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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%

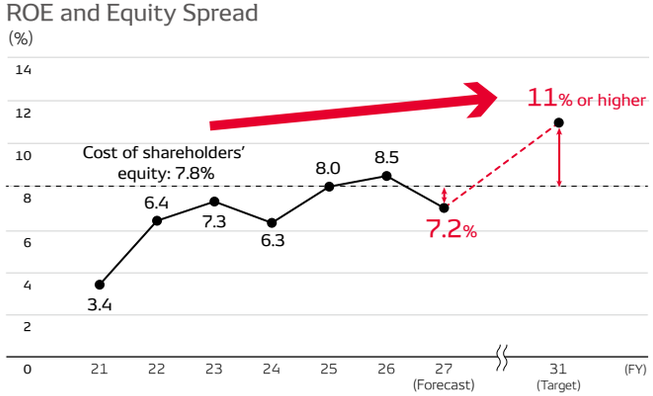
Equity ratio: 61.3% → 62.9% → 50% or higher

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

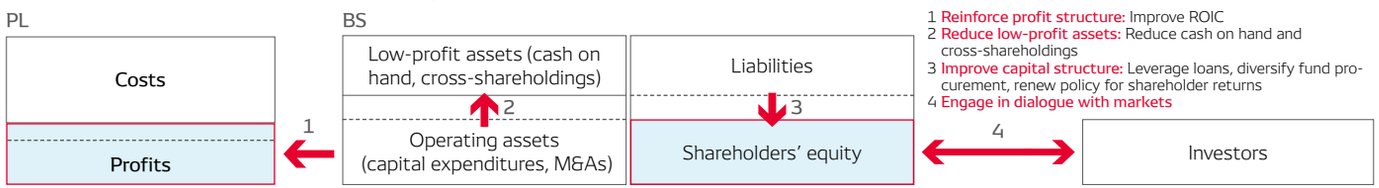
As of the end of fiscal 2026, the Company's price-to-book ratio (PBR) was below 1x, and we take the market's assessment of our corporate value seriously. The external environment is changing, with sluggish growth in the BEV market, rising materials and labor costs, and increasing instability in the Middle 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

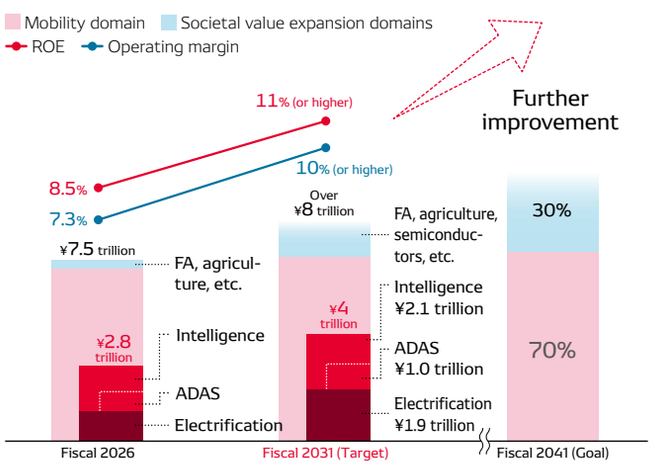
Four Pillars of Financial Strategy		Update to Financial Strategy during Fiscal 2020–Fiscal 2022 Drafting of financial strategy based on four pillars and formulation and disclosure of relevant KPIs	Fiscal 2022–Fiscal 2024 Thorough Implementation of Management Focused on Capital Costs Improvement in ROE 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

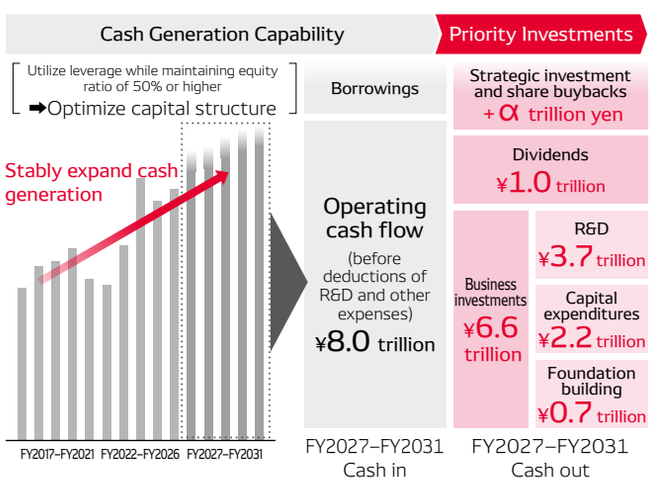
Over the five years leading up to CORE 2030, we will allocate capital not only to strengthen competitiveness in the mobility domain but also to strengthen societal value expansion domains that will serve as a new pillar of earnings. Working with limited management resources, we will identify changes 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.

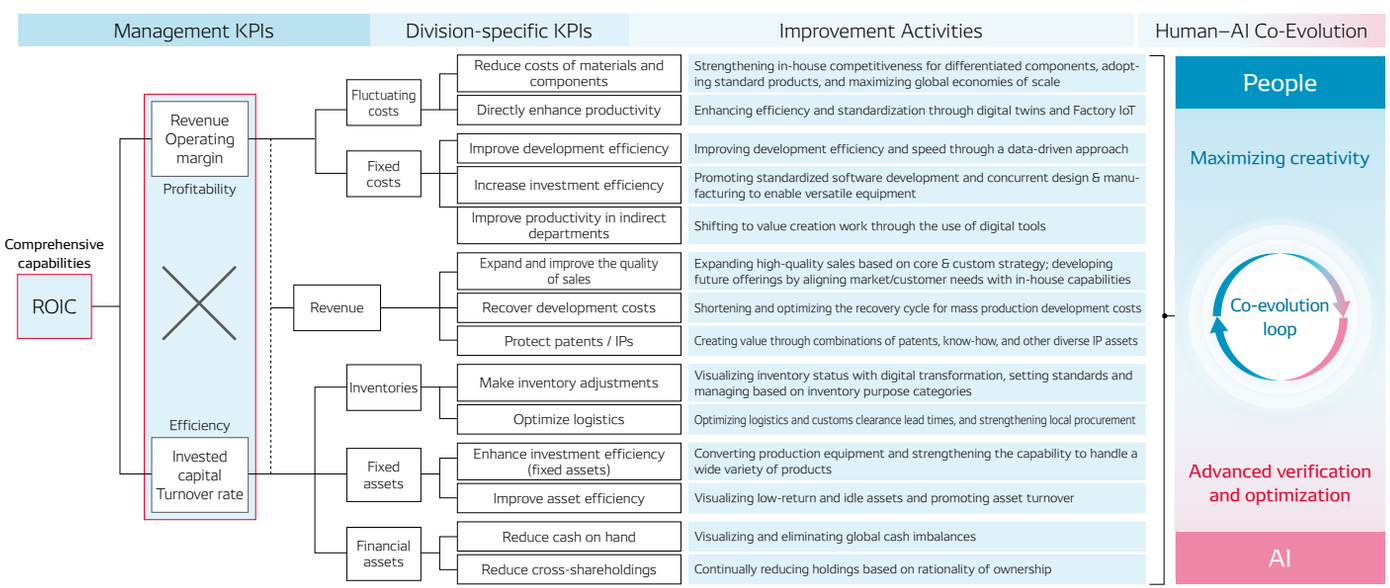
In addition, together with Human–AI Co-Evolution initiatives, we will further accelerate and advance each of these measures. For example, as customer needs grow more diverse and the procurement and supply environment becomes more complex, we will use AI to verify complex scenarios in sales expansion 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.

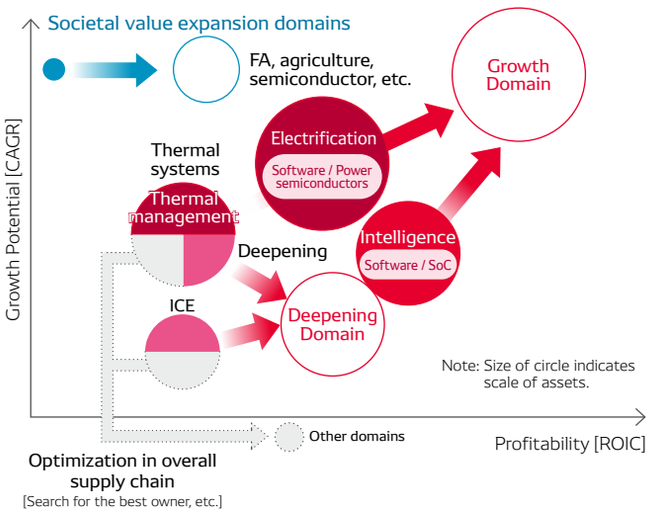
• Deepening of Internal Combustion Engine and Thermal Systems Fields

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.

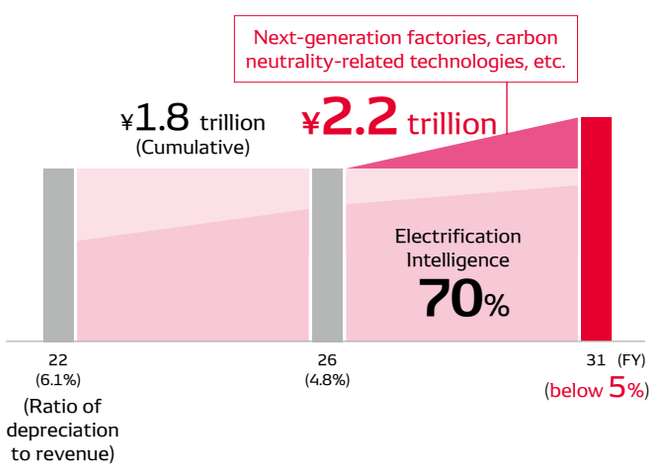
In addition, we will strengthen investment in next-generation factories, such as the Zenmyo South Plant scheduled for completion in 2027, and accelerate innovation in *Monozukuri*, in which people and machines learn from each other and continue to evolve, by promoting automation and implementing AI on-site.

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.

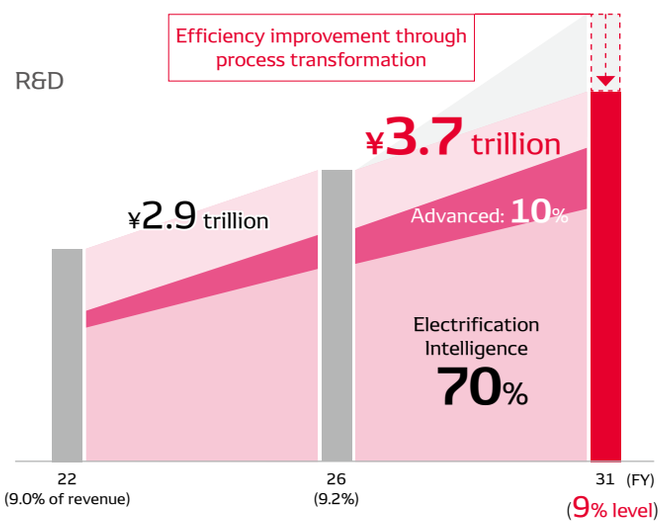
In advanced technology development, to stay ahead of rapid changes in social needs, we have built a structure in which management members, under the leadership of the CTO, regularly and flexibly update the development themes to be addressed and verify the effect of investment through the management of 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.

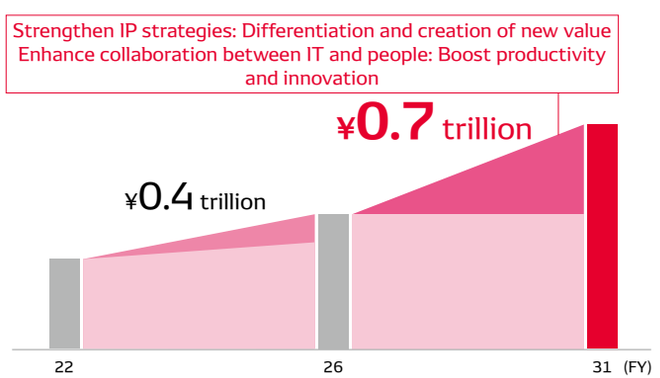
Capital Expenditures



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.

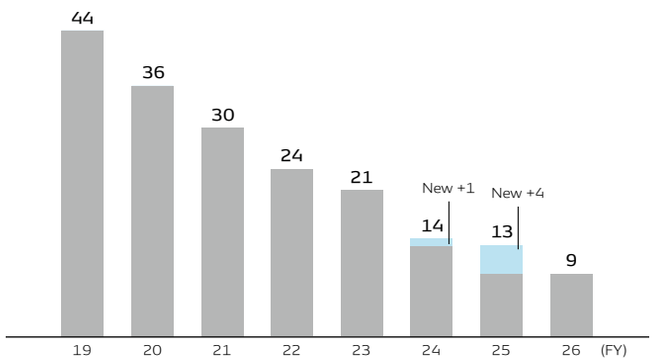
(2) Reduction of Cross-Shareholdings

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.

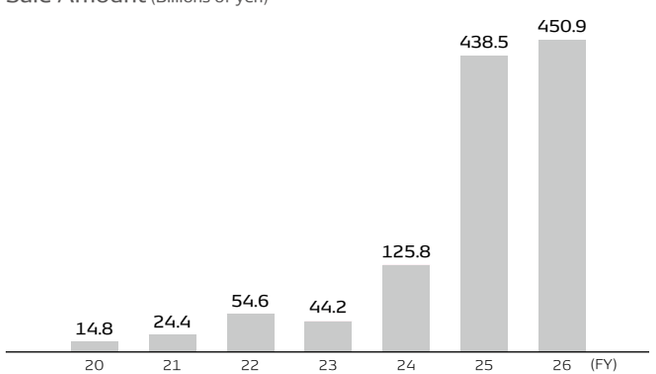
Since the secondary offering of DENSO's shares in fiscal 2024, management has accelerated the reduction in cross-shareholdings. In fiscal 2026, in conjunction with the delisting of Toyota Industries Corporation, the amount of cross-shareholdings sold reached a record high of ¥450.9 billion. The number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

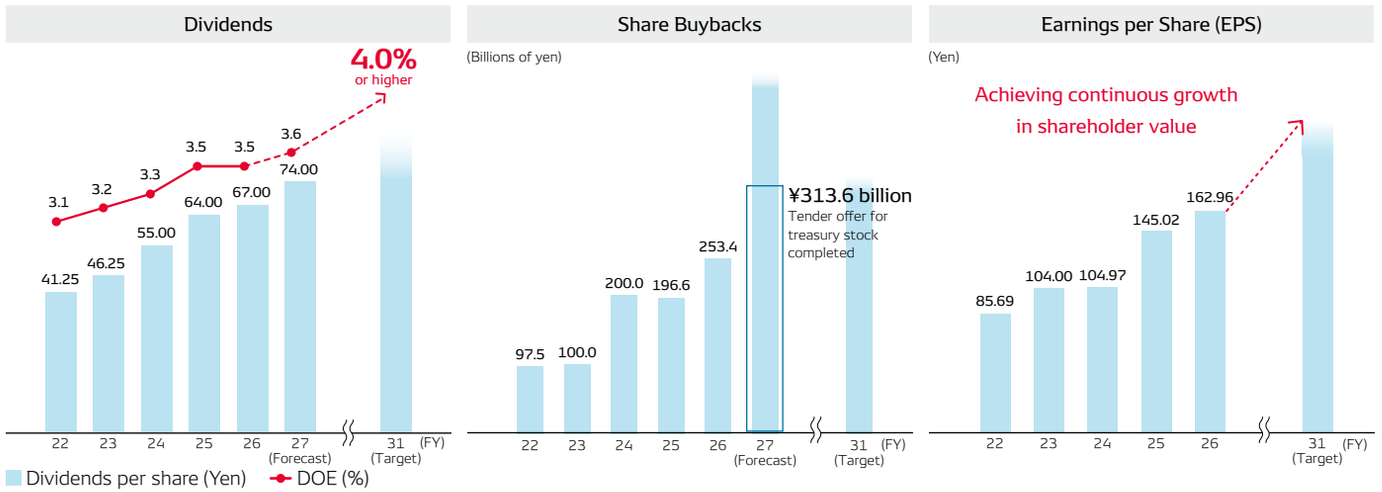
Rating Company	Credit Rating
Rating and Investment Information, Inc. (R&I)	AAA
S&P Global Ratings	A+
Moody's Investors Service, Inc.	A2

(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

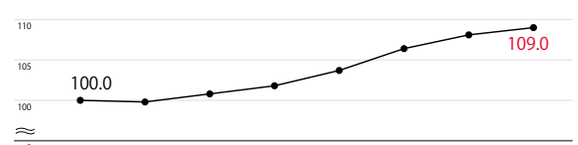
Enhancing Employee Engagement			
Employee Engagement Indicator (percentage of affirmative responses) (non-consolidated)		FY2025: 76% FY2026: 78%	▶ FY2027 target: 80%
Talent Portfolio Transformation			
Management Professionals Globally competent management leaders who are systematically developed and 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.

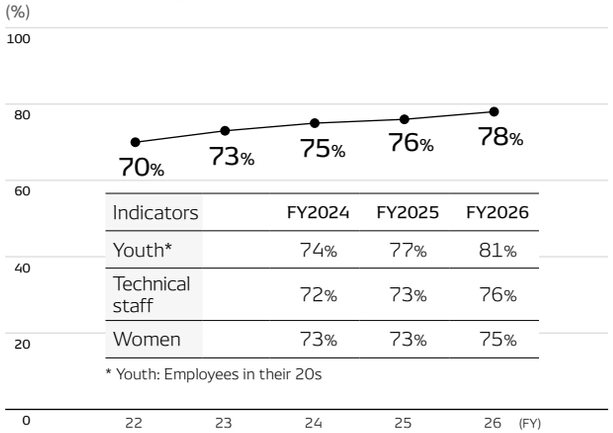
In addition, as part of strengthening the foundation for enhancing employee engagement, we are working to build an attractive compensation system. Compensation is directly linked to employees' job satisfaction and the stability of their livelihoods. It is not a cost but an important investment that fortifies 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

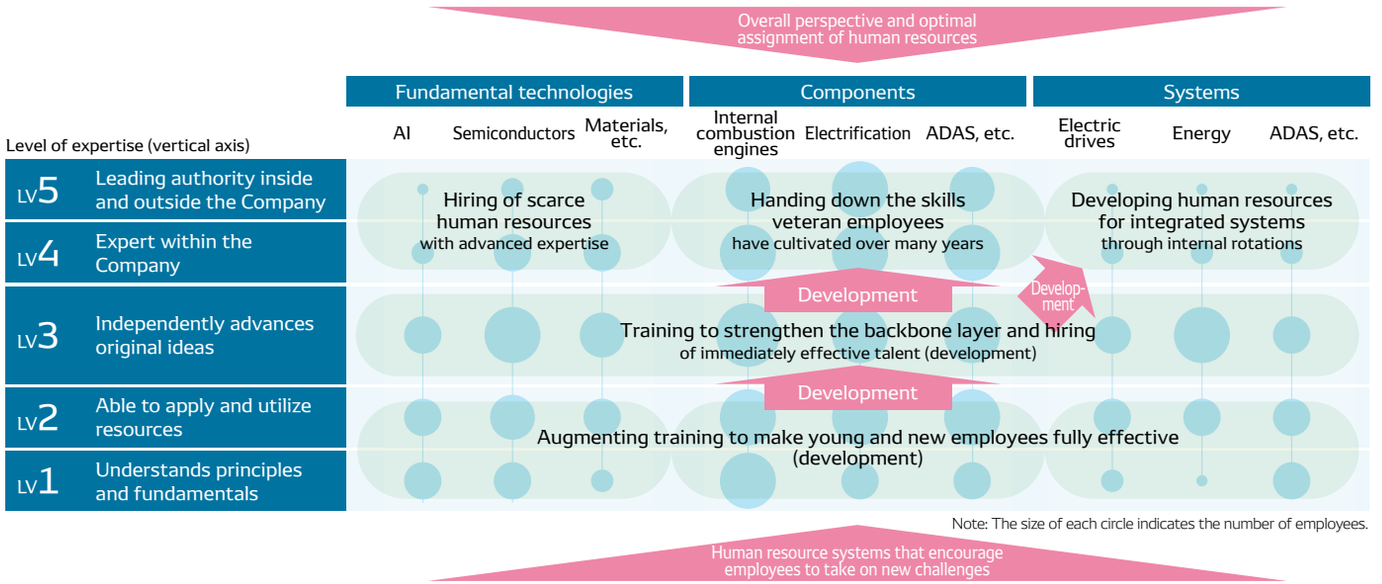
To advance the evolution of our businesses that underpin sustained corporate growth, the Company positions the securing of sufficient quality and quantity of human resources based on its business strategy as an important management issue. To achieve this, we are advancing strategic recruitment, development,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



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

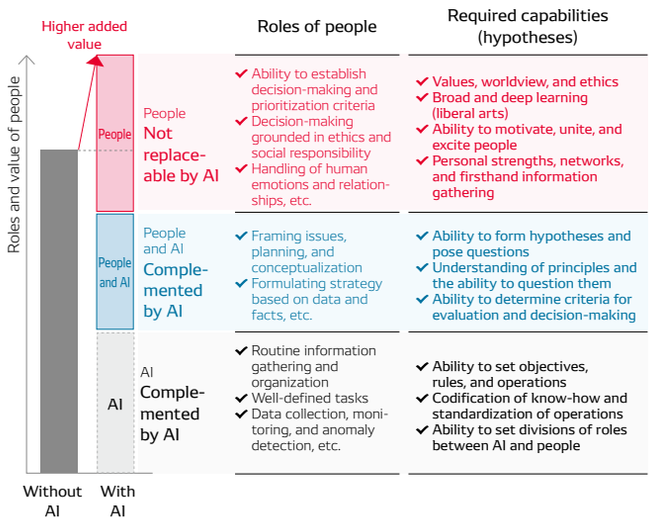
a cumulative total of more than 10,000 people visited over the event's two days. In addition, approximately 6,000 people participate each year in the DX Basic Course, which we have offered since fiscal 2025, acquiring basic knowledge of DX even though participation is voluntary. We have also launched 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

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



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.

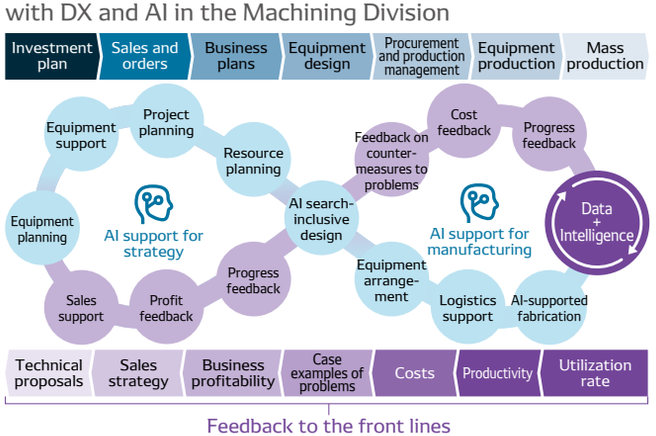
Initiatives in which people and AI advance together to create added value have already taken concrete shape. The machining division, responsible for the development and supply of production equipment, is transforming equipment development and management with DX and AI.

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.

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.

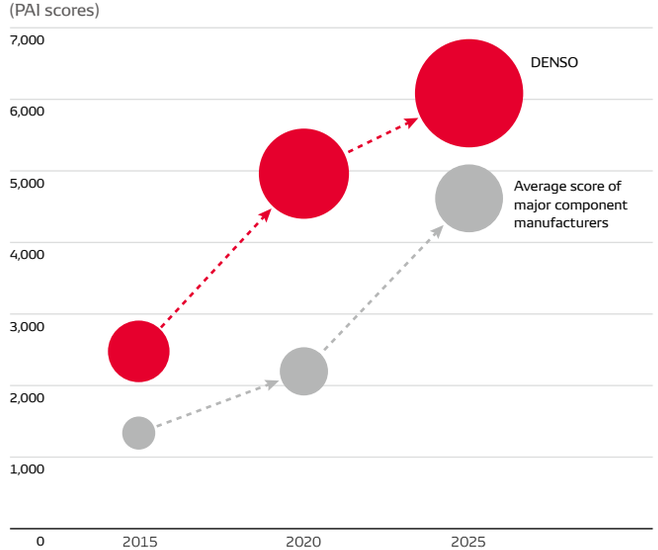
Promoting Strategic IP Creation, Protection, and Utilization

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

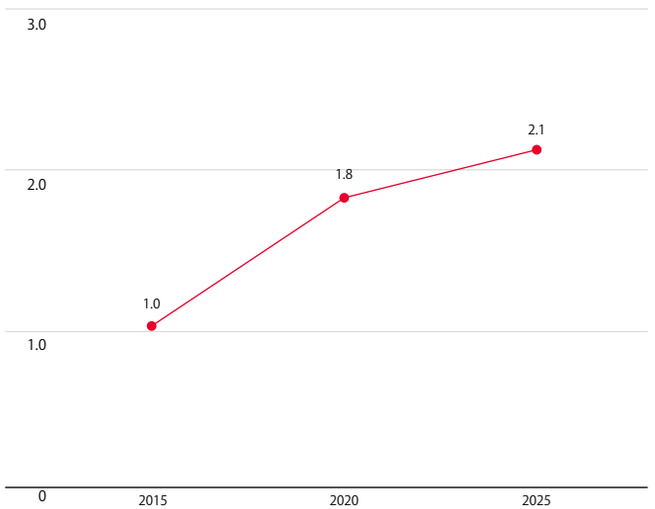
The IP portfolio built through these efforts is now being utilized not only to protect technologies but also to increase business value and deliver greater value to customers. For core products such as inverters, motor generators, and electric power steering systems, we actively leverage our accumulated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

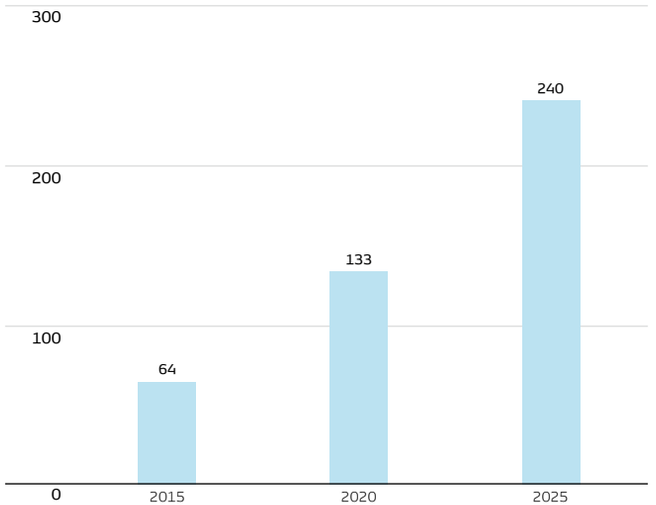
Changes in Patent Utilization Rate Related to Electric Vehicles

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



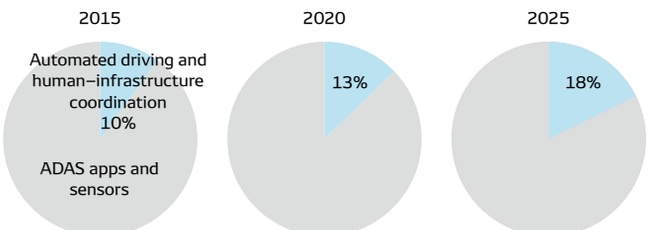
Intelligent Technologies

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.

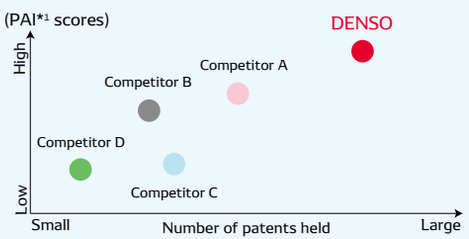
Software

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.

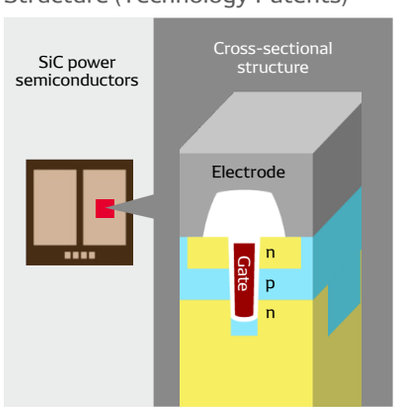
Power Semiconductor Patents Underpinning DENSO's Competitiveness

	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

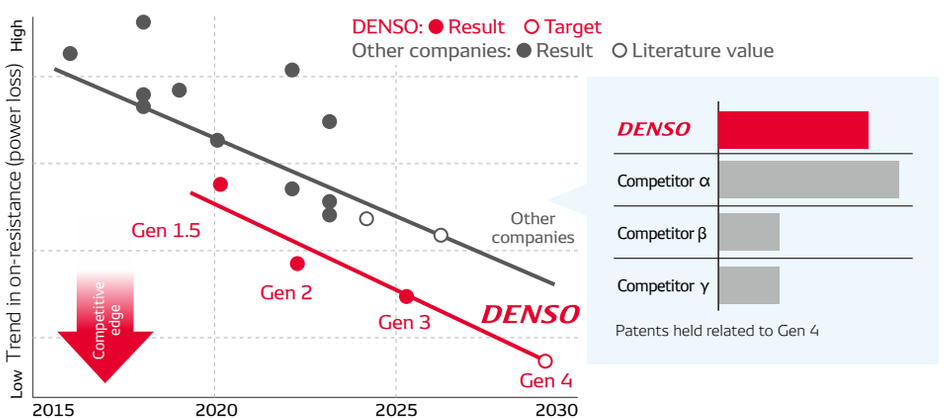
Patent Positioning in the Field of In-Vehicle Inverters



Proprietary Three-Dimensional Structure (Technology Patents)

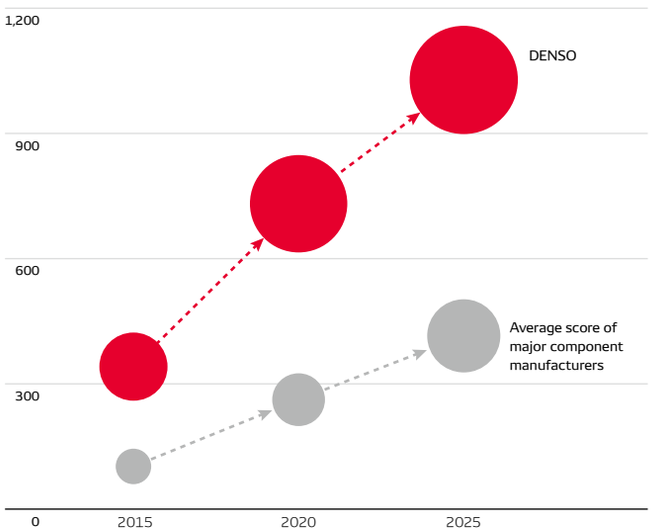


Enhancing SiC Power Semiconductor Performance through Lower Losses



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.

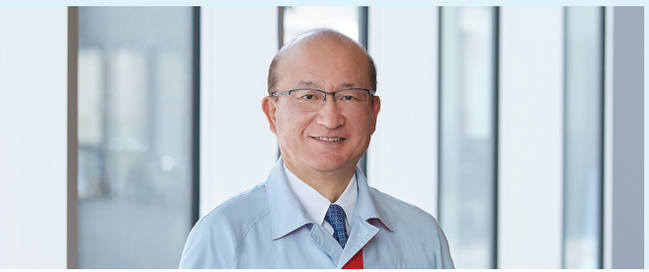
Improving IP Strategy Execution Capabilities through IP Human Resource Development and Framework Enhancement

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.

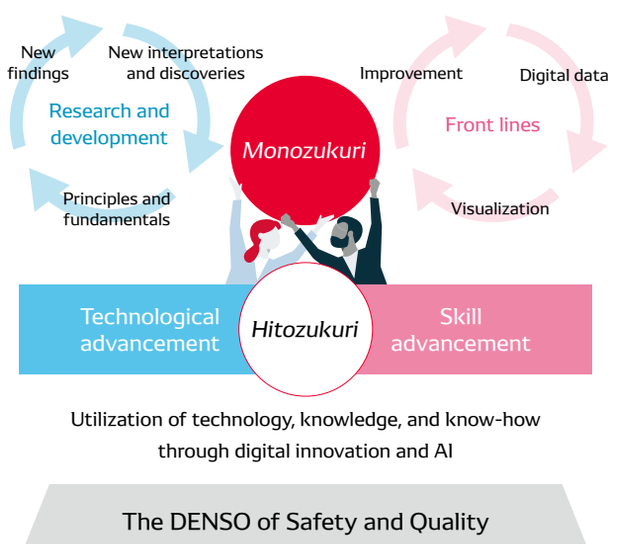
DENSO's Unwavering Commitment to *Monozukuri*

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.

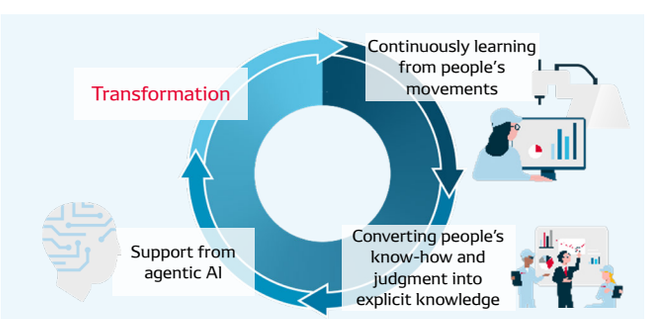
DENSO-style *Monozukuri*

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

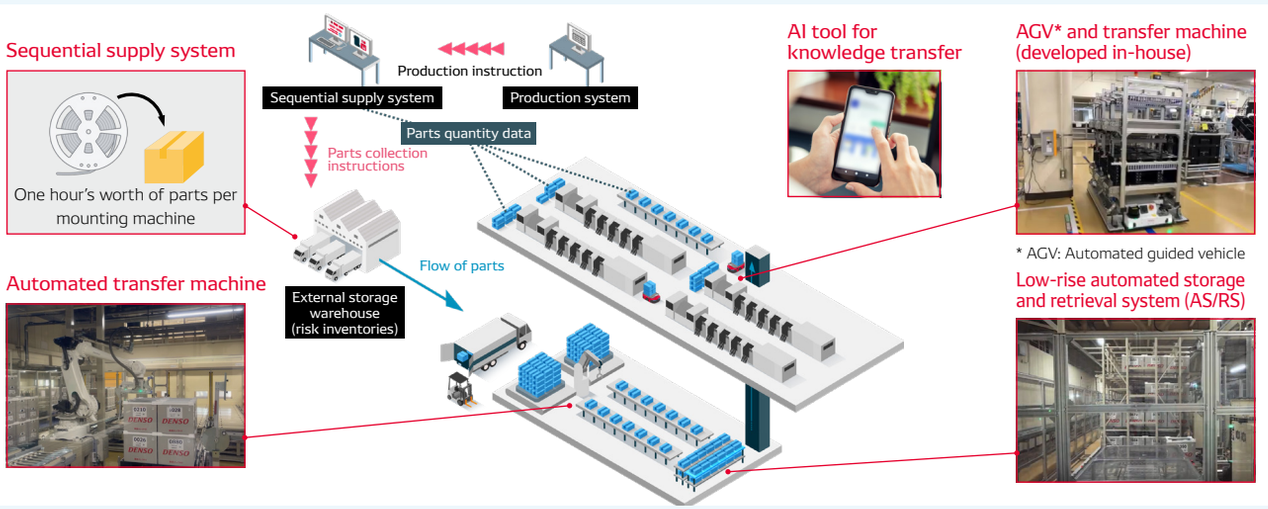
We are expanding the site of the Zenmyo South Plant and constructing a new plant equipped to produce ECUs and other products that control electrification and ADAS. Ahead of its completion in 2027, we are pursuing the concept of 24-hour unmanned operation through a full digital twin, establishing a production 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

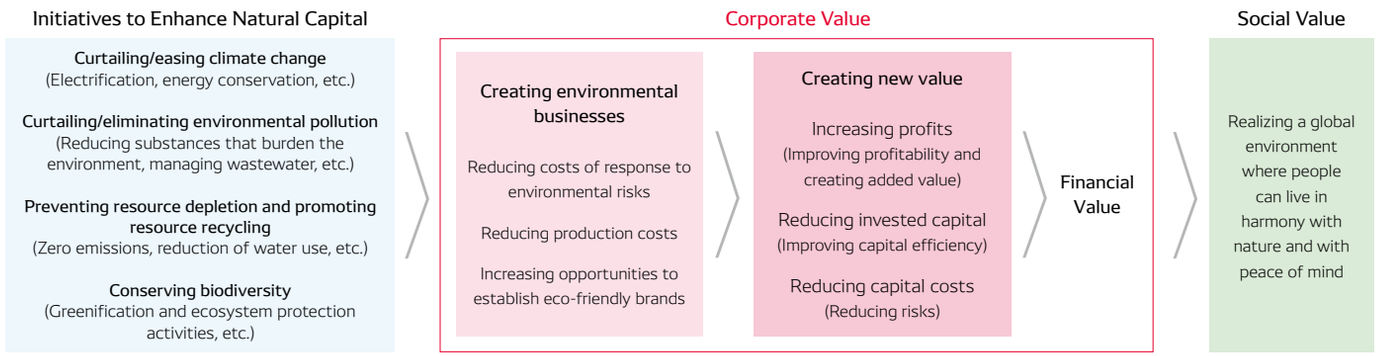
0 t-CO_2e*2 (Scope 1 and 2)

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

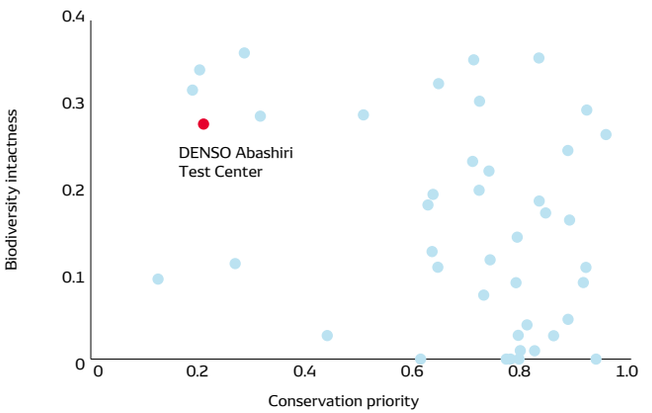
Representative countries and regions of operation	Japan	Mexico	Hungary	China	India
IUCN Red List	2,120	999	1,000	797	777
Protected Planet (PA)*4	134	12	55	0	0
Key Biodiversity Area (KBA)*5	11	2	9	4	6

*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

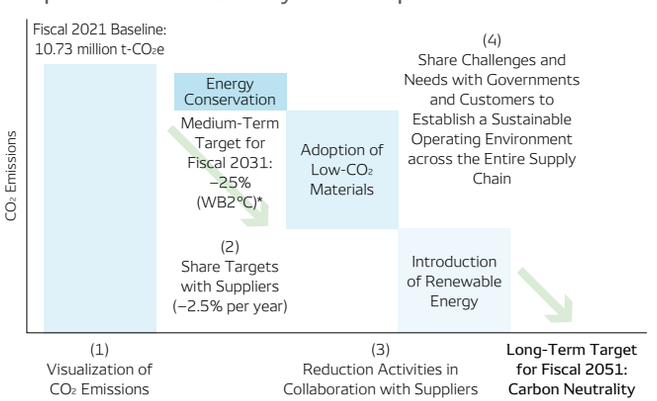
Our Vision Achieve Carbon Neutrality through Collaboration between DENSO and Suppliers

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

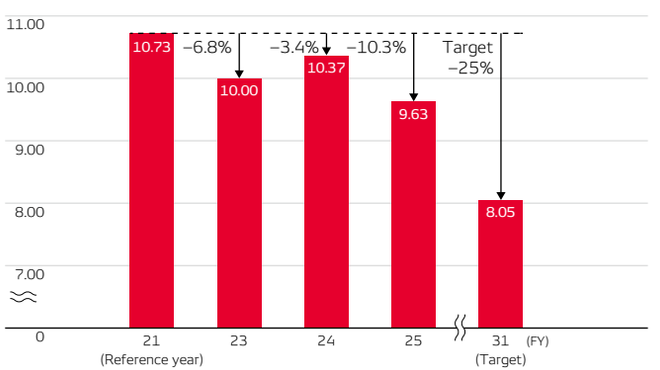
Through energy-saving activities and the introduction of renewable energy at suppliers, emissions in fiscal 2025 came to 9.63 million t-CO_2e, a decrease of 10.3% from the fiscal 2021 baseline of 10.73 million t-CO_2e.* Through the reduction activities of our suppliers, we are steadily advancing reductions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

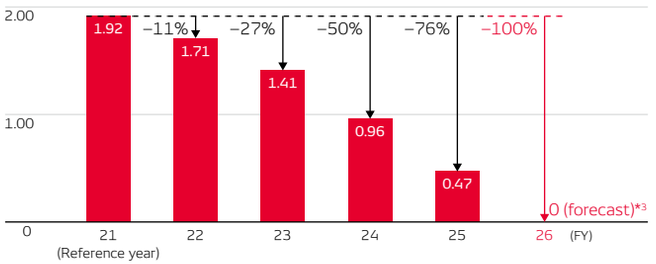
We aim to achieve carbon neutrality in *Monozukuri* by lowering CO_2 emissions through a reduction in energy consumption based on more-efficient manufacturing processes; by using such renewable energy sources as sunlight; and by reducing CO_2 emitted in production processes through the utilization of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

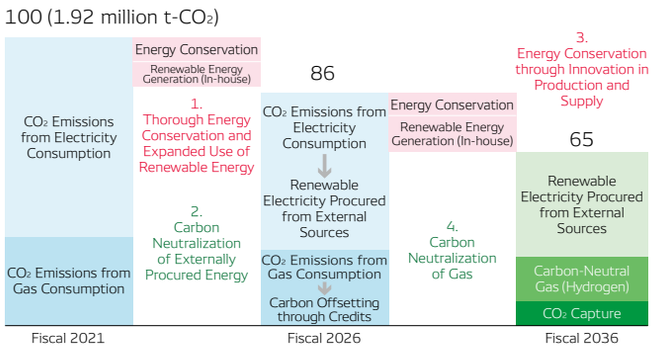


*1 After giving priority to reductions, we procure and retire environmental value and offset the remainder by retiring carbon credits, thereby bringing total CO_2 emissions for Scope 1 and 2 to effectively zero.

*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 coprosperity 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.