Financial Report 2024

DENSO CORPORATION

Contents

Financial Review

Financial Summary

DENSO CORPORATION and its Consolidated Subsidiaries
For the Years ended March 31, 2020 to 2024

Period ended	March 2020	March 2021	March 2022	March 2023	**March 2024**
Revenue (Millions of yen)	5,153,476	4,936,725	5,515,512	6,401,320	**7,144,733**
Operating profit (Millions of yen)	61,078	155,107	341,179	426,099	**380,599**
Profit for the year (Millions of yen)	84,622	148,095	288,754	347,861	**355,573**
Profit for the year: attributable to owners of the parent company (Millions of yen)	68,099	125,055	263,901	314,633	**312,791**
Comprehensive (loss) income (Millions of yen)	(84,407)	635,886	655,525	348,749	**1,557,640**
Equity: attributable to owners of the parent company (Millions of yen)	3,397,136	3,891,012	4,299,357	4,376,928	**5,534,986**
Total assets (Millions of yen)	5,651,801	6,767,684	7,432,271	7,408,662	**9,093,370**
Equity per share: attributable to owners of the parent company (Yen)	1,096.03	1,255.38	1,408.10	1,461.27	**1,901.56**
Basic profit per share (Yen)	21.97	40.35	85.69	104.00	**104.97**
Diluted profit per share (Yen)	–	–	–	–	**–**
Equity ratio attributable to owners of the parent (%)	60.11	57.49	57.85	59.08	**60.87**
Return on equity attributable to owners of the parent company (%)	1.95	3.43	6.44	7.25	**6.31**
Price-to-earnings ratio (Times)	39.72	45.52	22.93	17.89	**27.47**
Dividends on equity attributable to owners of the parent company (%)	3.10	2.98	3.10	3.22	**3.27**
Net cash provided by operating activities (Millions of yen)	595,320	437,235	395,637	602,720	**961,826**
Net cash used in investing activities (Millions of yen)	(447,390)	(395,903)	(301,579)	(363,676)	**(459,487)**
Net cash (used in) provided by financing activities (Millions of yen)	(240,948)	238,657	(159,536)	(400,099)	**(496,659)**
Cash and cash equivalents at end of year (Millions of yen)	597,816	897,395	867,808	733,850	**789,390**
Number of employees	170,932	168,391	167,950	164,572	**162,029**

(Note 1) DENSO CORPORATION and its subsidiaries in Japan and overseas (collectively referred to as the "Group") have adopted International Financial Reporting Standards ("IFRS") for the consolidated financial statements of the annual report.

(Note 2) On October 1, 2023, the Company effected a 4-for-1 split of common stock. Equity per share: attributable to owners of the parent company and basic profit per share are calculated on the assumption that the stock split was implemented at the beginning of the year ended March 31, 2020.

Revenue by Segment

DENSO CORPORATION and its Consolidated Subsidiaries
For the Years ended March 31, 2020 to 2024

(Unit: Millions of yen)

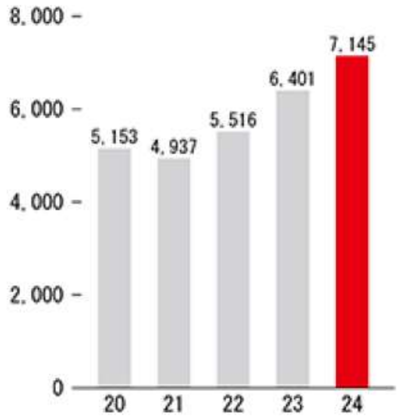
		FY2020 2019/4-2020/3	FY2021 2020/4-2021/3	FY2022 2021/4-2022/3	FY2023 2022/4-2023/3	**FY2024** 2023/4-2024/3
Japan	Customers	2,313,046	2,280,650	2,375,673	2,509,604	2,885,718
	Intersegment	950,441	896,303	1,139,424	1,196,230	1,280,637
	Total	3,263,487	3,176,953	3,515,097	3,705,834	4,166,355
North America	Customers	1,145,230	999,901	1,143,929	1,486,718	1,745,443
	Intersegment	31,035	26,285	16,276	17,370	21,599
	Total	1,176,265	1,026,186	1,160,205	1,504,088	1,767,042
Europe	Customers	548,301	482,282	506,203	624,329	709,679
	Intersegment	34,978	37,420	55,237	61,223	71,670
	Total	583,279	519,702	561,440	685,552	781,349
Asia	Customers	1,086,862	1,134,088	1,414,347	1,680,872	1,689,807
	Intersegment	191,593	169,734	223,538	250,783	295,265
	Total	1,278,455	1,303,822	1,637,885	1,931,655	1,985,072
Total	Customers	5,093,439	4,896,921	5,440,152	6,301,523	7,030,647
	Intersegment	1,208,047	1,129,742	1,434,475	1,525,606	1,669,171
	Total	6,301,486	6,026,663	6,874,627	7,827,129	8,699,818
Others	Customers	60,037	39,804	75,360	99,797	114,086
	Intersegment	702	602	1,244	1,436	1,072
	Total	60,739	40,406	76,604	101,233	115,158
Consolidated		5,153,476	4,936,725	5,515,512	6,401,320	7,144,733

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

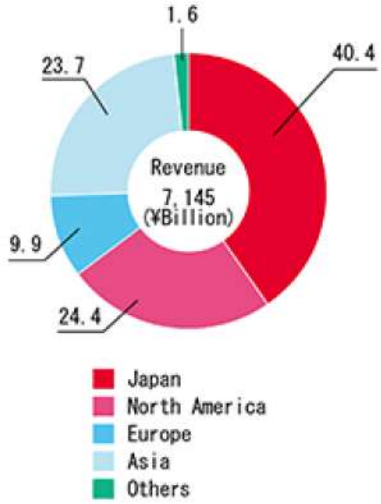
Financial Highlights

For the years ended March 31, 2020 to 2024

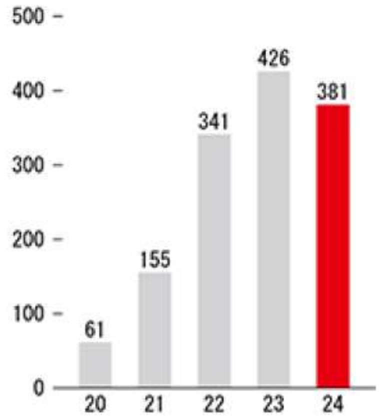
Revenue
(¥Billion)



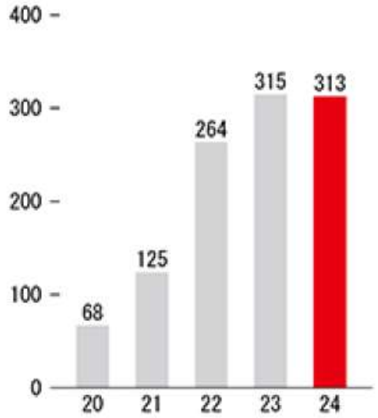
Revenue by segment
(For external customers only)
(%)



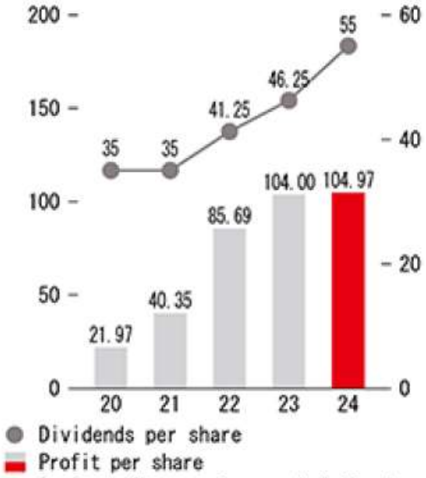
Operating profit
(¥Billion)



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

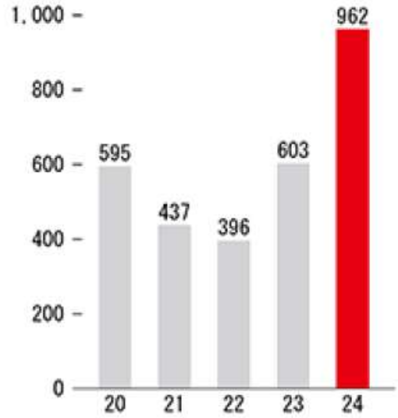


Basic profit per share and Dividends per share
(Yen)

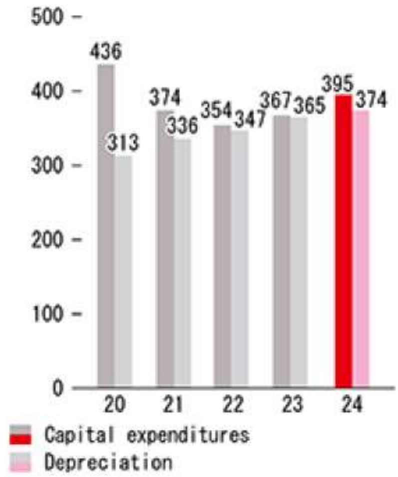


Basic profit per share and dividends per share are calculated on the assumption that the stock spilit was implemented at the beginning of the year ended FY2020.

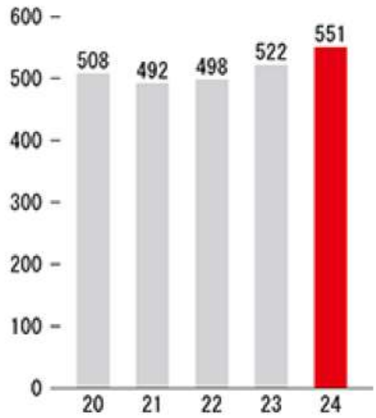
Net cash provided by operating activities
(¥Billion)



Capital expenditures and Depreciation
(¥Billion)



R&D expenditure
(¥Billion)



Management's Discussion and Analysis

1. Business environment

   For the fiscal year ended March 31, 2024, the global economy had been on a growth trend as the disruption in economic activities caused by COVID-19 subsided despite the stagnation in Chinese economy and the slowdown in emerging countries. In addition, global inflation had continued, including rising wage pressures due to the recovery in demand for services following economic reopening from COVID-19. Uncertainties regarding the future became more apparent, such as the prolongation of the conflict in Ukraine and the escalation of tensions in the Middle East. In financial markets, the yen had weakened due to interest rate hikes by Western and Japanese monetary easing stance.

2. Summary of business

   In the fiscal year ended March 31, 2024, in addition to the fact that the semiconductor shortages eased and vehicle production recovered, the progress of yen depreciation and strong sales expansion, especially in the focus area of electrification and safety and peace of mind products, caused revenue to increase year over year. Operating profit decreased year over year due to incurred quality costs, in spite of production volume increase, exchange gain and efforts of cost reduction. In accordance with the Tokyo Stock Exchange's call for companies to take actions to realize management that is conscious of the cost of capital and share prices, DENSO CORPORATION (hereinafter referred to as the "Company") has reduced cross-shareholdings and is working to optimize inventories with the aim of increasing asset efficiency. In these efforts to reduce cross-shareholdings, the Company sold all eight listed stock issues and a part of three listed stock issues, thereby reducing its shareholdings in 11 issues (a sale price of ¥125.8 billion), the largest reduction ever. In addition, the Company has implemented a secondary offering of shares held by Toyota Group. In the inventory optimization efforts, the Company aimed to completely eliminate the temporary inventories, which had risen globally due to the sudden drop in automobile production and shipping delays on the West Coast of the U.S. To this end, the Company worked as one to implement activities such as the visualization of inventories on a monthly basis and adjustment of order volume through close coordination with customers. As a result, the Company succeeded in reducing inventory levels from the level equivalent to 2.4 months of monthly sales in June 2022 to 1.9 months of monthly sales. The funds generated through these activities were invested in Coherent, JASM, and the Certhon Group. The Company will continue to strive to improve its capital efficiency, strategically invest in growth areas, and enhance corporate value.

   <Challenge - Initiatives for Creating Future Value>

   In pursuit of a sustainable mobility society, the Company has been promoting "environmental management" to reduce environmental impacts and create economic value through environmental protection activities. By further advancing "environmental management," the Company aims to realize carbon neutrality in business activities by 2035.

   The environment surrounding the Company has changed drastically, and we are required to deal with these changes in a way that meets the demands of society. Efforts to achieve carbon neutrality are accelerating, and the diversification of values calls for the preparation of multi-pathway to issues instead of a single solution. The society is also moving towards a circular society of optimal production and optimal consumption. To support these tremendous changes, there is a rising demand for integrated systems that do not rely on hardware alone but instead combine hardware and software. Meeting the demands of society requires action not just at the level of the automobile industry but at the level of society as a whole, including automobiles.

Changes in the business environment and the demands of society

Past	Future	Social demand
"Low carbon"	"Decarbonization"	Acceleration of carbon neutrality
Globalization	Diversification	Multi-pathway
Mass production/ consumption	Optimal production/ consumption	Circular economy
Hardware	Hardware × Software	Integrated systems

Guided by the philosophy of "green," "peace of mind," and "inspiring," the Company has been committed to the realization of "lasting vitality for the environment" and "safe, comfortable, and flexible mobility for all people" with the aim of reducing the Company's environmental burden and realizing a society without traffic accidents. The Company will leverage the strengths gained with automobiles and broaden the perspective of the solutions to encompass society as a whole, not just vehicles, thereby contributing to solving issues faced by society.

Since its founding, the Company has committed to giving shape to new concepts by using technologies and contributing to customers. This means to "come up with concepts, embody them as products and systems, and refine them for commercialization." Based on the philosophy of "green" and "peace of mind," the Company will leverage the strengths gained with automobiles to contribute to the maximization of value for a mobility society as a whole, including automobiles, and evolve from "a Tier 1 supplier that supports the auto industry" to "a Tier 1 supplier that supports a mobility society."

In a mobility society where automobiles are evolving and connecting beyond themselves and where the scope of application of automobile technologies is expanding, the Company aims to be one that provides a broad range of customers with value backed by the exceptional technologies and reliable quality from the perspectives of end-users of the products and services.

3. Results of operations

(1) Revenue and profit

Revenue of the Group increased by ¥743.4 billion or 11.6% year on year to ¥7,144.7 billion for the year ended March 31, 2024, and operating profit decreased by ¥45.5 billion or 10.7% to ¥380.6 billion. Consequently, profit before income taxes decreased by ¥20.6 billion or 4.5% to ¥436.2 billion, and profit attributable to owners of the parent company decreased by ¥1.8 billion or 0.6% to ¥312.8 billion.

(2) Policy on allocation of earnings

Dividends

As well as investing in business for growth, the Company places importance on the interest of shareholders and positions sustainable enhancement of corporate value and enrichment of shareholder returns as important management policies. The Company's basic policy is to seek to reduce capital cost and raise corporate value by issuing proactive shareholder returns and realizing an optimal capital structure while maintaining a balance between safety and efficiency.

Regarding dividends, the Company has adopted DOE (dividend on equity: total dividend amount divided by equity attributable to owners of the parent company) as a shareholder return indicator, and intends to pay stable dividends over the long term with a policy of continuously increasing DOE from 3.0%, while comprehensively taking capital efficiency, dividend amount, and consolidated performance into consideration. The Company also injects cash into capital investment, R&D investment and M&A, which are necessary for growing its business and realizing the philosophy, and flexibly acquires treasury stock while paying attention to the targeted capital structure and theoretical share price, in pursuit of distributing its profits to the shareholders.

The Company stipulates in its Articles of Incorporation that it may distribute dividends from surplus upon resolution of the Board of Directors in accordance with Article 459, Paragraph 1, of the Companies Act without adopting a resolution at a general meeting of shareholders.

Accordingly, the Company, at its Board of Directors meeting held on April 26, 2024, resolved that the fiscal year-end dividend for the fiscal year ended March 31, 2024, be ¥30 per share of the Company's common stock (for a total of ¥87.3 billion) and the date of commencement of dividend payment thereof be May 23, 2024. The annual dividend for the current fiscal year, including the interim dividend, is ¥55 per share.

On October 1, 2023, the Company effected a 4-for-1 split of common stock. Dividend per share is calculated on the assumption that the stock split was implemented at the beginning of the year ended March 31, 2024.

Acquisition of treasury stock

The Company stipulates in its Articles of Incorporation that it may acquire treasury stock upon resolution of the Board of Directors in accordance with Article 165, Paragraph 2 of the Companies Act.

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

Source of funds and liquidity risk management

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

Capital expenditures/depreciation

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

Capital expenditures and depreciation during the fiscal year ended March 31, 2024 were ¥394.6 billion and ¥374.3 billion, respectively.

Capital expenditures/depreciation by segment

In regard to capital expenditures by geographic segment, the Group focused its investment on most of the regions to increase production, and mainly invests in new products and rationalization measures. As a result, capital expenditures spent in Japan were ¥228.7 billion.

In regions outside of Japan, capital expenditures in North America, Europe, Asia, and other areas were ¥54.1 billion, ¥30.5 billion, ¥74.9 billion, and ¥6.4 billion, respectively.

R&D activities

In the DENSO Group Long-term Policy 2030, the Group declares that it will maximize the provision of green value and peace of mind value, endeavor to create new value, and contribute to ensuring a society filled with smiling faces.

The Group's R&D expenses, including the amount recognized as assets for the fiscal year ended March 31, 2024, totaled ¥550.9 billion.

R&D expenses by segment

By geographic segment, R&D expenses in Japan were ¥485.4 billion.

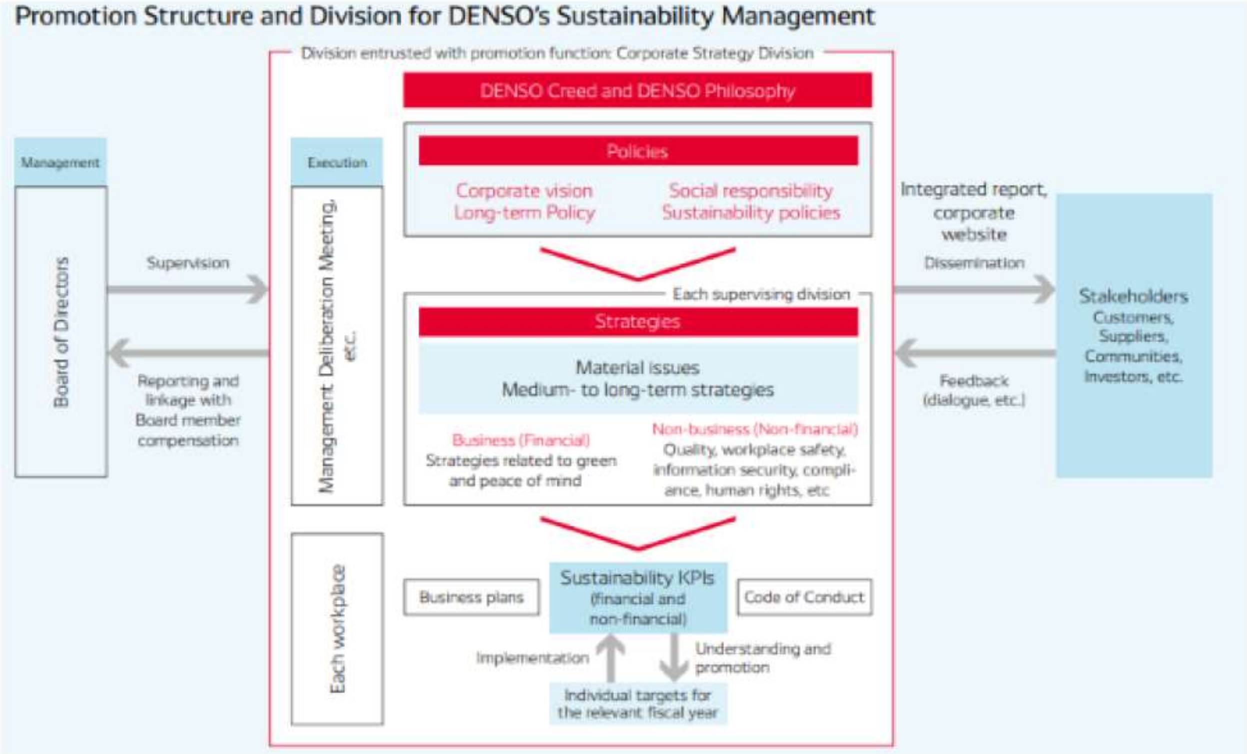
In regions outside Japan, R&D expenses in North America, Europe, Asia, and other areas were ¥32.0 billion, ¥14.6 billion, ¥17.8 billion, and ¥1.0 billion, respectively.

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

4. Sustainability philosophy and initiatives

(1) Overview

Since its founding, the Company has promoted sustainability management to contribute to the resolutions of social issues through our businesses for society and customers. The Company's approach to sustainability management, echoing the DENSO Creed, represents the core of the Company's management that it has passed down and provides the Company with a driving force for growth. To steadily implement sustainability management, the Company has formulated the Sustainability Policy, incorporated social issues into the Company's Long-term Policy and the Company's material issues (materiality), and worked to resolve those issues through the Company's business activities. The Company's basic management structure for promoting its sustainability management is as follows.



1) Governance

The executive vice president and representative member of the Board supervise the Corporate Strategy Division which is responsible for promoting companywide sustainability management. This division is involved in such efforts as drafting policies and action plans related to sustainability, providing follow-up support for the sustainability activities of each division, and engaging in internal and external communication.

Furthermore, matters such as the direction of sustainability management and the status of companywide sustainability activities are reported to and deliberated on by the Company's formal committees (such as the Management Deliberation Meeting) and overseen by the Board of Directors. In addition, the divisions in charge of individual sustainability themes promote activities to address these themes in collaboration with relevant divisions and after deliberation on said themes by each expert committee.

Also, to promote and entrench a culture of sustainability and disseminate related information, the Company's each division, the Group's domestic companies, and overseas regional headquarters appoint one sustainability leader, who is tasked with ensuring the penetration of a culture of sustainability throughout workplaces.

2) Risk Management

The Company makes efforts to constantly ascertain the risks it faces and manages these risks from the perspectives of damage mitigation and business continuity to minimize the impact of constantly diversifying risks.

Specifically, the Company has established the Risk Management Meeting, chaired by the Chief Risk Officer (CRO), who is responsible for groupwide risk management. The Risk Management Meeting is a groupwide organization that confirms improvements to the Company's risk management structure and framework, promotes the direction of important risk management activities based on the conditions and trends both inside and outside the Company.

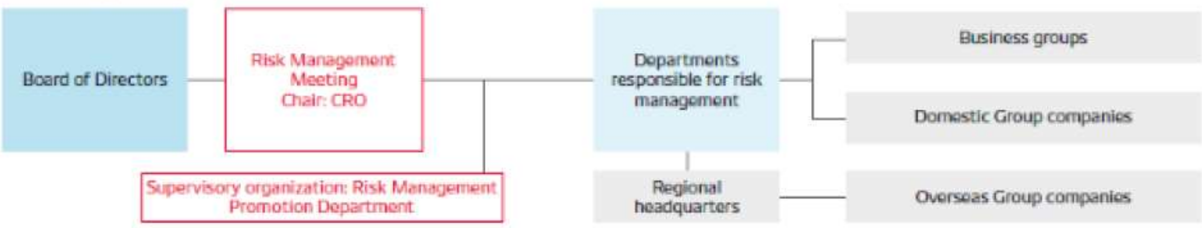
The Company has also appointed risk officers and risk managers responsible for risk management in each business unit and at each regional headquarter and domestic and overseas Group company. In these ways, the Company is taking steps to strengthen measures to prevent damages to its businesses during normal times and measures to minimize damages during times of emergency.

In addition, the Company has created the Emergency First Response Manual in order to respond promptly and accurately in the event of a crisis. This manual clarifies such matters as the criteria for determining the level of urgency for a crisis, reporting standards, reporting routes, and basic policy for internal and external responses. Furthermore, depending on the severity and level of urgency of the situation, the Company assembles special countermeasure organizations through which the functional departments lead the way with measures to enact an agile response geared toward minimizing damages.

The Company has identified potential risks related to life, the environment, credit, property, and business activities based on the surrounding business environment and established major risk items from the perspectives of frequency of occurrence and level of impact. The Company designates responsible functional departments for each risk item and clarifies the reason for occurrence, preventive measures, initial response, and recovery efforts for these items, thereby working to enhance its risk resiliency. In particular, the Company is identifying risks toward which it invests resources to promote countermeasures as "key risk items." The Company has also established activity plans and targets toward further enhancing its crisis management, and the progress made toward these plans and targets is reported to the Risk Management Meeting. At the same time, the Company has established quantitative KPIs for companywide targets pertaining to each risk item, and the status of risk management activities is also confirmed by the Board of Directors. Furthermore, the Company implements inspections of this risk management process through internal audits and audits performed by external organizations.

In terms of sustainability, in addition to climate change risks (natural disasters), the Company has designated quality issues, environmental contamination, industrial accidents, fire and explosion accidents, information security accidents, and other incidents (epidemics, war, and terrorism) as key risk items.

Risk Management Structure



(2) Climate Change

Amid the pressing crisis of climate change, the Company is exploring the ideal vision for a sustainable mobility society and is accelerating its sustainability management with a view to maximizing the value of "green," which is a target adopted under its Long-term Policy for 2030. In 2019, the Company pledged its support for the Task Force on Climate-related Financial Disclosures (TCFD). Since the pledge, the Company has been carrying out a scenario analysis regarding the impact of climate change on the Company's businesses, the risks and opportunities.

The Company has also been examining ways reflect the results of this analysis in the Company's business strategies.

1) Governance

The Company deliberates on and determines important items related to climate change at the companywide Safety, Health, and Environment Committee. This committee meets twice a year, in which members share short-, medium-, and long-term targets set with the aim of realizing the "Eco Vision 2025 (Note)" environmental management policy, and the issues and progress of activities related to the environment in general, including the results of scenario analysis, and issues instructions on measures to be taken. The committee also discusses and decides upon important items in the promotion of environmental management, such as executing investment related to energy saving.

Matters deemed to significantly affect businesses, such as medium-term management strategies and major investments, are discussed at meetings of the Management Deliberation Meeting or the Board of Directors.

In particular, with respect to carbon neutrality initiatives, the Board of Directors determines the Company's targets. Based on these targets, the Strategy Deliberation Meeting and the Executive Workshop deliberate on medium- and long-term policies and strategies, while the Annual Plan Meeting deliberates on short-term policies, targets, and plans. Progress toward achieving the aforementioned targets is monitored at the Management Deliberation Meeting and meetings of the Board of Directors in which all officers participate.

(Note) Eco Vision 2025: An action plan for the period up until 2025, a year that marks the midway point for realizing sustainable communities and society by 2050, aiming to solve environmental and energy problems, and coexist with nature through all the corporate activities.

2) Strategy

To understand the impact of climate change on the Company's businesses and to identify climate-related risks and opportunities, the Company referenced the external scenarios of the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) and used them as benchmarks for the Company's scenario analysis. Also, while confirming the scenario analysis for the automotive industry, the Company compared and contrasted this analysis with the Company's awareness of the business environment that exists under the Company's medium- to long-term strategies to hypothesize comprehensive scenarios. Upon doing so, the Company was able to identify climate-related opportunities and risks by analyzing the differences between the Company medium- to long-term strategies and these scenarios.

In terms of transition risk, the Company has defined the Beyond 2 Degrees Scenario (B2DS) and the Sustainable Development Scenario (SDS) of the IEA's World Energy Outlook as "promotional" and "ambitious" scenarios, respectively. For the scope of these scenarios, we quantified Group CO2 emissions, carbon tax, crude oil prices, renewable energy rate, and the rate of new electric vehicle (xEV) introduction by 2040, and analyzed opportunities and risks based on the differences between these scenarios and Group strategies. Also, with regard to physical risks, the Company has defined the RCP8.5 and RCP6.0 scenarios of the Fifth Report of the IPCC as "stagnant" and "promotion" scenarios, respectively. The Company visualized aspects such as weather disasters, rising sea levels, deteriorating eco systems, and water and food shortages in a qualitative manner and analyzed opportunities and risks based on the differences between these scenarios and Group strategies.

Major risks, major opportunities and response measures are as follows:

Major risks

Key items	Timeframe / Level of impact	Major potential financial impact	Financial impact (FY 2026) (Note 3)	Response measures	Response cost (FY 2024) (Note 3)
New controls and regulations placed on the Company's existing products and services	Long-term / Relatively high	**Decline in revenue against the backdrop of increasingly strict regulations on fuel efficiency and exhaust gas** The Company expects even tighter regulations on fuel efficiency as well as acceleration in the transition to xEVs, including HEVs (comprising 47% of all vehicles in 2030). Non-compliance with regulations resulting from an inability to adapt to changes could cause a decline in unit sales.	¥400.0 billion	• Accelerate the development of energy-saving technologies for products powered by electricity with a view to extending driving distance • Accelerate development aimed at enhancing fuel efficiency of internal combustion engines in HEVs and other vehicles to respond to new regulations on fuel efficiency	¥80.0 billion
Increased severity and occurrence of abnormal weather such as cyclones and floods	Long-term / Relatively high	**Decline in revenue due to suspended plant operations and supply chain disruptions** Revenue could decline due to damage to in-house plants or supply chain interruptions that result in a suspension of plant operations in Japan and greater Asia, where the Company conducts 66% of our overall production and where the possibility of abnormal weather occurring is high.	¥110.0 billion	• Implement measures to mitigate the impact of disasters on buildings, etc., and strengthen risk management in the supply chain through such measures as ensuring multiple suppliers for components • Connect our plants across the globe by using IT and IoT and establish a global production structure that can immediately respond to changing production needs	¥9.3 billion
Carbon pricing mechanism	Medium-term / High	**Decline in cost competitiveness due to the accelerated introduction of carbon pricing** Carbon costs could be added to all in-vehicle products due to the expansion and increasing strictness of international regulations, such as carbon taxes and emissions trading systems.	¥12.0 billion	• Strategic and incremental transition to renewable energy in manufacturing activities • Continue to promote activities to conserve energy and enhance energy efficiency in the production process	¥3.0 billion

Major opportunities

Key items	Timeframe / Level of impact	Major potential financial impact	Financial impact (FY 2026) (Note 3)	Response measures	Response cost (FY 2024) (Note 3)
Development of new products and services through R&D and technological innovation	Medium-term / High	**Increase in revenue due to higher demand for xEVs** Rise in demand for inverters and thermal products related to electrification and for technologies such as heat pumps that improve the heat efficiency of xEVs	¥360.0 billion	• Accelerate the development of technologies related to electrification—including power-saving technologies and compact high-output technologies—as well as the development of heat management technologies • Promote the development of engine control systems and other technologies that respond to alternative fuel (e-fuel, hydrogen, etc.)	¥90.0 billion
Diversification of business activities	Long-term / Medium	**Increase in revenue following higher demand for decarbonization technologies** Creation of business opportunities in such non-automotive fields as agricultural technology (AgTech), factory automation (FA) and hydrogen business (SOEC (Note1) and SOFC (Note2))by applying environmental technologies fostered in the automotive field and development of new technologies (energy utilization technologies) to capture, store, and recycle CO_2	AgTech, FA and hydrogen business ¥300.0 billion (FY2031)	• Create technologies such as AgTech that leverage sensor, control, and robot technologies and create energy utilization technologies, such as those that leverage exhaust gas purification technologies • Actively use business alliances	¥17.0 billion
Utilization of more effective production and logistics processes	Medium-term / Relatively high	**Reduced energy costs through the promotion of energy conservation at plants worldwide** If the Company promotes enhanced energy efficiency and is able to achieve our target under Eco Vision 2025 of reducing the amount of energy used per unit by half compared with fiscal 2013, the Company could achieve a CO_2 emissions reduction of approximately 1.65 million tons per year and reduce energy costs.	¥73.0 billion	Continue rigorous energy saving activities; adopt low carbon materials, equipment, and production processes; enhance production process efficiency through the introduction of Factory-IoT; and promote the development of energy saving production technologies	¥10.0 billion

(Note 1) SOEC: Solid Oxide Electrolysis Cell

(Note 2) SOFC: Solid Oxide Fuel Cell

(Note 3) Financial impact (FY 2026) and response cost (FY 2024) are tentative values as of June 20, 2024. The finalized values will be shown in the "Integrated Report 2024" to be issued at the end of September 2024.

3) Risk Management

Amid the rapidly occurring changes in the business environment, the Company is striving to ascertain the constantly diversifying risks and implementing risk management from the perspectives of minimizing damage and ensuring business continuity. Climate change-related risks are reported to the companywide Safety, Health, and Environment Committee, which identifies key items and clarifies the Company's response.

Also, the Company has designated climate change-related risks (physical risks) as one of the major risks toward which the Risk Management Meeting should particularly invest resources and promote initiatives. Based on this designation, the Company is strengthening the Company's response to these risks on a groupwide basis from the perspective of overall risk management.

4) Metrics and Targets

In fiscal 2022, in light of the progress based on Eco Vision 2025, social demands and expectations, the Company adopted a more ambitious goal of becoming carbon neutral and commenced activities to reach this goal accordingly.

The Company clarified specific targets for this goal in the Mid-term Policy for 2025. At the same time, the Company incorporated a sustainability target pertaining to the Company's material issues into part of the Company's management targets. As previously mentioned, the status of progress and follow-up regarding these targets are shared not only at the companywide Safety, Health, and Environment Committee, but also at the Management Deliberation Meeting and the Board of Directors.

The specific company targets are as follows:

Climate Change-related Targets (CO_2 Emissions Reduction) (Benchmark year: Fiscal 2021)

Component procurement	Scope 3 (Upstream)	FY2031	Reduction of 25% (equivalent to well below 2°C*)
		FY2051	Carbon neutral
Monozukuri	Scope 1 and 2	FY2026	Carbon neutral
		FY2036	Carbon neutral (without carbon credits)
Product use	Scope 3 (Downstream)	FY2031	Reduction of 25% (equivalent to well below 2°C*)

* The target of keeping temperature increases well below 2°C, which is a Scope 3 target under the 1.5°C standard

i) Scope 1 and 2 Carbon-Neutral Monozukuri

<Aim> Achieve Complete Carbon Neutrality in Monozukuri

The Company aims to achieve carbon neutrality in Monozukuri by lowering CO2 emissions through energy consumption reduction based on more efficient manufacturing processes; by using such renewable energy sources as sunlight; and by developing and commercializing technologies that capture CO2 emitted in production processes and reuse it as energy.

The Company will switch 100% of our electricity to renewable energy sources and use carbon credits for gas to become carbon neutral by fiscal 2026. By fiscal 2036, the Company will no longer use carbon credits and be completely carbon neutral.

ii) Scope 3 (Upstream) Reduction of CO2 Emissions in the Supply Chain

<Aim> Realize Carbon Neutrality through Collaboration between DENSO and Suppliers

Since the progress of the initiatives conducted by suppliers varies from one supplier to another, the Company will monitor progress through active dialogue with suppliers and provide support suited to their issues. For example, the Company will provide information on energy-saving know-how and help suppliers procure renewable energy and transition to low-carbon materials.

iii) Scope 3 (Downstream) Carbon Neutrality for Electric Vehicle Components

<Aim> Contribute to the Electrification of Cars to Reduce CO2 Emissions to the Greatest Extent Possible

The Company will help reduce CO2 emissions from vehicle use by developing products and systems that support the popularization of HEVs, BEVs, FCEVs, and other xEVs. In addition, the Company will apply the electrification technologies cultivated in the automotive industry to the field of air mobility in an effort to significantly reduce CO2 emissions in all facets of mobility.

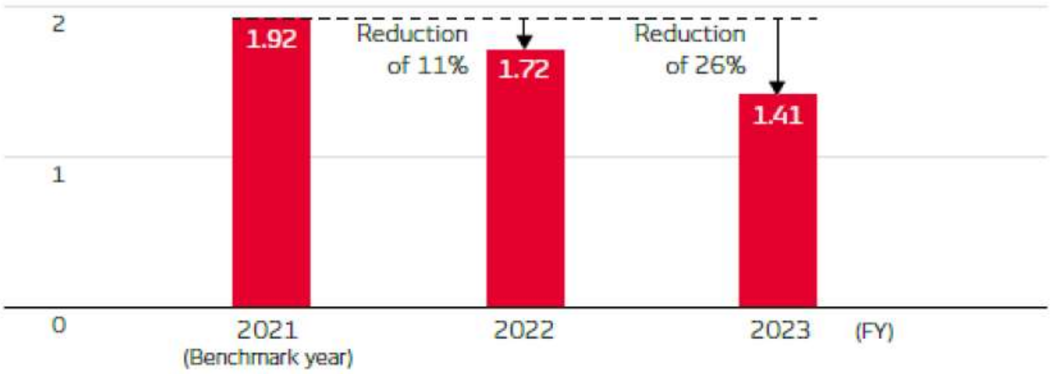
iv) Reduction of CO2 Emissions from Energy Use

<Aim> Realize an Energy-Recycling Society through the Development and Popularization of Technologies That Make Effective Use of Renewable Energy

The Company will establish technologies that store and reuse energy in a highly efficient manner, regardless of location or time, and work to popularize them on a global basis. By doing so, the Company will help realize an energy-recycling society.

CO_2 Emissions

(Millions of t-CO_2e)



Notes: 1. The results figures reflect the use of carbon credits.
2. The targets are production bases in Japan and overseas (including the Group's manufacturing companies).
3. Fiscal 2021 results have been adjusted for the effect of the reduced production that accompanied the COVID-19 pandemic.

(Note 1) The Company calculated CO2 emissions (global, scope 1 + scope 2 emissions) onward to align with the Basic Guidelines on Accounting for Total Greenhouse Gas Emissions.

(Note 2) The Company has undergone an independent third-party verification provided by SGS Japan Inc. since fiscal 2021.

(Note 3) The Company's CO2 emissions in fiscal 2024 as of May 31, 2024 according to internal calculations amounted to 950 thousand tons. This amount is to undergo third-party verification in January 2025.

(Supplemental Information)

International Certification of Reduction Targets

The Company has established targets for the reduction of greenhouse gas emissions by fiscal 2031. These targets are based on scientific evidence and consistent with the goal of limiting the global average temperature increase to 1.5℃ above pre-industrial levels, which is set forth by the Paris Agreement. As a result, the Company's targets have obtained Science Based Targets (SBT) certification from the internationally recognized Science Based Targets initiative (SBTi (Note)).

(Note) The SBTi is a joint initiative established by World Wide Fund for Nature, CDP, the World Resources Institute, and the United Nations Global Compact. The SBTi formulates guidance that enables companies to set specific targets for the volumes and timeframes of greenhouse gas emission reductions. SBT (Science Based Targets) certification is granted to companies whose targets are recognized to be in conformity with scientific findings .

(3) Human Capital

1) Initiatives related to human resource development, including ensuring diversity of human resources

i) Strategy

Background to Emphasis on Strengthening Human Capital

The Company believes that human resource development supports manufacturing and R&D. This has been philosophy since our founding in 1949. Accordingly, the Company views people as most important form of management capital, and the Company has tirelessly accumulated competence that allows us to provide new solutions and address social issues. The Company calls this competence "the ability to turn ideas into reality." Thanks to the Company's accumulated competence, the Company has created more than 180 world-first technologies and products. In 1954, the Company established technical training schools to strengthen its technologies and skills. Tracing its roots back to these schools, DENSO Industrial School continues to train technicians. To date, the school's students have won more than 70 medals at the WorldSkills Competition. As the automotive industry undergoes major structural changes, the Company aims to provide new solutions not only in mobility but also in industry and society. To these ends, the Company will enhance our ability to turn mass production ideas into reality which entails meeting quality, cost, and supply requirements as well as the Company's ability to turn business ideas into reality by realizing customer value and services-based business models and partnerships with companies in other industries.

PROGRESS: A Vision and Action Plan for Our People and Organization

Aiming to become a "group of professionals with the ability to turn ideas into reality," the Company has established the PROGRESS vision and action plan for our people and organization. Under this plan, since fiscal 2022 the Company has been reforming its organization as well as specific human resource initiatives and systems so that employees can continue to evolve and pursue ambitious initiatives. The Company's ideal employees are professionals committed to taking on the challenge of achieving new personal bests, while the Company's ideal organization provides a platform for the co-creation initiatives and interaction of diverse professionals. The Company believes that, by combining the strengths of people and organization, the Company can develop distinctive ability to turn ideas into reality even further. In line with this belief, the Company has set out the PROGRESS vision and action plan, which reflects commitment to professionalism as well as to progress (evolution and ambitious initiatives). The plan calls on the Company to support employees in continuing their ambitious initiatives and evolution by reforming human resource initiatives and systems since fiscal 2022. These reform efforts are focusing on four pillars: career, learning and growing, evaluation and compensation, and workstyles and culture.

Four Pillars of PROGRESS

Career: PROGRESS Design	Career design system, strengthening of specialization, career innovation program, in-house recruitment, etc.
Learning and Growing: PROGRESS Development	Fostering of management leaders, trainee system, co-creation program for cross-industry partnerships, etc.
Evaluation and Compensation: PROGRESS Drive	Role- and performance-based evaluation and compensation system, benefits that support diverse lifestyles, etc.
Workstyles and Culture: PROGRESS Diversity & Digital	Initiatives to enhance engagement, development of personnel with competence in digital transformation, diversity (empowerment of women), etc.

The Company's Approach to Human Capital-Focused Management (Value Creation Path)

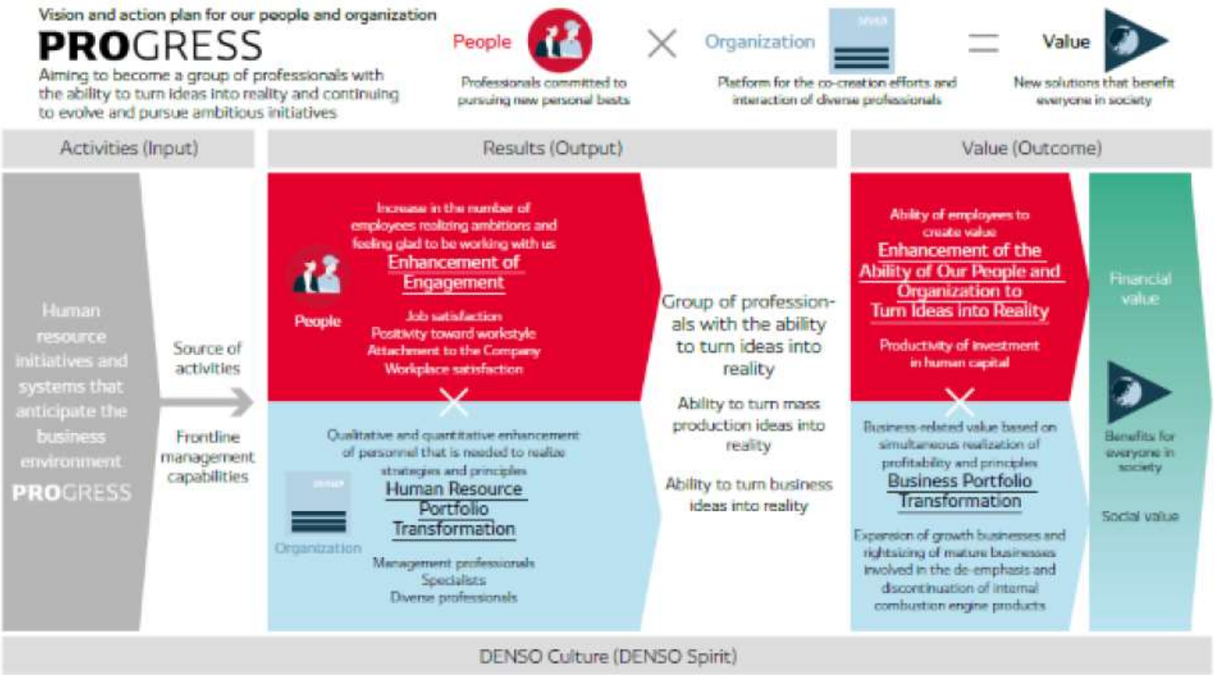
The remainder of this section provides an overview of the human capital enhancement initiatives being implemented under PROGRESS as well as the benefits they will achieve and the value they will provide.

Reform of human resource initiatives and systems that anticipate the business environment will achieve the Company's personnel and organizational objectives. With respect to the personnel, the Company will increase the number of employees realizing their ambitions and feeling glad to be working with. As for the organization, the Company will achieve the qualitative and quantitative enhancement of human resources that is needed to realize our Strategies for "Green" and "Peace of Mind" and principles. By setting out quantitative key performance indicators (KPIs) for both the enhancement of employee engagement and the transformation of its human resource portfolio, the Company will ensure the reform of human resource initiatives and systems.

However, reform of initiatives and systems does not produce immediate results. Therefore, the Company is carefully managing initiatives and systems with the goal of allowing frontline employees to really feel the benefits of reforms before they change their mindsets and behavior. Such frontline management capabilities are essential in maximizing the effectiveness of initiatives and achieving desired results.

To measure the value provided by human capital and facilitate the aforementioned frontline management, the Company has defined business portfolio transformation and the ability of people and organization to turn ideas into reality as forms of value. The ability of people and organization to turn ideas into reality is an indicator of how effectively human capital is being utilized and of whether value is being created for society. For this indicator, the Company uses the productivity of investment in human capital, which is added value divided by investment in human capital. Business portfolio transformation refers to business-related value, which is created by simultaneously realizing profitability and the "green" and "peace of mind" principles through the inclusion in business portfolio of growth businesses as replacements for businesses involved in the de-emphasis and discontinuation of internal combustion engine products.

By heightening employee engagement and augmenting the quality and quantity of personnel, the Company will empower employees to create even more added value as a "group of professionals with the ability to turn ideas into reality," thereby increasing the financial and social value that we provide.



ii) Metrics and Targets

a) Initiatives to enhance employee engagement

Enhancement of Engagement

The Company conducts an employee engagement survey annually, targeting all of roughly 45,000 employees, who belong to approximately 2,500 workplaces. The survey results show that job engagement corresponds to individuals' willingness to take on ambitious goals and that organizational engagement corresponds to the ability of workplace teams to achieve results. The percentage of affirmative responses with respect to job satisfaction and positivity toward workstyle (job engagement) as well as in relation to workplace satisfaction and attachment to the Company (organizational engagement) increased from 70% in fiscal 2022 to 75% in fiscal 2024. The goal is to raise affirmative responses to 78% by fiscal 2026.

Based on analysis of the survey results, the Company is improving initiatives. More specifically, the Company is helping employees realize career goals and creating open workplaces full of vitality important initiatives for increasing job and organizational engagement.

Helping Employees Realize Career Goals

With the aim of helping employees envision the professionals they want to become, the Company holds age group-based training that covers employees from their 20s through to their 50s and provides them with opportunities to reflect on their career plans. Moreover, the Company aims to achieve a 100% implementation of career interviews and dialogues between supervisors and subordinates. In particular, targeting approximately 3,200 supervisors, the Company holds mutual study sessions on cultivating empathy with the Company’s goals by effectively instilling in personnel an understanding of the purpose of the organization and the significance of their work. The Company also provides these supervisors with practical training sessions on conducting dialogues with subordinates and supporting career realization three times a year. Further, the Company is enhancing its career consultation office and various other facets of the Company’s career support system. In addition, the Company is providing support by expanding in-house recruitment; increasing the number of employees who are trained outside the Company, including training at companies in other industries; and developing an environment for self-education on specializations and skills.

Creating Open Workplaces Full of Vitality

Based on the annual engagement survey, the Company classifies workplace conditions into 11 categories based on levels of openness, job performance, and willingness to take on ambitious initiatives. The Company then encourages proactive improvement by giving all workplaces feedback on the results and examples of best practice. For workplaces with numerous issues, the Company uses organizational development methods to provide support that is aimed at promoting mutual understanding between subordinates and supervisors. Thanks to these efforts, in fiscal 2024 the number of workplaces where employees show a high level of willingness to take on ambitious initiatives rose by 160 workplaces (approximately 6% of all workplaces) year on year.

Metrics	Results (FY 2023)	Results (FY 2024)	Targets (FY 2026)
The rate of affirmative responses to work engagement	73%	75%	78%

(Note) The rate of affirmative responses to work engagement is calculated based on the Company figures.

b) Initiatives toward human resource portfolio reform

Human Resource Portfolio for Business Portfolio Transformation

Aiming to augment the quality and quantity of personnel so that the Company can simultaneously realize profitability and strategies and "green" and "peace of mind" principles, the Company has categorized human resource portfolio into three types of professionals: management professionals, specialists, and diverse professionals. Based on these three categories, the Company is acquiring, developing, and deploying personnel.

Management Professionals

Management Professionals Who Will Lead a Global DENSO

The Company holds global human resource development conferences, which are attended by all senior executive officers and focus on the discussion and implementation of training and placement that maximizes the performance of management candidates. The aim of these conferences is to systematically produce globally competent management leaders who will play key roles in business management and execution. Dedicated talent managers support the growth of diverse management leadership candidates through detailed understanding of their aspirations and strengths. In addition, Global Leadership Development Program is strengthening the development of local personnel overseas through mutual study sessions and the assignment of personnel to global projects. The program is tasked with fostering local personnel so that they account for 50% of the heads of overseas bases by fiscal 2031.

Specialists

Specialists Who Will Innovate and Create Value

With sights set on a new era, the Company is advancing a companywide reassignment of personnel from businesses involved in the de-emphasis and discontinuation of internal combustion engine products to growth businesses. Through inhouse recruitment, stepped-up hiring, and other measures, the Company will realize a large-scale transition in human resources by deploying approximately 4,000 personnel to the priority fields of vehicle electrification and mobility systems by fiscal 2026. At the same time, by providing opportunities for exchanges and collaborations among personnel in the mechanical parts, electronics, and software fields, the Company will develop professionals in the systems field who are able to design optimal combinations of products and functions from an upstream perspective. In the energy management field, which is becoming increasingly important as vehicle electrification progresses, plans call for doubling the current number of employees by fiscal 2026.

For employees, the Company is enhancing measures to increase expertise in each field. In the all important software field, since fiscal 2022 the Company has been operating the Sommelier Certification Program, which objectively certifies the skills of software engineers, as well as recurrent education programs on software, which support personnel scheduled to transfer from positions in the hardware field to positions in the software field. As of March 2023, these recurrent programs have trained 210 employees. Further, in fiscal 2023 the Company redefined and visualized the employee specializations required companywide into 40 fields and 535 categories. The Company also categorized and visualized the specialization of approximately 15,000 office workers into five levels. Going forward, the Company will use the data from these recategorizations to strengthen the specialization of each employee.

Other initiatives include measures to improve the digital transformation literacy of all employees. Having categorized and visualized the digital tool utilization of all office workers into four levels, the Company will create opportunities for acquiring skills and putting them into practice with the goal of raising the percentage of personnel capable of advanced utilization of the latest digital tools to 50% by fiscal 2025. Regarding the approximately 22,000 employees engaged in frontline production operations, in fiscal 2022 the Company began providing one digital terminal to each employee, and the Company plans to complete distribution of digital terminals to all such employees by March 2024. Regardless of whether they work in offices or plants, all employees will use digital technologies to revolutionize the way they work.

Diverse Professionals

Diverse Professionals Whose Individuality, Values, and Experience Invigorate the Company

The Company is advancing global initiatives to realize a working environment and organizational culture that empowers diverse professionals regardless of their gender, gender identity, sexual orientation, age, race, nationality, religion, and disabilities as well as unseen differences such as experience and values. As part of efforts to empower female employees, the Company has established KPIs for: recruitment, balance between work and life events, and promotion. the Company has set targets for the number of female employees in career-track administrative and technical positions as well as the number of production-related female managers. Also, the Company conducts diversity training for the supervisors of female employees and organizes roundtable discussions with female employees who serve as role models for other women. In recognition of such efforts as introduction of a partnership system and holding of events to promote understanding during Pride Month, the Company has received the highest rating of Gold in the PRIDE Index, which evaluates LGBTQ+ initiatives for sexual minorities.

Metrics	Results (FY 2023)	Results (FY 2024)	Targets (FY 2026)
The number of female management positions	Business 139 Technical 136	Business 153 Technical 152	Business 200 Technical 200

(Note) The number of female management positions is calculated based on the Company figures.

2) Initiatives for Internal Environmental Maintenance

i) Strategy

a) Safety and Health

Improvement of safety and health management is absolutely essential to ensure the business foundation as a global company. As such, the Group is working to achieve continuous improvements in safety and health based on the premise that creating safe and comfortable working conditions is the best way to realize both human dignity and high productivity. This policy is built on the fundamental principles of safety, health, and the environment established by the Company in 1969.

b) Promoting Employee Health

Good physical and mental health provides the source for working in a lively and energetic manner and is essential for ensuring the happiness of the employees and their families. The Company positions promoting the health of its employees as an important management task and is therefore moving forward with "Health and Productivity Management (Note)." The Company announced its Health Declaration in September 2016. At the same time, to encourage activities that promote employee health and raise the level of health awareness in the workplace, the Company is working to enhance its health-related initiatives from the perspective of both physical and mental.

In addition, to promote health management at all the group companies, the Company formulated the "DENSO Group Health and Productivity Management Basic Principle" (February 2019). The Group will share this basic principle, and implement activities suited to the current conditions in each country and region. Accordingly, the Company will strive to improve each associate's health awareness (Health Literacy) and create more comfortable working environment.

(Note) The term "Health and Productivity Management" is a registered trademark of Nonprofit Organization Kenkokeiei.

ii) Metrics and Targets

a) Safety and Health

Targets for safety marks (scoring depending on scale and type of accidents; the lower the number the better the score) have been set to improve safety and health. The cause of each accident is assessed in terms of the impact on operations, equipment and administration to prevent accidents before they occur.

During the fiscal year ended March 31, 2024, the Company’s focus was on preventing explosions, fires, and serious accidents, and preventing Type 1 accidents involving working parts, heavy objects, chemicals, etc. The Company conducted safety communication patrols led by division leaders, and all employees participated in risk re-evaluations of heavy object/chemical work, and inspections to prevent explosions and fires of high-risk equipment. As a result, the Company was able to maintain a record of no explosions, fires, or other serious accidents, and achieved its safety mark targets for both Group companies in Japan and overseas. However, accidents involving equipment that suffers from frequent emergency stops are on the rise, and the Company’s investigation into the causes behind this revealed that the causes for these accidents included "procedural errors and omissions due to hastiness in production." Once again, the Company will promote "correct work that makes safety a top priority" with the participation of all employees, and strengthen its approach to production environments where frequent stoppages and other situations create a desire to rush work.

Safety marks

FY 2024	Targets	Results	Evaluation
The Company	45.0 points	41.5 points	○
Group companies in Japan	31.5 points	24.0 points	○
Group companies overseas	44.5 points	44.0 points	○

(Note) The lower the score, the better.

b) Promoting Employee Health

The Company has established its original "Employee lifestyle score (Note 1)," an indicator based on data from individual employees' checkups, which corresponds to the health behavior and health data targets set in "Healthy Japan 21 (Note 2)," and has set the companywide average value as a management target.

Furthermore, the Company makes office health leaders aware of the lifestyle scores for their respective workplace, thereby enabling them to formulate effective health action plans.

Based on their lifestyle scores, the Company distributes written notifications to employees that contain advice on their strengths and weaknesses as well as information on how they compare to employees of the same age and what kinds of efforts they should make in the future. In fiscal 2024, by raising the percentage of employees with healthy lifestyle habits, these activities aim to increase the companywide average lifestyle score by 10% compared with fiscal 2018.

In addition, Denso Kenko Station (DKS) is a health application that was developed in-house that allows users to register not only lifestyle scores but also health checkup data, dietary data, such as calories and salt content of food consumed at the cafeteria, weight, step counts, blood pressure, and other data. Employees can utilize the application in their day-to-day health management.

(Note 1) "Employee lifestyle score" calculation method is a total score of 100 points, consisting of 80 points for health behaviors and 20 points for health data. Calculations are based on the results of employees' annual health checkups.

(Note 2) Health Japan 21 is a policy formulated by the Ministry of Health, Labour and Welfare to promote the health of Japanese population with the goal of preventing lifestyle-related diseases and extending healthy life expectancy.

Employee lifestyle score

FY	2022	2023	2024
Targets	76.0 points	77.0 points	77.0 points
Results	74.0 points	74.5 points	74.7 points

(Note) Employee Lifestyle Score is calculated based on the Company figures.

5. Risk management

(1) Business environmental risks

Economic risk

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

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

Exchange rate risk

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

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

Raw materials and component supply risk

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

(2) Risks related to business activities

New product development risk

While the Group believes that it can continue to develop original and appealing new products by investing in R&D with the target of around 9% of revenue, the product development and sales process are, by its nature, complex and uncertain, and are subject to the following risks:

- There is no guarantee of acquiring sufficient funds and resources for investments in new products and new technologies.
- There is no guarantee that the long-term investments and allocation of large amounts of resources will lead to the development of successful new products and the creation of new technologies.
- It is not certain that the Group will be able to correctly predict which new products and new technologies will earn the support of the Group's customers, and there is no guarantee that the sales of these products will be successful.
- There is no guarantee that newly developed products or technologies will be protected as proprietary intellectual property rights.
- As a result of fast-paced technological advances and changes in market needs, there is a possibility that the Group's products will become outdated.
- As a result of delays in the commercialization of new technologies under development, there is a possibility that market demands might not be met.

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

Pricing risk

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

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

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

Product defect risk

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

OEM (Original Equipment Manufacturer) customer risk

The OEM business, which constitutes the majority of the Group's business, serves automobile manufacturers around the world and supplies a wide range of products, including Thermal Systems, Powertrain Systems, Mobility Electronics, Electrification Systems, and Advanced Devices in automotive parts. Sales to OEM customers may be affected by factors that the Group cannot control, such as the operating results of OEM customers. In addition, demands for reduced prices from OEM customers may reduce the Group's profit margins. Further, there is a possibility that OEM customers' business downturns, unforeseen contract cancellations, changes in OEM customers procurement policies, and price cuts to satisfy large customers may have an adverse effect on the Group's operating results and financial condition.

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

Corporate acquisition or capital alliance risk

The Group aims to expand business, enhance functions, or develop new technologies by strengthening existing partnerships or forming new partnerships. To achieve this, the Group establishes new companies or invests in existing companies through alliances with other companies, and there is the possibility that the Group will continue to invest in the future.

The Group executes new investments only after holding extensive discussions from a wide range of perspectives, but if there is a downturn in the value of a company the Group has invested in, or if there is a disagreement with a partnering company regarding strategy or priorities, it may not be possible to enjoy benefits commensurate with the investment, which would make it difficult to recover the amount invested and possibly have an adverse effect on the Group's operating results and financial condition.

Potential risks of international activities and overseas expansion

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

Expansion into these overseas markets has the following inherent risks, which, if they materialize, may have an adverse effect on the Group's operating results and financial condition.

・Unforeseen changes in laws or regulations
・Unfavorable political or economic conditions
・Difficulties in employing and retaining personnel
・Inadequate social infrastructure that may adversely affect the Group's business activities
・The potentially adverse impact of tax regulations
・Social or economic turmoil caused by strikes, terrorist incidents, military conflict, epidemics, and other events

Risks related to increasing importance of environmental issues

The Group complies with domestic and overseas environmental laws and regulations, and works to reduce its environmental impact and realize highly efficient transportation. Specifically, the Group is striving to reduce the environmental impact of its business activities, pursue environmental efficiency and resource productivity, and develop products that conform with environmental regulations in accordance with the Group's environmental policy DENSO Eco Vision 2025.

However, the rising global population and the pursuit of economic development and convenience are accelerating the pace of consumption of energy resources, and therefore, risks and concerns about global warming, resource depletion, environmental contamination, etc. are increasing. In line with this trend, environmental efforts are becoming increasingly important, and various regulations may be revised or strengthened in the future, and immediate actions as well as initiatives targeting the future may be required. If such actions are inadequate, it may have an adverse effect on the Group's operating results and financial condition, such as a decrease in product sales, limits on production volume, or a decline in reputation.

Climate change risks

Based on the Paris Agreement adopted at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21), initiatives to reduce greenhouse gas emissions are being promoted worldwide to curtail the increase in average temperature. Moreover, the governments of major countries, which include those in Europe as well as the United States, China, and Japan, have recently declared their intention to achieve carbon neutrality and initiatives for that purpose constitute a key element of their national growth strategies. In view of this background, the Group considers actions concerning climate change will not be constraints on economic growth but rather be a source of competitiveness.

The Group is exploring the ideal vision for a sustainable mobility society with a view to maximize the value of "green," which is a target adopted under its Long-term Policy. Referring to the framework of the Task Force on Climate-related Financial Disclosures (TCFD), the Group analyzed the impact of climate change on its businesses and identified climate-related opportunities and risks based on comparisons with hypothesized scenarios and considered how best to reflect the results of the analysis in its business strategies.

Recently, the climate change risks described below may have an adverse effect on the Group's operating results and financial condition. As regards a risk posed by transition to a carbon neutral society, if the Group is unable to appropriately respond to regulations on fuel efficiency and exhaust gas in relation to climate change and increasing electrification with its current products, the Group may lose sales opportunities. Moreover, physical risks include increased severity and occurrence of abnormal weather, such as cyclones and floods, and may result in a decline in revenue due to suspended plant operations and supply chain disruptions.

In order to deal with these risks, with regard to transition risks, the Group is accelerating R&D and promoting customer proposals in the Electrification Systems, Thermal Systems, and Powertrain Systems businesses to respond to new regulations on fuel efficiency and demand for electrification. As for physical risks, the Group is implementing countermeasures for meteorological disasters (including flooding) in new and existing buildings and is also strengthening supply chain risk management by diversifying suppliers for components and other materials. Please refer to "4. Sustainability philosophy and initiatives" for more information.

Information security risks

The Group uses a variety of information technology internal networks and systems. Information technology, such as advanced driver assistance and automated driving, is also used in the Group's in-vehicle products.

The Group has constructed security measures for its internal networks, production lines, and other assets and provide further security literacy training for employees, in order to protect information assets and realize a stable supply of products. In addition, the Group is developing technology to protect in-vehicle products from cyberattacks, building its own system to ensure that they are installed, and working on establishing the operation.

However, fraudulent acts such as cyberattacks are becoming more threatening, and the Group could become a target. In the event of cyberattacks and other fraudulent acts that greatly exceeds expectations, interruptions of important operations, leaks of confidential information, adverse effects on the functioning of in-vehicle products, or other issues, could occur. This could lead to loss of competitiveness or a decline in reputation, which could in turn have an adverse effect on the Group's operating results and financial condition.

(3) Other risks

Risks of natural disasters and power outages

In order to minimize the potential negative impact of manufacturing lines being shut down in the event of a large-scale natural disaster, accident, epidemic, or other such events, the Group carries out disaster-prevention inspections and equipment checks on a regular basis.

The Group has also formulated a business continuity plan (BCP) and emergency action manuals in order to mitigate the impacts of such disasters. However, there is no guarantee that the Group can totally prevent or reduce the impact of stoppages caused by natural disasters or other events at the Group's manufacturing facilities, or at the Group's corporate customers or suppliers. For example, many of the Group's places of business are in the Tokai region of Japan, and if a disastrous earthquake were to hit this region, there is a possibility that the Group's production and delivery activities would be suspended.

Legal proceedings

The Group endeavors to ensure continual legal compliance in the course of its business activities. Nevertheless, the Group has been subject to the alleged violation of antitrust law or competition law in connection with certain past transactions regarding specific auto parts from the authorities in certain countries, coping with the lawsuit against the Company (along with its certain subsidiaries) filed by a certain customer in a U.K. court, and engaged in settlement negotiations with major customers (certain automobile manufacturers). Accordingly, such an event may have an adverse effect on the Group's operating results and financial condition.

Human rights

The Group's Sustainability Policy and the Code of Conduct clearly prohibit labor practices or similar actions that infringe upon human rights, and the Group has worked to ensure that these policies are thoroughly shared across the Group.

Recently, initiatives toward respecting human rights in business are becoming even more important for global corporations. In this environment, the Group believes that the Group needs to further promote human rights-related initiatives and has formulated the DENSO Group Human Rights Policy as an individual policy to address human rights issues.

However, if a violation of compliance due to discrimination or harassment was occurred, social trust may be lost and it may have an adverse effect on the Group's operating results and financial condition.

Results of Operations

1. Overview

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

(1) Results of operations

1) Revenue and profit

For the fiscal year ended March 31, 2024, revenue increased by ¥743.4 billion or 11.6%, year over year, to ¥7,144.7 billion due to strong vehicle sales mainly in Japan and North America, depreciation of the yen and sales expansion mainly in focus field such as electrification and advanced safety.

Operating profit decreased by ¥45.5 billion or 10.7%, year over year, to ¥380.6 billion due to incurred quality costs, in spite of production volume increase, exchange gain and efforts of cost reduction. Profit before income taxes decreased by ¥20.6 billion or 4.5%, year over year, to ¥436.2 billion. Profit attributable to owners of the parent company decreased by ¥1.8 billion or 0.6% to ¥312.8 billion.

Revenue and profit or loss by segment

By geographical segment, revenue increased in all regions, year over year, due to strong vehicle sales for easing semiconductor shortages mainly in Japan and North America. Operating profit increased in each region due to production volume increase and improvement of profitability, except in Japan where quality costs were incurred.

Revenue in Japan increased by ¥460.5 billion, or 12.4%, year over year, to ¥4,166.4 billion due to strong vehicle sales and depreciation of yen. Operating profit decreased by ¥130.4 billion, or 60.5%, year over year, to ¥85.2 billion due to incurred quality costs despite production volume increase and efforts of cost reduction. Assets totaled ¥6,092.4 billion, which is ¥1,376.8 billion more than at the previous fiscal year-end, mainly due to increases in other financial assets and assets held for sale.

Revenue in North America increased by ¥263.0 billion, or 17.5%, year over year, to ¥1,767.0 billion due to sales expansion mainly in focus field such as electrification and safety. Operating profit increased by ¥36.6 billion, or 204.4%, year over year, to ¥54.6 billion due to production volume increase and efforts of cost reduction. Assets totaled ¥998.8 billion, which is ¥168.1 billion more than at the previous fiscal year-end, mainly due to increases in other financial assets and property, plant and equipment.

Revenue in Europe increased by ¥95.8 billion, or 14.0%, year over year, to ¥781.3 billion due to strong vehicle sales. Operating profit increased by ¥13.5 billion, or 77.6%, year over year, to ¥31.0 billion due to production volume increase and efforts of cost reduction. Assets totaled ¥540.9 billion, which is ¥51.7 billion more than at the previous fiscal year-end, mainly due to increases in property, plant and equipment and intangible assets.

Revenue in Asia increased by ¥53.4 billion, or 2.8%, year over year, to ¥1,985.1 billion. Operating profit increased by ¥26.2 billion, or 16.6%, year over year, to ¥184.5 billion due to efforts of cost reduction. Assets totaled ¥1,806.1 billion, which is ¥168.1 billion more than at the previous fiscal year-end, mainly due to increases in cash and cash equivalents.

Revenue in other regions increased by ¥13.9 billion, or 13.8%, year over year, to ¥115.2 billion. Operating profit increased by ¥5.5 billion, or 28.7%, year over year, to ¥24.8 billion. Assets totaled ¥89.0 billion, which is ¥8.7 billion more than at the previous fiscal year-end, mainly due to increases in trade and other receivables and property, plant and equipment.

2) Financial position

Total assets as of March 31, 2024, increased by ¥1,684.7 billion, to ¥9,093.4 billion mainly due to an increase in other financial assets.

The total of current and non-current liabilities increased by ¥517.9 billion, to ¥3,346.9 billion mainly due to an increase in deferred tax liabilities.

Equity increased by ¥1,166.8 billion, to ¥5,746.5 billion mainly due to an increase in mark-to-market of investment securities.

3) Cash flows

In terms of cash flows for the fiscal year ended March 31, 2024, operating activities provided net cash of ¥961.8 billion, investing activities used net cash of ¥459.5 billion, and financing activities used net cash of ¥496.7 billion. As a result, cash and cash equivalents increased by ¥55.5 billion, to ¥789.4 billion.

Net cash provided by operating activities for the fiscal year ended March 31, 2024 increased by ¥359.1 billion from ¥602.7 billion in the previous fiscal year to ¥961.8 billion. This increase was mainly due to the ¥20.6 billion decrease in profit before income taxes and ¥215.2 billion increase in trade receivables.

Net cash used in investing activities increased by ¥95.8 billion from ¥363.7 billion in the previous fiscal year to ¥459.5 billion. This increase was mainly due to an investment in Silicon Carbide LLC, a SiC wafer manufacturing company that is a subsidiary of Coherent Corp.

Net cash used in financing activities increased by ¥96.6 billion from ¥400.1 billion in the previous fiscal year to ¥496.7 billion. This increase mainly reflected the ¥100.0 billion increase in purchase of treasury stock.

Purchases of property, plant and equipment increased by 8.6% from ¥360.6 billion in the previous fiscal year to ¥391.6 billion. This increase was due to the promotion of investments while simultaneously strengthening investments in focused areas and disciplined business operations.

Consolidated Statement of Financial Position

[As of March 31, 2024]

(Unit: Millions of yen)

	Note	FY2023 As of March 31, 2023	**FY2024 As of March 31, 2024**
Assets			
Current assets			
Cash and cash equivalents	6,7	733,850	**789,390**
Trade and other receivables	6,8	1,263,768	**1,281,279**
Inventories	9	1,119,780	**1,172,257**
Other financial assets	10	33,716	**48,398**
Other current assets		126,472	**156,477**
Subtotal		3,277,586	**3,447,801**
Assets held for sale	12	–	**417,578**
Total current assets		3,277,586	**3,865,379**
Non-current assets			
Property, plant and equipment	6,11	1,955,240	**2,043,600**
Right-of-use assets	13	43,642	**46,347**
Intangible assets	6,14	170,212	**199,761**
Other financial assets	10	1,699,202	**2,624,839**
Investments accounted for using the equity method	34	110,173	**124,430**
Retirement benefit assets	19	78,212	**105,937**
Deferred tax assets	15	42,967	**56,057**
Other non-current assets		31,428	**27,020**
Total non-current assets		4,131,076	**5,227,991**
Total assets		7,408,662	**9,093,370**

(Unit: Millions of yen)

	Note	FY2023 As of March 31, 2023	**FY2024 As of March 31, 2024**
Liabilities and equity			
Current liabilities			
Bonds and borrowings	16	303,509	**332,516**
Trade and other payables	17	1,219,317	**1,232,463**
Other financial liabilities	30	54,641	**47,672**
Income tax payables		42,630	**61,768**
Provisions	18	106,524	**295,239**
Other current liabilities		70,163	**83,972**
Subtotal		1,796,784	**2,053,630**
Liabilities directly associated with assets held for sale	12	–	**111,343**
Total current liabilities		1,796,784	**2,164,973**
Non-current liabilities			
Bonds and borrowings	16	585,765	**518,205**
Other financial liabilities	30	30,929	**29,115**
Retirement benefit liabilities	19	249,266	**238,201**
Provisions	18	1,643	**1,716**
Deferred tax liabilities	6,15	151,507	**382,752**
Other non-current liabilities		13,057	**11,903**
Total non-current liabilities		1,032,167	**1,181,892**
Total liabilities		2,828,951	**3,346,865**
Equity			
Capital stock	20	187,457	**187,457**
Capital surplus	20	273,664	**273,481**
Treasury stock	20	(252,270)	**(452,140)**
Other components of equity	20	955,829	**1,815,558**
Other comprehensive income associated with assets held for sale	12	–	**258,936**
Retained earnings	20	3,212,248	**3,451,694**
Equity attributable to owners of the parent company		4,376,928	**5,534,986**
Non-controlling interests		202,783	**211,519**
Total equity		4,579,711	**5,746,505**
Total liabilities and equity		7,408,662	**9,093,370**

Consolidated Statement of Income

[For the year ended March 31, 2024]

(Unit: Millions of yen)

	Note	FY2023 2022/4-2023/3	**FY2024 2023/4-2024/3**
Revenue	5, 22	6,401,320	**7,144,733**
Cost of revenue	9, 11, 13, 14	(5,490,176)	**(6,054,780)**
Gross profit		911,144	**1,089,953**
Selling, general and administrative expenses	6, 11, 13, 14, 24	(490,454)	**(715,164)**
Other income	6, 12, 23	37,361	**49,500**
Other expenses	24, 33	(31,952)	**(43,690)**
Operating profit	5	426,099	**380,599**
Finance income	25	51,483	**78,711**
Finance costs	25	(13,666)	**(22,246)**
Foreign exchange losses		(4,115)	**(17,693)**
Share of the (loss) profit of associates and joint ventures accounted for using the equity method		(2,931)	**16,866**
Profit before income taxes		456,870	**436,237**
Income tax expenses	15	(109,009)	**(80,664)**
Profit for the year		347,861	**355,573**
Attributable to:			
Owners of the parent company		314,633	**312,791**
Non-controlling interests		33,228	**42,782**

(Unit: Yen)

Earnings per share			
Basic	26	104.00	**104.97**
Diluted	26	–	**–**

Consolidated Statement of Comprehensive Income

[For the year ended March 31, 2024]

(Unit: Millions of yen)

	Note	FY2023 2022/4-2023/3	**FY2024 2023/4-2024/3**
Profit for the year		347,861	**355,573**
Other comprehensive (loss) income			
Items that will not be reclassified subsequently to profit or loss			
Net fair value (loss) gain on equity instruments designated as FVTOCI	27, 29	(102,637)	**956,433**
Remeasurements of defined benefit pension plans	19, 27	(14,092)	**17,477**
Share of other comprehensive income of investments accounted for using the equity method	27	7	**55**
Total		(116,722)	**973,965**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	27	114,556	**220,172**
Cash flow hedges	27	(1,704)	**342**
Share of other comprehensive income of investments accounted for using the equity method	27	4,758	**7,588**
Total		117,610	**228,102**
Total other comprehensive income		888	**1,202,067**
Comprehensive income for the year		348,749	**1,557,640**
Attributable to:			
Owners of the parent company		309,087	**1,504,137**
Non-controlling interests		39,662	**53,503**

Consolidated Statement of Changes in Equity

[For the year ended March 31, 2024]

(Unit: Millions of yen)

	Note	Equity attributable to owners of the parent company					
					Other components of equity		
		Capital stock	Capital surplus	Treasury stock	Net fair value gain (loss) on equity instruments designated as FVTOCI	Remeasurements of defined benefit pension plans	Exchange differences on translating foreign operations
As of April 1, 2022		187,457	273,803	(152,346)	788,476	–	187,086
Profit for the year		–	–	–	–	–	–
Other comprehensive (loss) income		–	–	–	(102,304)	(14,726)	113,188
Comprehensive (loss) income for the year		–	–	–	(102,304)	(14,726)	113,188
Acquisition of treasury stock	20	–	–	(100,012)	–	–	–
Disposal of treasury stock	20	–	18	88	–	–	–
Dividends	21	–	–	–	–	–	–
Changes in the ownership interest in subsidiaries without a loss of control		–	(157)	–	–	–	–
Transfer to retained earnings		–	–	–	(26,134)	14,726	–
Transfer to other comprehensive income associated with assets held for sale	12	–	–	–	–	–	–
Other		–	–	–	–	–	–
Total transactions with the owners		–	(139)	(99,924)	(26,134)	14,726	–
As of March 31, 2023		187,457	273,664	(252,270)	660,038	–	300,274

	Note	Capital stock	Capital surplus	Treasury stock	Net fair value gain (loss) on equity instruments designated as FVTOCI	Remeasurements of defined benefit pension plans	Exchange differences on translating foreign operations
As of April 1, 2023		**187,457**	**273,664**	**(252,270)**	**660,038**	**–**	**300,274**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**
Other comprehensive income		**–**	**–**	**–**	**954,695**	**18,329**	**217,980**
Comprehensive income for the year		**–**	**–**	**–**	**954,695**	**18,329**	**217,980**
Acquisition of treasury stock	20	**–**	**–**	**(200,024)**	**–**	**–**	**–**
Disposal of treasury stock	20	**–**	**44**	**154**	**–**	**–**	**–**
Dividends	21	**–**	**–**	**–**	**–**	**–**	**–**
Changes in the ownership interest in subsidiaries without a loss of control		**–**	**(227)**	**–**	**–**	**–**	**–**
Transfer to retained earnings		**–**	**–**	**–**	**(54,352)**	**(18,329)**	**–**
Transfer to other comprehensive (loss) income associated with assets held for sale	12	–	–	–	**(258,936)**	–	**–**
Other		**–**	**–**	**–**	**–**	**–**	**–**
Total transactions with the owners		**–**	**(183)**	**(199,870)**	**(313,288)**	**(18,329)**	**–**
As of March 31, 2024		**187,457**	**273,481**	**(452,140)**	**1,301,445**	**–**	**518,254**

(Unit: Millions of yen)

	Note	Equity attributable to owners of the parent company					Non-controlling interests	Total equity
		Other components of equity		Other comprehensive income associated with assets held for sale	Retained earnings	Total		
		Cash flow hedges	Total					
As of April 1, 2022		(2,779)	972,783	–	3,017,660	4,299,357	190,169	4,489,526
Profit for the year		–	–	–	314,633	314,633	33,228	347,861
Other comprehensive (loss) income		(1,704)	(5,546)	–	–	(5,546)	6,434	888
Comprehensive (loss) income for the year		(1,704)	(5,546)	–	314,633	309,087	39,662	348,749
Acquisition of treasury stock	20	–	–	–	–	(100,012)	–	(100,012)
Disposal of treasury stock	20	–	–	–	–	106	–	106
Dividends	21	–	–	–	(132,777)	(132,777)	(25,890)	(158,667)
Changes in the ownership interest in subsidiaries without a loss of control		–	–	–	–	(157)	(420)	(577)
Transfer to retained earnings		–	(11,408)	–	11,408	–	–	–
Transfer to other comprehensive income associated with assets held for sale	12	–	–	–	–	–	–	–
Other		–	–	–	1,324	1,324	(738)	586
Total transactions with the owners		–	(11,408)	–	(120,045)	(231,516)	(27,048)	(258,564)
As of March 31, 2023		(4,483)	955,829	–	3,212,248	4,376,928	202,783	4,579,711
As of April 1, 2023		**(4,483)**	**955,829**	**–**	**3,212,248**	**4,376,928**	**202,783**	**4,579,711**
Profit for the year		**–**	**–**	**–**	**312,791**	**312,791**	**42,782**	**355,573**
Other comprehensive income		**342**	**1,191,346**	**–**	**–**	**1,191,346**	**10,721**	**1,202,067**
Comprehensive income for the year		**342**	**1,191,346**	**–**	**312,791**	**1,504,137**	**53,503**	**1,557,640**
Acquisition of treasury stock	20	**–**	**–**	**–**	**–**	**(200,024)**	**–**	**(200,024)**
Disposal of treasury stock	20	**–**	**–**	**–**	**–**	**198**	**–**	**198**
Dividends	21	**–**	**–**	**–**	**(146,029)**	**(146,029)**	**(42,559)**	**(188,588)**
Changes in the ownership interest in subsidiaries without a loss of control		**–**	**–**	**–**	**–**	**(227)**	**(2,251)**	**(2,478)**
Transfer to retained earnings		**–**	**(72,681)**	**–**	**72,681**	**–**	**–**	**–**
Transfer to other comprehensive (loss) income associated with assets held for sale	12	–	**(258,936)**	**258,936**	–	–	–	–
Other		**–**	**–**	**–**	**3**	**3**	**43**	**46**
Total transactions with the owners		**–**	**(331,617)**	**258,936**	**(73,345)**	**(346,079)**	**(44,767)**	**(390,846)**
As of March 31, 2024		**(4,141)**	**1,815,558**	**258,936**	**3,451,694**	**5,534,986**	**211,519**	**5,746,505**

Consolidated Statement of Cash Flows

[For the year ended March 31, 2024]

(Unit: Millions of yen)

	Note	FY2023 2022/4-2023/3	**FY2024 2023/4-2024/3**
Cash flows from operating activities			
Profit before income taxes		456,870	**436,237**
Depreciation		364,635	**374,269**
Impairment losses		1,240	**–**
Decrease in retirement benefit liabilities		(10,314)	**(15,590)**
Decrease in retirement benefit assets		3,920	**7,241**
Interest and dividend income		(50,202)	**(76,449)**
Interest expenses		9,346	**14,279**
Foreign exchange gains		(13,040)	**(9,416)**
Share of the loss (profit) of associates and joint ventures accounted for using the equity method		2,931	**(16,866)**
Losses on sales or disposal of property, plant and equipment		904	**9,294**
(Increase) decrease in trade receivables		(75,342)	**139,924**
(Increase) decrease in inventories		(46,338)	**19,670**
Increase (decrease) in trade payables		14,141	**(73,960)**
(Decrease) increase in provisions		(38,577)	**186,960**
Other		41,584	**64,035**
Subtotal		661,758	**1,059,628**
Interest received		15,078	**31,226**
Dividends received		41,800	**48,301**
Interest paid		(9,075)	**(14,528)**
Income taxes paid		(106,841)	**(162,801)**
Net cash provided by operating activities		602,720	**961,826**
Cash flows from investing activities			
Increase in time deposits		(15,007)	**(8,816)**
Purchases of property, plant and equipment		(360,576)	**(391,641)**
Proceeds from sales of property, plant and equipment		18,431	**17,738**
Purchases of intangible assets		(53,738)	**(54,764)**
Purchases of equity instruments		(18,875)	**(105,827)**
Purchases of debt instruments		(690)	**(277)**
Proceeds from sales of equity instruments		46,145	**85,587**
Proceeds from sales and redemption of debt instruments		503	**605**
Payments for acquisition of subsidiaries and other businesses	6	–	**(11,110)**
Proceeds from sales of subsidiaries or other businesses	12	17,980	**5,096**
Other		2,151	**3,922**
Net cash used in investing activities		(363,676)	**(459,487)**
Cash flows from financing activities			
Net (decrease) increase in short-term borrowings	31	(35,771)	**11,300**
Proceeds from borrowings	31	69,299	**84,375**
Repayments of long-term borrowings	31	(82,522)	**(111,619)**
Repayments of lease liabilities	31	(30,100)	**(37,954)**
Redemption of bonds	31	(70,000)	**(50,000)**
Dividends paid	21	(132,777)	**(146,029)**
Dividends paid to non-controlling interests		(25,890)	**(41,433)**
Purchase of treasury stock		(100,012)	**(200,024)**
Other	31	7,674	**(5,275)**
Net cash used in financing activities		(400,099)	**(496,659)**
Foreign currency translation adjustments on cash and cash equivalents		27,097	**49,860**
Net (decrease) increase in cash and cash equivalents		(133,958)	**55,540**
Cash and cash equivalents at beginning of year		867,808	**733,850**
Cash and cash equivalents at end of year	7	733,850	**789,390**

Notes to Consolidated Financial Statements

Year ended March 31, 2024

1. Reporting entity

The Company is a business corporation located in Japan. The Company and its subsidiaries develop, manufacture and sell mainly automotive parts in each segment of Japan, North America, Europe, Asia, and Others. The automotive parts are related to Thermal Systems, Powertrain Systems, Mobility Electronics, Electrification Systems, and Advanced Devices, as well as Non-automotive products. Please refer to the Appendix for a list of subsidiaries.

2. Basis of preparation

(1) Compliance with IFRS

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

The Group's consolidated financial statements for the year ended March 31, 2024 were approved on June 26, 2024 by Shinnosuke Hayashi, the President of the Company.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Significant accounting judgement, estimates and assumption

In preparing the consolidated financial statements in accordance with IFRS, management established judgement, estimates, and assumptions that have an effect on the application of accounting policies, as well as the reported amounts of assets, liabilities, revenues, and expenses.

The estimates and the associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis because actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1) Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations, that managements have made in the process of applying the Group's accounting policies and that have the most significant impact on the amounts recognized in the consolidated financial statements:

・ Scope of consolidation: Note 3 "Material accounting policies (1) Basis of consolidation"
・ Revenue: Note 3 "Material accounting policies (16) Revenue" and Note 22 "Revenue"

2) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period that may have significant risks that will cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows.

i) Impairment loss on non-financial assets

Regarding non-financial assets such as property, plant and equipment, right-of-use assets and intangible assets, if there is an event or change in circumstances indicating that the carrying amount of the asset or cash-generating unit may exceed the recoverable amount, the recoverable amount of the asset or cash-generating unit is estimated, assuming there is an indication of possible impairment. In estimating the recoverable amount, assumptions such as the remaining useful life of the asset, projections of future cash flow, and discount rates are used.

The Group believes that the judgments concerning the identification of impairment indicators and the recognition of impairment loss, as well as the estimates of recoverable amounts, are reasonable. However, as these estimates include uncertainties, if unpredictable changes to assumptions, etc., lead to changes in estimates related to assessing non-financial assets, this may result in additional impairment losses in the future.

For more information, please refer to Note 11 "Property, plant and equipment (4) Impairment losses," Note 13 "Right-of-use assets (2) Impairment losses," Note 14 "Intangible assets (2) Impairment losses and (4) Impairment test for goodwill."

ii) Recoverability of deferred tax assets

Deferred tax assets are recognized for deductible temporary differences, unused tax credits, and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is not probable that there will be sufficient taxable profit against which all or part of the deferred tax assets can be utilized.

The Group believes that the estimates related to assessing the recoverability of deferred tax assets are reasonable. However, as these estimates include uncertainties, if unpredictable changes to assumptions, etc., lead to changes in estimates related to assessing the recoverability of deferred tax assets, this may result in an additional reduction of deferred tax assets in the future.

Please refer to Note 15 "Income taxes (2) Deferred tax assets and liabilities" for more information on the deductible temporary differences and unused tax losses for which deferred tax assets are not recognized.

iii) Reserve for warranty and provision for loss on antitrust issues

a) Reserve for warranty

Warranty expenses include repair expenses for repair requests, which are primarily from end users, as well as repair expenses for target vehicles, that are based on defect handling (including recalls) determined by the automobile manufacturers and other customers.

Of the above, the reserve for warranty related to the defect handling is calculated based on a reasonably expected amount that would be paid by the Group, in the event that automobile manufacturers or other customers handled the repairs for products manufactured by the Group in the past. The amount is calculated by multiplying the following; a) the number of target vehicles; b) the repair expenses per unit; c) the defect handling incidence rate; and d) the expected burden ratio with customers such as automobile manufacturers. These assumptions involve a high degree of uncertainties because they include an estimate of the man-hours required for repairs, which depends on the cause of product defects as well as the results of negotiations with customers such as automobile manufactures.

The Group believes that the estimates of the assumptions related to the calculation of warranty expenses are reasonable. However, these estimates include uncertainties, and if the estimates differ from the actual warranty expenses as a result of unpredictable changes made to assumptions, etc., it may be necessary to recognize additional reserve for warranty or make reversal of it.

(Changes in accounting estimates)

Provision for warranty reserve was recorded as an expense related to defects in some of the products produced by the consolidated companies in the past. However, the estimate was changed for the fiscal year ended March 31, 2024 based on subsequent events. As a result of this change, provisions for current liabilities, selling, general and administrative expenses increased by ¥179.0 billion, respectively.

b) 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 litigation settlements, etc., which the Company has accepted with regard to allegations of antitrust law infractions for past transactions of specific automotive parts.

Litigation settlements mainly include; a) surcharges that are ordered to be paid as a result of investigations by national governments and competition authorities; b) litigation settlements to be paid as a result of settlement negotiations with the plaintiffs in civil cases; and c) litigation settlements to be paid as a result of individual settlement negotiations with automobile manufacturers. The Group has established an internal system to prevent violations of the Antitrust Law, and publicly announced a safety declaration regarding the Antitrust Law in March 2012. As such, the Group believes that the risk of antitrust violations has been reduced. However, the Group estimates the amount of litigation settlements that are expected to occur in the future, and reviews the provisions amount that have already been recorded, in a timely manner. For the estimates and the reviews, the Group considers the status of investigations by the national governments and competition authorities related to transactions before March 2012, the progress of settlement negotiations, the settlement of past settlement sought cases, and consultation with the attorneys in charge.

The Group believes that it reasonably estimates surcharges and settlements, as well as reviews these estimates. However, these estimates and estimate revisions include uncertainties, which depend on the intentions of the authorities and counterparties, and it may be necessary to make additional provisions for loss on antitrust issues or reversal as a result of unpredictable changes made to assumptions, etc.

For the amount of these provisions, see Note 18 "Provisions."

iv) Measurement of defined benefit obligation

The present value of the defined benefit obligation is determined with actuarial calculations using assumptions such as discount rate, rate of salary increase, rate of employee turnover and mortality rate. The discount rate is a particularly significant assumption. The discount rates are equivalent to the market yields of AA credit-rated corporate bonds at the end of each reporting period that have maturity terms approximating those of the Group's obligations.

The Group believes that the estimates of the assumptions related to the calculation of defined benefit obligation are reasonable. However, as these estimates include uncertainties, difference in assumptions from the actual results or changes made to the assumptions may have an impact on the evaluation of the Group's defined benefit obligation.

The carrying amount of the defined benefit obligation, and the expected impact on defined benefit obligation due to fluctuations in the discount rate are found in Note 19 "Post-employment benefits (1) Defined benefit plans."

v) Measurement of fair value of financial instruments

The fair value of certain assets and liabilities have been determined using market information such as quoted market prices, and valuation methodologies such as the market approach, income approach and cost approach. If available, quoted prices on active markets, or observable prices, are used to measure fair value. If such information is not available, unobservable inputs that reflect the Group's judgment on assumptions, which market participants would use when pricing the assets or liabilities, are used. The Group develops unobservable inputs using the best information available in the circumstances, which might include the Group's own data.

The Group believes that assessments of fair value of financial instruments are reasonable. However, as these assessments include uncertainties, this could result in changes in fair value measurement if there are changes in estimates for financial instruments, which may arise from unpredictable changes made to assumptions, etc.

The carrying amounts of financial instruments, details of material unobservable inputs and valuation methodologies for the financial instruments classified as Level 3 are found in Note 29 "Financial instruments (4) Fair value of financial instruments."

(5) Changes in accounting policies

For the year ended March 31, 2024, the Group has adopted the amendments of IAS 12 "Income Taxes."

(Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

Due to the application of IAS 12 "Income Taxes" (amended in May 2021), the accounting treatment was clarified for the initial recognition, etc. concerning transactions that give rise to equal taxable and deductible temporary differences at the time of the transaction, and the deferred tax liabilities and deferred tax assets regarding the taxable and deductible temporary differences are each recognized in the consolidated statement of financial position. This amendment is an immaterial impact on the consolidated financial statement.

(International Tax Reform Pillar Two Model Rules)

Due to the application of IAS 12, "Income Taxes" (amended in May 2023), the Group has applied a temporary exception to the requirement to recognize and disclose deferred tax assets and deferred tax liabilities pertaining to income taxes arising from the tax system related to the Pillar Two model rules announced by the Organisation for Economic Co-operation and Development (OECD). As this standard was applied retrospectively, deferred tax assets and deferred tax liabilities pertaining to income taxes arising from the tax system related to the Pillar Two model rules have not been recognized or disclosed.

In the reforms to the Japanese tax system made in 2023, a corporate tax complying with the global minimum tax was newly created, with the tax reform act ("Act for Partial Revision of the Income Tax Act, etc,"Act No.3 of 2023)) (hereinafter "Revised Corporation Tax ACT") enacted on March 28, 2023 that includes the relevant regulations for the global minimum tax. Within the global minimum tax rules in the Revised Corporation Tax Act, an income inclusion rule ("IIR") has been introduced. Applicable from the business year starting on or after April 1, 2024, an additional tax will be imposed on parent companies located in Japan up to the minimum tax rate (15%) of the taxes borne by the subsidiaries, etc. of those parent companies located in Japan.

In the Group, the tax burden may be lower than the minimum tax rate (15%) in subsidiaries located in the United Arab Emirates and other countries, but this taxation has an immaterial impact on the consolidated financial statement.

3. Material accounting policies

(1) Basis of consolidation

1) Subsidiaries

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

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

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

2) Associates and joint ventures

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

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

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

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

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

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

3) Joint operations

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

(2) Business combination and goodwill

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

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

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

・Deferred tax assets (or liabilities) and liabilities (or assets) related to employee benefit arrangements are recognized and measured in accordance with IAS 12, "Income Taxes," and IAS 19, "Employee Benefits," respectively;

・Assets or disposal groups that are classified as held for sale in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations," are recognized and measured in accordance with the standard; and

・Liabilities or equity instruments related to share-based remuneration of the acquiree or share-based remuneration of the Company entered into to replace such arrangements of the acquiree are measured in accordance with IFRS 2, "Share-based Payment."

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

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

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

(3) Foreign currency translation

1) Translation of foreign currency transactions

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

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

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

2) Translation of foreign operations

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

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

3) Financial Reporting in Hyperinflationary Economies

The Group has applied hyperinflationary accounting adjustments to subsidiaries whose functional currency is Argentine Pesos and Turkish Lira as required by IAS 29 "Financial Reporting in Hyperinflationary Economies." When a subsidiary's functional currency is the currency of a hyperinflationary economy, adjustments are made to its separate financial statements to reflect current price levels, and income, expenses and cash flow of the subsidiary are translated into Japanese yen at the rates of exchange prevailing at the fiscal year-end.

(4) Financial instruments

1) Financial assets

i) Initial recognition and measurement

Financial assets are classified into financial assets measured at amortized cost and financial assets measured at fair value based on their nature and holding purposes. The Group determines the classification at initial recognition. The sale or purchase of financial assets that occurred in the normal course of business are recognized or derecognized on 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 asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

b) Financial assets measured at fair value

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

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

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

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

ii) Subsequent measurement

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

a) Financial assets measured at amortized cost

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

b) Financial assets measured at fair value

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

However, gains or losses occurring from the disposal or remeasurement of fair value of the equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income and accumulated within "Other components of equity," and are not recognized in profit or loss. The amount is transferred to retained earnings when the equity instruments are derecognized. Dividends for equity instruments are recognized in profit or loss for the period when the right to receive dividends is established and included in "Finance income" in the consolidated statement of income. Net gains or losses arising from equity instruments measured at fair value through profit or loss are recognized as "Finance income" or "Finance costs" in the consolidated statement of income (Note 29 "Financial instruments"). The interest income from the debt instruments is also included in profit or loss above.

iii) Impairment of financial assets measured at amortized cost

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

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

iv) Derecognition of financial assets

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

2) Financial liabilities

i) Initial recognition and measurement

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

ii) Subsequent measurement

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

a) Financial liabilities measured at amortized cost

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

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

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

iii) Derecognition of financial liabilities

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

3) Derivatives and hedge accounting

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

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

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

Cash flow hedge

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

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

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

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

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

4) Offsetting financial assets and financial liabilities

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

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

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

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

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

(8) Investment property

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

(9) Intangible assets

1) Separately acquired intangible assets

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

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

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

2) Internally generated intangible assets

Expenditures related to research activities are recognized as expenses as incurred.
The cost arising from development (or from the development phase of an internal project) shall be recognized as an asset if, and only if, the Group can demonstrate all of the following:
i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
ii) its intention to complete the intangible asset and use or sell it;
iii) its ability to use or sell the intangible asset;
iv) how the intangible asset will generate probable future economic benefits;
v) the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

3) Intangible assets acquired in business combinations

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

4) Amortization of intangible assets

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

・Software: 3 to 5 years
・Development costs: 3 years
・Customer-related assets: 3 to 25 years
・Technology-based assets: 10 to 19 years

5) Derecognition of intangible assets

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

(10) Leases

1) As lessee

With regard to all leases excluding short-term leases and leases for which the underlying asset is of low value, at the commencement date, the Group recognizes its right to use the underlying leased assets during the lease period as right-of-use assets, and its obligation to make lease payments to the lessor as lease liabilities.

For the initial measurement of right-of-use assets, it is measured at the amount of the initial measurement of the lease liabilities adjusted by prepaid lease payments, etc. After the initial measurement, a "cost model" is applied for subsequent measurement, and the carrying amount is measured at cost less any accumulated depreciation and any accumulated impairment loss. The right of use assets are depreciated from the commencement date to the earlier of the end of the useful life or the end of the lease term based on a straight-line method, unless it is reasonably certain that ownership will be acquired at the end of the lease term.

For the initial measurement of lease liabilities, it is measured at the present value of the lease payments that are not paid at the commencement date, and the payments are discounted using the lessee's incremental borrowing rate. After the initial measurement, the lease liabilities are measured by reflecting interest on the lease liabilities and the lease payments made for subsequent measurement.

The lease term is determined as the non-cancellable period of leases, together with both periods covered by an option to extend the leases if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the leases if the lessee is reasonably certain not to exercise that option.

For short-term leases and leases of low-value assets, right-of-use assets and lease liabilities are not recognized and lease payments are recognized as expenses based on a straight-line method over the lease term.

2) As lessor

If substantially all the risks and rewards incidental to ownership of an underlying asset are transferred, the lease is classified as a finance lease, while in the other cases the lease is classified as an operating lease.

Finance lease receivables are measured at an amount equal to the net investment in the lease.

(11) Borrowing costs

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

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

(12) Impairment of non-financial assets

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

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

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

(13) Assets held for sale

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

(14) Provisions

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

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

Main provisions are recorded as follows;

Reserve for warranty

The reserve for warranty is recognized based on the estimated amount of warranty expenses, considering the timing of outflows of resources embodying economic benefits based on past experiences of the after-sales service expenses incurred.

Provision for loss on antitrust issues

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

(15) Employee benefits

1) Post-employment benefits

i) Defined benefit plans

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

Defined benefit plans are post-employment benefit plans other than defined contribution plans (refer to ii) below). The Group's net defined benefit obligations are calculated respectively for each plan by estimating the future amount of benefits that employees have earned in exchange for their service over the previous years and the current year. The benefits are discounted to determine the present value. These calculations are performed annually by qualified actuaries using the projected unit credit method. The fair values of plan assets are deducted from the result of calculations. If the defined benefit plan has a surplus, the defined benefit assets is limited to the asset ceiling that is the present value of any future economic benefits available in the form of reductions in the future contributions to the plan or cash refunds.

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

ii) Defined contribution plans

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

2) Other long-term employee benefits

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

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

3) Short-term employee benefits

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

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

(16) Revenue

The Group recognizes revenue by applying the following steps:

STEP 1: Identifying the contract with a customer

STEP 2: Identifying the performance obligations in the contract

STEP 3: Determining the transaction price

STEP 4: Allocating the transaction price to each performance obligation in the contract

STEP 5: Recognizing revenue when satisfying a performance obligation

The Group serves automobile manufacturers around the world and supplies a wide range of products, including Thermal Systems, Powertrain Systems, Mobility Electronics, Electrification Systems, and Advanced Devices. In the Aftermarket and Non-automotive business, the Group also supplies automotive service parts and accessories to end-users.

The Group's performance obligation is primarily to deliver a finished product to the customer. In principle, it is deemed that control of the product is transferred to the customer and the performance obligation is satisfied at the time of delivery of the finished product to the customer; therefore, revenue is recognized at that point.

Consideration for these performance obligations is generally received within one year after the performance obligation is satisfied, according to separately determined payment conditions, and does not include any significant financing components. Revenue is determined at the amount after the deduction of discounts, rebates, and considerations payable to a customer for transactions of parts provided to suppliers with charge under the repurchase agreement. In addition, when the transaction prices are not determined at the time of transfer of the promised products, an estimate is made based on an appropriate method such as using the most likely amount to determine the amount of variable consideration.

With regard to certain transactions of parts provided to suppliers with charge under the repurchase agreement, inventories continue to be recognized as a result of deemed financing transactions, and corresponding amounts of those parts retained by the suppliers are recognized as financial liabilities.

(17) Government grants

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

(18) Income taxes

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

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

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

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

・ the initial recognition of goodwill;
・ the initial recognition of assets and liabilities resulting from transactions that do not affect accounting profit or taxable profit, excluding business combinations and transactions that generate equal amounts of future taxable and deductible temporary differences at the transaction time;
・ deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that it is not probable that the reversal of the temporary difference in the foreseeable future will occur or it is not probable that future taxable profits will be available against which they can be utilized; or
・ taxable temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that the timing of the reversal of the temporary difference is controlled and that it is not probable the temporary difference will reverse in the foreseeable future.

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

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

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

An entity shall offset deferred tax assets and deferred tax liabilities, if and only if the entity has a legally enforceable right to set off the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The Company and its wholly owned subsidiaries in Japan adopt the Japanese group relief system.

(19) Equity

Common stock

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

Treasury stock

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

(20) Fair value measurements

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

1) Level 1

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

2) Level 2

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

3) Level 3

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

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

(21) Levies

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

(22) Earnings per share

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

(23) Dividends

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

4. New accounting standards not yet adopted by the Group

New or revised major standards and interpretations that were issued by the date of approval of the consolidated financial statement but were not yet adopted by the Group as of March 31, 2024, are as follows:

Standards	Title	Date of mandatory adoption (Fiscal year of commencement thereafter)	Reporting periods of application by the Group	Description of new standards and amendments
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending March 31, 2028	Improving comparability and transparency of management performance measure and profit and loss statement

The Group is currently assessing the possible impacts of the application of IFRS 18, "Presentation and Disclosure in Financial Statements," and it is not able to estimate reasonably at this moment.

5. Segment information

(1) Outline of reportable segments

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

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

The Company is in charge of business activities in Japan. Meanwhile, DENSO INTERNATIONAL AMERICA, INC. is in charge in the United States of America, Canada, and Mexico as the North America region, DENSO INTERNATIONAL EUROPE B.V. is in charge in Europe regions (mainly Netherlands, United Kingdom, Italy, Spain, Hungary, and Czech, etc.), respectively. In Asia (mainly Thailand, Malaysia, Indonesia, India, Taiwan, China, and Korea, etc.), DENSO INTERNATIONAL ASIA CO., LTD. (Thailand), DENSO INTERNATIONAL ASIA PTE. LTD. (Singapore), and DENSO (CHINA) INVESTMENT CO., LTD. have been cooperating together as a management unit to strengthen the system that is closely linked to the region for both sides of optimal production and supply system.

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

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

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

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

For the year ended March 31, 2023 (Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated
	Japan	North America	Europe	Asia	Total			
Revenue								
Customers	2,509,604	1,486,718	624,329	1,680,872	6,301,523	99,797	–	6,401,320
Intersegment	1,196,230	17,370	61,223	250,783	1,525,606	1,436	(1,527,042)	–
Total	3,705,834	1,504,088	685,552	1,931,655	7,827,129	101,233	(1,527,042)	6,401,320
Segment profit	215,573	17,921	17,460	158,286	409,240	19,260	(2,401)	426,099
Finance income								51,483
Finance costs								(13,666)
Foreign exchange losses								(4,115)
Share of the loss of associates and joint ventures accounted for using the equity method								(2,931)
Profit before income taxes								456,870

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

Other material items

(Unit: Millions of yen)

	Reportable segment					Others (Note 1)	Eliminations	Consolidated
	Japan	North America	Europe	Asia	Total			
Depreciation and amortization	252,587	50,708	25,606	71,636	400,537	2,578	–	403,115
Impairment losses	1,240	–	–	–	1,240	–	–	1,240
Reversal of impairment losses	–	–	–	–	–	–	–	–
Investments accounted for using the equity method	73,491	5,687	9,800	21,496	110,474	–	(301)	110,173
Increase in non-current assets (Note 2)	275,380	53,620	25,098	75,228	429,326	4,378	–	433,704

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

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

For the year ended March 31, 2024

(Unit: Millions of yen)

	Reportable segment					Others (Note 1)	Eliminations	Consolidated
	Japan (Note 2)	North America	Europe	Asia	Total			
Revenue								
Customers	2,885,718	1,745,443	709,679	1,689,807	7,030,647	114,086	–	7,144,733
Intersegment	1,280,637	21,599	71,670	295,265	1,669,171	1,072	(1,670,243)	–
Total	4,166,355	1,767,042	781,349	1,985,072	8,699,818	115,158	(1,670,243)	7,144,733
Segment profit	85,181	54,551	31,002	184,489	355,223	24,781	595	380,599
Finance income								78,711
Finance costs								(22,246)
Foreign exchange losses								(17,693)
Share of the profit of associates and joint ventures accounted for using the equity method								16,866
Profit before income taxes								436,237

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

(Note 2) Provision for warranty reserve of ¥ 202,711 million is included in the segment profit of Japan segment.

Other material items

(Unit: Millions of yen)

	Reportable segment					Others (Note 1)	Eliminations	Consolidated
	Japan	North America	Europe	Asia	Total			
Depreciation and amortization	251,785	55,079	28,573	74,489	409,926	3,010	–	412,936
Impairment losses	–	–	–	–	–	–	–	–
Reversal of impairment losses	–	–	–	–	–	–	–	–
Investments accounted for using the equity method	92,414	6,771	2,459	23,081	124,725	–	(295)	124,430
Increase in non-current assets (Note 2)	287,838	58,543	54,123	78,535	479,039	6,508	–	485,547

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

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

(3) Assets for each reportable segment

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Japan	4,715,599	6,092,424
North America	830,651	998,791
Europe	489,271	540,949
Asia	1,637,956	1,806,093
Others (Note 1)	80,312	89,010
Corporate assets (Note 2)	(345,127)	(433,897)
Consolidated	7,408,662	9,093,370

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

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

(4) Information about products and services

For the year ended March 31, 2023

For disaggregated revenue by type of products and services, see Note 22 "Revenue."

For the year ended March 31, 2024

For disaggregated revenue by type of products and services, see Note 22 "Revenue."

(5) Geographic information

1) Revenue

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Japan	2,415,938	2,780,082
The United States	1,236,514	1,442,620
China	831,431	799,320
Others	1,917,437	2,122,711
Total	6,401,320	7,144,733

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

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

2) Non-current assets

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Japan	1,349,153	1,357,105
China	235,859	248,470
Others	584,082	684,133
Total	2,169,094	2,289,708

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

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

(6) Information about major customers

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

Disaggregated revenue by segment is ¥1,982,057 million in Japan, ¥805,740 million in North America, ¥119,449 million in Europe, ¥715,097 million in Asia, and ¥45,109 million in other areas.

(Unit: Millions of yen)

FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
3,158,814	3,667,452

6. Business combinations

For the year ended March 31, 2023

There are no applicable items.

For the year ended March 31, 2024

Belua Beheer B.V.

The Company acquired Belua Beheer B.V. as a consolidated subsidiary as of August 1, 2023.

(1) Description of business combination

Belua Beheer B.V., the parent company of the Certhon Group, including Certhon Build B.V., became the Company's subsidiary on August 1, 2023 as a reslut of the Company obtaining the shares of Belua Beheer B.V. As a result, the ratio of voting rights of Belua Beheer B.V. held by the Company rose from 40% (as of July 31, 2023) to 100% (as of August 1, 2023). The Company owns all the voting rights of Belua Beheer B.V.

(2) Reason for the business combination

The Group aims to accelerate the global expansion of its agricultural production business.

(3) Summary of the acquiree

Name	Belua Beheer B.V.
Business description	Development and sales of horticultural facility solutions

(4) Acquisition date

August 1, 2023

(5) Consideration transferred and its components

(Unit: Millions of yen)

	Amount
Payment by cash	12,427
Fair value of ownership interest in Belua Beheer B.V. already held at the time of acquisition of control	8,285
Total of the consideration transferred	20,712

A profit of ¥2,858 million is recognized as a result of the remeasurement of the equity interest of Belua Beheer B.V. previously held at the time of acquisition of control by the Company at the fair value on the acquisition date. This profit is recorded as "Other income" in the consolidated statement of income.

Acquisition-related costs including advisory fees and others of ¥298 million (for the years ended March 31, 2023 and 2024 were ¥89 million and ¥209 million, respectively) related to the business combination are included in "Selling, general and administrative expenses."

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

(Unit: Millions of yen)

	Initial provisional fair value	Adjustment (Note 1)	Adjusted fair value
Total of the consideration transferred for the acquired shares (A)	20,712	–	20,712
Assets			
Cash and cash equivalents	1,317	–	1,317
Trade and other receivables	2,660	–	2,660
Other current assets	1,102	–	1,102
Property, plant and equipment	1,780	–	1,780
Intangible assets	68	10,201	10,269
Other non-current assets	19	–	19
Total assets	6,946	10,201	17,147
Liabilities			
Current liabilities	3,697	–	3,697
Non-current liabilities	1	2,632	2,633
Total liabilities	3,698	2,632	6,330
Equity (B)	3,248	7,569	10,817
Goodwill (Note 2) (A-B)	17,464	(7,569)	9,895

(Note 1) Adjustment to the provisional amount

Consideration transferred is allocated to acquired assets based on the fair value on the acquisition date. Allocation of the consideration transferred was completed during the three-month period ended March 31, 2024. In terms of adjustments from the initial provisional amounts, after additional analysis on the fair value of Belua Beheer B.V., intangible assets and deferred tax liabilities increased by ¥10,201 million and ¥2,632 million, respectively. As a result, goodwill decreased by ¥7,569 million.

(Note 2) Goodwill

Goodwill reflects excess earning power expected from future business development and the synergy between the Company and the acquiree. No amount of goodwill is expected to be deductible for tax purposes.

(7) Payment for acquisition of control over the subsidiary

(Unit: Millions of yen)

	Amount
Payment by cash	12,427
Cash and cash equivalents held by the acquiree at the time of the acquisition	1,317
Total of the consideration acquired	11,110

(8) Revenue and profit of the acquiree

The acquiree's revenue and loss before elimination of inter-company transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2024, were ¥5,397 million and ¥524 million, respectively.

The above loss includes depreciation and amortization of intangible assets at the acquisition date.

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

The following is pro forma information (unaudited) of consolidated performance of the Group for the fiscal year ended March 31, 2024, assuming that the business combination of Belua Beheer B.V. was completed and control was acquired as of April 1, 2023.

(Unit: Millions of yen)

	Amount
Revenue (pro forma)	7,148,981
Profit for the year (pro forma)	355,617

7. Cash and cash equivalents

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Cash and deposits	691,333	765,817
Short-term investments	42,517	23,573
Total	733,850	789,390

8. Trade and other receivables

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Notes and accounts receivable	1,064,793	1,028,556
Other	203,521	257,304
Less: Allowance for doubtful accounts	(4,546)	(4,581)
Total	1,263,768	1,281,279

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

9. Inventories

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Merchandise and finished products	337,106	301,802
Work in process	438,044	535,152
Raw materials and supplies	344,630	335,303
Total (Note)	1,119,780	1,172,257

(Note) The amounts of write-down of inventories to net realizable value recognized as "Cost of revenue" for the years ended March 31, 2023 and 2024 were ¥21,949 million and ¥22,767 million, respectively.

10. Other financial assets

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Financial assets measured at amortized cost		
Bank deposits	23,726	36,520
Debt securities	366	300
Other	26,845	25,531
Financial assets measured at fair value through profit or loss		
Equity securities and other	422	422
Derivative assets (Note)	6,779	18,598
Financial assets measured at fair value through other comprehensive income and their fair values etc.,		
Equity securities and other	1,674,780	2,591,866
Total	1,732,918	2,673,237

Current assets	33,716	48,398
Non-current assets	1,699,202	2,624,839
Total	1,732,918	2,673,237

(Note) Derivative assets, excluding those to which hedge accounting is applied, are classified as financial assets measured at fair value through profit or loss.

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

(Unit: Millions of yen)

Security name	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Toyota Motor Corporation	850,931	1,716,345
TOYOTA INDUSTRIES CORPORATION	217,912	417,578
Renesas Electronics Corporation	293,040	408,970
TOYOTA FUDOSAN CO., LTD.	113,798	177,153
AISIN CORPORATION	47,268	80,673
Silicon Carbide LLC	−	76,473
Japan Advanced Semiconductor Manufacturing, Inc.	16,999	47,921
JTEKT CORPORATION	18,757	18,364
Infineon Technologies AG	12,184	11,384
Aisan Industry Co., Ltd.	4,945	9,367

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

Dividend income related to financial assets measured at fair value through other comprehensive income that the Group held through the years ended March 31, 2023 and 2024 were ¥34,423 million and ¥42,773 million, respectively.

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

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

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Fair value	46,120	133,736
Cumulative gains that have been previously recognized in equity as other comprehensive income－pre-tax (Note)	37,248	78,838
Dividend income	775	2,904

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

11. Property, plant and equipment

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

(Unit: Millions of yen)

Acquisition cost	Buildings and structures	Machinery and equipment	Land	Construction in progress (Note 1)	Other	Total
Balance, April 1, 2022	1,135,894	3,557,821	207,823	200,693	855,667	5,957,898
Acquisition	19,444	118,470	162	188,863	39,157	366,096
Disposals	(9,765)	(135,324)	(1,418)	(344)	(38,060)	(184,911)
Foreign exchange differences	22,620	89,417	2,489	6,163	20,729	141,418
Other (Note 2)	28,451	146,808	(701)	(178,641)	45,931	41,848
Balance, March 31, 2023	1,196,644	3,777,192	208,355	216,734	923,424	6,322,349
Acquisition	19,970	127,828	–	202,790	41,466	392,054
Business combinations (Note 3)	653	–	1,078	28	21	1,780
Disposals	(12,910)	(188,836)	(615)	(295)	(60,493)	(263,149)
Foreign exchange differences	39,659	154,220	4,007	11,690	40,383	249,959
Other (Note 2)	23,866	158,111	11,632	(207,861)	38,530	24,278
Balance, March 31, 2024	1,267,882	4,028,515	224,457	223,086	983,331	6,727,271

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

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

(Note 3) The increase in "Business combinations" for the year ended March 31, 2024 was due to the acquisition of Belua Beheer B.V. (See Note 6 "Business combinations").

(Unit: Millions of yen)

Accumulated depreciation and accumulated impairment losses	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other	Total
Balance, April 1, 2022	697,576	2,637,044	2,452	798	707,421	4,045,291
Depreciation (Note 4)	36,668	250,737	–	–	61,654	349,059
Impairment losses	42	–	–	–	10	52
Disposals	(7,633)	(126,420)	–	–	(32,475)	(166,528)
Foreign exchange differences	12,684	67,610	55	–	18,274	98,623
Other	8,594	15,881	6	(798)	16,929	40,612
Balance, March 31, 2023	747,931	2,844,852	2,513	–	771,813	4,367,109
Depreciation (Note 4)	37,173	257,987	–	–	64,784	359,944
Impairment losses	–	–	–	–	–	–
Disposals	(9,560)	(171,643)	–	–	(54,010)	(235,213)
Foreign exchange differences	22,413	115,240	107	–	33,862	171,622
Other	2,381	8,136	–	–	9,692	20,209
Balance, March 31, 2024	800,338	3,054,572	2,620	–	826,141	4,683,671

(Note 4) Depreciation on "Property, plant and equipment" is included in "Cost of revenue" and "Selling, general and administrative expenses" in the consolidated statement of income.

(Unit: Millions of yen)

Carrying amount	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other	Total
Balance, April 1, 2022	438,318	920,777	205,371	199,895	148,246	1,912,607
Balance, March 31, 2023	448,713	932,340	205,842	216,734	151,611	1,955,240
Balance, March 31, 2024	467,544	973,943	221,837	223,086	157,190	2,043,600

(2) Carrying amount of assets pledged as collateral

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

(3) Commitments

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Contractual commitments for the acquisition of property, plant and equipment	127,807	173,465

(4) Impairment losses

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

For the year ended March 31, 2023

The impairment losses are not presented as they are immaterial.

For the year ended March 31, 2024

The impairment losses are not applicable.

(5) Reversal of impairment losses

The reversal of impairment losses the Group recognized for each fiscal year is as follows:

For the year ended March 31, 2023

The reversal of impairment losses is not applicable.

For the year ended March 31, 2024

The reversal of impairment losses is not applicable.

12. Assets held for sale

For the year ended March 31, 2023

(Transfer of the fuel pump module business)

The fuel pump module business, and the related assets and liabilities held by KYOSAN DENSO MANUFACTURING KENTUCKY, LLC, which had been classified as "Assets held for sale" and "Liabilities directly associated with assets held for sale" for the year ended March 31, 2022, were transferred to Aisan Industry Co., Ltd. on September 1, 2022. The gains on sales for this business transfer are included in "Other income" in the consolidated statement of income for the year ended March 31, 2023.

For the year ended March 31, 2024

(The sell of Toyota Industries Corporation shareholding)

On March 29, 2024, the Company sold a part of its Toyota Industries Corporation (hereinafter "Toyota Industries") shareholding and entered into a share forward agreement for all the remaining shares. As a result, as of the end of the current fiscal year, Toyota Industries shares held by the Company has been classified as held for sale.

The breakdown of "Assets held for sale," "Liabilities directly associated with assets held for sale" and "Other comprehensive income associated with assets held for sale" is as follows.

(Unit: Millions of yen)

	FY 2024 As of March 31, 2024		FY2024 As of March 31, 2024
Assets held for sale		Liabilities directly associated with assets held for sale	
Other financial assets	417,578	Deferred tax liabilities	111,343
		Other comprehensive income associated with assets held for sale	
		Net fair value gain on equity instruments designated as FVTOCI	258,936
Total	417,578	Total	370,279

(The sell of TD MOBILE business)

On July 10, 2023, the Company agreed to transfer TD MOBILE Corporation's cell phone sales and agency business (excluding some sales stores) to a newly established subsidiary of RANET Co., Ltd. As a result, in the second quarter of the fiscal year, the assets and liabilities held by TD MOBILE Corporation, a consolidated subsidiary of the Company, were classified as assets held for sale and liabilities directly associated with assets held for sale.

As the business transfer was carried out on October 1, 2023, profit related to the business transfer was recognized in the nine months ended December 31, 2023. This profit is included in "Other income" in the consolidated statement of income for the year ended March 31, 2024.

13. Right-of-use assets

(1) The breakdown and movement of acquisition cost, accumulated depreciation and accumulated impairment losses, and carrying amount of right-of-use assets are as follows:

(Unit: Millions of yen)

Acquisition cost	Buildings and structures	Machinery and equipment	Land	Other	Total
Balance, April 1, 2022	43,913	5,966	17,937	2,783	70,599
Acquisition	9,451	3,402	495	238	13,586
Business combinations	–	–	–	–	–
Disposals	(8,915)	(494)	(514)	(172)	(10,095)
Foreign exchange differences	719	90	358	21	1,188
Other	53	(268)	(198)	(221)	(634)
Balance, March 31, 2023	45,221	8,696	18,078	2,649	74,644
Acquisition	15,482	1,600	394	374	17,850
Business combinations	–	–	–	–	–
Disposals	(14,600)	(3,457)	(2,598)	(1,757)	(22,412)
Foreign exchange differences	1,470	292	870	330	2,962
Other	2,840	77	(112)	(212)	2,593
Balance, March 31, 2024	50,413	7,208	16,632	1,384	75,637

(Unit: Millions of yen)

Accumulated depreciation and accumulated impairment losses	Buildings and structures	Machinery and equipment	Land	Other	Total
Balance, April 1, 2022	16,807	2,901	3,846	1,651	25,205
Depreciation (Note)	10,531	3,489	985	571	15,576
Impairment losses	–	–	–	–	–
Disposals	(8,455)	(614)	(498)	(395)	(9,962)
Foreign exchange differences	315	45	78	13	451
Other	(2)	(137)	(130)	1	(268)
Balance, March 31, 2023	19,196	5,684	4,281	1,841	31,002
Depreciation (Note)	11,211	1,650	920	544	14,325
Impairment losses	–	–	–	–	–
Disposals	(10,009)	(3,429)	(981)	(1,802)	(16,221)
Foreign exchange differences	652	157	203	105	1,117
Other	(965)	18	17	(3)	(933)
Balance, March 31, 2024	20,085	4,080	4,440	685	29,290

(Note) Depreciation of right-of-use assets is included in "Cost of revenue" and "Selling, general and administrative expenses" in the consolidated statement of income.

(Unit: Millions of yen)

Carrying amount	Buildings and structures	Machinery and equipment	Land	Other	Total
Balance, April 1, 2022	27,106	3,065	14,091	1,132	45,394
Balance, March 31, 2023	26,025	3,012	13,797	808	43,642
Balance, March 31, 2024	30,328	3,128	12,192	699	46,347

For the lease transactions, see Note 30 "Leases."

(2) Impairment losses

The Group recognized impairment losses for the following assets:

For the year ended March 31, 2023

The impairment losses are not applicable.

For the year ended March 31, 2024

The impairment losses are not applicable.

14. Intangible assets

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

(Unit: Millions of yen)

Acquisition cost	Software	Development costs	Goodwill	Customer-related assets	Technology-based assets	Other	Total
Balance, April 1, 2022	155,009	22,349	25,048	51,757	14,705	39,580	308,448
Acquisition	15,717	–	–	–	–	14,698	30,415
Internally generated	2,904	18,603	–	–	–	1,358	22,865
Business combinations	–	–	–	–	–	–	–
Disposals	(11,820)	–	–	–	–	(2,957)	(14,777)
Foreign exchange differences	2,036	–	333	306	171	188	3,034
Other	15,100	(280)	–	–	–	(13,211)	1,609
Balance, March 31, 2023	178,946	40,672	25,381	52,063	14,876	39,656	351,594
Acquisition	15,648	–	–	–	–	12,289	27,937
Internally generated	2,477	23,260	–	–	–	94	25,831
Business combinations (Note 1)	–	–	9,895	162	10,039	68	20,164
Disposals	(7,754)	(429)	(7,377)	(14,524)	–	(2,533)	(32,617)
Foreign exchange differences	3,938	14	887	117	96	421	5,473
Other	8,350	979	–	–	–	(10,409)	(1,080)
Balance, March 31, 2024	201,605	64,496	28,786	37,818	25,011	39,586	397,302

(Note 1) The increase in "Business combinations" for the year ended March 31, 2024 was due to the acquisition of Belua Beheer B.V. (See Note 6 "Business combinations").

(Unit: Millions of yen)

Accumulated amortization and accumulated impairment losses	Software	Development costs	Goodwill	Customer-related assets	Technology-based assets	Other	Total
Balance, April 1, 2022	102,426	11,410	1,012	17,989	4,113	15,918	152,868
Amortization (Note 2)	24,492	5,095	–	3,641	1,492	3,760	38,480
Impairment losses	–	–	1,188	–	–	–	1,188
Disposals	(11,730)	–	–	–	–	(2,479)	(14,209)
Foreign exchange differences	1,242	–	–	150	52	91	1,535
Other	3,957	–	–	–	–	(2,437)	1,520
Balance, March 31, 2023	120,387	16,505	2,200	21,780	5,657	14,853	181,382
Amortization (Note 2)	25,454	4,477	–	2,870	1,761	4,105	38,667
Impairment losses	–	–	–	–	–	–	–
Disposals	(7,281)	–	(2,200)	(13,514)	–	(2,289)	(25,284)
Foreign exchange differences	2,689	12	–	18	14	236	2,969
Other	(995)	449	–	–	–	353	(193)
Balance, March 31, 2024	140,254	21,443	–	11,154	7,432	17,258	197,541

(Note 2) Amortization of intangible assets is included in "Cost of revenue" and "Selling, general and administrative expenses" in the consolidated statement of income.

(Unit: Millions of yen)

Carrying amount	Software	Development costs	Goodwill	Customer-related assets	Technology-based assets	Other	Total
Balance, April 1, 2022	52,583	10,939	24,036	33,768	10,592	23,662	155,580
Balance, March 31, 2023	58,559	24,167	23,181	30,283	9,219	24,803	170,212
Balance, March 31, 2024	61,351	43,053	28,786	26,664	17,579	22,328	199,761

The research and development expenditures recognized in profit or loss for the years ended March 31, 2023 and 2024 were ¥503,012 million and ¥527,945 million, respectively. These amounts were included in "Cost of revenue" and "Selling, general and administrative expenses" in the consolidated statement of income.

(2) Impairment losses

The Group recognized impairment losses for the following assets:

For the year ended March 31, 2023

Impairment losses on goodwill recognized along with the fair value measurement of TD MOBILE were ¥1,188 million.

For the year ended March 31, 2024

The impairment losses are not applicable.

(3) Material intangible assets

The material intangible assets recognized in the consolidated statement of financial position are as follows:

For the year ended March 31, 2023

	Carrying amount (Millions of yen)	Average remaining amortization periods (Years)
Customer-related assets	30,283	18.2
Technology-based assets	9,219	6.6

Significant intangible assets recognized for the year ended March 31, 2023 were customer-related assets (carrying amount of ¥23,493 million, remaining amortization period of 22.0 years) and technology-based assets (carrying amount of ¥3,978 million, remaining amortization period of 7.0 years), which were recognized as a result of the acquisition of the core electronic component operation from Toyota Motor Corporation.

For the year ended March 31, 2024

	Carrying amount (Millions of yen)	Average remaining amortization periods (Years)
Customer-related assets	26,664	18.5
Technology-based assets	17,579	12.8

Significant intangible assets recognized for the year ended March 31, 2024 were as follows:

・Customer-related assets (carrying amount of ¥22,425 million, remaining amortization period of 21.0 years) and technology-based assets (carrying amount of ¥3,410 million, remaining amortization period of 6.0 years), which were recognized as a result of the acquisition of the core electronic component operation from Toyota Motor Corporation.

・Customer-related assets (carrying amount of ¥135 million, remaining amortization period of 2.5 years) and technology-based assets (carrying amount of ¥9,779 million, remaining amortization period of 18.5 years), which were recognized as a result of the acquisition of Belua Beheer B.V.

(4) Impairment test for goodwill

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

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
The Company (Note 1)	7,265	7,265
TD MOBILE (Note 2)	5,176	–
DENSO TEN group (Note 3)	1,938	1,938
DENSO FA YAMAGATA	3,464	3,464
Chongqing Chaoli Electric Appliance Co., Ltd.	3,093	3,817
Belua Beheer B.V. (Note 4)	–	9,898
Other	2,245	2,404
Total	23,181	28,786

(Note 1) Goodwill allocated to the Company was allocated to the related business field.

(Note 2) Goodwill allocated to TD MOBILE was allocated to directly managed stores run by TD MOBILE. The business of TD MOBILE was transferred for the year ended March 31, 2024 (See Note 12 "Assets held for sale").

(Note 3) Goodwill allocated to the DENSO TEN group was allocated to DENSO TEN and its key subsidiaries.

(Note 4) The Company acquired Belua Beheer B.V. as a consolidated subsidiary for the year ended March 31, 2024 (See Note 6 "Business combinations").

Recoverable amounts for each cash-generating unit or group of cash-generating units are calculated using the maximum value in use based on the five-year business plan prepared based on past experiences and external evidence. Such business plans are approved by management. Cash flow projections beyond the five-year period are extrapolated using a steady or declining growth rate. They were discounted using the weighted-average cost of capital 10.00%-10.48% of cash-generating units or groups of cash-generating units. While the recoverable amounts exceeded the carrying amounts for the year ended March 31, 2024, an increase in the discount rate of 0.5% would result in impairment losses.

15. Income taxes

(1) Income tax expenses

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

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Current income tax expenses		
Current year	105,602	142,545
Prior years	(130)	(1,179)
Total	105,472	141,366
Deferred income tax expenses		
Occurrence and reversal of temporary differences	3,123	(58,887)
Recognition of previously unrecognized deferred tax assets	(727)	(1,859)
Reversal of deferred tax assets recognized in the prior year	1,141	44
Total	3,537	(60,702)
Total of income tax expenses	109,009	80,664
Income taxes recognized in other comprehensive income	(42,704)	413,782

(Note) The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in an applicable tax rate of 30.07% for the years ended March 31, 2023 and 2024.
The current income tax charges outside of Japan are calculated on the basis of the tax laws enacted or substantively enacted in the jurisdictions where the Company and its subsidiaries operate and generate taxable income.

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

(Unit: %)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Applicable statutory tax rate	30.07	30.07
Lower income tax rates applicable to income in certain foreign subsidiaries	(3.41)	(4.91)
Tax credit for R&D expenses	(3.38)	(5.43)
Dividends Received Deduction	(0.69)	(1.34)
Retained earnings of foreign subsidiaries	0.51	3.12
Share of the loss (profit) of associates and joint ventures accounted for using the equity method	0.19	(1.16)
Other	0.57	(1.86)
Actual effective tax rate	23.86	18.49

"Retained earnings of foreign subsidiaries" and "Share of the loss (profit) of associates and joint ventures accounted for using the equity method," which were included in "Other" for the year ended March 31, 2023, are presented separately for the year ended March 31, 2024 due to their increased materiality. To reflect these changes in presentation, the notes for the years ended March 31, 2023 have been reclassified. As a result, "Retained earnings of foreign subsidiaries" of 0.51% and "Share of the loss (profit) of associates and joint ventures accounted for using the equity method" of 0.19% were separately presented, and "Others" decreased from 1.27% to 0.57% for the years ended March 31, 2023.

(2) Deferred tax assets and liabilities

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

For the year ended March 31, 2023 (Unit: Millions of yen)

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Transfer to held for sale	Exchange differences on translating foreign operations	Balance, end of year
Deferred tax assets (Note 1)							
Accrued bonuses to employees	21,361	862	–	–	–	115	22,338
Reserve for warranty	34,154	(11,587)	–	–	–	118	22,685
Retirement benefit liabilities	74,394	755	(7,155)	–	–	213	68,207
Accrued vacations paid	23,149	(51)	–	–	–	62	23,160
Other	191,314	4,268	970	–	–	3,360	199,912
Total deferred tax assets	344,372	(5,753)	(6,185)	–	–	3,868	336,302
Deferred tax liabilities (Note 1)							
Investment in equity instruments	361,865	–	(46,461)	–	–	–	315,404
Depreciation	51,246	2,439	–	–	–	1,955	55,640
Retirement benefit assets	62,528	3,542	(13,113)	–	–	1	52,958
Other	28,984	(8,197)	(733)	–	–	786	20,840
Total deferred tax liabilities	504,623	(2,216)	(60,307)	–	–	2,742	444,842
Net	(160,251)	(3,537)	54,122	–	–	1,126	(108,540)

For the year ended March 31, 2024 (Unit: Millions of yen)

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations (Note 2)	Transfer to held for sale (Note 3)	Exchange differences on translating foreign operations	Balance, end of year
Deferred tax assets (Note 1)							
Accrued bonuses to employees	22,338	300	–	–	–	196	22,834
Reserve for warranty	22,685	53,518	–	–	–	144	76,347
Retirement benefit liabilities	68,207	(4,597)	3,691	–	–	312	67,613
Accrued vacations paid	23,160	1,207	–	–	–	96	24,463
Other	199,912	20,416	(3,662)	–	–	6,331	222,997
Total deferred tax assets	336,302	70,844	29	–	–	7,079	414,254
Deferred tax liabilities (Note 1)							
Investment in equity instruments	315,404	–	376,825	–	(111,343)	–	580,886
Depreciation	55,640	4,442	–	–	–	2,893	62,975
Retirement benefit assets	52,958	(3,370)	13,879	–	–	6	63,473
Other	20,840	9,070	148	2,537	–	1,020	33,615
Total deferred tax liabilities	444,842	10,142	390,852	2,537	(111,343)	3,919	740,949
Net	(108,540)	60,702	(390,823)	(2,537)	111,343	3,160	(326,695)

(Note 1) The recoverability of deferred tax assets was assessed based on sufficient amounts of taxable temporary differences and future taxable income, and feasibility of tax planning.
The Group has applied the exception to the requirements in IAS 12 that an entity does not recognize or disclose information about deferred tax assets and liabilities related to the OECD Pillar Two model rules for income taxes.

(Note 2) The increase in "Business combinations" for the year ended March 31, 2024 was due to the acquisition of Belua Beheer B.V. (See Note 6 "Business combinations").

(Note 3) The decrease in "Transfer to held for sale" for the year ended March 31, 2024 was due to the decision to sell the shares of Toyota Industries Corporation (See Note 12 "Assets held for sale").

(Changes in accounting policies)
The Group has applied IAS 12 Income Taxes (amended in May 2021) starting from the current fiscal year. Details of the amendment are described in Note 2 "Basis of preparation (5) Changes in accounting policies."
This amendment has been applied retrospectively, but the amount of impact on the consolidated financial statements after retrospective application in the previous fiscal year is not material. The breakdown by main cause as well as increases/decreases of deferred tax assets and deferred tax liabilities for the previous fiscal year are based on the amounts after retrospective application.

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Deferred tax assets	42,967	56,057
Deferred tax liabilities	151,507	382,752
Net deferred tax assets (liabilities)	(108,540)	(326,695)

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Deductible temporary differences	97,065	89,272

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Within 1st year	4,797	5,449
2nd year	7,802	5,331
3rd year	4,154	7,419
4th year	1,981	2,265
5th year and thereafter	45,324	45,785
Total	64,058	66,249

As of March 31, 2023 and 2024, deferred tax liabilities were not recognized for taxable temporary differences associated with investments in subsidiaries, except for undistributed profits which are determined to be distributed. This was because the Company was able to control the timing of the reversal of the temporary differences and it was certain that the temporary differences would not reverse in the foreseeable future. The taxable temporary differences associated with investments in subsidiaries in which deferred tax liabilities were not recognized as of March 31, 2023 and 2024 were ¥1,541,627 million and ¥1,740,000 million, respectively.

(3) Uncertain tax position

The Company and its U.S.-based subsidiaries applied for prior confirmation regarding transfer pricing, and an agreement was reached between Japanese and U.S. tax authorities. During the current fiscal year, which is the final business year of the period covered by the prior confirmation, it became more likely that, from the next fiscal year onward, compensatory adjustments will be made to reduce the Company's income and increase the income of its U.S.-based subsidiaries as a result of mutual negotiations between Japanese and U.S. tax authorities. Accordingly, the Company and its U.S.-based subsidiaries each recognized assets and liabilities related to uncertain tax positions.

As a result, in the current fiscal year, income tax receivables included in other current assets under current assets increased by ¥7,990 million, income tax payables increased by ¥6,431 million, and income tax expenses decreased by ¥1,679 million. The amount of such impact is calculated based on the expected profit and loss of the U.S.-based subsidiaries for the current fiscal year.

Due to the fact that these estimates include uncertainties, if unpredictable changes to assumptions, etc., lead to changes in estimates, this may result in a significant impact on the consolidated financial statements for the next fiscal year and beyond.

16. Bonds and borrowings

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

The Company is subject to financial covenants with respect to a portion of its borrowings from financial institutions and has complied with such covenants for the years ended March 31, 2023 and 2024. In addition, the Company monitors each compliance status to maintain the level required by such financial covenants.

	FY2023 As of March 31, 2023 (Millions of yen)	FY2024 As of March 31, 2024 (Millions of yen)	Average interest rate (%) (Note 1)	Maturity date
With collateral				
Short-term borrowings	–	–	–	–
Current portion of long-term borrowings	–	–	–	–
Long-term borrowings	–	–	–	–
Without collateral				
Short-term borrowings	155,509	178,516	3.23	–
Current portion of bonds (Note 2)	50,000	20,000	–	–
Current portion of long-term borrowings	98,000	134,000	0.12	–
Bonds (Note 2)	186,765	175,705	–	–
Long-term borrowings	399,000	342,500	0.20	From 2025 to 2031
Total	889,274	850,721	–	–

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

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

Issuer	Name of bond	Date of Issuance	FY2023 As of March 31, 2023 (Millions of yen)	FY2024 As of March 31, 2024 (Millions of yen)	Interest rate (%)	Collateral	Redemption period
The Company	The 13th unsecured bonds	September 8, 2016	20,000	20,000	0.14	None	September 18, 2026
	The 15th unsecured bonds	June 8, 2017	40,000	40,000	0.25	None	June 18, 2027
	The 17th unsecured bonds	April 26, 2018	20,000	20,000 (20,000)	0.18	None	March 19, 2025
	The 18th unsecured bonds	April 26, 2018	40,000	40,000	0.32	None	March 17, 2028
	The 19th unsecured bonds	November 20, 2020	50,000 (50,000)	–	0.00	None	November 20, 2023
	Due 2026 U.S. dollar-denominated straight bonds (sustainability bonds)	September 16, 2021	66,765	75,705	1.24	None	September 16, 2026
Total	–	–	236,765 (50,000)	195,705 (20,000)	–	–	–

(Note) The amounts in parentheses under "FY2023 and FY2024 (Millions of yen)" indicate current portion of bonds.

17. Trade and other payables

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Notes and accounts payable (Note 1)	815,403	813,707
Other (Note 2)	403,914	418,756
Total	1,219,317	1,232,463

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

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

18. Provisions

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

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

(Unit: Millions of yen)

	Reserve for warranty (Note 1)	Provision for loss on antitrust issues (Note 2)	Other	Total
Balance, April 1, 2022	121,280	14,889	9,619	145,788
Provisions made	14,504	816	8,869	24,189
Provisions used	(40,361)	(4,972)	(4,175)	(49,508)
Provisions reversed	(14,012)	–	(1,082)	(15,094)
Foreign exchange differences	1,355	1,010	427	2,792
Balance, March 31, 2023	82,766	11,743	13,658	108,167
Provisions made	215,780	1,984	13,174	230,938
Provisions used	(34,988)	(1,591)	(5,941)	(42,520)
Provisions reversed	(8,042)	–	(4,585)	(12,627)
Foreign exchange differences	10,455	1,483	1,059	12,997
Balance, March 31, 2024	265,971	13,619	17,365	296,955

(Note 1) A portion of the reserve for warranty is expected to be reimbursed by mutual agreement with the Group's suppliers. The estimated amounts of reimbursements were ¥963 million and ¥3,027 million as of March 31, 2023 and 2024, respectively. The amounts are included in "Trade and other receivables" in the consolidated statement of financial position.

(Note 2) Please refer to Note 33 "Contingencies" for provision for loss on antitrust issues.

19. Post-employment benefits

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

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

(1) Defined benefit plans

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

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

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Balance, beginning of year	936,550	875,242
Service cost	37,579	33,981
Interest cost on obligation	9,877	12,981
Plan amendments	(2,412)	–
Actuarial gains and losses (Demographic)	(8,970)	8,060
Actuarial gains and losses (Financial)	(52,582)	(34,646)
Liquidation	–	(38,846)
Business transfer (Note 2)	–	(1,944)
Benefits paid	(49,534)	(49,941)
Foreign exchange differences	4,734	7,963
Balance, end of year	875,242	812,850

(Note 1) Actuarial gains and losses include adjustments based on actual results.

(Note 2) The decrease in "Business transfer" for the year ended March 31, 2024 was due to the transfer of TD MOBILE business (See Note 12 "Assets held for sale").

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

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Balance, beginning of year	782,713	755,678
Interest income on plan assets	8,404	10,739
Income from plan assets other than interest	(30,112)	30,424
Employer contributions	20,051	25,229
Liquidation	–	(37,422)
Business transfer (Note 3)	–	(1,168)
Benefits paid	(28,468)	(27,734)
Foreign exchange differences	3,090	5,675
Balance, end of year	755,678	761,421

(Note 3) The decrease in "Business transfer" for the year ended March 31, 2024 was due to the transfer of TD MOBILE business (See Note 12 "Assets held for sale").

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

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Defined benefit obligation, end of year	875,242	812,850
Plan assets, end of year	755,678	761,421
Effect of the asset ceiling	51,490	80,835
Net amount of defined benefit obligation and plan assets	171,054	132,264
Retirement benefit liabilities	249,266	238,201
Retirement benefit assets	78,212	105,937
Net amount of liabilities and assets recognized in the consolidated statement of financial position	171,054	132,264

Investment policy

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

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

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

Major components of plan assets

The fair values of plan assets for the years ended March 31, 2023 and 2024 are as follows:

As of March 31, 2023 (Unit: Millions of yen)

Category	Plan assets that have a quoted market price in an active market	Plan assets that do not have a quoted market price in an active market	Total
Equity instruments			
Japanese equity securities	50,038	–	50,038
Global equity securities	246	1,610	1,856
Commingled funds—Japanese equity securities	–	47,035	47,035
Commingled funds—Global equity securities	–	22,977	22,977
Total—Equity instruments	50,284	71,622	121,906
Debt instruments			
Japanese debt securities	18,957	–	18,957
Global debt securities	61,994	–	61,994
Commingled funds—Japanese debt securities	–	64,775	64,775
Commingled funds—Global debt securities	–	40,940	40,940
Other	267	8,095	8,362
Total—Debt instruments	81,218	113,810	195,028
Insurance contracts (Note 1)	–	220,980	220,980
Other (Note 2)	44,784	172,980	217,764
Total	176,286	579,392	755,678

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

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

As of March 31, 2024 (Unit: Millions of yen)

Category	Plan assets that have a quoted market price in an active market	Plan assets that do not have a quoted market price in an active market	Total
Equity instruments			
Japanese equity securities	98,685	–	98,685
Global equity securities	196	2,058	2,254
Commingled funds—Japanese equity securities	–	43,393	43,393
Commingled funds—Global equity securities	–	23,748	23,748
Total—Equity instruments	98,881	69,199	168,080
Debt instruments			
Japanese debt securities	16,184	–	16,184
Global debt securities	50,034	–	50,034
Commingled funds—Japanese debt securities	–	56,650	56,650
Commingled funds—Global debt securities	–	24,260	24,260
Other	177	9,912	10,089
Total—Debt instruments	66,395	90,822	157,217
Insurance contracts (Note 1)	–	222,828	222,828
Other (Note 2)	19,108	194,188	213,296
Total	184,384	577,037	761,421

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

Changes in the effect of the asset ceiling are as follows:
Any economic benefits are not available because future contributions are not reduced or refunded. Consequently, an unrecognized surplus has arisen in some pension plans of the Group.

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Balance, the effect of the asset ceiling at the beginning of year	–	51,490
Interest income	–	591
Remeasurement		
Changes in the effect of the asset ceiling	51,490	28,754
Balance, the effect of the asset ceiling at the end of year	51,490	80,835

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

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Discount rate	1.29	1.63

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

(Unit: Millions of yen)

	Increase (decrease) of defined benefit obligations as of March 31, 2024
Discount rate: Decreased by 0.5%	52,816
Discount rate: Increased by 0.5%	(47,265)

The Group expects ¥19,546 million of the contribution to be paid from April 1, 2024 to March 31, 2025.

The weighted-average durations of the defined benefit obligations for the years ended March 31, 2023 and 2024 were 17 years and 16 years, respectively.

(2) Defined contribution plans

The amounts recognized as expenses related to the defined contribution plans for the years ended March 31, 2023 and 2024 were ¥11,490 million and ¥15,192 million, respectively.

20. Equity and other equity items

(1) Capital stock and Capital surplus

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

The numbers of authorized shares for the year ended March 31, 2023 and 2024 were 1,500 million shares and 6,000 million shares, respectively.

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

	Number of shares (Shares)	Capital stock (Millions of yen)	Capital surplus (Millions of yen)
FY2023 As of March 31, 2023	787,944,951	187,457	273,664
Increase (Decrease)	2,363,834,853	–	(183)
FY2024 As of March 31, 2024	3,151,779,804	187,457	273,481

(Note 1) The shares issued by the Company are non-par value ordinary shares that have no restriction on any content of rights.

(Note 2) On October 1, 2023, the Company effected a 4-for-1 split of common stock. The number of authorized shares and the number of fully paid issued shares increased by 4,500 million shares and 2,363,834,853 shares, respectively.

(2) Retained earnings

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

(3) Treasury stock

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

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

	Number of shares (Shares)	Amount (Millions of yen)
FY2023 As of March 31, 2023	39,122,931	252,270
Increase	201,891,897	199,870
FY2024 As of March 31, 2024	241,014,828	452,140

(Note) "Increase" includes an increase of 117,368,791 shares due to a 4-for-1 split of common stock on October 1, 2023, and an increase of 84,523,106 shares due to the acquisition of treasury stock by resolution of the Board of Directors, and etc.

(4) Other components of equity

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

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

2) Remeasurements of defined benefit pension plans

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

3) Exchange differences on translating foreign operations

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

4) Cash flow hedges

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

21. Dividends

Total annual dividends for each fiscal year are as follows:

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors' meeting held on April 28, 2022	Ordinary shares	64,886	85	March 31, 2022	May 25, 2022
Board of Directors' meeting held on October 28, 2022	Ordinary shares	67,891	90	September 30, 2022	November 25, 2022
Board of Directors' meeting held on April 27, 2023	Ordinary shares	71,141	95	March 31, 2023	May 25, 2023
Board of Directors' meeting held on October 31, 2023	Ordinary shares	74,888	100	September 30, 2023	November 27, 2023

(Note) On October 1, 2023, the Company effected a 4-for-1 split of common stock. "Dividends per share" indicates the amount prior to the stock split.

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

Resolution	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors' meeting held on April 26, 2024	Ordinary shares	Retained earnings	87,327	30	March 31, 2024	May 23, 2024

22. Revenue

(1) Disaggregation of revenue

The Group serves automobile manufacturers around the world and supplies a wide range of automotive technology, system and products to mainly OEMs. In the aftermarket and non-automotive business, the Group mainly supplies automotive service parts and accessories to end-users. Revenue generated from these businesses is recorded in accordance with contracts with customers and is presented as "Revenue."

Disaggregated revenue by customer is as follows:

For the year ended March 31, 2023

(Unit: Millions of yen)

Toyota Group	3,158,814
Other Original Equipment Manufacturing Sales	2,522,167
Total Original Equipment Manufacturing Sales	5,680,981
Aftermarket and Non-Automotive Business	720,339
Total	6,401,320

(Note 1) The amounts are after deduction of inter-group transactions.

(Note 2) The "Total Original Equipment Manufacturing Sales" includes income from subleasing right-of-use assets of ¥14,224 million, under IFRS 16.

For the year ended March 31, 2024

(Unit: Millions of yen)

Toyota Group	3,667,452
Other Original Equipment Manufacturing Sales	2,821,623
Total Original Equipment Manufacturing Sales	6,489,075
Aftermarket and Non-Automotive Business	655,658
Total	7,144,733

(Note 1) The amounts are after deduction of inter-group transactions.

(Note 2) The "Total Original Equipment Manufacturing Sales" includes income from subleasing right-of-use assets of ¥14,662 million, under IFRS 16.

Disaggregated revenue by product is as follows:

In accordance with the organizational change on January 1, 2023, effective from the fiscal year ended March 31, 2024, certain products previously classified as "Non-Automotive Business" are reclassified as "Thermal Systems." The disaggregated revenue by product for the fiscal year ended March 31, 2023 is presented in line with the category after this rearrangement.

For the year ended March 31, 2023

Before rearrangement:

(Unit: Millions of yen)

Thermal Systems	1,584,971
Powertrain Systems	1,489,329
Mobility Electronics	1,615,572
Electrification Systems	1,042,180
Advanced Devices	361,652
Others	130,529
Automotive Total	6,224,233
Non-Automotive Business Total	177,087
Total	6,401,320

(Note 1) The amounts are after deduction of inter-group transactions.

(Note 2) The "Automotive Total" includes income from subleasing right-of-use assets of ¥14,224 million, under IFRS 16.

After rearrangement:

(Unit: Millions of yen)

Thermal Systems	1,585,559
Powertrain Systems	1,489,329
Mobility Electronics	1,615,572
Electrification Systems	1,042,180
Advanced Devices	361,652
Others	130,529
Automotive Total	6,224,821
Non-Automotive Business Total	176,499
Total	6,401,320

For the year ended March 31, 2024

(Unit: Millions of yen)

Thermal Systems	1,730,859
Powertrain Systems	1,518,566
Mobility Electronics	1,941,723
Electrification Systems	1,241,622
Advanced Devices	423,934
Others	143,199
Automotive Total	6,999,903
Non-Automotive Business Total	144,830
Total	7,144,733

(Note 1) The amounts are after deduction of inter-group transactions.

(Note 2) The "Automotive Total" includes income from subleasing right-of-use assets of ¥14,622 million, under IFRS 16.

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

(2) Contract balances

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

(Unit: Millions of yen)

	April 1, 2022	March 31, 2023	March 31, 2024
Receivables from contracts with customers			
Trade and other receivables	1,023,767	1,160,421	1,123,568
Total	1,023,767	1,160,421	1,123,568
Contract assets			
Other current assets	976	4,323	3,957
Other non-current assets	3,302	4,161	4,491
Total	4,278	8,484	8,448

The balance and changes in contract assets are both immaterial.

Of the revenue recognized for the fiscal years ended March 31, 2023 and 2024, the amounts included in the balance of contract liabilities at the beginning of the periods, or the amounts of revenue recognized from performance obligations that have been satisfied (or partially satisfied) in previous periods, are immaterial.

(3) Refund liabilities

The Group expects a portion of the product sales transactions to be refunded to customers due to estimated discounts. Refund liabilities of ¥9,267 million and ¥16,771 million are included in "Other current liabilities" for the fiscal years ended March 31, 2023 and 2024, respectively.

(4) Transaction price allocated to remaining performance obligations

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

23. Other income

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

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Rental income-property, plant and equipment	2,580	2,667
Gain on sales-property, plant and equipment	8,678	6,168
Gain on business transfer	3,668	6,723
Other (Note)	22,435	33,942
Total	37,361	49,500

(Note) "Other" for the year ended March 31, 2024 included a profit of ¥2,858 million as a result of the remeasurement of the equity interest of Belua Beheer B.V. previously held at the time of acquisition of control by the Company at the fair value on the acquisition date (See Note 6 "Business combinations").

24. Selling, general and administrative expenses and other expenses

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

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Freight expenses	48,004	45,818
Employee benefit expenses	219,335	221,826
Provision for warranty reserve	1,154	205,108
Depreciation	35,091	35,346
Welfare expenses	34,769	38,364
Other	152,101	168,702
Total	490,454	715,164

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

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Loss on sales or disposal-property, plant and equipment	9,582	15,462
Impairment losses	1,240	–
Loss on litigation	3,800	1,277
Other (Note)	17,330	26,951
Total	31,952	43,690

(Note) "Other" for the year ended March 31, 2024 included losses on antitrust issues, which were settlement amounts, etc., with regard to the alleged violation of antitrust law or competition law in connection with certain past transactions regarding specific auto parts in the amount of ¥4,951 million (See Note 33 "Contingencies").

25. Income and expenses pertaining to financial instruments

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

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Interest income		
Financial assets measured at amortized cost (i.e., deposits and other)	14,825	30,772
Financial assets measured at fair value through profit or loss (i.e., interest rate derivatives)	179	–
Dividend income		
Financial assets measured at fair value through other comprehensive income (Note)	35,198	45,677
Other	1,281	2,262
Total	51,483	78,711

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

The breakdown of "Finance costs" for each fiscal year is as follows:

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Interest expenses		
Financial liabilities measured at amortized cost (i.e., bonds, borrowings, and other)	9,346	12,835
Financial liabilities measured at fair value through profit or loss (i.e., interest rate derivatives)	–	1,444
Interest on defined benefit liabilities, net	1,473	2,242
Loss on net monetary position	1,923	4,416
Other	924	1,309
Total	13,666	22,246

26. Earnings per share

(1) Basis of calculating basic earnings per share

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

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Profit attributable to owners of the parent company	314,633	312,791

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

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Average number of shares—basic	3,025,270	2,979,855

(Note) On October 1, 2023, the Company effected a 4-for-1 split of common stock. Average number of shares—basic is calculated on the assumption that the stock split was implemented at the beginning of the year ended March 31, 2023.

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

Earnings per share-diluted is not presented as there are no shares with dilutive effect.

27. Other comprehensive income

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

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Other comprehensive (loss) income		
Items that will not be reclassified subsequently to profit or loss		
Net fair value (loss) gain on equity instruments designated as FVTOCI		
Arising during the year	(138,650)	1,359,879
Income taxes	36,013	(403,446)
Total	(102,637)	956,433
Remeasurements of defined benefit pension plans		
Arising during the year	(20,050)	27,665
Income taxes	5,958	(10,188)
Total	(14,092)	17,477
Share of other comprehensive income of investments accounted for using the equity method		
Arising during the year	7	55
Total	7	55
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations		
Arising during the year	115,175	222,391
Reclassification to profit or loss	(619)	(2,219)
Total	114,556	220,172
Cash flow hedges		
Arising during the year	(3,263)	(394)
Reclassification to profit or loss	826	884
Before income taxes	(2,437)	490
Income taxes	733	(148)
Total	(1,704)	342
Share of other comprehensive income of investments accounted for using the equity method		
Arising during the year	4,758	7,588
Total	4,758	7,588
Total other comprehensive income	888	1,202,067

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

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Net fair value (loss) gain on equity instruments designated as FVTOCI	(326)	1,793
Remeasurements of net defined benefit pension plans	634	(852)
Exchange differences on translating foreign operations	6,126	9,780
Total	6,434	10,721

28. Non-financial transactions that are material

Details of non-financial transactions that are material

Assets and liabilities related to lease transactions are as follows:

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
The amounts of assets and liabilities related to lease transactions	28,725	30,989

29. Financial instruments

(1) Capital management

To achieve sustainable growth, the Group aims to ensure financial health while continuing stable and lasting returns to shareholders by managing its resources through activities such as facility investment in business, research and development, and mergers and acquisitions. Generally, the operating cash flows cover such funding by maintaining and strengthening the Group's profitability and cash-generating ability, with additional interest-bearing debt, such as debts and borrowings, if necessary. In addition, the Group secures funds to maintain stable financial health in the long term. The Group is not exposed to capital restrictions by external parties as of March 31, 2024.

(2) Description and extent of financial risks

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

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

1) Credit risk

Receivables, such as notes and account receivables, acquired from the operating activities of the Group are exposed to customer credit risk. The Group manages its credit risks from receivables based on internal guidelines, which include monitoring of payment terms and balances of each customer to identify the default risk of customers at an early stage. As of March 31, 2024, receivables from the Toyota Group accounted for 37% of the total receivables.

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

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

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

The Group determined whether credit risk has significantly increased since initial recognition based on fluctuations in the risk of default, taking into consideration matters such as the financial situation of the customer and past due information. When contractual payments are more than 30 days past due, the credit risk is, in principle, deemed to have significantly increased. When evaluating credit risk, the Group takes into consideration reasonable and supportable information that is available without undue cost or effort, and in the event that it is possible to refute the determination based on this information, it may be assumed that there is no significant increase in credit risk.

In addition, the Group, in principle, deems a default to have occurred when contractual payments are more than 90 days past due and when credit impairment has occurred. The Group evaluates whether or not there is any objective evidence to demonstrate that credit impairment has occurred at the end of each reporting period. Evidence of credit impairment includes a default or delinquency of the borrower, granting the borrower a concession that the Group would not otherwise consider, indications of bankruptcy of the issuer or obligor, and the disappearance of active markets. If future collection cannot be reasonably expected, the financial instrument is written off.

Changes in allowance for doubtful accounts

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

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

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

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

Trade receivables

(Unit: Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance, April 1, 2022	1,602	2,567	4,169
Increase	1,689	–	1,689
Decrease—used	(87)	(970)	(1,057)
Decrease—reversed	(364)	(137)	(501)
Reclassification to credit-impaired financial assets	(1,046)	1,046	–
Foreign exchange differences	56	190	246
Balance, March 31, 2023	1,850	2,696	4,546
Increase	1,551	525	2,076
Decrease—used	(321)	(806)	(1,127)
Decrease—reversed	(627)	(608)	(1,235)
Reclassification to credit-impaired financial assets	(860)	860	–
Foreign exchange differences	43	278	321
Balance, March 31, 2024	1,636	2,945	4,581

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

Receivables except for trade receivables

(Unit: Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses Credit-impaired financial assets	Total
Balance, April 1, 2022	112	1,681	1,793
Increase	56	–	56
Decrease—used	–	–	–
Decrease—reversed	(4)	–	(4)
Reclassification to credit-impaired financial assets	–	–	–
Foreign exchange differences	1	14	15
Balance, March 31, 2023	165	1,695	1,860
Increase	12	–	12
Decrease—used	–	–	–
Decrease—reversed	(61)	–	(61)
Reclassification to credit-impaired financial assets	–	–	–
Foreign exchange differences	6	122	128
Balance, March 31, 2024	122	1,817	1,939

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

Trade receivables

(Unit: Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance, April 1, 2022	931,678	2,950	934,628
New financial assets and derecognized financial assets during the period	89,925	(983)	88,942
Reclassification to credit-impaired financial assets	(1,524)	1,524	–
Foreign exchange differences	37,487	219	37,706
Balance, March 31, 2023	1,057,566	3,710	1,061,276
New financial assets and derecognized financial assets during the period	(103,766)	(2,329)	(106,095)
Reclassification to credit-impaired financial assets	(3,222)	3,222	–
Foreign exchange differences	66,740	410	67,150
Balance, March 31, 2024	1,017,318	5,013	1,022,331

Receivables except for trade receivables

(Unit: Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Balance, April 1, 2022	970	1,681	2,651
New financial assets and derecognized financial assets during the period	130	–	130
Reclassification to credit-impaired financial assets	–	–	–
Foreign exchange differences	–	14	14
Balance, March 31, 2023	1,100	1,695	2,795
New financial assets and derecognized financial assets during the period	157	–	157
Reclassification to credit-impaired financial assets	–	–	–
Foreign exchange differences	–	122	122
Balance, March 31, 2024	1,257	1,817	3,074

Risk profile

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

For the year ended March 31, 2023

Trade receivables, contract assets, or lease receivables

(Unit: Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	1,165,028	–	1,165,028
Past due within 90 days	12,730	–	12,730
Past due within 90 days to 1 year	4,811	1,855	6,666
Past due over 1 year	693	1,855	2,548
Total	1,183,262	3,710	1,186,972

Receivables except above

(Unit: Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Within due date	113,647	–	113,647
Past due within 30 days	–	–	–
Past due within 30 days to 90 days	–	–	–
Past due within 90 days to 1 year	–	–	–
Past due over 1 year	–	1,695	1,695
Total	113,647	1,695	115,342

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

Bonds

(Unit: Millions of yen)

	12 months expected credit losses
Rating over AA	366

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

For the year ended March 31, 2024

Trade receivables, contract assets, or lease receivables

(Unit: Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	1,118,669	–	1,118,669
Past due within 90 days	20,723	–	20,723
Past due within 90 days to 1 year	2,877	3,276	6,153
Past due over 1 year	2,155	1,737	3,892
Total	1,144,424	5,013	1,149,437

Receivables except above

(Unit: Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Within due date	167,096	–	167,096
Past due within 30 days	–	–	–
Past due within 30 days to 90 days	–	–	–
Past due within 90 days to 1 year	–	–	–
Past due over 1 year	–	1,817	1,817
Total	167,096	1,817	168,913

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

Bonds

(Unit: Millions of yen)

	12 months expected credit losses
Rating over AA	300

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

2) Market risk

i) Foreign exchange risk

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

The details of currency derivatives are as follows:

(Unit: Millions of yen)

	FY2023 As of March 31, 2023			FY2024 As of March 31, 2024		
	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value
Forward exchange contracts						
Buying	3,907	–	(52)	4,229	–	(97)
Selling	66,566	–	(912)	76,971	–	(894)
Currency option						
Buying (put)	3,849	–	(27)	3,124	–	4
Selling (call)	3,849	–	27	3,124	–	6
Currency swaps						
Buying	68,085	–	(3,422)	71,286	–	2,343
Selling	15,114	10,752	184	12,966	9,688	236
Total	161,370	10,752	(4,202)	171,700	9,688	1,598

(Note) There is no derivative transaction above to which hedge accounting is applied.

Foreign exchange sensitivity analysis

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Net profit or loss	351	519
Equity	351	519

ii) Interest-rate risks

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

In accordance with the Group's internal policy for derivative transactions which prescribes the authorities and limited amounts, the Company's accounting department conducts its financial management activities. The subsidiaries manage their derivative transactions based on similar guidelines.

The details of Interest derivatives are as follows:
Interest derivative transactions to which hedge accounting is not applied

(Unit: Millions of yen)

	FY2023 As of March 31, 2023			FY2024 As of March 31, 2024		
	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value
Interest rate swap						
Floating rate receipt, fixed rate payment	25,377	20,772	838	23,270	21,287	375
Floating rate receipt, floating rate payment	–	–	–	–	–	–
Cross currency swap						
Floating rate receipt, fixed rate payment	–	–	–	–	–	–
Fixed rate receipt, fixed rate payment	43,463	2,558	(1,202)	46,455	710	(5,283)
Total	68,840	23,330	(364)	69,725	21,997	(4,908)

(Note) For interest derivative transactions to which hedge accounting is applied, see (3) Hedge accounting.

Interest rate sensitivity analysis

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Net profit or loss	4,152	4,407
Equity	4,152	4,407

3) Liquidity risk

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

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

(Unit: Millions of yen)

FY2023 As of March 31, 2023	Due in one year or less	Due after one year through five years	Due after five years	Total
Non-derivative financial liabilities				
Bonds and borrowings	303,509	556,765	29,000	889,274
Trade and other payables	885,274	–	–	885,274
Other financial liabilities (Note)	43,945	19,839	10,439	74,223
Derivative financial liabilities				
Derivatives	5,408	257	402	6,067

(Note) For lease liabilities which are included in other financial liabilities, see Note 30 "Leases."

(Unit: Millions of yen)

FY2024 As of March 31, 2024	Due in one year or less	Due after one year through five years	Due after five years	Total
Non-derivative financial liabilities				
Bonds and borrowings	332,516	480,705	37,500	850,721
Trade and other payables	888,033	–	–	888,033
Other financial liabilities (Note)	35,618	19,303	9,525	64,446
Derivative financial liabilities				
Derivatives	6,912	143	149	7,204

(Note) For lease liabilities which are included in other financial liabilities, see Note 30 "Leases."

4) Price risks of equity instruments

The Group is exposed to equity price risks arising from equity instruments. These investments are not held for trading purposes. The Group periodically reviews the fair value of these instruments as well as the financial condition and relationships with investees.

Assuming that the share price rose or fell by 1% at each fiscal year-end, the increase or decrease in total equity would have amounted to approximately ¥10,579 million and ¥18,738 million for the years ended March 31, 2023 and 2024, respectively. As most marketable securities held by the Group are classified as financial assets measured at FVTOCI, a 1% rise or fall in share price would have an immaterial impact on profit or loss.

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

(3) Hedge accounting

Interest rate currency swap transaction

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

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

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

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

	FY2023 As of March 31, 2023						
	Carrying amount (Millions of yen)	Nominal amount (Millions of yen)	Average rate (%)	Average price (yen)	Within 1 year (Millions of yen)	1 to 5 years (Millions of yen)	Over 5 years (Millions of yen)
Interest rate currency swap transaction							
Fixed rate receipt, fixed rate payment	5,291	55,065	0.07	110.13	–	55,065	–

	FY2024 As of March 31, 2024						
	Carrying amount (Millions of yen)	Nominal amount (Millions of yen)	Average rate (%)	Average price (yen)	Within 1 year (Millions of yen)	1 to 5 years (Millions of yen)	Over 5 years (Millions of yen)
Interest rate currency swap transaction							
Fixed rate receipt, fixed rate payment	14,720	55,065	0.07	110.13	–	55,065	–

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

Hedged items designated as cash flow hedges are as follows:

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Cash flow hedge reserve for continuing hedge	(4,483)	(4,141)

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

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Hedging gains or losses of the reporting period that were recognized in other comprehensive income	(3,263)	(394)
The amount reclassified from the cash flow hedge reserve into profit or loss (Note)	826	884
Total	(2,437)	490

(Note) The amount reclassified in profit or loss is included in "Foreign exchange losses" or "Finance costs" in the consolidated statement of income. See Note 27 "Other comprehensive income" for the reconciliation of each component of equity and an analysis of other comprehensive income.

(4) Fair value of financial instruments

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

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

Transfers between fair value hierarchy levels are deemed to have occurred at the beginning of each quarter.

There were no transfers among Levels for 12 months of the year ended March 31, 2023 and 2024.

1) Financial instruments measured at amortized cost

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

(Unit: Millions of yen)

FY2023 As of March 31, 2023	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Debt securities	365	367	–	–	367
Financial liabilities					
Long-term borrowing (Note)	497,000	–	–	494,885	494,885
Bonds (Note)	236,765	229,215	–	–	229,215

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

(Unit: Millions of yen)

FY2024 As of March 31, 2024	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Debt securities	295	300	–	–	300
Financial liabilities					
Long-term borrowing (Note)	476,500	–	–	473,491	473,491
Bonds (Note)	195,705	187,903	–	–	187,903

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

The fair values of short-term financial assets and short-term financial liabilities, which are measured at amortized cost, approximate the carrying amounts, and are not disclosed above.

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

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

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

(Unit: Millions of yen)

FY2023 As of March 31, 2023	Level 1	Level 2	Level 3	Total
Derivative assets	－	6,779	－	6,779
Shares				
Listed shares	1,512,846	－	－	1,512,846
Unlisted shares	－	－	162,356	162,356
Other equity securities	－	－	3,396	3,396
Total	1,512,846	6,779	165,752	1,685,377
Derivative liabilities	－	6,056	－	6,056
Total	－	6,056	－	6,056

(Unit: Millions of yen)

FY2024 As of March 31, 2024	Level 1	Level 2	Level 3	Total
Derivative assets	－	18,598	－	18,598
Shares				
Listed shares	2,679,492	－	－	2,679,492
Unlisted shares	－	－	330,373	330,373
Other equity securities	－	－	3,712	3,712
Total	2,679,492	18,598	334,085	3,032,175
Derivative liabilities	－	7,187	－	7,187
Total	－	7,187	－	7,187

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

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

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

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

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

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Balance, beginning of year	150,603	165,752
Total recognized gains and losses		
Losses recognized in profit or loss (Note 1)	(1,043)	(548)
(Losses) gains recognized in other comprehensive income (Note 2)	(3,099)	63,617
Purchases	19,296	105,827
Sales or Disposal	(5)	(563)
Balance, end of year	165,752	334,085

(Note 1) Losses recognized in profit or loss are related to financial assets measured at fair value through net profit or loss as of the fiscal year-end. These gains and losses are included in "Finance income" and "Finance costs" in the consolidated statement of income.

(Note 2) Gains and losses recognized in other comprehensive income are related to financial assets measured at fair value through other comprehensive income as of the fiscal year-end. These gains and losses are included in "Net fair value (loss) gain on equity instruments designated as FVTOCI" in the consolidated statement of comprehensive income.

(5) Offsetting of financial assets and financial liabilities

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Total financial assets	21,718	18,598
Offsetting amount of financial assets and financial liabilities in accordance with the requirements	(11,640)	–
Financial assets presented in the consolidated statement of financial position (Note 1)	10,078	18,598
The amount to be offset under master netting arrangement or similar arrangements	(1,827)	(2,228)
Cash collateral received	–	–
Net (Note 2)	8,251	16,370

(Note 1) Derivative assets recognized in "Financial assets presented in the consolidated statement of financial position" for the years ended March 31, 2023 were ¥6,779 million.

(Note 2) Derivative assets recognized in "Net" amount presented in the consolidated statement of financial position for the years ended March 31, 2023 were ¥4,952 million.

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Total financial liabilities	20,223	7,187
Offsetting amount of financial assets and financial liabilities in accordance with the requirements	(11,640)	–
Financial liabilities presented in the statement of financial position (Note 3)	8,583	7,187
The amount to be offset under master netting arrangement or similar arrangements	(1,827)	(2,228)
Cash collateral paid	–	–
Net (Note 4)	6,756	4,959

(Note 3) Derivative assets recognized in "Financial assets presented in the consolidated statement of financial position" for the years ended March 31, 2023 were ¥6,056 million.

(Note 4) Derivative assets recognized in "Net" amount presented in the consolidated statement of financial position for the years ended March 31, 2023 were ¥4,229million.

30. Leases

(1) As Lessee

The Group leases assets such as buildings and structures, machinery and equipment, and land. In this transaction, the amounts of gains or losses arising from variable lease payments, lease agreements including residual value guarantees, and sale and leaseback transactions are immaterial. In addition, there are no restrictions or covenants imposed by the leases.

1) Lease liabilities

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Due within one year	24,089	18,794
Due after one year through five years	19,839	19,303
After five years	10,439	9,525
Total	54,367	47,622

The balance of the lease liabilities is included in "Other financial liabilities" in the consolidated statement of financial position. The Group is exposed to liquidity risk that the Group would not be able to repay lease liabilities on the due date due to the deterioration of the business environment or other similar situation. The Group manages its liquidity risk by holding adequate volumes of liquid assets to cover the amounts of one month's consolidated revenue of the Group, along with adequate financial planning developed and revised by the Group's accounting department based on reports from each business unit.

2) Interest expense on lease liabilities

Interest expense on lease liabilities for each fiscal year is as follows:

(Unit: Millions of yen)

FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
405	768

3) Total cash outflow for leases

Total cash outflow for leases for each fiscal year is as follows:

(Unit: Millions of yen)

FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
38,681	48,474

4) The expense relating to short-term leases and leases of low-value assets

The expense relating to short-term leases and leases of low-value assets for each fiscal year is as follows:

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
The expense relating to short-term leases	7,924	9,684
The expense relating to leases of low-value assets	252	68

For short-term leases and leases of low-value assets, the lease payments associated with those leases are recognized as an expense on a straight-line basis over the lease term.

5) Future cash outflows that are not reflected in the measurement of lease liabilities due to leases that are not yet commenced but committed

The amount of future cash outflows that are not reflected in the measurement of lease liabilities due to leases that are not yet commenced but committed is as follows:

(Unit: Millions of yen)

FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
3,171	–

(2) As lessor

1) Finance lease receivables

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Due within one year	13,513	12,473
Due after one year through five years	4,554	4,948
After five years	–	–
Total	18,067	17,421

The balance of the lease receivable is included in "Trade and other receivables" and "Other financial assets" in the consolidated statement of financial position. The Group leases, as lessor, mainly tools and molds and receipt periods are mainly two years, therefore, the amount of lease receivables longer than two years is immaterial. Also, there is neither unearned finance income nor discounted unguaranteed residual value.

For finance lease, the amounts of selling profit or loss, finance income on the net investment in the lease, and income relating to variable lease payments not included in the measurement of the net investment in the lease, are immaterial.

The amount of income from subleasing right-of-use assets is the same as income from subleasing right-of-use assets under IFRS 16 in the Note 22 "Revenue."

2) Lease payments from operating leases

Lease payments from operating leases are immaterial.

For the details of right-of-use assets, see Note 13 "Right-of-use assets."

31. Reconciliation of liabilities arising from financing activities

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

For the year ended March 31, 2023

(Unit: Millions of yen)

	FY2023 As of April 1, 2022	Cash flows	Non-cash changes					FY2023 As of March 31, 2023
			Foreign exchange differences	Fair value changes	New lease contracts	Business combi-nations	Other	
Short-term borrowings	174,212	(36,870)	18,167	–	–	–	–	155,509
Long-term borrowings	516,027	(12,124)	16	–	–	–	(6,919)	497,000
Lease liabilities	55,926	(30,100)	446	–	28,725	–	(630)	54,367
Bonds	301,196	(70,000)	5,569	–	–	–	–	236,765
Derivatives (Note)	9,141	8,608	46	(11,728)	–	–	–	6,067
Total	1,056,502	(140,486)	24,244	(11,728)	28,725	–	(7,549)	949,708

For the year ended March 31, 2024

(Unit: Millions of yen)

	FY2024 As of April 1, 2023	Cash flows	Non-cash changes					FY2024 As of March 31, 2024
			Foreign exchange differences	Fair value changes	New lease contracts	Business combi-nations	Other	
Short-term borrowings	155,509	5,149	17,858	–	–	–	–	178,516
Long-term borrowings	497,000	(21,093)	–	–	–	–	593	476,500
Lease liabilities	54,367	(37,954)	751	–	30,989	–	(531)	47,622
Bonds	236,765	(50,000)	8,940	–	–	–	–	195,705
Derivatives (Note)	6,067	(2,302)	478	2,944	–	–	–	7,187
Total	949,708	(106,200)	28,027	2,944	30,989	–	62	905,530

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

32. Related parties

(1) Related-party transactions

For the year ended March 31, 2023 (Unit: Millions of yen)

Category	Name	Main transactions	Transaction amounts
Associated company which has significant influence over the Group	Toyota Group	Sale of automotive components	3,158,814
		Purchase of automotive components	57,489

For the year ended March 31, 2024 (Unit: Millions of yen)

Category	Name	Main transactions	Transaction amounts
Associated company which has significant influence over the Group	Toyota Group	Sale of automotive components	3,667,452
		Purchase of automotive components	63,566

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

(Unit: Millions of yen)

	FY2023 As of March 31, 2023	FY2024 As of March 31, 2024
Trade accounts receivable	368,769	356,093
Electronically recorded monetary claims	67,333	61,871
Accounts receivable - others	961	598
Allowance for doubtful accounts	–	92
Accounts payable	8,421	12,756
Accrued expenses	2,584	1,560

(2) Remuneration of key managing officers

For the year ended March 31, 2023 (Unit: Millions of yen)

	Total remuneration	Breakdown of remuneration		
		Basic remuneration	Bonuses	Share-based payment
Key managing officers	453	219	132	102

For the year ended March 31, 2024 (Unit: Millions of yen)

	Total remuneration	Breakdown of remuneration		
		Basic remuneration	Bonuses	Share-based payment
Key managing officers	483	237	120	126

33. Contingencies

The details of contingent liabilities for the year ended March 31, 2024 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 (along with its certain subsidiaries) is among the defendants named in the lawsuit filed by a certain customer in a U.K. court, wherein damages are claimed on suspicion of violation of antitrust law or competition law in connection with certain past transactions regarding specific auto parts. The case will be proceeded in accordance with the rule of the civil procedure in the U.K., and the Company could commence settlement discussions with the plaintiffs at any time in the proceedings and reach a settlement.

(3) Individual Settlement Negotiations

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

In relation to certain of these matters, the Company has estimated its potential payable amounts and has reserved such amounts in the "Other expenses" category (see Note 18 "Provisions" and Note 24 "Selling, general and administrative expenses, and other expenses").

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

34. Subsidiaries, associates, and others

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

There are no subsidiaries that have material non-controlling interests, associates, or joint ventures at the end of fiscal years ended March 31, 2023 and 2024.

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

(Unit: Millions of yen)

	FY2023 2022/4-2023/3	FY2024 2023/4-2024/3
Decrease in capital surplus	(157)	(227)

Gains (losses) associated with a loss of control of subsidiaries for the years ended March 31, 2023 and 2024 were not material.

35. Subsequent events

The Group has evaluated subsequent events through June 26, 2024.

The sell of a part of the shareholdings

The Company resolved to sell a part of its investment securities holdings of Renesas Electronics Corporation on May 20, 2024 and completed it on May 21, 2024.

The gains on the sell will be treated as other comprehensive income in the consolidated accounts, and there will be no impact on the consolidated statement of income.

Details of the transaction for this sell are as follows.

Shares to be sold	Ordinary shares of Renesas Electronics Corporation
Number of shares to be sold	78,127,800 shares（4.4% of the issued shares excluding treasury shares)
Other comprehensive income	¥146,704 million

Appendix

List of subsidiaries

The Company's subsidiaries as of March 31, 2024 are as follows.

Segment	Company name	Voting rights (%)
Japan	KYOSAN DENKI CO., LTD.	63.0
	HAMANAKODENSO CO., LTD.	76.7
	DENSO ELECTRONICS CORPORATION	100.0
	DENSO WIPER SYSTEMS, INC.	100.0
	DENSO AIR SYSTEMS CORPORATION	100.0
	DENSO SOLUTION CORPORATION	100.0
	DENSO WAVE INC.	75.2
	DENSO TECHNO CO., LTD.	100.0
	DENSO TRIM CO., LTD.	80.0
	DENSO KYUSHU CORPORATION	100.0
	DENSO HOKKAIDO CORPORATION	100.0
	DENSO IWATE CORPORATION	100.0
	DENSO TEN LIMITED	51.0
	44 Other companies	–
North America	DENSO INTERNATIONAL AMERICA, INC.	100.0
	DENSO PRODUCTS AND SERVICES AMERICAS, INC.	100.0 (100.0)
	DENSO MANUFACTURING MICHIGAN, INC.	100.0 (100.0)
	DENSO MANUFACTURING NORTH CAROLINA, INC.	100.0 (82.0)
	DENSO MANUFACTURING TENNESSEE, INC.	100.0 (100.0)
	DENSO MANUFACTURING ATHENS TENNESSEE, INC.	100.0 (100.0)
	DENSO MANUFACTURING ARKANSAS, INC.	100.0 (100.0)
	DENSO TEN AMERICA LIMITED	100.0 (100.0)
	DENSO MANUFACTURING CANADA, INC.	100.0
	DENSO SALES CANADA, INC.	100.0
	DENSO MEXICO S.A. DE C.V.	95.0 (95.0)
	12 Other companies	–
Europe	DENSO INTERNATIONAL EUROPE B.V.	100.0
	DENSO EUROPE B.V.	100.0 (100.0)
	DENSO BARCELONA S.A.	100.0 (100.0)
	DENSO MANUFACTURING ITALIA S.p.A.	100.0 (100.0)
	DENSO THERMAL SYSTEMS S.p.A.	100.0 (100.0)
	DENSO MANUFACTURING HUNGARY, LTD.	100.0 (100.0)
	DENSO THERMAL SYSTEMS POLSKA SP.ZO.O.	100.0 (100.0)
	DENSO MANUFACTURING CZECH s.r.o.	100.0 (100.0)
	28 Other companies	–

Segment	Company name	Voting rights (%)
Asia	DENSO INTERNATIONAL ASIA PTE., LTD.	100.0
	DENSO INTERNATIONAL ASIA CO., LTD.	100.0 (100.0)
	DENSO (THAILAND) CO., LTD.	51.7 (51.7)
	SIAM DENSO MANUFACTURING CO., LTD.	90.0 (90.0)
	DENSO SALES (THAILAND) CO., LTD.	100.0 (100.0)
	SIAM KYOSAN DENSO CO., LTD.	100.0 (100.0)
	DENSO TEN (THAILAND) Limited	99.0 (99.0)
	PT. DENSO INDONESIA	68.3 (68.3)
	PT. DENSO MANUFACTURING INDONESIA	100.0 (100.0)
	PT. DENSO SALES INDONESIA	100.0 (100.0)
	DENSO (MALAYSIA) SDN. BHD.	72.7 (72.7)
	DENSO MANUFACTURING VIETNAM CO., LTD.	95.0 (95.0)
	DENSO PHILIPPINES CORPORATION	100.0 (100.0)
	DENSO TEN PHILIPPINES CORPORATION	100.0 (100.0)
	DENSO HARYANA PVT., LTD.	100.0
	DENSO (CHINA) INVESTMENT CO., LTD.	100.0
	TIANJIN DENSO ENGINE ELECTRICAL PRODUCTS CO., LTD.	95.0 (95.0)
	TIANJIN DENSO ELECTRONICS CO., LTD.	93.5 (93.5)
	GUANGZHOU DENSO CO., LTD.	60.0 (60.0)
	TIANJIN FAWER DENSO AIR-CONDITIONER CO., LTD.	60.0 (60.0)
	DENSO (GUANGZHOU NANSHA) CO., LTD.	100.0 (72.7)
	DENSO (CHANGZHOU) FUEL INJECTION SYSTEM CO., LTD.	100.0 (30.6)
	DENSO MANUFACTURING (HANGZHOU) CO., LTD.	100.0 (10.0)
	DENSO KOREA CORPORATION	100.0
	48 Other companies	–
Others	DENSO DO BRASIL LTDA.	94.8 (35.4)
	4 Other companies	–

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

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

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of DENSO CORPORATION:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of DENSO CORPORATION and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2024, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Estimating the reserve for warranty

Key Audit Matter Description

As described in Notes 2(4), 3(14) and 18 to the consolidated financial statements, the reserve for warranty amounted to 265,971 million yen in the consolidated statement of financial position as of March 31, 2024.

The reserve for warranty is recognized based on the estimated amount of warranty expenses, considering the timing of outflows of resources embodying economic benefits based on past experiences of the after-sales service expenses incurred.

The warranty expenses include repair expenses for repair requests, which are primarily from end users, as well as repair expenses for target vehicles, that are based on defect handling (including recalls) determined by the automobile manufacturers and other customers.

The reserve for warranty related to the defect handling is calculated based on a reasonably expected amount that would be paid by the Group in the event that automobile manufacturers or other customers handled the repairs for products manufactured by the Group in the past.

The amount is calculated by multiplying the following:

A.) the number of target vehicles
B.) the repair expenses per unit
C.) the defect handling incidence rate
D.) the expected burden ratio with customers

All of these factors involve significant assumptions, which require management's judgment. Specifically, certain factors such as "B.) the repair expenses per unit" and "D.) the expected burden ratio with customers" involve a high degree of uncertainties because they include an estimate of the person-hours required for repairs, which depends on the cause of product defects as well as the results of negotiations with customers. Uncertainty in "A.) the number of target vehicles" might increase depending on criteria such as vehicle type and region. In addition, the uncertainty in accounting estimates might increase if occurrences of product defects continue to change. Therefore, we have identified the estimate of the warranty reserve related to defect handling as a key audit matter.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures to test the completeness and valuation of individual warranty reserves related to defect handling including recalls, which comprise a large portion of the overall warranty reserve, included the following, among others:

(1) We tested the design and operating effectiveness of internal controls over the accounting department's timely consultation with the quality control department in order to obtain all information necessary for estimating the warranty reserve.

(2) We inspected the list of recall notifications announced by the Ministry of Land, Infrastructure, Transport and Tourism, the Board of Directors meeting minutes, the written request for approval, and so forth to test the completeness of the warranty reserve.

(3) We discussed with the responsible manager in the quality control department the outline of defect handling, the causes of the product defects and other information for the new cases and discussed whether there were any changes in the situation that need to be reflected in the current best estimate for the existing cases.

(4) We reconciled "A.) the number of target vehicles" with the available external data. In addition, depending on the situation, we evaluated the reasonableness of significant assumptions used by management to assess the accuracy and completeness of the underlying source data.

(5) We evaluated the reasonableness of significant assumptions used by management for "C.) the defect handling incidence rate" by comparing the rates used for the assumptions to the actual rates in other cases for the new cases and to their latest rates for the existing cases.

(6) We evaluated the reasonableness of significant assumptions used by management for "B.) the repair expenses per unit" and "D.) the expected burden ratio with customers" by examining the cause of product defects, other actual cases in the past and available external data for the new cases, and by examining the latest average repair expenses per unit and the latest result of negotiation of the burden ratio for the existing cases.

(7) We retrospectively compared the estimates which management had recorded in the past with the results of "B.) the repair expenses per unit" and "D.) the expected burden ratio with customers," in order to test the reasonableness of significant assumptions used by management.

2. Estimating provision for loss on antitrust issues

Key Audit Matter Description

As described in Notes 2(4), 3(14), 18 and 33 to the consolidated financial statements, the provision for loss on antitrust issues amounted to 13,619 million yen in the consolidated statement of financial position as of March 31, 2024.

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

Litigation settlements mainly include A.) surcharges that are ordered to be paid as a result of investigations by national governments and competition authorities, B.) litigation settlements to be paid as a result of settlement negotiations with the plaintiffs in civil cases, and C.) litigation settlements to be paid as a result of individual settlement negotiations with automobile manufacturers.

The Group has established an internal system to prevent violations of the Antitrust Law, and publicly announced a safety declaration regarding the Antitrust Law in March 2012. As such, the Group believes that the risk of antitrust violations has been reduced. However, the Group estimates the amount of litigation settlements that are expected to occur in the future, and reviews the provisions amount that has already been recorded, in a timely manner, based on the status of investigations by the national governments and competition authorities related to transactions before March 2012, the progress of settlement negotiations, the settlement of past settlement cases, and consultation with the attorneys in charge.

The uncertainty surrounding the intentions of the authorities and other parties could make it difficult to estimate the amounts of surcharges and litigation settlements to be incurred. As such, we have identified the estimate of the provision for loss on antitrust issues as a key audit matter.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures to test the completeness and valuation of provision for loss on antitrust issues included the following, among others:

(1) We tested the design and operating effectiveness of internal controls over the accounting department's timely consultation with legal department in order to obtain all information necessary for estimating of the provision for loss on antitrust issues.

(2) We discussed with the head of the legal department regarding the status of legal matters globally. Discussions included the status of correspondence with the authorities of each country in which the Group operates, the progress of civil cases and the status of negotiations with automobile manufacturers in order to determine the need for recognizing the provision for loss on antitrust issues.

(3) We evaluated the appropriateness of the estimation process for the provision for loss on antitrust issues. This included discussions with the head of the legal department. We evaluated the reasonableness of significant assumptions used by management by examining the status of the investigations by the national governments and competition authorities, the progress of settlement negotiations, the resolution status of past settlement cases and other information.

(4) We sent a confirmation letter to the attorneys in charge to support the information obtained from the accounting department and the legal department.

(5) We evaluated whether the provision was consistent with the progress of the settlement negotiations and completely recorded by testing the occurrences of professional fees for the attorneys in charge.

(6) We performed the following procedures for the settled cases in order to evaluate the reasonableness of amounts estimated by management:

- We inspected the contracts, agreements, and other legal documentation that provided evidence of the settlement and compared them with the recorded amounts of the provision in the past.
- We inspected the payment proofs of cases in which payment of settlements had been completed, and retrospectively compared them with the recorded amounts of the provision in the past.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Financial Report 2024, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRS Accounting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2024, which were charged by us and our network firms to DENSO CORPORATION and its subsidiaries were 1,432 million yen and 671 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 26, 2024