

# FY2024 Financial Results (2023/4-2024/3)

## Summary of Q&A

### Financial results and forecasts

Q: What is the cause that led to the further downward impact on operating income for the current fiscal year despite the downward revision in the 3Q?

A: The downside of 114.4 billion yen was comprised of approximately 60 billion yen for production volume, 20 billion yen for non-agreed price pass-through for wage increases, 17 billion yen for soaring costs of electronic components, 10 billion yen for R&D expenses, and the rest of the costs for quality costs different from fuel pumps. The reason for production volume decreases was due to customer shutdowns. The reason for non-agreed price pass-through for wage increases was due to no progress in paying cost of the wage increases by overseas automakers, especially in North America, while domestic automakers actively paid cost of wage increases.

Q: What is DENSO's view of the outlook for vehicle production volume for the next fiscal year (FY2025) compared to the current fiscal year (FY2024), and how much risk has been reflected in plan?

A: We forecast that vehicle production will slightly increase from the current fiscal year. And we think risks will be a slight downside due to the tightening of automobile loan credit in Asia, particularly Thailand and Indonesia, and sales difficulties faced by foreign and Japanese automakers in China. However, we intend to address these risks by controlling fixed costs during the next fiscal year.

Q: Although DENSO's sales of electrified products and advanced driver assistance system products are doing well, what is DENSO's view of the slowing growth of electric vehicles or the strong trend of hybrid vehicles?

A: We have had meetings with various automakers about the composition ratio of hybrid vehicles, fuel cell vehicles, and electric vehicles, and have been provided about its short, medium and long-term forecasts. So we feel that the slowdown in electric vehicles is moving within the expected range. However, in order to be able to respond flexibly no matter how the structure fluctuates in the future, for example, we intend to establish a system that can be used for each module, or to standardize the process so that it can be accepted flexibly in the production line. In this way, we are creating structure that the financial results will not be affected.

### Business Portfolio

Q: What is DENSO's view of the transformation of the business portfolio about your future approach and the progress about the transfer of the spark plug business that you announced recently?

A: In the short term, electric vehicles are slowing down, but in the medium to long term, we believe that the shift from internal combustion engines to electrification will progress, and we will continue to promote the business portfolio transformation without hesitation. This means that we maintain and continue to provide value to the market in the industry. We need to think how we can provide power mixes that meet the needs of our customers with not our company alone, but automakers, suppliers, and other companies together. Under these thoughts, we are continuing discussions on spark plugs with related companies.

### Reduction of cross-shareholdings

Q: Regarding the reduction of cross-shareholdings, Toyota Industries Corporation's shares will be sold in full, while JTEKT's shares and Toyota Boshoku's shares will be partially sold. What are the differences and criteria?

A: We basically don't think about holding on a part of the shares, and there are differences in the impact on the stock price of the issuer and the way that how the issuer sells their shares.