

FY2023 3rd Quarter (2022/10–2022/12) Financial Results Summary of Q&A

Financial results and forecast

Q: DENSO has revised the annual plan. What is the situation of vehicle production, coping with the surging costs due to inflation, and the status of negotiations?

A: For the interim financial results, we revised the full-year forecast of vehicle production 12% downward from the announcement at the beginning of the fiscal year. Based on a close examination, we expect an additional 2% decrease overall, therefore, we have revised the full-year forecast downward by about 14%. This is not the cumulative total of the decrease of respective OEMs. In China, sales in December were significantly lower than expected, but this is not fully reflected in the total of 3Q. We will continue to monitor the situation.

To cope with the surging costs of materials, energy, and logistics, we have paid an extra 150 billion yen, which is just under 10% of the total amount of our purchases, to suppliers. We will transfer costs to OEMs after obtaining their understanding. In combination with our in-house efforts to cut costs, we expect to recover 90% of the annual amount.

Q: According to the year-end interview with President Arima, the production volume of semiconductors will increase in the summer. What is DENSO's view of the semiconductor shortage?

A: The semiconductor shortage is attributed to various factors. We have been shifting to new contracts, such as long-term order placement of about one year and approval of the use of new-generation semiconductors. We have been told that respective companies have been working to change their practices. The overall supply is expected to stabilize gradually. We expect the supply-demand balance to ease in the summer and beyond because the design will be changed to use alternative products, purchases will be made from multiple suppliers, and the effects of increased production by respective semiconductor manufacturers will emerge.

Capital expenditures

Q: How has DENSO been increasing the electrification-related investments in China and Europe?

A: Preparations have been made at group companies in Europe, which manufacture ICE components, to start mass producing electrification products in around 2024. In China, we will mainly increase the production of inverters. Previously, DENSO's production operations were located in Tianjin, but the number of customers in southern China has been increasing. Thus, the operations of group companies in Guangzhou will shift from ICE components to electronic components, including ECUs. We will operate near customers to reduce the delivery risk and logistics costs.

Product development

Q: What is the status of development of next-generation electrification products?

A: We have been developing SiC inverters for BEVs and next-generation heat pumps for BEVs, which have been downsized by integrating various functions. We will also expand sales of battery management units (battery monitoring ECUs) to European OEMs.