Improving DENSO’s Corporate Value

(1) Sustainability management
(2) Financial strategy to improve ROE

Yasushi Matsui
Senior Executive Officer & CFO
DENSO Corporation
December 15, 2022
Contribute to solving social issues by continuously reforming the business portfolio and achieving business growth.

Corporate philosophy

Resolving social issues
(1) Sustainability management

Achieving business growth
(2) Financial strategy to improve ROE

Management foundation

Business operations

Corporate foundation

Inspiring “Green” & “peace of mind”

Reform the business platform

Profits
Growth

Outline of today’s presentation
Contribute to solving social issues by continuously reforming the business portfolio and achieving business growth.

Corporate philosophy

- Inspiring "Green" & "peace of mind"

Business operations

Management foundation

Corporate foundation

- Resolving social issues
  1. Sustainability management

- Achieving business growth
  2. Financial strategy to improve ROE

Problems

Growth

Reform the business platform
(1) Sustainability management

Maximize the value proposition of “Green” and “Peace of Mind” based on the solid corporate foundation and help create a sustainable society.

Corporate foundation
Support the business strategy to become an inspiring company

Green strategy
Achieve carbon neutrality by 2035

Peace of Mind strategy
Become a leading provider of “Peace of Mind” to society
### “Green” and “Peace of Mind” strategies

<table>
<thead>
<tr>
<th>Green strategy</th>
<th>Peace of Mind strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goal</strong></td>
<td><strong>Goal</strong></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Achieve freedom of mobility with no traffic accident fatalities</td>
</tr>
<tr>
<td>Mobility</td>
<td>Create peaceful, comfortable spaces</td>
</tr>
<tr>
<td>Energy use</td>
<td>Establish a society where people are supported and their potential is nurtured</td>
</tr>
</tbody>
</table>

#### Main results (Apr. 2021–Mar. 2022)

<table>
<thead>
<tr>
<th>Green strategy</th>
<th>Peace of Mind strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
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<td>Mobility</td>
<td></td>
</tr>
<tr>
<td>Energy use</td>
<td></td>
</tr>
</tbody>
</table>

#### Steady progress in maximizing the “Green” and “Peace of Mind” values

- **Manufacturing**
  - Achieve complete carbon neutrality at our plants
  - CO₂ emissions from plants: −48% (compared to FY2012 level)
  - Cumulative production of over 20 million inverters
  - Revenue from electrification: 550 billion yen

- **Mobility**
  - Contribute to the electrification of cars to reduce CO₂ emissions

- **Energy use**
  - Contribute to a carbon-neutral society by capturing and reusing CO₂
  - Adopted by the Green Innovation Fund

- **Elimination of traffic accident fatalities**
  - Release of GSP3 (an active safety product)
  - Revenue from ADAS: 320 billion yen

- **Comfortable spaces**
  - Release of a thermal management product for battery electric vehicles (BEVs) (high-efficiency eco heat pump system) released

- **Support for working people**
  - Agriculture: Conclusion of a comprehensive agreement on food and agriculture with a local government
  - Factory automation (FA): Release of COBOTTA PRO (a collaborative robot)
### Corporate foundation

Support the business strategy to become an inspiring company

### Sustainability KPIs (non-financial KPIs)

<table>
<thead>
<tr>
<th>Goal</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Instill the practice of sustainability management</td>
<td>Establishment of KPIs for material issues (materiality)</td>
</tr>
<tr>
<td>• Meet stakeholders’ expectations</td>
<td></td>
</tr>
</tbody>
</table>

### Main KPIs

<table>
<thead>
<tr>
<th>Specific examples</th>
<th>Goal</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green</td>
<td>• CO₂ from plants · Popularization of electrification products</td>
<td></td>
</tr>
<tr>
<td>Peace of mind</td>
<td>• Popularization of ADAS products</td>
<td></td>
</tr>
<tr>
<td>Corporate foundation</td>
<td>• Local employees in leadership roles at overseas bases</td>
<td>• Women in management positions</td>
</tr>
</tbody>
</table>

### Mechanism for attaining the KPIs

<table>
<thead>
<tr>
<th>Goal</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Give incentives to improve corporate value over the medium to long term</td>
<td>Introduction of sustainability KPIs in the evaluation of executive compensation</td>
</tr>
<tr>
<td>• Give incentives from the viewpoint of stakeholders</td>
<td></td>
</tr>
</tbody>
</table>

### Leadership by management team

<table>
<thead>
<tr>
<th>Goal</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change behavior by developing a sense of ownership in sustainability management</td>
<td></td>
</tr>
</tbody>
</table>

### Action by employees

<table>
<thead>
<tr>
<th>Goal</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Embedding of sustainability management in global operations</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Specific examples</th>
<th>Goal</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Individuals: Visualization of the link between personal targets and SDGs</td>
<td>• Global: Assignment of sustainability leaders in respective regions</td>
<td></td>
</tr>
</tbody>
</table>

Accelerate changes in behavior based on “Sustainability KPIs” and “Mechanisms for attaining the KPIs”

Main results (Apr. 2021–)

• Establishment of sustainability KPIs
• Reforms to officer compensation system
• Formulation of human rights policy and implementation of human rights due diligence
External evaluations and commendations for initiatives

**Main SRI/ESG investment indices**

- 2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX
  - FTSE Blossom Japan Sector Relative Index
  - FTSE4Good

**Evaluations in Japan and overseas**

- Energy Conservation Grand Prize Award for 12 consecutive years
- 34 gold medals in total at the WorldSkills Competition
- First runner-up prize of DNIA "ASEAN Energy Award 2021" (Indonesia)
- “Industrial Waste Management Award” (Platinum level) granted to SDM/SKD for seven consecutive years (Thailand)

**Long-term credit rating**

<table>
<thead>
<tr>
<th>Rating agency</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;I</td>
<td>AAA</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>A+</td>
</tr>
<tr>
<td>Moody’s</td>
<td>A2</td>
</tr>
</tbody>
</table>

(as of December 15, 2022)

**Evaluation of IR activities**

- Silver Award of the WIC Japan Integrated Report Award
- "WIC Japan Integrated Report Award 2022"

Our business operations have been highly evaluated and commended by many entities in Japan and overseas
Contribute to solving social issues by continuously reforming the business portfolio and achieving business growth.
(2) Financial strategy to improve ROE

ROE = \frac{\text{Profit attributable to owners of the parent company}}{\text{Revenue}} \times \frac{\text{Revenue}}{\text{Total assets}} \times \frac{\text{Total assets}}{\text{Shareholders' equity}}

Target for 2025
Over 10%

Continuous improvement of ROIC
- Reform the business portfolio
- Enhance responsiveness to change
- Reduce low-profit assets

Utilization of leverage
- Improve the capital structure

Improve ROIC and use leverage to create corporate value
(2) Financial strategy to improve ROE

Profit attributable to owners of the parent company

Revenue

Revenue

Total assets

×

Total assets

Shareholders’ equity

Continuous improvement of ROIC

• Reform the business portfolio
• Enhance responsiveness to change
• Reduce low-profit assets

Utilization of leverage

• Improve the capital structure

Improve ROIC and use leverage to create corporate value

Target for 2025
Over 10%
Growth strategy that ensures a balance between management philosophy and profits

Reduce internal combustion engines (ICEs) by half and double the new business and CASE domains by reforming the portfolio

Operating margin

Revenue
Excluding M&A (Trillion yen)

Mobility electronics
Electrification/advanced devices
Thermal
Powertrain

Creation
Doubling

Over 10%

Sustainable growth

Reduction by half

Operating margin

7.6%
10%

6.7%

New businesses

6.3

Creation

Over 10%

Also create new value in the non-automotive domains
- Agriculture, logistics, and FA [300 billion yen by 2030]
- Achieve commercialization by connecting the “The Five Flows”

Lead the industry in the CASE field
- Electrification [1 trillion yen by 2025]
- ADAS [500 billion yen by 2025]

Early discontinuation, including transfer
- Fuel pumps (Aisan), type III alternators (Chengdu Huachuan Electric Parts Co., Ltd.), etc.

Contribute to the management philosophy

(zero CO₂ emissions/zero traffic accident fatalities)

Reduce internal combustion engines (ICEs) by half and double the new business and CASE domains by reforming the portfolio

Revenue
Excluding M&A (Trillion yen)

Mobility electronics
Electrification/advanced devices
Thermal
Powertrain

2022
@135 yen/$

2025
@100 yen/$

2035

Growth strategy that ensures a balance between management philosophy and profits
Resources strategy (capital expenditures and R&D expenditures)

**Capital expenditures**
- **Investment**: 8.5%
- **Depreciation**: 5.9%

<table>
<thead>
<tr>
<th>Year</th>
<th>Core businesses</th>
<th>CASE</th>
<th>ICEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017–2019</td>
<td>400 billion yen</td>
<td>60%</td>
<td>30%</td>
</tr>
<tr>
<td>2020–2022</td>
<td>365 billion yen</td>
<td>350 billion yen</td>
<td>20%</td>
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<tr>
<td>2023–2025</td>
<td>350 billion yen</td>
<td>365 billion yen</td>
<td>20%</td>
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</tbody>
</table>

**Shift investments from ICE to “Green” and “Peace of Mind”**

**R&D expenditures**
- **Percentage in revenue**: 8.8%

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<thead>
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<th>Year</th>
<th>ICEs</th>
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<tr>
<td>2017–2019</td>
<td>485 billion yen</td>
</tr>
<tr>
<td>2020–2022</td>
<td>517 billion yen</td>
</tr>
<tr>
<td>2023–2025</td>
<td>517 billion yen</td>
</tr>
</tbody>
</table>

- **(including recovered amounts)**: (420) (448) (450)
- **Reduction by 50%**
- **Strengthen**
- **Just over 10%**
- **Maintain**
- **Curb**
- **Terminates**
- **Create new value**
- **Less than 10%**
## Reform of the business portfolio

### Reform toward 2035

<table>
<thead>
<tr>
<th>Growth potential [CAGR]</th>
<th>CASE</th>
<th>Mobility electronics</th>
<th>Electrification</th>
<th>Advanced devices</th>
<th>Thermal (growth)</th>
<th>Thermal (existing)</th>
<th>Powertrain</th>
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<tbody>
<tr>
<td>2021 ⇒ 2035</td>
<td></td>
<td>1.5 ⇒ 1.6</td>
<td>1.0 ⇒ 1.4</td>
<td>0.6 ⇒ 0.7</td>
<td>0.9 ⇒ 1.1</td>
<td>0.5 ⇒ 0.4</td>
<td>1.3 ⇒ 1.1</td>
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**Contribution to management philosophy/profits**
- Mobility electronics
- Electrification
- Advanced devices
- Thermal (growth)
- Thermal (existing)
- Powertrain

### Revenue (unit: trillion yen)

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<td>7 trillion yen</td>
<td></td>
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</tbody>
</table>

* Excluding new businesses

### Growth
- Doubling
- Halved
- Reduction by half

### Businesses nearing final stages
- Reduction by half
- 1 trillion yen

### Profitability [ROIC]
- Low profits
- Growth potential
- Powertrain
- Existing
  - For ICES
  - Radiators
  - Condensers, etc.

### Revenue (unit: trillion yen)

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</table>

* Excluding new businesses

### Contribution to management philosophy/profits
- Profitability
- Reduction (cash cow)
- Growth
- Investment (leading products)
- Low profits

### Boldly shift to CASE to achieve management philosophy, growth, and profits

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## CASE domain (electrification)

**Offer an extensive product lineup to cope with progress of electrification and expansion of BEVs**

**Growth beyond the market**
- Double
- 550 billion yen
- 1 trillion yen

### Progress of electrification
- 2021
- 2025
- 2030
- 2035

### Expansion of BEVs

<table>
<thead>
<tr>
<th>Product</th>
<th>2021</th>
<th>2025</th>
<th>Status of sales expansion</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inverters (Percentage of BEVs)</td>
<td>3,100 (Just under 10%)</td>
<td>12,000 (30%)</td>
<td>Japanese-affiliated companies: 10 European/U.S. companies: 6 Chinese companies: 8</td>
<td>19,000 (50%)</td>
</tr>
<tr>
<td>Thermal management</td>
<td>250</td>
<td>2,800</td>
<td>Japanese-affiliated companies: 6 European/U.S. companies: 5 Chinese companies: 3</td>
<td>5,400</td>
</tr>
<tr>
<td>Power supply systems (BMUs)</td>
<td>3,900</td>
<td>7,600</td>
<td>Japanese-affiliated companies: 8 European/U.S. companies: 1 Chinese companies: 1</td>
<td>12,700</td>
</tr>
</tbody>
</table>

### Products
- **Control**
  - Inverters [high electric mileage]
  - Thermal management products [energy transfer]
  - Power supply systems (BMUs) [improvement in electric mileage]

### BEVs
- Comfortable spaces
- Extended driving range
- Faster charging

### Technology development
- (energy management)

### Product deployment
- (sales expansion of electrification products)
CASE domain (electrification)

Competitive advantages

**SiC inverters**
- High output: 3 times higher than Si
- Low cost: −10% (compared to a competitor)

**Thermal management products**
- Utilization of waste heat
  - Utilize waste heat of inverters, etc. ⇒ Extend the driving range
- Battery temperature adjustment
  - During rapid charging [cooling] ⇒ Reduce the charging time
  - When starting a vehicle in winter [heating] ⇒ Smooth start

**Power supply systems (BMUs)**
- Extend the driving range by 20%
  - (compared to using an electric heater)
- Extend the driving range by 7%
  - (compared to a competitor)

Properly meet the demand for BEVs based on energy (electricity and heat) management technology
Contribute to eliminating traffic fatalities through technology advancement and spread of products
CASE domain (ADAS)

**Competitive advantages**

<table>
<thead>
<tr>
<th>Sensor performance</th>
<th>Detect objects over a wider range to cope with pedestrians/bicycles abruptly crossing the street</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DENSO 128°</strong></td>
<td><strong>Vision sensor</strong></td>
</tr>
<tr>
<td>+28°</td>
<td>Example of a vision sensor</td>
</tr>
<tr>
<td>103°</td>
<td>Millimeter-wave sensor</td>
</tr>
<tr>
<td>+13°</td>
<td>Meeting the most rigorous assessment conditions (one’s own vehicle: 10 km/h × bicycle: 20 km/h)</td>
</tr>
</tbody>
</table>

**Image recognition technology**

<table>
<thead>
<tr>
<th>Old: Identify objects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individually check against the dictionary (storage data)</td>
</tr>
<tr>
<td>AI learns the entire image (deep learning). ⇒ Understand the relationship, such as size and direction</td>
</tr>
<tr>
<td>Recognition of pedestrians, bicycles, vehicles, etc. as obstacles</td>
</tr>
</tbody>
</table>

**Achieve high-speed processing of wide-range image data to improve detection performance**

<table>
<thead>
<tr>
<th>New: Understand the situation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban area, a man and a woman crossing the street → Risk estimation based on mutual relationship</td>
</tr>
</tbody>
</table>

**Apply to sign detection and next-generation automated driving technologies**

**Continue to deliver "Peace of Mind" and safety to people by using proprietary technologies that meet present and future requirements**
Semiconductor strategy that underpins the CASE domain

**Role:**
- Sensor
- Microcomputer/SoC
- ASIC
- Power

**Recognition:**
- Active safety/automated driving
- Electrification

**Control:**
- AD ECU
- Battery ECU
- Heat pump
- Inverter

**Actuation:**
- Vision sensor
- LiDAR

**Representative products:**
- Vision sensor
- LiDAR
- AD ECU
- Battery ECU
- Heat pump
- Inverter

**Results:**
- Establishment of a new R&D center (Haneda)
- Equity participation in Renesas
- Expansion of Kota Plant
- Equity participation in Infineon
- Acquisition of a plant (Iwate)
- Establishment of a new plant (Anjo)
- Acquisition of Hirose Plant

**Future:**
- Reinforce in-house production and strengthen strategic collaboration with competitive partners
- Information technology (IT) business (cumulative total)
- 370 billion yen (in the past five years)
- Production
  - Stable production in the medium to long term
  - First 300 mm wafers in Japan
- Development
  - "Beyond 2nm" semiconductors
  - GaN semiconductors

**Strategically cover all the domains based on in-house production and collaboration with partners**
(2) Financial strategy to improve ROE

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Target for 2025
Over 10%

Continuous improvement of ROIC
• Reform the business portfolio
• Enhance responsiveness to change
• Reduce low-profit assets

Utilization of leverage
• Improve the capital structure

Improve ROIC and use leverage to create corporate value
Recognition of the current situation and ideal situation in the automotive industry

Recognition of the current situation [negative direction/negative cycle]

- Tight supply-demand balance in the supply chain
- Surging costs of components/logistics/energy, etc.
- Decreased profits in the industry
- Decreased competitiveness/stagnant economic cycle in the industry

Ideal situation [positive direction/positive cycle]

- Recovery of profits in the industry
- Proper transfer of costs to customers across the supply chain
- Reduction in expenses
- Increased competitiveness/smooth economic cycle in the industry

Contribute to increased competitiveness and smooth economic cycle in the automotive industry
Specific efforts to enhance responsiveness to change

**Basic policy**

Increase profits in response to worsening external conditions by “reducing expenses” and “transferring costs to customers”

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**DENSO**

- Properly transfer costs to customers while fully informing them
- Establish rules for transferring costs to customers

**Transfer of costs to customers**

- Optimize/minimize increased expenses
- Manage signs of abnormality in marine transportation
- Ensure energy conservation/rationalization

**Reduction of expenses**

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**Automotive industry**

- Achieve a positive turnaround to promote transfer of costs to customers across the supply chain
- Change business practices [discount/inventory storage policy/design concept]

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Improve profits by making a recovery

Change the workstyle in the industry

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**Increased expenses at DENSO**

(compared to the previous year)

(Unit: billion yen)

- Parts/materials
  - Electronic parts
  - Processed parts
  - Materials
- Logistics
- Energy

\[-161\]
(2) Financial strategy to improve ROE

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Improve ROIC and use leverage to create corporate value
Cash on hand/cross-shareholdings

**Cash on hand**

Target: **1.0 month** (compared with monthly turnover) (further reduction after attaining the previously announced target of 1.1 months)

- Minimization of cash on hand required for business operations

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2025 (Ideal level)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month</td>
<td>2.0 months</td>
<td>1.6 months</td>
<td>1.2 months (excluding a temporary increase)</td>
<td>1.1 months</td>
<td>1.0 month</td>
</tr>
</tbody>
</table>

**Cross-shareholdings**

DENSO sold holdings of **20 companies** in the past three years

- Generation of cash by further reductions (FY2021: 54.6 billion yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2025 (Ideal level)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Further reductions</td>
<td>44</td>
<td>36</td>
<td>30</td>
<td>24</td>
<td></td>
</tr>
</tbody>
</table>
Global inventories

Basic policy
- Secure the necessary inventories required for stable production across the supply chain and build a solid BCP
- Continuously reduce and optimize inventories in line with dissipation of operating environment factors (FY2023: 800 billion yen, 1.6 months compared with monthly turnover)

Concept of inventory management: determination of the target level for different types of inventories

1. Temporary inventories
   - In response to logistics disruptions and other operating environment factors ⇒ Eliminate temporary inventories by quickly reflecting the operating environment factors

2. Strategic inventories
   - Secure strategic inventories as necessary to hedge against natural disaster risks and against tight supply-demand balance for electronic components and other items

3. Standard inventories
   - Retain standard inventories as necessary for stable supply

Increase temporary inventories for stable production
Continuously reduce/optimize inventories

Inventory level (unit: billion yen)
- FY2019: 651.7
- FY2021: 1,032.2
- FY2023 (Forecast): 800
- FY2025 (Ideal level)

Compared with monthly turnover
- 1.5 months
- 1.4 months (except for temporary inventories)
- 2.2 months
- 1.3 months

Secure the necessary inventories required for stable production across the supply chain and build a solid BCP
Continuously reduce and optimize inventories in line with dissipation of operating environment factors (FY2023: 800 billion yen, 1.6 months compared with monthly turnover)
Continuous improvement of ROIC

- Reform the business portfolio
- Enhance responsiveness to change
- Reduce low-profit assets

Utilization of leverage

- Improve the capital structure

Improve ROIC and use leverage to create corporate value

Target for 2025
Over 10%
### Improvement of capital structure (utilization of financial leverage)

#### Basic policy

- Improve the capital structure to maintain a balance between efficiency and safety based on a target for shareholders’ equity ratio of **50% or more** (FY2021: 57.8%)
- Maximize ROE by improving profits while curtailing capital increases

#### Approaches

<table>
<thead>
<tr>
<th>Utilization of borrowings</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Invest for growth, such as M&amp;A, by harnessing the additional financing capacity over 1 trillion yen</td>
</tr>
<tr>
<td>• Continuously issue foreign currency-denominated corporate bonds to diversify/strengthen the funding platform</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Shareholder returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Dividend level Make stable and long-term improvements from DOE 3.0%</td>
</tr>
<tr>
<td>• Strengthen flexible acquisition of treasury stock based on the targeted capital structure and theoretical stock price</td>
</tr>
</tbody>
</table>

#### Progress of efforts

- September 2022 balance of bonds and loans: **Over 1 trillion yen**  
  (FY2020: 850 billion yen)
- FY2021: **Issuance of DENSO’s first U.S. dollar-denominated bonds**
- FY2021: **DOE 3.1% (165 yen/share)**  
  (FY2020: DOE 3.0%, 140 yen/share)
- Acquisition of treasury stock: over **100 billion yen for two consecutive years**  

*DOE: Dividend on Equity*
Shareholder return policies

Dividends

Make stable and long-term improvements in the dividend level from DOE 3.0%

<table>
<thead>
<tr>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022 (Forecast)</th>
<th>FY2025 (Ideal level)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOE (%)</td>
<td>Dividend per share (yen)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.9%</td>
<td>130</td>
<td>3.0%</td>
<td>140</td>
<td>3.1%</td>
<td>140</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

Make long-term and stable improvements

Acquisition of treasury stock

Strengthen flexible acquisition based on the targeted capital structure and theoretical stock price

<table>
<thead>
<tr>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022 (Forecast)</th>
<th>FY2025 (Ideal level)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury stock acquisition (unit: billion yen)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26.5</td>
<td>28.4</td>
<td>97.5</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Increase shareholder returns, considering “Shareholder returns + Increased share prices > Cost of shareholders’ equity”
Maximize ROE by continuously improving ROIC and utilizing leverage.
Organizational structure to implement the strategy (January 2023)

Reform the organizational structure to realize the strategy based on management philosophy.

- **New value**: Expand non-automotive businesses and take on challenges to solve social issues.
- **Green**: Offer an optimal powertrain mix from the viewpoint of customers.
- **Peace of Mind**: Offer the “Peace of Mind” value by integrating ADAS and cockpit.
- **Semiconductors**: Reinforce the business, purchasing, and technology strategies for semiconductors, which will become increasingly important.

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- **Social Innovation Business Development Function Unit**: 
  - Food Value Chain Business Development Div.
  - Circular Economy Development Dept.
  - FA Business Development Div.

- **Company-wide function**:
  - Corporate Strategy Center
  - General Administration & Human Resources Center
  - R&D Center
  - Production Innovation Center

- **Reinforcement**
  - OEM Sales Group
  - Solution Sales Group

- **Newly established**
  - Circular Economy Development Dept.
  - Digital Solution Development Dept.

- **Integration**

- **Business**
  - Powertrain Systems Business Group
  - Electrification Systems Business Group
  - Thermal Systems Business Group
  - Mobility Electronics Business Group
  - AD&ADAS Business Unit
  - Cockpit Systems Business Unit

- **Reinforcement**
  - Advanced Devices Business Group

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DENSO DIALOG DAY 2022 / December 15th, 2022
We contribute to solving social issues through our business growth
DENSO
Crafting the Core