



**3<sup>rd</sup> Quarter Financial Results  
FY2006 ended December 31, 2006**

**February 1, 2007**

**DENSO CORPORATION**

***DENSO***

# Overview of FY2006 3<sup>rd</sup> Quarter Financial Results

1. Growing vehicle exporting and steady overseas production resulted in a 14.7% increase in revenues.

2. Despite a production volume increase effect, a steep rise in the cost of raw materials resulted in an increase in operating profits of only 3.3%.

3. No change for FY2006 estimate.

# 3<sup>rd</sup> Quarter Financial Results

\*: Ratio to Sales

(Unit: Billions of Yen)

	06/10-12	05/10-12	Increase	% Increase
Sales	927.9	809.0	+118.9	+14.7%
Operating Income	9.6%* 89.1	86.2	+2.9	+3.3%
Income before Income Taxes	97.6	93.5	+4.1	+4.4%
Net Income	6.7%* 61.7	56.7	+5.1	+9.0%

(Unit: Millions of Units)

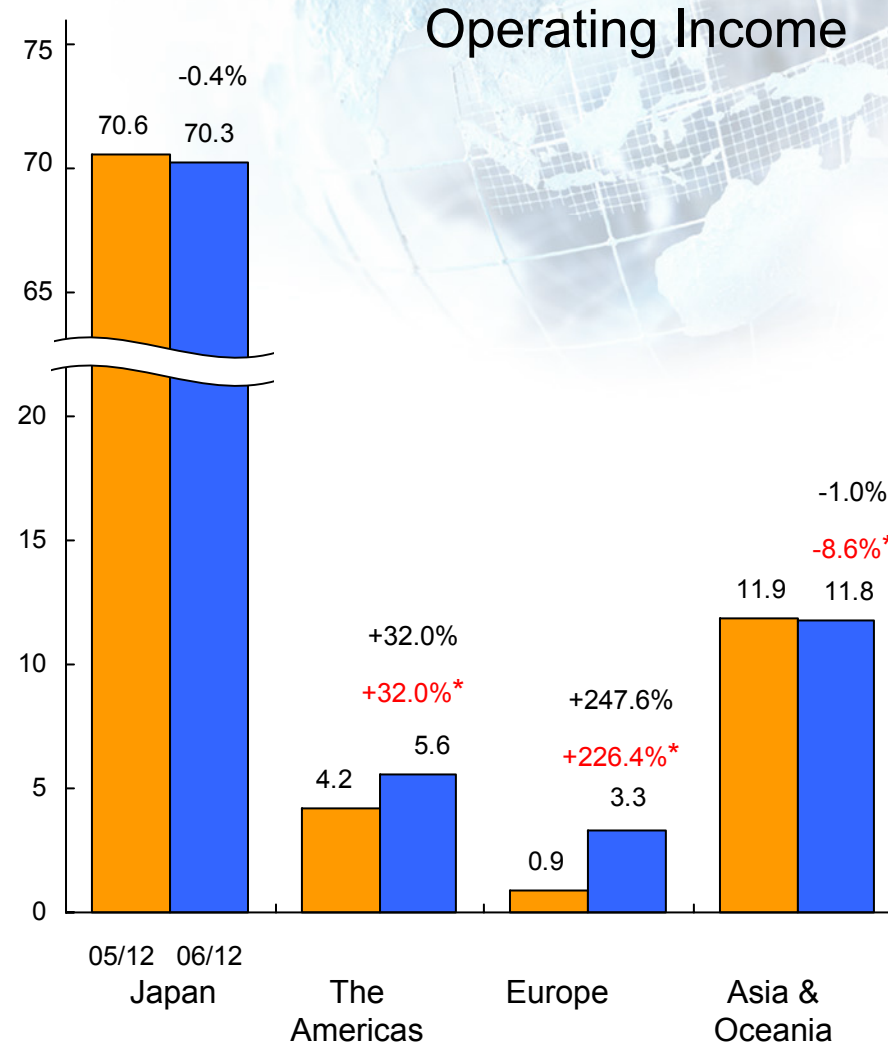
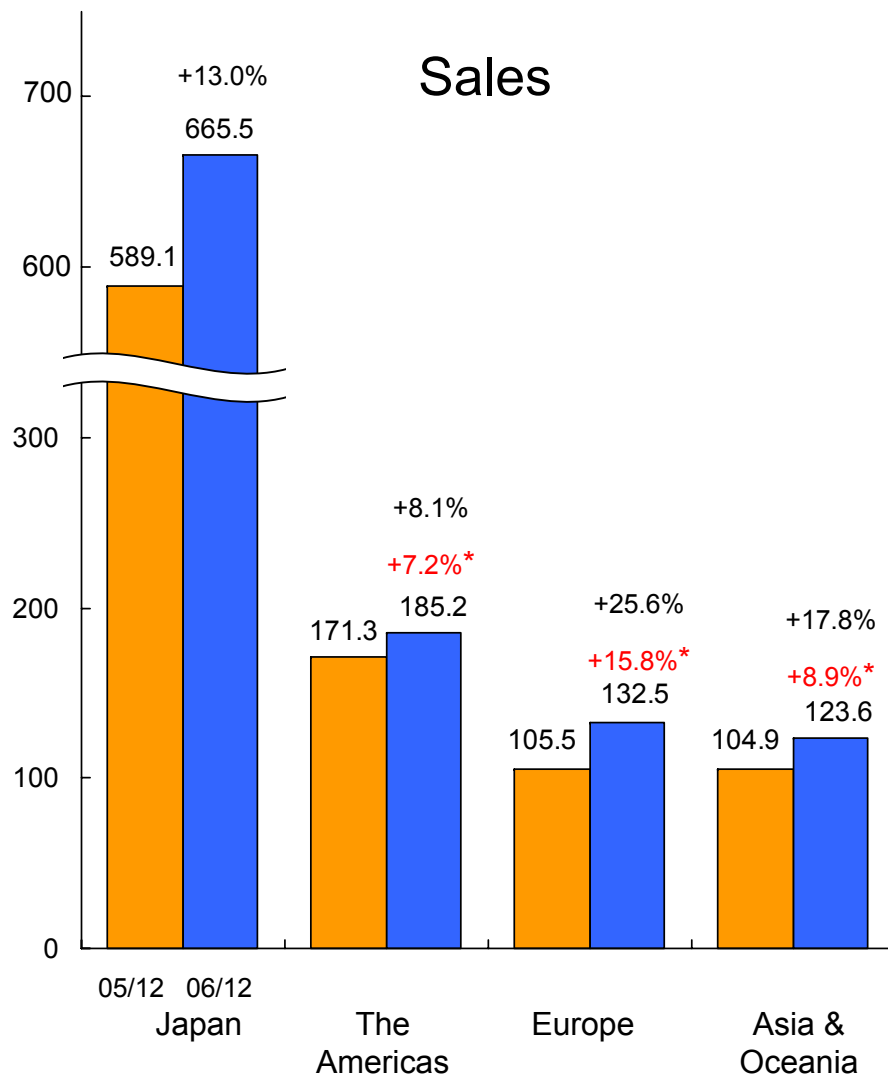
Foreign Exchange Rate	¥117/\$ ¥150/Euro	¥116/\$ ¥138/Euro	+¥1 +¥12	
Domestic Car Production <i>Toyota</i>	2.98 1.09	2.74 0.96	+0.24 +0.13	+8.8% +13.5%
Overseas Car Production for Japanese OEM <i>Toyota</i>	2.92 1.04	2.72 0.99	+0.20 +0.05	+7.4% +5.1%

# 3<sup>rd</sup> Quarter: Geographical Segments by Company Location

3/17

(Unit: Billions of Yen)

\*: Local Currency Base

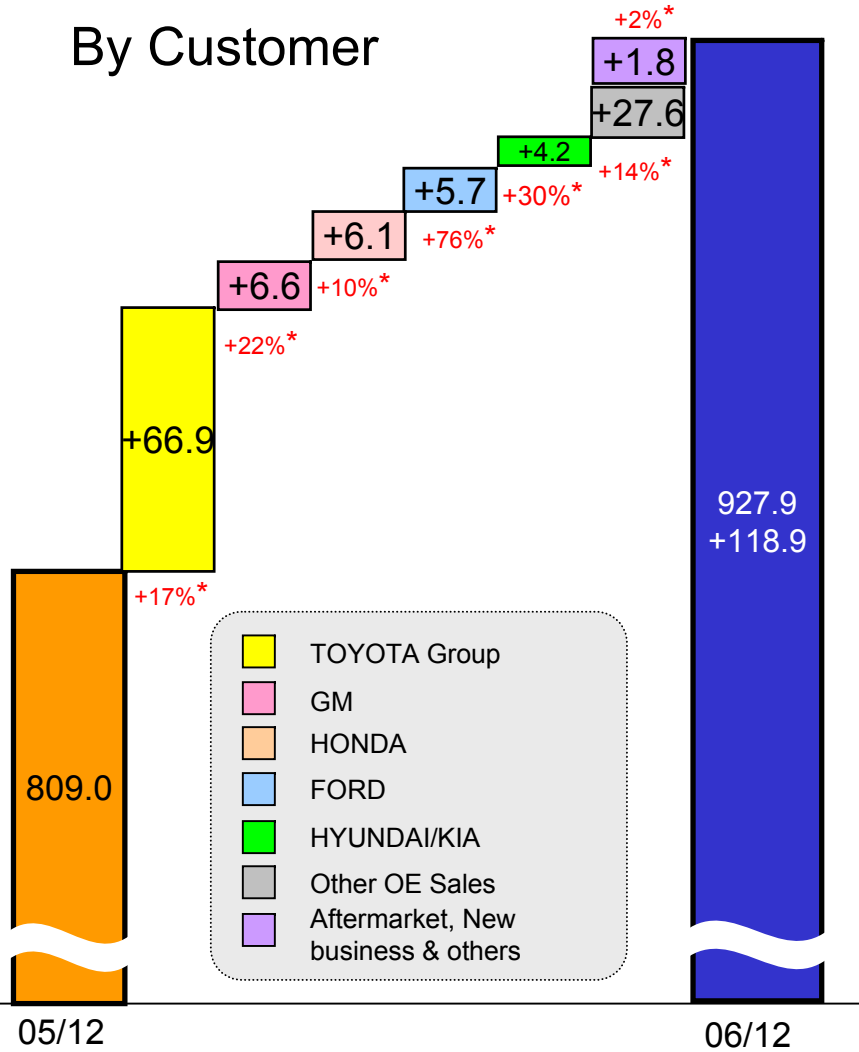


# Consolidated Sales Changes by Customer and Business Segments

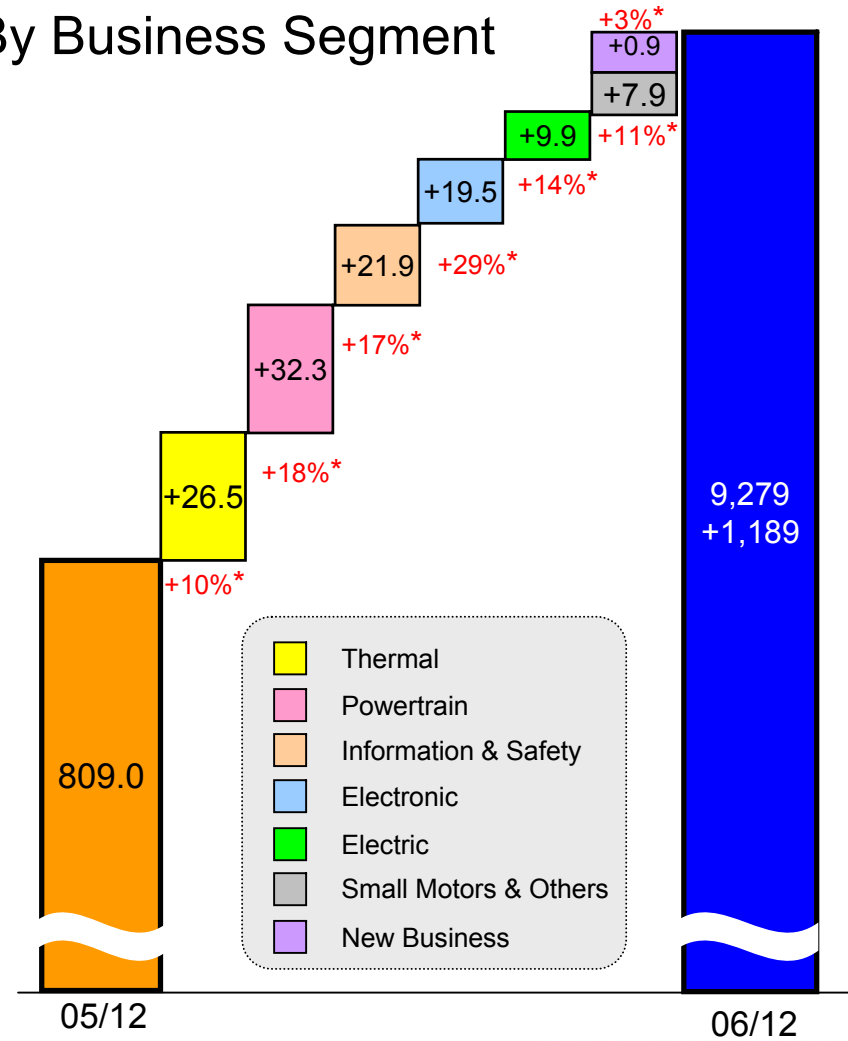
(Unit: Billions of Yen)

\* : Change from previous period

## By Customer

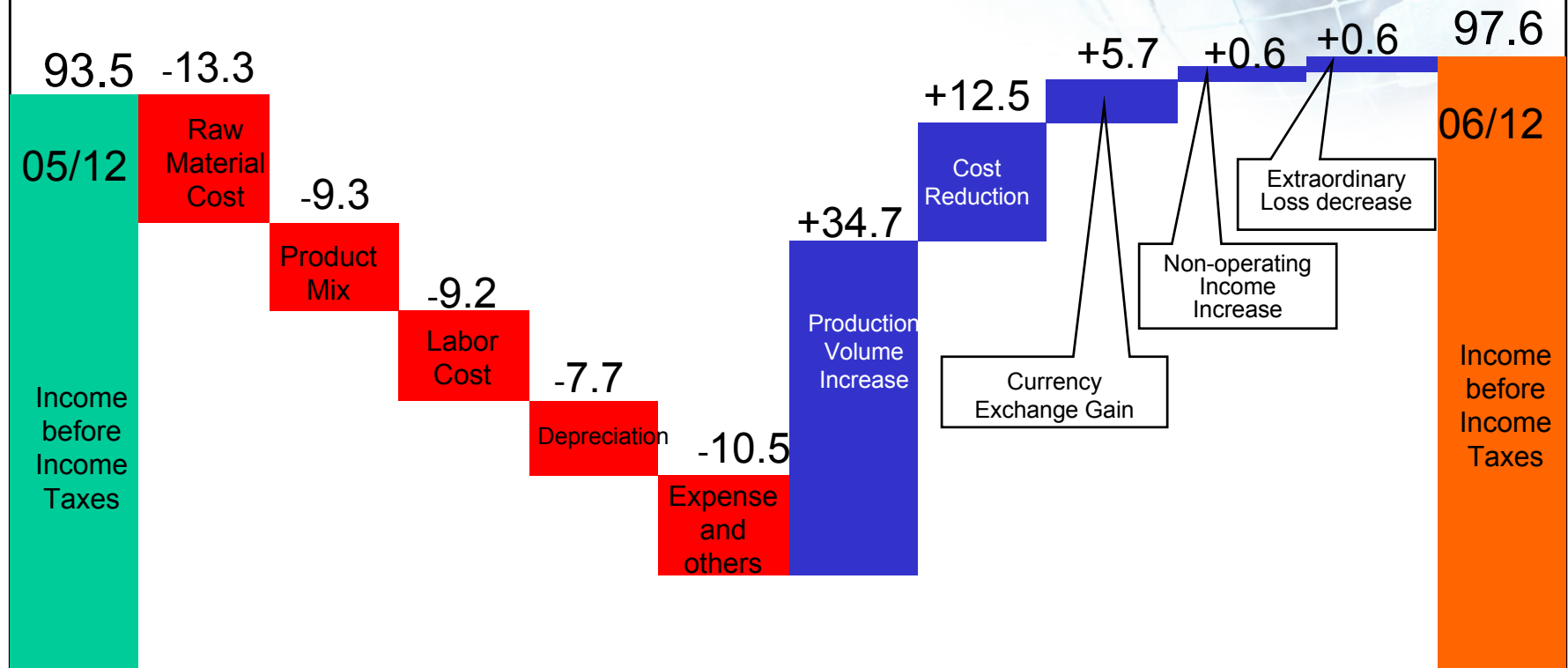


## By Business Segment



# Income Changes before Income Taxes (05/12-06/12)

(Unit:Billions of Yen)





# FY2006 1<sup>st</sup> – 3<sup>rd</sup> Quarter Financial Results

\*: Ratio to Sales

(Unit: Billions of Yen)

	06/4-12	05/4-12	Increase	% Increase	Progress to 07/3 Estimate
Sales	2,629.6	2,315.6	+314.0	+13.6%	+75.1%
Operating Income	8.6%* 227.4	8.9%* 206.0	+21.4	+10.4%	+79.0%
Income before Income Taxes	245.0	212.8	+32.2	+15.1%	+81.2%
Net Income	5.9%* 155.8	5.3%* 123.9	+32.0	+25.8%	+80.7%

(Unit: Millions of Units)

Foreign Exchange Rate	¥116/\$ ¥148/Euro	¥112/\$ ¥137/Euro	+ ¥4 + ¥11	
Domestic Car Production <i>Toyota</i>	8.51 3.09	7.93 2.76	+0.58 +0.33	+7.3% +12.0%
Overseas Car Production for Japanese OEM <i>Toyota</i>	8.41 3.10	8.11 2.87	+0.30 +0.23	+3.7% + 8.0%

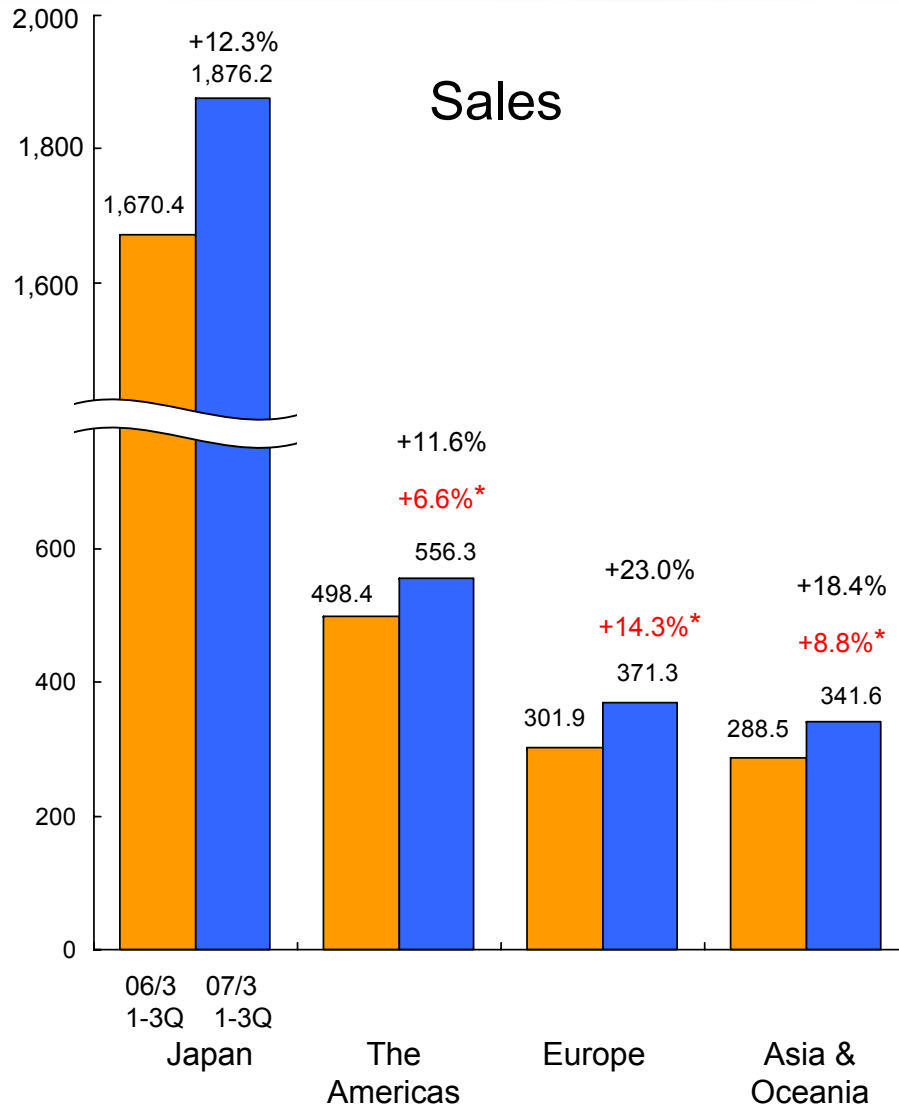
# 1st - 3rd Quarter: Geographical Segments by Company Location

7/17

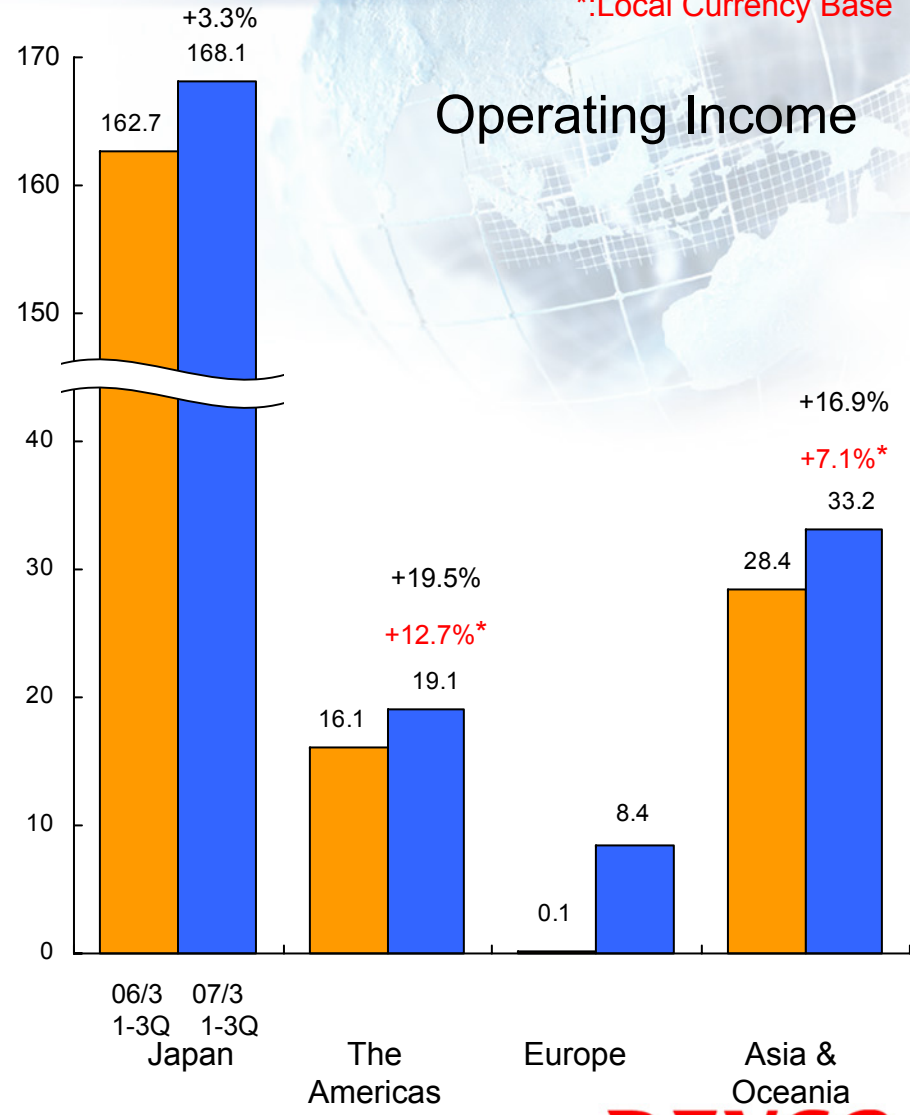
(Unit: Billions of Yen)

\*: Local Currency Base

## Sales



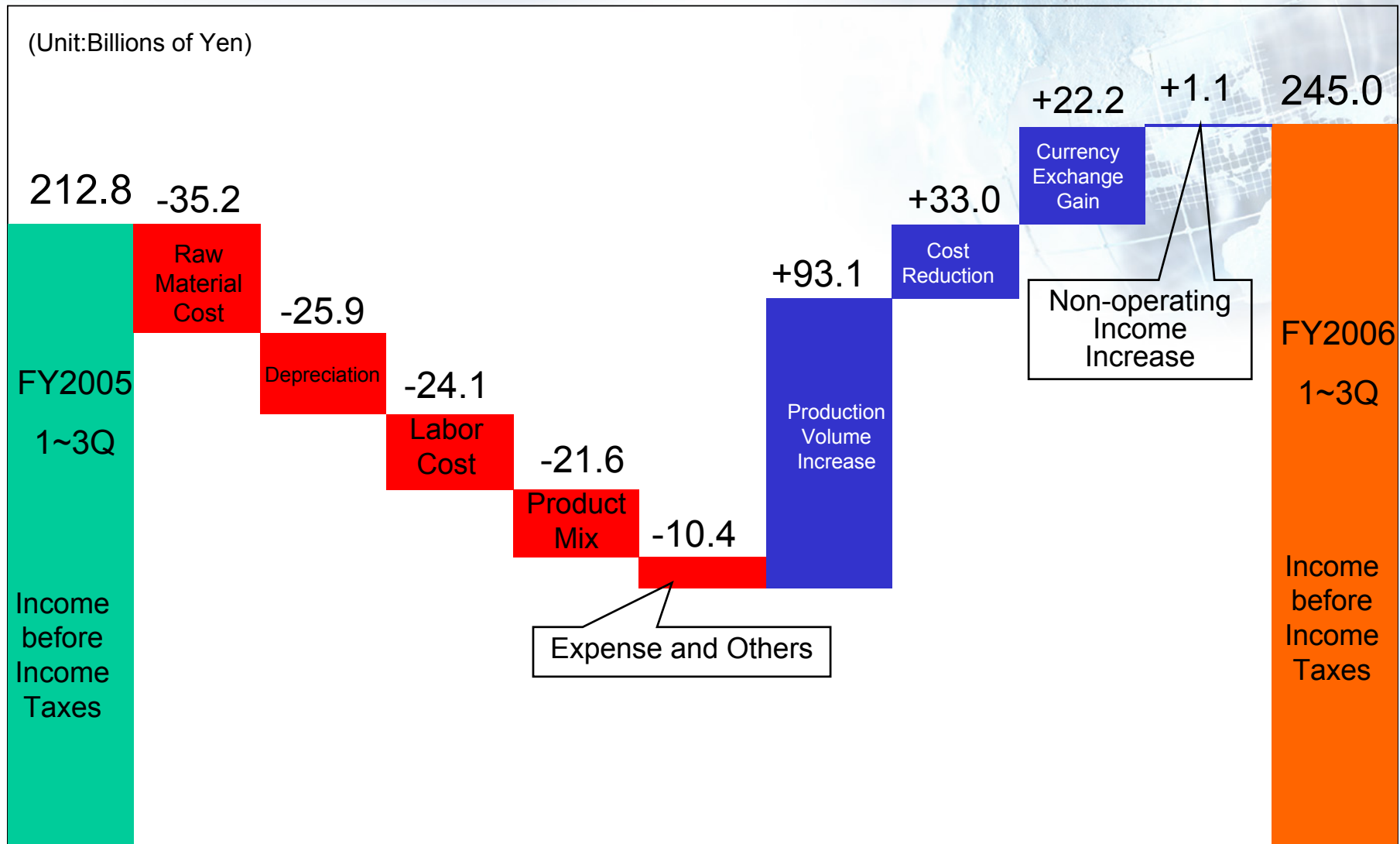
## Operating Income





# 1st - 3rd Quarter:

## Income Changes before Income Taxes (05/12-06/12)



# FY2006 Estimate

No change for forecast throughout the year

## Sales

In spite of the increase in domestic vehicle production, the decrease in ASEAN vehicle production of Japanese Manufacturers.

## Income before Income Taxes

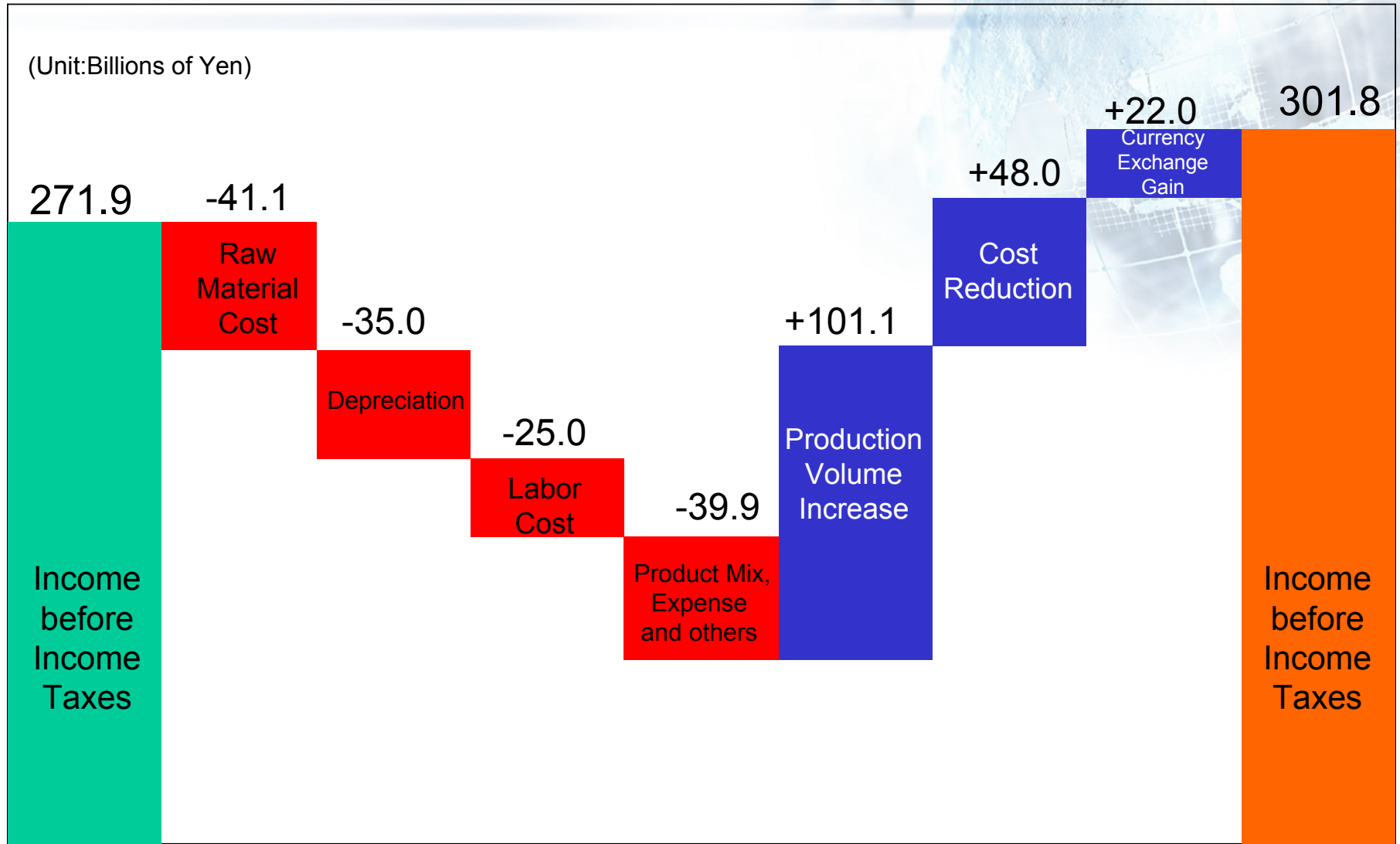
Uncertain raw material costs and foreign exchange.

\*Ratio to Sales

(Unit:Billions of Yen)

	07/3 Estimate	06/3	Increase	% Increase
Sales	3,500.0	3,188.3	+311.7	+9.8%
Operating Income	8.2%* 288.0	8.4%* 266.6	+21.4	+8.0%
Income before Income Taxes	301.8	271.9	+30.0	+11.0%
Net Income	5.5%* 193.0	5.3%* 169.6	+23.4	+13.8%

# Income Changes before Income Taxes (06/3-07/3)



06/3

07/3 Estimate



# Capital Expenditures, Depreciation and R&D

(Unit:Billions of Yen)

	07/3		06/3		1-3Q Change from PY	Progress to 07/3 Estimate
	1-3Q	Estimate	1-3Q			
Japan	149.4	232.0	139.6	202.0	+7.0 %	64.4 %
The Americas	29.2	45.0	21.4	31.6	+36.4 %	64.9 %
Europe	17.5	25.5	18.3	23.6	-4.4 %	68.6 %
Asia & Oceania	26.0	41.5	21.1	31.5	+23.2 %	62.7 %
<b>Capital Exp.</b>	<b>222.1</b>	<b>344.0</b>	<b>200.3</b>	<b>288.7</b>	<b>+10.9 %</b>	<b>64.6 %</b>
Japan	111.6	153.0	93.1	128.6	+19.9 %	72.9 %
The Americas	17.6	25.0	16.2	22.2	+8.6 %	70.4 %
Europe	16.0	21.5	13.4	18.3	+19.4 %	74.4 %
Asia & Oceania	14.9	20.5	11.5	16.1	+29.6 %	72.7 %
<b>Depreciation</b>	<b>160.1</b>	<b>220.0</b>	<b>134.2</b>	<b>185.1</b>	<b>+19.3 %</b>	<b>72.8 %</b>
R&D Expenditure	203.0	281.0	175.7	256.3	+15.5 %	72.2 %
(Ratio to Sales)	(7.7%)	(8.0%)	(7.6%)	(8.0%)		

# Non-Consolidated Financial Results

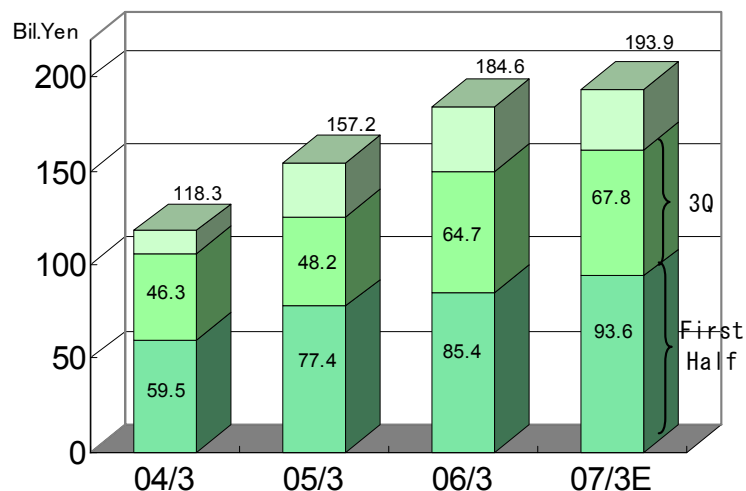
## Income Statements

(Ratio to Sales )

(Unit:Billions of Yen, %, Thousand Cars)

Account	06/12 (3months)		05/12 (3months)		Change		07/3 Estimate		Change	
					Bil. Yen	%			Bil. Yen	%
<b>Net Sales</b>	( 100.0 )	602.7	( 100.0 )	531.5	71.2	13.4	( 100.0 )	2,254.0	197.0	9.6
Cost of Sales	( 84.8 )	511.0	( 83.3 )	442.8	68.3					
SGA Expenses	( 5.5 )	33.3	( 6.0 )	31.8	1.6					
<b>Operating Income</b>	( 9.7 )	58.3	( 10.7 )	57.0	1.3	2.3	( 7.2 )	163.0	8.6	5.5
Non-Operating Income		10.9		7.7	3.2			34.0	3.5	
Extraordinary Income (Loss)		-1.4		0.0	-1.4			-3.1	-2.8	
<b>Income Before Income Taxes</b>	( 11.2 )	67.8	( 12.2 )	64.7	3.1	4.8	( 8.6 )	193.9	9.3	5.1
<b>Net Income</b>	( 7.3 )	43.8	( 7.9 )	42.2	1.5	3.6	( 6.0 )	136.0	5.3	4.1
Domestic Car Production		2,980		2,740				11,430		
Foreign Exchange Rate(US\$)		117 Yen		116 Yen				115 Yen		
Foreign Exchange Rate(Euro)		150 Yen		138 Yen				145 Yen		

## Income Before Income Taxes



## Changes in Income Before Income Taxes (05/12=>06/12)

(Unit:Billions of Yen)

Positive Factors		Negative Factors	
Production Volume Increase	22.0	Raw Material Cost Increase	-6.8
Cost Reduction	7.0	Labor Cost Increase	-6.0
Currency Exchange Gain	4.2	Product Mix	-5.9
Non-Operating Income Increase	3.2	Depreciation	-4.6
		Extraordinary Loss Increase	-1.4
		Expense and others	-8.6
<b>Sub Total</b>	<b>36.4</b>	<b>Sub Total</b>	<b>-33.3</b>
<b>Total Increase</b>	<b>3.1</b>		

# Preconditions: Foreign Exchange Rate/Car Production

	First Half			3 <sup>rd</sup> Quarter			4 <sup>th</sup> Quarter			Second Half				Full Year			
	Prior Year	Actual	Change	Prior Year	Actual	Change	Prior Year	Revised Estimate	Change	Prior Year	Estimate @ 06/9	Revised Estimate	Change from PY	Prior Year	Estimate @ 06/9	Revised Estimate	Change from PY
Foreign Exchange Rate (US\$)	109	114	+¥5	116	117	+¥1	117	115	-¥2	117	115	115	-¥2	113	115	115	+¥2
Foreign Exchange Rate (Euro)	134	145	+¥11	138	150	+¥12	141	145	+¥4	140	145	145	+¥5	137	145	145	+¥8
	(Unit:Millions of Units)																
Domestic Production	5.19	5.53	+7%	2.74	2.98	+9%	2.96	3.13	+6%	5.70	5.90	6.11	+7%	10.89	11.43	11.64	+7%
<i>Toyota</i>	1.80	2.00	+11%	0.96	1.09	+13%	1.10	1.14	+4%	2.06	2.20	2.23	+8%	3.86	4.20	4.23	+9%
North America Production for Japanese Auto Manufacturers	2.22	2.17	-2%	1.08	1.09	+0%	1.16	1.20	+3%	2.24	2.32	2.29	+2%	4.46	4.49	4.46	± 0%
<i>Toyota</i>	0.84	0.81	-4%	0.40	0.40	+1%	0.40	0.43	+8%	0.80	0.83	0.83	+4%	1.64	1.64	1.64	± 0%
Overseas Production for Japanese Auto Manufacturers	5.39	5.49	+2%	2.72	2.92	+8%	2.86	2.99	+5%	5.58	6.09	5.91	+6%	10.97	11.58	11.40	+4%
<i>Toyota</i>	1.88	2.06	+10%	0.99	1.04	+5%	1.01	1.07	+6%	2.00	2.16	2.11	+6%	3.88	4.22	4.17	+7%



1. Common Rail System Capacity Increase in Hungary Plant

2. Diesel Particulate Filter (DPF) Joint Venture Project with Robert Bosch

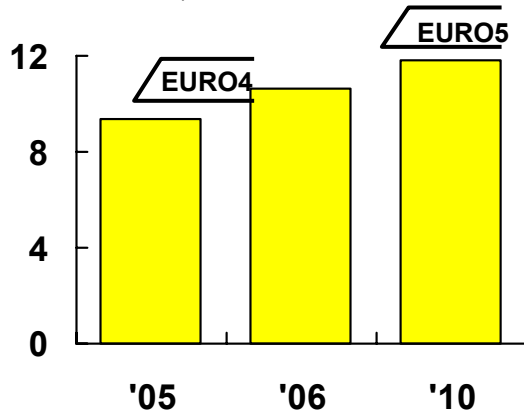
3. Product Line-up Establishment in China

# 1. Common Rail System Capacity Increase in Hungary Plant

## 1. Capacity Increase in Hungary Plant

Diesel-powered cars market in Europe (our estimation)

(Millions of Units)



Growing market

Strict exhaust gas regulations

Expansion of manufacturing facility in Hungary

Expanding common rail system production capability

- Construction start: April, 2007
- Production start: January, 2008
- Capital expenditure: Approximately 38.3 million euro
- Annual production volume: 650,000 units (07/3 estimate) -> 1 million units (07/3 estimate)

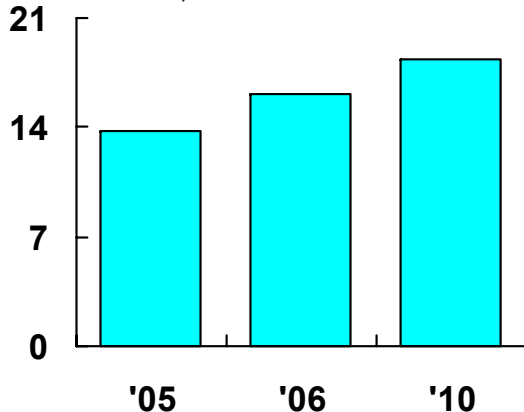


## 2. World-wide Establishment of Common Rail System Production

World-wide\* diesel-powered cars market (our estimation)

\*: Europe, North America, ASEAN, China, Japan

(Millions of Units)

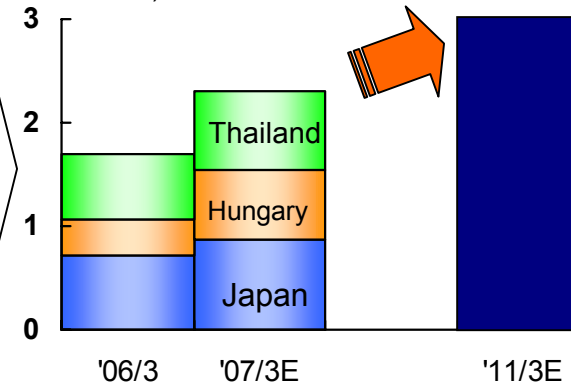


Growing market due to better fuel economy

DENSO's advantage of system technology for NOx and PM reduction

DENSO's production volume of common rail system

(Millions of Units)



Total 3 million units of annual output in Japan, Thailand and Hungary by fiscal year 2010

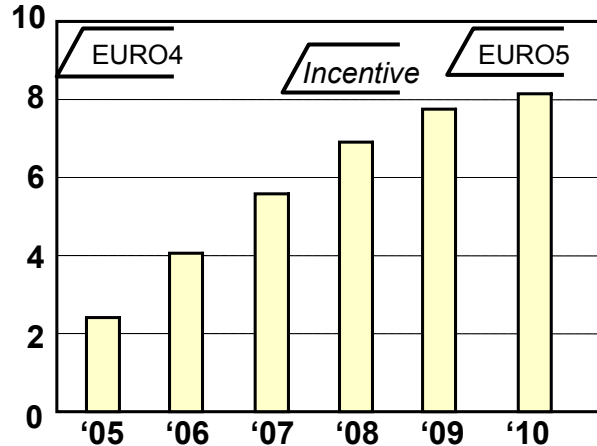
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# 2. DPF Joint Venture Project with Robert Bosch

## 1. DPF European Passenger Car Market (our estimation)

(Millions of Units)



Strict exhaust gas regulations in Europe

PM Emission  
0.025g/km(EURO4)  
↓ -80%  
0.005g/km(EURO5)

Increased cost for exhaust emission control

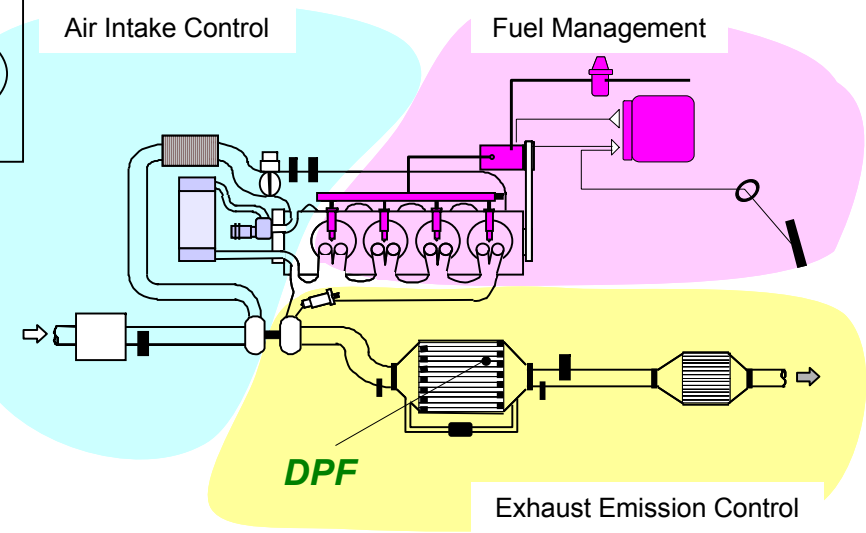
Cost-Competitive Cordierite DPF Business Expansion

	Cordierite	SiC
Thermal resistance	Poor	Good
Weight	Light	Heavy
Cost	Low	High
Manufacture	Easy	Difficult

## 2. Target of Establishing Joint Venture with Robert Bosch

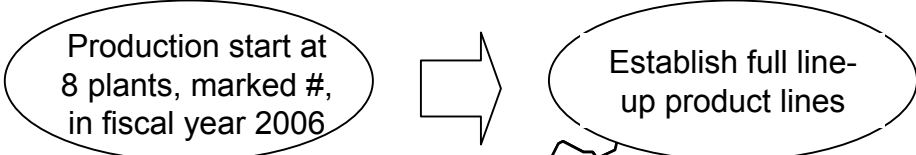
Achievement of cost and technology-competitive cordierite DPF in cooperation with DENSO and Robert Bosch who have strong system technology

- Company establishment: First half of 2007
- Production start: 2009



# 3. China Product Line-up Establishment

Establish Plants in Both North and South China in Response to Automaker Locations



**Thermal Systems**

- Car air conditioners (Two Tianjin companies, Yantai, Guangzhou)
- Heat exchangers, Radiators (Tianjin)#
- Compressors (Kunshan) #
- Hoses & pipes for car air conditioners (Tianjin)#

**Electronic Systems**

- Electronic control components (Tianjin)

**Information & Safety Systems**

- Car navigation Systems (Tianjin)#
- Instrument clusters (Tianjin)#

**Electric Systems**

- Alternators, Starters (Tianjin)

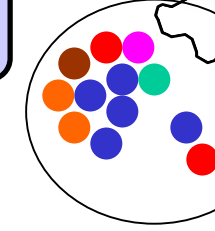
**Small Motors**

- Tianjin
- Guangzhou#

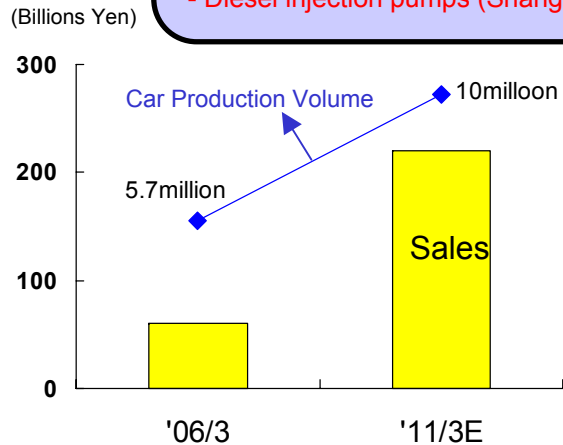
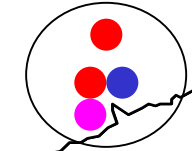
**Powertrain Control Systems**

- Magnetos, CDI amplifiers, ignition coils (Chongqing)
- Ignition coils (Wuxi)#
- Fuel injection systems for gasoline vehicles (Guangzhou)
- Oil filters (Tianjin, Foshan#)
- Diesel injection pumps (Shanghai)

North China



South China



Achieve 220 billion yen of sales in fiscal year 2010

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