Accelerating Efforts toward Sustainability Management
One of the ideals of the DENSO Creed 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. Furthermore, we have established the DENSO Group Sustainability Policy to ensure that all DENSO employees act appropriately as members of a global organization and in accordance with the DENSO Creed and DENSO Philosophy throughout the interactions they have with our stakeholders and with society as a whole.

Long-term Policy for 2030
In the promotion of sustainability management, DENSO has formulated the Long-term Policy for 2030, 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 fundamental areas of focus, we have adopted the theme of “inspiring” and are working to create new value for society that can inspire our diverse stakeholders.

Promotion Structure for Sustainability Management
DENSO has appointed members of the Board and senior executive officers as the personnel in charge of sustainability management and has entrusted the promotion function for Companywide sustainability management to the Corporate Strategy Division. This division is involved in such efforts as drafting policies and action plans related to sustainability, providing follow-up support for the sustainability activities of each division, and engaging in internal and external communication. Furthermore, matters such as the direction of sustainability management and the status of Companywide sustainability activities are reported to and deliberated on by the Company’s formal committees (such as the Management Deliberation Meeting) and overseen by the Board of Directors. In addition, the divisions in charge of individual sustainability themes promote activities to address these themes in collaboration with relevant divisions and after deliberation on said themes by each expert committee.

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42 Results of the Long-term Plan for 2025 and Mid-term Policy for 2021
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50 Strategies for “Green” and “Peace of Mind”
Aims and Road Map for 2030

The DENSO Philosophy provides the foundation for drawing the outline of the Company’s management policies, and sustainability management acts as the core mechanism 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 for 2030, which serves as our vision for 2030. The Company also established material issues (Materiality) and various strategies as a path for realizing its Long-term Policy for 2030. Through these efforts, DENSO is implementing sustainability management.

Recently, we integrated our Long-term Plan for 2025, our Mid-term Policy for 2021, and the three strategies we are promoting under Reborn21 into the new Mid-term Policy for 2025. By promoting this policy alongside our strategies related to green and peace of mind, we will aim to realize our Long-term Policy for 2030.

Mid-term Policy for 2025
Path for achieving goals in fiscal 2026 that will help us realize the Long-term Policy for 2030

- Establishment of management foundation
- Reform of workstyles
- Transformation of business portfolio
- Realization of carbon neutrality
- Business growth in new domains

Reborn21
Revolutionary plan through fiscal 2022 to transform ourselves into a company of even higher quality

“Green” and “Peace of Mind” Strategy
Medium- to long-term strategies for further maximizing the value of green and peace of mind

- Realize carbon neutrality by 2035
- Become a leading company in the provision of peace of mind to society

1 Materiality
Important issues for achieving the Long-term Policy for 2030

- Green
- Peace of Mind
- Corporate Foundation

Growth Indicators to Realize the Long-term Policy for 2030 and Social Issues We Aim to Resolve
To realize its Long-term Policy for 2030, 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.

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

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

SDGs We Aim to Achieve through Our Business Activities

Main targets to be achieved using our products and services

- Realize carbon neutrality by 2035
- Become a leading company in the provision of peace of mind to society

Integration
Mid-term Policy for 2025
Path for achieving goals in fiscal 2026 that will help us realize the Long-term Policy for 2030

- Establishment of management foundation
- Reform of workstyles
- Transformation of business portfolio
- Realization of carbon neutrality
- Business growth in new domains

Aim to become a company indispensable to society by creating new value

Growth Indicators (Fiscal 2026)

- ROE 10% or higher
- Operating margin 10%

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

- Realize carbon neutrality by 2035
- Become a leading company in the provision of peace of mind to society

Long-term Policy for 2030

SDGs We Aim to Achieve through Our Business Activities

Main targets to be achieved using our products and services

- Realize carbon neutrality by 2035
- Become a leading company in the provision of peace of mind to society
### Awareness of Business Environment

Amid the ever-increasing global population, aging societies, and advancing urbanization, the progression of global warming and the increase in traffic accidents are becoming serious social issues. In addition, people’s values are diversifying and these issues are becoming increasingly more complex as a result of the digitization of society and the advancements in robotics, the impacts of the COVID-19 pandemic, and rising geopolitical risks.

Furthermore, in the mobility domain, measures are being taken to address a number of issues, such as efforts toward achieving carbon neutrality, reducing traffic accidents, and easing traffic congestion. These issues, coupled with the proliferation of IoT and AI, have led to advancements in electrification, automated driving, and connected driving.

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.

### Politics
- Tightening supply–demand situation for energy across the globe and the shift from low-carbon to carbon-free
- Progression in the transition to labor offered by AI and robotics, changes in work ethic and urbanization in emerging countries, acceleration of urban regeneration due to the shift to smart
- Expansion of ESG investment and acceleration of divestment
- Rise in nationalism due to growing regional disparities
- Rising geopolitical risks
- Intensifying confrontation due to differences in political structures

### Economy
- Rising of energy and environmental costs due to hydrogen-based society
- Restrictions on power generation of fossil fuels and strict combustion engines
- Establishment of laws to control international impacts on the environment and human rights
- Tightening of regulations due to climate change

### Society
- Diversification of people’s values and consumption behavior
- Rising of life expectancy
- Rise in internationalization
- Establishment of economic facts’ accessibility to individual countries and residents
- Expansion of ESG investment and acceleration of development

### Technology
- Integration of digital and physical domains due to the proliferation of IoT-related technologies
- Diversification of people’s values and consumption behavior
- Technological advancements in response to digitization of cars
- Rising of environmental costs
- Establishment of laws to control international impacts on the environment and human rights
- Tightening of regulations due to climate change

### Awareness of Business Environment

<table>
<thead>
<tr>
<th>Risks</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tightening of regulations due to climate change</td>
<td>Establishment of laws to control international impacts on the environment and human rights</td>
</tr>
<tr>
<td>Rising of environmental costs</td>
<td>Tightening of regulations due to climate change</td>
</tr>
<tr>
<td>Establishment of laws to control international impacts on the environment and human rights</td>
<td>Rising of life expectancy</td>
</tr>
<tr>
<td>Tightening of regulations due to climate change</td>
<td>Integration of digital and physical domains due to the proliferation of IoT-related technologies</td>
</tr>
</tbody>
</table>

### 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 work to gain an accurate understanding of the outlook for the CASE evolution and changes in the mobility society, and thoroughly examine whether or not these changes will have an impact on the key initiatives of DENSO.

### Key Initiatives for DENSO

- Maximizing the Value of “Green” and “Peace of Mind” to Be Inspiring
  - The rapid changes in society that will occur going forward (such as changing values and behavior) present a significant opportunity for a company such as DENSO, which has continued to refine technologies and gain experience in the mobility domain. With the aim of reducing our environmental burden and realizing a society without traffic accidents, we will actively promote the creation of a mobility society with a view to achieving the goals of “safety viability” for the environment and “safe, comfortable, and flexible mobility for all people.” Furthermore, we will leverage the technologies we have cultivated through automotive products, system development, and Monolith to offer peace of mind and safety not just in the mobility domain but to all people in society. By doing so, we will continue to create new value that inspires society.

### Reinforcing the Corporate Foundation That Underpins Our Value Creation

- To flexibly tackle social issues, which are becoming more complex and diverse, we need to strengthen our risk management and governance frameworks with a view to achieving the goals of minimizing the impacts of risk. It is also important that we cultivate professional human resources and establish a vibrant organizational culture. In these ways, we will support the creation of higher quality value at faster speeds by reinforcing our management foundation.
We have determined material issues (Materiality) to be addressed in order to achieve our Long-term Policy for 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 have adopted the three themes of “green,” “peace of mind,” and “corporate foundation” as areas that have a high level of importance for realizing a sustainable society and areas in which we can make significantly contributive 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 to each material issue we have identified. By achieving these KPIs through our business activities, we will strive to realize our Long-term Policy for 2030 and resolve social issues going forward.

**Materiality**

DENSO has selected important issues from among the various issues society faces within the three areas of “green,” “peace of mind,” and “inspiring” declared under DENSO’s Long-term Policy for 2030.

**Process for Determining Materiality**

DENSO evaluates the importance of each issue to society and their importance to management and selects their material significance (Materiality) through an approach process at the management level while receiving opinions and advice from third parties.

1. Reflect on DENSO’s past sustainability activities
2. Identify social issues by referencing the SDGs and ESG trends (FTSE, MSCI, etc.)
3. Set priorities and determine targets by analyzing the degree of importance to the Company and to society as a whole
4. Discuss with external experts (stakeholder engagement)
5. Discuss and approve at the management level

Plotting of Social Issues

<table>
<thead>
<tr>
<th>Degree of importance to the Company</th>
<th>Materiality</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
</tr>
</tbody>
</table>

**Materiality KPIs**

We establish KPIs for each of the identified material issues (Materiality), incorporate them into Company targets, and follow up on discussions at the Management Deliberation Meeting and the Board of Directors’ meetings. Furthermore, the level of achievement for some KPIs is evaluated as a calculation index for executive compensation.

### Materiality KPIs

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Vision</th>
<th>KPIs (Fiscal 2023)</th>
<th>Related SDGs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prevention of global warming</td>
<td><strong>Eliminate greenhouse gas emissions from factory operations</strong></td>
<td>- Reduce CO2 emissions from plants by 50% compared with fiscal 2021 (achieve carbon neutrality through energy conservation and carbon-neutral electricity and fuels)</td>
<td>• Popularize safety products and achieve sales of ¥2.080 billion in the ADAS domain</td>
</tr>
<tr>
<td>Prevention of air pollution</td>
<td><strong>Reduce fine dust emissions at all locations</strong></td>
<td>- Reduce fine dust emissions from plants by 10% compared with fiscal 2021</td>
<td>• Popularize products and achieve sales of ¥2.080 billion in the ADAS domain</td>
</tr>
<tr>
<td>Prevention of water resources</td>
<td><strong>Conserve water</strong></td>
<td>- Achieve reuse CO2 based on carbon neutrality and carbon-neutral electricity and fuels</td>
<td>• Popularize safety products and achieve sales of ¥2.080 billion in the ADAS domain</td>
</tr>
<tr>
<td>Reduction of traffic accidents</td>
<td><strong>Zero serious incidents</strong></td>
<td>- Achieve zero serious accidents in the fiscal year</td>
<td>• Popularize safety products and achieve sales of ¥2.080 billion in the ADAS domain</td>
</tr>
<tr>
<td>Provision of flexible and comfortable movement</td>
<td><strong>Improving work environment for employees</strong></td>
<td>- Improve job satisfaction among employees</td>
<td>• Popularize safety products and achieve sales of ¥2.080 billion in the ADAS domain</td>
</tr>
<tr>
<td>Provision of safe and secure products</td>
<td><strong>Provide high-quality safety products</strong></td>
<td>- Provide high-quality safety products that satisfy and gain the trust of customers</td>
<td>• Popularize safety products and achieve sales of ¥2.080 billion in the ADAS domain</td>
</tr>
<tr>
<td>Response to decrease in birthrate and aging population</td>
<td><strong>Ageing society</strong></td>
<td>- Provide high-quality products and services at home and in the workplace for older people</td>
<td>• Popularize safety products and achieve sales of ¥2.080 billion in the ADAS domain</td>
</tr>
<tr>
<td>Compliance</td>
<td><strong>Zero serious violations of laws</strong></td>
<td>- Achieve zero serious violations of laws</td>
<td>• Popularize safety products and achieve sales of ¥2.080 billion in the ADAS domain</td>
</tr>
<tr>
<td>Information security</td>
<td><strong>Zero serious incidents</strong></td>
<td>- Achieve zero serious incidents</td>
<td>• Popularize safety products and achieve sales of ¥2.080 billion in the ADAS domain</td>
</tr>
<tr>
<td>Diversity and inclusion</td>
<td><strong>Local employees in leadership roles at overseas bases: 20%</strong></td>
<td>- Achieve local employees in leadership roles at overseas bases</td>
<td>• Popularize safety products and achieve sales of ¥2.080 billion in the ADAS domain</td>
</tr>
<tr>
<td></td>
<td><strong>Number of women in management positions at SENSO CORPORATION: 30%</strong></td>
<td>- Achieve a gender-balanced workplace</td>
<td>• Popularize safety products and achieve sales of ¥2.080 billion in the ADAS domain</td>
</tr>
<tr>
<td></td>
<td><strong>Local employees in leadership roles at overseas bases: 30%</strong></td>
<td>- Achieve local employees in leadership roles at overseas bases</td>
<td>• Popularize safety products and achieve sales of ¥2.080 billion in the ADAS domain</td>
</tr>
<tr>
<td></td>
<td><strong>Number of women in management positions at SENSO CORPORATION: 40%</strong></td>
<td>- Achieve a gender-balanced workplace</td>
<td>• Popularize safety products and achieve sales of ¥2.080 billion in the ADAS domain</td>
</tr>
<tr>
<td></td>
<td><strong>Local employees in leadership roles at overseas bases: 40%</strong></td>
<td>- Achieve local employees in leadership roles at overseas bases</td>
<td>• Popularize safety products and achieve sales of ¥2.080 billion in the ADAS domain</td>
</tr>
<tr>
<td></td>
<td><strong>Number of women in management positions at SENSO CORPORATION: 50%</strong></td>
<td>- Achieve a gender-balanced workplace</td>
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<td>• Popularize safety products and achieve sales of ¥2.080 billion in the ADAS domain</td>
</tr>
</tbody>
</table>

*1 Lifestyle Score: Original health management indicator that provides a score for the lifestyle habits of each individual employee using data obtained from health exams
*2 Safety mark: Scoring depending on scale and type of accident. The lower the number the better the score

© Targets that can be achieved using our products and services
Results of the Long-term Plan for 2025 and Mid-term Policy for 2021

In 2017, we formulated the Long-term Plan for 2025 (with fiscal 2026 as the year of achieving these goals) as a pathway to reaching our Long-term Plan for 2030. Additionally, we have established the Mid-term Plan for 2025 (with fiscal 2022 as the year for achieving these goals) as a three-year action plan for steadily advancing the Long-term Plan for 2025. By undertaking these initiatives, we aim to contribute to a sustainable society and enhance corporate value. The results of these initiatives are as follows:

Relationship between Mid-term Policy for 2021 and Reborn21
Since fiscal 2019, we have been steadily implementing an action plan based on the Mid-term Policy for 2021, but factors such as the COVID-19 pandemic in fiscal 2020 and quality-related issues on an unprecedented scale have shaken the foundation of DENSO. Accordingly, the Mid-term Plan for 2021 has been replaced by a new set of targets framed as Reborn21, a reform plan aimed to transform the Company into a “high-quality DENSO,” which reflects the progress made and the latest business environment.

Growth of the Four Focus Fields
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>Domain</th>
<th>Initiative</th>
<th>Fiscal 2022</th>
<th>Fiscal 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Vehicle</td>
<td>Cumulative sales of electric vehicles</td>
<td>300,000 units</td>
<td>100,000 units</td>
</tr>
<tr>
<td>Connected Car &amp; Mobility</td>
<td>Number of connected cars</td>
<td>100 million</td>
<td>50 million</td>
</tr>
<tr>
<td>Autonomous Driving</td>
<td>Number of autonomous vehicles tested</td>
<td>100,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Number of factories opened</td>
<td>10</td>
<td>5</td>
</tr>
</tbody>
</table>

Reinforcement of Profitability for Existing Businesses
Creation of a Perfect Earnings Base to Support Future Growth

Reinforcement of our ability to respond to changes in demand: Enhance productivity through introduction of IT, reorganize global production and supply system, etc.
Reduction of fixed costs: Reorganize and aggregate shared service companies, make R&D in the software domain more efficient, etc.

Technology Development for Achieving Overwhelming Competitiveness
Aggregate technology development for ECUs, semiconductors, sensors, and motors for achieving overwhelming competitiveness of components and systems (Please see the next page for details)

Results of Strategies and Initiatives Going Forward
Initiatives for reform have been progressing smoothly. Based on internal reviews, we have reflected the following key initiatives in the Mid-term Policy for 2025:

- Reassessment of DENSO vision and strategies through conceptualization of world views in 2035 and backcasting
- Clarification of areas to be addressed as new businesses in the expanding business domain
- Realization and acceleration of implementing human resource portfolio that achieves business portfolio reform
- Creation of a workplace that enables full demonstration of individual capabilities for 170,000 employees, with a focus on the shift to DX at all plants

Five Pillars of Management Reform
To achieve the Long-term Policy for 2030, 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 has been working to realize significant change in its management structure to enhance its organizational capabilities and compete in a challenging business environment.

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Initiative</th>
<th>Example</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pillar 1: Development and market launch of D-mobico compact mobile refrigerator in collaboration with Yamato Transport Co., Ltd.</td>
<td>Enhanced safety and convenience for customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pillar 2: Development and market launch of an accident prevention support system that utilizes data from drive recorders</td>
<td>Improved accident prevention for drivers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pillar 3: Development and market launch of Global Safety Package 3 (GSP3), an advanced safety system</td>
<td>Enhanced safety for vehicles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pillar 4: Establishment of BluE Nexus Corporation, a joint venture company</td>
<td>Creation of new business opportunities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pillar 5: Creation of digital key systems for mobility service providers and commercialization in North America</td>
<td>Improved customer experience</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Results of DENSO Revolution Plan “Reborn21”

Since fiscal 2020, DENSO’s operating environment has continued to undergo dramatic changes. These changes have included the impacts of the COVID-19 pandemic, which caused a massive decline in sales. In addition, we saw the occurrence of a quality-related issue, which shook the foundation of our management. In response to these developments, we have been working to restore our quality, which is the foundation of our business and trust, and to transition to 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. With these aims, we formulated the DENSO Revolution Plan “Reborn2.” In the two-year period leading up to March 31, 2022, we have sought to transform ourselves into a company with even higher value so that DENSO is poised to cut a fresh start. Specific successes of our initiatives can be found below.

**Quality**
- Taking a humble approach toward thoroughly reinforcing the three pillars that form the basis of our recommitment to quality
- Complete measures, ensure improvements in quality, and recover trust from customers

**Reinforce our fundamental technologies**
- Establishment of development and quality assurance systems for individual fundamental technologies to make steady progress in the development of new fundamental technologies
- Establishment of development and quality assurance systems for individual fundamental technologies to make steady progress in the development of new fundamental technologies
- Establishment of development and quality assurance systems for individual fundamental technologies to make steady progress in the development of new fundamental technologies

**Create excellent working environments that ensure open communication**
- Establishment of development and quality assurance systems for individual fundamental technologies to make steady progress in the development of new fundamental technologies
- Establishment of development and quality assurance systems for individual fundamental technologies to make steady progress in the development of new fundamental technologies
- Establishment of development and quality assurance systems for individual fundamental technologies to make steady progress in the development of new fundamental technologies

**Adopt a humble stance**
- Fostering of recognition of compliance as a fundamental principle and of related culture
- Fostering of recognition of compliance as a fundamental principle and of related culture
- Fostering of recognition of compliance as a fundamental principle and of related culture

**Strategy**
- Formulate long-term scenarios for maximizing environmental performance and peace of mind, move forward with development of concrete technologies, and advance product deployment plans

**Green**
- Commencement of annual tracking of key performance indicators related to business continuity and CO2 emissions (mobility products)
- Commencement of annual tracking of key performance indicators related to business continuity and CO2 emissions (mobility products)
- Commencement of annual tracking of key performance indicators related to business continuity and CO2 emissions (mobility products)

**Peace of mind**
- Promotion of Global Safety Package 3 (GSP3) sales, expansion of post-installation products, and planning of next-generation products and related business strategies (safety)
- Swift launch of Fumie in vehicle air purifiers (comfort)
- Swift launch of Fumie in vehicle air purifiers (comfort)

**Business practices**
- Providing customers with the best possible products and services faster than any other company

**Goal**
- Transform employee awareness and work processes to promote adherence to proper work processes founded on digital technologies and Core & Customization Strategy**a** at all workplaces

**Personnel and organization that can respond to change**
- Achieving a balance between the growth and happiness of all employees and efforts for enhancing our organizational capabilities to realize our strategies
- Enhance organizational capabilities through recruitment, positioning, and cultivation of human resources based on a clear definition of the skills and number of human resources needed to enact business strategies

**Message from an Executive Vice President**

**Creation of New Value Based on Principles of “Green” and “Peace of Mind”**

The founding spirit of “provide quality products and services” forms the basis for DENSO’s quality philosophy. Despite the commitment to quality this indicates, a major quality-related issue occurred as a result of our prioritizing quantitative indicators like sales and profit. Recommitting ourselves to quality, we enacted the DENSO Revolution Plan “Reborn2,” based on which we are reforming our awareness and behavior in line with DENSO’s principles of “green” and “peace of mind.” Through this plan, we are dedicated to achieving results that are apparent in the defined indicators by thoroughly examining our philosophy and approach toward quality, incorporating initiatives for addressing social issues into our strategies while achieving business sustainability, and popularizing DENSO’s products and services.

- Specific benefits of our activities in this regard include the start of business portfolio reorganizations based on our philosophy and the enforcement of comprehensive planning for defining conditions for customers and practices using the latest digital tools to improve quality. These advancements were achieved through a concerted effort to reform our corporate culture. As a result, we have seen improvements in the quality of delivered and on-market products, which has led to our receiving quality awards from companies around the world. In terms of finances, these improvements have lowered our break-even point.
- When it comes to creating value that inspires customers and society, nothing is more important than our people. I therefore hope to contribute to businesses and society by making sure that DENSO is always a company at which employees can use their time to help shape a more exciting future for society and utilize their innovative ideas and refined sensibilities.
Raising of Employee Awareness

The company’s employee surveys are used as a means of gauging changes seen in awareness among employees as a result of initiatives under “Reborn21.” The 2022 survey revealed a change in employee behavior with regard to quality awareness along with a progressive individual-level shift toward work attitudes that are more conducive to transforming DENSO into a company with even higher value.

- **Ratio of Employees Pursuing Transformation**
  - 2020: 44%
  - 2022: 79%

- **Ratio of Employees Stating That They Act with the Intent of Contributing to Customers and Society**
  - 2020: 73%
  - 2022: 79%

- **Ratio of EmployeesExperiencing Personal Rise in Quality Awareness**
  - 2020: 29%
  - 2022: 73%

Examples of Global Initiatives

**Promoting the Bok Noi Dai Mai (Let Me Hear Your Voice) Project**—Collecting Over 80,000 Proposals for Improvements

Our Thai manufacturing base, SIAM DENSO MANUFACTURING CO., LTD. (SDM), our largest manufacturing base in the United States, launched the Reborn21 Project Team, which promotes activities focusing on 1) reestablishing quality foundation, 2) implementing swift factory reforms, and 3) promoting DX and organizational integration. With regard to quality, the Reborn21 Project Team created open working environments that incorporate real associates’ voices and feedback. In addition, the team enacted rigorous countermeasures to prevent defective products from reaching the customer. For factory reforms, the team was able to launch three new production lines for CASE products over a three-year period through the swift reorganization of DM's production structure. In terms of the integration of DK and organizations, the team integrated the organizations of individual business units and factories into one Companywide organization and made additional functions and repetitive work processes through the expansion of DK. As a result, the Reborn21 Project Team’s activities, which brought together all DM associates, DM was able to improve competitiveness through fixed cost reduction and a break-even point of 2.7%. Through the promotion of Reborn21, DM was able to expand itself as a North American hub for CASE that can respond to the needs of customers and society and puruse the ideals of “green” and “peace of mind.”

**Business Portfolio Transformation for Realizing Principles of Green and Peace of Mind**

Optimization of Business Portfolio

In fiscal 2022, DENSO began conducting business portfolio optimization initiatives for maximizing the value of “green” and “peace of mind.” As one facet of these initiatives, we have been concentrating management resource allocations on fields that contribute to earnings and to the exercise of management philosophy in order to better focus on the use of internal resources. As a result, some businesses have been designated for de-emphasis or discontinuation. However, we also recognize that we have a responsibility to supply our customers, and it is therefore important to take a multifaceted approach toward examining how best to de-emphasize or discontinue designated businesses.

Transfer of Type III Alternator Business

A step ahead of Companywide reforms, the Electric Components Business Unit, which is heavily impacted by the electrification trend, decided to transfer its type III alternator business. Demand for type III alternators remains strong, largely among customers in the agricultural and construction equipment fields. Nevertheless, the decision to transfer these operations was made to address supply inconsistencies stemming from equipment aging and to strengthen our stance toward electrification. These operations were transferred to Chengdu Huachuan Electric Parts Co., Ltd., a partner with growing prospects, which is committed to the proactive investment in automation equipment. We have judged that this partner is capable of carrying on DENSO’s quality and service traditions and thereby contributing to customers.

Process of Business Transfer

A major factor behind the decision to transfer the type III alternator business was the idea that it would be beneficial for customers, Chengdu Huachuan Electric Parts, suppliers, and DENSO. However, those benefits hinge on the ability to supply customers with type III alternators of the same high quality that they expect. When DENSO transfers production operations, it is standard for the Company to dispatch employees to the site of the transfer in order to confirm the new production operations firsthand. Examinations of the possibility of transferring this business came into full swing around the time of the COVID-19 pandemic. Chengdu Huachuan Electric Parts faces a different corporate culture, not to mention operates in a different language, than DENSO. We therefore arranged more than 100 online meetings with this company, using diagrams, photographs, and videos to explain DENSO’s quality traditions and ensure that they could supply customers with products of equivalent quality. During this process, we emphasized the importance of gaining the understanding of Chengdu Huachuan Electric Parts based on their perspective. The ongoing process of communica-

tion, designed to translate our experience and insight into words and explain the reasoning behind our designs, processes, and inspections, finally came to fruition in January 2022, when we were able to conclude a contract with Chengdu Huachuan Electric Parts for the transfer of one of our businesses. In fact, the type III alternator business was our first successful business transfer, and we are dedicated to building upon this success to accelerate Companywide business portfolio optimization efforts.

Message from an Employee

**Hitoshi Irie**

Conveyance of DENSO’s Commitment to Quality

This unprecedented business transfer was undertaken by a team of both new and veteran employees. We were thus able to utilize the proactive efforts of new employees as well as the experience, insight, and personal connections that veteran employees possess in the areas of design, production technologies, and quality assurance. Moreover, the team was rather small, allowing for swift decision-making. After the transfer, the type III alternators ceased to be DENSO brand products, but customers continued to use them nonetheless. This project was advanced with a sense of dedication to fulfilling our responsibilities toward the customers that have continued to trust DENSO over the years. Ensuring that this undertaking was beneficial to customers, Chengdu Huachuan Electric Parts, suppliers, and DENSO was no easy task, but I am confident that our efforts will contribute to the development of customers and of Chengdu Huachuan Electric Parts while also providing a good example to be followed by the people who are in charge of DENSO’s next business transfer.

business Unit
Mid-term Policy for 2025

After implementing various strategies and rebuilding our corporate foundation through efforts such as “Reborn21,” we find ourselves at a new starting line. From fiscal 2023, we will aim to become a company that is indispensable to society while cherishing the DENSO Culture that we have cultivated since our founding. To that end, we will strive to resolve social issues by creating value that is uniquely DENSO and in turn realizing business growth. To serve as a guideline for our 170,000 employees to achieve these aims, we have established the new Mid-term Policy for 2025.

Five Pillars of Global Management

1. Establish a Solid, Unshakable Business Foundation

Safety and Quality
- Establish a sound safety and quality foundation that meets the expectations of society and earns the trust of our customers
- Risk Management
- Fulfill social responsibility by enhancing and implementing risk management initiatives so that we are able to immediately respond to changes in the external environment
- Earnings
- Establish a robust earnings structure by promoting reforms to our business portfolio

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

- Swiftly provide our stakeholders with the best possible value and experiences by maximizing our performance through the Core & Customization Strategy and data utilization
- Pursue competitive reorganization of production structure, implement digital-twin technologies, and promote automation, thereby transforming the landscape of our plants around the globe

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

- Rebuild core businesses and transition business portfolio toward BEV products
- Accelerate efforts to de-emphasize and discontinue internal combustion technology and commercialize new energy businesses, thereby contributing to the realization of the DENSO Philosophy (carbon neutrality)
- Promptly establish a structure for electrification that enables a flexible response to diversifying customers’ needs and real-time steady sales expansion and growth
- Fully strengthen electronic and software technologies in an effort to contribute to the ideals of green and peace of mind and real business growth

4. Lead the Industry in Becoming Carbon Neutral

Strategies for Green and Peace of Mind
- Transition to globally competitive, carbon-neutral plants through the utilization of innovative energy-saving technologies
- Realize stable long-term procurement of renewable energy at a low cost
- Develop energy businesses together with robust business partners

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

- Promote the development and practical application of cutting-edge technologies that underpin the digital twin society
- Create new value by further refining and combining our technologies while establishing growth scenarios based on popularizing our technologies throughout society
- Establish efficient and flexible workstyles that cater to new business models and establish non-financial KPIs

Prerequisites for Realizing the Goals of the Mid-term Policy for 2025

We aim to continue to be an organization of people who can think and act in an independent and self-reliant manner. Accordingly, we are prioritizing investment in human resources and strongly promoting Hitozukuri, which nurtures professionals with the ability to turn ideas into reality, and diversity and inclusion. Through such efforts we are working to establish a vibrant organization that is able to flexibly adapt to change.

Risk
- Fulfill social responsibility by enhancing and implementing risk management initiatives so that we are able to immediately respond to changes in the external environment

Quality
- Establish a sound safety and quality foundation that meets the expectations of society and earns the trust of our customers

Safety and Quality
- Establish a sound safety and quality foundation that meets the expectations of society and earns the trust of our customers

Operating margin: 10%
Revenue in the electrification domain: ¥1 trillion
Revenue in the ADAS domain: ¥500.0 billion

Important Milestones for Realizing Our Aims (Fiscal 2026)

- ROE: 10% or higher
- Operating margin: 10%
- Revenue: ¥6.7 trillion

* Air Quality Index (AQI): An index that determines air quality levels based on six atmospheric pollutants with the aim of curtailing harmful substances in the air

By promoting efforts toward the five pillars of global management, through the collective wisdom and strengths of our 170,000 employees around the world, we have established various aims for DENSO going forward.
### Strategies for “Green” and “Peace of Mind”

**With the aim of contributing to the happiness of people, DENSO has been working to maximize the value it provides through its business activities in the fields of “green” and “peace of mind.” To that end, we have established medium- to long-term targets to accelerate the maximization of value in these fields and are promoting the following specific initiatives in order to achieve these targets.**

#### Aiming to Become Carbon Neutral by 2035

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,” while making use of the Green Innovation Fund and other frameworks.

* Green Innovation Fund: An initiative offered by the New Energy and Industrial Technology Development Organization (NEDO) to provide ongoing support to companies committed to achieving ambitious goals related to achieving carbon neutrality through the research, development, demonstration, and practical application of their technologies over the long term within the priority areas for which action plans have been established under the Green Growth Strategy.

**Monozukuri (Manufacturing)**

**Aim:** Realize complete 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 complete carbon neutrality at our plants, without the use of carbon credits, by capturing the CO2 emitted in the production process and reusing it as energy.

**Specific Initiatives**

- **Reduce CO2 emissions by utilizing renewable energy**
  - At our plants, we aim to maximize use of renewable energy by promoting in-house power generation through reforms to our production and supply structure.
  - Seek to achieve complete carbon neutrality in 2035 by offsetting the CO2 emitted from electricity derived energy through the procurement of renewable energy and recycling 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 activities geared toward carbon neutrality throughout the supply chain.

**Target for 2035**

- **Achievement of complete carbon neutrality at all plants**
- **CO2 from plants: 1.91 million tons**
- **15% reduction globally compared with fiscal 2021**
- *** Adjusted to pre-pandemic levels**

#### 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) by advancing products powered by electricity. In addition, we aim to realize complete carbon neutrality at our plants, without the use of carbon credits, by capturing the CO2 emitted in the production process and reusing it as energy.

**Specific Initiatives**

- **Centered on driving systems and thermal systems, promote farsighted technological development in all facets of mobility**
  - From HEVs, BEVs, and PHEVs to all TDC (all electric vertical take-off and landing) 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**
  - At the same time, return the high-output, high-efficiency, and ultra-lightweight technologies acquired through this effort to the automotive industry.

**Target for 2035**

- **Revenue from electrification domain ¥300.0 billion**
- **Current level of achievement**
- **Revenue from electrification domain ¥580.0 billion**

#### Energy Use

**Aim:** Realize an energy-recycling society through the development and popularization of technologies that make effective use of renewable energy

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

**Specific Initiatives**

- **Develop and commercialize batteries that store fluctuating or excess renewable electricity, hydrogen manufacturing technologies, and fuel conversion technologies**
  - Make full use of renewable energy and further contribute to its expanded introduction.
- **Realize technologies that can reuse energy by capturing CO2 emitted from industry and CO2 in the atmosphere at the necessary locations, then stabilizing and converting it into resources, thereby reducing CO2 emissions in society as a whole**
  - Selected as a Green Innovation Fund project (Large-scale ventilation type CO2 capture technologies)

**Target for 2035**

- **Revenue from commercialization of renewable energy ¥100.0 billion**
- **Current level of achievement**

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**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, part of our mission is to provide peace of mind to society by resolving social issues through our business activities. This section introduces the three pillars of DENSO’s contributions to the field of “peace of mind,” through which we aim to become a leading company that provides peace of mind to society.

#### Elimination of Fatalities from Traffic Accidents

**Aim:** Popularize safety products through efforts focused on “depth” and “width,” thereby realizing free mobility without fatalities from traffic accidents

With the aim of eliminating fatalities from 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 safety products in a large number of cars. For “width,” we are working to realize attractively priced safety products and enhance our lineup of retrofit products.

**Specific Initiatives**

- **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**
- **Utilize AI technologies to predict “unavoidable damage” and provide such information to the driver thereby ensuring the driver avoids hazardous situations**
- **In tandem with the evaluation of ADAS, expand lineup of retrofit products that can be applied to already sold vehicles in an effort to provide value that responds to various situations, vehicle types, and needs**

**Target for 2035**

- **Revenue from the ADAS domain ¥500.0 billion**
- **Current level of achievement**
- **Revenue from the ADAS domain ¥350.0 billion**

#### 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**

- **Innovate purification and sensing technologies to eliminate viruses and visualize toxic substances, thereby realizing safe and secure air quality**
- **Innovate technologies to create and expand comfortable interiors in passenger vehicles and public transportation vehicles**

**Target for 2035**

- **Revenue in vehicle general-purpose products**
- **Investment in Japanese market for commercial products**

#### Support for Working People

**Aim:** Draw on the technologies we have cultivated in the mobility 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 mobility 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**

- **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**

**Target for 2035**

- **Revenue from the agricultural, logistics, and plant operations/FA fields ¥350.0 billion**
- **Current level of achievement**
- **Gradual progress in business expansion**

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**Overview by Product (Industrial Solutions, Food Value Chain)**
Main Results of Our Strategies Related to Green and Peace of Mind in Fiscal 2022 and Beyond

Since our founding, we have been working to maximize the value of green and peace of mind, and efforts to do so have been further accelerated under "Reborn21." In this section, we look back on the steady results we achieved with our initiatives over the course of fiscal 2022.

2021

Green

- **Monozukuri** Commencement of Verification Test for CO2 Circulation Plant
  - With the aim of achieving net-zero emissions from our plants, we commenced verification tests for a CO2 circulation plant, which is a facility designed to capture and recycle CO2.

- **Monozukuri** Alliance with Honeywell
  - Together with Honeywell International Inc., we are promoting the development of electric propulsion systems for aircraft. Through this joint development, we will work to apply DENSO’s electrification technologies in the field of air mobility.

- **Monozukuri** Bolstering of Production Structure for Products Powered by Electricity
  - We started to manufacture inverters in 2020, and since then, our inverters have been praised by our customers for their quality, stability, and high level of performance. As of December 2021, we have produced a cumulative total of 20 million inverters on a global scale.
  - To further promote the shift to electrification in the future, we are working to bolster our production structure for inverters in Japan, China, and North America.
  - Going forward, we will establish manufacturing lines in such regions as Europe and India with the aim of producing 12 million inverters a year starting from 2025.

- **Monozukuri** Receipt of Energy Conservation Grand Prix Award for 12 Consecutive Years
  - We received the Energy Conservation Center Chairman’s Prize in the Examples of Energy Conservation Division of the Energy Conservation Center, Japan (ECCJ)’s Award Program, in recognition of our efforts to reduce the amount of steam used to heat pure water for the cleaning of semiconductors through the reuse of plant waste heat.

- **Monozukuri** Bolstering of Production Structure for Mobility Products
  - Together with Honeywell International Inc., we are promoting the development of electric propulsion systems for aircraft.
  - Through this joint development, we will work to apply DENSO’s electrification technologies in the field of air mobility.

- **Monozukuri** Development of the Compact Mobile Refrigerator D-mobicool
  - Together with Yamaha Transport Co., Ltd., we have developed D-mobicool, a compact, light-weight and portable refrigerator.
  - D-mobicool is able to flexibly respond to various transport needs and helps improve the fuel performance and reduce the CO2 emissions of delivery vehicles.

- **Monozukuri** Development of the World’s Smallest Stereo Vision Sensor
  - We have developed a compact stereo vision sensor that helps improve the safety of vehicles.
  - These products have been adopted in the all-new Toyota Mirai.

- **Monozukuri** Transfer of Type III Alternator Business to Chengdu Huachuan Electric Parts Co., Ltd.
  - We have acquired a minority stake in Japan Microelectronics Corporation, in the production of automobile semiconductors over the medium to long term.

- **Monozukuri** Investment in Semiconductor Manufacturer JASMSIC
  - We have acquired a minority stake in Japan Advanced Semiconductor Manufacturing Inc. (JASMSIC), which helps to manufacture of semiconductors. Through this acquisition, we aim to realize the stable procurement of in-vehicle semiconductor over the medium to long term.

- **Monozukuri** Agreement on the Transfer of DENSO’s Fuel Pump Module Business to Asiaon
  - DENSO has agreed to transfer its fuel pump module business to Asiaon Industry Co., Ltd., with a view to enhancing the competitiveness of both companies in the powertrain domain.

- **Monozukuri** Promotion of DX in the Healthcare Industry
  - We have developed Global Safety Package 3 (GSP3), which improves the safety of vehicles by giving them high-sensing capability of their surroundings.
  - We have developed this product with the aim of expanding the settings in which accident prevention and driver assistance systems are used and of realizing a compact safety product that can be offered at a low price.

- **Monozukuri** Support for Working People
  - We are working to bolster our management foundation to underpin efforts to maximize the value of green and peace of mind.

Peace of Mind

- **Monozukuri** Development of Puremie Air Purifier That Realizes Safe In-Vehicle Environment
  - Our newly developed air purifier Puremie realizes a comfortable environment for passengers.
  - Puremie, which is equipped with a cleaning device, visualizes air purity status through an air quality monitor.

- **Monozukuri** Dimensions of Festival from Traffic Accidents
  - We have developed advanced driver assistance features, which help give passengers peace of mind and improve safety performance of vehicles.

- **Monozukuri** Bolstering of Production Structure for Mobility Products
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Management Foundation

We are working to bolster our management foundation to underpin efforts to maximize the value of green and peace of mind.
Promotion of a Business Model That Contributes to the Carbon Neutrality of Automobiles, Industry, and Society at Large

Amid the rising interest in environmental issues, DENSO is working to not only help create eco-friendly automobiles but also go beyond the framework of automobiles to realize carbon neutrality in the manufacturing industry and in society as a whole, in collaboration with its various partners in the industry. To that end, we need to adopt a bird’s-eye view of energy use to ascertain energy usage in individual automobiles, in the industry, and in society at large and implement energy management practices to ensure such energy is used efficiently. We will therefore aim to create businesses that realize carbon neutrality across society by applying, in a greater social context, the automotive and industrial technologies that we have cultivated since our founding.

4. Provide new value through energy management and new businesses that form links between automobiles, industry, and social infrastructure (society), by refining the technologies and other measures we have cultivated in automobiles and industry and applying them to social domains.

3. Expand carbon-neutral plants, together with our partner companies, through the use of our energy utilization technologies and other measures.

2. Realize carbon neutrality at our plants through the utilization of innovative energy-saving technologies and renewable energy and the introduction of green energy.

1. Realize optimized energy management for automobiles by leveraging our systems building capabilities based on the three-proposed approach of mechanical parts, electronics, and software.

Development of Global Safety Package 3 to Further Advance and Popularize Safety Products

Our Global Safety Package (GSP) combines information from a millimeter-wave radar sensor, which detects the shape of objects on the road, such as vehicles and guardrails, using radio waves, with information from a vision sensor, which uses a camera to detect the environment ahead of the vehicle, in an optimized manner. By doing so, these systems enable safe driver assistance. The newly developed GSP3 represents the third generation of the GSP series.

The vision sensor used in GSP3 adopts a wide-angle lens and a high-resolution imager. This doubles the area that the sensor is able to detect while maintaining the product size and price through circuit optimization. Additionally, the vision sensor makes use of new awareness logic that enables it to achieve such features as detecting additional objects and recognizing direction.

The millimeter-wave radar sensor makes use of a simple product design, which helps reduce numerous components to one-fifth the size of conventional components and doubles the range of detection (of oncoming traffic), thereby reducing the overall size of the radar sensor by 43%. Furthermore, the millimeter-wave radar sensor has improved the product’s functionality, allowing it to separate two objects and detect them individually based on their difference in speed and thereby enhancing the detection performance to a level where the radar sensor is able to distinguish between pedestrians and bicyclists.

As a result of this improved functionality, GSP3 is able to respond to potential accident scenarios, such as errantly turning left or right at intersections or colliding with oncoming traffic, that conventional safety products cannot. In fact, GSP3 is now able to cover approximately 70% of accident scenarios, as opposed to the roughly 40% covered by the previous GSP.

Efforts as a Comprehensive Systems Supplier

As a comprehensive systems supplier that handles everything from hardware to software, we gather together experts in each field of systems we handle to identify issues from their respective perspectives and examine measures to resolve such issues. Through this approach, we were able to successfully develop GSP3.

Going forward, we will promote technological development pertaining to advanced driver support so that we can realize mobility that is safe and free for all people, starting with drivers and pedestrians.

Message from an Employee

Aiming for the Ambitious Target of Eliminating Fatalities from Traffic Accidents

Without the cooperation of relevant parties, including our customers and suppliers, we could not have realized the development of GSP3 on our own. Thanks to the results of all relevant parties working as one team, a vehicle one of our customers equipped with GSP3 won the five-star rating in the latest Euro NCAP safety testing. This rating demonstrates GSP’s high level of technologically capabilities.

We will continue to take on the challenge of developing cutting-edge technologies with the aim of delivering an even more comfortable mobility society to our customers around the world and of eliminating fatalities from traffic accidents.