Integrated Report 2021
For the year ended March 31, 2021
A spirit of foresight, credibility and collaboration

The DENSO Spirit expresses values and beliefs shared by our employees around the world that have driven us to contribute to the automotive industry and society as a whole since our establishment in 1949.

DENSO Philosophy

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

DENSO Spirit

A spirit of foresight, credibility and collaboration

The DENSO Spirit expresses values and beliefs shared by our employees around the world that have driven us to contribute to the automotive industry and society as a whole since our establishment in 1949.

Foresight

Providing surprises and impressions in a way that only DENSO can

Credibility

Providing quality and reliability beyond customer expectations

Collaboration

Achieving the highest results by working as a team

Vision

Quality First

Communication

Creativity

On-site Verification

Teamwork

Challenge

Kaizen, Continuous Improvement

Human Development

The DENSO Creed

"Be trustworthy and responsible."
"Cherish modesty, sincerity, and cooperation."
"Be pioneering, innovative, and creative."
"Provide quality products and services."

The DENSO Creed

"Be trustworthy and responsible."
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Publication of DENSO Integrated Report 2021
DENSO publishes an integrated report in order to foster a deeper understanding of its initiatives toward sustainable corporate value enhancement.

DENSO Integrated Report 2021 includes specific information on the strategies and initiatives DENSO is pursuing toward “green” and “peace of mind” with the aim of realizing its Long-term Policy for 2030 of “bringing hope for the future for our planet, society, and all people.” In addition, the report introduces the Company’s new financial strategies for continuing to create corporate value even under an uncertain business environment.

Going forward, DENSO will continue its efforts to disclose accurate information to its stakeholders in a timely manner. Lastly, I would like to assure the readers that the creation process for this report was done in an appropriate fashion.

Editorial Policy
In addition to providing financial information, such as results and sales overviews as well as management strategy, DENSO Integrated Report 2021 is edited as an integrated report that reports, in an easily understood manner, on what value DENSO is providing society and on the process of improving that corporate value. This is achieved by introducing, in an integrated manner, information of a non-financial nature on intangible assets, including on the environment, society and governance (ESG), that are seen as the foundation underpinning growth.

DENSO creates long-term corporate value for all of its stakeholders, including shareholders and other investors, and would appreciate their understanding for the efforts the Company is making in aiming to realize a sustainable society.

In compiling this report, references have been made to the “International Integrated Reporting Framework,” that is proposed by the International Integrated Reporting Council (IIRC), as well as the “Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation,” formulated by the Ministry of Economy, Trade and Industry.

In addition, with regard to social reporting and the environment, please refer to the “Sustainability” section of the Company’s website.

Scope of Report
Target Organization
DENSO CORPORATION and the DENSO Group
Reporting Period
This report covers the activities of the DENSO Group during fiscal 2021 (April 1, 2020 to March 31, 2021). Certain parts of this report include content on the Group’s activities from April 2021 onward.
Target Audience
All stakeholders involved with the DENSO Group

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

Terminology Used in Integrated Report 2021 (Abbreviations for Various Types of Electrified Vehicles)
BEV: Battery Electric Vehicle
HEV: Hybrid Electric Vehicle
PHEV: Plug-in Hybrid Electric Vehicle
FCEV: Fuel Cell Electric Vehicle

Positioning of Integrated Report

Financial Information
DENSO Website
Investors
Integrated Report
Please see DENSO’s corporate website for PDF format.

Financial Results & Securities Report, etc.

Non-Financial Information
DENSO Website
Sustainability

Initiatives toward Social Responsibility Reporting/
Initiatives toward Environmental Reporting/
Corporate Governance, etc.
### TCFD INDEX

DENSO has adopted a Report for the Task Force on Climate-related Financial Disclosures (TCFD). For DENSO Integrated Report 2021, we referred to the climate-related disclosure items recommended by the TCFD. This table below shows the correspondence between the TCFD recommendations and the items within the report and the page number of each item. Furthermore, this integrated report includes sections that disclose opportunities and risks related to climate change, and aligns and analyzes the TCFD's initiatives in accordance with the TCFD recommendations. Please see page 9 for details. The table below mainly includes excerpts on these topics from pages other than page 64.

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### Overall Layout of DENSO Integrated Report 2021

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

The aim of DENSO Integrated Report 2021 is to have the reader gain a deep understanding of DENSO’s value creation process while promoting an opportunity for dialogue. Throughout the entirety of this booklet, we have created a story line that comprehensively communicates our value creation process while encompassing crucial elements that help the reader understand this process (management philosophy, business model, strategy, governance, etc.). The chart below shows the logical layout of these crucial elements based on the story line we have created. Additionally, we have created an index of keywords affiliated with each element so that readers can easily access the information they wish to know.
PROLOGUE

Bringing hope for the future for our planet, society, and all people

To realize the Long-term Policy’s slogan of “bringing hope for the future for our planet, society, and all people,” DENSO is promoting strategies and initiatives to maximize the value of “green” and “peace of mind.”

In the field of “green,” we have been working to contribute to the everlasting preservation of the global environment through technologies that help resolve issues such as global warming and energy- and resource-related issues. Today, as the trend toward carbon neutrality gains traction around the world, we aim to achieve carbon neutrality within our production activities by 2035.

In the field of “peace of mind,” we have been making efforts to realize a safe society without traffic accidents and free and comfortable mobility. In this way, we have been contributing to the creation of a society in which all people can live with peace of mind. With a strong desire to create such a society as quickly as possible, we will continue to diligently pursue our research and development activities.

In addition to value creation in the fields of “green” and “peace of mind,” our Long-term Policy also adopts the theme of “inspiring.” This theme encapsulates our ambition to create a future overflowing with smiles by providing new value that inspires people, even amid a rapidly changing business environment and society.

We often hear that the goals of becoming carbon neutral and realizing a society without traffic accidents are too challenging to achieve. However, to contribute to the happiness of people for generations to come, we will remain committed to the challenge of creating new value that can make these seemingly impossible tasks possible.

Maximizing the Value of “Green” and “Peace of Mind” to Provide New Kinds of Value
I would first like to offer my condolences to the families and friends of those who have passed away due to the COVID-19 pandemic. I would also like to extend my thoughts and prayers to all those who have been otherwise impacted by this pandemic. Furthermore, I would like to express my deepest gratitude to the medical professionals and other essential workers who are endeavoring every day to support our society and keep it in motion.

DENSO continues to implement the necessary measures to prevent the spread of the virus, placing the utmost priority on the safety of our customers, business partners, local community members, and employees and their families. At the same time, we are making concerted efforts to contribute to the health and happiness of people and society as a whole.

Understanding That DENSO Only Exists Thanks to the Support of Our Stakeholders

Fiscal 2021 was a year in which we undertook extraordinary efforts to continue our business operations as we dealt with frequent adversity due not only to the impact of the COVID-19 pandemic but also to natural disasters and disruptions in our supply chains. The efforts we carried out over the course of the year made me once again realize how grateful I am to the many stakeholders that support us as a company. For the longest time, I had just assumed that the sequence of events that comprise our daily business operations—the delivery of components and materials to the Company, the implementation of ceaseless production activities, and the delivery of finished products to customers—was something that happened as a matter of course. However, over the past year, I gained a profound understanding that these operations are certainly not something that happen as a matter of course. It is precisely because of the fact that our customers sell cars that we are able to supply them with our products. And, it is precisely because of the fact that our suppliers around the world deliver components and materials to us that we are able to continue our Monozukuri (manufacturing) activities. Considering all of this, coupled with the fact that DENSO is but one member of the 5.5 million people who work in the automotive industry, I am not only sincerely grateful but am also extremely inspired. From the bottom of my heart, I now understand the preciousness of the collaboration that occurs, almost like a miracle, in our day-to-day operations, the difficulty of conducting these operations on an ongoing basis, and the importance of forming connections throughout this process across the expansive industry that is the automotive industry.

Ensuring We Are Fully Prepared for the Next Crisis

We have been able to overcome numerous hardships throughout our history thanks to the support of all of our stakeholders. Looking back on the catastrophic year that was 2020, we were able to draw on our past experiences of dealing with disasters in a variety of settings. For example, we were able to recover from the fire that occurred at a supplier in 2020 in a surprisingly short period of time. I believe the key to this recovery was not only the result of the diligent efforts of the supplier itself but also the experience we gained in 2011 during the Great East Japan Earthquake, where we swiftly collaborated with relevant companies and rapidly implemented an initial response. I believe this example highlights the importance of thoroughly passing on the lessons learned from past experiences and turning them into strengths that can be leveraged, rather than letting them fade away. To that end, we will ensure that we pass on the experience we gained in 2020 from the
series of challenges we faced as important lessons for the future and position crisis management as our most important management issue based on the notion that a crisis will inevitably occur again. By doing so, we will ensure that we are prepared for a future crisis through a broad range of efforts, including not only reexercising the way we maintain inventory but also leveraging data to ascertain signs of a potential crisis occurring and implementing initial response training in anticipation of an emergency. In these ways, we will aim to become a company that is resilient to change, possess sensitivity in address and capacity needed to broaden the scope of measures necessary to address the risks we anticipate and to get an uncontrollable situation under control as quickly as possible.

Ascertaining the Changing Value Systems around the World

We have experienced the threat to humanity presented by the COVID-19 pandemic, and this has led to significant changes in value systems around the world. The rapid change in lifestyles, workstyles, and communication methods has caused us to reconsider the importance of having a job, of being in contact with people, and of having mobility. In addition, the groundbreaking idea of carbon neutrality is suddenly and greatly changing our behavior for business and consumption, and both individuals and corporations are being called on to change their behavior. Going forward, in addition to eco-friendly products, eco-friendliness throughout the entire process of creating, transporting, using and disposing of a product will be required as a condition for quality products and business transactions. The standard of carbon neutrality will require us to rethink our conventional notions of value and will lead to dramatic changes in the criteria used by consumers to purchase a product and choose a company.

For a company such as DENSO, which competes in the mobility domain and specializes in Monozukuri (manufacturing), these changes mean that we must go beyond simply developing products for non-mobility fields and pursue challenges in completely new fields. In other words, DENSO itself is pressed with establishing a new raison d’être.

Building an Unshakable Management Foundation to Become a “New DENSO”

I have once again recognized and come to fully understand that DENSO’s Great Cause or, in other words, value of existence is to become a company that can deliver a future overflowing with people’s smiles through efforts toward “green” and “peace of mind” that inspire society. Since 2020, we have been striving to do so through the DENSO Revolution Plan “Reborn21,” which involves activities to facilitate internal reforms. To create a solid foundation for transforming ourselves into such a company, we have been undertaking efforts to establish a robust quality foundation, strengthen our earnings structure, and promote workstyle reforms. We have also been making Companywide efforts to restore DENSO quality by enhancing our awareness and knowledge of quality and seeking to establish a workplace culture of open communication that is able to quickly detect and address any abnormalities. In terms of our earnings structure, we have been promoting activities to not only temporarily reduce costs but also encourage our employees to consider the idea of medium- to long-term earnings efficiency in their individual work based on return on invested capital (ROIC), which assesses how much profit is generated from capital invested. As a result, our quality and profit indicators have been steadily showing signs of improvement. However, our efforts toward genuine management reform are just getting underway.

Accordingly, in fiscal 2022 we will carry out “Reborn21” to its completion, which in turn will enable us to further enhance quality and establish a robust and resilient organizational structure. We will also strive to establish an unshakable management foundation by reexamining our crisis management to prepare for all types of risk. To do so, we are tasked with transforming our business portfolio so that we are able to respond quickly to the rapid changes occurring in the business environment. With a focus on the “green” and “peace of mind,” we will expand our businesses in the CASE domain (connected driving, autonomous driving, driving sharing, and electrification) and accelerate our response to carbon neutrality. In these ways, we will push forward as a “new DENSO.”

In other words, we will rapidly shift gears from the stage in which we were in fiscal 2021, where we reexamined our purpose as an organization and sought to solidify our management foundation and prepare ourselves to tackle upcoming challenges. In this new stage, we will be far more aggressive in making entries into new business fields and amassing practical experience, thereby making a greater impact on society.

Striving to Provide Society with More Sustainable Options

In the “green” field, we are making efforts toward the following three areas: eliminating CO2 emissions in our Monozukuri (manufacturing) processes, reducing CO2 emissions by promoting products powered by electricity and other mobility products, and eliminating CO2 emissions resulting from the energy we use in our daily lives. Through these efforts, we aim to become carbon neutral by 2035. In addition, going beyond measures to greenify our factories and products, we will expand the scope of our efforts to include capturing and recycling CO2 emitted from households and CO2 within the atmosphere. In this manner, we will pursue the realization of a carbon-neutral society not on our own but together with local communities. There are a large number of options in terms of the way to achieve carbon neutrality. For mobility products alone, in addition to battery electric vehicles (BEVs), plug-in hybrid electric vehicles (PHEVs), and fuel-cell electric vehicles (FCEVs), there is also a broad range of power and fuel sources, such as hydrogen engines and fuel cells. We are pressed to address various situations across all of society, including the tightening of energy and environmental policies in each country and region and the differences between infrastructure to transmit and supply energy in urban areas and suburban and rural areas. To ensure our ability to offer an even greater number of solutions that help eliminate CO2 emissions, we will leverage our technologies to open the door to new possibilities with a commitment to world-firsts and the world’s best. For the “peace of mind” field, it is extremely important that we popularize advanced safety and other technologies if we are to achieve our goal of eliminating traffic accidents. To that end, we believe there are several practical options to accomplishing this goal. These include not only developing automated driving technologies and advanced safety functions and ensuring that they are installed in new vehicles but also enhancing the safety of vehicles people already own, which are estimated to be over 1.4 billion around the world. In tandem with new vehicle development, we will promote the popularization of safety equipment that can be retrofitted in vehicles already owned and already sold. By doing so, we will provide an even greater number of options to steadily deliver peace of mind in overseas markets, where used cars are driven for a long period of time, and regions with traffic conditions that make it difficult to roll out automated driving technologies all at once.

Furthermore, we will pursue value creation efforts for “green” and “peace of mind” in not only the mobility and Monozukuri (manufacturing) domains but also social ones. To that extent, we have started to undertake new measures to contribute to urban development that is eco-friendlier and makes it easier for people and cars to exist together. We have also begun efforts to ensure food security by promoting reforms across the entire food value chain, from production through to distribution and consumption. Even if the form of our businesses, products, and services changes going forward, we will not lose sight of our focus on contributing to the well-being of people and society. We will therefore pursue ways of promoting our businesses that are completely new for us as a company based on the stance that if there is something we have the power to do as DENSO, we will not limit our options for doing so. In addition to our existing network, we will collaborate closely with our partners that are deeply rooted in local communities, including service stations and repair facilities.
around the world. At the same time, we will strive to establish new alliances through this collaboration while working to create optimized solutions that cater to the societies in each country and region. Although these alliances represent unknown territory for DENSO, we will push forward down a new road with a constant on-site awareness while never forgetting our policy of putting the customer first and working closely with frontline personnel, no matter what business we choose to pursue.

Combining the Physical and Virtual World to Maintain an On-Site Awareness

I personally have a love for on-site Monozukuri (manufacturing) and plant operations, as I started my career as a member of DENSO’s production engineering team. This experience has given me a firm understanding of how people, goods, and information flow within a plant, which enables me to have a keen sense of the dynamism of DENSO’s business. While DENSO deals with an extremely broad range of products, all of our plants have steadily inherited the shared ideas and principles of “wanting to make the customer smile” and “Monozukuri is Hitozukuri (Our performance relies on our people).” I believe that this kind of passion in our frontline operations is what makes DENSO stand out. Before the spread of COVID-19, I often visited our plants and development sites, both in Japan and overseas, closely observing how operations were being carried out through a close connection with the front lines and promptly making decisions and taking action based on that connection. I believe maintaining a close connection with the front lines is one of the strengths of DENSO through workstyles that combine the physical and virtual world.

Creating a Landscape to Inspire All People

The trend toward the greenification and digitization of society will continue to accelerate at an even greater rate going forward. However, no matter how much digitization progresses, it is the strength of people that leads to the creation of value on the physical front lines. The more that automation and AI technologies advance, the more we will likely be able to entrust work to machines. Having said that, there are a great many things that cannot be left to machines and can only be done by humans. Among these, I believe that having a dream and inspiring people, in particular, are something that only humans can do.

“Bringing hope for the future for our planet, society, and all people,” which we have adopted as part of our Long-term Policy, is something that can only be thought of through the vibrant imagination of people, as is having the dream to create a carbon-neutral society and eliminate traffic accidents. People may think that it is impossible to completely eliminate CO2 emissions and traffic accidents, and perhaps they are right. But, without first having dreams, even ones that people believe to be absurd, there is certainly no way we can

accomplish these seemingly impossible tasks. The great achievements throughout human history were made by the hands of people who first had a dream and then continued to passionately take on challenges in order to make that dream a reality. Furthermore, by sharing our dreams with others, those dreams become even greater and more powerful. The ability to inspire people is an essential part of turning a dream into reality. The ability to inspire means the ability to gain the empathy of another and move them emotionally. Machines are able to move faster and more precisely than humans and have certainly made our work and lifestyles more convenient and efficient. However, machines are not skilled at giving us vitality and courage and making us feel emotions. What can directly move the hearts of people is, without question, the hearts of other people. By communicating the ambitions and dreams we hold within our hearts, the dream of one person can become the dream of many. Upon doing so, a dream can eventually become held in the hearts of the masses and provide us with a strong determination to do whatever it takes to make it a reality. If a dream is not some self-righteous vision but rather a dream for the benefit of people and society, then I believe that dream will be able to inspire a large number of people.

DENSO’s idea of “bringing hope for the future for our planet, society, and all people” is something that must be fulfilled, no matter what it takes, in order to create a sustainable society. Not only is this dream shared among the approximately 70,000 DENSO employees across the globe, it also encapsulates the “future landscape” that our predecessors have worked tirelessly to create over the 70 years since DENSO’s establishment. To make this future landscape a reality and deliver it to our customers and society, we will take on the challenge of creating value in all of our frontline operations through honest efforts that are unique to DENSO. Guided by the spirit of our founding, to “provide quality products and services,” which has been continuously passed down from generation to generation, we will put forth our utmost efforts for the sake of society with a passion in our hearts to realize on our own initiative a landscape that can inspire not only the people alive today but all those future generations to come.

I would like to ask our shareholders and other investors for their continued support as we strive to realize this future landscape going forward.

Koji Arima
Representative Director, President & CEO

September 2021
DENSO’s Value Creation Story

Past, Present, and Future

Continuing to Create Value for the Mobility Society

Identity
What We Have Inherited Since Our Founding

Imbued in the DENSO Creed is the universal DENSO Spirit. In 1956, seven years after the Company’s founding, we formulated the DENSO Creed to express in words the mentality of all DENSO employees—which we have had even before splitting from Toyota Motor Co., Ltd.—while taking the next step toward new progress based on a clear self-awareness. The DENSO Creed lays out four ideals that have served as the source of the Company’s progress, and these ideals are still inherited today by our approximately 170,000 employees across the globe. One of these ideals is “provide quality products and services.” This ideal signifies DENSO’s approach since its founding for continuing to be a company that society needs by pursuing innovations in anticipation of the changing times and resolving social issues through quality products and services. In addition, this ideal serves as the basis for our approach to sustainability management, toward which we are currently accelerating efforts. As we enter into the period of a paradigm shift, all employees will reflect on the essence of the DENSO Creed as we work together to continue to resolve social issues in the generations to come by maximizing the value of “green” and “peace of mind.”

Fundamentals
What We Have Cultivated in the Over 70 Years Since Our Founding

With the DENSO Spirit as the driving force, DENSO’s innovations start from a focus on the future and what makes people happy. Our mission as a corporation is to anticipate changes in society and resolve social issues from the perspective of sustainability. Based on this mission, we have continued to realize growth while consistently leading changes in the mobility domain and repeatedly pursuing innovations and new creations. Throughout this journey, we have cultivated strengths and capitals that will continue to be the source of our value creation well into the future, thereby expanding our business domains.

History of Creating Value to Address Social Issues

1950s
Taking on the challenge of resolving social issues using cutting-edge technologies from the time of our founding
- Developed and mass-produced battery electric vehicles (BEVs) to address global gasoline shortages
- Reinforced corporate foundation through technical cooperation with Robert Bosch GmbH and by successfully competing for the Deming Prize

1960s
Efforts to address air pollution in advance of tightening emission regulations
- Succeeded in realizing the practical application of injection systems to respond to the worsening issue of air pollution ahead of the introduction of strict emission regulations
- Promptly established a system for the complete in-house production of integrated circuits (ICs) for automobiles

1980s
Commercialization of safety systems for preventing traffic accidents
- Leveraged the research we have engaged in since the 1960s to realize the practical application of various safety systems, including anti-lock brake systems, airbag sensing systems, and forward collision warning systems

1990s
Contributions to eco-friendly lifestyles with core technologies
- Focused on the development of car air-conditioning systems that use natural refrigerant to curb the destruction of the ozone layer caused by conventional air-conditioning refrigerant
- Commercialized household heat pump water supply systems that contribute to energy savings. Also, developed water filters, QR codes, and other products that make people’s lives more comfortable through the application of our core technologies

2000s
Acceleration of business-wide CO2 reduction initiatives to combat global warming
- Accelerated the development of eco-friendly products in all product fields
- Launched DENSO Eco Vision 2005 to share our environmental guidelines worldwide and accelerate initiatives for reducing CO2 emissions from our business activities and realizing zero emissions

2010s
Contributing to society by maximizing the value of “green” and “peace of mind”
- Accelerated efforts toward sustainability management since 2016 to contribute to the resolution of social issues in the fields of “green” and “peace of mind” within the mobility society—an ambition that forms the core of the DENSO Creed

Revenue*

* Fiscal 1951 to fiscal 1978 show non-consolidated revenue, while fiscal 1979 and after show consolidated revenue. In addition, from fiscal 2010, the financial statements have been prepared based on International Financial Reporting Standards (IFRS) (Japanese accounting standards were employed up to and including fiscal 2013)
The Greatest Strengths That Have Driven DENSO's Growth

Our Three Cultivated Strengths

Over its 70-year history, DENSO has cultivated various unique strengths. These strengths have been passed down since DENSO’s founding and further refined through the Company’s DNA, the DENSO Spirit, which permeates the actions of all DENSO employees around the world. The connections between these strengths have driven DENSO's growth over the years. Amid a challenging business environment going forward, DENSO will further enhance these strengths as the driving force behind value creation that is uniquely DENSO.

1: Research and Development

Through the accumulation of a long research and development (R&D) track record, which has supported our cutting-edge car manufacturing techniques, we are able to make full use of technologies that cover a broad range of fields, including chemistry, physics, electronic engineering, and software. This in turn enables us to create competitive products.

The Key to Our Strengths

- Commitment to world-firsts
- Global Development Network
- Advanced research with a view to the future

Roots of Our Strengths

1953 Commenced a technical cooperation agreement with Robert Bosch GmbH. Under this agreement, we established a technological and production base for becoming a comprehensive manufacturer of automotive parts that can keep pace with global companies.
1965 Established Nippondenso America, Inc., with which we jointly created our first overseas technical center. Through this center, we built an optimized structure for the development, production, and supply of local products.
1991 Established the Fundamental Research Center. At this center, we carried out R&D activities on future technologies that covered a wide range of fields. Today, this center continues to create a large number of innovative technologies that lead to the development of world-first products.
2001 Commenced efforts to discover seeds of business development from external sources. With these efforts, we explored and began working toward long-term R&D themes through visits to over 50 universities and research institutions in the U.S. and a framework for industry-academia collaboration.
2014 Completed the establishment of technical centers in seven regions across the globe. Through these centers, we have set up a structure to create competitive products that can promptly meet diversifying local needs.

Further Enhancing Our Strengths

We established “Global R&D Tokyo–Haneda” as a new base for our R&D activities. Through the integrated planning, development, and verification of cutting-edge technologies and advanced mobility systems, we have set up an R&D structure that allows us to swiftly offer value to the market. Furthermore, through “Global R&D Tokyo–Haneda,” we aim to exponentially accelerate the speed of development by strengthening open innovation and acquiring outstanding human resources.

2: Monozukuri

Through our Monozukuri (manufacturing) capabilities that combine our technologies and techniques, we create innovative, world-first ideas one after the other. Through the high-level production technologies we possess, we create added value in the form of high efficiency and high quality. We also independently create semiconductors that require a high level of accuracy.

The Key to Our Strengths

- World-leading production engineering
- Factory-Iot that leverages the knowledge of people to the greatest extent possible
- Excellent factory (EF) activities that realize growth for both plants and people

Roots of Our Strengths

1968 Created the IC Research Center to establish a structure for the production of IC technologies completely in-house in anticipation of the shift to the electronic control of automotive parts in the future.
1972 Established our first overseas production company. Since then, we have accelerated the establishment of additional overseas production companies, helping us gain an understanding of the needs in each region and begin production activities that meet those needs.
1979 Received the Osaka Memorial Production Prize. This prize was received in recognition of our highly accurate, high-quality product creation that was realized through our comprehensive in-house manufacturing of production lines and equipment.
1986 Launched a project for the practical application of robots. After doing so, we introduced multiple robots manufactured in-house, which played an active role on the production line and helped us achieve industry-leading production. Furthermore, the development of such technologies as barcode readers and RPD, which we pursued in a similar manner as robots, helped establish the foundation of our current external sales business.
1997 Commenced EF activities. Aiming to strengthen our manufacturing structure, we began to undertake activities to improve our factories, led by personnel on the front lines of production: EF activities have since been expanded on a global basis and represent the origins of DENSO’s ambitious activities focused on quality improvements.

Further Enhancing Our Strengths

We established the Electrification Innovation Center (EIC) at our Anjo Plant as part of our efforts to strengthen our production structure in the electrification domain. In addition, we integrated Toyota Motor Corporation’s core electronic component business into DENSO and relaunched the business at our Hirose Plant. By further strengthening our production structure centered on the Anjo and Hirose plants, we will establish development and production systems and expand high-quality production lines at our manufacturing bases around the world.

3: Hitozukuri

Based on the idea that “the best products are made by the best human resources,” we have been instilling the DENSO Spirit, our DNA, in all employees in an effort to cultivate personnel who can tackle the issues they face and create new technologies and products without fearing change.

The Key to Our Strengths

- DENSO Spirit
- Global human resource development
- Cultivation of young technicians

Roots of Our Strengths

1954 Established the Technical Training Center. This center fostered the principles of "Monozukuri, Hitotzukuri (Our performance relies on our people) and "Engineering and technique go hand in hand!" These principles are still practiced by the Company today.
1961 Received the Denki Prize, the most prestigious award for quality control. The efforts made by all employees to win this prize laid the foundation for the "Quality First" approach and corporate culture that we still adopt to this day.
1977 Received our first gold medal in the WorldSkills Competition. Receiving the medal was the result of our skills training on which we have been focusing our attention since our founding. Since then, DENSO has earned nearly 70 WorldSkills medals.
2001 Commenced the Technology Discussion Forum, which serves as a place for combining our technologies and skills and encourages healthy competition among our engineers through group discussion and interaction.
2005 Established DENSO Training Academy Thailand, our first overseas regional training center. This center helped us build a structure for educating engineers and technicians on a global basis.

Further Enhancing Our Strengths

DENSO has been sending employees to the WorldSkills Competition since the 20th competition held in 1991, and has won a large number of medals. Our employees undertake special training to prepare for the WorldSkills Competition, and going forward we will continue to train young employees with the aim of becoming highly skilled technicians in the future, at which time they can pass on their skills to the next generation.
The capitals that we have accumulated while achieving growth as a company now support our business activities and provide us with the funds needed to enhance our corporate value. Efforts to refine the substance of the strengths that drive our growth will allow us to reinforce our manufacturing, human, intellectual, social and relationship, and natural capitals, which in turn will help us increase our financial capital. To realize sustainable growth through this kind of cycle, we will not only maintain but also enhance these capitals going forward.

### Our Accumulated Capitals

**Manufacturing Capital**

Amid the expansion of the soft domain and the rapid emergence of newcomers in the automotive industry, we believe that the ability to globally provide high-quality, highly reliable products that can be installed in vehicles—something in which people entrust their lives—is a crucial element in achieving differentiation. Drawing on the car manufacturing insight we have cultivated in over 70 years since our establishment, we are taking the initiative to evolve our business execution capabilities.

**Financial Capital**

To realize sustainable growth and further improve corporate value, there is a need to secure continuous funding for capital expenditures and investment in R&D activities, alliances, and M&A. DENSO generates approximately ¥1 trillion in cash through its business activities (including operating cash flow plus other cash generation activities). Going forward, we will realize further business growth by effectively using this cash in capital expenditures and R&D investments.

**Human Capital**

DENSO operates businesses in over 30 countries and regions around the world. Accordingly, DENSO is a company that draws on the personalities and ideas of its diverse group of human resources—who are of different genders, ages, and nationalities. Going forward, we will realize further business growth by effectively using this cash in capital expenditures and R&D investments.

**Intellectual Capital**

DENSO operates in over 30 countries and regions around the world. Accordingly, DENSO is a company that draws on the personalities and ideas of its diverse group of human resources—who are of different genders, ages, and nationalities. Going forward, we will realize further business growth by effectively using this cash in capital expenditures and R&D investments.

**Social and Relationship Capital**

We find ourselves in the midst of a paradigm shift in which new technologies are being created at a tremendous speed, and the nature of business itself is changing. In this environment, R&D capabilities are becoming even more important. DENSO considers R&D expenditure at around 9% of revenue to be an appropriate level. Based on this level, we are expanding our developmental domains and accelerating the speed of our development activities. At the same time, we are improving investment efficiency through the introduction of cutting-edge technologies, such as standardization activities and evaluations via simulators, as we work to patent our developmental assets.

**Natural Capital**

DENSO's business activities have a close relationship with natural capital as we make use of industrial water and utilize mineral resources as raw materials for our products. Assessing natural capital from the perspectives of both risks and opportunities, we will work to efficiently make use of natural capital and reduce our burden on the environment by further refining our long-cultivated environmental technologies. By doing so, we will preserve the global environment while creating economic value.

### Key Resources for Creating New Value

- **Capital expenditures**
  - ¥374.3 billion (Fiscal 2021)
  - ¥145.1 billion (Fiscal 2011)

- **Cash generation capabilities (operating cash flow)**
  - ¥437.2 billion (Fiscal 2021)
  - ¥395.5 billion (Fiscal 2011)

- **Ratio of overseas employees**
  - 53% (Fiscal 2021)
  - 48% (Fiscal 2011)

- **R&D expenses**
  - ¥492.0 billion (Fiscal 2021)
  - ¥290.1 billion (Fiscal 2011)

- **Number of supplier companies**
  - Approx. 6,450 companies (Fiscal 2021)
  - Approx. 5,000 companies (Fiscal 2011)

- **CO₂ emissions per unit**
  - 40% reduction compared with fiscal 2013 (non-consolidated) (Fiscal 2021)
Pursuing a Variety of Businesses That Will Support the Mobility Society of the Future

Creating New Value through Our Seven Core Businesses

Relationship between Our Four Focus Fields and Seven Core Businesses

Four Focus Fields
- Electrification: Reducing Environmental Burden and Realizing Highly Efficient Mobility
  - DENSO has been engaged in the development of electrified vehicle systems that are eco-friendly and enable even more comfortable travel. As a result, DENSO has realized high-functioning, compact, and fuel-efficient products integral to these systems and is producing these products around the world. Going forward, we will leverage our expansive business domains to form linkages between various in-vehicle systems and products in an effort to efficiently manage energy within vehicles. In this manner, we will further improve fuel efficiency and contribute to the conservation of energy.

Advanced Safety and Automated Driving
- Realizing a Safe Society without Accidents, and Free and Comfortable Mobility
  - DENSO aims to create a mobility society without accidents and in which all people can move safely and with peace of mind. Guided by this aim, DENSO has developed reliable, high-quality safety technologies. By enhancing our long-cultivated sensing technologies as well as our AI and information technologies, we will further contribute to the development of automated driving. Also, we are moving forward with the development of control technologies, including for in-vehicle air quality and temperature, in order to realize more comfortable mobility. Maintaining our firm commitment to quality, which we have adopted since our founding, we will deliver genuine peace of mind for the future of the mobility society.

Connected Driving
- Realizing a New Mobility Society That Connects Vehicles, People, and Goods
  - Amid the major transition from the trend of owning a vehicle to the trend of using a vehicle as a service, DENSO is pursuing efforts in the Mobility-as-a-Service (MaaS) business, which involves providing mobility services that move people and goods. Going forward, we aim to provide safe, secure, and efficient transportation methods with low environmental burden for people with vehicles and for those without, thereby contributing to the realization of a new mobility society.

Non-Automotive Businesses (FA and AgTech)
- Contributing to Improved Social and Industrial Productivity
  - DENSO has a solid track record of introducing factory automation (FA) systems in 130 factories. Leveraging this record, we will propose and provide FA systems that can meet the diverse needs of our customers, thereby making extensive contributions to the development of the Monozukuri (manufacturing) industry. Also, with the aim of delivering happiness to all people through agriculture, we will draw on the experience in the food value chain to offer new value in the food and agriculture industries.

Seven Core Businesses
- Electrification Systems
  - Supporting electrification in all areas of mobility to realize an enriched environment and the joy of driving.
    - Main products: Power control units, vision generator

Powertrain Systems
- Providing solutions that help overcome the seemingly contradictory task of balancing the joy of life with vehicles with superior environmental performance.
  - Main products: Gasoline direct injector, high pressure pump

Thermal Systems
- Providing safe, comfortable systems that use the least amount of energy as possible in consideration of the environment.
  - Main products: Heat pump systems

Mobility Systems
- Realizing a society in which all people can move comfortably and with peace of mind (Quality of Mobility)
  - Main products: Hybrid ECUs

Sensor Systems & Semiconductors
- Leading the industry in sensing and semiconductor technologies that are eco-friendly and help realize a mobility society with comfort and peace of mind.
  - Main products: Power cards

Providing society with new value centered on the mobility domain

DENSO was established as a manufacturer of electrical equipment and radiators. Since its establishment, the Company has expanded its business domains in conjunction with social change, applying the technologies it has cultivated in the automotive field, its main area of operation, to develop lifestyle- and industrial-related equipment. At the moment, DENSO has seven core businesses that devise solutions for the mobility society of the future. Centered on these core businesses, DENSO is making full use of the technologies it has accumulated in the automotive domain as it pursues a variety of businesses that support the mobility society of the future.
To fulfill the DENSO Philosophy, we are incorporating social issues into our Long-term Vision and into our material issues (Materiality) and are implementing sustainability management that works to resolve social issues through our business activities. By doing so, we will contribute to a sustainable society and improve our corporate value.
Long-term Policy: Our Goal for 2030

With the aim of realizing a sustainable society, DENSO has formulated the Long-term Policy, which serves as a vision for what the Company aims to be by 2030. In addition to maximizing the value we provide through "green" and "peace of mind," two of our conventional areas of focus, we have adopted the new theme of "inspiring" and are working to create new value for society that can inspire our diverse stakeholders. Furthermore, we are moving forward with various strategies aimed at achieving our Long-term Policy.

Slogan
Bringing hope for the future for our planet, society, and all people

Our Goal for 2030
A company that continuously generates value to enrich mobility that achieves sustainability, happiness, and peace of mind for everyone

Green
Lasting vitality for the environment
Contribute to sustainability by increasing efficiency and reducing environmental impact

Peace of Mind
Providing a sense of well-being
Contribute to future mobility that is safer, more comfortable, and convenient for everyone

Inspiring
Making a difference
Contribute to happiness for everyone through inspiring value-added offerings

Growth Indicators to Realize the Long-term Policy and Social Issues We Aim to Resolve
To realize its Long-term Policy, DENSO is working to achieve growth in its top line by realizing growth in new mobility domains and promoting management reforms, among other efforts. However, with the increased level of uncertainty regarding the outlook for consumption demand, and based on the fact that our highest priority issue recently has been to establish a structure that is resilient to changes in the business environment, we are now placing the most emphasis on profitability as an indicator for growth and aim to achieve ROE of 10% or higher and an operating margin of 10% by fiscal 2026.

Furthermore, we have made connections between the social issues we aim to resolve through our business activities and the Sustainable Development Goals (SDGs), and have clarified the goals we aim to achieve on a Companywide level. At the same time, our employees have determined individual goals that they can work toward through their job and are working on a daily basis to do so.

Growth Indicators (Fiscal 2026)
ROE 10% or higher
Operating margin 10%

SDGs We Aim to Achieve through Our Business Activities
Main targets to be achieved using our products and services

SDGs
1 No poverty
2 Zero hunger
3 Good health and well-being
4 Quality education
5 Gender equality
6 Clean water and sanitation
7 Affordable and clean energy
8 Decent work and economic growth
9 Industry, innovation, and infrastructure
10 Reduced inequalities
11 Sustainable cities and communities
12 Responsible consumption and production
13 Climate action
14 Life below water
15 Life on land
16 Peace, justice, and strong institutions
17 Partnerships for the goals

DENSO Integrated Report 2021
AWARENESS OF BUSINESS ENVIRONMENT

Amit global population increases, aging societies, and advancing urbanization, the progression of global warming and the increase in traffic accidents are becoming serious social issues. In addition, people’s value systems and consumption behavior are diversifying due to the digitization of society and advancements in AI and robotics. Furthermore, social issues and value systems are becoming increasingly more complex and diversified as a result of the COVID-19 pandemic. In the mobility domain, the transition to electrification, automated driving, and connected driving due to the progression of IoT and AI has been remarkable. At the same time, a significant number of issues have been emerging. Going forward, we will continue to pursue the resolution of social issues while accurately assessing and responding to risks and opportunities related to these various social changes.

Forecasts of Future Society

Politics
- SHIFT from low-carbon to carbon-free society
- Acceleration of international cooperation to respond to climate change in light of UN-agreed targets to address global warming
- Need for decarbonizing renewable energy and hydrogen-based society
- Restrictions on power generation from fossil fuels and carbon-intensive engines
- Tightening supply and demand of energy to increase demand from both advanced and emerging countries
- Establishment of measures to counter adverse impacts on environmental and human rights throughout the entire supply chain
- Trade conflicts between the United States and China in areas such as steel, minerals, traffic congestion resulting from urbanization
- Decisive shift to digital technologies and IT

Economy
- Shifting economies in emerging countries and global multi-polarization
- Deepening chimes between emerging and developed countries
- New economy and the shift toVARISTOR business transitions
- Progression of IT and increased dependency due to business algal
- Expansion of business networks and acceleration of globalization
- Promotion of new contact technology and collaboration in various initiatives

Society
- Trust in the sustainability of society due to the rapid increase in population, with the push toward electrified and autonomous vehicles
- Aging populations around the world; declining workforce, acceleration of growth in dependency ratio
- Urbanization in emerging countries, acceleration of urbanization due to the drift to silicon and compact cars
- Consumer behavior becoming more ethical and experience-based and sustainable
- Changes in value systems related to social distancing and mobility
- Further growth in the wealth gap

Technology
- Integration of digital and physical domains due to the progression of IoT and 5G
- Productivity enhancement and value chain integration through the use of big data
- Focus from the development phase to the global and localization of production
- Enhanced representation of the manufacturing, finance, and service domains

Risks and Opportunities

Risks
- Tightening environmental regulations on the automotive industry
- Advancing the introduction and expansion of environmental taxation by the governments in each country and region
- Increasing trend in establishing/imposing regulations on vehicle emissions

Opportunities
- Growing need for electrification systems
- Further increase in need for improving fuel efficiency

Diversification of people’s values and consumption behavior

Risks
- Reduction in transportation as the customs in the new normal era become commonplace
- Intensifying competition due to the increased entry of IT companies in the automotive and infrastructure industries
- Progression in the transition to labor offered by AI and robotics, changes in work ethic
- Economic burden of obsolete technologies related to “peace of mind” and expansion in value systems due to social distancing, privacy, disaster alerts, etc.
- Rising need for added value due to the accelerating shift to digital technologies and IT

Opportunities
- Growing awareness of eco-friendly products

Emergence of social issues

Risks
- Trend in moving away from automobiles due to the impact of social issues such as increasing traffic accidents due to the declining birthrate and aging populations, air pollution, worsening traffic congestion resulting from urbanization, etc.

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

Shift of power to emerging countries

Risks
- Diversification of business practices due to globalization, in the number of business models that cater only to specific regions
- Increased competition due to the entry of emerging economies and countries

Opportunities
- Growing needs for eco-friendly products and systems
- The growth of emerging and developing countries where (particularity in the growing demand for eco-friendly products and systems)

Social Changes as of 2030 and Key Initiatives for DENSO

We are narrowing down our forecasts of future society, revising them every year through PEST (political, economic, social, and technological) analysis, using social changes as of 2030 as a key theme. In accordance with this theme, we have analyzed risks and opportunities and identified key initiatives for DENSO moving forward. We will continue to pay close attention to the impact of the COVID-19 pandemic and thoroughly examine whether or not the pandemic will have an impact on the key initiatives for DENSO going forward. While doing so, we will work to gain an accurate understanding of the outlook for the CASE revolution and changes in the mobility society.

Response Measures to Risks and Opportunities

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

The changes in society that will occur present a significant opportunity for a company such as DENSO, which has continued to refine technologies and gain experience in the mobility domain. With the aim of reducing our environmental burden and realizing a society without traffic accidents, we will actively promote the creation of a mobility society with a view to achieving the goals of “lasting vitality for the environment” and “safe, comfortable and flexible mobility for all people.” Furthermore, we will continue to create new value that inspires society.

Reinforcing Both Hard and Soft Domains

Traditionally, the automotive industry has focused on the hard domain, which comprises the basic vehicle functions of running, turning, and stopping. However, based on the kind of social changes described on the left, there has been a growing need for added value provided through the soft domain, which leverages IT technologies as well as domains that combine the hard and soft domains. By leveraging the hard domain, where we have existing strengths and enhancements, we will strive to create new value and expand our business activities in new domains with a sense of speed.

Reinforcing the Corporate Foundation

That Underpins Our Key Initiatives

Establishing a solid organizational foundation is key to flexibly resolving social issues, which are becoming more complex and diverse. To that end, DENSO is taking steps to minimize risks and establish workplaces where employees can demonstrate their capabilities. Through such efforts, DENSO is supporting the creation of new value.
The DENSO Philosophy provides the foundation for drawing the outline of the Company’s management policies, and sustainability management acts as the core for realizing these policies. In light of the aforementioned changes in the business environment and from the perspectives of both risks and opportunities, DENSO has formulated its Long-term Policy, which focuses on 2030. The Company also established material issues (Materiality) and its Long-term Plan as a path for realizing its Long-term Policy. Through these efforts, DENSO is implementing sustainability management. Please see the relevant pages for details on DENSO’s Long-term Policy, Materiality, and business strategies.

**DENSO Philosophy**

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

### Sustainability Management

<table>
<thead>
<tr>
<th>Long-term Policy</th>
<th>Important issues for achieving the Long-term Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green</td>
<td>Plan to be achieved by 2025 with the aim of realizing the Long-term Policy</td>
</tr>
<tr>
<td>Peace of Mind</td>
<td></td>
</tr>
<tr>
<td>Inspiring</td>
<td></td>
</tr>
</tbody>
</table>

### Five Pillars of Management Reform

- **Enhancement of vehicle perception and understanding of technological development**
- **Advanced safety to realize safe, agile, and high-quality living environments**
- **Business and organization development and reorganization of the Group and its global operations**
- **Global management and capital investment**
- **Improvement of working conditions and efficiency**

### Four Focus Fields

- **Electrification**
- **Advanced Safety and Automated Driving**
- **Connected Driving**
- **Non-Automotive Businesses (PA and AIPtech)**

### Specific Measures (Businesses)

1. **Materiality**
   - Reborn21
2. **Long-term Plan**
   - Medium-term Vision (currently being formulated)
3. **Mid-term Plan**
   - ROE 10% or higher
   - Operating margin 10%

### Action Plan through fiscal 2022 for steadily implementing the Long-term Plan

- **Creating New Kinds of Value**
- **Strengthening Profitability to Support of Future Growth**
- **Transforming Our Business Foundation**
We have determined material issues (Materiality) to be addressed in order to achieve our Long-term Policy by 2030 and are accelerating sustainability management in an effort to resolve these issues. Among our social forecasts based on our awareness of the projected business environment of 2030 as well as the various social issues that are present today, including those highlighted in the SDGs, we determined that the three themes of “green,” “peace of mind,” and “corporate foundation” represent areas that have a high level of importance for realizing a sustainable society and in which we can make particularly significant contributions. Accordingly, we are sharing information on the material issues we have identified in each of these fields on a Companywide basis and have established a specific vision and KPIs (numerical indicators, or guides) related particularly significant contributions. Accordingly, we are sharing information on the material issues we have identified in each of those highlighted in the SDGs, we determined that the three themes of “green,” “peace of mind,” and “corporate foundation” areas that have a high level of importance for realizing a sustainable society and areas in which we can make particularly significant contributions. Accordingly, we are sharing information on the material issues we have identified in each of those highlighted in the SDGs, we determined that the three themes of “green,” “peace of mind,” and “corporate foundation” areas that have a high level of importance for realizing a sustainable society and areas in which we can make particularly significant contributions.

**Basic Strategies**

By pursuing value from the perspective of the vehicle, we will accelerate the commercialization of new mobility fields, thereby driving growth.

<table>
<thead>
<tr>
<th>Growth</th>
<th>Profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td>New customers and value creation</td>
<td>Pursuing value through subsystems = Strong components</td>
</tr>
<tr>
<td>Driving new growth</td>
<td>Improving profitability</td>
</tr>
<tr>
<td>Electrification</td>
<td>Thermal Management Subsystems Components</td>
</tr>
<tr>
<td>Advanced Safety and Automated Driving</td>
<td>Energy Management Subsystems Components</td>
</tr>
<tr>
<td>Connected Driving</td>
<td>Information Management Subsystems Components</td>
</tr>
</tbody>
</table>

We will enhance the profitability of our existing in-vehicle technology business and further solidify our earnings base to support future growth.

To realize overwhelming levels of competitiveness for our components and systems, we are streamlining technological development related to ECUs, semiconductors, sensors, and motors. We are also improving the profitability of our existing businesses and strengthening our competitiveness in new mobility fields. Through such efforts, we will make contributions to meeting the needs of our customers.

<table>
<thead>
<tr>
<th>Contributions</th>
<th>Organizational Capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Making contributions to meeting the needs of our customers</td>
<td>Accelerating our business execution and invigorating the workplace as we transition to an organization that can compete in an era of rapid changes</td>
</tr>
</tbody>
</table>

**Materiality**

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Vision</th>
<th>Related SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Prevention of global warming 🌍</td>
<td>Contribute to an eco-friendly and sustainable society by reducing environmental burden and realizing highly efficient mobility</td>
<td></td>
</tr>
<tr>
<td>• Prevention of air pollution / Reduction of environmental burden 🌍</td>
<td>Reduce our CO₂ emissions from our factories to zero</td>
<td></td>
</tr>
<tr>
<td>• Effective utilization of resources 🌍</td>
<td>Contribute to the electrification of automobiles and reduce our CO₂ emissions to the greatest extent possible</td>
<td></td>
</tr>
<tr>
<td>• Conservation of water resources 🌍</td>
<td>Contribute to realizing a carbon-neutral society through technologies that collect and reuse CO₂</td>
<td></td>
</tr>
<tr>
<td>• Reduce environmentally harmful substances, emissions, and waste to help permanently preserve the global environment 🌍</td>
<td>Reduce environmentally harmful substances, emissions, and waste to help permanently preserve the global environment</td>
<td></td>
</tr>
</tbody>
</table>

We have formulated the Eco Vision to serve as a long-term environmental policy to help us promote our environmental management. Please see the Sustainability section of our corporate website for more information on the Eco Vision.

**Peace of Mind**

<table>
<thead>
<tr>
<th>Peace of Mind</th>
<th>Vision</th>
<th>Related SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Population of flexible and comfortable movement 🌍</td>
<td>Popularize safe products in order to eliminate traffic accidents</td>
<td></td>
</tr>
<tr>
<td>• Provision of safe and secure products 🌍</td>
<td>Address the need for ensuring a safe air environment and provide comfortable spaces</td>
<td></td>
</tr>
<tr>
<td>• Response to decrease in birthrate and aging population 🌍</td>
<td>Support working people by offering technologies that help resolve the issue of a declining workforce</td>
<td></td>
</tr>
</tbody>
</table>

**Corporate Foundation**

<table>
<thead>
<tr>
<th>Corporate Foundation</th>
<th>Vision</th>
<th>Related SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Compliance 🌍</td>
<td>Ensure that each employee acts in a fair, honest, and ethical manner while complying with laws and regulations in each country and region</td>
<td></td>
</tr>
<tr>
<td>• Information security 🌍</td>
<td>Provide safe and reliable products to customers, protect information assets, and prepare for cyber security risks that the “connected society” faces</td>
<td></td>
</tr>
<tr>
<td>• Healthy and safe working environment 🌍</td>
<td>Promote the development of people, organizations, and the working environment to encourage our employees to realize their abilities and work with enthusiasm and peace of mind</td>
<td></td>
</tr>
<tr>
<td>• Workstyle reform 🌍</td>
<td>Respect the rights of all our stakeholders, including our employees and people throughout our supply chain, in our business activities</td>
<td></td>
</tr>
<tr>
<td>• Protection of human rights 🌍</td>
<td>Pursue business activities that take into account environmental issues, human rights issues, and compliance together with our suppliers</td>
<td></td>
</tr>
<tr>
<td>• Sustainable procurement 🌍</td>
<td>Targets that can be achieved using our products and services</td>
<td></td>
</tr>
</tbody>
</table>

**Long-term Plan**

DENSO has established its Long-term Plan for fiscal 2026, which acts as a pathway for realizing its Long-term Policy. Centered on the Basic Strategies shown below, DENSO has established four focus fields based on social changes. In addition to these fields, DENSO has adopted the Five Pillars of Management Reform (1) in order to enhance organizational capabilities and reflect its ambition to transition to an organization that can compete even under a challenging business environment. By promoting these reforms, DENSO will contribute to the realization of a sustainable society and enhance its corporate value.
Mid-term Plan

To make steady progress toward achieving our Long-term Plan, we have formulated a Mid-term Plan and determined specific action plans from the perspectives of “taking on the challenge of creating new value,” “strengthening profitability to support future growth,” and “reforming our management foundation.” These action plans serve as a guideline for our efforts up to fiscal 2022.

1. Creating New Kinds of Value
   - **Corresponding Long-term Plan (Basic Strategies)**
     - **Growth**
     - **Profitability**
     - **Contributions**
     - **Organizational Capabilities**

   **Broaden the range of collaborations in integrated vehicle platforms that straddle product sectors to help assert leadership in electrification and in automated driving**

   **Progress** To achieve an eco-friendly mobility society that offers safety and peace of mind, we worked with our OEM partners to develop integrated electronic platforms that form connections between our vehicle fields as well as between cars and society at large. We also commenced the introduction of these platforms into the automobile industry. In addition, we commenced efforts to incorporate new value into cars and create new business models using technologies that connect cars with greater society.

   **2. Create and deploy business models for generating new value in mobility services and dramatically improving convenience and efficiency**

   **Progress** Leveraging our long-cultivated insight into automobiles, we developed systems for providers of mobility services such as digital keys, which objectively ensure safety. By supplying a wide lineup of highly secure systems to these service providers, we provided end-users with the freedom of safe and secure mobility. In addition, we launched a systems solution business for service providers together with a partner company in North America. This business offers solutions that help these service providers create car-related businesses in a more advanced and efficient manner.

   **3. Position factory automation and AgTech as pillars of new business development and employ bold concepts to assert a strong presence in those sectors**

   **Progress** At Agri Inc., which was established with Asahi Nuriyary, Inc., we commenced a verification test for a next-generation greenhouse model that introduces technologies for the industrialization of agriculture (environment control and labor-saving technologies) to prepare for the global shift toward large-scale agriculture and labor shortages. This test is being conducted through the implementation of large-scale greenhouse operations. We also developed large-scale greenhouse solutions together with Certhon Group, which possesses world-leading advanced greenhouse technologies, and commenced the global rollout of these solutions. Concerning our transition to agricultural production, we will expand our business domains to encompass the food distribution chain, from distribution through to consumption, which continues to diversify. By doing so, we will contribute to the resolution of social issues.

   **4. Connect with brilliant minds at the centers of innovation worldwide to increase our agility in nurturing a continuing stream of new products**

   **Progress** We have been steadily establishing satellite R&D teams at epicenters of innovation worldwide (Helsinki, Israel, Montpellier, Seattle, Pittsburgh, etc.). At the same time, we have been working to enhance our presence within the business ecosystems of these locations. We have also been taking steps to enhance open innovation by accelerating collaboration with a wide array of partners, including universities, research institutions, and start-up companies. Going forward, we will further strengthen collaboration with local customers and companies in an effort to contribute to their businesses by enhancing product competitiveness.

   **5. Build on the wisdom that resides in the Toyota Group to overcome the unprecedented change that is transforming the automobile industry and generate benefits for customers and society worldwide**

   **Progress** In April 2019, we established J-OuND DYNAMICS together with four other Toyota Group companies with the aim of developing software for automated driving. In the same month, we established BLUE Nexus Corporation, which develops and sells driving module packages needed for electrification, together with Aisin Seiki Co., Ltd. In April 2020, we established MIRISE Technologies, a joint venture with Toyota Motor, through which we are promoting the advanced development of next-generation in-vehicle semiconductors. Moving forward, we will promote Groupic expertise collaboration as we continue to concentrate our efforts on the fields of electrification, advanced safety, and automated driving.

2. Strengthening Profitability in Support of Future Growth
   - **Corresponding Long-term Plan (Basic Strategies)**

   **1. Upgrade our interregional interaction and increase our management agility by reorganizing our organization to realize a smaller but stronger headquarters and performance-oriented business units and subsidiaries**

   **Progress** We delegated authority to business units and Group companies in such ways as raising transaction amount-based authority delega-

   **2. Advance the performance of key products, such as motors, ECUs, semiconductors, and sensors, with leading-edge technologies, and reinforce the basis of our competitiveness through a commitment to assert key product standards**

   **Progress** To boost the effects of streamlining technological development for motors, ECUs, semiconductors, and sensors within the Company and enhance the competitiveness of these key products, we reorganized the business groups under direct control of the Company. With this reorga-

   **3. Anticipate customer expectations in both growing and changing markets and address those needs through new projects undertaken with optimal partners**

   **Progress** In the Chinese market, which is showing remarkable growth, we are promoting alliances to help us promptly capture local needs and learn local development processes. As an example, we have entered into a capital alliance with a local development partner under which we are accelerating technological development centered on the automated driving and electrification domains. At the same time, we are reinforce-

   **4. In our core product sectors, generate unprecedented workplace performance by pressing ahead with measures for achieving further advancements in DANTOTSU (“best by far”) plants and for evolving our plants through the Factory-Internet of Things (F-IoT)**

   **Progress** We have developed an F-IoT platform with the aim of using IT and IoT technologies to connect our 130 factories around the world.

   **5. Accelerate product development and achieve high profitability by working independently and with partners to revolutionize development processes**

   **Progress** We are promoting alliances with various companies in order to acquire new perspectives and technologies (concluded contracts with a total of approximately 50 companies between fiscal 2019 and fiscal 2021). In the focus fields of electrification and advanced safety and automated driving, as well as the semiconductor domain which provides the key to technological innovation in these focus fields, we have established numerous joint ventures that bring together the strengths of each Toyota Group company. Through these joint ventures, we are strengthening our development structure and accelerating technological development in these respective fields in order to popularize new technologies around the globe and contribute to the realization of the next-generation mobility society.
DENSO Revolution Plan “Reborn21”

In fiscal 2020, the business environment that surrounds DENSO underwent dramatic changes. These included the occurrence of a quality-related issue, which shook the foundation of our management, and the impact of the COVID-19 pandemic, which put a halt to our soaring growth in revenue. In light of these changes, we aim to restore our quality, which is the foundation of our business and trust, and transform into a firm and robust corporate structure, which will allow us to respond to changes in the external environment in any age and provide new value. Accordingly, we formulated the DENSO Revolution Plan “Reborn21,” which we are implementing alongside the Mid-term Plan. We are moving forward with initiatives to accomplish the goals of both plans by fiscal 2022 and make a new start for ourselves as a company with even higher added value.
Aiming to Become Carbon Neutral by 2035

DENSO has been promoting "environmental management," under which it works to reduce the environmental burden in all areas of its business activities and create economic value through environmental conservation activities. Meanwhile, initiatives to first lower carbon and then become carbon neutral are accelerating around the world. In light of these developments, we aim to realize carbon neutrality within our production activities in the not-too-distant future of 2035 by further promoting the environmental efforts in which we have engaged thus far. To make this ambition a reality, we are pursuing efforts in the three fields of "Monozukuri (manufacturing)," "mobility products," and "energy use." This section introduces the strategies and examples of specific initiatives we are undertaking in order to achieve these targets.

Monozukuri (Manufacturing)

Aim: Realize carbon neutrality at our plants

We will reduce CO2 emissions by utilizing renewable energy such as solar power and enhancing the efficiency of our manufacturing process. In addition, we aim to realize carbon neutrality at our plants by capturing the CO2 emitted in the production process and reusing it as energy.

Specific Initiatives and Targets

- At our plants, rigorously engage in energy-saving activities and promote the use of renewable energy through in-house power generation.
- In terms of the CO2 emitted from energy procured via external sources, seek to achieve carbon neutrality in 2025 by offsetting the CO2 emitted from electricity-derived energy through the procurement of renewable energy and offsetting the CO2 emitted from gas-derived energy through the use of carbon credits.
- Realize carbon neutrality at our plants by 2035 and work to expand and support carbon neutrality throughout the supply chain.

Mobility Products

Aim: Contribute to the electrification of cars to reduce CO2 emissions to the greatest extent possible

We will help popularize HEVs, BEVs, FCEVs, and other electrified vehicles (xEVs). In addition, we will apply the electrification technologies cultivated in the automotive industry to the field of air mobility in an effort to significantly reduce CO2 emissions in all facets of mobility.

Specific Initiatives and Targets

- Centered on driving systems and thermal systems, promote farsighted technological development in all facets of mobility, from HEVs, BEVs, and FCEVs through to eVTOL aircraft, thereby realizing energy management that connects cars and other forms of mobility with society.
- Apply electrification technologies to the new field of air mobility and further refine them. At the same time, return the high-output, high-efficiency, and ultra-lightweight technologies acquired through this effort to the automotive industry.

Energy Use

Aim: Capture and reuse CO2 to contribute to carbon neutrality within society as a whole

We capture CO2 from wherever needed, such as CO2 from industries and households and CO2 within the atmosphere, and convert it into renewable energy and resources. We develop and commercialize technologies that can capture CO2 from wherever needed, such as CO2 from industries and households and CO2 within the atmosphere, and convert it into renewable energy and resources.

Specific Initiatives and Targets

- Develop technologies for storing electricity, hydrogen, and fuel gas in an effort to realize the stable supply of renewable energy.
- Capture and reuse CO2 to contribute to carbon neutrality within society as a whole.

Introducing Internal Carbon Pricing in Investment Decision-Making and Systematically Procuring Renewable Energy

We seek to accelerate investment in energy-efficient facilities that help reduce CO2 emissions with a view to achieving carbon-neutral Monozukuri (manufacturing). To that end, we have introduced internal carbon pricing (ICP) in our investment decision-making. We have set the value for ICP based on the region, as this value differs significantly from region to region due to the political circumstances in each country. Furthermore, we are systematically promoting the procurement of renewable energy from external sources and the acquisition of carbon credit certificates. Led by efforts at the Anjo Plant, which serves as a model for plants in Japan, in fiscal 2022 we commenced the stable procurement of renewable electricity at our plants in Europe and North America as well. Going forward, we will accelerate these initiatives as we work to achieve carbon neutrality (including credit use) by 2025.
Aiming to Become a Leading Company That Provides “Peace of Mind” to Society

For a company like DENSO, which aims to contribute to the happiness of people, it is absolutely essential that we provide peace of mind to society through resolving social issues. This section introduces the three pillars of DENSO’s efforts to provide “peace of mind.” These pillars are: (1) Elimination of Traffic Accidents, (2) Aiming to Become a Leading Company That Provides “Peace of Mind” to Society, and (3) Support for Working People.

Elimination of Traffic Accidents

**Aim**

Popularize safety products through efforts focused on “depth” and “width,” thereby realizing free mobility without traffic accidents.

With the aim of eliminating traffic accidents, we are promoting efforts under a two-pronged approach focused on “depth” and “width.” For “depth,” we are further evolving our safety products and working to have them adopted in a greater number of advanced mobility fields. For “width,” we are working to realize attractively priced safety products and enhance our lineup of retrofitted products.

**Specific Initiatives and Targets**

- Respond to various accident situations and strive to prevent accidents through not only 360-degree sensing but also in-vehicle sensing and vehicle—infrastructure linkages.
- Fully leverage AI technologies to predict “unseeable danger” and provide such information to the driver, thereby ensuring the driver does not encounter hazardous situations.
- In tandem with the evaluation of ADAS, expand lineup of retrofitted products that can be applied to already-sold vehicles in an effort to provide value that responds to various situations, vehicle types, and needs.

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<th>“Enhancement” and “Expansion”</th>
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<tr>
<td><strong>Enhancement</strong></td>
<td><strong>Expansion</strong></td>
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<tr>
<td>Further evolution of ADAS</td>
<td>Realization of attractively priced products</td>
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<tr>
<td>Hazard prediction using AI 360-degree sensing</td>
<td>Add on</td>
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<tr>
<td>Adoption in an even greater number of advanced mobility fields</td>
<td>Widespread adoption in as many cars as possible</td>
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<th>Current level of achievement</th>
<th>2025</th>
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<tr>
<td>Revenue from ADAS</td>
<td>¥250.0 billion</td>
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<tr>
<td>Revenue from ADAS</td>
<td>¥900.0 billion</td>
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Creation of Comfortable Spaces

**Aim**

Enhance relevant technologies for creating peaceful, comfortable spaces.

Following the progression of automated driving, there has been a growing need for providing cars not simply as a means of transportation but also as a “private space that enables mobility.” To that end, DENSO seeks to create comfortable spaces by evolving the four environments within vehicles: temperature, sound, air, and visibility.

**Specific Initiatives and Targets**

- In addition to existing technologies, innovate purification and sensing technologies to eliminate viruses and visualize toxic substances, thereby realizing safe and secure air quality.
- Refine technologies to create comfortable interiors in passenger vehicles and public transportation vehicles. In addition, expand such efforts beyond vehicles to offer comfortable public spaces.

Support for Working People

**Aim**

Draw on the technologies we have calculated in the automotive domain to establish a society where people are supported and their potential is nurtured.

One major social issue is the significant decline in the workforce in various industries. To address this issue, DENSO will draw on the technologies it has cultivated in the automotive domain, such as automation technologies and ICT, to realize a society where all people are supported and can take on new challenges with peace of mind.

**Specific Initiatives and Targets**

- In the agricultural field, contribute to the stable and secure supply of food by resolving issues throughout the food value chain.
- In the logistics field, provide ultra-high-quality comprehensive solutions that cover everything from framework improvement through to the rationalization of entire factories.
- For plant operations and factory automation (FA), combine core technologies such as robots and sensors with automation technology and improvement know-how in order to provide systems and products catered to the front lines from the perspectives of both FA manufacturers and end-users.

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<th>Industries Where We Aim to Provide Peace of Mind</th>
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<td>Logistics</td>
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<td>Plant operations/FA</td>
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<th>2030</th>
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<td>Revenue from the agricultural, logistics, and plant operations/FA fields</td>
<td>¥300.0 billion</td>
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<th>Verification and commercialization</th>
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**MESSAGE**

DENSO’s Value Creation Story

DENSO’s core approach to creating value is to innovate various product fields through continual improvement activities and realize the potential of the technologies it has cultivated.

**Growth Strategy**

With the aim of eliminating traffic accidents, we are promoting efforts under a two-pronged approach focused on “depth,” which involves reaching the cutting edge of technology, and “width,” which involves realizing the widespread adoption of advanced mobility fields. For “width,” we are working to realize attractive pricing and working to have our safety products and working to have them adopted in a greater number of advanced mobility fields. For “depth,” we are further evolving our safety products and working to have them adopted in a greater number of advanced mobility fields.
Realizing Carbon-Neutral Factories

**Promoting Monozukuri without CO₂**

DENSO aims to maximize the value of “green” to achieve carbon neutrality in its production activities by 2035. CO₂ recycling technologies will play a key role in reaching this aim. To that end, DENSO has developed the CO₂ Circulation Plant for reusing the CO₂ that is emitted within the manufacturing process of its products. Going forward, DENSO will promote new technological development geared toward realizing the practical application of this plant in an effort to be a leading company in terms of CO₂ capture and reuse.

Developing the CO₂ Circulation Plant

In 2020, DENSO announced its goal to realize carbon neutrality within its production activities by 2035. To accomplish this goal, we are promoting a broad range of initiatives in the domains of “mobility products,” “Monozukuri,” and “energy use.” As part of these efforts, we are currently focusing our attention on the CO₂ Circulation Plant development project.

To pursue our goal of attaining carbon neutrality in the Monozukuri domain, we are first placing emphasis on “promoting the shift to energy-conserving and electrified production facilities” and “transitioning to renewable energy for the energy we use.” However, facilities such as furnaces, for which electrification is not possible and renewable energy is difficult to use, emit CO₂ regardless, and the key to addressing this issue is the CO₂ Circulation Plant.

The CO₂ Circulation Plant is a facility that captures CO₂ from the exhaust created during the production process at our plants and combines it with hydrogen (H₂) to synthesize methane gas (CH₄). This methane gas can be used as fuel for the plant. At typical production facilities in the manufacturing industry, there is still a compact solution that can efficiently capture CO₂. For that reason, we promoted the CO₂ Circulation Plant development project based on our desire to actively pursue an action plan to become carbon neutral by 2035, without waiting around for technology to improve via the efforts of external parties. In July 2020, we were able to create a plant that achieved CO₂ circulation.

Leveraging Our Car-related Technologies as the Core of Our CO₂ Capture Technologies

We are currently aiming to achieve the practical application of sustainable CO₂ circulation plants, and have commenced technological development to resolve the issues of compactness and efficiency.

The key to making these plants more compact is the development of new materials. At DENSO, we are moving forward with R&D activities to find ways to capture CO₂ using heat. CO₂ adsorbent materials are necessary for accomplishing this task. As adsorbent materials become more efficient, we will be able to reduce the size of the CO₂ capture device, thereby making the overall facility more compact. DENSO possesses technologies that can absorb NOx and other harmful substances by a catalyst, and these technologies were cultivated in the development of after-treatment systems for car exhaust gas. By applying these technologies to enhance the efficiency of adsorption materials, we are working to develop adsorption materials that boast an adsorption rate which is 10 times higher than conventional materials.

We can also use our long-cultivated technologies to enhance the efficiency of CO₂ circulation plants. In order to enhance efficiency, there is a need to effectively capture the dispersed heat within the plant and reuse it as energy. This is an area where we can openly leverage our strengths in car heat management. In addition, systems management technologies are one of our specialties as a systems supplier. By managing CO₂ circulation, which involves linkages between multiple pieces of equipment, we can produce optimal results from an overarching perspective. DENSO is putting the numerous technologies it has refined over the years to use in the development of plants that can resolve environmental issues. By continuing to enhance our technological capabilities going forward, we will lead the way with carbon neutrality throughout the industry.

If We Don’t Do It, Who Else Is Going To?

At the moment, the CO₂ Circulation Plant is still a prototype. By actually undertaking this development project ourselves, we were able to see where to make improvements in order to realize the introduction of CO₂ circulation plants. To achieve the population of these plants, we first need to make improvements on a consistent basis in order to prove with confidence that the practical application of these plants is in fact feasible. Going beyond that, we need to show that these plants can work in any environment by introducing them in DENSO plants around the world. If we can accomplish these tasks, I am sure that these plants will be adopted around the world. Also, establishing frameworks for CO₂ circulation are not something we can fully achieve on our own. For that reason, we hope to team up with a wide range of partners. With the hope that young people, who will lead the next generation, can live in a healthy, more pleasant world, we will continue to move forward with this project with a strong sense of responsibility.
CASE STUDY 2

Striving to Realize a Safe and Secure Mobility Society

Initiatives toward Traffic Accident Elimination and “Advanced Drive” Installed with DENSO Products

By melding its long-cultivated car electronics technologies with IT technologies, DENSO is seeking to realize a world without traffic accidents. As part of this quest, DENSO is developing and providing a vast array of products that support advanced safety and automated driving.

CASE STUDY 3

Providing Peaceful, Comfortable Spaces

Realizing Cockpit Displays That Bring New Value to Time on the Road

Cockpit displays have been increasing in size in tandem with the evolution of mobility. Large displays not only enable the driver to concentrate more on driving, they also provide enjoyment to all passengers traveling in the vehicle. DENSO will bring new value to mobility by developing cockpit displays that realize safe and comfortable environments within the vehicle.
Foundation for Creating New Value

1: Research and Development

By accurately ascertaining social needs, DENSO has created competitive products with a commitment to world-firsts. In our R&D activities, which have been the starting point for the value creation that allows us to create such products, we are planning technologies in a wide range of fields with a focus on five to 20 years in the future and strengthening our R&D structure. Additionally, to create optimal products in each region, enhance the appeal of mobility, and contribute to the future mobility society, we operate technical centers and laboratories around the world. By combining the knowledge of DENSO on a global scale, we will work to create the future mobility society.

The Key to Our Strengths

Creating Over 130 World-First Products
We have established “contributing to a better world by creating value together with a vision for the future” as the DENSO Philosophy. By twenty ascertaining social changes, we have been engaging in product development with a commitment to world-firsts since our establishment. We have created over 130 world-first products, including gas injection heat pump systems, common rail systems, millimeter-wave radar, and ejection systems, which have provided us with a driving force for growth.

Global Development Network
Technical Centers in Seven Regions throughout the World and Laboratories in Epicenters of Innovation
We have established technical centers in seven regions across the globe, in addition to laboratories in Canada, Israel, Silicon Valley, and other epicenters of innovation. We also promptly incorporate diversified regional needs into our development process to create competitive products, which are subsequently delivered to our customers.

Advanced Research with a View to the Future
Advanced research with a view to the future
Since establishing the Fundamental Research Center in 1991 (renamed the Advanced Technology Research Laboratories in 2017), we have been carrying out research and development for over 30 years with a focus on five to 20 years in the future in an effort to develop and popularize techniques that will comprehensively resolve social issues.

Commitment to world-firsts

Enhancing Our Strengths

Establishing Global R&D Tokyo–Haneda as a New Base for R&D
In July 2020, we established Global R&D Tokyo–Haneda in Haneda Innovation City to serve as a new base for conducting R&D activities on automated driving and other technologies. In addition to an office for planning and developing automated driving technologies, Global R&D Tokyo–Haneda also functions as an automotive service facility for carrying out such work as prototype system installations in vehicles as well as a proving ground to conduct in-vehicle tests. At Global R&D Tokyo–Haneda, we will promote co-creation activities with not only Global R&D Tokyo, established near Shinagawa Station in 2018, but also our customers and business partners in the Tokyo area. Through such activities, we will seamlessly promote the planning, development, and testing of advanced technologies and mobility systems, thereby setting up an R&D structure that swiftly offers such technologies and systems to the market. Moreover, we aim to realize unprecedented development speed by strengthening open innovation and acquiring outstanding human resources.

Foresight

Speed

Advanced Technologies

Enhanced Human Capital

Electrification of Mobility
Inverters That Support the Comprehensive Leveraging DENSO’s T3: Hitozukuri 2: Monozukuri 1: OPICS Development Research and CSwO Message

OPICS Development

Chinese Operating Companies

Konate Capital

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Sustainability

Corporate Governance

Human Capital

Financial Capital

Manufacturing Capital

Natural Capital

Social and Relationship Capital

Intellectual Capital

Human Capital

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Since its inception, DENSO’s Monozukuri (manufacturing) has thoroughly integrated in-house technologies. Through Monozukuri positive steps are taken to design and manufacture equipment, production lines, materials, and processing methods. This enables us to provide to society with the world’s most advanced groundbreaking technologies and products conceived by our R&D team. We have driven to develop speedy and efficient production lines and compact unique facilities, as well as streamline distribution and inspection with our own production technology, and we have built a DANOTSU™ plant that performs Monozukuri at a DANOTSU™ price. This has enabled us to also ensure high efficiency and high quality and offer competitiveness and added value to our products.

DENSO continues to undertake Monozukuri at a DANOTSU™ price. This has enabled us to also ensure high efficiency and high quality and offer competitiveness and added value to our products.

The Key to Our Strengths

Reinforcing Our Global Production Structure for Products Powered by Electricity

DENSO is implementing a broad range of initiatives to reinforce its production structure in the electrification domain. As part of these initiatives, we established the Electrification Innovation Center (EIC) at our Hirose Plant in June 2020. At the EIC, we are accelerating our electrification-related product development by comprehensively promoting everything from advanced technological development, prototyping, and verification through to the establishment and stabilization of mass production lines.

In April 2020, following the decision to consolidate the electronic component business of Toyota Motor Corporation within DENSO, we took over the electronic component production operations being conducted at Toyota’s Hirose Plant, thereby retaking the plant as the DENSO Hirose Plant. Going forward, alongside the Hirose Plant, we will position the Hirose Plant as our global mother factory in the electrification domain and will work to further reinforce our production structure. In this way, we will establish robust development and production processes and roll out superior production lines at our manufacturing bases in each country. In fiscal 2021, we produced approximately 2.4 million inverters, one of our products powered by electricity. In fiscal 2022, we plan to produce roughly 3.6 million inverters and are steadily moving forward with efforts to bolster our production capacity.

Going forward, in conjunction with the progressing shift to electrification, we will further reinforce our production structure at our manufacturing bases around the world, with the aim of producing roughly 8.0 million inverters in fiscal 2026.

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2: Monozukuri

The Key to Our Strengths

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3: Hitozukuri

“...” DENSO has positioned human resources as its most important management resource. Accordingly, the Company has focused on the training and skill development of employees based on the idea that human resource development supports R&D and Monozukuri (manufacturing). We are also globally promoting a broad range of initiatives to develop leaders who can take charge of new businesses and oversee the future of DENSO so that we can continue to achieve continuous growth going forward.

Acquiring Numerous Medals at the WorldSkills Competition

At the 45th WorldSkills Competition, held in Kazan, Russia at the end of August 2019, 20 of DENSO Group technicians (11 from Japan, three from Thailand, two from Indonesia, two from Vietnam, and two from Mexico) competed in 10 events, winning a total of six medals (one gold, two silver, and three bronze). Our aim of competing in this competition is not only to achieve outstanding results but also to refine the mental, physical, and technical capabilities of our young technicians with high potential through specialized training for the competition. In turn, we hope to have these technicians pass down their skills to the next generation. Since competing in the 20th WorldSkills Competition in 1997, which marked the first time we participated in this event, we have continued to send technicians to compete in the event each year it is held. Going forward, we will continue to nurture young technicians and work to pass on skills through our participation in the WorldSkills Competition.
Aiming for Further Evolution by Demonstrating and Combining Our Three Strengths
Leveraging DENSO’s Comprehensive Capabilities toward Inverters That Support the Electrification of Mobility

DENSO has a wide variety of value for realizing a comfortable mobility society by leveraging its three long-cultivated strengths of R&D, Monozukuri, and Hitzozukuri. Inverters, which support the electrification of mobility, are a prime example of DENSO’s comprehensive capabilities that are realized through the demonstration and combination of the three respective strengths mentioned above.

Understanding Inverters’ Prominent Role in the Electrification of Society Going Forward
An inverter is a power converter device that converts direct current power from the battery to alternating current power and supplies that power to the motor for operation. The popularization of HEVs is an essential element in realizing the electrification of the mobility society, and inverters support the driving power of HEVs. Accordingly, enhancing the performance of inverters is the most important issue for car manufacturers. One difficult aspect of addressing this issue is cooling the inverter. Inverters take in an electric current at a high voltage from the battery, and as such the semiconductor device that controls the inverter generates a high level of heat as the current passes through. Figuring out how to keep the semiconductor device cool is the key to realizing smaller HEVs with higher output as well as lowering their overall cost to help promote their widespread adoption.

Enhancing Our R&D Capabilities—Making the Impossible Possible
DENSO’s history of inverter development dates back to 1992, with the establishment of the EV Project Room. The purpose of this office was to respond to Toyota Motor Corporation’s new policies for EV development, and through this office, DENSO was tasked for the first time ever to develop an inverter for the TOYOTA RAV4EV. Throughout the course of this development, DENSO engaged in various conversations with OEMs regarding topics such as product sharing with the establishment of the EV Project Room. The purpose of this room was to promote the establishment of a foundation for manufacturing inverters.

In 2004, due to the rise in inverter production volume at Toyota, on-site observation and swift decision-making structure for cooling both sides of the inverter companies. In these ways, the project helped us amass experience that has been indispensable to the HEV development we have promoted since then.

In 2010, Toyota announced its plan to develop 300,000 HEVs, and DENSO was placed in charge of developing inverters with three times the level of output without increasing their size or weight. Based on our development experience through the semiconductors’ device due to the high electrical current. Amid examinations on how to move forward with development, we came up with the idea of cooling both sides of the semiconductor device, instead of just one side as we had conventionally done. To do so, we made use of the heat converting technologies that we had cultivated through the development of radiators. As a result, we were able to realize small, highly efficient inverters. This kind of groundbreaking, differentiated technology was created from combining the wisdom we have gained as a comprehensive automotive component manufacturer that possesses various component technologies.

Evolution of Monozukuri Activities through On-Site Observation and Swift Decision-Making
In 2004, due to the rise in inverter production volume at Toyota, DENSO began to conduct inverter production activities in-house. In 2007, we began to develop original DENSO inverters following the adoption of the previously mentioned inverters with dual-side cooling. As these inverters made use of a new structure, we worked with establishing unique production technologies. Our strong desire to not allow for even one defective inverter helped inspire the departments involved in the development of these technologies. With this inspiration, these departments worked to eliminate problems by conducting over 200 on-site observations and making swift decisions. As a result of these efforts, we were able to establish unique production technologies with a commitment to quality and build a foundation for manufacturing inverters.

Reflecting on the Beginning of Our R&D Activities toward Electrification
In 1992, directly after World War II, it was difficult to procure gasoline in Japan. In response to this, we developed the BEV “DENSO-GO,” designing and manufacturing many of the driving power components in-house. A total of approximately 50 “DENSO-GO” vehicles were sold. The development of this vehicle marks the beginning of our product development geared toward automotive power, which we continue to pursue today.

System Development Capabilities Created from the Combination of Our Three Strengths
As mentioned previously, DENSO has overcome a wide range of issues by combining its strengths in R&D, Monozukuri, and Hitzozukuri. One of the most significant accomplishments of combining these three strengths has been the creation of our system development capabilities.

Among the various vehicle-based systems are electric powertrain systems, which comprise ECUs, inverters, motor generators, and batteries. To improve the environmental performance of HEVs by ensuring these electric powertrain systems operate without issue, all the components of these systems need to be controlled in a highly precise manner. DENSO’s system development capabilities involve having a thorough understanding of how each hardware component in a vehicle is used and being able to incorporate that knowledge into individual designs of each component so that the required level of performance and reliability can be realized as a whole. Together with various OEMs, including Toyota, we have promoted a shift to the in-house development and production of not only hardware but also ECUs and other control components. To implement optimized, coordinated system control, in this way, we have realized the necessary level of vehicle performance.

As we expand into the focus fields of automated driving and connected driving, we will work to comprehensively enhance our system development capabilities for all types of vehicle-based systems. Additionally, we will eventually expand our business domains to go beyond the framework of mobility and form connections between cars and society. As we do so, we will continue to create and evolve new value with a view to realizing a carbon-neutral society.
CSwO Message

DENSO’s Software Strategy
Creating and Providing New Value by Forming Connections across Business Domains

Shinnosuke Hayashi
Chief Software Officer (CSwO), Senior Executive Officer

Technological innovations that support the progression of CASE (connected driving, autonomous, shared, electric) have been accelerating, and these innovations have continued to fuel the evolution of cars into a more advanced and intelligent form of mobility. DENSO will strive to realize the future mobility society while understanding its role of forming connections aimed at creating new purposes and value for cars.

We have continued to create advanced, high-value-added systems and products by forming connections between the different technologies we possess in the fields of mechanical parts, electronics, and software. While doing so, we have cultivated the ability to build optimal architecture and combine and install different kinds of technologies based on a deep understanding of customer needs. This ability represents one of our major strengths. Drawing on this strength, we will form connections between the various systems within cars in order to create and provide value across various business domains. Additionally, we will work to connect cars with society as a whole through the use of connected driving technologies, taking on the challenge of creating new value that allows us to fulfill our Great Cause of realizing “green” and “peace of mind.”

Furthermore, from the perspective of the overall mobility society, it is important that we form connections with new partners across inside and outside of the industry. For example, we will focus our attention on establishing a foundation for industry-wide standards in fields that require collaboration, as well as in the boundaries of corporations, such as the establishment of security technologies. By leading the activities of standards organizations and proposing genuine solutions to various issues based on the trust-based relationships we have built with manufacturers around the world, we will promote the establishment of a foundation for industry-wide standards, thereby contributing to the overall automotive industry.

In order to properly fulfill our role of forming connections, we are promoting reforms from the perspectives of our personnel and organization. From the perspective of personnel, in January 2021 we established and began the operation of a recurrent training program for software-related personnel. Highly motivated technicians with advanced skills are the driving force behind enhancing the value of software. To that end, we are working through this program to define skills shared across the DENSO Group, establish various kinds of educational curriculum, and put in place certification programs. In these ways, we will encourage our employees to actively refine their own skills by creating environments that provide employees with greater opportunities to play an active role.

From an organizational perspective, we are taking steps to strengthen cross-organizational functions aiming for the full-scale establishment of multi-domain and software businesses. In June 2021, we centralized software departments and personnel in each business unit within a multi-domain, cross-sectional organization, thereby establishing the Electronics Platform & Software Function Unit. Furthermore, we are strengthening our network of technologies and personnel at Group companies that specialize in the software domain. Through these efforts, we will enhance our software capabilities on a Groupwide basis.

While working to strengthen our businesses in the software domain and maintaining an awareness of our role of forming connections, we will strive to realize the future mobility society.
Finance Capital

**Outlines of Efforts to Strengthen Financial Capital**

In fiscal 2022, DENSO will implement management with an awareness of capital costs as it works to create corporate value under a renewed financial strategy. Under this new strategy, DENSO targets ROE of 10% or higher by fiscal 2026 with a view to expanding its equity spread (ROE - Cost of shareholders' equity) over the medium to long term. To that end, DENSO will pursue the following four initiatives for creating corporate value: (1) reinforce profit structure, (2) reduce low-profit assets, (3) improve capital structure, and (4) engage in dialogue with markets.

**KPI Targets for Fiscal 2026**

1. **Profitable structure**
   - ROE 10% or higher
   - Operating margin 10%
   - R&D expenditure ¥450.0 billion
   - Capital expenditures ¥350.0 billion

2. **Reduce low-profit assets**
   - Cash on hand compared with monthly turnover: 1.1 months
   - Further reduction of cross-shareholdings

3. **Improve capital structure**
   - Shareholders’ equity ratio: 50% or more
   - DOE 3.0% or more
   - Flexible acquisition of treasury stock

**Initiatives for Creating Corporate Value**

- **Profit attractive to owners of the parent company**: Reinforce profit structure
- **Reduce low-profit assets**: Reduce cash on hand and cross-shareholdings
- **Improve capital structure**: Leverage loans, diversify fund procurement, renew policy for shareholder returns, engage in dialogue with markets

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**CFO Message**

**DENSO's Financial Strategy**

**Executing a New Financial Strategy**

**Aimed at Creating Corporate Value, Thereby Making Sustainable Growth More Achievable**

Yasushi Matsui
Chief Financial Officer (CFO)
Director, Senior Executive Officer

**Strive to Continuously Create Corporate Value under an Uncertain Business Environment**

As for our consolidated performance in fiscal 2021, revenue declined 4.1% year on year, to ¥4,906.7 billion, due to the significant decline in car sales resulting from the COVID-19 pandemic, followed by shortages in semiconductors and other materials. On the other hand, operating profit rose 153.9%, to ¥155.1 billion, owing to accelerated efforts to reform our profit structure, such as reducing fixed costs and enhancing R&D efficiency through the introduction of development tools.

In fiscal 2022, the business environment remains uncertain due to the concern of a prolonged shortage of semiconductors around the world and other factors. To accelerate the shift to a more robust corporate structure so that we can continue to create corporate value even under this kind of turbulent business environment, we will promote growth investments and efforts to thoroughly cut fixed costs in a well-balanced manner.

DENSO has remained ahead of the curve with promoting R&D and investment activities toward electrification. As a result, we are currently in a phase where our investments have peaked out and we are already seeing the major impact of rationalization. Products powered by electricity, such as inverters and other electric drive systems, power supplies, controls, and thermal management systems, have not only underpinned the Company’s revenue and profits but also helped to contribute to the environment. Following the market-wide progression of electrification, we will take steps to enhance our product lineup to cover everything from lightweight vehicles, which need to be smaller in size and low cost, through to commercial vehicles and agricultural equipment, which require high levels of output. In addition, for advanced driver assistance systems (ADAS), while our product lineup already comprises accident prevention and safety products, driver assistance, parking assistance, and automated driving, we will promote product development so that we can respond to an even greater number of accident scenarios. At the same time, in tandem with evolving ADAS, we will expand products that can be retrofitted in vehicles already sold or owned, thereby contributing to the elimination of traffic accidents.

In fiscal 2022, we renewed our financial strategy with the aim of adopting the creation of corporate value as a medium- to long-term target. The most important point of this new financial strategy is to “Implement management with an awareness of corporate value creation (genuine equity spread creation and expansion)”. As a specific objective of this target, we aim to achieve ROE of 11% or higher by fiscal 2026. Breaking down ROE, we have established financial targets for (1) reinforcing profit structure, (2) reducing low-profit assets, and (3) improving capital structure, and we will seek to improve ROE by achieving these targets. Furthermore, by stepping up efforts to (4) engage in dialogue with markets, we will strive for a genuine expansion in equity spread over the medium to long term. Below, I will provide an explanation on each of these four initiatives.

**Reinforce Profit Structure: Working to Promote ROIC-Focused Management and Strengthening Our Commitment to Profitability**

With the aim of enhancing our corporate value in a sustainable manner, we introduced ROIC on a full-scale basis in fiscal 2021. In addition to revenue and profits, we are working to maintain an awareness of capital efficiency and capital cost and enhance our ROIC, which serves as the competitive edge of our businesses. By doing so, we will enhance corporate value in a manner that is not overly dependent on financial leverage. Specifically, in order to concentrate management resources in business where we can expect to secure profits in the future, we will adopt the allocation of our investment budget based on ROIC and growth potential of an investment. In addition, for individual capital expenditures and M&A, our general rule is to target projects with an internal rate of return (IRR) that surpasses...
**Reshuffling Our Business Portfolio**

In fiscal 2022, we introduced a new framework for reshuffling our business portfolio on a regular basis. Through this framework, we evaluate the 85 product lines we possess on the three criteria of (1) contribution to our management philosophy (green and peace of mind), (2) profitability (ROIC), and (3) growth potential, and hold discussion on the positioning and direction of each product lineup accordingly.

We view the “resolution of social issues through our business activities,” as a basic measurement of profitability. In the event a business does not exceed our hurdle rate and is not expected to grow, we hold discussion on specific measures under the pretense of reducing the scale of the business or withdrawing from it entirely. Through these discussions, we review our business portfolio on a continuous basis without constraining ourselves to the notion of self-sufficiency. In addition, if we were to transfer a business, we would target the best possible offer for this business that would allow us to fulfill our responsibility of supplying our customers based on our mission, which obligates us to supply our customers and greater society with the crucial social infrastructure that is mobility.

**Management Resources for Strategic Investments**

We use “DENSO-style ROIC,” which focuses on the profits and assets that directly relate to our business activities, as a basic measurement of profitability. In the event a business does not exceed our hurdle rate and is not expected to grow, we hold discussion on specific measures under the pretense of reducing the scale of the business or withdrawing from it entirely. Through these discussions, we review our business portfolio on a continuous basis without constraining ourselves to the notion of self-sufficiency.

**Examples of Activities to Enhance ROIC**

- **Accelerated investment**
  - Co2 emissions
  - Contribution to management philosophy
  - Contribution to management

- **Significant reduction**
  - Co2 emissions
  - Contribution to management philosophy and profits
  - Contribution to management philosophy

By expanding businesses in new mobility domains and businesses that utilize renewable energy, we will strive to achieve a portfolio that strikes a perfect balance between our management philosophy and profits.

**Examples of Reshuffling Our Business Portfolio**

- **New businesses**
  - CASE
  - ICE-related

- **Measuring businesses**
  - CASE
  - ICE-related

- **Domains that produce a deficit when focusing on CO2 emissions**
  - CASE
  - ICE-related

- **Profit driver/ROIC**
  - CASE
  - ICE-related

- **Balance between management philosophy and profits**
  - CASE
  - ICE-related

- **Input/Output**
  - CASE
  - ICE-related

**Example of ROIC Tree Showing Relationship between Management KPIs and Individual Activities**

- **Management KPIs**
  - Revenue
  - Profitability
  - Efficiency

- **Division-specific philos.**
  - ROIC
  - Cost

- **Individual KPIs**
  - Sales
  - Customer satisfaction

**Examples of ROIC-focused activities**

- **Examples of ROIC-focused activities**
  - Promoting the creation of cash cows by promoting the creation of cash cases
  - Curtailing investment
  - Promoting the creation of cash cows by promoting the creation of cash cases

**Examples of Activities by the Officer**

- **Reduce inventory**
  - Automation of production processes
  - Improvement of inventory management

- **Increase sales**
  - Promotion of new products
  - Promotion of existing products

**Summary**

By consistently promoting management decision-making, such as reshuffling our portfolio and genuine improvement activities, such as changing the behavior of our employees, we will implement ROIC-focused management going forward.
Reduce Low-Profit Assets: Enhancing Asset Efficiency by Ascertaining Asset Profitability and Making Further Reductions in Assets

To enhance our asset efficiency, we are taking steps to reduce cash on hand and cross-shareholdings. We are working to decrease cash on hand by minimizing the funds needed for business operation and by reducing uneven asset distribution by region through the introduction of the Global Cash Management System (GCMS). Aside from the funds that were amassed temporarily to respond to emergencies, we have thus far been accomplishing our target of 12 months in terms of cash on hand relative to monthly turnover. By continuing to secure a ample borrowing limit and smoothly circulating funds throughout the Group, we strive to achieve our new target of 11 months, thereby making further reductions to cash on hand.

For cross-shareholdings, we have decided to widen the scope of our reduction consideration to include not only shares held in domestic listed companies but also shares held in overseas listed companies as well as in our subsidiaries. By doing so, we are promoting reductions that exceed the requirements of Japan’s Corporate Governance Code. In addition, in the event we invest in a non-listed company, such as a joint venture or other type of start-up company, we examine exit strategies in advance in light of the future possibility that such a company may become listed. In these ways, not only are we reducing our existing cross-shareholdings, we are also curtailting newly held cross-shareholdings to a greater extent than necessary. Going forward, we will continue to undertake these kinds of proactive efforts in order to improve our level of corporate governance.

Cross-Shareholdings

![Diagram of Cross-Shareholdings]

<table>
<thead>
<tr>
<th>Stocks with high rationality for holding</th>
<th>Stocks with low rationality for holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction</td>
<td>18% reduction</td>
</tr>
<tr>
<td>Promotion of further reductions</td>
<td>1.7% reduction</td>
</tr>
<tr>
<td>Stock level</td>
<td>Promote/Reduction</td>
</tr>
</tbody>
</table>

Improve Capital Structure: Transitioning to a More Balanced Capital Structure through Loan Utilization and Shareholder Returns

We will strive to secure a balance between a sufficient level of soundness and efficiency as we work to improve our capital structure through loan utilization and shareholder returns. Our KPI target of a shareholders’ equity ratio of 50% or more represents a sufficient level for maintaining a credit rating that will allow us to procure funds even if we were to record the largest possible loss we could anticipate during an economic crisis, which was statistically calculated by using past profit and loss fluctuation rates and adjusting these rates to account for potential downturns. For loan utilization, to prepare for future large-scale investments, we are working to diversify our fund procurement methods by making use of not only bank loans but also bond markets in Japan and overseas. We will seek to curtail capital increases and boost capital efficiency by maintaining our current high level of financial soundness and proactively utilizing loans. Regarding our shareholder return policy, we aim to realize shareholder returns that exceed cost of shareholders’ capital over the long term in order to build and maintain trust-based relationships with our investors. To that end, under our new financial strategy, we will work to increase both dividends (income gain) and share price (capital gain).

For dividends, we will review our approach to shift from our conventional “dividend payout ratio,” which is based on the profits of a single fiscal year, to “dividends on equity,” which is based on shareholders’ equity. Through this new approach, we will be able to carry out shareholder returns in a manner that is more long-term and stable.

Furthermore, after forecasting our future capital structure based on long-term business plans, we will flexibly acquire treasury stock taking into account the realization of a targeted shareholders’ equity ratio and the status of our market share price. In fiscal 2022, as we announced on July 30, 2021, we have decided to acquire treasury stock at an unprecedented scale, of ¥1,000 billion, and are currently proceeding with the purchase of these shares. Going forward, we will provide stable, long-term shareholder returns to our investors as we strive to improve our capital structure.

Shareholders’ Equity / Shareholders’ Equity Ratio

![Diagram of Shareholders’ Equity]

Status of Long-Term Credit Rating

<table>
<thead>
<tr>
<th>Rating</th>
<th>Rating and Investment Information, Inc. (R&amp;I)</th>
<th>Standard &amp; Poor’s (S&amp;P)</th>
<th>Moody’s Investors Service, Inc.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rating</td>
<td>A-2</td>
<td>A+</td>
</tr>
</tbody>
</table>

Through the promotion of investor relations (IR) activities in accordance with the Corporate Governance Code, we are working to enhance efforts by our corporate officers to communicate information and promote dialogue with investors and analysts in a timely and appropriate manner. By doing so, we aim to reduce information gaps with capital markets in our efforts to enhance our corporate value (expand our equity spread).

In fiscal 2021, we were able to engage in dialogue with institutional investors approximately 500 times, even amid restrictions on movement stemming from the COVID-19 pandemic, by making use of online meetings and other means. “DENSO DIALOG YEAR 2021,” held online in May 2021, was attended by an even greater number of people than in previous years, thereby allowing us to expand our investor base.

Additionally, for the content of the information we communicate, not only do we strive to ensure the accuracy of information on such matters as our financial results and business environment conditions, we also are accelerating IR activities and approaches from the perspective of ESG (environment, society, and governance). ESG investment has become mainstream within capital markets. For many years, we have adopted “green” and “peace of mind” as themes of our Long-term Policy and have been working to pursue these themes with the aim of realizing a sustainable society.

For “green,” we established the DENSO Eco Vision in fiscal 2001 and, guided by this vision, we have been steadily promoting a shift toward electrification and developing environmental technologies on an ongoing basis. For “peace of mind,” we have been developing and expanding safety products that aim to eliminate traffic accidents, promoting Monozukuri (manufacturing) activities that go beyond the mobility domain, and pursuing businesses that help fulfill people’s need to work with others and protect the potential in fields such as logistics and agriculture. As the commitment to carbon neutrality has become a particularly significant topic within capital markets, we announced our ambition to become carbon neutral by fiscal 2036 without making use of carbon credits. Our responsibility as corporate officers is to communicate these kinds of activities to our stakeholders in a consistent and sincere manner.

Going forward, we will seek to promote constructive dialogue with capital markets and expand the scope and substance of the information we communicate. At the same time, we will refine the opinions we receive from these activities internally and leverage them to promote better decision-making that is not constricted by in-house logic as well as to enhance the quality of our management.

Closing

With a view to creating corporate value, we will realize sustainable business growth through the steady achievement of our KPIs. Our share price as of August 2021 was at a record-high level, and I believe this demonstrates how the reforms we have been pursuing, including the renewal of our financial strategy, have matched the expectations of our investors. The business environment continues to be difficult circumstances, it is now more important than ever to communicate information and engage in dialogue in a way that deepens our investors’ understanding of DENSO’s businesses. Going forward, while tackling challenging trends such as the transformation of mobility and the progress of CASE following the rapid evolution of IoT and AI, we will continue to work to realize our management philosophy, which is to resolve social issues through our businesses, as we strive to make contributions to our investors and all of our stakeholders. We ask that you look forward in anticipation as we pursue these endeavors.
Outline of Efforts to Strengthen Human Capital

At DENSO, we believe that corporate growth is achieved when each of our employees leverages his or her abilities to the greatest extent possible and leads an active and fulfilling lifestyle. Presently, we are dedicated to pursuing diversity, which supports our global business development. To that end, we are moving forward with a wide range of efforts further empowering our diverse group of employees, including strengthening the recruitment of and promoting an active role for women as well as promoting the employment of people with disabilities. In addition, to ensure that our employees pursue their work with a high level of motivation, we are endeavoring to ensure the mental and physical health of our employees and establish a safe and secure workplace in which they can carry out their duties with a sense of fulfillment. We are also encouraging our employees to pursue healthy lifestyles.

Promoting Diversity and Inclusion

Basic Approach

DENSO’s philosophy is to contribute to a better world by creating value together, and that is why we incorporate social issues into our management activities based on the conditions at each company and in each country. We will improve the employment awareness (health literacy) of each employee and establish a more comfortable working environment across the entire Group. As a result of such efforts, DENSO was included in the Superior Health & Productivity Companies (the White 500 Program),* which is promoted by the Ministry of Economy, Trade and Industry (METI) and the Nippon Keikin Kaigi (Japan Health Council), for the 17th year in a row, since 2017. In addition, 37 domestic Group companies have also been included in the White 500 Program. Going forward, we will continue to value the health of our employees on a global scale and work to create office environments in which they can work energetically and with peace of mind.

Cultivating Human Resources

Nurturing Personnel That Can Handle Change and Foster a Corporate Culture of Continuous Learning and Pursuit of Challenges

Personnel shortages in software fields are occurring across the entire industrial world due to the acceleration of digital transformation (DX). Under these circumstances, we are introducing new systems to help employees develop their careers and encourage them to become software technologists, with a focus on strengthening our response to CASE, a new trend within the automotive industry. These systems include the Career Innovation Program, which supports the career development of software technologies, and the Career Transfer Program, which supports the process for transferring from a technical position to a business position. Through these two programs, we will strengthen our software development structure.

Career Innovation Program

We have defined the necessary role of a software technician in software development and created a skills map that visualizes technical expertise and the required skill levels for fulfilling this role. Based on this map, our software technicians draw out their future vision for themselves and work to enhance their skills and build their careers accordingly.

The Career Innovation Program is designed to support our software technicians throughout this process. The program seeks to have participants acquire the necessary knowledge, gain opportunities to grow and play an active role, improve skills through actual front-line work, and receive certification from various certification programs. In addition, the program aims to keep this kind of career development cycle in motion on a continuous basis.

Global D&I Initiatives

DENSO’s efforts to promote diversity and inclusion (D&I) are not restricted to listed companies and recognizes corporations that implement superior health and productivity management in collaboration with major health insurance associations. This program commenced in 2017.

<table>
<thead>
<tr>
<th>Results and KPI Targets</th>
<th>Number of women in management positions in business fields (section manager or higher)</th>
<th>200</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of January 1, 2021</td>
<td>113 → Fiscal 2026 target: 200</td>
<td></td>
</tr>
</tbody>
</table>

| Number of women in management positions in technical fields (team leader or higher) | 200 |
| As of January 1, 2021   | 12 → Fiscal 2026 target: 200                                       |

Since starting the regular employment of persons with disabilities in 1978, DENSO has actively worked to expand employment opportunities for people with disabilities. In 1984, we established DENSO Taiyo Co., Ltd., a special purpose subsidiary that primarily hires people with physical disabilities. This company is engaged in the production of such products as vehicle instrument clusters and smart keys. In 2016, we established the special purpose subsidiary DENSO Blossom Co., Ltd. This company offers employment opportunities to people with mental illnesses and intellectual disabilities and is engaged primarily in clerical work. As of April 2021, we employ 896 people with disabilities on a Groupwide basis that includes our head office and these two subsidiaries.

*1) “Health and productivity management” is a registered trademark of the Nippon Keikin Kaigi Association.
*2) To read the entire DENSO Health Declaration, please refer to the “Sustainable Health & Productivity” section of the Company’s corporate website.
*3) The Superior Health & Productivity Companies (the White 500 Program is not restricted to listed companies and recognizes corporations that implement superior health and productivity management in collaboration with major health insurance associations. This program commenced in 2017.

**Foundation for Creating New Value**

**Overview**

**by Product**

**Corporate Governance**

**Corporate Data**

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Outline of Efforts to Strengthen Intellectual Capital

To realize its Long-term Policy for 2030, DENSO is promoting its intellectual property (IP) strategy in unison with its business strategies. In particular, in the four focus fields established under the Long-term Plan for 2025 of electrification, advanced safety and automated driving, connected driving, and non-automotive businesses (factory automation and AgTech), we are focusing on building a patent portfolio and promoting IP activities related to open innovation. We are also supporting efforts to expand our businesses and achieve sustainable growth by strategically utilizing the patents that we have acquired. Additionally, with a view to fiscal 2026, we aim to keep R&D expenditure at around ¥450 billion by enhancing software development efficiency and promoting digitization, while improving output.

Promotion of IP Strategy

Added value for automobiles is beginning to shift toward the CASE domain. Under these circumstances, DENSO is promoting three main initiatives in order to win out against the competition, which now includes not only major players from the automotive industry but also ICT companies and start-ups. These initiatives are (1) sharpening our competitive edge in the automotive industry by leveraging our IP rights, (2) create partnerships with companies in other industries based on IP collaboration, and (3) promote the external procurement of IP (promptly acquire the necessary IP). Guided by these three initiatives, we will realize an advantageous business ecosystem through the utilization of IP. Also, we will increase the percentage of patent applications for technologies that relate to our four focus fields as we work to underpin the sustainable growth of the Company going forward.

Strengthening Our Global IP System

To support overseas development and design, we have set up IP organizations at our development and design bases in North America, Europe, and China, thereby strengthening our efforts to acquire IP rights for local inventions and examine other companies’ IP rights. Furthermore, at our locations in North America and Europe, we deploy patent attorneys to provide support in patent disputes. In China, we protect the DENSO brand by taking measures against counterfeit products and copyright infringements. At overseas locations where we have yet to set up an IP organization, we have established systems to reward inventions and provide education on intellectual properties. In doing so, we are working to encourage local IP activities.

In addition, we hold the Global IP Conference on a regular basis, which aims to resolve Groupwide and local issues pertaining to IP management and enhance our governance in all regions of operation.

Results of IP Activities in Fiscal 2021

DENSO invests around 9% of its revenue in R&D activities and, aiming to continue to fulfill its social responsibilities within the supply chain on a Groupwide basis.

Outline of Efforts to Strengthen Social and Relationship Capital

DENSO advances its business activities while interacting with various stakeholders. DENSO believes that establishing good relationships with its stakeholders is an essential part of improving corporate value. DENSO also clarifies its responsibility to stakeholders in its business activities, and continues to engage in dialogue with stakeholders as a helpful means of avoiding self-satisfying activities that are biased by its own logic and preconceptions. By doing so, DENSO strives to reflect stakeholder opinions and the needs of society in its corporate activities.

Efforts to Encourage Dialogue with Stakeholders

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Efforts to encourage dialogue</th>
<th>Fiscal 2021 results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>Customer Consultation Center</td>
<td>Approx. 3,800 inquiries related to products</td>
</tr>
<tr>
<td>Shareholders and Investors</td>
<td>Ordinary General Meeting of Shareholders</td>
<td>Approx. 500 dialogues with institutional investors (total number of companies)</td>
</tr>
<tr>
<td>Local Communities</td>
<td>Community Service Day</td>
<td>Approx. 1,600 Community Service Day participants (employees)</td>
</tr>
<tr>
<td></td>
<td>Corporate Sports</td>
<td></td>
</tr>
</tbody>
</table>

Promotion of Sustainability Together with Our Suppliers

Guided by the basic policies of open and fair business practices and responsible procurement activities, DENSO promotes sustainability together with its suppliers around the world in order to continue to fulfill its social responsibilities within the supply chain on a Groupwide basis.

Promotion of Sustainability Based on the Supplier Sustainability Guidelines

DENSO has determined the Supplier Sustainability Guidelines and shares these guidelines with its roughly 6,450 suppliers, requesting that they carry out procurement in line with the contents of these guidelines. We also regularly ask our suppliers...
to assess their own CSR practices through self-diagnostic sheets. When necessary, DENSO employees responsible for CSR procurement visit suppliers to conduct assessments, hold dialogues, and recommend improvements. When beginning transactions with a new supplier, we conclude a basic transaction contract that addresses issues such as compliance, environmental conservation, and occupational safety.

Thorough Implementation of Green Procurement According to the Green Procurement Guidelines

In the environment field, DENSO has formulated the DENSO Group’s Green Procurement Guidelines based on the Group’s basic environmental policy, Eco Vision. These guidelines cover such matters as managing and reducing materials with high environmental burden and establishing environmental management systems. We ask that our suppliers engage in green procurement and management based on these guidelines.

Utilizing Initiatives toward Respecting Human Rights

DENSO views respect for human rights as a central theme that must be considered when pursuing its business activities. To that end, DENSO has established respect for human rights as one of its material issues within the promotion of sustainable management, and is undertaking efforts toward respecting human rights accordingly.

Clarifying Our Policies on Respecting Human Rights

Based on various international standards, such as the United Nations Universal Declaration of Human Rights and the United Nations Guiding Principles on Business and Human Rights, the DENSO Group Sustainability Policy clearly prohibits discrimination and harassment based on race, gender, age, nationality, religion, disability, injury or illness, or sexual orientation, in addition to child labor, forced labor, or any other form of labor in violation of human rights, as well as actions pertaining to such labor. DENSO is working to share and thoroughly enforce this policy on a Group-wide basis.

Promoting Employee Education and Enlightenment

In addition to stipulating respect for human rights in its Code of Conduct for DENSO Group Associates, DENSO promotes the implementation of actions based on respect for human rights with activities such as the training and development of employees at all Group companies. DENSO CORPORATION’s education programs by grade (for corporate officers, new employees, and newly appointed management, etc.) incorporate human rights educational content. In addition, the Company is promoting enlightenment activities such as an online compliance test that targets all employees, including those at domestic Group companies, and contains questions related to human rights.

Promoting Initiatives to Respect Human Rights within the Supply Chain

Initiatives for respecting human rights are essential to promote not only on a Company-wide basis but also throughout the entire supply chain. To that extent, DENSO promotes various initiatives together with its suppliers to ensure that there are no infringements on human rights occurring in activities that could lead to the infringement of human rights. For example, we have incorporated items related to respecting human rights within the Supplier Sustainability Guidelines and encourage our suppliers to conduct self-checks on a regular basis using our supplier self-diagnostic sheets. We also engage in dialogue with our suppliers to request that they make improvements should any issue arise.

In addition, we recognize the responsible procurement of mineral resources and raw materials as an important issue within the supply chain. As a specific effort to address this issue, we have formulated a Company-wide policy to respond to the issue of conflict minerals and request that our suppliers engage in the responsible procurement of mineral resources and raw materials. At the same time, with the cooperation of our suppliers, we conduct a survey on conflict minerals once a year.

Also, the need for rare-earth minerals and rare metals is rising due to the acceleration of electrification, which is occurring against the backdrop of efforts to realize carbon neutrality. This trend has the potential to increase the scale of mineral resources and raw materials that present human rights risks. Accordingly, we periodically review the minerals that we target under our risk management efforts and examine ways to respond as a company. Through efforts such as these, we will avoid the use of minerals with risks concerned throughout the supply chain together with our suppliers.

Future Initiatives

Against the backdrop of the COVID-19 pandemic, initiatives to respect human rights within business activities have become increasingly more important. For that reason, DENSO believes that it must promote initiatives toward human rights to a greater degree than ever before. While taking into account the opinions of external stakeholders, DENSO will examine the formulation of human rights policies and the implementation of human rights due diligence going forward.

Outline of Efforts to Strengthen Natural Capital

DENSO’s business activities have a close relationship with natural capital, including through the utilization of industrial water and the use of mineral resources as raw materials for its products. Accordingly, the deterioration of natural capital has an enormous impact on our business activities. Also, we believe we can make further contributions to resolving the globally shared issue of global warming by refining our long cultivated environmental technologies.

Assessing natural capital from the perspectives of both risks and opportunities, we are promoting environmental management under which we aim to conserve the global environment and create economic value by enhancing the efficiency of natural capital and reducing our environmental burden.

Promoting Environmental Activities in Accordance with Our Eco Vision

We have established Eco Vision 2025 as an action plan for the period up to 2025, a year that marks the midway point for realizing sustainable communities and society by 2050. Under this vision, we have established the three targets of “Energy 2/3”, “Clean × 2”, and “Green × 2”, collectively referred to as “Target 3”. These targets are to be achieved by fiscal 2026. To realize “Target 3” in the respective phases or products, factories, associates, and management, we are promoting 10 specific actions, collectively referred to as “Action 10”.

Please refer to the following URL for more information on DENSO’s Eco Vision.

https://www.denso.com/global/about/denso-eco-vision/

Minimum CO2 Monozukuri

In the production field, we are working proactively to reduce CO2 emissions, promoting the development of technologies for the production process, and thoroughly implementing energy-saving activities with the participation of all employees. Additionally, we are implementing Just-in-Time (JIT) activities that aim at the utilization and supply of just the right amount of energy at the necessary time. We are also utilizing cogeneration systems that utilize city gas, which produces only a small amount of CO2, as fuel power for generation and that make use of waste heat. Moving forward, aiming for the even higher target of making our plants completely carbon neutral, we will accelerate the transition to renewable energy, including the purchase of electricity derived from renewable energy sources and the introduction of self-power generation via solar panels, while keeping in mind economic rationality.
Amid the pressing crisis of climate change, DENSO is exploring the ideal vision for a sustainable mobility society and is accelerating its sustainability management with a view to maximizing the value of “green,” which is a target adopted under its Long-term Policy. 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. Through these efforts, we have been working to commercialize businesses focused on “green” and pursue avenues that will lead to sustainable business growth. In this section, we introduce the status of the initiatives we are promoting in accordance with the TCFD.

Scenario Analysis of Business Opportunities and Risks

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

Hypothesizing Scenarios

To correspond to the two axes of transition risks and physical risks, we established three classifications for scenarios: “stagnant,” “promotional,” and “ambitious.” Transition risks in this table are based on the Current Policies Scenario (CPS), the Stated Policies Scenario (STEPS), and the Sustainable Development Scenario (SSDS), hypothesized by the IEA (referencing World Energy Outlook 2019). The physical risks are based on RCP8.5, RCP6.0, and RCP2.6 scenarios put forth by the IPCC (referencing IPCC Fifth Assessment Report).

<table>
<thead>
<tr>
<th>Hypothetical scenarios</th>
<th>CPS</th>
<th>STEPS</th>
<th>SDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global warming transition risk</td>
<td>No increases in the warming of CO2</td>
<td>Global warming increase of over 2°C</td>
<td>Global warming increase of over 1°C</td>
</tr>
<tr>
<td>Quantitative business-related indicators</td>
<td>No progress in introducing renewable energy</td>
<td>Ratio of renewable energy 26% (2020)</td>
<td>Ratio of renewable energy 30% (2020)</td>
</tr>
<tr>
<td>Hypothetical scenarios</td>
<td>RCP8.5</td>
<td>RCP6.0</td>
<td>RCP2.6</td>
</tr>
<tr>
<td>Transitional risks</td>
<td>Climate change and related indicators</td>
<td>Climate change and related indicators</td>
<td>Climate change and related indicators</td>
</tr>
<tr>
<td>Physical risks</td>
<td>Climate change and related indicators</td>
<td>Climate change and related indicators</td>
<td>Climate change and related indicators</td>
</tr>
</tbody>
</table>

Impact on Management Strategy

Through the aforementioned analysis, we gained an understanding of the impact of climate change on our product development and production activities. Based on this understanding and guided by the DENSO Revolution Plan (Reborn21), we defined “aiming to achieve carbon neutrality in the manufacturing industry” as the Great Cause of our environmental activities and expanded our business domains to include “society,” alongside Monozukuri (manufacturing) and Mobility. Furthermore, we aim to achieve carbon-neutral electricity by 2025 and carbon-neutral gas by 2035. In the Safety, Health & Environment Division, we have already launched an expert team to promote carbon neutrality. We also established the new Environment Systems Development Division and the FC System Business Development Division. Through these organizations, we will aim to realize carbon-neutral manufacturing, encompassing carbon neutrality not only in the products we provide but also in the production activities at our plants.

Impact on Financial Planning

Against the backdrop of the carbon neutrality trend, it is crucial that we further strengthen the development of products powered by electricity and transition to products such as hydrogen fuel and biogas that require less energy input and further strengthen our products powered by electricity. To that end, we have reflected an increase in R&D costs within our financial planning in response to costs related to electrification, which will follow the expansion of products powered by electricity and products that respond to alternative fuel needs. Furthermore, we have reflected purchasing costs of CO2 offsets and renewable energy with a view to realizing carbon-neutral Monozukuri (manufacturing). These purchasing costs have been secured within the budget for fiscal 2022, and we have already begun to undertake the purchasing process.
DENSO views environmental issues, including climate change, as one of the highest priority issues (Materiality) in the promotion of its sustainability management. Accordingly, DENSO has established KPIs for these issues and is working to achieve them through its business activities. DENSO has established the Companywide Safety, Health, and Environment Committee as an organization for deliberating and determining important items related to climate change. This committee is chaired by a representative director, who also serves as a senior executive officer, and meets twice a year. At these meetings, members discuss and decide upon important items in the promotion of environmental management, such as formulating medium- to long-term targets and executing investment-related to energy conservation. Items that the Companywide Safety, Health, and Environment Committee deems to have a significant impact on the Company’s businesses (environmental vision, medium-term management strategies, large-scale investments, etc.) are then deliberated on by the Board of Directors. Serving under the Companywide Safety, Health, and Environment Committee are environment committees in each business group and at each Group company in Japan, as well as environment committees in each region of operation overseas. These committees are chaired respectively by a managing officer. Furthermore, DENSO has established energy, logistics, green products, and production environment subcommittees. By clarifying the scope of responsibility for each subcommittee, the Company is promoting activities related to safety, health, and the environment in an efficient and highly focused manner.

Also, the Companywide Safety, Health, and Environment Committee will examine and implement the necessary procedures for sharing environmental issues such as those identified by the Companywide Safety, Health, and Environment Committee and the Environment subcommittees. By clarifying the scope of responsibility for each subcommittee, the Company is promoting activities related to safety, health, and the environment in an efficient and highly focused manner.

In addition to the above plans, for reducing CO2 emissions from our production activities, we are promoting activities related to carbon-neutral Monolith (manufacturing) that aim to achieve carbon-neutral electricity by 2025 and carbon-neutral gas by 2035, guided by our carbon-neutral strategy based on the DENSO Resolution Plan “Reborn.” Additionally, for mobility products, we are working to reduce CO2 emissions to the greatest extent possible by promoting the development of electrification technologies for all aspects of mobility. We are also working to achieve negative CO2 emissions through the establishment of technologies to capture, recycle, and reuse CO2. Through these efforts, we will aim to achieve carbon neutrality. Going forward, we will make efforts to thoroughly examine and conduct more precise analysis regarding the quantitative financial impact of key risk items on our businesses as well as specific risks and opportunities facing our businesses. We will then work to reflect the results of these efforts within our business strategies and action plans.

To reach the growth targets adopted in its Long-term Plan, DENSO must transition to an organization that acts with unprecedented levels of speed and can invigorate the workplace. To that end, DENSO has adopted the Five Pillars of Management Reform and is working to realize significant changes in its management structure to enhance its organizational capabilities and compete in a challenging business environment.

Five Pillars of Management Reform

1. **Enhancement of Vehicle Perspective and Streamlining of Technological Development**
   - To develop increasingly more complex systems more efficiently, we must pursue development that focuses on total optimization from the perspective of vehicle-based systems. To that end, DENSO has streamlined its technological development for ECUs, semiconductors, sensors, and motors, which provide the key for achieving differentiation, through the pursuit of organizational reforms. By doing so, we aim to accelerate Companywide efforts to realize growth in new mobility domains and enhance profitability in existing automotive businesses. In addition, at MBBS Technologies, a joint venture with Toyota Motor Corporation, we are developing highly competitive next-generation semiconductors by drawing on the perspectives of both mobility and automotive components. Going forward, we will leverage the perspectives gained through collaboration with Toyota Group companies within our own technological development activities.

2. **Advanced R&D Function to Realize Agile Development Globally**
   - To develop competitive products that meet customer needs, we have established advanced R&D teams at key company sites around the world. Through these teams, we are collaborating with a wide range of partners. In addition, at our laboratories across the globe, we have set up structures that allow us to engage in development on a 24-hour basis. We are also actively promoting the development of advanced technologies, such as level 4 automated driving and solid oxide fuel cells (SOFC). In Europe and the Americas, we have strengthened our ability to act as a technical lead and are participating in activities to discover new technologies, create new markets, and establish rules and regulations. Moving ahead, we will promote open innovation in collaboration with industrial, government, and academic institutions and take steps to reflect such innovation within our medium- to long-term strategies.

3. **Business Unit Evolution and Smaller but Stronger Headquarters**
   - We are promoting reforms to our business portfolio utilizing ROIC with the aim of establishing a structure for realizing genuine contributions to the fields of “green” and “peace of mind.” We are also accelerating the speed of our decision-making and business execution by delegating authority and responsibility to business units in such ways as raising transaction amount-based authority delegation standards and simplifying performance follow-up procedures. At divisions within our head office, we are reviewing the allocation of human resources through such means as enhancing expertise and minimizing administrative tasks. With these kinds of reforms, we will exponentially increase the speed of our management and create new value.

4. **Global Management with Optimal Use of Group and Regional Power**
   - We have appointed regional business managers to lead our businesses in each region of operation. Together with the regional CEO, these managers help establish structures for drafting and executing business strategies and plans in an effort to promote management with a sense of speed. Additionally, we are working to optimize our approach of allowing regional personnel to lead our regional businesses by revising our personnel structure and consolidating various functions. Going forward, we will go beyond the promotion of PDCA cycles within each region, taking steps to establish a structure for information dissemination and strategy formulation that leverages local strengths through the initiatives that involve research and providing suggestions.

5. **Ways of Working with Tremendous Speed and Efficiency**
   - To enhance productivity and realize work-life balance for our employees, we are working to enhance the quality and efficiency of our operations by maximizing the value creation capabilities of our employees through the promotion of diverse workstyles, such as teleworking, and the utilization of SR. In these ways, we aim to become a company with incomparable frontline capabilities and where employees can work with passion and a smile.
Business Portfolio and Value Creation

DENSO operates seven core businesses in a broad range of domains, centered on automotive-related fields. The Company has established a business portfolio for creating new value that can address the future needs of the mobility society. Through this portfolio, DENSO strives to maximize value in its seven core businesses so that it can enhance the potential of the mobility society.

Going forward, DENSO will take steps to reshuffle its business portfolio in order to realize sustainable growth under a rapidly changing business environment.

Business Composition and Focus Fields

In its automotive businesses, DENSO supplies an extensive lineup of products and systems as a Tier 1 supplier that is trusted by car manufacturers around the globe. We operate a total of five automotive businesses, starting with the Electrification Systems Business, which provides the key for the shift to electrification. In addition, we operate the Powertrain Systems Business, which can manufacture powertrains for all types of vehicles, and the Thermal Systems Business that manufactures such products as in-vehicle air-conditioning systems, for which we boast the No. 1 global share. We also operate the Mobility Systems and Sensor Systems & Semiconductors businesses, which will be crucial for mobility-related development in the future. These five businesses contribute to development in three of our focus fields: electrification, advanced safety and automated driving, and connected driving.

Furthermore, in our non-automotive businesses, we leverage the technologies cultivated in our automotive businesses to contribute to the field of factory automation (FA) and AgTech.

Overview by Product

<table>
<thead>
<tr>
<th>Segment</th>
<th>Contribution to Long-term Policy (value of green and peace of mind)</th>
<th>Revenue Ratio by Product</th>
<th>Relevant Focus Fields</th>
<th>Relevant SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrification Systems</td>
<td></td>
<td>19.4%</td>
<td>Electrification</td>
<td>Advanced Safety and Automated Driving</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Connected Driving</td>
<td>Non-Automotive Businesses (FA and AgTech)</td>
</tr>
<tr>
<td>Powertrain Systems</td>
<td></td>
<td>22.5%</td>
<td>Electrification</td>
<td>Advanced Safety and Automated Driving</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Connected Driving</td>
<td>Non-Automotive Businesses (FA and AgTech)</td>
</tr>
<tr>
<td>Thermal Systems</td>
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<td>23.6%</td>
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<td>Advanced Safety and Automated Driving</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Connected Driving</td>
<td>Non-Automotive Businesses (FA and AgTech)</td>
</tr>
<tr>
<td>Mobility Systems</td>
<td></td>
<td>21.9%</td>
<td>Electrification</td>
<td>Advanced Safety and Automated Driving</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Connected Driving</td>
<td>Non-Automotive Businesses (FA and AgTech)</td>
</tr>
<tr>
<td>Sensor Systems &amp; Semiconductors</td>
<td></td>
<td>3.0%</td>
<td>Electrification</td>
<td>Advanced Safety and Automated Driving</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Connected Driving</td>
<td>Non-Automotive Businesses (FA and AgTech)</td>
</tr>
<tr>
<td>Industrial Solutions</td>
<td></td>
<td>3.3%</td>
<td>Electrification</td>
<td>Advanced Safety and Automated Driving</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Connected Driving</td>
<td>Non-Automotive Businesses (FA and AgTech)</td>
</tr>
<tr>
<td>Food Value Chain</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
ELECTRIFICATION SYSTEMS

Supporting electrification in all areas of mobility to realize an enriched environment and the joy of driving

To deliver electrification systems for vehicles that are eco-friendly and enable even more comfortable travel, we have built up a solid track record with the development of electrification technologies, realizing high performance, compactness, and fuel efficiency for the major products needed for HEVs. Going forward, we will leverage our expansive business domains to form linkages between various in-vehicle systems and products in an effort to efficiently manage energy within vehicles. In this manner, we will further improve fuel efficiency and contribute to the conservation of energy.

Business Activities
- Development and manufacture of electrification systems for vehicles powered by electricity such as HEVs, BEVs, and FCEVs
- Ability to develop innovation for various fields of small motor system products, such as windshield wiper systems, power window motors, engine control motors, and blower fans

Strengths
- Wide range of technological know-how across a broad range of business domains that extend from internal combustion engine starting systems and power charging products to products powered by electricity such as HEVs, BEVs, and FCEVs
- Ability to develop innovation for various fields of small motor system products, such as windshield wiper systems, power window motors, engine control motors, and blower fans

Main Products
- Power control unit
- Motor generator
- Battery ECU
- Lithium-ion battery pack
- Electric power steering motor
- Control brakes (motor: ECU)
- Windshield wiper system
- Power window regulator motor

Relevant Focus Fields
- Connected Driving
- Electrification
- Peace of Mind

Relevant SDGs
- Electric power steering motor
- Control brakes (motor: ECU)
- Windshield wiper system
- Power window regulator motor

Business Strategy

Growth Targets
- Supported by the revenue generated by products for HEVs, which we have cultivated over the past 20 years, we will establish and leverage key technologies that can be applied to a wide range of mobility domains while working to enhance our product lineup. Also, in anticipation of the continued global increase in the number of HEVs, we have established five production bases around the world, thereby globally promoting the electrification of a diverse range of mobility domains.

Profitability
- Utilizing in-house semiconductor manufacturing technologies and sophisticated winding technologies, we are boosting the competitiveness of our products in such ways as developing small, high-performance inverters and motors that help improve the fuel economy of vehicles. In addition, we have extremely thorough knowledge of the characteristics of automobiles. Using these technologies we possess, we will improve the value of vehicles as a whole from components to systems.

Fiscal 2021 Results
- Increase in Revenue as a Result of the Hirose Plant Integration
  - Despite Decreased Production Caused by COVID-19
  - In fiscal 2021, revenue in the Electrification Systems Business Group increased 6.8% (72% on an actual basis that excludes foreign exchange rates and other factors) year on year, to ¥958.7 billion. Despite a significant decrease in revenue, particularly in the first half due to the impact of the COVID-19 pandemic and other factors, the year-on-year increase in revenue resulted from not only a recovery in production by Toyota Motor Corporation and other car manufacturers, but also a recovery in revenue in the second half, as the effects of the Hirose Plant integration helped boost sales of power control units (PCUs).

Progress of Business Strategies
- Strengthening Our Production and Development Foundation with the Aim of Popularizing xEVs
  - Environmental regulations are tightening around the world and the shift toward electrification continues to progress. Amid these circumstances, we established Blu: E Nexus Corporation, a joint venture that develops and sells driving module packages. In April 2019, a year-on-year increase in revenue resulted from not only a recovery in production by Toyota Motor Corporation and other car manufacturers, but also a recovery in revenue in the second half, as the effects of the Hirose Plant integration helped boost sales of power control units (PCUs).

Relevant SDGs
- Electric power steering motor
- Control brakes (motor: ECU)
- Windshield wiper system
- Power window regulator motor

Resolving Social Issues through Our Businesses
- Developing CO2 Circulation Plants to Achieve Carbon Neutral in the Manufacturing Industry
  - With the aim of realizing net zero CO2 emissions from factories, we established a CO2 Circulation Plant,* which serves as a testing facility for the capture and recycling of CO2 on the premises of the Arjo Plant’s EIC in July 2020 and subsequently commenced verification tests. The CO2 Circulation Plant is designed to capture CO2 primarily generated by the plant and recycle it as an energy source for the facility and other uses. In the process, the plant synthesizes methane, which is made from CO2 emitted by gas-fueled equipment, and hydrogen, which is produced by renewable electricity, and reuses it as a source of energy.

* The technology used in this project was developed jointly with Toyoda Central R&D Labs, Inc.
### Relevant Focus Fields

- **Advanced Safety and Automated Driving**
- **Quality**
- **Efforts**
- **Organizational Capabilities**
- **Business Strategy**
- **Relevant SDGs**

### Relevant SDGs

- Green
- Peace of Mind

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### Business Strategy

**In addition to our regular efforts to improve the efficiency of internal combustion engines, which help contribute to the popularization of xEVs, we will further enhance the quality of our products in consideration of the changes to the environment in which they are used, including the diversification of fuel. Through these efforts, we will supply products that can use over a long period of time with peace of mind, thereby stabilizing our business operations. In addition, we are proceeding with renovations to our plants, which include taking steps to reduce CO₂ emissions from our Monozukuri (manufacturing) activities (energy conservation and creation), to accommodate a carbon-neutral society in the future.**

**Profitability**

- We will carry out portfolio reshuffling by developing products for internal combustion engines that cater to the electrification era and by making adjustments to our product lineups. We will also take steps to reduce the size of our organizational structure and reduce quality-related costs. In these ways, we will improve our earnings structure.

**Growth Targets**

- We will provide products that customers can use over a long period of time with peace of mind through our system development, Monozukuri (manufacturing), and robust design capabilities.

**Differention**

- In terms of our product design operations, we will make more efficient use of our existing data assets through the promotion of DX and work to share best practices across the Group. For our Monozukuri (manufacturing) activities, we will aim to further improve production efficiency by reforming production processes through the use of F-IoT.

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### Fiscal 2021 Results

**Decrease in Revenue Due to Market Slowdowns Caused by COVID-19**

In fiscal 2021, revenue in the Powertrain Systems Business fell 46.6% in the first quarter year on year. Although a recovery was seen from the second quarter on, revenue for the full year declined 9.3% (8.3% on an actual basis that excludes foreign exchange rates and other factors) to ¥1,088.8 billion.

<table>
<thead>
<tr>
<th>FY2021</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (billion of yen)</td>
<td>1,108.8</td>
</tr>
</tbody>
</table>

### Progress of Business Strategies

**Narrowing Down Development Themes and Accelerating Development Process Reforms**

- We will work to prioritize development themes from the perspective of contributing to electrification and reducing carbon from internal combustion engines as well as pursuing joint development with automobile OEMs. In these ways, we will make it possible to respond to a wide range of vehicles and regulations using the smallest product lineup possible.

- In terms of the development process, we have established the Core & Customization Strategy for our products, under which we are working to establish rigorous standards for ensuring consistent quality. Additionally, we have been making full use of digital engineering and promoting the automation of routine tasks, thereby significantly reducing the workload involved in application design.

**Going forward, we will draw on the resources generated through these efforts to transition into “green” and “peace of mind” domains both inside and outside the Powertrain Systems Business Group and accelerate and enhance the efficiency of our management.**

### Resolving Social Issues Through Our Businesses

**Realizing Fuel-Efficient Gasoline Systems through Combustion and Exhaust Gas Aftertreatment Technologies**

- Using lean combustion to realize leading-class fuel efficiency (Powertrain Systems Business)

**In order to realize lean combustion, we developed combustion technologies that adjust the position and amount of microscopically fuel sprayed in a highly precise manner with the aim of forming a greater concentration of fuel closer to the spark plug at the time of ignition, a process referred to as “ignition assistance.” Through these technologies, we were able to reduce discrepancies in fuel injector performance to increase the precision of fuel spray formation. The technologies made this achievement by reducing variations in nozzle design by 40% and detecting and studying the drive signal.**

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### Main Products

- **Common rail systems**
- **Spark plug**
- **Ignition coil**

**We have positioned the restoration of our quality as our top priority issue and are working to build a corporate structure that prevents our products from causing quality-related issues in the market. To that end, in specialized divisions, we have gathered together human resources who can handle quality in a comprehensive manner, covering everything from systems to components. These divisions engage in efforts that span from investigating the true causes of quality-related issues to reproducing problems to determine a resolution. To respond to tightening regulations on fuel performance and exhaust gas as well as the increasing complexity of environmental stress, these divisions will accelerate and improve the accuracy of quality verification measures through digital engineering and model-based development and virtual vehicle evaluations.**

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### Efforts toward Quality

<table>
<thead>
<tr>
<th>Business Activities</th>
<th>Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Development and manufacture of gasoline and diesel engine management systems, which cover everything from combustion to intake and exhaust</strong></td>
<td>From the perspective of systems, we maintain and comprehensively develop a wide variety of technologies and are active across a broad range of business domains related to powertrains, extending from gasoline and diesel vehicles to xEVs. We are also able to manufacture products in these domains using highly advanced production techniques.</td>
</tr>
</tbody>
</table>

---

### Relevant Products

- **Common rail systems**
- **Spark plug**
- **Ignition coil**

---

### Relevant SDGs

- **Green**
- **Peace of Mind**

---

### Other Relevant Technologies

- Exhaust gas aftertreatment technologies
- Using a Lean Nitrogen Trap (LNT) catalyst to precisely control and purify NOx emissions during lean combustion

---

### Relevant Sectors

- **Advanced Safety and Automated Driving**
- **Quality**
- **Efforts**
- **Organizational Capabilities**

---

### Key Projects

- **Exhaust gas aftertreatment technologies**
- **Using a Lean Nitrogen Trap (LNT) catalyst to precisely control and purify NOx emissions during lean combustion**

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### Head of Business Group

Hisashi Iida

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### Relevant SDGs

- **Green**
- **Peace of Mind**

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### Other Relevant Technologies

- **Exhaust gas aftertreatment technologies**
- **Using a Lean Nitrogen Trap (LNT) catalyst to precisely control and purify NOx emissions during lean combustion**

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### Relevant Sectors

- **Advanced Safety and Automated Driving**
- **Quality**
- **Efforts**
- **Organizational Capabilities**

---

### Key Projects

- **Exhaust gas aftertreatment technologies**
- **Using a Lean Nitrogen Trap (LNT) catalyst to precisely control and purify NOx emissions during lean combustion**

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### Relevant Sectors

- **Advanced Safety and Automated Driving**
- **Quality**
- **Efforts**
- **Organizational Capabilities**

---

### Key Projects

- **Exhaust gas aftertreatment technologies**
- **Using a Lean Nitrogen Trap (LNT) catalyst to precisely control and purify NOx emissions during lean combustion**
THERMAL SYSTEMS

Contributing to a more pleasant society for the earth and its people through eco-friendly heat management technologies and comfortable vehicle interiors

With the arrival of a carbon-free society and the CASE generation, the automotive industry is undergoing a paradigm shift. Amid this shift, the Thermal Systems Business Group is working to leverage its strengths as a leading global air-conditioning systems supplier to the greatest extent possible to help create the society of the future through heat management systems, which resolve issues related to xEVs, and products that improve air quality, which create comfortable vehicle interiors.

Relevant Focus Fields

- Development and production of air-conditioning systems for cars and buses, which form the basis of heat management systems and comfortable interiors, and cooling systems such as radiators
- Comprehensive capabilities for developing and producing car air-conditioning systems
- Ability to develop heat management technologies cultivated in the thermal domain, such as car air-conditioning systems and radiators, as well as heat management products for xEVs that leverage these technologies, such as heat pump systems and cooling systems for power control units (PCUs)

Business Strategy

We will maintain our business foundation by refining the competitiveness of our core products such as air-conditioning systems and radiators, which have supported the business to date. In addition, we will aim to strike a balance between the realization of a carbon-free society and stable business growth by developing and introducing products with new value (heat management systems and air-quality products) that will help us realize the principles of “green” and “peace of mind.”

Fiscal 2021 Results

<table>
<thead>
<tr>
<th>Revenue (Billions of yen)</th>
<th>1,163.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2021</td>
<td></td>
</tr>
<tr>
<td>FY2020</td>
<td>1,280.6</td>
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</table>

Resolving Social Issues through Our Businesses

Evolving Our Car Air-Conditioning Systems to Contribute to “Green” and “Peace of Mind”

We are working to evolve our car air-conditioners from systems with basic functions, such as cooling and heating, to systems that also offer environmental performance and comfort, thereby resolving social issues:

- xEVs provide the key to realizing a carbon-free society, but extending the driving distance of xEVs has been an issue that has stood in the way of their popularization.
- One factor that hinders the driving distance of xEVs is the consumption of electricity to heat their interiors. To resolve this issue, we offer heat pump systems that greatly improve the driving distance of xEVs. This is done by using outside air as a source for heating the interior of these vehicles, which in turn reduces electricity consumption.

Progress of Business Strategies

Making Progress with the Introduction of Heat Pump Systems and Air-Quality Products into the Market

We are working to expand the global sales of heat pump systems and air-quality products into the market. In fiscal 2021, revenue in the Thermal Systems Business declined 9.2% (80.8%) on an actual basis that excludes foreign exchange rates and other factors’ year on year, to ¥1,163.0 billion, due to the impact of the COVID-19 pandemic.

We are working to expand our technological development from heat management to energy management, as we work to maximize the environmental performance of xEVs. For air-quality products, we developed the air purifier Puremie, which visualizes in-vehicle air quality to respond to the rapidly growing need for clean air due to the COVID-19 pandemic, and we successfully introduced it into the market within the short period of only five months. Puremie has been adopted by the New Normal Taxis introduced by Nihon Kotsu Co., Ltd. In addition, we commenced sales of Puremie for buses and taxis nationwide in February 2021. Puremie has already earned a high level of praise from the market, such as being included in the list of new technologies for daily life, compiled by Japan’s Cabinet Office. Going forward, the Thermal Systems Business Group will help realize a sustainable society by providing products with environmental performance and creating safe, comfortable vehicle interiors.

Inverter cooling system (in-vehicle rendering)
### MOBILITY SYSTEMS

**Realizing a society in which all people can move comfortably and with peace of mind (Quality of Mobility)**

By combining advancements from the perspective of integrated systems, including sensors, semiconductors, ECUs, platforms, and software, and developments from the perspective of vehicles and end-users, we are building systems to link cars with greater society and provide optimized controls as we aim to realize a safe, secure, and eco-friendly mobility society amid the diverse kinds of mobility available today.

**Business Strategy**

- **Growth Targets**
  - To eliminate traffic accidents and realize carbon neutrality as a Tier 1 systems supplier to the mobility society, we will help drive DENSO’s growth by expanding our business in not only the in-car domain but also the out-car domain and new domains that connect in-car and out-car domains.

- **Profitability**
  - To address the increase in the size of systems as well as the increase in work hours to develop software brought about by this expansion, we will work to enhance our development efficiency by further improving the value of our products through user experiences and promoting a shift to digital platforms. By doing so, we will boost our profitability.

- **Differentiation**
  - We possess system development capabilities that can maximize the overall value of our systems through the optimal combination of mechanical parts, electronics, and software. Leveraging these capabilities, we will realize large-scale, cross-domain systems going forward.

- **Organizational Capabilities**
  - To respond to the rapid evolution of the mobility society, we will carry out a full-scale in-house shift toward these technologies and actively pursue alliances with optimal partners in an effort to secure the necessary technologies and talent. In these ways, we will further strengthen our cross-domain system and software development capabilities.

**Fiscal 2021 Results**

- **Decrease in Revenue Due to Market Slowdowns Caused by COVID-19**
  - In fiscal 2021, the revenue in the Mobility Systems Business fell 2.9% (2.0% on an actual basis that excludes foreign exchange rates and other factors) year on year to ¥1,080.8 billion, despite a recovery from the substantial decrease in car sales in the first quarter due to market slowdowns caused by the COVID-19 pandemic.

- **Revenue (Billions of yen)**
  - FY2021: 1,080.8
  - FY2020: 1,112.6

**Progress of Business Strategies**

- **Promoting Organizational Reforms to Respond to the Progression of CASE**
  - In January 2021, we changed our name from the Mobility Electronics Business Group to the Mobility Systems Business Group. This move was made to better clarify that we are the organization supervising the development of computing systems for mobility, amid the evolution of automobiles from simply a means of transportation to a form of mobility. At the same time, we integrated the Connected Systems Business Development Division into our business group with the aim of achieving business growth and enhancing profits in the connected domain. We also established the new Information and Communications Technology Business Unit.

- **Enhancing Products That Support Safe and Secure Mobility**
  - With a view to achieving our growth targets, in fiscal 2021 we developed products that contribute to advanced driving assistance technologies, which offer peace of mind to passengers and enhance the safety performance of vehicles. These products have been installed in the new Lexus LS and the new Toyota Mirai fuel cell vehicle, which were both launched in April 2021. In addition, with higher expectations regarding the safety equipment of vehicles that have already been sold, our retrofitted acceleration control devices for when drivers accidently step on the gas pedal were adopted in the brand-name products of five automobile manufacturers in fiscal 2021.

**Resolving Social Issues through Our Businesses**

- **Contributing to Enhanced Vehicle Safety Performance through Advanced Driver Assistance Technologies**
  - Our newly developed products include LiDAR for detecting the shapes of surrounding vehicles and roads, a Locator Telescopic Camera that uses two types of cameras to detect the environment ahead of the vehicle, a Spatial Information Service Electronic Control Unit (SIS ECU) for accurately identifying the position of the vehicle itself, and an Advanced Drive System Electronic Control Unit (ADS ECU) and Advanced Drive Extension Electronic Control Unit (AXD ECU) for high-speed processing of information delivered by these products. The SIS ECU, ADS ECU, and AXD ECU also support the over-the-air software update, which expand the functionality and improve the performance of vehicles after they have been sold to users.

These newly developed products have been adopted as part of Advanced Drive, an advanced driver assistance technology featured in the new Lexus LS and Toyota Mirai, which were both launched in April 2021. Advanced Drive assists drivers when driving on an expressway or other motorway and features an on-board system that appropriately detects the situation, makes decisions, and assists driving under the driver’s supervision according to actual traffic conditions. It can keep the vehicle in its lane, maintain the distance from other vehicles, navigate a lane split, change lanes, and pass other vehicles. To realize this kind of driver assistance technology, it is essential to improve the vehicle peripheral sensing performance, specify vehicle location in an highly accurate manner, and process sensor information at high speeds, which is exactly what these newly developed products are able to do. Through these products, we will contribute to advanced driver assistance technologies that offer peace of mind to passengers and enhance the safety performance of vehicles.

**Software development for in-vehicle products is becoming more expansive, sophisticated, and complex following the advancement of the CASE revolution. Under these circumstances, we aim to realize a more robust quality control structure by leveraging synergies within the Mobility Systems Business Group, which has streamlined our electronics and software development functions. Based on an approach that prioritizes safety and quality above all else, we will prevent the recurrence of quality-related issues while considering the perspectives of our customers.**

**Hirotsugu Takeuchi**
Head of Business Group
LEADING THE INDUSTRY WITH SEMICONDUCTOR AND SENSING TECHNOLOGIES WITH A VIEW TO REALIZING AN ECO-FRIENDLY, COMFORTABLE, AND SAFE MOBILITY SOCIETY

We will streamline and thoroughly enhance our technological development of semiconductors (brain) and sensors (eyes) across all our major businesses in an effort to support innovation in automobiles. In addition, through the development of electronic elemental technologies that offer value optimized for the new mobility society, we will realize carbon neutrality and contribute to the realization of a society in which people can move safely and with peace of mind.

Business Strategy

Growth Targets
We will promote businesses related to electrification, advanced safety, and automated driving. To support such businesses, we will develop products that anticipate the needs of car manufacturers and the automobile market. Furthermore, we will thoroughly enhance the competitiveness of our semiconductor and sensing technologies, which provide us with the source for realizing differentiation. Through these efforts, we will realize sustainable growth and establish a competitive position in the in-car electronics field.

Profitability
Rather than promote development for each vehicle on an individual basis, we will clarify standardized platforms (core domain) and variation development (customized domain). By doing so, we will increase the efficiency of our development efforts and expand our product lineups.

Differentiation
To respond to the evolution of systems, we will help customers realize their aspirations through value-added semiconductor and sensing products that can be put to use in various systems and in society at large. To that end, we will continue to create elemental technologies, starting with technologies for the semiconductor development process, that will serve as the source of our differentiation.

Organizational Capabilities
We will dramatically improve development processes, enhance efficiency, and accelerate management.

Fiscal 2021 Results
Increase in Revenue Primarily from Sensors for xEVs Despite the Impact of COVID-19
Revenue in the Sensor Systems & Semiconductors Business Group increased 6.8% (6.9% on an actual basis that excludes foreign exchange rates and other factors) year on year to ¥148.6 billion. This was the result of a recovery centered on sensors for Toyota xEVs starting from the third quarter, which helped offset the impact of market slowdowns caused by the COVID-19 pandemic.

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue (billions of yen)</th>
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<td>139.2</td>
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<td>FY2021</td>
<td>148.6</td>
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</table>

Progress of Business Strategies

Strengthening the Electrification Domain from All Angles to Achieve Carbon Neutrality
We are promoting development in the electrification domain on an ongoing basis with the aim of achieving carbon neutrality. In the sensor business, we changed the name of the Sensor Business Unit to the Sensing System Business Unit in April 2021 in order to better align our focus with systems and our customers. With this new business unit, we are working to meet diverse customer needs by strengthening internal and external collaboration and expanding the scope of our sensing technologies. In the semiconductor business, we are responding to the rapid expansion of the electrification domain, which is expanding our development efficiency through DX efforts, which include promoting advanced model-based development, and taking steps to generate resources. We are also moving forward with the development of next-generation power cards and application-specific integrated circuits (ASICs). Furthermore, to address recent concerns over semiconductor shortages and respond to the natural disaster that struck a plant of one of our business partners, we have expanded our scope of responsibility so that we can better serve as the “home base” for in-vehicle semiconductors of the Toyota Group. We have also been promoting activities to provide emergency assistance and strengthening our BCP and disaster-preparation efforts, taking into account the entire supply chain. In these ways, we are continuing to fulfill our responsibility as a supplier.

Fiscal 2022 Guidance

Electrification

*1: MOSFET: Metal-Oxide-Semiconductor Field-Effect Transistor
*2: Trench gate: A type of semiconductor structure in which trenches are carved into the wafer structure and gate electrodes are embedded in those trenches
*3: NiSiOx: Niobium-Oxide-Semiconductor Field-Effect Transistor

Resolving Social Issues through Our Businesses

Promoting the Mass Production of Silicon Carbide Power Semiconductors for FCEVs
For many years, we have been pursuing the development of silicon carbide (SiC) power semiconductors, a key device for accelerating electrification. In 2018, we developed an in-vehicle SiC diode that was adopted in fuel-cell buses. Building on that success, we recently developed and mass produced a new in-vehicle SiC transistor that offers both the reliability and high performance needed under challenging in-vehicle conditions by utilizing DENSO’s unique structure and processing techniques, which incorporate trench gate*1 MOSFET*2 construction. With the development of this transistor, we have been able to create a new model of booster power module equipped with SiC diodes and transistors. This new model is about 30% smaller in volume and achieves roughly 70% less power loss compared with a conventional product that makes use of Si, helping to reduce the size of the booster power module and improve vehicle fuel efficiency. It has also been adopted in Toyota’s new Mirai model. Going forward, we will expand the application of this technology to other xEVs as we strive to contribute to the realization of a carbon-free society.

*1: MOSFET: Metal-Oxide-Semiconductor Field-Effect Transistor
*2: Trench gate: A type of semiconductor structure in which trenches are carved into the wafer structure and gate electrodes are embedded in those trenches

Related SDGs
1. Peace of Mind
2. Environment
3. Economy
4. Society
INDUSTRIAL SOLUTIONS

Enhancing the productivity of the Monozukuri (manufacturing) industry and improving quality of life

Our mission in the Industrial Solutions Business Group is to realize carbon-neutral Monozukuri (manufacturing), from the perspective of “green,” and to build a society that expands human potential, from the perspective of “peace of mind.” Guided by this mission, we will work to earnestly address the Monozukuri-related issues facing our customers, providing them with solutions that resolve such issues in a manner that best suits their needs. By doing so, we will make significant contributions to industrial and social progress.

Business Strategy

Growth Targets
In addition to lean automation, we will commercialize eco-friendly Monozukuri (manufacturing) in an effort to establish it as a business pillar in the non-mobility field.

Profitability
Throughout society, we provide flexible, waste-eliminating lean automation created from our long-cultivated Monozukuri experience and techniques. In accordance with customers’ needs, we provide solution packages by process and module rather than individual equipment in a wide range of domains. By doing so, we aim to further realize business expansion.

Differentiation
By melding the core technologies that we have developed as an FA “manufacturer” (Denso Wave), including robotics, sensor verification systems, and QR codes, with the automated technologies and improvement know-how we have cultivated as an FA “user” (DENSO CORPORATION), we will provide FA system products that can only be proposed through the unique perspectives of two DENSO companies. These FA system products will cater to the frontline operations of our customers.

Organizational Capabilities
We established the new Industrial Solutions Business Group by integrating the Machinery & Tools and Parts Engineering divisions, which handle production material supply and component manufacturing functions, with the FA Business Unit. This new business group will accelerate the popularization of its solutions on an even greater scale with the aim of realizing its mission of achieving “green” and “peace of mind.”

Progress of Business Strategies

Enhancing the Productivity of the Monozukuri (Manufacturing) Industry through FA System Products
In addition to labor shortages due to the declining birthrate and aging population and environmental issues such as CO2 emissions from factories, the manufacturing industry is approaching a paradigm shift, which includes the need to respond to variable-type, variable-volume production to overcome the hardships of the so-called VUCA (volatility, uncertainty, complexity and ambiguity) era.

Under these circumstances, we developed the D Series process rationalization solution to serve as a set of new solutions for areas that involve a great deal of labor, including assembly, inspection, and distribution. Through the D Series, we have worked to refine our factories. Additionally, with the aim of making our knowledge and approach to Monozukuri more widely known, we opened the DENSO Lean Automation School in fiscal 2022. By communicating our approach to automation, which involves not simply the automation of processes but rather automation with the goal of optimizing the very way we make things, to an even larger audience, we will widen the scope of the manufacturing automation market and expand our business in that market. At the same time, we will help evolve Monozukuri into an industry where people can play an active, fulfilling, and dignified role.

Resolving Social Issues through Our Businesses
Controlling the Operation of Platform Doors with a New QR Code to Improve Safety at Train Stations
To help prevent accidents involving passengers falling from train station platforms, which have become a social issue, we developed an automatic opening and closing control system for platform doors that makes use of a new QR code.

On urban train lines, where the train lines of multiple railway operators are interconnected, it is necessary to control the opening and closing of only certain platform doors. Conventional opening and closing of platform doors performed by a human operator has become increasingly less common due to issues such as the 15-second loss in transportation capacity at each station as well as instances where the operator forgets to close the door.

With this newly developed control system, we integrated our automated recognition technologies and placement detection technologies, making it possible to automatically and flexibly control the opening and closing of platform doors in a manner that is not affected by weather or lighting. In addition, since the system’s new QR code can be introduced simply by affixing it on train doors and without the need for expensive train modifications, there is a growing number of railway operators adopting this system across the Kanto, Kansai, and Chubu regions.

Going forward, we will continue to expand our business and contribute to society by developing new services in areas other than railway that leverage the unlimited potential of QR codes.
Combining technologies and ideas to provide new value and contribute to a society where all people can live safely and with peace of mind

Food is essential to human life. Together with our business partners, we will integrate the technologies for industrialization that we have cultivated in our automotive businesses, with a focus on the entire food value chain. While doing so, we will provide solutions that cater to each region of the world.

**Relevant Focus Fields**
- "Peace of Mind"
- "Green"

**Contribution to Long-term Policy**
(value of green and peace of mind)

**Relevant SDGs**
- "SDG 2: Zero hunger"
- "SDG 17: Partnerships for the goals"
- "SDG 9: Industry, innovation, and infrastructure"

**Business Activities**
- Manufacture and sale of turnkey solutions* for horticultural facilities (consulting and cloud services related to greenhouse materials, devices, and cultivation) as well as the provision of after-sales services.
- Manufacture and sale of in-vehicle refrigeration units and compact mobile refrigeration units as well as the provision of after-sales services.

* A group of products and services combined in an optimized way to enable all people involved in agriculture to produce crops in a stable manner.

**Strengths**
- Proposal of optimal horticultural facility-related product combinations that integrate cutting-edge technologies from Europe and other regions advanced in agriculture to address the individual needs and issues facing agricultural producers.
- Provision of high-quality cold chain products that meet a broad range of needs related to food delivery.

**Main Products**
- In-vehicle refrigeration units
- Compact mobile refrigeration units
- Horticultural facility-related products (from left: products for large and medium-sized greenhouses and horticultural facilities as well as systems for controlling the environment of greenhouses in Japan)

**Efforts toward Quality**
We will realize optimized levels of quality and service in the field of horticultural facilities, drawing on the quality control methods that we have cultivated for many years in our automotive businesses. In addition, with the aim of ensuring the stable supply of safe food throughout the entire food value chain, we will collaborate with other companies within all processes from food production through to distribution and consumption to establish the necessary quality control methods for maximizing the value we offer to customers.
Corporate Governance

Basic Stance

DENSO recognizes the establishment of corporate governance as a priority initiative for achieving sustainable long-term increases in corporate performance in a fast-changing global market. Based on its Basic Policies on Corporate Governance, DENSO has adopted a corporate auditor system under which it has established the General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board, and Accounting Auditors as statutory bodies. In addition to these legal functions, the Company has established various governance-related frameworks. At the same time, the Company provides information regarding its business conditions to its shareholders and other investors on an ongoing basis, thereby implementing sound, efficient, and transparent management.

Efforts to Improve Corporate Governance

DENSO is working to evolve its corporate governance to realize sustainable increases in corporate value even amid a dramatically changing world. To that end, in addition to strengthening discussion on Companywide strategies, we have been appointing officers with a higher awareness of gender distinction and internationality while working to reduce the number of our overall officers. In January 2021, we took steps to make our organization more flexible by revising our corporate officer system (integrating the executive officer, executive fellow, and senior director positions into one senior director position). In these ways, we have been working to accelerate the speed of management decision-making and business execution. Going forward, we will continue to implement sound, efficient, and transparent management including through the significant reduction of cross-shareholdings.

Change in Corporate Governance Structure

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<th>(Fiscal year)</th>
<th>2016</th>
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<th>2019</th>
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<td>Separation of management and execution</td>
<td>- Separated and clarified the roles between members of the Board, who are responsible for management (decision-making and supervision), and senior executive directors (newly established position) and executive directors, who are responsible for the execution of business operations - Appointed independent outside director as the chair of the Compensation Committee - Changed the name of the Officer Nomination and Compensation Advisory Council to the Executive Nomination and Remuneration Council, adopting a new structure under which independent outside directors make up the majority and an independent outside director serves as chair</td>
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<td>Changed the title of &quot;senior executive director&quot; to &quot;executive officer&quot;</td>
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<td>Changed the appointment timing of senior executive officers and senior directors to January in conjunction with the changes to our Companywide organization and position structure</td>
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</tbody>
</table>

85 Corporate Governance
92 Dialogue with the Outside Directors
96 Directors and Audit & Supervisory Board Members
98 Risk Management
100 Compliance
Support Structure for Outside Officers

When holding Board meetings, we provide outside directors and outside Audit & Supervisory Board members with explanations on important agenda items before the meetings with the aim of ensuring access to information between the inside and outside officers and maximizing the performance of our outside officers. In this way, we make concerted efforts to ensure the efficient operation of Board meetings. Furthermore, the senior executive officers provide preliminary explanations to the outside officers on a regular basis so that the outside officers can deepen their understanding regarding the details of our businesses.

In addition, we have established the Audit & Supervisory Board Office as an organization dedicated to supporting the Audit & Supervisory Board members in conducting their duties. The office reports the condition of audits at meetings of the Audit & Supervisory Board Office. Additionally, we hold meetings twice a year between the Audit & Supervisory Board members and the outside directors to exchange opinions, in addition to regular meetings of the Independent Officer Meeting. Through these means, we are striving to actively provide information to our outside officers as well as instigate communication between them.

Structure for Business Execution

DENSO CORPORATION separates the functions of the Board of Directors, which conducts management oversight, and the executive directors, who handle business execution. As bodies for deliberating important matters pertaining to business execution, the Company has established the Management Strategy Meeting and the Management Deliberation Meeting. These two bodies, together with the Board of Directors, are positioned as executive committees.

Management Oversight Function

Two inside Audit & Supervisory Board members and two outside Audit & Supervisory Board members with dedicated staff are responsible for monitoring the execution of duties by directors as well as the business operations and financial conditions of the Group.

In accordance with in-house regulations, the Internal Audit Department conducts internal audits on the legality, validity, and efficiency of the Company's operations. Based on the issues pointed out in these audits, each department of the Company is working to establish and subsequently enhance operational control and management systems. Audit & Supervisory Board members attend important meetings including meetings of the Board of Directors and audit directors' execution of their business duties through the exchange of information with the Internal Audit Department and Internal Control Department, as well as with the Accounting Auditors, thereby facilitating their management oversight function.

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

DENSO has all Board members take a survey involving an evaluation of the operation of the Board of Directors, the agenda items discussed, the process for making resolutions, and support for outside officers. The Company also holds interviews with the inside officers with the aim of obtaining the frank opinions of Board members regarding issues and areas of improvement. The results of these surveys and interviews are reported to the Board of Directors and shared between all members who attend Board meetings. By doing so, these surveys and interviews help enhance the effectiveness of the Board of Directors. The issues and measures for improvement for fiscal 2021, identified through these surveys and interviews, are as follows:

- Examine the possibility of holding off-site meetings as a means to deepen discussion on medium- to long-term strategies and DENSO's Great Cause as a company
- Create opportunities for the exchange of opinions between the president, inside directors, and outside directors
- Clarify the positioning of reporting—making medium- to long-term strategies and important decisions by the Board of Directors
- Establish an environment in which it is easy to exchange opinions freely, even when participating via the internet
- Simplify on-the-day discussions and allocate ample time for opinion exchanges and deliberations
- Establish environment that allows outside directors to participate
- Provide opportunities for off-site tours, seminars, and exchanges (aimed at improving the utilization of the internet)
- Provide feedback and explanations of the decision process for the Management Oversight Committee
- Distribute materials used at meetings of the Management Deliberation Meeting and complement such materials with handwritten explorations
Approach to Balance and Diversity among Directors and Audit & Supervisory Board Members

The Board of Directors consists of members who are familiar with the management of the Group’s businesses and its pressing issues. The composition of the Board strikes a strong balance between expertise, experience, skills, and global perspectives, including those of the outside directors. For the Audit & Supervisory Board, the Board selects persons who possess knowledge related to not only business management but also finance, accounting, and law. In this way, the Company aims to achieve a balance between divergent opinions and secure the necessary level of expertise to ensure that the Board of Directors functions properly.

Policy and Procedures for the Appointment of Directors and Audit & Supervisory Board Members

Policy
Without consideration of gender or age, the Company appoints directors and Audit & Supervisory Board Members with an emphasis on diversity, including gender and background. The Company has the viewpoint of striking a balance between skills, expertise, and experience that will contribute to the development of the Company while taking into account business size, industry, and regional diversity. The Board of Directors, comprehensively taking into account their background, personality, insight, and other factors, selects candidates for the selection for the current fiscal year.

Procedures
The Audit & Supervisory Board selects candidates after the Board of Directors, comprehensively taking into account their background, personality, insight, and other factors, selects candidates for the selection for the current fiscal year.

Outside Directors and Outside Audit & Supervisory Board Members

Outside Directors

Yuko Mitsuya
Yuko Mitsuya has an abundance of experience and knowledge in many fields, having long been in management at several companies including those in the automotive, chemical, and energy and closing businesses. She has also served as an independent director and Audit & Supervisory Board Director of a number of major companies such as Sumitomo Chemical and Showa Denko, in the capacity of an outside director and as Audit & Supervisory Board members. She has also served as an independent director of the Tokyo Stock Exchange. In the field of international law, she possesses a wealth of expertise, experience, skills, and global perspectives, including those of the outside directors. For the Audit & Supervisory Board, the Board selects persons who possess knowledge related to not only business management but also finance, accounting, and law. In this way, the Company aims to achieve a balance between divergent opinions and secure the necessary level of expertise to ensure that the Board of Directors functions properly.

George Olcott
George Olcott has managerial experience at foreign capital companies, including his experience as the head of the Tokyo Branch of a UK-based investment advisory company. He currently serves as a Board Member at a number of companies, including the Tokyo branch of a U.K.-based investment advisory company. He currently serves as a Guest Professor at Keio University, Faculty of Business and Management.

Shigei Kushida
Shigei Kushida has the experience of having led diverse projects related to the development and strategy of the Japanese economy and corporate governance in global management. She has been a director of the Ministry of Finance and Economy at Japan’s central bank, which serves as the center of the Japanese economy, by filling the posts of Director General and Executive Director of the Bank of Japan. She currently serves as Director, Representative Executive Officer of the Global Research Center at Japan Securities Finance Co., Ltd. The Company has appointed her as an Outside Director in the expectation that she will continue to provide insight that will be reflected in the Company’s management.

Yoko Miura
Yoko Miura has an extensive background in management, having served as a director of several corporations and associations and filling the posts of officer and committee member at several associations. She currently serves in such positions as Outside Director, The Futa Club, Ltd, Outside Director (Audit & Supervisory Board) of Seto Inland Sea Expressway Co., Ltd, and the Japan Basketball Association. The Company has appointed her as an Outside Director, in the expectation that she will continue to apply her broad expertise in the financial and monetary economy in the Company’s management.

Director Koji Arima
Koji Arima has long been active in the field of corporate governance and has been a director of the Board of Directors of an international company. He currently serves as a member of the executive board of the Japan Securities Dealers Association and the National Investment Advisers Association of Japan. He also serves as the independent director and member of the Audit & Supervisory Board of a number of major companies, including, among others, theheads of the Toyo Keizai Economic Research Institute, the Japan Association for Corporate Governance, the Japan Securities Dealers Association, and the National Investment Advisers Association of Japan. He currently serves as an independent director and member of the Audit & Supervisory Board of a number of major companies, including, among others, the independent directors of the Japan Securities Dealers Association, the National Investment Advisers Association of Japan, and the head of the Toyo Keizai Economic Research Institute. The Company has appointed her as an Outside Director in the expectation that she will continue to provide insight that will be reflected in the Company’s management.

Hironori Kihara
Hironori Kihara serves as chief financial officer of Nippon Telegraph and Telephone Corporation, where he is responsible for the company’s financial strategy and operations. He has also served in various roles at the company, including as chief financial officer of NTT East and NTT West. The Company has appointed him as an outside director and member of the Audit & Supervisory Board in the expectation that he will continue to apply his extensive knowledge and expertise in the field of corporate governance.

Criteria for Judging the Independence of Outside Directors and Outside Audit & Supervisory Board Members

With respect to the independence of outside directors and outside Audit & Supervisory Board members, assuming that they fulfill the independence criteria stipulated by the Financial Instruments and Exchange Act, they must possess a wealth of experience and knowledge in specialized areas such as corporate management, law, accounting, and finance and are required to be able to proactively make proposals, suggestions, and give opinions about management issues. The Company declares that five outside officers who meet the qualifications for independent director and Audit & Supervisory Board member are independent officers.

Executive Compensation

Compensation System
In fiscal 2021, we introduced a restricted stock compensation plan for eligible directors. The plan is designed to have the eligible directors further share value with the shareholders and to provide them with more incentives to enhance corporate value over the medium to long term. With the addition of this plan, our new system for the compensation of directors (excluding non-executive directors and outside directors) hereinafter, “eligible directors”) consists of basic compensation (fixed amount), a bonus (short-term incentive), and share-based compensation (medium- to long-term incentive). The ratios of basic compensation, bonus, and share-based compensation are set at roughly 60%, 30%, and 10%, respectively. Also, we will continue to monitor the impact of introducing share-based compensation and will consider increasing the ratio of share-based compensation accordingly.

Also, we do not have a system in place for retirement benefits and stock options.

(a) Determination policy and determination process
Regarding the policy on determining the remuneration for directors (hereinafter, “determination policy”), the Company’s Board of Directors determines resolutions based on the content of deliberations by the Executive Nomination and Remuneration Council, which comprises a majority of independent outside directors. The Company’s compensation system for directors is designed to:

- Facilitate initiatives to achieve medium- to long-term enhancement of corporate value and management from the perspective of shareholders
- Incentivize eligible directors to enhance business performance by linking the Company’s performance with individual performance

The Company’s compensation system for eligible directors consists of basic compensation and bonuses, which serve as a short-term incentive, as well as a restricted stock compensation plan, introduced in fiscal 2022, which serves as a medium- to long-term incentive.

Compensation payable to non-executive directors and outside directors comprises only basic compensation (fixed amount) to ensure independence from management.

Compensation payable to Audit & Supervisory Board members also comprises only basic compensation (fixed amount) based on the fact that their role includes the implementation of legal compliance audits.

Regarding compensation payable to directors, in accordance with the resolution adopted by the 97th Ordinary General Meeting of Shareholders held on June 19, 2014, the maximum amount of basic compensation payable to Audit & Supervisory Board members is set at ¥1,550 million per month. The amount of compensation payable to directors and the compensation system itself are determined by the Executive Nomination and Remuneration Council, which is chaired by an independent outside director and whose majority consists of independent outside directors, from the viewpoint of ensuring objectivity, fairness, and transparency. The council comprises five members: Independent Outside Director Shigeki Kushida (chair), Independent Outside Director George Olcott, Independent Outside Director Yoko Miura, Representative Director Koji Arima, and Audit & Supervisory Board Member Shingo Kawai.

The Board of Directors has adopted a resolution to entrust the determination of the total amount of compensation for the relevant fiscal year and the determination of the amount of compensation for each director to the Executive Nomination and Remuneration Council. The Executive Nomination and Remuneration Council deliberates on the officer compensation system and determines the amount of compensation for each director.

Compensation System

Before revisions

Basic compensation
Monthly limit of ¥80 million
($2,080 million over the course of a year)

60%

Bonus
Amount revised by the General Meeting of Shareholders
40%

After revisions

Basic compensation
Yearly limit of up to ¥1.0 billion
60%

Bonus
Yearly limit of up to ¥200 million
30%

Share-based compensation
Yearly limit of up to ¥150 million
10%

Compensation of Directors and Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Position</th>
<th>Total Compensation (¥ million)</th>
<th>Basic Compensation by Type (¥ million)</th>
<th>Share-based Compensation (¥ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors (excluding outside directors)</td>
<td>350</td>
<td>250</td>
<td>100</td>
</tr>
<tr>
<td>Directors (including outside directors)</td>
<td>83</td>
<td>83</td>
<td>6</td>
</tr>
<tr>
<td>Outside directors</td>
<td>85</td>
<td>85</td>
<td>5</td>
</tr>
</tbody>
</table>
Each type of compensation for eligible directors is outlined below.

1) Basic compensation
   Paid as monthly fixed compensation according to officer role
   As of April 2021, the amount of basic compensation is determined in reflection of an individual performance assessment, which evaluates the performance and achievements of each officer.

2) Bonus
   A bonus is paid based on the "bonus table" determined according to the degree of achievement of consolidated operating profit for the relevant fiscal year for which the reference amount of ¥320 billion was set in 2012. This amount was set as the amount of consolidated operating profit necessary for the Company's sustainable growth. The bonus is also paid based on an individual performance assessment, which evaluates the performance and achievements of each officer.
   The "bonus table" is set in a manner such that if the degree of achievement of consolidated operating profit is 200% compared with the reference amount, the standard annual personal income will be roughly in the top 35% of the market, and if the degree of achievement of consolidated operating profit is 50% compared with the reference amount, the standard annual personal income will be roughly in the bottom 25% of the market. Consolidated operating profit for the fiscal year under review was ¥155.1 billion.

3) Share-based compensation
   The Board of Directors has adopted a resolution on share-based compensation in consideration of the maximum amount of share-based compensation payable (up to ¥200 million per person) determined by the 97th Ordinary General Meeting of Shareholders held on June 10, 2020. The main details of the share-based compensation are as follows.

- Number of Directors: 13
- Total Amount of Compensation: ¥200 million
- Amount of Compensation per Director: ¥15.36 million
Establishing a More Effective Governance Structure to Enhance Corporate Value with a Focus on the Turbulent Times Ahead

Japanese companies’ corporate governance is being strengthened with the revision of Japan’s Corporate Governance Code in June 2021, among other factors. We asked DENSO’s three outside directors, who lead the way with the Company’s governance reforms, to discuss these developments from their independent perspective.

What is your evaluation of DENSO’s current corporate governance structure?

Kushida: I feel that DENSO is a company that has closely observed global trends, such as the revision to the Corporate Governance Code, and has taken steps to reinforce its governance in anticipation of such trends. The broad range of corporate organizational structures stipulated under the Companies Act are simply just that, structures, and this is why we are seeing various rules being added to the code that do not actually have a relationship with one particular structure. What is important with regard to corporate governance is not “structure” but rather “substance.” Or, in other words, how an individual corporation endeavors to enhance its corporate governance. From this perspective, I personally feel that DENSO has made consistent, earnest efforts to enhance the substance of its governance.

Mitsuya: In the sports world, there is actually a “Governance Code for National Sport Federation Members,” which calls for the establishment of targets for increasing the percentage of external members and women executives belonging to national sports federations. It truly depends on the organization whether to adopt an approach that prioritizes structure or one that prioritizes substance.

With that said, I believe that DENSO is a company that has intrinsically developed a motivation to strengthen its corporate governance. This means that DENSO views strengthening governance as a means to hedge risks and achieve sustainable growth. I therefore have a positive outlook regarding DENSO’s level of commitment to governance.

Olcott: I am now in my eighth year of serving as an outside director at the Company. At the time I was appointed to this position, I was one of the Company’s first two independent outside directors. During the past seven years, governance at DENSO has undergone dramatic change. A good example of this is succession planning. Established in 2016, the Officer Nomination and Compensation Advisory Council (hereinafter, the former advisory council) is where we have spent the last two to three years identifying potential successors to the CEO and engaging in thorough debate as to career path and development for the candidates we identified. In these and other ways, I believe that DENSO is in the process of modernizing its approach to governance.

What do you perceive to be issues for DENSO pertaining to corporate governance going forward?

Kushida: The original purpose of governance is to determine the future design of a company itself. I believe there is still capacity for the Board of Directors to hold deeper discussion on this matter.

Without a doubt, DENSO’s strengths lie within the technological capabilities of its core businesses, and internal members of these businesses are naturally the ones who understand these strengths the most. When an issue is discovered, DENSO’s dedication and ability to enact a swift, comprehensive response, almost instantaneously, from the top down is extremely impressive, as demonstrated by “Reborn21.”

However, the situation surrounding the automotive industry is changing at an extraordinary rate. As no one is truly able to predict the future, DENSO cannot necessarily guarantee its own future as a company by simply building upon its existing technologies. For that reason, DENSO must be aware of elements other than technology and make use of external screening functions.

Mitsuya: Even during the COVID-19 pandemic and amid semiconductor shortages, which has been occurring since the fall of 2020, I have been extremely impressed with DENSO’s
ability to manage the crisis as well as the speed of the Company’s initial actions to respond to the states of emer-
gency. However, there are no guarantees that relying on past
successes will allow DENSO to endure this once-in-a-century
paradigm shift. With this being the case, it is even more
important for the Board of Directors to tackle external uncer-
tainties head-on and deepen discussion accordingly.

Olcott: While discussions around the fast-approaching CASE
era have greatly increased over the past year, it is still impor-
tative that the Board engage in broader conversations, focusing
on how the automotive industry will look 10 years from now.
The kind of competitive environment we will be operating in,
the emergence of new competitors, as well as the resources
the Company will need to survive and prosper in different
worlds. To preserve its current edge over the medium to
long-term, I believe DENSO needs to flexibly pursue partner-
ships with overseas companies as appropriate.

Moreover, regarding plans for developing future leaders,
the skill set required for the Company’s CEO in 10 years hence
will not necessarily be the same as the one needed today. DENSO
must therefore abandon the notion that a successor candi-
date should come from the group of Japanese male employ-
ees that joined the Company directly on graduation, which
has formed the core management group hitherto.

Mitsuya: While I personally do not believe that DENSO must
change its current structure no matter what, it certainly
would benefit the Company to hold discussions on further
increasing the percentage of external members belonging to the
Executive Nominations and Remuneration Council and the
Board of Directors.

Olcott: I have been an outside director at listed Japanese
companies since this time. I have witnessed the
governance of Japanese companies undergo remarkable
change. Today, corporate governance rules in Japan have
converged considerably with those in the United Kingdom.
Going forward, I believe Japanese companies will inevitably
place more emphasis on incorporating outside members and
perspectives, and therefore, DENSO should proceed with
participation discussion today to prepare for this development in the future.

How do you evaluate DENSO’s new strategies
concerning “green” and “peace of mind”?

Kushida: Firstly, with regard to “green,” the automotive indus-
try has traditionally maintained a high level of awareness
regarding the need to reduce CO₂ emissions. However, since
the announcement of the 2050 Carbon Neutrality Declaration
by the Japanese government, there has been even greater
impetus to promote initiatives aimed at reducing carbon-neutral growth, and it is our job as outside
directors to thoroughly ascertain the effectiveness and con-
sistency of such efforts. I believe the establishment of this
strategy has provided us, as outside directors, with an impor-
tant set of standards for evaluating DENSO’s management.

Olcott: The Company’s conversations on carbon neutrality
have in fact been developing over a period of many years.
DENSO has been formulating business division-specific tar-
gets for reducing CO₂ emissions and been taking action
accordingly. Recently, in its strategic thinking on the
Company’s business portfolio and capital allocation, the
impact of changes in the portfolio on carbon emissions has
become an important factor not just the impact on the bottom line.

Mitsuya: For a Monozukuri (manufacturing) company like
DENSO, discussions on how to utilize green energy and other
eco-friendly technologies are unavoidable. At the moment,
thermal power is essentially one of Japan’s only sources of
stable energy. For that reason, even if the development of
electrified vehicles is prioritized, the environmental impact of
producing the energy required to move these vehicles cannot
be ignored. Determining how we should tackle this issue within
this small island country is an extremely challenging task.

Olcott: That being said, if DENSO is too inward-looking and
focuses only on the domestic market, we will not be able to
establish DENSO’s—and, for that matter, Toyota’s—technolo-
gies as global standards. Recently, DENSO has entered into
an alliance with the U.S.-based Honeywell International,
developing electric propulsion units to meet new aerospace
needs. DENSO also boasts globally competitive technologies
in the field of agriculture. Going forward, I believe DENSO
must accelerate its global expansion by continuing to explore
integration with other partners around the world.

Next, in regard to “peace of mind.” DENSO has an
extremely high level of prowess in terms of image recognition
and other technologies. The Company is also able to offer
competitive products in fields related to “peace of mind.”
However, DENSO’s software development capabilities are still
limited, compared to its leading role in developing key technol-
ologies in such areas as “connected” driving, where cloud
dependent capabilities are so important. The lack of soft-
ware engineering capabilities in areas such as cloud is an
issue that generally affects all Japanese companies. In that
sense, this is not a problem that can be resolved by the
efforts of DENSO and the Toyota Group alone.

Mitsuya: That is an issue. Even with the technological capa-
bilities of individual corporations, Japan will begin to fall
behind in its response to this issue without government poli-
cies to support these corporations. We need to put into
draft a proposal for the Government to support the formation of
corporate partnerships to develop autonomous driving technol-
ogy and accumulate actual data from cars driving on public roads in
Japan than is overseas. If DENSO focuses its efforts over-
seas from the strategic stages of developing “peace of mind”
technology, it may very well lead to achieving the practical application of that
technology in a shorter timeframe. In the generation to come,
it will become even more important for DENSO to cultivate
integrated capabilities that are separate from its existing
automotive technologies, including through the selection of
optimal partners, as Mr. Olcott mentioned.

Mitsuya: Although the DENSO-style approach of requiring
the best possible quality within the software domain is admir-
able, in order to increase development speed, there are likely
cases where it is best to discover bugs as you develop soft-
ware and then fine-tune the software while making revisions
after the fact. I feel that collaborating with exceptional start-
up companies will provide DENSO with a breakthrough for
realizing such an approach to software development.

In closing, could you please tell us how you aspire to
enhance DENSO’s corporate value in the future?

Kushida: From an overall perspective, DENSO is a company
that adopts an extremely forward approach in addressing
governance-related issues. I will work to foster my under-
standing of DENSO’s governance-related initiatives while
providing a perspective that differs from that of officers in
charge of business execution. I also aim to serve as a check-
point for monitoring the progress of initiatives. In these ways,
I hope to play a significant role in helping DENSO achieve
sustainable growth in a rapidly changing business
environment.

Olcott: The role of the outside director is not to formulate or
execute corporate strategy. Rather, his or her role is to over-
see the decision-making process at the Board. Our role is to
agree upon DENSO’s overall corporate mission and vision in
order to ensure that the strategy to meet the Company’s
medium- to long-term goals is rational and achievable and
that the Company has the resources to deliver the strategy,
as well as to hold management accountable for achieving
those goals. In order to do this, we need to understand the
competitive and technological environment that the Company
operates in, and what that environment is likely to look like in
the medium to long term. Consistency between this vision of
the future and the Company’s strategy will enable us to
firmly that the Company will remain competitive, enhance cor-
porate value, and be able to deliver the returns that are
expected of its stakeholders, especially the shareholders.
DENSO’s head office is located in the city of Kanoya in Aichi
Prefecture. At the General Meeting of Shareholders, you can
feel the extraordinary level of local support DENSO received
from its shareholders, emphasizing the intimate links the
Company has with the local community. Furthermore,
DENSO’s management maintains a close relationship with its
employees, and they are extremely open in their communica-
tion with us. Building on its close relationship with local soci-
ey and employees, I hope to assist DENSO, using my
outsider’s perspective, to continue to build links with share-
holders and other important stakeholders.

Mitsuya: Being the frontrunner of the industrial world, the
automotive industry is the one in which you can clearly see
how quickly changes manifest themselves in these modern
times. Automobles were first developed in the second half of
the 19th century. Comparing the circumstances then to those
of today, you can gain a sense that we are in a completely
different world. Moreover, the changes that will occur in the
next 10 years will likely rival the changes that have occurred
over the past 100. Giving consideration to this idea, there is a
possibility that the work we engage in today may not even
exist in five years’ time. The outside directors, in addition to
the Company’s management, must understand this point and
possess a sense of urgency. To that end, I will work to provide
DENSO’s management with more objective perspectives
while maintaining a global awareness and external network
from the independent standpoint of an outside director.
Directors and Audit & Supervisory Board Members

As of June 22, 2021

**Directors**

Representative Director, President & CEO

Koji Arima

Date of Birth: October 1, 1962

2003 Joined T

Senior Managing Director, DENSO CORPORATION (current position)

2007 Executive Director, DENSO CORPORATION

2019 President, DENSO Corporation (current position)

2020 Director and Senior Executive Officer, DENSO CORPORATION (current position)

Member of the Board

Akiyo Toyota

Date of Birth: May 1, 1954

1986 Joined T

Senior Executive Officer, DENSO CORPORATION

2008 Outside Director, Nippon Steel Corporation

2010 Project Professor, Research Center for Advanced Science and Engineering, The University of Tokyo

2019 President, Toyota Motor Corporation

2020 Director, Member of the Board, DENSO CORPORATION (current position)

Outside Director

George Occott

Date of Birth: May 2, 1952

1986 Director, S.G. Warburg & Co. Ltd.

1989 Executive Director, Bank of Japan Capital Market Group

1995 Head of Asia Pacific, S.G. Warburg & Co., Ltd.

1999 Head of Tokyo Branch, S.G. Warburg & Co., Ltd.

2001 Assistant President, S.G. Warburg & Co., Ltd.

2003 Manager, White月至月, University of Cambridge

2005 Judge, Judge, College of Liberal Arts, University of Cambridge

2009 Senior Fellow, Judge, Oxford University

2008 Outside Director, Nippon Steel Corporation

2010 Outside Director, Nippon Steel Corporation

2010 Project Professor, Research Center for Advanced Science and Engineering, The University of Tokyo

2019 President, Toyota Motor Corporation

2020 Outside Director, Member of the Board, DENSO CORPORATION (current position)

Outside Director

Shigeki Kushida

Date of Birth: June 2, 1963

1991 President, Bank of Japan

2003 Branch Manager, Tokyo Branch, Bank of Japan

2009 Director General, Financial and Corporate Affairs Office, Bank of Japan

2011 Director General, Planning Department, Bank of Japan

2011 Branch Manager, Nagoya Branch, Bank of Japan

2012 Outside Director

2013 Executive Director, Bank of Japan

2017 Executive Director, Nagoya Branch and Osaka Branch, Bank of Japan

2019 Deputy Governor, Bank of Japan

2020 Director, Member of the Board, DENSO CORPORATION (current position)

Outside Director

Yuko Mitsuya

Date of Birth: July 3, 1948

1986 Judge, Hibiya, LLC

2007 Representative Director, PHY N.Co., Ltd

2010 Director General, Business Management, Aichi Corporation

2015 Outside Director, Fujita Kanko Co., Ltd

2016 Outside Director, Fudan University

2018 Representative Director, UFUKA Corporation

2018 Outside Director, The Toyota Bank, Ltd (current position)

2020 Outside Director and Audit Supervisory Committee, DENSO CORPORATION (current position)

2020 Director, Member of the Board, DENSO CORPORATION (current position)

Representative Director

Yukihiro Shinohara

Date of Birth: March 8, 1962

1982 Joined T

Senior Executive Director, DENSO CORPORATION

2007 Executive Director, DENSO CORPORATION

2012 President, DENSO Corporation (current position)

2020 Director and Senior Executive Officer, DENSO CORPORATION (current position)

Member of the Audit & Supervisory Board

Shingo Kuwamura

Date of Birth: August 16, 1959

1984 Merchant Banker, Mitsui & Co., Ltd.

1986 Head, New York Office

2013 Member M
d

2015 Outside Director, Member of the Board, DENSO CORPORATION (current position)

2015 President, Midori Consulting, Ltd.

2019 External Audit & Supervisory Committee Member, Honda Motor Co., Ltd.

2019 President, Midori Consulting (current position)

Outside Audit & Supervisory Board

Haruo Kitamura

Date of Birth: April 30, 1956

1974 Judge, National Tax Administration Agency, Kanagawa, Japan

2007 Registered as a Certified Public Accountant

2015 Chief Accountant, Keio University

2020 Outside Director, Nippon Steel Corporation

2020 Outside Director, Nippon Steel Corporation

2020 Director, Member of the Board, DENSO CORPORATION (current position)

Expertise and Abilities That Can Be Leveraged in the Management of the Board of Directors and Audit & Supervisory Board

Koji Arima

Excellent management process and leadership

Yukihiro Shinohara

Knowledge gained through an abundance of experience in business operations and experience in promoting Companywide projects

Kanichiro Itō

Knowledge gained through experience in corporate and regional management

Yasushi Matsum

Knowledge gained through wide-ranging experience in functional and operating departments

Akiyo Toyota

Abundant experience and extensive insight as a leader of the automotive industry

George Occott

Reliable expertise as well as abundant experience and deep insight related to corporate management

Shigeki Kushida

Widely experienced in leading innovation and business stabilization, and in starting up the Japanese economy

Yuko Mitsuya

Abundant experience in corporate management and many other fields, including as an officer and committee member at several sports associations

Shingo Kuwamura

Broad expertise in the management of overseas and domestic subsidiaries as well as in manufacturing departments

Motomi Nawa

Managerial experience at overseas subsidiary and extensive expertise gained from positions in functional and operating departments

Yasuo Goto

Broad range of experience in administrative and corporate management as well as in-depth audit knowledge in finance, accounting, and compliance

Haruo Kitamura

High level of insight related to accounting as a certified public accountant and vast experience in corporate management
Risk Management

Basic Stance
To minimize the impact of constantly diversifying risks, DENSO is working to expand and strengthen its risk management structure. Specifically, we have identified major risks that have the potential to damage our businesses into “risks,” which refer to circumstances where such matters have yet to manifest, and “crises,” which refer to circumstances where such matters have manifested. Based on these classifications, we are focusing our efforts on implementing preventive measures, which stop risks before they occur, and accurate response and recovery measures, which minimize damage in the event a crisis occurs.

Recently, DENSO has been facing a variety of risks, the likes of which it had previously never experienced. Since 2019, which marked the start of the deal with the fallout from the quality-related issue, we have faced major risks that have the potential to damage our management foundation. Additionally, risks stemming from the external environment such as COVID-19 pandemic have increased. To ensure the supply-demand for production materials, and cyber terrorism threats, have had a major impact on our business activities.

In light of these circumstances, we have once again recognized risk management as an important management issue. Going forward, we will pursue dynamic reforms to our risk management structure in order to strengthen our response capabilities.

Promotion Structure
DENSO has established the Risk Management Meeting, chaired by the chief risk officer (CRO), who is responsible for Groupwide risk management. The Risk Management Meeting is a Groupwide organization that confirms improvements to the Company’s risk management structure and framework and discusses and determines the direction of important risk management activities based on the conditions prevailing both inside and outside the Company. Through this organization, we are taking steps to strengthen measures to prevent damage to our businesses during normal times and measures to minimize damage during times of emergency.

In addition, we have created the Crisis Communication Manual to respond promptly and accurately in the event of a crisis. Depending on the severity and level of urgency of the situation, we assemble special countermeasure organizations to enact an agile response geared toward minimizing damage.

Risk Management Structure (under normal circumstances)

Risk Management Meeting
Chair: CRO

DENSO has been incorporating risk management into our daily operations. We have been dealing with the fallout from the quality-related issue, which has been the subject of the quality assurance and business continuity.

As there are a great deal of risk factors within the supply chain that could cause component supply issues, particularly natural disasters, geopolitical risks, and incidents and other emergencies, it is extremely important that we clarify our methods for responding to these kinds of issues within our supply chain.

Ascenting Risks and Clarifying Response
DENSO makes efforts to identify the risks it faces and manage these risks from the perspectives of damage mitigation and business continuity.

The organization has identified major risks related to life, credit, property, and business activities based on frequency of occurrence, level of impact, and the surrounding business environment. The Company designates responsible departments for each risk item and clarifies various factors pertaining to these items, including level of impact, risk occurrence, preventive measures, initial response, and recovery efforts. The Company also strives to enhance its preventive measures, initial response, and recovery efforts. In particular, from 2021 DENSO is identifying risks toward which it invests resources to promote countermeasures as “key risk items.” The Company has also established plans and targets toward further enhancing its crisis management, and the progress made toward these plans and targets is reported to the Risk Management Meeting. At the same time, DENSO is incorporating risk management into its regular business activities.

Additionally, in 2020 DENSO established the Risk Management Promotion Department, which serves as an independent organization that oversees the DENSO Group on a cross-organizational basis in order to steadily promote risk management. In 2021, the Company established the Economic Security Department with the aim of strengthening its internal preparations in response to growing economic security risks, such as restrictions on transactions between companies stemming from economic power struggles between nations.

Risk Map

Key risk items (11 items)
- Quality-related issues and fires and explosions,
- Work-related accidents and labor disputes,
- Environmental pollution, information security accidents, cyber attacks, incidents or other emergencies,
- Supply chain, war, terrorism, and natural disaster.

Major risk items (2 items)
- Management of departments responsible for risk management.
- Coordination with outside parties.

Examples of Response to Key Risks

Strengthening Our Risk Prevention and Initial-Response Measures and Formulating BCPs*

Corporations have been facing an increasing number of serious risks recently. Externally, as a result of the progression of global warming, there are concerns over the frequent occurrence of natural disasters and damages caused by climate change. Furthermore, we are currently seeing a surge in unemployment as a result of measures to combat COVID-19 and geopolitical risks.

In order to prepare for such circumstances, while placing the most importance on protecting people’s lives, it is imperative that we are able to swiftly recover our business operations in the event an emergency occurs, and take steps to minimize any damage it may cause to our businesses. In order to that end, we have commenced the formulation of BCPs from the perspective of business continuity management. We are also taking action in such ways as classifying risks according to the impacts they might present and prioritizing countermeasures for minimizing the impact from disasters. As there are a great deal of risk factors within the supply chain that could cause component supply issues, particularly natural disasters, geopolitical risks, and incidents and other emergencies, it is extremely important that we clarify our methods for responding to these kinds of issues within our supply chain.

Measures to Combat Infectious Diseases

In the event there is an outbreak or spread of an infectious disease, we are formulating action plans to ensure that our response headquarters can implement swift and accurate decision-making. These plans work to make such decision-making possible by outlining basic policies and response measures based on anticipated damages as well as by clarifying the role of each division. In the case of an infectious disease becoming severe, we will promote measures to combat the spread while placing the utmost priority on ensuring the safety of our employees and their families. At the same time, we will pursue such measures as the best response possible in order to maintain business continuity.

In our response to the COVID-19 pandemic, we promptly enacted an agile response geared toward minimizing damage our businesses into “risks,” which refer to circumstances we had previously never experienced. Since 2019, which marked the start of the quality-related issue, we have faced major risks that have the potential to damage our management foundation. Additionally, risks stemming from the external environment such as COVID-19 pandemic have increased. To ensure the supply-demand for production materials, and cyber terrorism threats, have had a major impact on our business activities.

We are also taking action in such ways as classifying risks according to the impacts they might present and prioritizing countermeasures for minimizing the impact from disasters. As there are a great deal of risk factors within the supply chain that could cause component supply issues, particularly natural disasters, geopolitical risks, and incidents and other emergencies, it is extremely important that we clarify our methods for responding to these kinds of issues within our supply chain.

Enhancing Our Response to Quality-related Issues—Building a Robust Foundation of Quality through the Rigorous Examination of the “Three Pillars of Recommitment to Quality”

DENSO has long positioned "quality first" as its starting point. However, in 2019, the largest-ever quality-related issue in DENSO’s history occurred. Taking this situation extremely seriously, all DENSO employees have recommitted themselves to "DENSO Quality First" with a strong determination and readiness. With this determination and readiness, we adopted and are making Continuous efforts toward the "Three Pillars of commitment to quality," which clarify various angles, including technologies, frameworks, management, and corporate culture.

Examples of continuous efforts toward the "Three Pillars of commitment to quality:" • We conduct cross-organizational, comprehensive inspections of products under development in order to thoroughly uncover potential risks and eliminate technical issues.

In addition, we are moving forward with efforts to shore up our foundation by strengthening our initial-response measures. While we have in place certain measures to secure inventory to minimize its impact on our businesses. At the same time, we have been holding conferences on countermeasures with various regional headquarters in order to collect information on the situation and needs in each country and region of operation in real time. In addition, we are making efforts to strengthen basic measures to prevent infections while promoting measures such as off-peak commuting and purchasing supplies and equipment in advance, in order to ensure that dental emergencies and accidents are treated promptly and that we can continue to collaborate on a global basis in response to this pandemic to ensure we can overcome the crisis it has caused.

Reinforcing Our Information Security Structure with a Focus on a "Connected Society"

Following the progression of automated driving, IoT, and other innovations, the importance of information, promoting efforts to respond to other risks facing cars and production facilities has become an extremely important issue. In addition, with the increase in remote working and online conferences stemming from the COVID-19 pandemic, the threat of information security risks has become increasingly more severe.

To that extent, we are developing technologies for products, such as advanced driver support and automated driving systems, from cyberattacks to ensure that people can drive cars safely and with peace of mind. We are also working toward creating a unique framework for ensuring that such technologies are steadily installed in vehicles. Furthermore, we are reinforcing security measures oriented to external/internal networks, production lines, and other facilities, and stepping up our efforts geared toward improving our employees’ information security literacy.

Meanwhile, we expect to accumulate various information assets internally as a result of progress toward a “connected society,” and these are an extremely valuable asset to our company decisions. To ensure that we use this information assets effectively and efficiently, we are promoting initiatives for improving our employees’ information security literacy. We are working to forecast risks from a broad range of perspectives, including contract conditions and adherence to laws and regulations, and establish a structure to appropriately manage and operate these assets.

CRO, when the virus first started to spread. Prioritizing the safety of our employees and their families, this response head- quarters has been examining countermeasures and providing direction on how to prevent the further spread of the virus and minimize its impact on our businesses. At the same time, we have been holding conferences on countermeasures with each regional headquarters in order to collect information on the situation and needs in each country and region of operation in real time. In addition, we are making efforts to reinforce basic measures to prevent infections while promoting measures such as off-peak commuting and purchasing supplies and equipment in advance, in order to ensure that dental emergencies and accidents are treated promptly and that we can continue to collaborate on a global basis in response to this pandemic to ensure we can overcome the crisis it has caused.

Footnote:
**BCP: Business Continuity Plan.**
Compliance

Response to Antitrust Laws
In February 2010, the U.S.-based subsidiary DENSO International America was investigated by the U.S. Department of Justice. Since then, we have established the Antitrust Laws Compliance Committee, chaired by the representative director. Under the guidance and supervision of this committee, we have endeavored to reinstitute strict compliance with the Antitrust Laws across the entire DENSO Group. These efforts have included ensuring strict adherence to laws and regulations, strengthening education about relevant rules, and conducting more precise audits regarding legal compliance.

Response to Anti-Bribery Laws
DENSO formulated the “Global Anti-Bribery Policy” to serve as its basic approach to preventing bribery. At the same time, the Company established the Compliance and Anti-Bribery Committee, which is chaired by a relevant Company director. This committee takes the lead and provides supervision on the formulation of bribery prevention rules and the promotion of employee awareness and education measures through e-learning. We also have Sustainability Guidelines for Suppliers in place to prevent bribery between suppliers and third parties. In these ways, we are working to thoroughly prevent bribery throughout the supply chain.

Response to Tax Compliance
DENSO has established the “Global Tax Policy” to meet its social responsibility through proper tax payment. Under this policy, we actively engage in activities for tax compliance on a Group-wide basis, such as providing training for employees and abiding by rules for cross-border transactions.

Basic Stance
We believe that key actions to earn the trust and understanding of society pertain to the DENSO Group’s observance of all applicable national and regional laws and all employees’ fair and faithful conduct that embodies the highest ethical standards. Based on this recognition, in 2006 we adopted the Code of Conduct for DENSO Group Associates, which clearly indicates the standards of conduct for each and every employee. In training and at workplace conferences, we utilize the Code for raising employees’ awareness of compliance, which includes all domestic Group companies. Overseas Group companies use a regional version of the Code of Conduct for DENSO Group Associates, formulated by their regional headquarters in accordance with national and regional laws and customs.

Promotion Structure
In 1997, DENSO created a Business Ethics and Compliance Committee chaired by a director to provide oversight in that area (currently the Risk Management Meeting). We have also installed committee structures, such as the Compliance Committee, and compliance promotion officers, such as compliance leaders, at the regional headquarters of each region of our collective global base. In doing so, we are building global systems that promote compliance, while at the same time promoting the development of organizational structures that take differing regional characteristics into consideration, introducing and operating reporting systems, and pursuing enlightenment activities.

Specific Initiatives
Educational and Awareness Activities
DENSO implements various educational and enlightenment activities for employees on an ongoing basis with the aim of enhancing their overall awareness of compliance matters. In Japan, we carry out educational and enlightenment activities related to compliance, including position-based training, various e-learning programs, and the “Business Ethics Month” (every October). We also roll out similar activities for employees in each region of operations, centered on our regional headquarters.

Inspection and Improvement of Activities
DENSO conducts inspections to ascertain whether its compliance activities have sufficiently taken hold and to look for any potential compliance issues. If an issue is discovered, reports are made to top management when necessary, and steps are taken to prevent a recurrence of the issue.

For example, DENSO CORPORATION holds a sustainability survey every year in order to gain an understanding on the extent to which compliance-related measures have taken hold and on potential compliance risks.
**Financial Highlights**

- **Revenue / Operating Profit / Operating Margin**
  - Revenue (left scale)
  - Operating profit (right scale)
  - Operating margin
  - No. of patents held overseas (left scale)
  - Operating profit (right scale)

- **Profit Attributable to Owners of the Parent Company**
  - (Billions of yen)

- **Total Assets / Equity Attributable to Owners of the Parent Company**
  - Total assets
  - Equity attributable to owners of the parent company

- **EPS / Cash Dividends per Share / Dividend Payout Ratio**
  - EPS (left scale)
  - Cash dividends per share (left scale)
  - Dividend payout ratio (right scale)

**Non-Financial Highlights**

- **CO₂ Emissions per Unit**
  - (Non-Consolidated)
  - (Index)

- **Ratio of Local Employees in Leadership Roles at Overseas Bases**
  - (Percent)

- **Number and Ratio of Female Employees in Managerial Positions**
  - (Non-Consolidated)
  - (Percent)

- **Number of Patents Held and Patent Applications Filed in Japan and Overseas**
  - (Number)

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Please see the link below for more financial information.

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<tbody>
<tr>
<td>Revenue</td>
<td>3,146.4</td>
<td>3,580.9</td>
<td>4,095.0</td>
<td>4,324.5</td>
<td>4,527.4</td>
<td>5,108.3</td>
<td>5,362.8</td>
<td>5,153.5</td>
<td>4,936.7</td>
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<tr>
<td>By Region*</td>
<td>Japan</td>
<td>North America</td>
<td>Europe</td>
<td>Asia</td>
<td>Others</td>
<td>Japan</td>
<td>North America</td>
<td>Europe</td>
<td>Asia</td>
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<tr>
<td></td>
<td>1,640.0</td>
<td>625.9</td>
<td>795.9</td>
<td>1,801.5</td>
<td>1,118.2</td>
<td>1,182.0</td>
<td>1,145.2</td>
<td>1,134.1</td>
<td>999.9</td>
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<tr>
<td>Operating Profit</td>
<td>2,650.2</td>
<td>371.4</td>
<td>326.1</td>
<td>258.2</td>
<td>245.8</td>
<td>257.8</td>
<td>255.6</td>
<td>254.1</td>
<td>249.1</td>
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<tr>
<td>Operating Margin</td>
<td>5.1%</td>
<td>7.3%</td>
<td>9.1%</td>
<td>9.7%</td>
<td>8.8%</td>
<td>8.0%</td>
<td>7.9%</td>
<td>8.1%</td>
<td>3.1%</td>
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<td>Profit Attributable to Owners of the Parent Company</td>
<td>89.3</td>
<td>181.1</td>
<td>277.2</td>
<td>258.4</td>
<td>231.4</td>
<td>257.6</td>
<td>250.5</td>
<td>250.1</td>
<td>125.1</td>
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<tr>
<td>Total Assets</td>
<td>3,607.7</td>
<td>3,979.1</td>
<td>4,642.1</td>
<td>5,283.3</td>
<td>5,042.9</td>
<td>5,150.8</td>
<td>5,764.4</td>
<td>5,792.4</td>
<td>5,651.8</td>
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<tr>
<td>Equity Attributable to Owners of the Parent Company</td>
<td>2,009.0</td>
<td>2,300.1</td>
<td>2,799.9</td>
<td>3,327.9</td>
<td>3,123.6</td>
<td>3,312.7</td>
<td>3,598.3</td>
<td>3,595.7</td>
<td>3,397.1</td>
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<tr>
<td>Cash on Hand</td>
<td>1,022.1</td>
<td>1,095.2</td>
<td>1,034.1</td>
<td>944.0</td>
<td>876.7</td>
<td>858.4</td>
<td>918.3</td>
<td>880.8</td>
<td>711.6</td>
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**Non-Consolidated**

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<tbody>
<tr>
<td>Number of Employees</td>
<td>126,036</td>
<td>132,276</td>
<td>139,842</td>
<td>146,714</td>
<td>151,775</td>
<td>154,493</td>
<td>168,813</td>
<td>171,992</td>
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<tr>
<td>Ratio of Local Employees in Leadership Roles at Overseas Company</td>
<td>55.7%</td>
<td>57.8%</td>
<td>60.3%</td>
<td>63.0%</td>
<td>61.9%</td>
<td>64.3%</td>
<td>62.4%</td>
<td>60.1%</td>
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<tr>
<td>R&amp;D Expenditure</td>
<td>298.4</td>
<td>335.5</td>
<td>387.8</td>
<td>374.3</td>
<td>492.0</td>
<td>7,347</td>
<td>9,870</td>
<td>7,290</td>
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<tr>
<td>Cash Dividends per Share (yen)</td>
<td>46</td>
<td>64</td>
<td>105</td>
<td>110</td>
<td>120</td>
<td>130</td>
<td>140</td>
<td>140</td>
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<tr>
<td>Total Dividend Amount</td>
<td>37.1</td>
<td>57.6</td>
<td>1,134.1</td>
<td>6,767.7</td>
<td>3,891.0</td>
<td>4,347.0</td>
<td>5,726.4</td>
<td>5,651.8</td>
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**10-Year Data**

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</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1,640.0</td>
<td>1,808.9</td>
<td>1,895.5</td>
<td>1,801.5</td>
<td>1,118.2</td>
<td>1,182.0</td>
<td>1,145.2</td>
<td>1,134.1</td>
<td>999.9</td>
</tr>
<tr>
<td>North America</td>
<td>526.1</td>
<td>625.9</td>
<td>795.9</td>
<td>1,081.1</td>
<td>1,118.2</td>
<td>1,182.0</td>
<td>1,145.2</td>
<td>1,134.1</td>
<td>999.9</td>
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<tr>
<td>Europe</td>
<td>373.2</td>
<td>348.8</td>
<td>470.5</td>
<td>562.8</td>
<td>550.2</td>
<td>620.2</td>
<td>609.4</td>
<td>548.3</td>
<td>482.3</td>
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<tr>
<td>Asia</td>
<td>579.8</td>
<td>734.5</td>
<td>855.4</td>
<td>989.5</td>
<td>1,146.0</td>
<td>1,215.1</td>
<td>1,086.9</td>
<td>1,134.1</td>
<td>1,134.1</td>
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<tr>
<td>Others</td>
<td>57.6</td>
<td>63.8</td>
<td>74.1</td>
<td>73.5</td>
<td>59.0</td>
<td>65.1</td>
<td>60.0</td>
<td>39.8</td>
<td>39.8</td>
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</tbody>
</table>

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*1 The countries and regions included in "by region" have changed as follows.
1) Fiscal 2012–Fiscal 2015: Japan, North America, Europe, Australia, and Others; fiscal 2016 and onward: Japan, North America, Europe, Asia, and Others

*2 Per unit = CO2 emissions/kWh (indexed to fiscal 2013 as 100)

*3 Ratio of electricity generated through cogeneration to total electricity used
Company Overview and Stock Information
(As of March 31, 2021)

Company Profile

Company Name: DENSO CORPORATION
Established: December 16, 1949
Capital: ¥187.5 billion
Head Office: 1-1, Showa-cho, Kariya, Aichi 444-8661, Japan
Employees: Consolidated basis: 168,391 Non-consolidated basis: 46,272
Subsidiaries: 200 (Japan 64, North America 23, Europe 32, Asia 32, Others 7)
Companies Accounted for by the Equity Method: 88 (Japan 24, North America 11, Europe 17, Asia 32, Others 4)
Fiscal Year: From April 1 to March 31
Ordinary General Meeting of Shareholders: June
Share Trading Unit: 100 shares
Number of Shares Issued: 774,900,899 shares (excluding DENSO CORPORATION ownership 13,044,052 shares of treasury stock)
Number of Shareholders: 68,561 (including DENSO CORPORATION owning treasury stock)
Securities Identification Code: 6902
Stock Exchange: Tokyo, Nagoya

Principal Shareholders (Top 10 Principal Shareholders)

<table>
<thead>
<tr>
<th>Number of Shares Held</th>
<th>Voting share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota Motor Corporation</td>
<td>108,919</td>
</tr>
<tr>
<td>Toyota Industries Corporation</td>
<td>29,573</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>18,800</td>
</tr>
<tr>
<td>custody Bank of Japan, Ltd. (trust account)</td>
<td>13,359</td>
</tr>
<tr>
<td>Nippon Life Insurance Company (Standing proxy)</td>
<td>13,044,052</td>
</tr>
<tr>
<td>Aisin Seiki Co., Ltd.</td>
<td>12,518</td>
</tr>
<tr>
<td>Nippon Life Insurance Company (Standing proxy)</td>
<td>7,967</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>7,967</td>
</tr>
<tr>
<td>The Old Tokia Life Insurance Company</td>
<td>7,967</td>
</tr>
</tbody>
</table>

Breakdown of Shareholders

- Individuals and Others: 72%
- Domestic Corporations: 20.8%
- Financial Institutions and Securities Companies: 9.2%
- Treasury Stock: 1.7%
- Foreign Corporations, etc.: 40.6%

Trend in TSR

- Year-end data, indexed at 100
- Dividends based on fiscal 2010

Overview of DENSO’s Corporate Website


Message from the Integrated Report Production Team

Thank you for reading Integrated Report 2021. We hope that this report has helped you gain an understanding of the sustainable value creation process that DENSO has adopted with the aim of maximizing the value of “green” and “peace of mind” in order to advance together with society. In addition to promoting timely and appropriate information disclosure, we will actively engage in dialogue with all those who make use of this report as we work to further enhance our corporate value going forward.