



FY2017 2nd Quarter Financial Results ended Sep 30, 2016

- I . Closing results
- II . Strategies

Oct 28, 2016

DENSO CORPORATION

1. Despite production volume increase and the growth in sales, revenue and operating profit decreased due to appreciation of the Yen.

2. Downward revision to the full-year forecast revenue due to the market trend, upward revision to the full-year forecast operating profit due to cost reduction.

FY2017 2nd Quarter Financial Results

2 / 21

	FY17 2Q		FY16 2Q		Change	
Revenue		2,176.9		2,228.5	-51.5	-2.3%
Operating Profit (Excludes other income/ expenses)	(6.4%)	138.9	(7.5%)	167.2	-28.3	-16.9%
Other income/ expenses		3.8		-19.2	+22.9	
Operating Profit	(6.6%)	142.7	(6.6%)	148.0	-5.3	-3.6%
Finance income/ costs & others(*1)		7.9		18.8	-10.9	
Profit before Income Taxes	(6.9%)	150.6	(7.5%)	166.8	-16.3	-9.8%
Profit (*2)	(4.5%)	97.5	(5.1%)	113.0	-15.6	-13.8%

(Unit:Millions of Units)

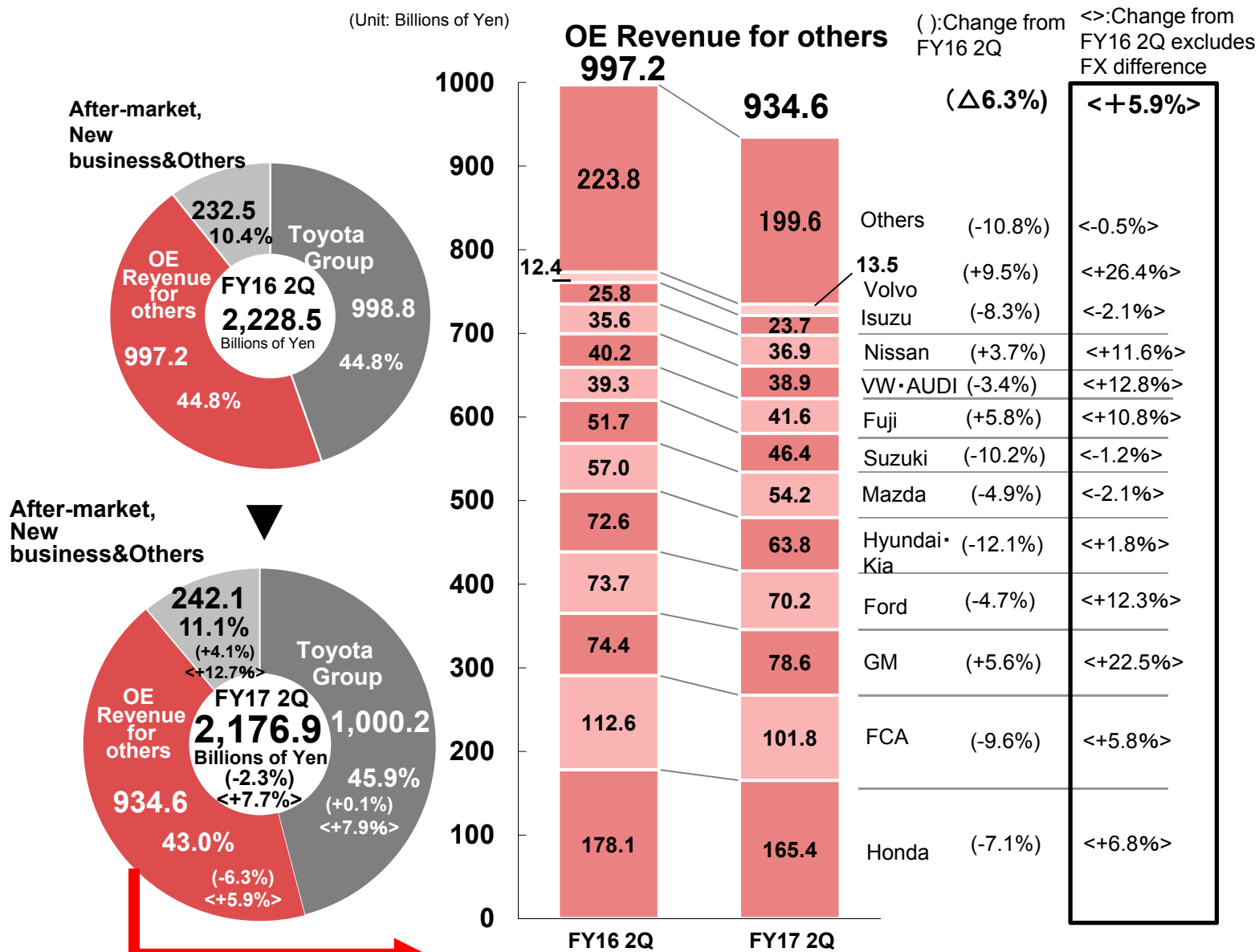
Precondition	Foreign Exchange Rate	JPY	105/\$	JPY	122/\$	-17 JPY	
		JPY	118/Euro	JPY	135/Euro	-17 JPY	
	Domestic Car Production		4.30		4.32	-0.02	-0.4%
	Overseas Car Production of Japanese Manufacturers (North America)		9.68 (3.18)		9.27 (3.13)	+0.41 (+0.05)	+4.5% (+1.6%)

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

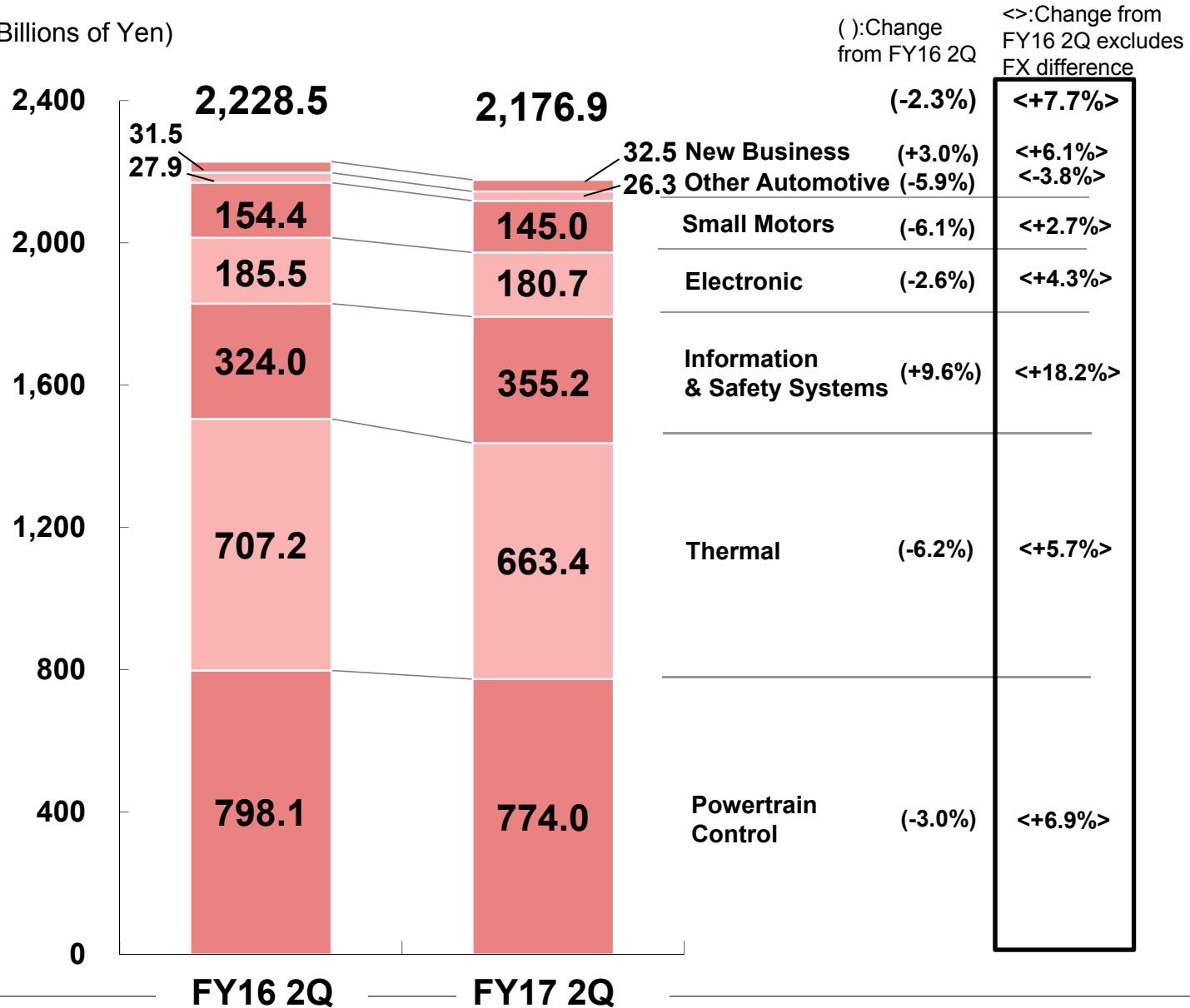
FY2017 2nd Quarter Consolidated Revenue (By Customer)

(Unit: Billions of Yen)

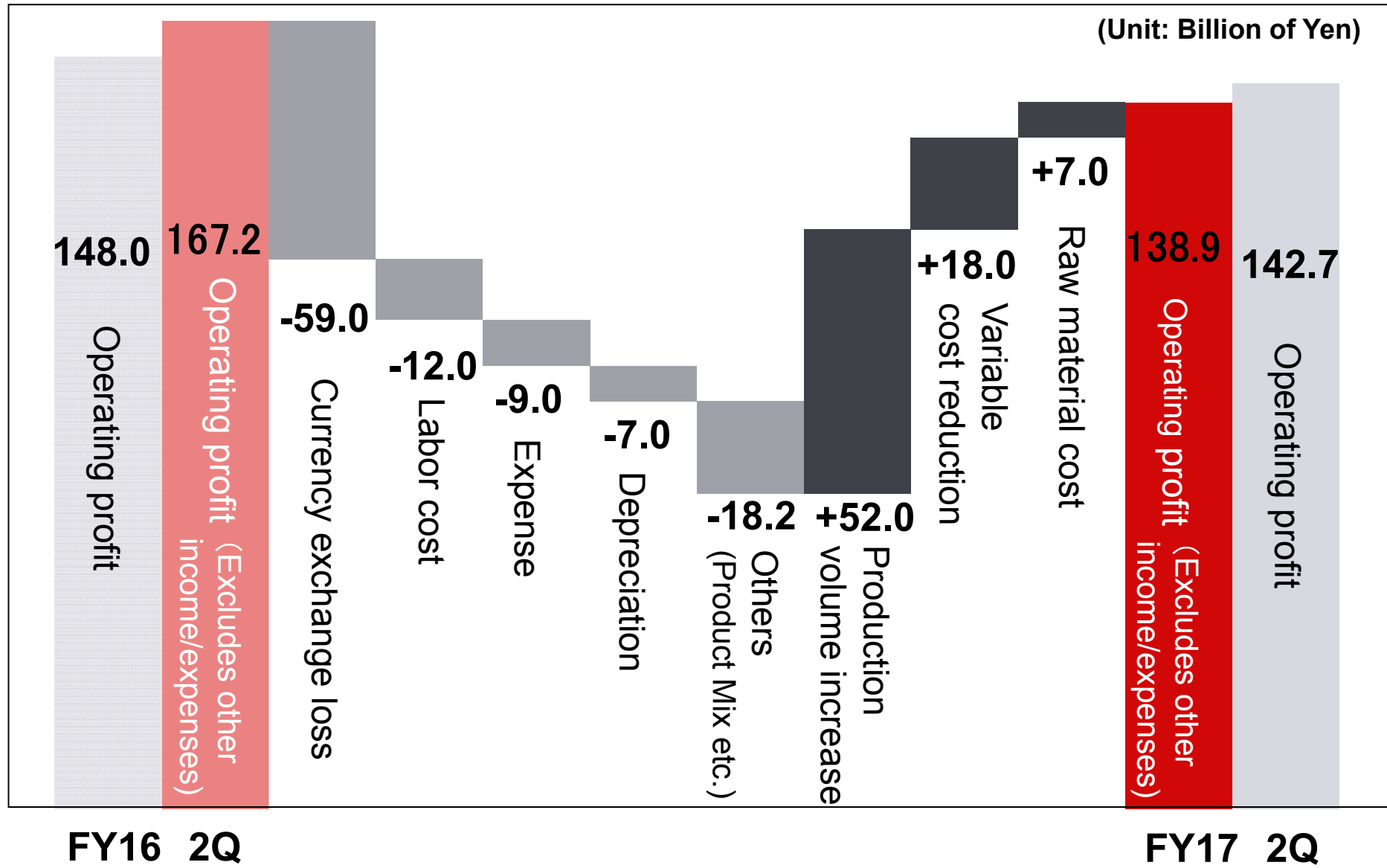


FY2017 2nd Quarter Consolidated Revenue (By Product)

(Unit: Billions of Yen)



Change in 2nd Quarter Operating Profit

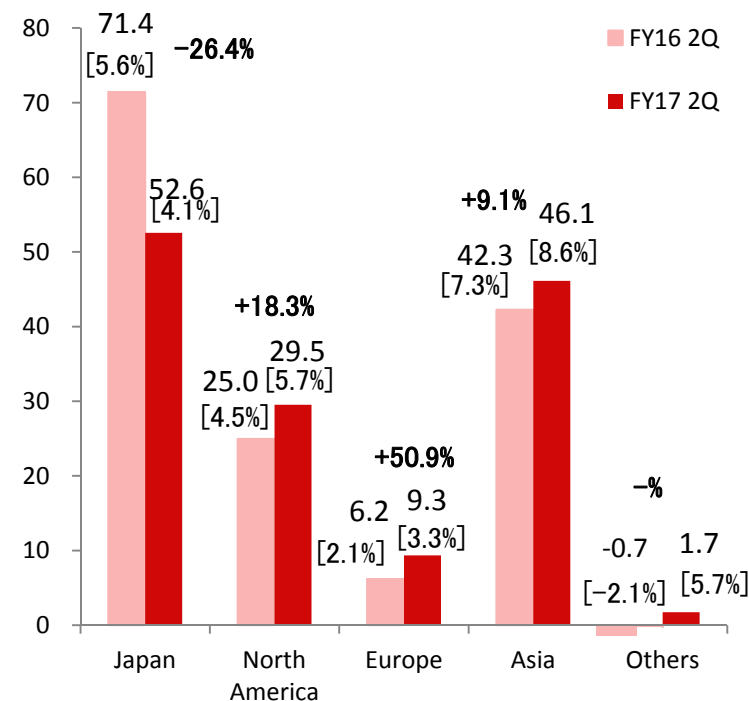
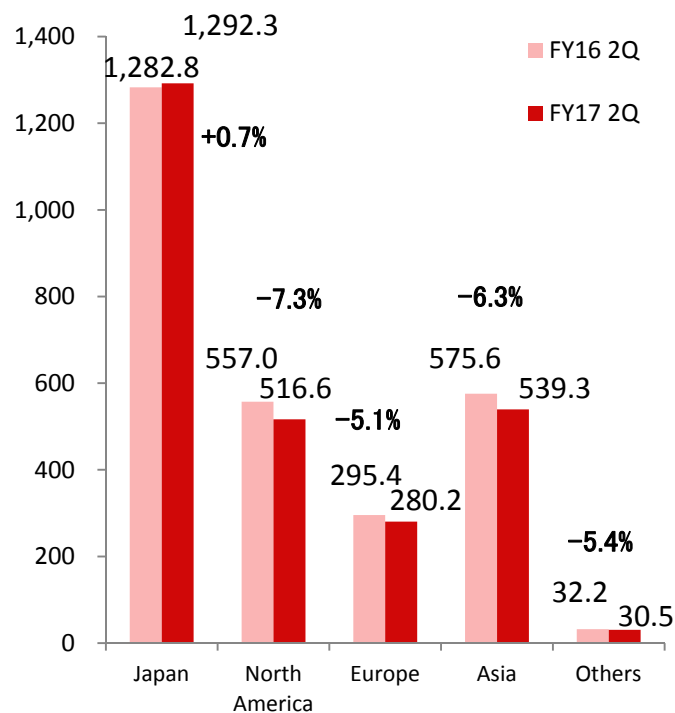


2nd Quarter Geographical Segments by Company Location

Revenue

Operating Profit

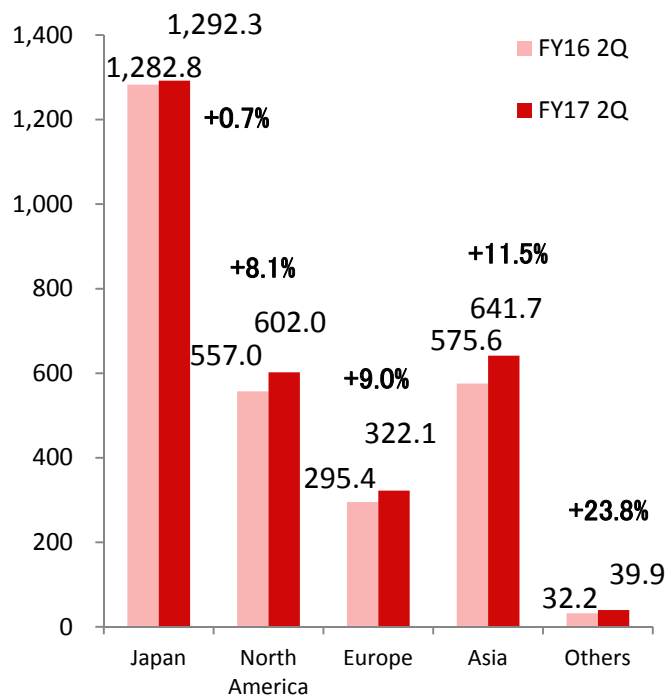
(Unit: Billions of Yen)
[]: Ratio to Revenue



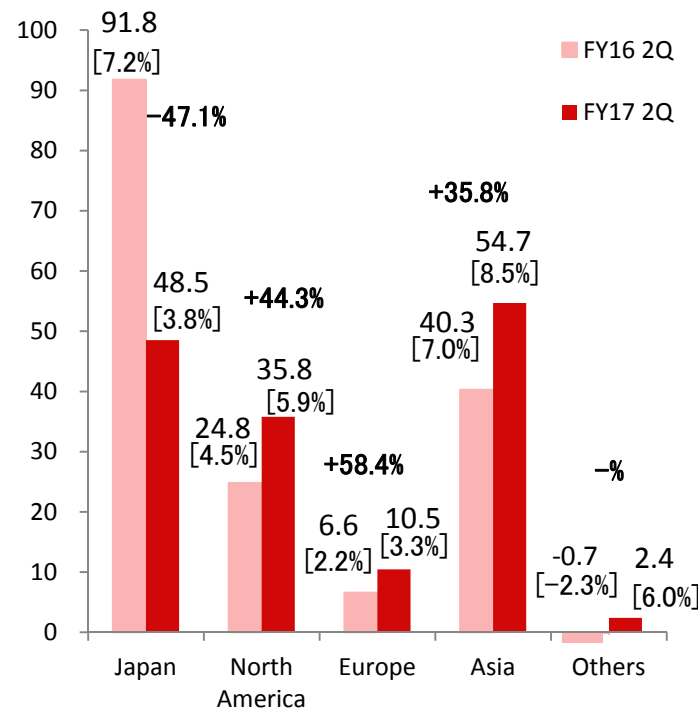
2nd Quarter Geographical Segments by Company Location (Local Currency Base ,excludes other income/expenses)

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

Revenue



Operating Profit



FY2017 Financial Forecast

(Ratio to Revenue)

(Unit: Billions of Yen)

	As of		FY17		Change from June		FY16	
	June 2016		Revised		Amount	Ratio		
Revenue	4,400.0		4,380.0		-20.0	-0.5%	4,524.5	
Operating Profit (Excludes other income/ expenses)	(6.4%)	282.0	(6.5%)	286.0	+4.0	+1.4%	(8.1%)	365.2
Other income/ expenses	2.0		4.0		+2.0		△ 49.5	
Operating Profit Finance income/ costs & others(※1)	(6.5%)	284.0	(6.6%)	290.0	+6.0	+2.1%	(7.0%)	315.7
	26.0		20.0		-6.0		31.6	
Profit before Income Taxes	(7.0%)	310.0	(7.1%)	310.0	—	—	(7.7%)	347.3
Profit (2)	(4.6%)	203.0	(4.7%)	204.0	+1.0	+0.5%	(5.4%)	244.3

(Unit: Millions of Units)

Precondition	Foreign Exchange Rate	JPY 106/\$	JPY 105/\$	-1 /JPY		JPY 120/\$
		JPY 117/Euro	JPY 117/Euro	-		JPY 133/Euro
	Domestic Car Production	9.14	8.94	-0.20	△2.1%	8.93
	Overseas Car Production of Japanese Manufacturers (North America)	19.67	19.52	-0.15	△0.8%	18.75
		(6.45)	(6.45)	—	—	(6.26)

1 Finance income, Finance costs, Foreign exchange gains/loss,
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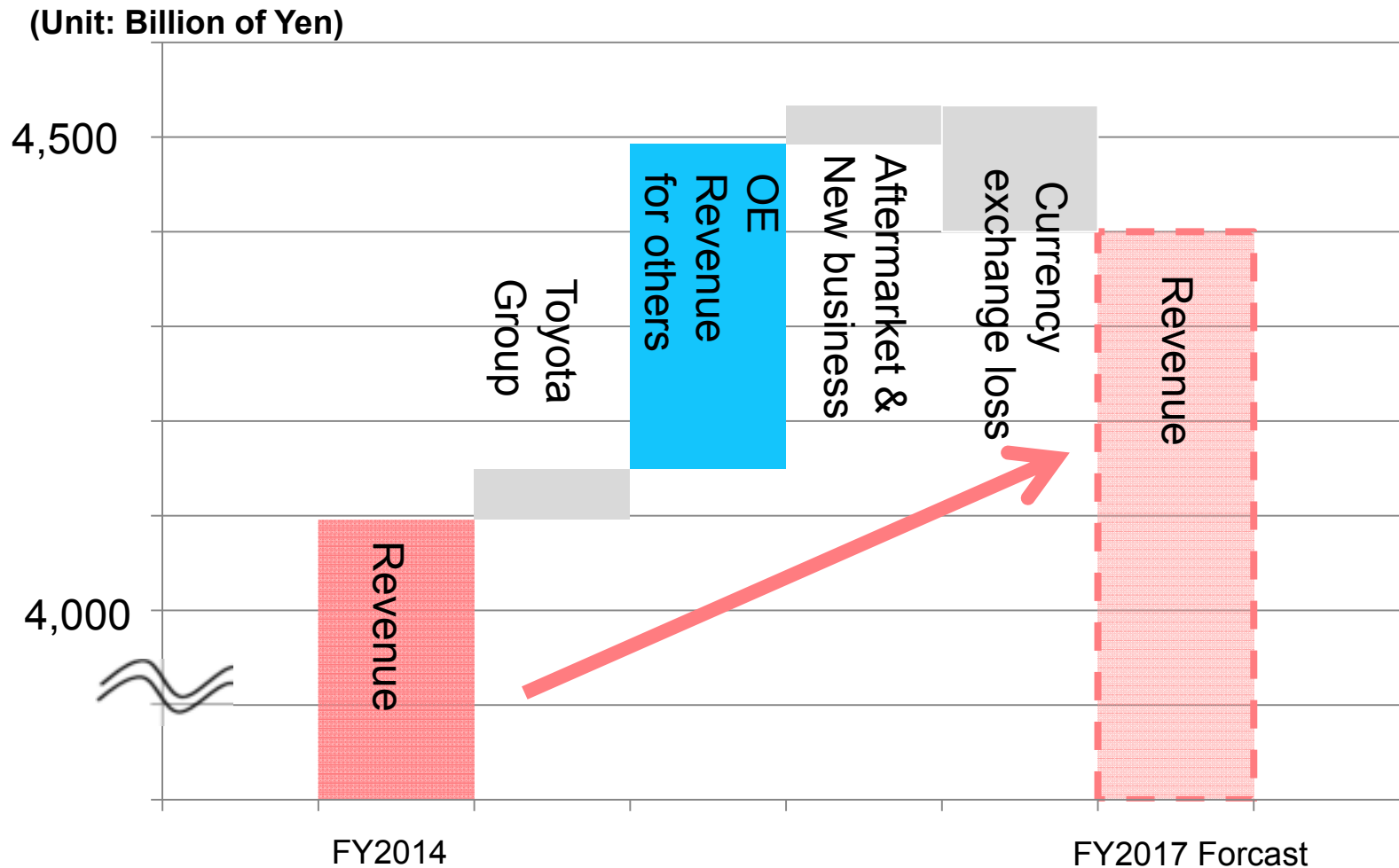
Strategies

1 .Revenue/profit target for FY2021

2 .Growth strategy in Security & Safety

3 .Financial and capital strategies

Look back on the Revenue

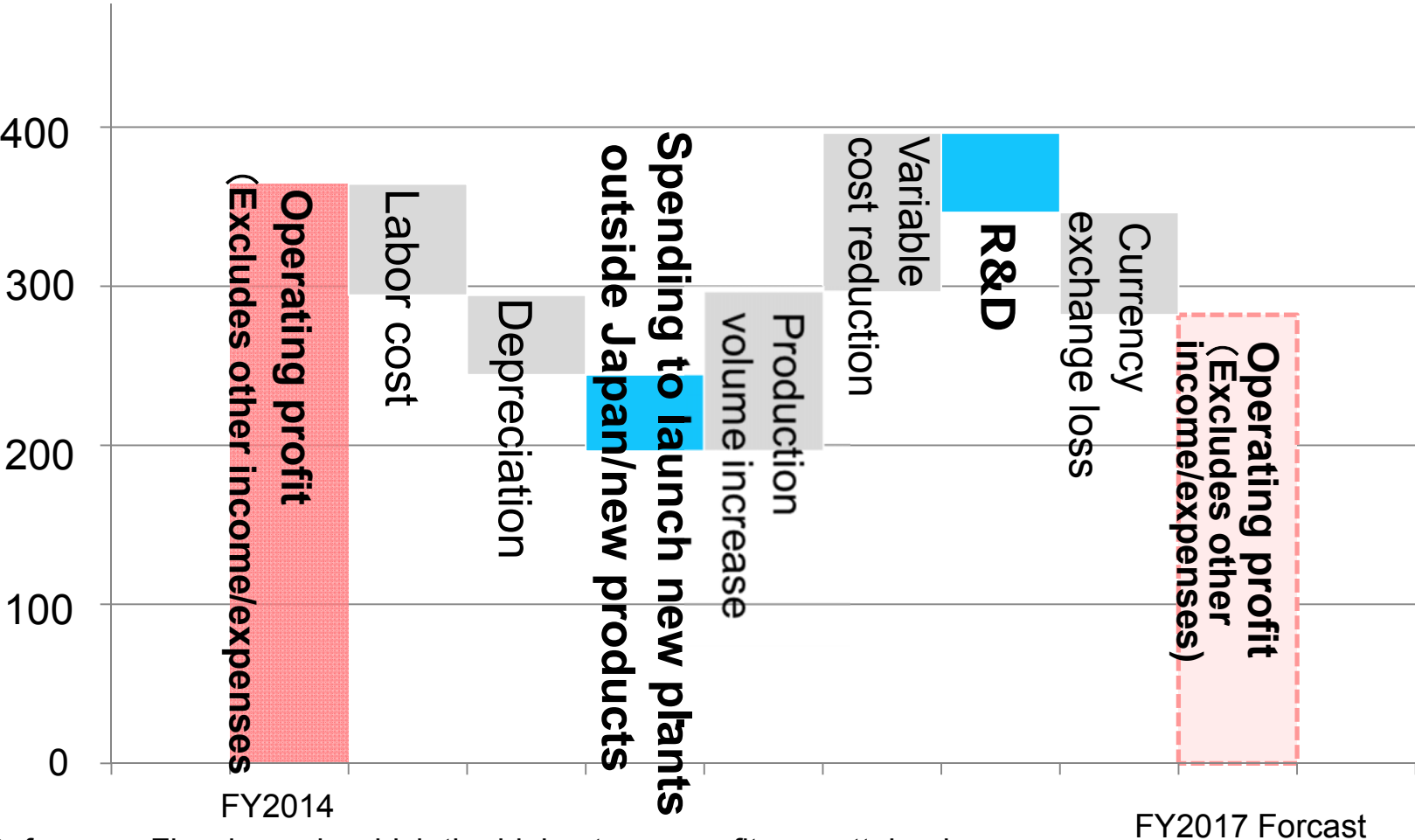


Reference: Fiscal year in which the highest-ever profit was attained

Steadily expand sales to non-Toyota customers

Look back on the operating profit

(Unit: Billion of Yen)



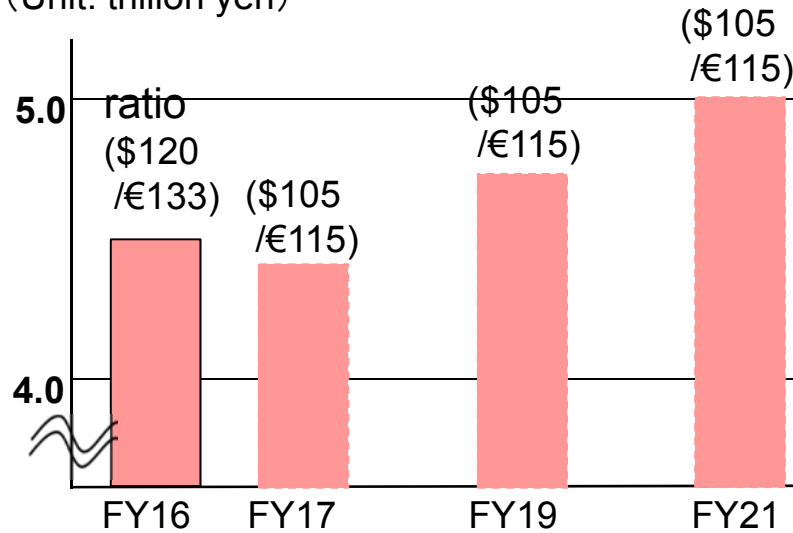
Reference: Fiscal year in which the highest-ever profit was attained

Make investments and launch new plants/products for future growth



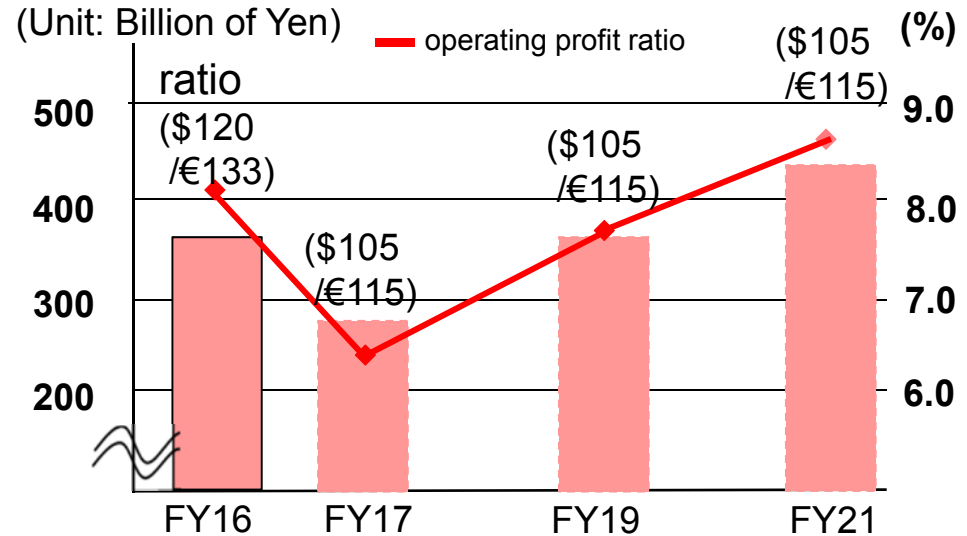
<Revenue>

(Unit: trillion yen)



<Operating profit

(Excludes other income/expenses)



<Main growth strategies>

- ① Expand the product lineup in Environment and Security & Safety
- ② Take full advantage of production innovation
 - expand DANTOTSU factories
 - shift to local production
- ③ further cost reduction
 - improve financial efficiency and strength

**Targets toward 2021 : Revenue 5 trillion yen
operating profit ratio steadily 8%**

Strategies

1 .Revenue/profit target for FY2021

2 .Growth strategy in Security & Safety

3 .Financial and capital strategie

Values to be offered

Flexible mobility with security and safety ensured
- reliable ADAS/automated driving systems-

technologies

Sensing



Forecast Ability



Connection to driver



Fail operational



Cyber security



Denso's strengths

Various underlying technologies

Quality & reliability

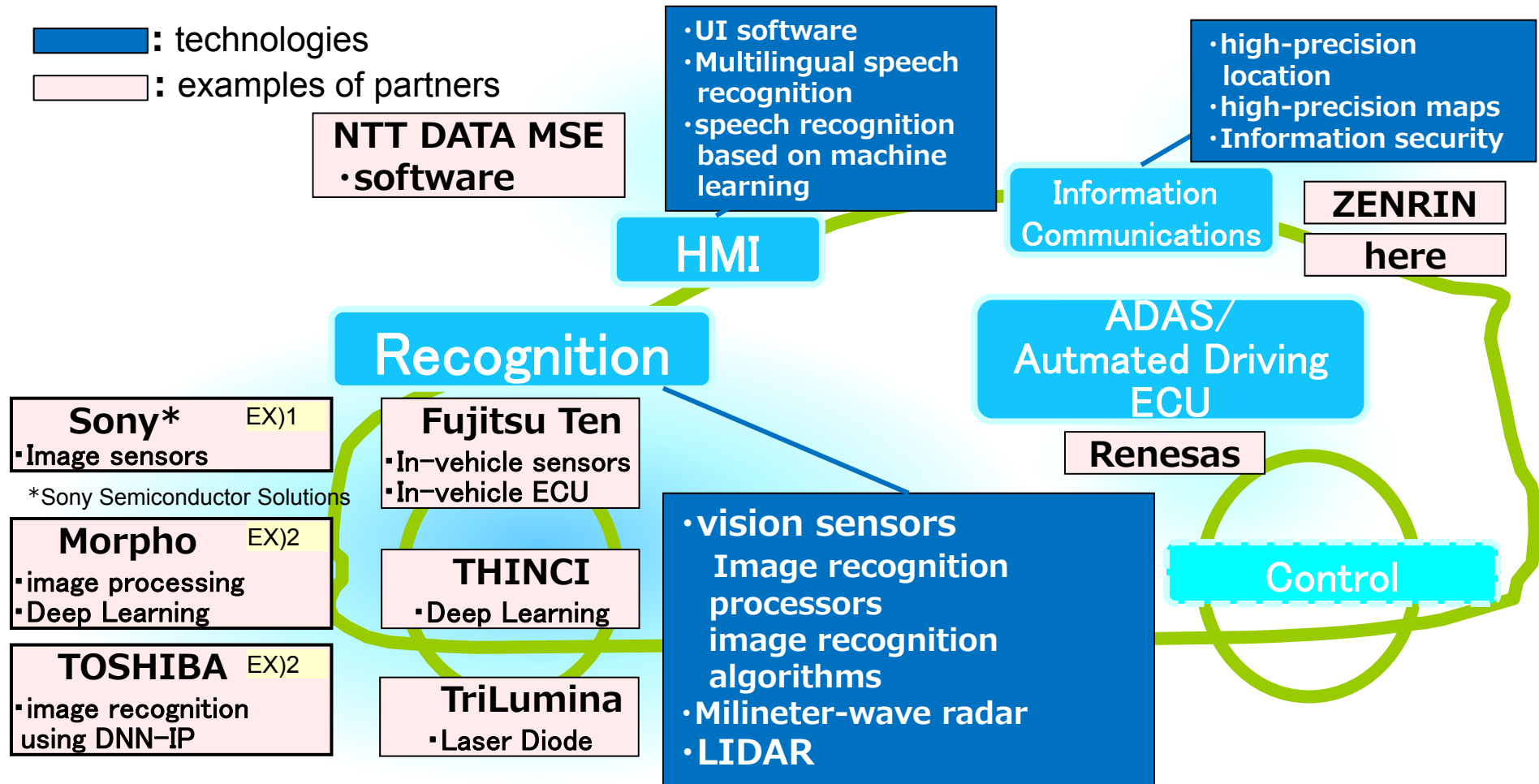
Capability to Meet customers' needs

strengthen cooperation with partners

Realize Flexible mobility with security and safety,
based on engineering capabilities that achieve high quality and reliability

Strengthen the relationship with partners

Work with partners to take advantage of mutual strengths



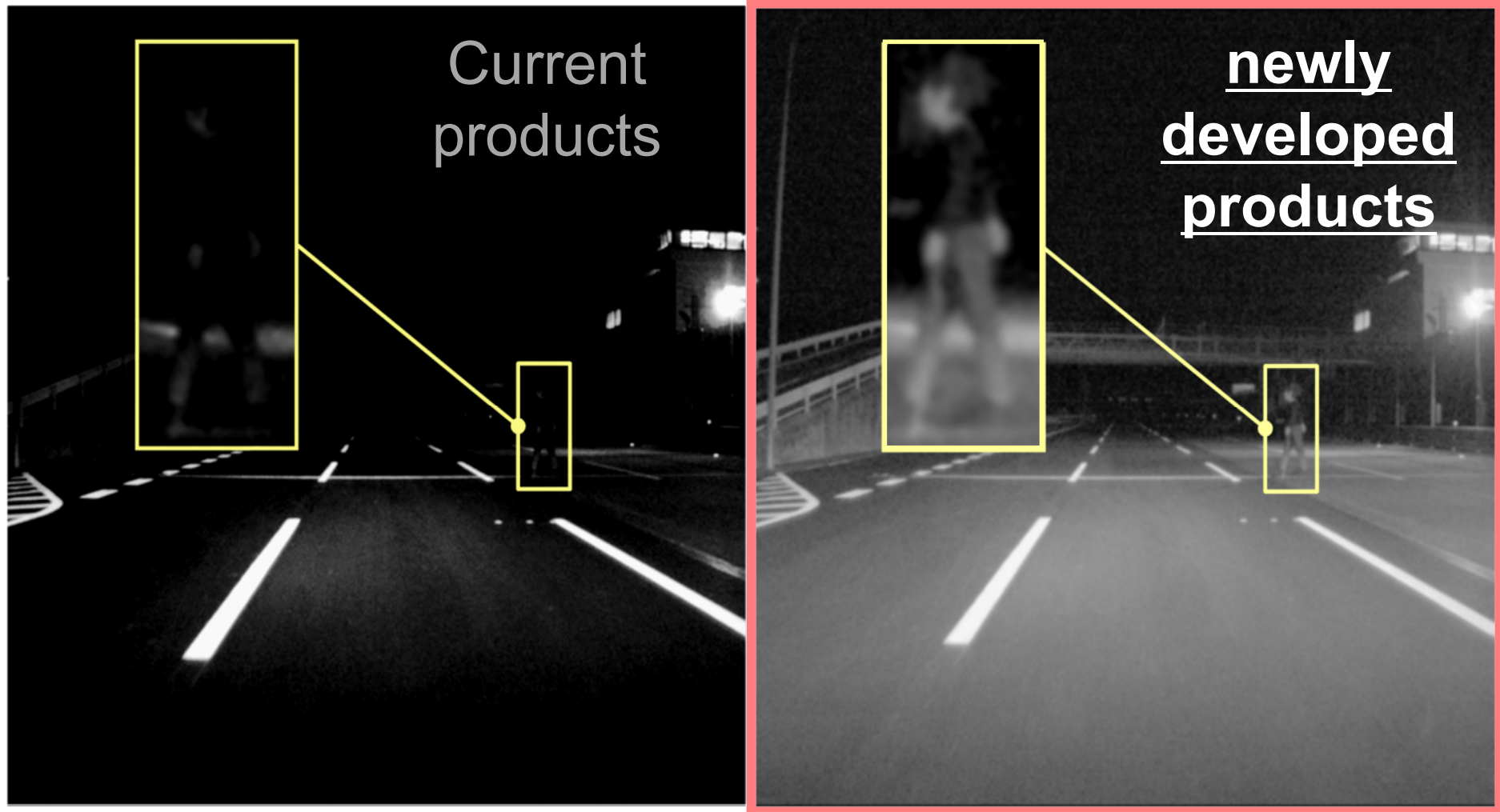
Accelerate develop technologies to achieve reliable, secure and safe mobility with partners

Achieve the recognition of pedestrians at night –Example①-

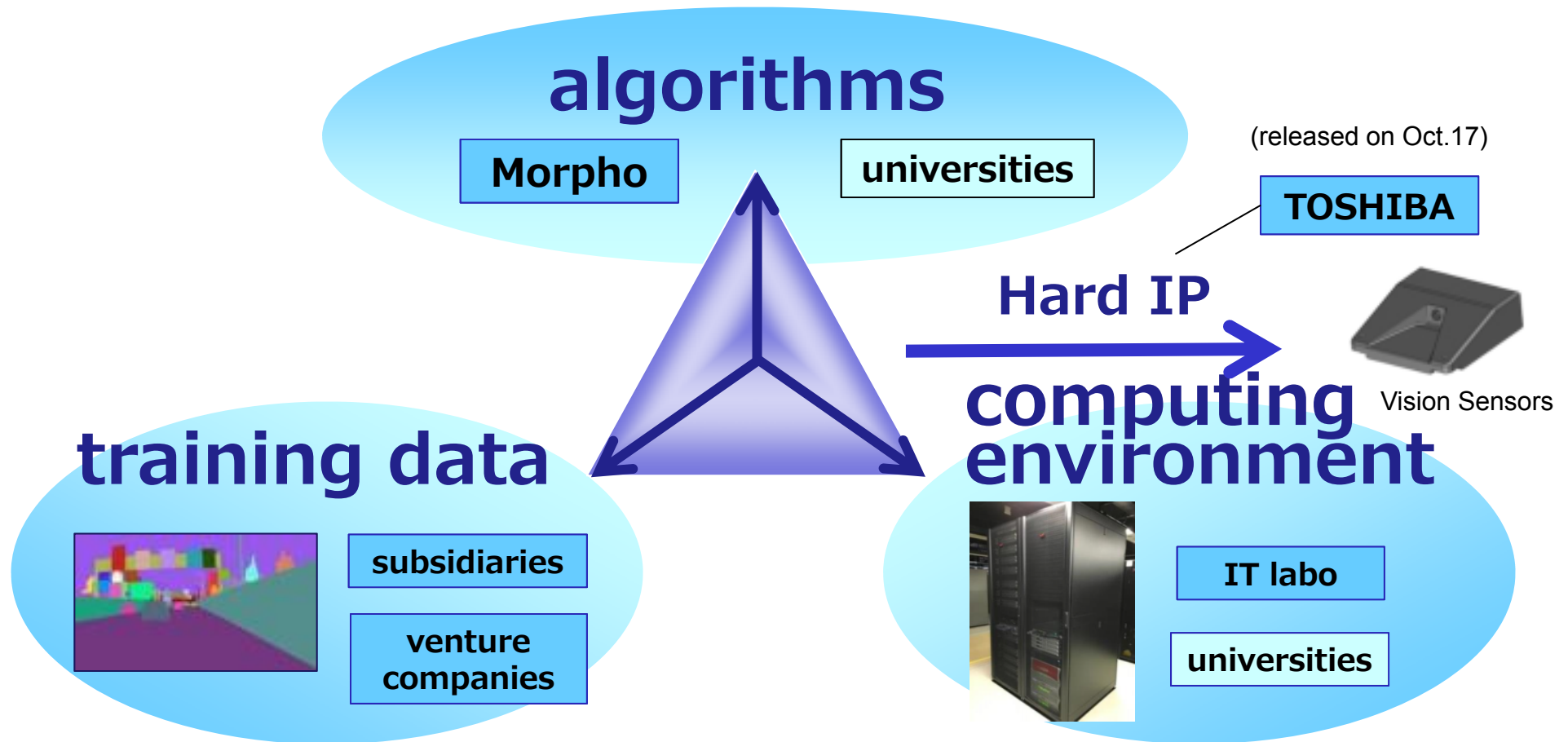
Improves Performance of In-vehicle Vision Sensors with Sony

Sony Semiconductor Solutions Corporation

(released on Oct.25)



For next-generation image recognition systems
The system of developing Deep Neural Network (DNN)



Promoting collaboration with research institutions including companies and universities, etc.

Image recognition achieved by DNN technology

Recognize individual persons, vehicles and white lines, etc.



Input



current

Image recognition achieved by DNN technology

Recognize whole driving situations (including signals and roads, etc.)



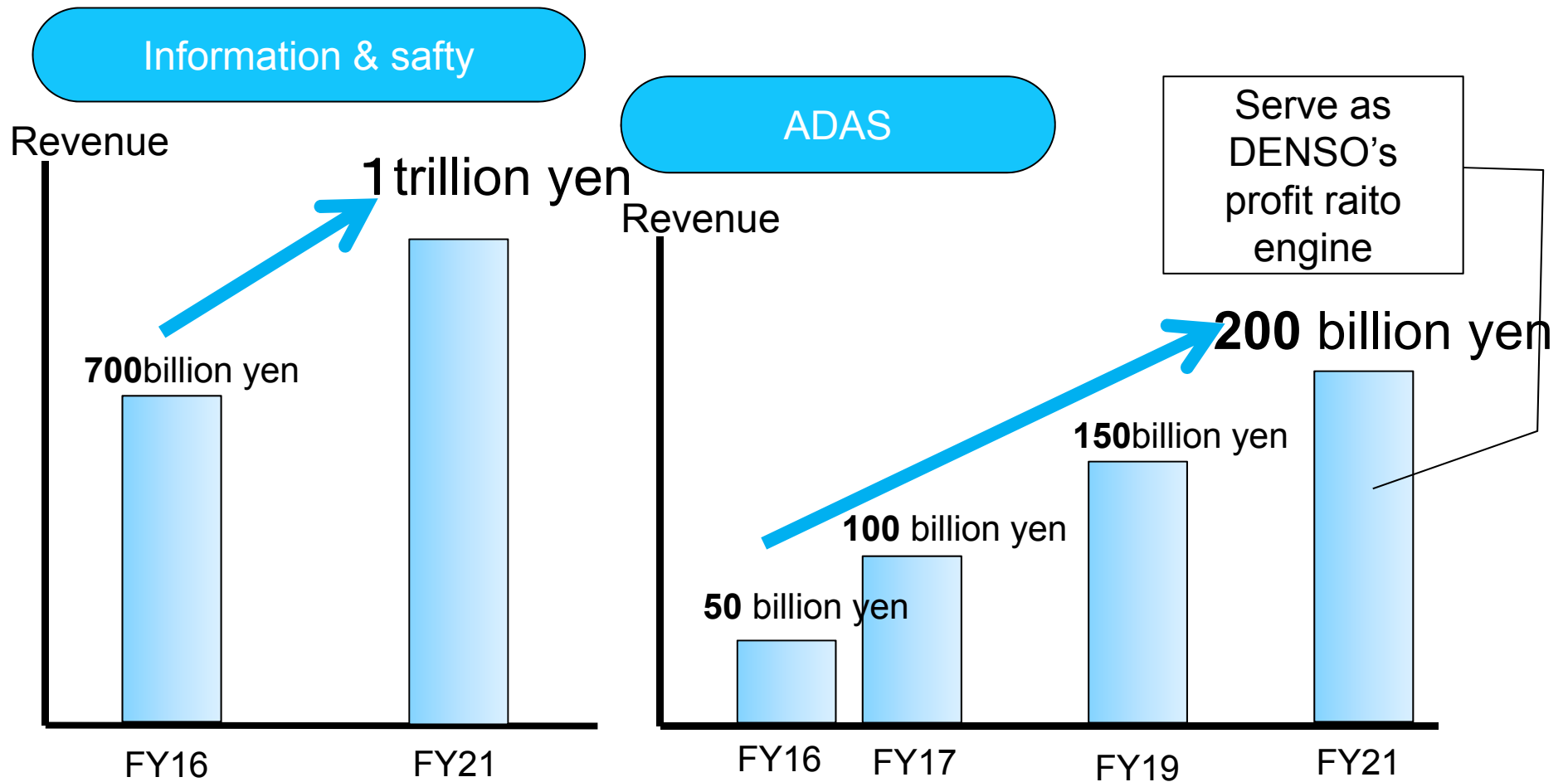
Input



DNN

Recognize the available road space for driving and enable to predict the movement of pedestrians, vehicles, etc.

Revenue target in Security & Safety for FY2021



**For 2021, Revenue target in Security & Safety is 1 trillion yen
revenue target in ADAS is 200billion yen**

Strategies

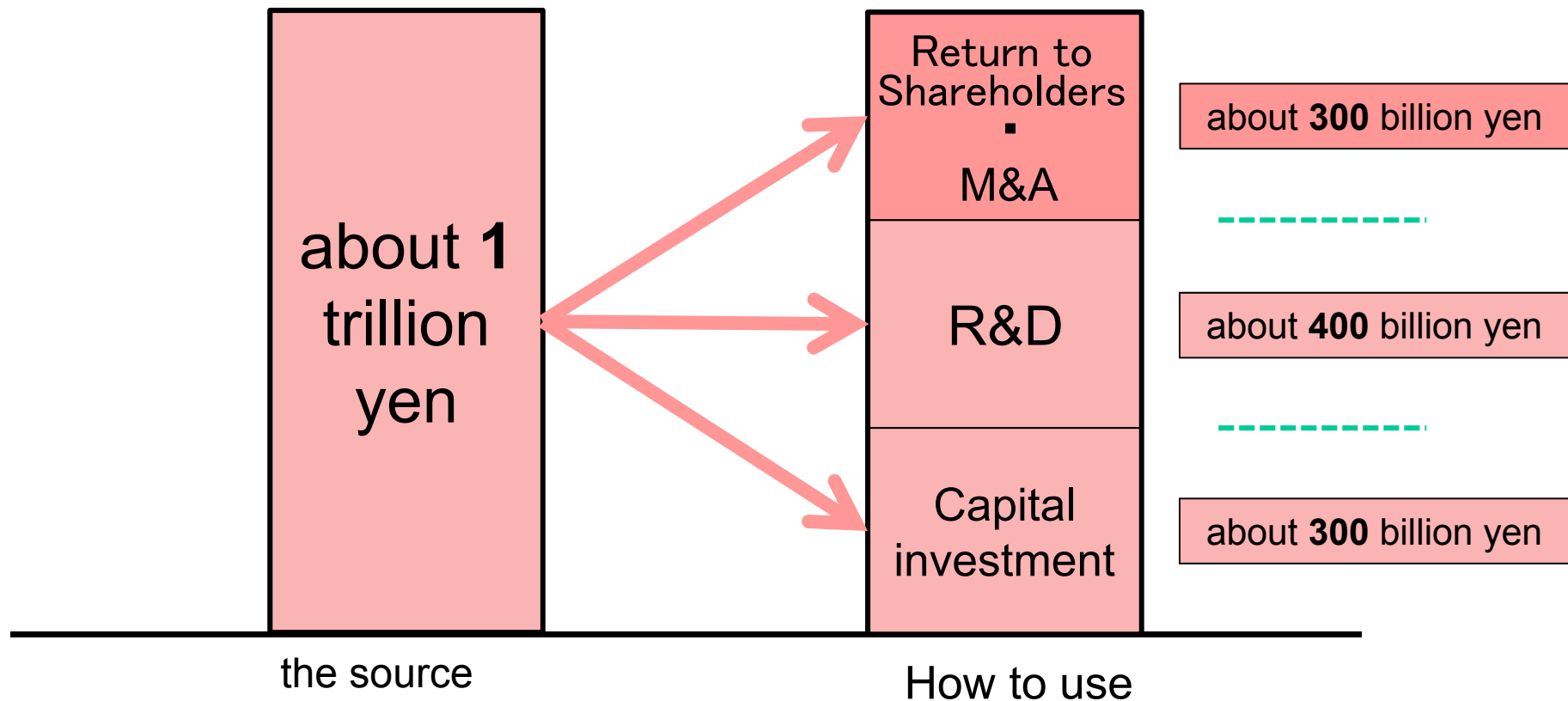
1 .Revenue/profit target for FY2021

2 .Growth strategy in Security & Safety

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How to spend the cash

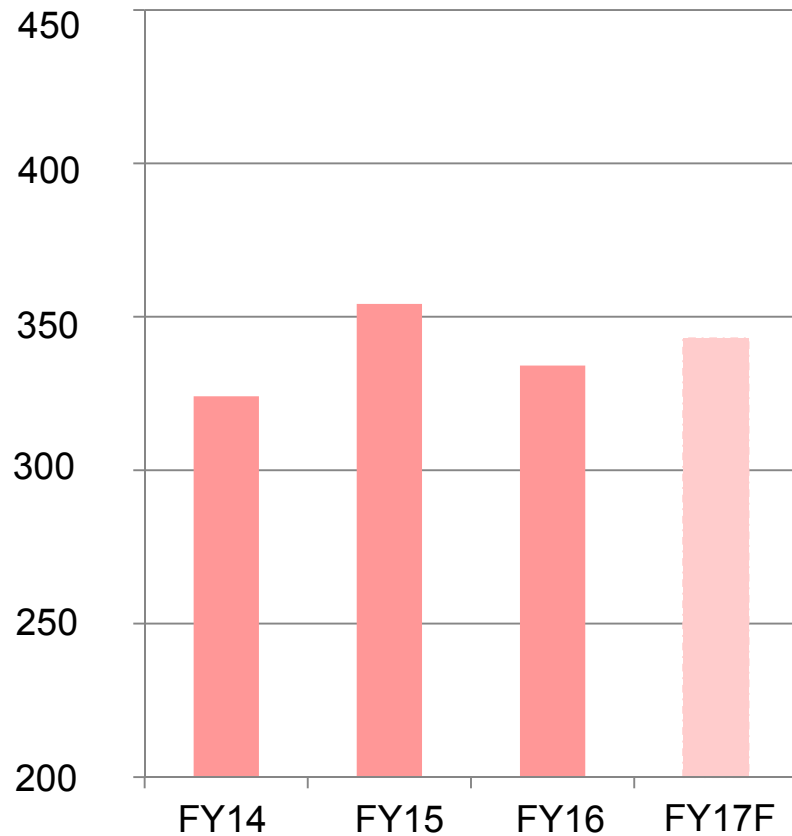
Cash flow from operation



Allot the cash to investment for growth and return to shareholders

Capital investment

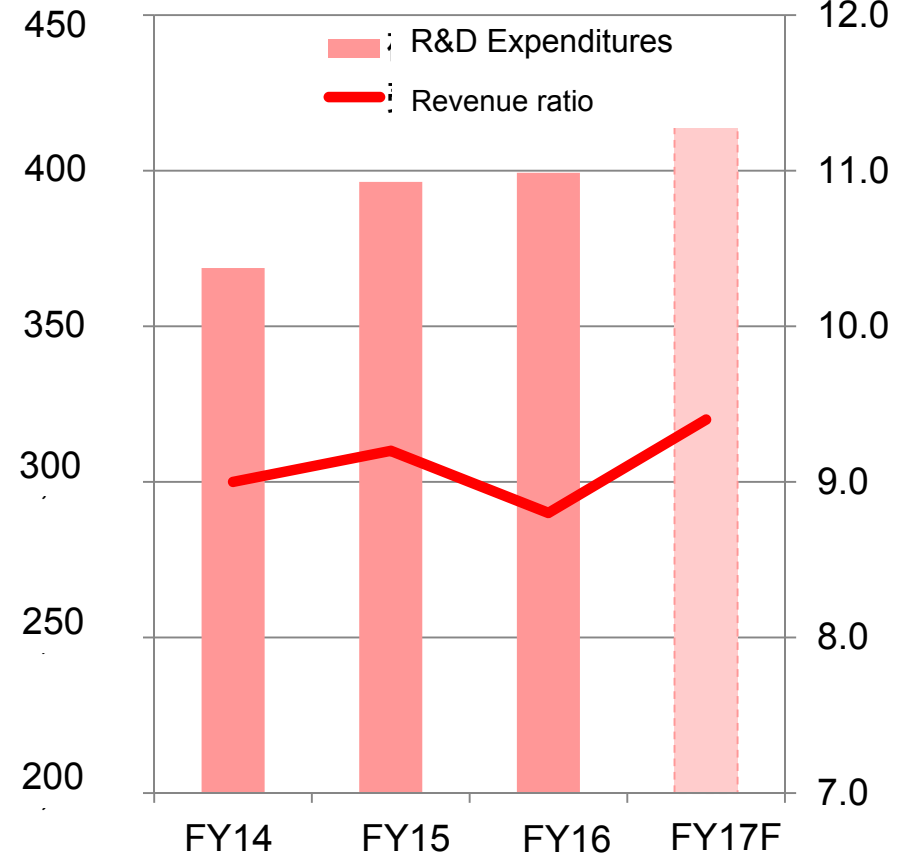
(Unit: Billion of Yen)



R&D

(Unit: Billion of Yen)

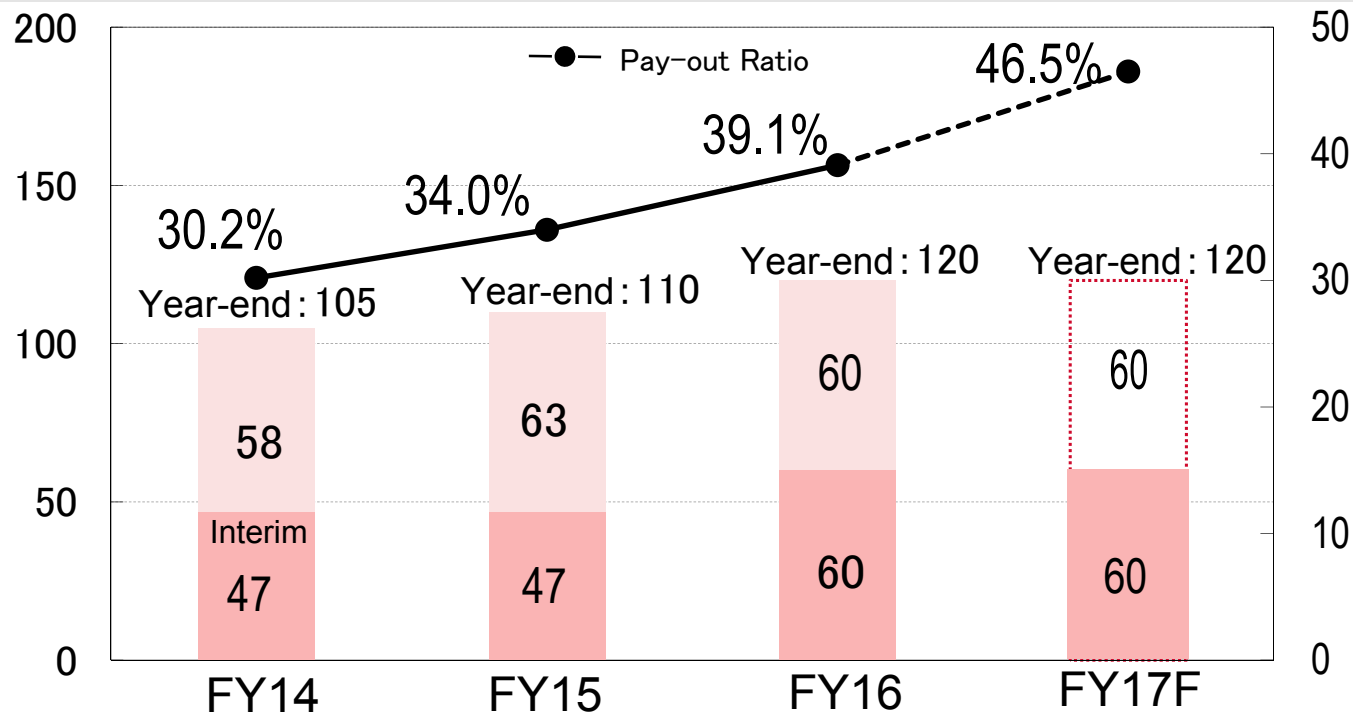
(%)



Capital investment: Continuously make investments of just over 300 billion yen
R&D: Continuously make investments (reference: 9% of revenue)

Return to Shareholders

1. Improve the dividend level stably on an ongoing basis by comprehensively taking into account the consolidated operating results, the payout ratio and the amount of dividends.
2. The flexible acquisition of treasury stock while paying attention to the status of funds and market condition.



Strengthen Return to Shareholders in the point of long-term and steady view

DENSO

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

Income Statements(Japanese accounting standards)

Account	(Ratio to Sales)				(Unit: Billions of Yen,%)	
	FY17 2Q		FY16 2Q		Change	
					Amount	%
Net Sales	(100.0)	1,190.0	(100.0)	1,175.3	14.7	1.3
Operating Income	(1.4)	17.2	(5.9)	68.9	-51.7	-75.1
Income Before Income Taxes	(6.6)	78.3	(8.6)	101.0	-22.7	-22.5
Net Income	(5.7)	68.2	(7.6)	89.1	-20.9	-23.4

Pre-Conditions (Foreign Exchange Rate/Car Production)

		FY2017 Full Year														
		FY2017 First-Half					FY2017 Second-Half									
		Prior Year	Forecast (Original)	Forecast as of Jul.29	Actual	Change	Prior Year	Forecast (Original)	Forecast as of Jul.29	Forecast (Revised)	Change	Prior Year	Forecast (Original)	Forecast as of Jul.29	Forecast (Revised)	Change
Foreign Exchange Rate (Yen)	USD	122	110	107	105	- 17.0	118	110	105	105	- 13.0	120	110	106	105	- 15.0
	EUR	135	125	119	118	- 17.0	130	125	115	115	- 15.0	133	125	117	117	-16.0
Forex Impact on Operating Income per Yen (Billions of Yen)	USD					-					-	2.0	2.0	2.5	2.5	0.5
	EUR					-					-	0.7	0.7	1.0	1.0	0.3
Car Production of Japanese Manufacturers (Millions of Units)	Domestic	4.32	4.52	4.28	4.30	- 0%	4.61	4.86	4.86	4.65	+ 1%	8.93	9.38	9.14	8.94	+ 0%
	North America	3.13	3.19	3.15	3.18	+ 2%	3.13	3.30	3.30	3.27	+ 5%	6.26	6.48	6.45	6.45	+ 3%
	Overseas	9.27	9.53	9.71	9.68	+ 4%	9.48	9.96	9.96	9.83	+ 4%	18.75	19.49	19.67	19.52	+ 4%

Consolidated Revenue (By Customer)

(Unit: Billions of Yen, %)

	FY2017 Ended Sep. 30, 2016		FY2016 Ended Sep. 30, 2015		Change		Change excludes FX difference
	Amount	% to Total	Amount	% to Total	Amount	%	%
	Toyota	932.5	42.8	930.1	41.7	2.3	0.3
Daihatsu	42.2	1.9	42.5	1.9	-0.3	-0.7	5.4
Hino	25.6	1.2	26.2	1.2	-0.6	-2.4	-2.0
Toyota Group	1,000.2	45.9	998.8	44.8	1.4	0.1	7.9
Honda	165.4	7.6	178.1	8.0	-12.6	-7.1	6.8
FCA	101.8	4.7	112.6	5.1	-10.8	-9.6	5.8
GM	78.6	3.6	74.4	3.3	4.2	5.6	22.5
Ford	70.2	3.2	73.7	3.3	-3.5	-4.7	12.3
Hyundai/Kia	63.8	2.9	72.6	3.3	-8.8	-12.1	1.8
Mazda	54.2	2.5	57.0	2.6	-2.8	-4.9	-2.1
Suzuki	46.4	2.1	51.7	2.3	-5.3	-10.2	-1.2
Fuji	41.6	1.9	39.3	1.8	2.3	5.8	10.8
VW/AUDI	38.9	1.8	40.2	1.8	-1.4	-3.4	12.8
Nissan	36.9	1.7	35.6	1.6	1.3	3.7	11.6
Isuzu	23.7	1.1	25.8	1.2	-2.1	-8.3	-2.1
BMW	22.5	1.0	23.1	1.0	-0.5	-2.4	12.0
Mitsubishi	21.0	1.0	22.8	1.0	-1.9	-8.1	1.5
Benz	17.6	0.8	18.7	0.8	-1.2	-6.3	7.0
Volvo	13.5	0.6	12.4	0.6	1.2	9.5	26.4
PSA	11.9	0.6	14.1	0.6	-2.2	-15.8	-3.8
Jaguar/Land Rover	6.8	0.3	9.5	0.4	-2.6	-27.8	-20.5
OE Sales for others	119.9	5.6	135.6	6.1	-15.7	-11.6	-2.1
OEM Total	1,934.8	88.9	1,995.9	89.6	-61.1	-3.1	6.9
After-market, New business & Others(*)	242.1	11.1	232.5	10.4	9.5	4.1	12.7
Total	2,176.9	100.0	2,228.5	100.0	-51.5	-2.3	7.7

* Sales of industrial systems and consumer products, Sales for After Market, and Sales of property/equipment are included.

Consolidated Revenue (By Product)

25

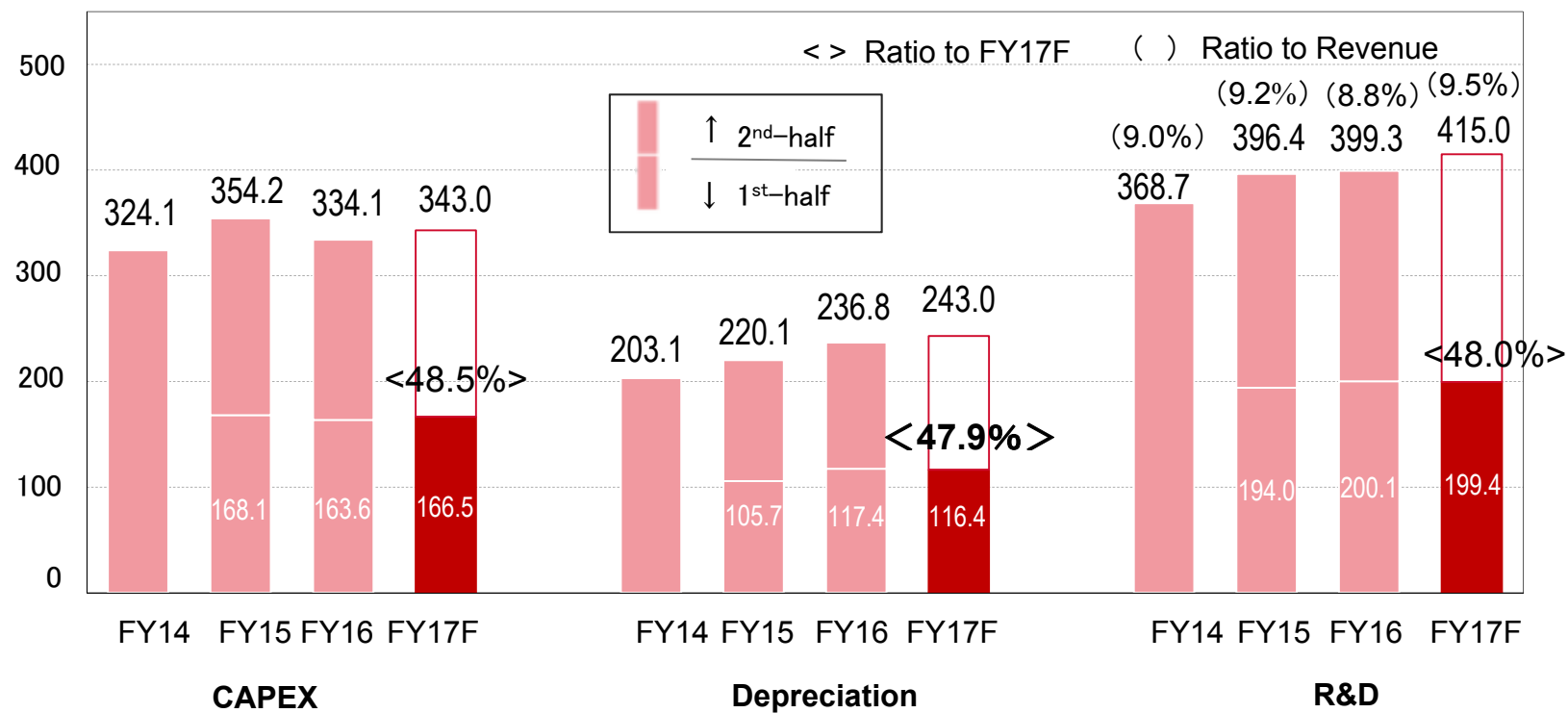
(Unit: Billions of Yen,%)

	FY2017 Ended Sep. 30, 2016		FY2016 Ended Sep. 30, 2015		Change		Change excludes FX difference
	Amount	% to Total	Amount	% to Total	Amount	%	%
	Powertrain Control	774.0	35.5	798.1	35.8	-24.1	-3.0
Thermal	663.4	30.5	707.2	31.7	-43.8	-6.2	5.7
Information & Safety Systems	355.2	16.3	324.0	14.6	31.2	9.6	18.2
Electronic	180.7	8.3	185.5	8.3	-4.8	-2.6	4.3
Small Motors	145.0	6.7	154.4	6.9	-9.4	-6.1	2.7
Others(*)	26.3	1.2	27.9	1.3	-1.6	-5.9	-3.8
Automotive Total	2,144.4	98.5	2,196.9	98.6	-52.5	-2.4	7.6
New Business Total	32.5	1.5	31.5	1.4	0.9	3.0	6.1
Total	2,176.9	100.0	2,228.5	100.0	-51.5	-2.3	7.7

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

Trend of Capital Expenditures, Depreciation and R&D Expenditures

[Bil. Yen]



Capital Expenditures, Depreciation and R&D Expenditures

27

(Unit: Billions of Yen)

	FY16		FY17 Forecast		2Q YTD Change from PY	Progress to FY17 Forecast
	2Q		2Q			
Japan	93.0	191.0	103.9	210.5	11.7%	49.4%
North America	23.3	45.6	29.0	62.5	24.5%	46.4%
Europe	13.0	30.9	10.9	24.0	-16.2%	45.4%
Asia	33.3	64.9	21.8	44.0	-34.5%	49.5%
Others	0.9	1.7	1.0	2.0	11.1%	50.0%
Capital Exp.	163.6	334.1	166.5	343.0	1.8%	48.5%
Japan	66.4	134.6	68.2	142.6	2.7%	47.8%
North America	13.9	28.0	12.8	29.9	-7.9%	42.8%
Europe	9.2	19.1	9.0	18.1	-2.2%	49.7%
Asia	26.2	52.0	25.0	49.6	-4.6%	50.4%
Others	1.7	3.1	1.4	2.8	-17.6%	50.0%
Depreciation	117.4	236.8	116.4	243.0	-0.9%	47.9%
R&D Expenditure (Ratio to Revenue)	200.1 (9.0%)	399.3 (8.8%)	199.4 (9.2%)	415.0 (9.5%)	-0.3%	48.0%