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Awareness of Business Environment

Amid the ever-increasing global population, aging societies, and advancing urbanization, the progression of global warming and the increase in traffic accidents are becoming serious social issues. In addition, people's values are diversifying and these issues are becoming more complex as a result of the digitalization of society and the advancements in intelligent robotics, as well as rising geopolitical risks. In addressing these emerging social issues, as in realizing a recycling-oriented society and an optimal energy balance, easing traffic congestion, and achieving decarbonization, there is a growing need to implement new mobility solutions in coordination with social infrastructure, including the evolution of IoT and AI technologies, vehicle electrification, automated driving, and connected driving, while also extending and applying these technologies, which have been cultivated in the mobility domain, to domains other than mobility.

Going forward, we will continue to pursue the resolution of social issues while accurately assessing and responding to risks that may have an impact on society and our business activities, as well as opportunities related to these various developments in society.

Forecasts of Future Society

Politics

- Tightening supply–demand situation for energy across the globe and the shift from low carbon to carbon free
  - Need for international cooperation to mitigate climate change in light of the urgent need to address global warming ····· ①
  - Necessity of promoting renewable energy and hydrogen usage ····· ①
  - Restrictions on power generated from fossil fuels and internal combustion engines ····· ①
- Establishment and expansion of laws to control adverse impacts on the environment and human rights throughout the entire supply chain ····· ①②
- Intensifying division and confrontation due to differences in political structures (trade, technologies, human rights, etc.) ····· ④
- Rising geopolitical risks ····· ①②③④

Economy

- Stagnant economies in advanced countries, rise in prominence of Global South, and global multi-polarization ····· ②③④
- Rise in nationalism due to growing regional disparities ····· ③④
- Establishment of economic blocs advantageous to individual countries and ongoing regional optimization ····· ④
- Expansion of ESG investment and acceleration of rulemaking for ESG information disclosure ····· ①②

Society

- Threat to the sustainability of society due to an increase in population, with the global population exceeding 8.5 billion people ····· ①②③④
- Aging populations around the world, declining workforces, growth in life expectancies ····· ②③④
- Urbanization in emerging countries, urban regeneration due to the shift to smart and compact devices, and an increase in logistics volumes ····· ③④
- Consumption behavior becoming more ethical and experience-based with a shift to the sharing economy ····· ①②
- Progression in the transition to labor offered by AI and robotics, and changes in work ethic and available free time ····· ②

Technology

- Integration of digital and physical domains due to the proliferation of IoT-related technologies (communications and other devices) ····· ②
- Productivity enhancement and value chain integration through the use of big data ····· ①②③
- Transition to the use phase of AI and quantum computer utilization and the versatile implementation of AI in manufacturing, finance, and services ····· ②③
- Accelerating shift to non-contact technology and full automation in various industries ····· ①②

Keywords for Social Changes by 2030

1 Shift toward a carbon-free society and a circular economy
Changes in the powertrain mix (electric vehicles, internal combustion engine vehicles), energy savings, renewable energy, and resource recycling

2 Diversification of people's values and consumption behavior
Diversifying consumption behavior and value systems
Evolution of IT communications × Automobiles

3 Emergence of social issues
Aging populations, uneven distribution of population, and congestion

4 Structural changes and instability within the international community
Political conflicts and geopolitical risks
Growth of new emerging markets

Risks and Opportunities / Response Measures to Risks and Opportunities

1 Shift toward a carbon-free society and a circular economy

Risks
- Tightening and acceleration of environmental regulations on the automotive industry
- Introduction and expansion of environmental taxation by the governments in each country and region
- Increasing demand for the transition to carbon neutrality within the product production process

Opportunities
- Increasing needs for systems to respond to electrification and alternative fuels (e-fuel, hydrogen fuel, and biofuel)
- Heightened expectations for new technologies that contribute to carbon neutrality and resource recycling (generation and use of hydrogen, traceability, etc.)
- Growing demand for highly efficient production technologies that achieve solid energy-saving effects

Regarding the risk of climate change, we believe there will be greater opportunities for us to popularize our long-cultivated technologies for fuel efficiency, low exhaust gas, and electrification around the world. Also, particularly in Europe, expectations are increasing with respect to initiatives for the creation of a recycling-based society. Through flexible cooperation and co-creation with other companies, we aim to accelerate the development of technologies for reducing CO_2 emissions and realize the stable supply of such technologies on a global scale. At the same time, we will help reduce CO_2 emissions across society through the development of new technologies such as those that generate and use hydrogen and the traceability technologies needed for resource recycling. With a view to achieving a carbon-free society and a circular economy, we will also strive to reduce and curtail CO_2 emissions across our supply chain and promote resource recycling.

2 Diversification of people's values and consumption behavior

Risks
- Reduction in transportation as digital technologies proliferate and consumption patterns change
- Intensifying competition due to the increasing entry of IT companies able to address diversifying values

Opportunities
- Heightened awareness of "peace of mind," leading to the diversification of technologies related to peace of mind and expansion in value systems (safety awareness, pursuit of comfort, privacy, disaster alerts, etc.)
- Rising need for added value due to the accelerating shift to digital technologies and IT

By swiftly responding to diversifying needs such as automated driving and the provision of safe and comfortable vehicle interiors, we can increase the number of growth opportunities for DENSO. To respond to the risk of companies from other industries entering the automotive industry, we are collaborating with other companies both inside and outside the automotive industry to leverage our respective fields of expertise while also strengthening our unique technological and *Monozukuri* (manufacturing) capabilities. By doing so, we will invigorate our development activities in new domains with a sense of speed.

3 Emergence of social issues

Risks
- Delays in developing and commercializing technologies in response to increasingly complex and intricate material issues (Materiality)

Opportunities
- Expansion of businesses that contribute to the resolution of social issues (growing needs for automated driving, the prevention of traffic accidents, food safety, electrification to address labor shortages, etc.)

Alongside the proliferation of material goods, social issues such as aging societies, the depopulation of rural areas, overcrowding of urban areas, and traffic congestion have become more severe. To resolve these issues, we will accelerate the development of technologies that help prevent accidents and eliminate traffic congestion. By leveraging the know-how we have cultivated through our *Monozukuri* activities, including in-vehicle, automation, and IoT know-how, we will strive to constantly develop technologies and create businesses in the non-automotive domain that help keep people safe and work to expand these technologies and businesses across the globe.

4 Structural changes and instability within the international community

Risks
- Rising threats toward DENSO's business management (military strikes, cyberattacks, etc.)
- Revisions to business models (regulation response and supply chains) due to divisions between countries and regions

Opportunities
- Progressing expansion of new markets and business partnerships with the aim of resolving social and environmental issues

Against the backdrop of differences between political structures, the international community is becoming increasingly confrontational and factionalized in various fields, and we forecast that this will bring about dramatic change in our operating environment and increase business risks. To achieve stable business management under these circumstances, we are strengthening our governance and risk management systems so that we can respond flexibly to changes and risks.

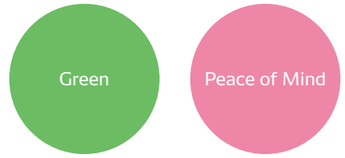
Social Changes as of 2030 and Key Initiatives for DENSO

We are narrowing down our forecasts of future society, revising them through PEST (political, economic, social, and technological) analysis, using social changes as of 2030 as a key theme. In accordance with this theme, we have analyzed risks and opportunities and identified key initiatives for DENSO moving forward. We will work to gain an accurate understanding of the outlook for the CASE revolution and changes in the mobility society, and thoroughly examine whether or not these changes will have an impact on the key initiatives of DENSO.

Key Initiatives for DENSO

Maximizing the Value of Green and Peace of Mind to Be Inspiring

The rapid changes in society that will occur going forward, such as changing values and behavior, present a significant opportunity for a company such as DENSO, which has continued to refine technologies and gain experience in the mobility domain. With the aim of reducing our environmental burden and realizing a society without traffic accidents, we will actively promote the creation of a better mobility society with a view to achieving the goals of "lasting vitality for the environment" and "safe, comfortable, and flexible mobility for all people." Furthermore, we will leverage the technologies we have cultivated through semiconductors, software, other automotive products, systems development, and *Monozukuri* to offer peace of mind and safety not just in the mobility domain but to all people in society. By doing so, we will continue to create new value.



Reinforcing the Corporate Foundation That Underpins Our Value Creation

To flexibly resolve social issues, which are becoming more complex and diverse, and increase corporate value, we need to strengthen our risk management and other governance frameworks with the goal of revising our organizational management framework and minimizing the impacts of risk. It is also important that we cultivate human resources able to enhance corporate value. In these ways, we will support the creation of high-quality value at faster speeds by reinforcing our management foundation.

Materiality

We have determined material issues (Materiality) to be addressed in order to achieve our Long-term Policy for 2030 and are accelerating sustainability management. Among our social forecasts based on our awareness of the projected business environment of 2030 as well as the various social issues that are present today, including those highlighted in the SDGs, we have adopted the three themes of "green," "peace of mind," and "corporate foundation" as areas that have a high level of importance for realizing a sustainable society and areas in which we can make particularly significant contributions. By achieving these KPIs for each field through our business activities, we will strive to realize our Long-term Policy for 2030 and resolve social issues going forward.

Materiality

In fiscal 2019, DENSO selected important issues from among the various issues society faces within the three areas of "green," "peace of mind," and "inspiring" declared under DENSO's Long-term Policy for 2030. In recent years, interest has increased in Materiality among companies as countries move to codify into rules the disclosure of not only financial impact but also non-financial information.

In light of this trend, DENSO is currently updating its material issues (Materiality) to align with changes in social issues since 2018. Management will incorporate these updated material issues (Materiality) as underlying assumptions in the next Mid-term Policy and tackle them Companywide. (Process for Reviewing Materiality, P.30)

Materiality KPIs

We establish KPIs for each material issue (Materiality), incorporate them into Company targets, and follow up on and discuss their status at the Sustainability Meeting (starting in fiscal 2026), the Management Deliberation Meeting, and the Board of Directors' meeting. Furthermore, the level of achievement for some KPIs is evaluated as a calculation index for executive compensation. P.91–92

In order to advance initiatives across the entire DENSO Group, starting in fiscal 2025, DENSO expanded the scope to include women in management positions, Health Score, employee engagement, and human rights.

	Materiality	Vision	KPIs		Fiscal 2025 Targets	Fiscal 2025 Results	Fiscal 2025 Overview of Initiatives	Fiscal 2026 Targets	Related SDGs
Green	Prevention of global warming ◎ Prevention of air pollution / Reduction of environmental burden ◎ Effective utilization of resources ◎ Conservation of water resources	Contribute to an eco-friendly and sustainable society by reducing environmental burden and realizing highly efficient mobility • Reduce our CO_2 emissions from our factories to zero • Contribute to the electrification of automobiles and reduce our CO_2 emissions to the greatest extent possible • Contribute to realizing a carbon-neutral society through technologies that use hydrogen as a clean energy • Reduce environmentally harmful substances, emissions, and waste to help permanently preserve the global environment	• CO_2 emissions from plants (compared with fiscal 2021) (including carbon credit use)		75% reduction	76% reduction	• Introduced energy-saving technologies (Energy Conservation Grand Prize winner) • Expanded adoption of renewable energy	100% reduction	
			• Popularization of products in the electrification domain (Electrification domain revenue)		¥988.0 billion	¥1.01 trillion	• Increased sales of electrification products, such as inverters, motor generators, and thermal management solutions • Commenced inverter production at DENSO FUKUSHIMA CORPORATION (global four-pole, eight-site structure)	¥1.2 trillion	
Peace of Mind	Reduction of traffic accidents ◎ Provision of flexible and comfortable movement ◎ Provision of safe and secure products ◎ Response to decrease in birthrate and aging population ◎	• Popularize safe products in order to eliminate fatalities due to traffic accidents • Address the need for ensuring a safe air environment and provide comfortable spaces • Support working people by offering technologies that help resolve the issues associated with a declining workforce • Provide high-quality safety products that satisfy and gain the trust of customers	• Popularization of safety products (ADAS domain revenue)		¥490.0 billion	¥503.0 billion	• Expanded sales of ADAS-related products, such as GSP3	¥520.0 billion	
Corporate Foundation	Compliance	• Ensure that each employee acts in a fair, honest, and ethical manner while complying with laws and regulations in each country and region	• Serious violations of laws (changed to serious compliance violations in fiscal 2026)*1		None	None	• Fostered greater awareness of compliance through messages from senior management, compliance testing, and small group meetings in the workplace	None	
	Information security ◎	• Provide safe and reliable products to customers, protect information assets, and prepare for cybersecurity risks that the "connected society" faces	• Serious incidents		None	None	• Strictly enforced information confidentiality rules • Implemented security training, including emergency response • Deployed cutting-edge security technologies based on zero-trust architecture	None	
	Diversity and inclusion	• Promote the development of people, organizations, and the working environment to encourage our employees to maximize their abilities and work with enthusiasm and peace of mind • Respect the rights of all our stakeholders, including our employees and people throughout our supply chain, in our business activities • Pursue business activities that take into account environmental issues, human rights issues, and compliance together with our suppliers	• Number of non-Japanese employees promoted to leadership roles at overseas bases		32%	32%	• Provided training and appointed future leadership candidates • Implemented global selective training programs	35%	
			• Women in management positions (by region beginning in fiscal 2025)		Japan: 2.3% Asia: 29%, etc.	Japan: 2.2% Asia: 29.4%, etc.	• Introduced mentoring tailored to the characteristics of managerial candidates • Integrated administrative and career-track positions in Japan	Global: 8.4%	
	Safe and healthy working environment		• Employee Health Score*2 (Japan); set as KPI in each region outside Japan in fiscal 2026		45%	48%	• Japan: Promoted internal awareness through individual notifications, Health Score explanation videos, and workplace-specific reporting tools • Overseas: Established KPIs based on region-specific issues	Japan: 49% Asia: Health Score (Asia version) 40%, etc.	
			• Number of serious incidents		None	None	• Undertook reviews of effectiveness of preventive measures (verification and on-site confirmation) • Gathered and addressed concerns, shared best practices through safety communication and cross-functional confirmation activities*3	None	
	Workstyle reform / Job satisfaction enhancement		• Percentage of affirmative responses with respect to employee engagement by region (year-on-year change)		Japan: +2% Asia / China: +1%, etc.	Japan: +2% Asia: ±0% China: +2%, etc.	• Japan: Provided career development support (managers and subordinates) and organization development workshops led by internal and external trainers • Overseas: Introduced flexible workstyles not constrained by time or place, and reviewed evaluation and disparate compensation systems	Japan: +2% Asia / China: +1%, etc.	
	Protection of human rights / Sustainable procurement		• Human rights training by region		Japan: 100% training participation rate Asia: Implement training programs for new employees, etc.	Japan: 100% Asia: Training programs fully implemented for new employees, etc.	• Implemented training and engaged in workplace discussions tailored to local issues Japan: Implemented harassment prevention measures	Japan: 100% training participation rate Asia: Implement training programs for managers and new employees	
	Corporate governance	DENSO will support the above targets for Materiality and advance toward a more effective governance system as necessary based on factors such as social trends, changes to the external environment, and DENSO's corporate culture.							

◎ Targets that can be achieved using our products and services

*1 Scope expanded to include not only laws and regulations but also social norms and corporate ethics
*2 Health Score: The percentage of individuals achieving BMI targets and at least six out of seven healthy behaviors
*3 Site inspections conducted by third parties, such as heads of other divisions

For more details on Materiality and KPIs, please see the following website.
https://www.denso.com/global/en/about-us/sustainability/sdgs/

Review of Materiality

Taking into account changes in social issues and the business environment, DENSO updated the material issues (Materiality) it last identified in 2018. After comprehensively identifying social issues of high concern and disclosing them to stakeholders and the greater international community, we evaluated opportunities and risks from the perspectives of both the impact of DENSO's business activities on society and their importance to DENSO, and conducted a quantitative assessment with the time horizon in mind. In considering the proposed material issues, we reflected on the views and expectations expressed by key stakeholders representing the value chain, including customers, business partners, investors, employees, and local communities, before finalizing these material issues. Subsequently, following further deliberation by management, the issues were approved by the Board of Directors. We are now setting targets with these material issues as the basis for the next medium-term management plan, while formulating action plans for each division and region.

Going forward, we will review our Materiality annually in light of changes in the sustainability landscape, and twice a year at the Sustainability Meeting, we will monitor the progress toward achieving each material issue.

Process for Reviewing Materiality

Ensure comprehensiveness

Identification of Social Issues

We identified economic, environmental, and social issues while referring to the SDGs, the Global Risks Report produced by the World Economic Forum (Davos conference), sustainability disclosure frameworks and regulations, and evaluation items from ESG rating agencies. A total of 116 areas were selected for assessment.

Reflect DENSO's uniqueness

Identification of Key Strategies and Issues for DENSO

In light of the increasing complexity in the business environment, we listed initiatives that DENSO should pursue Companywide and areas where its crisis response capabilities should be enhanced. A total of 22 areas were added as candidates for assessment.

Evaluate

Quantitative Assessment

For the assessment areas, we screened out opportunities and risks for DENSO and established evaluation criteria from the perspectives of impact on society and importance to DENSO. The impact on society was scored by severity (scale, scope, recoverability) and likelihood of occurrence, while corporate importance was scored by monetary impact and likelihood of occurrence, in the formulation of proposed material issues (Materiality).

Confirm expectations from society

Dialogue with Internal and External Stakeholders

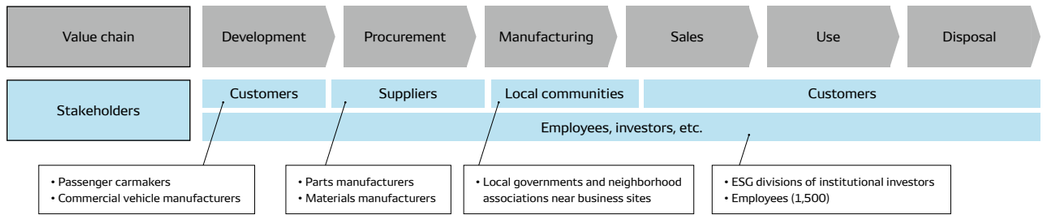
We engaged in dialogue with representatives of stakeholders across the value chain to gather opinions on the proposed material issues (Materiality) and their expectations of DENSO. As a result of these exchanges, we revised the quantitative assessment of three areas.

Finalize

Discussion and Approval at Management Level

The proposed material issues (Materiality), revised to reflect stakeholder feedback, were discussed and approved by the Management Deliberation Meeting and the Board of Directors.

Dialogue with Internal and External Stakeholders

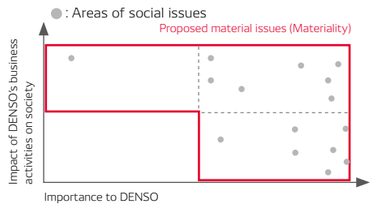


Comments from Stakeholders

Customers: The importance of respecting human rights throughout the supply chain is increasing, and it is also becoming a business risk. In light of its plan to request suppliers to step up their initiatives, we would also like DENSO to raise the priority of this issue and take action to minimize the risks.

Institutional investors: The areas that DENSO selected are agreeable. Going forward, we would like DENSO to clearly communicate how Materiality contributes to enhancing corporate value, along with clarification of its medium- to long-term targets.

Formulation of Proposed Material Issues (Materiality)



Targets and Results for Mid-term Policy for 2025

In fiscal 2023, we formulated the Mid-term Policy for 2025 with a view to giving concrete form to the Long-term Policy for 2030 slogan: Bringing hope for the future for our planet, society, and all people. Centered on the principles of green and peace of mind, we have outlined our vision for 2025 and determined priority issues for realizing this vision. As part of our green and peace of mind strategies, we have determined targets for maximizing the value we provide to society through our business activities under each of these priority issues. Members of the Company's management have set forth below the management policies we have in place for reaching these targets and the strategies to improve corporate value.

Vision for Our Green and Peace of Mind Strategies

Lead the World as a Carbon-Neutral Manufacturer While Contributing to the Advancement of Society

Green

	Fiscal 2025 Results	Targets for Mid-term Policy for 2025	Targets for Fiscal 2036
■ *Monozukuri*	Reduced CO_2 emissions from plants by 76% (compared with fiscal 2021)	Achieve carbon neutrality (including the use of credits)	Become completely carbon neutral without the use of credits
■ Mobility products / Energy use	Expanded global supply structure for electrification products Implemented verification test for promoting the widespread utilization of hydrogen	Expand sales of electrification products (inverters and battery ECUs) Lay the foundation for the market launch of an energy business	Achieve carbon neutrality through mobility products and energy utilization
■ Revenue in the green domain	Fiscal 2025 results: ¥1,010.0 billion	Target revenue for the Mid-term Policy for 2025: ¥1,200.0 billion	Targets for Fiscal 2036 Further expand profits through growth in the electrification business and non-mobility businesses

Become a Leading Company Offering Peace of Mind to Society

Peace of Mind

	Fiscal 2025 Results	Targets for Mid-term Policy for 2025	Targets for Fiscal 2036
■ Elimination of traffic accident fatalities	Expanded sales of ADAS products and promoted their widespread adoption	Launch new ADAS products in the market Expand accident scenario coverage to 56%	Provide unrivaled value in the peace of mind domain through collaboration between people, vehicles, and infrastructure Expand accident scenario coverage to 100%
■ Support for working people	Began accepting commercial orders for fully automated harvesting robot Artemy® in Europe	Establish commercialization strategy together with partner companies	Commence new businesses in the fields of energy, factory automation, and food and agriculture
■ Revenue in the peace of mind domain	Fiscal 2025 results: ¥503.0 billion	Target revenue for the Mid-term Policy for 2025: ¥520.0 billion	Targets for Fiscal 2036 Realize growth in the ADAS business through HMI collaboration Commercialize the value of providing peace of mind in non-mobility domains

Initiatives to Realize the Target Profile in Mid-term Policy for 2025

1. Realization of Sustainability Management

Establish a Solid, Unshakable Business Foundation

Financial Capital, Risk Management P.41–47, 98–99

Initiative	Achievements up to fiscal 2025	Issues and direction going forward
Safety and quality Establish a sound safety and quality foundation	• Established and entrenched rules and frameworks; reduced dependence on individual employees through the utilization of tools and digital technologies	• Further reduce quality-related risks, including by enhancing initial response measures • Respond to new quality-related issues resulting from the evolution of products, such as the expansion of SDVs
Risk management Enhance level of risk management initiatives	• Clarified rules for responding to emergencies • Introduced predictive management for all risk items	• Develop, expand, and instill new Groupwide risk management processes • Strengthen Companywide framework for economic security management
Earnings Establish a robust earnings structure by promoting reforms to our business portfolio	• Concentrated resources and expanded sales in focus fields (electrification and advanced safety products); proceeded with the disposal of internal combustion product businesses • Led the development of mechanisms, in collaboration with industry associations, to incorporate fluctuations in material and labor costs into pricing, setting in motion a positive cycle	• Achieve non-linear business growth through collaboration with partners in non-automotive domains • Establish schemes to reflect factors for cost fluctuations, such as tariffs, in prices

2. Bold Pursuit of Work Grounded in the DENSO Philosophy

Transform Workstyles through Digitalization with the Aim of Realizing World-First and World-Best Offerings

Intellectual Capital, Manufacturing Capital P.53–60

Initiative	Achievements up to fiscal 2025	Issues and direction going forward
Transformation of business processes	• Development of digital infrastructure: Introduced a digital device with Microsoft 365 account to each employee; began utilizing AI in day-to-day work processes, etc.	• Transform work processes based on the premise of digital technology and AI utilization
Transformation on the production front lines	• Promoted digitalization in production improvement processes • Announced plan to build a next-generation plant with 24-hour unmanned operation through automation (scheduled to begin operations in 2028)	• Entrench attractive workstyles geared toward the future of *Monozukuri*

3. Business Portfolio Transformation

Transform Business Structure by Achieving Growth and Promoting De-Emphasis and Discontinuation in Collaboration with the Industry and Our Business Partners

Capital Strategies, Overview by Product P.40–82

Initiative	Achievements up to fiscal 2025	Issues and direction going forward
Expansion of growth domains and de-emphasis and discontinuation of low-profit businesses	• Expanded sales channels and revenue of products in the electrification domain (revenue of ¥1,010.0 billion in fiscal 2025) • Expanded sales channels and revenue of products in the peace of mind domain (revenue of ¥503.0 billion in fiscal 2025) • Executed seven business disposals/sales in domains of de-emphasis and discontinuation (as of September 2025)	• Further evolve core technologies with a view toward future growth • Further expand and improve profit structure in focus fields

4. Realization of Carbon Neutrality

Lead the Industry in Becoming Carbon Neutral

Strategies for Green and Peace of Mind, Efforts to Maximize the Value of "Green" (TCFD) P.34–35, 64–67

Initiative	Achievements up to fiscal 2025	Issues and direction going forward
Driving force for carbon neutrality across the industry	• Forecast the achievement of carbon-neutral *Monozukuri* during 2025 (including the use of carbon credits) • Commenced introduction of low-CO_2 materials and renewable energy	• Formulate specific plans for achieving carbon neutrality without the use of carbon credits • Drive carbon neutrality across the entire supply chain

5. Creation of New Value

Achieve Business Growth through the Provision of Products and Solutions in New Fields

Materiality, Intellectual Capital P.28–30, 53–57

Initiative	Achievements up to fiscal 2025	Issues and direction going forward
Provision of products and solutions in non-mobility domains	• Launched agricultural business by turning company with advanced greenhouse technology into a subsidiary	• Further pursue the resolution of social issues leveraging mobility technologies • Achieve non-linear business growth through M&As

Green Peace of Mind New Businesses Corporate Foundation

DENSO Integrated Report 2025
Growth Strategy

Initiatives to Increase the Sophistication of Management at Group Companies

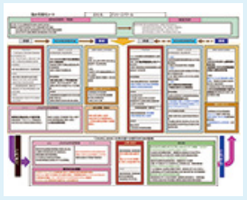
The DENSO Group comprises 188 Group companies in 35 countries and regions around the world. These Group companies work to increase the sophistication of their management by collaborating with each other while assessing and analyzing the DENSO Philosophy, the characteristics of their respective markets, and their strengths and weaknesses. By doing so, they strive to achieve the targets of our medium-term management plan and drive further growth.

Example in Japan: Visualizing the Future of Each Company Using Management Design Sheets

As the operating environment continues to undergo rapid changes, we carried out initiatives to outline our value creation pathways making use of the Management Design Sheet recommended by the Cabinet Office of Japan. These initiatives are aimed to help Group companies identify areas in which they can contribute in order to achieve sustainable growth.

From among the domestic Group companies pursuing business portfolio transformation, 33 promising employees from 10 volunteer companies participated, along with four advisors. Over a roughly six-month period starting from July 2024, these participants made use of the Management Design Sheet framework to review the long-cultivated strengths and future prospects of their respective companies, based on which they organized strategies. At monthly study sessions, participants shared their analyses and engaged in repeated discussions. At the final session, participants presented the results of their analyses to executives at the head office.

Through these initiatives, each company was able to clarify its position and strengths and accelerate examinations aimed at redefining its respective role. Not only did these initiatives help strengthen ties between participating companies to address shared issues, they also helped draw attention to gaps in the perspectives of participating members and management of Group companies through dialogues between these two parties. In these ways, the initiatives helped each company better recognize its challenges and align its management approach accordingly. The results of the analyses, the value creation stories created, and the issues identified will be reflected in our next Mid-term Policy, thereby serving as a foundation for further increasing the sophistication of our Groupwide management.



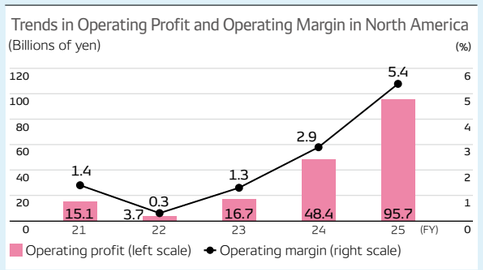
Example Overseas: Pursuing Structural Reform in North America through the One North America Initiative

To accelerate growth on a Groupwide basis, it is essential to not only ensure sound corporate governance but also enable our overseas locations to formulate and execute strategies interdependently, rather than operating directly under the lead of our headquarters in Japan.

DENSO has long promoted the independence of its overseas locations. However, following the outbreak of COVID-19 in the early 2020s, cross-border travel became severely restricted, and this resulted in our management becoming more locally driven out of sheer necessity. In fiscal 2022, Group companies in North America adopted the One North America (NA) initiative under which they accelerated regional efforts to revitalize local management, guided by the "Reborn21" plan.

Firstly, in order to rigorously ensure safety and quality governance, the regional Chief Monozukuri Officer (CMzO) visited all locations to assess conditions and promote measures for improvement. Next, to restore earning power, a detailed analysis of profitability was conducted at each local company. Based on the results of this analysis, we worked to consolidate and integrate offices while reassigning production items across countries and offices based on the characteristics of each office. By doing so, we bolstered profitability. Furthermore, we promoted the strategic exchange of personnel, including by appointing talent with proven experience and skills to management positions at the regional headquarters. In this way, we sought to cultivate leadership personnel with a deep understanding of local markets and enhance the quality of management by fully utilizing the capabilities of local talent.

Through these efforts, profitability in North America has been improving since fiscal 2022, and the region remains committed to pursuing even greater value creation.



Green Strategy

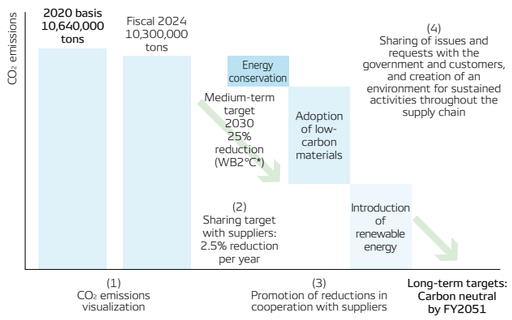
Striving toward Carbon Neutrality throughout the Value Chain

As the world accelerates decarbonization efforts, DENSO has been boldly tackling environmental issues through initiatives for environmentally friendly *Monozukuri*. Specifically, we have been developing mobility products with excellent fuel and energy-saving technologies, which have been areas of strength since our founding. In fiscal 2022, we declared that our goal was to achieve complete carbon neutrality in *Monozukuri* activities by fiscal 2036 and contribute to carbon neutrality across all of society. Since then, we have been increasing the pace of efforts to achieve carbon neutrality throughout the entire value chain. For details on this goal, please see "Efforts to Maximize the Value of 'Green' (TCFD)" on P.64–67.

Scope 3: Upstream (Suppliers)

CO_2 emissions reduction target: 25% by FY2031 (versus FY2021), carbon neutral by FY2051

Road Map for Scope 3 Carbon Neutrality



Deepening Collaboration between DENSO and Suppliers

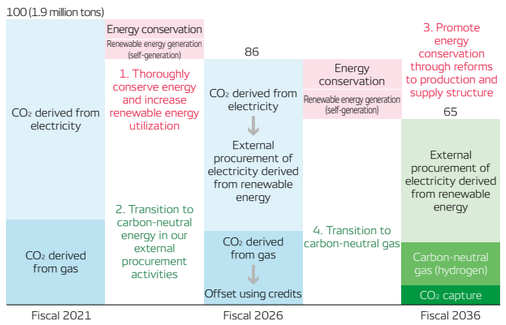
With the aim of realizing carbon neutrality, DENSO is working with its suppliers to visualize CO_2 emissions throughout its supply chain. Having shared specific CO_2 emissions reduction targets with 360 major suppliers, we are promoting various initiatives to attain these targets. For example, DENSO provides examples of how to promote energy conservation and technological assistance, procures renewable energy, and has switched to low-CO_2 materials. While proactively engaging with suppliers, DENSO helps them find solutions to these issues.

* The target of keeping the rise in temperature well below (WB) 2℃, which is a Scope 3 target under the 1.5℃ standard

Scope 1 and 2: DENSO Plants

CO_2 emissions reduction target: Completely carbon-neutral *Monozukuri* by FY2036

Road Map for Scope 1 and 2 Carbon Neutrality



Realizing New *Monozukuri* through Unflagging Efforts and Innovative Technologies

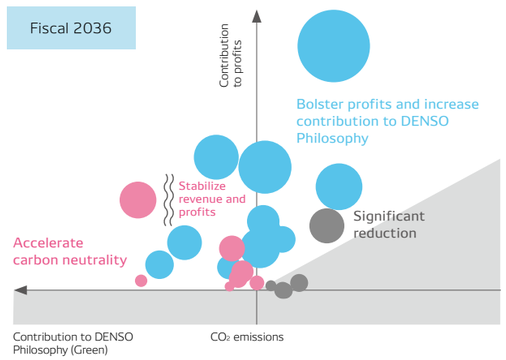
DENSO is thoroughly implementing energy-saving activities, which have always been one of its strengths, and securing and utilizing renewable energy sources, including the utilization of carbon credits. In addition, we are developing innovative energy-creating technologies by combining our many different types of manufacturing expertise. At model plants in Japan, we will verify and enhance the leading-edge technologies required for energy creation and then incorporate them into optimal energy creation activities tailored to the energy situations of respective regions.

Also, by introducing internal carbon pricing (ICP) into business feasibility assessments, which serve as an indicator for investment decisions, we are virtually converting CO_2 emissions into losses and reflecting them in these assessments. Consequently, ICP is accelerating our investments in energy-saving measures and renewable energy facilities.

Scope 3: Downstream (Product Use)

CO_2 emissions reduction target: 25% by FY2031 (versus FY2021)

Relationship between CO_2 Emissions and Profits by Product Category



Accelerating Business Portfolio Transformation

When analyzing business strategies, to accelerate business portfolio reforms, the Strategy Deliberation Meeting discusses the positioning of and strategies for each product category based on three decision-making criteria: CO_2 emissions, profitability, and growth potential. As a result of this approach, we are promoting (1) the rightsizing and withdrawing of internal combustion engine (ICE) products, (2) a shift of resources to battery electric vehicles (BEVs) and other areas of the vehicle electrification field, and (3) a changeover to new businesses, such as those that utilize renewable energy. Thanks to these activities, the growth of revenue from our inverters, heat management systems, and other products in the vehicle electrification field is outpacing market growth. By fiscal 2026, we aim to double revenue from this field compared with that of fiscal 2022, to ¥1.2 trillion.

Note: Size of circles indicates scale of revenue.
- New businesses
- Growth businesses (CASE)
- Maturing businesses (ICE-related)
- Domains that produce a deficit when factoring in carbon price

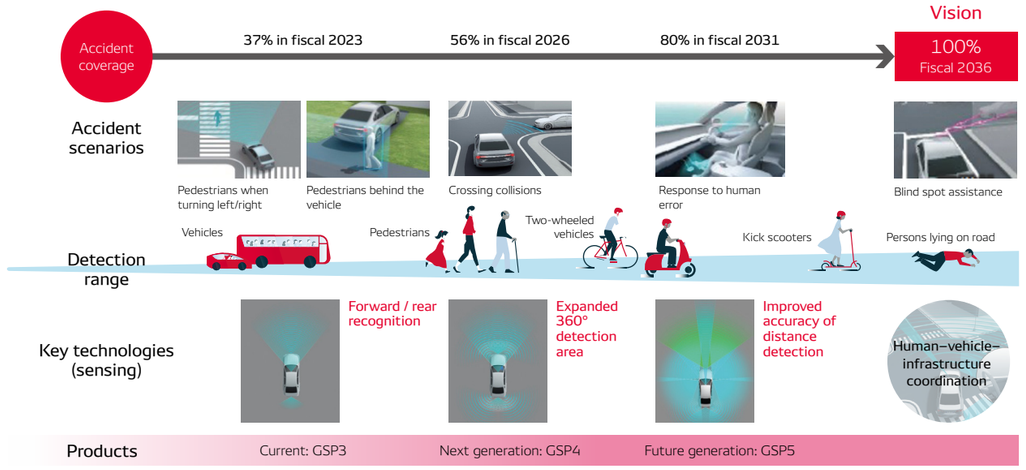
Peace of Mind Strategy

Approach to Peace of Mind Strategy

DENSO aims for the elimination of traffic accident fatalities through a two-pronged approach involving the development of cutting-edge technologies that further evolve its safety products and the rollout of attractively priced safety products.

By integrating the expertise in product evaluation and design gained from our long track record in the mass production of safety products, which ensures that products operate without defects and with advanced, data-driven development technologies, we deliver safety performance that users around the world can rely on with peace of mind.

Sensing Technologies That Realize Improved Value

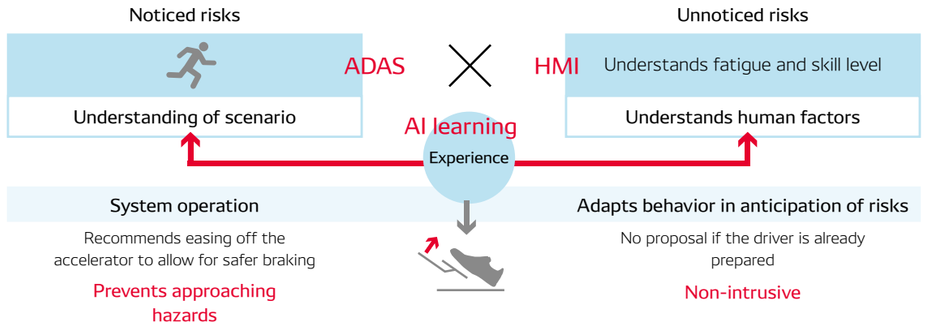


Providing Added Value with Greater Peace of Mind through an Approach Centered on Coordination between People, Vehicles, and Infrastructure

In addition to products and technologies in the advanced driver assistance systems (ADAS) domain, DENSO offers products and technologies in the human–machine interface (HMI) domain, such as driver and passenger monitoring systems. By forming linkages between control technologies in the ADAS and HMI domains, we are able to deliver integrated ADAS-HMI systems that promote coordination between people, vehicles, and infrastructure based on an understanding of not only the environments surrounding vehicles but also the people (driver and passengers) inside the vehicle. This kind of advanced system is made possible through our extensive expertise in both the ADAS and HMI domains.

By having AI study the passenger data detected and accumulated via HMI systems, our integrated systems are able to understand the state of the status of drivers, including their skill level and level of fatigue. Furthermore, by linking this information with information gained from data on the environment surrounding the vehicle captured by the ADAS system, our integrated systems can anticipate risks that the driver may not even notice. Moreover, these systems encourage behavior modification that helps drivers avoid dangers while providing them with assistance in an unobtrusive manner—an industry-first approach tailored to the driver. In these ways, our integrated ADAS-HMI systems help us realize our goal of eliminating fatalities from traffic accidents.

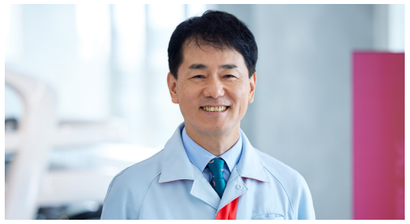
Estimations of Risks Based on Experience



Technology Strategy

Message from the Chief Technology Officer

Tackling the Ever-Changing Social Issues and Striving for Sustainable Growth as We Continue to Pursue Challenges through Technology Management



Hirotsugu Takeuchi
Senior Executive Officer
Chief Technology Officer (CTO)

DENSO's technology is the source of its competitiveness. As stated in the DENSO Creed, "Be pioneering, innovative, and creative," it is my mission as CTO to develop and refine talent and an organization that relentlessly pursues knowledge to remain at the vanguard of technological development. By thoroughly assessing changes in the external operating environment, developing scenarios over a 10-year timeframe, and identifying pathways to technological leadership, I aim to enhance the effectiveness of Companywide strategies from a technology management perspective, including pursuing bold initiatives for a new era and nurturing talent that will lead the future.

As part of our medium- to long-term technology strategy, we have identified the following focus fields: "Electrification and Energy Management" and "Automation," as well as the foundational technologies supporting these areas, "Semiconductors" and "Software." These fields were identified based on the principles of green and peace of mind. Furthermore, we have determined medium- to long-term, cross-organizational research and development themes that span across various business, organizational, and technological domains. As CTO, I hold monthly meetings with members of each business group and the Technology Steering Committee through which we work to promptly identify issues and enhance the governance of our technology development.

To date, DENSO has allocated management resources to R&D equivalent to around 8% to 9% of its consolidated revenue, concentrating investment in these focus fields. While ascertaining the potential for business growth in each of these fields from a Groupwide perspective, we will allocate resources toward not only supporting development activities in the near term, but also realizing medium- to long-term business growth. In fiscal 2026, we plan to nearly double R&D investment in cross-organizational R&D themes compared with the previous fiscal year, thereby dramatically improving R&D efficiency and driving corporate growth from a medium- to long-term perspective.

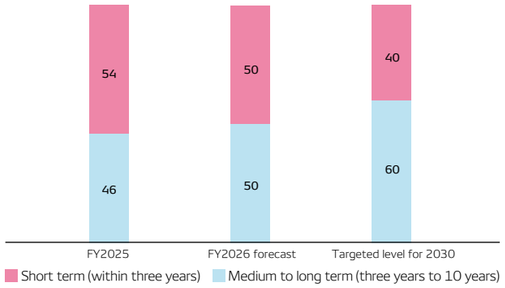
We are entering the era of software-defined vehicles (SDVs), where software development is becoming more large scale and complex. To further enhance our return on investment (ROI) and bolster our competitiveness, we are utilizing automation in the development process to prevent information inconsistencies and defects within each step of the development process and across organizations. We are also working to increase development efficiency via the use of AI throughout the development process, including for design verification, and testing. In these ways, we are drawing on our digital knowledge across the organization to achieve differentiation from competitors. Our efforts have received external recognition, with DENSO being selected for the first time as a "Digital Transformation Stock (DX Stock)" for 2025 by the Ministry of Economy, Trade and Industry (METI), the Tokyo Stock Exchange (TSE), and the Information-technology Promotion Agency (IPA). Through the integration of digital technologies with our long-cultivated advanced technologies, we will transform DENSO into a company that can provide society with even greater value.

	R&D Themes and Related Elemental Technologies	R&D Expenditure for Fiscal 2026 (Compared with Fiscal 2025)
Green	**Electrification:** Systems for charging while driving, FeNi magnet motors, and post-SiC inverters	Approx. 1.4 times greater
Green	**Energy management:** Perovskite solar cell electrodes (CNT multifunctional conductive films), highly efficient energy conversion, and in-car/out-car coordination technologies	Approx. 2.3 times greater
Green	**Carbon neutrality:** Hydrogen production, CO_2 capture, SOFC*1/SOEC*2 systems	Approx. 1.3 times greater
Green	Circular economy: Precision vehicle dismantling (Value Creation in Action P.38–39), sustainable materials (bio-resins, bio-fillers, etc.), and value-creating technologies	Approx. 1.5 times greater
Peace of Mind	**Automated mobility:** Data-driven development foundation, infrastructure coordination technologies, Human–machine collaboration technology and next-generation sensors	Approx. 3.1 times greater
Peace of Mind	**Automated *Monozukuri*:** Automation through robotics and additive digital molding	Approx. 1.1 times greater
Peace of Mind	**Information management:** Cloud network development, edge computing technologies, and data security/privacy protection	Approx. 1.2 times greater
Fundamental technologies	**Semiconductors:** High-speed deposition and manufacturing technology for SiC semiconductors, SoC devices/chiplet technologies, and post-SiC semiconductors	Approx. 4.1 times greater
Fundamental technologies	**Software (enhancement of development efficiency):** Technologies for automated software development using generative AI	Approx. 1.4 times greater
	Total for cross-organizational R&D themes	Approx. 2 times greater

Generate resources through innovations to digital transformation (DX) processes (design support, automation, standardization of products and components)

*1 Solid oxide fuel cell
*2 Solid oxide electrolysis cell

R&D Expenditure for Cross-Organizational R&D Themes and Ratio of Business Potential



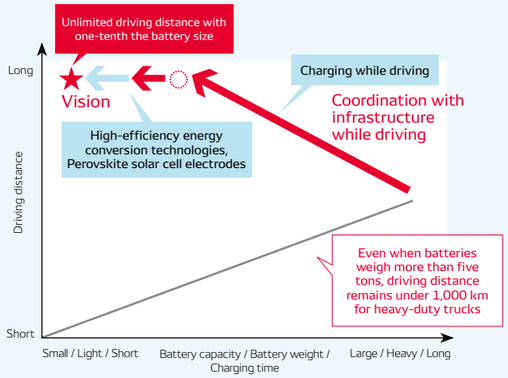
Technology Road Map

Partial Introduction of DENSO's Technological Development and Road Map Supporting Future Growth in Focus Fields

Green Electrification and Energy Management Domains

Main technologies: Systems for automatically charging BEV batteries while driving or stopped via power transmission devices embedded in the road. Viewed as a key technology by governments and industries for its potential to fundamentally address issues with BEV charging and driving distance
Competitiveness: Reduces battery capacity to one-tenth while extending driving distance to virtually unlimited levels, without relying solely on battery performance, by leveraging optimized cross-domain control technologies cultivated over many years of developing electrification products
Issues: Participation in large-scale projects for practical application and establishment of production systems that ensure quality for in-vehicle products
Road map: Completion of technological verification, development of vehicle-mounted components, and completion of demonstration on low-speed track test. Currently implemented verification test on public roads with the aim of realizing commercialization during fiscal 2029

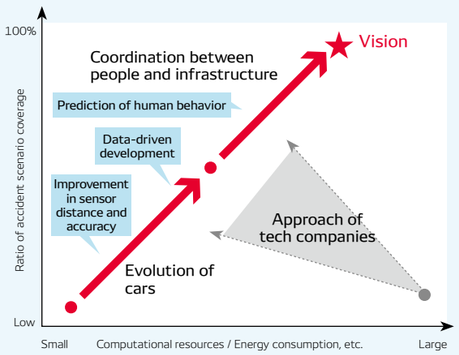
Changes in Battery Load and Driving Distance with Power Supplied While Driving



Peace of Mind ADAS Domain

Main technologies: Technologies that utilize AI to swiftly realize automated driving through data-driven development. Technologies that predict human behavior and encourage behavioral modification
Competitiveness: Realize safety of automated driving technologies, leveraging track record in the mass production of ADAS. Provide safe mobility to all people through coordination between people and infrastructure
Issues: Acceleration of development speed through collaboration with partner companies
Road map: Utilization of data-driven development to establish automated driving technologies that can be rolled out globally. Aim to realize comprehensive accident scenario coverage by 2035 through the integration of people, vehicles, and infrastructure

Change in Accident Scenario Coverage through Coordination between People, Vehicles, and Infrastructure



Fundamental Technologies Semiconductor and Software Domains

Semiconductors
Main technologies and competitiveness: Manufacturing of SiC semiconductors at over 10 times the speed of conventional manufacturing, using proprietary, innovative "gas-phase" power semiconductor manufacturing technology and delivers post-SiC semiconductor performance surpassing that of consumer-grade products. For SoC, realizes high-speed computation with low power consumption optimized for automotive applications through IP capable of supporting cutting-edge AI models
Issues: Collaboration with partners from the perspective of geopolitical risks, etc., and establishment of supply structure capable of responding to fluctuations in semiconductor demand

Software
Main technologies and competitiveness: Automotive software development with the latest AI technologies, thereby achieving significant cost reductions while handling increasingly complex, large-scale projects and maintaining quality necessary for in-vehicle products
Issues: Recruitment of roughly 6,000 software development personnel through continuous development and strengthening of recruitment activities (see "Human Capital" P.48–52).

Special Feature: Value Creation in Action

Paving the Way for a Circular Economy in Mobility through DENSO Technologies

With the intensifying environmental issues and restraints on resources occurring across the globe, DENSO recognizes that the transition to a circular economy has become a pressing global issue. In response to this, we are applying our long-cultivated robotics technologies to the vehicle dismantling process and, together with our partner companies, are building a value chain for the automotive industry integrating manufacturing and recycling. Through these efforts, we aim to realize horizontal car-to-car recycling, in which materials collected from dismantled vehicles are regenerated into raw materials and once again used in the production of new cars.

Automobiles can truly be considered as a treasure trove of resources, from the steel and aluminum used in the car body to the high-performance plastics utilized in the frame, among other scarce resources. For this reason, promoting a circular economy in the mobility domain has the potential to make a major impact on society. With that said, the complex structures of end-of-life vehicles (ELVs)* and the wide variety of materials contained therein have presented significant obstacles, and as a result, ELV recycling has been limited to downcycling, where materials are used in products with lower quality standards than the original product, and thermal recycling, in which materials are incinerated for heat. Progress toward realizing horizontal recycling has therefore been sluggish. Conventional methods of ELV recycling, which involve manual dismantling followed by vehicle shredding and material sorting, had inherent limitations in terms of material purity, and materials generated from this process could not meet the stringent quality requirements of automotive materials, which are crucial to people's safety. For example, nearly 70% of resins used in vehicles are incinerated through conventional methods, without being used, and only around 2% are reused as materials for new vehicles.

* ELVs: Vehicles that have reached the end of their service life and are dismantled after formal deregistration procedures

Assessing the Changes in the External Environment for Realizing a Circular Economy

Amid the obstacles facing ELV recycling, policy momentum toward a circular economy has been accelerating. In the European Union (EU), progress is being made with discussion on revising regulations for ELVs. In June 2025, the EU set mandatory targets for recycled plastic content in new vehicles, and discussions are ongoing regarding the further establishment of targets for materials such as steel and aluminum in the future. In Japan, similar initiatives toward a circular economy are also gaining traction, such as the establishment of the Ministerial Council on the Circular Economy by the Cabinet Secretariat and the Circular Partners initiative, which aims to realize a circular economy through industry–academia–government collaboration by the Ministry of Economy, Trade and Industry. As nationwide strategies such as these become more concrete, there has been growing interest in achieving vehicle resource recycling in the mobility domain.

To eliminate automotive resource waste and realize resource recycling, we are working to establish an automated precision dismantling system, which was previously considered to be too difficult to achieve. This process will make it possible to recover nearly 90% of a vehicle's weight as raw materials that can be utilized in the manufacture of a new vehicle. In this way, we are taking on the challenge of commercializing a car-to-car circular economy. Through these efforts, we aim to reduce CO_2 emissions by approximately 630 kg per ELV.

Accelerating the Recycling of Vehicles through an Automated Precision Dismantling System

The manual dismantling of ELVs is impractical due to their complex structure and the large amount of time required. Accordingly, mechanization is needed in this process. However, due to the diversity of vehicle models and the vast number of their components, up to 30,000 parts in a single vehicle, it has been extremely difficult to mechanize the seemingly infinite number of combinations involved in the dismantling process.

Our robotic expertise provides the key to resolving this issue. DENSO possesses the ability to develop advanced robotic systems that integrate precise motion control, AI-based recognition and decision-making, and sensor technologies. Drawing on this ability, we are applying our advanced techniques for turning precise tasks done by people into standardized know-how, which we have also been putting to use in our surgery support technologies. By extracting the know-how and decision-making processes of skilled workers during vehicle dismantling and converting them into data, we will translate this expertise into algorithms that robots can execute. In addition, through collaboration with partner companies, we are taking concrete action to realize vehicle recycling through three steps: 1) vehicle shredding and dismantling, 2) component disassembly, and 3) material separation.

1. Vehicle Shredding and Dismantling

Vehicle shredding is the first part of the process for recycling ELVs. In this stage, vehicles are cut at designated points to ensure that robots can perform repetitive tasks efficiently across a wide range of car models. In addition, by attaching standardized attachment jigs to the sections of the vehicles that have been cut off, we are able to realize highly efficient robot operations and achieve dramatic productivity improvements.

2. Component Disassembly

Each component of ELVs differs in shape and degree of wear. By recording the conditions of each component, accumulating this data as big data, and leveraging it in AI learning, we will build a dismantling system capable of accurately responding to component variations. We will also further enhance dismantling efficiency through the use of digital twin technology, which transmits dismantling data collected in the real world to a virtual environment for real-time simulation.

3. Material Separation

When disassembly via robots cannot achieve full material separation, we carry out additional processing. The separated materials are then carefully inspected by material type, tagged with traceability information, and shipped.

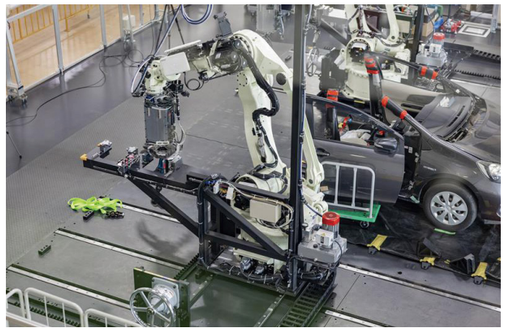
DENSO is striving to bolster its business foundation with the aim of automating key work processes by the end of fiscal 2028, while working to implement and promote the widespread adoption of its automated precision dismantling system.

Building a Sustainable Ecosystem through the Integration of Manufacturing and Recycling Industries

To realize a car-to-car circular economy centered on automated precision dismantling and achieve sustainable ecosystems, it is essential to establish a robust value chain through collaboration across the entire industry, including not only solutions providers such as DENSO but also renewable material manufacturers, material and component suppliers, and vehicle manufacturers.

To that end, DENSO established the BlueRebirth Council together with five other companies in June 2025 with the aim of discussing issues related to realizing an integrated manufacturing and recycling car-to-car value chain centered on automated precision dismantling (system design, example creation, maximization of synergies with other industries, advertising activities, and public consensus building) and resolving such issues through specific investigation activities, technological development, and verification efforts.

BlueRebirth is a collaborative research institution comprising dozens of major players in the Japanese mobility domain. In addition to integrating the manufacturing and recycling industries—two industries that have not sufficiently collaborated to date—BlueRebirth will tackle challenges faced by the entire automobile recycling industry, including promoting automation and digitalization and addressing worker shortages by improving workplace environments. Drawing on DENSO's automated precision dismantling system and data platforms, BlueRebirth aims to standardize dismantling processes that can respond to various ELVs and automate complex tasks. By doing so, BlueRebirth will realize an integrated manufacturing and recycling value chain.

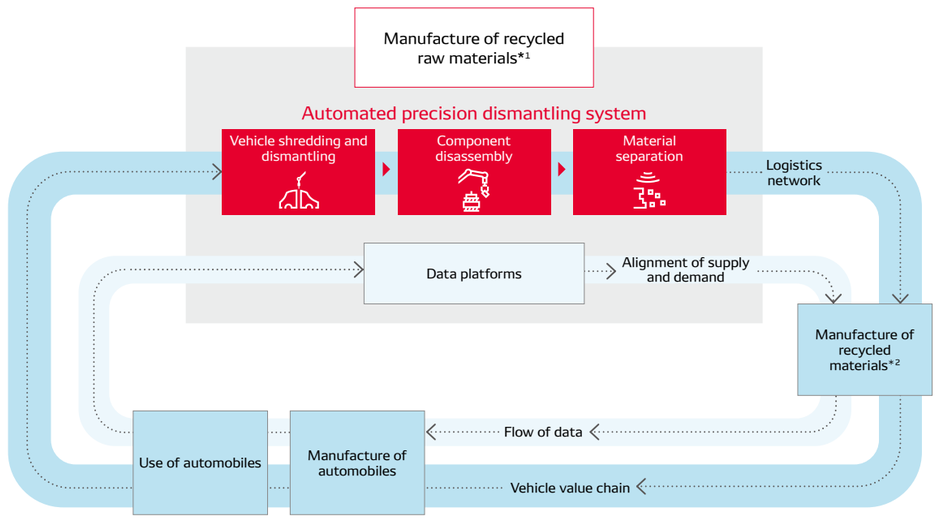


DENSO's robotics technologies underpinning automated precision dismantling system

While our endeavors have just begun, we are beginning to see a path toward the stable acquisition of high-quality recycled materials emerge through the realization of automated dismantling utilizing our accumulated dismantling know-how and robotic technologies. At the moment, we are working on prototyping new vehicles that make use of recycled materials recovered from the dismantling process, and this effort marks a significant first step toward realizing a car-to-car recycling society. Moving ahead, DENSO will fully leverage the strengths of its long-cultivated robotics, AI, and sensor technologies to take on the challenge of realizing a sustainable society together with a broad range of business partners.

For more information on BlueRebirth, please see the following website (Japanese only).
https://www.bluerebirth.jp/

Cycle of Vehicle Recycling



*1 The process of extracting recyclable materials from used vehicles
*2 The process of manufacturing new vehicle materials from each type of recycled material