DENSO

Crafting the Core

Integrated Report 2026

For the year ended March 31, 2026

Placing Sustainability Management at the Core of DENSO

In 1956, seven years after the Company's founding, DENSO formulated the DENSO Creed
in order to preserve and pass on a mindset of pursuing new challenges to the next generation with a strong sense of determination.
In 1994, we established the DENSO Philosophy to express the essence of the DENSO Creed in more contemporary terms. Furthermore,
as we expanded our business globally and the number of employees around the world increased,
we introduced the DENSO Spirit in 2004 to serve as an action guideline to ensure that our global employees share the same values and conviction.
The DENSO Creed and DENSO Philosophy center on contributing to society through our business activities.
This concept has been continuously passed down and remains at the core of our sustainability management.
It is also embraced by the roughly 155,000 DENSO Group employees across the globe.

Ideals of the DENSO Creed

Be trustworthy and responsible.

We will maintain the trust that our predecessors worked earnestly to
build over the years and seek to build it up even further so that we can pass on this established trust to
the next generation. Through these efforts, we will meet the expectations of society.

Cherish modesty, sincerity, and cooperation.

We work to refine not our appearance or job title but the essence of who we are as a part of DENSO,
and we work in collaboration with our stakeholders to perform our duties with sincerity.
In this way, we bring forth inspiration.

Be pioneering, innovative, and creative.

By consistently leading the times with our research and creativity and continuing to refine our technologies,
we will swiftly create new value that truly benefits society, thereby paving a new way forward.

Provide quality products and services.

We will earnestly approach the ever-changing social issues of the day and continue to bring hope and
happiness to all people while aiming to provide our customers and society with products and
services of the very best quality.

DENSO Philosophy

Contributing to a better world
by creating value together
with a vision for the future

DENSO Spirit

A spirit of foresight, credibility and collaboration

Foresight	Credibility	Collaboration
Providing surprises and impressions in a way that only DENSO can	Providing quality and reliability beyond customer expectations	Achieving the highest results by working as a team
Vision	Quality First	Communication
Creativity	On-site Verification	Teamwork
Challenge	*Kaizen*, Continuous Improvement	Human Development

Statement of Authenticity

Publication of DENSO *Integrated Report 2026*



Seiji Maeda
Executive Officer, CFO

DENSO publishes an integrated report every year in order to foster a deeper understanding among all of its stakeholders regarding the Company's initiatives toward sustainable corporate value enhancement. With a focus on the values and conviction that have remained unchanged since the Company's founding, *DENSO Integrated Report 2026* introduces the strategies that underpin DENSO's corporate growth, measures to strengthen financial and non-financial capital, and the unique competitiveness generated from the interaction of these capitals. We hope that this report conveys to readers the fact that DENSO is a company that maintains a consistent set of beliefs, from the past to the present and into the future, and that continues to grow alongside society while creating new value.

Going forward, DENSO will continue its efforts to disclose accurate information to its stakeholders in a timely manner and actively engage in dialogue with them. We would like to ask for the candid opinions and requests of our stakeholders regarding this report so that it may serve as a more effective communication tool that facilitates the co-creation of corporate value and mutual understanding between stakeholders and DENSO.

Lastly, I hereby affirm that this report has been prepared through a proper process and that the information contained herein is accurate.

Editorial Policy

In addition to providing financial information, such as results and sales overviews as well as management strategy, *DENSO Integrated Report 2026* is edited as an integrated report that reports, in an easily understood manner, on what value DENSO is providing society and on the process of improving that corporate value. This we achieved by introducing, in an integrated manner, information of a non-financial nature on intangible assets, including on the environment, society and governance (ESG), that are seen as the foundation underpinning growth.

In compiling this report, references have been made to the Integrated Reporting Framework that is proposed by the International Financial Reporting Standards (IFRS) Foundation, the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, formulated by the Ministry of Economy, Trade and Industry, and the Governance Guidelines on Intellectual Capital and Intangible Assets, formulated by Japan's Cabinet Office. In addition, with regard to environmental and social reporting, detailed information is available in the "Sustainability" section of the Company's website.

Environment Social Governance
Guidance for Collaborative Value Creation

知財・無形資産
ガバナンスガイドライン

Scope of Report

Target Organization	DENSO CORPORATION and the DENSO Group (In this report, DENSO CORPORATION refers to DENSO on a non-consolidated basis.)
Reporting Period	This report covers the activities of the DENSO Group during fiscal 2026 (April 1, 2025 to March 31, 2026). Certain parts of this report include content on the Group's activities from April 2026 onward.
Target Audience	All stakeholders involved with the DENSO Group

Cautionary Note: Forward-Looking Statements

Of the content published in this report, what is not historical fact comprises future predictions based on expectations or plans for the future. As they include contributory factors, such as risks and uncertain elements, the possibility exists that actual achievements and results may differ materially from what is stated in this report.

Terminology Used in *DENSO Integrated Report 2026*

BEV: Battery electric vehicle
HEV: Hybrid electric vehicle
PHEV: Plug-in hybrid electric vehicle
FCEV: Fuel-cell electric vehicle
The QR Code® is a registered trademark of DENSO WAVE INCORPORATED.

About the Cover of *DENSO Integrated Report 2026*

The cover of this report uses DENSO original design element "D-Cross" as a slanted line to express the Company's direction into the future. "DENSO Red" signifies the passion of its employees in solving issues with innovative technologies, and "Crafting Blue" signifies its manufacturing capabilities in creating new value ahead of the times. The combination of these two colors is an expression of the new value being created along with society for a brighter future while delivering happiness to people.

Positioning of Integrated Report

Financial Information
DENSO Website Investors
https://www.denso.com/global/en/investors/
Financial Results / Securities Report, etc.

Integrated Report (PDF)
https://www.denso.com/global/en/investors/annual-report/

Non-Financial Information
DENSO Website Sustainability
https://www.denso.com/global/en/sustainability/
Initiatives toward Environmental Reporting / Initiatives toward Social Responsibility Reporting / Corporate Governance, etc.

DENSO Corporate Website
https://www.denso.com/global/en/

In addition to our integrated report, we also provide opportunities to help stakeholders better understand DENSO through our owned media platform, DRIVEN BASE, and the DENSO MUSEUM.

DRIVEN BASE

https://www.denso.com/global/en/driven-base/
Built around the concept of moments that inspire and resonate, our owned media platform, DRIVEN BASE, shares stories on our approach to social issues, introduces our cutting-edge technologies, and explores the passion that drives our employees to pursue new challenges. Through this platform, we provide a closer look at DENSO's value creation journey.

DENSO MUSEUM

https://www.denso.com/jp/ja/corporate-info/showroom/denso-museum/ (Japanese only)
The DENSO MUSEUM reopened in 2025 as a place where visitors can experience DENSO's efforts to address social issues and the passion that each individual employee brings to those efforts. The museum looks back on our history since our founding, the evolution of our technologies and products, milestones reached in quality and safety, and the bonds forged with colleagues and partners both inside and outside the Company. In addition, it introduces DENSO's vision for the future.

Overall Layout of *DENSO Integrated Report 2026*

This integrated report is edited based on the layout explained in the chart below. This layout is used to better explain DENSO's value creation story.

DENSO Integrated Report 2026 is published with the aim of having the reader gain a deep understanding of DENSO's value creation process while creating a platform for dialogue. Throughout the entirety of this booklet, we have created a logical layout and story line that comprehensively communicates our value creation process while encompassing crucial elements that help the reader understand this process (management philosophy, strategy, governance, etc.) and while referencing the Guidance for Collaborative Value Creation. The chart below shows the logical layout of these crucial elements based on the story line we have created. In accordance with this layout and story line, we disclose extensive information in each section.

Values	Our universal way of thinking underpinning the DENSO Creed and DENSO Philosophy, which have remained unchanged since our founding
Value Creation Business Model	Our value creation process to ensure that we continue to grow, together with society
Sustainability and Growth Strategy	Our Materiality, Mid-Term Management Plan 2030, CORE 2030, and strategies for green and peace of mind, technology strategy, and business strategy
Results and Important Indicators for Results	Our accumulated capitals, which form the foundation of growth and allow us to resolve social issues through our business activities, as well as an overview by product and the results of our value creation
Corporate Governance	Our governance framework that allows us to steadily execute strategies and enhance corporate value in a sustainable manner

Themes of *DENSO Integrated Report 2026*

DENSO Integrated Report 2026 includes special features on our new Mid-Term Management Plan, CORE 2030, which was announced on March 31, 2026, and aims toward 2030, and introduces the business strategies we are advancing under this new plan. In addition, we have included an overview of the evolution of our past mid-term policies and our DENSO's customer value contribution model. The report is structured in a way that helps readers better understand how the value we deliver to customers contributes to corporate value enhancement and what underpins our competitiveness. Furthermore, the report describes our initiatives related to Materiality and the relationship between our financial and non-financial capital. It also demonstrates how these forms of capital work together to create DENSO's unique competitive advantage through co-creation with a diverse range of stakeholders, including approximately 155,000 employees worldwide, thereby delivering value to society and supporting sustainable business growth. Through this report, we hope readers will gain a deeper understanding of how DENSO seeks to resolve social issues by starting with the delivery of value to customers, and how the repeated promotion of these efforts leads to enhanced corporate value. In addition, beginning this year, we have adopted a landscape layout in response to requests from many of our readers.

Utilization of Dialogue and Stakeholder Feedback
We actively engage in dialogue with our stakeholders, and the opinions we receive contribute to the sophistication of management and are reflected in our information disclosure efforts, leading to opportunities for further dialogue. Also, we view our employees as important stakeholders and therefore are working to enhance each employee's awareness of corporate value by making full use of our integrated reports.

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COVER STORY

Beyond the Challenges Lies the Future

Around 15 years before NIPPONDENSO (now DENSO) was founded as an independent spin-off of Toyota Motor Co., Ltd. in 1949, Kiichiro Toyoda posed a question to Takaichi Suzuki, one of his engineers:



"We must not merely build automobiles. With Japanese minds and Japanese hands, we must build an automobile industry in Japan. Can these electrical components be made or not?"

Kiichiro Toyoda



Takaichi and his colleagues set out to localize the production of automotive electrical equipment—one of the most technologically daunting components of the era. This marked the beginning of DENSO's commitment to taking on challenges.

To which Takaichi replied,

"We can definitely do it."

Takaichi Suzuki
(Later Executive Director of NIPPONDENSO)





About 90 years since Kiichiro and Takaichi took on those challenges, DENSO will continue, with customers and partners worldwide, to take on challenges precisely because they are difficult—and forge the path toward the evolution of automobiles and the future mobility society.

1970s–

The Challenge of Emissions Regulations

DENSO took on IC development—then deemed unthinkable for vehicles—and built electronic control systems that helped meet what were then the world's strictest emissions standards.



1980s–

The Challenge of Protecting the Lives of Occupants

We took on the challenge of ensuring an extremely high level of reliability by accurately detecting collisions and ensuring dependable operation, helping protect the lives of occupants from the consequences of traffic accidents.



1990s–

Pursuing World-Class Fuel Efficiency and Environmental Performance

Through the development of a common rail system, which raised mechanical, electronics, and software technologies to unrivaled levels, we contributed to improvements in fuel efficiency and environmental performance.



2000s–

We developed an inverter with dual-side semiconductor cooling. By doing so, we greatly enhanced the cooling capabilities of semiconductors and contributed to the widespread adoption of hybrid vehicles.



2010s–

Taking on the Challenge of an Accident-Free Society

Through advanced safety systems that integrate peak-performance hardware with sophisticated software, we are taking on the challenge of an accident-free society.



Message from the President & CEO

Beyond the Challenges Lies the Future



Shinnosuke Hayashi

President & CEO,
Representative Member of the Board

Review of the Mid-Term Policy for 2025

Under the Mid-Term Policy for 2025, we have managed our business amid growing uncertainty, driven not only by the advancement of vehicle electrification and intelligent technologies but also by heightened geopolitical risks and changes in supply chains. Under these circumstances, we have continued to pursue various initiatives, including promoting technological development in future growth domains such as electrification and software, developing human resources, enhancing our organizational capabilities, and bolstering our financial foundation. As a result, we have steadily built a foundation for future growth by strengthening our ability to respond to next-generation technologies, increasing the competitiveness of our manufacturing sites, and strengthening our human resource foundation.

Meanwhile, we still face issues in terms of improving our quality and supply. While maintaining a sharp focus on these challenges, we must further strengthen our business foundation while pursuing transformation for the next era.

A New Stage of Change

Our operating environment is currently undergoing a tremendous paradigm shift.

The first part of this shift is the increasing severity of social issues. Companies are now being expected to play an even greater role in areas such as the transition to a decarbonized society and the reduction of traffic accidents. Now more than ever, companies must find a way to balance economic value with social value.

The second aspect of this shift is that the world is becoming increasingly multipolar and diverse. In China, mobility is evolving at its own pace, with a focus on BEVs and SDVs,* and according to its own competitive dynamics. Meanwhile, in the Global South, starting with India and South America, we are seeing demand for diverse mobility options, including biofuel, driven by differences in economic growth and the current situation with energy. In these ways, we are entering an era in which diverse regional values and technologies coexist.

The third aspect is that people's values and ways of working are changing. The value people expect to gain from mobility is expanding beyond mere convenience to include safety and peace of mind, reduced environmental impact, and connections with everyday life. Furthermore, the advancement of AI and other digital technologies is changing the role that people play and how they work. It is also changing what makes a corporation competitive. Accordingly, it is extremely important for corporate managers to consider how to utilize these technologies and how to best bring out the strengths of people.

Amid these changes, the value expected from mobility will also change. In addition to improving vehicle performance itself, the mobility domain is expected to contribute to resolving social issues by connecting vehicles with energy systems, cities, infrastructure, and people's everyday lives. As we look toward 2030, we must accurately assess the nature of these changes and make sound judgments while remaining steadfast in the face of change.

* SDVs: Software-defined vehicles

What Defines Our Starting Point

To accomplish these goals in this era of change, we believe we must return to our starting point as a company.

If a company becomes so focused on pursuing new things that it loses sight of its strengths and what makes it unique, it cannot fully demonstrate its inherent capabilities. What is important is not to resist change but rather to continue to change while maintaining a clear sense of direction. I believe that the greater the changes that occur, the more a company's true value is reflected in its starting point.

There is an episode in DENSO's history that encapsulates the Company's origins (Beyond the Challenges Lies the Future, P.4). This episode occurred 1935, long before the electrical equipment department split off from Toyota Motor Co., Ltd.
At the time, Takaichi Suzuki, an engineer who would later become an executive director of NIPPONDENSO, was working on the development of electrical components, then regarded as among the most difficult parts to manufacture domestically. When Kiichiro Toyoda asked him, "Can these electrical components be made or not?", Takaichi replied, "We can definitely do it," and he and his team of engineers pursued the development effort with that determination.

However, the project soon encountered difficulties beyond what Kiichiro had anticipated. He eventually told Takaichi, "The development of these electrical components appears to be far more difficult than I had expected. I am considering stopping it at this point. What do you think?" With completion just within reach, Takaichi refused to give up and pleaded, "Please postpone the decision to discontinue the project for just one more month." Even amid a difficult business environment, Kiichiro put his trust in Takaichi's passion and the project's potential and allowed the work to continue.

Takaichi and his team reviewed everything from product design to manufacturing equipment and ultimately opened the way to mass production.

Takaichi would later reflect on this episode, stating "If we had given up at that point, what would have become of us today?"

I believe that this episode represents the starting point of DENSO.

If something is needed by our customers or society, we take on the challenge of providing it, no matter how difficult, not stopping until we have achieved our aims. This approach is what defines DENSO and has been handed down since our founding. The specific challenges we have addressed have changed with the times, from responding to emissions regulations and pursuing safety and peace of mind to improving environmental performance and advancing electrification. Throughout this time, however, we have always remained focused on the challenges facing our customers and society.

It is through these cumulative efforts that we have developed our people, refined our technologies, strengthened our workplaces, and built the DENSO of today.

What Is DENSO?

If we return to the spirit of our founding, I would answer that DENSO is "an automotive parts maker." And not just any parts maker—we are "an automotive parts maker that takes on difficult parts," bringing to life, through our technologies, *Monozukuri*, and the capabilities of our people, components that automakers would find difficult to make themselves.

What We Pursue—CORE 2030

In March 2026, we formulated the Mid-Term Management Plan CORE 2030 with a view toward 2030 and beyond.

Mobility will continue to be at the core of our business in the future, and future vehicles will be more than just a means of transportation.

In addition to advancements in electrification and intelligent technologies, powertrains, including internal combustion engines, continue to evolve and become more diverse. Amid these changes, vehicles themselves are undergoing a significant transformation.

Vehicles are also realizing automated driving and advanced driver assistance systems while at the same time becoming more closely connected with energy systems, infrastructure, cities, and people's everyday lives. As a result, they will evolve into essential platforms that not only enable the movement of people and goods but also support value creation across society as a whole. To that end, we will work together with our customers—the automakers—to help realize next-generation mobility by creating the technologies, products, and systems that support this vehicle evolution.

Meanwhile, the changes that we must address go far beyond the evolution of mobility. Following the emergence of generative AI, the advancements in physical AI, robotics, and autonomous systems have now extended the reach of AI beyond digital spaces and into the real world. In the society of the future, there will be connections between a diverse range of systems, including automated driving, robots, factory equipment, and energy systems, which will make decisions autonomously while supporting society. However, one condition must be met for such a future to become a reality: the ensuring of a high level of reliability and safety. For systems that support human lives and social infrastructure, convenience alone is not enough. They must be able to perceive their surroundings accurately under any conditions, operate reliably, and fulfill their intended functions with responsibility throughout their life cycle. I believe this area provides DENSO with a tremendous opportunity to contribute to society and realize growth. To date, we have worked with our customers to refine our technologies in the automotive domain, where the highest levels of reliability are required. We believe that these technologies and capabilities—including sensing and control technologies,



semiconductors, software, functional safety, and quality assurance, as well as our *Monozukuri* expertise cultivated on the front lines—can also deliver significant value for the advanced systems that will underpin a society of intelligent technologies.

Our challenge is to maximize the value of next-generation mobility, expand the technologies and insights cultivated through that effort across society as it becomes increasingly intelligent, and then channel the new knowledge and technologies gained back into mobility to further accelerate evolution. I believe this cycle of growth will become the wellspring of DENSO's new value creation.

In order to pursue this challenge, we adopted three growth strategies under CORE 2030.

The first is "strengthening product development." Under this strategy, we will further refine our long-cultivated technologies, including sensing, semiconductors, electrification, and thermal management, while integrating them to create new value that strengthens the competitive advantages of our customers.



We believe this will also contribute to realizing a safe, secure, and sustainable mobility society.

The second is “innovating manufacturing.” DENSO’s strength lies in the practical know-how cultivated over many years on the front lines. Building on this strength, we will combine AI and digital technologies to pursue evolution across various domains, from development to production. By achieving outstanding levels of quality, cost, and delivery while enabling people and AI to leverage their respective strengths, we will realize a greater competitive edge than ever before.

The third is “developing people, co-creating with partners.” Increasingly complex social challenges cannot be resolved by any one company alone. As such, we will strive to create new value by working together with customers, partners, universities, research institutions, and colleagues around the world. In FA, agriculture, and energy—our new fields of challenge— we will also collaborate with partners to create the value needed in the next generation.

These three growth strategies are designed to address the issues facing society and our customers while continuously creating new value. Achieving our 2030 targets is merely a milestone along that journey. To fully realize our ambitions, we will make steady and bold investments in our people, technologies, and business foundations. With a focus on future growth, we will continue to develop our people, refine our technologies, and strengthen our business foundations so that we can continue to take on challenges in the eras to come.

Our People Create the Future

No matter how well a strategy is formulated, a strategy alone cannot realize the future we wish to create. In every era, it is people who create the future.

Looking back, DENSO’s history has been full of people taking on challenges. In addition to the challenges pursued by Takaichi Suzuki and his team, which represent our starting point, our people have overcome the challenges of each era, including responding to emissions regulations, providing safety and peace of mind, and promoting electrification.

I firmly believe that our people have tremendous potential. When people tackle challenges, they think for themselves, learn from experience, and collaborate with others, thereby achieving personal growth. This growth leads to new value creation that helps pave the way for the future. This is precisely why I believe that investing in people is by far the most important priority for management. In addition to enhancing technical capabilities and professional expertise, we will develop people who broaden their perspectives through diverse experiences, identify challenges on their own initiative, and work with others to resolve them. We will also foster people and organizations capable of creating new value by co-creating with customers and partners.

I believe that our greatest asset is our people, and the growth of our people is the driving force for creating the future of DENSO.

Closing

In the lead-up to 2030, our operating environment will continue to undergo massive changes. However, I do not view these changes negatively. Rather, I believe that they present an opportunity for DENSO to fulfill its role in the future. At the heart of DENSO’s founding spirit is a steadfast determination: “We can definitely do it.” This spirit has enabled us to develop people, refine technologies, and build DENSO into the company it is today. Going forward, together with our customers, partners, and colleagues around the world, DENSO will continue to tackle the issues facing society and our customers as we work to create new value.

—“Beyond the Challenges Lies the Future”

Through these efforts, we will pave the way for the future.

September 2026



Shinnosuke Hayashi

President & CEO,
Representative Member of the Board

DENSO at a Glance

Guided by the DENSO Creed, we are a company that earnestly tackles social issues head on and continues to create value through outstanding technologies and quality that is uniquely DENSO. Each one of our approximately 155,000 global employees envisions the happiness of people and society as a whole and takes on challenges each day to create new value.

DENSO by the Numbers As of March 31, 2026

Financial

Revenue
¥7,540.0 billion

Operating profit
¥552.5 billion

ROE
8.5%

Market capitalization
¥5,242.6 billion

R&D expenditures
¥690.1 billion

Equity ratio
62.9%

Non-Financial

Established
1949

Total DENSO Group companies (including DENSO CORPORATION)
191 companies

Number of global employees
Approximately 155,000

Mobility products
World's No. 2 share

Number of patents held (Japan and overseas)
Approximately 36,400

Number of business partners (global)
Customers: Approximately 200 companies
Suppliers: Approximately 7,300 companies

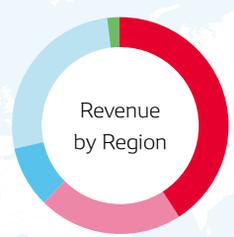
Breakdown of Revenue As of March 31, 2026



Mobility Electronics	29.2%
Thermal Systems	23.6%
Powertrain Systems	19.6%
Electrification Systems	19.0%
Advanced Devices	5.2%
Non-automotive Businesses	2.0%
Other Automotive	1.4%



Toyota Group (Toyota Motor Corporation, Daihatsu Motor Co., Ltd., Hino Motors, Ltd.)	55.6%
Honda Motor Co., Ltd.	5.8%
SUBARU CORPORATION	4.2%
Stellantis (FCA, PSA)	3.2%
Ford Motor Company	3.1%
Suzuki Motor Corporation	2.7%
Other car manufacturers	17.0%
Aftermarket and non-automotive businesses	8.4%



	Revenue	Number of bases	Number of employees
Japan	40.9%	53 companies	76,417 employees
Asia	21.5%	68 companies	39,195 employees
Europe	9.2%	45 companies	12,939 employees
North America	26.7%	21 companies	22,878 employees
Other	1.7%	4 companies	3,287 employees

Note: Number of bases/Number of employees includes those of DENSO CORPORATION.

Section 2 /
DENSO's Value Creation Story

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Past, Present, and Future

DENSO's innovations start from a focus on the future and what makes people happy. Our mission is to resolve social issues from a sustainability perspective. Based on this mission, we have continued to realize growth while leading changes in the mobility domain to expand the scope of our contribution and consistently pursuing innovations and new creations. At the same time, since our founding, we have cultivated strengths and capital that will continue to be the source of our value creation well into the future by bolstering the competitiveness of our businesses. To ensure that we can leverage these strengths and be an essential company a century from now, we will expand the scope of our contribution further still.



History of Creating Value to Address Social Issues and Ambitious Initiatives for the Coming Era

1950s	1960s–1970s	1980s	1990s–2000s	2010s	2020s–
Postwar Reconstruction and Motorization	Popularization of Private Cars and Emergence of Social Issues	Increasingly Severe Environmental and Safety Issues	Global Warming and Spread of Digital and Information Technologies	ICT Advancement and SDG Adoption	Escalation of Social Issues
Taking on the challenge of resolving social issues using cutting-edge technologies from the time of our founding	Taking measures ahead of exhaust gas regulations and laying foundations for "peace of mind" products	Accelerating the commercialization of safety systems for preventing traffic accidents causing fatalities	Contributing to eco-friendly lifestyles with core technologies	Entering into a once-in-a-century paradigm shift	Aiming to provide new value in the domains of green and peace of mind
• Developed the DENSO-GO electric vehicle • Developed Japan's first car and bus air-conditioning systems	• Developed exhaust gas-controlling products compliant with the world's strictest regulations • Began development of semiconductors in anticipation of the coming era	• Gradually realized the practical application of safety systems, including airbag sensing systems • Commenced the mass production of vacuum sensors, which represented the world's first in-vehicle semiconductor sensor	• Developed the QR Code®, which increases efficiency at manufacturing sites • Developed the world's first electronic control-type common rail system • Developed the world's first inverter with dual-side cooling	• Developed first-generation model of Global Safety Package advanced safety system • Began providing services in the agriculture and factory automation fields, moving beyond the framework of mobility	• Developed a new model of our advanced safety system Global Safety Package • Developed an inverter using SiC power semiconductors • Formulated the newest version of the DENSO Group environmental policy Eco Vision 2035

History of Innovation and Creation

Since its origins in 1935, DENSO has provided value to society through its business while growing together with society. Ever since the Company's early days, when it achieved in-house production of automotive electrical components during the postwar economic recession, DENSO has continually taken on the pressing challenges of each era. Even as the external environment undergoes rapid change, DENSO remains steadfast in carrying the baton passed down by its predecessors, continuing its journey of caring for the well-being of people and greater society.

1930s–1950s

DENSO's efforts to solve social issues began with the in-house production of automotive electrical components.

External Environment	Postwar Reconstruction and Motorization
Social Needs	Technology and Quality Meeting International Standards

Specific Initiatives

- Established the automobile department at Toyoda Automatic Loom Works, Ltd. In 1935, Executive Director Kiichiro Toyoda instructed Takaichi Suzuki (later Executive Director of NIPPONDENSO) to take on the challenge of producing electrical equipment in-house. With a strong determination to achieve success, Mr. Suzuki and his team of engineers devoted themselves to the development of electrical equipment, ultimately realizing the adoption of such equipment in vehicles.

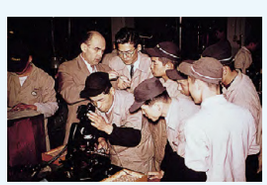


- In 1949, established NIPPONDENSO CO., LTD. with the aim of becoming a company that is active both in Japan and overseas

Green Value and Peace of Mind Value Provided

- Developed the DENSO-GO electric vehicle in 1950, when gasoline was difficult to obtain. On a single charge, this vehicle was able to travel a distance of 195 km. Most of the powertrain components were designed and manufactured in-house, and approximately 50 units were sold.

- Developed Japan's first car and bus air-conditioning systems. Prior to the launch of these systems, there were concerns that they might hinder driving performance. However, the high level of convenience offered by the systems alleviated such concerns, leading to widespread adoption.



1960s–1970s

Preparing to address social issues by building the foundation for global competitiveness and by advancing strategic initiatives for the age of electronics

External Environment	Popularization of Private Cars during the Period of Rapid Economic Growth Together with the Emergence of Traffic Accidents, Air Pollution, and Numerous Other Social Problems
Social Needs	High-Mix, Variable-Volume Production Capabilities and Development of Environmental and Safety Technologies

Specific Initiatives

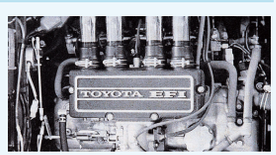
- Received the Deming Prize, the most prestigious award for quality control
- Established the IC Research Center in 1968 in anticipation of a shift to the electronic control of automotive components; began developing semiconductors, including manufacturing, ahead of the automotive industry. Accumulated extensive knowledge on semiconductor and IC specifications by conducting thorough analysis



Received the Deming Prize

Green Value and Peace of Mind Value Provided

- Achieved the practical application of electronic fuel injection systems ahead of regulations on exhaust gas. After doing so, we continued to develop products that respond to environmental regulations, one after the other.



Electronic fuel injection system

- Established a fully in-house production system for ICs (integrated circuits) for automotive applications. Accumulated extensive knowledge on semiconductor and IC specifications by conducting thorough analysis
- Participated in the Comprehensive Automobile Traffic Control System (CACS) project initiated by the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry). This project would later help us develop car navigation systems and connected driving products.

1980s

Commercializing environmental and safety products ahead of the times and strengthening software capabilities

External Environment	Globalization, Trade Friction, and Increasingly Severe Environmental and Safety Issues
Social Needs	Overseas Production and Higher-Performance Vehicles

Specific Initiatives

- Established manufacturing companies and technical centers overseas to realize regionally optimized product development, manufacturing, and supply capabilities
- Helped address pollution, global warming, and other environmental issues by acting as a trailblazer in the creation of eco-friendly products
- Launched a project for the practical application of robots. Furthermore, the development of such technologies as barcode readers and RFID,* which we pursued in a similar manner as we did with robots, helped establish the foundation of our current factory automation (FA) business.

* RFID (radio frequency identification): A non-contact system that reads data from RF tags using electromagnetic waves

Green Value and Peace of Mind Value Provided

- Developed the world's first electronic control-type diesel pumps, which impressed the world with their ability to control exhaust gas, reduce fuel consumption, and realize high output
- Commenced the mass production of vacuum sensors, which represented the world's first in-vehicle semiconductor sensor. With this technology, we led the way ahead of other companies by equipping semiconductors with sensors and thereby adding value while contributing to improvements in fuel economy and reductions in environmental load.

- Gradually realized the practical application of safety systems, including antilock brake systems, airbag sensing systems, and forward collision warning systems, leveraging the research that we had been conducting since the 1960s
- Opened the Nukata Testing Center, a one million square meter test course comparable in scale to those of auto manufacturers. Through this center, we continued to advance our testing facilities on a daily basis to ensure product performance and quality that exceed customer expectations.

Green Peace of Mind

1990s

Honing our expertise in developing comfortable, convenient vehicles and boldly taking on new fields

External Environment	Collapse of the Bubble Economy and Acceleration of International Debate on Global Warming
Social Needs	Compact, Fuel-Efficient Vehicles and Environmentally Friendly Lifestyles

Specific Initiatives

- Established the Fundamental Research Center (currently the Advanced Research and Innovation Center), which has created a large number of innovative technologies that have led to the development of world-first and world-best products
- Commenced Excellent Factory (EF) activities. We began to expand activities on a global basis to improve our factories, led by personnel on the front lines of production. These EF activities represent the origins of DENSO's activities focused on quality improvements.
- Utilized core technologies to develop products that contributed to eco-friendly lifestyles

Green Value and Peace of Mind Value Provided

- Focused on the development of car air-conditioning systems that use natural refrigerants to curb the destruction of the ozone layer caused by conventional refrigerant
- Developed the world's first electronic control-type common rail system. Pioneered the way with common rail systems that would later dominate the market
- Developed the world's first iridium spark plug using an iridium alloy center electrode, making for an ultra-fine electrode that also extends product lifespan
- Commercialized household heat pump water supply systems that contribute to energy savings

- Developed the QR Code® with large capacity and high-speed readability that is compatible with high-mix, low-volume production at plants



QR Code®

Green Peace of Mind

2000s

Utilizing electronics and software technologies to promote the introduction of electrification and popularize safety products

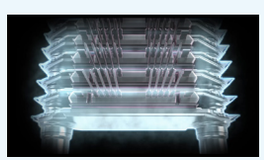
External Environment	Spread of Digital and Information Technologies and Creation of International Frameworks and Regulations for Global Warming Prevention
Social Needs	Diversification of Powertrain Technologies and Introduction of Products for Hybrid Electric Vehicles (HEVs) and Other Electric Vehicles

Specific Initiatives

- Established DENSO Training Academy Thailand, our first overseas regional training center. This center helped us build a structure for educating engineers and technicians on a global basis.
- Formulated Eco Vision 2005 environmental management policy. Leveraged outstanding environmental technologies to accelerate the reduction of CO_2 emissions from business activities
- Marketed products for CASE vehicles to promote the introduction of electric vehicles and the popularization of safety products

Green Value and Peace of Mind Value Provided

- Developed the world's first inverter with dual-side cooling. DENSO's technological capabilities, which help meet the needs for high output and compact sizes, were acknowledged through the development of these inverters, leading to a rapid increase in their production volume.
- Plant-derived resin radiator tank made using castor oil plant material, serving as an eco-friendly product that helps reduce CO_2 emissions throughout the product life cycle


Dual-side cooling structure for inverters

- Developed "Night View," the world's first nighttime driving support system with a pedestrian detection function that uses near infrared rays
- Developed the world's first forward-looking radar sensor using millimeter waves. Able to operate even in rainy and foggy environments, these sensors help enhance the safety of automobiles.

2010s–2020s

Tackling a once-in-a-century period of change by maximizing value in the domains of green and peace of mind

External Environment	ICT Advancement and SDG Adoption
Social Needs	Conversion to CASE Vehicles / Contribution to the Resolution of Social Issues through Our Business

Specific Initiatives

- Established technical centers in regions across the globe. Through these centers, we have set up a structure to create competitive products that can promptly meet diversifying local needs.
- Established the Electrification Innovation Center (EIC), which promotes efforts to strengthen the development and production of products powered by electricity, and Global R&D Tokyo–Haneda, which conducts the development of automated driving and other technologies. By doing so, we have accelerated our R&D activities in the domains of green and peace of mind.
- Developed high-performance advanced safety systems, thereby improving safety performance

Green Value and Peace of Mind Value Provided

- Developed motor generators adopting a proprietary winding structure. These motor generators realize highly efficient, eco-friendly power generation and driving.
- Developed our first inverter to use silicon carbide (SiC) semiconductors. These inverters help improve the energy efficiency and extend the driving distance of battery electric vehicles (BEVs).

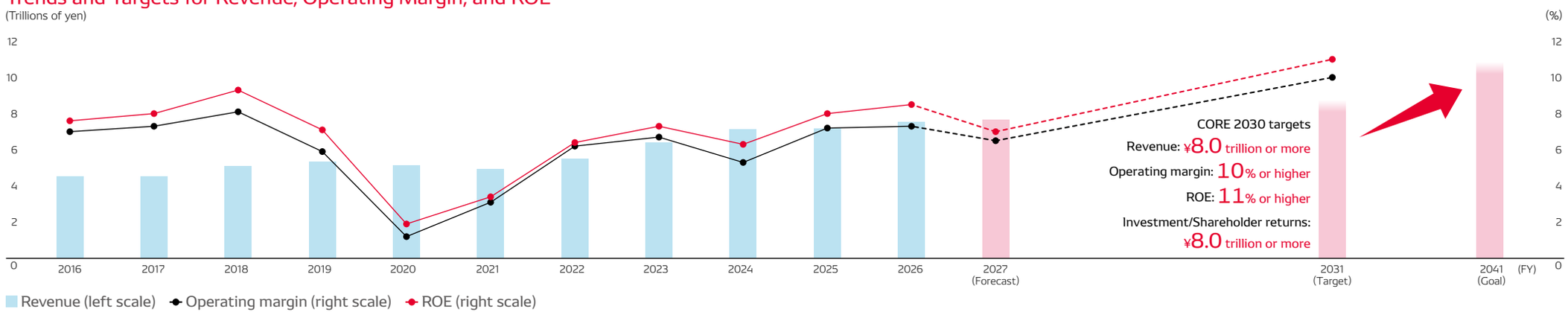

Inverter production site

- Developed Profarm T-cube, an environmental control device for agricultural greenhouses, with the aim of supporting agriculture in Japan and avoiding future food crises
- Developed Global Safety Package, an advanced safety system using a monocular camera and millimeter-wave radar sensor

Evolution and Review of Our Management Strategies

We have continued to evolve our management strategies based on the DENSO Philosophy and sustainability management, which helps us realize that philosophy, while taking into account the changes in the operating environment and the relevant risks and opportunities. To advance sustainability management, we have identified green, peace of mind, and corporate foundation as priority issues (Materiality) and aligned them closely with our management strategy. In addition, we have promoted our strategies for green and peace of mind, which place these ideals at the core of the value we deliver to society and seek to maximize that value. Under CORE 2030, our new Mid-Term Management Plan announced in March 2026, we have established targets for each material issue and incorporated these targets into the action plans of our business units and regional operations. Even as the business environment undergoes significant change due to factors such as the rapid shift to electrification and intelligent technologies, the advances in AI, and increasing geopolitical risks, CORE 2030 reaffirms our commitment to continuously strengthening the sources of DENSO's competitiveness, which are our technology, *Monozukuri*, and the power of our people. Through these efforts, we will further enhance the value we provide to our customers and society. While clearly signaling our path for growth through 2030, we will also take on the challenge of achieving sustainable growth and value creation beyond 2030.

Trends and Targets for Revenue, Operating Margin, and ROE



Mid-Term Policy for 2018 → Mid-Term Policy for 2021 → Reborn21 → Mid-Term Policy for 2025 → Mid-Term Management Plan 2030, CORE 2030 P.16

Sustainability management P.28

Strategies for green and peace of mind P.33

Medium- to long-term strategies for further maximizing the value of green and peace of mind

- Realize a carbon-neutral society
- Become a leading company offering peace of mind to society

Set targets with Materiality as the basis for Mid-Term Management Plan 2030, and formulate action plans for each division and region

Long-Term Policy for 2030

Green / Peace of Mind

Material issues (Materiality): Important issues for achieving the Long-Term Policy for 2030 P.29

Green | Peace of Mind | Corporate Foundation

Realize the future of society, starting from mobility, through human potential

Evolution of Our Mid-Term Policies

Mid-Term Policy for 2018 (FY2016 to FY2019) → **Mid-Term Policy for 2021** (FY2019 to FY2021) → Replacement plan → **Reborn21** (FY2021 to FY2022) → **Mid-Term Policy for 2025** (FY2023 to FY2026)

Mid-Term Policy for 2018 (FY2016 to FY2019)

Positioning

Establish foundations for long-term growth by investing upfront in the green and peace of mind and safety fields in preparation for expansion of the CASE vehicle field, by expanding overseas, aftermarket, and new businesses in line with growth in emerging countries, and by strengthening global development and increasing *Monozukuri* efficiency

Achievements

Green and Peace of Mind
- Launched Global Safety Package, our first active safety system
- Established the Electrification Systems Business Group for vehicle electrification

Aftermarket and New Businesses
- Formulated and promoted a growth scenario by positioning factory automation (FA) and the agricultural field as new business mainstays

Overseas
- Introduced a uniform human resource system worldwide
- Increased development personnel in the electrification, ADAS,*1 and software domains
- Established *DANTOTSU* plants*2 in Japan and advanced their establishment overseas

*1 ADAS: Advanced driver-assistance systems
*2 Plants operating at an unrivaled level of efficiency and quality

Remaining tasks

- Strengthen ability to propose system solutions that reflect the increasing complexity of automobiles
- Establish a business model for mobility services
- Establish *DANTOTSU* plants overseas

Mid-Term Policy for 2021 (FY2019 to FY2021) / Reborn21 (FY2021 to FY2022)

Positioning

Although we set out to accelerate our businesses based on the green and peace of mind principles, the COVID-19 pandemic, large-scale quality issues and other disruptions to management, together with changes in the business environment, led us to work on rebuilding our management foundation with the aims of restoring quality and transforming ourselves into a lean and resilient organization.

Achievements

Quality
- Reinforced fundamental technologies, created open workplaces, and instilled a stronger sense of humility

Business
- Accelerated our businesses based on the green and peace of mind principles

People and Organization
- Improved employee engagement and introduced PROGRESS as a new vision for our people and organization

Financial
- Reduced costs by ¥91.0 billion over two years and improved the break-even point ratio by 6 percentage points

Remaining tasks

- Promote talent portfolio transformation
- Increase adaptability to inflation and other changes in the environment

Mid-Term Policy for 2025 (FY2023 to FY2026)

Positioning

As the environment surrounding mobility enters a period of transformation unprecedented in a century, we seek to expand the fields where we can contribute. Centered on our strategies for green and peace of mind, we aim to achieve business growth and resolve social issues not only in the mobility domain but also in new value creation domains, thereby realizing our concept of "Bringing hope for the future for our planet, society, and all people," as set out in our Long-Term Policy for 2030.

Achievements

Green
- (Projected) Achievement of carbon neutrality in *Monozukuri*, including the use of credits
- Extended driving range and improved drivability through a broad product lineup that reduces environmental burden and supports a multi-pathway approach

Peace of Mind
- Launched highly reliable ADAS products and achieved an accident scenario coverage ratio of 56%

New Domains
- Applied technologies refined in the mobility domain to fields such as FA and agriculture
- Strengthened alliances and laid other foundations for future growth

People and Organization
- Developed digital infrastructure and applied AI to daily operations to reform business processes

Financial
- Revenue growth outpacing the vehicle market and allocation of resources to accelerate future growth

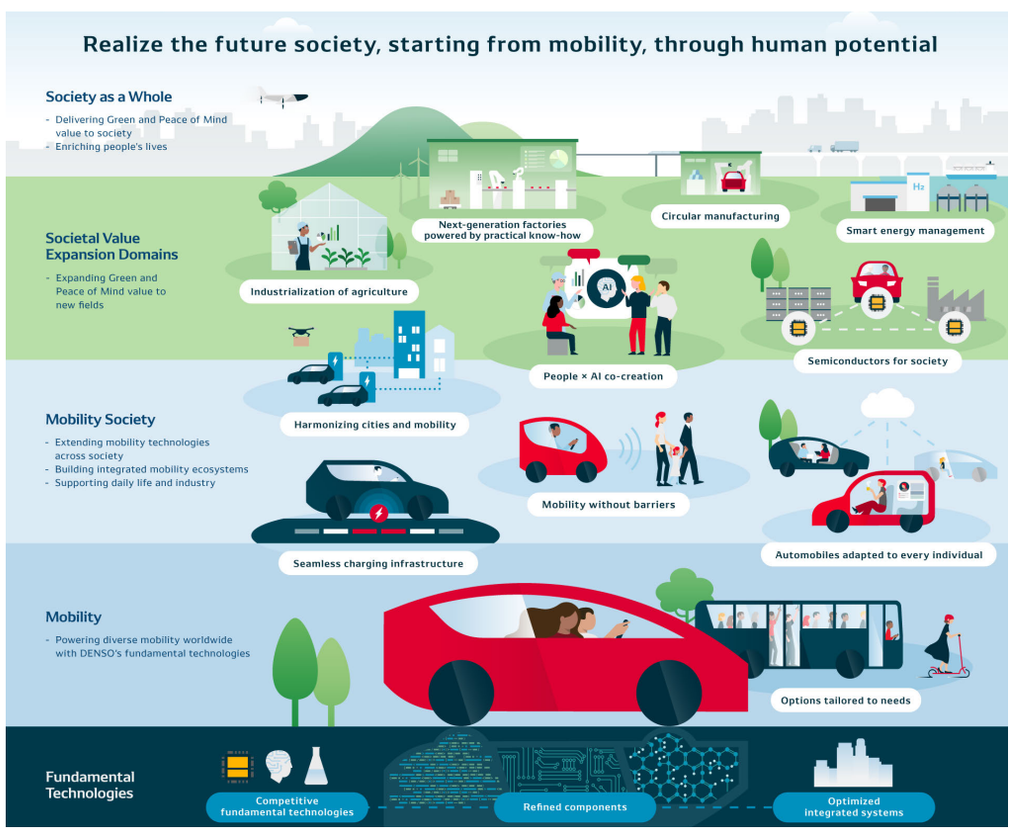
Remaining tasks

- Increase competitiveness while taking on the growth domains of electrification and intelligence
- Curb quality-related costs and respond to sharp rises in material and component costs

Mid-Term Management Plan CORE 2030

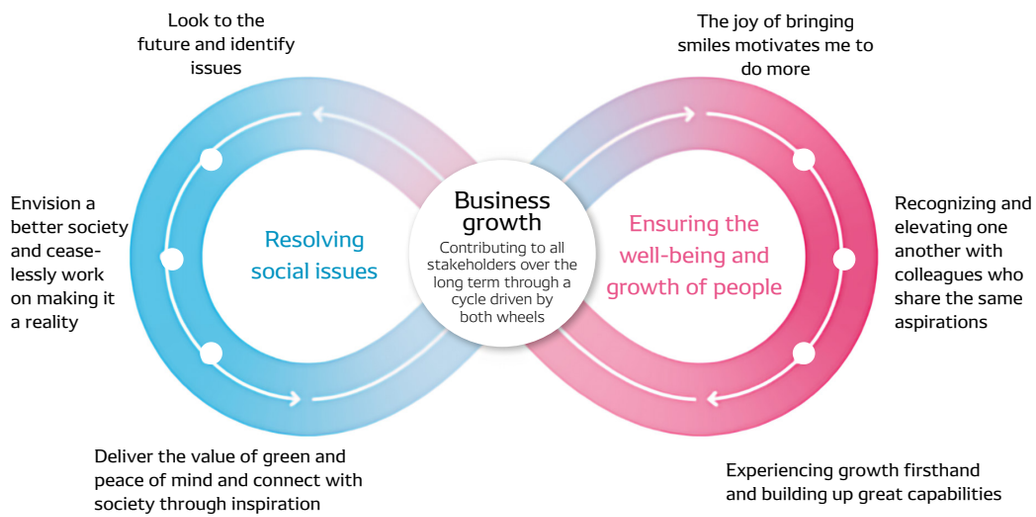
The Future Envisioned by DENSO

In formulating CORE 2030, we envisioned the future we want to create. As an automotive components manufacturer, DENSO will contribute to the further development of the mobility domain in order to support diverse forms of mobility. We will advance the fundamental technologies of the mobility domain and create further value by developing integrated systems that bring components together. The fundamental technologies and integrated systems we refine in this way will contribute to realizing an ecosystem connected to cities and society, supporting daily life and industry. We will also extend the technologies cultivated in mobility to other domains, providing society at large with new value that reaches beyond the boundaries of mobility. As a company aiming to "realize the future of society, starting from mobility, through human potential," DENSO will continue to take on the challenge of bringing about the future we want to create.



The Way of Thinking We Value

Accurately identifying changes in the needs of customers and society, DENSO has set resolving social issues and ensuring the well-being and growth of people as its medium- to long-term management objectives while advancing CORE 2030. For resolving social issues, we look to the future and create diverse value centered on green and peace of mind, thereby contributing to society. For ensuring the well-being and growth of people, we encourage the growth of every individual, driven by the intrinsic aspirations fostered by contributing to society, and we translate the strength of such efforts into significant results. Through the virtuous cycle that achieves these two purposes, we will continue to be chosen by our customers, grow our businesses, meet the expectations of all stakeholders, and thereby enhance corporate value and deliver sustained contributions.



Our Aspirations in CORE 2030

DENSO's tagline "Crafting the Core" expresses our origins, delivering better products and services through technology, *Monozukuri*, and the strength of our people, as well as our commitment to always giving our best from the customer's point of view in order to achieve this. Even in an era of rapid change, we will build on this way of thinking and work with partners around the world to keep creating a new "core" that society truly needs, and we have infused CORE 2030 with that determination.

Crafting the Core → CORE 2030

Our Vision

Realize the future of society, starting from mobility, through human potential

Overview of Initiatives to Enhance Customer Value

The following is an overview of how we will deliver the value of green and peace of mind, which our mid-term management plan, CORE 2030, defines as the value we must provide to our customers and to society. To achieve this, we will first advance the fundamental technologies within the mobility domain, our main arena of competition. In semiconductors, for example, we pursue advances optimized for automotive applications, and in software, we achieve this by applying AI technologies and transforming our development speed.

Building on this, we work to enhance the value we provide in the mobility domain. In the internal combustion engine and thermal systems domains, we deepen the technologies that support a multi-pathway approach. In electrification, we advance every layer from systems to components, thereby meeting the diverse needs of our customers. In the intelligence domain, we further raise value by differentiating highly reliable systems through technologies that only DENSO can offer.

We then extend the technologies and expertise cultivated in the mobility domain into new domains, our societal value expansion domains. In fields such as FA and agriculture, we accelerate collaboration with partners, and in the semiconductor field, we maximize synergies across industrial equipment, consumer electronics and automotive applications, thereby creating new value. In this way, we refine our fundamental technologies, raise value in the mobility domain, and deploy that strength into societal value expansion domains. Through these efforts, we enhance the value we provide to customers and aim to remain a company that society continues to count on.

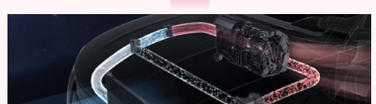
Overview of Initiatives to Enhance Customer Value



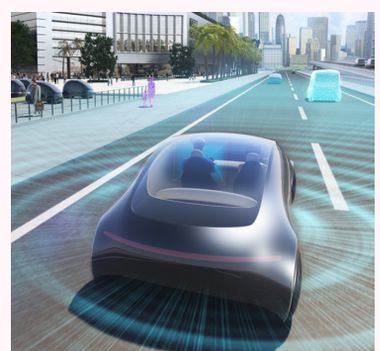
Mobility Domain



Electrification
Evolve from systems to components

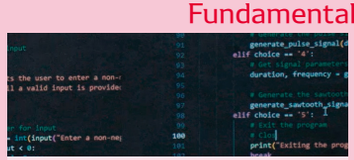


Internal combustion engines and thermal systems
Deepen as foundation of multi-pathway



Intelligence
Differentiate through high-reliability systems

Fundamental Technologies



Software
Innovation in AI technology and development speed



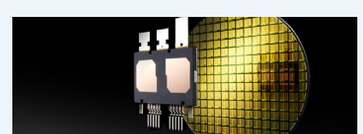
Automotive semiconductors
Automotive optimized evolution

Maximize synergies

Societal Value Expansion Domains (New Domains)



FA and Agriculture
Accelerate through partner collaboration



Industrial Equipment and Consumer Electronics Semiconductors
Maximize synergy across industrial equipment, consumer electronics, automotives

Numerical Targets of CORE 2030

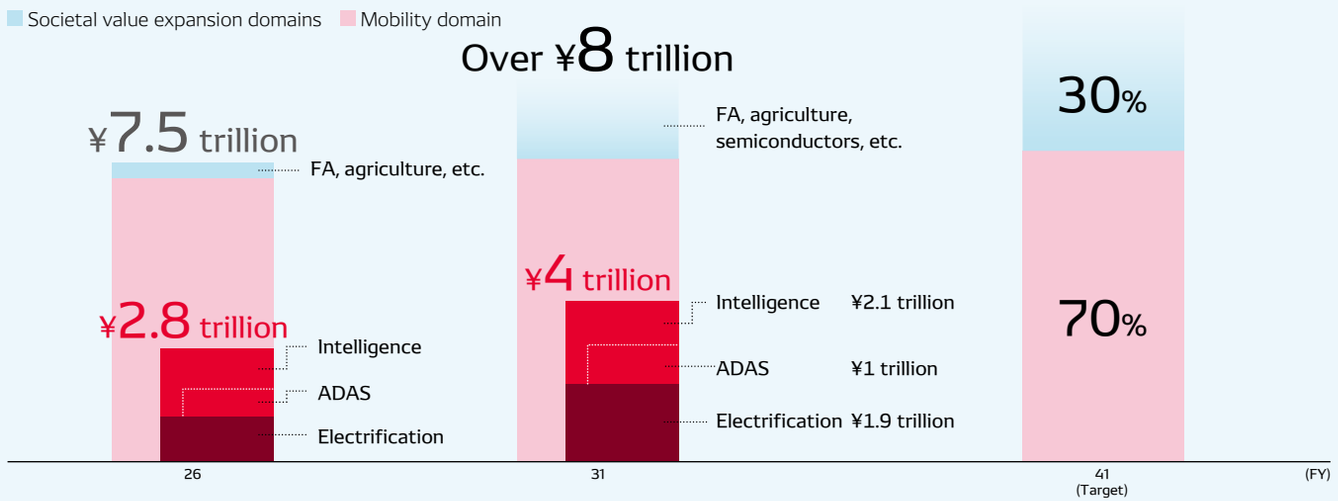
With the mobility domain at its core, DENSO will spur growth in both the mobility domain and the societal value expansion domains. At the same time, we will make the investments needed for sustainable growth, and through these efforts, we aim to create social value and continuously enhance corporate value. With our sights set on fiscal 2031, we aim for revenue of ¥8.0 trillion or more, an operating margin of 10% or higher, and ROE of 11% or higher. We will set KPIs covering both financial and non-financial aspects and steadily execute our strategies. In addition to revenue growth and efficiency improvements, we will reduce the equity ratio and move toward a stable, long-term increase in shareholder returns. DENSO will also carry out share buybacks flexibly in line with the progress of its growth strategy, taking the capital structure and theoretical share price into account.

We also position Materiality KPIs, such as green and peace of mind, as important indicators for creating social value sustainably, and we will advance our efforts accordingly. Over the five years leading up to fiscal 2031, we will steadily grow the mobility domain while developing the societal value expansion domains into businesses that support consolidated earnings. In the mobility domain in particular, we aim to expand revenue to ¥4.0 trillion, approximately 1.5 times the current level, by creating system-level value in the electrification and intelligence domains. At the same time, in internal combustion engines and thermal systems, we will accurately capture changes in customer and market needs and deepen these businesses. Furthermore, in the societal value expansion domains beyond mobility, we will leverage the technologies and *Monozukuri* capabilities cultivated in mobility, promote collaboration with partners, and establish these domains as a second axis of contribution.

Looking toward the achievement of our fiscal 2031 growth targets and sustainable growth thereafter, we will make effective investments to strengthen our foundation for value creation. By balancing growth and investment, we aim to expand domains other than mobility, such as factory automation and agriculture, to 30% of consolidated revenue by fiscal 2041. In these ways, we will contribute to resolving a wide range of social issues and realize sustainable growth.

Business Growth Scenario

Diversifying our businesses around growth in mobility → **Resilient business growth**



Revenue	Operating margin	ROE	Investment / Shareholder returns
Over ¥8 trillion	10% or higher	11% or higher	Over ¥8 trillion [Cumulative total for FY2027–FY2031] • Business investment: ¥6.6 trillion • Dividends: ¥1.0 trillion • Strategic investment / Share buybacks: +α trillion yen

Other Key Financial KPIs

Equity ratio	50% or higher
DOE	4.0% or higher
Share buybacks	Agile execution and reinforcement
Cross-shareholdings	Ongoing reduction based on rationale for holding

Key Materiality KPIs

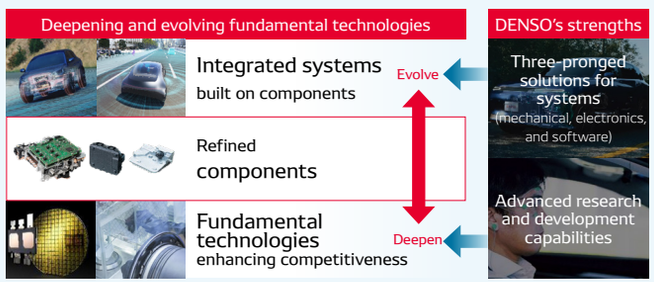
Green	Electrification revenue	¥1.9 trillion
Green	CO_2 emissions	Scope 1 and 2 carbon neutrality with credits Scope 3 –25% (compared with fiscal 2021)
Peace of Mind	ADAS revenue (intelligence)	¥1.0 trillion
Peace of Mind	Accident scenario coverage ratio	80%

Achieve sustainable enhancement of corporate value through the creation of social value

We have formulated the three pillars of our growth strategy that form the basis of CORE 2030. Through the three pillars of strengthening product development, innovating manufacturing (*Monozukuri*), and developing people and co-creating with partners, we will accelerate value creation and growth for the future.



Pillar 1
Strengthening Product Development



Carbon Neutrality

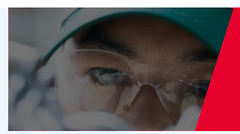
Meeting diverse customer needs through fundamental technologies and integrated system development

Elimination of Traffic Accident Fatalities

Delivering the safety performance that diverse customers require through highly reliable, high-quality ADAS

Mobility is evolving in diverse ways from country to country and region to region, reflecting differences in energy circumstances, government policy and industry trends, as well as the ways in which people live. In response to the needs of diverse markets, DENSO provides value that is indispensable to whichever way mobility is evolving in a particular market, and addresses those needs with its technologies.

Strengthening product development means advancing two things, namely, deepening and evolving technologies based on the components that DENSO has refined over the years. In our initiative to deepen technologies, we will more strongly pursue fundamental technologies, such as semiconductors and materials, through the power of advanced research and development, one of DENSO's strengths, and further enhance the competitiveness of the components themselves. To facilitate evolving technologies, we will leverage our three-pronged solutions for systems, one of DENSO's strengths, combining mechanical technologies, electronics and software, to develop and propose integrated systems that bring individual components together. By making progress on deepening and evolving technologies at the same time, we will translate the strength of our components into system-level value that takes in the vehicle as a whole, thereby contributing broadly to society.



Pillar 2
Innovating Manufacturing



Design and Development

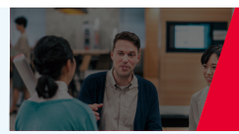
Implementing Agent AI in Processes

Manufacturing

Implementing physical AI in factories

AI has reached the stage where it can be implemented on-site, and the value of the practical knowledge accumulated on the front lines is rising once again. We regard this as a major opportunity where the vast body of practical knowledge residing on DENSO's front lines becomes an important form of capital that lifts our competitiveness to new heights.

DENSO's development and production sites have a vast body of practical knowledge that is difficult for others to emulate and that underpins our capability for high-quality, highly efficient *Monozukuri*. DENSO will develop AI for implementation on the front lines and combine it with this practical knowledge, accelerating the achievement of overwhelming quality, cost, and delivery (QCD). We will also use AI to change the way people work and to support their shift toward higher value-added tasks. To make this a reality, we will tackle this challenge at the new Zenmyo South Plant in Nishio City, Aichi Prefecture. In doing so, we will raise the *Monozukuri* capabilities honed on the front lines to an overwhelming level and change the landscape of *Monozukuri* worldwide.



Pillar 3
Developing People, Co-Creating with Partners



Strengthening the Talent Base to Support Strategy Execution

Developing system talent with a vehicle-centric perspective
An agile talent portfolio aligned with business strategy

Co-Creation with Partners

Accelerating industry collaboration in the mobility domain
Strengthening cross-industry alliances in societal value expansion domains

Social issues that span countries and regions, such as global warming, traffic accidents, and resource and energy security, are growing more serious. For mobility to keep delivering new value, initiatives that reach beyond the boundaries of any single company are essential. We will leverage our strong connections with customers and partners to bring stakeholders together and, at times, take the lead in resolving these issues. Building on highly reliable, advanced automotive technologies, DENSO has contributed to resolving labor shortages and improving productivity in fields such as factory automation and agriculture. Looking ahead, we will accelerate collaboration with strategic partners. In our semiconductor business, we will also broaden our reach into industrial and consumer equipment, maximizing synergies across the three domains, including automotive, and achieving wide-ranging enhancement of value. People are the driving force behind this growth. The challenges each employee takes on generating trust and inspiration from society, create a cycle that leads to the next round of value creation. To sustain this cycle, we will make expertise visible and develop it systematically, while strengthening the recruitment and development of highly specialized human resources in strategic areas such as AI and advanced semiconductors, thereby supporting our employees in taking on challenges.

Process of Formulating CORE 2030

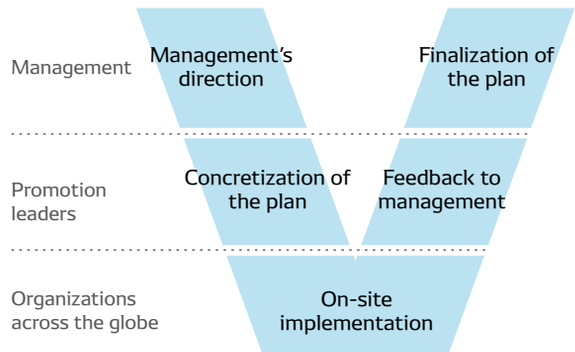
The environment facing the automotive industry is changing at an unprecedented pace. In an era with an opaque outlook, we first asked ourselves if a mid-term management plan was the best way to present our future direction.

In repeated discussions, we continued to circle back to DENSO's origins. Since its founding, DENSO has delivered better products and services to customers through technology, *Monozukuri*, and the abilities of its people. At the same time, amid major structural change in the automotive industry, including the diversification of powertrains, the shift to SDVs, and the evolution of the Chinese market, we candidly acknowledged that our execution capabilities have fallen short and the trust placed in us by our customers has wavered. For precisely this reason, we decided to formulate CORE 2030 as not just a growth strategy but also as a compass for further enhancing the trust placed in us by our customers by putting DENSO's origins at the center of management, strongly advancing our response to structural issues, and continuing to provide the value that customers desire.


Off-site discussions among executives

In formulating the plan, we first held repeated discussions on our management direction through such forums as off-site meetings of executive officers. Young executives and division leaders then took the lead in translating the direction we set into a concrete Companywide plan. Next, we deployed that plan to each organization worldwide, and each organization broke it down into initiatives that encourage putting them into practice on the front lines, while taking into account their own current position and issues. Furthermore, we fed back the identification of issues and the ideas gained through on-site deliberation to management and refined this information into a Companywide growth strategy. Through this V-shaped process, where ideas move back and forth between management's intentions and on-site practice, we have enhanced the effectiveness of the strategy. Shaped in this way, CORE 2030 is a shared guideline for DENSO's next stage of growth, created jointly by management and the front lines. Rooted in our origins, we will transform change into opportunities for growth and continue to enhance the value we provide to society and our customers, thereby aiming for the sustained enhancement of corporate value.

V-shaped Process for Formulating the Plan



Initiatives to Communicate CORE 2030 Inside and Outside the Company

To make CORE 2030 an effective plan, it is essential to set it out as a management plan and also for each of our approximately 155,000 employees worldwide to understand it and put it into action. Within the Company, we will communicate the overall picture of CORE 2030 in an easily understandable manner through messages from the president and explanatory videos, while breaking it down into activities for each division and individual employee. We will also create venues for two-way dialogue between members of management teams and those on the front lines, giving each workplace the opportunity to understand management's intentions and to ponder the question, "What value do we deliver to society and our customers?"

Outside the Company as well, we will thoughtfully disclose our progress on CORE 2030 and further enhance dialogue with shareholders and investors through business briefings and other means, in order to convey in greater depth the feasibility and concreteness of our growth strategy. Through ongoing dialogue with stakeholders inside and outside the Company, we will steadily execute CORE 2030 and link it to the sustained enhancement of both the value we provide to society and our customers, and ultimately our corporate value.

Message from the CSO



Yasuhiko Yamazaki
Executive Vice President, Representative Member of the Board, Chief Strategy Officer (CSO)

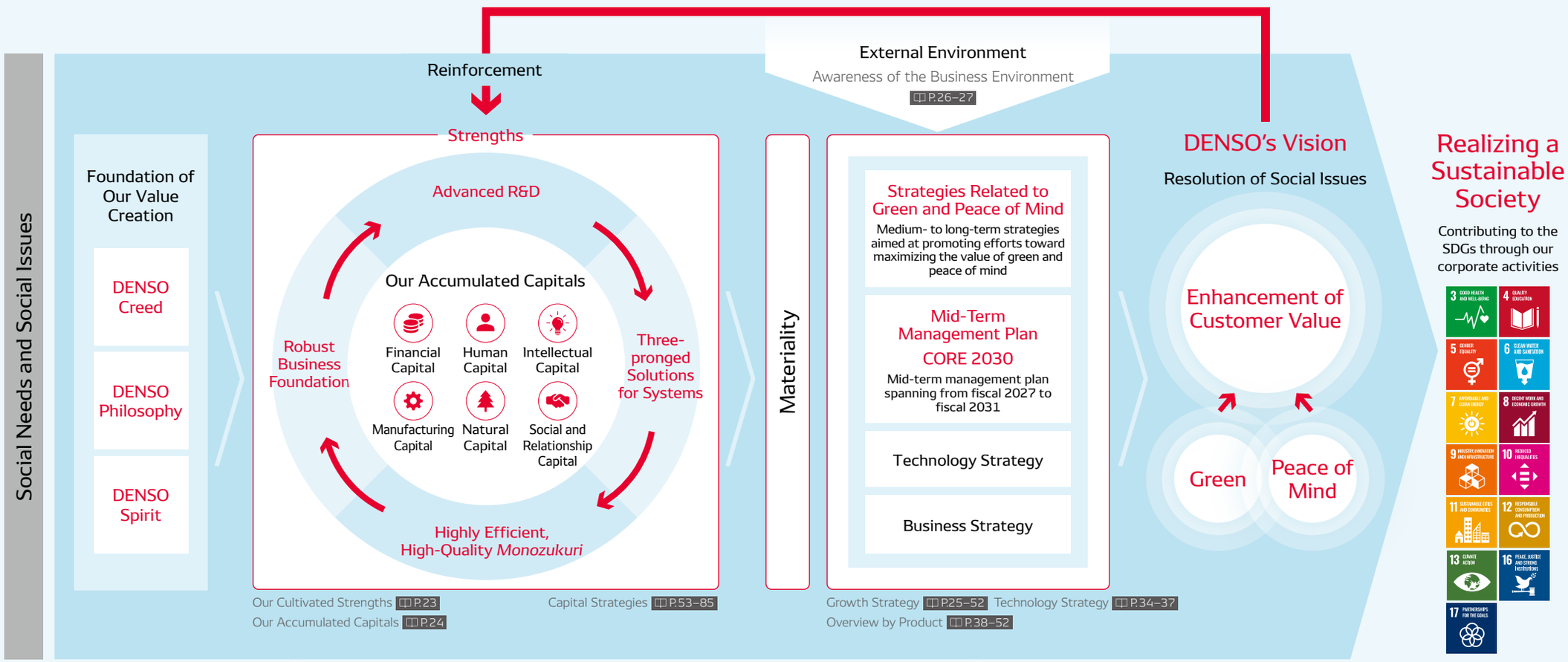
CORE 2030: Creating Competitiveness for the Future

The automotive industry now stands at an unprecedented turning point, with the advancement of electrification and intelligence, the rapid evolution of AI, rising geopolitical risks, and the deepening of social issues all proceeding at the same time. DENSO's competitiveness to date has been supported by our ability to ensure high quality and reliable delivery and to see things through to the end. In an era of unending nonlinear change, we believe that corporate value will hinge on not only our traditional competitiveness, but above all on swift decision-making that anticipates change and on the capability to execute and carry out a strategy to the end.

CORE 2030 is a management strategy through which DENSO will redefine its competitiveness toward fiscal 2031 and build the foundation for growth into the future, with the aim of further enhancing the value we provide to society and our customers over the long term. Our starting point lies in delivering better products and services to customers through technology, *Monozukuri*, and the abilities of our people. The main thrust of CORE 2030 is to evolve this starting point into competitiveness suited to an era of change. DENSO possesses a distinctive strength: we handle everything from research and development to product commercialization, system proposals, and social implementation on an integrated basis. While honing that strength under CORE 2030, we have established three strategic pillars for growth: strengthening product development, innovating manufacturing, and developing people and co-creating with partners. By evolving our technologies and on-site capabilities, our people and organizations, and our ability at co-creation, we contribute to enhancing our customers' competitiveness and to resolving social issues. Looking ahead, we will strategically allocate resources to growth domains and invest in our foundations, and while linking these initiatives to our financial strategy, we will continuously review the status of strategy execution and modify it in response to changes in the business environment. CORE 2030 is not a plan that predicts the future. It represents our will to create competitiveness on our own. We will evolve the creation of value that is unique to DENSO and achieve the sustained enhancement of corporate value.

DENSO's Value Creation Process

DENSO has continued to grow together with society by maximizing the value of green and peace of mind. DENSO puts sustainability management into practice by taking the resolution of social issues as a starting point and then utilizing accumulated strengths and capitals to implement business activities and advance value creation processes. By having each employee respect and faithfully practice our management philosophy, which serves as a mindset for resolving social issues and pursuing new developments, we aim to enhance our corporate value while contributing to a sustainable society.



The DENSO Creed, which embodies the spirit of our founding; the DENSO Philosophy, which clarifies the spirit of the DENSO Creed in accordance with social changes; and the DENSO Spirit, which serves as an action guideline for values that we share on a global basis, form the foundation of our value creation.

Foundations Underpinning Value Creation

- Human Capital P.62–66
- Corporate Governance P.87–96

Controlling Factors That Negatively Impact Our Value Creation

We are implementing measures to respond to risks that could negatively impact our value creation.

- Efforts to Maximize the Value of "Green" (TCFD) P.78–81
- Risk Management and Compliance P.100–104
- Undertaking Initiatives toward Respecting Human Rights P.84

DENSO's Customer Value Contribution Model

As an automotive components manufacturer, DENSO has continued to earn the trust of automakers by delivering the value of "green" and "peace of mind" that was needed in each era. We anticipate customer and market needs ahead of time through ongoing engagement with customers and by identifying both explicit and latent needs. We also leverage the breadth and depth of our technologies cultivated across a wide range of fields, spanning from fundamental technologies and components to vehicle-wide systems. In addition, we pursue co-creation with customers to address challenges together, from basic research through to mass production and after-sales support. These strengths serve as the source of our value creation. Through our integrated capability to deliver system solutions that combine mechanics, electronics, and software, together with highly efficient and high-quality manufacturing, we contribute to enhancing the added value of mobility. In addition, the combined strengths of our people and AI, the execution of medium- to long-term R&D and capital expenditures, and our robust collaboration with our suppliers and business partners help support our value creation and stable global supply. We distribute the returns realized through the added value we generate to our stakeholders while also reinvesting in new value creation, including investments in talent and R&D and capital expenditures, thereby building a sustainable value creation cycle. Looking ahead, we will leverage the advanced reliability, robustness, technological expertise, and manufacturing capabilities cultivated in the mobility domain and expand them into adjacent fields such as semiconductors, factory automation (FA), and agriculture. By doing so, we will resolve a broad range of social issues and realize the sustainable enhancement of corporate value.

The Source of Our Value Creation

Foresight

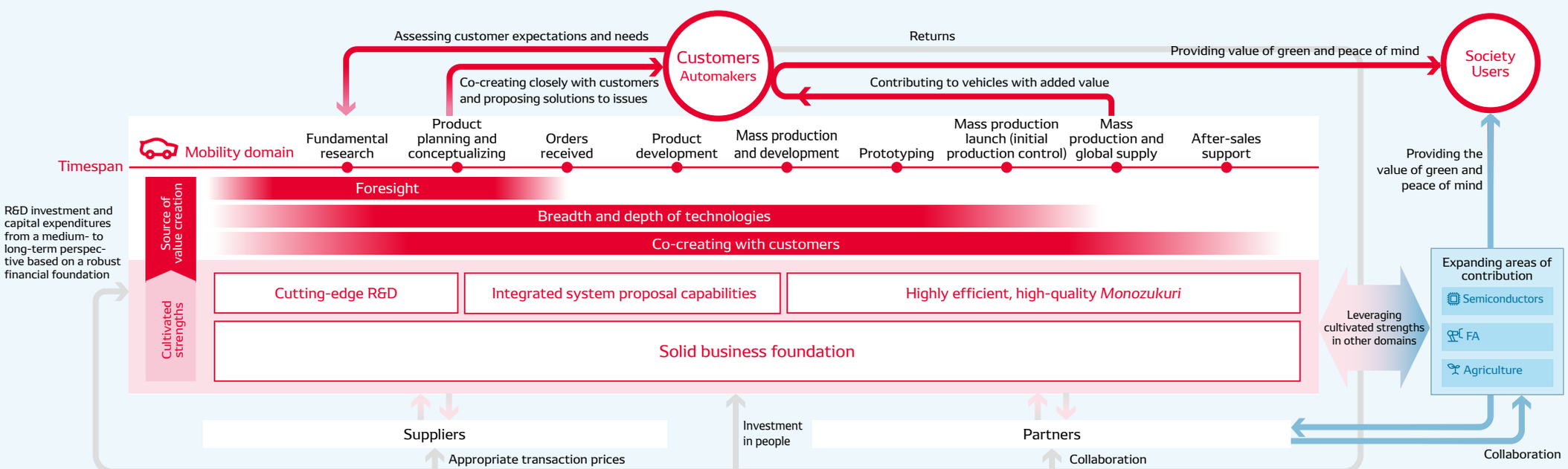
DENSO has consistently anticipated customer needs and the resolution of social issues that lies beyond them, while continuously advancing cutting-edge R&D and fundamental technology research. We continue to anticipate and deliver the value that customers and society truly need by addressing customer issues and latent needs that have yet to take shape.

Breadth and Depth of Technologies

DENSO possesses extensive and deep technological capabilities, spanning everything from fundamental technologies and components to systems designed from the perspective of the entire vehicle. By offering an integrated development approach that combines mechanics, electronics, and software, we deliver value that our competitors cannot easily replicate.

Co-Creating with Customers

We maintain numerous touchpoints with our customers under a consistent support framework that spans every stage, from fundamental research through to mass production and after-sales support, and covers the various points at which vehicles are delivered to customers through automakers. Going forward, we will continue to work closely with our customers and contribute to enhancing the added value of vehicles.



Our Cultivated Strengths

Since its founding, DENSO has cultivated various unique strengths. These strengths have been passed down and strengthened by the DENSO Spirit, which is encapsulated in the actions of all DENSO employees around the world. These strengths have resonated with all employees and driven DENSO's growth over the years. Amid the constantly changing business environment, DENSO will remain committed to refining these strengths as the unshakable driving force behind value creation that is uniquely DENSO.

Robust Business Foundation

Human Capital Human resources that support value creation	Social and Relationship Capital Robust supply structure	Financial Capital Solid financial capital structure
Number of employees worldwide: Approx. 155,000 (35 countries and regions)	Suppliers (fiscal 2026): Approx. 7,300 across the globe	Ratio of equity attributable to owners of the parent company (fiscal 2026 year-end): 62.9%

In 1949 DENSO split from Toyota Motor Co., Ltd., and was established as an independent company amid worsening economic conditions. Since that time, our employees have been making achievements under challenging operating environments, passing on an unbreakable spirit for developing technologies and promoting *Monozukuri* activities that offer social value from one generation to the next. Since the Company's establishment in 1949, we have consistently positioned people as our most important resource, and we have continued to develop talent that will lead the future of DENSO by putting into practice management that cares for people. At the moment, our roughly 155,000 employees in 35 countries and regions around the world are making tireless efforts to ascertain the needs and trends in each region in a timely and accurate manner and apply that knowledge to our R&D and *Monozukuri* activities. Over the long history of our business activities, we have built strong trust-based relationships with a broad range of customers, pursued technologies that cater to customer needs, and deepened our insight together with our customers. We have also established a stable supply structure as a direct response to customer needs. Along with our approximately 7,300 suppliers around the world, we are building a supply network to deliver value in a timely manner when and where it is needed by customers, realizing *Monozukuri* as a coalescence of our collective intellect and wisdom. This robust business foundation is the source of DENSO's competitiveness that cannot easily be replicated overnight. Underpinned by a robust financial foundation enabling us to tackle new pursuits, we are realizing unprecedented new value by reinforcing and expanding our foundation with the power of our human resources and relationships of trust built with stakeholders.

Highly Efficient, High-Quality *Monozukuri*

Manufacturing Capital Industry-leading *Monozukuri* foundation	Natural Capital Initiatives to achieve carbon-neutral *Monozukuri*	Human Capital Advanced *Monozukuri* personnel
Number of production bases: 114 plants in 25 countries and regions Capital expenditures (fiscal 2026): ¥369.3 billion	Ratio of renewable energy introduction globally (fiscal 2026): 100% Energy Conservation Grand Prize award: Received for 16 consecutive years	Cultivation of technical talent over the past 70 years

DENSO boasts micro-processing accurate to 1/1000mm and designed assembly lines that increase both production efficiency and quality. By combining Excellent Factory (EF) activities, a production site-led plant improvement initiative rooted in a *kaizen* (improvement) culture that has been ongoing since 1997, with Factory-IoT (F-IoT), a global network launched in 2019 connecting our plants, DENSO aims to strengthen its *Monozukuri* foundation by analyzing various data from people, equipment, and facilities to detect and fix malfunctions early, and by codifying expert knowledge for global application. Targeting carbon neutrality in *Monozukuri* by 2035, DENSO is leading the industry in reducing environmental impact by enhancing productivity through data-driven energy-saving initiatives. Furthermore, as of fiscal 2026, DENSO has introduced renewable energy at all of its manufacturing bases.* DENSO received the prestigious Deming Prize for quality control management in 1961 and has since taken pride in its commitment to high-quality manufacturing that underpins safety and peace of mind as "The DENSO of Safety and Quality." Today, DENSO intends to take the lead in the quality of in-vehicle software in the era of software-defined vehicles (SDVs) (CQO Message, P.102). DENSO's cutting-edge *Monozukuri* capabilities are underpinned by its advanced *Monozukuri* personnel. The DENSO Industrial School is a technical training school created based on the concept of "*Monozukuri* is *Hitozukuri* (Our performance relies on our people)" and dedicated to strengthen both our technologies and capabilities. Throughout its history, the school has fostered students with exceptional skills that are globally recognized, including students that have won many gold medals at the WorldSkills Competition.

* Scope: Countries and regions where no institutional or other constraints apply and environmental value certificates can be procured

Advanced R&D

Intellectual Capital Commitment to creation in anticipation of the changing times	Human Capital Global development structure	Financial Capital World-leading R&D foundation
Number of world-first products: Over 200 Ranking in new patent registrations in the automotive industry (fiscal 2026): 4th in Japan, 9th in the U.S.	Number of global R&D bases: 11 (excluding Japan)	Fiscal 2026 R&D expenditures: ¥690.1 billion

DENSO has remained acutely attuned to changes in society and has engaged in product development with a strong commitment to achieving world-first innovations. To date, DENSO has created over 200 world-first products, the likes of which did not exist in the world, and it continues to drive the development of new technologies and products that address complex social challenges. Since its founding, when there was a clear technological gap between Japan and the West, DENSO has remained relentless in its commitment to technology and product development. In 1985, DENSO established its first overseas technical center in the United States, followed by the establishment of its Advanced Research and Innovation Center in 1991, where it leads the development of cutting-edge technologies, including semiconductors, electronics, materials, AI, ergonomics, and quantum computing, that continue to be a source of its competitiveness today. By 2014, DENSO had established technical centers across all seven global regions and has continued to pursue innovation in technology hubs such as Silicon Valley. DENSO also actively engages in resolving social issues through collaboration with industry, government, academia, and business partners. In 2020, DENSO established the Electrification Innovation Center (EIC) within its Anjo Plant to strengthen development and production for product electrification. By integrating processes from advanced and mass production development to reliability and durability testing of vehicles and systems, as well as the launch and stabilization of mass production lines, DENSO is accelerating R&D in the areas of green and peace of mind. To further sharpen our competitive edge into the future, we invested ¥690.1 billion, equivalent to 9.2% of revenue, in R&D expenditures in fiscal 2026. By promoting better efficiency through digital transformation, including the use of AI, we will continue to strengthen our R&D activities centered on the focus fields of green and peace of mind (Technology Strategy, P.34–37).

Three-pronged Solutions for Systems

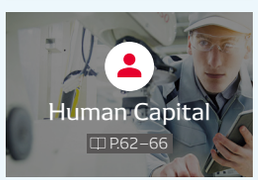
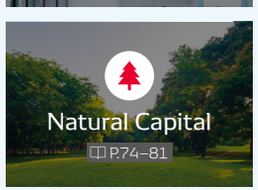
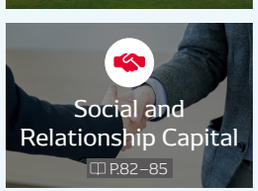
Intellectual Capital Ascertaining real needs	Social and Relationship Capital Collaboration with partners that exceeds the frameworks of organizations	Intellectual Capital Ability to realize concepts through the integration of hardware and software
No. 2 share of the global market for automotive components	Number of alliances: Stakes in 97 companies (total since fiscal 2011)	Comprehensive component manufacturers: Seven core businesses

To accurately and promptly grasp the needs and future visions of customers and end-users, it is essential to propose optimal solutions from a vehicle-wide perspective. DENSO has been engaged not only in the mechanical domain since its founding but has also developed technologies in electronics and software for over 50 years. This has allowed the Company to develop a unique competitive edge as a comprehensive manufacturer, something difficult for companies operating in only one of these domains to replicate. Anticipating a future where automotive components would be electronically controlled, DENSO established the IC Research Center in 1968 and built an entirely in-house semiconductor production system. In 1995, DENSO became the first in the world to mass-produce an electronically controlled fuel injection system, taking the lead in proposing systems from an entire vehicle perspective. In 2007, DENSO began mass-producing a double-sided cooling inverter integrating its proprietary technologies. The unique system, which optimally combines mechanical, electronic, and software elements, was highly regarded in the market. By integrating its expertise from these domains, DENSO engages with customers from the early stages of vehicle development, at times working alongside them as part of the team to build cars together. This unparalleled competitive strength is proving even more valuable today, as the role and importance of software in vehicles continue to grow, serving as a key differentiator from competitors. In 2021, DENSO launched a recurrent education program for software engineers to better meet the growing demand for software development. Moreover, by applying across a wide range of industries its advanced technologies and reliable quality cultivated through automotive development, DENSO is delivering genuine value to society.

Our Accumulated Capitals

DENSO will realize sustainable growth and offer genuine value to society by further strengthening the capitals it has accumulated throughout its history of growth as a company.

Correspondence of Financial and Non-Financial Capitals to Business Growth and Social Issue Resolution

Capitals	Input	Initiatives to Strengthen Capitals: Creation of New Value / Profit Growth / Reduction in Capital Costs	Output (Targets of the Mid-Term Management Plan CORE 2030)	Outcome
	Fiscal 2026 Total assets: **¥8,730.9 billion** Revenue: **¥7,540.0 billion** Operating profit: **¥552.5 billion**	• Creation of new value through well-focused investment • Acceleration of technological development and strategic investment in growth domains • Commercialization of and earnings expansion in agriculture and FA fields • Improvement in ROIC strengthening business profitability • Reduction in cost of shareholders' equity by strengthening dialogue with markets	**Financial KPIs** • Revenue: Over **¥8.0 trillion** • Operating margin: Over **10%** • ROE: **11%** or higher • Investment/Shareholder returns: Over **¥8.0 trillion** (cumulative total over the period from fiscal 2027 to fiscal 2031) • DOE: **4.0%** or higher **Non-Financial KPIs** Green domain • Sales from electrification: **¥1.9 trillion** • Total CO_2 emissions (Scope 1 and 2) Carbon neutrality with the use of credits (fiscal 2036 target: Carbon neutrality without the use of credits) Scope 3 CO_2 emissions reduction of **25%** compared with fiscal 2021 Peace of mind domain • Sales from ADAS: **¥1.0 trillion** • Accident scenario coverage ratio: **80%** • Improvement in agricultural productivity of **75%** • Improvement of labor productivity in industries, reduction in labor shortages equivalent to **19,000 workers**	**Creating a sustainable global environment where people coexist with nature** • Society with no environmental burden (Response to climate change/Prevention of environmental pollution) • Efficient use of resources (Recycling of resources/Efficient use of resources/ Conservation of water resources) **Creating a mobility society where people live with peace of mind** • Provision of safe and flexible movement • Creation of a society free from traffic accident injuries **Improving social well-being** • Secure and stable supply of food • Improvement of industrial labor productivity **Improving employee well-being** • Creation of workplaces where employees can work with peace of mind • Promotion of DE&I • Realization of rewarding and comfortable workplaces **Establishing a sustainable supply chain** • Strengthening of our foundation for ensuring a stable supply • Creation of a society where people can work with dignity and peace of mind **Cultivating corporate behavior that lays the foundation for trust-based relationships with society** • Compliance with corporate ethics and social norms and creation of sound business environments • Ensuring of information security
	Global workforce: **Approx. 155,000 employees** Year-on-year increase in human capital investment: Fiscal 2026: **¥49.5 billion**	• Creation of value through the synergy of diverse individual strengths • Deployment of personnel in growth fields • Improvement in productivity through the optimization of in-house personnel deployment • Cultivation of digital-savvy personnel • Evaluation and compensation systems that encourage growth		
	Fiscal 2026 R&D expenditures: **¥690.1 billion** Patents owned (Japan and overseas): **Approx. 36,400**	• Strengthening of product competitiveness through advanced research • Spurring of innovation through industry–government–academia collaboration • Enhancement of development capabilities through the utilization of AI and automation • Maintenance and strengthening of competitive advantages through patent utilization		
	Fiscal 2026 Capital expenditures: **¥369.3 billion** Global number of production bases: **114 plants in 25 countries and regions**	• Creation of circular value through resource reuse • Creation of value through the development of *Monozukuri* personnel • Earnings expansion through highly efficient and high-quality production • Improvement in productivity through data analysis • Reduction of supply risk through the building of a resilient supply network		
	Investment in efforts to reduce CO_2 emissions in fiscal 2026: **Approx. ¥10.0 billion**	• Carbon-neutral *Monozukuri* • Environmental impact reduction through the development and widespread adoption of electrification products • Improvement in resource use efficiency and reduction of resource depletion risk through resource recycling • Creation of energy-saving technologies		
	Fiscal 2026 Suppliers: **Approx. 7,300** Dialogues with investors and analysts: **Approx. 2,000 (cumulative total)** Total number of business alliances since fiscal 2011: **97 companies**	• Creation of new value through collaboration with business partners • Acquisition and creation of demand through enhanced proposal-making capabilities • Stable supply realized through collaboration with suppliers • Promotion of sustainable supply chain management • Elimination of information asymmetry with shareholders and investors through timely and appropriate disclosure		

Section 3 / Growth Strategy

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Awareness of the Business Environment

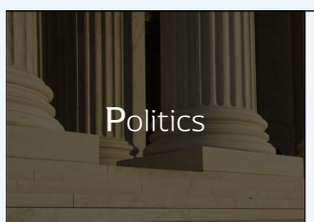
Amid the ever-increasing global population, aging societies, and advancing urbanization, the progression of global warming and the increase in traffic accidents are becoming serious social issues. In addition, people's values are diversifying and these issues are becoming more complex as a result of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

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

Social Changes toward 2030 and DENSO's Key Initiatives

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

Forecasts of Future Society



- Tightening supply–demand situation for energy across the globe and the shift from low carbon to carbon free
  - Need for international cooperation to mitigate climate change in light of the urgent need to address global warming ①
  - Necessity of promoting renewable energy and hydrogen usage ①
  - Restrictions on power generated from fossil fuels and internal combustion engines ①
- Establishment and expansion of laws to control adverse impacts on the environment and human rights throughout the entire supply chain ①③
- Acceleration of economic security policies against a backdrop of intensifying political confrontation and heightened geopolitical risk (strengthening supply chains, protecting industries and technologies, etc.) ①②③



- Slowing economies in advanced countries, rise in prominence of Global South, and global multipolarization ②
- Rise in nationalism due to growing regional disparities ②
- Establishment of economic blocs advantageous to individual countries and ongoing regional optimization ②
- Productivity enhancements accompanying accelerated AI investment and implementation ②③



- Threat to the sustainability of society due to an increase in population, with the global population exceeding 8.5 billion people ①②③
- Aging populations around the world, declining workforces, growth in life expectancies ①
- Urbanization in emerging countries, urban regeneration due to the shift to smarter, more compact cities, and an increase in logistics volumes ①②
- Expansion of ESG investment and acceleration of rulemaking for ESG information disclosure ①②
- Consumption behavior becoming more ethical and experience-based with a shift to the sharing economy ①③
- Growing automation of work through AI and robotics, and changes in work ethic and available free time ③



- Integration of digital and physical domains due to the proliferation of IoT-related technologies (communications and other devices) ②③
- Productivity enhancement and value chain integration through the use of big data ②
- Transition to the use phase of AI and quantum computer utilization and the versatile implementation of AI in manufacturing, finance, and services ②③
- Accelerating shift to non-contact technology and full automation in various industries ①③

Keywords for Social Changes toward 2030

1 Escalation of Social Issues

Decarbonization　Traffic accidents
Aging population　Uneven population distribution
Traffic congestion

2 Multipolarization and Diversification of the World

Borderless flow of information and technologies

3 Diversification of People's Values

Use of AI
Changing workstyles　Automation

Awareness of the Business Environment

	Risks and Opportunities	Response Measures to Risks and Opportunities
❶ Increasingly serious social issues	**Risks** • Tightening and acceleration of environmental regulations on the automotive industry • Introduction and expansion of environmental taxation by the governments in each country and region • Expanding and intensifying demands for environmental responses in product production processes (carbon neutrality, resource recycling, water resource conservation, pollution prevention, etc.) • Delays in developing and commercializing technologies in response to increasingly complex and intricate social issues and demands • Increased risk of production suspensions and similar disruptions as climate change makes damage from weather-related disasters and abnormal weather more widespread and severe **Opportunities** • Increasing need for systems to respond to electrification and alternative fuels (e-fuel, hydrogen fuel, and biofuel) • Heightened expectations for new technologies that contribute to carbon neutrality and resource recycling (generation and use of hydrogen, traceability, etc.) • Growing demand for highly efficient production technologies that achieve solid energy-saving effects • Expansion of businesses that contribute to the resolution of social issues (growing needs for automated driving, the prevention of traffic accidents, food safety, automation to address labor shortages, etc.)	We believe that social issues, such as climate change countermeasures, resource recycling, safety and security, and labor shortages, will grow even more complex and serious in the future. In response to these changes, we will further advance the technologies DENSO has refined to date, including electrification, energy-saving, thermal management, active safety, and automation, and accelerate their implementation in society. We will also advance the development of new technologies, such as responses to hydrogen and alternative fuels and traceability that contributes to resource recycling, while working to upgrade highly efficient production technologies that achieve greater energy-saving effects. Furthermore, because DENSO's business activities depend heavily on natural capital, we aim to minimize our impact on natural capital and will pursue the recycling and effective use of resources, the reduction of waste, the prevention of pollution of the global environment, and the conservation of water resources.
❷ Multipolarization and diversification of the world	**Risks** • Rising threats toward DENSO's business management (military strikes, cyberattacks, etc.) • Revisions to business models (regulation response and supply chains) due to divisions between countries and regions **Opportunities** • Progressing expansion of new markets and business partnerships with the aim of resolving social and environmental issues • Avoidance of production stoppages at customers by establishing a stable supply structure through more resilient supply chains, earning even greater credibility	We expect uncertainty in the business environment to increase further due to differences in regulations and standards among countries and regions, heightened geopolitical risks and the fragmentation of supply chains. In response, DENSO will strengthen governance, risk management, and compliance so that we can respond flexibly to changes in the environment in each region, while also enhancing the resilience of our procurement, production, and supply structures. We will also build optimal development, production, and sales structures suited to the market characteristics of each region, steadily capturing business opportunities in growth markets, including emerging countries.
❸ Diversification of people's values	**Risks** • Reduction in transportation as digital technologies proliferate and consumption patterns change • Intensifying competition due to the increasing entry of IT companies able to address diversifying values **Opportunities** • Heightened awareness of "peace of mind," leading to the diversification of technologies related to peace of mind and expansion in value systems (safety awareness, pursuit of comfort, privacy, disaster alerts, etc.) • Rising need for added value due to the accelerating shift to digital technologies, IT, and AI implementation • Growing affinity for companies that contribute to the resolution of social issues (product selection, investment selection, employment, etc.)	We believe that, as digital technologies and AI proliferate and lifestyles change, the value people seek from mobility and products will expand beyond the function of transportation to encompass peace of mind, comfort, experience, and individuality. In response to these changes, DENSO will expand new growth opportunities by responding quickly to diversifying needs, such as automated driving and the provision of car cabin spaces that offer peace of mind and comfort. In light of the heightened awareness of peace of mind, we will also advance the development of technologies that expand value in areas such as safety, comfort, privacy, and disaster alerts. Furthermore, with the acceleration of digitalization, IT adoption and AI implementation as a tailwind, we will create new added value by combining DENSO's unique technological capabilities and *Monozukuri* capabilities with collaboration with other companies, while keeping an eye on changes in the roles of people and in workstyles.

Reinforcement of Our Management Foundation

To steadily advance the measures addressing the risks and opportunities previously described, respond flexibly to increasingly complex and diverse social issues and enhance corporate value, we believe it is essential that every employee takes pride in their work and continues to work with high motivation and vitality. We will achieve new value creation by practicing human capital management through such efforts as creating an environment where employees can work with peace of mind and creating opportunities for human resources with diverse individual qualities to learn on their own initiative, take on challenges, and grow.

At the same time, we will remain steadfast amid changes in society and continue to deliver value centered on quality first, the foundation of credibility. We will also reinforce our relationships with the stakeholders who support DENSO's businesses and expand into new markets, businesses and collaborative partnerships, thereby delivering value sustainably even in a changing world.

Sustainability Management in Practice

The DENSO Creed, which calls on us to “provide quality products and services,” is a reflection of sustainability management at DENSO, where its business activities aim to solve social issues and contribute to the well-being of people. Today, it is DENSO’s mission to pass along the aspirations of its predecessors rooted in its creed when passing the baton to the next generation.

To continue in the spirit of our creed and to keep practicing sustainability management even as times change, at DENSO, we have established the DENSO Group Sustainability Policy and selected our material issues for inclusion in our management strategy (Materiality, P29–32). We are currently tackling these social issues through our business activities. This section provides an overview of our structure for promoting sustainability management implementation.

Promotion Structure for Sustainability Management

With the executive in charge of the Corporate Management Center serving as overall leader, the Corporate Management Division oversees Companywide sustainability management functions. We have established the Sustainability Meeting as a forum for Companywide discussion on the direction of activities for the DENSO Group. This meeting is responsible for advancing sustainability management by identifying opportunities and risks, deliberating on proposed Materiality, and monitoring and adjusting activities. The matters discussed are then submitted to the Board of Directors.

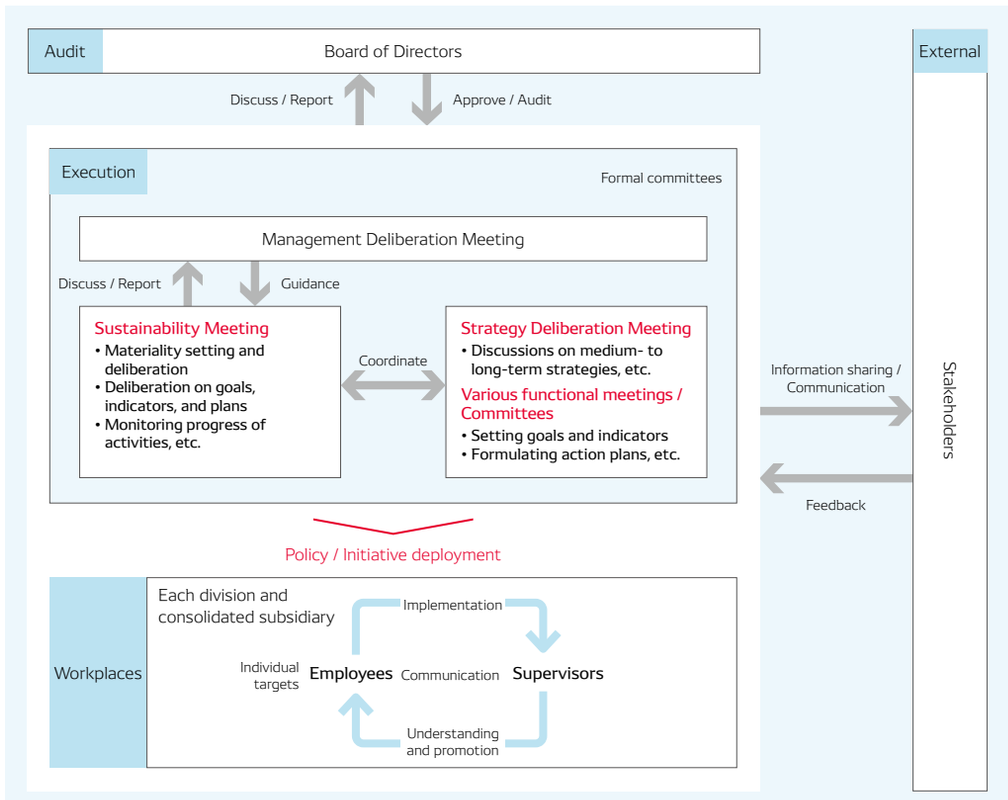
To foster awareness among employees, who are key players in advancing these activities, DENSO incorporates into annual individual goals a process that visualizes how each employee’s work is connected to addressing social issues.

Also, to promote understanding and entrench a culture of sustainability as well as to disseminate related information, each DENSO CORPORATION division, domestic Group company, and overseas regional headquarters appoints one sustainability leader, who is tasked with ensuring the penetration of a culture of sustainability throughout all workplaces.

Overview of the Sustainability Meeting

Chairperson	Executive Vice President	Purpose	• Setting and deliberation on Materiality proposals • Progress follow-up • Sharing trends related to social issues, etc.
Composition	Each Materiality promotion officer (executive level) Note: Heads of business groups and regional CEOs also attend when coordination across businesses or regions is required.	Meeting frequency	Twice a year
Fiscal 2026 results	• Set fiscal 2031 targets for each material issue (Materiality) and formulated activity plans and promotion structures • Formulated targets for fiscal 2027 • Discussed initiatives toward achieving carbon neutrality along with results and issues		

Promotion Structure for Sustainability Management



Materiality

In recent years, the social issues involving companies have become increasingly diverse and complex, and their effects now extend across the entirety of corporate activity. Amid these changes in the business environment, companies must enhance corporate value while addressing a broad range of issues. At the same time, to create value on a sustained basis, a company must not address every issue equally. Instead, it is important to focus on areas in which a greater contribution to resolving social issues and enhancing customer value can be made, taking into account a company's own strengths and business characteristics.

Based on this approach, DENSO identifies the issues of particularly high importance as its Materiality, taking into account the magnitude of their impact on society and on the Company itself. Materiality serves as the foundation for achieving both sustained growth and the resolution of social issues, by clarifying the material issues the Company should address as a priority and linking them to management strategies and business activities.

Process for Determining Materiality

In formulating the Mid-Term Management Plan CORE 2030, we updated the Materiality that underpins it.

After comprehensively identifying and disclosing social issues of high concern to stakeholders and the greater international community, we evaluated opportunities and risks from the perspectives of both the impact of DENSO's business activities on society and their importance to DENSO, and conducted a quantitative assessment with the time horizon in mind.

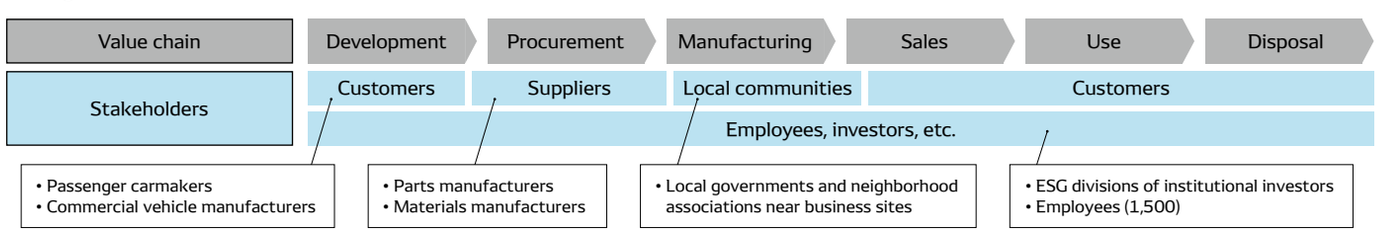
In considering proposed Materiality, we reflected key stakeholders' views and expectations of DENSO obtained through dialogue with them as representatives of the value chain, including customers, suppliers, investors, employees, and local communities, before finalizing the Materiality. Subsequently, following deliberation by management, the Board of Directors approved the Materiality. For the Materiality we have identified, we set specific targets and then translated these targets into action plans in each division and region. In this way, rather than leaving Materiality as a mere policy, we incorporate it into our day-to-day business activities and manage progress quantitatively, thereby steadily achieving our targets.

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

Process for Reviewing Materiality

Prepare a long list	**Comprehensive Identification of Social Issues** We identified social issues while referring to the SDGs, the Global Risks Report produced by the World Economic Forum (Davos conference), sustainability disclosure frameworks and regulations, and evaluation items from ESG rating agencies. A total of 116 areas were selected for assessment.
Reflect DENSO's uniqueness	**Identification of Key Strategies and Issues for DENSO** In light of the increasing complexity in the business environment, we listed initiatives that DENSO should pursue Companywide and areas where its crisis response capabilities should be enhanced. A total of 22 areas were added as candidates for assessment.
Evaluate	**Quantitative Assessment** For the assessment areas, we screened out opportunities and risks for DENSO and established evaluation criteria from the perspectives of impact on society and importance to DENSO. The impact on society was scored by severity (scale, scope, recoverability) and likelihood of occurrence, while corporate importance was scored by monetary impact and likelihood of occurrence, in the formulation of proposed material issues (Materiality).
Confirm expectations from society	**Dialogue with Internal and External Stakeholders** We engaged in dialogue with representatives of stakeholders across the value chain to gather opinions on the proposed material issues (Materiality) and their expectations of DENSO. As a result of these exchanges, we revised the quantitative assessment of three areas.
Finalize	**Discussion and Approval at Management Level** The proposed material issues (Materiality), revised to reflect stakeholder feedback, were discussed and approved by the Management Deliberation Meeting and the Board of Directors.

Dialogue with Internal and External Stakeholders



Dialogue with Representatives from Each Stakeholder Group

KPIs and Measures

We establish KPIs for each material issue (Materiality), incorporate them into Company targets, and follow up on and discuss their status at the Sustainability Meeting, the Management Deliberation Meeting, and the Board of Directors' meeting. In addition, for some KPIs, we use the evaluation of their level of achievement as an indicator for calculating executive compensation (Corporate Governance, P.87–96). Our targets for fiscal 2031 and the fiscal 2027 targets adopted to achieve them are as follows.

Materiality		Policy	KPIs (for the DENSO Group)		Fiscal 2027 targets	Fiscal 2031 targets	Related SDGs
Green	Response to climate change	To realize a carbon-neutral society, we work across the entire value chain to reduce CO_2 emissions through energy conservation, energy creation, the shift to renewable energy, and the electrification of mobility.	CO_2 emissions	Scope 1 and 2	Carbon neutrality with credits	Carbon neutrality with credits	
				Scope 3, suppliers/product use (compared with fiscal 2021)	–15%	–25%	
			Revenue from electrification products		¥1.1 trillion	¥1.9 trillion	
		We prepare for worst-case risks and contingencies, such as natural disasters caused by climate change, and strive to minimize damage and maintain business continuity.	Loss of human life due to natural disasters		0	0	
	Prevention of pollution of the global environment	We reduce hazardous chemical substances contained in products, auxiliary materials, and packaging materials, and we thoroughly manage the various pollutants emitted from production processes to keep them below natural purification levels.	Serious exceedances of regulatory limits		0	0	
	Conservation of water resources	To sustain water resources in the regions where we operate, we work to reduce water intake in line with the uneven distribution of regional water resources, that is, in line with water risk.	Water intake (compared with fiscal 2021)		–6%	–10%	
	Recycling of resources	To reduce CO_2 emissions in Scope 3, we promote efforts to lower the volume of new raw materials used and to make maximum use of the residual value of products and services.	Under consideration				
Peace of Mind	Provision of safe and flexible mobility	Beginning with the elimination of traffic accident fatalities, we work to develop and promote the uptake of safety products and systems in order to realize a society where all people can freely move around with peace of mind.	Accident scenario coverage ratio		56%	80%	
			ADAS product revenue		¥710 billion	¥1.0 trillion	
	Improvement of labor productivity in industry	Aiming to enhance the added value of everyone involved in *Monozukuri*, we create solutions that allow manufacturer customers to continue their *Monozukuri* with peace of mind, acting as a line builder that innovates *Monozukuri* across industries.	Resolution of labor shortages		6,000 people	19,000 people	
			Revenue in the factory automation (FA) business		¥62 billion	¥300 billion	
	Peace of mind and stable supply of food	To achieve the "anytime," "anywhere," and "for anyone" provision of food that is safe, delicious and easy on the environment, we introduce industrial technologies into agriculture and provide solutions that enable stable and calculable food production.	Improvement in the productivity of agricultural producers (compared with fiscal 2025)		Set from fiscal 2028	+75%	
			Revenue in the food value chain (FVC) business		¥36 billion	¥100 billion	
	Improvement in the safety of products and services	Aiming to eradicate quality issues, we promote quality control as one united company through a steadfast commitment to quality first, quality assurance at the upstream stage, and the promotion of quality control with the participation of all employees.	Quality issues involving human life		0	0	

Materiality		Policy	KPIs (for the DENSO Group)	Fiscal 2027 targets	Fiscal 2031 targets	Related SDGs
Corporate Foundation	Creation of workplaces with no work-related accidents	To protect the lives and health of the people who work for us, we bring together the ingenuity and creativity of every individual at every workplace and promote the creation of safe, comfortable workplaces with the participation of all.	Serious accidents involving loss of life	0	0	
	Compliance	To remain a trusted company, we comply with laws and regulations in Japan and overseas as well as their underlying spirit, and we engage in sound and fair business activities with high ethical standards.	Serious compliance violations	0	0	
	Information security	To deliver safe, highly reliable products to our customers and to protect the information assets entrusted to us by customers from a range of risks, such as cyberattacks and leaks of confidential information, we work as one company to further strengthen information security.	Serious incidents and accidents	0	0	
	Promotion of sustainable supply chain management (delivery)	Aiming to achieve a sustainable supply chain, we work to build production and supply systems that are resilient to the external environment.	Shutdowns of customer plant operations	0	0	
	Promotion of sustainable supply chain management (human rights)	By seeking to minimize the impact of risks arising from human rights and other social issues across the supply chain, we carry out sustainable procurement activities that earn the trust of our stakeholders and society.	Percentage of suppliers that have a human rights policy	100%	100%	
	Promotion of DE&I	Aiming to achieve both the well-being of all employees who work at DENSO and the realization of the Company's philosophy, we practice human capital management that enables the creation of new value by building an environment where employees can work with peace of mind and by creating opportunities for human resources with diverse individual qualities to learn on their own initiative, take on challenges, and grow.	Ratio of women in management positions	8.8%	10%	
	Human development to lead the creation of new value		Ratio of non-Japanese employees promoted to leadership roles at overseas bases	36%	50%	
	Work–life balance		Training hours	23 hours per person	25 hours per person	
			Percentage of positive responses on work–life balance engagement	Europe: 72% Asia: 76%, etc.	Under consideration	

Please visit the following URL for more information on material issues and our progress on related initiatives through fiscal 2026.

DENSO's SDGs

https://www.denso.com/global/en/sustainability/sdgs/

Awareness Activities for Putting Sustainability Management into Practice

To make sustainability management effective, DENSO places importance on having all employees understand the connection between resolving social issues and its business activities and translate that understanding into action.

Accordingly, in the process of formulating annual plans, each division organizes the relationships between its organizational role and priority themes and Materiality. In addition, at DENSO CORPORATION, each individual employee clarifies the connection with their own work targets.

Through this approach, we have built a system in which employees not only recognize Materiality as a management issue but also put it into practice in their daily work.

TOPIC

Visualizing Materiality

We created icons symbolizing each Materiality theme so that every employee can take Materiality as a personal matter and act accordingly. We use these icons in internal documents and other daily work, promoting their establishment as a shared internal language that connects management strategies with action on the front lines.



Materiality PR poster

COLUMN

Dialogue on Sustainability Management

In light of social issues and changes in the environment facing our businesses, we hold regular dialogues with a wide range of stakeholders in order to review our Materiality and further enhance DENSO's management.



Key Opinions about Our Activities in Fiscal 2026

Positive feedback

- In setting its Materiality, DENSO incorporates not only social issues but also its key strategies, conveying a clear intent to synchronize business strategy with non-financial strategy.
- DENSO incorporates Companywide key strategies into its Materiality deliberations and is mindful of the connection to its business strategies and to DENSO's uniqueness.
- In addition to the value chain, DENSO engages in dialogue with employees, corporate officers and investors, and reflects the results in adjustments to its Materiality assessment.
- DENSO sets KPIs for each material issue (Materiality), clarifies the department in charge, and then communicates the expected role to each organization. It also links the work of each individual employee to Materiality, seeking to clarify its related importance at the individual level.
- DENSO applies ingenuity to its awareness-raising activities, such as creating Materiality icons for use in internal awareness-raising initiatives.
- DENSO adopts human rights as a key theme of the Sustainability Meeting. This is also important from the perspective of effective risk management as a global company. Etc.

Expectations for Further Enhancement

- DENSO should further enhance the explanation of its thinking behind the selection of KPIs for each Materiality item and of the connection between the vision DENSO aspires to and corporate value.
- Disclosing priorities and the thinking behind the rollout of measures in line with the characteristics of each region and each business would make their effectiveness clearer on a global basis.
- DENSO should further deepen initiatives to embed Materiality in daily operations and decision-making through the sharing and implementation of good practices from each workplace.
- In order to enhance the effectiveness of governance, DENSO should show how the Board of Directors incorporates knowledge relating to sustainability and raises the quality of its discussions.
- The Integrated Report should indicate more clearly the connections between, on the one hand, management's intent and the sources of value creation (such as corporate culture, human resources, and the supply chain) and, on the other, Materiality and financial performance.
- Going forward, disclosures on the operational status of human rights due diligence and on corrective and remedial processes should be enhanced in stages.
- Respect for human rights across the entire supply chain is growing in importance and is becoming a business risk. DENSO should raise the priority of this issue and pursue activities aimed at minimizing the risk.
- The themes selected as Materiality are compelling. DENSO should clarify and communicate how Materiality connects to the enhancement of corporate value, as well as its medium- to long-term targets. Etc.

We take to heart the opinions and expectations received through these dialogues and reflect them in concrete initiatives, such as clarifying the connection between KPIs and corporate value and deploying measures globally. In this way, we will further advance Sustainability Management with Materiality as the starting point, thereby creating social value and enhancing corporate value.

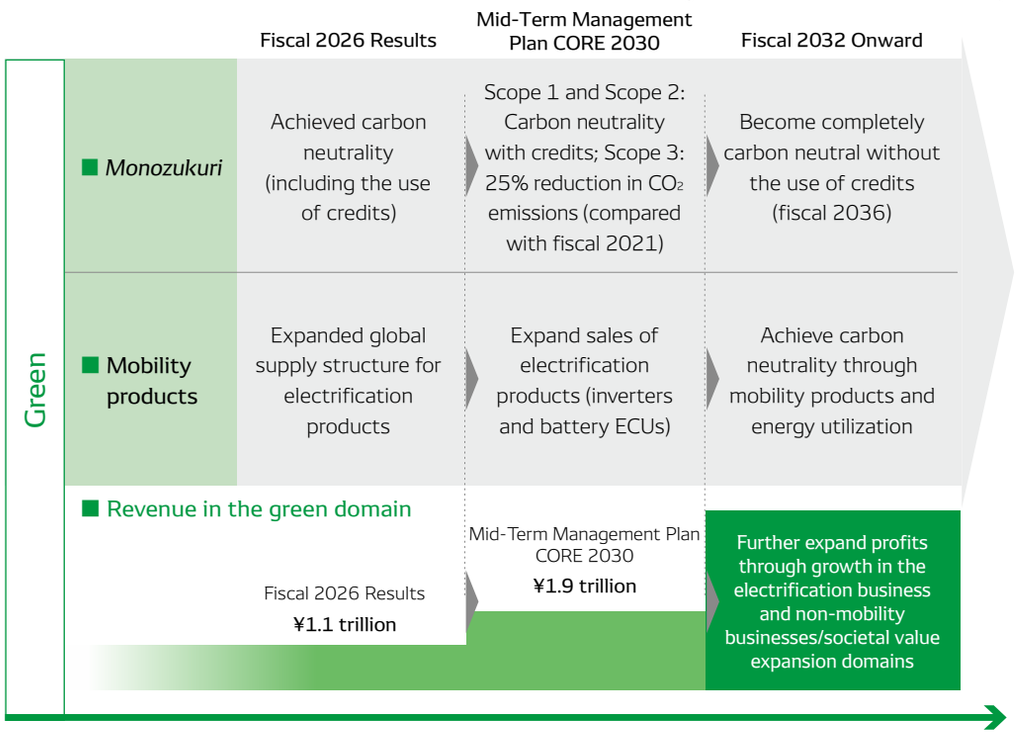
Green Strategy

Striving toward Carbon Neutrality throughout the Value Chain

As the world accelerates decarbonization efforts, DENSO has been boldly tackling environmental issues through initiatives for environmentally friendly *Monozukuri*. Specifically, we have been developing mobility products with excellent fuel and energy-saving technologies, which have been areas of strength since our founding. In fiscal 2022, we declared that our goal was to achieve complete carbon neutrality in *Monozukuri* activities by fiscal 2036 and contribute to carbon neutrality across all of society. Since then, we have been increasing the pace of efforts to achieve carbon neutrality throughout the entire value chain. For details on this goal, please see "Efforts to Maximize the Value of 'Green' (TCFD)," P.78–81.

Vision for Our Green Strategy

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



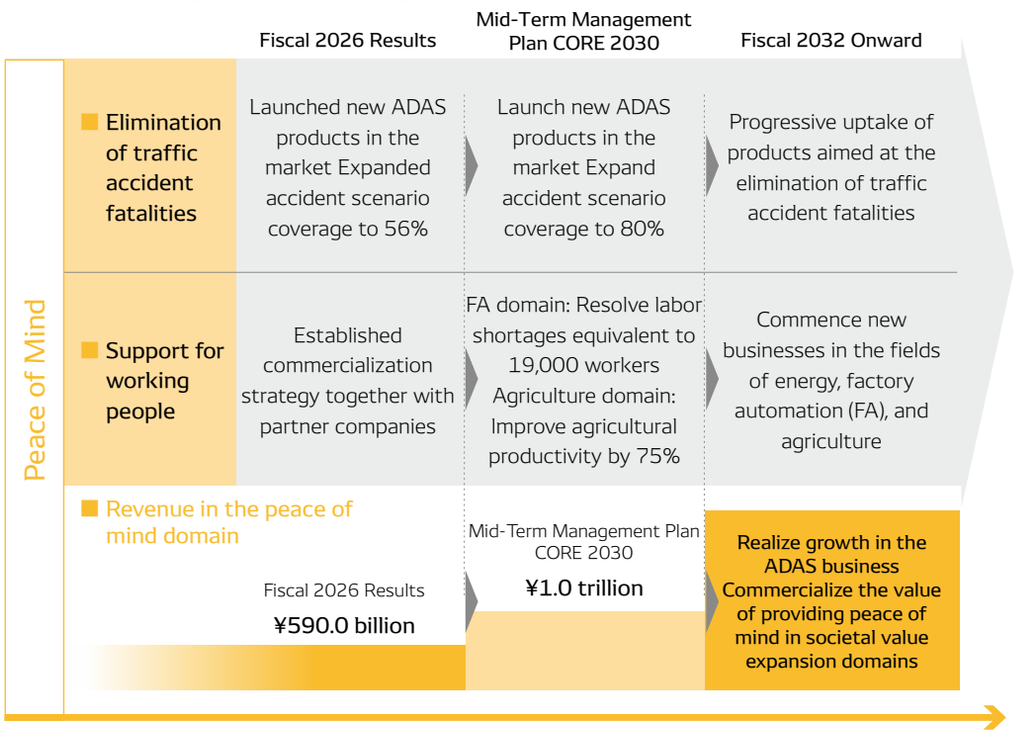
Peace of Mind Strategy

Approach to Peace of Mind Strategy

DENSO aims for the elimination of traffic accident fatalities through a two-pronged approach involving the development of cutting-edge technologies that further evolve its safety products and the continued rollout of safety products. By integrating the expertise in product evaluation and design gained from our long track record in the mass production of safety products, which ensures that products operate without defects and with advanced, data-driven development technologies, we deliver safety performance that users around the world can rely on with peace of mind.

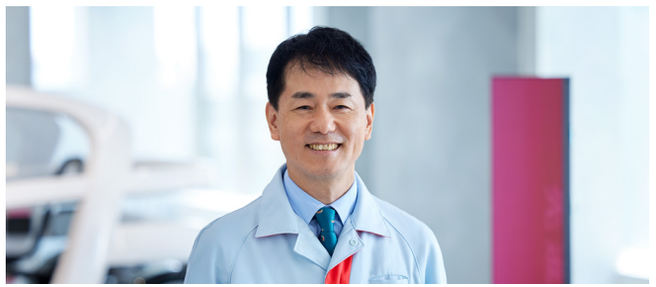
Vision for Our Peace of Mind Strategy

Become a Leading Company Offering Peace of Mind to Society



Technology Strategy

Message from the Chief Technology Officer and Chief Digital Officer



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

Hirotsugu Takeuchi

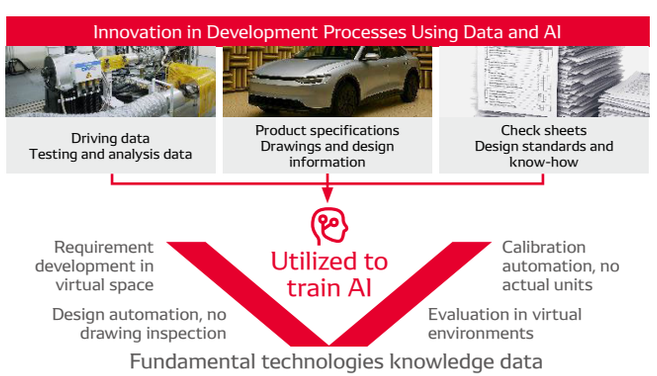
Senior Executive Officer, Chief Technology Officer (CTO)/Chief Digital Officer (CDO)

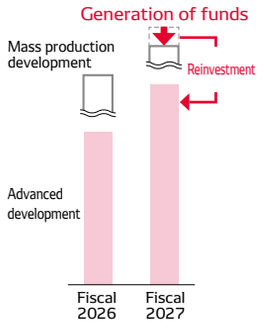
DENSO's technology development is the source of its competitiveness. As stated in the DENSO Creed, "Be pioneering, innovative, and creative," it is my mission as the chief technology officer (CTO) and chief digital officer (CDO) to develop and refine talent and organizations that relentlessly pursue knowledge to remain at the vanguard of technological development. To ensure that we continue to evolve as "DENSO, the technology company," I have set out three principles: do not develop for the sake of development; because our products are components, possess the capability to integrate systems; and conceive ideas like an amateur, execute like a professional. These principles embody an approach designed to create a cycle in which engineers work passionately and with a sense of purpose, valuable ideas and products emerge from that work, customers choose those products and thereby generate businesses, and those businesses lead to the growth of DENSO. I believe that maintaining this order is the very essence of our competitiveness.

The business environment facing the Company is at a major turning point where social issues and technological innovation are accelerating simultaneously, driven by progress in electrification and intelligence as well as by the movement toward carbon neutrality and addressing energy constraints. Under these conditions, our mission is to both create social value and achieve business growth through technology. In fiscal 2027, we will advance approximately 70 research and development themes and build a portfolio that spans everything from fundamental technologies to commercialization, centered on intelligence and electrification.

The source of our competitiveness lies in our ability to integrate a diverse range of fundamental technologies and optimize them as systems. We will fuse technologies, such as power electronics, thermal management, semiconductors and software, to create solutions that go beyond the motor vehicle and contribute to enhancing value across society as a whole. Moreover, we are currently transforming the very nature of development by evolving toward concurrent engineering that unifies research and development with *Monozukuri*. By incorporating a *Monozukuri* perspective that bears in mind mass production starting from the planning stage, and by uniting functional divisions from upstream to downstream, we are raising both development speed and quality at the same time.

Digital transformation (DX) is at the core of this technology strategy. DENSO's DX is a management foundation for achieving overwhelming development speed and quality by fusing practical on-site knowledge with AI and innovating the entire *Monozukuri* process, including development, engineering, and production. To accelerate value creation through collaboration between people and AI, we established the Human–AI Co-Evolution Department, and we are advancing AI-based operations and development together with the evolution of our people as a single initiative. We are also pursuing lightning-fast development, which simultaneously reduces development man-hours, shortens lead times, and lowers defects by using AI and data to advance the automation and integration of the development process. DX is not merely a foundation. It is the core that enables development process innovation and reinvestment funded by efficiency gains, and it is the driving force that advances our technological competitiveness.





By reinvesting the funds generated through these efforts into advanced development over the medium to long term, we are strengthening competitiveness in the short term while also expanding our technological foundation for the future. To translate our technology strategy reliably into results, innovation in the design and development processes themselves is indispensable, even as development speed accelerates globally. In a development environment that is growing ever larger and more complex, AI and DX are no longer options but essential foundations. DENSO is dramatically improving development efficiency and quality through the use of digital technologies, and we seek to maximize our technological competitiveness.

As the CDO, I am instilling the power of digital technology throughout the Company and driving transformation in both management and the front lines. By advancing the sophistication and automation of the entire development process, including design, verification and testing, we prevent inconsistencies in information and defects before they occur, reuse accumulated knowledge, and link these gains to sustained improvement in competitiveness. We will further differentiate ourselves from other companies by leveraging the vast volumes of data and digital knowledge we have accumulated to date on a Companywide basis.

At the same time, strengthening information security is indispensable to the adoption of DX and AI. We regard cyber risk as a management risk, and we are advancing Companywide security measures and strengthening governance. Against increasingly sophisticated cyberattacks as well, we will take multilayered measures across our global operations to protect business continuity, safety, and peace of mind.

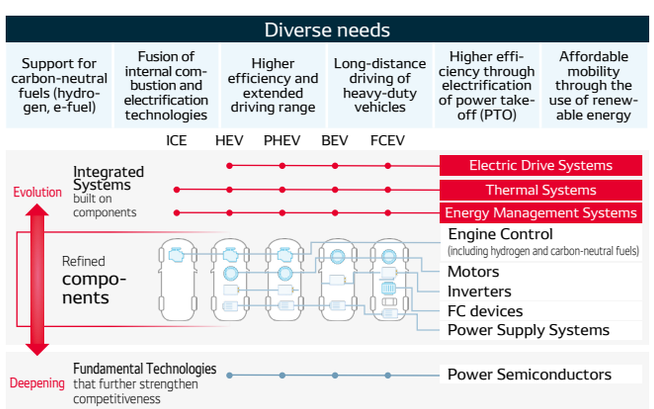
Going forward, the Company will continue to advance its technology strategy by combining five elements—the ability to generate ideas, fundamental technologies, system integration capabilities, development process innovation, and reinvestment funded by efficiency gains—and by keeping that cycle in motion. Through this, we will create value that directly addresses social issues and contribute to the realization of a sustainable society.

DENSO will continue to evolve as a company that fuses technology with digital capabilities and consistently creates value that society cannot do without.

Green Electrification and Energy Management Domains

Value provided: We deliver optimal solutions for a wide range of powertrains (ICE,* HEV, PHEV, BEV, and FCEV) with the aim of moving toward carbon neutrality while responding to the differing needs of each region and application. In addition to increasing efficiency and extending driving range, we support sustainable mobility through lower energy costs and coordination with social systems.
Technological approach: We deepen fundamental technologies, such as internal combustion engines, motors, inverters, power supplies, thermal systems and energy management, and at the same time, evolve them into integrated electric drive, thermal and energy systems, thereby achieving overall vehicle optimization.
DENSO's strength: In addition to the depth of our fundamental technologies, which extend all the way to semiconductors and materials, our three-pronged solutions for systems, which fuse together mechanics, electronics and software, allow us to contribute to customer competitiveness through system value rather than just individual components.
Implementation scenario: We advance both the deepening that refines fundamental technologies as a source of competitiveness and the evolution achieved through system integration, and by deploying electrification solutions optimally suited to increasingly diverse needs heading into 2030, we contribute to the realization of a carbon-neutral society. Furthermore, we promote the development of a dynamic wireless power transfer system that enables unlimited driving with zero charging time.

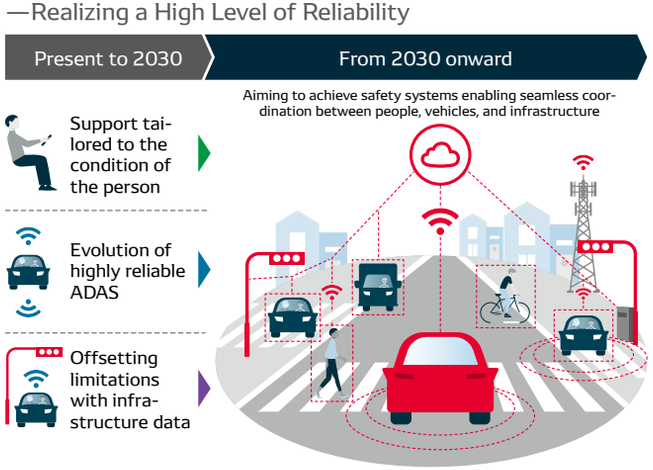
* ICE: Internal combustion engine



Peace of Mind ADAS and Intelligent Systems Domain

Value provided: Toward the elimination of traffic accident fatalities, we provide highly safe advanced driver assistance systems (ADAS) that earn trust in real-world usage environments. In addition to advancing functionality, we broaden our scope to coordination with people and infrastructure, and by providing the value of peace of mind and reliability that does not invite overconfidence, we raise the level of safety across society as a whole.
Technological approach: We combine technologies, such as sensing, ADAS algorithms, cabin interior detection, communications, AI and software, to expand out from the vehicle level to coordination with people and infrastructure, and we advance these technologies under a design philosophy that expands functionality only after ensuring real-world safety.
DENSO's strength: Our strength lies in achieving real-world safety (reliability) and the expansion of functions and scope of application at a high level simultaneously, although the two are normally a trade-off. Drawing on many years of mass production experience and highly reliable design, we will continue to provide society with ADAS that minimize unintended operations.
Implementation scenario: Building on the highly reliable performance we have refined through ADAS, we expand functions and the scope of application in stages. While remaining committed to real-world safety, we will develop these systems toward coordination with people and infrastructure, ultimately aiming for the elimination of traffic accident fatalities.

Peace of Mind / Evolution of Intelligent Systems —Realizing a High Level of Reliability



Fundamental Technologies Semiconductor and Software Domains

Semiconductors

Technical approach and strengths: Through our proprietary, innovative power semiconductor production technology known as the gas method, we are able to produce SiC semiconductors at more than 10 times conventional speeds, together with post-SiC semiconductor performance that surpasses consumer products.
Implementation scenario: Collaboration with partners from the perspective of geopolitical risks, among other issues, and establishment of supply structure capable of responding to fluctuations in semiconductor demand

Software

Technical approach and strengths: Automotive software development drawing on more than 40 years of DENSO Group expertise, combined with the latest AI technologies, thereby achieving groundbreaking efficiency and significant cost reductions while handling increasingly complex, large-scale projects and maintaining quality necessary for in-vehicle products
Implementation scenario: Securing and strengthening human resources specialized in software development through measures such as the human resource development system based on the SOMRIE® certification system and better recruitment

COLUMN

Taking on the Challenge of Realizing a Hydrogen Society

Under a multi-pathway strategy toward achieving carbon neutrality, DENSO develops and supplies system products for hydrogen mobility, such as fuel-cell electric vehicles (FCEVs) and hydrogen internal combustion engines. At the same time, we are working to commercialize solid oxide electrolysis cells (SOECs), which produce hydrogen with high efficiency. With SOECs, we leverage the thermal management technologies and ceramic technologies we have cultivated over many years in our mobility business to make effective use of waste heat, aiming to achieve world-leading electrolysis efficiency and thereby reduce hydrogen costs. In September 2025, together with JERA Co., Inc., we launched Japan's first demonstration of hydrogen production using a 200 kW-class SOEC at a thermal power plant. In February 2026, the project was also selected for the New Energy and Industrial Technology Development Organization (NEDO)'s Green Innovation Fund program, and we are accelerating the scale-up and cost reduction of SOECs with a view to social implementation in the 2030s.



Technology Strategy: R&D Structure

Our R&D Structure That Supports the Building of a Common Global Foundation and Region-Optimized Development

In global markets, differences in customer needs and the competitive environment are widening from region to region, while standardization and greater efficiency are becoming more important in common technology domains such as software and AI. To address these factors, we are building a development structure that combines strategic joint development, commercialization suited to regional characteristics, and the establishment of a common foundation. We will also strengthen governance from the perspective of overall optimization and seek to achieve both higher added value and cost competitiveness.

Europe



Strengthening System Development with Customers

In Europe, dependence on existing businesses is high, yet we must shift toward new growth domains such as electrification. In addition, customers place importance on proposals made from a system perspective premised on the optimization of the vehicle as a whole. We will therefore accelerate our expansion into new domains while building on our existing technologies, and we will strengthen our development and proposal capabilities at the system level by participating from the advanced development stage. Through these efforts, we seek to advance the sophistication of our business structure.

North America



Strengthening AI and Advanced Technologies

In North America, as customers advance in-house development, involvement from the initial stages of development and the ability to make technical proposals are becoming even more important. In addition, with advances in the software and AI domains, advanced technologies are now a principal driver of competitiveness. We will therefore strengthen our advanced technology development functions and deepen collaboration with external partners. Through these efforts, we will promote joint development from the upstream processes and aim to enhance our ability to create high-value-added systems.

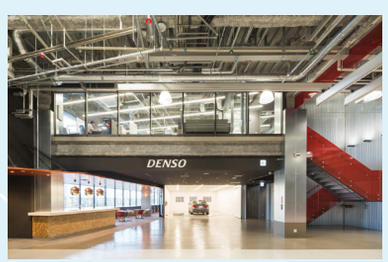
China



Balancing Ultra-Rapid Technological Evolution with Price Competitiveness

In China, the market environment changes extremely rapidly, and we must respond simultaneously to sophisticated functional requirements and severe price competition. We will therefore expand local development authority and strengthen collaboration with external partners to build a development structure suited to regional characteristics. Through these efforts, we will enhance our business presence in China, a market of enormous scale.

Japan



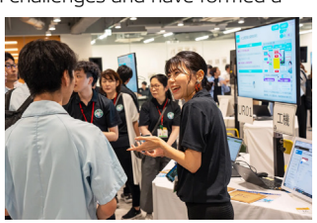
An R&D Hub for Basic Research and Development and Global Development

Japan brings together the Advanced Research and Innovation Center, which serves as the core of DENSO's R&D, the head office R&D divisions, and Global R&D Tokyo, Haneda, and here we create fundamental and advanced technologies relating to electrification, semiconductors, heat management, control, and AI. These are core technologies that will determine our future business competitiveness, and we advance state-of-the-art research and development in collaboration with our overseas bases. In addition, our bases in Japan serve as the hub for global development and lead collaboration with the technical centers we operate in North America, Europe, China, India, and other regions. While integrating the technologies and insights gained in each region, we lead the standardization of development policies and common platforms and the advancement of system design.

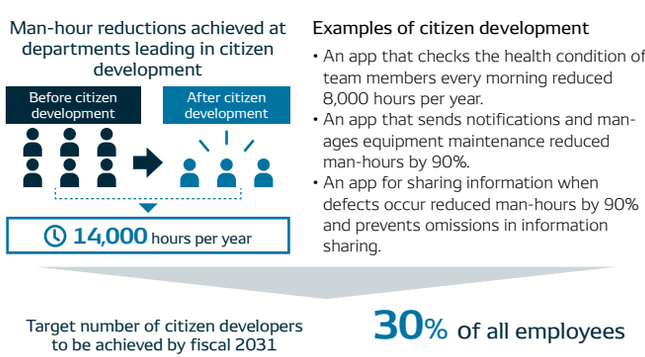
Technology Strategy: Utilization of AI

Promoting Citizen Development Based on Our DX Strategy

Against a backdrop of intensifying global competition, technological progress, labor shortages and workstyle reform, improving operational efficiency and productivity has become a key issue for companies. Organization-wide use of digital technologies through DX is essential not only for strengthening competitiveness but also for easing workloads and creating new value. At the same time, a shortage of IT human resources stands in the way, and the Ministry of Economy, Trade and Industry points out that Japan will face a shortfall of up to approximately 790,000 workers in 2030. Citizen development, where non-technical employees build business applications, is drawing attention as a way to address this issue. No-code and low-code tools enable employees on the front lines to develop applications themselves without specialized knowledge, allowing them to resolve issues and make improvements quickly while also fostering human resource development and higher digital literacy. At DENSO, we position citizen development at the core of our DX promotion and advance continuous transformation of our operations. To promote the use of digital technologies, we must not only improve skills but also foster an organizational climate and culture that supports them. Through events, the sharing of case studies, and hands-on sessions, we encourage employees to take on challenges and have formed a community of approximately 10,000 people. Going forward, we will accelerate the development of citizen developers and aim to create an environment in which each employee can take on challenges and grow on their own initiative.



Scene from an in-house exhibition



Innovating Manufacturing by Integrating Practical Know-How on the Front Lines with AI

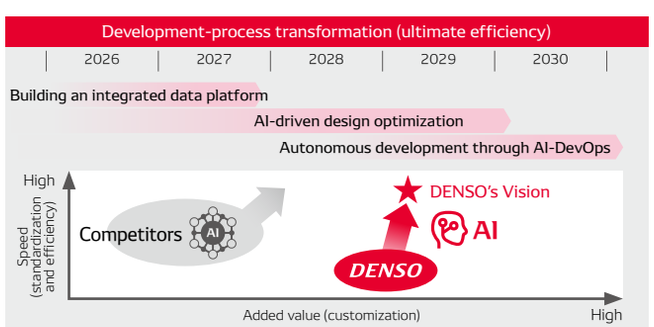
Our front lines have the advantage of highly efficient, high-quality *Monozukuri*. This practical know-how is precisely the asset we should leverage in the age of AI. By developing AI that can be used on-site, we will significantly change the way people work, shift to high-added-value operations, and further enhance the value we provide to our customers. By leveraging AI to raise the *Monozukuri* capabilities honed on the front lines to an overwhelming level, we aim to achieve the best in quality, cost, and delivery (QCD).

From Innovation in Development Processes Using AI to the Ultimate in Efficiency

We established a structure to promote the ultimate in efficiency by fusing practical know-how from the front lines with the latest technologies such as AI and by transforming the entire *Monozukuri* process, including development, design and production. Through a framework in which people and AI collaborate across the entire process, we aim to improve quality and productivity at the same time.

As one concrete example, in software development we leveraged agentic AI to independently develop the Knowledge Graph Agent, which enhances every stage from requirements definition through to design, implementation, and verification in an integrated manner. By structuring and applying design knowledge, we detect omissions in requirements and enhance reviews, shifting to development that builds in quality from the earliest stages. As a result, we reduced rework and shortened development lead times.

Rather than limiting these efforts to individual applications, we will steadily expand the scope of application across the entire organization and establish it as a common platform, thereby continuously strengthening our competitiveness.



Strengthening Information Security Activities and AI Governance

As automated driving and the IoT advance, cyber risks have become a critical issue that directly affects the safety and peace of mind of users as well as business continuity. To ensure vehicles can be used safely and securely, we are developing and reliably integrating technologies to protect in-vehicle products, such as ADAS and automated driving systems, from cyberattacks while establishing internal rules, processes, and other frameworks in compliance with laws and regulations in each country, and training core human resources responsible for product security. At our plants and across the supply chain, we implement multilayered defenses using the latest IT technologies and help suppliers improve their security standards, advancing the construction of a framework that ensures uninterrupted production and supply. In addition, to objectively evaluate and validate these activities, we are working to obtain international security certifications, including Trusted Information Security Assessment Exchange (TISAX), which is administered by the German Association of the Automotive Industry (VDA), and the automotive cybersecurity standard ISO/SAE 21434.

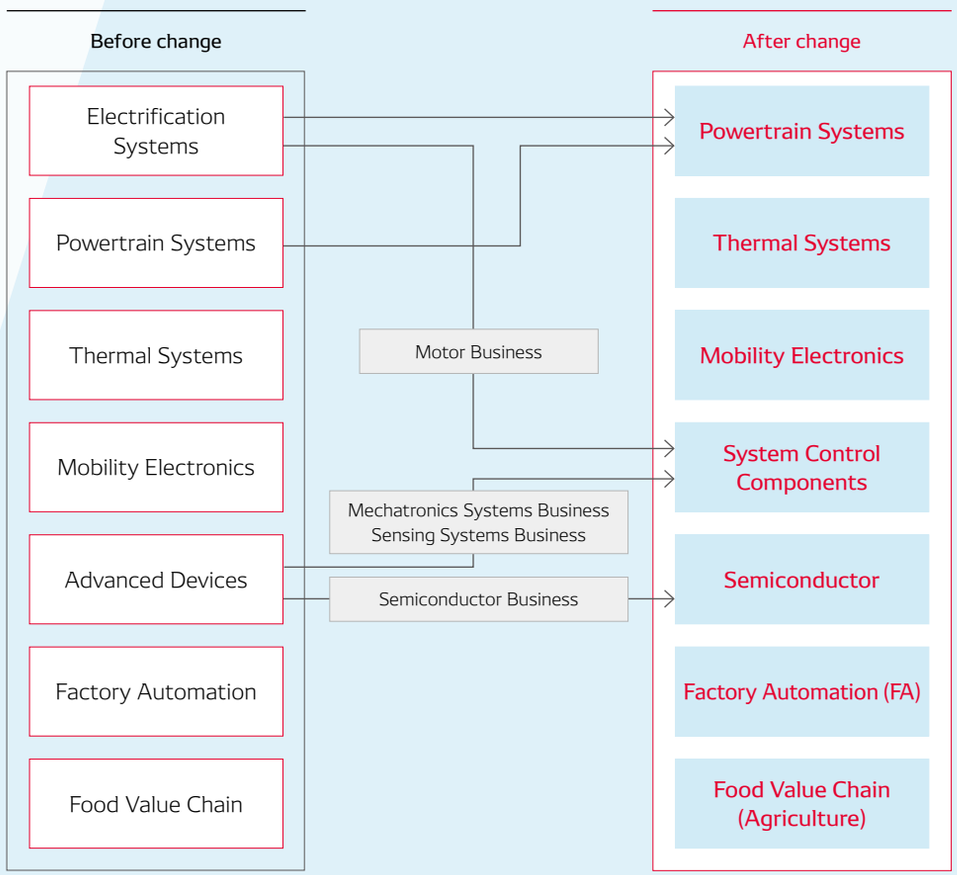
Recent advances in AI are powering automation in cyber vulnerability searches and attacks, and cyber risks are materializing at an accelerating pace as the interval between the disclosure of a vulnerability and its exploitation grows shorter. In light of these changes, we are strengthening our structures and frameworks around two pillars: vulnerability countermeasures in normal times and rapid detection and recovery in the event of an incident. At the same time, as the use of generative AI and agentic AI expands, new risks are also growing, including unauthorized operations and unintended external transmissions caused by AI autonomously linking to and executing tasks with external services and internal systems, in addition to conventional risks such as disinformation and misinformation, legal violations, infringement of rights, and information leaks. At DENSO, through safety reviews and monitoring for the use of AI and the cloud as well as the development of guidelines and education, we continue to raise literacy regarding AI risks, including an understanding of information security and of the risks and scope of responsibility associated with autonomous processing.

The accurate and secure information obtained through these activities represents important value and forms the foundation that protects credibility across the entire supply chain. To raise the level of the three elements of information quality: information security; privacy governance; and data protection and confidentiality management, we have established an information quality policy, and all employees are working as one to strengthen efforts to protect customer information and continue delivering peace of mind.

Overview by Product

Changes in Business Segments following Organizational Restructuring

The mobility market is rapidly diversifying, driven by the growing adoption of SDVs and ADAS, varying powertrain demands across regions, advancements in thermal management for BEVs, among other factors. These trends require more sophisticated and complex responses. To enhance overall vehicle value under these circumstances, it is essential to strengthen Companywide strategic capabilities, refine core technologies, and reinforce our ability to propose and develop integrated systems. Against this background, DENSO has implemented organizational changes to build a structure with strong strategic agility and execution capabilities that can quickly adapt to change. Through our technological and manufacturing expertise, we aim to deliver valuable products and systems that contribute to better vehicle development for our customers. From fiscal 2027, we are disclosing information based on classifications that reflect these organizational changes.



Aims of Reorganization

Strengthening Systems to Respond to Needs in the Powertrain Market through Integration of Electrification and Internal Combustion

To respond swiftly and proactively to diverse powertrain market needs and accelerate carbon neutrality, we integrated the existing Powertrain Systems Business Group and the Electrification Systems Business Group into a new Powertrain Systems Business Group. This integration will enable the flexible allocation of resources between electrification and internal combustion and maximize synergies through technology and talent integration. At the same time, it will significantly enhance collaboration between powertrain and thermal management system development to deliver solutions that balance energy efficiency and comfort.

Reinforcing ADAS Business for Safer and More Comfortable Mobility

As market demand for vehicle safety and convenience grows, ADAS development is becoming increasingly advanced and large scale. To address this trend, we reorganized the Mobility Electronics Business Group to strengthen our ADAS development structure. Specifically, we shifted existing ECU products with a strong track record in terms of development and supply to the Electronics Business Unit, while the Safety Systems Business Unit now focuses on ADAS and HMI systems, which are expected to see significant market expansion. By doing so, we will enable faster business decision-making, enhance system-level project execution, and accelerate both system proposals and development while evolving our technological capabilities for each product.

Enhancing Core Technologies That Support the Value of Green and Peace of Mind

To accelerate development of products that meet customer needs by providing the value of green and peace of mind, we need to thoroughly reinforce our core technologies. To that end, we established the new System Control Components Business Group, under which we consolidated the existing Motor Business Unit, Mechatronics Systems Business Unit, and Sensing Systems Business Unit. By bringing together key products such as sensors and actuators that enhance environmental performance, including fuel efficiency improvement and extended EV range, and offer safety and peace of mind by enabling precise vehicle control, we will strengthen product competitiveness and maximize synergies.

Strengthening Semiconductor Business

As vehicle electrification and intelligence advance, semiconductors are becoming increasingly critical as foundational technologies for safety, comfort, and environmental performance. In light of these circumstances, we established a new Semiconductor Business Group, specializing in semiconductors, through the integration of the Semiconductor Business Unit from the Advanced Devices Business Group along with related strategic and technical functions. Through this new business group, we will accelerate decision-making and enable rapid strategy formulation and execution, thereby refining our core technologies and achieving further business expansion.

Powertrain Systems



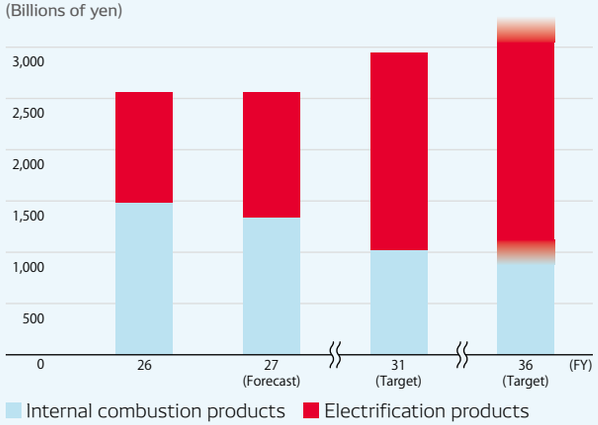
Tsuneo Maebara
Head of Business Group

In collaboration with our customers, we integrate internal combustion and electrification with components and systems to create new value and contribute to the realization of a carbon-neutral society.

We are a Tier 1 supplier that possesses both internal combustion and electrification technologies and product lines within a single business group. As such a supplier operating in a rapidly changing mobility market, we are integrating these technologies and product lines to deliver value that directly enhances vehicle competitiveness across every powertrain system configuration. By doing so, we aim to be a one-of-a-kind business partner that delivers the best possible value to the environment and the end-user.

Revenue by Product Type

(Billions of yen)



Business Strengths

- Ability to support multi-pathway to maximize energy efficiency from a vehicle-based perspective across all powertrain systems
- Creation of new value by further advancing internal combustion and electrification technologies and integrating these technologies from a vehicle-based perspective
- *Monozukuri* (manufacturing) capabilities rooted in each region around the world that achieves high reliability, advanced productivity, and continued stable supply from a vehicle-based perspective

Changes in the Operating Environment and Awareness of Issues

- Differing powertrain system configurations by region due to differences in demographics, energy situations, regulations, and policies
- Realization of value enhancement from the user's perspective in the powertrain systems field amid growing user expectations for autonomous driving and SDVs
- Emergence of threats to profitability and market position of existing suppliers amid intensifying competition driven by the rise of Chinese suppliers

Vision for 2030

In January 2026, we established the new Powertrain Systems Business Group, thereby unifying the internal combustion and electrification domains. Under this new organization, we are pursuing value creation through the further evolution of components by bringing together and integrating the technical expertise and knowledge cultivated in both the internal combustion and electrification domains. In addition, going beyond simply the pursuit of component optimization, we will create new value from a vehicle-based perspective in response to this era of diversification of powertrain systems.

Specifically, we will expand our integrated development scope through the unification of the internal combustion and electrification domains, while leveraging our in-house, vertically integrated development structure spanning integrated systems, elemental technologies, and core components. By doing so, we will be able to design combustion control, thermal management, power conversion, and drive systems in an integrated and optimized manner, thus significantly improving the energy efficiency of the entire vehicle system.

We will deliver value that directly contributes to competitiveness from both the perspective of the user and the vehicle across all powertrain configurations, from engine-powered vehicles (gasoline and diesel) to hybrid vehicles (HEVs and PHEVs) and electric vehicles (BEVs and FCEVs). To achieve carbon neutrality by 2035, we will establish and further strengthen our position as a trustworthy, reliable, and irreplaceable business partner. Through this position, we will aim for roughly ¥3 trillion in revenue by fiscal 2031 through the steady enhancement of the internal combustion domain, the pursuit of innovation in the electrification domain, and the integration of technologies in both these domains.

Strengthening Product Development

In the internal combustion domain, we will enhance the applicability of internal combustion engines by improving their heat efficiency and leading the response to carbon-neutral fuel.

In the electrification domain, we will further strengthen vertically integrated materials development, including motor magnets and electrical steel, inverter power semiconductors, power relay contact materials, and battery materials, to differentiate our components. At the same time, we will increase system efficiency by advancing and integrating motor control and energy management, thereby delivering longer driving range, shorter charging times, and greater reliability.

Innovating Manufacturing

We will optimize our production and supply system across six global regions, realizing a stable supply of internal combustion products and enhancing our ability to meet diversifying electrification needs. To respond swiftly to multi-pathway demand in each region, we are developing flexible production lines capable of handling both HEV and BEV systems. In fiscal 2027, we will begin demonstration tests for a highly efficient production line, automated through to logistics, that reduces dependence on human labor. We are also actively advancing the digitalization of production and enhancing our *Monozukuri* capabilities, including by utilizing AI to pass on our technical expertise and conduct preventive BCP management.

Developing People, Co-Creating with Partners

For *Hitozukuri* (human resource development), we will focus on cultivating systems engineers with component-level knowledge and expertise who can pursue optimization from a vehicle-based perspective and engage in co-creation activities with customers. We will also visualize the expertise and skills of our engineers as well as strengthen human resource development and optimize personnel allocation to ensure that our talent can meet the needs of the market and our customers.

For co-creation with partners, we will capture demand in the diversifying and expanding powertrain systems market by collaborating with the Toyota Group to strengthen our development capabilities and competitiveness. In particular, in electrification, we will collaborate strategically as needed to co-create future-oriented technologies, expand our product lineup, and promote joint manufacturing. In these ways, we will aim to rapidly enter the market and expand our business.

Powertrain Systems

Core Products

● Green ● Peace of Mind



● Inverters
Convert direct current from battery into alternating current at the frequency and voltage optimal for driving the motor



● Battery ECU
Monitors the voltage and temperature of multiple battery cells to control high-voltage batteries required for EVs



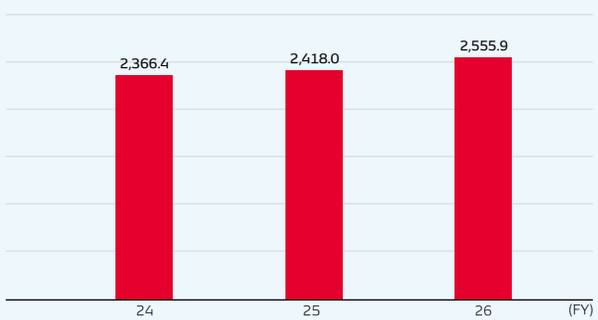
● Diesel common rail systems and gasoline direct injectors
Realize stable combustion through optimally controlled fuel injection



● Exhaust systems (including exhaust sensors)
Detect oxygen concentration and adjust the opening and closing of intake and exhaust valves, etc.

Revenue

(Billions of yen)



Initiatives for Fiscal 2027

In anticipation of changes in the mobility market, we have flexibly restructured our internal combustion and electrification business portfolio while balancing the development of new technologies and products with stable supply.

Taking into account the multi-pathway trend in which the optimal powertrain system differs by region, we have positioned the internal combustion domain as a "deepening domain" in which we have focused technologically on responding to tightening emissions regulations and carbon-neutral fuels. With regard to production, we aim to strengthen our supply capability for the Global South market, where demand for internal combustion products remains solid. To that end, we are progressively consolidating production in India and the ASEAN region and upgrading our *Monozukuri* activities by leveraging economies of scale.

For technology and product proposals that enhance vehicle competitiveness, we have established plans for compact, high-performance electric drive systems and will sequentially launch new components from fiscal 2029 onward that halve both power loss and size compared to competitors. On the manufacturing front, we have worked to expand production capacity and mitigate supply risks, including by expanding our inverter production structure in India, Thailand, and Kyushu in fiscal 2026.

While our current businesses center on component sales, we will seek to create new value that goes beyond the internal combustion and electrical components businesses by integrating technologies from both domains. We will also propose to OEMs integrated systems from vehicle-based perspectives. We reorganized our business group in January 2026 to establish an integrated structure spanning both internal combustion and electrification.

With this reorganization, we are striving to provide the best possible products and services for the environment and the end-user. To that end, we are steadily enhancing the internal combustion domain and pursuing innovation in the electrification domain. While assessing the current competitive position of each internal combustion and electrification product lineup, we will consistently work to develop and propose differentiated technologies; expand our product lineups and cultivate markets through alliances; achieve overwhelming cost competitiveness; and ensure BCP readiness and stable supply in collaboration with OEMs and suppliers. Through these initiatives, we will bolster our foundation for sustainable growth through 2030 and beyond.

Differentiated Technologies
- Systems: Creation of synergies between internal combustion and electrification (powertrain systems and energy management optimized from a vehicle-based perspective)
- Internal combustion: Enhancement of engine heat efficiency, increased robustness to support fuel diversification, and response to tightening emissions regulations
- Electrification: Compact and high-efficiency electric drive and power systems leveraging the strengths of vertical integration (in-house development from the material and semiconductor level)

Product Lineup Expansion and Market Development
- Electrification product lineup covering not only four-wheeled vehicles but also two-wheeled vehicles, commercial vehicles, and agricultural and construction machinery
- Alliances with local partners in the Global South market, which is expected to see further growth

Cost Competitiveness
- Acquisition of capabilities to offer multiple cost-tier options according to application and market needs

BCP Readiness and Stable Supply
- Maintenance and upgrade of existing production lines to cater to needs of each OEM
- Establishment of a resilient supply chain centered on global bridging (procurement from multiple suppliers)
- Development of materials (such as magnets) and products that do not rely on heavy rare earth elements (rare earths) subject to supply constraints

COLUMN

Response to Climate Change at Our Plants

In the Powertrain Systems Business Group, we pursue carbon neutrality not only in our products but also at our plants. We will roll out effective initiatives implemented at individual plants to other locations in Japan and overseas and promote energy-saving activities and fuel conversion. By doing so, we will achieve both decarbonization and an improved environmental performance at our plants, thereby contributing to our material issue of responding to climate change.

Anjo Plant, Japan: By optimizing air-conditioning for production areas and implementing heat mitigation measures for outdoor units using evaporative cooling, we reduced air-conditioning electricity consumption and cut CO_2 emissions by 24% compared with fiscal 2025.

Nishio Plant, Japan: By utilizing a portable energy visualization system to monitor energy use for each piece of equipment in real time and thoroughly identify waste, we reduced CO_2 emissions by 27% compared with fiscal 2025. We have also started to roll out this initiative at our suppliers, thus promoting energy conservation across the entire supply chain.

Haryana Plant, India: In the manufacturing process for high-precision aluminum die-cast parts for power electronics and motors that directly affect the performance of electrified vehicles, we are conducting demonstration tests* for an aluminum melting technology using hydrogen fuel. Through this technology, we expect to reduce CO_2 emissions by 48%.

* Carbon-Neutral Component Processing Demonstration Project, implemented under the FY2023 Supplementary Subsidy for the Global South Future-Oriented Co-Creation Project of the Ministry of Economy, Trade and Industry (METI)

Thermal Systems



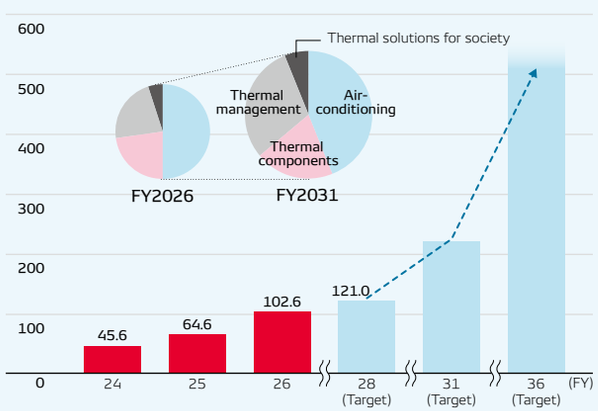
Hidemasa Takahashi
Head of Business Group

As a company that supports the future of mobility, we will accelerate the evolution of electrification and intelligent technologies with world-class thermal technologies.

Precise temperature control is required for the fast charging of EVs as well as for advanced semiconductors and computers. At DENSO, we have supported the evolution of vehicles through our automotive air-conditioning and cooling technologies. In the CASE era, issues related to heat are becoming increasingly more complex. As the world's leading thermal professionals, we will provide the world with optimal solutions to heat-related issues through our thermal management systems.

Revenue from Environmental Technology Products

(Billions of yen)



Business Strengths

- Global No. 1 share in in-vehicle thermal products; business and trust-based relationships with 130 diverse business partners around the world
- Highly unique and effective environmental technology capabilities backed by more than 2,500 patents
- *Monozukuri* capabilities spanning 59 locations globally, enabling the ongoing creation of world-first products
- Supply chain underpinned by locally rooted global talent and strong partnerships

Changes in the Operating Environment and Awareness of Issues

- Growing environmental awareness, sense of urgency, and demand driven by extreme weather events that have become the norm across the globe
- Growing demand for diversity of options sought by countries and customers amid changes in economic policy driven by the global economic downturn and rise of nationalism, as well as amid the reassessment of environmental regulations
- Shakeouts in Chinese market driving Chinese rivals overseas, fueling fierce global competition through hyper-fast development and rollout

Vision for 2030

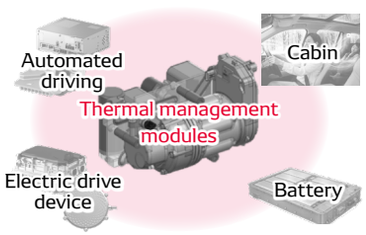
Vehicles that operate for extended periods across diverse environments around the world require thermal management that provides a passenger-friendly cabin environment that offers peace of mind and comfort. DENSO offers cutting-edge air-conditioning systems that combine the world's smallest, most efficient car air conditioners and unique, world-first radiant heaters to create a quiet, spacious cabin under both hot and cold conditions. By doing so, we help advance the value of mobility.

As carbon neutrality becomes a global priority, vehicles are expected to evolve through electrification, which changes power sources to help reduce CO_2 emissions, and through intelligence, which improves safety, reduces driver workload, and dramatically enhances environmental performance by optimizing energy efficiency. With heat pump systems that pursue the world's highest levels of efficiency, we resolve thermal issues in batteries, inverters, and electronic components. We also extend driving range and improve energy efficiency. In these ways, we contribute to enhancing the value of vehicles. By 2030, we will also halve vehicle temperature-control energy consumption.

We will also utilize AI in the robotic processes at our global plants, leveraging data accumulated across design, quality, and manufacturing activities to rapidly identify early signs of irregularities and potential solutions that would be difficult for humans to detect. By combining our high level of reliability with our competitive speed, we will further reinforce our operating foundation.

We will strengthen our business portfolio by expanding into the social infrastructure domain, where heat-related issues are becoming more common, such as data centers. To do so, we will leverage the environmental technology products we have refined through the automotive business, our *Monozukuri* activities rooted in regions around the world, and our co-creation relationships with business partners around the globe.

By providing specific methods for addressing global warming, we will continue to be a business that values the trust and happiness of our customers.



Strengthening Product Development

In terms of comfort solutions, we will build on the technologies developed through our heating, ventilation, and air-conditioning (HVAC) products, where we hold a global market share of over 30%. Under a global strategy that pairs globally standardized core technologies with customization options tailored to regional and customer needs, we will roll out new compact and optimized HVAC units starting in 2027. We will continue to introduce technologies, starting with radiant heaters, that directly heat and cool occupants. Furthermore, we will accelerate the development of thermal management systems that integrate heat pumps, refrigerant circuits, heat exchangers, and control technologies, thereby expanding our lineup of products that meet diverse needs. Through these efforts, we will engage in co-creation with our customers aimed at realizing quiet, spacious, and passenger-centric cabin environments and offering comfortable, energy-efficient mobility experiences.

Innovating Manufacturing

By 2029, we will double the speed from product development to market launch compared to current levels, achieving one of the fastest development to launch operations in the world. We will also leverage DX and AI to automate and enhance product development, quality assurance, and production readiness. Furthermore, for MPW needs, we will optimize products and services through locally led initiatives to respond swiftly to market changes. We will also transition from high-volume assembly lines to flexible, high-efficiency lines powered by robotics and high-speed processing equipment. Alongside the reorganization of our production structure, this transition will establish a resilient supply structure that improves asset efficiency by 20%.

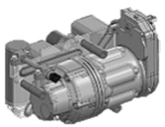
Developing People, Co-Creating with Partners

The lifeblood of DENSO's competitiveness comes from the technologies, *Monozukuri* activities, and quality that the Company has cultivated since its founding. By utilizing AI to standardize and visualize our long-cultivated insights, we will accelerate borderless talent development, enhance the ability of local offices to solve problems autonomously, and dramatically speed up region-led value creation. In addition, through co-creation with partners, we will combine our technological strength with the ability to adapt to each market, aiming to maintain a competitive advantage and achieve sustainable growth even in a rapidly changing world. Furthermore, by rolling out the insights gained through these co-creation activities in other domains, we will set in motion a virtuous cycle between *Hitozukuri* and business growth and promote a shift toward more creative work.

Thermal Systems

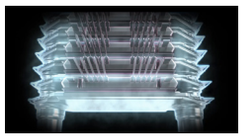
Core Products

Green Peace of Mind



Thermal management systems

Our thermal management systems leverage the world's highest-efficiency heat pump technology to help improve electricity efficiency and extend the driving range of EVs. In addition, through an integrated module, these systems conserve space via the integration of key components and are compatible with next-generation refrigerants such as the natural refrigerant R290. Moving forward, we will continue to lead the way with technological development for management systems in which all parts are thermally connected.



Inverter cooling systems

Using our proprietary dual-side cooling technology, our inverter cooling systems enclose a card-type power module (power card), which contains power semiconductor devices, to cool and dissipate heat from both sides. By doing so, these systems help realize a compact, high-performance electric drive system, making them the overwhelmingly top product worldwide in HEVs by market share. These systems also meet the diverse needs of various electric drive configurations, thus contributing to the expansion of electrification.



HVAC

Through blower technology, which we cultivated through the combination of fluid analysis and extensive real-world testing, and our proprietary resin molding technology, we have achieved a high-efficiency turbo fan. Applying this technology, we offer an extensive lineup of the world's most compact, high-performance HVAC units. These units help us meet diversifying vehicle requirements while securing a No. 1 global market share, contributing to the realization of attractive interior designs and extended driving range.

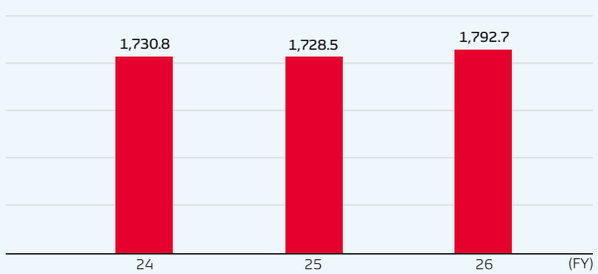


Bus air conditioner

By combining a heat pump system optimized for bus air-conditioning with a compact, highly efficient electric compressor and motor, we have successfully mass-produced a one-package electric bus air conditioner that achieves the world's highest level of energy consumption reductions of 30% alongside a 30% reduction in size and weight. Moving forward, we will evolve this technology into a thermal management system that recovers and utilizes vehicle waste heat, which will contribute to extending the driving range of electric buses.

Revenue

(Billions of yen)



Initiatives for Fiscal 2027

Strengthening Product Development

As for the thermal management domain, in fiscal 2026 we promoted cross-organizational collaboration to increase the in-house production of system products. We also promoted advanced development activities and secured new orders. In these ways, we sought to strengthen our business foundation. Meanwhile, taking into account diversifying needs and intensifying competition, we are faced with the challenge of further evolving our product development and proposal capabilities. In fiscal 2027, we will expand our product lineup and strengthen our supply network so that we will continue to be our customers' first choice across the globe. With a focus on next-generation HVAC systems and heat management systems for integrated modules that support multi-pathway and natural refrigerants, we will promote commercialization of various products through co-creation with our customers. In China and Europe, in particular, we will promote advanced development and *Monozukuri* activities, and by 2030, we will aim to create a world in which every component is thermally connected and integrated into energy management systems, turning such technology into a new business pillar. We will also accelerate the demonstration tests of our proprietary cooling systems to address the growing power demand and heat load of data centers, helping to optimize energy through thermal control and realize an energy-neutral future.

Innovating Manufacturing

Amid growing uncertainty in the operating environment, in fiscal 2026 we sought to dramatically reform our cost structure, engaging in improvement activities led by frontline personnel and strengthening our earnings base. In addition, we reorganized HVAC production sites and optimized our workforce in North America, Europe, and China. At the same time, we commenced efforts to introduce production lines capable of flexibly responding to fluctuations in production volume demand and formulated a product strategy to support MPW approaches.

In fiscal 2027, we will step up global collaboration within our *Monozukuri* activities so that we can flexibly respond to diversifying market needs. We will also gradually roll out production lines that can accommodate changes in the product mix, starting in Europe, to strengthen our global supply capacity and response capabilities. Through these efforts, we will establish a supply structure that can deliver high-value-added products to customers in a timely manner.

Further, with a view toward practical application in the market in fiscal 2031, we are developing environmentally friendly products that utilize recycled materials as well as preparing and developing production technologies for these products.

Developing People and Co-Creating with Partners

To establish links between the growth of our talent and the growth of our business, we are working to cultivate personnel who continue to take on challenges autonomously and to build work environments that enable them to do so. In fiscal 2026, we launched an initiative to embed our accumulated knowledge into AI systems, allowing employees to devote more time to pursuing new challenges. In fiscal 2027, we will accelerate the automation of a broader range of tasks by having AI learn from our tacit knowledge. In tandem with these efforts, we will define our ideal type of talent and career paths for each job category and better visualize the development process. To provide hands-on work experience, we launched a human resource development program focused on new value creation and a transformation project aimed at strengthening our engineering culture. Through these efforts, we provide opportunities for our employees to acquire customer-centric planning and proposal capabilities, as well as the networks and practical skills needed to create new markets. By doing so, we will continue to nurture a passion for engineering.

In addition, to address increasingly diverse and complex regional needs, intensifying competition from other industries, and rapid market changes, we will deepen collaboration with regional partners through joint development, joint procurement, and mutual supply arrangements, drawing on the trust-based relationships we have cultivated with them over many years. Furthermore, through product lineups tailored to each region, we will deepen our connections with customers and suppliers so that we can continue to capitalize on growth opportunities in China's rapidly changing market and India's fast-growing market.

COLUMN

Recycling of Resources

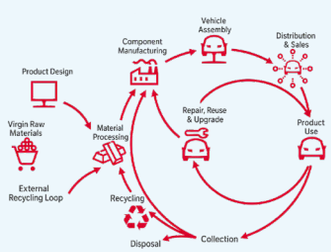
DENSO cherishes the earth's finite resources and therefore contributes to the realization of a recycling-oriented society by promoting product development and *Monozukuri* activities based on the use of recycled materials and resource circulation.

For HVAC resins, we will begin using PCR* materials (recyclable plastic raw materials derived from household PET bottles and similar items that have been collected and processed through recycling) in Japan from 2027, ahead of the enactment of ELV (end-of-life vehicle) regulations in Europe, and will achieve full deployment by 2031 by shifting to product structures that better facilitate recycling.

Furthermore, by implementing manufacturing processes that do not require grease (lubricating oil) and making use of easily removable gaskets, we will make it easier to disassemble components and separate materials at a vehicle's end of life, enabling reuse and contributing to the expansion of resource recycling.

We are also developing heat exchangers that utilize recycled aluminum with the aim of contributing to a sustainable planet.

* PCR: Post-consumer recycled



Mobility Electronics



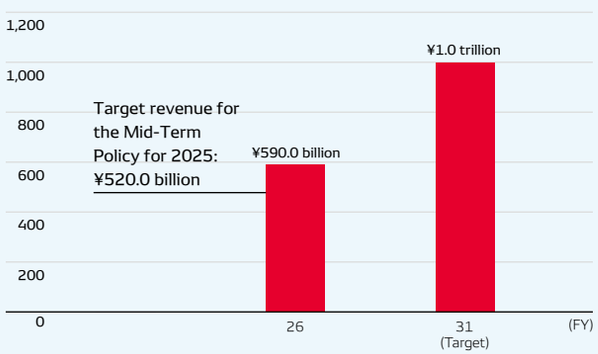
Hisashi Iida
Head of Business Group

We will contribute to the creation of a society where all people can access mobility conveniently and with peace of mind, enhancing the quality of mobility.

Due to the progression of CASE, mobility is entering into a new phase in which various technologies are becoming integrated. Drawing on the trust we have built together with automakers, we will evolve our electronics and software while accurately assessing market trends and user needs. By continuously introducing products that provide value and can be used safely and with peace of mind amid the shift to increasingly large-scale and software-defined mobility systems, we aim to achieve carbon neutrality and zero fatalities from traffic accidents.

Growth of the ADAS Business toward 2030

(Billions of yen)



Note: We have achieved solid results in the ADAS business, which we have continued to strengthen to date. Looking ahead to 2030, we will further reinforce intelligent technologies as a core area as we strive to become a leading player in mobility electronics.

Business Strengths

- Broad technological expertise and implementation capabilities across all vehicle domains, enhancing efforts to create new user experiences
- Provision of compelling products that combine reliability and advanced features cultivated through in-vehicle applications
- Partnerships with global automakers, semiconductor manufacturers, and software vendors

Changes in the Operating Environment and Awareness of Issues

- Advances in AI that will dramatically transform the future of mobility
- Large-scale integrated systems that coordinate mobility functions and enhance added value
- Reinforcement of response to advanced technology development and development speed, areas in which leading tech companies currently hold an advantage
- Increasing investment in technology development to keep pace with functional advances and growing complexity

Vision for 2030

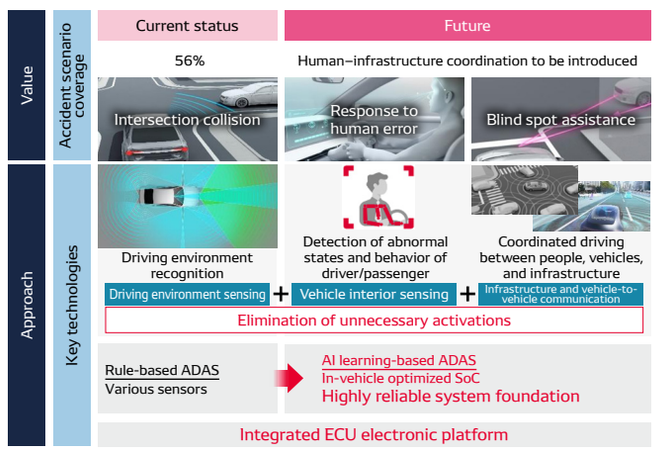
Resolution of Social Issues

Through the advancement and widespread adoption of ADAS systems, we aim to achieve zero fatalities from traffic accidents and enable safe and open mobility. To date, we have expanded accident scenario coverage to 56%, and building on this success going forward, we will work toward the next generation of mobility in which there is seamless coordination between people, vehicles, and infrastructure. As mobility continues to diversify, we will pursue co-creation with automakers and partners to realize a platform that serves as the core of vehicle electronic systems and optimally integrates and controls the entire vehicle to meet a wide range of customer needs.

Furthermore, through highly efficient *Monozukuri* activities and the promotion of energy management, we will minimize energy consumption across the entire vehicle and contribute to the realization of a sustainable society.

Well-being and Growth of Our People

We are tackling new challenges such as ADAS systems designed to achieve zero fatalities from traffic accidents and next-generation factories incorporating physical AI, including the new Zenmyo South Plant. Through these challenges, we will create environments where people can truly feel satisfied in working at DENSO and in the Mobility Electronics Business. By doing so, we will foster an organization where every individual can grow, engage in meaningful work, and continue taking on challenges with pride.



Strengthening Product Development

We aim to provide highly reliable ADAS systems to all automakers.

As automated driving gradually becomes more sophisticated, we will evolve toward highly practical, safe systems that thoroughly minimize unnecessary activations, achieving both expanded functionality and reliability—which are typically in a trade-off relationship—at a high level, in order to maintain the high reliability we have built together with automakers. Leveraging this strength, we will combine various sensors, optimized in-vehicle SoCs, and redundant architecture to develop and expand sales of reliable system foundations that enable AI model updates in accordance with the needs of automakers.

Innovating Manufacturing

We will transform our work environments through AI, including not only the data and explicit knowledge we have accumulated on the front lines but also tacit knowledge. Specifically, we will further accelerate development speed by automating and optimizing development processes under AI-driven approaches, aiming to deliver high-added-value solutions at unprecedented speed. Furthermore, at our plants, we will codify the expertise underpinning our skilled craftsmanship and continuous improvement activities in an effort to expand automation into processes that could previously only be done by people. We will carry out demonstration tests for this AI technology at the new Zenmyo South Plant, starting in fiscal 2028.

By changing how our employees work and shifting that work toward more high-value-added tasks, we will further enhance the value we provide.

Developing People, Co-Creating with Partners

We are working to increase the number of expert personnel to respond to advanced technologies. In addition to enhancing the recruitment and development of niche experts in fields such as AI, we are cultivating systems engineers with expertise across multiple disciplines. We are also standardizing and visualizing skill requirements across all software domains in a bid to optimize talent allocation and promote systematic talent development. To address the increasingly diverse mobility needs, we will promote co-creation activities through cross-industrial alliances, including with tech companies to lead advanced technological development.

Core Products

● Green ● Peace of Mind



● Advanced driver assistance systems (ADAS)

ADAS support driving by using image sensors, millimeter-wave radar, and other technologies to recognize and assess the surrounding environment. By boosting the recognition and assessment performance of these systems, we will gradually expand their accident scenario coverage, thus contributing to a safer mobility society. In recent years, we have expanded the capabilities of ADAS to include not only environmental sensing but also driver monitoring, providing more advanced driver assistance.



● Integrated HMI systems

Integrated HMI systems are cross-domain control systems that connect multiple vehicle domains and control and display driving, navigation, and ADAS information in an integrated manner, enabling drivers to access optimized information through a unified interface. By enabling continuous value enhancement through software updates, these systems deliver more comfortable in-vehicle experiences.



● Powertrain control ECUs

Powertrain control ECUs support a wide range of powertrains, including gasoline vehicles, HEVs, and BEVs, and provide integrated control of propulsion systems such as engines, motors, and batteries. By optimizing control based on data from multiple sensors, these ECUs improve fuel efficiency, energy efficiency, and driving performance while helping reduce environmental impact through lower emissions.

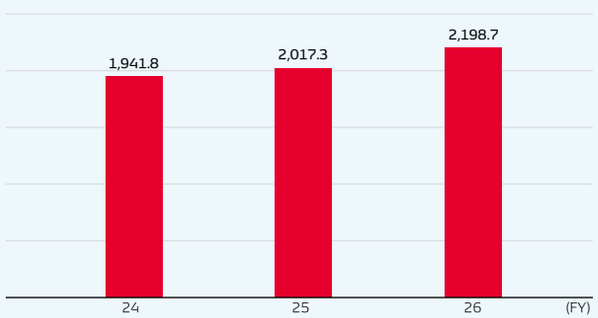


● ● Software

Installed in various systems, ECUs, and sensors, software is a core technology that enables vehicle control. By processing sensor data in real time, it optimizes driving performance and safety functions. In addition, through OTA (over-the-air) updates, the software is able to make continuous functional enhancements, helping ensure mobility quality and safety.

Revenue

(Billions of yen)



Initiatives for Fiscal 2027

Review of Fiscal 2026

The Mobility Electronics Business as a whole achieved record-high revenue of ¥2.2 trillion through the proactive expansion of ADAS sales and the introduction of the latest HMI systems. Sales of ADAS alone reached ¥590.0 billion, exceeding the target of ¥520.0 billion under the Mid-Term Policy for 2025. Furthermore, to accelerate the shift to intelligent vehicles, we entered into new partnerships to incorporate the latest technologies from each region and business domain. In Japan, we invested in Turing Inc. to support the practical application of AI and autonomous driving technologies in the automotive industry. In China, we have partnered with Horizon Robotics, Inc. to begin the joint development of ADAS.

Initiatives for Fiscal 2027

Key Initiative: Further Reinforcement of ADAS Business

We aim to achieve zero fatalities from traffic accidents through advanced environmental sensing, vehicle interior sensing capable of detecting abnormal conditions and driver and passenger behavior, and driver assistance enabled by coordination between people, vehicles, and infrastructure.

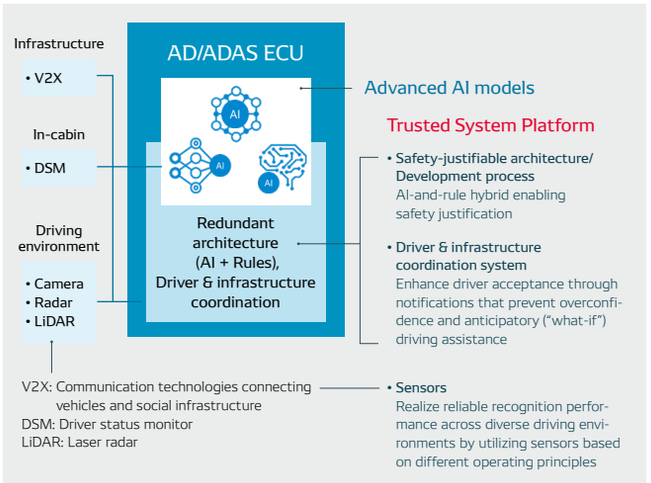
As the level of automated driving (safety functions) becomes more advanced, expectations are increasing for even higher, real-world safety performance with minimal unnecessary activations. However, these two objectives are generally considered to involve trade-offs. To that end, we are developing a reliable system foundation to provide ADAS products that achieve both advanced safety functions and a high level of real-world safety.

To enhance safety functions, we expect to utilize and continuously update advanced AI models, including the latest AI models and the proprietary AI models of automakers. Our strengths lie in our dedication to ensuring the high reliability we have built together with automakers, backed by a mass production track record of 53 million vehicles across 144 countries and regions worldwide.

Our reliable system foundation spans three key development domains.

1. We aim to establish redundant architectures and development processes that enable us to verify that AI systems do not deviate from safety standards.
2. We aim to develop systems for coordination between people and infrastructure designed with drivers' perspectives in mind, including notifications that provide drivers with reassurance while preventing over reliance, as well as "anticipatory driver assistance" functions.
3. We aim to achieve highly reliable recognition performance across diverse driving environments by combining sensors based on different operating principles.

By achieving these aims, we will contribute to the realization of autonomous driving systems that users can continue to use with peace of mind, targeting a market launch in fiscal 2031, 80% coverage of accident scenarios, and a false-activation rate far lower than those of competing systems.



COLUMN

Recycling of Resources

Enhancing Resource Efficiency by Reducing Vehicle Power Consumption

As software-defined vehicles (SDVs) continue to evolve, vehicle architectures are shifting from conventional configurations built around individual ECUs to architectures centered on integrated ECUs and electronic platforms. By integrating and optimizing previously separated control, computing, and communications functions, we will reduce standby power consumption, computing power consumption, and communication loads, thereby lowering overall vehicle energy consumption. In this way, we will reduce battery capacity requirements and the use of wiring and electronic components while also extending product lifespan, helping to reduce environmental burden across the entire vehicle life cycle.

Optimizing Resource Use and Realizing Recycling-based *Monozukuri* through Compact, Lightweight, and High-Efficiency Design

As vehicles become increasingly electrified and intelligent, we will promote compact, lightweight, and high-efficiency ECU designs through innovations in high-density packaging, thermal management, and power control. Through such efforts, we will reduce the use of materials and rare resources as well as the number of components, while extending product lifespan through enhanced durability and reliability. Furthermore, by reducing transportation loads and adopting designs that facilitate reuse and recycling, we will reduce the environmental burden and enhance resource recycling across the entire vehicle life cycle.

System Control Components

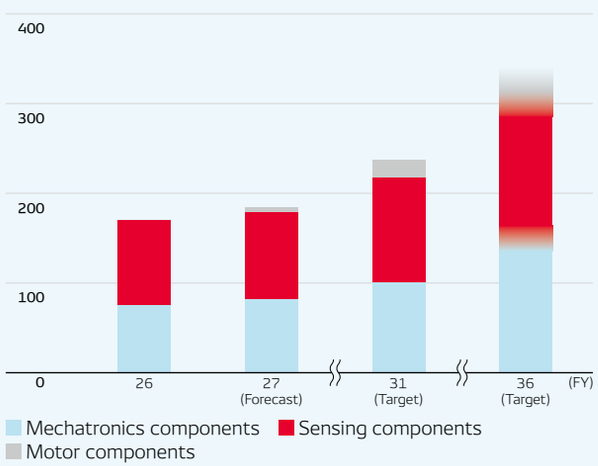


Eiji Inoue
Head of Business Group

We enhance the value of our customers' systems through advanced sensing and actuation technologies, helping to evolve mobility and resolve broader social issues stemming from mobility.

In this era of rapid digital technology and AI evolution, sensing and mechatronics are becoming increasingly important for realizing physical products and functions. We aim to be the world's leading components manufacturer by refining the miniaturization, precision, and performance technologies we have cultivated over the years and continuing to provide components that enhance the competitiveness of our customers' systems.

Revenue from Products in Growth Domains
(Billions of yen)



Business Strengths

- Creation of new value and provision of solutions by combining our strengths in mechatronics, sensing, and motors
- Advanced production technologies capable of handling product variety and volume, supported by robust frontline capabilities
- Global production and supply system underpinning stable supply in each region

Changes in the Operating Environment and Awareness of Issues

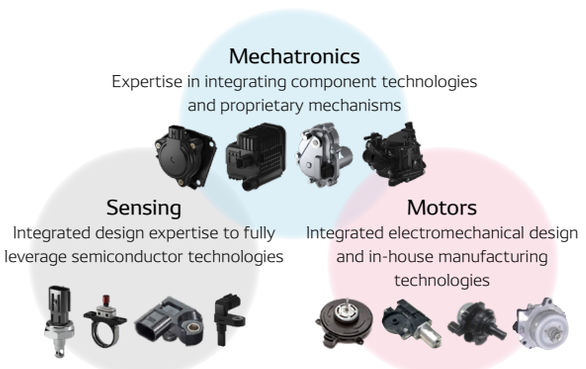
- Diversifying product needs, including BEVs, PHEVs, HEVs, and ICEs
- Increased opportunities to make proposals as systems rapidly become more integrated and intelligent
- Intensifying competition due to emerging manufacturers

Vision for 2030

The System Control Components Business Group is a new organization bringing together three business divisions: mechatronics, sensing, and motors. To meet the needs of increasingly advanced and complex car manufacturing, we will enhance synergies among these three divisions and strengthen our competitiveness through smaller, more precise, higher-performance components that cost less, thereby contributing to customers worldwide. In this era of rapid digital technology and AI evolution, mechanical technologies that bring things into the physical world are becoming more important than ever. Our mission is to listen carefully to the true needs of customers so that we can resolve their challenges through the creation of new value that combines our strengths in mechatronics, sensing, and motors.

In addition to meeting diverse needs for BEVs, PHEVs, HEVs, ICE vehicles and more, we aim to earn trust across all aspects of quality, cost, and delivery (QCD). By strengthening our ability to make proposals from both vehicle- and system-based perspectives and accelerating product development through collaboration with partners from both inside and outside the Group, we will expand our electrification and ADAS businesses. By achieving sound business growth under a business structure that meets the needs of the market and our customers, we will become a business group that contributes to customers and society in a sustainable manner.

In the future, we will further refine our technological and *Monozukuri* capabilities by promoting collaboration among all business groups toward the resolution of social issues (industrial productivity enhancement, stable food supply, etc.), based on the component technologies we have cultivated in the mobility domain. By reflecting our refined strengths into our product development activities, we aim to create a virtuous cycle that contributes to the creation of even better vehicles.



Strengthening Product Development

To further refine the core technologies of the three business divisions and appropriately meet diversifying needs, we will bolster our product lineups in a highly efficient manner by separating product development into two areas: core components for key functions and customizable components to flexibly meet customer needs. Additionally, we forecast growth in the market for small automotive motors as electrification advances. To that end, we will further promote the development of products that extend vehicle driving range and reduce vehicle costs, thereby enhancing overall vehicle value. At the same time, we will combine the strengths of the three divisions to develop versatile actuators for applications that extend beyond the automotive domain.

Innovating Manufacturing

Furthermore, we will establish production lines that can flexibly handle product variety and volume and develop highly advanced automation technologies covering the entire flow of materials and products from receiving through to shipment. We will also centrally manage plants from control centers, including the use of predictive management. Through these efforts, we will achieve uninterrupted production lines. By swiftly adapting to changes in the operating environment and strengthening our cost competitiveness over emerging manufacturers, we will contribute to our customers' competitiveness from the perspective of *Monozukuri*.

We will also optimize our global production and supply system to ensure stable supply to customers amid changes across industries and greater society.

Developing People, Co-Creating with Partners

To overcome rapid changes in the business environment and achieve growth, we must support individual growth and establish a dynamic organization where all employees are eager to take on challenges. To that end, we will continue our *Hitozukuri* activities by ensuring employees feel a sense of growth through their pursuits and creation, as well as by actively promoting mutual learning and development on a global scale. We will also expand new product development with partners inside and outside the Group to achieve efficient, waste-free development and production readiness. By creating capacity while accelerating product development, we will build a truly dynamic organization where people can take on challenges with ease.

System Control Components

Core Products

● Green ● Peace of Mind



● Coolant flow control valves

Our coolant flow control valves control coolant connecting the battery, electric drive components, and air-conditioning system in EVs in a precise and optimized manner, enabling efficient thermal management and significantly improving energy efficiency and driving range.



● Battery current sensors

Our battery current sensors measure current during battery charging and discharging with high precision, enabling advanced battery control and contributing to battery safety, improved energy efficiency, and extended driving range.



● Power window motors (BF23 motor)

Our power window motors make use of a proprietary clutch mechanism that prevents window glass from slipping down while enabling a more compact design. Combined with control features to prevent fingers from being caught when the window is lowered, it helps ensure customer safety.

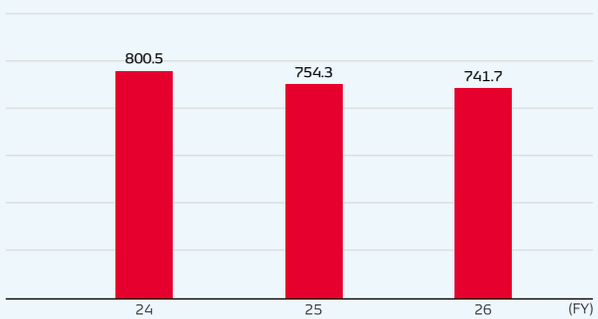


● ● Soil sensors

Our soil sensors precisely visualize soil conditions, helping to ensure stable food production. By enabling the optimized use of water and fertilizers, these sensors help reduce environmental burden and support sustainable agricultural production.

Revenue

(Billions of yen)



Initiatives for Fiscal 2027

We view fiscal 2027 as a year in which we will take a major step forward toward realizing our vision for 2030. While strengthening our operating foundation to generate capacity for future investment, we will strengthen our competitiveness and new product development by leveraging synergies among the three business divisions.

First, with regard to strengthening our operating foundation, we will improve work processes by promoting DX to ensure quality, which represents the foundation of our business, and introduce predictive quality assurance systems for more stable *Monozukuri* activities. By visualizing and combining the strengths of the three business divisions, we will strengthen the entire operational process from development and manufacturing through to after-sales, meeting customer expectations with the best possible quality. In addition to enhancing productivity by standardizing our *Monozukuri* activities and promoting mutual learning on a global scale, we will pursue cost improvements by transforming our workstyles through the utilization of DX and other technologies. In these ways, we will enhance profitability while creating capacity for further growth.

For new product development geared toward future growth, we will act swiftly to strengthen our product lineups so that we can meet the diversifying needs of customers. At the same time, we will accurately assess needs in the electrification and ADAS domains and push forward with development technologies and products to prepare for future opportunities. Specifically, for battery current sensors, we have developed an optimal lineup for their respective applications in HEVs, PHEVs, and BEVs.

We will also enhance the development efficiency of our customers and bolster their cost competitiveness. For our coolant flow control valves (HEAT-PRO), we are expanding our lineup to enable the switching of control between multiple flow paths, further enhancing BEV value through improved energy management. At DENSO, we have continuously pursued magnet development and magnetic circuit technology. As an example of the success we have had in the small motor domain, we have already commercialized a motor that combines a high-remanence magnet using SmFeN, which does not use neodymium, with magnetic rectification technology. Going forward, we will continue efforts to commercialize motors that do not use heavy rare earth elements to adapt to further changes in the global environment. By doing so, we will continue to ensure a stable supply, enhance performance, and reduce environmental burden.

Finally, we will leverage our long-cultivated strengths in sensing and actuation to expand beyond the automotive market. For example, we have commenced sales of a multi-function soil sensor to help create environments for efficient and stable food production. Leveraging DENSO's sensing technology, this one sensor can detect not only soil temperature but also soil tension, the percentage of water, and electrical conductivity, helping stabilize crop yields and conserve water through efficient irrigation. Amid a declining farming population and the impacts of climate change, we expect that this sensor will help build an agricultural production system capable of stable food production and supply. We are also pursuing applications such as autonomous transport of finished vehicles at automakers using "high-precision LiDAR," in an effort to expand the ways in which we can contribute to customers.

With this effort, we will take a major step forward in fiscal 2027 toward realizing our vision for 2030. The common theme among all of our business activities is that we listen to the real needs of customers in order to thoroughly understand their challenges and work to resolve them with our technologies and highly refined products. Looking ahead, the System Control Components Business Group will continue to pursue new challenges and evolve, aiming to be the world's leading component maker and a trusted partner to customers who can resolve the real issues they face with components that no other company can match.

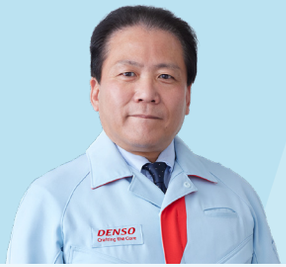
COLUMN

Response to Climate Change

In addition to expanding our electrification products, we will help prevent further global warming by reducing the energy consumption of our *Monozukuri* activities. At the Mechatronics Components Manufacturing Department of the Daian Plant, we are working to reduce CO_2 emissions by using DX to visualize and analyze electricity and energy consumption for each piece of equipment and production line. For example, focusing on an air-cleaning process that consumes large volumes of compressed air, we developed a cleaning technology that uses a single electric blower equipped with a newly developed ejector capable of operating even with low-pressure airflow, enabling simultaneous blowing and suction. This cleaning technology reduced CO_2 emissions by 90% compared with the conventional method. We have introduced this technology in other processes within our department, thus achieving annual energy savings equivalent to 3.9 kiloliters of crude oil (this initiative received the Minister of Economy, Trade and Industry Award in the Industrial Energy Conservation Case Studies category at the Energy Conservation Grand Prize Awards). We also conduct hands-on tours for our suppliers, allowing them to see, experience, and learn firsthand about these initiatives and their benefits and to take back such improvement methods to their own work sites for implementation. We also support suppliers in reducing CO_2 emissions by proposing cost-saving measures aligned with their budgets, including process simplification initiatives. We will continue to pursue energy conservation activities driven by the participation of all employees through our frontline capabilities and technology development, as we work toward achieving carbon neutrality.



Semiconductor



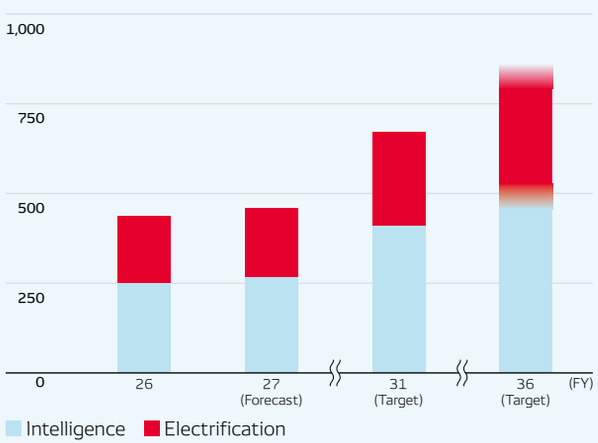
Naoki Matsuoka
Head of Business Group

We have positioned 2026 as the beginning of "the second founding era of DENSO's semiconductor business" in which we will strive to create new value.

As a new business group formed through the restructuring of the semiconductor business, we will dramatically strengthen the competitive advantages that underpin our electrification and intelligent technologies by melding in-house technologies with our co-creation efforts with partners. With a view toward 2030, we will continue to serve as a bridge between the automotive and semiconductor industries as we strive to create new customer value in a broad range of fields and resolve social issues.

Shipment Volume by Product Type

(Millions of units)



Business Strengths

- Ability to create optimal specifications that enhance system value
- Electrification: Power semiconductors created through vertically integrated in-house production of wafers, epitaxial layers, and devices
- Intelligence: Robust analog semiconductor control driving advances in automotive performance
- Solid foundation of semiconductor supply combining in-house production, outsourced production, and partner collaboration

Changes in the Operating Environment and Awareness of Issues

- Growing demand for products for diverse EVs (BEVs, PHEVs, and HEVs)
- Market entry of semiconductor suppliers with low-cost/standardized products leveraging repurposed commercial technologies and economies of scale
- Intensifying competition with semiconductor suppliers that leverage government subsidies
- Transition from stand-alone semiconductors to module-based offerings

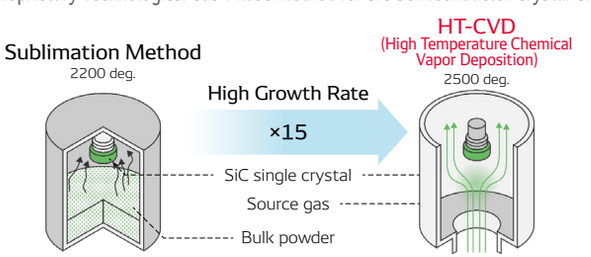
Vision for 2030

Our story begins with the establishment of the IC Research Center in 1968. Since then, we have cultivated semiconductor expertise and technologies for more than half a century, centered on custom ICs for internal combustion engines. Today, with the rapid advancement of electrification and intelligent technologies, semiconductors are becoming increasingly important as a foundational technology that supports safety, comfort, and environmental performance. We have positioned 2026 as the beginning of "the second founding era of DENSO's semiconductor business." During the year, we have established the independent Semiconductor Business Group, putting in place a structure for meeting customer expectations through the swift formulation and execution of business strategies.

As a new business group, we will combine power semiconductors that support electrification, analog semiconductors that support intelligent technologies, and module technologies that connect these two semiconductors. By doing so, we will strengthen our competitiveness and enhance customer value. Specifically, in addition to promoting differentiation through proprietary technologies and *Monozukuri* transformation, we will contribute to Japan's semiconductor industry by acquiring advanced technologies and products and expanding our scale through partnerships. We will bolster our competitiveness by incorporating these advanced technologies into our business activities and product development in a swift and timely manner. At the same time, we will provide a broad range of products to customers who wish to purchase semiconductors directly. In addition, with the advancements in semiconductors that leverage automotive-grade performance and quality, we are seeing a growing number of markets emerge that are highly compatible with our technological capabilities, particularly for power semiconductors, including robotics and data centers. By accurately identifying customer issues and providing products that enhance value, we aim to be a business that contributes extensively to the resolution of social issues, including achieving carbon neutrality.

By 2030, through these co-creation activities, we will continue to deliver semiconductors that enhance customer value, serving as a bridge between the automotive and semiconductor industries.

Proprietary Technologies: Gas-Phase Method for SiC Semiconductor Crystal Growth



Strengthening Product Development

As electrification and intelligent technologies drive technological advances, customers now have greater expectations for proposals that enhance overall system value.

In response to these expectations, we are focusing our attention on integrating in-house production, covering everything from wafers to packages, in order to strengthen the cost and quality competitiveness of our power and analog semiconductors while enhancing our technological and *Monozukuri* capabilities to develop module products beyond stand-alone semiconductors. We will provide solutions that meet customer needs, primarily by improving the energy efficiency of electrification technologies and delivering highly robust control for intelligent technologies.

Innovating Manufacturing

From both the perspectives of the automotive and semiconductor industries, we will pursue innovative, differentiated production technologies as we work to take our *Monozukuri* activities to the next level. To strengthen the competitiveness of our SiC power semiconductors, we are advancing the establishment of the world's first wafer manufacturing technology using the gas-phase method. In addition, we are working with domestic partners to mass-produce epitaxial wafers (stacked epitaxial layers) and power devices, thereby promoting vertically integrated production. The initiative has been recognized for its contribution to strengthening the domestic supply chain and has been approved for subsidies under the Ministry of Economy, Trade and Industry (METI)'s "Semiconductor Supply Security Plan."

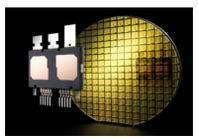
Developing People, Co-Creating with Partners

To resolve the issues facing our customers, we will accelerate business growth through the two pillars of *Hitozukuri* and co-creating with partners, without being bound by a go-it-alone approach. For *Hitozukuri*, we will cultivate semiconductor talent by providing practical learning opportunities inside and outside the Company, introducing specialized education activities, and utilizing AI to improve the productivity of our development activities. In terms of co-creating with partners, in addition to collaborating with domestic partners in the ways mentioned above, we will leverage the 300mm-wafer IGBT (insulated gate bipolar transistor) production line that we jointly established with the Japanese subsidiary of a major Taiwan-based foundry in 2023. For analog semiconductors, we have established a strategic partnership with a specialist manufacturer.

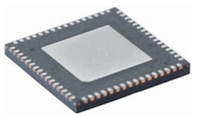
Semiconductor

Core Products

Green Peace of Mind



Power semiconductors
Our power semiconductors handle high-current, high-voltage switching in inverters.



ASIC (application-specific integrated circuit)
Our ASIC consolidates diverse and complex mobility control functions into a single semiconductor.

Initiatives for Fiscal 2027

With the shift toward electrification and intelligent technologies in the mobility domain, customers have extremely high expectations for semiconductors, a foundational technology supporting this shift.

As regulations to address global warming continue to diversify, demand is expected to grow not only for BEVs but also for PHEVs and HEVs, increasing the need for a more diverse product lineup. Across all EV types, technologies that significantly reduce power loss and contribute to smaller, lighter inverters are increasingly critical, and competition with global semiconductor suppliers is intensifying. Against this backdrop, we will meet customer expectations for quality and cost competitiveness through our mass production technology for SiC power semiconductor wafers utilizing the gas-phase method.

In the intelligence domain, as integration with ECUs and SoCs becomes increasingly important, we will enhance customer value by leveraging our in-house Tier 1 business division to accurately identify the issues facing automakers and deliver technologies that outperform competitors through robust control circuit and packaging technologies. The difficulty in achieving differentiation is increasing as a growing number of dedicated semiconductor manufacturers are entering the intelligence domain. Accordingly, we will enhance our competitiveness against our competitors' large-scale, standardized products and optimize our semiconductor products to meet customer requirements. Where we determine that in-house development alone cannot deliver the required speed, we will further deepen collaboration with partners in Japan and overseas.

As our semiconductor business continues to evolve, we are seeing a growing number of direct inquiries for our semiconductor products from automakers seeking to bring inverter and module production in-house, alongside our traditional supply of products to vehicle manufacturers through our in-house Tier 1 business divisions. We are a business committed to resolving social issues, and as such, we are transforming our business model to provide value more flexibly in line with the business characteristics of our customers. In addition, as power demand from generative AI servers and data centers continues to grow, we are seeing a greater number of customers from outside the automotive sector take interest in our semiconductor and *Monozukuri* technologies that form the foundation of our automotive applications.

In some cases, product value is shifting from stand-alone semiconductors to module products that integrate multiple functions, and we are therefore accelerating the commercialization of module products leveraging our comprehensive capabilities. Amid a period of rapidly changing industry trends and with a view toward 2030, a key management challenge for us is to determine which technologies and products to provide to maximize customer value, and we are reformulating various strategies with this in mind.

To realize products with an even greater competitive edge, we must level up our *Monozukuri* activities. To that end, we are reviewing the strategic balance between in-house and outsourced production with a commitment to providing added value through in-house production. This strategy applies to both power and analog semiconductors. Based on our strong partnerships, we will optimize the division of roles with external partners handling back-end processes. At the same time, we will pursue differentiation through proprietary technologies at our in-house production sites, thereby strengthening our competitiveness on both fronts.

Specifically, we will expand the floor area of our main plant in Malaysia, which handles semiconductor packaging, and maximize the use of equipment, components, and materials sourced from local companies. We will also pursue the development and adoption of innovative manufacturing technologies. In these ways, we will bolster our cost competitiveness.

As a core ECU hub in Asia, the Malaysia plant will deepen in-house production and collaboration across DENSO's electronics manufacturing network and expand global supply as a key export base for semiconductor products, thereby maximizing consolidated profits.

Through these efforts, we will pursue the rapid development of new products and DENSO-style *Monozukuri* excellence, while working to strengthen our teamwork and talent and foster a culture that enables sustainable growth.





DENSO's main plant in Malaysia

COLUMN

Contribution to the Resolution of Material Issues

As a result of technological advances, such as the shift to electrified and intelligent vehicles, as well as growing demand and rising geopolitical risks, it is essential to ensure a stable supply of semiconductors across the entire supply chain. The semiconductor business involves long lead times and requires the maintenance of an extensive supply network, spanning wafer substrate materials, front-end process materials used in circuit fabrication, and back-end packaging and assembly materials through to delivery of the final product.

In particular, following the severe supply disruptions that occurred during the COVID-19 pandemic, industries worldwide have been working to strengthen supply chain resilience. To that extent, we have secured stable supply through long-term agreements with our suppliers. Furthermore, because only a limited number of suppliers worldwide are capable of providing advanced SiC wafers, we invested US$500 million in Silicon Carbide LLC, the SiC business of Coherent Corp. established in April 2023, and acquired a 12.5% equity stake. Silicon Carbide has a robust track record in SiC wafer quality and mass production capabilities.

Through the stable procurement of SiC wafers enabled by this partnership, we are strengthening the business foundation required for medium- to long-term growth. By ensuring the stable supply of semiconductors, we will contribute to the realization of a carbon-neutral society and a world with zero fatalities from traffic accidents.

Factory Automation (FA)



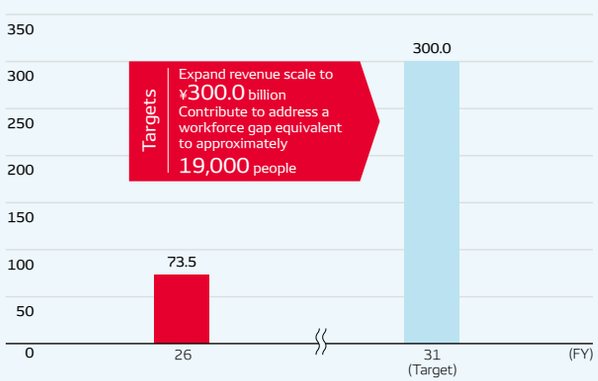
Yasushi Mukai
Executive Officer

By co-creating with partners, we will bolster our competitiveness as a comprehensive production line builder and help customers resolve their issues by providing added value that is uniquely DENSO.

By combining our long-cultivated *Monozukuri* know-how with the strengths possessed by our diverse business partners, we will broadly create value that encompasses the entirety of factory operations, from production equipment to logistics and IT systems. Through solutions that enable our customers in the manufacturing industry to continuously engage in *Monozukuri* activities with peace of mind, we will help enhance productivity for the entire industry on an ongoing basis.

Revenue Forecast

(Billions of yen)



Business Strengths

- *Monozukuri* expertise cultivated over 75 years across a wide range of fields
- Expertise spanning the entire engineering chain, from conceptual design to maintenance
- In-house production capabilities for equipment and robots, refined for optimized production across 130-plus global sites

Changes in the Operating Environment and Awareness of Issues

- Declining labor population and shortages of production technology personnel in terms of both quantity and quality
- Growing demand for standardization technologies, DX utilization, and automation enabling production that can flexibly respond to product variety and volume; manufacturing advances driven by widespread AI adoption
- Increasing needs to enhance customer engineering capabilities and develop talent

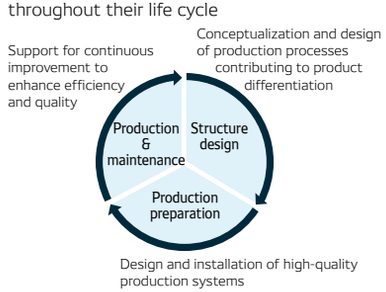
Vision for 2030

The manufacturing landscape is changing significantly against the backdrop of rapid technological innovation and an evolving social environment. In addition to leveraging advanced technologies such as AI, addressing labor shortages is a critical management issue across the manufacturing industry, regardless of sector. In the automotive industry, the conventional model of executing large investments to build mass production lines and rebuilding them with each new generation is no longer viable.

With limited production preparation time and investment, going forward it will be essential to standardize the mixed production of internal combustion engine vehicles, HEVs, and BEVs, and to repurpose lines across multiple generations. Moreover, manufacturers must oversee the entire factory, encompassing not only individual equipment but also the logistics and IT systems that are integral to production lines, while responding quickly and flexibly to productivity improvements and layout changes. To achieve this, manufacturers need advanced expertise in process design, quality assurance, and frontline improvement to transform every stage of the manufacturing process, from conceptual design and production preparation through to mass production and maintenance. DENSO has accumulated extensive practical manufacturing expertise over many years. By applying our Lean Automation philosophy—which systematically organizes this expertise into an approach to automation that eliminates waste and continues to improve after the commencement of operations—in a manner that caters to the manufacturing sites of our customers, we believe we can deliver value that is uniquely DENSO. We aim to become a comprehensive production line builder that supports customers in building their ideal factories throughout the entire product life cycle. To that end, while promoting co-creation with our partners, we will draw on our *Monozukuri* expertise to contribute to the sustainable growth of our customers by designing, integrating, and managing the entire factory, from equipment and logistics to IT, and by building factories that continue to evolve through ongoing improvement.

Comprehensive Production Line Builder

Supporting the creation of ideal factories throughout their life cycle



DENSO BRAIN

Turning *Monozukuri* Accomplishments into Knowledge

- Process design / Proprietary technologies
- Quality assurance
- Equipment development
- Track record of frontline improvements

Strengthening Product Development

As a comprehensive production line builder, we aim to strengthen three areas: production, logistics, and IT systems. The foundation of line building is production and in-plant logistics. By viewing "creating" and "transporting" as an integrated process, we work to optimize the flow of materials and products throughout the factory, from receiving to shipping. Additionally, our IT systems connect data from manufacturing sites with management systems, linking on-site improvements directly to improvement in management KPIs. This in turn accelerates decision-making and enables flexible factory operations. In the areas of production, logistics, and IT systems, we will enhance the competitiveness of our products by combining the strengths of our business partners with the in-depth manufacturing knowledge we possess. At the same time, by working to integrate all three of these areas, we will create high-value-added products and services that provide support for end-to-end factory operations.

Developing People, Co-Creating with Partners

As a comprehensive production line builder, we will rapidly pursue collaborations, business partnerships, and alliances with a diverse range of partners across industries in order to acquire and strengthen a broad range of capabilities spanning from technology development to on-site implementation. By doing so, we will innovate the factories of our customers from both digital and physical perspectives.

Digital Technologies
- AI and digital twins
- IT–OT* integration
- Cloud

* OT: Operational technology

Equipment and Robotics
- Dedicated equipment
- Peripheral equipment
- FA components

Production × Logistics × IT × Manufacturing Expertise

DENSO

System Integration and Consulting
- Industrial system integration
- Regional system integration
- Consulting

Industries
- Industrial associations
- Standardization
- Industry–academia–government collaboration

Personnel Sourcing
- Production technologies and maintenance
- IT and IoT
- Development

Factory Automation (FA)

Core Products

Green Peace of Mind



Tools for improving productivity

Utilizing the IoT tool Loss Tracker, we help our customers enhance productivity and establish improvements on the front lines.



Lean Automation school

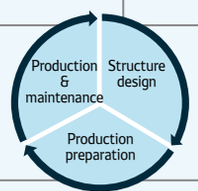
We offer educational programs based on Lean Automation (LA), which systematically organizes processes related to DENSO's production technologies.



Production line engineering

We design automated production lines based on our LA philosophy. We also define requirements for meeting customer needs.

One-Stop Solutions





Collaborative robots

We offer robots that collaborate with people to improve productivity and safety.



Automated production lines

We realize optimized automated production lines tailored to customer needs.

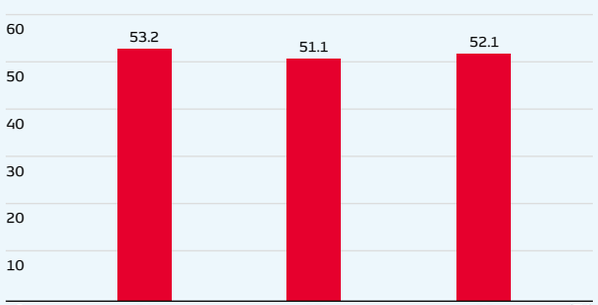


Production and logistics solutions

We combine people, goods, and processes to streamline everything from delivery to shipment.

Revenue

(Billions of yen)



Note: Figures are based on consolidated revenue.

Initiatives for Fiscal 2027

In fiscal 2026, we worked to demonstrate the value of our one-stop solutions covering everything from conceptual design to maintenance, primarily for customers in the automotive industry. By gaining a deep understanding of the issues facing our customers and providing one-stop support from production line conceptualization and process design through to equipment start-up, maintenance, and ongoing improvements, we have proven our ability to deliver value that is uniquely DENSO. In addition, through dialogue with customers, we also clarified the capabilities that we should acquire and strengthen through external partnerships and the capabilities that we should enhance internally in order to further increase added value.

In fiscal 2027, we will establish a solid foundation as a comprehensive production line builder that drives *Monozukuri* innovation across industries. At the same time, we will accelerate co-creation with partners and strengthen the Group's unique capabilities with a view toward expanding our service offerings and enhancing added value.

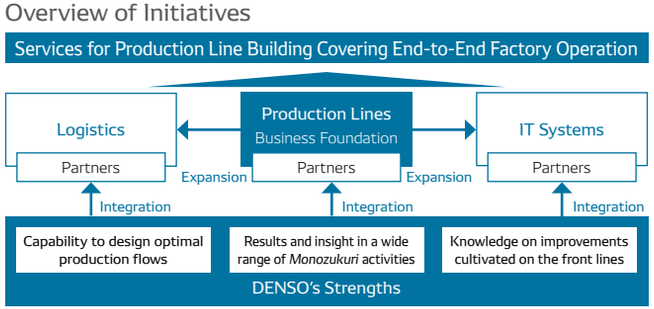
For co-creating with partners, we will first pursue alliances with partners in production lines, the foundation of our production line building business, under which we will accelerate the standardization and modularization of production equipment and improve production line quality, cost, and delivery (QCD). We will also expand collaboration in logistics and IT systems with partners that possess core technologies and high-added-value services that can augment our own capabilities.

For logistics, drawing on our deep understanding of end-to-end factory operations, we will formulate a vision for waste-free logistics and optimize operations across the entire factory with partners skilled in the integrated control of logistics equipment.

For IT, we will strengthen collaboration with system integration partners that connect on-site data with management systems, making it possible to reflect the productivity improvement and inventory reduction expertise cultivated on the front lines in management KPIs.

Through co-creating with partners, we will enhance added value not only in production lines but also in logistics and IT, establishing a structure capable of providing services for production line building that covers end-to-end factory operations.

Overview of Initiatives



Furthermore, strengthening our own core capabilities is extremely important for co-creating with partners and maximizing synergies. Accordingly, we will accelerate efforts to turn the Group's *Monozukuri* know-how and practical frontline expertise into explicit knowledge, making them more accessible and usable across the Group.

By combining AI technologies with our expertise in advanced process design, proprietary technologies, and equipment development, we will further strengthen our ability to deliver optimal solutions with speed and precision.

In addition, we will strengthen the competitiveness of the three companies comprising the FA Group. By combining the strengths of DENSO FA Yamagata Co., Ltd., which excels in developing equipment tailored to customer production sites and needs; DENSO SI Corporation, which implements the principles of the Toyota Production System in logistics systems; and DENSO WAVE Incorporated, which possesses advanced mechatronics design capabilities, we will further enhance the Group's comprehensive *Monozukuri* capabilities.

Through the synergy between co-creating with partners in the production, logistics, and IT domains and enhancing the Group's unique capabilities, we will provide customers with a broader range of line-building services and contribute to improving industrial productivity by delivering added value that is uniquely DENSO.

COLUMN

Enhancing Industrial Labor Productivity Together with Our Customers

By working closely with our customers on their front lines, we will create added value at a high level and in a sustainable manner. Specifically, by providing support from the early stages of concept design for equipment, logistics, and specification review, we will launch high-quality production lines without the need for costly rework. In addition, we will provide support for improvement activities after lines commence operations, helping to realize factories that continue to evolve together with our customers. For our upstream engineering services, customers have provided the following feedback on our concept proposals and process designs:

"We would not have been able to envision the overall picture on our own, from identifying the necessary technologies and selecting materials to choosing the right equipment manufacturers," and "We had never considered redesigning the process itself. This is a perspective unique to DENSO, which has in-depth knowledge of product function and structure."

In our production improvement services, we work closely with customers in their frontline operations to steadily implement improvements. As a result of these efforts, we have seen an increase in the number of productivity improvements at our customers. By expanding these initiatives across a wider range of industries and continuing to support customers in building their ideal factories, we aim to realize improvements in labor productivity across various industries at a level equivalent to 19,000 workers by fiscal 2031.

Cases of Productivity Improvements		
Electrical components factories	Food products factories	Consumer goods factories
Operation ratio increased **39%**	Production volume increased **52%**	Holiday working days (per month) **4 days → 1 day**

Food Value Chain (Agriculture)



Yasushi Mukai
Executive Officer

Through a two-pronged approach focusing on "co-creating with partners" and "mobility technologies," we will work to address social issues such as stabilizing agricultural production and improving food self-sufficiency.

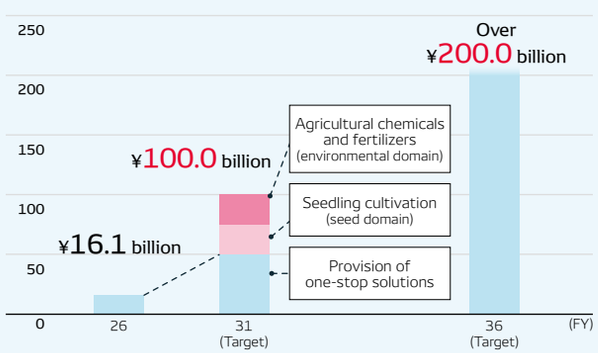
To provide solutions worldwide that enable everyone, everywhere, to enjoy safe, delicious, and environmentally friendly food anytime, we will create new value through technology and new ideas, contributing to a society where people can live with peace of mind and security.

Business Scale

¥100.0 billion by FY2031
Improvement in agricultural production of 75%

Continuous promotion of M&As → Building of one-stop solutions → Development of digital cultivation platform

(Billions of yen)



Business Strengths

- Ability to apply sensing and automation technologies developed in the mobility domain to agriculture, enabling stable and systematic production through the industrialization of protected horticulture
- Provision of one-stop solutions to customers spanning everything from business planning to production and sales through the integration of greenhouses (Certhon), seedlings (Axia), and cultivation and operations (FoodVentures)

Changes in the Operating Environment and Awareness of Issues

- Concerns over food shortages following unstable agricultural production caused by global climate change
- Growing demand for stable yields from new entrants to farming—such as government and large-company initiatives to raise national food self-sufficiency—that lack farming expertise

Vision for 2030

The Food Value Chain (FVC) business is growing in a sustainable manner while bolstering collaboration with partners with a view toward resolving social issues such as climate change and the declining agricultural workforce. In addition to seedlings, facilities, cultivation, and operations, we integrated technologies cultivated in the mobility domain, such as sensing technologies and AI agents, to provide comprehensive one-stop solutions spanning everything from planning and operations to after-sales support.

With these solutions, we realize stable and systematic production through yield forecasting and early detection of disease risks, offering growers greater confidence and peace of mind. Building on the autonomous growth of each business, we will promote global collaboration and enhance integrated value to establish a business model that combines scalability and profitability, contributing to a secure and abundant future for food.

Value Creation Model

One-stop solutions from cultivation planning to stable production

Cultivation Digital Platform
DENSO BRAIN

Seedlings	×	Environment	→	Development of varieties suitable for automation
Cultivation technology	×	Digital	→	Feedback control
Seedlings	×	AI	→	World-class variety development

Mobility Technology
System integration, automation, sensing, digitalization, process engineering

Developing People, Co-Creating with Partners

The FVC division is pursuing *Hitozukuri* and co-creating with partners to accelerate business growth and create social value.

For co-creating with partners, we have expanded our business foundation through the acquisitions of Certhon Build B.V., Axia Vegetable Seeds B.V., and FoodVentures B.V. Going forward, we will continue to pursue strategic, continuous M&As to build one-stop solutions and strengthen an ecosystem that connects the entire value chain. We will also advance the development of a digital cultivation platform by melding internal and external knowledge with technologies to further enhance cultivation capabilities.

With regard to *Hitozukuri*, we will promote collaboration among talented employees from the companies that have joined the Group through these M&As, encouraging them to combine their respective strengths and expertise. Under this approach, we will continuously create new value and synergies. By fostering an environment where people from diverse backgrounds work together and inspire one another, we aim to spur innovation on an ongoing basis.

To further accelerate these initiatives, we have relocated our FVC division's headquarters to Europe, enabling us to stay closer to our partners and customers, respond more effectively to market trends, and make business decisions and conduct business management in a more expedient manner. Looking ahead, the FVC division will bring together the strengths of its people and partners to contribute to a globally competitive and sustainable food system.

Organizational Structure

Consolidation of organization and talent

Formation of teams of next-generation leaders
↓
Fostering of culture that creates new value

Transfer of agriculture business headquarters to the Netherlands, where advanced technologies and information converge (April 2026)
↓
Acceleration of business development



Food Value Chain (Agriculture)

Core Products

● Green ● Peace of Mind



● ● Greenhouses

We offer large-scale, high-tech greenhouses tailored to the needs of growers. By precisely controlling growing conditions such as temperature, irrigation, light, and CO_2, these greenhouses enable the stable and efficient production of high-quality crops. We design our greenhouses based on regional characteristics, climate conditions, and crop requirements, realizing growing environments optimized for the needs of growers.



● ● Tomato seeds

We offer tomato seeds for greenhouse cultivation that support stable and systematic production. Leveraging expertise in genetics, we develop seed varieties offering high disease resistance, superior flavor, consistent quality, and high yields. By applying digital and automation technologies to the breeding process and shortening development cycles, we support the swift market launch and stable supply of high-added-value tomato varieties.

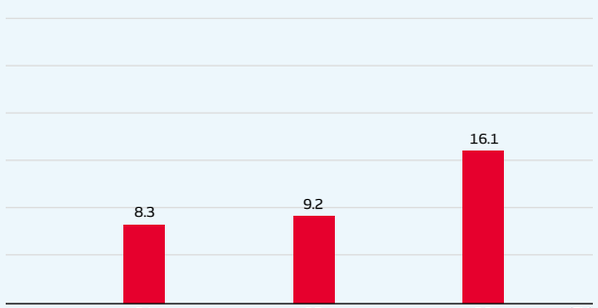


● ● Farm management consulting

We deliver solutions for sustainable greenhouse operations on a global scale. Specifically, we provide Right-Tech solutions that enable sustainable and cost-efficient vegetable production. Drawing on our extensive operational know-how and experience in protected horticulture under various climate conditions, we aim to accelerate the development of the greenhouse industry worldwide.

Revenue

(Billions of yen)



Initiatives for Fiscal 2027

Greenhouse Business

In fiscal 2026, we expanded our presence in North America and the Middle East with a view toward increasing sales and pursued project development initiatives in accordance with changing market conditions. In fiscal 2027, in Europe we will promote integrated greenhouse proposals for customers with needs related to soaring energy costs, offering energy-saving solutions such as temperature control and artificial lighting. In addition, in areas outside Europe, we will work with FoodVentures, which joined the Group in 2026, to bring large-scale projects to fruition through one-stop solution proposals that include cultivation technology.

Seedling Business

In fiscal 2026, we welcomed the Netherlands-based company Axia, which possesses advanced tomato seed and seedling technologies into the Group. With this acquisition, we are now able to establish a system for rapidly developing and delivering safe, high-quality seeds and seedlings by combining DENSO's digital and automation technologies with Axia's breeding expertise. In fiscal 2027, we will accelerate new business alliances to expand our seed varieties beyond tomatoes and provide solutions in regions beyond Europe.

Development of Data-Driven Cultivation and Farm Management Technologies

In fiscal 2026, we collaborated with DELPHY GROEP B.V. to integrate our cultivation know-how with the sensing and digital technologies we have developed to date, taking a new step toward realizing innovative cultivation solutions that enable systematic production.

In fiscal 2027, we will work to build the foundation for a cultivation management AI agent that forecasts yields and predicts the onset of pests and diseases. To that end, we will refine our sensing technologies that use mobility-derived image recognition to capture plant data and combine them with the cultivation expertise of our Group companies.



One-Stop Solutions

Customers: New market entrants and agricultural corporations (investors, governments, large corporations, etc.)

Farm Management Consulting FoodVentures

Data-Driven Cultivation and Farm Management Technologies

Cultivation			Agriculture
Cultivation technology	Green technology	Seedlings	Growers
FoodVentures	Certhon	Axia	Automation

DENSO

- Support for growth of individual companies utilizing management resources
- Provision of stable, systematic production through the combination of Group company synergies and data-driven cultivation technologies

COLUMN

Initiatives to Enhance Productivity of Agricultural Producers

In the FVC division, we have been working to enhance the productivity of agricultural producers through the development of automated harvesting robots. However, we have come to recognize that establishing mechanisms to ensure stable yields and quality and enable systematic production is becoming even more important. Based on this understanding, we will focus our development resources on promoting data-driven cultivation and farm management.

Specifically, we are building a technological foundation that forecasts yields, predicts the onset of pests and diseases, and enables advanced environmental control by integrating the sensing, AI, and automation technologies we have cultivated in the mobility field with the expertise in seeds, cultivation, facilities, and operations possessed by our Group companies.

Through this foundation, we will enhance production consistency and decision-making accuracy while contributing to stable profits and sustainable agricultural management that goes beyond just labor savings. In these ways, we will work to address our material issue of enhancing productivity of agricultural producers.

Section 4 /
Capital Strategies

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Financial Capital Message from the Chief Financial Officer



Enhancing the value we deliver to customers even amid a changing business environment, and raising corporate value through solid business and earnings growth

Seiji Maeda
Executive Officer, Chief Financial Officer (CFO)

DENSO's Key Financial KPIs

(Fiscal 2025 Results → Fiscal 2026 Results → Fiscal 2027 Outlook)*

ROE: 8.0% → 8.5% → 7.2%

Operating margin: 7.2% → 7.3% → 6.5%

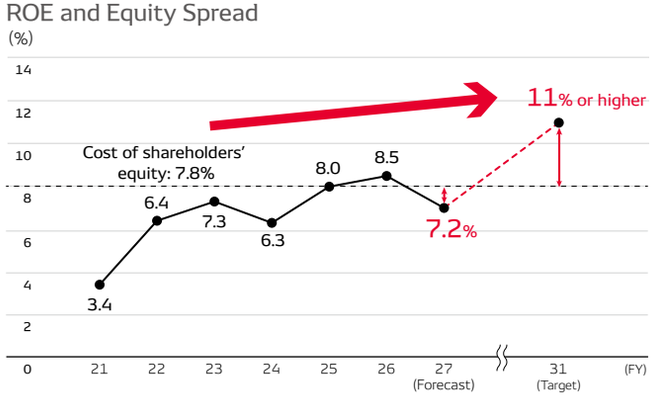
Equity ratio: 61.3% → 62.9% → 50% or higher

DOE: 3.5% → 3.5% → 3.6%

Share buybacks: ¥196.6 billion → ¥253.4 billion → Flexible implementation

* As of the end of July 2026

ROE and Equity Spread



Overview of Fiscal 2026 Results and Outlook for Fiscal 2027

Amid shifts in the powertrain mix in the market, including a slowdown in the growth of BEV demand and stronger demand for PHEVs and HEVs, DENSO expanded sales of electrification and safety & security products in growth domains while also meeting demand in the internal combustion engine and thermal systems domains. As a result, in fiscal 2026 revenue rose to ¥7,540.0 billion year on year. Although we faced headwinds, including the impact of U.S. tariffs and soaring materials costs as well as the incurrence of quality-related expenses, operating profit reached ¥552.5 billion, supported by improved profitability, all-out efforts to contain rising costs, and price hikes implemented with the understanding of our customers. ROE improved to 8.5% from 8.0% in fiscal 2025, partly reflecting an improved capital structure centered on shareholder returns.

In fiscal 2027, materials costs, particularly for semiconductors, are likely to continue rising. We will manage earnings over the short term through efforts to improve profitability and further advance rationalization, while accelerating the strengthening of our medium- to long-term competitiveness through the development of SoCs optimized for vehicles, the development of core technologies in fields such as electrification and thermal management, and concentrated investment in human resources and IT. Based on the current growth rate of the automobile market, DENSO targets revenue of ¥7,775.0 billion and operating profit of ¥500.0 billion, which factors in the impact of uncertainties and risks, arising from the unclear outlook in the external operating environment. We expect ROE to decline from fiscal 2026, to 7.2%. Nevertheless, we will not rest in our efforts to improve capital efficiency and will steadily advance measures aimed at medium- to long-term growth, targeting ROE of 11% or higher in fiscal 2031.

Toward Enhancement of Corporate Value

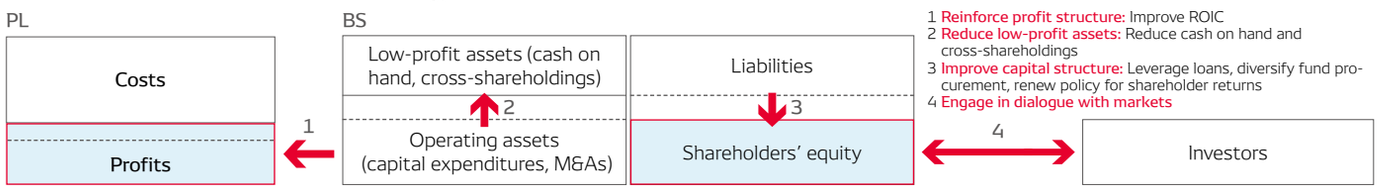
As of the end of fiscal 2026, the Company's price-to-book ratio (PBR) was below 1x, and we take the market's assessment of our corporate value seriously. The external environment is changing, with sluggish growth in the BEV market, rising materials and labor costs, and increasing instability in the Middle East, while the axis of competition surrounding mobility is expanding from a conventional focus on hardware into the software domain. Against this backdrop, we will do our best to meticulously explain to investors how our R&D and capital expenditures will help us steadily achieve business success and enhance our profitability and capital efficiency. We will also explain the progress we are making with such efforts and how they will lead to future growth.

Our principal businesses rest on a business model that creates value through long-term development and mass production with our customers. While a certain span of time is required to move from development to mass production and on to stable earnings contributions, these businesses are characterized by a highly continuous and stable earnings structure. Taking these business characteristics into account, we will steadily advance product development that responds to current changes in the environment as well as investment to strengthen competitiveness. Also, by contributing to the creation of appealing automobiles, we will connect these efforts to future business and profit growth. In addition, to achieve further growth, the Company revised its officer compensation system in June 2026, adding ROE and total shareholder return (TSR) as evaluation indicators for performance-linked compensation. We also continue to operate a share grant program for employees, as we did last year. Through mechanisms that share value with our shareholders, we will work as one to enhance corporate value over the medium to long term and thereby improve the market's assessment of DENSO.

The Four Pillars of Our Financial Strategy

Since renewing our financial strategy in fiscal 2020, we have comprehensively and steadfastly advanced this strategy to enhance corporate value, refining it under four pillars: reduction of low-profit assets, reinforcement of profit structure, improvement in capital structure, and dialogue with markets. First, for the reduction of low-profit assets, DENSO has actively worked to reduce cross-shareholdings with multiple companies and to optimize cash on hand and inventory levels, thereby freeing up funds for business growth. With regard to the reinforcement of profit structure, we used the funds generated from these efforts to make aggressive growth investments over the five years from fiscal 2022 to fiscal 2026, totaling ¥1.8 trillion in capital expenditures and ¥2.9 trillion in R&D expenditures, and achieved steady growth in both revenue and profit. ROIC also improved by 2.5 percentage points during the previous mid-term management plan, reaching 8.3% and exceeding the cost of capital. Next, for improvement in capital structure, we took steps to diversify our fundraising platforms. In addition, with respect to shareholder returns, we achieved our target of a 3.5% dividend on equity (DOE) and repurchased a total of ¥847.5 billion in treasury stock, thereby enhancing returns for shareholders. Going forward, we will continue to improve capital efficiency by lowering the cost of capital through the use of leverage and diversified funding, and by further strengthening our shareholder return policy. Building on these efforts, we aim to enhance corporate value through attentive dialogue with markets.

The Four Pillars of Our Financial Strategy



Evolution of Our Financial Strategy

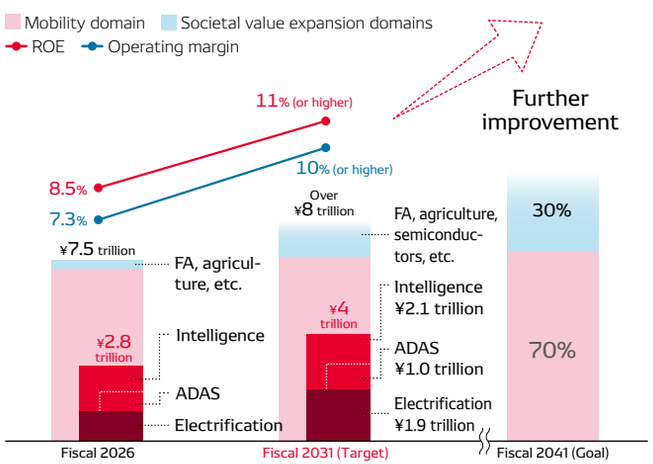
Four Pillars of Financial Strategy		Update to Financial Strategy during Fiscal 2020–Fiscal 2022 Drafting of financial strategy based on four pillars and formulation and disclosure of relevant KPIs	Fiscal 2022–Fiscal 2024 Thorough Implementation of Management Focused on Capital Costs Improvement in ROE and ROIC through the steady promotion of financial strategy	Fiscal 2024–Fiscal 2026 Enhancement of Financial Management Advancement of individual strategies and maximization of corporate value
Improvement in ROIC	Reinforcement of profit structure	Introduction of hurdle rates in investment decision-making criteria	Promotion of business growth based on DENSO Philosophy, ROIC, and growth potential	Full-scale collaboration with partners
	Reduction of low-profit assets	Reduction of cash on hand and cross-shareholdings	Increased reduction of shares and optimization of inventories	Finalized reduction plan for cross-shareholdings, excluding holdings with strategic importance from a management perspective
Reduction of WACC*1	Improvement in capital structure	Introduction of DOE*2 and increased treasury stock acquisitions	Diversification of fundraising foundation through foreign bonds	Cumulative treasury stock acquisitions of ¥847.5 billion from fiscal 2022 to fiscal 2026 Continuously improved DOE to 3.5%
	Dialogue with markets	Communication of strategies and targets through DENSO DIALOG DAY, corporate website, and integrated report, etc.	Enhancement of comprehensive communication of financial and non-financial information	Strengthening of efforts to appeal to individual investors and improvement of shareholder composition via public offerings Pursuit of dialogue with approximately 2,000 institutional investors annually and reflection of market feedback in management policy

*1 WACC: Weighted average cost of capital *2 DOE: Dividend on equity

Financial Strategy under Mid-Term Management Plan CORE 2030

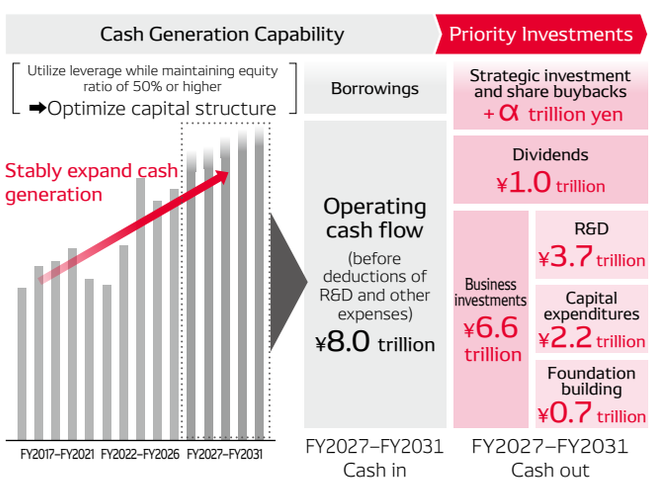
Over the five years leading up to CORE 2030, we will allocate capital not only to strengthen competitiveness in the mobility domain but also to strengthen societal value expansion domains that will serve as a new pillar of earnings. Working with limited management resources, we will identify changes in the needs of customers and society, allocate capital appropriately in response to the diversification of mobility, and thereby enhance both growth potential and profitability. In the vehicle electrification and intelligence fields within the mobility domain in particular, we aim to grow revenue to ¥4 trillion, approximately 1.5 times the current level, by strengthening the competitiveness that leads customers to choose us by creating system-level value. For fiscal 2031, we have set targets for revenue of ¥8 trillion or more, an operating margin of 10% or higher, and ROE of 11% or higher, and we will work to achieve these targets by advancing our growth strategy and financial strategy in tandem. In societal value expansion domains, we will leverage our technologies and *Monozukuri* capabilities cultivated in mobility, create new value through collaboration with partners, and establish these domains as a second axis of growth. By providing high-added-value products and solutions that meet increasingly diverse customer needs, we seek to achieve both revenue growth and higher profitability.

Business Growth Scenario



By balancing growth with investment, we will place sustainable growth on a firm footing and contribute to resolving an even wider range of social issues. Through such business growth, we plan to further expand the stable cash generation capability we have built up to date and to generate ¥8.0 trillion in operating cash flow (before the deduction of R&D and other expenses) over the five years from fiscal 2027 to fiscal 2031. With a view to achieving our targets for fiscal 2031 and sustaining growth beyond, we will allocate the cash we generate on a priority basis to R&D and capital expenditures, as well as to strategic investments that enhance our value creation foundation, including the evolution of our IT infrastructure through the use of AI, intellectual property, and the strengthening of human capital, and that support strategic partnerships. On that basis, we will also work to enhance shareholder returns through a dividend policy centered on the stable long-term improvement of DOE, together with flexible share buybacks implemented in consideration of our capital structure and share price levels.

Being constantly mindful of improving capital efficiency by strengthening our earning power and utilizing leverage, we will pursue the optimal balance among growth investment, shareholder returns, and financial soundness.



1. Reinforce Profit Structure

(1) Creation of Medium- to Long-Term Corporate Value through ROIC-minded Management

Our ROIC management does not aim solely at improving short-term financial indicators. Rather, we seek to enhance corporate value over the medium to long term, and since fiscal 2022, we have advanced management that makes active use of ROIC. We appropriately incorporated the perspective of capital efficiency into management decisions, such as strengthening earnings efficiency and allocating resources by domain, and we achieved steady improvement in ROIC as a result. Looking ahead to fiscal 2031, in a business environment where our business domains and the phases of each business grow ever more diverse, we will further strengthen ROIC management in order to execute management aimed at sustainable, highly efficient growth. Under CORE 2030, we set ROIC targets for each business and monitor progress against them as an internal indicator. At the same time, we will spread the use of the ROIC tree to facilitate concrete actions that strengthen competitiveness.

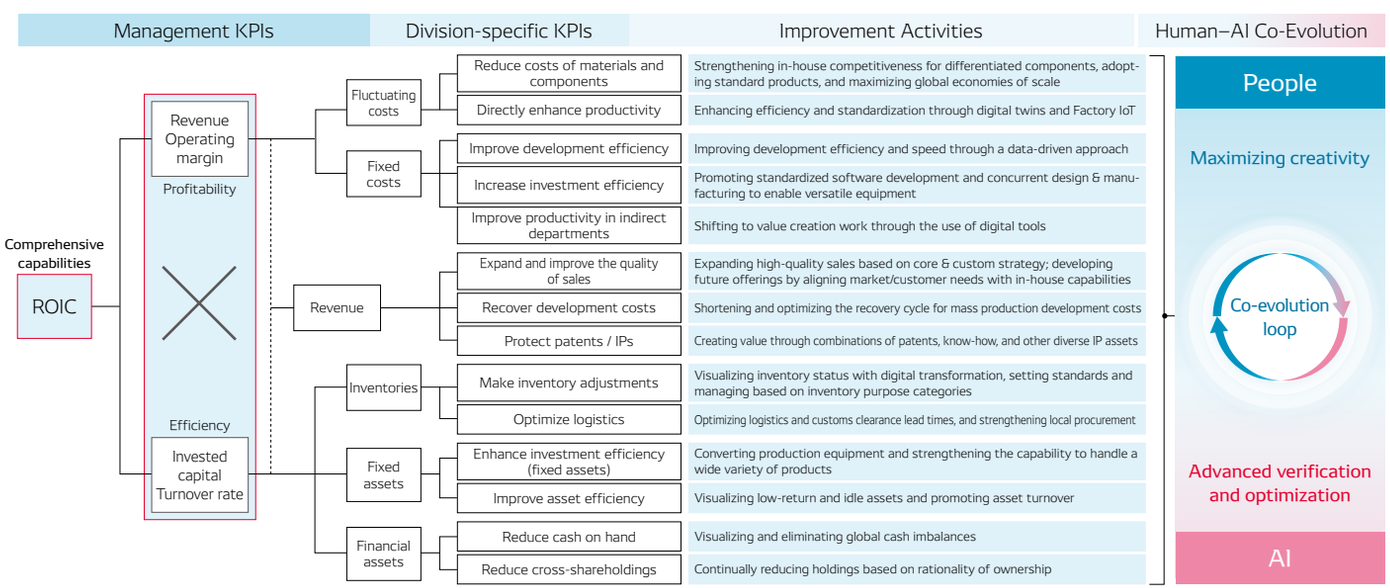
In addition, together with Human–AI Co-Evolution initiatives, we will further accelerate and advance each of these measures. For example, as customer needs grow more diverse and the procurement and supply environment becomes more complex, we will use AI to verify complex scenarios in sales expansion activities, local procurement, and production and supply. In this way, we will advance our cost planning activities and increase the speed at which we strengthen earning power. We will also combine the speed and processing power of AI with the vast and difficult-to-imitate practical knowledge of design, development, and *Monozukuri* that our people have experienced and accumulated to date, driving the evolution even further. This will bring overwhelming advances in efficiency and speed in technology development. In *Monozukuri*, implementing physical AI in our plants will allow us to promote optimal production and inventory management even under complex production conditions, improving capital efficiency.

Through this Companywide management of indicators and the advancement of activities that support profitability and efficiency, we aim to spread and evolve ROIC management.

(2) Evolution of Business in Response to a Changing Environment

Drawing on the technologies we have cultivated in our automotive businesses, we aim to enhance the value we deliver to customers and

ROIC Tree Showing the Relationship between Management KPIs and Individual Activities



remain a company that society continues to rely on. Looking toward fiscal 2031, we will work in the mobility domain to contribute to our customers and achieve solid growth. In addition, by combining the strengths we have cultivated in the mobility domain with co-creation alongside our partners, we will advance the creation of new value in our societal value expansion domains and realize "Our Goal."

Mobility Domain

We will pursue further innovation in semiconductors and software, which are our fundamental technologies, and advance the components and integrated systems in the fields of vehicle electrification (including thermal management) and intelligence, which are our growth drivers. At the same time, we will deepen our technologies in internal combustion engine and thermal systems fields to underpin the multi-pathway approach that responds to the diversification of mobility.

• Innovation in Fundamental Technologies

In the semiconductor field, we create overwhelming value in both performance and cost through innovation in our in-house power semiconductor technologies, and we also advance the development of System on Chips (SoCs) optimized for automotive use that deliver both computing performance and low power consumption at a high level. In the software field, we use agentic AI in our design and development processes to deliver speed and high added value at extraordinary pace, matching the rapid progress of software-defined vehicles (SDVs). Through this innovation in fundamental technologies, we will maximize the product value we provide to our customers and society.

• Evolution of Vehicle Electrification and Intelligence Domains

In the vehicle electrification domain, we are advancing our core parts and components and, as a differentiating technology, advancing the integrated systems that bring these components together, such as energy management control. In this way, we contribute to increasingly diverse customer needs and to the realization of a carbon-neutral society. In the intelligence domain, we differentiate ourselves through systems that connect vehicles with people and infrastructure, SoCs optimized for automotive use, a highly reliable system platform built on sensing technologies, and our capability for mass production implementation. Through these strengths, we respond flexibly to customer needs in the rapidly evolving AD/ADAS fields and contribute to the elimination of traffic accident fatalities.

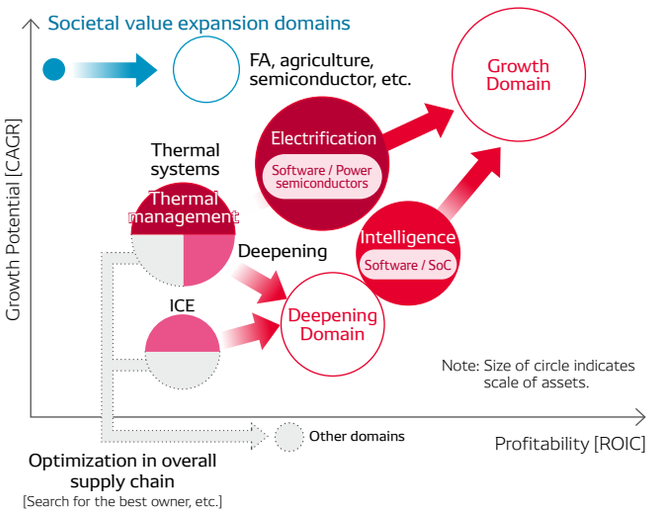
• Deepening of Internal Combustion Engine and Thermal Systems Fields

From the perspectives of both the needs of society and our customers and DENSO's own technological competitiveness, we identify the areas in which we will pursue deeper technologies such as improved thermal efficiency and environmental adaptation, and the areas in which we will optimize competitiveness across the entire supply chain. Through both, we will underpin the multi-pathway approach and contribute to strengthening the competitiveness of automobiles.

Societal Value Expansion Domains

Looking toward fiscal 2031, we will expand domains beyond mobility, centered on the factory automation, agriculture, and semiconductor fields. We will apply the knowledge accumulated in this process to the mobility field, leading to further advances in our technological capabilities. In the factory automation field, we will leverage the wide range of elemental technologies and *Monozukuri* capabilities we have cultivated in our automotive businesses, combining them with partnerships and advanced technologies such as AI. As an integrated line builder, we will contribute to the evolution of *Monozukuri* across a broad range of industries beyond the automotive industry and help resolve labor shortages in the manufacturing sector.

Direction of Business Evolution (Fiscal 2026 to Fiscal 2031)



In the agriculture field, by combining mobility technologies such as system integration and sensing technologies with co-creation alongside partner companies, we will provide a one-stop solution covering everything from cultivation planning to stable production by fiscal 2031. Looking toward fiscal 2036, we will build a digital cultivation platform and incorporate industrialization expertise not found in conventional agriculture, aiming to create new markets and achieve a stable food supply.

In the semiconductor field, we will address society's needs for diverse, high-performance semiconductors not only for automotive applications but also for industrial and consumer equipment. By leveraging the highly reliable, highly efficient technologies we have refined in the automotive domain, we will contribute to technological and manufacturing innovation for the next-generation society. Through business development in each of these mobility and societal value expansion domains, we will drive evolving mobility that captures market and customer needs, as well as the expansion of our contribution domains.

(3) Allocation of Resources to Achieve Future Growth

To enhance value for our customers and achieve sustainable growth as a company that society continues to count on, we will further improve on the efficient allocation of resources to defined domains toward fiscal 2031.

For capital expenditures, we plan to invest a cumulative ¥2.2 trillion over the five years from fiscal 2027 to fiscal 2031, of which we will allocate ¥400.0 billion in fiscal 2027, an increase of approximately ¥30.0 billion year on year. While maintaining the investment in strengthening our foundations that we have long pursued to improve safety and quality at production sites, we will raise asset efficiency by repurposing production equipment and enhancing our ability to handle a wide variety of products. We will also continue to expand investment in the vehicle electrification and intelligence domains, including fundamental technologies for semiconductors.

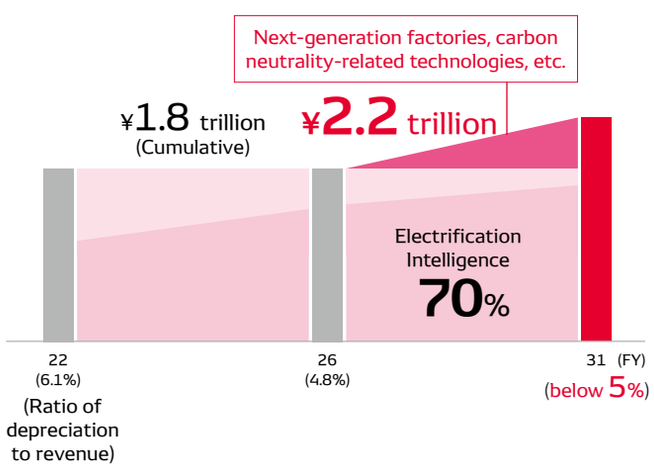
In addition, we will strengthen investment in next-generation factories, such as the Zenmyo South Plant scheduled for completion in 2027, and accelerate innovation in *Monozukuri*, in which people and machines learn from each other and continue to evolve, by promoting automation and implementing AI on-site.

For research and development, we plan to invest a cumulative ¥3.7 trillion over the five years from fiscal 2027 to fiscal 2031, of which we will allocate ¥705.0 billion in fiscal 2027, an increase of approximately ¥15.0 billion year on year. By transforming our development processes with AI, we will develop core technologies centered on vehicle electrification and intelligence with high efficiency and speed.

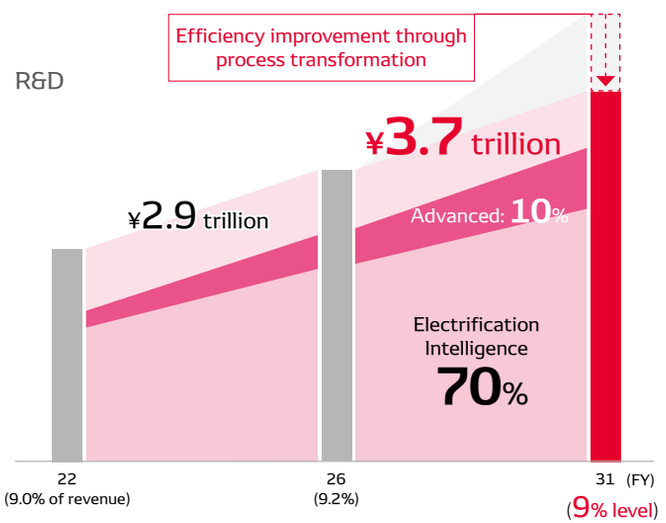
In advanced technology development, to stay ahead of rapid changes in social needs, we have built a structure in which management members, under the leadership of the CTO, regularly and flexibly update the development themes to be addressed and verify the effect of investment through the management of KPIs such as ROI. Through these efforts, we will allocate resources precisely to game-changing technologies that will become the source of our future competitiveness, while aiming to create the world's first and world's best technologies that lead to next-generation mobility, and contribute significantly to the creation of value in mobility.

Under CORE 2030, we also plan to invest a cumulative ¥0.7 trillion over the five years from fiscal 2027 to fiscal 2031 as investments in our value creation foundation to build up business competitiveness for sustainable growth and to create new value. We are strengthening investment in the intellectual property, IT, and human resource domains in order to powerfully drive differentiation through stronger IP strategies, the creation of new value through stronger collaboration within the industry, and the maximization of productivity and innovation through DX promotion, AI adoption, and investment in people.

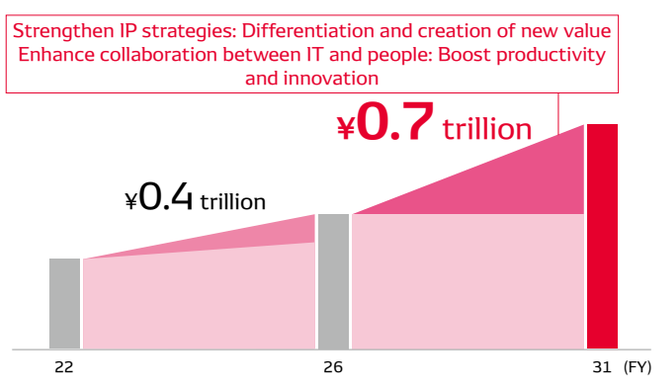
Capital Expenditures



R&D



Value Creation Foundation



(4) Direction of Collaboration with Partners

To enhance the value provided to customers, DENSO is driving business growth through collaboration with partners, including M&As, in both the mobility domain and the societal value expansion domains. In the growth domains of mobility intelligence and electrification, we have made capital investments in Turing Inc. and Next Core Technologies Inc. and formed a strategic alliance with Horizon Robotics. In the societal value expansion domains, we are broadening our business fields by leveraging the technologies and expertise cultivated in the mobility domain. In the agriculture-related field in particular, following our acquisition of all shares in Axia Vegetable Seeds B.V., we have entered into a capital alliance with FoodVentures B.V. and concluded a joint development agreement with DELPHY GROEP BV.

In advancing M&As, we apply a rigorous decision-making process and evaluation criteria that assess validity from both qualitative and quantitative perspectives under a Companywide task force structure, and we pursue sustainable enhancement of corporate value in collaboration with our partners. After a collaboration begins, we also monitor its progress and the partner's management status on a regular basis. Under an evaluation structure that includes management, we implement improvement measures in line with results and risks and advance exit strategies, including a review of the collaboration, in a timely manner. In this way, we advance collaboration under disciplined governance even after making an investment, thereby seeking to maximize corporate value.

Results of Recent Collaborations (M&As) with Business Partners (as of July 2026)

Mobility domain	BluE Nexus Corporation*1	NTT DATA Japan Corporation
	Next Core Technologies Inc.*1	Turing Inc.*1
	Toyota Motor Corporation's Hirose Plant*2	Rapidus Corporation*1
	United Semiconductor Japan Co., Ltd.	Quadric Inc.*1
	Silicon Carbide LLC (a subsidiary of Coherent Corp.)*1	Semiconductor Components Industries, LLC (onsemi)*1
	Fuji Electric Co., Ltd.	Horizon Robotics
	Infineon Technologies AG*1	Qualcomm Technologies, Inc.
	ROHM Co., Ltd.*1	KOITO MANUFACTURING CO., LTD.
	J-QuAD DYNAMICS Inc.*1	Renesas Electronics Corporation*1
	NTT DATA MSE Corporation*1	Japan Advanced Semiconductor Manufacturing, Inc.*1
	Toshiba Information Systems (Japan) Corporation*1	
Societal value expansion domains	Certhon Group*2	DELPHY GROEP BV
	Axia Vegetable Seeds B.V.*2	FoodVentures B.V.*2

Electrification ADAS Semiconductors Software Agriculture

*1 Shareholdings *2 Full acquisitions and companies becoming subsidiaries through M&As

The Company will continue to pursue collaboration with strategic partners in the areas it positions as priority domains, such as FA, software, and semiconductors. To achieve discontinuous growth and evolve our businesses to meet customer and market needs, we will keep larger-scale collaboration in view and drive sustainable enhancement of corporate value along the two axes of mobility and the resolution of social issues.

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) Reduction of 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).

We have set a target level for cash on hand of 1.0 month of revenue, and we have continued to meet it in broad terms, at 1.14 months in fiscal 2023, 1.06 months in fiscal 2024, and 0.92 months in fiscal 2025. In fiscal 2026, cash on hand stood at 1.85 months of revenue.* However, this figure includes temporary standby funds related to the tender offer for treasury stock announced in April 2026, which will be spent in the short term.

* 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.

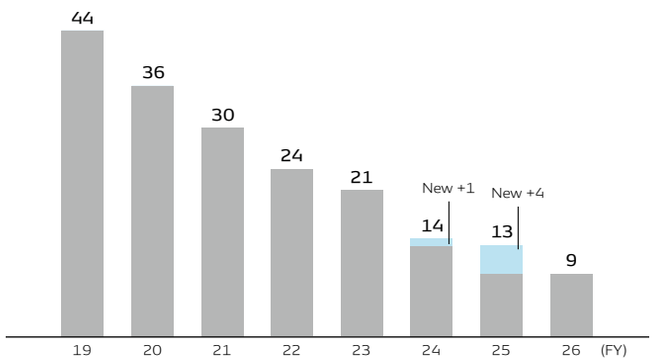
(2) Reduction of Cross-Shareholdings

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.

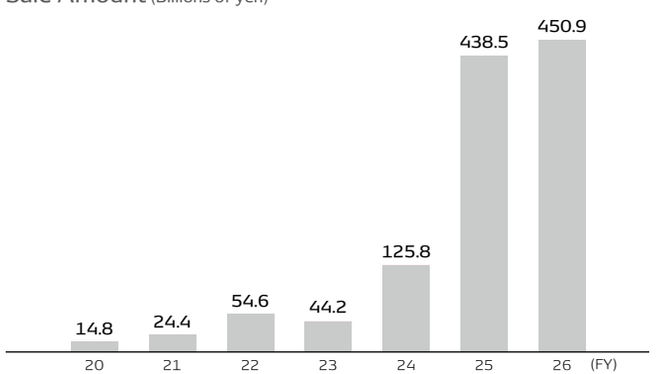
Since the secondary offering of DENSO's shares in fiscal 2024, management has accelerated the reduction in cross-shareholdings. In fiscal 2026, in conjunction with the delisting of Toyota Industries Corporation, the amount of cross-shareholdings sold reached a record high of ¥450.9 billion. The number of issues held declined

from 44 as of March 31, 2019 to nine companies as of March 31, 2026, as we have narrowed our holdings down to those with a rational basis for ownership, such as holdings related to semiconductor procurement and advanced technology development.

Number of Shares Held (Stocks)



Sale Amount (Billions of yen)



Going forward, we will continue to verify the rationality of our shareholdings on a regular basis and enhance corporate value by effectively utilizing cash.

(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 2026, we promoted the standardization and automation of an inventory standard setting through the use of data, reducing standard inventories by 0.01 months of monthly sales. We also secured appropriate volumes of strategic inventories, tailored to each part and region, to ensure a stable supply to our customers.

In fiscal 2027, we will advance united activities Companywide by further embedding ROIC-based management, and we will review the criteria for holding strategic inventories in light of changes in the business environment, in order to further reduce inventory levels.

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.

Under CORE 2030 as well, management continues to target an equity ratio of 50% or higher. Given the risks inherent in our businesses, we regard this as the most capital-efficient level among ranges that would allow us to raise funds even during an economic crisis, and therefore as the optimal capital structure for DENSO.

(1) Diversification of Funding Sources and Utilization of 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 31, 2026)

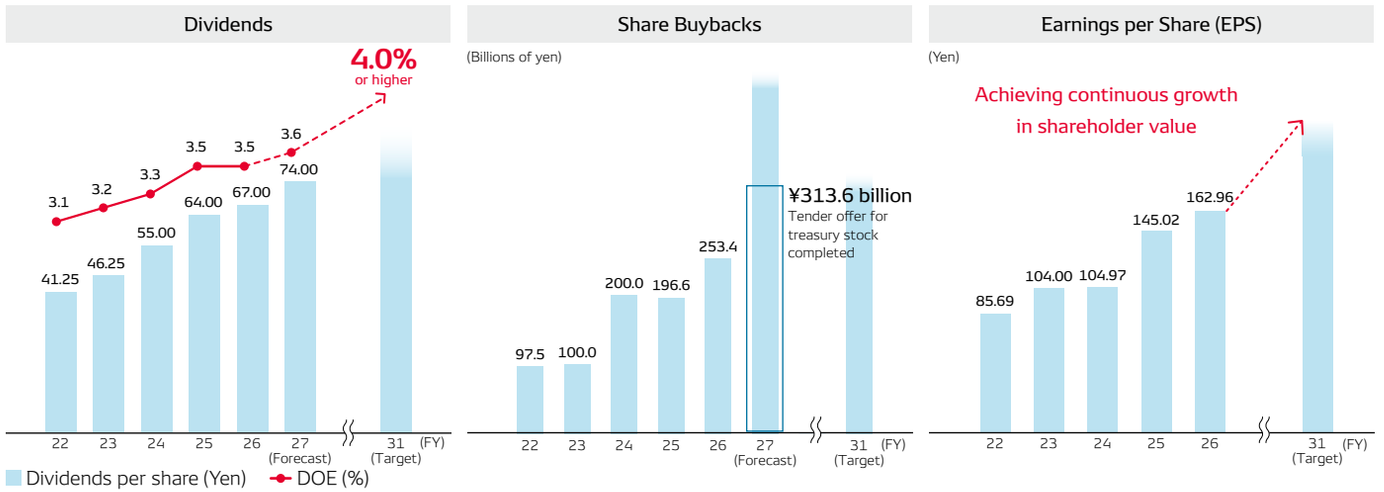
Rating Company	Credit Rating
Rating and Investment Information, Inc. (R&I)	AAA
S&P Global Ratings	A+
Moody's Investors Service, Inc.	A2

(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 is based on the continuous improvement of dividend on equity (DOE: Dividends ÷ Shareholders' equity) from the 3.0% level achieved in fiscal 2021. In fiscal 2026, DOE reached 3.5%, achieving the target set forth in the Mid-Term Policy for 2025. Under CORE 2030, the Company aims to achieve a DOE of 4.0% or higher by fiscal 2031 and will continue to provide stable dividends over the long term.

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 2026, DENSO acquired ¥253.4 billion of its own shares, the remaining portion of the ¥450.0 billion market buybacks it announced in fiscal 2025. As a result, share repurchases have totaled ¥847.5 billion over the five years through fiscal 2026. In fiscal 2027 as well, DENSO conducted a ¥313.6 billion tender offer for treasury stock covering shares of the Company held by Toyota Industries Corporation. As a result of these earnings improvements and ongoing shareholder returns, EPS grew at an annualized rate of more than 15%. Through these initiatives to enhance stable, long-term shareholder returns, we will continue to deliver a TSR that exceeds the cost of shareholders' equity while curbing capital accumulation and enhancing corporate value.



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	9.2%	14.7%	4.7%	20.9%	3.9%	111.2%	7.8%
TOPIX	34.6%	87.4%	23.3%	102.2%	15.1%	228.2%	12.6%
TOPIX (Transportation equipment)	18.4%	61.7%	17.4%	76.6%	12.0%	144.9%	9.4%

Source: Market data (compiled by DENSO CORPORATION)

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 2026, we held around 340 dialogues with institutional investors in Japan and overseas, covering a cumulative total of approximately 2,000 companies, through online meetings, conferences, and overseas roadshows. We conveyed the opinions we received to our internal formal committees and reflected them in a range of activities, including the drafting of our mid-term management plan and initiatives to enhance the diversity of the Board of Directors. In keeping with the spirit of our founding, we have consistently pursued sustainability-oriented management that responds to the needs of the times. We have now reviewed the Materiality that DENSO will address on a priority basis going forward and have set new KPIs. We have established new KPIs that incorporate forms of value that cannot be fully measured conventionally into our management decision-making. By achieving these KPIs, we believe we can deliver sustainable growth over the medium to long term. In fiscal 2026, we established the Sustainability Meeting as a new formal committee and will further enhance the effectiveness of our sustainability management. As the officer responsible for finance, I myself actively participate in these meetings. I will link financial and non-financial aspects and embed them throughout our management efforts, ensuring that resolving social issues and achieving business growth are never a trade-off, so that we can further strengthen and practice genuine sustainability management.

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. In recent years, I sense that communication with investors focusing on non-financial value, as well as on financial growth, has been increasing.

As standards such as the Sustainability Standards Board of Japan (SSBJ) and the Corporate Sustainability Reporting Directive (CSRD) continue to take shape, we will communicate DENSO's management stance, strengths, and business strategies to a broad range of shareholders. By gaining the understanding of the market, we will make management decisions that look toward long-term growth in closer alignment with the demands of society. *DENSO Integrated Report 2025*, published in fiscal 2026, received high external recognition. It won the Excellence Award at the Fifth NIKKEI Integrated Report Award and a Bronze Award at the WICI Japan Integrated Report Award 2025. We will continue to instill our management approaches throughout the organization through activities such as internal dialogue using the Integrated Report, thereby raising employee awareness of corporate value. We will also provide clear explanations of the progress of CORE 2030, our business model, and our approach to monetization. At the same time, we will further strengthen our dialogue with the market and apply the opinions we receive to enhancing 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, Representative Member of the Board,
Chief Human Resources Officer (CHRO)

DENSO's Approach to Human Capital-focused Management

Under Mid-Term Management Plan 2030, CORE 2030, DENSO set out its goal of becoming a company that harnesses human potential to bring about the future of society that expands outward from mobility. It is the strength of our people and our organization, and nothing else, that will allow us to continue creating the CORE that customers and society truly need. Because we live in an era where the business environment grows ever more challenging and complex, I believe it is essential to link our human capital strategy more closely with our business and management strategies, to invest actively in human capital and to enhance the value of our people, through the added value they generate and their ability to turn ideas into reality.

This is DENSO's approach to human capital-focused management, expressed in the belief that "*Monozukuri* is *Hitozukuri* (Our performance relies on our people)"—which entails putting trust in the potential of people—that has been put into practice and handed down ever since our founding. Since its establishment in 1949, DENSO has overcome a wide range of challenges and created over 200 world-first technologies and products, driven by the aspirations and relentless spirit of the many who came before us, who dared to challenge the status quo. In other words, we have contributed to resolving social issues by enhancing the power to create what does not yet exist in the world, namely, the ability of our people and organization to turn ideas into reality. Going forward, we will continue the work of strengthening our human capital.

Outline of Efforts to Strengthen Human Capital

Regarding specific initiatives to strengthen human capital, the Company has worked to reform its human resource policies and systems under

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

Activities (Input)

Vision and action plan for our people and organization
PROGRESS
Aiming to become a group of professionals with the ability to turn ideas into reality and continuing to evolve and pursue ambitious initiatives

Results (Output)

Increase in the number of employees realizing their aspirations and feeling glad to be working with us
Enhancing Employee Engagement

×

Qualitative and quantitative enhancement of personnel that is needed to realize strategies and principles
Diverse Talent Portfolio

Value (Outcome)

Group of professionals with the ability to turn ideas into reality

Ability of employees to create value
Enhancement of the Ability of Our People and Organization to Turn Ideas into Reality

Business evolution centered on the growth of mobility
Maximization of Customer Value

Resolution of social issues / Business growth / People's well-being and growth

Targets Related to Value Creation Path

Increase in human capital investment from the previous fiscal year*1
FY2026: ¥49.5 billion (results) / FY2027: ¥54.5 billion (forecast) *1 Includes suppliers

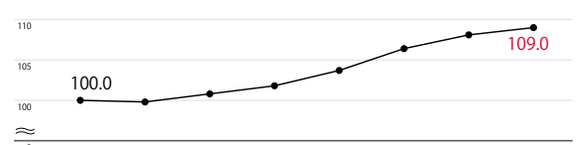
Enhancing Employee Engagement			
Employee Engagement Indicator (percentage of affirmative responses) (non-consolidated)		FY2025: 76% FY2026: 78%	▶ FY2027 target: 80%
Talent Portfolio Transformation			
Management Professionals Globally competent management leaders who are systematically developed and deployed	Ratio of non-Japanese employees promoted to site leader positions at overseas bases	FY2025: 32% FY2026: 33%	▶ FY2031 target: 50%
Specialists Development of personnel in each field who can innovate and create value	Qualitative and quantitative sufficiency of human resources (non-consolidated)	Clarifying approximately 40 domains and 600 areas of expertise in order to visualize the expertise levels of each employee	▶ Setting and meeting qualitative and quantitative targets for priority fields each fiscal year
	Average level of expertise among all employees (out of 5 levels) (non-consolidated)	FY2025: 2.9 FY2026: 2.8	▶ FY2031 target: 3.0 or higher
	DX human resource development (ratio of employees certified in digital utilization)	FY2026: 25%	▶ FY2031 target: 100%
Diverse Professionals Diverse professionals whose individuality, values, and experience invigorate the Company	Ratio of female managers (consolidated)	FY2026: 8.6%	▶ FY2031 target: 10.0%

Ability of our employees and organization 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

Productivity of Investment in Human Capital*2



"PROGRESS," its vision and action plan for its people and organization.

From the perspective of people, these reforms aim to enhance employee engagement by increasing the number of employees who genuinely feel glad to work at DENSO. From the perspective of the organization, they aim to strengthen the qualitative and quantitative sufficiency of our human resources required to realize our business and management strategies, in other words, to achieve a diverse talent portfolio. As a result of measures to help employees realize their careers and create open workplaces, employee engagement rose from 76% in fiscal 2025 to 78% in fiscal 2026, steadily approaching the fiscal 2027 target of 80%.

We also position investment in human capital as an important investment that strengthens the capabilities of our people and organization, and we actively address issues such as compensation. In addition, to strengthen the qualitative and quantitative sufficiency of our human resources, we clarify priority issues for each key business domain and advance recruitment, development, and assignment measures that close the gap with the current situation.

We monitor the results of these efforts to strengthen human capital using productivity of investment in human capital as an indicator that measures whether all of our employees and organizations are sustainably providing value that leads to the resolution of social issues and to the well-being and growth of people. This indicator improved year on year in fiscal 2026 as well, and we will continue to promote effective and efficient human capital management going forward.

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 as an important global management issue.

Initiatives of DENSO CORPORATION

We aim to raise the overall positive response rate in DENSO CORPORATION's engagement survey from 70% in fiscal 2022 to 80% by fiscal 2027, and the rate improved to 78% in fiscal 2026. This improvement reflects the measures we have strengthened since fiscal 2023 for segments scoring below the Companywide average. For example, we introduced a three-year development program for young employees following their joining the Company. We implemented effective measures for the key factors identified through data analysis, which are a sense of growth and career realization, and the results are beginning to appear in employee engagement and retention rates. The retention rate for employees three years after joining the Company as a new graduate has risen year by year, from 85.0% in fiscal 2022 to 94.0% in fiscal 2026.

In fiscal 2026, we adopted an approach that enables employees to drive initiatives themselves, aimed at revitalizing their workplaces based on engagement survey results. For example, we support such grassroots initiatives by deploying a business intelligence (BI) tool that allows all employees to grasp the state of their own workplace at a glance and by providing newly appointed managers with opportunities to learn how to approach discussions based on engagement survey results.

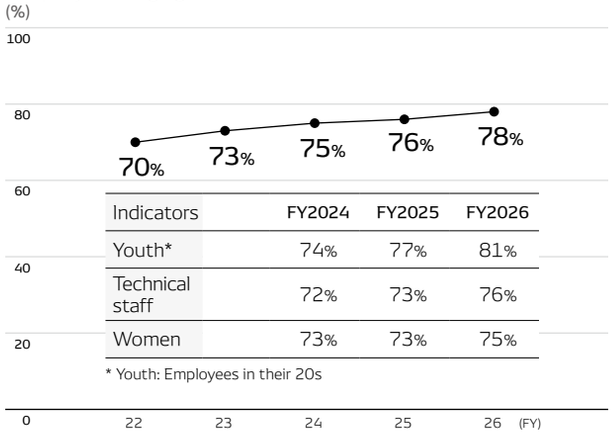
In addition, as part of strengthening the foundation for enhancing employee engagement, we are working to build an attractive compensation system. Compensation is directly linked to employees' job satisfaction and the stability of their livelihoods. It is not a cost but an important investment that fortifies the capabilities of our people and our organization for the future. In studying the compensation system, we address these issues from the standpoint of both monetary compensation and non-monetary compensation, such as the workplace environment and employee benefits, taking into account the impact of inflation in daily life, the employee perspective that results and the degree to which they challenge themselves should be rewarded, the social perspective of contributing to a virtuous economic cycle, and the management perspective of securing human resources and achieving long-term stable growth of the Company. Based on this thinking, over the past two years we increased wages by ¥23,500 a month per person, the largest increase ever, thereby enhancing the appeal of our compensation levels. We are also advancing a range of initiatives that provide monetary incentives for employees to take on challenges, including improving a clearly differentiated compensation setup that rewards outstanding results and greater responsibilities, and revising our system so that senior personnel in significant roles receive compensation at the same level as before the mandatory retirement age.

In December 2025, we introduced a stock incentive plan to share value between employees and stakeholders, enhance corporate value from a medium- to long-term perspective, and support the asset building of employees. The incentive plan covers approximately 47,000 employees, making it one of the largest of its kind in Japan. We grant the shares through the DENSO Employees' Shareholding Association. The participation rate in the shareholding association rose to 94%, which is about 40 percentage points higher than before the plan was introduced. Employees have commented that their interest in the Company's management and earnings has increased and that their daily motivation at work has improved. We intend to leverage this initiative to heighten employees' awareness of their participation in management.

Initiatives to Enhance Employee Engagement Globally

We are also strengthening our initiatives to enhance employee engagement overseas. We position engagement as an important management priority in all regions, set target values for each region, and carry out actions and monitoring. At our North American bases, we set improvement themes for each issue identified among the low-scoring items in the engagement survey and advance improvement activities while continuously monitoring progress. For example, to address issues such as "I don't feel that my opinions are reflected in the workplace," we post action plans that reflect employee feedback on-site to make progress visible, and we roll out measures based on that feedback.

DENSO CORPORATION's Positive Response Ratio for Employee Engagement



Indicators	FY2024	FY2025	FY2026
Youth*	74%	77%	81%
Technical staff	72%	73%	76%
Women	73%	73%	75%

* 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)

In this way, by moving swiftly from employee feedback to improvement, we heighten the feeling that opinions are being put to use as a part of seeking to enhance employee engagement.

As an important management foundation supporting the resolution of social issues and the well-being and growth of people, we will continue to work on enhancing employee engagement, including fostering an organizational culture in which employees can feel their own growth and career realization, creating a working environment that offers job satisfaction, and providing non-monetary rewards.

Diverse Talent Portfolio

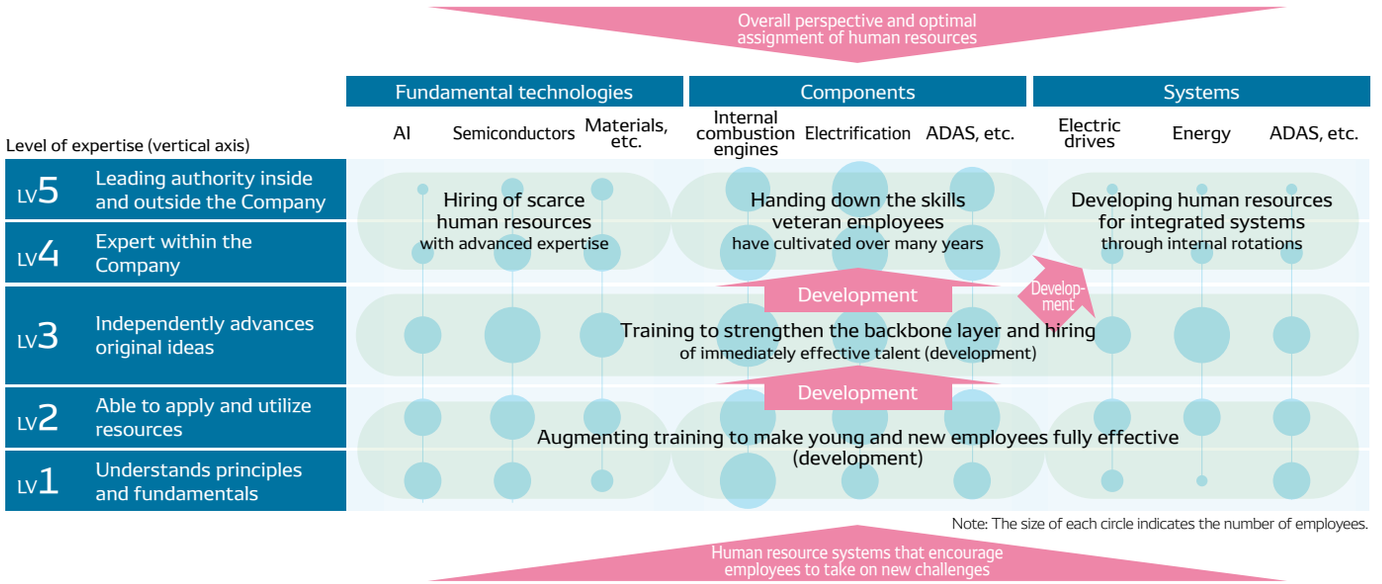
To advance the evolution of our businesses that underpin sustained corporate growth, the Company positions the securing of sufficient quality and quantity of human resources based on its business strategy as an important management issue. To achieve this, we are advancing strategic recruitment, development, and assignment of personnel.

Qualitative and Quantitative Enhancement of Personnel

I believe that the foundation for sustainably enhancing value creation lies in the unceasing strengthening of the quality and quantity of our human resources. Since 2022, the Company has systematically defined the expertise required in multiple business fields, including electrification, software, and semiconductors, and has advanced the evolution of its talent portfolio. The Company aims to achieve both the reliable delivery of value to customers and the growth of each and every employee who makes that possible. To this end, we make visible the quality and quantity of our roughly 26,000 engineers worldwide and promote recruitment, development, and assignment based on our strategies.

Specifically, as shown in the figure on the right, we have built a matrix that provides an overview of the distribution of human resources, with the horizontal axis representing domains for fundamental technologies, which entail advanced research and development in areas such as AI, semiconductors, and materials; components, which support mass production in areas such as internal combustion engines, electrification, and ADAS; and systems, which combine multiple components together. The vertical axis represents the levels of expertise of our engineers. Based on this, we make sophisticated use of information on expertise, identify the domains and levels of highest importance, and flexibly advance recruitment, development, and assignment of personnel.

Diverse Talent Portfolio (Matrix)



Note: The size of each circle indicates the number of employees.

In fundamental technologies, new fields of expertise have emerged one after another in recent years in step with changes in the business environment. To respond to these changes, we identify the advanced expertise required and strengthen our acquisition of the scarce human resources who possess it. In recruitment, we secure human resources through approaches unconstrained by conventional frameworks, reaching out not only to the visible job-change market but also to potential candidates. In this way, we will enhance our advanced research and development capabilities and deploy the results to components, further increasing the value we provide to customers.

Components form the foundation of the Company both in terms of the number of employees and in terms of the value we provide to customers, and we carry out initiatives tailored to each layer in order to raise the level of the whole. First, as many veteran skilled engineers reach retirement age, how to pass on to the next generation their expertise, know-how, and practical knowledge cultivated over many years is no easy challenge. We will accurately identify and structure the advanced expertise and know-how our veteran engineers possess and, with the aid of AI, steadily pass it on to the next generation.

Next, for the layer that forms our backbone, we will continuously provide education in each domain to raise expertise and further strengthen our ability to respond to customers. In addition, to respond immediately to changing customer needs, we actively promote mid-career hires of personnel with a high level of expertise who can contribute from day one, thereby securing both depth and agility in this layer. For young and newly hired engineers, we are augmenting AI education, which will be essential going forward, in addition to conventional education, so that they can contribute at an early stage.

In systems, it is important to bring individual components together and, rather than working on products in isolation, to integrate and optimize the systems of mobility as a whole in order to meet the increasingly diverse needs of customers and society. The key here lies in human resources who integrate systems thinking and combine the breadth and depth of technology spanning the whole of mobility, systems, and the interpersonal skills to co-create with customers and colleagues within the Company. Human resources like this cannot be developed overnight. They learn and hone their skills over many years of working together with a diverse range of

customers around the world. By leveraging the practical work settings that only DENSO can offer, such as the trinity of mechanical, electronics, and software development that the Company has cultivated, we will strengthen the planned development and rotation of human resources for integrated systems and translate this into greater value for customers.

In these ways, the Company takes an overall view of the structure of expertise across fundamental technologies, components and systems, carefully assessing the level of expertise in each domain and strengthening it in a balanced manner (the vertical axis), while strategically deploying human resources across domains through rotation (the horizontal axis), thereby realizing a diverse talent resource portfolio.

From a quantitative perspective, the average level of expertise among the Company's engineers currently stands at 2.8. Amid constant change, including the retirement of large numbers of veteran engineers and shifts in the fields of expertise required, we aim to raise the average level of expertise to 3.0 or higher through these initiatives. The essence of DENSO's human resource strategy lies in achieving both the continued reliable provision of value to customers and the growth of the employees who deliver that value. We will remain committed to realizing a talent portfolio that is distinctly DENSO and to the growth of our employees, and in doing so, we will fulfill our mission of supporting customer value through technology.

Initiatives toward Diversity and Inclusion

We believe that the source of DENSO's innovation is a co-creation environment in which differing opinions and ideas can be exchanged freely and openly. To create such an environment, it is important that people with a wide range of individual characteristics recognize and respect one another's differences. DENSO has long positioned diversity as one of the pillars of *Hitozukuri*, and by combining different insights and ideas, we have enhanced our ability to deliver results and drive the growth of the Company. Among these, we position the diversification of management human resources and the promotion of women's advancement as key issues in realizing our talent portfolio, and we are working on these issues accordingly.

First, with regard to the diversification of management-level human resources, we have set a target of raising the percentage of non-Japanese site leaders from 33% to 50% by fiscal 2031. By actively appointing as site leaders the human resources who deeply understand the markets and business practices of each region and who bring diverse perspectives, we seek to achieve business operations rooted in each region and to strengthen competitiveness. At the same time, we have often assigned as site leaders Japanese employees with many years of experience in business operations and *Monozukuri* at DENSO CORPORATION and deep familiarity with those fields, and as a result, we did not sufficiently identify and develop non-Japanese talent for senior management positions. In light of this issue, we now hold human resource development meetings in each region and business, chaired by myself and attended by regional CEOs and heads of business groups, to discuss succession plans (there are around 20 meetings per year in total). In addition, I myself, as CHRO, create opportunities for one-on-one meetings with the key persons who are candidates for succession, making use of on-site visits and online tools, and directly confirm their qualities. In this way, we identify candidate management candidates at an early stage and strengthen development frameworks that span regions and functions, thereby accelerating the formation of a pool of management executives. At the same time, we are expanding global training programs for future site leader candidates as well as rotations to other bases and regions, supporting them in acquiring a management perspective and global business knowledge.

Next, as for promoting the active role of women, who are a minority at DENSO, we believe that when women participate in decision-making processes in the same way as men at every level and in every situation, ideas and opinions that rarely emerge in discussions dominated by men are added to the conversation, enabling us to provide value that society welcomes even more. Based on this belief, we have set global targets and are advancing initiatives under the leadership of each regional CEO. For example, in Europe we have established the DEIB* HuB on our intranet, accessible to all employees, where we consolidate the initiatives and knowledge of each base relating to diversity and promoting the active role of women and encourage dialogue among bases.

As a result of our initiatives to date for promoting the active role of women, the percentages of women among new hires, employees, and those in management positions at DENSO CORPORATION have all risen 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 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.

* DEIB: Diversity, Equity, Inclusion, Belonging

COLUMN

Initiatives for International Women's Day in Europe

On International Women's Day in 2026, we held an interactive event for all employees in Europe with the participation of the regional CEO for Europe, and nine bases held their own seminars. We shared this information on the DEIB HuB. Through activities that extend beyond a single base, such as sharing impressions with one another across national borders, we are fostering an inclusive organizational culture in which diverse human resources can thrive.



An interactive workshop for women at our base in the United Kingdom

DX Human Resource Development

To realize a diverse talent portfolio, we are working not only on developing specialist human resources but also on Companywide DX human resource development. Amid labor shortages caused by the declining birthrate and aging population and ongoing changes in the business environment, the Company is also advancing the strengthening of all employees' digital capabilities as a management issue, in order to create higher value with limited human resources.

Since fiscal 2024, we have held the DENSO Digital EXPO as a forum for sharing examples of workplace digital transformation (DX) across the Company. In fiscal 2026, 67 departments from Group companies in Japan and overseas presented about 90 exhibits, and

a cumulative total of more than 10,000 people visited over the event's two days. In addition, approximately 6,000 people participate each year in the DX Basic Course, which we have offered since fiscal 2025, acquiring basic knowledge of DX even though participation is voluntary. We have also launched the Digital Human Resource Certification System, which objectively evaluates digital skills, and are aiming for all employees to obtain certification by fiscal 2031. Through these initiatives, employees learn on their own initiative, practice DX in the workplace, and share and improve results across the entire Group, creating a culture that takes on increasingly advanced DX year by year.

Priority Issue: Co-evolution of People and AI

While our DX initiatives remain at the core, we have entered an era in which AI can determine corporate competitiveness. In times like this, I believe what matters is not how we use AI but how the capabilities of our people evolve.

We will steadily advance the use of AI to make operations more efficient and to utilize management resources effectively, but DENSO does not regard AI as a mere means of achieving efficiency. Ever since our founding, we have believed that the power to create things that do not yet exist in this world lies in the ability of people and organizations to make things happen, and we have built up practical experience on-site. Since the threats posed by AI, such as job cuts and the replacement of work, have become social issues today, we hold firm to our commitment and belief in the potential of people, aiming for a state in which people and AI advance together, expanding opportunities for employees to take on challenges as well as the enjoyment of work and personal growth.

Specifically, by utilizing AI, we have AI handle routine work and the processing and analysis of large volumes of information, while people evolve toward roles that generate greater value, such as defining issues and developing plans and concepts. By pursuing roles that only people can fulfill, we will increase the total added value that people and AI generate together.

For example, tasks such as the scheduling of meetings, preparing materials for meetings, and recording the minutes of meetings were once handled by hand or through person-to-person coordination, but today AI automates much of this work, and we live in an era where such tasks are completed with a single click. Compared with the distant past, we believe efficiency has improved by a factor of 100 or even 1,000 times—yet has the number of people fallen to one-hundredth, or has speed increased a thousandfold? As every company utilizes AI in much the same way, the essential question is what value only DENSO can create, where that value lies, and how to maximize it. DENSO believes that the source of competitiveness in *Monozukuri* lies in the practical wisdom that people have honed on-site and in the trial and error and failures that arise from interaction between people. Accordingly, we aim to create new value for customers by combining the processing, analysis, and insights provided by AI with the on-site intuition, insight, and sensibility of people.

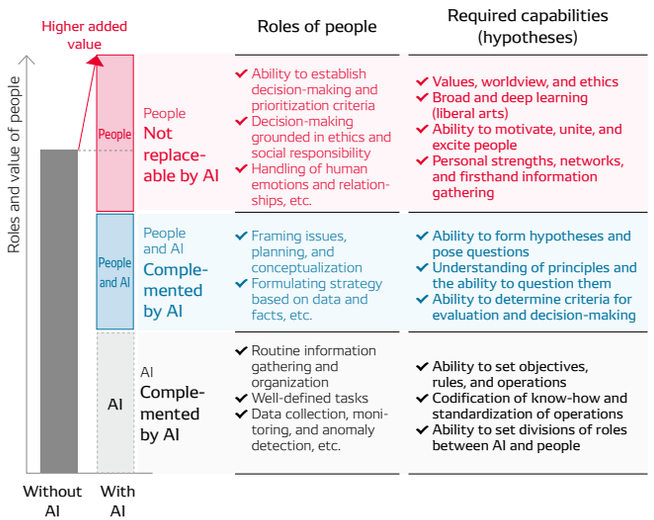
Initiatives in which people and AI advance together to create added value have already taken concrete shape. The machining division, responsible for the development and supply of production equipment, is transforming equipment development and management with DX and AI.

As the starting point, we pursue the concept of converting the practical wisdom accumulated on-site over many years into data as an organizational asset and passing it on to AI. By linking AI not only with daily operational data but also with the thought and decision-making processes recorded in emails and conversations, we circulate knowledge and experience between people and AI, continuously evolving the knowledge of the organization. Within this framework, AI provides hands-on support in addressing issues similar to those faced in the past, allowing people to focus on identifying new issues, developing concepts, and taking on challenges. Through these initiatives, we have freed up 80,000 hours per year and redirected that time to creating new value and developing next-generation equipment, thereby reducing equipment costs and strengthening our development capabilities.

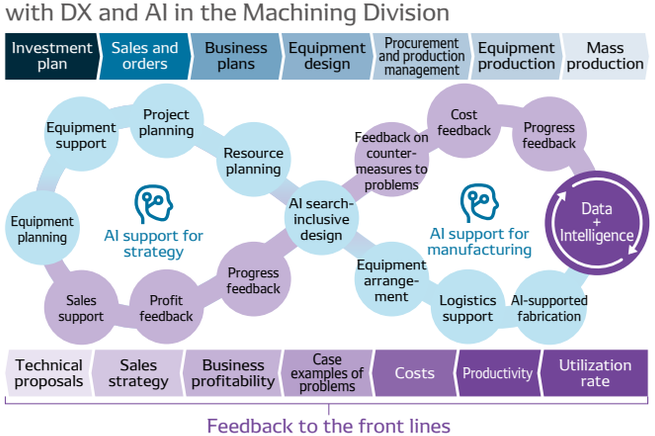
In addition, to advance the co-evolution of people and AI as a Companywide management priority, we established Human–AI Co-Evolution Department in June 2026. This office draws on internal operational data to clarify which tasks AI can take over, which tasks people should handle, and which tasks will newly emerge, and it advances the introduction of agentic AI together with a shift in the roles of our human resources across the entire Company. By redesigning work and processes on the premise of AI and by structuring the expert know-how and tacit knowledge of veteran employees, we will focus our resources on the areas where people demonstrate value.

AI does not replace people. It supports the decisions and creativity of people and amplifies opportunities to take on challenges. We will turn the co-evolution of people and AI into a Companywide movement, strengthen the competitiveness of *Monozukuri*, and maximize value for our customers.

Hypotheses about the Roles and Capabilities of People Required in the Age of AI



Transforming Equipment Development and Management with DX and AI in the Machining Division



Intellectual Capital Message from the Officer in Charge of Intellectual Property



Drawing on the Strengths of Our Intellectual Property as a Driver for Business Growth

Masanori Sugiura
Executive Officer

Characteristics of DENSO's Intellectual Capital (Fiscal 2026 results)

R&D expenditures (ratio to revenue)
¥690.1 billion (9.2%)

Total patent applications (Japan and foreign countries)
Approx. 3,600

Total patents held (Japan and foreign countries)
Approx. 36,400

Enhancing Business Value through Strategic Intellectual Property Management

In fiscal 2026, DENSO adopted "Realizing IP-focused management through offensive and defensive IP strategies" as its IP Vision and launched Companywide initiatives toward achieving this vision. In addition to enhancing the IP literacy of all employees, we established a framework that integrates IP strategy and business strategies and have been gradually developing IP strategies, starting with our focus fields. Through these efforts, we are broadening the role of IP beyond conventional IP protection activities and positioning it as a management foundation that supports the value we provide to customers and the value we create through our businesses.

Since its founding, DENSO has promoted defensive IP activities that protect its proprietary technologies, particularly those related to internal combustion engines, making use of patents and trademarks. These efforts have helped us secure a competitive advantage in core technologies and stabilize our profit base. They have also built our foundation for delivering high-quality, reliable products and services to customers.

Meanwhile, following the advancements in electrification and automated driving, systems have become more large scale and complex, and it has become difficult to maintain our competitive edge simply with our proprietary technologies and IP alone. In addition, the value we need to deliver to customers is shifting from the performance of individual products to the functions and services provided by entire systems. For this reason, our source of competitiveness now comes from our ability to offer new value to customers by combining multiple IPs through open innovation and collaboration across supply chains.

Given these changes in the business environment and customer value, DENSO is promoting not only its conventional defensive initiatives but also strengthening offensive ones that leverage IP as a means of value co-creation. By strategically combining a broad range of IP, including not only patents but also software and know-how, we are creating solutions that address customer needs, expanding business opportunities, and creating new revenue opportunities. Furthermore, mobility is expected to deliver more sophisticated value due to the advancements in connectivity and AI, and as such, we are accelerating the acquisition and application of technologies while strengthening our ability to create IP that underpins these efforts. By strategically leveraging the IP we create, we will achieve both competitive advantages through defensive initiatives and value co-creation and market expansion through offensive initiatives, thereby creating new value for customers. In this way, we will realize sustainable business growth and enhance corporate value.

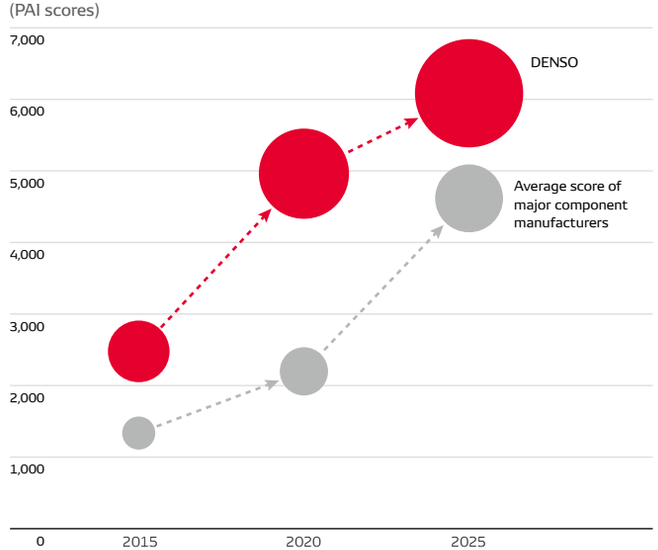
Promoting Strategic IP Creation, Protection, and Utilization

The following section introduces initiatives focused on IP creation and utilization in electrification, intelligent, and core technologies, which have been identified as priority domains for advancing our IP strategies.

Electrification

In the electrification domain, the Company is promoting a development strategy combining a range of elemental technologies and products to address increasingly diverse needs across BEVs, PHEVs, and HEVs. In tandem with this development strategy, we have advanced IP creation aligned with our business strategy, building a patent portfolio that not only increases the number of patents we hold but also directly enhances business competitiveness.

Green Domain: PAI* Scores Related to Electric Vehicles
(PAI scores)



* Created by DENSO using PatentSight® from LexisNexis Intellectual Property Solutions

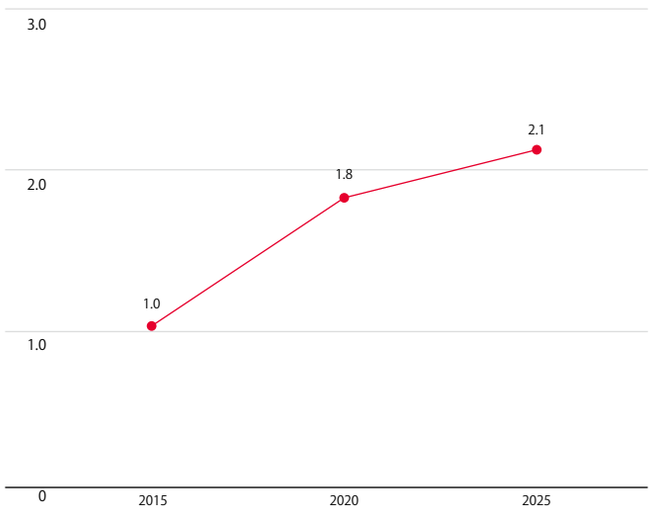
The IP portfolio built through these efforts is now being utilized not only to protect technologies but also to increase business value and deliver greater value to customers. For core products such as inverters, motor generators, and electric power steering systems, we actively leverage our accumulated patents to expand business opportunities and transactions with business partners. We are

steadily utilizing the patent portfolio for such products in our business activities, and as a result, our patent utilization rate (number of patents utilized in business activities divided by total patents held), which we adopt as a KPI, has continued to improve year after year. Taking the patent utilization rate in 2015 as an index of 1, the figure reached 2.1 in 2025, demonstrating how we are steadily linking IP with business profit creation and enhanced customer value, including longer driving range.

Meanwhile, for future development themes such as dynamic wireless power transfer systems, we take part in discussions at standardization organizations including the SAE (Society of Automotive Engineers) and pursue proactive investment in patents ahead of anticipated industry trends. In particular, for interfaces and areas that contribute to widespread product adoption, we are helping improve the ease of adoption and enhance connectivity by building a patent portfolio in accordance with trends in standardization.

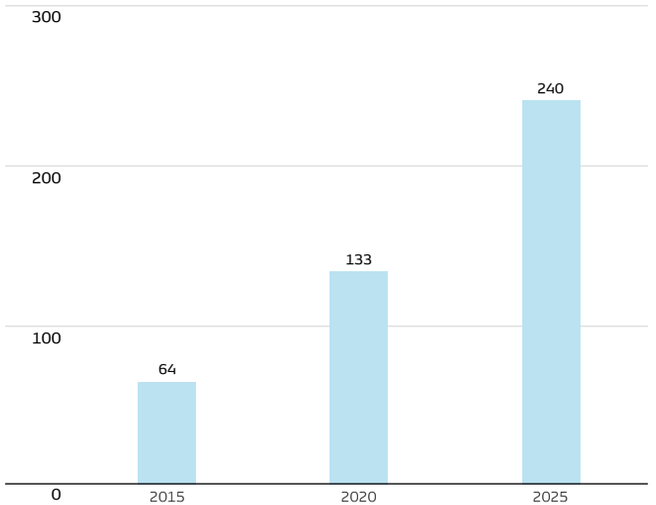
Changes in Patent Utilization Rate Related to Electric Vehicles

Indexed to 2015 = 1.0



In addition, we continue to strengthen our patent portfolio through the refinement of core technologies while drawing on these technologies to enhance product competitiveness. By doing so, we are delivering even greater value to customers.

Number of Patents Owned Related to Dynamic Wireless Power Transfer Systems



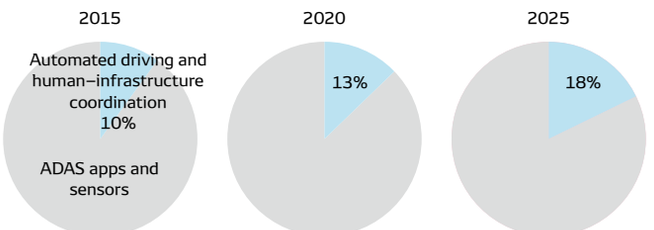
Intelligent Technologies

In the domain of intelligent technologies (AD/ADAS), which aim to resolve the social issue of eliminating traffic accident fatalities, DENSO positions safety and reliability as the source of its competitiveness and is advancing collaborative development with vehicle manufacturers and development partners, as well as building systems and development processes that can explain and verify safety for users. In addition, we aim to realize safer, more reliable driving assistance and automated driving systems through in-cabin sensing that addresses human error and infrastructure-coordination technologies that provide support beyond the driver's field of view. Through these efforts, we aim to realize 80% accident scenario coverage by fiscal 2031.

In tandem with the development of such technologies, we have worked to refine our long-cultivated strengths in ADAS application technologies and driving-environment and in-cabin sensing technologies that support safety and reliability. At the same time, we have been creating and strengthening IP related to automated driving systems that improve the ratio of accident scenario coverage (coverage of fatal accident scenarios) and to human–infrastructure coordination technologies. As shown in the figure below, our share of patent families in the automated driving and human–infrastructure coordination domains increased by eight percentage points between 2015 and 2025.

Going forward, we will continue to enhance competitiveness by strengthening a patent portfolio with a commitment to safety and reliability and will leverage the know-how and driving data gained through collaborative development with automakers and development partners. Through these efforts, we will deliver highly reliable AD/ADAS systems that balance the evolution of AI with real-world safety, contributing to the elimination of traffic accident fatalities.

Changes in the AD/ADAS Patent Portfolio (Share of Patent Families)



Creating and Leveraging IP in Fundamental Technology Domains (Power Semiconductors and Software) to Strengthen Competitiveness

Power Semiconductors

In the power semiconductor domain, we established the core strategy of strengthening the supply chain through innovation in our internal production activities and collaboration with partner companies, while adapting our SiC power semiconductor products to meet the stringent conditions for in-vehicle installation.

We have built an IP portfolio optimized for automotive applications by holding internal IP across everything from wafer manufacturing to power devices and inverters. To date, DENSO has categorized its patents and know-how, from wafers and epitaxial layers to devices, into open domains that expand the market through partner licensing and closed domains that serve as a source of competitive advantage.

In fiscal 2027, we are further strengthening our proprietary three-dimensional structure patents, a core element of our in-house SiC technology, for the next-generation platform (Gen 4). Going forward, DENSO will continue to realize compact, high-performance electric drive systems based on patented technologies that contribute to lower power losses. By doing so, we will help realize a carbon-neutral society through the expansion of electrification.

Software

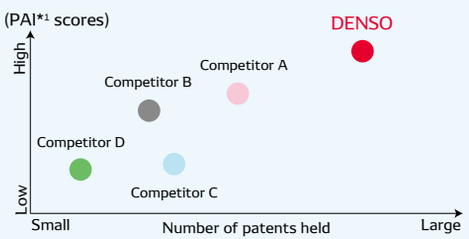
With the progression of CASE, mobility is expected to continuously evolve in functionality. To achieve both safety and peace of mind together with high quality, even as systems become more complex and large scale, we are developing platforms that provide integrated control over the entire vehicle. In addition, we are developing software technologies for the interfaces between In-Car and Out-Car systems, which are indispensable to the ongoing evolution of In-Car functionality.

Power Semiconductor Patents Underpinning DENSO's Competitiveness

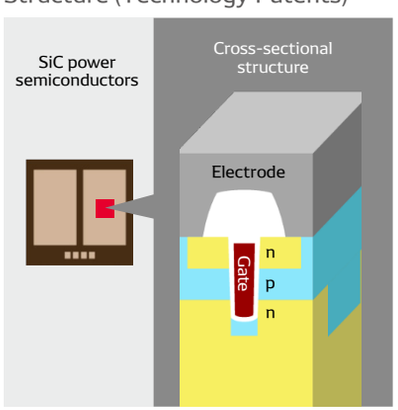


	Power Semiconductors		
	Wafers (installation and crystal growth)	Epitaxial layers	Devices
Number of patents held	392	174	632
PAI*1 Patented technologies with a global top-five ranking	Gas furnace structures RAF substrates Gas growth method	Etched drift layer	Trench MOSFET
Representative patents	Patent No. 5750363 Patent No. 5212455	Patent No. 6387799 Published Unexamined Patent Application No. 2024-60938	Patent No. 7517206 Patent No. 7537377

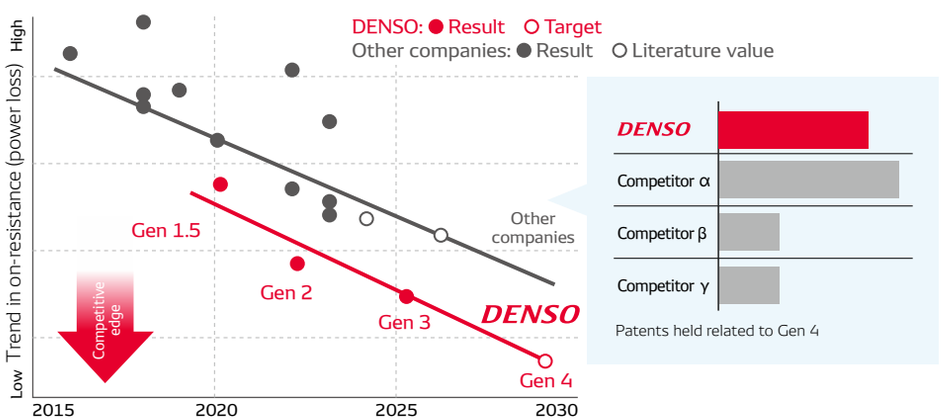
Patent Positioning in the Field of In-Vehicle Inverters



Proprietary Three-Dimensional Structure (Technology Patents)

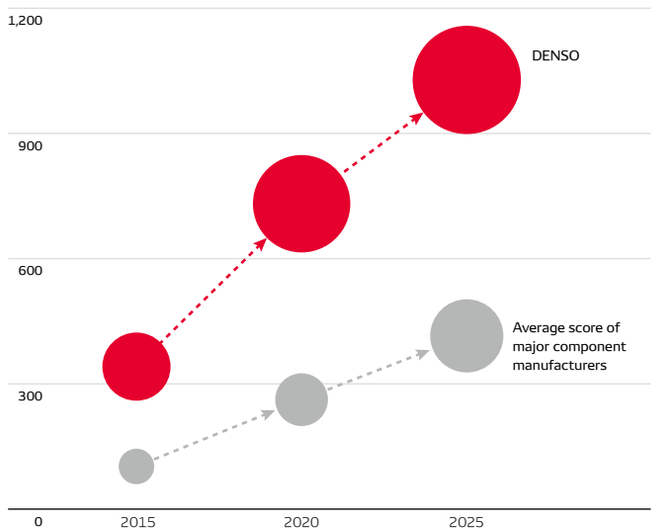


Enhancing SiC Power Semiconductor Performance through Lower Losses



In the platform domain, which involves optimally integrating and controlling the entire vehicle, DENSO has strengthened patent filings related to redundancy, cybersecurity, and other technologies that ensure safety and reliability, taking into account customer expectations of DENSO and the strategic utilization of IP. As shown below, we have built a patent portfolio that gives us an edge over the competition.

PAI*1 Scores Related to Ensuring Safety and Reliability in Software



*1 Created by DENSO using PatentSight® from LexisNexis Intellectual Property Solutions

In the interface domain, we are advancing technological development to safely and reliably apply IT-derived technologies, such as communications, in vehicles, aiming to facilitate technology adoption across the automotive industry. In conjunction with promoting over-the-air (OTA) standardization efforts at organizations such as JASPAR, we are also actively acquiring IP rights, including SEPs.*2

Going forward, we will continue to take an integrated approach to creating, protecting, and leveraging IP for software. In doing so, we aim to both deliver lasting value that customers can rely on and secure a sustainable competitive advantage.

*2 Standard essential patents

Reinforcing Companywide Foundation Underpinning IP-focused Management

To steadily execute domain-specific initiatives across the Company and deliver tangible results, DENSO is also reinforcing its Companywide foundation underpinning IP-focused management. This foundation includes governance, data utilization, generative AI, and human resource development.

Building Mechanisms to Promote Strategy Execution and Continuous Improvement through IP Data

To enhance the execution of its IP strategy from a Companywide perspective, we hold meetings of the IP Strategy Meeting, in which members of senior management participate, to address key issues and advance strategy from a cross-organizational and long-term viewpoint. At these meetings, we position IP-related issues as key management issues. To that end, members discuss IP investments and promotion structures for future business growth, as well as policies to bolster patent portfolios in focus fields. In these ways, we ensure that our IP activities contribute to the achievement of Companywide targets.

Furthermore, we view intellectual property not merely as legal rights but as essential "information assets" that reflect the growth of our business and the outcomes of our R&D activities. Based on this view, we combine and visualize diverse IP data, including patent information, with business and development data, such as the scale and budgets of technological development. We then disclose this integrated data internally to enhance our business intelligence. By doing so, we are able to evaluate IP activities based on management, business, and R&D perspectives, fostering employee IP literacy and promoting broader utilization of IP information.

When disclosing information, information assets related to IP are classified into "leading indicators," which project future portfolio development; "current indicators," which assess present portfolio status; and "lagging indicators," which evaluate past performance. This disclosure framework helps us clarify which metrics to prioritize based on the business phase of each technology domain, such as emerging, growth, or mature stages, thereby creating an environment that clearly assesses the relationship between business growth and IP activities. Also, by conducting analyses leveraging these information assets, we can clarify the strengths and issues pertaining to our current patent portfolio, thereby enabling discussion on detailed action plans at meetings of the IP Strategy Meeting. For example, in focus fields where IP is expected to contribute to business value, we have positioned the strengthening of patent filings as a key measure with the goal of increasing application volume in these fields. At the same time, we routinely monitor the "patent utilization rate" as an indicator showing how effectively patents support business growth and operational stability, thus promoting an IP strategy focused on patent quality over quantity.

Going forward, we will monitor such issue-focused indicators on an ongoing basis and confirm whether the results of our initiatives are reflected in progress toward these indicators. Through this KPI-driven management cycle, DENSO will continue to enhance the effectiveness of its IP strategy.

IP Performance Indicators (Examples)

IP investment	Financial	Investment amounts
	People	Number of engineers, etc.
Leading indicators (future trends)	Comparisons to other companies	Number of patent applications by country / 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 / 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-related revenue and expenditures, etc.

Note: Some cases cannot be compared to other companies.

Proactively Utilizing Generative AI

DENSO is promoting the active utilization of generative AI as a core element of enhancing and transforming its IP activities. As technology development becomes increasingly sophisticated, broader in scope, and faster-paced, greater expertise and quicker responses are required across the entire process, from the creation of inventions to the acquisition and utilization of rights. Given these circumstances, we position generative AI as an important foundational technology that helps us meet these needs. Furthermore, we view the utilization of generative AI not simply as a matter of efficiency but as a tool for creating high added value that leads to business growth. Guided by this view, we are promoting collaborative activities between people and generative AI. Specifically, we are promoting the application of generative AI across a wide range of activities, including supporting the generation of invention ideas and encouraging consideration of such ideas from multiple perspectives within technical divisions, monitoring technology trends, and assisting with prior art searches and patent drafting. Through these efforts, we are evolving IP activities that have traditionally relied on individual experience and expertise, achieving both greater operational efficiency and improved quality while generating higher added value. Going forward, we will continue to expand the use of generative AI and accelerate the transformation of our IP activities, thereby strengthening the
contribution of these activities to business value creation.

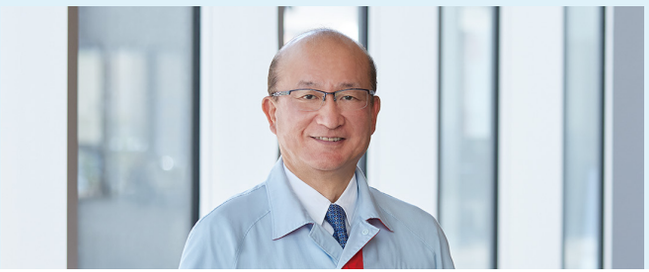
Improving IP Strategy Execution Capabilities through IP Human Resource Development and Framework Enhancement

To further strengthen the execution of its IP strategy, DENSO is enhancing its IP framework and investing in human resource development. To raise the overall capabilities of our talent that creates IP, we reviewed our training framework, substantially revamping in-house educational activities on IP and transitioning them to a more accessible online format. These efforts have created a flexible learning environment unconstrained by time or location, promoting Companywide IP literacy as well as stronger capabilities in planning and executing IP strategies.

In addition, to enhance the effectiveness of our IP operations, we renamed our Group company IPICS Co., Ltd. to DENSO IP PARTNERS, INC. and expanded its role. In this manner, we are not only strengthening operational functions such as patent filing and IP acquisition, we are also bolstering our framework for steadily executing IP strategies on the front lines.

Going forward, we will continue to support the evolution of our IP activities through both human resource development and framework enhancement. Amid the accelerating pace of technological innovation and increasing uncertainty in the business environment, we position IP as a source of value creation and competitiveness and are advancing both offensive and defensive IP strategies accordingly. By doing so, we will continue to provide new value to customers while achieving sustainable growth and enhancing corporate value.

Manufacturing Capital Message from the Chief *Monozukuri* Officer



Addressing Social Issues and Attaining Employee Happiness with DENSO *Monozukuri*

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

Characteristics of DENSO's Manufacturing Capital (Fiscal 2026 results)

Capital expenditures:
¥369.3 billion

Total CO_2 emissions in fiscal 2026 (Scope 1 and 2):
100% reduction* (compared with fiscal 2021)

* The figures reflect the use of carbon credits. Emissions are undergoing verification by a third party.

Global number of production bases:
114 bases in 25 countries and regions

Outline of Initiatives to Strengthen Capital

Under the motto "*Monozukuri* is *Hitozukuri*," DENSO has drawn on manufacturing technology innovation and tireless on-site improvement as its strengths to accumulate a wealth of outstanding manufacturing capital. This includes global production sites firmly rooted in Japan and in each overseas region, as well as organizations and employees that give shape to and carry out everything from development to mass production through specialized technologies and advanced skills. Through these strengths, we will build a structure that can stably produce and supply high-quality products even amid changes in customer business needs and a highly uncertain external environment. At the same time, we will take on the challenge of a new era of *Monozukuri* that goes as far as resolving social issues, such as environmental regulations and the declining working population.

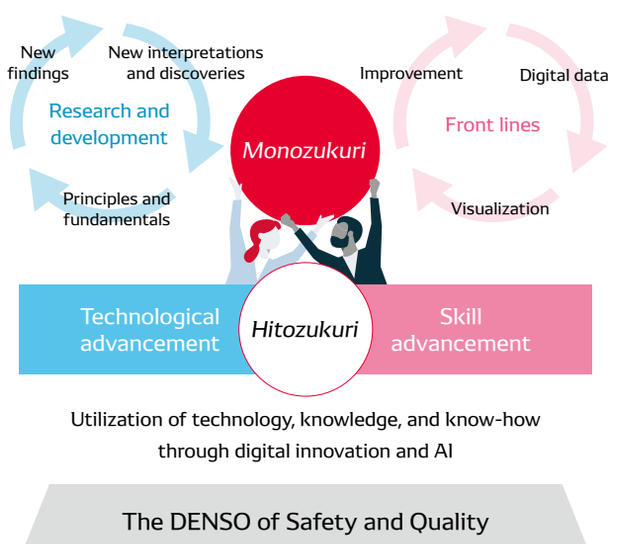
DENSO's Unwavering Commitment to *Monozukuri*

Since its founding, DENSO has developed and manufactured products with an uncompromising focus on in-house technologies, extending to materials, processing methods and production lines, guided by the belief that we make for ourselves whatever does not yet exist in the world so that we can meet customer needs. To prevail amid intense competition, we must advance each one of our material, processing, and assembly technologies; our production systems; and the employee skills that support the production floor. As AI enters a stage where it can be implemented on-site, it is essential that we innovate *Monozukuri* by using digital and AI technologies to connect the practical knowledge accumulated in our manufacturing to date, enhancing our competitiveness.

Even in a world where DX and AX* advance at an accelerated pace, the driving force of innovation is human wisdom. We believe it is essential that each person who supports *Monozukuri* on the front lines makes full use of the knowledge DENSO has accumulated and continues to work with enthusiasm, excitement, and a sense of fulfillment in creating new value. Even as the global external environment changes significantly, we will refine the *Monozukuri* values that DENSO has cherished since its founding and align our manufacturing strategy with our business and management strategies along with our talent strategy, for the purpose of further strengthening our manufacturing capital.

* DX: Digital transformation; AX: AI transformation

DENSO's *Monozukuri* Values



Manufacturing Capital Strengths and Strategies

For DENSO to continue meeting the expectations of a wide range of stakeholders, we must seek to resolve diverse social issues that are becoming more complex and sophisticated while responding to changes in the business environment, furthering the expansion of our business domains, and harnessing technologies that evolve at a remarkable speed. We must also support sustainable business growth by strengthening our manufacturing capital even further.

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, including through data; and DENSO-style *Monozukuri*, which continuously creates value by using advanced technologies and production sites to realize appealing products.

Regarding our global production and supply capabilities, we will continue to advance QCD (quality, cost, and delivery) and refine our technologies for internal combustion engines. In response to the advancement of CASE vehicles, we will also shift toward growth businesses and optimize our global production and supply capabilities, thereby strengthening our business competitiveness. Further, with the aim of minimizing costs, we are increasing efficiency through the establishment of business continuity capabilities that ensure stable production even in volatile conditions. Business continuity measures include the utilization of bridge production and the maintenance of risk inventories at appropriate levels.

As for bolstering the resilience of supply chains, we take a step beyond emergency response, reviewing resource procurement, material and component processing, the securing of critical components such as semiconductors, and logistics as a single whole, and we are redesigning our supply structure to withstand change. Through industry-wide data federation and the use of AI, we aim to build and advance a stable and sustainable supply foundation across the entire supply chain.

For DENSO-style *Monozukuri*, we will strengthen concurrent engineering that develops production technologies alongside products from the planning stage, fully automate direct operations on product lines, and enhance quality and productivity based on data analysis, all with a view to raising competitiveness in our growth businesses and new businesses. At the same time, we will accelerate our efforts to address social issues such as carbon neutrality and the circular economy through technology and human ingenuity. In advancing these technological innovations, we will further refine the proprietary technologies and advanced skills we have cultivated to date, pursuing *Monozukuri* that starts with people and evolves together with machines.

Global Production and Supply Capabilities

DENSO has built a highly competitive production structure across the five regions of Japan, North America, Europe, Asia, and South America, and aims to achieve the No. 1 position in terms of QCD in each region at production bases worldwide. At present, we are working to build a production and supply structure resilient to volatility. This includes responding flexibly to business needs arising from our customers' multi-pathway strategies and taking measures to deliver products to customers reliably even as a range of geopolitical risks materialize.

While meeting steadfast demand related to internal combustion engines, including those in hybrid vehicles, we are expanding the manufacture of inverters, one of our mainstay electrification products. To this end, we are moving ahead with a shift to electrification plants by reorganizing production in each region, including at Group companies, and following Japan, North America, China, and Europe, we will expand production in India and the ASEAN region in the future.

In addition, for the production of large-scale ECUs in the ADAS domain, we will use the new Zenmyo South Plant (scheduled for completion in 2027) as a starting point to advance new products and a new form of plant transformation toward building a global production structure and expanding production capacity in our growth businesses.

Bolstering the Resilience of Supply Chains

The supply chain that underpins the automotive industry faces changes in the external environment, including geopolitical risks, constraints on resources and energy, and a shortage of logistics personnel. At the same time, digital technologies such as AI are evolving faster than anticipated, and we regard this as a major opportunity to use data to make operations that have relied on individual experience and local optimization more sophisticated and faster, while delivering new value.

For DENSO, strengthening the supply chain means not only preparing for emergencies but also reviewing resource procurement, material and component processing, the securing of critical components, and logistics as a single whole, and redesigning our supply structure to adapt to change. How do we procure resources? Where and with what technologies do we process materials and components? How do we reliably secure critical components such as semiconductors? Equally important is how the logistics foundation supporting these activities is maintained and advanced by the industry as a whole rather than by individual companies.

Leveraging its position in the industry to connect automakers, suppliers, and logistics providers, DENSO is advancing data federation and visualization of supply and demand, inventory, quality, and logistics information within its own network. Through practical initiatives such as emergency response, inventory optimization, and changes to logistics flows, we are clarifying a concrete picture of how data can be used. Based on these insights, we are developing the data and operating rules that the industry as a whole should share and standardize.

In areas that underpin the supply chain, such as component processing, semiconductors, resource management, and logistics, issues that no single company can resolve on its own are becoming more widespread. We will draw on the technologies, on-site capabilities, and experience of failure that DENSO has accumulated, harness DX and AI to reshape them into the next standard, and work with leading companies in the industry and relevant organizations to help raise competitiveness across the board. In particular, we believe that the fundamental technologies in the component processing field rest on the advanced technologies and on-site capabilities at small and medium-sized suppliers. Based on early production design for components, covering shape, processing method, and ease of manufacture, we will match suppliers in ways that apply and expand the technologies they hold, and will deepen our collaboration with them. In addition, by leveraging the technological strengths we have cultivated in the automotive industry to support our challenges in new fields, we will help make suppliers more resilient and strengthen the sustained competitiveness of the manufacturing industry as a whole. In the logistics field, we are conducting demonstrations of joint transportation with Toyota Group companies and advancing operational reforms that reduce the workload on drivers. We are applying AI-powered optimization to areas that have depended on the experience of skilled workers and on-site judgment, such as transportation routes and loading/unloading work, shifting from logistics optimized for individual companies and reliant on people to logistics that are jointly optimized and data driven. From the perspective of redesigning the entire supply chain, we position logistics as a business foundation supporting production and supply. As the officer with overall responsibility for logistics, I will drive reform across the Group and lead the creation of a sustainable and resilient supply chain foundation for the industry.

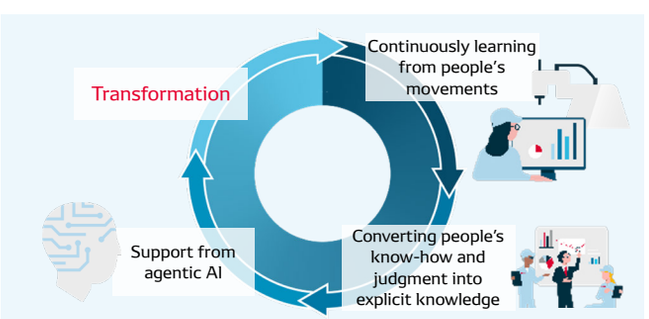
DENSO-style *Monozukuri*

To keep winning on the *Monozukuri* front in an era of rapid change driven by DX, AI, and the evolution of production systems, it is essential to introduce and maintain advanced technologies in

addition to building on the human resources we have cultivated and achieve *Monozukuri* in which people and machines grow together. Since its founding, DENSO has made people-centered *Monozukuri* its strength, honing its technologies and skills through a commitment to human development that produces employees who think and act, carried out at its own industrial school, and through tireless improvement pursued together with its production sites.

By fusing AI with the technologies and experience we have cultivated since our founding, we will capture the movements and judgments of people on-site as data, convert it into explicit knowledge, and apply it in ways to support work and control equipment through AI-based analysis and utilization. Furthermore, by implementing this accumulated knowledge in equipment as physical AI, we aim to achieve advanced automation and higher productivity. At the same time, when we face unknown issues that AI alone cannot resolve, people will take the lead, generating new insights through chats with AI and translating them into the transformation of *Monozukuri*. We accumulate the insights obtained as data once again and feed them back into AI and equipment, forming a cycle of evolution in which people and machines continue to learn from each other.

We believe the source of our competitiveness going forward will be turning this cycle of mutual growth to continuously expand people's capabilities and further increase the speed of improvement and the level attained. Looking ahead, we will conduct advanced demonstrations of mutual growth between people and machines at the new Zenmyo South Plant, scheduled for completion in 2027, and drive the establishment of next-generation *Monozukuri*.



Monozukuri in which people and machines grow together

Example of Value Creation

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

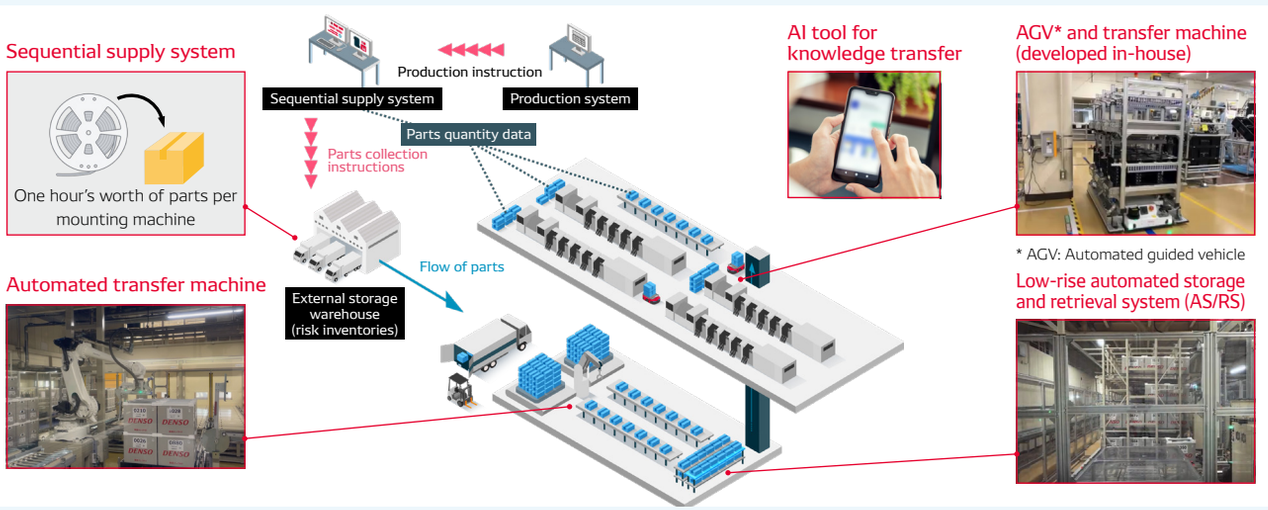
We are expanding the site of the Zenmyo South Plant and constructing a new plant equipped to produce ECUs and other products that control electrification and ADAS. Ahead of its completion in 2027, we are pursuing the concept of 24-hour unmanned operation through a full digital twin, establishing a production system that does not depend on human working hours and taking on the challenge of maximizing production efficiency. To achieve these goals, we are taking the lead in establishing next-generation *Monozukuri* at the Kota Plant, our ECU manufacturing base, centered on three types of connections.

1. Connecting information with advanced digital technologies:
We have built a logistics system that issues production instructions simultaneously to all 192 lines and collects inventory information in real time, instantly calculating and linking demand volumes and supply timing. This enables just-in-time supply that extends to external warehouses, and its strength lies in seamless synchronized control from production instructions through origination, transport, production, and shipment. Since we developed the system in-house, it also accommodates flexible improvement, low-cost introduction, and overseas expansion.

2. Connecting production with automation that is kind to people and the environment:
Using unmanned technologies that run without stopping for extended periods, we have built a system that enhances safety, quality, and productivity with minimal energy. Based on production instructions, electronic components on reels are supplied in sequence from external warehouses to the Kota Plant, where robots receive them on arrival, store them temporarily in automated storage and retrieval systems (AS/RS) and then automatically retrieve them according to the quantities remaining on each line. In addition, in-house transport equipment enables autonomous transport all the way to line input, and real-time linkage of inventory and production information delivers optimal supply with minimal inventory.

3. Connecting people and workplaces across generations and across the world:
By introducing automated equipment, we have set out to expand the roles of skilled technicians, shifting their roles from mainly line work to high-added-value tasks such as equipment maintenance and production preparation. We are advancing human resource development that enables people to excel beyond a single field of work, and we are using DX to raise the level of that development. In addition, using the company-issued devices provided to every employee together with AI tools, we have created an environment that can support responses to abnormalities and defects at any time. This accelerates the acquisition of skills and enables global knowledge sharing, strengthening a culture of continuously evolving human resource development.

Demonstration of fully unmanned in-plant logistics



Natural Capital Message from the Chief Safety & Environment Officer



Enhancing Corporate Value and Social Value While Coexisting with Natural Capital, Based on Eco Vision 2035

Yasushi Matsui
Executive Vice President, Representative Member of the Board,
Chief Safety & Environment Officer (CSEO)

Characteristics of DENSO's Natural Capital (Fiscal 2026 results)

Named to CDP's*1

A List for Climate Change and Water Security for four consecutive years (2022–2025)

Global CO_2 emissions

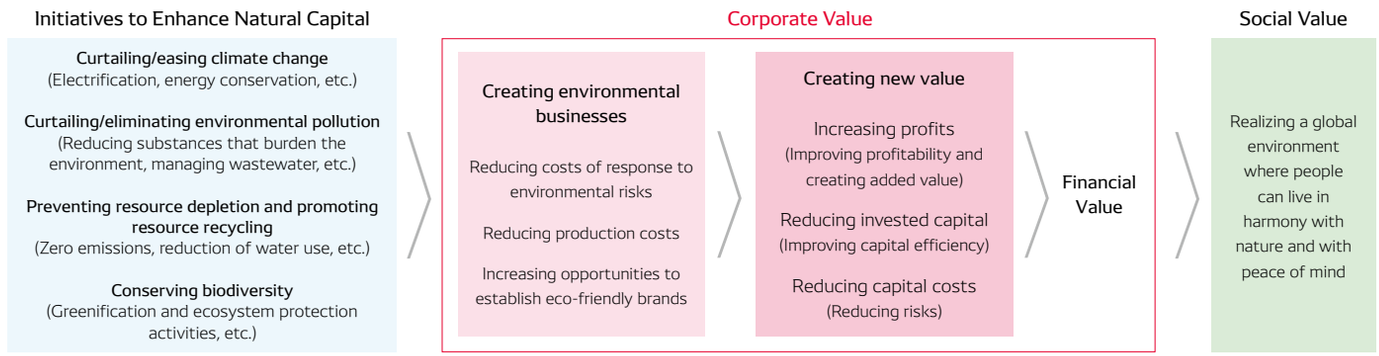
0 t-CO_2e*2 (Scope 1 and 2)

Amount of renewable energy introduced (globally)

3,123 GWh
(Ratio of renewable energy introduction: 100%*3)

*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 Reductions are given priority, and then we procure and retire environmental value certificates and offset the remainder by retiring carbon credits, thereby bringing our combined Scope 1 and Scope 2 CO_2 emissions to net zero.
Scope: Production bases in Japan and overseas (including Group production companies)
*3 Scope: Countries and regions where no institutional or other constraints apply and environmental value certificates can be procured

Relationships between Natural Capital, Corporate Value, and Social Value



DENSO's businesses rely on a wide range of natural capital, including water resources, mineral resources, and various energy resources such as petroleum. The sustainability of this natural capital is essential to creating corporate value over the medium to long term. Companies not only benefit from natural capital but also bear a responsibility to contribute to its conservation and regeneration.

Under Eco Vision 2025, our environmental policy, DENSO has worked to reduce the environmental burden of its business activities while also taking on the challenge of creating environmental value through its businesses. In recent years, however, environmental issues such as climate change, the loss of biodiversity, and constraints on resources have grown more severe and more complex. Companies are now expected not only to reduce their own environmental burden but also to help improve the sustainability of society as a whole.

With this in mind, under Eco Vision 2035, which we newly formulated in fiscal 2027, we aim to thoroughly reduce the environmental burden of our own business activities while creating positive environmental value that contributes to carbon neutrality, a circular economy, and a nature-positive*4 world through our strengths in technology and *Monozukuri*.

We will incorporate these efforts into our business strategies, rather than treating them as separate environmental measures, and implement them globally. As a company supported by natural capital, we will contribute to its conservation and regeneration and link the resolution of social issues to the creation of new value, thereby pursuing both a sustainable society and the enhancement of corporate value.

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

Achievement Status of Eco Vision 2025

DENSO formulates the DENSO Eco Vision every 10 years as its long-term commitment and environmental management policy for the environmental management the Group seeks to achieve. Under Eco Vision 2025, formulated in fiscal 2017, we advanced the themes of "energy half," "clean x 2," and "green x 2," promoting efforts such as halving energy consumption, achieving zero landfill waste, reducing water resource consumption, and creating a verdant environment. As a result, we steadily achieved each of these targets and completed all of the initiatives.

Eco Vision 2035

Building on the initiatives of DENSO Eco Vision 2025, we formulated Eco Vision 2035 as our green vision for 2035. As environmental issues such as climate change, resource circulation, biodiversity and water resources grow more complex, we aim not only to reduce environmental burden but also to provide society with positive environmental value that improves the environment itself.

To make this a reality, we will promote DENSO GX (Green Transformation) and work in three areas: Carbon Neutrality (climate change), Circular Economy (resource circulation), and Nature Positive (biodiversity, water resources, and pollution prevention). We aim to reduce the environmental burden of our business activities while creating green value through new technologies, products, and services. At the same time, we will generate a favorable growth cycle linking the environment and our business by developing the people who will drive these efforts and by collaborating with partners inside and outside the Company.

For details on DENSO Eco Vision 2035, please visit the website below.
https://www.denso.com/global/en/sustainability/environment/ecovision/

Carbon Neutrality Initiatives

DENSO recognizes carbon neutrality as an important management issue.

Under Eco Vision 2035, we aim to realize a sustainable society by reducing our own CO_2 emissions and by contributing through our technologies and products to a move toward realizing a carbon-free footprint across society as a whole.

Climate Change

[Indicators and targets for fiscal 2031] Reduction of CO_2 emissions; Scope 1 and 2: Maintain carbon neutrality with credits; Scope 3 (Upstream/Downstream): −25.0% (compared with fiscal 2021)

To date, DENSO has promoted the reduction of CO_2 emissions from production activities through the development of energy-saving technologies, improvement activities involving all employees, and energy just-in-time initiatives. Going forward, we will pursue further energy savings as well as the steady introduction of renewable energy, advances in electrification and gas-free technologies, and the utilization of hydrogen. Moreover, we aim to go beyond achieving carbon neutrality ourselves and to create green value that contributes to reducing CO_2 emissions across society as a whole through electrification technologies and CO_2 capture technologies.

Circular Economy Initiatives

DENSO contributes to the realization of a closed-loop economy by making effective use of finite resources and minimizing resource consumption and waste generation.

Under Eco Vision 2035, we incorporate a resource circulation perspective into all of our business activities, aiming to improve resource efficiency across society as a whole and realize a circular economy through a closed-loop economy.

Circular Use of Resources and Waste Reduction

[Indicators and targets for fiscal 2031] Creation of new businesses in expanded contribution domains, minimization of landfill waste (maintaining zero emissions): <1%

DENSO has worked to make effective use of resources and reduce waste through resource-saving design, improvements to production processes, and the promotion of reuse and recycling. We will promote resource circulation that looks ahead from product planning and design through to collection and reuse, and we will contribute to improving resource efficiency across society as a whole through technologies such as rebuilding and precision dismantling.

Nature Positive Initiatives

DENSO recognizes both its dependence and impact on natural capital, and we aim to become nature positive by curbing the loss of nature through our business activities and contributing to its recovery.

Under Eco Vision 2035, we advance initiatives for preventing pollution of the global environment, conserving water resources, and protecting biodiversity in an integrated manner, and we take on the challenge of creating value that contributes to the conservation and recovery of natural capital through our technologies and businesses.

Prevention of Global Environmental Pollution

[Indicators and targets for fiscal 2031] Serious exceedance of regulatory limits: 0 cases

DENSO works to manage chemical substances and prevent environmental pollution throughout the entire product life cycle.

By advancing the management of hazardous chemical substances and preventing environmental risks before they arise, we will minimize the impact on people and nature and promote safe and secure *Monozukuri*.

Conservation of Water Resources

[Indicators and targets for fiscal 2031] Water intake, global (intensity): −5% (compared with fiscal 2026); high-risk bases (total volume): −10% (compared with fiscal 2026)

DENSO endeavors to conserve water resources, an important form of natural capital that underpins our business activities.

We will promote reductions in water use and appropriate water management, strengthen our response in regions with high water risk and contribute to sustainable water use and the conservation of local water environments.

Biodiversity

[Indicators and targets for fiscal 2031] Enhancement of disclosure under the TNFD analytical framework: Short term (qualitative) and medium to long term (quantitative)

DENSO regards biodiversity as the foundation of the natural capital that supports business activities and people's daily lives, and we conduct business activities with due consideration for our impact on ecosystems. We work to conserve biodiversity through activities preserving local ecosystems around our production bases and through collaboration with local communities, and we are advancing the quantitative assessment of the results. Going forward, we will continue to seek harmony between our business activities and nature while contributing to preserving and restoring ecosystems.

DENSO will advance carbon neutrality, the circular economy, and nature positive as a unified whole, resolving environmental issues while creating value through its business activities, thereby contributing to the realization of a sustainable society in harmony with nature.

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

The loss of biodiversity is a material issue that directly leads to the degradation of the natural capital essential to corporate activities. DENSO recognizes that accurately understanding the relationship between biodiversity and its business activities and taking appropriate action leads to greater business stability and sustained value creation. Based on this recognition, starting in fiscal 2025, we have been utilizing the Taskforce on Nature-related Financial Disclosures (TNFD), an international framework for information disclosure, to analyze our dependence and impact on nature and to identify relevant risks and opportunities.

Governance

DENSO has established an appropriate governance structure for material matters relating to natural capital. The Companywide Safety, Health, and Environment Committee, a body under the Board of Directors, deliberates our dependence and impact on nature as well as the related risks and opportunities. Chaired by an executive vice president, the committee meets twice a year and oversees policies and targets relating to natural capital as well as the progress of our initiatives. In addition, we report matters of high management importance to the Sustainability Meeting, which deliberates on our management strategies with its own level of scrutiny and order of priority.

Strategy

DENSO is advancing its analysis of nature-related risks and opportunities based on the LEAP approach,*1 recommended by the TNFD.

The Safety, Health & Environment Division leads the analysis with the cooperation of outside experts, and we seek to ensure objectivity by utilizing external tools such as Aqueduct from the WRI*2 and IBAT from the IUCN.*3 We also place emphasis on impacts from a long-term perspective of approximately five years.

*1 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).
*2 WRI: World Resources Institute
*3 IUCN: International Union for Conservation of Nature

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.

Exposure of Global Production Sites to Biodiversity Loss Risks

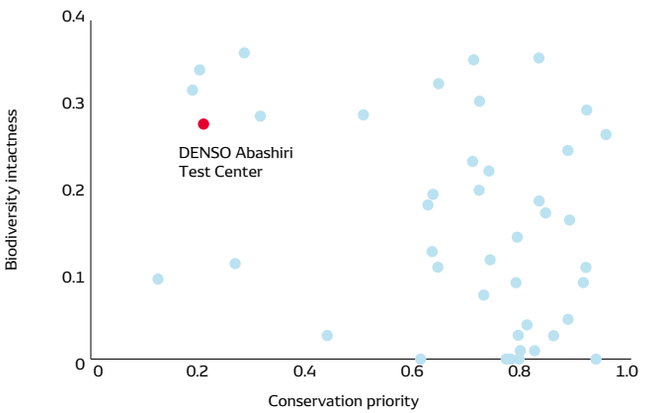
Representative countries and regions of operation	Japan	Mexico	Hungary	China	India
IUCN Red List	2,120	999	1,000	797	777
Protected Planet (PA)*4	134	12	55	0	0
Key Biodiversity Area (KBA)*5	11	2	9	4	6

*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, at the DENSO Abashiri Test Center, which has a large land area that contributes to ecosystem conservation and relatively high intactness as virgin land, we established monitoring methodologies required for certification as part of the process for obtaining recognition under the 30by30 OECM*7 initiative promoted by the United Nations and the Nature Coexistence Site program promoted by the Ministry of the Environment. 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 the Ministry of the Environment in October 2024 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 DENSO products as inverters and HVAC systems. We will draw on these analysis results to strengthen collaboration with our suppliers and promote the reduction of impacts on biodiversity and due consideration for biodiversity across the entire supply chain.

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 • Diversification of alternative mines and suppliers
		Dependence	• Decrease of reserves (long term)	
	Transition	Dependence	• Rise in prices due to international situation	• Examination of alternative materials • 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

Our environmental divisions take the lead in evaluating the nature-related risks and opportunities we have identified, and the Companywide Safety, Health, and Environment Committee deliberates on the results. Through the formulation of response policies, the planning of measures, and progress management, the committee promotes initiatives aimed at reducing risks and creating opportunities. The Sustainability Meeting and the Risk Management and Compliance Meeting regularly review particularly important matters as management issues, confirming the appropriateness of Companywide policies and resource allocation while conducting ongoing reviews.

These management processes also link with our environmental management system (EMS), and we pursue continuous improvement through the PDCA cycle.

Measurement Indicators and Targets

DENSO recognizes the importance of natural capital, which underpins our business activities and the creation of green value. Accordingly, we position nature positive as one of the key pillars of Eco Vision 2035 and are advancing initiatives to that end.

With regard to biodiversity, we are developing indicators for ecosystem conservation activities and harmony with nature in line with Target 3 (conserve 30% of land, waters, and seas), Target 11 (restore, maintain, and enhance nature's contributions to people), and Target 12 (enhance green spaces and urban planning for human well-being and biodiversity) of the Kunming-Montreal Global Biodiversity Framework (GBF).

With regard to water resources, we manage water usage, water usage intensity, water intake in water-risk areas, and wastewater management as key indicators, and we are working to improve water use efficiency and reduce risks in water-stressed areas.

With regard to pollution prevention, we manage key indicators such as the volume of chemical substances used, the status of hazardous chemical substance management, and the number of environmental accidents and legal breaches. We work to prevent environmental risks before they arise.

Based on Eco Vision 2035, we will further advance quantitative and qualitative indicators and targets for biodiversity, water resources, and pollution prevention, and we will continuously monitor the impact of our business activities on natural capital and the progress made in improving it.

For details on DENSO's environmental initiatives, please see the following website.
https://www.denso.com/global/en/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 the target adopted under its Long-Term Policy for 2030 of creating diverse value centered on "green" and contributing to society. 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 recommendations.

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 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 2050, 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 rising temperatures, 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 perceptions of the business environment, which forms the basis of DENSO's medium- to long-term strategies, and the circumstances under the anticipated scenarios. Items likely to have an impact on our businesses of ¥10.0 billion or more 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 DENSO's corporate value. Major opportunities and risks identified through the aforementioned analysis are as follows. We define the time frames as short term (up to one year), medium term (up to five years), and long term (more than five years).

Major Opportunities

Key items	Time frame	Major potential financial impact	Financial impact	Response measures	Response cost (Fiscal 2026)
Development of new products and services through R&D and technological innovation	Short-term / Medium-term / Long-term	**Increase in revenue due to higher demand for xEVs** 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 thermal energy management technologies • Promote the development of engine control systems and other technologies that respond to alternative fuel (e-fuel, hydrogen, etc.)	¥105.0 billion
Diversification of business activities	Long-term	**Increase in revenue following higher demand for decarbonization technologies** Creation of business opportunities in such non-automotive fields as agriculture (AgTech), factory automation (FA), and hydrogen (SOEC*1 and SOFC*2) by applying environmental technologies cultivated through our mobility and automotive businesses	Agriculture and FA: Increase of ¥400.0 billion (FY2031; Hydrogen, etc.: Commercialization)	• 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 • Actively use business alliances	¥22.0 billion
Utilization of more effective production and logistics processes	Medium-term / Long-term	**Reduction in energy costs through the promotion of energy conservation at plants worldwide** Increase in production process efficiency and reduction in CO_2 and energy costs based on Eco Vision 2035	Under examination	• 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	¥7.1 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	Response measures	Response cost (Fiscal 2026)
Transition risk New controls and regulations placed on our existing products and services	Short-term / Medium-term / Long-term	**Decline in revenue against the backdrop of increasingly strict regulations on fuel efficiency and exhaust gas** Production cuts and lower unit sales due to sudden product changes made to comply with regulations, as well as lower sales of parts dedicated to gasoline vehicles as BEV development accelerates.	−¥300.0 billion	• Accelerate the development of energy-saving technologies for products powered by electricity with a view to extending driving distance • Accelerate development aimed at enhancing fuel efficiency of internal combustion engines in HEVs and other vehicles to respond to new regulations on fuel efficiency	¥72.0 billion
Physical risk Increased severity and occurrence of abnormal weather such as typhoons and floods	Long-term	**Decline in revenue due to suspended plant operations and supply chain disruptions** 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 • 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	¥6.6 billion
Transition risk Carbon pricing mechanism	Medium-term / Long-term	**Decline in cost competitiveness due to the accelerated introduction of carbon pricing** 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 • Continue to promote activities to conserve energy and enhance energy efficiency in the production process	¥2.7 billion

Note: Financial impacts and response measures (costs) are approximate estimates calculated using conventional methodologies based on information currently available and certain assumptions. The Company is currently reviewing its calculation and disclosure methodologies in light of the SSBJ Standards, which will become effective from fiscal 2027. As a result, these figures may change in the future due to revisions to the calculation scope, assumptions, and methodologies.



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

Impact on Management Strategy

As we stated previously, based on the results of our analysis, we have come to understand the significant impact that the climate change-related opportunities and risks that may occur by 2030 will have on our product development and production activities, particularly the trend toward carbon neutrality. Based on this understanding, we have raised our climate change-related target to the ambitious goal of carbon neutrality and have reflected this target in DENSO's management strategies.

For *Monozukuri* (manufacturing), we have set the targets of achieving carbon neutrality in electricity by fiscal 2026 (using credits for gas) and complete carbon neutrality in *Monozukuri*, including gas, by fiscal 2036. To reach these targets, we will continue the energy conservation activities in which DENSO excels while advancing such efforts as the introduction of high-quality and economically optimal electricity derived from renewable energy sources and the use of credits. 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 developing electrification technologies. We are also advancing the development of technologies that use hydrogen to create green energy, with the objective of carbon neutrality across society as a whole. In addition, to balance our contribution to the environment with business growth, we position CO_2 emissions and reduction volumes as evaluation criteria alongside profitability and growth potential, and we maintain a resilient business strategy by conducting regular assessments of our business portfolio.

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 carbon 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.

We also incorporate into our financial planning, in a systematic manner, the costs of countermeasures against climate change risks (the intensification of abnormal weather such as typhoons and floods), including disaster countermeasures for buildings and structures, taking into account plans for new construction and the age of existing buildings.

Governance

DENSO has established the Companywide Safety, Health, and Environment Committee as the body responsible for promoting environmental activities across the entire DENSO Group. The committee shares short-, medium-, and long-term targets set with the aim of realizing Eco Vision 2035, as well as environmental issues in general, including scenario analysis results, and the progress of related activities, while directing countermeasures. 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 the 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, the Sustainability Meeting, the Management Deliberation Meeting, and the 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 and Compliance 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.

Metrics and Targets

We recognize that responding to climate change is one of the important responsibilities of a company engaged in *Monozukuri*. Based on this recognition, in fiscal 2022 we set carbon neutrality as an even more ambitious goal and began activities to achieve it. We incorporated this goal into our management targets as one of our material issues (Materiality). In addition to the Companywide Safety, Health, and Environment Committee mentioned earlier, the Sustainability Meeting monitors progress and reports its status to the Management Deliberation Meeting and the Board of Directors. We adopt the financial control approach of the GHG Protocol when determining the scope for our metrics and targets. We have determined that this approach ensures coherence between financial information and climate-related information, enabling us to provide information that is comparable and easy to understand. In addition, for businesses that the Company financially controls, we hold substantial decision-making authority over the planning and execution of emissions reduction measures, allowing us to set an appropriate scope of management for effectively advancing decarbonization.

Climate Change-related Targets (CO_2 Emissions Reduction) (Reference year: Fiscal 2021)

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

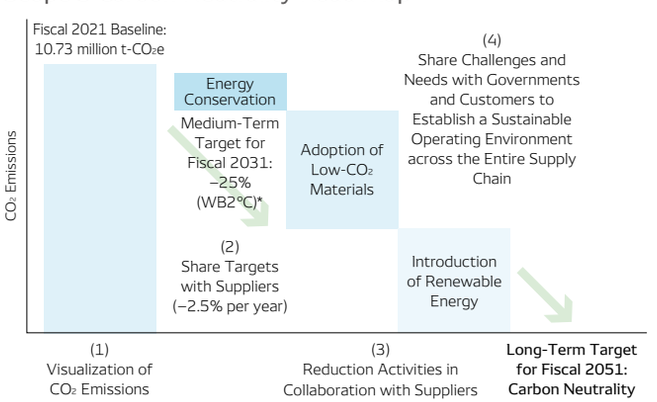
Our Vision Achieve Carbon Neutrality through Collaboration between DENSO and Suppliers

Because the issues involved in achieving carbon neutrality differ by industry and by business partner, we deepen mutual understanding through dialogue with suppliers and advance initiatives jointly with them as partners.

Specifically, we ascertain the emissions of approximately 300 major suppliers that account for more than 70% of our procurement value, and we share our medium-term target of reducing CO_2 emissions by 25% by fiscal 2031 compared with fiscal 2021 (an average of 2.5% per year) and our long-term target of achieving carbon neutrality in fiscal 2051, thereby seeking to advance reduction activities. In addition, we support the activities of our business partners through hands-on, practical assistance. This includes carbon-neutral plant tours that allow participants to see areas of improvement at our plants firsthand, as well as implementation support such as energy-saving diagnoses and the loan of energy measuring instruments, support for subsidy applications for the introduction of energy-saving equipment, and our shouldering of a portion of capital expenditures.

Furthermore, we compile the on-site concerns and requests identified through these initiatives and translate them into proposals to the government, industry associations, academic experts and others, thereby leading the development of an environment that supports activities across the entire supply chain.

Scope 3 Carbon Neutrality Road Map



Achievements to Date

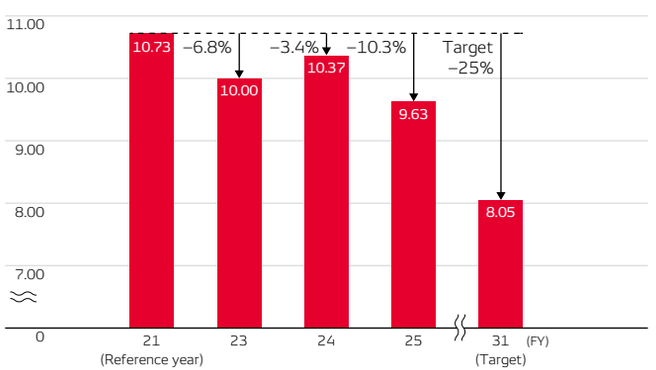
Through energy-saving activities and the introduction of renewable energy at suppliers, emissions in fiscal 2025 came to 9.63 million t-CO_2e, a decrease of 10.3% from the fiscal 2021 baseline of 10.73 million t-CO_2e.* Through the reduction activities of our suppliers, we are steadily advancing reductions toward achieving our fiscal 2031 target.

Going forward, we will further strengthen our response to the issues and needs of suppliers, and we will encourage the adoption of low-CO_2 materials in our products and the introduction of renewable energy into the supply chain. In addition, to appropriately deliver the CO_2 reduction value inherent in our products as added value for customers and society, we will work on developing industry rules in collaboration with industry associations and academic experts.

* Figures for prior years have been retroactively recalculated in response to comments from the verification body.

CO_2 Emissions (Results for fiscal 2026 are scheduled to be published on our website by the end of 2026.)

(Millions of tons)



Note: 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*

Our Vision Achieve Complete Carbon Neutrality at Plants

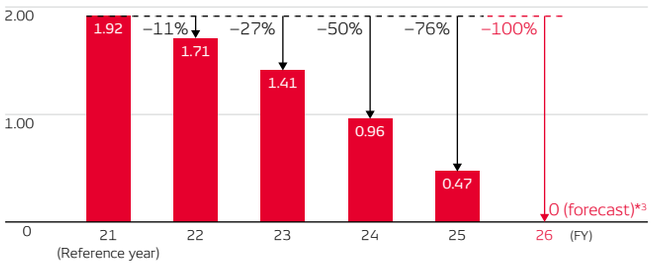
We aim to achieve carbon neutrality in *Monozukuri* by lowering CO_2 emissions through a reduction in energy consumption based on more-efficient manufacturing processes; by using such renewable energy sources as sunlight; and by reducing CO_2 emitted in production processes through the utilization of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

Achievements to Date

By thoroughly carrying through the energy conservation activities that have long been one of our strengths and by introducing renewable energy and utilizing credits, we expect to achieve carbon neutrality globally for Scope 1 and Scope 2 in fiscal 2026.*1

CO_2 Emissions

(Millions of t-CO_2e)*2

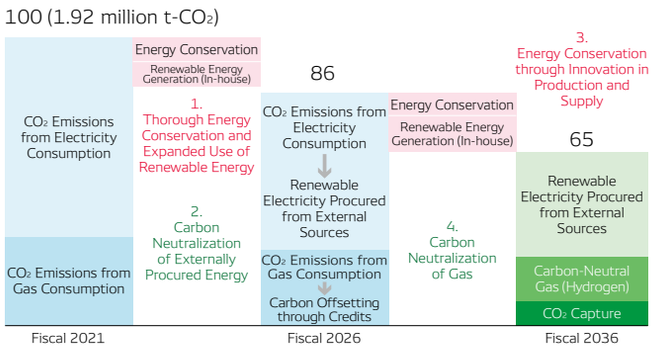


*1 After giving priority to reductions, we procure and retire environmental value and offset the remainder by retiring carbon credits, thereby bringing total CO_2 emissions for Scope 1 and 2 to effectively zero.

*2 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 to account for reduced production due to the impact of the COVID-19 pandemic.

*3 Emissions are undergoing verification by a third party. We bring emissions to effectively zero by retiring carbon credits for the remainder.

Scope 1 and 2 Carbon Neutrality Road Map



Scope 3 (Downstream)

Carbon Neutrality for Electric Vehicle Components

Our Vision 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. For example, we are advancing the development of compact, high-output SiC-based inverters that reduce power loss and thermal energy management modules that address increasingly complex thermal-related issues. At the same time, we are improving the thermal efficiency of internal combustion engines and supporting the use of carbon-neutral fuels, thereby contributing to the realization of carbon neutrality in mobility products.

Reduction of CO_2 Emissions from Energy Use

Our Vision 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 GHG 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°C 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).

For details on the SBTi, please see the following website.
https://sciencebasedtargets.org/target-dashboard

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

Characteristics of DENSO's Social and Relationship Capital (Fiscal 2026 results)

Number of suppliers

About **7,300** companies (global)

Number of customers using DENSO products

About **200** companies (global)

Number of shareholders

About **239,000**

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 **108,000** people (global)

Note: Includes employees, their family members, and general participants

Outline of Our Approach to Strengthen Social and Relationship Capital

In an era of uncertainty, adapting to the various changes in society and meeting its needs on our own, as one company, is an extremely challenging endeavor. Building strong relationships with customers, business partners, local communities, and shareholders and investors (hereinafter, external stakeholders), and expanding our circle of partners, are essential to the enhancement of corporate value.

To strengthen our relationships with external stakeholders, we deepen our understanding of their expectations and opinions through dialogue with them and reflect that understanding in our corporate activities. By realizing growth together with our external stakeholders, we aim to become a company that inspires deeply.

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

Target	Relationships between Social and Relationship Capital, Corporate Value, and Each Other Type of Capital	Initiatives to Strengthen Relationships (Input)		Output	Value Provided (Outcome)
		Expectations of and Points of Concern for DENSO	Initiatives		
Customers Automakers, vehicle owners, and customers in fields such as factory automation (FA) and agriculture	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. 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.	• Expansion of global market share • Increase in the number of customers • Establishment of a resilient global supply chain • Acquisition of IP rights and creation of know-how, etc.	**Achievement of a sustainable society in which people coexist with nature** • A society with zero environmental burden (response to climate change / prevention of global environmental pollution) • Effective use of limited resources (recycling of resources/conservation of water resources) **Creation of a mobility society in which people can live with peace of mind** • Realization of free mobility with peace of mind • A society free from traffic accident fatalities **Improvement in social well-being** • Stabilization of agricultural production and improvement of food self-sufficiency • Improvement of labor productivity in industry **Improvement in employee engagement** • Enhancement of awareness toward creating corporate value **Establishment of a sustainable supply chain** • Reinforcement of the foundation for stable supply • A society where people can work in a humane manner and with peace of mind **Implementation of ethical guidelines for establishing corporate conduct that serves as the foundation of trust-based relationships with society** • Maintenance of legal order and creation of a sound business environment • A securely protected information infrastructure
Business Partners 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. 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.	• 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.	
Local Communities 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. We will therefore identify the needs of local communities through dialogue. By resolving 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 environmental conservation, etc.	Conferences with local community members and governments, plant tours, Science Schools, social contribution programs in collaboration with local NPOs, agreements with local governments for regional revitalization, etc.	• New business creation • Enhanced level of recognition for the Company • Improved employee engagement • Acquisition of opportunities for participation in regional revitalization businesses, 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. 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.	• Maintaining an appropriate market valuation • 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, etc.	

Supply Chain Management

Suppliers are essential business partners for us. 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 Stable Supply

To be able to respond effectively to more diverse and frequently occurring risks, such as 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.

Currently, we have established a Companywide task force to respond to emergencies, including restrictions on exports and the situation in the Middle East. Through close collaboration with our suppliers, we are promoting alternative procurement methods and optimizing parts allocation in an effort to maintain adequate supply levels and swiftly ensure stabilization.

In addition, we are strengthening our disaster mitigation and fire prevention structure and conducting information security assessments to prevent risks before they occur. At the same time, we are building a framework that enables a swift response when risks materialize through efforts such as standardizing components, spreading out production across multiple plants, ensuring appropriate inventory management, and improving supply chain visibility.

Activities to Maintain and Enhance Quality Guarantees with Suppliers

To continue to provide products that satisfy our customers, we work together with our suppliers of parts and materials to maintain and improve quality control. As a core condition of basic transaction contracts, we ask suppliers to commit to maintaining and improving quality control. Moreover, we engage in activities to increase awareness of quality among major 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 and ongoing communication. For issues affecting the entire industry, we work with government bodies, industry groups, and customers to promote activities toward finding solutions.

For example, we engage in constructive discussions with suppliers on cost reduction activities, including product design and process modifications, to enhance the competitiveness of the entire supply chain. We also engage in discussions with suppliers to ensure fair transactions in response to unavoidable cost increases, such as those related to materials and labor. We are also working to enhance the soundness and sustainability of the industry in such ways as promoting improvements in business practices, together with customers, government agencies, and industry associations with regard to ensuring appropriate transaction pricing.

In addition, we provide support to suppliers to promote carbon neutrality, which can be difficult for an individual company to do on its own. This includes holding annual carbon neutrality seminars and demonstrating energy-saving methods at permanent showrooms (with a total of approximately 2,000 attendees since opening in October 2021), while taking into account the challenges and needs of each individual supplier. We also offer advice to governments and industry groups, including recommendations pertaining to subsidy programs and cost-passing guidelines, to improve the business environment across the entire supply chain.

We are also working to establish new methods of collaboration to enhance value creation across the entire supply chain. As part of these efforts, we held the DENSO HISHOKAI Exhibition in February 2026, featuring our supplier association, DENSO HISHOKAI, and 100 start-up companies. The exhibition was held over two days and attracted over 4,000 visitors. It was a lively event, with numerous discussions on co-creation taking place at company booths and pitch sessions. Also, in efforts to deepen our relationships with suppliers, we express our gratitude to suppliers for their contributions to production and supply activities by holding events such as the DENSO Supplier Appreciation Meeting, which brings together suppliers from Japan and overseas, and executive networking events with DENSO HISHOKAI. At the same time, we are strengthening collaboration with our suppliers throughout the entire supply chain by sharing information on issues related to stable supply and competitiveness.

Promoting Responsible Procurement Practices

We have 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, we procure raw materials based on our Mineral and Raw Material Procurement Policy and conduct an annual minerals survey in cooperation with our 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.

For details on supply chain management, please see the following website.
https://www.denso.com/global/en/sustainability/society/supply-chain/

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.

As society places ever greater demands on companies to respect human rights, many international guidelines and laws have been put in place. We regard respect for human rights as an important theme, and we will continue to respond appropriately to these trends while advancing initiatives, such as the regular implementation of human rights due diligence.

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 lead division with regard to human rights issues, we are promoting activities in collaboration with related divisions, including the Corporate Management, 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

We promote 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 risks arising from 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 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 us. 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 Impact Assessment: Foreign Workers in Japan (Foreign Workers, Technical Interns, and Skilled Workers)

Human rights issues facing foreign workers in Japan are highly relevant, important human rights risks in the automotive supply chain. We assess the actual conditions at domestic Group companies and major suppliers through written surveys. At the same time, for these surveys the Company prioritizes companies that utilize foreign workers. We interview these workers directly.

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. As an example of good practice, we share with other domestic Group companies and suppliers the outcomes of various measures to ensure that the human rights of foreign workers are not negatively affected.





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.

For details on the DENSO Group's efforts to respect human rights, please visit the website below.

Undertaking Initiatives toward Respect for Human Rights
https://www.denso.com/global/en/sustainability/society/humanrights/

Social Contribution Activities

To contribute to the sustainable development of society, the DENSO Group actively promotes social contribution activities as a good corporate citizen, aiming to be a company that earns the trust and inspires the support of society. We believe that the well-being of people and society requires not only contributing through business activities that deliver quality products and services to customers, but also having each employee act with society in mind as a member of the local community and of society at large.

In fiscal 2007, we established the DENSO Group Basic Policy for Corporate Citizenship Activities, and we focus our activities on three fields that leverage our own strengths: ensuring coexistence with the environment, building safe and secure communities, and fostering human development (youth development and welfare for people with disabilities). In addition to measures led by the Company, we have put in place systems that support our employees, participation in society and we address social issues in each community where we operate.

Specific Initiatives

Ensuring coexistence with the environment	Water quality, forest, and ecosystem conservation activities (Group companies worldwide), "The Honeybee Project"
Building safe and secure communities	Traffic safety awareness activities (Group companies worldwide), support for disaster-affected areas and training of disaster volunteer coordinators
Fostering human development (youth development and welfare for people with disabilities)	Youth development: DENSO Science School and DENSO Cup Soccer Welfare for people with disabilities: Wheelchairs and Friendship Center of Asia (WAFCA), a certified nonprofit organization
Community coexistence activities	Participation in and passing on of local festivals (the Kariya Mando Festival and the Kota Kite-Flying Festival) as well as community cleanup activities

Company Systems That Support Employee Participation in Society

We have put in place corporate systems that stand alongside each employee and make it easy to take that first step.

Volunteer leave system (DENSO CORPORATION)	One day per year granted to all employees, introduced in fiscal 2022 In fiscal 2026, 5,829 employees used the system
Heartful Fund	A fund financed by employee contributions that provides grants to organizations recommended by employees In fiscal 2026, approximately 7,200 members granted ¥26 million to 194 organizations.
Heartful Friend	A volunteer team system in which employees register and take part on a voluntary basis In fiscal 2026, 25 teams with about 400 registered members participated.

DENSO will continue to nurture the aspirations of each employee, work together with local communities to resolve social issues, and contribute to building a sustainable society in which the well-being of people and society flows.

Sports Activities

DENSO maintains six women's sports clubs in basketball, volleyball, softball, long-distance running, table tennis, and rowing, and promotes their activities with the message "Let us stir our hearts together through sports."

Connections Born of Inspiration and Shared Feeling

Sports activities serve as a major source of energy for our employees. The sight of athletes continually striving toward their goals and overcoming difficulties by supporting one another inspires many employees, strengthening their willingness to take on challenges and improving teamwork in their daily work.

In addition, as employees, local residents, and fans who cheer for the clubs share inspiration and joy through competition, connections form between people and the circle of shared feeling widens. Sports play an important role in uniting people's hearts across organizations and positions. By widening the circle of support and shared feeling together with many people, we will convey the appeal of competition and the value of sports to society, and contribute to the development of the Japanese sports world and to nurturing the athletes of the next generation.



COLUMN

DENSO IRIS Wins Its First W League Championship

In the 2025–26 season, DENSO Iris, our women's basketball club, won its long-awaited first championship in the W League.



Reaching the summit the club had aimed for since its founding in 1962 brought tremendous inspiration and delight to employees, fans, and local communities.

Collaboration with Local Communities

In addition to competing, each club actively undertakes a wide range of community-rooted activities. Through participation in local events, sports clinics and hands-on sessions, and school visits, the clubs convey to children the enjoyment of sports and the importance of taking on challenges positively without fear of failure, while also creating opportunities to interact with local residents.

As one example, DENSO AIRYBEES, our women's volleyball club located in Koriyama, Fukushima Prefecture, take part in Fukushima Prefecture's Fukushima Dream Support Program and hold "Dream Classes" for elementary and junior high school students. The aim of this activity is to give children an opportunity to have dreams and goals and to think about their own potential. By sharing their own experiences and the path of challenges they have walked, the players support the healthy growth of the generation that will shape the future.

Furthermore, former athletes who continue to contribute as employees after retiring from competition plan and run sports schools and support physical education classes at schools. These activities improve children's athletic skills and also help resolve issues facing local communities, such as changes in the environment surrounding school club activities and a shortage of coaches.

Looking ahead, DENSO will continue to harness the power of sports to nurture connections between people and, together with local communities, expand the value and possibilities that sports offer.





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Corporate Governance

Basic Stance

DENSO recognizes the establishment of corporate governance as a priority initiative for achieving sustainable long-term increases in corporate value in a rapidly changing global market. Based on our Basic Policies on Corporate Governance, we have adopted a company with audit and supervisory board structure. In addition to these legal functions, we have established various governance-related frameworks. At the same time, we share information and conduct dialogues regarding business conditions with our shareholders and other investors on an ongoing basis, thereby pursuing sound, efficient, and transparent management.

For Basic Policies on Corporate Governance, please see the following website.
https://www.denso.com/global/en/-/media/Global/sustainability/governance/management/management-doc-corporate-governance-policy-2026-en.pdf?rev=718ae39e3ae34818a71ed27f75cc30d0

Efforts to Improve Corporate Governance

We are working to evolve our corporate governance and enhance strategic discussions Companywide to realize sustainable increases in corporate value.

In line with each principle of the Corporate Governance Code, we undertake initiatives such as ensuring diversity in core personnel and promoting sustainability, and disclose their status in the Corporate Governance Report. We also implement sound, efficient, and transparent management including through the significant reduction of cross-shareholdings.

For Corporate Governance Report, please see the following website.
https://www.denso.com/global/en/-/media/Global/sustainability/governance/management/management-doc-corporate-governance-2026-en.pdf?rev=c165012742dd45279ea16f3b2b52d41e

Corporate Governance System

Corporate Governance System and Principal Organizations

We have adopted a company with audit and supervisory board structure under which we have established the General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board, and Accounting Auditors as statutory bodies. Through a president, executive vice presidents, and a corporate officer system that separates and clarifies the roles between members of the Board, who are responsible for management (decision-making and supervision), and senior executive officers, who are responsible for the execution of business operations, DENSO CORPORATION is streamlining the number of members of the Board and is realizing swift decision-making and business operations.

Under this system, depending on the circumstances, members of the Board serve concurrently as president, executive vice president, and senior executive officer to ensure that the Board maintains an overall balance of knowledge, experience, and ability. DENSO CORPORATION sets the term of office for members of the Board at one year, with the aim of building a flexible management structure that responds to changes in the management environment and further clarifying management responsibility during the business year.

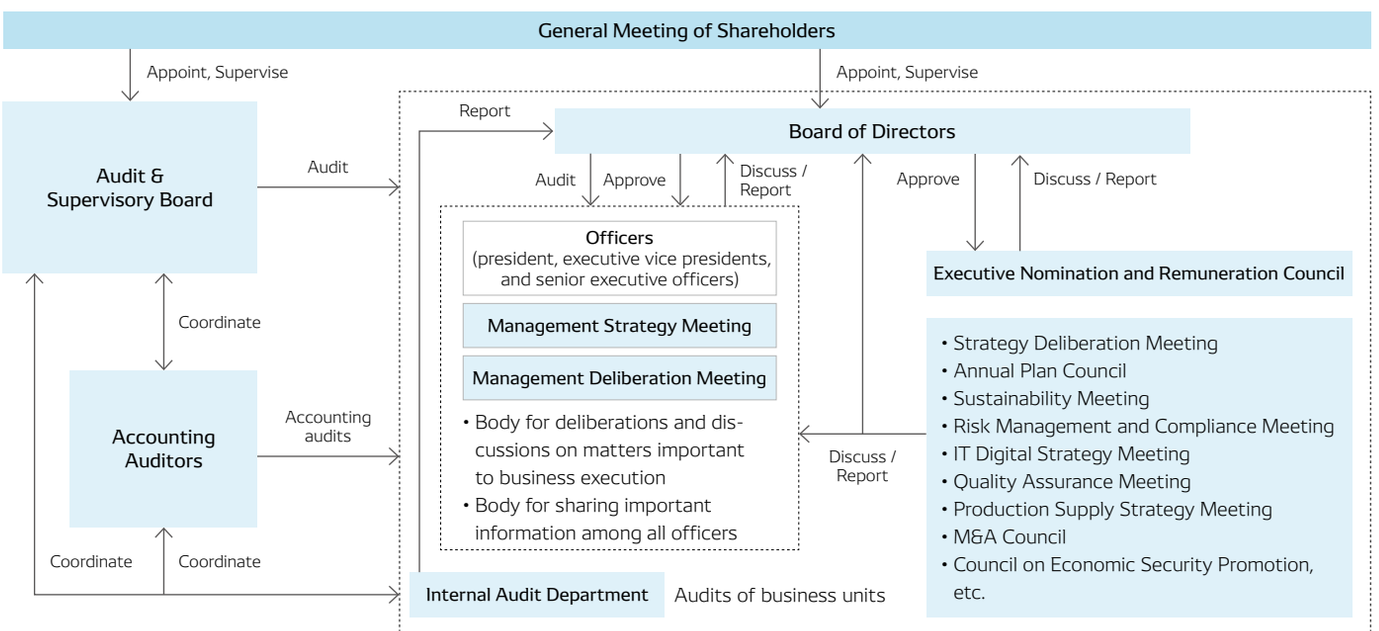
Reason for Selecting Our Current Corporate Governance System

We have been discussing and examining the optimal organizational structure to achieve highly effective corporate governance. By delegating authority from the Board of Directors as much as possible, we have been able to expedite decision-making. Additionally, the Audit & Supervisory Board, which maintains independence from the Board of Directors, has achieved high audit governance through strong collaboration with the Internal Audit Department. Therefore, at present, we are employing a company with audit and supervisory board structure.

To enhance corporate value, outside Board members with extensive insight into corporate management are appointed and are involved in decision-making and oversight based on their respective expertise. We have also established the Executive Nomination and Remuneration Council to ensure objectivity, fairness, and transparency in the nomination and remuneration of Board members.

For effective auditing, we have established a structure in which standing Audit & Supervisory Board members with in-depth knowledge of company operations conduct audits and oversee management alongside highly experienced outside Audit & Supervisory Board members, with an emphasis on on-site audits.

Corporate Governance System



Board of Directors

The Board of Directors resolves matters stipulated by laws and regulations, as well as matters of importance to the Company's decision-making. As much as possible, the Board delegates authority to those in charge of business execution. This approach simultaneously accelerates execution and enables the Board to spend more time deliberating on management policies and strategies.

The Board of Directors meets once a month, in principle, and is composed of 12 members: four internal Board members, three outside Board members, two standing Audit & Supervisory Board members, and three outside Audit & Supervisory Board members. With respect to the independence of outside Board members and outside Audit & Supervisory Board members, the Company has selected a total of six independent officers (three outside Board members and three outside Audit & Supervisory Board members). These officers must fulfill the independence criteria stipulated by the financial instruments exchanges, and they are required to have a wealth of experience and specializations in such fields as corporate management, legal affairs, accounting, and finance to actively provide recommendations and opinions on management issues.

Resolutions must be approved by a majority of the members present at a Board of Directors' meeting, and the meeting itself must be attended by a majority of members of the Board. We have been enhancing our support structure for the outside officers to ensure the productive and efficient operation of the Board of Directors when making resolutions. Further, before a Board meeting is convened, materials are distributed beforehand and the agenda is explained in detail beforehand, and opinions and approval are received from any members of the Board who are unable to attend on the day of the Board meeting. In fiscal 2026, the Board of Directors convened 13 times, with 95% of members of the Board and 100% of Audit & Supervisory Board members attending.

Discussions at the Board of Directors

The main topics discussed and the number of reports submitted for discussion at meetings of the Board of Directors convened in fiscal 2026 are shown in the table below. The Board received and discussed numerous reports on priority topics, namely, M&A and alliance strategies to improve corporate value over the medium to long term, as well as technology development and manufacturing strategies. Briefings and reporting at Board of Directors' meetings were streamlined thanks to the better preparation of pre-meeting materials, allowing for more than 70% of the total time to be spent on active discussions.

Main Topics Discussed, Number of Topics, and Time Allocation at Meetings of the Board of Directors in Fiscal 2026

Category	Number of Topics (Year on year)	Time Allocation (Year on year)	Main Topics
Management and business strategies	12 (–1)	39% (–7pt)	M&A and alliance strategies, technology development strategies, manufacturing strategies, IP strategies, analysis of competitors' strategies, and regional strategy for India
Financial results and finance	11 (±0)	15% (–9pt)	Resolutions on financial results and dividends, share buybacks, cross-shareholding reductions and policies, and financial activity policies
Governance and risk management	4 (–4)	10% (±0pt)	Evaluation of the effectiveness of the Board of Directors, reports on risk management activities, impact of and response to U.S. tariffs under the Trump administration
Human resources	4 (–1)	6% (±0pt)	Executive appointments, executive compensation, organizational restructuring, and introduction of share-based compensation for employees
Production and procurement	2 (–1)	8% (+2pt)	Operational reform in the supply chain domain and renewal of core systems, direction, and issues for procurement
Policies and plans	2 (±0)	7% (+3pt)	Mid-Term Plan, fiscal year plans, and corporate targets
Individually reported items	6 (+4)	15% (+11pt)	Innovation in technology and *Monozukuri* development in the AI era, strengthening of activities from an industry perspective, and reporting on the progress and results of previously resolved matters

Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole

In early March of each year, we conduct a survey of the effectiveness of the Board of Directors with all members of the Board. With a view to obtaining the frank opinions of members of the Board regarding issues and areas requiring improvement, interviews with internal officers are held, and outside officers discuss these matters at the Independent Officer Meeting, based on the outcome of the quantitative assessment in the survey.

Issues and areas identified as requiring improvement and improvement action plans are reported to and discussed by the Board of Directors, followed by improvement activities that are implemented beginning in late May. Each year, a plan–do–check–act (PDCA) cycle is implemented to enhance the effectiveness of the Board of Directors.

Evaluation Items of the Survey for Evaluation of the Effectiveness of the Board of Directors

1. Composition and operation of the Board (composition of members, delegation of authority, and open and constructive discussion)
2. Support for outside officers (prior briefing, provision of information, and exchange of opinions and interaction)
3. Oversight by the Board (management philosophy, medium- to long-term strategies, governance, important risks)
4. Dialogue with stakeholders (discussions from a stakeholder perspective, status of dialogue with stakeholders)

Initiatives to Improve Effectiveness of the Board of Directors

Thanks to the initiatives shown in the table below, the results of the survey, interviews, and discussions confirmed that in fiscal 2026 the Board of Directors was even more effective than in the previous fiscal year, with more active discussions on M&A and alliance strategies.

Results of Fiscal 2026 Initiatives to Address Issues Identified in Fiscal 2025

Composition of the Board of Directors

- Systematic search for Board members
  - Working with the Executive Nomination and Remuneration Council, we replaced and increased the number of outside Board members and outside Audit & Supervisory Board members at the June 2026 General Meeting of Shareholders, raising the ratio of outside officers and the ratio of women.

Discussions regarding Strategy

- Enhancement of medium- to long-term discussions by systematically submitting strategic agenda items to the Board of Directors
  - Submitted the technology strategy, *Monozukuri* strategy, IP strategy, and semiconductor strategy to the Board of Directors
  - Discussed the Mid-Term Plan on multiple occasions

Strengthening of Stakeholder Perspectives

- Held DENSO DIALOG DAY in conjunction with the announcement of the Mid-Term Plan

We aim to improve the effectiveness of the Board of Directors by planning and implementing the following improvement measures in fiscal 2027 to address lingering issues identified in fiscal 2026.

Fiscal 2027 Improvement Action Plan to Address Issues Identified in Fiscal 2026

Response to Revisions of the Corporate Governance Code

- Response to the roles required of the Board of Directors under the revised Corporate Governance Code

Clarification of the Future Vision for DENSO's Board of Directors

- Setting of agenda items and the approach to discussions in light of the characteristics of the automotive parts industry, clarification of the roles required of outside officers, and continued examination of the Board's overall design

Strengthening of Reporting on Oversight of Execution Status

- Strengthening of reports on the execution status to enable the Board of Directors to accurately oversee and monitor execution

Systematic Submission of Management Issues and Strategic Agenda Items to the Board of Directors

- Timely and appropriate reporting of management issues to the Board of Directors and reflection of such issues in executive actions

Audit & Supervisory Board

Management Oversight Function of the Audit & Supervisory Board

As well as attending meetings of the Board of Directors and other important meetings, Audit & Supervisory Board members convene meetings of the Audit & Supervisory Board once a month, in principle. The Audit & Supervisory Board comprises five Audit & Supervisory Board members, three of whom are outside Audit & Supervisory Board members.

At meetings of the Audit & Supervisory Board, resolutions on legally required matters are approved and exchanges of opinions are held with members of the Board, members of the senior management team, members of the Internal Audit Department, and Accounting Auditors regarding the Company's sustained growth and the medium- to long-term enhancement of corporate value. Also, the Audit & Supervisory Board fulfills its management oversight function through audits of the execution of duties by members of the Board and of the operations and financial position of the Group as a whole.

Pursuant with internal regulations, the Internal Audit Department conducts internal audits on the legality, appropriateness, and efficiency of the Company's operations. Based on the issues identified by these audits, each department of the Company establishes and subsequently enhances operational control and management systems.

Specific Topics Discussed at Meetings of the Audit & Supervisory Board

In fiscal 2026, Audit & Supervisory Board meetings included numerous discussions and reports on priority topics, namely, enhancement of organizational internal controls, and preparation and human resource development aimed at realizing the Company's philosophy.

Main Topics Discussed and Number of Reports Submitted for Discussion at Meetings of the Audit & Supervisory Board in Fiscal 2026

Classification	Matters Submitted for Discussion
Policy and plan	3
Corporate management	13
Execution of duties by senior executive officers	8
Accounting audit	9
Audit & Supervisory Board members' audit report	13
Audit & Supervisory Board structure	3
Individual discussions of key issues	2

Structure for Business Execution

DENSO CORPORATION separates the functions of the Board of Directors, which conducts management oversight, and the senior executive directors, who handle business execution.

As bodies for deliberating important matters pertaining to business execution, the Company has established the Management Strategy Meeting and the Management Deliberation Meeting. These two bodies, three when including the Board of Directors, are positioned as executive committees.

Composition of the Board of Directors and Audit & Supervisory Board

Approach to Requirements and Diversity

The composition of the members of the Board and the Audit & Supervisory Board is decided with due consideration paid to the balance of diversity (including nationality and gender), experience, capabilities, and specialization to ensure precise and prompt decision-making.

For Board member candidates, we select individuals who are well-versed in managing the Company's various businesses and are effective at addressing urgent issues, and who can contribute to the formulation of management strategies aimed at enhancing corporate value over the medium to long term, as well as to the accurate and effective supervision of management.

Similarly, for Audit & Supervisory Board member candidates, we select individuals with knowledge in business management, finance, accounting, and legal affairs, who can contribute to the appropriate auditing of management.

Experience and Expertise (Skill Matrix)

The skills (experience and specializations) required of members of the Board of Directors are decided when considering whether such skills are helpful in attaining objectives, such as medium- to long-term business strategies, policies, and targets. More specifically, we have set out nine items from three perspectives: skills necessary to create the social value the Company aims for, skills necessary to oversee management, and core skills that underpin competitiveness.

The experience and specializations of the Board of Directors as a whole are disclosed in the form of a skill matrix. We intend to revise these requirements to reflect future changes in business strategy and the business environment.

Overview of Deliberating Bodies on Business Execution

	Deliberating Bodies	
	Management Strategy Meeting	Management Deliberation Meeting
Chairperson	President	President
Composition	President, executive vice president, the heads of each business group and functional department, general managers, and standing Audit & Supervisory Board members	President, executive vice president, the heads of each business group and functional department, general managers, and standing Audit & Supervisory Board members
Purpose	Hold strategic discussions from a medium- to long-term perspective, focused on businesses, functions, and regions	Deliberate on important items related to the Company's overall management, starting with the agenda items at meetings of the Board of Directors. In addition, sharing important information regarding business management and promptly utilizing such information to facilitate swift business execution
Number of meetings held in fiscal 2026	14	45

Composition of the Board of Directors and Audit & Supervisory Board

As of the end of June 2026

Members of the Board

Internal members of the Board: 4 persons



Outside members of the Board*2: 3 persons



Audit & Supervisory Board Members

Internal Audit & Supervisory Board members: 2 persons

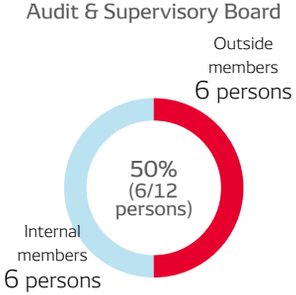


Outside Audit & Supervisory Board members*2: 3 persons

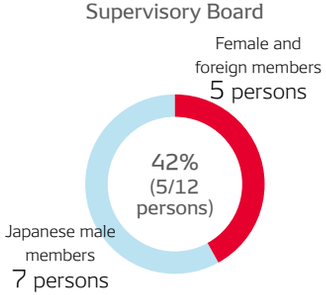


*1 Retired as CFO in July 2026 and newly assumed the role of CSEO
*2 The Company's outside officers satisfy the independence criteria established by the Company and by the financial instruments exchanges.

Ratio of Outside Members to the Board of Directors and the Audit & Supervisory Board



Diversity Ratio of the Board of Directors and the Audit & Supervisory Board



Notes:1. Ratio of independent outside members to the Board of Directors: 43% (3/7 persons)
2. Ratio of female members of the Board of Directors: 29% (2/7 persons)

Experience and Specializations (Skill Matrix) of Members of the Board and Audit & Supervisory Board Members

The areas of specialization that the Company expects each member to demonstrate (up to a maximum of five areas) are as shown below.

Note: This does not represent all the areas of experience and specialization of each person.

Name	Tenure (Years)	Attendance at Board of Directors' meetings in fiscal 2026	Meeting participation (◎ = Chair)			Skills for creating social value		Management oversight skills				Core skills underpinning competitiveness			Reason for appointment	Important posts concurrently held at other corporations (As of the end of June 2026)
			Board of Directors	Audit & Supervisory Board	Executive Nomination and Remuneration Council	Environment and society	Software / Digital	Corporate management	Governance / Risk management	Global	Finance / Accounting	Technological development	Manufacturing	Human resource development		
 Chairman, Member of the Board Koji Arima	11	13/13	◎		*1			○	○	○		○	○		Koji Arima has extensive management experience as representative member of the Board, president and chairman (current position), which includes oversight of management as the chairman of the Board and involvement in the formulation and execution of the Company's medium- to long-term policies and strategies. He has been engaged in activities to support Japan's manufacturing industry across companies in various public roles. In addition, his experience as chairman of the Japan Auto Parts Industries Association, a position he held until May 2024, affords a top-down perspective of the entire industry. He was appointed with the expectation that he will promote further improvement in the Company's governance.	Outside Audit & Supervisory Board member of KDDI Corporation Outside member of the Board of AGC Inc.
 President & CEO, Representative Member of the Board Shinnosuke Hayashi	3	13/13	○		○	○	○	○				○		○	After joining the Company, Shinnosuke Hayashi was engaged in the electronics business, served as chief software officer (CSwO), and was an executive in charge of a business. He was appointed representative member of the Board and president (current position) in June 2023. He has been practicing "management that values people," such as by promoting the creation of a corporate culture that enables the Company's diverse people to use their abilities to their fullest, with the aim of constantly creating new value and staying one step ahead of the times. With his strong insight as a manager, he is expected to demonstrate exceptional leadership that draws out the best of the Company's diverse employees and lead the creation of new value.	
 Executive Vice President, Representative Member of the Board CRO, CCO, CFO*2 Yasushi Matsui	5	13/13	○			○		○	○	○	○				After joining the Company, Yasushi Matsui was engaged in the thermal systems business and the electrification business. He was in charge of the purchasing department from June 2014 and currently serves as CRO, CCO, and CFO.*2 He is expected to lead corporate and financial strategies and advance growth strategies by utilizing his broad perspective and foresight gained through his wide-ranging experience in functional and operating departments and at an overseas site.	Outside Audit & Supervisory Board Member, JTEKT Corporation
 Executive Vice President, Representative Member of the Board CSO, CHRO Yasuhiko Yamazaki	2	13/13	○		○*3		○	○				○	○	○	After joining the Company, Yasuhiko Yamazaki served as president of the Company's Spanish subsidiary and was in charge of production promotion departments and the driving safety business before being placed in charge of the thermal systems business in January 2021. He currently serves as CSO and CHRO. We expect him to draw on his deep knowledge of technology and *Monozukuri* to advance management strategies grounded in future growth potential and the customer's perspective, as well as development of the people who will support the realization of those strategies.	Outside Director of Toyota Boshoku Corporation
 Member of the Board Outside Board Member Independent Officer Yuko Mitsuya	7	13/13	○		◎			○	○					○	Yuko Mitsuya has abundant experience and knowledge in many fields, having long been in management at several corporations and associations, filling the posts of officer and committee member at several sports associations including vice president of the Japanese Olympic Committee (current position) and being engaged in education and human resource development at a university, among others. She is expected to contribute to the supervision of the Company's overall management, utilizing her abundant expertise in corporate management and human resource development.	Outside Director, Japan Airlines Co., Ltd. Vice President, Japanese Olympic Committee
 Member of the Board Outside Board Member Independent Officer Joseph P. Schmelzeis, Jr.	4	13/13	○		○			○	○	○					Joseph P. Schmelzeis, Jr. has a wealth of experience in management, particularly in the service industry, including at SEGA CORPORATION, as well as in venture business start-ups and strategic consulting. He has striven to strengthen the U.S.–Japan alliance as senior advisor to the ambassador at the U.S. Embassy in Tokyo since 2018. He is expected to contribute to the supervision of the Company's overall management, utilizing mainly his abundant business experience as well as profound global knowledge and knowledge of risk management related to geopolitics.	Representative Director, JPS International, Inc.; Executive Manager, Cedarfield Godo Kaisha Outside Director, Central Japan Railway Company; Outside Director, Hitachi Construction Machinery Co., Ltd.

*1 Retired as of July 2026 *2 Retired as CFO in July 2026 and newly assumed the role of CSEO *3 Appointed in July 2026

Note: CEO (Chief Executive Officer); CRO (Chief Risk Officer); CCO (Chief Compliance Officer); CSO (Chief Strategy Officer); CFO (Chief Financial Officer); CHRO (Chief Human Resources Officer); CSEO (Chief Safety & Environment Officer); CSwO (Chief Software Officer)

Name	Tenure (Years)	Attendance at Board of Directors' meetings in fiscal 2026	Meeting participation (◎ = Chair)			Skills for creating social value		Management oversight skills				Core skills underpinning competitiveness			Reason for appointment	Important posts concurrently held at other corporations (As of the end of June 2026)
			Board of Directors	Audit & Supervisory Board	Executive Nomination and Remuneration Council	Environment and society	Software / Digital	Corporate management	Governance / Risk management	Global	Finance / Accounting	Technological development	Manufacturing	Human resource development		
 Member of the Board Outside Board Member Independent Officer Noriko Kinoshita	—*1	—*1	○		○	○			○		○				Noriko Kinoshita has abundant experience and knowledge in all aspects of management including public relations and sustainability, alongside experience in the postal business at Japan Post Holdings Co., Ltd. and JAPAN POST Co., Ltd. She also has experience in risk management through her emergency response activities during the Great East Japan Earthquake. She is expected to utilize this extensive experience to oversee the Company's overall management.	Audit & Supervisory Board member of JAPAN POST Co., Ltd.
 Standing Audit & Supervisory Board Member Naoto Inuzuka	—*2	—*2	○	◎					○	○	○				After joining the Company, Naoto Inuzuka mainly engaged in business planning and also served as the president of a subsidiary of the Company in Thailand from January 2021, being involved in the management of the overseas business as CEO of the Asia-Oceania region. He was appointed Senior Executive Officer in 2025 and is participating in the Group's management from a global perspective. He is expected to contribute to thorough Groupwide compliance and enhancement of corporate governance through audits aligned with actual business conditions, as he is well-versed in overseas subsidiary management based on business planning.	Outside Audit & Supervisory Board member of ADVICS CO., LTD.
 Standing Audit & Supervisory Board Member Katsunori Hayashi	1	10/10*3	○	○					○		○			○	After joining the Company, Katsunori Hayashi has worked in human resources, secretarial, and sales departments. He served as general manager of the planning department in the operating division from January 2011, and he has served as general manager of the secretarial department since April 2018. He has wide-ranging experience in functional and operating departments, and has extensive and deep knowledge of corporate governance in general, including his leadership of governance reforms focusing on the areas of nomination and remuneration as general manager of the secretarial department. He is expected to reflect this experience and knowledge in the Company's audits for the improvement of high-quality corporate governance systems of the Group.	
 Auditor Outside Audit & Supervisory Board Member Independent Officer Yasuko Gotoh	7	13/13	○	○		○			○		○				Yasuko Gotoh has extensive experience in public administration, including roles as vice governor of Yamagata Prefecture, head of the New York Office of the Japan National Tourism Organization, and managing director of Kyushu Railway Company. In addition, she has considerable expertise in auditing, having served as an Audit & Supervisory Committee Member at Kyushu Railway Company and as an External Audit Committee Member at Shiseido Company, Ltd. (current position), where she has gained financial, accounting, and compliance knowledge through her auditing activities. Her broad experience and insights in public administration and corporate management are expected to be valuable in reflecting these perspectives in the Company's audits.	Outside Director (Audit Committee Member), Shiseido Company, Ltd. Outside Audit & Supervisory Board Member, Mitsui Chemicals, Inc. Outside Director, Sumitomo Corporation
 Auditor Outside Audit & Supervisory Board Member Independent Officer Kumiko Baba	—*2	—*2	○	○			○		○		○				Kumiko Baba has abundant experience centering on business operations overseas, such as contract negotiations and business alliances with overseas companies, as well as new business launches at Toshiba Corporation. At JFE Engineering Corporation, she gained wide-ranging executive experience from overseeing overseas businesses to engaging in management areas such as accounting and finance. In addition, she has experience as a full-time Audit & Supervisory Board Member at JFE Holdings, Inc. She is expected to reflect her experience of engaging in manufacturing from a global perspective and her expertise covering accounting, finance, auditing, and other professional areas in the Company's audits.	Advisor, JFE Engineering Corporation Outside Director (Audit & Supervisory Committee Member), SWCC Corporation Outside Director (Audit & Supervisory Committee Member), AGC Inc.
 Auditor Outside Audit & Supervisory Board Member Independent Officer Masato Yamagami	—*2	—*2	○	○		○			○		○				Masato Yamagami has held key roles at PricewaterhouseCoopers Japan LLC alongside abundant work experience as a certified public accountant, and possesses highly specialized expertise in corporate accounting, corporate auditing, and sustainability. More recently, he has accumulated experience centering on key management issues including risk management and compliance as CEO at PwC Risk Advisory LLC. He is expected to utilize this wide-ranging experience and expertise to refine the Company's audit framework and provide appropriate oversight of management risks.	Representative, Masato Yamagami Certified Public Accountant Office

*1 Appointed Member of the Board in June 2026
*2 Appointed Audit & Supervisory Board member in June 2026
*3 Number of meetings attended since appointed Audit & Supervisory Board member in June 2025

Definition of each skill and reason for selection

Skill category	Skill items	Definition	Reason for selection
Skills for creating social value	Environment and society	Operational experience relating to environmental and social issues or expertise in sustainability management	Because the Company aims to broadly contribute to the resolution of social issues beyond mobility, centered on “green” and “peace of mind”
	Software / Digital	Operational experience in software and use of digital technologies or expertise in digital transformation	Because these technologies are fundamental to value creation in a mobility society where cars and society are interconnected, and the Company aims to improve its competitive advantage and achieve sustainable growth through DX promotion, including the use of AI
Management oversight skills	Corporate management	Experience in leading corporate management at listed companies, etc.	To ensure accurate decision-making relating to complex global management issues as the automotive industry undergoes a significant, once-in-a-century transformation
	Governance and risk management	Operational experience or expertise in corporate governance and risk management	To maintain stakeholder trust by enhancing the effectiveness of governance and appropriately responding to increasingly diverse global risks
	Global	Overseas management experience or understanding of overseas business environments and cultures	To ensure understanding of different cultures, values, and laws and regulations amid the Company’s global business expansion and to promote Companywide strategies while utilizing strengths in each region
	Finance and accounting	Operational experience or expertise in financial affairs, accounting, and capital markets	To create a robust financial foundation and enhance corporate value through financial strategies and dialogue with capital markets
Core skills to support competitive advantages	Technology development	Operational experience in technology and R&D or expertise in global technological trends	Because the Company must continue to refine its founding strengths—a forward-looking spirit of creation and a focus on world-first technologies and product manufacturing—in order to create new value
	Manufacturing	Operational experience in production technology and quality control, etc., or expertise in manufacturing strategies	Because the Company must continue to refine its founding strengths in highly efficient and high-quality manufacturing based on in-house technologies, in order to maintain trust and its competitive advantage
	Human resource development	Operational experience in human resource strategies and organizational development or expertise in human capital management	Because human resources are the Company’s most important capital and the Company must preserve and further advance its corporate culture that can maximize the capabilities of its organizations and approximately 155,000 employees worldwide, under its open organizational climate

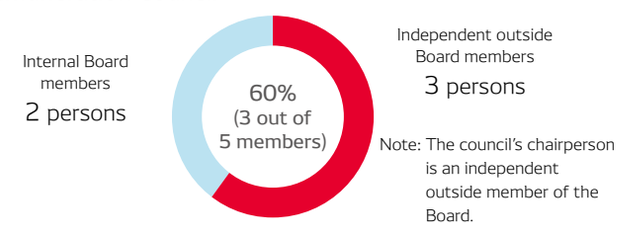
Executive Nomination and Remuneration Council

We have established the Executive Nomination and Remuneration Council to increase fairness and transparency from an impartial standpoint when making important decisions regarding the nomination and remuneration of executives. The council is chaired by an independent outside Board member, with independent outside Board members constituting the majority of its members.

Composition of the Executive Nomination and Remuneration Council

Chairperson	Yuko Mitsuya	Independent Outside Board Member
Members	Shinnosuke Hayashi	President & CEO, Representative Member of the Board
	Yasuhiko Yamazaki	Executive Vice President, Representative Member of the Board
	Joseph P. Schmelzeis, Jr.	Independent Outside Board Member
	Noriko Kinoshita	Independent Outside Board Member

Composition of the Executive Nomination and Remuneration Council



Nomination Process for Board Members and Audit & Supervisory Board Members

Process 1	• The president and relevant officers take the lead in gathering opinions from various sources and comprehensively assess candidates based on performance, character, and insight to identify those best suited for the role. The Executive Nomination and Remuneration Council then deliberates and drafts the nomination proposal for the fiscal year.
2	• Board members are appointed following a resolution by the Board of Directors and subsequent approval at the General Meeting of Shareholders. • Audit & Supervisory Board members are appointed based on a resolution by the Board of Directors, subject to consent by the Audit & Supervisory Board, and approved at the General Meeting of Shareholders.

Activities of the Executive Nomination and Remuneration Council

The Executive Nomination and Remuneration Council convened a total of eight times in fiscal 2026 with 100% attendance by its members. The main topics of deliberation were as follows:

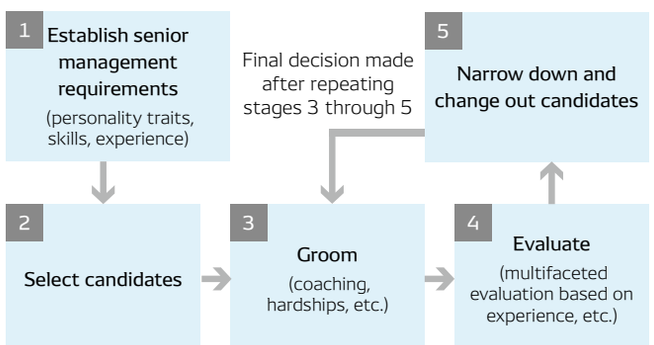
Nomination	• CEO succession plan • Outside officer succession plans • January 2026 executive system • June 2026 executive system
Remuneration	• Compensation levels by position and duties • Performance evaluation based on corporate earnings indicators • Evaluation of individual performance • Determination of individual compensation • Reforms to executive remuneration system

Senior Management Succession Plan

We regard president & CEO succession planning as one of DENSO's most important management tasks. The Executive Nomination and Remuneration Council leads the search for the next president based on a highly objective and transparent process.

The Executive Nomination and Remuneration Council establishes requirements that reflect the type of senior management sought by DENSO. In searching for an optimal successor, the council conducts ongoing discussions based on a diverse range of information concerning the candidates. Such information is obtained from parties inside and outside the Company and includes past achievements, employment histories, and assessments of suitability for management positions. In addition, for CxO positions and below, we identify candidates for the succession of key core management posts inside and outside Japan and groom these candidates from medium- and long-term perspectives.

Succession Planning Process



New Senior Management Requirements*

Capabilities	• Vision setting • Decisiveness • Team building and leadership • Succession and development
Personality traits	• Sense of purpose and ambition • Outward focus • Accountability • Courage • Integrity and positivity • Openness

* Revised in fiscal 2026 based on discussions by the Executive Nomination and Remuneration Council

Executive Compensation

Basic Policy

- Achieve medium- to long-term enhancement of corporate value and management from the perspective of shareholders
- Incentivize eligible members of the Board to enhance business performance by linking the Company's performance with individual performance

Composition of Remuneration

The compensation system for members of the Board (excluding non-executive members of the Board and outside Board members) at DENSO consists of basic compensation as fixed compensation, as well as bonuses and share-based compensation as performance-linked compensation. An overview of each compensation system and the ratio of compensation by position for basic compensation amounts are as detailed in the table below. However, note that these ratios may vary depending on fluctuation in performance-linked compensation amounts, which are based on the achievement of corporate earnings for the fiscal year. Compensation for non-executive members of the Board and outside Board members consists of only basic compensation (fixed amount) from the standpoint of ensuring independence. Compensation for Audit & Supervisory Board members also comprises only basic compensation (fixed amount), in light of their roles and responsibilities as auditors in charge of compliance audits.

Compensation Levels

The level of compensation for members of the Board and Audit & Supervisory Board members is set at competitive levels for comparable companies while also referencing levels at major manufacturers of similar scale in similar sectors and with similar business models as DENSO, based on board member compensation survey data compiled by external research institutions each year.

Method for Calculating Performance-linked Compensation

To establish linkage with corporate performance and to incentivize members of the Board to enhance corporate performance and sustain growth, a performance-linked compensation amount is calculated by reflecting a corporate performance evaluation and an individual performance assessment—which is based on an evaluation of the business results and achievements of the individual and their medium- to long-term initiatives—in a position-specific basic compensation amount. Depending on corporate performance and individual performance, the performance-linked compensation amount fluctuates in a range that is between 0% and 150% of the basic compensation amount.

Type of Compensation		Overview	Ratio		
			Chairman	President	Executive Vice President
Fixed compensation	Basic compensation	• Paid as monthly fixed compensation based on position	25%	25%	30%
Performance-linked compensation	Bonus (short-term incentive)	• Paid at a certain time each fiscal year after the conclusion of the General Meeting of Shareholders • Bonus: The payment amount is determined based on corporate performance indicators (consolidated operating profit and ROIC) and the results of individual performance assessments. • Share-based compensation: The payment amount is determined based on corporate performance indicators (ROE, total shareholder return [TSR], employee engagement, and sustainability score) and the results of individual performance assessments.	25%	25%	30%
	Share-based compensation (medium- to long-term incentives)		50%	50%	40%

Performance-linked compensation amount = Position-specific basic compensation amount × Corporate performance evaluation × Individual performance assessment

Fluctuating in a range between 0% and 150% depending on corporate earnings and the outcome of individual assessments

Corporate Performance Evaluation Indicators

The Company revised its performance evaluation indicators in fiscal 2027 to encourage the achievement of KPIs set out in the Mid-Term Management Plan CORE 2030, and to strengthen incentives for achieving sustainable growth and enhancing corporate value over the medium to long term through greater value sharing with stakeholders. Under this revised framework, bonuses are linked to short-term profit-related indicators, while stock-based compensation is linked to medium- to long-term indicators, including non-financial and share price-related metrics. The score weighting and evaluation method for each evaluation indicator are shown on the right. Further, targets for each fiscal year, the basis of these evaluations, are set each year based on medium- to long-term objectives.

Share-based Compensation

The Company pays share-based compensation through a trust-type share-based compensation system, the Board Benefit Trust-Restricted Stock (BBT-RS). This system is a performance-linked share-based compensation system under which the Company distributes, through a trust, its own shares and the cash equivalent to the market value of those shares to executive officers. Share-based compensation is paid in the form of restricted shares, and the restriction on transfer is removed when the executive officer retires, in principle.

Malus and Clawback Provisions

If the Company subsequently restates its financial results or if a serious act of misconduct or compliance violation occurs, DENSO may, by resolution of the Executive Nomination and Remuneration Council, reduce or forfeit the right of an executive officer to receive bonuses and share-based compensation, which constitute performance-linked compensation, or request the return of compensation already paid.

Method for Determining Compensation

The Board of Directors has passed a resolution on the total amount of compensation for fiscal 2026, which is within the scope of compensation established by a resolution of the General Meeting of Shareholders. The Board has also passed a resolution to entrust decisions on individual compensation amounts to the Executive Nomination and Remuneration Council. This council determines individual compensation based on consideration of the officer compensation system, corporate performance, the responsibilities and achievements of the member of the Board, and conformance with the Board-approved policy on determining compensation.

Performance Evaluation Indicators

	Indicator	Weighting	Evaluation method	Evaluation coefficient
Bonuses	Consolidated operating profit	75%	Evaluation based on degree of achievement of fiscal year targets and rate of growth against past results	0 and 150%
	ROIC*1	25%	Evaluation based on degree of achievement of fiscal year targets	
Share-based compensation	ROE	35%	Evaluation based on degree of achievement of fiscal year targets	25 and 150%
	Total shareholder return (TSR)	35%	Evaluation based on relative comparison with the growth rate of TOPIX including dividends for the fiscal year	
	Employee engagement	15%	Evaluation based on degree of achievement of fiscal year targets	
	Sustainability score	15%	Evaluation based on overall achievement of fiscal year targets for the following material issues (Materiality), which we have set out to resolve through our businesses: 1. Addressing climate change 2. Providing safe and unrestricted mobility 3. Providing a secure and stable food supply 4. Improving labor productivity in industry	

*1 ROIC (return on invested capital) = (Profit attributable to owners of the parent company + Interest expenses after tax) / Average invested capital*2 (Average of figures at the beginning and end of the year)
*2 Equity attributable to owners of the parent company + (Interest-bearing debt − Surplus funds)

Total Amount of Compensation by Board Member Classification, Total Amount of Each Type of Compensation, and Number of Eligible Board Members

Board member classification	Total amount of compensation (¥ million)	Total amount of each type of compensation (¥ million)			Number of eligible Board members
		Fixed compensation	Performance-linked compensation		
		Basic compensation	Bonus	Share-based compensation	
Members of the Board	964	384	213	367/198,300 shares	8
(Outside Board members)	(63)	(63)	(—)	(—)	(3)
Audit & Supervisory Board members	143	143	—	—	5
(Outside Audit & Supervisory Board members)	(37)	(37)	(—)	(—)	(2)
Total	1,107	527	213	367/198,300 shares	13

1. The figures above include Audit & Supervisory Board Member Shingo Kuwamura, who retired as of the conclusion of the 102nd Ordinary General Meeting of Shareholders held on June 13, 2025.
2. Performance-linked compensation is the amount based on a resolution adopted at the Board of Directors' meeting held on May 22, 2026. The following indicators are used to calculate performance-linked compensation in fiscal 2026. Consolidated operating profit: ¥552.5 billion; ROIC: 7.4%; sustainability score: 5/5 achievement
3. For share-based compensation, the number of shares granted is calculated by dividing the amount of compensation approved by resolution of the Board of Directors' meeting held on May 22, 2026, by the closing price on the day before the adoption of this resolution.

Total Amount of Consolidated Compensation for Each Board Member

Name (Board member classification)	Total amount of compensation (¥ million)	Total amount of each type of consolidated compensation (¥ million)		
		Fixed compensation	Performance-linked compensation	
		Basic compensation	Bonus	Share-based compensation
Koji Arima (Chairman of the Board)	243	79	55	109
Shinnosuke Hayashi (Representative Member of the Board)	310	101	70	139
Yasushi Matsui (Representative Member of the Board)	158	55	44	59
Yasuhiko Yamazaki (Representative Member of the Board)	158	55	44	59

Note: Only shows individuals who received at least ¥100 million in total consolidated compensation

For the compensation of Audit & Supervisory Board members, the Company consults with and reaches an agreement with the Audit & Supervisory Board members based on the deliberations of the Executive Nomination and Remuneration Council, within the scope of compensation established by a resolution of the General Meeting of Shareholders.

Protection of Minority Shareholders

We respect the rights of all shareholders and seek to ensure the fair return of profits and impartiality while also giving due consideration to ensuring that minority shareholders are able to exercise their rights. As with other general transactions, the terms and conditions of individual transactions with major shareholders are determined through negotiations after the presentation of a suggested price that is based on due consideration of market value. If price revisions are significant, depending on the amount, deliberations are conducted and internal approval procedures are implemented in accordance with regulations on operational decisions.

Relationship with Toyota Motor Corporation

We provide products and systems to many types of manufacturers around the world. While analyzing the technological characteristics and local conditions in each region of the world and meeting exacting market requirements, we refine our leading-edge technologies and manufacturing capabilities and then utilize them to realize enhanced products and systems for the next generation. The same applies to our transactions with Toyota Motor Corporation. Toyota Motor Corporation, which owns 22.24%* of DENSO's voting rights, is classified as an other affiliated company of DENSO. However, we conduct our business activities independently, without restrictions from Toyota Motor Corporation, such as matters requiring our approval.

At the same time, to generate synergies within the Toyota Group, we combine the knowledge of each company, including perspectives on mobility, automotive products and systems, and marketing, thereby enabling efficient and speedy research and development, *Monozukuri*, and human resource development. In 2025, for example, five companies comprising DENSO CORPORATION, AISIN Corporation, Toyota Tsusho Corporation, Toyota Motor Corporation, and Woven by Toyota, Inc. launched the Toyota Software Academy to strengthen the development of AI and software human resources, and we are advancing collaboration across a wide range of domains.

In this way, we maintain relationships with our business partners without relying on capital relationships, strengthening business competitiveness by leveraging the unique advantages of belonging to the Toyota Group.

* As of March 31, 2026

Establishing and Strengthening Internal Controls

With the aim of fair and efficient business operations, the Company formulated the DENSO Basic Policies for Internal Control. We have stipulated basic policies for control, various rules, and systems in areas that form the basis of our management such as the Code of Conduct, management systems, risk management, and compliance. We make revisions and changes when necessary after undertaking regularly scheduled annual verifications of the status of implementation. (Risk Management, P.100–101; Compliance, P.103–104)

For DENSO Basic Policies for Internal Control, please see the following website.
https://www.denso.com/global/en/-/media/Global/sustainability/governance/management/management-doc-internal-control-policy-2025-en.pdf?rev=e8604a232dbe484cbdabd9c7c8b50ec3

Messages from Outside Board Members

Supporting Value Creation That Only DENSO Can Achieve, While Attending to Human Resource Issues in the Age of AI

Yuko Mitsuya
Outside Board Member

Ms. Yuko Mitsuya has held key positions in the sports industry and currently serves as vice president of the Japanese Olympic Committee. She has been serving as an outside board member of DENSO since 2019.



Lively Discussions at the Board of Directors

I took office as an outside Board member of DENSO in 2019. Six months after I took office, COVID-19 struck and the Board of Directors' meetings shifted online. Because I had always drawn on such cues as the facial expressions of speakers during meetings, I admit that I felt a certain unease at first. Even so, the attentive support of the secretariat and the way Chairperson of the Board Koji Arima presided over the meetings, securing ample time for questions and answers, encouraging each participant to speak, and asking President Shinnosuke Hayashi for closing remarks after the deliberation of each agenda item, naturally increased the number of comments from other members of the executive side and from Audit & Supervisory Board members as well. Now that the pandemic has ended and meetings are held offline once again, that same atmosphere, in which everyone can speak freely, remains firmly in place.

In this atmosphere, our dissenting votes have rejected proposals from the executive side, and we have also approved certain matters on the condition of continuous monitoring. With proposals concerning acquisitions in particular, we examine their appropriateness from a comprehensive perspective, considering whether human synergies exist and what the impact on organizational culture will be, because an acquisition means inheriting not only business synergies but also the hearts and minds of people.

Role of Outside Board Members and Our Assessment of CORE 2030

One role we must fulfill is to not intervene in the details of business execution. For my part, I am also cautious about offering various critiques of how senior management perceives the current situation. After all, that is a view only senior management can see. What matters instead is to walk alongside senior management and check whether the broad policy they have set out is holding steady.

With the Mid-Term Management Plan 2030, CORE 2030, which defines this broad policy, senior management decided that, compared with the previous Mid-Term Policy for 2025, the Company should deliberately settle in for the long haul rather than lean into the pursuit of short-term goals, and should concentrate on fundamentally strengthening *Monozukuri* capabilities and building trust-based relationships with customers from a medium- to long-term perspective. Our role is to monitor how thoroughly this new broad policy takes root within the Company and how coherently it aligns with individual measures.

The same applies to discussions at the Executive Nomination and Remuneration Council. When we interview candidates for Board member positions, we ask them, for example, for their broad view of where DENSO stands in the automotive industry going forward, and we scrutinize in our own way the depth and breadth of their awareness of the issues and the coherence of their thinking regarding the Company's broad policy. To that end, as well as to prepare for the development of future successors, we intend to further augment our dialogues with Chairperson of the Board Arima and President Hayashi and to share that understanding as a deliberative body.

Emergence of AI and Human Capital Management

I sense that employees hold a special attachment to DENSO as a company. This is a clear indication that DENSO successfully puts human capital management into practice. I intend to pay close attention to ensuring that this outstanding corporate climate and culture endures, and that the closeness of personal relationships does not give rise to friction stemming from generational gaps. Another matter I am watching closely is the impact of introducing AI. In human capital management going forward, dividing roles between work that we can entrust to AI and work that humans should undertake will become crucial. Whereas AI is the very embodiment of cognitive ability, the essence of humanity lies rather in noncognitive abilities such as cooperativeness, individuality, and self-esteem. Cultivating these noncognitive abilities is precisely what is indispensable for humans and AI to coexist and prosper together, and corporate education today faces the need for fundamental transformation. DENSO has long extended generous support to the world of sports, and because sports are a concentration of noncognitive abilities, I believe that skillfully integrating sports into its approach will enable DENSO to practice human capital management in a way that is more distinctly its own.

What I envision is employees, brimming with humanity, fully exercising an entrepreneurial spirit and contributing to DENSO's value creation. There is no reason why a B2B company cannot foster a strong entrepreneurial culture. I look forward to a future in which DENSO's *Monozukuri* continues to deliver one product and service after another that astonishes the market, and I will support the Company, at times with a scrutinizing perspective.

Advancing to a New Stage of Growth While Sharing a Positive Sense of Crisis with Executives

Joseph P. Schmelzeis, Jr.
Outside Board Member

Mr. Joseph P. Schmelzeis, Jr. has served as a director at SEGA CORPORATION and a senior advisor to the ambassador at the U.S. Embassy in Tokyo. He currently serves in such positions as executive manager at Cedarfield Godo Kaisha. He has been serving as an outside Board member of DENSO since 2022.



Sharing a Sense of Urgency at the Board of Directors

I assumed the position of outside Board member of DENSO in 2022, and this June marked exactly four years in the role. Although there was much I was unaccustomed to when I first took office, my understanding of DENSO as a company gradually deepened, and I came to express my own views with greater conviction at the Board of Directors and other forums. Meanwhile, this period was also one in which the executive side established the current three-person senior management structure. DENSO's Board of Directors has always been characterized by openness and by an atmosphere in which speaking up comes easily, and I feel that discussions have grown richer and more fruitful as the thinking of both the executive side and outside members has become clearer.

The greatest change compared with four years ago is that we now share a sense of urgency to a far greater degree. It is true that revenue and profit reached record highs in fiscal 2026. This is the product of the steady and sound management that only DENSO can deliver, and I hold it in high regard. Today, however, both the structure of the automotive industry and the factors that constitute competitive advantage have changed markedly, and the hurdles to sustainable growth stand higher than ever before. DENSO's dedication to quality, safety, and reliability is a major strength that holds its own anywhere in the world. However, in a world entirely different from the past, a world of software, semiconductors, and AI, relying on conventional strengths alone carries the risk that the Company will miss future growth opportunities.

These are the points I emphasize from time to time at meetings of the Board of Directors and on other occasions. The executive side shares the same understanding, and this is clearly apparent in many places, beginning with the recent organizational restructuring.

Assessment of CORE 2030 and Issues to Address

I agree with the thinking behind CORE 2030, the mid-term management plan. The issue, however, lies in the path for achieving these targets. The plan needs greater specificity by repeatedly asking "how" for each target, based on the "5 Hows" framework.

What is it that DENSO lacks? Personally, I believe that making greater use of global talent would be a turning point. In the software domain, the Company has already established research and development bases in India and elsewhere, but I cannot confidently say that DENSO is making full use of global human resources, and it needs to secure a far greater number of top-class engineers in Japan and overseas. In doing so, M&As and alliances will also be among the options available. By opening its doors more widely to the world and generating synergies between external and overseas DNA and DENSO's own inherent strengths, the Company should begin to see the outlines of a new stage of growth that does not simply extend from the past.

Taking on Challenges Aimed at Creating Global Standards

DENSO's share price has been weak in recent years, and there have been phases where the price-to-book ratio (PBR) has dipped below 1x. This is a trend common across the entire Japanese automotive industry, partly because of the difficulty articulating a medium- to long-term growth story. Amid a rapidly changing business environment, it is becoming increasingly unclear which customers DENSO will be serving 10 years from now, and with which products and services. This is precisely the point that concerns the capital markets.

Looking back over its history, however, DENSO is a company that has overcome numerous trials and hardships to grow into a leading Tier 1 supplier. Out of that history have come products that became global standards, such as the QR Code®. Precisely because this is an era of such rapid change, I want to pose questions from an outside perspective so that DENSO returns to its original spirit and takes on challenges far more boldly.

I would like the Company to spare neither time nor investment in taking the world by storm with innovation originating at DENSO and in creating new global standards. I am convinced that only through such efforts will the capital markets come to value DENSO's true capabilities properly.

Contributing to DENSO's Future with a Broad Perspective and a Sense of Balance

Noriko Kinoshita Newly Appointed
Outside Board Member

Ms. Noriko Kinoshita serves as an audit and supervisory board member of Japan Post Co., Ltd., after holding the position of senior executive officer. She has been serving as an outside Board member of DENSO since 2026.



On Being Appointed as an Outside Board Member

I was appointed as an outside Board member of DENSO at the Ordinary General Meeting of Shareholders held in June 2026. I joined the Ministry of Posts and Telecommunications (now the Ministry of Internal Affairs and Communications) in 1989 and engaged in policy planning and international negotiations in the information and telecommunications field. With the privatization of the postal services, I moved to the business side and went on to oversee a broad range of management operations at Japan Post (now the Japan Post Group). The experience I remember most vividly from that time is responding to the emergency in the disaster-stricken areas immediately after the Great East Japan Earthquake. Witnessing firsthand the devastation that could not be fully grasped from Tokyo, I learned a great deal about the true meaning of putting human life first, my own powerlessness, and the strength of people.

My experience across many spheres, the public and private sectors, overseas and Japan, and central and regional government, is a great asset to me. On DENSO's Board of Directors, I intend to keep a balanced watch over everything from the direction of national policy to individual issues in corporate management, and from global concerns to local communities, and to enhance the objectivity of the Company's management by offering perspectives grounded in my experience.

An Unprecedented Period of Transformation and Where DENSO Stands Today

In my interactions with the people of DENSO, I felt that their commitment to technology, quality, and safety, and their determination to think it through in terms of their relationships with customers and society, represent sustainability management genuinely put into practice. I also hold the Company's earnest corporate culture and its solid, trust-based relationships with local communities in high regard. At the same time, the automotive industry is undergoing a once-in-a-century transformation. Within the Company, I sense that reforms are advancing along two broad vectors, driven by an extraordinary sense of urgency and a firm resolve that taking on challenges is now or never. The first vector is to return once again to the founding origins described above. The second is to build on that foundation and carve out the future through unprecedented new challenges. The Mid-Term Management Plan 2030, CORE 2030, charts that path and states this sense of urgency frankly, so I found its direction convincing. What investors focus on, however, is the form in which such a plan will be realized. I believe the challenge ahead lies in how far the Company can translate the plan into concrete measures during a period of transformation in which the road ahead cannot be seen clearly.

Three Elements That Enhance the Effectiveness of the Board of Directors

The primary role of the Board of Directors is to decide broad management policies and to oversee the internal control framework. For these to function smoothly, three things are indispensable between the executive side and outside Board members: 1) information sharing, 2) open discussion, and 3) mutual respect. My impression is that the Company's Board of Directors meets these criteria.

On the first point, the Company provides advance briefings ahead of Board of Directors' meetings as well as meaningful presentations for newly appointed Board members. On the second point, Chairperson of the Board Arima, who chairs the meetings, presides with great skill, allowing ample time for each participant to speak while adeptly summarizing the various opinions raised. On the third point, my own conviction is that there can be no relationship of trust without respect, and at the Company's Board of Directors, I sense an atmosphere in which internal members of the Board and outside Board members and Audit & Supervisory Board members respect one another, together with the mutual trust that grows out of it. Supported by this cultivation of the right environment, exchanges between outside members and the executive side do not end as simple question-and-answer sessions but develop into lively cross talk that draws in other participants as well, which I found highly impressive.

Sharing a Single Vision with Everyone

For a company, having an origin to return to and a foundation to stand on is an absolute strength. That said, a strength can at times turn into a weakness. In this era of dizzying change, clinging to conventional ways of doing things often invites decline. What is needed is bold thinking that breaks through existing frameworks, and a sense of speed. A willingness to try without fear of failure. Such a mindset has arguably been difficult for the traditional automotive industry to adopt.

To me, this issue is by no means someone else's concern either. What I feel strongly, based on my experience to date, is that the difficulty of making decisions and of staying close to the front lines is a theme common to every industry and every type of business. Sharing a single vision with everyone, I intend to draw on my experience and devote my full efforts to bringing about an even brighter future for DENSO.

Risk Management

Risk management is an important corporate governance initiative that ensures appropriate compliance, minimizes losses arising from the various risks surrounding the Company and supports the creation of growth opportunities through appropriate risk-related decision-making. Centered on the Risk Management and Compliance Meeting, chaired by the chief risk officer (CRO), we strive to strengthen our Companywide risk management framework and enhance its effectiveness. The meeting also holds discussions on not only the response to individual risks but also on the fostering of an organizational culture and mindset that emphasizes compliance. In these ways, it advances cross-organizational governance enhancement.

Going forward, we will continue to respond accurately to changes in the business environment, advance our risk management activities across the entire Group, and work to sustainably enhance corporate value.

Basic Stance

To appropriately respond to increasingly diverse and sophisticated risks and minimize their impact, DENSO is working to strengthen its risk management structure as a part of internal controls.

Specifically, we have divided matters that have the potential to impact our businesses into "risks," which refer to circumstances where such matters have yet to manifest, and "crises," which refer to states of emergency where such matters have manifested. Based on these classifications, we implement measures both to prevent risks before they materialize and to mitigate the impact of a crisis when one occurs. In addition, should a crisis occur, we focus on a swift and accurate initial response and early recovery.

In recent years, the risk environment surrounding the Company has grown increasingly severe, with such factors as the threat of catastrophic natural disasters, tight supply and demand for production materials, sophisticated cyberattacks and increasingly complex geopolitical risks. Based on this understanding of the environment, we position risk management as one of our key management issues, not only from the perspective of addressing threats but also from that of enabling appropriate risk taking to pursue growth opportunities.

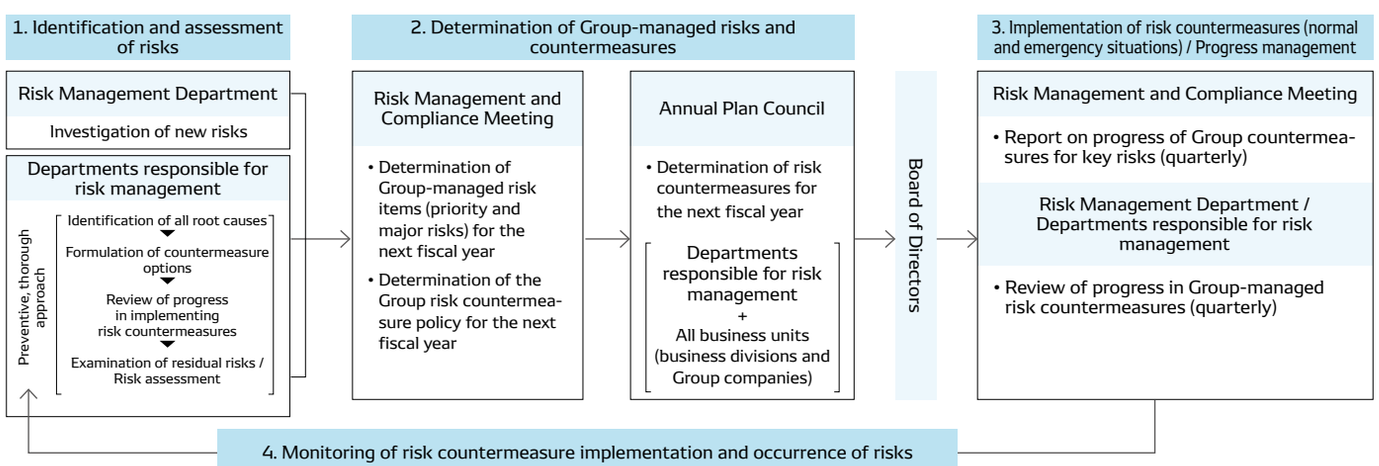
We are working to advance our risk management efforts to further strengthen our ability to respond to risks.

Promotion Framework

DENSO has established the Risk Management and Compliance Meeting, chaired by the CRO responsible for overseeing risk management across the Group, to review progress in improving the Group's risk management systems and frameworks, and to deliberate and provide direction on priority activities in light of changes in the internal and external environment. In addition, across the entire Group, we assign risk officers and risk managers as those responsible for risk management within each organization, including business units, regional headquarters and Group companies, thereby strengthening our capabilities to prevent risks during normal operations and to minimize damage in emergencies. Furthermore, in order to respond promptly and accurately in the event of a crisis, we have put in place the Emergency First Response Manual, which clarifies situation assessment, reporting standards, reporting routes, and basic policy for internal and external responses. In addition, we form specialized response organizations according to the severity and urgency of the situation, establishing a structure that enables agile responses centered on the departments responsible for risk management.



Risk Management Process



For more information on Risk Management, please see the following website.
https://www.denso.com/global/en/sustainability/governance/risk/

Identifying Risks and Defining Response

DENSO makes efforts to actively ascertain the risks it faces and manage these risks from the perspectives of prevention and damage mitigation. As part of these efforts, risk assessments are carried out once a year by each functional division, business unit, overseas regional headquarters, and Group company.

In fiscal 2026, we identified risks that could potentially damage our credibility, assets and production activities, as well as life and the environment, based on the business environment. Departments responsible for risk management analyzed the causes of such risks and the factors behind the expansion of damages after occurrence, thereby clarifying preventive measures as well as initial response and recovery measures. Based on the implementation status of these measures, we also assessed the scale of the remaining risk for each risk from the perspectives of level of impact and frequency of occurrence.

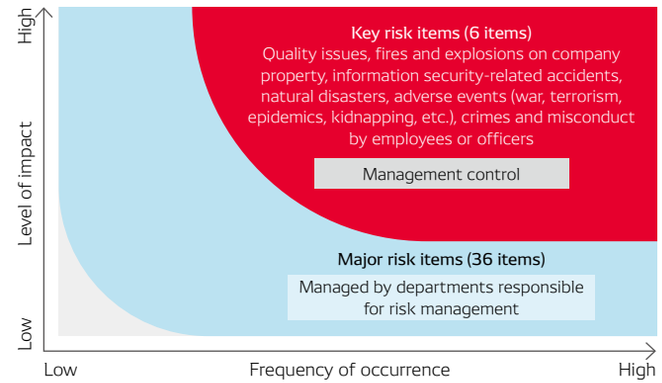
Based on this assessment, we selected risks with particularly high residual risk that require intensive allocation of resources as key risks, and the Risk Management and Compliance Meeting determined the activity plans and targets for fiscal 2027. For key risks, we also set quantitative key performance indicators (KPIs) as Companywide targets, and the Board of Directors confirms the progress made toward them. Furthermore, we inspect the effectiveness of these risk management processes by making them subject to both internal audits and audits performed by external organizations.

In fiscal 2027, we position six of the 36 major risk items as key risks, and we will continue to review them as appropriate based on the results of risk assessments. We also position legal compliance and ethical business operations as our highest priorities and focus on raising compliance awareness. Specifically, officers including the chief risk officer (CRO), division heads, heads of business groups, and CEOs of overseas regional headquarters personally deliver compliance messages and lead by example in demonstrating an attitude and behavior of compliance, while we work to ensure thorough compliance with laws, regulations, and internal rules through education and training at each workplace. Through these efforts, we aim to foster a corporate culture in which all employees recognize the importance of compliance and thoroughly uphold legal compliance and practice ethical behavior.

Major Risk Items and Key Risk Items

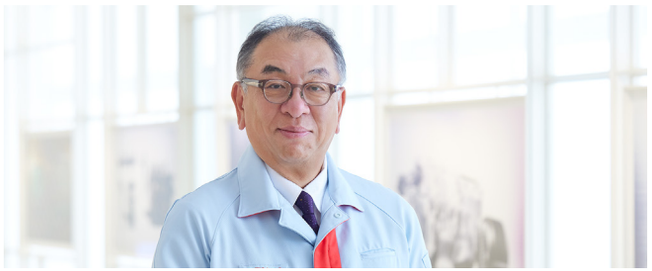
Factors		Risk Items
Internal factors	Accidents and mistakes	Environmental pollution, work-related accidents, fires and explosions, quality-related issues, information security-related accidents, personnel- and work-related incidents, traffic accidents, etc.
	Legal violations	Violation of the Antimonopoly Act, inappropriate employee dispatch or use of contract work, violation of product laws and regulations, violation of anti-bribery laws, etc.
External factors	Natural disasters	Earthquakes, typhoons, concentrated heavy rains, lightning strikes, etc.
	Political and social issues	Supplier-related issues, incidents, or other emergencies (wars, terrorist attacks, kidnappings, infectious diseases, etc.)

Risk Map



Status of Responses to Key Risks

Major Risk Items	Risk Details	Responses
Quality issues	Quality issues that could lead to large-scale recalls may result in loss of trust from end-users and customers, potentially causing significant costs and a decline in sales.	We incorporate safety designs, such as fail-safe mechanisms to prevent serious failures, design products with repairability in mind to minimize damage in the event of a defect, utilize big data, such as vehicle operating conditions at the time of failure, for early resolution, and promote efficiency in data analysis through AI technology.
Fires and explosions on company property	In the event of a fire or explosion at a plant, delays or errors in the initial response could endanger employees' lives and halt production and delivery activities. Such incidents could also cause damage to the local communities near the plant.	We conduct regular inspections and maintenance of equipment to minimize risks to human life and reduce negative impacts on business operations. We also aim to strengthen response capabilities by improving disaster awareness among employees through repeated training and awareness activities so that all employees can take appropriate initial action in the event of an emergency.
Information security-related accidents	Advancements in autonomous driving and IoT have increased the threat of cyberattacks on vehicles, production facilities, and other systems. In the event of a cyberattack's outcome far exceeding expectations, there is a risk of adverse impacts on the functions of automotive products, production stoppages, and leaks of confidential information, potentially resulting in loss of competitiveness and damage to reputation. Furthermore, the proliferation of AI is increasing risks, such as confusion caused by false or misleading information, legal violations, infringement of rights, and information leaks.	To address the cyber risks accompanying advancements in automated driving and IoT, we develop regulation-compliant development processes and pursue human resource development for automotive products, while implementing multilayered defenses and providing supplier support at our plants and throughout the supply chain. We are also advancing the acquisition of TISAX and ISO/SAE 21434 certification and, to address the risks associated with the use of generative AI, we are building a management framework through screening, monitoring, the development of guidelines, and education.
Natural disasters	Global warming is raising concerns over the increased frequency and severity of natural disasters, such as floods and heavy rain. In Japan in particular, many business sites are located in areas designated for promoting countermeasures against a potential Nankai Trough earthquake. In the event of a natural disaster, delays or errors in the initial response could endanger employees' lives and halt production and delivery activities.	We are engaged in disaster mitigation measures, such as formulating business continuity plans (BCPs) and emergency action manuals. We also aim to strengthen our response capabilities by repeatedly conducting various training and awareness activities to further enhance each employee's awareness of disaster preparedness.
Adverse events (war, terrorism, epidemics, kidnapping, etc.)	The weighting of overseas markets in DENSO's production and sales activities has been increasing year by year. Overseas business operations inherently involve risks, such as war, terrorism, epidemics, and kidnapping, and if any such incident occurs, the lives of employees and their families could be endangered. Such incidents are also likely to hinder the normal conduct of business activities.	We strive to gather timely information from internal and external sources, quickly share risk information with relevant parties, enhance alerts for employees on overseas business trips, and strengthen pre-departure training for overseas assignments to raise employees' risk awareness. We have introduced a common self-assessment protocol to confirm preparedness during normal times at all Group companies, aiming to enhance the Group's overall crisis management framework.
Crimes and misconduct by employees or officers	If an employee or officer commits a crime or an act of misconduct, it may be reported by the media or disseminated through social media and other channels, potentially causing the Company to lose credibility. In some cases, the Company may also become a party to lawsuits and other legal proceedings.	We have formulated and shared a Code of Conduct for employees, and continuously deliver messages from the CRO, as well as provide various training and awareness activities for officers and employees. We also undertake monitoring efforts to detect early signs of issues. At the same time, we have established an internal reporting system to identify problematic behavior and other concerns.



Delivering the Very Best Quality from the Customer's Perspective

Hideshi Takemura
Executive Officer, CQO

From a "Fresh Start in Quality" to the Next Stage of Growth, Building Unwavering Trust

Since its founding, DENSO has prided itself on being synonymous with quality and safety, and passed on a management spirit that values quality and safety. Prompted by the fuel pump recall issue that began in 2020, we have worked Companywide to restore DENSO's long-standing reputation as a company synonymous with quality. We now stand at the starting line of a "fresh start in quality" and are moving forward toward the next stage of growth.

At the same time, as technologies evolve rapidly and customer needs diversify, while we take on the challenge of creating new value, we take seriously the fact that we have not fully met our customers' expectations and have caused them concern and inconvenience. With this in mind, we return to the customer's perspective and position the continued provision of the very best quality, even in an era of rapid change, as one of the most important issues for management, thereby building up the trust of our customers.

Anticipating Changes in the Business Environment to Enhance Customer Value

In recent years, as progress in software-defined vehicles (SDVs) has raised the importance of software in addition to conventional hardware, establishing fundamental technologies that anticipate the future has become essential. In addition, as we take on the challenge of new technology domains, we also need human resource development that reliably passes on the knowledge we have cultivated as "The DENSO of Quality" and actively incorporates new technologies. Furthermore, to realize carbon neutrality, we must also swiftly deliver products that meet diverse customer needs, ranging from internal combustion engines to electrified vehicles.

To respond to these changes in the business environment, deepen our relationships with vehicle manufacturers, and contribute to creating safe, secure and appealing vehicles, the Company is strengthening the following initiatives.

Improving Software Quality to Help Create Customer Value

To reliably build quality into software that is growing larger in scale and becoming more complex, we deploy dedicated quality teams and advance projects while identifying risks and implementing countermeasures and inspections.

We also define elemental technologies in detail and certify experts in each domain in order to build a solid foundation for software development. We clarify the elemental technologies required at the early stages of development and have experts in each domain review design deliverables, thereby advancing quality improvement. At the same time, we are promoting the use of AI in software development, and by 2030, we aim to apply AI to 40% of the quality development process.

Evolving Quality Assurance for the Era of AI

Since AI depends on training data, events or discrepancies that cannot be anticipated during development may lead to unexpected results, and AI therefore carries inherent risks of human rights infringement and impacts on social infrastructure. In mobility in particular, such risks could lead to serious accidents, and the Company therefore operates AI quality assurance based on international standards in an integrated manner from development through improvement.

We also focus on transforming operations through AI and are consolidating the vast body of know-how and lessons we have accumulated to date. By drawing on this knowledge and having AI present the information needed to secure quality in a timely and accurate manner, we will further raise the quality and speed of every process from development to production.

In addition, using AI to analyze vehicle-condition data collected from connected cars, we use AI to understand how vehicles are used and to detect signs of malfunction, which accelerates product development and repairs.

Strategic *Hitozukuri* That Can Respond to Change

We visualize the expertise of our engineers, who constitute our human capital, on a five-level scale, and we will develop professional human resources in the priority domains of electric drive, electronics, and energy management that we must strengthen toward 2030. To this end, we will strategically pursue internal and external talent development, talent acquisition, and technology alliances in alignment with our business and technology strategies.

For quality assurance personnel in particular, we are accelerating cross-domain rotations and the strategic deployment of talent, applying lessons gained from challenges in one domain to new domains, while also recruiting external talent with advanced expertise in fields such as semiconductors from outside the Company, thereby advancing strategic *Hitozukuri* that can respond to change.

In software development, we have introduced the SOMRIE® certification system, which objectively certifies the skills employees possess, and we are accelerating human resource development by setting a target of tripling, by fiscal 2031, the number of employees certified as leading experts in their respective technology domains compared with fiscal 2024.

Meeting the Expectations of Society and Our Customers

The words inscribed in the DENSO Creed, "provide quality products and services," remain unchanged even today as the business environment undergoes major change, and they guide the Company's approach to quality. We promise to continue providing quality that meets the expectations of society and our customers by anticipating change and consistently doing the right work in the right way. We appreciate your continued support and confidence in DENSO.

Compliance

Basic Stance

We recognize that, to earn the trust of society and be inspiring, we must not only observe all applicable national and regional laws but also ensure that each and every employee acts fairly and faithfully in accordance with the highest ethical standards.

Based on this recognition, in 2006 we adopted the Code of Conduct for DENSO Group Associates, which clearly indicates the standards of conduct for each and every employee, and we use it to raise compliance awareness at DENSO CORPORATION and Group companies in Japan through training and workplace discussion meetings. At overseas Group companies as well, regional headquarters formulate a regional version of the Code of Conduct for DENSO Group Associates that reflects national and regional laws and customs, and we work to ensure thorough compliance.

For particularly important compliance themes, we formulate individual policies and thoroughly communicate them throughout the Company. A representative example is the Global Anti-Bribery Policy. Based on these policies, we require each and every employee to correctly understand and properly comply with the relevant laws and internal regulations.

In addition, when employees become aware of corrupt practices such as cartel conduct, embezzlement or theft, bribery, and conflicts of interest, of human rights issues such as sexual harassment, power harassment, and discrimination, or of any other act that violates or is suspected of violating the Code of Conduct, we encourage them to report it to their supervisor or a specialized department, as well as to the various consultation channels that the Company establishes and operates, including the Business Ethics Hotline. For reported cases, we conduct appropriate and necessary investigations in accordance with internal regulations, confirm the facts, and take action to prevent recurrence.

Promotion Structure

We created the Risk Management and Compliance Meeting, chaired by the chief risk officer (CRO), to deliberate and determine policies for activities to ensure thorough compliance.

Globally, we have established bodies such as the Compliance Committee and appointed officers in charge of promotion, such as compliance leaders, at each regional headquarters. In doing so, we are building global systems that promote compliance while, at the same time, promoting the development of organizational structures that take differing regional characteristics into consideration, pursuing enlightenment activities. Furthermore, legal affairs personnel in Japan, North America, South America, Europe, China, Southeast Asia, India, and South Korea regularly share information and issues, and we work to establish and maintain unified compliance on a global basis.

Specific Initiatives

Educational and Enlightenment Activities

We undertake various educational and enlightenment activities for employees and contract employees on an ongoing basis with the aim of enhancing compliance awareness. In Japan, we carry out enlightenment activities related to compliance, including position-based training, various compliance training, and the Business Ethics Month (every October). We also roll out similar activities for employees in each region of operations, centered on our regional headquarters.

Internal Reporting System

We have set up internal reporting systems at regional headquarters and sites tailored to local circumstances, enabling employees to report or consult on work-related legal violations via email, telephone, written documents, or in-person meetings.

DENSO CORPORATION has established the Business Ethics Hotline in accordance with Japan's Whistleblower Protection Act, operating it independently from normal chains of command and enabling anonymous reporting. To ensure employees can use the system with confidence, we have established internal rules for operating the Business Ethics Hotline, stipulating confidentiality obligations regarding whistleblower information and prohibiting disadvantageous treatment due to reporting or consultation, and have thoroughly communicated these rules internally. In fiscal 2026, the Business Ethics Hotline received 161 reports and consultations, which were properly investigated, fact-checked, and addressed.

Strictly observing confidentiality obligations and anonymity, we report the results to the officer in charge (CRO) and disclose the status of consultations through our company intranet.

Number of Consultations via the Business Ethics Hotline [DENSO CORPORATION and 55 domestic Group companies]

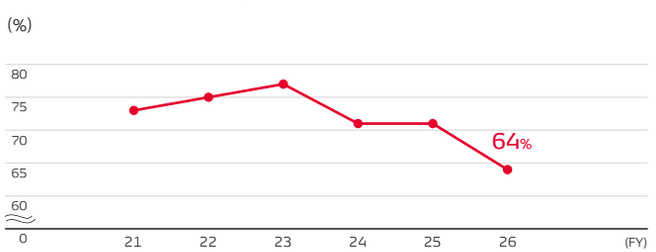
Fiscal year	2024	2025	2026
Number of reports and consultations (of which domestic Group companies)	125 (57)	130 (71)	161 (48)

Inspection and Improvement of Activities

We conduct a variety of inspection activities to ascertain how thoroughly compliance has taken root and whether any problems exist. We report the issues identified to senior management and take improvement measures, including measures to prevent recurrence. We also conduct internal audits every year through the audit department or the department in charge, and we promote improvement activities based on the results. In these internal audits, we verify the conformity and effectiveness of each process and identify problems and issues, thereby linking the audits to continuous improvement.

Sustainability Survey (DENSO CORPORATION)

Question: Do you put into action the Code of Conduct for DENSO Group Associates? (Percentage of employees who answered "Yes")



For the fiscal 2026 survey, we reviewed the conventional, formalistic question of whether employees "put the guidelines into action" and renewed it with questions that better reflect actual conditions, asking whether employees fully understand the content of the Code of Conduct for DENSO Group Associates, refer to it in their work, identify with its content, and feel a need for further revision. This allows us to ascertain not merely awareness or formalistic practice, but whether employees put the Code of Conduct into action with genuine identification and confidence. Based on the issues identified from the actual conditions revealed by this survey, we will work to further strengthen improvement activities so that every employee firmly adopts conduct that places compliance first.

Response to Antitrust Laws

In February 2010, the U.S.-based subsidiary DENSO International America was investigated by the U.S. Department of Justice. Taking this investigation with the utmost seriousness, we have worked to further reinforce the adherence to antitrust laws that we have long pursued. Under the guidance and supervision of the Risk Management and Compliance Meeting, we have endeavored to ensure strict compliance with the antitrust laws across the entire DENSO Group. We will continue efforts for further reinforcing adherence to regulations laid out under antitrust laws, strengthening education about relevant rules, and conducting precise audits regarding legal compliance.

Prevention of Corruption

(1) Compliance with Anti-Bribery Laws

We anticipate an increase in opportunities to collaborate with public institutions and public officials in each country and region as we respond promptly to rapid changes in our businesses and business environment.

We promote anti-bribery compliance activities under the direction and supervision of the Risk Management and Compliance Meeting. We have established the Global Anti-Bribery Policy as a basic policy for preventing bribery. Under this policy, we have established internal regulations on a global basis, operate anti-bribery systems, and promote anti-bribery awareness activities and education for employees. We also inform suppliers of our Supplier Sustainability Guidelines, which include anti-bribery measures, and conduct self-inspections to prevent acts of bribery by our suppliers.

(2) Preventing Insider Trading

To ensure fairness and soundness in the securities market and to secure the confidence of shareholders and investors, we have established the Internal Information Committee, which is chaired by the executive vice president, and the Internal Information Review Committee, which manages the practical affairs of the former committee, both dedicated bodies to ensure the prevention of insider trading. Additionally, in an effort to instill an awareness of insider trading prevention among our employees, we have established internal rules and bylaws regarding internal information management, have set standards of conduct for officers and employees regarding trading of the Company's shares and other securities, and clearly prohibit insider trading, as formally stated in our employee conduct guidelines. We also implement compliance training on a regular basis.

Adherence to Fair, Transparent, and Open Transactions

We are working on a Groupwide basis to ensure appropriate transactions and adherence to laws and regulations. To that end, the Company has been engaging in close communication with each of its suppliers to better understand cost fluctuations and the issues that suppliers face.

Moreover, we encourage suppliers to utilize our Internal Reporting System. We also distribute the DENSO Compliance Declaration, which clarifies items to be observed in conducting business, to suppliers and internal procurement departments. Additionally, we offer anonymous surveys to suppliers on fair transactions and carefully reflect on the unfiltered feedback that we receive. In these ways, we are working to ensure strict compliance and make improvements to better meet supplier needs.

Initiatives to Prevent Harassment

As corporations seek to promote diversity, the forms of harassment are also becoming more varied. In light of these circumstances, we are strengthening our initiatives to prevent harassment based on a zero-tolerance policy against harassment.

At DENSO CORPORATION, we provide harassment prevention training for all workplace leaders, including department heads and all supervisory personnel at or above that level as well as section and team leaders. Aside from harassment prevention measures, including studying trends and response strategies using case studies based on a wide range of specific harassment behaviors, this training covers methods for creating harassment-free workplaces and dealing with harassment appropriately when it occurs in the workplace.

Response to Tax Compliance

DENSO believes that paying its fair share of taxes is a part of being socially responsible. The CFO has been designated as the person in charge of tax governance. We have built, maintain, and continuously improve a tax compliance structure, and engage in tax planning while addressing tax-related risks when they materialize. In addition, we have established the DENSO Group Global Tax Policy. We believe that properly paying taxes in accordance with the rules and regulations in each country is one of the most fundamental and important responsibilities of a corporation. Accordingly, under this policy, we engage in activities to enhance tax compliance on a Groupwide basis, such as providing training for employees and abiding by rules for cross-border transactions.

Fiscal 2026 Taxes by Region

(Billions of yen)

Region	Tax Amount
Japan	202.7
North America	22.8
Europe	6.4
Asia	59.7
Other regions	1.7
Total	293.3

Moving forward, we will continue to expand and enhance frameworks for raising employee awareness of compliance. We aim to further enhance the DENSO Group's compliance capabilities.

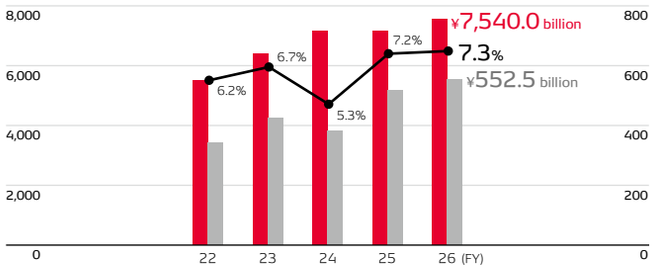
For more information, please see the "Compliance" section of the following website.
https://www.denso.com/global/en/sustainability/governance/compliance/

For information on tax compliance, please see the "Tax Governance" section of the following website.
https://www.denso.com/global/en/sustainability/governance/tax-policy/

Financial Highlights

Profitability and Growth Potential

Revenue / Operating Profit / Operating Margin

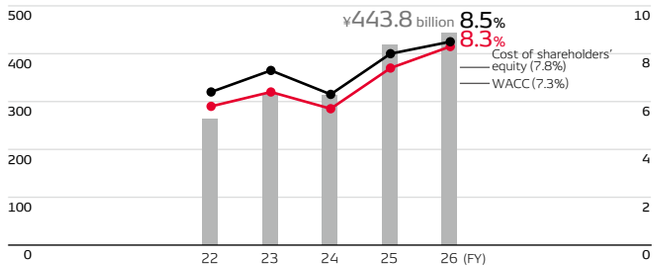


Revenue (left scale) Operating profit (right scale) Operating margin

Revenue in fiscal 2026 increased year on year, reflecting higher vehicle sales and the recovery of one-time costs. Despite the impact of tariff costs, rising material costs and increased investment in people, operating profit rose year on year, supported by rationalization efforts and improved capacity utilization.

Profitability

Profit Attributable to Owners of the Parent Company / ROE / ROIC*1



Profit attributable to owners of the parent company (left scale)
ROE (right scale) ROIC (right scale)

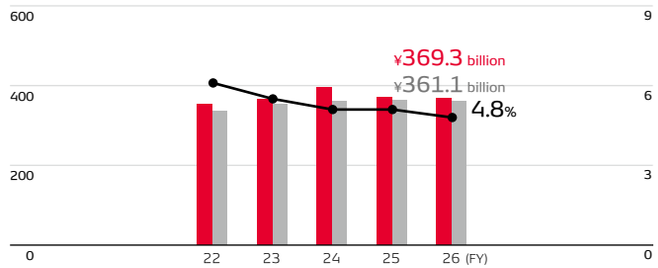
We promote ROIC-minded management, which includes strengthening earnings efficiency and pursuing structural reforms in each region of operation. In fiscal 2026, ROE came to 8.5%.

*1 Effective fiscal 2027, we have changed the calculation method, including the figures for prior fiscal years.
ROIC (return on invested capital) = (Profit attributable to owners of the parent company + Interest expenses after tax)/Average invested capital*2 (Average of figures at the beginning and end of the year)

*2 Equity attributable to owners of the parent company + (Interest-bearing debt – Surplus funds)

Future Investments

Capital Expenditures / Depreciation / Ratio of Depreciation to Revenue

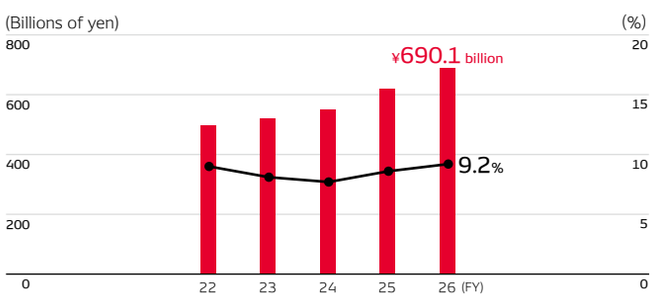


Capital expenditures (left scale) Depreciation (left scale)
Ratio of depreciation to revenue (right scale)

While we strengthen investment in our focus areas of electrification, intelligentization and semiconductors, we will establish a solid production structure through the disciplined screening of investments. With a target of keeping capital investment within the scope of depreciation, we intend to continue reducing the ratio of depreciation to revenue.

Future Investments

R&D Expenditures / Ratio of R&D Expenditures to Revenue

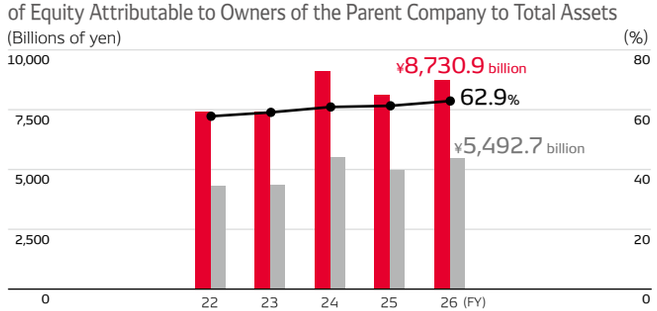


R&D expenditures (left scale) Ratio of R&D expenditures to revenue (right scale)

We are strengthening investment in electrification, intelligence and advanced fields, and continue to build a more solid development structure. Meanwhile, the ratio of R&D expenditures to revenue has stayed at around 9%, reflecting our efforts to accelerate automation and greater efficiency in development activities, including through AI.

Financial Security and Leverage

Total Assets / Equity Attributable to Owners of the Parent Company / Ratio of Equity Attributable to Owners of the Parent Company to Total Assets

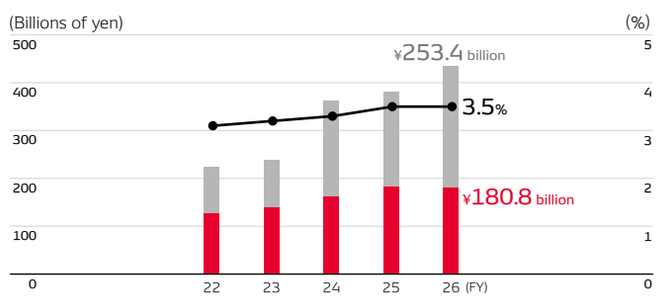


Total assets (left scale)
Equity attributable to owners of the parent company (left scale)
Ratio of equity attributable to owners of the parent company to total assets (right scale)

We have been reducing low-return assets by cutting inventories and selling cross-shareholdings. While maintaining strong financial soundness, the Company will actively utilize borrowings and corporate bonds in order to improve capital efficiency.

Shareholder Returns

Total Dividend Amount / Amount of Treasury Stock Acquired / DOE

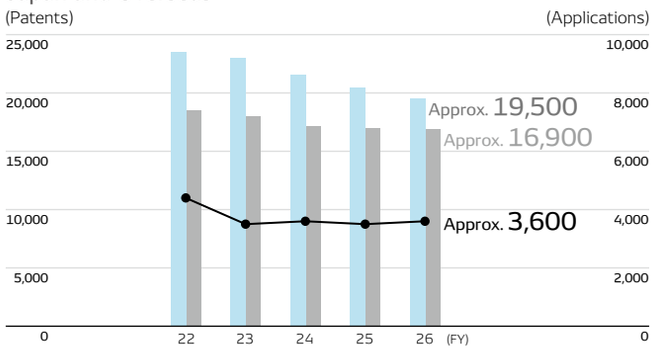


Total dividend amount (left scale) Amount of treasury stock acquired (left scale)
DOE (right scale)

Guided by our policy of realizing stable increases in dividend levels over the long term, we raised DOE by 0.4 percentage point in fiscal 2026, to 3.5%, compared with fiscal 2022. Under our basic policy of acquiring treasury stock in a flexible manner, we acquired ¥253.4 billion of treasury stock.

Non-Financial Highlights

Number of Patents Held and Patent Applications Filed in Japan and Overseas

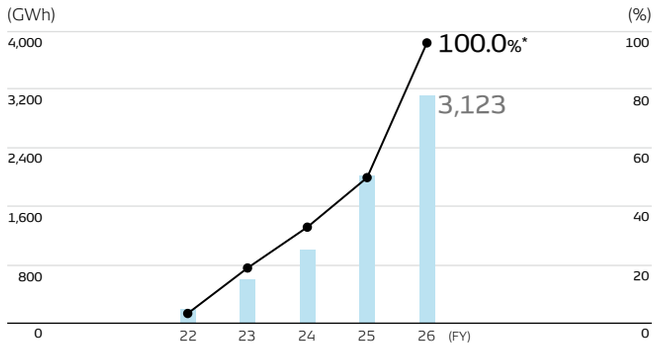


No. of patents held in Japan (left scale)
No. of patents held overseas (left scale)
No. of patent applications filed in Japan and overseas (right scale)

Intellectual properties (IPs) provide the source of the Company's competitiveness. To that end, we seek to create, acquire, and effectively utilize IPs through proactive research and development activities. The number of new patent registrations in the automotive industry in fiscal 2026 was four in Japan and nine in the United States.

Note: The number of patent applications filed shows the total number of filings in Japan and overseas. This figure includes patents filed during our fiscal year. The number of patent applications filed in Japan includes withdrawn items for priority claim based on Japanese patent applications and divisional applications. The number of patent applications filed overseas includes continuing and divisional applications.

Amount/Ratio of Renewable Energy Introduced (Global)



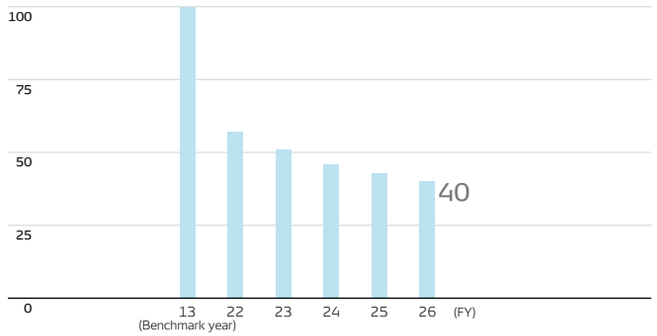
Amount of renewable energy introduced (left scale)
Ratio of renewable energy introduced (right scale)

As of fiscal 2026, we have introduced renewable energy at all of our manufacturing bases.

* Scope: Countries and regions where no institutional or other constraints apply and environmental value certificates can be procured

CO_2 Emissions Intensity* (Scope 1 and 2 / Global Group Companies)

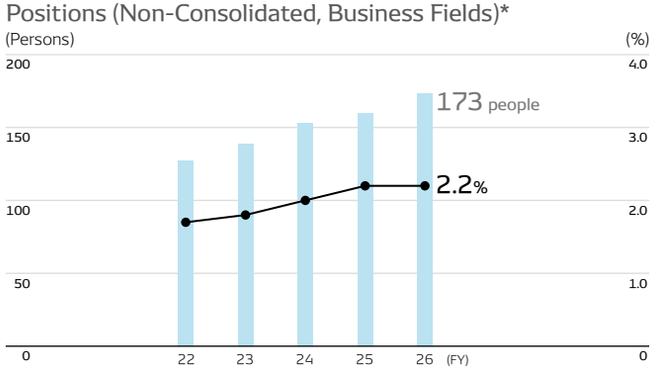
Fiscal 2013 indexed to 100 as the reference year's emissions



Under DENSO Eco Vision 2025, we set and have been working toward the fiscal 2026 target of "energy half," which aims to halve CO_2 emissions intensity compared with fiscal 2013. Through the development of innovative technologies for production processes, energy-saving activities like Just-in-Time (JIT) energy management, and the adoption of renewable energy, we achieved this target ahead of schedule in fiscal 2024, two years earlier than planned.

* Emissions intensity = CO_2 emissions ÷ Value added

Number and Ratio of Female Employees in Management Positions (Non-Consolidated, Business Fields)*

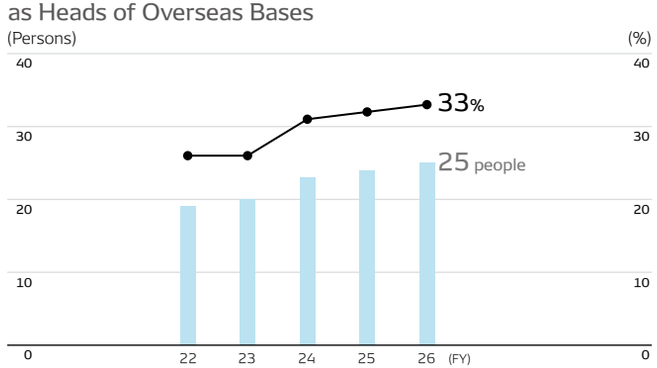


Number of female employees in management positions (left scale)
Ratio of female employees in management positions (right scale)

As part of efforts to empower women, we promote integrated career development, establishing indicators at each phase of recruitment, the balance between work and life events, and training and promotion. We also conduct tailor-made activities, such as mentoring and training in accordance with the personal qualities of each management position candidate. In addition, in fiscal 2025 we integrated the general-duties course, 99% of the participants of which are women, with the career track course and removed any upper limitations on the promotion of employees in administrative positions.

* Includes employees seconded from DENSO to other companies but not employees who have been seconded from other companies to DENSO

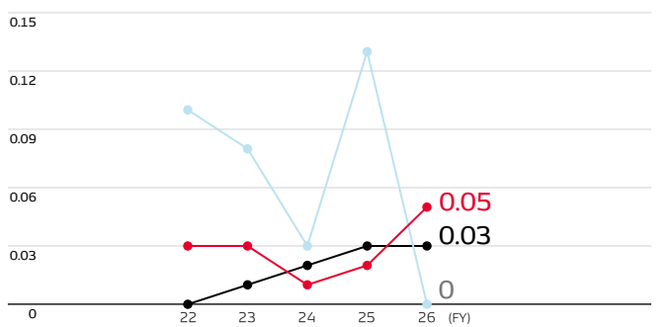
Number and Ratio of Non-Japanese Employees Appointed as Heads of Overseas Bases



Number of non-Japanese employees appointed as heads of overseas bases (left scale)
Ratio of non-Japanese employees appointed as heads of overseas bases (right scale)

We are focused on training and appointing future leader candidates to foster an organizational culture where diverse talent can thrive in the right roles. In overseas regions, we are enhancing training opportunities, such as selective global training programs, to achieve a 50% ratio of non-Japanese heads of overseas bases by fiscal 2031.

Lost-Time Frequency Rate*



DENSO CORPORATION
Domestic Group companies
Overseas Group companies

In fiscal 2026, based on the theme of fostering an open and communicative workplace culture, we strengthened two-way communication between managers and supervisors and frontline employees. By promoting continuous improvement activities and cultivating a safety-first culture, we worked to prevent workplace accidents caused by non-compliance with rules or inadequate management. As a result of these efforts, lost-time injuries at domestic Group companies, where safety performance had deteriorated in fiscal 2025, were reduced to zero.

* Lost-time frequency rate: Number of fatalities and injuries due to work-related accidents per million total working hours. It indicates the frequency of incidents (lost-time frequency rate for entire manufacturing industry in Japan in 2025: 1.33).

10-Year Data

Billions of yen

				IFRS								
			(FY)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Financial Data	Revenue	Total		4,527.1	5,108.3	5,362.8	5,153.5	4,936.7	5,515.5	6,401.3	7,144.7	7,161.8	7,540.0
	By Region	Japan		1,871.8	2,140.7	2,284.2	2,313.0	2,280.7	2,375.7	2,509.6	2,885.7	2,918.6	3,087.9
		North America		1,050.5	1,122.8	1,182.0	1,145.2	999.9	1,143.9	1,486.7	1,745.4	1,847.9	2,012.4
		Europe		550.2	620.2	609.4	548.3	482.3	506.2	624.3	709.7	646.6	691.5
		Asia		989.5	1,146.0	1,215.1	1,086.9	1,134.1	1,414.3	1,680.9	1,689.8	1,629.9	1,622.2
		Others		65.1	78.5	72.0	60.0	39.8	75.4	99.8	114.1	118.9	126.0
	By Customer	Car manufacturers		4,061.8	4,521.4	4,762.3	4,558.7	4,347.0	4,875.1	5,681.0	6,489.1	6,542.8	6,908.7
			Toyota Group	2,075.0	2,300.6	2,484.7	2,456.9	2,499.1	2,837.6	3,224.2	3,720.3	3,946.6	4,192.0
			Ratio of revenue from Toyota Group transactions to total revenue	45.8%	45.0%	46.3%	47.7%	50.6%	51.4%	50.4%	52.1%	55.1%	55.6%
		Aftermarket and non-automotive		465.3	586.9	600.5	594.8	589.7	640.4	720.3	655.6	619.0	631.3
	Operating Profit			330.6	412.7	316.2	61.1	155.1	341.2	426.1	380.6	519.0	552.5
	Operating Margin			7.3%	8.1%	5.9%	1.2%	3.1%	6.2%	6.7%	5.3%	7.2%	7.3%
	Profit Attributable to Owners of the Parent Company			257.6	320.6	254.5	68.1	125.1	263.9	314.6	312.8	419.1	443.8
	Return on Equity (ROE)			8.0%	9.3%	7.1%	1.9%	3.4%	6.4%	7.3%	6.3%	8.0%	8.5%
	Capital Expenditures			337.4	347.2	416.8	436.5	374.3	353.9	366.8	394.6	371.1	369.3
	Depreciation			241.1	268.6	287.3	302.1	323.0	335.4	353.3	361.7	362.3	361.1
	Ratio of Depreciation to Revenue			5.3%	5.3%	5.4%	5.9%	6.5%	6.1%	5.5%	5.1%	5.1%	4.8%
	R&D Expenditures			409.2	447.4	497.4	507.8	492.0	497.6	521.6	550.9	619.4	690.1
	Ratio of R&D Expenditures to Revenue			9.0%	8.8%	9.3%	9.9%	10.0%	9.0%	8.1%	7.7%	8.6%	9.2%
	Total Dividend Amount			94.6	101.4	108.9	108.5	108.5	126.5	139.0	162.2	183.3	180.8
	Amount of Treasury Stock Acquired			30.0	26.5	28.4	0.0	0.0	97.5	100.0	200.0	196.6	253.4
	Earnings per Share (EPS) (yen)*1			81.58	102.61	81.62	21.97	40.35	85.69	104.00	104.97	145.02	162.96
	DOE			2.9%	2.9%	3.0%	3.1%	3.0%	3.1%	3.2%	3.3%	3.5%	3.5%
	Cash Dividends per Share (yen)*1			32.50	35.00	35.00	35.00	35.00	41.25	46.25	55.00	64.00	67.00
	Dividend Payout Ratio			36.8%	31.7%	42.9%	159.3%	86.7%	48.1%	44.5%	52.4%	44.1%	41.1%
	Total Return Ratio			48.4%	39.9%	54.0%	159.3%	86.7%	84.9%	76.0%	115.8%	90.7%	97.8%
	Stock Price (yen)*1			1,224.25	1,455.00	1,079.25	872.75	1,836.75	1,965.00	1,860.75	2,883.00	1,844.00	1,947.50
	Market Capitalization*2			3,848.32	4,537.99	3,345.13	2,705.07	5,692.95	5,999.76	5,573.48	8,391.74	5,195.13	5,242.55
	Dividend Yield*3			2.7%	2.4%	3.2%	4.0%	1.9%	2.1%	2.5%	1.9%	3.5%	3.4%
	Price Earnings Ratio (PER) (times)			15.0	14.2	13.2	39.7	45.5	22.9	17.9	27.5	12.7	12.0

10-Year Data

Billions of yen

		IFRS									
	(FY)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Financial Data	Price-to-Book Ratio (PBR) (times)*4	1.16	1.26	0.93	0.80	1.46	1.40	1.27	1.52	1.04	**0.95**
	Net Cash Provided by Operating Activities (A)	467.8	558.0	533.5	595.3	437.2	395.6	602.7	961.8	758.7	**511.0**
	Net Cash Provided by (Used in) Investing Activities (B)	(108.0)	(529.1)	(514.7)	(447.4)	(395.9)	(301.6)	(363.7)	(459.5)	121.9	**(16.9)**
	Free Cash Flow (A+B)	359.7	28.9	18.8	147.9	41.3	94.1	239.0	502.3	880.6	**494.1**
	Net Cash Provided by (Used in) Financing Activities	(240.5)	(40.3)	(92.2)	(240.9)	238.7	(159.5)	(400.1)	(496.7)	(677.4)	**(355.0)**
	Cash and Cash Equivalents at End of Year	793.6	783.3	711.6	597.8	897.4	867.8	733.9	789.4	986.5	**1,189.1**
	Cash on Hand	858.4	918.3	880.8	711.6	911.7	876.1	757.6	825.9	1,011.6	**1,190.5**
	Interest-Bearing Debt	350.3	473.9	550.2	465.4	854.2	991.4	889.3	850.7	699.4	**811.3**
	Equity Attributable to Owners of the Parent Company	3,312.7	3,598.3	3,595.7	3,397.1	3,891.0	4,299.4	4,376.9	5,535.0	4,978.3	**5,492.7**
	Total Assets	5,150.8	5,764.4	5,792.4	5,651.8	6,767.7	7,432.3	7,408.7	9,093.4	8,125.0	**8,730.9**
	Ratio of Equity Attributable to Owners of the Parent Company to Total Assets	64.3%	62.4%	62.1%	60.1%	57.5%	57.8%	59.1%	60.9%	61.3%	**62.9%**
Non-Financial Data	Number of Employees	154,493	168,813	171,992	170,932	168,391	167,950	164,572	162,029	158,056	**154,716**
	Local	86,892	94,209	95,222	93,343	89,124	88,345	85,268	85,094	81,594	**78,299**
	Non-Consolidated	38,914	39,315	45,304	45,280	46,272	45,152	44,758	43,980	43,781	**43,889**
	Ratio of Female Employees (Non-Consolidated)	12.7%	13.1%	13.9%	14.2%	14.6%	15.1%	15.5%	15.9%	16.3%	**16.7%**
	Number of Female Employees in Management Positions (Non-Consolidated, Business Fields)	53	61	86	103	113	127	139	153	160	**173**
	Ratio of Female Employees in Management Positions (Non-Consolidated, Business Fields)	0.8%	0.9%	1.1%	1.3%	1.5%	1.7%	1.8%	2.0%	2.1%	**2.2%**
	Number of Non-Japanese Employees Appointed as Heads of Overseas Bases	25	26	26	25	25	19	20	23	24	**25**
	Ratio of Non-Japanese Employees Appointed as Heads of Overseas Bases	32%	28%	31%	30%	31%	26%	26%	31%	32%	**33%**
	CO_2 Emissions (Global/Scope 1 and Scope 2) (10,000 t-CO_2e)*5	164.5	173.1	190.7	188.4	199.1	193.8	178.3	146.0	105.0	**51.3**
	Amount of Renewable Energy Introduced (Global) (GWh)	—	—	—	—	16	192	608	1,005	2,032	**3,123**
Exchange Rate (During FY)	USD (yen)	108	111	111	109	106	112	136	145	153	**151**
	EUR (yen)	119	130	128	121	124	131	141	157	164	**175**
	CNY (yen)	16	17	17	16	16	18	20	20	21	**21**

*1 The Company executed a 1:4 stock split on common stock, effective October 1, 2023. Figures have been adjusted to reflect the 1:4 split.
*2 Adjusted for treasury stock
*3 Effective fiscal 2027, we have changed the calculation method, including the figures for prior fiscal years. Cash dividends per share ÷ Share price at end of period
*4 Effective fiscal 2027, we have changed the calculation method, including the figures for prior fiscal years. Share price at end of period ÷ Equity attributable to owners of the parent company per share
*5 CO_2 emissions from fiscal 2021 onward have been calculated based on the Basic Guidelines on Accounting for Total Greenhouse Gas Emissions. These emissions do not include the use of carbon credits.

Company Overview and Stock Information (As of March 31, 2026)

Company Profile

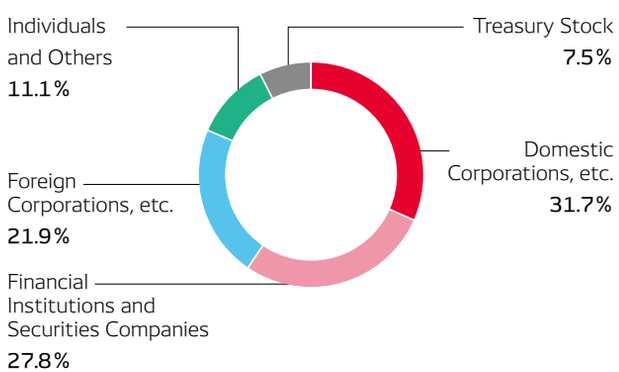
Company Name	DENSO CORPORATION
Founding	December 16, 1949
Capital	¥187.5 billion
Head Office	1-1, Showa-cho, Kariya, Aichi 448-8661, Japan
Employees	Consolidated basis: 154,716 Non-consolidated basis: 43,889
Consolidated Subsidiaries	190 (Japan 52, North America 21, Europe 45, Asia 68, Others 4)
Companies Accounted for by the Equity Method	33 (Japan 17, North America 2, Europe 2, Asia 10, Others 2)
Fiscal Year	From April 1 to March 31 of the following year
Ordinary General Meeting of Shareholders	June
Share Trading Unit	100 shares
Number of Shares Issued	2,692,045,404 shares (excluding DENSO CORPORATION owning 218,934,287 shares of treasury stock)
Number of Shareholders	239,467
Securities Identification Code	6902
Stock Exchange Listings	Tokyo, Nagoya

Principal Shareholders (Top 10 Principal Shareholders)

Name of shareholder	Number of shares held (thousands)	Voting share (%)
Toyota Motor Corporation	598,927	22.24
The Master Trust Bank of Japan, Ltd. (Trust account)	351,063	13.04
Toyota Industries Corporation	157,706	5.85
TOYOTA FUDOSAN CO., LTD.	133,235	4.94
Custody Bank of Japan, Ltd. (Trust account)	128,570	4.77
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	86,654	3.21
DENSO Employees' Shareholding Association	55,343	2.05
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	32,051	1.19
National Mutual Insurance Federation of Agricultural Cooperatives (Standing proxy: The Master Trust Bank of Japan, Ltd.)	30,622	1.13
Meiji Yasuda Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	28,681	1.06

Notes:
1. The Company holds 218,934 thousand shares of treasury stock, which are excluded from the list of principal shareholders above.
2. "Voting share" is calculated after excluding 218,934 thousand shares of treasury stock.
3. "Investment in the Company" by Toyota Industries Corporation is stated after excluding the Company's 27,192 thousand shares (voting share: 1.01%), which are contributed as a trust asset for employees' retirement benefits by Toyota Industries Corporation. (These shares are registered in the name of "Custody Bank of Japan, Ltd. [Trust Account of Toyota Industries Corporation Employees' Retirement Benefits for the Re-trust by Sumitomo Mitsui Trust Bank, Limited]," and Toyota Industries Corporation reserves the right of instruction in exercising the shares' voting rights.)

Breakdown of Shareholders



ESG- and IR-related External Evaluation

DENSO's ESG and digitalization activities have been well received by external institutions, including through consistent selection for inclusion in indices in Japan and overseas, in recognition of its initiatives to date, such as for environmental management, human rights and workers' rights, supply chain labor standards, gender diversity, health and productivity management.

Moreover, the Company's *Integrated Report 2025* received the Bronze Award at the WICI Japan Integrated Report Award 2025, organized by the Japan Association for the World Intellectual Capital/Assets Initiative (WICI Japan). The report also received the Excellence Award at the Fifth NIKKEI Integrated Report Award, and was selected for both the "Excellent Sustainability Disclosure" and "Most Improved Sustainability Disclosure" categories from the viewpoint of Materiality by asset managers entrusted by the Government Pension Investment Fund (GPIF) to manage its domestic equity investments.

FTSE4Good
FTSE JPX Blossom Japan Index
FTSE JPX Blossom Japan Sector Relative Index
2026 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX
2026 Sompo Sustainability Index
S&P/JPX Carbon Efficient Index
CDP A List 2025
NIKKEI Integrated Report Award
WICI JAPAN Integrated Report Award 2025

Notes:
1. FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that DENSO CORPORATION has been independently assessed according to the FTSE Blossom Japan Index criteria and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index Series. Created by the global index provider FTSE Russell, the FTSE Blossom Japan Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.
2. FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that DENSO CORPORATION has been independently assessed according to the FTSE Blossom Japan Sector Relative Index criteria and has satisfied the requirements to become a constituent of this index. Created by the global index provider FTSE Russell, the FTSE Blossom Japan Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.
3. THE INCLUSION OF DENSO CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF DENSO CORPORATION BY MSCI OR ANY OF ITS AFFILIATES.
THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.
4. Evaluations listed are those received as of September 30, 2026.

For details on outside evaluations and awards, please see the following website.
https://www.denso.com/global/en/sustainability/library/evaluation/

Independent Third-Party Verification of Environmental Performance Data

To enhance the reliability of its environmental performance data on greenhouse gas emissions, energy consumption, and other matters, DENSO has received independent third-party verification from SGS Japan Inc. We will continue to improve our environmental performance data by extending the scope of verification activities.

For details on Third-Party Verification, please see the following website.
https://www.denso.com/global/en/sustainability/environment/verification/

DENSO CORPORATION

1-1, Showa-cho, Kariya, Aichi 448-8661, Japan
Phone: +81-566-25-5511 (Information Center)
www.denso.com/global/en/