# Capital Strategies







## Financial Capital

### Message from the Chief Financial Officer

**Steadily executing our financial strategy and building on achievements to sustainably enhance corporate value amid a changing business environment**

Yasushi Matsui

Executive Vice President
Representative Member of the Board
Chief Financial Officer (CFO)



DENSO's Key Financial KPIs (Fiscal 2025 Results → Fiscal 2026 Outlook)*1

**Reinforce profit structure**

- ROE: 8.0% → 10.7%
- Operating margin: 7.2% → 9.4%

**Reduce low-profit assets**

- Cash on hand compared with monthly turnover: 1.0 months → Maintain current level
- Cross-shareholdings: 13 stocks → Further reduction

**Improve capital structure**

- Equity ratio: 61.3% → 50% or higher
- DOE: 3.5% → Stable long-term improvement
- Share buybacks: ¥196.6 billion*2 → Approx. ¥610.0 billion

*1 As of the end of July 2025
*2 Of the ¥450.0 billion announced in October 2024, this amount was bought back in fiscal 2025. The remaining amount will be executed in fiscal 2026.

### Overview of Fiscal 2025 Results: Steady Progress toward Medium-term Targets Despite Headwinds

Despite headwinds from sluggish sales in Asian markets and production cutbacks due to suspended operations at Japanese automakers, revenue in fiscal 2025 reached a record high of ¥7.1 trillion, driven by stronger sales in focus areas including electrification and safety & security products, a faster-than-expected return on R&D spending, and yen depreciation.

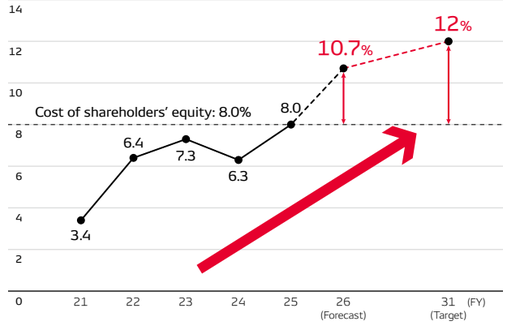
Operating profit also reached a record high of ¥519.0 billion, thanks to efficiency improvements and favorable foreign exchange rates, despite increased costs associated with capacity utilization losses, higher material prices, and investments in R&D and human capital.

In fiscal 2026, DENSO will continue to steadily invest in R&D and human resources to prepare for the future, as it did in fiscal 2025, while enhancing profitability through portfolio reshuffling and further streamlining efforts. Our goal is to achieve revenue of ¥7.2 trillion and operating profit of ¥675.0 billion, in line with the targets set forth in the Mid-term Policy for 2025.

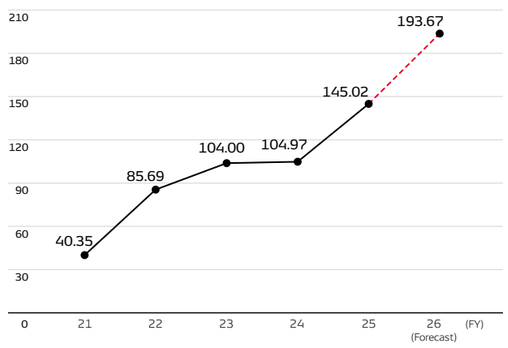
In fiscal 2026, DENSO faces possible costs of approximately ¥130.0 billion due to U.S. tariff policies.*3 We will work internally to minimize the impact, and for unavoidable costs, we will engage in considerate discussions with customers to reflect those costs in transaction prices and manage earnings accordingly. We will also monitor conditions at suppliers in terms of both costs and supply, and work in close cooperation with automakers, industry associations, and relevant government agencies to respond to changes in the business environment and help maintain and strengthen the industry's competitiveness.

*3 Estimated impact as of the end of July 2025

ROE and Equity Spread
(%)




EPS
(Yen)



TSR (Cumulative / Annual Rate)

| Investment period | 1 year | 3 years | | 5 years | | 10 years | |
|---|---|---|---|---|---|---|---|
| | Cumulative / Annual rate | Cumulative | Annual rate | Cumulative | Annual rate | Cumulative | Annual rate |
| DENSO | −33.8% | 2.3% | 0.7% | 139.0% | 19.0% | 64.0% | 5.1% |
| TOPIX | −1.5% | 47.2% | 13.8% | 113.4% | 16.4% | 117.4% | 8.1% |
| TOPIX (Transportation equipment) | −7.4% | 30.3% | 9.2% | 120.9% | 17.2% | 63.9% | 5.1% |

Source: Market data (compiled by DENSO Corporation)

Return on equity (ROE) improved significantly from 6.3% in fiscal 2024 to 8.0% in fiscal 2025, driven by both a stronger earnings structure and improvements in the capital structure, centered on shareholder returns. In fiscal 2026, we aim for ROE of 10.7%, along with our targets for revenue and profit under the Mid-term Policy for 2025.

As a result of these efforts, earnings per share (EPS) also reached a record high of ¥145 in fiscal 2025. Over the past five years, EPS has grown at an average annual rate of 29%, and we will continue striving to improve it further without resting.

## Recent Share Price Trends

Although DENSO's share price reached an all-time high on April 12, 2024, it has since softened. DENSO's total shareholder return (TSR)* over the past year has trailed behind that of the TOPIX, underscoring the need to further bolster our efforts to enhance corporate value.

Looking ahead, we will evolve our management approach to more aggressively pursue improvements in share price and price-to-book ratio (PBR). In addition to enhancing ROE through the steady execution of our financial strategy, management will remain highly conscious of the price-to-earnings ratio (PER) as a reflection of growth expectations. We will work to transform our business portfolio into one more resilient to share price volatility specific to the automotive sector, while communicating our growth strategy in a timely and effective manner.

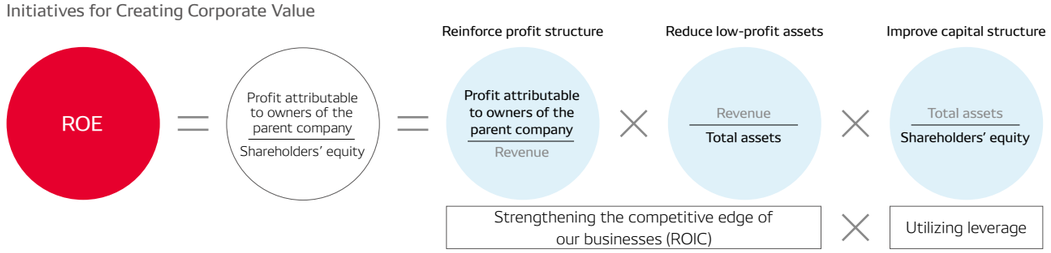
* TSR: Total shareholder return, the combined return from capital gains and dividends

## Financial Strategy for Achieving the Mid-term Policy for 2025

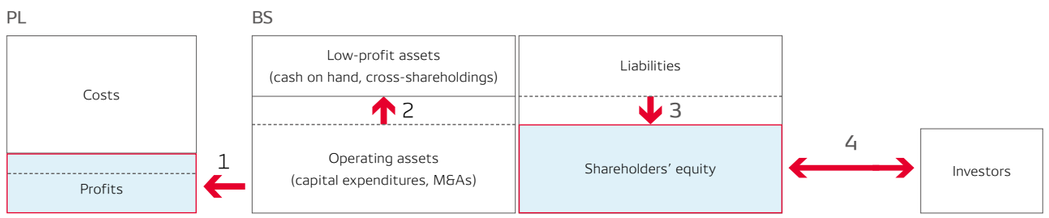
DENSO aims to enhance sustainable corporate value by "resolving social issues by maximizing the value of green and peace of mind to be inspiring" and "expanding genuine equity spread over the medium to long term." Under a management approach that is conscious of the cost of capital, management has designated ROE as its most important financial KPI. In the Mid-term Policy for 2025, we set our ROE target to over 10%, exceeding both our cost of shareholders' equity and the socially expected minimum level of 8%, as cited by the *Ito Report* and other publications, in pursuit of maximizing value creation. We will achieve this target by strongly advancing our financial strategy, which is built on four pillars: (1) reinforcing the profit structure, (2) reducing low-profit assets, (3) improving the capital structure, and (4) engaging in dialogue with markets.

The Mid-term Policy for 2025 also declares our commitment to creating social value by achieving carbon neutrality and eliminating traffic accident fatalities. The following sections explain our efforts to simultaneously address social issues and achieve sustainable business growth, structured around the four pillars of our financial strategy.

Initiatives for Creating Corporate Value




The Four Pillars of DENSO's Financial Strategy




1 Reinforce profit structure: Improve ROIC
2 Reduce low-profit assets: Reduce cash on hand and cross-shareholdings
3 Improve capital structure: Leverage loans, diversify fund procurement, renew policy for shareholder returns
4 Engage in dialogue with markets







## 1. Reinforce Profit Structure

### (1) Creating Medium- to Long-term Corporate Value through ROIC-minded Management

DENSO's ROIC-minded management is not aimed solely at improving short-term financial indicators, but rather at enhancing corporate value over the medium to long term. Since fiscal 2022, we have actively utilized ROIC to steadily improve management decisions, such as enhancing profitability through portfolio realignment and optimizing resource allocation by business area, with a view to sustainable growth.

We believe that widespread understanding and practice of ROIC management, from executives to individual employees, will lead to further advancement of this mindset. To foster understanding and agreement among employees, we use the ROIC tree to visualize the relationship between ROIC as a management KPI and individual improvement activities. We also promote the entrenchment of an ROIC mindset through a multifaceted approach, including regular in-house training and the introduction of ROIC improvement case studies in our global internal newsletters. Furthermore, we incorporate ROIC into the performance-linked compensation framework for Board members and disclose it as one of our key KPI targets, thereby clarifying senior management's commitment.

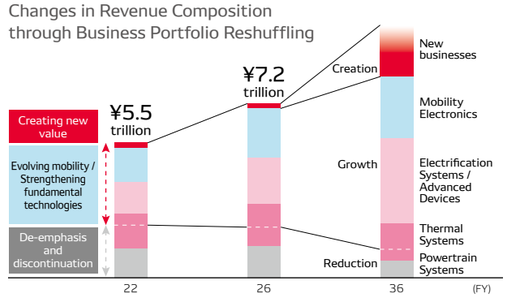
We will continue to entrench and advance ROIC-minded management to enhance capital efficiency and create sustainable corporate value.

### (2) Addressing Social Challenges, Three Growth Drivers

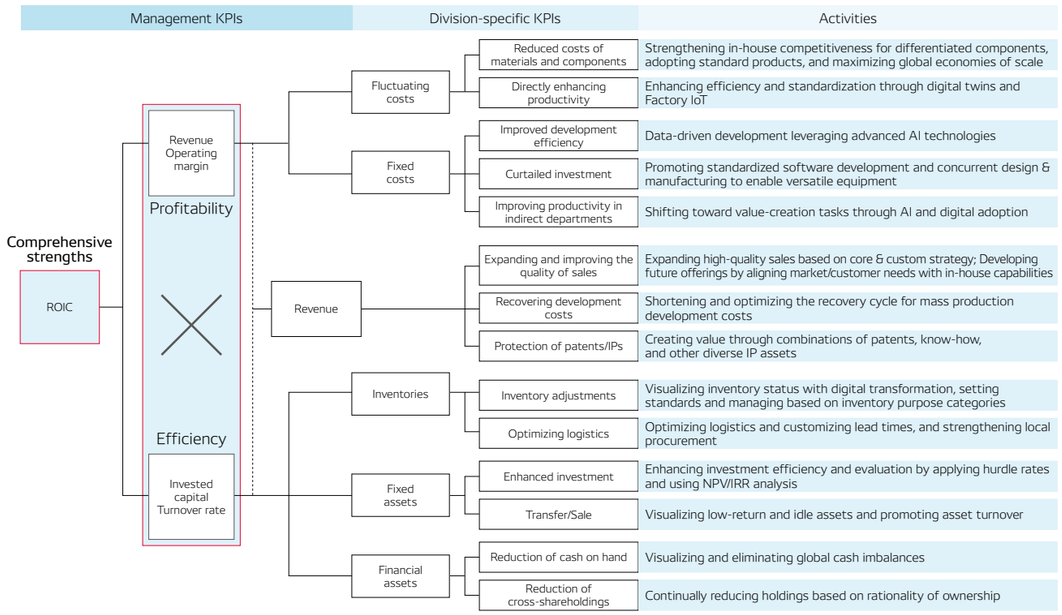
DENSO has achieved growth by creating social value through the principles of green and peace of mind and inspiring stakeholders while doing so. Today, the value expected of DENSO extends beyond the automotive domain to addressing broader social issues. In response to these changes, based on our corporate philosophy, we are eyeing the three growth drivers of evolving mobility, strengthening fundamental technologies, and creating new value, with the aim of achieving both sustainable social value creation and business growth. (See "Enhancement of DENSO's Management Strategies," P.6–7)

First, for evolving mobility, we position electrification and ADAS as our top priorities, aligning our philosophy of green and peace of mind with sustainable growth. In electrification, as automakers increasingly diversify beyond BEVs to include HEVs, PHEVs, and FCEVs, DENSO is promoting differentiation through a broad product lineup and its ability to flexibly make technology-driven proposals. In the area of ADAS, we aim to strengthen our competitiveness further by launching next-generation products and enhancing collaboration on human–machine interfaces (HMI) and infrastructure, thereby accelerating adoption, expanding use cases, and ultimately contributing to the goal of zero traffic fatalities.

Changes in Revenue Composition through Business Portfolio Reshuffling




ROIC Tree Showing the Relationship between Management KPIs and Individual Activities



Next, under strengthening fundamental technologies, we are focusing on both semiconductors and software, in response to advances in electrification and intelligence. In the semiconductor field, we are working to bridge the automotive and semiconductor industries, and advancing the development of power semiconductors and SoCs as a leading company in mobility semiconductors. In the software field, we are enhancing our development capabilities to support software-defined vehicles (SDVs) and strengthening partnerships with tech companies to increase vehicle value.

Furthermore, with creating new value, we are expanding beyond mobility into new fields such as energy, food and agriculture (AgTech), factory automation (FA), and solutions for a circular economy through the precision dismantling of vehicles and their recycling, thereby contributing to broader social issues beyond the mobility domain. To transform our business portfolio and achieve sustainable growth, it is essential to pursue partnerships, including M&As, rather than relying solely on in-house development. We have assembled cross-functional task forces for both mobility and non-mobility focus areas, and are advancing the formulation and execution of our partner strategy. The full acquisition of Axia Vegetable Seeds B.V. in the non-mobility domain in fiscal 2026 is one such successful example of these M&A initiatives. We are similarly exploring M&A opportunities in areas such as in-vehicle systems and semiconductors. In evaluating investments for future collaborations, we have introduced a rigorous decision-making process and evaluation criteria that assess the qualitative and quantitative suitability of M&A deals, aiming to maximize strategic relevance and returns while avoiding overvaluation.

### (3) Business Model Transformation for Sustainable Growth

In parallel with transforming the business portfolio by focusing on the three growth drivers, DENSO is also advancing business model reforms to adapt to changes in the external environment and business landscape, with the goal of achieving sustainable growth.

First, in response to changes in external business conditions, such as inflation-driven increases in parts, materials and energy costs, in addition to wage hikes, we are building a framework to appropriately reflect cost fluctuations in transaction prices, with the aim of strengthening the competitiveness of the entire supply chain and realizing a circular economy. As a Tier 1 supplier, DENSO occupies a central position in the supply chain, engaging directly with a wide range of suppliers and automakers. We proactively and thoroughly assess supplier conditions, sincerely reflect those conditions in transaction pricing, and considerately communicate with customers to promote appropriate price adjustments. In addition, we share our initiatives through industry bodies, such as the Japan Auto Parts Industries Association, with efforts to contribute to fairer transactions and enhanced competitiveness across the industry.

In response to changes in business content, we provide technological and supply capabilities that enhance benefits for customers as a way of providing value, and by quantitatively demonstrating this value, we aim to earn appropriate recognition and strengthen competitiveness for both our customers and DENSO.

In the software domain, for example, there is a growing shift toward business models in which software, once embedded within ECUs, is now sold as a stand-alone product. To respond to this shift, we are promoting a value-based pricing approach in which software transaction prices are determined based on the value delivered to customers rather than development hours. Additionally, for custom software development, we are creating a system that clarifies deliverables and the value provided at each development milestone, enabling us to recover costs before final completion. This approach accelerates the investment cycle and supports further business growth. In the internal combustion engine business, de-emphasis and discontinuation activities are proceeding as planned, while also recognizing that the business may continue in importance longer than our initial expectations. Even with this uncertain outlook, we aim to fulfill our role in supporting automotive manufacturing while ensuring profitability, and are engaging in constructive dialogue with customers toward introducing a new pricing structure that enables price revisions in line with volume fluctuations.

Results of Recent Collaborations (M&As) with Business Partners (as of September 2025)

| | Strengthening Collaborations | | | Business Withdrawal (Transfer / Sale)* |
|---|---|---|---|---|
| Automotive domain | BluE Nexus Corporation† | Rapidus Corporation† | Fuel pump module |
| | Toyota Motor Corporation's Hirose Plant†† | Quadric Inc.† | Type III alternator |
| | United Semiconductor Japan Co., Ltd. | Semiconductor Components Industries, LLC (onsemi)† | Spark plug |
| | Silicon Carbide LLC (a subsidiary of Coherent Corp.) † | Horizon Robotics | Exhaust sensor |
| | Fuji Electric Co., Ltd. | Qualcomm Technologies, Inc. | EGR cooler / SUS oil cooler |
| | Infineon Technologies AG† | KOITO MANUFACTURING CO., LTD. | Nippa Corporation |
| | ROHM Co., Ltd.† | Renesas Electronics Corporation† | |
| | J-QuAD DYNAMICS Inc.† | Japan Advanced Semiconductor Manufacturing, Inc.† | |
| | NTT DATA MSE Corporation† | | |
| | Toshiba Information Systems (Japan) Corporation† | | |
| | NTT DATA Japan Corporation | | |
| Non-automotive domain | Certhon Group†† | DELPHY GROEP BV | TD Mobile Corporation |
| | Axia Vegetable Seeds B.V.†† | | |

Electrification ADAS Semiconductors Software New businesses Internal combustion engines Other
† Shareholdings †† Full acquisitions and turning into subsidiaries through M&As
* Includes basic agreements on potential business transfers

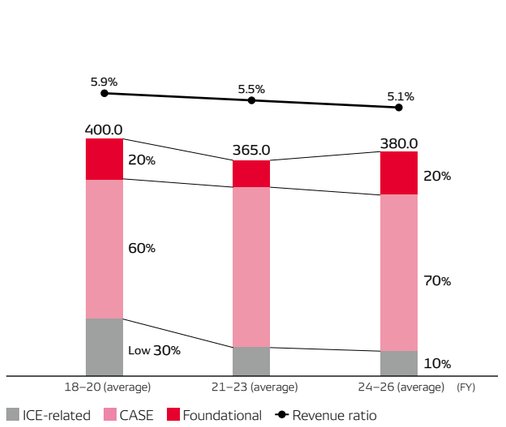




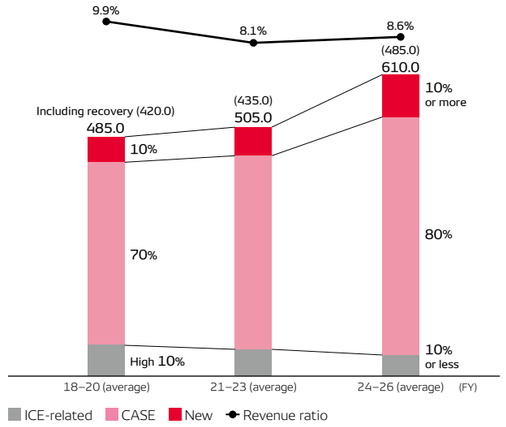


Resource Allocation

Capital Expenditures (Billions of yen)




R&D Expenditure (Billions of yen)




### (4) Optimizing Capital and R&D Investments with an Eye on the Future

The strategic and efficient allocation of resources is essential to achieving both sustainable growth and a solid earnings foundation. DENSO optimally allocates resources to capital investment and R&D to further enhance *Monozukuri* and its technological advantages.

In capital investment, we are expanding investments in electrification and semiconductors based on our business portfolio realignment strategy, while appropriately controlling investments related to internal combustion engines, ensuring disciplined allocation with capital efficiency in mind. We are also continuously working to strengthen the foundations of our manufacturing operations by improving safety and quality, as well as enhancing productivity through automation and digital technologies, in a bid to maintain and reinforce our robust production system.

In R&D, we plan to invest ¥660.0 billion in fiscal 2026, up approximately ¥40.0 billion from the previous fiscal year, to build a top-tier development structure in the industry. For our three strategic focus areas, green (e.g., electrification and carbon neutrality), peace of mind (e.g., ADAS), and fundamental technologies (e.g., semiconductors and software), we used backcasting to formulate a technology development road map that aligns long-term social needs with our technological seeds, outlining a path to developing the core technologies of the future. Building on this road map, our executive team, led by the CTO, reviews and flexibly updates our core projects and advanced development themes each year, based on the latest technology trends. This ensures the precise allocation of resources to breakthrough technologies that will drive future competitiveness, while introducing KPI management such as ROI to realize an R&D framework capable of delivering world-class technologies to support the next generation of DENSO. (See "Technology Strategy," P.36)

Furthermore, we are enhancing both competitiveness and profitability by improving development efficiency through the use of AI, clearly communicating our value proposition to customers, and accelerating the recovery cycle for mass production development costs.

## 2. Reduce Low-Profit Assets

To operate our assets more efficiently, we assess appropriate levels based on the nature of each asset and continue to reduce low-profit assets.

### (1) Reducing Cash on Hand

We have worked to minimize funds required for day-to-day business operations (regular operating funds) and to resolve regional imbalances in liquidity through our Global Cash Management System (GCMS).

As a result of improved daily cash management, our cash on hand in fiscal 2025, including both regular operating funds and contingency reserves, was broadly in line with our fiscal 2026 target of one month of sales.* Going forward, we will continue to carefully assess capital deployment and utilize cash efficiently.

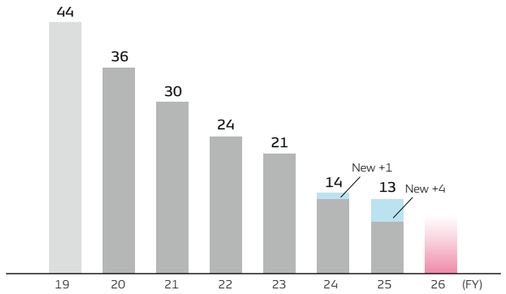
* Under the GCMS, funds appear on financial statements as deposits by the lending company and borrowings at the borrowing company, resulting in both being recorded as such, though they represent internal Group funds. The stated level of cash on hand excludes the effects of GCMS accounting and the amount related to the share buyback tender offer announced in June 2025.

### (2) Reducing Cross-Shareholdings

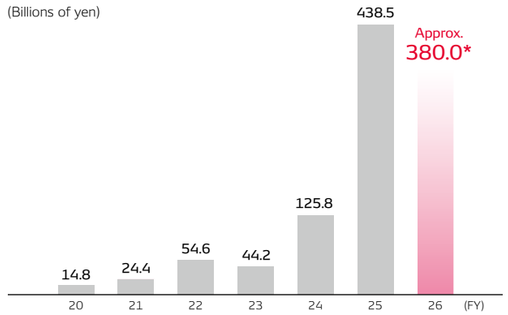
DENSO's basic policy is not to hold cross-shareholdings unless a clear rationale for holding them can be demonstrated, and it has been steadily reducing cross-shareholdings. Following the secondary offering of our shares in fiscal 2024, we accelerated reductions of shareholdings in the Toyota Group as well, resulting in a record-high disposal amount of ¥438.5 billion in fiscal 2025. The number of companies in which DENSO owns shares has also declined from 44 companies as of the end of March 2019 to 13 as of the end of March 2025.

In fiscal 2026, DENSO will maintain the same pace of reductions, and expects to generate over ¥380.0 billion in cash through the sale of shares in Renesas Electronics Corporation in May and Toyota Industries Corporation as announced in June. Once the sale of Toyota Industries Corporation shares is completed, DENSO will no longer hold any shares in auto parts manufacturers belonging to the Toyota Group. We will continue to accelerate reductions without exception, and reinvest the cash generated into strategic growth initiatives to enhance corporate value.

Number of Shares Held
(Stocks)




Sale Amount
(Billions of yen)




* Estimated amount to be sold during the fiscal year as of the end of June 2025

### (3) Optimizing Inventories

We have broken down inventories into the three categories of temporary inventories, strategic inventories, and standard inventories, and track each accordingly. Temporary inventories refer to those held in response to logistics disruptions and other external factors. Strategic inventories are those held to hedge against natural disasters and various other risks. Standard inventories are those held for use in production activities under normal circumstances.

In fiscal 2025, by newly deploying inventory monitoring tools and accelerating our management cycles, we reduced standard inventories by the equivalent of 0.04 months of revenue compared to the previous fiscal year. We also worked to maintain appropriate levels of strategic inventories based on part types and regions to ensure a stable supply for our customers.

In fiscal 2026, while continuing to maintain optimal levels of strategic inventories, we aim to further reduce standard inventories by aligning global inventory standards on a part number basis.

## 3. Improve Capital Structure

We seek to reduce capital costs while maintaining a balance between safety and efficiency, and to diversify funding sources, utilize borrowings, and issue proactive shareholder returns in order to create corporate value. In these ways, we will improve our capital structure.

For fiscal 2026, we target an equity ratio of 50% or more. We believe that this is a level that will allow us to maintain a credit score that enables fundraising even during an economic crisis.

### (1) Diversifying Funding Sources and Utilizing Borrowings

DENSO prepares for future investments in growth domains, new businesses, M&As, and business alliances, by diversifying funding sources through such means as utilizing bank loans, domestic corporate bonds, and foreign-denominated funds via overseas corporate bonds. Through such efforts, we are able to maintain a stable funding platform.

Going forward, we will seek to further improve capital efficiency by actively utilizing borrowings and bonds while maintaining a high degree of financial health.

Status of Long-term Credit Rating (As of July 28, 2025)

| Rating company | Credit rating |
|---|---|
| Rating and Investment Information, Inc. (R&I) | AAA |
| S&P Global Ratings | A+ |
| Moody's Investors Service, Inc. | A2 |

### (2) Shareholder Return Policy

DENSO aims to realize and further enhance total shareholder return (TSR) that exceeds the cost of shareholders' equity steadily over the long term by increasing both dividends (income gain) and share price (capital gain).

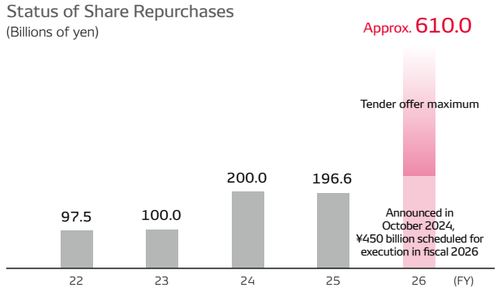
The Company's dividend policy targets a continuous increase in dividend on equity (DOE: Dividends ÷ Shareholders' equity), starting from a base level of 3.0%. In fiscal 2025, DOE rose by 0.2 percentage point year on year, to 3.5%. Since fiscal 2022, when management established DOE as a financial target, the Company has raised it every year.

DENSO's basic policy on share buybacks is to conduct them flexibly based on comparisons with its targeted capital structure and theoretical share price. In fiscal 2025, in addition to this policy, management announced a ¥450.0 billion buyback of the Company's shares on the open market, the maximum amount feasible relative to liquidity, to remove any concerns about supply–demand imbalances stemming from the sale of DENSO's shares by existing shareholders, including financial institutions. The open market share buyback period lasts until October 2025. DENSO plans to acquire the approximately ¥250.0 billion remaining during fiscal 2026. In addition, given Toyota Industries Corporation's stated intention to sell its shareholdings in DENSO, and taking into account the impact of this on market supply–demand dynamics and economic rationale, the Company announced a tender offer for up to ¥357.8 billion of its shares. As a result, total share repurchases in fiscal 2026 look poised to reach a record high of approximately ¥610.0 billion.





Status of Share Repurchases
(Billions of yen)



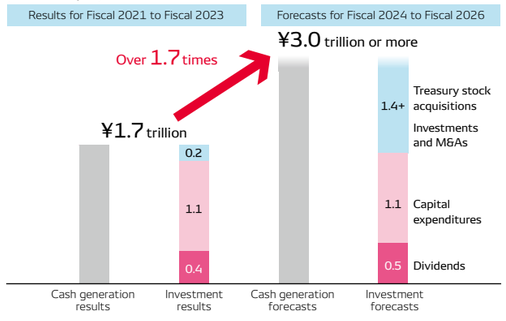

Through these initiatives to enhance stable, long-term shareholder returns, we aim to deliver a TSR that exceeds our cost of shareholders' equity while curbing capital accumulation and enhancing corporate value.

### (3) Cash Allocation

DENSO has steadily reinforced its profit structure through ROIC-minded management. As a result, we have generated a total of ¥1.7 trillion in cash flows from operating activities over the three-year period from fiscal 2021 to fiscal 2023, even amid the COVID-19 pandemic and a worsening external operating environment that included semiconductor shortages. Over the next three-year period starting from fiscal 2024, we will aim to generate ¥3.0 trillion or more in cash through the further reshuffling of our business portfolio and the accelerated reduction of low-profit assets.

On the investment side, we apply hurdle rates to capital expenditures and quantitatively assess the economics of each project to ensure disciplined investment decisions. We are also considering growth investments, such as M&As and strategic alliances, in priority growth areas to accelerate the transformation of our business portfolio. For initiatives deemed essential to business growth and the realization of our corporate philosophy, we will flexibly execute such projects using debt financing to promote both business expansion and capital structure optimization.

Cash Allocation
(Trillions of yen)




We will also seek to strengthen stable, long-term shareholder returns through continuous increases in dividend levels and the proactive acquisition of treasury stock. We will comprehensively consider the scale of such acquisitions by taking into account our targeted capital structure and theoretical share price as well as the scale of potential growth investments. Through these initiatives, we will strive to maximize ROE and enhance corporate value on an ongoing basis.

## 4. Engage in Dialogue with Markets

DENSO is communicating information to investors and analysts in a timely and appropriate manner and advancing dialogue through efforts by corporate officers. Through these activities, we aim to reduce information gaps with capital markets and expand our equity spread by reducing the cost of shareholders' equity.

In fiscal 2025, we held approximately 300 meetings with a total of around 2,180 institutional investors in Japan and overseas, utilizing online meetings and other formats. We fed back the insights gained through these engagements to formal internal committees and incorporated them into various initiatives, including management policy decisions and reductions in cross-shareholdings. In keeping with the spirit of our founding, we have consistently pursued sustainability-oriented management that responds to the needs of the times. We are currently reviewing our material issues and developing new KPIs to guide future priority initiatives; and to further enhance the effectiveness of sustainability management, we established in fiscal 2026 the Sustainability Meeting as a formal decision-making body. As CFO and chair of the Sustainability Meeting, I will lead efforts to strengthen and implement true sustainability management by ensuring that resolving social issues and driving business growth are not viewed as trade-offs.

We believe that quantitatively linking investments in non-financial capital to financial value is essential for accurately assessing our medium- to long-term business growth potential and advancing sustainability management. We share this information in our Integrated Report and on our website from multiple perspectives. By effectively communicating our strengths and business strategies to a broad shareholder base and gaining the understanding of market participants, we will make management decisions that are more attuned to the expectations of society and focused on long-term growth.

Published in fiscal 2025, *DENSO Integrated Report 2024* received top honors with the Grand Prize at the Fourth NIKKEI Integrated Report Award; it was also selected for inclusion in the Excellent Integrated Reports and Most-improved Integrated Reports categories by the Government Pension Investment Fund (GPIF)'s asset managers entrusted with domestic equity investment. Additionally, we are working to enhance employee awareness of corporate value by actively utilizing our integrated report in-house.

Moving ahead, we will reflect the various opinions we receive through dialogue with markets in our efforts to enhance the quality of our management.

# Human Capital

## Message from the Chief Human Resources Officer

## Enhancing the Ability of Our People and Organization to Turn Ideas into Reality to Resolve Social Issues While Ensuring the Well-Being and Growth of People

Yasuhiko Yamazaki
Executive Vice President
Chief Human Resources Officer (CHRO)

### DENSO's Approach to Human Capital-focused Management

In 2024, DENSO celebrated its 75th anniversary. Since our founding in 1949, the conviction and relentless pursuit of our predecessors have been the driving force that has allowed us to overcome various challenges. As a result, we have created over 180 world-first technologies and products. In other words, by enhancing the ability of our people and organization to turn ideas into reality, we have helped resolve social issues by creating things that had not yet existed.

Today, in addition to changes in the operating environment, the role that humans play is undergoing significant change due to the widespread adoption of AI and other innovative technologies. As information becomes increasingly borderless and the competitive capabilities of companies become more evenly matched, the abilities of people and organizations to execute business strategies are becoming as important, if not more important, than the strategies themselves. In this era of dramatic change, I believe it is essential to align our human resource strategy more closely with our business and management strategies. I also believe we must actively invest in human capital so that we can enhance the value of both our people and the added value they create. This belief reflects the approach of "*Monozukuri* is *Hitozukuri* (Our performance relies on our people)," which DENSO has passed down since its founding, and serves as the core of our human capital management.

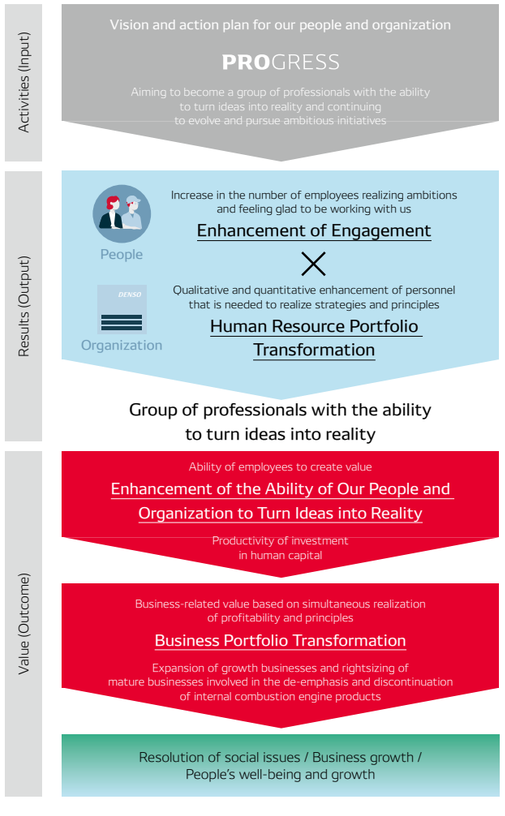
### Outline of Efforts to Strengthen Human Capital

Regarding specific initiatives to strengthen human capital, the Company has worked proactively to reform its human resource policies and systems under "PROGRESS," its vision and action plan for its people and organization. From the perspective of our people, these reforms have aimed to increase the number of people who feel glad about working at DENSO (enhancement of employee engagement). From an organizational perspective, the reforms have sought to secure the quality and quantitative enhancement of personnel needed to realize business and management strategies (transformation of human resource portfolio). Over the past year, we took steps to further support the careers of employees and create work environments that facilitate good communication, among other efforts. As a result, we achieved our annual target for employee engagement in fiscal 2025 and made progress toward reaching the level of future targets. In terms of investment in human capital, we are making active efforts to address compensation-related issues as part of our investment to strengthen the capabilities of our people and organization in the future. For our human resource portfolio, we have been working toward the qualitative and quantitative enhancement of personnel needed to execute our business strategies. To that end, we have been clarifying important issues in each key business domain and promoting recruitment and development activities to fill the gap between our current capabilities and what is required for our business strategies.

As a result of these efforts to strengthen human capital, we began monitoring the productivity of investment in human capital* as an indicator to verify whether all employees, and we as an organization, are continuously providing value that contributes to the resolution of social issues as well as people's well-being and growth. In fiscal 2025, this indicator improved over the previous fiscal year, and moving forward, we will continue to promote human capital management in an effective and efficient manner.

* Productivity of investment in human capital: Added value (sales minus raw material and other costs) ÷ Investment in human capital

DENSO's Approach to Human Capital-focused Management (Value Creation Path)








### Enhancement of Employee Engagement

High employee engagement toward work and the organization is the driving force behind our efforts to resolve social issues while ensuring the well-being and growth of people. Accordingly, we view the enhancement of employee engagement, including our workforce overseas, as an important global management issue.

**Initiatives of DENSO CORPORATION**

The overall positive response rate in DENSO CORPORATION's engagement survey has improved from 70% in fiscal 2022 to 76% in fiscal 2025. We are working to achieve a level of 80% by fiscal 2031. Since fiscal 2023, we have focused on engaging young employees, technicians, and female employees, as the engagement level of these groups have fallen below the company average. Through an analysis of data, we have identified

### Targets Related to Value Creation Path

**Investment in Human Capital (Input)**

Increase in human capital investment from the previous fiscal year*1 FY2025: ¥35.0 billion (results) FY2026: ¥49.5 billion (forecast) *1 Includes suppliers

**Results (Output): Targeted KPIs and Achievements**

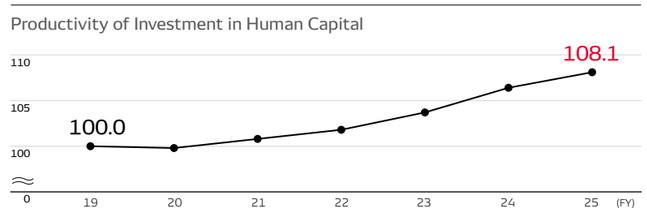
| Situational Definition of Output Sought | | Item | Result | Target |
|---|---|---|---|---|
| **Enhancement of Engagement**<br>Increase in the number of employees realizing ambitions and feeling glad to be working with us | | **Employee engagement indicator**<br>(percentage of affirmative responses) (non-consolidated) | FY2024: 75%<br>FY2025: 76% | FY2026: 78% |
| **Human Resource Portfolio Transformation**<br>Qualitative and quantitative enhancement of personnel that is needed to realize strategies and principles | **Management Professionals**<br>Globally competent management leaders who are systematically developed and deployed | **Number of management leader candidates** | FY2024: Approx. 400 employees<br>FY2025: Approx. 400 employees | FY2026: 400 employees<br>(improvement in talent diversity and likelihood of promotion) |
| | | **Ratio of non-Japanese employees promoted to leadership roles at overseas bases** | FY2024: 31%<br>FY2025: 32% | FY2031: 50% |
| | **Specialists**<br>Development of personnel in each field who can innovate and create value | **Realization of human resource portfolio requirements**<br>(non-consolidated) | Clarifying 40 domains and 535 areas of expertise needed for business portfolio transformation in order to visualize the expertise levels of each employee | Strengthening human resource portfolio in focus fields in FY2026 |
| | | **Average level of expertise among all**<br>(out of 5 levels) (non-consolidated) | FY2024: 2.9<br>FY2025: 2.9 | FY2026: 3.0 |
| | | **Development of personnel with competence in digital transformation**<br>(ratio of personnel capable of advanced utilization of the latest digital tools) (non-consolidated) | FY2024: 35%<br>FY2025: 41% | FY2026: 55% |
| | **Diverse Professionals**<br>Diverse professionals whose individuality, values, and experience invigorate the Company | **Ratio of female managers** | FY2025<br>Japan: 2.2%; Europe: 9.1%; Asia: 29.4%; China: 33.4% | FY2026<br>Japan: 2.3%; Europe: 11%; Asia: 29%; China: 30% (or higher)<br>Global: 8.4% |

**Value (Outcome)**

**Ability of our employees and organizations to turn ideas into reality*2**

(Four-year moving average, indexed as FY2019 = 100)

*2 Calculated as: Added value (sales minus raw material and other costs) ÷ Investment in human capital, monitored using productivity of human capital investment



"real sense of growth" and "career realization" as key factors for enhancing engagement with each of these groups. Accordingly, we have implemented initiatives aimed at improving engagement, such as our three-year development program for young employees and career training for 10,000 of our technicians. As a result, our initiatives have been recognized externally for their originality and effectiveness, winning the Innovation Award at the Good Career Company Awards hosted by the Ministry of Health, Labour and Welfare in fiscal 2025.

GOOD CAREER COMPANY AWARD 2024
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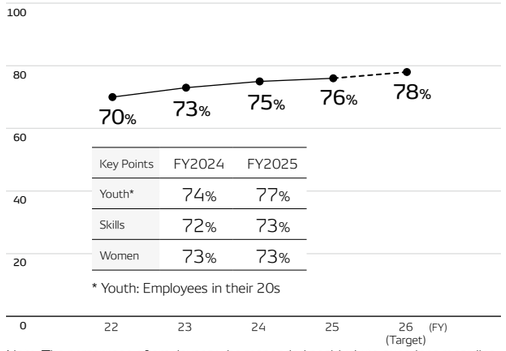
DENSO CORPORATION's Positive Response Ratio for Employee Engagement




| Key Points | FY2024 | FY2025 |
|---|---|---|
| Youth* | 74% | 77% |
| Skills | 72% | 73% |
| Women | 73% | 73% |

* Youth: Employees in their 20s

Note: The percentage of employees who responded positively to questions regarding job fulfillment and motivation (engagement toward work) and attachment to the Company and organization (engagement toward the organization)

Furthermore, as part of our efforts to strengthen the foundation for enhancing employee engagement, we are stepping up efforts to establish attractive compensation systems. Compensation has a direct link to employees' sense of fulfillment and their livelihood. For this reason, strengthening compensation is not a cost but rather a crucial investment for enhancing the capabilities of our people and organization for the future. In reviewing our compensation systems, we adopted a balanced approach giving consideration to various perspectives, including the perspective of employees, which focused on incorporating the impact of the rising cost of living and ensuring that individual effort and performance are properly rewarded; the perspective of society, which focuses on contributing to a virtuous economic cycle; and the perspective of management, which emphasizes the recruitment of personnel and the long-term stable growth of the Company. Based on these considerations, we have been addressing various compensation-related issues in a multifaceted manner, encompassing not only monetary compensation such as salary and bonuses but also non-monetary compensation such as the workplace environment and benefits.

In the negotiations to raise wages in 2025, in order to respond to today's rapidly changing environment and to ensure thorough discussion of workplace issues and working conditions, we opened labor–management negotiations in November 2024, earlier than when we would normally convene, which would have been in February 2025. As a result, we deepened mutual understanding with labor and aligned our awareness of issues from an early stage, enabling us to respond to the requests from labor unions nearly one month earlier than the designated response deadline and grant the full amount of compensation that was requested of us, which was a record-high amount for the Company. In addition to salaries and bonuses, we introduced a new stock-based incentive program for general employees, which was previously limited to senior executive officers. Looking ahead, we will continue to address compensation-related issues in a comprehensive manner as we work to further strengthen our human capital.

### Introduction of Stock-based Incentive Program to Encourage Employees to Take on Challenges and to Enhance Corporate Value over the Medium to Long Term

In May 2025, DENSO CORPORATION announced that it will introduce a stock-based incentive program for its general employees to encourage them to take on challenges, which in turn provides the driving force behind the Company's growth.

Applicable to all general employees of DENSO CORPORATION and re-employed retirees who meet the eligibility requirements, this incentive program grants employees common shares of DENSO with a five-year transfer restriction in accordance with their level of responsibility toward the Company's medium- to long-term performance. These shares are distributed through the DENSO CORPORATION Employee Shareholding Association.

The incentive system was previously only applicable to senior executive officers but has now been expanded to include nearly 47,000 DENSO employees who will underpin the future growth of DENSO. The system encourages employees to share value with the stakeholders to an even greater degree and to work toward enhancing corporate value, not only through short-term results but also from a medium- to long-term perspective. It also helps employees in building their personal wealth.

### Initiatives to Enhance Employee Engagement Globally

We are stepping up efforts to strengthen employee engagement not only in Japan but also on a global basis. We view the enhancement of employee engagement across all regions of operation as an important management theme. To that end, we set specific targets for each region, take action to improve engagement, and monitor the progress we make with these efforts. In fiscal 2025, we held a meeting bringing together the CHRO, regional CEOs, and regional HR leaders to exchange opinions on the current state of employee engagement. We also held discussions on the significance of pursuing globally unified efforts to enhance engagement and examined specific methods for doing so. In fiscal 2026, we will hold working groups on a quarterly basis in an effort to steadily set in motion a PDCA cycle for enhancing engagement globally.

## Human Resource Portfolio Transformation

To transform our business portfolio, which underpins sustainable corporate growth, we must work toward the qualitative and quantitative enhancement of personnel needed to execute our business strategies. To that end, we are striving to transform our human resource portfolio through the strategic recruitment, development, and deployment of human resources.

### Qualitative and Quantitative Enhancement of Personnel

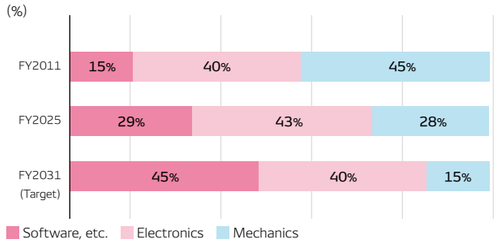
At DENSO CORPORATION, we are focusing on the qualitative and quantitative enhancement of personnel primarily in fields such as electrification, software, and semiconductors.

In fiscal 2023, we identified 40 business fields necessary for our business strategies (e.g., software and semiconductors) and appointed nearly 80 leaders responsible for cultivating talent in these domains. At the same time, we defined 535 categories of expertise needed for each identified domain. After doing so, roughly 15,000 administrative and technical employees commenced efforts to enhance their personal skills and design their careers based on these expertise categories. In fiscal 2024, we established committees centered on leaders appointed in each domain, under which we began collecting relevant expertise information. This information was then used to clarify qualitative and quantitative targets for the necessary personnel in each domain as well as to promote recruitment and cultivation initiatives by region to close the gaps between our targets and the current situation.

For example, in the software domain, around 220 engineers took on the challenge of transitioning from hardware to software roles between fiscal 2022 and fiscal 2025. Year by year, we are making progress with this kind of shift in our personnel. While realizing an optimized human resource portfolio in the fields of mechanics, electronics, and software with a view toward 2030, we will also take steps to develop system engineers who can design optimized functions across business domains from the perspectives of society and vehicles. These engineers will play a key role in the development of DENSO technologies.

We are also moving forward with efforts to bolster the ability of all employees to utilize IT and other digital technologies. In fiscal 2025, we launched a DX basics course and have been working to expand this course to Group companies since the start of fiscal 2026. Through this effort, around 6,500 employees, including those at Group companies, have begun voluntarily studying DX and implementing DX at the workplace level. In addition, 38 employees have begun pursuing new challenges through the Digital Cross-Border Challenge, an internal side-job program aimed at having employees apply their IT and other digital skills to resolve issues in other departments. The percentage of employees who can utilize advanced IT and digital tools has increased from 18% in fiscal 2023 to 41% in fiscal 2025, and we are accelerating efforts to further increase this percentage to reach our target of 55% by fiscal 2026. These initiatives have been recognized by external organizations, with DENSO being selected in 2024 as a DX Stock by the Ministry of Economy, Trade and Industry, the Tokyo Stock Exchange, and the Information-technology Promotion Agency, Japan. Furthermore, we have established an environment for making use of generative AI, and now more than 90% of administrative and technical employees have incorporated generative AI in their work.

Evolution of Development and Design Engineers' Portfolio at DENSO CORPORATION




We have established a framework for promoting these initiatives not only in Japan but also globally. As a first step, we have begun visualizing the necessary quality and quantity, i.e., number of development and design engineers specializing in technical fields on a global basis. Through these efforts, we are steadily advancing the transformation of our human capital portfolio with a view toward 2030.

### Initiatives toward Diversity and Inclusion

DENSO believes that the wellspring of its innovation lies in an environment of co-creation where differing opinions and ideas are exchanged openly. To create such an environment, it is essential that our employees, with diverse personalities, recognize and respect each other's differences. To date, we have adopted diversity as a pillar of our *Hitozukuri* activities, encouraging the exchange and integration of diverse knowledge and ideas. By doing so, we have enhanced our ability to turn ideas into reality and achieve corporate growth. With regard to the empowerment of women, who are a minority within DENSO, we believe that having women participate in the decision-making process—at all layers and with equal footing as men—leads to perspectives and ideas that are less likely to emerge in male-dominated discussions. In turn, this has always enabled us to provide society with even greater value. Accordingly, we have set global targets and are promoting various empowerment initiatives under the leadership of the regional CEOs.


Production line in Asia adapted so that pregnant women can work while sitting down

Global Activities to Promote Diversity and Inclusion

| | |
|---|---|
| Asia | Installation of adapted production line so that pregnant women can work comfortably while sitting down |
| China | Provision of nursing rooms for employees who are breastfeeding |
| North America | Hosting of events during Pride Month in consideration of the diverse individuality of employees |
| Europe | Establishment of D&I Working Team |

In Japan, our efforts to promote women's empowerment have allowed us to increase the ratio of women hired, employed, and in management positions compared with 10 years ago.

However, we believe that dramatically increasing these numerical values will be difficult moving forward. This situation can be attributed to the low proportion of women in Japan's recruitment market for our targeted fields (such as mechanical and industrial engineering), making it unlikely that the ratio of women hired and employed will improve rapidly. Also, as relatively few women joined the Company before we began strengthening initiatives to promote women's participation about 15 years ago, today's management ranks still have a high percentage of men, and the shift in management demographics will thus take time. These challenges are shared across Japan's

| | As of fiscal 2015 | → As of fiscal 2025 |
|---|---|---|
| Ratio of women hired | Business fields: 36.0% | Business fields: 44.1% |
| | Engineering fields: 3.5% | Engineering fields: 10.4% |
| | Technical fields: 16.6% | Technical fields: 21.3% |
| Ratio of female employees | 11.6% | 16.4% |
| Number of women in management positions | 40 (0.6%) | 160 (2.1%) |

manufacturing industry and are not something that can be resolved overnight. Nevertheless, we will continue to steadily move forward with efforts to ensure that every employee who joins DENSO can work without experiencing any gender-based barriers. As one example of such efforts, in fiscal 2025 we integrated the administrative career track program, which centered on assistant duties, with the general career track program, thereby eliminating gender-based barriers that existed in our human resource systems and general operations as well as in our corporate culture and mindset. The integration of these career track programs marked the first major change to our personnel systems since our founding. Before the integration, 99% of the roughly 1,800 employees in administrative-track positions were women, and these positions had limits on promotions and other advancement opportunities. Such limitations were abolished with this integration. As a result of focusing our efforts on expanding career-related training, we saw changes not only in productivity but also engagement within only a year since commencing these initiatives. Engagement among employees formerly on the administrative career track, which had been on average lower than that of general career track employees, improved to the point that the discrepancy disappeared (fiscal 2024: −3 points; fiscal 2025: 0 points). To ensure these changes in productivity and engagement become entrenched and further enhance employees' sense of fulfillment at work, we will continue to set in motion a PDCA cycle while also conducting surveys and one-on-one interviews with employees.

### Key Future Issues—Passing on and Evolving Our Corporate Culture

Up to this point, I have explained specific initiatives aimed at enhancing the ability of our employees to turn ideas into reality, i.e., strengthening our people and the added value they create, from the perspective of enhancing employee engagement and transforming our business portfolio.

Looking ahead, as the working population continues to decline, we are entering an era in which people will choose a company based on whether they can gain a sense of fulfillment from their work and if they can realize their desired career. In other words, we are now in an era where people choose the company, rather than the other way around. The source of a company's competitiveness comes from the strength of its people, and we therefore must become a company that enables our employees to shine.

To remain a company with a competitive edge tailored to the times, it is crucial that we pass on and evolve the corporate culture that we have built through our efforts to date. In recognition of this issue, we held DENSO Culture Day 2024 in fiscal 2025, bringing together 500 global DENSO Group employees to share their thoughts on what parts of DENSO's culture ought to be passed on to the next generation and on what parts of the culture should change in the future. Going forward, on a global scale, we will focus on evolving our corporate culture while preserving the aspects of our culture that make DENSO unique. By doing so, we will ensure the well-being and growth of our people.

Holding DENSO Culture Day 2024, an event where we discussed how to pass on and evolve DENSO's culture

**MESSAGE** From an Employee

**Realizing Further Growth through Frameworks That Help Motivated People Succeed**

Rina Kondo
Mobility Electronics Business Planning Division

I entered DENSO in an administrative role, and now I am the leader of a human resource development project for our business groups. With the integration of career path programs in 2024, we increased the number of opportunities for our employees to take on challenges in a wide range of work. We also expanded employee potential by removing limitations on promotion. I am extremely pleased with these developments.

Based on my involvement with human resource development, I feel it is important to establish frameworks that help motivated people succeed. In the past, I felt that I was seen as being in a supporting role in my administrative position, even in situations where I needed to lead the way. Now, however, I can take on challenges without feeling hindered by any barriers that I myself may not have previously noticed.

Meanwhile, the number of skills that I need for my work has increased, and at times I have felt my own limitations. Nevertheless, I aim to realize further growth by drawing on the strengths I have cultivated over the years, such as my ability to thoroughly assess situations, relate to others, and resolve issues. During my time in the administrative position, my supervisors and colleagues always supported me and encouraged me to take on challenges by aiming higher. I hope to express my gratitude to all those who have supported me by contributing to improvements in the work environment so that the next generation can fully demonstrate their abilities.





# Intellectual Capital

## Message from the Officer in Charge of Intellectual Property

## Creating New Value through Intellectual Property-focused Management

Hidehiro Yokoo
Senior Executive Officer

### Characteristics of DENSO's Intellectual Capital
(Fiscal 2025 results)

R&D expenditure (ratio to revenue)
**¥619.4 billion (8.6%)**

Total patent applications (Japan and foreign countries)
**Approx. 3,500**

Total patents owned (Japan and foreign countries)
**Approx. 37,500**

### Establishment of Intellectual Property Vision and Direction of Our Intellectual Property Activities

Recently, there have been rapid advancements in electrification and automated driving technologies, driven by the goal of achieving carbon neutrality and eliminating traffic accident fatalities. In particular, with the emergence of software-defined vehicles (SDVs), cars are evolving into a product that centers on software, and this has increased opportunities for collaboration with companies outside of the automotive industry, as well as competition. To achieve sustainable growth and enhance corporate value amid the technological innovations and changes occurring in the business environment, we must position intellectual capital—the source of our competitiveness and differentiation—as a vital management resource and utilize it more strategically than ever before.

Since our founding, we have worked to address environmental and social issues, such as fuel efficiency and emissions reduction, through the development of technologies centered on those related to internal combustion engines. The results of such technological development have built the patent portfolio that has supported the Company's growth. At the same time, as part of our intellectual property (IP) activities, we had been focusing on defensive-minded intellectual capital activities, making use of IP rights such as patents and trademarks to secure as legal right proprietary technologies that enable us to differentiate our products from those of our competitors.

Meanwhile, for technological development in fields such as electrification and automated driving, it is necessary to create added value by combining multiple IP assets, as systems are becoming larger in scale and more complex. In order to do that, in addition to using IP rights to protect our proprietary technologies, we must utilize IP as a management resource for co-creation with other companies through collaborative activities and efforts to promote standardization. In this way, we view IP from a broad perspective that includes not only IP rights, such as the patents we have frequently handled, but also software and know-how. Based on this perspective, it is necessary to engage in offensive-minded IP activities to contribute to business growth and to medium- to long-term corporate value enhancement.

For this reason, we adopted the goal of "realizing IP-focused management through offensive and defensive IP strategies" as our IP Vision. To realize IP-focused management, we will enhance the IP literacy of all employees and aim to naturally incorporate our IP utilization strategies in our business strategies. To incorporate this IP Vision into specific initiatives, we have organized our IP activities around three pillars: "strategy formulation," "governance," and "internal and external dialogue," and are strengthening them accordingly.

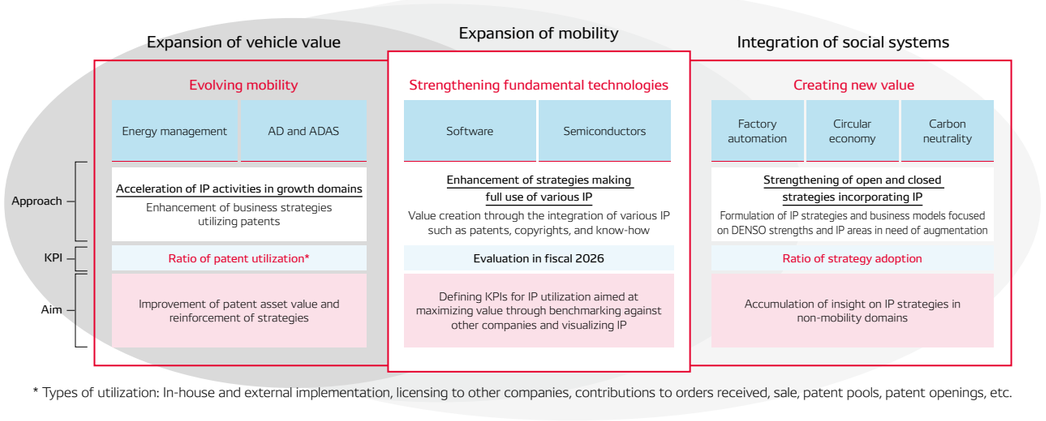
Targets for Realizing IP-focused Management

| | FY2026 | Future |
|---|---|---|
| Strategy formulation | Incorporation of IP utilization strategies in business strategies of focus fields | Reconstruction of IP portfolio on a Companywide level to maximize IP utilization |
| Governance | Introduction of KPI management<br>Establishment of new IP Strategy Meeting | KPI management and optimization and stable operation of in-house meetings |
| Internal and external dialogue | Entrenchment of IP awareness across all layers in-house through dialogue | Strengthening of internal and external dialogue from the perspective of IP value |

### First Pillar: Strategy Formulation—Strengthening the Formulation of IP Strategies

For the direction of our technological development, we are focusing on evolving mobility, strengthening fundamental technologies, and creating new value, which serve as drivers for the Company's growth. By formulating and executing IP strategies in accordance with the business environment and technological characteristics of each of these fields, we aim to establish a sustainable competitive edge while taking on the challenge of new business creation.

Strengthening business strategies through IP strategies in accordance with the operating environment in each domain

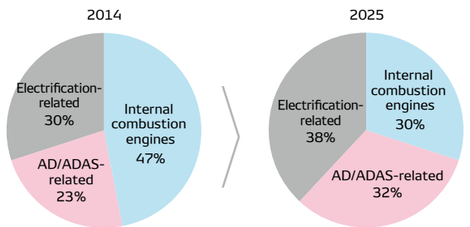



* Types of utilization: In-house and external implementation, licensing to other companies, contributions to orders received, sale, patent pools, patent openings, etc.

### IP Strategies in Mobility Domains

DENSO boasts its greatest strengths in the mobility domain. To date, we have built a vast patent portfolio, centered on technologies related to internal combustion engines, which has helped us carve out a competitive edge through differentiated technologies, such as improved fuel efficiency and reduced emissions. This patent portfolio has also contributed to our stable business operations. As such technologies reach maturity, we are shifting our focus to growth domains such as electrification and automated driving. Accordingly, we have been transitioning our patent portfolio toward electrification-related areas such as vehicle energy management and motor technologies for drive components, as well as AD/ADAS-related technologies, including vehicle external sensing and accident prevention through infrastructure–human coordination.

Patent Portfolio in the Mobility Domain




For the utilization of IP in growth domains, we are building frameworks for the open rollout of IP to external parties, including through licensing, alliances, and patent pooling. By accumulating insight through these efforts, we are learning which types of IP can be readily utilized, and we believe that we can create higher quality IP by applying this knowledge in our IP creation activities.

Moreover, we have introduced a patent utilization rate, which measures the rate that patents contribute to business growth, as a new KPI in order to quantitatively evaluate the status of patent utilization. This KPI enables us to visualize the impact of investments in particularly important patents and promote the establishment of a patent portfolio that truly contributes to business growth. In this way, the introduction of this KPI has further strengthened the link between our IP and business strategies.

### IP Strategies in Fundamental Technology Domains

#### Software

As the value of software increases due to the shift toward SDVs, we aim to create software that provides high value to the user on a continuous basis, thereby contributing to the evolution of automobiles and the future of the mobility society. In an SDV, software controls not only conventional vehicle systems, such as the engine, brakes, and steering, but also a variety of other functions such as infotainment, ADAS, automated driving, communications, security, and energy management. Our expertise in large-scale software design, built on comprehensive knowledge of the automobile, together with our ability to implement a wide range of software systems, represents the compilation of DENSO's intellectual property. By visualizing and maximizing this value, we will help advance the mobility society.

To that end, we are focusing on the diverse IP that comprises software and are developing frameworks for communicating our IP value to customers in an easy-to-understand manner. In tandem with the changes occurring in the business environment for SDVs, we are actively examining how best to demonstrate the value of IP to customers, including new methods for utilizing IP, while advancing our IP activities.

#### Semiconductors

With automobiles becoming increasingly more electrified and intelligent, semiconductors have become a core technology that supports the mobility society. Also, the market for semiconductors is highly volatile, and product specifications and demand change rapidly. For this reason, we must formulate precise strategies that encompass everything including stable purchases by suppliers. To maintain and further strengthen our business competitiveness under such an environment, it is crucial that we implement an open-and-closed strategy under which we keep our core technologies closed internally and share non-core technologies openly with external partners. We execute business and IP strategies in the sensor, power semiconductor, and System on Chip (SoC) domains with the aim of achieving sustainable business growth and enhancing our market competitiveness.



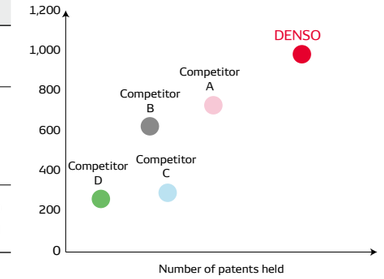


Power Semiconductor Patents Underpinning DENSO's Competitiveness


| | Power Semiconductors | | |
|---|---|---|---|
| | Wafers (installation and crystal growth) | Epitaxial layers | Devices |
| Number of patents held | 391 | 162 | 670 |
| PAI* patented technologies with a global top-five ranking | Gas furnace structures<br>RAF substrates<br>Gas growth method | Etched drift layer | Trench MOSFET |
| Representative patents | Patent No. 5750363<br>Patent No. 5212455 | Patent No. 5750363<br>Patent No. 5212455 | Patent No. 4793390<br>Patent No. 5812029 |

* PAI (Patent Asset Index): A patent value score provided by the patent analysis tool PatentSight® from LexisNexis Intellectual Property Solutions

Patent Positioning in the Field of In-vehicle Inverters
(PAI scores)




#### Power Semiconductor Domain

In the power semiconductor domain, we have adopted a business strategy under which we work to strengthen the supply chain through innovation in our internal production activities and collaboration with partner companies, while adapting our SiC power semiconductors to meet the stringent conditions for in-vehicle installation. We possess a full lineup of IP internally, including everything from wafer manufacturing to power devices and the inverters that incorporate them, enabling us to build an optimized IP portfolio for in-vehicle semiconductors.

We also secure patents for our highly original technologies that offer technological value, which gives us a strong competitive edge over our competitors in terms of both patent quantity and quality (PAI) for wafers, epitaxial layers, and devices. In addition, we are examining growth strategies for sharing our IP with partner companies, including the know-how we possess in the field of manufacturing.

#### SoC Domain

The number of semiconductors required for one vehicle continues to grow. To process large volumes of data while improving fuel economy and electric energy efficiency and suppressing heat generated in SoCs, it is essential to develop high-performance semiconductors, particularly SoCs, with a focus on the future. Doing so provides a core driver for competitiveness.

To that extent, we position the in-house development of SoCs optimized for automotive applications at the center of our strategies and are accelerating development activities together with semiconductor vendors. By integrating key semiconductor functions into one single chip, SoCs enable downsizing, weight reduction, higher speed, and multifunctionality, all while contributing to greater cost and manufacturing efficiencies.

In our development activities, we will create and protect IP that helps us achieve differentiation in areas such as real-time performance and functional safety required for automotive applications, thereby enhancing added value in a sustainable manner. Also, with a view toward industry-wide growth and market expansion, we contribute to the global standardization of shared IP through participation in semiconductor consortiums and other organizations. Such technological standardization helps create ecosystems and expand markets, which in turn enhances the value of our own technologies.

### IP Strategy in New Value Creation Domains

DENSO is working to create new value by drawing on its strengths in mechanics, electronics, automated technologies, software, and semiconductor technologies—which have been cultivated through its experience with in-vehicle product development.

In order to create new businesses, it is imperative that we carry out a comprehensive IP analysis (IP landscape) across all phases of the creation process, from business concept and planning to development, making use of patents and market information.

In the business concept phase, we make use of IP landscapes to identify existing players in the market, assess technologies that serve as strengths, and examine business feasibility. Furthermore, in the planning and development phase, IP landscapes are utilized to analyze challenges, strengths, and weaknesses of key competitors. IP landscapes are also used to create development strategies to secure a competitive edge over these competitors, including from the perspective of IP, and formulate IP strategies in accordance with these development strategies. In these ways, we roll out open-and-closed strategies leveraging our patents and know-how.

For example, in the closed domain for precision vehicle dismantling, where we are pursuing development with a view toward the circular economy, we utilize the technologies gained from developing a broad range of in-vehicle products as well as medical-related technologies, such as surgical support balance arms, that we have been involved in for some time. We also acquired patents related to our automated dismantling

Value Creation Path in Technology and Intellectual Property (Excerpt)

| Input (technological development / IP investment) P.36–37 Technology Strategy | | Technological strategy output (results) | Outcome (value provision) |
|---|---|---|---|
| Electrification | Systems for charging while driving | Electrification of mobility | Green: Realizing a sustainable global environment where people coexist with nature through a circular economy and carbon neutrality |
| Energy management | Highly efficient energy conversion | Optimized energy management | |
| Carbon neutrality | Hydrogen production / $CO_2$ recovery | Securing and reuse of resources, waste reduction | |
| Circular economy | Precision vehicle dismantling / Creation of sustainable resources | | |
| Automated mobility | Next-generation sensor technology / Technology for infrastructure–human coordination | Advancement and widespread adoption of in-vehicle safety products | Peace of Mind: Providing safe and open mobility and creating an enriched society where everyone can live with peace of mind |
| Automated *Monozukuri* | Additive direct manufacturing / Robotics | Labor-saving and productivity improvements | |
| Information management | Edge computing / Data security | Safe and secure information management | |
| Semiconductors | SiC semiconductor manufacturing technology, SoC devices, and chiplet technology | | |
| Software | Developmental automated technologies using generative AI | | |

technologies. By doing so, we are working to secure a significant competitive advantage. Meanwhile, in the open domain for vehicle dismantling, we collaborate with dismantling and recycling companies, as well as material manufacturers, to promote technological development and create value chains geared toward the widespread adoption of precision vehicle dismantling. P.38–39

In this manner, we aim to achieve both business expansion and new value creation while integrating the use of IP in our business strategies.

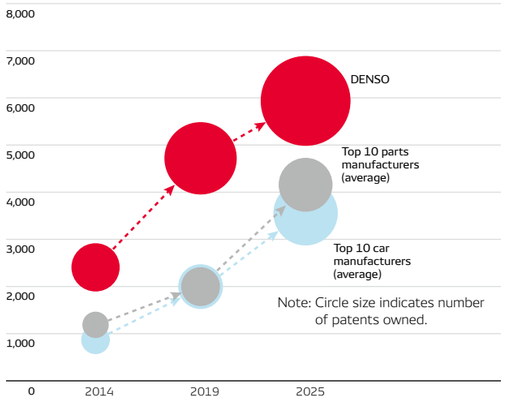
Furthermore, in new value creation domains, we have introduced the new KPI of strategy adoption rate, which represents the rate to which information from IP landscapes has been incorporated into the themes of our business strategies. With this new KPI, we believe we can hone the precision of our business strategies while incorporating IP strategies at the initial stages of business strategy formulation.

## Establishment of IP Portfolio and Frameworks for Patent Data Disclosure

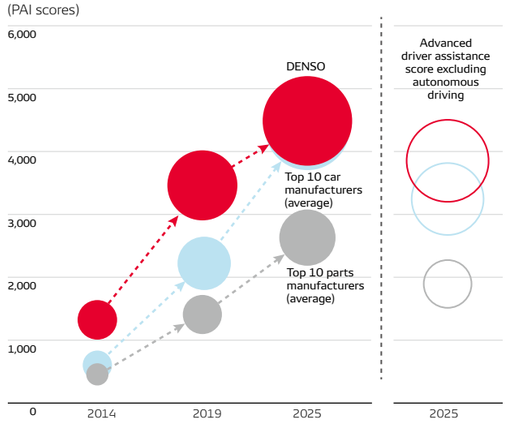
At DENSO, in addition to strengthening our strategy formulation for each individual business, it is important that we build an IP portfolio from a Companywide perspective based on value creation stories and technological development policies aimed at resolving social issues. By clarifying the causative connection (value creation path) between our IP activities, which generate important IP through our focus on technological development, and the value we deliver to society, and by examining our patent value score for each type of value we create, we can see steady growth in our patent evaluation score compared with 2014, with the score approximately doubling in the green domain and growing roughly 1.5 times in the peace of mind domain.

In the green domain, we boast a superior patent value score over major automakers and automotive component manufacturers. In the peace of mind domain (ADAS and automated driving),

Green Domain: PAI Scores Related to Electric Vehicles




Peace of Mind Domain: PAI Scores Related to AD/ADAS




Source: Created by DENSO using LexisNexis PatentSight®





we also maintain an advantage over major automotive component manufacturers and possess a competitive score that is on par with major automakers. We possess a particularly strong advantage over major automakers when looking only at ADAS, which is entering the phase of widespread adoption.

Our patent evaluation scores reflect the direction of our technological development and the results of our IP investments, which are made possible through our technological development. Looking ahead, we will continue to leverage the strong competitiveness of our IP to achieve sustainable growth.

**Leading indicators:** Show future portfolio trends. We place emphasis on these indicators in domains such as new value creation that helps resolve social issues.
**Current indicators:** Show the strengths of our current portfolio. We place emphasis on these indicators in our growth domains, such as mobility, software, and semiconductors.
**Lagging indicators:** Show portfolio performance. We place emphasis on these indicators in the maturing domain, which consists of engine-related products that have supported our growth to date.

By providing information using these indicators, we enhance the level of interest in patents and promote IP strategies that make proactive use of data.

IP Performance Indicators (Examples)

| | | |
|---|---|---|
| **IP investment** Note: Some cases cannot be compared to other companies. | Financial | Investment amounts |
| | People | Number of engineers, etc. |
| **Leading indicators** (future trends) | Comparisons to other companies | Number of patent applications by country<br>Number of inventors, etc. |
| | Internal assessments | Feasibility of implementing patents owned by DENSO or other companies, etc. |
| **Current indicators** (current strengths) | Comparisons to other companies | Number of patents owned by country<br>Share of patents owned by technology domain, etc. |
| | Internal assessments | Implementation status of patents owned by DENSO or other companies, etc. |
| **Lagging indicators** (results) | Comparisons to other companies | Number of patent citations, etc. |
| | Internal assessments | Patent revenue, etc. |

## Second Pillar: Governance—Building a Governance Structure

With a view toward establishing a robust patent portfolio, we have been holding IP strategy meetings for each business to discuss patent strategies. To expand the scope of our discussion to include not only patents but also IP and to optimize strategies on a Companywide basis, we established the new IP Strategy Meeting through which we examine common IP themes across businesses, determine IP structure and budget, and discuss resource allocation. By doing so, we will further enhance the effectiveness of our IP strategies.

Also, as mentioned previously, we have adopted the unique KPIs of ratio of patent utilization and ratio of strategy adoption in order to steadily realize IP-focused management. By closely monitoring these KPIs, we can assess the progress status of our initiatives to incorporate IP strategies within our business strategies and foster a shared awareness among all relevant personnel. We will also aim to promote initiatives that bring together the entire Company by disclosing these KPIs at the IP Strategy Meeting and reviewing the processes for achieving our targets each fiscal year.

## Third Pillar: Internal and External Dialogue—Strengthening Efforts to Promote Dialogue

To realize IP-focused management, we aim to enhance IP literacy across the entire Company—not only among personnel engaged in the IP-related fields but also among executives, business strategy planners, sales staff who interact with automakers and suppliers, and members of our purchasing divisions. In this way, we seek to ensure that IP strategies are naturally embedded within our business strategies.

To boost the awareness of IP as one of the Company's key management resources, we are increasing the frequency of IP dialogues and strategic discussions that include the general managers of our business divisions. At the same time, we introduce our day-to-day IP strategy activities at internal technological exhibitions, providing knowledge and communicating information on IP. We are also strengthening our IP educational activities on a regular basis for all employees, starting from the time they join the Company, to ensure that they acquire basic IP knowledge.

Furthermore, in addition to bolstering internal dialogue, we will place greater importance on constructive external dialogue with third parties, which provides us with indispensable insights from perspectives we are unable to see internally.

As technological innovation accelerates and significant changes occur in the operating environment, we position IP as a vital source of both value creation and competitiveness. To that end, we will promote IP-focused management aimed at strengthening offensive and defensive IP strategies, thereby working to realize sustainable growth and enhance our corporate value.

# Manufacturing Capital

## Message from the Chief Monozukuri Officer

## Pursuing the Next Generation of Monozukuri by Combining Human Ingenuity, Technology, and Digital Innovation

**Jiro Ebihara**
Senior Executive Officer
Chief Monozukuri Officer (CMzO)

### Characteristics of DENSO's Manufacturing Capital
(Fiscal 2025 results)

| Capital expenditures: | Total $CO_2$ emissions (Utilization of carbon credits): | Global number of production bases: |
|---|---|---|
| ¥371.1 billion | 76% reduction (compared with fiscal 2021) | 119 bases in 25 countries and regions |

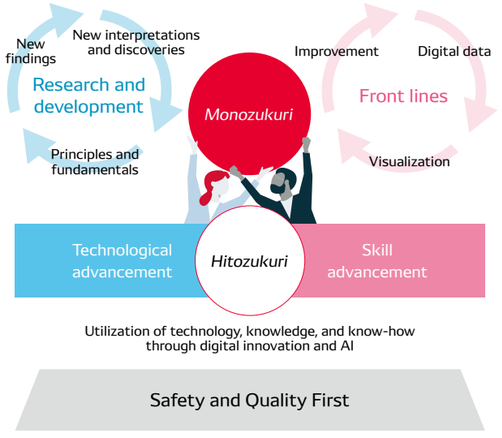
DENSO's strength lies in manufacturing foundations that the Company continuously evolves through production technology innovation and on-site improvements. We have accumulated an abundance of excellent manufacturing capital that includes a network of production bases throughout the world and organizations and employees with the expertise and skills needed to implement and realize initiatives from development to mass production. Drawing on this capital, we will build a global production and supply system that can both adapt to uncertain external conditions and keep pace with the operational changes accompanying the revolution resulting from the increased production of connected, autonomous, shared & service, and electric (CASE) vehicles. At the same time, we will pursue ambitious, new-era manufacturing initiatives that address such social issues as environmental regulations and population decline.

### DENSO's Unwavering Commitment to *Monozukuri*

Since its establishment, DENSO has maintained the philosophy of creating things that do not yet exist in order to meet the needs of its customers. Guided by this philosophy, we have developed and created various materials, processing methods, and production lines, all through the use of our own technologies. To win out against intense competition, it is crucial that we innovate our *Monozukuri* activities by advancing individual technologies in materials, processing, assembly, and production systems; strengthening the skills that support the production front lines; and accelerating the utilization of data acquired from production processes through the use of digital and AI technologies. Innovation is driven by human ingenuity. We believe it is important that our people, who support *Monozukuri* activities, have a clear understanding of their role in creating new value and consistently engage in their work with a sense of purpose.

As the external operating environment continues to undergo significant changes across the world, we will continue to refine the *Monozukuri* values that we have cherished since our establishment. At the same time, by establishing links between our manufacturing strategy, business and management strategies, and human resource strategy, we will further reinforce our manufacturing capital.

DENSO's *Monozukuri* Values




### Manufacturing Capital Strengths and Strategies

To continue to meet the expectations of its diverse stakeholders, DENSO must achieve sustainable business growth by responding to changes in the operating environment, expanding its business domains, and keeping pace with rapidly evolving technologies, all while working to resolve social issues that are becoming more complex and sophisticated. To that end, it is essential that we further strengthen the manufacturing capital that we have accumulated to date. Specifically, we will do so by combining our global production and supply capabilities, which are the result of a basic policy of manufacturing close to markets and customers; our resilient supply chains, which connect our suppliers, global production bases, and customers; and DENSO-style *Monozukuri*, which continuously creates value by using advanced technologies and production sites to realize appealing products.

With respect to our global production and supply capabilities, we will replace portfolio businesses in line with the progress of the CASE revolution while optimizing production and supply capabilities in each region by shifting to growth businesses and consolidating production globally and within regions. In conjunction with these efforts, DENSO will bolster business continuity capabilities through bridge production, the maintenance of high-risk inventories at appropriate levels, and other measures. These measures will ensure stable production even in volatile conditions, thereby minimizing costs. To bolster the resilience of supply chains, we will lead industry-wide efforts to promote fairer business practices across the automobile components sector while addressing supply–demand imbalances and shortages of semiconductors and electronic components. At the same time, we will tackle related challenges by streamlining our own logistics operations and engaging with the entire supply chain through digitalization and other innovations. In addition, we will work with our customers and suppliers to build a resilient supply chain, taking on the challenge of addressing social issues, such as a declining and aging workforce and, more recently, a shortage of truck drivers.

Meanwhile, for DENSO-style *Monozukuri*, we are accelerating initiatives aimed at strengthening concurrent engineering, which enables the simultaneous development of production technologies from the product planning stage, and promoting carbon neutrality and productivity improvement initiatives that are based on data analysis and product production line automation. At the same time, we are conducting strategic investments involving the incorporation of innovative technologies in the growth domain of CASE. Also, with our sights set on the period from 2030 to 2035, we will boost engineering and the development of production technologies in relation to the hydrogen business and other new business fields and the manufacturing circular economy (utilization of recycled materials) by employing original technologies and advanced skills developed for internal combustion engine products.

### Global Production and Supply Capabilities

DENSO has built highly competitive production structures in five countries and regions: Japan, North America, Europe, Asia, and South America. At our production bases worldwide, we aim to achieve leading levels of quality, cost, and delivery in each region. As well as reweighting our business portfolio to accommodate the CASE revolution, we are currently building a production and supply system with a resilience to change and fluctuation that enables stable delivery of products to customers even in an environment where various geopolitical risks are emerging. For growth businesses, we aim to build a worldwide production system and raise production capacity. As part of these efforts, we will step up the manufacture of inverters—a key product for vehicle electrification—by seeking an early transition from internal combustion engine plants to electric vehicle component plants and by pursuing a plan to supplement existing production capabilities in Japan, North America, China, and Europe through the establishment of inverter production in India and countries within the ASEAN region.

### Bolstering the Resilience of Supply Chains with a Focus on Addressing Social Issues

Recently, there has been an increase in disruptions to logistics activities due to factors such as climate change-driven natural disasters and pandemics. Under these circumstances, there is a growing need to bolster the resilience of supply chains that connect suppliers, global production sites, and customers to ensure sustainable growth, while working to address social issues such as driver and other logistics worker shortages brought about by population decline as well as the need to reduce $CO_2$ emissions resulting from the transport of materials and products.

As a key player in the logistics industry, DENSO is striving to realize attractive logistics environments where all employees involved in the supply chain, from truck drivers to cargo handlers, can work safely, securely, and with a sense of fulfillment. To that end, we are taking on the challenge of streamlining and digitalizing logistics operations in collaboration with both internal and external partners.

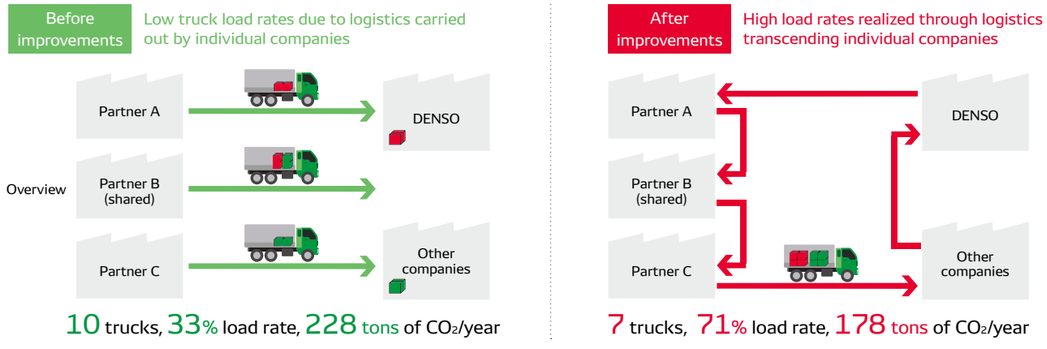
On the front lines of truck transport, we have introduced route-based rotation schedules for drivers to eliminate extended distance driving over long periods of time. In addition, we are proceeding with the introduction and trial verification of automated forklifts in order to simplify the work environment and eliminate non-driving-related tasks. We are developing automation technologies for work involving the handling of cargo to eliminate repetitive and physically demanding tasks.

We are striving to expand the reach of these initiatives across all of society and bolster the resilience of supply chains through logistics in such ways as promoting collaborative transportation with other Toyota Group companies on a trial basis as well as spearheading efforts to formulate guidelines for logistics efficiency as a key company in the Japan Auto Parts Industries Association and promoting their adoption among 446 member companies.

### DENSO-style *Monozukuri*

DENSO aims to strike a balance between promoting extensive automation and creating attractive plants in order to resolve such issues as the declining workforce and the lack of young workers in manufacturing. To that end, we aim to establish attractive

Trial Verification of Collaborative Logistics with Other Companies



*Monozukuri* environments that maximize human potential. By freeing people from repetitive tasks on the front lines, we will enable them to focus on creative work—generating new ideas and engaging in tasks that only humans can do. At the same time, we will continue to pursue the Just-in-Time philosophy of producing only what is needed, when it is needed.

As part of these efforts, we are constructing the new Zenmyo Minami Plant, which will serve as a flagship for DENSO's next-generation plants. At the new plant, we are working to realize 24-hour unmanned operation to enhance responsiveness to fluctuations in demand and new workstyles that leverage digital technologies in order to maximize creative work and tasks that only humans can do. To accomplish these goals, we will automate simple tasks within logistics and inspection work that take up people's time while flexibly making use of small teams of workers when needed to conduct maintenance work such as repairs and equipment condition monitoring. By doing so, we will help workers balance creativity with efficiency while also making it possible to operate production lines freely and at any time of day, thereby enabling a new production system that is both highly competitive and able to respond flexibly to demand fluctuations.

In terms of workstyles, we will draw on globally connected data from plants that is constantly monitored and analyzed to facilitate environments where strategic decision-making and expert-led initiatives can be carried out swiftly and without geographical constraints. We have already begun to conduct these types of initiatives at existing plants, targeting specific production lines and tasks. In these ways, we are striving to realize more advanced DENSO-style *Monozukuri*.

## Example of Value Creation

### Pursuing the Next Generation of *Monozukuri* by Combining Digital and Physical Technologies

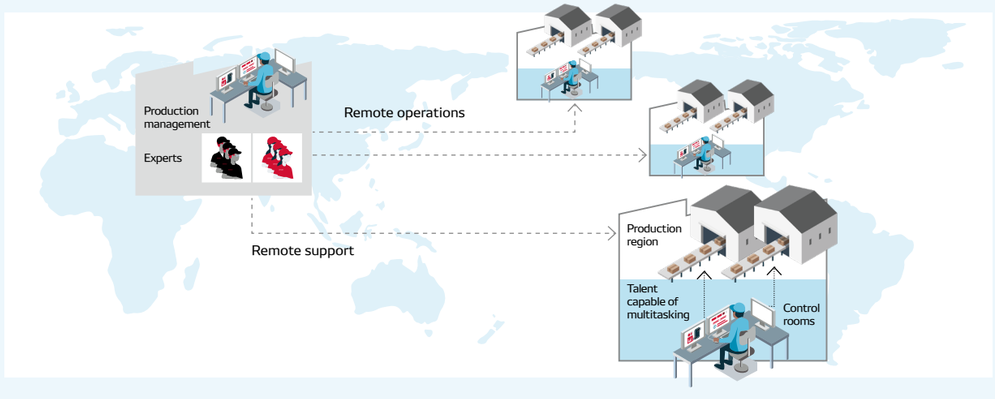
DENSO is utilizing "digital plants," which are plants with built-in virtual spaces, with the aim of realizing global production operations as if all plants were under one roof.

In frontline divisions, we are working to nurture multi-skilled personnel who can handle various tasks such as machine operation, transport, and maintenance. As we do so, we are making use of digital plants so that such personnel can pool together their expertise and swiftly test and implement their analysis and improvement ideas. By making it possible for employees to promptly reflect their ideas in their work, we can enhance their motivation and sense of growth. Furthermore, we aim to create new forms of job satisfaction and value by combining the craftsmanship of skilled workers with digital technologies.

For departments that are indirectly involved in production activities, such as the production technology and production management departments, we make use of our digital plants to run simulations and make optimizations before we introduce new equipment or make changes to processes. By doing so, we are able to maximize the effectiveness of changes while avoiding do-overs, thereby helping our employees enhance their level of expertise. Moreover, we are making it possible to conduct operations at multiple plants on a remote basis, which in turn expands the scope of our production activities and enables more diverse workstyles.

At the Anjo and Daian plants, we have established our first production control rooms that are able to assess the real-time conditions within plants using video and data. These rooms allow a single operator to quickly detect delays or monitor progress in production, identify bottlenecks in the process, and respond accordingly across multiple lines. Through these efforts, we are conducting trials for model production lines with the aim of halving the number of operators needed for overall plant operations. Furthermore, at the Zenmyo Plant, we have put in place an environment that enables discussion on maintenance operations in real time with overseas locations that produce the same products, making use of live video feeds to collaboratively identify issues and examine solutions. Looking ahead, we will work to expand these initiatives to other plants as we pursue sustainable improvements in productivity through mutual growth and support across our global operations.

Aiming for Production Operations That Utilize Digital Technologies








# Natural Capital

## Outline of Efforts to Strengthen Natural Capital

The conservation and preservation of natural capital is a vital issue directly linked to corporate management. DENSO's business activities rely on natural capital, including the use of water resources and mineral resources. Conversely, we can help minimize the negative impact of climate change on natural capital by applying our long-cultivated environmental technologies to develop and popularize innovative environmental products.

Based on our Eco Vision environmental management policy, we are enhancing the efficiency of natural capital use and reducing our environmental burden, thereby working to conserve the global environment and create economic value.

### Characteristics of DENSO's Natural Capital

(Fiscal 2025 results)

Named to CDP's*1 **A List** for Climate Change and Water Security for three consecutive years (2022–2024)

Global $CO_2$ emissions:
**490,000** t-$CO_2$e*2 (Scope 1 and 2)

Amount of renewable energy introduced (globally)
**2,032**GWh (Ratio of renewable energy introduction: 53.8%)

*1 A UK-based NGO established to evaluate and report on the environmental measures of companies and other entities at the request of institutional investors
*2 Results reflect credits. The scope includes domestic and overseas production sites (including Group manufacturing companies).

Relationships between Natural Capital, Corporate Value, and Social Value (Value Creation Path)

| Initiatives to Enhance Natural Capital | Corporate Value | | | Social Value |
|---|---|---|---|---|
| **Curtailing/easing climate change**<br>(Electrification, energy conservation, etc.)<br><br>**Curtailing/eliminating environmental pollution**<br>(Reducing substances that burden the environment, managing wastewater, etc.)<br><br>**Preventing resource depletion and promoting resource recycling**<br>(Zero emissions, reduction of water use, etc.)<br><br>**Conserving biodiversity**<br>(Greenification and ecosystem protection activities, etc.) | **Creating environmental businesses**<br>Reducing costs of response to environmental risks<br><br>Reducing production costs<br><br>Increasing opportunities to establish eco-friendly brands | **Creating new value**<br>Increasing profits (Increasing output per input)<br><br>Reducing invested capital (Reducing input)<br><br>Reducing capital costs (Reducing risks) | **Financial Value** | Realizing a global environment where people can live in coexistence with nature and with peace of mind |

## Climate Change Countermeasure: Zero $CO_2$ *Monozukuri*

DENSO is promoting the development of technologies for the production process and engaging in rigorous energy-saving activities with the participation of all employees. In addition, we have been proactively promoting energy-saving activities, including Just-in-Time (JIT) activities that aim for the utilization and supply of just the right amount of energy at the necessary time. Under Eco Vision 2025, we established the "energy half" target (reducing $CO_2$ emissions intensity by half compared with fiscal 2013) and have been promoting efforts to reach this target accordingly. In fiscal 2023, DENSO CORPORATION achieved this target, while Group companies achieved the target in fiscal 2024.

Going forward, we will continue to enhance energy-saving activities utilizing Factory-IoT (F-IoT) and other technologies, and, at the same time, we will purchase electricity and gas derived from economically rational renewable energy sources and introduce self-power generation (solar power). Through such efforts, we will aim to make our *Monozukuri* completely carbon neutral.

## Prevention of Environmental Pollution

DENSO is working to reduce the use of environmentally hazardous substances in its products in accordance with a basic policy of minimizing the use of chemical substances throughout product life cycles and taking into consideration trends in relation to the European Union's End-of-Life Vehicles Directive*1 and REACH Regulation*2 as well as other laws and regulations in respective countries and regions. In addition, chemicals handled at our plants are classified into "prohibited," "targeted for reduction," and "controlled" categories, and all chemicals used in our products are subject to integrated management under a proprietary control system. Based on these systems, we continuously promote efforts to reduce the usage and emissions of chemicals. At the same time, we are advancing the development of alternative technologies.

*1 This directive came into force in October 2000 and, in principle, prohibits the use of certain chemicals in new vehicles sold from July 2003 onward.
*2 This comprehensive regulation on chemicals came into force on June 1, 2007.

## Resource Depletion Prevention and Resource Recycling

With a view to achieving a recycling-based society, DENSO advances activities for the effective use of resources, which include reducing waste and emissions (zero emissions), recycling, and reducing water consumption. For example, we are reducing waste for main materials (metals and plastics) and subsidiary materials (fats, oils, and chemicals) by developing resource-saving processing methods and designing products that result in less waste. Also, we are taking measures to reduce water consumption through the introduction of JIT water management, which supplies the necessary amount of water to the necessary place. Further, DENSO has established a recycling network through cooperation among customers, DENSO service stations (centers), DENSO SOLUTION JAPAN CORPORATION, and DENSO REMANI CORPORATION. By utilizing this network, we operate a component rebuilding business that recovers, reconditions, and ships alternators and starters whose quality is assured through performance testing of the same stringency as that used for new products. As of fiscal 2021, we have achieved zero emissions at all global business sites.

## Information Disclosure Based on the Taskforce on Nature-related Financial Disclosures

The loss of biodiversity ties in directly with the degradation of natural capital, which is essential for our corporate activities. Accordingly, we accurately assess the relationship between biodiversity and our business activities and enact measures, when necessary, if we are to enhance the stability of these activities. Starting in fiscal 2025, we have been utilizing the Taskforce on Nature-related Financial Disclosures (TNFD), an international framework for the disclosure of biodiversity-related information, to carry out a trial analysis of our impact and dependence on nature and identify relevant risks and opportunities.

### Governance

Important items regarding our dependence and impact on nature and the relevant risks and opportunities are being deliberated on by the Companywide Safety, Health, and Environment Committee. This committee monitors and supervises the progress made toward qualitative and quantitative targets regarding our response to nature-related issues and evaluates business opportunities and risks. In this way, the committee will engage in decision-making based on comprehensive assessments.

### Strategy

Centered on the Safety, Health & Environment Division, we conducted an analysis in collaboration with external experts. This analysis was carried out with a high level of objectivity, utilizing the LEAP approach*3 stipulated by the TNFD as well as analysis tools such as Aqueduct provided by the World Resources Institute and the Integrated Biodiversity Assessment Tool developed by the International Union for Conservation of Nature in collaboration with other organizations. The analysis focused on a long-term timeframe, around 20 years in the future.

*3 The LEAP approach is a recommended set of steps by the TNFD for TNFD-based information disclosures. It involves four steps: Locate (interface with nature), Evaluate (dependencies & impacts), Assess (material risks & opportunities), and Prepare (respond & report).

### Direct Operations

We conducted an analysis of production sites and found that, among the countries and regions where we operate, Japan has the greatest exposure to biodiversity loss risks, making it the highest priority region. The following shows the results of our analysis of major sites by country, taking biodiversity loss risks into account.

Exposure of Global Production Sites to Biodiversity Loss Risks

| Representative countries and regions of operation | Japan | Mexico | Hungary | China | India |
|---|---|---|---|---|---|
| IUCN Red List | 2,120 | 999 | 1,000 | 797 | 777 |
| Protected Planet (PA)*4 | 134 | 12 | 55 | 0 | 0 |
| Key Biodiversity Area (KBA)*5 | 11 | 2 | 9 | 4 | 6 |

*4 Areas designated for the protection of specific species and their habitats, registered in the World Database on Protected Areas operated by the UNEP World Conservation Monitoring Centre (UNEP-WCMC), a joint project of the United Nations Environment Programme (UNEP) and the International Union for Conservation of Nature (IUCN)
*5 Areas identified and registered worldwide based on criteria established by the IUCN, where species at risk of extinction or species dependent on specific habitats live

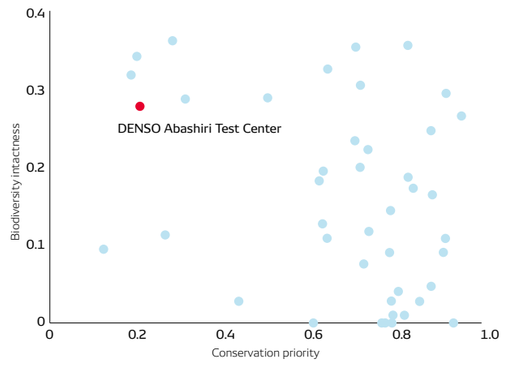




Accordingly, for production sites in Japan, we used ThinkNature's*6 analysis tool, GBNAT (Global Biodiversity and Nature Assessment Tool), to focus on sites identified through data analysis as having high conservation priority, and among those, we decided to prioritize ecosystem monitoring and conservation at sites with high ecosystem intactness. Specifically, we are working toward registering the DENSO Abashiri Test Center, which has a large land area that contributes to ecosystem conservation and relatively high intactness, under the 30by30 OECM*7 initiative promoted by the United Nations. As a first step, we obtained certification as a Nature Symbiosis Site from Japan's Ministry of the Environment, during which we established monitoring methods that satisfy part of the certification standards. Looking ahead, we will apply this methodology to sites with high conservation priority.

*6 A company that is addressing the challenge of sustaining the benefits of biodiversity and natural capital by visualizing the value of nature through natural capital big data and AI
*7 30by30 OECM: A United Nations initiative to conserve over 30% of terrestrial and marine areas as healthy ecosystems by 2030

Biodiversity Analysis of Production Sites in Japan*8




*8 Conservation priority: A quantified value that comparatively evaluates the priority of each location in reducing species extinction risk. The higher the value, the higher the extinction risk and the greater the importance of ecosystem conservation
Biodiversity intactness: A quantified value measuring the degree of ecosystem modification due to land use. The higher the value, the more the ecosystem is preserved in its natural state (greater natural environment remaining)

TOPIC

**DENSO Abashiri Test Center Certified as a Nature Symbiosis Site by the Ministry of the Environment and Registered in the International Database**

The DENSO Abashiri Test Center was certified as a Nature Symbiosis Site by Japan's Ministry of the Environment and registered in the international database in August 2025, in recognition of its efforts to conserve rare species of flora and fauna such as the Paeonia obovata (Woodland Peony) and the black woodpecker, both listed on the Hokkaido Red List.

### Value Chain

In the upstream of our value chain, we believe the risk of biodiversity loss is high, especially at our overseas suppliers of raw materials. Accordingly, we conducted an analysis and evaluation of mining sites for bauxite, which is a raw material for aluminum used in such representative products as inverters and HVAC systems.

Analysis and Evaluation of Risks and Opportunities Related to Mining Locations for Raw Material Bauxite

| | | Dependence / Impact on Nature | Details of Major Risks and Opportunities | Response Measures |
|---|---|---|---|---|
| Risks | Nature | Dependence | • Destruction of ecosystems due to resource mining or wastewater | • Support for efforts by mining operators to restore ecosystems |
| | | Impact | • Movement of invasive species due to land and marine transport | • Establishment of measures to prevent movement of invasive species |
| | Physical | Dependence | • Suspension of operations due to mining accidents (landslides, etc.) (short term) | • Disaster relief support for mining operators<br>• Diversification of alternative mines and suppliers |
| | | Dependence | • Decrease of reserves (long term) | |
| | Transition | Dependence | • Rise in prices due to the international situation | • Examination of alternative materials<br>• Diversification of alternative mines and suppliers |
| | | Impact | • Decline in supply amounts / Suspended production due to tightening regulations on mining | |
| Opportunities | | Dependence | • Technologies to reduce dependence on mineral resources | • Development of alternative aluminum products and alternative aluminum materials |
| | | Impact | • Growing need for mining technology with low environmental burden | • Joint R&D on new mining technologies leveraging long-cultivated environmental technologies |

### Management of Risks and Impacts

The risks identified in the analysis and evaluation will be reported to the Companywide Safety, Health, and Environment Committee, which will discuss such matters as relevant response policies and action plans. For risks that were determined to be particularly important, the Risk Management Meeting will invest resources into measures to manage such key risks.

### Measurement Indicators and Targets

With a view to contributing to a nature-positive*9 global society, we have incorporated "biodiversity" into our upcoming Eco Vision. Furthermore, from among the 23 global biodiversity targets for 2030 outlined by the United Nations, we have integrated three specific targets into our Environmental Action Plan—Target 3: Conserve and effectively manage at least 30% of protected areas and other effective area-based conservation measures by 2030; Target 11: Restore, maintain, and enhance nature's contributions to people; and Target 12: Secure green and blue spaces in urban areas. Moving forward, we will define specific indicators and continue advancing our Environmental Management System (EMS).

*9 Nature positive: The concept of stopping biodiversity loss and shifting toward a path for recovery

For details on DENSO's environmental initiatives, please see the following website.
https://www.denso.com/global/en/about-us/sustainability/environment/


# Efforts to Maximize the Value of "Green" (TCFD)

Amid the pressing crisis of climate change, DENSO is exploring the ideal vision for a sustainable mobility society and is accelerating its sustainability management with a view to maximizing the value of "green," which is a target adopted under its Long-term Policy for 2030. In 2019, we pledged our support for the Task Force on Climate-related Financial Disclosures (TCFD). Since doing so, we have been carrying out a scenario analysis regarding the impact of climate change on our businesses and the opportunities and risks related to this impact. We have also been examining ways to reflect the results of this analysis in our business strategies. In this section, we introduce the status of the initiatives we are promoting in accordance with the TCFD.

## Scenario Analysis of Business Opportunities and Risks

To understand the impact of climate change on our businesses and to identify climate-related opportunities and risks, we referenced the external scenarios of the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) and used them as benchmarks for our scenario analysis. Also, while confirming the scenario analysis for the automotive industry, we compared and contrasted this analysis with our awareness of the business environment existing under the Company's medium- to long-term strategies to hypothesize comprehensive scenarios. Upon doing so, we were able to identify climate-related opportunities and risks by analyzing the differences between our medium- to long-term strategies and these scenarios.

### Hypothesizing Scenarios

In terms of transition risk, we have defined the Sustainable Development Scenario (SDS) and the Net Zero Emissions by 2050 Scenario (NZE) of the IEA's World Energy Outlook as "ambitious" scenarios. For the scope of these scenarios, we quantified Group $CO_2$ emissions, the carbon tax, crude oil prices, the renewable energy rate, and the rate of new electric vehicle (xEV) introduction by 2040, and analyzed opportunities and risks based on the differences between these scenarios and Group strategies. Also, with regard to physical risks, we have defined the SSP5-8.5 and SSP2-4.5 scenarios of the Sixth Report of the IPCC as "stagnant" and "promotional" scenarios, respectively. We visualized aspects such as weather disasters, rising sea levels, deteriorating ecosystems, and water and food shortages in a qualitative manner and analyzed opportunities and risks based on the differences between these scenarios and Group strategies.

### Analysis of Climate-related Opportunities and Risks

We performed an analysis on the differences between our awareness of the business environment, which forms the basis of our medium- to long-term strategies, and the circumstances under the scenarios above. Items expected to have an impact on our businesses of over ¥10.0 billion were identified as key items and categorized into opportunities and risks. In our business strategies and financial strategies, we will incorporate measures that address these opportunities and risks, thereby simultaneously tackling social issues and enhancing our corporate value. Major opportunities and risks identified through the aforementioned analysis are as follows.

### Major Opportunities

| Key items | Timeframe / Impact | Major potential financial impact | Financial impact (fiscal 2026) | Response measures | Response cost (fiscal 2025) |
|---|---|---|---|---|---|
| Development of new products and services through R&D and technological innovation | Medium-term / High | **Increase in revenue due to higher demand for xEVs**<br>Rise in demand for inverters and thermal products related to electrification and for technologies such as heat pumps that improve the heat efficiency of xEVs | ¥200.0 billion | • Accelerate the development of technologies related to electrification—including power-saving technologies and compact high-output technologies—as well as the development of heat management technologies<br>• Promote the development of engine control systems and other technologies that respond to alternative fuel (e-fuel, hydrogen, etc.) | ¥100.0billion |
| Diversification of business activities | Long-term / Medium | **Increase in revenue following higher demand for decarbonization technologies**<br>Creation of business opportunities in such non-automotive fields as food and agriculture (AgTech), factory automation (FA), and hydrogen (SOEC*1 and SOFC*2) by applying environmental technologies fostered in the automotive field | AgTech, FA, and Energy Business ¥300.0 billion (FY2031) | • Create technologies such as AgTech that leverage sensor, control, and robot technologies and create energy utilization technologies, such as those that leverage exhaust gas purification and heat management technologies<br>• Actively use business alliances | ¥19.0 billion |
| Utilization of more effective production and logistics processes | Medium-term / Relatively high | **Reduced energy costs through the promotion of energy conservation at plants worldwide**<br>If we promote enhanced energy efficiency and are able to achieve our target under Eco Vision 2025 of reducing $CO_2$ emissions intensity by half compared with fiscal 2013, we could achieve a $CO_2$ emissions reduction of approximately 1.65 million tons per year and reduce energy costs. | ¥92.0 billion | Continue rigorous energy-saving activities; adopt low-carbon materials, equipment, and production processes; enhance production process efficiency through the introduction of Factory-IoT (F-IoT); and promote the development of energy-saving production technologies | ¥10.0 billion |

*1 SOEC: Solid oxide electrolysis cell *2 SOFC: Solid oxide fuel cell

### Major Risks

| Key items | Timeframe / Impact | Major potential financial impact | Financial impact (fiscal 2026) | Response measures | Response cost (fiscal 2025) |
|---|---|---|---|---|---|
| **Transition risk**<br>New controls and regulations placed on our existing products and services | Long-term / Relatively high | **Decline in revenue against the backdrop of increasingly strict regulations on fuel efficiency and exhaust gas**<br>We expect even tighter regulations on fuel efficiency as well as acceleration in the transition to xEVs, including HEVs (comprising 47% of all vehicles in 2030). Non-compliance with regulations resulting from an inability to adapt to changes could cause a decline in unit sales. | −¥300.0 billion | • Accelerate the development of energy-saving technologies for products powered by electricity with a view to extending driving distance<br>• Accelerate development aimed at enhancing fuel efficiency of internal combustion engines in HEVs and other vehicles to respond to new regulations on fuel efficiency | ¥80.0 billion |
| **Physical risk**<br>Increased severity and occurrence of abnormal weather such as typhoons and floods | Long-term / Relatively high | **Decline in revenue due to suspended plant operations and supply chain disruptions**<br>Revenue could decline due to damage to in-house plants or supply chain interruptions that result in a suspension of plant operations in Japan and greater Asia, where we conduct 65% of our overall production and where the possibility of abnormal weather occurring is high. | −¥120.0 billion | • Implement measures to mitigate the impact of disasters on buildings, etc., and strengthen risk management in the supply chain through such measures as ensuring multiple suppliers for components<br>• Connect our plants across the globe by using IT and IoT and establish a global production structure that can immediately respond to changing production needs | ¥4.7 billion |
| **Transition risk**<br>Carbon pricing mechanism | Medium-term / High | **Decline in cost competitiveness due to the accelerated introduction of carbon pricing**<br>Carbon costs could be added to all in-vehicle products due to the expansion and increasing strictness of international regulations, such as carbon taxes and emissions trading systems. | −¥12.0 billion | • Strategically and incrementally transition to renewable energy in manufacturing activities<br>• Continue to promote activities to conserve energy and enhance energy efficiency in the production process | ¥2.2 billion |



### Impact on Management Strategy

Based on the results of our analysis, we have come to understand the significant impact that climate change will have on our product development and production activities, particularly the trend toward carbon neutrality. Based on this understanding, we have set ourselves the ambitious target of becoming carbon neutral and have reflected this target in our management strategies.

Specifically, for our *Monozukuri* activities, we have set the target of realizing carbon-neutral electricity by fiscal 2026 (carbon credits to be used with respect to gas) and becoming completely carbon neutral, including gas, by fiscal 2036. We will continue to promote energy-saving activities, an area in which we excel as a company. At the same time, we will introduce electricity derived from high-quality renewable energy that is optimally economic and utilize carbon credits, among other initiatives. To accelerate investments toward these kinds of efforts to reduce $CO_2$ emissions, including energy conservation and renewable energy, we have introduced internal carbon pricing (ICP) within our investment decision-making approach.

For mobility products, we are working to reduce $CO_2$ emissions to the greatest extent possible by promoting the development of electrification technologies. Furthermore, we are working to achieve negative $CO_2$ emissions through technologies that create green energy using hydrogen. Through these efforts, we will aim to achieve carbon neutrality across all of society.

Moreover, to balance contributions to the environment with business growth, we are holding regular discussions on reshuffling our business portfolio based not only on profitability and growth potential but also on $CO_2$ emissions and the reduction of these emissions. We believe these initiatives help advance a resilient business strategy.

### Impact on Financial Planning

Given the trend toward carbon neutrality, we must further accelerate the development of electrification technologies and transition to components compatible with such alternative fuels as hydrogen fuel and biofuel. Furthermore, in order to realize carbon-neutral *Monozukuri*, we need to allocate funds to procure electricity derived from renewable energy sources and purchase $CO_2$ offset certificates and carbon credits. To that end, in our financial planning, we have reflected an increase in R&D costs related to electrification and efforts to respond to alternative fuel needs. We have also reflected costs related to the introduction of renewable energy.

In addition, we have incorporated into our financial plans the costs related to measures to address the physical risks of climate change (reinforcing buildings and structures), taking into consideration when new buildings are built and the age of existing buildings.

## Governance

DENSO has established the Companywide Safety, Health, and Environment Committee as the body responsible for advancing the environmental activities of the entire Group. It shares short-, medium-, and long-term environmental targets; reports on the issues and progress of activities related to the environment in general, including the results of scenario analysis; and issues instructions on measures to be taken. Chaired by an executive vice president, the committee convenes twice a year, with the Safety, Health & Environment Division acting as secretariat.

With regard to climate change—one of the DENSO Group's material issues—the targets, indicators, and action plans that have been discussed and proposed by the Companywide Safety, Health, and Environment Committee are deliberated by the Sustainability Meeting and Management Deliberation Meeting and then finally approved by the Board of Directors. Monitoring of the achievement of these targets is carried out by the Companywide Safety, Health, and Environment Committee, Sustainability Meeting, Management Deliberation Meeting, and Board of Directors.

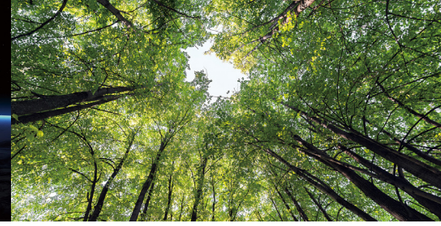
## Risk Management

In a volatile business environment, DENSO always strives to actively identify diversifying risks and conduct risk management from the perspectives of minimizing damage and ensuring business continuity. The Sustainability Meeting reviews materiality once a year, and the Companywide Safety, Health, and Environment Committee works with the Sustainability Meeting to review risks and opportunities related to climate change, clarifying the Company's response to each major issue.

Also, we have designated climate change risks (physical risks) as one of the major risks toward which the Risk Management Meeting should particularly invest resources and promote initiatives. Based on this designation, we are strengthening our response to these risks on a Groupwide basis from the perspective of overall risk management. (Risk Management P.98–99)

For details on Eco Vision 2025, please see the following website.
https://www.denso.com/global/en/about-us/sustainability/environment/ecovision/



## Metrics and Targets

At DENSO, we clarified our metrics and targets in the Mid-term Policy and incorporated them into our corporate management objectives as one of the sustainability targets pertaining to our priority issues (Materiality). In addition to the Companywide Safety, Health, and Environment Committee mentioned earlier, progress is monitored by the Sustainability Meeting and reported to the Management Deliberation Meeting and the Board of Directors.

To ensure an effective approach across the entire DENSO Group, metrics and targets are calculated using the management control approach, which includes 100% of emissions from consolidated subsidiaries.

For the road map to achieve each metric and target, please refer to "Green Strategy" (P.34).

## Climate Change-related Targets

($CO_2$ Emissions Reduction) (Reference year: Fiscal 2021)

| | | |
|---|---|---|
| Component procurement<br>Scope 3 (Upstream) | FY2031 | Reduction of 25%<br>(equivalent to well below 2℃*) |
| | FY2051 | Carbon neutral |
| *Monozukuri*<br>Scope 1 and 2 | FY2026 | Carbon neutral |
| | FY2036 | Carbon neutral<br>(without carbon credits) |
| Product use<br>Scope 3 (Downstream) | FY2031 | Reduction of 25%<br>(equivalent to well below 2℃*) |

* The target of keeping temperature increases well below 2℃, which is a Scope 3 target under the 1.5℃ standard

## Scope 3 (Upstream) Reduction of $CO_2$ Emissions across the Supply Chain

**Our Vision:** Achieve Carbon Neutrality through Collaboration between DENSO and Suppliers

Since the challenges involved in achieving carbon neutrality differ by industry and supplier, we are advancing our initiatives through dialogue and mutual understanding with our suppliers.

Specifically, we have surveyed $CO_2$ emissions from approximately 300 major suppliers that together account for over 70% of our total procurement outlays, and asked them to work with us toward achieving our medium-term target for reducing $CO_2$ emissions by 25% by fiscal 2031 compared with fiscal 2021 levels (equivalent to a 2.5% reduction per year), and a long-term goal of achieving carbon neutrality by fiscal 2051. To support the energy-saving efforts of our suppliers, we have created a permanent showroom showcasing DENSO's energy-saving know-how and case studies, provided assistance with energy conservation diagnosis and the loaning out of energy monitoring equipment, and hosted tours of our carbon-neutral plants to share best practices in actual settings. Furthermore, we document the challenges and requests shared by suppliers through these activities, and present proposals to industry groups and other stakeholders with the aim of driving improvements in the operating environment for the entire supply chain.

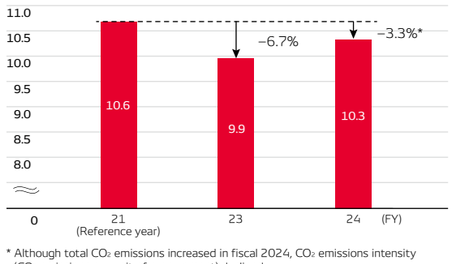
Carbon-neutral plant tours

### Achievements to Date

Although energy-saving measures and the use of renewable energy at suppliers helped reduce emissions, an increase in order volumes from DENSO with its suppliers was also a factor affecting emissions. As a result, $CO_2$ emissions were reduced by 3.3% as of fiscal 2024, compared with fiscal 2021, falling short of the 7.5% reduction target.

To reach our reduction targets, we will increase support for suppliers and accelerate the adoption of low-$CO_2$ materials in products and the deployment of renewable energy across the supply chain from fiscal 2026 onward. We also plan to establish industry rules that allow for the $CO_2$ emissions reduction value of our products to be provided as added value to customers and society.

$CO_2$ Emissions (Results for fiscal 2025 are scheduled to be published on our website by the end of 2025.)
(Millions of tons)




* Although total $CO_2$ emissions increased in fiscal 2024, $CO_2$ emissions intensity ($CO_2$ emissions per unit of procurement) declined.



## Scope 1 and 2 Carbon-Neutral *Monozukuri*

**Achieve** Complete Carbon Neutrality at Plants

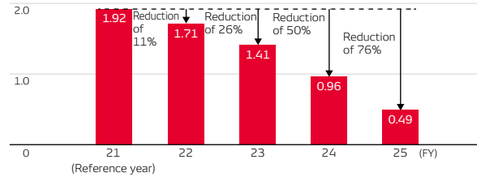
We aim to achieve carbon neutrality in *Monozukuri* by lowering $CO_2$ emissions through a reduction in energy consumption based on more-efficient manufacturing processes; by using such renewable energy sources as sunlight; and by reducing $CO_2$ emitted in production processes through the utilization of green hydrogen created through the use of renewable energy.

### Achievements to Date

We have reduced $CO_2$ emissions by 76% compared with fiscal 2021, achieving our fiscal 2025 target, by thoroughly implementing energy-saving activities, which are one of our long-standing strengths; by introducing renewable energy; and by utilizing carbon credits.

As of fiscal 2025, we have achieved carbon neutrality at DENSO CORPORATION, all 11 manufacturing sites, Advanced Research and Innovation Center, DENSO FUKUSHIMA CORPORATION, DENSO HOKKAIDO CORPORATION, DENSO IWATE CORPORATION, DENSO KYUSHU CORPORATION, and all of our manufacturing companies in Europe (16 bases), China (13 bases), and Asia (10 bases), excluding their subsidiaries.

$CO_2$ Emissions
(Millions of t-$CO_2$e)




Notes: 1. The results figures reflect the use of carbon credits.
2. The targets are production bases in Japan and overseas (including the Group's manufacturing companies).
3. Fiscal 2021 results have been adjusted for the effect of the reduced production that accompanied the COVID-19 pandemic.

## Scope 3 (Downstream) Carbon Neutrality for Electric Vehicle Components

**Aim** Contribute to the Electrification of Cars to Reduce $CO_2$ Emissions to the Greatest Extent Possible

We will help reduce $CO_2$ emissions from vehicle use by developing products and systems that support the popularization of HEVs, BEVs, FCEVs, and other xEVs.

In addition, we intend to contribute to reductions in $CO_2$ emissions by applying the electrification technologies honed in the automobile industry to aerospace mobility.

## Reducing $CO_2$ Emissions from Energy Use

**Aim** Realize an Energy-recycling Society through the Development and Popularization of Technologies That Make Effective Use of Renewable Energy

We will establish technologies that use energy in a highly efficient manner, regardless of location or time, and work to popularize them on a global basis. By doing so, we will help realize an energy-recycling society.

For example, we have commenced verification tests for SOFCs, which create electricity from hydrogen, and SOECs, which produce hydrogen from electricity, by utilizing the heat management and material technologies that we have cultivated in the automotive field. Through these kinds of verification tests, we will pursue the efficiency of fully utilizing green hydrogen energy and the durability of being able to safely use energy systems over long periods of time. By doing so, we will take on the challenges of development aimed at balancing environmental sustainability and economic viability.

## International Certification of Reduction Targets

We have established targets for the reduction of greenhouse gas emissions by fiscal 2031. These targets are based on scientific evidence and consistent with the goal of limiting the global average temperature increase to 1.5℃ above pre-industrial levels, which is set forth by the Paris Agreement. As a result, our targets have obtained Science Based Targets (SBT) certification from the internationally recognized Science Based Targets initiative (SBTi).*

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

* The SBTi is a joint initiative established by World Wide Fund for Nature, the CDP, the World Resources Institute, and the United Nations Global Compact. The SBTi formulates guidance that enables companies to set specific targets for the volumes and timeframes of greenhouse gas emissions reductions. SBT certification is granted to companies whose targets are recognized to be in conformity with scientific findings (Science Based Targets).

We will continue conducting extensive studies and analyze in even greater detail the quantitative financial effects of key items as well as the specific business opportunities and risks that accompany them. We will then reflect our findings in business strategies and action plans.

# Social and Relationship Capital

## Outline of Efforts to Strengthen Social and Relationship Capital

In an era of uncertainty, flexibly responding to social changes and stakeholder needs on our own is extremely challenging. We therefore believe that building good relationships with stakeholders and expanding our circle of associates is essential to enhancing corporate value.

Furthermore, to avoid self-satisfying activities that are biased by our own logic and preconceptions, we are deepening our understanding of stakeholder expectations and options through dialogue with stakeholders and reflecting that understanding in our corporate activities. By doing so, we aim to become a company that is deeply inspiring by realizing growth together with our stakeholders and society as a whole.

### Initiatives to Enhance Corporate Value by Strengthening Relationships with Our Stakeholders (Value Creation Path)

| Stakeholders | Relationships between Social and Relationship Capital, Corporate Value, and Each Other Type of Capital | Initiatives to Strengthen Relationships (Input) | |
|---|---|---|---|
| | | Expectations of and Points of Concern for DENSO | Initiatives |
| **Employees** | To create new value through the collective wisdom and strengths of DENSO's employees worldwide and realize growth for the Company, enhancing employee engagement is essential.<br>Mindful of this, we will develop a corporate culture that encourages employees to work with enthusiasm and realize their talents. As part of these efforts, the Company will reform workstyles and human resource systems and create employee-friendly work environments in which employees can work with peace of mind. | Employee fulfillment, workplaces that facilitate good communication, flexible workstyles, fair and appropriate personnel evaluation systems, active roles of diverse human resources, workplace environments that are safe, comfortable, and promote health, etc. | Employee awareness surveys, in-house publications and information dissemination via intranet, consultation centers (hotlines, general consultation office), social gatherings between labor and management, etc. |
| **Customers**<br>Automobile manufacturers, automobile users, and customers in non-automotive fields such as agriculture and FA, etc. | In addition to expanding financial capital by encouraging adoption of the Company's products and services, robust relationships with customers help us build an optimized supply structure, accumulate technologies and know-how through transactions, and cultivate our employees.<br>Through dialogue with customers, DENSO will deepen its understanding of what they need and expect from the Company, thereby enabling the creation of products and services that satisfy customers and earn their trust. | Provision of high-quality, high-performance products and services, products that address social issues, a stable product supply, a service network with a high level of customer satisfaction, etc. | Communication via day-to-day sales activities, new product exhibitions, joint R&D activities, establishment of new companies through joint investment, a customer consultation center, etc. |
| **Business Partners**<br>Suppliers, service stations, and M&A business alliance partners, etc. | The competitiveness of our products and services is underpinned by the high technological capabilities and stable supply of our business partners. In addition, our efforts toward such matters as carbon neutrality and human rights due diligence require the understanding and cooperation of our business partners.<br>Accordingly, we will strengthen our partnerships, provide products and services that are chosen by society, and engage in corporate conduct that helps us gain the support of society. By doing so, we will grow together with our business partners. | Business expansion, business alliances, cross-industry exchange, support for responding to sustainability needs (the environment, human rights, etc.), leadership in addressing industry issues, etc. | Day-to-day communication, Supplier Appreciation Meeting, sustainability self-assessments, participation in industry bodies, General Meeting of DENSO Service Stations, servicing skills competition, etc. |
| **Local Communities**<br>Local community members, governments, NPOs and NGOs, people of the next generation, etc. | We must realize coexistence and co-prosperity with the regions of operation and gain acceptance as a good corporate citizen in these regions. Also, confronting regional issues creates opportunities to develop an awareness of the need to address social issues, which is an important facet of business activities.<br>We will therefore identify the needs of local communities through dialogue. By solving issues in partnership with local communities, we will contribute to their development. | Local employment and procurement, regional promotion (sports, culture), support for the development of the next generation, traffic safety activities, regional environment conservation, etc. | Conferences with local community members and governments, plant tours, *Monozukuri* schools, social contribution programs in collaboration with local NPOs, agreements with local governments for regional revitalization, etc. |
| **Shareholders and Investors** | Financial capital to invest in such areas as facility enhancement, R&D activities, and human resource development is required in order to realize sustainable growth and enhance corporate value. For that reason, we understand that our shareholders and other investors are valuable supporters who provide us with advice on how to promote sound management. We therefore believe it is important to build solid trust-based relationships with them.<br>By enhancing the transparency of our management through timely and appropriate information disclosure and dialogue, we will aim to enhance our corporate value. | Appropriate share price, implementation of dividends and other shareholder returns, timely and appropriate information disclosure and opportunities for dialogue, disclosure of non-financial information, etc. | General Meeting of Shareholders, DENSO DIALOG DAY, financial presentations, technology briefings, business strategy briefings, briefings for individual investors, integrated report, securities report, etc. |





### Characteristics of DENSO's Social and Relationship Capital

(Fiscal 2025 results)

Number of suppliers
About **7,480** companies (global)

Number of shareholders
About **224,000**

Number of customers using DENSO products
About **200** companies (global)

DENSO service network (number of stores)
About **3,400** stores (global)

Operations in
**35** countries and regions

Number of participants in company volunteer activities
About **105,000** people (global)
Note: Includes employees, their family members, and general participants

### Output

- Enhanced employee engagement
- Improved retention rate
- Decrease in turnover rate
- Increase in the number of improvements made by employees
- Decrease in work-related injuries and accidents, etc.

- Acquisition of product share on a global scale
- Increase in the number of customers
- Establishment of a mobilized global supply structure
- Acquisition of IP rights and creation of know-how, etc.

- High-quality, high-performance products
- Establishment of a stable supply chain
- Establishment of an after-sales service network with a high level of customer satisfaction
- Realization of responsible procurement
- Reduction in Scope 3 $CO_2$ emissions, etc.

- New business creation
- Enhanced level of recognition for the Company
- Improved employee engagement
- Acquisition of opportunities for participation in regional revitalization businesses, etc.

- Formation of appropriate share price
- Improvement in stable, long-term dividend level
- Extension of years over which shares are held (reduction of share price fluctuation risk)
- Improvement in investor evaluation (credit rating)
- Enhancement of management quality

### Value Provided (Outcome)

Improvement in productivity of investment in human capital

Improvement in productivity and competitiveness

Reduction in production costs

Stable supply

Investment / Transactions / Increase in employment opportunities

Enhanced brand image

#### Social Value

Achievement of a sustainable society in which people coexist with nature

Achievement of a mobility society in which people can live with peace of mind

Improvement in society and employee well-being

Promotion of inclusiveness (DE&I)

Implementation of ethical guidelines for establishing corporate conduct that serves as the foundation of trust-based relationships with society

#### Financial Value

Creation of new value (sales increases)

Improvement in profitability

Reduction in invested capital

Reduction in capital costs (risk reduction)

## Supply Chain Management

Suppliers are essential business partners for DENSO. Guided by our basic policy of ensuring open and fair business practices and responsible procurement activities, we are promoting various activities to not only ensure a stable supply of products to customers but also to realize sustainable procurement and growth across the supply chain.

### Solidifying Our Foundation for Ensuring a Stable Supply

To respond to more diverse and frequently occurring risks, such as recent natural disasters, cyberattacks, and export regulations on key minerals, and to ensure that we can continue our supply to customers, we are moving forward with a broad range of activities, together with our suppliers, with the aim of solidifying our foundation for a stable supply.

As part of our risk-prevention efforts, we will work to clearly define our supply chain on a global scale while seeking to bolster our disaster mitigation measures and fire-prevention structure. We will also conduct information security inspection activities to prevent production disruptions and confidential information leaks caused by cyberattacks.

In anticipation of risks, we standardize components, spread out production across multiple plants, and ensure that we have the necessary inventory to get production back online. In addition, we use systems to visualize supply chain information in order to understand in real time supply data in areas affected by disasters.

### Activities to Maintain and Enhance Quality Guarantees with Suppliers

To continue to provide products that satisfy our customers, DENSO and its suppliers of parts and materials must promote efforts to maintain and improve quality control. As a core condition of basic transaction contracts, we ask suppliers to commit to maintaining and improving quality management. Moreover, DENSO engages in activities to increase awareness of quality among all suppliers by conducting inspections and quality audits while sharing and verifying information about customer quality requirements and the DENSO quality policy every year.

### Initiatives to Strengthen Supply Chain Competitiveness

To promote mutual development and growth with suppliers, we are building stronger relationships of trust through open dialogue and ongoing communication. For issues that cannot be resolved by suppliers on their own, we provide the necessary guidance and support. For issues affecting the entire industry, we work with and make proposals to government bodies, industry groups, and customers while taking the initiative on finding solutions.

For example, DENSO has worked jointly with suppliers on value analysis and value engineering (VA/VE) activities, including product design and process modifications, to enhance the *Monozukuri* capabilities of the entire supply chain. Recently, we have engaged in thoughtful discussions with suppliers to ensure fair transactions in response to unavoidable cost increases, such as those related to tariffs, materials and labor, which have become challenges affecting the entire industry. We are also working to enhance the soundness and sustainability of the industry by promoting changes in business practices, including discussions with customers, government agencies, and industry associations on appropriate transaction pricing, thereby reinforcing the overall competitiveness of the supply chain.

In our carbon neutrality efforts, we support the energy-saving initiatives of our suppliers by addressing their concerns and requests through annual carbon neutrality briefings and permanent showrooms that demonstrate energy-saving methods (with a total of approximately 1,800 attendees since opening in October 2021). In addition, we offer advice to governments and industry groups, such as for subsidy programs and cost-passing guidelines, to improve the business environment across the entire supply chain.

### Promoting Responsible Procurement Practices

DENSO has created the Supplier Sustainability Guidelines, which provide specific behavior standards for areas such as compliance, human rights, environmental protection, and workplace safety in the conduct of corporate activities. We ask all suppliers to promote initiatives in line with these guidelines. Based on these guidelines, we also request that suppliers periodically conduct self-assessments using our Self-Assessment Sheet and take corrective actions where needed.

In addition, DENSO procures raw materials based on its Responsible Mineral and Raw Material Procurement Policy and conducts an annual conflict minerals survey in cooperation with its suppliers. We have also introduced the Green Procurement Guidelines, which outline steps for managing and reducing environmentally hazardous substances and for building environmental management systems. We ask suppliers to ensure compliance with these guidelines in their procurement and management activities.

**MESSAGE** Supplier Perspective

**Open Dialogue to Enhance Competitiveness**

Yutaka Takagi

President, FUKUJU KOGYO Co., Ltd.

FUKUJU KOGYO Co., Ltd. actively engages in dialogue with DENSO through events such as the Supplier Appreciation Meeting, executive roundtables, and routine meetings with procurement staff. Although we were initially hesitant to speak up, DENSO encouraged us to speak openly, and I believe that has helped us build a more open and communicative relationship. Rising costs for raw materials and labor pose major challenges for management at suppliers like us, but DENSO took the initiative to reach out and respond promptly with cost assessments and price adjustments. DENSO has also been responsive, even before the COVID-19 pandemic, regarding issues such as maintaining rarely ordered service parts or molds, providing specific guidance and support. We intend to continue having frank discussions with DENSO and use those exchanges to strengthen our own competitiveness.





## Undertaking Initiatives toward Respecting Human Rights

A workplace free of harassment and discrimination helps lower the risks of quality-related issues and work-related injuries. Further, conducting business activities with due consideration for human rights increases business opportunities, helps ensure stable supplies of products, and improves employee engagement.

Viewing respect for human rights as an important issue, DENSO has established it as a material issue and is advancing initiatives accordingly.

### Promotion Structure

To clarify our approach and policies toward respecting human rights and in consideration of the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights, and international norms, we have formulated the DENSO Group Human Rights Policy.

With the chief human resources officer (CHRO), who is a member of the Board of Directors, as a leader and the Human Resources Division as the leading organization with regard to human rights issues, we are promoting activities in collaboration with related divisions, including the Corporate Strategy, Purchasing, and Legal Affairs and Compliance divisions. In addition, we exchange information and engage in discussions with human rights experts, such as third-party organizations and external stakeholders, when appropriate, to gain a clear understanding of human rights and appropriately respond to international situations and legislative trends.

### Promoting Employee Education and Enlightenment

DENSO promotes education and enlightenment activities for employees at each Group company with the aim of encouraging employees to act based on the DENSO Group Human Rights Policy.

Through education programs by grade and compliance tests that target all employees, including those at domestic Group companies, DENSO CORPORATION is engaging in education and enlightenment activities to deepen employee awareness and understanding of human rights.

Overseas Group companies also conduct awareness-raising activities based on important issues in their respective regions. For example, in North America our bases establish internal policies prohibiting harassment and conduct education on mutual respect and harassment prevention for all employees, from members of senior management to new hires.

### Human Rights Due Diligence

We identify and evaluate human rights-related risks that can occur as a result of our business activities and promote human rights due diligence, which is aimed at implementing measures to prevent such risks and reduce their impact should they occur.

(1) Implementation of a Risk Assessment

With the cooperation of a third-party organization specializing in human rights, we have conducted a risk assessment to identify and evaluate potential human rights risks. As a result, four issues have been identified as potential human rights risks that are highly relevant to DENSO. These include the rights of non-Japanese workers in Japan and complicity in forced labor in the supply chain. Establishing an order of priority, we will review the situation regarding each human rights risk and, as necessary, implement impact assessments to promote preventive measures and mitigation efforts for these risks.

(2) Implementation of an Impact Assessment: Non-Japanese Workers in Japan (Non-Japanese Technical Interns and Skilled Workers)

Human rights issues facing non-Japanese workers in Japan are highly relevant, important human rights risks in the automotive supply chain. DENSO assesses the actual conditions at major domestic Group companies and suppliers through written surveys. At the same time, for these surveys the Company prioritizes companies that utilize non-Japanese workers. DENSO holds direct interviews with such non-Japanese workers.

As a result, the Company confirmed that, although some improvements are needed at the surveyed companies, there are no major issues that could lead to human rights violations. DENSO shares the outcomes of various measures to ensure that the human rights of non-Japanese workers are not negatively affected with other domestic Group companies and suppliers as an example of good practice.

Interview with foreign technical intern trainees

### Grievance Mechanism

We have established an internal whistleblowing system that can be used by Group companies and suppliers. In the event an issue arises that impacts human rights or contributes to an impact on human rights, this system provides relief to the affected party.

In addition to steadily implementing human rights policies, we will improve human rights due diligence and grievance mechanisms in order to enhance the level of our human rights efforts.

For details on initiatives related to The DENSO Group's Procurement Policies and our respect for human rights, please visit the websites below.

The DENSO Group's Procurement Policies
https://www.denso.com/global/en/about-us/sustainability/society/procurement-policy/

Undertaking Initiatives toward Respecting Human Rights
https://www.denso.com/global/en/about-us/sustainability/society/humanrights/