

[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

Consolidated Financial Results
for the Three Months Ended June 30, 2018
<under IFRS>

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Scheduled date of commencement of dividend payment : —

(URL <https://www.denso.com/global/>)

DATE: July 31, 2018

DENSO CORPORATION

CODE: 6902

Listed on the Tokyo and
 Nagoya Stock Exchanges

(Millions of yen, except per share figures)

1. Consolidated financial results for the three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

(1) Consolidated operating results

(Percentages indicate the change of the same period of the previous year)

	Revenue		Operating profit		Profit before income taxes		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2018	1,331,160	14.3	90,879	(2.4)	109,053	(4.1)	83,116	2.7
June 30, 2017	1,164,914	6.6	93,157	38.6	113,743	51.6	80,896	64.3

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended						
June 30, 2018	77,295	0.8	88,350	(3.6)	99.01	—
June 30, 2017	76,698	66.3	91,609	—	97.72	—

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2018	5,930,036	3,804,633	3,643,737	61.4
March 31, 2018	5,764,417	3,774,293	3,598,321	62.4

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	65.00	—	65.00	130.00
Year ending March 31, 2019	—				
Year ending March 31, 2019 (Forecast)		65.00	—	65.00	130.00

**3. Consolidated earnings forecasts for the three months ending March 31, 2019
(from April 1, 2018 to March 31, 2019)**

(Percentages indicate the change of the same period of the previous year)

	Revenue		Operating profit		Profit before income taxes		Profit for the year		Profit attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	2,660,000	12.5	161,000	(21.3)	179,000	(21.1)	131,000	(20.2)	120,000	(22.2)	153.67
Full year	5,400,000	5.7	390,000	(5.5)	427,000	(5.1)	328,000	(4.5)	303,000	(5.5)	388.03

Consolidated Statement of Financial Position

(Unit: Millions of yen)

	As of Mar. 31, 2018	As of Jun. 30, 2018
Assets		
Current assets		
Cash and cash equivalents	783,338	792,815
Trade and other receivables	993,549	956,061
Inventories	550,291	571,301
Other financial assets	151,122	266,500
Other current assets	85,533	77,125
Total current assets	2,563,833	2,663,802
Non-current assets		
Property, plant and equipment	1,591,207	1,604,171
Intangible assets	76,968	78,627
Other financial assets	1,330,820	1,380,425
Investments accounted for using the equity method	88,718	97,719
Retirement benefit assets	53,864	52,712
Deferred tax assets	35,020	27,992
Other non-current assets	23,987	24,588
Total non-current assets	3,200,584	3,266,234
Total assets	5,764,417	5,930,036

(Unit: Millions of yen)

	As of Mar. 31, 2018	As of Jun. 30, 2018
Liabilities and equity		
Current liabilities		
Bonds and borrowings	170,003	173,888
Trade and other payables	923,272	936,026
Other financial liabilities	16,483	29,783
Income tax payables	53,609	23,881
Provisions	69,295	69,983
Other current liabilities	57,674	76,348
Total current liabilities	1,290,336	1,309,909
Non-current liabilities		
Bonds and borrowings	303,847	423,430
Other financial liabilities	10,119	8,485
Retirement benefit liabilities	245,387	245,097
Provisions	1,515	1,507
Deferred tax liabilities	121,272	118,739
Other non-current liabilities	17,648	18,236
Total non-current liabilities	699,788	815,494
Total liabilities	1,990,124	2,125,403
Equity		
Capital stock	187,457	187,457
Capital surplus	265,985	273,358
Treasury stock	(57,677)	(53,032)
Other components of equity	528,418	534,590
Retained earnings	2,674,138	2,701,364
Equity attributable to owners of the parent company	3,598,321	3,643,737
Non-controlling interests	175,972	160,896
Total equity	3,774,293	3,804,633
Total liabilities and equity	5,764,417	5,930,036

Consolidated Statement of Income

(Unit: Millions of yen)

	Three months ended Jun. 30, 2017	Three months ended Jun. 30, 2018
Revenue	1,164,914	1,331,160
Cost of revenue	(969,178)	(1,120,800)
Gross profit	195,736	210,360
Selling, general and administrative expenses	(103,254)	(118,971)
Other income	3,982	3,005
Other expenses	(3,307)	(3,515)
Operating profit	93,157	90,879
Finance income	17,414	20,828
Finance costs	(2,429)	(3,181)
Foreign exchange gains (losses)	2,151	(4,961)
Share of the profit of associates and joint ventures accounted for using the equity method	3,450	5,488
Profit before income taxes	113,743	109,053
Income tax expenses	(32,847)	(25,937)
Profit for the period	80,896	83,116
Attributable to:		
Owners of the parent company	76,698	77,295
Non-controlling interests	4,198	5,821

(Unit: Yen)

Earnings per share		
Basic	97.72	99.01
Diluted	—	—

Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Three months ended Jun. 30, 2017	Three months ended Jun. 30, 2018
Profit for the period	80,896	83,116
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net fair value (loss) gain on equity instruments designated as FVTOCI	(917)	11,880
Remeasurements of defined benefit pension plans	27	697
Share of other comprehensive income of investments accounted for using the equity method	(3)	3
Total	(893)	12,580
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	11,692	(6,261)
Cash flow hedges	123	(43)
Share of other comprehensive income of investments accounted for using the equity method	(209)	(1,042)
Total	11,606	(7,346)
Total other comprehensive income	10,713	5,234
Comprehensive income for the period	91,609	88,350
Attributable to:		
Owners of the parent company	86,691	84,088
Non-controlling interests	4,918	4,262

Consolidated Statement of Changes in Equity

(Unit: Millions of yen)

	Equity attributable to owners of the parent company				
	Capital stock	Capital surplus	Treasury stock	Other components of equity	
				Net fair value gain on equity instruments designated as FVTOCI	Remeasurements of defined benefit pension plans
As of April 1, 2017	187,457	265,985	(31,191)	418,337	—
Profit for the period	—	—	—	—	—
Other comprehensive income	—	—	—	(913)	27
Comprehensive income for the period	—	—	—	(913)	27
Acquisition of treasury stock	—	—	(26,462)	—	—
Disposal of treasury stock	—	—	—	—	—
Dividends	—	—	—	—	—
Changes in the ownership interest in a subsidiary without a loss of control	—	—	—	—	—
Transfer to retained earnings	—	—	—	(2)	(27)
Other	—	—	—	—	—
Total transactions with the owners	—	—	(26,462)	(2)	(27)
As of June 30, 2017	187,457	265,985	(57,653)	417,422	—

As of April 1, 2018	187,457	265,985	(57,677)	499,730	—
Profit for the period	—	—	—	—	—
Other comprehensive income	—	—	—	11,711	330
Comprehensive income for the period	—	—	—	11,711	330
Acquisition of treasury stock	—	—	(3)	—	—
Disposal of treasury stock	—	2,067	4,648	—	—
Dividends	—	—	—	—	—
Changes in the ownership interest in subsidiaries without a loss of control	—	5,306	—	—	—
Transfer to retained earnings	—	—	—	(291)	(330)
Other	—	—	—	—	—
Total transactions with the owners	—	7,373	4,645	(291)	(330)
As of June 30, 2018	187,457	273,358	(53,032)	511,150	—

(Unit: Millions of yen)

	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 period	—	—	—	76,698	76,698	4,198	80,896
Other comprehensive income	10,756	123	9,993	—	9,993	720	10,713
Comprehensive income for the period	10,756	123	9,993	76,698	86,691	4,918	91,609
Acquisition of treasury stock	—	—	—	—	(26,462)	—	(26,462)
Disposal of treasury stock	—	—	—	—	—	—	—
Dividends	—	—	—	(47,153)	(47,153)	(7,192)	(54,345)
Changes in the ownership interest in a subsidiary without a loss of control	—	—	—	—	—	—	—
Transfer to retained earnings	—	—	(29)	29	—	—	—
Other	—	—	—	88	88	(13)	75
Total transactions with the owners	—	—	(29)	(47,036)	(73,527)	(7,205)	(80,732)
As of June 30, 2017	46,909	78	464,409	2,465,690	3,325,888	132,071	3,457,959

As of April 1, 2018	28,534	154	528,418	2,674,138	3,598,321	175,972	3,774,293
Profit for the period	—	—	—	77,295	77,295	5,821	83,116
Other comprehensive income	(5,312)	64	6,793	—	6,793	(1,559)	5,234
Comprehensive income for the period	(5,312)	64	6,793	77,295	84,088	4,262	88,350
Acquisition of treasury stock	—	—	—	—	(3)	—	(3)
Disposal of treasury stock	—	—	—	—	6,715	—	6,715
Dividends	—	—	—	(50,684)	(50,684)	(7,137)	(57,821)
Changes in the ownership interest in subsidiaries without a loss of control	—	—	—	—	5,306	(12,190)	(6,884)
Transfer to retained earnings	—	—	(621)	621	—	—	—
Other	—	—	—	(6)	(6)	(11)	(17)
Total transactions with the owners	—	—	(621)	(50,069)	(38,672)	(19,338)	(58,010)
As of June 30, 2018	23,222	218	534,590	2,701,364	3,643,737	160,896	3,804,633

Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Cash flows from operating activities		
Profit before income taxes	113,743	109,053
Depreciation	63,869	70,200
Increase in retirement benefit liabilities	2,517	761
Decrease in retirement benefit assets	3,750	1,159
Interest and dividend income	(17,301)	(20,694)
Interest expenses	1,704	2,105
Foreign exchange (gains) losses	(1,763)	2,412
Share of the profit of associates and joint ventures accounted for using the equity method	(3,450)	(5,488)
Losses on sales or disposal of property, plant and equipment	942	1,115
Decrease in trade receivables	41,462	30,295
Increase in inventories	(3,439)	(8,982)
Decrease in trade payables	(61,444)	(8,337)
Increase in provisions	1,727	975
Other	45,785	65,227
Subtotal	188,102	239,801
Interest received	2,225	2,889
Dividends received	16,514	18,236
Interest paid	(1,532)	(1,792)
Income taxes paid	(28,309)	(53,654)
Net cash provided by operating activities	177,000	205,480
Cash flows from investing activities		
Increase in time deposits	(14,655)	(97,847)
Purchases of property, plant and equipment	(77,266)	(94,233)
Proceeds from sales of property, plant and equipment	2,357	1,478
Purchases of intangible assets	(2,413)	(10,243)
Purchases of equity instruments	(29,771)	(36,147)
Purchases of debt instruments	(13,986)	(14,108)
Proceeds from sales and redemption of equity instruments	3	452
Proceeds from sales and redemption of debt instruments	12,591	954
Other	(641)	3,158
Net cash used in investing activities	(123,781)	(246,536)
Cash flows from financing activities		
Net (decrease) increase in short-term borrowings	(1,323)	3,515
Proceeds from borrowings	397	96,047
Repayments of long-term borrowings	(7,625)	(38,171)
Repayments of finance lease obligations	(3,095)	(3,273)
Issuance of bonds	70,000	90,000
Redemption of bonds	—	(30,000)
Dividends paid	(47,153)	(50,684)
Dividends paid to non-controlling interests	(7,192)	(7,137)
Purchase of treasury stock	(26,462)	(3)
Other	(358)	(3,219)
Net cash used in financing activities	(22,811)	57,075
Foreign currency translation adjustments on cash and cash equivalents	1,840	(6,542)
Net increase in cash and cash equivalents	32,248	9,477
Cash and cash equivalents at beginning of period	793,550	783,338
Cash and cash equivalents at end of period	825,798	792,815

Segment information

For the Three months ended June 30, 2017

(Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated	
	Japan	North America	Europe	Asia	Total				
Revenue									
Customers	458,767	274,631	150,077	262,475	1,145,950	18,964	—	1,164,914	
Intersegment	216,957	6,409	9,539	37,107	270,012	165	(270,177)	—	
Total	675,724	281,040	159,616	299,582	1,415,962	19,129	(270,177)	1,164,914	
Segment profit or losses	37,357	16,963	5,836	28,505	88,661	3,346	1,150	93,157	
Finance income									17,414
Finance costs									(2,429)
Foreign exchange gains									2,151
Share of the profit of associates and joint ventures accounted for using the equity method									3,450
Profit before income taxes									113,743

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

For the Three months ended June 30, 2018

(Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated	
	Japan	North America	Europe	Asia	Total				
Revenue									
Customers	531,454	303,223	170,993	308,488	1,314,158	17,002	—	1,331,160	
Intersegment	247,318	7,627	11,030	49,635	315,610	143	(315,753)	—	
Total	778,772	310,850	182,023	358,123	1,629,768	17,145	(315,753)	1,331,160	
Segment profit or losses	34,093	11,645	7,031	33,702	86,471	2,599	1,809	90,879	
Finance income									20,828
Finance costs									(3,181)
Foreign exchange gains									(4,961)
Share of the profit of associates and joint ventures accounted for using the equity method									5,488
Profit before income taxes									109,053

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