FY2013 2nd Quarter Financial Results
ended September 30, 2012

October 31, 2012

DENSO CORPORATION
1. Sales and Income increased from previous year

2. Downward Revision of FY2013 forecast
[Overview of the consolidated financial results]

We posted sales of 1,733.1 billion yen, up 324 billion yen from the previous year, equivalent to annual revenue growth of 23%, thanks to a surge in new car sales in Japan driven by government subsidies for the purchase of fuel-efficient vehicles and strong auto production in North America, Asia, and Oceania.

Operating income reached 136.3 billion yen, 104.4 billion yen higher than a year ago, thanks to capacity utility gains from increased sales and other operating efficiencies.

Coupled with non-operating income of 13 billion yen, recurring profit amounted to 149.2 billion yen, up 109.9 billion dollars year-on-year.

Despite extraordinary losses of 11.9 billion yen, including unrealized losses on investment securities, we earned a net income of 78.1 billion yen after corporate and other taxes, up 54.8 billion yen from a year earlier.
[Sales by customer]

Sales to the Toyota Group increased by 269.4 billion yen thanks to an increase in its production of vehicles and its purchases of our hybrid vehicle products.

Sales to non-Toyota Group companies also increased, including greater sales to Honda as it ramped up auto production around the world, and also to Mazda because we have developed components for its SKYACTIV engine series.

Sales to European automakers dropped as they curtailed vehicle production.
Sales of electronic products rose significantly over the previous year, with favorable sales to Toyota and Honda. Growth in sales of information and safety systems was primarily due to booming sales to Toyota.
Change in 2nd Quarter Operating Income

[Factors that contributed to increases or decreases in Operating Income]

Negative factors
(1) Higher expenses: An increase of 18.7 billion yen was mainly due to an increase in R&D expenditure on information and safety systems as well as new areas of business.
(2) Currency exchange loss: An increase of 9.2 billion yen was mainly due to a 13-yen appreciation against the euro.

Positive factors
(1) Production volume increase: An increase of 104.5 billion yen was due to an increase in sales.
(2) Variable cost reduction: An increase of 14 billion yen was due to increased productivity and other efficiencies.
(3) Recovering from the damage caused by Japan’s 2011 massive earthquake: An increase of 15 billion yen was due to not using temporary expenses to purchase alternative products this year.
[Sales and operating income by operating region]

* On a local currency basis excluding the effect of foreign exchange rate

Japan

- Sales rose by 28.1% from the previous year, driven by demand for reconstruction from the disaster in Japan and by increased auto production thanks to government subsidies for purchases of fuel-efficient vehicles.

- Operating income soared to 94 billion yen, with capacity utility gains from increased sales.

Sales and profit increased in North America, Asia, and Oceania in addition to Japan, but decreased in Europe due to a slump in vehicle production resulting from the slow economy.
[Forecasts for consolidated financial results]

We have scaled back our full-year financial forecasts made in the first quarterly earnings announcement, expecting vehicle production to fall in Japan, Europe, and China in the second half of this fiscal year.

We expect sales of 3,410 billion yen and operating income of 225 billion yen. This forecast is based on an exchange rate of 80 yen to the U.S. dollar and 100 yen to the euro.

A 1 yen gain against the U.S. dollar and euro would reduce operating income at DENSO by 3.2 billion yen and 0.6 billion yen a year, respectively.
[Factors that contributed to increases or decreases in full-year forecasts for recurring profit]

While negative factors, including increased expenses of 29 billion yen, are expected to depress recurring profit by 63.7 billion yen, positive factors, such as capacity utility gains of 82.5 billion yen resulting from sales growth, boosted recurring profit by 128 billion yen. Therefore, recurring profit is likely to be 243 billion yen, up 62.2 billion yen from the previous year.
[Sales and operating income by operating region]

We expect sales and profit in all of our operating regions except Asia and Oceania to increase on a local currency basis excluding foreign exchange rate effects.

In Asia and Oceania, our profit will likely to decline due to the fall in production of Japanese vehicles in China and other negative factors.
1. Global Mid-term Policy

2. Technology Development for Foster the Growth
   (1) Fuel Saving
   (2) Safety
   (3) Strengthen Cost Competitive

3. DENSO’s Development Network
Our Global Mid-term Policy established this fiscal year states the following three policies:

1. Expand business to ensure our continued growth in future years.
2. Continue to develop the world’s first products.
3. Facilitate Group-wide collaboration worldwide and speed up corporate management.

The DENSO Group will work together to achieve sales of 4,000 billion yen and operating income of 8% in fiscal 2015.
We are expanding sales, developing new technologies, and strengthening our corporate systems to achieve sales of 4,000 billion yen.
One of the key technologies for our sustainable growth is for fuel-efficient powertrains.

The demand for higher fuel efficiency and lower CO2 emissions is leading to downsizing, electrification, and systemization in automotive powertrain technology.

DENSO is developing a wide variety of powertrain products ranging from internal combustion engine components to hybrid and electric vehicle devices.
Recently, an increasing number of vehicles are using an idle start/stop system to effectively improve fuel efficiency.

DENSO offers different types of idle start/stop systems in terms of cost and efficiency to meet diverse customer needs, taking into account regional peculiarities and vehicle characteristics.

System C, DENSO’s latest idle stop/start system, is equipped with a Tandem Solenoid Starter that stops the engine when the engine speed falls below a certain threshold and a new lithium-ion battery pack that stably stores and supplies more regenerated power. With these mechanisms, the system can improve fuel efficiency by as much as 10%.

DENSO has developed a new evaporator as well. It has a cold insulator in its heat exchanger to send comfortable cool air to the vehicle cabin even while the engine is not running during idle stop.

This latest evaporator is used in the new Wagon R, which was released by Suzuki Motor Corporation in September this year.
DENSO’s high-pressure fuel injector and pump, which were released in 2010 for gasoline direct injection engines, achieves the world’s highest level of injection pressure, fuel atomization and spray formation, durability, and other properties.

The number of customers using these devices is growing rapidly. In fiscal 2015, we aim to increase the amount sold in fiscal 2010 by more than five times.

One recent example is Honda, which uses these devices in its gasoline direct injection engine for the new Accord.
In particular, Mazda uses many of our products including gasoline direct injection systems and diesel common rail systems for its SKYACTIV engines which is used in the CX-5 and will be gradually used in other Mazda models.
Every year, more than 1.2 million people are killed in road accidents around the world.

NCAP, a safety assessment program for new vehicles, is being tightened worldwide in stages, particularly in developed countries.

In keeping with this trend, DENSO is developing systems for “Everyday Confidence, Extraordinary Safety,” such as those that provide:

- Support to help the driver drive safely
- Support to help the driver to spot danger more easily
- Automatic control of the vehicle to mitigate damage if an accident is unavoidable
DENSO has already developed sensor-based core technologies that can meet tighter NCAP regulations, such as for radar systems, cameras, sonar systems, and ECUs as shown in the slide.

A combination of these technologies allows DENSO to offer a variety of products that comply with more stringent NCAP regulations which are being introduced into Europe, the United States, Japan, and other countries.
The Pre-crash Safety System uses a camera and millimeter-wave radar system to detect obstacles ahead. When the system judges that a collision is imminent,
(1) Sounds a warning alarm,
(2) Applies brake assist to slow the vehicle,
(3) Retracts the seatbelts to hold the occupants closer to their seats, and then
(4) Automatically applies brakes to help avoid a collision if the driver does not take action to avoid a crash.

In the Night View System, (1) the camera sends video signals to (2) the ECU which identifies the shape and size of a pedestrian based on these signals and displays (3) a pedestrian detection frame.
This system informs the driver of the presence of a pedestrian who is out of the range of the low headlight beam and thus cannot be seen with the naked eye.

These systems are used in the Lexus LS, which was recently released by Toyota. DENSO also offers many other safety systems.
DENSO is transforming its plants in Japan to produce products at “Dantotsu (extremely competitive)” costs to remain competitive even with the yen as strong as it is today.

More specifically, we

• Use compact, 1/N equipment to halve the capital investment and reduce energy consumption to one-sixth,
• Speed up production lines by using automatic setup and other technologies, and increase their output by 30% by making them fault-tolerant, and
• Conduct integrated, high-mix, and low volume production to reduce the space for storing work pieces, as well as the amount of logistics and inventory.

We are carrying out this project at nine major plants in Japan and have just started it overseas.
Since 2009, DENSO has worked on the “Cost-half Activities” to develop low-cost products mainly for emerging markets. As shown in the slide, we have worked on halving the cost of these products on average to meet different regional needs in a way that is different from our traditional product development methods.

The blue lines indicate vehicle models that will use our low-cost products. Currently, it has been decided that 71 low-cost products will be used in 15 vehicle models, which are to be produced mainly in China.

Our region-specific, low-cost products have encouraged one automaker who uses them, to use our other products too, which meet DENSO’s global performance and quality standards, for its four vehicle models. The Cost-half Activities thus generate synergy effects.

We will promote these activities to win more orders in emerging markets which are expected to continue growing.
To develop regionally-optimized products, we are improving our development systems in our seven operating regions: Japan, Europe, North America, ASEAN, China, India, and South America.

This year, we have established a technical center in India and Brazil, so we can respond to local customer needs more quickly around the world.
As of the end of September this year, DENSO has 216 production companies worldwide. We are expanding our production systems to keep pace with the growing production capacity of our customers mainly in emerging countries including India, Indonesia, Mexico, and Brazil.
Although today’s global business environment is very challenging, including the strong yen, we will strive to achieve our sales target of 4,000 billion yen and operating margin of 8%.
We plan to pay a dividend of 27 yen per share for the fiscal half-year and 54 yen per share for the entire fiscal year.