

***DENSO***

Crafting the Core

**FY2018**

**Financial Results ended  
March 31, 2018**

- I . Closing results
- II . Strategies

Apr. 27, 2018

DENSO CORPORATION



# Overview of FY2018 Financial Results

1. Revenue increased due to an increase in vehicle production, as well as sales expansion.  
Operating profit also saw an increase due to the production volume increase and company cost reduction efforts.
2. For the new fiscal year, revenue will increase due to the newly consolidated subsidiaries, the increase in car production and the sales expansion.  
Despite a rise in production volume and cost reduction efforts, operating profit will decrease due to an increase in investment for future growth, in addition to the impact of the yen's appreciation and increase of material costs.

# FY2018 Financial Results

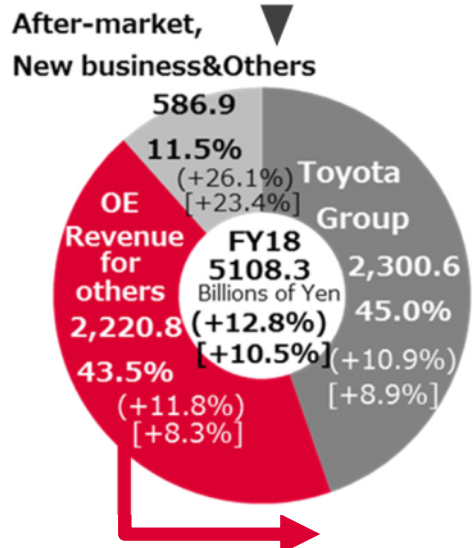
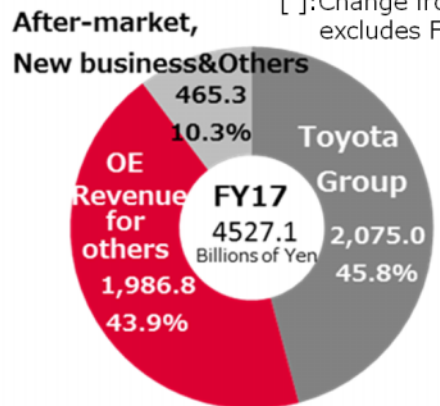
		(Ratio to Revenue)		(Unit:Billions of Yen, %)	
		FY18	FY17	Change	
<b>Revenue</b>		<b>5,108.3</b>	4,527.1	+581.1	+12.8%
<b>Operating Profit</b> ( Excludes other income/ expenses)		<b>406.0</b>	326.4	+79.5	+24.4%
Other income/ expenses		<b>6.7</b>	4.1	+2.6	
<b>Operating Profit</b>		<b>412.7</b>	330.6	+82.1	+24.8%
Finance income/ costs & others(*1)		<b>37.2</b>	30.3	+6.9	
<b>Profit before Income</b>		<b>449.9</b>	360.9	+89.0	+24.7%
<b>Profit</b> (*2)		<b>320.6</b>	257.6	+62.9	+24.4%
				(Unit:Millions of Units)	
Precondition	Foreign Exchange Rate	JPY 111/\$	JPY 108/\$	+3 JPY	
		JPY 130/Euro	JPY 119/Euro	+11 JPY	
	Domestic Car Production	9.37	9.10	+0.27	+3.0%
	Overseas Car Production of Japanese Manufacturers (North America)	20.14	19.67	+0.48	+2.4%
		(6.03)	(6.38)	(-0.35)	(-5.5%)

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

# FY2018 Consolidated Revenue (By Customer)

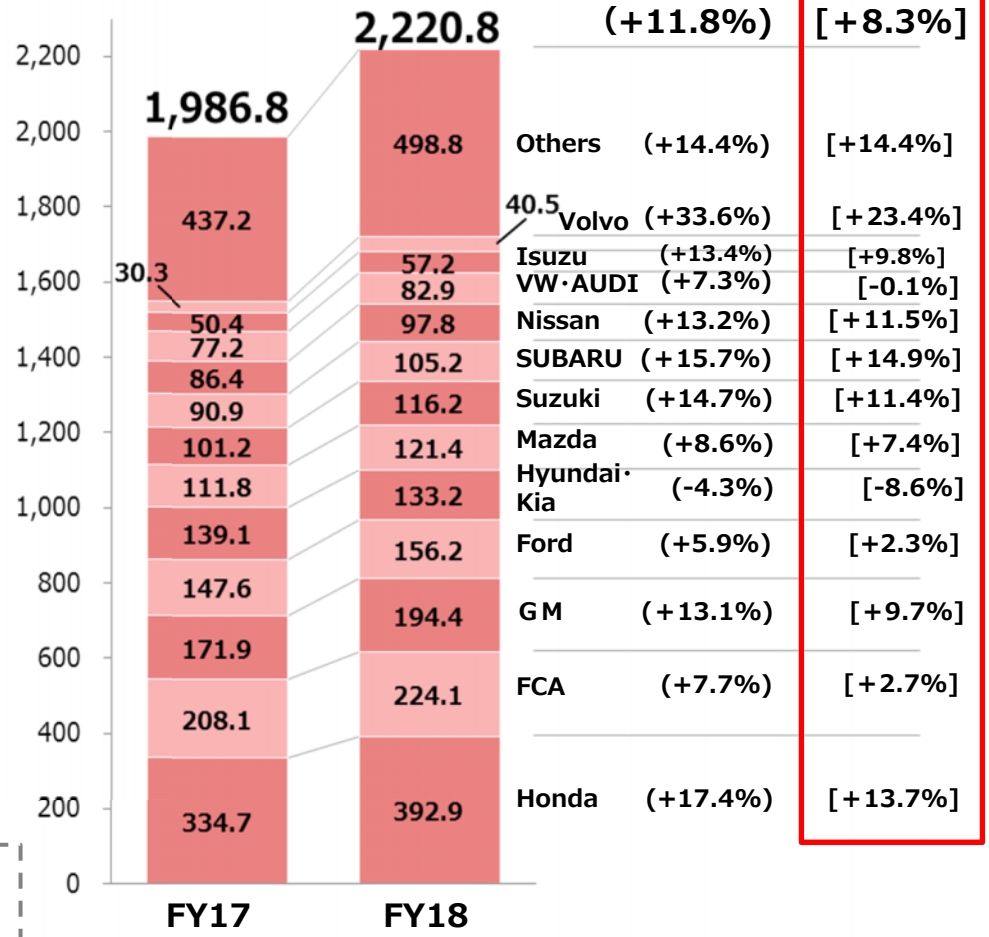
( ): Change from FY17  
 [ ]: Change from FY17  
 excludes FX difference



FY18 includes below as newly consolidated subsidiaries.  
 DENSO TEN : 157.5  
 (108.5 for Toyota Group)  
 TD mobile(After-market, New Business) : 82.7

## OE Revenue for others

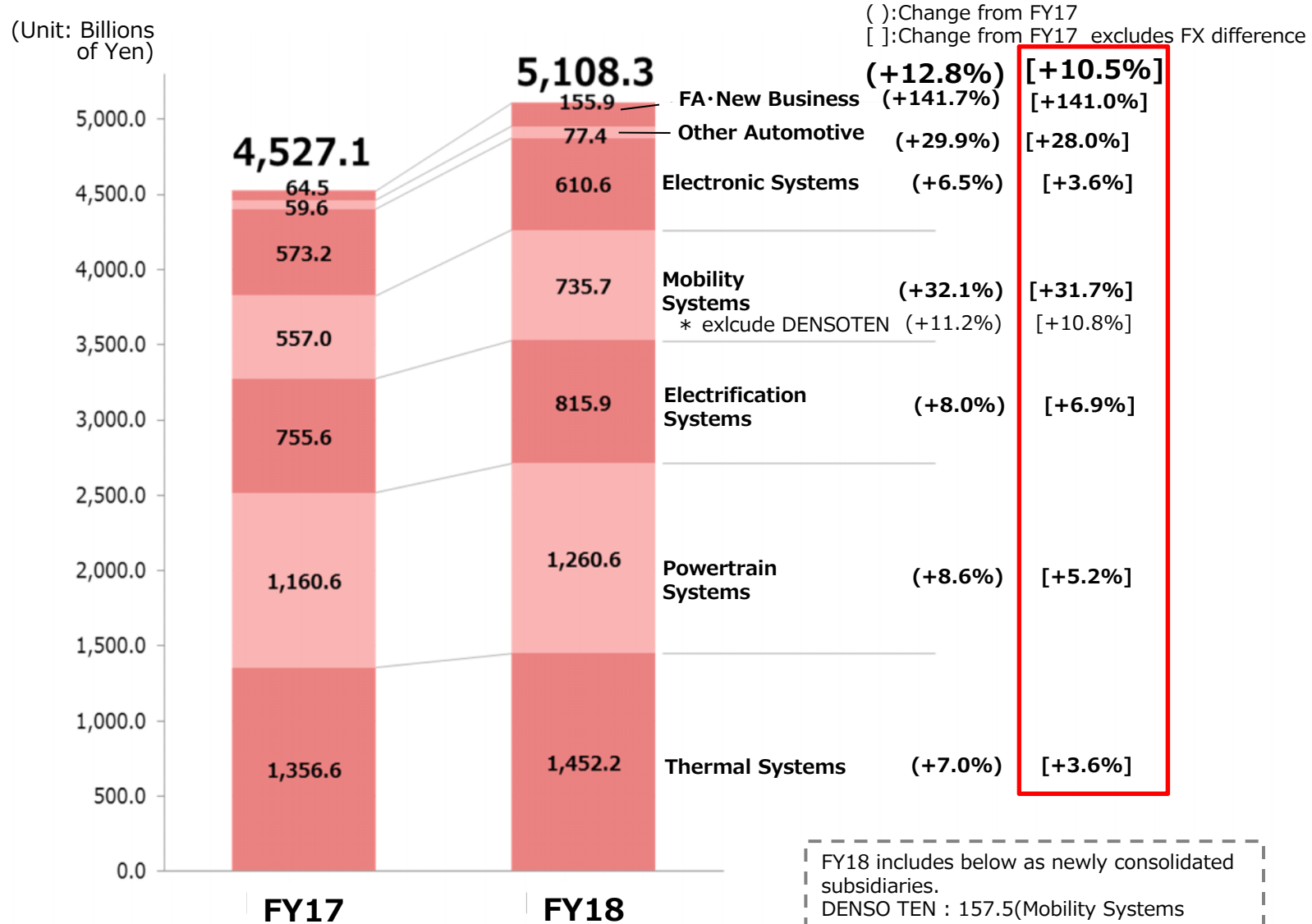
(Unit: Billions of Yen)



( ): Change from FY17  
 [ ]: Change from FY17  
 excludes FX difference

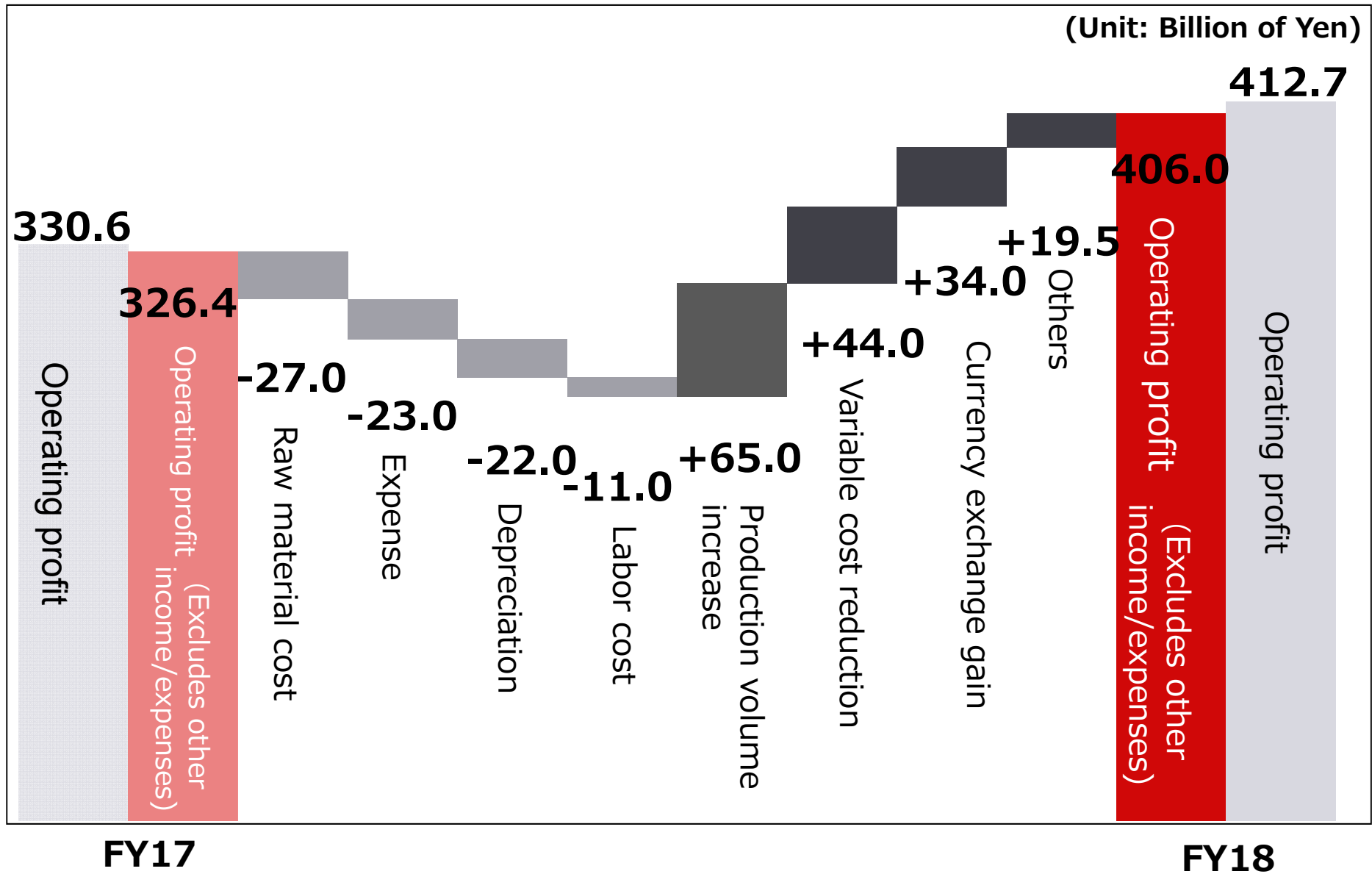


# FY2018 Consolidated Revenue ( By Product )



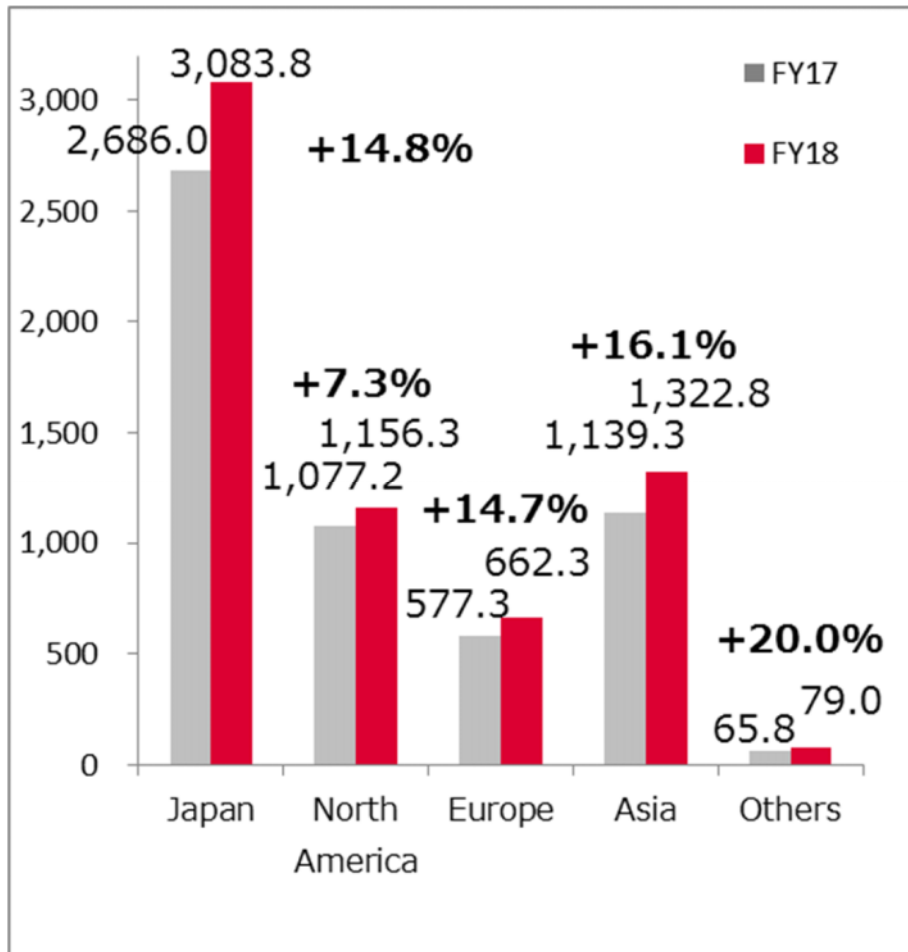
FY18 includes below as newly consolidated subsidiaries.  
 DENSO TEN : 157.5(Mobility Systems 116.2, Others, etc. 41.3)  
 TD mobile(FA & New Business) : 82.7

# Change in FY2018 Operating Profit



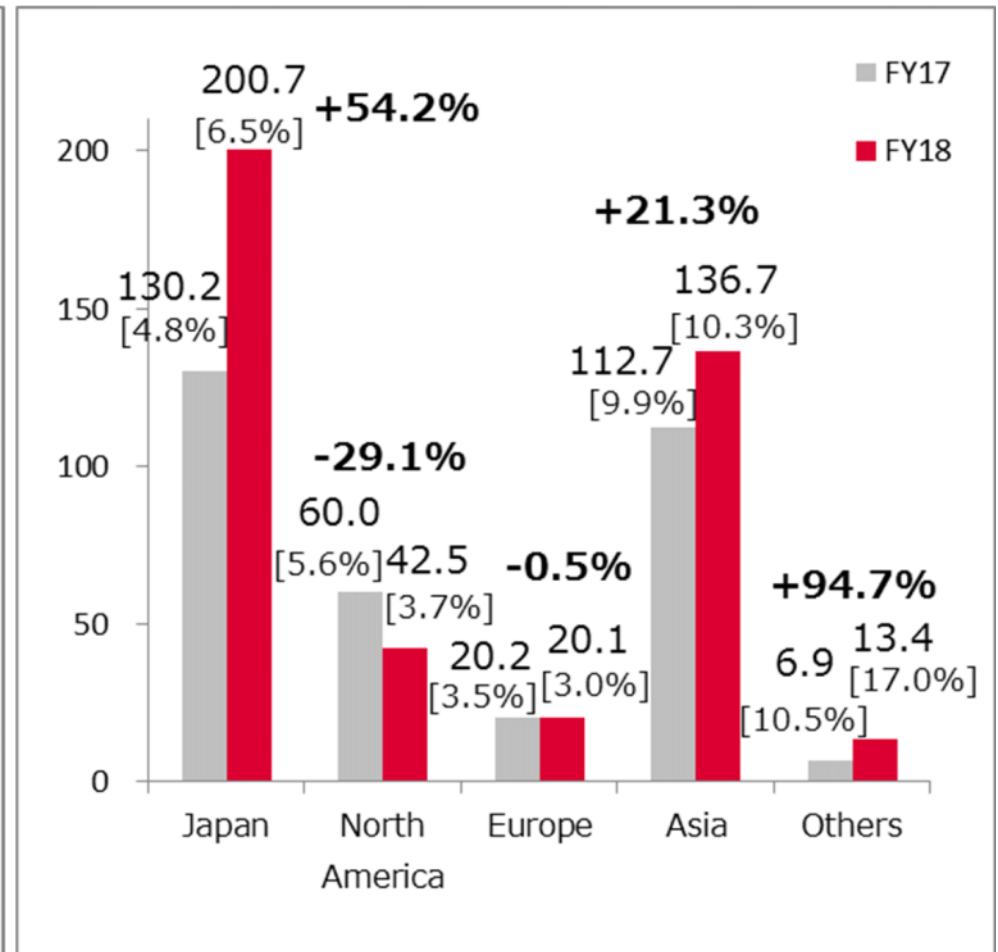
# Geographical Segments by Company Location

## Revenue



## Operating Profit

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

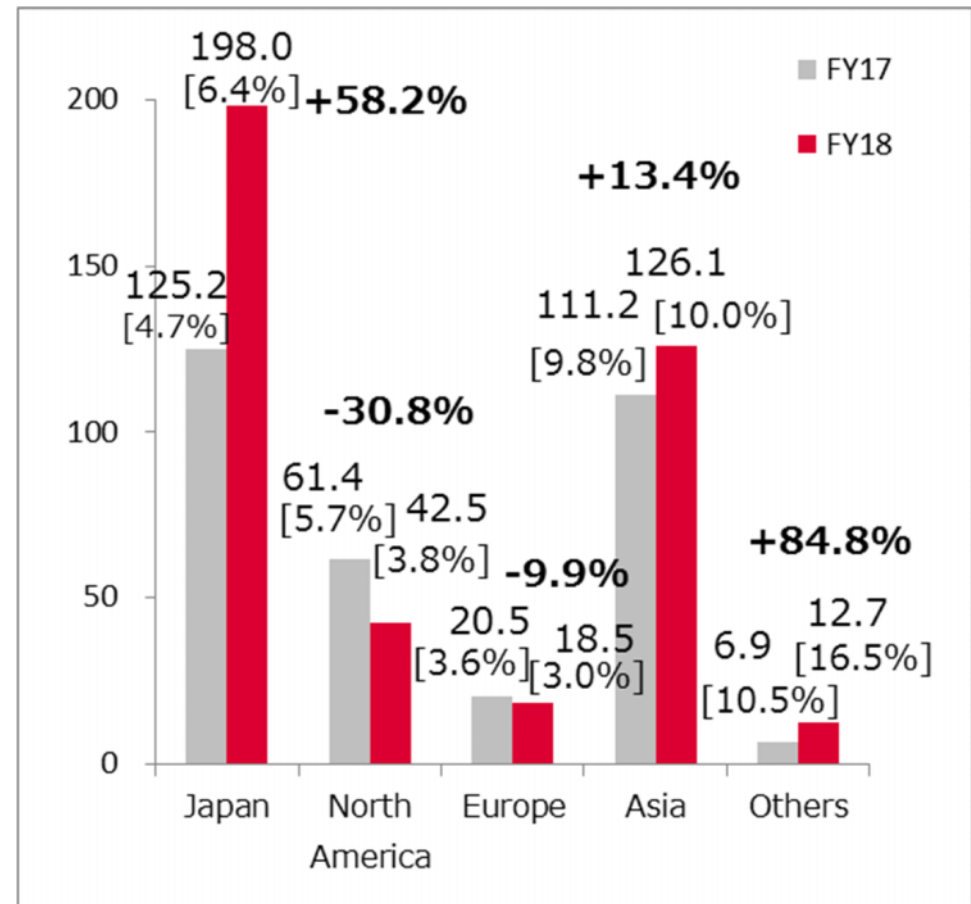
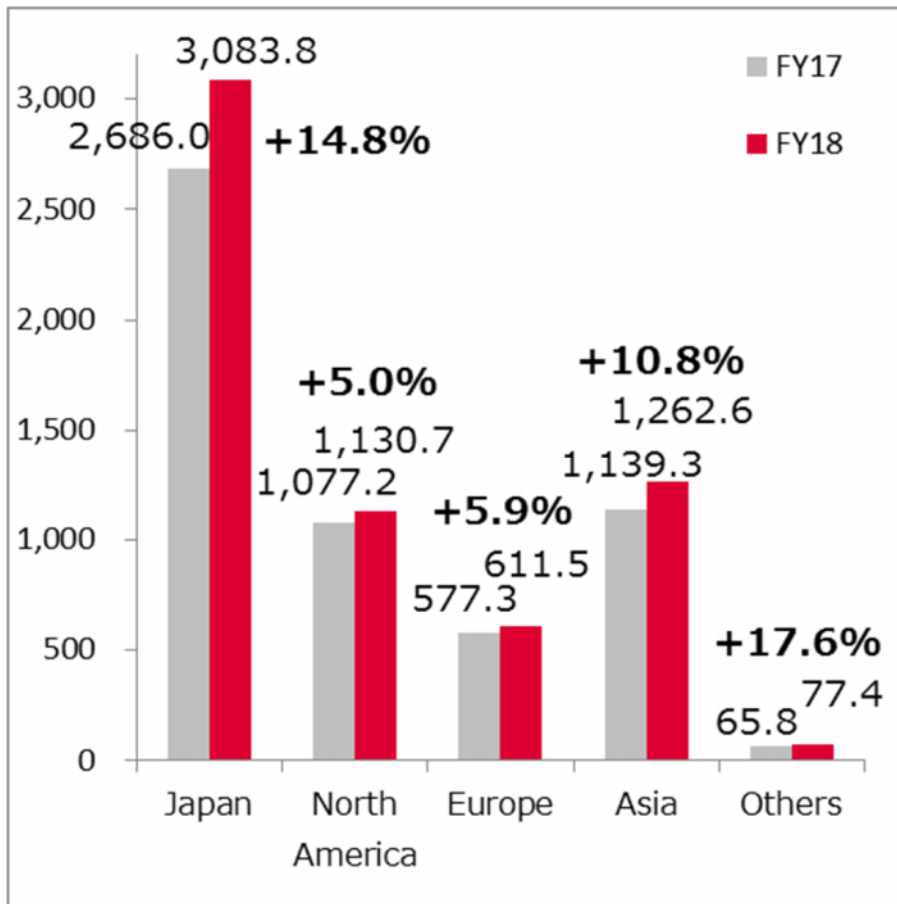


# Geographical Segments by Company Location (Local Currency Base ,excludes other income/expenses)

## Revenue

## Operating Profit

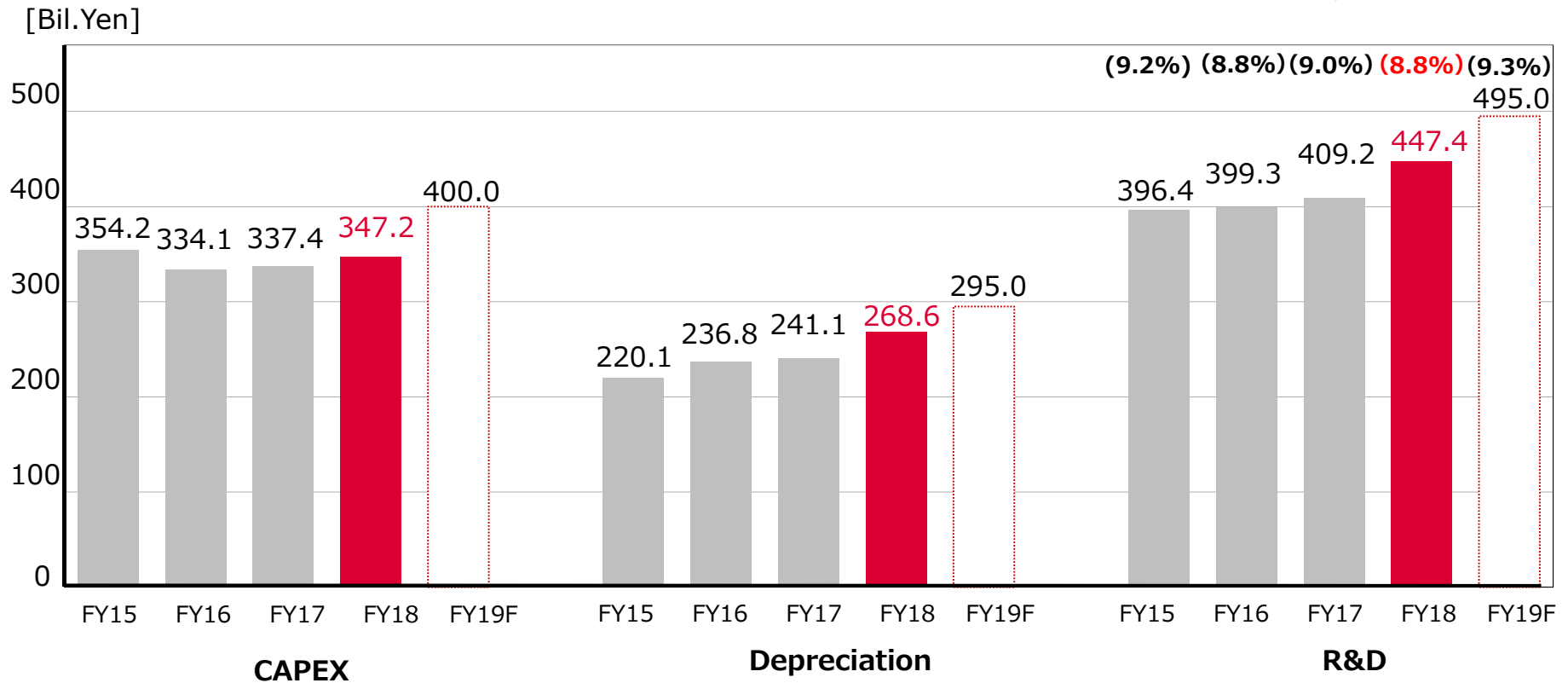
(Unit: Billions of Yen)  
[ ]: Ratio to Revenue





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

( ) Ratio to Revenue



# FY2019 Financial Forecast

(Ratio to Revenue)

(Unit: Billions of Yen, %)

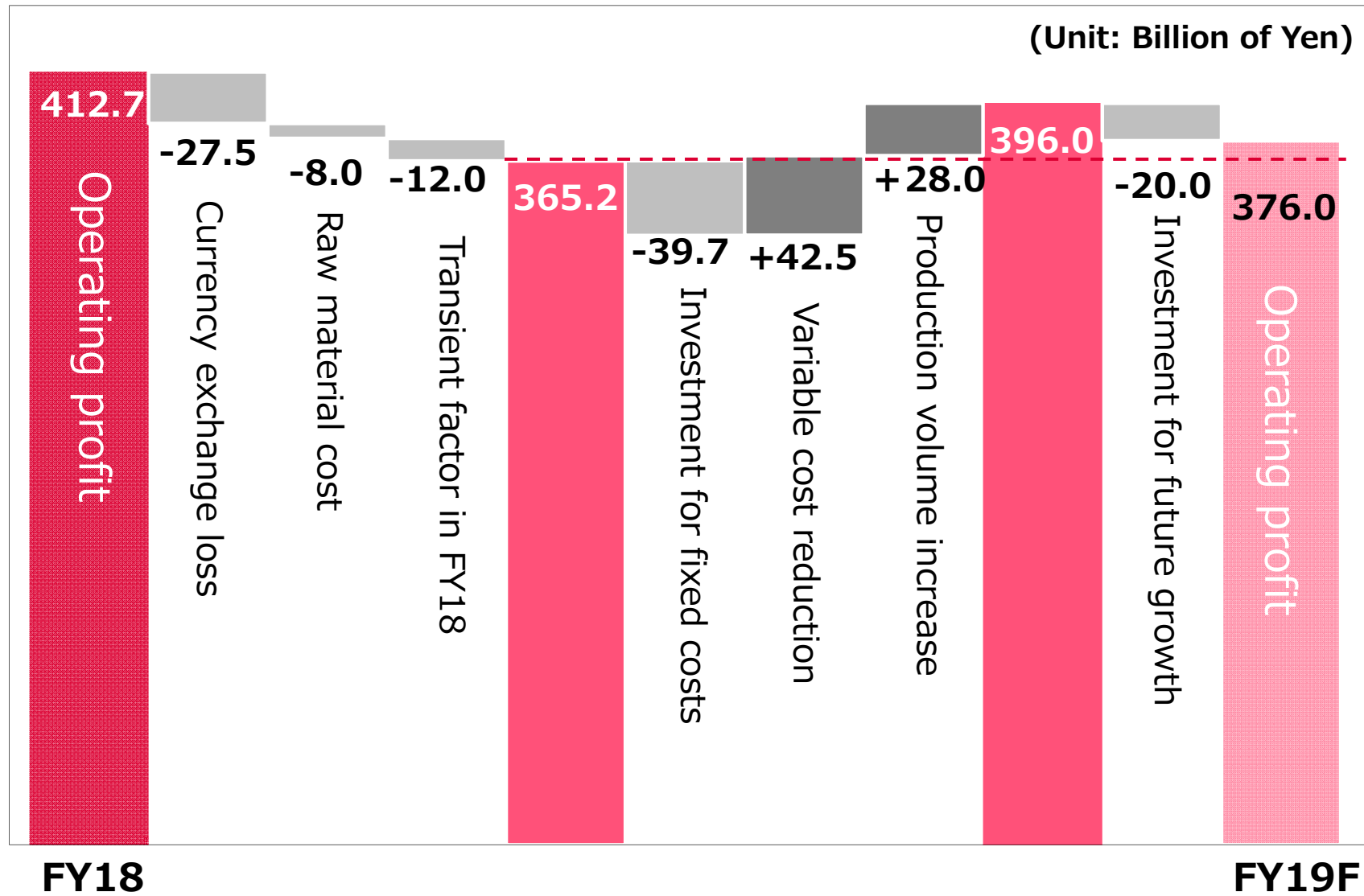
	FY19 Forecast		FY18		Change	
<b>Revenue</b>		<b>5,320.0</b>		5,108.3	+211.7	+4.1%
<b>Operating Profit</b> ( Excludes other income/ expenses)	(6.9%)	<b>368.0</b>	(7.9%)	406.0	-38.0	-9.4%
Other income/ expenses		<b>8.0</b>		6.7	+1.3	
<b>Operating Profit</b>	(7.1%)	<b>376.0</b>	(8.1%)	412.7	-36.7	-8.9%
Finance income/ costs & others(*1)		<b>39.0</b>		37.2	+1.8	
<b>Profit before Income Taxes</b>	(7.8%)	<b>415.0</b>	(8.8%)	449.9	-34.9	-7.8%
<b>Profit (*2)</b>	(5.5%)	<b>290.0</b>	(6.3%)	320.6	-30.6	-9.5%

(Unit: Millions of Units)

<b>Precondition</b>	Foreign Exchange Rate	JPY	105/\$	JPY	111/\$	-6 JPY	
		JPY	130/Euro	JPY	130/Euro	+0 JPY	
	Domestic Car Production		9.51		9.37	+0.14	+1.5%
	Overseas Car Production of Japanese Manufacturers (North America)		20.87		20.14	+0.72	+3.6%
			(6.04)		(6.03)	(+0.01)	(+0.2%)

- 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

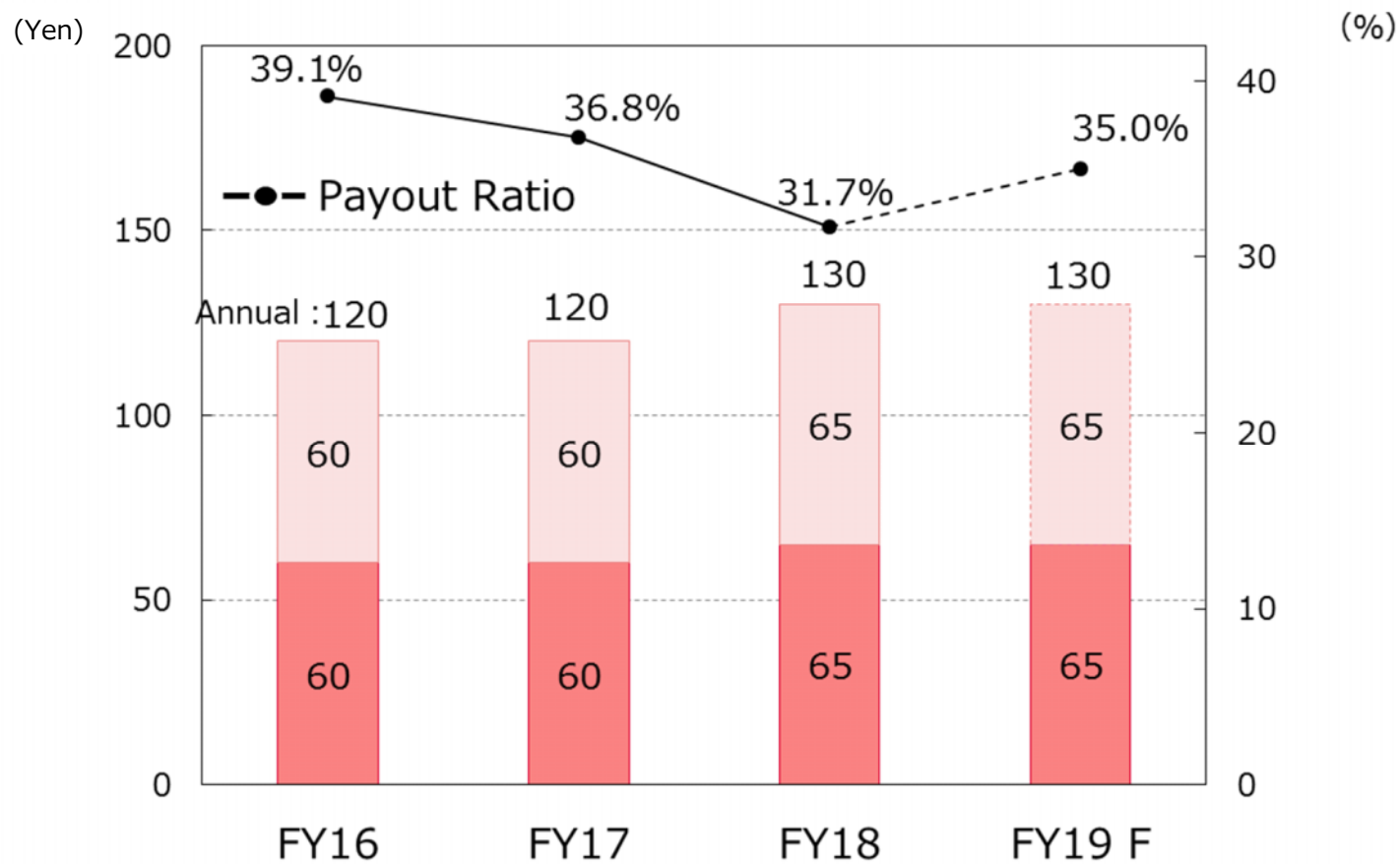
# Change in FY2019 Operating Profit



# Return to Shareholders

FY18 Annual Dividend per Share: 130 yen same as the previous financial forecast

FY19 Annual Dividend per Share: 130 yen same as FY18



# II . Strategies

# (1) DENSO Group Long Term Policy 2030

Bringing hope for the future for our planet, society and all people

## Our Goal for 2030

A company that continuously generates value to enrich mobility that achieves sustainability, happiness and peace of mind for everyone

### Green

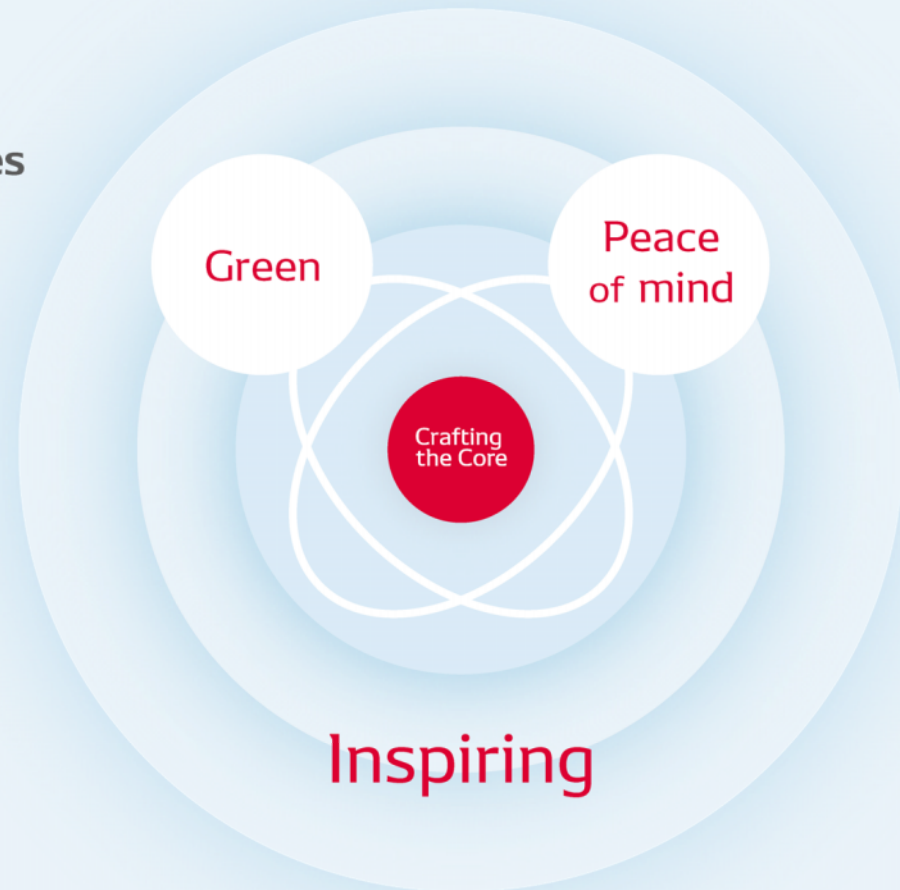
Lasting vitality for the environment

### Peace of mind

Providing a sense of well-being

### Inspiring

Making a difference



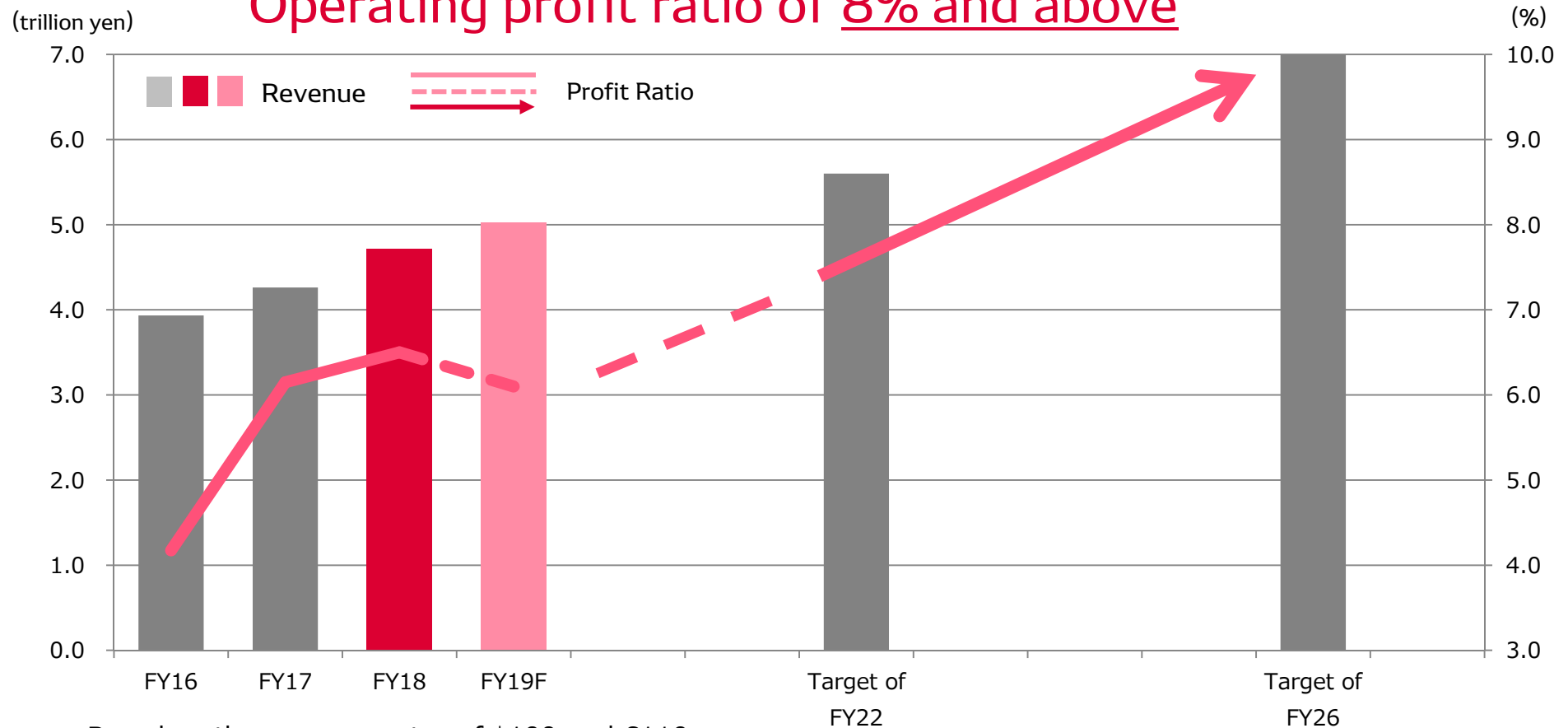
## (2) Target of Revenue and Profit by FY2026

By FY26 Revenue of 7 trillion yen

Operating profit ratio of 10%

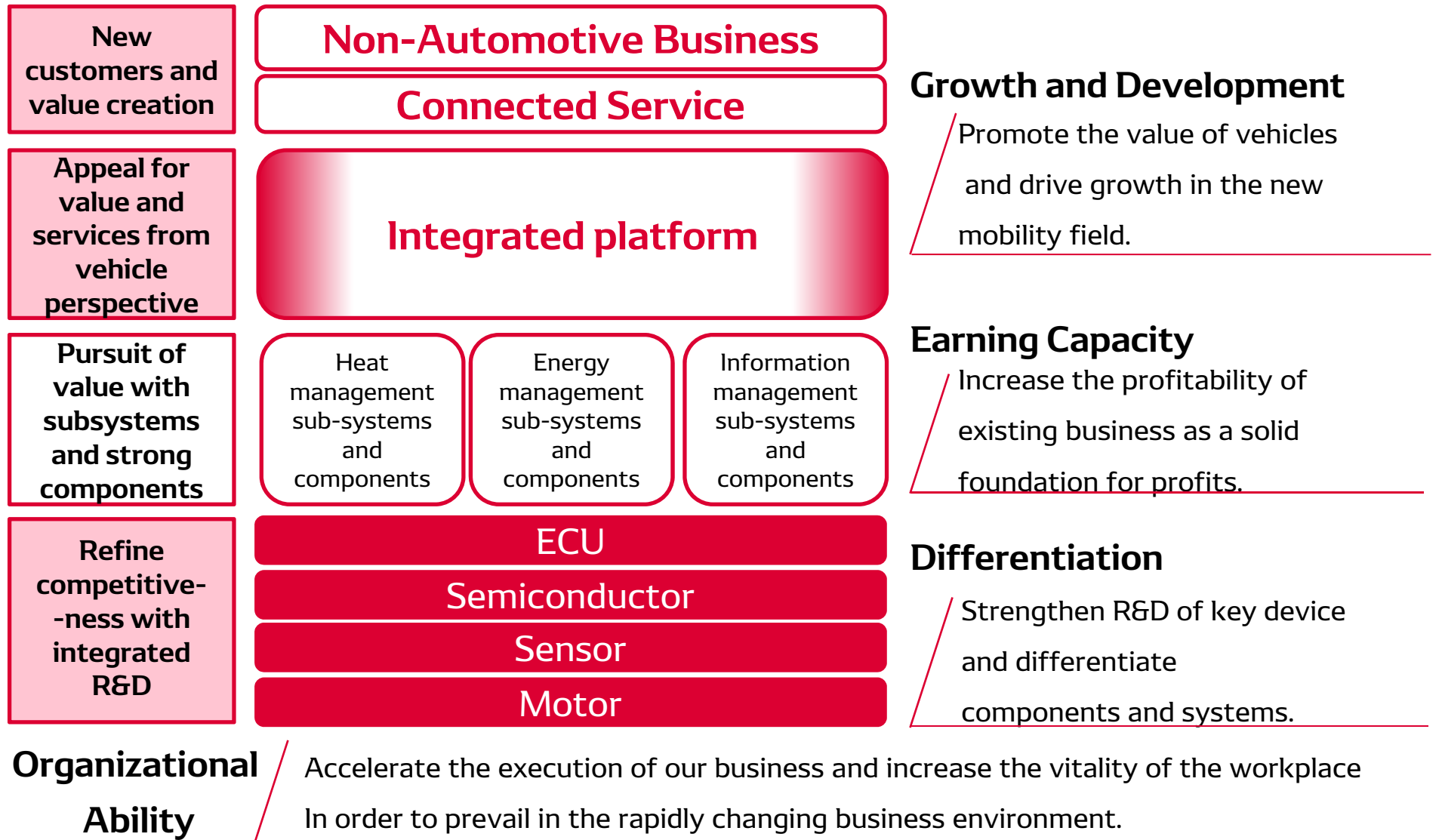
By FY22 Revenue of 5.6 trillion yen

Operating profit ratio of 8% and above



Based on the currency rates of \$100 and €110

# (3) Strategy for Future Growth

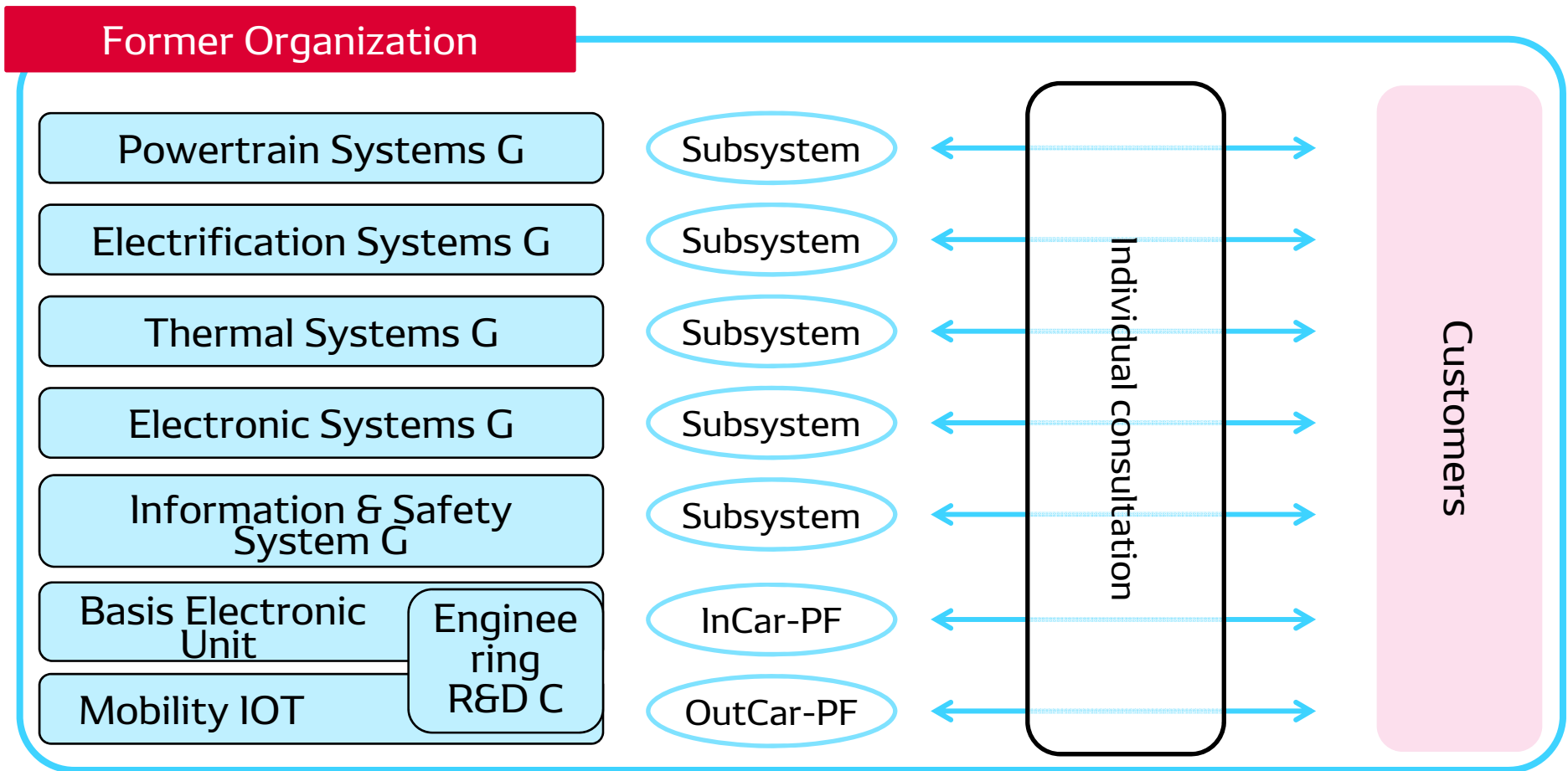




# (4) Organization Changes for the Strategy

## 1. Strengthening overall system perspective

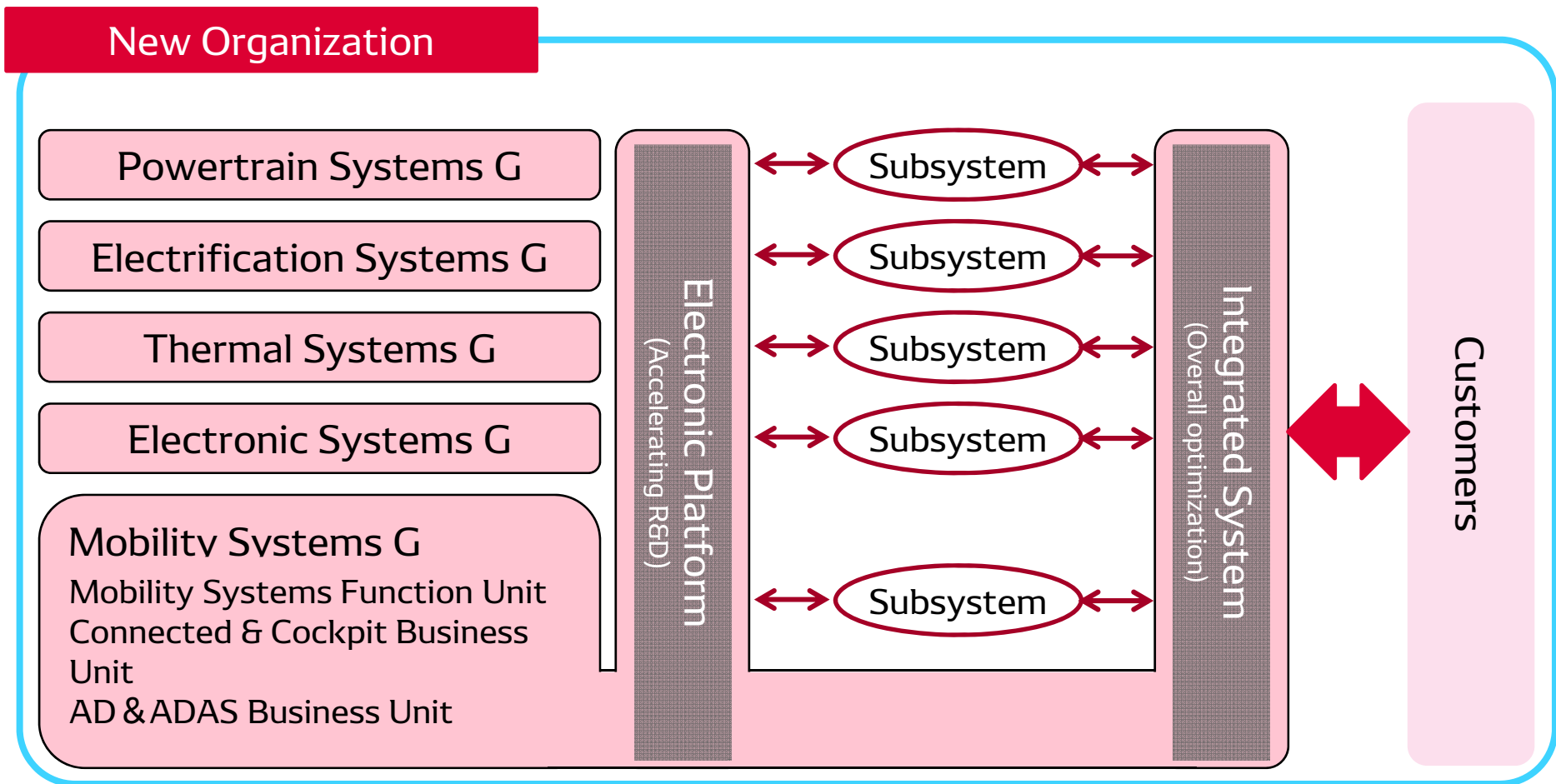
- Optimal proposal to customers with the integrated system
- Integrating the functions of In-Car and Out-Car platform



# (4) Organization Changes for the Strategy

## 1. Strengthening overall system perspective

- Optimal proposal to customers with the integrated system
- Integrating the functions of InCar and OutCar platform

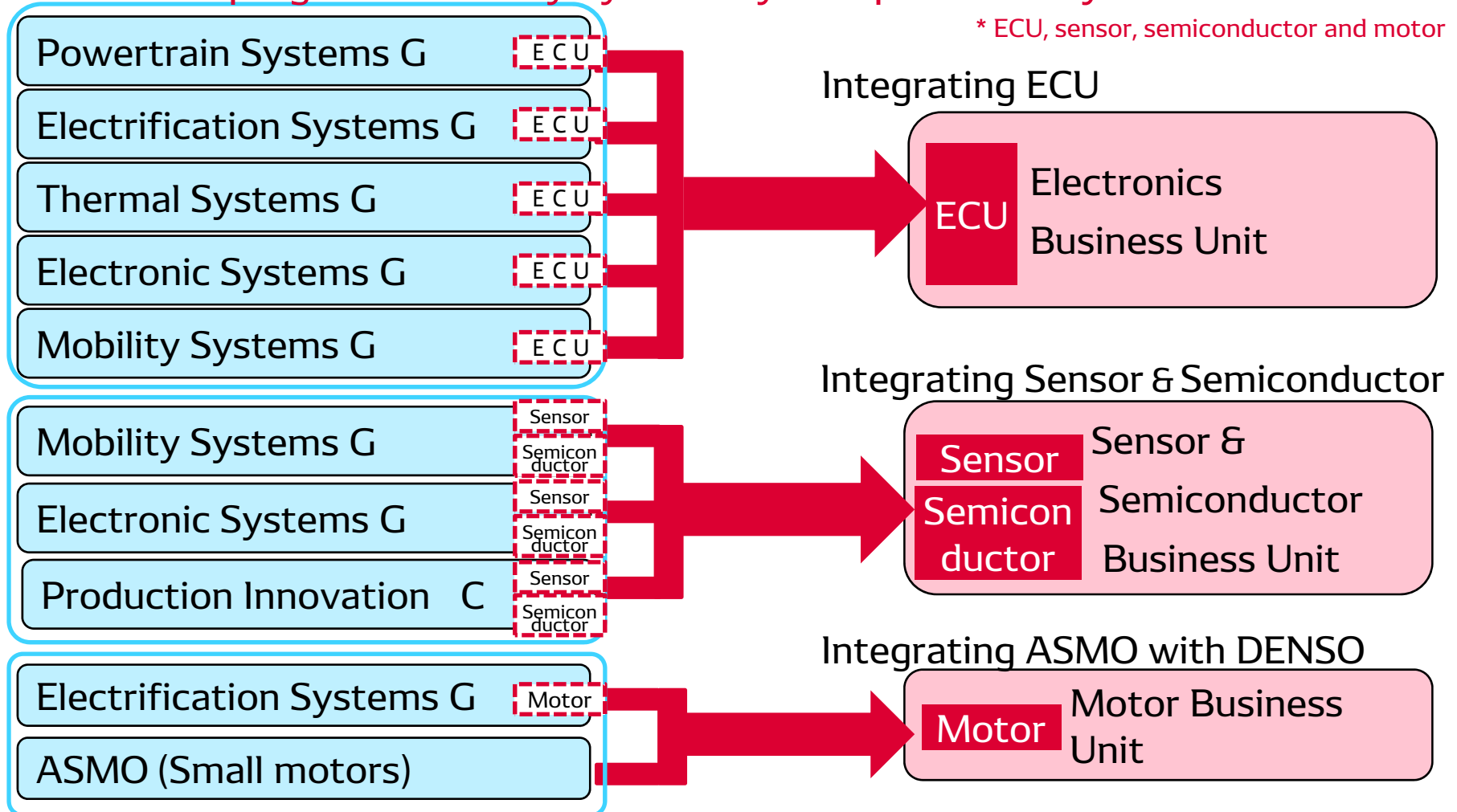


# (4) Organization Changes for the Strategy

## 2. Strengthening competitiveness by integrating key devices

■ Developing one and only system by competitive key devices \*

\* ECU, sensor, semiconductor and motor



# (5) DENSO Group Mid-term Policy 2021

## 1. Creating new kinds of value

- (1) Assert leadership in electrification and in automated driving by establishing de facto standards that straddle product sectors in integrated vehicle platforms.
- (2) Create and propagate business models for spawning new value in mobility services and leaps in convenience.
- (3) Position factory automation and agriculture as pillars of new-business development and work through strategic alliances and other bold measures to assert a strong presence in those sectors.
- (4) Connect with brilliant minds at centers of innovation worldwide to increase our agility in nurturing a continuing stream of new products.

## 2. Strengthening profitability in support of future growth

- (1) Increase our management agility globally by reworking our organization on the lines of a downsized headquarters and performance-oriented business units and subsidiaries worldwide.
- (2) Advance the performance of key products, such as motors, ECU, semiconductor devices, and sensors, with leading-edge technology, and reinforce the basis of our competitiveness through a commitment to asserting key product standards.
- (3) In our core product sectors, generate unprecedented workplace performance by pressing ahead with measures for achieving further advances in *dantotsu* ("best by far") plants and for animating our plants through the Factory Internet of Things.
- (4) Accelerate product development and achieve high profitability by working with partners and independently to revolutionize processes.

# (5) DENSO Group Mid-term Policy 2021

## 3. Transforming Our Business Foundation

- (1) Honor the spirit of the DENSO Creed in laying a foundation of uncompromising safety and quality that will support peace of mind for customers in traditional sectors and in new sectors, such as intelligent and information-based functions.
- (2) Tap the full potential of each team member and maximize our workplace vitality and our responsiveness to challenges and opportunities by nurturing a motivational workplace and by making the most of advanced information technology.
- (3) Shape a lean production system throughout our supply chain and maximize our *monozukuri* competitiveness.
- (4) Contribute to social sustainability by devoting rigorous attention to sustainable development goals and to the threefold sustainability priorities of environment, society, and governance, as detailed in DENSO EcoVision 2025 and in our guidelines for health management.

# (6) Initiatives in Focus Fields of Mobility

## i Electrification



## ii Advanced Safety / Automated Driving



## iii Connected Cars



# i Electrification - Initiative in Focus Fields -

Value

Reduction of environmental loading and realization of high efficiency transportation (Economical Driving)

## 1. Lead of electrification by technology acquired over the years and supply achievement

- Technological evolution (High-power, SiC etc.)
- Standardization (MG, Inverter)
- Global supply capability (Supply in Japan, US and China)

## 2. Development of internal combustion engine technology corresponding to the electrification

- Heating efficiency improvement (Lean burn, low cooling loss, optimization with electric system)
- Exhaust gas purification system (catalyst base material, system simplification)

## 3. Development of total energy management technology for vehicles

- Thermal management (air conditioning, waste heat utilization)
- Power management (charging, regeneration)

# 1. Electrification – Example -

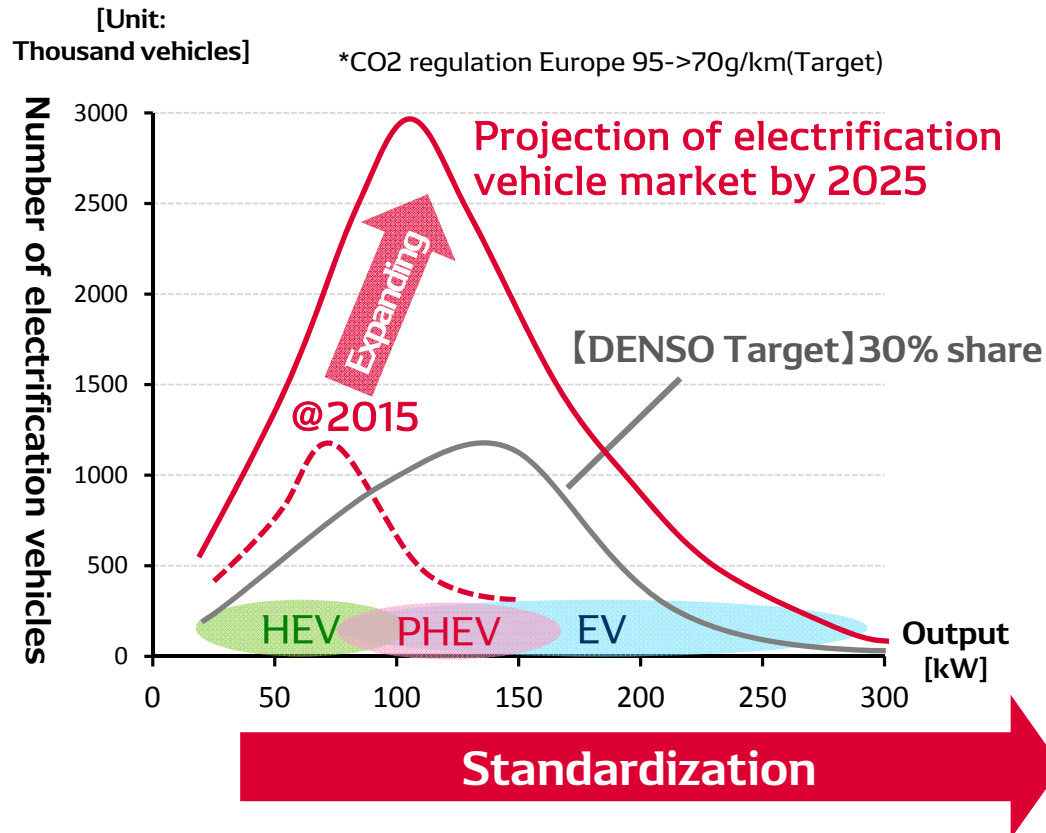
## Market trend & Needs

(1) Rapid expansion of the electrification market

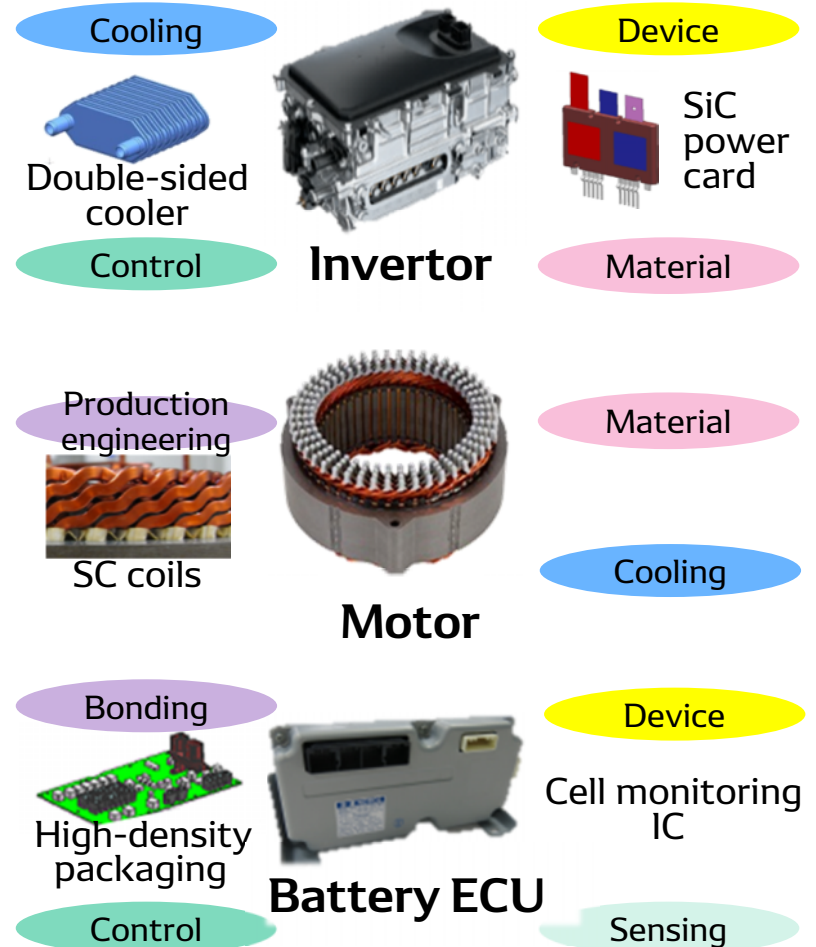
15 million cars by 2025

(2) Acceleration of system with large electric power

EV market will be expanding



## Technology of downsizing and high efficiency



Contributing to customers with technology and standardization



# Expanding global manufacturing capacity (in Tennessee)



DENSO MANUFACTURING TENNESSEE, INC.

By 2020

- Investing \$1 billion
- Creating about 1,000 new production and support jobs

# ii Advanced Safety and Automated Driving

## - Initiative in Focus Fields -

Value

Realize a move in a safe and secure manner without traffic accidents

### 1. Initiative at the system, strengthening of proposal capability

- Advanced Driver Assistance Systems and Automated Driving
- Cockpit system

### 2. Development by open innovation

- Strengthen alliances of industry, government and academia
- Sensors and Algorithm development for recognition and judgment
- High performance semiconductor development

### 3. Enhancement of AI research

- Algorithm development for onboard
- Quality assurance

## 2. Advanced Safety and automated driving – Example -

Denso develops new vision sensor and a millimeter-wave radar sensor that will detect obstacles on the road more precisely.

Vision sensor



Stereo vision sensor



New standard sensor

Improved efficiency of cameras that enable drivers to detect pedestrians even at night.

Millimeter-wave radar sensor



Improved sensitivity by increase the number of radio waves emission.

Comparison of Nighttime pedestrian imaging capabilities



Recognition of human eyes



Recognition of vision sensor

# Global R&D Tokyo

## 1. Profile of Global R&D Tokyo

Opening : April 2018

Location : 16th and 17th floors, W Building, 1-8-15  
Konan, Minato-ku, Tokyo

Employees : Approx. 200 (in April 2018)

Functions : R&D on advanced driver assistance,  
automated driving and connected vehicles



## 2. Target of Global R&D Tokyo

Collaborating with customers and other partners, we will accelerate R&D of advanced mobility system so as to formulate and carry out business ideas to develop competitive products that better meet the needs of customers.

- 1 . Strengthening open innovation in the field of automated driving where the necessary technology area is dramatically expanding.
- 2 . Recruiting in the field of AI, advanced IT and software engineers.
- 3 . Demonstration of automated driving in the cities.

# R&D of automated driving system by open innovation

## Function

Agile development and demonstration of competitive logics by collaboration

<Collaboration>

OEM, semiconductor manufacturers, universities, research institutes, IT and map companies.

## Sensors

Collecting sensor data under various condition by providing standardized vehicle and automated driving systems to global partners

<Collecting data>  
Road structure, traffic rules, traffic harmony, climate, traffic jam.

## Automated Driving System

Applying system considering the regional needs (law, driving manner and traffic jam)



## Electronics Platform

Standardizing logical architecture

Standardizing recognition, decision and operation of passenger car, commercial vehicles and new nobilities

## Development Environment

Sharing environment of each process

Standardizing development processes with global partners  
Simulators, SW development platform, HILS environment and evaluation

Considering “Global R&D Tokyo” as a leading center of R&D in the field of automated driving and accelerating R&D speed

# iii Connected Cars

## - An Example of Efforts -

**Value** Contribute mobility society connected automobiles, human and things.

### 1. Development of integrated system with cloud

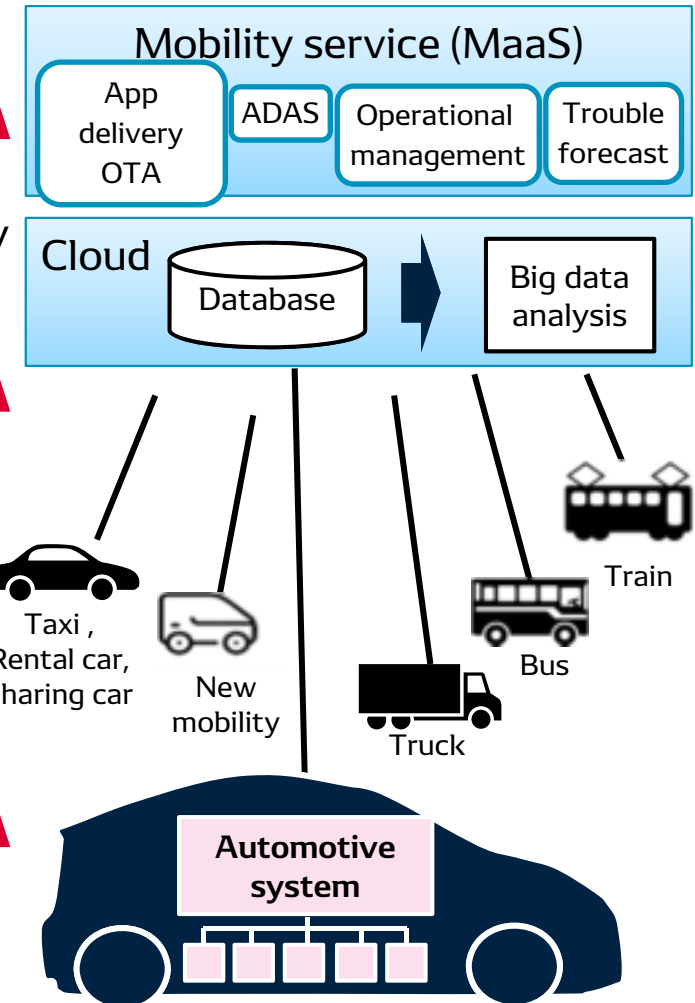
- Development of integrated electronic platform
- Development of automotive big data use technology

### 2. Value to connected car to provide

- Development of secured OTA system
- Provide next generation automotive communication system
- Provide fleet operational management system

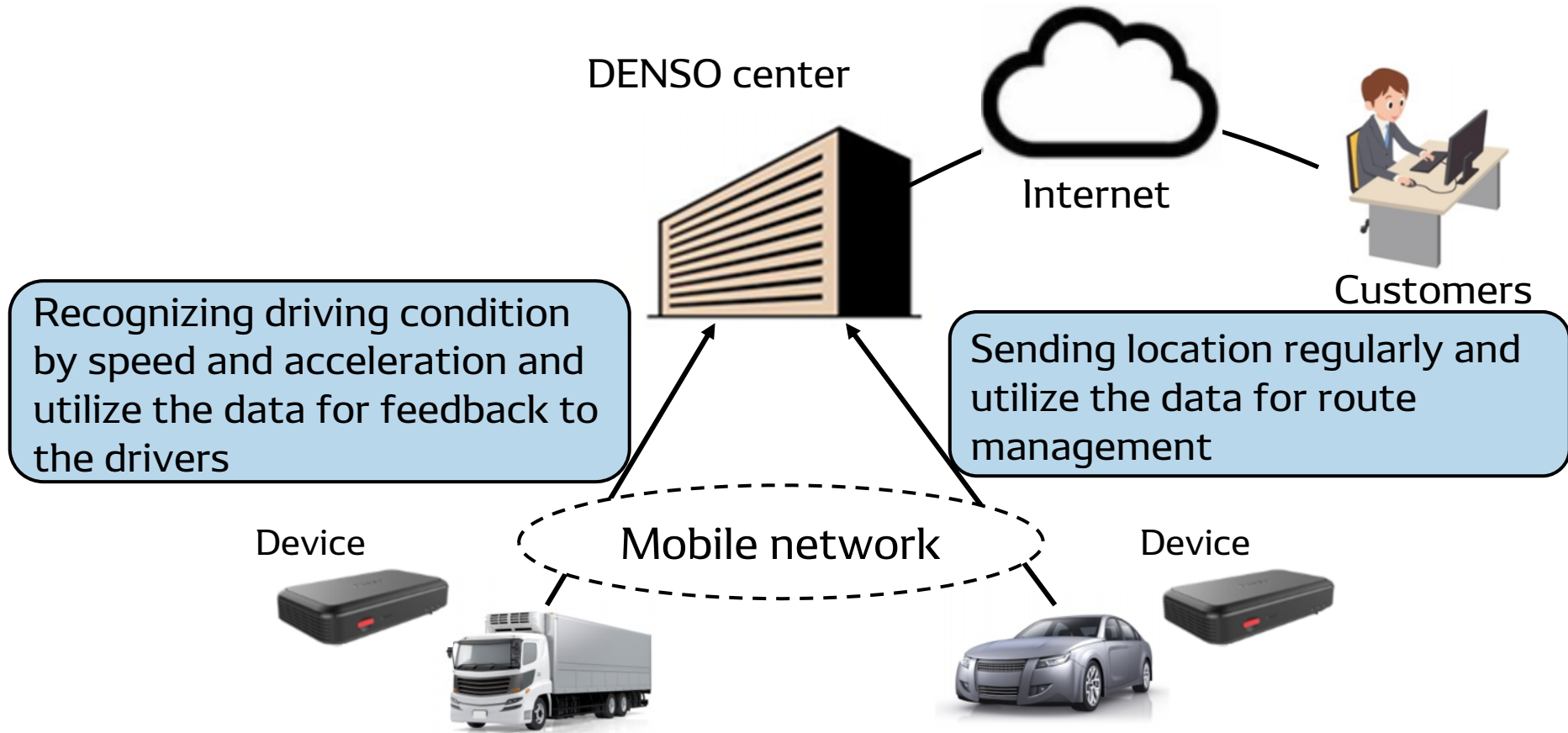
### 3. Value creation by strengthen alliance

- Investment to third parties
- Development of efficient mobility use



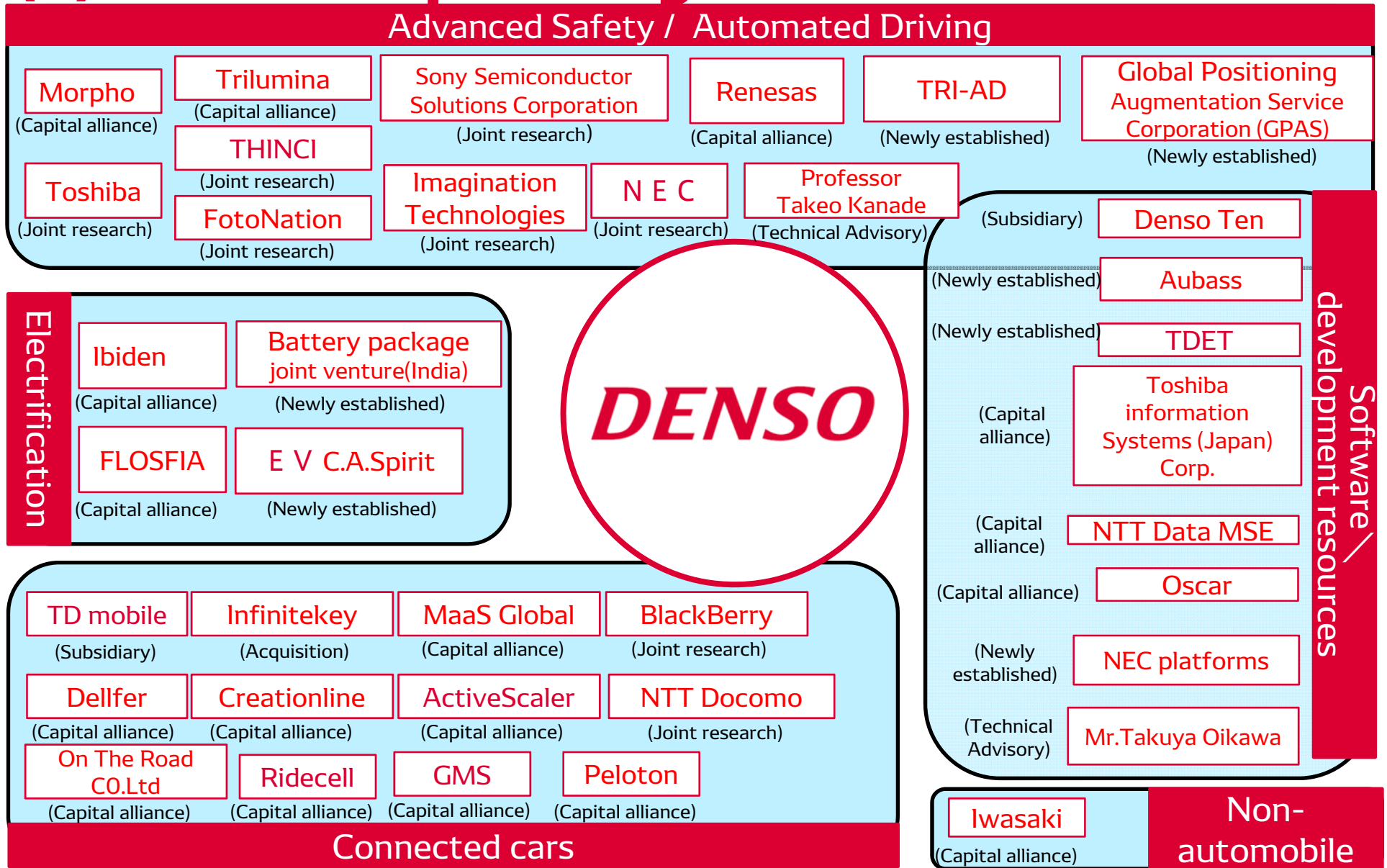
### 3. Connected Cars – Example -

Developing advanced vehicle operation system that will realize safety and efficiency for commercial vehicles.



Developing application by agile software development method

# (7) Partnership strategies





# (8) Sustainability

## Sustainability management in DENSO

To inspire various stakeholders by creating value in the areas of the environment and safety, and thereby achieve sustainable growth of the company and society

### Environment

- Fuel economy and electrification products
- ECO Vision 2025  
Energy JIT  
CO2 Emission Etc.

### Social

- ADAS/AD-related products
- FA, agriculture support system
- Health management
- Diversity Etc.

### Governance

- Corporate governance
- Compliance
- CSR management of the supply chain
- Risk management meeting Etc.

DENSO Group Declaration of Corporate Behavior  
Code of Conduct for DENSO Group Associates

# Example (Environment)

## ECO Vision 2025



## Example (Social)

Awarded for  
two years in a row



**The Company with  
Health and Productivity**



**The Company with  
Health and Productivity  
-White 500-**



For mobility society full of smiles,  
DENSO will keep providing solutions that will  
provides people everywhere  
with something to smile about.

***DENSO***

Crafting the Core

# Appendix

- Non-Consolidated Financial Results
- Pre-Conditions (Foreign Exchange Rate/Car Production)
- Consolidated Revenue by Customer
- Consolidated Revenue by Product
- Capital Expenditures, Depreciation and R&D Expenditures

# FY18 Non-Consolidated Financial Results

## Income Statements(Japanese accounting standards)

(Ratio to Sales)

(Unit: Billions of Yen,%)

Account	FY18		FY17		Change	
	( Ratio )	Amount	( Ratio )	Amount	Amount	%
Net Sales	( 100.0 )	2,671.9	( 100.0 )	2,472.8	199.1	8.1
Operating Income	( 4.0 )	108.2	( 2.0 )	49.6	58.6	118.2
Income Before Income Taxes	( 6.8 )	180.9	( 5.5 )	134.9	46.0	34.1
Net Income	( 6.1 )	162.5	( 4.8 )	117.6	44.9	38.2

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

		FY2018									FY2019 Full Year	
		FY2018 First-Half			FY2018 Second-Half			FY2018 Full Year			FY2019 Full Year	
		Prior Year	Actual	Change	Prior Year	Actual	Change	Prior Year	Actual	Change	Forecast	Change
Foreign Exchange Rate (Yen)	USD	105	111	+6	111	111	-0	108	111	+3	105	-6
	EUR	118	126	+8	119	133	+14	119	130	+11	130	-
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	4.30	4.54	+6%	4.80	4.83	+1%	9.10	9.37	+3%	9.51	+1%
	North America	3.18	3.01	-5%	3.20	3.02	-5%	6.38	6.03	-5%	6.04	+0%
	Overseas	9.68	9.89	+2%	9.98	10.26	+3%	19.67	20.14	+2%	20.87	+4%



# Consolidated Revenue (By Customer)

(Unit: Billions of Yen)

	FY2018		FY2017		Change		Change excludes
	Amount	% to Total	Amount	% to Total	Amount	%	%
Toyota	2,124.2	41.5	1,926.3	42.5	197.9	10.3	8.2
Daihatsu	116.0	2.3	95.9	2.1	20.1	21.0	20.5
Hino	60.3	1.2	52.8	1.2	7.5	14.3	14.1
<b>Toyota Group</b>	<b>2,300.6</b>	<b>45.0</b>	<b>2,075.0</b>	<b>45.8</b>	<b>225.5</b>	<b>10.9</b>	<b>8.9</b>
Honda	392.9	7.6	334.7	7.4	58.3	17.4	13.7
FCA	224.1	4.4	208.1	4.6	16.0	7.7	2.7
GM	194.4	3.8	171.9	3.8	22.5	13.1	9.7
Ford	156.2	3.1	147.6	3.3	8.6	5.9	2.3
Hyundai/Kia	133.2	2.6	139.1	3.1	-5.9	-4.3	-8.6
Mazda	121.4	2.4	111.8	2.5	9.6	8.6	7.4
Suzuki	116.2	2.3	101.2	2.2	14.9	14.7	11.4
SUBARU	105.2	2.1	90.9	2.0	14.3	15.7	14.9
Nissan	97.8	1.9	86.4	1.9	11.4	13.2	11.5
VW/AUDI	82.9	1.6	77.2	1.7	5.6	7.3	-0.1
Isuzu	57.2	1.1	50.4	1.1	6.7	13.4	9.8
Mitsubishi	55.0	1.1	45.0	1.0	10.1	22.5	17.1
BMW	42.4	0.8	43.4	1.0	-1.1	-2.5	-10.3
Volvo	40.5	0.8	30.3	0.7	10.2	33.6	23.4
Benz	34.5	0.7	33.5	0.7	1.0	3.0	-5.7
PSA	34.3	0.7	24.6	0.5	9.7	39.3	28.4
OE Sales for others	332.6	6.5	290.6	6.4	42.0	14.4	14.4
<b>OEM Total</b>	<b>4,521.4</b>	<b>88.5</b>	<b>4,061.8</b>	<b>89.7</b>	<b>459.6</b>	<b>11.3</b>	<b>8.6</b>
<b>After-market, New business &amp; Others(*)</b>	<b>586.9</b>	<b>11.5</b>	<b>465.3</b>	<b>10.3</b>	<b>121.6</b>	<b>26.1</b>	<b>23.4</b>
<b>Total</b>	<b>5,108.3</b>	<b>100.0</b>	<b>4,527.1</b>	<b>100.0</b>	<b>581.1</b>	<b>12.8</b>	<b>10.5</b>

\* 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,%)

	FY2018		FY2017		Change		Change excludes FX difference
	Amount	% to Total	Amount	% to Total	Amount	%	%
Thermal Systems	1,452.2	28.4	1,356.6	30.0	95.5	7.0	3.6
Powertrain Systems	1,260.6	24.7	1,160.6	25.7	100.0	8.6	5.2
Electrification Systems	815.9	15.9	755.6	16.7	60.2	8.0	6.9
Mobility Systems	735.7	14.4	557.0	12.3	178.7	32.1	31.7
Electronic Systems	610.6	12.0	573.2	12.6	37.4	6.5	3.6
Others(*)	77.4	1.5	59.6	1.3	17.8	29.9	28.0
<b>Automotive Total</b>	<b>4,952.4</b>	<b>96.9</b>	<b>4,462.6</b>	<b>98.6</b>	<b>489.7</b>	<b>11.0</b>	<b>8.4</b>
<b>FA,New Business Total</b>	<b>155.9</b>	<b>3.1</b>	<b>64.5</b>	<b>1.4</b>	<b>91.4</b>	<b>141.7</b>	<b>141.0</b>
<b>Total</b>	<b>5,108.3</b>	<b>100.0</b>	<b>4,527.1</b>	<b>100.0</b>	<b>581.1</b>	<b>12.8</b>	<b>10.5</b>

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

# Consolidated Revenue (By Product)

- Previous product category -

(Unit: Billions of Yen,%)

	FY2018		FY2017		Change		Change excludes
	Amount	% to Total	Amount	% to Total	Amount	%	%
Thermal Systems	1,452.2	28.4	1,356.6	30.0	95.5	7.0	3.6
Powertrain Systems	1,260.6	24.7	1,160.6	25.7	100.0	8.6	5.2
Information & Safety Systems	943.2	18.5	753.0	16.6	190.2	25.3	23.7
Electrification Systems	497.8	9.7	452.0	10.0	45.8	10.1	7.1
Electronic Systems	397.8	7.8	377.2	8.3	20.6	5.5	3.5
Small Motors	318.1	6.2	303.7	6.7	14.4	4.7	6.6
Others(*)	82.7	1.6	59.6	1.3	23.1	38.8	36.7
<b>Automotive Total</b>	<b>4,952.4</b>	<b>96.9</b>	<b>4,462.6</b>	<b>98.6</b>	<b>489.7</b>	<b>11.0</b>	<b>8.4</b>
<b>FA,New Business Total</b>	<b>155.9</b>	<b>3.1</b>	<b>64.5</b>	<b>1.4</b>	<b>91.4</b>	<b>141.7</b>	<b>141.0</b>
<b>Total</b>	<b>5,108.3</b>	<b>100.0</b>	<b>4,527.1</b>	<b>100.0</b>	<b>581.1</b>	<b>12.8</b>	<b>10.5</b>

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

# Capital Expenditures, Depreciation and R&D Expenditures

(Unit: Billions of Yen)

	FY17	FY18	Change Percent	FY19F	Change Percent
Japan	215.7	217.7	0.9%	240.0	10.2%
North America	51.8	43.8	-15.4%	62.5	42.7%
Europe	23.6	30.8	30.5%	32.0	3.9%
Asia	44.1	52.7	19.5%	63.0	19.5%
Others	2.2	2.2	0.0%	2.5	13.6%
Capital Expenditures	337.4	347.2	2.9%	400.0	15.2%
Japan	140.1	154.7	10.4%	172.5	11.5%
North America	27.0	32.4	20.0%	35.5	9.6%
Europe	19.0	22.2	16.8%	26.0	17.1%
Asia	52.1	56.4	8.3%	58.5	3.7%
Others	2.9	2.8	-3.4%	2.5	-10.7%
Depreciation	241.1	268.6	11.4%	295.0	9.8%
R&D Expenditure (Ratio to Sales)	409.2 (9.0%)	447.4 (8.8%)	9.3%	495.0 (9.3%)	10.6%