

DENSO

Crafting the Core

**FY2022 3rd Quarter
Financial Results
(2021/4-2021/12)**

Feb. 2 , 2022

DENSO CORPORATION



Overview of FY2022 3rd Quarter Financial Results

1. Both revenue and operating profit in the third quarter decreased from the same period last year due to semiconductor shortages and other business conditions, although DENSO made profit improvements. However, revenue and operating profit through three quarters of this fiscal year increased compared to the previous year due to recovery of vehicle sales from COVID-19 and profit improvements.
2. We have revised our full-year forecast based on third quarter results, adjusting our revenue projection to 5,480.0 billion yen and operating profit projection to 400.0 billion yen, while it is difficult to project how the business environment might change due to factors like semiconductor shortages, we keep our fourth quarter forecast unchanged and aim to achieve these projections with strong fourth quarter performance.

FY2022 3rd Quarter Financial Results (2021/4-2021/12)

	(Ratio to Revenue)		【Unit: Billions of Yen, %】		
	2020/4-2020/12	2021/4-2021/12	Change		
Revenue	3,508.6	4,009.0	+500.5	+14.3%	
Operating Profit	(1.9%) 66.6	(6.4%) 256.3	+189.6	+284.6%	
Profit before Income Taxes	(2.8%) 99.1	(7.4%) 296.5	+197.4	+199.2%	
Profit (*)	(1.2%) 43.1	(4.8%) 193.4	+150.3	+348.9%	

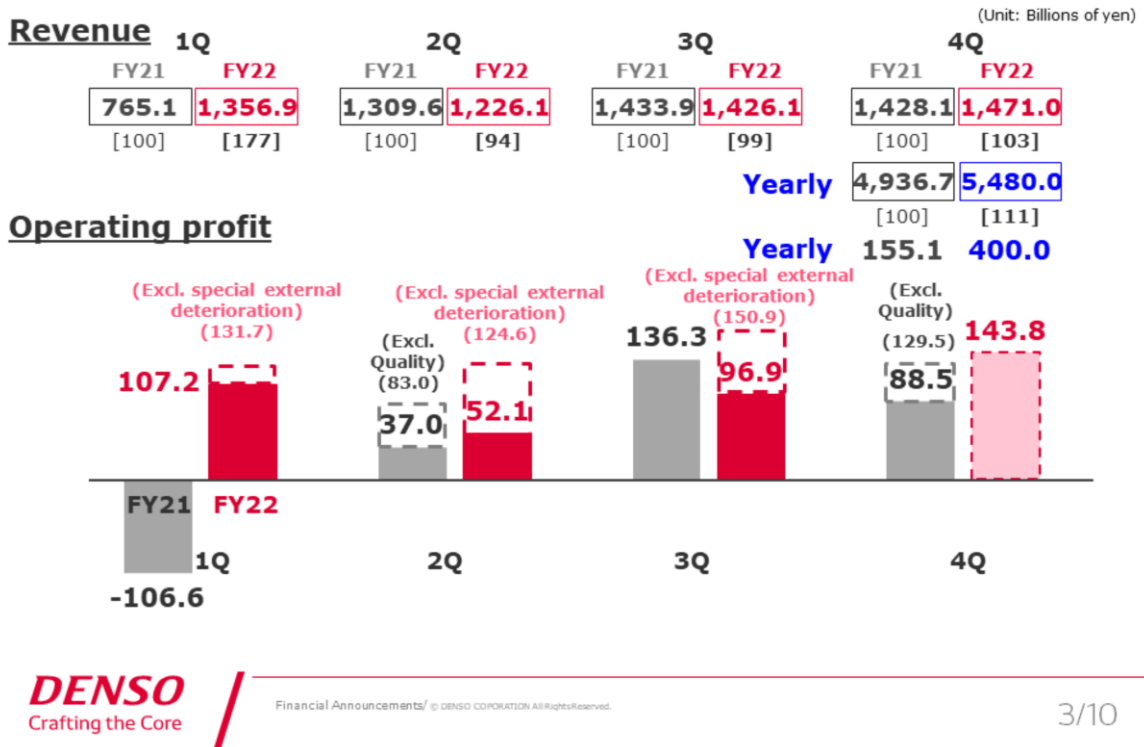
* Profit attributable to owners of the parent company

		【Unit: Millions of Units】					
Precondition	Foreign Exchange Rate	JPY	106.1/USD	JPY	111.1/USD	+5.0 JPY	-
		JPY	122.4/EUR	JPY	130.6/EUR	+8.2 JPY	-
		JPY	15.4/CNY	JPY	17.2/CNY	+1.8 JPY	-
	Domestic Vehicle Production		5.66		5.45	-0.21	-3.7%
	Overseas Vehicle Production of Japanese Manufacturers		11.20		12.77	+1.57	+14.0%

[Overview of the Consolidated Financial Results]

1. Consolidated revenue totaled 4,009.0 billion yen, increased by 500.5 billion yen (+14.3%) from the previous year.
2. Consolidated operating profit totaled 256.3 billion yen, increased by 189.6 billion yen (+284.6%) from the previous year.
3. Consolidated profit attributable to owners of the parent company totaled 193.4 billion yen, increased by 150.3 billion yen (+348.9%) from the previous year.

Quarterly Sales revenue & Operating Profit Trends



< 1st Quarter/2nd Quarter >

Revenue was 1,200 to 1,300 billion yen.

Operating profit has maintained an actual value of 120-130 billion yen, excluding external special factors.

< 3rd Quarter >

Revenue was 1,426.1 billion yen due to vehicle production cuts.

Profit was 96.9 billion yen due to continued severe external environment, the actual value excluding the external environment is 150.9 billion yen.

< 4th Quarter >

Although the external environment remains uncertain, we will continue to improve profitability.

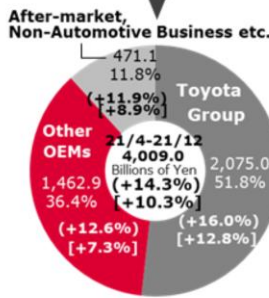
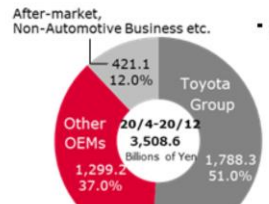
The forecast for the fourth quarter remains unchanged from the interim forecast.

FY2022 3rd Quarter Consolidated Revenue (By Customer)

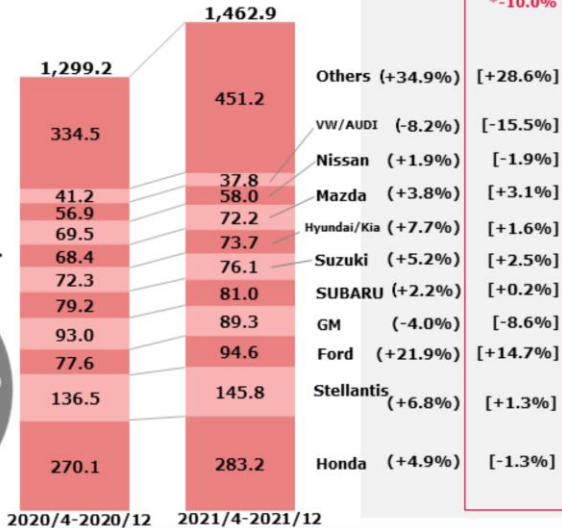
(Unit: Billions of Yen)
 (): vs 21/3Q (9 months basis)
 INCR/DECR
 []: vs 21/3Q (9 months basis)
 INCR/DECR excluding FX diff.
 *: vs 21/3Q (3 months basis)
 INCR/DECR excluding FX diff.

Revenue 3,508.6 ⇒ 4,009.0 (+14.3%) [+10.3%]
 * -4.8%

• Toyota group 1,788.3 ⇒ 2,075.0 (+16.0%) [+12.8%]
 * -1.6%



• Other OEMs 1,299.2 ⇒ 1,462.9 (+12.6%) [+7.3%]
 * -10.0%



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[Revenue by Customer(Quantity Base)]

Although each customer is affected by the shortage of semiconductors, revenue to the Toyota Group increased, centered on hybrid vehicle products.

Cumulative 3rd quarter increase of 12.8% year-on-year.

A slight decreased year-on-year in the three months of the 3rd quarter.

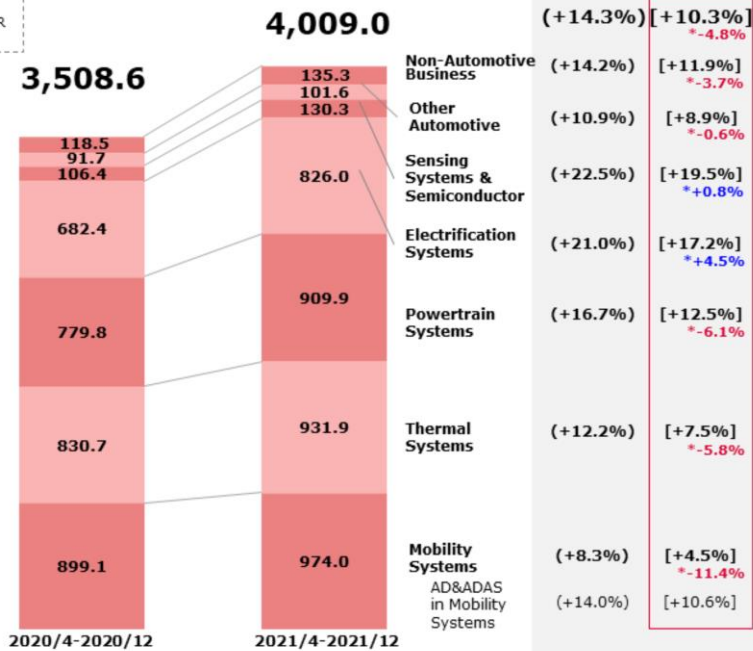
Non-Toyota Group

Cumulative 3rd quarter increased by 7.3% year-on-year,

In the third month of the 3rd quarter, it decreased by 10.0% from the previous year.

FY2022 3rd Quarter Consolidated Revenue (By Product)

(Unit: Billions of Yen)
 () : vs 21/3Q (9 months basis) INCR/DECR
 [] : vs 21/3Q (9 months basis) INCR/DECR
 excluding FX diff.
 * : vs 21/3Q (3 months basis) INCR/DECR
 excluding FX diff.



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<Revenue by Product(Quantity Base)>

Due to sales expansion of electrification products and ADAS products , in the cumulative 3rd quarter, all business groups revenue increased year on year.

However due to the shortage of semiconductors Revenue decreased except for sensing systems and semiconductors , Electrification systems in 3 months.

Sensing systems semiconductor

Increase in pressure sensors for ADAS vehicles.

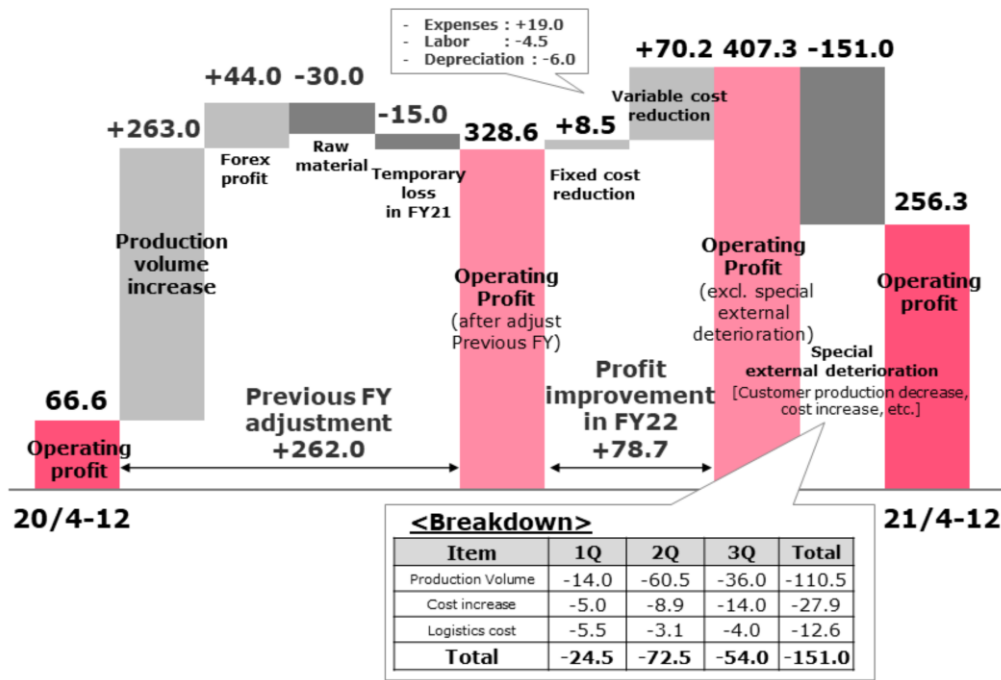
Electrification systems

Revenue of inverters increased in Japan and North America, and China.

Mobility system

Although revenue decreased from the previous year, ADAS products sales increased.

Change in FY2022 3rd Quarter Operating Profit



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

Positive Factors

- Previous FY adjustment 262.0 billion yen
- Profit improvement in FY22 78.7 billion yen

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

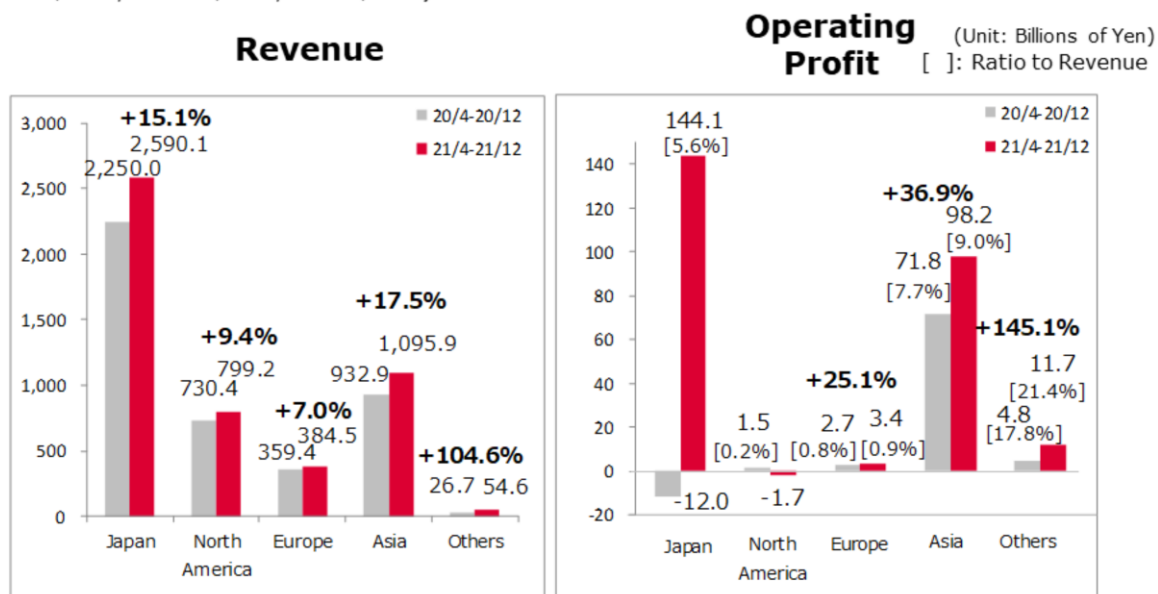
Negative Factors

- Special external deterioration -151.0 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
(106.1JPY/1USD, 122.4JPY/1EUR, 15.4JPY/1CNY)



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[Revenue and Operating Profit by Each Region*]

*Excluding the effect of foreign exchange

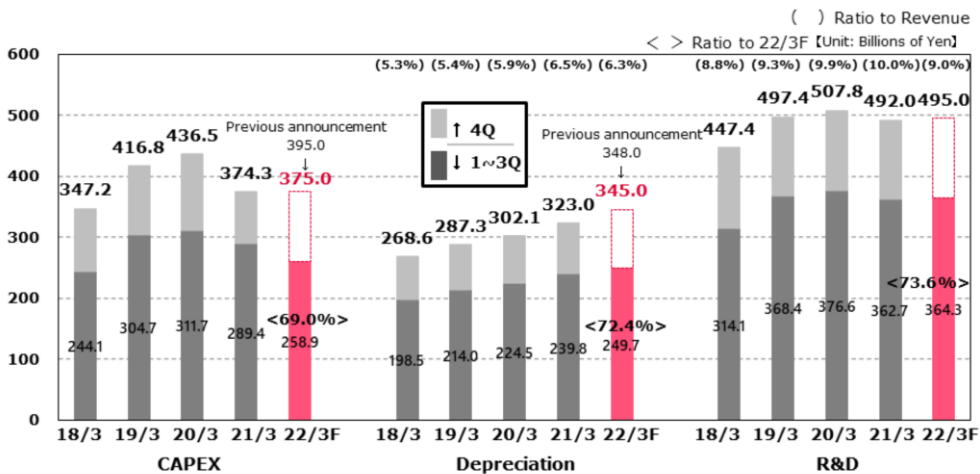
Revenue was affected by vehicle production reduce due to a shortage of semiconductors. However, in the cumulative 3rd quarter year-on-year revenue increased in all regions due to recovery from the impact of the COVID-19.

Regarding operating income, despite the decrease in production of vehicles and the increase in parts/materials and logistics costs, the production volume was higher than we expected in the first half of the year and our efforts to reform our operations produced results globally.

The operating profit increased in respective regions, except in North America where the business environment had a significant impact due mainly to surging logistics costs.

In the three months, the impact of the external environment, including the reduction in vehicle production, was significant, and sales and profits decreased year-on-year in each region excluding Asia and other 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 258.9 billion yen and progress rate was 69.0%.

While conducting investment scrutiny in light of the current uncertain business environment, we will make investment decisions with discipline, while strengthening necessary investments, mainly in the areas of focus on electrification and AD&ADAS.

The annual forecast has been revised to 375 billion yen, reflecting the 20 billion yen that could be suppressed by the input scrutiny up to the third quarter.

R&D expenditure

Actual R&D expenses were 364.1 billion yen and the progress rate was 73.6%.

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)		2022/3 Forecast		Change from previous forecast		2021/3 Actual		Change from Mar. 2021	
	Forecast as of Sep. 2021									
Revenue	5,540.0		5,480.0		-60.0	-1.1%	4,936.7		+543.3	+11.0%
Operating Profit	(7.9%) 440.0		(7.3%) 400.0		-40.0	-9.1%	(3.1%) 155.1		+244.9	+157.9%
Profit before Income Taxes	(8.7%) 481.0		(8.1%) 442.0		-39.0	-8.1%	(3.9%) 193.8		+248.2	+128.1%
Profit ⁽⁺¹⁾	(6.1%) 336.0		(5.5%) 301.0		-35.0	-10.4%	(2.5%) 125.1		+175.9	+140.7%

*1 Profit attributable to owners of the parent company

[Unit: Millions of Units]

Precondition	JPY 107.4/USD		JPY 109.6/USD		+2.2 JPY		-		JPY 106.1/USD	
	Foreign Exchange Rate									
	JPY 127.9/EUR		JPY 129.2/EUR		+1.3 JPY		-		JPY 123.7/EUR	
	JPY 16.6/CNY		JPY 17.0/CNY		+0.4 JPY		-		JPY 15.7/CNY	
Domestic Vehicle Production	8.25		7.81		-0.44	-5.4%			7.88	
Overseas Vehicle Production of Japanese Manufacturers	18.31		17.70		-0.61	-3.4%			15.85	



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[Full year Financial Forecast]

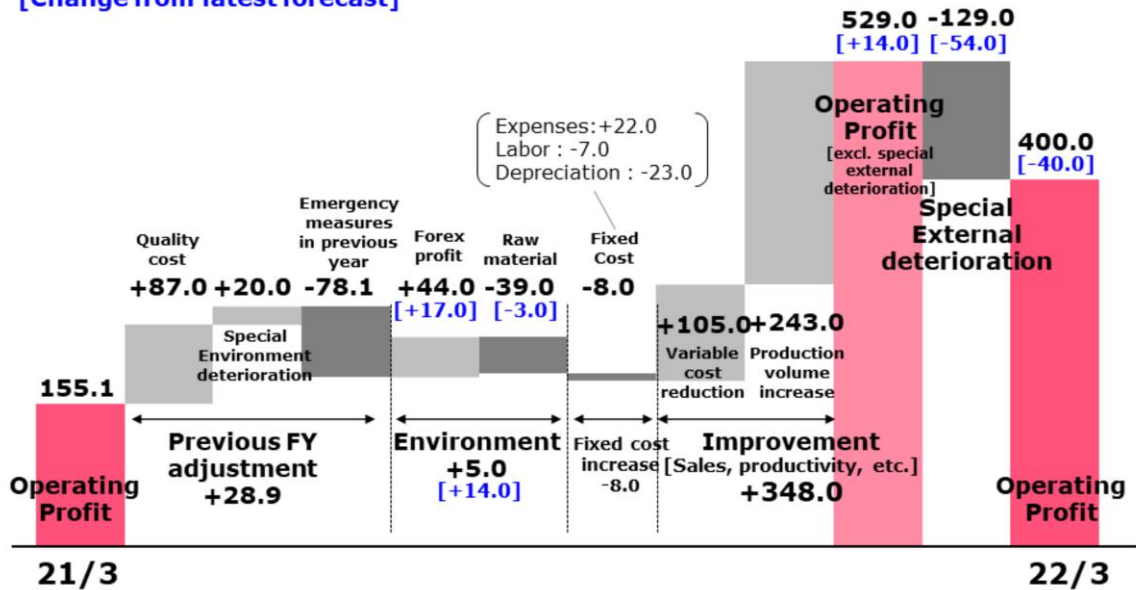
- We expect Revenue of 5,480.0 billion yen.
- We expect Operating profit to be 400.0 billion yen.
- We used 109.6 yen to the U.S. dollar, 129.2 yen to euro, and 17.0 yen to CNY.

We will build a strong business structure by enhancing our ability to cope with production changes, which we gained through responding to the Covid-19 pandemic, managing the signs of supply chain disruptions in the medium to long term, and offering extensive training.

Change in FY2022 Forecast Operating Profit

(Unit: Billions of Yen)

[Change from latest forecast]



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Positive factors

- Previous FY adjustment 28.9 billion yen
- FX 44 billion yen
- Sales / productivity improvement 348 billion yen

Negative factors

- Material - 39 billion yen
- Increase in fixed costs – 8.0 billion yen
- Special external deterioration – 129.0 billion yen

Production reduction due to semiconductor shortage , soaring material costs and increase in logistics costs, etc. Due to the deterioration of the external environment, the full-year forecast is 400 billion yen (-40.0 billion yen compared to the previous announcement), however we will do it without slowing down work style reforms and drastic reduction of fixed costs and promotion of rationalization.

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