

Financial Capital

Outline of Efforts to Strengthen Financial Capital

In fiscal 2022, DENSO will implement management with an awareness of capital costs as it works to create corporate value under a renewed financial strategy. Under this new strategy, DENSO targets ROE of 10% or higher by fiscal 2026 with a view to expanding its equity spread (ROE – Cost of shareholders' equity) over the medium to long term. To that end, DENSO will pursue the following four initiatives for creating corporate value: (1) reinforce profit structure, (2) reduce low-profit assets, (3) improve capital structure, and (4) engage in dialogue with markets.

Characteristics of DENSO's Financial Capital (Fiscal 2022 results)

Equity ratio attributable to owners of the parent company 57.8%	Dividend on equity (DOE) 3.1%	Weighted average cost of capital (WACC) 6.2%
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KPI Targets for Fiscal 2026

(1) Reinforce profit structure

ROE: **10% or higher** Operating margin: **10%** R&D expenditure: **¥450.0 billion** Capital expenditures: **¥350.0 billion**

(2) Reduce low-profit assets

Cash on hand compared with monthly turnover: **1.0 month** **Further reduction** of cross-shareholdings

(3) Improve capital structure

Shareholders' equity ratio: **50% or more** DOE: **3.0% or more** **Flexible acquisition** of treasury stock

Initiatives for Creating Corporate Value

