Efforts Aimed at Sustained Growth

Yasushi Matsui

Global Strategy Center
1. Medium- to Long-term Growth Targets

Aiming for: FY2026 Revenue of 7 trillion yen, operating margin of 10%
FY2022 Revenue of 5.6 trillion yen, operating margin of 8% or more

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020 (forecast)</th>
<th>FY2022 (forecast)</th>
<th>FY2026 (forecast)</th>
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<tbody>
<tr>
<td>Margin</td>
<td>7.3%</td>
<td>8.1%</td>
<td>5.9%</td>
<td>6.9%</td>
<td>8.0% or more</td>
<td>10.0%</td>
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<tr>
<td>USD</td>
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<td>110</td>
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<td>EUR</td>
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<td>125</td>
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2. Generation and Uses of Cash

Implement active investment in growth and ongoing shareholder returns while improving capital efficiency and utilizing loans.

FY2019 results

- Revenue: 5.4 trillion yen, OPM: 5.9%
- Cash generation results:
  - R&D: 0.5
  - Shareholder returns: 0.13
  - M&A, alliances: 0.06
  - Other: 0.05

- Capital investment: 0.42

Spending results

Approx. 1.1 trillion yen

Approach to FY26 (When target is met)

- Revenue: 7 trillion yen, OPM: 10%
- Cash generation forecast
  - Capital investment: 0.42
  - Shareholder returns: ~0.25
  - M&A, alliances: 0.15
  - R&D: 0.63

Spending

- Additional generation through financing activities
- Amount required: 0.42

Payout ratio 30%-50%

Percentage of revenue 9%+α

Depreciation on revenue 6% or less

Amount required: 0.15 ~ 0.25
2-1. Capital Investment and Depreciation

Control depreciation ratio within 6% with discipline with the aim of becoming more robust
R&D expenses are likely to increase under non-optimized conditions. They will be controlled at the level of 9% of revenue by improving efficiency and exercising discipline in spending.
3. Three Pillars Increasing Management Efficiency

(1) Strengthening of profitability

(2) Restriction of low profitability assets
(Improvement of asset efficiency)

(3) Optimization of capital structure
(Reduction of capital cost)
3-1. Strengthening of Profitability

**Means of realization**

- Investment in growth areas (Machinery & equipment, M&A, alliances)
- Stricter investment evaluation indicators for machinery & equipment, M&A
- Clarification of “discontinuation” based on quantitative decisions
3-2. Restriction of Low Profitability Assets (Improvement of Asset Efficiency)

Means of realization

- Minimization of cash on hand
  (In relation to monthly turnover: 2.0 months ⇒ 1.2 months)
  ⇒ Reduce funds held for emergencies and respond using short-term loans when necessary
  ⇒ Provide funding between regions by utilizing GCMS* between group companies
    * Global Cash Management System

- Promotion of the reduction of strategically held shares
3-3. Optimization of Capital Structure (Reduction of Capital Cost)

Means of realization

- Long-term stable shareholder returns and active utilization of loans
  → Funding of large amounts at low interest rates
    - Utilize high ratings for gaining funding at low cost
    - Prompt funding when required, diversification of funding methods
4. Outlook of Business Growth

Revenue growth rate
(2019 results vs. 2026 targets)

- 7 trillion yen
- 5.4 trillion yen

Existing businesses
- Framework of DN business for stable revenue
- Further growth through increase of new added value (heat management, etc.)
- Efficiently use resources by determining products and businesses to “discontinue”

Growth businesses
- Priority investment in focus areas (electricification/self-driving/connected/FA and agriculture)
- Expansion of revenue and profit through the spread of environmental and safety products
- Create a wide range of partners and lead electrification and self-driving through vehicle integration PF spanning product areas
- Speed up development and realize a highly profitable structure through co-creation with partners and transformation of own processes

Realization of stable revenue in existing businesses and sustained growth through the expansion of growth businesses
5. Toward Sustained Growth

Priority Issues for DENSO

Environment
- Prevention of global warming
- Prevention of air pollution and reduction of environmentally harmful substances
- Effective utilization of resources

Peace of mind
- Reduction of traffic accidents
- Free and comfortable movement
- Safe and reliable products
- Addressing the low birthrate and aging of society

Inspiring (corporate foundation)
- Compliance
- Strengthening of information security
- Promotion of accomplishments of human resources
- Health/occupational safety and health

- Work style reforms
- Protection of human rights
- Sustainable procurement
- Social contribution

Goals to which DENSO will contribute through its overall business operations

Goals to which DENSO will contribute through its products and services

Achieve profitable growth and survive the harsh business environment while resolving social issues