DENSO
Crafting the Core

DENSO CORPORATION

$500,000,000 4.864% Senior Notes due 2031
Issue Price 100%

DENSO CORPORATION, a joint stock company incorporated with limited liability under the laws of Japan, proposes to issue an aggregate principal amount of $500,000,000 of senior notes due on June 29, 2031, or the notes. The notes will bear interest at the rate of 4.864% per annum, payable semi-annually in arrears on June 29 and December 29 of each year, with the first interest payment to be made on December 29, 2026.

The notes will be our direct, unsecured and unsubordinated general obligations and will rank equally and *pari passu* with all of our other unsecured and unsubordinated debt from time to time outstanding (except for statutorily preferred obligations), and without any preference among themselves. We may redeem, at our option, the notes, in whole or in part, at any time prior to May 29, 2031 at the redemption price determined in the manner described herein plus accrued and unpaid interest on the principal amount being redeemed to, but excluding, the date of redemption. We may also redeem, at our option, the notes, in whole or in part, at any time on or after May 29, 2031 at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest on the principal amount being redeemed to, but excluding, the date of redemption. In addition, we may redeem, at our option and sole discretion, the notes in whole, but not in part, upon the occurrence of certain changes in certain withholding tax law. See "Description of the Notes."

The notes will be issued only in registered form in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof.

Approval in-principle has been received for the listing and quotation of the notes on the Singapore Exchange Securities Trading Limited, or the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering memorandum. Approval in-principle for the listing and quotation of the notes on the SGX-ST and the admission of the notes on the official list of the SGX-ST is not to be taken as an indication of the merits of us or the notes.

Investing in the notes involves risks that are described in "Risk Factors" beginning on page 15 of this offering memorandum.

The notes are being offered and sold by the initial purchasers, as set forth in "Plan of Distribution," in the United States to persons reasonably believed to be qualified institutional buyers, or QIBs, within the meaning of and in reliance on the exemption from registration requirements provided by Rule 144A under the U.S. Securities Act of 1933, as amended, or the Securities Act, and to persons other than U.S. persons in offshore transactions outside the United States in reliance on Regulation S under the Securities Act.

The notes have not been and will not be registered under the Securities Act, and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The notes are subject to certain restrictions on transfer. See "Transfer Restrictions" and "Plan of Distribution."

It is expected that delivery of the notes will be made through the book-entry facilities of The Depository Trust Company, or DTC, for the accounts of its participants, including Euroclear Bank SA/NV, or Euroclear, and Clearstream Banking S.A., or Clearstream, on or about June 29, 2026.

Joint Lead Managers and Joint Bookrunners

Morgan Stanley **BofA Securities**
J.P. Morgan **Citigroup**

The date of this offering memorandum is June 22, 2026.

No person has been authorized in connection with the offering to give any information or to make any representations not contained in this offering memorandum. If given or made, any such information or representations must not be relied upon as having been authorized by us, any initial purchaser or any person affiliated with the initial purchasers. No action has been, or will be, taken to permit a public offering of the notes in any jurisdiction where action would be required for that purpose. Accordingly, the notes offered hereby may not be offered or sold, directly or indirectly, and this offering memorandum may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof.

IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF US AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS OFFERING MEMORANDUM OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE UNDER THE LAWS OF THE UNITED STATES.

We are furnishing this offering memorandum solely for the purpose of enabling prospective investors to consider the purchase of the notes in connection with an offering not registered under the Securities Act. The information contained in this offering memorandum has been provided by us and other sources identified in this offering memorandum. Any reproduction or distribution of this offering memorandum, in whole or in part, and any disclosure of its contents or use of any information contained in it for any purpose other than considering an investment in the notes offered hereby is prohibited. Each offeree of the notes, by accepting delivery of this offering memorandum, agrees to the foregoing.

No representation or warranty is made by the initial purchasers or any of their agents, affiliates or advisors as to the accuracy or completeness of the information contained in this offering memorandum and nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers or their agents, affiliates or advisors.

The notes have not been and will not be registered under the Securities Act, or with any securities authority of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The notes are being offered:

- only to persons reasonably believed to be QIBs in reliance on the exemption from registration requirements provided by Rule 144A under the Securities Act; or
- in offshore transactions to persons other than U.S. persons in reliance on Regulation S under the Securities Act.

You are hereby notified that sellers of the notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA, and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended), or the Special Taxation Measures Act. The notes may not be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used in this sentence means any person resident of Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. The notes are not, as part of the distribution by the initial purchasers pursuant to the purchase agreement dated the date of this offering memorandum at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than a beneficial owner that is, (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with DENSO as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, or a specially-related person of DENSO, or (ii) a Japanese financial institution, designated in Article 6, Paragraph (11) of the Special Taxation Measures Act. **BY SUBSCRIBING**

FOR THE NOTES, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS A PERSON WHO FALLS INTO THE CATEGORY OF (i) OR (ii) ABOVE.

Interest payments on the notes will generally be subject to Japanese withholding tax unless it is established that such notes are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of DENSO, (ii) a Japanese designated financial institution described in Article 6, Paragraph (11) of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph or (iii) a Japanese public corporation, a Japanese financial institution or a Japanese financial instruments business operator described in Article 3-3, Paragraph (6) of the Special Taxation Measures Act which complies with the requirement for tax exemption under that paragraph.

Interest payments on the notes to an individual resident of Japan, to a Japanese corporation not described in the preceding paragraph, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of DENSO will be subject to deduction in respect of Japanese income tax at a current rate of 15.315% of the amount of such interest.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS—The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation"), for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS—The notes are not intended to be offered, sold, distributed or otherwise made available to, and should not be offered, sold, distributed or otherwise made available to, any retail investor in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is either one (or both) of the following: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended, the "EUWA"); or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024 (the "POATR"). Consequently, no disclosure document required by the FCA Product Disclosure Sourcebook ("DISC") for offering, selling or distributing the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the notes or otherwise making them available to any retail investor in the UK may be unlawful under DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

There are restrictions on the offer and sale of the notes in the UK. All applicable provisions of the Financial Services and Markets Act 2000 (as amended, the "FSMA"), with respect to anything done by any person in relation to the notes in, from, or otherwise involving, the UK must be complied with. See "Plan of Distribution—Selling Restrictions."

This offering memorandum is for distribution in the UK only to persons who: (A) are qualified investors, as such term is defined in paragraph 15 of Schedule 1 to the POATR; and (B)(i) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the FSMA (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order ("high net worth companies, unincorporated associations etc."), or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "Relevant Persons"). This offering memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this offering memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

For a further description of restrictions on the offer and sale of the notes, see "Transfer Restrictions" and "Plan of Distribution."

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AVAILABLE INFORMATION

We have agreed that so long as any of the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, at any time we are not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, nor exempt from the reporting requirements under the Exchange Act pursuant to Rule 12g3-2(b) under the Exchange Act, provide to each holder of restricted securities and to each prospective purchaser (as designated by the holder) of restricted securities, upon request of the holder or prospective purchaser, the information required to be provided by Rule 144A(d)(4)(i) under the Securities Act.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this offering memorandum, "we," "us," "our," "our group" and "DENSO" refer to DENSO CORPORATION, including its consolidated subsidiaries, except as otherwise expressly stated or as the context requires. References to "Toyota Motor" are to Toyota Motor Corporation. References to "Toyota Industries" are to Toyota Industries Corporation. References to "Toyota Fudosan" are to Toyota Fudosan Co., Ltd. References to "Aisin" are to AISIN CORPORATION. References to "Toyota Group" and "Toyota Group companies" are to Toyota Motor and the companies affiliated with or related to Toyota Motor, which includes Toyota Industries, Toyota Fudosan and Aisin and, as the context requires, DENSO.

In this offering memorandum, when information has been extracted from our financial statements and is presented in millions or billions of yen, amounts of less than one billion, one million or one thousand, as the case may be, have been rounded unless otherwise specified. In this offering memorandum, where information is presented as percentages, amounts less than one-tenth of one percent or one-hundredth of one percent, as the case may be, have been rounded unless otherwise specified. Accordingly, figures presented in tables in this offering memorandum may not total due to such truncating or rounding. In this offering memorandum, references to "yen," "JPY" or "¥" are to the lawful currency of Japan; references to "$," "U.S. dollar," "United States dollar" or "USD" are to the lawful currency of the United States of America; and references to "€," "EUR" or "euro" are to the lawful currency of those member states of the European Union that are participating in the European Economic and Monetary Union pursuant to the Treaty on European Union. References to "S$" are to the lawful currency of Singapore. References to "yuan" or "CNY" are to the lawful currency of the People's Republic of China. References to "THB" are to the lawful currency of the Kingdom of Thailand. References to "IDR" are to the lawful currency of Indonesia. References to "INR" are to the lawful currency of the Republic of India. References to "MYR" are to the lawful currency of Malaysia. References to "KRW" are to the lawful currency of the Republic of Korea. Our fiscal year end is March 31. Unless otherwise specified, the financial information set forth herein is presented on a consolidated basis.

Our audited consolidated financial statements as of and for the years ended March 31, 2025 and 2026 included elsewhere in this offering memorandum have been prepared in accordance with IFRS Accounting Standards ("IFRS").

THIRD-PARTY INFORMATION

We make statements in this offering memorandum about our competitive position and market share in, and the market size of, the automotive components market and related markets. In addition, we include statistics relating to industry and general economic trends. Where indicated, these statements are made on the basis of statistics and other information we have obtained from third-party sources, such as governmental agencies, research institutes and industry or general publications that we believe are reliable. Although we have no reason to believe any of this information is inaccurate in any material respect, we have not independently verified and cannot assure the accuracy of any data provided by or derived from such third-party sources. In addition, where indicated, these statements are made on the basis of our own internal analysis of third-party statistics and other information as well as other information available to us. Such internal analysis has not been verified by any third party and is inherently subject to speculation and uncertainty.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. These statements appear in a number of places in this offering memorandum and include statements regarding the intent, belief or current and future expectations of our management with respect to our business, financial condition and results of operations. You can identify forward-looking statements by discussions of strategy, plans or intentions. In many cases, but not all, we use such words as "aim," "anticipate," "believe," "estimate," "expect," "forecast," "intend," "may," "outlook," "plan," "potential," "predict," "probability," "project," "risk," "seek," "should," "target," "will," "would" and similar expressions in relation to us or our management to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate.

Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this offering memorandum. We disclaim any obligation to update, or to announce publicly any revision to, any of the forward-looking statements contained in this offering memorandum to reflect future actual events or developments. The information contained in this offering memorandum, including without limitation the information included in "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business," identifies important factors that might cause the forward-looking statements not to be realized.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a Japanese joint stock corporation incorporated under the laws of Japan. The majority of our Directors, Audit & Supervisory Board Members, Senior Executive Officers and Executive Officers reside in Japan, and a substantial portion of our assets and the assets of such persons are located outside the United States. As a result, it may not be possible for holders or beneficial owners of the notes to effect service of process within the United States or elsewhere outside Japan upon us or such persons or to enforce against us or such persons judgments obtained in U.S. courts or elsewhere, whether or not predicated upon the civil liability provisions of the U.S. federal or state securities laws or other laws of the United States or elsewhere. Nagashima Ohno & Tsunematsu, our Japanese counsel, has advised us that, in original actions or in actions for enforcement of judgments of U.S. federal or state courts brought before Japanese courts, there is in general doubt as to the enforceability of liabilities based solely on U.S. federal and state securities laws.

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the detailed information and financial statements and related notes contained elsewhere in this offering memorandum. Prospective investors should carefully consider the information set forth under the caption "Risk Factors" and all other information set forth in this offering memorandum.

DENSO CORPORATION

Overview

We are a leading global manufacturing company primarily engaged in the development, production and sale of automotive parts and components. As a member of the Toyota Group, our strong relationship with Toyota Group companies has supported the continued expansion of our core businesses and remains one of our key competitive advantages. See "Business—Historical Background and Relationship with the Toyota Group."

We are engaged in the manufacturing and sale of automotive parts as well as non-automotive products in the following product categories:

- *Thermal Systems.* In our Thermal Systems business, we develop, manufacture and sell air-conditioning systems for automobiles as well as other climate control products, including truck freezer units, air filters and radiators, among others. In the year ended March 31, 2026, revenue from our thermal systems business was ¥1,780,351 million, or 23.6% of total revenue.

- *Powertrain Systems.* In our Powertrain Systems business, we primarily manufacture and sell engine-related products for hybrid and electric vehicles, gasoline and diesel engine management systems, power train control systems and power-generation systems. Our products include fuel injection systems, exhaust gas sensors, air flow meters and control valves, among others. In the year ended March 31, 2026, revenue from our Powertrain Systems business was ¥1,479,737 million, or 19.6% of total revenue.

- *Mobility Electronics.* In our Mobility Electronics business, we develop and manufacture electrification systems, services and platforms as well as products related to advanced safety and automated driving, including driving environment recognition systems and cockpit information systems. Our products include extremely high frequency radar sensors, image sensors, engine electronic control units ("ECUs"), driver status monitors, combination meters and telematics control units, among others. In the year ended March 31, 2026, revenue from our Mobility Electronics business was ¥2,198,663 million, or 29.2% of total revenue.

- *Electrification Systems.* In our Electrification Systems business, we develop, manufacture and sell products for hybrid and electric vehicle drive systems, power supply systems and starting systems in addition to small motor systems. Our products include engine ECU, power control units, motor generators, battery ECUs, electric power steering, starters and alternators, among others. In the year ended March 31, 2026, revenue from our Electrification Systems business was ¥1,433,456 million, or 19.0% of total revenue.

- *Advanced Devices.* In our Advanced Devices business, we develop and manufacture a comprehensive range of mechatronics systems, including CASE (connectedness, automation, sharing and electrification)-related products, and automotive semiconductor and sensor products such as power cards, in-vehicle semiconductors and semiconductor sensors. In the year ended March 31, 2026, revenue from the Advanced Devices business totaled ¥390,274 million, or 5.2% of total revenue.

- *Non-Automotive Business.* In our Non-Automotive business, we develop and manufacture non-automotive products including industrial equipment and horticultural equipment. Our industrial equipment products include industrial-use robots, code readers and programmable controllers. Our horticultural equipment products include equipment for mid- to large-scale greenhouses such as environmental control systems. In the year ended March 31, 2026, revenue from our Non-Automotive business totaled ¥148,907 million, or 2.0% of total revenue.

We report our financial information based on five regional operating segments which consist of Japan, North America, Europe, Asia and Others (which includes subsidiaries in South America). In the year ended March 31, 2026, revenue excluding inter-segment transactions from our Japan segment was ¥3,087,881 million, or 41.0% of total revenue, revenue from our North America segment was ¥2,012,358 million, or 26.7% of total revenue, revenue from our Europe segment was ¥691,545 million, or 9.2% of total revenue, revenue from our Asia segment was ¥1,622,176 million, or 21.5% of total revenue and revenue from our Other segment was ¥126,015 million, or 1.7% of total revenue.

We operate through subsidiaries and affiliates, some of which have been formed as the result of strategic acquisitions or joint ventures. As at March 31, 2026, we had 190 consolidated subsidiaries and 62 affiliates accounted for by the equity method.

Historical Background and Relationship with the Toyota Group

Our History

We were established as Nippondenso Co., Ltd. in 1949 in connection with the separation of certain automotive parts operations from Toyota Motor. Upon our establishment, we initially focused on manufacturing of electrical components for automobiles. In 1953, we entered into a technical cooperation agreement with Robert Bosch GmbH, a leading manufacturer of electronic components for automobiles, to enhance our technical competitiveness. Subsequently, we began to expand our business fields beyond the production of electrical components for automobiles. In 1955, we started the development and manufacturing of injection pumps. We produced our first air-conditioning system in 1967 by synthesizing our electronic and temperature control technology.

In 1965, we began expanding our domestic manufacturing bases and capacity to meet the increasing demand for automotive components, and established Ikeda Plant in Aichi Prefecture and Hiroshima Plant, our first plants outside our corporate headquarters. In the late 1960s, we started expanding our business to outside Japan with a view to becoming a global leading manufacturer of comprehensive automotive components. In 1966, we established a sales office in Chicago and branch offices in Los Angeles, our first offices outside Japan. In 1971, we established Nippondenso Los Angeles, Inc., our first overseas sales subsidiary. Also, in 1972, we established Nippondenso (Australia) Pty. Ltd., and Nippondenso Thailand Co., Ltd., our first manufacturing companies outside Japan. In 1973, we established a subsidiary in the Netherlands as our first subsidiary in Europe. In the 1980s, we further accelerated our efforts to become a global company through the establishment of Nippondenso America, Inc. as our regional headquarters in the North American market. We changed our corporate name from Nippondenso Co., Ltd to DENSO Corporation in 1996 to reflect the global expansion of our business by removing “Nippon” (which means Japan) from our corporate name.

In November 2017, we acquired additional shares in DENSO TEN Limited (formerly Fujitsu Ten), a leading manufacturer of automotive electronics, making it a consolidated subsidiary, with a view to further strengthening our position in the in-vehicle electronics industry. In April 2020, we consolidated Toyota Motor’s electronic components business with ours for the purpose of further enhancing the competitiveness of the research and development capabilities of the Toyota Group as well as streamlining manufacturing resources. Currently, we have subsidiaries in 35 countries and regions around the world.

Since our establishment, we have incorporated the perspective of environmental and social sustainability into our business strategy as a fundamental corporate philosophy, and we have created a number of innovative technologies and products which contribute to the sustainability of our environment. For example, in the 1960s, we succeeded in the practical application of mechanical-type gasoline injection systems as well as electronic control-type gasoline injection systems in response to the increasing concern about air pollution by car emissions. In addition, to address the increasing gas emissions from automobiles and respond to future demand for electric automotive components, we launched an in-house research and development division for integrated circuits (ICs) and further established a comprehensive system for the production of ICs. In the 1980s, we succeeded in the development of car air-conditioning systems which use natural refrigerants or CO_2 in order to prevent destruction of the ozone layer by conventional air-conditioning refrigerants. Since the 2000s, in response to the increasing concern about global warming, we have strengthened our efforts for the development of fuel-saving products in all product categories. In 2005, we established DENSO Eco Vision 2005 to share our environmental guideline with our group companies throughout the world. This initiative has been revised every ten years and we have been striving to develop eco-friendly products to contribute to sustainable society.

Relationship with Toyota Group Companies

We have developed and maintained a close relationship with Toyota Motor and other companies affiliated with Toyota Motor, as described in more detail below. We have cultivated a deep and long-standing relationship with Toyota Motor and its related companies that are based on a strong foundation of communication and trust, which enables us and the other Toyota Group companies to maintain a group-wide supplier system that is compatible across companies to achieve high-quality control. Through this relationship, we aim to strengthen an effective automobile supplier alliance by jointly developing products, sharing information, and closely coordinating on key production issues such as quality control.

While we and certain other Toyota Group companies previously had policies of maintaining significant shareholdings in each other, we and certain other Toyota Group companies have been engaged in reducing or eliminating these shareholdings in recent periods, as discussed in further detail below. Despite the shift in policy regarding such shareholdings, we believe that maintaining a strong relationship with Toyota Motor and other Toyota Group companies is an important part of our business strategy, and that the continued success of the Toyota Group will contribute to the overall growth of our business.

For risks related to our relationship with Toyota Motor and other Toyota Group companies, see "Risk Factors—Risks Related to Our Business—A significant portion of our revenue is from sales to the Toyota Group companies and our other OEM customers, and our business, financial condition and results of operations may be adversely impacted if there is any adverse development in the production levels, business, financial condition and results of operations of such companies or our relationships with such companies."

Relationship with Toyota Motor

Toyota Motor is the largest automobile manufacturer in Japan and one of the largest automobile manufacturers in the world in terms of the number of vehicles sold. We have historically maintained a close relationship with Toyota Motor since we were established in 1949. We continue to have strong ongoing business relationships with Toyota Motor in a number of areas, including the production and sale of automobile components to Toyota Motor. Toyota Motor is our largest direct customer, with sales to Toyota Motor and its subsidiaries for the years ended March 31, 2025 and 2026 accounting for 54.5% and 54.8% of our consolidated revenue, respectively. We have also established a close relationship with Toyota Motor in terms of research and development, for example, with the purpose of facilitating the development of automated ride-sharing services. Also, in April 2020, we consolidated Toyota Motor's electronic components business with ours for the purpose of further enhancing the competitiveness of the research and development capabilities of the Toyota Group as well as streamlining manufacturing resources.

We maintain strong personnel relationships with Toyota Motor at both the management and employee levels, and a number of our employees are seconded to Toyota Motor, from whom we also receive seconded personnel.

Toyota Motor is also our single largest shareholder, and we are considered an affiliate of Toyota Motor for accounting purposes. As of March 31, 2026, Toyota Motor held 22.24% of the issued shares of our common stock, and we held 3.45% of the issued shares of common stock of Toyota Motor as its seventh largest shareholder.

Relationship with Toyota Industries

Toyota Industries, an affiliate of Toyota Motor, is an automobile parts manufacturer that supplies parts to Toyota Group companies including us and other third parties. Our partnership with Toyota Industries is one of our key relationships in our automobile parts business. In particular, Toyota Industries is a key supplier of our car air-conditioning compressors, which are then sold to major automobile manufacturers worldwide and also incorporated in our car air-conditioning systems. As part of our partnership with Toyota Industries, we also engage in joint marketing and sales activities to expand and strengthen the customer base for car air-conditioning compressors of Toyota Industries. We also supply Toyota Industries with certain automobile parts, and Toyota Industries supplies certain other automobile parts to us. We have also entered into a number of joint ventures and other transactions with Toyota Industries.

As of March 31, 2026, Toyota Industries held 5.85% of the issued shares of our common stock. In March 2024, we announced our plan to sell all of our shares in Toyota Industries by June 2026, which we were

planning to carry out in stages. However, on June 3, 2025, we announced our decision to sell the entirety of our remaining shares in Toyota Industries in response to a tender offer planned by Toyota Fudosan for such shares, and also made an advance notice of a tender offer for our own shares held by Toyota Industries. The sale of our remaining holdings in Toyota Industries was completed on March 30, 2026 for ¥305.4 billion, and we completed our self-tender offer on June 1, 2026 for 184,897,667 shares of our common stock at a price of ¥1,696 per share for a total of approximately ¥314 billion.

Relationship with Aisin and Other Toyota Group Companies

We have close relationships with other Toyota Group companies in connection with sales of products and purchases of materials and components. In addition, we cooperate with and rely on these Toyota Group companies in terms of research and developments. We believe these relationships are important in helping us strengthen and grow our business. For example, in April 2019, we partnered with Aisin and established BluE Nexus, a joint venture to develop and sell packaged drive-train modules, which consists of key components essential for electric vehicles. After additional investment by Toyota Motor in August 2020, the holding ratio of BluE Nexus are 45% by Aisin, 10% by Toyota Motor and 45% by us. Also, in April 2019, we partnered with Aisin, ADVICS Co., Ltd., or ADVICS, and JTEKT Corporation, or JTEKT, and established J-QuAD DYNAMICS, to develop integrated control software and accelerate its development.

In December 2023, Aisin sold all 50,175,800 shares of our common stock held by it, and we sold all of our shares in Aisin in July 2024.

Our Strengths

Strong Business Relationships with Toyota Group and Global OEMs Supported by Strong Global Network

We have a stable revenue base supported by our strong business relationship with the Toyota Group. For the year ended March 31, 2026, our revenue derived from the sales to Toyota Group accounted for ¥4,134.6 billion, or 54.8% of our total revenue. In addition to the sales of our products, we also closely cooperate with the Toyota Group in connection with our research and development efforts. For example, in April 2019, we partnered with Aisin and established BluE Nexus, a joint venture to develop a wide range of driving modules that are critical to both partial and fully electric vehicles, with Toyota Motor joining as well in August 2020. We also established J-QuAD DYNAMICS in April 2019 as a joint venture with Aisin, ADVICS and JTEKT to develop integrated control software to be used for automated driving and integrated vehicle control systems. In addition, in April 2020, we consolidated Toyota Motor's electronic components business with ours in order to further enhance the competitiveness of the research and development capabilities of the Toyota Group as well as streamline manufacturing resources through the transfer of production of electronic components at Toyota Motor's Hirose Plant and the development functions of Toyota Motor to us. In April 2020, we also established MIRISE Technologies Corporation, a joint venture company with Toyota Motor with a view to enhance our research and development function for the advanced automobile semiconductor technologies. In December 2023, we partnered with Toyota Motor once again, as well as MIRISE Technologies Corporation and nine other automotive, electrical component and semiconductor companies, to establish "Advanced System on Chip (SoC) Research for Automotive" (ASRA), a consortium to conduct research and develop high-performance digital semiconductors for use in automobiles. Most recently, in May 2025, we announced the launch of the Toyota Software Academy, a collaborative effort with Toyota Motor, Aisin, Toyota Tsusho Corporation and Woven by Toyota, Inc., to strengthen AI and software-centered human resource development. These partnerships and initiatives have resulted in innovations powering the future of Toyota Group products, including inverters to be installed in the new eAxle from BluE Nexus which reduce power loss by roughly 70% compared to conventional models (based on our internal research); cell supervising circuits that achieve a roughly 20% reduction in monitoring circuit count versus conventional models (based on our internal research); and shunt-type current sensors that halve detection errors compared to standard products while contributing to shorter battery electric vehicle ("BEV") charging times. All of these offerings are installed in the new Toyota bZ4X (2025 model).

In addition to our strong relationship with the Toyota Group, we also maintain a diverse customer base of leading OEMs, including Honda Motor Co., Ltd., or Honda, Subaru Corporation, Stellantis N.V. and Ford Motor Company, and other customers across the globe. We have been able to effectively serve our global customer base through our extensive global procurement operations. For example, due to our global supply chain operations, we are able to source a significant portion of materials and components for our products locally in the same region where the customer is located, which we believe makes us more resilient to tariffs, changes in trade

regulations and other factors that impact sourcing from other regions. In addition, as of March 31, 2026, approximately 73% of our consolidated subsidiaries were established outside of Japan and approximately 51% of our employees were located outside of Japan. For the year ended March 31, 2026, we derived 59.0% of our total revenue from customers outside Japan.

Well-Balanced Portfolio to Pursue both Stability and Growth

As a leading global manufacturer of automotive components, we offer a comprehensive range of product categories including Thermal Systems, Powertrain Systems, Electrification Systems, Mobility Electronics, Advanced Devices and Non-Automotive Business. Among these product categories, we have historically held and continue to hold leading market positions in Thermal Systems and Powertrain Systems products, which provides us with a stable revenue base from these product categories. We aim to maintain our leading positions in numerous product categories through our continuous focus on providing high-quality products that effectively address our customers' needs. At the same time, we have also developed strong market positions in business areas with high potential for future growth and high profitability, such as Electrification Systems, Mobility Electronics, Advanced Devices and Non-Automotive products. We believe that our well-balanced portfolio of businesses providing stable revenue and businesses in high-growth product categories enables us to achieve further growth overall while maintaining stable cash flows, which contributes to our resilience to changes in economic conditions. Moreover, we seek to further accelerate our research and development capabilities and profitability in our growth business focus areas by entering into business alliances with optimal business partners. For example, in August 2023, we acquired all shares of Certhon Build B.V., an agricultural solutions provider based in the Netherlands, through which we aim to further expand our efforts to develop a stable and sustainable agricultural production system. In addition, in October 2023, we made a strategic minority investment in Silicon Carbide LLC, which operates the silicon carbide wafer manufacturing business of Coherent Corp., a manufacturer of optical materials and semiconductors based in the United States., through which we aim to enhance the competitiveness of our electrification business by securing a stable long-term procurement of silicon carbide wafers. Most recently, in July 2025, we acquired Axia Vegetable Seeds B.V., or Axia, a vegetable seed breeding company headquartered in the Netherlands and focused on developing high-quality tomato seeds for greenhouses globally. We aim to collaborate with Axia to create premium seeds suitable for automated farming approaches and climate adaptation, meeting producers' diverse needs and helping achieve sustainable agriculture worldwide.

Well Positioned to Lead Transformation towards "New Mobility"

We supply a wide range of products that we believe will be core components in the "New Mobility" era. For electrification solutions, our offerings are designed to meet customer needs across a variety of powertrain types, from internal combustion engines to fuel cell electric vehicles. To this end, we develop a range of refined components in-house, including motors, inverters, fuel cell equipment and power supply systems. In particular, we differentiate ourselves through our highly efficient energy management control products, which dynamically manage a vehicle's limited energy—generated via electricity, heat and motion—in sync with changing conditions to enhance energy efficiency while delivering vehicle comfort and convenience. We also believe we stand out through our compact, high-performance electric drive systems, which deliver value to customers through extended driving range, improved driving performance and enhanced cabin comfort. This includes the inverters utilized in the eAxle by BluE Nexus, which reduce loss by roughly 70% and allow for size reductions of roughly 30%, in each case compared to conventional models (based on our internal research).

We also develop intelligent platforms for the New Mobility era that contribute to reduced traffic fatalities through vehicle-human-infrastructure cooperation. In this domain, our key technologies include 360° surround and mid-range sensors along with rule-based advanced driver assistance system ("ADAS") algorithms, which together provide an accident coverage rate of 56% for collisions at an intersection. Moreover, our automated driving ("AD")/ADAS systems—which provide long-term reliability and are designed to handle diverse regulations, road environments and driving characteristics—demonstrate consistently low user complaint rates or cases of unnatural behavior in unexpected situations compared to our competitors, and have proven their reliability through the production of 53 million units across 144 countries and regions.

Our semiconductor and software technologies, which we consider fundamental technologies, are other important areas of focus that support the mobility domain and enhance our competitiveness. We produce differentiated semiconductors in-house for power and analog applications, along with sensors through the

adaptation of non-automotive technology for vehicle use and strategic collaboration with automotive sensor semiconductor vendors. We also benefit from strategic upstream collaborations for our motor control units ("MCUs") and SoCs, along with a division of labor in the specification, design and manufacturing processes, which allows for strategic product development and proposal as well as stable procurement. In the software domain, we draw on our extensive experience across various categories of in-vehicle solutions – including thermal management technology, powertrain, safety and information communication systems – to build a comprehensive library of intellectual property. Leveraging this portfolio, we are able to design optimal software solutions tailored to the unique needs of car manufacturers, which we further combine with hardware to create unique products and enhance our integration capabilities.

Disciplined Cash Allocation Supporting Stable Cash Generation and Strong Financial Position

We maintain a disciplined cash allocation policy for growth investments and shareholder returns, which we believe has allowed us to control our leverage at appropriate levels. As a result, our Total Debt/Equity Ratio has remained at or below 0.23x for the past five fiscal years, decreasing to 0.15x as of March 31, 2026. Total Debt to Adjusted EBITDA Ratio has remained at or below 1.44x for the past five fiscal years, decreasing to 0.78x for the year ended March 31, 2025 before increasing to 0.87x for the fiscal year ended March 31, 2026. In addition, we generally maintain our cash and other liquid assets at levels near or exceeding the amount of our Total Debt.

We also believe that our cash allocation policy enables us to generate stable cash flows, even in periods of weak demand in the automotive industry. We have consistently been able to control our capital expenditures at levels that do not exceed our operating cash flows, allowing us to generate positive Adjusted Free Cash Flow since the year ended March 31, 2021. Our Adjusted Free Cash Flow totaled ¥141.8 billion for the year ended March 31, 2026.

In addition, our Adjusted EBITDA has shown a steady trend of improvement, increasing from ¥687.7 billion in the fiscal year ended March 31, 2022 to ¥930.6 billion in the fiscal year ended March 31, 2026, and we maintained a relatively stable Adjusted EBITDA Margin across the same period, despite a temporary decrease in the fiscal year ended March 31, 2024. In the fiscal year ended March 31, 2026, our Adjusted EBITDA Margin was 12.3%.

Our Total Debt/Equity Ratio, Adjusted Free Cash Flow, Adjusted EBITDA, Total Debt to Adjusted EBITDA Ratio and Adjusted EBITDA Margin discussed above are non-IFRS measures. For more information, see "Selected Financial Data and Other Information—Non-IFRS Measures."

As part of our strategy to control our capital expenditures, we have set a long-term target to maintain depreciation of 5.0% or less of our revenues. Due primarily to an increase in capital expenditures related to expansion of electrification and advanced safety products and the decrease in revenue resulting from the negative impact of the COVID-19 pandemic, our ratio of depreciation to revenue was temporarily elevated for each of the two years ended March 31, 2021 and 2022, exceeding our target level. However, this ratio has improved in the years since, declining to 5.0% in the year ended March 31, 2026, in line with our target level. Going forward, we plan to continue to pursue a disciplined approach to capital expenditures as we shift our investment focus from powertrain products to electrification products. In terms of shareholder returns, we have continued and aim to provide disciplined shareholder returns that are balanced with other cash allocation needs including future growth investments. As discussed above, we also take a disciplined approach to our research and development expenditures. While we have steadily increased the total amount of our research and development expenditures (including capitalized and expensed expenditures) in recent years in response to changes in our business environment, we have sought to control research and development expenditures as a percentage of revenue. Our ratio of research and development expenses to revenue has remained relatively steady, increasingly only slightly from 9.0% for the year ended March 31, 2022 to 9.2% for the year ended March 31, 2026. Going forward, we intend to continue to control our research and development expenditures by enhancing efficiencies such as optimization of software development, creation and operation of a digital research and development platform and utilizing digital tools with the long-term target for our ratio of research and development expenditures to revenue of around 9.0%.

Our Strategies

Our CORE 2030 Mid-Term Management Plan sets forth the following three pillars of our global management:

- *Strengthening Product Development*. In response to the diverse and evolving global mobility landscape which differs in each country and region, we aim to use our technologies to deliver value necessary to support our customers' needs. Leveraging the cutting-edge research and development resources we have cultivated to date, we will seek to deepen our foundational technologies that further enhance our competitiveness, such as high-performance and high-efficiency semiconductors and materials development. Furthermore, we will leverage our systems-level expertise in mechanics, electronics and software to integrate and optimize key vehicle functions, such as energy management and ADAS platforms. These improvements will not only boost overall vehicle performance but will also be tailored to meet the evolving needs of our customers and society.

- *Innovating Manufacturing*. We view our unique knowledge and know-how accumulated over the years as valuable assets in the age of AI. We are developing AI that incorporates our knowledge into development processes and production sites. Through this fusion of practical knowledge and AI, we aim to dramatically improve productivity. For example, at our new Zenmyo South Plant in Nishio City, Aichi Prefecture, scheduled for completion in 2027, we aim to realize innovation in manufacturing by leveraging AI.

- *Developing People and Co-Creating with Partners*. Leveraging our strong connections with customers, partners, government agencies and industry associations, we aim to strengthen our existing relationships across society to address social challenges that cannot be solved by a single company. We seek to apply our automotive technology, which requires high reliability and advanced systems, to address issues such as the workforce gap and productivity improvements in the fields of agriculture and factory automation. In our semiconductor business, we aim to deploy our refined automotive semiconductor technology to industrial equipment and consumer products, maximizing synergies across various sectors, including automotive areas. We believe that this will enable us to contribute to strengthening the foundation of various industries and achieving further growth.

Leverage Fundamental Technologies to Pursue Growth Across Business Domains

In pursuing the three pillars described above, our overarching approach is to leverage our fundamental technologies, including semiconductors and software, to drive the development of our businesses.

With respect to semiconductors, we aim to achieve further improvements in performance and cost for power semiconductors and in-vehicle optimization in computing and power efficiency for SoC. For MCUs and SoCs, we have experience in strategic specification development and stable procurement, including strategic collaboration at the upstream level. In the area of power and analog semiconductors, which require automotive-grade environmental performance, we possess in-house production resources for a variety of differentiated semiconductors. In addition, regarding sensors, we have capabilities to adapt non-automotive technology for integration into vehicles leveraging in-house production and collaboration with strategic partners. Through these capabilities, we believe we can enhance our product offerings to create value for our customers and grow our business.

For our software, we aim for innovation in development efficiency and speed leveraging AI and flexible architectures. We have proven experience in applying software to aspects of vehicle manufacturing and an extensive library of in-vehicle software covering powertrain, body control, information communication systems and driving safety. We seek to further build on our core software covering a broad range of applications—from environmental to safety areas—to strengthen our offerings across domains.

Generate Stable Revenue from Established Businesses including Thermal Systems and Powertrain Systems

We intend to maintain and strengthen our leading position in our established businesses such as Thermal Systems and Powertrain Systems with the aim of continuing to generate stable revenue from these product categories, thereby supporting our expansion of growth businesses, while also contributing to sustainability. We also seek to support the foundation of multi-pathway mobility development. We aim to deepen our offerings in

our existing domains through improvements in thermal efficiency and environment adaptability in terms of emissions and use of alternative fuels. In addition, we seek to optimize our competitiveness across the entire supply chain.

Thermal Systems

In Thermal Systems, we aim to flexibly respond to the evolving needs of diversified powertrains. For electrified vehicles, we seek to advance thermal management systems that optimally control thermal energy within the vehicle, enhancing passenger comfort while minimizing energy consumption. For internal combustion engine vehicles as well, we plan to continue to enhance thermal efficiency, thereby delivering products that provide value to our customers.

Powertrain Systems

In Powertrain Systems, toward the realization of a carbon-neutral society, we seek to leverage the technologies and expertise cultivated through the development of mobility products to provide solutions that meet the diverse needs of our customers across a wide range of powertrains, including internal combustion engines, hybrid electric vehicles, plug-in hybrid electric vehicles, BEVs and fuel cell electric vehicles.

Expand Growth Businesses including Electrification Systems, Mobility Electronics and Advanced Devices Products

Electrification Systems

We seek to leverage our strong position in Electrification Systems to pursue further growth. We aim to evolve our electrification offerings across all layers, including vehicle control, energy management systems and components. We have established a significant market share in core components that are essential to energy management in electric vehicles including electric components such as starters, alternators and lithium-ion battery packs, electrification components such as motor generators, inverters and battery ECUs and motors such as window motors and suspension motors. We believe we possess comprehensive system development capabilities based on our extensive product offerings and technologies in the electrification domain as well as fundamental technology capabilities and "*monozukuri*" (or manufacturing) capabilities.

We intend to use our strengths in this area to further expand our market share in core electrification products as well as other electrification products. By leveraging our fundamental technologies, we will aim to expand flexible options towards electrification through refined components and integrated systems built on those components. To further strengthen our advantage in this area, we will aim to meet diverse customer needs through core products for electric mobility. In particular, we believe that BEVs are becoming an increasingly large part of the powertrain mix, especially in Europe, China, and North America. As the needs of customers diversify, we aim to diversify our business models. To respond swiftly to such diverse changes, we will seek to expand and enhance our lineup of core products, including inverters, motor generators and battery management units. We will offer not only stand-alone components but also systems that bundle multiple components together, which we believe will provide added value by marketing systems that link thermal management to competitive, electromechanically integrated systems, such as eAxle discussed in more detail below. In addition, by providing power modules and other competitive modules and components, we will further deepen our ability to meet the needs of all types of customers and create business models together with industry-leading customers.

Mobility Electronics

We believe there is significant growth potential in the areas of connectivity, automated driving and MaaS (Mobility as a Service), and we seek to pursue growth by addressing needs in these areas through our Mobility Electronics products. We believe that we can leverage our core technologies to provide "intelligence" solutions to the mobility domain, with the aim of improving driving safety towards an ultimate goal of achieving zero traffic fatalities via a global safety package. We aim to introduce functions that interface with humans and infrastructure, such as in-cabin sensing of abnormal behavior or state and cooperative driving through interaction with infrastructure and other vehicles, to provide assistance beyond a driver's line of sight.

We have developed a number of core product technologies used for ADAS, including millimeter-wave radars and visions sensors, information and communication technologies such as IoT technologies and vehicle motion control technologies. In the area of safety systems, we will aim to address global customer needs by

expanding our lineup of products that cater to specific market segments and regions. In addition, through collaboration between initiatives for ADAS and human-machine interface, we aim to evolve recognition and estimation algorithms and grow cross-domain ECUs. In addition, we plan to advance BEV electronic platform planning and development for individual vehicles, focusing on a "core and customization" design approach that will enable us to meet the needs of respective automakers and vehicle types. We will also seek to strengthen our software development capabilities through increased use of automation and AI and focus on securing stable supply of semiconductors and strengthening of competitiveness by standardizing components and sharing medium- to long-term strategies with partners. In addition, we will seek to achieve differentiation by using proprietary technologies to realize compact products that consume less power.

Advanced Devices

We will aim to expand our capabilities for Advanced Devices to pursue innovation in applications such as electrification and ADAS. We believe we are well-positioned to pursue growth in this area due to our extensive product lineup, including power cards, application-specific integrated circuits ("ASICs") and in-vehicle semiconductor sensors, and our advanced technologies that enable us to develop semiconductors in-house. By leveraging these strengths, we believe we will be able to engage in the integrated development of semiconductors that satisfy customer needs for higher functionality and smaller product size. Specifically, we aim to focus on equipping more vehicles with inverters using SiC power semiconductors. Our first inverter using a SiC power semiconductor has been incorporated into the eAxle electric driving module. In our manufacturing of power semiconductors, we have significantly reduced the number of crystal defects that cause disruption in the atomic arrangement of crystals, which prevents devices from operating properly.

Pursue Growth and Portfolio Diversification through Strategic Alliances

Rather than adhering to a completely in-house mentality, we form strategic alliances with industry partners proactively to help meet short-, mid-, and long-term needs to efficiently diversify our business portfolio. Our short-term alliances are geared at securing management resources, including talent development, purchasing power, increasing production capacity, and developing sales channels. Our mid-term alliances are geared at partnering with businesses that will help complement our existing technologies by supporting us with technology and expertise that are required for organic growth in our business. Our long-term alliances are geared at helping us develop and acquire future technologies and new business models that will drive our business expansion into new domains rather than simply strengthening the offerings we have in current markets and technologies.

Our strategic alliance efforts have been broadly focused across electrification/intelligence and fundamental technologies (i.e., semiconductors/software), and include equity investments, full acquisitions and alliances with no capital relationship. Since 2017, we have invested approximately ¥460 billion in such collaborations. Of this amount, we have invested approximately ¥170 billion in electrification/intelligence-related partnerships with companies such as Uber-Advanced Technologies Group, Aurora Innovation, Inc., Koito Manufacturing Co., Ltd. and Turing Inc. In the fundamental technologies domain, we have invested approximately ¥290 billion on collaborations with Renesas Electronics Corporation, Rapidus Corporation, NTT DATA Japan Corporation and MediaTek Inc., among others.

We continuously seek to advance these and other strategic partnerships to enhance the value we add for our customers. Going forward, we aim to promote further non-organic growth by expanding partnerships at a larger scale. In the areas of electrification/intelligence, we will seek to promote platform transformation with our partners to lead the evolution of mobility in society. In the semiconductor area, we will seek to achieve a stable supply and strengthen the depth of our product lineup and vertical integration. In the software area, we aim to establish a development framework for large-scale, high-level research and development.

For further discussion of our business alliances in certain of our business domains, see "Business—Our Strengths" and "Business—Our Business Operations."

Summary Risk Factors

An investment in the notes involves significant risks, and prospective investors are urged to carefully consider the matters discussed under "Risk Factors" prior to making an investment in the notes. Such risks include, but are not limited to the following:

- a significant portion of our revenue is from sales to the Toyota Group companies and our other OEM customers, and our business, financial condition and results of operations may be adversely impacted if there is any adverse development in the production levels, business, financial condition and results of operations of such companies or our relationships with such companies;
- the automobile industry is inherently cyclical, and any downturn in general economic conditions could significantly impact our business, financial condition and results of operations;
- our future success depends on our ability to adapt to evolving technologies and industry requirements as well as regulatory changes relating to sustainability issues and to further develop and offer new, innovative and competitively priced products that meet customer demands on a timely basis;
- we are subject to significant competition to satisfy various requirements of OEMs as a supplier;
- disruptions, shortages or price increases in the supply of raw materials, components and energy that are necessary to produce our products or those of our customers may adversely affect our business, financial condition and results of operations;
- dependence on a limited number of key suppliers for critical components could negatively affect our business, financial condition and results of operations;
- currency fluctuations could have a significant adverse impact on our results of operations;
- we face risks associated with our international operations;
- we may be subject to product liability, warranty and recall claims, which may increase our costs of doing business and adversely affect our business, financial condition and results of operations;
- we may not achieve the anticipated benefits of acquisitions, joint ventures and other strategic investments, which could harm our business, financial condition and results of operations;
- declines in the value of shares in Toyota Motor and other companies held by us and dividends derived from such shares could have a material adverse impact on our business, financial condition and results of operations;
- we may be unable to effectively protect our intellectual property and may be subject to intellectual property infringement actions that may be brought against us;
- we could experience business disruptions and property loss due to natural disasters, catastrophic events or other operational problems;
- increases in our costs related to employee retirement benefit obligations in the future could reduce our profitability and adversely affect our financial condition and results of operations;
- any disruption in our digital and information technology systems, including one related to cyber security, could adversely affect our business, financial condition and results of operations;
- we may not be able to respond effectively to technological and other changes in connection with the adoption of AI;
- developments related to lawsuits in connection with our potential violations of antitrust laws or current or future antitrust investigations by government regulators may adversely affect our results of operations and financial condition;

- environmental laws and regulations may expose us to liability and increase our costs;
- compliance with existing laws, regulations and government orders in many jurisdictions or changes in any such laws, regulations and government orders could affect our reputation, business, financial condition and results of operations;
- we rely on borrowings and bonds to finance our operations, and increases in interest rates and restrictive covenants under our borrowings could materially and adversely affect us;
- work stoppages or other labor issues at our facilities or the facilities of our customers or those in our supply chain could have a material adverse effect on our business, financial condition and results of operations;
- our inability to attract and retain qualified management and other key employees or increases in personnel costs could harm our business and inhibit our ability to operate and grow successfully; and
- we are subject to risks from legal and arbitration proceedings.

Company Information

Our headquarters is located at 1, Showa-cho 1-chome, Kariya, Aichi 448-8661, Japan. Our main telephone number is +81-566-25-5511. Our corporate internet website is https://www.denso.com/global/en/. The information on our website does not constitute a part of this offering memorandum.

The Offering

Securities Offered:	$500,000,000 aggregate principal amount of 4.864% senior notes due 2031.
Issue Price:	100%
Maturity Date:	June 29, 2031.
Status of the Notes/Ranking:	The notes will be our direct, unsecured and unsubordinated general obligations and will rank equally and pari passu with all of our other unsecured and unsubordinated debt (except for statutorily preferred obligations) and without any preference among themselves.
Minimum Denomination:	The notes will be in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof.
Payments of Principal and Interest on the Notes:	Principal will be repaid at maturity at a price of 100% of the principal amount of the notes. Interest on the notes will accrue at the rate of 4.864% per annum. We will pay interest on the notes semi-annually in arrears on June 29 and December 29 of each year, beginning on December 29, 2026. Interest on the notes will accrue from and including the date of original issuance or, if interest has already been paid, from and including the date it was most recently paid. We will compute interest on the basis of a 360-day year consisting of twelve 30-day months. If any date for payment of principal, premium (if any) or interest (or Additional Amounts (as defined in "Description of the Notes—Taxation and Additional Amounts") falls on a day that is not a business day, then payment need not be made on such date but may be made on the next succeeding business day. Any payment made on such next succeeding business day shall have the same force and effect as if made on the original due date, and no additional interest shall accrue with respect to such payment for the period after such due date. See "Description of the Notes—Principal and Maturity" and "Description of the Notes—Interest."
Additional Amounts:	All payments of principal, premium (if any) and interest in respect of the notes shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law as interpreted and enforced by the relevant authority. In such event, we shall pay, subject to certain exceptions, such Additional Amounts as will result in the receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required. See "Description of the Notes—Taxation and Additional Amounts." References to principal, premium (if any) and interest in respect of the notes shall be deemed to include any Additional Amounts which may be payable as set forth in the notes and the indenture.
Optional Redemption:	We have the option to redeem the notes, in whole or in part, at any time prior to May 29, 2031 (the date that is one month before maturity), or the Par Call Date.

	The redemption price for the notes will be equal to the greater of: (i) 100% of the principal amount of the notes being redeemed; or (ii) the sum of the present values of the principal and the remaining scheduled payments of interest on the notes being redeemed (exclusive of interest accrued to the date of redemption) that would be due if such notes were redeemed on the Par Call Date, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in "Description of the Notes—Optional Redemption") plus 10 basis points; plus, in each case, accrued and unpaid interest on the principal amount of the notes being redeemed up to, but excluding, the date of redemption. We also have the option to redeem the notes, in whole or in part, at any time on or after the Par Call Date at a redemption price equal to 100% of the principal amount of the notes to be redeemed (plus accrued and unpaid interest on the principal amount of the notes being redeemed to, but excluding, the date of redemption). See "Description of the Notes—Optional Redemption."
Optional Tax Redemption:	The notes may be redeemed at any time, at our option and sole discretion, in whole, but not in part, subject to compliance with applicable regulatory requirements, at the principal amount of the notes together with interest accrued to (but excluding) the date fixed for redemption and any Additional Amounts thereon, if we have been or will be obliged to pay any Additional Amounts as a result of (a) any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the notes or (b) after the completion of any Succession Event (as defined in "Description of the Notes—Merger, Consolidation, Sale or Disposition") where the successor entity is not organized under the laws of, or tax resident in, Japan, any change in, or amendment to, the laws or regulations of the non-Japanese jurisdiction of the successor entity or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of such Succession Event, and in either case such obligation cannot be avoided through the taking of reasonable measures available to us or the successor entity, as the case may be. See "Description of the Notes—Optional Tax Redemption."
Use of Proceeds:	We intend to use the net proceeds from the offering of the notes for general corporate purposes. See "Use of Proceeds."
Global Notes:	The notes will be initially represented by one or more global notes in fully registered form without interest coupons. The global notes will be deposited upon issuance with the custodian for DTC and registered in the name of DTC or its nominee. Beneficial interests in the global notes may be held only through DTC (or any successor clearing system that holds global notes) and its participants, including Euroclear and Clearstream.

	The security numbers for the notes are:
	For the notes sold under Regulation S:
	CUSIP No: J12075BE6
	ISIN: USJ12075BE61
	Common Code: 341257824
	For the notes sold under Rule 144A:
	CUSIP No: 24872BAD2
	ISIN: US24872BAD29
	Common Code: 341257808
	Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by the depositaries and their participants. The sole holder of the notes represented by global notes will at all times be DTC or its nominee (or a successor of DTC or its nominee), and voting and other consensual rights of holders of the notes will be exercisable by beneficial owners of the notes only indirectly through the rules and procedures of the depositaries from time to time in effect. Beneficial interests in the global notes may not be exchanged for definitive notes except in the limited circumstances described under "Description of the Notes—Book-Entry, Delivery and Form—Exchange of Global Notes for Definitive Notes."
Governing Law:	The indenture is, and the notes will be, governed by and construed in accordance with the laws of the State of New York.
Ratings:	It is expected that the notes will be rated A+ by S&P Global Ratings Japan Inc. ("S&P") and A2 by Moody's Japan K.K. ("Moody's"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing and Trading:	Approval in-principle has been received for the listing and quotation of the notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the notes on the SGX-ST and the admission of the notes on the official list of the SGX-ST is not to be taken as an indication of the merits of us or the notes.
	For so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require, we shall appoint and maintain a paying agent in Singapore, where the notes may be presented or surrendered for payment or redemption, in the event that a global note is exchanged for definitive notes. In addition, in the event that a global note is exchanged for definitive notes, an announcement of such exchange shall be made by us or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.
	The notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) for so long as such notes are listed on the SGX-ST.
Trustee, Paying Agent, Transfer Agent and Notes Registrar:	The Bank of New York Mellon

RISK FACTORS

Prior to making an investment decision, you should carefully consider the following risks, along with the other information in this offering memorandum, including our consolidated financial statements and related notes and other financial information, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our business, financial condition and results of operations could be materially and adversely affected by the factors discussed below. This offering memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this offering memorandum. See "Forward-Looking Statements."

Risks Related to Our Business

A significant portion of our revenue is from sales to the Toyota Group companies and our other OEM customers, and our business, financial condition and results of operations may be adversely impacted if there is any adverse development in the production levels, business, financial condition and results of operations of such companies or our relationships with such companies.

We derive a significant portion of our revenue from sales to the Toyota Group companies. For the fiscal year ended March 31, 2026, our significant Toyota Group company customers included Toyota Motor, Daihatsu Motor Co., Ltd., or Daihatsu, and Hino Motors, Ltd., or Hino. Toyota Motor, which is our largest shareholder owning 22.24% of the issued and outstanding shares of our common stock as of March 31, 2026, has historically been one of our largest customers, and Toyota Motor and its consolidated subsidiaries accounted for ¥4,134.6 billion, or 54.8%, of our consolidated revenue for the year ended March 31, 2026. Effective April 1, 2026, Hino completed a business integration with Mitsubishi Fuso Truck and Bus Corporation ("MFTBC") under a newly established holding company, ARCHION Corporation, and is no longer a consolidated subsidiary of Toyota Motor or a member of the Toyota Group. As a result, our historical revenue attributable to Hino as a Toyota Group company customer may not be indicative of future revenue from Hino on the same basis, and the proportion of our revenue derived from the Toyota Group companies may decrease. Nonetheless, we expect Toyota Motor and Daihatsu to continue to be significant customers in the future and our revenue will continue to be highly dependent on continued demand from, and growth and financial stability of, the Toyota Group companies. In particular, any decline in vehicle production levels of Toyota Group companies could adversely affect the volume of our products purchased by Toyota Group companies.

The success of Toyota Motor and other Toyota Group companies depends on their ability to compete effectively within the automotive industry, which is characterized by vigorous competition, rapid technological change, short product life cycles and cyclical consumer demand patterns. In light of this challenging environment, there is no assurance that the Toyota Group will be able to maintain or increase its vehicle production levels in the future. The success of Toyota Motor and other Toyota Group companies may also be impacted by macroeconomic and regulatory developments, such as the recent increase in tariffs, export controls and other trade barriers adopted by the United States and other countries. See "—Compliance with existing laws, regulations and government orders in many jurisdictions or changes in any such laws, regulations and government orders could affect our reputation, business, financial condition and results of operations." We are exposed to these fluctuations in production levels because, in most instances, the Toyota Group companies are not required to purchase any minimum amount of products from us. If Toyota Motor or the Toyota Group companies decide to reduce their purchases of our products due to dissatisfaction with our performance or pricing as a supplier, efforts to achieve a more diversified supplier base or for any other reason, including decisions made among the Toyota Group companies to discontinue using our production or manufacturing of certain products, our business, financial condition and results of operations would be adversely affected. See "Business—Historical Background and Relationship with the Toyota Group."

Due to our close relationship with Toyota Motor and other Toyota Group companies, we also coordinate with, and rely on, these companies in aspects of our business other than direct purchases and sales. In particular, we have reinforced our relationship with Toyota Group companies with the view to enhancing our research and development capabilities. For example, in April 2019, we partnered with Aisin to establish BluE Nexus Corporation, or BluE Nexus, a joint venture to develop and sell packaged drive-train modules, which consists of key components essential for electric vehicles. After additional investment by Toyota Motor in August 2020, BluE Nexus was owned 45% by Aisin, 10% by Toyota Motor and 45% by us. In April 2019, we also partnered with Aisin, ADVICS and JTEKT, and established J-QuAD DYNAMICS, to develop integrated control software

and accelerate its development. In April 2020, we consolidated Toyota Motor's electronic components business with ours for the purpose of further enhancing the competitiveness of the research and development capabilities of the Toyota Group as well as streamlining manufacturing resources. In April 2020, we also established MIRISE Technologies Corporation, a joint venture company with Toyota Motor with a view to enhance our research and development function for the advanced automobile semiconductor technologies. However, there is no assurance that these alliances with other Toyota Group companies will lead to the development of new technologies or products as we intended. See "Business—Historical Background and Relationship with the Toyota Group."

In addition to the risks associated with revenue from sales to the Toyota Group companies, our performance is also dependent on the production levels, business, financial conditions and results of operations of our other OEM customers, as well as our relationships with such companies which are outside of our control. Any decline or adverse developments in respect of such customers or our relationship with them may adversely impact our business, financial condition and results of operations. Additionally, disruptions in production or supply from our OEM customers, their request for price reductions (especially from major customers), unexpected termination of contracts and changes in customers' procurement policies may negatively impact our business.

The automobile industry is inherently cyclical, and any downturn in general economic conditions could significantly impact our business, financial condition and results of operations.

Vehicle production and sales are inherently cyclical and sensitive to changes in general economic conditions, including consumer spending and preferences, employment levels, the global credit markets, interest rates and the availability of consumer credit. Vehicle production and sales can also be affected by economic, social and political conditions including public health crises such as the COVID-19 pandemic, fuel prices, regulatory requirements, government initiatives, tax rates, trade agreements, the availability of critical components needed to complete the production of vehicles, changing consumer attitudes toward vehicle ownership and usage and other factors in the relevant markets.

The outlook for the global economy remains highly uncertain. Recently, heightened tensions between the United States and China, as well as between the United States and its other major trading partners, including the imposition of various trade restrictions by the United States and other countries and changes in tariff and trade policies, have caused significant volatility in financial markets and created economic uncertainty. See "—Compliance with existing laws, regulations and government orders in many jurisdictions or changes in any such laws, regulations and government orders could affect our reputation, business, financial condition and results of operations." In addition, inflationary pressures and high interest rates in many developed countries may negatively impact consumer spending in the automotive sector. In Japan, the Bank of Japan announced on March 19, 2024 that it would end its yield curve control policy and negative interest rate policy and set a target uncollateralized overnight call rate of around 0% to 0.1%. Subsequently, on July 31, 2024, the Bank of Japan announced its decision to raise the target for the uncollateralized overnight call rate to around 0.25%, which was raised to around 0.5% on January 24, 2025, to around 0.75% on December 19, 2025 and subsequently to around 1.0% on June 16, 2026. In addition, continued geopolitical instability in various parts of the world, including the ongoing military tensions in Europe as a result of Russia's invasion of Ukraine and in the Middle East due to the recent armed conflict involving Iran, the United States and Israel, among other factors, has further heightened uncertainty in the global economic outlook. To the extent that economic or financial conditions weaken in any of our major operating markets, including, in particular, Japan, North America, Asia and Europe, demand for our products or product pricing could be negatively affected, and we may experience idle capacity in our manufacturing operations. For example, ongoing instability in the Middle East has impacted the export of vehicles and production by OEMs generally, and has also led to increased volatility in oil prices, each of which may adversely affect demand for our products. Although we receive periodical production forecasts from certain OEM customers, we may face difficulties in accurately forecasting our expected volumes and appropriately adjusting our production as a result of economic uncertainty. In addition, our ability to adjust our fixed costs in response to fluctuations in demand is limited, and our margins and overall profitability could be affected in the event of sustained declines in demand for our products. As a result, any adverse changes to economic conditions could have a material and adverse effect on our business, financial condition and results of operations.

In addition, our businesses are subject to the general economic conditions of countries where our competitors conduct businesses. For example, if the wage level becomes significantly lower in a country where our competitors manufacture products than the wage level for our employees, or the exchange rate of the currency which is used in a country where our competitors procure raw materials or components significantly depreciates against the currency we use in our procurements, our products will lose price competitiveness and our results of operations will be adversely affected.

Our future success depends on our ability to adapt to evolving technologies and industry requirements as well as regulatory changes relating to sustainability issues and to further develop and offer new, innovative and competitively priced products that meet customer demands on a timely basis.

Our ability to adapt to evolving technologies and industry requirements and to introduce attractive new products is critical to our future success. To remain competitive in our businesses, we must continuously innovate to achieve technological advances that respond to future customer needs and the development of technology as well as products and services required and accepted by our customers. For example, our OEM customers increasingly demand higher levels of fuel efficiency, lower emissions and reduced overall environmental impact. This trend, along with various governmental initiatives taken by some countries toward reduced CO_2 emissions, has resulted in increased demand for hybrid and electric vehicles and equipment and related components and products. To respond to these customer needs, we are engaged in the development and commercialization of products supporting vehicles and equipment with alternative power sources, including hybrid vehicles and electric vehicles. However, if the transition from internal combustion engines to electric power sources in automobiles occurs at a different pace or in a different manner than we expect, or customer needs in connection with components for hybrid vehicles or electric vehicles develop differently from what we expect, sales of our products, including electrification system products or powertrain system products, could decline significantly, and we may be unable to develop and commercialize new products to offset any such decrease in sales. Currently, we see a trend of regulatory regimes, legislation and government policy increasingly focused on sustainability issues in many of our target markets, including in countries belonging to the Paris Climate Agreement, as indicative of business opportunities for our sustainability-oriented products. However, the speed of adoption of any such regulatory or policy changes as well as the substantive requirements resulting from these changes may vary significantly depending on the particular region or country, and we may be required to implement more complicated measures to meet new or enhanced regulatory requirements. If we are unable to adapt to changing regulations or sustainability directives in a timely manner, our business may be negatively impacted. Additionally, as social awareness regarding such issues rises, any actual or perceived inability to operate our business in a sustainable manner or make progress towards improving the sustainability of our operations may damage our reputation among customers and negatively impact our business. In addition, there has also been an increase in consumer preferences for MaaS, including services such as car sharing, as opposed to automobile ownership. In response to such change, we have been seeking to develop technologies that help to establish a mobility platform where automobiles are connected and operated through internet of things (IoT) technologies. Further, in response to continued increases in the number of traffic accident fatalities in emerging countries as well as increasing numbers of traffic accidents due to human errors, there have been high expectations for safe driving technologies, and in order to meet such expectations, we have been focusing on developing advanced safety and automated driving technologies and ADAS. However, our failure to predict or understand relevant consumer preferences, product trends and developments or to achieve technological advances and develop and commercialize products incorporating new technologies could cause our products to become obsolete and adversely affect the sales of our products.

Product research and development requires significant investment, and there is no assurance that we will adequately invest in our research and development efforts or that such efforts will translate into sales of new products that respond to future customer needs at the levels or timing that we expect or at all. Commitments to developing new products must be made well in advance of any resulting sales, and technologies and standards can change during development, potentially rendering our products outdated or uncompetitive before their introduction and thus resulting in a partial or total loss of our investment. We may also be unsuccessful in protecting any new products or technologies using intellectual property rights or other means of protection. Currently, our focus areas for our research and development activities include technologies for semiconductor and materials development, energy management and ADAS to evolve automotives, as well as non-automotive businesses such as factory automation and agriculture. Even if we are successful in developing and launching new products, such products may not meet our customers' needs or may be introduced to the market after our competitors. Delays in the development or launch of products meeting market requirements and expectations for technological innovation or the lack of commercial success of such products for any reason could result in a decrease of our market share and could have a material adverse effect on our business, financial condition and results of operations. In addition, although we seek to control our research and development expenditures as a percentage of revenue and intend to continue to take a disciplined approach to research and development going forward, the ratio of research and development expenditures to revenue may increase to a higher level than we expect depending on a number of factors, including market conditions in the automotive market, that may impact our revenue.

We are subject to significant competition to satisfy various requirements of OEMs as a supplier.

We compete with a range of automotive supply companies, such as Bosch Group and Continental Automotive Group, primarily on the basis of price, technology, quality, reliability, reputation, on-time delivery and ability to work closely with customers, including OEMs, to supply products to the required specifications. Automobile OEMs possess significant leverage over their suppliers because the automotive supply industry is highly competitive and serves a limited number of OEM customers. These companies may respond to any price reductions in their products by demanding price reductions on the components and products that we supply to them. As a result, we may be subject to pricing pressure and other competitive factors in the initial bidding process and during the term of the contract in our business with Toyota Group companies and our other OEM customers. To the extent that we are forced to lower our prices but cannot decrease our own production costs through design enhancements, improved supply chain management, increased manufacturing efficiency or otherwise, our margins and overall profitability would be adversely affected. There can be no assurance that our products will be able to compete successfully with the products of our competitors. Furthermore, the rapidly evolving nature of the geographic markets in which we compete has attracted, and may continue to attract, new entrants, particularly in countries such as China. In addition, as new vehicle technologies such as electrification, active safety and automated driving develop at a more rapid pace, competitors from outside the traditional automotive supply industry such as IT companies may enter into the automotive components market. Additionally, consolidation of customers, our competitors or other suppliers in the automotive industry could lead to increased competition and pricing pressure and reduced product sales. For example, effective April 1, 2026, Hino, which was a subsidiary of Toyota Motor, and MFTBC completed a business integration under a newly established holding company, ARCHION Corporation, as a result of which Hino is no longer a consolidated subsidiary of Toyota Motor or a member of the Toyota Group. As a result, our historical revenue attributable to Hino as a Toyota Group company customer may not be indicative of future revenue from Hino on the same basis, and the proportion of our revenue derived from the Toyota Group companies may decrease. Competitive pressures in the businesses in which we operate could reduce both our market share and the prices we are able to charge for our products and could have a material adverse effect on our business, financial condition and results of operations.

While we commit significant resources to developing our brands, we have little to no control over how Toyota Group companies conduct their respective businesses. Any negative developments affecting the Toyota brand, the DENSO brand or our other brands, whether caused by us or other parties, could materially and adversely affect our competitiveness and reputation and negatively impact our business, financial condition and results of operations.

Disruptions, shortages or price increases in the supply of raw materials, components and energy that are necessary to produce our products or those of our customers may adversely affect our business, financial condition and results of operations.

We source a broad range of materials and components, including steel, rubber, aluminum and other metals, petroleum-based resins and products, such as naphtha, chemicals, electronic components and semiconductors, necessary for the production of our products from a variety of third-party suppliers. We also require a reliable supply of energy for the manufacture and delivery of our products. Although we have contractual arrangements with our suppliers in order to secure a stable supply of key raw materials and components, any significant disruption or shortage in the supply of these materials and components could adversely affect our ability to manufacture and deliver products to our customers in a timely manner. In such cases, there is no assurance that we will be able to secure a replacement supply of raw materials and components on acceptable pricing or other terms, or at all. In addition, any disruptions to the supply of energy to our production facilities could cause production delays, and our ability to operate our facilities could be affected for significant periods of time. A disruption or shortage in the supply of raw materials, components or energy could be caused by a variety of factors affecting one or more of our suppliers, including public health crises, strikes or other labor issues, mechanical breakdowns, electrical outages, fires, explosions, increased tariffs, adoption or strengthening of export control regulations or other trade barriers, geopolitical frictions and instability, as well as logistical complications due to weather, global climate change or other natural disasters, mechanical failures, delayed customs processing and other factors. The lack of a single subcomponent necessary to manufacture one of our products could cause an increase in our costs or force us to cease production entirely. Similarly, a potential quality issue with any of our raw materials or components could force us to halt deliveries while we validate our products. Even where products are ready to be shipped, or have been shipped, delays may arise before they ultimately reach our customers.

Furthermore, our customers may halt or delay their production if one of their other suppliers fails to deliver necessary raw materials or components, including failures to deliver for any of the foregoing reasons.

This may cause our customers to suspend their orders, or instruct us to suspend delivery, of our products, which may adversely affect our business, financial condition and results of operations.

Increases in energy costs, or increases in the price or disruptions in the supply of raw materials and components that we use in our products, may also have a negative impact on our business and results of operations. In particular, as we use a large volume of copper, aluminum, memory chips and petroleum-based resins and products, such as naphtha, in the manufacturing of our products, our results of operations may be affected by changes in the prices for these raw materials, such as those that have occurred as a result of the recent military conflict involving Iran, the United States and Israel. In addition, demand for our products and those of our OEM customers may also be negatively impacted by increases or volatility in fuel prices, such as those that have also occurred as a result of ongoing instability in the Middle East. While we attempt to mitigate the impact of commodity and raw material price fluctuations by, for example, entering into contractual pricing adjustment provisions with our customers and in some cases fixed price supply arrangements with our suppliers, there can be no assurance that such efforts will be able to fully protect us against the negative impact of such price fluctuations. In addition, while the use of contractual pricing adjustments and fixed pricing arrangements may provide us with some protection from adverse fluctuations in prices, by utilizing these instruments, we may forgo the benefits that might result from favorable fluctuations in price. Additionally, higher material and commodity costs or energy costs around the world may offset our efforts to reduce our cost structure, and it is uncertain to what extent we would be able to pass on such increases in costs to our customers, if at all. As a result, higher material and commodity costs or energy costs, as well as any hedging of such costs during periods of decreasing prices, could result in declining margins to the extent we are unable to pass along the increased costs through increasing prices for our products.

Our products are also affected by the supply of rare earths, a large portion of the global supply of which is controlled by China. As a result, our business may be impacted by geopolitical tensions between China and Japan or the other countries or regions in which we manufacture our products, as well as trade disputes, regulatory actions or other shifts in Chinese economic and trade policy resulting in restrictions on the export of rare earths. For example, since January 2026, the Chinese government has restricted the export of certain rare earths, including those impacting certain of our products, to Japan as a result of diplomatic tensions concerning Taiwan. While there has been limited impact on our operations, the strengthening of current or adoption of further export controls or other trade barriers could lead to significant increases in our raw material costs, production delays, or an inability to source key inputs on commercially reasonable terms, or at all, which could adversely affect our business, financial condition and results of operations.

Dependence on a limited number of key suppliers for critical components could negatively affect our business, financial condition and results of operations.

We rely on a limited number of key suppliers for some of the critical materials and components we use for our production and manufacturing processes, such as semiconductor manufacturers. While we seek to diversify the regions and suppliers from which we source the materials and components, increase stock, and secure alternative supply arrangements, we are exposed to the risk that our key suppliers will be unable to provide a reliable supply of such critical materials and components due to difficulties specific to the individual supplier or developments affecting the industry in general. During periods of supply shortages or delays, our deliveries to customers might be delayed or canceled, which could result in us being required to pay contractual penalties, and our own sales may be affected by adjustments to our prices in line with higher materials sourcing costs. Our future success depends, in part, on our ability to procure timely and sufficient supply of all materials and components necessary to produce our products in our operating markets and to develop alternative supply arrangements as needed. If any of the key suppliers on which we rely for critical materials and components fails to deliver materials or components on schedule and of the quality we require, this could have a material adverse effect on our business, financial condition and results of operations.

Currency fluctuations could have a significant adverse impact on our results of operations.

We manufacture and sell products to customers around the world in transactions denominated in various currencies and face translation and transaction risks related to the fluctuation of foreign currency exchange rates in the markets where we are active. For the year ended March 31, 2026, 41.0% of our revenue was derived from our Japan segment and 59.0% was derived from our North America, Europe, Asia and other segments, each excluding inter-segment transactions. Because our consolidated financial statements are presented in yen, our recorded consolidated revenue, profit, assets and equity are affected by prevailing rates of exchange when the financial statements of our foreign subsidiaries, presented in a reporting currency other than yen, are translated into yen. In general, our financial performance will be adversely affected when the yen appreciates against other

foreign currencies, particularly the U.S. dollar, euro and yuan and positively affected when the yen depreciates against those currencies, which has generally been the case since 2021. Fluctuations in currency exchange rates have significantly impacted our results of operations in the past, and our results of operations may be similarly impacted in the future. For example, in the businesses where we manufacture products in Japan and export them to the countries outside Japan, an appreciation of the yen could adversely affect our business results by lowering the relative price competitiveness of our products.

We employ certain hedging measures, including currency forward contracts, currency swaps and currency options, with respect to certain foreign currency transactions. However, such hedging measures do not cover all of our exposures and, even to the extent they do, they may only delay, or may otherwise be unable to completely eliminate, the impact of fluctuations in foreign currency exchange rates.

We face risks associated with our international operations.

We have extensive international operations in 35 countries and regions across the world. For the year ended March 31, 2026, revenue generated from Japan, North America, Europe and Asia were ¥3,088 billion, ¥2,012 billion, ¥692 billion and ¥1,622 billion, respectively, each excluding inter-segment transactions. Our international operations expose us to a number of risks, including but not limited to the following:

- adverse economic conditions in the global economy or in our operating markets;
- difficulties in monitoring and coordinating operations across a large number and wide range of jurisdictions;
- risks related to compliance with laws, regulations and policies, including trade, capital and exchange controls, in the markets in which we operate, and any subsequent changes thereto;
- changes with respect to taxation, including impositions or increases of withholding and other taxes on remittances and other payments by our overseas subsidiaries;
- varying standards and practices in the legal, regulatory and business cultures in the jurisdictions in which we operate, including with respect to the enforcement of contracts and protection of intellectual property rights;
- risks related to political instability and uncertain business environments;
- changes in the political or economic relationships between Japan and the other countries and regions in which we operate, including those between Japan and China as a result of increased tensions surrounding Taiwan;
- adverse effects on our business operations due to lack of sufficient technology and other infrastructure in certain countries;
- strikes, acts of terrorism, war, epidemics and other sources of social disruption;
- other geopolitical risks, such as those arising from the Russia-Ukraine conflict and the recent military conflict involving Iran, the United States and Israel, and continued trade and technology tensions, in particular between the United States and China, which are expected to be particularly uncertain during the election season in the United States; and
- difficulties associated with managing local personnel and preventing misconduct, including by our local third-party alliance or joint venture partners.

In addition, changes in laws and policies governing tax and foreign trade (including trade agreements and trade restrictions) where we and our customers operate could adversely affect our business and results of operations. If these or other similar tariffs are imposed or significant changes to tax laws occur which can result in decreases in demand for the vehicles of our customers, our business and results of operations could be materially adversely affected. For more information on recent developments relating to trade restrictions, see "—Compliance with existing laws, regulations and government orders in many jurisdictions or changes in any such laws, regulations and government orders could affect our reputation, business, financial condition and results of operations."

Any one or more of these or other factors could increase our costs, reduce our revenue, disrupt our operations or damage our reputation, which could result in material adverse effects on our business, financial condition and results of operations.

We may be subject to product liability, warranty and recall claims, which may increase our costs of doing business and adversely affect our business, financial condition and results of operations.

We are exposed to the risk of warranty claims and product liability as well as damage to our brand in the event that we fail to provide safe and high-quality products, experience product defects or fail to promptly implement safety measures. Also, in the case of product liability, the failure of our products may result in bodily injury or property damage. The fabrication of the products we manufacture is a complex and precise process, and we must manufacture our products to the quality, performance and reliability standards required by our customers as well as the applicable regulations. Although we engage in extensive product quality programs and processes, there is no assurance that our efforts will be sufficient to avoid product failures due to design or manufacturing defects, which could result in:

- loss of customers and reduced demand for our products;
- increased costs such as warranty expenses, product replacements and costs associated with customer support;
- delays, cancelations or rescheduling of orders for our products;
- increased product recalls, returns, discounts or other liabilities;
- government enforcement actions or private lawsuits brought against us relating to such product failures; or
- damage to our reputation.

If any of our products are or are alleged to be defective, we may be required to recall or participate in a recall involving such products or otherwise repair, replace or accept returns of such products. For example, from the year ended March 31, 2020, defects were identified in certain of our products, resulting in recalls by certain of our OEM customers. We provided replacement products and compensated OEM customers for a portion of their product repair and replacement costs in response to product warranty requests from OEM customers that purchased our products. We recorded provision for warranty reserve of ¥59.7 billion for the year ended March 31, 2025 and ¥24.0 billion for the year ended March 31, 2026, most of which was recorded in connection with the costs related to the return, repair or replacement of such defective products as well as warranty claims from OEMs.

We believe that the current amount of provision for product warranties is based on our reasonable estimate and sufficient to cover the costs and expenses that we would incur relating to warranty claims that we will have from OEMs in the future. However, because these costs are affected by a number of factors including the number of products subject to warranty claims and the costs in connection with returns, repairs or replacements of defective products, we may be forced to record additional provisions for product warranties or other costs and expenses relating to product defects, particularly if the number of products subject to warranty claims increases in the future, which in turn could have a material adverse effect on our business, financial condition and results of operations.

While we maintain insurance coverage with respect to certain product liability claims except for warranty claims, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against product liability. Although we have established warranty reserves based on our best estimates of amounts necessary to settle future and existing claims, there is no assurance that such reserves will be sufficient to cover the impact of future warranty costs. In addition, product liability claims can be expensive to defend and can divert the attention of management and other personnel for significant periods of time, regardless of the ultimate outcome. Furthermore, even if we are successful in defending against a claim relating to our products, claims of this nature could have a material adverse effect on our reputation and market perception of our brands including DENSO and the Toyota brand, which in turn may cause our customers to lose confidence in our products and us.

We may not achieve the anticipated benefits of acquisitions, joint ventures and other strategic investments, which could harm our business, financial condition and results of operations.

We have actively engaged in acquisitions, restructurings, and joint ventures and other strategic investments as part of our growth strategy, and may pursue new acquisitions in the future. In April 2019, we partnered with Aisin and established BluE Nexus, a joint venture to develop and sell packaged drive-train modules, which consist of key components essential for electric vehicles with Toyota Motor joining as well in August 2020. In April 2019, we also partnered with Aisin, ADVICS and JTEKT and established J-QuAD DYNAMICS to develop integrated control software used for automated driving and integrated vehicle control systems. The four companies in this joint venture combine their respective technical expertise in automated driving, vehicle control and other technologies. In addition, in April 2020, we consolidated Toyota Motor's electronic component business with ours in order to maximize resource utilization. Furthermore, in April 2020, we established MIRISE Technologies Corporation, a joint venture company with Toyota Motor, with a view to enhance our research and development function for the advanced automobile semiconductor technologies. In August 2023, we acquired all shares of Certhon Build B.V., an agricultural solutions provider based in the Netherlands. In October 2023, we acquired shares for a 12.5% interest in Silicon Carbide LLC, the silicon carbide semiconductor business of Coherent Corp. Most recently, in July 2025, we acquired Axia, a vegetable seed breeding company headquartered in the Netherlands and focused on developing high-quality tomato seeds for greenhouses globally, as part of our strategic expansion into the AgriTech sector. We are also engaged in joint activities with other companies through alliances and joint ventures with the aim to strategically diversify and expand our business. Assessing a potential growth opportunity involves, among other things, extensive due diligence. However, the amount of information we can obtain about a potential growth opportunity may be limited, and we can give no assurance that any acquisitions, joint ventures and strategic investments will positively affect our financial performance or will perform as planned. In addition, while we have a track record of engaging in acquisitions, joint ventures and other strategic investments to expand our business, there is no assurance that we will be able to identify such attractive opportunities or other strategic alliances in the future, or that we will be able to pursue any opportunities we do identify due to the unavailability of adequate financing, our inability to obtain regulatory or other stakeholder approvals or other reasons. For example, in March 2026 we announced that we had submitted a proposal to acquire shares in ROHM Co., Ltd. ("ROHM"), a Japanese electronic components manufacturer, as part of our companies' strategic partnership. However, after engaging in discussions with ROHM's board of directors regarding the proposed acquisition, its impact on our medium- to long-term corporate value, and the optimal form of the relationship between our two companies, we concluded that the acquisition would not necessarily contribute to the enhancement of our corporate value, and accordingly withdrew our proposal in April 2026. Failure to pursue or the unsuccessful pursuit of opportunities to expand our business through acquisitions, joint ventures or other strategic investments could result in significant costs to our business, including transaction-related expenses and diversion of management resources, as well as potential adverse effects on our business relationships and reputation.

The process of integrating acquired companies into our operations exposes us to a variety of risks. We may not be able to successfully assimilate or integrate companies that we acquire, including their personnel, financial systems, distribution, operations and general operating procedures, or achieve any anticipated business synergies. If we fail to assimilate or integrate acquired companies successfully, our business, reputation and results of operations could be materially impacted. We may also record goodwill and intangible assets as a result of business combinations, and our failure to integrate and manage acquired companies successfully may lead to future impairment of any associated goodwill and intangible assets. With respect to joint ventures, we are also exposed to the ongoing risk that our relationship with third-party partners may deteriorate due to conflicts in business strategy or a mismatch in priorities between us and our partners, or that the business or financial condition of our partners could decline, which could in turn negatively impact the joint venture and also directly affect our reputation.

Declines in the value of shares in Toyota Motor and other companies held by us and dividends derived from such shares could have a material adverse impact on our business, financial condition and results of operations.

As part of our efforts to maintain close relationships with Toyota Motor, Toyota Group companies and other companies with which we conduct business, we have historically held a significant amount of shares of these companies as part of a strategic cross-shareholding policy, and certain of these companies in turn held a significant amount of the issued shares of our common stock. However, since November 2023, we have aimed to reduce the number of shares of partner companies we hold as part of our cross-shareholding policy, including by selling substantially all of our shares of Renesas and all of our shares of Aisin and Toyota Industries.

Nonetheless, we may determine to continue to hold shares in certain companies for strategic reasons. As a result, we are exposed to the risk of price fluctuation because shares in many of these companies are publicly traded. Fluctuations in the price of these securities are recognized as other comprehensive income and are not included in our statement of profit or loss under IFRS. For example, a 1% decline in the price of publicly listed shares we held would have resulted in a decrease in our total equity of ¥10,944 million and ¥10,461 million for the years ended March 31, 2025 and 2026, respectively.

We also derive significant dividend income from the equity securities we hold. For the year ended March 31, 2026, we recorded dividend income (related to financial assets measured at fair value through other comprehensive income that we held through the year ended March 31, 2026) of ¥44,186 million, or 7.2%, of our consolidated profit before income taxes, which was primarily derived from our shares of Toyota Motor and other publicly traded companies. As a result, our profit and cash flows could be significantly affected if Toyota Motor or any of the companies in which we hold shares reduces or fails to pay dividends on its common stock for any reason, including a decrease in profit due to business or financial difficulties or a change in dividend policy for strategic or other reasons unrelated to business performance.

We may be unable to effectively protect our intellectual property and may be subject to intellectual property infringement actions that may be brought against us.

Our intellectual property, including patents, trademarks, copyrights and trade secrets related to our products, product designs, manufacturing methods and brands, plays an important role in maintaining our competitive position in a number of the markets that we serve, and we expend significant resources to protect and manage our intellectual property. However, not all patents applied for may be registered as our intellectual property. In addition, our competitors may develop technologies that are similar or superior to our proprietary technologies or design around the patents we own or are licensed. Further, our competitors may duplicate our proprietary technologies despite the efforts we undertake to protect them, especially in jurisdictions where the protection of intellectual property rights is less robust. Even if we pursue legal action against competitors for infringement of our intellectual property rights, there is no assurance that any remedy we obtain will be sufficient to compensate us for such infringement, and we may be required to undertake significant costs and expend internal resources in pursuing such legal actions. In addition, there is no assurance that we will be able to continue to license any third-party intellectual property that we use in our business on acceptable terms or at all.

Since our competitors, suppliers and customers also submit a large number of inventions for intellectual property protection, it is not always possible to determine with certainty whether there are effective and enforceable third-party intellectual property rights pertaining to certain processes, methods or applications. As a result, there is a potential risk that we could infringe the intellectual property rights of third parties. As a result of any actions against us alleging infringements of intellectual property rights, we could be required to cease manufacturing, using or marketing certain technologies or products in certain countries or be forced to incur licensing costs or make changes to manufacturing processes or products, or litigate the scope or validity of patents in order to be permitted to sell our products. In addition, we could be liable to pay compensation for infringement or could be forced to purchase licenses to make use of technology from third parties.

Any of the foregoing developments or assertions by or against us relating to intellectual property rights, and any inability to protect these rights, could materially adversely impact our business, financial condition, results of operations and competitive position.

We could experience business disruptions and property loss due to natural disasters, catastrophic events or other operational problems.

We are exposed to the risk of severe damage and losses in the event of a natural or other disaster, such as an earthquake, flood, heavy rain, hurricane, public health crisis, terrorist attack or other catastrophic event, or other disruptions of our production processes at our facilities or within our supply chain in any of the markets in which we operate such as those resulting from social or political upheaval. In Japan and other Asian countries, where roughly 63% of our production between April 2025 and March 2026 was conducted, increasingly frequent extreme weather events due to climate change may damage our plants or supply chain, disrupting our business operations. In particular, Japan is also subject to the risk of earthquakes and other natural disasters, including volcanic eruptions, tidal waves, typhoons, heavy rain, and floods. Any natural or other disasters, such as the Nankai Trough earthquake, affecting the Tokai region of Japan (which includes Aichi, Shizuoka, Gifu and Mie prefectures) where many of our key production facilities are located could result in delays or suspension of production or delivery at any of our facilities, which could have an adverse impact on our business, financial condition and results of operations. We additionally maintain facilities in countries where regime changes or

political instability may result in operational problems, and had to temporarily close one of our facilities in Myanmar due to the coup in February of 2021. In addition, other events outside our control, such as deliberate acts of sabotage or industrial accidents such as fires and explosions, whether due to human or equipment error, could damage, interrupt or otherwise adversely affect certain of our manufacturing or other facilities as well as potentially cause injury or death to our personnel. Moreover, while we maintain regularly scheduled servicing and repairs at our production facilities, our manufacturing equipment may, on occasion, break down or otherwise be out of service as a result of unanticipated equipment failures or other problems. In the event of a major natural disaster or other uncontrollable event, accident or operational disruption, our facilities, particularly our production plants, may experience catastrophic loss, operations at such production sites may be halted for a significant period of time, shipments of products may be suspended or delayed, and large losses and expenses to repair or replace facilities may be incurred. Because we generally operate our main production facilities at nearly full capacity, any such disruption could lead to a significant reduction or loss of revenue, and have other negative impacts on our business, financial condition and results of operations.

We regularly conduct inspections of all of our facilities for maintenance purposes and to prevent potential damage from disasters, and we have insurance policies to cover property damage, business interruptions and certain other potential losses at our production facilities, although we do not maintain earthquake insurance in Japan. These insurance policies may not be adequate to cover all possible losses and expenses. In addition, our business may be adversely affected if our suppliers or business partners were to experience a catastrophic loss due to natural disasters, accidents or other uncontrollable events.

Increases in our costs related to employee retirement benefit obligations in the future could reduce our profitability and adversely affect our financial condition and results of operations.

We maintain both funded and unfunded employee retirement benefit plans under which employees are eligible to receive post-employment benefits upon retirement age. Depending on the type of plan, retiring employees may be eligible for lump sum payments or annuities as retirement benefits. The amount of retirement benefits is based primarily upon the number of years of service. The allowance and expenses we record for retirement benefits are determined based on pension actuarial calculations. These calculations are dependent on such factors as the discount rate, future compensation levels, employee turnover, mortality rates based on recent statistical data and expected rates of investment return on plan assets. In particular, the value of plan assets and investment returns on such assets are affected by a number of factors, including changes in interest rates and fluctuations in financial markets, and are difficult to estimate accurately. If any of these factors varies from our estimates, or if the assumptions relating to these factors change materially, we may be impacted by the recognition of additional costs or liabilities in the future. Differences between actuarial assumptions for our benefit plans and actual results are recognized in other comprehensive income at the time of their occurrence and could negatively impact our retained earnings and increase our net defined benefit liabilities. As a result, differences between actual results and assumptions as well as changes in the assumptions could have an impact on our financial condition and results of operations.

Any disruption in our digital and information technology systems, including one related to cyber security, could adversely affect our business, financial condition and results of operations.

We rely on the accuracy, capacity and security of our digital and information technology systems, and the ability to continually update these systems in response to the changing needs of our business and, in particular, we are increasingly relying on such information technologies due to the increase in remote working arrangements in recent years. We maintain and manage our primary information technology systems internally, and in certain areas of our business we also use the information technology systems of Toyota Motor. We incur significant costs for implementing, manufacturing and upgrading the security measures that protect our information technology systems. Our security measures are focused on the prevention, detection and remediation of damage from computer viruses, natural or man-made disasters, unauthorized access, cyber-attacks and other similar disruptions. However, our information technology systems have been subject to cyberattacks and may in the future become subject to cyberattacks. For example, in March 2022, the network of DENSO AUTOMOTIVE Deutschland GmbH, which handles sales and engineering in Germany, was breached in a ransomware attack. In addition, in April 2026, we announced that the network at our group companies in Italy and Morocco was improperly accessed by a third party the prior month. Although these incidents did not materially affect our business operations, there is no guarantee that our information technology systems will not be compromised again in the future or that such future incidents will not materially disrupt our business operations. Moreover, to the extent that we rely on third-party systems, we may have limited control over security breaches or disruptions to those systems. Any system breaches could result in damage to our intellectual property or trade secrets and unauthorized access to controlled data stored on our systems. Further, any interruption, outage or breach of our

information technology systems could adversely affect our business operations. To the extent that any data is lost or destroyed or any confidential information is inappropriately disclosed or used, it could adversely affect our competitive position or customer relationships, harm our business and possibly lead to claims or liability based upon alleged breaches of contract or applicable laws.

Additionally, certain of our products, particularly those related to mobility electronics, contain complex information technology systems designed to support automated driving and advanced safety systems, and could be susceptible to breaches, outages and interruption of information technologies, including the possibility of unauthorized access, and such risk may further increase as we expand system business. Furthermore, as we rely on cloud systems in connection with our mobility electronics products, we may increasingly be the target of cyber threats. Any unauthorized access to our products could negatively affect our brand and harm our business, prospects, financial condition and operating results.

We may not be able to respond effectively to technological and other changes in connection with the adoption of AI.

We incorporate AI technology in our business operations and intend to continue to utilize AI to increase operational efficiency and productivity gains. For example, at our new Zenmyo South Plant, we are integrating AI agents for anomaly detection and recovery support, along with physical AI on the manufacturing floor that captures the real world through sensors to make decisions and perform actions. Our research and development of such technology remains ongoing. However, AI presents various significant and evolving risks and challenges, and its use may result in unintended consequences that could affect us and our customers. No assurance can be provided that the usage of such AI technology will enhance our business operations or help them become more effective, efficient or profitable. The models underlying our AI technology may be incorrectly designed or implemented. They may also be trained on, or otherwise use, biased, incomplete, inaccurate or poor-quality data. We may also not have adequate rights to use the data on which our AI technology relies. Such technology may also be adversely impacted by unforeseen defects, technical challenges, data breaches, cybersecurity threats or material performance issues. Accordingly, our use of AI technologies and tools may inadvertently reduce our effectiveness and efficiency or cause unintentional or unexpected outputs that are incorrect, do not match our business goals, standards and values, do not comply with our policies or procedures, harm our brand and reputation, negatively impact customers or otherwise interfere with the performance of our business.

While we aim to develop and use AI responsibly and attempt to identify and mitigate ethical and legal issues presented by its use, we may be unsuccessful in identifying or resolving issues before they arise. AI-related issues, deficiencies or failures could give rise to legal or regulatory action, including with respect to proposed legislation regulating AI in jurisdictions such as the European Union and others, and as a result of new applications of existing data protection, privacy, intellectual property, and other laws, damage our reputation, or otherwise materially harm our business. In addition, the rapid evolution and increased adoption of AI technologies may intensify our cybersecurity risks.

Developments related to lawsuits in connection with our potential violations of antitrust laws or current or future antitrust investigations by government regulators may adversely affect our results of operations and financial condition.

Due to the size and market share of our business, we may be subject to antitrust laws in some of the markets in which we operate and may be subject to regulatory scrutiny and legal proceedings in these jurisdictions. We were subject to investigations by antitrust authorities for potential violations of antitrust laws in connection with the past sales of our automotive components in multiple jurisdictions, including Japan, the United States, the EU and South Korea.

For example, in February 2010, the U.S. government, led by the Department of Justice, or DOJ, conducted an investigation on the past sale of our automobile components as potential violations of U.S. federal antitrust laws. In January 2012, we entered into a plea agreement with the DOJ under which we agreed to pay a fine of $78 million. In connection with the same transactions, a number of lawsuits were filed against us including several civil class action lawsuits in the United States and Canada during 2012 by direct or indirect purchasers of the products, car dealers, car insurance companies and end users and lawsuits filed by the Attorneys General of multiple states in the United States and certain customers. We entered into settlements with the plaintiffs of the class action lawsuits from car dealers and end users in July 2016 for an amount of $61.2 million with respect to the claims relating to car dealers and $193.8 million with respect to the claims relating to end users, respectively, and with the plaintiffs of the class action lawsuits from direct purchasers in April 2019 for an amount of $2.1 million. Between 2019 and 2022, we were subject to lawsuits filed by the

Attorneys General of certain states in the United States, each of which has been settled, dismissed or resolved by judgment. Additionally, in November 2019, we entered into a settlement with respect to a claim brought by a customer in Germany. In addition, in December 2019, we entered into settlements with the plaintiffs of the class action lawsuits in Canada for an amount of CAD$25 million. We have also in the past been engaged in civil proceedings and negotiations relating to claims from certain customers relating to antitrust matters.

We believe we are and have been in compliance with any relevant antitrust laws and regulations. However, we may in the future become subject to further investigations, lawsuits or regulatory proceedings in the various jurisdictions in which we operate arising out of alleged violations of such laws and regulations. In the event we are subject to such actions or any adverse judgments in connection thereto, we may be subject to substantial legal costs, including civil damages exceeding our provisions, as well as diversion of management resources and reputational impacts, which may materially and adversely affect our financial condition and results of operations.

Environmental laws and regulations may expose us to liability and increase our costs.

Our plants and operations are subject to stringent environmental laws and regulations in all of the countries in which we operate, including laws and regulations governing air and water emissions and the generation, handling, storage, transportation, treatment and disposal of waste materials. As part of our greater goal of increasing corporate value, we consider elements of social sustainability in our formulation of management strategies, and strictly comply with applicable environmental laws and regulations. While we believe that we are in compliance in all material respects with these environmental laws and regulations, there can be no assurance that we will not be adversely impacted by costs, liabilities or claims with respect to existing or subsequently acquired facilities or operations, under either present laws and regulations or those that may be adopted or imposed in the future. If a release of hazardous substances occurs at or from any of our current or former owned or leased properties or at a landfill or another location where we have disposed of hazardous materials, certain environmental laws may, regardless of fault, require us to investigate or clean up such property or other location or impose liability on us for damages to property or natural resources and for personal injury arising out of such contamination, and the amount of such liability could be material. In addition, in response to the increasing importance of environmental sustainability, more stringent laws, regulations or other requirements may be adopted or imposed in the future. We may need to incur significant expenditures in order to comply with such laws, regulations or requirements and, if we fail to comply with such laws, regulations or requirements, the sales of our products may significantly decline or the reputation of our products may be severely damaged, which in turn may adversely affect our financial condition and results of operations.

Compliance with existing laws, regulations and government orders in many jurisdictions or changes in any such laws, regulations and government orders could affect our reputation, business, financial condition and results of operations.

As we operate in many jurisdictions, we must observe a large number of different regulatory requirements related to our products and production processes, including laws and regulations relating to occupational health and safety, the use and handling of chemicals, air and water emissions and the management and disposal of certain materials, substances and waste. Certain of our products, such as the engine products we manufacture, are also directly or indirectly subject to emissions, fuel economy and other standards in the various jurisdictions in which we manufacture or sell such products. For our sites and operations, we are required to obtain and hold various permits and to apply for modifications and to comply with the requirements specified therein, and we are also subject to rules that relate to the safety of our products. These laws and regulations are subject to change and may become more stringent in the future. Stricter regulation of our product safety or our manufacturing sites or processes in the future may have a material adverse effect on our business. If we do not comply with these rules, we may be required to take all necessary measures to ensure compliance with regard to our products, even after we have sold them by way of a recall, which may require us to incur significant costs and adversely affect our financial condition and results of operations.

We are also subject to foreign trade laws, as well as tariffs, taxes, levies, export, price and exchange controls, and other trade barriers, including those imposed via executive action, which may require us to pay customs and other duties on materials and products that we export and import or may require our customers to pay customs and other duties on materials and products that we export. For example, since April 2025, the United States government has announced significant increases in tariffs and other trade restrictions on exports to the United States. These include a temporary 10% import duty on broad categories of imported goods, including those from Japan, announced in February 2026 and originally effective through July 24, 2026. While a legal ruling in May 2026 found these tariffs to be illegal, the United States government has since appealed this

decision, and the decision was stayed for several importers in the interim. We cannot predict the duration, scope or extent of any future changes to such trade restrictions. For the year ended March 31, 2026, we estimate that the tariffs increased by the United States government resulted in a negative impact of ¥20.0 billion on our operating profit. In addition, in March 2026, the United States also announced investigations targeting certain countries, including Japan, under Section 301 of the Trade Act of 1974, as a result of which Japan could face further trade restrictions including tariffs. While the outcome of these investigations has not yet been announced, any unfavorable findings could result in additional punitive trade measures against Japan or other countries in which we do business. If additional tariffs or other trade measures are introduced in the future, our financial condition and results of operations may be adversely affected.

In addition, many countries, including the United States, have recently enacted or strengthened export controls governing components incorporated into certain of our products. These export controls have in some cases increased the cost of our products and may cause future demand for such products to stagnate or decrease. They have also adversely affected our supply chains and distribution networks, which negatively impacts our production and sales. The effects of import duties, tariffs, export controls and other trade actions and policies, while primarily focused in the United States, are not limited to the United States given the cross-border nature of our production, sales, and other operations. We cannot predict the timing, duration, scope or extent of any future changes to such import duties, tariffs, export controls or other trade actions or policies. If such import duties, tariffs, export controls, or other trade actions and policies remain in force, it may negatively impact our financial condition and results of operations. Our efforts to mitigate the impact of such import duties, tariffs, export controls, and other trade actions and policies may also require us to incur costs and dedicate management attention, which could also negatively impact our financial condition and results of operations. In addition, our customers and other participants in the automotive industry may also be adversely affected by such import duties, tariffs, export controls, and other trade actions and policies, which may in turn further negatively impact our financial condition and results of operations.

We are also subject to anti-bribery laws and regulations in the countries in which we operate, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010, which prohibit companies and their intermediaries from making or receiving improper payments. Furthermore, many of the jurisdictions in which we do business, including the United States, United Kingdom, Germany and other member states of the European Union, issue sanctions and other regulations requiring that we refrain from doing business, or allowing our clients to do business through us, in certain countries or with certain organizations or individuals on a prohibited list maintained by such governments. Failure to adopt and enforce appropriate internal policies to ensure compliance with applicable laws and regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could have a material adverse effect on our business, financial condition and results of operations. We may also be held liable for the actions taken by our local, strategic or joint venture partners. Such actions, even if prohibited by our policies, could have a material adverse effect on our reputation, business, financial condition and results of operations.

Compliance with existing and additional or more stringent laws, regulations, ordinances or permit requirements, as well as more active enforcement policies of regulatory agencies or stricter or different interpretations, may require us to make additional expenditures or investments, which may be material, or require us to change our business practices or prohibit or otherwise make it impracticable for us to conduct certain businesses. As a result, any such changes in laws and regulations, or the interpretation or enforcement of such regulations, could affect our business, reputation and market perception, and have a material adverse impact on our financial condition and results of operations.

We rely on borrowings and bonds to finance our operations, and increases in interest rates and restrictive covenants under our borrowings could materially and adversely affect us.

Although we finance our operations and investment activities primarily through operating cash flows, we also obtain financing through loans from banks and other financial institutions as well as issuance of bonds and may incur additional indebtedness in the future depending on the overall funding environment including interest rate trends. Increases in interest rates could substantially increase our financing costs and may impair our ability to raise necessary funds on a timely basis. Although we hedge our exposure to interest rate fluctuations through interest rate swaps and other financial instruments, there can be no guarantee that we will be able to sufficiently offset any increases in interest rates. In addition, our creditworthiness may decline in the future due to adverse changes in our financial condition or business, which would negatively affect our ability to obtain additional borrowings in the future on terms that are acceptable to us or at all. For example, in May 2020, S&P downgraded our credit rating from AA- (stable) to A+ (negative) primarily due to the negative impact on our

results of operations resulting from the global economic downturn caused by the COVID-19 pandemic (although our credit rating is currently A+ (stable)). Our ability to borrow funds on attractive terms may be impacted by any future downgrades.

We may enter into additional borrowings in the future that may subject us to covenants or other restrictions that can impede our ability to manage our operations. If we fail to comply with such covenants, the repayment of the principal of or accrued interest on our loans could be accelerated or we could be required to post collateral to secure our borrowings.

Work stoppages or other labor issues at our facilities or the facilities of our customers or those in our supply chain could have a material adverse effect on our business, financial condition and results of operations.

At March 31, 2026, we employed 154,716 persons worldwide. Approximately 39,000 of our employees are represented by the primary labor union for our employees under a collective bargaining agreement and a number of employees of our subsidiaries are represented by separate labor unions. While we have no reason to believe that we will be materially impacted by work stoppages or other labor matters, there can be no assurance that future issues with our labor unions will be resolved favorably or that we will not encounter future strikes, work stoppages or other types of conflicts with labor unions or our employees. Any of these consequences may have an adverse effect on us or may limit our flexibility in dealing with our workforce. In addition, many of our customers and suppliers have unionized work forces. Work stoppages or slowdowns experienced by our customers or suppliers could result in slowdowns or closures that would have a material adverse effect on our business, financial condition, cash flow and results of operations.

Our inability to attract and retain qualified management and other key employees or increases in personnel costs could harm our business and inhibit our ability to operate and grow successfully.

In order to manage our operations and develop, produce, market and sell our products, we must hire and retain skilled employees, often with highly specialized expertise, such as in the field of software development, in the large number of countries and regions in which we operate. We also depend on the services of our senior management team to set our strategic direction, operate our business and identify key business opportunities and potential risks. Our business could be adversely affected by a failure to recruit or retain personnel with necessary skills or the unexpected loss of key personnel. In addition, we may face increasing personnel costs due to intensifying competition for employees, labor shortages in our key operating markets or other factors. Any inability to attract and retain necessary personnel or any increases in our personnel costs could have an adverse effect on our business, financial condition, results of operations and competitive position.

We are subject to risks from legal and arbitration proceedings.

We are from time to time involved in legal and arbitration proceedings in the ordinary course of our business. Such proceedings could involve substantial claims for damages relating to, for example, product liability, breach of warranty obligations, contractual penalties for late delivery, disputes over termination of contracts or discriminatory conduct or harassment, and could result in the payment of fines or other payments and damage our reputation. In addition, we have in the past been under investigation by authorities in certain countries in connection with alleged violations of antitrust laws in our past transactions of automotive parts and customers have filed civil lawsuits against us and certain of our subsidiaries.

We cannot assure you that we will succeed in defending claims brought against us, that judgments will not be rendered against us, that we will reach settlement agreements with terms favorable to us or that reserves we set aside will be adequate to cover any such judgments. The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to the Notes

There is no prior market for the notes, and the notes may have limited liquidity.

There is no existing market for the notes. Approval in-principle has been received for the listing and quotation of the notes on the SGX-ST, but there can be no assurance that any active trading market for the notes will develop or be sustained or whether, or at what price, holders of the notes will be able to sell or otherwise transfer their notes. The liquidity of any trading market for the notes will depend upon the number of holders of notes, our financial condition and results of operations, the market for similar securities, the interest of securities dealers in making a market in the notes and other factors. Although the initial purchasers have informed us that they intend to make a market in the notes, the initial purchasers are not obligated to do so, and any such market-making activity will be subject to the limits imposed by applicable law and may be interrupted or discontinued at

any time without notice. If an active trading market for the notes does not develop or is not sustained, the market price and liquidity of the notes may be adversely affected and you may be unable to resell the notes or may only be able to sell them at a substantial discount.

The notes are unsecured obligations.

The notes are unsecured obligations and repayment of the notes may be compromised if, among other things:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- we default in the payment of our secured indebtedness or other unsecured indebtedness; or
- any of our indebtedness is accelerated.

If any of these events occurs, then our assets may be insufficient to pay amounts due on the notes.

The indenture and the notes contain very limited restrictive covenants and provide no protection in the event of a change in control.

The indenture and the notes do not contain any financial covenants or other restrictions on our ability to securitize our assets, pay dividends on our shares of common stock, incur unsecured indebtedness or issue new securities, or repurchase our outstanding securities. In addition, there are only limited restrictions on our ability to pledge assets to secure other indebtedness or to sell or otherwise dispose of our assets. These or other actions by us could adversely affect our ability to pay amounts due on the notes. Furthermore, claims of the creditors of our subsidiaries will generally have priority with respect to the assets of such subsidiaries over the claims of holders of the notes. Accordingly, the notes will be effectively subordinated to the obligations of our subsidiaries. In addition, the indenture and the notes do not contain any covenants or other provisions that prevent a change in control or require us to repurchase the notes in the event of a change in control.

The ratings of the notes could be lowered.

It is expected that the notes will be rated A+ by S&P and A2 from Moody's. In addition, other rating agencies may assign credit ratings to the notes without solicitation from or provision of information by us. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but reflect only the view of each rating agency at the time the rating is issued. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. A downgrade or potential downgrade in our credit ratings or the assignment of new ratings that are lower than existing ratings could reduce the population of potential investors in the notes and adversely affect the price and liquidity of the notes. A rating is based upon information furnished by us or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time.

We may redeem the notes prior to maturity.

We may redeem the notes, in whole or in part, at our option at any time and from time to time. See "Description of the Notes—Optional Redemption." In the event we choose to redeem the notes, the holders of such notes may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the notes.

USE OF PROCEEDS

We expect that the aggregate net proceeds from the offering of the notes will be approximately $496 million, after deducting the initial purchasers' fees and estimated offering expenses payable by us.

We intend to use the net proceeds from the offering of the notes for general corporate purposes.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated capitalization and indebtedness, as of March 31, 2026 and as adjusted to reflect only the issuance of the notes offered hereby. The information in the table below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included elsewhere in this offering memorandum.

	As of March 31, 2026	
	Actual	As Adjusted
	(in millions of yen)	
Short-term debt:		
Bonds and borrowings (current portion)	¥ 237,402	¥ 237,402
Long-term debt:		
Bonds and borrowings (non-current portion)	¥ 573,880	¥ 573,880
The notes[(1)]	—	79,940
Total long-term debt	573,880	653,820
Equity:		
Capital stock	187,457	187,457
Authorized—6,000,000,000 shares		
Issued—2,910,979,691 shares		
Capital surplus	271,726	271,726
Treasury stock—219,039,381 shares	(437,244)	(437,244)
Other components of equity	1,548,435	1,548,435
Retained earnings	3,922,315	3,922,315
Equity attributable to owners of the parent company	5,492,689	5,492,689
Non-controlling interests	223,158	223,158
Total equity	5,715,847	5,715,847
Total capitalization[(2)]	¥6,289,727	¥6,369,667

Notes:

(1) Translation of the U.S. dollar amounts of the notes into yen has been made at the rate of $1.00=¥159.88, the actual yen-dollar exchange rate prevailing as of March 31, 2026.

(2) Total capitalization is defined as the sum of total long-term debt and total equity.

On June 1, 2026, we completed a self-tender offer for 184,897,667 shares of our common stock at a price of ¥1,696 per share for a total of approximately ¥314 billion. The information in the table above has not been adjusted for any shares purchased pursuant to such self-tender offer.

Except as set forth above, there has been no material change in our consolidated capitalization and indebtedness since March 31, 2026.

SELECTED FINANCIAL DATA AND OTHER INFORMATION

Selected Financial Data

Financial information as of and for the years ended March 31, 2024, 2025 and 2026 is derived from and should be read together with our audited consolidated financial statements as of and for the years ended March 31, 2025 and 2026, with the corresponding figures presented as comparative information as of and for the year ended March 31, 2024 including the notes thereto, which are included elsewhere in this offering memorandum. Financial information as of and for the years ended March 31, 2022 and 2023 is derived from our audited consolidated financial statements as of and for the years ended March 31, 2022 and 2023, which are not included in this offering memorandum. Our consolidated financial statements are prepared in accordance with IFRS.

	As of and for the year ended March 31,				
	2022	2023	2024	2025	2026
	(in millions of yen, except for percentages)				
Selected Statement of Income Data:					
Revenue	¥5,515,512	¥6,401,320	¥7,144,733	¥7,161,777	¥7,539,975
Operating profit	341,179	426,099	380,599	518,953	552,538
Profit before income taxes	384,808	456,870	436,237	578,005	617,291
Profit for the year	288,754	347,861	355,573	465,257	487,512
Profit attributable to owners of the parent company	263,901	314,633	312,791	419,081	443,755
Profit attributable to non-controlling interests	24,853	33,228	42,782	46,176	43,757
Selected Statement of Financial Position Data:					
Cash and cash equivalents	¥ 867,808	¥ 733,850	¥ 789,390	¥ 986,531	¥1,189,126
Property, plant and equipment	1,912,607	1,955,240	2,043,600	2,009,710	2,060,068
Non-current other financial assets	1,861,373	1,699,202	2,624,839	1,622,081	1,799,705
Total assets	7,432,271	7,408,662	9,093,370	8,125,000	8,730,854
Current liabilities: bonds and borrowings	262,819	303,509	332,516	252,364	237,402
Non-current liabilities: bonds and borrowings	728,616	585,765	518,205	447,020	573,880
Total liabilities	2,942,745	2,828,951	3,346,865	2,936,082	3,015,007
Capital stock	187,457	187,457	187,457	187,457	187,457
Equity attributable to owners of the parent company	4,299,357	4,376,928	5,534,986	4,978,266	5,492,689
Cash Flows Data:					
Net cash provided by operating activities	¥ 395,637	¥ 602,720	¥ 961,826	¥ 758,743	¥ 511,025
Net cash provided by (used in) investing activities	(301,579)	(363,676)	(459,487)	121,899	(16,886)
Net cash used in financing activities	(159,536)	(400,099)	(496,659)	(677,431)	(355,003)
Cash and cash equivalents at end of the year	867,808	733,850	789,390	986,531	1,189,126
Segment Data:					
Revenue[(1)]:					
Japan	¥2,375,673	¥2,509,604	¥2,885,718	¥2,918,587	¥3,087,881
North America	1,143,929	1,486,718	1,745,443	1,847,879	2,012,358
Europe	506,203	624,329	709,679	646,598	691,545
Asia	1,414,347	1,680,872	1,689,807	1,629,861	1,622,176
Others[(2)]	75,360	99,797	114,086	118,852	126,015
Other data:					
Dividend[(3)]	¥ 126,508	¥ 139,033	¥ 162,215	¥ 183,309	¥ 180,754
Dividend on equity[(4)]	3.1%	3.2%	3.3%	3.5%	3.5%

Notes:

(1) Excludes intersegment transactions.

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

(3) Figures are the total of year-end dividend and interim dividend with respect to the applicable fiscal year. The declaration and payment of dividends for a fiscal year or interim period are made during the immediately following fiscal year in the case of year-end dividends, or the immediately following interim period in the case of interim dividends.

(4) Calculated as dividends divided by the average of equity attributable to owners of the parent company at the beginning of the fiscal year and the end of the fiscal year.

Non-IFRS Measures

In addition to our reported financial results prepared under IFRS, we also use non-IFRS performance measures as supplementary information to evaluate our performance and financial condition. As described in more detail below, these non-IFRS measures reflect adjustments for a number of items that we believe are useful to separate so that key trends driving the performance of our business can be more clearly identified by investors. However, non-IFRS measures have a number of important limitations, including those described below, and should not be viewed as a substitute for financial information prepared in accordance with IFRS. It is important to note that these non-IFRS measures have no standardized meanings prescribed by IFRS and may not be comparable to the calculation of similar measures of other companies. Due to the limitations inherent in non-IFRS measures, investors should not solely rely on non-IFRS measures in assessing our performance and financial condition.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA, which we calculate as operating profit for the year plus depreciation, and Adjusted EBITDA Margin, which we calculate by dividing Adjusted EBITDA by revenue, are not financial measures prescribed by IFRS. These measures are supplemental financial measures that we believe are useful for investors to assess the operating performance and profitability of our business.

The following table shows a reconciliation of Adjusted EBITDA to operating profit and the calculation of Adjusted EBITDA Margin for the years indicated.

	For the year ended March 31,				
	2022	**2023**	**2024**	**2025**	**2026**
	(in millions of yen, except for percentages)				
Reconciliation of Adjusted EBITDA:					
Operating profit	¥ 341,179	¥ 426,099	¥ 380,599	¥ 518,953	¥ 552,538
Add: Depreciation	346,526	364,635	374,269	376,593	378,074
Adjusted EBITDA	¥ 687,705	¥ 790,734	¥ 754,868	¥ 895,546	¥ 930,612
Revenue	¥5,515,512	¥6,401,320	¥7,144,733	¥7,161,777	¥7,539,975
Adjusted EBITDA Margin	12.5%	12.4%	10.6%	12.5%	12.3%

Total Debt, Total Debt to Adjusted EBITDA Ratio and Total Debt/Equity Ratio

Total Debt, which is the sum of current and non-current portion of bonds and borrowings, and Total Debt/Equity Ratio, which is calculated by dividing the Total Debt by equity attributable to owners of the parent company are not financial measures prescribed by IFRS but are supplemental financial measures that we believe are useful for investors to analyze our leverage and our ability to service and repay debt.

The following table provides a calculation of the Total Debt and Total Debt/Equity Ratio as of and for the years indicated.

	As of and for the year ended March 31,				
	2022	2023	2024	2025	2026
	(in millions of yen, except for ratios)				
Reconciliation of Total Debt:					
Current liabilities: bonds and borrowings	¥ 262,819	¥ 303,509	¥ 332,516	¥ 252,364	¥ 237,402
Non-current liabilities: bonds and borrowings	728,616	585,765	518,205	447,020	573,880
Total Debt	¥ 991,435	¥ 889,274	¥ 850,721	¥ 699,384	¥ 811,282
Adjusted EBITDA	¥ 687,705	¥ 790,734	¥ 754,868	¥ 895,546	¥ 930,612
Total Debt to Adjusted EBITDA Ratio	1.44x	1.12x	1.13x	0.78x	0.87x
Equity attributable to owners of the parent company	¥ 4,299,357	¥ 4,376,928	¥ 5,534,986	¥ 4,978,266	¥ 5,492,689
Total Debt/Equity Ratio	0.23x	0.20x	0.15x	0.14x	0.15x

Free Cash Flow and Adjusted Free Cash Flow

Free Cash Flow, which we calculate by subtracting net cash used in investing activities from net cash provided by operating activities (or by adding net cash provided by investing activities to net cash provided by operating activities), and Adjusted Free Cash Flow, which we calculate by subtracting capital expenditures from net cash provided by operating activities, are not financial measures prescribed by IFRS but are supplemental financial measures that we believe are useful for investors to assess our capabilities to generate cash from our businesses. The following table shows a calculation of our Free Cash Flow and Adjusted Free Cash Flow for the years indicated.

	For the year ended March 31,				
	2022	2023	2024	2025	2026
	(in millions of yen)				
Reconciliation of Free Cash Flow:					
Net cash provided by operating activities	¥ 395,637	¥ 602,720	¥ 961,826	¥ 758,743	¥ 511,025
Net cash (used in) provided by investing activities	(301,579)	(363,676)	(459,487)	121,899	(16,886)
Free Cash Flow	¥ 94,058	¥ 239,044	¥ 502,339	¥ 880,642	¥ 494,139
Reconciliation of Adjusted Free Cash Flow:					
Net cash provided by operating activities	¥ 395,637	¥ 602,720	¥ 961,826	¥ 758,743	¥ 511,025
Deduct: Capital expenditures	(353,875)	(366,809)	(394,563)	(371,124)	(369,267)
Adjusted Free Cash Flow[(1)]	¥ 41,762	¥ 235,911	¥ 567,263	¥ 387,619	¥ 141,758

Note:

(1) For the year ended March 31, 2026, we recorded negative impacts of over ¥100 billion from a change in supplier payment terms and over ¥100 billion from tax on capital gains from the sale of strategic shareholdings.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this offering memorandum. Unless otherwise specified, financial information presented herein is on a consolidated basis. Our financial statements are prepared in conformity with IFRS, which differs in certain significant respects from accounting principles generally accepted in other jurisdictions, including Japan and the United States. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions, and are subject to the qualifications set forth under "Forward-Looking Statements." Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those set forth under "Risk Factors" and elsewhere in this offering memorandum.

Overview

We are a leading global manufacturing company primarily engaged in the development, production and sale of automotive parts. As a member of the Toyota Group, our strong relationship with Toyota Group companies has supported the continued expansion of our core businesses and remains one of our key competitive advantages. See "Business—Historical Background and Relationship with the Toyota Group." We have also established a diversified customer base outside the Toyota Group including automobile manufacturers in North America, Asia and Europe.

We report our financial information based on five regional operating segments which consist of Japan, North America, Europe, Asia and Others (such as business activities of subsidiaries in South America). In the year ended March 31, 2026, revenue from our Japan segment was ¥3,087,881 million, or 41.0% of total revenue, revenue from our North America segment was ¥2,012,358 million, or 26.7% of total revenue, revenue from our Europe segment was ¥691,545 million, or 9.2% of total revenue, revenue from our Asia segment was ¥1,622,176 million, or 21.5% of total revenue and revenue from our Other segment was ¥126,015 million, or 1.7% of total revenue, each excluding inter-segment transactions.

We are primarily engaged in the manufacture and sale of automotive parts in the following product categories:

- *Thermal Systems.* In our Thermal Systems business, we develop, manufacture and sell air-conditioning systems for automobiles as well as other climate control products, including truck refrigeration units, air purifiers and radiators, among others. Our thermal systems business accounted for revenue of ¥1,780,351 million, or 23.6% of total revenue, for the year ended March 31, 2026.

- *Powertrain Systems.* In our Powertrain Systems business, we primarily manufacture and sell engine-related products for hybrid and electric vehicles, gasoline and diesel engine management systems, power train control systems and power-generation systems. Our products include fuel injection systems, exhaust gas sensors, air flow meters and control valves, among others. In the year ended March 31, 2026, revenue from our Powertrain Systems business was ¥1,479,737 million, or 19.6% of total revenue.

- *Mobility Electronics.* In our Mobility Electronics business, we develop and manufacture electrification systems, services and platforms as well as products related to advanced safety and automated driving, including driving environment recognition systems and cockpit information systems. Our products include millimeter-wave radar sensors, image sensors, engine ECU, driver status monitors, combination meters and telematics control units, among others. In the year ended March 31, 2026, revenue from our Mobility Electronics business was ¥2,198,663 million, or 29.2% of total revenue.

- *Electrification Systems.* In our Electrification Systems business, we develop, manufacture and sell products for hybrid and electric vehicle drive systems, power supply systems and starting systems in addition to small motor systems. Our products include engine ECU, power control units, motor generators, battery ECUs, electric power steering, starters and alternators, among others. In the year ended March 31, 2026, revenue from our Electrification Systems business was ¥1,433,456 million, or 19.0% of total revenue.

- *Advanced Devices.* In our Advanced Devices business, we develop and manufacture a comprehensive range of mechatronics systems, including CASE-related products, and automotive semiconductor and sensor products such as power cards, in-vehicle semiconductors and semiconductor sensors. In the year ended March 31, 2026, revenue from the Advanced Devices business totaled ¥390,274 million, or 5.2% of total revenue.

- *Non-Automotive Business.* In our Non-Automotive business, we develop and manufacture non-automotive products including industrial equipment and horticultural equipment. Our industrial equipment products include industrial-use robots, code readers and programmable controllers. Our horticultural equipment products include equipment for mid- to large-scale greenhouses such as environmental control systems. In the year ended March 31, 2026, revenue from our Non-Automotive business totaled ¥148,907 million, or 2.0% of total revenue.

We operate through subsidiaries and affiliates, some of which have been formed as the result of strategic acquisitions or joint ventures. As at March 31, 2026, we had 190 consolidated subsidiaries (52 in Japan, 138 overseas) and 62 affiliates accounted for by the equity method (20 in Japan, 42 overseas).

Factors Affecting Our Financial Results

Factors Affecting Revenue

Operating Environment in the Automobile Industry

Our revenue is affected by automotive sales and vehicle production by our customers, which are highly cyclical and sensitive to general economic conditions. In particular, consumer spending and preferences, employment levels, the global credit markets, interest rates and the availability of consumer credit are important factors affecting consumer demand for automobiles. Automotive sales and production can also be affected by economic, social and political conditions including fuel prices, regulatory requirements, government initiatives, tariffs, tax rates, trade agreements, import/export controls and other trade barriers, the availability of critical components needed to complete the production of vehicles, regional or global geopolitical instability, changing consumer attitudes toward vehicle ownership and usage and other factors in the relevant markets.

Additionally, in light of increasingly stringent regulations relating to fuel efficiency standards and vehicle emissions and a general increase in environmental awareness in the industry, there has been increasing demand for automobile components that can increase fuel efficiency and reduce emissions for traditional internal combustion vehicles as well as increased demand for components for electric, hybrid and fuel cell vehicles, and we expect this trend to continue. We recognize electrification components as our core growth products and have been engaged in the development of high-functioning, compact, and fuel-efficient products that are essential for hybrid or electric vehicles. In April 2020, we consolidated Toyota Motor's electric components business with ours for the purpose of further enhancing the competitiveness of the research and development capabilities of the Toyota Group as well as streamlining manufacturing resources. Also, in response to demand for a society without traffic accidents, we have been focusing on developing advanced safety technologies and automated driving technologies. Further, given the technological trend towards MaaS, such as ride-sharing and car-sharing services we have been seeking to promote the development of comprehensive systems that contribute to the realization of connected cars.

Furthermore, the automobile industry has been affected by the recent increase in import duties, tariffs, export controls and other trade barriers imposed by the United States and other countries, which may adversely affect our sales. See "—Compliance with existing laws, regulations and government orders in many jurisdictions or changes in any such laws, regulations and government orders could affect our reputation, business, financial condition and results of operations." For the year ended March 31, 2026, the increase in tariffs resulted in a negative impact of ¥20.0 billion on our operating profit, which we believe we were able to mitigate to a certain extent as a result of our efforts to reduce costs. We also believe our "locally-produced and locally-consumed" policy helps to reduce the impact of trade restrictions. However, with increased uncertainty due to geopolitical fragmentation such as supply chain disruptions and accelerating inflation caused by the situation in the Middle East we expect that there will be some level of unavoidable impact in the pricing of our products going forward.

Sales to Toyota Motor and Toyota Group Companies

A significant portion of our revenue in our automotive products is derived from sales to Toyota Group companies. Sales to Toyota Motor and its consolidated subsidiaries accounted for ¥4,134.6 billion, or 54.8%, of our consolidated revenue for the year ended March 31, 2026. Our single largest customer is Toyota Motor, which

accounted for ¥1,991.6 billion, or 26.4%, of our consolidated revenue for the year ended March 31, 2026. We sell a range of automotive parts and components that Toyota Motor uses in its vehicles. We also sell automotive parts and components to other Toyota Group companies, which until the year ended March 31, 2026 included primarily Daihatsu and Hino. Accordingly, our product sales fluctuate depending on vehicle production levels of Toyota Motor and other Toyota Group companies, which in turn depend on the success of these companies.

Effective April 1, 2026, Hino completed a business integration with MFTBC under a newly established holding company, ARCHION Corporation, and is no longer a consolidated subsidiary of Toyota Motor or a member of the Toyota Group. As a result, our historical revenue attributable to Hino as a Toyota Group company customer may not be indicative of future revenue from Hino on the same basis.

Product Pricing

Our product pricing has a direct impact on our revenue as well as our margins. We are subject to pricing pressure in our businesses from our customers and also from other competitors. In particular, customers in the automotive industry have historically possessed significant leverage over suppliers because the automotive component supply industry is fragmented and serves a limited number of automotive manufacturers. To the extent that we agree to price reductions and are unable to offset such reductions with equivalent cost savings, our margins and overall profitability would decline.

Factors Affecting Expenses

Raw Materials and Energy Costs

We source a broad range of materials and components, including steel, rubber, aluminum and other metals, petroleum-based resins and products, such as naphtha, chemicals, electronic components and semiconductors, from a variety of third-party suppliers and require a reliable supply of energy to manufacture our products. In order to maintain a sustainable procurement platform and to deepen interactions with our suppliers, we communicate directly with our major suppliers inside and outside Japan about our procurement policy and the initiatives of each of our business divisions. Changes in the price of raw materials and components that we use in our products or in energy costs have a direct impact on our cost of sales and margins. For example, geopolitical instability in the Middle East, including military conflicts such as the recent armed conflict between Iran, the United States and Israel, diplomatic tensions, trade disruptions and sanctions, may result in significant increases or volatility in global prices for crude oil, natural gas and refined petroleum products, which are expected to increase the costs we pay for raw materials and energy involved in the manufacturing and transportation of our products. As a result, our profit may be adversely impacted if these geopolitical uncertainties continue.

We also tend to be reliant of a fixed number of suppliers for semiconductors. Although we have contractual arrangements with our suppliers in order to secure a stable supply of key raw materials and components and we have taken steps to diversify our suppliers and maintain a larger in-house stock of semiconductors to insulate ourselves where possible from the price variances that the industry has experienced, any significant disruption or shortage in the supply of these materials and components could increase our costs. See “Business—Our Suppliers.”

Personnel Expenses

Our personnel expenses are a significant component of our cost of revenue and selling, general and administrative expenses. Personnel expenses that are directly related to product manufacturing are allocated to cost of revenue. Personnel expenses that are indirectly related to product manufacturing such as product quality and assurance and procurement personnel costs are partially allocated to cost of revenue, with the remainder allocated to selling, general and administrative expenses in accordance with our internal cost allocation rules. Any other personnel expenses that are unrelated to product manufacturing are allocated to selling, general and administrative expenses. Personnel expenses fluctuate based on overall compensation levels of our workforce, which are driven by wage levels in our major operating markets and wage negotiations with labor unions. As we pursue further business expansion, we expect our personnel expenses will increase going forward.

Depreciation and Amortization

We recognize depreciation on a straight-line basis on our property, plant and equipment and amortization on a straight-line basis on intangible assets with finite useful lives. Depreciation increases when we engage in capital expenditures or acquire additional property, plant and equipment in connection with business combinations. Amortization increases when we acquire intangible assets through business combinations, internal

development or purchases of software or other intangible assets. Depreciation and amortization decrease when assets subject to depreciation or amortization become fully depreciated or amortized. As we pursue further business expansion, we expect our depreciation and amortization expenses will increase going forward.

The following table shows our Depreciation Ratio, which is calculated by dividing depreciation by revenue, for the years indicated. Our long-term target is to maintain our Depreciation Ratio below 5.0%.

	For the year ended March 31,				
	2022	2023	2024	2025	2026
	(in millions of yen, except for percentages)				
Revenue	¥5,515,512	¥6,401,320	¥7,144,733	¥7,161,777	¥7,539,975
Depreciation	346,526	364,635	374,269	376,593	378,074
Depreciation Ratio	6.3%	5.7%	5.2%	5.3%	5.0%

Reserve for Warranty

We generally provide warranties for our products against certain manufacturing and other defects. Provisions for warranty reserve are provided for specific periods of time and/or usage of the product and vary depending upon the nature of the product and other factors. We include a provision for warranty reserve costs as a component of selling, general and administrative expenses. The accrued warranty costs represent management's best estimate of the total costs that we will incur to repair or replace product parts that fail while still under warranty. The amount of accrued estimated warranty costs is primarily based on historical experience of product failures as well as current information on repair costs. The foregoing evaluations are inherently uncertain, as they require material estimates and some product warranties extend for several years. Consequently, actual warranty costs may differ from the estimated amounts and could require additional warranty provisions. If these factors require a significant increase in our accrued estimated warranty costs, it will negatively affect our future operating results. For example, from the year ended March 31, 2020, certain defects were identified in our products, and we have continued to provide replacement products and compensate OEM customers for a portion of their product repair and replacement costs in response to product warranty requests from OEM customers that purchased our products, including in connection with vehicle recalls. We recorded provision for warranty reserve of ¥59.7 billion for the year ended March 31, 2025 and ¥24.0 billion for the year ended March 31, 2026, most of which was recorded in connection with costs related to return, repair or replacement of such defective products as well as warranty claims from OEMs.

Research and Development Expenditures

Our research and development expenditures can fluctuate based on our research and development programs for new products and services. To the extent we need to engage in large-scale research and development activities in response to new or changing technologies, our research and development expenditures could increase substantially for the duration of the relevant activities. Nonetheless, while the ratio of research and development expenditures to revenue increased in the year ended March 31, 2026 primarily due to our further development in the areas of electrification and ADAS (software), we have maintained our research and development expenditures at or below 10.0% of our revenue through disciplined cash allocation. Our long-term target is to maintain the research and development expenditures at around 9.0% of our revenue.

The following table shows our R&D Expenditures Ratio, which is calculated by dividing research and development expenditures by revenue, for the years indicated.

	For the year ended March 31,				
	2022	2023	2024	2025	2026
	(in millions of yen, except for percentages)				
Research and Development Expenditures[(1)]	¥ 497,556	¥ 521,615	¥ 550,921	¥ 619,404	¥ 690,073
Revenue	5,515,512	6,401,320	7,144,733	7,161,777	7,539,975
R&D Expenditures Ratio	9.0%	8.1%	7.7%	8.6%	9.2%

Note:

(1) Amount includes both research and development expenditures that are capitalized and amortized and those that are expensed as incurred.

Mix of Products and Services

The mix of our products and services sold during a particular period can affect our margins and overall profitability. Our product pricing and margins can vary depending on the product type, market and customer, particularly as the pricing for many of our products is subject to individual negotiation with customers.

Currency Fluctuations

In the year ended March 31, 2026, 59.0% of our revenue was from outside of Japan, and we expect that a significant portion of our revenue will continue to be generated in foreign currencies from customers outside of Japan as we continue to expand our businesses globally. Because our consolidated financial statements are presented in yen, our recorded consolidated revenue, profit, assets and equity are affected by prevailing rates of exchange when the financial statements of our foreign subsidiaries presented in a reporting currency other than yen are translated into yen. Specifically, assets and liabilities of such foreign subsidiaries are translated at the prevailing exchange rate at the end of the reporting period and income and expenses of such foreign subsidiaries are generally translated at the average prevailing exchange rate during the fiscal period.

Our financial results are negatively impacted when the yen appreciates against the U.S. dollar and the euro. In addition, while we manufacture many of our products locally in the markets where such products are sold, resulting in production costs largely denominated in the same currency as our sales, a certain portion of our production costs are denominated in yen for products that we sell outside Japan in other currencies, principally the U.S. dollar, euro and yuan.

For a quantitative analysis of the effect of changes in foreign currency exchange rates, see Note 30 to our audited consolidated financial statements as of and for the year ended March 31, 2026 included elsewhere in this offering memorandum.

We use foreign currency forward contracts to hedge against the impact of fluctuations in foreign exchange. See "—Quantitative and Qualitative Disclosure About Market Risk—Foreign Currency Risk."

Trading Price and Dividends of Shares in Toyota Group and Other Companies

As part of our efforts to maintain close relationships with Toyota Group companies including Toyota Motor and Toyota Industries, as well as other companies with which we do business, we have historically held a significant amount of shares of these companies, and these companies in turn held a significant amount of the issued shares of our common stock. See "Business—Historical Background and Relationship with the Toyota Group—Relationship with Toyota Group Companies." As of March 31, 2026, we held ¥1,769,465 million in equity security, which primarily included ¥1,431,193 million of shares in Toyota Motor. We account for these shares as financial assets measured at fair value through other comprehensive income, or FVTOCI. Under IFRS, fluctuations in price of FVTOCI financial assets are recorded as other comprehensive income and are not included in our statement of profit or loss. For example, a 1% decline in the price of all of the publicly listed shares we held would have resulted in a decrease in total equity of ¥10,944 million and ¥10,461 million for the years ended March 31, 2025 and 2026, respectively.

We also derive significant dividend income from equity securities, which primarily included shares in Toyota Motor and other Toyota Group companies. As a result, our profit has been affected by the level of dividends paid by the Toyota Group companies in which we held shares, which in turn was affected by the earnings and dividend policies of those companies. Dividends from these equity securities are recognized as finance income. For the years ended March 31, 2025 and 2026, dividend income was ¥50,395 million and ¥46,487 million, respectively.

Impact of Acquisitions and Other Strategic Investments

We engaged in acquisitions, restructurings, and other strategic investments as part of our growth strategy to enhance our business. Acquisitions may affect our results of operations in a number of ways, including by increasing our consolidated revenue and expenses associated with newly acquired companies and increasing our exposure to foreign exchange fluctuations to the extent the results of such companies are denominated in foreign currencies. We may also record goodwill and other intangible assets in connection with acquisitions. Our results of operations may be adversely affected if we recognize impairment of goodwill or intangible assets recorded in connection with acquisitions.

In April 2019, we partnered with Aisin and established BluE Nexus, a joint venture to develop and sell packaged drive-train modules, which is consisted of key components essential for electric vehicles. After additional investment by Toyota Motor in August 2020, the holding ratio of BluE Nexus are 45% by Aisin, 10% by Toyota Motor and 45% by us. BluE Nexus offers a variety of drive-train modules in response to wide-ranging demand for electrification, such as hybrid vehicles, plug-in hybrid vehicles and electric vehicles. It also builds a system that adapts to performance requirements and local needs. Also in April 2019, we partnered with Aisin, ADVICS and JTEKT and established J-QuAD DYNAMICS to develop integrated control software and accelerate its development. The four companies in this joint venture combine their respective technical expertise in automated driving, vehicle control and other technologies.

In April 2020, we established a joint venture with Toyota Motor for research and advanced development of next-generation, in-vehicle semiconductors and development of electronic components using semiconductors. MIRISE Technologies Corporation, the new company established under the joint venture, is 51% owned by us and 49% owned by Toyota Motor.

In August 2023, we acquired all shares of Certhon Build B.V., an agricultural solutions provider based in the Netherlands. We aim to leverage the partnership that had formed in March 2020 to further expand our efforts to develop a stable and sustainable agricultural production system.

In October 2023, we made a strategic minority investment to acquire a total of 12.5% interest in Silicon Carbide LLC, a subsidiary of Coherent Corp., which is a manufacturer of silicon carbide wafers. Through this investment, we aim to enhance the competitiveness of our electrification business by securing a stable long-term procurement of silicon carbide wafers.

In July 2025, we acquired Axia, a vegetable seed breeding company headquartered in the Netherlands and focused on developing high-quality tomato seeds for greenhouses globally, as part of our strategic expansion into the AgriTech sector. Through this acquisition, we aim to combine our industrial technology with Axia's expertise in seed development to create premium seeds suitable for automated farming approaches and climate adaptation, meeting producers' diverse needs and helping achieve sustainable agriculture worldwide.

Our share of the profit of associates and joint ventures accounted for using the equity method for the year ended March 31, 2026 was ¥12,369 million, compared to ¥8,999 million in the prior year.

We periodically review our business portfolio in light of the changing global business environment and make strategic decisions to acquire or divest businesses. In the ordinary course of business, we regularly consider additional acquisitions, investments in other companies, joint ventures or similar arrangements and execute such transactions if suitable conditions are met. For substantial capital needs related to acquisitions, we may utilize debt financing, primarily borrowings from financial institutions or the issuance of bonds or notes, as appropriate. Additional acquisitions may impact our results of operations not only through increasing our revenue base but also by allowing us to achieve cost savings across our operations and increasing our financing costs to the extent that we fund acquisitions through additional borrowings.

Description of Key Line Items

Revenue

We primarily generate revenue from sales of our products. We recognize revenue according to the following steps: (1) identifying the contract with a customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price to each performance obligation in the contract; (5) recognizing revenue when satisfying a performance obligation.

Our performance obligation is primarily to deliver finished products to the customer. We generally recognize revenue when the control of the products is deemed to have transferred to the customer, therefore fulfilling our performance obligation. Consideration for these performance obligations is generally received within one year after the fulfillment, according to separately determined payment conditions, and does not include any significant financing components. Revenue is determined at the amount after deducting discounts, rebates and consideration payable to a customer for transactions for parts provided to suppliers with charge under a repurchase agreement. When the transaction prices are undetermined at the time of transfer of the promised products, they are estimated using appropriate methods. As for certain transactions for parts provided to suppliers with charge under a repurchase agreement, inventories continue to be recognized as a result of deemed financing transactions, and corresponding amounts of those parts retained by the suppliers are recognized as financial liabilities.

Cost of Revenue and Gross Profit (Loss)

Cost of revenue consists of the cost of producing products, including primarily the purchase price of raw materials and goods and the portion of employee benefit expenses, depreciation and other expenses directly related to generating revenue.

We measure gross profit as our revenue less cost of revenue.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include operating costs that are not included in cost of revenue. These expenses include freight expenses, employee benefit expenses, provision (reversal) for warranty reserve, depreciation, welfare expenses and other expenses.

Other Income and Expenses

Other income consists primarily of rental income from property, plant and equipment, gain on sales of property, plant and equipment and other income. Other expenses consist primarily of loss on sales or disposals of property, plant and equipment, impairment losses as well as losses related to the settlement for class action lawsuits brought in the United States and Canada in connection with alleged violation of our past transactions involving automotive components. See "Risk Factors—Developments related to lawsuits in connection with our potential violations of antitrust laws or current or future antitrust investigations by government regulators may adversely affect our results of operations and financial condition" and "Business—Legal Proceedings."

Operating Profit (Loss)

Operating profit is equal to our revenue and other income less our cost of revenue, selling, general and administrative expenses and other expenses.

Finance Income

Finance income includes primarily dividend income from our shares of Toyota Motor, other Toyota Group companies and other companies and interest income from financial assets such as deposits and financial liabilities such as interest rate derivatives.

Finance Expenses

Finance expenses include interest expenses relating to financial liabilities such as bonds and borrowings and interest on defined benefit liabilities.

Foreign Exchange Profit (Losses)

Foreign exchange profit (losses) reflect fluctuations of exchange rates of foreign currencies during the period between the recognition of revenue or cost of revenue and the date of settlement of transactions.

Share of the Profit of Associates and Joint Ventures Accounted for by the Equity Method

Share of the profit of associates and joint ventures accounted for by the equity method consists of our share of the profit generated by affiliates in which we invest. As of March 31, 2026, we had 62 affiliates accounted for by the equity method, although no single affiliate was individually significant.

Significant Accounting Policies and Estimates

In the preparation of our consolidated financial statements, our management makes judgments, estimates and assumptions that affect the carrying values of assets, liabilities and disclosures of contingent assets and liabilities as of the end of the reporting period and the amounts of revenue and expenses reported. Judgments made by management in the application of accounting policies have a significant effect on the amounts recognized in the consolidated financial statements.

These judgments are based on the best estimates and assumptions of the management in light of past experiences and other various factors deemed relevant, but actual results may differ from those estimates and assumptions. The estimates and assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognized in the period of the change and future periods where applicable.

Among the above estimates and assumptions, the following items are those that may have a material effect on the amounts recognized in our consolidated financial statements in future periods:

Impairment loss on non-financial assets

For non-financial assets such as property, plant and equipment, right-of-use assets and intangible assets, we assess each fiscal year whether there is any indication that they may be impaired. If, for example, there is an event or change in circumstances indicating that the carrying amount of the asset or cash-generating unit may exceed the recoverable amount, then the recoverable amount of the asset is estimated. Making the estimate may involve assumptions on items such as remaining useful life of the asset, projections of future cash flow, and discount rates.

If the recoverable amount cannot be estimated for each asset, it is estimated by the cash-generating unit to which the asset belongs. The grouping of assets in applying impairment accounting is determined by each business group, which is the unit that manages its own accounting to track profits and losses on an ongoing basis. In addition, assets are categorized under either rented property group or idle property group, with each property as the smallest unit. Meanwhile, the headquarters and welfare facilities are categorized as corporate assets because they do not generate cash flows independently.

Impairment losses are included in "Other expenses" in the consolidated statement of income. Impairment tests are performed with respect to each asset, cash-generating unit, or group of cash-generating units. The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less disposition costs or its value in use. If the carrying value of the asset or cash-generating unit exceeds the recoverable amount, impairment losses are recognized and the carrying value is reduced to the recoverable amount. In determining the fair value less disposition costs, we use a valuation model supported by available fair value indices. 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.

Recoverability of deferred tax assets

Deferred tax assets are recognized for deductible temporary differences, unused tax credits, and unused tax losses to the extent that future taxable profit will likely be available against which they can be utilized. Deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that sufficient taxable income against which all or part of the deferred tax assets can be utilized is unlikely to exist. Although we believe our estimates on recoverable deferred tax assets are reasonable, additional reduction of deferred tax assets may occur in the future due to uncertainties such as unpredictable changes to assumptions.

Deferred tax assets are not recognized for the temporary differences arising from the following: (i) the initial recognition of goodwill; (ii) the initial recognition of assets and liabilities resulting from transactions that do not affect accounting profit or taxable profit, excluding business combinations and transactions that generate equal amounts of future taxable and deductible temporary differences at the transaction time; (iii) for deductible temporary differences arising from investments in subsidiaries and associates or from interests in joint ventures, when the temporary differences are unlikely to be reversed in the foreseeable future, or are unlikely to earn any applicable taxable income; or (iv) taxable temporary differences arising from investments in subsidiaries and associates or from interests in joint ventures, to the extent that the timing of the reversal of the temporary difference can be controlled and the temporary difference is unlikely to be reversed in the foreseeable future.

Unrecognized deferred tax assets are reassessed at the end of each reporting period and recognized only to the extent the deferred tax assets are likely to be recovered by future taxable income. Regarding uncertain tax treatments, we recognize reasonable estimates as either assets or liabilities if we, based on our understanding of tax laws, deem them as likely to materialize as such.

Provision for warranty reserve and recalls

Warranty expenses include repair expenses in response to repair requests from end-users, as well as repair expenses for covered vehicles, which depend on how automobile manufacturers and other customers decide to handle defects, including recalls. Provision for warranty reserve related to defect response is calculated based on the amount we would reasonably expect to pay, taking into account how automobile manufacturers or other customers handled defects of our products in the past. The amount is calculated by multiplying the following: (i) the number of covered vehicles; (ii) the repair expenses per vehicle; (iii) the percentage of vehicles that require defect management; and (iv) the ratio of burden we expect to take relative to automobile manufacturers and other customers.

The calculation produces a highly uncertain estimate, since the assumptions embedded into the factors, such as labor inputs required for repairs and outcome of negotiations with the manufacturers and customers, are themselves uncertain. As a result, these estimates may differ from actual warranty expenses incurred and we may need to recognize additional provision for warranty reserve or reverse previous estimates.

Provision for loss on antitrust issues

Provision for loss on antitrust issues is recognized at the estimated amount required to respond to antitrust allegations, including potential settlements, concerning our past business dealings. Settlements mainly include the following: (i) administrative fines ordered by national governments or relevant competition authorities as a result of their investigations; (ii) settlements to be paid as a result of negotiations with the plaintiffs in civil cases; and (iii) settlements to be paid as a result of negotiations with automobile manufacturers. We have established an internal protocol to prevent antitrust violations, and in March 2012 publicly announced our commitment to not engage in anticompetitive behavior. Although we believe these initiatives have reduced the risk of our antitrust violations, we reassess our estimates as needed based on the status of investigations of competition authorities in countries involved in our business dealings prior to March 2012, the progress of settlement negotiation, settlement outcomes in the past and consultations with legal counsels.

While we believe our current estimates on settlements and administrative fines are reasonable, they are based on assumptions with high degrees of uncertainty, including intent of government authorities and counterparties in litigations. Therefore, we may need to make additional provisions for antitrust issues or reverse previous estimates. Where time value of money may significantly affect the estimates, these provisions are calculated at the present value by the estimated future cash flow discounted by a pre-tax rate that reflects the time value of money and risks specific to the liability.

Calculation of defined benefits obligation to retired employees

Defined benefit plans are post-employment benefit plans other than defined contribution plans. The present value of defined benefit obligations is calculated using assumptions such as discount rate, rate of salary increase, rate of employee turnover and mortality rate. The discount rate is a particularly significant component, and is equivalent to the market yields at the end of each reporting period of AA credit-rated corporate bonds that have maturity terms similar to ours. While we believe these estimates are reasonable, changes to the assumptions may cause actual obligations to differ from the estimates.

Our net defined benefit obligations are calculated for each plan by estimating the amount of future benefits based on what employees have earned in exchange for their services over the previous years and the current year. These calculations are performed annually by qualified actuaries using the projected unit credit method, and fair values of plan assets are deducted. Increases or decreases in benefit obligations for past employee services resulting from revisions to the plan are recognized as profits or losses. Increases or decreases in obligations resulting from remeasurements of benefit obligations and plan assets of defined benefit plans are recognized in other comprehensive income and accumulated amount is immediately recategorized to retained earnings.

Calculation of fair value of financial instruments

Fair value of certain assets and liabilities are calculated using market information such as market prices, and using valuation methodologies such as the market approach, income approach and cost approach. Whenever available, prices quoted from active markets or observable prices are used. If such data are unavailable, we use the best possible unobservable inputs reflecting our judgments on assumptions that market participants use to price assets and liabilities. While we believe our calculations to be reasonable, the uncertainties and assumptions embedded in the calculations may change the actual fair value of our financial instruments.

Results of Operations

The following table shows certain financial data for the periods indicated:

	For the year ended March 31,		
	2024	2025	2026
	(in millions of yen)		
Revenue	¥ 7,144,733	¥ 7,161,777	¥ 7,539,975
Cost of revenue	(6,054,780)	(6,058,910)	(6,370,364)
Gross profit	1,089,953	1,102,867	1,169,611
Selling, general and administrative expenses	(715,164)	(604,673)	(598,610)
Other income	49,500	63,521	30,516
Other expenses	(43,690)	(42,762)	(48,979)
Operating profit	380,599	518,953	552,538
Finance income	78,711	86,368	82,693
Finance costs	(22,246)	(25,810)	(31,731)
Foreign exchange gains (losses)	(17,693)	(10,505)	1,422
Share of the profit (loss) of associates and joint ventures accounted for using the equity method	16,866	8,999	12,369
Profit before income taxes	436,237	578,005	617,291
Income tax expenses	(80,664)	(112,748)	(129,779)
Profit for the year	¥ 355,573	¥ 465,257	¥ 487,512
Profit attributable to owners of the parent company	312,791	419,081	443,755
Profit attributable to non-controlling interests	42,782	46,176	43,757

Comparison of the Years Ended March 31, 2025 and 2026

The following table shows revenue from outside customers and inter-segment transactions by operating segment as well as consolidated revenue for the years ended March 31, 2025 and 2026:

	For the year ended March 31,			
	2025		2026	
	(in millions of yen)			
	Outside customers	Intersegment	Outside customers	Intersegment
Japan	¥ 2,918,587	¥ 1,297,842	¥ 3,087,881	¥ 1,316,212
North America	1,847,879	15,271	2,012,358	12,763
Europe	646,598	72,073	691,545	76,355
Asia	1,629,861	310,275	1,622,176	354,750
Others[(1)]	118,852	162	126,015	270
Consolidated revenue	¥ 7,161,777	¥ 1,695,623	¥ 7,539,975	¥ 1,760,350

Note:

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

The following table shows revenue by product line for the years ended March 31, 2025 and 2026.

	For the year ended March 31,	
	2025	2026
	(in millions of yen)	
Automotive products:		
Thermal Systems	¥ 1,728,469	¥ 1,780,351
Powertrain Systems	1,438,591	1,479,737
Mobility Electronics	2,017,304	2,198,663
Electrification Systems	1,354,426	1,433,456
Advanced Devices	388,803	390,274
Others	113,659	108,587
Total automotive products	7,041,252[(2)]	7,391,068[(3)]
Non-automotive products:	120,525	148,907

Notes:

(1) Figures in this table exclude inter-group transactions between our group companies.

(2) Includes ¥3,503 million as a revenue from subleases of right-of-use assets in accordance with IFRS 16.

(3) Includes ¥6,135 million as a revenue from subleases of right-of-use assets in accordance with IFRS 16.

Revenue

Revenue was ¥7,539,975 million in the year ended March 31, 2026, an increase of ¥378,198 million, or 5.3%, compared to the prior year. This increase was due mainly to an increase in vehicle sales and cost recovery from changes to certain product programs.

Change in revenue by operating segment (excluding inter-segment transactions) was as follows:

- *Japan.* Revenue in Japan was ¥3,087,881 million in the year ended March 31, 2026, an increase of ¥169,294 million, or 5.8%, compared to the prior year. This increase was due mainly to an increase in vehicle sales.
- *North America.* Revenue in North America was ¥2,012,358 million in the year ended March 31, 2026, an increase of ¥164,479 million, or 8.9%, compared to the prior year. This increase was due mainly to an increase in vehicle sales.
- *Europe.* Revenue in Europe was ¥691,545 million in the year ended March 31, 2026, an increase of ¥44,947 million, or 7.0%, compared to the prior year. This increase was due mainly to a weaker yen and an increase in vehicle sales.
- *Asia.* Revenue in Asia was ¥1,622,176 million in the year ended March 31, 2026, a decrease of ¥7,685 million, or 0.5%, compared to the prior year. This decrease was due mainly to a decrease in vehicle sales in the China region.
- *Others.* Revenue in other regions was ¥126,015 million in the year ended March 31, 2026, an increase of ¥7,163 million, or 6.0%, compared to the prior year. This increase was due mainly to an increase in vehicle sales.

Change in revenue by product line was as follows:

- *Thermal Systems.* Revenue from Thermal Systems was ¥1,780,351 million in the year ended March 31, 2026, an increase of ¥51,882 million, or 3.0%, compared to the prior year. This increase was due mainly to an increase in sales of HVAC (Heating, Ventilation, Air-Conditioning) products.
- *Powertrain Systems.* Revenue from Powertrain Systems was ¥1,479,737 million in the year ended March 31, 2026, an increase of ¥41,146 million, or 2.9%, compared to the prior year. This increase was due mainly to an increase in sales of spark plugs and exhaust sensors.
- *Mobility Electronics.* Revenue from Mobility Electronics was ¥2,198,663 million in the year ended March 31, 2026, an increase of ¥181,359 million, or 9.0%, compared to the prior year. This increase was due mainly to an increase in sales of human machine interface ECUs.
- *Electrification Systems.* Revenue from Electrification Systems was ¥1,433,456 million in the year ended March 31, 2026, an increase of ¥79,030 million, or 5.8%, compared to the prior year. This increase was due mainly to an increase in sales of power control units.
- *Advanced Devices.* Revenue from Advanced Devices was ¥390,274 million in the year ended March 31, 2026, an increase of ¥1,471 million, or 0.4%, compared to the prior year. This increase was due mainly to an increase in sales of manifold absolute pressure sensors.
- *Others.* Revenue from other product line was ¥108,587 million in the year ended March 31, 2026, a decrease of ¥5,072 million, or 4.5%, compared to the prior year. This decrease was due mainly to a decrease in sales of equipment.
- *Non-automotive products.* Revenue from non-automotive products was ¥148,907 million in the year ended March 31, 2026, an increase of ¥28,382 million, or 23.5%, compared to the prior year. This increase was due mainly to an increase in sales of customer products.

Cost of revenue

Cost of revenue was ¥6,370,364 million in the year ended March 31, 2026, an increase of ¥311,454 million, or 5.1%, compared to the prior year. This increase was due mainly to increased costs correlating to the increase in revenue described above.

Gross profit

As a result of the foregoing, gross profit was ¥1,169,611 million in the year ended March 31, 2026, an increase of ¥66,744 million, or 6.1%, compared to the prior year.

Selling, general and administrative expenses

Selling, general and administrative expenses were ¥598,610 million in the year ended March 31, 2026, a decrease of ¥6,063 million, or 1.0%, compared to the prior year. This decrease was due mainly to a decrease in provision for warranty reserve, which was partially offset by an increase in employee benefit expenses and welfare expenses.

Other income

Other income was ¥30,516 million in the year ended March 31, 2026, a decrease of ¥33,005 million, or 52.0%, compared to the prior year. This decrease was due mainly to a decrease in gain on sales of property, plant and equipment.

Other expenses

Other expenses were ¥48,979 million in the year ended March 31, 2026, an increase of ¥6,217 million, or 14.5%, compared to the prior year. This increase was due mainly to impairment losses relating to goodwill.

Operating profit

As a result of the foregoing, operating profit was ¥552,538 million in the year ended March 31, 2026, an increase of ¥33,585 million, or 6.5%, compared to the prior year. This increase was mainly due to cost reduction efforts and a production volume increase, despite the impact of U.S. tariffs, rising material costs and increased investment in human resources.

Change in segment profit for each operating segment (including inter-segment transactions) was as follows:

- *Japan.* Segment profit in Japan was ¥185,913 million in the year ended March 31, 2026, a decrease of ¥34,632 million, or 15.7%, compared to the prior year. This decrease was due mainly to surging costs of parts and materials, investment in development for future growth and foreign exchange losses on transactions within the group, despite cost reduction efforts and a production volume increase.

- *North America.* Segment profit in North America was ¥132,314 million in the year ended March 31, 2026, an increase of ¥34,253 million, or 34.9%, compared to the prior year. This increase was due mainly to the effect of cost reduction efforts, recovery of one-time expenses and a production volume increase.

- *Europe.* Segment profit in Europe was ¥27,801 million in the year ended March 31, 2026, an increase of ¥19,147 million, or 221.3%, compared to the prior year. This increase was due mainly to the effect of cost reduction efforts.

- *Asia.* Segment profit in Asia was ¥178,843 million in the year ended March 31, 2026, an increase of ¥9,382 million, or 5.5%, compared to the prior year. This increase was due mainly to the effect of cost reduction efforts.

- *Others.* Segment profit in other regions was ¥24,865 million in the year ended March 31, 2026, an increase of ¥2,596 million, or 11.7%, compared to the prior year. This increase was due mainly to the effect of cost reduction efforts.

Finance income

Finance income was ¥82,693 million in the year ended March 31, 2026, a decrease of ¥3,674 million, or 4.3%, compared to the prior year. This decrease was due mainly to a decrease in dividend income.

Finance costs

Finance costs were ¥31,731 million in the year ended March 31, 2026, an increase of ¥5,922 million, or 22.9%, compared to the prior year. This increase was due mainly to an increase in interest expenses.

Foreign exchange gains (losses)

Foreign exchange gains were ¥1,422 million in the year ended March 31, 2026, compared to foreign exchange losses of ¥10,505 million for the prior year. This difference was due mainly to depreciation of the Japanese yen against major foreign currencies.

Profit before income taxes

As a result of the foregoing, profit before income taxes was ¥617,291 million in the year ended March 31, 2026, an increase of ¥39,286 million, or 6.8%, compared to the prior year.

Income tax expenses

Income tax expenses were ¥129,779 million in the year ended March 31, 2026, an increase of ¥17,031 million, or 15.1%, compared to the prior year. This increase was due mainly to the increase in profit before income taxes as described above.

Profit for the year

As a result of the foregoing, profit for the year was ¥487,512 million in the year ended March 31, 2026, an increase of ¥22,255 million, or 4.8%, compared to the prior year.

Profit attributable to owners of the parent company

Profit attributable to owners of the parent company was ¥443,755 million in the year ended March 31, 2026, an increase of ¥24,674 million, or 5.9%, compared to the prior year.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests was ¥43,757 million in the year ended March 31, 2026, a decrease of ¥2,419 million, or 5.2%, compared to the prior year.

Comparison of the Years Ended March 31, 2024 and 2025

The following table shows revenue from outside customers and inter-segment transactions by operating segment as well as consolidated revenue for the years ended March 31, 2024 and 2025:

	For the year ended March 31,			
	2024		2025	
	(in millions of yen)			
	Outside customers	Intersegment	Outside customers	Intersegment
Japan	¥ 2,885,718	¥ 1,280,637	¥ 2,918,587	¥ 1,297,842
North America	1,745,443	21,599	1,847,879	15,271
Europe	709,679	71,670	646,598	72,073
Asia	1,689,807	295,265	1,629,861	310,275
Others[1]	114,086	1,072	118,852	162
Consolidated revenue	¥ 7,144,733	¥ 1,670,243	¥ 7,161,777	¥ 1,695,623

Note:

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

The following table shows revenue by product line for the years ended March 31, 2024 and 2025.

	For the year ended March 31,	
	2024	2025
	(in millions of yen)	
Automotive products:		
Thermal Systems	¥ 1,730,859	¥ 1,728,469
Powertrain Systems	1,518,566	1,438,591
Mobility Electronics	1,941,723	2,017,304
Electrification Systems	1,241,622	1,354,426
Advanced Devices	423,934	388,803
Others	143,199	113,659
Total automotive products	6,999,903[2]	7,041,252[3]
Non-automotive products:	144,830	120,525

Notes:

(1) Figures in this table exclude inter-group transactions between our group companies.

(2) Includes ¥14,622 million as a revenue from subleases of right-of-use assets in accordance with IFRS 16.

(3) Includes ¥3,503 million as a revenue from subleases of right-of-use assets in accordance with IFRS 16.

Revenue

Revenue was ¥7,161,777 million in the year ended March 31, 2025, an increase of ¥17,044 million, or 0.2%, compared to the prior year. This increase was due mainly to depreciation of the yen and a change in our research and development cost recovery method, which resulted in the recognition of additional revenue in the year ended March 31, 2025 relating to research and development activities compared to the prior year.

Change in revenue by operating segment (excluding inter-segment transactions) was as follows:

- *Japan.* Revenue in Japan was ¥2,918,587 million in the year ended March 31, 2025, an increase of ¥32,869 million, or 1.1%, compared to the prior year. The increase was primarily due to depreciation of the yen, which affected sales of some of our products from Japan into other countries.

- *North America.* Revenue in North America was ¥1,847,879 million in the year ended March 31, 2025, an increase of ¥102,436 million, or 5.9%, compared to the prior year. The increase was primarily due to improvements in composition mainly in the sales expansion of our electrification and safety products.

- *Europe.* Revenue in Europe was ¥646,598 million in the year ended March 31, 2025, a decrease of ¥63,081 million, or 8.9%, compared to the prior year. The decrease was primarily due to a decrease in vehicle sales in the region.

- *Asia.* Revenue in Asia was ¥1,629,861 million in the year ended March 31, 2025, a decrease of ¥59,946 million, or 3.5%, compared to the prior year. The decrease was primarily due to a decrease in vehicle sales in the region.

- *Others.* Revenue in other regions was ¥118,852 million in the year ended March 31, 2025, an increase of ¥4,766 million, or 4.2%, compared to the prior year. The increase was primarily due to an increase in vehicle sales in other regions.

Change in revenue by product line was as follows:

- *Thermal Systems.* Revenue from Thermal Systems was ¥1,728,469 million in the year ended March 31, 2025, a decrease of ¥2,390 million, or 0.1%, compared to the prior year. This decrease was primarily attributable to a decrease in vehicle production.

- *Powertrain Systems.* Revenue from Powertrain Systems was ¥1,438,591 million in the year ended March 31, 2025, a decrease of ¥79,975 million, or 5.3%, compared to the prior year. This decrease was primarily due to the downsizing of our internal combustion engine business which resulted in a decrease in sales volume.

- *Mobility Electronics.* Revenue from Mobility Electronics was ¥2,017,304 million in the year ended March 31, 2025, an increase of ¥75,581 million, or 3.9%, compared to the prior year. This increase was primarily due to the sales expansion of global safety package 3 (GSP3) and human machine interface electronic control units (HMI-ECU), our core products in the safety domain.

- *Electrification Systems.* Revenue in Electrification Systems was ¥1,354,426 million in the year ended March 31, 2025, an increase of ¥112,804 million, or 9.1%, compared to the prior year. This increase was primarily due to the sales expansion of electrification-related products, such as inverters.

- *Advanced Devices.* Revenue from Advanced Devices was ¥388,803 million in the year ended March 31, 2025, a decrease of ¥35,131 million, or 8.3%, compared to the prior year. This decrease was primarily due to the downsizing of our internal combustion engine business which resulted in a decrease in sales volume.

- *Others.* Revenue from other product line was ¥113,659 million in the year ended March 31, 2025, a decrease of ¥29,540 million, or 20.6%, compared to the prior year. This decrease was primarily due to depreciation of the yen.

- *Non-automotive products.* Revenue in non-automotive products was ¥120,525 million in the year ended March 31, 2025, a decrease of ¥24,305 million, or 16.8%, compared to the prior year. This decrease was primarily due to the transfer of our mobile phone agency business to ranet Co., Ltd. during the year ended March 31, 2024.

Cost of revenue

Cost of revenue was ¥6,058,910 million in the year ended March 31, 2025, an increase of ¥4,130 million, or 0.1%, compared to the prior year. This increase was due mainly to the increase in revenue described above.

Gross profit

As a result of the foregoing, gross profit was ¥1,102,867 million in the year ended March 31, 2025, an increase of ¥12,914 million, or 1.2%, compared to the prior year.

Selling, general and administrative expenses

Selling, general and administrative expenses were ¥604,673 million in the year ended March 31, 2025, a decrease of ¥110,492 million, or 15.4%, compared to the prior year. This decrease was due mainly to a decrease in provision for warranty reserve.

Other income

Other income was ¥63,521 million in the year ended March 31, 2025, an increase of ¥14,021 million, or 28.3%, compared to the prior year. This increase was primarily due to an increase in gain on sales of property, plant and equipment.

Other expenses

Other expenses were ¥42,762 million in the year ended March 31, 2025, a decrease of ¥926 million, or 2.1%, compared to the prior year. This decrease was primarily due to a decrease in losses on litigation.

Operating profit

As a result of the foregoing, operating profit was ¥518,953 million in the year ended March 31, 2025, an increase of ¥138,353 million, or 36.4%, compared to the prior year.

Change in segment profit for each operating segment (including inter-segment transactions) was as follows:

- *Japan.* Segment profit in Japan was ¥220,545 million in the year ended March 31, 2025, an increase of ¥135,364 million, or 158.9%, compared to the prior year. The increase was primarily due to the impact of cost management efforts and the decrease in provision for quality costs compared to the previous fiscal year.

- *North America.* Segment profit in North America was ¥98,061 million in the year ended March 31, 2025, an increase of ¥43,510 million, or 79.8%, compared to the prior year. The increase was primarily due to the sales expansion of electrification- and safety-related products and cost management efforts.

- *Europe.* Segment profit in Europe was ¥8,654 million in the year ended March 31, 2025, a decrease of ¥22,348 million, or 72.1%, compared to the prior year. The decrease was primarily due to a decrease in vehicle sales in the region and structural reform costs.

- *Asia.* Segment profit in Asia was ¥169,461 million in the year ended March 31, 2025, a decrease of ¥15,028 million, or 8.1%, compared to the prior year. The decrease was primarily due to a decrease in vehicle sales in the region.

- *Others.* Segment profit in other regions was ¥22,269 million in the year ended March 31, 2025, a decrease of ¥2,512 million, or 10.1%, compared to the prior year. The decrease was primarily due to depreciation of the yen.

Finance income

Finance income was ¥86,368 million in the year ended March 31, 2025, an increase of ¥7,656 million, or 9.7%, compared to the prior year. This increase was due mainly to an increase in dividend income.

Finance costs

Finance costs were ¥25,810 million in the year ended March 31, 2025, an increase of ¥3,564 million, or 16.0%, compared to the prior year. This increase was due mainly to an increase in losses on derivatives.

Foreign exchange losses

Foreign exchange losses were ¥10,505 million in the year ended March 31, 2025, a decrease of ¥7,190 million, or 40.6%, compared to the prior year. This decrease was due mainly to appreciation of the yen against major foreign currencies.

Profit before income taxes

As a result of the foregoing, profit before income taxes was ¥578,005 million in the year ended March 31, 2025, an increase of ¥141,768 million, or 32.5%, compared to the prior year.

Income tax expenses

Income tax expenses were ¥112,748 million in the year ended March 31, 2025, an increase of ¥32,084 million, or 39.8%, compared to the prior year, primarily due to an increase in taxable income.

Profit for the year

As a result of the foregoing, profit for the year was ¥465,257 million in the year ended March 31, 2025, an increase of ¥109,684 million, or 30.8%, compared to the prior year.

Profit attributable to owners of the parent company

Profit attributable to owners of the parent company was ¥419,081 million in the year ended March 31, 2025, an increase of ¥106,290 million, or 34.0%, compared to the prior year.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests was ¥46,176 million in the year ended March 31, 2025, an increase of ¥3,394 million, or 7.9%, compared to the prior year.

Liquidity and Capital Resources

Capital Requirements

Our principal capital and liquidity needs have been for operating cash, capital expenditures, research and development, strategic acquisitions and investments, dividend payments and share repurchases.

Operating Cash Requirements

Our financial policy is to ensure sufficient financing and liquidity for our business activities and to maintain a strong financial position. Through the use of current assets, such as cash and cash equivalents, as well as cash flows from operating activities, proceeds from issuance of corporate bonds and loans from financial institutions, we believe that we will be able to provide sufficient funds for working capital to our group companies and to expand existing businesses and develop new projects.

Our significant operating cash requirements are for the purchase of materials, products and other inventories, salaries and wages, selling costs, research and development, advertising and promotion costs and taxes.

Capital Expenditures

Our capital expenditures consist mainly of investments to enhance our research and development capabilities for new products and constructing and upgrading our manufacturing facilities to enhance our productivity and strengthen our competitiveness and operations in various business fields. Capital expenditures in the year ended March 31, 2026 were ¥369,267 million which were funded through cash on hand and proceeds from borrowings and issuances of corporate bonds.

For the year ended March 31, 2026, our capital expenditures by operating segment were as follows:

Segment	Capital expenditure for the year ended March 31, 2026
	(in millions of yen)
Japan	¥228,765
North America	60,914
Europe	19,887
Asia	51,654
Others	8,047

We have maintained a disciplined level of capital expenditures and will continue to pursue a disciplined approach to capital expenditures going forward.

For the year ending March 31, 2027, we currently expect our total capital expenditures to amount to around ¥400,000 million. Details of our plan for capital expenditures by operating segment for the year ending March 31, 2027 are as follows:

	Capital expenditure (in millions of yen)	Purpose	Method of funding
Japan	¥ 266,200	Expansion of production capacities and upgrading facilities for next generation and new products	Cash on hand, borrowing and corporate bonds
North America	57,300		
Europe	11,800		
Asia	57,000		
Subtotal	392,300		
Other	7,700		
Total	¥ 400,000		

Strategic Acquisitions and Investments

We regularly consider acquisitions and other investment opportunities that have the potential to support sustainable profit growth and may be pursued at an appropriate valuation level. We expect to base our consideration of strategic acquisitions and investments on, among other things, our operating environment and financial resources available. For a description of certain recent significant acquisitions and investments, see "—Factors Affecting Our Financial Results—Impact of Acquisitions and Other Strategic Investments."

Debt Service and Repayments

We require significant funds for the service of our outstanding debt. The following table summarizes the debt repayment schedule of our trade payables and other payables, corporate bonds and loans, lease obligations and deposits payable (excluding contractual interest payments), as of March 31, 2026.

	As of March 31, 2026			
	Due in one year or less	Due after one year through five years	Due after five years	Total
	(in millions of yen)			
Trade and other payables	¥ 879,196	—	—	¥ 879,196
Bonds and borrowings	237,402	¥ 486,380	¥ 87,500	811,282
Other financial liabilities[(1)]	36,522	19,461	9,883	65,866
Derivative financial liabilities	¥ 6,061	¥ 1,249	—	¥ 7,310

Note:

(1) For lease liabilities included in other financial liabilities, please see Note 31 to our audited consolidated financial statements as of and for the year ended March 31, 2026 included elsewhere in this offering memorandum.

Share Repurchases

We may from time to time engage in share repurchases as one means of providing returns to our shareholders. In addition, in light of the impact on the supply-demand balance for our shares resulting from the

accelerating move to reduce cross-shareholdings in Japan of shares in companies such as ours, particularly by financial institutions, we have determined to conduct certain share repurchases. Specifically, on October 31, 2024, we announced our plan to repurchase up to 280,000,000 shares of our common stock, using up to ¥450,000 million, over the one-year period from November 1, 2024 to October 27, 2025 through a market buy-back program. Accordingly, in the year ended March 31, 2025 and 2026, we conducted share repurchases of ¥196,642 million and ¥253,363 million, respectively. Additionally, we completed a self-tender offer on June 1, 2026 for 184,897,667 shares of our common stock at a price of ¥1,696 per share for a total of approximately ¥314 billion.

Capital Resources

In principle, cash flow generated by our operating activities is used as working capital, including capital expenditures.

In order to raise working capital efficiently, we utilize short-term and long-term borrowings as well as issuance of corporate bonds.

The following table summarizes our corporate bonds and borrowings as of the date indicated:

	As of March 31, 2026	
	(in millions of yen)	Average interest rate[1] (in percentages)
Short-term borrowings	¥ 46,462	4.40%
Current portion of bonds	99,940	—[2]
Current portion of long-term borrowings	91,000	0.14
Long-term borrowings	314,000	1.01
Bonds	259,880	—[2]
Total	¥ 811,282	

Note:

(1) Average interest rate is the weighted average interest rate based on the balance of borrowings as of the fiscal year-end.

(2) For the applicable interest rates and other information about our bonds, see Note 16 to our audited consolidated financial statements as of and for the year ended March 31, 2026 included elsewhere in this offering memorandum.

With respect to our external borrowings, some of our loan agreements include restrictive financial covenants, including covenants that require us to (i) not generate consolidated losses before income taxes for two consecutive fiscal years and (ii) not generate non-consolidated operating losses for two consecutive fiscal years. We are in compliance with all of the restrictive covenants in our existing loan agreements as of the date of this offering memorandum and do not expect any of these covenants to restrict our operations in our foreseeable future, absent extraordinary events affecting our business.

In connection with the sales of shares of strategic interests held in Toyota Group and other companies, we have also generated cash proceeds. See "Business—Historical Background and Relationship with the Toyota Group—Relationship with Toyota Group Companies."

Credit Ratings

Our credit ratings, which reflect each rating agency's opinion of our financial strength, operating performance and ability to meet our obligations are as follows:

Rating Agency	Category	Rating (outlook)
S&P Global Ratings Japan Inc.	Issuer rating	A+ (stable)
Moody's Japan K.K.	Issuer rating	A2 (stable)
Rating and Investment Information, Inc.	Issuer rating	AAA (stable)

The ratings are not a recommendation to buy, sell or hold securities. The ratings are subject to revision or withdrawal at any time by the assigning rating agency. Each of the financial strength ratings should be evaluated independently.

Off-Balance Sheet Arrangements

We currently have no material off-balance sheet arrangements.

Cash Flows

The following table shows our cash flow data for the years ended March 31, 2025 and 2026:

	For the year ended March 31,	
	2025	2026
	(in millions of yen)	
Net cash provided by operating activities	¥ 758,743	¥ 511,025
Net cash provided by (used in) investing activities	121,899	(16,886)
Net cash used in financing activities	(677,431)	(355,003)
Foreign currency translation adjustments on cash and cash equivalents	(6,070)	63,459
Net increase in cash and cash equivalents	197,141	202,595
Cash and cash equivalents at beginning of the year	789,390	986,531
Cash and cash equivalents at end of the year	¥ 986,531	¥ 1,189,126

Net cash provided by operating activities during the year ended March 31, 2026 was ¥511,025 million, compared with ¥758,743 million in the prior year. This decrease of ¥247,718 million was primarily due to a decrease in trade payables and an increase in income taxes paid.

Net cash used in investing activities during the year ended March 31, 2026 was ¥16,886 million, compared with net cash provided by investing activities of ¥121,899 million in the prior year. This difference was in part due to payment for the acquisition of shares in Axia and a decrease in proceeds from sales of equity instruments.

Net cash used in financing activities during the year ended March 31, 2026 was ¥355,003 million, compared with ¥677,431 million in the prior year. This decrease of ¥322,428 million was primarily due to an increase in proceeds from borrowings.

The following table shows our cash flow data for the years ended March 31, 2024 and 2025:

	For the year ended March 31,	
	2024	2025
	(in millions of yen)	
Net cash provided by operating activities	¥ 961,826	¥ 758,743
Net cash (used in) provided by investing activities	(459,487)	121,899
Net cash used in financing activities	(496,659)	(677,431)
Foreign currency translation adjustments on cash and cash equivalents	49,860	(6,070)
Net increase in cash and cash equivalents	55,540	197,141
Cash and cash equivalents at beginning of the year	733,850	789,390
Cash and cash equivalents at end of the year	¥ 789,390	¥ 986,531

Net cash provided by operating activities during the year ended March 31, 2025 was ¥758,743 million, compared with ¥961,826 million in the prior year. This decrease of ¥203,083 million was primarily due to a decrease in changes in trade receivables and a decrease in changes in provisions compared to the prior fiscal year.

Net cash provided by investing activities during the year ended March 31, 2025 was ¥121,899 million, compared with net cash used in investing activities of ¥459,487 million in the prior year. This difference was in part due to an increase in proceeds from sales of equity instruments relating to the sale of strategic shareholdings.

Net cash used in financing activities during the year ended March 31, 2025 was ¥677,431 million, compared with ¥496,659 million in the prior year. This increase of ¥180,772 million was primarily due to a net decrease in short-term borrowings and a decrease in proceeds from borrowings.

Quantitative and Qualitative Disclosure About Market Risk

In the course of our business, we are subject to credit risk, foreign currency risk, interest rate risk, investment securities risk and liquidity risk. For more information, also see Note 30 to our audited consolidated financial statements as of and for the year ended March 31, 2026 contained elsewhere in this offering memorandum.

Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in a loss to us. Our main exposure to credit risk is with counterparties, including customers for our products. In accordance with internal rules, we strive to promptly identify and reduce concerns about collection status on our receivables and the credit status of the counterparties, and renegotiate transaction terms or move to preserve the receivables. As of March 31, 2026, 37% of our account receivable was to Toyota Group companies.

Foreign Currency Risk

We manufacture and sell products to customers around the world in transactions denominated in various currencies and face translation and transaction risks related to the fluctuation of foreign currency exchange rates in the markets where we are active. For the year ended March 31, 2026, 41.0% of our revenue was derived from the Japan segment and 59.0% was derived from the North America, Europe, Asia and other segments, each excluding inter-segment transactions. Our consolidated financial statements are presented in yen, and by translating the foreign currency financial statements of our foreign subsidiaries into yen, the amounts of our revenue, profit, assets and equity, on a consolidated basis, are affected by prevailing rates of exchange. In particular, we are adversely affected by translation risk when the yen appreciates against the U.S. dollar and the euro. For example, an increase in the value of the yen relative to the other currencies that we operate in, including the U.S. dollar, the euro and the yuan, during the year ended March 31, 2017 was a significant downward factor that contributed to a decrease in consolidated revenue, presented in yen, from the prior fiscal year.

Pursuant to our treasury policy, we utilize certain hedging measures, including currency forward contracts for foreign currency transactions with our customers, and currency swaps for our foreign currency borrowings. However, such hedging measures do not cover all of our exposures and, even to the extent that they do, they may only delay, or may otherwise be unable to completely eliminate, the impact of fluctuations in foreign currency exchange rates.

Interest Rate Risk

A portion of our outstanding borrowings are subject to floating interest rates. If market interest rates increase, the applicable interest rate on our floating interest rate debt will increase, resulting in an increase in our interest expenses. We use derivative financial instruments such as interest rate swaps, but such efforts may not fully mitigate the impact of interest rate fluctuations. In addition, with respect to our debt that is subject to fixed interest rates, increases in market interest rates could increase our interest expenses when we refinance such debt.

Price Risks of Equity Instruments

We hold shares of Toyota Motor, other Toyota Group companies and certain other companies that are publicly listed primarily for business relationship purposes and are accordingly exposed to price fluctuation risk with respect to those equity securities. As of March 31, 2026, we held marketable securities with an estimated fair value of ¥1,769,465 million. These securities are accounted for as FVTOCI financial assets. To the extent that the market values of securities decrease, our other comprehensive income and total equity will be adversely affected. We continuously review the status of our holdings of these securities, taking into account relationships with and financial conditions of business partners.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty settling our financial obligations with cash or another financial asset. We manage our liquidity risk by following our cash management plan based on our treasury policy and expect that we will have sufficient cash to settle our financial obligations as they come due. In order to further mitigate this risk, we also maintain a revolving facility.

INDUSTRY

Global Automobile Production

Demand for our products is primarily driven by automobile manufacturing, which is in turn largely driven by end customer demand for new automobiles, but also other factors such as those supply chains and manufacturing more generally. Global production of automobiles experienced a severe downturn in 2020 due to the impact of the COVID-19 pandemic. However, according to an S&P AutoInsight Forecast report published in March 2026, global light vehicle production recovered and surpassed pre-pandemic levels by 2023 and, despite decreasing slightly in 2024, increased further in 2025. In addition, light vehicle production by Toyota Motor, which is our largest customer, outperformed global production throughout this period. According to estimates by S&P AutoInsight Forecast, the number of Toyota Motor light vehicles produced recovered from a 12.9% decrease in 2020, to a 0.1% increase in 2022, an 8.2% increase in 2023, a 2.3% increase in 2024 and a 7.8% increase in 2025, in each case compared to 2019 levels. By comparison, according to estimates by S&P AutoInsight Forecast, the number of light vehicles produced globally excluding Toyota Motor recovered from a 16.5% decrease in 2020, to an 8.4% decrease in 2022, a 0.9% increase in 2023, a 0.5% increase in 2024 and a 4.2% increase in 2025, in each case compared to 2019 levels. In addition, Toyota Motor's CAGR from 2019 to 2025 was 1.3%, compared with 0.7% for global light vehicle producers (excluding Toyota Motor).

Environmental Changes in Automotive Industry

Electric Vehicles

The automobile industry has been evolving in response to increasingly stringent regulations on emissions and fuel efficiency. In recent years, most major automobile markets have introduced more stringent emissions standards and other environmental regulations relating to automobiles, and this trend is expected to continue. In response to the increasing focus on the environmental impact of automobiles, manufacturers have accelerated investment in development of technologies for hybrid, plug-in hybrid, battery electric and fuel cell vehicles. As a result of these trends, automobile demand in advanced economies is expected to shift from internal combustion vehicles to electric powered vehicles and the proportion of vehicle production attributable to vehicles with electric powertrains is expected to continue to expand.

Connectivity, Automated Driving and Mobility as a Services (MaaS)

The further development and use of data is expected to result in dynamic changes in the existing framework of transportation and mobility. The model for personal mobility is expected to shift from conventional car ownership to MaaS, including various mobility services such as vehicle sharing. In addition, we expect that information sharing technologies will ultimately lead to the establishment of data platforms that link individual vehicles through the internet. By around 2030, we expect that personal mobility will become part of a shared social infrastructure encompassing vehicles and other devices that share information and interact through the internet.

BUSINESS

Overview

We are a leading global manufacturing company primarily engaged in the development, production and sale of automotive parts and components. As a member of the Toyota Group, our strong relationship with Toyota Group companies has supported the continued expansion of our core businesses and remains one of our key competitive advantages. See "—Historical Background and Relationship with the Toyota Group."

We are engaged in the manufacturing and sale of automotive parts as well as non-automotive products in the following product categories:

- *Thermal Systems.* In our Thermal Systems business, we develop, manufacture and sell air-conditioning systems for automobiles as well as other climate control products, including truck freezer units, air filters and radiators, among others. In the year ended March 31, 2026, revenue from our thermal systems business was ¥1,780,351 million, or 23.6% of total revenue.

- *Powertrain Systems.* In our Powertrain Systems business, we primarily manufacture and sell engine-related products for hybrid and electric vehicles, gasoline and diesel engine management systems, power train control systems and power-generation systems. Our products include fuel injection systems, exhaust gas sensors, air flow meters and control valves, among others. In the year ended March 31, 2026, revenue from our Powertrain Systems business was ¥1,479,737 million, or 19.6% of total revenue.

- *Mobility Electronics.* In our Mobility Electronics business, we develop and manufacture electrification systems, services and platforms as well as products related to advanced safety and automated driving, including driving environment recognition systems and cockpit information systems. Our products include extremely high frequency radar sensors, image sensors, engine ECUs, driver status monitors, combination meters and telematics control units, among others. In the year ended March 31, 2026, revenue from our Mobility Electronics business was ¥2,198,663 million, or 29.2% of total revenue.

- *Electrification Systems.* In our Electrification Systems business, we develop, manufacture and sell products for hybrid and electric vehicle drive systems, power supply systems and starting systems in addition to small motor systems. Our products include engine ECU, power control units, motor generators, battery ECUs, electric power steering, starters and alternators, among others. In the year ended March 31, 2026, revenue from our Electrification Systems business was ¥1,433,456 million, or 19.0% of total revenue.

- *Advanced Devices.* In our Advanced Devices business, we develop and manufacture a comprehensive range of mechatronics systems, including CASE (connectedness, automation, sharing and electrification)-related products, and automotive semiconductor and sensor products such as power cards, in-vehicle semiconductors and semiconductor sensors. In the year ended March 31, 2026, revenue from the Advanced Devices business totaled ¥390,274 million, or 5.2% of total revenue.

- *Non-Automotive Business.* In our Non-Automotive business, we develop and manufacture non-automotive products including industrial equipment and horticultural equipment. Our industrial equipment products include industrial-use robots, code readers and programmable controllers. Our horticultural equipment products include equipment for mid- to large-scale greenhouses such as environmental control systems. In the year ended March 31, 2026, revenue from our Non-Automotive business totaled ¥148,907 million, or 2.0% of total revenue.

We report our financial information based on five regional operating segments which consist of Japan, North America, Europe, Asia and Others (which includes subsidiaries in South America). In the year ended March 31, 2026, revenue excluding inter-segment transactions from our Japan segment was ¥3,087,881 million, or 41.0% of total revenue, revenue from our North America segment was ¥2,012,358 million, or 26.7% of total revenue, revenue from our Europe segment was ¥691,545 million, or 9.2% of total revenue, revenue from our Asia segment was ¥1,622,176 million, or 21.5% of total revenue and revenue from our Other segment was ¥126,015 million, or 1.7% of total revenue.

We operate through subsidiaries and affiliates, some of which have been formed as the result of strategic acquisitions or joint ventures. As at March 31, 2026, we had 190 consolidated subsidiaries and 62 affiliates accounted for by the equity method.

Historical Background and Relationship with the Toyota Group

Our History

We were established as Nippondenso Co., Ltd. in 1949 in connection with the separation of certain automotive parts operations from Toyota Motor. Upon our establishment, we initially focused on manufacturing of electrical components for automobiles. In 1953, we entered into a technical cooperation agreement with Robert Bosch GmbH, a leading manufacturer of electronic components for automobiles, to enhance our technical competitiveness. Subsequently, we began to expand our business fields beyond the production of electrical components for automobiles. In 1955, we started the development and manufacturing of injection pumps. We produced our first air-conditioning system in 1967 by synthesizing our electronic and temperature control technology.

In 1965, we began expanding our domestic manufacturing bases and capacity to meet the increasing demand for automotive components, and established Ikeda Plant in Aichi Prefecture and Hiroshima Plant, our first plants outside our corporate headquarters. In the late 1960s, we started expanding our business to outside Japan with a view to becoming a global leading manufacturer of comprehensive automotive components. In 1966, we established a sales office in Chicago and branch offices in Los Angeles, our first offices outside Japan. In 1971, we established Nippondenso Los Angeles, Inc., our first overseas sales subsidiary. Also, in 1972, we established Nippondenso (Australia) Pty. Ltd., and Nippondenso Thailand Co., Ltd., our first manufacturing companies outside Japan. In 1973, we established a subsidiary in the Netherlands as our first subsidiary in Europe. In the 1980s, we further accelerated our efforts to become a global company through the establishment of Nippondenso America, Inc. as our regional headquarters in the North American market. We changed our corporate name from Nippondenso Co., Ltd to DENSO Corporation in 1996 to reflect the global expansion of our business by removing "Nippon" (which means Japan) from our corporate name.

In November 2017, we acquired additional shares in DENSO TEN Limited (formerly Fujitsu Ten), a leading manufacturer of automotive electronics, making it a consolidated subsidiary, with a view to further strengthening our position in the in-vehicle electronics industry. In April 2020, we consolidated Toyota Motor's electronic components business with ours for the purpose of further enhancing the competitiveness of the research and development capabilities of the Toyota Group as well as streamlining manufacturing resources. Currently, we have subsidiaries in 35 countries and regions around the world.

Since our establishment, we have incorporated the perspective of environmental and social sustainability into our business strategy as a fundamental corporate philosophy, and we have created a number of innovative technologies and products which contribute to the sustainability of our environment. For example, in the 1960s, we succeeded in the practical application of mechanical-type gasoline injection systems as well as electronic control-type gasoline injection systems in response to the increasing concern about air pollution by car emissions. In addition, to address the increasing gas emissions from automobiles and respond to future demand for electric automotive components, we launched an in-house research and development division for integrated circuits (ICs) and further established a comprehensive system for the production of ICs. In the 1980s, we succeeded in the development of car air-conditioning systems which use natural refrigerants or CO_2 in order to prevent destruction of the ozone layer by conventional air-conditioning refrigerants. Since the 2000s, in response to the increasing concern about global warming, we have strengthened our efforts for the development of fuel-saving products in all product categories. In 2005, we established DENSO Eco Vision 2005 to share our environmental guideline with our group companies throughout the world. This initiative has been revised every ten years and we have been striving to develop eco-friendly products to contribute to sustainable society.

Relationship with Toyota Group Companies

We have developed and maintained a close relationship with Toyota Motor and other companies affiliated with Toyota Motor, as described in more detail below. We have cultivated a deep and long-standing relationship with Toyota Motor and its related companies that are based on a strong foundation of communication and trust, which enables us and the other Toyota Group companies to maintain a group-wide supplier system that is compatible across companies to achieve high-quality control. Through this relationship, we aim to strengthen an effective automobile supplier alliance by jointly developing products, sharing information, and closely coordinating on key production issues such as quality control.

While we and certain other Toyota Group companies previously had policies of maintaining significant shareholdings in each other, we and certain other Toyota Group companies have been engaged in reducing or eliminating these shareholdings in recent periods, as discussed in further detail below. Despite the shift in policy regarding such shareholdings, we believe that maintaining a strong relationship with Toyota Motor and other Toyota Group companies is an important part of our business strategy, and that the continued success of the Toyota Group will contribute to the overall growth of our business.

For risks related to our relationship with Toyota Motor and other Toyota Group companies, see "Risk Factors—Risks Related to Our Business—A significant portion of our revenue is from sales to the Toyota Group companies and our other OEM customers, and our business, financial condition and results of operations may be adversely impacted if there is any adverse development in the production levels, business, financial condition and results of operations of such companies or our relationships with such companies."

Relationship with Toyota Motor

Toyota Motor is the largest automobile manufacturer in Japan and one of the largest automobile manufacturers in the world in terms of the number of vehicles sold. We have historically maintained a close relationship with Toyota Motor since we were established in 1949. We continue to have strong ongoing business relationships with Toyota Motor in a number of areas, including the production and sale of automobile components to Toyota Motor. Toyota Motor is our largest direct customer, with sales to Toyota Motor and its subsidiaries for the years ended March 31, 2025 and 2026 accounting for 54.5% and 54.8% of our consolidated revenue, respectively. We have also established a close relationship with Toyota Motor in terms of research and development, for example, with the purpose of facilitating the development of automated ride-sharing services. Also, in April 2020, we consolidated Toyota Motor's electronic components business with ours for the purpose of further enhancing the competitiveness of the research and development capabilities of the Toyota Group as well as streamlining manufacturing resources.

We maintain strong personnel relationships with Toyota Motor at both the management and employee levels, and a number of our employees are seconded to Toyota Motor, from whom we also receive seconded personnel.

Toyota Motor is also our single largest shareholder, and we are considered an affiliate of Toyota Motor for accounting purposes. As of March 31, 2026, Toyota Motor held 22.24% of the issued shares of our common stock, and we held 3.45% of the issued shares of common stock of Toyota Motor as its seventh largest shareholder.

Relationship with Toyota Industries

Toyota Industries, an affiliate of Toyota Motor, is an automobile parts manufacturer that supplies parts to Toyota Group companies including us and other third parties. Our partnership with Toyota Industries is one of our key relationships in our automobile parts business. In particular, Toyota Industries is a key supplier of our car air-conditioning compressors, which are then sold to major automobile manufacturers worldwide and also incorporated in our car air-conditioning systems. As part of our partnership with Toyota Industries, we also engage in joint marketing and sales activities to expand and strengthen the customer base for car air-conditioning compressors of Toyota Industries. We also supply Toyota Industries with certain automobile parts, and Toyota Industries supplies certain other automobile parts to us. We have also entered into a number of joint ventures and other transactions with Toyota Industries.

As of March 31, 2026, Toyota Industries held 5.85% of the issued shares of our common stock. In March 2024, we announced our plan to sell all of our shares in Toyota Industries by June 2026, which we were planning to carry out in stages. However, on June 3, 2025, we announced our decision to sell the entirety of our remaining shares in Toyota Industries in response to a tender offer planned by Toyota Fudosan for such shares, and also made an advance notice of a tender offer for our own shares held by Toyota Industries. The sale of our remaining holdings in Toyota Industries was completed on March 30, 2026 for ¥305.4 billion, and we completed our self-tender offer on June 1, 2026 for 184,897,667 shares of our common stock at a price of ¥1,696 per share for a total of approximately ¥314 billion.

Relationship with Aisin and Other Toyota Group Companies

We have close relationships with other Toyota Group companies in connection with sales of products and purchases of materials and components. In addition, we cooperate with and rely on these Toyota Group

companies in terms of research and developments. We believe these relationships are important in helping us strengthen and grow our business. For example, in April 2019, we partnered with Aisin and established BluE Nexus, a joint venture to develop and sell packaged drive-train modules, which consists of key components essential for electric vehicles. After additional investment by Toyota Motor in August 2020, the holding ratio of BluE Nexus are 45% by Aisin, 10% by Toyota Motor and 45% by us. Also, in April 2019, we partnered with Aisin, ADVICS, and JTEKT, and established J-QuAD DYNAMICS, to develop integrated control software and accelerate its development.

In December 2023, Aisin sold all 50,175,800 shares of our common stock held by it, and we sold all of our shares in Aisin in July 2024.

Our Strengths

Strong Business Relationships with Toyota Group and Global OEMs Supported by Strong Global Network

We have a stable revenue base supported by our strong business relationship with the Toyota Group. For the year ended March 31, 2026, our revenue derived from the sales to Toyota Group accounted for ¥4,134.6 billion, or 54.8% of our total revenue. In addition to the sales of our products, we also closely cooperate with the Toyota Group in connection with our research and development efforts. For example, in April 2019, we partnered with Aisin and established BluE Nexus, a joint venture to develop a wide range of driving modules that are critical to both partial and fully electric vehicles, with Toyota Motor joining as well in August 2020. We also established J-QuAD DYNAMICS in April 2019 as a joint venture with Aisin, ADVICS and JTEKT to develop integrated control software to be used for automated driving and integrated vehicle control systems. In addition, in April 2020, we consolidated Toyota Motor's electronic components business with ours in order to further enhance the competitiveness of the research and development capabilities of the Toyota Group as well as streamline manufacturing resources through the transfer of production of electronic components at Toyota Motor's Hirose Plant and the development functions of Toyota Motor to us. In April 2020, we also established MIRISE Technologies Corporation, a joint venture company with Toyota Motor with a view to enhance our research and development function for the advanced automobile semiconductor technologies. In December 2023, we partnered with Toyota Motor once again, as well as MIRISE Technologies Corporation and nine other automotive, electrical component and semiconductor companies, to establish "Advanced System on Chip (SoC) Research for Automotive" (ASRA), a consortium to conduct research and develop high-performance digital semiconductors for use in automobiles. Most recently, in May 2025, we announced the launch of the Toyota Software Academy, a collaborative effort with Toyota Motor, Aisin, Toyota Tsusho Corporation and Woven by Toyota, Inc., to strengthen AI and software-centered human resource development. These partnerships and initiatives have resulted in innovations powering the future of Toyota Group products, including inverters to be installed in the new eAxle from BluE Nexus which reduce power loss by roughly 70% compared to conventional models (based on our internal research); cell supervising circuits that achieve a roughly 20% reduction in monitoring circuit count versus conventional models (based on our internal research); and shunt-type current sensors that halve detection errors compared to standard products while contributing to shorter BEV charging times. All of these offerings are installed in the new Toyota bZ4X (2025 model).

In addition to our strong relationship with the Toyota Group, we also maintain a diverse customer base of leading OEMs, including Honda Motor Co., Ltd., or Honda, Subaru Corporation, Stellantis N.V. and Ford Motor Company, and other customers across the globe. We have been able to effectively serve our global customer base through our extensive global procurement operations. For example, due to our global supply chain operations, we are able to source a significant portion of materials and components for our products locally in the same region where the customer is located, which we believe makes us more resilient to tariffs, changes in trade regulations and other factors that impact sourcing from other regions. In addition, as of March 31, 2026, approximately 73% of our consolidated subsidiaries were established outside of Japan and approximately 51% of our employees were located outside of Japan. For the year ended March 31, 2026, we derived 59.0% of our total revenue from customers outside Japan.

Well-Balanced Portfolio to Pursue both Stability and Growth

As a leading global manufacturer of automotive components, we offer a comprehensive range of product categories including Thermal Systems, Powertrain Systems, Electrification Systems, Mobility Electronics, Advanced Devices and Non-Automotive Business. Among these product categories, we have historically held and continue to hold leading market positions in Thermal Systems and Powertrain Systems products, which provides us with a stable revenue base from these product categories. We aim to maintain our leading positions in numerous product categories through our continuous focus on providing high-quality

products that effectively address our customers' needs. At the same time, we have also developed strong market positions in business areas with high potential for future growth and high profitability, such as Electrification Systems, Mobility Electronics, Advanced Devices and Non-Automotive products. We believe that our well-balanced portfolio of businesses providing stable revenue and businesses in high-growth product categories enables us to achieve further growth overall while maintaining stable cash flows, which contributes to our resilience to changes in economic conditions. Moreover, we seek to further accelerate our research and development capabilities and profitability in our growth business focus areas by entering into business alliances with optimal business partners. For example, in August 2023, we acquired all shares of Certhon Build B.V., an agricultural solutions provider based in the Netherlands, through which we aim to further expand our efforts to develop a stable and sustainable agricultural production system. In addition, in October 2023, we made a strategic minority investment in Silicon Carbide LLC, which operates the silicon carbide wafer manufacturing business of Coherent Corp., a manufacturer of optical materials and semiconductors based in the United States., through which we aim to enhance the competitiveness of our electrification business by securing a stable long-term procurement of silicon carbide wafers. Most recently, in July 2025, we acquired Axia, a vegetable seed breeding company headquartered in the Netherlands and focused on developing high-quality tomato seeds for greenhouses globally. We aim to collaborate with Axia to create premium seeds suitable for automated farming approaches and climate adaptation, meeting producers' diverse needs and helping achieve sustainable agriculture worldwide.

Well Positioned to Lead Transformation towards "New Mobility"

We supply a wide range of products that we believe will be core components in the "New Mobility" era. For electrification solutions, our offerings are designed to meet customer needs across a variety of powertrain types, from internal combustion engines to fuel cell electric vehicles. To this end, we develop a range of refined components in-house, including motors, inverters, fuel cell equipment and power supply systems. In particular, we differentiate ourselves through our highly efficient energy management control products, which dynamically manage a vehicle's limited energy – generated via electricity, heat and motion – in sync with changing conditions to enhance energy efficiency while delivering vehicle comfort and convenience. We also believe we stand out through our compact, high-performance electric drive systems, which deliver value to customers through extended driving range, improved driving performance and enhanced cabin comfort. This includes the inverters utilized in the eAxle by BluE Nexus, which reduce loss by roughly 70% and allow for size reductions of roughly 30%, in each case compared to conventional models (based on our internal research).

We also develop intelligent platforms for the New Mobility era that contribute to reduced traffic fatalities through vehicle-human-infrastructure cooperation. In this domain, our key technologies include 360° surround and mid-range sensors along with rule-based ADAS algorithms, which together provide an accident coverage rate of 56% for collisions at an intersection. Moreover, our AD/ADAS systems – which provide long-term reliability and are designed to handle diverse regulations, road environments and driving characteristics – demonstrate consistently low user complaint rates or cases of unnatural behavior in unexpected situations compared to our competitors, and have proven their reliability through the production of 53 million units across 144 countries and regions.

Our semiconductor and software technologies, which we consider fundamental technologies, are other important areas of focus that support the mobility domain and enhance our competitiveness. We produce differentiated semiconductors in-house for power and analog applications, along with sensors through the adaptation of non-automotive technology for vehicle use and strategic collaboration with automotive sensor semiconductor vendors. We also benefit from strategic upstream collaborations for our motor control units and SoCs, along with a division of labor in the specification, design and manufacturing processes, which allows for strategic product development and proposal as well as stable procurement. In the software domain, we draw on our extensive experience across various categories of in-vehicle solutions – including thermal management technology, powertrain, safety and information communication systems – to build a comprehensive library of intellectual property. Leveraging this portfolio, we are able to design optimal software solutions tailored to the unique needs of car manufacturers, which we further combine with hardware to create unique products and enhance our integration capabilities.

Disciplined Cash Allocation Supporting Stable Cash Generation and Strong Financial Position

We maintain a disciplined cash allocation policy for growth investments and shareholder returns, which we believe has allowed us to control our leverage at appropriate levels. As a result, our Total Debt/Equity Ratio has remained at or below 0.23x for the past five fiscal years, decreasing to 0.15x as of March 31, 2026. Total Debt to Adjusted EBITDA Ratio has remained at or below 1.44x for the past five fiscal years, decreasing to

0.78x for the year ended March 31, 2025 before increasing to 0.87x for the fiscal year ended March 31, 2026. In addition, we generally maintain our cash and other liquid assets at levels near or exceeding the amount of our Total Debt.

We also believe that our cash allocation policy enables us to generate stable cash flows, even in periods of weak demand in the automotive industry. We have consistently been able to control our capital expenditures at levels that do not exceed our operating cash flows, allowing us to generate positive Adjusted Free Cash Flow since the year ended March 31, 2021. Our Adjusted Free Cash Flow totaled ¥141.8 billion for the year ended March 31, 2026.

In addition, our Adjusted EBITDA has shown a steady trend of improvement, increasing from ¥687.7 billion in the fiscal year ended March 31, 2022 to ¥930.6 billion in the fiscal year ended March 31, 2026, and we maintained a relatively stable Adjusted EBITDA Margin across the same period, despite a temporary decrease in the fiscal year ended March 31, 2024. In the fiscal year ended March 31, 2026, our Adjusted EBITDA Margin was 12.3%.

Our Total Debt/Equity Ratio, Adjusted Free Cash Flow, Adjusted EBITDA, Total Debt to Adjusted EBITDA Ratio and Adjusted EBITDA Margin discussed above are non-IFRS measures. For more information, see "Selected Financial Data and Other Information—Non-IFRS Measures."

As part of our strategy to control our capital expenditures, we have set a long-term target to maintain depreciation of 5.0% or less of our revenues. Due primarily to an increase in capital expenditures related to expansion of electrification and advanced safety products and the decrease in revenue resulting from the negative impact of the COVID-19 pandemic, our ratio of depreciation to revenue was temporarily elevated for each of the two years ended March 31, 2021 and 2022, exceeding our target level. However, this ratio has improved in the years since, declining to 5.0% in the year ended March 31, 2026, in line with our target level. Going forward, we plan to continue to pursue a disciplined approach to capital expenditures as we shift our investment focus from powertrain products to electrification products. In terms of shareholder returns, we have continued and aim to provide disciplined shareholder returns that are balanced with other cash allocation needs including future growth investments. As discussed above, we also take a disciplined approach to our research and development expenditures. While we have steadily increased the total amount of our research and development expenditures (including capitalized and expensed expenditures) in recent years in response to changes in our business environment, we have sought to control research and development expenditures as a percentage of revenue. Our ratio of research and development expenditures to revenue has remained relatively steady, increasingly only slightly from 9.0% for the year ended March 31, 2022 to 9.2% for the year ended March 31, 2026. Going forward, we intend to continue to control our research and development expenditures by enhancing efficiencies such as optimization of software development, creation and operation of a digital research and development platform and utilizing digital tools with the long-term target for our ratio of research and development expenditures to revenue of around 9.0%.

Our Strategies

Our CORE 2030 Mid-Term Management Plan sets forth the following three pillars of our global management:

- *Strengthening Product Development*. In response to the diverse and evolving global mobility landscape which differs in each country and region, we aim to use our technologies to deliver value necessary to support our customers' needs. Leveraging the cutting-edge research and development resources we have cultivated to date, we will seek to deepen our foundational technologies that further enhance our competitiveness, such as high-performance and high-efficiency semiconductors and materials development. Furthermore, we will leverage our systems-level expertise in mechanics, electronics and software to integrate and optimize key vehicle functions, such as energy management and ADAS platforms. These improvements will not only boost overall vehicle performance but will also be tailored to meet the evolving needs of our customers and society.

- *Innovating Manufacturing*. We view our unique knowledge and know-how accumulated over the years as valuable assets in the age of AI. We are developing AI that incorporates our knowledge into development processes and production sites. Through this fusion of practical knowledge and AI, we aim to dramatically improve productivity. For example, at our new Zenmyo South Plant in Nishio City, Aichi Prefecture, scheduled for completion in 2027, we aim to realize innovation in manufacturing by leveraging AI.

- *Developing People and Co-Creating with Partners*. Leveraging our strong connections with customers, partners, government agencies and industry associations, we aim to strengthen our existing relationships across society to address social challenges that cannot be solved by a single company. We seek to apply our automotive technology, which requires high reliability and advanced systems, to address issues such as the workforce gap and productivity improvements in the fields of agriculture and factory automation. In our semiconductor business, we aim to deploy our refined automotive semiconductor technology to industrial equipment and consumer products, maximizing synergies across various sectors, including automotive areas. We believe that this will enable us to contribute to strengthening the foundation of various industries and achieving further growth.

Leverage Fundamental Technologies to Pursue Growth Across Business Domains

In pursuing the three pillars described above, our overarching approach is to leverage our fundamental technologies, including semiconductors and software, to drive the development of our businesses.

With respect to semiconductors, we aim to achieve further improvements in performance and cost for power semiconductors and in-vehicle optimization in computing and power efficiency for SoC. For MCUs and SoCs, we have experience in strategic specification development and stable procurement, including strategic collaboration at the upstream level. In the area of power and analog semiconductors, which require automotive-grade environmental performance, we possess in-house production resources for a variety of differentiated semiconductors. In addition, regarding sensors, we have capabilities to adapt non-automotive technology for integration into vehicles leveraging in-house production and collaboration with strategic partners. Through these capabilities, we believe we can enhance our product offerings to create value for our customers and grow our business.

For our software, we aim for innovation in development efficiency and speed leveraging AI and flexible architectures. We have proven experience in applying software to aspects of vehicle manufacturing and an extensive library of in-vehicle software covering powertrain, body control, information communication systems and driving safety. We seek to further build on our core software covering a broad range of applications – from environmental to safety areas – to strengthen our offerings across domains.

Generate Stable Revenue from Established Businesses including Thermal Systems and Powertrain Systems

We intend to maintain and strengthen our leading position in our established businesses such as Thermal Systems and Powertrain Systems with the aim of continuing to generate stable revenue from these product categories, thereby supporting our expansion of growth businesses, while also contributing to sustainability. We also seek to support the foundation of multi-pathway mobility development. We aim to deepen our offerings in our existing domains through improvements in thermal efficiency and environment adaptability in terms of emissions and use of alternative fuels. In addition, we seek to optimize our competitiveness across the entire supply chain.

Thermal Systems

In Thermal Systems, we aim to flexibly respond to the evolving needs of diversified powertrains. For electrified vehicles, we seek to advance thermal management systems that optimally control thermal energy within the vehicle, enhancing passenger comfort while minimizing energy consumption. For internal combustion engine vehicles as well, we plan to continue to enhance thermal efficiency, thereby delivering products that provide value to our customers.

Powertrain Systems

In Powertrain Systems, toward the realization of a carbon-neutral society, we seek to leverage the technologies and expertise cultivated through the development of mobility products to provide solutions that meet the diverse needs of our customers across a wide range of powertrains, including internal combustion engines, hybrid electric vehicles, plug-in hybrid electric vehicles, BEVs and fuel cell electric vehicles.

Expand Growth Businesses including Electrification Systems, Mobility Electronics and Advanced Devices Products

Electrification Systems

We seek to leverage our strong position in Electrification Systems to pursue further growth. We aim to evolve our electrification offerings across all layers, including vehicle control, energy management systems and

components. We have established a significant market share in core components that are essential to energy management in electric vehicles including electric components such as starters, alternators and lithium-ion battery packs, electrification components such as motor generators, inverters and battery ECUs and motors such as window motors and suspension motors. We believe we possess comprehensive system development capabilities based on our extensive product offerings and technologies in the electrification domain as well as fundamental technology capabilities and "*monozukuri*" (or manufacturing) capabilities.

We intend to use our strengths in this area to further expand our market share in core electrification products as well as other electrification products. By leveraging our fundamental technologies, we will aim to expand flexible options towards electrification through refined components and integrated systems built on those components. To further strengthen our advantage in this area, we will aim to meet diverse customer needs through core products for electric mobility. In particular, we believe that BEVs are becoming an increasingly large part of the powertrain mix, especially in Europe, China, and North America. As the needs of customers diversify, we aim to diversify our business models. To respond swiftly to such diverse changes, we will seek to expand and enhance our lineup of core products, including inverters, motor generators and battery management units. We will offer not only stand-alone components but also systems that bundle multiple components together, which we believe will provide added value by marketing systems that link thermal management to competitive, electromechanically integrated systems, such as eAxle discussed in more detail below. In addition, by providing power modules and other competitive modules and components, we will further deepen our ability to meet the needs of all types of customers and create business models together with industry-leading customers.

Mobility Electronics

We believe there is significant growth potential in the areas of connectivity, automated driving and MaaS, and we seek to pursue growth by addressing needs in these areas through our Mobility Electronics products. We believe that we can leverage our core technologies to provide "intelligence" solutions to the mobility domain, with the aim of improving driving safety towards an ultimate goal of achieving zero traffic fatalities via a global safety package. We aim to introduce functions that interface with humans and infrastructure, such as in-cabin sensing of abnormal behavior or state and cooperative driving through interaction with infrastructure and other vehicles, to provide assistance beyond a driver's line of sight.

We have developed a number of core product technologies used for ADAS, including millimeter-wave radars and visions sensors, information and communication technologies such as IoT technologies and vehicle motion control technologies. In the area of safety systems, we will aim to address global customer needs by expanding our lineup of products that cater to specific market segments and regions. In addition, through collaboration between initiatives for ADAS and human-machine interface, we aim to evolve recognition and estimation algorithms and grow cross-domain ECUs. In addition, we plan to advance BEV electronic platform planning and development for individual vehicles, focusing on a "core and customization" design approach that will enable us to meet the needs of respective automakers and vehicle types. We will also seek to strengthen our software development capabilities through increased use of automation and AI and focus on securing stable supply of semiconductors and strengthening of competitiveness by standardizing components and sharing medium- to long-term strategies with partners. In addition, we will seek to achieve differentiation by using proprietary technologies to realize compact products that consume less power.

Advanced Devices

We will aim to expand our capabilities for Advanced Devices to pursue innovation in applications such as electrification and ADAS. We believe we are well-positioned to pursue growth in this area due to our extensive product lineup, including power cards, ASICs and in-vehicle semiconductor sensors, and our advanced technologies that enable us to develop semiconductors in-house. By leveraging these strengths, we believe we will be able to engage in the integrated development of semiconductors that satisfy customer needs for higher functionality and smaller product size. Specifically, we aim to focus on equipping more vehicles with inverters using SiC power semiconductors. Our first inverter using a SiC power semiconductor has been incorporated into the eAxle electric driving module. In our manufacturing of power semiconductors, we have significantly reduced the number of crystal defects that cause disruption in the atomic arrangement of crystals, which prevents devices from operating properly.

Pursue Growth and Portfolio Diversification through Strategic Alliances

Rather than adhering to a completely in-house mentality, we form strategic alliances with industry partners proactively to help meet short-, mid-, and long-term needs to efficiently diversify our business portfolio. Our short-term alliances are geared at securing management resources, including talent development, purchasing

power, increasing production capacity, and developing sales channels. Our mid-term alliances are geared at partnering with businesses that will help complement our existing technologies by supporting us with technology and expertise that are required for organic growth in our business. Our long-term alliances are geared at helping us develop and acquire future technologies and new business models that will drive our business expansion into new domains rather than simply strengthening the offerings we have in current markets and technologies.

Our strategic alliance efforts have been broadly focused across electrification/intelligence and fundamental technologies (i.e., semiconductors/software), and include equity investments, full acquisitions and alliances with no capital relationship. Since 2017, we have invested approximately ¥460 billion in such collaborations. Of this amount, we have invested approximately ¥170 billion in electrification/intelligence-related partnerships with companies such as Uber-Advanced Technologies Group, Aurora Innovation, Inc., Koito Manufacturing Co., Ltd. and Turing Inc. In the fundamental technologies domain, we have invested approximately ¥290 billion on collaborations with Renesas Electronics Corporation, Rapidus Corporation, NTT DATA Japan Corporation and MediaTek Inc., among others.

We continuously seek to advance these and other strategic partnerships to enhance the value we add for our customers. Going forward, we aim to promote further non-organic growth by expanding partnerships at a larger scale. In the areas of electrification/intelligence, we will seek to promote platform transformation with our partners to lead the evolution of mobility in society. In the semiconductor area, we will seek to achieve a stable supply and strengthen the depth of our product lineup and vertical integration. In the software area, we aim to establish a development framework for large-scale, high-level research and development.

For further discussion of our business alliances in certain of our business domains, see "—Our Strengths" and "—Our Business Operations."

Our Business Operations

We operate primarily in six core business domains: thermal systems, powertrain systems, mobility electronics, electrification systems, advanced devices and non-automotive businesses. We describe our products in each of these business domains in more detail below. For accounting purposes, these business domains differ from our segments, which comprise our Japan, North America, Europe, Asia and Others.

Thermal Systems

In our Thermal Systems business, we develop, manufacture and sell vehicle air-conditioning systems and other climate control products. Our Thermal Systems business is one of our major businesses in terms of revenue. In particular, we are a global leader in the production of air-conditioning systems for vehicles. We continue to expand our capabilities in generating new value through our strong product lineup while promoting reduced fuel consumption, increased comfort and comprehensive heat management. The main products we produce in our Thermal Systems business are as follows.

- *Air-conditioning systems*. HVACs (Heating, Ventilation, Air-Conditioning), belt-driven compressors, cabin air filters, car seat temperature controllers.
- *Thermal components.* Condensers, radiators, heat management products (chillers, water-cooled condensers, CMx), inverter coolers.
- *Thermal management systems.* Electric compressors, hoses, heat management products (heat pump systems, water valves).
- *Thermal social solutions*. Air conditioners for busses and agricultural/construction vehicles, freezer units for trucks.

Details of certain key products in the Thermal Systems business are as follows.

HVAC Units

Our HVAC units provide efficient in-vehicle climate control to support a safe, secure and comfortable space inside vehicles. The HVAC system of a vehicle regulates air temperature, humidity and air flow volume to keep the vehicle cabin comfortable in a quiet, lightweight and compact package. To address growing environmental concerns, we developed the COA HVAC as an energy-efficient air conditioning solution for vehicles which generates less waste heat, such as hybrid vehicles or vehicles equipped with a stop-start system. Our COA HVAC solves the issues caused by such reduced waste heat generation by recirculating waste heat to

be further used to heat the cabin. For the COA HVAC, we implemented a blower structure that optimizes air flow and increases efficiency compared to conventional HVAC systems. Other HVAC products include evaporators, heater cores, blowers and other components.

Radiators

We are a leading supplier of radiators, which are essential to proper engine cooling and functionality, to automobile manufacturers around the world. Our radiator configurations, tanks, fin pitch, core dimensions and materials meet OEM's rigid standards. In addition, our radiators pass our own strict durability and function tests before entering the market. We design our radiators to allow for precise refrigerant flow and better evaporator control.

Heat Pump Air-Conditioning Systems

As part of our Thermal Systems business, we also design and manufacture heat pump systems for cabin heating that efficiently pump in heat from ambient air. Our heat pump systems can generate large amounts of thermal energy with little electrical energy, extending the driving range of electric and hybrid vehicles.

Other Climate Control Products

We produce a full range of other high-technology vehicular thermal control products and components including air-conditioning systems for busses, truck freezer units, air filters, seat ventilation systems and cooling systems for Power Control Units.

Powertrain Systems

In our Powertrain Systems business, we primarily manufacture and sell engine-related products and power-generation systems. We develop key components of powertrain systems that optimize engine performance, increase vehicle efficiency and promote the increasing electrification of vehicles. We are active across a broad range of domains, including gasoline and diesel combustion engine vehicles, hybrid and electric cars and fuel-cell vehicles. The main products we produce in our Powertrain Systems business are as follows.

- *Injection equipment*. Diesel products (common rail systems, inline and distributor injection pumps, nozzles, fuel filters, urea selective catalytic reduction injection pumps), gasoline products (port injectors, direct injectors, direct injection pumps, fuel pump modules).
- *Engine equipment*. Products related to ignition (ignition coils, spark plugs), exhausts (exhaust gas sensors, exhaust temperature sensors, NOx sensors, materials for exhaust filters), variable valves (variable cam timing (VCT) systems, oil control valves), intake and exhaust valves (Exhaust Gas Recirculation (EGR) valves, throttle bodies), motorcycles (rotators, engine ECUs), filters (air cleaners, oil filters).

On September 1, 2025, we entered into an agreement with Niterra Co., Ltd. to transfer our spark plug and exhaust gas sensor (oxygen sensor and air-fuel ratio sensor) businesses to them. This transfer is subject to approvals from competition law authorities in all countries and regions concerned, and the fulfillment of all other requirements.

- *Electric components*. Products for power generation (starters, alternators).

Details of certain key products in the Powertrain Systems business are as follows.

Intake Air Systems

We manufacture a full range of intake air systems components for gasoline, diesel and hybrid vehicles. Our air intake systems are designed to send the necessary amount of air into engine combustion chambers while improving combustion efficiency with high precision, responsiveness and reliability. Our products include EGR valves, electronic throttle bodies and air flow meters that are installed in vehicles manufactured by a number of leading global automobile manufacturers.

Fuel Injection and Control Systems

Our combustion control products, such as fuel injectors and engine control units, are available for gasoline, diesel and hybrid vehicles in order to achieve improved fuel economy and low emissions for gasoline and diesel vehicles and to maximize battery performance for hybrid vehicles.

Valve Train Systems

Our valve train systems are designed to activate intake and exhaust valves in the combustion chamber to improve fuel economy and reduce hazardous materials through optimal control of open/close timing. Our products include electric VCT systems, oil flow control valves and cam position sensors.

Other Powertrain Related Products

We offer a full range of other powertrain products including ignition systems, exhaust gas systems, fuel systems, cooling systems and spark plugs. Our products are designed to maximize fuel efficiency, recover energy and purify emissions in line with the increasingly stringent regulations of various countries and our own commitment to environmental responsibility.

Mobility Electronics

In our Mobility Electronics business, we develop and manufacture electrification systems, services and platforms as well as products related to advanced safety and automated driving.

Given the powerful technological trends pushing society towards greater connectedness, automation, sharing and electrification (CASE) and MaaS, we have been engaged in the development of comprehensive systems that contribute to the realization of safe driving technologies.

The main products we produce in our Mobility Electronics business are as follows.

- *Electronics*. Engine ECUs, hybrid ECUs, BEV ECUs, e-VCT, transmission ECUs, SBW ECUs, fuel pump ECUs, smart key systems, air conditioning ECUs, body ECUs, software for these products.
- *Safety systems*. HMI control units, combination meters, infotainment systems, telematics control units, electronic toll collection units, inter-vehicle communication devices and software for these products, image sensors, EHF radars, laser radars, sonar sensors and ECUs, vehicle periphery monitoring cameras and ECUs, autonomous driving ECUs, airbag sensors and ECUs, driver status monitors, software for these products.
- *Sound systems*. Vehicle periphery monitoring alarms, buzzers.

Details of certain key products in the Mobility Electronics business are as follows.

Driving Environment Recognition Systems

We design and manufacture comprehensive sensor systems that detect the environment around a vehicle, including pedestrians, roadways and other vehicles, contributing to advanced safety and the realization of automated driving. Our product lineup includes radar, sonar, image and vision sensors, and we also supply radar and vision sensors as part of a Global Safety Package for advanced safety systems.

Cockpit Information Systems

We provide monitoring and display systems that connect the driver to the vehicle and its occupants to enhance the driving experience. Our products include instrument clusters, head-up display (HUD) units, driver status monitors, electronic toll collection (ETC) systems, other on-board communications equipment and our "Harmony Core" integrated cockpit systems.

Other Mobility-related Products

We offer a full range of other mobility-enhancing components and devices, including visibility support systems, such as wipers, rain and light sensors, vehicle dynamic control systems and collision safety systems. As the competition to develop automated driving technologies continues to intensify, the importance of auxiliary systems is also increasing. We also manufacture wireless door lock controllers, smart keys, rear and corner sonars, and other car security systems. Our systems are designed to achieve overall optimization, accelerate the development of in-car and out-car electronic platforms, and offer a safe and enjoyable driving experience for our customers.

Electrification Systems

In our Electrification Systems business, we develop, manufacture and sell products for hybrid and electric vehicle drive systems, power supply systems and starting systems, in addition to small motor systems.

We are a leading supplier of products for energy management systems and electric drive systems that allow for superior control over driving in electric vehicles.

Although there will likely be significant differences in the pace at which electric vehicles are adopted in countries around the world, we expect a general expansion of the global electric vehicle market in response to heightened emissions and fuel consumption regulations. In light of the evolving business environment, we are leveraging the strengths of our global production and supply structures in countries such as Japan, the United States and China, where we already produce a variety of products related to vehicle electrification.

The main products we produce in our Electrification Systems business are as follows.

- *Power conversion*. PCUs, inverters, power modules.
- *Power management*. DC-DC converters, battery monitoring units, battery ECUs, charger ECUs, lithium-ion battery packs, high voltage relays, ESUs.
- *Power mobility electronics*. Mechatronic dual-system power steering, brake ECUs, motor generators (MGs), integrated starter generators (ISGs).
- *Motors*. Wiper systems, washer systems, power window motors, power seat motors, engine controller motors, blower motors, fan motors.

Details of certain key products in the Electrification Systems business are as follows.

Motor Generators

We manufacture MGs that are the main power source for starting and driving hybrid vehicles and assisting the engine during acceleration. Our MGs utilize the regenerative energy generated when applying the brakes to charge the vehicle's battery, improving dynamic performance and efficiency. To maintain our strengths as the trend toward greater automotive electrification continues, we are working to further evolve our MGs. In 2011, we developed our first MG that achieved significantly higher output than similar products and enhanced durability against high voltages.

Power Control Units (PCUs)

We provide PCUs that regulate the power supplied by the battery to the MG for hybrid and electric vehicles. Our PCUs feature double-sided cooling technology that prevents temperature increases in the power semiconductor which converts the current between AC and DC. We have also enhanced the electric power density (output per unit volume) in our PCUs, reducing both their size and weight. We launched our first compact, high-power PCU with a unique cooling module in 2007. As hybrid vehicles become increasingly sophisticated, the PCU is required to be smaller and more powerful, and we intend to continue to pursue leadership and technological innovation in this field.

Battery Electronic Control Units (ECUs)

Our battery ECUs are used to monitor the voltage and temperature of multiple batteries to control the high-voltage battery crucial for hybrid vehicles.

Lithium-ion Battery Packs

We design and manufacture lithium-ion battery packs that increase the fuel efficiency of vehicles with start/stop systems. Our lithium-ion battery packs store regenerated power and then supply the stored regenerated power to electronic components, such as the car navigation and audio systems.

Advanced Devices

In our Advanced Devices business, we develop and manufacture a comprehensive range of mechatronics systems including CASE-related products, automotive semiconductor and sensor products. We have been engaged in the manufacture of automobile-related semiconductor devices for over 50 years since the establishment of our first integrated circuit (IC) research laboratory in 1968, and we maintain an extensive product lineup and advanced capabilities in proprietary integrated semiconductor development. Additionally, we are particularly focused on enhancing the capabilities of our core technologies to meet the multi-faceted demands of our customers as the automotive industry shifts towards electrification and automated driving. For example, in

order to accelerate and strengthen the development of our technologies, we seek to continue joint developments and collaborations with Renesas, a chipmaker with cutting-edge technologies for semiconductors that serve as key components necessary for the development of various in-vehicle systems, including automated driving systems, and a leading supplier of in-vehicle microcontrollers.

The main products we produce in our Advanced Devices business are as follows.

- *Mechatronics systems*. Products related to CASE (shift-by-wire actuators, multi-control valves), evaporative emissions system (leak monitoring modules, purge valves), drive control (A/T modules, A/T solenoid valves), sensors (air flow meters, accelerator pedal modules).
- *Sensing systems*. Various semiconductor sensors (pressure sensors, current sensors, magnetometers, optical sensors, temperature sensors).
- *Semiconductors*. Application-specific ICs, power semiconductor devices.

Non-Automotive Business

In addition to our extensive operations in automotive business domains, we also develop and manufacture non-automotive products. The main products we produce in our Non-Automotive Business are as follows.

- *Factory automation-related devices*. Automation equipment, various types of robots, programmable controllers, handheld barcode/QR code scanners and terminals, IC card readers and writers, RFID readers and writers, logistics optimization systems, inventory management systems.
- *Temperature controllers*. Spot coolers and heaters.
- *Food supply*. Products related to horticultural facilities (medium- and large-scale greenhouses, greenhouse control systems for domestic uses), small mobile freezers.
- *Residential*. CO_2 heat pump water heaters, vehicle-to-home charging and discharging equipment, residential air conditioners, local community information distribution systems.
- *Others*. Proprietary concierge system for our customers (D CIERGE), systems to limit reverse driving speed.

Details of certain key products in the Non-Automotive Business are as follows.

Factory Automation Equipment.

Through our subsidiary, DENSO WAVE, we manufacture industrial products that contribute to improved productivity and efficiency in all industries. Our main products include barcode, QR code and RFID readers; industrial robots; programmable controllers; and IoT, QR code and other system solutions.

Horticultural Equipment.

Through our subsidiary, DENSO AgriTech Solutions, Inc., we also develop, manufacture and sell horticultural production equipment, as well as provide after-sales services and agronomy consulting services. Our main products include climate control and monitoring systems for greenhouse cultivation and equipment for providing fresh products, such as harvest robots and automatic transport systems.

Product Quality and Assurance

We have been engaged in the manufacturing business since our establishment in 1949 and remain dedicated to providing reliable, safe and high-quality products as one of the core responsibilities that we have to our customers. We were one of the first parts manufacturers to build our own test courses to evaluate our products, ensuring that people could confidently drive cars built using our components. In creating our products, we are committed to thoroughly implementing the Quality First principle, the practice of quality assurance from the beginning of production and the promotion of rigorous quality control with full employee participation. Based on information from our customers collected by our sales and technology departments, we continually strive to enhance customer satisfaction in terms of quality, cost and delivery.

As part of our quality and assurance activities, we periodically accept product returns and conduct repairs and replacements of products when defects are identified with our products. For example, from the year

ended March 31, 2020, defects were identified in certain of our products, and we provided replacement products and compensated OEM customers for a portion of their product repair and replacement costs in response to product warranty requests from OEM customers that purchased our products. See "Risk Factors—We may be subject to product liability, warranty and recall claims, which may increase our costs of doing business and adversely affect our business, financial condition and results of operations."

Quality Assurance Policies and Systems

For the quality assurance of new products, specialized departments such as quality control and production technology undertake unified efforts to thoroughly check quality by visualizing product completion and quality-related risks at various stages of production. Our design departments implement product designs pursuant to ISO 26262 certification for functional safety, safety designs such as fail-safe designs that require products to be controlled in a safe manner in the event of an accident or erroneous operation, and safety evaluations.

Particularly at the design stage, we conduct in-vehicle testing on our test course under a range of conditions, such as high-speed driving, rough roads, low temperatures and icy roads, as well as various tests in our environmental testing room. Additionally, our functional departments clearly specify operational procedures from product planning to production and shipment. At the same time, the departments strictly monitor compliance with applicable laws and regulations at each stage. When launching new products, in particular, the responsible departments are required to conduct safety evaluations based on internal regulations and report the results of legal compliance checks.

Global Structure for Product Development

In order to provide products of the highest quality for customers around the world, we have established technical centers in Japan, the United States, Germany, Thailand, China and India and Brazil. In doing so, we have put in place a global structure for product development, quality testing and evaluation to be carried out in accordance with local regulations specific to each region. Further, we have completed the acquisition of ISO/TS16949 certification, an international standard for quality management systems.

Our Suppliers

We select our suppliers through an open-door policy that is built around fair competition, allowing all potential suppliers the same chance to offer their materials and products regardless of national origin, company size or previous transaction history. We focus on economic factors such as the quality, price and volume of their products, as well as on their adherence to delivery schedules. In addition, we also comprehensively consider factors such as environmental consciousness, management organization, technological capabilities and approach to continuous improvements. We are also committed to undertaking efforts in pursuit of mutual development by designating suppliers as equal business partners.

We sometimes depend on a limited number of suppliers for some of our crucial components. While we seek to geographically diversify the regions from which we source raw materials and components and take steps to establish alternative supply arrangements if contingencies arise, our procurement activities could be affected by the inability of our key suppliers to provide a reliable supply of crucial components due to difficulties specific to individual suppliers or developments generally affecting the industry, such as operational disruption as a result of widespread public health issues or other adverse developments.

The most significant raw materials we use across our manufacturing operations are steel, which is generally purchased from steel producing companies in the geographic area near our production facilities, as well as aluminum and copper. Other important materials include ceramic and polypropylene resin. Significant parts include electronic components (such as semi-conductors and printed circuit boards), electrical components (such as motors and sensors) and auxiliary components (such as magnets, bearings and wire harnesses). We also purchase equipment parts including forging parts, cutting parts, steel sheet press parts and foundry parts.

Certain raw materials and components that we use in our products, particularly steel, aluminum and copper, semiconductors and petroleum-based resins and products, such as naphtha, can be affected by fluctuations in global commodities prices. While we attempt to pass through price fluctuations in our raw materials and components to our customers by adjusting the pricing of our products, we may not be able to do so in all cases. We also take steps to mitigate the impact of such price fluctuations by, for example, entering into contractual pricing adjustment provisions with our customers, and in some cases fixed price supply arrangements with our suppliers.

Customers, Sales and Marketing

We are one of the largest automotive suppliers of technology and components found in vehicles around the globe. Our major customers include leading global corporations as well as small and mid-sized businesses in each of our business areas. We have a worldwide sales network covering Japan, North America, Europe, China, Asia (excluding Japan and China), South America, Oceania, the Middle East and Africa. We also maintain relationships with third-party distributors and other resale channels to broaden our sales network to reach end customers in certain countries and regions.

In our Automotive businesses, our main customer is Toyota Motor. We also make sales to other Toyota Group companies, such as Daihatsu and, until the year ended March 31, 2026, Hino. For the year ended March 31, 2026, revenue from sales to Toyota Motor, Daihatsu and Hino (including indirect sales through third-party intermediaries) was ¥4,192.0 billion, or 55.6% of our consolidated revenue. However, effective April 1, 2026, Hino completed a business integration with MFTBC under a newly established holding company, ARCHION Corporation, as a result of which it is no longer a consolidated subsidiary of Toyota Motor or a member of the Toyota Group. Other major customers include leading companies in the automotive industry. For example, our systems and components are sold to leading manufacturers including Ford Motor Company, General Motors Company and Stellantis N.V. in the United States; Stellantis N.V., Audi, Volkswagen and BMW in Europe; and Honda Motor Co., Ltd., Suzuki Motor Corporation, Hyundai Motor Company and Kia Motors Corporation in Asia.

For the year ended March 31, 2026, revenue from sales to OEMs other than Toyota Motor, Daihatsu and Hino (including indirect sales through third-party intermediaries) was ¥2,716.7 billion, or 36.0% of our consolidated revenue. The following table shows the breakdown of revenue by customer excluding Toyota Motor, Daihatsu and Hino for the year ended March 31, 2026.

	For the year ended March 31, 2026	
Customer[(1)]	**(in billions of yen, except for percentages)**	
Honda Motor Co., Ltd.	¥ 438.3	16.1%
Subaru Corporation	316.6	11.7%
Stellantis N.V.	238.7	8.8%
Ford Motor Company	235.3	8.7%
Suzuki Motor Corporation	206.1	7.6%
General Motors Company	186.1	6.8%
Mazda Motor Corporation	122.3	4.5%
Isuzu Motors Ltd.	89.0	3.3%
Nissan Motor Co., Ltd.	84.6	3.1%
Hyundai Motor Company (including the Kia brand)	69.6	2.6%
Others	730.3	26.9%
Total	¥ 2,716.7	100.0%

Note:
(1) Includes direct sales and indirect sales through third-party intermediaries.

We view the maintenance of our brand as a key aspect of our marketing and sales strategy.

Research and Development

We are strongly committed to research and development to continually enhance our ability to improve existing products and also generate new products and technologies. Employees at our global research and development center develop new products, technologies, processes and methods for solutions related to the environment, security and safety. Outside of Japan, our researchers and developers are based in seven technical and design centers in the United States, Germany, China, Thailand, India and Brazil and we operate 12 satellite lab sites. To advance the three pillars of our CORE 2030 Mid-Term Management Plan—"strengthening product development," "innovating manufacturing" and "developing people and co-creating with partners"—we have been focusing our research and development on the following areas for each theme.

- *Strengthening Product Development*. We engage in product development designed to respond to the increasing electrification and adoption of "intelligent" systems in mobility platforms worldwide, as well as the diverse energy conditions and needs of the countries and regions in which we do business. In line with our electrification-related efforts, in October 2025 we developed three products—a new

inverter, a cell supervising circuit, and a shunt-type current sensor—all of which have been adopted in Toyota Motor's new bZ4X (2025 model). In addition, these inverters, which utilize our proprietary SiC power semiconductors and double-sided cooling technology to reduce power loss by roughly 70% and achieve size reductions of roughly 30%, in each case compared to conventional models (based on our internal research), are also installed in the new eAxle from BluE Nexus. Our cell supervising circuits contain the world's first 28-channel cell voltage monitoring integrated circuit—another innovation of ours—while our shunt-type sensors enable shorter vehicle battery charging times and extended battery life through high-precision battery monitoring. Furthermore, we are working to further the advancement and in-house production of SiC products, which we believe will contribute to competitiveness in the electrification era. We have developed a crystal growth technology using high-temperature gas, which increases the crystal growth rate compared to conventional sublimation methods. This is expected to improve productivity by approximately 15 times, while reducing energy consumption and CO_2 emissions during manufacturing by approximately 90%. Our SiC chips are also designed with a unique 3D structure—a world first—that suppresses current concentration within the device. This achieves both high voltage endurance capability and low resistance, thereby further reducing power loss. Through vertically integrated development of these and other products, we seek to contribute to the advancement of electrification and the realization of a carbon neutral society.

- *Innovating Manufacturing*. We conduct research and development to enhance the sophistication of AI-driven software development. To this end, we are focused on building systems that enable such development to proceed with an appropriate division of roles between humans and AI across the entire process—from upstream activities such as requirement specification and design through implementation and verification—to reduce redundancies and improve efficiency. As a part of these efforts, we have developed the "Knowledge Graph Agent," which organizes past specifications, development rules, regulatory documents and other related information into a structured framework and makes them more easily accessible through the application of AI agent technology. By performing context-aware analysis and review support based on this information, our system also enables the detection of omissions in requirement specifications and the advancement of design reviews, contributing to improved user decision-making quality. In addition, at our new Zenmyo South Plant, we are advancing initiatives to realize a next-generation smart factory concept. For example, this facility integrates AI agents for anomaly detection and recovery support, along with physical AI on the manufacturing floor that captures the real world through sensors to make decisions and perform actions. Through these initiatives, we aim to realize a manufacturing system where humans, machines and AI evolve and innovate together, while incorporating human practical knowledge into AI learning. At the same time, we are striving to build a sustainable manufacturing system that leads to the maintenance and improvement of safety, quality and productivity.

- *Developing People and Co-Creating With Partners*. We are focusing on generating new businesses and creating social value through collaboration with diverse partners both within and outside our industry, as well as through human resource development. For example, in March 2026, we signed a 10-year industry-academia collaboration agreement with the University of Tokyo. Under this agreement, we aim to build next-generation social systems through the integration of energy, data and urban infrastructure, with mobility as the starting point. In particular, we are promoting practical initiatives that integrate research and education, with a primary focus on research toward the societal implementation of wireless power transmission technology for vehicles, as well as the development of highly skilled professionals who will drive new value creation in the mobility sector. We are also accelerating co-creation with partners in expanding areas of contribution, such as food and agriculture. In April 2025, we signed a memorandum of understanding with DELPHY GROEP BV, a Dutch crop consulting firm, to promote data-driven smart horticulture, and in October of the same year, formally entered into an agreement to jointly develop a stable planned cultivation system. In July 2025, we also acquired Axia, with whom we aim to accelerate the development of high-quality seed varieties and promote the automation of cultivation. Through these collaborations, our goal is to solve challenges in the agricultural sector, such as climate change and the declining farming population, while also creating new business value. Additionally, from the perspective of human resource development, we established the "Toyota Software Academy" with four other Toyota Group companies to foster the next generation of talent, with a focus on the AI and software fields. By offering over 100 types of practical training programs, we are working to develop professionals proficient in both software and hardware, as well as enhance technical capabilities and foster innovation across the entire Toyota Group. We also utilize our

proprietary advanced engineer certification system, "SOMRIE®," to support employees in improving their specialized skills and building their careers.

For the years ended March 31, 2024, 2025 and 2026, research and development expenditures were ¥550,921 million, ¥619,404 million and ¥690,073 million, or 7.7%, 8.6% and 9.2% of our revenue for these years, respectively. For the year ended March 31, 2026, the Japan segment accounted for ¥608,205 million, or 88.1%; for other segments, North America, Europe, Asia and Others each accounted for ¥31,658 million, ¥14,120 million, ¥34,867 million and ¥1,223 million, respectively.

Competition

In our core automotive businesses, we compete with a number of other major automotive parts manufacturers. While our relationship with Toyota Motor and other Toyota Group companies partially mitigates our exposure to competition from companies outside the Toyota Group, the automotive supply industry is highly competitive. Our key competitors consist primarily of other major automotive parts manufacturers, including Bosch Group and Continental Automotive Group.

To remain competitive as a global automotive manufacturer, we aim to continue to provide products meeting the quality, product safety, environment, delivery and other specifications of our customers at competitive prices. As our automotive parts include key components such as engine management components and sensors that affect the functionality and safety of the automobile as a whole, the quality and reliability of our products is particularly critical. We must also work closely with customers to offer products that meet their specifications and needs as the automobile industry evolves and continue to strengthen our reputation and brand within the industry.

Environmental, Sustainability, and Governance Matters

We incorporate the perspective of social sustainability within our management strategies to improve our corporate value. In 2017, we established our Long-term Policy 2030, which defines our business goals to achieve by 2030. The goal under our Long-term Policy 2030 is to become a company that continuously generates value to enrich mobility that achieves sustainability, happiness and peace of mind for everyone. The three core themes of our Long-term Policy 2030 are:

- *Green*. We will seek to contribute to sustainability by increasing efficiency and reducing environmental impact.
- *Peace of Mind*. We will seek to contribute to future mobility that is safer, more comfortable and convenient for everyone.
- *Inspiring*. We will seek to contribute to happiness for everyone through inspiring value-added offerings.

We view environmental issues as one of our key management priorities and seek to enhance consciousness of the environment in all aspects of our business as a global manufacturer. To this end, we formulate an environmental policy every 10 years as a long-term commitment toward sustainable environmental management that generates economic value through the pursuit of leading environmental performance and high resource productivity, which we refer to internally as "Eco Vision." Further, an Environmental Action Plan is formulated every five years to realize the commitments and individual initiatives established under the Eco Vision.

In 2022, we established Mid-Term Policy 2025, followed by our CORE 2030 Mid-Term Management Plan announced in March 2026, to support the achievement of our Long-Term Policy 2030. Our Long-Term Policy 2030 is aimed at providing solutions to social issues and to realize an advanced mobility society. Two of our focus areas under our Long-Term Policy 2030 are:

- *Green*. Our green initiatives relate to our business in mobility, and part of our manufacturing and is aimed at reducing the impacts of climate change by reducing our own impact on the environment. Within our green initiatives are three distinct categories that we target: manufacturing, mobility products, and energy use. For our manufacturing process, we will track our own CO_2 emissions from all of our factories and implement emissions-reducing measures with the goal of achieving carbon neutrality in manufacturing by 2035. For our mobility products, we will contribute to the electrification of vehicles and decrease of emissions for product use by providing innovative new products and tracking their sales. For our energy use, we will expand our renewable energy

production capacity, energy conversion, and hydrogen utilizing technology. In doing so, we hope to prevent global warming, prevent air pollution, reduce our own environmental burden, promote more effective uses of natural resources, and conserve water resources.

- *Peace of Mind*. Our Peace of Mind initiatives relate to our impact on society, including the effect that we have on society through our products and through our manufacturing process. This involves reducing the number of traffic accidents in our target markets, increasing comfortability by creating peaceful mobility spaces, and helping to create a society based on mutual support and cooperation that nurtures potential. We will do so by contributing to our customers' happiness through our high value-added offerings, first by developing ADAS offerings and predictive AI technology and then by ensuring that they are attractive, affordable, and adaptive enough for widespread adoption within as many vehicles as possible.

The objectives described above are designed to support our Long-Term Policy 2030, which established our goal to become a company that continuously generates value to enrich mobility that achieves sustainability, happiness, and peace of mind for everyone. To that end, we will continue targeting "Green" and "Peace of Mind" themes. This requires that we also strengthen our own systems to ensure that employees act in a fair, honest, ethical manner and that they have access to a work environment where they can utilize their capabilities to the greatest extent possible. This involves refocusing our efforts on compliance, information security, diversity and inclusion, workstyle reform, workplace health and safety, protection of human rights, sustainable procurement, and corporate governance.

Regulations

Environmental Regulations

We are subject to the requirements of environmental and safety and health laws and regulations in Japan and the other countries where we have manufacturing operations. These include laws regulating air emissions, water discharge, hazardous materials and waste management. We have an environmental management structure designed to facilitate and support our compliance with these requirements globally. Environmental requirements are complex, change frequently and have tended to become more stringent over time. Accordingly, we cannot assure that environmental requirements will not change or become more stringent in the future or that our eventual environmental costs and liabilities will not be material.

Certain environmental laws assess liability on current or previous owners or operators of real property for the cost of removal or remediation of hazardous substances. In addition to clean-up actions brought by regulatory agencies, private plaintiffs could raise personal injury or other private claims due to the presence of hazardous substances on or from a property. In addition, there may be soil or groundwater contamination at several of our properties resulting from historical, ongoing or nearby activities.

Automobile-related Regulations

The automotive components and systems we manufacture are used in vehicles that are subject to extensive statutory and regulatory requirements that directly or indirectly impose standards governing emissions and noise. These standards are increasingly accompanied by stringent regulations governing individual mobility in metropolitan areas, particularly aimed at the reduction of greenhouse gasses and respirable dust emissions. Our ability to comply with these and future emission standards is an essential element in maintaining our leadership position in regulated markets. In addition to emission regulations, our products are affected by requirements related to fuel efficiency and vehicle safety standards, and we have made, and will continue to make, significant capital and research expenditures to comply with these standards. These types of regulations have become increasingly stringent in Japan, North America, Europe and China, and we expect this trend to continue in the future.

Other

In addition to the laws and regulations described above, we are subject to a range of other laws and regulations in the jurisdictions in which we operate, including laws relating to employment and labor, product liability, foreign trade, anti-bribery and anti-corruption, international sanctions, antitrust, antimonopoly, cartel and unfair competition and various other areas. We must also observe numerous national and international safety and administrative rules as well as related procedures and standards regarding the construction, operation and maintenance of production sites, factories and other buildings used in our business activities.

Insurance

We maintain insurance policies that we believe are comparable to those of other companies with similar operations. Our policies cover the value, or a portion of the value, of buildings, plant and machinery, stocks and goods-in-transit as well as business interruption with respect to our major production facilities. We also maintain coverage for product liability claims with respect to products designed, manufactured and sold by us and our major subsidiaries. Coverage of losses relating to earthquakes, political unrest or economic upheaval under these insurance policies is generally limited. We do not maintain earthquake insurance in Japan.

Facilities

Our main manufacturing facilities are located in the Aichi Prefecture in Japan in close proximity to Toyota Motor's main manufacturing facilities. We also have manufacturing facilities in other locations around the world, including in the United States, China and other regions in Europe and Asia. We lease office space for our sales, technological and corporate departments in Tokyo, Japan.

The following table shows our major facilities and their book values and areas as of March 31, 2026.

				Book Value (in millions of yen)				
Facility Name	Location	Segment	Type of Facility	Buildings and Structures	Machinery, Equipment and Vehicles	Land[1]	Other[2]	Total
DENSO CORPORATION								
Headquarters	Kariya-shi, Aichi Prefecture	Japan	Controlling and testing facility	¥44,393	¥ 29,760	¥ 5,649 (300)	¥23,605	¥103,407
Anjo Plant	Anjo-shi, Aichi Prefecture	Japan	Manufacturing facility for powertrain systems	28,644	51,642	9,856 (576)	7,279	97,421
Nishio Plant	Nishio-shi, Aichi Prefecture	Japan	Manufacturing facility for thermal and powertrain systems	16,886	54,430	4,702 (1,284)	6,712	82,730
Takatana Plant	Anjo-shi, Aichi Prefecture	Japan	Manufacturing facility for mobility electronics and others	5,420	36,891	3,750 (375)	3,856	49,917
Daian Plant	Inabe-shi, Mie Prefecture	Japan	Manufacturing facility for powertrain systems and stereo component system	13,695	49,576	17,826 (876)	4,563	85,660
Kota Plant	Kota-cho, Nukata-gun, Aichi Prefecture	Japan	Manufacturing facility for mobility electronics and others	8,123	54,573	8,007 (302)	7,635	78,338
Toyohashi Plant	Toyohashi-shi, Aichi Prefecture	Japan	Manufacturing facility for thermal system and non-automotive components	2,389	9,227	4,489 (174)	1,031	17,136
Agui Plant	Agui-cho, Chita-gun, Aichi Prefecture	Japan	Manufacturing facility for non-automotive components	2,486	1,743	7,540 (280)	498	12,267
Zenmyo Plant	Nishio-shi, Aichi Prefecture	Japan	Manufacturing facility for powertrain system	12,343	17,853	20,117 (788)	1,460	51,773
Kosai Plant	Kosai-shi, Shizuoka Prefecture	Japan	Manufacturing facility for stereo component system	11,109	20,518	4,110 (321)	2,997	38,734
Toyohashi Higashi Plant	Toyohashi-shi, Aichi Prefecture	Japan	Manufacturing facility for stereo component system	4,142	10,600	5,868 (179)	414	21,024

Facility Name	Location	Segment	Type of Facility	Book Value (in millions of yen)				
				Buildings and Structures	Machinery, Equipment and Vehicles	Land[1]	Other[2]	Total
Hirose Plant	Toyota-shi, Aichi Prefecture	Japan	Manufacturing facility for powertrain systems and mobility electronics	9,328	35,821	5,769 (247)	2,523	53,441
Advanced Technology Research Institute	Nisshin-shi, Aichi Prefecture	Japan	Research & development facility	7,022	8,695	3,947 (81)	1,597	21,261
Abashiri Test Center	Abashiri-shi, Hokkaido	Japan	Research & development facility	6,062	46	7,387 (5,481)	14	13,509
Tokyo and other branches	Chuo-ku, Tokyo and other locations	Japan	Sale and other facilities	15,214	28,257	24,520 (1,729)	1,996	69,987
Domestic Subsidiaries								
DENSO IWATE CORPORATION	Kanegasaki-cho, Isawa-gun, Iwate Prefecture	Japan	Manufacturing facility for mobility electronics and semiconductors	11,747	28,931	1,352 (290)	2,194	44,224
DENSO TEN Limited	Hyogo-ku, Kobe-shi, Hyogo Prefecture	Japan	Manufacturing facility for mobility electronics, powertrain systems and others	8,230	15,219	3,989 (153)	3,552	30,990
DENSO HOKKAIDO CORPORATION	Chitose-shi, Hokkaido Prefecture	Japan	Manufacturing facility for stereo component systems and powertrain system	7,678	11,005	1,894 (163)	829	21,406
DENSO ELECTRONICS CORPORATION	Anjo-shi, Aichi Prefecture	Japan	Manufacturing facility for mobility electronics, powertrain systems and others	4,762	13,722	1,450 (77)	1,804	21,738
DENSO SANKYO CO., LTD.	Sayama-shi, Saitama Prefecture	Japan	Manufacturing facility for thermal system	5,972	1,316	8,785 (73)	140	16,213
DENSO FUKUSHIMA CORPORATION	Tamura-shi, Fukushima Prefecture	Japan	Manufacturing facility for thermal system, powertrain system and others	7,629	4,684	2,632 (236)	1,274	16,219
46 other domestic subsidiaries	—	Japan	—	45,236	45,112	24,922	11,141	126,411
Overseas Subsidiaries								
DENSO Manufacturing Tennessee, Inc.	Tennessee, USA	North America	Manufacturing facility for mobility electronics and others	30,211	59,088	1,067 (769)	2,821	93,187
DENSO Mexico S.A. DE C.V.	Nuevo Leon, Mexico	North America	Manufacturing facility for stereo component system, mobility electronics and others	11,328	17,330	3,616 (560)	5,298	37,572
DENSO Manufacturing Athens Tennessee, Inc.	Tennessee, U.S.A.	North America	Manufacturing facility for powertrain system, thermal system and others	11,311	14,077	56 (557)	487	25,931
DENSO Manufacturing Michigan, Inc.	Michigan, U.S.A.	North America	Manufacturing facility for thermal system	6,225	8,095	263 (389)	691	15,274

Facility Name	Location	Segment	Type of Facility	Book Value (in millions of yen)				
				Buildings and Structures	Machinery, Equipment and Vehicles	Land[1]	Other[2]	Total
DENSO International America, Inc.	Michigan, U.S.A.	North America	Sales facility and research and development facility	7,900	4,563	448 (462)	2,277	15,188
16 other subsidiaries in North America	—	North America	—	10,085	22,742	2,607	2,651	38,085
DENSO Manufacturing Hungary Ltd.	Szekesfehervar, Hungary	Europe	Manufacturing facility for powertrain systems	9,428	15,633	414 (215)	3,845	29,320
DENSO Manufacturing Czech s.r.o.	Liberec, Czech Republic	Europe	Manufacturing facility for thermal system	11,042	8,863	852 (284)	2,199	22,956
DENSO Thermal Systems S.p.A.	Turin, Italy	Europe	Manufacturing facility for thermal system	5,062	10,527	806 (170)	3,443	19,838
DENSO Barcelona S.A.U.	Barcelona, Spain	Europe	Manufacturing facility for mobility electronics and powertrain systems	5,134	6,006	263 (80)	985	12,388
41 other subsidiaries in Europe	—	Europe	—	25,178	29,516	8,978	5,846	69,518
Tianjin DENSO Electronics Co., Ltd.	Tianjin, China	Asia	Manufacturing facility for mobility electronics and powertrain systems and others	8,025	31,813	0 (100)	2,555	42,393
DENSO (Guangzhou Nansha) Co., Ltd.	Guangzhou, China	Asia	Manufacturing facility for powertrain systems, mobility electronics and others	6,856	20,996	0 (100)	2,190	30,042
Tianjin DENSO Engine Electrical Products Co., Ltd.	Tianjin, China	Asia	Manufacturing facility for powertrain system and mobility electronics and others	5,297	16,674	0 (103)	4,149	26,120
Guangzhou DENSO Co., Ltd.	Guangzhou, China	Asia	Manufacturing facility for thermal system	3,432	14,921	0 (134)	4,417	22,770
DENSO KOREA CORPORATION	Changwon, South Korea	Asia	Manufacturing facility for powertrain and thermal systems and others	5,214	3,301	9,897 (160)	1,723	20,135
Siam DENSO Manufacturing Co., Ltd.	Chon Buri, Thailand	Asia	Manufacturing facility for stereo component and powertrain systems	4,073	10,238	2,278 (199)	3,220	19,809
62 other subsidiaries in Asia	—	Asia	—	47,755	107,795	9,908	24,843	190,301
DENSO Do Brasil LTDA.	Curitiba, Brazil	Other regions	Manufacturing facility for thermal and stereo component systems and others	4,295	12,623	725 (258)	2,738	20,381
3 other subsidiaries in other regions	—	Other regions	—	2,259	3,639	20	933	6,851

Notes:
(1) Figures in parentheses show the area of land in thousands of square meters.

(2) "Other" includes tools, equipment and fixtures and does not include the construction in process account of ¥237,611 million. Also, the book values do not include consumption and other taxes.

(3) Currently, there are no major inactive facilities.

Intellectual Property

We hold a large number of patents and licenses to cover our products, designs and manufacturing processes and are continuously seeking to secure further patents on our developments. As of March 31, 2026, we had approximately 38,000 patents. We also have registered trademarks for our brands, including IRIDIUM, QR code and First Time Fit. To support overseas development and design, we have set up intellectual property organizations at our development and design bases in North America, Europe and China, thereby strengthening our efforts to acquire intellectual property rights for local inventions and ideas and to examine other companies' intellectual property rights.

We take active measures against counterfeit products, particularly those with imitation trademarks. Since 2005, we have been actively engaging in a broad range of activities to detect counterfeit products in cooperation with government and customs agencies as well as our overseas locations in the United States, Europe, China and other countries.

Employees

As of March 31, 2026, we had 154,716 full-time employees on a consolidated basis. The following table shows a breakdown of our employees in each business segment, as of March 31, 2026.

Business Segment	Number of full-time employees	Percentage of full-time employees
Japan	76,417	49.4%
North America	22,878	14.8%
Europe	12,939	8.4%
Asia	39,195	25.3%
Others	3,287	2.1%
Total	154,716	100.0%

We also hire temporary employees from time to time as needed.

Approximately 39,000 of our employees are represented by the primary labor union for our employees under a collective bargaining agreement and a number of employees of our subsidiaries are represented by separate labor unions established to represent employees of such subsidiaries. We believe our labor relations are good.

Legal Proceedings

Due to the nature of our business, we are subject to the risk of litigation from third parties in connection with claims such as product liability, personal injury, labor and employment issues, land ownership and use and environmental pollution in the ordinary course of business. In the event of an adverse judgment or out-of-court settlement, our financial condition and results of operations could be adversely affected.

We are not currently subject to any litigation that we believe is material to our business, financial condition or results of operations.

MANAGEMENT

Directors and Audit & Supervisory Board Members

Our Board of Directors carries the ultimate responsibility for the administration of our affairs. Our articles of incorporation provide for the Board of Directors of not more than 20 members and Audit & Supervisory Board Members of not more than five members. All Directors and Audit & Supervisory Board Members are elected at general meetings of shareholders. The normal term of office of Directors expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within one year after such Director's election and that of Audit & Supervisory Board Members expires at the close of the ordinary general meeting of shareholders held with respect to the last fiscal year ending within four years after such Audit & Supervisory Board Member's election, although they may serve any number of consecutive terms.

The Board of Directors elects from among its members one or more Representative Directors, each of whom has power to represent us in conducting our affairs. The Board of Directors may also elect from among its members a Chairman, a President and CEO and one or more Executive Vice Chairmen and Executive Vice Presidents.

The Audit & Supervisory Board Members are not required to be certified public accountants, but may not at the same time be our Directors or employees, or directors or employees of any of our subsidiaries.

Under the Companies Act of Japan (Act No. 86 of 2005, as amended), or the Companies Act, the Audit & Supervisory Board Members have the statutory duty of supervising the administration of our affairs by the Directors and also of examining the financial statements and business reports to be submitted by the Directors to general meetings of shareholders and preparing an audit report. The Audit & Supervisory Board Members must attend meetings of the Board of Directors and express opinions thereat, if necessary, but they are not entitled to vote.

We must appoint a certified public accountant or an audit corporation as independent auditor, in addition to Audit & Supervisory Board Members. Such independent auditor has the statutory duty of examining the financial statements prepared in accordance with the Companies Act and other related laws and regulations, to be submitted by Directors to general meetings of shareholders and preparing an audit report thereon. Our independent auditor for such purposes is Deloitte Touche Tohmatsu LLC.

The names and titles of our Directors as of the date of this offering memorandum are as follows:

Name	Title	Director Since
Koji Arima	Chairman, Representative Director	June 2015
Shinnosuke Hayashi	President & CEO, Representative Director	June 2023
Yasushi Matsui	Executive Vice President, Representative Director	June 2021
Yasuhiko Yamazaki	Executive Vice President, Representative Director	June 2024
Yuko Mitsuya	Outside Director	June 2019
Joseph P. Schmelzeis, Jr.	Outside Director	June 2022
Noriko Kinoshita	Outside Director	June 2026

Koji Arima was appointed as Chairman of DENSO CORPORATION in June 2023. Mr. Arima joined DENSO CORPORATION in April 1981 and has previously served in a number of key positions, including Executive Director, Senior Executive Director and Director, President & CEO.

Shinnosuke Hayashi was appointed as President & CEO of DENSO CORPORATION in April 2023. Mr. Hayashi joined DENSO CORPORATION in April 1986 and has previously served as Executive Director and Senior Executive Officer, President & COO.

Yasushi Matsui was appointed as Director & Executive Vice President of DENSO CORPORATION in June 2023. Mr. Matsui joined DENSO CORPORATION in April 1987 and previously served as Executive Director, Senior Executive Officer and Director & Senior Executive Officer.

Yasuhiko Yamazaki was appointed as Director & Executive Vice President of DENSO CORPORATION in June 2024. Mr. Yamazaki joined DENSO CORPORATION in April 1986 and previously served as Executive Director, Senior Executive Officer and Executive Vice President.

Yuko Mitsuya was appointed as Outside Director of DENSO CORPORATION in June 2019. Ms. Mitsuya currently also serves as President of Japan Basketball Association, Vice President of Japanese

Olympic Committee, and Outside Director of Japan Airlines Co., Ltd. Ms. Mitsuya started her career at Hitachi, Ltd. and served as Representative Director of Cipher Co., Ltd., Outside Audit & Supervisory Board Member of ASICS Corporation, Outside Director of Fujita Kanko Inc., Paloma Co., Ltd. and The Fukui Bank, Ltd., Representative Director of SORA Corporation (currently PIT Corporation), and Outside Director (Audit and Supervisory Committee Member) of JXTG Holdings, Inc. (currently ENEOS Holdings Inc.).

Joseph P. Schmelzeis was appointed as Outside Director of DENSO CORPORATION in June 2022. Mr. Schmelzeis currently also serves as Representative Director of JPS International, Inc., Executive Manager of Cedarfield Godo Kaisha, and Outside Director of Central Japan Railway Company and Hitachi Construction Machinery Japan Co., Ltd. Mr. Schmelzeis started his career at Bain & Company and has served as Vice President of American Express International, COO of Fontworks International, Interim CEO of Crimson Ventures, Corporate Director & Division Manager of SEGA CORPORATION, Senior Advisor of SEGA SAMMY HOLDINGS INC. and Senior Advisor to the Ambassador of U.S. Embassy in Tokyo.

Noriko Kinoshita was appointed as Outside Director of DENSO CORPORATION in June 2026. Ms. Kinoshita currently also serves as Audit and Supervisory Board Member of JAPAN POST Co., Ltd. Ms. Kinoshita started her career at the Ministry of Posts and Telecommunications (currently Ministry of Internal Affairs and Communications) and has served as Executive Officer and Managing Executive Officer of Japan Post Holdings Co., Ltd. and Senior Executive Officer of JAPAN POST Co., Ltd.

The names and titles of our Audit & Supervisory Board Members as of the date of this offering memorandum are as follows:

Name	Title	Member Since
Naoto Inuzuka	Standing Audit & Supervisory Board Member	June 2026
Katsunori Hayashi	Standing Audit & Supervisory Board Member	June 2025
Yasuko Goto	Outside Audit & Supervisory Board Member	June 2019
Kumiko Baba	Outside Audit & Supervisory Board Member	June 2026
Masato Yamagami	Outside Audit & Supervisory Board Member	June 2026

Naoto Inuzuka was appointed as Standing Audit & Supervisory Board Member in June 2026. Mr. Inuzuka currently also serves as President of DENSO INTERNATIONAL ASIA CO., LTD. (DIAT) and Senior Director, CEO of Asia-Oceania and Senior Executive Officer of DENSO CORPORATION. Mr. Inuzuka started his career at DENSO CORPORATION in April 1987 and had previously served as General Manager, Thermal Management Planning Department, Thermal Business Group (currently Thermal System Planning Division), Senior Director and Executive Officer.

Katsunori Hayashi was appointed as Standing Audit & Supervisory Board Member in June 2025. Mr. Hayashi started his career at DENSO CORPORATION in April 1988 and has previously served as General Manager, Engine Equipment Planning Department, Engine Equipment Division (currently, Powertrain Systems Business Planning Division), General Manager, Electrified Components Planning Division, Electrified Components Department (currently, Electrification Systems Business Planning Department), and General Manager, Secretarial Department, Corporate Center, (currently, Secretarial Department, General Administration & Human Resources Center).

Yasuko Goto was appointed as Outside Audit & Supervisory Board Member in June 2019. Ms. Goto currently also serves as External Audit and Supervisory Committee Member of Mitsui Chemicals, Inc. and Outside Director of Shiseido Company, Limited. Ms. Goto started her career at the Ministry of Transport (currently Ministry of Land, Infrastructure, Transport and Tourism) and served as Head of New York Office, Japan National Tourism Organization; Vice Governor of Yamagata Prefecture; Director of Regional Transport Bureau of Hokuriku and Shinetsu Regions, Ministry of Land, Infrastructure, Transport and Tourism (MLIT); President of Policy Research Institute for Land, Infrastructure, Transport and Tourism for MLIT; Managing Director & Deputy General Manager of Railway Operations Headquarters, General Manager of Tourism Business Headquarters, Managing Director in charge of Finance Department and Director, Audit and Supervisory Committee Member and Special Adviser of Kyushu Railway Company, and External Audit and Supervisory Committee Member of Shiseido Company, Limited.

Kumiko Baba was appointed as Outside Audit & Supervisory Board Member in June 2026. Ms. Baba currently also serves as Advisor of JFE Engineering, Outside Director (Audit & Supervisory Committee Member) of SWCC Corporation and Outside Director (Audit & Supervisory Committee Member) of AGC Inc. Ms. Baba started her career at Toshiba Corporation and has previously served in a number of key positions

including Vice President and Audit & Supervisory Board Member (part-time) of JFE Engineering Corporation, Full-time Advisor and Audit & Supervisory Board Member (full-time) of JFE Holdings, Inc., and Audit & Supervisory Board Member (part-time) of JFE Shoji Trade Corporation.

Masato Yamagami was appointed as Outside Audit & Supervisory Board Member in June 2026. Mr. Yamagami started his career at Aoyama Audit Corporation and has previously served in a number of key positions for PricewaterhouseCoopers Japan LLC including Partner; Executive Officer, Chief Officer, in charge of Manufacturing/Distribution/Service Business Department; and Senior Executive Officer. Mr. Yamagami has also served as CEO of PwC Risk Advisory LLC.

The names and titles of our Senior Executive Officers (excluding Directors) as of the date of this offering memorandum are as follows:

Name	Title
Yasuhiro Iida	Senior Executive Officer
Kenichiro Ito	Senior Executive Officer
Hirotsugu Takeuchi	Senior Executive Officer
Jiro Ebihara	Senior Executive Officer
Katsuhiko Takeuchi	Senior Executive Officer
Yasuhisa Sakurai	Senior Executive Officer
Naoto Inuzuka	Senior Executive Officer
Tsuneo Maebara	Senior Executive Officer
Chitaka Kambe	Senior Executive Officer
Naoki Matsuoka	Senior Executive Officer

Agreements with Our Directors and Audit & Supervisory Board Members

Under the Companies Act and our articles of incorporation, we may enter into agreements with our Directors (excluding directors who are in charge of execution of business (as defined under the Companies Act)) and Audit & Supervisory Board Members to limit their respective liabilities to us arising from their failure to execute their duties in good faith and without gross negligence, subject to applicable laws and regulations. We have entered into such agreements with each non-executive Director including Outside Director and Outside Audit & Supervisory Board Member which limit the maximum amount of their liability to us to the minimum amount stipulated by applicable laws and regulations, so long as those non-executive Directors and Outside Audit & Supervisory Board Members have acted in good faith and without gross negligence in performing their duties.

Executive Compensation

The total aggregate compensation for our Directors and Audit & Supervisory Board Members during the year ended March 31, 2026 was ¥1,107 million and consisted of aggregate compensation to our Directors of ¥964 million and aggregate compensation to our Audit & Supervisory Board Members of ¥143 million. Also, aggregate compensation for our Outside Directors and Outside Audit & Supervisory Board Members during the year ended March 31, 2026 was ¥100 million.

Restricted Stock Compensation Scheme

We previously maintained a restricted share compensation program for Directors other than non-executive Directors or Outside Directors, under which restricted shares could be issued in amounts of up to 3,000,000 shares in total each year and the total amount of compensation by the restricted shares for each year could not exceed ¥1.5 billion.

Pursuant to a resolution passed at our shareholder meeting on June 18, 2026, we introduced a board benefit trust–restricted stock program to replace the program described above. This new program is available to Directors (excluding non-executive directors, outside directors and Audit & Supervisory Board Members), Senior Executive Officers and Executive Officers (including those equivalent thereto) (collectively, "Eligible Officers"), and is designed to achieve more stable and efficient administration of the remuneration system. Under this program, our shares are acquired through a trust using funds we contribute. In accordance with applicable regulations, the trust then provides Eligible Officers with our shares periodically during their term of office (with the transfer or other disposition of such shares restricted until retirement), and cash equivalent to the market value of such shares at the time of their retirement. The total amount of compensation provided to Eligible Officers is calculated based on a point system taking into consideration their position and performance

achievement levels, among other factors. We contributed ¥15.0 billion in funds to the trust at the time of its establishment (of which ¥7.5 billion was allocated for Directors) for the five fiscal years ending March 31, 2030, and will contribute additional funds of up to ¥15.0 billion (of which up to ¥7.5 billion will be allocated for Directors) during each five-fiscal-year period thereafter until the termination of the program, with the total amount of shares, cash and contributed funds held by the trust at the time of such contributions not to exceed ¥15.0 billion (of which up to ¥7.5 billion will be allocated for Directors), subject to additional conditions. As part of this program, we will also introduce provisions for the return of compensation applicable to performance-linked remuneration.

Separately, pursuant to a resolution passed at a meeting of Board of Directors on May 22, 2026, we have also established an employee shareholding association-restricted stock incentive plan for employees who agree to take part in such plan ("Eligible Employees"), with the total number of Eligible Employees capped at 47,718. This plan is designed to motivate Eligible Employees to actively drive the sustainable enhancement of our corporate value, while fostering shared value creation with our stakeholders, improving their engagement and supporting their asset-building efforts. Under the plan, Eligible Employees are granted monetary claims (the "Special Incentive") by us, which they contribute to the Employee Shareholding Association (the "ESA"). The ESA then provides the Special Incentive to us by way of an in-kind contribution and in turn receives shares of our common stock as restricted stock subject to restrictions on transfer or other disposal until November 1, 2031.

RELATED PARTY TRANSACTIONS

From time to time, we enter into agreements and engage in transactions with our subsidiaries and affiliates. Set forth below is a brief description of transactions we have entered into with Toyota Motor and its consolidated subsidiaries in the year ended March 31, 2026. For more information on these transactions and information on prior periods, please see Note 33 to our audited consolidated financial statements as of and for the year ended March 31, 2026, included elsewhere in this offering memorandum.

Type of transaction	For the year ended March 31, 2026
	(in millions of yen)
Sale of automotive components	¥ 4,134,582
Purchase of automotive components	60,400

Except for the transactions described above and in the notes to our consolidated financial statements contained elsewhere in this offering memorandum, there have been no material transactions between us and any of our Directors, Audit & Supervisory Board Members, Senior Executive Officer and Executive Officer or any companies over which any of them have any significant influence.

SUBSIDIARIES AND AFFILIATES

As of March 31, 2026, we had 190 consolidated subsidiaries and 62 equity-method affiliates. The following table presents our major subsidiaries, equity-method affiliates and other affiliates as of March 31, 2026:

Company Name	Location	Issued Capital	Percentage of outstanding shares held by us (%)	Principal Business
Subsidiaries				
Kyosan Denki Co., Ltd.	Ibaraki, Japan	¥ 1,090 million	64.2	Manufacture and sale of automotive components
HamanakoDENSO Co., Ltd.	Shizuoka, Japan	¥ 479 million	80.1	Manufacture and sale of automotive components
DENSO ELECTRONICS CORPORATION	Aichi, Japan	¥ 1,002 million	100.0	Manufacture and sale of automotive components
DENSO Air Systems Corporation	Aichi, Japan	¥ 491 million	100.0	Manufacture and sale of automotive components
DENSO Solution Corporation	Aichi, Japan	¥ 301 million	100.0	Sale of automotive components, industrial equipment and daily life related equipment
DENSO WAVE Inc.	Aichi, Japan	¥ 495 million	75.2	Manufacture and sale of industrial equipment
DENSO Techno Co., Ltd.	Aichi, Japan	¥ 180 million	100.0	Development and design of software for information processing/controlling systems
DENSO TRIM Co., Ltd.	Mie, Japan	¥ 310 million	80.0	Manufacture and sale of automotive components
DENSO Kyushu Corporation	Fukuoka, Japan	¥ 6,010 million	100.0	Manufacture and sale of automotive components
DENSO Hokkaido Corporation	Hokkaido, Japan	¥ 2,600 million	100.0	Manufacture and sale of automotive components
DENSO Fukushima Corporation	Fukushima, Japan	¥ 1,600 million	100.0	Manufacture and sale of automotive components
DENSO Iwate Corporation	Iwate, Japan	¥ 2,350 million	100.0	Manufacture and sale of automotive components
DENSO TEN Limited	Hyogo, Japan	¥ 5,300 million	65.0	Manufacture and sale of automotive components and R&D for automotive components
Jeco Co., Ltd.	Saitama, Japan	¥ 1,564 million	100.0	Manufacture and sale of automotive components
DENSO International America, Inc.	Michigan, U.S.A.	USD 503,816,000	100.0	Regional headquarters for North America; Sale of automotive components; R&D for automotive components
DENSO Products And Services Americas, Inc.	California, U.S.A.	USD 3,750,000	100.0	Sale of automotive components and industrial equipment
DENSO Manufacturing Michigan, Inc.	Michigan, U.S.A.	USD 125,000,000	100.0	Manufacture and sale of automotive components
DENSO Manufacturing North Carolina, Inc.	North Carolina, U.S.A.	USD 96,000,000	100.0	Manufacture and sale of automotive components
DENSO Manufacturing Tennessee, Inc.	Tennessee, U.S.A.	USD 73,900,000	100.0	Manufacture and sale of automotive components
DENSO Manufacturing Athens Tennessee, Inc.	Tennessee, U.S.A.	USD 100,000	100.0	Manufacture and sale of automotive components
DENSO TEN America Limited	Michigan, U.S.A.	USD 42,500,000	100.0	Sale of automotive components
DENSO Manufacturing Canada, Inc.	Ontario, Canada	USD 35,036,000	100.0	Manufacture and sale of automotive components
DENSO Sales Canada, Inc.	Ontario, Canada	USD 80,000	100.0	Sale of automotive components
DENSO Mexico S.A. DE C.V.	Nuevo León, Mexico	MXN 593,297,000	95.0	Manufacture and sale of automotive components
DENSO Do Brasil Ltda.	Curitiba, Brazil	BRL 352,797,000	94.8	Manufacture and sale of automotive components
DENSO International Europe B.V.	Amsterdam, Netherlands	EUR 781,539,000	100.0	European headquarters and holding company of European affiliated companies

Company Name	Location	Issued Capital	Percentage of outstanding shares held by us (%)	Principal Business
DENSO Europe B.V.	Weesp, Netherlands	EUR 1,361,000	100.0	Sale of automotive components
DENSO Barcelona S.A.	Barcelona, Spain	EUR 33,344,000	100.0	Manufacture and sale of automotive components
DENSO Manufacturing Italia S.p.A.	San Salvo, Italy	EUR 1,000,000	100.0	Manufacture and sale of automotive components
DENSO Thermal Systems S.p.A.	Turin, Italy	EUR 170,900,000	100.0	Manufacture and sale of automotive components
DENSO Manufacturing Hungary, Ltd.	Székesfehérvár, Hungary	EUR 190,912,000	100.0	Manufacture and sale of automotive components
DENSO Manufacturing Czech s.r.o.	Liberec, Czech	CZK 3,469 million	100.0	Manufacture and sale of automotive components
DENSO International Asia Pte., Ltd. (Singapore)	Science Park, Singapore	USD 175,240,000	100.0	Regional headquarters for Asia and sale of aftermarket products
DENSO International Asia Co., Ltd. (Thailand)	Samut Prakan, Thailand	THB 752 million	100.0	Regional headquarters for Asia and R&D for automotive components
DENSO (Thailand) Co., Ltd.	Samut Prakan, Thailand	THB 200 million	51.7	Manufacture and sale of automotive components
Siam DENSO Manufacturing Co., Ltd.	Chonburi, Thailand	THB 2,816 million	90.0	Manufacture and sale of automotive components
DENSO Sales (Thailand) Co., Ltd.	Samut Prakan, Thailand	THB 100 million	100.0	Sale of automotive components
Siam Kyosan DENSO Co., Ltd.	Chonburi, Thailand	THB 338 million	100.0	Manufacture and sale of automotive components
DENSO TEN (Thailand) Limited	Samut Prakan, Thailand	THB 400 million	99.0	Manufacture and sale of automotive components
Pt. DENSO Indonesia	Bekasi, Indonesia	IDR 2,345 million	68.3	Manufacture and sale of automotive components
PT. DENSO Manufacturing Indonesia	Bekasi, Indonesia	IDR 43,992 million	100.0	Manufacture and sale of automotive components
Pt. DENSO Sales Indonesia	Jakarta, Indonesia	IDR 9,975 million	100.0	Sale of automotive components
DENSO (Malaysia) Sdn. Bhd.	Selangor, Malaysia	MYR 20,536,000	72.7	Manufacture and sale of automotive components
DENSO Manufacturing Vietnam Co., Ltd.	Hanoi, Vietnam	USD 10,000,000	95.0	Manufacture and sale of automotive components
DENSO Philippines Corporation	Laguna, Philippines	USD 29,854,000	100.0	Manufacture and sale of automotive components
DENSO Haryana Pvt., Ltd.	Haryana, India	INR 2,875 million	100.0	Manufacture and sale of automotive components
DENSO (China) Investment Co., Ltd.	Beijing, China	CNY 2,150 million	100.0	Regional headquarters for China, sales of automotive components and R&D for automotive components
Tianjin DENSO Engine Electrical Products Co., Ltd.	Tianjin, China	CNY 278 million	95.0	Manufacture and sale of automotive components
Tianjin DENSO Electronics Co., Ltd.	Tianjin, China	CNY 585 million	93.5	Manufacture and sale of automotive components
Guangzhou DENSO Co., Ltd.	Guangzhou, China	CNY 191 million	60.0	Manufacture and sale of automotive components
Tianjin Fawer DENSO Air-Conditioner Co., Ltd.	Tianjin, China	CNY 101 million	60.0	Manufacture and sale of automotive components
DENSO (Guangzhou Nansha) Co., Ltd.	Guangzhou, China	CNY 402 million	100.0	Manufacture and sale of automotive components
DENSO (Changzhou) Fuel Injection System Co., Ltd.	Changzhou, China	CNY 281 million	100.0	Manufacture and sale of automotive components
DENSO Manufacturing (Hangzhou) Co., Ltd.	Hangzhou, China	CNY 192 million	100.0	Manufacture and sale of automotive components
DENSO Korea Corporation	Changwon, Korea	KRW 8,902 million	100.0	Manufacture and sale of automotive components
135 other companies				
Equity-method affiliates				
Tsuda Industries Co., Ltd.	Aichi, Japan	¥ 1,315 million	22.1	Manufacture and sale of automotive components

Company Name	Location	Issued Capital	Percentage of outstanding shares held by us (%)	Principal Business
Shinsei Industrial Co., Ltd.	Aichi, Japan	¥300 million	36.5	Manufacture and sale of automotive components
Advics Co., Ltd.	Aichi, Japan	¥ 12,209 million	34.0	Development and sale of automotive components
NTT Data MSE Corporation	Kanagawa, Japan	¥ 320 million	15.0	Development and design of software for controlling systems
Toshiba Information Systems (Japan) Corporation	Kanagawa, Japan	¥ 1,239 million	20.0	Development and design of software for information processing/ controlling systems
BluE Nexus Corporation	Aichi, Japan	¥ 50 million	45.0	Development and sale of automotive components
Michigan Automotive Compressor, Inc.	Michigan, U.S.A.	USD 146,000,000	40.0	Manufacture and sale of automotive components
TD Automotive Compressor Georgia, LLC	Georgia, U.S.A.	USD 155,000,000	22.6	Manufacture and sale of automotive components
TD Deutsche Klimakompressor GmbH	Sachsen, Germany	EUR 20,452,000	35.0	Manufacture and sale of automotive components
Subros Limited	Delhi, India	INR 130 million	20.0	Manufacture and sale of automotive components
Yantai Shougang TD Automotive Compressor Co., Ltd.	Shandong Province, China	CNY 284 million	20.0	Manufacture and sale of automotive components
51 other companies				
Other affiliate				
Toyota Motor Corporation	Aichi, Japan	¥ 397,050 million	22.25	Manufacture and sale of automobiles and automotive components

DESCRIPTION OF THE NOTES

The following description of the notes is a summary of the detailed provisions of the notes and the Indenture (as defined below). It does not purport to be complete. This summary is subject to and is qualified in its entirety by reference to all the provisions of the notes and the Indenture, including the definitions of certain terms used therein. We urge you to read those documents in their entirety prior to making an investment decision because they, and not this description, define the rights of holders of the notes. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. You may request copies of those documents upon written request from the corporate trust office of the trustee located at 240 Greenwich Street, New York, NY 10286, United States of America.

When we refer "we," "our" and "us" in this section, we mean DENSO CORPORATION, excluding, unless the context otherwise requires or as otherwise expressly stated, any existing or future subsidiaries. When we refer to a "holder" we mean the person in whose name the notes are registered.

The notes will be issued pursuant to an indenture dated September 16, 2021 between us and The Bank of New York Mellon, as trustee (the "Indenture").

General

The notes will be issued only in fully registered form without interest coupons in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof. The notes will be represented by one or more registered notes in global form without coupons and in certain circumstances may be represented by registered notes in definitive form.

The Indenture and the notes do not contain any financial covenants or restrictions on the payment of dividends on our common stock, the incurrence of indebtedness, including other senior indebtedness (other than as set forth below under "—Negative Pledge"), or the issuance or repurchase of our securities. In addition, there are only limited restrictions on our ability to pledge assets or secure other indebtedness. The Indenture and the notes do not contain any covenants or other provisions to afford more than limited protection to holders of the notes in the event of a highly leveraged transaction or a change in control of us.

The notes have not been and will not be registered with the SEC and are being offered and sold by the initial purchasers or their affiliates outside the United States in offshore transactions only to non-U.S. persons in reliance on Regulation S and by the initial purchasers or their affiliates inside the United States to persons reasonably believed to be QIBs in reliance on Rule 144A. Accordingly, the Indenture is not required to be, and will not be, qualified under the U.S. Trust Indenture Act of 1939.

Status of the Notes

The notes will be our direct, unsecured and unsubordinated general obligations and will rank equally and *pari passu* with all of our other unsecured and unsubordinated debt (except for statutorily preferred obligations) and without any preference among themselves.

Principal and Maturity

The initial aggregate principal amount of the notes is $500,000,000. The notes will mature on June 29, 2031.

Principal will be repaid at maturity at a price of 100% of the principal amount of the notes. The notes will not be redeemable prior to maturity, except as set forth below under "—Optional Redemption" and "—Optional Tax Redemption," and will not be subject to any sinking fund.

Interest

Interest on the notes will accrue at the rate of 4.864% per annum.

We will pay interest on the notes semi-annually in arrears on June 29 and December 29 of each year (each an "interest payment date"), beginning on December 29, 2026. We will pay interest to the holders of record of the notes as at 5:00 p.m. (New York City time) on the day that is 15 calendar days immediately preceding such interest payment date, whether or not the record date is a Business Day.

Interest on the notes will accrue from and including the date of original issuance or, if interest has already been paid, from and including the date it was most recently paid. Interest on the notes will be paid to but excluding the relevant interest payment date. Interest on the notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

If any date for payment of principal, premium (if any) or interest (or Additional Amounts (as defined below), if any) in respect of the notes falls on a day that is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such next succeeding Business Day shall have the same force and effect as if made on the original due date, and no additional interest shall accrue with respect to such payment for the period after such original due date.

"Business Day" means, for the purpose of the Indenture and the notes, a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in The City of New York or Tokyo.

Repurchase

We, or any subsidiary of ours, may at any time repurchase any or all of the notes in the open market or otherwise at any price. Subject to applicable law, neither we nor any subsidiary of ours shall have any obligation to offer to repurchase any notes held by any holder as a result of our or any subsidiary's repurchase or offer to repurchase notes held by any other holder in the open market or otherwise.

Any notes so repurchased by us or any subsidiary of ours shall be canceled.

Optional Redemption

We have the option to redeem the notes, in whole or in part, at any time prior to May 29, 2031 (the date that is one month before maturity) (the "Par Call Date"), upon giving not less than 30 days' nor more than 60 days' prior notice of redemption to the trustee and the holders.

The redemption price for the notes to be redeemed will be equal to the greater of:

(i) 100% of the principal amount of the notes being redeemed; or

(ii) the make-whole price, which equals the sum of the present values of the principal and the remaining scheduled payments of interest on the notes being redeemed (exclusive of interest accrued to the date of redemption) that would be due if such notes were redeemed on the Par Call Date, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 10 basis points;

plus, in each case, accrued and unpaid interest on the principal amount of the notes being redeemed up to, but excluding, the date of redemption. The trustee and the agents shall not have any duty to make such calculation.

We have the option to redeem the notes, in whole or in part, at any time on or after the Par Call Date, upon giving not less than 30 days' nor more than 60 days' prior notice of redemption to the trustee and the holders, at a redemption price equal to 100% of the principal amount of the notes to be redeemed (plus accrued and unpaid interest on the principal amount of the notes being redeemed to, but excluding, the date of redemption).

If less than all of the notes are to be redeemed, such notes shall be redeemed on a *pro rata* basis (or, in the case of notes represented by global notes, in accordance with the procedures of DTC), based on the then outstanding principal amount of each note, provided, however, that if any such pro-rated redemption would result in any notes having an authorized principal amount of less than the minimum authorized denomination, all such notes shall be redeemed in full prior to the redemption of any other notes, except as may be provided in the form of note or in any indenture supplemental thereto. Unless the context otherwise requires, all provisions relating to the redemption of the notes shall relate, in the case of any note redeemed or to be redeemed only in part, to the portion of the principal amount of such note which has been or is to be redeemed.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the term from the relevant redemption date to the Par Call Date that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of maturity comparable to the term from the relevant redemption date to the Par Call Date.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of four Reference Treasury Dealer Quotations for such redemption date or (2) if the Independent Investment Banker is unable to obtain four Reference Treasury Dealer Quotations for such redemption date, the average of all quotations obtained.

"Independent Investment Banker" means an independent investment banking or commercial banking institution of national standing appointed by us.

"Primary Treasury Dealer" means a primary U.S. government securities dealer in New York City.

"Reference Treasury Dealer" means (a) each of Morgan Stanley & Co. LLC, BofA Securities, Inc., J.P. Morgan Securities LLC and Citigroup Global Markets Inc. (or their respective affiliates that are Primary Treasury Dealers) and their respective successors, and (b) one other Primary Treasury Dealer selected by us; provided, however, that if any of the foregoing ceases to be a Primary Treasury Dealer, we shall substitute therefor another Primary Treasury Dealer.

"Reference Treasury Dealer Quotation" means, with respect to each Reference Treasury Dealer and any date of redemption, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 3:30 p.m., New York City time, on the third New York business day preceding the date of redemption.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Optional Tax Redemption

The notes may be redeemed at any time, at our option and sole discretion, in whole, but not in part, subject to compliance with applicable regulatory requirements, and upon giving not less than 30 days' nor more than 60 days' prior notice of redemption to the holders (which notice shall be irrevocable) and the trustee, at a redemption price equal to 100% of the principal amount of the notes together with interest accrued to (but excluding) the date fixed for redemption and any Additional Amounts (as defined below) thereon, if we have been or will be obliged to pay any Additional Amounts with respect to the notes as a result of (a) except as described in (b) immediately below, any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the notes or (b) in the case of any Succession Event (as defined below under "—Merger, Consolidation, Sale or Disposition") where the successor entity is not organized under the law of, or tax resident in, Japan, any change in, or amendment to, the laws or regulations of the non-Japanese jurisdiction of the successor entity or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of such Succession Event, and in either case such obligation cannot be avoided through the taking of reasonable measures available to us or the successor entity, as the case may be (an "Additional Amounts Event").

Prior to the publication of any notice of such redemption, we shall deliver to the trustee (i) a certificate signed by an authorized officer stating that the conditions precedent to our right to so redeem the notes have been fulfilled and (ii) an opinion of counsel of recognized standing confirming that an Additional Amounts Event has occurred. The trustee shall be entitled to conclusively rely on and accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the holders.

No notice of redemption for an Additional Amounts Event shall be given sooner than 90 days prior to the earliest date on which we (or the successor entity) would actually be obliged to pay such Additional Amounts on a payment with respect to the notes.

Merger, Consolidation, Sale or Disposition

The Indenture provides that we may not merge or consolidate into any other corporation, entity or person (if we are not the continuing entity), or sell, lease or dispose of our properties and assets substantially as

an entirety (including by way of a corporate split (*kaisha bunkatsu*)), whether as a single transaction or a number of transactions, related or not, to any other corporation, entity or person unless:

- such successor is organized and validly existing as a corporation and assumes or succeeds to our obligations under the notes and the Indenture (and, if such corporation is organized in a jurisdiction other than Japan, agrees to pay any Additional Amounts in respect of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the jurisdiction of organization or tax residence of such corporation, or any authority therein or thereof having power to tax, corresponding to the obligation (and related carve outs) to pay Additional Amounts as described under "—Taxation and Additional Amounts" substituting such jurisdiction for references to "Japan"), and

- after giving effect thereto, no event of default with respect to the notes shall have occurred and be continuing (such permitted transaction, a "Succession Event").

Taxation and Additional Amounts

All payments of principal, premium (if any) and interest in respect of the notes by us shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any political subdivision of, or any authority in, or of, Japan having power to tax ("Japanese Taxes"), unless such withholding or deduction is required by law as interpreted and enforced by the relevant authority. In such event, we shall pay to the holder of each note such additional amounts (all such amounts being referred to herein as "Additional Amounts") as may be necessary so that the net amounts received by it after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of such note in the absence of such withholding or deduction, provided, that, no such Additional Amounts shall be payable in relation to any such withholding or deduction with respect to any payment on the notes:

(i) to or for the benefit of a holder or beneficial owner of a note who is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Japanese Taxes in respect of such note by reason of its (A) having some present or former connection with Japan other than the mere holding of such note or (B) being a person having a special relationship with DENSO as described in Article 6, Paragraph (4) of the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act") (a "specially-related person of DENSO");

(ii) to or for the benefit of a holder or beneficial owner of a note who would otherwise be exempt from any such withholding or deduction but (A) who fails to comply with any applicable requirement to provide certification, information, documents or other evidence concerning its nationality, residence, identity or connection with Japan, including any requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to us or the paying agent, as appropriate, or (B) whose Interest Recipient Information is not duly communicated through the Participant (as defined below) and the relevant international clearing organization to the paying agent;

(iii) to or for the benefit of a holder or beneficial owner of a note who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation who duly notifies (directly, or through the Participant or otherwise) the paying agent of its status as not being subject to Japanese Taxes to be withheld or deducted by us, by reason of such individual resident of Japan or Japanese corporation receiving interest on the relevant note through a payment handling agent in Japan appointed by it);

(iv) if the note is presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below), except to the extent that the holder of the note would have been entitled to such Additional Amounts on presenting the same for payment on any date during such period of 30 days;

(v) to a holder of a note who is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or any interest on, any note, where Japanese law requires the payment

to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such Additional Amounts had it been the holder of such note; or

(vi) any combination of (i) through (v) above.

None of us, the trustee, any paying agent and any other person shall be required to pay any Additional Amounts with respect to any withholding or deduction imposed on or in respect of any note pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended (the "Code") (or any amended or successor versions of such Sections) ("FATCA"), any treaty, law, regulation or other official guidance implementing FATCA or an intergovernmental agreement with respect thereto, or any agreement between us, the trustee, a paying agent or any other person and the United States, any jurisdiction or any authority of any of the foregoing implementing FATCA.

Where a note is held through a participant of an international clearing organization or a financial intermediary (each, a "Participant"), in order to receive payments free of withholding or deduction by us for, or on account of, Japanese Taxes, if the relevant beneficial owner of the note is (a) an individual non-resident of Japan or a non-Japanese corporation that in either case is not a specially-related person of DENSO or (b) a Japanese financial institution (a "Designated Financial Institution") falling under certain categories prescribed by Article 6, Paragraph (11) of the Special Taxation Measures Act, and the cabinet order thereunder (Cabinet Order No. 43 of 1957, as amended) (together with the ministerial ordinance and other regulations thereunder, the "Act"), all in accordance with the Act, such beneficial owner of the note must, at the time of entrusting a Participant with the custody of the relevant note, provide certain information prescribed by the Act to enable the Participant to establish that such beneficial owner of the note is exempted from the requirement for Japanese Taxes to be withheld or deducted (the "Interest Recipient Information"), and advise the Participant if the beneficial owner of the note ceases to be so exempted, including the case where the relevant beneficial owner of the note who is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of DENSO.

Where a note is not held by a Participant, in order to receive payments free of withholding or deduction by us for, or on account of, Japanese Taxes, if the relevant beneficial owner of the note is (a) an individual non-resident of Japan or a non-Japanese corporation that in either case is not a specially-related person of DENSO or (b) a Designated Financial Institution, all in accordance with the Act, such beneficial owner of the note must, prior to each date on which it receives interest, submit to us or a paying agent, as appropriate, a written application for tax exemption (*hikazei tekiyo shinkokusho*) (a "Written Application for Tax Exemption") in the form obtainable from us or any paying agent, as appropriate, stating, among other things, the name and address (and, if applicable, the Japanese individual or corporation ID number) of such beneficial owner of the note, the title of the notes, the relevant interest payment date, the amount of interest payable and the fact that such beneficial owner of the note is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

As used herein, the "Relevant Date" means the date on which any payment in respect of a note first becomes due, except that, if the full amount of the moneys payable has not been duly received by the paying agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the holders of the notes in accordance with the Indenture.

By subscribing for the notes, an investor will be deemed to have represented that it is a beneficial owner that is, (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of DENSO; or (ii) a Designated Financial Institution. For more details regarding Japanese withholding tax, see "Taxation—Japanese Taxation."

We will make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law. We will use reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment, fee or other governmental charge, and if certified copies are not available, we will use reasonable efforts to obtain other evidence satisfactory to the paying agent, and the paying agent shall make such certified copies or other evidence available to the holders or the beneficial owners of the notes upon prior written request to the paying agent.

The obligation to pay Additional Amounts shall not apply to (A) any estate, inheritance, gift, excise, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or

(B) any tax, duty, assessment, fee or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal or interest on the notes. Except as otherwise set forth in the notes and in the Indenture, we shall pay all stamp, court, excise or other documentary taxes, charges or similar levies which may be imposed by Japan, the United States or any respective political subdivision or any taxing authority thereof or therein, with respect to the execution of the Indenture or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the notes.

References to principal, premium (if any) or interest in respect of the notes shall be deemed to include any Additional Amounts due which may be payable as set forth in the notes and the Indenture.

Negative Pledge

So long as any of the notes remain outstanding, we will not create or permit to subsist any Lien (as defined below) on any of our property, assets or revenues, present or future, to secure, for the benefit of the holders of Public External Indebtedness (as defined below), payment of any sum owing in respect of any such Public External Indebtedness, any payment under any guarantee of any such Public External Indebtedness or any payment under any indemnity or other like obligation relating to any such Public External Indebtedness, unless contemporaneously therewith effective provision is made to secure the notes equally and ratably with such Public External Indebtedness with a similar Lien on the same property, assets or revenues securing such Public External Indebtedness for so long as such Public External Indebtedness are secured by such Lien. Notwithstanding the foregoing, this restriction will not apply to Liens on money paid to or money or securities deposited by us with a fiscal agent, trustee or depository to pay, defease or discharge in full over time our obligations in respect of other Public External Indebtedness (provided that such money or securities so paid or deposited, and the proceeds therefrom, will be sufficient to pay or discharge such obligations in full).

"Lien" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom, prior to any general creditor of the owner thereof.

"Public External Indebtedness" means bonds, debentures, notes or other similar investment securities of ours or any other person evidencing indebtedness for borrowed moneys of, or any guarantees thereof, which (a) are either (i) by their terms payable, or confer a right to receive payment, in any currency other than Japanese yen or (ii) denominated in Japanese yen and more than 50% of the aggregate principal amount thereof is initially distributed outside of Japan by or with the authorization of the issuer thereof; and (b) are capable of being or are intended to be, quoted, listed, ordinarily dealt in or traded on a stock exchange or over-the-counter or other securities market outside Japan.

Events of Default and Remedies

Holders of the notes will have certain rights if an event of default occurs. References to an event of default mean any of the following:

(a) We default for more than 7 days in the payment of interest or Additional Amounts in respect of any of the notes;

(b) We fail to pay principal of or premium, if any, on the notes when that principal or premium, if any, is due and payable;

(c) We default in the performance or observance of any covenant, condition or provision contained in the notes or in the Indenture for a period of 30 days after written notification requesting that we remedy such default shall first have been given to us (and to the trustee in the case of notice by the holders referred to below) by the trustee or holders of at least 25% in principal amount of the then outstanding notes;

(d) We or any Principal Subsidiary (as defined below) becomes bound as a consequence of a default in respect of any indebtedness for borrowed moneys having a total principal amount then outstanding of at least $10,000,000 (or its equivalent in any other currency or currencies) contracted or incurred prematurely to repay the same, or we or any Principal Subsidiary have defaulted in the repayment of any such indebtedness contracted or incurred at the later of the maturity thereof or the expiration of any applicable grace period therefor, or we or any Principal Subsidiary have failed to pay when properly called upon to do so, and after the expiration of any applicable grace period, any guarantee

contracted or incurred by us or any Principal Subsidiary of any such indebtedness in accordance with the terms of any such guarantee; provided, however, that, prior to any judgment, if any such default is cured under such indebtedness, or it is waived by the holders of such indebtedness, in each case as may be permitted under the terms of such indebtedness, then such event of default shall be deemed to have been thereupon cured or waived;

(e) A final and non-appealable order of a court of competent jurisdiction is made or an effective resolution of us is passed for our winding-up or dissolution except for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction under which the continuing corporation or the corporation formed as a result thereof effectively assumes our entire obligations under the Indenture in relation to the notes;

(f) An encumbrancer shall have taken possession, or a trustee or receiver shall have been appointed, in bankruptcy, civil rehabilitation, reorganization or insolvency of us, of all or substantially all of our assets and undertakings and such possession or appointment shall have continued undischarged and unstayed for a period of 60 days;

(g) We stop payment (within the meaning of the bankruptcy laws of Japan) or (otherwise than for the purposes of such a consolidation, amalgamation, merger or reconstruction) cease to carry on business or are unable to pay our debts generally as and when they fall due;

(h) A decree or order by any court having jurisdiction shall have been issued adjudging us bankrupt or insolvent, or approving a petition seeking with respect to us reorganization or liquidation under bankruptcy, civil rehabilitation, reorganization or insolvency laws of Japan, and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or

(i) We initiate or consent to proceedings relating to us under bankruptcy, civil rehabilitation, reorganization or insolvency law of Japan or shall make a conveyance or assignment for the benefit of, or shall enter into any composition with, our creditors generally.

If an event of default with respect to the notes occurs and is continuing, then in every such case (other than an event of default specified in (e), (f), (g), (h) or (i) above) the trustee or the holders of not less than 25% in principal amount of the outstanding notes may, by a notice in writing to us (and to the trustee if given by holders), and the trustee at the written request of such holders shall (subject to receiving indemnity and/or security and/or prefunding to its satisfaction), declare the principal amount of the notes to be due and payable immediately, and upon any such declaration such principal amount shall become immediately due and payable.

"Principal Subsidiary" means any subsidiary (i) whose revenue, as shown by the latest audited financial statements of such subsidiary, constitute at least 10% of the consolidated revenue of us and our consolidated subsidiaries as shown by our latest audited consolidated financial statements or (ii) whose gross assets, as shown by the latest audited financial statements of such subsidiary, constitute at least 10% of the gross assets of us and our consolidated subsidiaries as shown on our latest audited consolidated financial statements.

Notwithstanding the foregoing, in the case of an event of default arising under subsections (e), (f), (g), (h) or (i) above with respect to us, the principal of and interest on the outstanding notes will become immediately due and payable without further action or notice. In addition, the trustee shall have no obligation to accelerate the notes if, in the judgment of the trustee, acceleration is not in the best interest of the holders.

The trustee and the agents need not do anything to ascertain whether any event of default has occurred or is continuing and will not be responsible to holders or any other person for any loss arising from any failure by it to do so, and the trustee or the agents may assume that no default or event of default has occurred and that we are performing our obligations under the Indenture and the notes unless a Responsible Officer of the trustee or, as the case may be, the agents have received written notice of the occurrence of such default or event of default or facts establishing we are not performing our obligations under the Indenture or the notes or a default or an event of default has occurred. Neither the trustee nor the agents shall be required to verify any information in such notice.

"Responsible Officer" means, when used with respect to the trustee, any managing director, vice president, trust associate, relationship manager, transaction manager, client service manager, any trust officer or any other officer located at the Specified Corporate Trust Office (as defined in the Indenture) who customarily performs functions similar to those performed by any persons who at the time shall be such officers, respectively,

or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and in each such case, who shall have direct responsibility for the day-to-day administration of the Indenture.

Limitation on Suits

Other than the right to institute a suit for the enforcement of the payment of principal, premium, if any, or interest (including, in each case, any Additional Amounts, if applicable) in respect to the notes after the applicable due date specified in the notes, no holder of any note has any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture, unless:

- such holder has previously given written notice to the trustee of a continuing event of default;
- the holders of not less than 25% in aggregate principal amount of the notes shall have made written request to the trustee to institute proceedings in respect of such event of default in its own name as trustee;
- such holder or holders have offered to the trustee indemnity and/or security and/or prefunding satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such written request;
- the trustee for 60 days after its receipt of such notice, request and offer of indemnity and/or security and/or prefunding has failed to institute any such proceeding; and no direction inconsistent with such written request has been given to the trustee during such 60-day period by the holders of a majority in aggregate principal amount of the notes.

Discharge, Defeasance and Covenant Defeasance

We have the ability to eliminate most or all of our obligations on the notes prior to maturity if we comply, among other conditions, with the following provisions:

Discharge of Indenture. We may discharge all of our obligations, other than as to transfers and exchanges, under the Indenture after we have:

(i) paid or caused to be paid the principal of and interest on all of the outstanding notes in accordance with their terms;

(ii) delivered to the notes registrar for cancelation all of the outstanding notes; or

(iii) irrevocably deposited with the trustee (or its agent) cash or U.S. government obligations in trust for the benefit of the holders of notes issued under the Indenture that have either become due and payable, or are by their terms due and payable, or are scheduled for redemption, within one year, in an amount certified to be sufficient to pay on each date that they become due and payable, the principal of and interest on those notes. However, the deposit of cash or U.S. government obligations for the benefit of holders of notes that are due and payable, or are scheduled for redemption, within one year will discharge obligations under the Indenture relating only to notes.

Defeasance of the Notes at Any Time. We may also discharge all of our obligations, other than as to transfers and exchanges, under the notes at any time ("Defeasance"). Alternatively, we may be released with respect to the notes from the obligations imposed by the covenants described above limiting the creation of security interests on assets, consolidations, mergers, asset sales and leases, and elect not to comply with those sections without creating an event of default ("Covenant Defeasance").

Defeasance or Covenant Defeasance may be effected with respect to the notes only if, among other things:

(i) we irrevocably deposit with the trustee (or its agent) cash or U.S. government obligations as trust funds in an amount certified to be sufficient to pay on each date that they become due and payable, the principal of and interest on the notes; and

(ii) we deliver to the trustee an opinion of counsel of recognized standing to the effect that:

(a) the beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Defeasance or Covenant Defeasance; and

(b) the beneficial owners will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Defeasance or Covenant Defeasance had not occurred.

In the case of a Defeasance, the opinion must be based on a ruling of the U.S. Internal Revenue Service, or the IRS, or a change in U.S. federal income tax law occurring after the date of this offering memorandum.

Further Issuances

We reserve the right, from time to time, without the consent of the holders of the notes, to issue additional notes on terms and conditions identical to those of the notes offered hereby (other than the issue date, the issue price and, in some cases, the first interest payment date), which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the notes; provided, however, that if any additional notes are not fungible with the notes offered hereby for U.S. federal income tax purposes, such additional notes will be issued as a separate series under the Indenture and will have a separate CUSIP, ISIN, Common Code and/or similar identifying number from the notes offered hereby.

Indemnification of Judgment Currency

We will indemnify the trustee and each holder of a note to the full extent permitted by applicable law against any loss incurred by the trustee and the holder as a result of any judgment or order being given or made for any amount due under the notes and the judgment or order being expressed and paid in a currency, referred to as judgment currency, other than U.S. dollars and as a result of any variation as between (a) the rate of exchange at which the U.S. dollar is converted into the judgment currency for the purpose of the judgment or order and (b) the spot rate of exchange in The City of New York at which the trustee and the holder on the date that payment is made pursuant to the judgment or order is able to purchase U.S. dollars with the amount of the judgment currency actually received by the trustee and the holder.

Modification and Waiver

Modification and amendment of the notes of any series and the Indenture may be made by us and the trustee with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding notes of each affected series; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding note affected thereby:

(i) change the maturity date of the principal or payment date of any interest or change any obligation of ours to pay any Additional Amounts;

(ii) reduce the principal amount of, or rate of interest on, any note;

(iii) affect the rights of holders of less than all the outstanding notes;

(iv) change the place of payment where, or the coin or currency in which, any note or interest thereon is payable; or

(v) impair the right of a holder to institute suit for the enforcement of any payment on or with respect to any note on or after the date when due;

provided, further, that no such modification may, without the consent of the holders of all notes of the affected series outstanding at the time, alter the respective percentages of outstanding notes necessary, pursuant to the Indenture, to modify the terms of the notes, waive past defaults or accelerate the payment of the principal amount of the notes.

It shall not be necessary for any act of holders under the relevant section of the Indenture to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

Notwithstanding the foregoing, without the consent of any holders of the notes, we and the trustee, at any time and from time to time, may enter into one or more indentures supplemental to the Indenture, in form satisfactory to the trustee, for any of the following purposes:

(i) to secure the notes, provided it does not breach the negative pledge;

(ii) to evidence the succession of another corporation, entity or person to us and the assumption by any such successor of our covenants in the Indenture and the notes;

(iii) to add to our covenants or to surrender any right or power in the Indenture conferred upon us for the benefit of the holders of the notes;

(iv) to evidence and provide for the acceptance of appointment under the Indenture by a successor trustee;

(v) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be defective or inconsistent with any other provision in the Indenture or applicable laws, or to make any other provisions with respect to matters or questions arising under the Indenture, provided that such action shall not adversely affect the interests of the holders of the notes in any material respect;

(vi) to establish the forms or terms of any subsequent series of debt securities to be issued under the Indenture; or

(vii) to make any other change that does not adversely affect the interests of the holders of the notes in any material respect.

Paying Agent, Transfer Agent and Notes Registrar

The Bank of New York Mellon, located in 240 Greenwich Street, New York, NY 10286, United States of America, will initially act as paying agent, transfer agent and notes registrar (collectively, the "agent") for the notes. We may change the paying agent, transfer agent or notes registrar without prior notice to the holders of the notes, and we or any of our subsidiaries may act as paying agent, transfer agent or notes registrar.

For so long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a paying agent in Singapore, where the notes may be presented or surrendered for payment or redemption in the event that the global notes are exchanged for definitive notes. In addition, in the event that the global notes are exchanged for definitive notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

The Trustee

The trustee, The Bank of New York Mellon, is organized under the laws of the United States of America, with offices located in 240 Greenwich Street, New York, NY 10286, United States of America. The Indenture provides that during the existence of an event of default with respect to the notes, the trustee will exercise the rights and powers vested in it by the Indenture, and use the same degree of care and skill in the exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. In the absence of an event of default with respect to the notes, the trustee need only perform the duties specifically set forth in the Indenture.

The Indenture does not contain limitations on the rights of the trustee under the Indenture, should it be or become a creditor of ours, to obtain payment of claims. The trustee is not precluded from engaging in other transactions with us.

The trustee will be under no obligation to exercise any rights or powers vested in it by the Indenture at the request or direction of any holder, unless the requisite number of holders have instructed the trustee in writing and offered to the trustee security and/or indemnity and/or prefunding satisfactory to it against the costs, expenses (including the fees and properly incurred expenses of its counsel) and liabilities which might be incurred by it in compliance with such request or direction.

Successor Trustee

Any successor trustee appointed pursuant to the terms of the Indenture shall have a combined capital and surplus of not less than $50,000,000 and shall be a bank or trust company organized and doing business under the laws of the United States or of the State of New York, in good standing and having an office in the Borough of Manhattan, The City of New York.

Repayment of Funds

Any money deposited by us with the trustee or a paying agent in trust for payment of principal of or interest and any Additional Amounts on any note which remains unclaimed for two years after such principal, interest or Additional Amounts have become due and payable and paid to the trustee shall, upon our written request, be repaid to us and all liability of the trustee or such paying agent with respect to such payments will cease, and to the extent permitted by law, the holder of that note shall thereafter look only to us for payment thereof.

Reporting Requirements

For as long as any notes are outstanding, we will promptly furnish to the trustee (for the benefit of the holders of the notes):

(i) (x) within three months after the end of each fiscal year, our consolidated statements of financial position and consolidated statements of profit or loss, changes in equity and cash flows in English and (y) within six months after the end of each fiscal year, an annual report in English including our consolidated statements of financial position and consolidated statements of profit or loss, changes in equity and cash flows prepared in accordance with IFRS and audited by an independent auditor; and

(ii) as soon as practicable after the end of each interim period (other than the last interim period of a fiscal year), our interim consolidated statements of financial position and consolidated statements of profit or loss and cash flows in English prepared in accordance with IFRS, *provided that* interim consolidated statements of cash flows will not be required if disclosure of interim consolidated statements of cash flows is not required for such corresponding interim period for companies listed on the main board of the Tokyo Stock Exchange pursuant to the listing rules or other regulations generally applicable to such companies.

To the extent any reports or other documents are published by us on our investor relations website, such reports or other documents shall be deemed to have been furnished to the trustee and the holders of the notes.

Governing Law; Consent to Jurisdiction and Service of Process; Communications

The Indenture is, and the notes will be, governed by, and construed in accordance with, the laws of the State of New York.

We have irrevocably submitted to the non-exclusive jurisdiction of the courts of any New York State or United States federal court sitting in the Borough of Manhattan, The City of New York with respect to any action that may be brought in connection with the Indenture or the notes. As long as any of the notes remain outstanding, we will at all times have an authorized agent with an office in the Borough of Manhattan, The City of New York upon whom process may be served in any action arising out of or relating to the Indenture or the notes. We have appointed Cogency Global Inc. with offices located at 122 East 42nd Street 18th Floor, New York, NY 10168 as our initial agent for such purpose.

Book Entry, Delivery and Form

The notes will initially be issued to investors only in book-entry form. The notes sold in reliance on Regulation S under the Securities Act will be initially in the form of one or more fully registered global notes (the "Regulation S global notes"), and the notes sold in reliance on Rule 144A under the Securities Act will initially be in the form of one or more fully registered global notes (the "Rule 144A global notes"). The global notes will be issued and registered in the name of Cede & Co., acting as nominee for DTC, which will act as securities depositary for the notes. The global notes will initially be deposited with The Bank of New York Mellon, acting as custodian for DTC.

The notes (including beneficial interests in the global notes) will be subject to certain restrictions on transfer set forth in the notes and the Indenture and will bear a legend regarding the restrictions as set forth under "Transfer Restrictions." Under certain circumstances, transfers may be made only upon receipt by the trustee of a written certification (in the form provided in the Indenture).

Prior to the 40th day after the later of the commencement of the offering and the closing date, a beneficial interest in a Regulation S global note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global note upon receipt by the transfer agent of a written certification (in the form

provided in the Indenture) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a QIB purchasing for its own account (or for the account of one or more QIBs over which account it exercises sole investment discretion) and (ii) has notified the transferee of the restrictions on transfer set forth under "Transfer Restrictions."

Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global note without any written certification from the transferor or the transferee. Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Regulation S global note only upon receipt by the transfer agent of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in compliance with the restrictions on transfer set forth under "Transfer Restrictions" and pursuant to and in accordance with Rule 903 or 904 of Regulation S under the Securities Act.

Any beneficial interest in one of the global notes that is transferred to an entity that takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interest in such other global note for as long as it remains such an interest.

Persons that acquire beneficial ownership interests in the global notes will hold their interests through DTC in the United States or through Euroclear or Clearstream in Europe, if they are participants of those systems, or indirectly through organizations that are participants in those systems. Euroclear and Clearstream will hold omnibus positions on behalf of their participants through customers' securities accounts in Euroclear's and Clearstream's names on the books of their respective depositories, which in turn will hold those positions in customers' securities accounts in the depositories' names on the books of DTC. Unless and until definitive notes are issued, the only holder of the notes will be Cede & Co., as nominee of DTC, or the nominee of a successor depositary. Beneficial owners will be permitted to exercise their rights only indirectly through DTC, Euroclear, Clearstream and their participants.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with it. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in its participants' accounts, eliminating the need for physical movement of securities certificates. Participants in DTC include Euroclear and Clearstream, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its participants and by the New York Stock Exchange, the American Stock Exchange and the National Association of Securities Dealers. Access to the DTC system is also available to others, such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions among its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. The Euroclear system is operated by Euroclear Bank SA/NV, a bank incorporated under the laws of the Kingdom of Belgium as the "Euroclear operator." All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the initial purchasers or their affiliates. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related operating procedures of the Euroclear system and applicable Belgian law. The Euroclear terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to

specific securities clearance accounts. The Euroclear operator acts under the Euroclear terms and conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

Clearstream is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the initial purchasers or their affiliates. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant, either directly or indirectly.

Purchases of notes within the DTC system must be made by or through the DTC participants, which will receive a credit for the notes on DTC's records and on the records of Euroclear or Clearstream, if applicable. The ownership interest of each actual purchaser of notes, a beneficial owner of an interest in a global note, is in turn to be recorded on the DTC participants' and indirect participants' records.

Beneficial owners of interests in a global note will not receive written confirmation from DTC, Euroclear or Clearstream of their purchases, but they are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the DTC participants or indirect participants through which they purchased the notes. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of the DTC participants and indirect participants acting on behalf of beneficial owners of interests in a global note. Beneficial owners of interests in a global note will not receive certificates representing their ownership interests in the notes unless use of the book-entry system for the notes is discontinued.

Transfers among DTC, Clearstream and Euroclear

Transfers between DTC participants will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes, cross-market transfers between persons holding, directly or indirectly through DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant European depositary; however, those cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to the relevant European depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the European depositaries.

Because of time zone differences, credits of securities received in Euroclear or Clearstream as a result of a transaction with a person that does not hold the notes through Euroclear or Clearstream will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Euroclear or Clearstream as a result of sales of securities by or through a Euroclear participant or a Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

Limitations on Responsibilities

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a global note. DTC's records reflect only the identity of the DTC participants to whose accounts those notes are

credited, which may or may not be the beneficial owners of interests in a global note. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts those notes are credited, which also may or may not be the beneficial owners of interests in a global note. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

DTC's Procedures for Notices, Voting and Payments

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or that nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the global note for all purposes under the notes and the Indenture. No beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture.

DTC has advised us that it will take any action permitted to be taken by a holder of notes, including the presentation of notes for exchange as described below, only at the direction of one or more of its participants to whose account DTC's interests in the global notes are credited and only in respect of that portion of the aggregate principal amount of notes as to which that participant or participants has or have given the direction.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of interests in a global note will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The paying agent will make payments of principal of and interest on the notes and send any notices in respect of the notes held in book-entry form to Cede & Co.

Payment of principal of and interest on the notes held in book-entry form will be made to Cede & Co. or another nominee of DTC in immediately available funds. DTC's practice is to credit its participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on that payment date. Payments by DTC's participants and indirect participants to beneficial owners of interests in a global note will be governed by standing instructions and customary practices, and will be the responsibility of those participants and indirect participants and not of DTC or us, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal of and interest on the notes or other amounts to DTC is our responsibility, disbursement of these payments to participants is the responsibility of DTC, and disbursement of those payments to the beneficial owner of an interest in a global note is the responsibility of participants and indirect participants.

Except as described in this offering memorandum, a beneficial owner of an interest in a global note will not be entitled to receive physical delivery of notes. Accordingly, each beneficial owner of an interest in a global note must rely on the procedures of DTC to exercise any rights under the notes.

The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a global note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of beneficial owners of interests in a global note to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the global notes among participants, none of them is under any obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time. We will not have any responsibility for the performance by DTC, Euroclear, Clearstream or their participants or indirect participants under the rules and procedures governing them. DTC, Euroclear and Clearstream may discontinue providing their services as securities depositary with respect to the notes at any time by giving notice to us. Under those circumstances, definitive notes would be delivered as described below.

The information in this section concerning DTC, Euroclear and Clearstream and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for the accuracy thereof.

Exchange of Global Notes for Definitive Notes

No definitive notes will be issued in exchange for the global notes unless (i) DTC is at any time unwilling or unable to continue as a depositary for the global notes or has ceased to be qualified to act as such as required by the Indenture and a successor depositary is not appointed within 90 days or (ii) there shall have occurred and be continuing an event of default with respect to the notes. Definitive notes delivered in exchange for beneficial interests in any global note will be registered in such names, and issued in such approved denominations, as directed by DTC or the successor depositary, in accordance with its customary procedures, and will be issued without coupons.

The principal amount of the notes in definitive form will be payable by the paying agent by wire transfer, upon presentation and surrender of the notes at our offices or at the principal office of the paying agent in The City of New York or at such other place or places in the Borough of Manhattan, The City of New York as the trustee shall designate by notice to the holders of the notes. If we are acting as our own paying agent, interest on the notes in definitive form will be payable by check, drawn on a bank in The City of New York, mailed to the persons in whose names the notes, or one or more predecessor notes, are registered on each interest payment record date. Notwithstanding the foregoing, the person in whose name a note is registered may elect to receive payments of principal or interest by wire transfer in immediately available funds to a bank account in The City of New York designated by such person in a written notice received by the trustee (a) in the case of a payment of interest, no later than 15 calendar days prior to the interest payment date on which such payment is due and (b) in the case of payment of principal on the maturity date, no later than 15 calendar days prior to the maturity date, provided that in the case of such payment of principal, the note shall have been surrendered to the paying agent for payment together with such notice.

Enforcement

For the purposes of enforcement of the provisions of the Indenture against the trustee, the persons named in a certificate of the holder of any global note in respect of which a global note is issued will be recognized as the beneficiaries of the Indenture, to the extent of the principal amounts of their interests in the notes set out in the certificate of the holder, as if they were themselves the holders of the notes in such principal amounts.

Clearance and Settlement

The notes have been accepted for clearance through DTC, Euroclear and Clearstream.

Minimum Board Lot Size on the SGX-ST

The notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies) for so long as any of the notes are listed on the SGX-ST.

TAXATION

The following summaries are not intended to be a complete analysis of the tax consequences under Japanese or United States law as a result of the acquisition, ownership and sale of notes by investors. Potential investors should consult their own tax advisers on the tax consequences of acquisition, ownership, sale, and other relevant circumstances concerning the notes, including specifically the applicable tax consequences under Japanese or United States law, the law of the jurisdiction of their country of residence (if different) and any tax treaty between Japan and their country of residence.

Japanese Taxation

The following is a general description of certain Japanese tax aspects of the notes and does not purport to be a comprehensive description of the tax aspects of the notes. Prospective purchasers should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive. Prospective purchasers are advised to consult their own legal, tax, accountancy or other professional advisors in order to ascertain their particular circumstances regarding taxation.

The statements below are based on current tax laws and regulations in Japan and current tax treaties executed by Japan all as in effect on the date hereof as well as current official interpretation of the Japanese tax authority thereof, all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statements in this document are to be regarded as advice on the tax position of any beneficial owner of the notes or any person purchasing, selling or otherwise dealing in the notes or any tax implication arising from the purchase, sale or other dealings in respect of the notes.

The Notes

The notes do not fall under the concept of so-called "taxable linked notes" as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, i.e., notes of which the amount of interest is to be calculated by reference to certain indexes (as prescribed by the Cabinet Order under the Special Taxation Measures Act) relating to DENSO or a specially-related person of DENSO (as defined below).

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance and Gift Taxes

Gains derived from the sale of notes outside Japan by an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties will, under current Japanese law, be payable in Japan by holders of the notes in connection with the issue of the notes, nor will such taxes be payable by holders of the notes in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired notes from another individual as legatee, heir or donee.

Representation by Investor upon Initial Distribution of Notes

BY SUBSCRIBING FOR THE NOTES, AN INVESTOR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS A PERSON WHO FALLS INTO THE CATEGORY OF (i) OR (ii) BELOW. The notes are not, as part of the distribution by the initial purchasers pursuant to the purchase agreement dated the date of this offering memorandum at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than a beneficial owner that is (i) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of DENSO (as defined below) or (ii) a Designated Financial Institution (as defined below).

Payments of Interest and Redemption Gain on Notes

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the notes and the redemption gain, meaning any difference between the acquisition price of the notes of the holder and the amount which the holder receives upon redemption of such notes, (the "Redemption Gain"),

where such notes are issued by DENSO outside Japan and payable outside Japan. In addition, the following description assumes that only global notes are issued for the notes, and no definitive notes and coupons that are independently traded are issued, in which case different tax consequences may apply. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

Non-resident Investors

If the recipient of interest on the notes or of the Redemption Gain with respect to the notes is an individual non-resident of Japan or a non-Japanese corporation for Japanese tax purposes, as described below, the Japanese tax consequences for such individual non-resident of Japan or non-Japanese corporation are significantly different depending upon whether such individual non-resident of Japan or non-Japanese corporation is a specially-related person of DENSO (as defined below). Most importantly, if such individual non-resident of Japan or non-Japanese corporation is a specially-related person of DENSO (as defined below), income tax at the rate of 15.315% of the amount of such interest will be withheld by DENSO under Japanese tax law.

(a) Interest

(i) If the recipient of interest on the notes is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the notes is not attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding or otherwise, if certain requirements are complied with, *inter alia*:

- if the relevant notes are held through a participant in an international clearing organization such as DTC or a financial intermediary prescribed by the Special Taxation Measures Act and the relevant cabinet order thereunder (the "Cabinet Order," together with the Special Taxation Measures Act and the ministerial ordinance and other regulations thereunder, the "Act") (each, a "Participant"), the requirement that such recipient provide, at the time of entrusting a Participant with the custody of the relevant notes, certain information prescribed by the Act to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted (the "Interest Recipient Information"), and advise the Participant if such individual non-resident of Japan or non-Japanese corporation ceases to be so exempted (including the case where it became a specially-related person of DENSO (as defined below)), and that DENSO prepare and file a certain confirmation prescribed by the Act (the "Interest Recipient Confirmation") with the competent local tax office in a timely manner based upon the Interest Recipient Information communicated through the Participant and the relevant international clearing organization; and

- if the relevant notes are not held by a Participant, the requirement that such recipient submit to the relevant paying agent a written application for tax exemption (*Hikazei Tekiyo Shinkokusho*) (the "Written Application for Tax Exemption"), together with certain documentary evidence, and that DENSO file the Written Application for Tax Exemption so received with the competent local tax office in a timely manner.

Failure to comply with such requirements described above (including the case where the Interest Recipient Information is not duly communicated as required under the Act) will result in the withholding by DENSO of income tax at the rate of 15.315% of the amount of such interest.

(ii) If the recipient of interest on the notes is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of interest is attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, such interest will not be subject to a 15.315% withholding tax by DENSO, if the requirements concerning the Interest Recipient Information and the Interest Recipient Confirmation or the Written Application for Tax Exemption as set out in paragraph 1.1(1) above are complied with. Failure to do so will result in the withholding by DENSO of income tax at the rate of 15.315% of the amount of such interest. The amount of such interest will be subject to regular income tax or corporate tax, as appropriate.

(iii) Notwithstanding paragraphs 1.1(1) and (2) above, if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a person who has a special relationship with DENSO (that is, in general terms, a person who directly or indirectly controls, or is directly or indirectly controlled by, or is under direct or indirect common control with, DENSO) within the meaning prescribed by the Cabinet Order under Article 6, Paragraph (4) of the Special Taxation Measures Act (such person is referred to as a "specially-related person of DENSO") as of the beginning of the fiscal year of DENSO in which the relevant interest payment date falls, the exemption from Japanese withholding tax on interest mentioned above will not apply, and income tax at the rate of 15.315% of the amount of such interest will be withheld by DENSO. If such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan, regular income tax or corporate tax, as appropriate, collected otherwise than by way of withholding, could apply to such interest under Japanese tax law.

(iv) If an individual non-resident of Japan or a non-Japanese corporation (regardless of whether it is a specially-related person of DENSO) is subject to Japanese withholding tax with respect to interest on the notes under Japanese tax law, a reduced rate of withholding tax or exemption from such withholding tax may be available under the relevant income tax treaty between Japan and the country of tax residence of such individual non-resident of Japan or non-Japanese corporation. As of the date of this offering memorandum, Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced, generally to 10% with, *inter alia*, Australia, Canada, Finland, France, Hong Kong, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal and Singapore. Under the tax treaties between Japan and Austria, Belgium, Denmark, Germany, Spain, Sweden, Switzerland, the United Kingdom or the United States, interest paid to qualified Austrian, Belgian, Danish, German, Spanish, Swedish, Swiss, United Kingdom or United States residents is generally exempt from Japanese withholding tax (for Belgium, only for a Belgian enterprise). Under the current income tax treaties between Japan and Australia, France, the Netherlands or New Zealand, certain limited categories of qualified Australian, French, Dutch or New Zealand residents receiving interest on the notes may, subject to compliance with certain procedural requirements under Japanese law, be fully exempt from Japanese withholding tax for interest on the notes (provided that no exemption will apply to pension funds in the case of Australia and New Zealand). In order to avail themselves of such reduced rate of, or exemption from, Japanese withholding tax under any applicable income tax treaty, individual non-residents of Japan or non-Japanese corporations which are entitled, under any applicable income tax treaty, to a reduced rate of, or exemption from, Japanese withholding tax on payment of interest by DENSO are required to submit an Application Form for Income Tax Convention regarding Relief from Japanese Income Tax and Special Income Tax for Reconstruction on Interest (as well as any other required forms and documents) in advance through DENSO to the relevant tax authority before payment of interest.

(v) Under the Act, (a) if an individual non-resident of Japan or a non-Japanese corporation that is a beneficial owner of the notes becomes a specially-related person of DENSO, or an individual non-resident of Japan or a non-Japanese corporation that is a specially-related person of DENSO becomes a beneficial owner of the notes, and (b) if such notes are held through a Participant, then such individual non-resident of Japan or non-Japanese corporation should notify the Participant of such change in status by the immediately following interest payment date of the notes. As described in paragraph 1.1(3) above, as the status of such individual non-resident of Japan or non-Japanese corporation as a specially-related person of DENSO for Japanese withholding tax purposes is determined based on the status as of the beginning of the fiscal year of DENSO in which the relevant interest payment date falls, such individual non-resident of Japan or non-Japanese corporation should, by such notification, identify and advise the Participant of the specific interest payment date on which Japanese withholding tax starts to apply with respect to such individual non-resident of Japan or non-Japanese corporation as being a specially-related person of DENSO.

(b) Redemption Gain

(i) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of such Redemption Gain is not attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through

such permanent establishment, no income tax or corporate tax is payable by way of withholding or otherwise with respect to such Redemption Gain.

(ii) If the recipient of the Redemption Gain is an individual non-resident of Japan or a non-Japanese corporation having a permanent establishment within Japan and the receipt of such Redemption Gain is attributable to the business of such individual non-resident of Japan or non-Japanese corporation carried on within Japan through such permanent establishment, such Redemption Gain will not be subject to any withholding tax but will be subject to regular income tax or corporate tax, as appropriate.

(iii) Notwithstanding paragraphs 1.2(1) and (2) above, if an individual non-resident of Japan or a non-Japanese corporation mentioned above is a specially-related person of DENSO as of the beginning of the fiscal year of DENSO in which such individual non-resident of Japan or non-Japanese corporation acquired such notes, the Redemption Gain will not be subject to withholding tax but will be subject to regular income tax or corporate tax, as appropriate, under Japanese tax law, regardless of whether such individual non-resident of Japan or non-Japanese corporation has a permanent establishment within Japan; provided that exemption may be available under the relevant income tax treaty.

Resident Investors

If the recipient of interest on the notes is an individual resident of Japan or a Japanese corporation for Japanese tax purposes, as described below, regardless of whether such recipient is a specially-related person of DENSO, in addition to any applicable local tax, income tax will be withheld at the rate of 15.315% of the amount of such interest, if such interest is paid to an individual resident of Japan or a Japanese corporation (except for (i) a Designated Financial Institution (as defined below) which complies with the requirement for tax exemption under Article 6, Paragraph (11) of the Special Taxation Measures Act or (ii) a Public Corporation (as defined below) or a Specified Financial Institution (as defined below) to which such interest is paid through the Japanese Custodian (as defined below) in compliance with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act). In addition to the withholding tax consequences upon resident investors as explained in this section 2, resident investors should consult their own tax advisors regarding their regular income tax or corporate tax consequences otherwise than by way of withholding, bearing in mind, especially for individual residents of Japan, the change to the taxation regime of notes that took effect on January 1, 2016.

(a) Interest

(i) If an individual resident of Japan or a Japanese corporation (other than a Specified Financial Institution (as defined below) or a Public Corporation (as defined below), who complies with the requirement as referred to in paragraph 2.1(2) below) receives payments of interest on the notes through certain Japanese payment handling agents as defined in Article 2-2 Paragraph 2 of the Cabinet Order (each a "Japanese Payment Handling Agent"), income tax at the rate of 15.315% of the amount of such interest will be withheld by the Japanese Payment Handling Agent rather than by DENSO. As DENSO is not in a position to know in advance the recipient's status, the recipient of interest falling within this category should inform DENSO through a paying agent of its status in a timely manner. Failure to so inform may result in double withholding.

(ii) If the recipient of interest on the notes is a Japanese public corporation or a Japanese public-interest corporation designated by the relevant law (*kokyohojin tou*) (a "Public Corporation") or a Japanese bank, a Japanese insurance company, a Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by the relevant Cabinet Order under Article 3-3, Paragraph (6) of the Special Taxation Measures Act (each, a "Specified Financial Institution") that keeps its notes deposited with, and receives the interest through, a Japanese Payment Handling Agent with custody of the notes (the "Japanese Custodian") and such recipient submits through such Japanese Custodian to the competent tax authority the report prescribed by the Act, no withholding tax is levied on such interest. However, since DENSO is not in a position to know in advance the recipient's tax exemption status, the recipient of interest falling within this category should inform DENSO through a paying agent of its status in a timely manner. Failure to so notify DENSO may result in the withholding by DENSO of a 15.315% income tax.

(iii) If an individual resident of Japan or a Japanese corporation (except for a Designated Financial Institution (as defined below) which complies with the requirements described in paragraph 2.1(4)

below) receives interest on the notes not through a Japanese Payment Handling Agent, income tax at the rate of 15.315% of the amount of such interest will be withheld by DENSO.

(iv) If a Japanese bank, a Japanese insurance company, a Japanese financial instruments business operator or other Japanese financial institution falling under certain categories prescribed by the Cabinet Order under Article 6, Paragraph (11) of the Special Taxation Measures Act (each, a "Designated Financial Institution") receives interest on the notes not through a Japanese Payment Handling Agent and the requirements concerning the Interest Recipient Information and the Interest Recipient Confirmation or the Written Application for Tax Exemption as referred to in paragraph 1.1(1) above are complied with, no withholding tax will be imposed.

(b) Redemption Gain

If the recipient of the Redemption Gain is an individual resident of Japan or a Japanese corporation, such Redemption Gain will not be subject to any withholding tax.

Special Additional Taxes for Reconstruction from the Great East Japan Earthquake and for Strengthening Japan's National Defense Capabilities

Due to the imposition of a special additional withholding tax of 0.315% (or 2.1% of 15%) to secure funds for reconstruction from the Great East Japan Earthquake (the "reconstruction surtax"), the withholding tax rate has been effectively increased to 15.315%. This overall 15.315% withholding tax rate continues to apply until December 31, 2047, while the breakdown of the 0.315% surtax portion is (i) the reconstruction surtax of 0.315% (or 2.1% of 15%) until December 31, 2026, and (ii) during the period beginning on January 1, 2027 and ending on December 31, 2047, the reconstruction surtax of 0.165% (or 1.1% of 15%) and another special additional withholding tax of 0.15% (or 1.0% of 15%) to fund strengthening Japan's national defense capabilities (the "defense surtax"). The 2026 tax reform, which was promulgated on March 31, 2026, has introduced the defense surtax while accordingly reducing the reconstruction surtax, to maintain the overall 15.315% withholding tax rate. On or after January 1, 2048, the overall withholding tax rate will be 15.15%, instead of 15.315%, where the only surtax will be the defense surtax of 0.15% (or 1.0% of 15%). All references to the tax rate of 15.315% in the foregoing descriptions should be read accordingly, taking into account these developments. There are also reconstruction surtax and defense surtax imposed in relation to regular income tax due other than by way of withholding for individual non-residents of Japan, as referred to in the foregoing descriptions, for the period mentioned above.

United States Federal Income Taxation

The following is a summary of United States federal income tax considerations generally applicable to the ownership and disposition of notes by a "U.S. holder" (as defined below) who acquires our notes upon original issuance at their initial offering price and who holds the notes as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment) for United States federal income tax purposes. This discussion is based upon the Code, the Treasury regulations promulgated thereunder (the "Treasury Regulations"), judicial decisions and current administrative rulings and practice, all as in effect and available at the date hereof and all of which are subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of United States federal income taxation which may be important to particular investors in light of their individual investment circumstances, or to investors subject to special treatment under United States federal income tax law, such as banks or other financial institutions, insurance companies, broker-dealers, partnerships (or other entities or arrangements treated as partnerships) or their partners, tax-exempt organizations (including private foundations), qualified retirement plans, investors who are not U.S. holders, former U.S. citizens or long-term residents, traders in securities or currencies that have elected the mark-to-market method of accounting, persons subject to special tax accounting rules as a result of any item of gross income being taken into account in an applicable financial statement, real estate investment trusts, regulated investment companies, pension plans, cooperatives, investors who hold notes as part of a straddle, hedge, conversion or other integrated transaction, investors who own (directly, indirectly, or constructively) 10% or more of our stock (by vote or value), investors whose functional currency is not the United States dollar, persons subject to special tax accounting rules, persons who acquire our notes in connection with employment or other performance of services, or persons deemed to sell our notes under the constructive sale provisions of the Code, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not address any state, local, non-United States, or non-income tax (such as United States federal gift or estate tax) considerations, the Medicare tax on net investment income or the consequences of any minimum tax. No assurance can be given that the Internal Revenue Service ("IRS") would not assert, or that a

court would not sustain, a position contrary to any of those set forth below. Each U.S. holder is urged to consult its own tax advisor regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our notes.

For purposes of this summary, a "U.S. holder" is a beneficial owner of our notes that is, for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation or other entity treated as a corporation for United States federal income tax purposes that is created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source;
- or a trust if (1) a court within the United States is able to exercise primary control over its administration and one or more United States persons, within the meaning of Section 7701(a)(30) of the Code, have the authority to control all substantial decisions of such trust; or (2) the trust has made a valid election under applicable United States Treasury Regulations to be treated as a United States person.

If a partnership (or other entity or arrangement treated as a partnership for United States federal income tax purposes) is a beneficial owner of the notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding the notes and their partners are urged to consult their tax advisors regarding the United States federal income tax considerations of an investment in the notes.

We expect, and this summary assumes, that the notes will be issued with less than de minimis original issue discount.

Payments of Interest

Interest on the notes (and any additional amounts) will generally be taxable as ordinary interest income at the time it is paid or accrued in accordance with the U.S. holder's method of accounting for United States federal income tax purposes. In addition to interest on the notes, a U.S. holder will be required to include in income any Japanese or other foreign taxes withheld from the interest payments the U.S. holder receives and any additional amounts paid in respect of such foreign taxes withheld.

With respect to any Japanese taxes withheld in respect of any payments on the notes (as discussed in "Taxation—Japanese Taxation"), a U.S. holder may be entitled to claim either a deduction or a foreign tax credit for United States federal income tax purposes, subject to certain limitations (including that the election to deduct non-U.S. taxes in lieu of claiming foreign tax credits must apply to all of the U.S. holder's non-U.S. taxes for a particular tax year), and including a limitation on the creditability of Japanese taxes that could have been avoided by providing the payor with the relevant information required under Japanese law or making a claim for any applicable reduced treaty rate. Interest income (including any additional amounts) on a note generally will be considered foreign source income and, for purposes of the foreign tax credit, generally will be considered "passive income" or, in certain cases, "general category income."

Sale, Exchange or Other Disposition of the Notes

Upon the sale, exchange or other taxable disposition of a note, a U.S. holder will generally recognize gain or loss equal to the difference between the amount realized upon the sale, exchange or other disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as ordinary interest income, as described in "—Payments of Interest" above, to the extent not previously included in income) and such holder's adjusted tax basis in the note. A U.S. holder's adjusted tax basis in a note will generally be the cost of such note. Gain or loss on the sale, exchange or other taxable disposition will generally be capital gain or loss and will be long-term capital gain or loss if the note was held for more than one year. Certain non-corporate U.S. holders (including individuals) may qualify for preferential rates of United States federal income taxation in respect of long-term capital gains. The deductibility of capital losses is subject to certain limitations.

The preceding discussion of certain U.S. federal income tax considerations is general information only and is not tax advice. Accordingly, each U.S. holder should consult its own tax advisor as to the particular tax and reporting considerations pertinent to it of holding or disposing of the notes, including the applicability and effect of any U.S. federal, state, local or non-U.S. tax laws, and of any changes or proposed changes in applicable law.

CERTAIN ERISA AND BENEFIT PLAN CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the notes (including any interest in a note) by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, ("ERISA"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the U.S. Internal Revenue Code (the "Code"), or to provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code ("Similar Laws"), and entities whose underlying assets are considered to include "plan assets" of any such employee benefit plan, plan, account or arrangement (each, a "Plan").

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code, (a "Covered Plan"), and prohibit certain transactions involving the assets of a Covered Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of a Covered Plan or the management or disposition of the assets of a Covered Plan, or who renders investment advice for a fee or other compensation to a Covered Plan, is generally considered to be a fiduciary of the Covered Plan. The fiduciary to a Covered Plan who is responsible for the Covered Plan's investment in the notes should consider, and will be deemed to acknowledge, that neither we, the initial purchasers, the agents nor any of our and their respective affiliates, agents or representatives are undertaking or will undertake to provide advice in a fiduciary capacity to the Covered Plan in connection with the Covered Plan's investment in the notes, unless a statutory or administrative exemption applies (all of the applicable conditions of which are satisfied) or the transaction is not otherwise prohibited.

In considering an investment in the notes of a portion of the assets of any Plan, a fiduciary should determine, among other things, whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of, and regulations and guidance with respect to, ERISA, Section 4975 of the Code or any Similar Law relating to a fiduciary's duties to the Plan including without limitation as applicable, the prudence, diversification, delegation of control, conflict of interest and prohibited transaction provisions of ERISA and the Code with respect to Covered Plans, and any other applicable Similar Laws.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit Covered Plans from engaging in specified transactions involving its assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the Covered Plan that engages in such a non-exempt prohibited transaction may also be subject to penalties and other liabilities under ERISA and the Code, and the transaction may have to be rescinded.

For example, the acquisition and/or holding of the notes (including any interest in a note) by a Covered Plan with respect to which we or an initial purchaser are considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the notes are acquired and held in accordance with an applicable statutory or administrative prohibited transaction exemption. In this regard, the U.S. Department of Labor has issued certain prohibited transaction class exemptions ("PTCEs") that may apply to an investment in the notes by a Covered Plan. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Covered Plan involved in the transaction and provided further that the Covered Plan pays no more than adequate consideration in connection with the transaction (the so-called "service provider exemption"). There can be no assurance that any exemption described above, or any other exemption, will apply to any or all prohibited transactions that might arise in

connection with an investment in the notes by a Covered Plan, or that all of the conditions of any such exemption or any other exemption will be satisfied with respect to any or all such transactions.

Representation

Accordingly, by acceptance of the notes (including any interest in a note), each purchaser and subsequent transferee of the notes will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the notes (including any interest in a note) constitutes assets of any Plan or (ii) (a) the purchase, holding and subsequent disposition of the notes (including any interest in a note) by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Laws, and (b) neither we, the initial purchasers nor any of our or their respective affiliates, employees or other representatives are acting as a fiduciary to the Plan in connection with the Plan's investment in the notes, unless a statutory or administrative exemption applies (all of the applicable conditions of which are satisfied) or the transaction is not otherwise prohibited.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the notes or any interest in a note on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be necessary (and if so, available) with regard to the purchase and holding of the notes (or any interest therein). Neither providing this offering memorandum or the sale of notes (or any interest in a note) to a Plan is in any respect a representation to any purchaser or subsequent transferee by us, the initial purchasers or any of our or their respective affiliates, employees or other representatives that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or a representation that such an investment is appropriate for Plans generally or any particular Plan. Further, nothing herein should be considered a recommendation or advice with respect to the acquisition, holding or disposition of a note (or any interest in a note) by a Plan. Purchasers of notes (including any interest in a note) have the exclusive responsibility for ensuring, to the extent applicable, that their investment in notes complies with the fiduciary responsibility rules of ERISA and does not violate the prohibited transaction rules of ERISA or the Code or provisions of any applicable Similar Laws.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any reoffering, resale, pledge or transfer of the notes.

The offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and, accordingly, may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except as set forth below.

Rule 144A Notes

Each purchaser of the notes (including any interest in a note) offered hereby in reliance on Rule 144A will be deemed to have represented and agreed as follows:

1) It (A) is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act, or a QIB, (B) is aware that the sale of the notes to it is being made in reliance on Rule 144A, and (C) is acquiring the notes for its own account or for the account of a QIB, as the case may be.

2) It understands that the notes have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred except as permitted by the legend set forth in paragraph (4) below.

3) Either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the notes constitutes assets of any Plan or (ii) (A) its purchase, holding and subsequent disposition of the notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Laws, and (B) neither we, the initial purchasers or any of our or their respective affiliates, employees or other representatives, are acting as a fiduciary to such purchaser or transferee in connection with its investment in the notes, unless a statutory or administrative exemption applies (all of the applicable conditions of which are satisfied) or the transaction is not otherwise prohibited.

4) It understands that the notes will bear a legend to the following effect, unless DENSO determines otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF AGREES FOR THE BENEFIT OF DENSO CORPORATION (THE "COMPANY") THAT THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) TO A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) OR A PERSON WHO THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER IN ACCORDANCE WITH RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE COMPANY OR THE TRANSFER AGENT MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION (IF AVAILABLE), OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS. THE HOLDER HEREOF, BY, PURCHASING OR ACCEPTING THIS NOTE, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOTIFY ANY PURCHASER OF THIS NOTE FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

THE HOLDER REPRESENTS THAT EITHER (I) NO PORTION OF THE ASSETS USED BY THE HOLDER OF THIS NOTE (INCLUDING ANY INTEREST HEREIN) TO ACQUIRE OR HOLD THIS NOTE CONSTITUTES ASSETS OF ANY PLAN, ACCOUNT OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR PROVISIONS UNDER OTHER LAWS AND REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE ("SIMILAR LAWS") OR (II) (A) THE HOLDER'S PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THIS NOTE (INCLUDING ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS, AND (B) NEITHER THE COMPANY, THE INITIAL PURCHASERS NOR ANY OF THEIR RESPECTIVE AFFILIATES, EMPLOYEES OR OTHER REPRESENTATIVES ARE ACTING AS A FIDUCIARY TO THE HOLDER IN CONNECTION WITH ITS INVESTMENT IN THIS NOTE, UNLESS A STATUTORY OR ADMINISTRATIVE EXEMPTION APPLIES (ALL OF THE APPLICABLE CONDITIONS OF WHICH ARE SATISFIED) OR THE TRANSACTION IS NOT OTHERWISE PROHIBITED.

Regulation S Notes

Each purchaser of Regulation S notes (including any interest in a note) will be deemed to have represented and agreed as follows:

1) It is a non-U.S. person who is acquiring such Regulation S notes in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

2) It understands that such Regulation S notes have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons except as permitted by the legend set forth in paragraph (4) below.

3) Either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the notes constitutes assets of any Plan or (ii)(A) its purchase, holding and subsequent disposition of the notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Laws, and (B) neither we, the initial purchasers or any of our or their respective affiliates, employees or other representatives are acting as a fiduciary to it in connection with its investment in the notes, unless a statutory or administrative exemption applies (all of the applicable conditions of which are satisfied) or the transaction is not otherwise prohibited.

4) It understands that the notes will bear a legend to the following effect, unless DENSO determines otherwise in compliance with applicable law:

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. DENSO CORPORATION (THE "COMPANY") HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO.

THE HOLDER REPRESENTS THAT EITHER (I) NO PORTION OF THE ASSETS USED BY THE HOLDER OF THIS NOTE (INCLUDING ANY INTEREST HEREIN) TO ACQUIRE OR HOLD THE NOTE CONSTITUTES ASSETS OF ANY PLAN, ACCOUNT OR ARRANGEMENT SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR PROVISIONS UNDER OTHER LAWS AND REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE ("SIMILAR LAWS") OR (II) (A) THE HOLDER'S PURCHASE, HOLDING AND SUBSEQUENT DISPOSITION OF THIS NOTE (INCLUDING ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER

SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS, AND (B) NEITHER THE COMPANY, THE INITIAL PURCHASERS NOR ANY OF ITS OR THEIR RESPECTIVE AFFILIATES, EMPLOYEES OR OTHER REPRESENTATIVES ARE ACTING AS A FIDUCIARY TO IT IN CONNECTION WITH ITS INVESTMENT IN THIS NOTE, UNLESS A STATUTORY OR ADMINISTRATIVE EXEMPTION APPLIES (ALL OF THE APPLICABLE CONDITIONS OF WHICH ARE SATISFIED) OR THE TRANSACTION IS NOT OTHERWISE PROHIBITED.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions set forth in a purchase agreement, dated June 22, 2026, or the purchase agreement, between us and the initial purchasers named below, for whom Morgan Stanley & Co. LLC, BofA Securities, Inc., J.P. Morgan Securities LLC and Citigroup Global Markets Inc. are acting as representatives, the initial purchasers have severally, and not jointly, agreed to purchase, and we have agreed to sell to the initial purchasers, the respective principal amount of the notes listed opposite their names below.

Initial purchasers	Principal amount of notes
Morgan Stanley & Co. LLC	$170,000,000
BofA Securities, Inc.	155,000,000
J.P. Morgan Securities LLC	105,000,000
Citigroup Global Markets Inc.	70,000,000
Total	$500,000,000

The initial purchasers have advised us that they propose initially to offer the notes at the issue price listed on the cover page of this offering memorandum. After the initial offering, the issue price, concessions or any other term of the offering may be changed. The initial purchasers have agreed to purchase the notes from us at a purchase price that reflects a discount from the issue price, and the initial purchasers will retain the difference between such purchase price and issue price as compensation.

The initial purchasers are entitled to be released and discharged from their obligations under, and to terminate, the purchase agreement in certain circumstances prior to paying us for the notes. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased. The initial purchasers are offering the notes subject to their acceptance of the notes from us and subject to prior sale. The purchase agreement provides that the obligations of the several initial purchasers to pay for and accept delivery of the notes are subject to approval of certain legal matters by their counsel and to certain other conditions.

The purchase agreement provides that we will indemnify the initial purchasers and their affiliates against specified liabilities, including liabilities under the Securities Act, in connection with the offer and sale of the notes, and will contribute to payments the initial purchasers and their affiliates may be required to make in respect of those liabilities.

The notes are being offered by the initial purchasers or affiliates of certain of the initial purchasers outside the United States in offshore transactions to persons other than U.S. persons in reliance on Regulation S under the Securities Act and by the initial purchasers or their affiliates or other registered broker-dealers or selling agents in the United States to persons reasonably believed to be QIBs in reliance on Rule 144A under the Securities Act.

No Sale of Similar Securities

We have agreed that, during a period beginning the date of this offering memorandum and ending on the closing date of this offering, we will not, without the prior written consent of the representatives of the initial purchasers, directly or indirectly, issue, sell, offer, contract or grant any option for the sale of, or otherwise transfer or dispose of, any other U.S. dollar-denominated senior debt securities of ours with a maturity greater than one year or any securities that are convertible into, or exchangeable for, the notes or such other U.S. dollar-denominated senior debt securities of ours.

Short Positions

In connection with this offering, the initial purchasers may purchase and sell the notes in the open market, subject to applicable laws and regulations. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sales of notes in excess of the principal amount of notes to be purchased by the initial purchasers in this offering, which creates a short position for the initial purchasers. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price

that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

The initial purchasers make no representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, the initial purchasers have no obligation to engage in these transactions, and these transactions, once commenced, may be discontinued at any time.

New Issue of the Notes

The notes are a new issue of securities with no established trading market. In addition, the notes are subject to certain restrictions on resale and transfer as described under "Certain ERISA and Benefit Plan Considerations" and "Transfer Restrictions." Approval in-principle has been received for the listing and quotation of the notes on the SGX-ST. The notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 for so long as the notes are listed on the SGX-ST. The initial purchasers have advised us that they presently intend to make a market in the notes after completion of this offering. Such market-making activity will be subject to the limits imposed by applicable laws. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. A liquid or active public trading market for the notes may not develop. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If such notes are traded, they may trade at a discount from the initial issue price, depending on the market for similar securities, our performance and other factors. See "Risk Factors—Risks Relating to the Notes—There is no prior market for the notes, and the notes may have limited liquidity."

Settlement

We expect that delivery of the notes will be made to investors on or about June 29, 2026, which will be the fifth New York business day following the date of this offering memorandum (such settlement being referred to as "T+5"). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in one business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

Selling Restrictions

General

No action has been or will be taken by us that would permit a public offering of the notes, or possession or distribution of this offering memorandum, any amendment or supplement thereto, or any other offering or publicity material relating to the notes in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any other offering or publicity material relating to the notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

The notes have not been registered under the Securities Act and may not be offered or sold within the United States (as defined in Regulation S) or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The initial purchasers or U.S. affiliates of the initial purchasers may arrange for the sale of a portion of the notes in the United States exclusively to persons reasonably believed by them to be QIBs (as defined in Rule 144A) in reliance on the exemption from registration provided by Rule 144A under the Securities Act, and each United States purchaser of the notes is hereby notified that the offer and sale of the notes to it is being made in reliance upon such exemption. The offering of the notes to persons other than U.S. persons will be made outside the United States in offshore transactions in compliance with Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements

of the Securities Act if such offer is made otherwise than pursuant to Rule 144A under the Securities Act or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgements, representations and agreements as described under "Transfer Restrictions."

Japan

The notes have not been and will not be registered under the FIEA, and are subject to the Special Taxation Measures Act. Each of the initial purchasers has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any of the notes in Japan or to, or for the benefit of, any resident of Japan (which term as used in this item (i) means any person that is a resident of Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan; and (ii) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any notes as part of its distribution pursuant to the purchase agreement at any time, to, or for the benefit of, any person other than a beneficial owner that is (a) for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of DENSO, or (b) a Japanese financial institution, designated in Article 6, Paragraph (11) of the Special Taxation Measures Act.

Member States of the European Economic Area

The notes may not be offered, sold or otherwise made available and will not be offered, sold or otherwise made available to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

i. a retail client as defined in point (11) of Article 4(1) of MiFID II;

ii. or a customer within the meaning of the Insurance Distribution Directive where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by the PRIIPs Regulation, for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and, therefore, offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United Kingdom

The notes are not intended to be offered, sold, distributed or otherwise made available to, and should not be offered, sold, distributed or otherwise made available to, any retail investor in the UK. For these purposes, a retail investor means a person who is either one (or both) of the following: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA; or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the POATR. Consequently, no disclosure document required by DISC for offering, selling or distributing the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the notes or otherwise making them available to any retail investor in the UK may be unlawful under DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

This offering memorandum is for distribution only to persons who: (A) are qualified investors, as such term is defined in paragraph 15 of Schedule 1 to the POATR; and (B)(i) have professional experience in matters relating to investments and who qualify as investment professionals within the meaning of Article 19(5) of the Financial Promotion Order, (ii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order ("high net worth companies, unincorporated associations etc."), (iii) are outside the UK, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "Relevant Persons"). This offering memorandum is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this offering memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

Hong Kong

The contents of this offering memorandum have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this offering memorandum, you should obtain independent professional advice.

The notes have not been, and will not be, offered or sold in Hong Kong, by means of any document, other than (a) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (the "C(WUMP)O"); (b) to "professional investors" within the meaning of section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO"), and any rules made under the SFO; or (c) in other circumstances which do not result in the document being a "prospectus" as defined in the C(WUMP)O. No advertisement, invitation or document relating to the notes that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been or will be issued, or in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of section 1 of Part 1 of Schedule 1 to the SFO and any rules made under the SFO.

Notice to Prospective Investors in Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the "SFA")) pursuant to Section 274 of the SFA or (ii) an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Switzerland

The notes may not be publicly offered, sold or advertised, directly or indirectly, in or into Switzerland within the meaning of the Swiss Financial Services Act ("FinSA"), except under the following exemptions under the FinSA:

(a) to any investor that qualifies as a professional client within the meaning of the FinSA;

(b) to fewer than 500 investors (other than professional clients within the meaning of the FinSA);

(c) in any other circumstances falling within article 36 of the FinSA;

provided, in each case, that no such offer of notes referred to in (a) through (c) above shall require the publication of a prospectus for offers of notes pursuant to the FinSA.

The notes will not be listed or admitted to trading on the SIX Swiss Exchange or on any other trading venue in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the offering, the notes or us constitutes a prospectus as such term is understood pursuant to the FinSA, and neither this offering memorandum nor any other offering or marketing material relating to the offering, the notes or us may be distributed or otherwise made available in Switzerland in a manner which would require the publication of a prospectus in Switzerland pursuant to the FinSA.

Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of

the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Stamp Taxes and Other Charges

Purchasers of the notes offered by this offering memorandum may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase and in addition to the issue price on the cover page of this offering memorandum.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking and commercial banking services for us or our subsidiaries and affiliates, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), financial instruments (including bank loans), currencies and commodities for their own account (including purchasing the notes for their own account) and for the accounts of their customers, and such investment and securities activities may involve securities, instruments or assets of ours or related to our business. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their respective affiliates may also make investment recommendations and may publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

LEGAL MATTERS

The validity of the notes and certain legal matters will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP and for the initial purchasers by Davis Polk & Wardwell LLP. Certain Japanese legal matters will be passed upon by Nagashima Ohno & Tsunematsu, our Japanese counsel.

INDEPENDENT AUDITOR

Our consolidated financial statements as of and for the years ended March 31, 2025 and 2026, included in this offering memorandum, have been audited by Deloitte Touche Tohmatsu LLC, our independent auditor, as stated in their reports appearing herein.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of DENSO CORPORATION:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of DENSO CORPORATION and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2025, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Estimating the reserve for warranty

Key Audit Matter Description

As described in Notes 2(4), 3(14) and 18 to the consolidated financial statements, the reserve for warranty amounted to 268,911 million yen in the consolidated statement of financial position as of March 31, 2025.

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

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

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

The amount is calculated by multiplying the following:

A.) the number of target vehicles

B.) the repair expenses per unit

C.) the defect handling incidence rate

D.) the expected burden ratio with customers

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

How the Key Audit Matter Was Addressed in the Audit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2025, which were charged by us and our network firms to DENSO CORPORATION and its subsidiaries were 1,590 million yen and 975 million yen, respectively.

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

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

/s/Deloitte Touche Tohmatsu LLC
Nagoya, Japan
June 30, 2025

Consolidated Statement of Financial Position
[As of March 31, 2025]

(Unit: Millions of yen)

	Note	FY2024 As of March 31, 2024	**FY2025 As of March 31, 2025**
Assets			
Current assets			
Cash and cash equivalents	6,7	789,390	**986,531**
Trade and other receivables	6,8	1,281,279	**1,242,986**
Inventories	9	1,172,257	**1,203,066**
Other financial assets	10	48,398	**112,714**
Other current assets		156,477	**164,681**
Subtotal		3,447,801	**3,709,978**
Assets held for sale	12	417,578	**199,861**
Total current assets		3,865,379	**3,909,839**
Non-current assets			
Property, plant and equipment	6,11	2,043,600	**2,009,710**
Right-of-use assets	13	46,347	**52,808**
Intangible assets	6,14	199,761	**229,337**
Other financial assets	10	2,624,839	**1,622,081**
Investments accounted for using the equity method	34	124,430	**123,901**
Retirement benefit assets	19	105,937	**70,484**
Deferred tax assets	15	56,057	**75,946**
Other non-current assets		27,020	**30,894**
Total non-current assets		5,227,991	**4,215,161**
Total assets		9,093,370	**8,125,000**

(Unit: Millions of yen)

	Note	FY2024 As of March 31, 2024	**FY2025 As of March 31, 2025**
Liabilities and equity			
Current liabilities			
Bonds and borrowings	16	332,516	**252,364**
Trade and other payables	17	1,232,463	**1,274,907**
Other financial liabilities	30	47,672	**38,278**
Income tax payables		61,768	**117,987**
Provisions	18	295,239	**286,918**
Other current liabilities		83,972	**88,641**
Subtotal		2,053,630	**2,059,095**
Liabilities directly associated with assets held for sale	12	111,343	**50,243**
Total current liabilities		2,164,973	**2,109,338**
Non-current liabilities			
Bonds and borrowings	16	518,205	**447,020**
Other financial liabilities	30	29,115	**26,754**
Retirement benefit liabilities	19	238,201	**221,883**
Provisions	18	1,716	**1,563**
Deferred tax liabilities	15	382,752	**116,215**
Other non-current liabilities		11,903	**13,309**
Total non-current liabilities		1,181,892	**826,744**
Total liabilities		3,346,865	**2,936,082**
Equity			
Capital stock	20	187,457	**187,457**
Capital surplus	20	273,481	**275,797**
Treasury stock	20	(452,140)	**(189,428)**
Other components of equity	20	1,815,558	**1,195,454**
Other comprehensive income associated with assets held for sale	12	258,936	**115,884**
Retained earnings	20	3,451,694	**3,393,102**
Equity attributable to owners of the parent company		5,534,986	**4,978,266**
Non-controlling interests		211,519	**210,652**
Total equity		5,746,505	**5,188,918**
Total liabilities and equity		9,093,370	**8,125,000**

Consolidated Statement of Income
[For the year ended March 31, 2025]

(Unit: Millions of yen)

	Note	FY2024 2023/4-2024/3	**FY2025 2024/4-2025/3**
Revenue	5, 22	7,144,733	**7,161,777**
Cost of revenue	9, 11, 13, 14	(6,054,780)	**(6,058,910)**
Gross profit		1,089,953	**1,102,867**
Selling, general and administrative expenses	6, 11, 13, 14, 24	(715,164)	**(604,673)**
Other income	6, 12, 23	49,500	**63,521**
Other expenses	24	(43,690)	**(42,762)**
Operating profit	5	380,599	**518,953**
Finance income	25	78,711	**86,368**
Finance costs	25	(22,246)	**(25,810)**
Foreign exchange losses		(17,693)	**(10,505)**
Share of the profit of associates and joint ventures accounted for using the equity method		16,866	**8,999**
Profit before income taxes		436,237	**578,005**
Income tax expenses	15	(80,664)	**(112,748)**
Profit for the year		355,573	**465,257**
Attributable to:			
Owners of the parent company		312,791	**419,081**
Non-controlling interests		42,782	**46,176**

(Unit: Yen)

Earnings per share			
Basic	26	104.97	**145.02**
Diluted	26	—	**—**

Consolidated Statement of Comprehensive Income
[For the year ended March 31, 2025]

(Unit: Millions of yen)

	Note	FY2024 2023/4-2024/3	**FY2025 2024/4-2025/3**
Profit for the year		355,573	**465,257**
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss			
Net fair value gain (loss) on equity instruments designated as FVTOCI	27, 29	956,433	**(561,200)**
Remeasurements of defined benefit pension plans	19, 27	17,477	**(16,279)**
Share of other comprehensive income (loss) of investments accounted for using the equity method	27	55	**(16)**
Total		973,965	**(577,495)**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	27	220,172	**(26,692)**
Cash flow hedges	27	342	**2,735**
Share of other comprehensive income (loss) of investments accounted for using the equity method	27	7,588	**(360)**
Total		228,102	**(24,317)**
Total other comprehensive income (loss)		1,202,067	**(601,812)**
Comprehensive income (loss) for the year		1,557,640	**(136,555)**
Attributable to:			
Owners of the parent company		1,504,137	**(183,478)**
Non-controlling interests		53,503	**46,923**

Consolidated Statement of Changes in Equity
[For the year ended March 31, 2025]

(Unit: Millions of yen)

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

As of April 1, 2024		**187,457**	**273,481**	**(452,140)**	**1,301,445**	**—**	**518,254**
Profit for the year		**—**	**—**	**—**	**—**	**—**	**—**
Other comprehensive (loss) income		**—**	**—**	**—**	**(560,167)**	**(17,090)**	**(28,037)**
Comprehensive (loss) income for the year		**—**	**—**	**—**	**(560,167)**	**(17,090)**	**(28,037)**
Acquisition of treasury stock	20	**—**	**—**	**(196,642)**	**—**	**—**	**—**
Disposal of treasury stock	20	**—**	**59**	**147**	**—**	**—**	**—**
Retirement of treasury stock	20	**—**	**(459,206)**	**459,206**	**—**	**—**	**—**
Dividends	21	**—**	**—**	**—**	**—**	**—**	**—**
Changes in the ownership interest in subsidiaries without a loss of control		**—**	**3,658**	**—**	**—**	**—**	**—**
Transfer to retained earnings		**—**	**—**	**—**	**(177,692)**	**17,090**	**—**
Transfer from retained earnings to capital surplus		**—**	**457,805**	**—**	**—**	**—**	**—**
Transfer to other comprehensive income (loss) associated with assets held for sale	12	**—**	**—**	**—**	**143,052**	**—**	**—**
Other		**—**	**—**	**1**	**5**	**—**	**—**
Total transactions with the owners		**—**	**2,316**	**262,712**	**(34,635)**	**17,090**	**—**
As of March 31, 2025		**187,457**	**275,797**	**(189,428)**	**706,643**	**—**	**490,217**

(Unit: Millions of yen)

	Note	Equity attributable to owners of the parent company					Non-controlling interests	Total equity
		Other components of equity		Other comprehensive income associated with assets held for sale	Retained earnings	Total		
		Cash flow hedges	Total					
As of April 1, 2023		(4,483)	955,829	—	3,212,248	4,376,928	202,783	4,579,711
Profit for the year		—	—	—	312,791	312,791	42,782	355,573
Other comprehensive income		342	1,191,346	—	—	1,191,346	10,721	1,202,067
Comprehensive income for the year		342	1,191,346	—	312,791	1,504,137	53,503	1,557,640
Acquisition of treasury stock	20	—	—	—	—	(200,024)	—	(200,024)
Disposal of treasury stock	20	—	—	—	—	198	—	198
Retirement of treasury stock	20	—	—	—	—	—	—	—
Dividends	21	—	—	—	(146,029)	(146,029)	(42,559)	(188,588)
Changes in the ownership interest in subsidiaries without a loss of control		—	—	—	—	(227)	(2,251)	(2,478)
Transfer to retained earnings		—	(72,681)	—	72,681	—	—	—
Transfer from retained earnings to capital surplus		—	—	—	—	—	—	—
Transfer to other comprehensive (loss) income associated with assets held for sale	12	—	(258,936)	258,936	—	—	—	—
Other		—	—	—	3	3	43	46
Total transactions with the owners		—	(331,617)	258,936	(73,345)	(346,079)	(44,767)	(390,846)
As of March 31, 2024		(4,141)	1,815,558	258,936	3,451,694	5,534,986	211,519	5,746,505

As of April 1, 2024		**(4,141)**	**1,815,558**	**258,936**	**3,451,694**	**5,534,986**	**211,519**	**5,746,505**
Profit for the year		**—**	**—**	**—**	**419,081**	**419,081**	**46,176**	**465,257**
Other comprehensive (loss) income		**2,735**	**(602,559)**	**—**	**—**	**(602,559)**	**747**	**(601,812)**
Comprehensive (loss) income for the year		**2,735**	**(602,559)**	**—**	**419,081**	**(183,478)**	**46,923**	**(136,555)**
Acquisition of treasury stock	20	**—**	**—**	**—**	**—**	**(196,642)**	**—**	**(196,642)**
Disposal of treasury stock	20	**—**	**—**	**—**	**—**	**206**	**—**	**206**
Retirement of treasury stock	20	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Dividends	21	**—**	**—**	**—**	**(180,478)**	**(180,478)**	**(26,954)**	**(207,432)**
Changes in the ownership interest in subsidiaries without a loss of control		**—**	**—**	**—**	**—**	**3,658**	**(20,871)**	**(17,213)**
Transfer to retained earnings		**—**	**(160,602)**	**—**	**160,602**	**—**	**—**	**—**
Transfer from retained earnings to capital surplus		**—**	**—**	**—**	**(457,805)**	**—**	**—**	**—**
Transfer to other comprehensive income (loss) associated with assets held for sale	12	**—**	**143,052**	**(143,052)**	**—**	**—**	**—**	**—**
Other		**—**	**5**	**—**	**8**	**14**	**35**	**49**
Total transactions with the owners		**—**	**(17,545)**	**(143,052)**	**(477,673)**	**(373,242)**	**(47,790)**	**(421,032)**
As of March 31, 2025		**(1,406)**	**1,195,454**	**115,884**	**3,393,102**	**4,978,266**	**210,652**	**5,188,918**

Consolidated Statement of Cash Flows
[For the year ended March 31, 2025]

(Unit: Millions of yen)

	Note	FY2024 2023/4-2024/3	**FY2025 2024/4-2025/3**
Cash flows from operating activities			
Profit before income taxes		436,237	**578,005**
Depreciation		374,269	**376,593**
Decrease in retirement benefit liabilities		(15,590)	**(7,213)**
Decrease in retirement benefit assets		7,241	**563**
Interest and dividend income		(76,449)	**(84,988)**
Interest expenses		14,279	**12,525**
Foreign exchange (gains) losses		(9,416)	**823**
Share of the profit of associates and joint ventures accounted for using the equity method		(16,866)	**(8,999)**
Losses (gains) on sales or disposal of property, plant and equipment		9,294	**(22,649)**
Decrease (increase) in trade receivables		139,924	**(21,423)**
Decrease (increase) in inventories		19,670	**(46,325)**
(Decrease) increase in trade payables		(73,960)	**30,740**
Increase (decrease) in provisions		186,960	**(7,796)**
Other		64,035	**64,797**
Subtotal		1,059,628	**864,653**
Interest received		31,226	**33,127**
Dividends received		48,301	**54,917**
Interest paid		(14,528)	**(12,447)**
Income taxes paid		(162,801)	**(181,507)**
Net cash provided by operating activities		961,826	**758,743**
Cash flows from investing activities			
(Increase) decrease in time deposits		(8,816)	**9,614**
Purchases of property, plant and equipment		(391,641)	**(380,071)**
Proceeds from sales of property, plant and equipment		17,738	**56,202**
Purchases of intangible assets		(54,764)	**(65,351)**
Purchases of equity instruments		(105,827)	**(7,925)**
Purchases of debt instruments		(277)	**(303)**
Proceeds from sales of equity instruments		85,587	**495,688**
Proceeds from sales and redemption of debt instruments		605	**1,049**
Payments for acquisition of subsidiaries or other businesses	6	(11,110)	**—**
Proceeds from sales of subsidiaries or other businesses	12	5,096	**5,229**
Other		3,922	**7,767**
Net cash (used in) provided by investing activities		(459,487)	**121,899**
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	31	11,300	**(71,549)**
Proceeds from borrowings	31	84,375	**1,227**
Repayments of long-term borrowings	31	(111,619)	**(135,140)**
Repayments of lease liabilities	31	(37,954)	**(31,713)**
Issuance of bonds	31	—	**71,800**
Redemption of bonds	31	(50,000)	**(20,000)**
Dividends paid	21	(146,029)	**(180,478)**
Dividends paid to non-controlling interests		(41,433)	**(28,079)**
Purchase of treasury shares		(200,024)	**(196,642)**
Increase in deposits for purchase of treasury shares		—	**(73,359)**
Other	31	(5,275)	**(13,498)**
Net cash used in financing activities		(496,659)	**(677,431)**
Foreign currency translation adjustments on cash and cash equivalents		49,860	**(6,070)**
Net increase in cash and cash equivalents		55,540	**197,141**
Cash and cash equivalents at beginning of year		733,850	**789,390**
Cash and cash equivalents at end of year	7	789,390	**986,531**

Notes to Consolidated Financial Statements
Year ended March 31, 2025

1. Reporting entity

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

2. Basis of preparation

(1) Compliance with IFRS Accounting Standards

The Group meets all of the requirements for a "Specified Company for the designated IFRS Accounting Standards" to prepare its consolidated financial statements by applying the designated IFRS Accounting Standards as stipulated under Article 1-2-1 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 312 of the Regulation, the Group's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

The Group's consolidated financial statements for the year ended March 31, 2025 were approved on June 30, 2025 by Shinnosuke Hayashi, the President of the Company.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Significant accounting judgement, estimates and assumption

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

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

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

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

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

2) Key sources of estimation uncertainty

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

i) Impairment loss on non-financial assets

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

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

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

ii) Recoverability of deferred tax assets

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

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

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

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

a) Reserve for warranty

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

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

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

b) Provision for loss on antitrust issues

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

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

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

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

iv) Measurement of defined benefit obligation

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

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

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

v) Measurement of fair value of financial instruments

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

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

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

(5) Changes in accounting policies

There are no applicable items.

3. Material accounting policies

(1) Basis of consolidation

1) Subsidiaries

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

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

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

2) Associates and joint ventures

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

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

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

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

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

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

3) Joint operations

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

(2) Business combination and goodwill

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

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

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

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

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

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

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

(3) Foreign currency translation

1) Translation of foreign currency transactions

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

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

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

2) Translation of foreign operations

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

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

3) Financial Reporting in Hyperinflationary Economies

The Group has applied hyperinflationary accounting adjustments to subsidiaries whose functional currency is Argentine Pesos and Turkish Lira as required by IAS 29 "Financial Reporting in Hyperinflationary Economies."

When a subsidiary's functional currency is the currency of a hyperinflationary economy, adjustments are made to its separate financial statements to reflect current price levels, and income, expenses and cash flow of the subsidiary are translated into Japanese yen at the rates of exchange prevailing at the fiscal year-end.

(4) Financial instruments

1) Financial assets

i) Initial recognition and measurement

Financial assets are classified into financial assets measured at amortized cost and financial assets measured at fair value based on their nature and holding purposes. The Group determines the classification at initial recognition. The sale or purchase of financial assets that occurred in the normal course of business are recognized or derecognized on the transaction date.

a) Financial assets measured at amortized cost

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

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

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

b) Financial assets measured at fair value

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

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

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

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

ii) Subsequent measurement

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

a) Financial assets measured at amortized cost

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

b) Financial assets measured at fair value

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

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

iii) Impairment of financial assets measured at amortized cost

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

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

iv) Derecognition of financial assets

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

2) Financial liabilities

i) Initial recognition and measurement

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

ii) Subsequent measurement

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

a) Financial liabilities measured at amortized cost

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

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

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

iii) Derecognition of financial liabilities

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

3) Derivatives and hedge accounting

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

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

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

Cash flow hedge

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

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

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

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

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

4) Offsetting financial assets and financial liabilities

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Property, plant and equipment

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

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

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

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

(8) Investment property

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

(9) Intangible assets

1) Separately acquired intangible assets

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

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

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

2) Internally generated intangible assets

Expenditures related to research activities are recognized as expenses as incurred.

The cost arising from development (or from the development phase of an internal project) shall be recognized as an asset if, and only if, the Group can demonstrate all of the following:

i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

ii) its intention to complete the intangible asset and use or sell it;

iii) its ability to use or sell the intangible asset;
iv) how the intangible asset will generate probable future economic benefits;
v) the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

4) Amortization of intangible assets
Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. Estimated useful lives are as follows:
- Software: 3 to 5 years
- Development costs: 3 years
- Customer-related assets: 3 to 25 years
- Technology-based assets: 10 to 19 years

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

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

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

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

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

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

2) As lessor

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

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

(11) Borrowing costs

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

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

(12) Impairment of non-financial assets

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

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

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

(13) Assets held for sale

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

(14) Provisions

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

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

Main provisions are recorded as follows;
Reserve for warranty
The reserve for warranty is recognized based on the estimated amount of warranty expenses, considering the timing of outflows of resources embodying economic benefits based on past experiences of the after-sales service expenses incurred.

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

(15) Employee benefits

1) Post-employment benefits

i) Defined benefit plans

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

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

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

ii) Defined contribution plans

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

2) Other long-term employee benefits

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

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

3) Short-term employee benefits

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

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

(16) Revenue

The Group recognizes revenue by applying the following steps:

STEP 1: Identifying the contract with a customer
STEP 2: Identifying the performance obligations in the contract
STEP 3: Determining the transaction price
STEP 4: Allocating the transaction price to each performance obligation in the contract
STEP 5: Recognizing revenue when satisfying a performance obligation

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

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

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

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

(17) Government grants

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

(18) Income taxes

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

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

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

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

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities resulting from transactions that do not affect accounting profit or taxable profit, excluding business combinations and transactions that generate equal amounts of future taxable and deductible temporary differences at the transaction time;

- deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that it is not probable that the reversal of the temporary difference in the foreseeable future will occur or it is not probable that future taxable profits will be available against which they can be utilized; or
- taxable temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that the timing of the reversal of the temporary difference is controlled and that it is not probable the temporary difference will reverse in the foreseeable future.

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

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

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

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

In addition, the Group recognize deferred tax liabilities and deferred tax assets in the consolidated statement of financial position related to transactions that cause the same amount of temporary differences to be added or subtracted at the time of transaction.

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

(19) Equity

Common stock

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

Treasury stock

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

(20) Fair value measurements

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

1) Level 1

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

2) Level 2

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

3) Level 3

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

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

(21) Levies

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

(22) Earnings per share

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

(23) Dividends

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

4. New accounting standards not yet adopted by the Group

New or revised major standard and interpretation 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, 2025, are as follows:

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

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

5. Segment information

(1) Outline of reportable segments

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

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

The Company is in charge of business activities in Japan. Meanwhile, DENSO INTERNATIONAL AMERICA, INC. is in charge in the United States of America, Canada, and Mexico as the North America region, DENSO INTERNATIONAL EUROPE B.V. is in charge in Europe regions (mainly Netherlands, United Kingdom, Italy, Spain, Hungary, and Czech, etc.), respectively. In Asia (mainly Thailand, Malaysia,

Indonesia, India, Taiwan, China, and Korea, etc.), DENSO INTERNATIONAL ASIA CO., LTD. (Thailand), DENSO INTERNATIONAL ASIA PTE. LTD. (Singapore), and DENSO (CHINA) INVESTMENT CO., LTD. have been cooperating together as a management unit to strengthen the system that is closely linked to the region for both sides of optimal production and supply system.

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

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

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

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

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

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

(Note 1) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.
(Note 2) Provision for warranty reserve of ¥202,711 million is included in the segment profit of Japan segment.

Other material items

(Unit: Millions of yen)

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

(Note 1) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.
(Note 2) Non-current assets are a total of property, plant and equipment, right-of-use assets, and intangible assets.

For the year ended March 31, 2025 (Unit: Millions of yen)

	Reportable segment					Others (Note 1)	Eliminations	Consolidated
	Japan (Note 2)	North America	Europe	Asia	Total			
Revenue								
Customers	2,918,587	1,847,879	646,598	1,629,861	7,042,925	118,852	—	7,161,777
Intersegment	1,297,842	15,271	72,073	310,275	1,695,461	162	(1,695,623)	—
Total	4,216,429	1,863,150	718,671	1,940,136	8,738,386	119,014	(1,695,623)	7,161,777
Segment profit	220,545	98,061	8,654	169,461	496,721	22,269	(37)	518,953
Finance income								86,368
Finance costs								(25,810)
Foreign exchange losses								(10,505)
Share of the profit of associates and joint ventures accounted for using the equity method								8,999
Profit before income taxes								578,005

(Note 1) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.
(Note 2) Provision for warranty reserve of ¥50,693 million is included in the segment profit of Japan segment.

Other material items

(Unit: Millions of yen)

	Reportable segment					Others (Note 1)	Eliminations	Consolidated
	Japan	North America	Europe	Asia	Total			
Depreciation and amortization	243,000	55,279	29,956	77,379	405,614	3,016	—	408,630
Impairment losses	—	—	—	—	—	—	—	—
Reversal of impairment losses	—	—	—	—	—	—	—	—
Investments accounted for using the equity method	95,511	6,409	2,704	19,606	124,230	—	(329)	123,901
Increase in non-current assets (Note 2)	312,189	54,257	26,925	64,857	458,228	6,663	—	464,891

(Note 1) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.
(Note 2) Non-current assets are a total of property, plant and equipment, right-of-use assets, and intangible assets.

(3) Assets for each reportable segment

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Japan	6,092,424	5,121,424
North America	998,791	983,673
Europe	540,949	528,865
Asia	1,806,093	1,744,533
Others (Note 1)	89,010	91,241
Corporate assets (Note 2)	(433,897)	(344,736)
Consolidated	9,093,370	8,125,000

(Note 1) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.
(Note 2) Corporate assets mainly consist of funds which are not attributable to the reportable segments.

(4) Information about products and services

For the year ended March 31, 2024
For disaggregated revenue by type of products and services, see Note 22 "Revenue."

For the year ended March 31, 2025
For disaggregated revenue by type of products and services, see Note 22 "Revenue."

(5) Geographic information

1) Revenue

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Japan	2,780,082	2,838,112
The United States	1,442,620	1,508,430
China	799,320	753,943
Others	2,122,711	2,061,292
Total	7,144,733	7,161,777

(Note 1) Countries which have significant impact on the consolidated financial statements are individually presented.
(Note 2) Revenue is attributed to geographic areas based on customer locations.

2) Non-current assets

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Japan	1,357,105	1,403,351
China	248,470	231,384
Others	684,133	657,120
Total	2,289,708	2,291,855

(Note 1) Countries which have significant impact on the consolidated financial statements are individually presented.
(Note 2) Non-current assets, a total of property, plant and equipment, right-of-use assets, and intangible assets, are attributed to geographic areas based on locations of assets.

(6) Information about major customers

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

Disaggregated revenue by segment is ¥2,018,329 million in Japan, ¥934,488 million in North America, ¥134,717 million in Europe, ¥768,579 million in Asia, and ¥47,008 million in other areas.

(Unit: Millions of yen)

FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
3,667,452	3,903,121

6. Business combinations

For the year ended March 31, 2024

Belua Beheer B.V.

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

(1) Description of business combination

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

(2) Reason for the business combination

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

(3) Summary of the acquiree

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

(4) Acquisition date

August 1, 2023

(5) Consideration transferred and its components

(Unit: Millions of yen)

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

A profit of ¥2,858 million is recognized as a result of the remeasurement of the equity interest of Belua Beheer B.V. previously held at the time of acquisition of control by the Company at the fair value on the acquisition date. This profit is recorded as "Other income" in the consolidated statement of income for the fiscal year ended March 31, 2024.

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

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

(Unit: Millions of yen)

	Amount
Total of the consideration transferred for the acquired shares (A)	20,712
Assets	
Cash and cash equivalents	1,317
Trade and other receivables	2,660
Other current assets	1,102
Property, plant and equipment	1,780
Intangible assets	10,269
Other non-current assets	19
Total assets	17,147
Liabilities	
Current liabilities	3,697
Non-current liabilities	2,633
Total liabilities	6,330
Equity (B)	10,817
Goodwill (Note) (A-B)	9,895

(Note) Goodwill

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

(7) Payment for acquisition of control over the subsidiary

(Unit: Millions of yen)

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

(8) Revenue and profit of the acquiree

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

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

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

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

(Unit: Millions of yen)

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

For the year ended March 31, 2025

There are no applicable items.

7. Cash and cash equivalents

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Cash and deposits	765,817	953,509
Short-term investments	23,573	33,022
Total	789,390	986,531

8. Trade and other receivables

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Notes and accounts receivable	1,028,556	1,039,664
Other	257,304	209,214
Less: Allowance for doubtful accounts	(4,581)	(5,892)
Total	1,281,279	1,242,986

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

9. Inventories

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Merchandise and finished products	301,802	276,922
Work in process	535,152	611,687
Raw materials and supplies	335,303	314,457
Total (Note)	1,172,257	1,203,066

(Note) The amounts of write-down of inventories to net realizable value recognized as "Cost of revenue" for the years ended March 31, 2024 and 2025 were ¥22,767 million and ¥26,234 million, respectively.

10. Other financial assets

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Financial assets measured at amortized cost		
Bank deposits	36,520	25,111
Debt securities	300	299
Other	25,531	93,896
Financial assets measured at fair value through profit or loss		
Equity securities and other	422	—
Derivative assets (Note)	18,598	25,718
Financial assets measured at fair value through other comprehensive income and their fair values etc.,		
Equity securities and other	2,591,866	1,589,771
Total	2,673,237	1,734,795

Current assets	48,398	112,714
Non-current assets	2,624,839	1,622,081
Total	2,673,237	1,734,795

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

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

(Unit: Millions of yen)

Security name	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Toyota Motor Corporation	1,716,345	1,184,061
TOYOTA INDUSTRIES CORPORATION (Note)	417,578	188,333
Renesas Electronics Corporation	408,970	149,094
TOYOTA FUDOSAN CO., LTD.	177,153	147,601
Silicon Carbide LLC	76,473	46,318
Aisan Industry Co., Ltd. (Note)	9,367	11,528
Infineon Technologies AG	11,384	11,031
AURORA INNOVATION, INC.	6,748	8,072
Canatu PLC	161	5,820
Japan Advanced Semiconductor Manufacturing, Inc.	47,921	5,021

(Note) They are recorded under assets held for sale on the consolidated statement of financial position (See Note 12 "Assets held for sale").

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

Dividend income related to financial assets measured at fair value through other comprehensive income that the Group held through the years ended March 31, 2024 and 2025 was ¥42,773 million and ¥45,501million, respectively.

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

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

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Fair value	133,736	447,485
Cumulative gains that have been previously recognized in equity as other comprehensive income—pre-tax (Note)	78,838	255,735
Dividend income	2,904	4,894

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

11. Property, plant and equipment

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

(Unit: Millions of yen)

Acquisition cost	Buildings and structures	Machinery and equipment	Land	Construction in progress (Note 1)	Other	Total
Balance, April 1, 2023	1,196,644	3,777,192	208,355	216,734	923,424	6,322,349
Acquisition	19,970	127,828	—	202,790	41,466	392,054
Business combinations (Note 3)	653	—	1,078	28	21	1,780
Disposals	(12,910)	(188,836)	(615)	(295)	(60,493)	(263,149)
Foreign exchange differences	39,659	154,220	4,007	11,690	40,383	249,959
Other (Note 2)	23,866	158,111	11,632	(207,861)	38,530	24,278
Balance, March 31, 2024	1,267,882	4,028,515	224,457	223,086	983,331	6,727,271
Acquisition	25,087	128,805	312	185,265	38,136	377,605
Business combinations	—	—	—	—	—	—
Disposals	(14,081)	(161,362)	(3,584)	(6,360)	(54,170)	(239,557)
Foreign exchange differences	(7,748)	(22,203)	(1,779)	(2,235)	(5,629)	(39,594)
Other (Note 2)	25,684	110,260	(414)	(162,145)	26,883	268
Balance, March 31, 2025	1,296,824	4,084,015	218,992	237,611	988,551	6,825,993

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

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

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

(Unit: Millions of yen)

Accumulated depreciation and accumulated impairment losses	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other	Total
Balance, April 1, 2023	747,931	2,844,852	2,513	—	771,813	4,367,109
Depreciation (Note 4)	37,173	257,987	—	—	64,784	359,944
Impairment losses	—	—	—	—	—	—
Disposals	(9,560)	(171,643)	—	—	(54,010)	(235,213)
Foreign exchange differences	22,413	115,240	107	—	33,862	171,622
Other	2,381	8,136	—	—	9,692	20,209
Balance, March 31, 2024	800,338	3,054,572	2,620	—	826,141	4,683,671
Depreciation (Note 4)	38,289	258,681	—	—	63,377	360,347
Impairment losses	—	—	—	—	—	—
Disposals	(10,278)	(148,474)	—	—	(50,866)	(209,618)
Foreign exchange differences	(3,815)	(16,366)	(18)	—	(4,241)	(24,440)
Other	263	5,636	(333)	—	757	6,323
Balance, March 31, 2025	824,797	3,154,049	2,269	—	835,168	4,816,283

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

(Unit: Millions of yen)

Carrying amount	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other	Total
Balance, April 1, 2023	448,713	932,340	205,842	216,734	151,611	1,955,240
Balance, March 31, 2024	467,544	973,943	221,837	223,086	157,190	2,043,600
Balance, March 31, 2025	472,027	929,966	216,723	237,611	153,383	2,009,710

(2) Carrying amount of assets pledged as collateral
Carrying amounts of assets pledged as collateral are not presented as they are immaterial.

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Contractual commitments for the acquisition of property, plant and equipment	173,465	169,994

(4) Impairment losses
The impairment losses the Group recognized for each fiscal year are as follows:

For the year ended March 31, 2024
No impairment losses were recognized.

For the year ended March 31, 2025
No impairment losses were recognized.

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

For the year ended March 31, 2024
No reversal of impairment losses were recognized.

For the year ended March 31, 2025
No reversal of impairment losses were recognized.

12. Assets held for sale

For the year ended March 31, 2024

(The sale of Toyota Industries Corporation shareholding)

On March 29, 2024, the Company sold a part of its Toyota Industries Corporation (hereinafter "Toyota Industries") shareholding and entered into a share forward agreement for all the remaining shares. As a result, as of the year ended March 31, 2024, Toyota Industries shares held by the Company have been classified as held for sale.

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

(Unit: Millions of yen)

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

(The sale of TD MOBILE business)

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

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

For the year ended March 31, 2025

(The sale of Toyota Industries Corporation shareholding)

On March 29, 2024, the Company entered into a share forward agreement for all the shares it holds in Toyota Industries Corporation (hereinafter "Toyota Industries"). As a result, as of the year ended March 31, 2025, Toyota Industries shares held by the Company have been classified as held for sale.

(The sale of Aisan Industry Co., Ltd. shareholding)

On March 26, 2025, the Company tendered all of its shares in Aisan Industry Co., Ltd. (hereinafter "Aisan Industry") in response to the Aisan Industry's self-tender offer, and the purchase was successfully executed.

Since the delivery of the shares took place in April 2025, the Company has classified its holdings in Aisan Industry as held for sale as of the year ended March 31, 2025.

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

(Unit: Millions of yen)

	FY 2025 As of March 31, 2025		FY2025 As of March 31, 2025
Assets held for sale		Liabilities directly associated with assets held for sale	
Other financial assets	199,861	Deferred tax liabilities	50,243
		Other comprehensive income associated with assets held for sale	
		Net fair value gain on equity instruments designated as FVTOCI	115,884
Total	199,861	Total	166,127

13. Right-of-use assets

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

(Unit: Millions of yen)

Acquisition cost	Buildings and structures	Machinery and equipment	Land	Other	Total
Balance, April 1, 2023	45,221	8,696	18,078	2,649	74,644
Acquisition	15,482	1,600	394	374	17,850
Business combinations	—	—	—	—	—
Disposals	(14,600)	(3,457)	(2,598)	(1,757)	(22,412)
Foreign exchange differences	1,470	292	870	330	2,962
Other	2,840	77	(112)	(212)	2,593
Balance, March 31, 2024	50,413	7,208	16,632	1,384	75,637
Acquisition	9,816	1,194	1,446	11,344	23,800
Business combinations	—	—	—	—	—
Disposals	(9,041)	(1,402)	(638)	(261)	(11,342)
Foreign exchange differences	(34)	17	45	(13)	15
Other	106	(66)	—	(32)	8
Balance, March 31, 2025	51,260	6,951	17,485	12,422	88,118

(Unit: Millions of yen)

Accumulated depreciation and accumulated impairment losses	Buildings and structures	Machinery and equipment	Land	Other	Total
Balance, April 1, 2023	19,196	5,684	4,281	1,841	31,002
Depreciation (Note)	11,211	1,650	920	544	14,325
Impairment losses	—	—	—	—	—
Disposals	(10,009)	(3,429)	(981)	(1,802)	(16,221)
Foreign exchange differences	652	157	203	105	1,117
Other	(965)	18	17	(3)	(933)
Balance, March 31, 2024	20,085	4,080	4,440	685	29,290
Depreciation (Note)	10,835	1,397	887	3,127	16,246
Impairment losses	—	—	—	—	—
Disposals	(8,040)	(1,445)	(468)	(259)	(10,212)
Foreign exchange differences	19	2	(4)	(3)	14
Other	2	10	(40)	—	(28)
Balance, March 31, 2025	22,901	4,044	4,815	3,550	35,310

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

(Unit: Millions of yen)

Carrying amount	Buildings and structures	Machinery and equipment	Land	Other	Total
Balance, April 1, 2023	26,025	3,012	13,797	808	43,642
Balance, March 31, 2024	30,328	3,128	12,192	699	46,347
Balance, March 31, 2025	28,359	2,907	12,670	8,872	52,808

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

(2) Impairment losses

The Group recognized impairment losses for the following assets:

For the year ended March 31, 2024

No impairment losses were recognized.

For the year ended March 31, 2025

No impairment losses were recognized.

14. Intangible assets

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

(Unit: Millions of yen)

Acquisition cost	Software	Development costs	Goodwill	Customer-related assets	Technology-based assets	Other	Total
Balance, April 1, 2023	178,946	40,672	25,381	52,063	14,876	39,656	351,594
Acquisition	15,648	—	—	—	—	12,289	27,937
Internally generated	2,477	23,260	—	—	—	94	25,831
Business combinations (Note)	—	—	9,895	162	10,039	68	20,164
Disposals	(7,754)	(429)	(7,377)	(14,524)	—	(2,533)	(32,617)
Foreign exchange differences	3,938	14	887	117	96	421	5,473
Other	8,350	979	—	—	—	(10,409)	(1,080)
Balance, March 31, 2024	201,605	64,496	28,786	37,818	25,011	39,586	397,302
Acquisition	16,769	—	—	—	—	14,651	31,420
Internally generated	570	32,161	—	—	—	151	32,882
Business combinations	—	—	—	—	—	—	—
Disposals	(30,865)	(812)	—	—	—	(3,384)	(35,061)
Foreign exchange differences	(332)	(69)	775	319	623	93	1,409
Other	11,629	879	—	—	—	(17,458)	(4,950)
Balance, March 31, 2025	199,376	96,655	29,561	38,137	25,634	33,639	423,002

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

(Unit: Millions of yen)

Accumulated amortization and accumulated impairment losses	Software	Development costs	Goodwill	Customer-related assets	Technology-based assets	Other	Total
Balance, April 1, 2023	120,387	16,505	2,200	21,780	5,657	14,853	181,382
Amortization (Note)	25,454	4,477	—	2,870	1,761	4,105	38,667
Impairment losses	—	—	—	—	—	—	—
Disposals	(7,281)	—	(2,200)	(13,514)	—	(2,289)	(25,284)
Foreign exchange differences	2,689	12	—	18	14	236	2,969
Other	(995)	449	—	—	—	353	(193)
Balance, March 31, 2024	140,254	21,443	—	11,154	7,432	17,258	197,541
Amortization (Note)	24,672	548	—	2,417	2,069	2,331	32,037
Impairment losses	—	—	—	—	—	—	—
Disposals	(29,965)	—	—	—	—	(1,167)	(31,132)
Foreign exchange differences	(303)	(68)	—	90	77	38	(166)
Other	(328)	(4)	—	—	—	(4,283)	(4,615)
Balance, March 31, 2025	134,330	21,919	—	13,661	9,578	14,177	193,665

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

(Unit: Millions of yen)

Carrying amount	Software	Development costs	Goodwill	Customer-related assets	Technology-based assets	Other	Total
Balance, April 1, 2023	58,559	24,167	23,181	30,283	9,219	24,803	170,212
Balance, March 31, 2024	61,351	43,053	28,786	26,664	17,579	22,328	199,761
Balance, March 31, 2025	65,046	74,736	29,561	24,476	16,056	19,462	229,337

The research and development expenditures recognized in profit or loss for the years ended March 31, 2024 and 2025 were ¥527,945 million and ¥587,243 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, 2024

No impairment losses were recognized.

For the year ended March 31, 2025

No impairment losses were recognized.

(3) Material intangible assets

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

For the year ended March 31, 2024

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

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

- Customer-related assets (carrying amount of ¥22,425 million, remaining amortization period of 21.0 years) and technology-based assets (carrying amount of ¥3,410 million, remaining amortization period of 6.0 years), which were recognized as a result of the acquisition of the core electronic component operation from Toyota Motor Corporation.
- Customer-related assets (carrying amount of ¥135 million, remaining amortization period of 2.5 years) and technology-based assets (carrying amount of ¥9,779 million, remaining amortization period of 18.5 years), which were recognized as a result of the acquisition of Belua Beheer B.V.

For the year ended March 31, 2025

	Carrying amount (Millions of yen)	Average remaining amortization periods (Years)
Customer-related assets	24,476	18.1
Technology-based assets	16,056	12.4

Significant intangible assets recognized for the year ended March 31, 2025 were as follows:

- Customer-related assets (carrying amount of ¥21,358 million, remaining amortization period of 20.0 years) and technology-based assets (carrying amount of ¥2,842 million, remaining amortization period of 5.0 years), which were recognized as a result of the acquisition of the core electronic component operation from Toyota Motor Corporation.
- Customer-related assets (carrying amount of ¥84 million, remaining amortization period of 1.5 years) and technology-based assets (carrying amount of ¥9,601 million, remaining amortization period of 17.5 years), which were recognized as a result of the acquisition of Belua Beheer B.V.

(4) Impairment test for goodwill

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

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
The Company (Note 1)	7,265	7,265
DENSO TEN group (Note 2)	1,938	1,938
DENSO FA YAMAGATA	3,464	3,464
Chongqing Chaoli Electric Appliance Co., Ltd.	3,817	4,144
Belua Beheer B.V. (Note 3)	9,898	10,275
Other	2,404	2,475
Total	28,786	29,561

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

(Note 2) Goodwill allocated to the DENSO TEN group was allocated to DENSO TEN and its key subsidiaries.

(Note 3) The Company acquired Belua Beheer B.V. as a consolidated subsidiary for the year ended March 31, 2024 (See Note 6 “Business combinations”).

Recoverable amounts for each cash-generating unit or group of cash-generating units are calculated using the maximum value in use based on the five-year business plan prepared based on past experiences and external evidence. Such business plans are approved by management. Cash flow projections beyond the five-year period are extrapolated using a steady or declining growth rate. They were discounted using the weighted-average cost of capital 10.33%-12.81% of cash-generating units or groups of cash-generating units. While the recoverable amounts exceeded the carrying amounts for the year ended March 31, 2025, an increase in the discount rate of 0.7% would result in impairment losses.

15. Income taxes

(1) Income tax expenses

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

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Current income tax expenses		
Current year	142,545	149,380
Prior years	(1,179)	12,822
Total	141,366	162,202
Deferred income tax expenses		
Occurrence and reversal of temporary differences	(58,887)	(27,820)
Changes in tax rate	—	(3,325)
Recognition of previously unrecognized deferred tax assets	(1,859)	(20,191)
Reversal of deferred tax assets recognized in the prior year	44	1,882
Total	(60,702)	(49,454)
Total of income tax expenses	80,664	112,748
Income taxes recognized in other comprehensive income	413,782	(223,947)

(Note) Due to the enactment of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 13 of 2025) by the Japanese National Diet on March 31, 2025, the statutory effective tax rate used in calculating deferred tax assets and deferred tax liabilities for this consolidated fiscal year will be changed from the previous 30.07% to 30.96% for temporary differences expected to be resolved in consolidated fiscal years beginning on or after April 1, 2026.

The current income tax charges outside of Japan are calculated on the basis of the tax laws enacted or substantively enacted in the jurisdictions where the Company and its subsidiaries operate and generate taxable income.

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

(Unit: %)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Applicable statutory tax rate	30.07	30.07
Lower income tax rates applicable to income in certain foreign subsidiaries	(4.91)	(3.99)
Recognition of previously unrecognized deferred tax assets	(0.17)	(3.49)
Tax credit for R&D expenses	(5.43)	(2.78)
Dividends Received Deduction	(1.34)	(0.69)
Impact of the tax rate change	—	(0.58)
Other	0.27	0.97
Actual effective tax rate	18.49	19.51

"Recognition of previously unrecognized deferred tax assets," which was included in "Other" for the year ended March 31, 2024, is presented separately for the year ended March 31, 2025 due to their increased materiality.

"Retained earnings of foreign subsidiaries" and "Share of the loss (profit) of associates and joint ventures accounted for using the equity method," which were presented separately for the year ended March 31, 2024, were included in "Other" for the year ended March 31, 2025 because they are not material.

To reflect these changes in presentation, the notes for the year ended March 31, 2024 have been reclassified. As a result, “Retained earnings of foreign subsidiaries” of 3.12%, “Share of the loss (profit) of associates and joint ventures accounted for using the equity method” of (1.16)% and “Other” of (1.86)%, which were separately presented for the year ended March 31, 2024, have been reclassified as “Recognition of previously unrecognized deferred tax assets” of (0.17)% and “Other” of 0.27%.

(2) Deferred tax assets and liabilities

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

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

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

For the year ended March 31, 2025 (Unit: Millions of yen)

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Transfer to held for sale	Exchange differences on translating foreign operations	Balance, end of year
Deferred tax assets (Note 1)							
Accrued bonuses to employees	22,834	3,075	—	—	—	(37)	25,872
Reserve for warranty	76,347	2,697	—	—	—	(6)	79,038
Retirement benefit liabilities	67,613	1,811	(5,418)	—	—	(74)	63,932
Accrued vacations paid	24,463	1,648	—	—	—	(18)	26,093
Other	222,997	44,235	(11,112)	—	—	(3,093)	253,027
Total deferred tax assets	414,254	53,466	(16,530)	—	—	(3,228)	447,962
Deferred tax liabilities (Note 1)							
Investment in equity instruments	580,886	—	(241,802)	—	(1,224)	—	337,860
Depreciation	62,975	11,054	—	—	—	(217)	73,812
Retirement benefit assets	63,473	5,202	(14,072)	—	—	(6)	54,597
Other	33,615	(12,244)	1,150	—	—	(559)	21,962
Total deferred tax liabilities	740,949	4,012	(254,724)	—	(1,224)	(782)	488,231
Net	(326,695)	49,454	238,194	—	1,224	(2,446)	(40,269)

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

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

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

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Deferred tax assets	56,057	75,946
Deferred tax liabilities	382,752	116,215
Net deferred tax assets (liabilities)	(326,695)	(40,269)

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Deductible temporary differences	89,272	45,051

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Within 1st year	5,449	4,841
2nd year	5,331	3,837
3rd year	7,419	3,562
4th year	2,265	7,433
5th year and thereafter	45,785	42,803
Total	66,249	62,476

As of March 31, 2024 and 2025, deferred tax liabilities were not recognized for taxable temporary differences associated with investments in subsidiaries, except for undistributed profits which were determined to be distributed. This was because the Company was able to control the timing of the reversal of the temporary differences and it was certain that the temporary differences would not reverse in the foreseeable future. The taxable temporary differences associated with investments in subsidiaries in which deferred tax liabilities were not recognized as of March 31, 2024 and 2025 were ¥1,740,000 million and ¥1,762,300 million, respectively.

(3) Uncertain tax position

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

As a result, in the previous fiscal year, income tax expenses decreased by ¥1,679 million. The amount of such impact is calculated based on the expected profit and loss of the U.S.-based subsidiaries.

Although these estimates have no significant changes in the assumptions, they include uncertainties for the current fiscal year. If unpredictable changes to assumptions, etc., lead to changes in estimates, they may result in a significant impact on the consolidated financial statements for the next fiscal year and beyond.

(4) Global minimum tax

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

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

16. Bonds and borrowings

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

The Company is subject to financial covenants with respect to a portion of its borrowings from financial institutions and has complied with such covenants for the years ended March 31, 2024 and 2025. In addition, the Company monitors each compliance status to maintain the level required by such financial covenants.

	FY2024 As of March 31, 2024 (Millions of yen)	FY2025 As of March 31, 2025 (Millions of yen)	Average interest rate (%) (Note 1)	Maturity date
With collateral				
Short-term borrowings	—	—	—	—
Current portion of long-term borrowings	—	—	—	—
Long-term borrowings	—	—	—	—
Without collateral				
Short-term borrowings	178,516	107,364	3.73	—
Current portion of bonds (Note 2)	20,000	—	—	—
Current portion of long-term borrowings	134,000	145,000	0.11	—
Bonds (Note 2)	175,705	249,520	—	—
Long-term borrowings	342,500	197,500	0.25	From 2026 to 2031
Total	850,721	699,384	—	—

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

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

Issuer	Name of bond	Date of Issuance	FY2024 As of March 31, 2024 (Millions of yen)	FY2025 As of March 31, 2025 (Millions of yen)	Interest rate (%)	Collateral	Redemption period
The Company	The 13th unsecured bonds	September 8, 2016	20,000	20,000	0.14	None	September 18, 2026
	The 15th unsecured bonds	June 8, 2017	40,000	40,000	0.25	None	June 18, 2027
	The 17th unsecured bonds	April 26, 2018	20,000 (20,000)	—	0.18	None	March 19, 2025
	The 18th unsecured bonds	April 26, 2018	40,000	40,000	0.32	None	March 17, 2028
	Due 2026 U.S. dollar-denominated straight bonds (sustainability bonds)	September 16, 2021	75,705	74,760	1.24	None	September 16, 2026
	Due 2029 U.S. dollar-denominated straight bonds (sustainability bonds)	September 11, 2024	—	74,760	4.42	None	September 11, 2029
Total	—	—	195,705 (20,000)	249,520	—	—	—

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

17. Trade and other payables

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Notes and accounts payable (Note 1)	813,707	843,841
Other (Note 2)	418,756	431,066
Total	1,232,463	1,274,907

(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.

The Group has entered into supplier finance arrangements with third-party financial institutions, under which payments are made to the financial institutions based on contracts concluded with each supplier. Suppliers may, at their discretion, receive early payment at a discount from third-party financial institutions. The Group has not pledged any assets or provided any third-party guarantees for supplier finance arrangements.

The carrying amount of the financial liabilities related to supplier finance arrangements is as below.

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Carrying amount of the financial liabilities related to supplier finance arrangements	141,892	170,339
Trade and other payables of which suppliers have received payment from third-party financial institutions (Note)	—	22,063

The range of payment due dates related to the supplier finance arrangements is as below.

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Financial liabilities related to supplier finance arrangements (Note)	—	90-150 days after invoice date
Comparable trade payables that are not part of supplier finance arrangements (Note)	—	30-150 days after invoice date

(Note) The Group has applied the transitional provisions of "Supplier Finance Arrangements" (amendments to IAS 7 and IFRS 7) and has not disclosed information for the fiscal year ended March 31, 2024.

The supplier finance arrangements entered into by the Group are not expected to result in a concentration or significant extension of payment due dates compared to the normal payment terms agreed with other suppliers not participating in the arrangements, and the Group is not exposed to significant liquidity risk arising from these arrangements.

For the fiscal year ended March 31, 2025, there were no significant non-cash changes in the carrying amounts of financial liabilities related to the supplier finance arrangements.

18. Provisions

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

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

(Unit: Millions of yen)

	Reserve for warranty (Note)	Provision for loss on antitrust issues	Other	Total
Balance, April 1, 2023	82,766	11,743	13,658	108,167
Provisions made	215,780	1,984	13,174	230,938
Provisions used	(34,988)	(1,591)	(5,941)	(42,520)
Provisions reversed	(8,042)	—	(4,585)	(12,627)
Foreign exchange differences	10,455	1,483	1,059	12,997
Balance, March 31, 2024	265,971	13,619	17,365	296,955
Provisions made	78,396	345	8,077	86,818
Provisions used	(55,658)	(6,699)	(7,000)	(69,357)
Provisions reversed	(17,758)	—	(5,413)	(23,171)
Foreign exchange differences	(2,040)	(267)	(457)	(2,764)
Balance, March 31, 2025	268,911	6,998	12,572	288,481

(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 ¥3,027 million and ¥2,382million as of March 31, 2024 and 2025, respectively. The amounts are included in "Trade and other receivables" in the consolidated statement of financial position.

19. Post-employment benefits

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

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

(1) Defined benefit plans

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

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

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Balance, beginning of year	875,242	812,850
Service cost	33,981	31,817
Interest cost on obligation	12,981	14,200
Actuarial gains and losses (Demographic)	6,296	3,720
Actuarial gains and losses (Financial)	(34,646)	(62,966)
Actuarial gains and losses (Adjustment of results)	1,764	2,429
Liquidation	(38,846)	—
Business transfer (Note 1)	(1,944)	—
Benefits paid	(49,941)	(50,058)
Foreign exchange differences	7,963	(1,443)
Balance, end of year	812,850	750,549

(Note 1) The decrease in "Business transfer" for the year ended March 31, 2024 was due to the transfer of TD MOBILE business (See Note 12 "Assets held for sale").

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

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Balance, beginning of year	755,678	761,421
Interest income on plan assets	10,739	12,184
Income from plan assets other than interest	30,424	(37,787)
Employer contributions	25,229	18,261
Liquidation	(37,422)	—
Business transfer (Note 2)	(1,168)	—
Benefits paid	(27,734)	(28,891)
Foreign exchange differences	5,675	(1,240)
Balance, end of year	761,421	723,948

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

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

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Defined benefit obligation, end of year	812,850	750,549
Plan assets, end of year	761,421	723,948
Effect of the asset ceiling	80,835	124,798
Net amount of defined benefit obligation and plan assets	132,264	151,399
Retirement benefit liabilities	238,201	221,883
Retirement benefit assets	105,937	70,484
Net amount of liabilities and assets recognized in the consolidated statement of financial position	132,264	151,399

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

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

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

Major components of plan assets

The fair values of plan assets for the years ended March 31, 2024 and 2025 are as follows:

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

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

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

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

As of March 31, 2025 (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	69,469	—	69,469
Global equity securities	254	2,101	2,355
Commingled funds—Japanese equity securities	—	41,412	41,412
Commingled funds—Global equity securities	—	23,742	23,742
Total—Equity instruments	69,723	67,255	136,978
Debt instruments			
Japanese debt securities	15,017	—	15,017
Global debt securities	17,427	—	17,427
Commingled funds—Japanese debt securities	—	51,622	51,622
Commingled funds—Global debt securities	—	24,760	24,760
Other	293	10,750	11,043
Total—Debt instruments	32,737	87,132	119,869
Insurance contracts (Note 1)	—	175,478	175,478
Other (Note 2)	79,160	212,463	291,623
Total	181,620	542,328	723,948

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

Changes in the effect of the asset ceiling are as follows:

Any economic benefits are not available because future contributions are not reduced or refunded. Consequently, an unrecognized surplus has arisen in some pension plans of the Group.

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Balance, the effect of the asset ceiling at the beginning of year	51,490	80,835
Interest income	591	1,154
Remeasurement Changes in the effect of the asset ceiling	28,754	42,809
Balance, the effect of the asset ceiling at the end of year	80,835	124,798

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

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Discount rate	1.63	2.31

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

(Unit: Millions of yen)

	Increase (decrease) of defined benefit obligations as of March 31, 2025
Discount rate: Decreased by 0.5%	44,447
Discount rate: Increased by 0.5%	(40,047)

The Group expects ¥18,030 million of the contribution to be paid from April 1, 2025 to March 31, 2026.

The weighted-average duration of the defined benefit obligations for the years ended March 31, 2024 and 2025 was 16 years.

(2) Defined contribution plans

The amounts recognized as expenses related to the defined contribution plans for the years ended March 31, 2024 and 2025 were ¥15,192 million and ¥15,491 million, respectively.

20. Equity and other equity items

(1) Capital stock and Capital surplus

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

The numbers of authorized shares for the year ended March 31, 2024 and 2025 were 6,000 million shares.

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

	Number of shares (Shares)	Capital stock (Millions of yen)	Capital surplus (Millions of yen)
FY2024 As of March 31, 2024	3,151,779,804	187,457	273,481
(Decrease) Increase	(240,800,113)	—	2,316
FY2025 As of March 31, 2025	2,910,979,691	187,457	275,797

(Note) The shares issued by the Company are non-par value ordinary shares that have no restriction on any content of rights. The decrease in the number of shares is due to a retirement of treasury stock based on the resolution of the Board of Directors meeting held on October 31, 2024.

(2) Retained earnings

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

(3) Treasury stock

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

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

	Number of shares (Shares)	Amount (Millions of yen)
FY2024 As of March 31, 2024	241,014,828	452,140
Decrease	(147,350,914)	(262,712)
FY2025 As of March 31, 2025	93,663,914	189,428

(Note) "Decrease" includes an increase of 93,558,500 shares due to the acquisition of treasury stock based on the resolution of the Board of Directors meeting held on October 31, 2024, and a decrease of 240,800,113 shares due to a retirement of treasury stock based on the resolution of the same meeting.

(4) Other components of equity

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

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

2) Remeasurements of defined benefit pension plans

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

3) Exchange differences on translating foreign operations

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

4) Cash flow hedges

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

21. Dividends

Total annual dividends for each fiscal year are as follows:

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors' meeting held on April 27, 2023	Ordinary shares	71,141	95	March 31, 2023	May 25, 2023
Board of Directors' meeting held on October 31, 2023	Ordinary shares	74,888	100	September 30, 2023	November 27, 2023
Board of Directors' meeting held on April 26, 2024	Ordinary shares	87,327	30	March 31, 2024	May 23, 2024
Board of Directors' meeting held on October 31, 2024	Ordinary shares	93,151	32	September 30, 2024	November 26, 2024

(Note) On October 1, 2023, the Company effected a 4-for-1 split of common stock. For reference dates prior to September 30, 2023, "Dividends per share" indicates the amount prior to the stock split.

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

Resolution	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors' meeting held on April 25, 2025	Ordinary shares	Retained earnings	90,157	32	March 31, 2025	May 27, 2025

22. Revenue

(1) Disaggregation of revenue

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

Disaggregated revenue by customer is as follows:

For the year ended March 31, 2024

(Unit: Millions of yen)

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

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

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

For the year ended March 31, 2025

(Unit: Millions of yen)

Toyota Group	3,903,121
Other Original Equipment Manufacturing Sales	2,639,676
Total Original Equipment Manufacturing Sales	6,542,797
Aftermarket and Non-Automotive Business	618,980
Total	7,161,777

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

(Note 2) The "Total Original Equipment Manufacturing Sales" includes income from subleasing right-of-use assets of ¥3,503 million, under IFRS 16.

Disaggregated revenue by product is as follows:

For the year ended March 31, 2024

(Unit: Millions of yen)

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

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

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

For the year ended March 31, 2025

(Unit: Millions of yen)

Thermal Systems	1,728,469
Powertrain Systems	1,438,591
Mobility Electronics	2,017,304
Electrification Systems	1,354,426
Advanced Devices	388,803
Others	113,659
Automotive Total	7,041,252
Non-Automotive Business Total	120,525
Total	7,161,777

(Note 1) The amounts are after deduction of inter-group transactions.
(Note 2) The "Automotive Total" includes income from subleasing right-of-use assets of ¥3,503 million, under IFRS 16.

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

(2) Contract balances

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

(Unit: Millions of yen)

	April 1, 2023	March 31, 2024	March 31, 2025
Receivables from contracts with customers			
Trade and other receivables	1,160,421	1,123,568	1,128,846
Total	1,160,421	1,123,568	1,128,846
Contract assets			
Other current assets	4,323	3,957	5,982
Other non-current assets	4,161	4,491	3,551
Total	8,484	8,448	9,533

The balance and changes in contract assets are both immaterial.

Of the revenue recognized for the fiscal years ended March 31, 2024 and 2025, the amounts included in the balance of contract liabilities at the beginning of the periods, or the amounts of revenue recognized from performance obligations that have been satisfied (or partially satisfied) in previous periods, are immaterial.

(3) Refund liabilities

The Group expects a portion of the product sales transactions to be refunded to customers due to estimated discounts. Refund liabilities of ¥16,771 million and ¥24,695 million are included in "Other current liabilities" for the fiscal years ended March 31, 2024 and 2025, respectively.

(4) Transaction price allocated to remaining performance obligations

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

23. Other income

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

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Rental income-property, plant and equipment	2,667	2,415
Gain on sales-property, plant and equipment	6,168	37,223
Gain on business transfer	6,723	—
Other (Note)	33,942	23,883
Total	49,500	63,521

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

24. Selling, general and administrative expenses and other expenses

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

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Freight expenses	45,818	46,971
Employee benefit expenses	221,826	233,322
Provision for warranty reserve	205,108	59,726
Depreciation	35,346	35,854
Welfare expenses	38,364	38,850
Other	168,702	189,950
Total	715,164	604,673

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

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Loss on sales or disposal-property, plant and equipment	15,462	14,574
Loss on litigation	1,277	—
Other (Note)	26,951	28,188
Total	43,690	42,762

(Note) "Other" for the year ended March 31, 2024 included losses on antitrust issues, which were settlement amounts, etc., with regard to the alleged violation of antitrust law or competition law in connection with certain past transactions regarding specific auto parts in the amount of ¥4,951 million. "Other" for the year ended March 31, 2025 included employee retirement-related expenses at consolidated subsidiaries in the amount of ¥10,042 million, as part of structural reforms.

25. Income and expenses pertaining to financial instruments

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

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Interest income		
Financial assets measured at amortized cost (i.e., deposits and other)	30,772	34,593
Dividend income		
Financial assets measured at fair value through other comprehensive income (Note)	45,677	50,395
Other	2,262	1,380
Total	78,711	86,368

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

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

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Interest expenses		
Financial liabilities measured at amortized cost (i.e., bonds, borrowings, and other)	12,835	12,328
Financial liabilities measured at fair value through profit or loss (i.e., interest rate derivatives)	1,444	197
Loss on derivatives		
Financial liabilities measured at fair value through profit or loss (share forward agreement)	—	7,332
Interest on defined benefit liabilities, net	2,242	2,016
Loss on net monetary position	4,416	1,623
Other	1,309	2,314
Total	22,246	25,810

26. Earnings per share

(1) Basis of calculating basic earnings per share

1) Profit for the year attributable to owners of the parent company

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Profit attributable to owners of the parent company	312,791	419,081

2) Average number of shares—basic

(Unit: Thousands of shares)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Average number of shares—basic	2,979,855	2,889,885

(Note) On October 1, 2023, the Company effected a 4-for-1 split of common stock. Average number of shares—basic is calculated on the assumption that the stock split was implemented at the beginning of the year ended March 31, 2024.

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

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

27. Other comprehensive income

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

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Other comprehensive income (loss)		
Items that will not be reclassified subsequently to profit or loss		
Net fair value gain (loss) on equity instruments designated as FVTOCI		
Arising during the year	1,359,879	(777,643)
Income taxes	(403,446)	216,443
Total	956,433	(561,200)
Remeasurements of defined benefit pension plans		
Arising during the year	27,665	(24,933)
Income taxes	(10,188)	8,654
Total	17,477	(16,279)
Share of other comprehensive income (loss) of investments accounted for using the equity method		
Arising during the year	55	(16)
Total	55	(16)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations		
Arising during the year	222,391	(26,427)
Reclassification to profit or loss	(2,219)	(265)
Total	220,172	(26,692)
Cash flow hedges		
Arising during the year	(394)	1,684
Reclassification to profit or loss	884	2,201
Before income taxes	490	3,885
Income taxes	(148)	(1,150)
Total	342	2,735
Share of other comprehensive income (loss) of investments accounted for using the equity method		
Arising during the year	7,588	(360)
Total	7,588	(360)
Total other comprehensive income (loss)	1,202,067	(601,812)

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

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Net fair value gain (loss) on equity instruments designated as FVTOCI	1,793	(1,049)
Remeasurements of net defined benefit pension plans	(852)	811
Exchange differences on translating foreign operations	9,780	985
Total	10,721	747

28. Non-financial transactions that are material

Details of non-financial transactions that are material

Assets and liabilities related to lease transactions are as follows:

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
The amounts of assets and liabilities related to lease transactions	30,989	24,314

29. Financial instruments

(1) Capital management

To achieve sustainable growth, the Group aims to ensure financial health while continuing stable and lasting returns to shareholders by managing its resources through activities such as facility investment in business, research and development, and mergers and acquisitions. Generally, the operating cash flows cover such funding by maintaining and strengthening the Group's profitability and cash-generating ability, with additional interest-bearing debt, such as debts and borrowings, if necessary. In addition, the Group secures funds to maintain stable financial health in the long term. The Group is not exposed to capital restrictions by external parties as of March 31, 2025.

(2) Description and extent of financial risks

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

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

1) Credit risk

Receivables, such as notes and account receivables, acquired from the operating activities of the Group are exposed to customer credit risk. The Group manages its credit risks from receivables based on internal guidelines, which include monitoring of payment terms and balances of each customer to identify the default risk of customers at an early stage. As of March 31, 2025, receivables from the Toyota Group accounted for 41% of the total receivables.

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

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

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

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

In addition, the Group, in principle, deems a default to have occurred when contractual payments are more than 90 days past due and when credit impairment has occurred. The Group evaluates whether or not there

is any objective evidence to demonstrate that credit impairment has occurred at the end of each reporting period. Evidence of credit impairment includes a default or delinquency of the borrower, granting the borrower a concession that the Group would not otherwise consider, indications of bankruptcy of the issuer or obligor, and the disappearance of active markets. If future collection cannot be reasonably expected, the financial instrument is written off.

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

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

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

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

Trade receivables

(Unit: Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance, April 1, 2023	1,850	2,696	4,546
Increase	1,551	525	2,076
Decrease—used	(321)	(806)	(1,127)
Decrease—reversed	(627)	(608)	(1,235)
Reclassification to credit-impaired financial assets	(860)	860	—
Foreign exchange differences	43	278	321
Balance, March 31, 2024	1,636	2,945	4,581
Increase	2,906	—	2,906
Decrease-used	(323)	(9)	(332)
Decrease-reversed	(1,010)	(245)	(1,255)
Reclassification to credit-impaired financial assets	(1,536)	1,536	—
Foreign exchange differences	(67)	59	(8)
Balance, March 31, 2025	1,606	4,286	5,892

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

Receivables except for trade receivables

(Unit: Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Balance, April 1, 2023	165	1,695	1,860
Increase	12	—	12
Decrease—used	—	—	—
Decrease—reversed	(61)	—	(61)
Reclassification to credit-impaired financial assets	—	—	—
Foreign exchange differences	6	122	128
Balance, March 31, 2024	122	1,817	1,939
Increase	1	—	1
Decrease—used	—	—	—
Decrease—reversed	(13)	—	(13)
Reclassification to credit-impaired financial assets	—	—	—
Foreign exchange differences	—	(21)	(21)
Balance, March 31, 2025	110	1,796	1,906

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

Trade receivables

(Unit: Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance, April 1, 2023	1,057,566	3,710	1,061,276
New financial assets and derecognized financial assets during the period	(103,766)	(2,329)	(106,095)
Reclassification to credit-impaired financial assets	(3,222)	3,222	—
Foreign exchange differences	66,740	410	67,150
Balance, March 31, 2024	1,017,318	5,013	1,022,331
New financial assets and derecognized financial assets during the period	11,882	(2,139)	9,743
Reclassification to credit-impaired financial assets	(5,420)	5,420	—
Foreign exchange differences	(12,391)	124	(12,267)
Balance, March 31, 2025	1,011,389	8,418	1,019,807

Receivables except for trade receivables

(Unit: Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Balance, April 1, 2023	1,100	1,695	2,795
New financial assets and derecognized financial assets during the period	157	—	157
Reclassification to credit-impaired financial assets	—	—	—
Foreign exchange differences	—	122	122
Balance, March 31, 2024	1,257	1,817	3,074
New financial assets and derecognized financial assets during the period	(147)	—	(147)
Reclassification to credit-impaired financial assets	—	—	—
Foreign exchange differences	—	(21)	(21)
Balance, March 31, 2025	1,110	1,796	2,906

Risk profile

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

For the year ended March 31, 2024

Trade receivables, contract assets, or lease receivables

(Unit: Millions of yen)

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

Receivables except above

(Unit: Millions of yen)

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

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

Bonds

(Unit: Millions of yen)

	12 months expected credit losses
Rating over AA	300

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

For the year ended March 31, 2025

Trade receivables, contract assets, or lease receivables

(Unit: Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	1,116,869	—	1,116,869
Past due within 90 days	16,405	—	16,405
Past due within 90 days to 1 year	1,029	3,556	4,585
Past due over 1 year	660	4,862	5,522
Total	1,134,963	8,418	1,143,381

Receivables except above

(Unit: Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Within due date	130,851	—	130,851
Past due within 30 days	—	—	—
Past due within 30 days to 90 days	—	—	—
Past due within 90 days to 1 year	—	—	—
Past due over 1 year	—	1,796	1,796
Total	130,851	1,796	132,647

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

Bonds

(Unit: Millions of yen)

	12 months expected credit losses
Rating over AA	299

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

2) Market risk

i) Foreign exchange risk

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

The details of currency derivatives are as follows:

(Unit: Millions of yen)

	FY2024 As of March 31, 2024			FY2025 As of March 31, 2025		
	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	4,229	—	(97)	2,880	—	(31)
Selling	76,971	—	(894)	59,204	—	390
Currency option						
Buying (put)	3,124	—	4	4,099	—	(4)
Selling (call)	3,124	—	6	4,099	—	2
Currency swaps						
Buying	71,286	—	2,343	40,188	—	569
Selling	12,966	9,688	236	10,320	8,275	145
Total	171,700	9,688	1,598	120,790	8,275	1,071

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

Foreign exchange sensitivity analysis

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Net profit or loss	519	297
Equity	519	297

ii) Interest-rate risks

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

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

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024			FY2025 As of March 31, 2025		
	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value
Interest rate swap						
Floating rate receipt, fixed rate payment	23,270	21,287	375	21,135	—	46
Cross currency swap						
Fixed rate receipt, fixed rate payment	46,455	710	(5,283)	50,363	—	3,546
Total	69,725	21,997	(4,908)	71,498	—	3,592

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

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Net profit or loss	4,407	6,362
Equity	4,407	6,362

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

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

(Unit: Millions of yen)

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

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

(Unit: Millions of yen)

FY2025 As of March 31, 2025	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	252,364	429,520	17,500	699,384
Trade and other payables	907,431	—	—	907,431
Other financial liabilities (Note)	30,926	16,727	9,770	57,423
Derivative financial liabilities				
Derivatives	5,808	—	270	6,078

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

4) Price risks of equity instruments

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

Assuming that the share price rose or fell by 1% at each fiscal year-end, the increase or decrease in total equity would have amounted to approximately ¥18,738 million and ¥10,944 million for the years ended March 31, 2024 and 2025, respectively. As most marketable securities held by the Group are classified as financial assets measured at FVTOCI, a 1% rise or fall in share price would have an immaterial impact on profit or loss.

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

The Group has recognized share forward agreement, and the fair value of the derivatives is ¥(5,590) million as of March 31, 2025. (There were no applicable items as of March 31, 2024.)

(3) Hedge accounting

Interest rate currency swap transaction

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

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

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

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

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

	FY2025 As of March 31, 2025						
	Carrying amount (Millions of yen)	Nominal amount (Millions of yen)	Average rate (%)	Average price (yen)	Within 1 year (Millions of yen)	1 to 5 years (Millions of yen)	Over 5 years (Millions of yen)
Interest rate currency swap transaction Fixed rate receipt, fixed rate payment	20,621	126,865	0.68	126.87	—	126,865	—

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

Hedged items designated as cash flow hedges are as follows:

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Cash flow hedge reserve for continuing hedge	(4,141)	(1,406)

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

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Hedging gains or losses of the reporting period that were recognized in other comprehensive income	(394)	1,684
The amount reclassified from the cash flow hedge reserve into profit or loss (Note)	884	2,201
Total	490	3,885

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

(4) Fair value of financial instruments

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

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

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

There were no transfers among Levels for the year ended March 31, 2024.

There were transfers from Level 3 to Level 1 due to the shares of Canatu PLC and Blaize Holdings, INC. listed during the year ended March 31, 2025. There were no other level transfers.

1) Financial instruments measured at amortized cost

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

(Unit: Millions of yen)

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

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

(Unit: Millions of yen)

FY2025 As of March 31, 2025	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Debt securities	295	299	—	—	299
Financial liabilities					
Long-term borrowing (Note)	342,500	—	—	337,944	337,944
Bonds (Note)	249,520	243,909	—	—	243,909

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

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

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

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

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

(Unit: Millions of yen)

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

(Note) ¥417,578 million of assets held for sale recorded on the consolidated statement of financial position is included in this amount.

(Unit: Millions of yen)

FY2025 As of March 31, 2025	Level 1	Level 2	Level 3	Total
Derivative assets	—	25,718	—	25,718
Shares				
Listed shares (Note)	1,565,024	—	—	1,565,024
Unlisted shares	—	—	224,608	224,608
Other equity securities	—	—	3,793	3,793
Total	1,565,024	25,718	228,401	1,819,143
Derivative liabilities	—	6,024	—	6,024
Total	—	6,024	—	6,024

(Note) ¥199,861 million of assets held for sale recorded on the consolidated statement of financial position is included in this amount.

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

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

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

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

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

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
Balance, beginning of year	165,752	334,085
Total recognized gains and losses		
Losses recognized in profit or loss (Note 1)	(548)	(1,215)
Gains (losses) recognized in other comprehensive income (Note 2)	63,617	(101,447)
Purchases	105,827	2,550
Sales or Disposal	(563)	—
Transfers to Level 1 due to listing (Note 3)	—	(5,572)
Balance, end of year	334,085	228,401

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

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

(Note 3) Due to the transfer to Level 1 following the listing of stocks held by the Group.

(5) Offsetting of financial assets and financial liabilities

A part of the Group’s financial assets and financial liabilities were offset in accordance with the requirements for offsetting financial assets and financial liabilities and the net amounts were presented in the consolidated statement of financial position. In addition, the Group has financial derivative transactions under master netting arrangements or similar arrangements. These arrangements provide the Group, in the event of default by the counterparty, the right to offset receivables and payables with the same counterparty.

The offsetting information of financial assets and financial liabilities with the same counterparty as of each fiscal year-end are as follows:

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Total financial assets	18,598	25,718
Offsetting amount of financial assets and financial liabilities in accordance with the requirements	—	—
Financial assets presented in the consolidated statement of financial position	18,598	25,718
The amount to be offset under master netting arrangement or similar arrangements	(2,228)	(530)
Cash collateral received	—	—
Net	16,370	25,188

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Total financial liabilities	7,187	6,024
Offsetting amount of financial assets and financial liabilities in accordance with the requirements	—	—
Financial liabilities presented in the statement of financial position	7,187	6,024
The amount to be offset under master netting arrangement or similar arrangements	(2,228)	(530)
Cash collateral paid	—	—
Net	4,959	5,494

30. Leases

(1) As Lessee

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

1) Lease liabilities

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Due within one year	18,794	12,698
Due between one to five years	19,303	16,727
After five years	9,525	9,770
Total	47,622	39,195

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

2) Interest expense on lease liabilities

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

(Unit: Millions of yen)

FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
768	721

3) Total cash outflow for leases

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

(Unit: Millions of yen)

FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
48,474	42,914

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

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

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
The expense relating to short-term leases	9,684	10,440
The expense relating to leases of low-value assets	68	40

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

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

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

(Unit: Millions of yen)

FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
—	—

(2) As lessor

1) Finance lease receivables

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Due within one year	12,473	4,303
Due between one to five years	4,948	699
After five years	—	—
Total	17,421	5,002

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

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

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

2) Lease payments from operating leases
Lease payments from operating leases are immaterial.

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

31. Reconciliation of liabilities arising from financing activities

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

For the year ended March 31, 2024

(Unit: Millions of yen)

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

For the year ended March 31, 2025

(Unit: Millions of yen)

	FY2025 As of April 1, 2024	Cash flows	Non-cash changes					FY2025 As of March 31, 2025
			Foreign exchange differences	Fair value changes	New lease contracts	Business combinations	Other	
Short-term borrowings	178,516	(71,462)	310	—	—	—	—	107,364
Long-term borrowings	476,500	(134,000)	—	—	—	—	—	342,500
Lease liabilities	47,622	(31,713)	(13)	—	24,314	—	(1,015)	39,195
Bonds	195,705	51,800	2,015	—	—	—	—	249,520
Derivatives (Note)	7,187	3,896	(71)	(4,988)	—	—	—	6,024
Total	905,530	(181,479)	2,241	(4,988)	24,314	—	(1,015)	744,603

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

32. Related parties

(1) Related-party transactions

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

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

For the year ended March 31, 2025 (Unit: Millions of yen)

Category	Name	Main transactions	Transaction amounts
Associated company which has significant influence over the Group	Toyota Group	Sale of automotive components	3,903,121
		Purchase of automotive components	60,454

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

(Unit: Millions of yen)

	FY2024 As of March 31, 2024	FY2025 As of March 31, 2025
Trade accounts receivable	356,093	396,162
Electronically recorded monetary claims	61,871	68,223
Accounts receivable - others	598	388
Allowance for doubtful accounts	92	216
Accounts payable	12,756	10,678
Accrued expenses	1,560	1,615

(2) Remuneration of key managing officers

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

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

For the year ended March 31, 2025 (Unit: Millions of yen)

	Total remuneration	Breakdown of remuneration		
		Basic remuneration	Bonuses	Share-based payment
Key managing officers	900	245	281	374

33. Contingencies

There are no material contingencies.

34. Subsidiaries, associates, and others

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

There are no subsidiaries that have material non-controlling interests, associates, or joint ventures at the end of fiscal years ended March 31, 2024 and 2025.

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

(Unit: Millions of yen)

	FY2024 2023/4-2024/3	FY2025 2024/4-2025/3
(Decrease) Increase in capital surplus	(227)	3,658

Gains (losses) associated with a loss of control of subsidiaries for the years ended March 31, 2024 and 2025 were not material.

35. Subsequent events

The Group has evaluated subsequent events through June 30, 2025.

(1) The sale of a part of the shareholdings

The Company resolved to sell a part of its investment securities holdings of Renesas Electronics Corporation on May 12, 2025 and completed it on May 13, 2025.

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

Details of the transaction for this sale are as follows.

Shares to be sold	Ordinary shares of Renesas Electronics Corporation
Number of shares to be sold	73,900,000 shares (4.1% of the issued shares excluding treasury shares)
Other comprehensive income	¥76,347 million

(2) Expected Commencement of Tender Offer for Own Shares

The Company resolved by way of a written (including electromagnetic record) resolution dated June 3, 2025 in lieu of a board resolution under Article 370 of the Companies Act (Act No. 86 of 2005, as amended) and the Company's articles of incorporation, to intend to repurchase its own shares pursuant to Article 156, Paragraph 1 of the Companies Act, as applied by replacing terms pursuant to Article 165, Paragraph 3 of the said act, and the Company's articles of incorporation, and, as the specific method for such repurchase, to intend to conduct a tender offer for its own shares (the "Self-Tender Offer").

1) Purpose of the Self-Tender Offer

The Company concluded that the Self-Tender Offer would contribute to the improvement of capital efficiency, such as earnings per share and return on equity attributable to owners of the parent company, and thereby lead to the return of profits to its shareholders.

2) Outline of the Self-Tender Offer

i) Class of shares to be purchased

Common shares

ii) Number of shares to be purchased

184,897,756 shares (maximum) (ownership percentage: 6.68%)

(Note 1) "Ownership percentage" means the ratio (rounded to the two decimal places; the same applies to calculation of ownership percentage hereinafter) of number of shares the Company plans to purchase over the number of outstanding shares deducting treasury shares (2,769,595,777 shares) which is obtained by deducting (i) the number of treasury shares held by the Company as of March 31, 2025 (93,663,914 shares) plus the number of treasury shares (27,941,200 shares) which were repurchased through the share repurchase conducted by the Company from April 1 to April 30, 2025 as stated in "Notice Concerning Status of Share Repurchases" released by the Company on May 9, 2025 and the number of treasury shares (19,778,800 shares) which were repurchased through the share repurchase conducted by the Company from May 1 to May 31, 2025 as stated in "Notice Concerning Status of Share Repurchases" released by the Company on June 2, 2025 (141,383,914 shares in total) (ii) from the total number of issued shares as of March 31, 2025 (2,910,979,691 shares) stated in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2025 <under IFRS Accounting Standards>" released by the Company on April 25, 2025 (the "FY2024 Financial Results").

(Note 2) The total number to be purchased under the board resolution adds one unit of shares (100 shares) to the number of shares to be purchased since if the number of shares tendered exceeds the number of shares to be purchased, proportional adjustment may result in the number of shares to be purchased being exceeded.

iii) Tender Offer Price

Not determined

(Note) The Company resolved at the board of directors meeting held on June 3, 2025 that it would set the purchase price in the Self-Tender Offer ("Self-Tender Offer Price") at the price obtained by applying a 10% discount to the lower of the closing price of the Company Common Shares on the Prime Market of the Tokyo Stock Exchange on the business day immediately preceding the date of the board resolution of the final decision on the Self-Tender Offer Price or the simple average of closing prices of the Company Common Shares on the Prime Market of the Tokyo Stock Exchange for one month until the said date (such price is rounded to the nearest whole yen; provided, however, that if such price exceeds the closing price of the Company Common Shares on the Prime Market of the Tokyo Stock Exchange on June 2, 2025 (¥1,935 (rounded to the nearest whole yen)) which is the business day preceding the date of the board resolution on the expected implementation of the Self-Tender Offer, then such amount would be ¥1,935), and the Company will formally determine the Self-Tender Offer Price upon commencement of the Self-Tender Offer as soon as practicable after all the Conditions Precedent (defined in vi) below) are satisfied or waived at the Company's discretion.

iv) Total amount of purchase

¥357,777,157,860 (maximum)

(Note) The Maximum Self-Tender Offer Price (¥1,935) multiplied by the number of shares to be purchased (184,897,756 shares) specified in 2) above.

v) Period of Purchase

The Self-Tender Offer is scheduled to be implemented as soon as practicable after all the Conditions Precedent are satisfied or waived at the Company's discretion. As of June 3, 2025, the Company intends to commence the Self-Tender Offer around mid-January 2026. The detailed schedule of the Self-Tender Offer will be promptly announced once determined.

The Company intends to set the purchase period of the Self-Tender Offer to be 20 business days in principle.

vi) Conditions Precedent

The Self-Tender Offer will be implemented subject to all the following conditions (the "Conditions Precedent") being satisfied or waived at the discretion of the Company, and the Company intends to formally resolve the implementation of the Self-Tender Offer as soon as practicable after the Conditions Precedent have been satisfied or waived at its discretion:

a) The tender offer for share certificates, etc. of Toyota Industries Corporation ("Toyota Industries") by a stock company to be wholly owned by a stock company to be incorporated by Toyota Fudosan Co., Ltd. ("Toyota Fudosan") as described in the "Notice Concerning Planned Commencement of Tender Offer for the Share Certificates, Etc. of Toyota Industries Corporation (Securities Code: 6201)" released by Toyota Fudosan on June 3, 2025, is successfully completed and settled

b) No rulings or other judgments have been made by judicial or administrative bodies to restrict or prohibit Toyota Industries from tendering its shares in the Self-Tender Offer or to prohibit or restrict the Self-Tender Offer in whole or in part, the Self-Tender Offer will not result in violation of any laws or regulations, and no petition, litigation nor proceedings to seek restriction or prohibition of the Self-Tender Offer in whole or in part are pending before judicial or administrative bodies.

vii) Method of Acquisition

Tender offer for treasury shares (Self-Tender Offer)

(3) Participation in Tender Offer

The Company decided that on June 3, 2025, in the event that a tender offer (the "Tender Offer") is conducted for the shares of Toyota Industries as described in "Notice Concerning Expression of Opinion in Support of Planned Commencement of Tender Offer for Company Shares by Toyota Fudosan Co., Ltd. and Neutral Opinion to Tender Share Therein" (the "Toyota Industries' Press Release") released on June 3, 2025 by Toyota Industries, the Company will tender all of the common shares in Toyota Industries held by the

Company in the Tender Offer. Accordingly, the Company decided to terminate the share forward agreement executed with Nomura Securities Co., Ltd. ("Nomura Securities") (the "Share Forward Agreement") as described in "Notice Concerning the Sale of Shareholding and Execution of Share Forward Agreement" (the "Share Forward Agreement Press Release") released on March 29, 2024 by the Company, in relation to the tranches the settlement dates of which have not arrived as of today. Furthermore, in the event that the Company tenders and sells all of its common shares in Toyota Industries through the Tender Offer during the fiscal year ending March 31, 2026, the Company expects to post extraordinary gains as gains on sale of investment securities in its non-consolidated results for the fiscal year ending March 31, 2026. Please refer to "Notice Regarding Participation in Tender Offer and Termination of Share Forward Agreement for Shares in Toyota Industries Corporation, and Expected Posting of Extraordinary Gains in Non-Consolidated Results" released on June 3, 2025 by the Company for details.

1) Reason for Participation in the Tender Offer
In a press release "DENSO Announces Cross-Shareholdings Reduction Policy" published on November 29, 2023, the Company announced its policy to cut a part of its cross-held shares, including those in Toyota Industries. The Company has held shares in Toyota Industries for the purpose of strengthening the Company's competitiveness through deepening managerial cooperation via maintaining and reinforcing the business relationship, and the collaboration in the thermal systems business domain. In accordance with the reduction policy, the Company has been proceeding with the sale of shares in Toyota Industries by gradually transferring them to Nomura Securities with due consideration of the impact on the market demand and supply of the shares, as described in the Share Forward Agreement Press Release. However, as a result of comprehensive evaluation of the price and other terms of the Tender Offer, the Company determined that tendering its shares in Toyota Industries in the Tender Offer would enable quicker and more secure maximization of the sale price and further improvement in the capital efficiency than selling the shares through the Share Forward Agreement, thus, the Company decided to tender the shares in the Tender Offer. Accordingly, with respect to the Share Forward Agreement, the Company decided to terminate the Share Forward Agreement in relation to the tranches the settlement dates of which have not arrived as of today.

2) Number of Shares Held to Be Tendered in the Tender Offer

Number of shares held before tendering	14,823,500 shares
Number of shares to be tendered	14,823,500 shares
Number of shares held after tendering	0 shares

3) Expected Purchase Price in the Tender Offer
¥16,300 per common share (expected total amount of sales: ¥241.6 billion)

4) Schedule of the Tender Offer
According to the Toyota Industries' Press Release, Toyota Fudosan aims to have a stock company (kabushiki kaisha) to be wholly owned by a stock company to be incorporated by Toyota Fudosan commence the Tender Offer around early December, 2025. However, as it is difficult to accurately estimate the amount of time required for the procedures, involving domestic and foreign competition authorities and authorities having jurisdiction over EU regulations on foreign subsidies, investment control laws and regulations and financial regulatory laws and regulations, to implement the Tender Offer, the detailed schedule of the Tender Offer will be promptly announced as soon as it is decided. Any changes to the expected timing of the commencement of the Tender Offer will also be announced promptly.

5) Outlook for Impact on Consolidated Earnings
The gains on the sale will be treated as other comprehensive income in the consolidated accounts, and there will be no impact on the consolidated statement of income.

Appendix

List of subsidiaries

The Company's subsidiaries as of March 31, 2025 are as follows.

Segment	Company name	Voting rights (%)
Japan	KYOSAN DENKI CO., LTD.	63.0
	HAMANAKODENSO CO., LTD.	80.1
	DENSO ELECTRONICS CORPORATION	100.0
	DENSO WIPER SYSTEMS, INC.	100.0
	DENSO AIR SYSTEMS CORPORATION	100.0
	DENSO SOLUTION CORPORATION	100.0
	DENSO WAVE INC.	75.2
	DENSO TECHNO CO., LTD.	100.0
	DENSO TRIM CO., LTD.	80.0
	DENSO MIYAZAKI, INC.	100.0
	DENSO KYUSHU CORPORATION	100.0
	DENSO HOKKAIDO CORPORATION	100.0
	DENSO FUKUSHIMA CORPORATION	100.0
	DENSO IWATE CORPORATION	100.0
	DENSO TEN LIMITED	65.0
	JECO CO., LTD.	100.0
	38 Other companies	—
North America	DENSO INTERNATIONAL AMERICA, INC.	100.0
	DENSO PRODUCTS AND SERVICES AMERICAS, INC.	100.0 (100.0)
	DENSO MANUFACTURING MICHIGAN, INC.	100.0 (100.0)
	DENSO MANUFACTURING NORTH CAROLINA, INC.	100.0 (82.0)
	DENSO MANUFACTURING TENNESSEE, INC.	100.0 (100.0)
	DENSO MANUFACTURING ATHENS TENNESSEE, INC.	100.0 (100.0)
	DENSO TEN AMERICA LIMITED	100.0 (100.0)
	DENSO MANUFACTURING CANADA, INC.	100.0
	DENSO SALES CANADA, INC.	100.0
	DENSO MEXICO S.A. DE C.V.	95.0 (95.0)
	12 Other companies	—
Europe	DENSO INTERNATIONAL EUROPE B.V.	100.0
	DENSO EUROPE B.V.	100.0 (100.0)
	DENSO BARCELONA S.A.	100.0 (100.0)
	DENSO MANUFACTURING ITALIA S.p.A.	100.0 (100.0)
	DENSO THERMAL SYSTEMS S.p.A.	100.0 (100.0)

Segment	Company name	Voting rights (%)
Europe	DENSO MANUFACTURING HUNGARY, LTD.	100.0 (100.0)
	DENSO MANUFACTURING CZECH s.r.o.	100.0 (100.0)
	29 Other companies	—
Asia	DENSO INTERNATIONAL ASIA PTE., LTD.	100.0
	DENSO INTERNATIONAL ASIA CO., LTD.	100.0 (100.0)
	DENSO (THAILAND) CO., LTD.	51.7 (51.7)
	SIAM DENSO MANUFACTURING CO., LTD.	90.0 (90.0)
	DENSO SALES (THAILAND) CO., LTD.	100.0 (100.0)
	SIAM KYOSAN DENSO CO., LTD.	100.0 (100.0)
	DENSO TEN (THAILAND) Limited	99.0 (99.0)
	PT. DENSO INDONESIA	68.3 (68.3)
	PT. DENSO MANUFACTURING INDONESIA	100.0 (100.0)
	PT. DENSO SALES INDONESIA	100.0 (100.0)
	DENSO (MALAYSIA) SDN. BHD.	72.7 (72.7)
	DENSO MANUFACTURING VIETNAM CO., LTD.	95.0 (95.0)
	DENSO PHILIPPINES CORPORATION	100.0 (100.0)
	DENSO TEN PHILIPPINES CORPORATION	100.0 (100.0)
	DENSO HARYANA PVT., LTD.	100.0
	DENSO (CHINA) INVESTMENT CO., LTD.	100.0
	TIANJIN DENSO ENGINE ELECTRICAL PRODUCTS CO., LTD.	95.0 (95.0)
	TIANJIN DENSO ELECTRONICS CO., LTD.	93.5 (93.5)
	GUANGZHOU DENSO CO., LTD.	60.0 (60.0)
	TIANJIN FAWER DENSO AIR-CONDITIONER CO., LTD.	60.0 (60.0)
	DENSO (GUANGZHOU NANSHA) CO., LTD.	100.0 (72.7)
	DENSO (CHANGZHOU) FUEL INJECTION SYSTEM CO., LTD.	100.0 (30.6)
	DENSO MANUFACTURING (HANGZHOU) CO., LTD.	100.0 (10.0)
	DENSO KOREA CORPORATION	100.0
	46 Other companies	—

Segment	Company name	Voting rights (%)
Others	DENSO DO BRASIL LTDA.	94.8 (35.4)
	4 Other companies	—

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of DENSO CORPORATION:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of DENSO CORPORATION and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2026, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Estimating the reserve for warranty

Key Audit Matter Description

As described in Notes 2(4), 3(14) and 18 to the consolidated financial statements, the reserve for warranty amounted to 221,752 million yen in the consolidated statement of financial position as of March 31, 2026.

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

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

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

The amount is calculated by multiplying the following:

A.) the number of target vehicles

B.) the repair expenses per unit

C.) the defect handling incidence rate

D.) the expected burden ratio with customers

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

How the Key Audit Matter Was Addressed in the Audit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2026, which were charged by us and our network firms to DENSO CORPORATION and its subsidiaries were 1,604 million yen and 971 million yen, respectively.

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

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

/s/Deloitte Touche Tohmatsu LLC
Nagoya, Japan
June 11, 2026

Consolidated Statement of Financial Position
[As of March 31, 2026]

(Unit: Millions of yen)

	Note	FY2025 As of March 31, 2025	**FY2026 As of March 31, 2026**
Assets			
Current assets			
Cash and cash equivalents	6,7	986,531	**1,189,126**
Trade and other receivables	6,8	1,242,986	**1,412,240**
Inventories	9	1,203,066	**1,336,844**
Other financial assets	10	112,714	**33,720**
Other current assets		164,681	**170,875**
Subtotal		3,709,978	**4,142,805**
Assets held for sale	12	199,861	**—**
Total current assets		3,909,839	**4,142,805**
Non-current assets			
Property, plant and equipment	6,11	2,009,710	**2,060,068**
Right-of-use assets	13	52,808	**57,863**
Intangible assets	6,14	229,337	**316,914**
Other financial assets	10	1,622,081	**1,799,705**
Investments accounted for using the equity method	35	123,901	**136,656**
Retirement benefit assets	19	70,484	**86,427**
Deferred tax assets	15	75,946	**81,102**
Other non-current assets		30,894	**49,314**
Total non-current assets		4,215,161	**4,588,049**
Total assets		8,125,000	**8,730,854**

(Unit: Millions of yen)

	Note	FY2025 As of March 31, 2025	**FY2026 As of March 31, 2026**
Liabilities and equity			
Current liabilities			
Bonds and borrowings	16	252,364	**237,402**
Trade and other payables	17	1,274,907	**1,292,736**
Other financial liabilities	31	38,278	**45,378**
Income tax payables		117,987	**73,501**
Provisions	18	286,918	**233,350**
Other current liabilities		88,641	**101,878**
Subtotal		2,059,095	**1,984,245**
Liabilities directly associated with assets held for sale	12	50,243	**—**
Total current liabilities		2,109,338	**1,984,245**
Non-current liabilities			
Bonds and borrowings	16	447,020	**573,880**
Other financial liabilities	31	26,754	**30,537**
Retirement benefit liabilities	19	221,883	**208,648**
Provisions	18	1,563	**1,423**
Deferred tax liabilities	6,15	116,215	**195,856**
Other non-current liabilities		13,309	**20,418**
Total non-current liabilities		826,744	**1,030,762**
Total liabilities		2,936,082	**3,015,007**
Equity			
Capital stock	20	187,457	**187,457**
Capital surplus	20	275,797	**271,726**
Treasury stock	20	(189,428)	**(437,244)**
Other components of equity	20	1,195,454	**1,548,435**
Other comprehensive income associated with assets held for sale	12	115,884	**—**
Retained earnings	20	3,393,102	**3,922,315**
Equity attributable to owners of the parent company		4,978,266	**5,492,689**
Non-controlling interests		210,652	**223,158**
Total equity		5,188,918	**5,715,847**
Total liabilities and equity		8,125,000	**8,730,854**

Consolidated Statement of Income
[For the year ended March 31, 2026]

(Unit: Millions of yen)

	Note	FY2025 2024/4-2025/3	**FY2026 2025/4-2026/3**
Revenue	5, 23	7,161,777	**7,539,975**
Cost of revenue	9, 11, 13, 14	(6,058,910)	**(6,370,364)**
Gross profit		1,102,867	**1,169,611**
Selling, general and administrative expenses	6, 11, 13, 14, 25	(604,673)	**(598,610)**
Other income	24	63,521	**30,516**
Other expenses	14, 25	(42,762)	**(48,979)**
Operating profit	5	518,953	**552,538**
Finance income	26	86,368	**82,693**
Finance costs	26	(25,810)	**(31,731)**
Foreign exchange (losses) gains		(10,505)	**1,422**
Share of the profit of associates and joint ventures accounted for using the equity method		8,999	**12,369**
Profit before income taxes		578,005	**617,291**
Income tax expenses	15	(112,748)	**(129,779)**
Profit for the year		465,257	**487,512**
Attributable to:			
Owners of the parent company		419,081	**443,755**
Non-controlling interests		46,176	**43,757**

(Unit: Yen)

Earnings per share			
Basic	27	145.02	**162.96**
Diluted	27	—	**—**

Consolidated Statement of Comprehensive Income
[For the year ended March 31, 2026]

(Unit: Millions of yen)

	Note	FY2025 2024/4-2025/3	**FY2026 2025/4-2026/3**
Profit for the year		465,257	**487,512**
Other comprehensive (loss) income			
Items that will not be reclassified subsequently to profit or loss			
Net fair value (loss) gain on equity instruments designated as FVTOCI	28, 30	(561,200)	**278,702**
Remeasurements of defined benefit pension plans	19, 28	(16,279)	**18,018**
Share of other comprehensive (loss) income of investments accounted for using the equity method	28	(16)	**102**
Total		(577,495)	**296,822**
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	28	(26,692)	**209,062**
Cash flow hedges	28	2,735	**3,230**
Share of other comprehensive (loss) income of investments accounted for using the equity method	28	(360)	**5,052**
Total		(24,317)	**217,344**
Total other comprehensive (loss) income		(601,812)	**514,166**
Comprehensive (loss) income for the year		(136,555)	**1,001,678**
Attributable to:			
Owners of the parent company		(183,478)	**943,433**
Non-controlling interests		46,923	**58,245**

Consolidated Statement of Changes in Equity
[For the year ended March 31, 2026]

(Unit: Millions of yen)

	Note	Equity attributable to owners of the parent company					
					Other components of equity		
		Capital stock	Capital surplus	Treasury stock	Net fair value gain on equity instruments designated as FVTOCI	Remeasurements of defined benefit pension plans	Exchange differences on translating foreign operations
As of April 1, 2024		187,457	273,481	(452,140)	1,301,445	—	518,254
Profit for the year		—	—	—	—	—	—
Other comprehensive (loss) income		—	—	—	(560,167)	(17,090)	(28,037)
Comprehensive (loss) income for the year		—	—	—	(560,167)	(17,090)	(28,037)
Acquisition of treasury stock	20	—	—	(196,642)	—	—	—
Disposal of treasury stock	20	—	59	147	—	—	—
Retirement of treasury stock	20	—	(459,206)	459,206	—	—	—
Dividends	21	—	—	—	—	—	—
Restricted stock compensation	22	—	—	—	—	—	—
Changes in the ownership interest in subsidiaries without a loss of control		—	3,658	—	—	—	—
Transfer to retained earnings		—	—	—	(177,692)	17,090	—
Transfer from retained earnings to capital surplus		—	457,805	—	—	—	—
Transfer of other comprehensive income (loss) associated with assets held for sale	12	—	—	—	143,052	—	—
Other		—	—	1	5	—	—
Total transactions with the owners		—	2,316	262,712	(34,635)	17,090	—
As of March 31, 2025		187,457	275,797	(189,428)	706,643	—	490,217

As of April 1, 2025		**187,457**	**275,797**	**(189,428)**	**706,643**	**—**	**490,217**
Profit for the year		**—**	**—**	**—**	**—**	**—**	**—**
Other comprehensive income		**—**	**—**	**—**	**278,421**	**16,733**	**201,294**
Comprehensive income for the year		**—**	**—**	**—**	**278,421**	**16,733**	**201,294**
Acquisition of treasury stock	20	**—**	**—**	**(253,363)**	**—**	**—**	**—**
Disposal of treasury stock	20	**—**	**0**	**(0)**	**—**	**—**	**—**
Retirement of treasury stock	20	**—**	**—**	**—**	**—**	**—**	**—**
Dividends	21	**—**	**—**	**—**	**—**	**—**	**—**
Restricted stock compensation	22	**—**	**(4,763)**	**5,547**	**—**	**—**	**—**
Changes in the ownership interest in subsidiaries without a loss of control		**—**	**77**	**—**	**—**	**—**	**—**
Transfer to retained earnings		**—**	**—**	**—**	**(245,848)**	**(16,733)**	**—**
Transfer from retained earnings to capital surplus		**—**	**615**	**—**	**—**	**—**	**—**
Transfer of other comprehensive income (loss) associated with assets held for sale	12	**—**	**—**	**—**	**115,884**	**—**	**—**
Other		**—**	**—**	**—**	**—**	**—**	**—**
Total transactions with the owners		**—**	**(4,071)**	**(247,816)**	**(129,964)**	**(16,733)**	**—**
As of March 31, 2026		**187,457**	**271,726**	**(437,244)**	**855,100**	**—**	**691,511**

(Unit: Millions of yen)

	Note	Equity attributable to owners of the parent company					Non-controlling interests	Total equity
		Other components of equity		Other comprehensive income associated with assets held for sale	Retained earnings	Total		
		Cash flow hedges	Total					
As of April 1, 2024		(4,141)	1,815,558	258,936	3,451,694	5,534,986	211,519	5,746,505
Profit for the year		—	—	—	419,081	419,081	46,176	465,257
Other comprehensive (loss) income		2,735	(602,559)	—	—	(602,559)	747	(601,812)
Comprehensive (loss) income for the year		2,735	(602,559)	—	419,081	(183,478)	46,923	(136,555)
Acquisition of treasury stock	20	—	—	—	—	(196,642)	—	(196,642)
Disposal of treasury stock	20	—	—	—	—	206	—	206
Retirement of treasury stock	20	—	—	—	—	—	—	—
Dividends	21	—	—	—	(180,478)	(180,478)	(26,954)	(207,432)
Restricted stock compensation	22	—	—	—	—	—	—	—
Changes in the ownership interest in subsidiaries without a loss of control		—	—	—	—	3,658	(20,871)	(17,213)
Transfer to retained earnings		—	(160,602)	—	160,602	—	—	—
Transfer from retained earnings to capital surplus		—	—	—	(457,805)	—	—	—
Transfer of other comprehensive income (loss) associated with assets held for sale	12	—	143,052	(143,052)	—	—	—	—
Other		—	5	—	8	14	35	49
Total transactions with the owners		—	(17,545)	(143,052)	(477,673)	(373,242)	(47,790)	(421,032)
As of March 31, 2025		(1,406)	1,195,454	115,884	3,393,102	4,978,266	210,652	5,188,918

As of April 1, 2025		**(1,406)**	**1,195,454**	**115,884**	**3,393,102**	**4,978,266**	**210,652**	**5,188,918**
Profit for the year		**—**	**—**	**—**	**443,755**	**443,755**	**43,757**	**487,512**
Other comprehensive income		**3,230**	**499,678**	**—**	**—**	**499,678**	**14,488**	**514,166**
Comprehensive income for the year		**3,230**	**499,678**	**—**	**443,755**	**943,433**	**58,245**	**1,001,678**
Acquisition of treasury stock	20	**—**	**—**	**—**	**—**	**(253,363)**	**—**	**(253,363)**
Disposal of treasury stock	20	**—**	**—**	**—**	**—**	**(0)**	**—**	**(0)**
Retirement of treasury stock	20	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Dividends	21	**—**	**—**	**—**	**(176,690)**	**(176,690)**	**(42,791)**	**(219,481)**
Restricted stock compensation	22	**—**	**—**	**—**	**—**	**784**	**—**	**784**
Changes in the ownership interest in subsidiaries without a loss of control		**—**	**—**	**—**	**—**	**77**	**(2,948)**	**(2,871)**
Transfer to retained earnings		**—**	**(262,581)**	**—**	**262,581**	**—**	**—**	**—**
Transfer from retained earnings to capital surplus		**—**	**—**	**—**	**(615)**	**—**	**—**	**—**
Transfer of other comprehensive income (loss) associated with assets held for sale	12	**—**	**115,884**	**(115,884)**	**—**	**—**	**—**	**—**
Other		**—**	**—**	**—**	**182**	**182**	**—**	**182**
Total transactions with the owners		**—**	**(146,697)**	**(115,884)**	**85,458**	**(429,010)**	**(45,739)**	**(474,749)**
As of March 31, 2026		**1,824**	**1,548,435**	**—**	**3,922,315**	**5,492,689**	**223,158**	**5,715,847**

Consolidated Statement of Cash Flows
[For the year ended March 31, 2026]

(Unit: Millions of yen)

	Note	FY2025 2024/4-2025/3	**FY2026 2025/4-2026/3**
Cash flows from operating activities			
Profit before income taxes		578,005	**617,291**
Depreciation		376,593	**378,074**
Impairment losses		—	**6,412**
Decrease in retirement benefit liabilities		(7,213)	**(4,899)**
Decrease (increase) in retirement benefit assets		563	**(4,691)**
Interest and dividend income		(84,988)	**(80,867)**
Interest expenses		12,525	**19,123**
Foreign exchange losses		823	**170**
Share of the profit of associates and joint ventures accounted for using the equity method		(8,999)	**(12,369)**
(Gains) losses on sales or disposal of property, plant and equipment		(22,649)	**5,713**
Increase in trade receivables		(21,423)	**(74,996)**
Increase in inventories		(46,325)	**(72,783)**
Increase (decrease) in trade payables		30,740	**(96,288)**
Decrease in provisions		(7,796)	**(56,668)**
Other		64,797	**93,188**
Subtotal		864,653	**716,410**
Interest received		33,127	**35,967**
Dividends received		54,917	**50,668**
Interest paid		(12,447)	**(18,261)**
Income taxes paid		(181,507)	**(273,759)**
Net cash provided by operating activities		758,743	**511,025**
Cash flows from investing activities			
Decrease in time deposits		9,614	**24,114**
Purchases of property, plant and equipment		(380,071)	**(370,170)**
Proceeds from sales of property, plant and equipment		56,202	**18,698**
Purchases of intangible assets		(65,351)	**(64,019)**
Purchases of equity instruments		(7,925)	**(37,099)**
Purchases of debt instruments		(303)	**(293)**
Proceeds from sales of equity instruments		495,688	**457,823**
Proceeds from sales and redemption of debt instruments		1,049	**586**
Payments for acquisition of subsidiaries or other businesses	6	—	**(55,440)**
Proceeds from sales of subsidiaries or other businesses		5,229	**3,270**
Other		7,767	**5,644**
Net cash provided by (used in) investing activities		121,899	**(16,886)**
Cash flows from financing activities			
Net decrease in short-term borrowings	32	(71,549)	**(62,044)**
Proceeds from borrowings	32	1,227	**355,589**
Repayments of long-term borrowings	32	(135,140)	**(305,788)**
Repayments of lease liabilities	32	(31,713)	**(29,223)**
Issuance of bonds	32	71,800	**93,650**
Redemption of bonds	32	(20,000)	**—**
Dividends paid	21	(180,478)	**(176,690)**
Dividends paid to non-controlling interests		(28,079)	**(42,791)**
Purchase of treasury shares		(196,642)	**(253,363)**
(Increase) decrease in deposits for purchase of treasury shares		(73,359)	**73,359**
Other	32	(13,498)	**(7,702)**
Net cash used in financing activities		(677,431)	**(355,003)**
Foreign currency translation adjustments on cash and cash equivalents		(6,070)	**63,459**
Net increase in cash and cash equivalents		197,141	**202,595**
Cash and cash equivalents at beginning of year		789,390	**986,531**
Cash and cash equivalents at end of year	7	986,531	**1,189,126**

Notes to Consolidated Financial Statements
Year ended March 31, 2026

1. Reporting entity

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

2. Basis of preparation

(1) Compliance with IFRS Accounting Standards

The Group meets all of the requirements for a "Specified Company for the designated IFRS Accounting Standards" to prepare its consolidated financial statements by applying the designated IFRS Accounting Standards as stipulated under Article 1-2-1 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 312 of the Regulation, the Group's consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

The Group's consolidated financial statements for the year ended March 31, 2026 were approved on June 11, 2026 by Shinnosuke Hayashi, the President of the Company.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

(4) Significant accounting judgement, estimates and assumptions

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

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

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

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

- Scope of consolidation: Note 3 "Material accounting policies (1) Basis of consolidation"
- Revenue: Note 3 "Material accounting policies (17) Revenue" and Note 23 "Revenue"

2) Key sources of estimation uncertainty

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

i) Impairment loss on non-financial assets

Regarding non-financial assets such as property, plant and equipment, right-of-use assets and intangible assets, if there is an event or change in circumstances indicating that the carrying amount of the asset or

cash-generating unit may exceed the recoverable amount, the recoverable amount of the asset or cash-generating unit is estimated, assuming there is an indication of possible impairment. In estimating the recoverable amount, assumptions such as the remaining useful life of the asset, projections of future cash flow, and discount rates are used.

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

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

ii) Recoverability of deferred tax assets

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

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

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

iii) Reserve for warranty

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

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

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

For the amount of reserve for warranty, see Note 18 "Provisions."

iv) Measurement of defined benefit obligation

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

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

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

v) Measurement of fair value of financial instruments

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

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

The carrying amounts of financial instruments, details of material unobservable inputs and valuation methodologies for the financial instruments classified as Level 3 are found in Note 30 "Financial instruments (4) Fair value of financial instruments."

(5) Changes in accounting policies

There are no applicable items.

3. Material accounting policies

(1) Basis of consolidation

1) Subsidiaries

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

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

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

2) Associates and joint ventures

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

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

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

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

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

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

3) Joint operations

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

(2) Business combination and goodwill

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

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

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

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

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

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

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

(3) Foreign currency translation

1) Translation of foreign currency transactions

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

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

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

2) Translation of foreign operations

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

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

3) Financial Reporting in Hyperinflationary Economies

The Group has applied hyperinflationary accounting adjustments to subsidiaries whose functional currency is Argentine Pesos and Turkish Lira as required by IAS 29 "Financial Reporting in Hyperinflationary Economies."

When a subsidiary's functional currency is the currency of a hyperinflationary economy, adjustments are made to its separate financial statements to reflect current price levels, and income, expenses and cash flow of the subsidiary are translated into Japanese yen at the rates of exchange prevailing at the fiscal year-end.

(4) Financial instruments

1) Financial assets

i) Initial recognition and measurement

Financial assets are classified into financial assets measured at amortized cost and financial assets measured at fair value based on their nature and holding purposes. The Group determines the classification at initial recognition. The sale or purchase of financial assets that occurred in the normal course of business are recognized or derecognized on the transaction date.

a) Financial assets measured at amortized cost

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

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

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

b) Financial assets measured at fair value

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

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

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

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

ii) Subsequent measurement

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

a) Financial assets measured at amortized cost

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

b) Financial assets measured at fair value

Changes in the fair value of financial assets measured at fair value are recognized in profit or loss. However, gains or losses occurring from the disposal or remeasurement of fair value of the equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income and accumulated within “Other components of equity,” and are not recognized in profit or loss. The amount is transferred to retained earnings when the equity instruments are derecognized. Dividends for equity instruments are recognized in profit or loss for the period when the right to receive dividends is established and included in “Finance income” in the consolidated statement of income. Net gains or losses arising from equity instruments measured at fair value through profit or loss are recognized as “Finance income” or “Finance costs” in the consolidated statement of income (Note 30 “Financial instruments”). The interest income from the debt instruments is also included in profit or loss above.

iii) Impairment of financial assets measured at amortized cost

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

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

iv) Derecognition of financial assets

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

2) Financial liabilities

i) Initial recognition and measurement

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

ii) Subsequent measurement

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

a) Financial liabilities measured at amortized cost

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

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

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

iii) Derecognition of financial liabilities

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

3) Derivatives and hedge accounting

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

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

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

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

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

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

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

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

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

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

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

(7) Property, plant and equipment
Property, plant, and equipment is measured by using the “Cost model” and is stated at acquisition cost less accumulated depreciation and impairment losses.

Except for assets that are not subject to depreciation such as land and construction in progress, property, plant, and equipment is mainly depreciated using the straight-line method over their estimated useful lives, as follows. The estimated useful lives and depreciation method are reviewed at the end of each reporting period.
- Buildings and structures: 6 to 50 years
- Machinery and vehicles: 3 to 10 years
- Other: 2 to 10 years

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

(8) Investment property

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

(9) Intangible assets

1) Separately acquired intangible assets

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

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

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

2) Internally generated intangible assets

Expenditures related to research activities are recognized as expenses as incurred.

The cost arising from development (or from the development phase of an internal project) shall be recognized as an asset if, and only if, the Group can demonstrate all of the following:

i) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
ii) its intention to complete the intangible asset and use or sell it;
iii) its ability to use or sell the intangible asset;
iv) how the intangible asset will generate probable future economic benefits;
v) the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

3) Intangible assets acquired in business combinations

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

4) Amortization of intangible assets

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

- Software: 3 to 5 years
- Development costs: 3 years
- Customer-related assets: 3 to 25 years
- Technology-based assets: 10 to 20 years

5) Derecognition of intangible assets

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

(10) Leases

1) As lessee

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

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

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

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

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

2) As lessor

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

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

(11) Borrowing costs

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

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

(12) Impairment of non-financial assets

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

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

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

(13) Assets held for sale

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

(14) Provisions

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

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

Main provisions are recorded as follows;

Reserve for warranty

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

Provision for loss on antitrust issues

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

(15) Employee benefits

1) Post-employment benefits

i) Defined benefit plans

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

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

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

ii) Defined contribution plans

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

2) Other long-term employee benefits

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

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

3) Short-term employee benefits

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

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

(16) Share-based payment

The Company has introduced the restricted stock compensation plan as a stock-based compensation plan.

Under the restricted stock compensation plan, consideration for services received is measured at the fair value of the Company's shares at the grant date, recognized as an expense from the grant date over the vesting period, and the same amount is recognized as an increase in equity.

(17) Revenue

The Group recognizes revenue by applying the following steps:

STEP 1: Identifying the contract with a customer
STEP 2: Identifying the performance obligations in the contract
STEP 3: Determining the transaction price
STEP 4: Allocating the transaction price to each performance obligation in the contract
STEP 5: Recognizing revenue when satisfying a performance obligation

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

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

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

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

(18) Government grants

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

(19) Income taxes

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

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

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

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

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

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

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

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

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

In addition, the Group recognizes deferred tax liabilities and deferred tax assets in the consolidated statement of financial position related to transactions that cause the same amount of temporary differences to be added or subtracted at the time of transaction.

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

(20) Equity

Common stock

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

Treasury stock

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

(21) Fair value measurements

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

1) Level 1

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

2) Level 2

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

3) Level 3

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

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

(22) Levies

The Group recognizes estimated payable amount as a liability when it is required 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 each year-end dividend and interim dividend were resolved.

4. New accounting standards not yet adopted by the Group

New or revised major standard and interpretation that were issued by the date of approval of the consolidated financial statements but were not yet adopted by the Group as of March 31, 2026, are as follows:

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

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

5. Segment information

(1) Outline of reportable segments

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

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

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

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

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

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

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

For the year ended March 31, 2025 (Unit: Millions of yen)

	Reportable segment					Others (Note 1)	Eliminations or corporate	Consolidated
	Japan (Note 2)	North America	Europe	Asia	Total			
Revenue								
Customers	2,918,587	1,847,879	646,598	1,629,861	7,042,925	118,852	—	7,161,777
Intersegment	1,297,842	15,271	72,073	310,275	1,695,461	162	(1,695,623)	—
Total	4,216,429	1,863,150	718,671	1,940,136	8,738,386	119,014	(1,695,623)	7,161,777
Segment profit	220,545	98,061	8,654	169,461	496,721	22,269	(37)	518,953
Finance income								86,368
Finance costs								(25,810)
Foreign exchange losses								(10,505)
Share of the profit of associates and joint ventures accounted for using the equity method								8,999
Profit before income taxes								578,005

(Note 1) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.
(Note 2) Provision for warranty reserve of ¥50,693 million is included in the segment profit of Japan segment.

Other material items

(Unit: Millions of yen)

	Reportable segment					Others (Note 1)	Eliminations or corporate	Consolidated
	Japan	North America	Europe	Asia	Total			
Depreciation and amortization	243,000	55,279	29,956	77,379	405,614	3,016	—	408,630
Impairment losses	—	—	—	—	—	—	—	—
Reversal of impairment losses	—	—	—	—	—	—	—	—
Investments accounted for using the equity method	95,511	6,409	2,704	19,606	124,230	—	(329)	123,901
Increase in non-current assets (Note 2)	312,189	54,257	26,925	64,857	458,228	6,663	—	464,891

(Note 1) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.
(Note 2) Non-current assets are a total of property, plant and equipment, right-of-use assets, and intangible assets.

For the year ended March 31, 2026 (Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations or corporate	Consolidated
	Japan	North America	Europe	Asia	Total			
Revenue								
Customers	3,087,881	2,012,358	691,545	1,622,176	7,413,960	126,015	—	7,539,975
Intersegment	1,316,212	12,763	76,355	354,750	1,760,080	270	(1,760,350)	—
Total	4,404,093	2,025,121	767,900	1,976,926	9,174,040	126,285	(1,760,350)	7,539,975
Segment profit	185,913	132,314	27,801	178,843	524,871	24,865	2,802	552,538
Finance income								82,693
Finance costs								(31,731)
Foreign exchange gains								1,422
Share of the profit of associates and joint ventures accounted for using the equity method								12,369
Profit before income taxes								617,291

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

Other material items

(Unit: Millions of yen)

	Reportable segment					Others (Note 1)	Eliminations or corporate	Consolidated
	Japan	North America	Europe	Asia	Total			
Depreciation and amortization	260,342	52,867	31,627	75,470	420,306	3,430	—	423,736
Impairment losses	—	—	—	6,412	6,412	—	—	6,412
Reversal of impairment losses	—	—	—	—	—	—	—	—
Investments accounted for using the equity method	111,459	3,926	2,666	18,853	136,904	—	(248)	136,656
Increase in non-current assets (Note 2)	295,056	64,763	89,145	57,172	506,136	8,238	—	514,374

(Note 1) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.
(Note 2) Non-current assets are a total of property, plant and equipment, right-of-use assets, and intangible assets.

(3) Assets for each reportable segment

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Japan	5,121,424	5,413,866
North America	983,673	1,179,475
Europe	528,865	645,854
Asia	1,744,533	1,781,077
Others (Note 1)	91,241	112,891
Eliminations or corporate (Note 2)	(344,736)	(402,309)
Consolidated	8,125,000	8,730,854

(Note 1) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.
(Note 2) Corporate assets included in "Eliminations or corporate" mainly consist of funds which are not attributable to the reportable segments.

(4) Information about products and services

For the year ended March 31, 2025

For disaggregated revenue by type of products and services, see Note 23 "Revenue."

For the year ended March 31, 2026

For disaggregated revenue by type of products and services, see Note 23 "Revenue."

(5) Geographic information

1) Revenue

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Japan	2,838,112	3,020,143
The United States	1,508,430	1,716,868
China	753,943	719,574
Others	2,061,292	2,083,390
Total	7,161,777	7,539,975

(Note 1) Countries which have significant impact on the consolidated financial statements are individually presented.
(Note 2) Revenue is attributed to geographic areas based on customer locations.

2) Non-current assets

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Japan	1,403,351	1,423,155
The United States	213,996	235,695
China	231,384	217,623
Others	443,124	558,372
Total	2,291,855	2,434,845

(Note 1) Countries which have significant impact on the consolidated financial statements are individually presented.
(Note 2) Non-current assets, a total of property, plant and equipment, right-of-use assets, and intangible assets, are attributed to geographic areas based on locations of assets.

(6) Information about major customers

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

Disaggregated revenue by segment is ¥2,131,303 million in Japan, ¥1,056,980 million in North America, ¥141,270 million in Europe, ¥763,681 million in Asia, and ¥41,348 million in other areas.

(Unit: Millions of yen)

FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
3,903,121	4,134,582

6. Business combinations

For the year ended March 31, 2025
There are no applicable items.

For the year ended March 31, 2026
Axia Group B.V.
The Company acquired Axia Group B.V. as a consolidated subsidiary as of July 3, 2025.

(1) Description of business combination

Axia Group B.V., the parent company of the Axia Group, including Axia Vegetable Seeds B.V., became the Company's subsidiary on July 3, 2025 as a result of the Company obtaining the shares of Axia Group B.V. As a result, the ratio of voting rights of Axia Group B.V. held by the Company rose to 100% (as of July 3, 2025). The Company owns all the voting rights of Axia Group B.V.

(2) Reason for the business combination

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

(3) Summary of the acquiree

Name	Axia Group B.V.
Business description	Development, manufacturing(outsourced), and sales of seeds for protected horticulture

(4) Acquisition date

July 3, 2025

(5) Consideration transferred and its components

(Unit: Millions of yen)

	Amount
Payment by cash	58,961

Due to the adjustments to the acquisition consideration for the fiscal year ended March 31, 2026, payments for acquisition of subsidiaries changed.

Acquisition-related costs including advisory fees and others of ¥1,101 million related to the business combination are included in "Selling, general and administrative expenses."

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

(Unit: Millions of yen)

	Initial provisional fair value	Adjustment (Note 1)	Adjusted fair value
Total of the consideration transferred for the acquired shares (A)	59,111	(150)	58,961
Assets			
Cash and cash equivalents	3,521	—	3,521
Trade and other receivables	1,462	—	1,462
Other current assets	8,938	—	8,938
Property, plant and equipment	2,817	—	2,817
Intangible assets	—	28,428	28,428
Other non-current assets	122	—	122
Total assets	16,860	28,428	45,288
Liabilities			
Current liabilities	12,911	—	12,911
Non-current liabilities	4,216	7,334	11,550
Total liabilities	17,127	7,334	24,461
Equity (B)	(267)	21,094	20,827
Goodwill (Note 2) (A-B)	59,378	(21,244)	38,134

(Note 1) Adjustment to the provisional amount

Consideration transferred is allocated to acquired assets and assumed liabilities based on the fair value on the acquisition date. Allocation of the consideration transferred was completed during the fiscal year ended March 31, 2026. The main adjustments from the initial provisional amounts are as follows.

As a result of additional analysis on the fair value of Axia Group B.V. and other related factors, intangible assets and deferred tax liabilities increased by ¥28,428 million and ¥7,334 million, respectively, while goodwill decreased by ¥21,244 million.

(Note 2) Goodwill

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

(7) Payment for acquisition of control over the subsidiary

(Unit: Millions of yen)

	Amount
Payment by cash	58,961
Cash and cash equivalents held by the acquiree at the time of the acquisition	3,521
Total of the consideration acquired	55,440

(8) Revenue and profit of the acquiree

The acquiree's revenue and profit before elimination of intercompany transactions after the acquisition date, which are recorded in the consolidated statement of income for the fiscal year ended March 31, 2026, were ¥5,907 million and ¥2,866 million, respectively.

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

The following is pro forma information (unaudited) of consolidated performance of the Group for the fiscal year ended March 31, 2026 assuming that the business combination of Axia Group B.V. was completed and control was acquired as of April 1, 2025.

(Unit: Millions of yen)

	Amount
Revenue (pro forma)	7,542,241
Profit for the year (pro forma)	488,008

7. Cash and cash equivalents

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Cash and deposits	953,509	1,177,155
Short-term investments	33,022	11,971
Total	986,531	1,189,126

8. Trade and other receivables

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Notes and accounts receivable	1,039,664	1,201,334
Other	209,214	217,507
Less: Allowance for doubtful accounts	(5,892)	(6,601)
Total	1,242,986	1,412,240

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

9. Inventories

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Merchandise and finished products	276,922	305,651
Work in process	611,687	674,137
Raw materials and supplies	314,457	357,056
Total (Note)	1,203,066	1,336,844

(Note) The amounts of write-down of inventories to net realizable value recognized as "Cost of revenue" for the years ended March 31, 2025 and 2026 were ¥26,234 million and ¥30,400 million, respectively.

10. Other financial assets

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Financial assets measured at amortized cost		
Bank deposits	25,111	1,381
Debt securities	299	319
Other	93,896	17,236
Financial assets measured at fair value through profit or loss		
Equity securities and other	—	—
Derivative assets (Note)	25,718	45,024
Financial assets measured at fair value through other comprehensive income and their fair values etc.,		
Equity securities and other	1,589,771	1,769,465
Total	1,734,795	1,833,425

Current assets	112,714	33,720
Non-current assets	1,622,081	1,799,705
Total	1,734,795	1,833,425

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

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

(Unit: Millions of yen)

Security name	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Toyota Motor Corporation	1,184,061	1,431,193
TOYOTA FUDOSAN CO., LTD.	147,601	167,206
ROHM Co., Ltd.	1,602	58,683
Silicon Carbide LLC	46,318	50,430
Infineon Technologies AG	11,031	15,896
Japan Advanced Semiconductor Manufacturing, Inc.	5,021	9,296
Canatu PLC	5,820	4,371
Rapidus Corporation	932	2,998
Renesas Electronics Corporation	149,094	2,401
AISIN TAKAOKA CO., LTD.	1,787	2,119

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

Dividend income related to financial assets measured at fair value through other comprehensive income that the Group held through the years ended March 31, 2025 and 2026 was ¥45,501 million and ¥44,186 million, respectively.

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

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

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Fair value	447,485	457,838
Cumulative gains that have been previously recognized in equity as other comprehensive income—pre-tax (Note)	255,735	351,510
Dividend income	4,894	2,300

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

11. Property, plant and equipment

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

(Unit: Millions of yen)

Acquisition cost	Buildings and structures	Machinery and equipment	Land	Construction in progress (Note 1)	Other	Total
Balance, April 1, 2024	1,267,882	4,028,515	224,457	223,086	983,331	6,727,271
Acquisition	25,087	128,805	312	185,265	38,136	377,605
Business combinations	—	—	—	—	—	—
Disposals	(14,081)	(161,362)	(3,584)	(6,360)	(54,170)	(239,557)
Foreign exchange differences	(7,748)	(22,203)	(1,779)	(2,235)	(5,629)	(39,594)
Other (Note 2)	25,684	110,260	(414)	(162,145)	26,883	268
Balance, March 31, 2025	1,296,824	4,084,015	218,992	237,611	988,551	6,825,993
Acquisition	26,508	139,746	540	147,992	46,323	361,109
Business combinations (Note 3)	738	161	929	988	1	2,817
Disposals	(16,193)	(169,754)	(962)	(114)	(51,455)	(238,478)
Foreign exchange differences	43,676	159,505	3,603	8,409	44,944	260,137
Other (Note 2)	25,681	118,348	56	(166,683)	24,671	2,073
Balance, March 31, 2026	1,377,234	4,332,021	223,158	228,203	1,053,035	7,213,651

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

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

(Note 3) The increase in "Business combinations" for the year ended March 31, 2026 was due to the acquisition of Axia Group B.V. (See Note 6 "Business combinations").

(Unit: Millions of yen)

Accumulated depreciation and accumulated impairment losses	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other	Total
Balance, April 1, 2024	800,338	3,054,572	2,620	—	826,141	4,683,671
Depreciation (Note 4)	38,289	258,681	—	—	63,377	360,347
Impairment losses	—	—	—	—	—	—
Disposals	(10,278)	(148,474)	—	—	(50,866)	(209,618)
Foreign exchange differences	(3,815)	(16,366)	(18)	—	(4,241)	(24,440)
Other	263	5,636	(333)	—	757	6,323
Balance, March 31, 2025	824,797	3,154,049	2,269	—	835,168	4,816,283
Depreciation (Note 4)	39,964	257,064	—	—	62,452	359,480
Impairment losses	—	—	—	—	—	—
Disposals	(12,926)	(156,275)	—	—	(48,566)	(217,767)
Foreign exchange differences	24,883	122,692	130	—	37,667	185,372
Other	1,896	6,430	—	—	1,889	10,215
Balance, March 31, 2026	878,614	3,383,960	2,399	—	888,610	5,153,583

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

(Unit: Millions of yen)

Carrying amount	Buildings and structures	Machinery and equipment	Land	Construction in progress	Other	Total
Balance, April 1, 2024	467,544	973,943	221,837	223,086	157,190	2,043,600
Balance, March 31, 2025	472,027	929,966	216,723	237,611	153,383	2,009,710
Balance, March 31, 2026	498,620	948,061	220,759	228,203	164,425	2,060,068

(2) Carrying amount of assets pledged as collateral
Carrying amounts of assets pledged as collateral are not presented as they are immaterial.

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Contractual commitments for the acquisition of property, plant and equipment	169,994	177,811

(4) Impairment losses
The impairment losses the Group recognized for each fiscal year are as follows:

For the year ended March 31, 2025
No impairment losses were recognized.

For the year ended March 31, 2026
No impairment losses were recognized.

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

For the year ended March 31, 2025
No reversal of impairment losses was recognized.

For the year ended March 31, 2026
No reversal of impairment losses was recognized.

12. Assets held for sale
For the year ended March 31, 2025

(The sale of Toyota Industries Corporation shareholding)
On March 29, 2024, the Company entered into a share forward agreement for all the shares it holds in Toyota Industries Corporation (hereinafter "Toyota Industries"). As a result, as of the year ended March 31, 2025, Toyota Industries shares held by the Company have been classified as held for sale.

(The sale of Aisan Industry Co., Ltd. shareholding)
On March 26, 2025, the Company tendered all of its shares in Aisan Industry Co., Ltd. (hereinafter "Aisan Industry") in response to the Aisan Industry's self-tender offer, and the purchase was successfully executed.

Since the delivery of the shares took place in April 2025, the Company has classified its holdings in Aisan Industry as held for sale as of the year ended March 31, 2025.

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

(Unit: Millions of yen)

	FY 2025 As of March 31, 2025		FY2025 As of March 31, 2025
Assets held for sale		Liabilities directly associated with assets held for sale	
Other financial assets	199,861	Deferred tax liabilities	50,243
		Other comprehensive income associated with assets held for sale	
		Net fair value gain on equity instruments designated as FVTOCI	115,884
Total	199,861	Total	166,127

For the year ended March 31, 2026

There are no applicable items. The shares of Toyota Industries Corporation that had been classified as assets held for sale as of March 31, 2025 were sold in March 2026, following the successful completion of a tender offer for such shares by Toyota Fudosan Corporation.

13. Right-of-use assets

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

(Unit: Millions of yen)

Acquisition cost	Buildings and structures	Machinery and equipment	Land	Other	Total
Balance, April 1, 2024	50,413	7,208	16,632	1,384	75,637
Acquisition	9,816	1,194	1,446	11,344	23,800
Business combinations	—	—	—	—	—
Disposals	(9,041)	(1,402)	(638)	(261)	(11,342)
Foreign exchange differences	(34)	17	45	(13)	15
Other	106	(66)	—	(32)	8
Balance, March 31, 2025	51,260	6,951	17,485	12,422	88,118
Acquisition	14,155	757	3,365	4,392	22,669
Business combinations	—	—	—	—	—
Disposals	(10,905)	(1,734)	(814)	(292)	(13,745)
Foreign exchange differences	1,803	425	905	43	3,176
Other	434	(10)	(20)	1	405
Balance, March 31, 2026	56,747	6,389	20,921	16,566	100,623

(Unit: Millions of yen)

Accumulated depreciation and accumulated impairment losses	Buildings and structures	Machinery and equipment	Land	Other	Total
Balance, April 1, 2024	20,085	4,080	4,440	685	29,290
Depreciation (Note)	10,835	1,397	887	3,127	16,246
Impairment losses	—	—	—	—	—
Disposals	(8,040)	(1,445)	(468)	(259)	(10,212)
Foreign exchange differences	19	2	(4)	(3)	14
Other	2	10	(40)	—	(28)
Balance, March 31, 2025	22,901	4,044	4,815	3,550	35,310
Depreciation (Note)	11,100	1,236	890	5,368	18,594
Impairment losses	—	—	—	—	—
Disposals	(9,955)	(1,734)	(607)	(273)	(12,569)
Foreign exchange differences	915	223	266	30	1,434
Other	(20)	—	11	—	(9)
Balance, March 31, 2026	24,941	3,769	5,375	8,675	42,760

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

(Unit: Millions of yen)

Carrying amount	Buildings and structures	Machinery and equipment	Land	Other	Total
Balance, April 1, 2024	30,328	3,128	12,192	699	46,347
Balance, March 31, 2025	28,359	2,907	12,670	8,872	52,808
Balance, March 31, 2026	31,806	2,620	15,546	7,891	57,863

For the lease transactions, see Note 31 “Leases.”

(2) Impairment losses

The Group recognized impairment losses for the following assets:

For the year ended March 31, 2025

No impairment losses were recognized.

For the year ended March 31, 2026

No impairment losses were recognized.

14. Intangible assets

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

(Unit: Millions of yen)

Acquisition cost	Software	Development costs	Goodwill	Customer-related assets	Technology-based assets	Other	Total
Balance, April 1, 2024	201,605	64,496	28,786	37,818	25,011	39,586	397,302
Acquisition	16,769	—	—	—	—	14,651	31,420
Internally generated	570	32,161	—	—	—	151	32,882
Business combinations (Note)	—	—	—	—	—	—	—
Disposals	(30,865)	(812)	—	—	—	(3,384)	(35,061)
Foreign exchange differences	(332)	(69)	775	319	623	93	1,409
Other	11,629	879	—	—	—	(17,458)	(4,950)
Balance, March 31, 2025	199,376	96,655	29,561	38,137	25,634	33,639	423,002
Acquisition	17,417	—	—	—	—	17,831	35,248
Internally generated	510	27,938	—	—	—	189	28,637
Business combinations	—	—	38,134	144	28,284	—	66,562
Disposals	(11,028)	(271)	—	—	—	(602)	(11,901)
Foreign exchange differences	4,364	62	4,785	180	3,910	430	13,731
Other	13,764	(247)	—	—	—	(13,978)	(461)
Balance, March 31, 2026	224,403	124,137	72,480	38,461	57,828	37,509	554,818

(Note) The increase in “Business combinations” for the year ended March 31, 2025 was due to the acquisition of Axia Group B.V. (See Note 6 “Business combinations”).

(Unit: Millions of yen)

Accumulated amortization and accumulated impairment losses	Software	Development costs	Goodwill	Customer-related assets	Technology-based assets	Other	Total
Balance, April 1, 2024	140,254	21,443	—	11,154	7,432	17,258	197,541
Amortization (Note)	24,672	548	—	2,417	2,069	2,331	32,037
Impairment losses	—	—	—	—	—	—	—
Disposals	(29,965)	—	—	—	—	(1,167)	(31,132)
Foreign exchange differences	(303)	(68)	—	90	77	38	(166)
Other	(328)	(4)	—	—	—	(4,283)	(4,615)
Balance, March 31, 2025	134,330	21,919	—	13,661	9,578	14,177	193,665
Amortization (Note)	27,218	11,473	—	2,039	2,810	2,122	45,662
Impairment losses	—	—	4,176	2,131	105	—	6,412
Disposals	(10,536)	(38)	—	—	—	(519)	(11,093)
Foreign exchange differences	3,175	62	—	158	259	(284)	3,370
Other	(26)	49	—	—	—	(135)	(112)
Balance, March 31, 2026	154,161	33,465	4,176	17,989	12,752	15,361	237,904

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

(Unit: Millions of yen)

Carrying amount	Software	Development costs	Goodwill	Customer-related assets	Technology-based assets	Other	Total
Balance, April 1, 2024	61,351	43,053	28,786	26,664	17,579	22,328	199,761
Balance, March 31, 2025	65,046	74,736	29,561	24,476	16,056	19,462	229,337
Balance, March 31, 2026	70,242	90,672	68,304	20,472	45,076	22,148	316,914

The research and development expenditures recognized in profit or loss for the years ended March 31, 2025 and 2026 were ¥587,243 million and ¥662,135 million, respectively. These amounts were included in "Cost of revenue" and "Selling, general and administrative expenses" in the consolidated statement of income. These amounts exclude amortization related to Development costs.

(2) Impairment losses

The Group recognized impairment losses for the following assets:

For the year ended March 31, 2025

No impairment losses were recognized.

For the year ended March 31, 2026

(Unit: Millions of yen)

	Segment	Class	Amount
Chongqing Chaoli Electric Appliance Co., Ltd.	Asia	Goodwill, Customer-related assets and Technology-based assets	6,412

The Group wrote down the carrying amounts of its Goodwill, Customer- related assets and Technology-based assets of subsidiaries in Asia to their recoverable amounts and recognized ¥6,412 million in impairment losses for relevant assets because the expected profit was not foreseen due to deterioration of a part of the business environment in certain regions. The recoverable amounts of the asset group were measured at value in use and the discount rate used to calculate the estimated future cash flows is 11.76%.

The impairment losses are included in “Other expenses” in the consolidated statement of income.

(3) Material intangible assets

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

For the year ended March 31, 2025

	Carrying amount (Millions of yen)	Average remaining amortization periods (Years)
Customer-related assets	24,476	18.1
Technology-based assets	16,056	12.4

Significant intangible assets recognized for the year ended March 31, 2025 were as follows:

- Customer-related assets (carrying amount of ¥21,358 million, remaining amortization period of 20.0 years) and technology-based assets (carrying amount of ¥2,842 million, remaining amortization period of 5.0 years), which were recognized as a result of the acquisition of the core electronic component operation from Toyota Motor Corporation.
- Customer-related assets (carrying amount of ¥84 million, remaining amortization period of 1.5 years) and technology-based assets (carrying amount of ¥9,601 million, remaining amortization period of 17.5 years), which were recognized as a result of the acquisition of Belua Beheer B.V.

For the year ended March 31, 2026

	Carrying amount (Millions of yen)	Average remaining amortization periods (Years)
Customer-related assets	20,472	18.9
Technology-based assets	45,076	17.1

Significant intangible assets recognized for the year ended March 31, 2026 were as follows:

- Customer-related assets (carrying amount of ¥20,290 million, remaining amortization period of 19.0 years) and technology-based assets (carrying amount of ¥2,273 million, remaining amortization period of 4.0 years), which were recognized as a result of the acquisition of the core electronic component operation from Toyota Motor Corporation.
- Customer-related assets (carrying amount of ¥32 million, remaining amortization period of 0.5 years) and technology-based assets (carrying amount of ¥10,205 million, remaining amortization period of 16.5 years), which were recognized as a result of the acquisition of Belua Beheer B.V.
- Customer-related assets (carrying amount of ¥150 million, remaining amortization period of 10.5 years) and technology-based assets (carrying amount of ¥29,985 million, remaining amortization period of 19.5 years), which were recognized as a result of the acquisition of Axia Group B.V.

(4) Impairment test for goodwill

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

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
The Company (Note 1)	7,265	7,265
DENSO TEN group (Note 2)	1,938	1,938
DENSO FA YAMAGATA	3,464	3,464
Chongqing Chaoli Electric Appliance Co., Ltd.	4,144	—
Belua Beheer B.V.	10,275	11,582
Axia Group B.V.	—	41,465
Other	2,475	2,590
Total	29,561	68,304

(Note 1) Goodwill allocated to the Company was allocated to the related business field.
(Note 2) Goodwill allocated to the DENSO TEN group was allocated to DENSO TEN and its key subsidiaries.

Recoverable amounts for each cash-generating unit or group of cash-generating units are calculated using the maximum value in use based on the five-year business plan prepared based on past experiences and external evidence. Such business plans are approved by management. Cash flow projections beyond the five-year period are extrapolated using a steady or declining growth rate. They were discounted using the weighted-average cost of capital 11.76%-15.29% of cash-generating units or groups of cash-generating units. If future cash flows decline or the discount rate increases, which are the key assumptions used in the impairment test, additional impairment losses may be incurred.

15. Income taxes

(1) Income tax expenses

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

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Current income tax expenses		
Current year	149,380	124,788
Prior years	12,822	9,680
Total	162,202	134,468
Deferred income tax expenses		
Occurrence and reversal of temporary differences	(27,820)	(528)
Changes in tax rate	(3,325)	(4,197)
Recognition of previously unrecognized deferred tax assets	(20,191)	(14)
Reversal of deferred tax assets recognized in the prior year	1,882	50
Total	(49,454)	(4,689)
Total of income tax expenses	112,748	129,779
Income taxes recognized in other comprehensive income	(223,947)	130,172

(Note) Due to the enactment of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 13 of 2025) by the Japanese National Diet on March 31, 2025, the statutory effective tax rate used in calculating deferred tax assets and deferred tax liabilities for this consolidated fiscal year will be changed from the previous 30.07% to 30.96% for temporary differences expected to be resolved in consolidated fiscal years beginning on or after April 1, 2026.

The current income tax charges outside of Japan are calculated on the basis of the tax laws enacted or substantively enacted in the jurisdictions where the Company and its subsidiaries operate and generate taxable income.

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

(Unit: %)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Applicable statutory tax rate	30.07	30.07
Tax credit for R&D expenses	(2.78)	(4.46)
Lower income tax rates applicable to income in certain foreign subsidiaries	(3.99)	(4.16)
Dividends Received Deduction	(0.69)	(0.69)
Impact of the tax rate change	(0.58)	(0.68)
Retained earnings of foreign subsidiaries	0.06	(0.39)
Other	(2.58)	1.33
Actual effective tax rate	19.51	21.02

“Retained earnings of foreign subsidiaries,” which was included in “Other” for the year ended March 31, 2025, is presented separately for the year ended March 31, 2026 due to their increased materiality.

“Recognition of previously unrecognized deferred tax assets,” which was presented separately for the year ended March 31, 2025, was included in “Other” for the year ended March 31, 2026 because it is not material.

To reflect these changes in presentation, the notes for the year ended March 31, 2025 have been reclassified. As a result, “Recognition of previously unrecognized deferred tax assets” of (3.49)%, and “Other” of 0.97%, which were separately presented for the year ended March 31, 2025, have been reclassified as “Retained earnings of foreign subsidiaries” of 0.06% and “Other” of (2.58%).

(2) Deferred tax assets and liabilities

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

For the year ended March 31, 2025 (Unit: Millions of yen)

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations	Transfer to held for sale	Exchange differences on translating foreign operations	Balance, end of year
Deferred tax assets (Note 1)							
Accrued bonuses to employees	22,834	3,075	—	—	—	(37)	25,872
Reserve for warranty	76,347	2,697	—	—	—	(6)	79,038
Retirement benefit liabilities	67,613	1,811	(5,418)	—	—	(74)	63,932
Accrued vacations paid	24,463	1,648	—	—	—	(18)	26,093
Other	222,997	44,235	(11,112)	—	—	(3,093)	253,027
Total deferred tax assets	414,254	53,466	(16,530)	—	—	(3,228)	447,962
Deferred tax liabilities (Note 1)							
Investment in equity instruments	580,886	—	(241,802)	—	(1,224)	—	337,860
Depreciation	62,975	11,054	—	—	—	(217)	73,812
Retirement benefit assets	63,473	5,202	(14,072)	—	—	(6)	54,597
Other	33,615	(12,244)	1,150	—	—	(559)	21,962
Total deferred tax liabilities	740,949	4,012	(254,724)	—	(1,224)	(782)	488,231
Net	(326,695)	49,454	238,194	—	1,224	(2,446)	(40,269)

For the year ended March 31, 2026

(Unit: Millions of yen)

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Business combinations (Note 2)	Transfer to held for sale	Exchange differences on translating foreign operations	Balance, end of year
Deferred tax assets (Note 1)							
Accrued bonuses to employees	25,872	2,474	—	—	—	228	28,574
Reserve for warranty	79,038	(18,780)	—	—	—	303	60,561
Retirement benefit liabilities	63,932	2,293	(6,693)	—	—	500	60,032
Accrued vacations paid	26,093	1,595	—	—	—	67	27,755
Other	253,027	28,243	280	—	—	6,649	288,199
Total deferred tax assets	447,962	15,825	(6,413)	—	—	7,747	465,121
Deferred tax liabilities (Note 1)							
Investment in equity instruments	337,860	—	65,362	—	—	—	403,222
Depreciation	73,812	1,717	—	—	—	1,893	77,422
Retirement benefit assets	54,597	6,217	2,616	—	—	14	63,444
Other	21,962	3,202	1,440	7,334	—	1,849	35,787
Total deferred tax liabilities	488,231	11,136	69,418	7,334	—	3,756	579,875
Net	(40,269)	4,689	(75,831)	(7,334)	—	3,991	(114,754)

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

(Note 2) The increase in "Business combinations" for the year ended March 31, 2026 was due to the acquisition of Axia Group B.V. (See Note 6 "Business combinations").

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Deferred tax assets	75,946	81,102
Deferred tax liabilities	116,215	195,856
Net deferred tax assets (liabilities)	(40,269)	(114,754)

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Deductible temporary differences	45,051	47,360

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Within 1st year	4,841	5,378
2nd year	3,837	4,090
3rd year	3,562	2,755
4th year	7,433	3,588
5th year and thereafter	42,803	59,637
Total	62,476	75,448

As of March 31, 2025 and 2026, deferred tax liabilities were not recognized for taxable temporary differences associated with investments in subsidiaries, except for undistributed profits which were determined to be distributed. This was because the Company was able to control the timing of the reversal of the temporary differences and it was certain that the temporary differences would not reverse in the foreseeable future. The taxable temporary differences associated with investments in subsidiaries in which deferred tax liabilities were not recognized as of March 31, 2025 and 2026 were ¥1,762,300 million and ¥1,922,614 million, respectively.

(3) Global minimum tax

In Japan, within the global minimum tax rules in the Revised Corporation Tax Act, an income inclusion rule ("IIR") has been introduced, applicable an additional tax will be imposed on parent companies located in Japan up to the minimum tax rate (15%) of the taxes borne by the subsidiaries, etc. of those parent companies located in Japan.

In the Group, the tax burden is lower than the minimum tax rate (15%) in subsidiaries located in the United Arab Emirates and other countries, but this taxation has an immaterial impact on the consolidated financial statement as of March 31, 2025 and 2026.

16. Bonds and borrowings

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

The Company is subject to financial covenants with respect to a portion of its borrowings from financial institutions and has complied with such covenants for the years ended March 31, 2025 and 2026. In addition, the Company monitors each compliance status to maintain the level required by such financial covenants.

	FY2025 As of March 31, 2025 (Millions of yen)	FY2026 As of March 31, 2026 (Millions of yen)	Average interest rate (%) (Note 1)	Maturity date
Without collateral				
Short-term borrowings	107,364	46,462	4.40	—
Current portion of bonds (Note 2)	—	99,940	—	—
Current portion of long-term borrowings	145,000	91,000	0.14	—
Bonds (Note 2)	249,520	259,880	—	—
Long-term borrowings	197,500	314,000	1.01	From 2027 to 2032
Total	699,384	811,282	—	—

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

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

Issuer	Name of bond	Date of Issuance	FY2025 As of March 31, 2025 (Millions of yen)	FY2026 As of March 31, 2026 (Millions of yen)	Interest rate (%)	Collateral	Redemption period
The Company	The 13th unsecured bonds	September 8, 2016	20,000	20,000 (20,000)	0.14	None	September 18, 2026
	The 15th unsecured bonds	June 8, 2017	40,000	40,000	0.25	None	June 18, 2027
	The 18th unsecured bonds	April 26, 2018	40,000	40,000	0.32	None	March 17, 2028
	The 20th unsecured bonds	July 10, 2025	—	10,000	1.18	None	July 10, 2030
	The 21st unsecured bonds	July 10, 2025	—	10,000	1.75	None	July 10, 2035
	Due 2026 U.S. dollar-denominated straight bonds (sustainability bonds)	September 16, 2021	74,760	79,940 (79,940)	1.24	None	September 16, 2026
	Due 2029 U.S. dollar-denominated straight bonds (sustainability bonds)	September 11, 2024	74,760	79,940	4.42	None	September 11, 2029
	Due 2030 U.S. dollar-denominated straight bonds	September 17, 2025	—	79,940	4.28	None	September 17, 2030
Total	—	—	249,520	359,820 (99,940)	—	—	—

(Note) The amounts in parentheses under "FY2026 (Millions of yen)" indicate current portion of bonds.

17. Trade and other payables

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Notes and accounts payable (Note 1)	843,841	822,528
Other (Note 2)	431,066	470,208
Total	1,274,907	1,292,736

(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.

The Group has entered into supplier finance arrangements with third-party financial institutions, under which payments are made to the financial institutions based on contracts concluded with each supplier. Suppliers may, at their discretion, receive early payment at a discount from third-party financial institutions. The Group has not pledged any assets or provided any third-party guarantees for supplier finance arrangements.

The carrying amount of the financial liabilities related to supplier finance arrangements is as below.

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Carrying amount of the financial liabilities related to supplier finance arrangements		
Trade and other payables	170,339	84,967
of which suppliers have received payment from third-party financial institutions	22,063	11,731

The range of payment due dates related to the supplier finance arrangements is as below.

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Financial liabilities related to supplier finance arrangements	90-150 days after invoice date	90 days after invoice date
Comparable trade payables that are not part of supplier finance arrangements	30-150 days after invoice date	30-90 days after invoice date

The supplier finance arrangements entered into by the Group are not expected to result in a concentration or significant extension of payment due dates compared to the normal payment terms agreed with other suppliers not participating in the arrangements, and the Group is not exposed to significant liquidity risk arising from these arrangements.

For the fiscal year ended March 31, 2025 and 2026, respectively, there were no significant non-cash changes in the carrying amounts of financial liabilities related to the supplier finance arrangements.

18. Provisions

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

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

(Unit: Millions of yen)

	Reserve for warranty (Note)	Provision for loss on antitrust issues	Other	Total
Balance, April 1, 2024	265,971	13,619	17,365	296,955
Provisions made	78,396	345	8,077	86,818
Provisions used	(55,658)	(6,699)	(7,000)	(69,357)
Provisions reversed	(17,758)	—	(5,413)	(23,171)
Foreign exchange differences	(2,040)	(267)	(457)	(2,764)
Balance, March 31, 2025	268,911	6,998	12,572	288,481
Provisions made	110,542	—	5,825	116,367
Provisions used	(75,124)	(6,646)	(3,918)	(85,688)
Provisions reversed	(84,395)	(352)	(2,475)	(87,222)
Foreign exchange differences	1,818	—	1,017	2,835
Balance, March 31, 2026	221,752	—	13,021	234,773

(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 ¥2,382 million and ¥5,050 million as of March 31, 2025 and 2026, respectively. The amounts are included in "Trade and other receivables" in the consolidated statement of financial position.

19. Post-employment benefits

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

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

(1) Defined benefit plans

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

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

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Balance, beginning of year	812,850	750,549
Service cost	31,817	27,932
Past Service cost	—	1,629
Interest cost on obligation	14,200	17,805
Liquidation	—	(31,291)
Actuarial gains and losses (Demographic)	3,720	9,564
Actuarial gains and losses (Financial)	(62,966)	(65,915)
Actuarial gains and losses (Adjustment of results)	2,429	192
Benefits paid	(50,058)	(50,550)
Foreign exchange differences	(1,443)	1,732
Balance, end of year	750,549	661,647

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

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Balance, beginning of year	761,421	723,948
Interest income on plan assets	12,184	14,756
Income from plan assets other than interest	(37,787)	19,664
Liquidation	—	(31,037)
Employer contributions	18,261	16,764
Benefits paid	(28,891)	(29,440)
Foreign exchange differences	(1,240)	533
Balance, end of year	723,948	715,188

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

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Defined benefit obligation, end of year	750,549	661,647
Plan assets, end of year	723,948	715,188
Effect of the asset ceiling	124,798	175,762
Net amount of defined benefit obligation and plan assets	151,399	122,221
Retirement benefit liabilities	221,883	208,648
Retirement benefit assets	70,484	86,427
Net amount of liabilities and assets recognized in the consolidated statement of financial position	151,399	122,221

Investment policy

The Group's investment policy for the plan assets of its defined benefit pension plans is to procure an adequate return sufficient to meet future benefit obligations over the long term by appropriately utilizing its risk tolerance and formulating a well-diversified portfolio.

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

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

Major components of plan assets

The fair values of plan assets for the years ended March 31, 2025 and 2026 are as follows. In order to ensure consistency with information on plan assets to be disclosed externally in the future, the classification of plan assets has been revised from the years ended March 31, 2026. As a result of this change, "Private equity," which was previously included in "Other," is presented as a separate category due to its increased significance, and certain existing categories have been aggregated. Accordingly, plan assets for the years ended March 31, 2025 have been reclassified to conform to the revised classification.

As of March 31, 2025 (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
Listed shares (Note 1)	70,351	11,696	82,047
Bonds (Note 1)	32,131	111,344	143,475
Insurance contracts (Note 2)	—	175,478	175,478
Private equity	—	144,988	144,988
Other (Note 3)	79,138	98,822	177,960
Total	181,620	542,328	723,948

(Note 1) Listed shares and Bonds for which no quoted market prices are available in an active market include plan assets invested in jointly managed trust funds.

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

(Note 3) Other includes mainly cash and cash equivalents and Infrastructure funds.

As of March 31, 2026 (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
Listed shares (Note 1)	85,266	13,740	99,006
Bonds (Note 1)	82,843	117,448	200,291
Insurance contracts (Note 2)	—	145,857	145,857
Private equity	—	164,905	164,905
Other (Note 3)	19,067	86,062	105,129
Total	187,176	528,012	715,188

(Note 1) Listed shares and Bonds for which no quoted market prices are available in an active market include plan assets invested in jointly managed trust funds.
(Note 2) Insurance contracts include investments in life insurance company general accounts, which are guaranteed for the principal amount and interest rate by life insurance companies.
(Note 3) Other includes mainly cash and cash equivalents and Infrastructure funds.

Changes in the effect of the asset ceiling are as follows:

Any economic benefits are not available because future contributions are not reduced or refunded. Consequently, an unrecognized surplus has arisen in some pension plans of the Group.

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Balance, the effect of the asset ceiling at the beginning of year	80,835	124,798
Interest income	1,154	2,468
Remeasurement Changes in the effect of the asset ceiling	42,809	48,496
Balance, the effect of the asset ceiling at the end of year	124,798	175,762

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

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Discount rate	2.31	3.27

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

(Unit: Millions of yen)

	Increase (decrease) of defined benefit obligations as of March 31, 2026
Discount rate: Decreased by 0.5%	35,156
Discount rate: Increased by 0.5%	(31,896)

The Group expects ¥15,515 million of the contribution to be paid from April 1, 2026 to March 31, 2027.

The weighted-average duration of the defined benefit obligations for the years ended March 31, 2025 and 2026 were 16 years and 15 years, respectively.

(2) Defined contribution plans

The amounts recognized as expenses related to the defined contribution plans for the years ended March 31, 2025 and 2026 were ¥15,491 million and ¥16,094 million, respectively.

20. Equity and other equity items

(1) Capital stock and Capital surplus

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

The numbers of authorized shares for the year ended March 31, 2025 and 2026 were 6,000 million shares.

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

	Number of shares (Shares)	Capital stock (Millions of yen)	Capital surplus (Millions of yen)
FY2025 As of March 31, 2025	2,910,979,691	187,457	275,797
Decrease	—	—	(4,071)
FY2026 As of March 31, 2026	2,910,979,691	187,457	271,726

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

(3) Treasury stock

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

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

	Number of shares (Shares)	Amount (Millions of yen)
FY2025 As of March 31, 2025	93,663,914	189,428
Increase	125,375,467	247,816
FY2026 As of March 31, 2026	219,039,381	437,244

(Note) "Increase" includes an increase of 128,158,400 shares due to the acquisition of treasury stock based on the resolution of the Board of Directors meeting held on October 31, 2024, and a decrease of 2,814,079 shares due to the disposal of treasury stock as restricted stock compensation.

(4) Other components of equity

1) 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 through other comprehensive income.

2) Remeasurements of defined benefit pension plans

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

3) Exchange differences on translating foreign operations

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

4) Cash flow hedges

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

21. Dividends

Total annual dividends for each fiscal year are as follows:

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors' meeting held on April 26, 2024	Ordinary shares	87,327	30	March 31, 2024	May 23, 2024
Board of Directors' meeting held on October 31, 2024	Ordinary shares	93,151	32	September 30, 2024	November 26, 2024
Board of Directors' meeting held on April 25, 2025	Ordinary shares	90,157	32	March 31, 2025	May 27, 2025
Board of Directors' meeting held on October 31, 2025	Ordinary shares	86,532	32	September 30, 2025	November 26, 2025

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

Resolution	Class of shares	Source of dividends	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors' meeting held on April 28, 2026	Ordinary shares	Retained earnings	94,222	35	March 31, 2026	May 29, 2026

22. Share-based payment

The Company has introduced the restricted stock compensation plan for the Company's directors (excluding non-executive directors and outside directors) and Senior Executive Officers who do not concurrently serve as Directors of the Company (hereinafter collectively referred to as the "Eligible Directors, etc.") with the aim of providing medium to long-term incentives to the Eligible Directors, etc. and sharing shareholder value. This plan involves the Company providing monetary claims to the Eligible Directors, etc., and the Eligible Directors, etc. paying in all of the claims to the Company as assets contributed in kind, in exchange for which they receive the issuance or disposition of the Company's common stock. Under the restricted stock allotment agreement concluded between the Company and the Eligible Directors, etc., the Eligible Directors, etc. are prohibited, during a certain restriction period, from transferring to a third party, creating any security interest on, or otherwise disposing of the allotted shares, and the Company shall acquire such allotted shares free of charge upon the occurrence of certain events.

In addition, in the current fiscal year, the Company has introduced the Employee Shareholding Association-Restricted Stock ("ESA-RS") Incentive Plan, under which restricted stock is granted to the Company's employees through the DENSO CORPORATION Employee Shareholding Association (the "ESA"). Under the plan, the Company grants to employees who consent to participate in the plan (the "Eligible Employees") monetary claims to receive ESA-RS as a special incentive payment. The Eligible Employees contribute the monetary claims to the ESA, and the ESA provides the monetary claims to the Company by way of an in-kind contribution, and in turn shall receive the issuance or disposal of the Company's common stock as ESA-RS. Under the ESA-RS allotment agreement concluded between the Company and the ESA, the ESA is prohibited, during a certain restriction period, from transferring to a third party, creating any security interest on, or otherwise disposing of the allotted shares, and the Company shall acquire such allotted shares free of charge upon the occurrence of certain events. Moreover, until the restriction is lifted, based on the ESA Rules and other rules of the ESA, the Eligible Employees are restricted from withdrawing the Eligible Employee's member equity interest pertaining to the allotted shares to be held by the Eligible Employees in proportion to the monetary claims contributed to the ESA.

These plans are accounted for as the equity-settled share-based payment, and the expenses recognized for the previous fiscal year and the current fiscal year were ¥532 million and ¥825 million, respectively.

The details of restricted shares granted in the previous fiscal year and the current fiscal year are as follows:

The restricted stock compensation plan for the Eligible Directors, etc.

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Grant date	June 21, 2024	June 16, 2025
Number of shares granted	78,405	267,679
Fair value at grant date (Yen)	2,623.5	1,922
Total value of shares to be disposed (Yen)	205,695,517.5	514,479,038
Period of restriction	From June 21, 2024 to June 21, 2054	From June 16, 2025 to June 16, 2055
Method of fair value measurement	Fair value is calculated based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of each Board of Directors' resolution.	

The Employee Shareholding Association-Restricted Stock Incentive Plan

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Grant date	—	December 2, 2025
Number of shares granted	—	2,546,400
Fair value at grant date (Yen)	—	1,922
Total value of shares to be disposed (Yen)	—	4,894,180,800
Period of restriction	—	From December 2, 2025 to November 1, 2030
Method of fair value measurement	—	Fair value is calculated based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of the Board of Directors' resolution.

23. Revenue

(1) Disaggregation of revenue

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

Disaggregated revenue by customer is as follows:

For the year ended March 31, 2025

(Unit: Millions of yen)

Toyota Group	3,903,121
Other Original Equipment Manufacturing Sales	2,639,676
Total Original Equipment Manufacturing Sales	6,542,797
Aftermarket and Non-Automotive Business	618,980
Total	7,161,777

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

(Note 2) The "Total Original Equipment Manufacturing Sales" includes income from subleasing right-of-use assets of ¥3,503 million, under IFRS 16.

For the year ended March 31, 2026

(Unit: Millions of yen)

Toyota Group	4,134,582
Other Original Equipment Manufacturing Sales	2,774,111
Total Original Equipment Manufacturing Sales	6,908,693
Aftermarket and Non-Automotive Business	631,282
Total	7,539,975

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

(Note 2) The "Total Original Equipment Manufacturing Sales" includes income from subleasing right-of-use assets of ¥6,135 million, under IFRS 16.

Disaggregated revenue by product is as follows:

Although there was an organizational change effective January 1, 2026, the figures for the fiscal year ended March 31, 2026 are presented based on the organizational classification effective January 1, 2023, as in the fiscal year ended March 31, 2025.

For the year ended March 31, 2025

(Unit: Millions of yen)

Thermal Systems	1,728,469
Powertrain Systems	1,438,591
Mobility Electronics	2,017,304
Electrification Systems	1,354,426
Advanced Devices	388,803
Others	113,659
Automotive Total	7,041,252
Non-Automotive Business Total	120,525
Total	7,161,777

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

(Note 2) The "Automotive Total" includes income from subleasing right-of-use assets of ¥3,503 million, under IFRS 16.

For the year ended March 31, 2026

(Unit: Millions of yen)

Thermal Systems	1,780,351
Powertrain Systems	1,479,737
Mobility Electronics	2,198,663
Electrification Systems	1,433,456
Advanced Devices	390,274
Others	108,587
Automotive Total	7,391,068
Non-Automotive Business Total	148,907
Total	7,539,975

(Note 1) The amounts are after deduction of inter-group transactions.
(Note 2) The "Automotive Total" includes income from subleasing right-of-use assets of ¥6,135 million, under IFRS 16.

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

(2) Contract balances
The breakdown of contract balances of the Group is as follows:

(Unit: Millions of yen)

	April 1, 2024	March 31, 2025	March 31, 2026
Receivables from contracts with customers			
Trade and other receivables	1,123,568	1,128,846	1,296,636
Total	1,123,568	1,128,846	1,296,636
Contract assets			
Other current assets	3,957	5,982	5,927
Other non-current assets	4,491	3,551	3,446
Total	8,448	9,533	9,373

The balance and changes in contract assets are both immaterial.
Of the revenue recognized for the fiscal years ended March 31, 2025 and 2026, the amounts included in the balance of contract liabilities at the beginning of the periods, or the amounts of revenue recognized from performance obligations that have been satisfied (or partially satisfied) in previous periods, are immaterial.

(3) Refund liabilities
The Group expects a portion of the product sales transactions to be refunded to customers due to estimated discounts. Refund liabilities of ¥24,695 million and ¥30,219 million are included in "Other current liabilities" for the fiscal years ended March 31, 2025 and 2026, respectively.

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

(5) Assets recognized from the costs to fulfil a contract
The amount of assets recognized from the costs to fulfil a contract are as follows:

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Assets recognized from the costs to fulfil a contract	—	10,773

Assets recognized from the costs to fulfil a contract are those that are directly related to that contract or to an eventually identifiable contract, that create or increase resources that will be used in the future to satisfy performance obligations, and that are expected to be recovered.

Assets recognized from the costs to fulfil a contract are mainly included in "Other non-current assets" in the consolidated statement of financial position, and are amortized in proportion to the revenue earned from the performance of the contracts.

No amortization and impairment loss were recognized for the fiscal years ended March 31, 2025 and 2026, respectively.

24. Other income

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

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Rental income-property, plant and equipment	2,415	2,912
Gain on sales-property, plant and equipment	37,223	8,263
Other	23,883	19,341
Total	63,521	30,516

25. Selling, general and administrative expenses and other expenses

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

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Freight expenses	46,971	46,460
Employee benefit expenses	233,322	248,122
Provision for warranty reserve	59,726	24,031
Depreciation	35,854	37,341
Welfare expenses	38,850	42,393
Other	189,950	200,263
Total	604,673	598,610

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

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Loss on sales or disposal-property, plant and equipment	14,574	13,976
Impairment losses	—	6,412
Other (Note)	28,188	28,591
Total	42,762	48,979

(Note) "Other" for the year ended March 31, 2025 and 2026 included employee retirement-related expenses at consolidated subsidiaries in the amount of ¥10,042 million and ¥11,069 million, respectively, as part of structural reforms.

26. Income and expenses pertaining to financial instruments

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

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Interest income		
Financial assets measured at amortized cost (i.e., deposits and other)	34,593	28,851
Financial assets measured at fair value through profit or loss (i.e., interest rate derivatives)	—	5,529
Dividend income		
Financial assets measured at fair value through other comprehensive income (Note)	50,395	46,487
Other	1,380	1,826
Total	86,368	82,693

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

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

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Interest expenses		
Financial liabilities measured at amortized cost (i.e., bonds, borrowings, and other)	12,328	19,123
Financial liabilities measured at fair value through profit or loss (i.e., interest rate derivatives)	197	—
Loss on derivatives		
Financial liabilities measured at fair value through profit or loss (share forward agreement)	7,332	3,434
Interest on defined benefit liabilities, net	2,016	3,049
Loss on net monetary position	1,623	2,148
Other	2,314	3,977
Total	25,810	31,731

27. Earnings per share

The Company introduced the Employee Shareholding Association-Restricted Stock Incentive Plan. Among the shares under the plan, those of which rights have not been confirmed are distinguished as participating equity instruments from common stock. A holder of participating equity instruments has the same rights as a holder of common stock to profit attributable to owners of the parent company.

(1) Basis of calculating basic earnings per share

1) Profit for the year attributable to owners of the parent company

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Profit attributable to owners of the parent company	419,081	443,755
Profit attributable to participating equity instruments	—	120
Profit attributable to common shareholders	419,081	443,635

2) Average number of shares - basic

(Unit: Thousands of shares)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Average number of shares - outstanding	2,889,885	2,723,027
Average number of participating equity instruments	—	734
Average number of shares - basic	2,889,885	2,722,293

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

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

28. Other comprehensive income

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

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Other comprehensive (loss) income		
Items that will not be reclassified subsequently to profit or loss		
Net fair value (loss) gain on equity instruments designated as FVTOCI		
Arising during the year	(777,643)	398,125
Income taxes	216,443	(119,423)
Total	(561,200)	278,702
Remeasurements of defined benefit pension plans		
Arising during the year	(24,933)	27,327
Income taxes	8,654	(9,309)
Total	(16,279)	18,018
Share of other comprehensive (loss) income of investments accounted for using the equity method		
Arising during the year	(16)	102
Total	(16)	102
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations		
Arising during the year	(26,427)	209,038
Reclassification to profit or loss	(265)	16
Income taxes	—	8
Total	(26,692)	209,062
Cash flow hedges		
Arising during the year	1,684	9,319
Reclassification to profit or loss	2,201	(4,641)
Before income taxes	3,885	4,678
Income taxes	(1,150)	(1,448)
Total	2,735	3,230
Share of other comprehensive income (loss) of investments accounted for using the equity method		
Arising during the year	(360)	5,052
Total	(360)	5,052
Total other comprehensive (loss) income	(601,812)	514,166

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

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Net fair value (loss) gain on equity instruments designated as FVTOCI	(1,049)	383
Remeasurements of net defined benefit pension plans	811	1,285
Exchange differences on translating foreign operations	985	12,820
Total	747	14,488

29. Non-financial transactions that are material

Details of non-financial transactions that are material

Assets and liabilities related to lease transactions are as follows:

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
The amounts of assets and liabilities related to lease transactions	24,314	31,623

30. Financial instruments

(1) Capital management

To achieve sustainable growth, the Group aims to ensure financial health while continuing stable and lasting returns to shareholders by managing its resources through activities such as facility investment in business, research and development, and mergers and acquisitions. Generally, the operating cash flows cover such funding by maintaining and strengthening the Group's profitability and cash-generating ability, with additional interest-bearing debt, such as debts and borrowings, if necessary. In addition, the Group secures funds to maintain stable financial health in the long term. The Group is not exposed to capital restrictions by external parties as of March 31, 2026.

(2) Description and extent of financial risks

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

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

1) Credit risk

Receivables, such as notes and account receivables, acquired from the operating activities of the Group are exposed to customer credit risk. The Group manages its credit risks from receivables based on internal guidelines, which include monitoring of payment terms and balances of each customer to identify the default risk of customers at an early stage. As of March 31, 2026, receivables from the Toyota Group accounted for 37% of the total receivables.

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

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

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

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

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

Changes in allowance for doubtful accounts

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

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

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

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

Trade receivables

(Unit: Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance, April 1, 2024	1,636	2,945	4,581
Increase	2,906	—	2,906
Decrease—used	(323)	(9)	(332)
Decrease—reversed	(1,010)	(245)	(1,255)
Reclassification to credit-impaired financial assets	(1,536)	1,536	—
Foreign exchange differences	(67)	59	(8)
Balance, March 31, 2025	1,606	4,286	5,892
Increase	1,782	—	1,782
Decrease—used	(43)	(319)	(362)
Decrease—reversed	(849)	(742)	(1,591)
Reclassification to credit-impaired financial assets	(895)	895	—
Foreign exchange differences	246	634	880
Balance, March 31, 2026	1,847	4,754	6,601

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

Receivables except for trade receivables

(Unit: Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Balance, April 1, 2024	122	1,817	1,939
Increase	1	—	1
Decrease—used	—	—	—
Decrease—reversed	(13)	—	(13)
Reclassification to credit-impaired financial assets	—	—	—
Foreign exchange differences	—	(21)	(21)
Balance, March 31, 2025	110	1,796	1,906
Increase	17	—	17
Decrease—used	—	—	—
Decrease—reversed	—	—	—
Reclassification to credit-impaired financial assets	—	—	—
Foreign exchange differences	(11)	220	209
Balance, March 31, 2026	116	2,016	2,132

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

Trade receivables

(Unit: Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Balance, April 1, 2024	1,017,318	5,013	1,022,331
New financial assets and derecognized financial assets during the period	11,882	(2,139)	9,743
Reclassification to credit-impaired financial assets	(5,420)	5,420	—
Foreign exchange differences	(12,391)	124	(12,267)
Balance, March 31, 2025	1,011,389	8,418	1,019,807
New financial assets and derecognized financial assets during the period	81,400	(7,489)	73,911
Reclassification to credit-impaired financial assets	(4,668)	4,668	—
Foreign exchange differences	60,293	2,004	62,297
Balance, March 31, 2026	1,148,414	7,601	1,156,015

Receivables except for trade receivables

(Unit: Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Balance, April 1, 2024	1,257	1,817	3,074
New financial assets and derecognized financial assets during the period	(147)	—	(147)
Reclassification to credit-impaired financial assets	—	—	—
Foreign exchange differences	—	(21)	(21)
Balance, March 31, 2025	1,110	1,796	2,906
New financial assets and derecognized financial assets during the period	171	—	171
Reclassification to credit-impaired financial assets	—	—	—
Foreign exchange differences	—	220	220
Balance, March 31, 2026	1,281	2,016	3,297

Risk profile

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

For the year ended March 31, 2025

Trade receivables, contract assets, or lease receivables

(Unit: Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	1,116,869	—	1,116,869
Past due within 90 days	16,405	—	16,405
Past due within 90 days to 1 year	1,029	3,556	4,585
Past due over 1 year	660	4,862	5,522
Total	1,134,963	8,418	1,143,381

Receivables except above

(Unit: Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Within due date	130,851	—	130,851
Past due within 30 days	—	—	—
Past due within 30 days to 90 days	—	—	—
Past due within 90 days to 1 year	—	—	—
Past due over 1 year	—	1,796	1,796
Total	130,851	1,796	132,647

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

Bonds

(Unit: Millions of yen)

	12 months expected credit losses
Rating over AA	299

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

For the year ended March 31, 2026

Trade receivables, contract assets, or lease receivables

(Unit: Millions of yen)

	Lifetime expected credit losses		Total
	Non-credit-impaired financial assets	Credit-impaired financial assets	
Within due date	1,280,958	—	1,280,958
Past due within 90 days	18,935	—	18,935
Past due within 90 days to 1 year	—	2,564	2,564
Past due over 1 year	—	5,037	5,037
Total	1,299,893	7,601	1,307,494

Receivables except above

(Unit: Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses	Total
		Credit-impaired financial assets	
Within due date	135,271	—	135,271
Past due within 30 days	—	—	—
Past due within 30 days to 90 days	—	—	—
Past due within 90 days to 1 year	—	—	—
Past due over 1 year	—	2,016	2,016
Total	135,271	2,016	137,287

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

Bonds

(Unit: Millions of yen)

	12 months expected credit losses
Rating over AA	319

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

2) Market risk

i) Foreign exchange risk

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

The details of currency derivatives are as follows:

(Unit: Millions of yen)

	FY2025 As of March 31, 2025			FY2026 As of March 31, 2026		
	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	2,880	—	(31)	11,125	—	(38)
Selling	59,204	—	390	63,829	—	(588)
Currency option						
Buying (put)	4,099	—	(4)	6,330	—	(18)
Selling (call)	4,099	—	2	6,330	—	36
Currency swaps						
Buying	40,188	—	569	52,380	13,169	1,352
Selling	10,320	8,275	145	8,860	3,237	233
Total	120,790	8,275	1,071	148,854	16,406	977

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

Foreign exchange sensitivity analysis

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Net profit or loss	297	517
Equity	297	517

ii) Interest-rate risks

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

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

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025			FY2026 As of March 31, 2026		
	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value	Contractual or notional amounts	Contractual or notional amounts due after one year	Fair value
Interest rate swap						
Floating rate receipt, fixed rate payment	21,135	—	46	—	—	—
Cross currency swap						
Fixed rate receipt, fixed rate payment	50,363	—	3,546	51,244	3,481	(5,089)
Total	71,498	—	3,592	51,244	3,481	(5,089)

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

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Net profit or loss	6,362	8,027
Equity	6,362	8,027

3) Liquidity risk

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

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

(Unit: Millions of yen)

FY2025 As of March 31, 2025	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	252,364	429,520	17,500	699,384
Trade and other payables	907,431	—	—	907,431
Other financial liabilities (Note)	30,926	16,727	9,770	57,423
Derivative financial liabilities				
Derivatives	5,808	—	270	6,078

(Note) For lease liabilities which are included in other financial liabilities, see Note 31 "Leases."

(Unit: Millions of yen)

FY2026 As of March 31, 2026	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	237,402	486,380	87,500	811,282
Trade and other payables	879,196	—	—	879,196
Other financial liabilities (Note)	36,522	19,461	9,883	65,866
Derivative financial liabilities				
Derivatives	6,061	1,249	—	7,310

(Note) For lease liabilities which are included in other financial liabilities, see Note 31 “Leases.”

4) Price risks of equity instruments

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

Assuming that the share price rose or fell by 1% at each fiscal year-end, the increase or decrease in total equity would have amounted to approximately ¥10,944 million and ¥10,461 million for the years ended March 31, 2025 and 2026, respectively. As most marketable securities held by the Group are classified as financial assets measured at FVTOCI, a 1% rise or fall in share price would have an immaterial impact on profit or loss.

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

The Group has recognized share forward agreement, and the fair value of the derivatives is ¥(5,590) million as of March 31, 2025. (There are no applicable items as of March 31, 2026.)

(3) Hedge accounting

Interest rate currency swap transaction

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

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

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

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

	FY2025 As of March 31, 2025						
	Carrying amount (Millions of yen)	Nominal amount (Millions of yen)	Average rate (%)	Average exchange rate (yen)	Within 1 year (Millions of yen)	1 to 5 years (Millions of yen)	Over 5 years (Millions of yen)
Interest rate currency swap transaction Fixed rate receipt, fixed rate payment	20,621	126,865	0.68	126.87	—	126,865	—

	FY2026 As of March 31, 2026						
	Carrying amount (Millions of yen)	Nominal amount (Millions of yen)	Average rate (%)	Average exchange rate (yen)	Within 1 year (Millions of yen)	1 to 5 years (Millions of yen)	Over 5 years (Millions of yen)
Interest rate currency swap transaction Fixed rate receipt, fixed rate payment	41,947	200,515	1.04	133.68	55,065	145,450	—

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

Hedged items designated as cash flow hedges are as follows:

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Cash flow hedge reserve for continuing hedge	(1,406)	1,824

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

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Hedging gains or losses of the reporting period that were recognized in other comprehensive income	1,684	9,319
The amount reclassified from the cash flow hedge reserve into profit or loss (Note)	2,201	(4,641)
Total	3,885	4,678

(Note) The amount reclassified in profit or loss is included in "Foreign exchange losses" or "Finance costs" in the consolidated statement of income. See Note 28 "Other comprehensive income" for the reconciliation of each component of equity and an analysis of other comprehensive income.

(4) Fair value of financial instruments

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

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

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

There were transfers from Level 3 to Level 1 due to the shares of Canatu PLC and Blaize Holdings, INC. listed during the year ended March 31, 2025. There were no other level transfers.

There were no transfers among Levels for the year ended March 31, 2026.

1) Financial instruments measured at amortized cost

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

(Unit: Millions of yen)

FY2025 As of March 31, 2025	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Debt securities	295	299	—	—	299
Financial liabilities					
Long-term borrowing (Note)	342,500	—	—	337,944	337,944
Bonds (Note)	249,520	243,909	—	—	243,909

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

(Unit: Millions of yen)

FY2026 As of March 31, 2026	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Debt securities	—	—	—	—	—
Financial liabilities					
Long-term borrowing (Note)	405,000	—	—	396,214	396,214
Bonds (Note)	359,820	355,357	—	—	355,357

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

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

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

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

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

(Unit: Millions of yen)

FY2025 As of March 31, 2025	Level 1	Level 2	Level 3	Total
Derivative assets	—	25,718	—	25,718
Shares				
Listed shares (Note)	1,565,024	—	—	1,565,024
Unlisted shares	—	—	224,608	224,608
Other equity securities	—	—	3,793	3,793
Total	1,565,024	25,718	228,401	1,819,143
Derivative liabilities	—	6,024	—	6,024
Total	—	6,024	—	6,024

(Note) ¥199,861 million of assets held for sale recorded on the consolidated statement of financial position is included in this amount.

(Unit: Millions of yen)

FY2026 As of March 31, 2026	Level 1	Level 2	Level 3	Total
Derivative assets	—	45,024	—	45,024
Shares				
Listed shares	1,515,187	—	—	1,515,187
Unlisted shares	—	—	254,278	254,278
Other equity securities	—	—	3,448	3,448
Total	1,515,187	45,024	257,726	1,817,937
Derivative liabilities	—	7,189	—	7,189
Total	—	7,189	—	7,189

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

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

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

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

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

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Balance, beginning of year	334,085	228,401
Total recognized gains and losses		
Losses recognized in profit or loss (Note 1)	(1,215)	(1,174)
(Losses) gains recognized in other comprehensive income (Note 2)	(101,447)	27,387
Purchases	2,550	3,681
Sales or Disposal	—	(569)
Transfers to Level 1 due to listing (Note 3)	(5,572)	—
Balance, end of year	228,401	257,726

(Note 1) Losses recognized in profit or loss 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 “Finance income” and “Finance costs” in the consolidated statement of income.

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

(Note 3) Due to the transfer to Level 1 following the listing of stocks held by the Group.

(5) Offsetting of financial assets and financial liabilities

A part of the Group’s financial assets and financial liabilities were offset in accordance with the requirements for offsetting financial assets and financial liabilities and the net amounts were presented in the consolidated statement of financial position. In addition, the Group has financial derivative transactions under master netting arrangements or similar arrangements. These arrangements provide the Group, in the event of default by the counterparty, the right to offset receivables and payables with the same counterparty.

The offsetting information of financial assets and financial liabilities with the same counterparty as of each fiscal year-end are as follows:

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Total financial assets	25,718	45,024
Offsetting amount of financial assets and financial liabilities in accordance with the requirements	—	—
Financial assets presented in the consolidated statement of financial position	25,718	45,024
The amount to be offset under master netting arrangement or similar arrangements	(530)	(1,045)
Cash collateral received	—	—
Net	25,188	43,979

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Total financial liabilities	6,024	7,189
Offsetting amount of financial assets and financial liabilities in accordance with the requirements	—	—
Financial liabilities presented in the statement of financial position	6,024	7,189
The amount to be offset under master netting arrangement or similar arrangements	(530)	(1,045)
Cash collateral paid	—	—
Net	5,494	6,144

31. Leases

(1) As Lessee

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

1) Lease liabilities

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Due within one year	12,698	12,704
Due between one to five years	16,727	19,461
After five years	9,770	9,883
Total	39,195	42,048

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

2) Interest expense on lease liabilities

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

(Unit: Millions of yen)

FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
721	932

3) Total cash outflow for leases

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

(Unit: Millions of yen)

FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
42,914	40,718

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

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

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
The expense relating to short-term leases	10,440	10,526
The expense relating to leases of low-value assets	40	37

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

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

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

(Unit: Millions of yen)

FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
—	—

(2) As lessor

1) Finance lease receivables

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Due within one year	4,303	814
Due between one to five years	699	671
After five years	—	—
Total	5,002	1,485

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

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

The amount of income from subleasing right-of-use assets is the same as income from subleasing right-of-use assets under IFRS 16 in the Note 23 "Revenue."

2) Lease payments from operating leases
No lease payments from operating leases were recognized.

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

32. Reconciliation of liabilities arising from financing activities

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

For the year ended March 31, 2025

(Unit: Millions of yen)

	FY2025 As of April 1, 2024	Cash flows	Non-cash changes					FY2025 As of March 31, 2025
			Foreign exchange differences	Fair value changes	New lease contracts	Business combinations	Other	
Short-term borrowings	178,516	(71,462)	310	—	—	—	—	107,364
Long-term borrowings	476,500	(134,000)	—	—	—	—	—	342,500
Lease liabilities	47,622	(31,713)	(13)	—	24,314	—	(1,015)	39,195
Bonds	195,705	51,800	2,015	—	—	—	—	249,520
Derivatives (Note)	7,187	3,896	(71)	(4,988)	—	—	—	6,024
Total	905,530	(181,479)	2,241	(4,988)	24,314	—	(1,015)	744,603

For the year ended March 31, 2026

(Unit: Millions of yen)

	FY2026 As of April 1, 2025	Cash flows	Non-cash changes					FY2026 As of March 31, 2026
			Foreign exchange differences	Fair value changes	New lease contracts	Business combinations	Other	
Short-term borrowings	107,364	(73,158)	12,256	—	—	—	—	46,462
Long-term borrowings	342,500	60,915	(47)	—	—	1,632	—	405,000
Lease liabilities	39,195	(29,223)	1,255	—	31,623	—	(802)	42,048
Bonds	249,520	93,650	16,650	—	—	—	—	359,820
Derivatives (Note)	6,024	(3,341)	23	4,483	—	—	—	7,189
Total	744,603	48,843	30,137	4,483	31,623	1,632	(802)	860,519

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

33. Related parties

(1) Related-party transactions

For the year ended March 31, 2025 (Unit: Millions of yen)

Category	Name	Main transactions	Transaction amounts
Associated company which has significant influence over the Group	Toyota Group	Sale of automotive components	3,903,121
		Purchase of automotive components	60,454

For the year ended March 31, 2026 (Unit: Millions of yen)

Category	Name	Main transactions	Transaction amounts
Associated company which has significant influence over the Group	Toyota Group	Sale of automotive components	4,134,582
		Purchase of automotive components	60,400

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

(Unit: Millions of yen)

	FY2025 As of March 31, 2025	FY2026 As of March 31, 2026
Trade accounts receivable	396,162	405,112
Electronically recorded monetary claims	68,223	68,570
Accounts receivable - others	388	698
Allowance for doubtful accounts	216	413
Accounts payable	10,678	10,270
Accrued expenses	1,615	1,559

(2) Remuneration of key managing officers

For the year ended March 31, 2025 (Unit: Millions of yen)

	Total remuneration	Breakdown of remuneration		
		Basic remuneration	Bonuses	Share-based payment
Key managing officers	900	245	281	374

For the year ended March 31, 2026 (Unit: Millions of yen)

	Total remuneration	Breakdown of remuneration		
		Basic remuneration	Bonuses	Share-based payment
Key managing officers	901	321	213	367

34. Contingencies

There are no material contingencies.

35. Subsidiaries, associates, and others

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

There are no subsidiaries that have material non-controlling interests, associates, or joint ventures for the years ended March 31, 2025 and 2026.

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

(Unit: Millions of yen)

	FY2025 2024/4-2025/3	FY2026 2025/4-2026/3
Increase in capital surplus	3,658	77

Gains (losses) associated with a loss of control of subsidiaries for the years ended March 31, 2025 and 2026 were not material.

36. Subsequent events

The Group has evaluated subsequent events through June 11, 2026.

At the meeting of the Board of Directors held on April 28, 2026, the Company resolved to repurchase its own shares pursuant to Article 156, Paragraph 1 of the Companies Act, as applied by replacing terms pursuant to Article 165, Paragraph 3 of the said act, and the Company's articles of incorporation, and, as the specific method for such repurchase, to conduct a tender offer for its own shares ("Self-Tender Offer").

(1) Outline of the share repurchase

Class of shares to be repurchased	Common shares
Total number to be purchased	184,897,756 shares (maximum)
Total amount of purchase	¥313,586,594,176 (maximum)
Period of purchase	From April 30, 2026 to July 31, 2026
Method of acquisition	Tender offer

(2) Outline of Self-Tender Offer

Class of shares to be repurchased	Common shares
Self-Tender Offer period	From April 30, 2026 to June 1, 2026 (20 business days)
Total consideration for Self-Tender Offer	¥313,586,424,576
Number of shares to be purchased	184,897,656 shares

Appendix

List of subsidiaries

The Company's subsidiaries as of March 31, 2026 are as follows.

Segment	Company name	Voting rights (%)
Japan	KYOSAN DENKI CO., LTD.	64.2
	HAMANAKODENSO CO., LTD.	80.1
	DENSO ELECTRONICS CORPORATION	100.0
	DENSO AIR SYSTEMS CORPORATION	100.0
	DENSO SOLUTION CORPORATION	100.0
	DENSO WAVE INC.	75.2
	DENSO TECHNO CO., LTD.	100.0
	DENSO TRIM CO., LTD.	80.0
	DENSO KYUSHU CORPORATION	100.0
	DENSO HOKKAIDO CORPORATION	100.0
	DENSO FUKUSHIMA CORPORATION	100.0
	DENSO IWATE CORPORATION	100.0
	DENSO TEN LIMITED	65.0
	JECO CO., LTD.	100.0
	38 Other companies	—
North America	DENSO INTERNATIONAL AMERICA, INC.	100.0
	DENSO PRODUCTS AND SERVICES AMERICAS, INC.	100.0 (100.0)
	DENSO MANUFACTURING MICHIGAN, INC.	100.0 (100.0)
	DENSO MANUFACTURING NORTH CAROLINA, INC.	100.0 (82.0)
	DENSO MANUFACTURING TENNESSEE, INC.	100.0 (100.0)
	DENSO MANUFACTURING ATHENS TENNESSEE, INC.	100.0 (100.0)
	DENSO TEN AMERICA LIMITED	100.0 (100.0)
	DENSO MANUFACTURING CANADA, INC.	100.0
	DENSO SALES CANADA, INC.	100.0
	DENSO MEXICO S.A. DE C.V.	95.0 (95.0)
	11 Other companies	—
Europe	DENSO INTERNATIONAL EUROPE B.V.	100.0
	DENSO EUROPE B.V.	100.0 (100.0)
	DENSO BARCELONA S.A.	100.0 (100.0)
	DENSO MANUFACTURING ITALIA S.p.A.	100.0 (100.0)
	DENSO THERMAL SYSTEMS S.p.A.	100.0 (100.0)
	DENSO MANUFACTURING HUNGARY, LTD.	100.0 (100.0)
	DENSO MANUFACTURING CZECH s.r.o.	100.0 (100.0)
	38 Other companies	—

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

(Note 1) Percentages in parentheses in the "Voting rights (%)" column indicate indirect ownership portion of the total voting rights noted above.

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

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