

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	
Revenue		5,108.3	4,527.1	+581.1	+12.8%
Operating Profit (Excludes other income/ expenses)		406.0	326.4	+79.5	+24.4%
Other income/ expenses		6.7	4.1	+2.6	
Operating Profit		412.7	330.6	+82.1	+24.8%
Finance income/ costs & others(*1)		37.2	30.3	+6.9	
Profit before Income		449.9	360.9	+89.0	+24.7%
Profit (*2)		320.6	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 (6.03)	19.67 (6.38)	+0.48 (-0.35)	+2.4% (-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

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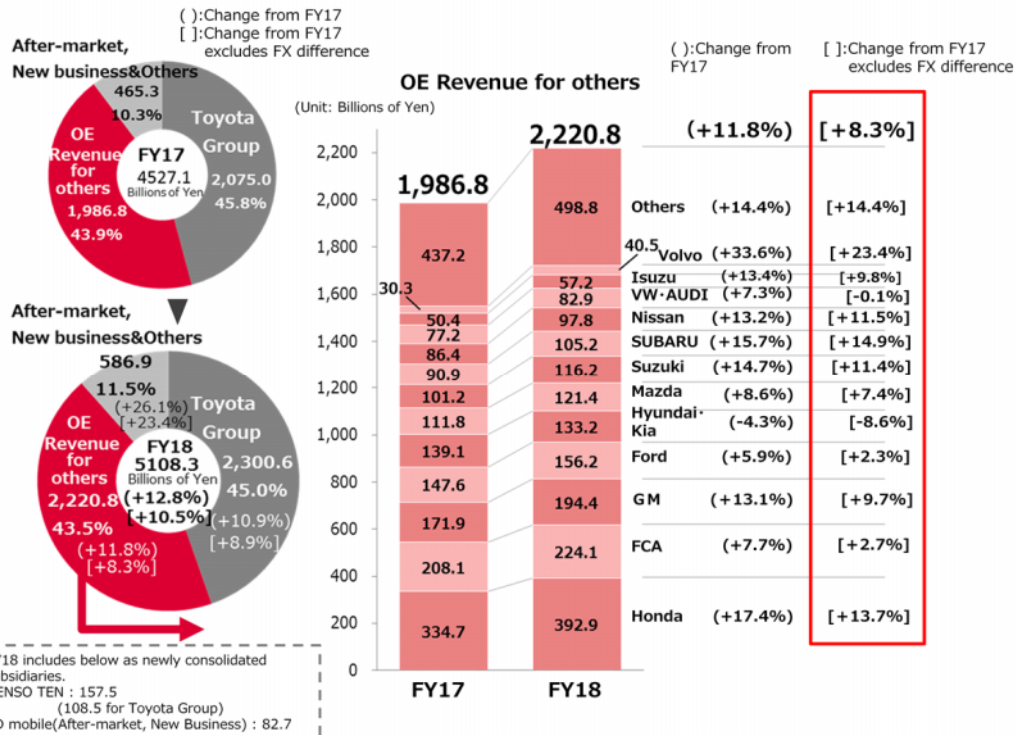
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[Overview of the Consolidated Financial Results]

1. Consolidated revenue totaled 5,108.3 billion yen, increased by 581.1 billion yen (+12.8%) from the previous year.
2. Consolidated operating profit excluding other income/expenses totaled 412.7 billion yen, increased by 82.1 billion yen (+24.8%) from the previous year.
3. Consolidated profit attributable to owners of the parent company totaled 320.6 billion yen, increased by 62.9 billion yen (+24.4%) from the previous year.

FY2018 Consolidated Revenue (By Customer)



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[Sales by Customer (Quantity Base)]

Sales to Toyota Group

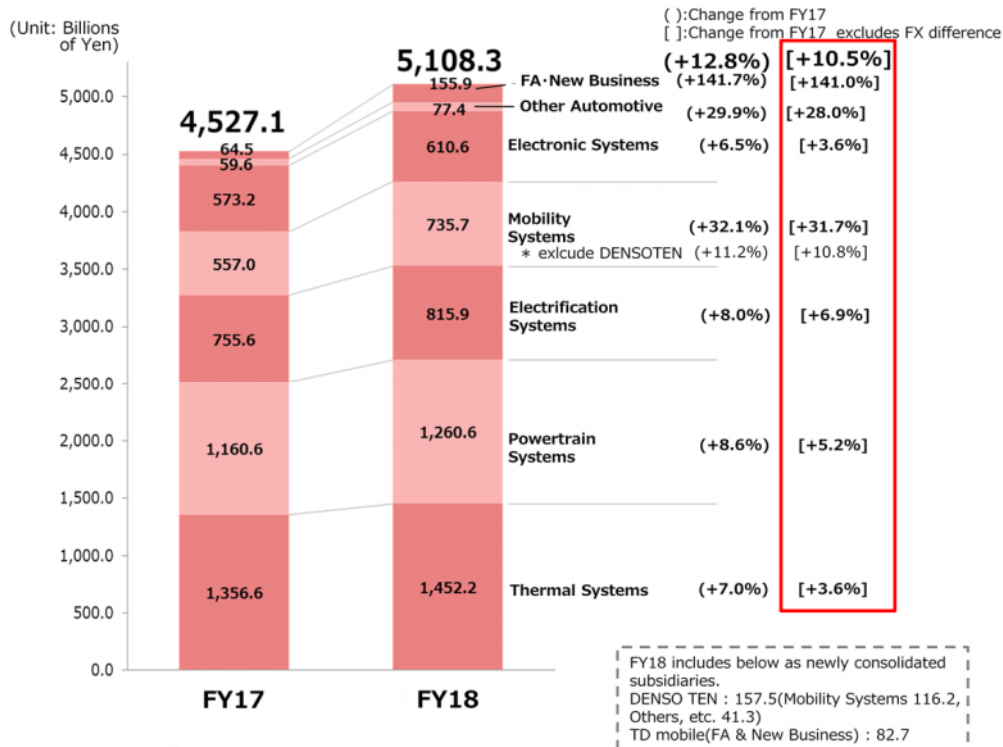
Sales to the Toyota Group increased by 8.9% from the previous year. The reasons are as follows; 1) The car production increased in Japan, China and Europe. 2) Attach rate of safety related products has been expanded in Japan.

Sales to non-Toyota Group companies

Sales to non-Toyota Group companies increased by 8.3% from last year. The reasons of each manufacture are as follows; 1)Honda : Increase of car production in China. Sales expansion of display and transmission related products in North America. 2) Suzuki : Increase of car production in Japan and Asia. 3) General Motors : Increase of car production as well as sales expansion of starters in China and sales expansion of common rail systems in North America.

*The results contains sales of TDmobile Corporation and DENSO TEN LIMITED which have become Denso's subsidiary in 2017.

FY2018 Consolidated Revenue (By Product)



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[Sales by Product (Quantity Base)]

Sales of Thermal Systems Products

Sales increased in Japan and China due to the production volume increase.

Sales of Powertrain Systems Products

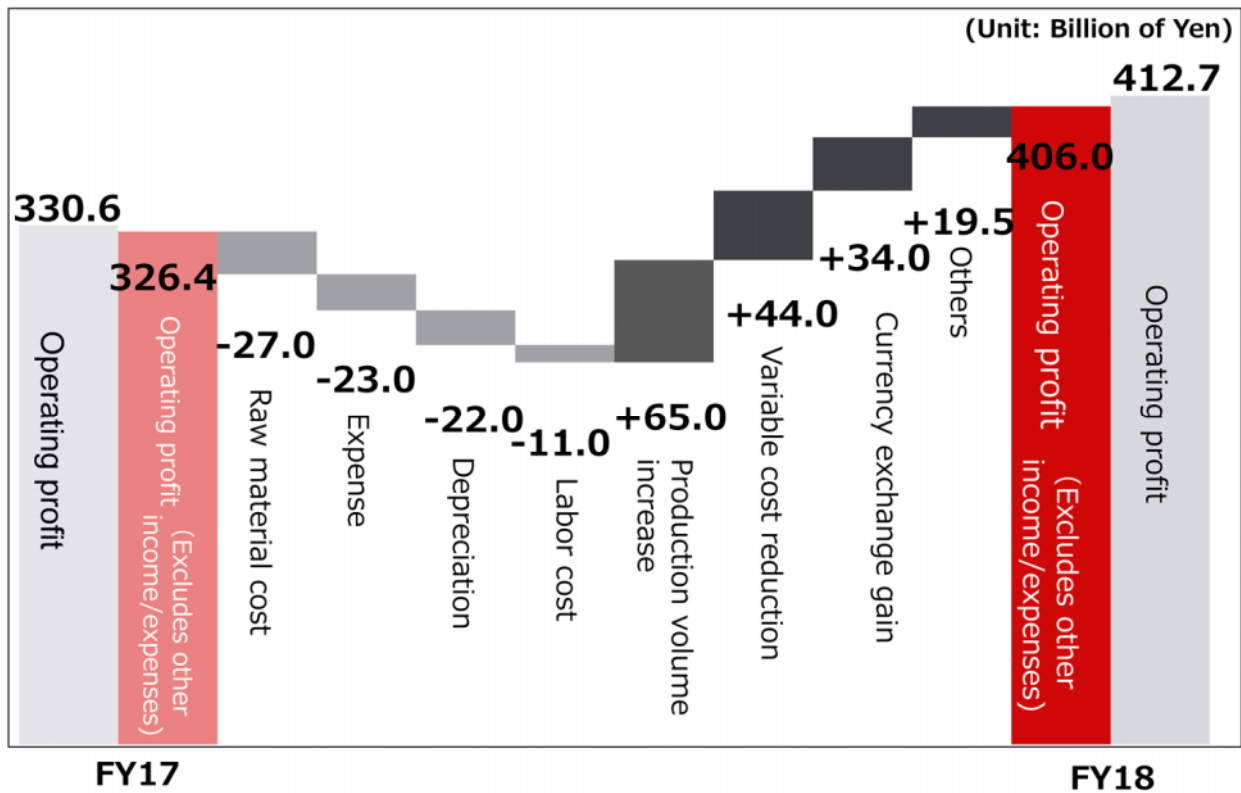
Sales increased in Asia due to the production volume increase, and in North America due to sales expansion.

Sales of Mobility Systems Products

Sales increased in Japan due to the production volume increase as well as the impact of DENSO TEN LIMITED which has become a subsidiary, and in North America due to sales expansion of display related products.

*The results contains sales of TDmobile Corporation and DENSO TEN LIMITED which have become Denso's subsidiary in 2017.

Change in FY2018 Operating Profit



FY17
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[Factors that Contributed to Increases or Decreases in Operating Profit*]

*Excludes other income/expenses

Negative factors

1. Raw material cost : -27.0 billion yen was due to an increase in material costs.
2. Expense : -23.0 billion yen was due to the increase of capital investment for future competition area in addition to strengthen core production capabilities mainly for improving productivity.

Positive factors

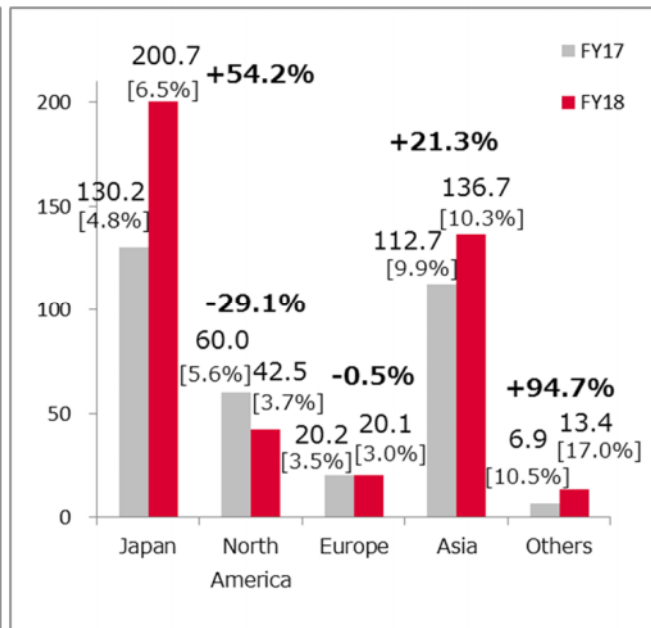
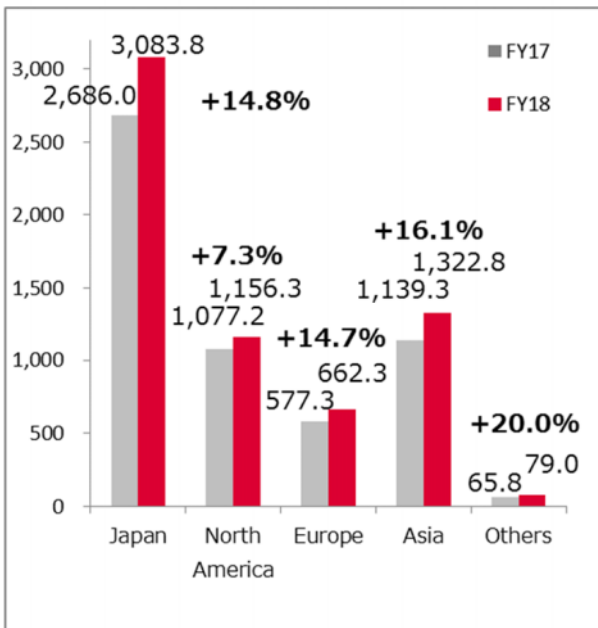
1. Production volume increase: +65.0 billion yen was due to production volume increase and sales expansion.
2. Variable cost reduction: +44.0 billion yen was due to cost reduction efforts and improved productivity.

Geographical Segments by Company Location

Revenue

Operating Profit

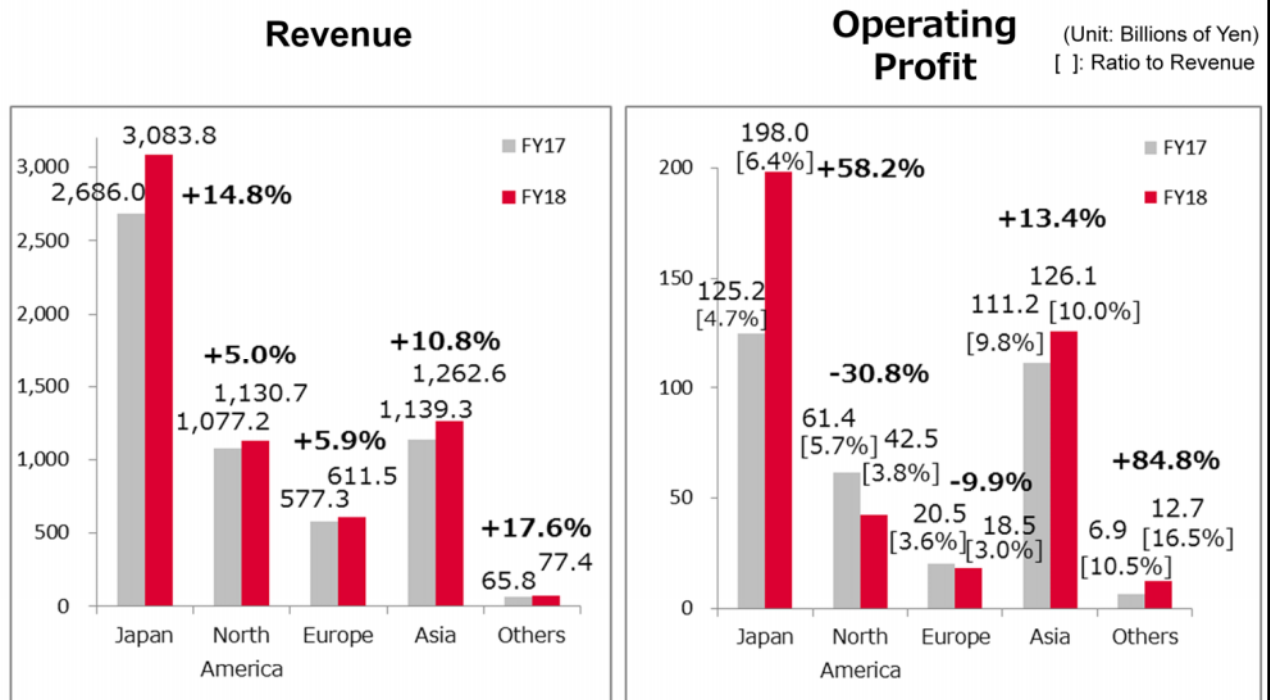
(Unit: Billions of Yen)
[]: Ratio to Revenue



[Revenue and Operating Profit by Each Region*]

*Based on Japanese yen

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



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[Revenue and Operating Profit by Each Region*]

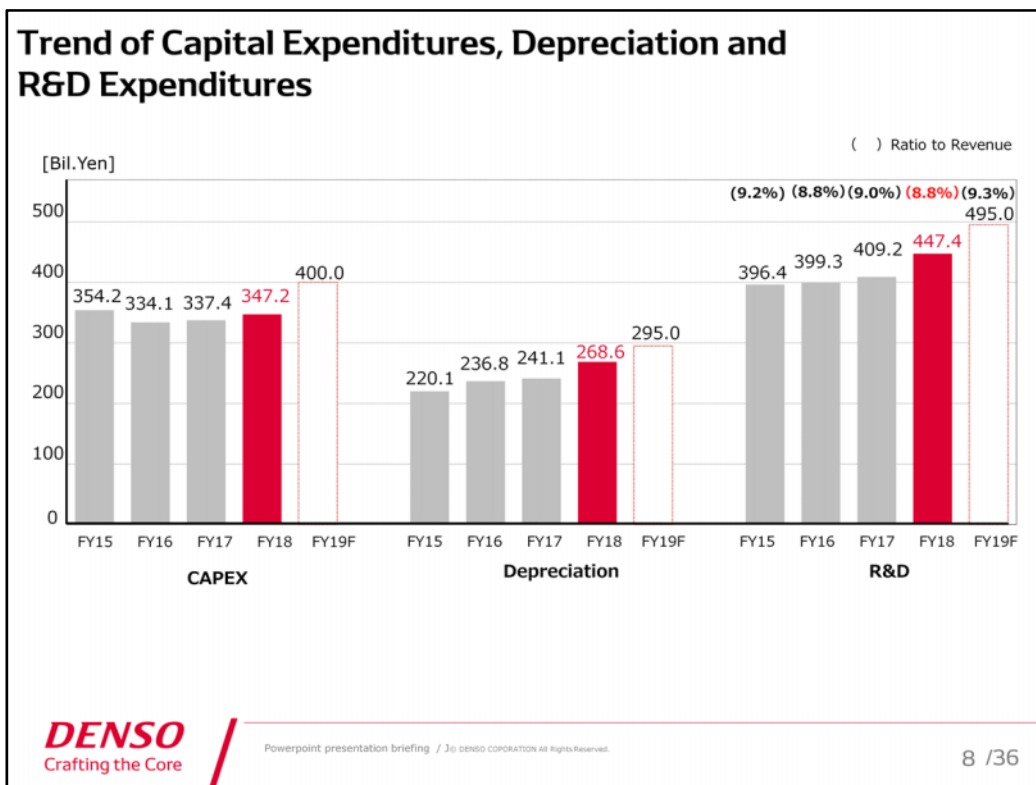
*Excluding the effect of foreign exchange rates and other income/expenses

In Japan

1. The revenue increased by 14.8% from the previous year due to production volume increase and sales expansion of safety related products.
2. Operating profit increased by 58.2% from the previous year due to production volume increase, cost reduction efforts. In addition, the change of payer, who pays foreign exchange balance, from Denso (Japan) to overseas group companies also caused to increase operating profit.

Overseas

1. The revenue increased all region due to car production increase and sales expansion.
2. Operating profit increased in Asia and Other regions due to cost reduction effort. However, the change of payers, who pay foreign exchange balance, as described above, caused to reduce operating profit of each region. As a result of the exchange balance and the increase of raw material cost , operating profit decreased in North America and Europe.



[Capital Expenditures, Depreciation and R&D Expenditures]

Capital Expenditure

1. Capital expenditure reached 347.2 billion yen because of the increase of capital investment for future competition area in addition to strengthen core production capabilities mainly for improving productivity.
2. In the next fiscal year, we expect capital expenditure of 400.0 billion yen. In addition to the investment improving productivity, aiming to achieve the target in the long term policy, which is revenue of 7 trillion yen and the operating profit ratio of 10%, we will accelerate the investment in the fields of electrification and advanced safety/ automated driving. We think those fields are the key to future competition.

R&D expenditure

1. R&D expenditure reached 447.4 billion yen.
2. We keep high level of R&D expenditure of 495.0 billion yen in the next fiscal year. We will strengthen and accelerate R&D mainly regarding core technology of power electronics in the field of electrification. At the same time, we will focus on AI and image recognition in the field of automated driving.

FY2019 Financial Forecast

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

		(Unit: Millions of Units)			
Precondition	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%)

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※2 Profit attributable to owners of the parent company

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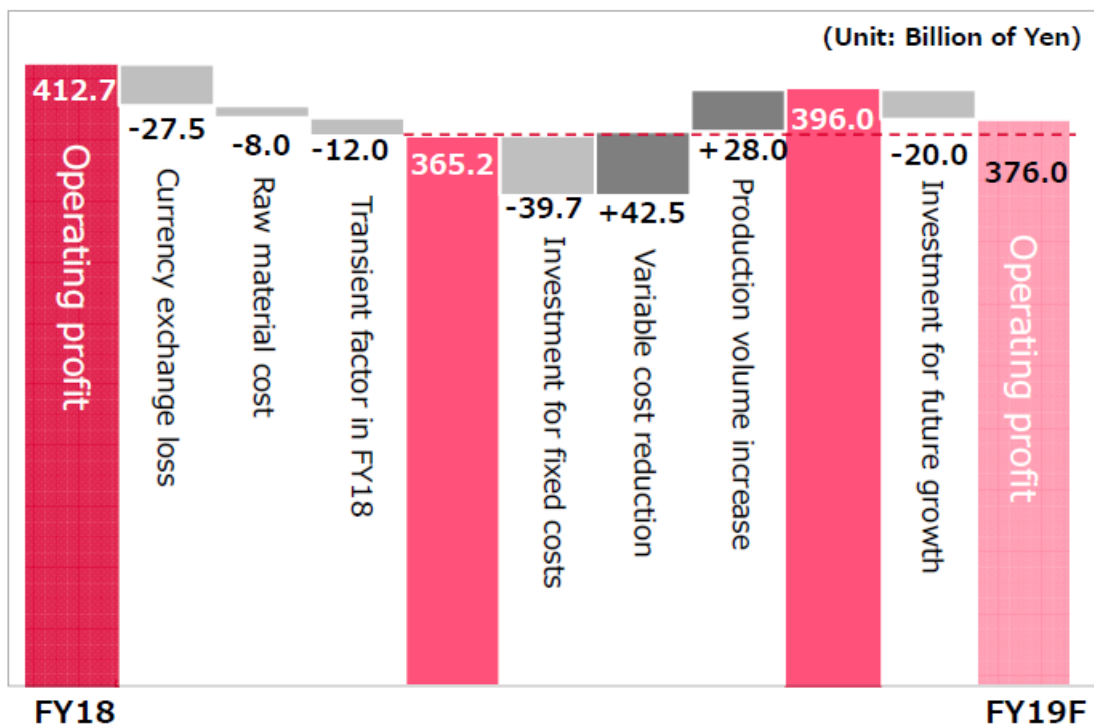
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[Full-Year Financial Forecast]

Regarding the full-year forecast, we expect revenue of 5,320.0 billion yen. Due to the investment cost for the future competitiveness and R&D expenditure, overall operating profit will decrease.

We used 105 yen to the U.S. dollar and 130 yen to the euro for the full-year forecast.

Change in FY2019 Operating Profit



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

Negative factors

- Currency exchange loss: -27.5 billion yen
- Raw material cost: -8.0 billion yen
- Transient factor in FY18: -12.0 billion yen

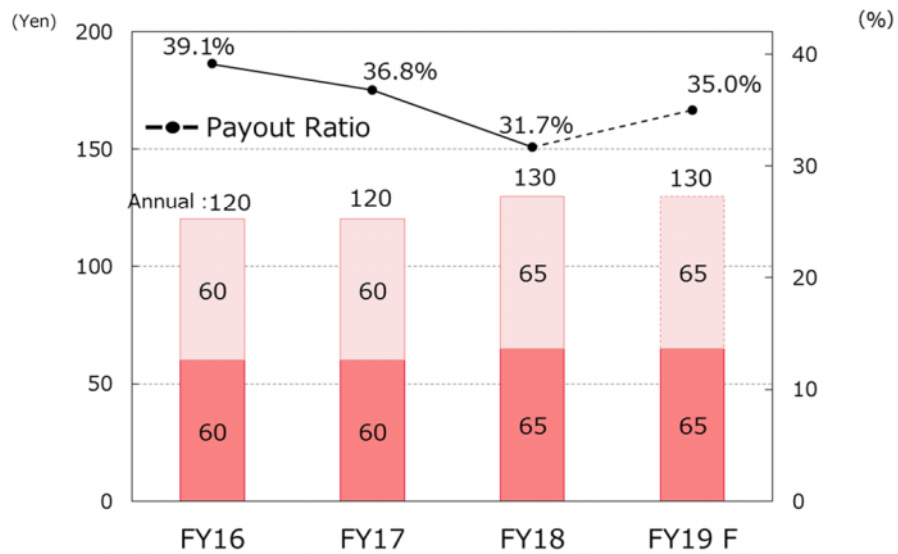
Excluding the negative factors mentioned above, starting the operating profit of 365.2 billion yen, we will recover the decrease from the investment for fixed costs by variable cost reduction and reserve profit of 28.0 billion yen from the increase in production volume increase.

On the other hand, in order to accelerate the investment for future growth, we are eager to invest 20.0 billion yen, which will lead operating profit in the next fiscal year of 376.0 billion yen.

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



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[Return to Shareholders]

Annual dividend per share for FY2018 is 130 yen and for FY2019 expect to be 130 yen.

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

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

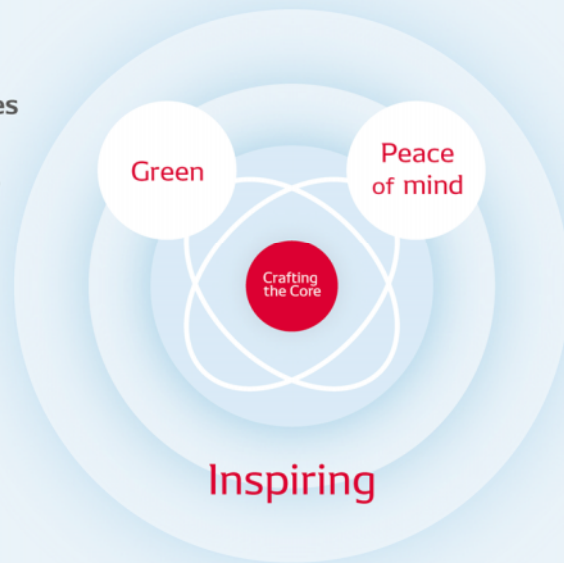
Lasting vitality for the environment

Peace of mind

Providing a sense of well-being

Inspiring

Making a difference



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[DENSO Group Long Term Policy 2030]

The slogan of the Long Term Policy 2030 is “Bringing hope for the future for our planet, society, and all people.”

We have included “inspiring” in the goal of the long-term policy. We wish to create inspiring value for customers, partners, and all other stakeholders. This will help create new value that we cannot deliver by ourselves. We will achieve lasting vitality for the environment as well as safe, comfortable, and flexible mobility for all people to create hope for the future.

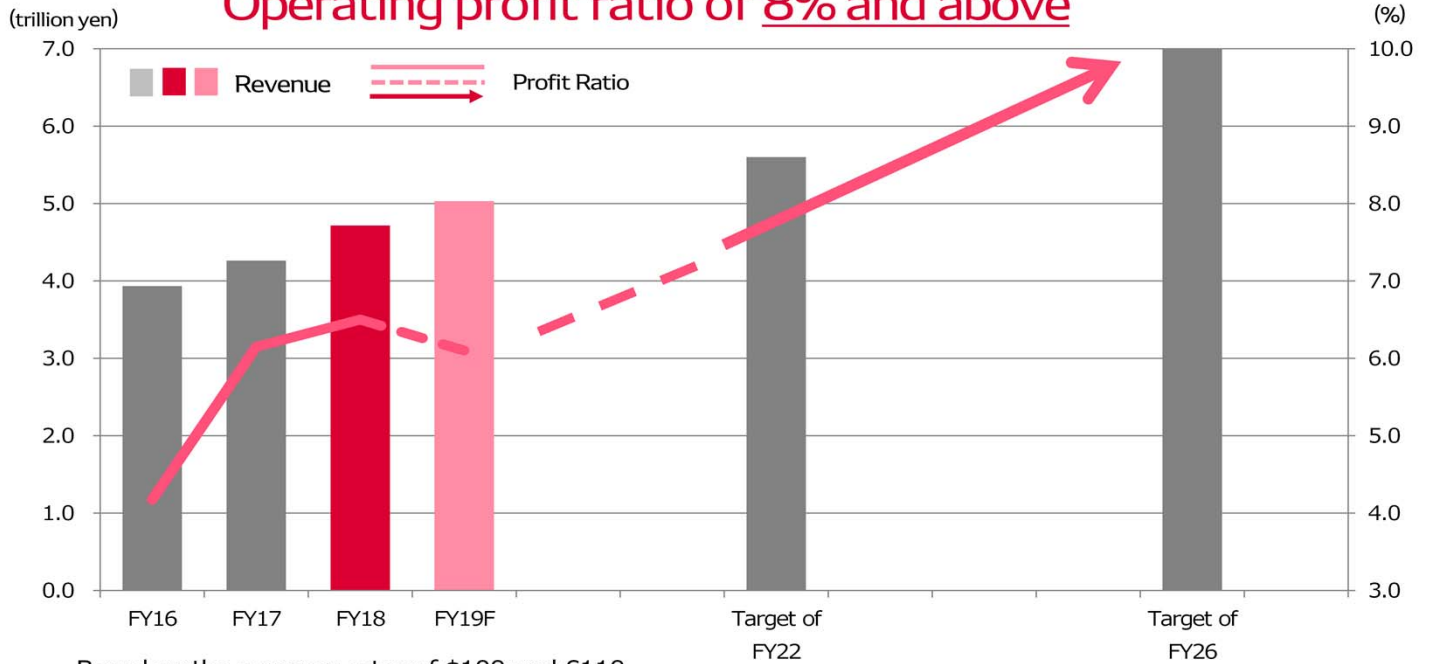
(2) Target of Revenue and Profit by FY2026

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

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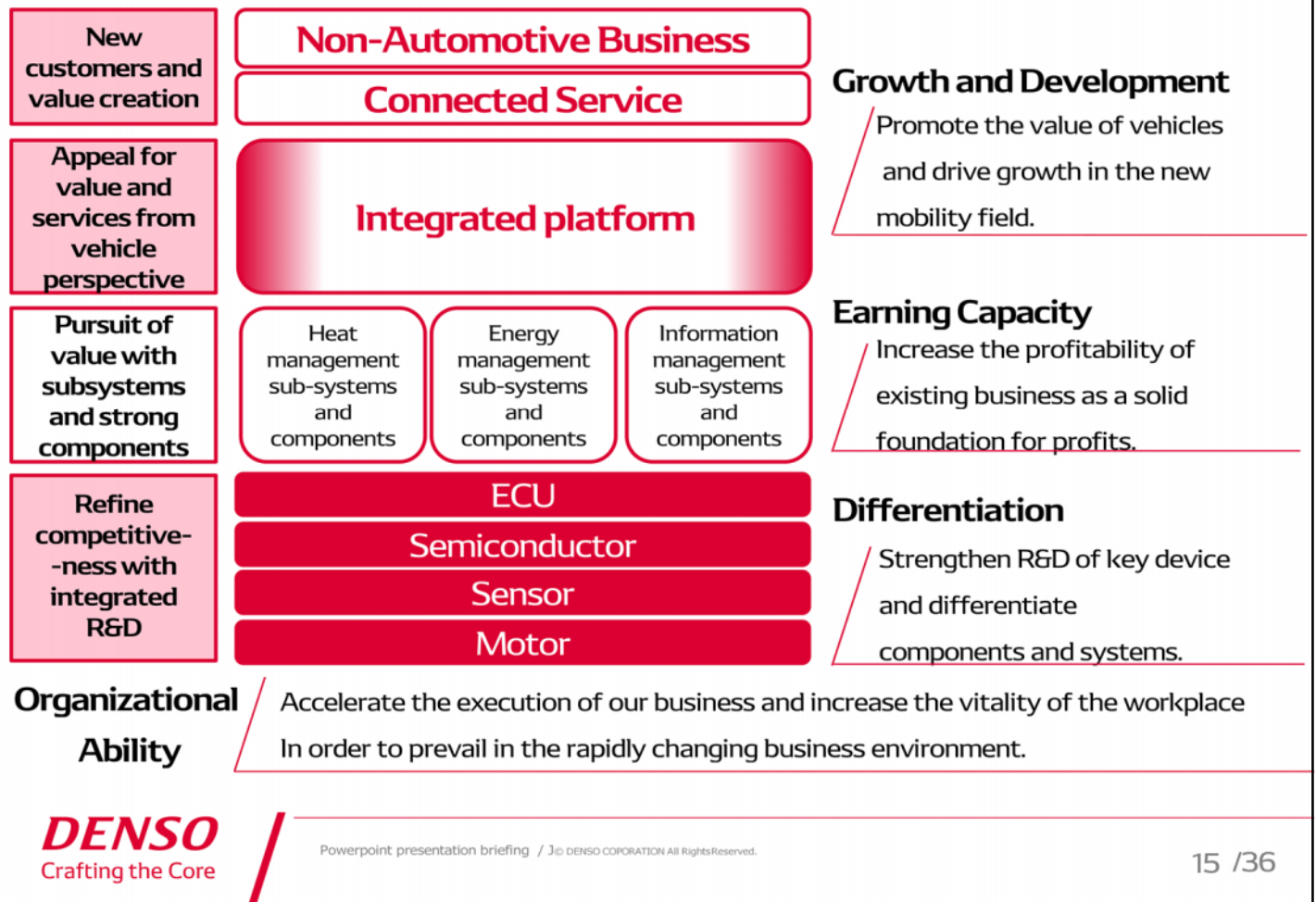
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[Target for Revenue & Profit]

DENSO will create hope for the future for all people by achieving sustainable growth.

We aim to achieve revenues of 7 trillion yen and an operating profit ratio of 10% by FY2026. By FY 2022 as a halfway mark to the goal, we aim to achieve revenue of 5.6 trillion yen and an operating profit ratio of 8% and above.

(3) Strategy for Future Growth



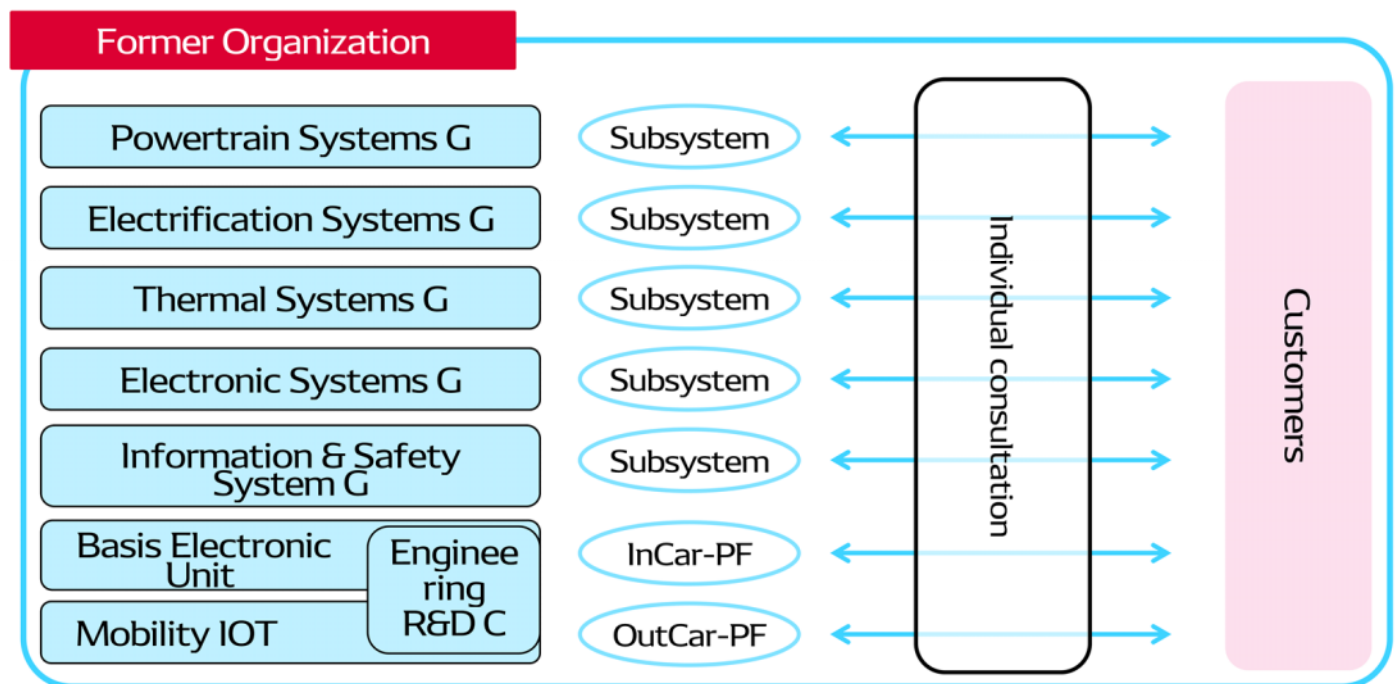
[Strategy for Future Growth]

1. Promote the value of vehicles and drive growth in the new field of mobility.
2. Increase the profitability of existing business as a solid foundation for profits.
3. Strengthen R&D of key device and differentiate components and systems.
4. Accelerate the execution of our business and increase the vitality of the workplace in order to prevail in the rapidly changing business environment.

(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



[Organization Changes for the Strategy]

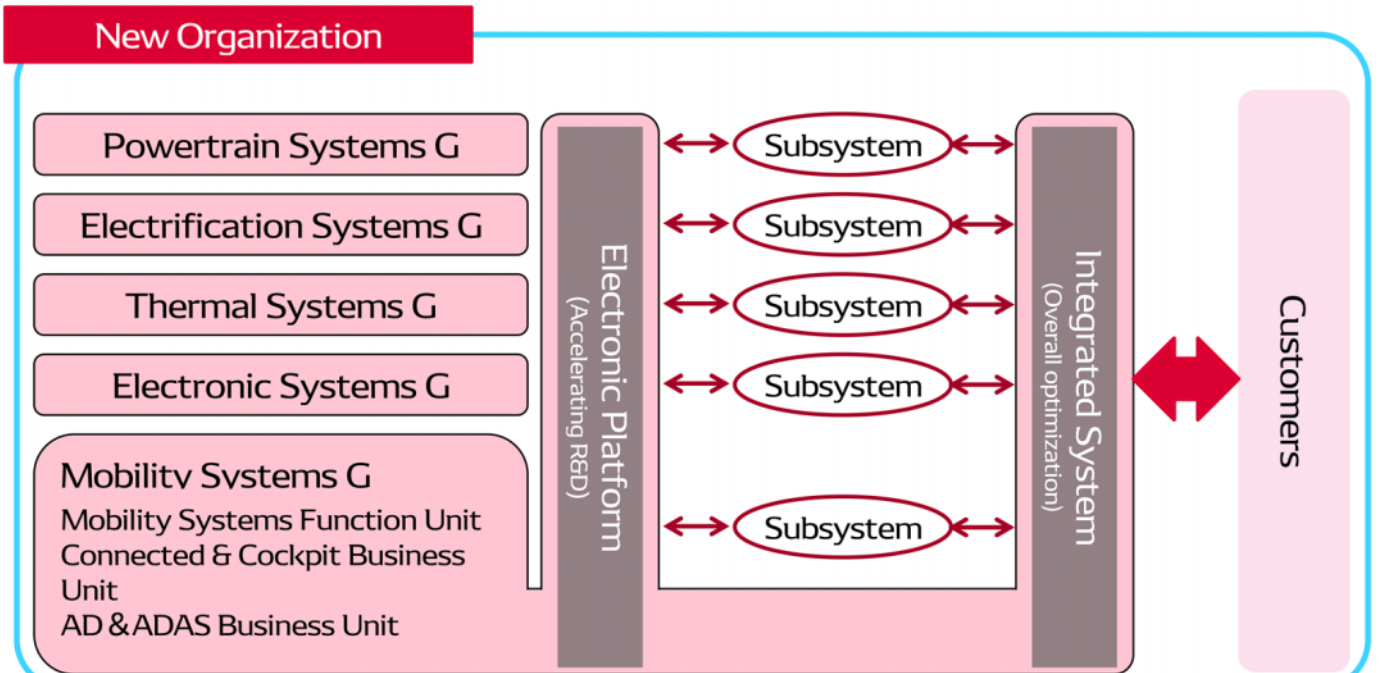
1. Strengthening overall system perspective

In the conventional organization, respective businesses units offered the best possible subsystems for individual optimization. In the future, integrated control of the overall vehicle system will be required to achieve automated driving. To efficiently develop complicated systems, it is necessary to enhance the development of electronics platforms and develop systems from the viewpoint of overall optimization.

(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



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[Organization Changes for the Strategy]

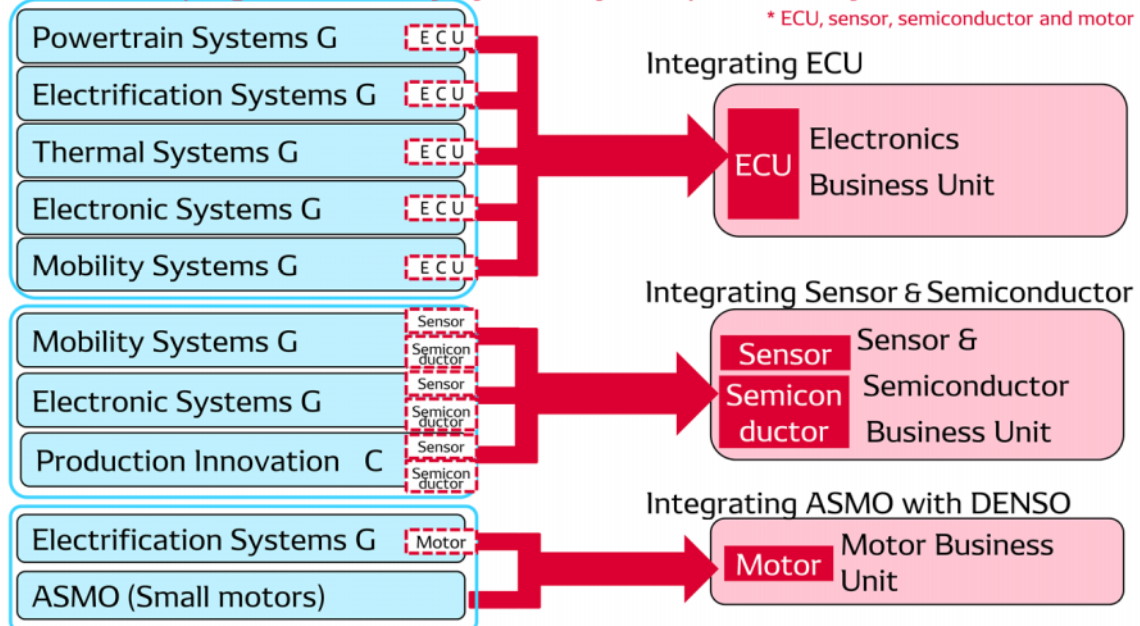
1. Strengthening overall system perspective

To offer value from the viewpoint of overall vehicle systems, the Information & Safety Systems Group has been renamed the Mobility Systems Group. Meanwhile, the Mobility Systems Function Unit has been established to accelerate the development of integrated systems and in-car and outside-car electronics platforms.

(4) Organization Changes for the Strategy

2. Strengthening competitiveness by integrating key devices

■ Developing one and only system by competitive key devices *



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[Organization Changes for the Strategy]

2. Strengthening competitiveness by integrating key devices

We will enhance our development capabilities and competitiveness for key devices such as ECUs, sensors, semiconductors, and motors and significantly differentiate our systems.

Integrating ECUs, sensors and semiconductors

The technology development for ECUs, sensors, and semiconductors which was undertaken by respective business units has been consolidated into the Electronics Business Unit and Sensor & Semiconductor Business Unit.

Integrating ASMO with DENSO

To become a global leader in the motor business, we have integrated business with ASMO, which was one of our subsidiaries, and established the Motor Business Unit by reorganizing relevant in-house sections.

(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.

[DENSO Group Mid-term Policy 2021]

To achieve targeting revenue and operating profit ratio, DENSO established detail action plans.

1. Creating new kinds of value
2. Strengthening profitability in support of future growth
3. Transforming our business foundation

(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.

[DENSO Group Mid-term Policy 2021]

3. Transforming our business foundation

(6) Initiatives in Focus Fields of Mobility

i Electrification



ii Advanced Safety / Automated Driving



iii Connected Cars



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[Initiatives in Focus Fields of Mobility]

We will focus on the following fields so as to deliver new value to the society.

Electrification

Advanced Safety / Automated Driving

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)

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[Initiatives in Focus Fields : Electrification]

We will lead the electrification market by taking full advantage of technologies acquired over the years and the track record of supplying products. We will further advance the future-oriented technologies to help promote the spread of EVs. We will continue to improve the internal combustion engine technologies suitable for electrification and ensure total energy management of vehicles in order to reduce the environmental impact and achieve highly efficient mobility.

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

[Unit: Thousand vehicles] *CO2 regulation Europe 95->70g/km(Target)

Contributing to customers with technology and standardization

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Technology of downsizing and high efficiency

Cooling

Double-sided cooler

Inverter

Device

SiC power card

Control

Material

Production engineering

SC coils

Motor

Material

Cooling

Bonding

High-density packaging

Battery ECU

Device

Cell monitoring IC

Control

Sensing

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[Initiatives in Focus Fields : Electrification]

Expansion of the electrification market

The electrification market is expected to grow rapidly to 15 million vehicles by 2025. The EV market will also expand rapidly, and there will be growing demand for systems with large electric power.

Technology of downsizing and high efficiency in DENSO

DENSO was quick to develop hybrid products. Since the release of the first Prius model 20 years ago, we have supplied products of world-class performance, quality, and quantity for hybrid vehicles. We have downsized and increased the efficiency of important products for hybrid systems such as inverters, motors, and battery ECUs.

The technologies and production equipment which have been improved for hybrid systems through many years of operation can be applied to PHVs and EVs which require large electric power. We will take full advantage of our competitive edge through standardization of hybrid technologies and continue to grow in the electrification market to contribute to customers.

Expanding global manufacturing capacity (in Tennessee)



DENSO MANUFACTURING TENNESSEE, INC.

By 2020

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

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[Initiatives in Focus Fields : Electrification]

Expanding global manufacturing capacity

We have decided to expand our manufacturing capacity in the U.S. in anticipation of the future expansion of the electrification market. We will invest an additional 1 billion dollars and create 1,000 jobs by 2020 at our plant in Tennessee to increase the production capacity of inverters.

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

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[Initiatives in Focus Fields : Advanced Safety / Automated Driving]

We have improved sensing technologies by proposing next-generation sensors using cutting-edge technologies. We will not only develop sensors but also systems including semiconductors and ECUs to propose automated driving platforms. We will promote faster development by open innovation without focusing on entirely in-house development.

Meanwhile, it is becoming increasingly important to understand the algorithms of AI and software for quality assurance. The causes of defects cannot be identified if the core technologies are black-boxed. We will securely internalize core technologies while accelerating the development through open innovation in order to realize a safe society free from traffic accidents and achieve comfortable and flexible mobility.

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

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[Initiatives in Focus Fields : Advanced Safety / Automated Driving]

DENSO developed a new vision sensor and a millimeter-wave radar sensor

In developing advanced safety products, we need to meet the requirements of a car assessment called NCAP. In 2016, NCAP required compliance with Autonomous Emergency Braking, or AEB Pedestrian in daylight standards. In 2018, NCAP requires compliance with AEB Pedestrian at night and AEB Cyclist standards. Last year, we developed and started mass-producing a new vision sensor which can detect pedestrians at night by improving the performance of the camera. We also developed and started mass-producing a new millimeter-wave radar sensor with improved sensitivity by increasing the frequency of radio wave emissions. The detection accuracy has been improved by the sensor fusion technology that combines the data recognition and processing of a camera and a millimeter-wave radar sensor.

We have been developing technologies for ensuring safety in the actual driving environment not only to meet the NCAP requirements but also to help create a society free from traffic accidents. The new vision sensor has been developed to meet requirements that are more rigorous than those of NCAP, and our technology can detect pedestrians on even darker roads.

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.

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[Initiatives in Focus Fields : Advanced Safety / Automated Driving]

DENSO Established Global R&D Tokyo

The development system involves 200 employees conducting R&D and developing automated driving and connectivity technologies. Global R&D Tokyo takes full advantage of its geographical location to collaborate with customers and other partners and to accelerate R&D and demonstrate state-of-the-art technologies in order to quickly bring advanced mobility systems to market. We will actively recruit AI and leading-edge IT engineers required to develop these automated driving technologies.

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

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[Initiatives in Focus Fields : Advanced Safety / Automated Driving]

The role of Global R&D Tokyo

Global R&D Tokyo will:

1. Develop and demonstrate competitive functionalities with many partners including universities and research institutes;
2. Collect data in various environments;
3. Develop electronics platforms with standardized logical architecture;
4. Improve and share the development environment.

Global R&D Tokyo will serve as our global headquarters to develop automated driving technologies and accelerate the pace of development.

iii Connected Cars

- An Example of Efforts -

Value Contribute mobility society connected automobiles, human and things.

1. Development of integrated system with cloud

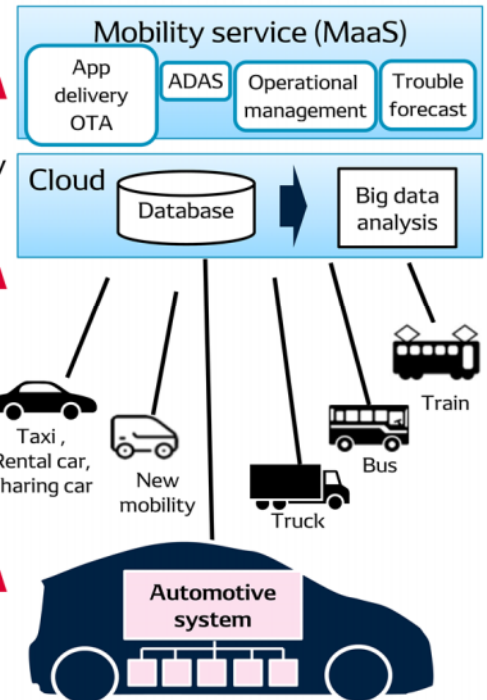
- Development of integrated electronic platform
- Development of automotive big data use technology

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



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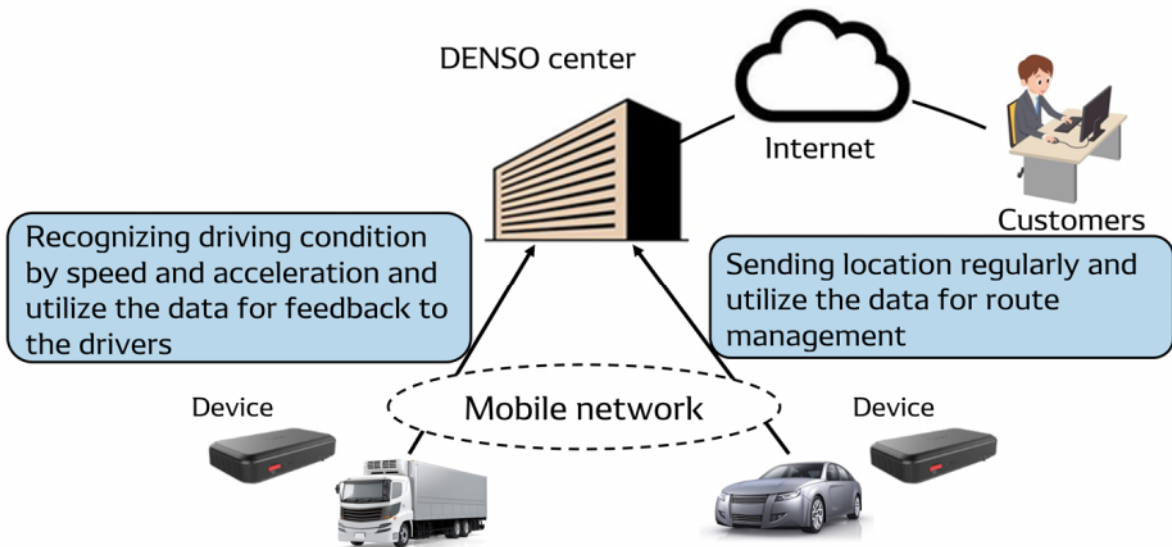
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[Initiatives in Focus Fields : Connected Cars]

We are undergoing a paradigm shift from vehicle ownership to utilization and service. To increase the added value of vehicles and offer safety, security, and the pleasure of driving to users, we will develop vehicle systems that are integrated with cloud services and offer new value to connected cars while strengthening alliances with partners. We will create a future of mobility where vehicles are connected with other vehicles, people, and things by quickly introducing advanced technologies.

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

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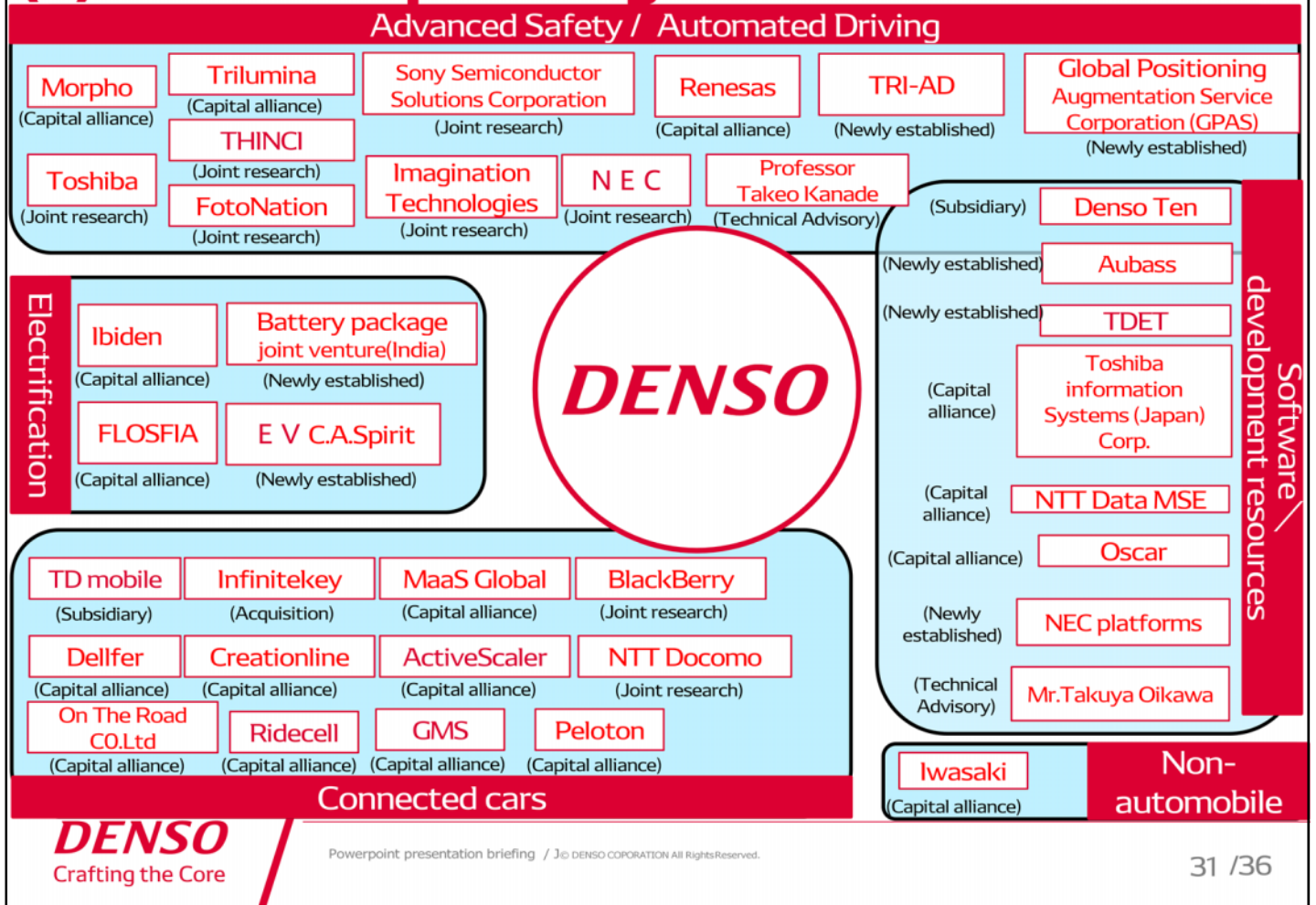
[Initiatives in Focus Fields : Connected Cars]

DENSO developed advanced vehicle operation system

We have long offered operational management services for commercial vehicles such as trucks and buses, which are small in number but high in environmental impact, and which require higher levels of safety. Currently, the Connected Service Business Promotion Division has been working on an advanced system for safe and efficient operation of various commercial vehicles such as general company-owned vehicles, small trucks, and vans. This system will make it possible to monitor the position and driving condition of such vehicles easily and inexpensively. We will support the safe and efficient use of vehicles by offering appropriate safety advice and guidance to users.

Projects are underway to develop in-vehicle devices that are easy to install and handle, and to develop applications based on agile development techniques. The MaaS R&D Division and Digital Innovation Department, which are in charge of developing applications for DENSO Center, organized an agile development team last year by using the scrum process which is an agile development framework. The team's activities have attracted attention both in and outside the industry. We will deploy the service using the advanced system from this summer.

(7) Partnership strategies



[Partnership Strategies]

In new fields such as automated driving, increasingly complicated and advanced technologies are required. As the pace of technology innovation accelerates, we cannot develop technology by ourselves as fast as the market changes. We have therefore been actively building alliances to achieve growth with optimal partners, quickly implement the business strategy, enhance competitiveness, and strengthen our resources.

[Partnership Strategies]

Advanced Safety / Automated Driving

We took a stake in ThinCI which has the underlying technology for data flow processors, to strengthen the collaboration for developing in-vehicle semiconductor IPs for integrated control.

We also increased our stake in Renesas, which is our partner for implementing developed IPs and developing competitive Systems on Chip, or SoC for short.

Electrification

We took a stake in FLOSFIA, a spin-off from Kyoto University, to facilitate joint development of gallium oxide-based power semiconductors which help improve the performance of inverters.

Connected Cars

We acquired InfiniteKey, which has patents related to next-generation smart keys using smartphones. We also took a stake in Creationline, which has a competitive edge in cloud technology and next-generation software development technology, to strengthen our software-oriented development system.

To expedite the development of software technology, we have been strengthening our development resources by making Fujitsu TEN one of our subsidiaries and changing its name to DENSO TEN and by taking a stake in Toshiba Information Systems.

We will continue to help pioneer convenient mobility mainly in the priority fields by working with various partners who share the vision.

(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

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[Sustainability]

The objective of our sustainability management

“Inspire various stakeholders by creating value in the areas of the environment and safety, and thereby achieve sustainable growth of the company and society.”

In fact, this is the essence of the DENSO Group Long Term Policy 2030 that I mentioned at the outset. We will practice sustainability management through efforts to achieve the long-term policy.

Action for achieving the vision

We have been upgrading our efforts in ESG, which stands for “Environment,” “Social,” and “Governance,” by

1. Accelerating the development of electrification products, practicing the environmental management based on Eco Vision 2025;
2. Developing advanced safety products, promoting diversity and health management;
3. Strengthening corporate governance, and enhancing compliance.

Example (Environment)

ECO Vision 2025



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[Example: Environment]

ECO Vision 2025

We formulated Eco Vision 2025 as an action plan to achieve a sustainable society by 2050 and established three targets to be achieved by then: half the energy consumption, twice as clean, and twice as green. Ten specific actions are being taken to achieve the targets in four categories: "Products," "Production," "Associates," and "Management." Efforts are also underway to stabilize and improve the global environment.

Example (Social)

Awarded for
two years in a row



2018

**The Company with
Health and Productivity**



2018

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

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[Example: Social]

DENSO was selected under the Health & Productivity Stock Selection program for the second consecutive year

We consider keeping our employees healthy as a management priority. We have been improving health and productivity management by introducing measures to promote both mental and physical health, thereby raising employees' awareness and promoting health management in the workplace.



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

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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)

Account	(Ratio to Sales)				(Unit: Billions of Yen,%)	
	FY18		FY17		Change	
					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 Full Year									FY2019 Full Year	
		FY2018 First-Half			FY2018 Second-Half							
		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
Toyota Group	2,300.6	45.0	2,075.0	45.8	225.5	10.9	8.9
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
OEM Total	4,521.4	88.5	4,061.8	89.7	459.6	11.3	8.6
After-market, New business & Others(*)	586.9	11.5	465.3	10.3	121.6	26.1	23.4
Total	5,108.3	100.0	4,527.1	100.0	581.1	12.8	10.5

* 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
Automotive Total	4,952.4	96.9	4,462.6	98.6	489.7	11.0	8.4
FA,New Business Total	155.9	3.1	64.5	1.4	91.4	141.7	141.0
Total	5,108.3	100.0	4,527.1	100.0	581.1	12.8	10.5

* 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
Automotive Total	4,952.4	96.9	4,462.6	98.6	489.7	11.0	8.4
FA, New Business Total	155.9	3.1	64.5	1.4	91.4	141.7	141.0
Total	5,108.3	100.0	4,527.1	100.0	581.1	12.8	10.5

* 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	409.2	447.4	9.3%	495.0	10.6%
(Ratio to Sales)	(9.0%)	(8.8%)		(9.3%)	