Financial Section

Contents

Financial Review

Financial Summary

DENSO CORPORATION and its Consolidated Subsidiaries

< IFRS >

	Date of transition to IFRSs	2014	2015
Revenue (Millions of yen)	―	4,094,960	4,309,787
Operating profit (Millions of yen)	―	371,440	331,376
Profit for the year (Millions of yen)	―	295,056	276,709
Profit for the year: attributable to owners of the parent company (Millions of yen)	―	277,196	258,382
Comprehensive income (Millions of yen)	―	486,381	634,988
Equity: attributable to owners of the parent company (Millions of yen)	2,402,229	2,799,915	3,327,938
Total assets (Millions of yen)	4,162,745	4,642,053	5,283,257
Equity per share: attributable to owners of the parent company (Yen)	3,019.82	3,512.06	4,171.93
Basic profit per share (Yen)	―	348.05	324.01
Diluted profit per share (Yen)	―	347.81	323.93
Equity attributable to owners of the parent ratio (%)	57.71	60.32	62.99
Return on equity attributable to owners of the parent company (%)	―	10.66	8.43
Price-to-earnings ratio (Times)	―	14.22	16.92
Net cash provided by operating activities (Millions of yen)	―	471,167	383,156
Net cash used in investing activities (Millions of yen)	―	(376,002)	(111,504)
Net cash used in financing activities (Millions of yen)	―	(175,970)	(135,686)
Cash and cash equivalents at end of year (Millions of yen)	707,330	641,694	792,414
Number of employees	132,276	139,842	146,714

(Note) We have adopted International Financial Reporting Standards (“IFRS”) for the consolidated financial statements of annual report from the fiscal year ending March 31, 2015. The date of transition to IFRSs was April 1, 2013.

< JGAAP >

	2011	2012	2013	2014	2015
Net Sales (Millions of yen)	3,131,460	3,154,630	3,580,923	4,095,925	4,308,754
Ordinary income (Millions of yen)	207,228	180,754	296,017	419,571	397,431
Income before income taxes (Millions of yen)	211,667	163,483	281,890	418,637	427,238
Net income (Millions of yen)	143,033	89,298	181,682	287,388	293,099
Comprehensive income (Millions of yen)	86,389	94,847	385,161	464,855	615,611
Equity (Millions of yen)	2,072,443	2,117,201	2,426,861	2,823,346	3,341,439
Total assets (Millions of yen)	3,380,433	3,607,697	3,979,093	4,442,507	5,032,742
Equity per share (Yen)	2,435.14	2,492.92	2,891.39	3,376.06	4,006.62
Basic net income per share (Yen)	177.49	110.81	226.59	360.85	367.54
Diluted net income per share (Yen)	―	―	―	360.60	367.45
Equity-to-total capital ratio (%)	58.05	55.69	57.80	60.59	63.51
Return on equity (%)	7.37	4.50	8.43	11.51	9.96
Price-to-earnings ratio (Times)	15.55	24.95	17.59	13.71	14.92
Net cash provided by operating activities (Millions of yen)	395,527	176,682	374,775	462,799	374,181
Net cash used in investing activities (Millions of yen)	(327,886)	(271,239)	(269,183)	(390,318)	(112,618)
Net cash (used in) provided by financing activities (Millions of yen)	(44,773)	78,819	(98,519)	(154,976)	(125,606)
Cash and cash equivalents at end of year (Millions of yen)	688,626	665,409	707,330	641,694	792,414
Number of employees	123,165	126,036	132,276	139,842	146,714

Revenue by Segment

DENSO CORPORATION and its Consolidated Subsidiaries

For the Years ended March 31, 2011 to 2015

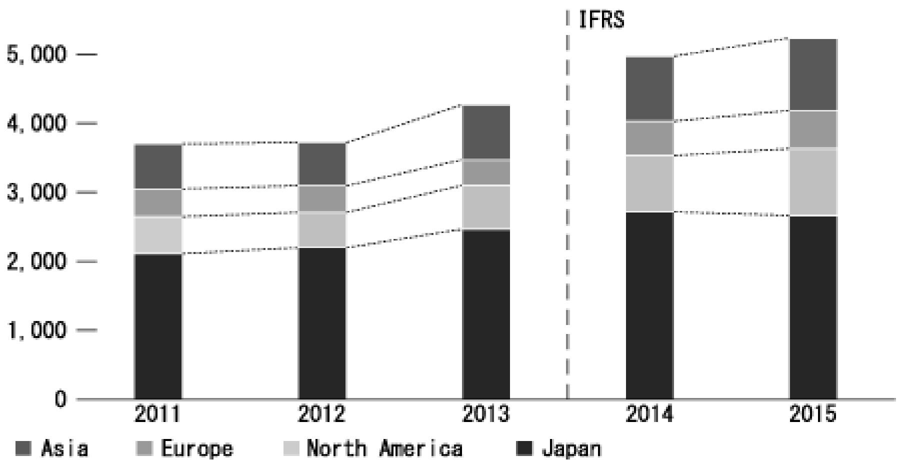
(Unit: Millions of yen)

		2011 (JGAAP)	2012 (JGAAP)	2013 (JGAAP)	2014 (IFRS)	**2015 (IFRS)**
Japan	Customers	1,548,201	1,639,962	1,808,850	1,895,482	1,838,448
	Intersegment	564,733	557,670	654,775	821,182	826,077
	Total	2,112,934	2,197,632	2,463,625	2,716,664	2,664,525
North America	Customers	528,868	504,075	624,974	799,423	942,251
	Intersegment	7,172	8,042	10,424	17,179	24,206
	Total	536,040	512,117	635,398	816,602	966,457
Europe	Customers	389,584	373,214	348,769	470,515	524,754
	Intersegment	11,748	13,978	23,467	28,386	29,999
	Total	401,332	387,192	372,236	498,901	554,753
Asia	Customers	604,651	579,752	734,525	855,448	930,792
	Intersegment	47,817	46,969	59,516	87,674	118,933
	Total	652,468	626,721	794,041	943,122	1,049,725
Total	Customers	3,071,304	3,097,003	3,517,118	4,020,868	4,236,245
	Intersegment	631,470	626,659	748,182	954,421	999,215
	Total	3,702,774	3,723,662	4,265,300	4,975,289	5,235,460
Others	Customers	60,156	57,627	63,805	74,092	73,542
	Intersegment	177	101	123	255	261
	Total	60,333	57,728	63,928	74,347	73,803
Consolidated	Customers	3,131,460	3,154,630	3,580,923	4,094,960	4,309,787
	Intersegment	631,647	626,760	748,305	—	—
	Total	3,763,107	3,781,390	4,329,228	4,094,960	4,309,787

(Notes) 1. DENSO CORPORATION and its subsidiaries in Japan and overseas (collectively referred to as the "Group") have 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 a operating segment that is not included in reported segments. It includes business activities of subsidiaries in Brazil, etc.

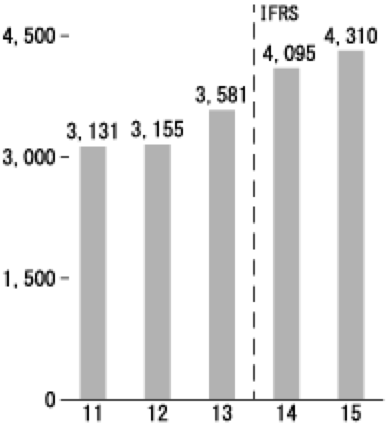
2. The Group first adopted International Financial Reporting Standards for the year ended March 31, 2015, and the date of transition to IFRSs was April 1, 2013.

Revenue by segment
(Billions of yen)

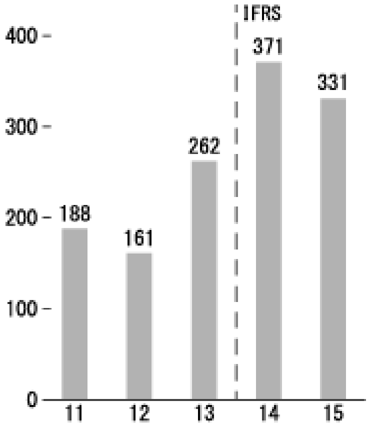


Financial Highlights

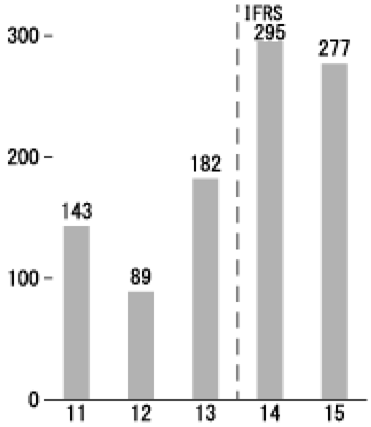
Net sales / Revenue
(¥Billion)



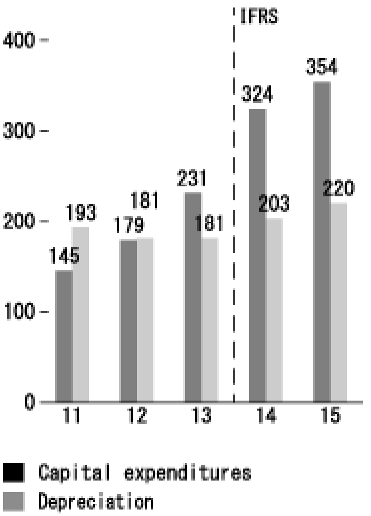
Operating income / Operating profit
(¥Billion)



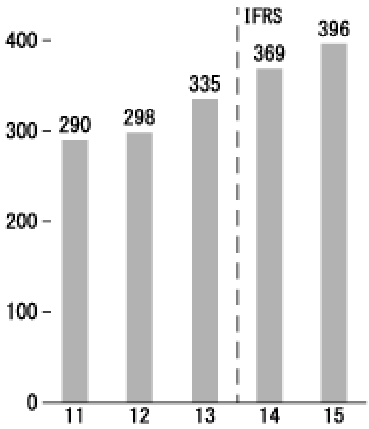
Net income / Profit
(¥Billion)



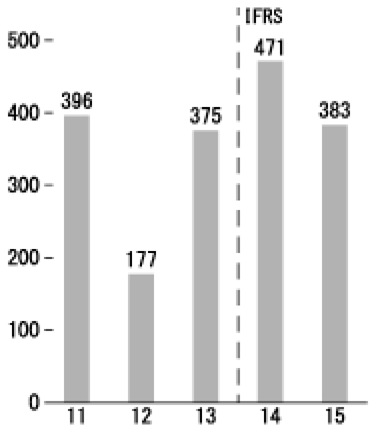
Capital expenditures and
Depreciation
(¥Billion)



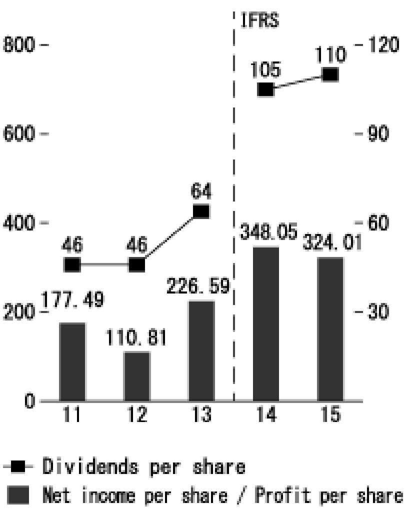
R&D expenses
(¥Billion)



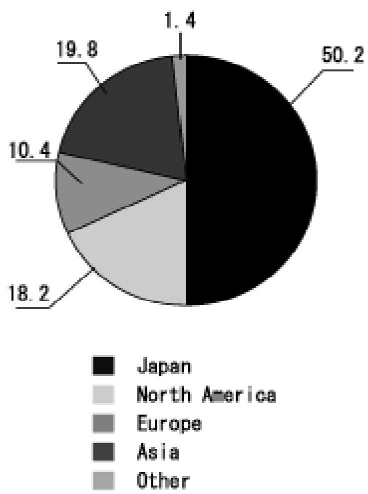
Net cash provided by
operating activities
(¥Billion)



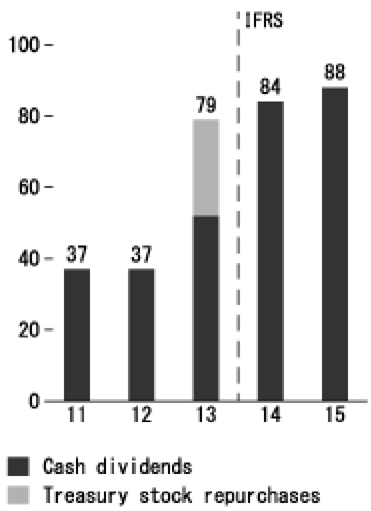
Net income per share / Profit per share
and Dividends per share (Yen)



Revenue by segment
(%)



Dividends
(With Treasury stock repurchases)
(¥Billion)



Treasury stock repurchases show the amounts that have been purchased between the general shareholders' meeting of one year to the next.

Management's Discussion and Analysis

1. Business overview

During the consolidated fiscal year ended March 31, 2015, the world economy showed gradual growth as a whole mainly due to a favorable U.S. economy and a recovery in the European economy, although growth in emerging countries slowed down. Meanwhile, growth of the Japanese economy was limited to a low level, considerably affected by the adverse effects of the increase in the consumption tax rate. In the global automobile industry, overall sales growth exceeded the previous year's level with the expanded sales volume in North America and China, although sales growth was lower than the previous year's level in Japan, Thailand and Brazil. DENSO CORPORATION (hereinafter referred to as the “Company”) increased its revenue, reflecting the rise in vehicle production volume in North America and China. However, operating profit decreased affected by the decline in vehicle production in Japan where a large number of high-value-added products are used and by increases in investments for future growth and start-up costs for overseas plants.

2. Management strategy

In such a business climate, during fiscal year 2013 through fiscal year 2015, we made concerted efforts group-wide to achieve the targets and address the policies that were set forth in the DENSO Group's Global Mid-term Policy. In the consolidated fiscal year ended March 31, 2015, the final year of the 2015 Mid-term policy, we further accelerated advanced technological development in the “Environment, Security and Safety” area with evident achievements such as the product development of powertrain control systems to reduce environmental burden and the development of preventive/safety products to reduce traffic accidents. In January 2015, we also strove to expand our businesses in the aftermarket and new business area by establishing the "Aftermarket & Fleet, New Business Group", the fifth business group of the Company.

During the consolidated fiscal year ended March 31, 2015, the following achievements were made mainly in the “Environment, Security and Safety” area.

In the “Environment” field, the Company and its subsidiaries in Japan and overseas (collectively referred to as the “Group”) developed new cell monitors, high-pressure hydrogen sensors, hydrogen-charging ECUs and other devices intended for fuel-cell (FC) vehicles. In addition, approximately 70 DENSO products are installed in MIRAI, the world's first mass-production FC vehicle introduced by Toyota Motor Corporation, including high-voltage powertrain components, such as power control units and FC boost converters, and cooling system components, such as radiators and water pumps with enhanced cooling performance. By overcoming various technical difficulties, we succeeded in applying the products originally manufactured for hybrid vehicles to FC vehicles, contributing to the improvement of reliability and performance, as well as significant cost reduction. In addition, the Group developed a new common rail system for small cars that ensures high combustion efficiency for diesel vehicles. The system incorporates spray nozzles, which widely spread atomized particles at the world's highest level, and injectors of which the freedom of fuel-injection is improved. As a result, the fuel efficiency of vehicles improves approximately 1% when this DENSO injector is installed. The system was adopted in Mazda Motor Corporation's SKYACTIV technology and has been delivered for the new Mazda2 model. The Group also developed a silicon carbide (SiC) power device for inverters of hybrid and electric vehicles. The use of the SiC considerably simplifies the cooling structure of installed components due to lower output loss compared with conventional materials, which leads to reduced heat generation from the inverter system. An inverter incorporating a SiC power device can be minimized by more than 20% in cubic volume and further improved fuel efficiency can be expected.

In the “Security and Safety” field, the Group developed a millimeter-wave radar and an image sensor, both of which help drivers avoid collisions and reduce their physical damage by sensing obstacles that might be in front of the driver's vehicle and by following the antecedent vehicle while keeping a predetermined distance from the car ahead. The combination of two sensors realizes high reliability in detecting not only vehicles but also pedestrians. These products are planned to be installed “Toyota Safety Sense P,” a preventive safety technology package by Toyota Motor Corporation for models of medium size cars and high-end cars to be released soon in Japan, North America and Europe. At the 21st ITS World Congress in Detroit held in September 2014, the Group presented a booth exhibition and demonstrated tests on preventive safety technology and the human-machine interface (HMI) technology(*1) to assist the interface between drivers and vehicles. One such demonstration was an automatically following driving of two vehicles with the advanced driving support technology. By receiving the wireless-transmitted position data of the antecedent vehicle, the trailing vehicle demonstrated various scenes foreseen on actual roads such as starting, stopping and changing lanes while automatically following the car ahead despite a lane-separating white line. We will strive to develop innovative products toward the realization of reduced traffic accidents and driver fatigue/burden by commercializing the advanced driving support technology.

*1. HMI technology: Technology to achieve provision of information and operations to an operator or user about the state of a process without causing his/her distraction, by deeply understanding the features of the human body and the senses such as eyesight, hearing and touch.

In the “Aftermarket and New Business” field, we contributed to the enhanced competitiveness of Japanese agriculture by providing solutions that utilize a DENSO freezer, in which two compressors and two inverters are incorporated to help ensure the long-term preservation of freshness for agricultural products. Our products ensure tailored temperature controls adaptable to the foods preserved. One successful example is to preserve the freshness of peaches, for which the freshness lasts usually only 3–4 days, for almost three weeks. This success promises cost reduction due to the change in transportation method from air freight to sea freight. During the consolidated fiscal year ended March 31, 2015, we addressed developing a new business by participating in a logistic demonstrative test for exports in cooperation with Hokkaido, Aomori and Fukushima prefectures, as well as Toyohashi City and other municipalities. Our industrial-use robot/pharmaceutical and medical-use robot, which was jointly developed with DENSO WAVE INCORPORATED, received the Good Design Grand Award, which is the highest award among the Good Design Awards. In addition, an electric freezing system for large trucks, which was jointly developed with Hino Motors, Ltd., received a Minister Prize of Economy, Trade and Industry, the highest Energy Conservation Grand Prize.

With regard to the development organization, we have established seven technical centers worldwide to develop optimum products that are adapted to regional circumstances and/or needs, strengthening our global development organization. During the consolidated fiscal year ended March 31, 2015, the technical center in Shanghai was moved and expanded, and has started operations. We are committed to advanced development not only in Japan but also in North America and Europe. The Silicon Valley Office promotes research and development (R&D) projects on cyber security, the utilization of big data and the highly automated driving system.

To strengthen cost competitiveness for "MONOZUKURI" (manufacturing) in our production facilities on an ongoing basis during the consolidated fiscal year, we strove to establish “DANTOTSU” factories where products are manufactured with high-efficiency and low costs in the pursuit of raised efficiency with high-speed and high-utilization production lines; the development of original compact equipment; and the streamlining of logistic and inspection procedures. During the consolidated fiscal year ended March 31, 2015, we focused not only on the development of 1/N equipment (*2) but also the introduction of 1/N lines that efficiently linked together such 1/N equipment. We aim to not only reduce processing costs but also reduce lead time, overall logistics and the volume of intermediate inventory by implementing thorough synchronized production from forging to cutting and assembling based on the concept of total optimization for all processes. Furthermore, the "MONOZUKURI" building started operation in December 2014 as a place to realize “DANTOTSU” technology with the concept of One DENSO by concentrating the "MONOZUKURI" functions from prototype to mass production. The building contains vast spaces without partitions, in which 1,600 staff from 13 departments/sections work for "MONOZUKURI"-focused technological development in close collaboration with each other to develop the world's first and the world's best products by combining their technologies and skills.

*2. 1/N equipment: equipment of which the cubic volume and energy consumption are reduced to “1/N” through the elimination of waste.

3. Results of operations

(1) Revenue and profit

Revenue for the consolidated fiscal year ended March 31, 2015, increased ¥214.8 billion, or 5.2%, year over year to ¥4,309.8 billion, supported by the increase in vehicle production volume. Operating profit decreased ¥40.1 billion, or 10.8%, to ¥331.4 billion, and profit before income taxes decreased ¥28.8 billion, or 7.2%, to ¥371.9 billion, primarily due to increases in R&D expenses and investments for capacity reinforcement for future growth despite the favorable factors such as the rationalization effects of cost reduction and productivity improvement, as well as the production volume increase owing to increased sales. Profit for the year attributable to owners of the parent company decreased ¥18.8 billion, or 6.8%, to ¥258.4 billion.

(2) Policy on allocation of earnings

Dividends

The Company aims to consistently increase dividends while taking into consideration operating results and the dividend payout ratio. The Company uses retained earnings for capital expenditures and R&D to sustain long-term business growth, and to support its share buyback program as a means of returning profits to shareholders.

In accordance with the enactment of the Company Act in May 2006, the Company altered its Articles of Incorporation to accommodate the flexible allocation of future earnings. Currently, however, the Company has decided to continue paying a twice-yearly dividend payment. For a year-end dividend, the approval of the general shareholders' meeting is needed.

Taking into consideration the operating results for the fiscal year ended March 31, 2015, the Company has decided upon a year-end dividend of ¥63 per share. This resulted in an annual dividend for the fiscal year ended March 31, 2015, of ¥110 per share.

Treasury Stock Repurchases

The Company repurchases its own shares as part of its strategy to increase ROE, return profits to shareholders and implement a flexible capital policy in response to changes in the operating environment. As of March 31, 2015, the Company had repurchased a total of 165 million shares at an aggregate cost of ¥376.5 billion since the introduction of the share buyback program in the year ended March 31, 1997. This represents 19% of all the Company's outstanding shares as of March 31, 1997. In the future, while giving consideration to cash flows, the Company will maintain this share repurchasing policy as an important tool in improving ROE and increasing shareholder value.

Source of Funds and Liquidity Risk Management

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

Capital Expenditures/Depreciation

The Group applies a number of benchmarks to ensure correct 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, 2015 were ¥354.2 billion and ¥220.1 billion, respectively.

Capital Expenditures/Depreciation by Segment

In regard to capital expenditures by geographic segment, the Group focused investment on all regions to increase production, and mainly invested in new products and rationalization measures. As a result, capital expenditures in Japan were ¥189.0 billion.

In regions outside Japan, capital expenditures in North America, Europe, Asia and other areas were ¥48.5 billion, ¥29.2 billion, ¥83.1 billion and ¥4.4 billion, respectively.

Research and Development (R&D) Activities

In the DENSO Group Long-term Policy 2020, which was announced in April 2013, the Company declared that it will address the missions of “Preserve the Planet” and “Security and Safety” under the slogan of “Protecting lives, Preserving the Planet, and Preparing a Bright Future for Generations to Come.” To achieve this long-term policy, we aim to strengthen our R&D activities centering on the “Environment, Security and Safety” sector to deliver new products that contribute to society and new value to customers worldwide.

As achievements in the consolidated fiscal year ended March 31, 2015, in the “Environment” field, the Group developed new FC cell monitors, high-pressure hydrogen sensors, hydrogen-charging ECUs and other devices intended for FC vehicles. In addition, about 70 DENSO products are installed in MIRAI, the world's first mass-production FC vehicle introduced by Toyota Motor Corporation, including high-voltage powertrain components, such as power control units and FC boost converters, and cooling system components, such as radiators and water pumps with enhanced cooling performance. Thus, the Group's R&D activities contribute to the improvement of reliability and performance, as well as cost reduction.

Through the efforts of grasping the environment and needs in the global motorcycle market, the Group developed a new fuel injection (FI) system for small motorcycles. The FI system is the world's first fuel injection system that doesn't use a throttle position sensor or engine temperature sensor. Instead, it uses newly developed control technologies that supplement the reduced sensor function and ensure the same fuel economy and environmental performance as conventional fuel injection systems, thus cutting costs.

In the “Security and Safety” field, the Group developed a millimeter-wave radar and an image sensor, both of which help drivers avoid collisions and reduce their physical damage by sensing obstacles that might be in front of the driver's vehicle and by following the antecedent vehicle while keeping a predetermined distance from the car ahead. The combination of two sensors realizes high reliability in detecting not only vehicles but also pedestrians.

In June 2014, the Group began public road tests on Minamichita Road, Aichi Prefecture, to develop the advanced driving support technology. This technology aims to achieve safety driving support and reduce driver fatigue/burden. The Group is testing automated driving scenarios in a single lane and testing automatic lane changes, as well as other driving maneuvers. The Group's goal with public road testing is to identify, analyze and solve real-life problems that do not occur on the test course. The tests have been conducted as part of the activities of Aichi Prefecture's “Vehicle Safety Technology Project Team” for the restriction of traffic accidents, in which several corporations and organizations within the prefecture participate with Aichi Prefecture, as the core organization. At the 21st ITS World Congress in Detroit held in September 2014, the Group presented the achievements of these R&D activities in the form of a booth exhibition and demonstrative tests. One such demonstration was an automatically following driving of two vehicles with the advanced driving support technology. By receiving the wireless-transmitted position data of the antecedent vehicle, the trailing vehicle demonstrated various activities foreseen on actual roads such as starting, stopping and changing lanes while automatically following the car ahead without a lane-separating white line.

The Group will contribute to the realization of a safe and secure automotive society by working to prevent traffic accidents through the development and practical use of the advanced driving support technology to ensure safer and more secure driving while keeping the respect of the drivers' will.

In the Aftermarket & New Business sector, we are committed to R&D projects on products and systems in the fields of agricultural support, healthcare and security by fully taking advantage of our long-cultivated, automotive technologies. For example, we launched the “ProFarm” Agricultural System to help farmers improve their productivity of agricultural products by adequately controlling temperature, humidity and CO2 concentration inside greenhouses. The Group will contribute to the realization of the environment-friendly, safe and secure livelihoods of people by also applying its automotive technologies to other fields in addition to automotive R&D.

We have established seven technical centers worldwide to develop optimum products that are adapted to regional circumstances and/or needs, strengthening our global development organization. In Japan, we established the Tokyo Office for the circuit design and development of installed semiconductors in Minato-ku, Tokyo, for which demand is expected to increase. We are committed to advanced development not only in Japan but also in North America and Europe. The Silicon Valley Office was expanded to promote collaborations with venture companies in the area through enhanced conventional activity and newly started R&D projects on cyber security, the utilization of big data and the advanced driving support technology.
The Group aims to provide products and services that contribute to local communities anywhere in the world.

The Group's R&D expenses for the consolidated fiscal year ended March 31, 2015, totaled ¥396.4 billion, including the amount of asset capitalization. By geographical segment, those of Japan were ¥335.7 billion, those of North America were ¥24.0 billion, those of Europe were ¥14.8 billion, those of Asia were ¥21.1 billion and those of Other were ¥0.9 billion. The overseas segments currently account for approximately 15% of the total R&D expenses of the Group, and we plan to increase this percentage by streamlining our global development organization.

4. Risk Management

Economic Risk

Demand for auto parts, which accounts for the major part of the Group's operating revenue around the globe, is easily affected by the economic situation in the countries and regions where the Group has sales. Accordingly, an economic downturn and resulting decrease in demand for auto parts in the Group's major markets, including Japan, North America, Europe, 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 lower cost and provide equivalent products at prices below those of the Group, this may adversely affect sales. Further, if the local currency of regions where parts and raw materials are sourced falls, there is a chance that the manufacturing cost not only for the Group, but also for other manufacturers, will fall. As a result of these trends, export and price wars may intensify and have an adverse effect on the Group's operating results and financial condition.

Exchange Rate Risk

Operations within the Group include the sale and manufacture of products around the world. All regional items in local currency including sales, costs and assets are converted to yen for the purpose of creating consolidated financial statements. Based on the exchange rate used in conversion, even though items have not changed as an amount of local currency, there is a possibility that the amount expressed in yen after the conversion has been changed. In general, a strong yen (in particular against the U.S. dollar and euro that 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 that manufacture in Japan and export, a strong yen against other currencies decreases the worldwide comparative price competitiveness of their products and can have an adverse effect on operating results. The Group performs currency hedging, and makes efforts to minimize the adverse effect of short-term fluctuations in the exchange rates of major currencies including the U.S. dollar, euro and yen. However, as a result of medium- and long-term movements in exchange rates, there are cases where procurement, manufacturing, distribution and sales cannot be performed exactly as planned and, as a result, exchange rate movements may have an adverse effect on the Group's operating results and financial condition.

Raw Materials and Component Supply Risk

The Group procures raw materials and components used to manufacture its products from numerous external vendors. Although basic business contracts have been executed with these external vendors, and transactions are generally stable, there is no guarantee against shortages or increased prices for raw materials and components due to fluctuations in market conditions, unforeseen accidents at vendors or other such events. In such cases, the Group could incur higher manufacturing costs or be forced to halt production, which may in turn have an adverse effect on the Group's operating results and financial condition.

New Product Development Risk

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

- There is no guarantee of acquiring sufficient funds and resources for investment in new products and new technologies.
- There is no guarantee that long-term investment and allocation of large amounts of resources will lead to the development of successful new products and the creation of new technologies.
- It is not certain that the Group will be able to correctly predict which new products and new technologies will earn the support of the Group's customers, and there is no guarantee that the sales of these products will be successful.

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

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

Pricing Risk

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

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

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

Potential Risks of International Activities and Overseas Expansion

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

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

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

Intellectual Property Risk

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

OEM Customer Risk

The OEM business, which constitutes the majority of the Group's business, serves automobile manufacturers around the world and supplies a wide range of products, including air conditioning, engine, driving control and safety, and information and communication products. Sales to OEM customers may be affected by factors that the Group cannot control such as the operating results of the OEM customer. In addition, demands for reduced prices from the OEM customer may reduce the Group's profit margins. Further, there is a possibility that OEM customer's business downturns, unforeseen contract cancellations, changes in OEM customer 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 Group account for roughly half of the Group's sales. Such sales made to a specific client group can be significantly impacted by the operating results of the customer.

Product Defect Risk

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

Risks of Natural Disasters and Power Outages

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

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

Pension Liability Risk

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

Legal Proceedings

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

Results of operations

1.Overview

We have adopted International Financial Reporting Standards ("IFRS") for the consolidated financial statements of annual report from the fiscal year ending March 31, 2015. In addition, the following items are reported based on the consolidated financial statements based on IFRS.

(1) Results of operations

1) Revenue and profit

Revenue for the consolidated fiscal year ended March 31, 2015, increased ¥214.8 billion, or 5.2%, year over year to ¥4,309.8 billion, supported by the increase in vehicle production volume. Operating profit decreased ¥40.1 billion, or 10.8%, to ¥331.4 billion, and profit before income taxes decreased ¥28.8 billion, or 7.2%, to ¥371.9 billion, primarily due to increases in research and development expenses and investments for capacity reinforcement for future growth despite favorable factors such as the rationalization effects of cost reduction and productivity improvement, as well as the production volume increase owing to increased sales. Profit for the year attributable to owners of the parent company decreased ¥18.8 billion, or 6.8%, to ¥258.4 billion.

Revenue and profit by segment

By geographical segment, revenue in Japan decreased ¥52.1 billion, or 1.9% year over year to ¥2,664.5 billion, reflecting the shift of consumers' preference to small vehicles and the decline in overseas sales. Operating profit decreased ¥80.4 billion, or 29.0% year over year to ¥196.9 billion due to a production volume decrease owing to decreased sales and an increase in fixed costs such as labor cost.

Revenue in North America increased ¥149.9 billion, or 18.4% year over year to ¥966.5 billion, supported by the increase in production of vehicles due to the favorable economy. Operating profit increased ¥24.1 billion, or 156.9% year over year to ¥39.5 billion mainly due to a production volume increase owing to increased sales.

Revenue in Europe increased ¥55.9 billion, or 11.2% year over year to ¥554.8 billion, mainly due to the market recovery. Operating profit increased ¥4.8 billion, or 39.6% year over year to ¥16.8 billion mainly due to a production volume increase owing to increased sales.

Revenue in Asia increased ¥106.6 billion, or 11.3% year over year to ¥1,049.7 billion, mainly due to the increase in production of vehicles in China. Operating profit increased ¥9.4 billion, or 13.1% year over year to ¥80.9 billion mainly due to production volume increase owing to increased sales and a foreign exchange gain due to yen depreciation although the start-up cost of plants and technical centers for future growth and labor cost increased.

Revenue in other region decreased ¥0.5 billion, or 0.7% year over year to ¥73.8 billion. Operating profit increased ¥0.3 billion year over year to ¥0.3 billion.

2) Financial position

Total assets as of March 31, 2015, stood at ¥5,283.3 billion, 13.8%, or ¥641.2 billion, more than the previous fiscal year-end.

Current assets increased 2.7%, or ¥60.9 billion, to ¥2,332.2 billion, primarily reflecting increases in cash and cash equivalents. Non-current assets increased 24.5%, or ¥580.3 billion, to ¥2,951.0 billion, primarily reflecting increases in other financial assets. Property, plant and equipment increased 13.5%, or ¥165.8 billion, to ¥1,395.7 billion, mainly due to aggressive capital investment.

The total of current and non-current liabilities increased 5.8%, or ¥99.5 billion, to ¥1,809.0 billion, due to an increase of deferred tax liabilities. Equity increased 18.5%, or ¥541.7 billion, to ¥3,474.2 billion, primarily reflecting increases in retained earnings.

3) Cash flow

In terms of cash flows for the fiscal year ended March 31, 2015, net cash provided by operating activities was ¥383.2 billion, net cash used in investing activities was ¥111.5 billion, and net cash used in financing activities was ¥135.7 billion. As a result, cash and cash equivalents increased ¥150.7 billion to ¥792.4 billion.

Net cash provided by operating activities for the fiscal year ended March 31, 2015, totaled ¥383.2 billion, ¥88.0 billion less than in the previous year. Cash flows mainly reflected an operating profit of ¥331.4 billion, a decrease of ¥40.1 billion from last year.

Investing activities used of ¥111.5 billion, ¥264.5 billion less than in the previous fiscal year. This mainly reflected the decreased expenses related to purchases of investments in debt instruments in the amount of ¥455.3 billion and the decrease in proceeds from sales and redemption of investments in debt instruments in the amount of ¥253.0 billion compared to the previous year.

Net cash used in financing activities was ¥135.7 billion, a decrease of ¥40.3 billion from the previous fiscal year. This decrease mainly reflected redemption of bonds, a decrease of ¥60.0 billion compared to the previous year.

(3) Parallel disclosure information

The major items in the summarized consolidated financial statements prepared in accordance with the Ordinance on Consolidated Financial Statements (excluding Chapters 7 and 8; hereinafter the “Japanese GAAP” or "JGAAP") and the differences between the consolidated financial statements prepared in accordance with IFRS and Japanese GAAP are as follows.

For the year ended March 31, 2015, the summarized consolidated financial statements have not been audited pursuant to the provisions of the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act.

Summarized consolidated balance sheet (JGAAP)

(Unit: Millions of yen)

	2014	2015
Assets		
Current assets	2,341,647	2,396,924
Non-current assets		
Property, plant and equipment	1,043,676	1,200,616
Intangible assets	23,941	23,381
Investments and other assets	1,033,243	1,411,821
Total non-current assets	2,100,860	2,635,818
Total assets	4,442,507	5,032,742
Liabilities		
Current liabilities	1,031,016	964,184
Non-current liabilities	588,145	727,119
Total liabilities	1,619,161	1,691,303
Equity		
Shareholders' equity	2,421,072	2,632,209
Total of other comprehensive income statements	270,419	563,857
Stock acquisition rights	488	148
Minority interests	131,367	145,225
Total shareholders' equity	2,823,346	3,341,439
Total liabilities and equity	4,442,507	5,032,742

Summarized consolidated statements of operations (JGAAP)

(Unit: Millions of yen)

	2014	2015
Sales	4,095,925	4,308,754
Cost of sales	3,341,834	3,551,832
Gross profit	754,091	756,922
Selling, general and administrative expenses	376,395	401,811
Operating income	377,696	355,111
Non-operating income	59,260	59,888
Non-operating expenses	17,385	17,568
Ordinary income	419,571	397,431
Extraordinary income	16	56,691
Extraordinary expenses	950	26,884
Net income before income taxes and minority interests	418,637	427,238
Income taxes	113,033	115,872
Income before minority interests	305,604	311,366
Minority interests in income	18,216	18,267
Net income	287,388	293,099

Summarized consolidated comprehensive income statements (JGAAP)

(Unit: Millions of yen)

	2014	2015
Income before minority interests	305,604	311,366
Other comprehensive income		
Unrealized gain on available-for-sale securities	81,411	215,856
Deferred (loss) gain on derivatives under hedge accounting	(130)	127
Foreign currency translation adjustments	60,648	92,984
Defined employees' retirement benefit plans	12,939	(7,675)
Share of other comprehensive income in affiliates	4,383	2,953
Total other comprehensive income	159,251	304,245
Comprehensive income	464,855	615,611
Total comprehensive income attributable to:		
Owners of the parent	443,800	586,537
Minority interests	21,055	29,074

Summarized consolidated statements of changes in equity (JGAAP)

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
As of March 31, 2013	187,457	267,332	1,933,814	(224,505)	2,164,098
Effect of accounting change	—	—	29,903	—	29,903
Balance, April 1, 2013 (as restated)	187,457	267,332	1,963,717	(224,505)	2,194,001
Change in the year					
Cash dividends	—	—	(66,867)	—	(66,867)
Net income	—	—	287,388	—	287,388
Purchases of treasury stock	—	—	—	(52)	(52)
Disposal of treasury stock	—	2,165	—	4,437	6,602
Other increase (decrease)	—	—	—	—	—
Total - change in the year	—	2,165	220,521	4,385	227,071
As of March 31, 2014	187,457	269,497	2,184,238	(220,120)	2,421,072

As of April 1, 2014	187,457	269,497	2,184,238	(220,120)	2,421,072
Change in the year					
Cash dividends	—	—	(83,725)	—	(83,725)
Net income	—	—	293,099	—	293,099
Purchases of treasury stock	—	—	—	(31)	(31)
Disposal of treasury stock	—	585	—	1,209	1,794
Other increase (decrease)	—	—	—	—	—
Total - change in the year	—	585	209,374	1,178	211,137
As of March 31, 2015	187,457	270,082	2,393,612	(218,942)	2,632,209

(Unit: Millions of yen)

	Accumulated other comprehensive income					Stock acqui-sition rights	Minority interests	Total equity
	Unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined employees' retirement benefit plans	Total of other compre-hensive income			
As of April 1, 2013	226,354	17	(90,405)	–	135,966	2,293	124,504	2,426,861
Effect of accounting change	–	–	–	(21,959)	(21,959)	–	(452)	7,492
Balance, April 1, 2013 (as restated)	226,354	17	(90,405)	(21,959)	114,007	2,293	124,052	2,434,353
Change in the year								
Cash dividends	–	–	–	–	–	–	–	(66,867)
Net income	–	–	–	–	–	–	–	287,388
Purchases of treasury stock	–	–	–	–	–	–	–	(52)
Disposal of treasury stock	–	–	–	–	–	–	–	6,602
Other increase (decrease)	81,333	(130)	63,025	12,184	156,412	(1,805)	7,315	161,922
Total - change in the year	81,333	(130)	63,025	12,184	156,412	(1,805)	7,315	388,993
As of March 31, 2014	307,687	(113)	(27,380)	(9,775)	270,419	488	131,367	2,823,346
As of April 1, 2014	307,687	(113)	(27,380)	(9,775)	270,419	488	131,367	2,823,346
Change in the year								
Cash dividends	–	–	–	–	–	–	–	(83,725)
Net income	–	–	–	–	–	–	–	293,099
Purchases of treasury stock	–	–	–	–	–	–	–	(31)
Disposal of treasury stock	–	–	–	–	–	–	–	1,794
Other increase (decrease)	215,706	127	85,300	(7,695)	293,438	(340)	13,858	306,956
Total - change in the year	215,706	127	85,300	(7,695)	293,438	(340)	13,858	518,093
As of March 31, 2015	523,393	14	57,920	(17,470)	563,857	148	145,225	3,341,439

Summarized consolidated statements of cash flows (JGAAP)

(Unit: Millions of yen)

	2014	2015
Operating activities	462,799	374,181
Investing activities	(390,318)	(112,618)
Financing activities	(154,976)	(125,606)
Foreign currency translation adjustments on cash and cash equivalents	16,859	13,911
Net (decrease) increase in cash and cash equivalents	(65,636)	149,868
Cash and cash equivalents at beginning of year	707,330	641,694
Cash and cash equivalents of newly consolidated subsidiary at beginning of year	–	852
Cash and cash equivalents at end of year	641,694	792,414

Changes on the important base items for the consolidated financial statements (JGAAP)

2014	2015
–	–

Differences between IFRS and Japanese GAAP

The outline of differences between IFRS and Japanese GAAP is as follows.

- Items presenting non-operating income, non-operating expenses, extraordinary income, and extraordinary loss under Japanese GAAP are presented as financial income, financial costs or foreign exchange gains for financial-related items, and as other operating income and other operating expenses for items other than financial-related items under IFRS.
- With regard to the depreciation method of property, plant and equipment, the Group mainly adopted the declining-balance method under Japanese GAAP. Under IFRS, it adopts the straight-line method. As the result, the balance of property, plant and equipment was increased by ¥193,347 million at the end of year March 31, 2014 and by ¥202,434 million at the end of year March 31, 2015.
- Under Japanese GAAP, the Group recorded actuarial gains or losses arising from the calculation of retirement benefit liabilities over certain years determined based on the employees' average remaining service period as equity through other comprehensive income and transfer to retained earnings and service costs are recognized as other operating income or other operating expenses at the time of occurrence and amortize using the straight-line method. Under IFRS, the Group recognizes all of the actuarial gains or losses in other comprehensive income at the time of occurrence. Further, net interest from defined benefit plan is recorded as finance expenses while it was recorded as cost at sales and selling, general and administrative expenses in Japanese GAAP. The effect of this was to increase cost of revenue, selling, general and administrative expenses, financial cost and other comprehensive income for the year ended March 31, 2014 by ¥6,184 million, ¥2,855 million, ¥2,619 million and ¥25,443 million, respectively. For the year ended March 31, 2015, cost of revenue, selling, general and administrative expenses, financial cost and other comprehensive income were increased by ¥5,098 million, ¥504 million, ¥1,631 million and ¥41,672 million, respectively.
- Under IFRS, the Group recognizes provisions for unused paid-absence and long-term employee benefits, although the Group did not recognize any related provisions under Japanese GAAP. Due to these provisions, cost of revenue and selling, general and administrative expenses for the year ended March 31, 2014 were increased by ¥6,184 million and ¥2,855 million, respectively. For the year ended March 31, 2015, cost of revenue and selling, general and administrative expenses were increased by ¥5,098 million and ¥504 million, respectively.

Preparation of the consolidated financial statements

1. Preparation of consolidated financial statements

   The Company prepared consolidated financial statements in accordance with International Financial Reporting Standards (hereinafter referred to as “IFRS”) pursuant to the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28, 1976, hereinafter referred to as Ordinance on Consolidated Financial Statements) Article 93.

2. Auditor's report

   Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, the consolidated financial statements have been audited by our independent auditor, Deloitte Touche Tohmatsu LLC.

3. Particular efforts to secure the appropriateness of the consolidated financial statements and the improvement of the system for appropriately preparing the consolidated financial statements in accordance with IFRS

   The Company is engaged in particular efforts to secure the appropriateness of the consolidated financial statements and the improvement of the system for appropriately preparing the consolidated financial statements in accordance with IFRS. Specifically, to ensure the system which supports understanding and implementation of the accounting standards, the Company maintains membership in the Financial Accounting Standards Foundation. Furthermore, to prepare the appropriate consolidated financial statements in accordance with IFRS, the Company obtains publications issued by the International Accounting Standards Board in a timely manner and updates IFRS-based group accounting policies and guidelines to conduct accounting procedures based thereon.

Consolidated Statement of Financial Position

March 31, 2015

(Unit: Millions of yen)

	Note	Date of transition to IFRSs	2014	2015
Assets				
Current assets				
Cash and cash equivalents	6	707,330	641,694	792,414
Trade and other receivables	7	705,594	756,661	807,669
Inventories	8	362,680	415,692	479,527
Other financial assets	9	394,523	398,047	183,580
Other current assets		46,253	59,241	69,019
Total current assets		2,216,380	2,271,335	2,332,209
Non-current assets				
Property, plant and equipment	10	1,082,531	1,229,921	1,395,706
Intangible assets	11	14,538	18,302	19,637
Other financial assets	9	672,307	873,581	1,302,739
Investments accounted for using the equity method		52,010	63,608	71,819
Retirement benefit assets	16	68,257	124,954	92,676
Deferred tax assets	12	35,278	37,794	44,457
Other non-current assets	12	21,444	22,558	24,014
Total non-current assets		1,946,365	2,370,718	2,951,048
Total assets		4,162,745	4,642,053	5,283,257

(Unit: Millions of yen)

	Note	Date of transition to IFRSs	2014	2015
Liabilities and equity				
Current liabilities				
Bonds and borrowings	13	156,272	128,774	98,959
Trade and other payables	14	706,372	774,479	804,816
Other financial liabilities		10,019	9,527	11,695
Income tax payables		55,128	73,855	14,182
Provisions	15	62,829	60,729	51,737
Other current liabilities		42,991	46,341	47,299
Total current liabilities		1,033,611	1,093,705	1,028,688
Non-current liabilities				
Bonds and borrowings	13	359,775	323,512	348,241
Other financial liabilities		5,637	8,614	12,204
Retirement benefit liabilities	16	199,828	198,432	219,173
Provisions	15	1,552	1,076	1,066
Deferred tax liabilities	12	19,139	68,533	181,304
Other non-current liabilities		15,428	15,680	18,370
Total non-current liabilities		601,359	615,847	780,358
Total liabilities		1,634,970	1,709,552	1,809,046
Equity				
Capital stock	17	187,457	187,457	187,457
Capital surplus	17	267,332	263,607	268,611
Treasury stock	17	(224,505)	(220,120)	(218,942)
Other components of equity	17	237,518	386,783	699,938
Retained earnings	17	1,934,427	2,182,188	2,390,874
Equity attributable to owners of the parent company		2,402,229	2,799,915	3,327,938
Non-controlling interests		125,546	132,586	146,273
Total equity		2,527,775	2,932,501	3,474,211
Total liabilities and equity		4,162,745	4,642,053	5,283,257

Consolidated Statement of Income

Year ended March 31, 2015

(Unit: Millions of yen)

	Note	2014	2015
Revenue	5	4,094,960	4,309,787
Cost of revenue	8,10,11	(3,354,304)	(3,552,192)
Gross profit		740,656	757,595
Selling, general and administrative expenses	10,11,20	(376,374)	(399,464)
Other income	19	19,437	12,797
Other expenses	20	(12,279)	(39,552)
Operating profit	5	371,440	331,376
Finance income	21	21,033	27,446
Finance costs	21	(10,545)	(9,376)
Foreign exchange gains		12,043	16,513
Share of the profit of associates accounted for using the equity method		6,719	5,956
Profit before income taxes		400,690	371,915
Income tax expenses	12	(105,634)	(95,206)
Profit for the year		295,056	276,709
Attributable to:			
Owners of the parent company		277,196	258,382
Non-controlling interests		17,860	18,327

(Unit: Yen)

Earnings per share			
Basic	22	348.05	324.01
Diluted	22	347.81	323.93

Consolidated Statement of Comprehensive Income

Year ended March 31, 2015

(Unit: Millions of yen)

	Note	2014	2015
Profit for the year		295,056	276,709
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Net fair value gain on equity instruments designated as FVTOCI	23,25	89,220	227,663
Remeasurements of defined benefit pension plans	16,23	38,382	33,997
Total		127,602	261,660
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	23	63,475	96,710
Cash flow hedges	23	248	(91)
Total		63,723	96,619
Total other comprehensive income		191,325	358,279
Comprehensive income for the year		486,381	634,988
Attributable to:			
Owners of the parent company		465,698	605,906
Non-controlling interests		20,683	29,082

Consolidated Statement of Changes in Equity

Year ended March 31, 2015

(Unit: Millions of yen)

	Note	Equity attributable to owners of the parent company					
					Other components of equity		
		Capital stock	Capital surplus	Treasury stock	Stock acquisition rights	Net fair value gain on equity instruments designated as FVTOCI	Remeasurements of defined benefit pension plans
As of April 1, 2013		187,457	267,332	(224,505)	2,293	235,620	—
Profit for the year		—	—	—	—	—	—
Other comprehensive income		—	—	—	—	89,135	37,543
Comprehensive income for the year		—	—	—	—	89,135	37,543
Acquisition of treasury stock	17	—	—	(52)	—	—	—
Disposal of treasury stock (includes exercising stock options)	17	—	2,165	4,437	(951)	—	—
Dividends	18	—	—	—	—	—	—
Changes in the ownership interest in subsidiaries without loss of control		—	(5,890)	—	—	—	—
Transfer to retained earnings		—	—	—	—	111	(37,543)
Other increase (decrease)		—	—	—	(854)	—	—
Total transactions with the owners		—	(3,725)	4,385	(1,805)	111	(37,543)
As of March 31, 2014		187,457	263,607	(220,120)	488	324,866	—

As of April 1, 2014		187,457	263,607	(220,120)	488	324,866	—
Profit for the year		—	—	—	—	—	—
Other comprehensive income		—	—	—	—	227,458	34,029
Comprehensive income for the year		—	—	—	—	227,458	34,029
Acquisition of treasury stock	17	—	—	(31)	—	—	—
Disposal of treasury stock (includes exercising stock options)	17	—	585	1,209	(290)	—	—
Dividends	18	—	—	—	—	—	—
Changes in the ownership interest in subsidiaries without loss of control		—	4,419	—	—	—	—
Transfer to retained earnings		—	—	—	—	—	(34,029)
Other decrease		—	—	—	(50)	—	—
Total transactions with the owners		—	5,004	1,178	(340)	—	(34,029)
As of March 31, 2015		187,457	268,611	(218,942)	148	552,324	—

(Unit: Millions of yen)

	Note	Equity attributable to owners of the parent company					Non-controlling interests	Total equity
		Other components of equity			Retained earnings	Total		
		Exchange differences on translating foreign operations	Cash flow hedges	Total				
As of April 1, 2013		—	(395)	237,518	1,934,427	2,402,229	125,546	2,527,775
Profit for the year		—	—	—	277,196	277,196	17,860	295,056
Other comprehensive income		61,576	248	188,502	—	188,502	2,823	191,325
Comprehensive income (loss) for the year		61,576	248	188,502	277,196	465,698	20,683	486,381
Acquisition of treasury stock	17	—	—	—	—	(52)	—	(52)
Disposal of treasury stock (includes exercising stock options)	17	—	—	(951)	—	5,651	—	5,651
Dividends	18	—	—	—	(66,867)	(66,867)	(8,708)	(75,575)
Changes in the ownership interest in a subsidiary without a loss of control		—	—	—	—	(5,890)	(5,087)	(10,977)
Transfer to retained earnings		—	—	(37,432)	37,432	—	—	—
Other increase (decrease)		—	—	(854)	—	(854)	152	(702)
Total transactions with the owners		—	—	(39,237)	(29,435)	(68,012)	(13,643)	(81,655)
As of March 31, 2014		61,576	(147)	386,783	2,182,188	2,799,915	132,586	2,932,501
As of April 1, 2014		61,576	(147)	386,783	2,182,188	2,799,915	132,586	2,932,501
Profit for the year		—	—	—	258,382	258,382	18,327	276,709
Other comprehensive income		86,128	(91)	347,524	—	347,524	10,755	358,279
Comprehensive income (loss) for the year		86,128	(91)	347,524	258,382	605,906	29,082	634,988
Acquisition of treasury stock	17	—	—	—	—	(31)	—	(31)
Disposal of treasury stock (includes exercising stock options)	17	—	—	(290)	—	1,504	—	1,504
Dividends	18	—	—	—	(83,725)	(83,725)	(7,814)	(91,539)
Changes in the ownership interest in a subsidiary without a loss of control		—	—	—	—	4,419	(7,562)	(3,143)
Transfer to retained earnings		—	—	(34,029)	34,029	—	—	—
Other increase (decrease)		—	—	(50)	—	(50)	(19)	(69)
Total transactions with the owners		—	—	(34,369)	(49,696)	(77,883)	(15,395)	(93,278)
As of March 31, 2015		147,704	(238)	699,938	2,390,874	3,327,938	146,273	3,474,211

Consolidated Statement of Cash Flows

Year ended March 31, 2015

(Unit: Millions of yen)

	Note	2014	2015
Cash flows from operating activities			
Profit before income taxes		400,690	371,915
Depreciation		203,073	220,112
Impairment losses		894	1,712
Increase (Decrease) in retirement benefit liabilities		2,536	(637)
Decrease in retirement benefit assets		(4,481)	(5,713)
Interest and dividend income		(20,698)	(26,955)
Interest expenses		7,516	7,626
Foreign exchange losses		8,419	1,700
Share of the profit of associates accounted for using the equity method		(6,719)	(5,956)
Losses on sales or disposal of property, plant and equipment		3,591	2,862
Increase in trade receivables		(11,485)	(3,956)
Increase in inventories		(31,028)	(43,120)
Increase (Decrease) in trade payables		4,739	(7,698)
Other		7,533	1,391
Subtotal		564,580	513,283
Interest received		8,429	7,991
Dividends received		15,902	21,422
Interest paid		(7,913)	(7,596)
Income taxes paid		(109,831)	(151,944)
Net cash provided by operating activities		471,167	383,156
Cash flows from investing activities			
Decrease in time deposits		16,643	56,510
Purchases of property, plant and equipment		(314,922)	(356,085)
Proceeds from sales of property, plant and equipment		7,469	6,892
Purchases of intangible assets		(6,934)	(8,531)
Purchases of investments in equity instruments		(71,766)	(2,269)
Purchases of investments in debt instruments		(795,389)	(340,096)
Proceeds from sales and redemption of investments in equity instruments		117	—
Proceeds from sales and redemption of investments in debt instruments		781,494	528,520
Other		7,286	3,555
Net cash used in investing activities		(376,002)	(111,504)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		9,276	(5,642)
Proceeds from borrowings		29,460	62,340
Repayments of long-term borrowings		(54,274)	(66,389)
Repayments of finance lease obligations		(8,948)	(9,182)
Issuance of bonds		30,000	20,000
Redemption of bonds		(100,000)	(40,000)
Dividends paid	18	(66,867)	(83,725)
Dividends paid to non-controlling interests		(8,708)	(8,522)
Purchases of subsidiary's treasury stock		—	(4,583)
Other		(5,909)	17
Net cash used in financing activities		(175,970)	(135,686)
Foreign currency translation adjustments on cash and cash equivalents		15,169	13,902
Net (decrease) increase in cash and cash equivalents		(65,636)	149,868
Cash and cash equivalents at beginning of year		707,330	641,694
Cash and cash equivalents of a newly consolidated subsidiary		—	852
Cash and cash equivalents at end of year	6	641,694	792,414

Notes to Consolidated Financial Statements

Year ended March 31, 2015

1. Reporting entity

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

2. Basis of preparation

(1) Compliance with IFRS and first-time adoption

The Group meets all of the requirements for a “Specified Company” 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 first adopted IFRS for the year ended March 31, 2015, and the date of transition to IFRSs was April 1, 2013. Hereafter, "Date of transition to IFRS". The reconciliations, which are required to be disclosed under IFRS, are stated in Note 32 "Disclosure on transition to IFRS.” The accounting policies of the Group comply with IFRS effective as of March 31, 2015, except for the IFRS provisions that were not early-adopted and the exemption clause in Note 32. The Group previously prepared its consolidated financial statements in compliance with generally accepted accounting principles in Japan, (hereinafter referred to as the “JGAAP”), and the adjustments and reclassifications from recognitions, measurements and presentations, which are compliant with JGAAP, are disclosed in Note 32 "Disclosure on transition to IFRS.”

The Group's consolidated financial statements for the year ended March 31, 2015, were approved on June 19, 2015 by Koji Arima, President of the Company.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Significant accounting judgements and estimates

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

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

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

・Scope of consolidation : Note 3 "Significant accounting policies" (1) Basis of consolidation
・Revenue: Note 3 "Significant accounting policies" (16) Revenue
・Impairment loss on non-financial assets: Note 10 "Property, plant and equipment" and Note 11 "Intangible assets"
・Recoverability of deferred tax assets: Note 12 "Income taxes"
・Reserve for warranty: Note 15 "Provisions"
・Measurement of defined benefit obligation: Note 16 "Post-employment benefits"
・Measurement of fair value of financial instruments: Note 25 "Financial instruments"

(5) Changes in Accounting Policies

The Group adopted the standards and interpretations which were mandatory effective from the year ended March 31, 2015.

3. Significant accounting policies

(1) Basis of consolidation

1) Subsidiaries

A subsidiary is an entity that is controlled by the Company and whose financial statements are included in the consolidated financial statements of the Group from the date of acquisition of the control to the date of loss of the control by the Group. In cases where the accounting policies applied by subsidiaries are different from those applied by the Group, adjustments are made to the subsidiary's financial statements, if necessary. All intragroup 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 and unification is impracticable as required by the local legal systems located in its jurisdictions. The difference between the fiscal year-end date of the subsidiaries and that of the parent company does not exceed three months.

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) Affiliates and joint ventures

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

A joint venture is an entity based on contractual agreements in which two or more parties have been bounded to conduct significant economic activities through joint control thereby. Investments in joint ventures are accounted for using the equity method.

The accounting policies for affiliates 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 affiliates and joint ventures with different fiscal year-ends from that of the Company since, primarily due to relationship with other shareholders, it is impracticable to unify the fiscal year-end. Necessary adjustments are made for the effects of significant transactions or events occurring between the fiscal year-end of the affiliates and joint ventures and that of the Company.

Under the equity method, the investments in an affiliate or a joint venture is 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 affiliate or the joint venture after the date of acquisition. The Group's share of the net income of the affiliates 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 affiliates or the joint ventures is recognized in the Group's other comprehensive income. When the Group's share of losses of an affiliate or a joint venture equals or exceeds its investments in the affiliate or the joint venture, which include any long-term investments that, in substance, form part of the Group's net investment in the affiliate 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 affiliate or the joint venture. All significant intercompany profits have been eliminated in proportion to interests in the affiliate and the joint venture.

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

3) Joint operations

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

(2) Business combination and goodwill

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

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

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

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

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

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

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

(3) Foreign currency translation

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

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

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

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

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

(4) Financial instruments

The Group has early-applied IFRS 9 "Financial Instruments" (revised in October 2010) for the accounting treatment of 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 occurred in the normal course of business are recognized or derecognized at the transaction date.

a) Financial assets measured at the amortized cost

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

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

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

b) Financial assets measured at fair value

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

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

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

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

ii) Subsequent measurement

After initial recognition, financial assets are measured based on the classification as follows.

a) Financial assets measured at amortized cost

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 equity components," and is not recognized in profit or loss. The amount is transferred to retained earnings when the equity instruments are derecognized. Dividends for equity instruments are recognized in profit or loss 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 the equity instruments measured at fair value through profit or loss are recognized as "Finance income" or "Finance expenses" in the consolidated statement of income (Note 25 "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

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial assets measured at amortized cost are impaired. Objective evidence of impairment includes; a default or delinquency of the borrower, granting the borrower a concession that the companies would not otherwise consider, indications for bankruptcy of the issuer or obligor and the disappearance of active markets.

If there is any objective evidence that impairment losses on financial assets measured at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

When impairment is recognized, the carrying amount of the financial asset measured at amortized cost is reduced by an allowance for doubtful accounts and impairment losses are recognized as "Other expenses" in the consolidated statement of income. The carrying amount of financial assets is directly reduced for the impairment when they are expected to become uncollectible in the future and all collaterals are implemented or transferred to the companies in the Group. If, in a subsequent period, the amount of the impairment loss provided changes due to an event occurring after the impairment was recognized, the previously recognized impairment losses are adjusted through the allowance for doubtful accounts.

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 classification as follows;

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

At the inception of the hedge, the Group 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 and determined to 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 hedge as its hedging 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 intend 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 each end of the 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 each end of the reporting period, and the effect of any changes in estimate would be accounted prospectively.

Separately acquired intangible assets with indefinite useful live are not amortized, but tested for impairment, which 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 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 the internally generated intangible assets is the total expenditure incurred from the date when all above conditions are satisfied to the date when the developments are finished. The development costs are recognized as an expense as incurred if the internally generated intangible assets are not recognized.

After initial recognition, the 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, the 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

5) Derecognition of intangible assets

Intangible assets are 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 intangible assets is included in profit or loss when the item is derecognized.

(10) Leases

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

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

1) As lessee

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

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

2) As lessor

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

(11) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready 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 during 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 that the recoverable amount cannot be estimated for each asset, it is estimated by the cash-generating unit to which the asset belongs. The grouping of assets in applying impairment accounting of the Group is determined by business group, which is the unit used in management accounting to understand profits and losses on an ongoing basis. In addition, assets are grouped into rented property group and idle property group, with each property as a minimum unit. Meanwhile, the headquarters and welfare facilities are categorized as corporate assets because they do not generate cash flows independently.

The impairment losses are included in "Other expenses" in the consolidated statement of income. Assessment for impairment is performed with respect to each asset, cash-generating unit or group of cash-generating units. The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less costs to sell 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 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. In determining the fair value less costs to sell, the Group uses an appropriate valuation model supported by available fair value indicators.

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

(13) Non-current assets held for sale

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

(14) Provisions

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

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

The main provisions are recorded as follows.

Reserve for warranty

The reserve for warranty is recognized in an estimated amount of warranty expenses and timing of economic benefit outflows based on past experiences for after-sales service expenses incurred.

(15) Employee benefit

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 benefit that employees have earned in exchange for their service for 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.

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 services due to the revision of the pension plan is recognized in profit or loss. The Group recognizes the increase/decrease in obligations due to the remeasurement 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 benefit 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 Company'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

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods transfer to the buyers, the Group retains neither continuing managerial involvement nor effective control over the goods sold, it is probable that the future economic benefits will flow to the Group, and the amount of revenue and the corresponding costs can be measured reliably.

Sales-related tax, rebates and similar items are excluded from revenue as the amounts of economic benefit inflows.

In the sales of products and merchandise, if the Group has sold them as the principal obligor of a contract by assuming the general risk of inventory before receiving purchase orders from customers, the relevant revenue is recognized in a gross amount in the consolidated statement of income.

(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 case that the government grants are compensation for expenses, they are recognized in profit or loss in the period 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.

The deferred tax assets or liabilities are not recognized for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities in transactions that are not business combinations and at the time of transaction, affect neither accounting profit nor taxable profit or tax loss;
- deductible temporary differences arising from investments in subsidiaries and affiliates, and interests in joint venture to the extent that it is not probable that the reversal of the temporary difference in the foreseeable future will occurs and 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 affiliates, 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.

(19) Equity

Common stock

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

Treasury stock

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

(20) Fair value measurements

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

1) Level 1

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

2) Level 2

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

3) Level 3

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

(21) Stock-based compensation

Stock-based compensation cost is measured at the grant date, based on the estimated fair value of stock-based awards made to directors, managing officers and key employees, and recognized on a straight-line basis over the vesting period with a corresponding increase in equity. The fair values of stock options are estimated using the Black-Scholes option pricing model.

(22) Levies

The Group recognizes the estimated payable amount as a liability when its obligation is determined to pay a levy.

(23) 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.

(24) Dividends

Dividends to the shareholders of the Company are recognized as liabilities in the period in which, for year-end dividends, the annual shareholders' meeting approves the distribution and, for interim dividends, the board of directors' meeting approves the distribution.

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, 2015, are as follows. The Group is currently assessing the possible impacts that these applications will have on the consolidated financial statements.

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 15	Revenue from Contracts with Customers	January 1, 2017	Fiscal year ending March 31, 2018	Accounting and disclosure requirements for revenue recognition
IFRS 9	Financial Instruments	January 1, 2018	Fiscal year ending March 31, 2019	Classification and measurement of debt instruments, Implementation of model of expected credit loss

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

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

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

Reportable segment profit is measured on the basis of operating profit in the consolidated statement of income. Finance income, finance costs, foreign exchange gains/losses, share of profit of associates accounted for using the equity method and income tax expense 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, 2014 (Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated
	Japan	North America	Europe	Asia	Total			
Revenue								
Customers	1,895,482	799,423	470,515	855,448	4,020,868	74,092	—	4,094,960
Intersegment	821,182	17,179	28,386	87,674	954,421	255	(954,676)	—
Total	2,716,664	816,602	498,901	943,122	4,975,289	74,347	(954,676)	4,094,960
Segment profit	277,273	15,374	12,047	71,539	376,233	5	(4,798)	371,440
Finance income								21,033
Finance costs								(10,545)
Foreign exchange gains								12,043
Share of the profit of associates accounted for using the equity method								6,719
Profit before income taxes								400,690

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

Other material items

	Reportable segment					Others (Note)	Eliminations	Consolidated
	Japan	North America	Europe	Asia	Total			
Depreciation and amortization	140,327	18,833	15,560	30,445	205,165	3,118	—	208,283
Impairment losses	—	—	232	662	894	—	—	894
Reversal of impairment losses	—	—	—	—	—	—	—	—
Investments accounted for using the equity method	45,195	4,690	1,387	12,747	64,019	—	(411)	63,608
Increase in non-current assets	159,335	43,313	28,599	89,755	321,002	8,353	—	329,355

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

For the year ended March 31, 2015 (Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated
	Japan	North America	Europe	Asia	Total			
Revenue								
Customers	1,838,448	942,251	524,754	930,792	4,236,245	73,542	―	4,309,787
Intersegment	826,077	24,206	29,999	118,933	999,215	261	(999,476)	―
Total	2,664,525	966,457	554,753	1,049,725	5,235,460	73,803	(999,476)	4,309,787
Segment profit	196,872	39,491	16,823	80,916	334,102	269	(2,995)	331,376
Finance costs								27,446
Finance expense								(9,376)
Foreign exchange gains								16,513
Share of the profit of associates accounted for using the equity method								5,956
Profit before income taxes								371,915

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

Other material items

	Reportable segment					Others (Note)	Eliminations	Consolidated
	Japan	North America	Europe	Asia	Total			
Depreciation and amortization	137,116	23,458	17,528	43,291	221,393	3,591	―	224,984
Impairment losses	―	―	―	1,712	1,712	―	―	1,712
Reversal of impairment losses	―	―	―	―	―	―	―	―
Investments accounted for using the equity method	49,348	6,509	1,266	15,070	72,193	―	(374)	71,819
Increase in non-current assets	190,337	48,497	30,199	84,480	353,513	4,483	―	357,996

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

(3) Assets for each reportable segment

(Unit: Millions of yen)

	Date of transition to IFRSs	2014	2015
Japan	2,178,601	2,499,703	2,999,440
North America	276,456	340,793	457,064
Europe	312,598	351,290	376,082
Asia	645,941	770,460	896,015
Others (Note 1)	59,583	67,887	60,202
Corporate assets (Note 2)	689,566	611,920	494,454
Consolidated	4,162,745	4,642,053	5,283,257

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

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

(4) Information about products and services

For the years ended March 31, 2014 and 2015

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

(5) Geographic information

1) Revenue (Unit: Millions of yen)

	2014	2015
Japan	1,826,795	1,772,550
The United States	703,834	816,282
Others	1,564,331	1,720,955
Total	4,094,960	4,309,787

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

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

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

	Date of transition to IFRSs	2014	2015
Japan	710,195	723,469	773,622
Others	386,874	524,754	641,722
Total	1,097,069	1,248,223	1,415,344

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

2. Non-current assets, excluding other financial assets, deferred tax assets, retirement benefit assets and insurance contracts, are attributed to geographic areas based on locations of assets.

(6) Information about major customers

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

(Unit: Millions of yen)

2014	2015
2,008,440	2,009,730

6. Cash and cash equivalents

The breakdown of "Cash and cash equivalents" at the date of transition to IFRSs and each fiscal year-end was as follows:

(Unit: Millions of yen)

	Date of transition to IFRSs	2014	2015
Cash and deposits	462,625	421,130	498,405
Short-term investments	244,705	220,564	294,009
Total	707,330	641,694	792,414

7. Trade and other receivables

The breakdown of "Trade and other receivables" at the date of transition to IFRSs and each fiscal year-end was as follows:

(Unit: Millions of yen)

	Date of transition to IFRSs	2014	2015
Notes and accounts receivable	584,631	642,760	688,670
Other	122,306	115,428	121,000
Less: Allowance for doubtful accounts	(1,343)	(1,527)	(2,001)
Total	705,594	756,661	807,669

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

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

(Unit: Millions of yen)

	2014	2015
Balance, beginning of year	1,343	1,527
Increase	599	929
Decrease - used	(14)	(7)
Decrease - reversed	(358)	(618)
Foreign exchange difference	(43)	170
Balance, end of year	1,527	2,001

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

The age of trade and other receivables that are past due but not impaired as of the date to transition to IFRSs and each fiscal year end was as follows.

Receivables disclosed below include amounts considered recoverable through credit insurance and collateral and are therefore not considered to be impaired as of the date to transition to IFRSs and each fiscal year-end .

(Unit: Millions of yen)

	Date of transition to IFRSs	2014	2015
Past due within 90 days	22,795	27,943	20,511
Past due over 90 days through one year	2,604	3,837	3,235
Past due over one year	867	2,310	825
Total	26,266	34,090	24,571

8. Inventories

The breakdown of "Inventories" at the date of transition to IFRSs and each fiscal year-end was as follows:

(Unit: Millions of yen)

	Date of transition to IFRSs	2014	2015
Merchandise and finished products	122,913	149,291	157,885
Work in process	139,633	146,479	187,091
Raw materials and supplies	100,134	119,922	134,551
Total (Note)	362,680	415,692	479,527

(Note) The amounts of write-down of inventories recognized as "Cost of revenue" for the years ended March 31, 2014 and 2015 were ¥6,151 million and ¥8,778 million, respectively.

9. Other financial assets

(1) The breakdown of "Other financial assets" at the date of the transition to IFRSs and each fiscal year-end was as follows:

(Unit: Millions of yen)

	Date of the transition to IFRSs	2014	2015
Bank deposits (Note 1)	202,527	186,488	136,599
Certificate of deposits (Note 1)	158,500	174,500	15,000
Debt securities (Note 1)	87,292	83,829	56,985
Equity securities (Note 2)	585,975	792,570	1,208,650
Derivative assets (Note 3)	18,362	20,901	52,778
Other	14,174	13,340	16,307
Total	1,066,830	1,271,628	1,486,319

Current assets	394,523	398,047	183,580
Non-current assets	672,307	873,581	1,302,739
Total	1,066,830	1,271,628	1,486,319

(Note 1) Bank deposits, certificate of deposits, and debt securities are classified as financial assets measured at amortized cost.

(Note 2) Equity securities are classified as financial assets measured at fair value through other comprehensive income.

(Note 3) Derivative assets, excluding those hedge accounting is applied to, 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 the date of transition to IFRSs and each fiscal year-end were as follows:

(Unit: Millions of yen)

Security name	Date of the transition to IFRSs	2014	2015
Toyota Motor Corporation	287,963	407,131	694,797
TOYOTA INDUSTRIES CORPORATION	101,692	147,054	203,978
Towa Real Estate Co., Ltd.	50,592	57,446	74,060
JTEKT CORPORATION	16,387	28,182	34,465
TOKAI RIKA CO., LTD.	14,829	15,416	24,796
KOITO MANUFACTURING CO., LTD.	10,996	11,728	24,268
Honda Motor Co., Ltd.	15,639	15,986	17,169
TOYOTA BOSHOKU CORPORATION	13,454	10,630	15,329
SUZUKI MOTOR CORPORATION	8,258	10,539	14,132
KDDI CORPORATION	6,651	10,270	14,026

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 the financial assets measured at fair value through other comprehensive income that the Group held through the years ended March 31, 2014 and 2015 were ¥12,628 million and ¥ 18,934 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 and cumulative gains and losses that have been previously recognized in equity through other comprehensive income were as follows:

(Unit: Millions of yen)

	2014	2015
Fair value	117	—
Cumulative losses that have been previously recognized in equity as other comprehensive income - pre-tax (Note 4)	(110)	—

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

10. 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, 2013	759,356	2,213,673	166,746	90,075	560,678	3,790,528
Acquisition	21,163	94,717	7,121	168,002	29,892	320,895
Disposals	(7,664)	(82,203)	(28)	(2,545)	(20,840)	(113,280)
Foreign exchange differences	17,894	58,066	2,277	5,459	15,624	99,320
Other (Note 2)	20,369	92,532	153	(134,480)	19,429	(1,997)
Balance, March 31, 2014	811,118	2,376,785	176,269	126,511	604,783	4,095,466
Acquisition	25,791	114,996	4,532	171,014	33,521	349,854
Disposals	(5,218)	(86,965)	(1,107)	(1,343)	(20,609)	(115,242)
Foreign exchange differences	16,108	54,010	2,336	6,641	13,548	92,643
Other	24,487	128,254	432	(171,726)	27,811	9,258
Balance, March 31, 2015	872,286	2,587,080	182,462	131,097	659,054	4,431,979

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

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

(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, 2013	472,060	1,743,212	1,006	−	491,719	2,707,997
Depreciation (Note)	23,392	145,432	−	−	34,249	203,073
Impairment losses	108	772	−	−	14	894
Disposals	(5,679)	(78,591)	−	−	(18,682)	(102,952)
Foreign exchange differences	7,512	40,681	17	−	12,392	60,602
Other	187	(1,956)	2	−	(2,302)	(4,069)
Balance, March 31, 2014	497,580	1,849,550	1,025	−	517,390	2,865,545
Depreciation (Note)	25,998	153,258	−	−	40,856	220,112
Impairment losses	−	189	−	−	21	210
Disposals	(3,631)	(82,030)	−	−	(18,969)	(104,630)
Foreign exchange differences	7,359	35,710	(9)	−	10,346	53,406
Other	235	412	−	−	983	1,630
Balance, March 31, 2015	527,541	1,957,089	1,016	−	550,627	3,036,273

(Note) Depreciation on "Property, plant and equipment" was 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 1,2013	287,296	470,461	165,740	90,075	68,959	1,082,531
Balance, March 31, 2014	313,538	527,235	175,244	126,511	87,393	1,229,921
Balance, March 31, 2015	344,745	629,991	181,446	131,097	108,427	1,395,706

(2) Carrying amount of assets pledged as collateral

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

(3) Commitments

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

(Unit: Millions of yen)

	Date of transition to IFRSs	2014	2015
Contractual commitments for the acquisition of property, plant and equipment	92,466	112,688	95,146

(4) Impairment losses

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

For the year ended March 31, 2014

Business group	Segment	Types of assets	Class	Amount (millions of yen)
Electronic systems	Europe	Productive facility for electronic products	Machinery and equipment	232
Thermal	Asia	Productive facility for thermal products	Machinery and equipment, buildings and structures, furniture, fixtures, tools	662

For the year ended March 31, 2014, the Group recognized ¥894 million in impairment losses for productive facilities due to deterioration of a part of the business environment. The carrying amounts of the relevant assets were written down to the recoverable amounts. The recoverable amounts of the asset groups were measured at its value in use. For the calculation of its value in use, the discount rates used for calculating the present value of future cash flows were 11.50% in Spain and 16.48% in India. The impairment losses were included in "Other expenses" in the consolidated statement of income.

For the year ended March 31, 2015

Business group	Segment	Types of assets	Class	Amount (millions of yen)
Information and safety	Asia	Productive facility for information and safety products	Machinery and equipment, etc.	210

For the year ended March 31, 2015, the Group recognized ¥210 million in impairment losses for productive facilities due to deterioration of a part of the business environment. The undepreciated balances of the relevant assets were written down to zero. The impairment losses were included in "Other expenses" in the consolidated statement of income.

11. Intangible assets

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

(Unit: Millions of yen)

Acquisition cost	Software	Development costs	Goodwill	Other	Total
Balance, April 1,2013	33,771	―	642	4,814	39,227
Acquisition	4,569	―	1,404	1,705	7,678
Internally generated	424	6	―	351	781
Disposal	(880)	―	―	(1,132)	(2,012)
Foreign exchange difference	962	―	(44)	(147)	771
Other increase	939	―	―	381	1,320
Balance, March 31, 2014	39,785	6	2,002	5,972	47,765
Acquisition	5,377	―	651	1,253	7,281
Internally generated	376	1,068	―	428	1,872
Disposal	(338)	―	―	(1)	(339)
Foreign exchange difference	14	―	289	43	346
Other decrease	(72)	―	―	(2,062)	(2,134)
Balance, March 31, 2015	45,142	1,074	2,942	5,633	54,791

(Unit: Millions of yen)

Accumulated amortization and Accumulated impairment losses	Software	Development costs	Goodwill	Other	Total
Balance, April 1, 2013	22,962	―	―	1,727	24,689
Amortization (Note)	4,639	―	―	571	5,210
Impairment losses	―	―	―	―	―
Disposal	(891)	―	―	(4)	(895)
Foreign exchange difference	643	―	―	(196)	447
Other increase (decrease)	51	―	―	(39)	12
Balance, March 31, 2014	27,404	―	―	2,059	29,463
Amortization (Note)	4,593	―	―	279	4,872
Impairment losses	―	―	1,502	―	1,502
Disposal	(277)	―	―	―	(277)
Foreign exchange difference	(98)	―	―	(11)	(109)
Other increase (decrease)	34	―	―	(331)	(297)
Balance, March 31, 2015	31,656	―	1,502	1,996	35,154

(Note) Amortization of intangible assets are 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	Other	Total
Balance, April 1, 2013	10,809	―	642	3,087	14,538
Balance, March 31, 2014	12,381	6	2,002	3,913	18,302
Balance, March 31, 2015	13,486	1,074	1,440	3,637	19,637

The research and development expenditures recognized in profit or loss for the years ended March 31, 2014 and 2015 were ¥368,726 million and ¥395,372 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, 2014

No items to report.

For the year ended March 31, 2015

Business group	Segment	Type of assets	Amount (millions of yen)
Information and safety	Asia	Goodwill	1,502

The Group has written down the carrying amounts of the relevant goodwill to zero because the expected profit was not foreseen due to deterioration of a part of the business environment in certain regions. The written-down amount of ¥1,502 million was recognized as an impairment loss. The impairment losses were included in "Other expenses" in the consolidated statement of income.

(3) Material intangible assets

Intangible assets recognized in the statement of financial position are not individually material at the date of transition to IFRSs, as of March 31, 2014 and 2015.

(4) Impairment test for goodwill

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

The recoverable amount of each cash generating unit, or group of cash-generating units, is calculated by the value in use based on the five-year business plan at maximum that was prepared and approved by management by reflecting past experiences and external evidence.

Subsequent to the five-year business plan, the Group forecasts the recoverable amounts by using a steady or gradually-declining growth rate. The value in use sufficiently exceeds the carrying amount of the cash-generating units. Therefore, even in cases where the discount rate and growth rate used in calculating the value in use fluctuate within reasonable ranges, the Group believes that the value in use will unlikely become less than the carrying amount.

12. Income taxes

(1) Income tax expenses

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

(Unit: Millions of yen)

	2014	2015
Current income tax expenses		
Current year	121,543	83,361
Prior years	3,498	(148)
Total	125,041	83,213
Deferred income tax expenses		
Occurrence and reversal of temporary differences	(21,596)	10,942
Change in tax rates	4,014	9,638
Recognition of previously unrecognized deferred tax assets	(1,919)	(8,630)
Reversal of deferred tax assets recognized in the prior year	94	43
Total	(19,407)	11,993
Total of income tax expenses	105,634	95,206
Income taxes recognized in other comprehensive income	68,198	94,442

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in the applicable tax rate of 37.31% for the year ended March 31, 2014 and 34.94% for the year ended March 31, 2015.

New corporate tax law of "Partial revision of income tax law, etc." was enacted on March 31, 2014, and "Special reconstruction corporate tax" under the "Act on special measures to reconstruction funding after the Great East Japan Earthquake" was repealed for the fiscal year beginning on and after April 1, 2014. As a result, the applicable tax rate was reduced from 37.31% to 34.94% from the fiscal year beginning on April 1, 2014. Both "Act for partial amendment of the Income Tax Act, etc." and "Act for partial amendment of the Local Taxation Act, etc." were enacted in Japan on March 31, 2015. The applicable tax rates used to calculate deferred tax assets and liabilities of the Company, only which will be reversed after April 1, 2015, were changed from 34.94% to 32.43% for temporary differences expected to reverse from April 1, 2015 to March 31, 2016 and changed to 31.65% for temporary differences expected to reverse after April 1, 2016.

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.

On June 28, 2010 and June 22, 2012, the Company received reassessment notices of supplementary tax assessment for additional tax on the income of its subsidiary under the Anti-tax haven rules for the consecutive years ended March 31, 2008 to March 31, 2011, from the Nagoya Regional Taxation Bureau. They stated that the overseas subsidiaries of the Group did not satisfy the conditions for exemption from the application of the Anti-tax haven rules. The additional tax assessments including local taxes and others were ¥1,188 million for the years ended March 31, 2008 and 2009, and ¥6,101 million for the years ended March 31, 2010 and 2011. The Company, being unable to accept the verdicts, filed an appeal to have the action canceled. The Company strongly believes that the total amount of ¥7,289 million would be fully recovered and therefore, objected with the Nagoya Regional Taxation Bureau by seeking withdrawal of the assessment in accordance with the relevant law and recognized the amount as "Other non-current assets."

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

(Unit: %)

	2014	2015
Applicable tax rate	37.31	34.94
Lower income tax rates applicable to income in certain foreign subsidiaries	(4.55)	(4.68)
Tax credit for R&D expenses	(5.57)	(3.14)
Recognition of previously unrecognized deferred tax assets	(0.48)	(2.32)
Reversal of deferred tax assets due to change in applicable tax rates	1.00	2.59
Other	(1.35)	(1.79)
Actual effective tax rate	26.36	25.60

(2) Deferred tax assets and liabilities

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

For the year ended March 31, 2014 (Unit: Millions of yen)

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences on translating foreign operations	Balance, end of year
Deferred tax assets					
Accrued bonuses to employees	19,015	1,918	–	28	20,961
Reserve for warranty	19,990	(3,839)	–	124	16,275
Retirement benefit liabilities	61,209	(949)	(1,764)	202	58,698
Provision for accrued vacation paid	17,653	(526)	–	41	17,168
Other	81,311	13,320	(156)	2,416	96,891
Total deferred tax assets	199,178	9,924	(1,920)	2,811	209,993
Deferred tax liabilities					
Investment in equity instruments	131,955	(1,859)	47,969	–	178,065
Depreciation	27,355	(4,862)	–	680	23,173
Retirement benefit assets	16,027	(659)	18,309	–	33,677
Other	7,702	(2,103)	–	218	5,817
Total deferred tax liabilities	183,039	(9,483)	66,278	898	240,732
Net	16,139	19,407	(68,198)	1,913	(30,739)

For the year ended March 31, 2015 (Unit: Millions of yen)

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Exchange differences on translating foreign operations	Balance, end of year
Deferred tax assets					
Accrued bonuses to employees	20,961	94	―	130	21,185
Reserve for warranty	16,275	(2,032)	―	132	14,375
Retirement benefit liabilities	58,698	(8,651)	11,757	82	61,886
Provision for accrued vacation paid	17,168	1,643	―	33	18,844
Other	96,891	(6,548)	31	1,470	91,844
Total deferred tax assets	209,993	(15,494)	11,788	1,847	208,134
Deferred tax liabilities					
Investment in equity instruments	178,065	(1,227)	81,338	―	258,176
Depreciation	23,173	(1,183)	―	1,129	23,119
Retirement benefit assets	33,677	(6,220)	24,892	―	52,349
Other	5,817	5,129	―	391	11,337
Total deferred tax liabilities	240,732	(3,501)	106,230	1,520	344,981
Net	(30,739)	(11,993)	(94,442)	327	(136,847)

(Note) 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.

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

(Unit: Millions of yen)

	Date of transition to IFRSs	2014	2015
Deferred tax assets	35,278	37,794	44,457
Deferred tax liabilities	19,139	68,533	181,304
Net deferred tax assets (liabilities)	16,139	(30,739)	(136,847)

The deductible temporary differences in which deferred tax assets were not recognized as of the date of transition to IFRSs and each fiscal year-end were as follows:

(Unit: Millions of yen)

	Date of transition to IFRSs	2014	2015
Deductible temporary differences	47,103	39,329	10,219

The unused tax losses for which deferred tax assets were not recognized as of the date of transition to IFRSs and each fiscal year-end were as follows:

(Unit: Millions of yen)

	Date of transition to IFRSs	2014	2015
Within 1st year	6,856	1,398	305
2nd year	2,916	727	1,324
3rd year	1,566	100	562
4th year	1,207	1,012	53
5th year and thereafter	36,204	26,853	25,494
Total	48,749	30,090	27,738

As of the date of transition to IFRSs, March 31, 2014 and 2015, deferred tax liabilities were not recognized for taxable temporary differences associated with investments in subsidiaries, except for the 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 the date of transition to IFRSs, March 31, 2014 and 2015 were ¥422,259 million, ¥540,866 million, and ¥696,663 million, respectively.

13. Bonds and borrowings

The breakdown of "Bonds and borrowings" at the date of transition to IFRSs and each fiscal year-end was as follows:

The Group has no borrowings with financial covenants.

	Date of transition to IFRSs	2014	2015	Average interest rate (Note 1)	Maturity date
With collateral					
Short-term borrowings	—	—	—	—	—
Current portion of long-term borrowings (Note 2)	115	57	39	18.44	—
Long-term borrowings (Note 2)	414	52	14	19.71	2016
Without collateral					
Short-term borrowings	7,445	22,774	73,262	1.73	—
Current portion of bonds (Note 3)	100,000	40,000	—	—	—
Current portion of long-term borrowings	48,712	65,943	25,658	0.71	—
Bonds (Note 3)	90,000	80,000	100,000	—	—
Long-term borrowings	269,361	243,460	248,227	0.38	From 2016 to 2023
Total	516,047	452,286	447,200	—	—

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

(Note 2) The borrowings are those by the subsidiaries in South America.

(Note 3) Bonds at the date of transition to IFRSs and each fiscal year end consisted of the following:

Issuer	Name of bond	The date of Issuance	Date of transition to IFRSs (Millions of yen)	2014 (Millions of yen)	2015 (Millions of yen)	Interest rate (%)	Collateral	Redemption period
DENSO Corporation	The 5th unsecured bonds	March 3, 2009	100,000 (100,000)	—	—	1.37	None	December 20, 2013
	The 6th unsecured bonds	September 1, 2009	40,000	40,000 (40,000)	—	0.81	None	June 20, 2014
	The 7th unsecured bonds	June 16, 2011	50,000	50,000	50,000	0.55	None	June 20, 2016
	The 8th unsecured bonds	July 18, 2013	—	30,000	30,000	0.35	None	June 20, 2018
	The 9th unsecured bonds	July 16, 2014	—	—	20,000	0.20	None	June 20, 2019
Total	—	—	190,000 (100,000)	120,000 (40,000)	100,000	—	—	—

(Note) The figures in parentheses represent the amounts of the current portion of the bonds.

14. Trade and other payables

The breakdown of "Trade and other payables" at the date of transition to IFRSs and each fiscal year-end was as follows:

(Unit: Millions of yen)

	Date of transition to IFRSs	2014	2015
Notes and accounts payable (Note 1)	454,235	491,651	518,244
Other (Note 2)	252,137	282,828	286,572
Total	706,372	774,479	804,816

(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.

15. Provisions

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

The breakdown and movement in provisions for each fiscal year were as follows:

(Unit: Millions of yen)

	Reserve for warranty	Other	Total
Balance, April 1, 2013	56,847	7,534	64,381
Provisions made	23,954	765	24,719
Provisions used	(22,518)	(1,331)	(23,849)
Provisions reversed	(4,097)	(330)	(4,427)
Foreign exchange difference	839	142	981
Balance, March 31, 2014	55,025	6,780	61,805
Provisions made	15,676	1,426	17,102
Provisions used	(18,499)	(413)	(18,912)
Provisions reversed	(7,702)	(1,427)	(9,129)
Foreign exchange difference	1,244	693	1,937
Balance, March 31, 2015	45,744	7,059	52,803

(Note) 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 ¥3,694 million, ¥3,606 million and ¥2,863 million as of the date of transition to IFRSs, March 31, 2014 and 2015, respectively. The amounts were included in "Trade and other accounts receivable" in the consolidated statement of financial position.

16. 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 administrated by the fund that is legally segregated from the Group in accordance with statutory requirements. The board of pension fund and the trustee 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 defined benefit obligation and fair value of plan assets were as follows:

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

	2014	2015
Balance, beginning of year	696,793	703,970
Service cost	29,073	30,355
Interest cost on obligation	11,390	12,393
Plan amendments	911	(1,178)
Actuarial gains (Demographical)	(3,404)	(31,960)
Actuarial (gains) losses (Financial)	(11,120)	72,956
Benefits paid	(22,606)	(26,355)
Foreign exchange differences	2,933	3,792
Balance, end of year	703,970	763,973

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

	2014	2015
Balance, beginning of year	565,222	630,492
Interest income on plan assets	8,770	10,761
Plan amendments	—	(399)
Income from plan assets other than interest	43,931	88,128
Employer contributions	24,275	26,651
Benefits paid	(13,508)	(15,521)
Redemption of part of the plan assets (Note)	—	(105,690)
Foreign exchange differences	1,802	3,054
Balance, end of year	630,492	637,476

(Note) During the year ended March 31, 2015, the Group's plan assets exceeded the amount of defined benefit obligation, and the Company expects to continue such position in the near future. Therefore, the Company has redeemed a portion of shares that have been contributed as employees' retirement benefit trust among the plan assets.

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

	2014	2015
Defined benefit obligation, end of year	703,970	763,973
Plan assets, end of year	630,492	637,476
Net amount of defined benefit obligation and plan assets	73,478	126,497
Retirement benefit liabilities	198,432	219,173
Retirement benefit assets	124,954	92,676
Net amount of liabilities and assets recognized in the consolidated statement of financial position	73,478	126,497

Investment policy

The Group's investment policy for 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 value of plan assets as of the date of transition to IFRSs and for the years ended March 31, 2014 and 2015 were as follows:

The date of transition to IFRSs (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	108,992	―	108,992
Global equity securities	4,224	―	4,224
Commingled funds - Japanese equity securities	―	41,295	41,295
Commingled funds - global equity securities	―	79,035	79,035
Total - Equity instruments	113,216	120,330	233,546
Debt instruments			
Japanese debt securities	3,873	7,960	11,833
Global debt securities	30,507	3,223	33,730
Commingled funds - Japanese debt securities	―	113,322	113,322
Commingled funds -global equity securities	―	54,263	54,263
Other	3,447	4,379	7,826
Total - Debt instruments	37,827	183,147	220,974
Insurance contract (Note 1)	―	84,898	84,898
Other (Note 2)	9,210	16,594	25,804
Total	160,253	404,969	565,222

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

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

As of March 31, 2014 (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	133,523	—	133,523
Global equity securities	5,430	5	5,435
Commingled funds - Japanese equity securities	—	34,468	34,468
Commingled funds - global equity securities	—	63,383	63,383
Total - Equity instruments	138,953	97,856	236,809
Debt instruments			
Japanese debt securities	4,129	7,456	11,585
Global debt securities	25,221	3,338	28,559
Commingled funds - Japanese debt securities	—	129,773	129,773
Commingled funds - global equity securities	—	90,530	90,530
Other	4,118	4,688	8,806
Total - Debt instruments	33,468	235,785	269,253
Insurance contract (Note 1)	—	95,368	95,368
Other (Note 2)	11,561	17,501	29,062
Total	183,982	446,510	630,492

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

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

As of March 31, 2015 (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	78,889	37	78,926
Global equity securities	35	6	41
Commingled funds - Japanese equity securities	—	40,455	40,455
Commingled funds - global equity securities	—	51,357	51,357
Total - Equity instruments	78,924	91,855	170,779
Debt instruments			
Japanese debt securities	—	8,270	8,270
Global debt securities	26,257	5,174	31,431
Commingled funds - Japanese debt securities	—	150,410	150,410
Commingled funds - global equity securities	—	101,144	101,144
Other	5,630	3,476	9,106
Total - Debt instruments	31,887	268,474	300,361
Insurance contract (Note 1)	—	114,875	114,875
Other (Note 2)	15,073	36,388	51,461
Total	125,884	511,592	637,476

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

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

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

	2014	2015
Discount rate	1.61	0.95

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

(Unit: Millions of yen)

	Increase (decrease) of defined benefit obligations as of March 31, 2015
Discount rate: Decreased by 0.5%	61,144
Discount rate: Increased by 0.5%	(56,272)

The Group expects ¥21,334 million of the contribution to be paid from April 1, 2015 to March 31, 2016.

The Group's weighted-average durations of the defined benefit obligations for the years ended March 31, 2014 and 2015 were 18 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, 2014 and 2015 were ¥6,436 million and ¥9,235 million, respectively.

17. Equity and other equity items

(1) Capital stock and Capital surplus

Under the Companies Act of Japan (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."

Number of authorized shares as of the date of transition to IFRSs and each fiscal year end were 1,500 million shares.

Number of fully paid issued shares as of the date of transition to IFRSs and increase/decrease in each fiscal year-end were as follows:

	Number of shares (Share)	Equity (Millions of yen)	Capital surplus (Millions of yen)
The date of transition to IFRSs	884,068,713	187,457	267,332
Decrease	―	―	(3,725)
2014	884,068,713	187,457	263,607
Increase	―	―	5,004
2015	884,068,713	187,457	268,611

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

(2) Retained earnings

The Companies Act provides that a 10% dividend of retained earnings shall be appropriated as "Capital surplus" or as a legal reserve until the aggregate amount of the "Capital surplus" and the legal reserve equals to 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 the date of transition to IFRSs and each fiscal year-end was as follows:

	Number of shares (Share)	Amount (Millions of yen)
The date of transition to IFRSs	88,582,234	224,505
Decrease	(1,741,754)	(4,385)
2014	86,840,480	220,120
Decrease	(468,703)	(1,178)
2015	86,371,777	218,942

(4) Components of other equity

1) Stock acquisition rights

Stock acquisition rights are those issued for stock option remunation plan.

2) Net fair value gain on equity instruments designated as FVTOCI

Net fair value gain on equity instruments designated as FVTOCI is the accumulated gains and losses related to financial instruments measured at the fair value.

3) Remeasurement of defined benefit pension plans

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

4) Exchange differences on translating foreign operations

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

5) 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.

18. Dividends

Total annual dividends for each fiscal year were as follows:

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Annual shareholders' meeting held on June 19, 2013	Ordinary shares	29,434	37	March 31, 2013	June 20, 2013
Board of directors' meeting held on October 31, 2013	Ordinary shares	37,433	47	September 30, 2013	November 26, 2013
Annual shareholders' meeting held on June 19, 2014	Ordinary shares	46,241	58	March 31, 2014	June 20, 2014
Board of directors' meeting held on October 31, 2014	Ordinary shares	37,484	47	September 30, 2014	November 26, 2014

Dividends whose record date is in the current fiscal year but whose 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
Annual shareholders' meeting held on June 19, 2015	Ordinary shares	Retained earnings	50,257	63	March 31, 2015	June 22, 2015

19. Other income

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

(Unit: Millions of yen)

	2014	2015
Rental income -property, plant and equipment	2,332	2,460
Gain on sales -property, plant and equipment	1,520	2,974
Other (Note)	15,585	7,363
	19,437	12,797

(Note) Other for the year ended March 31, 2014 included insurance income of ¥3,724 million and government grants of ¥2,540 million at overseas group companies.

20. Selling, general and administrative expenses and other expenses

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

(Unit: Millions of yen)

	2014	2015
Freight expenses	38,183	40,419
Employee benefit expenses	150,762	164,790
Provision for warranty reserve	17,691	10,201
Depreciation	16,641	18,683
Welfare expenses	24,125	26,956
Other	128,972	138,415
Total	376,374	399,464

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

(Unit: Millions of yen)

	2014	2015
Loss on sales or disposal - property, plant and equipment	5,111	5,836
Impairment losses	894	1,712
Other (Note)	6,274	32,004
Total	12,279	39,552

(Note) Other for the year ended March 31, 2015 included loss on antitrust issues which was fined and settled for violation of the antitrust laws in the amount of ¥21,890 million (Reference to Note 29 "Contingencies") and ¥2,783 million of loss on liquidation of the manufacturing business in Australia, which would cause possible payments of retirement benefit expenses.

21. Income and expenses pertaining to financial instruments

The breakdown of "Other finance income" for each year was as follows: (Unit: Millions of yen)

	2014	2015
Interest income		
Financial assets measured at amortized cost (i.e., deposits and other)	7,985	8,021
Financial assets measured at fair value through profit or loss (i.e., interest rate derivatives)	85	–
Dividend income		
Financial assets measured at fair value through other comprehensive income (Note)	12,628	18,934
Other	335	491
Total	21,033	27,446

(Note) All dividend income from the financial assets measured at fair value through other comprehensive income were related to the investments held at the end of each fiscal year. There is no dividend income from the financial assets measured at fair value through other comprehensive income which was derecognized in each fiscal year.

The breakdown of "Other finance costs" for each year was as follows: (Unit: Millions of yen)

	2014	2015
Interest expenses		
Financial liabilities measured at amortized cost (i.e., bonds, borrowings and other)	7,516	5,335
Financial liabilities measured at fair value through profit or loss (i.e., interest rate derivatives)	–	2,291
Interest on defined benefit liabilities, net	2,620	1,632
Other	409	118
Total	10,545	9,376

22. 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)

	2014	2015
Profit attributable to owners of the parent company	277,196	258,382

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

	2014	2015
Average number of shares -basic	796,427	797,459

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

1) Profit available to owners of the parent company – diluted (Unit: Millions of yen)

	2014	2015
Profit attributable to owners of the parent company - diluted	277,196	258,382

2) Average number of shares - diluted (Unit: Thousands of shares)

	2014	2015
Average number of shares - basic	796,427	797,459
Effect of dilutive shares	540	193
Average number of shares - diluted	796,966	797,652

23. Other comprehensive income

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

(Unit: Millions of yen)

	2014	2015
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net fair value gain on equity instruments designated as FVTOCI		
Arising during the year	137,189	309,001
Income taxes	(47,969)	(81,338)
Total	89,220	227,663
Remeasurements of defined benefit pension plans		
Arising during the year	58,455	47,132
Income taxes	(20,073)	(13,135)
Total	38,382	33,997
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations		
Arising during the year	63,638	96,710
Reclassification to profit or loss	(163)	―
Total	63,475	96,710
Cash flow hedges		
Arising during the year	565	130
Reclassification to profit or loss	(161)	(252)
Before income taxes	404	(122)
Income taxes	(156)	31
Total	248	(91)
Total other comprehensive income	191,325	358,279

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

(Unit: Millions of yen)

	2014	2015
Items that will not be reclassified subsequently to profit or loss	85	205
Remeasurement of net defined benefit liabilities (assets)	839	(32)
Exchange difference on translating foreign operations	1,899	10,582
Cash flow hedges	―	―
Total	2,823	10,755

24. Non-financial transactions that are material

The description contents of non-financial transactions that are material

(1) The amounts of assets and liabilities related to finance lease transactions were as follows:

(Unit: Millions of yen)

	2014	2015
The amounts of assets and liabilities related to finance lease transactions	8,971	11,647

(2) The amounts of stocks acquired by return of a part of employee retirement benefit trust were as follows:

(Unit: Millions of yen)

	2014	2015
The amounts of stocks acquired by return of a part of employee retirement benefit trust	—	105,690

25. Financial instruments

(1) Capital Management

To achieve sustainable growth, the Group aims to ensure financial health while continuing stable and lasting return to shareholders by managing its resources into activities such as facility investment in business, research and development, and merger and acquisition. Generally, the operating cash flows cover such funding by keeping 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 the stable financial health in the long term.

The Group is not imposed to capital restriction by external parties as of March 31, 2015.

(2) Description and extent of financial risks

1) Financial risk management policy

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

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

i) Credit risk

Receivables, such as note and account receivables, acquired from the operating activities of the Group are exposed to customer credit risk. The Group manages its credit risks from receivables on the basis of internal guidelines, which include monitoring of payment terms and balances of each customer to identify the default risk of customers at an early stage. 31% of total receivables are from the group of Toyota Motor Corporation as of March 31, 2015.

The Group utilizes financial instruments in accordance with internal credit management regulations to minimize its risk on short-term investment trust on debt securities, bonds and debentures. In line with the internal asset management regulations, the Group engages with highly-rated financial institutions, securities and issuing entities, therefore credit risk is deemed as 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 represent the maximum exposure of the Group's financial assets to credit risks without taking account of any collateral obtained.

ii) Market risk

Foreign exchange risk

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

The details of currency derivatives are as follows:

Derivative transactions to which hedge accounting is not applied (Unit: Millions of yen)

	Date of the transition to IFRSs			2014			2015		
	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	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value
Forward exchange contracts									
Buying	2,008	−	396	13,989	−	(275)	28,684	−	44
Selling	68,239	−	(633)	67,720	−	(287)	77,093	−	(30)
Currency swaps									
Buying	122,320	72,766	5,791	108,562	85,237	(957)	113,538	68,568	17,927
Selling	21,810	21,781	330	41,691	17,971	(287)	24,727	14,534	(1,548)
Total	214,377	94,547	5,884	231,962	103,208	(1,806)	244,042	83,102	16,393

The Group has no derivative transactions to which hedge accounting is applied under IFRS.

Foreign exchange sensitivity analysis

Foreign exchange sensitivity analysis shows the effect on profit or loss and equity of 1% changes of 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 or interest rate, do not fluctuate.

(Unit: Millions of yen)

	2014	2015
Net profit or loss	329	539
Equity	329	539

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 is practically equivalent to fixed interest rate bonds by using corresponding interest-rate swap agreement.

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

The details of Interest derivatives were as follows:

Derivative transactions to which hedge accounting is not applied

(Unit: Millions of yen)

	Date of the transition to IFRSs		
	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value
Interest rate swap			
Fixed rate receipt, floating rate payment	21,207	2,207	416
Floating rate receipt, fixed rate payment	15,030	15,030	(263)
Floating rate receipt, floating rate payment	65,108	54,108	1,961
Cross currency swap			
Floating rate receipt, fixed rate payment	—	—	—
Fixed rate receipt, fixed rate payment	5,079	5,079	(224)
Total	106,424	76,424	1,890

	2014			2015		
	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						
Fixed rate receipt, floating rate payment	—	—	—	—	—	—
Floating rate receipt, fixed rate payment	46,052	45,415	(522)	45,955	45,095	(972)
Floating rate receipt, floating rate payment	55,438	55,438	1,786	58,026	33,026	1,175
Cross currency swap						
Floating rate receipt, fixed rate payment	1,091	1,091	15	1,091	1,091	213
Fixed rate receipt, fixed rate payment	17,507	9,354	(513)	28,161	17,738	(2,440)
Total	120,088	111,298	766	133,233	96,950	(2,024)

Derivative transactions to which hedge accounting is applied

(Unit: Millions of yen)

	Date of the transition to IFRSs		
	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value
Cross currency swap			
Floating rate receipt, fixed rate payment	72,108	72,108	7,897
Total	72,108	72,108	7,897

	2014			2015		
	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
Cross currency swap						
Floating rate receipt, fixed rate payment	89,605	69,605	16,316	69,605	69,605	28,754
Total	89,605	69,605	16,316	69,605	69,605	28,754

The cross currency swap, the contract which exchanges its floating rate to fixed rate, is designated as a hedging instrument for cash flow hedge because it reduces the fluctuation of cash flows of floating rate borrowings. The payment/receipt terms of the interest swap is agreed with those of the relevant borrowings designated as hedged items. The accumulated amounts in equity are reclassified to profit or loss in the period or periods during which the payment of floating rate affects profit or loss.

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, if 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)

	2014	2015
Profit or loss	5,701	5,052
Capital	7,006	5,899

iii) Liquidity risk

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

The Group's remaining contractual maturities for financial liabilities as of the date of transition to IFRSs and each fiscal year-end were as follows:

(Unit: Millions of yen)

Date of transition to IFRSs	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	156,272	356,961	2,814	516,047
Trade and other payables	507,643	3,423	5	511,071
Derivative financial liabilities				
Derivatives	1,786	1,966	258	4,010

(Unit: Millions of yen)

2014	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	128,774	308,143	15,368	452,285
Trade and other payables	551,895	3,675	437	556,007
Derivative financial liabilities				
Derivatives	1,406	4,479	46	5,931

(Unit: Millions of yen)

2015	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	98,959	332,036	16,204	447,199
Trade and other payables	580,078	4,759	468	585,305
Derivative financial liabilities				
Derivatives	2,693	6,835	174	9,702

iv) Price risks of equity instruments

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

Assuming that the share price arose or fell by 1% at the date of transition to IFRSs and at the each fiscal year-end, increase or decrease in total equity amounted to approximately ¥3,401 million, ¥4,675 million and ¥7,636 million, respectively. As most marketable securities held by the Group are classified as financial assets measured at FVTOCI, assuming that the share price arose or fell by 1% resulted in an immaterial impact on profit or loss.

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

(3) Fair value of financial instruments

1) Financial instruments measured at amortized cost

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

(Unit: Millions of yen)

Date of the transition to IFRSs	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Debt securities	128,184	128,517	–	–	128,517
Financial liabilities					
Long-term borrowing (Note)	318,602	–	–	319,394	319,394
Corporate bonds (Note)	190,000	191,761	–	–	191,761

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

(Unit: Millions of yen)

2014	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Debt securities	93,355	93,517	–	–	93,517
Financial liabilities					
Long-term borrowing (Note)	309,511	–	–	309,740	309,740
Bonds (Note)	120,000	120,570	–	–	120,570

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

(Unit: Millions of yen)

2015	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Debt securities	74,647	74,785	–	–	74,785
Financial liabilities					
Long-term borrowing (Note)	273,938	–	–	274,079	274,079
Corporate bonds (Note)	100,000	100,444	–	–	100,444

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

The fair value of short-term financial assets and short-term financial liabilities, which are measured by amortized cost, approximates carrying amounts, and they 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 made.

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

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

(Unit: Millions of yen)

Date of the transition to IFRSs	Level 1	Level 2	Level 3	Total
Derivative assets	―	18,362	―	18,362
Shares				
Listed shares	522,806	―	―	522,806
Unlisted shares	―	―	63,170	63,170
Other equity securities	―	―	2,995	2,995
Total	522,806	18,362	66,165	607,333
Derivative liabilities	―	2,691	―	2,691
Total	―	2,691	―	2,691

(Unit: Millions of yen)

2014	Level 1	Level 2	Level 3	Total
Derivative assets	―	20,901	―	20,901
Shares				
Listed shares	718,554	―	―	718,554
Unlisted shares	―	―	74,016	74,016
Other equity securities	―	―	2,741	2,741
Total	718,554	20,901	76,757	816,212
Derivative liabilities	―	5,625	―	5,625
Total	―	5,625	―	5,625

(Unit: Millions of yen)

2015	Level 1	Level 2	Level 3	Total
Derivative assets	―	52,778	―	52,778
Shares				
Listed shares	1,117,261	―	―	1,117,261
Unlisted shares	―	―	91,389	91,389
Other equity securities	―	―	2,806	2,806
Total	1,117,261	52,778	94,195	1,264,234
Derivative liabilities	―	9,655	―	9,655
Total	―	9,655	―	9,655

Derivatives used by the Group primarily consist of foreign exchange forward contracts, currency swaps, and interest rate 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 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 determined by using the adjusted market value method with adjustments to the market value using the PBR, price book-value ratio, if necessary. In addition, immaterial items are measured at book value of net assets. The significant unobservable input used in measuring the fair value of non-marketable shares and other equity securities is the liquidity discount of 30%.

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

(Unit: Millions of yen)

	2014	2015
Balance, beginning of year	66,165	76,757
Total recognized gains and losses		
Losses recognized in profit or loss (Note 1)	(51)	(26)
Gains recognized in other comprehensive income (Note 2)	10,625	17,108
Purchases	18	356
Balance, end of year	76,757	94,195

(Note 1) Gains and losses recognized in profit or loss for the years ended March 31, 2014 and 2015 are related to financial assets measured at fair value through profit or loss as of the fiscal year-end. These gains and losses are included in "Financial income" and "Financial costs" in the consolidated Statement of income.

(Note 2) Gains and losses recognized in other comprehensive income for the years ended March 31, 2014 and 2015 are related to financial assets measured at fair value through other comprehensive income as of the fiscal year-end. These gains and losses are included in "Net fair value gain on equity instruments designated as FVTOCI" in the statement of comprehensive income.

(4) Offsetting of financial assets and financial liabilities

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 following table provides offsetting information of financial assets and financial liabilities with the same counterparty as of the date of transition to IFRSs and each fiscal year-end.

(Unit: Millions of yen)

	Date of transition to IFRSs	2014	2015
Financial assets presented in the consolidated statement of financial position	18,362	20,901	52,778
The amount to be offset under master netting arrangement or similar arrangements	(1,650)	(1,849)	(2,872)
Cash collateral received	—	—	—
Net	16,712	19,052	49,906

(Unit: Millions of yen)

	Date of transition to IFRSs	2014	2015
Financial liabilities presented in the statement of financial position	2,691	5,625	9,655
The amount to be offset under master netting arrangement or similar arrangements	(1,650)	(1,849)	(2,872)
Cash collateral paid	—	—	—
Net	1,041	3,776	6,783

(Note) The amount which was offset in accordance with the requirements for offsetting financial assets and financial liabilities in the consolidated statement of financial position was not material.

26. Leases

(1) As Lessee

1) Finance lease obligation

The breakdown of finance lease obligation at the date of transition to IFRSs and each fiscal year-end was as follows:

(Unit: Millions of yen)

	Minimum lease payments		
	Date of transition to IFRSs	2014	2015
Due within one year	8,489	7,830	9,179
Due after one year through five years	3,423	3,675	4,759
After five years	5	437	468
Total	11,917	11,942	14,406

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

The Group does not have lease contracts which contain a renewal or purchase option, contingent lease, escalation clauses, nor further restictions imposed by the lease contracts such as those for dividends, additional debt or leases.

2) Non-cancellable operating lease transaction

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

(Unit: Millions of yen)

	Minimum lease payments		
	Date of transition to IFRSs	2014	2015
Due within one year	952	1,751	2,005
Due after one year through five years	2,335	3,191	2,994
After five years	67	−	2
Total	3,354	4,942	5,001

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

3) Lease payments recognized as expenses under operating leases

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

(Unit: Millions of yen)

2014	2015
7,362	7,883

(2) As lessor

Finance lease receivables

The breakdown of finance lease receivables at the date of transition to IFRSs and each fiscal year-end was as follows:

(Unit: Millions of yen)

	Minimum lease payments receivable		
	Date of transition to IFRSs	2014	2015
Due within one year	8,583	8,050	9,034
Due after one year through five years	3,088	3,076	4,223
After five years	0	―	―
Total	11,671	11,126	13,257

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

27. Related parties

(1) Related-party transactions

For the year ended March 31, 2014 (Unit: Millions of yen)

Category	Name	Main transactions	Transaction amounts
Associated company who has significant influence over the Group	Group of Toyota Motor Corporation	Sale of automotive components	2,008,440
		Purchase of automotive components	57,824

For the year ended March 31, 2015 (Unit: Millions of yen)

Category	Name	Main transactions	Transaction amounts
Associated company who has significant influence over the Group	Group of Toyota Motor Corporation	Sale of automotive components	2,009,730
		Purchase of automotive components	44,854
Corporate pension fund for employees	DENSO Pension Fund	Redeeming part of the shares that have been contributed as employees' retirement benefit trust	105,690

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

(Unit: Millions of yen)

	Date of transition to IFRSs	2014	2015
Trade accounts receivable	165,176	177,206	186,305
Electronically recorded monetary claims	53,616	42,786	40,158
Accounts receivable - others	1,540	207	83
Allowance for doubtful accounts	—	—	—
Accounts payable	5,427	5,787	4,073
Accrued expenses	891	398	319

(2) Remuneration to key managing officers

For the year ended March 31, 2014 (Unit: Millions of yen)

	Remuneration in total	Breakdown of remuneration		
		Basic remuneration	Stock option	Bonuses
Key managing officers	989	573	—	416

For the year ended March 31, 2015 (Unit: Millions of yen)

	Remuneration in total	Breakdown of remuneration		
		Basic remuneration	Stock option	Bonuses
Key managing officers	883	538	—	345

28. Share-based payment

The Group adopts the stock option remuneration plans as described below. However, any new stock options have not been granted after August 1, 2009 and all stock options have been vested before the date of transition to IFRSs.

Eligible personnel	Directors, managing officers, key employees of the Company, directors of subsidiaries, etc.
Vesting condition	Personnel shall remain in the company's employment after granted by the vesting date. However, in the case that the employee retires/leaves the Group before the vesting date, its exercising is allowed only within one year after retirement/leaving during the exercise period.
Service period	Two years from the grant date
Exercise period	Within four years after vested. However, in the case that the employee retires/leaves the Company before the vesting date, its exercising is allowed only within one year after retirement/leaving during the exercise period.

The stock options outstanding as of March 31, 2014 and 2015 were as follows:

For the year ended March 31, 2014

	Number of options (Share)	Weighted-average stock price (Yen)
April 1, 2013 - Outstanding	3,929,900	3,795
Forfeited	1,384,800	4,885
Exercised	1,750,600	3,228
March 31, 2014 - Outstanding	794,500	3,141
March 31, 2014 Options exercisable, end of year	794,500	3,141

(Note 1) The weighted-average stock price of options, exercised in the reporting period, as of the date of exercising was ¥4,845.

(Note 2) The exercise price range of outstanding options at the end of year was from ¥2,920 to ¥3,447 and the weighted-average life was 11 months.

For the year ended March 31, 2015

	Number of options (Share)	Weighted-average stock price (Yen)
April 1, 2014 - Outstanding	794,500	3,141
Forfeited	132,900	3,438
Exercised	474,800	3,145
March 31, 2015 - Outstanding	186,800	2,920
March 31, 2015 Options exercisable, end of year	186,800	2,920

(Note 1) The weighted-average stock price of options, exercised in the reporting period, as of the date of exercising was ¥5,090.

(Note 2) The exercise price of outstanding options at the end of year was ¥2,920 and the weighted-average life was four months.

29. Contingencies

The Group had the following contingent liabilities for the year ended March 31, 2015.

Antitrust Law related

(1) Investigations by Countries and Competition Authorities

There are no investigations that are highly likely to generate loss as of the end of the reporting period.

(2) Handling of the Class Actions

The Company and certain subsidiaries of the Group are currently among the defendants in several class action lawsuits in the United States and Canada wherein damages are claimed on suspicion of violation of the antitrust law or competition law in connection with certain transactions concerning certain auto parts.

In the United States, depending upon the particular auto part, class actions have been filed against the Company and some of our subsidiaries on behalf of putative classes of (a) direct purchasers (e.g., automobile manufacturers and their tier one suppliers), (b) automobile dealerships, (c) commercial/heavy duty truck and equipment dealerships, (d) end payors, who purchased vehicles for their own use, and (e) municipal and state entities. However, we have succeeded in obtaining dismissal of all class claims asserted on behalf of the municipal and state entities, leaving only the individual claims asserted by a few named municipalities. All of these cases have been consolidated into a multi-district litigation*, which is comprised of multiple separate class action cases for each product track, in the U.S. District Court for the Eastern District of Michigan.

Discovery (i.e., a procedure where the parties to the litigation mutually disclose evidence such as documents relating to the litigation) has begun in the first product case (i.e., the automotive wire harness systems case). Discovery has just begun in the other initial cases (i.e., instrument panel clusters, heater control panels, and fuel senders). With respect to the later filed cases, the court has just ruled on certain of defendants motions to dismiss and other motions are still pending. Discovery in these cases will begin shortly where the court has already ruled and in the other cases will begin after the court rules. After discovery, the court will consider the plaintiffs' motions for class certification in each of these cases before proceeding to any trial on the merits of the plaintiffs' claims in the particular case.

In Canada, a number of class actions have been commenced in the Provinces of Ontario, Quebec, British Columbia and Saskatchewan (however, service is still ongoing in the majority of the Saskatchewan actions, and new actions continue to be commenced and served in each of the jurisdictions). Similar to the United States class actions, separate cases have been commenced for each auto part. All of these class actions have been filed against the Company (and, depending on the case, certain subsidiaries of the Group) on behalf of both direct purchasers (e.g., automobile manufacturers) and indirect purchasers (e.g., automobile dealerships and end payors, who purchased vehicles for their own use). All of the actions are still in their early stages, and the Ontario wire harness products case is expected to be the first Canadian case to proceed to a class certification hearing.

(*) Multi-District Litigation means a proceeding in which multiple lawsuits are consolidated before a single judge for the sake of efficiency for pretrial purposes, including discovery and rulings on common legal issues.

(3) Individual Settlement Negotiations

In addition, the Company has been engaged in negotiations with the Company's major customers (i.e., certain automobile manufacturers) individually concerning the violation of the antitrust law or competition law in connection with certain transactions regarding certain auto parts. With regard to some of the Company's major customers, the Company has made related payments during the reporting period, and the paid amount is included in the “Other expenses” (as referred to Note 20 “Selling, general and administrative expenses and other expenses”). Please note that pursuant to IAS 37, the Company has not disclosed the overall content of the negotiations because the disclosure of such information could be expected to prejudice the position of the Company.

30. Subsidiaries, associates and others

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

There are no subsidiaries, associates and joint ventures that have material non-controlling interests at the end of fiscal years ended March 31, 2014 and 2015.

Although the Group holds less than 20% of the shares of ADVICS CO., LTD., and therefore the voting rights held thereby are also less than 20%, ADVICS is included in the category of affiliates as the Group has significant influence over ADVICS by attending the meetings of its board of directors.

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

(Unit: Millions of yen)

	2014	2015
(Decrease) Increase in capital surplus	(5,890)	4,419

There were no gains (losses) associated with the losses of control of subsidiaries in each fiscal year.

31. Subsequent events

The Group has evaluated subsequent events through June 19, 2015.

The Company resolved, at the general shareholders' meeting held on June 19, 2015, that it would acquire its own treasury stock based on the provisions of article 156 of the Companies Act that is applied in and alternative interpretation of article 165, section 3 of the Companies Act.

The purchases of treasury stock are to be executed as described below:

1. Type of shares : Ordinary shares of the Company
2. Number of shares to be repurchased : Up to 5 million shares (i.e., 0.63% of the common shares outstanding, excluding treasury stocks)
3. Total value of stock repurchased : Up to 30 billion yen
4. Period of acquisitions : From June 20, 2015 to June 19, 2016

32. Disclosure on transition to IFRSs

The Group has prepared its consolidated financial statements in accordance with IFRS since the fiscal year ended March 31, 2015. The date of the transition to IFRSs was April 1, 2013. Adjustments and reconciliations to be disclosed at the first-time adoption of IFRS were as follows:

"Reclassification" presented the items to which comprehensive income and retained earnings have not been affected, while "Differences in recognition and measurement" presented the items to which comprehensive income and retained earnings have been affected.

Reconciliation of equity as of the date of transition to IFRSs (April 1, 2013) (Unit: Millions of yen)

JGAAP		Reclassification	Differences in recognition and measurement	IFRS		
Account item	Amount	Amount	Amount	Amount	Note	Account item
Assets						Assets
Current assets						Current assets
Cash and deposits	665,152	42,178	–	707,330		Cash and cash equivalents
Notes and accounts receivable Electronically recorded monetary claims Allowance for doubtful accounts	638,222	60,227	7,145	705,594	(3)	Trade and other receivables
Inventories	370,662	–	(7,982)	362,680		Inventories
Securities	430,052	(35,667)	138	394,523	(5)	Other financial assets
Deferred tax assets	62,969	(62,969)	–	–	(8)	
Other current assets	114,829	(66,738)	(1,838)	46,253		Other current assets
Total current assets	2,281,886	(62,969)	(2,537)	2,216,380		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	886,160	–	196,371	1,082,531	(1)	Property, plant and equipment
Intangible assets	15,456	–	(918)	14,538		Intangible assets
Investment securities Long-term loans receivable Allowance for doubtful accounts	654,360	(24,786)	42,733	672,307	(2), (3), (5)	Other financial assets
	–	51,198	812	52,010		Investments accounted for using the equity method
Retirement benefit assets	92,924	–	(24,667)	68,257	(6)	Retirement benefit assets
Deferred tax assets	19,793	62,969	(47,484)	35,278	(8)	Deferred tax assets
Other non-current assets	40,208	(26,412)	7,648	21,444		Other non-current assets
Total non-current assets	1,708,901	62,969	174,495	1,946,365		Total non-current assets
Total assets	3,990,787	–	171,958	4,162,745		Total assets

(Unit: Millions of yen)

JGAAP		Reclassification	Differences in recognition and measurement	IFRS		
Account item	Amount	Amount	Amount	Amount	Note	Account item
Liabilities						Liabilities and Equity
Current Liabilities						Current Liabilities
Current portion of bonds Short-term borrowings	156,272	—	—	156,272		Bonds and borrowings
Notes and accounts payable Accrued expenses Accrued bonuses to employees Accrued bonuses to directors/internal auditors	615,635	37,018	53,719	706,372	(3), (4)	Trade and other payables
	—	9,535	484	10,019	(5)	Other financial liabilities
Income tax payables	55,128	—	—	55,128		Income tax payables
Reserve for warranty	56,847	5,982	—	62,829		Provisions
Other current liabilities	89,664	(52,868)	6,195	42,991	(8)	Other current liabilities
Total current liabilities	973,546	(333)	60,398	1,033,611		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds Long-term borrowings	351,248	—	8,527	359,775	(5)	Bonds and borrowings
	—	1,698	3,939	5,637	(3), (5)	Other financial liabilities
Retirement benefit liabilities	196,743	—	3,085	199,828	(6)	Retirement benefit liabilities
	—	1,552	—	1,552		Provisions
Deferred tax liabilities	18,573	333	233	19,139	(8)	Deferred tax liabilities
Other non-current liabilities	16,324	(3,250)	2,354	15,428	(4)	Other non-current liabilities
Total non-current liabilities	582,888	333	18,138	601,359		Total non-current liabilities
Total liabilities	1,556,434	—	78,536	1,634,970		Total liabilities
Equity						Equity
Common stock	187,457	—	—	187,457		Capital stock
Capital surplus	267,332	—	—	267,332		Capital surplus
Treasury stock	(224,505)	—	—	(224,505)		Treasury stock
Accumulated other comprehensive income Stock acquisition rights	116,300	—	121,218	237,518		Other components of equity
Retained earnings	1,963,717	—	(29,290)	1,934,427	(7)	Retained earnings
Minority interests	124,052	—	1,494	125,546		Non-controlling interests
Total equity	2,434,353	—	93,422	2,527,775		Total equity
Total liabilities and equity	3,990,787	—	171,958	4,162,745		Total liabilities and equity

Notes to reconciliation of equity as of the date of transition to IFRSs (April 1, 2013)

Reconciliation of equity as of the date of transition to IFRSs was mainly as follows. Recognition of related tax effects and allocation to non-controlling interests were additionally made to relevant reconciliations.

(1) Depreciation of property, plant and equipment

With regard to the depreciation method of property, plant and equipment, the Group mainly adopted the declining-balance method under JGAAP; however, the Group has adopted the straight-line method under IFRS. In line with the application of IFRS, the useful life of property, plant and equipment has been unified within the Group. This resulted in increasing the balance of property, plant and equipment by ¥198,175 million.

(2) Measurement of financial instruments

Unlisted stocks were measured at cost, with relevant impairment losses, if necessary, when the financial position of the issuer company was downturned under JGAAP; however, under IFRS, they have been measured at fair value through other comprehensive income. This resulted in increasing the balance of unlisted stocks by ¥30,116 million.

(3) Lease

The Group recognized mold transactions as lease, based on the substance of the arrangement under IFRS. As a result, compared to the amounts under JGAAP, the balance of trade and other receivables increased by ¥8,583 million, other financial assets increased by ¥3,088 million, trade and other payables increased by ¥8,218 million, and the other financial liabilities increased by ¥3,241 million.

(4) Employee benefit

Although a specific accounting procedure was not required under JGAAP, liabilities were recognized for unused paid vacations and long-term service leave under IFRS. As a result, the balance of trade and other payables increased by ¥51,733 million and other non-current liabilities increased by ¥2,694 million.

(5) Long-term borrowings and hedge accounting

As for the hedge accounting conducted to avoid the risk of foreign exchange for long-term loans payable, preferential treatment was adopted under JGAAP; however, under IFRS, the Company cannot apply such preferential treatment and has measured them at fair value as of the fiscal year-end. As a result, the balance of other financial assets increased by ¥9,993 million, bonds and borrowings increased by ¥8,527 million, and other financial liabilities increased by ¥1,180 million.

(6) Post-employment benefits

Mortality rate was taken into consideration with expected future changes in mortality under IFRS. As a result, compared to the amounts under JGAAP, the balance of retirement benefit assets decreased by ¥24,667 million, and retirement benefit liabilities increased by ¥3,085 million.

(7) Transfer of the cumulative translation difference to retained earnings

By adopting the exemption, set forth in IFRS 1, the balance of ¥91,460 million, which is the cumulative translation difference regarding overseas subsidiaries, was wholly transferred to retained earnings as of the date of transition to IFRSs.

(8) Reclassification

The Group has made reclassifications to comply with the relevant IFRS provisions in addition to the above items, and has accordingly reclassified, in particular, the current portions of deferred tax assets of ¥62,969 million were reclassified into non-current portions of deferred tax assets. The current portions of deferred tax liabilities of ¥333 million were reclassified into non-current portions of deferred tax liabilities.

Reconciliation of equity as of March 31, 2014 (Unit: Millions of yen)

JGAAP		Reclassification	Differences in recognition and measurement	IFRS		
Account item	Amount	Amount	Amount	Amount	Note	Account item
Assets						Assets
Current assets						Current assets
Cash and deposits	607,618	34,076	—	641,694		Cash and cash equivalents
Notes and accounts receivable Electronically recorded monetary claims Allowance for doubtful accounts	688,147	61,761	6,753	756,661	(3)	Trade and other receivables
Inventories	422,425	—	(6,733)	415,692		Inventories
Securities	426,490	(29,975)	1,532	398,047	(5)	Other financial assets
Deferred tax assets	68,688	(68,688)	—	—	(7)	
Other current assets	128,279	(65,862)	(3,176)	59,241		Other current assets
Total current assets	2,341,647	(68,688)	(1,624)	2,271,335		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	1,043,676	—	186,245	1,229,921	(1)	Property, plant and equipment
Intangible assets	23,941	—	(5,639)	18,302		Intangible assets
Investment securities Long-term loans receivable Allowance for doubtful accounts	846,355	(33,398)	60,624	873,581	(2), (3), (5)	Other financial assets
	—	61,910	1,698	63,608		Investments accounted for using the equity method
Retirement benefit assets	125,945	—	(991)	124,954		Retirement benefit assets
Deferred tax assets	16,389	68,688	(47,283)	37,794	(7)	Deferred tax assets
Other non-current assets	44,554	(28,512)	6,516	22,558		Other non-current assets
Total non-current assets	2,100,860	68,688	201,170	2,370,718		Total non-current assets
Total assets	4,442,507	—	199,546	4,642,053		Total assets

(Unit: Millions of yen)

JGAAP		Reclassification	Differences in recognition and measurement	IFRS		
Account item	Amount	Amount	Amount	Amount	Note	Account item
Liabilities						Liabilities and Equity
Current Liabilities						Current Liabilities
Current portion of bonds Short-term borrowings	127,165	—	1,609	128,774	(5)	Bonds and borrowings
Notes and accounts payable Accrued expenses Accrued bonuses to employees Accrued bonuses to directors/internal auditors	672,584	38,074	63,821	774,479	(3), (4)	Trade and other payables
	—	9,391	136	9,527	(5)	Other financial liabilities
Income tax payables	73,855	—	—	73,855		Income tax payables
Reserve for warranty	55,025	5,704	—	60,729		Provisions
Other current liabilities	102,387	(53,202)	(2,844)	46,341	(7)	Other current liabilities
Total current liabilities	1,031,016	(33)	62,722	1,093,705		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds Long-term borrowings	308,578	—	14,934	323,512	(5)	Bonds and borrowings
	—	5,179	3,435	8,614	(3)	Other financial liabilities
Retirement benefit liabilities	200,271	—	(1,839)	198,432		Retirement benefit liabilities
	—	1,076	—	1,076		Provisions
Deferred tax liabilities	58,272	33	10,228	68,533	(7)	Deferred tax liabilities
Other non-current liabilities	21,024	(6,255)	911	15,680	(4)	Other non-current liabilities
Total non-current liabilities	588,145	33	27,669	615,847		Total non-current liabilities
Total liabilities	1,619,161	—	90,391	1,709,552		Total liabilities
Equity						Equity
Common stock	187,457	—	—	187,457		Capital stock
Capital surplus	269,497	—	(5,890)	263,607		Capital surplus
Treasury stock	(220,120)	—	—	(220,120)		Treasury stock
Accumulated other comprehensive income Stock acquisition rights	270,907	—	115,876	386,783		Other components of equity
Retained earnings	2,184,238	—	(2,050)	2,182,188	(6)	Retained earnings
Minority interests	131,367	—	1,219	132,586		Non-controlling interests
Total equity	2,823,346	—	109,155	2,932,501		Total equity
Total liabilities and equity	4,442,507	—	199,546	4,642,053		Total liabilities and equity

Notes to reconciliation of equity as of March 31, 2014

Reconciliation of equity as of March 31, 2014 was mainly as follows. Recognition of related tax effects and allocation to non-controlling interests were additionally made to relevant reconciliations.

(1) Depreciation of property, plant and equipment

With regard to the depreciation method of property, plant and equipment, the Group mainly adopted the declining-balance method under JGAAP; however, the Group has adopted the straight-line method under IFRS. In line with the application of IFRS, the useful life of property, plant and equipment has been unified within the Group. This resulted in increasing the balance of property, plant and equipment by ¥193,347 million.

(2) Measurement of financial instruments

Unlisted stocks were measured at cost, with relevant impairment losses if necessary when the financial position of the issuer company was downturned under JGAAP; however, under IFRS, they have been measured at fair value through other comprehensive income. This resulted in increasing the balance of unlisted stocks by ¥41,009 million.

(3) Lease

The Group recognized mold transactions as lease, based on the substance of the arrangement under IFRS. As a result, compared to the amounts under JGAAP, the balance of trade and other receivables increased by ¥8,050 million, other financial assets increased by ¥3,076 million, trade and other payables increased by ¥7,554 million, and the other financial liabilities increased by ¥3,434 million.

(4) Employee benefit

Although a specific accounting procedure was not required under JGAAP, liabilities were recognized for unused paid vacations and long-term service leave under IFRS. As a result, the balance of trade and other payables increased by ¥52,753 million and other non-current liabilities increased by ¥2,545 million.

(5) Long-term borrowings and hedge accounting

As for the hedge accounting conducted to avoid the risk of foreign exchange for long-term loans payable, preferential treatment was adopted under JGAAP; however, under IFRS, the Company cannot apply such preferential treatment and has measured them at fair value as of the fiscal year-end. As a result, the balance of other financial assets increased by ¥18,057 million, bonds and borrowings increased by ¥16,543 million, and other financial liabilities increased by ¥136 million.

(6) Transfer of the cumulative translation difference to retained earnings

By adopting the exemption, set forth in IFRS 1, the balance of ¥91,460 million, which is the cumulative translation difference regarding overseas subsidiaries, was wholly transferred to retained earnings as of the date of transition to IFRSs.

(7) Reclassification

The Group has made reclassifications to comply with the relevant IFRS provisions in addition to the above items, and has accordingly reclassified, in particular, the current portions of deferred tax assets of ¥68,688 million were reclassified into non-current portions of deferred tax assets. The current portions of deferred tax liabilities of ¥33 million were reclassified into non-current portions of deferred tax liabilities.

Reconciliation of equity as of March 31, 2015 (Unit: Millions of yen)

JGAAP		Reclassification	Differences in recognition and measurement	IFRS		
Account item	Amount	Amount	Amount	Amount	Note	Account item
Assets						Assets
Current assets						Current assets
Cash and deposits	634,695	157,719	－	792,414		Cash and cash equivalents
Notes and accounts receivable Electronically recorded monetary claims Allowance for doubtful accounts	738,054	62,292	7,323	807,669	(3)	Trade and other receivables
Inventories	486,101	－	(6,574)	479,527		Inventories
Securities	329,680	(146,347)	247	183,580	(5)	Other financial assets
Deferred tax assets	61,076	(61,076)	－	－	(7)	
Other current assets	147,318	(73,664)	(4,635)	69,019		Other current assets
Total current assets	2,396,924	(61,076)	(3,639)	2,332,209		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	1,200,616	－	195,090	1,395,706	(1)	Property, plant and equipment
Intangible assets	23,381	－	(3,744)	19,637		Intangible assets
Investment securities Long-term loans receivable Allowance for doubtful accounts	1,233,465	(22,941)	92,215	1,302,739	(2), (3), (5)	Other financial assets
	－	68,203	3,616	71,819		Investments accounted for using the equity method
Retirement benefit assets	94,875	－	(2,199)	92,676		Retirement benefit assets
Deferred tax assets	20,598	61,076	(37,217)	44,457	(7)	Deferred tax assets
Other non-current assets	62,883	(45,262)	6,393	24,014		Other non-current assets
Total non-current assets	2,635,818	61,076	254,154	2,951,048		Total non-current assets
Total assets	5,032,742	－	250,515	5,283,257		Total assets

(Unit: Millions of yen)

JGAAP		Reclassification	Differences in recognition and measurement	IFRS		
Account item	Amount	Amount	Amount	Amount	Note	Account item
Liabilities						Liabilities and Equity
Current Liabilities						Current Liabilities
Short-term borrowings	98,959	―	―	98,959		Bonds and borrowings
Notes and accounts payable Accrued expenses Accrued bonuses to employees Accrued bonuses to directors/internal auditors	699,966	36,888	67,962	804,816	(3), (4)	Trade and other payables
	―	11,695	―	11,695		Other financial liabilities
Income tax payables	14,182	―	―	14,182		Income tax payables
Reserve for warranty	45,744	5,993	―	51,737		Provisions
Other current liabilities	105,333	(54,696)	(3,338)	47,299	(7)	Other current liabilities
Total current liabilities	964,184	(120)	64,624	1,028,688		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds Long-term borrowings	319,137	―	29,104	348,241	(5)	Bonds and borrowings
	―	7,705	4,499	12,204	(3)	Other financial liabilities
Retirement benefit liabilities	221,736	―	(2,563)	219,173		Retirement benefit liabilities
	―	1,066	―	1,066		Provisions
Deferred tax liabilities	160,162	120	21,022	181,304	(7)	Deferred tax liabilities
Other non-current liabilities	26,084	(8,771)	1,057	18,370	(4)	Other non-current liabilities
Total non-current liabilities	727,119	120	53,119	780,358		Total non-current liabilities
Total liabilities	1,691,303	―	117,743	1,809,046		Total liabilities
Equity						Equity
Common stock	187,457	―	―	187,457		Capital stock
Capital surplus	270,082	―	(1,471)	268,611		Capital surplus
Treasury stock	(218,942)	―	―	(218,942)		Treasury stock
Accumulated other comprehensive income Stock acquisition rights	564,005	―	135,933	699,938		Other components of equity
Retained earnings	2,393,612	―	(2,738)	2,390,874	(6)	Retained earnings
Minority interests	145,225	―	1,048	146,273		Non-controlling interests
Total equity	3,341,439	―	132,772	3,474,211		Total equity
Total liabilities and equity	5,032,742	―	250,515	5,283,257		Total liabilities and equity

Notes to reconciliation of equity as of March 31, 2015

Reconciliation of equity as of March 31, 2015 was mainly as follows. Recognition of related tax effects and allocation to non-controlling interests were additionally made to relevant reconciliations.

(1) Depreciation of property, plant and equipment

With regard to the depreciation method of property, plant and equipment, the Group mainly adopted the declining-balance method under JGAAP; however, the Group has adopted the straight-line method under IFRS. In line with the application of IFRS, the useful life of property, plant and equipment has been unified within the Group. This resulted in increasing the balance of property, plant and equipment by ¥201,965 million.

(2) Measurement of financial instruments

Unlisted stocks were measured at cost, with relevant impairment losses if necessary when the financial position of the issuer company was downturned under JGAAP; however, under IFRS, they have been measured at fair value through other comprehensive income. This resulted in increasing the balance of unlisted stocks by ¥58,027 million.

(3) Lease

The Group recognized mold transactions as lease, based on the substance of the arrangement under IFRS. As a result, compared to the amounts under JGAAP, the balance of trade and other receivables increased by ¥9,034 million, other financial assets increased by ¥4,223 million, trade and other payables increased by ¥9,036 million, and the other financial liabilities increased by ¥4,500 million.

(4)Employee benefit

Although a specific accounting procedure was not required under JGAAP, liabilities were recognized for unused paid vacations and long-term service leave under IFRS. As a result, the balance of trade and other payables increased by ¥56,315 million and other non-current liabilities increased by ¥2,665 million.

(5) Long-term borrowings and hedge accounting

As for the hedge accounting conducted to avoid the risk of foreign exchange for long-term loans payable, preferential treatment was adopted under JGAAP; however, under IFRS, the Company cannot apply such preferential treatment and has measured them at fair value as of the fiscal year-end. As a result, the balance of other financial assets increased by ¥30,109 million and bonds and borrowings increased by ¥29,104 million.

(6) Transfer of the cumulative translation difference to retained earnings

By adopting the exemption, set forth in IFRS 1, the balance of ¥91,460 million, which is the cumulative translation difference regarding overseas subsidiaries, was wholly transferred to retained earnings as of the date of transition to IFRSs.

(7) Reclassification

The Group has made reclassifications to comply with the relevant IFRS provisions in addition to the above items, and has accordingly reclassified, in particular, the current portions of deferred tax assets of ¥61,076 million were reclassified into non-current portions of deferred tax assets. The current portions of deferred tax liabilities of ¥120 million were reclassified into non-current portions of deferred tax liabilities.

Reconciliation of profit and comprehensive income for the year ended March 31, 2014 (Unit: Millions of yen)

JGAAP		Reclassification	Differences in recognition and measurement	IFRS		
Account item	Amount	Amount	Amount	Amount	Note	Account item
Sales	4,095,925	―	(965)	4,094,960	(1)	Revenue
Cost of sales	(3,341,834)	―	(12,470)	(3,354,304)	(2), (3), (4)	Cost of revenue
Gross profit	754,091	―	(13,435)	740,656		Gross profit
Selling, general and administrative expenses	(376,395)	―	21	(376,374)	(2), (3) (4), (5)	Selling, general and administrative expenses
	―	19,887	(450)	19,437	(7)	Other income
	―	(10,702)	(1,577)	(12,279)	(7)	Other expenses
Operating income	377,696	9,185	(15,441)	371,440		Operating profit
Non-operating income	59,260	(59,260)	―	―		
Non-operating expenses	(17,385)	17,385	―	―		
Extraordinary income	16	(16)	―	―		
Extraordinary losses	(950)	950	―	―		
	―	20,840	193	21,033	(7)	Finance income
	―	(7,633)	(2,912)	(10,545)	(4), (7)	Finance costs
	―	12,253	(210)	12,043	(7)	Foreign exchange gains
	―	6,296	423	6,719		Share of the profit of associates accounted for using the equity method
Net income before income taxes	418,637	―	(17,947)	400,690		Profit before income taxes
Income taxes	(113,033)	―	7,399	(105,634)		Income tax expenses
Net income before minority interests	305,604	―	(10,548)	295,056		Profit for the year
Minority interests in net income	18,216	―	(356)	17,860		Profit attributable to non-controlling interests
Net income	287,388	―	(10,192)	277,196		Profit attributable to owners of the parent company

(Unit: Millions of yen)

JGAAP		Reclassification	Differences in recognition and measurement	IFRS		
Account item	Amount	Amount	Amount	Amount	Note	Account item
Net income before minority interests	305,604	―	(10,548)	295,056		Profit for the year
Other comprehensive income						Other comprehensive income
Unrealized gain on available-for-sale securities	81,411	8	7,801	89,220	(6)	Net fair value gain on equity instruments designated as FVTOCI
Defined employees' retirement benefit plans	12,939	―	25,443	38,382	(4)	Remeasurements of defined benefit pension plans
Foreign currency translation adjustments	60,648	4,375	(1,548)	63,475		Exchange differences on translating foreign operations
Deferred loss on derivatives under hedge accounting	(130)	―	378	248		Cash flow hedges
Share of other comprehensive income in affiliates	4,383	(4,383)	―	―		
Total other comprehensive income	159,251	―	32,074	191,325		Total other comprehensive income
Comprehensive income	464,855	―	21,526	486,381		Comprehensive income
Attributable to:						Attributable to:
Owners of the parent company	443,800	―	21,898	465,698		Owners of the parent company
Minority interests	21,055	―	(372)	20,683		Non-controlling interests

Notes to reconciliation of profit and other comprehensive income for the year ended March 31, 2014
Reconciliation of comprehensive income for the year ended March 31, 2014 was mainly as follows. Recognition of related tax effects and allocation to non-controlling interests were additionally made to relevant reconciliations.

(1) Lease
With regard to the mold, revenue was recognized at the time of the receipt of consideration for mold cost under JGAAP, however under IFRS, it was recognized at the inception of the lease. This resulted in decreasing the amounts of revenue by ¥539 million.

(2) Depreciation of property, plant and equipment
With regard to the depreciation method of property, plant and equipment, the Group mainly adopted the declining-balance method under JGAAP; however, the Group has adopted the straight-line method under IFRS. As a result, the amounts of cost of revenue increased by ¥5,294 million and selling, general and administrative expenses increased by ¥688 million.

(3) Employee benefit
Although a specific accounting procedure was not required under JGAAP, liabilities were recognized for unused paid vacations and long-term service leave under IFRS. As a result, the amounts of cost of revenue increased by ¥740 million and selling, general and administrative expenses increased by ¥478 million.

(4) Defined benefit plans
Under JGAAP, actuarial gains or losses and past service cost were reported under equity through other comprehensive income at occurrence, and were amortized over a certain period that is shorter than the average remaining service period of employees; however, under IFRS, actuarial gains or losses were recognized under shareholders' equity through other comprehensive income then immediately transferred to retained earnings, and past service cost was recognized as other income or other expenses.

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

As a result, the amounts of cost of revenue increased by ¥6,184 million, selling, general and administrative expenses increased by ¥2,855 million, finance costs increased by¥2,619 million, and other comprehensive income increased by ¥25,443 million.

(5) Goodwill
Under JGAAP, the amounts of goodwill were amortized over the estimated years during which the effects are expected to emerge. However, under IFRS, goodwill has not been amortized and instead tested for impairment annually or whenever indication of impairment exists. This resulted in decreasing the amounts of selling, general and administrative expenses by ¥1,617 million.

(6) Measurement of financial instruments (unlisted stocks)
Under JGAAP, unlisted stocks were measured at cost, with relevant impairment losses if necessary when the financial position of the issuer was downturned under JGAAP; however, they have been measured at fair value through other comprehensive income under IFRS. This resulted in increasing the amounts of other comprehensive income by ¥7,801 million.

(7) Reclassification
The items that have been presented under non-operating income, non-operating expenses, extraordinary income and extraordinary losses under JGAAP, were presented under IFRS as follows: finance-related items were finance income, finance costs or foreign exchange gain or loss, whereas other items are other income, other expenses or share of the profit of associates accounted for using the equity method.

Reconciliation of profit and comprehensive income for the year ended March 31, 2015 (Unit: Millions of yen)

JGAAP		Reclassification	Differences in recognition and measurement	IFRS		
Account item	Amount	Amount	Amount	Amount	Note	Account item
Sales	4,308,754	－	1,033	4,309,787	(1)	Revenue
Cost of sales	(3,551,832)	－	(360)	(3,552,192)	(2), (3), (4)	Cost of revenue
Gross profit	756,922	－	673	757,595		Gross profit
Selling, general and administrative expenses	(401,811)	－	2,347	(399,464)	(2), (3), (4), (5)	Selling, general and administrative expenses
	－	67,486	(54,689)	12,797	(6) (7), (9)	Other income
	－	(36,708)	(2,844)	(39,552)	(9)	Other expenses
Operating income	355,111	30,778	(54,513)	331,376		Operating profit
Non-operating income	59,888	(59,888)	－	－		
Non-operating expenses	(17,568)	17,568	－	－		
Extraordinary income	56,691	(56,691)	－	－		
Extraordinary losses	(26,884)	26,884	－	－		
	－	28,048	(602)	27,446	(9)	Finance income
	－	(7,744)	(1,632)	(9,376)	(4), (9)	Finance costs
	－	16,319	194	16,513	(9)	Foreign exchange gains
	－	4,726	1,230	5,956		Share of the profit of associates accounted for using the equity method
Net income before income taxes	427,238	－	(55,323)	371,915		Profit before income taxes
Income taxes	(115,872)	－	20,666	(95,206)		Income tax expenses
Net income before minority interests	311,366	－	(34,657)	276,709		Profit for the year
Minority interests	18,267	－	60	18,327		Profit attributable to non-controlling interests
Net income	293,099	－	(34,717)	258,382		Profit attributable to owners of the parent company

(Unit: Millions of yen)

JGAAP		Reclassification	Differences in recognition and measurement	IFRS		
Account item	Amount	Amount	Amount	Amount	Note	Account item
Net income before minority interests	311,366	—	(34,657)	276,709		Profit for the year
Other comprehensive income						Other comprehensive income
Unrealized gain on available-for-sale securities	215,856	54	11,753	227,663	(8)	Net fair value gain on equity instruments designated as FVTOCI
Defined employees' retirement benefit plans	(7,675)	—	41,672	33,997	(3)	Remeasurements of defined benefit pension plans
Foreign currency translation adjustments	92,984	2,899	827	96,710		Exchange differences on translating foreign operations
Deferred gain/loss on derivatives under hedge accounting	127	—	(218)	(91)		Cash flow hedges
Share of other comprehensive income in affiliates	2,953	(2,953)	—	—		
Total other comprehensive income	304,245	—	54,034	358,279		Total other comprehensive income
Comprehensive income	615,611	—	19,377	634,988		Comprehensive income
Attributable to:						Attributable to:
Owners of the parent company	586,537	—	19,369	605,906		Owners of the parent company
Minority interests	29,074	—	8	29,082		Non-controlling interests

Notes to reconciliation of profit and other comprehensive income for the year ended March 31, 2015
Reconciliation of comprehensive income for the year ended March 31, 2015 was mainly as follows. Recognition of related tax effects and allocation to non-controlling interests were additionally made to relevant reconciliations.

(1) Lease
With regard to the mold, revenue was recognized at the time of the receipt of consideration for mold cost under JGAAP, however under IFRS, it was recognized at the inception of the lease. This resulted in increasing the amounts of revenue by ¥1,982 million.

(2) Depreciation of property, plant and equipment
With regard to the depreciation method of property, plant and equipment, the Group mainly adopted the declining-balance method under JGAAP; however, the Group has adopted the straight-line method under IFRS. As a result, the amounts of cost of revenue decreased by ¥11,002 million and selling, general and administrative expenses decreased by ¥1,438 million.

(3) Employee benefit
Although a specific accounting procedure was not required under JGAAP, liabilities were recognized for unused paid vacations and long-term service leave under IFRS. As a result, the amounts of cost of revenue increased by ¥2,129 million and selling, general and administrative expenses increased by ¥1,113 million.

(4) Defined benefit plans
Under JGAAP, actuarial gains or losses and past service cost were reported under equity through other comprehensive income at occurrence, and were amortized over a certain period that is shorter than the average remaining service period of employees; however, under IFRS, actuarial gains or losses were recognized under shareholders' equity through other comprehensive income then immediately transferred to retained earnings, and past service cost was recognized as other income or other expenses.

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

As a result, the amounts of cost of revenue increased by ¥5,098 million, selling, general and administrative expenses increased by ¥504 million, finance costs increased by¥1,631 million, and other comprehensive income increased by ¥41,672 million.

(5) Goodwill
Under JGAAP, the amounts of goodwill were amortized over the estimated years during which the effects are expected to emerge. However, under IFRS, goodwill has not been amortized and instead tested for impairment annually or whenever indication of impairment exists. This resulted in decreasing the amounts of selling, general and administrative expenses by ¥2,104 million.

(6) Gain on withdrawal of assets from retirement benefit trust
Under JGAAP, gain on withdrawal of assets from retirement benefit trust was reported as extraordinary income. Under IFRS, actuarial gains or losses were reported under equity through other comprehensive income at occurrence, and not recognized as income for the year ended March 31, 2015. As a result, the amount of other income decreased by ¥50,168 million.

(7) Gain on negative goodwill
Under JGAAP, gain on negative goodwill was reported as extraordinary income at occurrence, but has been reported as capital surplus due to the changes in the ownership interests in subsidiaries without loss of control under IFRS. As a result, the amount of other income decreased by ¥5,265 million.

(8) Measurement of financial instruments (unlisted stocks)
Under JGAAP, unlisted stocks were measured at cost, with relevant impairment losses if necessary when the financial position of the issuer was downturned under JGAAP; however, they have been measured at fair value through other comprehensive income under IFRS. This resulted in increasing the amounts of other comprehensive income by ¥11,753 million.

(9) Reclassification
The items that have been presented under non-operating income, non-operating expenses, extraordinary income and extraordinary losses under JGAAP, were presented under IFRS as follows: finance-related items were finance income, finance costs or foreign exchange gain or loss, whereas other items are other income, other expenses or share of the profit of associates accounted for using the equity method.

Reconciliation of consolidated cash flows for the years ended March 31, 2014 and 2015

There are no material differences between the consolidated statement of cash flows under JGAAP and the consolidated statement of cash flows under IFRS.

Appendix

List of subsidiaries

The parent's subsidiaries as of March 31, 2015 were as follows.

Segment	Company Name	Voting rights (%)
Japan	KYOSAN DENKI CO.,LTD.	62.9
	ANDEN CO.,LTD.	100.0
	HAMANAKODENSO CO.,LTD.	76.6
	DAISHINSEIKI CO.,LTD.	99.4
	NIPPON WIPER BLADE CO.,LTD.	70.0 (55.0)
	GAC CORPORATION	57.5
	DENSO AIR SYSTEMS CO.,LTD.	100.0
	DENSO SALES JAPAN CORPORATION	100.0
	ASMO CO.,LTD.	92.2 (12.6)
	DENSO WAVE INC.	75.2
	DENSO TECHNO CO.,LTD.	100.0
	DENSO FINANCE&ACCOUNTING CENTER CO.,LTD.	100.0
	DENSO KYUSHU CORPORATION	100.0
	DENSO HOKKAIDO CORPORATION	100.0
	Other 47 companies	—
North America	DENSO INTERNATIONAL AMERICA,INC.	100.0
	DENSO PRODUCTS AND SERVICES AMERICAS, INC.	100.0 (100.0)
	DENSO MANUFACTURING MICHIGAN,INC.	100.0 (100.0)
	DENSO MANUFACTURING TENNESSEE,INC.	100.0 (100.0)
	DENSO MANUFACTURING ATHENS TENNESSEE,INC	100.0 (100.0)
	ASMO NORTH AMERICA LLC.	100.0 (100.0)
	ASMO NORTH CAROLINA,INC.	100.0 (100.0)
	ASMO GREENVILLE OF NORTH CAROLINA,INC.	100.0 (100.0)
	DENSO WIRELESS SYSTEMS AMERICA,INC.	100.0 (100.0)
	DENSO MANUFACTURING ARKANSAS,INC.	100.0 (100.0)
	KYOSAN DENSO MANUFACTURING KENTUCKY,LLC	100.0 (100.0)
	DENSO SALES CANADA,INC.	100.0
	DENSO MANUFACTURING CANADA,INC.	100.0
	DENSO MEXICO S.A. DE C.V.	95.0 (95.0)
	Other 14 companies	—

Segment	Company Name	Voting rights (%)
Europe	DENSO INTERNATIONAL EUROPE B.V.	100.0
	DENSO EUROPE B.V.	100.0 (100.0)
	DENSO FINANCE HOLLAND B.V.	100.0
	DENSO INTERNATIONAL UK LTD.	100.0 (100.0)
	DENSO MANUFACTURING UK LTD.	100.0 (100.0)
	DENSO BARCELONA S.A.	100.0 (100.0)
	DENSO MANUFACTURING ITALIA S.p.A.	100.0 (100.0)
	DENSO THERMAL SYSTEMS S.p.A.	100.0 (100.0)
	DENSO MANUFACTURING HUNGARY LTD.	100.0 (100.0)
	DENSO MANUFACTURING CZECH s.r.o.	100.0 (100.0)
	DENSO THERMAL SYSTEMS POLSKA Sp.zo.o.	100.0 (100.0)
	Other 24 companies	—
Asia	DENSO INTERNATIONAL ASIA PTE.. LTD.	100.0
	DENSO SALES (THAILAND) CO.,LTD.	100.0 (100.0)
	DENSO (THAILAND) CO.,LTD.	51.3 (51.3)
	DENSO INTERNATIONAL ASIA CO.,LTD	100.0 (100.0)
	SIAM DENSO MANUFACTURING CO., LTD.	90.0 (90.0)
	SIAM KYOSAN DENSO CO.,LTD.	100.0 (100.0)
	PT.DENSO INDONESIA	68.3 (68.3)
	PT. DENSO SALES INDONESIA	100.0 (100.0)
	PT. ASMO INDONESIA	100.0 (100.0)
	DENSO (MALAYSIA) SDN.BHD.	72.7 (72.7)
	DENSO MANUFACTURING VIETNAM CO.,LTD.	95.0 (95.0)
	DENSO HARYANA PVT. LTD.	100.0 (100.0)
	DENSO (CHINA) INVESTMENT CO.,LTD.	100.0
	TIANJIN DENSO ELECTRONICS CO.,LTD.	93.0 (93.0)
	TIANJIN FAWER DENSO AIR-CONDITIONER CO.,LTD.	60.0 (60.0)
	TIANJIN DENSO ENGINE ELECTRICAL PRODUCTS CO.,LTD.	95.30 (95.0)
	TIANJIN ASMO AUTOMOTIVE SMALL MOTOR CO., LTD.	60.5 (60.5)
	GUANGZHOU DENSO CO.,LTD.	60.0 (60.0)
	DENSO (GUANGZHOU NANSHA) CO.,LTD.	100.0 (74.9)

Segment	Company Name	Voting rights (%)
Asia	DENSO TAIWAN CORP.	80.0 (80.0)
	DENSO KOREA AUTOMOTIVE CORPORATION	100.0 (29.2)
	DENSO KOREA ELECTRONICS CORPORATION	100.0
	Other 36 companies	―
Others	DENSO DO BRASIL LTDA.	90.6
	Other 5 companies	―

(Notes) 1. The percentage with parenthesis under "Voting rights (%)" indicates the indirect ownership out of the total ownership noted above.

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

Deloitte.

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INDEPENDENT AUDITOR' S REPORT

To the Board of Directors of
DENSO CORPORATION:

We have audited the accompanying consolidated financial statements of DENSO CORPORATION and its subsidiaries, which comprise the consolidated statement of financial position as of March 31, 2015, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DENSO CORPORATION and its subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu LLC

June 19, 2015

Member of
Deloitte Touche Tohmatsu Limited