FY2022 3rd Quarter Financial Results
Summary of Q&A

Financial results and forecast

Q: The operating profit of 3Q was lower than the forecast. What is your forecast for external factors, such as parts/materials and logistics costs, for 4Q?

A: Logistics and parts/materials costs have been surging as the business environment has worsened. We will secure revenue by passing on costs to customers. Even amid concerns including the Covid-19 pandemic, we should be able to post an operating profit of 120 to 130 billion yen every quarter if the production volume increases in line with the increase in sales.

Q: What is DENSO's outlook for FY2023 and beyond?

A: The top line will increase due to an increase in electrification, sales expansion of ADAS, and changes in the composition ratio, which will boost profitability. We will increase profitability, instead of revenue, by changing the business portfolio and reducing the fixed costs.

Capital expenditures

Q: Is there any change in the policy for capital expenditure toward an increase in vehicle production in FY2023 and beyond?

A: There is no change in the basic policy for capital expenditure. We will stay disciplined, and maintain the level at about 350 to 360 billion yen. We will cope with higher production volumes by increasing productivity, such as investing in automation.

Focus fields

Q: Regarding the outlook for the production of inverters, the production volume is likely to increase for BEVs. Will this be an opportunity for DENSO?

A: We have made arrangements to apply common inverter specifications to both BEVs and HEVs and use the same production lines. The progress in electrification is advantageous for DENSO; the difference between BEVs and HEVs does not matter.

Changes in the business portfolio

Q: What is DENSO's future plan regarding business transfers?

A: We have decided to transfer the fuel pump module business to Aisan Industry, one of the Toyota Group companies. We have also sold our business of manufacturing old-model alternators, though the production volume is small, to Chengdu Huachuan Electric Parts. We have just taken the first step. We have accomplished what we could not before. We will find companies to transfer business to, and continue these activities.

Achieving carbon neutrality, digitalization of manufacturing, etc.

Q: What are the latest developments at DENSO regarding carbon neutrality, use of IoT and digitalization of manufacturing, etc.?

A: Regarding carbon neutrality, we aim to achieve zero CO_2 emissions by using credits by FY2025 and zero CO_2 emissions without using credits, including the CO_2 adsorption business, by FY2035. We are working to become a leader by FY2025 and beyond. We will also develop new products, such as SOFCs.
Regarding the use of IoT and digitalization of manufacturing, we put priority on kaizen by enabling workers to use data. This is based on an unconventional concept, which is different from unmanned plants. We will enable workers to take full advantage of AI. We will also create digital twins of plants. Specifically, we will create virtual plants based on drawings of new plants to simulate and verify kaizen in the virtual space before carrying out kaizen in the real world.