

***DENSO***

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**FY2019 3rd Quarter  
Financial Results  
(2018/4-12)**

Feb. 1, 2019

DENSO CORPORATION



## Overview of FY2019 3rd Quarter Financial Results

1. Despite market slowdown in Europe and China, revenue increased in all regions due to the increase in global car production and sales expansion as well as the subsidiaries DENSO TEN which was consolidated in Nov. 2017. Operating profit decreased due to increase in investment for future growth, transient profit in the last fiscal year and variance of periods in collecting expenses.
2. Downward revision to full-year forecast considering environmental factors such as market trend and the increase in raw material cost.

## FY2019 9months Financial Results (2018/4-12)

		(Ratio to Revenue)		(Unit: Billions of Yen, %)	
		2018/4-12	2017/4-12	Change	
<b>Revenue</b>		<b>3,979.7</b>	3,699.1	+280.6	+7.6%
<b>Operating Profit</b>	(6.1%)	<b>243.5</b>	(8.5%) 314.6	-71.1	-22.6%
Finance income/ costs & others(*1)		<b>32.7</b>	39.0	-6.3	
<b>Profit before Income Taxes</b>	(6.9%)	<b>276.2</b>	(9.6%) 353.6	-77.4	-21.9%
<b>Taxes</b>					
<b>Profit (*2)</b>	(4.8%)	<b>192.0</b>	(6.8%) 251.3	-59.3	-23.6%

				(Unit: Millions of Units)	
Precondition	Foreign Exchange Rate	JPY 111/\$	JPY 112/\$	-1 JPY	
		JPY 129/Euro	JPY 129/Euro	+0 JPY	
	Domestic Car Production	6.96	6.93	+0.03	+0.4%
	Overseas Car Production of Japanese (North America)	15.42 (4.40)	15.16 (4.45)	+0.26 (-0.05)	+1.7% (-1.2%)

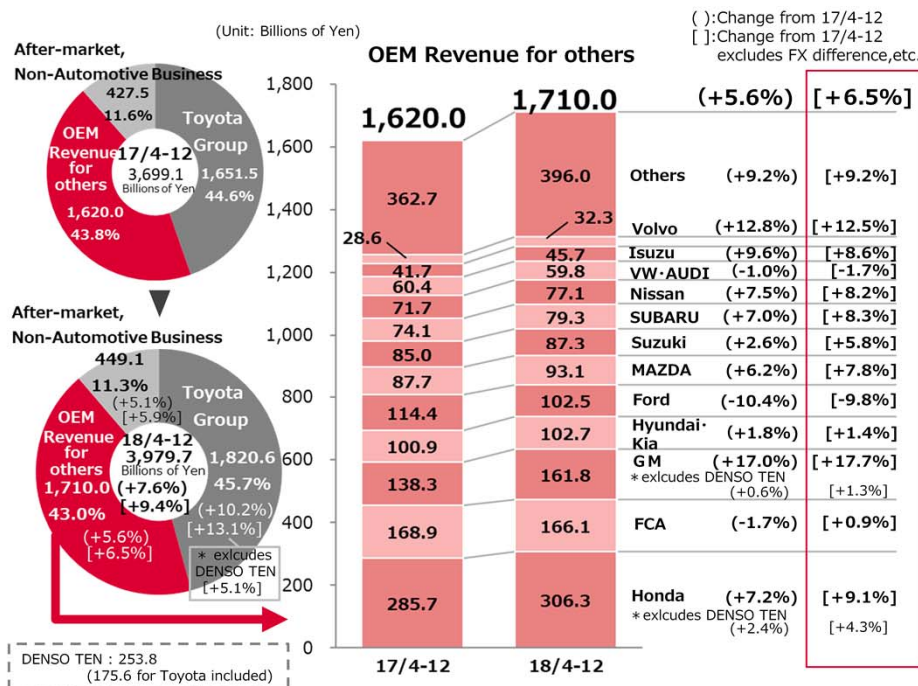
※1 Finance income, Finance costs, Foreign exchange gains/loss, Share of the profit of associates accounted for using the equity method

※2 Profit attributable to owners of the parent company

### [Overview of the Consolidated Financial Results]

1. Consolidated revenue totaled 3,979.7 billion yen, increased by 280.6 billion yen (+7.6%) from the previous year.
2. Consolidated operating profit totaled 243.5 billion yen, decreased by 71.1 billion yen (-22.6%) from the previous year.
3. Consolidated profit attributable to owners of the parent company totaled 192.0 billion yen, decreased by 59.3 billion yen (-23.6%) from the previous year.

# FY2019 9months Consolidated Revenue (By Customer)



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## [Sales by Customer (Quantity Base)]

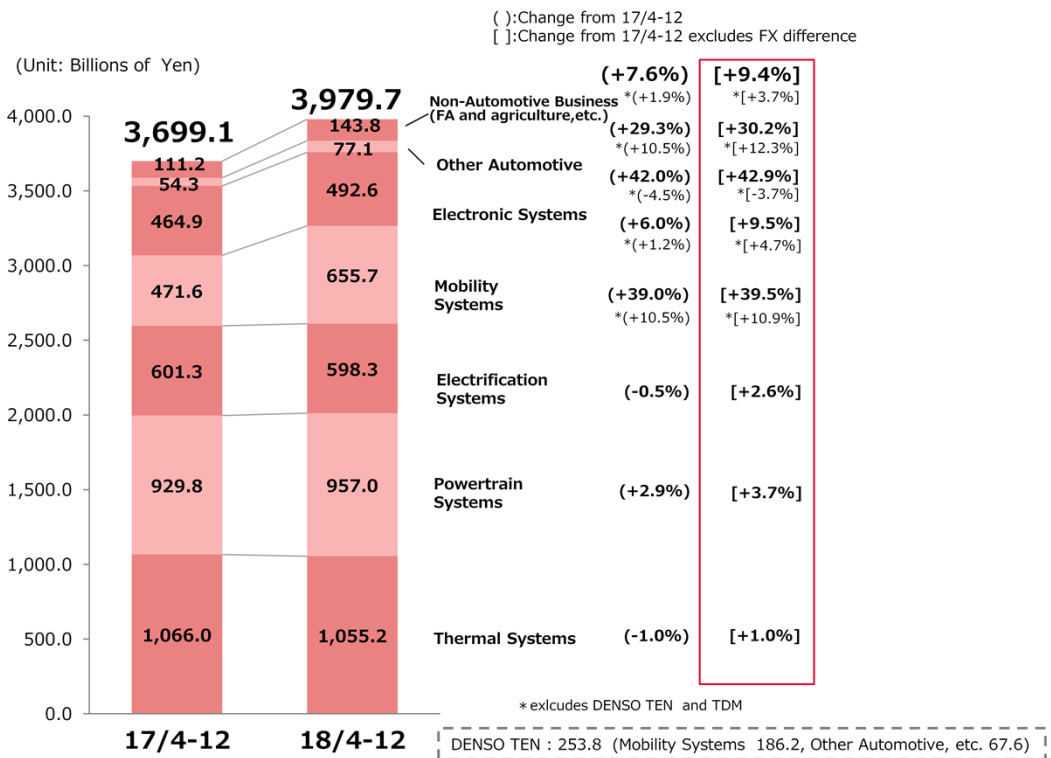
### Sales to Toyota Group

Sales to the Toyota Group increased by 13.1% from the previous year. The reasons are as follows; 1) Impact of DENSO TEN. 2) The car production increased in China. 2) Vehicle equipped with safety-related products has been increased in Japan.

### Sales to non-Toyota Group companies

Sales to non-Toyota Group companies increased by 6.5% from last year. The reasons of each manufacture are as follows; 1) Honda : Sales expansion of display related products in North America. Increase of car production in Japan. 2) FCA : Increase of car production in North America. 3) General Motors : Improved products mix in North America.

# FY2019 9months Consolidated Revenue (By Product)



## [Sales by Product (Quantity Base)]

### Sales of Powertrain Systems Products

Sales increased in Asia and Japan due to the production volume increase.

### Sales of Electrification Systems Products

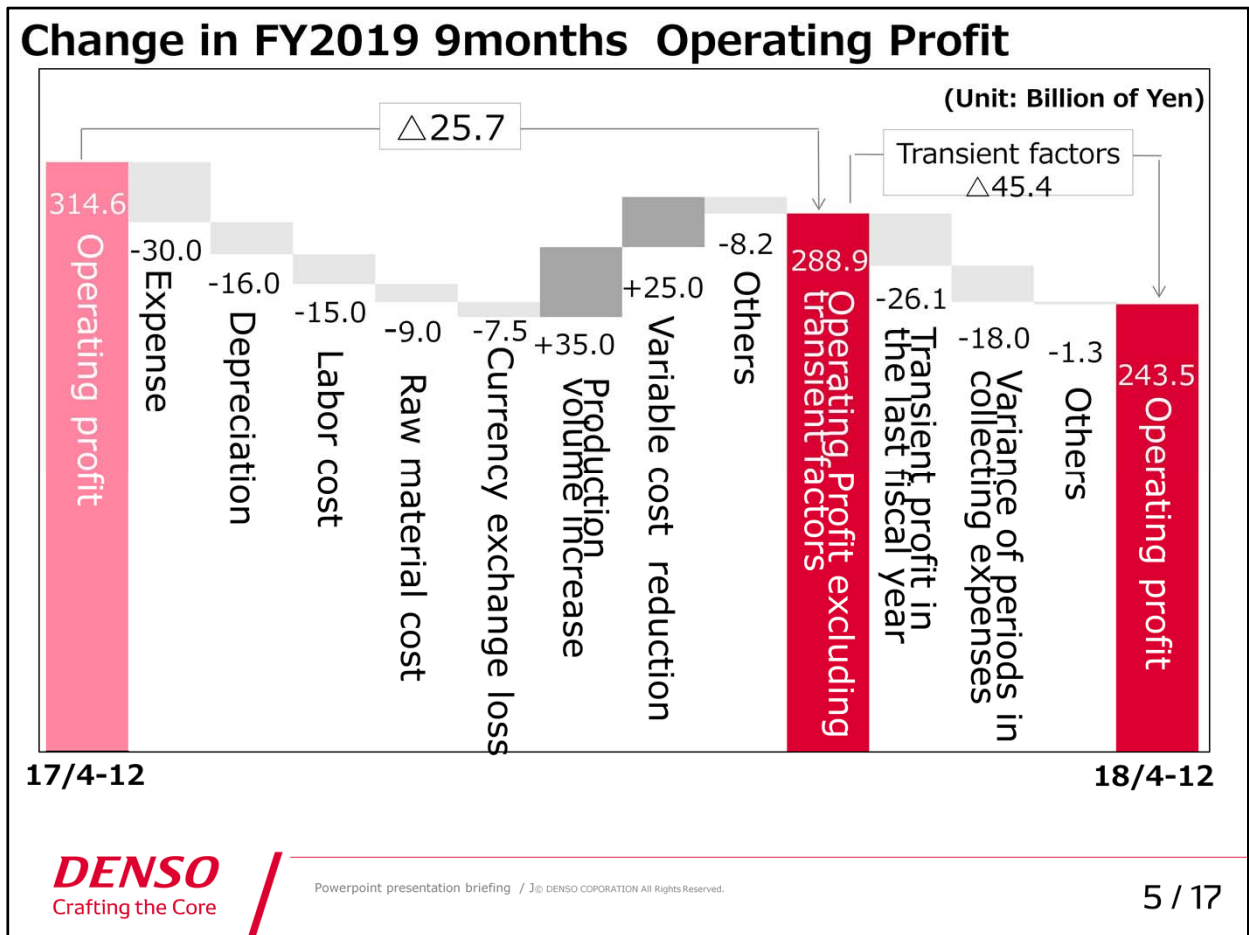
Sales increased due to the production volume increase in power control units for Toyota.

### Sales of Mobility Systems Products

Sales increased in Japan due to the increase in vehicle equipped with safety-related products and sales expansion of display related products in Japan and North America.

The impact of DENSO TEN which has become a subsidiary in November 2017 and TD mobile which has become a subsidiary in July 2017 is also the factor to increase sales in Electronic systems products and non-automotive business.





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

### Negative factors

1. Expense : -30.0 billion yen / Depreciation: -16.0 billion yen was due to the increase of investment for future growth area.
2. Labor cost : -15.0 billion yen was due to salary increase and bonus mainly in Japan.
3. Raw material cost : -9.0 billion yen was due to increase in material procurement cost.

### Positive factors

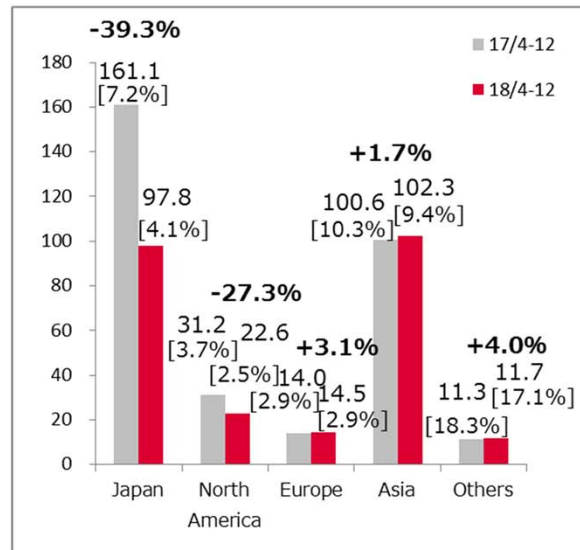
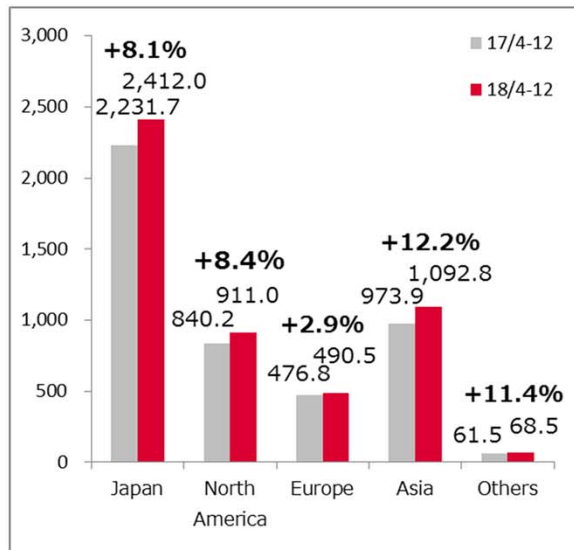
1. Production volume increase: +35.0 billion yen was due to production volume increase and sales expansion. Despite the market slowdown, production volume increased mainly in ASEAN and Japan.
2. Variable cost reduction: +25.0 billion yen was due to cost reduction efforts and improved productivity from Factory IoT activities.

Including transient profit in the last fiscal year (Revaluation of TD mobile securities etc.) and the variance of periods in collecting application fees, operating profit dropped to 243.5 billion yen.

## 9months Geographical Segments by Company Location (Local Currency Base)

Revenue

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



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### [Revenue and Operating Profit by Each Region\*]

\*Excluding the effect of foreign exchange

#### In Japan

1. The revenue increased by 8.1% from the previous year due to an increase in vehicles equipped with safety-related products, as well as the impact from the newly consolidated subsidiaries, DENSO TEN .
2. Despite a rise in production volume and cost-reduction efforts, an increase in investment for future growth in addition to the transient profit in the last fiscal year led to a drop in operating profit by an 39.3 percent from the previous year.

#### Overseas

1. The revenue increased all region due to car production increase and sales expansion.
2. Despite the market slowdown, operating profit increased in Europe and Asia due to the increase in production and cost reduction effort. In North America, despite the cost reduction effort, operating profit decreased due to the increase in expenses for R&D and the investments for expanding production capabilities.

# FY2019 Financial Forecast

		(Ratio to Revenue)				(Unit: Billions of Yen, %)			
		As of	19/3 Revised	Change from Sep. 2018		18/3 Actual	Change from March 2018		
		Sep. 2018		Amount	Ratio		Amount	Ratio	
<b>Operating Profit</b>		5,400.0	<b>5,370.0</b>	-30.0	-0.6%	5,108.3	+261.7	+5.1%	
<b>Operating Profit</b>		(7.3%) 393.0	(7.1%) <b>380.0</b>	-13.0	-3.3%	(8.1%) 412.7	-32.7	-7.9%	
Finance income/ costs & others(※1)		37.0	<b>35.0</b>	-2.0		37.2	-2.2		
<b>Profit before Income Taxes</b>		(8.0%) 430.0	(7.7%) <b>415.0</b>	-15.0	-3.5%	(8.8%) 449.9	-34.9	-7.8%	
<b>Profit</b> (※2)		(5.6%) 305.0	(5.5%) <b>295.0</b>	-10.0	-3.3%	(6.3%) 320.6	-25.6	-8.0%	
						(Unit: Millions of Units)			
Precondition	Foreign Exchange Rate	JPY 110/\$	JPY 110/\$	-		JPY 111/\$	-1 JPY		
		JPY 130/Euro	JPY 130/Euro	-		JPY 130/Euro	+0 JPY		
	Domestic Car Production	9.57	9.50	-0.07	-0.7%	9.37	+0.13	+1.3%	
	Overseas Car Production of Japanese Manufacturers (North America)	20.69	20.32	-0.37	-1.8%	20.15	+0.17	+0.9%	
		(5.92)	(5.90)	(-0.02)	(-0.3%)	(6.03)	(+0.13)	(-2.2%)	

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

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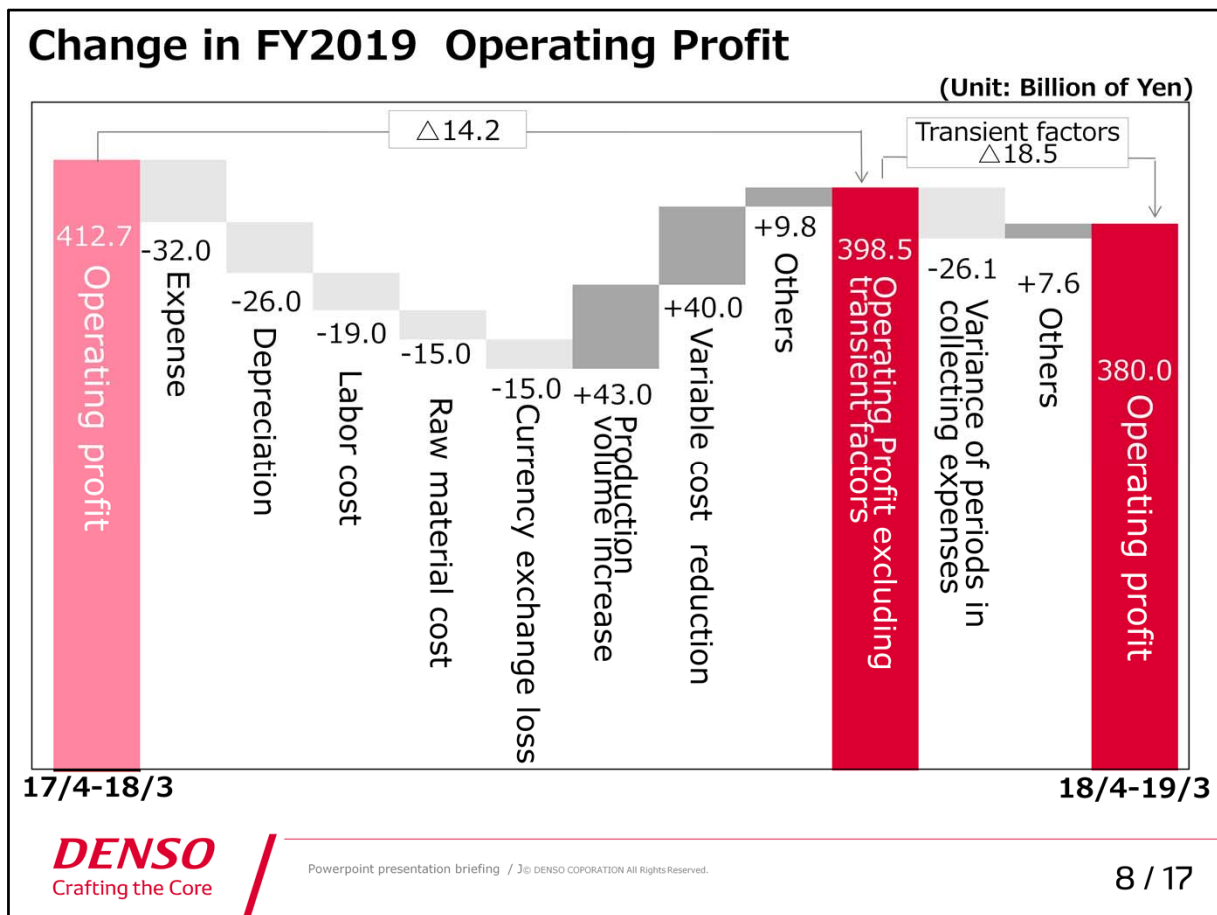
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## [Full year Financial Forecast]

Considering environmental factors such as market trend and the increase in raw material cost,

1. We expect revenue of 5,370.0 billion yen.
2. We expect operating profit to be 380.0 billion yen.
3. We used 110 yen to the U.S. dollar and 130 yen to the euro for the 2nd half and full year financial forecast.  
We have not revised the original rate for the 2nd half of this fiscal year.





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

### Negative factors

-107.0 billion yen is due to the increase in Expense, Depreciation and Labor cost for investment in future growth as well as the impact of Raw material cost increase and Currency exchange loss.

### Positive factors

+92.8 billion yen is due to Production volume increase and Variable cost reduction.

As a result, we expect operating profit excluding transient factors of 398.5 billion yen, 14.2 billion yen decrease from the previous year.

Including transient profit in the last fiscal year (Revaluation of TD mobile securities etc.), we expect operating profit to be 380.0 billion yen.

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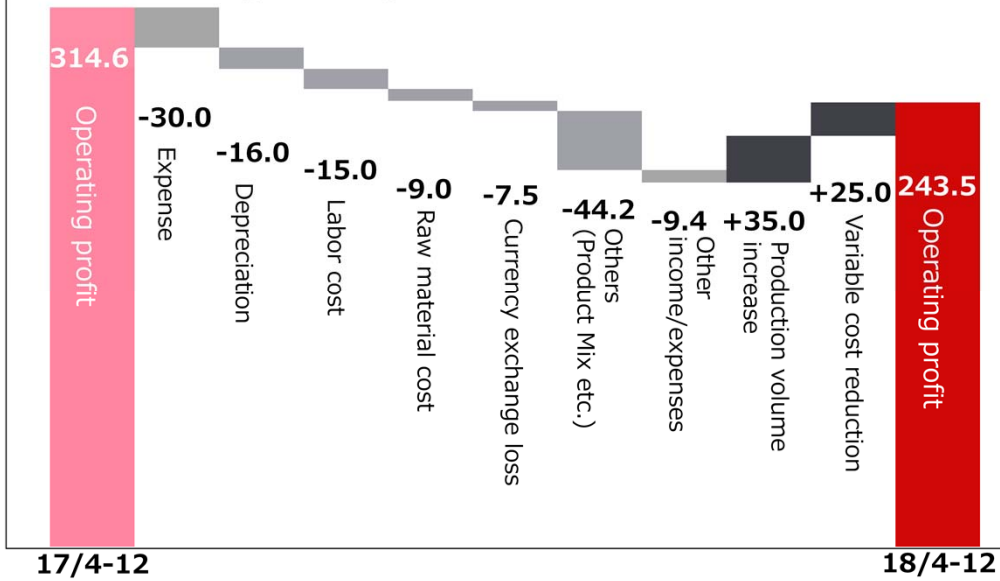
## Appendix

- Change in FY2019 9months Operating Profit
- Change in FY2019 Operating Profit
- Pre-Conditions (Foreign Exchange Rate/Car Production)
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- 9months Geographical Segments by Company Location
- Trend of Capital Expenditures, Depreciation and R&D Expenditures
- Capital Expenditures, Depreciation, and R&D Expenditures

## Change in FY2019 9months Operating Profit

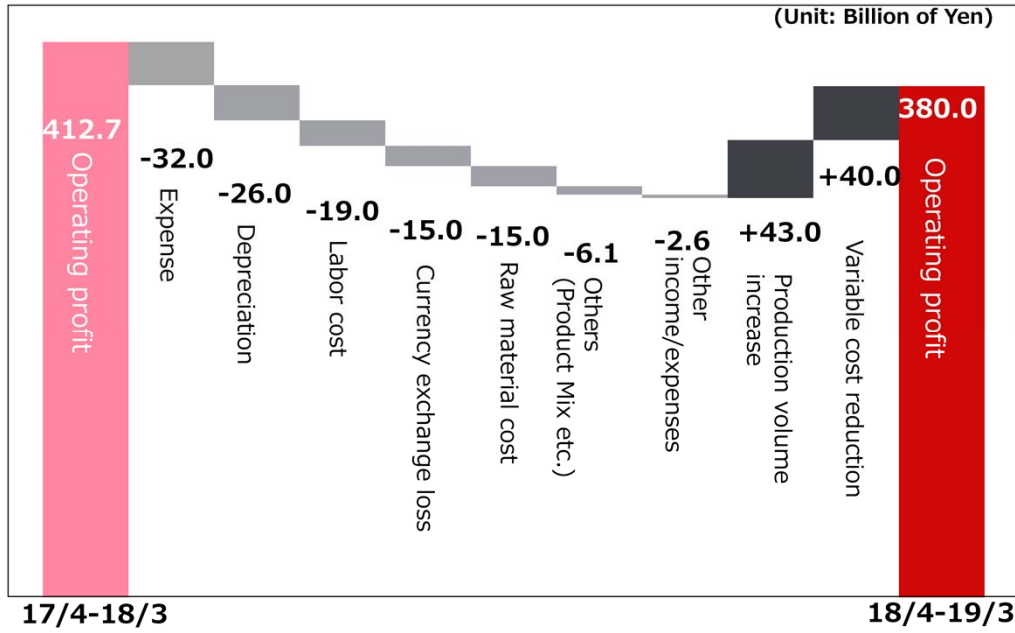
Based on the original categories

(Unit: Billion of Yen)



## Change in FY2019 Operating Profit

(Unit: Billion of Yen)



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

		FY2019 First-Half												FY2019 Second-Half						FY2019 Full Year					
		FY2019 First-Half			3Q			4Q			FY2019 Second-Half			FY2019 Full Year											
		Prior Year	Actual	Change	Prior Year	Actual	Change	Prior Year	Revised Estimate	Change	Prior Year	Forecast as of Oct.28	Forecast (Revised)	Change	Prior Year	Forecast as of Oct.28	Forecast (Revised)	Change							
Foreign Exchange Rate (Yen)	USD	111	110	- 1	113	113	- 0	108	107	- 1	111	110	110	-1	111	110	110	- 1							
	EUR	126	130	+ 4	133	129	- 4	133	131	- 2	133	130	130	-3	130	130	130	+ 0							
Forex Impact on Operating Income per Yen (Billions of Yen)	USD														-	2.5	2.5	2.5	0.0						
	EUR															-	1.0	1.0	1.0	0.0					
Car Production of Japanese Manufacturers (Millions of Units)	Domestic	4.54	4.47	- 1%	2.40	2.48	+ 4%	2.44	2.54	+ 4%	4.84	5.10	5.02	+ 4%	9.37	9.57	9.50	+ 1%							
	North America	3.01	2.90	- 4%	1.45	1.50	+ 4%	1.58	1.50	- 5%	3.02	3.02	3.00	- 1%	6.03	5.92	5.90	- 2%							
	Overseas	9.89	10.23	+ 3%	5.27	5.22	- 1%	4.98	4.91	- 2%	10.26	10.46	10.13	- 1%	20.15	20.69	20.32	+ 1%							



## Consolidated Revenue (By Customer)

(Unit: Billions of Yen)

	18/4-12		17/4-12		Change		Change excludes FX difference, etc.
	Amount	% to Total	Amount	% to Total	Amount	%	%
Toyota	1,677.8	42.1	1,525.5	41.2	152.3	10.0	12.9
Daihatsu	93.8	2.4	82.2	2.2	11.7	14.2	17.6
Hino	49.0	1.2	43.9	1.2	5.0	11.5	11.5
<b>Toyota Group</b>	<b>1,820.6</b>	<b>45.7</b>	<b>1,651.5</b>	<b>44.6</b>	<b>169.0</b>	<b>10.2</b>	<b>13.1</b>
Honda	306.3	7.8	285.7	7.8	20.6	7.2	9.1
FCA	166.1	4.2	168.9	4.6	-2.8	-1.7	0.9
GM	161.8	4.1	138.3	3.7	23.5	17.0	17.7
Hyundai/Kia	102.7	2.6	100.9	2.7	1.8	1.8	1.4
Ford	102.5	2.6	114.4	3.1	-11.9	-10.4	-9.8
Mazda	93.1	2.3	87.7	2.4	5.4	6.2	7.8
Suzuki	87.3	2.2	85.0	2.3	2.2	2.6	5.8
SUBARU	79.3	2.0	74.1	2.0	5.2	7.0	8.3
Nissan	77.1	1.9	71.7	1.9	5.4	7.5	8.2
VW/AUDI	59.8	1.5	60.4	1.6	-0.6	-1.0	-1.7
Mitsubishi	48.6	1.2	38.1	1.0	10.5	27.4	27.7
Isuzu	45.7	1.1	41.7	1.1	4.0	9.6	8.6
Volvo	32.3	0.8	28.6	0.8	3.7	12.8	12.5
BMW	32.0	0.8	31.2	0.8	0.8	2.5	1.9
PSA	25.5	0.6	24.4	0.7	1.0	4.2	3.4
Benz	22.2	0.6	25.8	0.7	-3.7	-14.2	-15.0
OE Sales for others	268.0	6.7	243.2	6.6	24.8	10.2	10.5
<b>OEM Total</b>	<b>3,530.5</b>	<b>88.7</b>	<b>3,271.6</b>	<b>88.4</b>	<b>259.0</b>	<b>7.9</b>	<b>9.8</b>
After-market, Non-Automotive Business(*)	449.1	11.3	427.5	11.6	21.6	5.1	5.9
<b>Total</b>	<b>3,979.7</b>	<b>100.0</b>	<b>3,699.1</b>	<b>100.0</b>	<b>280.6</b>	<b>7.6</b>	<b>9.4</b>

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

## Consolidated Revenue (By Product)

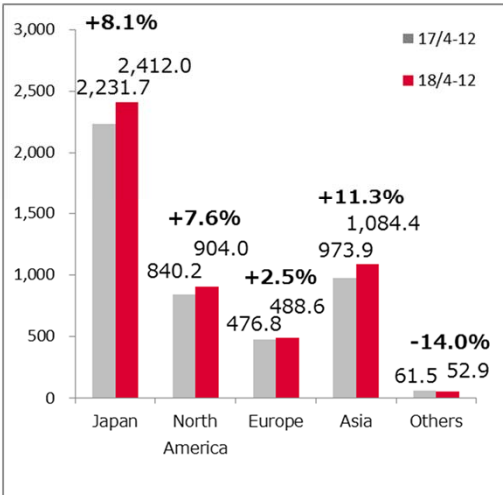
(Unit: Billions of Yen,%)

	18/4-12		17/4-12		Change		Change excludes FX difference
	Amount	% to Total	Amount	% to Total	Amount	%	%
Thermal Systems	1,055.2	26.5	1,066.0	28.8	-10.8	-1.0	1.0
Powertrain Systems	957.0	24.0	929.8	25.1	27.2	2.9	3.7
Electrification Systems	598.3	15.0	601.3	16.4	-3.1	-0.5	2.6
Mobility Systems	655.7	16.5	471.6	12.7	184.1	39.0	39.5
Electronic Systems	492.6	12.5	464.9	12.6	27.8	6.0	9.5
Others(*)	77.1	1.9	54.3	1.5	22.8	42.0	42.9
<b>Automotive Total</b>	<b>3,835.9</b>	<b>96.4</b>	<b>3,587.9</b>	<b>97.0</b>	<b>248.0</b>	<b>6.9</b>	<b>8.7</b>
<b>Non-Automotive Business(FA and agriculture, etc.) Total</b>	<b>143.8</b>	<b>3.6</b>	<b>111.2</b>	<b>3.0</b>	<b>32.6</b>	<b>29.3</b>	<b>30.2</b>
<b>Total</b>	<b>3,979.7</b>	<b>100.0</b>	<b>3,699.1</b>	<b>100.0</b>	<b>280.6</b>	<b>7.6</b>	<b>9.4</b>

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

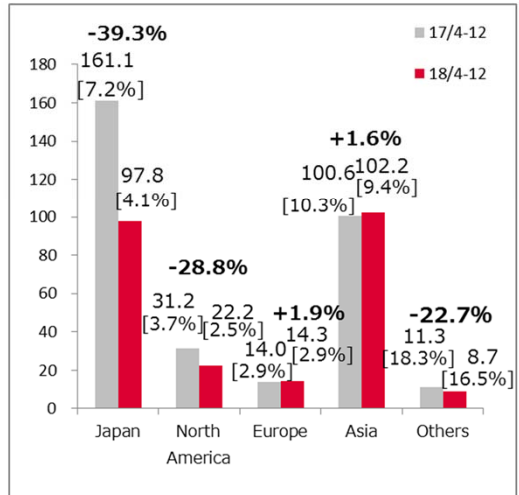
## 9months Geographical Segments by Company Location

### Revenue

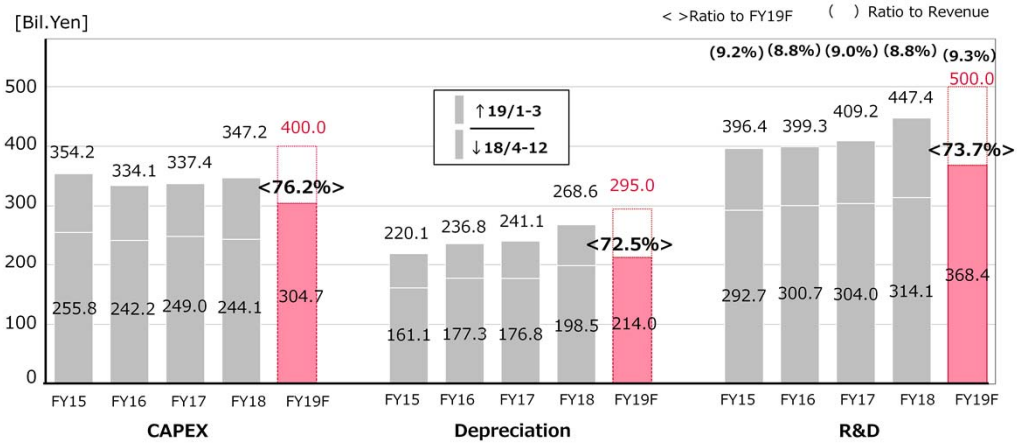


### Operating Profit

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



## Trend of Capital Expenditures, Depreciation and R&D Expenditures



## Capital Expenditures, Depreciation and R&D Expenditures

(Unit: Billions of Yen)

	18/3		19/3F		Change (%)	Progress to 19/3 Forecast
	17/12		18/12			
Japan	156.8	217.7	186.1	240.0	18.7%	77.5%
North America	26.8	43.8	46.1	62.5	72.0%	73.8%
Europe	21.0	30.8	18.5	32.0	-11.9%	57.8%
Asia	38.3	52.7	51.7	63.0	35.0%	82.1%
Others	1.4	2.2	2.3	2.5	64.3%	92.0%
Capital Exp.	244.1	347.2	304.7	400.0	24.8%	76.2%
Japan	114.3	154.7	125.0	172.5	9.4%	72.5%
North America	24.0	32.4	27.2	35.5	13.3%	76.6%
Europe	16.2	22.2	18.1	26.0	11.7%	69.6%
Asia	41.8	56.4	42.2	58.5	1.0%	72.1%
Others	2.2	2.8	1.6	2.5	-27.3%	64.0%
Depreciation	198.5	268.6	214.0	295.0	7.8%	72.5%
R&D Expenditure (Ratio to Revenue)	314.1 (8.5%)	447.4 (8.8%)	368.4 (9.3%)	500.0 (9.3%)	17.3%	73.7%