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Consolidated Financial Results
for the Six Months Ended September 30, 2022
<under IFRS>

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Scheduled date of commencement of dividend payment : November 25, 2022

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

DATE: October 28, 2022
 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 six months ended September 30, 2022 (from April 1, 2022 to September 30, 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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2022	3,020,114	16.9	155,413	(2.5)	170,644	(6.7)	116,507	(5.7)
September 30, 2021	2,582,940	24.5	159,319	—	182,855	—	123,574	—

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
Six months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
September 30, 2022	105,798	(6.1)	124,264	(49.1)	138.74	—
September 30, 2021	112,726	—	244,208	299.1	145.60	—

(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	%
September 30, 2022	7,346,338	4,468,561	4,280,694	58.3
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
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2022	—	80.00	—	85.00	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	6,310,000	14.4	480,000	40.7	523,000	35.9	402,000	39.2	378,000	43.2	500.03

(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 six months ended September 30

FY2023 2nd quarter	787,944,951 shares	FY2022	787,944,951 shares
FY2023 2nd quarter	33,628,916 shares	FY2022	24,616,949 shares
FY2023 2nd quarter	762,583,787 shares	FY2022 2nd quarter	774,244,197 shares

※ 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 Six Months Ended September 30, 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 six months ended September 30, 2022, revenue increased by ¥437.2 billion or 16.9%, year over year, to ¥3,020.1 billion due to vehicle production having been recovering since the second quarter and realization of sales expansion mainly in focus field such as electrification and weak yen trend, in spite of reduction in vehicle production due mainly to lockdown in China and semiconductor shortages in first quarter. This is record high for the three months in all quarters.

Operating profit decreased slightly by ¥3.9 billion or 2.5%, year over year, to ¥155.4 billion due to production volume decrease by impact of the external environment such as soaring material cost of mainly electronic parts and logistics cost, despite the recovery of vehicle production, sales expansion, foreign exchange gains and global profitability improvement activities. Profit before income taxes decreased by ¥12.2 billion or 6.7%, year over year, to ¥170.6 billion. Profit for the period decreased by ¥7.1 billion or 5.7%, year over year to ¥116.5 billion. Profit attributable to owners of the parent company decreased by ¥6.9 billion or 6.1% to ¥105.8 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. Operating profit decreased in North America and Europe due to external environmental deterioration such as soaring material cost, logistics cost and labor cost, despite global profitability improvement activities.

Revenue in Japan increased by ¥49.0 billion, or 2.9%, year over year, to ¥1,738.9 billion in spite of reduction in vehicle production. Operating profit decreased by 2.1 billion, or 2.4%, year over year, to ¥91.0 billion due to weak yen trend, usual improvement activities and price reflection of the external environment impact despite the soaring material and labor cost.

Revenue in North America increased by ¥150.3 billion, or 26.6%, year over year, to ¥715.0 billion due to focus field such as electrification. An operating loss of ¥13.0 billion was recorded in contrast to operating profit of ¥2.9 billion in the previous year due to soaring material, logistics and labor cost .

Revenue in Europe increased by ¥52.4 billion, or 19.4%, year over year, to ¥321.9 billion due to a recovery of vehicle production. Operating profit decreased of ¥0.3 billion, or 7.0%, year over year, to ¥3.6 billion due to soaring material, energy and labor cost.

Revenue in Asia increased by ¥245.5 billion, or 34.3%, year over year, to ¥960.9 billion, due to a recovery of vehicle production. Operating profit increased by ¥10.0 billion, or 17.4%, year over year, to ¥67.4 billion despite soaring material, logistics and restructuring cost.

Revenue in other regions increased by ¥17.5 billion, or 48.6%, year over year, to ¥53.6 billion. Operating profit increased by ¥3.4 billion, or 42.9%, year over year, to ¥11.4 billion.

2. Summary of Financial Position

Total assets as of September 30, 2022, decreased by ¥85.9 billion, to ¥7,346.3 billion mainly due to an decrease in other financial assets.

The total for current and non-current liabilities decreased by ¥6.5 billion, to ¥2,877.8 billion mainly due to an decrease in deferred tax liabilities.

Equity decreased by ¥21.0 billion, to ¥4,468.6 billion mainly due to an 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, the Group expect revenue increased to ¥6,310.0 billion. Operating profit is unchanged from the previous forecast at ¥480.0 billion, reflecting weak yen trend and global profitability improvement activities, despite the impact of the deterioration in the regional mix.

Profit before income taxes is ¥523.0 billion, profit for the year is ¥402.0 billion, profit attributable to owners of the parent company is ¥378.0 billion.

The exchange rate assumption is 1USD = 135 yen. 1EUR= 137 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 Sep. 30, 2022
Assets		
Current assets		
Cash and cash equivalents	867,808	819,773
Trade and other receivables	1,120,781	1,170,080
Inventories	1,032,161	1,145,503
Other financial assets	17,730	15,974
Other current assets	107,696	122,538
Subtotal	3,146,176	3,273,868
Assets held for sale	22,638	—
Total current assets	3,168,814	3,273,868
Non-current assets		
Property, plant and equipment	1,912,607	1,978,334
Right-of-use assets	45,394	46,703
Intangible assets	155,580	163,640
Other financial assets	1,861,373	1,586,558
Investments accounted for using the equity method	113,580	116,844
Retirement benefit assets	111,351	109,355
Deferred tax assets	36,871	40,522
Other non-current assets	26,701	30,514
Total non-current assets	4,263,457	4,072,470
Total assets	7,432,271	7,346,338

(Unit: Millions of yen)

	As of Mar. 31, 2022	As of Sep. 30, 2022
Liabilities and equity		
Current liabilities		
Bonds and borrowings	262,819	310,407
Trade and other payables	1,131,375	1,144,704
Other financial liabilities	51,034	50,730
Income tax payables	36,995	43,104
Provisions	144,560	116,895
Other current liabilities	75,286	93,876
Subtotal	1,702,069	1,759,716
Liabilities directly associated with assets held for sale	476	—
Total current liabilities	1,702,545	1,759,716
Non-current liabilities		
Bonds and borrowings	728,616	691,625
Other financial liabilities	33,860	32,511
Retirement benefit liabilities	265,188	266,142
Provisions	1,228	1,739
Deferred tax liabilities	197,122	111,167
Other non-current liabilities	14,186	14,877
Total non-current liabilities	1,240,200	1,118,061
Total liabilities	2,942,745	2,877,777
Equity		
Capital stock	187,457	187,457
Capital surplus	273,803	273,822
Treasury stock	(152,346)	(212,220)
Other components of equity	972,783	960,592
Retained earnings	3,017,660	3,071,043
Equity attributable to owners of the parent company	4,299,357	4,280,694
Non-controlling interests	190,169	187,867
Total equity	4,489,526	4,468,561
Total liabilities and equity	7,432,271	7,346,338

Consolidated Statement of Income

(Unit: Millions of yen)

	Six months ended Sep. 30, 2021	Six months ended Sep. 30, 2022
Revenue	2,582,940	3,020,114
Cost of revenue	(2,202,702)	(2,626,450)
Gross profit	380,238	393,664
Selling, general and administrative expenses	(228,672)	(240,644)
Other income	19,819	18,612
Other expenses	(12,066)	(16,219)
Operating profit	159,319	155,413
Finance income	21,742	25,646
Finance costs	(3,560)	(5,043)
Foreign exchange gains (losses)	1,946	(4,410)
Share of the profit (loss) of associates and joint ventures accounted for using the equity method	3,408	(962)
Profit before income taxes	182,855	170,644
Income tax expenses	(59,281)	(54,137)
Profit for the period	123,574	116,507
Attributable to:		
Owners of the parent company	112,726	105,798
Non-controlling interests	10,848	10,709

(Unit: Yen)

Earnings per share		
Basic	145.60	138.74
Diluted	—	—

Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Six months ended Sep. 30, 2021	Six months ended Sep. 30, 2022
Profit for the period	123,574	116,507
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	110,396	(202,564)
Remeasurements of defined benefit pension plans	(0)	(135)
Share of other comprehensive income (loss) of investments accounted for using the equity method	37	(7)
Total	110,433	(202,706)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	8,200	205,546
Cash flow hedges	(337)	(3,263)
Share of other comprehensive income of investments accounted for using the equity method	2,338	8,180
Total	10,201	210,463
Total other comprehensive income	120,634	7,757
Comprehensive income for the period	244,208	124,264
Attributable to:		
Owners of the parent company	234,516	104,807
Non-controlling interests	9,692	19,457

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)	—	—	—	110,230	(0)
Comprehensive income (loss) for the period	—	—	—	110,230	(0)
Acquisition of treasury stock	—	—	(38,036)	—	—
Disposal of treasury stock	—	1,281	2,025	—	—
Dividends	—	—	—	—	—
Changes in the ownership interest in subsidiaries without a loss of control	—	(0)	—	—	—
Changes by business combinations	—	—	—	—	—
Transfer to retained earnings	—	—	—	(12,236)	0
Other	—	(1)	—	—	—
Total transactions with the owners	—	1,280	(36,011)	(12,236)	0
As of September 30, 2021	187,457	273,797	(92,841)	762,899	—
As of April 1, 2022	187,457	273,803	(152,346)	788,476	—
Profit for the period	—	—	—	—	—
Other comprehensive (loss) income	—	—	—	(202,272)	(139)
Comprehensive income (loss) for the period	—	—	—	(202,272)	(139)
Acquisition of treasury stock	—	—	(59,961)	—	—
Disposal of treasury stock	—	19	87	—	—
Dividends	—	—	—	—	—
Changes in the ownership interest in subsidiaries without a loss of control	—	—	—	—	—
Transfer to retained earnings	—	—	—	(11,339)	139
Other	—	—	—	—	—
Total transactions with the owners	—	19	(59,874)	(11,339)	139
As of September 30, 2022	187,457	273,822	(212,220)	574,865	—

(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	–	–	–	112,726	112,726	10,848	123,574
Other comprehensive income (loss)	11,897	(337)	121,790	–	121,790	(1,156)	120,634
Comprehensive income (loss) for the period	11,897	(337)	121,790	112,726	234,516	9,692	244,208
Acquisition of treasury stock	–	–	–	–	(38,036)	–	(38,036)
Disposal of treasury stock	–	–	–	–	3,306	–	3,306
Dividends	–	–	–	(54,243)	(54,243)	(37,043)	(91,286)
Changes in the ownership interest in subsidiaries without a loss of control	–	–	–	–	(0)	(10)	(10)
Changes by business combinations	–	–	–	–	–	2,813	2,813
Transfer to retained earnings	–	–	(12,236)	12,236	–	–	–
Other	–	–	–	1	0	11	11
Total transactions with the owners	–	–	(12,236)	(42,006)	(88,973)	(34,229)	(123,202)
As of September 30, 2021	38,369	(297)	800,971	2,867,171	4,036,555	161,168	4,197,723

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	–	–	–	105,798	105,798	10,709	116,507
Other comprehensive (loss) income	204,683	(3,263)	(991)	–	(991)	8,748	7,757
Comprehensive income (loss) for the period	204,683	(3,263)	(991)	105,798	104,807	19,457	124,264
Acquisition of treasury stock	–	–	–	–	(59,961)	–	(59,961)
Disposal of treasury stock	–	–	–	–	106	–	106
Dividends	–	–	–	(64,886)	(64,886)	(20,873)	(85,759)
Changes in the ownership interest in subsidiaries without a loss of control	–	–	–	–	–	–	–
Transfer to retained earnings	–	–	(11,200)	11,200	–	–	–
Other	–	–	–	1,271	1,271	(886)	385
Total transactions with the owners	–	–	(11,200)	(52,415)	(123,470)	(21,759)	(145,229)
As of September 30, 2022	391,769	(6,042)	960,592	3,071,043	4,280,694	187,867	4,468,561

Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Six months ended Sep. 30, 2021	Six months ended Sep. 30, 2022
Cash flows from operating activities		
Profit before income taxes	182,855	170,644
Depreciation	171,734	181,893
Increase (decrease) in retirement benefit liabilities	1,233	(1,134)
Decrease in retirement benefit assets	2,091	2,024
Interest and dividend income	(20,736)	(24,621)
Interest expenses	2,131	4,174
Foreign exchange gains	(2,181)	(10,919)
Share of the (profit) loss of associates and joint ventures accounted for using the equity method	(3,408)	962
Gains on sales or disposal of property, plant and equipment	1,491	(847)
Decrease in trade receivables	192,841	47,176
Increase in inventories	(165,400)	(34,766)
Decrease in trade payables	(66,854)	(63,721)
Decrease in provisions	(54,854)	(28,735)
Other	10,937	32,153
Subtotal	251,880	274,283
Interest received	2,514	5,731
Dividends received	19,231	24,124
Interest paid	(2,023)	(3,923)
Income taxes paid	(24,638)	(59,846)
Net cash provided by operating activities	246,964	240,369
Cash flows from investing activities		
Decrease in time deposits	2,946	5,049
Purchases of property, plant and equipment	(154,158)	(184,210)
Proceeds from sales of property, plant and equipment	9,337	11,571
Purchases of intangible assets	(14,693)	(22,266)
Purchases of equity instruments	(1,263)	(16,999)
Purchases of debt instruments	(110)	(130)
Proceeds from sales and redemption of equity instruments	20,190	18,570
Proceeds from sales and redemption of debt instruments	178	126
Payments for acquisition of subsidiaries and other businesses	(4,003)	–
Proceeds from sales of subsidiaries or other businesses	–	17,980
Other	(955)	601
Net cash used in investing activities	(142,531)	(169,708)
Cash flows from financing activities		
Net increase in short-term borrowings	24,682	32,880
Proceeds from borrowings	6,444	39,098
Repayments of long-term borrowings	(39,803)	(51,118)
Repayments of lease liabilities	(13,402)	(14,151)
Issuance of bonds	55,960	–
Redemption of bonds	(10,000)	(40,000)
Dividends paid	(54,243)	(64,886)
Dividends paid to non-controlling interests	(36,960)	(20,873)
Purchase of treasury stock	(38,036)	(59,961)
Increase in deposits for purchase of treasury shares	(31,978)	–
Other	(173)	6,101
Net cash used in financing activities	(137,509)	(172,910)
Foreign currency translation adjustments on cash and cash equivalents	(5,786)	54,214
Net decrease in cash and cash equivalents	(38,862)	(48,035)
Cash and cash equivalents at beginning of period	897,395	867,808
Cash and cash equivalents at end of period	858,533	819,773

Notes to Consolidated Financial Statements

Assumption for Going Concern

There are no applicable items.

Segment information

(1) Outline of reportable segments

In the six-month period ended September 30, 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 Six months ended September 30, 2021

(Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated	
	Japan	North America	Europe	Asia	Total				
Revenue									
Customers	1,141,423	557,246	241,101	607,716	2,547,486	35,454	–	2,582,940	
Intersegment	548,559	7,430	28,410	107,753	692,152	637	(692,789)	–	
Total	1,689,982	564,676	269,511	715,469	3,239,638	36,091	(692,789)	2,582,940	
Segment profit	88,917	2,892	3,878	57,377	153,064	7,981	(1,726)	159,319	
Finance income									21,742
Finance costs									(3,560)
Foreign exchange gains									1,946
Share of the profit of associates and joint ventures accounted for using the equity method									3,408
Profit before income taxes									182,855

(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 Six months ended September 30, 2022

(Unit: Millions of yen)

	Reportable segment					Others (Note)	Eliminations	Consolidated	
	Japan	North America	Europe	Asia	Total				
Revenue									
Customers	1,126,684	707,704	292,644	840,152	2,967,184	52,930	–	3,020,114	
Intersegment	612,259	7,272	29,281	120,770	769,582	692	(770,274)	–	
Total	1,738,943	714,976	321,925	960,922	3,736,766	53,622	(770,274)	3,020,114	
Segment profit or loss	91,031	(12,980)	3,605	67,357	149,013	11,403	(5,003)	155,413	
Finance income									25,646
Finance costs									(5,043)
Foreign exchange losses									(4,410)
Share of the losses of associates and joint ventures accounted for using the equity method									(962)
Profit before income taxes									170,644

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