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Consolidated Financial Results
for the Nine Months Ended December 31, 2022
<under IFRS>

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Scheduled date of commencement of dividend payment : -

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

DATE: February 3, 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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

(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	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	4,635,682	15.6	267,948	4.6	298,155	0.5	216,562	2.3
December 31, 2021	4,009,048	14.3	256,274	284.6	296,541	199.2	211,611	282.5

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
Nine months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
December 31, 2022	197,801	2.3	101,879	(76.1)	260.67	—
December 31, 2021	193,364	348.9	425,561	21.4	250.47	—

(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	%
December 31, 2022	7,083,748	4,334,552	4,146,048	58.5
March 31, 2022	7,432,271	4,489,526	4,299,357	57.8

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Year ended March 31, 2022	Yen —	Yen 80.00	Yen —	Yen 85.00	Yen 165.00
Year ending March 31, 2023	—	90.00			
Year ending March 31, 2023 (Forecast)			—	90.00	180.00

(Note) Change in cash dividends: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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	6,200,000	12.4	420,000	23.1	455,000	18.2	348,000	20.5	322,000	22.0	425.88

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

※ 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)

2) Number of treasury shares at the end of the period

3) Average number of shares issued during the nine months ended December 31

FY2023 3rd quarter	787,944,951 shares	FY2022	787,944,951 shares
FY2023 3rd quarter	39,122,355 shares	FY2022	24,616,949 shares
FY2023 3rd quarter	758,815,858 shares	FY2022 3rd quarter	772,014,553 shares

※ This Financial Results report is not required to be audited by certified public accountants or audit firm.

List of Contents of Attachments

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2022	2
Consolidated Statement of Financial Position	4
Consolidated Statement of Income	6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	10
Notes to Consolidated Financial Statements	11
Assumption for Going Concern	11
Segment information	11

Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2022

1. Summary of Management Results

The Group formulated the DENSO Group Long-term Policy 2030. Under the slogan “Bringing hope for the future for our planet, society and all people,” we are aiming to resolve social issues through our business activities emphasizing “green” and “peace of mind.”, and contribute to realization of a sustainable society with smiling faces through the provision of new value that will be inspired by the Group's initiatives. The external business environment continues to be challenging, such as reduction in vehicle production and soaring costs of parts and materials. The Group has been striving to strengthen the management foundation and the financial structure and has worked on formulation of the growth strategy for the future centering on the fields of “green” and “peace of mind.” We have started to see positive results, including improvement of efficiency by digitization of work and optimization of resourced through reorganization of the business portfolio. As well as embedding these activities, the Group will promote value creation through provision of products and solutions leveraging existing strengths and achieve both resolution of social issues through business and business growth.

For the nine months ended December 31, 2022, revenue increased by ¥626.6 billion or 15.6%, year over year, to ¥4,635.7 billion due to vehicle production having been recovering versus the previous year, realization of sales expansion mainly in focus field such as electrification and weak yen trend, in spite of impact of COVID-19 in China and the shortage of semiconductors.

Operating profit increased by ¥11.7 billion or 4.6%, year over year, to ¥267.9 billion due to recovery of vehicle production, sales expansion, foreign exchange gains and global profitability improvement activities in spite of impact of the external environment such as soaring material cost of mainly electronic parts and logistics cost. Profit before income taxes increased by ¥1.6 billion or 0.5%, year over year, to ¥298.2 billion. Profit for the period increased by ¥5.0 billion or 2.3%, year over year to ¥216.6 billion. Profit attributable to owners of the parent company increased by ¥4.4 billion or 2.3% to ¥197.8 billion.

By geographical segment, revenue increased, year over year, in all regions due to recovery of vehicle production, sales expansion and weak yen in foreign exchange.

Revenue in Japan increased by ¥101.6 billion, or 3.9%, year over year, to ¥2,691.7 billion due to weak yen in foreign exchange in spite of reduction in vehicle production by the shortage of semiconductors. Operating profit increased by ¥2.6 billion, or 1.8%, year over year, to ¥146.7 billion due to cost reduction and price reflection of the external environment impact.

Revenue in North America increased by ¥239.6 billion, or 28.4%, year over year, to ¥1,082.2 billion. An operating loss of ¥15.0 billion was recorded in contrast to operating loss of ¥1.9 billion in the previous year due to the impact of soaring material and logistics cost despite the efforts for cost reduction.

Revenue in Europe increased by ¥83.3 billion, or 20.5%, year over year, to ¥490.7 billion due to a recovery of vehicle production. Operating profit increased of ¥5.8 billion, or 173.0%, year over year, to ¥9.1 billion due to the efforts for cost reduction and price reflection of the external environment impact.

Revenue in Asia increased by ¥289.0 billion, or 24.5%, year over year, to ¥1,469.5 billion due to an increase mainly in ASEAN. Operating profit increased by ¥8.5 billion, or 8.1%, year over year, to ¥113.5 billion despite soaring material, logistics and restructuring cost.

Revenue in other regions increased by ¥23.0 billion, or 42.7%, year over year, to ¥76.8 billion. Operating profit increased by ¥3.8 billion, or 32.3%, year over year, to ¥15.4 billion.

2. Summary of Financial Position

Total assets as of December 31, 2022, decreased by ¥348.5 billion, to ¥7,083.7 billion mainly due to a decrease in other financial assets.

The total for current and non-current liabilities decreased by ¥193.5 billion, to ¥2,749.2 billion mainly due to a decrease in deferred tax liabilities.

Equity decreased by ¥155.0 billion, to ¥4,334.6 billion mainly due to a decrease in mark-to-market of investment securities.

3. Summary of Financial Forecast

The full-year forecast for the fiscal year ending March 31, 2023, reflecting the changes in the foreign exchange assumptions, impact of COVID-19 in China and risk of vehicle production cutbacks caused by the shortage of semiconductors, the Group expect revenue decreased to ¥6,200.0 billion. Operating profit decreased to ¥420.0 billion, reflecting risks, despite the efforts for cost reduction and promotion price reflection for the environment deterioration. Profit before income taxes is ¥455.0 billion, profit for the year is ¥348.0 billion, profit attributable to owners of the parent company is ¥322.0 billion.

The exchange rate assumption is 1USD = 134 yen. 1EUR= 139 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, 2022	As of Dec. 31, 2022
Assets		
Current assets		
Cash and cash equivalents	867,808	690,151
Trade and other receivables	1,120,781	1,085,527
Inventories	1,032,161	1,158,191
Other financial assets	17,730	19,399
Other current assets	107,696	135,829
Subtotal	3,146,176	3,089,097
Assets held for sale	22,638	—
Total current assets	3,168,814	3,089,097
Non-current assets		
Property, plant and equipment	1,912,607	1,930,694
Right-of-use assets	45,394	44,609
Intangible assets	155,580	169,578
Other financial assets	1,861,373	1,557,501
Investments accounted for using the equity method	113,580	114,431
Retirement benefit assets	111,351	108,661
Deferred tax assets	36,871	39,262
Other non-current assets	26,701	29,915
Total non-current assets	4,263,457	3,994,651
Total assets	7,432,271	7,083,748

(Unit: Millions of yen)

	As of Mar. 31, 2022	As of Dec. 31, 2022
Liabilities and equity		
Current liabilities		
Bonds and borrowings	262,819	372,127
Trade and other payables	1,131,375	1,085,541
Other financial liabilities	51,034	51,283
Income tax payables	36,995	37,942
Provisions	144,560	106,437
Other current liabilities	75,286	91,510
Subtotal	1,702,069	1,744,840
Liabilities directly associated with assets held for sale	476	—
Total current liabilities	1,702,545	1,744,840
Non-current liabilities		
Bonds and borrowings	728,616	585,970
Other financial liabilities	33,860	31,733
Retirement benefit liabilities	265,188	264,686
Provisions	1,228	1,274
Deferred tax liabilities	197,122	106,237
Other non-current liabilities	14,186	14,456
Total non-current liabilities	1,240,200	1,004,356
Total liabilities	2,942,745	2,749,196
Equity		
Capital stock	187,457	187,457
Capital surplus	273,803	273,737
Treasury stock	(152,346)	(252,266)
Other components of equity	972,783	840,769
Retained earnings	3,017,660	3,096,351
Equity attributable to owners of the parent company	4,299,357	4,146,048
Non-controlling interests	190,169	188,504
Total equity	4,489,526	4,334,552
Total liabilities and equity	7,432,271	7,083,748

Consolidated Statement of Income

(Unit: Millions of yen)

	Nine months ended Dec. 31, 2021	Nine months ended Dec. 31, 2022
Revenue	4,009,048	4,635,682
Cost of revenue	(3,422,436)	(4,004,360)
Gross profit	586,612	631,322
Selling, general and administrative expenses	(341,767)	(365,662)
Other income	30,658	22,783
Other expenses	(19,229)	(20,495)
Operating profit	256,274	267,948
Finance income	39,374	47,471
Finance costs	(5,756)	(9,840)
Foreign exchange gains (losses)	1,663	(6,880)
Share of the profit (loss) of associates and joint ventures accounted for using the equity method	4,986	(544)
Profit before income taxes	296,541	298,155
Income tax expenses	(84,930)	(81,593)
Profit for the period	211,611	216,562
Attributable to:		
Owners of the parent company	193,364	197,801
Non-controlling interests	18,247	18,761

(Unit: Yen)

Earnings per share		
Basic	250.47	260.67
Diluted	—	—

Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Nine months ended Dec. 31, 2021	Nine months ended Dec. 31, 2022
Profit for the period	211,611	216,562
Other comprehensive income (loss)		
Items that will not be reclassified subsequently to profit or loss		
Net fair value gain (loss) on equity instruments designated as FVTOCI	159,964	(220,865)
Remeasurements of defined benefit pension plans	53	(1)
Share of other comprehensive income of investments accounted for using the equity method	52	29
Total	160,069	(220,837)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	52,002	101,822
Cash flow hedges	(720)	(2,119)
Share of other comprehensive income of investments accounted for using the equity method	2,599	6,451
Total	53,881	106,154
Total other comprehensive income (loss)	213,950	(114,683)
Comprehensive income for the period	425,561	101,879
Attributable to:		
Owners of the parent company	404,754	78,183
Non-controlling interests	20,807	23,696

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, 2021	187,457	272,517	(56,830)	664,905	—
Profit for the period	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	159,753	36
Comprehensive income (loss) for the period	—	—	—	159,753	36
Acquisition of treasury stock	—	—	(80,708)	—	—
Disposal of treasury stock	—	1,281	2,025	—	—
Dividends	—	—	—	—	—
Changes in the ownership interest in subsidiaries without a loss of control	—	3	—	—	—
Changes by business combinations	—	—	—	—	—
Transfer to retained earnings	—	—	—	(29,495)	(36)
Other	—	(1)	—	—	—
Total transactions with the owners	—	1,283	(78,683)	(29,495)	(36)
As of December 31, 2021	187,457	273,800	(135,513)	795,163	—

As of April 1, 2022	187,457	273,803	(152,346)	788,476	—
Profit for the period	—	—	—	—	—
Other comprehensive (loss) income	—	—	—	(220,480)	(5)
Comprehensive (loss) income for the period	—	—	—	(220,480)	(5)
Acquisition of treasury stock	—	—	(100,007)	—	—
Disposal of treasury stock	—	19	87	—	—
Dividends	—	—	—	—	—
Changes in the ownership interest in subsidiaries without a loss of control	—	(85)	—	—	—
Changes by business combinations	—	—	—	—	—
Transfer to retained earnings	—	—	—	(12,401)	5
Other	—	—	—	—	—
Total transactions with the owners	—	(66)	(99,920)	(12,401)	5
As of December 31, 2022	187,457	273,737	(252,266)	555,595	—

(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, 2021	26,472	40	691,417	2,796,451	3,891,012	185,705	4,076,717
Profit for the period	—	—	—	193,364	193,364	18,247	211,611
Other comprehensive income (loss)	52,321	(720)	211,390	—	211,390	2,560	213,950
Comprehensive income (loss) for the period	52,321	(720)	211,390	193,364	404,754	20,807	425,561
Acquisition of treasury stock	—	—	—	—	(80,708)	—	(80,708)
Disposal of treasury stock	—	—	—	—	3,306	—	3,306
Dividends	—	—	—	(115,865)	(115,865)	(39,109)	(154,974)
Changes in the ownership interest in subsidiaries without a loss of control	—	—	—	—	3	(19)	(16)
Changes by business combinations	—	—	—	—	—	6,309	6,309
Transfer to retained earnings	—	—	(29,531)	29,531	—	—	—
Other	—	—	—	153	152	(76)	76
Total transactions with the owners	—	—	(29,531)	(86,181)	(193,112)	(32,895)	(226,007)
As of December 31, 2021	78,793	(680)	873,276	2,903,634	4,102,654	173,617	4,276,271

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	—	—	—	197,801	197,801	18,761	216,562
Other comprehensive (loss) income	102,986	(2,119)	(119,618)	—	(119,618)	4,935	(114,683)
Comprehensive (loss) income for the period	102,986	(2,119)	(119,618)	197,801	78,183	23,696	101,879
Acquisition of treasury stock	—	—	—	—	(100,007)	—	(100,007)
Disposal of treasury stock	—	—	—	—	106	—	106
Dividends	—	—	—	(132,777)	(132,777)	(24,157)	(156,934)
Changes in the ownership interest in subsidiaries without a loss of control	—	—	—	—	(85)	(294)	(379)
Changes by business combinations	—	—	—	—	—	—	—
Transfer to retained earnings	—	—	(12,396)	12,396	—	—	—
Other	—	—	—	1,271	1,271	(910)	361
Total transactions with the owners	—	—	(12,396)	(119,110)	(231,492)	(25,361)	(256,853)
As of December 31, 2022	290,072	(4,898)	840,769	3,096,351	4,146,048	188,504	4,334,552

Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Nine months ended Dec. 31, 2021	Nine months ended Dec. 31, 2022
Cash flows from operating activities		
Profit before income taxes	296,541	298,155
Depreciation	258,127	273,053
Impairment losses	908	—
Decrease in retirement benefit liabilities	(578)	(1,777)
Decrease in retirement benefit assets	569	2,756
Interest and dividend income	(37,913)	(46,402)
Interest expenses	3,336	7,575
Foreign exchange gains	(1,542)	(9,018)
Share of the (profit) loss of associates and joint ventures accounted for using the equity method	(4,986)	544
Gains on sales or disposal of property, plant and equipment	3,028	324
Decrease in trade receivables	34,915	95,821
Increase in inventories	(197,426)	(87,067)
Decrease in trade payables	(23,400)	(52,189)
Decrease in provisions	(84,199)	(38,858)
Other	(1,076)	(7,713)
Subtotal	246,304	435,204
Interest received	3,903	10,534
Dividends received	36,353	41,335
Interest paid	(3,144)	(7,153)
Income taxes paid	(36,332)	(91,727)
Net cash provided by operating activities	247,084	388,193
Cash flows from investing activities		
Decrease in time deposits	4,504	2,846
Purchases of property, plant and equipment	(243,088)	(262,215)
Proceeds from sales of property, plant and equipment	13,096	12,994
Purchases of intangible assets	(23,288)	(38,061)
Purchases of equity instruments	(1,676)	(17,999)
Purchases of debt instruments	(250)	(268)
Proceeds from sales and redemption of equity instruments	54,265	20,258
Proceeds from sales and redemption of debt instruments	330	438
Payments for acquisition of subsidiaries and other businesses	(4,003)	—
Proceeds from sales of subsidiaries or other businesses	—	17,980
Other	(4,889)	206
Net cash used in investing activities	(204,999)	(263,821)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	97,071	(7,716)
Proceeds from borrowings	16,520	64,744
Repayments of long-term borrowings	(47,534)	(74,420)
Repayments of lease liabilities	(20,050)	(22,244)
Issuance of bonds	55,960	—
Redemption of bonds	(10,000)	(40,000)
Dividends paid	(115,865)	(132,777)
Dividends paid to non-controlling interests	(39,109)	(24,157)
Purchase of treasury stock	(80,708)	(100,007)
Increase in deposits for purchase of treasury shares	(19,340)	—
Other	(183)	8,180
Net cash used in financing activities	(163,238)	(328,397)
Foreign currency translation adjustments on cash and cash equivalents	6,243	26,368
Net decrease in cash and cash equivalents	(114,910)	(177,657)
Cash and cash equivalents at beginning of period	897,395	867,808
Cash and cash equivalents at end of period	782,485	690,151

Notes to Consolidated Financial Statements

Assumption for Going Concern

There are no applicable items.

Segment information

(1) Outline of reportable segments

In the nine-month period ended December 31, 2022, 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 Nine months ended December 31, 2021

(Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated
	Japan	North America	Europe	Asia	Total			
Revenue								
Customers	1,744,417	832,094	365,743	1,013,894	3,956,148	52,900	—	4,009,048
Intersegment	845,649	10,516	41,614	166,685	1,064,464	948	(1,065,412)	—
Total	2,590,066	842,610	407,357	1,180,579	5,020,612	53,848	(1,065,412)	4,009,048
Segment profit or loss	144,121	(1,908)	3,341	105,018	250,572	11,659	(5,957)	256,274
Finance income								39,374
Finance costs								(5,756)
Foreign exchange gains								1,663
Share of the profit of associates and joint ventures accounted for using the equity method								4,986
Profit before income taxes								296,541

(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 Nine months ended December 31, 2022

(Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated
	Japan	North America	Europe	Asia	Total			
Revenue								
Customers	1,757,607	1,071,228	446,960	1,284,131	4,559,926	75,756	—	4,635,682
Intersegment	934,102	10,967	43,745	185,398	1,174,212	1,079	(1,175,291)	—
Total	2,691,709	1,082,195	490,705	1,469,529	5,734,138	76,835	(1,175,291)	4,635,682
Segment profit or loss	146,678	(14,955)	9,120	113,522	254,365	15,429	(1,846)	267,948
Finance income								47,471
Finance costs								(9,840)
Foreign exchange losses								(6,880)
Share of the losses of associates and joint ventures accounted for using the equity method								(544)
Profit before income taxes								298,155

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