

# **FY2015 1<sup>st</sup> Quarter Financial Results ended June 30, 2014**

**July 31, 2014**

**DENSO CORPORATION**

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**1. Sales increased due to car production volume increase and Income decreased due to investment for strengthening future growth**

**2. Maintaining the original first-half and full-year forecast**

## FY2015 1<sup>st</sup> Quarter Financial Results

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	(Ratio to Sales)		(Unit: Billions of Yen)	
	FY15 1Q	FY14 1Q	Change	
Sales	1,029.1	997.6	+ 31.5	+ 3.2%
Operating Income	(8.3%) 85.1	(10.2%) 102.1	- 17.1	- 16.7%
Income before Income Taxes	(9.5%) 97.6	(11.7%) 116.7	- 19.1	- 16.3%
Net Income	(6.7%) 68.8	(8.6%) 86.0	- 17.3	- 20.1%
Foreign Exchange Rate	JPY 102/\$ JPY 140/Euro	JPY 99/\$ JPY 129/Euro	+ JPY 3 + JPY 11	
			(Unit: Millions of Units)	
Domestic Car Production	2.30	2.18	+ 0.12	+ 5.5%
Overseas Car Production of Japanese Manufacturers (North America)	4.50 (1.48)	4.33 (1.40)	+ 0.17 (+ 0.08)	+ 3.9% (+ 5.7%)

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[Overview of the consolidated financial results]

We posted sales of 1,029.1 billion yen, up 31.5 billion yen from the previous year, equivalent to annual revenue growth of 3.2%.

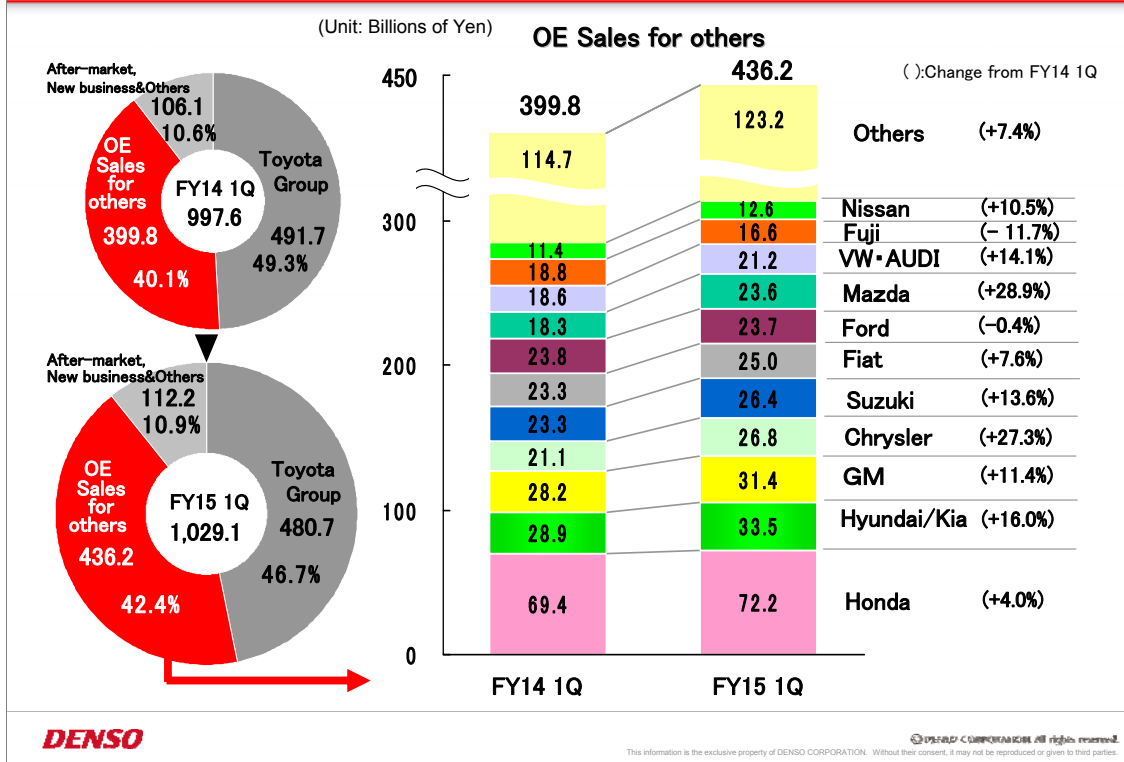
Operating income reached 85.1 billion yen, 17.1 billion yen lower than a year ago leading the operating income ratio to 8.3%. Despite the variable cost reduction and the increase in production volume, as we forecasted, the operating income decreased due to research and development expenditures and investment costs that will strength future growth.

Income before income taxes reached 97.6 billion yen, down 19.1 billion yen year-on-year.

We earned a net income of 68.8 billion yen after corporate and other taxes, down 17.3 billion yen from a year earlier.

## Change in 1<sup>st</sup> Quarter Consolidated Sales(By Customer)

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[Sales by customer]

### Sales to the Toyota Group

The domestic car production level decreased from the previous year, and it resulted in a decrease in its share.

### Sales to non-Toyota Group companies

- 1) Honda: Sales increased due to the increase in car production mainly in China.
- 2) Suzuki: Sales increased due to the increase in lithium battery packs as well as car production volume increase in Japan.
- 3) Mazda: Sales increased due to the increase in production volume and gasoline direct injection products for SKYACTIV.

### Sales to overseas automakers

Sales went up due to,

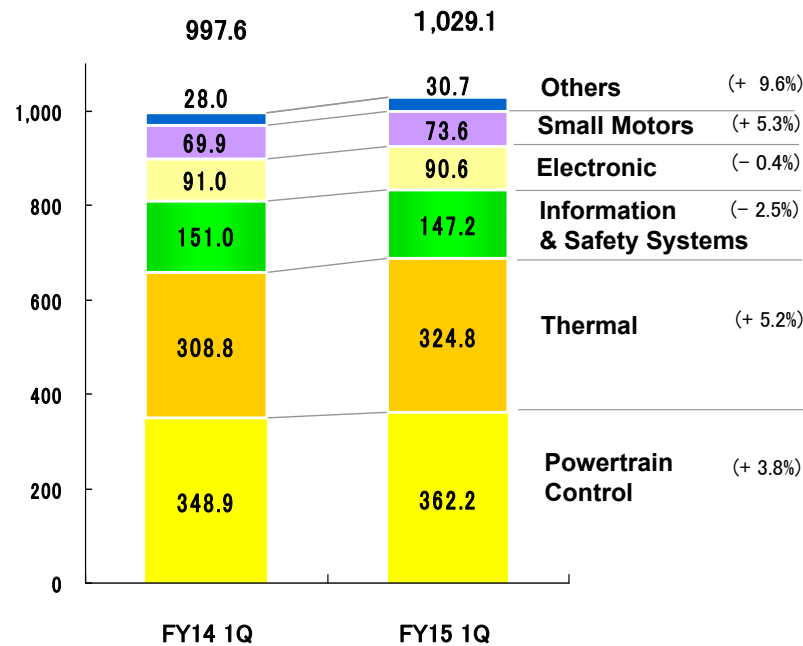
- 1) HYUNDAI/KIA: increase in production volume in North America and China.
- 2) GM: increase in sales of common rail system
- 3) Chrysler: increase in production volume in North America.

## Change in 1<sup>st</sup> Quarter Consolidated Sales(By Business Segment)

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(Unit: Billions of Yen)

( ):Change from FY14 1Q



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[Sales by business segment]

### Sales of Powertrain Control products

Sales increased due to an increase of sales in gasoline direct injection products.

### Sales of Thermal products

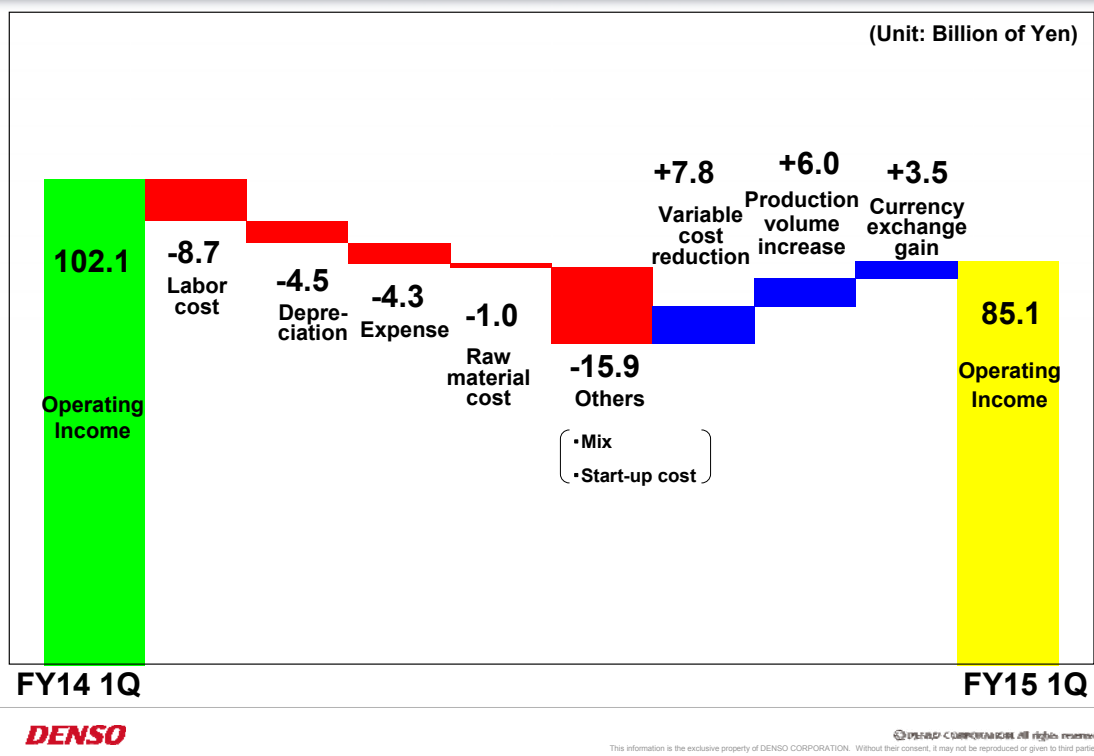
Sales increased mainly in North America and Europe due to the sales expansion of car air conditioner products and production volume increase.

### Sales of Information & Safety Systems

Although sales decreased in car navigation system, we are trying to regain it by expanding IVI products.

## Change in 1<sup>st</sup> Quarter Operating Income

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[Factors that contributed to increases or decreases in operating income]

Negative factors:

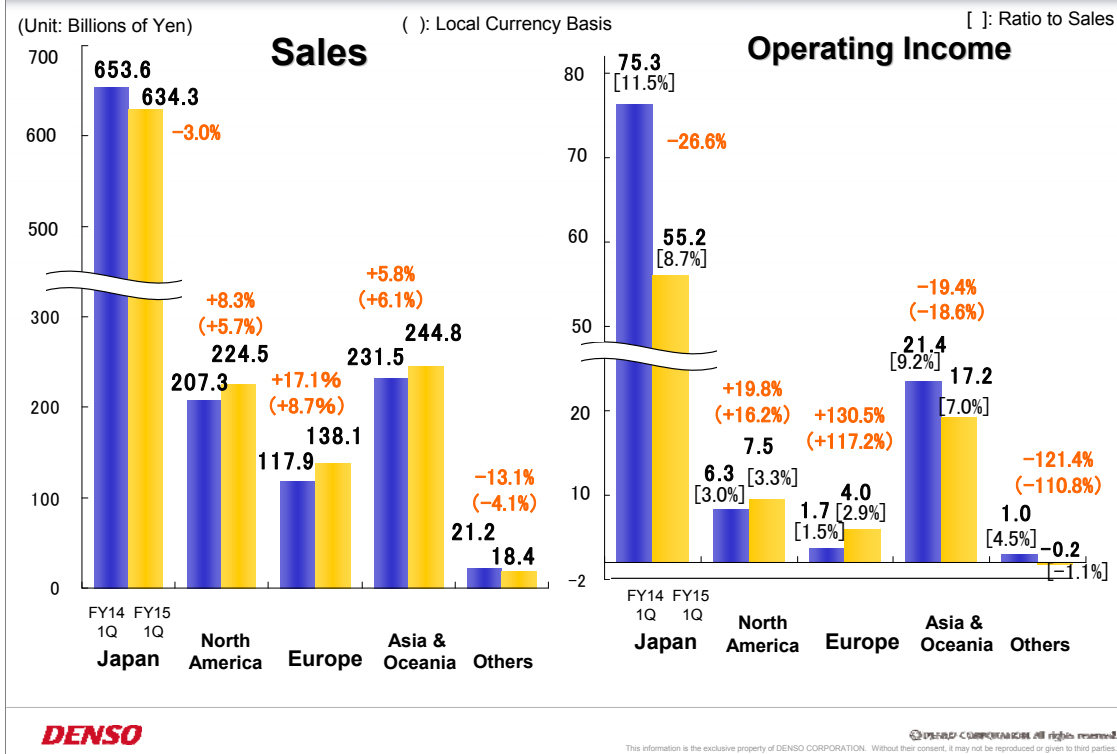
- 1) Higher labor cost: An increase of 8.7 billion yen was mainly due to an increase in salaries in emerging countries and also due to strengthen R&D networks.
- 2) Higher depreciation cost: An increase of 4.5 billion yen was mainly due to an increase in investment costs.
- 3) Higher other costs: Half of an increase of 15.9 billion yen was due to an increase in start-up cost for new products. The rest was due to product mix which shifted towards compact cars.

Positive factors:

- 1) Variable cost reduction: An increase of 7.8 billion yen was due to increased productivity and other efficiencies.
- 2) Production volume increase: An increase of 6.0 billion yen was due to an increase in sales.
- 3) Depreciation of the yen: An increase of 3.5 billion yen was due to the impact of the weak yen, which is 3 yen lower against the US dollar and 11 yen against the euro.

# 1st Quarter Geographical Segments by Company Location

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[Sales and operating income by operating region]

\* Based on local currency, excluding the effect of foreign exchange rates

## Japan

- Sales decreased by 3.0% from the previous year due to the shift towards compact cars, as well as the decrease of export sales.
- Operating income diminished by 26.6% from the previous year due to the decrease in production volume and the increase in labor costs and other fixed costs.

## Overseas

- Sales and profit increased in North America and Europe thanks to the increase in car production.
- Operating income decreased in Asia and Oceania and Others due to an increase in expenditure on the establishment of plants and technical centers and the increase in labor costs for strengthening future growth.

# FY2015 1<sup>st</sup> Half Financial Forecast

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	(Ratio to Sales)			(Unit: Billions of Yen)	
	FY15 2Q YTD Original	FY15 2Q YTD Revised	FY14 2Q YTD	Change	
<b>Sales</b>	2,022.0	2,022.0	1,987.9	+34.1	+1.7%
<b>Operating Income</b>	(8.1%) 164.0	(8.1%) 164.0	(9.7%) 192.2	-28.2	-14.7%
<b>Income before Income Taxes</b>	(8.8%) 177.0	(8.8%) 177.0	(10.8%) 214.6	-37.6	-17.5%
<b>Net Income</b>	(5.7%) 116.0	(5.7%) 116.0	(7.5%) 150.1	-34.1	-22.7%

				(Unit: Millions of Units)	
	JPY 100/\$ JPY135/Euro	JPY 100/\$ JPY135/Euro	JPY 99/\$ JPY130/Euro	Change	
<b>Foreign Exchange Rate</b>				+ JPY 1 + JPY 5	
<b>Domestic Car Production</b>	<b>4.58</b>	<b>4.58</b>	<b>4.53</b>	+0.05	+1.1%
<b>Overseas Car Production of Japanese Manufacturers (North America)</b>	<b>9.63</b> (3.02)	<b>9.63</b> (3.02)	<b>8.69</b> (2.66)	+0.94 (+0.36)	+10.8% (+13.5%)

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[Forecasts for consolidated first-half financial forecast]

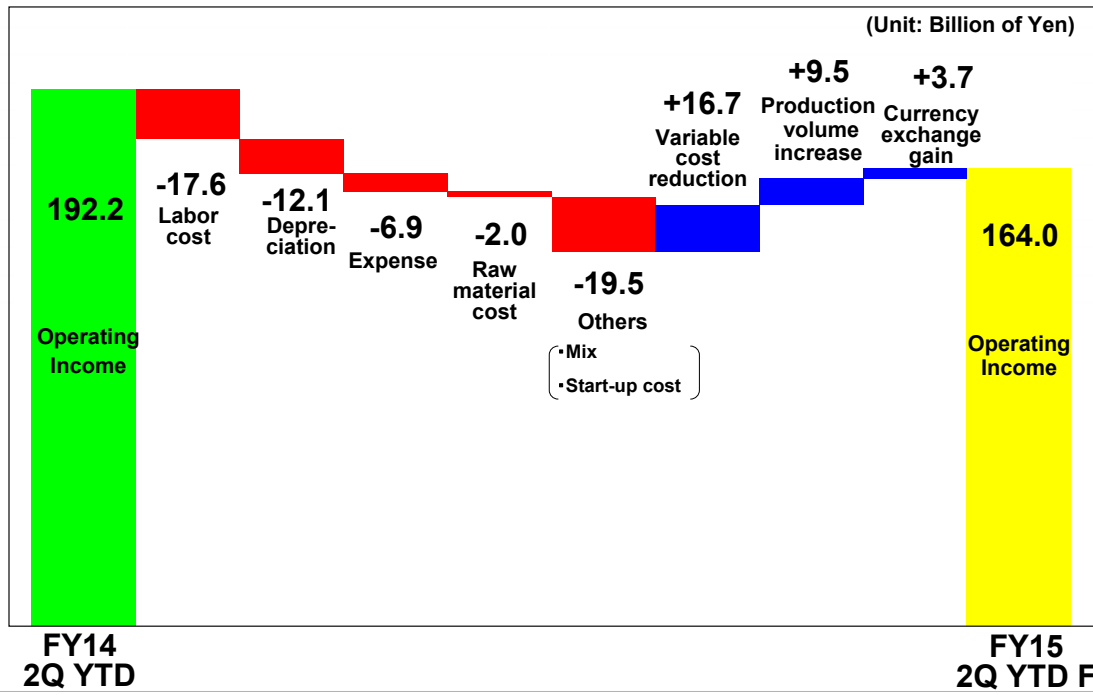
The financial results of this first-quarter were as planned in the original forecast.

Therefore we will not revise the original forecast for first-half financial forecast. It is expected to be above the forecast in Japan and it has downside risk in overseas so we are expecting consolidated financial results will be unchanged.



# Change in 1<sup>st</sup> Half Operating Income

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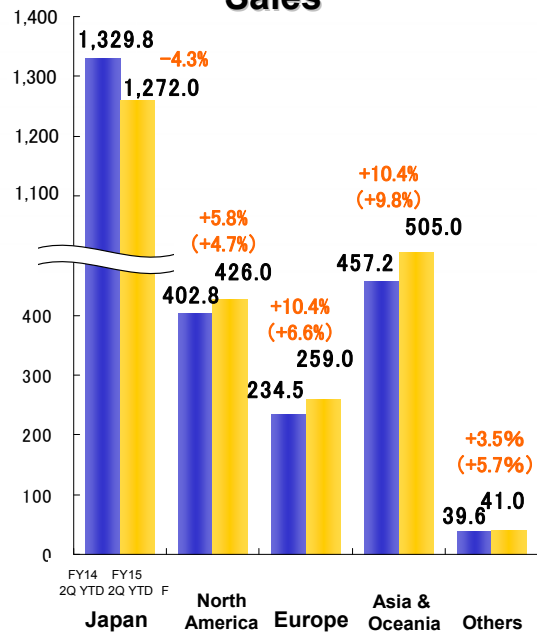
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# 1<sup>st</sup> Half Geographical Segments by Company Location

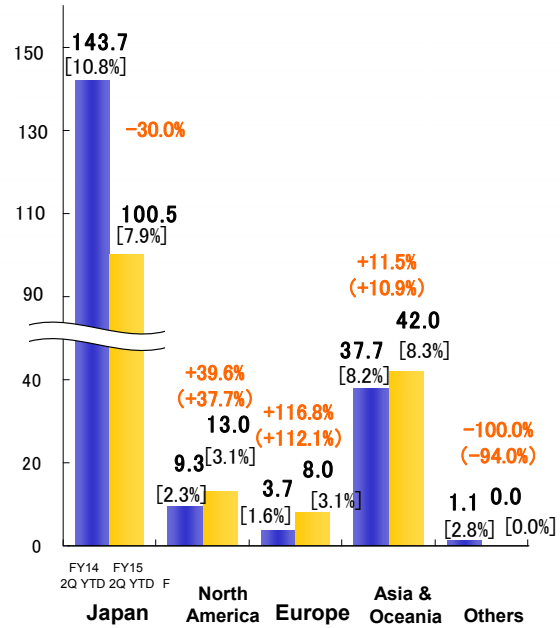
(Unit: Billions of Yen)

( ): Local Currency Base

## Sales



## Operating Income [ ]: Ratio to Sales



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## FY2015 Financial Forecast

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	(Ratio to Sales)			(Unit: Billions of Yen)	
	FY2015 Original	FY2015 Revised	FY2014	Change	
<b>Sales</b>	4,140.0	4,140.0	4,095.9	+44.1	+1.1%
<b>Operating Income</b>	(8.5%) 350.0	(8.5%) 350.0	(9.2%) 377.7	-27.7	-7.3%
<b>Income before Income Taxes</b>	(9.1%) 378.0	(9.1%) 378.0	(10.2%) 418.6	-40.6	-9.7%
<b>Net Income</b>	(6.0%) 248.0	(6.0%) 248.0	(7.0%) 287.4	-39.4	-13.7%

Foreign Exchange Rate	(Unit: Millions of Units)				
	JPY 100/\$ JPY135/Euro	JPY 100/\$ JPY135/Euro	JPY 100/\$ JPY134/Euro	JPY0 + JPY1	
<b>Domestic Car Production</b>	9.18	9.18	9.49	-0.31	-3.3%
<b>Overseas Car Production of Japanese Manufacturers (North America)</b>	19.98 (6.22)	19.98 (6.22)	17.70 (5.43)	+2.28 (0.79)	+12.9% (+14.5%)

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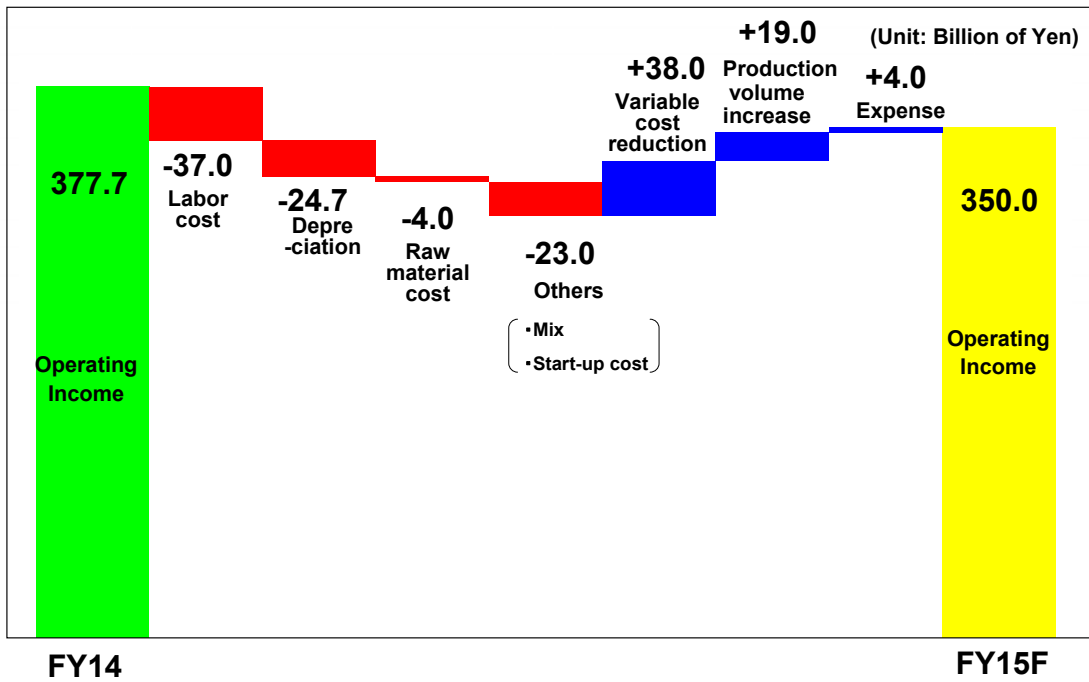
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[Forecasts for consolidated full-year financial forecast]

The financial results of this first-quarter were as planned in the original forecast.

Therefore we will not revise the original forecast for full-year financial forecast. It is expected to be above the forecast in Japan and it has downside risk in overseas so we are expecting consolidated financial results will be unchanged.

# Change in FY2015 Operating Income



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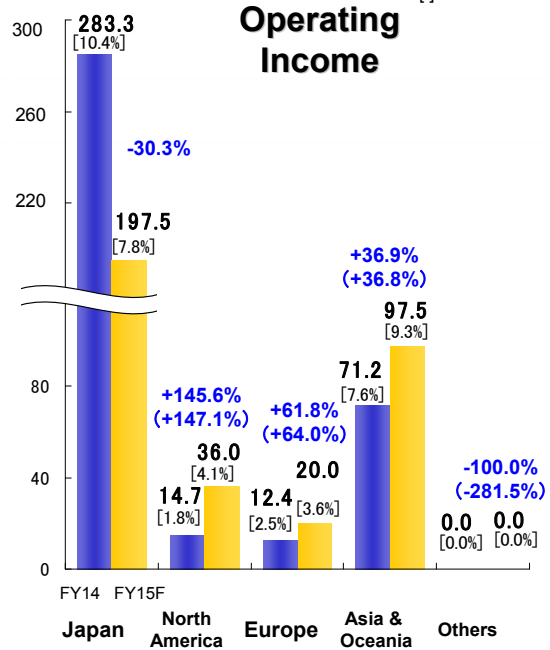
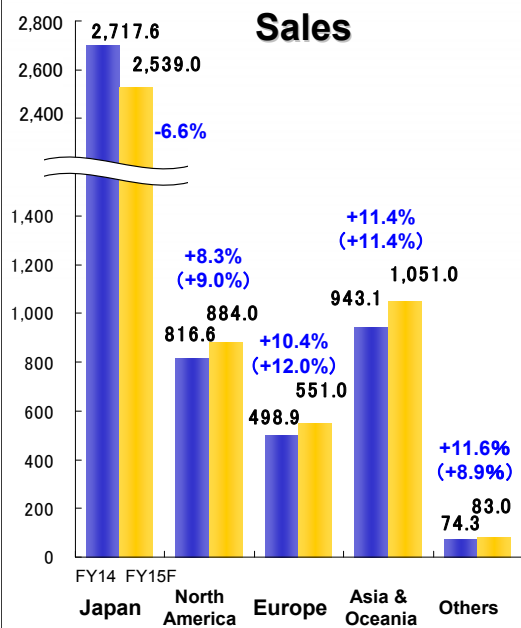
# Change in FY2015 Geographical Segments by Company Location Forecast

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(Unit: Billions of Yen)

( ): Local Currency Base

[ ]: Ratio to Sales



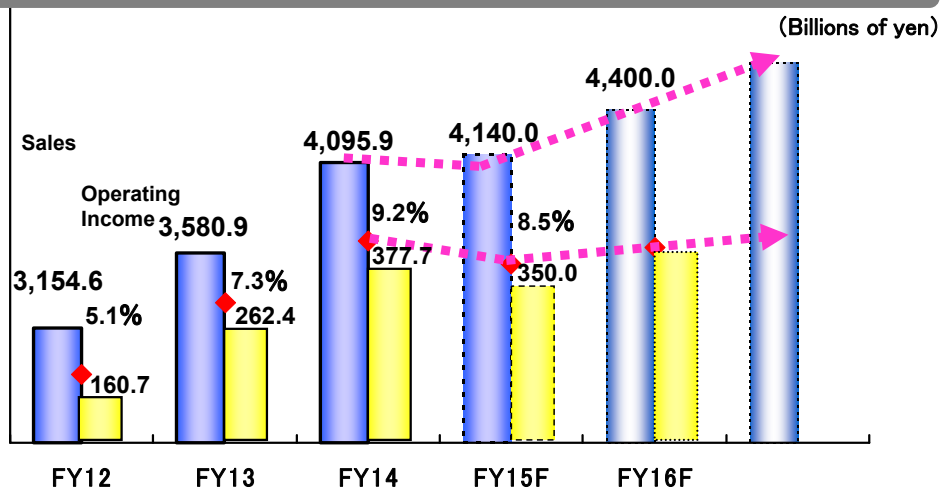
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- Sales and Income Target
- Non-Consolidated Financial Results
- Pre-Conditions (Foreign Exchange Rate/Car Production)
- Consolidated Sales by Customer
- Consolidated Sales by Business Segment
- DENSO 's Product Network
- Trend of Capital Expenditures, Depreciation and R&D Expenditures
- Capital Expenditures, Depreciation, and R&D Expenditures

Trend of Sales, Operating Income, Operating Income Ratio



FY15: Production volume will decrease in Japan and investment cost for strengthening future growth will increase  
 FY16~: Accelerating growth



## Income Statements

(Ratio to Sales)

(Unit: Billions of Yen, %)

Account	FY2015 1Q		FY2014 1Q		Change		FY2015 2Q YTD Forecast		FY2015 Forecast	
					Amount	Percent	Same as of Apr.25		Same as of Apr.25	
<b>Net Sales</b>	( 100.0 )	<b>580.6</b>	( 100.0 )	<b>600.9</b>	-20.3	-3.4	( 100.0 )	<b>1,164.0</b>	( 100.0 )	<b>2,323.0</b>
Cost of Sales	( 86.3 )	501.1	( 84.1 )	505.1	-4.0					
SGA Expenses	( 6.3 )	36.8	( 5.9 )	35.3	1.5					
<b>Operating Income</b>	( 7.3 )	<b>42.6</b>	( 10.1 )	<b>60.5</b>	-17.9	-29.6	( 6.8 )	<b>79.0</b>	( 6.4 )	<b>149.0</b>
Non-Operating Income		30.7		25.7	5.0			46.0		64.0
Extraordinary Income (Loss)		0.0		-0.1	0.1			0.0		0.0
<b>Income Before Income Taxes</b>	( 12.6 )	<b>73.3</b>	( 14.3 )	<b>86.1</b>	-12.8	-14.9	( 10.7 )	<b>125.0</b>	( 9.2 )	<b>213.0</b>
<b>Net Income</b>	( 10.6 )	<b>61.4</b>	( 11.8 )	<b>70.9</b>	-9.5	-13.4	( 7.9 )	<b>92.0</b>	( 6.8 )	<b>157.0</b>

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

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		FY2015 First-Half							FY2015 Second-Half				FY2015 Full Year			
		1Q														
		Prior Year	Actual	Change	Prior Year	Forecast (Original)	Revised Forecast	Change	Prior Year	Forecast (Original)	Revised Forecast	Change	Prior Year	Forecast (Original)	Revised Forecast	Change
Foreign Exchange Rate (Yen)	USD	99	102	+ 3	99	100	100	+ 1	102	100	100	- 2	100	100	100	-
	EUR	129	140	+ 11	130	135	135	+ 5	139	135	135	- 4	134	135	135	+ 1
Forex Impact on Operating Income per Yen (Billions of Yen)	USD												2.8	2.5	2.5	-0.3
	EUR												0.8	0.7	0.7	-0.1
Car Production of Japanese Manufacturers (Millions of Units)	Domestic	2.18	2.30	+ 5%	4.53	4.58	4.58	+ 1%	4.96	4.60	4.60	- 7%	9.49	9.18	9.18	- 3%
	North America	1.40	1.48	+ 6%	2.66	3.02	3.02	+ 14%	2.77	3.20	3.20	+ 15%	5.43	6.22	6.22	+ 15%
	Overseas	4.33	4.50	+ 4%	8.69	9.63	9.63	+ 11%	9.00	10.35	10.35	+ 15%	17.70	19.98	19.98	+ 13%

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# Consolidated Sales by Customer

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(Unit: Billion of Yen)

	FY2015 1Q Ended June 30, 2014		FY2014 1Q Ended June 30, 2013		Change	
	Amount	% to Total	Amount	% to Total	Amount	%
Toyota	441.4	42.9	450.0	45.1	-8.6	-1.9
Daihatsu	26.9	2.6	28.7	2.9	-1.8	-6.4
Hino	12.5	1.2	13.1	1.3	-0.6	-4.6
<b>Toyota Group</b>	<b>480.7</b>	<b>46.7</b>	<b>491.7</b>	<b>49.3</b>	<b>-11.0</b>	<b>-2.2</b>
Honda	72.2	7.0	69.4	7.0	2.8	4.0
Hyundai/Kia	33.5	3.2	28.9	2.9	4.6	16.0
GM	31.4	3.1	28.2	2.8	3.2	11.4
Chrysler	26.8	2.6	21.1	2.1	5.7	27.3
Suzuki	26.4	2.6	23.3	2.3	3.2	13.6
Fiat	25.0	2.4	23.3	2.3	1.8	7.6
Ford	23.7	2.3	23.8	2.4	-0.1	-0.4
Mazda	23.6	2.3	18.3	1.8	5.3	28.9
VW/AUDI	21.2	2.1	18.6	1.9	2.6	14.1
Fuji	16.6	1.6	18.8	1.9	-2.2	-11.7
Nissan	12.6	1.2	11.4	1.2	1.2	10.5
Mitsubishi	11.9	1.2	11.1	1.1	0.9	7.7
Isuzu	11.4	1.1	14.0	1.4	-2.6	-18.4
BMW	9.9	1.0	8.3	0.8	1.7	20.3
Benz	8.2	0.8	8.6	0.9	-0.4	-4.4
PSA	5.4	0.5	5.8	0.6	-0.4	-6.8
Jaguar/Land Rover	5.2	0.5	4.3	0.4	0.9	20.5
OE Sales for others	71.1	6.9	62.7	6.3	8.3	13.3
<b>OEM Total</b>	<b>916.9</b>	<b>89.1</b>	<b>891.5</b>	<b>89.4</b>	<b>25.4</b>	<b>2.9</b>
<b>After-market, New business &amp; Others(*)</b>	<b>112.2</b>	<b>10.9</b>	<b>106.1</b>	<b>10.6</b>	<b>6.1</b>	<b>5.7</b>
<b>Total</b>	<b>1,029.1</b>	<b>100.0</b>	<b>997.6</b>	<b>100.0</b>	<b>31.5</b>	<b>3.2</b>

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

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# Consolidated Sales by Business Segment

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(Unit: Billion of Yen)

	FY2015 1Q Ended June 30, 2014		FY2014 1Q Ended June 30, 2013		Change	
	Amount	% to Total	Amount	% to Total	Amount	%
Powertrain Control	362.2	35.2	348.9	35.0	13.3	3.8
Thermal	324.8	31.6	308.8	31.0	16.0	5.2
Information & Safety Systems	147.2	14.3	151.0	15.1	-3.8	-2.5
Electronic	90.6	8.8	91.0	9.1	-0.4	-0.4
Small Motors	73.6	7.1	69.9	7.0	3.7	5.3
Others(*)	14.3	1.4	14.9	1.5	-0.6	-4.0
<b>Automotive Total</b>	<b>1,012.6</b>	<b>98.4</b>	<b>984.5</b>	<b>98.7</b>	<b>28.1</b>	<b>2.9</b>
Industrial & Consumer Product	12.4	1.2	10.1	1.0	2.3	22.8
Others	4.1	0.4	3.0	0.3	1.1	36.7
<b>New Business Total</b>	<b>16.5</b>	<b>1.6</b>	<b>13.1</b>	<b>1.3</b>	<b>3.4</b>	<b>26.0</b>
<b>Total</b>	<b>1,029.1</b>	<b>100.0</b>	<b>997.6</b>	<b>100.0</b>	<b>31.5</b>	<b>3.2</b>

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

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# DENSO's Product Network

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## India

<HARYANA · Jhajjar Plant>  
 Investment : 2.7 billion rupees  
 (approx. US\$52.2 million)  
 Operation Start : FY13  
 Total floor area : 12,000m<sup>2</sup>  
 Business description : Manufacturing  
 small motors ,engine cooling modules



## Mexico <Silao Plant> Expand

Investment : approx. US\$108.4 million  
 Operation Start : November 2013, October 2014  
 Employees : 850 people by 2015  
 Total floor area : 56,200m<sup>2</sup>



**Global Network**  
 220 companies  
 (38 Countries and  
 Area)

## Indonesia <Fajar Plant >

Investment: approx. 1,040 billion rupiah  
 (approx. US\$110 million)  
 Operation Start : March 2014 (Plug, SIFS)  
 Employees : approx. 1,300 (planned for March 2016)  
 Total floor area : 24,000 m<sup>2</sup>  
 Business description: Manufacturing ECUs, VCT systems, starters,  
 and alternators

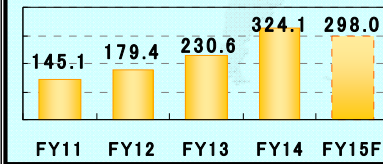


## Capital Expenditures FY15

298 billion yen

(keep high level as previous year)

Unit: billions of yen



**Expanding global production system**

**DENSO**

As of June 30, 2014

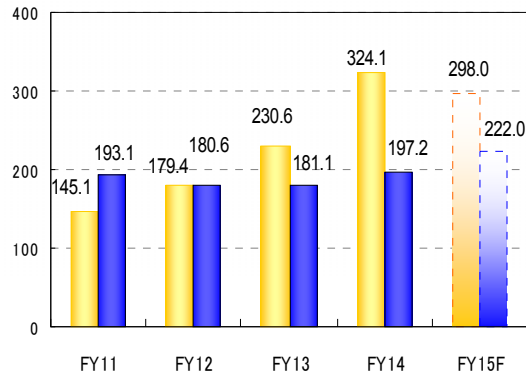
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## Trend of Capital Expenditures, Depreciation and R&D Expenditures

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(Unit: Billion of Yen)



	FY11	FY12	FY13	FY14	1Q	FY15F	Progress to FY15F
Capital Expenditures	145.1	179.4	230.6	324.1	81.2	298.0	27.2%
Depreciation	193.1	180.6	181.1	197.2	48.6	222.0	21.9%
R&D Expenditures (Ratio to Sales)	290.1 (9.3)	298.4 (9.5)	335.5 (9.4)	368.7 (9.0)	92.5 (9.0)	390.0 (9.4)	23.7%

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# Capital Expenditures, Depreciation and R&D

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(Unit: Billion of Yen)

	FY14		FY15 Forecast		1Q YTD Change from PY	Progress to FY15 Forecast
	1QYTD		1QYTD			
Japan	32.8	156.0	42.2	157.0	28.7%	26.9%
North America	10.8	43.3	9.8	36.5	-9.3%	26.8%
Europe	4.9	27.9	6.1	22.0	24.5%	27.7%
Asia & Oceania	19.9	88.6	22.6	78.0	13.6%	29.0%
Others	2.5	8.3	0.5	4.5	-80.0%	11.1%
Capital Exp.	70.9	324.1	81.2	298.0	14.5%	27.2%
Japan	27.7	130.9	29.5	141.0	6.5%	20.9%
North America	4.5	18.8	5.0	23.0	11.1%	21.7%
Europe	3.5	14.3	3.9	17.0	11.4%	22.9%
Asia & Oceania	7.2	30.2	9.3	37.0	29.2%	25.1%
Others	0.8	3.0	0.9	4.0	12.5%	22.5%
Depreciation	43.6	197.2	48.6	222.0	11.5%	21.9%
R&D Expenditure (Ratio to Sales)	86.9 (8.7%)	368.7 (9.0%)	92.5 (9.0%)	390.0 (9.4%)	6.4%	23.7%

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