

FY2021 1st Quarter Financial Results Summary of Q&A

Financial results and forecast

Q: Regarding the future outlook for the revenue, why does DENSO expect revenue to decrease by only 12% even though vehicle production will decrease by about 20%?

A: This is because of strong production at Toyota Motor Corporation, which accounts for about half of our revenue, as well as mounting rate of electrification and ADAS products (whose revenue growth rate is 2 to 3% higher than that of the overall vehicle market), transfer of the Hirose Plant from Toyota Motor Corporation.

Q: Regarding DENSO's emergency measures, DENSO cut 24 billion yen in 1Q and will cut 100 billion yen in total for FY2021. How were these results achieved? What will be the future impact?

A: The bonus has been reduced, starting with executives, and non-urgent capital expenditures have been shelved. We have canceled to participate exhibitions because customers will not be able to visit us this year. We will further increase the efficiency of operations by reducing overtime and increasing productivity (e.g., automation of inspections). The Covid-19 pandemic has revealed issues in our conventional practices. This is an opportunity to solve these issues in one sweep. We will improve our financial strength to attain the break-even point of 70%.

R&D and capital expenditures

Q: What is DENSO's policy regarding R&D expenditures and capital expenditures?

A: We will clarify our focus instead of cutting all of these expenditures. We will further reduce expenses and capital expenditures while controlling costs. Meanwhile, R&D expenditures are needed to survive in the competitive environment. In addition to such spending, we will increase the efficiency of the development process to increase the output.

Focus fields

Q: What are the latest developments in electrification? How is the sales expansion in the electrification field?

A: Toyota Motor Corporation has announced that it will take a stake in BluE Nexus. This will enable us to focus on the vehicle's viewpoint and utilize the disclosed information regarding integrated vehicle control to promote the development of electrification. Meanwhile, the Chinese government has announced that it will include hybrid electric vehicles in new energy vehicles under its credit program. This will also help increase our sales. We have received orders mainly from local automakers in China.

Policy of shareholder returns

Q: Has DENSO changed its policy regarding shareholder returns?

A: No, we have not significantly changed our basic policy to ensure long-term stable shareholder returns. The dividend per share at the end of the second quarter will be 70 yen. The year-end dividend per share is yet to be determined due to future uncertainties.

Other

Q: Does DENSO expect any changes in the business environment for components suppliers?

A: The environment has worsened rapidly due to the impact of Covid-19. This will prompt various companies to form alliances. We believe that companies that can propose integrated systems will survive. Specifically, companies that can propose the proper voltage for automated driving of electric vehicles, appropriate electric subsystems and air-conditioning systems for fully automated driving vehicles, and the platform on which such systems will be mounted, will win the competition.