

# FY2022 1st Quarter Financial Results

## Summary of Q&A

### Financial results and forecast

**Q:** What were the results in 1Q?

**A:** The operating profit rate was nearly 8%. The decrease in production volume was less than we anticipated. More importantly, we were able to control expenses, and this helped strengthen our operations. For example, we improved development efficiency by introducing final inspection tools for software development and standardized design, which helped reduce expenses. The results are also attributed to changes in workstyle due to digitalization and the effects of streamlining operations.

**Q:** What are the details of the full-year forecast? What is the impact of the semiconductor shortage?

**A:** We have revised the full-year forecast upward to reflect the good business performance in 1Q. Regarding semiconductors, the supply has been recovering as planned or earlier than planned. However, it is difficult to predict when the supply-demand balance will become less tight because the demand is stronger than we expected. There are still risks of a decrease in vehicle production due to the semiconductor shortage, so the outlook for 2Q and beyond remains unchanged from the initial release.

### Focus fields

**Q:** What are the latest developments in the focus fields?

**A:** The growth in the top line in the electrification field is as strong as before. The production of inverters as well as sales expansion of battery monitoring ECUs are progressing well. The profitability in the ADAS field has been increasing. We will continue to expand sales.

**Q:** What is the vision for the new business of reusing CO<sub>2</sub>, which was introduced in the Dialog Day event?

**A:** We have shifted our focus from a plan based on profit per component sold to a portfolio reorganization based on contribution to ROIC and CO<sub>2</sub> emissions. We are committed to the new business to promote the commercialization of carbon-neutral products.

### Policy of returns to shareholders

**Q:** What is DENSO's policy regarding returns to shareholders?

**A:** Our policy remains the same: to stably improve the dividend level over the long term. We have changed the dividend standard to DOE for two reasons. First, DOE, which regards dividends as yields to shareholders, is more in line with our policy than the dividend payout ratio, which focuses on profit distribution. Second, we aim to execute and strengthen the shareholder return policy with the cost of capital in mind. We will buy back our own shares more flexibly depending on the stock price and status of capital structure.