

# FY2011 2<sup>nd</sup> Quarter Financial Results ended September 30, 2010

October 29, 2010

**DENSO CORPORATION**



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- 1. Sales and Income increased from previous year**
- 2. Upward revision of FY2011 forecast**
- 3. Dividends increased for 9 yen to 22 yen for the first half period (44 yen for the year)**

# FY2011 2<sup>nd</sup> Quarter Financial Results

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	(Ratio to Sales)			(Unit: Billions of Yen)	
	FY2011 Forecast as of July. 30	FY11 2Q YTD	FY10 2Q YTD	Change	
Sales	1570.0	1,589.6	1,302.2	+ 287.4	+22.1%
Operating Income	(6.8%) 107.0	(7.8%) 124.3	(0.7%) 9.8	+ 114.5	+1,173.4%
Income before Income Taxes	(7.3%) 113.9	(8.7%) 138.0	(1.1%) 14.3	+ 123.8	+866.5%
Net Income	(4.7%) 74.0	(5.9%) 93.7	(0.4%) 5.1	+ 88.6	+1,753.9%

	(Unit: Millions of Units)				
Foreign Exchange Rate	JPY90/\$ JPY113/Euro	JPY89/\$ JPY114/Euro	JPY95/\$ JPY133/Euro	-JPY6 -JPY19	
Domestic Car Production	4.77	4.79	3.86	+ 0.93	+24.4%
Overseas Car Production of Japanese Manufacturers (North America)	6.46 (1.91)	6.42 (1.94)	5.46 (1.56)	+ 0.96 (+0.38)	+17.6% (+24.4%)

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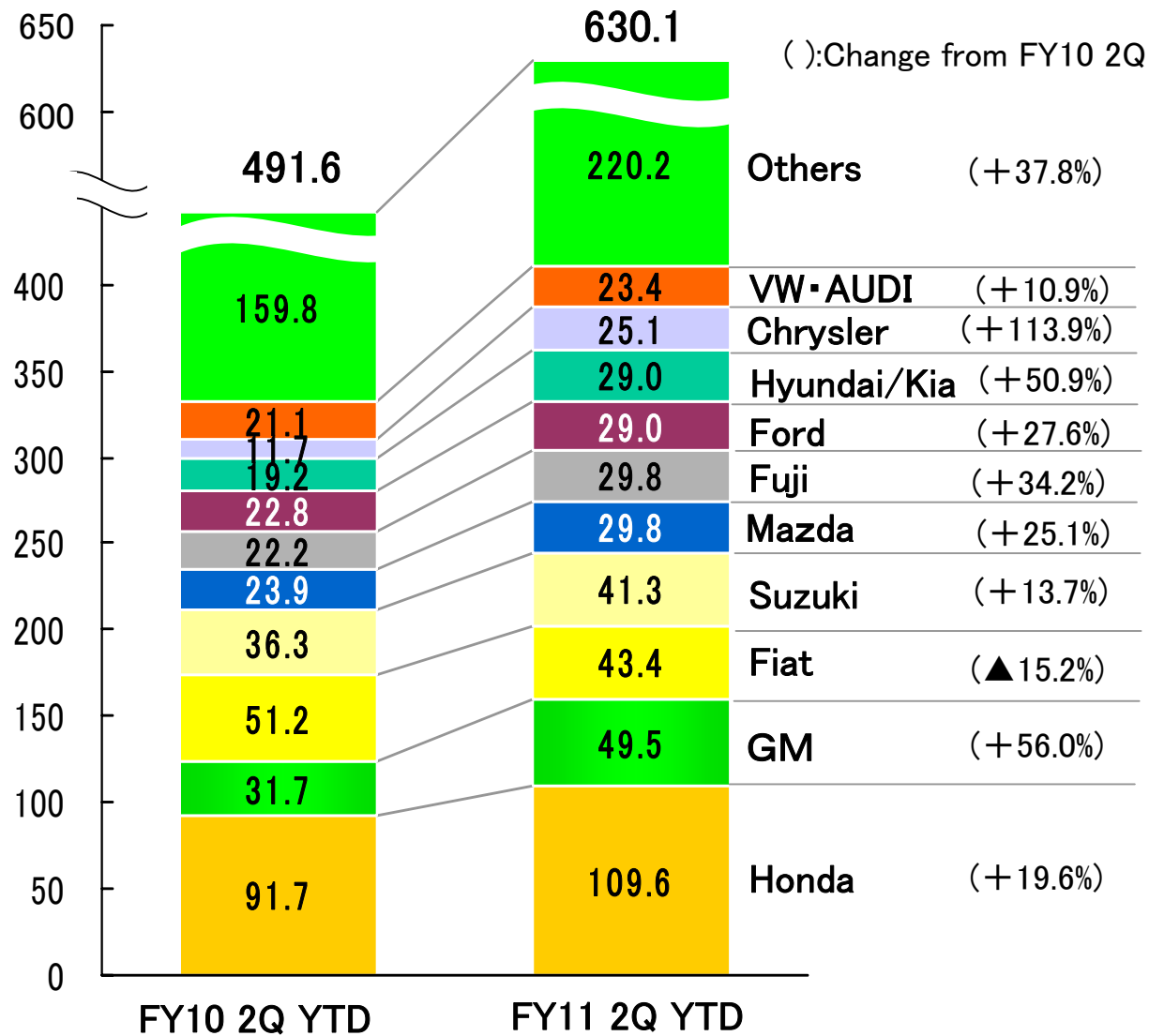
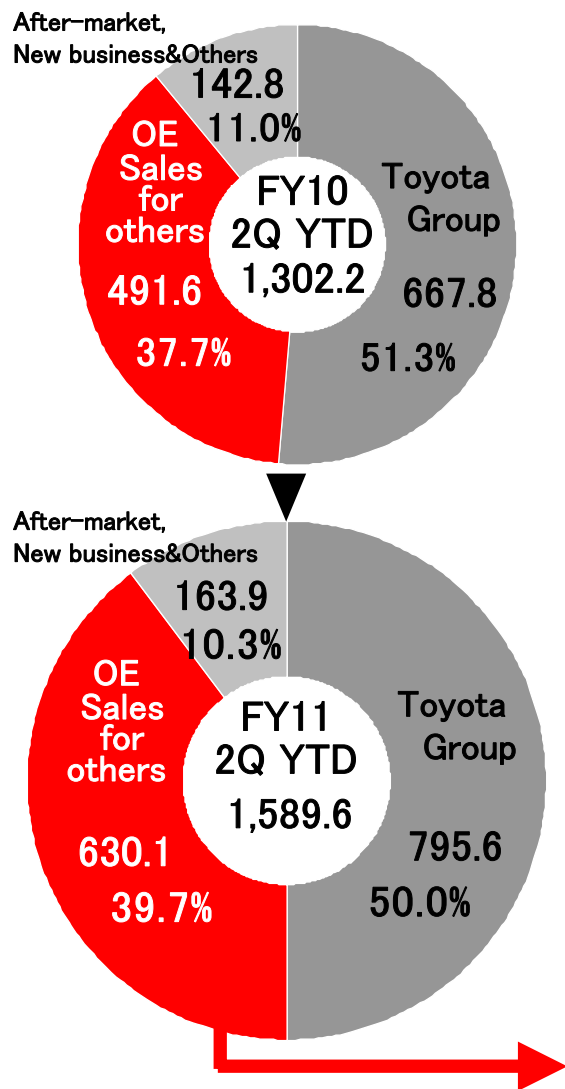
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# Change in 2<sup>nd</sup> Quarter Consolidated Sales

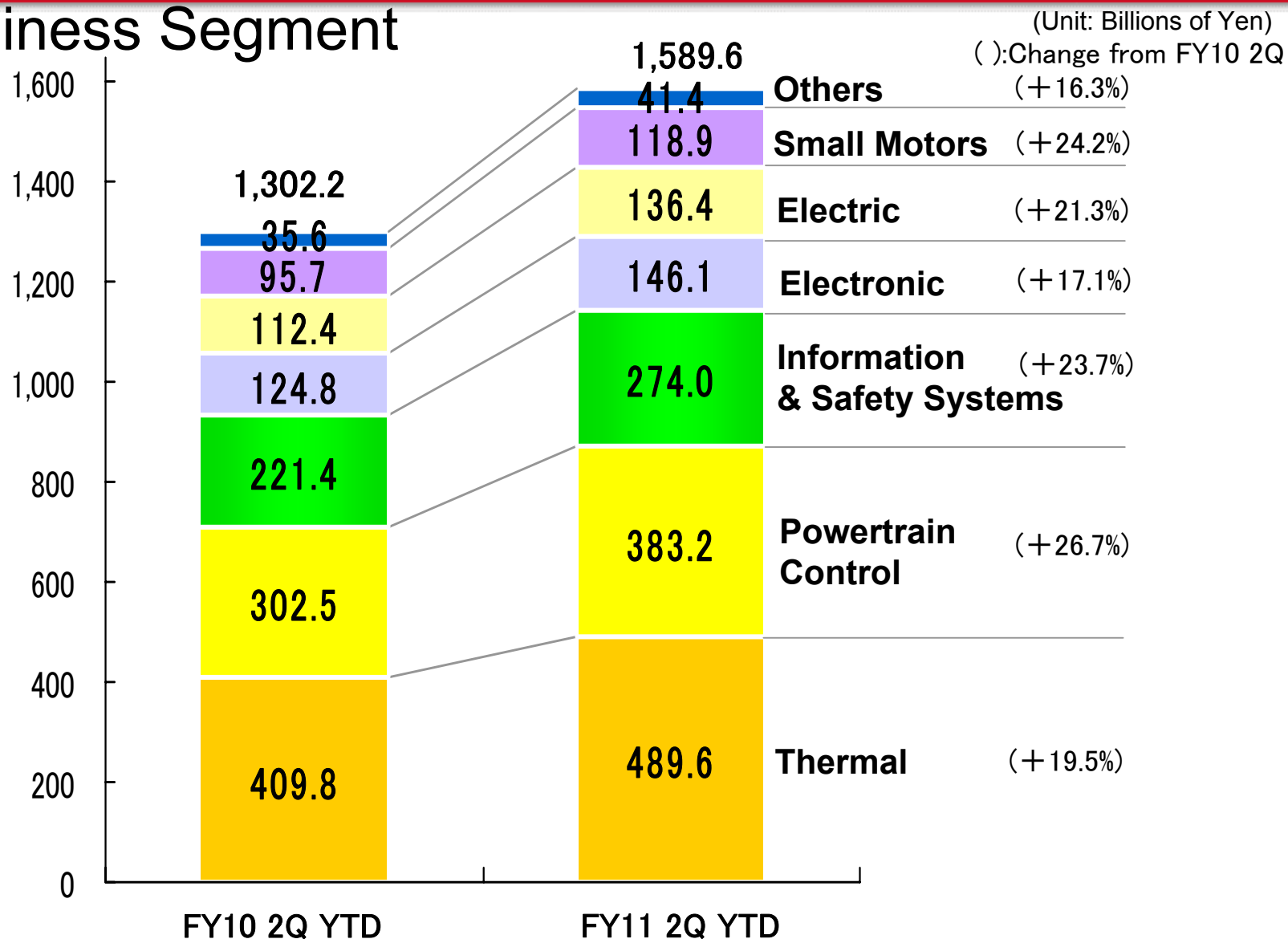
## By Customer

(Unit: Billions of Yen) OE Sales for others



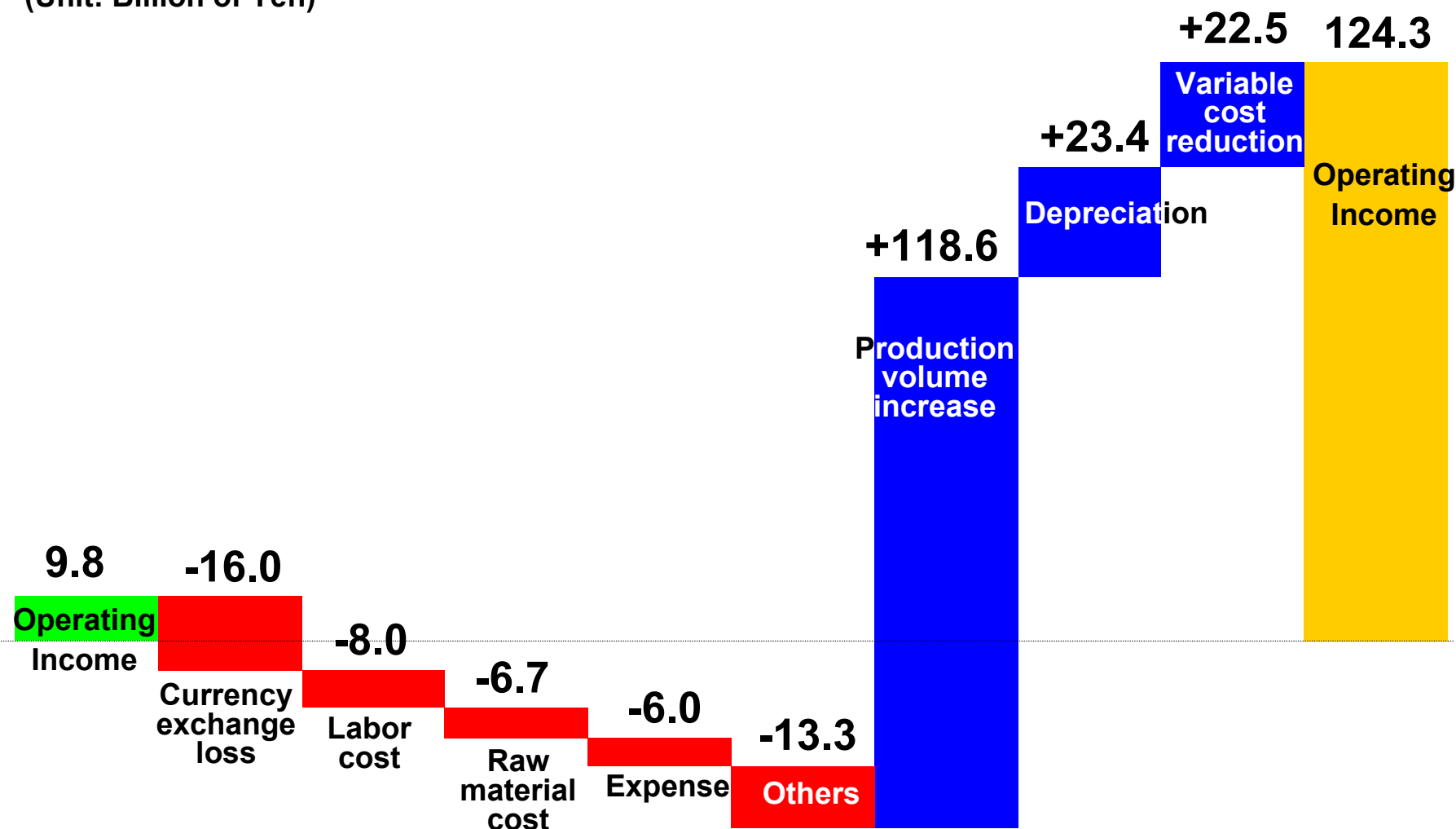
# Change in 2<sup>nd</sup> Quarter Consolidated Sales

## By Business Segment



# Change in 2<sup>nd</sup> Quarter Operating Income

(Unit: Billion of Yen)



FY10 2Q YTD

FY11 2Q YTD

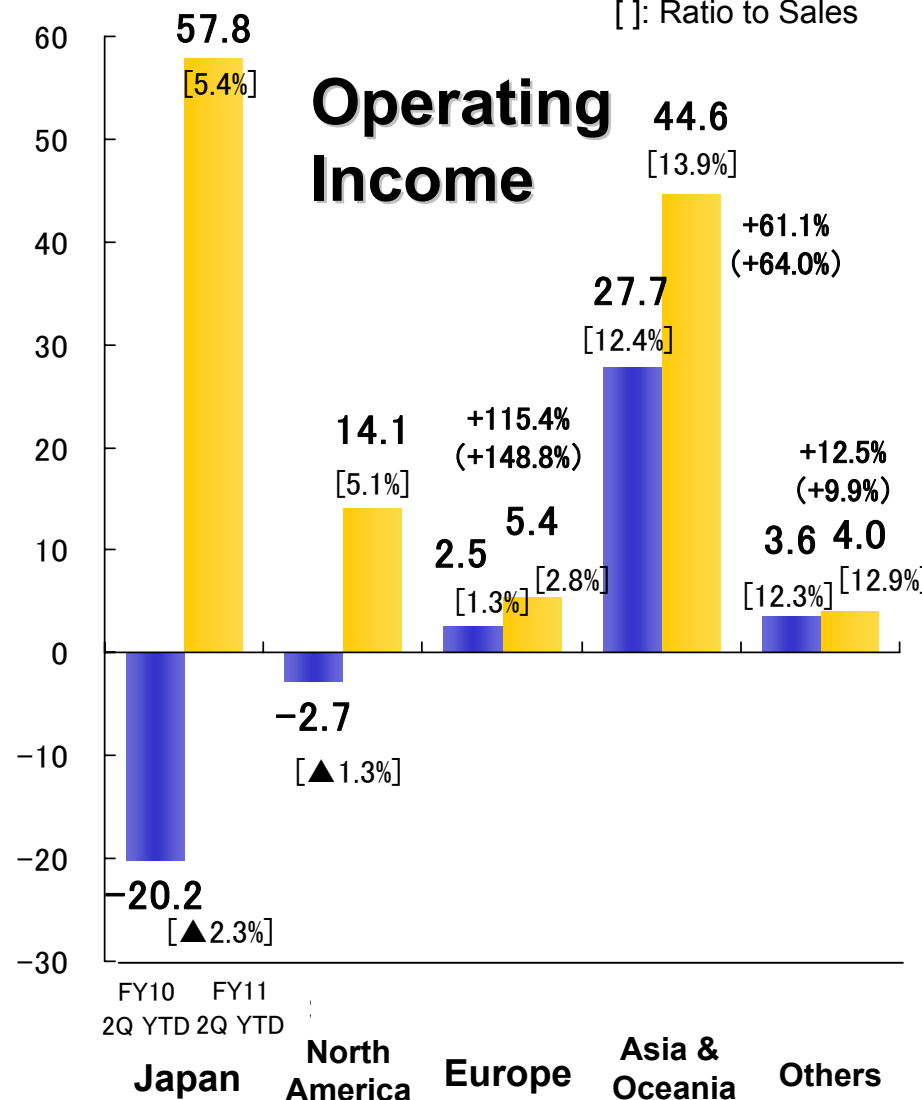
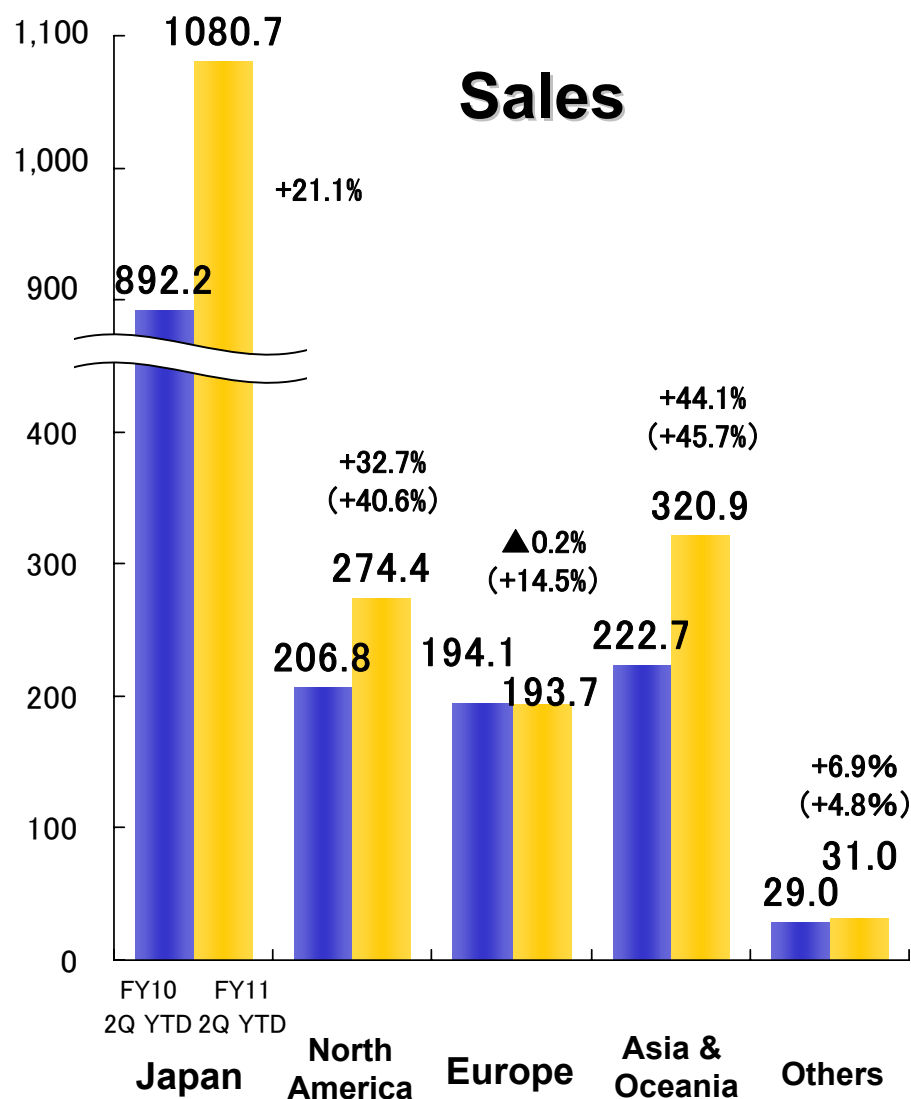
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# 2<sup>nd</sup> Quarter Geographical Segments by Company Location

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(Unit: Billions of Yen)

( ) : Local Currency Base  
[ ] : Ratio to Sales



# FY2011 Financial Forecast

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	(Ratio to Sales)			(Unit: Billions of Yen)	
	FY2011 Forecast as of July. 30	FY2011 Revised	FY2010	Change	
Sales	3,100.0	3,110.0	2,976.7	+133.3	+4.5%
Operating Income	177.0 (5.7%)	(6.0%) 186.0	(4.6%) 136.6	+49.4	+36.1%
Income before Income Taxes	189.4 (6.1%)	(6.5%) 202.6	(4.9%) 146.9	+55.7	+37.9%
Net Income	124.0 (4.0%)	(4.3%) 134.0	(2.5%) 73.4	+60.6	+82.5%

	(Unit: Millions of Units)				
Foreign Exchange Rate	JPY90/\$ JPY112/Euro	JPY84/\$ JPY112/Euro	JPY93/\$ JPY131/Euro	-JPY9 -JPY19	
Domestic Car Production	9.24	9.45	8.87	+0.58	+6.5%
Overseas Car Production of Japanese Manufacturers (North America)	12.74 (3.86)	13.31 (3.90)	11.97 (3.55)	+1.34 (+0.35)	+11.2% (+9.9%)

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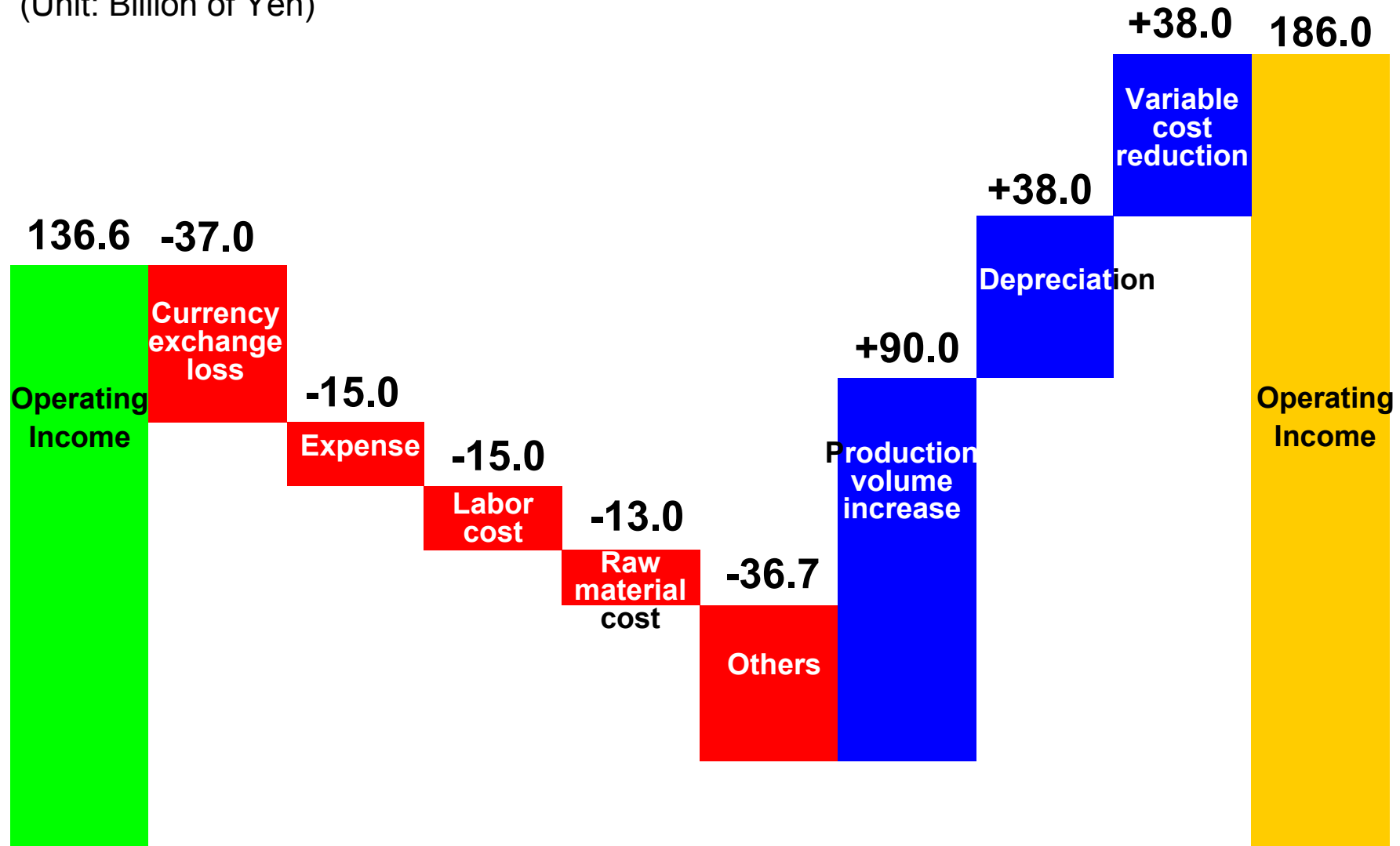
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# Change in FY2011 Operating Income

(Unit: Billion of Yen)



FY10

FY11 F

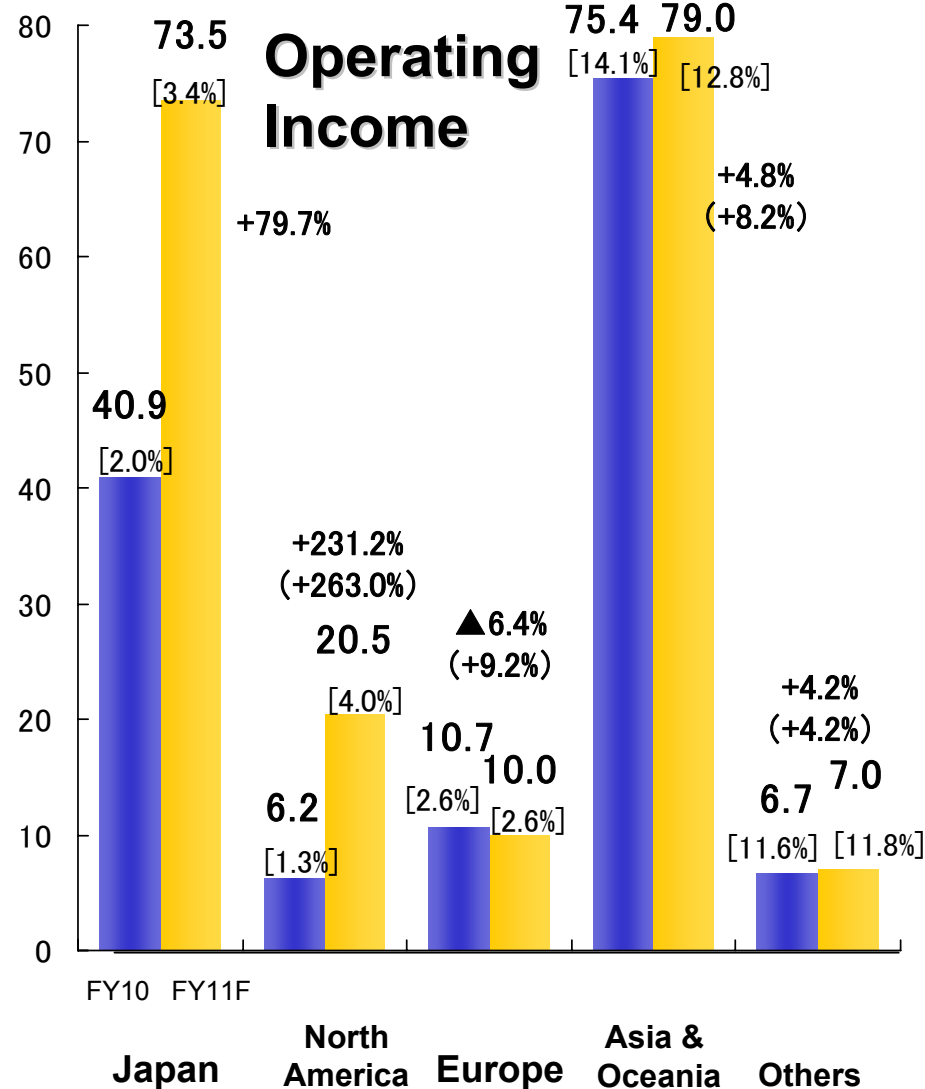
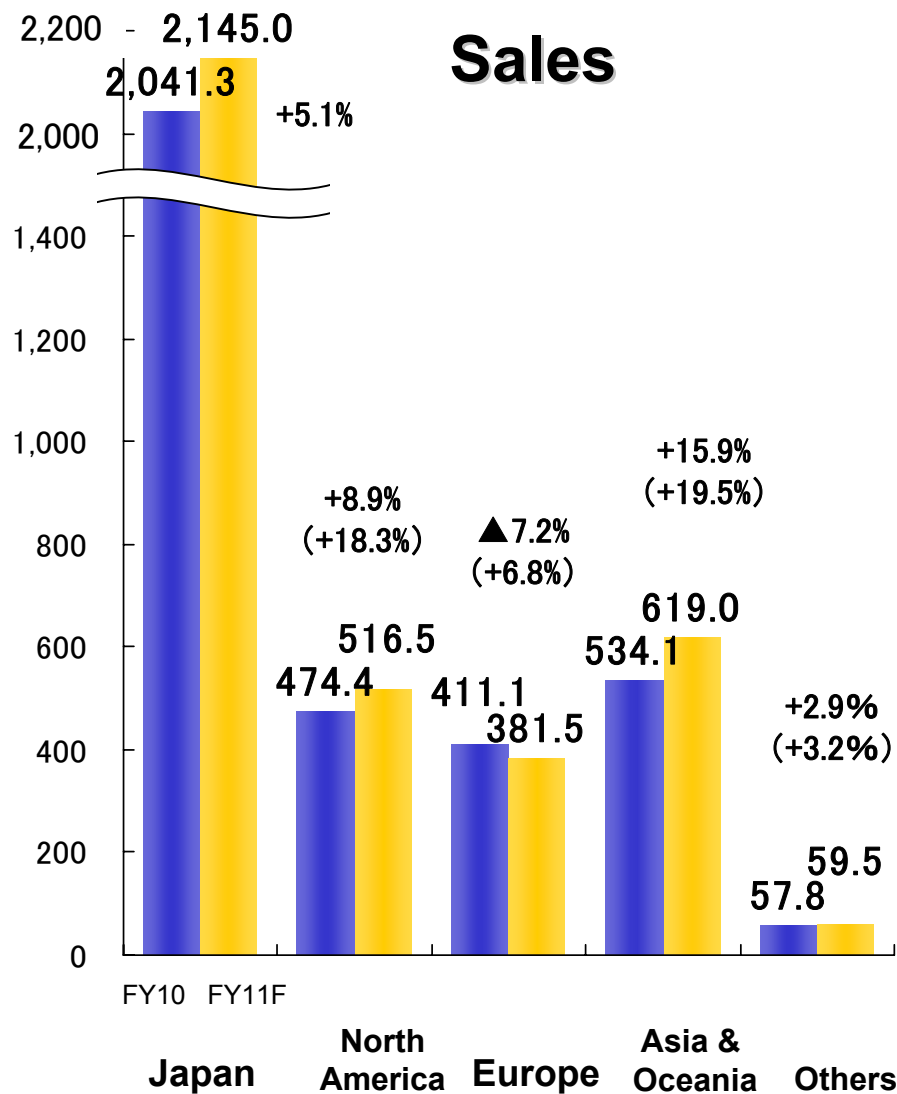
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# Geographical Segments by Company Location

(Unit: Billions of Yen)

( ): Local Currency Base

[ ]: Ratio to Sales



## Mid-term Profit Recovery Activities

## Our Approach for Future Growth: Strengthen business, cost and management

### Business

- Technology innovations for fuel efficiency/CO2 reduction
- Strengthening of regional competitiveness

### Cost

- **Low-cost technology**
- Value-added improvement

### Management

- Management to maximize group capability
- Challenge mind-set

# Mid-term Profit Recovery Activities

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## Establishment of Low-cost Technology

### Idea of product development

**Review of all processes from the design to production**

**Establishment of low-cost technology as a new technical field**

### Activities for Cost-half product

1. Optimum function	2. Optimum quality	3. Optimum production	4. Promotion of localization
- To narrow the function and performance through benchmark activities.	- To loosen quality /performance standard to meet market demand	- Optimum design for local process	- Local material, die and mold, equipment - To utilize existing equipment

Current status: Achieved 40 percent cost reduction

Promoting these activities to achieve the target by the end of this FY

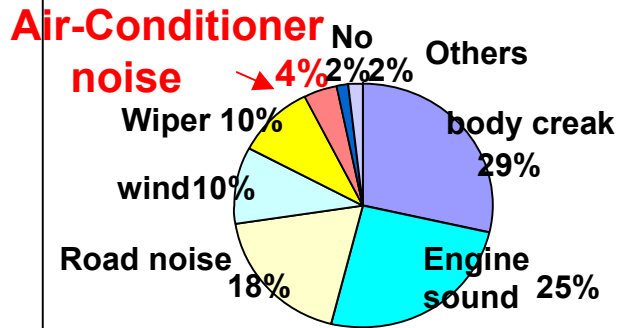
**Improve profitability by competitive product technology**

# Case: HVAC (blower motor) Product development

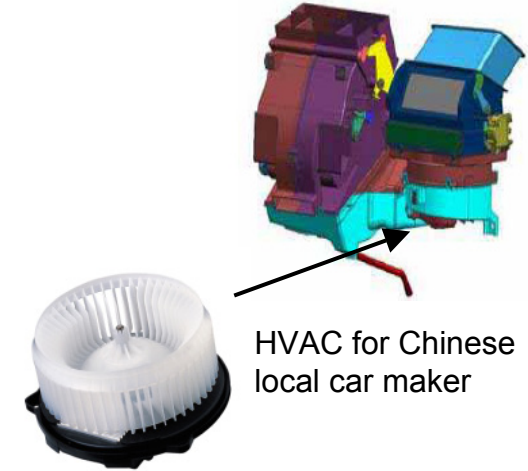
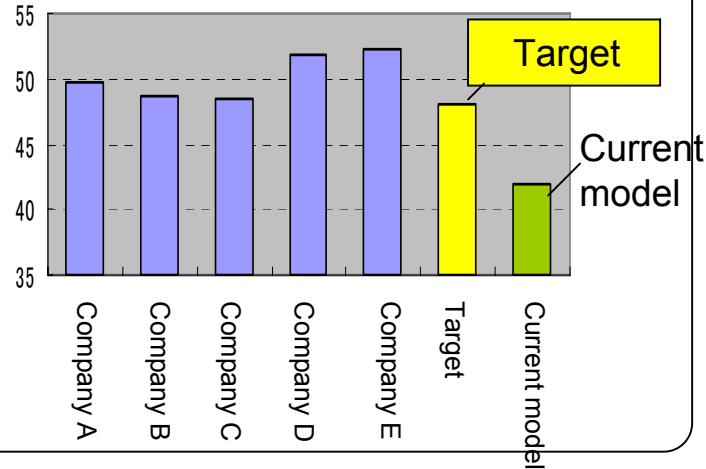
Appropriate function, performance and quality

## ◆ Survey result

Noise sensitivity in the car

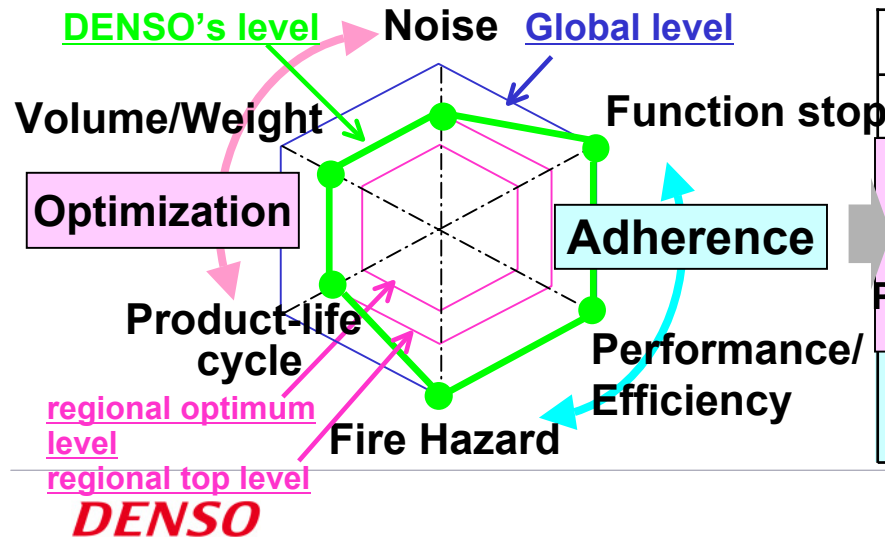


## ◆ Motor sound benchmark



Blower motor

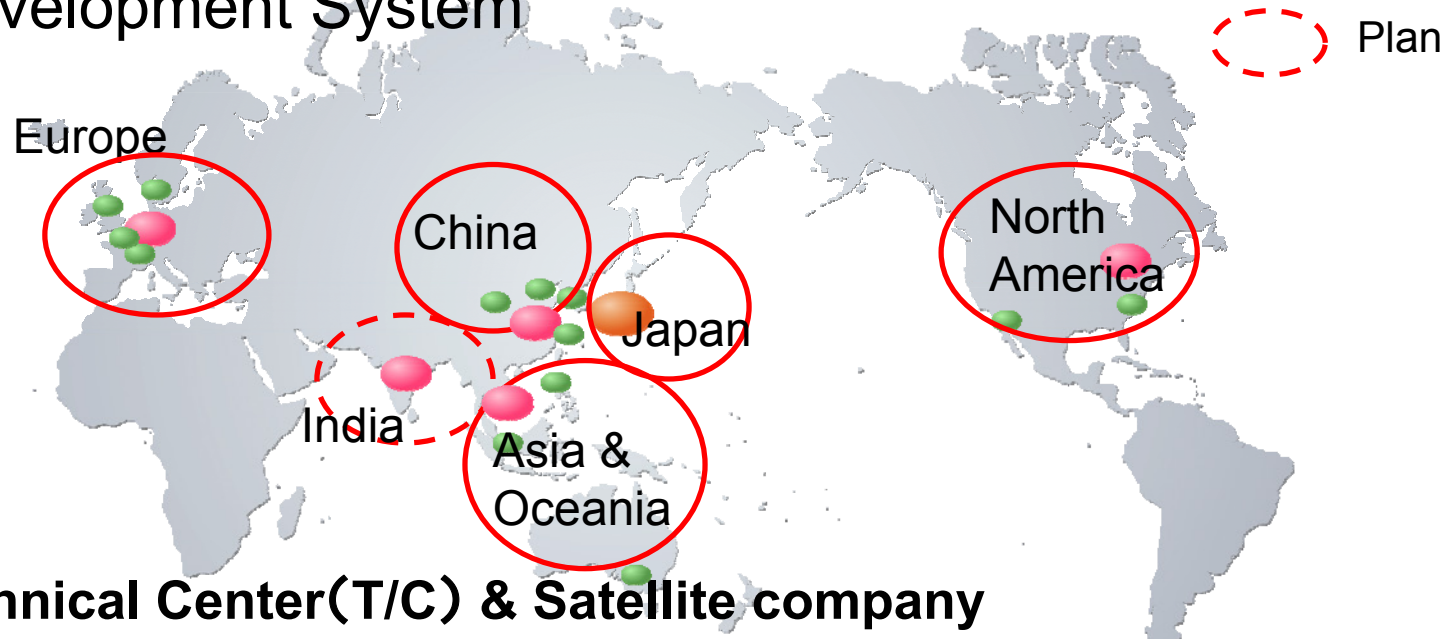
## ◆ Concept for the new product design



Design concept	Design concept	
	Current	New product
Materials Parts	Same level as Japan	China local material/parts
Production	Automation/ Semi-automation	Manual
Adherence	Fire retarding material	←

# Mid-term Profit Recovery Activities

## Global Development System



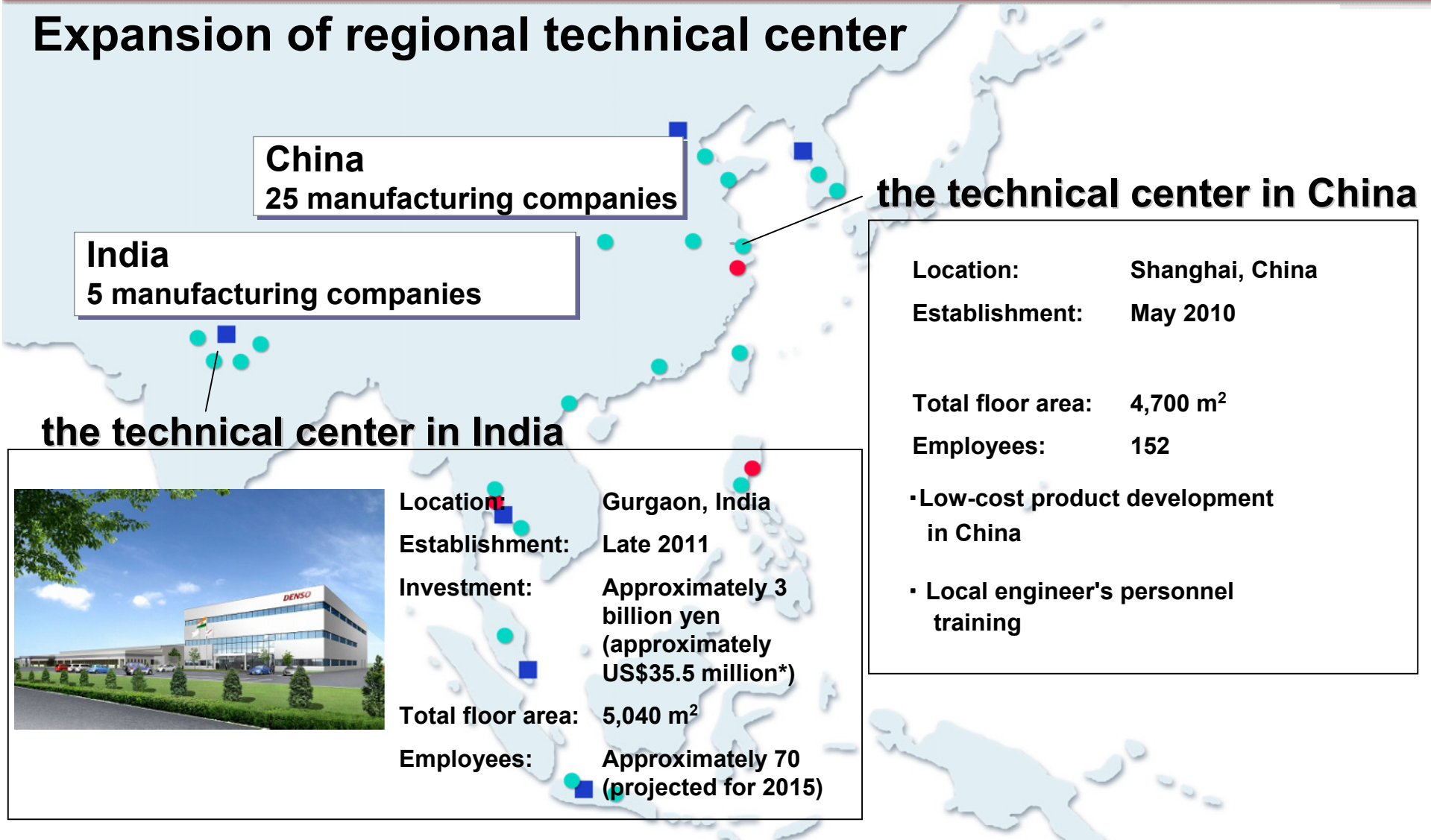
## Core Technical Center(T/C) & Satellite company

T/C	Japan	NA	EU	A & O	China	India
		Michigan	Germany	Thailand	Shanghai	North India
Satellite company	Korea	Tennessee California	U. K. Italy Sweden	Vietnam Philippines Taiwan Australia others	North China Xi 'an (South China)	(Midwest India, South India)

**Establish the development system in which optimum products in each region can be designed in each region**

# Mid-term Profit Recovery Activities

## Expansion of regional technical center



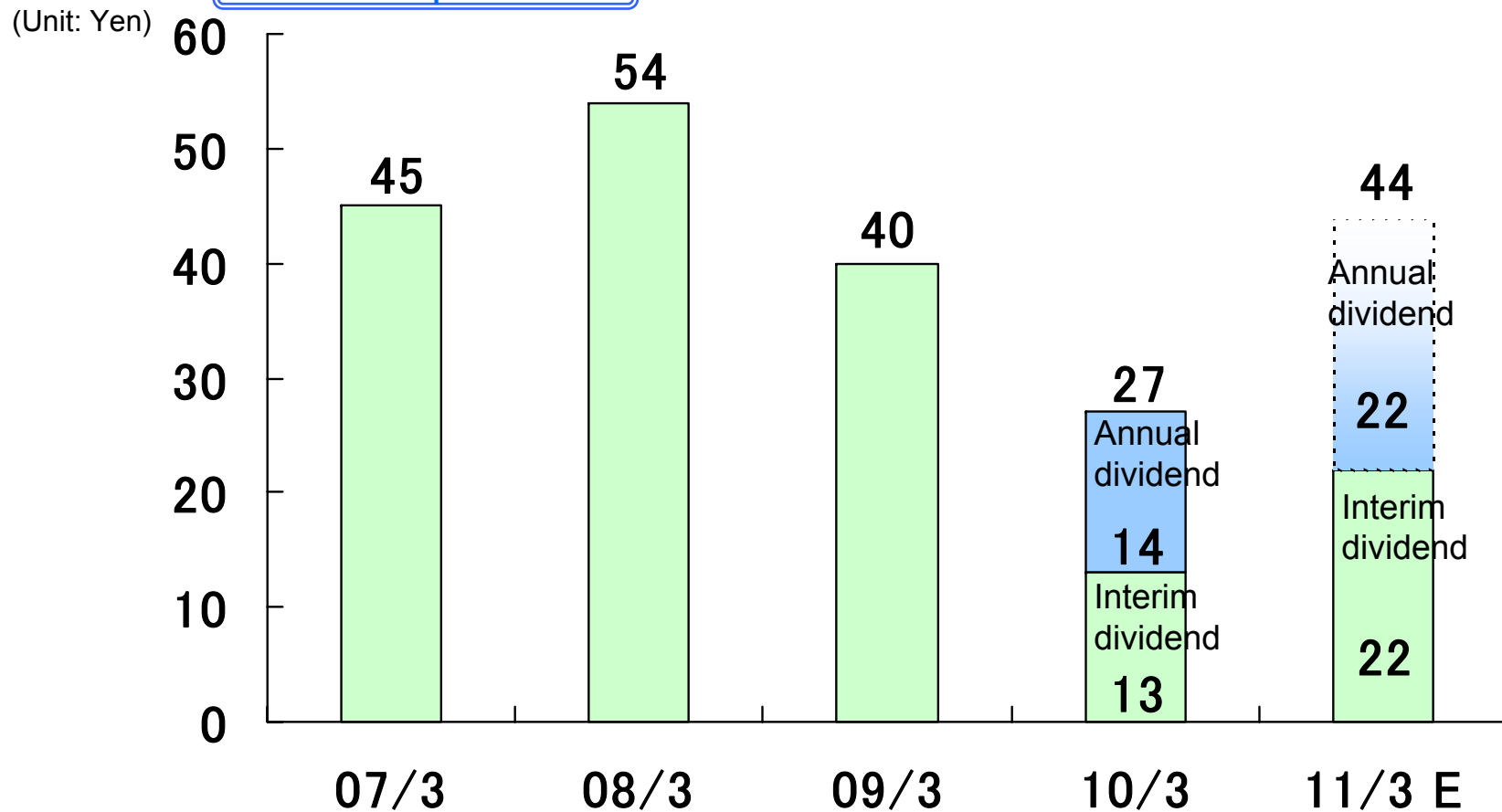


# Return to Shareholders

Interim dividend per share: 22 yen

➔ 44 yen for the year in plan

Dividends per Share



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- Non-Consolidated Financial Results
- Pre-Conditions (Foreign Exchange Rate/Car Production)
- Consolidated Sales by Customer
- Consolidated Sales by Business Segment
- Capital Expenditures, Depreciation and R&D

# Non-Consolidated Financial Results

## Income Statements

(Ratio to Sales)

(Unit: Billions of Yen, %)

Account	FY2011 2Q		FY2010 2Q		Change		FY2011 Forecast					
					Amount	Percent	Forecast as of Jul. 30		Forecast as of Oct. 29		Change from FY10	
											Amount	Percent
<b>Net Sales</b>	( 100.0 )	<b>997.5</b>	( 100.0 )	<b>823.1</b>	<b>174.4</b>	<b>21.2</b>	( 100.0 )	1,970.0	( 100.0 )	<b>1,960.0</b>	74.7	4.0
Cost of Sales	( 89.0 )	887.8	( 94.9 )	781.4	106.3							
SGA Expenses	( 6.8 )	68.3	( 7.2 )	59.2	9.1							
<b>Operating Income</b>	( 4.2 )	<b>41.4</b>	( -2.1 )	<b>-17.5</b>	<b>58.9</b>	-	( 2.5 )	50.0	( 2.2 )	<b>43.0</b>	5.0	13.3
Non-Operating Income		36.7		36.2	0.5			47.0		50.0	5.4	
Extraordinary Income (Loss)		0.0		-4.2	4.2			0.0		0.0	5.7	
<b>Income Before Income Taxes</b>	( 7.8 )	<b>78.1</b>	( 1.8 )	<b>14.6</b>	<b>63.6</b>	<b>436.0</b>	( 4.9 )	97.0	( 4.7 )	<b>93.0</b>	16.1	21.0
<b>Net Income</b>	( 5.8 )	<b>57.8</b>	( 1.9 )	<b>15.8</b>	<b>42.1</b>	<b>267.1</b>	( 3.7 )	73.0	( 3.6 )	<b>70.0</b>	<b>16.9</b>	<b>31.8</b>

# Pre-Conditions (Foreign Exchange Rate/Car Production)

		FY2011 First-Half					FY2011 Second-Half					FY2011 Full Year				
		Prior Year	Forecast as of Apr. 28	Forecast as of July 30	Revised Estimate	Change	Prior Year	Forecast as of Apr. 28	Forecast as of July 30	Revised Estimate	Change	Prior Year	Forecast as of Apr. 28	Forecast as of July 30	Revised Estimate	Change
		Foreign Exchange Rate (Yen)	USD	95	90	90	89	- 6	90	90	90	80	- 10	93	90	90
	EUR	133	130	113	114	- 19	129	130	110	110	- 19	131	130	112	112	- 19
Forex Impact on Operating Income per Yen (Billions of Yen)	USD											2.3	2.4	2.4	2.9	+ 0.6
	EUR											0.6	0.6	0.6	0.7	+ 0.1
Car Production of Japanese Manufacturers (Millions of Units)	Domestic	3.86	4.39	4.77	4.79	+ 24%	5.02	4.47	4.47	4.66	- 7%	8.87	8.86	9.24	9.45	+ 7%
	North America	1.56	1.83	1.91	1.94	+ 25%	1.99	1.95	1.95	1.96	- 2%	3.55	3.78	3.86	3.90	+ 10%
	Overseas	5.46	6.06	6.46	6.42	+ 18%	6.51	6.28	6.28	6.89	+ 6%	11.97	12.34	12.74	13.31	+ 11%

# Consolidated Sales by Customer

(Unit: Billion of Yen)

	FY2011 ended Sept.30,2010		FY2010 ended Sept.30,2009		Change	
	Amount	% to Total	Amount	% to Total	Amount	Percent
Toyota	731.0	46.0	615.7	47.3	115.3	18.7
Daihatsu	45.5	2.8	40.4	3.1	5.1	12.7
Hino	19.1	1.2	11.7	0.9	7.4	62.8
<b>Toyota Group</b>	<b>795.6</b>	<b>50.0</b>	<b>667.8</b>	<b>51.3</b>	<b>127.8</b>	<b>19.1</b>
Honda	109.6	6.9	91.7	7.1	17.9	19.6
Suzuki	41.3	2.6	36.3	2.8	5.0	13.7
Fuji	29.8	1.9	22.2	1.7	7.6	34.2
Mazda	29.8	1.9	23.9	1.8	6.0	25.1
Mitsubishi	21.6	1.4	10.6	0.8	10.9	103.2
Isuzu	20.8	1.3	13.2	1.0	7.6	57.9
Nissan	14.7	0.9	9.5	0.7	5.2	55.1
GM	49.5	3.1	31.7	2.4	17.8	56.0
Ford	29.0	1.8	22.8	1.8	6.3	27.6
Chrysler	25.1	1.6	11.7	0.9	13.4	113.9
VW/AUDI	23.4	1.5	21.1	1.6	2.3	10.9
Benz	9.5	0.6	8.0	0.6	1.5	18.4
BMW	12.6	0.8	10.2	0.8	2.4	23.6
Fiat	43.4	2.7	51.2	3.9	-7.8	-15.2
PSA	7.9	0.5	8.2	0.6	-0.2	-2.9
Land Rover	8.9	0.6	5.9	0.5	3.0	51.0
Hyundai/Kia	29.0	1.8	19.2	1.5	9.8	50.9
<b>OE Sales for others</b>	<b>124.0</b>	<b>7.8</b>	<b>94.2</b>	<b>7.2</b>	<b>29.8</b>	<b>31.6</b>
<b>OEM Total</b>	<b>1,425.6</b>	<b>89.7</b>	<b>1,159.4</b>	<b>89.0</b>	<b>266.3</b>	<b>23.0</b>
<b>After-market, New business &amp; Others</b>	<b>163.9</b>	<b>10.3</b>	<b>142.8</b>	<b>11.0</b>	<b>21.1</b>	<b>14.8</b>
<b>Total</b>	<b>1,589.6</b>	<b>100.0</b>	<b>1,302.2</b>	<b>100.0</b>	<b>287.4</b>	<b>22.1</b>

# Consolidated Sales by Business Segment

(Unit: Billion of Yen)

	FY2011 ended Sept.30,2010		FY2010 ended Sept.30,2009		Change	
	Amount	% to Total	Amount	% to Total	Amount	Percent
Thermal	489.6	30.8	409.8	31.5	79.8	19.5
Powertrain Control	383.2	24.1	302.5	23.2	80.8	26.7
Information & Safety Systems	274.0	17.2	221.4	17.0	52.5	23.7
Electronic	146.1	9.2	124.8	9.6	21.3	17.1
Electric	136.4	8.6	112.4	8.6	24.0	21.3
Small Motors	118.9	7.5	95.7	7.4	23.2	24.2
Others(*1)	16.2	1.0	12.7	1.0	3.4	27.1
<b>Automotive Total</b>	<b>1,564.3</b>	<b>98.4</b>	<b>1,279.3</b>	<b>98.3</b>	<b>285.0</b>	<b>22.3</b>
Industrial & Consumer Product	20.7	1.3	18.5	1.4	2.1	11.4
Others(*2)	4.6	0.3	4.4	0.3	0.2	5.6
<b>New Business Total</b>	<b>25.3</b>	<b>1.6</b>	<b>22.9</b>	<b>1.7</b>	<b>2.4</b>	<b>10.3</b>
<b>Total</b>	<b>1,589.6</b>	<b>100.0</b>	<b>1,302.2</b>	<b>100.0</b>	<b>287.4</b>	<b>22.1</b>

\*1 Repair parts, original brand products of subsidiaries

\*2 Communication (Agency), display

# Capital Expenditures, Depreciation and R&D

	FY10		FY11		2Q YTD Change from PY	Progress to FY11 Estimate
	2Q YTD		2Q YTD	Forecast		
Japan	37.4	75.0	46.5	92.0	+ 24.3 %	50.5 %
North America	4.7	5.3	4.2	8.0	▲ 10.6 %	52.5 %
Europe	6.5	13.0	4.7	13.0	▲ 27.7 %	36.2 %
Asia & Oceania	9.3	16.3	11.1	25.0	+ 19.4 %	44.4 %
Others	1.7	4.9	3.3	5.0	+ 94.1 %	66.0 %
<b>Capital Exp.</b>	<b>59.6</b>	<b>114.4</b>	<b>69.8</b>	<b>143.0</b>	<b>+ 17.1 %</b>	<b>48.8 %</b>
Japan	84.9	178.4	65.7	145.0	▲ 22.6 %	45.3 %
The America	9.8	19.8	9.0	18.0	▲ 8.2 %	50.0 %
Europe	8.9	16.1	6.4	13.5	▲ 28.1 %	47.4 %
Asia & Oceania	10.4	21.2	10.0	21.0	▲ 3.8 %	47.6 %
Others	1.0	2.4	1.0	2.5	0 %	40.0 %
<b>Depreciation</b>	<b>115.0</b>	<b>237.9</b>	<b>92.1</b>	<b>200.0</b>	<b>▲ 19.9 %</b>	<b>46.1 %</b>
<b>R&amp;D Expenditure (Ratio to Sales)</b>	<b>128.3 (9.9%)</b>	<b>270.1 (9.1%)</b>	<b>141.1 (8.9%)</b>	<b>285.0 (9.2%)</b>	<b>+ 10.0 %</b>	<b>49.5 %</b>