

The DENSO logo is written in a bold, italicized, red sans-serif font.

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Crafting the Core

**FY2023 2nd Quarter
Financial Results
(2022/4-2022/9)**

October 28 , 2022
DENSO CORPORATION



Overview of FY2023 2nd Quarter Financial Results

1. Revenue in the first half of our fiscal year increased compared to the previous year due to sales recovery, sales expansion and foreign exchange gains. Operating profit slightly decreased compared to the previous year due to challenging business conditions such as soaring parts and material, logistics costs, though sales recovery and foreign exchange gains occurred.

2. We have revised our revenue forecast for the full year based on changing foreign exchange preconditions, adjusting our revenue projection to 6,310.0 billion yen, and we have secured our operating profit forecast from the previous announcement for the full year to 480.0 billion yen, based on foreign exchange gains and profit improvements, though deterioration of our region mix has occurred.

FY2023 2nd Quarter Financial Results (2022/4-2022/9)

P/L (IFRS)

	(Ratio to Revenue)		[Unit: Billions of Yen, %]		
	2021/4-2021/9	2022/4-2022/9	Change		
Revenue	2,582.9	3,020.1	+437.2	+16.9%	
Operating Profit	(6.2%) 159.3	(5.1%) 155.4	-3.9	-2.5%	
Profit before Income Taxes	(7.1%) 182.9	(5.7%) 170.6	-12.2	-6.7%	
Profit (*)	(4.4%) 112.7	(3.5%) 105.8	-6.9	-6.1%	

* Profit attributable to owners of the parent company

		[Unit: Millions of Units]					
Precondition	Foreign Exchange Rate	JPY	109.8/USD	JPY	134.0/USD	+24.2 JPY	-
		JPY	130.9/EUR	JPY	138.7/EUR	+7.8 JPY	-
		JPY	17.0/CNY	JPY	19.9/CNY	+2.9 JPY	-
	Domestic Vehicle Production		3.53		3.58	+0.06	+1.6%
	Overseas Vehicle Production of Japanese Manufacturers		8.36		8.43	+0.06	+0.7%

[Overview of the Consolidated Financial Results]

1. Consolidated revenue totaled 3,020.1 billion yen, increased by 437.2 billion yen (+16.9%) from the previous year.
2. Consolidated operating profit totaled 155.4 billion yen, decreased by 3.9 billion yen (-2.5%) from the previous year.
3. Consolidated profit attributable to owners of the parent company totaled 105.8 billion yen, decreased by 6.9 billion yen (-6.1%) from the previous year.

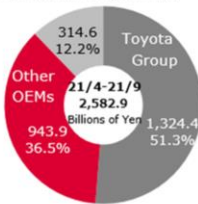
FY2023 2nd Quarter Consolidated Revenue (By Customer)

(Unit: Billions of Yen)

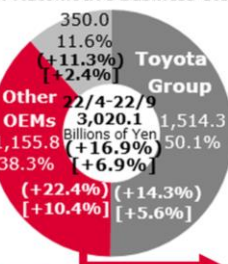
():vs FY22/2Q (6 month basis) INCR/DECR []:vs FY22/2Q (6 month basis) INCR/DECR excluding FX diff.

Revenue	2,582.9 ⇒ 3,020.1	(+16.9%)	[+6.9%]
- Toyota group	1,324.4 ⇒ 1,514.3	(+14.3%)	[+5.6%]
- Other OEMs	943.9 ⇒ 1,155.8	(+22.4%)	[+10.4%]
	1,155.8		
	943.9		
	279.8		
	34.8		
	37.9		
	47.0		
	47.4		
	51.3		
	51.0		
	61.4		
	58.0		
	94.8		
	180.5		
	332.5		
Others (VW, Benz, TDSG, John Deere, Mitsubishi etc.)	44.9	(+18.8%)	[+9.4%]
Isuzu	46.5	(+29.0%)	[+22.1%]
Nissan	53.6	(+22.8%)	[+13.3%]
Mazda	55.4	(+14.0%)	[+12.1%]
Hyundai/Kia	55.4	(+17.0%)	[+9.6%]
Suzuki	67.0	(+30.7%)	[+21.9%]
SUBARU	70.3	(+37.7%)	[+26.8%]
GM	81.2	(+32.2%)	[+9.1%]
Ford	87.1	(+50.3%)	[+25.2%]
Stellantis	122.4	(+29.1%)	[+16.7%]
Honda	194.9	(+8.0%)	[-6.5%]

After-market, Non-Automotive Business etc.



After-market, Non-Automotive Business etc.



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[Revenue by Customer(Quantity Base)]

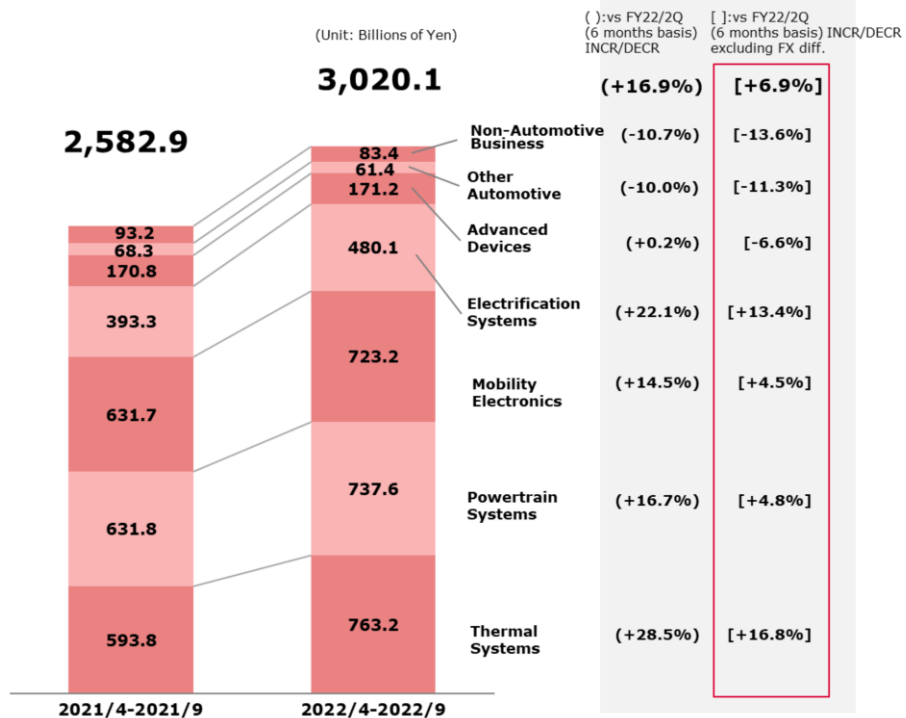
Toyota Group

Despite the significant impact of reduced vehicle production in Japan , revenue increased by 5.6% year-on-year due to increased electrified products in China.

Non-Toyota Group

Despite the impact of production reduce, due to production recovery at Stellantis, Ford, SUBARU, etc. increased by 10.4% year-on-year.

FY2023 2nd Quarter Consolidated Revenue (By Product)



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<Revenue by Product (Quantity base)>

In addition to the conventional sales expansion effect, due to measures to encourage the spread of low-emission vehicles in Europe and China , electrification business expanded.

Electrification system

- Revenue of inverters in China and North America and battery packs increased in Asia, etc.

Thermal system

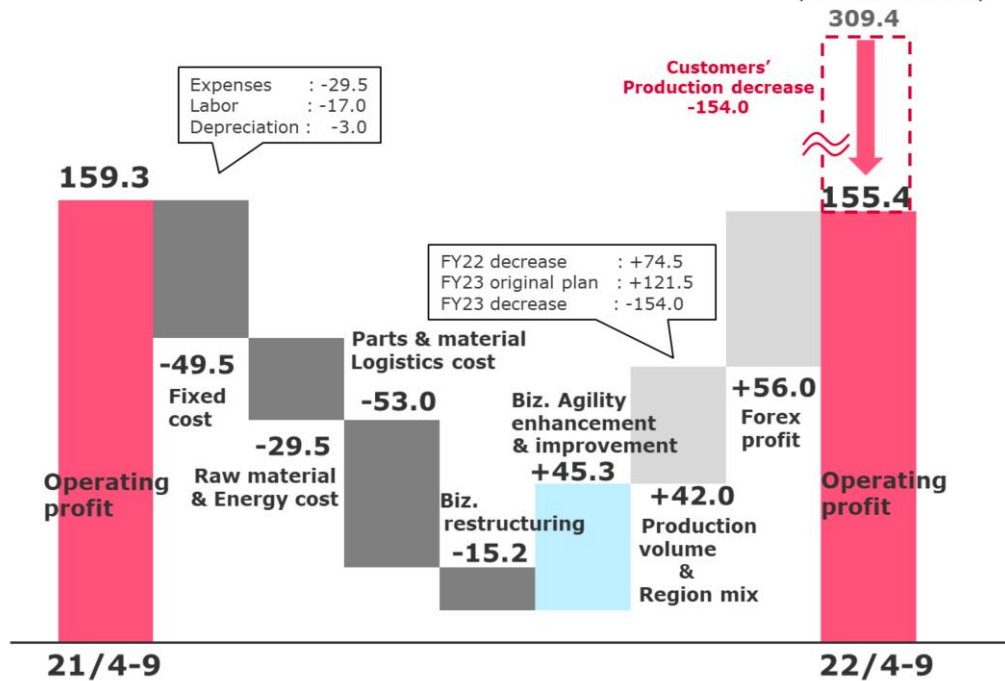
- Revenue expansion of electric compressors continued in Europe and elsewhere.

Mobility Electronics

- The installation rate of ADAS products improved.

Change in FY2023 2nd Quarter Operating Profit

(Unit: Billions of Yen)



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[Factor that Contributed to increases or Decreases in Operating Profit]

Positive Factors

- Biz. Agility enhancement & improvement 45.3 billion yen.
- Production volume & region mix 42.0 billion yen.
- Forex profit 56.0 billion yen.

Negative Factors

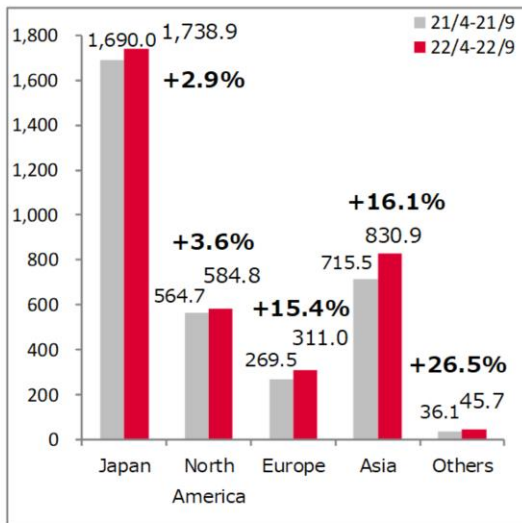
- Fixed costs -49.5 billion yen
- Row material and energy costs -29.5 billion yen
- Parts and logistics costs -53.0 billion yen
- Biz. restructuring -15.2 billion yen

We have started negotiations with global customers, which are now well under way. To overcome the difficult situation throughout the industry, we will continue to communicate closely with customers so that we can properly pass on costs to them.

Geographical Segments by Company Location

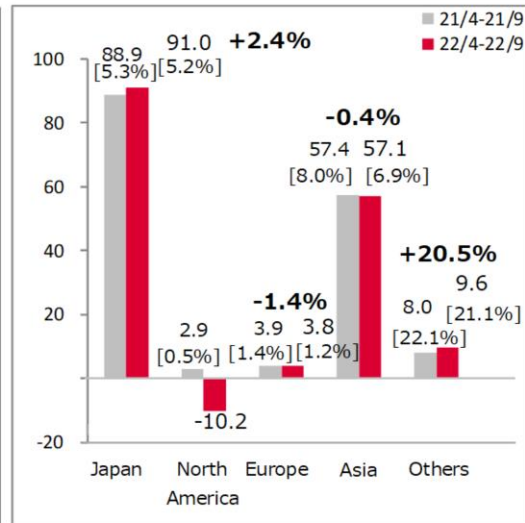
Local currency basis excludes FX difference
(109.8JPY/1USD, 130.9JPY/1EUR, 17.0JPY/1CNY)

Revenue



Operating Profit

(Unit: Billions of Yen)
[]: Ratio to Revenue



[Revenue and Operating Profit by Each Region*]

*Excluding the effect of foreign exchange

Revenue

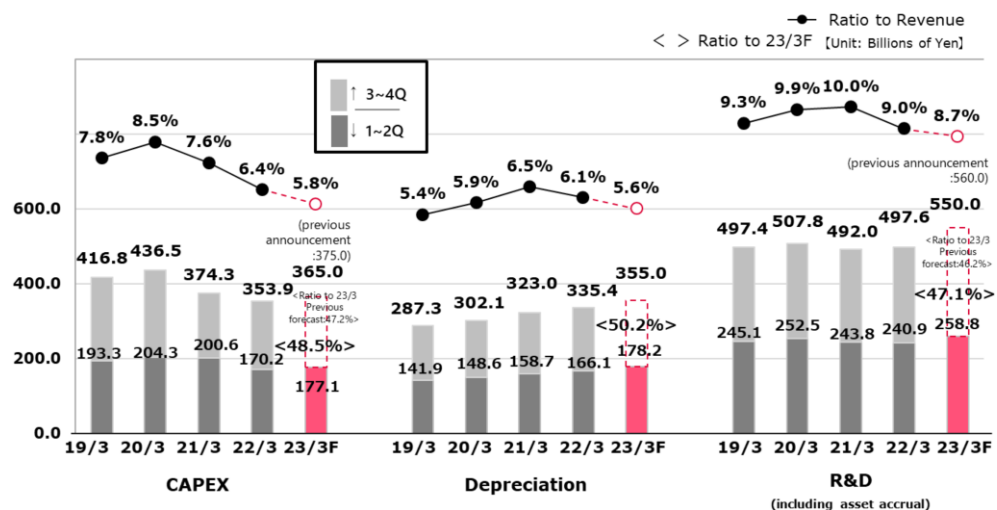
Revenue increased from the previous year in all regions due to the recovery in vehicle production, sales expansion, and depreciation of the yen.

Operating Profit

In Japan, we posted an increase in operating profit due to the depreciation of the yen, streamlining of operations, and efforts to pass on costs to customers ahead of other regions in response to the deteriorating business conditions (e.g., increased costs of parts and materials). Overseas, efforts were made to improve profitability.

However, in North America, operating profit decreased from the previous year due to the deteriorating business conditions and other factors.

Trend of Capital Expenditures, Depreciation and R&D Expenditures



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[Capital Expenditures, Depreciation and R&D Expenditures]

Capital Expenditure

Actual results: 177.1 billion yen.

Annual 365 billion yen (- 10 billion yen from the previous announcement).

While accelerating the necessary input in the focus fields (electrification and advanced safety), we are scrutinizing investments in view of the recent uncertainty in the business environment. As a result of this strict review based on financial discipline, the annual forecast was revised downward by 10 billion yen to 365 billion yen compared to the previously announced amount.

R&D expenditures

Actual results: 258.8 billion yen.

Annual 550 billion yen (-10 billion yen from the previous announcement).

We accelerated R&D in the focus fields, including electrification and advanced safety, while increasing the efficiency. As part of further improvements in efficiency, the annual forecast was revised downward by 10 billion yen to 550 billion yen compared to the previously announced amount.

FY2023 Financial Forecast

P/L (IFRS)

	(Ratio to Revenue)		Change from previous forecast		[Unit: Billions of Yen, %]		
	Forecast as of June 2022	2023/3 Forecast			2022/3 Actual	Change from Mar. 2022	
Revenue	6,220.0	6,310.0	+90.0	+1.4%	5,515.5	+794.5	+14.4%
Operating Profit	(7.7%) 480.0	(7.6%) 480.0	0	—	(6.2%) 341.2	+138.8	+40.7%
Profit before Income Taxes	(8.4%) 523.0	(8.3%) 523.0	0	—	(7.0%) 384.8	+138.2	+35.9%
Profit (*1)	(6.1%) 378.0	(6.0%) 378.0	0	—	(4.8%) 263.9	+114.1	+43.2%

*1 Profit attributable to owners of the parent company

Precondition	[Unit: Millions of Units]		Change from previous forecast		[Unit: Millions of Units]	
	JPY	JPY (*2)			JPY	JPY
Foreign Exchange Rate	129.9/USD	134.5/USD	+4.6 JPY	—	112.4/USD	
	135.8/EUR	136.9/EUR	+1.1 JPY	—	130.6/EUR	
	19.5/CNY	19.9/CNY	+0.4 JPY	—	17.5/CNY	
Domestic Vehicle Production	8.08	8.08	—	—	7.33	
Overseas Vehicle Production of Japanese Manufacturers	17.95	17.95	—	—	17.21	

*2 Foreign Exchange Rate of Forecast for the last half : JPY 135.0/USD, 135.0/EUR, 20.0/CNY

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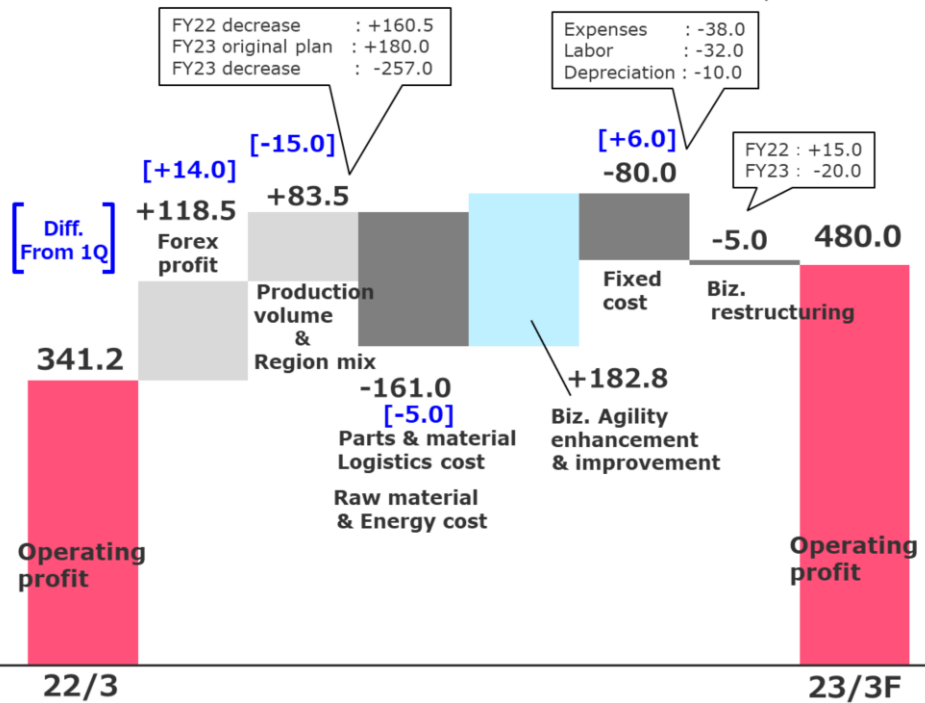
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[Full year Financial Forecast]

- We expect revenue of 6,310.0 billion yen.
(We have revised our revenue forecast in full-year based on changing foreign exchange preconditions, +90.0 billion yen from the previous announcement.)
- We expect revenue of 480.0 billion yen.
(Despite the deterioration of our region mix, the forecast remains unchanged in view of foreign exchange gains and higher profits.)
- We used 134.5 yen to the U.S. dollar and 136.9 yen to the Euro, 19.5 yen to the CNY.

Change in FY2023 Forecast Operating Profit

(Unit: Billions of Yen)



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<variance from previous estimation>

Positive factors from the previous announcement

Forex exchange profit 14.0 billion yen
Fixed costs 6.0 billion yen

Negative factors from the previous announcement

Forex exchange profit -15.0 billion yen
Parts & material, logistics cost,
raw material and energy costs -5.0 billion yen

- While foreign exchange gains due to the depreciation of the yen and recovery in vehicle production were positive factors, the deteriorating business conditions, including parts, materials, and logistics costs, continued to suppress profits from last year.
- In addition to ongoing efforts to streamline operations, we will counter the deteriorating business conditions by cutting costs as well as passing on costs to customers in particular. We aim to increase profits significantly despite the fixed costs and business restructuring cost incurred for future operations.

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Appendix

- Pre-Conditions (Foreign Exchange Rate/Vehicle Production)
- Consolidated Revenue by Customer
- Consolidated Revenue by Product
- Geographical Segments by Company Location
- Capital Expenditures, Depreciation and R&D Expenditures

Pre-Conditions (Foreign Exchange Rate/Vehicle Production)

		FY2023 Full Year 22/4-23/3F									
		22/4-22/9			22/10-23/3F						
		Prior Year	Actual	Change	Prior Year	Revised Estimation	Change from prior year	Prior Year	Forecast (Original)	Forecast (Revised)	Change
Foreign Exchange Rate (Yen)	USD	109.8	134.0	+ 24.2	115.0	135.0	+ 20.0	112.4	129.9	134.5	+22.1
	EUR	130.9	138.7	+ 7.8	130.2	135.0	+ 4.8	130.6	135.8	136.9	+6.3
	CNY	17.0	19.9	+ 2.9	18.0	20.0	+ 2.0	17.5	19.5	19.9	+2.4
Forex Impact on Operating Income per Yen (Billions of Yen)	USD							3.3	3.3	3.3	-0.0
	EUR							1.1	0.9	0.9	- 0.2
	CNY							19.0	22.5	22.6	+3.6
Vehicle Production of Japanese Manufacturers (Millions of Units)	Domestic	3.53	3.58	+ 1.6%	3.80	4.50	+ 18.4%	7.33	8.08	8.08	+ 10.3%
	Overseas	8.36	8.43	+ 0.7%	8.85	9.52	+ 7.6%	17.21	17.95	17.95	+ 4.3%

Consolidated Revenue (By Customer)

(Unit: Billions of Yen)

	21/4-21/9		22/4-22/9		Change		Change excludes FX difference, etc. %
	Amount	% to Total	Amount	% to Total	Amount	%	
Toyota	1,237.5	47.9	1,408.8	46.7	+171.3	+13.8	+4.9
Daihatsu	58.7	2.3	79.5	2.6	+20.7	+35.3	+27.5
Hino	28.2	1.1	26.0	0.9	-2.1	-7.6	-9.0
Toyota Group	1,324.4	51.3	1,514.3	50.1	+189.9	+14.3	+5.6
Honda	180.5	7.1	194.9	6.5	+14.4	+8.0	-6.5
Stellantis	94.8	3.7	122.4	4.1	+27.6	+29.1	+16.7
(FCA)	76.1	2.9	100.1	3.3	+24.0	+31.5	+17.7
(PSA)	18.7	0.7	22.3	0.7	+3.6	+19.1	+12.7
Ford	58.0	2.2	87.1	2.9	+29.2	+50.3	+25.2
GM	61.4	2.4	81.2	2.7	+19.8	+32.2	+9.1
SUBARU	51.0	2.0	70.3	2.3	+19.3	+37.7	+26.8
Suzuki	51.3	2.0	67.0	2.2	+15.7	+30.7	+21.9
Hyundai/Kia	47.4	1.8	55.4	1.8	+8.0	+17.0	+9.6
Mazda	47.0	1.8	53.6	1.8	+6.6	+14.0	+12.1
Nissan	37.9	1.5	46.5	1.5	+8.6	+22.8	+13.3
ISUZU	34.8	1.3	44.9	1.5	+10.1	+29.0	+22.1
VW·AUDI	24.7	1.0	34.0	1.1	+9.3	+37.6	+24.6
Mitsubishi	22.0	0.9	26.8	0.9	+4.8	+21.8	+11.8
BMW	23.9	0.9	23.4	0.8	-0.4	-1.9	-9.0
Benz	11.4	0.4	18.1	0.6	+6.6	+57.9	+48.3
Volvo	12.8	0.5	14.3	0.5	+1.5	+11.6	+2.2
OE Sales for others	185.1	7.2	215.9	7.1	+30.8	+16.7	+7.6
OEM Total	2,268.3	87.8	2,670.0	88.4	+401.7	+17.7	+7.6
Non-Automotive Business(*)	314.6	12.2	350.0	11.6	+35.4	+11.3	+2.4
Total	2,582.9	100.0	3,020.1	100.0	+437.2	+16.9	+6.9

* Including revenue of industrial systems and consumer products, revenue for After Market, and revenue of property/equipment etc.

Consolidated Revenue (By Product)

(Unit: Billions of Yen)

	21/4-21/9		22/4-22/9		Change		Change excludes FX difference
	Amount	% to Total	Amount	% to Total	Amount	%	
Thermal Systems	593.8	23.0	763.2	25.3	+169.4	+28.5	+16.8
Powertrain Systems	631.8	24.5	737.6	24.4	+105.8	+16.7	+4.8
Mobility Electronics	631.7	24.5	723.2	23.9	+91.6	+14.5	+4.5
Electrification Systems	393.3	15.2	480.1	15.9	+86.8	+22.1	+13.4
Advanced Devices	170.8	6.6	171.2	5.7	+0.4	+0.2	-6.6
Others(*)	68.3	2.6	61.4	2.0	-6.8	-10.0	-11.3
Automotive Total	2,489.7	96.4	2,936.8	97.2	+447.1	+18.0	+7.8
Non-Automotive Business Total	93.2	3.6	83.4	2.8	-9.9	-10.7	-13.6
Total	2,582.9	100.0	3,020.1	100.0	+437.2	+16.9	+6.9

* Including revenue of equipment and repair parts etc.

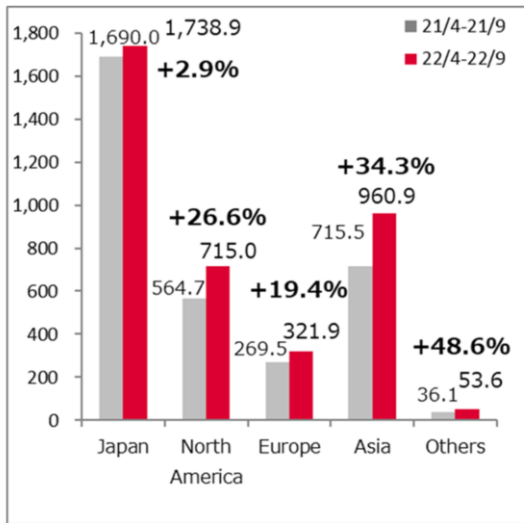
Geographical Segments by Company Location

JPY basis

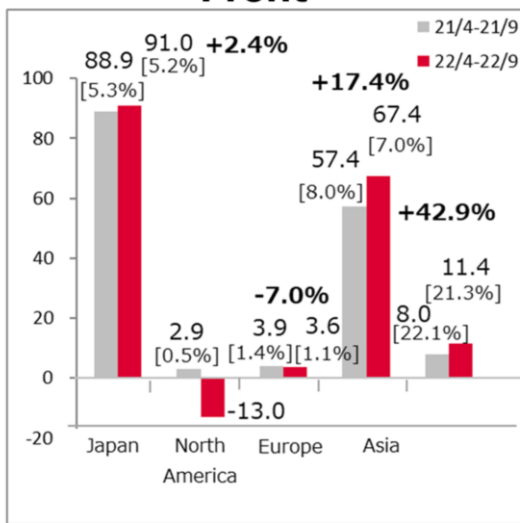
(Unit: Billions of Yen)

[]: Ratio to Revenue

Revenue



Operating Profit



Capital Expenditures, Depreciation and R&D Expenditures

(Unit: Billions of Yen)

	22/3		23/3F		Change	Progress to 23/3 Forecast
	21/9		22/9			
Japan	113.2	219.2	103.2	231.0	- 8.8%	44.7%
North America	20.3	40.6	27.9	40.0	+37.4%	69.8%
Europe	8.7	19.3	10.4	21.0	+19.5%	49.5%
Asia	26.7	71.6	33.5	79.0	+25.5%	42.4%
Others	1.3	3.2	2.1	4.0	+61.5%	52.5%
Suppression	-	-	-	-10.0	-	-
Capital Expenditure	170.2	353.9	177.1	365.0	+4.1%	48.5%
Japan	104.8	211.6	106.9	219.0	+2.0%	48.8%
North America	20.4	40.8	24.7	43.0	+21.1%	57.4%
Europe	12.8	25.2	12.9	26.0	+0.8%	49.6%
Asia	27.3	56.2	32.5	64.0	+19.0%	50.8%
Others	0.8	1.6	1.2	3.0	+50.0%	40.0%
Depreciation	166.1	335.4	178.2	355.0	+7.3%	50.2%
R&D Expenditure (Ratio to Revenue)	240.9 (9.3%)	497.6 (9.0%)	258.8 (8.6%)	550.0 (8.7%)	+7.4%	47.1%

*R&D Expenditures includes asset accrual