

[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 Nine Months Ended December 31, 2023
<under IFRS>

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

DATE: February 2, 2024
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, 2023 (from April 1, 2023 to December 31, 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	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	5,354,889	15.5	238,576	(11.0)	288,715	(3.2)	206,795	(4.5)
December 31, 2022	4,635,682	15.6	267,948	4.6	298,155	0.5	216,562	2.3

	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, 2023	175,622	(11.2)	758,828	644.8	58.64	—
December 31, 2022	197,801	2.3	101,879	(76.1)	65.17	—

(Note) On October 1, 2023, the Company effected a 4-for-1 split of common stock. Basic earnings per share is calculated on the assumption that the stock split was implemented at the beginning of the year ended Mar. 2023.

(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, 2023	8,319,545	5,129,690	4,933,666	59.3
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	—	100.00	—		
Year ending March 31, 2024 (Forecast)				27.00	—

(Note) Change in cash dividends:None

On October 1, 2023, the Company effected a 4-for-1 split of common stock. Due to the stock split, the total dividend for the year ending Mar. 2024 is not disclosed. If the stock split is not considered, the year-end dividend for the year ending Mar. 2024 would be ¥108.00 and the total dividend for the year ending Mar. 2024 would be ¥208.00.

3. Consolidated full-year financial results forecast 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	7,120,000	11.2	495,000	16.2	548,000	19.9	430,000	23.6	380,000	20.8	128.52

(Note) Change in consolidated earnings forecasts for the fiscal year ending March 31, 2024: Yes

For more information, see "Notice Concerning Revisions to Consolidated Full-Year Financial Results Forecast" released today (February 2, 2024).

On October 1, 2023, the Company effected a 4-for-1 split of common stock. Basic earnings per share is calculated on the assumption that the stock split was implemented at the beginning of the year ended Mar. 2023.

※ 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 : Yes

(Note) For more information, see "Notes to Consolidated Financial Statements (Changes in accounting estimates)."

(3) Number of shares issued (ordinary shares)

1) Number of shares issued at the end of the period (including treasury shares)	FY2024 3rd quarter	3,151,779,804 shares	FY2023	3,151,779,804 shares
2) Number of treasury shares at the end of the period	FY2024 3rd quarter	164,892,558 shares	FY2023	156,491,722 shares
3) Average number of shares issued during the nine months ended December 31	FY2024 3rd quarter	2,994,878,500 shares	FY2023 3rd quarter	3,035,263,433 shares

(Note) On October 1, 2023, the Company effected a 4-for-1 split of common stock. Number of shares issued (ordinary shares) is calculated on the assumption that the stock split was implemented at the beginning of the year ended Mar. 2023.

※ 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 Nine Months Ended December 31, 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 nine months ended December 31, 2023, revenue increased by ¥719.2 billion or 15.5%, year over year, to ¥5,354.9 billion due to strong vehicle sales mainly in Japan and North America, depreciation of the yen and sales expansion mainly in focus field such as electrification and safety.

Operating profit decreased by ¥29.4 billion or 11.0%, year over year, to ¥238.6 billion due to continue to rise costs of parts mainly in electronic components and provision for warranty reserve, in spite of production volume increase, depreciation of the yen and efforts of cost reduction. Profit before income taxes decreased by ¥9.4 billion or 3.2%, year over year, to ¥288.7 billion. Profit for the period decreased by ¥9.8 billion or 4.5%, year over year to ¥206.8 billion. Profit attributable to owners of the parent company decreased by ¥22.2 billion or 11.2% to ¥175.6 billion.

By geographical segment, revenue increased in all regions, year over year, due to easing semiconductor shortages and strong vehicle sales mainly in Japan and North America. Operating profit increased in each region due to production volume increase and improvement of profitability, except in Japan, where there was provision for warranty reserve.

Revenue in Japan increased by ¥456.6 billion, or 17.0%, year over year, to ¥3,148.3 billion due to strong vehicle sales and depreciation of yen. Operating profit decreased by ¥124.3 billion, or 84.8%, year over year, to ¥22.4 billion due to provision for warranty reserve despite production volume increase and efforts of cost reduction.

Revenue in North America increased by ¥203.8 billion, or 18.8%, year over year, to ¥1,286.0 billion due to sales expansion mainly in focus field such as electrification and safety. An operating profit of ¥27.5 billion was recorded due to production volume increase and efforts of cost reduction in contrast to operating loss of ¥15.0 billion in the previous year.

Revenue in Europe increased by ¥79.7 billion, or 16.2%, year over year, to ¥570.4 billion due to strong vehicle sales. Operating profit increased of ¥13.3 billion, or 145.6%, year over year, to ¥22.4 billion due to production volume increase and efforts of cost reduction.

Revenue in Asia increased by ¥51.7 billion, or 3.5%, year over year, to ¥1,521.2 billion. Operating profit increased by ¥35.9 billion, or 31.6%, year over year, to ¥149.4 billion due to production volume increase and completion of structural reform in Korea.

Revenue in other regions increased by ¥5.1 billion, or 6.6%, year over year, to ¥81.9 billion. Operating profit decreased by ¥0.3 billion, or 2.3%, year over year, to ¥15.1 billion due to foreign exchange.

2. Summary of Financial Position

Total assets as of December 31, 2023, increased by ¥910.9 billion, to ¥8,319.5 billion mainly due to an increase in other financial assets.

The total for current and non-current liabilities increased by ¥360.9 billion, to ¥3,189.9 billion mainly due to an increase in deferred tax liabilities.

Equity increased by ¥550.0 billion, to ¥5,129.7 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 revision of the annual foreign exchange rate assumptions toward depreciation of the yen, the Group expect revenue is ¥7,120.0 billion, operating profit is ¥495.0 billion due to provision for warranty reserve despite efforts of cost reduction and profitability improvement activities.

Profit before income taxes is ¥548.0 billion, profit for the year is ¥430.0 billion, profit attributable to owners of the parent company is ¥380.0 billion.

The exchange rate assumption is 1USD = 144 yen. 1EUR= 155 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 Dec. 31, 2023
Assets		
Current assets		
Cash and cash equivalents	733,850	803,820
Trade and other receivables	1,263,768	1,212,938
Inventories	1,119,780	1,135,011
Other financial assets	33,716	32,130
Other current assets	126,472	249,449
Total current assets	3,277,586	3,433,348
Non-current assets		
Property, plant and equipment	1,955,240	1,994,025
Right-of-use assets	43,642	40,819
Intangible assets	170,212	190,803
Other financial assets	1,699,202	2,387,808
Investments accounted for using the equity method	110,173	117,641
Retirement benefit assets	78,212	77,235
Deferred tax assets	42,967	45,200
Other non-current assets	31,428	32,666
Total non-current assets	4,131,076	4,886,197
Total assets	7,408,662	8,319,545

(Unit: Millions of yen)

	As of Mar. 31, 2023	As of Dec. 31, 2023
Liabilities and equity		
Current liabilities		
Bonds and borrowings	303,509	394,743
Trade and other payables	1,219,317	1,184,782
Other financial liabilities	54,641	49,105
Income tax payables	42,630	33,801
Provisions	106,524	279,267
Other current liabilities	70,163	109,391
Total current liabilities	1,796,784	2,051,089
Non-current liabilities		
Bonds and borrowings	585,765	533,420
Other financial liabilities	30,929	25,783
Retirement benefit liabilities	249,266	240,372
Provisions	1,643	1,580
Deferred tax liabilities	151,507	327,073
Other non-current liabilities	13,057	10,538
Total non-current liabilities	1,032,167	1,138,766
Total liabilities	2,828,951	3,189,855
Equity		
Capital stock	187,457	187,457
Capital surplus	273,664	273,467
Treasury stock	(252,270)	(270,269)
Other components of equity	955,829	1,497,094
Retained earnings	3,212,248	3,245,917
Equity attributable to owners of the parent company	4,376,928	4,933,666
Non-controlling interests	202,783	196,024
Total equity	4,579,711	5,129,690
Total liabilities and equity	7,408,662	8,319,545

Consolidated Statement of Income

(Unit: Millions of yen)

	Nine months ended Dec. 31, 2022	Nine months ended Dec. 31, 2023
Revenue	4,635,682	5,354,889
Cost of revenue	(4,004,360)	(4,554,279)
Gross profit	631,322	800,610
Selling, general and administrative expenses	(365,662)	(566,181)
Other income	22,783	27,676
Other expenses	(20,495)	(23,529)
Operating profit	267,948	238,576
Finance income	47,471	66,569
Finance costs	(9,840)	(20,083)
Foreign exchange losses	(6,880)	(8,114)
Share of the (loss) profit of associates and joint ventures accounted for using the equity method	(544)	11,767
Profit before income taxes	298,155	288,715
Income tax expenses	(81,593)	(81,920)
Profit for the period	216,562	206,795
Attributable to:		
Owners of the parent company	197,801	175,622
Non-controlling interests	18,761	31,173

(Unit: Yen)

Earnings per share		
Basic	65.17	58.64
Diluted	—	—

Consolidated Statement of Comprehensive Income

(Unit: Millions of yen)

	Nine months ended Dec. 31, 2022	Nine months ended Dec. 31, 2023
Profit for the period	216,562	206,795
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	(220,865)	436,832
Remeasurements of defined benefit pension plans	(1)	(1,313)
Share of other comprehensive income of investments accounted for using the equity method	29	31
Total	(220,837)	435,550
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	101,822	110,286
Cash flow hedges	(2,119)	826
Share of other comprehensive income of investments accounted for using the equity method	6,451	5,371
Total	106,154	116,483
Total other comprehensive (loss) income	(114,683)	552,033
Comprehensive income for the period	101,879	758,828
Attributable to:		
Owners of the parent company	78,183	720,960
Non-controlling interests	23,696	37,868

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	—	—	—	(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)	—	—	—
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	—

As of April 1, 2023	187,457	273,664	(252,270)	660,038	—
Profit for the period	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	436,235	(1,305)
Comprehensive income (loss) for the period	—	—	—	436,235	(1,305)
Acquisition of treasury stock	—	—	(18,152)	—	—
Disposal of treasury stock	—	43	153	—	—
Dividends	—	—	—	—	—
Changes in the ownership interest in subsidiaries without a loss of control	—	(240)	—	—	—
Transfer to retained earnings	—	—	—	(5,378)	1,305
Other	—	—	—	—	—
Total transactions with the owners	—	(197)	(17,999)	(5,378)	1,305
As of December 31, 2023	187,457	273,467	(270,269)	1,090,895	—

(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	–	–	–	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)
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

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	–	–	–	175,622	175,622	31,173	206,795
Other comprehensive income (loss)	109,582	826	545,338	–	545,338	6,695	552,033
Comprehensive income (loss) for the period	109,582	826	545,338	175,622	720,960	37,868	758,828
Acquisition of treasury stock	–	–	–	–	(18,152)	–	(18,152)
Disposal of treasury stock	–	–	–	–	196	–	196
Dividends	–	–	–	(146,029)	(146,029)	(42,422)	(188,451)
Changes in the ownership interest in subsidiaries without a loss of control	–	–	–	–	(240)	(2,231)	(2,471)
Transfer to retained earnings	–	–	(4,073)	4,073	–	–	–
Other	–	–	–	3	3	26	29
Total transactions with the owners	–	–	(4,073)	(141,953)	(164,222)	(44,627)	(208,849)
As of December 31, 2023	409,856	(3,657)	1,497,094	3,245,917	4,933,666	196,024	5,129,690

Consolidated Statement of Cash Flows

(Unit: Millions of yen)

	Nine months ended Dec. 31, 2022	Nine months ended Dec. 31, 2023
Cash flows from operating activities		
Profit before income taxes	298,155	288,715
Depreciation	273,053	280,221
Decrease in retirement benefit liabilities	(1,777)	(10,559)
Decrease in retirement benefit assets	2,756	1,126
Interest and dividend income	(46,402)	(66,082)
Interest expenses	7,575	10,992
Foreign exchange gains	(9,018)	(6,777)
Share of the loss (profit) of associates and joint ventures accounted for using the equity method	544	(11,767)
Losses on sales or disposal of property, plant and equipment	324	5,501
Decrease in trade receivables	95,821	128,888
(Increase) decrease in inventories	(87,067)	17,876
Decrease in trade payables	(52,189)	(23,037)
(Decrease) increase in provisions	(38,858)	171,830
Other	(7,713)	45,073
Subtotal	435,204	832,000
Interest received	10,534	24,996
Dividends received	41,335	43,903
Interest paid	(7,153)	(11,190)
Income taxes paid	(91,727)	(133,458)
Net cash provided by operating activities	388,193	756,251
Cash flows from investing activities		
Decrease in time deposits	2,846	4,994
Purchases of property, plant and equipment	(262,215)	(287,676)
Proceeds from sales of property, plant and equipment	12,994	10,261
Purchases of intangible assets	(38,061)	(38,023)
Purchases of equity instruments	(17,999)	(95,735)
Purchases of debt instruments	(268)	(277)
Proceeds from sales of equity instruments	20,258	8,553
Proceeds from sales and redemption of debt instruments	438	605
Payments for acquisition of subsidiaries and other businesses	—	(11,110)
Proceeds from sales of subsidiaries or other businesses	17,980	5,096
Other	206	943
Net cash used in investing activities	(263,821)	(402,369)
Cash flows from financing activities		
Net (decrease) increase in short-term borrowings	(7,716)	96,498
Proceeds from borrowings	64,744	84,375
Repayments of long-term borrowings	(74,420)	(109,983)
Repayments of lease liabilities	(22,244)	(28,667)
Redemption of bonds	(40,000)	(50,000)
Dividends paid	(132,777)	(146,029)
Dividends paid to non-controlling interests	(24,157)	(40,509)
Purchase of treasury shares	(100,007)	(18,152)
Increase in deposits for purchase of treasury shares	—	(81,870)
Other	8,180	(5,255)
Net cash used in financing activities	(328,397)	(299,592)
Foreign currency translation adjustments on cash and cash equivalents	26,368	15,680
Net (decrease) increase in cash and cash equivalents	(177,657)	69,970
Cash and cash equivalents at beginning of period	867,808	733,850
Cash and cash equivalents at end of period	690,151	803,820

Notes to Consolidated Financial Statements

Assumption for Going Concern

There are no applicable items.

Changes in accounting estimates

Provision for warranty reserve was recorded as an expense related to defects in some of the products produced by the consolidated companies in the past. However, the estimate was changed in the three-month period ended December 31, 2023 based on the subsequent situations.

As a result of this change, provisions for current liabilities, selling, general and administrative expenses increased by ¥179.4 billion, respectively.

Segment information

(1) Outline of reportable segments

In the nine-month period ended December 31, 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 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 losses	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 loss 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.

For the Nine months ended December 31, 2023

(Unit: Millions of yen)

	Reportable segment					Others (Note 1)	Eliminations	Consolidated	
	Japan (Note 2)	North America	Europe	Asia	Total				
Revenue									
Customers	2,182,556	1,271,439	516,911	1,303,071	5,273,977	80,912	–	5,354,889	
Intersegment	965,777	14,518	53,455	218,175	1,251,925	1,027	(1,252,952)	–	
Total	3,148,333	1,285,957	570,366	1,521,246	6,525,902	81,939	(1,252,952)	5,354,889	
Segment profit	22,358	27,516	22,401	149,437	221,712	15,081	1,783	238,576	
Finance income									66,569
Finance costs									(20,083)
Foreign exchange gains									(8,114)
Share of the profit of associates and joint ventures accounted for using the equity method									11,767
Profit before income taxes									288,715

(Note 1) "Others" is an operating segment that is not included in the reportable segments, such as business activities of subsidiaries in South America.

(Note 2) Provision for warranty reserve of ¥191,201 million is included in the segment profit of Japan segment.