

DENSO

Crafting the Core

**FY2018 2nd Quarter
Financial Results ended
Sep 30, 2017**

- I . Closing results
- II . Strategies

Oct. 31, 2017

DENSO CORPORATION



I . Closing results

Overview of FY2018 2nd Quarter Financial Results

- 1 . The revenue and operating profit have reached the highest level ever. Revenue increased due to an increase in vehicle production, as well as sales expansion. Operating profit also saw an increase due to the production volume increase and company cost reduction efforts.
- 2 . Full-year financial result forecasts has been revised up after considering first-half financial results, and the latest movement in the foreign exchange markets.
- 3 . Annual dividend payment will be 130 yen per one stock, a 5 yen increase from the previous forecast on each of interim and fiscal year-end payment.

FY2018 2nd Quarter Financial Results

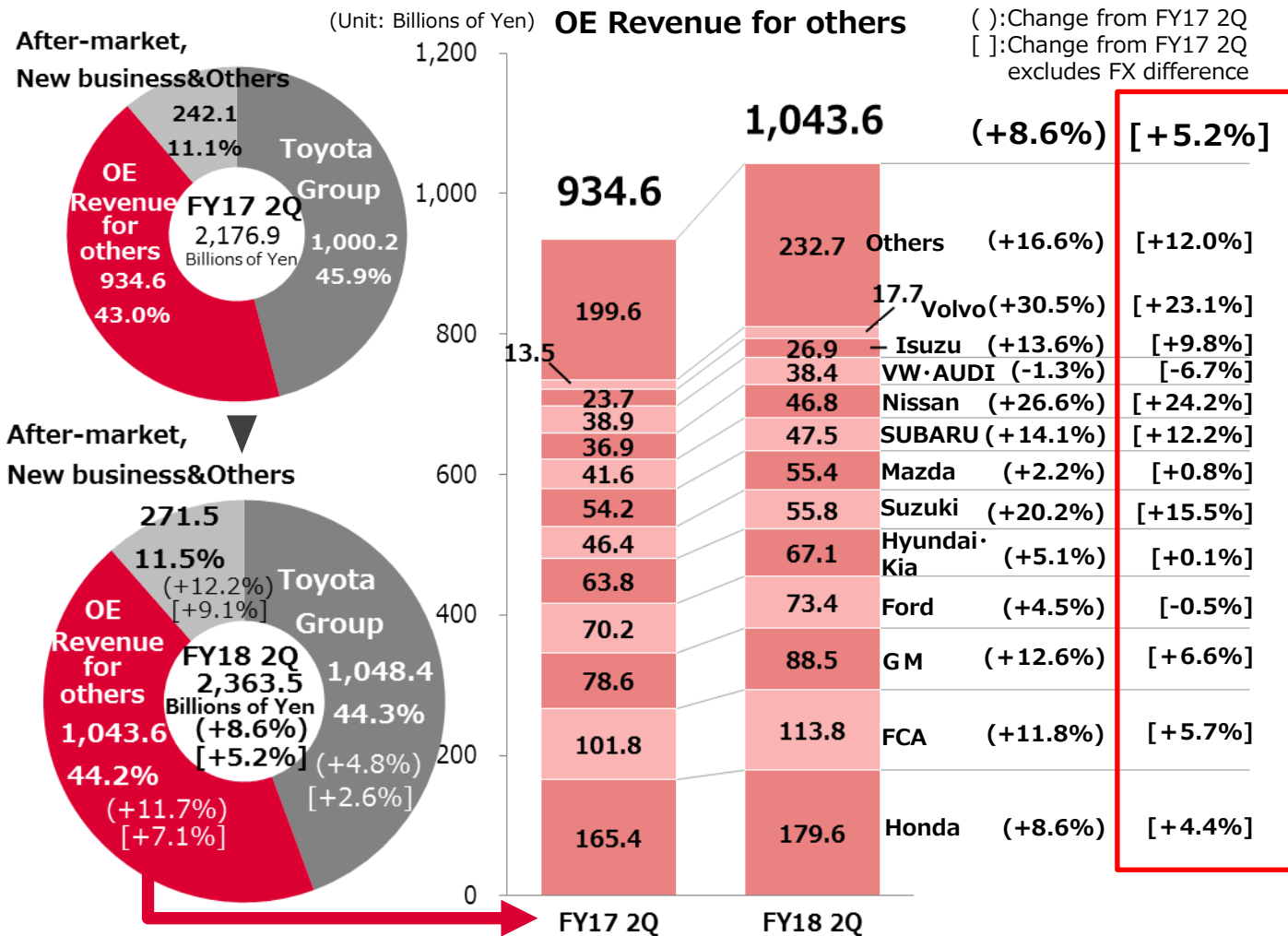
		(Ratio to Revenue)		(Unit: Billions of Yen, %)	
		FY18 2Q	FY17 2Q	Change	
Revenue		2,363.5	2,176.9	+186.6	+8.6%
Operating Profit (Excludes other income/ expenses)		189.3	138.9	+50.4	+36.3%
Other income/ expenses		15.1	3.8	+11.3	
Operating Profit		204.4	142.7	+61.7	+43.3%
Finance income/ costs & others(*1)		22.3	7.9	+14.5	
Profit before Income Taxes		226.8	150.6	+76.2	+50.6%
Profit (*2)		154.2	97.5	+56.7	+58.2%

		(Unit: Millions of Units)			
Precondition	Foreign Exchange Rate	JPY 111/\$	JPY 105/\$	+6 JPY	
		JPY 126/Euro	JPY 118/Euro	+8 JPY	
	Domestic Car Production	4.52	4.30	+0.22	+5.2%
	Overseas Car Production of Japanese (North America)	9.84 (3.01)	9.68 (3.18)	+0.16 (-0.17)	+1.6% (-5.4%)

※1 Finance income, Finance costs, Foreign exchange gains/loss, Share of the profit of associates accounted for using the equity method

※2 Profit attributable to owners of the parent company

FY2018 2nd Quarter Consolidated Revenue (By Customer)

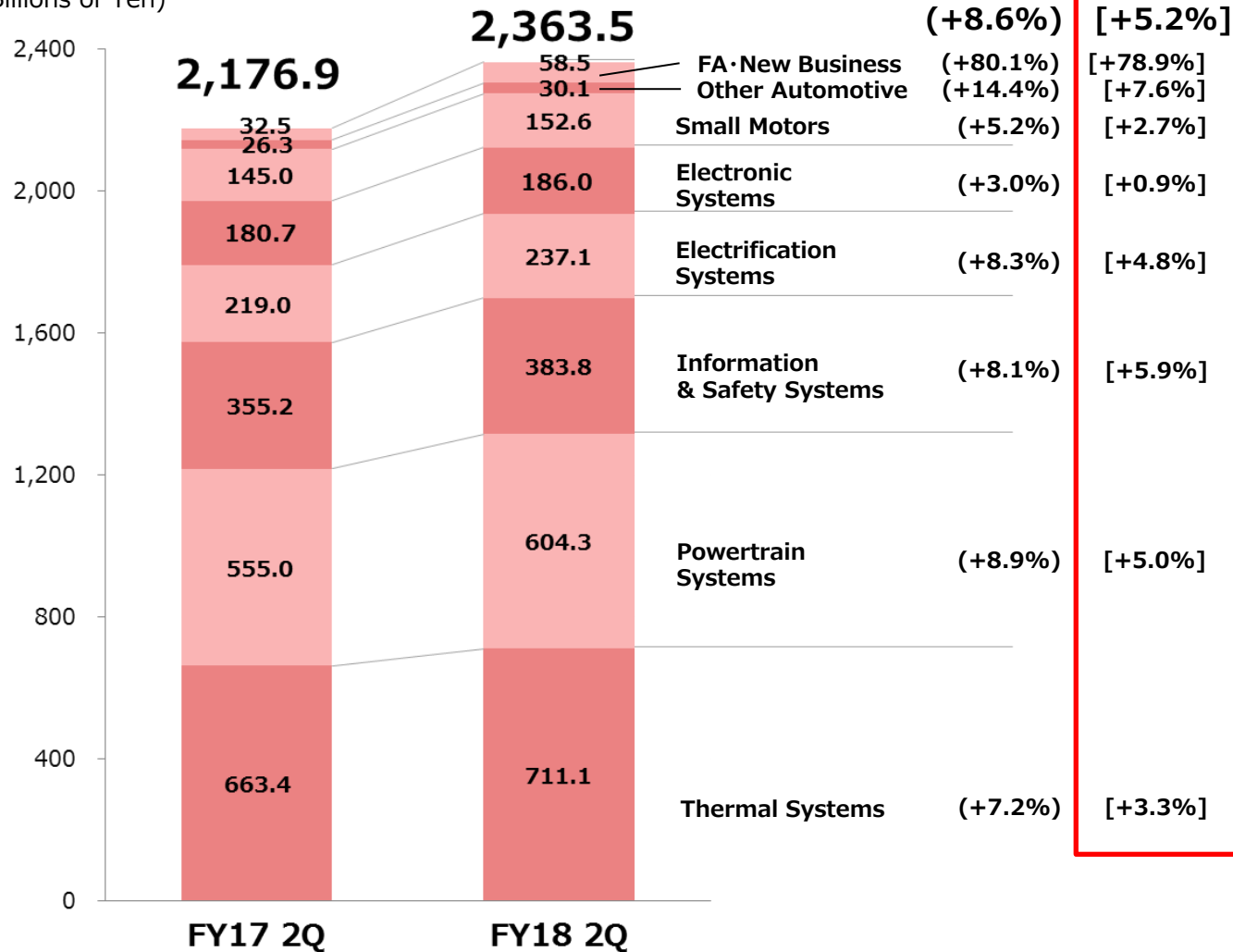


FY2018 2nd Quarter Consolidated Revenue (By Product)

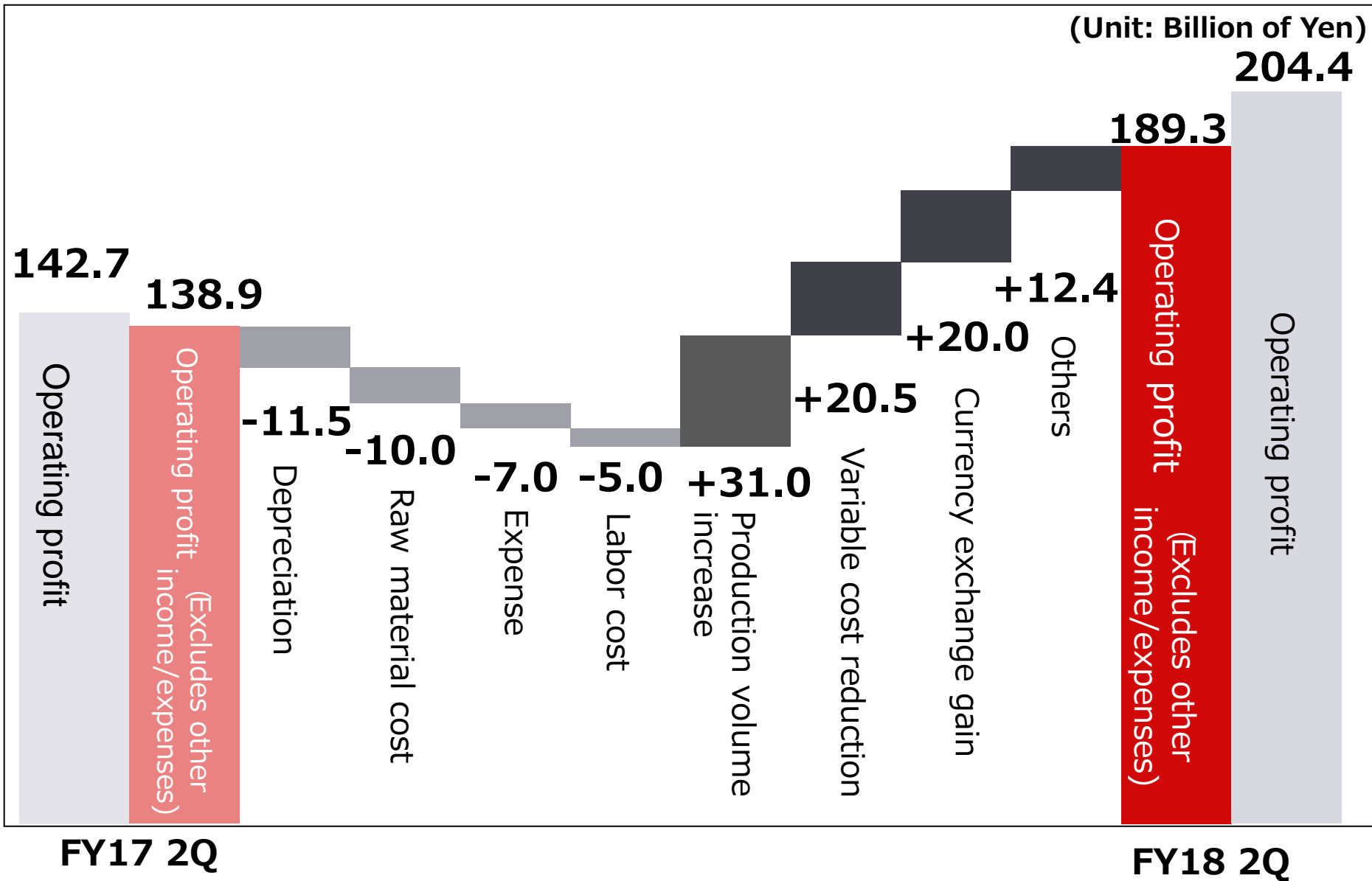
(): Change from FY17

[]: Change from FY17 excludes FX difference

(Unit: Billions of Yen)



Change in FY2018 2nd Quarter Operating Profit



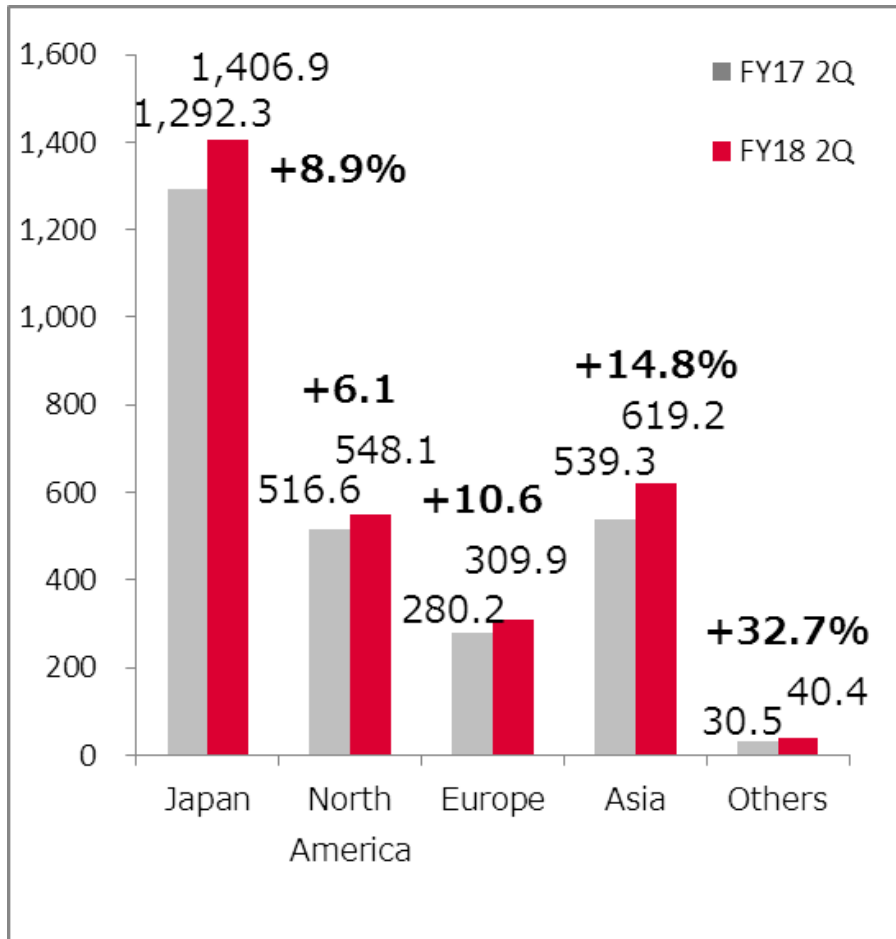
FY17 2Q

FY18 2Q

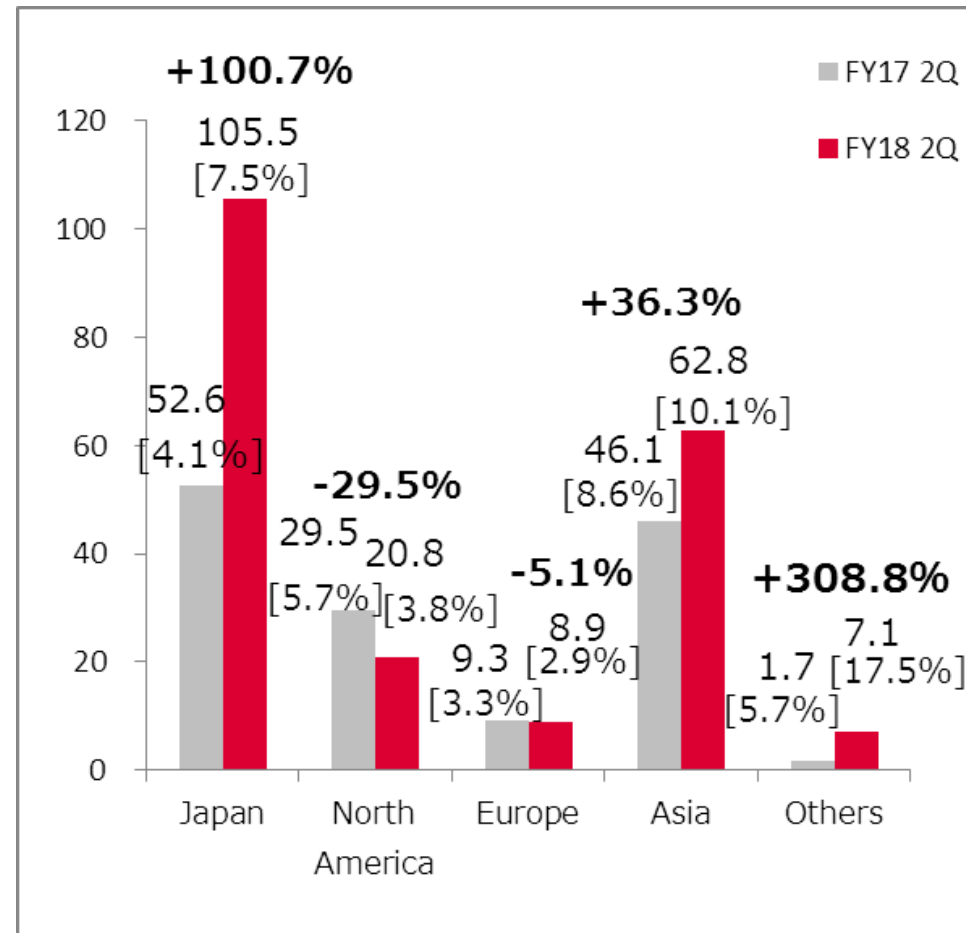
2nd Quarter Geographical Segments by Company Location

(Unit: Billions of Yen)
[]: Ratio to Revenue

Revenue



Operating Profit

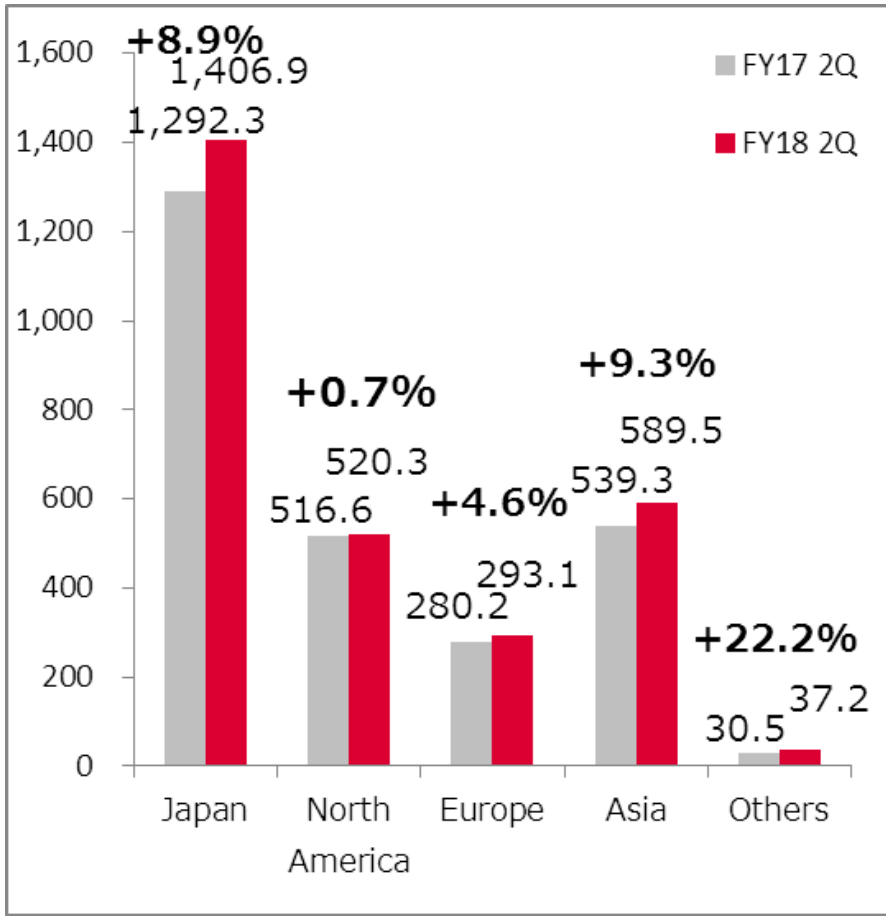


2nd Quarter Geographical Segments by Company Location

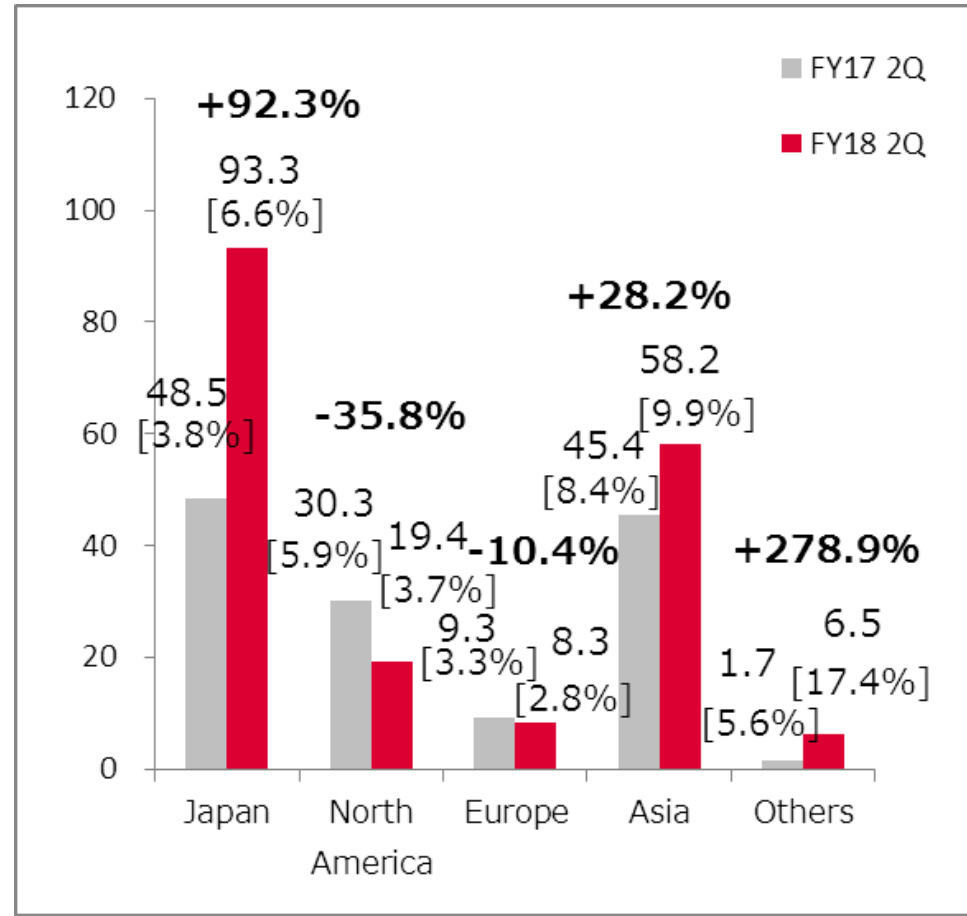
(Local currency base ,excludes other income/expenses)

(Unit: Billions of Yen)
[]: Ratio to Revenue

Revenue



Operating Profit



FY2018 Financial Forecast

(Ratio to Revenue)

(Unit: Billions of Yen, %)

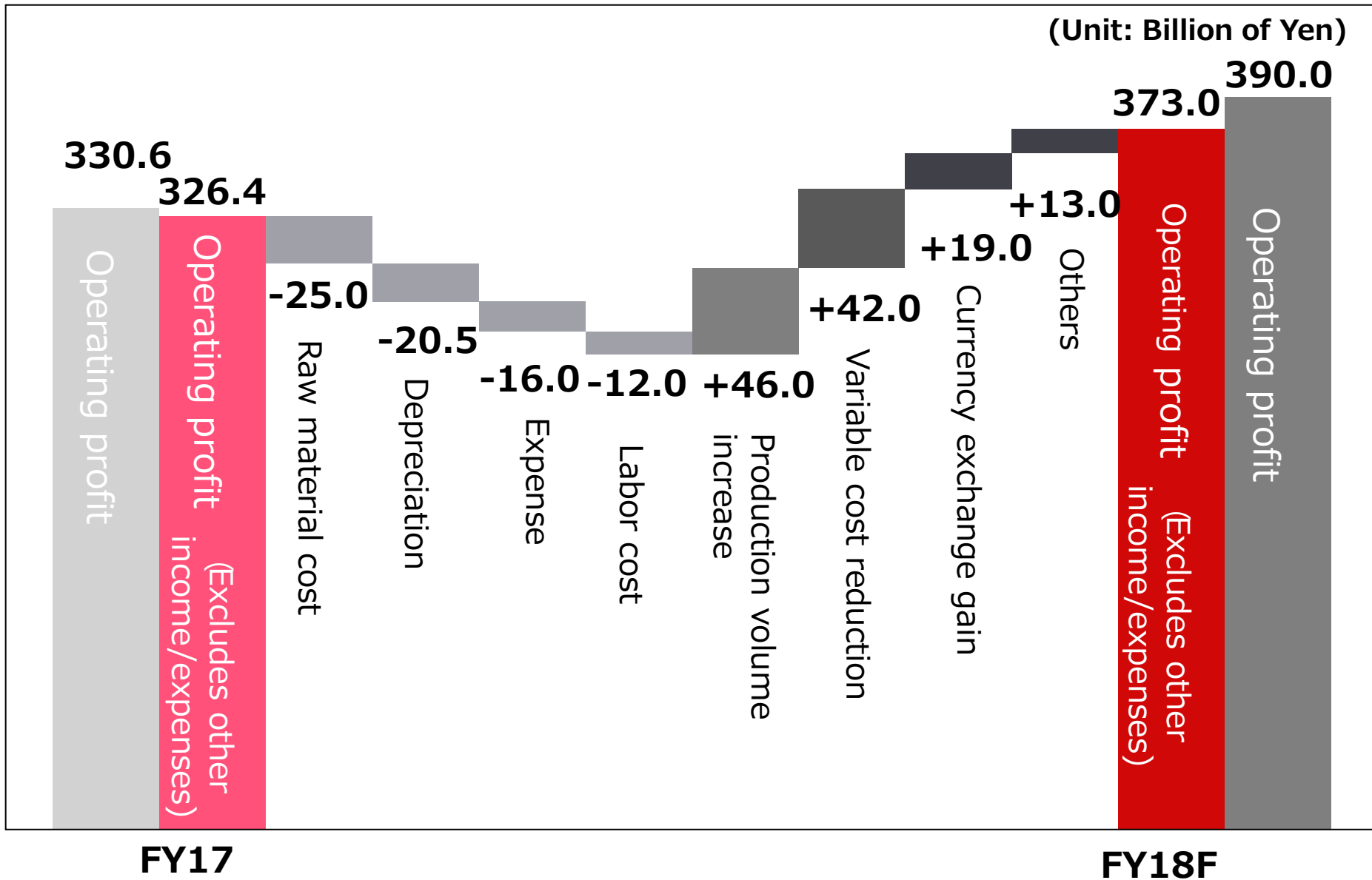
	As of		FY18 Revised		Change from March		FY17 Actual	
	June 2017				Amount	Ratio		
Revenue		4,740.0		5,000.0	+260.0	+5.5%		4,527.1
Operating Profit (Excludes other income / expenses)	(7.2%)	341.0	(7.5%)	373.0	+32.0	+9.4%	(7.2%)	326.4
Other income/ expenses		12.0		17.0	+5.0			4.1
Operating Profit	(7.4%)	353.0	(7.8%)	390.0	+37.0	+10.5%	(7.3%)	330.6
Finance income/ costs & others(※1)		35.0		40.0	+5.0			30.3
Profit before Income Taxes	(8.2%)	388.0	(8.6%)	430.0	+42.0	+10.8%	(8.0%)	360.9
Profit	(5.9%)	280.0	(6.0%)	300.0	+20.0	+7.1%	(5.7%)	257.6
(※ 2)								
(Unit: Millions of Units)								
Precondition	Foreign Exchange Rate	JPY 110/\$	JPY 111/\$	+1 JPY			JPY 108/\$	
		JPY 121/Euro	JPY 126/Euro	+5 JPY			JPY 119/Euro	
	Domestic Car Production	9.42	9.39	-0.03	-0.3%		9.10	
	Overseas Car Production of Japanese Manufacturers (North America)	20.06	19.99	-0.06	-0.3%		19.67	(6.38)

※1 Finance income. Finance costs. Foreign exchange gains/loss, Share of the profit of associates accounted for using the equity method

※2 Profit attributable to owners of the parent company

※3 Full-year financial result forecasts includes the influence of FUJITSU TEN LIMITED which will become Denso's affiliate on November 2017.

Change in FY2018 Operating Profit



FY17

FY18F

II . Strategies

Paradigm shift



We are not complacent with conventional business model,
but aiming to create a new value

Our goal

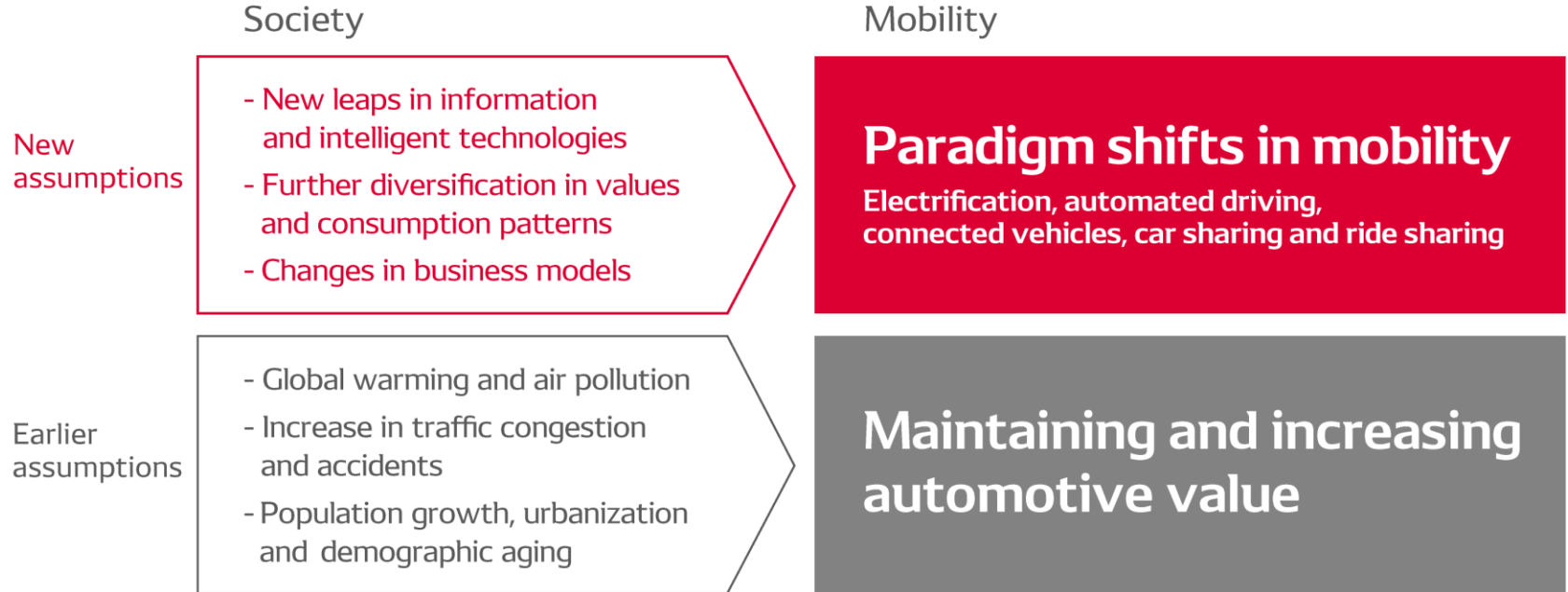
-DENSO Group Long Term Policy 2030

Roadmap to change

- DENSO Group Long Term Plan 2025

1. DENSO Group Long Term Policy 2030

Business Environment



Toward 2030

- Maximize value in safeguarding the environment and ensuring peace of mind
- Provide value beyond a vehicle-centric focus by embracing society's broader needs

Create inspiring value for society

Bringing hope for the future for our planet, society and all people

Our Goal for 2030

A company that continuously generates value to enrich mobility that achieves sustainability, happiness and peace of mind for everyone

Green

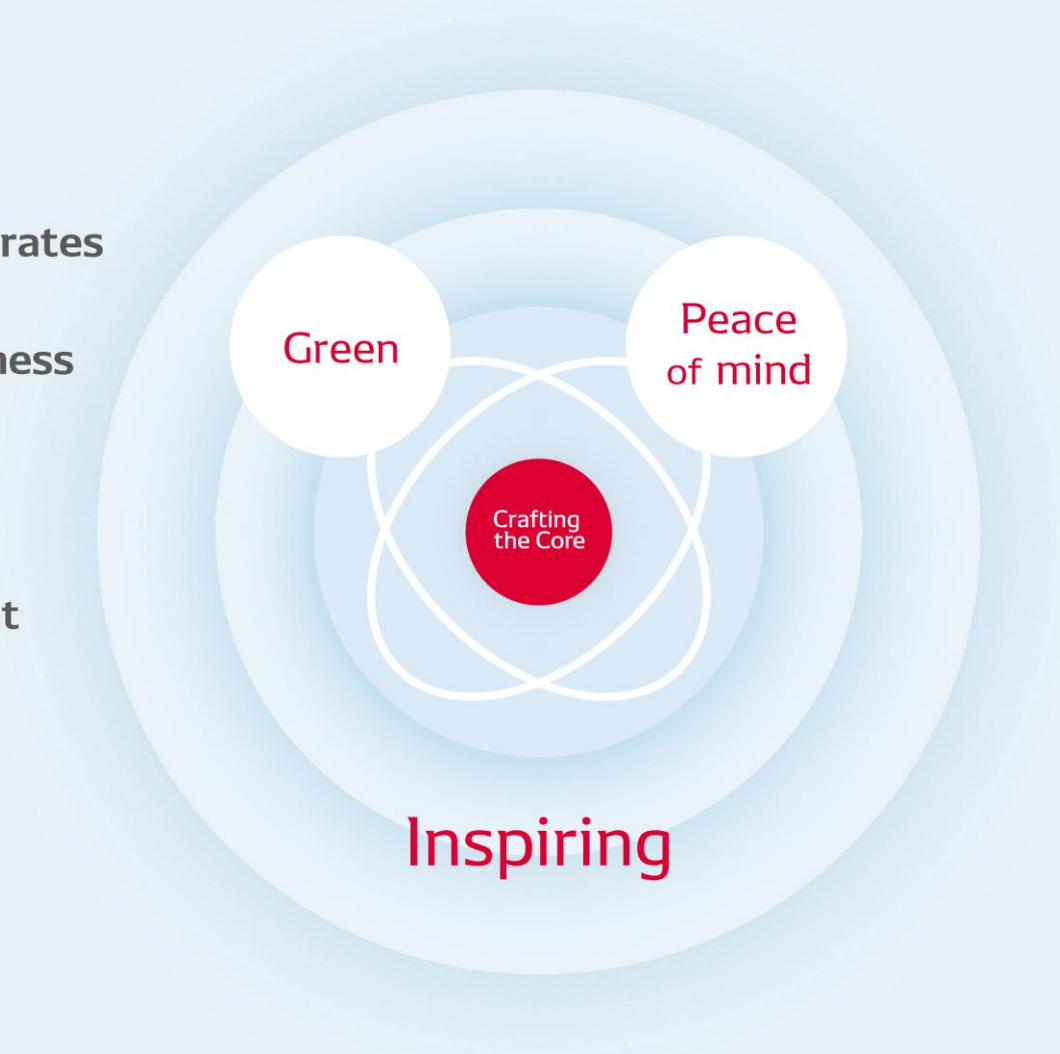
Lasting vitality for the environment

Peace of mind

Providing a sense of well-being

Inspiring

Making a difference



Principles Approach and attitude for achievement of goals

Approach

Open

**Work hand in hand
with diverse partners
to enrich society**

- Contribute to a new mobility
- Cultivate relationships to address shared goals
- Explore new business fields

Fair

**Deliver value
for all people worldwide**

- Take the initiative in environmental stewardship
- Provide mobility for all people
- Make smart functionality standard

Reliable

**Earn people's confidence
by offering value
that transcends expectations**

- Generate value that addresses latent needs
- Mobilize comprehensive technological capabilities
- Assert a commanding edge in manufacturing

Attitude

Passion & Initiative

A proactive sense of commitment to challenge for a bright future

2. DENSO Group Long Term Plan 2025

Strategy

Growth and Development

Appeal values in aspect of vehicles and drive the growth in a new mobility field.

Earning Capacity

Increase profitability of existing business and make it as a solid foundation for the profits.

Organizational Ability

Accelerating our business execution and increase vitality of workplace in order to prevail in the rapidly changing business environment.

(1)
Target of
Revenue & Profit

(2)
Management
Reform

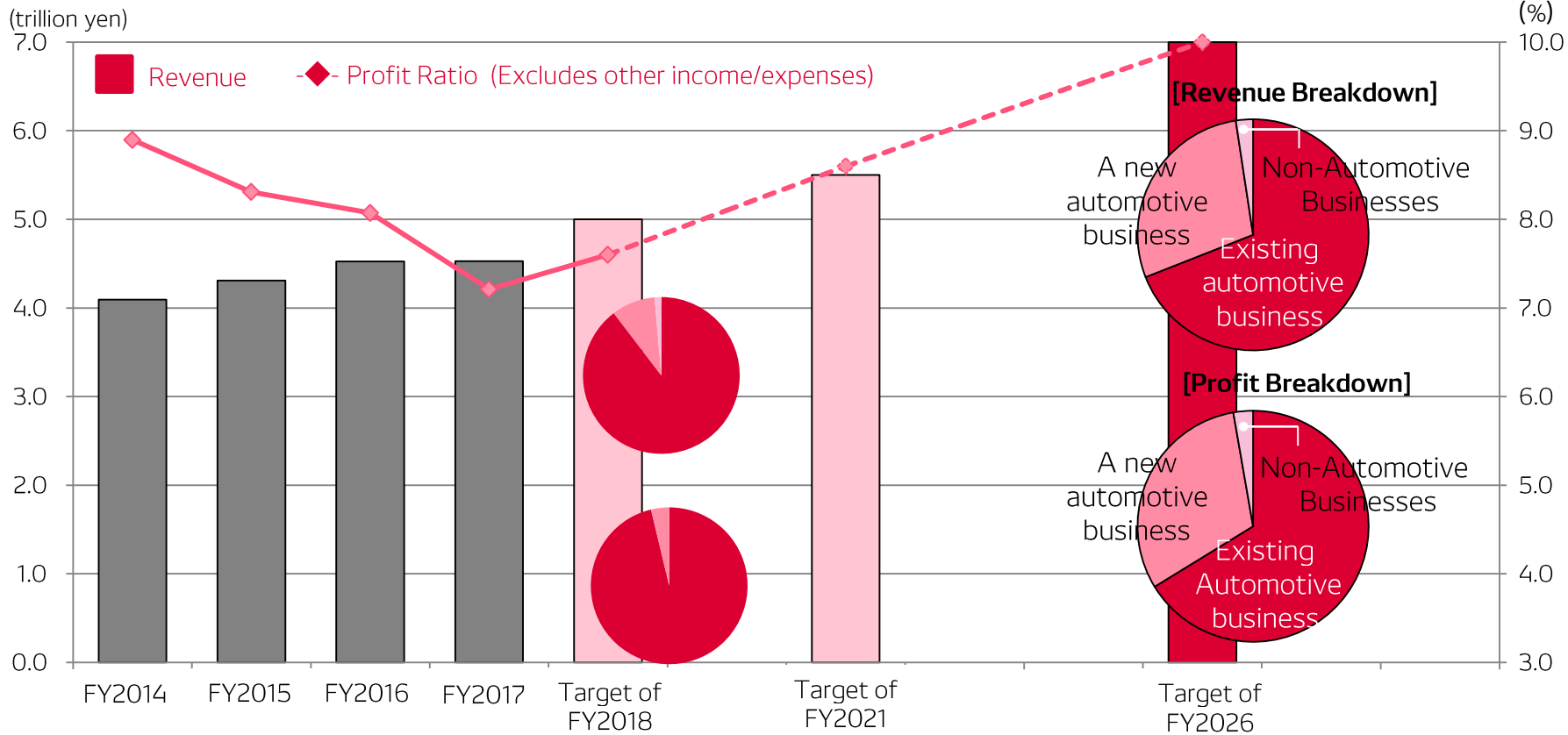
(3)
Initiatives
in Focus Fields

(1) Target of Revenue & Profit

Achieve revenue of 7 trillion yen and operating profit ratio of 10% by FY2026

by increasing the performance in a new field of Electrification and Automated Driving

[Target of Revenue & Profit Ratio]



(2) Management Reform : 5 Pillars

Point of innovation :

“Speed of Decision Making” & “Vitality of Workplace”

By accelerating our business execution and taking action/reaction faster, we will become company who has a sense of speed and vitality of workplace.

1 Enhancement of vehicle perspective and cross-sector functions

2 Advanced R&D function to realize agile development globally

3 Business Unit evolution and smaller but stronger headquarters

- Motivated fighting force; streamlining & value creation

4 Global management with optimal use of group and regional power

- Group management and Self-reliant management in each region

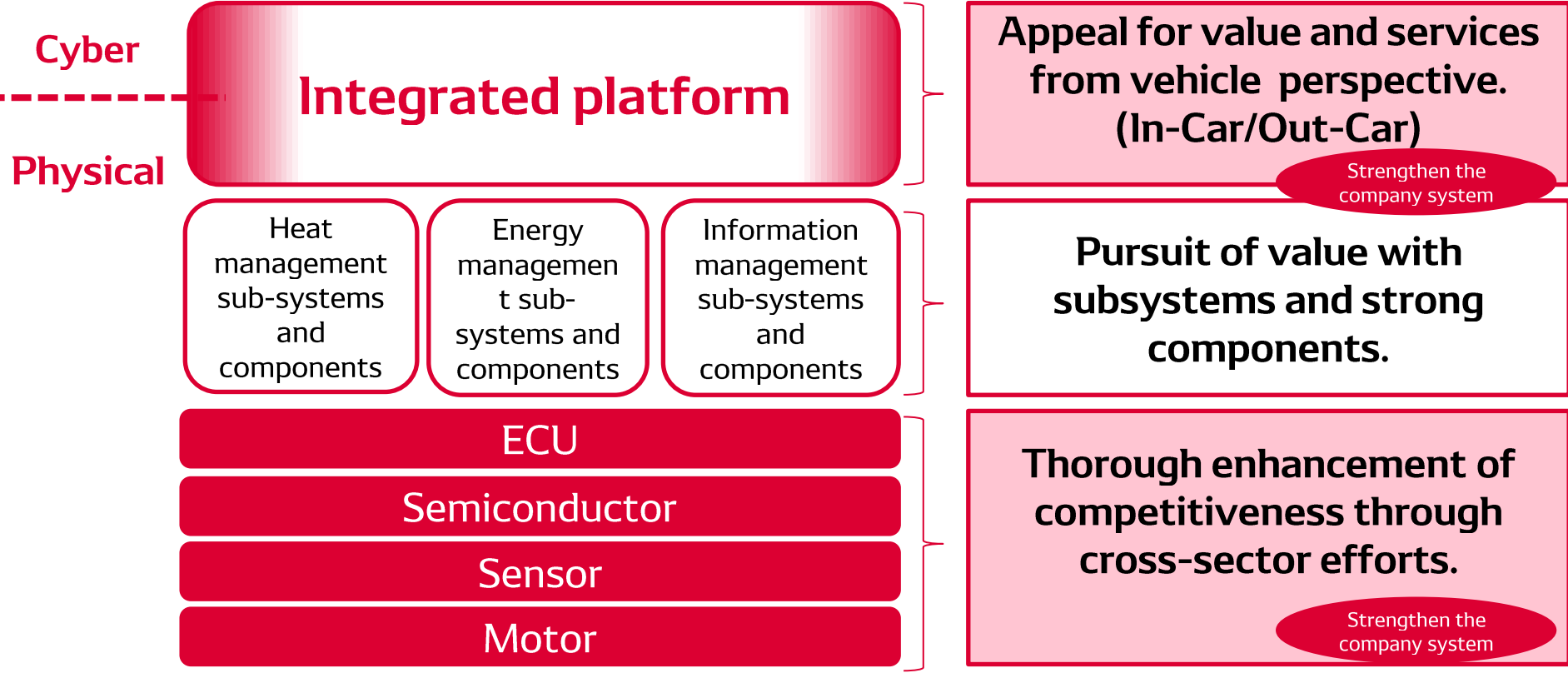
5 Way of working with tremendous speed and efficiency

- People, HR systems and tools, Culture

(2) Management Reform : 5 Pillars

1 Enhancement of vehicle perspective and cross-sector functions

Strengthen competitiveness from both cyber and physical sides in the perspective of vehicles.



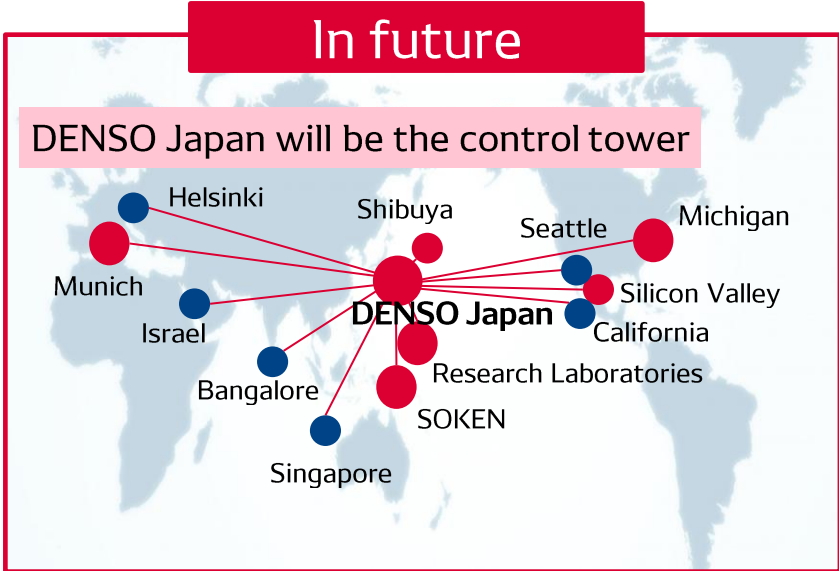
(2) Management Reform : 5 Pillars

2 Advanced R&D function to realize agile development globally

Arrange satellite facilities globally which are able to react agilely in the rapidly changing business environment, and execute advanced R&D more speedy with global partners.

- Promote development at the center of innovation
- Strengthen the satellite facilities for global R&D

Promote forecasting, verification and development from both cyber and physical sides.



(3) Initiatives in Focus Fields

i Electrification



iii Connected Cars



ii Automated Driving



iv Non-Automotive Businesses (Factory Automation / Agriculture)



Value

Reduction of environmental loading and realization of high efficiency transportation (Economical Driving)

1. Lead of electrification by technology acquired over the years and supply achievement

- Technological evolution (High-power, SiC etc.)
- Standardization (MG, Inverter)
- Global supply capability (Supply in Japan, US and China)

2. Development of internal combustion engine technology corresponding to the electrification

- Heating efficiency improvement (Lean burn, low cooling loss, optimization with electric system)
- Exhaust gas purification system (catalyst base material, system simplification)

3. Development of total energy management technology for vehicles

- Thermal management (air conditioning, waste heat utilization)
- Power management (charging, regeneration)

i Electrification

- Initiative in Focus Fields -

Use

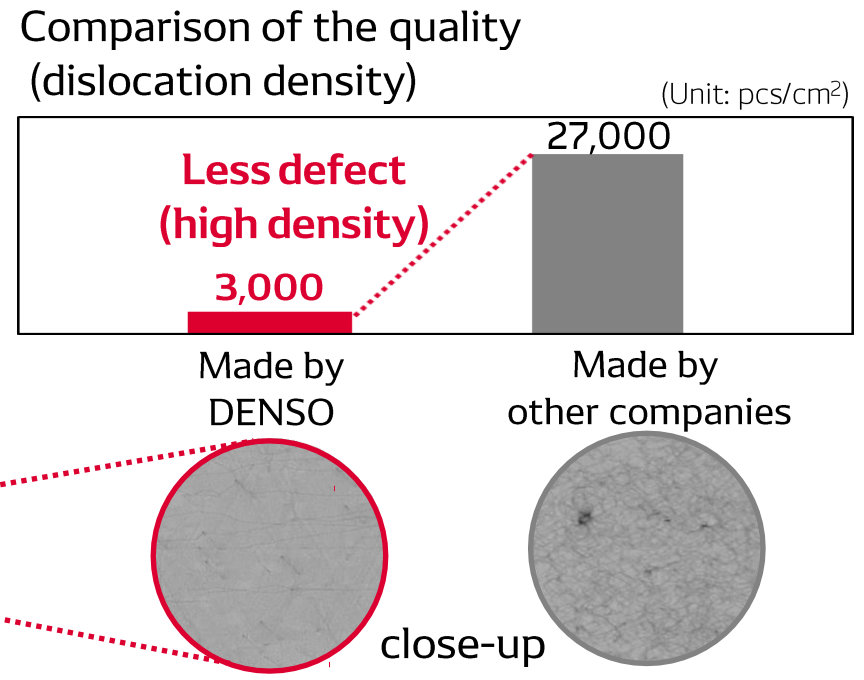
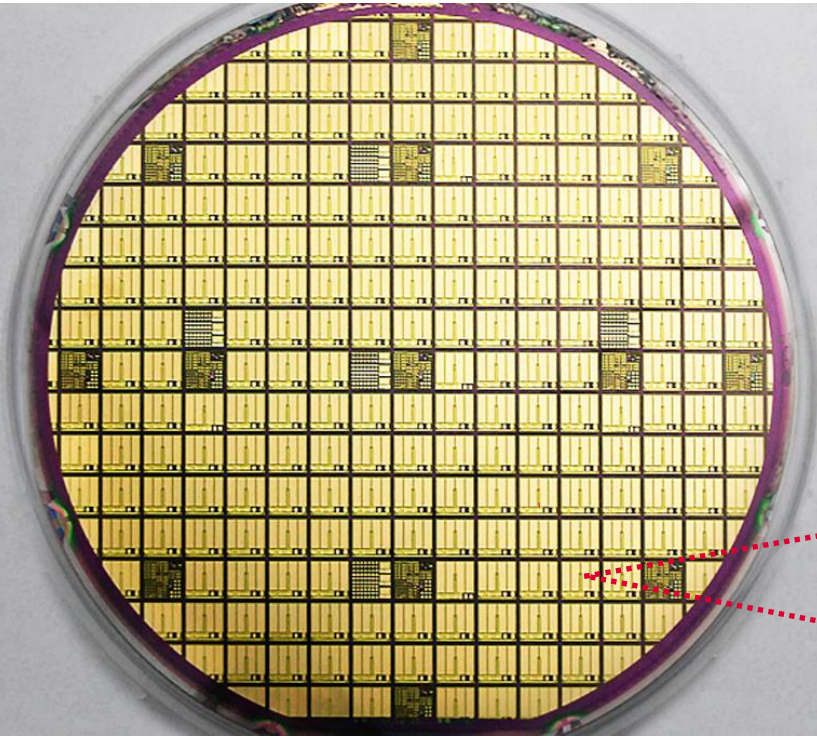
Create
Thermal
Systems

Stock
Battery ECU

Total energy
management
of vehicles

i Electrification

- Initiative in Focus Fields -



SiC MOSFET

DENSO have achieved to grow high density crystals, which increase the quality of device.

**We will pursue advances
not only in electric vehicle systems,
but also in gasoline and diesel
vehicle systems
in support of eco driving.**

Gasoline

HV

PHV

EV

FCV

ii Automated Driving - Initiative in Focus Fields -

Value Realize a move in a safe and secure manner without traffic accidents

1. Initiative at the system, strengthening of proposal capability

- Advanced Driver Assistance Systems and Automated Driving
- Cockpit system

2. Development by open innovation

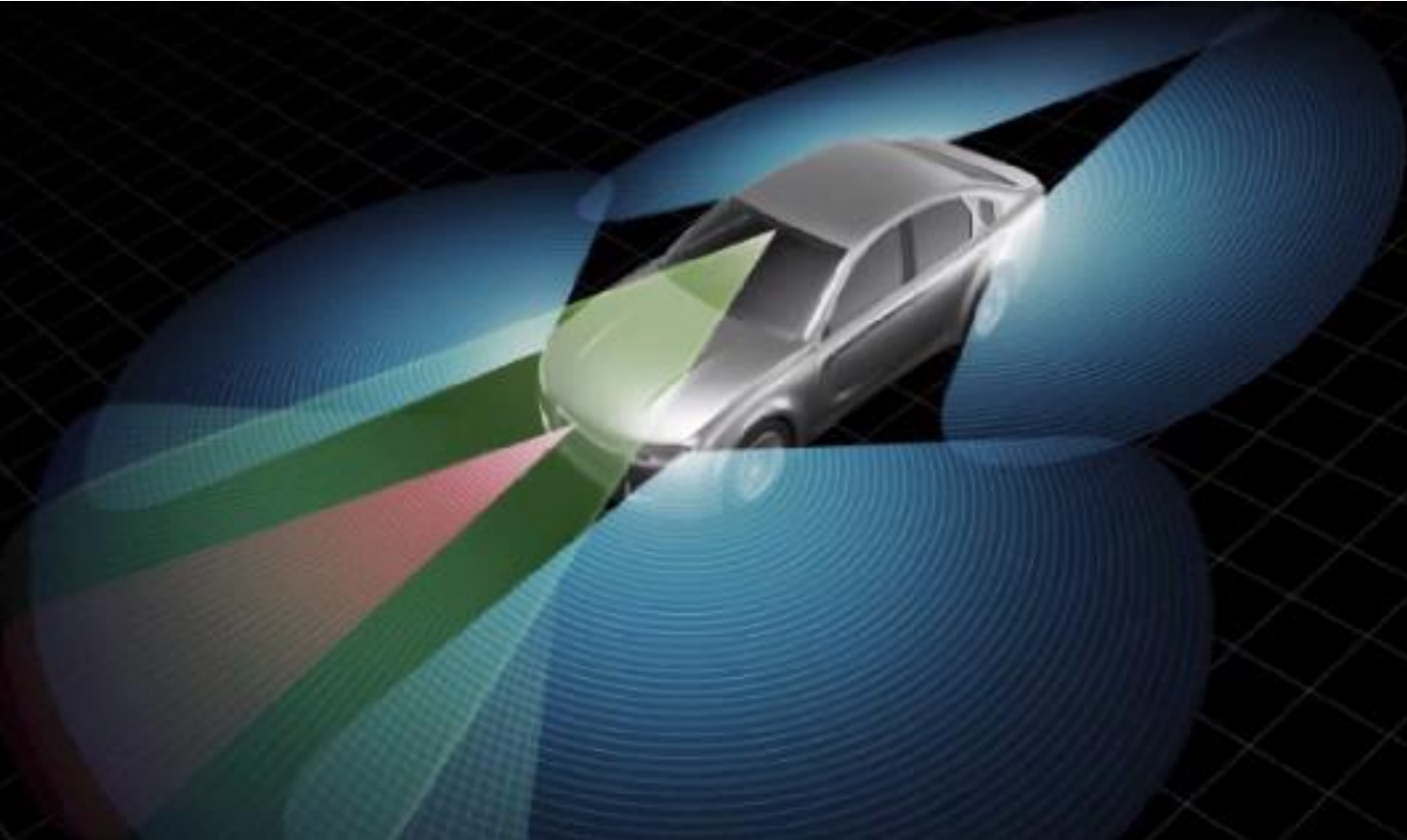
- Strengthen alliances of industry, government and academia
- Sensors and Algorithm development for recognition and judgment
- High performance semiconductor development

3. Enhancement of AI research

- Algorithm development for onboard
- Quality assurance

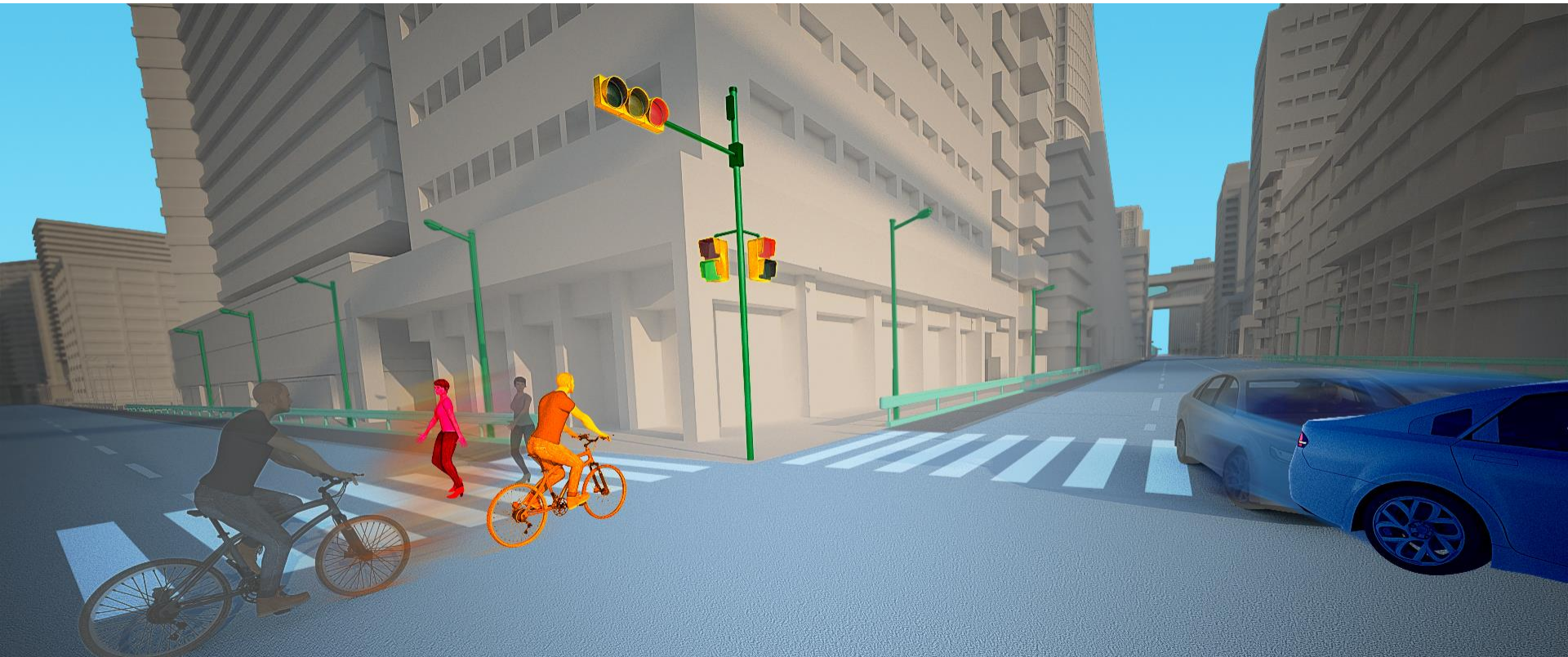
ii Automated Driving - Initiative in Focus Fields -

DENSO will provide safe and reassuring recognition across 360 degrees around a vehicle by deploying a full range of sensors and on refining the functionality of each of those sensors.



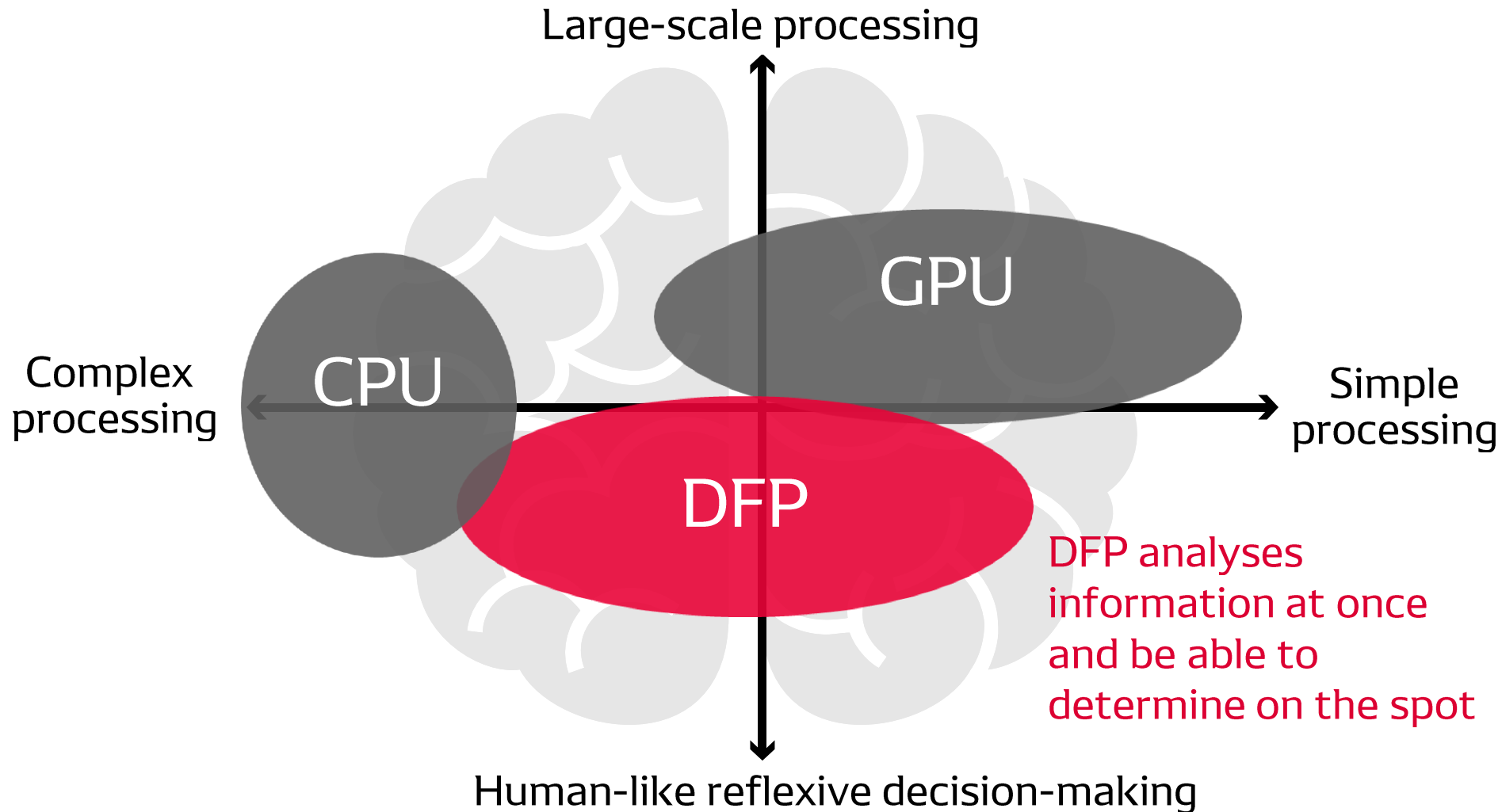
ii Automated Driving - Initiative in Focus Fields -

Future advances at DENSO in refining recognition functionality will incorporate deep-learning artificial intelligence. That will carry us beyond recognition in static space and into the realm of anticipating movement in time.



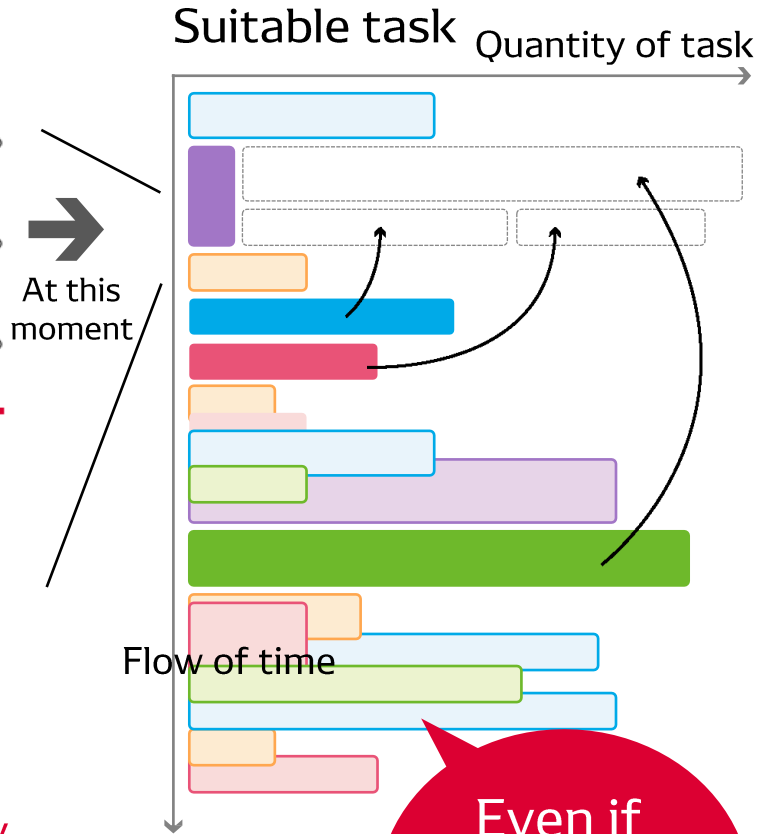
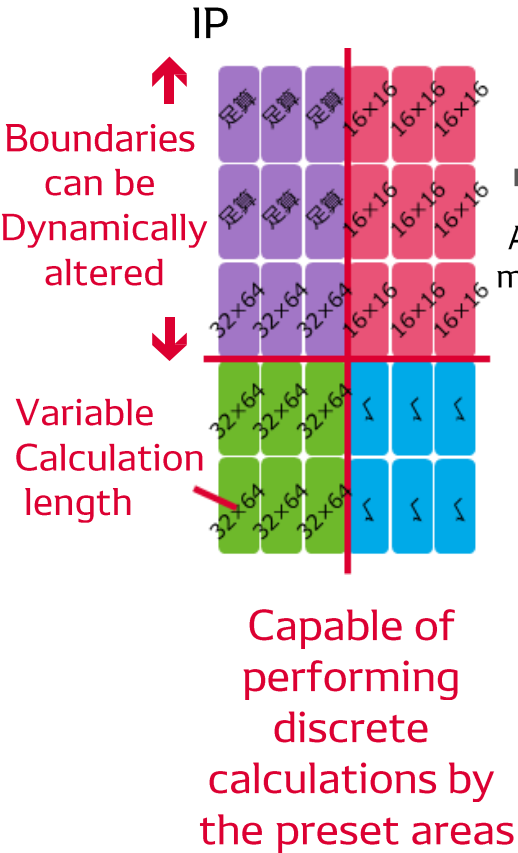
ii Automated Driving - Initiative in Focus Fields -

DENSO developed a high-performance semiconductor.

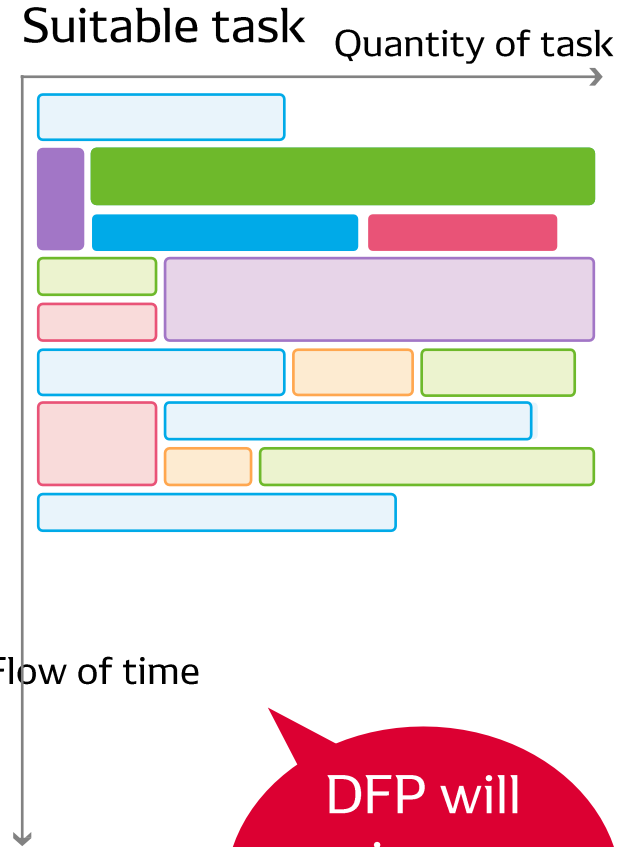


ii Automated Driving - Initiative in Focus Fields -

DFP



Even if there are various tasks



DFP will carries our a set of various tasks

ii Automated Driving - Initiative in Focus Fields -

We're adopting multilayer protection against cyber threats in all of our electronic control units and vehicle networking.



iii Connected Cars

- An Example of Efforts -

Value Contribute mobility society connected automobiles, human and things.

1. Development of integrated system with cloud

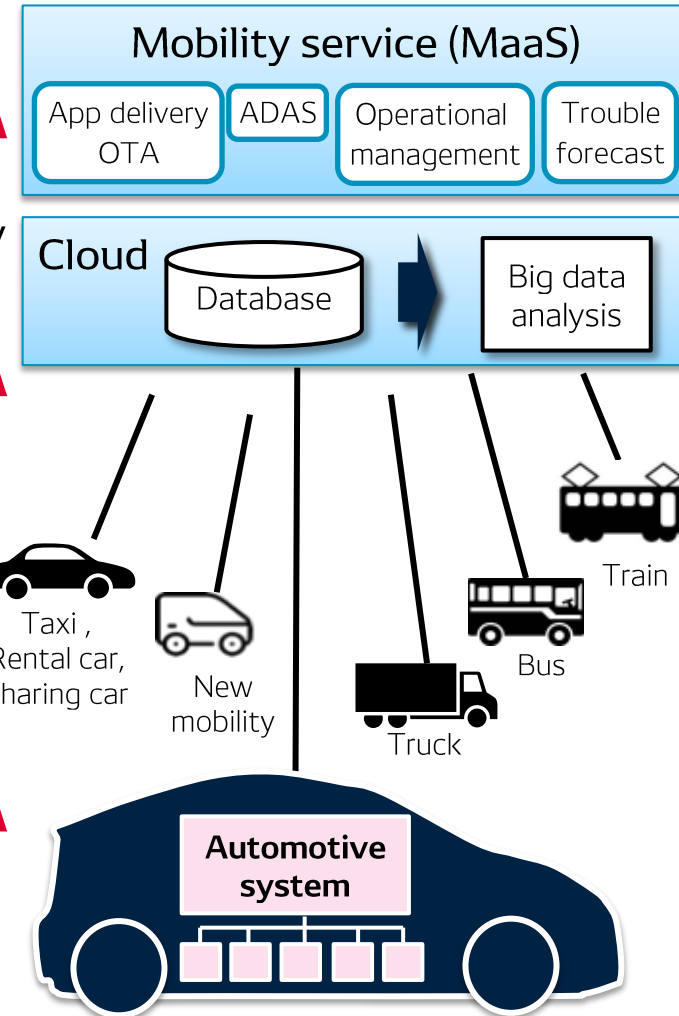
- Development of integrated electronic platform
- Development of automotive big data use technology

2. Value to connected car to provide

- Development of secured OTA system
- Provide next generation automotive communication system
- Provide fleet operational management system

3. Value creation by strengthen alliance

- Investment to third parties
- Development of efficient mobility use

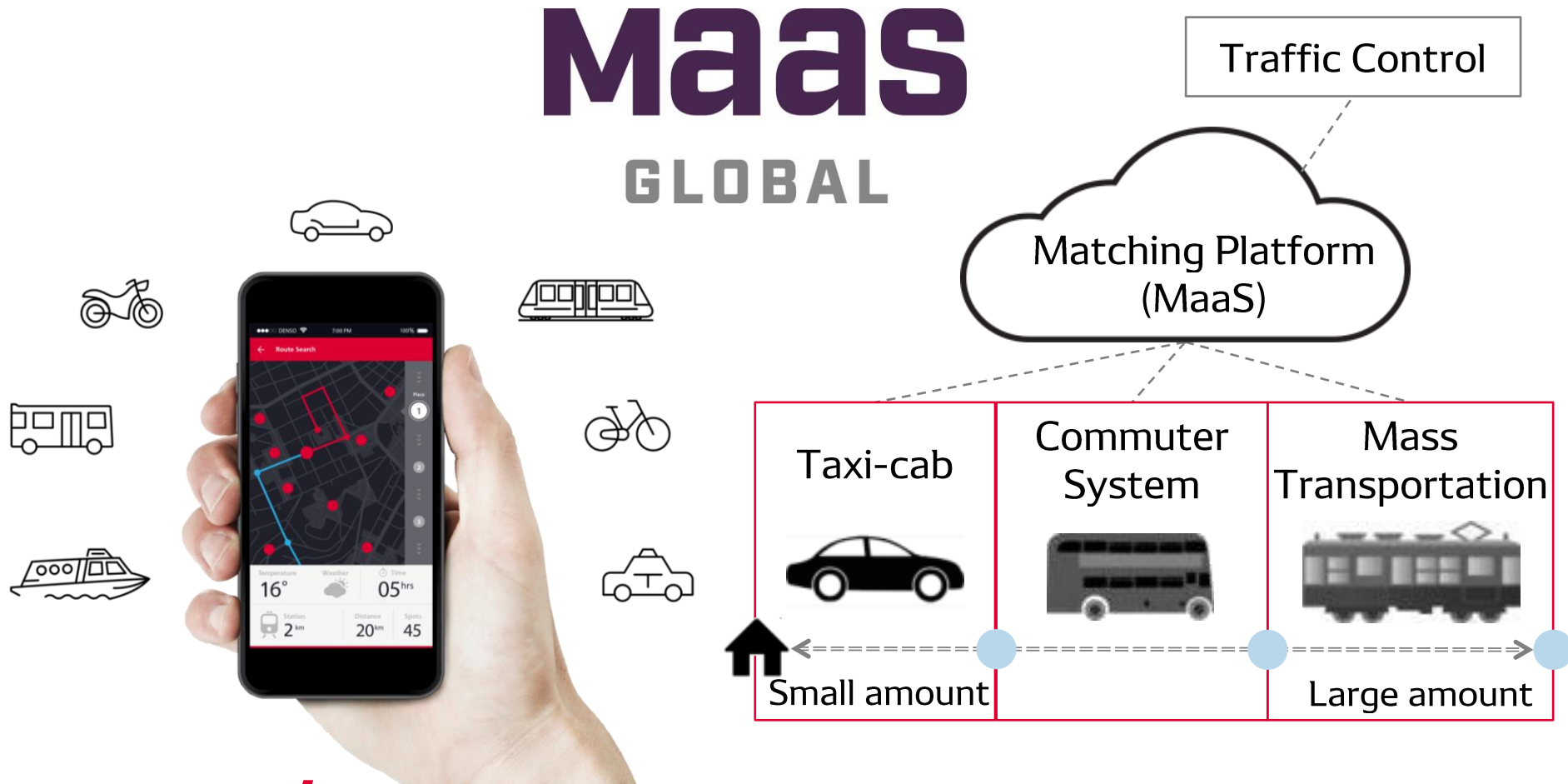


iii Connected Cars

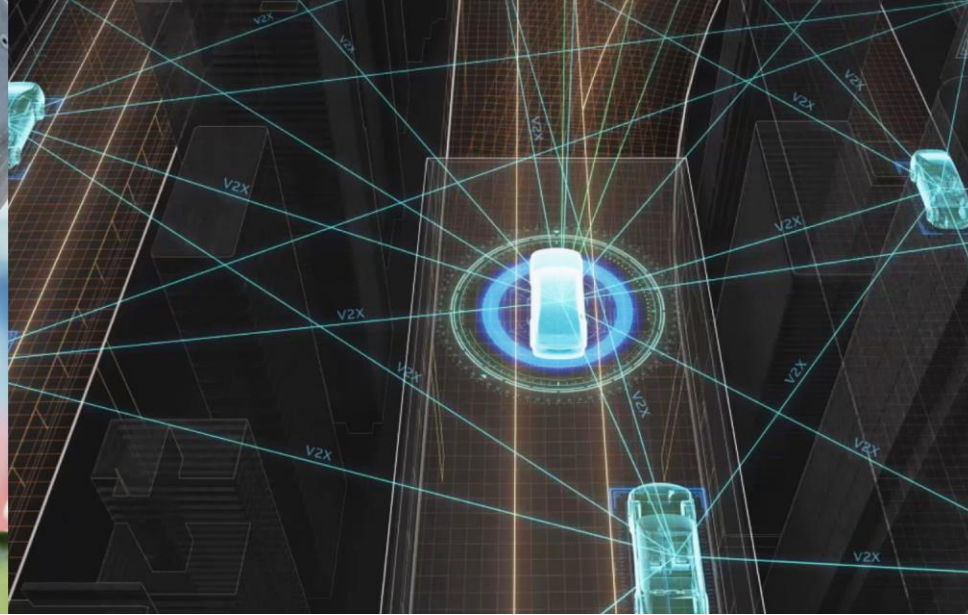
- An Example of Efforts -

Building a partnership with **MaaS GLOBAL** in Finland.

Opening branch institute for research in Helsinki and Munich in Jan. 2018.

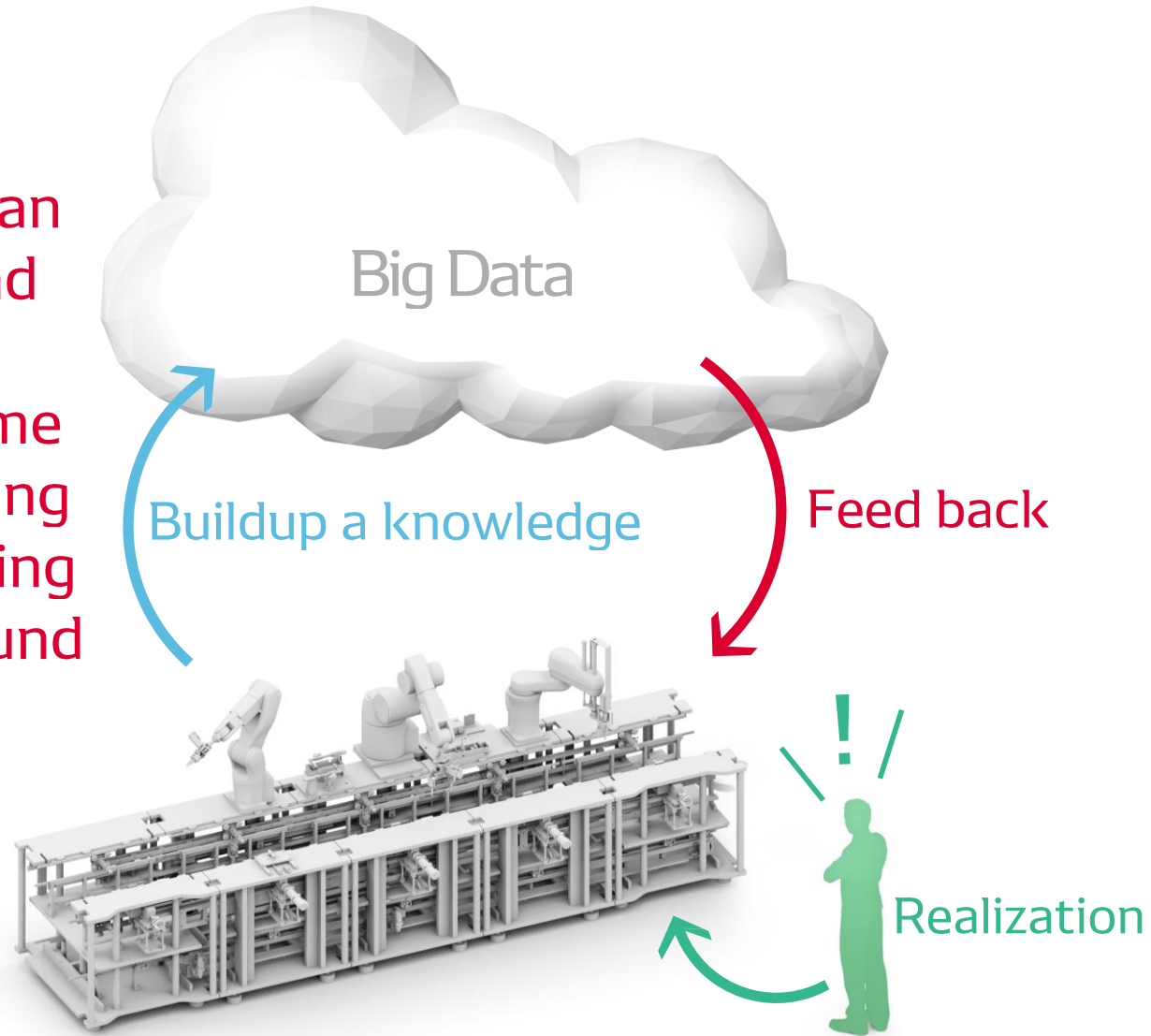


For the new mobility society in the future



Monozukuri + Technology

In DENSO, human possibilities and equipment possibilities come together in raising our manufacturing possibilities around the world.



iv Non-Automotive Businesses

-Factory Automation / Agriculture-

Value Contribute to Improved Social and Industrial Productivity

[Strengths of DENSO's Monozukuri]

- Speedy and High operating ratio of production lines
- slim down the logistics & inspection
- space-saving (1/N) and unique facility development
- sufficient results of various product lines

Monozukuri at a DANTOTSU* price
 which has enabled us to offer high competitiveness

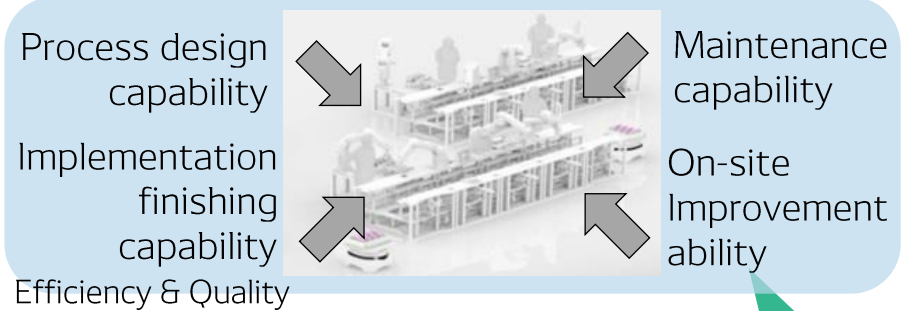
Factory-IoT
 human and equipment come together in raising our manufacturing possibilities

↳ developing toward 130 of our plants globally

*DANTOTSU: A DANTOTSU plant is one that undertakes Monozukuri at a DANTOTSU (outstanding) cost. A DANTOTSU plant is at such a high level that it cannot be compared to other plants.

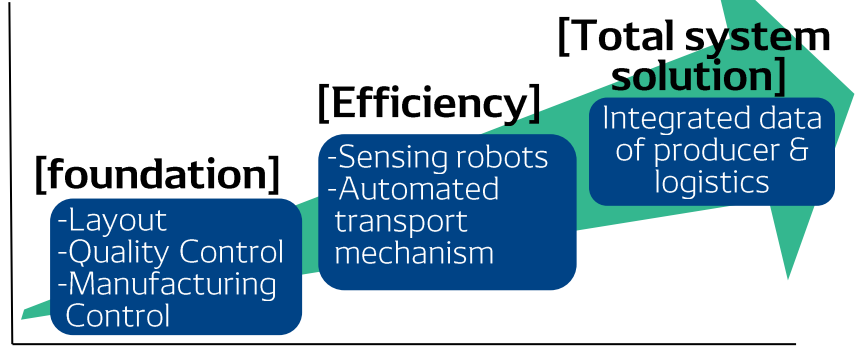
1. Develop optimal solutions for the FA systems

- Develop next generation robots
- Provide FA systems



2. Agro-Industrialization

- Responding to large scale production
- Transformation into market-in type agricultural food industry





For mobility society full of smiles,
DENSO will keep providing solutions that will
provides people everywhere
with something to smile about.

DENSO

Crafting the Core

Appendix

- Non-Consolidated Financial Results
- Pre-Conditions (Foreign Exchange Rate/Car Production)
- Consolidated Revenue by Customer
- Consolidated Revenue by Product
- Trend of Capital Expenditures, Depreciation and R&D Expenditures
- Capital Expenditures, Depreciation, and R&D Expenditures
- Return to Stockholders
- Target of Revenue & Profit in FY2026 (By Product)

FY18 2nd Quarter

Non-Consolidated Financial Results

Income Statements (Japanese accounting standards)

(Ratio to Sales)

(Unit: Billions of Yen,%)

Account	FY18 2Q		FY17 2Q		Change	
	Amount	%	Amount	%	Amount	%
Net Sales	(100.0)	1,268.4	(100.0)	1,190.0	78.4	6.6
Operating Income	(4.1)	51.4	(1.4)	17.2	34.3	199.6
Income Before Income Taxes	(9.1)	115.8	(6.6)	78.3	37.6	48.0
Net Income	(7.6)	95.9	(5.7)	68.2	27.7	40.6

Pre-Conditions (Foreign Exchange Rate/Car Production)

		FY2018 First-Half										FY2017 Second-Half					FY2018 Full Year				
		Prior Year	Forecast (Original)	Forecast as of July 28	Actual	Change	Prior Year	Forecast (Original)	Forecast as of July 28	Forecast (Revised)	Change	Prior Year	Forecast (Original)	Forecast as of July 28	Forecast (Revised)	Change					
		Foreign Exchange Rate (Yen)	USD	105	110	111	111	+6	111	110	110	110	-1	108	110	110	111	+3			
	EUR	118	115	121	126	+8	119	115	120	125	+6	119	115	121	126	+7					
Forex Impact on Operating Income per Yen (Billions of Yen)	USD											2.5	2.5	2.5	2.5	0.0					
	EUR											1.0	1.0	1.0	1.0	0.0					
Car Production of Japanese Manufacturers (Millions of Units)	Domestic	4.30	4.44	4.54	4.52	+5%	4.80	4.74	4.88	4.87	+2%	9.10	9.18	9.42	9.39	+3%					
	North America	3.18	3.24	2.99	3.01	-5%	3.20	3.30	3.09	3.09	-3%	6.38	6.54	6.08	6.10	-4%					
	Overseas	9.68	9.96	9.85	9.84	+2%	9.98	10.06	10.21	10.15	+2%	19.67	20.02	20.06	19.99	+2%					

Consolidated Revenue (By Customer)

(Unit: Billions of Yen)

	FY18 2Q		FY17 2Q		Change		Change excludes FX difference
	Amount	% to Total	Amount	% to Total	Amount	%	%
Toyota	967.3	40.9	932.5	42.8	34.9	3.7	1.4
Daihatsu	53.0	2.2	42.2	1.9	10.8	25.6	24.4
Hino	28.1	1.2	25.6	1.2	2.5	10.0	9.6
Toyota Group	1,048.4	44.3	1,000.2	45.9	48.2	4.8	2.6
Honda	179.6	7.6	165.4	7.6	14.2	8.6	4.4
FCA	113.8	4.8	101.8	4.7	12.0	11.8	5.7
GM	88.5	3.8	78.6	3.6	9.9	12.6	6.6
Ford	73.4	3.1	70.2	3.2	3.2	4.5	-0.5
Hyundai/Kia	67.1	2.8	63.8	2.9	3.2	5.1	0.1
Suzuki	55.8	2.4	46.4	2.1	9.4	20.2	15.5
Mazda	55.4	2.4	54.2	2.5	1.2	2.2	0.8
SUBARU	47.5	2.0	41.6	1.9	5.9	14.1	12.2
Nissan	46.8	2.0	36.9	1.7	9.8	26.6	24.2
VW/AUDI	38.4	1.6	38.9	1.8	-0.5	-1.3	-6.7
Isuzu	26.9	1.1	23.7	1.1	3.2	13.6	9.8
Mitsubishi	24.2	1.0	21.0	1.0	3.2	15.2	9.0
BMW	20.5	0.9	22.5	1.0	-2.0	-8.8	-14.6
Volvo	17.7	0.8	13.5	0.6	4.1	30.5	23.1
Benz	17.5	0.7	17.6	0.8	-0.1	-0.6	-6.8
PSA	14.4	0.6	11.9	0.6	2.6	21.6	14.9
OE Sales for others	156.3	6.6	126.7	5.9	29.6	23.3	19.5
OEM Total	2,092.0	88.5	1,934.8	88.9	157.1	8.1	4.8
After-market, New business & Others(*)	271.5	11.5	242.1	11.1	29.4	12.2	9.1
Total	2,363.5	100.0	2,176.9	100.0	186.6	8.6	5.2

* OES (through OEM for aftermarket), Sales for After Market, Sales of industrial and consumer products, Sales of property/equipment and dies lease are included.

Consolidated Revenue (By Product)

(Unit: Billions of Yen,%)

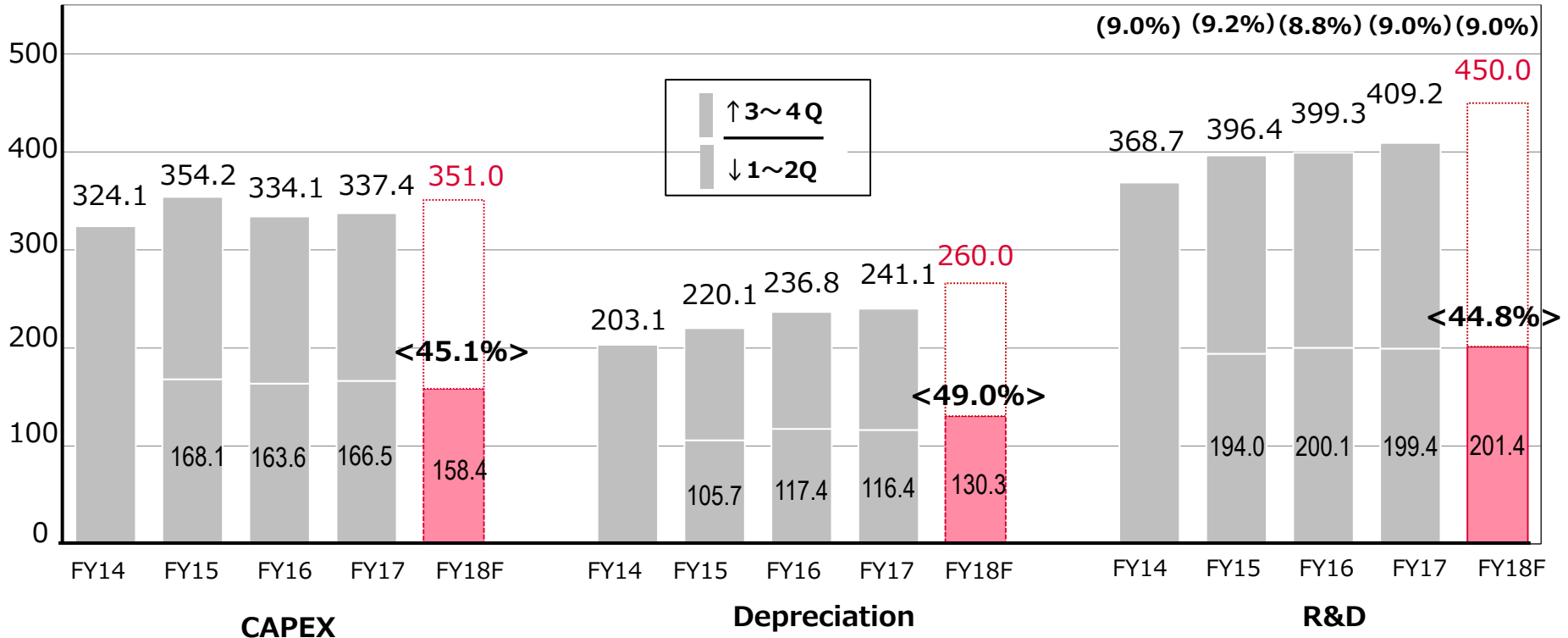
	FY2018 2Q		FY2017 2Q		Change		Change excludes FX difference
	Amount	% to Total	Amount	% to Total	Amount	%	%
Thermal Systems	711.1	30.1	663.4	30.5	47.7	7.2	3.3
Powertrain Systems	604.3	25.6	555.0	25.5	49.3	8.9	5.0
Information & Safety Systems	383.8	16.2	355.2	16.3	28.6	8.1	5.9
Electrification Systems	237.1	10.0	219.0	10.0	18.1	8.3	4.8
Electronic Systems	186.0	7.9	180.7	8.3	5.4	3.0	0.9
Small Motors	152.6	6.4	145.0	6.7	7.6	5.2	2.7
Others(*)	30.1	1.3	26.3	1.2	3.8	14.4	7.6
Automotive Total	2,305.0	97.5	2,144.4	98.5	160.5	7.5	4.1
New Business Total	58.5	2.5	32.5	1.5	26.0	80.1	78.9
Total	2,363.5	100.0	2,176.9	100.0	186.6	8.6	5.2

* Revenue of equipment, Repair parts, original brand products of subsidiaries

Trend of Capital Expenditures, Depreciation and R&D Expenditures

< > Ratio to FY18F () Ratio to Revenue

(Billions of yen)



※ Full-year financial result forecasts includes the influence of FUJITSU TEN LIMITED which will become Denso's affiliate on November 2017

Capital Expenditures, Depreciation and R&D Expenditures

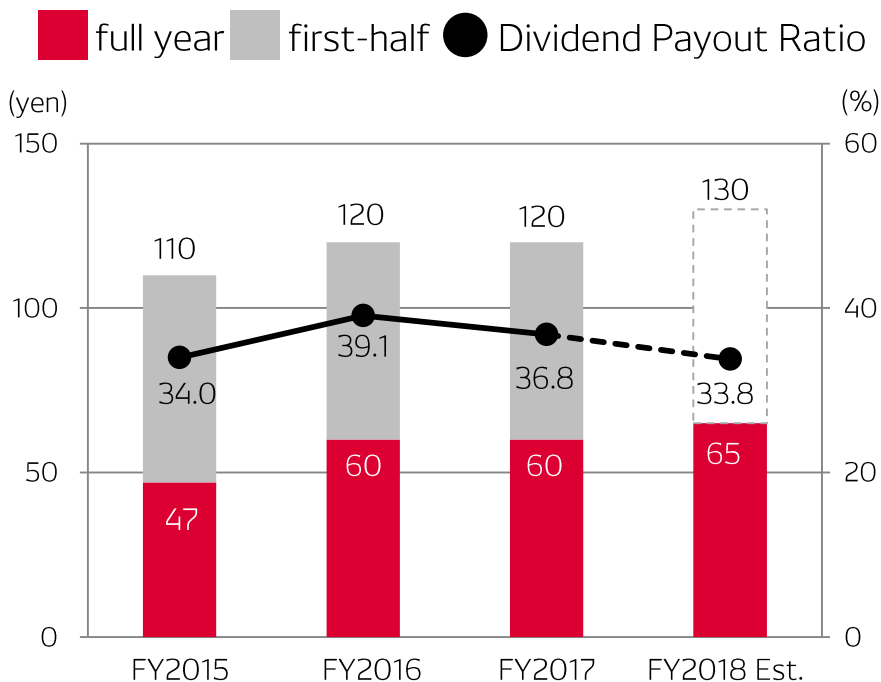
(Unit: Billions of Yen)

	FY17		FY18 Forecast		2Q YTD Change from PY	Progress to FY18 Forecast
	2Q		2Q			
Japan	103.9	215.7	106.3	213.5	2.3%	49.8%
North America	29.0	51.8	16.2	57.5	-44.1%	28.2%
Europe	10.9	23.6	13.8	21.0	26.6%	65.7%
Asia	21.8	44.1	21.3	57.0	-2.3%	37.4%
Others	1.0	2.2	0.8	2.0	-20.0%	40.0%
Capital Exp.	166.5	337.4	158.4	351.0	-4.9%	45.1%
Japan	68.2	140.1	75.2	156.0	10.3%	48.2%
North America	12.8	27.0	15.9	30.5	24.2%	52.1%
Europe	9.0	19.0	10.4	21.5	15.6%	48.4%
Asia	25.0	52.1	27.4	55.5	9.6%	49.4%
Others	1.4	2.9	1.5	2.5	7.1%	60.0%
Depreciation	116.4	241.1	130.3	266.0	11.9%	49.0%
R&D Expenditure (Ratio to Revenue)	199.4 (9.2%)	409.2 (9.0%)	201.4 (8.5%)	450.0 (9.0%)	1.0%	44.8%

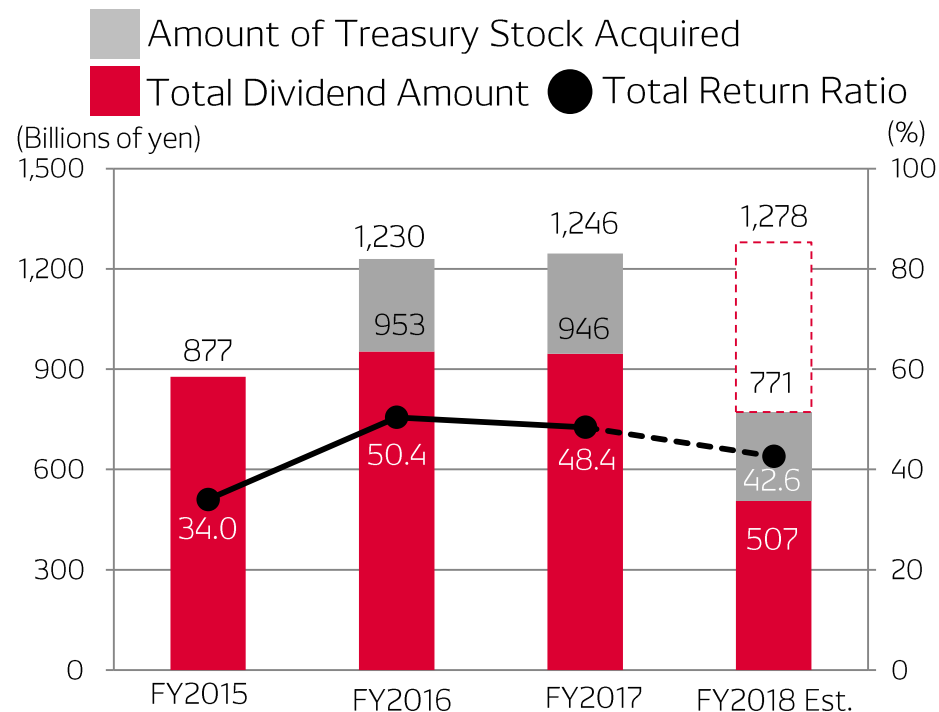
Return to Stockholders

1. We will continue to pay dividends sustainably with taking into accounts our consolidated results, consolidated dividend payout ratio, and dividend amount.
2. We continue to repurchase our own shares adapting flexibly to environmental changes and considering finance status.

Cash Dividends per Share and Dividend Payout Ratio



Total Dividend Amount and Total Return Ratio



Target of Revenue & Profit in FY2026 (By Product)

(Unit: Trillions of Yen)

