

DENSO

Crafting the Core

**FY2020 1st Half
Financial Results
(2019/4-9)**

Oct 31, 2019
DENSO CORPORATION



Overview of FY2020 1st Half Financial Results

1. Revenue not including foreign exchange fluctuations increased due to the production increase in Japan and North America. However foreign exchange fluctuations led to slight decrease in revenue. Operating profit decreased due to an increase in investment for future growth and currency exchange loss.
2. Downward revision to full-year forecast considering the market slowdown and foreign exchange loss.
3. Annual dividend payment will be 140 yen, which is same as the original forecast.

FY2020 1st Half Financial Results(2019/4-9)

		(Ratio to Revenue)		[Unit:Billions of Yen]	
		18/4-18/9	19/4-19/9	Change	
Revenue		2,625.0	2,618.4	-6.6	-0.2%
Operating Profit		(5.8%) 152.4	(5.1%) 134.0	-18.4	-12.0%
Finance income/ costs&others(*1)		17.8	17.2	+0.6	
Profit before Income Taxes		(6.5%) 170.2	(5.8%) 151.2	-19.0	-11.2%
Profit (*2)		(4.3%) 114.1	(4.0%) 104.2	-9.9	-8.6%
(Unit:Millions of Units)					
Precondition	Foreign Exchange Rate	JPY 110/\$	JPY 109/\$	-2 JPY	
		JPY 130/Euro	JPY 121/Euro	-8 JPY	
	Domestic Car Production	4.47	4.69	+0.21	+4.8%
	Overseas Car Production of Japanese Manufacturers	10.20	9.61	-0.59	-5.8%
	(North America)	(2.90)	(2.83)	(-0.07)	(-2.4%)

※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

FY2020 1st Half Consolidated Revenue (By Customer)

Unit: Billions of Yen
 (): Change from previous year
 []: Change from previous year
 excludes FX difference

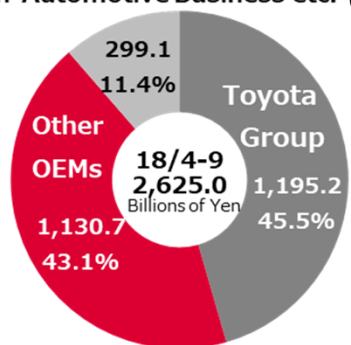
(): change from previous year
 []: INCR/DECR excludes FX difference

Revenue 2,625.0 ⇒ 2,618.4 (-0.2%) [+1.9%]

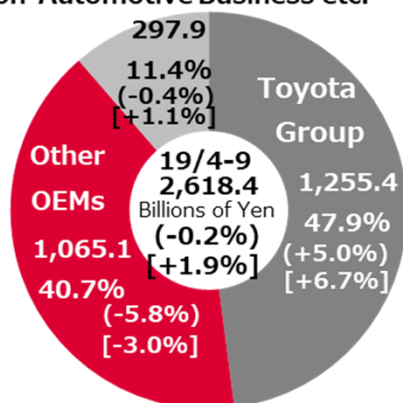
Toyota group 1,195.2 ⇒ 1,255.4 (+5.0%) [+6.7%]

Other OEMs 1,130.7 ⇒ 1,065.1 (-5.8%) [-3.0%]

After-market,
Non-Automotive Business etc.



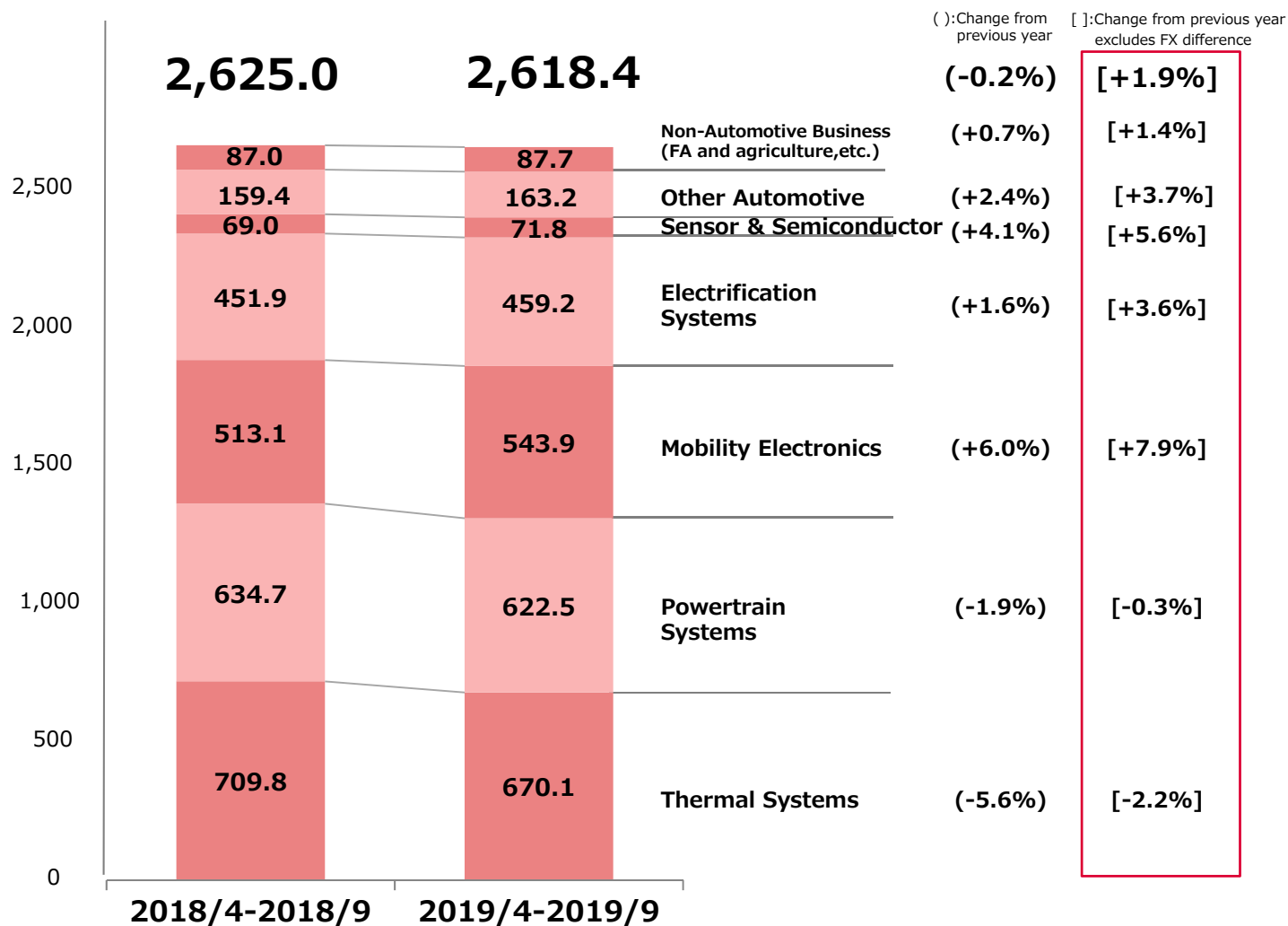
After-market,
Non-Automotive Business etc.



Customer	2018/4 -2018/9	2019/4 -2019/9	Change from previous year	Change from previous year (excludes FX difference)
Revenue	2,625.0	2,618.4	(-0.2%)	[+1.9%]
Toyota group	1,195.2	1,255.4	(+5.0%)	[+6.7%]
Other OEMs	1,130.7	1,065.1	(-5.8%)	[-3.0%]
Others	319.9	296.3	(-7.4%)	[-4.3%]
VW/AUDI	42.5	33.4	(-21.5%)	[-16.4%]
Nissan	50.2	48.6	(-3.1%)	[-0.7%]
Subaru	52.8	55.3	(+4.9%)	[+5.6%]
Suzuki	58.5	55.3	(-5.5%)	[-4.1%]
Hyundai/Kia	64.4	60.6	(-5.8%)	[+0.4%]
Mazda	59.0	60.8	(+2.9%)	[+2.9%]
Ford	69.4	63.1	(-9.0%)	[-6.7%]
GM	100.1	88.7	(-11.5%)	[-9.4%]
FCA	114.7	97.1	(-15.4%)	[-11.2%]
Honda	199.2	205.9	(+3.4%)	[+5.9%]

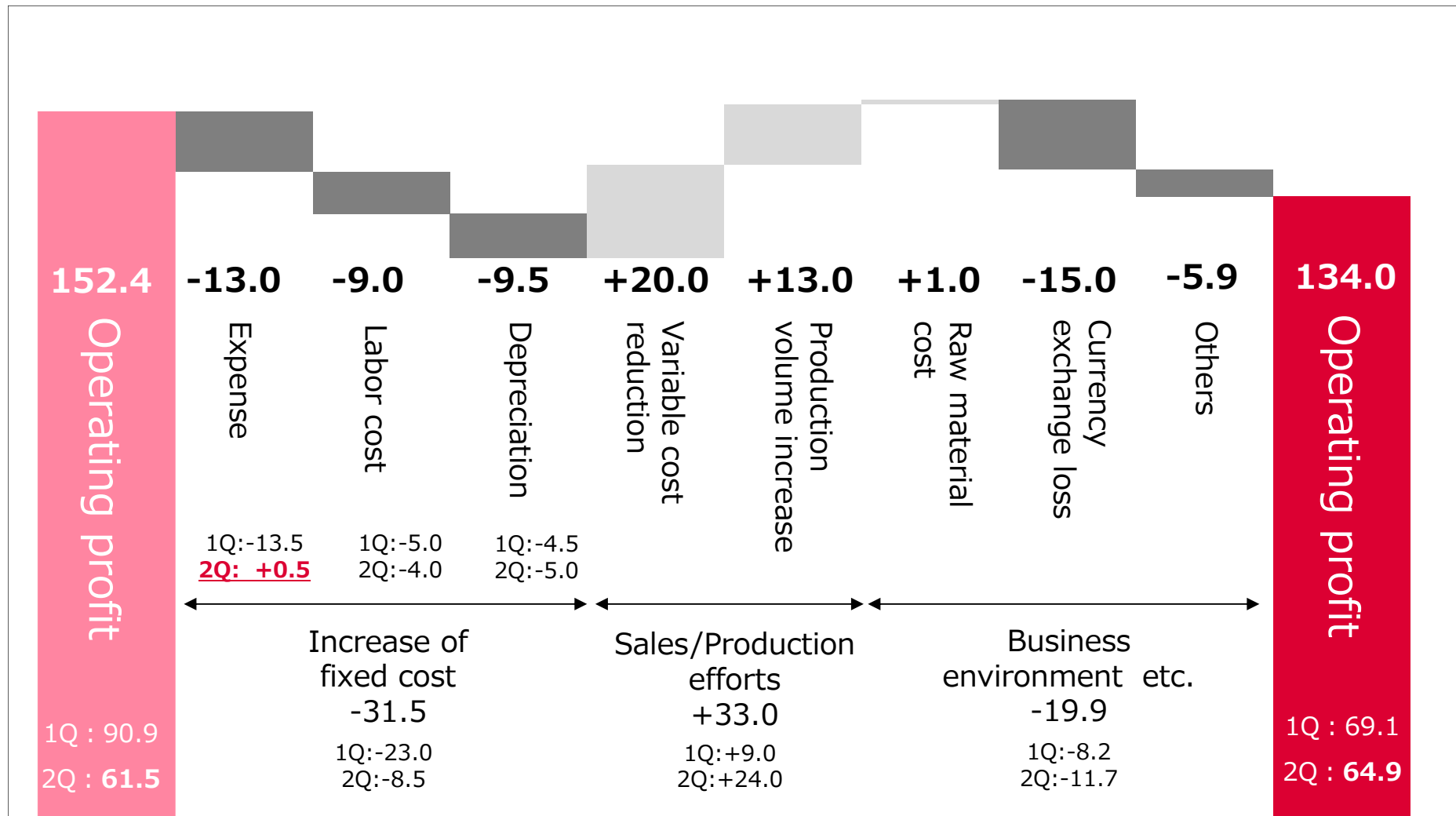
FY2020 1st Half Consolidated Revenue (By Product)

(Unit: Billions of Yen)



Change in FY2020 1st Half Operating Profit

(Unit: Billion of Yen)



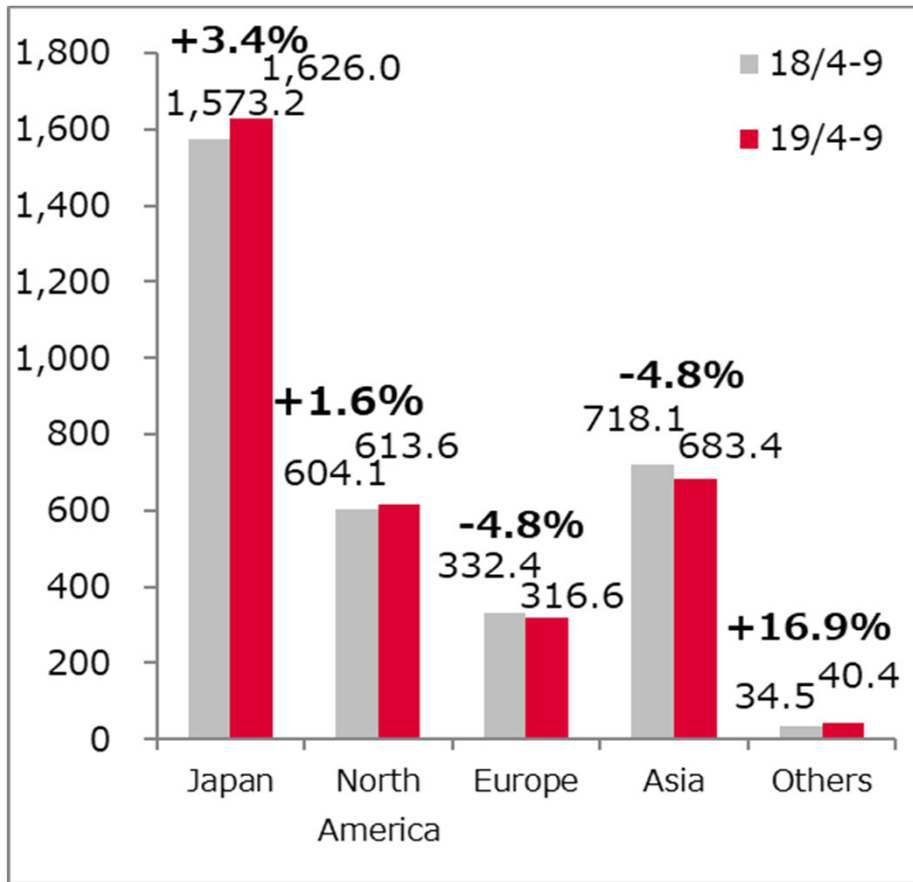
18/4-9

19/4-9

Geographical Segments by Company Location

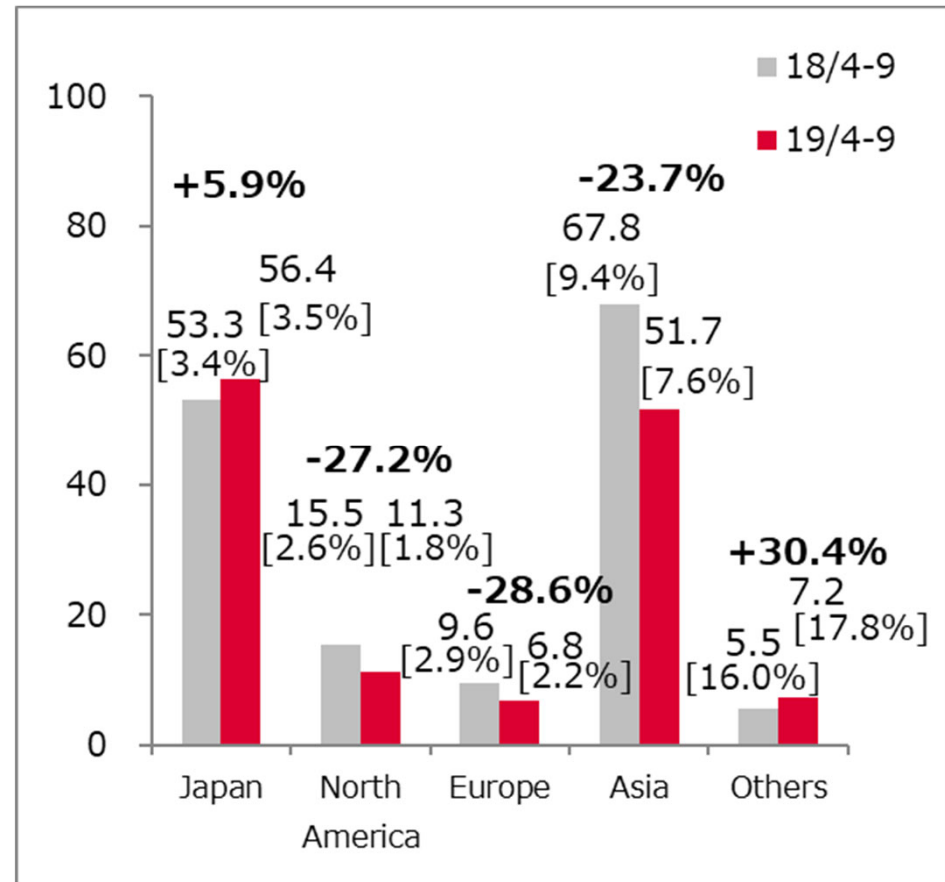
Local currency basis excludes FX difference (110JPY/1USD, 130JPY/1EUR)

Revenue

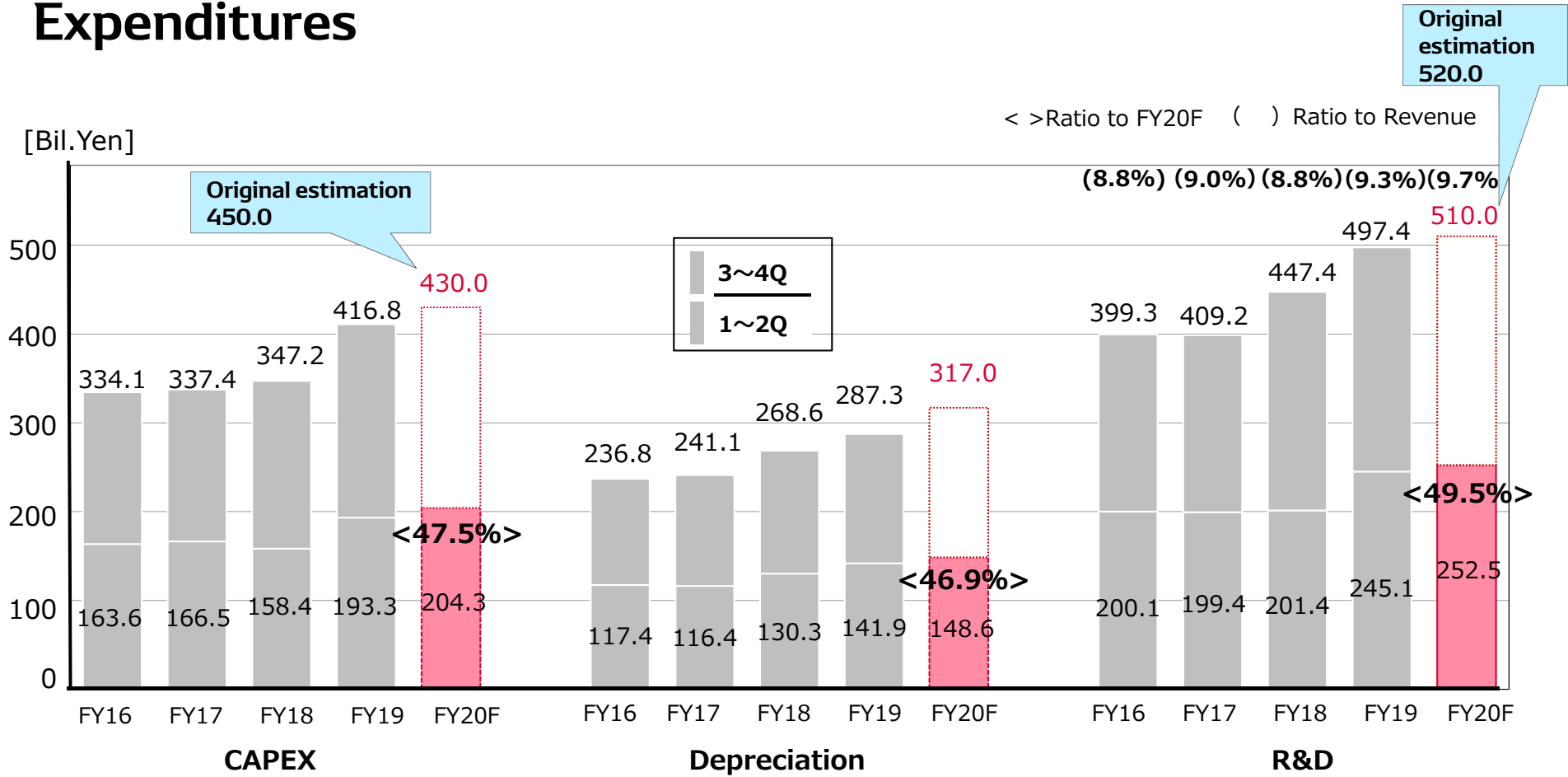


Operating Profit

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



Trend of Capital Expenditures, Depreciation and R&D Expenditures



FY2020 Financial Forecast

(Ratio to Revenue)

[Unit:Billions of Yen]

	As of June 2019		20/3 Forecast		Change from June 2019		19/3 Actual		Change from March 2019	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenue	5,500.0		5,260.0		-240.0	-4.4%	5,362.8		-102.8	-1.9%
Operating Profit	(6.9%) 380.0		(6.1%) 320.0		-60.0	-15.8%	(5.9%) 316.2		+3.8	+1.2%
Finance income/ costs&others(*1)	49.0		41.0		-8.0		39.8		+1.2	
Profit before Income Taxes	(7.8%) 429.0		(6.9%) 361.0		-68.0	-15.9%	(6.6%) 356.0		+5.0	+1.4%
Profit(*2)	(5.5%) 305.0		(4.9%) 257.0		-48.0	-15.7%	(4.7%) 254.5		+2.5	+1.0%
[Unit:Millions of Units]										
Precondition	Foreign Exchange Rate	JPY 110/\$	JPY 107/\$		-3 JPY	-	JPY 111/\$		-4 JPY	
		JPY 125/Euro	JPY 118/Euro		-7 JPY	-	JPY 128/Euro		-10 JPY	
	Domestic Vehicle Production	9.61	9.51		-0.10	-1.0%	9.43		+0.08	+0.9%
	Overseas Vehicle Production of Japanese Manufacturers (North America)	20.46 (5.83)	19.44 (5.65)		-1.02 (-0.18)	-5.0% (-3.1%)	20.11 (5.91)		-0.67 (-0.26)	-3.3% (-4.4%)

※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

Variance from previous estimation at 1st quarter

(Unit: Billion of yen)

	1Q estimation	2Q estimation	Diff.
Operating profit	316.2	316.2	-
Expense	-10.0	0	+10.0
Labor cost	-20.0	-16.0	+4.0
Depreciation	-30.0	-28.0	+2.0
Variable cost reduction	50.0	54.0	+4.0
Production volume increase	50.0	15.0	-35.0
Currency exchange loss	-6.0	-49.0	-43.0
Raw material cost	-7.0	-4.0	+3.0
Others	36.8	31.8	-5.0
Operating profit	+380.0	+320.0	▲60.0

<Major factors >

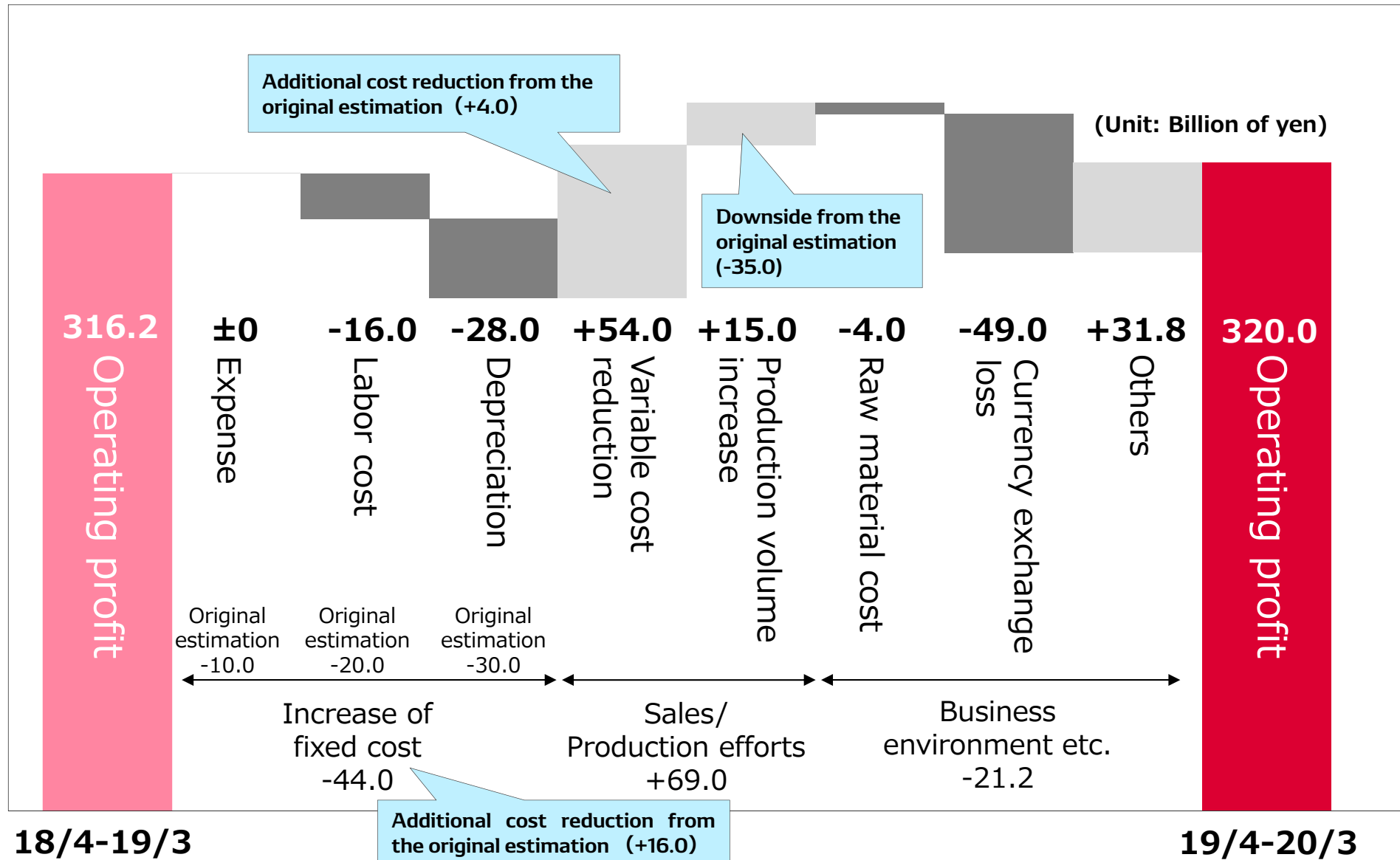
Control fixed costs by improving R&D efficiency, disciplined investment reduction and increase in variable cost reduction (+20.0)

- Vehicle production decrease mainly in Asia
- Sales is lower than original estimation(overall customers)

Change of exchange rate
 USD:110⇒106.8(Full-year)105(2nd-half)
 EUR:125⇒118.2(Full-year)115(2nd-half)
 CNY:16.5⇒15.3(Full-year)15.0(2nd-half)
 *Forex impact on operating profit (Full-year)
USD:2.7B yen per yen **EUR**:1.2B yen per yen
CNY:1.2B yen per 0.1 yen

- Countermeasures for soil contamination -2.0
- NA trade policy additional impact -1.0

Change in FY2020 Operating Profit



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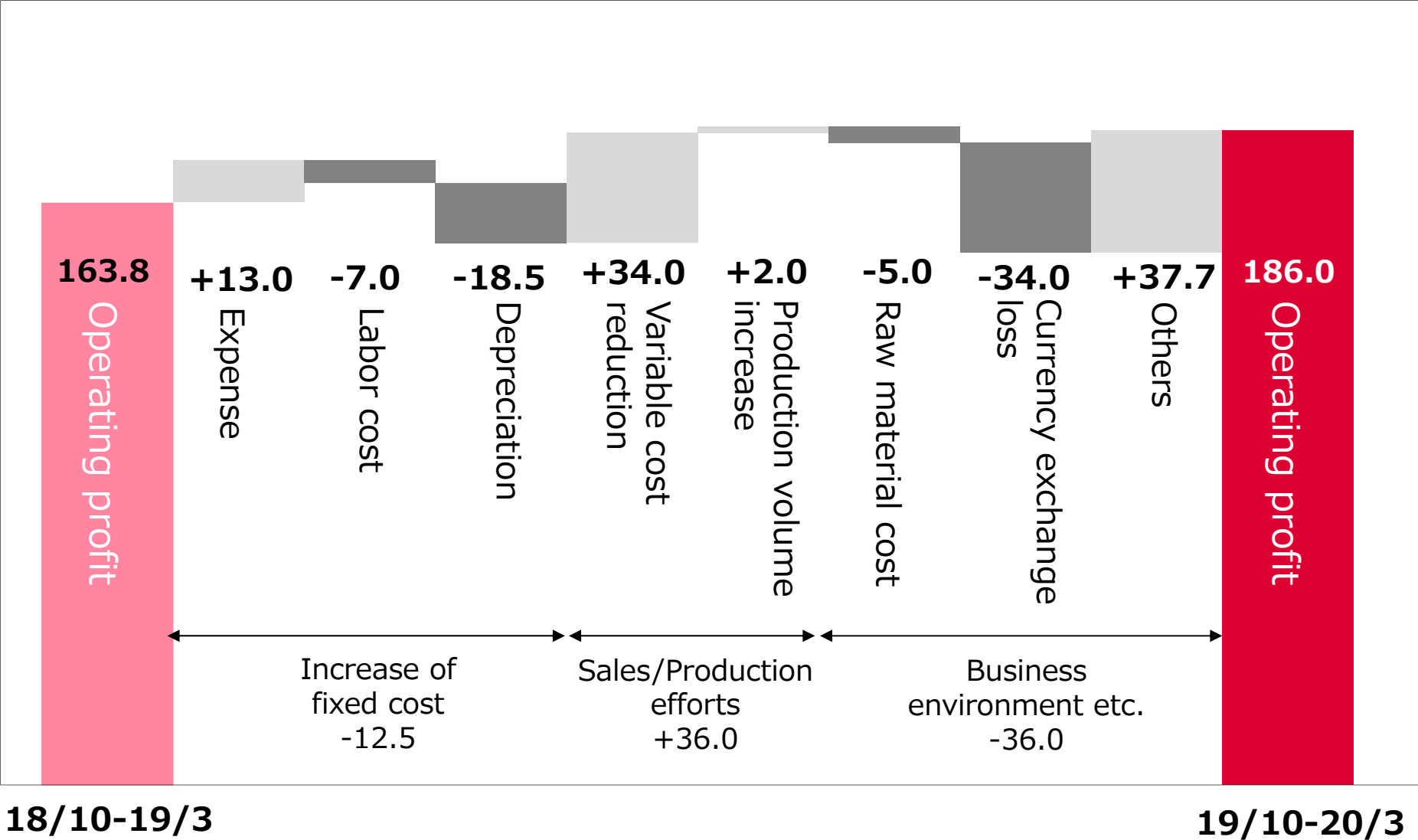
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Appendix

- Change in FY2020 2nd Half Operating Profit
- Pre-Conditions (Foreign Exchange Rate/Car Production)
- Consolidated Revenue by Customer
- Consolidated Revenue by Product
- Geographical Segments by Company Location
- Capital Expenditures, Depreciation and R&D Expenditures

Change in FY2020 2nd Half Operating Profit

(Unit: Billion of Yen)



Pre-Conditions (Foreign Exchange Rate/Car Production)

		FY2020 Full Year										
		FY2020 First-Half			FY2020 Second-Half							
		Prior Year	Actual	Change	Prior Year	Forecast (Revised)	Change	Prior Year	Forecast (Original)	Forecast as of June 2019	Forecast (Revised)	Change
Foreign Exchange Rate (Yen)	USD	110	109	- 2	112	105	- 7	111	110	110	107	- 4
	EUR	130	121	- 8	127	115	-12	128	125	125	118	- 10
Forex Impact on Operating Income per Yen (Billions of Yen)	USD	-			-			2.5	2.5	2.5	2.7	0.2
	EUR	-			-			1.0	1.0	1.0	1.2	0.2
Car Production of Japanese Manufacturers (Millions of Units)	Domestic	4.47	4.69	+ 5%	4.95	4.83	- 3%	9.43	9.61	9.61	9.51	+ 1%
	North America	2.90	2.83	- 2%	3.01	2.82	- 6%	5.91	5.83	5.83	5.65	- 4%
	Overseas	10.20	9.61	- 6%	9.91	9.83	- 1%	20.11	20.46	20.46	19.44	- 3%

Consolidated Revenue (By Customer)

(Unit: Billions of Yen)

	2018/4-2018/9		2019/4-2019/9		Change		Change excludes FX difference,etc.
	Amount	% to Total	Amount	% to Total	Amount	%	%
Toyota	1,103.6	42.0	1,159.7	44.2	56.2	5.1	6.8
Daihatsu	59.3	2.3	65.3	2.5	6.1	10.2	10.9
Hino	32.3	1.2	30.4	1.2	-2.0	-6.1	-6.1
Toyota Group	1,195.2	45.5	1,255.4	47.9	60.3	5.0	6.7
Honda	199.2	7.7	205.9	7.9	6.7	3.4	5.9
FCA	114.7	4.4	97.1	3.7	-17.6	-15.4	-11.2
GM	100.1	3.8	88.7	3.4	-11.5	-11.5	-9.4
Ford	69.4	2.6	63.1	2.4	-6.3	-9.0	-6.7
Mazuda	59.0	2.2	60.8	2.3	1.7	2.9	2.9
Hyundai/Kia	64.4	2.5	60.6	2.3	-3.8	-5.8	0.4
Suzuki	58.5	2.2	55.3	2.1	-3.2	-5.5	-4.1
SUBARU	52.8	2.0	55.3	2.1	2.6	4.9	5.6
Nissan	50.2	1.9	48.6	1.9	-1.6	-3.1	-0.7
VW·AUDI	42.5	1.6	33.4	1.3	-9.2	-21.5	-16.4
Mitsubishi	30.6	1.2	29.8	1.1	-0.8	-2.8	-3.4
Isuzu	30.0	1.1	28.7	1.1	-1.3	-4.2	-4.9
BMW	21.9	0.8	25.3	1.0	3.5	15.9	23.3
PSA	25.5	1.0	23.5	0.9	-1.9	-7.6	-1.3
Volvo	20.7	0.8	20.7	0.8	0.0	+0.0	6.8
Daimler	15.6	0.6	13.1	0.5	-2.5	-16.1	-10.3
OE Sales for others	175.6	6.7	155.1	5.9	-20.5	-11.7	-9.0
OEM Total	2,325.8	88.6	2,320.5	88.6	-5.4	-0.2	2.0
After-market, Non-Automotive Business(*)	299.1	11.4	297.9	11.4	-1.2	-0.4	1.1
Total	2,625.0	100.0	2,618.4	100.0	-6.6	-0.2	1.9

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

Consolidated Revenue (By Product)

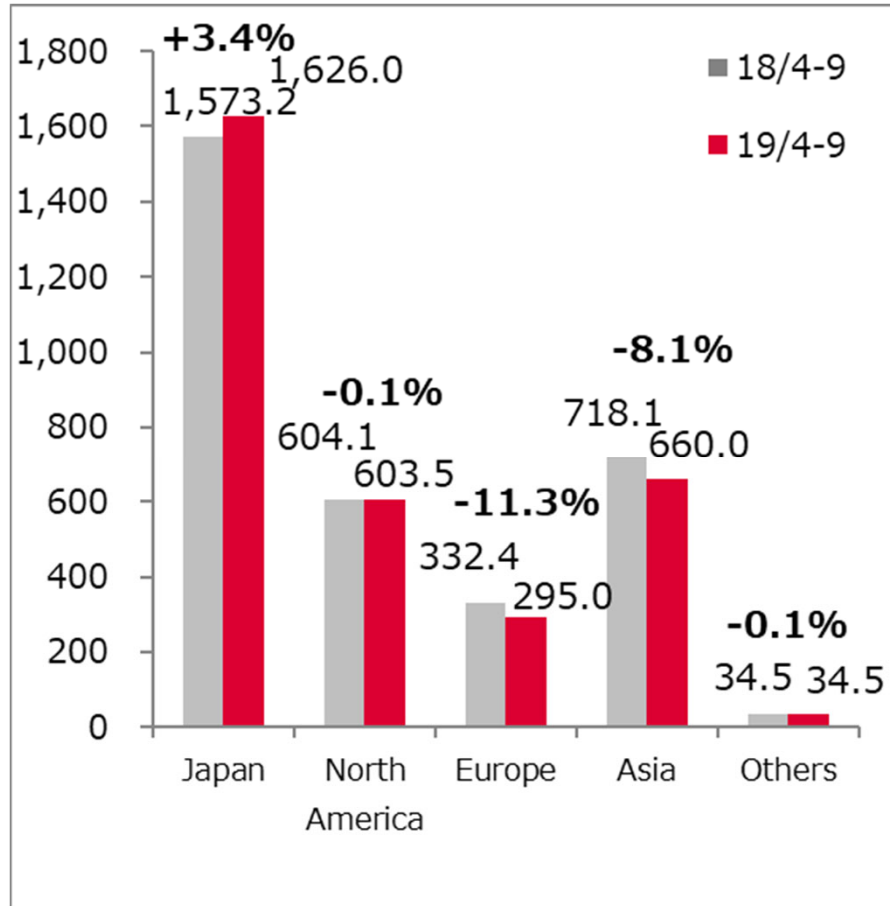
(Unit: Billions of Yen,%)

	18/4-18/9		19/4-19/9		Change		Change excludes FX difference
	Amount	% to Total	Amount	% to Total	Amount	%	%
Thermal Systems	709.8	27.0	670.1	25.6	-39.7	-5.6	-2.2
Powertrain Systems	634.7	24.2	622.5	23.8	-12.2	-1.9	-0.3
Mobility Electronics	513.1	19.6	543.9	20.9	30.8	6.0	7.9
Electrification Systems	451.9	17.2	459.2	17.5	7.3	1.6	3.6
Sensor & Semiconductor	69.0	2.6	71.8	2.7	2.8	4.1	5.6
Others(*)	159.4	6.1	163.2	6.1	3.8	2.4	3.7
Automotive Total	2,538.0	96.7	2,530.7	96.6	-7.2	-0.3	1.9
Non-Automotive Business(FA and agriculture, etc.) Total	87.0	3.3	87.7	3.4	0.6	0.7	1.4
Total	2,625.0	100.0	2,618.4	100.0	- 6.6	- 0.2	1.9

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

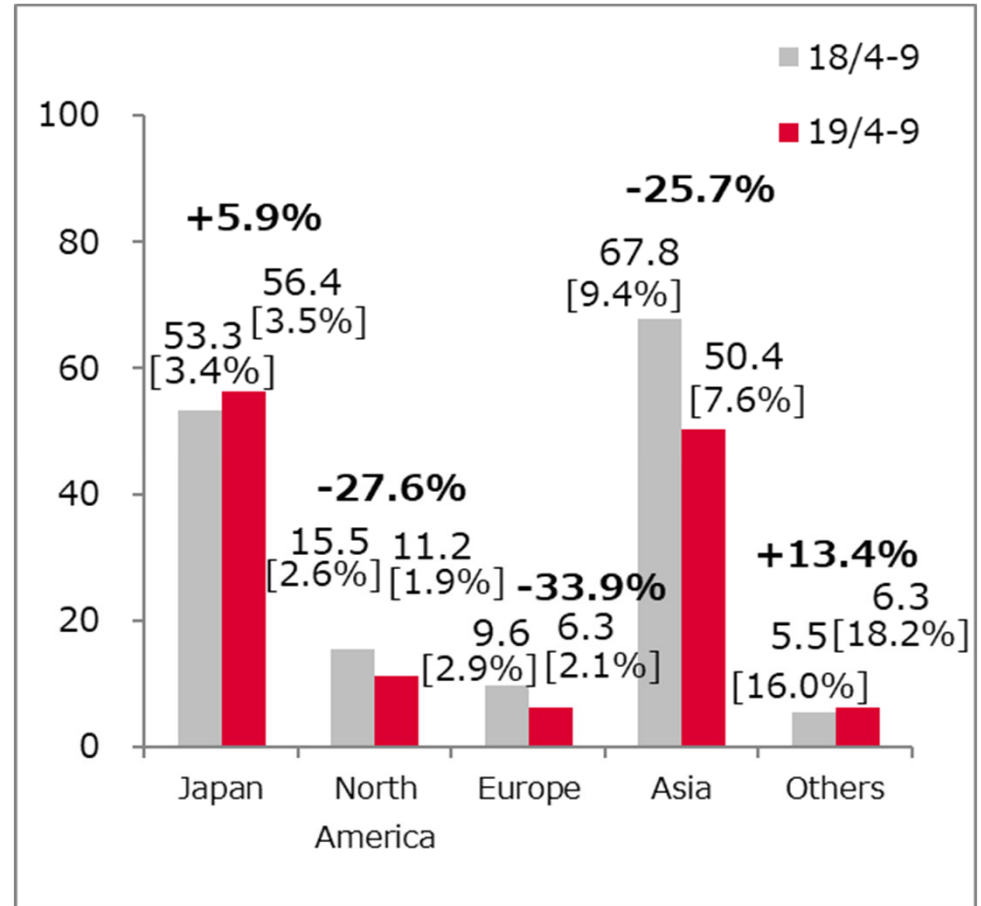
Geographical Segments by Company Location

Revenue



Operating Profit

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



Capital Expenditures, Depreciation and R&D Expenditures

(Unit: Billions of Yen)

	19/3		20/3F		Change (%)	Progress to 20/3 Forecast
	18/9		19/9			
Japan	116.9	258.2	126.8	261.5	8.5%	48.5%
North America	32.0	60.3	22.2	60.0	-30.6%	37.0%
Europe	11.4	25.5	13.2	25.0	15.8%	52.8%
Asia	31.7	69.5	40.7	100.0	28.4%	40.7%
Others	1.3	3.4	1.4	3.5	7.7%	40.0%
Adjustment *	-	-	-	-20.0	-	-
Capital Exp.	193.3	416.8	204.3	430.0	5.7%	47.5%
Japan	82.6	168.6	89.6	189.0	8.5%	47.4%
North America	18.1	36.8	20.1	44.5	11.0%	45.2%
Europe	11.8	24.0	11.6	26.0	-1.7%	44.6%
Asia	28.3	55.7	26.3	58.0	-7.1%	45.3%
Others	1.0	2.1	1.0	2.5	-0.0%	40.0%
Adjustment *	-	-	-	-3.0	-	-
Depreciation	141.9	287.3	148.6	317.0	4.7%	46.9%
R&D Expenditure (Ratio to Revenue)	245.1 (9.3%)	497.4 (9.3%)	252.5 (9.6%)	510.0 (9.7%)	3.0%	49.5%

* Reduction from the original estimation mainly in Asia.