

DENSO
Crafting the Core

**FY2017 3rd Quarter Financial Results
ended Dec 31, 2016**

**Feb 2, 2017
DENSO CORPORATION**



1. Despite production volume increase and sales expansion, revenue decreased due to appreciation of the Yen.
Despite the appreciation of the Yen, operating profit increased due to the production volume, cost reduction efforts and improved other income /expenses.

2. Upward revision to the full-year forecast revenue and operating profit mainly due to the change in foreign exchange difference occurred in the Third-quarter of the fiscal year 2017.

FY2017 3rd Quarter Financial Results

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	FY17	3Q	FY16	3Q	Change	
Revenue		3,311.5		3,370.9	-59.4	-1.8%
Operating Profit	(7.3%)	242.4	(8.0%)	271.1	-28.7	-10.6%
Other income/ expenses		5.1		-28.0	+33.1	
Operating Profit	(7.5%)	247.5	(7.2%)	243.1	+4.4	+1.8%
Finance income/ costs & others(**1)		29.5		31.5	-2.0	
Profit before Income Taxes	(8.4%)	277.0	(8.1%)	274.7	+2.4	+0.9%
Profit (**2)	(5.8%)	190.9	(5.7%)	191.3	-0.4	-0.2%

(Unit: Millions of Units)

Precondition	Foreign Exchange Rate	JPY	107/\$	JPY	122/\$	-15 JPY
		JPY	118/Euro	JPY	134/Euro	-16 JPY
	Domestic Car Production		6.63		6.60	+0.02
	Overseas Car Production of Japanese Manufacturers (North America)		14.75		14.02	+0.73
		(4.73)		(4.63)	(+0.10)	(+2.1%)

※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

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[Overview of the consolidated financial results]

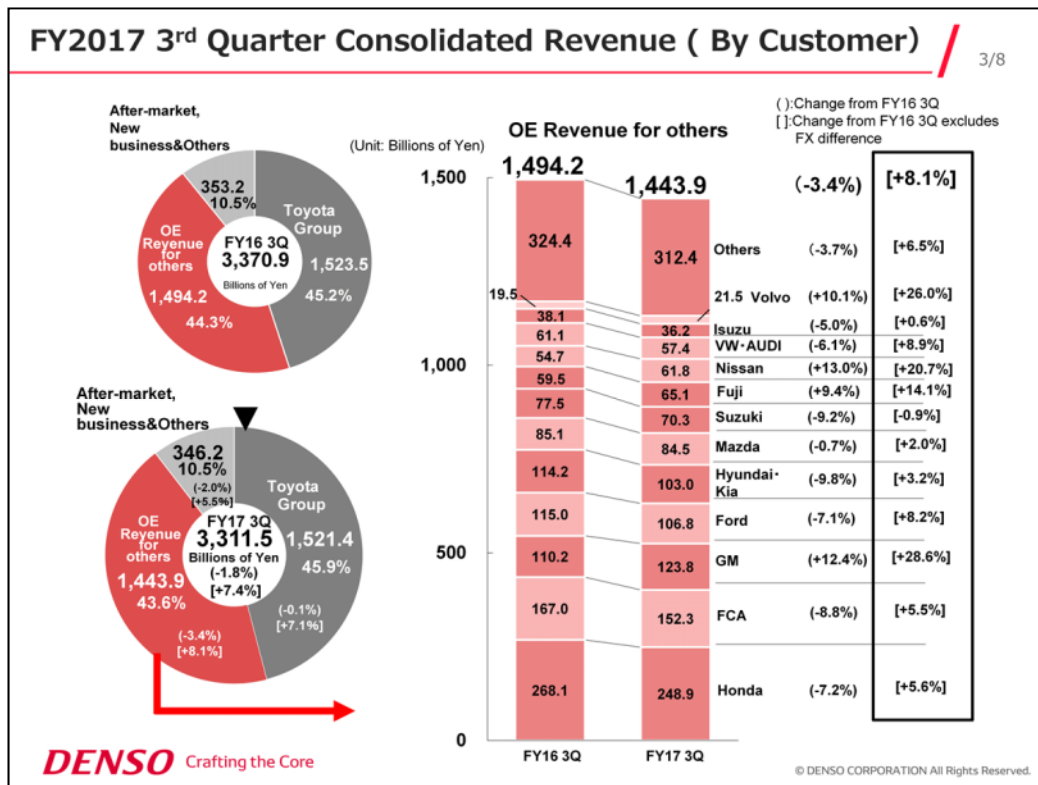
We posted revenue of 3,311.5 billion yen, down 59.4 billion yen from the previous year, equivalent to annual revenue decline of 1.8%.

Operating profit (excludes other income/ expenses) reached 247.5 billion yen, 4.4 billion yen higher than a year, up 1.8% from the previous year.

We earned profit attributable to owners of the parent company of 190.9 billion yen, down 0.4 billion yen, which is 0.2% decrease, from a year earlier.

FY2017 3rd Quarter Consolidated Revenue (By Customer)

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[Sales by customer](Quantity base)

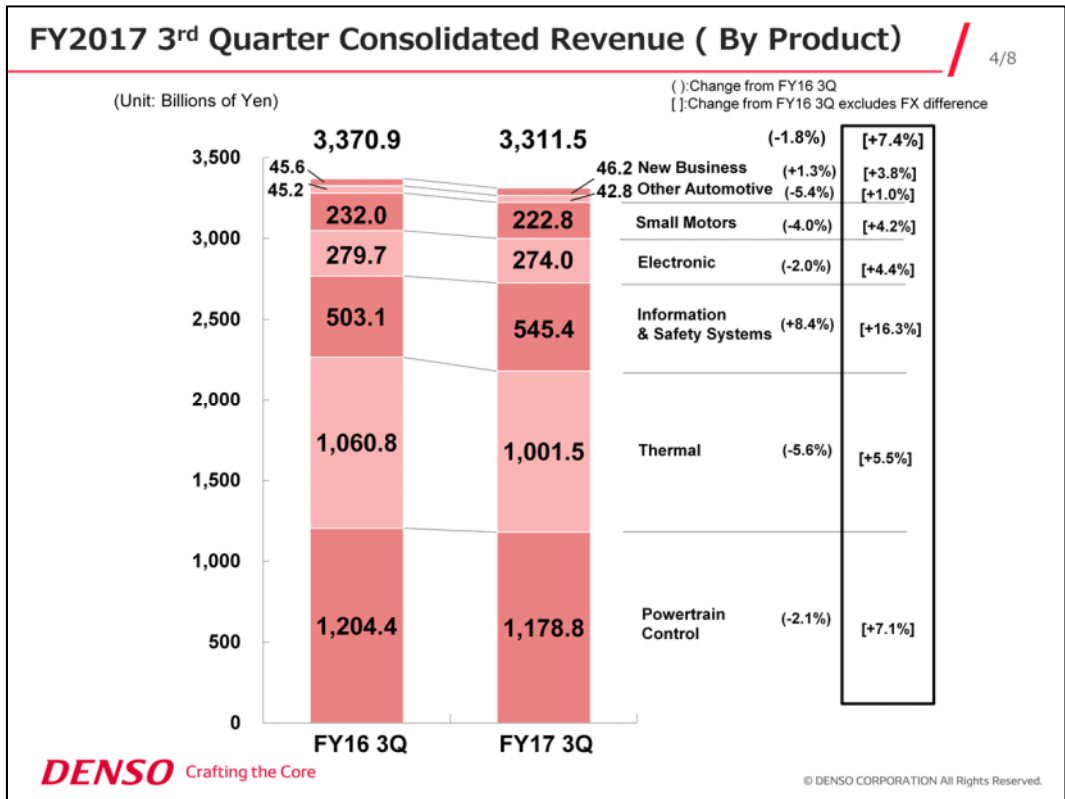
Sales to the Toyota Group

Sales to the Toyota Group increased 7.1 % from the previous year. Despite the production decrease mainly due to compact cars, production volume increased in Japan, North America and Asia. Production level also increased mainly in Japan and North America due to the large growth of installation of Toyota Safty Sence P, which is active safety products.

Sales to non-Toyota Group companies

Sales to non-Toyota Group companies increased 8.1 % from the previous year.

- 1) Honda: Sales increased due to production volume increase in Asia and the sales expansion in North America.
- 2) FCA(Fiat Chrysler Automobiles): Sales increased due to production volume increase and sales expansion in air conditioners in Europe.
- 2) GM: Sales increased due to production volume increase and the sales expansion of air conditioners in North America.



[Sales by product] (Quantity base)

Sales of Powertrain Control products

Sales increased due to production volume increase in Asia and Europe.

Sales of Thermal products

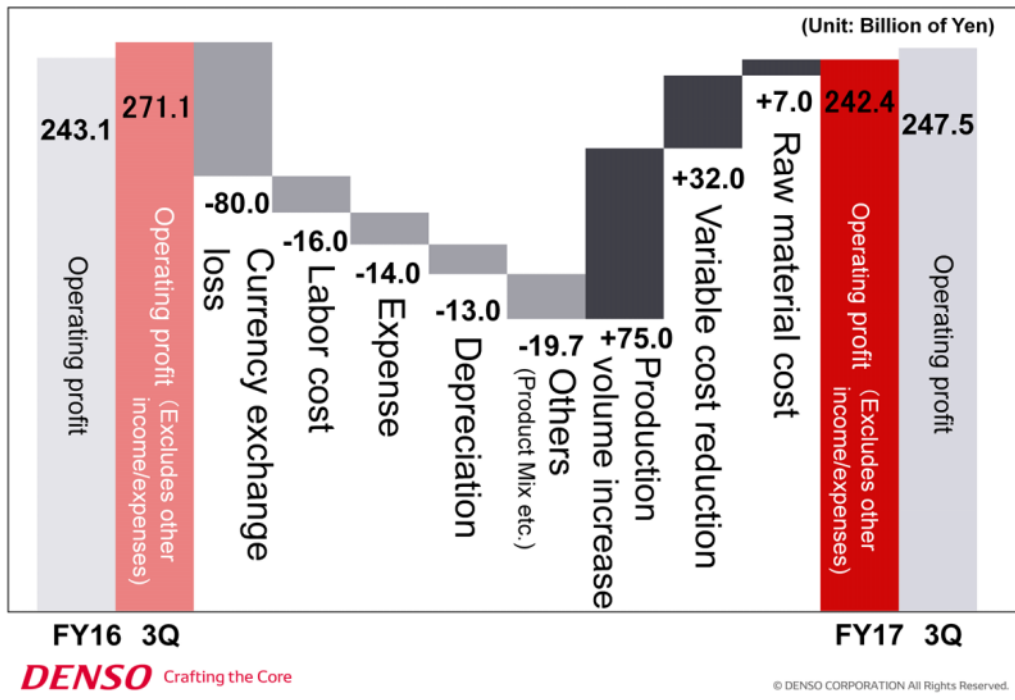
Sales increased in China and Europe due to the production volume increase in addition to the sales expansion of air conditioners.

Sales of Information & Safety Systems

Sales increased due to production volume increase in Japan and North America, as well as the large growth of installation of Toyota Safety Sense P, which is active safety products.

Change in 3rd Quarter Operating Profit

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[Factors that contributed to increases or decreases in operating profit(excludes other income/expenses)]

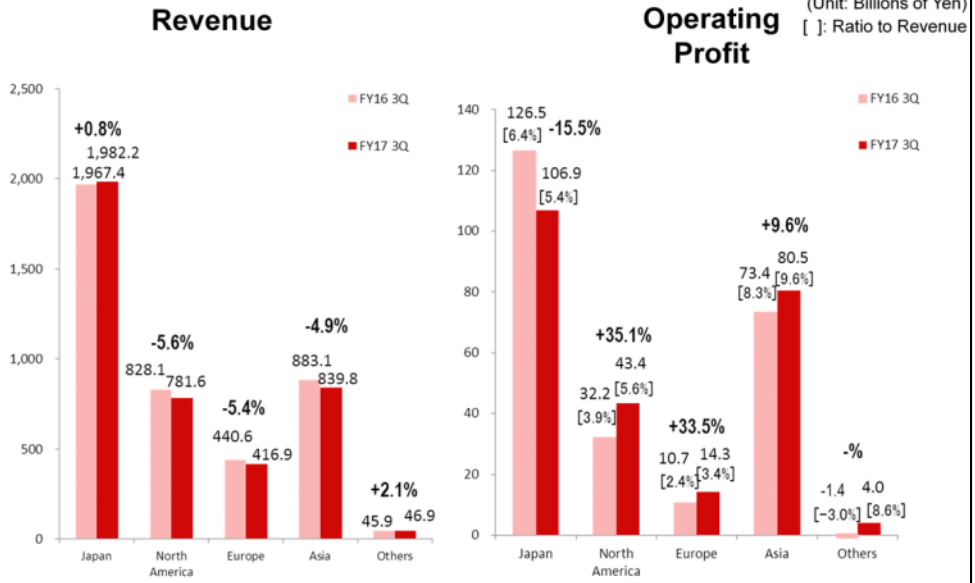
Negative factors

- 1) Appreciation of yen: An increase of 80.0 billion yen was due to the impact of the strong yen, which is 15 yen higher against US dollar and 16 yen higher against Euro.
- 2) Higher labor cost: An increase of 16.0 billion yen was due to an increase of salaries in Japan and emerging countries.
- 3) Higher expense: An increase of 14.0 billion yen was due to an increase in investment costs for future growth, for example, R & D mainly in the areas of "security and safety" and "the environment" and the reconstruction of systems for production control and management.

Positive factors

- 1) Production volume increase: An increase of 75.0 billion yen was due to production volume increase and sales expansion.
- 2) Variable cost reduction: An increase of 32.0 billion yen was due to increased productivity and other efficiencies.

3rd Quarter Geographical Segments by Company Location



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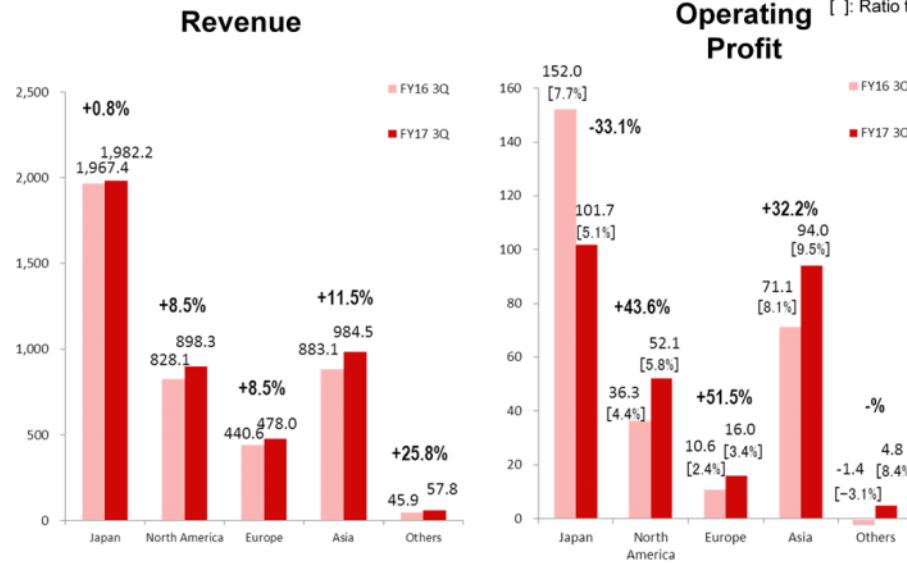
[Revenue and operating profit by operating region]

* Based on Japanese yen

3rd Quarter Geographical Segments by Company Location
 (Local Currency Base ,excludes other income/expenses)

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



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[Revenue and operating profit by operating region]

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

Japan

- Despite impact of the exchange rate ,the production volume increase led to a increase in revenue from the previous year.
- Operating profit decreased from the previous year mainly due to impact of the exchange rate.

Overseas

- Revenue and profit increased in North America, Europe and Asia.

		(Ratio to Revenue)				(Unit: Billions of Yen)	
		As of	FY17	Change from september		FY16	
		September 2016	Revised	Amount	Ratio		
Revenue		4,380.0	4,440.0	60.0	+1.4%	4,524.5	
Operating Profit (Excludes other income/ Other income/ expenses)		(6.5%) 286.0	(6.6%) 294.0	8.0	+2.8%	(8.1%)	365.2
Operating Profit Finance income/ costs & others(※1)		(6.6%) 290.0	(6.7%) 298.0	8.0	+2.8%	(7.0%)	315.7
Profit before		(7.1%) 310.0	(7.3%) 323.0	13.0	+4.2%	(7.7%)	347.3
Profit (※2)		(4.7%) 204.0	(4.8%) 214.0	10.0	+4.9%	(5.4%)	244.3
(Unit: Millions of Units)							
Precondition	Foreign Exchange Rate	JPY 105/\$	JPY 106/\$	+1 JPY		JPY 120/\$	
		JPY 117/Euro	JPY 117/Euro	-		JPY 133/Euro	
	Domestic Car Production	8.94	9.12	+0.18	+2.0%	8.93	
	Overseas Car Production of (North America)	19.52 (6.45)	19.67 (6.42)	+0.15 (-0.03)	+0.8% (-0.5%)	18.75 (6.26)	

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 ※2 Profit attributable to owners of the parent company

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[Full-year financial forecast]

We expect revenue to be 4,440.0 billion yen, operating profit (excludes other income/ expenses) to be 294.0 billion yen.

The original forecast was based on the currency rates of 105 yen to the dollar and 115 yen to the euro. Considering the change in foreign exchange difference occurred in this Third-quarter of the fiscal year 2017, we revise the forecast.

The precondition of the full-year currency rate for the fiscal year 2017 is 106 yen to the dollar and 117 yen to the euro. This is reflected the change occurred only in this Third quarter. The Fourth quarter currency rate is remained the same as 105 yen to the dollar and 115 yen to the euro, as of 2016 October, at the disclosure of the Second quarter financial results.

Car production volume of Japanese manufacturers will be 9.12 million in domestic and 19.67 million in Overseas.



[New activities]

•Branding

As we released on DENSO Web site on 1st Jan, DENSO Corporation strengthens publicity abilities by branding toward the inside and outside. The brand slogan "Crafting the Core" is used in combination with the corporate logo from this quarter financial presentation materials. It is based on the unchanging DENSO Philosophy the company has adhered to since its founding, and expresses the vision and direction the company is striving to achieve.

DENSO tries to make many fans, and to be trusted by all stakeholders.

•Changes of institutions

Aiming strengthening development and expanding businesses in the field of the Electrification, DENSO Corporation has established the Electrification Systems Business Groups. Indeed, the functions of system development of Engine Electrical Systems Business Unit and EHV Components Business Unit were into the Electrification Systems Development Div.. We strengthen and accelerate the development in the field of the Electrification.

In the field, we are able to utilize Quality of the vehicle installation and the collective strength of Thermal products, Information & Safety Systems and EHV Components nurtured over 60 years.

We aim at developing EV which provides secure, safe and comfort to users, and try to lead the electrification as a system supplier.

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

Income Statements(Japanese accounting standards)

Account	(Ratio to Sales)				(Unit: Billions of Yen,%)	
	FY17 3Q		FY16 3Q		Change	
	Amount	%	Amount	%	Amount	%
Net Sales	(100.0)	1,825.7	(100.0)	1,802.0	23.7	1.3
Operating Income	(2.4)	44.2	(6.0)	108.8	-64.7	-59.4
Income Before Income Taxes	(7.0)	127.9	(9.0)	161.3	-33.4	-20.7
Net Income	(5.9)	107.6	(7.4)	132.6	-25.0	-18.9

Pre-Conditions (Foreign Exchange Rate/Car Production)

		FY2017 First-Half			FY2017 Second-Half						FY2017 Full Year							
		Prior Year	Actual	Change	3Q			4Q			Prior Year	Forecast as of Oct.28	Forecast (Revised)	Change	Prior Year	Forecast as of Oct.28	Forecast (Revised)	Change
					Prior Year	Actual	Change	Prior Year	Revised Estimate	Change								
Foreign Exchange Rate (Yen)	USD	122	105	-17	122	109	-13	115	105	-10	118	105	107	-11	120	105	106	-14
	EUR	135	118	-17	133	118	-15	127	115	-12	130	115	116	-14	133	117	117	-16
Forex Impact on Operating Income per Yen (Billions of Yen)	USD														2.0	2.5	2.5	0.5
	EUR														0.7	1.0	1.0	0.3
Car Production of Japanese Manufacturers (Millions of Units)	Domestic	4.32	4.30	-0%	2.29	2.33	+2%	2.33	2.50	+7%	4.61	4.65	4.82	+5%	8.93	8.94	9.12	+2%
	North America	3.13	3.18	+2%	1.50	1.55	+3%	1.62	1.69	+4%	3.13	3.27	3.24	+4%	6.26	6.45	6.42	+3%
	Overseas	9.27	9.68	+4%	4.75	5.07	+7%	4.73	4.92	+4%	9.48	9.83	9.99	+5%	18.75	19.52	19.67	+5%

Consolidated Revenue (By Customer)

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(Unit: Billions of Yen, %)

	FY2017 Ended Dec. 31, 2016		FY2016 Ended Dec. 31, 2016		Change		Change excludes FX difference
	Amount	% to Total	Amount	% to Total	Amount	%	%
Toyota	1,415.0	42.7	1,420.0	42.1	-5.0	-0.4	7.1
Daihatsu	67.9	2.0	64.5	1.9	3.4	5.3	10.7
Hino	38.5	1.2	39.0	1.2	-0.5	-1.2	-0.7
Toyota Group	1,521.4	45.9	1,523.5	45.2	-2.1	-0.1	7.1
Honda	248.9	7.5	268.1	8.0	-19.2	-7.2	5.6
FCA	152.3	4.6	167.0	5.0	-14.7	-8.8	5.5
GM	123.8	3.7	110.2	3.3	13.7	12.4	28.6
Ford	106.8	3.2	115.0	3.4	-8.2	-7.1	8.2
Hyundai/Kia	103.0	3.1	114.2	3.4	-11.2	-9.8	3.2
Mazda	84.5	2.6	85.1	2.5	-0.6	-0.7	2.0
Suzuki	70.3	2.1	77.5	2.3	-7.1	-9.2	-0.9
Fuji	65.1	2.0	59.5	1.8	5.6	9.4	14.1
Nissan	61.8	1.9	54.7	1.6	7.1	13.0	20.7
VW/AUDI	57.4	1.7	61.1	1.8	-3.8	-6.1	8.9
Isuzu	36.2	1.1	38.1	1.1	-1.9	-5.0	0.6
Mitsubishi	32.3	1.0	35.3	1.0	-3.0	-8.5	-0.3
BMW	32.2	1.0	34.4	1.0	-2.2	-6.4	6.6
Benz	24.9	0.8	27.5	0.8	-2.6	-9.5	3.2
Volvo	21.5	0.6	19.5	0.6	2.0	10.1	26.0
PSA	17.6	0.5	19.6	0.6	-2.0	-10.2	2.6
Jaguar/Land Rover	10.3	0.3	14.6	0.4	-4.3	-29.5	-22.6
OE Sales for others	195.1	5.9	193.0	5.7	2.1	1.1	10.8
OEM Total	2,965.3	89.5	3,017.7	89.5	-52.4	-1.7	7.6
After-market, New business & Others(*)	346.2	10.5	353.2	10.5	-7.0	-2.0	5.5
Total	3,311.5	100.0	3,370.9	100.0	-59.4	-1.8	7.4

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

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Consolidated Revenue (By Product)

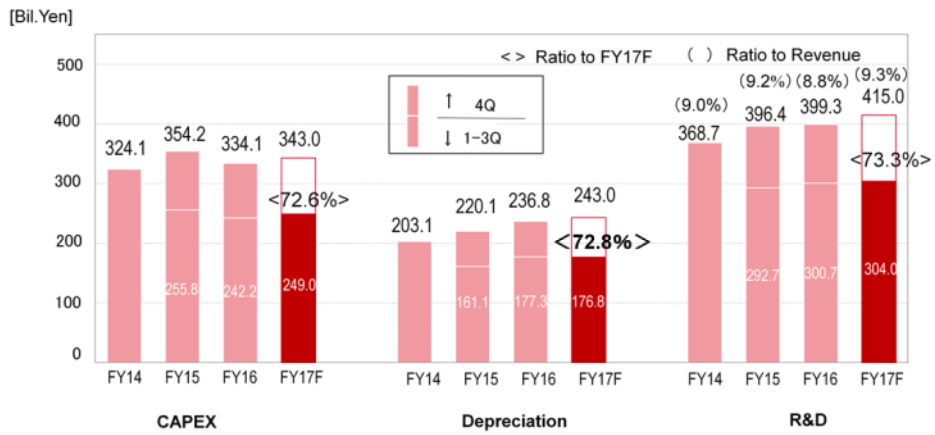
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(Unit: Billions of Yen,%)

	FY2017		FY2016		Change		Change excludes
	Ended Dec. 31, 2016		Ended Dec. 31, 2015		Amount	%	FX difference
	Amount	% to Total	Amount	% to Total			%
Powertrain Control	1,178.8	35.6	1,204.4	35.7	-25.6	-2.1	7.1
Thermal	1,001.5	30.2	1,060.8	31.5	-59.3	-5.6	5.5
Information & Safety Systems	545.4	16.5	503.1	14.9	42.3	8.4	16.3
Electronic	274.0	8.3	279.7	8.3	-5.7	-2.0	4.4
Small Motors	222.8	6.7	232.0	6.9	-9.2	-4.0	4.2
Others(*)	42.8	1.3	45.2	1.3	-2.4	-5.4	1.0
Automotive Total	3,265.3	98.6	3,325.3	98.6	-60.0	-1.8	7.5
New Business Total	46.2	1.4	45.6	1.4	0.6	1.3	3.8
Total	3,311.5	100.0	3,370.9	100.0	-59.4	-1.8	7.4

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

Trend of Capital Expenditures, Depreciation and R&D Expenditures



Capital Expenditures, Depreciation and R&D Expenditures

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(Unit: Billions of Yen)

	FY16		FY17 Forecast		3Q YTD Change from PY	Progress to FY17 Forecast
	3Q		3Q			
Japan	135.3	191.0	159.4	210.5	17.8%	75.7%
North America	32.6	45.6	38.8	62.5	19.0%	62.1%
Europe	20.9	30.9	16.8	24.0	-19.6%	70.0%
Asia	52.2	64.9	32.4	44.0	-37.9%	73.6%
Others	1.3	1.7	1.5	2.0	15.4%	75.0%
Capital Exp.	242.2	334.1	249.0	343.0	2.8%	72.6%
Japan	100.4	134.6	103.6	142.6	3.2%	72.7%
North America	21.1	28.0	19.4	29.9	-8.1%	64.9%
Europe	14.2	19.1	13.7	18.1	-3.5%	75.7%
Asia	39.1	52.0	38.0	49.6	-2.8%	76.6%
Others	2.4	3.1	2.1	2.8	-12.5%	75.0%
Depreciation	177.3	236.8	176.8	243.0	-0.3%	72.8%
R&D Expenditure (Ratio to Revenue)	300.7 (8.9%)	399.3 (8.8%)	304.0 (9.2%)	415.0 (9.3%)	1.1%	73.3%