Expressing My Gratitude to All Those Who Support Us

In fiscal 2022, although there was a gradual recovery in economic activities amid the entrenchment of “with COVID-19” lifestyles, there were continued semiconductor shortages and logistics disruptions, which led to a decline in the number of automobiles produced. These factors, among others, made fiscal 2022 a year in which efforts to respond to change were needed more than ever before. The reasons why we were able to continue to supply our customers under these circumstances were undoubtedly the concerted efforts of car manufacturers to make automobiles one after the other and the support of our suppliers around the world, who continued to deliver components to us throughout the year. If even one component cannot be made or delivered, then it is impossible for the manufacturer to make an automobile. Due to the fact that DENSO operates business on a global basis, we have a major responsibility of supply, as even one unmade or undelivered component can have a ripple effect across the globe. I therefore would like to say a heartfelt “thank you” to our suppliers and business partners around the world who provide us with the necessary support to keep our global operations afloat. I am also extremely thankful of the fact that we have been able to continue our Monozukuri (manufacturing) activities on a daily basis while receiving this support.

Striving to Realize a Company More Resilient to Change

At the moment, we are dealing with various uncontrollable circumstances, including the soaring cost of energy and the rapidly depreciating yen. As a result, the outlook for the future is becoming increasingly more uncertain. However, this uncertainty is not something that started just recently. In addition to geopolitical risks and natural disasters, risks such as telecommunication failures and cyber-attacks have been becoming even more diverse and complex in recent years, and we now find ourselves in a situation where we are constantly exposed to danger. In other words, we now live in a world where dramatic change has become commonplace.

In such a world, it truly becomes a matter of how far we can extend our range of assumptions on a daily basis as well as how quickly we can get an uncontrollable circumstance under control. To that end, DENSO has been taking action to reinforce its crisis management structure, including the utilization of data to ascertain problems and the implementation of first-response training in anticipation of an emergency. Additionally, in 2022, we launched the Response Capabilities Enhancement Project through which we have been undertaking efforts to strengthen risk management on a Companywide basis, with a particular focus on such divisions as sales, production management, and procurement. Our overseas bases have also been participating in

To realize a future brimming with smiles, all DENSO employees will work with tremendous passion to embody DENSO Culture and create new value that is uniquely DENSO. By doing so, we will bring happiness to people and society at large.
CEO MESSAGE

this project, helping us prepare a structure for responding to risk on a global scale. Going forward, we will work in close collaboration with our partners across the supply chain to further enhance our ability to respond to change so that we can flexibly absorb the impact of any external disruptions on management and realize an instantaneous recovery.

Restoring DENSO Culture

Since 2019, we have been working to rebuild our management foundation, and this is an activity we will continue to undertake without ever being satisfied with the status quo. In light of the occurrence of a quality-related issue and the ongoing COVID-19 pandemic, we have been striving to rebuild our foundation for quality, strengthen our financial position, and rethink the way in which we approach our work. The results of these efforts have been steadily manifesting in the changing awareness and behavior of each employee and in our business performance as well, including in terms of profits and our break-even point. Furthermore, guided by the principles of green and peace of mind, we have once again clarified our mission and role. This, together with the honest approach of “cherish modesty, sincerity, and cooperation,” has started to bring about change in our organizational structure and corporate culture.

For that reason, it is now more important than ever to continue efforts to reestablish an unsailable management foundation with a renewed sense of commitment. While working to entrench DENSO culture across the organization and in the actions of all employees, we will seek to become a more flexible and robust company that is reinforced all the way down to its very core.

Understanding How Culture Strengthens a Company

Corporate culture provides the driving force for a company and serves as the source of its competitiveness. I gained a sense of the importance of corporate culture nearly 20 years ago, when I served as president at one of our overseas locations. At the time, this company was facing extremely difficult operating conditions due to continued deficits, and I remember how I initially could not get my head around what we needed to do in order to change course. Despite my uncertainties, I strove to understand the actual situation of the company in great detail and shed light on the management issues it faced through repeated dialogue with the employees. While doing so, I realized that the employees still had a look of determination in their eyes and that we could certainly overcome these hardships if I could just do something to channel this determination to something greater. I therefore started to undertake the challenge of creating a DENSO Culture that accommodates the local characteristics.

While pursuing this challenge, I placed importance not on insisting to do things the way we do in Japan but rather on incorporating local elements into DENSO Culture that encapsulated the will of the local employees, while making sure that the most important elements of DENSO Culture were kept intact. The starting point for these efforts was to restore pride among employees in working for the company and having them believe in themselves again. From there, I began to conduct employee-centric activities and worked to enhance a sense of belonging to the company while fostering a corporate culture that values the participation of all employees. I understand that this sounds like an extremely matter-of-fact approach, but the fact that the company had lost track of such fundamentals is what caused it to fall on such difficult times. I believe this demonstrates the underlying importance of a strong corporate culture.

In addition, I valued the idea that, no matter how difficult a situation may be, we must always focus on a brighter future and communicate our dreams with one another. In conjunction with the diligent activities we pursued each day, we also envisioned future growth strategies and worked together on a Companywide basis to make those strategies a reality. As a result of these endeavors, we were able to overcome hardships and return the company into the black. Of course, a major accomplishment of these efforts was improving management indicators such as profits and quality. For me, however, I rejoiced the most in the fact that the company became a brighter place to work, shifting to a positive corporate culture that brought back the passions and smiles of the employees and their families.

Although there were many difficulties in pursuing these kinds of dramatic reforms, I still feel a deep personal connection to all those I worked with at that time to prevail over the tremendous hardships that the company faced. I feel this is because of the unique corporate culture and value systems that bound us together and were created from the passions of employees, who were able to openly communicate with each other about what we should value as employees of DENSO. I also feel this experience showcases how we can build confidence by working together to accomplish tasks that we have not been able to do for many years or tasks that are seemingly impossible, but we never give up until results are achieved. I believe this confidence remains in the hearts of those employees as a part of their unique culture and strengths.

Once Again Placing Emphasis on DENSO Culture

Looking back on the numerous stories that have made DENSO the company it is today, I believe that DENSO Culture can be defined as the ability to act and the ability to turn ideas into reality. It can also be defined as the unyielding determination to do whatever it takes to overcome a challenge. Lastly, I believe DENSO Culture can be described as the consideration and compassion we have for each other, our business partners, and greater society.

Our ability to act and our unyielding determination have been tested countless times through the numerous supply crises we have recently faced under the COVID-19 pandemic. For example, when our suppliers faced issues with supply, our employees rushed to the front lines to take action with a preparedness that DENSO will do whatever it takes to help remedy the situation. They did this not based on instruction from above or a request from our customers, but rather as a fundamental action on their own initiative. I believe this perfectly encapsulates DENSO Culture. As dramatic changes and crises have been ongoing over the past several years, we have once again been made aware of the importance of DENSO’s unique determination and ability to see actions through to their completion.

At the same time, recent circumstances have made our employees aware of the many abilities that they can demonstrate from their individual position. Meanwhile, consideration and compassion are something that need to be once again brought to the forefront due to the significant social changes that have occurred in the wake of the COVID-19 pandemic and the new styles of communication and interaction between people that have become entrenched as a result. The changes that occurred over the past several years are not something that can be easily reversed. And this is precisely why I feel we must pay attention to the aspects that are being lost in the shadows of greater convenience and efficiency. For example, when employees come to the office, they are able to speak with each other face to face, making it easy to notice the subtleties of people’s expressions and feelings. The reality of the situation is that these subtleties are more difficult to observe by way of a screen when employees are teleworking. In addition, even when employees come to the office, it has now become commonplace for them to eat in silence in the employee cafeteria with partitions between them. In the break
rooms of our plants as well, we no longer see employees chatting and laughing with each other like they did before as we must maintain social distance. In these kinds of new work environments, we tend not to notice slight changes among our coworkers and are more likely to turn a blind eye to aspects that seem insignificant. As a result, there is a concern that, before we know it, we will become essentially indifferent to each other. A workplace of employees who are indifferent to each other is something I absolutely do not wish to see. Nor must we hesitate and swiftly we are able to pursue our work, an apathetic organization not only violates DENSO Culture, it also loses what it means to work at DENSO. I certainly do not want to make DENSO such a company. What is needed is to preserve DENSO Culture, maintain a sound work-place culture, and make DENSO a company brimming with vitality. As a result, we need to continue to be a company where employees can have, whether it be through greetings, small talk, or just checking in with someone to see how they are doing. However, this consideration has been something we have tended to neglect recently, as it has become slightly inconvenient amid these new workstyles. Consideration of our fellow coworkers and sensitivity to their feelings is an indispensable element of an invigorated organization, and thus something we must maintain no matter how much our workstyle evolves or how diverse our team becomes. While flexibly responding to the changes brought about by the COVID-19 pandemic, we aim to continue to be a company where employees value one another and take time out of their day to engage in the little actions that create a warm and welcoming environment.

Respecting Actions That Only People Can Do as Part of DENSO Culture

In addition to changes in the way people interact, the COVID-19 pandemic has made us once again realize the tremendous potential of digital technologies. Although such potential has been discussed for a very long time, by actually having the experience of dealing with such innovative technology on a daily basis, such as having a large number of people teleworking or participating in an online meeting, I have truly gained a sense of the tremendous role that machinery can play and of the major advantages that technology has given us. On the other hand, these recent developments have also made me consider tasks that people are supposed to do and tasks that only people can do. Although machines can process and analyze massive amounts of information and data, what could and should be done with such information and data depends on the ambitions of people. More so than reaching a reasonable conclusion derived from logical and scientific thinking, I believe that establishing ambitious targets based on one’s own thoughts and desires brings more excitement to people and better compels them to take on challenges. Only people can form ideals, envision the future, and talk about their dreams in a manner that can excite those around them. Furthermore, being able to realize such dreams depends on the level of people’s passions and the organization to which they belong. It goes without saying, but when a machine processes a task, it does so without passion or a desire to do so on behalf of someone else. People are passionate about the significance of their work and pursue tasks with various people in mind and by drawing on the expectations of those around them as a source of passion and energy. Therefore, people are able to feel that they are being supported by others during times of difficulty, and at times when a feeling of support can bring about unexpected strength. I have consistently maintained the desire of turning DENSO into a company with high levels of passion. Unlike machines, people become highly motivated by their social mission and passionately speak about their dreams with each other. I want DENSO to be an organization that has that motivation and desire to put forth its best efforts for its members and for society as a whole. I believe we have in place the foundation and are presented with sufficient opportunities to become such an organization.

Embodying DENSO Culture, Meeting Shareholder Expectations, and Offering Value to Society

I believe that DENSO is starting to play a role in society that is greater than we have previously ever imagined. As the issues facing the entire automotive industry become more complex and diverse, and as our business domains expand into areas such as carbon neutrality, semiconductors, and agriculture, the way DENSO is viewed by society is steadily changing. While this places a certain level of pressure on us, it also provides us with a significant opportunity to offer more value to society. We therefore aim to turn these expectations and responsibilities into a major strength that will drive us toward the realization of our dreams. DENSO’s dream is to bring happiness to people and society at large and deliver a future for the next generation that is brimming with smiles. We currently find ourselves in a period of uncertainty and instability, and it can be said that this is a period when there is truly no right answer. It is in precisely such a time when we need unwavering conviction and tremendous passion in order to accomplish our greatest dreams. Our conviction is encapsulated in the DENSO Creed as “provide quality products and services.” As we enter into the period of our second founding, we must return to the DENSO Creed, which represents the spirit of our founding, and reexamine our origins as a company.

The biggest source of our passion is our employees who have the strong will and desire to offer value to society. I believe this source of passion is amplified through the embodiment of DENSO Culture, which entails acting on your own initiative to see actions through to their completion, no matter how many times you fail. With the tremendous passion of our 170,000 DENSO employees working as one invigorated team, we are able to create value that is uniquely DENSO. We will continue to pursue such value with unyielding determination for the sake of people and society as a whole. I would like to ask our shareholders and other investors for their continued support as we work to achieve our dreams going forward.

September 2022

Koji Arima
President & CEO
Representative Member of the Board