilities and equity		5,764,417	**5,792,414**

Consolidated Statement of Income

(Unit: Millions of yen)

	Note	FY2018 2017/4-2018/3	**FY2019 2018/4-2019/3**
Revenue	5, 20	5,108,291	**5,362,772**
Cost of revenue	9, 11, 12	(4,254,598)	**(4,531,872)**
Gross profit		853,693	**830,900**
Selling, general and administrative expenses	11, 12, 22	(447,732)	**(513,323)**
Other income	6, 21	34,275	**23,556**
Other expenses	22, 31	(27,560)	**(24,937)**
Operating profit	5	412,676	**316,196**
Finance income	23	40,532	**48,629**
Finance costs	23	(9,495)	**(12,007)**
Foreign exchange losses		(328)	**(4,386)**
Share of the profit of associates and joint ventures accounted for using the equity method		6,518	**7,599**
Profit before income taxes		449,903	**356,031**
Income tax expenses	13	(106,459)	**(76,422)**
Profit for the year		343,444	**279,609**
Attributable to:			
Owners of the parent company		320,561	**254,524**
Non-controlling interests		22,883	**25,085**

(Unit: Yen)

Earnings per share			
Basic	24	410.45	326.47
Diluted	24	—	—

Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Note	FY2018 2017/4-2018/3	**FY2019 2018/4-2019/3**
Profit for the year		343,444	**279,609**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Net fair value gain (loss) on equity instruments designated as FVTOCI	25, 27	84,164	**(116,822)**
Remeasurements of defined benefit pension plans	17, 25	13,035	**(12,565)**
Share of other comprehensive income of investments accounted for using the equity method	25	10	**(11)**
Total		97,209	**(129,398)**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	25	(4,346)	**(5,853)**
Cash flow hedges	25	199	**(23)**
Share of other comprehensive income of investments accounted for using the equity method	25	(1,012)	**230**
Total		(5,159)	**(5,646)**
Total other comprehensive income		92,050	**(135,044)**
Comprehensive income for the year		435,494	**144,565**
Attributable to:			
Owners of the parent company		410,231	**118,875**
Non-controlling interests		25,263	**25,690**

Consolidated Statement of Changes in Equity

Year ended March 31, 2019

(Unit: Millions of yen)

	Note	Equity attributable to owners of the parent company				
					Other components of equity	
		Capital stock	Capital surplus	Treasury stock	Net fair value gain (loss) on equity instruments designated as FVTOCI	Remeasure-ments of defined benefit pension plans
As of April 1, 2017		187,457	265,985	(31,191)	418,337	—
Profit for the year		—	—	—	—	—
Other comprehensive income		—	—	—	84,195	12,895
Comprehensive income for the year		—	—	—	84,195	12,895
Acquisition of treasury stock	18	—	—	(26,486)	—	—
Disposal of treasury stock	18	—	0	0	—	—
Retirement of treasury stock		—	—	—	—	—
Dividends	19	—	—	—	—	—
Changes in the ownership interest in subsidiaries without a loss of control		—	—	—	—	—
Changes by business combinations		—	—	—	—	—
Transfer to retained earnings		—	—	—	(2,802)	(12,895)
Other		—	—	—	—	—
Total transactions with the owners		—	0	(26,486)	(2,802)	(12,895)
As of March 31, 2018		187,457	265,985	(57,677)	499,730	—
As of April 1, 2018		**187,457**	**265,985**	**(57,677)**	**499,730**	—
Profit for the year		—	—	—	—	—
Other comprehensive income		—	—	—	**(116,845)**	**(13,011)**
Comprehensive income for the year		—	—	—	**(116,845)**	**(13,011)**
Acquisition of treasury stock	18	—	—	**(28,447)**	—	—
Disposal of treasury stock	18	—	**2,067**	**4,648**	—	—
Retirement of treasury stock	18	—	**(4,125)**	**24,673**	—	—
Dividends	19	—	—	—	—	—
Changes in the ownership interest in subsidiaries without a loss of control		—	**4,849**	—	—	—
Changes by business combinations		—	—	—	—	—
Transfer to retained earnings		—	—	—	**(4,198)**	**13,011**
Other		—	—	—	—	—
Total transactions with the owners		—	**2,791**	**874**	**(4,198)**	**13,011**
As of March 31, 2019		**187,457**	**268,776**	**(56,803)**	**378,687**	—

(Unit: Millions of yen)

	Note	Equity attributable to owners of the parent company					Non-controlling interests	Total equity
		Other components of equity			Retained earnings	Total		
		Exchange differences on translating foreign operations	Cash flow hedges	Total				
As of April 1, 2017		36,153	(45)	454,445	2,436,028	3,312,724	134,358	3,447,082
Profit for the year		–	–	–	320,561	320,561	22,883	343,444
Other comprehensive income		(7,619)	199	89,670	–	89,670	2,380	92,050
Comprehensive income for the year		(7,619)	199	89,670	320,561	410,231	25,263	435,494
Acquisition of treasury stock	18	–	–	–	–	(26,486)	–	(26,486)
Disposal of treasury stock	18	–	–	–	–	0	–	0
Retirement of treasury stock		–	–	–	–	–	–	–
Dividends	19	–	–	–	(97,837)	(97,837)	(11,569)	(109,406)
Changes in the ownership interest in subsidiaries without a loss of control		–	–	–	–	–	(3,557)	(3,557)
Changes by business combinations		–	–	–	–	–	31,638	31,638
Transfer to retained earnings		–	–	(15,697)	15,697	–	–	–
Other		–	–	–	(311)	(311)	(161)	(472)
Total transactions with the owners		–	–	(15,697)	(82,451)	(124,634)	16,351	(108,283)
As of March 31, 2018		28,534	154	528,418	2,674,138	3,598,321	175,972	3,774,293
As of April 1, 2018		**28,534**	**154**	**528,418**	**2,674,138**	**3,598,321**	**175,972**	**3,774,293**
Profit for the year		–	–	–	**254,524**	**254,524**	**25,085**	**279,609**
Other comprehensive income		**(5,770)**	**(23)**	**(135,649)**	–	**(135,649)**	**605**	**(135,044)**
Comprehensive income for the year		**(5,770)**	**(23)**	**(135,649)**	**254,524**	**118,875**	**25,690**	**144,565**
Acquisition of treasury stock	18	–	–	–	–	**(28,447)**	–	**(28,447)**
Disposal of treasury stock	18	–	–	–	–	**6,715**	–	**6,715**
Retirement of treasury stock	18	–	–	–	**(20,548)**	–	–	–
Dividends	19	–	–	–	**(105,348)**	**(105,348)**	**(15,119)**	**(120,467)**
Changes in the ownership interest in subsidiaries without a loss of control		–	–	–	–	**4,849**	**(11,859)**	**(7,010)**
Changes by business combinations		–	–	–	–	–	–	–
Transfer to retained earnings		–	–	**8,813**	**(8,813)**	–	–	–
Other		–	–	–	**729**	**729**	**(12)**	**717**
Total transactions with the owners		–	–	**8,813**	**(133,980)**	**(121,502)**	**(26,990)**	**(148,492)**
As of March 31, 2019		**22,764**	**131**	**401,582**	**2,794,682**	**3,595,694**	**174,672**	**3,770,366**

Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Note	FY2018 2017/4-2018/3	**FY2019 2018/4-2019/3**
Cash flows from operating activities			
Profit before income taxes		449,903	**356,031**
Depreciation		268,626	**287,317**
Impairment losses		1,547	**6,654**
Increase in retirement benefit liabilities		4,372	**435**
Decrease in retirement benefit assets		11,167	**3,373**
Interest and dividend income		(39,944)	**(46,709)**
Interest expenses		7,042	**9,223**
Foreign exchange gains		(734)	**(2,151)**
Share of the profit of associates and joint ventures accounted for using the equity method		(6,518)	**(7,599)**
Losses on sales or disposal of property, plant and equipment		3,762	**4,526**
Increase in trade receivables		(4,167)	**(14,660)**
Increase in inventories		(31,257)	**(47,384)**
(Decrease) Increase in trade payables		(80,417)	**14,464**
(Decrease) Increase in provisions		(4,785)	**17,872**
Other		13,223	**37,268**
Subtotal		591,820	**618,660**
Interest received		9,779	**12,535**
Dividends received		33,691	**37,020**
Interest paid		(7,259)	**(8,944)**
Income taxes paid		(70,030)	**(125,784)**
Net cash provided by operating activities		558,001	**533,487**
Cash flows from investing activities			
Increase in time deposits		(72,714)	**(31,316)**
Purchases of property, plant and equipment		(347,973)	**(410,241)**
Proceeds from sales of property, plant and equipment		8,686	**11,260**
Purchases of intangible assets		(20,017)	**(37,265)**
Purchases of equity instruments		(116,706)	**(56,075)**
Purchases of debt instruments		(52,264)	**(14,240)**
Proceeds from sales and redemption of equity instruments		395	**3,417**
Proceeds from sales and redemption of debt instruments		74,119	**24,834**
Payments from acquisitions of control over subsidiaries		(5,756)	**(8,141)**
Proceeds from losses of control of subsidiaries		674	**—**
Other		2,503	**3,067**
Net cash used in investing activities		(529,053)	**(514,700)**
Cash flows from financing activities			
Net (decrease) increase in short-term borrowings	29	(998)	**3,082**
Proceeds from borrowings	29	113,280	**146,225**
Repayments of long-term borrowings	29	(71,721)	**(134,324)**
Repayments of finance lease obligations	29	(12,636)	**(13,209)**
Issuance of bonds	29	70,000	**90,000**
Redemption of bonds	29	—	**(30,000)**
Dividends paid	19	(97,837)	**(105,348)**
Dividends paid to non-controlling interests		(11,569)	**(15,119)**
Purchase of treasury stock		(26,486)	**(28,447)**
Other	29	(2,345)	**(5,100)**
Net cash used in financing activities		(40,312)	**(92,240)**
Foreign currency translation adjustments on cash and cash equivalents		1,152	**1,753**
Net decrease in cash and cash equivalents		(10,212)	**(71,700)**
Cash and cash equivalents at beginning of year		793,550	**783,338**
Cash and cash equivalents at end of year	7	783,338	**711,638**

Notes to Consolidated Financial Statements

Year ended March 31, 2019

1. Reporting entity

DENSO CORPORATION (hereinafter referred to as the "Company") is a business corporation located in Japan. The Company and its subsidiaries in Japan and overseas (collectively referred to as the "Group") manufacture and sell mainly automotive parts in each segment of Japan, North America, Europe, Asia, and Others. The automotive parts are related to Powertrain Control systems, Electrification systems, Electronic systems, Thermal systems, and Mobility systems, as well as Industrial products and Consumer products. Please refer to the Appendix for a list of subsidiaries.

2. Basis of preparation

(1) Compliance with IFRS

The Group meets all of the requirements for a "Specified Company for the designated IFRS" to prepare its consolidated financial statements by applying the designated IFRSs as stipulated under Article 1-2 of the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements"
(Ministry of Finance of Japan Regulation No. 28, 1976, hereafter "the Regulation"). Hence, in accordance with Article 93 of the Regulation, the Group's consolidated financial statements have been prepared in accordance with IFRS.

The Group's consolidated financial statements for the year ended March 31, 2019 were approved on June 26, 2019 by Koji Arima, President of the Company.

(2) Basis of measurement

Except for the financial instruments that are measured at fair value stated in Note 3 "Significant accounting policies," the Group's consolidated financial statements have been prepared on the historical cost basis.

(3) Functional currency and presentation currency

The Group's consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. The units are in millions of yen, and figures less than one million yen are rounded to the nearest million yen.

(4) Significant accounting judgments and estimates

In preparing the consolidated financial statements in accordance with IFRS, management established judgments, estimates, and assumptions that have an effect on the application of accounting policies, as well as the reported amounts of assets, liabilities, revenues, and expenses. Actual operating results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. The effects of revisions to the accounting estimates are recognized in the fiscal period in which such estimates are revised and in future fiscal periods.

Of the items subject to the estimates and judgments, the following have a significant impact on the amounts stated in the consolidated financial statements for the fiscal year under review and subsequent fiscal years:

- Scope of consolidation: Note 3 "Significant accounting policies" (1) Basis of consolidation
- Revenue: Note 3 "Significant accounting policies" (16) Revenue and Note 20 "Revenue"
- Fair value measurements of assets acquired and liabilities assumed by business combinations: Note 6 "Business Combinations"
- Impairment loss on non-financial assets: Note 11 "Property, plant and equipment" and Note 12 "Intangible assets"
- Recoverability of deferred tax assets: Note 13 "Income taxes"
- Reserve for warranty: Note 16 "Provisions"
- Measurement of defined benefit obligation: Note 17 "Post-employment benefits"
- Measurement of fair value of financial instruments: Note 27 "Financial instruments"

(5) Changes in accounting policies

The Group applied the following standards for the year ended March 31, 2019.

Standards	Standard names	Overview
IFRS 9	Financial instruments	Measurement and classification of debt instruments and introduction of expected credit loss model for impairment of financial assets
IFRS 15	Revenue from contracts with customers	New requirements for recognition and measurement of revenue and disclosure

(Application of IFRS 9, "Financial Instruments" (revised in July 2014))

The Group applied IFRS 9, "Financial Instruments" (revised in July 2014) (referred to as "IFRS 9"), from the fiscal year ended March 31, 2019. As a result, the Group revised the standards of impairment of financial assets measured at amortized cost. The effect of applying IFRS 9 on the financial statements is immaterial.

(Application of IFRS 15, "Revenue from contracts with customers")

From the fiscal year ended March 31, 2019, the Group adopted IFRS 15, "Revenue from Contracts with Customers" (issued in May 2014), and "Clarifications to IFRS 15 Revenue from Contracts with Customers" (issued in April 2016) (collectively referred to as, "IFRS 15"). The cumulative effect of applying this standard is recognized at the date of application, in accordance with the transition requirements. The effect of applying IFRS 15 to the consolidated financial statements of the Group is as follows. The effect on operating profit is immaterial.

(1) Certain expenses previously presented under "Cost of revenue" are now recorded as a reduction of "Revenue" for the year ended March 31, 2019 as they are treated as considerations payable to a customer. As a result, "Revenue" and "Cost of revenue" each decreased by ¥58,296 million in the fiscal year ended March 31, 2019.

(2) With regard to certain transactions of parts provided to suppliers with charge under the repurchase agreement, inventories continue to be recognized as a result of deemed financing transactions from the fiscal year ended March 31, 2019, and corresponding amounts of those parts retained by the suppliers are recognized as financial liabilities. As a result, at the beginning and end of the fiscal year ended March 31, 2019, "Inventories" increased by ¥17,150 million and ¥15,559 million, "Other financial assets" increased by ¥464 million and ¥406 million, and "Other financial liabilities" increased by ¥17,614 million and ¥15,965 million, respectively.

3. Significant accounting policies

(1) Basis of consolidation

1) Subsidiaries

A subsidiary is an entity that is controlled by the Company and whose financial statements are included in the consolidated financial statements of the Group from the date of acquisition of the control to the date of loss of the control by the Group. In cases where the accounting policies applied by subsidiaries are different from those applied by the Group, adjustments are made to the subsidiary's financial statements, if necessary. All inter-group balances, transactions, and unrealized gains have been eliminated on consolidation. Comprehensive income is attributed to owners of the parent company and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The consolidated financial statements include the financial statements of subsidiaries whose fiscal year-end is different from that of the parent company. The unification of the fiscal year-end is impracticable as required by the local legal systems under which they are governed.

In cases where the financial statements of subsidiaries are used for preparing the consolidated financial statements which have different fiscal year-ends, necessary adjustments are made for the effects of significant transactions or events occurring between the fiscal year-end of the subsidiaries and that of the Company.

2) Associates and joint ventures

An associate is an entity which the Group does not control but has significant influence over its financial and operating policies. Investments in associates are accounted for using the equity method from the date on which the Group has significant influence until the date on which it ceases to have significant influence.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of parties sharing control. Investments in joint ventures are accounted for using the equity method.

The accounting policies for associates and joint ventures are adjusted as required, in order to comply with the accounting policies adopted by the Group.

The consolidated financial statements include investments in associates and joint ventures with different fiscal year-ends from that of the Company as, primarily due to the involvement of other shareholders, it is impracticable to unify the fiscal year-ends. Necessary adjustments are made for the effects of significant transactions or events occurring between the fiscal year-ends of the associates and joint ventures and that of the Company.

Under the equity method, investments in an associate or a joint venture are initially recognized at acquisition cost and the carrying amount is increased or decreased to recognize the Group's share of the net assets of the associate or the joint venture after the date of acquisition. The Group's share of the net income of the associates or the joint ventures is recognized in the Group's profit or loss. Also, the Group's share of the other comprehensive income of the associates or the joint ventures is recognized in the Group's other comprehensive income. When the Group's share of losses of an associate or a joint venture equals or exceeds its investments in the associate or the joint venture, which include any long-term investments that, in substance, form part of the Group's net investment in the associate or the joint venture, the Group discontinues recognizing its share of further losses unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture. All significant intercompany profits have been eliminated in proportion to interests in the associate and the joint venture.

Any excess of consideration of acquisition over interests in the net fair value of assets, liabilities, and contingent liabilities of associated companies and joint ventures has been recognized as the amount corresponding to goodwill, and has been included in the carrying amount of investments without any amortization.

3) Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the contractual arrangement. For investments in joint operations, only the Group's share of assets, liabilities, revenues, and expenses arising from its operating activities are recognized. All significant intercompany balances and transactions have been eliminated in proportion to its interests.

(2) Business combination and goodwill

Business combinations are accounted for using the acquisition method. Consideration transferred in a business combination is measured as the sum of the acquisition-date fair value of the assets transferred, the liabilities assumed, and equity instruments issued by the Group in exchange for control over an acquiree. Acquisition-related costs incurred are recognized as expenses.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

The identifiable assets acquired and the liabilities assumed are measured at their fair values at the acquisition date, except that:

・ Deferred tax assets (or liabilities) and liabilities (or assets) related to employee benefit arrangements are recognized and measured in accordance with International Accounting Standard ("IAS") 12, "Income Taxes," and IAS 19, "Employee Benefits," respectively;
・ Assets or disposal groups that are classified as held for sale in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations," are recognized and measured in accordance with the standard; and
・ Liabilities or equity instruments related to share-based remuneration of the acquiree or share-based remuneration of the Company entered into to replace such arrangements of the acquiree are measured in accordance with IFRS 2, "Share-based Payment."

Any excess of the consideration of acquisition over the fair value of identifiable assets and liabilities is recognized as goodwill in the consolidated statement of financial position. If the consideration of acquisition is lower than the fair value of the identifiable assets and liabilities, the difference is immediately recognized as a gain in the consolidated statement of income. The additional acquisition of non-controlling interests after obtaining control is accounted for as an equity transaction without recognition of goodwill.

Goodwill has been measured as the initially recognized value at the date of the business combination less accumulated impairment losses and included in "Intangible assets" in the consolidated statement of financial position. Goodwill is not amortized, but instead tested for impairment annually or whenever there is any indication of impairment. Impairment losses on goodwill are recognized in the consolidated statement of income and no subsequent reversal is made.

If the initial accounting of a business combination has not been completed by the end of the reporting period in which the business combination occurs, the Group reports provisional amounts for uncompleted accounting items. The Group will revise the provisional amounts during the measurement period (not exceeding one year) or recognize additional assets or liabilities in order to reflect new information obtained regarding the facts and circumstances that existed as of the date of acquisition and would have affected the amounts recognized on the date of acquisition, if such amounts have been ascertained.

(3) Foreign currency translation

Each company in the Group specifies its own functional currency, the currency of the primary economic environment in which the entity operates, and measures transactions based on the functional currency. The foreign currency transactions are translated into the functional currency at the rates of exchange prevailing at the dates of the transactions, or an approximation of the rate.

Monetary items denominated in foreign currencies are retranslated into each company's functional currency at the current exchange rates at the end of the reporting period. Non-monetary items denominated in foreign currencies that are measured at the acquisition cost are not retranslated. Other items denominated in foreign currencies that are measured at the fair value are translated at the rates prevailing at the date when the fair value was determined.

Differences arising from the translation and settlement are recognized in profit or loss during the period, as presented in "Foreign exchange gain or loss" in the consolidated statement of income.

The consolidated financial statements of the Group are presented in Japanese yen, which is the presentation currency of the Company. In order to present the consolidated financial statements, the assets and liabilities of foreign operations are translated into Japanese yen at the rates of exchange prevailing at the fiscal year-end, while revenue and expenses of foreign operations are translated into Japanese yen at the average exchange rates for the period, unless exchange rates significantly fluctuate during the period. The translation differences are recognized as "Exchange differences on translating foreign operations" in the other comprehensive income and its cumulative amount is classified as "Other components of equity." In the event of a loss of control due to the disposal of foreign operations, the relevant cumulative amount of translation differences is recognized in profit or loss during the period.

Goodwill and fair value adjustments resulting from the acquisition of foreign operations are retranslated as assets and liabilities of such foreign operations as at the end of the reporting period, and exchange differences are recognized in "Other components of equity."

(4) Financial instruments

1) Financial assets

i) Initial recognition and measurement

Financial assets are classified into financial assets measured at amortized cost and financial assets measured at fair value based on their nature and holding purposes. The Group determines the classification at initial recognition. The sale or purchase of financial assets that occurred in the normal course of business are recognized or derecognized at the transaction date.

a) Financial assets measured at the amortized cost

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

・The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
・The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets measured at the amortized cost are measured initially at fair value plus transaction costs directly attributable to the acquisition.

b) Financial assets measured at fair value

If the financial assets do not meet the above conditions, they are classified as financial assets measured at fair value through profit or loss or other comprehensive income.

Equity instruments are measured at fair value. By its irrevocable designation, the financial assets held for trading are measured through profit or loss, meanwhile the other assets are measured through other comprehensive income. The designation has been applied continuously.

Financial assets other than equity instruments that do not meet the conditions in relation to the measurement of amortized cost are measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are initially measured at fair value and transaction costs are recognized in profit or loss when they occur. Financial assets measured at fair value through other comprehensive income are initially measured at fair value plus transaction costs directly attributable to the acquisition.

ii) Subsequent measurement

After initial recognition, financial assets are measured based on the following classifications:

a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of financial assets. Interest income is recognized in profit or loss, and included in "Finance income" in the consolidated statement of income. In cases where a financial asset measured at amortized cost is derecognized, the difference between the carrying amount and the consideration received or receivable is recognized in profit or loss.

b) Financial assets measured at fair value

Changes in the fair value of financial assets measured at fair value are recognized in profit or loss.

However, gains or losses occurring from the disposal or remeasurement of fair value of the equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income and accumulated within "Other components of equity," and are not recognized in profit or loss. The amount is transferred to retained earnings when the equity instruments are derecognized. Dividends for equity instruments are recognized in profit or loss for the period when the right to receive dividends is established and included in "Finance income" in the consolidated statement of income. Net gains or losses arising from equity instruments measured at fair value through profit or loss are recognized as "Finance income" or "Finance expenses" in the consolidated statement of income (Note 27 "Financial instruments"). The interest income from the debt instruments is also included in profit or loss above.

iii) Impairment of financial assets measured at amortized cost

Financial assets measured at amortized cost are assessed at the end of each reporting period as to whether there has been a significant increase in credit risk since initial recognition. If the credit risk on financial assets has increased significantly since initial recognition, or for credit-impaired, the lifetime expected credit losses are recognized as allowance for doubtful accounts. If there has been no significant increase in credit risk, the 12-month expected credit losses are recognized as allowance for doubtful accounts. The expected credit losses are measured based on the discounted present value of the difference between the contractual cash flows to be received in accordance with the contract and the cash flows expected to be received.

With regard to trade receivables, the lifetime expected credit losses are recognized as allowance for doubtful accounts since initial recognition. Additional allowance for doubtful accounts relating to financial assets or reversal of allowance for doubtful accounts when reducing the allowance for doubtful accounts is recognized in the consolidated statement of income.

iv) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when the Group transfers the contractual right to receive cash flows from financial assets in transactions in which substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor holds substantially all the risks and rewards of ownership of the asset and continues to control the transferred asset, the Group recognizes the retained interest on the assets and the relevant liabilities that might possibly be paid in association therewith.

2) Financial liabilities

i) Initial recognition and measurement

Financial liabilities are classified into financial liabilities measured at amortized cost or financial liabilities measured at fair value through profit or loss. The Group determines the classification at initial recognition, and all financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortized cost are measured at fair value after deducting transaction costs that are directly attributable to the issuance of financial liabilities.

ii) Subsequent measurement

After initial recognition, financial liabilities are measured based on the following classifications:

a) Financial liabilities measured at amortized cost

Financial liabilities held neither for trading nor measured at fair value through profit or loss are measured at amortized cost using the effective interest method. The interest cost is included in "Finance costs" in the consolidated statement of income. Amortization under the effective interest method and gains or losses on derecognition are recognized as "Finance income" or "Finance costs" in the consolidated statement of income.

b) Financial liabilities measured at fair value through profit or loss

Financial liabilities held for trading and those designated as measured at fair value through profit or loss at initial recognition are measured at fair value through profit or loss.

iii) Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are extinguished, for example, when the obligation specified in the contract is discharged, cancelled, or expired.

3) Derivatives and hedge accounting

The Group utilizes derivatives, including currency swaps, interest rate swaps, and foreign exchange forward contracts to hedge foreign exchange and interest rate risks. These derivatives are initially measured at fair value when the contract is entered into, and are subsequently remeasured at fair value at each reporting period.

The Group has derivatives that are held for hedging purposes but that do not qualify for hedge accounting. The fluctuation of the fair value of these derivatives is recognized in profit or loss immediately.

At the inception of the hedge, the Group formally designates and documents the hedging relationship between the hedging instruments and the hedged items by following the objectives of risk management and the strategies for undertaking the hedge. In addition, these hedges are expected to be highly effective in offsetting changes in cash flows. They are assessed on a quarterly basis to determine whether they have been highly effective throughout the reporting periods for which the hedges were designated. To qualify as a cash flow hedge of a forecast transaction, the transaction must be highly probable.

Cash flow hedge

The Group adopts only cash flow hedges as part of its hedge accounting.

The effective portion of gains or losses on hedging instruments is recognized as other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is recognized immediately in profit or loss in the consolidated statement of income.

The amounts of hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss.

Hedge accounting is discontinued prospectively when the hedge no longer qualifies for hedge accounting, or when the hedging instrument expires or is sold, terminated, or exercised, or when the designation is revoked.

When hedge accounting is discontinued, the balances of other comprehensive income related to cash flow hedges remain until the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the balance is recognized immediately in profit or loss.

4) Offsetting financial assets and financial liabilities

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

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

(6) Inventories

Inventories are measured at the lower of acquisition cost and net realizable value. The cost of inventories includes all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition and the cost is determined mainly using the periodic average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated applicable variable selling expenses.

(7) Property, plant and equipment

Property, plant, and equipment is measured by using the "Cost model" and is stated at acquisition cost less accumulated depreciation and impairment losses.

Except for assets that are not subject to depreciation such as land and construction in progress, property, plant, and equipment is mainly depreciated using the straight-line method over their estimated useful lives, as follows. The estimated useful lives and depreciation method are reviewed at the end of each reporting period.

- Buildings and structures: 6 to 50 years
- Machinery and vehicles: 3 to 10 years
- Other: 2 to 10 years

Property, plant and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of property, plant and equipment is recognized in profit or loss when the item is derecognized.

(8) Investment property

Investment property is measured by using the "Cost model," in which the depreciation method and useful lives are used for the property, plant and equipment for the Group.

(9) Intangible assets

1) Separately acquired intangible assets

Separately acquired intangible assets with finite useful lives are stated at acquisition cost less accumulated amortization and impairment losses. They are amortized using the straight-line method over their estimated useful lives.

The estimated useful lives and amortization method of intangible assets with finite useful lives are reviewed at the end of each reporting period, and the effects of any changes in estimates are accounted prospectively.

Separately acquired intangible assets with indefinite useful live are not amortized, but tested for impairment, and are stated at acquisition cost less accumulated impairment losses. The impairment tests are performed individually or by cash-generating unit annually or whenever there is any indication of impairment.

2) Internally generated intangible assets

Expenditures related to research activities are recognized as expenses as incurred.

The cost arising from development (or from the development phase of an internal project) shall be recognized as an asset if, and only if, the Group can demonstrate all of the following:

i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
ii) its intention to complete the intangible asset and use or sell it;
iii) its ability to use or sell the intangible asset;
iv) how the intangible asset will generate probable future economic benefits;
v) the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Initial recognition of internally generated intangible assets comprises the total expenditure incurred from the date when all the preceding conditions have been satisfied to the date when the developments are finished. Development costs are recognized as an expense as incurred if the internally generated intangible assets are not recognized.

After initial recognition, internally generated intangible assets are measured at cost, net of accumulated amortization and impairment losses.

3) Intangible assets acquired in business combinations

Intangible assets acquired in business combinations are initially recognized at fair value at the acquisition date. Subsequently, intangible assets acquired in business combinations are measured at cost less any accumulated amortization and impairment losses.

4) Amortization of intangible assets

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. Estimated useful lives are as follows:

- Software: 3 to 5 years
- Development costs: 3 years
- Customer-related assets: 8 years
- Technology-based assets: 10 years

5) Derecognition of intangible assets

Intangible assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss arising from the derecognition of intangible assets is included in profit or loss when the item is derecognized.

(10) Leases

Leases are classified as finance leases whenever substantially all the risks and rewards incidental to ownership are transferred to the lessee. All other leases are classified as operating leases.

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement in accordance with IFRIC 4, "Determining Whether an Arrangement Contains a Lease," even if the arrangement does not take the legal form of a lease.

1) As lessee

In finance lease transactions, leased assets and lease obligations are recognized in the consolidated statement of financial position at the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. Leased assets are depreciated using the straight-line method over their estimated useful lives based on the accounting policies applied to the assets.

In operating lease transactions, lease payments are recognized as an expense using the straight-line method over the lease terms in the consolidated statement of income.

2) As lessor

As for lease receivables arising from finance lease transactions, net uncollected amounts of the investments in the relevant lease transactions are recognized as receivables.

(11) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale.

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

(12) Impairment of non-financial assets

The Group assesses, for each fiscal year, whether there is any indication that an asset may be impaired. If any such indication exists, or in cases where the impairment test is required to be performed each year, the recoverable amount of the asset is estimated. In cases where the recoverable amount cannot be estimated for each asset, it is estimated by the cash-generating unit to which the asset belongs. The grouping of assets in applying impairment accounting is determined by business group, which is the unit used in management accounting to understand profits and losses on an ongoing basis. In addition, assets are grouped into a rented property group and an idle property group, with each property as a minimum unit. Meanwhile, the headquarters and welfare facilities are categorized as corporate assets because they do not generate cash flows independently.

Impairment losses are included in "Other expenses" in the consolidated statement of income. Assessment for impairment is performed with respect to each asset, cash-generating unit, or group of cash-generating units. The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less disposition costs or its value in use. If the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, impairment losses are recognized and the carrying amount is reduced to the recoverable amount. In determining the fair value less disposition costs, the Group uses an appropriate valuation model supported by available fair value indicators. In determining the value in use, estimated future cash flows are calculated using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset.

The Group assesses whether there is any indication that an impairment loss recognized in prior years for an asset other than goodwill may no longer exist or may have decreased, such as any changes in assumptions used for the determination of the recoverable amount. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases that the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, impairment losses are reversed up to the lower of the estimated recoverable amount or the carrying amount (net of depreciation) that would have been determined if no impairment losses had been recognized in prior years.

(13) Non-current assets held for sale

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

(14) Provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of the obligations.

Provisions are measured at the present value by the estimated future cash flow that is discounted by a pre-tax rate that reflects the time value of money and the risks specific to the liability. The unwinding of the discount due to the passage of time is recognized as "Finance costs" in the consolidated statement of income.

Main provisions are recorded as follows.

Reserve for warranty

The reserve for warranty is recognized based on the estimated amount of warranty expenses, taking into account the timing of economic benefit outflows based on past experiences for after-sales service expenses incurred.

Provision for loss on antitrust issues

Provision for loss on antitrust issues is recognized at an estimated amount of potential future losses to prepare for payments of litigation settlements, etc., which the Company has accepted with regard to allegations of antitrust law infractions for past transactions of specific automotive parts.

(15) Employee benefits

1) Post-employment benefits

i) Defined benefit plans

The Group has defined benefit pension plans and lump-sum benefit plans.

Defined benefit plans are post-employment benefit plans other than defined contribution plans (refer to ii) below). The Group's net defined benefit obligations are calculated respectively for each plan by estimating the future amount of benefits that employees have earned in exchange for their service over the previous years and the current year. The benefits are discounted to determine the present value. These calculations are performed annually by qualified actuaries using the projected unit credit method. The fair values of plan assets are deducted from the result of calculations.

The discount rates are equivalent to the market yields of AA credit-rated corporate bonds at the end of each reporting period that have maturity terms approximating those of the Group's obligations. Increase/decrease in benefit obligations for employees' past service due to revisions to the plan are recognized in profit or loss. The Group recognizes the increase/decrease in obligations due to remeasurements of benefit obligations and plan assets of defined benefit plans in other comprehensive income and then immediately reclassifies them from other comprehensive income to retained earnings.

ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans in which the employer pays fixed contributions into separate entities and will have no legal or constructive obligation to make further contributions. The obligations for contributions to defined contribution plan are recognized as an expense during the period when the service is rendered.

2) Other long-term employee benefits

Long-term employee benefits, such as long-service employee awards, are recognized as a liability when the Group has present legal or constructive obligations to pay as a result of past employee service, and when reliable estimates of the obligation can be made. The Group's long-term employee benefits are calculated by discounting the estimated future amount of benefits to the present value.

The discount rates are equivalent to the market yields of AA credit-rated corporate bonds at the end of each reporting period that have maturity terms approximating those of the Group's obligations.

3) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed during the period when the service is rendered.

Bonus accrual is recognized as a liability when the Group has present legal or constructive obligations to pay as a result of past employee service, and when reliable estimates of the obligation can be made.

(16) Revenue

The Group recognizes revenue by applying the following steps:

STEP 1: Identifying the contract with a custumer
STEP 2: Identifying the performance obligations in the contract
STEP 3: Determining the transaction price
STEP 4: Allocating the transaction price to each performance obligation in the contract
STEP 5: Recognizing revenue when satisfying a performance obligation

The Group serves automobile manufacturers around the world and supplies a wide range of products, including powertrain systems, electrification systems, electronic systems, thermal systems, and mobility systems. In the aftermarket and new business, the Group also supplies automotive service parts and accessories to end-users.

The Group’s performance obligation is primarily to deliver a finished product to the customer. In principle, it is deemed that control of the product is transferred to the customer and the performance obligation is satisfied at the time of delivery of the finished product to the customer; therefore, revenue is recognized at that point. Consideration for these performance obligations is generally received within one year after the performance obligation is satisfied, according to separately determined payment conditions, and does not include any significant financing components. Revenue is determined at the amount after the deduction of discounts, rebates, and considerations payable to a customer for transactions of parts provided to suppliers with charge under the repurchase agreement. In addition, when the transaction prices are not determined at the time of transfer of the promised products, estimate is made based on an appropriate method such as using the most likely amount to determine the amount of variable consideration. With regard to certain transactions of parts provided to suppliers with charge under the repurchase agreement, inventories continue to be recognized as a result of deemed financing transactions, and corresponding amounts of those parts retained by the suppliers are recognized as financial liabilities.

(17) Government grants

Government grants are recognized at fair value when there is a reasonable assurance that the Group will receive the grants subject to the conditions attached to them. In cases where the government grants are compensation for expenses, they are recognized in profit or loss in the period in which the related costs for which the grants are intended to compensate are recognized. With regard to government grants that are compensation for assets, the amount of the grants is deducted from the acquisition cost of the assets to measure the carrying amounts of the assets.

(18) Income taxes

Income taxes in the consolidated statement of income are presented as the total of current income taxes and deferred income taxes. The current income taxes are recognized in profit or loss, except for taxes arising from items that are recognized in other comprehensive income or directly in equity and those arising from business combinations.

Current income taxes are measured at the amount that is expected to be paid to or refunded from the taxation authorities. For the calculation of the tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated based on the temporary differences between the tax base for assets and liabilities and the carrying amounts at the end of each reporting period. Deferred tax assets are recognized for deductible temporary differences, unused tax credits, and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax liabilities are recognized for taxable temporary differences.

Deferred tax assets and liabilities are not recognized for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in transactions that are not business combinations and at the time of the transaction affect neither accounting profit nor taxable profit or tax loss;
- deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that it is not probable that the reversal of the temporary difference in the foreseeable future will occur or it is not probable that future taxable profits will be available against which they can be utilized; or
- taxable temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that the timing of the reversal of the temporary difference is controlled and that it is not probable the temporary difference will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the fiscal year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that there will be sufficient taxable profit against which all or part of the deferred tax assets can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and recognized only to the extent that it is probable that the deferred tax assets can be recovered by future taxable profits.

The Group recognizes an asset or liability for the effect of uncertainty in income taxes which is measured at the amount of the reasonable estimate for uncertain tax positions when it is possible, based on the Group's interpretation of tax laws, in which the tax positions will be sustained.

An entity shall offset deferred tax assets and deferred tax liabilities, if and only if, the entity has a legally enforceable right to set off the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The Company and its wholly owned subsidiaries in Japan adopt the consolidated taxation system.

(19) Equity

Common stock

The amount of equity instruments issued by the Company is recognized in "Common stock" and "Capital surplus," and direct issue costs (net of tax) are deducted from "Capital surplus."

Treasury stock

When the Company acquires treasury stock, the consideration paid, net of direct transaction costs and tax, is recognized as a deduction from equity. When the Company disposes treasury stock, gains or losses on disposal, including the exercise of stock options, are recognized in "Capital surplus."

(20) Fair value measurements

Certain assets and liabilities are required to be recognized at fair value. The estimated fair values of those assets and liabilities have been determined using market information such as quoted market prices and valuation methodologies such as the market approach, income approach, and cost approach. There are three levels of inputs that may be used to measure fair value.

1) Level 1

Quoted prices (unadjusted) in active markets in which transactions take place with sufficient frequency and transaction volume on an ongoing basis for identical assets or liabilities that the Group can access at the measurement date.

2) Level 2

Quoted prices for similar assets and liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities, and market-corroborated inputs in which all significant inputs and significant value drivers are observable.

3) Level 3

Unobservable inputs for the assets or liabilities which reflect the assumptions that market participants would use when pricing the assets or liabilities. The Group develops unobservable inputs using the best information available in the circumstances, which might include the Group's own data.

The fair value is measured at the financial and accounting division by following the Company's measurement policy and procedure, and the measurement is executed based on the valuation models which reflect nature, feature, and risks of each financial instrument most appropriately. In addition, transitions of important indexes which impact on the changes of fair value are examined on an ongoing basis. In cases where the changes in the fair value of financial instruments are found to be significant as a result of examination, it is reported to the executive of finance and accounting division to obtain approval.

(21) Levies

The Group recognizes estimated payable amount as a liability when it is required to pay a levy.

(22) Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary shareholders of the parent company by the weighted-average number of ordinary shares outstanding during the year, adjusted by the number of treasury shares. Diluted earnings per share are calculated by adjusting the effects of dilutive potential ordinary shares.

(23) Dividends

Dividends to the shareholders of the Company are recognized as liabilities in the period in which each year-end dividend and interim dividend was resolved.

4. New accounting standards not yet adopted by the Group

New or revised major standards and interpretations that were issued by the date of approval of the consolidated financial statement but were not yet adopted by the Group as of March 31, 2019, are as follows:

Standards	Title	Date of mandatory adoption (Fiscal year of commencement thereafter)	Reporting periods of application by the Group	Description of new standards and amendments
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Accounting and disclosure requirements for leases
IFRS 17	Insurance contracts	January 1, 2021	Fiscal year ending March 31, 2022	Consistent accounting practices for insurance contracts

The main changes resulting from the application of IFRS 16, "Leases", are accounting treatments for underlying assets and lease payments relating to lessee's leases, which were previously classified as operating leases under IAS 17, "Leases." With the introduction of a single lessee accounting model in accordance with the application of IFRS 16, the lessee, with regard to all leases excluding short-term leases and leases for which the underlying asset is of low value, is required to recognize its right to use the underlying leased assets during the lease period as right-of-use assets, and its obligation to make lease payments to the lessor as lease liabilities, at the commencement date. Once the right-of-use assets and the lease liabilities have been recognized, a portion of the lease payment, which previously had been recognized as a rental payment, will be recognized as depreciation on the right-of-use assets and as interest expenses on the lease liabilities. As a result, it is estimated that the right-of use assets and the other financial liabilities will increase by approximately ¥50 billion and ¥40 billion, respectively, in the consolidated statement of financial position as of the commencement date of application. Possible impact of the amount related to right-of-use assets includes reclassification from lease assets, etc., which were classified as financial leases under IAS 17. The possible impact on retained earnings as of the commencement date of application, and the consolidated statement of income are immaterial.

The Group is currently assessing the possible impacts of the application of IFRS 17, "Insurance contracts," and it is not able to estimate reasonably at this moment.

5. Segment information

(1) Outline of reportable segments

The Group's reportable segments are operating segments, or aggregations of operating segments, which are components of an entity for which separate financial information is available. Such information is evaluated regularly by the president of the Company for the purposes of making decisions on how to allocate resources and assessing performance.

The Group mainly manufactures and sells automotive parts and has directors in charge in Japan, North America, Europe, and Asia. As independent management units, subsidiaries in each region have developed business activities, as exemplified by establishment or expansion of manufacturing companies, aiming for optimum production and supply for orders received through operating activities to regional customers.

The Company is in charge of business activities in Japan. Meanwhile, DENSO INTERNATIONAL AMERICA, INC. and DENSO INTERNATIONAL EUROPE B.V. are in charge in the North America and Europe regions, respectively. In Asia, DENSO INTERNATIONAL ASIA CO., LTD (Thailand), DENSO INTERNATIONAL ASIA PTE. LTD. (Singapore), and DENSO (CHINA) INVESTMENT CO., LTD have been cooperating together as a management unit.

Since the Group is composed of regional segments based on manufacturing and selling systems, the Group determined that "Japan," "North America," "Europe," and "Asia" are its reportable segments. The Group has been manufacturing and selling mainly automotive parts in each reportable segment.

Accounting procedures are the same as those stated in Note 3 "Significant accounting policies." Intersegment transactions are priced with reference to those applicable to transactions with external parties.

Reportable segment profit is measured on the basis of operating profit in the consolidated statement of income. Finance income, finance costs, foreign exchange gains/losses, share of profit/loss of associates and joint ventures accounted for using the equity method, and income tax expenses are excluded from the reportable segment profit, since they are not included in the financial information evaluated by the president of the Company.

(2) Revenue, profit/loss, and other material items for each reportable segment

For the year ended March 31, 2018 (Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated
	Japan	North America	Europe	Asia	Total			
Revenue								
Customers	2,140,729	1,122,847	620,193	1,146,037	5,029,806	78,485	―	5,108,291
Intersegment	943,073	33,405	42,139	176,786	1,195,403	513	(1,195,916)	―
Total	3,083,802	1,156,252	662,332	1,322,823	6,225,209	78,998	(1,195,916)	5,108,291
Segment profit or losses	200,666	42,512	20,061	136,728	399,967	13,420	(711)	412,676
Finance income								40,532
Finance costs								(9,495)
Foreign exchange gains								(328)
Share of the profit of associates and joint ventures accounted for using the equity method								6,518
Profit before income taxes								449,903

(Note) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.

Other material items

(Unit: Millions of yen)

	Reportable segment					Others (Note 1)	Eliminations	Consolidated
	Japan	North America	Europe	Asia	Total			
Depreciation and amortization	167,692	33,143	23,169	57,887	281,891	2,835	—	284,726
Impairment losses	393	542	612	—	1,547	—	—	1,547
Reversal of impairment losses	—	—	—	—	—	—	—	—
Investments accounted for using the equity method	64,309	6,790	474	17,324	88,897	—	(179)	88,718
Increase in non-current assets (Note 2)	250,088	44,663	31,466	53,564	379,781	2,196	—	381,977

(Note 1) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.

(Note 2) Non-current assets are a total of property, plant and equipment and intangible assets.

For the year ended March 31, 2019 (Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated
	Japan	North America	Europe	Asia	Total			
Revenue								
Customers	2,284,190	1,182,012	609,417	1,215,115	5,290,734	72,038	—	5,362,772
Intersegment	981,828	30,343	43,085	201,288	1,256,544	709	(1,257,253)	—
Total	3,266,018	1,212,355	652,502	1,416,403	6,547,278	72,747	(1,257,253)	5,362,772
Segment profit or losses	126,027	29,616	22,827	128,440	306,910	10,316	(1,030)	316,196
Finance income								48,629
Finance costs								(12,007)
Foreign exchange gains								(4,386)
Share of the profit of associates and joint ventures accounted for using the equity method								7,599
Profit before income taxes								356,031

(Note) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.

Other material items

(Unit: Millions of yen)

	Reportable segment					Others (Note 1)	Eliminations	Consolidated
	Japan	North America	Europe	Asia	Total			
Depreciation and amortization	189,049	37,905	25,021	56,724	308,699	2,124	—	310,823
Impairment losses	461	—	—	6,193	6,654	—	—	6,654
Reversal of impairment losses	—	—	—	—	—	—	—	—
Investments accounted for using the equity method	81,904	5,206	506	18,677	106,293	—	(155)	106,138
Increase in non-current assets (Note 2)	290,281	60,167	26,589	70,865	447,902	3,424	—	451,326

(Note 1) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.

(Note 2) Non-current assets are a total of property, plant and equipment and intangible assets.

(3) Assets for each reportable segment

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Japan	3,519,068	3,531,440
North America	577,623	614,890
Europe	432,620	409,924
Asia	1,045,022	1,104,044
Others (Note 1)	56,465	46,910
Corporate assets (Note 2)	133,619	85,206
Consolidated	5,764,417	5,792,414

(Note 1) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.

(Note 2) Corporate assets mainly consist of funds which are not attributable to the reportable segments.

(4) Information about products and services

For the year ended March 31, 2018

Revenue by products and services are not presented since the revenue of automotive products represneted the majority of total revenue.

For the year ended March 31, 2019

For disaggregated revenue by type of products and services, see Note 20 "Revenue".

(5) Geographic information

1) Revenue (Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Japan	2,061,429	2,211,859
The United States	958,247	1,012,971
Others	2,088,615	2,137,942
Total	5,108,291	5,362,772

(Note) 1. Countries which have significant impact on the consolidated financial statements are individually presented.

2. Revenue is attributed to geographic areas based on customer locations.

2) Non-current assets (Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Japan	1,020,555	1,111,010
Others	647,620	665,231
Total	1,668,175	1,776,241

(Note) 1. Countries which have significant impact on the consolidated financial statements are individually presented.

2. Non-current assets, a total of property, plant and equipment and intangible assets, are attributed to geographic areas based on locations of assets.

(6) Information about major customers

The major customer is Toyota Motor Corporation and its subsidiaries. Revenue from the major customer is recorded in all segments, such as Japan, North America, Europe, and Asia.

Disaggregated revenue by segment is ¥1,452,553 million in Japan, ¥497,526 million in North America, ¥88,513 million in Europe, ¥460,450 million in Asia, and ¥20,220 million in other areas.

(Unit: Millions of yen)

FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
2,341,657	2,519,262

6. Business Combinations

For the year ended March 31, 2018

(1) TD MOBILE CORPORATION

The Company acquired TD MOBILE CORPORATION (hereinafter, "TD MOBILE") as a consolidated subsidiary as of July 1, 2017.

1) Description of business combination

TD MOBILE, an associate of the Company, which primarily conducts dealership operations for mobile phones, became the Company's subsidiary on July 1, 2017 as a result of TD MOBILE's acquisition of its own treasury stock. As a result of TD MOBILE acquiring its own treasury stock, the ownership ratio of TD MOBILE's voting rights held by the Company rose from 49% (as of June 30, 2017) to 51% (as of July 1, 2017), giving the Company the majority of TD MOBILE voting rights.

2) Reason for the business combination

In order to further expand the Company's business scale by collaborating with TD MOBILE in the key areas of automotive communications products and services, and non-automotive information distribution systems for local communities

3) Summary of the acquiree

Name	TD MOBILE CORPORATION
Business description	Dealership operations for mobile phones, development and distribution of content for mobile phones, etc.

4) Acquisition date

July 1, 2017

5) Consideration transferred and its components

(Unit: Millions of yen)

	Amount
Fair value of equity interest in TD MOBILE already held at the time of the acquisition	16,656
Total of the consideration transferred	16,656

As a result of the remeasurement of equity interest already held at the time of the acquisition of control by the Company of TD MOBILE at fair value on the acquisition date, the Company recognized a gain on the acquisition of ¥11,646 million for the fiscal year ended March 31, 2018. This gain is included in "Other income" in the consolidated statement of income.

6) Fair values of assets, liabilities, non-controlling interests, and goodwill on the acquisition date

(Unit: Millions of yen)

	Amount
Total of the consideration transferred for the acquired shares (A)	16,656
Assets Trade and other receivables Other current assets Intangible assets Other non-current assets	 5,501 3,403 14,549 2,900
Total assets	26,353
Liabilities Current liabilities Non-current liabilities	 3,881 5,086
Total liabilities	8,967
Equity (B)	17,386
Non-controlling interests (Note 1) (C)	8,519
Goodwill (Note 2) (A-(B-C))	7,789

(Note 1) Non-controlling interests

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured based on the proportionate interests at the acquisition date in the identifiable net assets of the acquiree at the acquisition date.

(Note 2) Goodwill

Goodwill reflects excess earning power expected from future business development and the synergy between the Company and the acquiree.

7) Proceeds from acquisition of control over the subsidiary

(Unit: Millions of yen)

	Amount
Cash and cash equivalents held by the acquiree at the time of the acquisition	87
Proceeds in cash from acquisition of control over the subsidiary	87

8) Revenue and profit of the acquiree

The acquiree's revenue and loss for the year before elimination of inter-company transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2018, were ¥82,713 million and ¥763 million, respectively.

The loss for the year referred to above includes amortization of intangible assets recognized at the acquisition date.

(2) FUJITSU TEN LIMITED

The Company acquired FUJITSU TEN LIMITED (hereinafter, "FUJITSU TEN") as a consolidated subsidiary as of November 1, 2017.

1) Description of business combination

FUJITSU TEN, an investee of the Company, became the Company's subsidiary on November 1, 2017 as a result of the Company obtaining a portion of shares from FUJITSU LIMITED (hereinafter, "FUJITSU"), its previous parent company. As a result of obtaining the portion of shares, the ownership ratio of FUJITSU TEN's voting rights held by the Company rose from 10% (as of October 31, 2017) to 51% (as of November 1, 2017), giving the Company the majority of FUJITSU TEN voting rights.

2) Reason for the business combination

FUJITSU TEN was established in 1972 as a spinoff of FUJITSU's radio division. Since Toyota Motor Corporation and the Company purchased stakes in 1973, FUJITSU TEN has offered various products and services as a manufacturer of automotive electronics products, including audio and multimedia. Recently, FUJITSU TEN has strengthened its Vehicle-ICT business to create new value, while accelerating collaboration with FUJITSU and its group companies to transform itself from a supplier of standalone products to a system manufacturer that proposes and provides connected in-vehicle information equipment and services.

In the automotive field, the interface between the driver and vehicle is becoming increasingly important due to remarkable technological innovations. Against this backdrop, the Company has made FUJITSU TEN a Group company to enhance cooperation between the two companies in developing in-vehicle ECUs, millimeter-wave radar, advanced driver assistance/automated driving technologies, and basic electronic technologies and to improve corporate value together.

3) Summary of the acquiree

Name	FUJITSU TEN LIMITED (Renamed DENSO TEN LIMITED)
Business description	Development, manufacture, and sales of infotainment equipment and automotive electronics equipment

4) Acquisition date

November 1, 2017

5) Consideration transferred and its components

(Unit: Millions of yen)

	Amount
Payment by cash	16,511
Fair value of equity interest in FUJITSU TEN already held at the time of the acquisition	4,027
Total of the consideration transferred	20,538

Acquisition-related costs incurred from the business combination and recognized in "Selling, general and administrative expenses" in the consolidated statement of income for the years ended March 31, 2017 and 2018 were ¥228 million and ¥132 million, respectively.

6) Fair values of assets, liabilities, non-controlling interests, and goodwill on the acquisition date

(Unit: Millions of yen)

	Amount
Total of the consideration transferred for the acquired shares (A)	20,538
Assets Trade and other receivables Other current assets Intangible assets Other non-current assets	 59,514 48,182 27,813 41,003
Total assets	176,512
Liabilities Current liabilities Non-current liabilities	 115,843 18,950
Total liabilities	134,793
Equity (B)	41,719
Non-controlling interests (C) (Note 1)	23,119
Goodwill (A-(B-C)) (Note 2)	1,938

(Note 1) Non-controlling interests

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured based on the proportionate interests at the acquisition date in the identifiable net assets of the acquiree at the acquisition date.

(Note 2) Goodwill

Goodwill reflects excess earning power expected from future business development and the synergy between the Company and the acquiree.

7) Payment for acquisition of control over the subsidiary

(Unit: Millions of yen)

	Amount
Payment by cash	16,511
Cash and cash equivalents held by the acquiree at the time of the acquisition	10,668
Total of the consideration transferred	5,843

8) Revenue and profit of the acquiree

The acquiree's revenue and loss for the year before elimination of inter-company transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2018, were ¥161,783 million and ¥2,837 million, respectively.

The loss for the year referred to above includes amortization of intangible assets recognized at the acquisition date.

(3) Consolidated revenue and profit assuming that the business combinations were completed at the beginning of the fiscal year

The following is pro forma information (unaudited) of consolidated performance of the Group for the fiscal year ended March 31, 2018, assuming that the business combinations of TD MOBILE and FUJITSU TEN were completed and controls were acquired as of April 1, 2017.

(Unit: Millions of yen)

	FY2018 2017/4-2018/3
Revenue (pro forma)	5,349,081
Profit for the year (pro forma)	348,780

For the year ended March 31, 2019

(1) TOHOKU PIONEER EG CORPORATION

The Company acquired TOHOKU PIONEER EG CORPORATION (hereinafter, "TOHOKU PIONEER EG") as a consolidated subsidiary as of December 1, 2018.

1) Description of business combination

TOHOKU PIONEER EG, an investee of the Company, became the Company's subsidiary on December 1, 2018, as a result of the Company obtaining all of the shares from PIONEER CORPORATION, its previous parent company, and the ownership ratio of TOHOKU PIONEER EG's voting rights held by the Company rose from 0% (as of November 30, 2018) to 100% (as of December 1, 2018).

2) Reason for the business combination

As a system integrator of various automated production equipment, TOHOKU PIONEER EG has supplied advanced custom-made FA production systems that meet the needs of customers in various industries such as the automotive, electrical/electronic equipment, medical, food, semiconductor, and IT industries, etc.

The Company's track record for introducing automation systems at 130 plants globally has an affinity with TOHOKU PIONEER EG's experience in offering FA production system. By taking a stake in TOHOKU PIONEER EG, the Company will be able to offer optimal streamlined FA system solutions, thereby contributing to the overall development of the manufacturing industry.

3) Summary of the acquiree

Name	TOHOKU PIONEER EG CORPORATION (Renamed DENSO FA YAMAGATA CO., LTD)
Business description	Manufacturing various custom-made automated production equipment and high-precision flow measurement equipment

4) Acquisition date

December 1, 2018

5) Consideration transferred and its components

(Unit: Millions of yen)

	Amount
Payment by cash	10,950
Total of the consideration transferred	10,950

6) Fair values of assets, liabilities, and goodwill on the acquisition date

(Unit: Millions of yen)

	Provisional amount	Adjustment (Note 1)	Adjusted amount
Total of the consideration transferred for the acquired shares (A)	10,900	50	10,950
Assets Trade and other receivables Other current assets Non-current assets	 3,276 6,449 3,131	 — — 87	 3,276 6,449 3,218
Total assets	12,856	87	12,943
Liabilities Current liabilities Non-current liabilities	 3,877 1,554	 — 26	 3,877 1,580
Total liabilities	5,431	26	5,457
Equity (B)	7,425	61	7,486
Goodwill (A-B) (Note 2)	3,475	(11)	3,464

(Note 1) Adjustment to the provisional amount

Consideration transferred is allocated to acquired assets and assumed liabilities based on the fair value on the acquisition date. Allocation of the consideration transferred was completed during the three-month period ended March 31, 2019. In terms of adjustments from the initial provisional amounts, after additional analysis on the fair value of TOHOKU PIONEER EG, non-current assets and non-current liabilities increased by ¥87 million and ¥26 million respectively. As a result, goodwill decreased by ¥11 million.

(Note 2) Goodwill

Goodwill reflects excess earning power expected from future business development and the synergy between the Company and the acquiree.

7) Payment for acquisition of control over the subsidiary

(Unit: Millions of yen)

	Amount
Payment by cash	10,950
Cash and cash equivalents held by the acquiree at the time of the acquisition	1,967
Total of the consideration transferred	8,983

8) Revenue and profit of the acquiree

The acquiree's revenue and profit for the year before elimination of inter-company transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2019, were ¥3,197 million and ¥292 million, respectively.

(2) Consolidated revenue and profit assuming that the business combination was completed at the beginning of the fiscal year

The following is pro forma information (unaudited) of consolidated performance of the Group for the fiscal year ended March 31, 2019, assuming that the business combination of TOHOKU PIONEER EG was completed and control was acquired as of April 1, 2018.

(Unit: Millions of yen)

	FY2019 2018/4-2019/3
Revenue (pro forma)	5,368,619
Profit for the year (pro forma)	280,118

7. Cash and cash equivalents

The breakdown of "Cash and cash equivalents" at each fiscal year-end is as follows:

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Cash and deposits	754,290	679,288
Short-term investments	29,048	32,350
Total	783,338	711,638

8. Trade and other receivables

The breakdown of "Trade and other receivables" at each fiscal year-end is as follows:

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Notes and accounts receivable	822,963	822,583
Other	172,740	188,912
Less: Allowance for doubtful accounts	(2,154)	(2,446)
Total	993,549	1,009,049

(Note) "Trade and other receivables" are classified as financial assets which are measured at amortized cost.

When impairment of accounts receivable and other financial assets are recognized, the carrying amount of the financial asset is not directly reduced, but reduced by an allowance for doubtful accounts. The increases and decreases of the allowance for doubtful accounts for each fiscal year were as follows.

(Unit: Millions of yen)

	FY2018 2017/4-2018/3
Balance, beginning of year	1,836
Increase	1,461
Decrease—used	(108)
Decrease—reversed	(946)
Foreign exchange differences	(89)
Balance, end of year	2,154

Where recoverability is uncertain, the Group conducts ongoing monitoring of the credit status of customers, including receivables whose maturity date has been extended. Based on the credit facts covered by this monitoring, the Group assesses the recoverability of trade and other receivables, and recognizes allowances for doubtful accounts accordingly. In addition, it is not overly reliant on any specific counterparty and therefore faces minimal exposure to the impact of chain-reaction credit risk. Consequently, the Company has not recognized additional allowances for doubtful accounts due to credit risk concentration.

The age of trade and other receivables that are past due but not impaired as of each fiscal year-end was as follows.

Receivables disclosed below include amounts considered recoverable through credit insurance and collateral. It was determined that there was no impairment loss as of each fiscal year-end.

(Unit: Millions of yen)

	FY2018 As of March 31, 2018
Past due within 90 days	25,230
Past due over 90 days through one year	5,303
Past due over one year	1,443
Total	31,976

The Group applied IFRS 9, "Financial Instruments" (revised in July 2014), from the fiscal year ended March 31, 2019.

For credit risk for the fiscal year ended March 31, 2019, see Note 27 "Financial instruments."

9. Inventories

The breakdown of "Inventories" at each fiscal year-end is as follows:

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Merchandise and finished products	176,971	193,515
Work in process	218,706	249,395
Raw materials and supplies	154,614	169,629
Total (Note)	550,291	612,539

(Note) The amounts of write-down of inventories to net realizable value recognized as "Cost of revenue" for the years ended March 31, 2018 and 2019 were ¥14,259 million and ¥16,633 million, respectively.

10. Other financial assets

(1) The breakdown of "Other financial assets" as of each fiscal year-end is as follows:

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Bank deposits (Note 1)	135,003	169,174
Debt securities (Note 1)	14,503	4,222
Equity securities (Note 2)	1,310,718	1,179,748
Derivative assets (Note 3)	4,550	6,872
Other	17,168	23,163
Total	1,481,942	1,383,179

Current assets	151,122	182,921
Non-current assets	1,330,820	1,200,258
Total	1,481,942	1,383,179

(Note 1) Bank deposits and debt securities are classified as financial assets measured at amortized cost.
(Note 2) Equity securities are classified as financial assets measured at fair value through other comprehensive income.
(Note 3) Derivative assets, excluding those to which hedge accounting is applied, are classified as financial assets measured at fair value through profit or loss.

(2) Names of major securities held as financial assets measured at fair value through other comprehensive income and their fair values as of each fiscal year-end were as follows:

(Unit: Millions of yen)

Security name	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Toyota Motor Corporation	617,560	586,976
TOYOTA INDUSTRIES CORPORATION	190,932	164,546
Towa Real Estate Co., Ltd.	78,899	75,444
AISIN SEIKI CO., LTD.	74,937	51,276
Renesas Electronics Corporation	89,195	44,370
KOITO MANUFACTURING CO., LTD.	49,543	42,092
JOLED INC.	—	30,000
JTEKT CORPORATION	28,953	25,022
SUZUKI MOTOR CORPORATION	22,537	19,264
TOYOTA BOSHOKU CORPORATION	22,260	17,072

Equity securities are held mainly for strengthening business relationships with investees. Therefore, they are designated as financial assets measured at fair value through other comprehensive income.

Dividend income related to financial assets measured at fair value through other comprehensive income that the Group held through the years ended March 31, 2018 and 2019 were ¥29,894 million and ¥32,563 million, respectively.

In order to pursue the efficiency of assets held and to use them effectively, the Group has disposed of (derecognized) financial assets measured at fair value through other comprehensive income.

The fair value at the derecognition, cumulative gains and losses that have been previously recognized in equity as other comprehensive income, and dividend income were as follows:

(Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Fair value	3,233	4,924
Cumulative gains that have been previously recognized in equity as other comprehensive income—pre-tax (Note 4)	2,802	4,198
Dividend income	12	154

(Note 4) The cumulative gains and losses recognized in equity as other comprehensive income were transferred to retained earnings when equity instruments were disposed of. The amounts of transfers to retained earnings were net of tax.

11. Property, plant and equipment

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

(Unit: Millions of yen)

Acquisition cost	Buildings and structures	Machinery and equipment	Land	Construction in progress (Note 1)	Other	Total
Balance, April 1, 2017	900,937	2,771,103	182,072	126,073	689,060	4,669,245
Acquisition	21,301	126,639	670	169,988	34,675	353,273
Business combinations (Note 3)	10,177	8,235	6,838	737	9,324	35,311
Disposals	(9,805)	(105,899)	(58)	(446)	(31,552)	(147,760)
Foreign exchange differences	678	3,788	80	(661)	1,859	5,744
Other (Note 2)	14,769	95,062	272	(140,175)	23,299	(6,773)
Balance, March 31, 2018	938,057	2,898,928	189,874	155,516	726,665	4,909,040
Acquisition	29,138	129,801	262	213,189	40,940	413,330
Business combinations (Note 3)	940	240	1,166	580	72	2,998
Disposals	(9,833)	(121,868)	(421)	(485)	(32,173)	(164,780)
Foreign exchange differences	(2,605)	(6,420)	(410)	(256)	(2,622)	(12,313)
Other (Note 2)	26,663	128,947	1,322	(187,907)	29,567	(1,408)
Balance, March 31, 2019	982,360	3,029,628	191,793	180,637	762,449	5,146,867

(Note 1) Construction in progress includes expenditures related to property, plant and equipment under construction.

(Note 2) Other includes transfers from construction in progress to each item.

(Note 3) The increase in "Business combinations" is due to the acquisition of TD MOBILE and FUJITSU TEN for the year ended March 31, 2018 and TOHOKU PIONEER EG for the year ended March 31, 2019 (See Note 6 "Business combinations").

(Unit: Millions of yen)

Accumulated depreciation and accumulated impairment losses	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other	Total
Balance, April 1, 2017	562,310	2,040,724	1,032	1,055	573,593	3,178,714
Depreciation (Note)	28,677	185,935	—	—	54,014	268,626
Impairment losses	—	969	—	77	108	1,154
Disposals	(8,248)	(97,585)	—	—	(28,777)	(134,610)
Foreign exchange differences	232	4,647	80	—	1,335	6,294
Other	(66)	(1,716)	—	—	(563)	(2,345)
Balance, March 31, 2018	582,905	2,132,974	1,112	1,132	599,710	3,317,833
Depreciation (Note)	29,285	200,014	—	—	58,018	287,317
Impairment losses	3,900	1,475	—	—	945	6,320
Disposals	(7,989)	(112,973)	—	—	(29,736)	(150,698)
Foreign exchange differences	(251)	(2,837)	(5)	—	(1,610)	(4,703)
Other	436	1,767	(25)	—	(1,329)	849
Balance, March 31, 2019	608,286	2,220,420	1,082	1,132	625,998	3,456,918

(Note) Depreciation on "Property, plant and equipment" is included in "Cost of revenue" and "Selling, general and administrative expenses" in the consolidated statement of income.

(Unit: Millions of yen)

Carrying amount	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other	Total
Balance, April 1, 2017	338,627	730,379	181,040	125,018	115,467	1,490,531
Balance, March 31, 2018	355,152	765,954	188,762	154,384	126,955	1,591,207
Balance, March 31, 2019	374,074	809,208	190,711	179,505	136,451	1,689,949

(2) Carrying amount of assets pledged as collateral

Carrying amounts of assets pledged as collateral are not presented as they are immaterial.

(3) Commitments

Commitments for the acquisition of property, plant, and equipment are as follows:

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Contractual commitments for the acquisition of property, plant and equipment	105,754	139,767

(4) Impairment losses

The impairment losses the Group recognized for each fiscal year are as follows:

For the year ended March 31, 2018

Business group	Segment	Types of assets	Class	Amount (Millions of yen)
Electrification systems	North America	Production facility for small motor products	Machinery and equipment, etc.	542
Electronic systems	Europe	Production facility for electronics products	Machinery and equipment	612

The Group wrote down the undepreciated balances of its production facilities to their recoverable amounts and recognized ¥542 million in impairment losses for relevant assets because the expected profit was not foreseen due to deterioration of a part of the business environment in certain regions. The recoverable amounts of the asset group were measured at fair value less costs of disposition. Fair value is calculated based on valuation techniques which include inputs that are not based on observable market data and the fair value hierarchy is level 3.

For the year ended March 31, 2018, the Group recognized ¥612 million in impairment losses for unused machinery and equipment as a result of a change in the Group's initial capital investment plan.

The impairment losses were included in "Other expenses" in the consolidated statement of income.

For the year ended March 31, 2019

Business group	Segment	Types of assets	Class	Amount (Millions of yen)
Mobility systems	Asia	Production facility for small mobility system products	Buildings and structures, machinery and equipment, etc.	6,193
Electronic systems		Production facility for electronic system products		

For the year ended March 31, 2019, the Group wrote down the undepreciated balances of its Korean subsidiary's production facilities to their recoverable amounts and recognized ¥6,193 million in impairment losses for relevant assets because the expected profit was not foreseen due to the deterioration of a part of the business environment in certain regions. For the calculation of its value in use, the discount rate used for calculating the present value of future cash flows was 7.31%.

The impairment losses were included in "Other expenses" in the consolidated statement of income.

12. Intangible assets

(1) The breakdown and movement of acquisition cost, accumulated amortization and accumulated impairment losses, and carrying amount of "Intangible assets" were as follows:

(Unit: Millions of yen)

Acquisition cost	Software	Development costs	Goodwill	Customer-related assets	Technology-based assets
Balance, April 1, 2017	50,849	3,034	1,855	—	—
Acquisition	8,501	—	—	—	—
Internally generated	3,139	1,516	—	—	—
Business combinations (Note)	9,510	—	9,727	21,745	6,445
Disposals	(674)	(1)	—	—	—
Foreign exchange differences	(17,285)	—	(24)	—	—
Other	16,513	—	—	—	—
Balance, March 31, 2018	70,553	4,549	11,558	21,745	6,445
Acquisition	18,263	—	—	—	—
Internally generated	3,493	1,574	—	—	—
Business combinations (Note)	51	—	3,464	—	—
Disposals	(1,024)	—	(52)	—	—
Foreign exchange differences	(257)	—	(31)	—	—
Other	914	—	—	—	—
Balance, March 31, 2019	91,993	6,123	14,939	21,745	6,445

(Unit: Millions of yen)

Acquisition cost	Other	Total
Balance, April 1, 2017	8,182	63,920
Acquisition	4,065	12,566
Internally generated	2,474	7,129
Business combinations (Note)	5,012	52,439
Disposals	(616)	(1,291)
Foreign exchange differences	(11,446)	(28,755)
Other	11,283	27,796
Balance, March 31, 2018	18,954	133,804
Acquisition	10,079	28,342
Internally generated	1,131	6,198
Business combinations (Note)	96	3,611
Disposals	(217)	(1,293)
Foreign exchange differences	(71)	(359)
Other	(8,838)	(7,924)
Balance, March 31, 2019	21,134	162,379

(Note) The increase in "Business combinations" is due to the acquisition of TD MOBILE and FUJITSU TEN for the year ended March 31, 2018 and TOHOKU PIONEER EG for the year ended March 31, 2019 (See Note 6 "Business combinations").

(Unit: Millions of yen)

Accumulated amortization and Accumulated impairment losses	Software	Development costs	Goodwill	Customer-related assets	Technology-based assets
Balance, April 1, 2017	37,432	914	—	—	—
Amortization (Note)	10,436	1,075	—	2,797	269
Impairment losses	—	—	393	—	—
Disposals	(602)	—	—	—	—
Foreign exchange differences	261	—	—	—	—
Other	(619)	—	—	—	—
Balance, March 31, 2018	46,908	1,989	393	2,797	269
Amortization (Note)	15,228	1,169	—	3,828	645
Impairment losses	—	—	334	—	—
Disposals	(986)	—	—	—	—
Foreign exchange differences	(234)	—	—	—	—
Other	(3,290)	—	—	—	—
Balance, March 31, 2019	57,626	3,158	727	6,625	914

(Unit: Millions of yen)

Accumulated amortization and Accumulated impairment losses	Other	Total
Balance, April 1, 2017	3,123	41,469
Amortization (Note)	1,523	16,100
Impairment losses	—	393
Disposals	(269)	(871)
Foreign exchange differences	131	392
Other	(28)	(647)
Balance, March 31, 2018	4,480	56,836
Amortization (Note)	2,636	23,506
Impairment losses	—	334
Disposals	(213)	(1,199)
Foreign exchange differences	(86)	(320)
Other	220	(3,070)
Balance, March 31, 2019	7,037	76,087

(Note) Amortization of intangible assets is included in "Cost of revenue" and "Selling, general and administrative expenses" in the consolidated statement of income.

(Unit: Millions of yen)

Carrying amount	Software	Development costs	Goodwill	Customer-related assets	Technology-based assets
Balance, April 1, 2017	13,417	2,120	1,855	—	—
Balance, March 31, 2018	23,645	2,560	11,165	18,948	6,176
Balance, March 31, 2019	34,367	2,965	14,212	15,120	5,531

(Unit: Millions of yen)

Carrying amount	Other	Total
Balance, April 1, 2017	5,059	22,451
Balance, March 31, 2018	14,474	76,968
Balance, March 31, 2019	14,097	86,292

The research and development expenditures recognized in profit or loss for the years ended March 31, 2018 and 2019 were ¥445,862 million and ¥495,843 million, respectively. These amounts were included in "Cost of revenue" and "Selling, general and administrative expenses" in the consolidated statement of income.

(2) Impairment losses

The Group recognized impairment losses for the following assets:

For the year ended March 31, 2018

Impairment losses on goodwill recognized along with the decrease in profit or the disposal, etc. of TD MOBILE's directly managed stores were ¥393 million.

For the year ended March 31, 2019

Impairment losses on goodwill recognized along with the decrease in profit or the disposal, etc. of TD MOBILE's directly managed stores were ¥334 million.

(3) Material intangible assets

The material intangible assets recognized in the Consolidated Statement of Financial Position were as follows:

For the year ended March 31, 2018

	Carrying amount (Millions of yen)	Average remaining amortization periods (Years)
Customer-related assets	18,948	7.4
Technology-based assets	6,176	9.6

Additions on material intangible assets for the year ended March 31, 2018 include customer-related assets for which the carrying amount is ¥12,103 million and the average remaining amortization periods are 7.3 years due to the acquisition of TD MOBILE. Material intangible assets also include customer-related assets for which the carrying amount is ¥6,845 million and the average remaining amortization periods are 7.6 years, as well as technology-based assets for which the carrying amount is ¥6,176 million and the average remaining amortization periods are 9.6 years due to the acquisition of FUJITSU TEN.

For the year ended March 31, 2019

	Carrying amount (Millions of yen)	Average remaining amortization periods (Years)
Customer-related assets	15,120	6.4
Technology-based assets	5,531	8.6

There are no significant intangible assets newly recognized for the year ended March 31, 2019.

(4) Impairment test for goodwill

Goodwill is allocated to cash-generating units, or groups of cash-generating units, and tested for impairment annually or whenever there is any indication of impairment.

Goodwill acquired in business combinations is allocated to each of the cash-generating units or groups of cash-generating units that are expected to benefit from excess earning powers in the future from synergies resulting from the business combination. Allocations to each of the cash-generating units or groups of cash-generating units were as follows:

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
TD MOBILE (Note 1)	7,397	7,011
DENSO TEN group (Note 2)	1,938	1,938
DENSO FA YAMAGATA	—	3,464
Other	1,830	1,799
Total	11,165	14,212

(Note 1) Goodwill allocated to TD MOBILE was allocated to directly managed stores run by TD MOBILE.

(Note 2) Goodwill allocated to the DENSO TEN group was allocated to DENSO TEN and its key subsidiaries.

Goodwill allocated to TD MOBILE is recognized as impairment losses when there is a decrease in profit or disposal, etc., of its directly managed stores.

DENSO TEN group and DENSO FA YAMAGATA's recoverable amounts for each cash-generating unit or group of cash-generating units are calculated using the maximum value in use based on the five-year business plan prepared based on past experiences and external evidence. Such business plan is approved by management. Cash flow projections beyond the five-year period are extrapolated using a steady or declining growth rate. They were discounted using the weighted-average cost of capital 6.42%-9.17% of cash-generating units or groups of cash-generating units. While the recoverable amounts exceeded carrying amounts for the year ended March 31, 2019, an increase in the discount rate of 1.3% would result in impairment losses.

13. Income taxes

(1) Income tax expenses

"Income tax expenses" for each fiscal year were as follows:

(Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Current income tax expenses		
Current year	114,228	95,226
Prior years	754	(1,331)
Total	114,982	93,895
Deferred income tax expenses		
Occurrence and reversal of temporary differences	(5,426)	(18,763)
Change in tax rates	(3,450)	(0)
Recognition of previously unrecognized deferred tax assets	(564)	(340)
Reversal of deferred tax assets recognized in the prior year	917	1,630
Total	(8,523)	(17,473)
Total of income tax expenses	106,459	76,422
Income taxes recognized in other comprehensive income	41,021	(56,637)

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in an applicable tax rate of 30.29% for the year ended March 31, 2018 and 30.07% for the year ended March 31, 2019.

The current income tax charges outside of Japan are calculated on the basis of the tax laws enacted or substantively enacted in the jurisdictions where the Company and its subsidiaries operate and generate taxable income.

The reconciliation between the applicable tax rates and the average effective tax rates reflected in the accompanying consolidated statements of income for each fiscal year was as follows:

(Unit: %)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Applicable statutory tax rate	30.29	30.07
Lower income tax rates applicable to income in certain foreign subsidiaries	(2.95)	(3.80)
Tax credit for R&D expenses	(3.18)	(3.44)
Recognition of previously unrecognized deferred tax assets	(0.13)	(0.10)
Reversal of deferred tax liabilities due to change in applicable tax rates	(0.77)	(0.00)
Other	0.40	(1.26)
Actual effective tax rate	23.66	21.47

(2) Deferred tax assets and liabilities

Changes in "Deferred tax assets" and "Deferred tax liabilities" for each fiscal year were as follows:

For the year ended March 31, 2018 (Unit: Millions of yen)

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations (Note 2)	Exchange differences on translating foreign operations	Balance, end of year
Deferred tax assets (Note 1)						
Accrued bonuses to employees	19,790	508	—	341	(55)	20,584
Reserve for warranty	14,586	(5,211)	—	309	21	9,705
Retirement benefit liabilities	64,087	2,276	(203)	602	80	66,842
Provision for accrued vacations paid	18,621	625	—	92	(19)	19,319
Other	92,847	17,235	(644)	2,479	(3)	111,914
Total deferred tax assets	209,931	15,433	(847)	3,823	24	228,364
Deferred tax liabilities						
Investment in equity instruments	181,942	—	34,134	609	—	216,685
Depreciation	36,198	8,136	—	10	(596)	43,748
Retirement benefit assets	39,229	12,966	(6,360)	—	(8)	45,827
Other	539	2,854	86	5,130	(253)	8,356
Total deferred tax liabilities	257,908	23,956	27,860	5,749	(857)	314,616
Net	(47,977)	(8,523)	(28,707)	(1,926)	881	(86,252)

For the year ended March 31, 2019 (Unit: Millions of yen)

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations (Note 2)	Exchange differences on translating foreign operations	Balance, end of year
Deferred tax assets (Note 1)						
Accrued bonuses to employees	20,584	(218)	—	42	18	20,426
Reserve for warranty	9,705	8,848	—	45	3	18,601
Retirement benefit liabilities	66,842	(259)	2,581	1	(29)	69,136
Provision for accrued vacations paid	19,319	565	—	42	1	19,927
Other	111,914	8,141	13,844	44	(91)	133,852
Total deferred tax assets	228,364	17,077	16,425	174	(98)	261,942
Deferred tax liabilities						
Investment in equity instruments	216,685	—	(37,471)	—	—	179,214
Depreciation	43,748	379	—	—	334	44,461
Retirement benefit assets	45,827	(1,451)	(2,732)	—	(13)	41,631
Other	8,356	676	(9)	103	88	9,214
Total deferred tax liabilities	314,616	(396)	(40,212)	103	409	274,520
Net	(86,252)	17,473	56,637	71	(507)	(12,578)

(Note 1) The recoverability of deferred tax assets was assessed based on sufficient amounts of taxable temporary differences and future taxable income, and feasibility of tax planning.

(Note 2) The increase in "Business combinations" is due to the acquisition of TD MOBILE and FUJITSU TEN for the year ended March 31, 2018 and TOHOKU PIONEER EG for the year ended March 31, 2019 (See Note 6 "Business combinations").

"Deferred tax assets" and "Deferred tax liabilities" reported in the consolidated statement of financial position as of each fiscal year-end were as follows:

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Deferred tax assets	35,020	29,774
Deferred tax liabilities	121,272	42,352
Net deferred tax assets (liabilities)	(86,252)	(12,578)

The deductible temporary differences in which deferred tax assets were not recognized as of each fiscal year-end were as follows:

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Deductible temporary differences	27,377	44,823

The unused tax losses for which deferred tax assets were not recognized as of each fiscal year-end were as follows:

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Within 1st year	1,089	413
2nd year	1,608	16,424
3rd year	16,816	3,366
4th year	4,109	7,841
5th year and thereafter	33,415	29,461
Total	57,037	57,505

As of March 31, 2018 and 2019, deferred tax liabilities were not recognized for taxable temporary differences associated with investments in subsidiaries, except for undistributed profits which are determined to be distributed. This was because the Company was able to control the timing of the reversal of the temporary differences and it was certain that the temporary differences would not reverse in the foreseeable future. The taxable temporary differences associated with investments in subsidiaries in which deferred tax liabilities were not recognized as of March 31, 2018 and 2019 were ¥884,488 million and ¥967,561 million, respectively.

14. Bonds and borrowings

The breakdown of "Bonds and borrowings" at each fiscal year-end is as follows:

The Company is subject to financial covenants with respect to a portion of its borrowings from financial institutions and has complied with such covenants for the years ended March 31, 2018 and 2019. In addition, the Company monitors each compliance status to maintain the level required by such financial covenants.

	FY2018 As of March 31, 2018 (Millions of yen)	FY2019 As of March 31, 2019 (Millions of yen)	Average interest rate (%) (Note 1)	Maturity date
With collateral				
Short-term borrowings	―	―	―	―
Current portion of long-term borrowings	―	―	―	―
Long-term borrowings	―	―	―	―
Without collateral				
Short-term borrowings	64,845	106,659	3.15	―
Current portion of bonds (Note 2)	30,000	20,000	―	―
Current portion of long-term borrowings	75,158	17,379	2.96	―
Bonds (Note 2)	150,000	220,000	―	―
Long-term borrowings	153,847	186,160	0.17	From 2020 to 2028
Total	473,850	550,198	―	―

(Note 1) Average interest rate indicates the weighted-average interest rates applicable to borrowings at each fiscal year-end.

(Note 2) Bonds at each fiscal year end consisted of the following:

Issuer	Name of bond	Date of Issuance	FY2018 As of March 31, 2018 (Millions of yen)	FY2019 As of March 31, 2019 (Millions of yen)	Interest rate (%)	Collateral	Redemption period
DENSO Corporation	The 8th unsecured bonds	July 24, 2013	30,000 (30,000)	—	0.35	None	June 20, 2018
	The 9th unsecured bonds	July 16, 2014	20,000	20,000 (20,000)	0.20	None	June 20, 2019
	The 10th unsecured bonds	September 8, 2015	20,000	20,000	0.18	None	September 18, 2020
	The 11th unsecured bonds	September 8, 2015	10,000	10,000	0.27	None	September 20, 2022
	The 12th unsecured bonds	September 8, 2016	10,000	10,000	0.01	None	September 17, 2021
	The 13th unsecured bonds	September 8, 2016	20,000	20,000	0.14	None	September 18, 2026
	The 14th unsecured bonds	June 8, 2017	30,000	30,000	0.04	None	June 20, 2022
	The 15th unsecured bonds	June 8, 2017	40,000	40,000	0.25	None	June 18, 2027
	The 16th unsecured bonds	April 26, 2018	—	30,000	0.08	None	March 20, 2023
	The 17th unsecured bonds	April 26, 2018	—	20,000	0.18	None	March 19, 2025
	The 18th unsecured bonds	April 26, 2018	—	40,000	0.32	None	March 17, 2028
Total	—	—	180,000 (30,000)	240,000 (20,000)	—	—	—

(Note) The amounts in parentheses under "FY2018 and FY2019 (Millions of yen)" indicate current portion of bonds.

15. Trade and other payables

The breakdown of "Trade and other payables" at each fiscal year-end are as follows:

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Notes and accounts payable (Note 1)	584,189	594,090
Other (Note 2)	339,083	345,460
Total	923,272	939,550

(Note 1) "Trade and other payables" are classified as financial liabilities measured at amortized cost.

(Note 2) Other includes mainly accrued expenses and notes/accounts payable for equipment.

16. Provisions

"Provisions" were included in current liabilities and non-current liabilities in the consolidated statement of financial position.

The breakdown and movements in provisions for each fiscal year are as follows:

(Unit: Millions of yen)

	Reserve for warranty (Note 1)	Provision for loss on antitrust issues (Note 2)	Other	Total
Balance, April 1, 2017	51,825	11,522	8,731	72,078
Provisions made	18,681	10,494	4,717	33,892
Provisions used	(6,986)	(284)	(3,011)	(10,281)
Provisions reversed	(23,006)	(596)	(1,100)	(24,702)
Foreign exchange differences	(252)	—	74	(178)
Balance, March 31, 2018	40,262	21,136	9,411	70,809
Provisions made	38,842	1,191	5,135	45,168
Provisions used	(6,092)	(7,853)	(3,044)	(16,989)
Provisions reversed	(4,967)	(21)	(4,454)	(9,442)
Foreign exchange differences	(196)	101	(294)	(389)
Balance, March 31, 2019	67,849	14,554	6,754	89,157

(Note 1) A portion of the reserve for warranty is expected to be reimbursed by mutual agreement with the Group's suppliers. The estimated amounts of reimbursements were ¥2,281 million and ¥5,026 million as of March 31, 2018 and 2019, respectively. The amounts were included in "Trade and other receivables" in the consolidated statement of financial position.

(Note 2) Please see Note 31 "Contingencies."

17. Post-employment benefits

The Group has funded or unfunded defined benefit plans and defined contribution plans as employee retirement benefit plans. The benefits for defined benefit plans are provided based on conditions, such as points that employees acquired in compensation for each year of service, years of service, and others. The pension amounts that are actuarially calculated using certain ratios of relevant wages and salaries are accumulated as funds to prepare for the payment of future benefits. In addition, the Group may pay additional retirement grants for employees which do not meet the definition of defined benefit plans under IFRS.

The funded defined benefit plans are managed by a fund that is legally segregated from the Group in accordance with statutory requirements. The board of the pension fund and the trustees of the plan are required by law to act in the best interests of the plan participants and are responsible for managing the plan assets in accordance with the designated investment strategy.

(1) Defined benefit plans

The balance and changes in the present value of the defined benefit obligation and fair value of plan assets were as follows:

1) Changes in the defined benefit obligation (Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Balance, beginning of year	814,759	877,116
Service cost	37,407	37,973
Interest cost on obligation	7,164	7,691
Plan amendments	(210)	(616)
Actuarial gains and losses (Demographic)	367	5,709
Actuarial gains and losses (Financial)	(3,501)	19,565
Benefits paid	(24,641)	(35,604)
Business combinations (Note)	46,416	—
Foreign exchange differences	(645)	463
Balance, end of year	877,116	912,297

(Note) The increase in "Business combinations" is due to the acquisition of TD MOBILE and FUJITSU TEN (See Note 6 "Business combinations").

2) Changes in the plan assets (Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Balance, beginning of year	630,051	685,593
Interest income on plan assets	5,420	6,164
Plan amendments	18	(1,306)
Income from plan assets other than interest	16,058	7,396
Employer contributions	15,597	23,462
Benefits paid	(16,462)	(22,012)
Business combinations (Note)	36,227	—
Foreign exchange differences	(1,316)	690
Balance, end of year	685,593	699,987

(Note) The increase in "Business combinations" is due to the acquisition of TD MOBILE and FUJITSU TEN (See Note 6 "Business combinations").

3) Reconciliation of balances of defined benefit obligations and plan assets (Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Defined benefit obligation, end of year	877,116	912,297
Plan assets, end of year	685,593	699,987
Net amount of defined benefit obligation and plan assets	191,523	212,310
Retirement benefit liabilities	245,387	250,634
Retirement benefit assets	53,864	38,324
Net amount of liabilities and assets recognized in the consolidated statement of financial position	191,523	212,310

Investment policy

The Group's investment policy for the plan assets of its defined benefit pension plans is to procure an adequate return to provide future payments of pension benefits over the long term by optimizing risk tolerance and formulating a well-diversified portfolio including investments such as equity instruments, debt instruments, and insurance contracts.

Considering the funded status of the pension plans and surrounding economic environment for investments, the Group's investment strategy may be revised as needed.

Moreover, the Group continuously monitors and pays extra attention to the diversification of risks relevant to strategies and investment managers for the purpose of risk control and, thereby, pursues efficient risk management.

Major components of plan assets

The fair values of plan assets for the years ended March 31, 2018 and 2019 were as follows:

As of March 31, 2018 (Unit: Millions of yen)

Category	Plan assets that have a quoted market price in an active market	Plan assets that do not have a quoted market price in an active market	Total
Equity instruments			
Japanese equity securities	45,488	25	45,513
Global equity securities	392	―	392
Commingled funds—Japanese equity securities	―	65,071	65,071
Commingled funds—global equity securities	―	46,775	46,775
Total—Equity instruments	45,880	111,871	157,751
Debt instruments			
Japanese debt securities	14,519	1,859	16,378
Global debt securities	92,837	24	92,861
Commingled funds—Japanese debt securities	―	67,138	67,138
Commingled funds—global equity securities	―	81,167	81,167
Other	152	1,685	1,837
Total—Debt instruments	107,508	151,873	259,381
Insurance contracts (Note 1)	―	135,407	135,407
Other (Note 2)	92,760	40,294	133,054
Total	246,148	439,445	685,593

(Note 1) Insurance contracts includes investments in life insurance company general accounts, which are guaranteed for the principal amount and interest rate by life insurance companies.

(Note 2) Other includes mainly cash and cash equivalents.

As of March 31, 2019 (Unit: Millions of yen)

Category	Plan assets that have a quoted market price in an active market	Plan assets that do not have a quoted market price in an active market	Total
Equity instruments			
Japanese equity securities	37,820	—	37,820
Global equity securities	191	—	191
Commingled funds—Japanese equity securities	—	81,074	81,074
Commingled funds—global equity securities	—	41,821	41,821
Total—Equity instruments	38,011	122,895	160,906
Debt instruments			
Japanese debt securities	22,206	—	22,206
Global debt securities	75,028	—	75,028
Commingled funds—Japanese debt securities	—	75,620	75,620
Commingled funds—global equity securities	—	89,383	89,383
Other	157	2,380	2,537
Total—Debt instruments	97,391	167,383	264,774
Insurance contracts (Note 1)	—	149,704	149,704
Other (Note 2)	75,605	48,998	124,603
Total	211,007	488,980	699,987

(Note 1) Insurance contracts includes investments in life insurance company general accounts, which are guaranteed for the principal amount and interest rate by life insurance companies.
(Note 2) Other includes mainly cash and cash equivalents.

The major items of actuarial assumptions as of each fiscal year-end were as follows: (Unit: %)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Discount rate	0.70	0.55

Changes in the key assumptions may affect the measurement of defined benefit obligations as follows. In addition, this analysis shows the sensitivity to the key assumptions without taking into account all information of projected cash flow.

(Unit: Millions of yen)

	Increase (decrease) of defined benefit obligations as of March 31, 2019
Discount rate: Decreased by 0.5%	73,780
Discount rate: Increased by 0.5%	(65,467)

The Group expects ¥24,501 million of the contribution to be paid from April 1, 2019 to March 31, 2020.

The weighted-average durations of the defined benefit obligations were 19 years for the years ended March 31, 2018 and 2019, respectively.

(2) Defined contribution plans

The amounts recognized as expenses related to the defined contribution plans for the years ended March 31, 2018 and 2019 were ¥11,420 million and ¥11,078 million, respectively.

18. Equity and other equity items

(1) Capital stock and Capital surplus

Under the Companies Act, at least 50% of the proceeds of certain issues of common shares shall be credited to "Capital stock." The remainder of the proceeds shall be credited to "Capital surplus." The Companies Act permits, upon approval at the general meeting of shareholders, the transfer of amounts from "Capital surplus" to "Capital stock."

The number of authorized shares as of each fiscal year end was 1,500 million shares.

The number of fully paid issued shares and the increase/decrease in each fiscal year-end were as follows:

	Number of shares (Shares)	Capital stock (Millions of yen)	Capital surplus (Millions of yen)
FY2018 As of March 31, 2018	794,068,713	187,457	265,985
Increase (Decrease)	(6,123,762)	—	2,791
FY2019 As of March 31, 2019	787,944,951	187,457	268,776

The shares issued by the Company are non-par value ordinary shares that have no restriction on any content of rights. The decrease in the number of shares is due to a retirement of treasury stock which was based on the resolution of the Board of Directors meeting held on October 31, 2018.

(2) Retained earnings

The Companies Act provides that a 10% dividend of retained earnings shall be appropriated as "Capital surplus" or as a legal reserve until the aggregate amount of the "Capital surplus" and the legal reserve equals 25% of "Capital stock." The legal reserve may be used to eliminate or reduce a deficit or be transferred to "Retained earnings" upon approval at the general meeting of shareholders.

(3) Treasury stock

The Companies Act allows Japanese companies to purchase and hold treasury stock. Japanese companies are allowed to decide the number, amount, and other aspects of the treasury stock to be acquired, not exceeding the amount available for distribution, upon resolution at the shareholders' meeting. The Companies Act also allows Japanese companies to purchase treasury stock through market transactions or tender offer by resolution of the board of directors, as long as it is allowed under the articles of incorporation, subject to limitations imposed by the Companies Act.

The increase/decrease of treasury stock as of each fiscal year-end was as follows:

	Number of shares (Shares)	Amount (Millions of yen)
FY2018 As of March 31, 2018	14,345,864	57,677
Decrease	(1,274,219)	(874)
FY2019 As of March 31, 2019	13,071,645	56,803

(4) Other components of equity

1) Net fair value loss on equity instruments designated as FVTOCI

Net fair value loss on equity instruments designated as FVTOCI is the accumulated gains and losses related to financial instruments measured at the fair value through other comprehensive income.

2) Remeasurements of defined benefit pension plans

Remeasurements of defined benefit pension plans are the amount affected by the difference between the actuarial assumption and actual result and by the change of the actuarial assumption. The amount is recognized through other comprehensive income as incurred, then immediately transferred from other components of equity to retained earnings.

3) Exchange differences on translating foreign operations

Exchange differences on translating foreign operations are the foreign exchange differences which are recognized when translating the results and financial position of a foreign operation of the Group into a presentation currency of the Group.

4) Cash flow hedges

Cash flow hedges are the accumulated amounts of the effective portion of gains and losses, arising from changes in the fair value of hedging instruments for cash flow hedges.

19. Dividends

Total annual dividends for each fiscal year were as follows:

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors' meeting held on April 28, 2017	Ordinary shares	47,153	60	March 31, 2017	May 29, 2017
Board of Directors' meeting held on October 31, 2017	Ordinary shares	50,684	65	September 30, 2017	November 27, 2017
Board of Directors' meeting held on April 27, 2018	Ordinary shares	50,684	65	March 31, 2018	May 28, 2018
Board of Directors' meeting held on October 31, 2018	Ordinary shares	54,664	70	September 30, 2018	November 27, 2018

Dividends for which the record date is in the current fiscal year, yet the effective date is in the following fiscal year, are as follows:

Resolution	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors' meeting held on April 26, 2019	Ordinary shares	Retained earnings	54,243	70	March 31, 2019	May 27, 2019

20. Revenue

(1) Disaggregation of revenue

The Group serves automobile manufacturers around the world and supplies a wide range of products, including powertrain systems, electrification systems, electronic systems, thermal systems, and mobility systems.

In the aftermarket and new business, the Group also supplies automotive service parts and accessories to end-users. Revenue generated from these businesses is recorded in accordance with contracts with customers and is presented as “Revenue.”

Disaggregated revenue by customer is as follows:

For the year ended March 31, 2019

(Unit: Millions of yen)

Toyota Motor Corporation Group	2,519,262
Other Original Equipment Manufacturing Sales	2,243,017
Total Original Equipment Manufacturing Sales	4,762,279
Aftermarket and New Business	600,493
Total	5,362,772

(Note 1) The amounts are after deduction of inter-group transactions.
(Note 2) The "Total Original Equipment Manufacturing Sales" includes lease income of ¥15,240 million, under IAS 17.

Disaggregated revenue by product is as follows:

For the year ended March 31, 2019

(Unit: Millions of yen)

Thermal Systems	1,403,885
Powertrain Systems	1,278,778
Electrification Systems	800,545
Mobility Systems	914,040
Electronic Systems	658,200
Others	109,985
Automotive Total	5,165,433
Non-Automotive Business (FA and agriculture, etc.) Total	197,339
Total	5,362,772

(Note 1) The amounts are after deduction of inter-group transactions.
(Note 2) The "Automotive Total" includes lease income of ¥15,240 million, under IAS 17.

For the breakdown of revenue by geographical segment and revenue to the Toyota Motor Corporation group, see Note 5 "Segment information."

(2) Contract balances

The breakdown of contract balances of the Group is as follows:

For the year ended March 31, 2019

(Unit: Millions of yen)

	April 1, 2018	March 31, 2019
Receivables from contracts with customers		
Trade and other receivables	906,553	918,919
Total	906,553	918,919
Contract assets		
Other current assets	835	953
Other non-current assets	1,156	1,558
Total	1,991	2,511

The balance and changes in contract assets are both immaterial.

Of the revenue recognized in the fiscal year ended March 31, 2019, the amount included in the balance of contract liabilities at the beginning of the period, or the amount of revenue recognized from performance obligations that have been satisfied (or partially satisfied) in previous periods, is immaterial.

(3) Refund liabilities

The Group expects a portion of the product sales transactions to be refunded to customers due to estimated discounts. Refund liabilities of ¥7,498 million are included in "Other current liabilities" for the fiscal year ended March 31, 2019.

(4) Transaction price allocated to remaining performance obligations

As the Group does not have significant contracts with an expected term in excess of one year, the Group has applied the practical expedient and omitted the information on remaining performance obligations. In addition, considerations arising from contracts with customers do not include significant amounts that are not included in the transaction price.

21. Other income

The breakdown of "Other income" for each fiscal year is as follows:

(Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Rental income—property, plant and equipment	2,261	2,394
Gain on sales—property, plant and equipment	5,146	4,628
Other (Note)	26,868	16,534
Total	34,275	23,556

(Note) Other for the year ended March 31, 2018 included a gain of ¥11,646 million as a result of the remeasurement of equity interest previously held at the time of the acquisition of control by the Company of TD MOBILE at fair value on the acquisition date (See Note 6 "Business combinations").

Other for the year ended March 31, 2019 included reversal of provisions ¥3,463 million which was related to customs in some overseas subsidiaries.

22. Selling, general and administrative expenses and other expenses

The breakdown of "Selling, general and administrative expenses" for each fiscal year is as follows:

(Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Freight expenses	42,712	46,712
Employee benefit expenses	196,599	211,827
Provision (Reversal) for warranty reserve	(12,506)	32,737
Depreciation	25,798	28,125
Welfare expenses	31,552	33,317
Other	163,577	160,605
Total	447,732	513,323

The breakdown of "Other expenses" for each fiscal year is as follows: (Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Loss on sales or disposal—property, plant and equipment	8,908	9,154
Impairment losses	1,547	6,654
Other (Note)	17,105	9,129
Total	27,560	24,937

(Note) Other for the years ended March 31, 2018 and 2019 included losses on antitrust issues, which were settlement amounts, etc., with regard to the alleged violation of antitrust law or competition law in connection with certain past transactions regarding specific auto parts in the amount of ¥10,424 million and ¥1,170 million, respectively (See Note 31 "Contingencies").

23. Income and expenses pertaining to financial instruments

The breakdown of "Finance income" for each fiscal year is as follows: (Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Interest income		
Financial assets measured at amortized cost (i.e., deposits and other)	10,050	13,768
Financial liabilities measured at fair value through profit or loss (i.e., interest rate derivatives)	—	378
Dividend income		
Financial assets measured at fair value through other comprehensive income (Note)	29,894	32,563
Other	588	1,920
Total	40,532	48,629

(Note) Dividend income from the financial assets measured at fair value through other comprehensive income, which was recognized in each fiscal year included the dividend income from the financial assets measured at fair value through other comprehensive income which were derecognized in each fiscal year (See Note 10 "Other financial assets").

The breakdown of "Finance costs" for each fiscal year is as follows: (Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Interest expenses		
Financial liabilities measured at amortized cost (i.e., bonds, borrowings, and other)	6,330	9,223
Financial liabilities measured at fair value through profit or loss (i.e., interest rate derivatives)	712	—
Interest on defined benefit liabilities, net	1,744	1,527
Other	709	1,257
Total	9,495	12,007

24. Earnings per share

(1) Basis of calculating basic earnings per share

1) Profit for the year attributable to owners of the parent company (Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Profit attributable to owners of the parent company	320,561	254,524

2) Average number of shares—basic (Unit: Thousands of shares)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Average number of shares—basic	781,002	779,611

(2) Basis of determination of profit used to determine diluted earnings per share

Earnings per share-diluted is not presented since shares with a dilutive effect do not exist.

25. Other comprehensive income

The breakdown of "Other comprehensive income," including that attributable to non-controlling interests, for each fiscal year is as follows:

(Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net fair value gain (loss) on equity instruments designated as FVTOCI		
Arising during the year	118,942	(168,137)
Income taxes	(34,778)	51,315
Total	84,164	(116,822)
Remeasurements of defined benefit pension plans		
Arising during the year	19,192	(17,878)
Income taxes	(6,157)	5,313
Total	13,035	(12,565)
Share of other comprehensive income of investments accounted for using the equity method		
Arising during the year	10	(11)
Total	10	(11)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations		
Arising during the year	(4,044)	(314)
Reclassification to profit or loss	(302)	(5,539)
Total	(4,346)	(5,853)
Cash flow hedges		
Arising during the year	1,271	1,343
Reclassification to profit or loss	(986)	(1,375)
Before income taxes	285	(32)
Income taxes	(86)	9
Total	199	(23)
Share of other comprehensive income of investments accounted for using the equity method		
Arising during the year	(1,012)	230
Total	(1,012)	230
Total other comprehensive income	92,050	(135,044)

The breakdown of other comprehensive income attributable to non-controlling interests (net of tax) for each fiscal year is as follows:

(Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Net fair value (loss) gain on equity instruments designated as FVTOCI	(21)	12
Remeasurements of net defined benefit pension plans	140	446
Exchange differencies on translating foreign operations	2,261	147
Cash flow hedges	—	—
Total	2,380	605

26. Non-financial transactions that are material

Details of non-financial transactions that are material

Assets and liabilities related to finance lease transactions were as follows:

(Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
The amounts of assets and liabilities related to finance lease transactions	11,307	12,818

In addition to the above, the Company made TD MOBILE a subsidiary in the fiscal year ended March 31, 2018. The business combination was conducted through TD MOBILE acquiring its own treasury stock and is therefore regarded as a non-cash transaction (See Note 6 "Business combinations").

27. Financial instruments

(1) Capital management

To achieve sustainable growth, the Group aims to ensure financial health while continuing stable and lasting returns to shareholders by managing its resources through activities such as facility investment in business, research and development, and mergers and acquisitions. Generally, the operating cash flows cover such funding by maintaining and strengthening the Group's profitability and cash-generating ability, with additional interest-bearing debt, such as debts and borrowings, if necessary. In addition, the Group secures funds to maintain stable financial health in the long term. The Group is not exposed to capital restrictions by external parties as of March 31, 2019.

(2) Description and extent of financial risks

In the course of its business activities, the Group is exposed to financial risks, such as credit risks, market risks, and liquidity risks, and performs risk management activities in accordance with certain policies to avoid or reduce these risks. The policy of funding, including derivative transactions at the Company, is approved by the Board of Directors at the beginning of each fiscal year and governs internal regulations, which stipulate the internal control for derivative transactions and relevant risk management.

The Group policy limits derivative transactions for the purpose of mitigating risks arising from transactions on actual demand. Therefore, the Group does not enter into derivative transactions for speculation purposes.

1) Credit risk

Receivables, such as notes and account receivables, acquired from the operating activities of the Group are exposed to customer credit risk. The Group manages its credit risks from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of each customer to identify the default risk of customers at an early stage. Of total receivables 32% are from the Toyota Motor Corporation group as of March 31, 2019.

The Group utilizes financial instruments in accordance with internal credit management regulations to minimize its risk on short-term investment trusts on debt securities, bonds, and debentures. In line with the internal asset management regulations, the Group transacts with highly rated financial institutions, securities, and issuing entities, therefore credit risk is deemed immaterial.

The counterparties to derivative transactions are limited to highly rated financial institutions to minimize credit risks arising from counterparties.

The carrying amount of financial assets, net of accumulated impairment loss, presented in the consolidated statement of financial position represents the maximum exposure of the Group's financial assets to credit risks without taking account of any collateral obtained.

The Group determined whether credit risk has significantly increased since initial recognition based on fluctuations in the risk of default, taking into consideration matters such as the financial situation of the customer and past due information. When contractual payments are more than 30 days past due, the credit risk is, in principle, deemed to have significantly increased. When evaluating credit risk, the Group takes into consideration reasonable and supportable information that is available without undue cost or effort, and in the event that it is possible to refute the determination based on this information, it may be assumed that there is no significant increase in credit risk. In addition, the Group in principle, deems default to have occurred when contractual payments are more than 90 days past due and when credit impairment has occurred. The Group evaluates whether or not there is any objective evidence to demonstrate that credit impairment has occurred at the end of each reporting period. Evidence of credit impairment includes a default or delinquency of the borrower, granting the borrower a concession that the Group would not otherwise consider, indications of bankruptcy of the issuer or obligor, and the disappearance of active markets. If future collection cannot be reasonably expected, the financial instrument is written off.

Changes in allowance for doubtful accounts

The Group recognizes an allowance for doubtful accounts taking into consideration the recoverability of trade receivables, etc., according to the credit status of counterparties. Expected credit losses are measured by multiplying the gross carrying amount by the expected credit loss rate. The expected credit loss rate is calculated based on reasonable and supportable information available without undue cost or effort, such as historical default rates, past due status of receivables, the financial position of the borrower, or the economic prospects of the industry to which the borrower belongs.

In addition, for financial instruments for which there is a significant increase in credit risk and credit-impaired financial assets, expected credit losses are calculated as the difference between the recoverable amount individually calculated and the gross carrying amount. The individually calculated recoverable amount factors in forecasts for future economic conditions of the counterparty in addition to its financial situation.

There have been no significant changes in estimation techniques or significant assumptions for the assessment of allowance for doubtful accounts during the current reporting period.

Increase and decrease of allowance for doubtful accounts are as follows:

Trade receivables

(Unit: Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance, April 1, 2018	637	1,517	2,154
Increase	1,551	—	1,551
Decrease—used	(187)	(73)	(260)
Decrease—reversed	(916)	(21)	(937)
Reclassification to credit-impaired financial assets	(418)	418	—
Foreign exchange differences	(86)	24	(62)
Balance, March 31, 2019	581	1,865	2,446

(Note) Allowance for doubtful accounts is not recorded for contract assets or lease receivables.

Receivables except for trade receivables

(Unit: Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Balance, April 1, 2018	283	—	283
Increase	22	539	561
Decrease—used	(1)	—	(1)
Decrease—reversed	(105)	—	(105)
Reclassification to credit-impaired financial assets	—	—	—
Foreign exchange differences	0	5	5
Balance, March 31, 2019	199	544	743

Changes in the gross carrying amount of financial instruments that contributed to the changes in the allowance for doubtful accounts are as follows:

Trade receivables

(Unit: Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance, April 1, 2018	748,247	4,059	752,306
New financial assets and derecognized financial assets during the period	18,344	(294)	18,050
Reclassification to credit-impaired financial assets	(558)	558	—
Foreign exchange differences	(378)	69	(309)
Balance, March 31, 2019	765,655	4,392	770,047

Receivables except for trade receivables

(Unit: Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Balance, April 1, 2018	2,125	—	2,125
New financial assets and derecognized financial assets during the period	106	539	645
Reclassification to credit-impaired financial assets	—	—	—
Foreign exchange differences	0	5	5
Balance, March 31, 2019	2,231	544	2,775

Risk profile

The breakdown of credit risk profiles by external credit ratings, etc., are as follows:

For the year ended March 31, 2019

Trade receivables, contract assets, or lease receivables

(Unit: Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	906,741	—	906,741
Past due within 90 days	22,901	—	22,901
Past due within 90 days to 1 year	1,832	2,292	4,124
Past due over 1 year	1,057	2,100	3,157
Total	932,531	4,392	936,923

Receivables except above

(Unit: Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Within due date	94,014	544	94,558
Past due within 30 days	―	―	―
Past due within 30 days to 90 days	―	―	―
Past due within 90 days to 1 year	―	―	―
Past due over 1 year	―	―	―
Total	94,014	544	94,558

(Note) Financial instruments which does not recognized credit losses due to low credit risk such as deposits at major financial instruments etc., among financial assets measured at amortized cost, are not included.

Bonds

(Unit: Millions of yen)

	12 months expected credit losses
Rating over AA	4,221

(Note) Rated by MOODY'S JAPAN, S&P GLOBAL RATEING JAPAN and Rating and Investment Information, Inc..

2) Market risk

Foreign exchange risk

The Group operates globally and is exposed to foreign currency risks related to transactions in currencies other than the local currencies in which the Group operates. Such foreign exchange risk is economically hedged principally by forward foreign currency contracts related to foreign currency trade receivables and payables. Currency swaps are used for borrowings in foreign currency as derivative transactions. Risk management is performed by the Company's accounting division based on the internal guidelines which prescribe the authority and limits for each transaction. The actual results of such transactions are reported monthly to the executive supervising the accounting division. The subsidiaries manage their derivative transactions based on similar guidelines.

The details of currency derivatives are as follows:

Derivative transactions to which hedge accounting is not applied

(Unit: Millions of yen)

	FY2018 As of March 31, 2018			FY2019 As of March 31, 2019		
	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value
Forward exchange contracts						
Buying	46,018	—	502	96,778	420	(693)
Selling	83,511	—	610	79,007	—	(286)
Currency option						
Buying (put)	—	—	—	955	—	6
Selling (call)	—	—	—	955	—	(6)
Currency swaps						
Buying	109,363	64,137	(5,808)	96,130	3,001	4,097
Selling	5,282	4,132	(73)	9,723	7,336	(83)
Total	244,174	68,269	(4,769)	283,548	10,757	3,035

Derivative transactions to which hedge accounting is applied

(Unit: Millions of yen)

	FY2018 As of March 31, 2018			FY2019 As of March 31, 2019		
	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value
Forward exchange contracts						
Buying	7,385	1,507	(203)	—	—	—
Total	7,385	1,507	(203)	—	—	—

Foreign exchange sensitivity analysis

Foreign exchange sensitivity analysis shows the effect on profit or loss and equity of 1% changes in the Japanese yen to the Company's balances of foreign currency as of the end of each fiscal year. This analysis is calculated by adjusting fluctuation by 1% on foreign exchange rates at the end of each reporting period. Also, the analysis is based on the assumption that other factors, such as balance and interest rate, are constant.

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Net profit or loss	512	382
Equity	512	382

Interest-rate risks

Since the Group borrows funds at both fixed interest rates and variable interest rates, the Group's borrowings and bonds are exposed to interest rate fluctuation risk. The Group's interest-bearing borrowings mainly consist of bonds and borrowings with fixed interest rates, and the borrowings at the variable interest rate are essentially equivalent to fixed interest rate borrowings by using corresponding interest-rate swap agreements.

In accordance with the Group's internal policy for derivative transactions which prescribes the authorities and limited amounts, the Company's accounting department conducts its financial management activities and reports the actual results of such transactions monthly to the executive supervising the accounting division. The subsidiaries manage their derivative transactions based on similar guidelines.

The details of Interest derivatives were as follows:

Derivative transactions to which hedge accounting is not applied

(Unit: Millions of yen)

	FY2018 As of March 31, 2018			FY2019 As of March 31, 2019		
	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value
Interest rate swap						
Floating rate receipt, fixed rate payment	50,614	46,803	(229)	40,302	35,033	(288)
Floating rate receipt, floating rate payment	15,000	15,000	274	15,000	15,000	174
Cross currency swap						
Floating rate receipt, fixed rate payment	—	—	—	—	—	—
Fixed rate receipt, fixed rate payment	40,119	11,916	(564)	37,120	4,601	334
Total	105,733	73,719	(519)	92,422	54,634	220

Derivative transactions to which hedge accounting is applied

(Unit: Millions of yen)

	FY2018 As of March 31, 2018		
	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value
Cross currency swap			
Floating rate receipt, fixed rate payment	54,001	54,001	(151)
Total	54,001	54,001	(151)

The cross currency swap, a contract which changes its floating rate to a fixed rate, is designated as a hedging instrument for cash flow hedges because it reduces the fluctuation of cash flows of floating rate borrowings. The payment/receipt terms of the interest swap are agreed with those of the relevant borrowings designated as hedged items. The accumulated amounts in equity are reclassified to profit or loss in the period or periods during which the payment of floating rates affects profit or loss. From the fiscal year ended March 31, 2019, the Group adopted IFRS 9, "Financial Instruments" (announced in July 2014). For hedge accounting of the fiscal year ended March 31, 2019, see "(3) Hedge accounting."

Interest rate sensitivity analysis

The table below shows the effect on the Group's profit or loss and equity arising from financial instruments affected by interest rate fluctuations, assuming the interest rate increases by 1% at the end of each fiscal year. This analysis is calculated by multiplying the net balance of floating-rate financial instruments held by the Group as of the fiscal year-end by 1% with neither future changes in the balances nor effects of foreign exchange fluctuations taken into account. The analysis assumes that all other variables remain constant.

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Net profit or loss	5,517	5,164
Equity	6,370	5,812

3) Liquidity risk

The Group raises funds through borrowings and bonds; however, such liabilities are exposed to the liquidity risk that the Group would not be able to repay liabilities on the due date due to the deterioration of the financing environment. The Group manages its liquidity risk by holding adequate volumes of assets with liquidity to cover the amounts of one month's consolidated revenue of the Group, along with adequate financial planning developed and revised by the Group's accounting department based on reports from each business unit.

The Group's remaining contractual maturities for financial liabilities as of each fiscal year-end were as follows:

(Unit: Millions of yen)

FY2018 As of March 31, 2018	Due in one year or less	Due after one year through five years	Due after five years	Total
Non-derivative financial liabilities				
Bonds and borrowings	170,003	176,023	127,824	473,850
Trade and other payables	655,286	6,039	786	662,111
Derivative financial liabilities				
Derivatives	6,940	3,277	24	10,241

(Unit: Millions of yen)

FY2019 As of March 31, 2019	Due in one year or less	Due after one year through five years	Due after five years	Total
Non-derivative financial liabilities				
Bonds and borrowings	144,038	197,160	209,000	550,198
Trade and other payables	668,796	6,311	607	675,714
Derivative financial liabilities				
Derivatives	1,602	1,724	16	3,342

4) Price risks of equity instruments

The Group is exposed to equity price risks arising from equity instruments. These investments are held mainly for strengthening business relationships with investees, not for trading purpose. The Group does not sell these investments frequently and the Group periodically reviews the fair value of these instruments as well as the financial condition and relationships with investees.

Assuming that the share price rose or fell by 1% at each fiscal year-end, the increase or decrease in total equity would have amounted to approximately ¥8,473 million and ¥7,346 million for the years ended March 31 2018 and 2019, respectively. As most marketable securities held by the Group are classified as financial assets measured at FVTOCI, a 1% rise or fall in share price would result in an immaterial impact on profit or loss.

The significant unobservable input used in measuring the fair value of non-marketable shares and other equity securities is the non-liquid discount rate. Substantial increase or decrease in such inputs causes material increase or decrease to the fair value.

(3) Hedge accounting

Interest rate currency swap transaction

The Group has borrowings in foreign currencies with floating interest rates, and is exposed to foreign exchange risks and interest rate risks. In order to hedge the risks when borrowing in foreign currencies at floating interest rates, cash flow payments are, in principle, fixed in yen or at contracted interest rates by concluding interest rate currency swaps at the time of borrowing.

The Group uses interest rate currency swaps as hedging instruments in order to hedge the foreign exchange risk and the interest rate risk on borrowings with floating interest rates in foreign currencies. The Group determines the economic relationship between the hedged item and the hedging instrument based on the currency, amount, and timing of occurrence of the relevant cash flows. For transactions currently subject to hedge accounting, the important conditions for the hedged item and the hedging instrument are the same, and the hedge ratio is 1:1. The importance of the currency basis spread is deemed to be insignificant. Hedge ineffectiveness occurs as the result of fluctuations in the credit risk of the counterparty of the hedged items and hedging instruments. However, since the Group transacts only with highly rated financial institutions, the risk of occurrence of hedge ineffectiveness is deemed to be extremely small.

No hedge ineffectiveness has been recognized in profit or loss in the previous year or the current year.

Details of hedging instruments that are designated as cash flow hedges are as follows:

(Unit: Millions of yen)

	FY2019 As of March 31, 2019						
	Carrying amount	Nominal amount	Average rate	Average price	Within 1 year	1 to 5 years	Over 5 years
Interest rate currency swap transaction Floating rate receipt, fixed rate payment	438	41,503	0.06%	110.33	—	41,503	—

Assets or liabilities related to the aforementioned derivatives are included in "Other financial assets" or "Other financial liabilities," respectively, in the consolidated statement of financial position. In addition, there are no forecasted transactions where hedge accounting was used in the previous and current years, but which are no longer expected to occur.

Hedged items designated as cash flow hedges are as follows:

	FY2019 As of March 31, 2019
Cash flow hedge reserve for continuing hedge	131

The impact of hedge accounting on the consolidated statement of income is as follows:

	FY2019 2018/4-2019/3
Hedging gains of the reporting period that were recognized in other comprehensive income	1,523
The amount reclassified from the cash flow hedge reserve into profit or loss (Note)	(1,555)
Total	(32)

(Note) The amount reclassified in profit or loss is included in "Foreign exchange losses" or "Finance costs" in the consolidated statement of income. See Note 25 "Other comprehensive income" for the reconciliation of each component of equity and an analysis of other comprehensive income.

(4) Fair value of financial instruments

The fair value hierarchy of financial instruments is categorized within the following three levels.

Level 1: Fair value measured via market prices in active markets.
Level 2: Fair value measured via observable prices, either directly or indirectly, other than those categorized within Level 1.
Level 3: Fair value measured via inputs not based on observable market data.

Transfers between fair value hierarchy levels are deemed to have occurred at the beginning of the fiscal year ended March 31, 2019.

There were no significant transfers between Level 1 and Level 2 for 12 months of the years ended March 31, 2018 and 2019.

1) Financial instruments measured at amortized cost

The fair value hierarchy of financial instruments measured at amortized cost is shown as follows:

(Unit: Millions of yen)

FY2018 As of March 31, 2018	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Debt securities	13,440	13,478	—	—	13,478
Financial liabilities					
Long-term borrowing (Note)	229,005	—	—	227,775	227,775
Bonds	180,000	179,723	—	—	179,723

(Note) The amounts to be paid or redeemed within a year are included.

(Unit: Millions of yen)

FY2019 As of March 31, 2019	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Debt securities	4,221	4,228	—	—	4,228
Financial liabilities					
Long-term borrowing (Note)	203,539	—	—	203,808	203,808
Bonds	240,000	240,577	—	—	240,577

(Note) The amounts to be paid or redeemed within a year are included.

The fair value of short-term financial assets and short-term financial liabilities, which are measured by amortized cost, approximates carrying amount, and is not disclosed above.

The fair value of long-term borrowings is calculated based on the present value, which is obtained by discounting the sum of the principal and interest by the interest rate assumed in a case where the same loan would be newly made.

2) Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

The fair value hierarchy of financial instruments measured at fair value is as follows:

(Unit: Millions of yen)

FY2018 As of March 31, 2018	Level 1	Level 2	Level 3	Total
Derivative assets	—	4,550	—	4,550
Shares				
Listed shares	1,211,703	—	—	1,211,703
Unlisted shares	—	—	99,014	99,014
Other equity securities	—	—	2,516	2,516
Total	1,211,703	4,550	101,530	1,317,783
Derivative liabilities	—	10,232	—	10,232
Total	—	10,232	—	10,232

(Unit: Millions of yen)

FY2019 As of March 31, 2019	Level 1	Level 2	Level 3	Total
Derivative assets	—	6,872	—	6,872
Shares				
Listed shares	1,050,470	—	—	1,050,470
Unlisted shares	—	—	129,278	129,278
Other equity securities	—	—	4,741	4,741
Total	1,050,470	6,872	134,019	1,191,361
Derivative liabilities	—	3,250	—	3,250
Total	—	3,250	—	3,250

Derivatives used by the Group primarily consist of foreign exchange forward contracts, interest rate swaps, and currency swaps.

The fair values of foreign exchange forward contracts are determined based on quoted market prices for similar contracts with similar terms. With respect to interest rate swaps and currency swaps, the fair values are determined by reference to prices offered by financial institutions.

The fair values of unlisted shares and other equity securities are measured by using the most appropriate method in accordance with specific circumstances. Fair value is measured by using the discount cash flow method or the adjusted market value method with adjustments to the market value using the PBR, price book-value ratio, if necessary.

The significant unobservable input used in measuring the fair value of unlisted shares and other equity securities is the non-liquid discount of 30%.

The increase or decrease of financial instruments that are classified in Level 3 are as follows:

(Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Balance, beginning of year	91,920	101,530
Total recognized gains and losses		
Gains (Losses) recognized in profit or loss	318	(234)
Gains (Losses) recognized in other comprehensive income (Note)	9,906	(4,679)
Purchases	3,945	37,855
Sales or Disposal	(364)	(453)
Transfers to Level 1 due to listing	(168)	—
Transfers due to acquisition of control over the subsidiary	(4,027)	—
Balance, end of year	101,530	134,019

(Note) Gains and losses recognized in other comprehensive income are related to financial assets measured at fair value through other comprehensive income as of the fiscal year-end. These gains and losses are included in "Net fair value gain (loss) on equity instruments designated as FVTOCI" in the statement of comprehensive income.

(5) Offsetting of financial assets and financial liabilities

A part of the Group's financial assets and financial liabilities were offset in accordance with the requirements for offsetting financial assets and financial liabilities and the net amounts were presented in the consolidated statement of financial position. In addition, the Group has financial derivative transactions under master netting arrangements or similar arrangements. These arrangements provide the Group, in the event of default by the counterparty, the right to offset receivables and payables with the same counterparty. The offsetting information of financial assets and financial liabilities with the same counterparty as of each fiscal year-end were as follows:

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Total financial assets	24,850	24,984
Offsetting amount of financial assets and financial liabilities in accordance with the requirements	(15,943)	(14,290)
Financial assets presented in the consolidated statement of financial position (Note1)	8,907	10,694
The amount to be offset under master netting arrangement or similar arrangements	(2,461)	(1,972)
Cash collateral received	—	—
Net (Note 2)	6,446	8,722

(Note 1) Derivative assets recognized in "Financial assets presented in the consolidated statement of financial position" for the years ended March 31, 2018 and 2019 were ¥4,550 million and ¥6,872 million, respectively.

(Note 2) Derivative assets recognized in "Net" amount presented in the consolidated statement of financial position for the years ended March 31, 2018 and 2019 were ¥2,089 million and ¥4,900 million, respectively.

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Total financial liabilities	29,648	20,405
Offsetting amount of financial assets and financial liabilities in accordance with the requirements	(15,943)	(14,290)
Financial liabilities presented in the statement of financial position (Note 3)	13,705	6,115
The amount to be offset under master netting arrangement or similar arrangements	(2,461)	(1,972)
Cash collateral paid	—	—
Net (Note 4)	11,244	4,143

(Note 3) Derivative assets recognized in "Financial assets presented in the consolidated statement of financial position" for the years ended March 31, 2018 and 2019 were ¥10,232 million and ¥3,250 million, respectively.

(Note 4) Derivative assets recognized in "Net" amount presented in the consolidated statement of financial position for the years ended March 31, 2018 and 2019 were ¥7,771 million and ¥1,277 million, respectively.

28. Leases

(1) As Lessee

1) Finance lease obligations

The breakdown of finance lease obligations at each fiscal year-end is as follows:

(Unit: Millions of yen)

	Minimum lease payments	
	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Due within one year	11,442	10,961
Due after one year through five years	6,039	6,311
After five years	786	607
Total	18,267	17,879

The balance of lease obligations was included in "Trade and other payables" and "Other financial liabilities" in the consolidated statement of financial position. The lease obligation refers mainly to molds and its payment period is mainly two years. Sublease contracts are conducted for such mold-related transactions, and the total minimum lease payments under such sublease contracts are equal to the balance of finance lease receivables as lessor, disclosed in the table in (2) As lessor.

The Group does not have lease contracts which contain a renewal or purchase option, contingent lease, escalation clauses, or further restrictions imposed by the lease contracts such as those for dividends, additional debt, or leases.

2) Non-cancellable operating lease transactions

Future minimum lease payments under non-cancellable operating leases were as follows:

(Unit: Millions of yen)

	Minimum lease payments	
	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Due within one year	2,166	2,579
Due after one year through five years	4,088	4,725
After five years	982	852
Total	7,236	8,156

The Group mainly leases as lessee cars and information equipment. Certain lease contracts contain a renewal option. The Group does not have any purchase options, sublease contracts, escalation clauses which prescribe the increase of the amount of lease contract, nor further restrictions imposed by the lease contracts such as those for dividends, additional debt, or leases.

3) Lease payments recognized as expenses under operating leases

Lease payments recognized as expenses under operating leases for each fiscal year were as follows:

(Unit: Millions of yen)

FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
9,753	11,423

(2) As lessor

Finance lease receivables

The breakdown of finance lease receivables at each fiscal year-end is as follows:

(Unit: Millions of yen)

	Minimum lease payments receivable	
	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Due within one year	10,453	11,223
Due after one year through five years	3,640	4,270
After five years	—	—
Total	14,093	15,493

The balance of lease receivables was included in "Trade and other receivables" and "Other financial assets" in the consolidated statement of financial position. The Group leases, as lessor, mainly tools and molds and receipt periods are mainly two years. There is no residual value after the end of the lease period. Also, there is neither unearned finance income, unguaranteed residual value which is recognized as profit for a lessor, accumulated allowance for uncollectible minimum lease payments receivable, nor contingent rent recognized as income in the reporting periods.

29. Reconciliation of liabilities arising from financing activities

The changes in liabilities arising from financing activities were as follows:

For the year ended March 31, 2018

(Unit: Millions of yen)

	FY2017 As of March 31, 2017	Cash flows	Non-cash changes				FY2018 As of March 31, 2018
			Foreign exchange differences	Fair value changes	New lease contracts	Business combi-nations	
Short-term borrowings	81,595	(35,266)	(4,808)	―	―	23,324	64,845
Long-term borrowings	158,660	75,827	(5,551)	―	―	69	229,005
Lease obligation	17,292	(12,636)	―	―	11,307	2,304	18,267
Bonds	110,000	70,000	―	―	―	―	180,000
Derivatives (Note)	7,454	(1,767)	―	4,533	―	12	10,232
Total	375,001	96,158	(10,359)	4,533	11,307	25,709	502,349

(Note) Derivatives are included in "Other financial liabilities" in the consolidated statement of financial position and "Other" in "Cash flows from financing activities" in the consolidated statement of cash flows.

For the year ended March 31, 2019

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	Cash flows	Non-cash changes				FY2019 As of March 31, 2019
			Foreign exchange differences	Fair value changes	New lease contracts	Business combi-nations	
Short-term borrowings	64,845	44,793	(2,979)	―	―	―	106,659
Long-term borrowings	229,005	(29,810)	2,584	―	―	1,760	203,539
Lease obligation	18,267	(13,209)	―	―	12,818	3	17,879
Bonds	180,000	60,000	―	―	―	―	240,000
Derivatives (Note)	10,232	(4,483)	―	(2,499)	―	―	3,250
Total	502,349	57,291	(395)	(2,499)	12,818	1,763	571,327

(Note) Derivatives are included in "Other financial liabilities" in the consolidated statement of financial position and "Other" in "Cash flows from financing activities" in the consolidated statement of cash flows.

30. Related parties

(1) Related-party transactions

For the year ended March 31, 2018 (Unit: Millions of yen)

Category	Name	Main transactions	Transaction amounts
Associated company which has significant influence over the Group	Toyota Motor Corporation group	Sale of automotive components	2,341,657
		Purchase of automotive components	43,250

For the year ended March 31, 2019 (Unit: Millions of yen)

Category	Name	Main transactions	Transaction amounts
Associated company which has significant influence over the Group	Toyota Motor Corporation group	Sale of automotive components	2,519,262
		Purchase of automotive components	55,194

Outstanding balance and allowance for doubtful accounts of the above transactions as of each fiscal year-end were as follows:

(Unit: Millions of yen)

	FY2018 As of March 31, 2018	FY2019 As of March 31, 2019
Trade accounts receivable	208,046	236,446
Electronically recorded monetary claims	50,584	54,981
Accounts receivable - others	331	692
Allowance for doubtful accounts	―	―
Accounts payable	6,153	7,253
Accrued expenses	545	488

(2) Remuneration of key managing officers

For the year ended March 31, 2018 (Unit: Millions of yen)

	Total remuneration	Breakdown of remuneration		
		Basic remuneration	Stock option	Bonuses
Key managing officers	722	427	―	295

For the year ended March 31, 2019 (Unit: Millions of yen)

	Total remuneration	Breakdown of remuneration		
		Basic remuneration	Stock option	Bonuses
Key managing officers	460	284	―	176

31. Contingencies

The details of contingent liabilities for the year ended March 31, 2019 are as follows:

Concerning the Antitrust Law

(1) Investigations by Countries and Competition Authorities

The Company is responding to the authorities' investigations in certain jurisdictions.

(2) Civil Lawsuits

The Company and some of our subsidiaries are among the defendants named in several lawsuits in the United States and Canada wherein damages are claimed on suspicion of violation of antitrust law or competition law in connection with certain past transactions regarding specific auto parts.

In the United States, depending upon the particular auto part, putative class action lawsuits have been filed against the Company and some of our subsidiaries on behalf of putative classes of direct purchasers (e.g., tier-one suppliers, RV manufacturers, and aftermarket parts distributors), but we signed the Settlement Agreement with the plaintiffs and expect that the Court will be in the process of approving the Settlement. Other than the putative class action lawsuits, lawsuits also have been filed by several state attorneys general on behalf of their state’s government entities and/or citizens within their states, by an automotive insurance company, and by certain automobile dealerships. Each of those cases will be subject to the process known as discovery (a procedure where the parties to the litigation mutually disclose evidence, such as documents, relating to the subject matter of the litigation prior to trial). After discovery concludes, any trial on the merits will commence.

In Canada, a number of putative class actions have been filed in certain provinces against the Company and certain of our subsidiaries on behalf of both direct purchasers (e.g., automobile manufacturers) and indirect purchasers (e.g., automobile dealerships and vehicle purchasers). In the putative class actions in Canada, class certification occurs first and is followed by discovery.

In each of these cases mentioned above both in the United States and Canada, the Company could commence settlement discussions with the plaintiffs at any time in the proceedings and reach a settlement.

(3) Individual Settlement Negotiations

The Company have been engaged in negotiations with the Company’s major customers (certain automobile manufacturers), individually concerning the alleged violation of antitrust law or competition law in connection with certain past transactions regarding specific auto parts.

In relation to certain of these matters, the Company has estimated its potential payable amounts and has reserved such amounts in the "Other expenses" category (see Note 16 "Provisions" and Note 22 "Selling, general and administrative expenses, and other expenses").

Please note that pursuant to IAS 37,"Provisions, Contingent Liabilities and Contingent Assets," the Company has not disclosed the overall content of these disputes because the disclosure of such information could be expected to prejudice the position of the Company.

32. Subsidiaries, associates, and others

Please refer to the Appendix for a list of the major consolidated subsidiaries.

There are no subsidiaries that have material non-controlling interests, associates, or joint ventures at the end of fiscal years ended March 31, 2018 and 2019.

The effects on capital surplus of changes in the ownership interest in subsidiaries without a loss of control were as follows:

(Unit: Millions of yen)

	FY2018 2017/4-2018/3	FY2019 2018/4-2019/3
Increase in capital surplus	—	4,849

Gains (losses) associated with a loss of control of subsidiaries for the year ended March 31, 2018 and 2019 were not material.

33. Subsequent events

The Group has evaluated subsequent events through June 26, 2019.

The Company concluded a contract with Toyota Motor Corporation on April 5, 2019, to transfer core electronic component operations to the Company.

Main points of the contract

(1) Consolidation of production operations for electronic components

On April 1, 2020, production of electronic components at Toyota Motor Corporation's Hirose Plant will be consolidated within the Company. The land, production infrastructure (including buildings, equipment, and software), and other items at Hirose Plant will be transferred to the Company.

2) Consolidation of development functions for electronic components

On April 1, 2020, the development functions for electronic components will be consolidated within the Company. Relevant drawings, development equipment, and other items will be transferred to the Company.

The effect on the consolidated financial statements is yet to be determined.

Appendix

List of subsidiaries

The Company's subsidiaries as of March 31, 2019 were as follows.

Segment	Company name	Voting rights (%)
Japan	KYOSAN DENKI CO., LTD.	62.9
	ANDEN CO., LTD.	100.0
	HAMANAKODENSO CO., LTD.	76.7
	DENSO DAISHIN CORPORATION	100.0
	DENSO AIR SYSTEMS CORPORATION	100.0
	DENSO SALES JAPAN CORPORATION	100.0
	DENSO WAVE INC.	75.2
	DENSO Techno Co., Ltd.	100.0
	DENSO FINANCE&ACCOUNTING CENTER CO., LTD.	100.0
	DENSOTRIM CO., LTD.	80.0
	DENSO KYUSHU CORPORATION	100.0
	DENSO HOKKAIDO CORPORATION	100.0
	DENSO IWATE CORPORATION	100.0
	DENSO TEN LIMITED	51.0
	DENSO TEN MANUFACTURING LIMITED	100.0 (100.0)
	TD MOBILE CORPORATION	51.0
	54 Other companies	—
North America	DENSO INTERNATIONAL AMERICA, INC.	100.0
	DENSO PRODUCTS AND SERVICES AMERICAS, INC.	100.0 (100.0)
	DENSO MANUFACTURING MICHIGAN, INC.	100.0 (100.0)
	DENSO MANUFACTURING TENNESSEE, INC.	100.0 (100.0)
	DENSO MANUFACTURING ATHENS TENNESSEE, INC.	100.0 (100.0)
	ASMO NORTH CAROLINA, INC.	100.0 (100.0)
	ASMO GREENVILLE OF NORTH CAROLINA, INC.	100.0 (100.0)
	DENSO MANUFACTURING ARKANSAS, INC.	100.0 (100.0)
	DENSO TEN AMERICA LIMITED	100.0 (100.0)
	DENSO SALES CANADA, INC.	100.0
	DENSO MEXICO S.A. DE C.V.	95.0 (95.0)
	15 Other companies	—

Segment	Company name	Voting rights (%)
Europe	DENSO INTERNATIONAL EUROPE B.V.	100.0
	DENSO EUROPE B.V.	100.0 (100.0)
	DENSO MANUFACTURING UK, LTD.	100.0 (100.0)
	DENSO BARCELONA S.A.	100.0 (100.0)
	DENSO MANUFACTURING ITALIA S.p.A.	100.0 (100.0)
	DENSO THERMAL SYSTEMS S.p.A.	100.0 (100.0)
	DENSO MANUFACTURING HUNGARY, LTD.	100.0 (100.0)
	DENSO MANUFACTURING CZECH s.r.o.	100.0 (100.0)
	DENSO THERMAL SYSTEMS POLSKA Sp.zo.o.	100.0 (100.0)
	26 Other companies	—
Asia	DENSO INTERNATIONAL ASIA PTE., LTD.	100.0
	DENSO SALES (THAILAND) CO., LTD.	100.0 (100.0)
	DENSO (THAILAND) CO., LTD.	51.7 (51.7)
	DENSO INTERNATIONAL ASIA CO., LTD.	100.0 (100.0)
	SIAM DENSO MANUFACTURING CO., LTD.	90.0 (90.0)
	SIAM KYOSAN DENSO CO., LTD.	100.0 (100.0)
	PT. DENSO INDONESIA	68.3 (68.3)
	PT. DENSO SALES INDONESIA	100.0 (100.0)
	PT. ASMO INDONESIA	100.0 (100.0)
	DENSO (MALAYSIA) SDN. BHD.	72.7 (72.7)
	DENSO MANUFACTURING VIETNAM CO., LTD.	95.0 (95.0)
	DENSO HARYANA PVT., LTD.	100.0
	DENSO (CHINA) INVESTMENT CO., LTD.	100.0
	TIANJIN DENSO ELECTRONICS CO., LTD.	93.5 (93.5)
	TIANJIN FAWER DENSO AIR-CONDITIONER CO., LTD.	60.0 (60.0)
	TIANJIN DENSO ENGINE ELECTRICAL PRODUCTS CO., LTD.	95.0 (95.0)
	TIANJIN ASMO AUTOMOTIVE SMALL MOTOR CO., LTD.	60.5 (60.5)
	GUANGZHOU DENSO CO., LTD.	60.0 (60.0)
	DENSO (GUANGZHOU NANSHA) CO., LTD.	100.0 (74.9)
	DENSO (CHANGZHOU) FUEL INJECTION SYSTEM CO.,LTD.	100.0 (30.6)
	DENSO TEN TRADING (TIANJIN) Limited	100.0 (100.0)
	DENSO TEN ELECTRONICS (WUXI) Limited	98.2 (98.2)

Segment	Company name	Voting rights (%)
Asia	DENSO KOREA CORPORATION	100.0
	51 Other companies	—
Others	DENSO DO BRASIL LTDA.	90.6
	5 Other companies	—

(Notes) 1. The percentages in parentheses under "Voting rights (%)" indicate indirect ownership out of the total ownership noted above.

2. The Group has reported "Japan," "North America," "Europe," and "Asia" as its reportable segments. "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.

3. () in the "voting rights" column indicates "Indirect ownership rate."

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
DENSO CORPORATION:

We have audited the accompanying consolidated financial statements of DENSO CORPORATION and its subsidiaries, which comprise the consolidated statement of financial position as of March 31, 2019, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DENSO CORPORATION and its subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu LLC

June 26, 2019