

A Message from the President

To Our Stakeholders



We will engage in R&D and *Monozukuri* (the art of making things) by paying close attention to global trends while maintaining a future orientation and a strong sense of ownership.

Koji Arima
President & CEO

Q1 One year has now passed since you were appointed president and CEO in June 2015. Could you please provide a summary of what you focused on in particular and the resulting achievements during your first year at the helm?

In the year since my appointment as president, I maintained a global viewpoint and a sense of speed when making decisions to fulfill DENSO's mission of assisting broader society through products that contribute to the environment as well as to security and safety.

In 2015, with a view to realizing its aspirations for 2020, the Company formulated its Mid-term Policy for which 2019 is deemed as the fiscal year of its achievement, set three focus fields—the environment, safety and security; aftermarket and new business; and the global market—and started to address new challenges. In fiscal 2016 (the year ended March 31, 2016), the first year for the policy's initiatives, we accelerated development of environmental products that contribute to fuel consumption reduction and safety and security products that prevent traffic accidents while launching products in the field of agricultural production support that leverage the technologies the Company has accumulated in the automotive field. In addition to extending our *DANTOTSU* (outstanding) plant activities to Group companies in Japan and overseas, we commenced initiatives such as setting up the DP-Factory IoT Innovation Department and initiatives designed to bring about dramatic improvements in quality and further innovative technology for *Monozukuri*.

In an environment that is rapidly changing, we were able to overcome difficulties thanks to the efforts of each and every one of the DENSO Group's 150,000 employees and the support of all stakeholders, for which I would like to take this opportunity to express my heartfelt gratitude.

By fiscal 2019, having further raised our R&D and *Monozukuri* capabilities and accelerated the development of world-first and locally developed new technologies, I would like DENSO to have become a company capable of contributing to society on a global scale. With regard to the changes in the business environment in which we operate, so-called paradigm shifts are occurring more and more quickly and to a greater extent. Amid such extreme changes, I feel it imperative that to bring the Mid-term Policy to fruition we need to pay close attention to global trends, maintain a future orientation, confront whatever challenges that we might face while resolutely maintaining a healthy sense of crisis in decisively overcoming them with a strong sense of ownership and an unprecedented sense of speed. Fiscal 2017 is the second year of the Mid-term Policy, but as we are aware of its extreme importance for future growth it is positioned as "the first year of reform." Without wavering, I myself will continue to promote reforms in both awareness and actions.

Q2 Could you please provide some examples of your initiatives up to now?

As a current important issue, I would like to introduce ADAS, our advanced driver assistance system, and IoT, as examples of efforts in which we are engaged based on society's needs.

ADAS Initiatives

Amid fears of a significant rise in traffic accident fatalities associated with the rapid increase in the global population, there is a greater need for advanced driver assistance technologies that will lead to automated driving to resolve this social problem. Competitive developments are being accelerated at each automaker toward the full-scale commercialization of automated driving in 2020, and DENSO is ascertaining areas in which to compete and areas in which to collaborate while proactively engaging in strategic mechanisms through alliances.

To accelerate technological developments related to automated driving, the Company integrated related internal business units that were formerly separate entities and established the ADAS Promotion Division in January 2016. The Company will give added impetus to promoting the commercialization of such systems by integrating and accelerating research and technological development that had been conducted individually by functional divisions and business divisions.

IoT Initiatives

At the same time, as represented by Industry 4.0 (Fourth Industrial Revolution), there is increasing attention being paid to IoT across the world.

DENSO's policy is to bring about the evolution of *Monozukuri* on a global basis by utilizing IoT to realize further improvements in competitiveness in the years to come. Firstly, with the aim of bringing about a 30% improvement in productivity by 2020, the Company established and commenced the operations of its DP-Factory IoT Innovation Department. I would like to place importance on the *Monozukuri* front line, which is underpinned by people's capabilities. I would like to unleash further improvements in our global *Monozukuri* competencies by utilizing IoT in the management of plants and facilities, so that we have visual representations of information which we were previously unable to see and can take measures before a problem occurs, so that cases of improvements go back and forth, transcending the corporate group and national boundaries. At the same time, I would also like to realize a manufacturing front line that has even more of a creative dynamism by drawing on people's unbounded wisdom and taking advantage of progressive improvements.

Q3 What are the aspects to which DENSO attaches importance in promoting its business activities?

The aspects that the Company values the most are its comprehensive wisdom and comprehensive capabilities in R&D, *Monozukuri* and *Hitozukuri* (human resource development). I believe that these will be the driving force behind DENSO's growth.

Focusing on being the first in the world, the Company has been working with automakers on R&D from a global viewpoint that looks ahead 10–20 years. Having constantly focused on in-house technologies since its establishment, in *Monozukuri* the Company carries out in-house manufacturing design, from facilities and production lines to materials and process methods. Furthermore, I believe that the Company's distinctive feature is its sophisticated and speedy product development that is brought about through the close collaboration between R&D and *Monozukuri*.

While placing value on this strength, it is my firm belief that there are things that we should change and things that we must not change.

In a rapidly changing business environment, speed will take on even greater importance. However, there is a general belief that a principle of self-sufficiency



that brings everything under one roof will not in itself enable a company to respond with a sense of speed to its rivals and competition in development. Without being afraid of change, I would like to continue to further hone the technologies that incorporate a range of knowledge by collaborating with other companies and research institutions to make DENSO more agile than ever before.

At the same time, the "DENSO Spirit" that embodies the common employee values that we have been cultivating since our establishment is an unchanging asset on which the Company has placed a high value. Considering *Hitozukuri* as a management foundation, we have been focusing efforts on proactive human resource training based on that DENSO Spirit.

Continuing to confront challenges with a stance of always predicting change, DENSO will attach importance to three areas: "advances" that continue efforts to create new value unique to the Company through creativity and ingenuity; "trust" to offer values that exceed the expectations of our customers and society by showing a thorough commitment to quality and tireless day-to-day improvements based on local products; and "comprehensive wisdom and capabilities" that share targets with Company employees, bring together wisdom and capabilities, and continue to confront high-set targets as a unified Company. As the driving force for opening up the Company's future in the years to come, I would like to continue sharing this DENSO Spirit with our partners across the world.



Q4 President Arima, in closing, could you please tell us about your hopes and aspirations with regard to the further growth of the DENSO Group?

In the years to come, we will aim to remain a company that is sought after and needed by people and conduct our business activities by contributing to the creation of a better society.

Established as a manufacturer of automotive electronic components in 1949, DENSO has been globally expanding its business domains to this day. Always responding to the needs of our customers and of the times, this expansion has had the effect of addressing the creation of a better society by causing accumulated R&D capabilities to come together with *Monozukuri* and *Hitozukuri* capabilities as well as the provision of world-first technologies and products, and I consider it important for this cycle to continue. For that reason, I recognize it as my responsibility to steer a course to become a corporate group that repeats that cycle and grows and develops in its relationships with all of its stakeholders.

In resolving social issues through business and continuously providing value, I believe that we have been improving our earnings, strengthening our financial base, and realizing an improvement in DENSO's corporate value. As a result, under the policy that continues to be linked to dividend returns to all shareholders, I recognize it as an important mission of the DENSO Group to stably bring about improvements in the dividend threshold over the long term.

It sometimes happens that there is a tendency for corporate value, such as the sales and profits resulting from business activities, to be misunderstood when shown only in numerical values. It is my belief, however, that activities that can neither be seen nor recorded in numerical terms yet underpin corporate value—such as governance, environmental and social activities—are indispensable in improving that value. To create a foundation by which we contribute to a better society on an ongoing basis, we will further strengthen those kinds of activities.

So that we are able to contribute to the creation of a better society from now on, I would like DENSO to remain a company that is full of enthusiasm and smiling faces and in which each and every employee takes steps to go further and higher with courage.

I would like to take this opportunity to thank everyone for their continued and unflagging support.