[Financial results and forecast]

Q: Regarding the operating profit for 1Q, what caused the difference between the internal plan and results?
A: The actual operating profit for 1Q was revised upward compared to the plan. Specific factors include foreign exchange gains and an increase in production volume due to market growth, as well as reduction in variable costs thanks to increased efficiency of development (e.g., electronic platforms) and improved productivity (Factory IoT). This trend will continue in 2Q and beyond.

Q: Regarding “Others (Product Mix etc.),” what is the impact of posting the recovery of expenses?
A: About −5 or −6 billion yen out of −8.6 billion yen. The figure is negative in 1Q, but it is within our expectations. It will be reduced by the end of the year.

Q: Regarding the Asian region, what is the status in China and Thailand in particular?
A: Overall, we are recovering in Asia. In Thailand, the economy is recovering. In China, automotive sales did not decrease as had been expected when eco-car subsidies were terminated. Revenue is expected to increase by about 5 to 6% annually. In North America, market growth is stagnant, but our portfolio will improve due to the booming markets in Japan and Asia where the profit ratio is high.

Q: What is the progress in R&D investment? What is the increase for DENSO TEN and TD Mobile?
A: R&D investment for DENSO TEN is about 40 billion yen annually. The total annual investment for DENSO is 495 billion yen, which is about 50 billion yen higher than the previous year. We are making progress as planned. Of this 50 billion yen, a temporary investment of 20 billion yen (e.g., Global R&D Tokyo in Shinagawa, global headquarters of electrification in Anjo) is progressing as planned. We have also been making development more agile and efficient in the Electronics Platform R&D Div. and Digital Innovation Dept. Again, we are progressing as planned. We will increase the weight of our R&D investment in automated driving.

Q: What will be the influence of consolidation of the electronic components business due to reorganization of the Toyota Group?
A: The consolidation will increase economies of scale and competitiveness. The group reorganization is a good opportunity to expand our sales outside Toyota.
[Impact of tariffs]
Q: What will be the impact of tariffs?
A: In North America, the impact of tariffs on steel and aluminum will be just under two billion yen. The impact on Chinese electronic components will be about two to three billion yen. Meanwhile, a tax reduction effect is expected by FY2020 thanks to the agreement in principle on EPA in Europe. We believe that free and fair trade rules are essential to market technologies that contribute to society.

Q: If the U.S. government decides to increase tariffs on automotive components, will DENSO change its policy on local content?
A: Our basic policy is to manufacture products near customers. Our local-production-for-local-consumption policy will remain unchanged.

[Initiatives in focus fields]
Q: Is there any progress in expanding sales in the field of electrification?
A: We have been expanding sales steadily. New sales contracts have been concluded in North America. Accordingly, we have been investing in North America and China to increase production capacity. We have also received many inquiries in Europe. Sales are expected to increase.