Financial results and forecast
Q: What are the specific factors behind the strong performance in 3Q (Oct.-Dec.), including temporary factors and corporate reform to improve profitability?
A: The strong performance in 3Q is mostly attributed to the improvement in operations, not temporary factors. Expenses have been cut by promoting digitalization. Development has been made more efficient by introducing software tools in the development section. Laptops were deployed in the administrative and indirect sections (before the COVID-19 pandemic) to prepare for digitalization. The electrification business has been growing steadily thanks to the transfer of the Hirose Plant to DENSO and the increasing installation of electrification products. The ADAS business has produced a surplus and increased profits.

Electrification
Q: What is the future outlook for inverter production?
A: Sales have been expanding. We will ensure that costs will not double when revenue and production volume double. We will invest in the Anjo Plant as the main plant for electrification products to increase production capacity and development capability. With the Hirose plant having been improved, we will increase production capacity per unit area. We will also expand the Tennessee plant and improve operations in South China. In Europe, we will start production in line with the electrification trend. In Asia, we will make decisions based on product trends.

Mid-term profitability
Q: What are mid-term profitability and earning power?
A: This year, we attained profitability of almost 8%. We have been working to strengthen our financial footing through Reborn 21 (internal activities to change operations) to attain the break-even point at 70%. The activities include the review of overall operations, standardization, core and customization, and digitalization. Our product mix has also been improving, with increased profits in the electrification and ADAS businesses. We will attain profitability of 10%, which was planned to be attained in 2025, ahead of schedule.

R&D and capital expenditures
Q: What is DENSO’s policy for R&D expenditure and capital expenditure in the next year and beyond?
A: We aim to attain 450–470 billion yen, with an R&D ratio of 9%. We will increase efficiency by promoting digitalization, instead of reducing or postponing development projects, by introducing software tools for inspection and automating generation of the initial software by AI. We will carefully increase investments in electrification, which is our priority field, in Japan, the U.S., and South China.

Environmental efforts
Q: What is DENSO doing regarding carbon neutrality? What is the cost policy?
A: The details are to be determined, but we will start considering business management from the viewpoint of ESG and the SDGs. Regarding our portfolio, we will consider CO₂ emissions without focusing solely on growth and profit. We will gradually reflect this viewpoint in our business strategy and squeeze the money for investment from our financial resources. We will work to reduce CO₂ emissions from our plants and develop in-vehicle products that contribute to the environment. We will also develop products for reducing CO₂ in the atmosphere.