Main Q&As of Presentation on the Results for the Fiscal Year Ending March 2018

[Results for FY2018 and Outlook for FY2019 Financial Forecast]

Q: What were the results of other income/expenses in 4Q? What was the influence of DENSO TEN's business performance in terms of the results?

A: Other income/expenses for 4Q includes revised expense from competition law. Other income/expenses also includes the profit on sale of a building by our subsidiary in South Korea. Regarding DENSO TEN's business performance, it has been consolidated since November 2017 and therefore DENSO includes 5 months of the revenue of DENSO TEN in FY2018. The annual revenue of DENSO TEN is around 350 to 360 billion yen.

Q: The revenue for FY2019 is expected to increase. What are the specific factors?

A: In FY2019, the revenue will increase by 211.7 billion yen compared to FY2018: about 120 billion yen due to an increase in vehicle production and about 180 billion yen due to the influence of DENSO TEN and TD Mobile which are newly consolidated subsidiaries in the middle of FY2018. The negative influence of the foreign exchange rate amounts to about 90 billion yen.

Q: What are the details of the investment for future growth worth 20 billion yen expected for FY2019?

A: We will invest 20 billion yen for future growth through various reorganization projects and reinforcement on R&D this year. For example, we make investments related to electrification in our Anjo Plant in Aichi prefecture. At the same time, we established Global R&D Tokyo.

[DENSO Group Mid-term Policy 2021 /DENSO Group Long-term Plan 2025]

Q: What are the details of the mid-term policy?

A: The revenue for FY2022 is projected at about 5.6 trillion yen. We aim to achieve profit of at least 8%. This is based on the currency rate of 100 yen/dollar and 110 yen/Euro. This is challenging target and we will work on achieving this goal collaborating with all divisions in DENSO.

Q: Regarding reorganization, will the competitiveness improve by consolidating the development of ECUs which was undertaken by respective business units?

A: Conventionally, the ECUs for air conditioners and engines were designed and manufactured separately by respective business units. The design and production efficiency will be improved by consolidating the development. Respective business units used different designs and manufacturing methods for similar products, and general-purpose parts could not be used. By consolidating the development of ECUs, we will eliminate waste and improve our ability to make a profit.

Q: What is the current policy regarding, capital expenditures, R&D, returns to shareholders and M&A?

A: Capital expenditures are 400 billion yen, R&D expenditures are 500 billion yen, and returns to shareholders are 100 to 150 billion yen. The total amount remains almost unchanged at about one trillion yen. Since our founding, our growth has been driven by engineering capabilities. Therefore, R&D expenditures will remain high at around 500 billion yen. This is high level compared to other competitors. At the same time, we need to increase the ability to make a profit. The only solution is to cut fixed costs extensively. We will adopt a scrap-and-build policy to terminate all unnecessary operations

Policy of shareholders return is to continuously raise dividend scale stably and on a long-term basis. Regarding acquisition of treasury shares, we will continue and make flexible decisions depending on the cash-on-hand.

[Initiatives in Focus Fields]

Q: How will order taking and sales expansion in the electrification and ADAS/AD fields proceed toward achieving revenue of 5.6 trillion yen by FY2022?

A: In the electrification field, since we have negotiated with automakers overseas mainly in North American, we will strengthen the production capacity in China and North America and we expect sales to increase. In the ADAS/AD field, we aim to achieve revenue of about 150 billion yen in FY2019, and could exceed 200 billion yen in FY2021. We expect to deliver our products to more diverse customers as in the case of the electrification field.

Q: DENSO aims to achieve a total market share of 30% for electrified vehicles. European component manufacturers and new players from different industries plan to strengthen their electrification business. What is DENSO's strength in this field?

A: We have strength in the following four aspects of electrification: inverters, motors, control technology such as battery ECUs and overall thermal management of a vehicle. We also have well-established production systems in North America, Japan, and China as well as many electronics engineers with more than 10 years of experience.