

FY2020 Financial Results

Summary of Q&A

[Financial results and forecast]

Q: I would like to ask about the details of the quality cost.

A: The quality cost provision for fuel pumps increased, but that for other products has been decreasing slightly.

We have been working to eliminate such delivery of defective products. And with the latest quality cost provision, the president, executives, and all employees have been working to enhance quality.

Today, we ensure design quality for mechanical defects. For software products we inspect the initial products, eliminate rework through automation as far as possible, and work with highly skilled partners only. We remain committed to reducing the cost by working creating dual circuits, ensuring traceability, and enabling updates using OTA technology for electronic components and software.

Q: Can DENSO reduce expenses any further?

A: We will step up efforts to streamline operations this year. For example, we will suspend the system of dispatching young employees to train overseas, freeze and postpone investment. By utilizing IT tools, we will reduce overtime and halve the number of meetings, will increase the work efficiency. We don't think we can be optimistic.

Q: How do you envision the future for DENSO after the pandemic ends?

A: It is possible changes in demand for CASE after the pandemic. We will examine how mobility might change and how we can contribute. We will consider changes in mobility so that we can contribute to society through our business. We are determined to keep growing.

[R & D and capital investment]

Q: If Covid-19 has a prolonged impact, will DENSO consider reducing costs including R&D?

A: Our competitiveness derives from our advanced technology development and contributions to the market. We will certainly not cut R&D expenditure by 20% across the board. We have reaffirmed that the ratio of R&D expenditure to revenue should be kept at less than 10%. We believe we can increase efficiency while keeping costs constant by introducing software design tools. We will maintain 500 billion yen on R&D for the time being and contribute to the market by increasing our output and utilizing our technologies. There must always be budget available for R&D.

We will freeze, cancel, or postpone, or minimize capital expenditure given the recent situation. We have reaffirmed that the ratio of depreciation expenditure to revenue should be 6% or less. Because revenues may fall, we will operate with strict discipline.

[Shareholder return policy]

Q: Regarding the policy of returns to shareholders is there any change?

A: The basic policy regarding dividends remains unchanged because paying stable dividends over the long term reassures shareholders and helps gain their trust. The basic policy is to buy back shares flexibly when the price is low. We are not sure when we will buy back shares. We will consider it carefully because we must take into account our cash on hand.