

Message from the President & CEO

Creating the Future through the Strengths of Our People and Technologies, Guided by Social Issues

DENSO's Pursuits in an Era of Significant Change

Promoting Management Focused on Social Issues—Our Compass for Growth

In the past era of rapid economic growth, corporations pursued prosperity and prioritized quantitative expansion, achieving growth with economic results as their main objective. At that time, society as a whole was striving for material abundance, and the role of corporations generally centered on creating economic value.

However, we now live in an era of significant change. As the external environment undergoes dramatic changes, social issues that must be addressed from a global perspective are becoming increasingly more severe. These include climate change, resource constraints, geopolitical risks, and traffic safety. People's values are also changing, and there is growing interest toward fundamental questions such as how we ought to live and what we should value. In such an environment, people have a stronger desire to live more enriched lives through their personal life and career.

To achieve genuine growth in this era of change, I believe that corporations need to pursue business activities that aim to create social value. The creation of social value involves addressing social issues that constantly exist but change in nature in accordance with the times. As these social issues always exist, they represent a form of genuine demand that transcends time and region, and I believe that sincerely addressing these issues serves as a reliable compass for corporations in this era of change as well as a source for sustainable corporate growth.

Earlier in my career, when I was working on the front lines as an engineer, I had an unforgettable experience that helped to solidify this belief, that companies must commit to resolving issues for both the betterment of society and the growth of their company. In my early years at DENSO, I was involved in the development of a common rail system. At that time, emissions regulations in Europe were rapidly tightening, and we spent our days pushing the limits of engine control technology. Racing against time and with mounting pressure, our development efforts were on the verge of faltering. That was when the chief engineer of the automaker we were partnering with on this project said something to me that still resonates to this day: "I want to protect the global environment with world-first technologies. That is why I need your help!" Those words helped push us forward, uniting us as one unified development team, which then allowed us to overcome massive challenges.

When a company makes a commitment to address social issues, trust is built and becomes a driving force for creating the future. It also inspires a sense of pride and passion in each employee of the company, which in turn provides the company

with long-lasting strengths. This realization I had after those words of support is what has shaped the very core of my management philosophy. Guided by this philosophy, I have determined that the purpose of DENSO's management is to resolve social issues and ensure the well-being and growth of people. This purpose represents our *raison d'être* and forms the foundation on which we can achieve sustainable growth moving forward.

Keeping this experience in mind, I will lead from the front in driving DENSO toward new pursuits and innovation, as we aim to continue to be a company that can ensure the well-being and growth of people by resolving social issues. Also, the efforts we have pursued based on our management purpose have achieved steady results to date from both a business and financial perspective. Next, I will talk about these results in more detail.

Taking a Genuine Step Forward—the Results of Our Business Growth and Financial Strategy

In fiscal 2025, sales in Asian markets were sluggish, and we saw suspensions in operations at some automakers in Japan. Amid these challenging external factors, we still made steady progress with structural reforms, allowing us to achieve robust growth.

Revenue increased 0.2% year on year, to ¥7,161.8 billion, while operating profit rose 36.4%, to ¥519.0 billion, both reaching record highs. Return on equity (ROE) increased 8.0%, and earnings per share (EPS) reached a record-high ¥145, representing strong average annual growth of 29% over the past five years.

These solid results were driven by the progress we made with our three growth drivers, which we have continued to focus on, and the advancement of our financial strategy.

1. Evolving mobility: The core mission of the mobility business

The first growth driver is evolving mobility. We have a clear understanding of the responsibilities we have as a core member of the mobility industry in the domains of green and peace of mind, which we have positioned as two pillars for maximizing the value we provide. Based on this understanding, we have been actively accelerating initiatives that will facilitate this goal.

For the green domain, we have established a full product lineup across various powertrain types, including not only for BEVs but also HEVs, PHEVs, and FCEVs, in order to respond to the diversifying powertrain needs across the globe, thereby establishing a framework for meeting the diverse needs of our customers. In the peace of mind domain, we have been actively proceeding with the development and popularization of advanced safety systems with a view to eliminating traffic accident fatalities.

As a result of these efforts, revenue in fiscal 2025 reached ¥1,010.0 billion in the green domain and ¥503.0 billion in the peace of mind domain, signaling the steady progress we have



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made toward achieving the targets set under our Mid-term Policy for 2025, while contributing to society and delivering outstanding products that are chosen by customers.

2. Strengthening fundamental technologies: A core driver of electrification and intelligent technologies

The second growth driver is strengthening fundamental technologies. As vehicles become increasingly more intelligent, semiconductors and software have become fundamental technologies that influence the value of an automobile. Accordingly, we are proceeding with strategic investment in these technologies as a source of our competitiveness.

For semiconductors, we plan to invest a total of ¥500.0 billion over the period from fiscal 2024 to fiscal 2031, and investments are already underway. Through these investments, we have been steadily building a technological advantage in the mobility domain, including for power semiconductor and System on Chip (SoC) technologies. In the software domain, we aim to increase our software developers to 18,000 employees by fiscal 2031, 1.5 times the fiscal 2024 level, and are advancing recruitment and training initiatives to achieve this goal.

3. Creating new value: Expanding mobility across society

The third growth driver is creating new value. By applying the technologies and quality standards we have cultivated in the mobility domain, we have launched new full-scale initiatives to address social issues in areas such as energy, smart agriculture, and factory automation (FA). In fiscal 2025, we made progress in launching new businesses in each of these fields, and we will further accelerate business expansion going forward.

These three growth drivers will underpin our future growth. At the same time, they play a key role in our efforts to transition to a more profitable business portfolio with greater potential for growth, thereby enhancing the quality of our earnings foundation.

Making Progress with Our Financial Strategy—Achieving a Balance between Capital Efficiency and Market Confidence
In tandem with efforts to evolve our businesses, we are pushing forward with our financial strategy to enhance capital efficiency and realize stable growth.

To streamline our low-profit assets, we are striving to reduce cross-shareholdings on a continuous basis, decreasing the number of stocks held from 44 in 2019 to 13 as of the fiscal 2026 year-end. In fiscal 2025, proceeds from sales of cross-shareholdings reached ¥438.5 billion, which we are utilizing as capital for growth investments and shareholder returns. In terms of our capital structure, in fiscal 2025 we announced that we would acquire ¥450.0 billion over the course of the year, the largest-ever purchase in company history. In fiscal 2026, we intend to acquire ¥610.0 billion in treasury stock, again, the largest acquisition ever, with the aim of consistently achieving a total shareholder return (TSR) exceeding our medium- to long-term cost of capital, while curtailing capital increases. Furthermore, dividend on equity (DOE) reached 3.5% in fiscal 2025, up 0.2 percentage point year on year, increasing for the fourth consecutive year. In this way, we have been advancing both improvement in capital efficiency and strengthening of shareholder returns.

Our financial strategy is not limited simply to improvement in numerical values but rather serves as a vital means to demonstrate our ability to grow and further strengthen our trust-based relationships with capital markets. By enhancing both our business competitiveness and financial soundness, we will reinforce our foundation for future growth.

Unshakable Management Purpose and Commitment to Execution (Awareness of Issues)

Meanwhile, at the start of 2025, our share price fell below a price-to-book ratio (PBR) of 1x, and our TSR lagged behind the TOPIX. This reflected the reality that our value is not fully recognized by the market. Although we are aware that external factors, such as changes in the automotive industry and uncertainty in the EV market, played a role in determining our share price, we must take very seriously the current reality that our share price can fall below a PBR of 1x rather easily due to fluctuations in the external operating environment. Share prices are determined through evaluation of the market. While we cannot avoid short-term fluctuations in share price, we need to maintain our unshakable management purpose and deliver results through execution. To that end, we will strive to sincerely communicate the direction of DENSO's pursuits to capital markets to further strengthen our trust-based relationships with them.

Creating the Future through the Strengths of Our People and Technologies—Pursuing Our Growth Strategy and New Challenges

We have cultivated a proven track record to date, and we are now formulating a growth strategy with a view toward future growth.

Since our establishment, we have sought to resolve social issues through the strengths of our people and technologies, which represent the wellspring of our competitiveness. We remain committed to this approach today. In fiscal 2026, the final year of the Mid-term Policy for 2025, we will accelerate efforts toward the three aforementioned growth drivers with a view toward achieving the targets of the policy. At the same time, taking into account an analysis of the current issues we

face, we will steadily proceed with the preparation of new strategies aimed at tackling future challenges based on a medium- to long-term perspective. While we plan on announcing our new strategies for future growth at a later date, I would now like to speak about my personal approach to future growth for DENSO.

In the next 10 years, our operating environment will continue undergoing massive changes. As society changes, we will be confronted with new issues to address. At the same time, the scope for tackling such issues, e.g., our future growth potential, will broaden. To respond to the constantly changing social issues and realize sustainable growth, we will strengthen the following initiatives.

First of all, in the mobility domain, we will accelerate the development of competitive products and systems. To that end, we will strive to advance mobility through electrification, intelligent systems, and integration with social systems. At the same time, we will strengthen fundamental technologies such as semiconductors, AI, and materials; expand our product lineup; and innovate our development processes in order to respond to the diverse needs of each region and each client. We are entering an era in which mobility is integrated with social infrastructure to deliver new value, and DENSO will evolve to play a central role in this setting.

Next, for non-mobility domains, we will seek to horizontally roll out the highly reliable technologies we have cultivated in the mobility domain in areas such as semiconductors, food and agriculture (AgTech), factory automation (FA), and energy, thereby creating new value and establishing new business pillars. In each of our non-mobility businesses, we will draw on our long-cultivated mobility technologies while promoting collaboration with like-minded business partners in areas that we cannot fully respond to on our own.

In an era of complexity and uncertainty, the power of our people will be our greatest asset. No matter how advanced our technologies are, it is people who incorporate these technologies into products and services, transform them into value, and create the future. For this reason, I believe it is essential to align our human resource strategy more closely with our management and business strategies, with a focus on ensuring people's well-being and happiness. It is also critically important to actively invest in human capital in order to enhance both the value of our people and the added value they create. We will therefore focus on strategically recruiting, developing, and deploying talent with the necessary expertise while striving to enhance employee engagement. By fostering an organizational culture where individual aspirations of our employees resonate with the vision of the Company as a whole, we will maximize the capabilities of our people and organization, which in turn will serve as the driving force for creating the future.

In consideration of significant changes in society, we will steadily build a foundation for sustainable future growth by further enhancing the strengths of our technologies and people. While working earnestly to meet the demands of the times, we will strive to create even greater social and economic value. Guided by this ambition, we are currently moving forward with the formulation of the next Mid-term Policy.

Under the strategies we will announce in the near future, we will convey our approach through a specific growth story and signal to our investors a clear path for long-term growth.

Building Trust—Engaging in Dialogue with Markets

As I have outlined in this message, our pursuit of addressing social issues and realizing growth driven by the strengths of our technologies and people requires us to evolve to an even greater degree. The key to achieving success in this pursuit is building trust through dialogue.

To create greater social value by drawing on the potential of each employee to the greatest extent possible and fostering a culture of mutual inspiration, my first step will be to communicate my vision for management with our employees in an effort to build an organization in which the individual fulfillment and growth of employees align with the Company's strategic direction. However, no matter how strong our organization is, the grand objective of resolving social issues cannot be completed by one company alone. To that extent, we will seek to refine the strengths of our technologies and people through open and constructive dialogue with a diverse range of stakeholders, starting with customers, shareholders, and suppliers, so that we can work together with them to create value that is genuinely needed by society. Dialogue with investors, in particular, serves as a tremendous opportunity to demonstrate the appropriateness of our management decisions, as well as a chance for DENSO's leadership to adopt a broader perspective and make more effective decisions. We will therefore continue to enhance efforts to communicate our corporate strategies and their progress and outcomes while sincerely incorporating the feedback we receive from these dialogues.

The underlying principle in all the efforts I make as the head of DENSO is to shape the future of society and drive corporate growth by evolving technologies with the aim of ensuring people's well-being. Rather than basing our actions on temporary market evaluation, I am committed as the leader of DENSO to improving fundamental corporate value through dialogue.

Moving forward, we will continue to evolve DENSO's uniqueness and strengths that have been built up by our predecessors so that we can pass them on to the next generation. By doing so, I pledge that we will create the future together with our employees and continue to be a company that is truly trusted by society.

September 2025

Shinnosuke Hayashi
President & CEO,
Representative Member of the Board

Message from the Chief Quality Officer

Delivering Unchanging, Reliable Quality in Constantly Changing Times



Yasuhiko Yamazaki

Executive Vice President
Chief Quality Officer

Reviving “The DENSO of Quality” — Reflections on the Fuel Pump Recall Issue

Since its establishment, DENSO has adopted the company motto of “Quality and Safety First” and has passed down this management philosophy across generations. Despite these efforts, starting in 2020, a major recall involving our fuel pumps was reported by several automakers, which ended up becoming the largest quality-related issue in the Company’s history. This issue caused a great deal of concern and inconvenience among our stakeholders. Meanwhile, thanks to the great support and cooperation of many of our business partners and other stakeholders, we were able to accomplish the delivery of replacement parts, and I would like to express my deepest gratitude to all parties involved.

In fiscal 2025, although there were no additional provisions related to this fuel pump recall, several other quality-related issues occurred. We understand that these issues have caused a great deal of concern and inconvenience among our customers, users, and other stakeholders and we take them very seriously. These issues have also significantly impacted our own financial performance. Accordingly, we are working to improve quality and to revive “The DENSO of Safety and Quality,” as one of our highest priorities in management.

Addressing New Quality-related Challenges in a Changing Business Environment

With the shift toward electrification, rising needs for automated driving, and widespread adoption of software-defined vehicles (SDVs), the operating environment with respect to quality is undergoing significant changes. With more and more domains of automotive functions becoming dependent on software, it has become increasingly important to ensure quality across multiple functional domains. Furthermore, global competition is becoming more intense, and there is a growing need to shorten the period for product development to half the time that was previously allotted. Under these circumstances, we must make sure that we can develop products that offer our greatest competitive edge—quality—at an unprecedented speed. To address the constantly changing quality-related challenges, DENSO is accelerating the following initiatives.

Improve the quality of software: To create high-quality software, we have defined in detail the elemental technologies for software development and certify specialists in each relevant domain. At the earliest stage of development, we identify the required elemental technologies and assign certified specialists to each technology, who then review the designed deliverables. Through this process, we are working to enhance the quality of our software. DENSO has introduced SOMRIE®, which provides an objective certification of skills, and established a target to triple the number of experts in each domain of its technologies from 2023 to 2030,

thereby accelerating the cultivation of software experts. At the same time, we will actively utilize AI in software development. By leveraging AI for up to 40% of the development process, we aim to eliminate human error.

Enhance the quality of in-vehicle electronic components: Our products contain hundreds to thousands of electronic components, each of which is required to meet high-level quality standards. To enhance our ability to detect defects at suppliers and within DENSO, we ask our suppliers to provide information on manufacturing methods and inspection processes while ensuring the necessary protection of confidential information and supplier know-how. This allows us to optimize inspections across the entire supply chain, from supplier to the Company, in an efficient and effective manner, thereby bolstering our full ability to detect defects.

Increase work quality and efficiency by utilizing AI: We will work to organize and standardize the complex flow of goods and information within our work processes. In addition, we will bring together assets such as the know-how that we have cultivated to date and lessons learned from past failures. Through the use of AI technologies, we will communicate the necessary information for ensuring quality in a timely and appropriate manner, based on our long-cultivated insights. In this way, we will further bolster the quality and speed of all work processes, from development to production. We are proceeding with development activities with the aim of introducing AI technologies in all work processes by fiscal 2028.

Fostering a Healthy Corporate Culture That Engenders a High Level of Compliance Awareness

Looking back on the overall automotive industry in 2024, multiple companies were found to be involved in certification fraud. At DENSO, we conduct awareness-raising activities for employees annually through training on certification-related regulations. In light of the certification fraud that occurred at other companies, we have also carried out a Companywide inspection and are rigorously enforcing compliance with laws and regulations. Additionally, as another measure to prevent any misconduct from occurring, we have set up a framework with nine checkpoints within the processes before mass production and shipment, including a check procedure by department that specializes in certification and regulatory affairs, which is independent from the development and testing divisions, and a double-check procedure by the quality assurance department, which is independent from the certification department.

In addition to such frameworks, we need to have in place a work culture that facilitates good communication and engenders a high level of compliance awareness if we are to prevent misconduct from occurring. To that end, we are constantly working to maintain a culture that embraces an honest exchange of opinions between supervisors and subordinates so that every employee understands the real issues and works to tackle them together.

Meeting the Expectations of Society through Quality Everyone Can Trust

“Be trustworthy and responsible”—these words, engraved in the DENSO Creed, remain an unwavering guiding principle for our commitment to quality, even as the business environment continues to undergo significant change. By anticipating change and practicing the right approach to our work, we promise to meet society’s expectations to maintain a standard for quality that ensures our products can be used safely by anyone. We ask for your continued support as we pursue these endeavors moving forward.