

[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

Consolidated Financial Results
for the Three Months Ended June 30, 2022
<under IFRS>

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Scheduled date of commencement of dividend payment : –

(URL <https://www.denso.com/global/en/>)

DATE: July 29, 2022
 DENSO CORPORATION
 CODE: 6902
 Listed on the Tokyo and
 Nagoya Stock Exchanges

(Millions of yen, except per share figures)

1. Consolidated financial results for the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (Percentages indicate the change of the same period of the previous year)

	Revenue		Operating profit		Profit before income taxes		Profit for the period	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2022	1,415,009	4.3	63,643	(40.6)	82,564	(37.3)	53,914	(44.0)
June 30, 2021	1,356,866	77.3	107,181	–	131,608	–	96,271	–

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Three months ended						
June 30, 2022	51,875	(41.9)	120,510	(38.2)	67.96	–
June 30, 2021	89,345	–	194,979	–	115.25	–

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of				
June 30, 2022	7,458,098	4,530,452	4,345,807	58.3
March 31, 2022	7,432,271	4,489,526	4,299,357	57.8

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	80.00	—	85.00	165.00
Year ending March 31, 2023	—				
Year ending March 31, 2023 (Forecast)		90.00	—	90.00	180.00

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate the change of the same period of the previous year)

	Revenue		Operating profit		Profit before income taxes		Profit for the year		Profit attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	6,220,000	12.8	480,000	40.7	523,000	35.9	402,000	39.2	378,000	43.2	505.79

(Note) Change in consolidated earnings forecasts for the fiscal year ending March 31, 2023: Yes

※ Notes

(1) Significant changes in scope of consolidated subsidiaries: None

In : - (Company Name :) Out : - (Company Name :)

(2) Changes in accounting policies and accounting estimates

1) Changes in accounting policies due to the revision of the accounting standards: None

2) Changes in accounting policies except for those in 1): None

3) Changes in accounting estimates: None

(3) Number of shares issued (ordinary shares)

1) Number of shares issued at the end of the period (including treasury shares)

FY2023 1st quarter	787,944,951 shares	FY2022	787,944,951 shares
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2) Number of treasury shares at the end of the period

FY2023 1st quarter	24,603,240 shares	FY2022	24,616,949 shares
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3) Average number of shares issued during the three months ended June 30

FY2023 1st quarter	763,330,190 shares	FY2022 1st quarter	775,244,654 shares
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※ This Financial Results report is not required to be audited by certified public accountants or audit firm.

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2022

1. Summary of Management Results

The Group formulated the DENSO Group Long-term Policy 2030. Under the slogan "Bringing hope for the future for our planet, society and all people," we are aiming to resolve social issues through our business activities emphasizing "green" and "peace of mind.", and contribute to realization of a sustainable society with smiling faces through the provision of new value that will be inspired by the Group's initiatives. The external business environment continues to be challenging, such as reduction in vehicle production and soaring costs of parts and materials. The Group has been striving to strengthen the management foundation and the financial structure and has worked on formulation of the growth strategy for the future centering on the fields of "green" and "peace of mind." We have started to see positive results, including improvement of efficiency by digitization of work and optimization of resourced through reorganization of the business portfolio. As well as embedding these activities, the Group will promote value creation through provision of products and solutions leveraging existing strengths and achieve both resolution of social issues through business and business growth.

For the three months ended June 30, 2022, revenue increased by ¥58.1 billion or 4.3%, year over year, to ¥1,415.0 billion due to sales expansion mainly in focus field such as electrification and improve foreign exchange rates, in spite of reduction in vehicle production due mainly to semiconductor shortages and lockdown in China. Operating profit decreased by ¥43.5 billion or 40.6%, year over year, to ¥63.6 billion due to production volume decrease by reduction in vehicle production and impact of the external environment such as soaring costs of parts, energy costs and logistics cost, despite global profitability improvement activities. Profit before income taxes decreased by ¥49.0 or 37.3%, year over year, to ¥82.6 billion. Profit for the period decreased by ¥42.4 or 44.0%, year over year to ¥53.9 billion. Profit attributable to owners of the parent company decreased by ¥37.5 billion or 41.9% to ¥51.9 billion.

By geographical segment, revenue increased, year over year, in regions except Japan where the impact of vehicle production cutbacks caused by the shortage of semiconductors was particularly significant. Operating profit decreased except Europe and other regions due to external environmental deterioration, despite global profitability improvement activities and foreign exchange gains.

Revenue in Japan decreased by ¥48.1 billion, or 5.5%, year over year, to ¥825.3 billion. Operating profit decreased by 26.4 billion, or 45.4%, year over year, to 31.8 billion.

Revenue in North America increased by ¥38.8 billion, or 13.0%, year over year, to ¥337.2 billion. An operating loss of ¥6.6 billion was recorded in contrast to operating profit of 7.3 billion in the previous year.

Revenue in Europe increased by ¥13.2 billion, or 8.6%, year over year, to ¥166.1 billion due to a recovery compared with the decline caused by last year's large production cuts. Operating profit increased of ¥0.3 billion, or 8.5%, year over year, to ¥3.6 billion.

Revenue in Asia increased by ¥77.3 billion, or 21.2%, year over year, to ¥441.9 billion, due to increase production and sales in regions except China. Operating profit increased by ¥5.0 billion, or 14.9%, year over year, to ¥28.7 billion.

Revenue in other regions increased by ¥8.8 billion, or 51.6%, year over year, to ¥25.7 billion. Operating profit increased by ¥2.7 billion, or 85.6%, year over year, to ¥6.0 billion.

2. Summary of Financial Position

Total assets as of June 30, 2022, increased by ¥25.8 billion, to ¥7,458.1 billion mainly due to an increase in inventories.

The total for current and non-current liabilities decreased by ¥15.1 billion, to ¥2,927.6 billion mainly due to a decrease in deferred tax liabilities.

Equity increased by ¥40.9 billion, to ¥4,530.5 billion mainly due to an effects of foreign exchange fluctuations.

3. Summary of Financial Forecast

The full-year forecast for the fiscal year ending March 31, 2023, although there are improvements due to changes in the foreign exchange assumptions, reflecting the continuing more reduction of vehicle production, etc., the Group expect revenue decreased by ¥130.0 billion, to ¥6,220.0 billion, operating profit decreased by ¥80.0 billion, to ¥480.0 billion from the previous forecast.

Profit before income taxes is ¥523.0 billion, profit for the year is ¥402.0 billion, profit attributable to owners of the parent company is ¥378.0 billion.

The exchange rate assumption is 1USD = 130 yen. 1EUR= 136 yen.

The above is included future forecast based on information currently available. Actual results may differ materially from these forecasts due to changes in business operations, exchange rate fluctuations, and other internal and external factors.

Consolidated Statement of Financial Position

(Unit: Millions of yen)

	As of Mar. 31, 2022	As of Jun. 30, 2022
Assets		
Current assets		
Cash and cash equivalents	867,808	841,080
Trade and other receivables	1,120,781	1,076,184
Inventories	1,032,161	1,123,267
Other financial assets	17,730	26,190
Other current assets	107,696	138,502
Subtotal	3,146,176	3,205,223
Assets held for sale	22,638	23,926
Total current assets	3,168,814	3,229,149
Non-current assets		
Property, plant and equipment	1,912,607	1,953,105
Right-of-use assets	45,394	45,764
Intangible assets	155,580	159,741
Other financial assets	1,861,373	1,770,816
Investments accounted for using the equity method	113,580	119,238
Retirement benefit assets	111,351	109,970
Deferred tax assets	36,871	38,259
Other non-current assets	26,701	32,056
Total non-current assets	4,263,457	4,228,949
Total assets	7,432,271	7,458,098

(Unit: Millions of yen)

	As of Mar. 31, 2022	As of Jun. 30, 2022
Liabilities and equity		
Current liabilities		
Bonds and borrowings	262,819	287,642
Trade and other payables	1,131,375	1,128,610
Other financial liabilities	51,034	49,692
Income tax payables	36,995	21,111
Provisions	144,560	126,259
Other current liabilities	75,286	100,560
Subtotal	1,702,069	1,713,874
Liabilities directly associated with assets held for sale	476	980
Total current liabilities	1,702,545	1,714,854
Non-current liabilities		
Bonds and borrowings	728,616	727,560
Other financial liabilities	33,860	33,110
Retirement benefit liabilities	265,188	266,692
Provisions	1,228	1,264
Deferred tax liabilities	197,122	169,543
Other non-current liabilities	14,186	14,623
Total non-current liabilities	1,240,200	1,212,792
Total liabilities	2,942,745	2,927,646
Equity		
Capital stock	187,457	187,457
Capital surplus	273,803	273,822
Treasury stock	(152,346)	(152,262)
Other components of equity	972,783	1,029,547
Retained earnings	3,017,660	3,007,243
Equity attributable to owners of the parent company	4,299,357	4,345,807
Non-controlling interests	190,169	184,645
Total equity	4,489,526	4,530,452
Total liabilities and equity	7,432,271	7,458,098

Consolidated Statement of Income

(Unit: Millions of yen)

	Three months ended Jun. 30, 2021	Three months ended Jun. 30, 2022
Revenue	1,356,866	1,415,009
Cost of revenue	(1,145,316)	(1,241,363)
Gross profit	211,550	173,646
Selling, general and administrative expenses	(111,654)	(115,585)
Other income	14,363	10,300
Other expenses	(7,078)	(4,718)
Operating profit	107,181	63,643
Finance income	20,035	21,516
Finance costs	(1,490)	(2,794)
Foreign exchange gains (losses)	2,675	(459)
Share of the profit of associates and joint ventures accounted for using the equity method	3,207	658
Profit before income taxes	131,608	82,564
Income tax expenses	(35,337)	(28,650)
Profit for the period	96,271	53,914
Attributable to:		
Owners of the parent company	89,345	51,875
Non-controlling interests	6,926	2,039

(Unit: Yen)

Earnings per share		
Basic	115.25	67.96
Diluted	—	—

Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Three months ended Jun. 30, 2021	Three months ended Jun. 30, 2022
Profit for the period	96,271	53,914
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	90,083	(82,751)
Remeasurements of defined benefit pension plans	(0)	0
Share of other comprehensive income (loss) of investments accounted for using the equity method	6	(7)
Total	90,089	(82,758)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	6,687	145,942
Cash flow hedges	(13)	(1,779)
Share of other comprehensive income of investments accounted for using the equity method	1,945	5,191
Total	8,619	149,354
Total other comprehensive income	98,708	66,596
Comprehensive income for the period	194,979	120,510
Attributable to:		
Owners of the parent company	188,355	110,715
Non-controlling interests	6,624	9,795

Consolidated Statement of Changes in Equity

(Unit: Millions of yen)

	Equity attributable to owners of the parent company				
	Capital stock	Capital surplus	Treasury stock	Other components of equity	
				Net fair value gain on equity instruments designated as FVTOCI	Remeasurements of defined benefit pension plans
As of April 1, 2021	187,457	272,517	(56,830)	664,905	—
Profit for the period	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	89,882	(0)
Comprehensive income (loss) for the period	—	—	—	89,882	(0)
Acquisition of treasury stock	—	—	(7)	—	—
Disposal of treasury stock	—	1,280	2,025	—	—
Dividends	—	—	—	—	—
Changes in the ownership interest in subsidiaries without a loss of control	—	(0)	—	—	—
Transfer to retained earnings	—	—	—	(5,153)	0
Other	—	(1)	—	—	—
Total transactions with the owners	—	1,279	2,018	(5,153)	0
As of June 30, 2021	187,457	273,796	(54,812)	749,634	—
As of April 1, 2022	187,457	273,803	(152,346)	788,476	—
Profit for the period	—	—	—	—	—
Other comprehensive (loss) income	—	—	—	(82,641)	(4)
Comprehensive income (loss) for the period	—	—	—	(82,641)	(4)
Acquisition of treasury stock	—	—	(3)	—	—
Disposal of treasury stock	—	19	87	—	—
Dividends	—	—	—	—	—
Changes in the ownership interest in subsidiaries without a loss of control	—	—	—	—	—
Transfer to retained earnings	—	—	—	(2,080)	4
Other	—	—	—	—	—
Total transactions with the owners	—	19	84	(2,080)	4
As of June 30, 2022	187,457	273,822	(152,262)	703,755	—

(Unit: Millions of yen)

	Equity attributable to owners of the parent company					Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Exchange differences on translating foreign operations	Cash flow hedges	Total				
As of April 1, 2021	26,472	40	691,417	2,796,451	3,891,012	185,705	4,076,717
Profit for the period	–	–	–	89,345	89,345	6,926	96,271
Other comprehensive income (loss)	9,141	(13)	99,010	–	99,010	(302)	98,708
Comprehensive income (loss) for the period	9,141	(13)	99,010	89,345	188,355	6,624	194,979
Acquisition of treasury stock	–	–	–	–	(7)	–	(7)
Disposal of treasury stock	–	–	–	–	3,305	–	3,305
Dividends	–	–	–	(54,243)	(54,243)	(33,529)	(87,772)
Changes in the ownership interest in subsidiaries without a loss of control	–	–	–	–	(0)	(6)	(6)
Transfer to retained earnings	–	–	(5,153)	5,153	–	–	–
Other	–	–	–	(102)	(103)	(2)	(105)
Total transactions with the owners	–	–	(5,153)	(49,192)	(51,048)	(33,537)	(84,585)
As of June 30, 2021	35,613	27	785,274	2,836,604	4,028,319	158,792	4,187,111

As of April 1, 2022	187,086	(2,779)	972,783	3,017,660	4,299,357	190,169	4,489,526
Profit for the period	–	–	–	51,875	51,875	2,039	53,914
Other comprehensive (loss) income	143,264	(1,779)	58,840	–	58,840	7,756	66,596
Comprehensive income (loss) for the period	143,264	(1,779)	58,840	51,875	110,715	9,795	120,510
Acquisition of treasury stock	–	–	–	–	(3)	–	(3)
Disposal of treasury stock	–	–	–	–	106	–	106
Dividends	–	–	–	(64,886)	(64,886)	(15,319)	(80,205)
Changes in the ownership interest in subsidiaries without a loss of control	–	–	–	–	–	–	–
Transfer to retained earnings	–	–	(2,076)	2,076	–	–	–
Other	–	–	–	518	518	0	518
Total transactions with the owners	–	–	(2,076)	(62,292)	(64,265)	(15,319)	(79,584)
As of June 30, 2022	330,350	(4,558)	1,029,547	3,007,243	4,345,807	184,645	4,530,452

Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Three months ended Jun. 30, 2021	Three months ended Jun. 30, 2022
Cash flows from operating activities		
Profit before income taxes	131,608	82,564
Depreciation	86,797	89,941
Increase (decrease) in retirement benefit liabilities	1,269	(224)
Decrease in retirement benefit assets	1,075	1,469
Interest and dividend income	(19,357)	(20,662)
Interest expenses	995	1,731
Foreign exchange gains	(3,562)	(13,041)
Share of the profit of associates and joint ventures accounted for using the equity method	(3,207)	(658)
Gains on sales or disposal of property, plant and equipment	(370)	(3,830)
Decrease in trade receivables	68,975	105,720
Increase in inventories	(51,787)	(34,496)
Decrease in trade payables	(15,462)	(81,731)
Decrease in provisions	(32,339)	(19,484)
Other	29,627	43,857
Subtotal	194,262	151,156
Interest received	1,281	2,032
Dividends received	18,859	20,337
Interest paid	(868)	(1,621)
Income taxes paid	(23,534)	(43,789)
Net cash provided by operating activities	190,000	128,115
Cash flows from investing activities		
Decrease (increase) in time deposits	110	(1,025)
Purchases of property, plant and equipment	(77,393)	(94,988)
Proceeds from sales of property, plant and equipment	5,165	9,657
Purchases of intangible assets	(6,565)	(10,260)
Purchases of equity instruments	(151)	(16,999)
Purchases of debt instruments	(110)	(130)
Proceeds from sales and redemption of equity instruments	8,148	3,990
Proceeds from sales and redemption of debt instruments	178	126
Proceeds from acquisition of subsidiaries and other businesses	960	–
Other	1,609	(1,244)
Net cash used in investing activities	(68,049)	(110,873)
Cash flows from financing activities		
Net increase in short-term borrowings	29,692	47,263
Proceeds from borrowings	1,752	8,608
Repayments of long-term borrowings	(942)	(18,891)
Repayments of lease liabilities	(6,405)	(7,072)
Redemption of bonds	–	(30,000)
Dividends paid	(54,243)	(64,886)
Dividends paid to non-controlling interests	(33,447)	(15,319)
Purchase of treasury stock	(7)	(3)
Other	(573)	(174)
Net cash used in financing activities	(64,173)	(80,474)
Foreign currency translation adjustments on cash and cash equivalents	(4,669)	36,504
Net increase (decrease) in cash and cash equivalents	53,109	(26,728)
Cash and cash equivalents at beginning of period	897,395	867,808
Cash and cash equivalents at end of period	950,504	841,080

Notes to Consolidated Financial Statements

Assumption for Going Concern

There are no applicable items.

Segment information

(1) Outline of reportable segments

In the three-month period ended June 30, 2022, there were no material changes to the method used to identify the reportable segments, the businesses activities carried out by each reportable segment, or the measurement standards used to determine segment profits.

(2) Revenue, profit/loss for each reportable segment

For the Three months ended June 30, 2021

(Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated	
	Japan	North America	Europe	Asia	Total				
Revenue									
Customers	595,790	294,234	138,361	311,810	1,340,195	16,671	–	1,356,866	
Intersegment	277,638	4,175	14,502	52,788	349,103	319	(349,422)	–	
Total	873,428	298,409	152,863	364,598	1,689,298	16,990	(349,422)	1,356,866	
Segment profit	58,163	7,337	3,284	33,751	102,535	3,210	1,436	107,181	
Finance income									20,035
Finance costs									(1,490)
Foreign exchange gains									2,675
Share of the profit of associates and joint ventures accounted for using the equity method									3,207
Profit before income taxes									131,608

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

For the Three months ended June 30, 2022

(Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated	
	Japan	North America	Europe	Asia	Total				
Revenue									
Customers	522,316	333,662	150,429	383,210	1,389,617	25,392	–	1,415,009	
Intersegment	302,989	3,500	15,638	58,655	380,782	357	(381,139)	–	
Total	825,305	337,162	166,067	441,865	1,770,399	25,749	(381,139)	1,415,009	
Segment profit or losses	31,766	(6,643)	3,564	28,721	57,408	5,957	278	63,643	
Finance income									21,516
Finance costs									(2,794)
Foreign exchange losses									(459)
Share of the profit of associates and joint ventures accounted for using the equity method									658
Profit before income taxes									82,564

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

Subsequent events

Acquisition of treasury shares

At the meeting of the Board of Directors held on July 29, 2022, Denso corporation (hereinafter referred to as the "Company") resolved to conduct acquisition of treasury shares through a tender offer and market purchase pursuant to the provisions of Article 156 of the Companies Act, which are applied by the deemed replacement of terms pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act.

The details of acquisition of treasury shares will be available on the Company website.