

DENSO

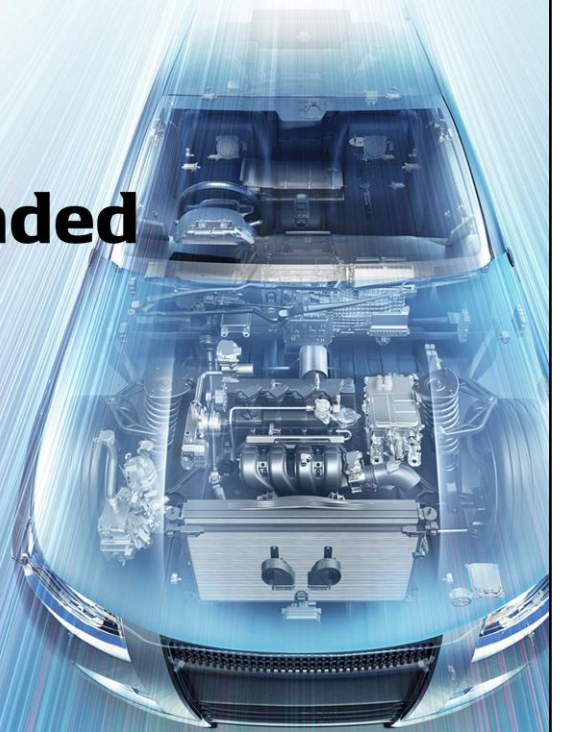
Crafting the Core

**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	9.68	+0.16	+1.6%
		(3.01)	(3.18)	(-0.17)	(-5.4%)

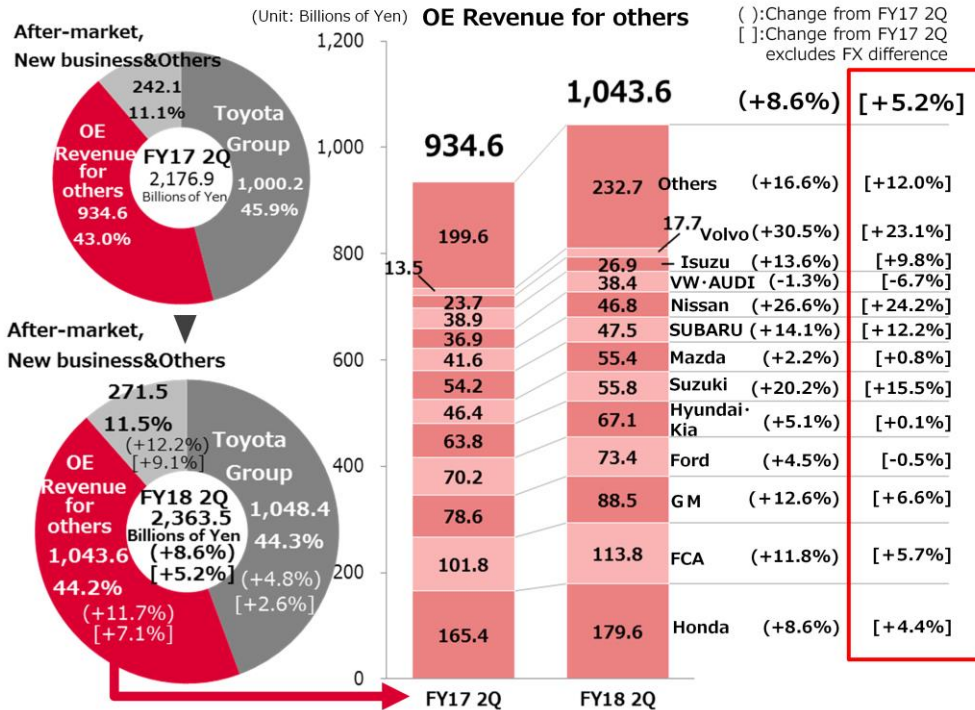
※1 Finance income, Finance costs, Foreign exchange gains/loss, Share of the profit of associates accounted for using the equity method

※2 Profit attributable to owners of the parent company

[Overview of the Consolidated Financial Results]

1. Consolidated revenue totaled 2,363.5 billion yen, increased by 186.6 billion yen (+8.6%) from the previous year.
2. Consolidated operating profit excluding other income/expenses totaled 189.3 billion yen, increased by 50.4 billion yen (+36.3%) from the previous year.
3. Consolidated profit attributable to owners of the parent company totaled 154.2 billion yen, increased by 56.7 billion yen (+58.2%) from the previous year.

FY2018 2nd Quarter Consolidated Revenue (By Customer)



[Sales by Customer (Quantity Base)]

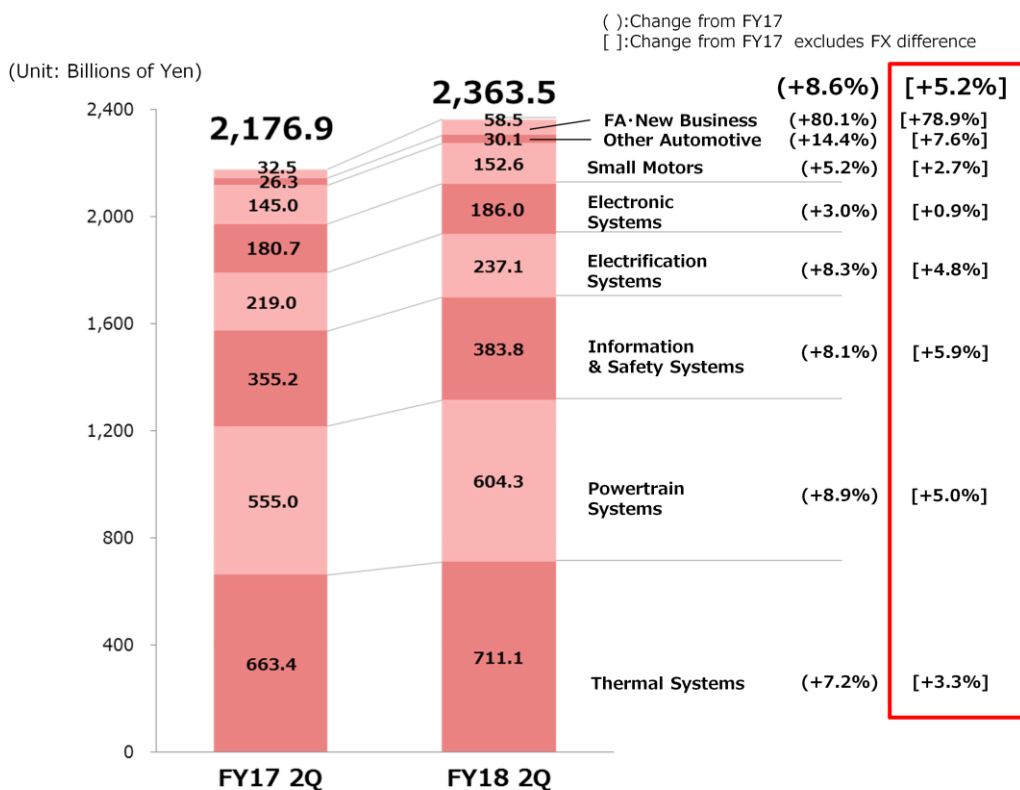
Sales to Toyota Group

Sales to the Toyota Group increased by 2.6% from the previous year. The reasons are as follows; 1) The car production increased in Europe, China and South America. 2) Attach rate of safety related products has been expanded in North America.

Sales to non-Toyota Group companies

Sales to non-Toyota Group companies increased by 7.1% from last year. The reasons of each manufacture are as follows; 1) Honda : Increase of car production in China. 2) Fiat Chrysler Automobiles : Increase of car production in Europe and China. 3) General Motors : Increase of car production in China and sales expansion of Common Rail Systems in North America.

FY2018 2nd Quarter Consolidated Revenue (By Product)



[Sales by Product (Quantity Base)]

Sales of Thermal Systems Products

Sales increased in China and Europe due to the production volume increase and sales expansion.

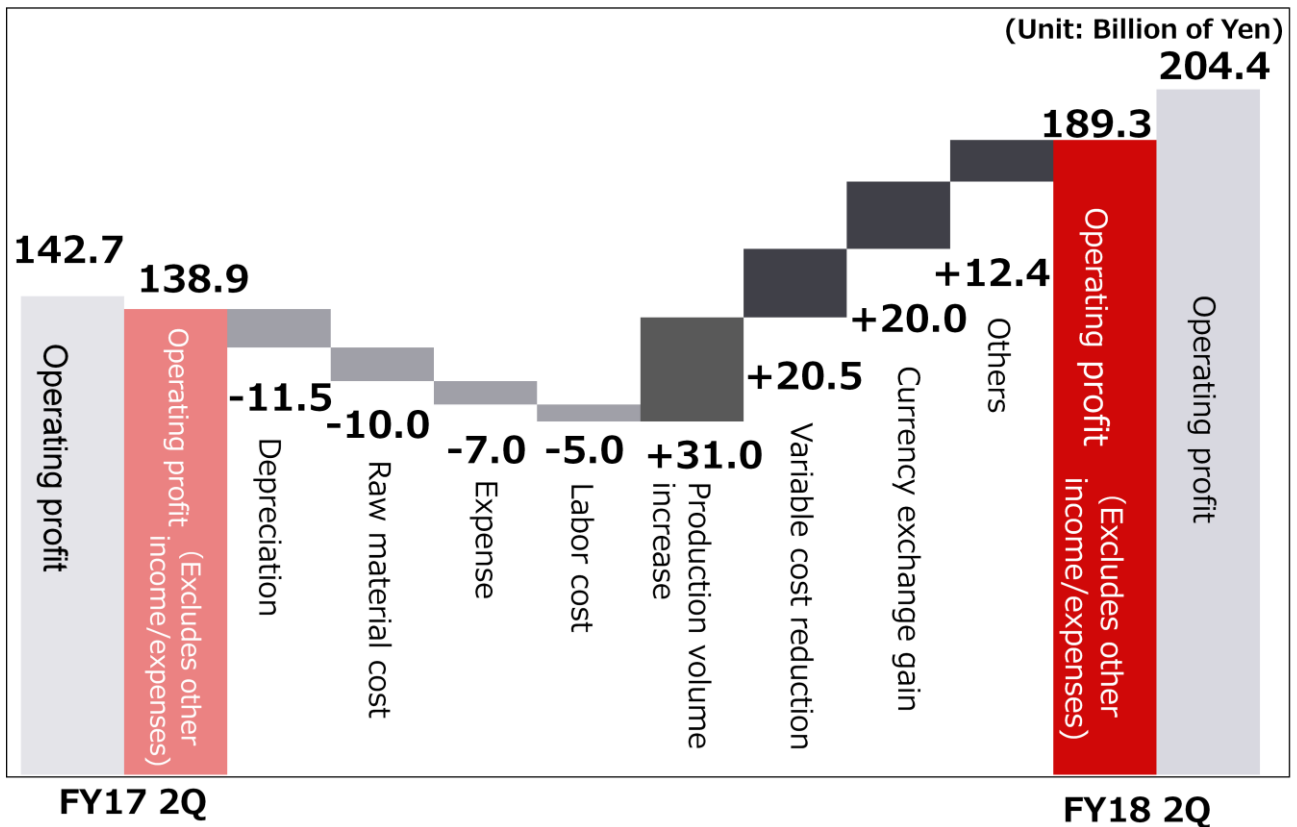
Sales of Powertrain Systems Products

Sales increased in Asia due to the production volume increase, and in North America due to sales expansion.

Sales of Information & Safety Systems Products

Sales increased in Asia due to the production volume increase, and in North America due to sales expansion of safety related products.

Change in FY2018 2nd Quarter Operating Profit



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6/39

[Factors that Contributed to Increases or Decreases in Operating Profit*]

*Excludes other income/expenses

Negative factors

1. Depreciation : -11.5 billion yen was due to the increase of capital investment for future competition area in addition to strengthen core production capabilities mainly for improving productivity.
2. Raw material cost : -10.0 billion yen was due to an increase in material costs.

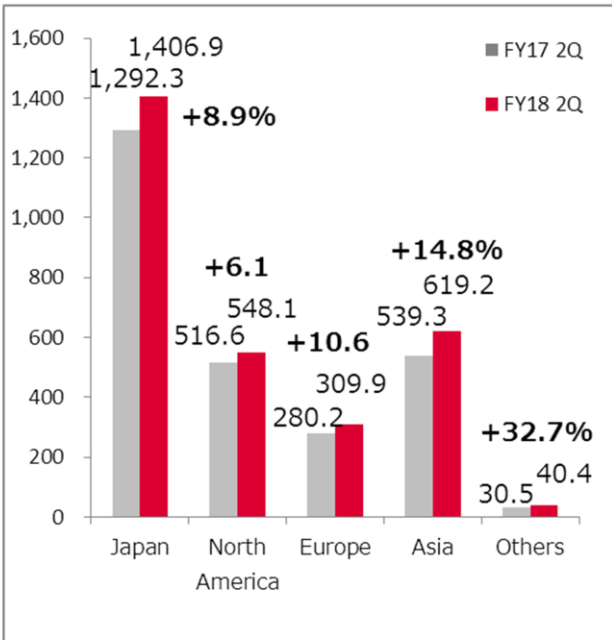
Positive factors

1. Production volume increase: +31.0 billion yen was due to production volume increase and sales expansion.
2. Variable cost reduction: +20.5 billion yen was due to cost reduction efforts and improved productivity.
3. Currency exchange gain: +20.0 billion yen was due to the weakness of the yen against the dollar and euro.

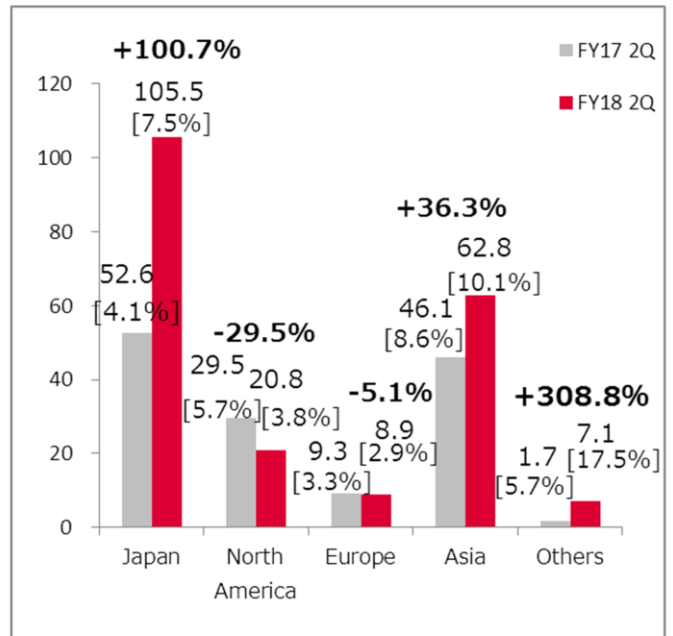
2nd Quarter Geographical Segments by Company Location

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

Revenue



Operating Profit



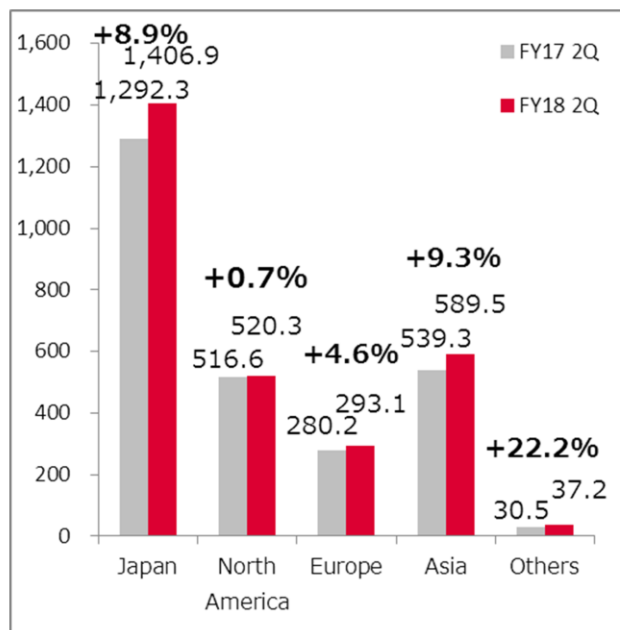
[Revenue and Operating Profit by Each Region*]

*Based on Japanese yen

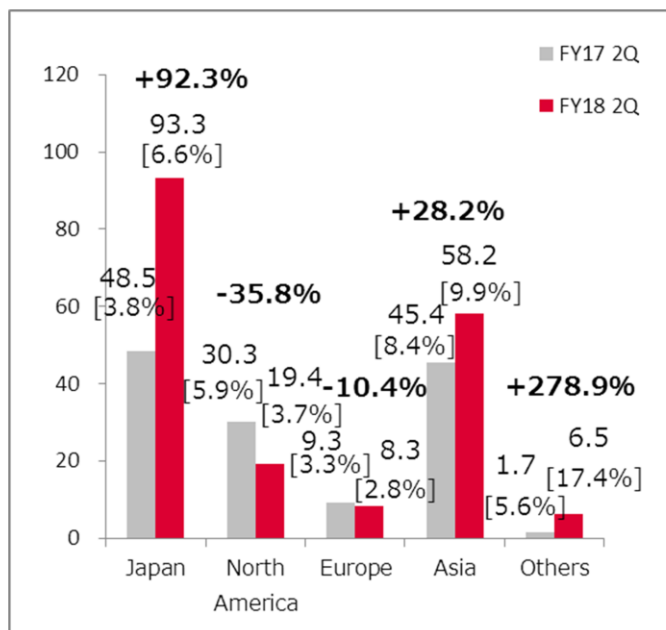
2nd Quarter Geographical Segments by Company Location (Local currency base ,excludes other income/expenses)

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

Revenue



Operating Profit



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8/39

[Revenue and Operating Profit by Each Region*]

*Excluding the effect of foreign exchange rates and other income/expenses

In Japan

1. The revenue increased by 8.9% from the previous year due to production volume increase and sales expansion.
2. Operating profit increased by 92.3% from the previous year due to production volume increase, cost reduction efforts, and exchange gains.

Overseas

1. Except in North America, the revenue increased in all regions due to car production increase and sales expansion. In North America, despite of sales expansion, revenue generally continued to be flat due to decrease in production volume.
2. Operating profit increased in Asia and Other regions due to cost reduction effort. However, the change of payers, who pay foreign exchange balance, from Denso (Japan) to overseas group companies caused to reduce operating profit in North America and Europe.

FY2018 Financial Forecast

		(Ratio to Revenue)				(Unit: Billions of Yen, %)	
	As of June 2017	FY18 Revised		Change from March		FY17 Actual	
				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	
	(6.08)	(6.10)	(+0.01)	(+0.2%)		(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 in November 2017.



[Full-Year Financial Forecast]

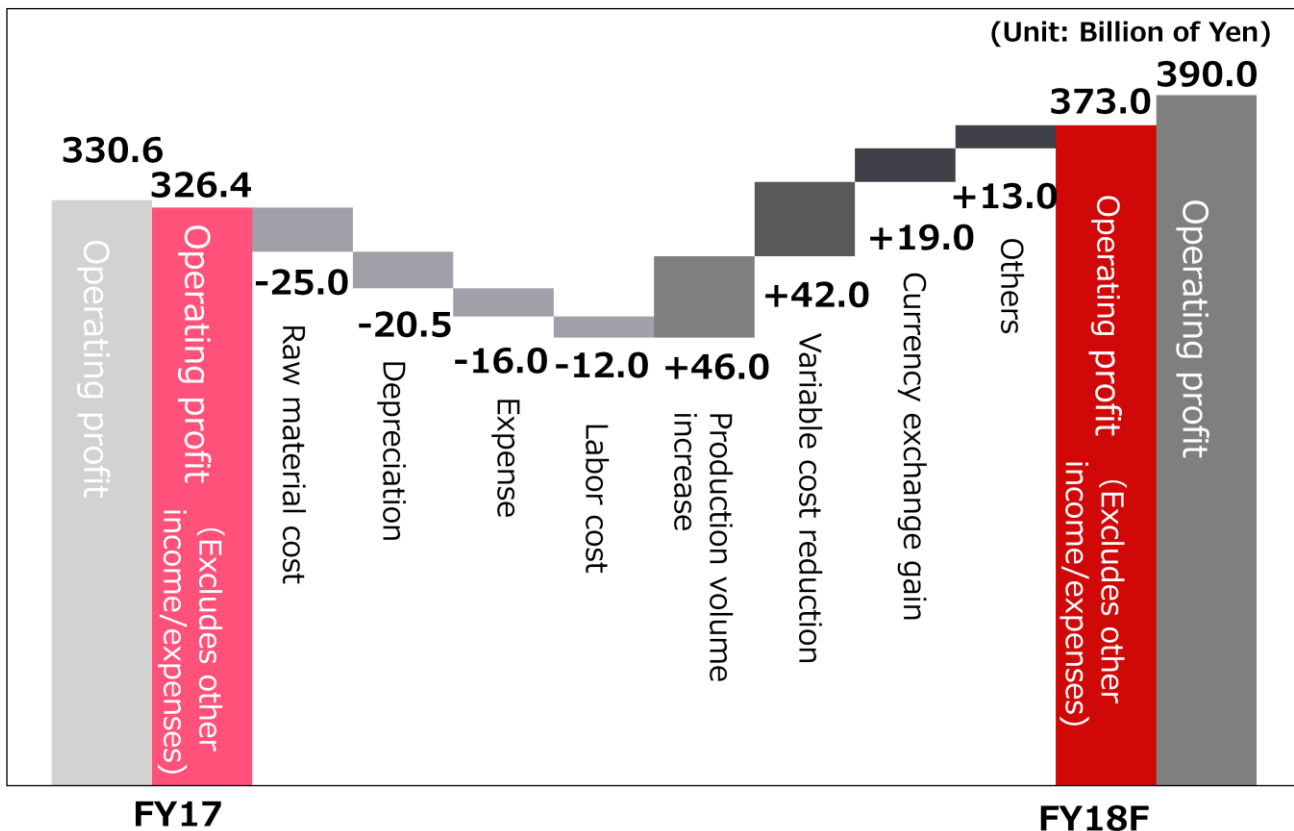
Regarding the full-year forecast, we have revised the revenues upward to five trillion yen and operation profit exclude other income/expenses to 373.0 billion yen.

For the full-year forecast, we used 111 yen to the U.S. dollar and 126 yen to the euro.

(For the second half, we used 110 yen to the U.S. dollar as before and 125 yen to the euro.)

*Full-year financial result forecasts includes the influence of FUJITSU TEN LIMITED which has become Denso's subsidiary in November 2017.

Change in FY2018 Operating Profit



FY17

FY18F

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10/39

[Factors that Contributed to Increases or Decreases in Full-Year Forecasts for Operating Profit*]

*Excludes other income/expenses

Negative factors

The depreciation allowance, expenses, and raw materials costs will increase by 73.5 billion yen.

Positive factors

The reduction in variable costs and the increase of production volume will lead to an increase of 120.0 billion yen.

We also revised up dividend payment for both of interim and fiscal year-end. As a result, 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.

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**

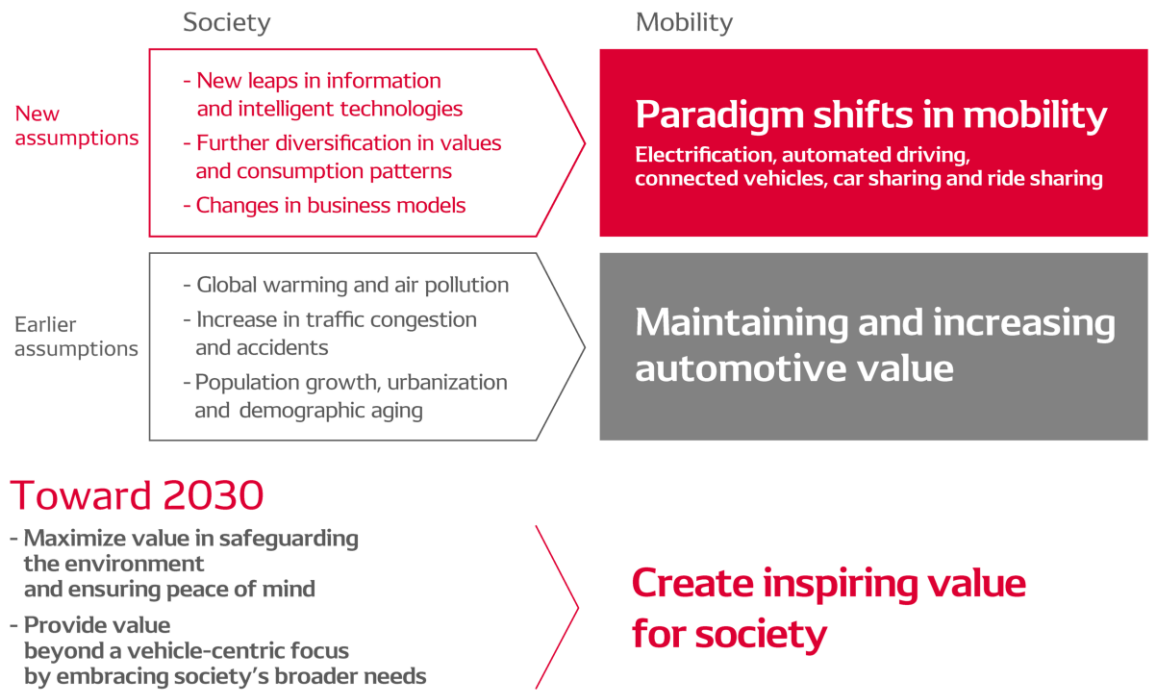
[DENSO Group Long Term Policy 2030 and Long Term Plan 2025]

As the pace of electrification and automated driving is accelerating, the global auto industry is undergoing a once-in-a-century paradigm shift. This is an ideal opportunity for DENSO to embrace the challenge because it has steadily improved technologies and gained experience. We must not be complacent with the conventional business model, but must continue to create new value for the future of mobility and provide peace of mind to all people by offering inspiring value-added products.

Against this backdrop, we have formulated the long-term policy for setting the goals and principles toward 2030, and the long-term plan as the roadmap toward 2025 to fulfill the long-term policy.

1. DENSO Group Long Term Policy 2030

Business Environment



[Toward 2030]

1. We will improve and deepen the value offered in terms of the environment and safety, and will increase the value through interaction.
2. We will deliver value in these areas to all people around the world and create new value based on the value and inspiration provided by DENSO.

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



[DENSO Group Long Term Policy 2030]

The slogan of the Long Term Policy 2030 is “Bringing hope for the future for our planet, society, and all people.”

We have included “inspiring” in the goal of the long-term policy. We wish to create inspiring value for customers, partners, and all other stakeholders. This will help create new value that we cannot deliver by ourselves. We will achieve lasting vitality for the environment as well as safe, comfortable, and flexible mobility for all people to create hope for the future.

Principles Approach and attitude for achievement of goals

Approach

Open	Fair	Reliable
<p>Work hand in hand with diverse partners to enrich society</p> <ul style="list-style-type: none">- Contribute to a new mobility- Cultivate relationships to address shared goals- Explore new business fields	<p>Deliver value for all people worldwide</p> <ul style="list-style-type: none">- Take the initiative in environmental stewardship- Provide mobility for all people- Make smart functionality standard	<p>Earn people's confidence by offering value that transcends expectations</p> <ul style="list-style-type: none">- Generate value that addresses latent needs- Mobilize comprehensive technological capabilities- Assert a commanding edge in manufacturing

Attitude

<p>Passion & Initiative</p> <p>A proactive sense of commitment to challenge for a bright future</p>

[Principles]

To achieve the goal, we will change our behavior based on an approach involving "Open," "Fair," and "Reliable."

1. "Open" means to work hand in hand with diverse partners to enrich society.
2. "Fair" means to deliver value for all people worldwide.
3. "Reliable" means to earn people's confidence by offering value that transcends expectations.

This approach will be achieved by our strong commitment to "Passion & Initiative."

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

[DENSO Group Long Term Plan 2025]

The long-term plan toward 2025 expresses our determination to change.

The basic concept is as follows:

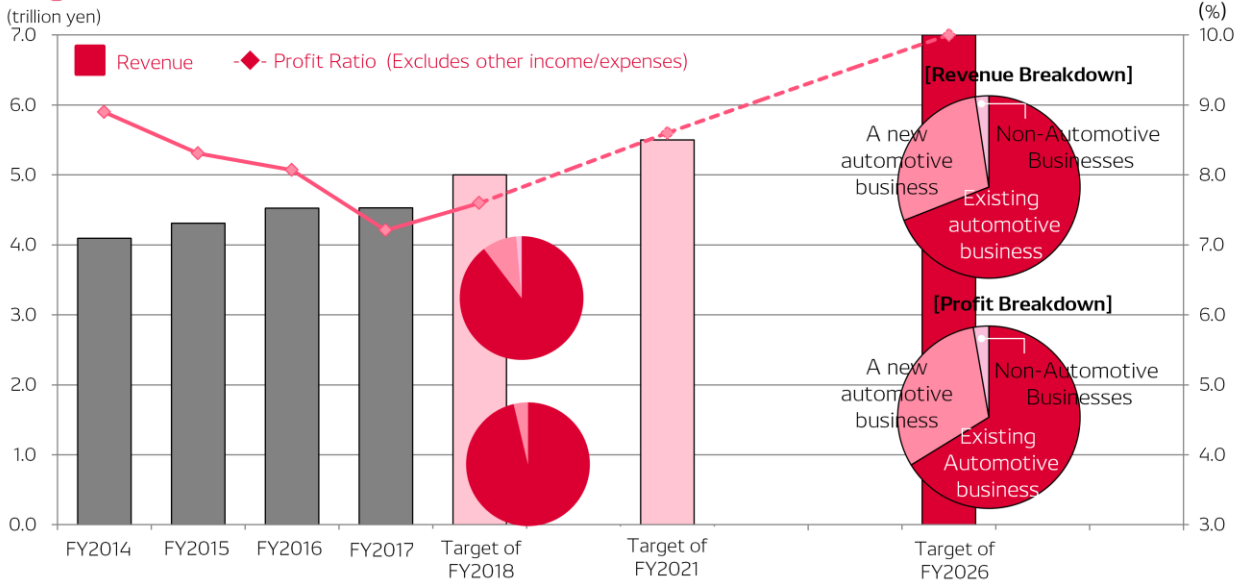
1. Promote the value of vehicles and drive growth in the new mobility field.
2. Increase the profitability of existing business as a solid foundation for profits.
3. Accelerate the execution of our business and increase the vitality of the workplace in order to prevail in the rapidly changing business environment.

(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]



[Target for Revenue & Profit]

DENSO will create hope for the future for all people by increasing the performance in the new field of electrification and automated driving and by achieving sustainable growth. We aim to achieve revenues of 7 trillion yen and an operating profit ratio of 10% (excluding other income/expenses) by FY2026.

(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 |

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19/39

[Management Reform : Five Pillars]

To attain the Target for Revenue & Profit, we must increase our organizational capability and change the organization in order to prevail in the rapidly changing business environment.

The main changes: “Speed of Decision Making” & “Vitality of The Workplace.”

Five Pillars to promote Management Reform

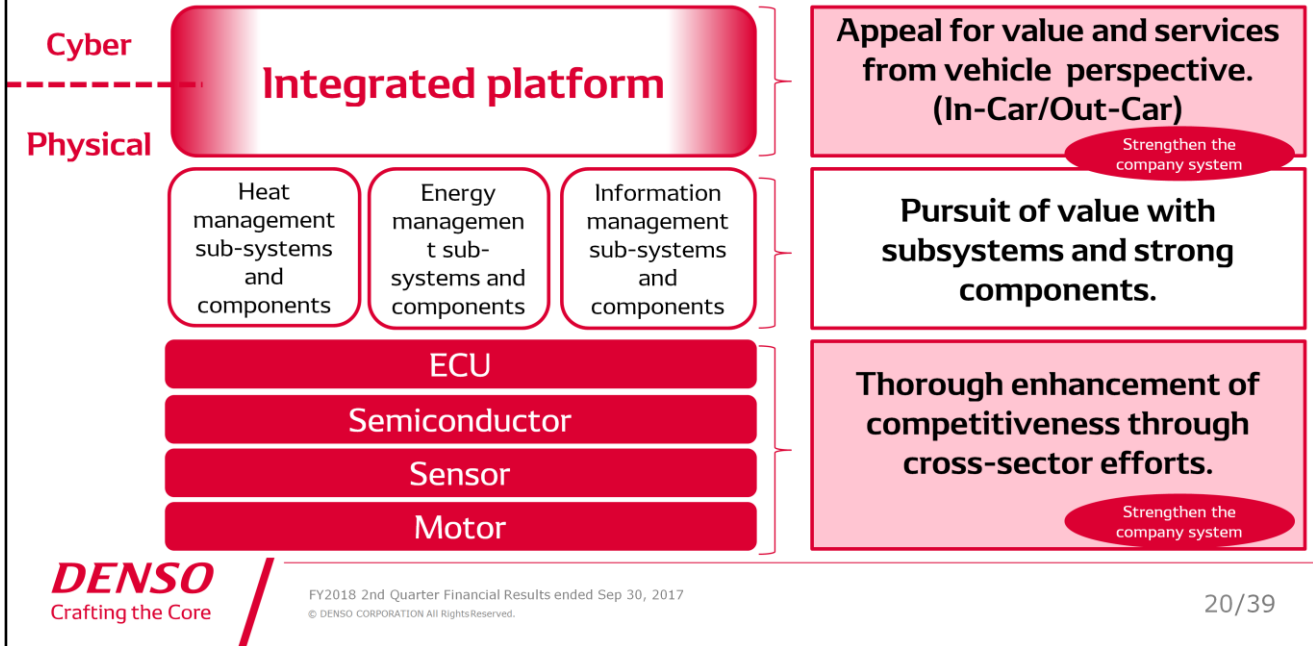
(1 and 2 are explained in the following pages.)

3. “Business Unit evolution and smaller but stronger headquarters” means to increase the commitment and discretion of business units and to work quickly. The personnel assignment at the headquarters will be overhauled to form a streamlined team that can quickly create new value.
4. “Global management with optimal use of group and regional power” means to achieve “self-reliant management in each region.” Specifically, directors of regional headquarters who are responsible for regional business performance targets will run the business on behalf of me, the president of DENSO, based on quick decision-making taking regional characteristics into account.
5. “Way of working with tremendous speed and efficiency” means to improve the mindset of the top management and managers, business processes, HR systems, and information systems to change workstyles. We will encourage outstanding production site capabilities, passion, and smiles to become an inspiring company.

(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.



[Management Reform : Five Pillars]

Five Pillars to promote Management Reform

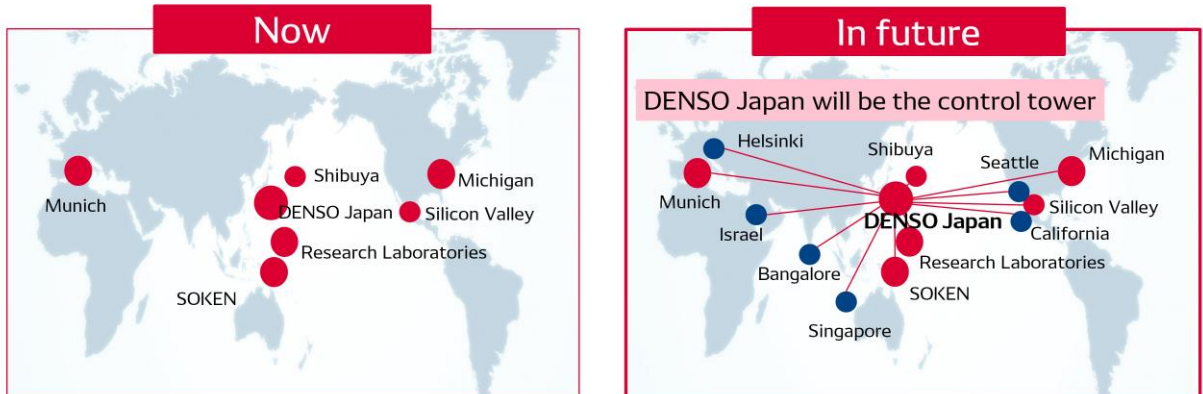
1. “Enhancement of vehicle perspective and cross-sector functions.” means to offer value from the viewpoint of vehicles, we will enhance the system for developing integrated platforms as well as cross-functional competitiveness in business fields that encompass the entire company, such as ECUs, semiconductors, sensors, and motors. We will improve the profitability of the existing in-vehicle business from both cyber and physical sides to enhance competitiveness in new fields of mobility.

(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
Promote forecasting, verification and development from both cyber and physical sides.
- Strengthen the satellite facilities for global R&D



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21/39

[Management Reform : Five Pillars]

Five Pillars to promote Management Reform

2. "Advanced R&D function to realize agile development globally." means we will arrange satellite facilities globally which are able to react agilely in the rapidly changing business environment, and actively promote collaboration and partnership with global partners who share the vision in order to make changes through quick decisions. The headquarters will serve as the control tower for the global satellite facilities for R&D. We will accelerate the development at the center of innovation.

(3) Initiatives in Focus Fields

i Electrification



iii Connected Cars



ii Automated Driving



iv Non-Automotive Businesses (Factory Automation / Agriculture)



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22/39

[Initiatives in Focus Fields]

we will focus on “electrification,” “automated driving,” and “connected cars” to offer the new value of mobility. In the non-automotive business, we will focus on factory automation and agro-industrialization.

i Electrification - Initiative in Focus Fields -

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)

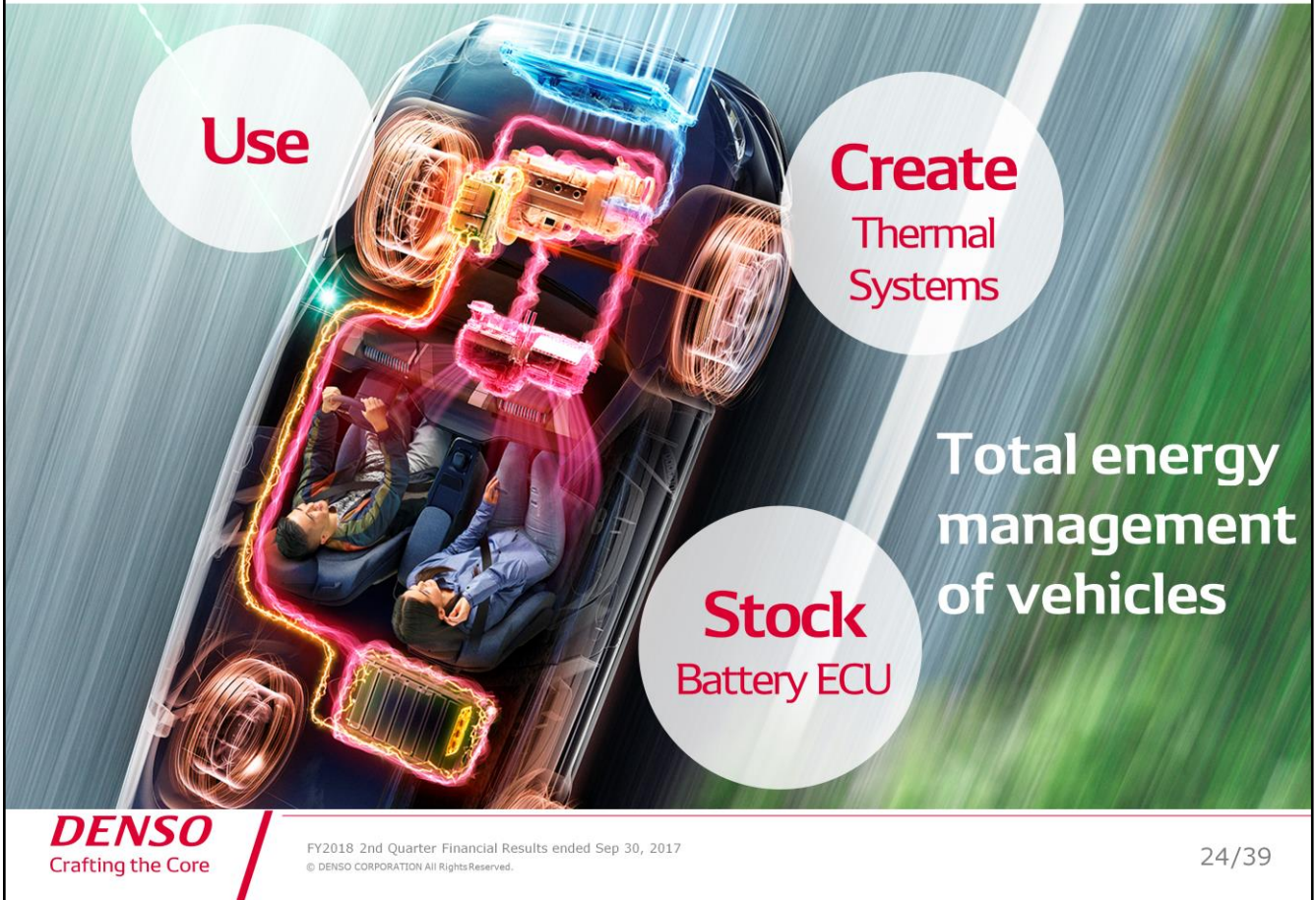
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23/39

[Initiatives in Focus Fields : Electrification]

We will lead the electrification market by taking full advantage of technologies acquired over the years and the track record of supplying products. We will further advance the future-oriented technologies to help promote the spread of EVs. We will continue to improve the internal combustion engine technologies suitable for electrification and ensure total energy management of vehicles in order to reduce the environmental impact and achieve highly efficient mobility.



[Initiatives in Focus Fields : Electrification]

The entire process of using, creating, and storing energy must be efficient and optimized.

Create – Thermal Systems-

In terms of thermal management to efficiently create energy by using heat, we will offer thermal management systems that recover the waste heat produced during driving as heating energy. A heat pump developed by DENSO will efficiently generate heat to minimize electricity consumption required for heating.

Storing Energy -battery ECU-

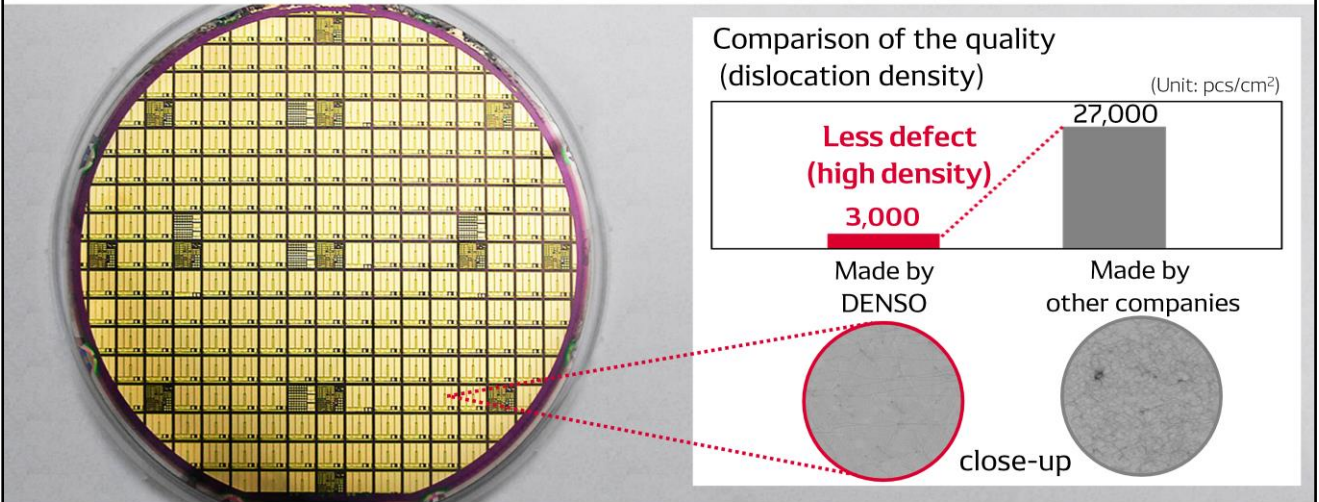
To store electricity efficiently, it is necessary to improve the battery performance and control charging and discharging. Our proprietary circuits and IC technologies can accurately monitor the heat generation of batteries and the charging and discharging condition of each cell in order to optimize charging and discharging.

Use -SiC inverters-

Explained in the next page.

i Electrification

- Initiative in Focus Fields -



SiC MOSFET

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

[Initiatives in Focus Fields : Electrification]

Use -SiC inverters-

Heat is generated when the electricity for driving is converted from direct current to alternating current by an inverter, causing a loss of energy. Reducing this heat generation is a major challenge. We have developed a power device made from silicon carbide (SiC) which generates little heat. This power device can reduce energy losses to one third. To use SiC in the severe in-vehicle environment, SiC crystals of outstandingly high quality must be produced. We are developing materials in-house by utilizing our proprietary material technologies.

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

ICE

HV

PHV

EV

FCV

To always meet the social and market needs, we will continue to develop internal combustion engine technologies for gasoline and diesel engines.

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

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27/39

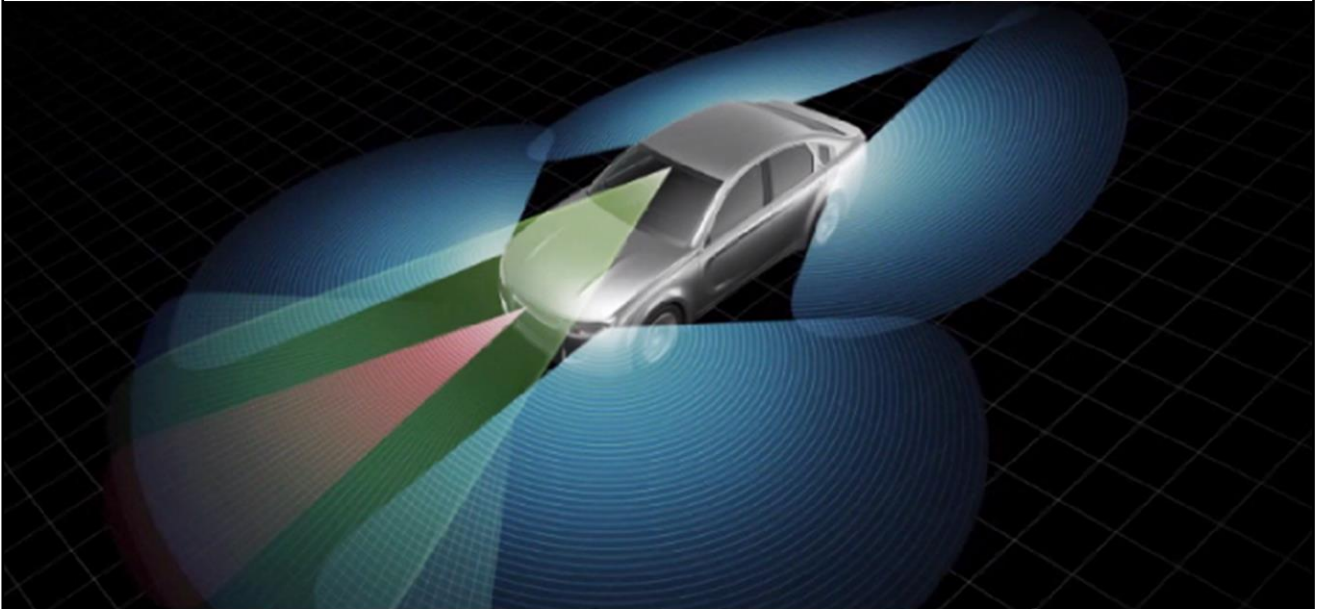
[Initiatives in Focus Fields : Automated Driving]

We have improved sensing technologies by proposing next-generation sensors using cutting-edge technologies. We will not only develop sensors but also systems including semiconductors and ECUs to propose automated driving platforms. We will promote faster development by open innovation without focusing on entirely in-house development.

Meanwhile, it is becoming increasingly important to understand the algorithms of AI and software for quality assurance. The causes of defects cannot be identified if the core technologies are black-boxed. We will securely internalize core technologies while accelerating the development through open innovation in order to realize a safe society free from traffic accidents and achieve comfortable and flexible mobility.

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.



[Initiatives in Focus Fields : Automated Driving]

Automated driving is based on three technologies, “recognition”, “judgment”, and “operation”. In order to carry out “judgment” and “operation” adequately, we need to realize the “recognition” in a highly reliable level.

“Recognition” (1/2)

To achieve 360° recognition, we have developed various sensors such as millimeter-wave radar sensors, vision sensors, laser radar sensors, and sonars. In terms of improving recognition, we have developed the latest millimeter-wave radar sensor and vision sensor that can detect pedestrians and vehicles at night, which was difficult before, and can detect empty road spaces to move into.

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.

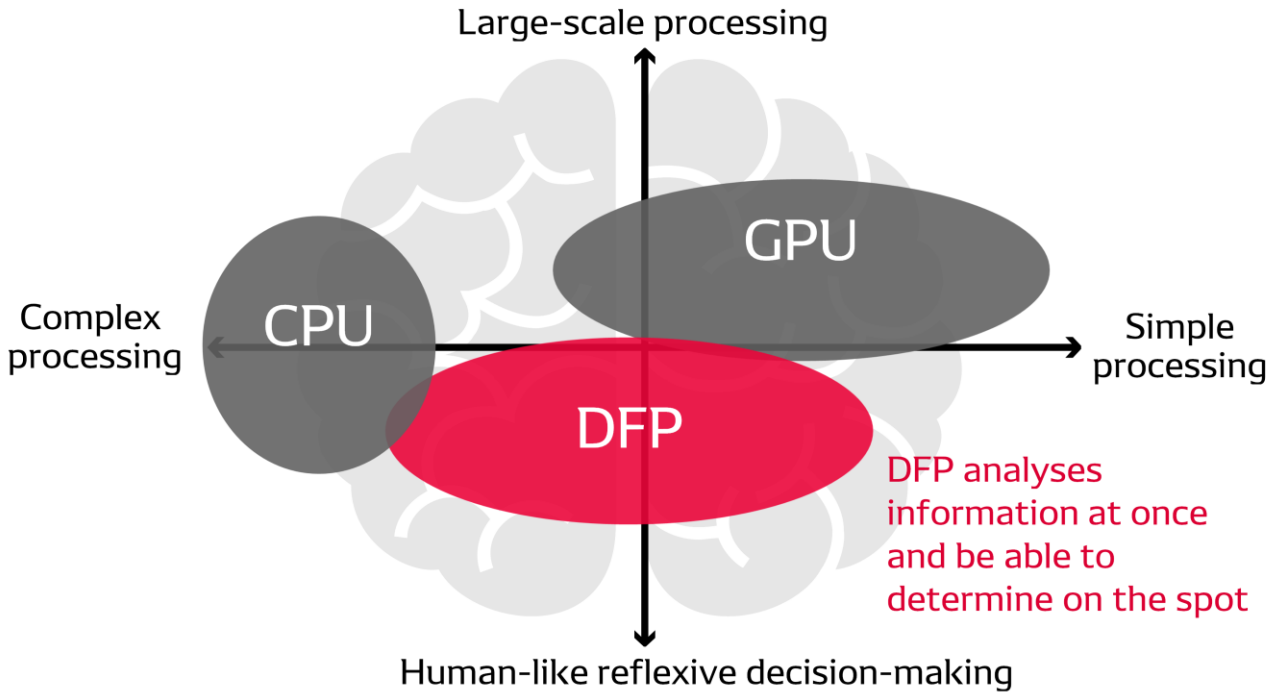


[Initiatives in Focus Fields : Automated Driving]

“Recognition” (2/2)

AI technologies that utilize deep learning will be introduced to recognize both space and time and anticipate the movement of pedestrians and vehicles and the road condition in order to improve recognition.

ii Automated Driving - Initiative in Focus Fields - DENSO developed a high-performance semiconductor.



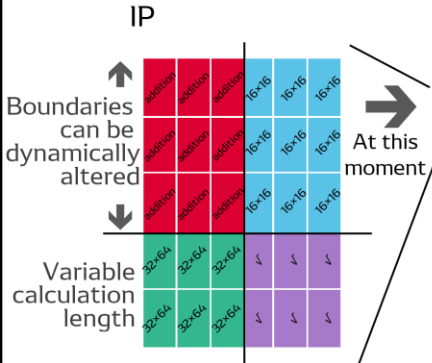
[Initiatives in Focus Fields : Automated Driving]

"Judgment"(1/2)

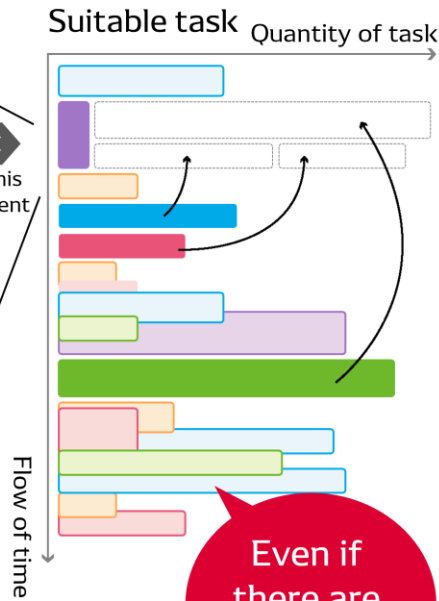
In judgment, it is essential to increase the speed of data processing, reduce the electricity consumption and achieve human-like reflexive decision-making. The data flow processor (DFP) which is being developed by DENSO analyzes information at once and makes judgments by efficiently performing sophisticated calculations.

ii Automated Driving - Initiative in Focus Fields -

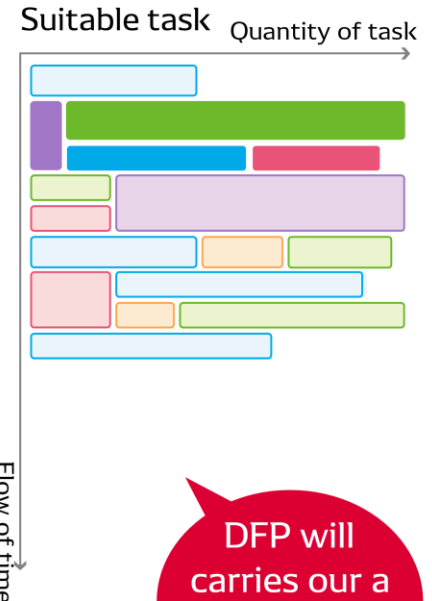
DFP



Capable of performing discrete calculations by the preset areas



Even if there are various tasks



DFP will carry out a set of various tasks

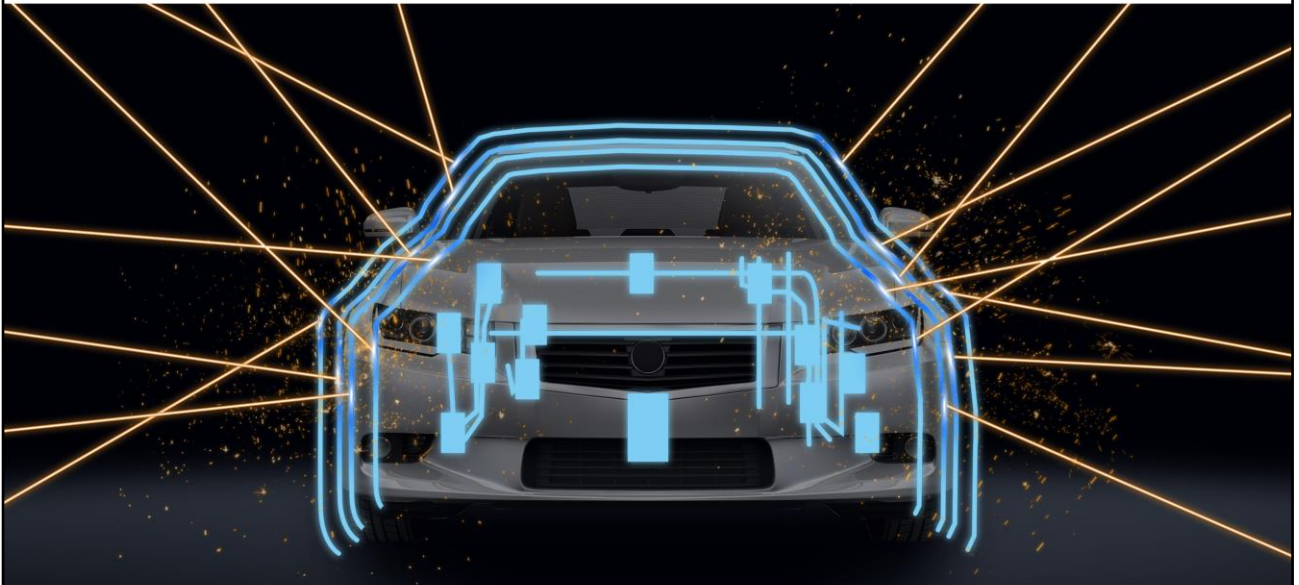
[Initiatives in Focus Fields : Automated Driving]

“Judgment”(2/2)

The DFP will achieve quick processing, reduce heat generation, and cut electricity consumption to one tenth. We will utilize CPUs, GPUs, and DFPs for optimal applications to achieve reliable automated driving.

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.



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32/39

[Initiatives in Focus Fields : Automated Driving]

Meanwhile, cyberattacks must be blocked to achieve secure automated driving. We will utilize defense-in-depth technologies, that is, implement security measures for all the elements including ECUs and in-vehicle networks and provide security in multiple layers, to enhance cybersecurity.

iii Connected Cars

- An Example of Efforts -

Value Contribute mobility society connected automobiles, human and things.

1. Development of integrated system with cloud

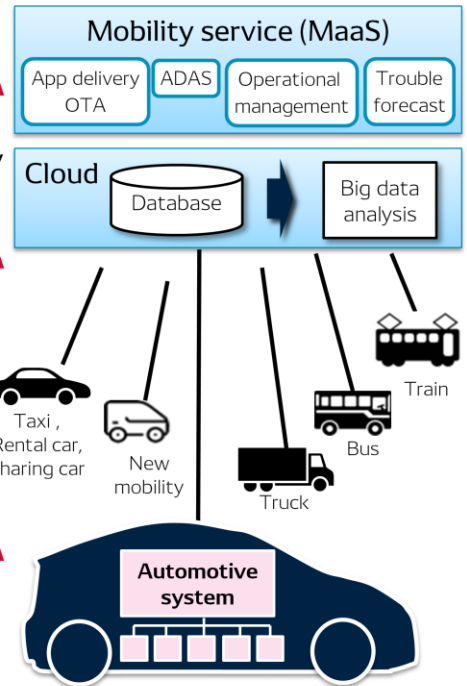
- Development of integrated electronic platform
- Development of automotive big data use technology

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



[Initiatives in Focus Fields : Connected Cars.]

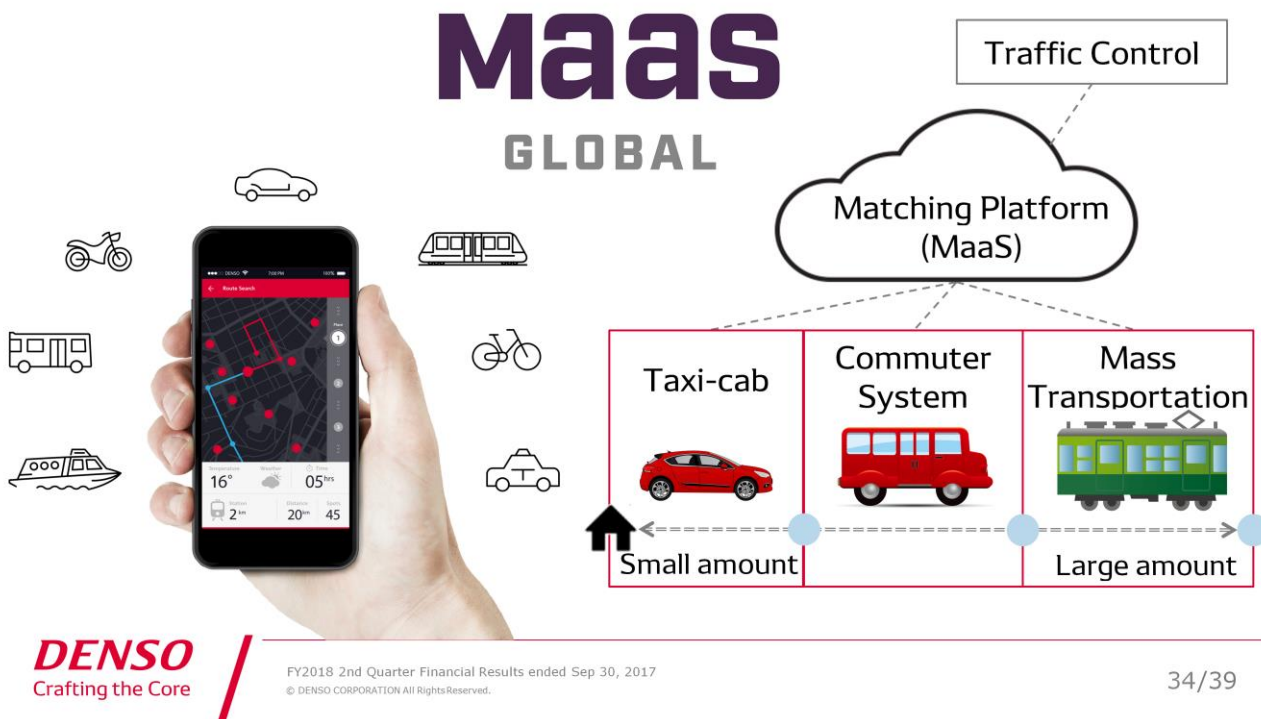
We are undergoing a paradigm shift from vehicle ownership to utilization and service. To increase the added value of vehicles and offer safety, security, and the pleasure of driving to users, we will develop vehicle systems that are integrated with cloud services and offer new value to connected cars while strengthening alliances with partners. We will create a future of mobility where vehicles are connected with other vehicles, people, and things by quickly introducing advanced technologies.

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.



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34/39

[Initiatives in Focus Fields : Connected Cars.]

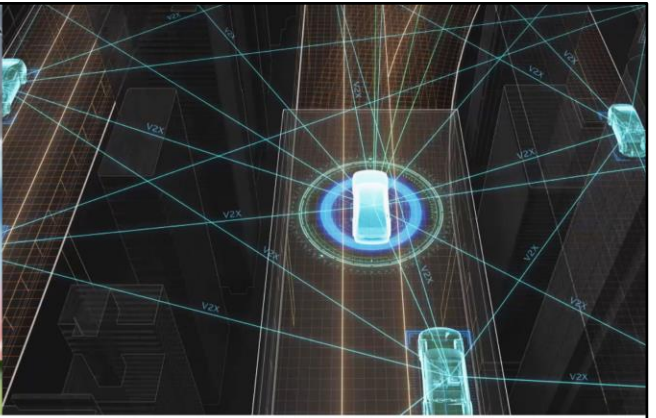
We will promote open innovation including industry-government-academia partnerships.

Example of an Activity

We decided to take a stake in MaaS Global, a Finnish company, to increase convenience by combining various modes of transport such as taxis, rental cars, trains, and buses. Meanwhile, we have been globally decentralizing the development system which was centralized in Japan, in order to develop the MaaS market and enhance the business fields.

For the new mobility society in the future

To achieve a future of people-centered mobility by focusing on electrification, automated driving, and connected cars, it is essential to improve the social infrastructure including research on people's lifestyles, establishment of traffic rules, and construction of roads. We will actively contribute in these fields.



Monozukuri + Technology

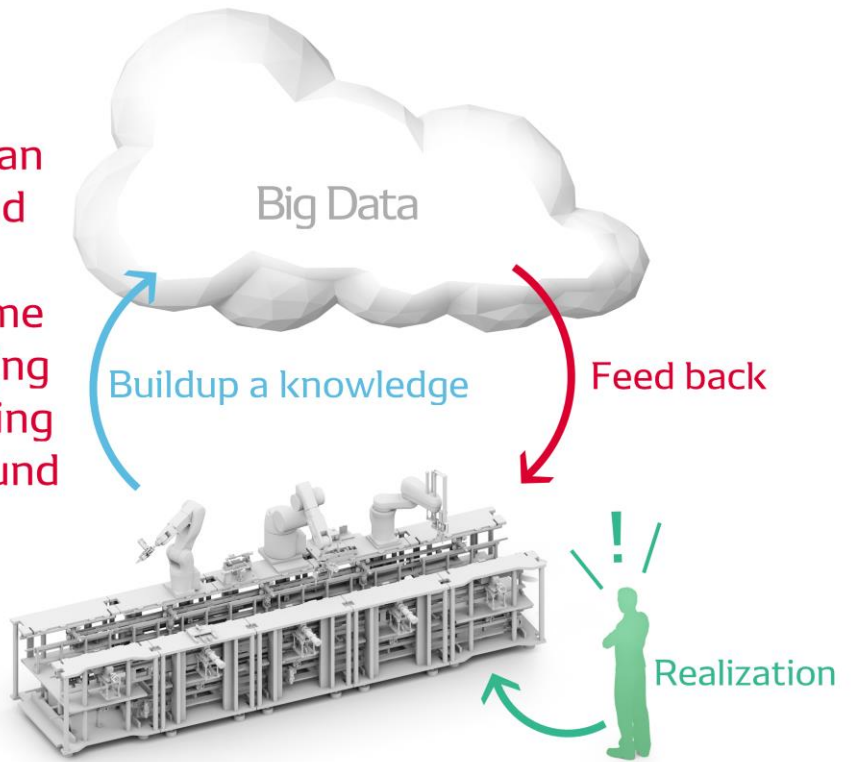
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36/39

Strong manufacturing capability is required to embody these new technologies and products and contribute to society. Along with technology development, production is the source of our competitiveness.

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



We will further improve our advanced manufacturing capability, which is underpinned by findings and experience gained since our founding, in factory IoT to globally accelerate the change in manufacturing.

iv Non-Automotive Businesses

-Factory Automation / Agriculture-

Value Contribute to Improved Social and Industrial Productivity

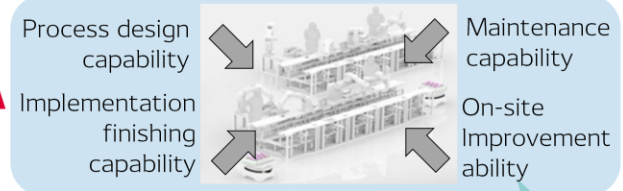
[Strengths of DENSO's *Monozukuri*]



*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.

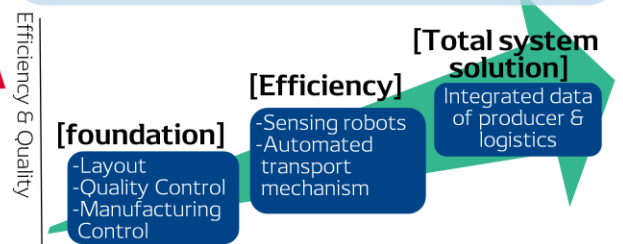
1. Develop optimal solutions for the FA systems

- Develop next generation robots
- Provide FA systems



2. Agro-Industrialization

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



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38/39

[Initiatives in Focus Fields : Non-Automotive Businesses (Factory Automation / Agriculture)]

We will take full advantage of our strengths in manufacturing and technologies and expertise developed in the automotive field to help improve productivity in society and industry.

Develop optimal solutions for the FA systems

Based on our track record of introducing FA to 130 plants globally, we will offer optimal FA systems as solutions to meet the various needs of customers from the viewpoint of an entire plant and lifecycle.

Agro-Industrialization

We will also apply these technologies and expertise to the entire supply chain of food products from agricultural production to processing and logistics and help develop the agriculture and food industry to ensure stable and efficient supply of safe food.



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)

Account	(Ratio to Sales)				(Unit: Billions of Yen,%)	
	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
	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.

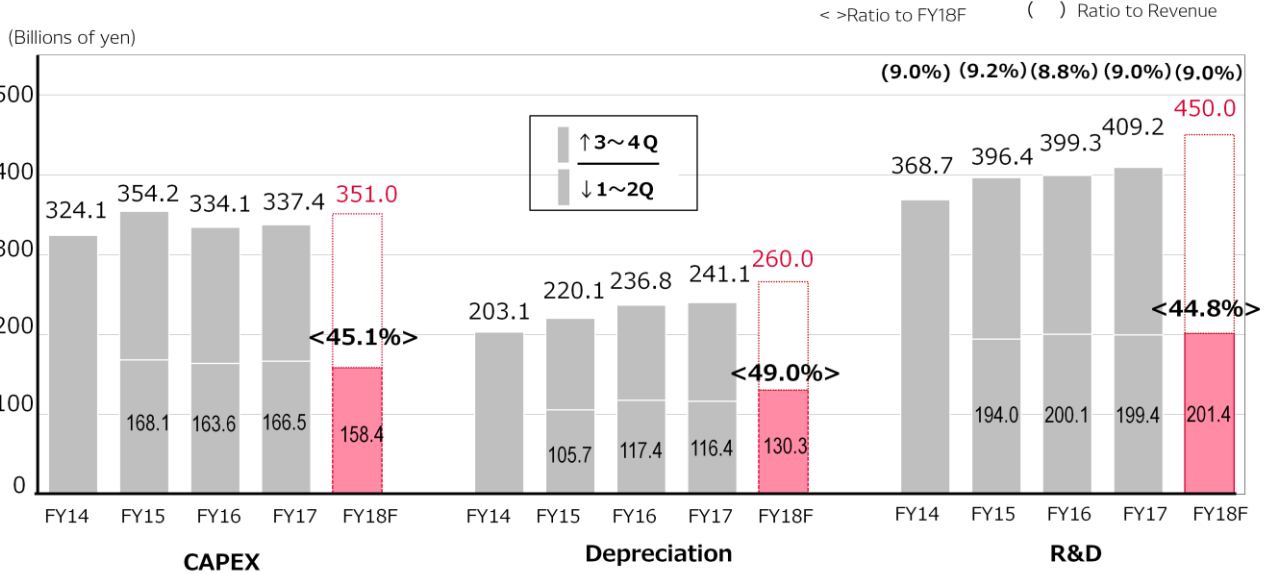
Consolidated Revenue (By Product)

(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



※ 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

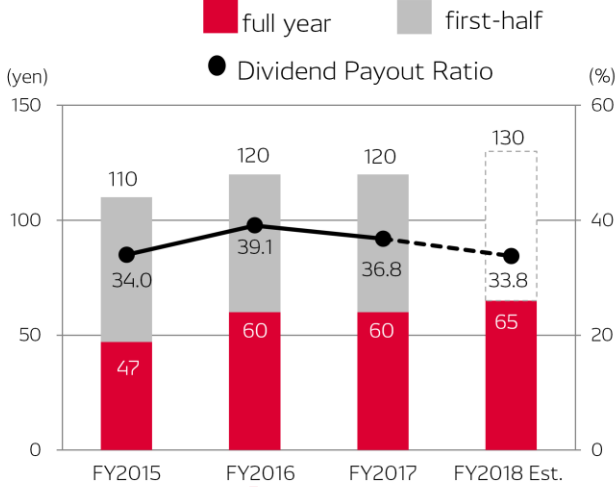
(Unit: Billions of Yen)

	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%

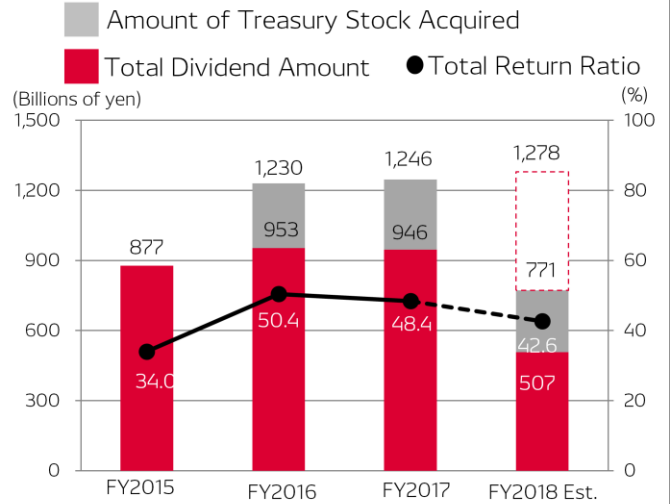
Return to Stockholders

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)

