

## FY2023 Financial Results (2022/4–2023/3) Summary of Q&A

### **Financial results and forecast**

Q: Regarding measures to pass on the costs of parts, materials, and energy to customers, what were the results in the fiscal year ended March 2023? What is the plan for the following year?

A: In the fiscal year ended March 2023, we passed on costs of just over 150 billion yen out of about 175 billion yen (90%) to customers. In the fiscal year ending March 2024, we will pass on the entire increase in costs, which are expected to be just under 120 billion yen, to customers.

Q: What are DENSO's expectations for vehicle production as well as anticipated risks and opportunities in the plan for the fiscal year ending March 2024?

A: Regarding vehicle production, we did not determine the preconditions for respective OEMs. We took risks into account based on a macro viewpoint, anticipating a 10% decrease in vehicle production from the plan. We also focused on the risk of decreased production in China in the short term. In terms of opportunities, the supply from semiconductor manufacturers is expected to improve in July and beyond. Commencement of production using alternative semiconductors is likely to stabilize the supply, and the decrease in vehicle production may not be as serious as expected. Vehicle production may be revised upward if the foreign exchange rate remains unchanged in the short term.

Q: What is DENSO's structural reform plan for the fiscal year ending March 2024?

A: Our operations in North America are now more stable, but the profit margin remains low, and issues, including the labor cost, remain unresolved. Production operations will be transferred to Mexico and Canada, and a lean structure will be established in Tennessee as the center of electrification and ADAS products. The portfolio will shift to high-value-added products of the next generation. In Europe, our financial footing has improved thanks to structural reforms. Production of new electrification products will be launched this fiscal year.

In global operations, we will enhance governance of fixed costs. Last fiscal year, the fixed cost rate was slightly higher than expected, so we aim to cut fixed costs to the

previous level this fiscal year. With the risk of port strikes in the U.S. subsiding, we will reduce the inventories that have accumulated in North America.

### **Electrification**

Q: What is DENSO's outlook for electrification?

A: We will continue to expand sales to attain the business target of manufacturing 12 million inverters by 2025. Following the SiC inverter for the Lexus model, which was released in March, a project is underway to develop a small inverter for next-generation BEVs. In line with the sales expansion of inverters, we will propose value-added products, including ADAS products, in combination with the electric drivetrain, power supply, and thermal management systems. Thus, the top line is expected to grow. We will leverage our know-how, which has been refined in respective businesses, in developing the new EV platform.

### **Changes in executive responsibilities**

Q: What are the changes in executive responsibilities?

A: Senior Executive Officer Shinnosuke Hayashi has led the ADAS business as a software engineer. Software development will become increasingly important in the ADAS domain. Hayashi, who will become the new president, is qualified to create a software-focused business model to charge fees and to promote the development of OTA technology and the creation of an electronic platform across OEMs. His appointment reflects the company's intention.