

[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

Consolidated Financial Results
for the Three Months Ended June 30, 2023
<under IFRS>

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Scheduled date of commencement of dividend payment : –

(URL <https://www.denso.com/global/en/>)

DATE: July 28, 2023

DENSO CORPORATION

CODE: 6902

Listed on the Tokyo and
 Nagoya Stock Exchanges

(Millions of yen, except per share figures)

1. Consolidated financial results for the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results

(Percentages indicate the change of the same period of the previous year)

	Revenue		Operating profit		Profit before income taxes		Profit for the period	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2023	1,712,860	21.0	94,378	48.3	129,270	56.6	92,743	72.0
June 30, 2022	1,415,009	4.3	63,643	(40.6)	82,564	(37.3)	53,914	(44.0)

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
Three months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
June 30, 2023	85,460	64.7	555,835	361.2	114.13	–
June 30, 2022	51,875	(41.9)	120,510	(38.2)	67.96	–

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets
As of	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2023	8,124,064	5,043,086	4,847,759	59.7
March 31, 2023	7,408,662	4,579,711	4,376,928	59.1

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2023	—	90.00	—	95.00	185.00
Year ending March 31, 2024	—				
Year ending March 31, 2024 (Forecast)		100.00	—	25.00	—

(Note) Change in cash dividends: Yes

A 4-for-1 common stock split for ordinary shares of the company is planned to be conducted with an effective date of October 1, 2023. Concerning the (forecast) year-end dividend per share for the fiscal year ending March 31, 2024, the dividend amount based on the number of shares after the stock split is shown, and the total full-year dividend is stated as “-”. Based on the number of shares prior to the stock split, the (forecast) year-end dividend for the fiscal year March 31, 2024 is ¥100.00 for a full-year dividend of ¥200.00 per share.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate the change of the same period of the previous year)

	Revenue		Operating profit		Profit before income taxes		Profit for the year		Profit attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	6,700,000	4.7	600,000	40.8	654,000	43.1	493,000	41.7	444,000	41.1	148.23

(Note) Change in consolidated earnings forecasts for the fiscal year ending March 31, 2023: Yes

Basic earnings per share is based on the number of shares after stock split, which is described on the note of Notes to Consolidated Financial Statements (Subsequent events (2) 2) The number of shares to be increase by the stock split). Based on the number of shares prior to the stock split, earnings per share are expected to be ¥592.92.

※ Notes

(1) Significant changes in scope of consolidated subsidiaries: None

In : - (Company Name :) Out : - (Company Name :)

(2) Changes in accounting policies and accounting estimates

1) Changes in accounting policies due to the revision of the accounting standards: None

2) Changes in accounting policies except for those in 1) : None

3) Changes in accounting estimates : None

(3) Number of shares issued (ordinary shares)

1) Number of shares issued at the end of the period (including treasury shares)

FY2024 1st quarter	787,944,951 shares	FY2023	787,944,951 shares
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2) Number of treasury shares at the end of the period

FY2024 1st quarter	39,100,166 shares	FY2023	39,122,931 shares
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3) Average number of shares issued during the three months ended June 30

FY2024 1st quarter	748,825,309 shares	FY2023 1st quarter	763,330,190 shares
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※ This Financial Results report is not required to be audited by certified public accountants or audit firm.

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Summary of Consolidated Financial Results for the Three Months Ended June 30, 2023

1. Summary of Management Results

Amid the progression of global warming, aging societies and the increase in traffic accidents are becoming serious social issues, the Group has formulated the DENSO Group Long-term Policy 2030. In addition to strength the value of “green” and “peace of mind,” the Group has been contributing to the creation of a society with smiling faces through the provision of new value that will be inspired by the Group's initiatives. In order to realize the Denso Group 2030 Long-Term Policy and respond to the drastically changing industrial structure and business environment, the Group has formulated the Mid-term Policy for 2025, which outlines the path and goals of what activities we will focus on and what vision we will take over the medium term. Mid-term Policy for 2025 focuses on human resources, and the Group believes that the development of human resources that create “a group of professionals with the ability to turn ideas into reality,” the strong promotion of diversity and inclusion, and the creation of an organization that is strong in change and full of vitality will bring together the strengths of each and every employee and become the driving force behind the realization of the policy. The Group will establish a solid business foundation in safety/quality, risk management, and profitability improvement, and promote the creation of new value through business portfolio reform to achieve both solutions to social issues and business growth.

For the three months ended June 30, 2023, revenue increased by ¥297.9 billion or 21.0%, year over year, to ¥1,712.9 billion due to recovery of vehicle production by easing of semiconductor shortages, depreciation of the yen and sales expansion mainly in focus field such as electrification and safety.

Operating profit increased by ¥30.7 billion or 48.3%, year over year, to ¥94.4 billion due to production volume increase, depreciation of the yen and efforts of cost reduction, despite continue to rise costs of parts mainly in electronic components. Profit before income taxes increased by ¥46.7 or 56.6%, year over year, to ¥129.3 billion. Profit for the period increased by ¥38.8 or 72.0%, year over year to ¥92.7 billion. Profit attributable to owners of the parent company increased by ¥33.6 billion or 64.7% to ¥85.5 billion.

By geographical segment, revenue increased in all regions, year over year, due to recovery of vehicle production by easing of semiconductor shortages and realization of sales expansion. Operating profit increased except Japan and other regions, where there were temporary cost such as allowance of quality costs and soaring costs of parts and energy, due to production volume increase and global profitability improvement activities.

Revenue in Japan increased by ¥155.8 billion, or 18.9%, year over year, to ¥981.1 billion. Operating profit decreased by ¥6.9 billion, or 21.8%, year over year, to ¥24.8 billion.

Revenue in North America increased by ¥87.8 billion, or 26.0%, year over year, to ¥424.9 billion. An operating profit of ¥6.3 billion was recorded in contrast to operating loss of ¥6.6 billion in the previous year due to a recovery of vehicle production and improvement of profitability in spite of the impact of the external environmental deterioration.

Revenue in Europe increased by ¥32.3 billion, or 19.4%, year over year, to ¥198.4 billion. Operating profit increased of ¥3.9 billion, or 109.3%, year over year, to ¥7.5 billion due to a recovery of vehicle production and improvement of profitability.

Revenue in Asia increased by ¥22.4 billion, or 5.1%, year over year, to ¥464.3 billion. Operating profit increased by ¥11.8 billion, or 41.1%, year over year, to ¥40.5 billion due to improvement of profitability in spite of the impact of the external environmental deterioration.

Revenue in other regions increased by ¥2.7 billion, or 10.5%, year over year, to ¥28.5 billion. Operating profit decreased by ¥1.0 billion, or 16.5%, year over year, to ¥5.0 billion.

2. Summary of Financial Position

Total assets as of June 30, 2023, increased by ¥715.4 billion, to ¥8,124.1 billion mainly due to an increase in other financial assets.

The total for current and non-current liabilities increased by ¥252.0 billion, to ¥3,081.0 billion mainly due to an increase in deferred tax liabilities.

Equity increased by ¥463.4 billion, to ¥5,043.1 billion mainly due to an increase in mark-to-market of investment securities.

3. Summary of Financial Forecast

The full-year forecast for the fiscal year ending March 31, 2024, reflecting strong performance in first quarter, increase in vehicle production in the second quarter and revision of the annual foreign exchange rate assumptions toward a weak yen, the Group expect revenue increased by ¥400.0 billion, to ¥6,700.0 billion, operating profit increased by ¥90.0 billion to ¥600.0 billion.

Profit before income taxes is ¥654.0 billion, profit for the year is ¥493.0 billion, profit attributable to owners of the parent company is ¥444.0 billion.

The exchange rate assumption is 1USD = 132 yen. 1EUR= 142 yen.

The above is included future forecast based on information currently available. Actual results may differ materially from these forecasts due to changes in business operations, exchange rate fluctuations, and other internal and external factors.

Consolidated Statement of Financial Position

(Unit: Millions of yen)

	As of Mar. 31, 2023	As of Jun. 30, 2023
Assets		
Current assets		
Cash and cash equivalents	733,850	857,919
Trade and other receivables	1,263,768	1,248,789
Inventories	1,119,780	1,137,112
Other financial assets	33,716	62,540
Other current assets	126,472	143,952
Total current assets	3,277,586	3,450,312
Non-current assets		
Property, plant and equipment	1,955,240	2,009,280
Right-of-use assets	43,642	49,303
Intangible assets	170,212	172,352
Other financial assets	1,699,202	2,168,233
Investments accounted for using the equity method	110,173	123,186
Retirement benefit assets	78,212	77,525
Deferred tax assets	42,967	41,754
Other non-current assets	31,428	32,119
Total non-current assets	4,131,076	4,673,752
Total assets	7,408,662	8,124,064

(Unit: Millions of yen)

	As of Mar. 31, 2023	As of Jun. 30, 2023
Liabilities and equity		
Current liabilities		
Bonds and borrowings	303,509	260,475
Trade and other payables	1,219,317	1,277,129
Other financial liabilities	54,641	61,999
Income tax payables	42,630	23,882
Provisions	106,524	113,887
Other current liabilities	70,163	92,326
Total current liabilities	1,796,784	1,829,698
Non-current liabilities		
Bonds and borrowings	585,765	668,995
Other financial liabilities	30,929	33,737
Retirement benefit liabilities	249,266	250,878
Provisions	1,643	1,704
Deferred tax liabilities	151,507	282,726
Other non-current liabilities	13,057	13,240
Total non-current liabilities	1,032,167	1,251,280
Total liabilities	2,828,951	3,080,978
Equity		
Capital stock	187,457	187,457
Capital surplus	273,664	273,707
Treasury stock	(252,270)	(252,123)
Other components of equity	955,829	1,412,114
Retained earnings	3,212,248	3,226,604
Equity attributable to owners of the parent company	4,376,928	4,847,759
Non-controlling interests	202,783	195,327
Total equity	4,579,711	5,043,086
Total liabilities and equity	7,408,662	8,124,064

Consolidated Statement of Income

(Unit: Millions of yen)

	Three months ended Jun. 30, 2022	Three months ended Jun. 30, 2023
Revenue	1,415,009	1,712,860
Cost of revenue	(1,241,363)	(1,484,873)
Gross profit	173,646	227,987
Selling, general and administrative expenses	(115,585)	(131,707)
Other income	10,300	3,754
Other expenses	(4,718)	(5,656)
Operating profit	63,643	94,378
Finance income	21,516	28,642
Finance costs	(2,794)	(5,516)
Foreign exchange (losses) gains	(459)	3,175
Share of the profit of associates and joint ventures accounted for using the equity method	658	8,591
Profit before income taxes	82,564	129,270
Income tax expenses	(28,650)	(36,527)
Profit for the period	53,914	92,743
Attributable to:		
Owners of the parent company	51,875	85,460
Non-controlling interests	2,039	7,283

(Unit: Yen)

Earnings per share		
Basic	67.96	114.13
Diluted	—	—

Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Three months ended Jun. 30, 2022	Three months ended Jun. 30, 2023
Profit for the period	53,914	92,743
Other comprehensive (loss) income		
Items that will not be reclassified subsequently to profit or loss		
Net fair value (loss) gain on equity instruments designated as FVTOCI	(82,751)	322,572
Remeasurements of defined benefit pension plans	0	3
Share of other comprehensive (loss) income of investments accounted for using the equity method	(7)	17
Total	(82,758)	322,592
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	145,942	137,871
Cash flow hedges	(1,779)	(865)
Share of other comprehensive income of investments accounted for using the equity method	5,191	3,494
Total	149,354	140,500
Total other comprehensive income	66,596	463,092
Comprehensive income for the period	120,510	555,835
Attributable to:		
Owners of the parent company	110,715	541,776
Non-controlling interests	9,795	14,059

Consolidated Statement of Changes in Equity

(Unit: Millions of yen)

	Equity attributable to owners of the parent company				
	Capital stock	Capital surplus	Treasury stock	Other components of equity	
				Net fair value gain on equity instruments designated as FVTOCI	Remeasurements of defined benefit pension plans
As of April 1, 2022	187,457	273,803	(152,346)	788,476	—
Profit for the period	—	—	—	—	—
Other comprehensive (loss) income	—	—	—	(82,641)	(4)
Comprehensive (loss) income for the period	—	—	—	(82,641)	(4)
Acquisition of treasury stock	—	—	(3)	—	—
Disposal of treasury stock	—	19	87	—	—
Dividends	—	—	—	—	—
Transfer to retained earnings	—	—	—	(2,080)	4
Other	—	—	—	—	—
Total transactions with the owners	—	19	84	(2,080)	4
As of June 30, 2022	187,457	273,822	(152,262)	703,755	—

As of April 1, 2023	187,457	273,664	(252,270)	660,038	—
Profit for the period	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	322,208	2
Comprehensive income (loss) for the period	—	—	—	322,208	2
Acquisition of treasury stock	—	—	(6)	—	—
Disposal of treasury stock	—	43	153	—	—
Dividends	—	—	—	—	—
Transfer to retained earnings	—	—	—	(29)	(2)
Other	—	—	—	—	—
Total transactions with the owners	—	43	147	(29)	(2)
As of June 30, 2023	187,457	273,707	(252,123)	982,217	—

(Unit: Millions of yen)

	Equity attributable to owners of the parent company					Non-controlling interests	Total equity
	Other components of equity			Retained earnings	Total		
	Exchange differences on translating foreign operations	Cash flow hedges	Total				
As of April 1, 2022	187,086	(2,779)	972,783	3,017,660	4,299,357	190,169	4,489,526
Profit for the period	–	–	–	51,875	51,875	2,039	53,914
Other comprehensive (loss) income	143,264	(1,779)	58,840	–	58,840	7,756	66,596
Comprehensive (loss) income for the period	143,264	(1,779)	58,840	51,875	110,715	9,795	120,510
Acquisition of treasury stock	–	–	–	–	(3)	–	(3)
Disposal of treasury stock	–	–	–	–	106	–	106
Dividends	–	–	–	(64,886)	(64,886)	(15,319)	(80,205)
Transfer to retained earnings	–	–	(2,076)	2,076	–	–	–
Other	–	–	–	518	518	0	518
Total transactions with the owners	–	–	(2,076)	(62,292)	(64,265)	(15,319)	(79,584)
As of June 30, 2022	330,350	(4,558)	1,029,547	3,007,243	4,345,807	184,645	4,530,452

As of April 1, 2023	300,274	(4,483)	955,829	3,212,248	4,376,928	202,783	4,579,711
Profit for the period	–	–	–	85,460	85,460	7,283	92,743
Other comprehensive income (loss)	134,971	(865)	456,316	–	456,316	6,776	463,092
Comprehensive income (loss) for the period	134,971	(865)	456,316	85,460	541,776	14,059	555,835
Acquisition of treasury stock	–	–	–	–	(6)	–	(6)
Disposal of treasury stock	–	–	–	–	196	–	196
Dividends	–	–	–	(71,141)	(71,141)	(21,515)	(92,656)
Transfer to retained earnings	–	–	(31)	31	–	–	–
Other	–	–	–	6	6	–	6
Total transactions with the owners	–	–	(31)	(71,104)	(70,945)	(21,515)	(92,460)
As of June 30, 2023	435,245	(5,348)	1,412,114	3,226,604	4,847,759	195,327	5,043,086

Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Three months ended Jun. 30, 2022	Three months ended Jun. 30, 2023
Cash flows from operating activities		
Profit before income taxes	82,564	129,270
Depreciation	89,941	92,512
Decrease in retirement benefit liabilities	(224)	(751)
Decrease in retirement benefit assets	1,469	839
Interest and dividend income	(20,662)	(28,477)
Interest expenses	1,731	3,773
Foreign exchange gains	(13,041)	(6,897)
Share of the profit of associates and joint ventures accounted for using the equity method	(658)	(8,591)
(Gains) losses on sales or disposal of property, plant and equipment	(3,830)	1,539
Decrease in trade receivables	105,720	87,940
(Increase) decrease in inventories	(34,496)	30,807
Decrease in trade payables	(81,731)	(36,269)
(Decrease) increase in provisions	(19,484)	5,940
Other	43,857	54,768
Subtotal	151,156	326,403
Interest received	2,032	6,089
Dividends received	20,337	22,792
Interest paid	(1,621)	(4,330)
Income taxes paid	(43,789)	(52,962)
Net cash provided by operating activities	128,115	297,992
Cash flows from investing activities		
Increase in time deposits	(1,025)	(23,251)
Purchases of property, plant and equipment	(94,988)	(89,424)
Proceeds from sales of property, plant and equipment	9,657	4,640
Purchases of intangible assets	(10,260)	(11,481)
Purchases of equity instruments	(16,999)	(5,597)
Purchases of debt instruments	(130)	(133)
Proceeds from sales of equity instruments	3,990	277
Proceeds from sales and redemption of debt instruments	126	199
Other	(1,244)	(2,625)
Net cash used in investing activities	(110,873)	(127,395)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	47,263	(41,577)
Proceeds from borrowings	8,608	79,110
Repayments of long-term borrowings	(18,891)	(10,884)
Repayments of lease liabilities	(7,072)	(10,454)
Redemption of bonds	(30,000)	–
Dividends paid	(64,886)	(71,141)
Dividends paid to non-controlling interests	(15,319)	(21,515)
Purchase of treasury stock	(3)	(6)
Other	(174)	(33)
Net cash used in financing activities	(80,474)	(76,500)
Foreign currency translation adjustments on cash and cash equivalents	36,504	29,972
Net (decrease) increase in cash and cash equivalents	(26,728)	124,069
Cash and cash equivalents at beginning of period	867,808	733,850
Cash and cash equivalents at end of period	841,080	857,919

Notes to Consolidated Financial Statements

Assumption for Going Concern

There are no applicable items.

Segment information

(1) Outline of reportable segments

In the three-month period ended June 30, 2023, there were no material changes to the method used to identify the reportable segments, the businesses activities carried out by each reportable segment, or the measurement standards used to determine segment profits.

(2) Revenue, profit/loss for each reportable segment

For the Three months ended June 30, 2022

(Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated	
	Japan	North America	Europe	Asia	Total				
Revenue									
Customers	522,316	333,662	150,429	383,210	1,389,617	25,392	–	1,415,009	
Intersegment	302,989	3,500	15,638	58,655	380,782	357	(381,139)	–	
Total	825,305	337,162	166,067	441,865	1,770,399	25,749	(381,139)	1,415,009	
Segment profit or losses	31,766	(6,643)	3,564	28,721	57,408	5,957	278	63,643	
Finance income									21,516
Finance costs									(2,794)
Foreign exchange losses									(459)
Share of the profit of associates and joint ventures accounted for using the equity method									658
Profit before income taxes									82,564

(Note) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.

For the Three months ended June 30, 2023

(Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated	
	Japan	North America	Europe	Asia	Total				
Revenue									
Customers	685,991	420,982	180,842	397,060	1,684,875	27,985	–	1,712,860	
Intersegment	295,070	3,962	17,512	67,217	383,761	471	(384,232)	–	
Total	981,061	424,944	198,354	464,277	2,068,636	28,456	(384,232)	1,712,860	
Segment profit	24,831	6,291	7,459	40,516	79,097	4,972	10,309	94,378	
Finance income									28,642
Finance costs									(5,516)
Foreign exchange gains									3,175
Share of the profit of associates and joint ventures accounted for using the equity method									8,591
Profit before income taxes									129,270

(Note) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.

Subsequent events

Stock split and partial amendment of Articles of Incorporation

At the meeting of the Board of Directors held on July 28, 2023, Denso corporation (hereinafter referred to as the "Company") resolved to implement a stock split and partial amendment of Articles of Incorporation.

(1) Purpose of the stock split

The purpose is to create an environment that makes it easier to invest in DENSO stocks and to grow the number of company investors by reducing the amount per investment unit.

(2) Overview of the stock split

1) Method of the stock split

As of Saturday, September 30, 2023, the shares of common stock owned by shareholders on that date will be split into 4 shares per share.

2) The number of shares to be increase by the stock split

Total number of issued shares before the stock split : 787,944,951 shares

Increase in number of shares due to the stock split : 2,363,834,853 shares

Total number of issued shares after the stock split : 3,151,779.804 shares

Total number of issuable shares after the stock split : 6,000,000,000 shares

3) Schedule for the stock split

Public notice of record date (scheduled) : Thursday, September 14, 2023

Record date : Saturday, September 30, 2023

Effective date : Sunday, October 1, 2023

(3) Partial amendment to the Articles of Incorporation due to the stock split

Due to the stock split described above, the Company will partially amend its Articles of Incorporation, to increase the total number of shares which the Company is authorized to issue from 1,500,000,000 to 6,000,000,000, effective as of Sunday, October 1, 2023, pursuant to Article 184, Paragraph 2 of the Companies Act.

(4) Impact on per share information

Per share information assuming that the stock split was performed at the beginning of the three months ended June 30, 2022 is as follows.

	Three months ended June 30, 2022	Three months ended June 30, 2023
Basic earnings per share (Yen)	16.99	28.53
Diluted earnings per share (Yen)	-	-
Equity per share: attributable to owners of the parent company (Yen)	1,423.28	1,618.41

(Note) Earnings per share-diluted is not presented as there are no shares with dilutive effect.