

The DENSO logo is written in a bold, italicized, red sans-serif font.

Crafting the Core

**FY2020 1st Half
Financial Results
(2019/4-9)**

Oct 31, 2019
DENSO CORPORATION



Overview of FY2020 1st Half Financial Results

1. Revenue not including foreign exchange fluctuations increased due to the production increase in Japan and North America. However foreign exchange fluctuations led to slight decrease in revenue. Operating profit decreased due to an increase in investment for future growth and currency exchange loss.
2. Downward revision to full-year forecast considering the market slowdown and foreign exchange loss.
3. Annual dividend payment will be 140 yen, which is same as the original forecast.

FY2020 1st Half Financial Results(2019/4-9)

		(Ratio to Revenue)		[Unit:Billions of Yen]	
		18/4-18/9	19/4-19/9	Change	
Revenue		2,625.0	2,618.4	-6.6	-0.2%
Operating Profit		(5.8%) 152.4	(5.1%) 134.0	-18.4	-12.0%
Finance income/ costs&others(*1)		17.8	17.2	+0.6	
Profit before Income Taxes		(6.5%) 170.2	(5.8%) 151.2	-19.0	-11.2%
Profit (*2)		(4.3%) 114.1	(4.0%) 104.2	-9.9	-8.6%
		(Unit:Millions of Units)			
Precondition	Foreign Exchange Rate	JPY 110/\$	JPY 109/\$	-2 JPY	
		JPY 130/Euro	JPY 121/Euro	-8 JPY	
	Domestic Car Production	4.47	4.69	+0.21	+4.8%
	Overseas Car Production of Japanese Manufacturers (North America)	10.20	9.61	-0.59	-5.8%
		(2.90)	(2.83)	(-0.07)	(-2.4%)

※ 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]

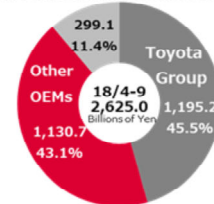
1. Consolidated revenue totaled 2,618.4 billion yen, decreased by 6.6 billion yen (-0.2%) from the previous year.
2. Consolidated operating profit totaled 134.0 billion yen, decreased by 18.4 billion yen (-12.0%) from the previous year.
3. Consolidated profit attributable to owners of the parent company totaled 104.2 billion yen, decreased by 9.9 billion yen (-8.6%) from the previous year.

FY2020 1st Half Consolidated Revenue (By Customer)

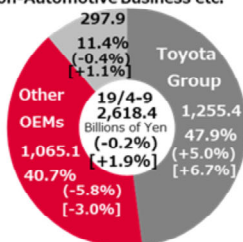
Unit: Billions of Yen
 (): Change from previous year
 []: Change from previous year
 excludes FX difference

(): change from previous year
 []: INCR/DECR, excludes FX difference

After-market,
Non-Automotive Business etc.



After-market,
Non-Automotive Business etc.



Revenue 2,625.0 ⇒ 2,618.4 (-0.2%) [+1.9%]

Toyota group 1,195.2 ⇒ 1,255.4 (+5.0%) [+6.7%]

Other OEMs 1,130.7 ⇒ 1,065.1 (-5.8%) [-3.0%]

2018/4 -2018/9	2019/4 -2019/9	Customer	Change (%)	Change []
1,130.7	1,065.1	Others	(-7.4%)	[-4.3%]
319.9	296.3			
42.5	33.4	VW/AUDI	(-21.5%)	[-16.4%]
50.2	48.6	Nissan	(-3.1%)	[-0.7%]
52.8	55.3	Subaru	(+4.9%)	[+5.6%]
58.5	55.3	Suzuki	(-5.5%)	[-4.1%]
64.4	60.6	Hyundai/Kia	(-5.8%)	[+0.4%]
59.0	60.8	Mazda	(+2.9%)	[+2.9%]
69.4	63.1	Ford	(-9.0%)	[-6.7%]
100.1	88.7	GM	(-11.5%)	[-9.4%]
114.7	97.1	FCA	(-15.4%)	[-11.2%]
199.2	205.9	Honda	(+3.4%)	[+5.9%]



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[Sales by Customer (Quantity Base)]

Sales to Toyota Group

Sales to the Toyota Group increased by 6.7% from the previous year. The reasons are as follows; 1) The car production increased in Japan. 2) Vehicles equipped with safety-related products have been increased.

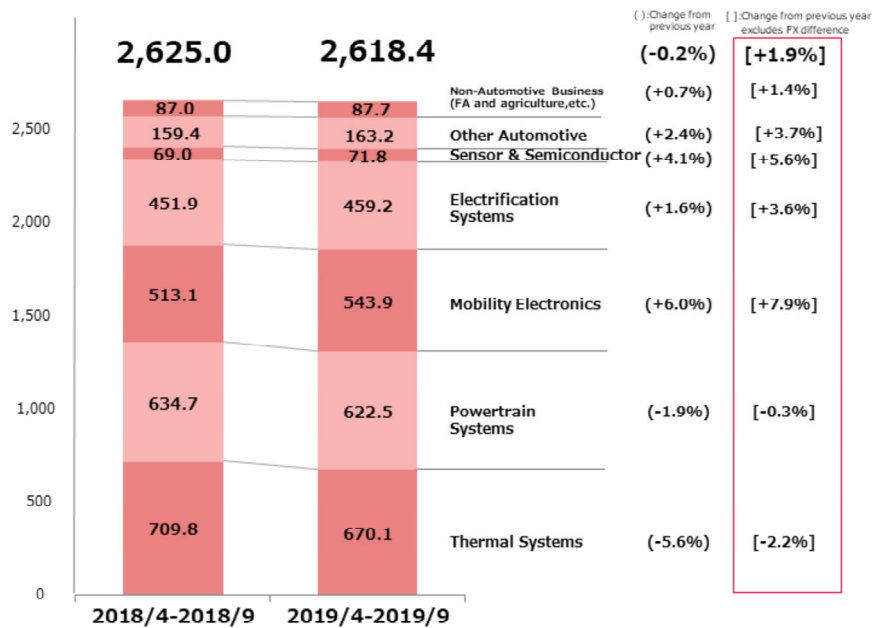
Sales to non-Toyota Group companies

Sales to non-Toyota Group companies decreased by 3.0% from last year. The reasons of each manufacture are as follows;

- 1) VW• AUDI : Decrease of car production in China and downturn related to rush demand before WLTP regulations in the previous year.
- 2) FCA and GM : Decrease of car production in North America, Europe and China.

FY2020 1st Half Consolidated Revenue (By Product)

(Unit: Billions of Yen)



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[Sales by Product (Quantity Base)]

Sales of Thermal Systems and Powertrain Systems Products

Vehicles equipped with compressors have been increased and there was sales expansion of Gasoline related product.

However, impact of market slowdown by non-Toyota led to decrease in revenue.

Sales of Mobility Electronics Products

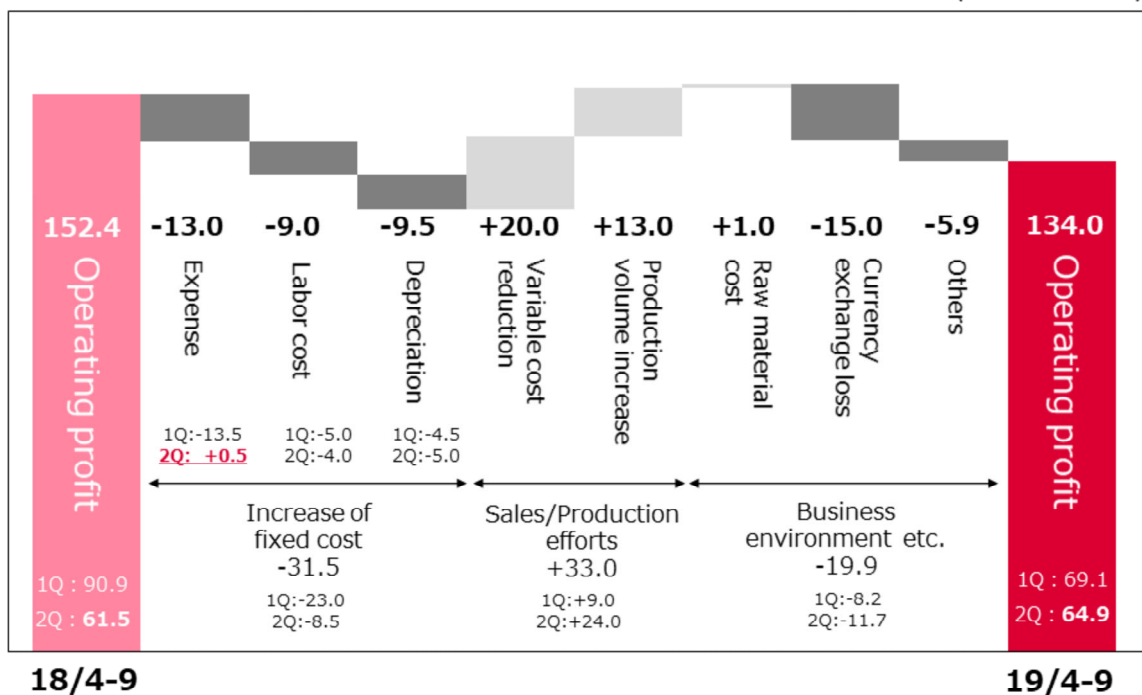
Sales increased in Japan due to the increase in vehicles equipped with safety-related products and sales expansion of display related products in North America.

Sales of Electrification Systems Products

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

Change in FY2020 1st Half Operating Profit

(Unit: Billion of Yen)



18/4-9

19/4-9

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

Negative factors

Expense : -13.0 billion yen / Depreciation: 9.5 billion yen were due to the increase of investment for future growth area and IT investment for improving productivity of employees.

Labor cost: -9.0 billion yen was due to salary increases in Japan.

Positive factors

Production volume increase : 13.0 billion yen was despite the impact of a slowdown in the market, we were able to secure a margin, due to steady sales growth in Japan and North America. Variable cost reduction : 20.0 billion yen was the progress as planned.

The increase in fixed costs was 31.5 billion yen, and sales and productivity improvement efforts were 33.0 billion yen. We have had a return on our strong-willed investments with effort. Nevertheless, as an external environmental factor, foreign exchange rates deteriorated compared to the previous year, resulting in 134.0 billion yen.

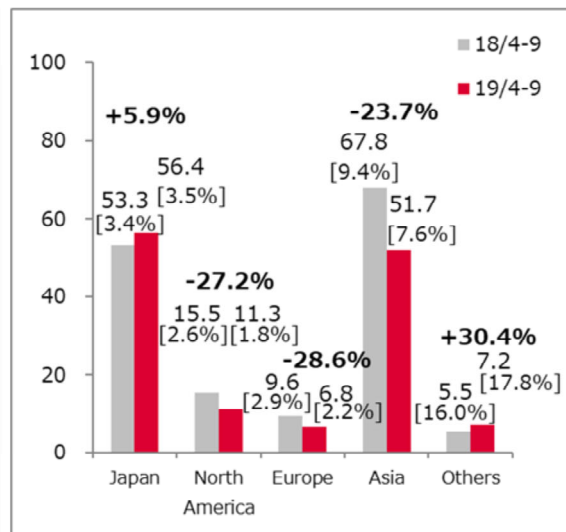
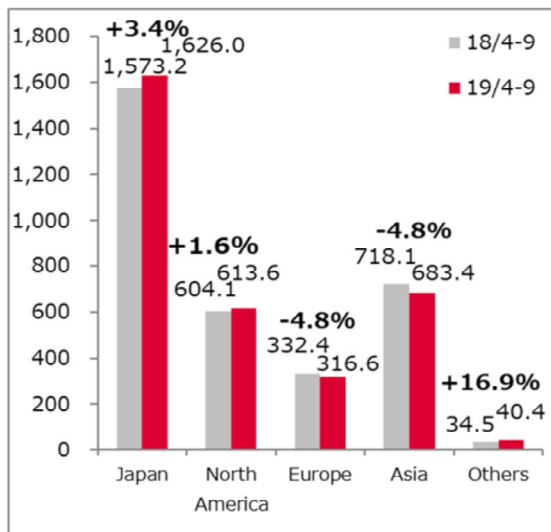
Geographical Segments by Company Location

Local currency basis excludes FX difference (110JPY/1USD, 130JPY/1EUR)

Revenue

Operating Profit

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



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[Revenue and Operating Profit by Each Region*]

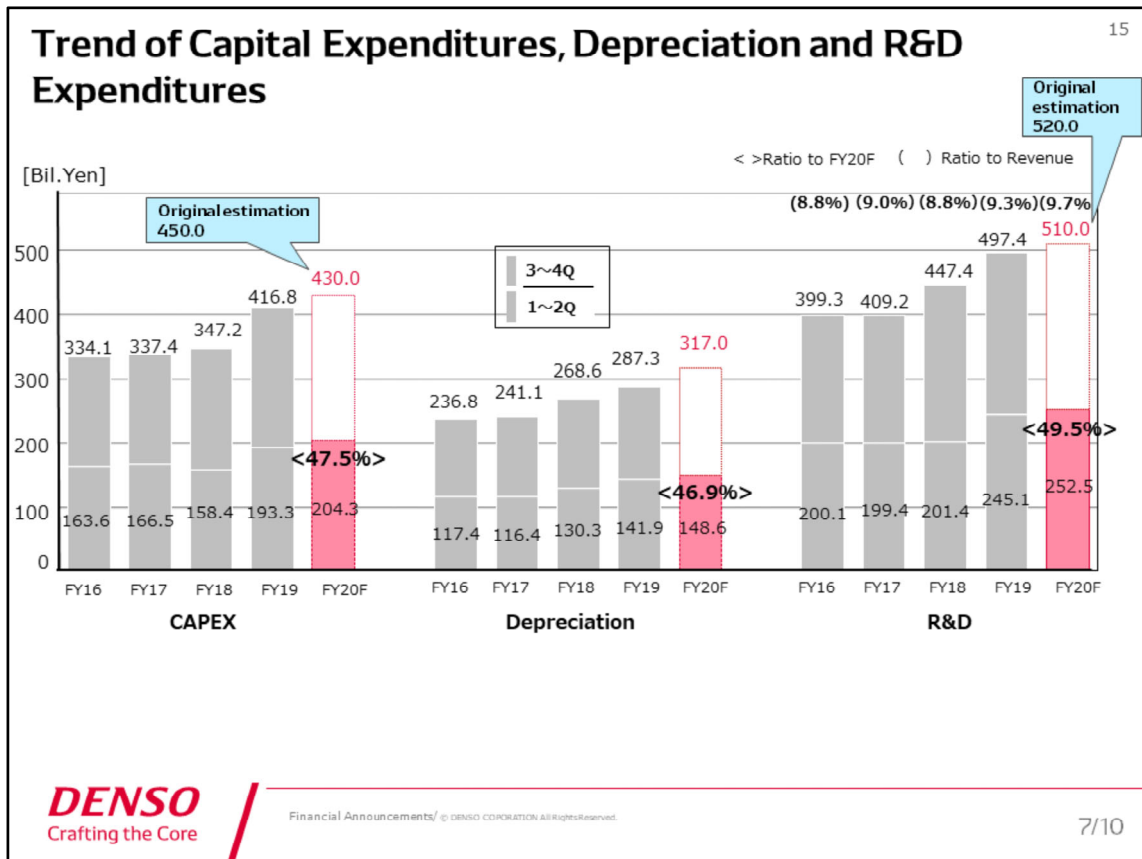
*Excluding the effect of foreign exchange

In Japan

Operating profit increased 5.9% year-on-year, thanks to a rise in production volume resulting from an increase in sales mainly to Toyota as well as streamlining efforts.

Overseas

In North America, operating profit decreased due to higher upfront development costs and the electrification. In Europe and Asia, operating income declined, due to a slowdown in the market and the impact of foreign exchange rates, despite streamlining efforts.



[Trends in capital expenditures and R&D expenses]

Capex

Capital expenditures amounted to 204.3 billion yen. Full-year forecast is 430.0 billion yen, down 20.0 billion yen from the initial forecast, reflecting a slowdown in markets, particularly in the Asian region. Since the market is in a slump, we would like to manage capital investment while keeping an eye on the current situation with stricter discipline.

R&D

R&D expenses totaled 252.5 billion yen. We revised the R&D expense forecast to 510.0 billion yen, down 10.0 billion yen from the initial forecast. We are automating software production and standardizing the design process to eliminate reworks. Furthermore, we will control the allocation of R&D to the area which become increasingly important in the future.

FY2020 Financial Forecast

(Ratio to Revenue)

[Unit:Billions of Yen]

	As of June 2019		20/3 Forecast		Change from June 2019		19/3 Actual		Change from March 2019	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenue	5,500.0		5,260.0		-240.0	-4.4%	5,362.8		-102.8	-1.9%
Operating Profit	(6.9%) 380.0		(6.1%) 320.0		-60.0	-15.8%	(5.9%) 316.2		+3.8	+1.2%
Finance income/ costs&others(*1)	49.0		41.0		-8.0		39.8		+1.2	
Profit before Income Taxes	(7.8%) 429.0		(6.9%) 361.0		-68.0	-15.9%	(6.6%) 356.0		+5.0	+1.4%
Profit(*2)	(5.5%) 305.0		(4.9%) 257.0		-48.0	-15.7%	(4.7%) 254.5		+2.5	+1.0%

Precondition	JPY 110/\$		JPY 107/\$		-3 JPY		JPY 111/\$		-4 JPY	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Foreign Exchange Rate	125/Euro		118/Euro		-7 JPY	-	128/Euro		-10 JPY	
Domestic Vehicle Production	9.61		9.51		-0.10	-1.0%	9.43		+0.08	+0.9%
Overseas Vehicle Production of Japanese Manufacturers (North America)	20.46		19.44		-1.02	-5.0%	20.11		-0.67	-3.3%
	(5.83)		(5.65)		(-0.18)	(-3.1%)	(5.91)		(-0.26)	(-4.4%)

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※ 2 Profit attributable to owners of the parent company

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[Full year Financial Forecast]

Reflecting the recent market downturn and the strong yen, we revised the full-year forecast.

1. We expect revenue of 5,260.0 billion yen.
2. We expect operating profit to be 320.0 billion yen.

Variance from previous estimation at 1st quarter

(Unit: Billion of yen)

	1Q estimation	2Q estimation	Diff.
Operating profit	316.2	316.2	-
Expense	-10.0	0	+10.0
Labor cost	-20.0	-16.0	+4.0
Depreciation	-30.0	-28.0	+2.0
Variable cost reduction	50.0	54.0	+4.0
Production volume increase	50.0	15.0	-35.0
Currency exchange loss	-6.0	-49.0	-43.0
Raw material cost	-7.0	-4.0	+3.0
Others	36.8	31.8	-5.0
Operating profit	+380.0	+320.0	▲60.0

<Major factors >

Control fixed costs by improving R&D efficiency, disciplined investment reduction and increase in variable cost reduction (+20.0)

- Vehicle production decrease mainly in Asia
- Sales is lower than original estimation(overall customers)

Change of exchange rate
 USD: 110 ⇒ 106.8 (Full-year) 105 (2nd-half)
 EUR: 125 ⇒ 118.2 (Full-year) 115 (2nd-half)
 CNY: 16.5 ⇒ 15.3 (Full-year) 15.0 (2nd-half)
 *Forex impact on operating profit (Full-year)
USD: 2.7B yen per yen **EUR: 1.2B yen per yen**
CNY: 1.2B yen per 0.1 yen

- Countermeasures for soil contamination -2.0
- NA trade policy additional impact -1.0

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[Variance from previous estimation at 1st quarter]

Expense, labor cost and depreciation

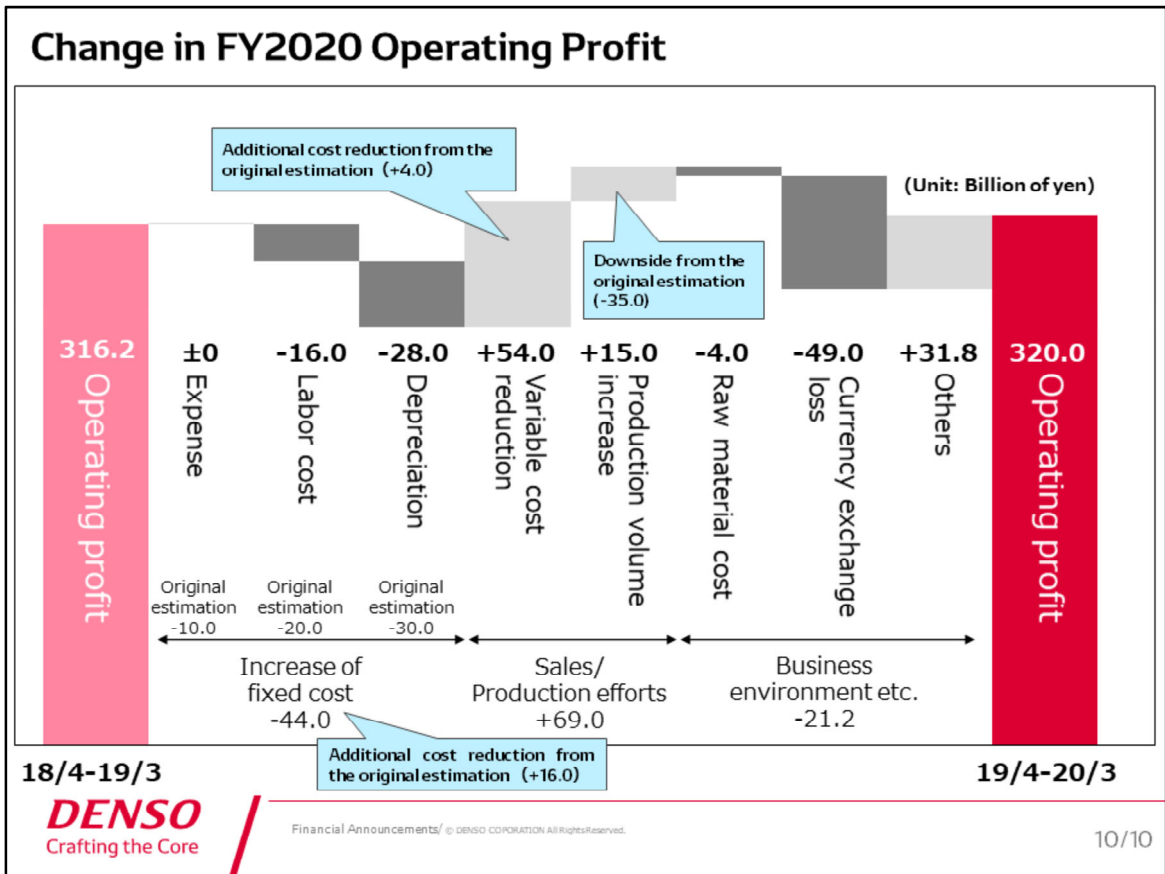
We will reduce fixed costs by streamlining R&D and thoroughly implementing disciplined investments. Combined with increased rationalization, we will achieve a 20.0-billion-yen improvement.

Production volume

While securing a margin, we made a downward revision, due to a deterioration in the market.

Currency exchange loss

We revised the forecast for currency exchange loss reflecting higher yen.



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

Despite the deterioration in the operating environment, we would like to maintain the year-on-year increase in operating profit. We will also recover increases in labor costs and depreciation costs through efforts to improve sales and productivity.

We revised downward due to the deterioration of the external environment, but we will continue to strive to improve profitability and further improve our earning power, in order to recover through further improvement efforts and investment restraint.

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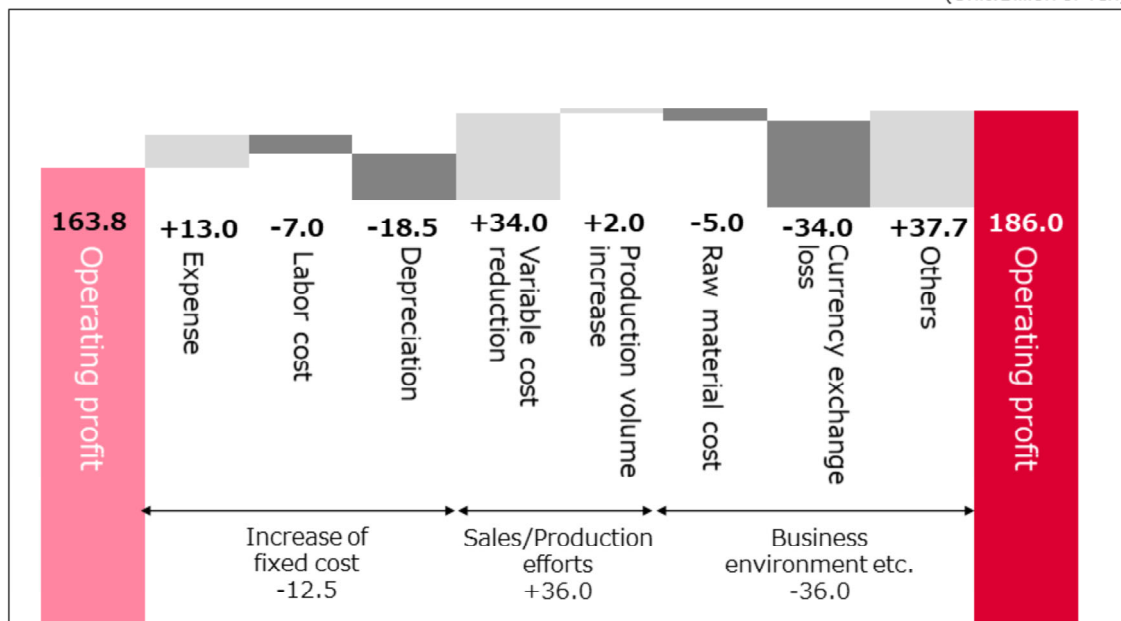
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Appendix

- Change in FY2020 2nd Half Operating Profit
- Pre-Conditions (Foreign Exchange Rate/Car Production)
- Consolidated Revenue by Customer
- Consolidated Revenue by Product
- Geographical Segments by Company Location
- Capital Expenditures, Depreciation and R&D Expenditures

Change in FY2020 2nd Half Operating Profit

(Unit: Billion of Yen)



18/10-19/3

19/10-20/3

Pre-Conditions (Foreign Exchange Rate/Car Production)

		FY2020 Full Year										
		FY2020 First-Half			FY2020 Second-Half							
		Prior Year	Actual	Change	Prior Year	Forecast (Revised)	Change	Prior Year	Forecast (Original)	Forecast as of June 2019	Forecast (Revised)	Change
Foreign Exchange Rate (Yen)	USD	110	109	- 2	112	105	- 7	111	110	110	107	- 4
	EUR	130	121	- 8	127	115	-12	128	125	125	118	- 10
Forex Impact on Operating Income per Yen (Billions of Yen)	USD	-			-			2.5	2.5	2.5	2.7	0.2
	EUR	-			-			1.0	1.0	1.0	1.2	0.2
Car Production of Japanese Manufacturers (Millions of Units)	Domestic	4.47	4.69	+ 5%	4.95	4.83	- 3%	9.43	9.61	9.61	9.51	+ 1%
	North America	2.90	2.83	- 2%	3.01	2.82	- 6%	5.91	5.83	5.83	5.65	- 4%
	Overseas	10.20	9.61	- 6%	9.91	9.83	- 1%	20.11	20.46	20.46	19.44	- 3%

Consolidated Revenue (By Customer)

(Unit: Billions of Yen)

	2018/4-2018/9		2019/4-2019/9		Change		Change excludes FX difference,etc.
	Amount	% to Total	Amount	% to Total	Amount	%	%
Toyota	1,103.6	42.0	1,159.7	44.2	56.2	5.1	6.8
Daihatsu	59.3	2.3	65.3	2.5	6.1	10.2	10.9
Hino	32.3	1.2	30.4	1.2	-2.0	-6.1	-6.1
Toyota Group	1,195.2	45.5	1,255.4	47.9	60.3	5.0	6.7
Honda	199.2	7.7	205.9	7.9	6.7	3.4	5.9
FCA	114.7	4.4	97.1	3.7	-17.6	-15.4	-11.2
GM	100.1	3.8	88.7	3.4	-11.5	-11.5	-9.4
Ford	69.4	2.6	63.1	2.4	-6.3	-9.0	-6.7
Mazuda	59.0	2.2	60.8	2.3	1.7	2.9	2.9
Hyundai/Kia	64.4	2.5	60.6	2.3	-3.8	-5.8	0.4
Suzuki	58.5	2.2	55.3	2.1	-3.2	-5.5	-4.1
SUBARU	52.8	2.0	55.3	2.1	2.6	4.9	5.6
Nissan	50.2	1.9	48.6	1.9	-1.6	-3.1	-0.7
VW·AUDI	42.5	1.6	33.4	1.3	-9.2	-21.5	-16.4
Mitsubishi	30.6	1.2	29.8	1.1	-0.8	-2.8	-3.4
Isuzu	30.0	1.1	28.7	1.1	-1.3	-4.2	-4.9
BMW	21.9	0.8	25.3	1.0	3.5	15.9	23.3
PSA	25.5	1.0	23.5	0.9	-1.9	-7.6	-1.3
Volvo	20.7	0.8	20.7	0.8	0.0	+0.0	6.8
Daimler	15.6	0.6	13.1	0.5	-2.5	-16.1	-10.3
OE Sales for others	175.6	6.7	155.1	5.9	-20.5	-11.7	-9.0
OEM Total	2,325.8	88.6	2,320.5	88.6	-5.4	-0.2	2.0
After-market, Non-Automotive Business(*)	299.1	11.4	297.9	11.4	-1.2	-0.4	1.1
Total	2,625.0	100.0	2,618.4	100.0	-6.6	-0.2	1.9

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

Consolidated Revenue (By Product)

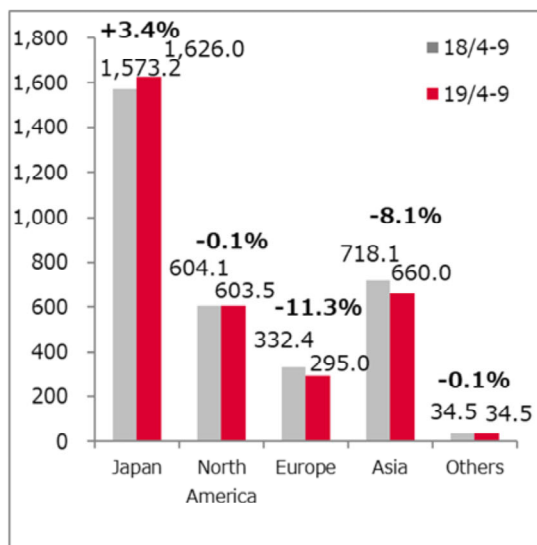
(Unit: Billions of Yen,%)

	18/4-18/9		19/4-19/9		Change		Change excludes FX difference
	Amount	% to Total	Amount	% to Total	Amount	%	%
Thermal Systems	709.8	27.0	670.1	25.6	-39.7	-5.6	-2.2
Powertrain Systems	634.7	24.2	622.5	23.8	-12.2	-1.9	-0.3
Mobility Electronics	513.1	19.6	543.9	20.9	30.8	6.0	7.9
Electrification Systems	451.9	17.2	459.2	17.5	7.3	1.6	3.6
Sensor & Semiconductor	69.0	2.6	71.8	2.7	2.8	4.1	5.6
Others(*)	159.4	6.1	163.2	6.1	3.8	2.4	3.7
Automotive Total	2,538.0	96.7	2,530.7	96.6	-7.2	-0.3	1.9
Non-Automotive Business(FA and agriculture, etc.)	87.0	3.3	87.7	3.4	0.6	0.7	1.4
Total	2,625.0	100.0	2,618.4	100.0	- 6.6	- 0.2	1.9

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

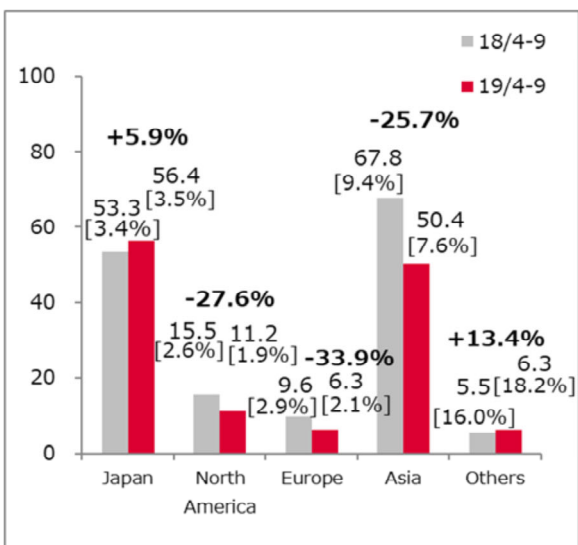
Geographical Segments by Company Location

Revenue



Operating Profit

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



Capital Expenditures, Depreciation and R&D Expenditures

(Unit: Billions of Yen)

	19/3		20/3F		Change (%)	Progress to 20/3 Forecast
	18/9	19/3	19/9	20/3F		
Japan	116.9	258.2	126.8	261.5	8.5%	48.5%
North America	32.0	60.3	22.2	60.0	-30.6%	37.0%
Europe	11.4	25.5	13.2	25.0	15.8%	52.8%
Asia	31.7	69.5	40.7	100.0	28.4%	40.7%
Others	1.3	3.4	1.4	3.5	7.7%	40.0%
Adjustment *	-	-	-	-20.0	-	-
Capital Exp.	193.3	416.8	204.3	430.0	5.7%	47.5%
Japan	82.6	168.6	89.6	189.0	8.5%	47.4%
North America	18.1	36.8	20.1	44.5	11.0%	45.2%
Europe	11.8	24.0	11.6	26.0	-1.7%	44.6%
Asia	28.3	55.7	26.3	58.0	-7.1%	45.3%
Others	1.0	2.1	1.0	2.5	-0.0%	40.0%
Adjustment *	-	-	-	-3.0	-	-
Depreciation	141.9	287.3	148.6	317.0	4.7%	46.9%
R&D Expenditure	245.1	497.4	252.5	510.0	3.0%	49.5%
(Ratio to Revenue)	(9.3%)	(9.3%)	(9.6%)	(9.7%)		

* Reduction from the original estimation mainly in Asia.