

# FY2019 3rd Quarter (9 months) Financial Results

## Summary of Q&A

### [Financial results and forecast]

Q: Did DENSO attain the initial plan in 3Q (three months)?

A: Although the market slowed down in Europe and China, we made satisfactory progress in our operation plan in other regions. Revenue has been increasing steadily, although the operating profit decreased due to circumstances such as the soaring price of materials including resins and iridium and a decrease in production volume due to the slowdown in Europe and China.

Q: How has DENSO been affected by the slowdown in the Chinese market?

A: We have been affected by it overall, but China lowered tariffs on vehicles this year and sales of OEM products to Japanese-affiliated automakers including Toyota Motor Corporation have been strong. The sales of high-end models which have a high profit margin have been increasing, which will be positive for DENSO. We will closely monitor the developments in the market.

Q: How was the financial forecast for FY2019 revised downward?

A: The decrease in production volume is nine billion yen, and the increase in raw material cost is four billion yen. There are growing uncertainties in the Chinese (Ford, Geely) and European (VW, Brexit) markets, so we made a downward revision to reflect these negative environmental factors.

Q: According to the financial forecast for FY2019, the operating profit is 398.5 billion yen excluding temporary factors. What is the level compared to past numbers?

A: We posted a record-high operating profit in the last fiscal year and the operating profit for FY2019 will be second only to that last year. The real business performance has improved substantially except for the negative environmental factors.

Q: In the financial forecast for FY2019, the development cost is 500 billion yen. Will this trend continue next year and beyond?

A: We will maintain 500 billion yen for the time being. We will keep the development cost at around 9% of revenues. DENSO is an engineering company, and so to enhance our engineering capabilities, we will study the appropriate level in the future while monitoring the developments of competitors. We will also increase our development efficiency. For example, we will increase the efficiency of developing electronic platforms through EV C.A. Spirit (a joint venture established with Toyota and Mazda) and J-QuAD DYNAMICS (a joint venture to be established by four Toyota Group companies). We will help establish the global standard for the platforms. To reduce the cost of outsourcing software development, we will recruit skilled software engineers in India and North Africa as well.

Q: What is the forecast for the next fiscal year?

A: We are formulating the annual plan for next year, and expect to add 1 to 2 % to market growth. This growth is attributable to an increase in the installation of ADAS products, sales expansion, and increasing share of the electrification market. We will attain the target values of the Mid-term Plan 2021.

**[Initiatives in focus fields]**

Q: What is the progress in ADAS in terms of revenue, quantity, and profitability?

A: In FY2019, we will attain revenue of 150 billion yen. We have been making steady progress. The current profit is a few percent, which is below the average for our operations as a whole. In FY2021, revenue is expected to reach 200 billion yen. We will increase profitability by production volume increase.

Q: In terms of increasing its share of the electrification market, what is DENSO's progress in expanding sales?

A: We have been making steady progress. For example, we have invested in our plants in the U.S. (Tennessee) to increase the production capacity of electrification products for customers in North America. Meanwhile, inverters for Toyota will be manufactured 100% by DENSO following the transfer of the Toyota's Hirose Plant, which will serve as another positive factor.