To Those Shareholders with Voting Rights

Summary of the Systems and of Operational Status thereof to Ensure the Propriety of Business Operations

Consolidated Statement of Changes in Equity for the 96th Fiscal Term

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Non-Consolidated Statement of Changes in Equity for the 96th Fiscal Term

Notes to the Non-Consolidated Financial Statements for the 96th Fiscal Term

The above documents are provided to shareholders of the Company by posting them on the Company's Web site (https://www.denso.com/global/en/) in accordance with the relevant laws and regulations and Article 16 of the Articles of Incorporation. They form a part of the information subject to audits when the Audit & Supervisory Board prepared its Audit Report and the Accounting Auditors prepared their Independent Auditors' Report.

May 24, 2019

DENSO CORPORATION

Summary of the Systems and of Operational Status thereof to Ensure the Propriety of Business Operations

Systems

The Company has resolved at its Board of Directors meetings the following basic policies for its internal control.

(1) Systems to Ensure Compliance of the Execution of Duties by Board Members with Laws, Regulations and the Articles of Incorporation

1) Board members shall thoroughly disseminate the universal values, ethics and convictions set forth in the DENSO Philosophy and the DENSO Spirit through their behavior and corporate documents.

2) Effective mutual supervision by and among board members shall be pursued for decision making by cross-sectional collegial bodies such as various meetings and committees in addition to the executive collegial bodies consisting of the Board of Directors, the Senior Executive Directors' Meeting and the Management Officers' Meeting.

3) Board members shall endeavor to ensure appropriate financial reporting and appropriately disclose information at the right time.

(2) Systems to Keep and Manage Information Pertaining to the Execution of Duties by Board Members

The Company shall appropriately keep and manage important information in accordance with the in-house rules. The minutes of the Board of Directors meetings shall be kept forever.

(3) Rules and Other Systems Regarding Loss Risk Management

1) The risks involved in our businesses and investments shall be managed companywide by the executive collegial bodies such as the Board of Directors and the Senior Executive Directors' Meeting in accordance with the in-house rules. At the same time, the Business Group Heads and the Functional Center Heads shall manage divisional risks in their respective fields.

2) As for other risk management, the Risk Management Meeting shall generally streamline and manage relevant companywide systems, whereas each competent department shall manage its relevant risk factors.

(4) Systems to Ensure the Efficient Execution of Board Members' Duties

1) The Company shall pursue downsized, efficient management by leveraging the Executive Director/Senior Executive Director system with fewer board members.

2) The organizational systems, organizational management and authority of the respective organizations shall be determined in accordance with the in-house rules for more systematic and efficient operation of business activities.

3) Under the medium- and long-term management guidelines and annual group guidelines, the Company shall prepare annual plans to form a unified companywide intention to achieve its goals. The progress of the goals and plans, as well as operations at the respective departments, shall be managed and periodically reported in accordance with the in-house rules.

(5) Systems to Ensure Compliance of the Execution of Duties by Employees with Laws, Regulations and the Articles of Incorporation

1) The Senior Executive Directors' Meeting shall establish and revise the Code of Conduct, conduct necessary enlightenment activities and prepare proposals for the relevant organizations.

2) The Code of Conduct shall be fully disseminated among all employees via hierarchical compliance education.

3) The "Corporate Ethics Hotline" shall be operated as an internal reporting system that allows any employee who has an ethical or compliance-related concern to directly communicate such concern to the competent internal department or an outside lawyer.

4) The Audit Department shall internally audit the legality, the propriety and the efficiency of operations in accordance with the in-house rules and improve and reinforce the business management and operation systems at the respective departments based on such valuable input from the Audit Department.

(6) Systems to Ensure the Propriety of Business Operations Conducted by the Corporate Group Consisting of DENSO CORPORATION and Its Subsidiaries

1) Decision making at the respective Group companies shall be conducted on a "reserved authority" basis pursuant to the respective in-house rules, according to a policy of maximally respecting the autonomy of

each Group company.

2) Group-wide policies and plans shall be prepared on a consolidated basis under the medium- and long-term management guidelines and annual group guidelines to unify the Group's intention to achieve its goals. The progress of the goals and plans shall be managed and periodically reported in accordance with the in-house rules.

3) As for risk management and compliance within the Group companies, the Company shall propose guidelines to the respective Group companies to promote the establishment and operation of group-wide systems. The DENSO Group Employee Code of Conduct shall be shared by and disseminated to all the Group companies.

4) Contributing to realizing a sustainable society through business activities shall be positioned as a group-wide important management priority, and the respective specialized organs of the Company shall have the functions of orientation and follow-up on relevant activities of the Group companies.

5) The Domestic DENSO Group Corporate Ethics Hotline shall be operated as an internal reporting system for the Group companies in Japan.

6) Each department shall provide advice and support to ensure the appropriateness of operations at the Group companies through the exchange of information with the Group companies.

7) Each competent department shall monitor and verify the appropriateness of operations at the Group companies.

(7) Employees in Cases Where an Audit & Supervisory Board Member Requests That the Company Place Several Employees as Assistants to Support His/Her Duties and the Independence of the Employees Concerned from Board Members in Such Cases

1) The Audit & Supervisory Board Office, which was established as a dedicated organ, shall support the Audit & Supervisory Board Members in conducting their duties.

2) Personnel changes and organizational restructuring of the Audit & Supervisory Board Office shall require the prior consent of the Audit & Supervisory Board or of a standing Audit & Supervisory Board Member appointed by the Audit & Supervisory Board.

3) The board members shall cooperate with the Audit & Supervisory Board Office so that the Office can collect the information necessary for the audits conducted by the Audit & Supervisory Board Members, internally and from any of the Group companies according to the instructions given by the Audit & Supervisory Board Members.

(8) Systems to Help Board Members and Employees Report to the Audit & Supervisory Board Members and Other Systems Relating to Reporting to the Audit & Supervisory Board Members

1) The board members of the Company, as well as the board members and Audit & Supervisory Board Members of the Group companies, shall appropriately report on the execution of major business operations, as required, to the Audit & Supervisory Board Members through the division/department that they are in charge of. Furthermore, if they find any facts that could result in detrimental damage to the Company, they shall immediately report such facts to the Audit & Supervisory Board Members.

2) The board members, Senior Executive Directors, Executive Directors and employees of the Company and the Group companies shall periodically or occasionally report on their operations to the Audit & Supervisory Board Members if so requested by any Audit & Supervisory Board Member or the Audit & Supervisory Board Office.

(9) Other Systems to Ensure Effective Audits by the Audit & Supervisory Board Members

1) To raise the effectiveness of the audits conducted by the Audit & Supervisory Board Members, the board members shall cooperate with them in their auditing activities including attendance at meetings of the Board of Directors and other important meetings such as those of various committees, the examination of important documents such as *kessaisho* (documents for approval) on operations, onsite audits at the respective departments and the Group companies, and meetings with the Accounting Auditor.

2) The board members shall ensure that the expenses that would be necessary for the Audit & Supervisory Board Members to execute their duties are provided and that the direct recruiting of necessary external human resources by the Audit & Supervisory Board Members is conducted.

3) The Audit & Supervisory Board Members shall regularly or occasionally exchange information as required with the internal audit department, the Accounting Auditor, and the internal control department.

4) The board members of the Company and the Group companies shall ensure that anyone who has reported to an Audit & Supervisory Board Member does not suffer from detrimental treatment for the reason of having made the said report.

Operational Status

The operational status of several major initiatives to ensure the propriety of business operations implemented during the current fiscal year is as follows:

(1) Initiatives to Ensure the Efficient Execution of Duties

1) We downsized the number of board members and achieved speedy decision making and operations by clearly separating and clarifying the roles of board members in charge of management (decision making and supervision) and the Executive Vice Presidents, the Senior Executive Directors and the Executive Directors engaged in the execution of business operations.

2) We have formulated the Authority Rules, the Organizational Management Rules, the Collegial Body Rules and the Conference and Committee Rules for more systematic and efficient operation of business activities.

3) The DENSO Group Long-term Policy 2030 was established to unify the group-wide intention to achieve its goals.

4) The progress of the goals and plans in terms of sales, profit, productivity and other factors is reported to the Management Officers' Meeting every month to prepare for necessary follow-up actions.

(2) Risk Management-Related Initiatives

1) Important risks involved in our businesses and investments are deliberated and decided by the Board of Directors and the Senior Executive Directors' Meeting. During the current fiscal year, 15 Board of Directors meetings and 31 Senior Executive Directors' Meetings were held.

2) The Risk Management Meeting, which was established to reinforce the group-wide risk-response capability, set priority tasks and followed up on relevant measures.

3) We selected 42 risk items to be managed companywide in the fields of occupational accidents, quality-related issues, leakage of confidential information and the like. Each competent department in charge of companywide risk factors made or conducted necessary onsite diagnosis and educational or training sessions. For example, QC diagnosis workshops, opportunities to confirm and provide guidance on structural reinforcement activities for quality improvement, were held at 23 Group companies as training bases. In addition, with September 8 designated as "Companywide Safety Day," employees of the Company discussed overall safety at diverse work sites.

4) To reinforce group-wide information security measures, we established organizations for promoting information security at six regional headquarters around the world.

(3) Compliance-Related Initiatives

1) Effective mutual supervision by and among board members is pursued for decision making by cross-sectional collegial bodies such as the Human Resources Development Conference and the Technology Development Strategy Conference, in addition to the executive collegial bodies consisting of the Board of Directors, the Senior Executive Directors' Meeting and the Management Officers' Meeting.

2) The respective collegial bodies set priority tasks and followed up on relevant activities during the current fiscal year, aimed at the practice and steady implementation of trusted corporate activities.

3) We offered compliance education for corporate officers and management executives, as well as discussions at work sites and Intranet-based compliance tests.

4) We took diverse measures to prevent individual compliance infringements such as education for the prevention of bribery and corruption.

5) To prevent infringement with antitrust laws, we took measures, such as the inspection of meetings with any competitive companies and external e-mails, as well as education to thoroughly reinforce compliance with antitrust laws.

6) We strove to disseminate the "Corporate Ethics Hotline," the internal whistle-blowing system, by distributing the Risk Response Pocket Guide, and each competent department responsibly handled specific

reporting and counseling cases.

7) The internal audit department conducted audits for six internal divisions/departments based on three themes according to its annual auditing plan. The department also conducted audits for about 50 Group companies.

(4) Group Control-Related Initiatives

1) We streamlined the Group Management Manual, which stipulates the decision-making scheme for Group companies based on the reserved authority system. As for business operations beyond the discretionary framework of the respective Group companies, including cases of high-value capital investments and/or significant contracts, decision making is based on consultations between the competent department and the relevant Group companies.

2) We promote the establishment and operation of group-wide systems by proposing risk/compliance-related guidelines, including the Crisis Communications Manual and the Information Security Global Rules.

3) We held global conferences by business group or by functional center and provided assistance and advice to Group companies for the purpose of exchanging information and ensuring appropriate operations.

(5) Initiatives to Ensure Effective Audits by the Audit & Supervisory Board Members

1) Based on the annual auditing plan, the Audit & Supervisory Board Members of the Company conducted on-site audits for 70 internal departments/divisions and 37 domestic/overseas Group companies during the current fiscal year.

2) The Audit & Supervisory Board Members attended companywide official conferences/meetings of the Company including the Board of Directors, the Senior Executive Directors' Meeting, the Management Officers' Meeting, the Risk Management Meeting, and the Human Resources Development Conference, examined *kessaisho* documents for decision making on important business operations and expressed remarks thereon, as required.

3) The Audit & Supervisory Board Office was established as an organ to support the Audit & Supervisory Board Members in conducting their duties, and three dedicated persons are designated thereat.

4) The Audit & Supervisory Board Members had occasional meetings to exchange opinions as required with the board members, the Executive Vice Presidents, the Executive Directors, and/or the Senior Executive Directors, and the Audit & Supervisory Board conducted hearings on their execution of business operations. In addition, the Finance & Accounting Division, the Human Resources Division, the Legal Division and the like regularly reported on proper business operations to the Audit & Supervisory Board Members.

5) The Audit & Supervisory Board Members regularly or occasionally exchanged information as required with the internal audit department, the Accounting Auditor, and the internal control department.

6) The Audit & Supervisory Board Members regularly held liaison meetings with the Audit & Supervisory Board Members of the domestic Group companies and separately exchanged information, as required, with the Audit & Supervisory Board Members of the respective Group companies.

7) The Audit & Supervisory Board Members Reporting Regulations prohibit detrimental treatment of any person who has reported to an Audit & Supervisory Board Member.

DENSO CORPORATION
Consolidated Statement of Changes in Equity
(From April 1, 2018, to March 31, 2019)

(Millions of yen)

	Equity attributable to owners of the parent company				
				Other components of equity	
	Capital stock	Capital surplus	Treasury stock	Net fair value gain on equity instruments designated as FVTOCI	Remeasurements of defined benefit pension plans
Balance as of April 1, 2018	**187,457**	**265,985**	**(57,677)**	**499,730**	**—**
Profit for the year	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	(116,845)	(13,011)
Comprehensive income (loss) for the year	**—**	**—**	**—**	**(116,845)**	**(13,011)**
Acquisition of treasury stock	—	—	(28,447)	—	—
Disposal of treasury stock	—	2,067	4,648	—	—
Retirement of treasury stock	—	(4,125)	24,673	—	—
Dividends	—	—	—	—	—
Changes in the ownership interest in subsidiaries without loss of control	—	4,849	—	—	—
Transfer to retained earnings	—	—	—	(4,198)	13,011
Other increase (decrease)	—	—	—	—	—
Total transactions with the owners	**—**	**2,791**	**874**	**(4,198)**	**13,011**
Balance as of March 31, 2019	**187,457**	**268,776**	**(56,803)**	**378,687**	**—**

	Equity attributable to owners of the parent company					Non-controlling interests	Total equity
	Other components of equity						
	Exchange differences on translating foreign operations	Cash flow hedges	Total	Retained earnings	Total		
Balance 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 (loss)	(5,770)	(23)	(135,649)	—	(135,649)	605	(135,044)
Comprehensive income (loss) for the year	**(5,770)**	**(23)**	**(135,649)**	**254,524**	**118,875**	**25,690**	**144,565**
Acquisition of treasury stock	—	—	—	—	(28,447)	—	(28,447)
Disposal of treasury stock	—	—	—	—	6,715	—	6,715
Retirement of treasury stock	—	—	—	(20,548)	—	—	—
Dividends	—	—	—	(105,348)	(105,348)	(15,119)	(120,467)
Changes in the ownership interest in subsidiaries without loss of control	—	—	—	—	4,849	(11,859)	(7,010)
Transfer to retained earnings	—	—	8,813	(8,813)	—	—	—
Other increase (decrease)	—	—	—	729	729	(12)	717
Total transactions with the owners	**—**	**—**	**8,813**	**(133,980)**	**(121,502)**	**(26,990)**	**(148,492)**
Balance as of March 31, 2019	**22,764**	**131**	**401,582**	**2,794,682**	**3,595,694**	**174,672**	**3,770,366**

Notes to the Consolidated Financial Statements

1. Basis of Presenting the Consolidated Financial Statements

(1) Basis of preparation of the consolidated financial statements

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") under the provision of Article 120, Paragraph 1 of the Rules of Corporate Accounting. Certain disclosures required by IFRS have been omitted from these consolidated financial statements under the provision set forth in the second sentence of said paragraph.

(2) Scope of consolidation

1) Number of consolidated subsidiaries: 211

2) Names of the principal consolidated subsidiaries:

(Domestic)

A total of 70 companies including DENSO SALES JAPAN CORPORATION, TDMOBILE CORPORATION, DENSO TEN LTD., and DENSO TEN MANUFACTURING LTD.

(Overseas)

A total of 141 companies including DENSO INTERNATIONAL AMERICA, INC., DENSO MANUFACTURING MICHIGAN, INC., DENSO MANUFACTURING TENNESSEE, INC., DENSO MANUFACTURING ATHENS TENNESSEE, INC., DENSO TEN AMERICA LTD., DENSO SALES CANADA, INC., DENSO MEXICO S.A. DE C.V., DENSO EUROPE B.V., DENSO MANUFACTURING HUNGARY, LTD., DENSO INTERNATIONAL ASIA PTE., LTD. (Singapore), DENSO SALES (THAILAND) CO., LTD., DENSO (THAILAND) CO., LTD., SIAM DENSO MANUFACTURING CO., LTD., PT. DENSO SALES INDONESIA, DENSO (CHINA) INVESTMENT CO., LTD., and TIANJIN DENSO ELECTRONICS CO., LTD.

(3) Application of the equity method

1) Number of associates accounted for by the equity method: 71

2) Name of the principal associates accounted for by the equity method:

(Domestic) TSUDA INDUSTRIES CO., LTD., G.S. Electech Inc., Toshiba Information Systems (Japan) Corporation and 19 other companies (a total of 22)

(Overseas) MICHIGAN AUTOMOTIVE COMPRESSOR, INC. and 48 other companies (a total of 49)

(4) Summary of significant accounting policies

1) Business combination and goodwill

Business combinations are accounted for using the acquisition method. Consideration transferred in a business combination is measured at as the sum of the acquisition-date fair value of the assets transferred, the liabilities assumed and equity instruments issued by the Company and its subsidiaries (hereinafter 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 other versions of IFRS.

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

- 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 Group 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 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 at 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.

2) Financial assets

i) Initial recognition and measurement

The Group classifies financial assets 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 which occurs in the normal course of business is recognized or derecognized at the transaction date.

a) Financial assets measured at amortized cost

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

- the financial asset is held within a business model whose objective is to hold financial 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 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 at fair value with changes recognized through profit or loss, or otherwise are measured at fair value with changes recognized through other comprehensive income. The designation has been applied consistently.

Financial assets other than equity instruments that do not meet the condition in relation to the measurement of amortized cost are measured at fair value with changes recognized 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 classification as follows:

a) Financial assets measured at amortized cost

The carrying amount of financial assets measured at amortized cost is measured using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. 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 is 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 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 the equity instruments measured at fair value through profit or loss are recognized as “Finance income” or “Finance costs” in the consolidated statement of income. The interest income from the debt instruments is also included in net gains or losses above.

iii) Impairment of financial assets measured at amortized cost

The Group assesses, at the end of each reporting period, whether credit risk on a financial asset measured at amortized cost has increased significantly since initial recognition. If credit risk on a financial asset has increased significantly since initial recognition or a financial asset is credit-impaired, an amount equal to lifetime expected credit losses is recognized as an allowance for doubtful accounts. If not, an amount equal to 12-month expected credit losses is recognized as an allowance for doubtful accounts. Expected credit losses are measured based on the discounted present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive.

For trade receivables, an amount equal to lifetime expected losses is recognized as an allowance for doubtful accounts from initial recognition.

The provision of an allowance for doubtful accounts or the reversal of an allowance for doubtful accounts in the case of reducing the allowance concerning a financial asset is included in profit or loss.

iv) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when 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 asset and the relevant liabilities that might possibly be paid in association therewith.

3) Hedge accounting and derivatives

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 the end of each reporting period.

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

At the inception of the hedge, the Group documents the relationship between the hedging instruments and the hedged items in accordance with the objectives of risk management and the strategies for undertaking various hedge transactions. In addition, the Group assesses on a quarterly basis whether the hedging instruments are highly effective in offsetting changes in cash flows of the hedged items attributable to the hedged risk at the inception of the hedge and during its term. A cash flow hedge is applied to a forecast transaction only when the transaction is highly probable.

Cash flow hedge

The Group adopts only cash flow hedge as its approach to hedge accounting.

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

The amount of hedging instruments recognized in other comprehensive income is 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 Group continues to record the balance of other comprehensive income related to cash flow hedges which have been recognized in other comprehensive income until the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the balance of other comprehensive income related to cash flow hedges is recognized immediately in profit or loss.

4) Inventories

Inventories are measured at the lower of cost and net realizable value. Inventories include costs of purchase, costs of conversion and all 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 the estimated costs of completion and the estimated costs necessary to make the sale.

5) Depreciation or amortization methods of property, plant and equipment and intangible assets

i) Property, plant and equipment

Except for assets that are not subject to depreciation such as land and construction in progress, property, plant and equipment are depreciated mainly 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

ii) Intangible assets

Intangible assets with finite useful lives are amortized by using the straight-line method over their estimated useful lives.

Major estimated useful lives are as follows:

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

6) 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 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 that 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 of the Group 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 the rented property group and the 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.

The 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 (or group of cash-generating units) is determined at the higher of its fair value less costs of disposal and its value in use. If the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, impairment is recognized for the asset and the carrying amount is reduced to the recoverable amount. In determining the fair value less costs of disposal, 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.

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. However, an impairment loss recognized for goodwill is not reversed.

7) Recognition criteria for 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 for the Group to settle the obligations, and reliable estimates can be made of the amount of the obligations.

Where the effect of the time value of money is material, the amount of a provision is measured by discounting the estimated future cash flows to the present value at a pre-tax discount rate that reflects current market assessments of 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.

The main provisions are recorded as follows.

Reserve for product warranties:

Reserve for product warranties is recognized at an estimated amount of warranty expenses and 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 settlements, etc., with regard to the alleged violation of antitrust law or competition law in connection with certain past transactions regarding specific auto parts.

8) Employee benefits

i) Post-employment benefits

a) 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 b) 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 for the previous years and the current year and discounting the amount to 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 above calculation results.

The discount rates are equivalent to the market yields of AA credit-rated corporate bonds at the end of each reporting period that have maturities approximating those of the Group's defined benefit obligations. Changes in defined benefit obligations for employees' past services due to the revision of the pension plan are recognized in profit or loss. The Group recognizes changes in obligations due to the remeasurement of benefit obligations and plan assets of defined benefit plans in other comprehensive income and then immediately reclassifies the cumulative amount to retained earnings.

b) Defined contribution plans

Defined contribution plans are post-employment benefit plans in which the employer makes fixed contributions to other independent entities and has no legal or constructive obligation to make further contributions. The contributions to defined contribution plans are recognized as an expense during the period when the service is rendered by employees.

ii) Other long-term employee benefits

For long-term employee benefit plans, such as long-service employee awards, benefit amounts are determined by discounting the future amount of benefits estimated based on these plans to the present value when the Group has present constructive obligations to pay as a result of past employee service, and when reliable estimates of the obligations can be made.

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

iii) Short-term employee benefits

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

For bonuses, estimated amounts to be paid based on the plans are recognized as liabilities when the Group has present legal or constructive obligations to pay as a result of past employee service, and when reliable estimates of the obligations can be made.

9) Revenue

In line with the application of IFRS 15, the Group recognizes revenue based on the following five-step approach:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

In the parts supply business for automobile manufacturers, the Group manufactures and sells products of the powertrain system, electrification system, electronic system, thermal system and mobility system in auto parts mainly to domestic and overseas automobile manufacturers. In the aftermarket and new businesses, the Group mainly sells automotive service parts to end users.

The Group's performance obligations are mainly to supply finished products to customers. In principle, revenue is recognized when products are delivered to customers since the Group deems that control over the products is transferred to the customers and performance obligations are satisfied at that point in time.

Consideration for these performance obligations is received generally within one year after the performance obligations are satisfied under separately prescribed payment terms, and includes no significant financing components. Revenue is measured at consideration promised in contracts with customers less discounts, rebates, consideration paid to customers in supply transactions for fees and other items. Moreover, in the case of executing product sales transactions based on a provisional unit price, revenue is estimated as variable consideration by an appropriate method using the most likely amount method, etc.

For part of supply transactions for fees falling under the definition of repurchase agreements, inventories are continuously recognized as financing transactions, and financial liabilities are recognized for the ending inventories of supplies which remain at supply destinations.

10) Foreign currency translation

The financial statements of each company in the Group are prepared based on the currency of the primary economic environment in which the entity operates (functional currency), and transactions in currencies other than the functional currency of each company (foreign currencies) are translated at the exchange rates prevailing at the transaction dates or approximations of the rates.

At the end of the reporting period, monetary items denominated in foreign currencies are translated at the exchange rates prevailing at the fiscal year-end, while non-monetary items denominated in foreign currencies measured at cost are translated at the exchange rates at the transaction dates and those measured at fair value are translated at the rates prevailing at the dates when the fair value is determined.

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

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 classified into "Other components of equity."

2. Changes to Accounting Policies

(1) Application of IFRS 9 *Financial Instruments* (amended in July 2014)

The Group has applied IFRS 9 *Financial Instruments* (amended in July 2014, hereinafter "IFRS 9") from the fiscal year ended March 31, 2019 in place of *Financial Instruments* (amended in October 2010). As a result, the Group amended the provisions on the impairment of financial assets measured at amortized cost. The effects of the application of this standard on the Group's consolidated financial statements are immaterial.

(2) Application of IFRS 15 *Revenue from Contracts with Customers*

The Group has applied IFRS 15 *Revenue from Contracts with Customers* (issued in May 2014) and *Clarifications to IFRS 15* (issued in April 2016) (hereinafter collectively "IFRS 15") from the fiscal year ended March 31, 2019. In applying IFRS 15, the Group recognizes the cumulative effect of applying this standard at the date of initial application in accordance with a transitional measure.

The effects of the application of IFRS 15 on the Group's consolidated financial statements are as follows. The effects on operating profit are immaterial.

・Part of expenses which had been recognized as cost of revenue is deducted from revenue as consideration payable to customers from the fiscal year ended March 31, 2019. As a result, revenue and cost of revenue decreased by ¥58,296 million, respectively, in the fiscal year ended March 31, 2019.

・For part of supply transactions for fees falling under the definition of repurchase agreements, inventories are continuously recognized as financing transactions, and financial liabilities are recognized for the ending inventories of supplies which remain at supply destinations from the fiscal year ended March 31, 2019. As a result, inventories increased ¥17,150 million and ¥15,559 million, other financial assets increased ¥464 million and ¥406 million, and other financial liabilities increased ¥17,614 million and ¥15,965 million as of April 1, 2018 and March 31, 2019, respectively.

3. Notes to the Consolidated Statement of Financial Position

(1) Accumulated depreciation of property, plant and equipment ¥3,456,918 million

Accumulated depreciation of property, plant and equipment includes accumulated impairment loss.

(2) Other

The details of contingent liabilities in the fiscal 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 certain subsidiaries of the Group 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 concerning specific auto parts.

In the United States, depending upon the particular auto part, putative class action lawsuits had been filed against the Company and certain subsidiaries of the Group on behalf of putative classes of direct purchasers (e.g., tier-one suppliers, RV manufacturers and aftermarket parts distributors). However, a settlement agreement has been concluded with the plaintiffs and the court will take approval procedures for the settlement agreement. Apart from the putative class actions lawsuits, lawsuits 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. For these lawsuits, each case 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 the trial). After the completion of discovery, any trial on the merits will commence.

In Canada, a number of putative class action lawsuits have been filed in several provinces against the Company and certain subsidiaries of the Group on behalf of both direct purchasers (e.g., automobile manufacturers) and indirect purchasers (e.g., automobile dealerships and vehicle purchasers). In putative class action lawsuits in Canada, class certification occurs prior to any discovery.

In each of these cases in the U.S. and Canada, however, the Company could commence settlement negotiations with the plaintiffs at any time in the proceedings and reach a settlement.

3) Individual settlement negotiations

The Company has been engaged in negotiations with its 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 some of these matters, the Company has estimated its potential payable amounts and has reserved such amounts in the "Other expenses" category (See Item (1) of "4. Notes to the Consolidated Statement of Income").

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.

4. Notes to the Consolidated Statement of Income

(1) 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, are reported as loss on antitrust issues in the amount of ¥1,170 million.

5. Notes to the Consolidated Statement of Changes in Equity

(1) Type and total number of shares issued as of March 31, 2019: 787,944,951 shares of common stock

(2) Dividends

1) Dividends paid

Resolution	Type of stock	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 27, 2018	Common stock	50,684	65	March 31, 2018	May 28, 2018
Board of Directors meeting held on October 31, 2018	Common stock	54,664	70	September 30, 2018	November 27, 2018

2) Of the dividends for which the record date belongs to the fiscal year ended March 31, 2019, those for which the effective date of the dividends will be in the fiscal year ending March 31, 2020

A resolution was made as follows at the Board of Directors meeting held on April 26, 2019.

Resolution	Type of stock	Total dividend amount (Millions of yen)	Source of funds for dividends	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 26, 2019	Common stock	54,243	Retained earnings	70	March 31, 2019	May 27, 2019

6. Notes to Financial Instruments

(1) Status of financial instruments

1) Capital management

The Group aims to continuously enhance its corporate value by keeping lasting and stable return to shareholders as well as using funds for capital investment, research and development, and merger and acquisition that are necessary for sustained growth, while ensuring financial soundness. Generally, the operating cash flows cover business funds necessary to achieve the goal by keeping and strengthening the Group's profitability and cash-generating ability, with additional interest-bearing debt, such as bonds and borrowings, if necessary. In addition, the Group secures funds to maintain the stable financial health in the long term. The Group is not subject to any externally imposed restriction on capital as of March 31, 2019.

2) Description and extent of risks arising from financial instruments

i) Risk management policy

In the course of 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 asset management and derivative transactions are primarily approved by the Board of Directors of the Company at the beginning of each fiscal year, while the transactions and relevant risk management during the period are implemented primarily in accordance with internal regulations.

The Group uses derivatives for the purpose of avoiding risks stated below, and does not enter into derivative transactions for speculation purposes.

a) Credit risk

Notes and accounts receivable, or the Group’s trade receivables, are exposed to credit risk of the customers. The Group manages the due dates and balances of trade receivables by customer. For those customers whose credit risk is of concern to the Group, measures to protect the receivables are individually developed and implemented by periodically monitoring the status and evaluating the default risk due mainly to deterioration of their financial standing at an earlier stage.

As short-term bond investment trusts as well as government and corporate bonds held by the Group for investment in debt instruments are all highly-rated instruments or instruments issued by highly-rated financial institutions and other issuers in accordance with internal asset management regulations, credit risk is deemed as immaterial.

The Group enters into derivative transactions only with highly-rated financial institutions to minimize counterparty risks.

The carrying amount after impairment of financial assets presented in the consolidated financial statements represents the maximum exposure of the Company's financial assets to credit risks.

The Group determines whether credit risk has increased significantly since initial recognition based on changes in default risk, and considers the financial condition, past due information and other factors of the customer for the determination. The Group, in principle, determines that the credit risk has increased significantly if contractual payments are more than 30 days past due. The Group considers reasonable and supportable information that is available without undue cost or effort for the determination, and determines that the credit risk has not increased significantly if it can be rebutted based on the information.

Moreover, in principle, the Group determines that default has occurred if contractual payments are more than 90 days past due and credit impairment has occurred. At the end of each reporting period, the Group assesses whether there is objective evidence of credit impairment. The evidence of credit impairment includes default or delinquency of the borrower, extension of the due date under terms and conditions which the Group would not have granted in other circumstances, indication of bankruptcy of the borrower or the issuer and disappearance of an active market. Further, a write-off is executed if future collection is reasonably unexpected.

b) Market risk

Foreign exchange risk

Since the Group operates its business globally, it executes foreign currency transactions and is exposed to a risk that profit or loss, cash flows and other items may be impacted by foreign exchange fluctuations. In order to avoid the foreign exchange risk, the Group uses mainly forward foreign currency contracts for foreign currency trade receivables and payables and currency swaps for foreign currency borrowings as derivative transactions.

Risk management is performed by the Company's Finance & Accounting Division based on derivative transaction regulations which prescribe the authority and the limits for each transaction. The actual results of such transactions are reported monthly to the executive supervising the Finance & Accounting Division. The consolidated subsidiaries conduct management based on the derivative transaction regulations.

Interest rate risks

The Group is exposed to an interest rate risk since the Group borrows funds with both fixed interest rates and variable interest rates. The Group's interest-bearing debt mainly consist of bonds and borrowings with fixed interest rates, and borrowings with variable interest rates are practically equivalent to borrowings with fixed interest rates by using interest-rate swap agreements in principle.

Risk management is performed by the Company's Finance & Accounting Division based on the derivative transaction regulations which prescribe the authority and the limits for each transaction. The actual results of such transactions are reported monthly to the executive supervising the Finance & Accounting Division. The consolidated subsidiaries conduct management based on the derivative transaction regulations.

c) Liquidity risk

The Group raises funds by borrowings and bonds and is exposed to a liquidity risk that the Group may not be able to repay debts on the due dates 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 or more, along with adequate financial planning developed and revised by the Finance & Accounting Division based on the reports from each business unit.

d) Price fluctuation risk of equity instruments

The Group is exposed to share price fluctuation risk arising from equity instruments (stocks). As these investments are not held for short-term trading purpose, but mainly for forming a business alliance or strengthening a business relationship with business partners, the Group does not sell these investments frequently. The Group reviews the holding status of such equity instruments on an ongoing basis in light of the relationship with the business partners by periodically evaluating their fair values as well as the financial condition of the issuers (i.e., business partners).

(2) Fair value of financial instruments

The carrying amounts and fair values of financial instruments held as of March 31, 2019 (end of the current fiscal year) are presented as follows.

1) Financial instruments measured at amortized cost

(Unit: Millions of yen)

	Carrying amount	Fair value
Financial assets		
Debt securities	4,221	4,228

Financial liabilities		
Long-term borrowings (Note)	203,539	203,808
Bonds (Note)	240,000	240,577

Note: The current portions are included in these amounts.

As the fair value of short-term financial assets and short-term financial liabilities, which are measured at amortized cost, approximates their carrying amount, their note disclosures are omitted.

The fair value of long-term borrowings is calculated based on the present value which is obtained by discounting the sum of the principal amount and interest payments at an interest rate assumed to be applied if the same loans were newly executed.

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

(Unit: Millions of yen)

	Carrying amount	Fair value
Derivative assets	6,872	6,872
Stocks		
Listed stocks	1,050,470	1,050,470
Unlisted stocks	129,278	129,278
Other equity securities	4,741	4,741
Derivative liabilities	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 forward exchange rates and other factors. The fair values of interest rate swaps and currency swaps are determined based on observable market data such as interest rates quoted by financial institutions.

For the fair value measurement of unlisted stocks and other equity securities, the most appropriate method is selected according to particular conditions. The fair values are determined using the discounted cash flow method or the adjusted net asset method to adjust the market value using the PBR as necessary.

The illiquidity discount, which is a significant unobservable input used in measuring the fair values of unlisted shares and other equity securities, is determined at 30%.

7. Notes to Per Share Data

(1) Equity per share attributable to owners of the parent company ¥4,640.36
(2) Basic earnings per share ¥326.47

8. Notes to Business Combinations

(1) Tohoku Pioneer EG Corporation

Effective as of December 1, 2018, the Company has made Tohoku Pioneer EG Corporation a newly consolidated subsidiary of the Company.

1) Overview of the business combination

The Company made Tohoku Pioneer EG Corporation (hereinafter “Tohoku Pioneer EG”) a newly consolidated subsidiary of the Company as of December 1, 2018 by obtaining all of shares held by PIONEER CORPORATION (hereinafter “PIONEER”) in its consolidated subsidiary Tohoku Pioneer EG on the same date. The 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), and thus the Company holds all of the voting rights.

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. The Company has maintained a business relationship with Tohoku Pioneer EG for many years.

The Group’s experience in introducing automation systems at 130 plants globally has an affinity with Tohoku Pioneer EG’s track record of offering FA production systems in general industries.

The purpose of taking a stake in Tohoku Pioneer EG, the Company’s business partner for 20 years, is to contribute widely to the development of the manufacturing industry by proposing and providing optimal, streamlined FA system solutions more widely and swiftly through closer collaboration between the two companies.

3) Summary of the acquiree

Name: Tohoku Pioneer EG Corporation (New company name: DENSO FA YAMAGATA CO., LTD)

Main businesses: Manufacturing various custom-made automated production equipment and high-precision flow measurement equipment

4) Date of the acquisition of control

December 1, 2018

5) Consideration transferred and breakdown thereof

(Unit: Millions of yen)

	Amount
Cash consideration for the acquisition	10,950
Total consideration transferred	10,950

6) Fair values of assets and liabilities and goodwill at the date of the acquisition of control

(Unit: Millions of yen)

	Initial provisional fair value	Subsequent adjustments (Note 1)	Post-adjustment fair value
Total consideration transferred (A)	10,900	50	10,950
Assets			
Trade and other receivables	3,276	—	3,276
Other current assets	6,449	—	6,449
Non-current assets	3,131	87	3,218
Total assets	12,856	87	12,943
Liabilities			
Current liabilities	3,877	—	3,877
Non-current liabilities	1,554	26	1,580
Total liabilities	5,431	26	5,457
Net assets (B)	7,425	61	7,486
Goodwill (Note 2) (A-B)	3,475	(11)	3,464

Notes:

1. Adjustments to provisional amounts

The provisional amount of consideration transferred was determined by allocation to acquired assets and assumed liabilities based on the fair value on the date of the acquisition of control. The allocation of the consideration transferred was completed in the subsequent period. Major adjustments from initial provisional amounts are as follows:

An additional analysis on the fair value of Tohoku Pioneer EG brought non-current assets of and non-current liabilities up ¥87 million and ¥26 million, respectively. As a result, goodwill decreased ¥11 million.

2. Goodwill

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

7) Payment for the acquisition of control over the subsidiary

(Unit: Millions of yen)

	Amount
Cash consideration for the acquisition	10,950
Cash and cash equivalents held by the acquiree at the time of the acquisition of control	1,967
Payment by cash for the acquisition of control over the subsidiary	8,983

8) Revenue and profit for the year of the acquiree

The acquiree's revenue and profit for the year before elimination of inter-company transactions after the date of the acquisition of control, which are recognized in the consolidated statement of income, are ¥3,197 million and ¥292 million, respectively.

(2) Consolidated revenue and consolidated profit for the year assuming the business combination had been completed at the beginning of the fiscal year

Assuming that the date of the acquisition of control had been April 1, 2018 for the business combination with Tohoku Pioneer EG, pro forma information (unaudited) on the Company's consolidated operating results for the 12 months ended March 31, 2019 would be as follows:

(Unit: Millions of yen)

	Amount
Revenue (Pro forma information)	5,368,619
Profit for the year (Pro forma information)	280,118

9. Note to Significant Subsequent Events

On April 5, 2019, the Company concluded a contract with Toyota Motor Corporation (hereinafter “Toyota”) to transfer core electronic component operations from Toyota to the Company.

Main points of the contract

(1) Consolidation of electronic components production operations

On April 1, 2020, the production of electronic components at Toyota’s Hirose Plant will be consolidated within the Company.

Relevant land, production infrastructure (including buildings, equipment, and software), and other items at Hirose Plant will be transferred to the Company.

(2) Consolidation of electronic components development functions

On April 1, 2020, electronic components development functions will be consolidated within the Company.

Relevant drawings, development equipment, and other items will be transferred to the Company.

The effects of this event on the consolidated financial statements have not yet been finalized.

Non-Consolidated Statement of Changes in Equity

(From April 1, 2018, to March 31, 2019)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus		Retained earnings					Treasury stock, at cost	Shareholders' equity
		Additional paid-in capital	Other capital surplus	Legal reserve	Other retained earnings					
					Reserve for special depreciation	Reserve for advanced depreciation of fixed assets	General reserve	Earned surplus carried forward		
Balance as of April 1, 2018	**187,457**	**265,985**	**—**	**43,274**	**68**	**546**	**896,390**	**550,263**	**(57,666)**	**1,886,317**
Changes in the fiscal year										
Increase by merger	—	—	2,059	—	—	—	—	—	—	2,059
Dividends from surplus	—	—	—	—	—	—	—	(105,348)	—	(105,348)
Reversal of reserve for special depreciation	—	—	—	—	(18)	—	—	18	—	—
Provision of reserve for advanced depreciation of fixed assets	—	—	—	—	—	42	—	(42)	—	—
Net income	—	—	—	—	—	—	—	194,850	—	194,850
Acquisition of treasury stock	—	—	0	—	—	—	—	—	(28,447)	(28,447)
Disposal of treasury stock	—	—	2,067	—	—	—	—	—	4,648	6,715
Retirement of treasury stock	—	—	(24,673)	—	—	—	—	—	24,673	—
Transfer to capital surplus from retained earnings	—	—	20,547	—	—	—	—	(20,547)	—	—
Net changes in items other than those in shareholders' equity	—	—	—	—	—	—	—	—	—	—
Total of changes in the fiscal year	**—**	**—**	**—**	**—**	**(18)**	**42**	**—**	**68,931**	**874**	**69,829**
Balance as of March 31, 2019	**187,457**	**265,985**	**—**	**43,274**	**50**	**588**	**896,390**	**619,194**	**(56,792)**	**1,956,146**

	Variance of estimate/conversion		Total equity
	Net unrealized gain on available-for-sale securities	Deferred gains on derivatives under hedge accounting	
Balance as of April 1, 2018	**466,543**	**(179)**	**2,352,681**
Changes in the fiscal year			
Increase by merger	—	—	2,059
Dividends from surplus	—	—	(105,348)
Reversal of reserve for special depreciation	—	—	—
Provision of reserve for advanced depreciation of fixed assets	—	—	—
Net income	—	—	194,850
Acquisition of treasury stock	—	—	(28,447)
Disposal of treasury stock	—	—	6,715
Retirement of treasury stock	—	—	—
Transfer to capital surplus from retained earnings	—	—	—
Net changes in items other than those in Shareholders' equity	(115,832)	103	(115,729)
Total of changes in the fiscal year	**(115,832)**	**103**	**(45,900)**
Balance as of March 31, 2019	**350,711**	**(76)**	**2,306,781**

Notes to the Non-Consolidated Financial Statements

1. Significant Accounting Policies

(1) Standard and method of valuation of securities

1) Investment in subsidiaries and associates

Stated at cost using the moving-average method.

2) Available-for-sale securities

Available-for-sale securities for which the market price is readily determinable:

Stated at the market price, based on the market quotation at the fiscal year-end. Unrealized gains and losses are reported, net of applicable taxes, as a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Available-for-sale securities for which the market price is not readily determinable:

Stated at cost using the moving-average method.

(2) Derivatives are stated at the market price.

(3) Inventories are stated at cost using the gross average method (write-down of book values due to a decline in profitability for the amounts stated in the non-consolidated balance sheet)

(4) Depreciation of property, plant and equipment (excluding leased assets) is computed by the declining-balance method, and the amortization of intangible assets (excluding leased assets) and depreciation of leased assets are computed using the straight-line method.

(5) Accounting standards for reserves

Allowance for doubtful accounts:

Allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the past loan loss ratio for bad debts for ordinary receivables and on the estimated recoverability for specific doubtful receivables.

Accrued bonuses to employees:

Accrued bonuses to employees are recognized for payments of bonuses to employees at an amount estimated by the Company to be recorded for the current fiscal year.

Accrued bonuses to directors and corporate auditors:

Accrued bonuses to directors and corporate auditors are recognized for payments of bonuses to board members and audit & supervisory board members at an estimated amount to be recorded for the current fiscal year.

Reserve for product warranties:

Reserve for product warranties is provided at an amount projected for after-sales service of products based on past experience.

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 settlements, etc., with regard to the alleged violation of antitrust law or competition law in connection with certain past transactions regarding specific auto parts.

Liability for employees' retirement benefits:

Liability for employees' retirement benefits is provided at an amount calculated based on the projected benefit obligations and plan assets as of March 31, 2019. Liability for employees' retirement benefits and retirement benefit expenses are accounted for as follows:

1) Method of allocating the projected retirement benefits to periods

In calculating the projected benefit obligations, the benefit formula basis is used to allocate the projected retirement benefits to the years of service up to the end of the current fiscal year.

2) Amortization method for actuarial gains or losses and prior service cost

Prior service cost is amortized using the straight-line method over a certain period (10 years), which is shorter than the average remaining service period of employees at the time of the occurrence.

Actuarial gains or losses are amortized for the pro-rata amount computed by the straight-line method over a certain period (10 years), which is shorter than the average remaining service period of employees at the time of the occurrence, commencing from the following fiscal year of occurrence.

The accounting procedures for unrecognized actuarial gains or losses and unrecognized prior service cost pertaining to retirement benefits in the non-consolidated balance sheet are different from those used in the consolidated statement of financial position.

Retirement allowances for directors and corporate auditors:

Retirement allowances for directors and corporate auditors is recognized at an amount considered necessary to be borne by the Company based on its in-house rules as of March 31, 2019 to prepare for possible payments to retiring board members and audit & supervisory board members.

Provision for loss on business of subsidiaries and associates:

Provision for loss on business of subsidiaries and associates is recognized at an expected amount to prepare for possible losses that could derive from the business of any subsidiaries and associates by taking into account the financial conditions of those companies.

(6) Hedge accounting

Interest rate and currency swap agreements are accounted for by deferred hedging accounting (valuation gains/losses on hedging instruments are deferred as assets/liabilities until the gains/losses on the underlying hedged instruments are realized). Preferential treatment accounting is applied to certain interest rate and currency swap agreements that satisfy the requirements.

(7) Transactions subject to the consumption tax and local consumption taxes are recorded at amounts exclusive of the consumption tax.

(8) Application of the consolidated taxation system

The Company has applied the consolidated taxation system.

2. Changes in Presentation

Non-consolidated balance sheet

The Group has applied the Ministerial Ordinance on Partial Revision of the Ordinance for Enforcement of the Companies Act and the Rules of Corporate Accounting (Ordinance of the Ministry of Justice No. 5 of March 26, 2018) in line with the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan Statement No. 28 of February 16, 2018) from the current fiscal year. Accordingly, the Group has presented deferred tax assets in investments and other assets, and deferred tax liabilities in long-term liabilities.

As a result, deferred tax assets (¥31,817 million for the previous fiscal year), which were classified into current assets in the previous fiscal year, are offset by deferred tax liabilities (¥89,615 million) of long-term liabilities.

Non-consolidated statement of income

Foreign exchange losses (¥409 million for the previous fiscal year) and "loss on sales of property, plant and equipment (¥1,827 million for the previous fiscal year), which were included in other non-operating expenses of non-operating expenses in the previous fiscal year, are separately presented in the current fiscal year since they grew in importance.

3. Notes to the Non-Consolidated Balance Sheet

(1) Short-term monetary receivables due from subsidiaries and associates	¥416,784 million
(2) Short-term monetary payables due to subsidiaries and associates	¥314,973 million
(3) Accumulated depreciation of property, plant and equipment	¥2,259,791 million

(4) Other

See Item (2) of "3. Notes to the Consolidated Statement of Financial Position" in "Notes to the Consolidated Financial Statements."

4. Notes to the Non-Consolidated Statement of Income

(1) Sales to subsidiaries and associates	¥2,205,384 million
(2) Purchases from subsidiaries and associates	¥963,393 million
(3) Other operating transactions with subsidiaries and associates	¥29,528 million
(4) Transactions with subsidiaries and associates other than operating transactions	¥88,685 million

(5) Loss on antitrust issues

See Item (1) of "4. Notes to the Consolidated Statement of Income" in "Notes to the Consolidated Financial Statements."

5. Note to the Non-Consolidated Statement of Changes in Equity

Number of shares of treasury stock at the end of the fiscal year: 13,038,584 shares

6. Note to Tax-Effect Accounting

The significant components of deferred tax assets and liabilities are summarized as follows:

(Deferred tax assets)	(Millions of yen)
Liability for employees' retirement benefits	52,291
Depreciation and amortization	50,587
Accrued bonuses to employees	13,845
Impairment loss on investment in subsidiaries and associates	16,189
Reserve for product warranties	16,957
Other	105,585
Subtotal deferred tax assets	255,454
Valuation reserve	(31,426)
Total deferred tax assets	224,028
(Deferred tax liabilities)	
Net unrealized gain on available-for-sale securities	(149,278)
Prepaid pension cost	(48,127)
Other	(12,729)
Total deferred tax liabilities	(210,134)
Net deferred tax assets	13,894

7. Notes to Transactions with Related Parties

(1) Transactions with subsidiaries

<table>
<tr><th rowspan="2">Company name</th><th rowspan="2">Ownership percentage of voting rights</th><th rowspan="2">Business line</th><th colspan="2">Relationship with the Company</th><th rowspan="2" colspan="2">Description of important transactions</th><th rowspan="2">Transaction amount (Millions of yen)</th><th rowspan="2">Account item</th><th rowspan="2">The fiscal year-end balance (Millions of yen)</th></tr>
<tr><th>Officers' posts concurrently held (Persons)</th><th>Business relationship</th></tr>
<tr><td rowspan="4">DENSO FINANCE & ACCOUNTING CENTER CO., LTD.</td><td rowspan="4">Directly holding 100%</td><td rowspan="4">Entrusted accounting and financial operations as well as factoring</td><td rowspan="4">–</td><td rowspan="4">Factoring</td><td rowspan="2" colspan="2">Factoring</td><td rowspan="2">116,882</td><td>Accounts payable—trade</td><td>102,282</td></tr>
<tr><td>Accounts payable—other</td><td>15,417</td></tr>
<tr><td rowspan="2">Lending of loans receivable</td><td>Lending of loans receivable</td><td>21,276</td><td rowspan="2">Short-term loans receivable from subsidiaries and associates</td><td rowspan="2">19,932</td></tr>
<tr><td>Reception of interest</td><td>12</td></tr>
</table>

Notes:

1. The transaction amount does not include consumption taxes, whereas the fiscal year-end balance includes consumption taxes.
2. The transaction amount indicates the average balance during the fiscal year.
3. The lending of loans receivable and the reception of interest are determined by fully taking into account the market interest rate and other factors.
4. As for the transaction with DENSO FINANCE & ACCOUNTING CENTER CO., LTD., a portion of the payments for accounts payable—trade and accounts payable—other are settled via factoring under the master agreement entered into by and between the Company, its certain suppliers and DENSO FINANCE & ACCOUNTING CENTER CO., LTD.
5. As for the transaction with DENSO FINANCE & ACCOUNTING CENTER CO., LTD., the transfer of monetary payables is conducted at the net book value of the Company.

(2) Transactions with other subsidiaries/associates

Company name	Ownership percentage of voting rights	Business line	Relationship with the Company		Description of important transactions		Transaction amount (Millions of yen)	Account item	The fiscal year-end balance (Millions of yen)
			Officers' posts concurrently held (Persons)	Business relationship					
Toyota Motor Corporation	Directly holding 24.39% Indirectly holding 0.17%	Manufacture and sale of automobiles and automotive components	Concurrent appointment: 1	The Company's products are sold thereto.	Operating transactions	Sale of various automotive components	1,185,118	Accounts receivable—trade	117,403
								Electronically recorded monetary claims-operating	37,293
								Accounts receivable—other	13
						Purchase of various automotive components	38,157	Accounts payable—trade	4,317

Notes:

1. The transaction amount does not include consumption taxes, whereas the fiscal year-end balance includes consumption taxes.
2. The above transactions are conducted through negotiations by taking into account the market price and other factors similar to those for general transactions.

8. Notes to Per Share Data

(1) Equity per share ¥2,976.85

(2) Net income per share ¥249.92

9. Notes to Business Combinations and Other Matters

The Company absorbed and merged with ASMO CO., LTD., a consolidated subsidiary of the Company, on April 1, 2018 as the effective date of the business combination.

(1) Summary of the transaction

1) Company name and business description of the companies involved in the business combination

i) Combining company

Company name: DENSO CORPORATION (the Company)

Business description: Mainly development, manufacture and sales of automotive components

ii) Combined company

Company name: ASMO CO., LTD.

Business description: Development, manufacture and sales of small motor system products for automobiles

2) Effective date of the business combination

April 1, 2018

3) Legal form of the business combination

Absorption-type merger in which the Company is the surviving company and ASMO CO., LTD. is the absorbed company

4) Company name after the business combination

DENSO CORPORATION

5) Other matters related to the overview of the transaction

Recently, the development of electrification and automated driving technologies has been accelerating. To achieve more environment-friendly and safer mobility, it is essential to improve the performance and reliability of motors which are important components in electrification and automated driving systems. In the DENSO Group, the small motor business was conducted by ASMO CO., LTD. and the large high-power motor business was conducted by the Company. Technology development for high-precision and high-value-added motors will require sophisticated technical innovation and product development for vehicles focusing mainly on electromechanical products. The decision on the merger is intended to achieve this goal by combining the strengths in motor technologies acquired over the years by both companies.

(2) Overview of the accounting treatment

In accordance with the Accounting Standard for Business Combinations (Accounting Standards Board of Japan Statement No. 21 of September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standards Board of Japan Guidance No. 10 of September 13, 2013), the business combination is accounted for as a transaction under common control.

In line with this accounting treatment, gain on extinguishment of tie-in shares of ¥64,336 million is recognized as extraordinary income.

10. Note to Significant Subsequent Events

See “9. Note to Significant Subsequent Events” in “Notes to the Consolidated Financial Statements.”
The effects of such events on the financial statements have not yet been finalized.

11. Other Note

The amounts stated in the non-consolidated financial statements are rounded off to the nearest unit.