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DENSO PRESS CONFERENCE REMARKS

“DENSO’s Strategy at the Turning Point of the Automobile Industry”

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Good afternoon, ladies and gentlemen. It is my great pleasure to welcome all of you here to our booth today. Before I begin, I would like to express our sincere gratitude for your outstanding support of our company this past year.

Today, I will talk about “DENSO’s strategy at the turning point of the automobile industry.”

The financial crisis that was triggered by the collapse of Lehman Brothers last autumn pushed the global economy into a recession. After a prolonged boom, automotive markets also suffered a worldwide slump.

Indeed, the full recovery of developed nations will take some time. However, the emerging markets, which experienced a temporary dip in economic growth, are expected to grow and increase their share in the world market.

At the same time, oil prices are expected to rise, exceeding \$100 dollars per barrel in the medium to long term. Furthermore, the need to curb global warming is forcing countries to introduce CO2 emissions restrictions. And as we know, these environmental requirements are getting tougher each year.

To address these challenges, DENSO is combining its expertise and technologies to meet global needs and to contribute to the creation of a new automotive society at this turning point in the industry.

Today, I want to focus on two areas:

1. **Developing technological innovations to improve fuel efficiency and reduce CO2 emissions, and**
2. **Developing low-cost technologies.**

First, I will address how DENSO is **developing technological innovations to improve fuel efficiency and reduce CO2 emissions.**

The two main ways to improve a vehicle's fuel efficiency are: To improve a vehicle's powertrain efficiency so it uses less fuel. And to use fuel energy more efficiently by reducing engine load and regenerating energy. With that said, DENSO is combining these two approaches to improve the environmental performance of vehicles without impacting the vehicle's safety, comfort, and convenience.

To reduce the amount of fuel used when driving, we are working to improve the efficiency of powertrain systems by focusing on three priorities: 1) Improving the efficiency of combustion engines; 2) Developing hybrid vehicle system products; and, 3) Developing start and stop system products.

To improve the efficiency of combustion engines, we are developing a variety of technologies, such as direct injection technology that is highly efficient for gasoline engines. And higher-pressure common rail system technologies for diesel engines that will meet future Euro6 criteria.

For the time being, gasoline and diesel engines are expected to remain the mainstream powertrains. However, we believe the electrification of vehicles such as hybrid and start/stop systems will rapidly progress due to soaring oil prices and an increase in environmental awareness.

Based on this belief, we have been enhancing our development capability in the hybrid area, and we plan to double the number of hybrid engineers in the next two years. And, for start and stop systems, in January 2009 we established a project team to strengthen our development capability.

DENSO has a long history in developing hybrid vehicle products — starting with the release of the first Toyota Prius model in 1997. And through the years we have accumulated many technologies and expertise in this field.

Many hybrid vehicle products can realize high performance and low cost by combining electric, semiconductor technologies and thermal technologies — including cooling. DENSO's advantage is that it has all of these technologies in-house.

Let me introduce one such product. One technical problem in controlling a hybrid's high power is how to limit the generation of heat. We have developed a unique cooling structure for semiconductor devices by integrating our semiconductor and cooling technologies. With this distinctive cooling structure, DENSO's power control unit offers about 60 percent higher output power than the previous model, yet is significantly smaller in volume and weight.

We plan to continue to use our expertise to help increase the use of hybrid vehicles.

Next, I would like to talk about the other technical approach to improve fuel economy, by using fuel energy more efficiently.

Only about 20 percent of fuel is used for the vehicle's propulsion while much of the remaining 80 percent energy is wasted as heat.

To use fuel energy more efficiently, DENSO is working on "energy management" to reduce engine load and regenerate the wasted energy.

DENSO's Energy Management includes technologies like, a regeneration system during deceleration, car navigation-cooperative system, and an air conditioning system utilizing cold storage.

First, I will talk about the car navigation-cooperative system. This system enables the air conditioning system, alternator and other devices to work together. This is based on the information provided by the car navigation system, which ensures that fuel energy is used effectively. For example, when the car navigation-cooperative system detects a downhill slope ahead after the current climb, the system will limit the generation of electricity when the vehicle is using energy to go up hill. Then, when the vehicle starts to go downhill, the system will produce electricity at the maximum rate. Together and in cooperation, this saves fuel.

Now we will turn to the air conditioning system utilizing cold storage. When a vehicle equipped with a start and stop system is stopped, the air conditioning system can no longer operate. To address this, DENSO is developing a new system that stores cool air and uses it while the engine is stopped to ensure the air conditioning remains comfortable.

DENSO aims to combine a number of energy management-related systems that span the entire vehicle to effectively contribute to the improvement in fuel efficiency.

As a manufacturer of automotive components, DENSO will work to improve the fuel efficiency of gasoline-powered vehicles by approximately 20 percent by integrating various technologies, including those to improve efficiency of combustion engines.

During the show we invite you to further explore the fuel-efficient products we are exhibiting.

I would now like to discuss our other initiative for creating an advanced automotive society — **Developing low-cost technologies.**

The emerging markets require low-cost products that meet their market needs. We need to be pragmatic and ensure product features and performances are tailored to the needs of each region and market.

For instance, the DENSO Group supplies the windshield wiper system to India's Tata Motors' Nano. The wiper system is a single-arm type and was proposed by Indian engineers based upon the local situation. Also it is produced at a lower cost by using locally procured materials. This is an excellent example why we have locations in each region – To develop and produce DENSO products in the region and for the region. And, we will continue to use our local strengths when developing products.

Now, I would like to talk about DENSO's business in emerging markets by region. In China, we currently have 22 production companies. We have been increasing the number of production bases to support Japanese auto makers that have expanded into the country. Moving forward, we would also like to offer our products to local auto makers. In India, where we have four production facilities, we are currently expanding an existing plant to produce car air conditioners for a new compact vehicle. In Brazil, we have also increased our production capacity. As you have just heard, DENSO is steadily establishing production in the emerging markets.

In addition, this past July, we set up a project team that specializes in developing products for compact cars in the emerging markets. This team puts into place a system that operates the functions of production, development, design, sales, and procurement to work as one.

This task force is studying regional characteristics, benchmarking competitors, and identifying user needs to carefully – but boldly determine the optimal product performance level that will meet market needs. We will accelerate the development of simple and low-cost products. For example we will look at reducing the number of components for some products by half, significantly downsizing, or standardizing constituent components.

At this turning point in the industry, DENSO, will change itself, and continue to help create an advanced automotive society by maximizing its intelligence and capability. Keep your eyes on DENSO. It aims to help protect the global environment and offer the pleasure of vehicle mobility to people throughout the world.

Thank you for your kind attention.

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