

# FY2022 (2021/4–2022/3) Financial Results Summary of Q&A

## Financial results and forecast

Q: To what extent does DENSO include the risks of vehicle production decrease in the forecast for the next fiscal year (revenue and operating profit)?

A: Regarding the risks of vehicle production decrease, we expect vehicle production to be 5% lower than the figure given in the appendix. We have included the impact of –260 billion yen for revenue and –90 billion for operating profit. Note that we have not specified OEMs for the risks of vehicle production decrease. Thus, as indicated in the notes, we did not include the risks in the number of vehicles in the presentation material.

Regarding the relationship between the preconditions for the number of vehicles and the revenue indicated in the presentation material, the increase in the revenue is larger than that of the number of vehicles, which include those of non-Japanese OEMs not indicated in the material. This is because the results reflect the steady expansion of sales in the fields of electrification and advanced safety.

Q: What are the preconditions and policy for passing on the surging costs of materials to customers?

A: We will not pass on the entire costs to customers. We will cut costs as much as possible based on energy conservation and value analysis (VA)/value engineering (VE) before passing on unmanageable costs to customers. We have incorporated both the conventional variable cost reduction and the effects of passing on the surging costs to customers (including reduction in discounts/indexation of materials) in “biz. agility enhancement & improvement” with a determination to restructure the auto industry.

## R&D expenditure

Q: DENSO forecasts 560 billion for R&D expenditure and 8.8% for the revenue ratio for the next fiscal year. What are the factors behind the increase? What about DENSO’s future vision?

A: With the global expansion of electrification and advanced safety products in particular, the increase is mainly attributed to investments for growth and developing software for advanced safety products and other products. To offer more value in safety, the scale of software development, including the development of software for next-generation advanced safety products, has been expanding rapidly. Software development has become far more efficient thanks to the introduction of automatic inspection tools and AI. Thus, we expect output to rise beyond the increase in investments. In the expansion phase of the focus fields, the necessary investment for development will increase, but we will also increase the recovery of development costs, aim to 450 billion yen by 2025.

## Returns to shareholders

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

A: We will maintain and improve the dividend level stably over the long term. We also explained our policy in the Dialog Day event last year of increasing the returns to shareholders while considering the capital cost in order to curb the increase in the capital ratio. Our basic policy on returns to shareholders remains unchanged. The increase in dividends, which we have announced, is in line with “DOE 3.0% or more,” which is our policy on the dividend level revised in FY2022. We will buy back our shares more flexibly depending on the stock price and capital structure while taking the capital ratio into account.