

DENSO

Crafting the Core

**FY2022 2nd Quarter
Financial Results
(2021/4-2021/9)**

October 29 , 2021
DENSO CORPORATION



Overview of FY2022 2nd Quarter Financial Results

1. Both revenue and operating profit increased due to recovery of vehicle sales from COVID-19 and because of profit improvements from the previous year, although the semiconductor shortage has occurred recently.
2. While it is difficult to project how the business environment might change due to factors like the lengthening of the semiconductor shortage, DENSO secured our full-year forecast from the previous announcement. Revenue is 5,540.0 billion yen and operating profit is 440.0 billion yen. DENSO has achieved these results by strengthening our ability to cope with environmental changes and increasing profit.
3. DENSO raised our interim dividend and year-end dividend forecast from 70 yen to 80 yen, then total full-year dividend forecast is 160 yen. (Up 20 yen from previous forecast)

FY2022 2nd Quarter Financial Results (2021/4-2021/9)

P/L (IFRS)

	(Ratio to Revenue)		[Unit: Billions of Yen, %]	
	2020/4-2020/9	2021/4-2021/9	Change	
Revenue	2,074.7	2,582.9	+508.2	+24.5%
Operating Profit	(-) -69.6 (6.2%)	159.3	+228.9	-
Profit before Income Taxes	(-) -55.4 (7.1%)	182.9	+238.3	-
Profit (*)	(-) -71.1 (4.4%)	112.7	+183.9	-

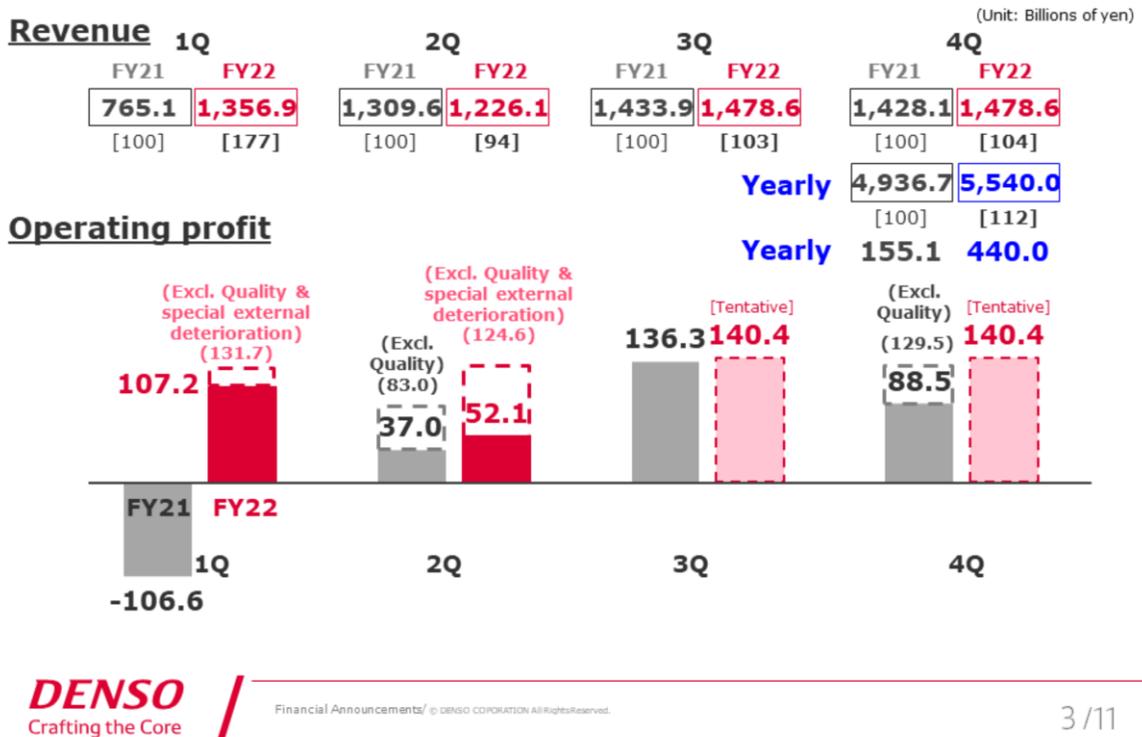
* Profit attributable to owners of the parent company

		[Unit: Millions of Units]			
Precondition	Foreign Exchange Rate	JPY 106.9/USD	JPY 109.8/USD	+2.9 JPY	-
		JPY 121.3/EUR	JPY 130.9/EUR	+9.6 JPY	-
		JPY 15.3/CNY	JPY 17.0/CNY	+1.7 JPY	-
	Domestic Vehicle Production	3.34	3.54	+0.20	+5.8%
	Overs eas Vehicle Production of Japanese Manufacturers	6.25	8.45	+2.20	+35.3%

[Overview of the Consolidated Financial Results]

1. Consolidated revenue totaled 2,582.9 billion yen, increased by 508.2 billion yen (+24.5%) from the previous year.
2. Consolidated operating profit totaled 159.3 billion yen, increased by 228.9 billion yen from the previous year.
3. Consolidated profit attributable to owners of the parent company totaled 112.7 billion yen, increased by 183.9 billion yen from the previous year.

Quarterly Sales revenue & Operating Profit Trends



< 1st Quarter >

Vehicle production recovered significantly from the impact of the COVID-19 and efforts were made to increase the production volume and improve profitability, resulting in an increase in both revenue and profit.

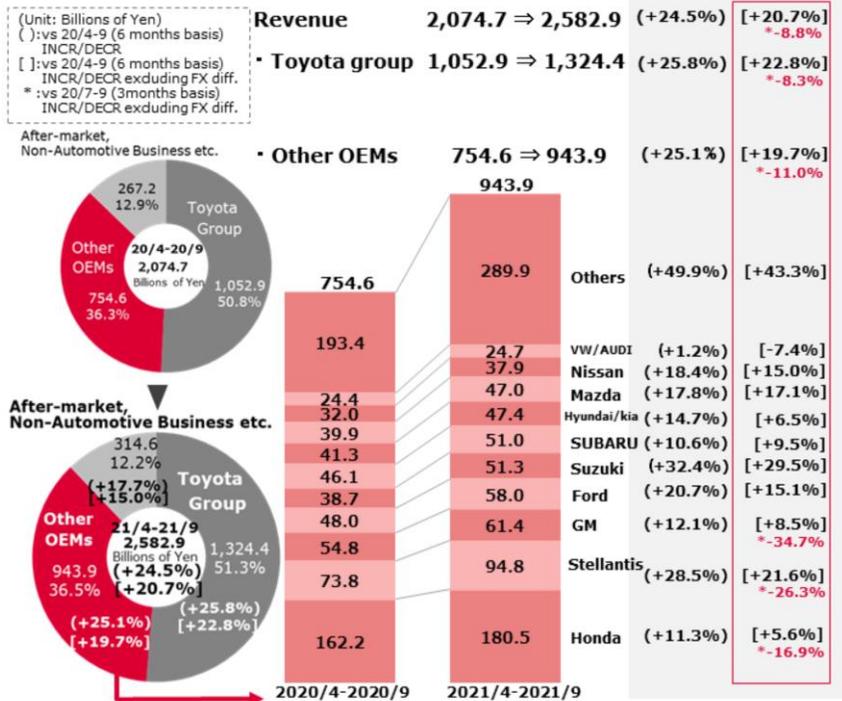
< 2nd Quarter >

Revenue is 1,226.1 billion yen, despite deterioration of the business environment, such as the decrease in production attributed to the semiconductor shortage, which turned out to be greater than that previous year.

Operating profit was 52.1 billion yen due to a decrease in the production volume caused by the decreased production and an increase in the parts and materials costs and logistics costs. Meanwhile, the operating profit excluding the special external deterioration was 124.6 billion yen. Thus, we maintained the real capability to make an operating profit of 120 to 130 billion yen.

We will accumulate improvements and rationalization efforts, the full-year forecasts for revenue and profits remain unchanged from the previous forecast.

FY2022 2nd Quarter Consolidated Revenue (By Customer)



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[Revenue by Customer(Quantity Base)]

For both Toyota Group and non-Toyota Group

Sales increased year on year

Due to the impact of vehicle production cuts

Sales decreased year-on-year in the three months of the second quarter.

Toyota Group

Cumulative first half increased by 22.8% from the previous year,

In the third month of the second quarter, it decreased by 8.3% from the previous year.

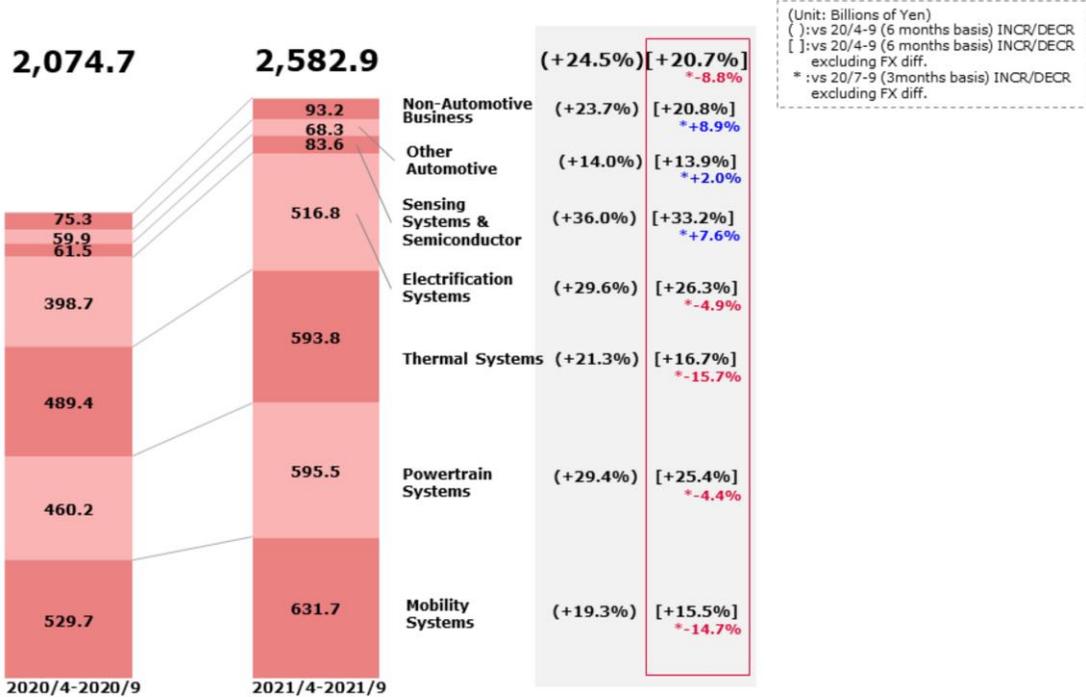
Non-Toyota Group

The impact of semiconductor shortage is rather large

Cumulative 1st half increased by 19.7% year-on-year,

In the third month of the second quarter, it decreased by 11.0% from the previous year.

FY2022 2nd Quarter Consolidated Revenue (By Product)



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<Revenue by Product(Quantity Base)>

Although Revenue increased from previous year,
 In the third month of the second quarter
 Due to the shortage of semiconductors
 Sales decreased except for sensing systems and semiconductors

Business groups with little decline in the second quarter and three months as below.

Sensing system semiconductor

Increase in pressure sensors for ADAS vehicles.

Electrification system

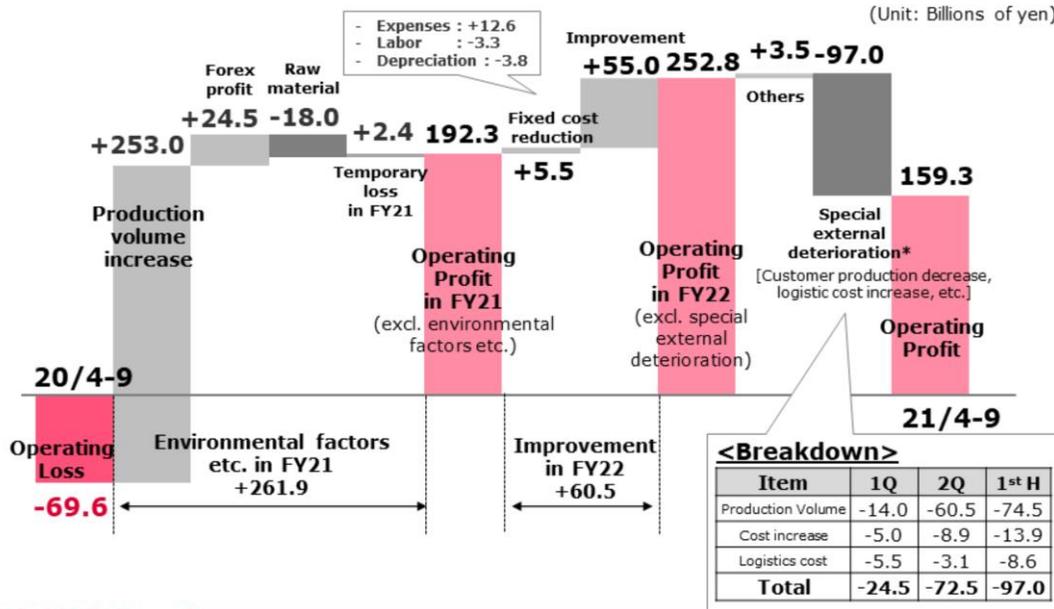
Revenue of inverters increased in Japan and North America.

Powertrain system

Revenue of common rails to agricultural machinery manufacturers increased.

Change in FY2022 2nd Quarter Operating Profit

(Unit: Billions of yen)



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(Factor that Contributed to increases or Decreases in Operating Profit)

Positive Factors

- Environmental factors in FY21 261.9 billion yen
- Improvement efforts for the current year: 60.5 billion yen

In addition to improving the operating profit due to the recovery of vehicle sales through corporate reforms, realized improvement efforts such as reduction of fixed costs and improvement of productivity.

Negative Factors

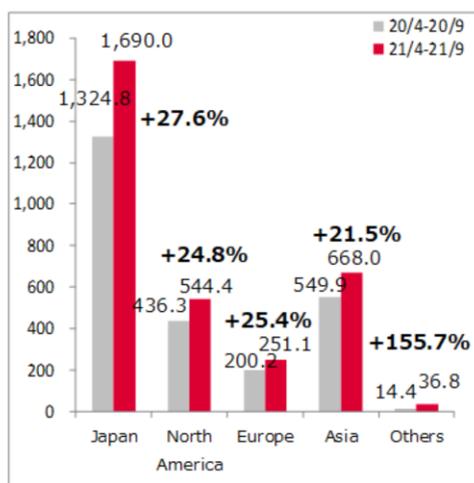
- External special factors -97 billion yen

Due to decrease in production attributed to the semiconductor shortage, and increased logistics costs and parts / material costs.

Geographical Segments by Company Location

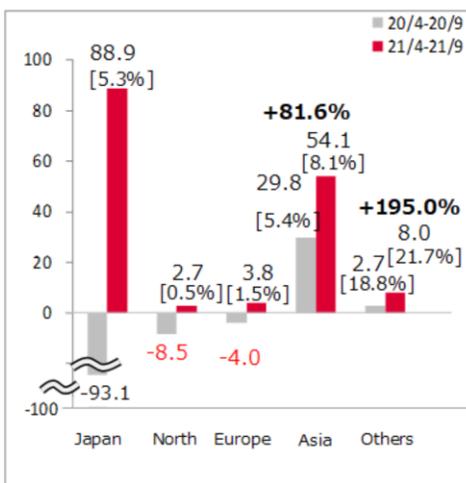
Local currency basis excludes FX difference
(106.9JPY/1USD, 121.3JPY/1EUR, 15.3JPY/1CNY)

Revenue



Operating Profit

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



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[Revenue and Operating Profit by Each Region*]

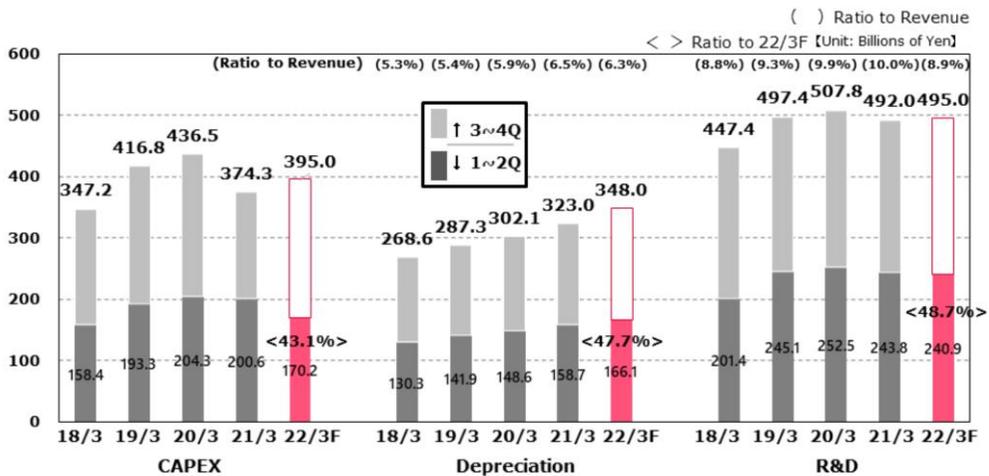
*Excluding the effect of foreign exchange

The revenue increased in all the regions from the previous year despite decrease in production attributed to the semiconductor shortage, reflecting recovery from the impact of the Covid-19.

In addition to improving the operating profit, we reaped the effects of corporate reforms globally.

Thus, we posted an increase in profit in all the regions.

Trend of Capital Expenditures, Depreciation and R&D Expenditures



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[Capital Expenditures, Depreciation and R&D Expenditures]

Capital Expenditure

Capital expenditure reached 170.2 billion yen and progress rate was 43.1%.

We based on the current uncertain business environment, while making discipline investment decisions with scrutiny. We step up necessary investment to priority areas such as Electrification and ADAS.

In fiscal year remains unchanged at 395 billion yen from the forecast previously announced.

R&D expenditure

Actual R&D expenses were 240.9 billion yen and the progress rate was 48.7%.

Development costs will be shifted to the CASE field.

By using IT infrastructure and DX and software development tools which have been promoted from the past further, we will enhance the efficiency of development.

In fiscal year remains unchanged at 495 billion yen from the previously announced.

FY2022 Financial Forecast

P/L (IFRS)

	(Ratio to Revenue)				[Unit: Billions of Yen, %]				
	Forecast as of June 2021	2022/3 Forecast		Change from previous forecast		2021/3 Actual		Change from Mar. 2021	
Revenue	5,540.0	5,540.0		0	—	4,936.7		+603.3	+12.2%
Operating Profit	(7.9%) 440.0	(7.9%) 440.0		0	—	(3.1%) 155.1		+284.9	+183.7%
Profit before Income Taxes	(8.7%) 481.0	(8.7%) 481.0		0	—	(3.9%) 193.8		+287.2	+148.3%
Profit ^{(*)1}	(6.1%) 336.0	(6.1%) 336.0		0	—	(2.5%) 125.1		+210.9	+168.7%

*1 Profit attributable to owners of the parent company

Precondition	[Unit: Millions of Units]							
	JPY	106.1/USD	JPY	107.4/USD	+1.3 JPY	—	JPY	106.1/USD
Foreign Exchange Rate	JPY	126.7/EUR	JPY	127.9/EUR	+1.2 JPY	—	JPY	123.7/EUR
	JPY	16.3/CNY	JPY	16.6/CNY	+0.3 JPY	—	JPY	15.7/CNY
Domestic Vehicle Production	(*)2	8.82		8.25	-0.57	-6.4%		7.88
Overseas Vehicle Production of Japanese Manufacturers	(*)2	19.60		18.31	-1.29	-6.6%		15.85

*2 Risk of external environment deterioration is not reflected.



[Full year Financial Forecast]

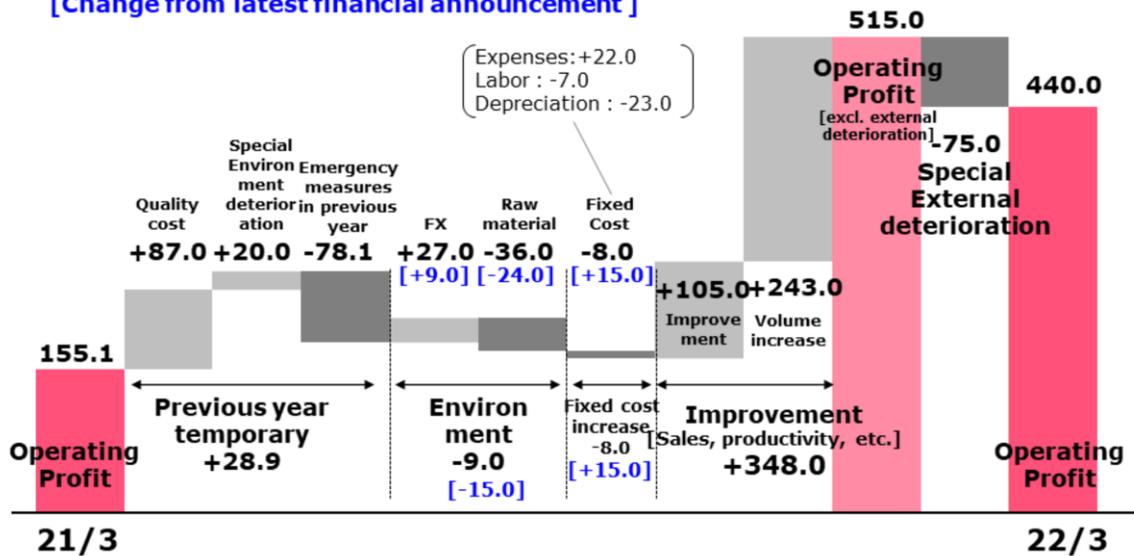
- We expect Revenue of 5,540 billion yen (remain unchanged)
- We expect Operating profit to be 440 billion yen (remain unchanged)
- Assumed foreign exchange rates for the fiscal year are 107.4 yen to the U.S. dollar, 127.9 yen to euro, and 16.6 yen to CNY.

The full-year forecast remains unchanged from the numbers announced previously due to the efforts to minimize the impact of the business environment, recovery production, which is expected in 3Q and beyond, additional kaizen efforts, and additional improvements in profitability despite the uncertainty of the business environment, including the recent prolonged semiconductor shortage.

Change in FY2022 Operating Profit

(Unit: Billions of Yen)

[Change from latest financial announcement]



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Positive factors

- Previous year Temporary 28.9 billion yen
- FX 27 billion yen
- Sales / productivity improvement 348 billion yen

Negative factors

- Material - 36 billion yen
- Increase in fixed costs - 8 billion yen
- External special factors - 75 billion yen

As for special external deterioration, although the impact of production reduce was greater in the 2Q than previously announced, due to recovery production and additional improvement efforts from the 3Q onward minimize the impact.

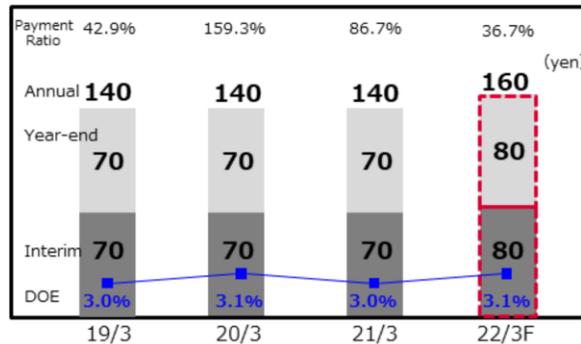
Return to Shareholders

<Policy>

Improve the dividend level in stable and long term



Interim dividend : 80 yen (Increased by 10 yen from the announcement of the beginning of the fiscal year)
 Year-end dividend (Forecast) : 80 yen (Increased by 10 yen and 20 yen a year same as the above)



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[Return to Shareholders]

Under the dividend policy of improving the dividend level in a stable manner over the long term, to further strengthen the return to shareholders.

We raised our interim and year-end cash dividends per share have been increased by 10 yen compared with the previous forecast to 80 respectively , then total full-year dividend forecast is 160 yen.

We will strive to further improve our corporate value.

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Appendix

- Pre-Conditions (Foreign Exchange Rate/Car 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/Car Production)

		FY2022 Full Year									
		21/4-21/9			21/10-22/3						
		Prior Year	Actual	Change	Prior Year	Forecast (Revised)	Change	Prior Year	Forecast as of June 2020	Forecast (Revised)	Change
Foreign Exchange Rate (Yen)	USD	106.9	109.8	+ 2.9	105.2	105.0	-0.2	106.1	106.1	107.4	+ 1.3
	EUR	121.3	130.9	+ 9.6	126.1	125.0	-1.1	123.7	126.7	127.9	+ 4.3
	CNY	15.3	17.0	+ 1.7	16.1	16.1	-	15.7	16.3	16.6	+ 0.9
Forex Impact on Operating Income per Yen (Billions of Yen)	USD	/						2.1	3.0	3.1	+ 1.0
	EUR	/						0.8	1.0	1.0	+ 0.2
	CNY	/						15.4	19.2	19.1	+ 3.7
Car Production of Japanese Manufacturers (Millions of Units)	Domestic	3.34	3.54	+ 5.8%	4.54	4.72	+ 3.9%	7.88	※ 8.82	8.25	+ 4.8%
	Overseas	6.25	8.45	+ 35.3%	9.60	9.86	+ 2.7%	15.85	※19.60	18.31	+ 15.6%

* Risk of external environment deterioration is not reflected to Forecast.

Consolidated Revenue (By Customer)

(Unit: Billions of Yen)

	20/4-20/9		21/4-21/9		Change		Change excludes FX difference, etc. %
	Amount	% to Total	Amount	% to Total	Amount	%	
Toyota	983.1	47.4	1,237.5	47.9	+254.4	+25.9	+22.8
Daihatsu	48.8	2.4	58.7	2.3	+10.0	+20.5	+18.4
Hino	21.0	1.0	28.2	1.1	+7.1	+33.8	+33.3
Toyota Group	1,052.9	50.8	1,324.4	51.3	+271.5	+25.8	+22.8
Honda	162.2	7.9	180.5	7.0	+18.3	+11.3	+5.6
Stellantis	73.8	3.6	94.8	3.7	+21.0	+28.5	+21.6
(FCA)	59.4	2.9	76.1	2.9	+16.7	+28.2	+22.0
(PSA)	14.4	0.7	18.7	0.7	+4.3	+29.6	+19.9
GM	54.8	2.6	61.4	2.4	+6.6	+12.1	+8.5
Ford	48.0	2.3	58.0	2.2	+9.9	+20.7	+15.1
Suzuki	38.7	1.9	51.3	2.0	+12.5	+32.4	+29.5
SUBARU	46.1	2.2	51.0	2.0	+4.9	+10.6	+9.5
Hyundai/Kia	41.3	2.0	47.4	1.8	+6.1	+14.7	+6.5
Mazuda	39.9	1.9	47.0	1.8	+7.1	+17.8	+17.1
Nissan	32.0	1.5	37.9	1.5	+5.9	+18.4	+15.0
ISUZU	21.4	1.0	34.8	1.3	+13.4	+62.4	+61.4
VW·AUDI	24.4	1.2	24.7	1.0	+0.3	+1.2	-7.4
BMW	19.6	0.9	23.9	0.9	+4.2	+21.6	+13.5
Mitsubishi	9.2	0.4	22.0	0.9	+12.8	+139.0	+134.7
Daimler	8.6	0.4	11.4	0.4	+2.8	+33.0	+22.5
Volvo	13.5	0.7	12.8	0.5	-0.7	-5.4	-13.5
OE Sales for others	120.9	5.8	185.0	7.2	+64.2	+53.1	+45.8
OEM Total	1,807.5	87.1	2,268.3	87.8	+460.8	+25.5	+21.5
Non-Automotive Business(*)	267.2	12.9	314.6	12.2	+47.4	+17.7	+15.0
Total	2,074.7	100.0	2,582.9	100.0	+508.2	+24.5	+20.7

* Sales of industrial systems and consumer products, Sales for After Market, and Sales of property/equipment are included.

Consolidated Revenue (By Product)

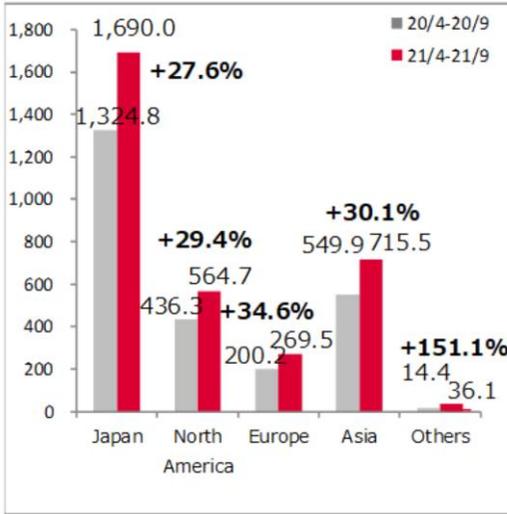
(Unit: Billions of Yen)

	20/4-20/9		21/4-21/9		Change		Change excludes FX difference
	Amount	% to Total	Amount	% to Total	Amount	%	%
Mobility Electronics	529.7	25.5	631.7	24.5	102.0	19.3	15.5
Powertrain Systems	460.2	22.2	595.5	23.1	135.3	29.4	25.4
Thermal Systems	489.4	23.6	593.8	23.0	104.4	21.3	16.7
Electrification Systems	398.7	19.2	516.8	20.0	118.1	29.6	26.3
Sensing Systems & Semiconductor	61.5	3.0	83.6	3.2	22.1	36.0	33.2
Others(*)	59.9	2.9	68.3	2.6	8.4	14.0	13.9
Automotive Total	1,999.4	96.4	2,489.7	96.4	490.4	24.5	20.5
Non-Automotive Business Total	75.3	3.6	93.2	3.6	17.9	23.7	20.8
Total	2,074.7	100.0	2,582.9	100.0	508.2	24.5	20.7

* Revenue of equipment Repair parts, original brand products of subsidiaries

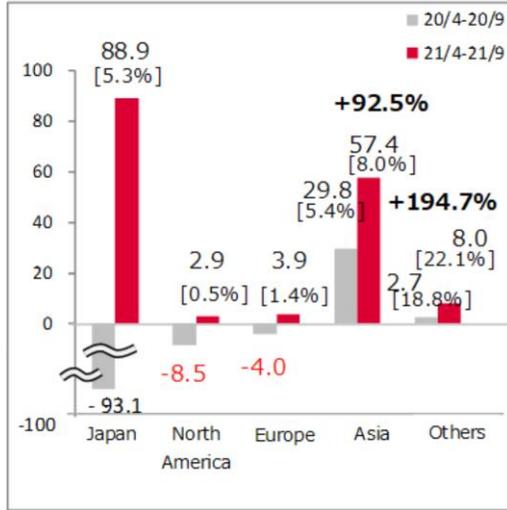
2nd Quarter Geographical Segments by Company Location (Local Currency Base)

Revenue



Operating Profit

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



Capital Expenditures, Depreciation and R&D Expenditures

(Unit: Billions of Yen)

	21/3		22/3F		Change from 20/9 (%)	Progress to 22/3 Forecast
	20/9		21/9			
Japan	143.7	257.6	113.2	250.0	- 21.2%	45.3%
North America	17.5	34.3	20.3	40.0	+16.0%	50.8%
Europe	7.4	16.8	8.7	20.0	+17.6%	43.5%
Asia	31.2	63.5	26.7	82.0	- 14.4%	32.6%
Others	0.8	2.1	1.3	3.0	+62.5%	43.3%
Capital Expenditure	200.6	374.3	170.2	395.0	- 15.2%	43.1%
Japan	101.3	205.7	104.8	217.0	+ 3.5%	48.3%
North America	19.8	39.5	20.4	43.0	+ 3.0%	47.4%
Europe	11.7	24.5	12.8	26.0	+ 9.4%	49.2%
Asia	25.2	51.9	27.3	60.0	+ 8.3%	45.5%
Others	0.7	1.4	0.8	2.0	+14.3%	40.0%
Depreciation	158.7	323.0	166.1	348.0	+ 4.7%	47.7%
R&D Expenditure (Ratio to Revenue)	243.8 (11.7%)	492.0 (10.0%)	240.9 (9.3%)	495.0 (8.9%)	- 1.2%	48.7%