



DENSO

Crafting the Core

**FY2020 3rd Quarter
Financial Results
(2019/4-12)**

Jan 31, 2020
DENSO CORPORATION

Overview of FY2020 3rd Quarter Financial Results

1. Revenue excluding foreign exchange fluctuations increased due to the sales expansion, despite overall automotive market slowdown. However, foreign exchange fluctuations led to decrease in revenue. Operating profit decreased due to foreign currency loss and provision for quality costs, despite variable costs reduction outweighed fixed costs increase.
2. Downward revision to full-year forecast considering 3Q results and environmental factors such as market slow down trend.
3. Annual dividend payment will be 140 yen, which is same as the original forecast.

FY2020 9months Financial Results(2019/4-12)

		(Ratio to Revenue)		[Unit: Billions of Yen]	
		18/4-18/12	19/4-19/12	Change	
Revenue		3,979.7	3,895.0	-84.6	-2.1%
Operating Profit		(6.1%) 243.5	(4.2%) 162.7	-80.9	-33.2%
Finance income/ costs&others(*1)		32.7	35.0	+2.3	
Profit before Income Taxes		(6.9%) 276.2	(5.1%) 197.6	-78.6	-28.4%
Profit (*2)		(4.8%) 192.0	(3.5%) 136.1	-55.9	-29.1%
		[Unit: Millions of Units]			
Precondition	Foreign Exchange Rate	JPY 111/USD	JPY 109/USD	-2 JPY	-
		JPY 129/EUR	JPY 121/EUR	-8 JPY	-
	Domestic Vehicle Production	6.95	6.94	-0.01	-0.2%
	Overseas Vehicle Production of Japanese Manufacturers	15.41	14.41	-1.00	-6.5%
	(North America)	(4.40)	(4.15)	(-0.25)	(-5.7%)

※ 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]

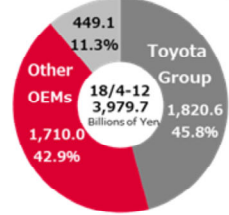
1. Consolidated revenue totaled 3,895.0 billion yen, decreased by 84.6 billion yen (-2.1%) from the previous year.
2. Consolidated operating profit totaled 162.7 billion yen, decreased by 80.9 billion yen (-33.2%) from the previous year.
3. Consolidated profit attributable to owners of the parent company totaled 136.1 billion yen, decreased by 55.9 billion yen (-29.1%) from the previous year.

FY2020 9months Consolidated Revenue (By Customer)

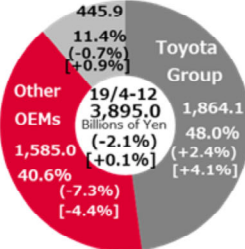
(Unit: Billions of Yen)
 (): Change from previous year
 []: Change from previous year excludes FX difference

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

After-market, Non-Automotive Business etc.



After-market, Non-Automotive Business etc.



Revenue	3,979.7 ⇒ 3,895.0 (-2.1%)	[+0.1%]
Toyota group	1,820.6 ⇒ 1,864.1(+2.4%)	[+4.1%]
Other OEMs	1,710.0 ⇒ 1,585.0 (-7.3%)	[-4.4%]

2018/4-2018/12	2019/4-2019/12	Customer	Change (%)	Change []
1,710.0	1,585.0	Others	(-8.5%)	[-5.6%]
486.4	445.0			
59.8				
77.1	49.1	VW/AUDI	(-17.8%)	[-12.4%]
87.3	72.2	Nissan	(-6.3%)	[-4.0%]
79.3	82.0	Suzuki	(-6.0%)	[-4.7%]
102.7	87.6	SUBARU	(+10.5%)	[+11.6%]
93.1	89.7	Hyundai/Kia	(-12.6%)	[-6.9%]
102.5	90.3	Mazda	(-3.0%)	[-3.0%]
149.4	95.4	Ford	(-7.0%)	[-4.0%]
166.1	120.5	GM	(-19.4%)	[-17.3%]
	147.0	FCA	(-11.5%)	[-6.9%]
306.3	306.2	Honda	(-0.0%)	[+2.8%]



[Sales by Customer (Quantity Base)]

Sales to Toyota Group

Sales to the Toyota Group increased by 4.1% from the previous year. The reasons are as follows;

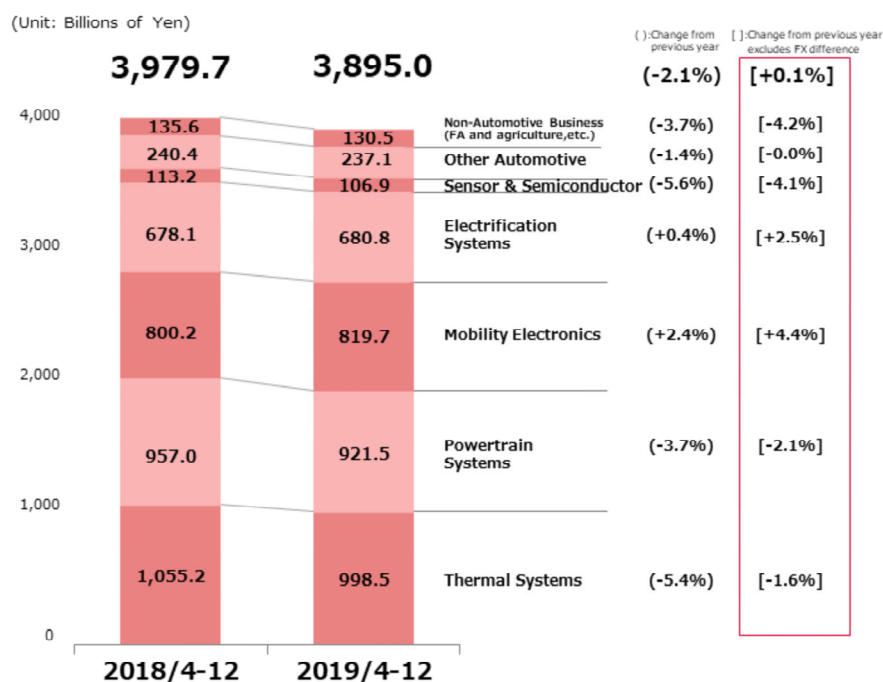
- 1) The car production increased in Japan.
- 2) Vehicles equipped with safety-related products have been increased.

Sales to non-Toyota Group companies

Sales to non-Toyota Group companies decreased by 4.4% from last year. The reasons of each manufacture are as follows;

- 1) FCA : Decrease of car production in North America.
- 2) GM :Strike in North America, China car sales slowdown
- 3) VW• AUDI : Decrease in sales of Denso car products in China and Europe.

FY2020 9months Consolidated Revenue (By Product)



DENSO
Crafting the Core

Financial Announcements / © DENSO CORPORATION All Rights Reserved.

4/10

[Sales by Product (Quantity Base)]

Sales of Thermal Systems and Powertrain Systems Products

Impact of GM strike and slowdown in Asian markets led to decrease in revenue.

Sales of Powertrain Systems Products

Sales decreased due to a decrease of car production in India and Thailand.

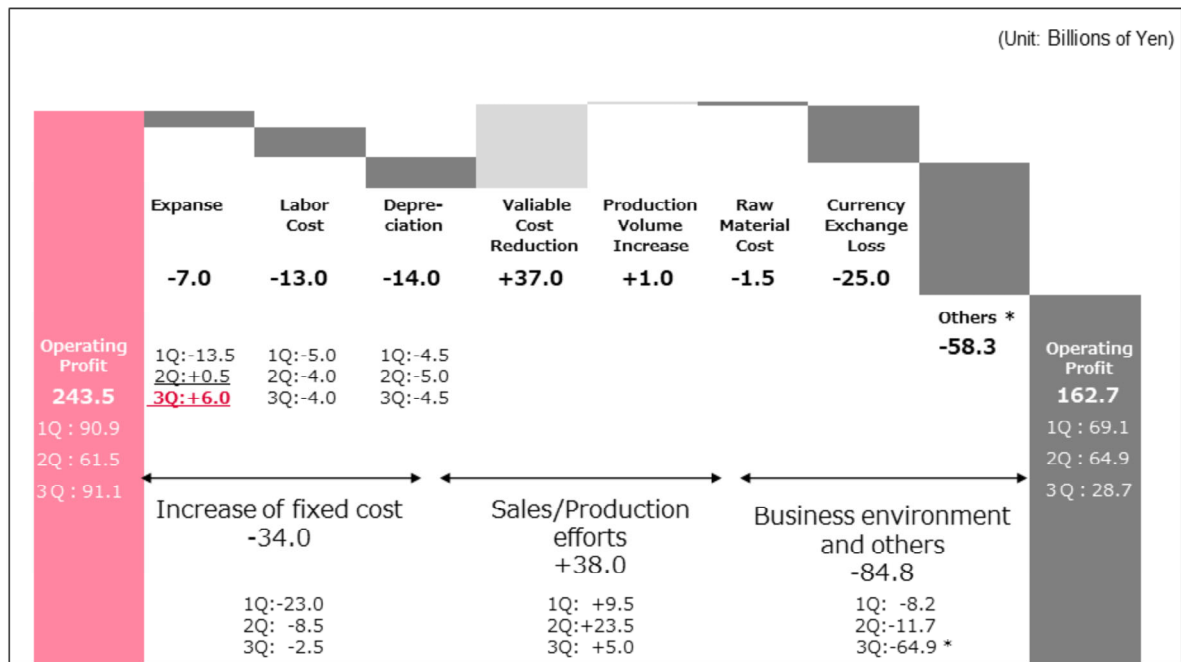
Sales of Mobility Electronics Products

Sales increased in Japan due to the increase in vehicle equipped with safety-related products and sales expansion of display related products in North America.

Sales of Electrification Systems Products

Sales increased due to the production volume increase in power control units for Toyota.

Change in FY2020 9months Operating Profit



2018/4-12

* Includes Provision for quality costs of 42.0 bil. yen

2019/4-12

DENSO
Crafting the Core

Financial Announcements / © DENSO CORPORATION All Rights Reserved.

5/10

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

Negative factors

Expense : -7.0 billion yen / Depreciation: -14.5 billion yen were due to the increase of investment for future growth area and IT investment for improving productivity of employees.

Labor cost: -13.0 billion yen was due to salary increases in Japan.

Positive factors

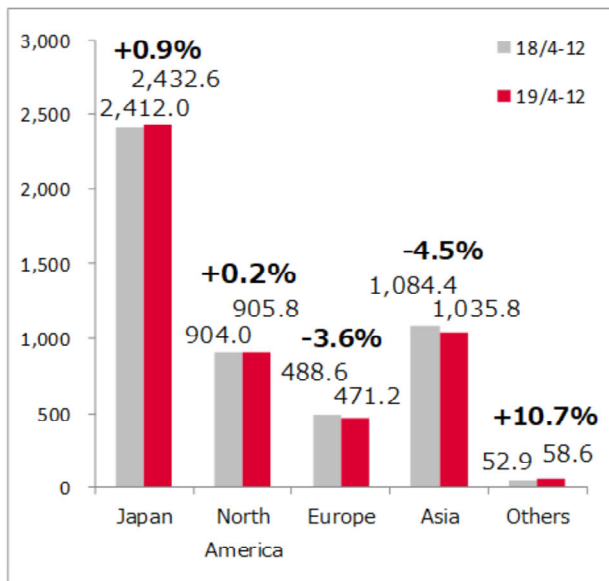
Variable cost reduction : 37.0 billion yen was the progress as planned.

Despite progressing in expenses and rationalization as planned, operating income for the current term was 162.7 billion yen due to deterioration in external factors such as the impact of the strong yen and provision for quality costs.

Geographical Segments by Company Location

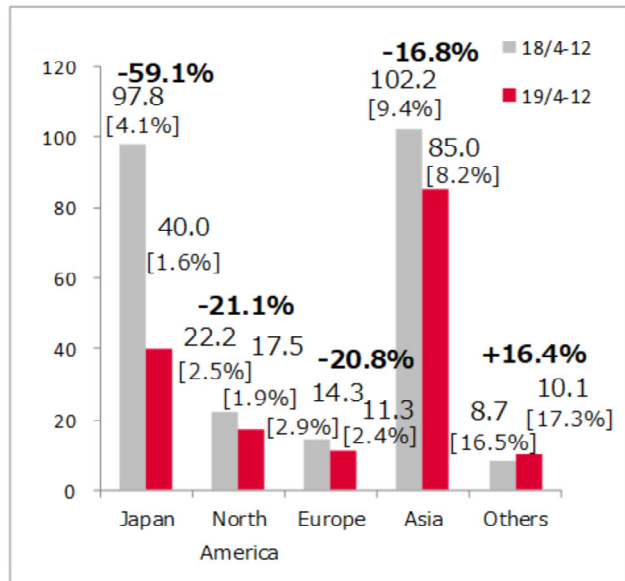
Local currency basis excludes FX difference (111JPY/1USD, 129JPY/1EUR)

Revenue



Operating Profit

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



Financial Announcements / © DENSO CORPORATION All Rights Reserved.

6/10

[Revenue and Operating Profit by Each Region*]

*Excluding the effect of foreign exchange

In Japan

Operating profit decreased 59.1% year-on-year, despite production volume increase due to increased sales to Toyota and variable cost reduction.

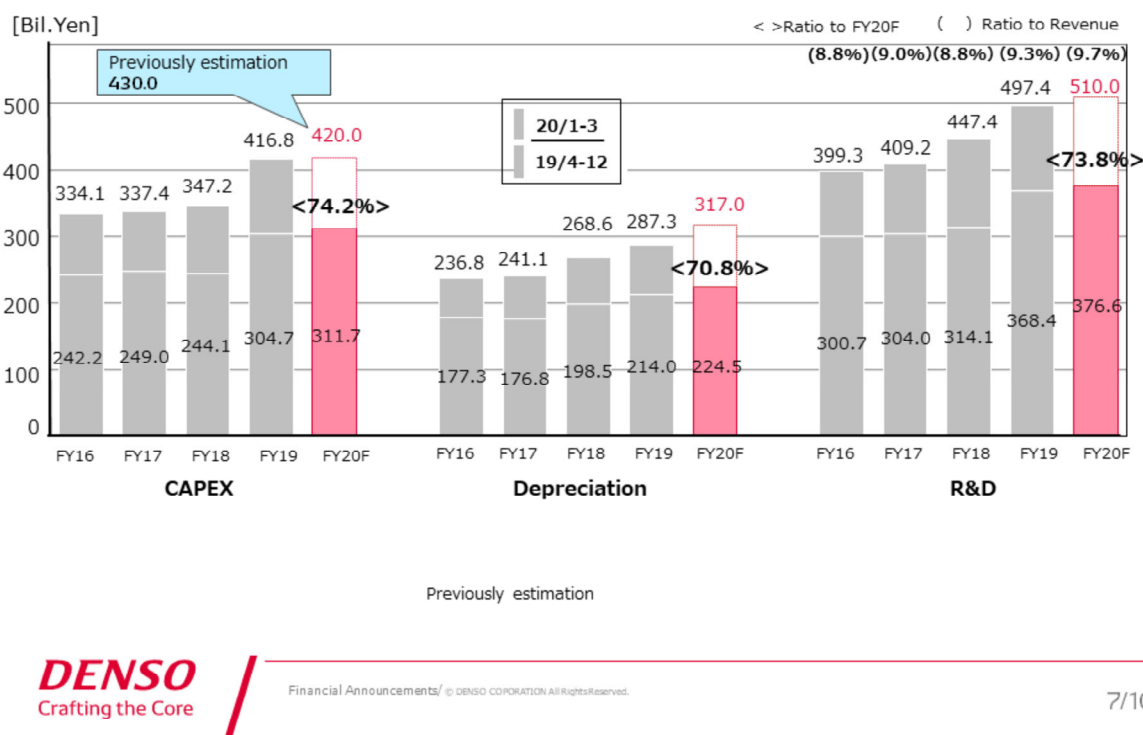
Overseas

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 electrification production capabilities.

In Europe despite the cost reduction effort, production volume decrease led to decrease in operating profit.

In Asia, despite the cost reduction effort, market slowdown and currency exchange loss led to decrease in operating profit.

Trend of Capital Expenditures, Depreciation and R&D Expenditures



[Trends in capital expenditures and R&D expenses]

Capex

Capital expenditures amounted to 311.7 billion yen. Full-year forecast is 420.0 billion yen, down 10.0 billion yen from the initial Forecast. According to the market environment, we would like to manage capital investment while keeping an eye on the current situation with stricter discipline.

R&D

R&D expenses totaled 376.6 billion yen. Full-year forecast is 510.0 billion yen.

R & D is the source of future profits ,we will complete as planned . We are automating software production and standardizing the design process to eliminate reworks.

FY2020 Financial Forecast

(Ratio to Revenue)

[Unit: Billions of Yen]

	Forecast as of Sep. 2019		20/3 Forecast		Change from previous forecast		19/3 Actual		Change from March 2019	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenue	5,260.0		5,260.0		0	-	5,362.8		-102.8	-1.9%
Operating Profit	(6.1%) 320.0		(5.3%) 280.0		-40.0	-12.5%	(5.9%) 316.2		-36.2	-11.4%
Finance income/costs & others (*1)	41.0		38.0		-3.0		39.8		-1.8	
Profit before Income Taxes	(6.9%) 361.0		(6.0%) 318.0		-43.0	-11.9%	(6.6%) 356.0		-38.0	-10.7%
Profit (*2)	(4.9%) 257.0		(4.3%) 225.0		-32.0	-12.5%	(4.7%) 254.5		-29.5	-11.6%

Precondition	Forecast as of Sep. 2019		20/3 Forecast		Change from previous forecast		19/3 Actual		Change from March 2019	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Foreign Exchange Rate	JPY 107/USD		JPY 108/USD		+1 JPY	-	JPY 111/USD			
	JPY 118/EUR		JPY 121/EUR		+3 JPY	-	JPY 128/EUR			
Domestic Vehicle Production	9.51		9.35		-0.16	-1.7%	9.43			
Overseas Vehicle Production of Japanese Manufacturers (North America)	19.44		19.22		-0.22	-1.1%	20.11			
	(5.65)		(5.60)		(-0.05)	(-0.8%)	(5.91)			

※ 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

DENSO
Crafting the Core

Financial Announcements / © DENSO CORPORATION All Rights Reserved.

8/10

[Full year Financial Forecast]

Due to uncertainty of market and currency exchange fluctuations, we have not revised our original forecast.

1. We expect revenue of 5,260.0 billion yen.
2. We expect operating profit to be 280.0 billion yen.

Variance from previous estimation at 2nd quarter

(Unit: Billions of yen)

	2Q Estimation	3Q Estimation	Change
2019/3 Operating profit	316.2	316.2	-
Expense	0	7.0	+7.0
Labor cost	-16.0	-16.0	-
Depreciation	-28.0	-28.0	-
Variable cost reduction	54.0	54.0	-
Production volume increase	15.0	0	-15.0
Currency exchange loss	-49.0	-39.0	+10.0
Raw material cost	-4.0	-4.0	-
Others	31.8	-10.2	-42.0
2020/F Operating profit	320.0	280.0	-40.0

<Major factors >

Reserve 3Q plan achievement

Reflect auto-market slowdown

Change FX Rate Condition
based on actual situation

	Impact	Rate against JPY	(4Q)
USD	+2.7	(105 → 107)	105
EUR	+3.0	(115 → 120)	120
CNY	+3.0	(15.0 → 15.5)	15.6
Others	+1.3		

*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

Provision for quality cost in 3Q
-42.0

[Variance from previous estimation at 2nd quarter]

Others

Provision for quality cost in 3Q 42billion yen .

Production volume

Reflects overall market deterioration in the second half.

Currency exchange loss

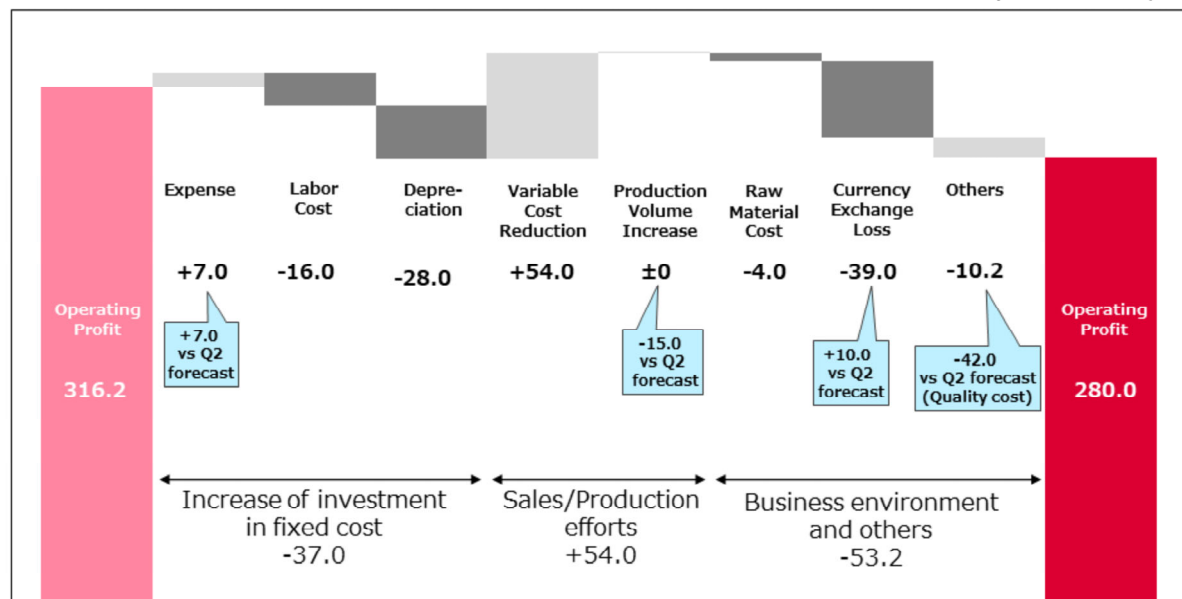
We revised the forecast for currency exchange.

Expense

Achieved reductions more than planned at present.

Change in FY2020 Operating Profit

(Unit: Billion of yen)



2018/4-2019/3

2019/4-2020/3F

DENSO
Crafting the Core

Financial Announcements / © DENSO CORPORATION All Rights Reserved.

10/10

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

Profit expected to decrease due to deterioration in foreign exchange rates and the provision of quality provisions in the third quarter.

As a result of continuing to accumulate improvement activities, The rationalization effect surpassed the fixed cost input.

We intend to achieve sustainable growth by accumulating our efforts.

DENSO

Crafting the Core

Appendix

- 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

Pre-Conditions (Foreign Exchange Rate/Car Production)

		FY2020 First-Half												FY2020 Second-Half						FY2020 Full Year			
		FY2020 First-Half			3Q			4Q			FY2020 Second-Half			FY2020 Full Year			FY2020 Full Year						
		Prior Year	Actual	Change	Prior Year	Actual	Change	Prior Year	Revised Estimate	Change	Prior Year	Forecast as of Sep.2019	Forecast (Revised)	Change	Prior Year	Forecast as of Sep.2019	Forecast (Revised)	Change					
Foreign Exchange Rate (Yen)	USD	110	109	-2	113	109	-4	110	105	-5	112	105	107	-5	111	107	108	-3					
	EUR	130	121	-8	129	120	-8	125	120	-5	127	115	120	-7	128	118	121	-8					
Forex Impact on Operating Income per Yen (Billions of Yen)	USD	-												2.5	2.7	2.7	0.2						
	EUR	-												1.0	1.2	1.2	0.2						
Car Production of Japanese Manufacturers (Millions of Units)	Domestic	4.47	4.69	+ 5%	2.48	2.26	- 9%	2.47	2.41	- 3%	4.95	4.83	4.67	- 6%	9.43	9.51	9.35	- 1%					
	North America	2.90	2.83	- 2%	1.50	1.35	- 10%	1.51	1.46	- 3%	3.01	2.82	2.81	- 7%	5.91	5.65	5.60	- 5%					
	Overseas	10.20	9.61	- 6%	5.21	4.81	- 8%	4.71	4.81	+ 2%	9.91	9.83	9.61	- 3%	20.11	19.44	19.22	- 4%					

Consolidated Revenue (By Customer)

(Unit: Billions of Yen)

	2018/4-2018/12		2019/4-2019/12		Change		Change excludes FX difference, etc.
	Amount	% to Total	Amount	% to Total	Amount	%	%
Toyota	1,677.8	42.2	1,718.8	44.2	41.1	2.4	4.3
Daihatsu	93.8	2.4	100.0	2.6	6.1	6.5	7.0
Hino	49.0	1.2	45.3	1.2	-3.7	-7.5	-7.5
Toyota Group	1,820.6	45.8	1,864.1	48.0	43.5	2.4	4.1
Honda	306.3	7.7	306.2	7.9	-0.1	-0.0	2.8
FCA	166.1	4.2	147.0	3.8	-19.1	-11.5	-6.9
GM	149.4	3.8	120.5	3.1	-29.0	-19.4	-17.3
Ford	102.5	2.6	95.4	2.4	-7.1	-7.0	-4.0
Mazuda	93.1	2.3	90.3	2.3	-2.8	-3.0	-3.0
Hyundai/Kia	102.7	2.6	89.7	2.3	-13.0	-12.6	-6.9
SUBARU	79.3	2.0	87.6	2.2	8.3	10.5	11.6
SUZUKI	87.3	2.2	82.0	2.1	-5.2	-6.0	-4.7
Nissan	77.1	1.9	72.2	1.9	-4.9	-6.3	-4.0
VW·AUDI	59.8	1.5	49.1	1.3	-10.6	-17.8	-12.4
Mitsubishi	48.6	1.2	44.8	1.1	-3.8	-7.8	-8.8
Isuzu	45.7	1.1	44.8	1.1	-0.9	-2.0	-3.1
BMW	32.0	0.8	38.4	1.0	6.4	20.2	28.0
PSA	37.8	0.9	36.0	0.9	-1.8	-4.8	1.8
Volvo	32.3	0.8	31.9	0.8	-0.3	-1.1	5.5
Daimler	22.2	0.6	18.5	0.5	-3.6	-16.4	-10.6
OE Sales for others	268.0	6.7	230.7	5.9	-37.3	-13.9	-11.3
OEM Total	3,530.5	88.7	3,449.1	88.6	-81.4	-2.3	-
After-market, Non-Automotive Business(*)	449.1	11.3	445.9	11.4	-3.2	-0.7	0.9
Total	3,979.7	100.0	3,895.0	100.0	-84.6	-2.1	0.1

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

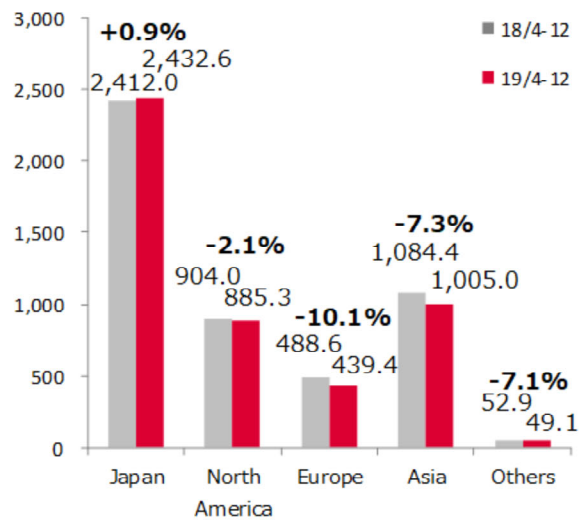
Consolidated Revenue (By Product)

(Unit: Billions of Yen,%)

	18/4-18/12		19/4-19/12		Change		Change excludes FX difference
	Amount	% to Total	Amount	% to Total	Amount	%	%
Thermal Systems	1,055.2	26.5	998.5	25.7	-56.7	-5.4	-1.6
Powertrain Systems	957.0	24.2	921.5	23.7	-35.5	-3.7	-2.1
Mobility Electronics	800.2	20.1	819.7	20.9	19.5	2.4	4.4
Electrification Systems	678.1	17.1	680.8	17.5	2.7	0.4	2.5
Sensor & Semiconductor	113.2	2.8	106.9	2.7	-6.3	-5.6	-4.1
Others(*)	240.4	5.9	237.1	6.2	-3.3	-1.4	-0.0
Automotive Total	3,844.1	96.6	3,764.4	96.7	-79.7	-2.1	0.3
Non-Automotive Business(FA and agriculture, etc.)	135.6	3.4	130.5	3.3	-5.1	-3.7	-4.2
Total	3,979.7	100.0	3,895.0	100.0	-84.8	-2.1	0.1

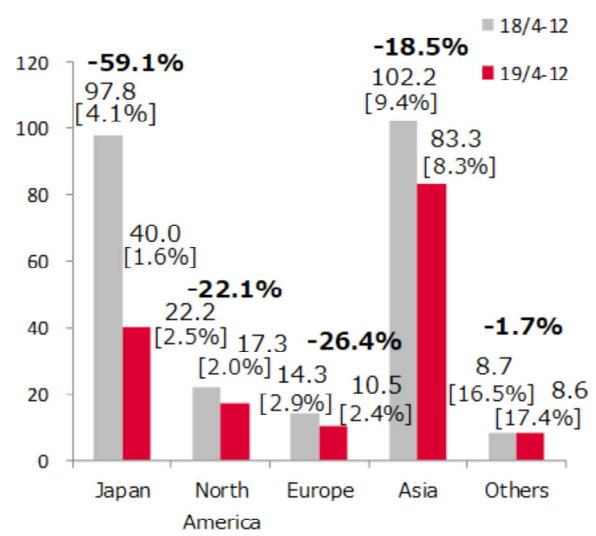
Geographical Segments by Company Location

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
	18/12	19/3	19/12	20/3F		
Japan	186.1	258.2	193.0	261.5	3.7%	73.8%
North America	46.1	60.3	32.5	60.0	-29.5%	54.2%
Europe	18.5	25.5	19.7	25.0	6.5%	78.8%
Asia	51.7	69.5	64.6	100.0	25.0%	64.6%
Others	2.3	3.4	1.9	3.5	-17.4%	54.3%
Adjustment *	-	-	-	-30.0	-	-
Capital Exp.	304.7	416.8	311.7	420.0	2.3%	74.2%
Japan	125.0	168.6	136.3	189.0	9.0%	72.1%
North America	27.2	36.8	29.9	44.5	9.9%	67.2%
Europe	18.1	24.0	17.5	26.0	-3.3%	67.3%
Asia	42.2	55.7	39.4	58.0	-6.6%	67.9%
Others	1.6	2.1	1.4	2.5	-12.5%	56.0%
Adjustment *	-	-	-	-3.0	-	-
Depreciation	214.0	287.3	224.5	317.0	4.9%	70.8%
R&D Expenditure (Ratio to Revenue)	368.4 (9.3%)	497.4 (9.3%)	376.6 (9.7%)	510.0 (9.7%)	2.2%	73.8%

*Reduction from the original estimation mainly in Asia.