

CEO Speech at the Dialog Day event on December 15, 2022

Good afternoon, ladies and gentlemen. I'm Koji Arima, President of DENSO. Thank you very much for taking the time to participate in the Dialog Day event. I would also like to take this opportunity to express my deepest appreciation for your daily support.

Today, the video is being streamed from Miraima Terrace, a wellbeing facility at DENSO's head office.

The name of the facility comes from the Japanese words "*mirai* (future)," "*ima* (present)," and "*terasu* (light up)."

In the first half of this event, we will explain our strategy and initiatives for lighting up the future despite growing uncertainties.

In the second half, we will hold a dialogue session. We look forward to hearing your views and suggestions.

First, I will review the business results and explain the major issues and our future management vision.

I took office as president in June 2015; seven and a half years have passed already.

Over these years, I have consistently taken a proactive management approach, including actively investing in the CASE domain, to support the once-in-a-century paradigm shift.

From 2019 to 2021, profits decreased due to quality problems and the Covid-19 pandemic. We rebuilt our foundation for quality and made drastic cuts in costs, including fixed costs, to improve our financial position. This was part of our proactive management approach in terms of building the foundation for expanding investments in growth domains.

Let me give some specific figures. During the 10 years from 2012 to 2021, we invested 4.4 trillion yen in R&D and spent 3.5 trillion yen on capital expenditures, thus investing about 8 trillion yen for the future.

During this period, the number of Global DENSO employees increased from 130,000 to 170,000. We have continued to improve our competitiveness in a sustainable manner by actively investing in our employees while continuously improving both our engineering and manufacturing capabilities.

The results have been reflected in the revenue and operating profit, and we expect to post record highs this year.

We have achieved growth and development thanks to many stakeholders who have closely supported our daily operations, including customers, suppliers, shareholders, and residents of local communities.

We have actively made investments with support from stakeholders, helping us to fulfill our philosophy of creating a brighter future for those engaged in the automotive industry and to society as a whole.

However, we have witnessed rapid and irreversible changes over the past two years in particular. Many lives were lost due to extreme weather, global conflict, and the Covid-19 pandemic, and our values and lifestyles have changed completely.

Obviously, global environmental problems, food shortages, and resource shortages will become more serious over the next 20 or 30 years.

As we consider the future of our planet, we are more frequently asking ourselves: Will DENSO continue to exist as a company that brings benefits to society? How can we do more to contribute to the well-being of people?

Since its founding, DENSO has achieved growth with partners in the automotive industry based on mobility products and strived to create a cycle of well-being in society.

We remain committed to the automotive industry based on mobility products.

However, when we examined our mission of bringing hope to people around the world, we intended to expand the cycle of well-being from mobility to society as a whole and strongly recognized that this was our unshakable vision and future mission. Accordingly, we have formulated the “2035 Outlook”.

The outlook places top priority on realizing a society that “prioritizes social causes” and “responds to diverse values and well-being” by realizing a recycling-oriented society to protect the global environment, and by achieving reliable and high-value-added mobility and manufacturing.

We focus on the “The Five Flows ” that are indispensable to society, namely, Free Movement of People, Flow of Goods, Energy Utilization, Minimization of Resource Requirements, and Flow of Data. We will create a society characterized by a large cycle of well-being, that is, a “well-being cycle society” by interconnecting and integrally controlling these flows.

Specifically, we will accelerate the value creation of “Green and Peace of Mind,” which we have promoted over the years. We will also make future investments worth 10 trillion yen over the next 10 years, including building a new ecosystem that contributes to a circular economy, such as manufacturing new cars from old cars.

We will increase development investment for software and data in addition to capital expenditures.

To ensure business growth and spread value to society, we need to formulate and implement plans, as well as commit to the goals despite difficulties and environmental changes.

As the top management, we are determined to maintain a strong and unwavering commitment to our ideals, to find more partners who support DENSO’s 2035 Outlook, and to improve our ability to attain business goals in order to realize a well-being cycle society.

Regarding the specific details of the 2035 Outlook and milestones, CTO Kato and CFO Matsui will give presentations on the technology and business foundation, respectively.

After these presentations, a dialogue session will be held. I look forward to receiving candid opinions and questions.