

[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 Six Months Ended September 30, 2018
<under IFRS>

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Scheduled date of commencement of dividend payment : November 27, 2018

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

DATE: October 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 six months ended September 30, 2018 (from April 1, 2018 to September 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2018	2,624,979	11.1	152,379	(25.5)	170,221	(24.9)	125,355	(23.6)
September 30, 2017	2,363,472	8.6	204,446	43.3	226,781	50.6	164,118	58.4

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
Six months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
September 30, 2018	114,079	(26.0)	158,228	(43.1)	146.11	—
September 30, 2017	154,191	58.2	278,127	—	197.10	—

(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	%
September 30, 2018	5,918,826	3,866,335	3,704,933	62.6
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	—	70.00			
Year ending March 31, 2019 (Forecast)			—	70.00	140.00

3. Consolidated earnings forecasts for the fiscal year 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
Full year	5,400,000	5.7	393,000	(4.8)	430,000	(4.4)	330,000	(3.9)	305,000	(4.9)	390.59

Consolidated Statement of Financial Position

(Unit: Millions of yen)

	As of Mar. 31, 2018	As of Sep. 30, 2018
Assets		
Current assets		
Cash and cash equivalents	783,338	687,882
Trade and other receivables	993,549	943,708
Inventories	550,291	609,635
Other financial assets	151,122	290,011
Other current assets	85,533	84,782
Total current assets	2,563,833	2,616,018
Non-current assets		
Property, plant and equipment	1,591,207	1,643,461
Intangible assets	76,968	81,744
Other financial assets	1,330,820	1,374,786
Investments accounted for using the equity method	88,718	95,266
Retirement benefit assets	53,864	52,329
Deferred tax assets	35,020	28,594
Other non-current assets	23,987	26,628
Total non-current assets	3,200,584	3,302,808
Total assets	5,764,417	5,918,826

(Unit: Millions of yen)

	As of Mar. 31, 2018	As of Sep. 30, 2018
Liabilities and equity		
Current liabilities		
Bonds and borrowings	170,003	155,750
Trade and other payables	923,272	903,959
Other financial liabilities	16,483	27,230
Income tax payables	53,609	29,979
Provisions	69,295	69,349
Other current liabilities	57,674	68,191
Total current liabilities	1,290,336	1,254,458
Non-current liabilities		
Bonds and borrowings	303,847	408,096
Other financial liabilities	10,119	7,906
Retirement benefit liabilities	245,387	246,014
Provisions	1,515	1,136
Deferred tax liabilities	121,272	116,618
Other non-current liabilities	17,648	18,263
Total non-current liabilities	699,788	798,033
Total liabilities	1,990,124	2,052,491
Equity		
Capital stock	187,457	187,457
Capital surplus	265,985	273,089
Treasury stock	(57,677)	(53,036)
Other components of equity	528,418	559,226
Retained earnings	2,674,138	2,738,197
Equity attributable to owners of the parent company	3,598,321	3,704,933
Non-controlling interests	175,972	161,402
Total equity	3,774,293	3,866,335
Total liabilities and equity	5,764,417	5,918,826

Consolidated Statement of Income

(Unit: Millions of yen)

	Six months ended Sep. 30, 2017	Six months ended Sep. 30, 2018
Revenue	2,363,472	2,624,979
Cost of revenue	(1,975,776)	(2,224,593)
Gross profit	387,696	400,386
Selling, general and administrative expenses	(198,355)	(247,962)
Other income	21,579	7,430
Other expenses	(6,474)	(7,475)
Operating profit	204,446	152,379
Finance income	20,441	25,427
Finance costs	(4,798)	(6,017)
Foreign exchange gains (losses)	2,804	(6,791)
Share of the profit of associates and joint ventures accounted for using the equity method	3,888	5,223
Profit before income taxes	226,781	170,221
Income tax expenses	(62,663)	(44,866)
Profit for the period	164,118	125,355
Attributable to:		
Owners of the parent company	154,191	114,079
Non-controlling interests	9,927	11,276

(Unit: Yen)

Earnings per share		
Basic	197.10	146.11
Diluted	—	—

Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Six months ended Sep. 30, 2017	Six months ended Sep. 30, 2018
Profit for the period	164,118	125,355
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net fair value gain on equity instruments designated as FVTOCI	82,064	9,287
Remeasurements of defined benefit pension plans	27	744
Share of other comprehensive income of investments accounted for using the equity method	14	9
Total	82,105	10,040
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	33,236	25,423
Cash flow hedges	61	(92)
Share of other comprehensive income of investments accounted for using the equity method	(1,393)	(2,498)
Total	31,904	22,833
Total other comprehensive income	114,009	32,873
Comprehensive income for the period	278,127	158,228
Attributable to:		
Owners of the parent company	265,440	145,557
Non-controlling interests	12,687	12,671

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	—	—	—	82,024	27
Comprehensive income for the period	—	—	—	82,024	27
Acquisition of treasury stock	—	—	(26,469)	—	—
Disposal of treasury stock	—	—	—	—	—
Dividends	—	—	—	—	—
Changes in the ownership interest in a subsidiary without a loss of control	—	—	—	—	—
Changes from business combination	—	—	—	—	—
Transfer to retained earnings	—	—	—	(65)	(27)
Other	—	—	—	—	—
Total transactions with the owners	—	—	(26,469)	(65)	(27)
As of September 30, 2017	187,457	265,985	(57,660)	500,296	—

As of April 1, 2018	187,457	265,985	(57,677)	499,730	—
Profit for the period	—	—	—	—	—
Other comprehensive income	—	—	—	9,134	376
Comprehensive income for the period	—	—	—	9,134	376
Acquisition of treasury stock	—	—	(7)	—	—
Disposal of treasury stock	—	2,067	4,648	—	—
Dividends	—	—	—	—	—
Changes in the ownership interest in subsidiaries without a loss of control	—	5,037	—	—	—
Changes from business combination	—	—	—	—	—
Transfer to retained earnings	—	—	—	(294)	(376)
Other	—	—	—	—	—
Total transactions with the owners	—	7,104	4,641	(294)	(376)
As of September 30, 2018	187,457	273,089	(53,036)	508,570	—

(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	—	—	—	154,191	154,191	9,927	164,118
Other comprehensive income	29,137	61	111,249	—	111,249	2,760	114,009
Comprehensive income for the period	29,137	61	111,249	154,191	265,440	12,687	278,127
Acquisition of treasury stock	—	—	—	—	(26,469)	—	(26,469)
Disposal of treasury stock	—	—	—	—	—	—	—
Dividends	—	—	—	(47,153)	(47,153)	(11,235)	(58,388)
Changes in the ownership interest in a subsidiary without a loss of control	—	—	—	—	—	(19)	(19)
Changes from business combination	—	—	—	—	—	8,519	8,519
Transfer to retained earnings	—	—	(92)	92	—	—	—
Other	—	—	—	98	98	(10)	88
Total transactions with the owners	—	—	(92)	(46,963)	(73,524)	(2,745)	(76,269)
As of September 30, 2017	65,290	16	565,602	2,543,256	3,504,640	144,300	3,648,940

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	—	—	—	114,079	114,079	11,276	125,355
Other comprehensive income	21,958	10	31,478	—	31,478	1,395	32,873
Comprehensive income for the period	21,958	10	31,478	114,079	145,557	12,671	158,228
Acquisition of treasury stock	—	—	—	—	(7)	—	(7)
Disposal of treasury stock	—	—	—	—	6,715	—	6,715
Dividends	—	—	—	(50,684)	(50,684)	(14,992)	(65,676)
Changes in the ownership interest in subsidiaries without a loss of control	—	—	—	—	5,037	(12,240)	(7,203)
Changes from business combination	—	—	—	—	—	—	—
Transfer to retained earnings	—	—	(670)	670	—	—	—
Other	—	—	—	(6)	(6)	(9)	(15)
Total transactions with the owners	—	—	(670)	(50,020)	(38,945)	(27,241)	(66,186)
As of September 30, 2018	50,492	164	559,226	2,738,197	3,704,933	161,402	3,866,335

Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Six months ended Sep. 30, 2017	Six months ended Sep. 30, 2018
Cash flows from operating activities		
Profit before income taxes	226,781	170,221
Depreciation	130,313	141,895
Increase in retirement benefit liabilities	4,754	1,066
Decrease in retirement benefit assets	7,652	1,551
Interest and dividend income	(20,163)	(24,919)
Interest expenses	3,537	4,437
Foreign exchange (gains) losses	(2,794)	3,001
Share of the profit of associates and joint ventures accounted for using the equity method	(3,888)	(5,223)
Losses on sales or disposal of property, plant and equipment	1,325	2,923
Decrease in trade receivables	35,417	55,825
Increase in inventories	(22,008)	(37,978)
Decrease in trade payables	(80,693)	(17,492)
Decrease in provisions	(11,047)	(474)
Other	(2,280)	22,387
Subtotal	266,906	317,220
Interest received	4,750	6,197
Dividends received	19,059	20,375
Interest paid	(3,676)	(4,262)
Income taxes paid	(35,551)	(69,295)
Net cash provided by operating activities	251,488	270,235
Cash flows from investing activities		
Increase in time deposits	(154,377)	(127,015)
Purchases of property, plant and equipment	(159,694)	(195,042)
Proceeds from sales of property, plant and equipment	4,650	2,257
Purchases of intangible assets	(4,617)	(20,750)
Purchases of equity instruments	(30,233)	(39,133)
Purchases of debt instruments	(52,092)	(14,108)
Proceeds from sales and redemption of equity instruments	367	461
Proceeds from sales and redemption of debt instruments	25,210	13,023
Increase from acquisition of control over subsidiary	87	—
Other	(288)	1,949
Net cash used in investing activities	(370,987)	(378,358)
Cash flows from financing activities		
Net increase in short-term borrowings	13,897	7,865
Proceeds from borrowings	105,239	136,691
Repayments of long-term borrowings	(60,269)	(119,195)
Repayments of finance lease obligations	(6,300)	(6,747)
Issuance of bonds	70,000	90,000
Redemption of bonds	—	(30,000)
Dividends paid	(47,153)	(50,684)
Dividends paid to non-controlling interests	(11,235)	(14,992)
Purchase of treasury stock	(26,469)	(7)
Other	(2,295)	(3,563)
Net cash used in financing activities	35,415	9,368
Foreign currency translation adjustments on cash and cash equivalents	6,852	3,299
Net increase in cash and cash equivalents	(77,232)	(95,456)
Cash and cash equivalents at beginning of period	793,550	783,338
Cash and cash equivalents at end of period	716,318	687,882

Segment information

For the Six months ended September 30, 2017

(Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated	
	Japan	North America	Europe	Asia	Total				
Revenue									
Customers	956,741	534,686	289,746	542,151	2,323,324	40,148	—	2,363,472	
Intersegment	450,121	13,410	20,174	77,092	560,797	292	(561,089)	—	
Total	1,406,862	548,096	309,920	619,243	2,884,121	40,440	(561,089)	2,363,472	
Segment profit or losses	105,496	20,799	8,871	62,845	198,011	7,075	(640)	204,446	
Finance income									20,441
Finance costs									(4,798)
Foreign exchange gains									2,804
Share of the profit of associates and joint ventures accounted for using the equity method									3,888
Profit before income taxes									226,781

(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 Six months ended September 30, 2018

(Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated	
	Japan	North America	Europe	Asia	Total				
Revenue									
Customers	1,075,842	588,855	310,461	615,612	2,590,770	34,209	—	2,624,979	
Intersegment	497,360	15,288	21,957	102,508	637,113	331	(637,444)	—	
Total	1,573,202	604,143	332,418	718,120	3,227,883	34,540	(637,444)	2,624,979	
Segment profit or losses	53,278	15,500	9,583	67,843	146,204	5,527	648	152,379	
Finance income									25,427
Finance costs									(6,017)
Foreign exchange gains									(6,791)
Share of the profit of associates and joint ventures accounted for using the equity method									5,223
Profit before income taxes									170,221

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