

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

Crafting the Core

FY2019 Financial results **(2018/4-2019/3)**

Apr. 26, 2019
DENSO CORPORATION



Overview of FY2019 Financial Results

1. Despite market slowdown in Europe and China, revenue increased due to volume increase and sales expansion in all regions as well as the subsidiary DENSO TEN which was consolidated in the middle of previous fiscal year. Operating profit decreased due to increase in investment for future growth, transient profit in the last fiscal year and quality costs which was posted in the fourth quarter.
2. For the new fiscal year, revenue and operating profit will increase due to sales expansion of electrification and safety related products.

FY2019 Financial Results(2018/4-2019/3)

	18/4-19/3		17/4-18/3		Change	
Revenue		5,362.8		5,108.3	+254.5	+5.0%
Operating Profit	(5.9%)	316.2	(8.1%)	412.7	-96.5	-23.4%
Finance income/ costs & others(*1)		39.8		37.2	2.6	
Profit before Income Taxes	(6.6%)	356.0	(8.8%)	449.9	-93.9	-20.9%
Profit (*2)	(4.7%)	254.5	(6.3%)	320.6	-66.0	-20.6%

(Unit: Millions of Units)

Precondition	Foreign Exchange Rate		JPY 111/\$		JPY 111/\$	
	JPY	111/\$	JPY	111/\$		
	JPY	128/Euro	JPY	130/Euro		
Domestic Car Production		9.43		9.37	+0.05	+0.6%
Overseas Car Production of Japanese Manufacturers (North America)		20.11		20.15	-0.03	-0.2%
		(5.91)		(6.03)	(-0.12)	(-2.0%)

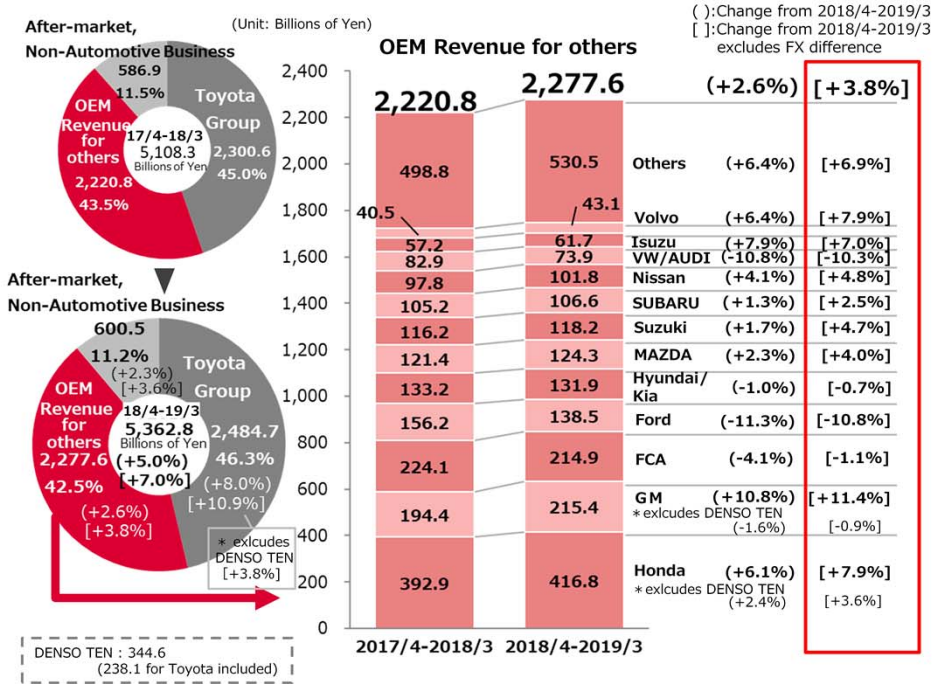
※1 Finance income, Finance costs, Foreign exchange gains/loss, Share of the profit of associates accounted for using the equity method

※2 Profit attributable to owners of the parent company

[Overview of the Consolidated Financial Results]

1. Consolidated revenue totaled 5,362.8 billion yen, increased by 254.5 billion yen (+5.0%) from the previous year.
2. Consolidated operating profit totaled 316.2 billion yen, decreased by 96.5 billion yen (-23.4%) from the previous year.
3. Consolidated profit attributable to owners of the parent company totaled 254.5 billion yen, decreased by 66.0 billion yen (-20.6%) from the previous year.

FY2019 Consolidated Revenue (By Customer)



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[Sales by Customer (Quantity Base)]

Sales to Toyota Group

Sales to the Toyota Group increased by 10.9% 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

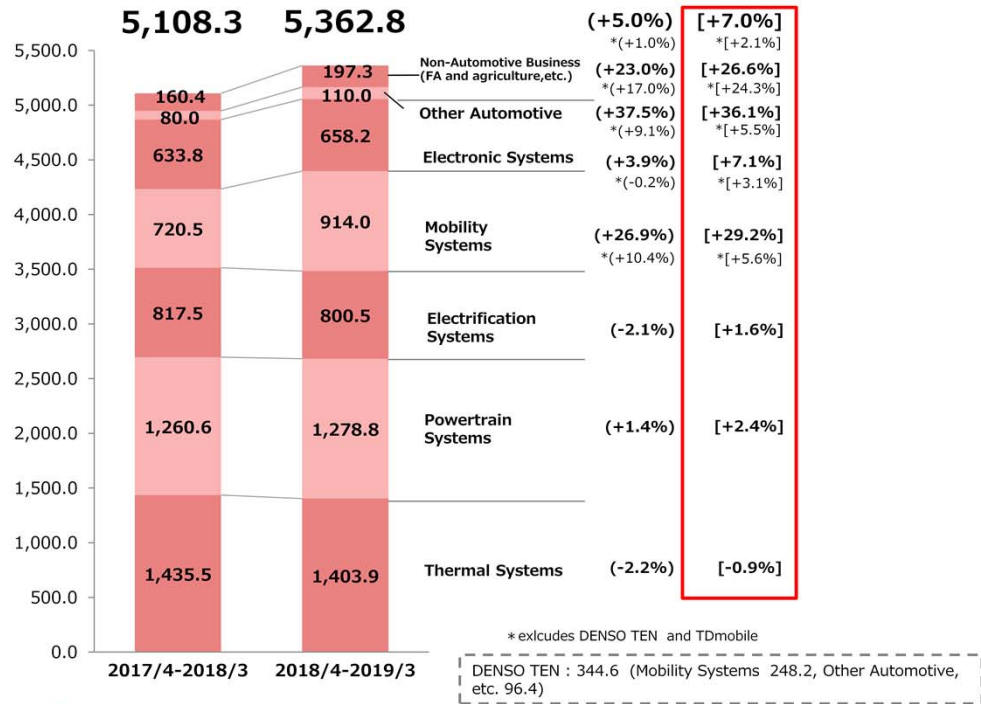
Sales to non-Toyota Group companies increased by 3.8% from last year. The reasons of each manufacture are as follows; 1) Honda : Sales expansion of display related products in North America. Increase of car production in Japan. 2) Ford : Decrease of car production in China. 3) VW • AUDI : Decrease of car production in Europe.

FY2019 Consolidated Revenue (By Product)

(Unit: Billions of Yen)

(): Change from 2018/4-2019/3

[]: Change from 2018/4-2019/3 excludes FX difference



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[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.

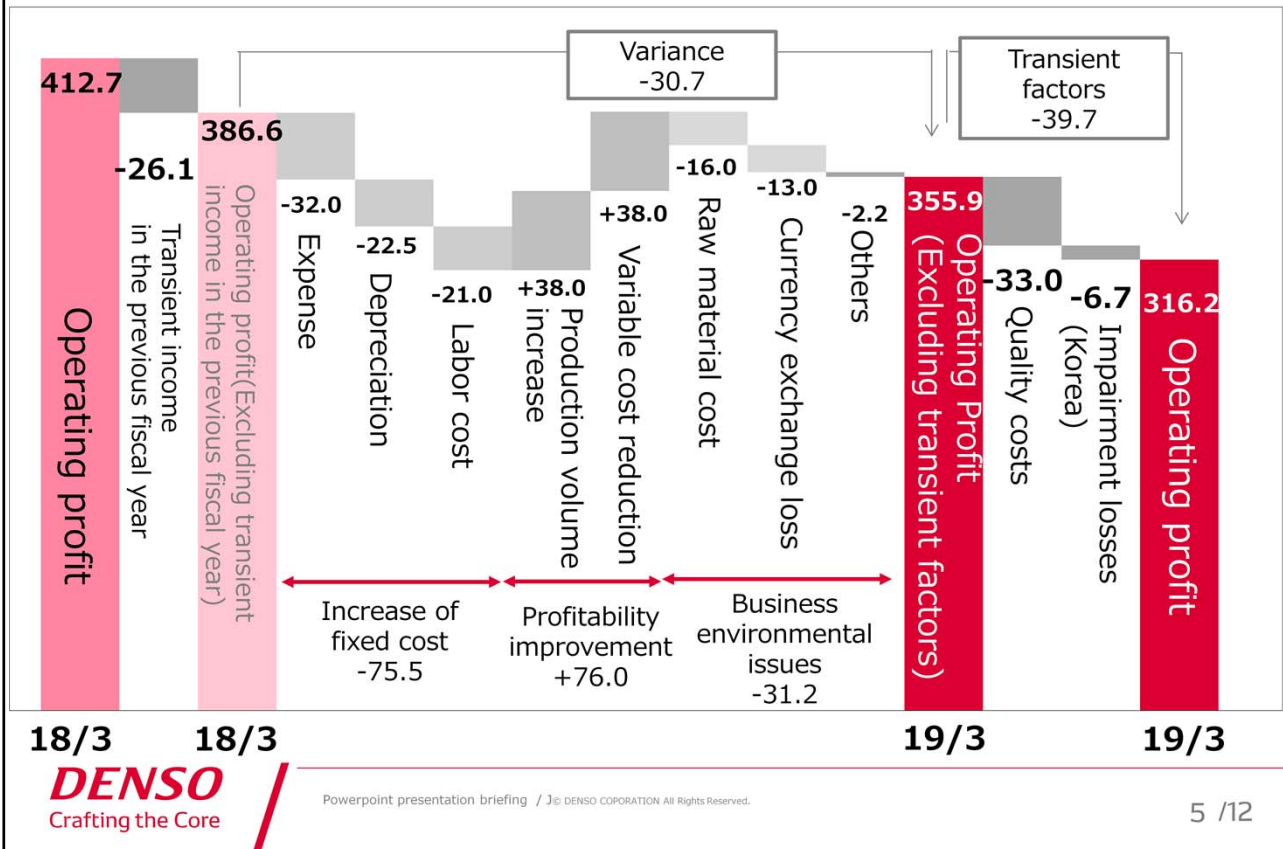
Sales of Mobility Systems Products

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.

Change in FY2019 Operating Profit

(Unit: Billion of Yen)



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

Transient profit in the last fiscal year

-26.1 billion yen was due to revaluation of securities etc.

Increase of fixed cost

1. Expense : -32.0 billion yen / Depreciation: -22.5 billion yen was due to the increase of investment for future growth area.
2. Labor cost : -21.0 billion yen was due to salary increase and bonus mainly in Japan.

Profitability improvement

1. Production volume increase: +38.0 billion yen was due to production volume increase and sales expansion.
2. Variable cost reduction: +38.0 billion yen was due to cost reduction efforts and improved productivity from Factory IoT activities.

Business environment issues

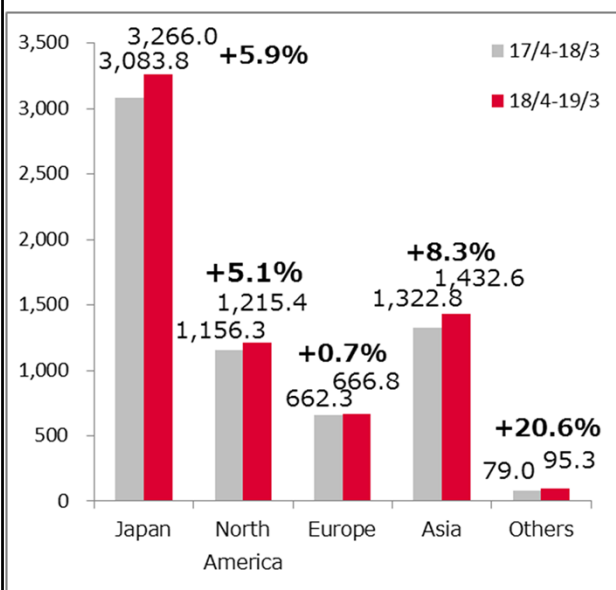
1. Raw material cost : -16.0 billion yen was due to increase in material procurement cost(Resin, copper and aluminum).

Transient cost in this fiscal year

1. Quality Cost : -33.0 billion yen was due to provision for quality measures.
2. Impairment losses : -6.7 billion yen was mainly due to impairment of fixed assets in Korea.

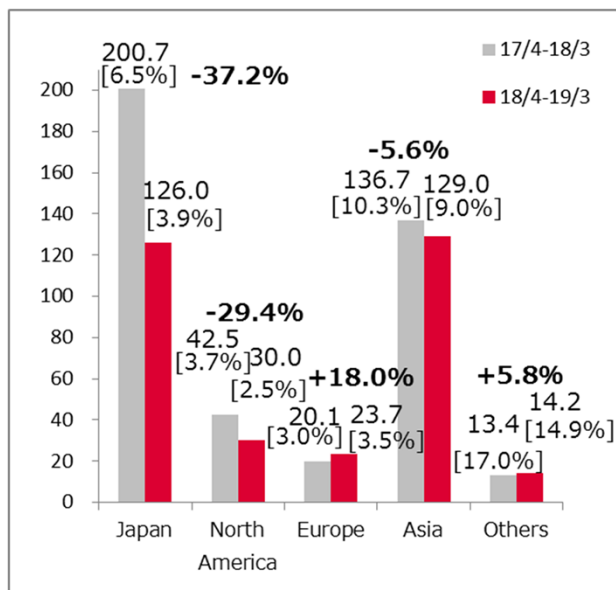
Geographical Segments by Company Location (Local Currency Base)

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 5.9% 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 37.2 percent from the previous year.

Overseas

1. The revenue increased all region due to car production increase and sales expansion.
2. 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. Despite the market slowdown, operating profit increased in Europe due to the increase in cost reduction effort. In Asia, impairment losses in Korea led to decrease in operating profit.

Variance from previous estimation at 3rd quarter

	Previous estimation	Actual result	Diff.
Operating profit	412.7	412.7	
Transient income in the previous fiscal year	-26.1	-26.1	±0
Operating profit(excluding transient income in the previous fiscal year)	386.6	386.6	-
Expense	-32.0	-32.0	±0
Depreciation	-26.0	-22.5	+3.5
Labor cost	-19.0	-21.0	-2.0
Raw material cost	-15.0	-16.0	-1.0
Currency exchange loss	-15.0	-13.0	+2.0
Production volume increase	43.0	38.0	-5.0
Variable cost reduction	40.0	38.0	-2.0
Others	17.4	-2.2	-19.6
Operating profit(Excluding transient factors)	398.5	374.4	-24.1
Quality costs	0	-33.0	-33.0
Impairment losses	-	-6.7	-6.7
Operating profit	+380.0	+316.2	-63.8

<Variance factors>

Decrease sales amount in Japan due to shutdown of OEM factory

-10.0: Increase advanced investment and special expense in North America
-3.0 : Delay SOP of new product in Japan

Provision of quality costs in Japan

Impairment of Korea business

[Variance from previous estimation at 3rd quarter]

Production volume increase

1. -5.0 billion yen: Decrease sales amount in Japan due to shutdown of OEM factory.

Others

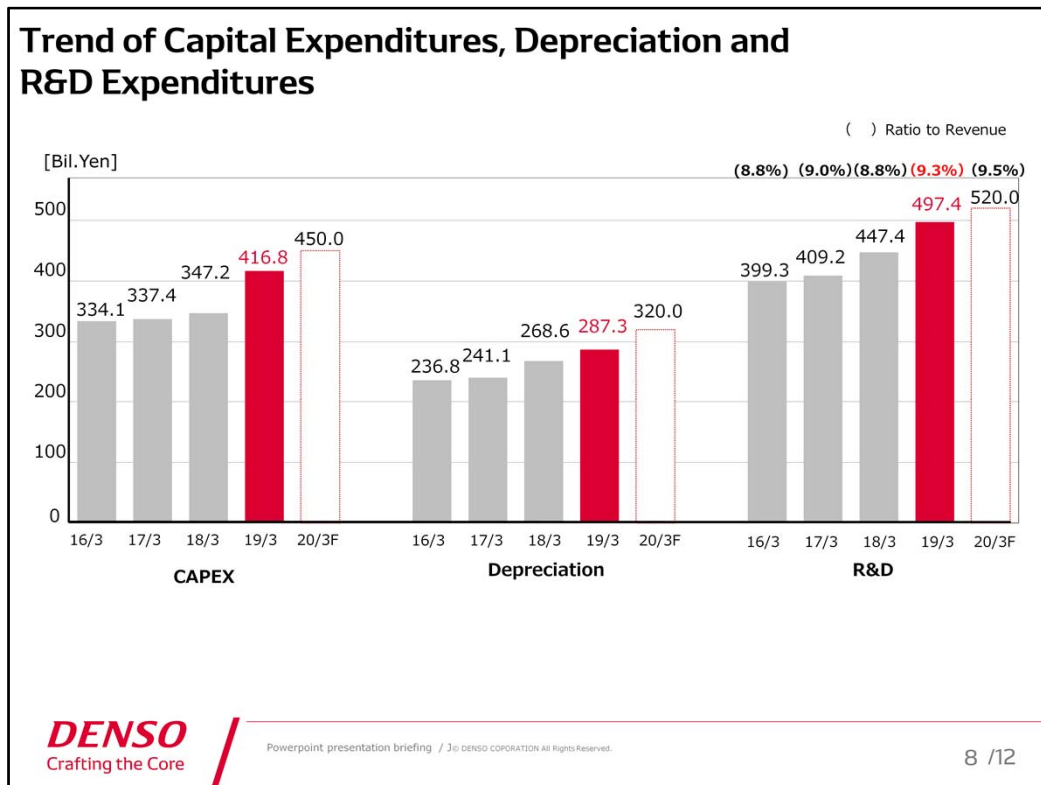
1. -10.0 billion yen: Increase in medical expenses and slow profitability improvement due to supply chain restructure and advanced investment towards CASE.
2. -3.0 billion yen: Delay of SOP of new product in Japan.

Quality Cost

1. -33.0 billion yen: Provision of quality costs in Japan.

Impairment losses

1. -6.7 billion yen: Impairment of fixed assets in Korea due to profitability deterioration.



[Capital Expenditures, Depreciation and R&D Expenditures]

Capital Expenditure

Capital expenditure reached 416.8 billion yen and in the next fiscal year, we expect of 450.0 billion yen. It is important to have controls so we strengthen Factory IoT etc. to increase efficiency.

DENSO will invest approximately 180 billion yen (US\$1.6 billion) over the three years – from FY2019 to late FY2021 – to support its aggressive development and production of electrified automotive products, systems and technologies.

R&D expenditure

R&D expenditure reached 497.4 billion yen. We keep high level of R&D expenditure of 520.0 billion yen in the next fiscal year due to strengthen and accelerate R&D regarding core technology for example in E-Axle and integrated ECU in the field of electrification and automated driving.

FY2020 Financial Forecast

		20/3 Forecast		19/3 Actual		Change	
Revenue		5,500.0		5,362.8		+137.2	+2.6%
Operating Profit		(6.9%)	380.0	(5.9%)	316.2	+63.8	+20.2%
Finance income/ costs & others(*1)			49.0		39.8	+9.2	
Profit before Income Taxes		(7.8%)	429.0	(6.6%)	356.0	+73.0	+20.5%
Profit (*2)		(5.5%)	305.0	(4.7%)	254.5	+50.5	+19.8%
(Unit: Millions of Units)							
Precondition	Foreign Exchange Rate	JPY	110/\$	JPY	111/\$	-1 JPY	
		JPY	125/Euro	JPY	128/Euro	-3 JPY	
	Domestic Car Production		9.61		9.43	+0.18	+1.9%
	Overseas Car Production of Japanese Manufacturers (North America)		20.46		20.11	+0.35	+1.7%
			(5.83)		(5.91)	(-0.08)	(-1.3%)

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※2 Profit attributable to owners of the parent company

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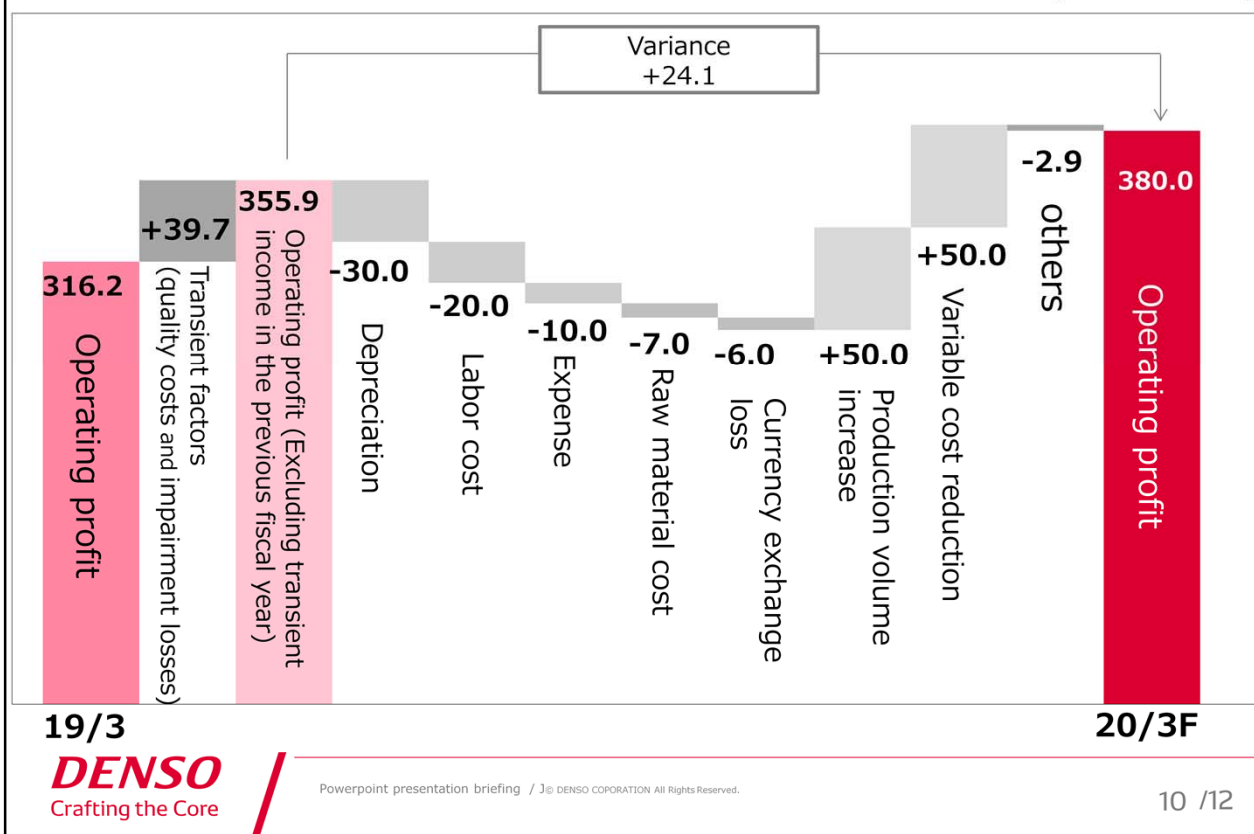
[Full year Financial Forecast]

Considering sales expansion of electrification and safety related products,

1. We expect revenue of 5,500.0 billion yen.
2. We expect operating profit to be 380.0 billion yen.
3. We used 110 yen to the U.S. dollar and 125 yen to the euro.

Change in FY2020 Operating Profit

(Unit: Billion of Yen)



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

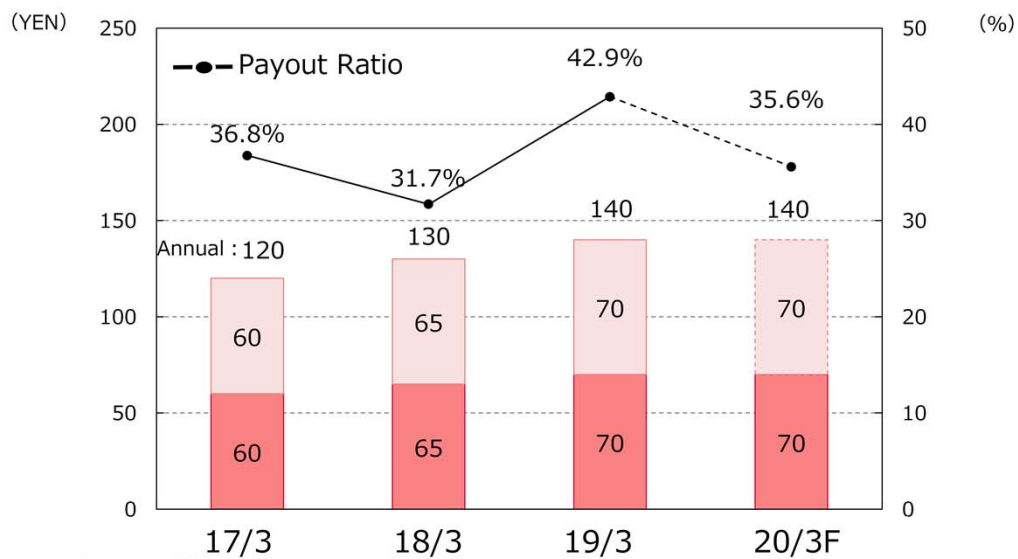
Depreciation: -30.0 billion yen and Expense: -10.0 billion yen are investment for future growth. Labor cost: -20.0 billion yen is due to increase in R&D resources and salaries.

Despite the negative factors, operating profit will be 380.0 billion yen, 63.8 billion yen increase from the previous year due to production volume increase and variable cost reduction.

Return to Shareholders

FY19 Annual Dividend per Share: 140 yen same as the previous financial forecast

FY20 Annual Dividend per Share: 140 yen same as FY19



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[Return to Shareholders]

Annual dividend per share for FY2019 is 140 yen and for FY2020 expect to be 140 yen.

We will continue to enhance corporate value and further profit return to our shareholders.

Recent technical development

- **Integrate TOYOTA's electronics business to DENSO**
Invest 180bil yen to enhance R&D and manufacturing of Electrification



Electrification R&D center (establish in May, 2020)

- **Invest to Uber Advanced Technologies Group**
Collaboration to accelerate the development and commercialization of automated ridesharing services.
- **Establish new J/V for expansion of electrification and automated driving**

Establish "BluE Nexus", "J-QuAD DYNAMICS" in Apr. 2019

Improve competitiveness through expanded partnership, acceleration of R&D investment and Capital expenditure.

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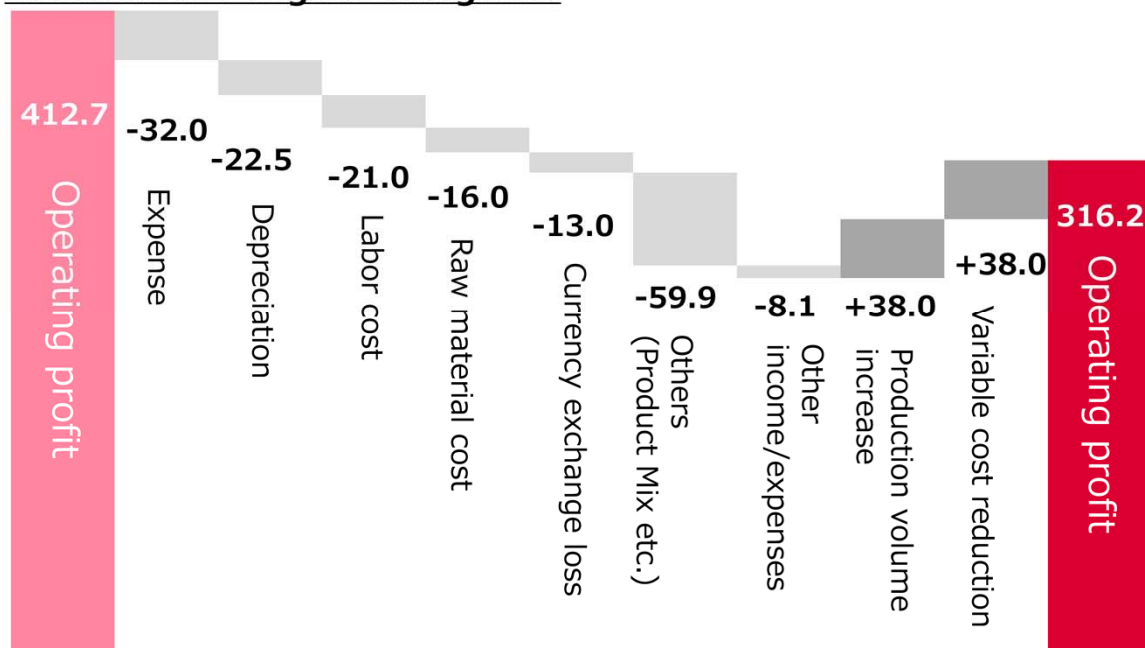
Appendix

- Pre-Conditions (Foreign Exchange Rate/Car Production)
- Change in FY2019 Operating Profit
- Consolidated Revenue by Customer
- Consolidated Revenue by Product
- Geographical Segments by Company Location
- Capital Expenditures, Depreciation and R&D Expenditures

Change in FY2019 Operating Profit

(Unit: Billion of Yen)

Based on the original categories



18/3

19/3

Pre-Conditions (Foreign Exchange Rate/Car Production)

		FY2019 First-Half						FY2019 Full Year			FY2020 Full Year	
		FY2019 First-Half			FY2019 Second-Half			FY2019 Full Year			FY2020 Full Year	
		Prior Year	Actual	Change	Prior Year	Actual	Change	Prior Year	Actual	Change	Forecast	Change
Foreign Exchange Rate (Yen)	USD	111	110	- 1	111	112	+ 1	111	111	+ 0	110	-1
	EUR	126	130	+ 4	133	127	- 6	130	128	- 2	125	-3
Forex Impact on Operating Income per Yen (Billions of Yen)	USD	-			-			2.5	2.5	0.0	2.5	0.0
	EUR	-			-			1.0	1.0	0.0	1.0	0.0
Car Production of Japanese Manufacturers (Millions of Units)	Domestic	4.54	4.47	- 1%	4.84	4.95	+ 2%	9.37	9.43	+ 1%	9.61	+ 2%
	North America	3.01	2.90	- 4%	3.02	3.01	- 0%	6.03	5.91	- 2%	5.83	- 1%
	Overseas	9.89	10.20	+ 3%	10.26	9.91	- 3%	20.15	20.11	- 0%	20.46	+ 2%

Consolidated Revenue (By Customer)

(Unit: Billions of Yen)

	2018/4-2019/3		2017/4-2018/3		Change		Change excludes FX difference, etc.
	Amount	% to Total	Amount	% to Total	Amount	%	%
Toyota	2,289.2	42.6	2,124.2	41.5	165.0	7.8	10.7
Daihatsu	128.1	2.4	116.0	2.3	12.1	10.4	13.4
Hino	67.4	1.3	60.3	1.2	7.1	11.8	11.9
Toyota Group	2,484.7	46.3	2,300.6	45.0	184.1	8.0	10.9
Honda	416.8	7.8	392.9	7.6	23.9	6.1	7.9
GM	215.4	4.0	194.4	3.8	21.0	10.8	11.4
FCA	214.9	4.0	224.1	4.4	-9.2	-4.1	-1.1
Ford	138.5	2.6	156.2	3.1	-17.7	-11.3	-10.8
Hyundai/Kia	131.9	2.5	133.2	2.6	-1.3	-1.0	-0.7
Mazda	124.3	2.3	121.4	2.4	2.8	2.3	4.0
Suzuki	118.2	2.2	116.2	2.3	2.0	1.7	4.7
SUBARU	106.6	2.0	105.2	2.1	1.4	1.3	2.5
Nissan	101.8	1.9	97.8	1.9	4.0	4.1	4.8
VW·AUDI	73.9	1.4	82.9	1.6	-8.9	-10.8	-10.3
Mitsubishi	65.4	1.2	55.0	1.1	10.3	18.8	18.8
Isuzu	61.7	1.2	57.2	1.1	4.5	7.9	7.0
BMW	43.8	0.8	42.4	0.8	1.5	3.5	4.4
Volvo	43.1	0.8	40.5	0.8	2.6	6.4	7.9
PSA	31.5	0.6	34.3	0.7	-2.8	-8.1	-7.5
Daimler	29.4	0.5	34.5	0.7	-5.0	-14.6	-13.7
OE Sales for others	360.2	6.7	332.6	6.5	27.6	8.3	8.9
OEM Total	4,762.3	88.8	4,521.4	88.5	240.9	5.3	7.4
After-market, Non-Automotive Business(*)	600.5	11.2	586.9	11.5	13.6	2.3	3.6
Total	5,362.8	100.0	5,108.3	100.0	254.5	5.0	7.0

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

Consolidated Revenue (By Product)

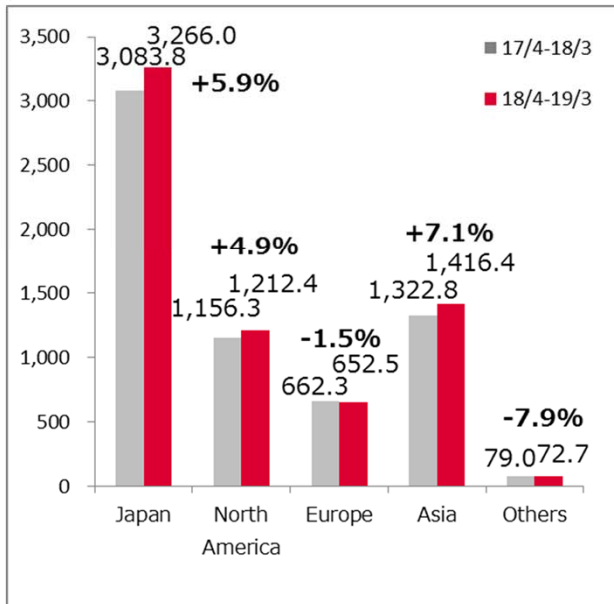
(Unit: Billions of Yen,%)

	18/4-19/3		17/4-18/3		Change		Change excludes FX difference
	Amount	% to Total	Amount	% to Total	Amount	%	%
Thermal Systems	1,403.9	26.2	1,435.5	28.1	-31.6	-2.2	-0.9
Powertrain Systems	1,278.8	23.8	1,260.6	24.6	18.2	1.4	2.4
Electrification Systems	800.5	14.9	817.5	16.0	-17.0	-2.1	1.6
Mobility Systems	914.0	17.0	720.5	14.1	193.6	26.9	29.2
Electronic Systems	658.2	12.4	633.8	12.5	24.4	3.9	7.1
Others(*)	110.0	2.0	80.0	1.6	30.0	37.5	36.1
Automotive Total	5,165.4	96.3	4,947.9	96.9	217.6	4.4	6.4
Non-Automotive Business(FA and agriculture, etc.) Total	197.3	3.7	160.4	3.1	36.9	23.0	26.6
Total	5,362.8	100.0	5,108.3	100.0	254.5	5.0	7.0

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

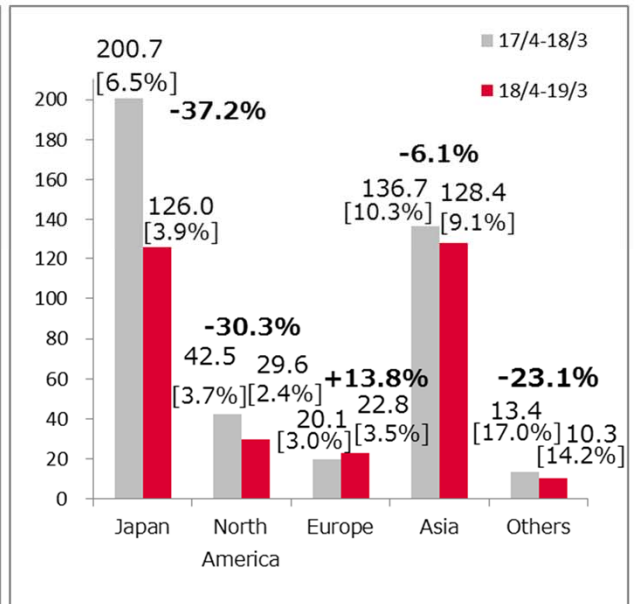
Geographical Segments by Company Location

Revenue



Operating Profit

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



Capital Expenditures, Depreciation and R&D Expenditures

(Unit: Billions of Yen)

	2019/3	2018/3	Change	2020/3F	Change
			Percent		Percent
Japan	217.7	258.2	18.6%	261.5	1.3%
North America	43.8	60.3	37.7%	60.0	-0.5%
Europe	30.8	25.5	-17.2%	25.0	-2.0%
Asia	52.7	69.5	31.9%	100.0	43.9%
Others	2.2	3.4	54.5%	3.5	2.9%
Capital Expenditures	347.2	416.8	20.0%	450.0	8.0%
Japan	154.7	168.6	9.0%	189.0	12.1%
North America	32.4	36.8	13.6%	44.5	20.9%
Europe	22.2	24.0	8.1%	26.0	8.3%
Asia	56.4	55.7	-1.2%	58.0	4.1%
Others	2.8	2.1	-25.0%	2.5	19.0%
Depreciation	268.6	287.3	7.0%	320.0	11.4%
R&D Expenditure	447.4	497.4	11.2%	520.0	4.5%
(Ratio to Sales)	(8.8%)	(9.3%)		(9.5%)	