

FY2024 2nd Quarter (2023/4-2023/9) Financial Results Summary of Q&A

Financial results & forecast

Q: What is the detail about the expected increase of vehicle production in the plan for the fiscal year ending March 2024?

A: We announced at the beginning of the fiscal year that we expected risk of vehicle production to drop by 10% in FY2024 for OEM's plans at the beginning of the year. But in the third quarter, we reflected the results about 70% of the production upside volume received from OEM. As a result, we expect production to fall by 3% in the third quarter and to fall by 10% in the fourth quarter.

Q: Why is operating profit increasing while revenue is falling in Asia?

A: Although revenue in ASEAN increased, revenue fell in China. Operating profit increased while revenue was not due to foreign exchange gains and the elimination of business restructuring costs related to the withdrawal of subsidiaries in Korea.

Chinese market

Q: What is the outlook for the Chinese market and DENSO's business opportunities and concerns?

A: The Chinese economy is slowing down overall, and vehicle sales are also decreasing. As for the composition of vehicle propulsion sources in China, EVs are increasing, while gas and hybrid vehicles are decreasing. So Chinese groups such as BYD, which is actively developing competitive EVs, are doing well and others that, have not been able to introduce EVs effectively, are decreasing. Japanese and European OEMs, which do a lot of business with our company, are also struggling, and we expect the impact to be medium-term. We intend to strengthen revenue with Chinese manufacturers and develop our business in a way that we balance business of both foreign companies and Chinese companies. However, altogether, we believe that we have performed disciplined and lean management because there has been little decrease in operating profit compared to revenue.

United Auto Workers Strike

Q: What is DENSO's impact of the UAW strike?

A: The impact on our company was a decrease in revenue of approximately 10 billion yen, and we do not think the impact would be significant.

Research and Development Expenditures

Q: R&D expenditures increased as a result of forecast of the foreign exchange gains, but the R&D expenditures ratio of revenue has decreased. What is DENSO's view of the R&D expenditures?

A: We continue to actively introduce resources of development in CASE areas. On the other hand, for making resources, we are increasing improvement output of software development, including using AI to support automation and strengthen simulations. We are spending R&D expenditures continuously based on a ratio of approximately 9% as a source of business growth.