



Integrated Report 2024

For the year ended March 31, 2024



DENSO Creed

In 1956, seven years after the founding of NIPPONDENSO, we formulated the DENSO Creed for the purpose of protecting, nurturing, and passing on to the next generation the mentality of all DENSO employees—which we possessed even before splitting from Toyota Motor Co., Ltd.—while taking the next step toward new progress based on a clear self-awareness.

Without changing the values encapsulated in the DENSO Creed, we formulated the DENSO Philosophy in 1994 to reflect the social changes occurring at the time and to better clarify the meaning of the DENSO Creed in words that were more appropriate for the time. In addition, to share our value system with DENSO employees on a global basis as the number of Group companies and local employees began to dramatically increase, we established the DENSO Spirit in 2004.

The four ideals of the DENSO Creed, which have served as the source of the Company’s progress to date, have been gradually passed down through the years and are still embraced today by our approximately 160,000 employees across the globe.

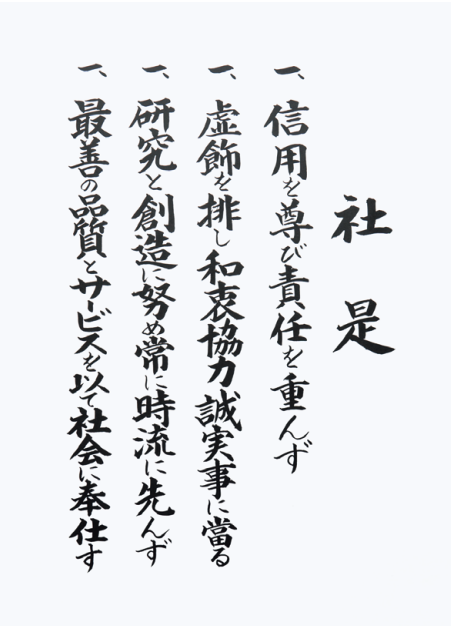
DENSO Creed

Be trustworthy and responsible.

Cherish modesty, sincerity, and cooperation.

Be pioneering, innovative, and creative.

Provide quality products and services.



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 we have cultivated since our establishment in 1949. The DENSO Spirit is an action guideline that provides the driving force for contributing to the mobility society and the lifestyles of people as well as the source of our competitiveness.

Foresight

Providing surprises and impressions
in a way that only DENSO can

Vision

Creativity

Challenge

Credibility

Providing quality and reliability
beyond customer expectations

Quality First

On-site Verification

Kaizen, Continuous
Improvement

Collaboration

Achieving the highest results
by working as a team

Communication

Teamwork

Human Development

Publication of *DENSO Integrated Report 2024*

DENSO publishes an integrated report every year in order to foster a deeper understanding among investors and all of its stakeholders regarding the Company’s initiatives toward sustainable corporate value enhancement.

With a focus on the corporate philosophy that has remained unchanged since the Company’s founding, *DENSO Integrated Report 2024* 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, as well as measures to strengthen financial and non-financial capital that underpin these strategies and initiatives, and the unique competitiveness generated from the interaction of these capitals. We hope that this report demonstrates to readers the fact that DENSO is a company that maintains a consistent set of beliefs, from the past to the present and into the future, and that continues to grow alongside society while creating new value.

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

Lastly, I would like to assure the readers that the creation process for this report was done in an appropriate fashion.



Yasushi Matsui

Executive Vice
President
Representative
Member of the Board
Chief Financial Officer

Editorial Policy

In addition to providing financial information, such as results and sales overviews as well as management strategy, *DENSO Integrated Report 2024* is edited as an integrated report that reports, in an easily understood manner, on what value DENSO is providing society and on the process of improving that corporate value. This we achieved by introducing, in an integrated manner, information of a non-financial nature on intangible assets, including on the environment, society and governance (ESG), that are seen as the foundation underpinning growth.

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



Scope of Report

Target Organization DENSO CORPORATION and the DENSO Group (In this report, DENSO CORPORATION refers to DENSO on a non-consolidated basis.)

Reporting Period This report covers the activities of the DENSO Group during fiscal 2024 (April 1, 2023 to March 31, 2024). Certain parts of this report include content on the Group’s activities from April 2024 onward.

Target Audience All stakeholders involved with the DENSO Group

Cautionary Note: Forward-Looking Statements

Of the content published in this report, what is not historical fact comprises future predictions based on expectations or on 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 *DENSO Integrated Report 2024*

ICE: Internal combustion engine
EV: Electric vehicle
BEV: Battery electric vehicle
HEV: Hybrid electric vehicle
PHEV: Plug-in hybrid electric vehicle
FCEV: Fuel-cell electric vehicle
CASE vehicles: Connected, autonomous, shared & service, and electric vehicles
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About the Cover of *DENSO Integrated Report 2024*

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

Positioning of Integrated Report



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Topics of *DENSO Integrated Report 2024*

Themes of *DENSO Integrated Report 2024*

DENSO Integrated Report 2024 clearly conveys a story about DENSO’s approach to creating new value and solving constantly changing social issues, anchored in its philosophy that has supported DENSO’s creation of value to date and will continue to do so in the future. The report features recent initiatives and progress toward achieving the targets of the Mid-term Policy for 2025, including business and capital strategies aimed at realizing DENSO’s overall strategies, as well as corporate governance, which underpins the Company’s corporate activities, all within the context of its value creation story.

Additionally, the report has been designed to facilitate an understanding of how DENSO continues to grow alongside society through a cycle of value propositions to society through its business activities. This includes an explanation of the relationship between financial and non-financial capital, our efforts to enhance each type of capital, and our unique competitive advantages created through the synergy of these capitals with our global workforce of approximately 160,000 employees and other stakeholders.

Utilization of Dialogue and Feedback Received

We actively engage in dialogue with our stakeholders using our integrated reports. The opinions we receive from stakeholders are used to increase the sophistication of management and reflected in information disclosures and opportunities for further dialogue. Also, we view our employees as important stakeholders and therefore are working to enhance each employee’s awareness of corporate value by making use of our integrated reports.

Highlighted Content

- P24–25 Our Accumulated Capitals
In addition to explaining our efforts to strengthen each form of capital through appropriate inputs, we clearly articulate the outputs and outcomes from the combination of these capitals. This provides an overview of DENSO’s business model that achieves business growth while addressing social issues.
- P50–51 Dialogue with an Analyst
In a dialogue format between external experts and our CFO, we discuss the December 2023 public offering of DENSO stock, which attracted significant interest from investors and other stakeholders, as well as the reduction of cross-shareholdings within the Toyota Group. This discussion touches upon our aims for enhancing capital efficiency and the impact on the Japanese stock market.
- P80–81 Contribution Fields and Mainstay Products
We have compiled a comprehensive overview of the products and services offered by each business segment and clearly explain how each product contributes to the realization of our green and peace of mind principles, along with their unique characteristics and areas of contribution. Additionally, we highlight how DENSO has consistently refined its technology over time to address the social issues of each era, using the evolution of key products as illustrative examples.
- P94–95 Special Feature: Value Creation in Action
This special feature introduces DENSO’s new initiatives to realize a hydrogen society by commercializing the production and utilization of hydrogen, which has drawn attention as a source of clean energy with less impact on the environment.

Overall Layout of *DENSO Integrated Report 2024*

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 2024* 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, strategy, governance, etc.) and while referencing the Guidance for Collaborative Value Creation. The chart below shows the logical layout of these crucial elements based on the story line we have created. Additionally, we have listed keywords affiliated with each element so that readers can easily access the information they wish to know.

Values	Medium- to Long-term Strategies	Strategies for Business Execution	Results and Important Indicators for Results	Corporate Governance
The DENSO Creed and Philosophy are our universal way of thinking that will forever remain unchanged. In addition, sustainability management is an ideology that we have passed down since our inception and serves as the core of our management approach.	Centered on DENSO’s universal way of thinking and value systems, we have established a value creation process to ensure that we continue to grow together with society. In addition, we have formulated the Long-term Policy for 2030 based on the business environment of each era.	To realize the targets in our current Long-term Policy for 2030, we have formulated material issues (Materiality) that DENSO must prioritize. Also, as a pathway to reaching our Long-term Policy for 2030, we have formulated the Mid-term Policy for 2025 and strategies for green and peace of mind.	The capitals that we have accumulated since our founding serve as a growth foundation that underpins our corporate activities. By implementing strategies led by businesses that leverage these capitals, we aim to both realize business growth and resolve social issues.	We have put in place a governance framework that allows us to steadily execute strategies and continuously improve our corporate value.
DENSO Creed and Philosophy	Value Creation Process	Materiality	Capital Strategies	Corporate Governance
Sustainability Management	Awareness of Business Environment	Mid-term Policy for 2025	Business Strategies	
	Long-term Policy for 2030	Strategies for Green and Peace of Mind	KPIs for Sustainability	



Meaningful Dialogue and Engagement

In addition to holding dialogue with our external stakeholders, we promote the internal utilization of our integrated reports to boost the motivation of our roughly 160,000 global employees toward corporate value creation.



At a Glance

Guided by the DENSO Creed, we are a company that earnestly tackles social issues head on and continues to create value through outstanding technologies and quality, centered on DENSO Culture. Our roughly 160,000 global employees each depict their own vision for the happiness of people and society as a whole and take on challenges each day to create new value.

/ DENSO by the Numbers /

As of March 31, 2024



Founding

1949

In 1949, the Company was founded as NIPPONDENSO with the aim of becoming Japan's leading manufacturer of automotive components.



Total Number of Group Companies

193

 (including DENSO CORPORATION)

The DENSO Group has a total of 193 Group companies, with research laboratories, production bases, and sales offices spanning across the globe.



Total Number of Global Employees

162,029

All of our employees around the world work in unison to deliver outstanding products backed by exceptional quality and advanced technology.



Consolidated Revenue

¥7.1 trillion

In fiscal 2024, consolidated revenue reached a record high of ¥7.1 trillion.



R&D Investment

¥550.9 billion

We are accelerating technological development centered on the fields of electrification, advanced safety, and automated driving.



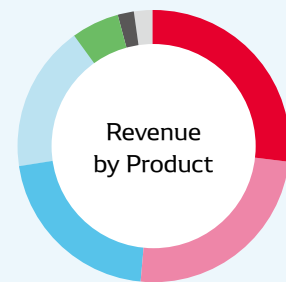
Automotive Products (Global)

No. 2

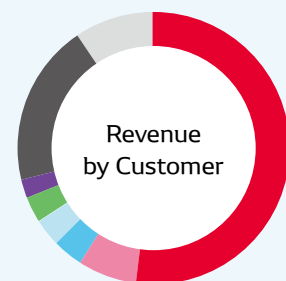
We are a global company that provides products and systems that are trusted by car manufacturers around the world.

/ Composition of Revenue /

As of March 31, 2024



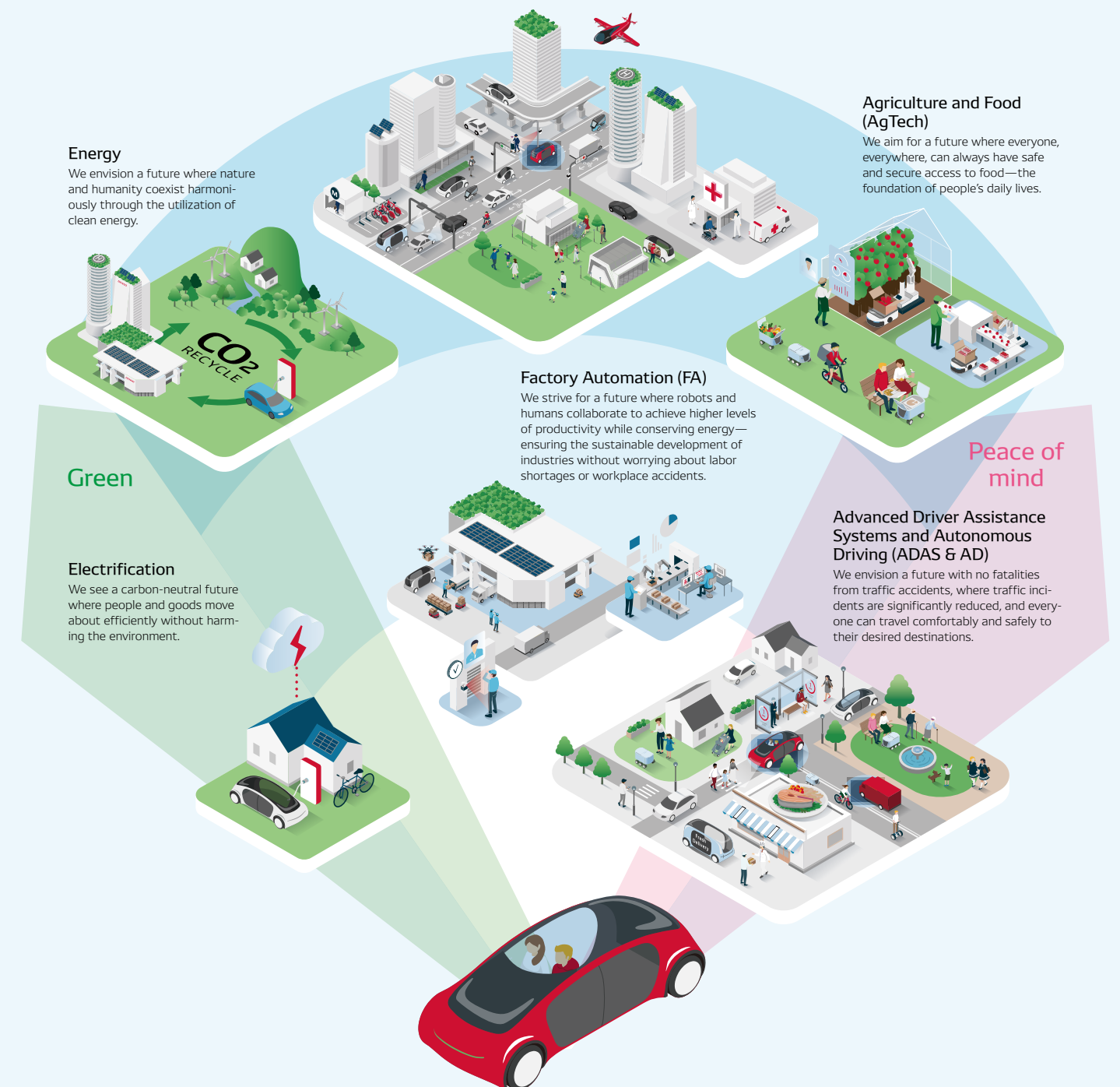
■ Mobility Electronics	Development and manufacturing of advanced driver assistance systems (ADAS), in-vehicle ECUs for electronically controlling vehicles, and other products to achieve the safe and comfortable transportation of drivers	27.2%
■ Thermal Systems	Development and manufacturing of car air-conditioning systems, radiators, condensers, and other cooling products for creating comfortable vehicle interiors	24.2%
■ Powertrain Systems	Development and manufacturing of ignition, air intake and exhaust, valve train, and other products for internal combustion engine vehicles, such as gasoline or diesel cars	21.3%
■ Electrification Systems	Development and manufacturing of drive components for electric vehicles, power supply systems that control batteries, and other products	17.4%
■ Advanced Devices	Development and manufacturing of semiconductors, in-vehicle sensors, and other products installed in inverters and in-vehicle ECUs	5.9%
■ Non-automotive businesses	Development, manufacturing, and sale of products related to productivity improvement in plants, products related to non-automotive businesses, including agriculture, and other products	2.0%
■ Other		2.0%



■ Toyota Group (Toyota Motor Corporation, Daihatsu Motor Co., Ltd., Hino Motors, Ltd.)	52.1%
■ Honda Motor Co., Ltd.	6.8%
■ Stellantis N.V. (FCA, PSA)	3.8%
■ SUBARU CORPORATION	3.3%
■ Ford Motor Company	2.9%
■ General Motors Company	2.4%
■ Other car manufacturers	19.6%
■ Aftermarket and non-automotive	9.1%

/ DENSO's Vision for the Future /

By leveraging our unwavering competitiveness in the “mobility domain” as a starting point, we create new value for society, while taking a broad view of society as a whole, through the implementation across various industries of our superior technologies and demonstrated quality gained through the development of products for automobiles.



Centered on our expertise in mobility, we aim to extend the technologies we have developed to various industries and greater society, creating a future filled with smiles and happiness.

Message from the President & CEO

DENSO's Corporate Management Centered on Its Purpose as a Company

Aiming to Resolve Social Issues
While Ensuring the Well-Being and Growth of People

Shinnosuke Hayashi
President & CEO
Representative Member of the Board

Importance of Returning to Our Purpose as a Company—Our Universal Starting Point

One year has passed since I was appointed as president. Taking the baton of management that has been passed down continuously since DENSO's founding in 1949, I feel a sense of gratitude every day for the predecessors who built the DENSO of today, for the employees who currently support DENSO, and for all of our stakeholders. I would like to offer you my deepest appreciation.

Now, in my second year as president, I feel it is truly important for us to return to our universal starting point, which is our purpose as a company, and shift the gears of management accordingly.

We currently find ourselves in an era of significant change. The automotive industry has entered a transitional period through the emergence of CASE*¹ vehicles, and in this period, we are seeing the further progression of vehicle electrification and the introduction of more intelligent vehicles such as SDVs.*² Furthermore, greater advancements are being made with semiconductor and software technologies. As a result, vehicles are becoming more connected with society and are starting to offer new kinds of value. Also, looking at society at large, the world itself has become more connected due to advanced communication technologies, and the evolution of generative AI on a global scale is reshaping how we live and work.

In these times of change, it is important to actively anticipate change with a sense of urgency. While we will of course take steps to do so, we must also remember not to lose sight of our original purpose as a company by becoming too preoccupied with trying to keep pace with change and limiting ourselves to short-term targets. When that happens, we run the risk of becoming disoriented, losing our perspective, and we stagnate as a company. Even amid this period of constant change, we need to adopt our purpose and mission as a company as an unshakable core, based on which we will conduct consistent management practices for all of our corporate activities, including drafting management strategies and business policies and building a corporate culture.

Empowered by our purpose and mission, we are set to resolve social issues through the principles of green and peace of mind.

Since its establishment, DENSO has confronted social issues caused by vehicles head on, including air pollution from

exhaust gas and traffic accidents. By continuing to develop new products that address such issues, we have contributed extensively to the automotive industry. Branching out from the mechanics domain, which we have engaged in since our founding, we have expanded into new domains such as electronics and software while honing the strengths we possess in each domain. By maintaining an optimal balance between our operations in each domain, we have bolstered our system development capabilities.

We will steadily lead the way with the evolution of mobility through the use of these system development capabilities, combining a broad range of technologies in a sophisticated manner. At the same time, we will help advance systems that connect vehicles with society at large. By doing so, we will tackle complex social issues moving forward, including the realization of a carbon-neutral society and a circular economy as well as the elimination of traffic accident fatalities. Moreover, drawing on the technologies we cultivated in the mobility domain, we will expand into new areas such as energy, factory automation (FA), and food and agriculture (AgTech), thereby making even greater contributions to the resolution of social issues from the perspectives of green and peace of mind.

*1 CASE: A new trend in the automotive industry involving connected, autonomous, shared, and electric vehicles

*2 SDVs (Software-defined vehicles): Vehicles manufactured with greater value and functionality through the use of software

Three Bold Initiatives to Create a Brighter Future Based on Mobility

By resolving social issues centered on green and peace of mind, we will create a brighter future based on mobility. I will now explain the three bold initiatives that we will pursue to that end.

The first initiative is evolving mobility. No matter how greatly we expand our business domains, mobility and vehicles remain a vital domain to which we should contribute. As such, we will pursue the realization of our management philosophy of green and peace of mind through this domain.

Regarding our perspective on green, we are striving to promote the widespread adoption of EVs with a view toward achieving carbon neutrality. While the expansion of the BEV market seems to have slowed down, we believe the transition to electrification will remain a vital part of the major trend for reducing environmental burden over the medium to long term,





and, therefore, we are steadily pursuing the electrification of vehicles. Meanwhile, as the situation with energy and related infrastructure differs by country and region, it is important that our transition to EVs focuses closely on market and customer needs. DENSO's customers comprise automakers from around the world, and this is precisely why we will enhance our lineups for systems, components, and parts for each customer layer so that we can meet a wide range of electrification needs. At the same time, to meet the market needs in each region, which vary due to each region's respective situation with energy, we will work closely with automakers and business partners to offer a diverse range of options across the industry, thereby contributing to the realization of a carbon-neutral society.

With regard to peace of mind, we are working to popularize advanced driver assistance systems (ADAS) with the aim of eliminating traffic accident fatalities. Each country and region has its own traffic infrastructure and rules. To that end, in addition to enhancing the performance of safety technologies, we will offer a broad range of products tailored to the specific circumstances of each country and region, from simple and affordable components to ADAS equipped with state-of-the-art technologies such as AI and sensor technology. By doing so, we will commit ourselves to protecting as many lives as possible from traffic accidents as we work to realize a society where everyone can enjoy the benefits of safe and secure mobility.

The second initiative is creating new value. Guided by our management philosophy of green and peace of mind, we are pursuing technological development and commercialization in many other domains outside of mobility, including energy, factory automation (FA), and food and agriculture (AgTech).

For example, in the energy domain, we are working to commercialize hydrogen-based energy with the aim of achieving a carbon-neutral society. To that extent, we will launch energy systems driven by SOECs*³ on the market that create hydrogen from electricity. Water electrolysis—a key technology for these systems—makes use of many of the elemental technologies that DENSO has cultivated through its experience with vehicles, including air, heat, and electricity management as well as know-how on the creation of ceramic catalysts.

By bringing together DENSO's mobility technologies, we will work with our business partners to realize a hydrogen-based society that both preserves the global environment and enriches people's lives.

Furthermore, in the FA domain, we will leverage robot and IoT technologies to provide support for the advancement of *Monozukuri* based on considerations for green and safety. Additionally, in the food and agriculture (AgTech) domain, we will pursue efforts toward industrialized farming with the aim of realizing eco-friendly agriculture and stable food production.

The third initiative is strengthening fundamental technologies, centered on semiconductors and software. The role that semiconductors play in mobility is rapidly increasing following the progress of vehicle electrification and automated driving. DENSO has sharpened its competitive edge through over 50 years of dedicated R&D activities for semiconductors as well as 40 years of experience in the development of in-vehicle software. Looking ahead, we will further accelerate R&D activities for semiconductors and software, which are core technologies for the mobility domain and domains for new value creation, thereby strengthening our fundamental technologies.

Although the semiconductor shortages across industries that occurred in the wake of the COVID-19 pandemic are still fresh in our minds, we must realize a stable supply of high-performance semiconductors at a low cost if we are to achieve genuine business growth and value creation. To that end, we will accelerate semiconductor development while strengthening domestic and international partnerships and establishing collaborative models, thereby solidifying the industry's foundation for a stable semiconductor supply.

In the same manner as semiconductors, software is also becoming more important in the mobility domain. We are entering the era of SDVs, where the performance of a vehicle can be enhanced simply through a software update. In this era, software development is becoming more large scale and complex. In addition, as long as vehicles are responsible for protecting the lives of their passengers, absolutely no compromises can be made in terms of quality and reliability. Throughout our 40 years in software development, we have honed the ability to realize systems that integrate software, electronics, and mechanics; accumulated know-how on ensuring the safety of the entire vehicle at all times; and strengthened our co-creation capabilities with various development partners. I am confident that these strengths will provide us with an unrivaled competitive edge in the SDV era, in which software development is becoming dramatically more challenging.

We will also seek to standardize software across the automotive industry. The value of mobility will increase tremendously through the use of software. For this to happen, however, a significant amount of investment is required throughout the entire industry. To push forward with the utilization of software to enhance value, we must thoroughly identify the areas of competition and collaboration within software development. With regard to collaboration, actively working toward standardization across the industry and boosting efficiency will be essential. We have a history of collaborative development with many automakers and a strong track record in business. From such a position, we will seek to be a driving force behind vehicle software standardization and unification, thereby working to enhance industry-wide value.

Moreover, securing talented personnel in the rapidly growing software domain has become a pressing issue. Particularly in Japan, we continue to face intense competition in securing such talent. While building an optimized development structure on a global basis, we will provide reskilling opportunities to our hardware engineers, who have a thorough knowledge of vehicles. By doing so, we will transition them into software engineers, enabling them to play an active role in broader domains. As we transform our business portfolio, we expect changes to occur in terms of the balance of our internal personnel. We will therefore promote talent management to ensure that all of our employees can continue to play an active role with a high level of motivation well into the future.

*3 SOECs: Solid oxide electrolysis cells

Continuing to Enhance Corporate Value in Order to Resolve Social Issues

To realize our management philosophy of green and peace of mind and enhance corporate value in a sustainable manner, we are committed to achieving our financial target for ROE of 10% or higher by fiscal 2026 and are steadily advancing efforts to improve our profit structure accordingly.

With implementation of ROIC-minded management, our aim is not to improve near-term indicators but rather to enhance corporate value over the medium to long term. We have carefully communicated the significance of this aim to members of management and all employees, and this has helped them engage in efforts to make improvements on their own initiative. Also, to balance sustainable social value creation with business growth, we have been working to reshuffle our business portfolio. In these efforts, each year we evaluate businesses on whether they align with our efforts to realize the management philosophy of green and peace of mind and assess their growth potential and profitability. Based on this assessment, which considers both financial and non-financial perspectives, we work to drive the growth of core businesses while downsizing or withdrawing from mature ones.

To respond to recent changes in the operating environment, including the rising costs of materials and higher wage levels, we have made appropriate adjustments to our transaction prices through earnest engagement with our suppliers, thorough explanations to our customers, and impact assessments of the supply chain. Additionally, we have been working to encourage price adjustments and bolster competitiveness across the industry by engaging with relevant organizations such as the Japan Auto Parts Industries Association.

We have also been working to reform the assets we possess. In 2023, we significantly reduced cross-shareholdings, including shares held in each Toyota Group company. Rather than being satisfied with the status quo, we carefully assess the changing times and engage in logical decision-making and business execution. This unique approach is also reflected in our process for optimizing our financial capital. Looking ahead, we will continue to reduce cross-shareholdings in an appropriate manner. At the same time, we will strive to enhance asset efficiency through the reduction of cash on hand and the optimization of inventories.

Through these kinds of efforts to reshuffle our business portfolio and reduce low-profit assets, we achieved record-high revenue of ¥7,144.7 billion in fiscal 2024 and have generated a total of ¥1.7 trillion in cash flows from operating

activities over the three-year period from fiscal 2021 to fiscal 2023. In the upcoming three-year period starting from fiscal 2024, we will further accelerate these initiatives with the aim of generating over ¥3.0 trillion in cash flows from operating activities. The cash we generate will be allocated to growth investments and shareholder returns. In terms of growth investments, we will pick up the pace of M&As and business alliances in key growth domains highlighted by the aforementioned three bold initiatives. By fiscal 2031, we aim to achieve net sales of ¥7.5 trillion and an operating margin and ROE of around 12%.

For our shareholders, who understand and support our business activities, we will continue to offer long-term, stable returns with a focus on dividend on equity (DOE). In fiscal 2024, not only did we improve DOE for the third consecutive year, we also carried out our largest-ever share buyback, totaling ¥200.0 billion. In the current market environment, there is growing pressure on Japanese companies to improve price-to-book ratio (PBR). For many years, we have pursued management with a keen awareness of capital costs, and since 2020, we have consistently maintained a PBR level that exceeds the minimum benchmark of 1.0 times. Moving forward, we will steadily advance efforts aimed at creating value that we can offer society and promote genuine dialogue with members of society, starting with our shareholders and other investors, who understand and support our initiatives with the aim of further growth. Through such efforts, we will strive to achieve appropriate increases in our share price.

Our purpose and mission of resolving social issues through the principles of green and peace of mind is not something we can accomplish as just one company. As the competitive landscape becomes more complex, we will promote industry restructuring through selection and concentration initiatives aimed at medium- to long-term industry-wide growth. At the same time, we will collaborate with a diverse range of partners who share our aspirations, transcending industry boundaries to pursue structural reforms within the industry to ensure continued growth into the future. Rather than focusing solely on the growth of our own business, we believe it is our responsibility to aim for the advancement of the entire industry. This approach will help us maintain and evolve logical systems that facilitate social progress within a capitalist market economy. To that end, we will first transform ourselves by enhancing capital efficiency and improving corporate value. While doing so, we will commit ourselves to creating an environment that enables us to advance efforts toward realizing a brighter future for the entire industry.

Pursuing a Corporate Culture That Sets in Motion a Cycle for Resolving Social Issues While Ensuring the Well-Being and Growth of People

Our people are the driving force that realize the many pursuits that I have discussed so far.

Shifts in the social environment have transformed the role and value of our people, making their importance to our management increasingly significant. As information becomes more borderless and homogenized, and the competitive capabilities of regions and companies become more evenly matched, the abilities of the people who execute strategies are becoming as important as the strategies themselves. Furthermore, as society becomes more mature, we are

entering into an era in which people are placing greater value on job satisfaction and a sense of purpose as they shape their own careers. In this era, companies are viewed as a place where people can realize their desired careers. Also, innovative technologies such as generative AI continue to advance. Under such circumstances, an important management issue is to define the role of people and workstyles based on the significance of work itself and on what makes people happy. Against this backdrop, we will seek to build a corporate culture where each employee engages in their work based on intrinsic actions, feels a sense of fulfillment while doing so, and ultimately achieves growth. Through such a culture, we will enhance the capabilities of our employees.

Intrinsic action—or simply put, motivation—differs from person to person. For example, there are various factors that motivate people. Some people want to hone their own skills while doing valuable work for the future. Some want to value the feeling they receive from the smiles and gratitude of their co-workers and offer that same feeling to others. Other people want to do all that they can to contribute to the country or region in which they were born and support their families. With all the diverse factors that motivate employees, it is important to ensure that their motivations align with the aims that we wish to achieve as a company. To that end, we aim to create an environment that ensures that DENSO's purpose and mission of “resolving social issues through the principles of green and peace of mind” resonates with each employee and that motivates them to achieve said purpose and mission. We also aim to foster a fulfilling work environment that values the motivation and intrinsic actions of all employees and encourages them to take on challenges. I believe it is essential that we create a corporate culture that sets in motion a cycle where the purpose of DENSO resonates with the motivation of employees and drives them to fulfill the purpose.

In 2017, we formulated the Long-term Policy for 2030, which adopts the slogan of “Bringing hope for the future for our planet, society, and all people” through initiatives toward green and peace of mind. Since then, we have been promoting our business activities in accordance with this policy. The policy has been shared in such an extensive manner that we are confident that it is well-known among all employees. On the other hand, I would have to say that we are only about “halfway there” in terms of thoroughly entrenching our management philosophy from the members of management down to the frontline personnel and in terms of engaging in dialogue, decision-making, and actions with a consistent focus on achieving our purpose and mission.

In order to deeply embed DENSO's purpose and mission within the Company and ensure they serve as guiding principles for each employee's awareness and actions as part of our corporate culture, we need to unify our management philosophy, strategies, and corporate culture. This requires integrating hard measures, such as systems and frameworks, with soft measures, such as open dialogue between management and employees.

To date, we have rolled out a broad range of initiatives toward this aim, including implementing the engagement survey and establishing KPIs for improving employee satisfaction, conducting training to support the career plans of employees, and holding Conversations with Our President and Vice Presidents, where management speaks directly with

leaders of each workplace. Moving forward, we will strive to further enhance these initiatives while establishing better linkages between them so that they can generate synergies more organically. Fostering a corporate culture is the essence of my role as president. To that end, I will dedicate even more time and energy than ever before to continue to pursue the fostering of an ideal corporate culture as my most important mission.

Closing: Showing Our Determination to Forge a New Path toward the Future

Even though we have been making efforts to resolve social issues and offer new value, we would like to offer our sincerest apologies for the distress and trouble caused by the series of recalls of DENSO fuel pumps that have been issued by various automakers since March 2020. Since our founding, we have declared our company motto as “Safety and Quality First” and have continued to pass down this ideal from generation to generation. Despite this ideal, a major quality-related issue occurred. I take the occurrence of this issue extremely seriously and reflect upon it deeply. We would like to once again commit ourselves to the notion that quality is the life-line of management. As president, I will lead the way with Groupwide efforts to restore trust, ensuring that we all work together, step by step and side by side, in pursuit of this goal.

In 2024, DENSO celebrated its 75th anniversary. In reaching this milestone, I would like for us to return to the spirit of our founding as we seek to enhance our corporate culture and forge a new path toward the future. Guided by this ambition, I will push ahead with our endeavors together with all 160,000-plus DENSO Group employees. I would like to ask our stakeholders for their continued support as we strive to do so.

September 2024



Shinnosuke Hayashi
President & CEO
Representative Member of the Board

We would like to express our sincerest apologies for the distress and inconvenience caused by the series of recalls of our fuel pumps that have been filed by a number of automakers since March 2020.

As an automotive parts supplier, we understand that our products are important functional parts playing a crucial role in automobiles, to which people entrust their lives, and should operate flawlessly, as even a single malfunction in our products can cause a significant burden to our customers. With this understanding, we have pursued business activities that put quality at the center of our management. Since the establishment of the Company, we have adopted the company motto of “The DENSO of Safety and Quality” and have continued to pass down this spirit from generation to generation. Despite that, the largest-ever quality-related issue in our history occurred in 2020, and we deeply regret the concerns and inconvenience that this has caused for a large number of automobile users and automakers.

The fuel pumps were recalled because of the possibility that they could become inoperative in a worst-case scenario, due to possible deformation of the impeller* (one of the components of the fuel pump) with a lower resin density.

Reflecting on this experience from a quality control perspective, this was a



Message from the Chief Quality Officer

**Reviving “The DENSO of Safety and Quality”:
Addressing the Fuel Pump Recall Issue**

specific quality issue that was caused by specific factors in the manufacturing process of the recalled fuel pumps, where there were complicated interactions between several factors that had never happened before. This issue could not be foreseen with the available technical knowledge at that time, and it took a considerable amount of time to finally identify the root causes.

Subsequently, we have completed technical analysis to identify the root causes and implemented technical countermeasures. We are now making every effort on a Companywide basis to produce and supply replacement parts, in collaboration with relevant suppliers, to ensure that such parts are delivered to all of our customers at the earliest date possible.

* Impeller: A component of the axial fan designed to send fuel outward

To ensure the highest possible quality in the products we deliver worldwide, we take all conceivable precautions and maintain strict daily management in our production process. These include stringent gate management in the development process, quality verification and comprehensive inspections before mass production, and thorough on-site management during the mass production process.

Meanwhile, as a *Monozukuri* (manufacturing) company, we have continued our operations through technological advancement and contributed to the resolution of social issues while achieving growth in a sustainable manner. Taking on new challenges is indispensable to achieving technological advancement. While pursuing such challenges on an ongoing basis, we strive every day to make improvements so that we can deliver high-quality products that satisfy our customers.

In making these improvements, we mobilized the entire Company to launch the “Reborn21” plan so that we could reflect back on our starting point of “Quality First” to further improve quality. Under this plan, we are making ongoing efforts to enhance *awareness*, accumulate *knowledge*, and foster *culture*, which are all crucial elements of quality assurance.

Regarding *awareness*, we have been thoroughly entrenching a “customer first” level of awareness. To build unshakable trust-based relationships with customers, we will demonstrate our customer-first approach through the leadership of the

management team, including the president, and division heads.

As for *knowledge*, we have been steadily accumulating fundamental quality-related technologies for our current needs and for the future in an effort to shore up our foundation for quality. Looking ahead, we understand there will be many changes in the operating environment that will impact quality, including rapid software advancements, advanced driver assistance systems (ADAS), carbon neutrality, and the circular economy.

With *culture*, we value efforts to foster a corporate culture in which all employees participate and that revolves around the honest exchange of opinions between supervisors and employees so that both parties can understand the real issues at hand and work to tackle them together. Under such a culture, we will strive to promote further collaboration together with labor unions. (Human Capital [□□ P.52–56](#))

Underpinned by this *awareness*, *knowledge*, and *culture*, we have established a Safety and Quality Headquarters, independent from and placed directly under the Company, through which we are striving to enhance quality governance. With the urgent need to strengthen safety and quality countermeasures, we placed a senior director in charge of fundamental quality-related technologies in 2020, who promotes activities aimed at building such technologies on a cross-organizational basis. Additionally, I, as an executive vice president, was given the title of chief quality officer (CQO) in 2022, being placed in charge of promoting quality-related activities from a Companywide perspective.

Reflecting deeply on the first words appearing in the DENSO Creed, “Be trustworthy and responsible,” we will seek to deliver safety and peace of mind to our customers. At the same time, we will make Companywide efforts aimed at meeting global expectations by anticipating future changes and applying proper work practices with a firm awareness of quality as the foundation underpinning our corporate activities and with a sense of integrity as a *Monozukuri* company. We ask for your continued support as we pursue these endeavors moving forward.

Yasuhiko Yamazaki
Executive Vice President
Chief Quality Officer

Past, Present, and Future

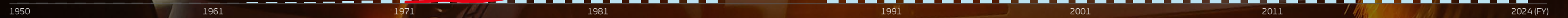
DENSO's innovations start from a focus on the future and what makes people happy. Our mission is to resolve social issues from the perspective of sustainability. Based on this mission, we have continued to realize growth while leading changes in the mobility domain to increase our areas of contribution and repeatedly pursuing innovations and new creations. During this 75-year journey, we have cultivated strengths and capital that will continue to be the source of our value creation well into the future by boldly transforming our business portfolio. To ensure that we can leverage these strengths and be an essential company a century from now, we will increase our areas of contribution further still.

Revenue

Fiscal 1951 to fiscal 1978 show non-consolidated revenue, while fiscal 1979 and thereafter show consolidated revenue. In addition, from fiscal 2014, the financial statements have been prepared based on International Financial Reporting Standards (IFRS). (Japanese accounting standards were employed up to and including fiscal 2013.)

Market capitalization*

* Before adjustment for treasury stock



Our Cultivated Strengths □ P.20–23

Our Accumulated Capitals □ P.24–25

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

1950s Postwar Reconstruction and Motorization	1960s and 1970s Popularization of Private Cars and Emergence of Social Issues	1980s Increasingly Severe Environmental and Safety Issues	1990s and 2000s Global Warming and Spread of Digital and Information Technologies	2010s ICT Advancement and SDG Adoption	2020s Escalation of Social Issues
Taking on the challenge of resolving social issues using cutting-edge technologies from the time of our founding <ul style="list-style-type: none"> Developed the DENSO-GO electric vehicle Developed Japan's first car and bus air-conditioning systems 	Taking measures ahead of exhaust gas regulations and laying foundations for "peace of mind" products <ul style="list-style-type: none"> Developed exhaust gas-controlling products compliant with the world's strictest regulations Began development of semiconductors in anticipation of the coming era 	Accelerating the commercialization of safety systems for preventing traffic accidents causing fatalities <ul style="list-style-type: none"> Gradually realized the practical application of safety systems, including airbag sensing systems Commenced the mass production of vacuum sensors, which represented the world's first in-vehicle semiconductor sensor 	Contributing to eco-friendly lifestyles with core technologies <ul style="list-style-type: none"> Developed the QR Code®, which increases efficiency at manufacturing sites Developed the world's first electronic control-type common rail system Developed the world's first inverter with dual-side cooling 	Entering into a once-in-a-century paradigm shift <ul style="list-style-type: none"> Developed Global Safety Package, the first generation of our advanced safety system Began providing services in the agriculture and factory automation fields, moving beyond the framework of mobility 	Aiming to provide new value in the domains of green and peace of mind <ul style="list-style-type: none"> Developed Global Safety Package 3, the third generation of our advanced safety system Developed our first inverter to use SiC power semiconductors Commenced verification test for the widespread utilization of hydrogen

Four Ideals of the DENSO Creed

Established at the time of the Company's founding, the DENSO Creed sets forth a clear commitment to pursuing innovation in anticipation of changing times and to addressing social issues through quality products and services. This commitment is also the starting point of our sustainability management, which we are currently implementing.

Be trustworthy and responsible.

The trust that our predecessors worked earnestly to build over the years underpins the DENSO of today. We will therefore maintain this trust and seek to build it up further so that we can pass it on to the next generation. By doing so, we will meet the expectations of society and fulfill our responsibility to ensure DENSO's future.

Cherish modesty, sincerity, and cooperation.

We work to refine not our appearance or job title but the essence of who we are as a part of DENSO, and we work in collaboration to perform our duties with sincerity. The sincere and cooperative relationships we have with each other as employees will bring forth inspiration and help us build long-lasting relationships with our customers and business partners.

Be pioneering, innovative, and creative.

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

Provide quality products and services.

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

Tradition of Sustainability Management

The DENSO Creed calls on us to "provide quality products and services," expressing the essence of our approach to sustainability management, which focuses on benefiting society by utilizing businesses to pursue ambitious initiatives that address social issues. Today, our mission is to continue our legacy by putting into practice the commitment that our predecessors established when drafting the creed and by passing on this commitment to the next generation.

In advancing sustainability management, DENSO has incorporated future social issues into its Long-term Policy for 2030 and as an integral part of its material issues (Materiality), and the Company is addressing these social issues through business activities. Centered on our management philosophy of green and peace of mind, we are taking on the challenge of resolving complex social issues. By doing so, we will provide society with new value that inspires diverse stakeholders.



Establishment of the DENSO Heritage Center

In December 2021, we established the "Heritage Center" with the aim of enabling all employees to return to DENSO's origins, which are represented by the DENSO Creed and the principles of quality and safety, and to provide them with an opportunity to consider what unique aspect of DENSO that they themselves want to pass on to the next generation. At the DENSO Heritage Center, we have established permanent exhibits that introduce the Company's history since its founding and showcase events that have occurred pertaining to quality and safety. We also feature various special exhibits. In the two years since the Heritage Center's establishment, more than 7,500 DENSO employees from Japan and overseas have visited the location, using it as a foundation to implement sustainability management on an individual basis.

History of Innovation and Creation

Just as it did when DENSO was founded, the commitment set out in the DENSO Creed is our starting point to this day. Amid a rapidly changing external operating environment, we must boldly take on unprecedented challenges, such as promoting initiatives toward CASE* and realizing carbon neutrality. Taking the baton that was passed to us by our predecessors, who consistently took on the challenge of resolving the social issues of the times, we will steadily move forward toward our aim of bringing happiness to people and society as a whole.

* CASE: Connected, autonomous, shared & service, and electric

1930s to 1950s: Taking on the challenge of resolving social issues using cutting-edge technologies from the time of our founding

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

1935: Taking on the Challenge of Producing Electrical Equipment In-House

An automobile department was established within Toyoda Automatic Loom Works, Ltd. (currently Toyota Industries Corporation). In 1935, the executive director of Toyoda Automatic Loom Works, Kiichiro Toyoda, instructed Ryuichi Suzuki (who would later become a member of the Board at DENSO) to take on the challenge of producing electrical equipment in-house. However, developing such equipment proved challenging due to the unreliable quality of electrical equipment at the time. In fact, Mr. Toyoda stated to Mr. Suzuki that this task seemed to be far harder than he had imagined, and he asked Mr. Suzuki whether they should quit at that juncture. Mr. Suzuki pleaded to Mr. Toyoda to allow him to continue his efforts for one more month in order to realize in-house production. Sometime after doing so, the enthusiasm and persistence of Mr. Suzuki and the young engineers on his team led to the official adoption of electrical equipment in Toyoda vehicles.



Team in Charge of Electrical Equipment Development
At the time, a team of approximately 30 engineers and technicians devoted themselves to the in-house development of electrical equipment, often going without sleeping and eating.

1949: Birth of NIPPONDENSO

With the Japanese economy in an extremely difficult state due to the promotion of the Dodge Line by the General Headquarters of the Supreme Commander for the Allied Powers, the electrical equipment department split off from Toyota Motor Co., Ltd., and was established as NIPPONDENSO CO., LTD. The company's first president, Torao Hayashi, aimed to rapidly expand the company not just in Japan but also overseas. For that reason, he expressed the company's determination to become independent by choosing the name NIPPONDENSO ("Nippon" meaning Japan), rather than KARIYADENSO, AICHIDENSO, or TOKAIDENSO, which are names of the local area where the company was founded.



1953: Start of Technical Cooperation with Robert Bosch GmbH

In the early 1950s, a technological gap clearly existed between NIPPONDENSO and Western companies. Consequently, we urgently needed to achieve world-class technologies and quality. At this juncture, we encountered German-based company Robert Bosch GmbH, which was an order of magnitude larger than us. Thanks to the mediation of Dr. Tokushichi Mishima, who was the inventor of MKM steel, and the determination of our management, we concluded a technical alliance with Robert Bosch. By learning from our new partner, we established the foundations of internationally competitive technologies and quality.



Specific Initiatives

- Beginning in the 1950s, we catered to the needs of customers, especially Toyota Motor Corporation. At the same time, we established and grew a business field centered on mechanical parts and realized the provision of products supported by internationally competitive technologies and quality.

Green Value and Peace of Mind Value Provided

- Developed and mass-produced the DENSO-GO electric vehicle in 1950, when it was difficult to obtain gasoline. Many of DENSO-GO's electronic components were designed and manufactured in-house, and approximately 50 of these vehicles were sold.
- Developed Japan's first car and bus air-conditioning systems. Although there was a concern that such systems would impede driving performance, these systems were able to overcome that notion and quickly grew in popularity due to their high level of convenience and comfort.



DENSO-GO

1960s and 1970s

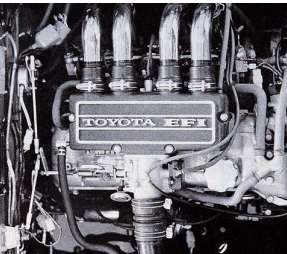


Preparing to address social issues by cementing the foundations of global competitiveness and by advancing strategic initiatives for the age of electronics

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

Specific Initiatives

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



Electronic fuel injection system



Received the Deming Prize

Green Value and Peace of Mind Value Provided

- Achieved the practical application of electronic fuel injection systems ahead of regulations on exhaust gas. After doing so, we continued to develop products that respond to environmental regulations, one after the other.
- Participated in the Comprehensive Automobile Traffic Control System (CACS) project initiated by the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry). This project would later help us develop car navigation systems and connected driving products.

"Safe DENSO," the Origin of Our Accident Prevention Training

In 1969, an explosion accident occurred at the die-casting factory of the Anjo Plant in which six employees lost their lives, making it the biggest disaster at DENSO since its founding. In October of the same year in the wake of the incident, we created the new "Safe DENSO" slogan to redouble our resolve to ensure that another such accident would never happen again. Additionally, to ensure that we would never forget this accident and always remain aware of safety, we established September 8, the date the disaster occurred, as "Safety Day." We are also currently rolling out special safety training activities on a global basis.

1980s



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

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

Specific Initiatives

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

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



DENSO (MALAYSIA) SDN. BHD. at the time of its establishment in 1980



In-vehicle test in Europe

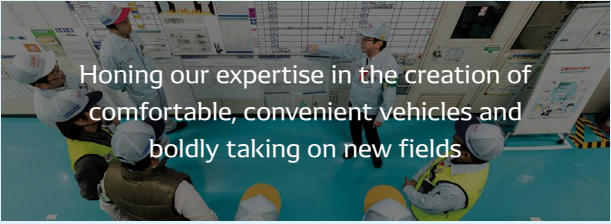
Green Value and Peace of Mind Value Provided

- Developed the world's first electronic control-type diesel pumps, which impressed the world with their ability to control exhaust gas, reduce fuel consumption, and realize high output
- Commenced the mass production of vacuum sensors, which represented the world's first in-vehicle semiconductor sensor. With this technology, we led the way ahead of other companies by equipping semiconductors with sensors and thereby adding value.
- Gradually realized the practical application of safety systems, including antilock brake systems, airbag sensing systems, and forward collision warning systems, leveraging the research that we had been conducting since the 1960s
- Opened the Nukata Testing Center, a one million square meter test course comparable in scale to those of auto manufacturers. Through this center, we continued to advance our testing facilities on a daily basis to ensure product performance and quality that exceed customer expectations.



A natural environment test course that can replicate driving conditions at night or in the rain

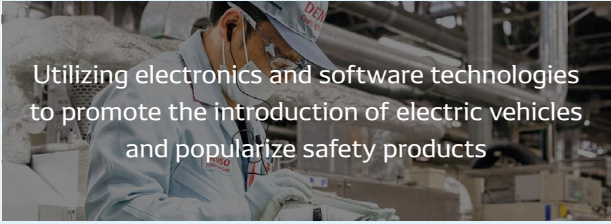
1990s



Honing our expertise in the creation of comfortable, convenient vehicles and boldly taking on new fields

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

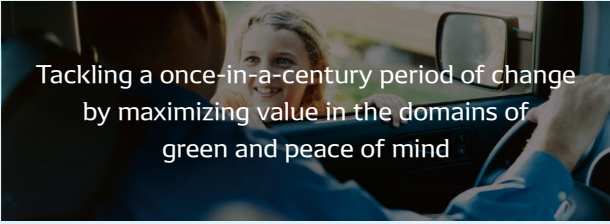
2000s



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

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

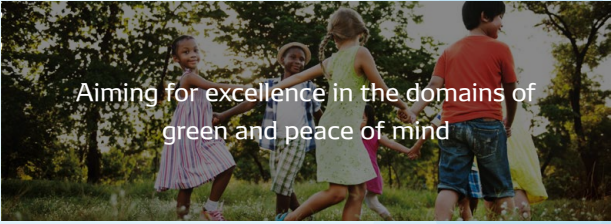
2010s to 2020s



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

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

2030s and Beyond



Aiming for excellence in the domains of green and peace of mind

External Environment	Global Warming, Resource Shortages, and Escalation of Such Social Issues as an Aging Society
Social Needs	Recycling-Based Society Centered on Renewable Energy

Specific Initiatives

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

Specific Initiatives

- Established DENSO Training Academy Thailand, our first overseas regional training center. This center helped us build a structure for educating engineers and technicians on a global basis.
- Formulated Eco Vision 2005 environmental management policy. Leveraged outstanding environmental technologies to accelerate the reduction of CO₂ emissions from business activities
- Marketed products for CASE vehicles to promote the introduction of electric vehicles and the popularization of safety products

Specific Initiatives

- Established 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.
- Established the Electrification Innovation Center (EIC), which promotes efforts to strengthen the development and production of products powered by electricity, and Global R&D Tokyo-Haneda, which conducts the development of automated driving and other technologies. By doing so, we have accelerated our R&D activities in the domains of green and peace of mind.
- Developed high-performance advanced safety systems and improved the safety performance of existing vehicles through the provision of retrofitted products

Specific Initiatives

- Declared intention to realize 100% carbon-neutral *Monozukuri* and eliminate traffic accident fatalities by fiscal 2036. Worked to expand businesses and resolve social issues in line with management philosophy of green and peace of mind
- Commenced verification tests for the use of hydrogen, a form of clean energy that does not burden the environment, thereby accelerating efforts to realize a hydrogen-based society

Green Value and Peace of Mind Value Provided

- Focused on the development of car air-conditioning systems that use natural refrigerant to curb the destruction of the ozone layer caused by conventional refrigerant
- Developed the world's first electronic control-type common rail system. Pioneered the way with common rail systems that would later dominate the market
- Developed the world's first iridium spark plug using an iridium alloy center electrode, making for an ultra-fine electrode that also extends product lifespan
- Commercialized household heat pump water supply systems that contribute to energy savings
- Developed the QR Code® with large capacity and high-speed readability that is compatible with high-mix, low-volume production at plants



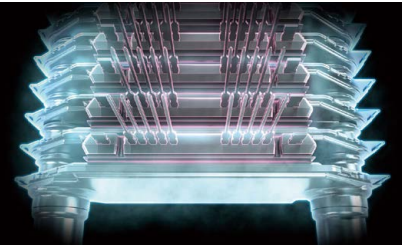
Iridium spark plug



QR Code®

Green Value and Peace of Mind Value Provided

- Developed the world's first inverter with dual-side cooling. DENSO's technological capabilities, which help meet the needs for high output and compact sizes, were acknowledged through the development of these inverters, leading to a rapid increase in their production volume.
- Developed the world's first plant-derived resin (castor oil tree) radiator tank, serving as an eco-friendly product that helps reduce CO₂ emissions throughout the product life cycle
- Developed "Night View," the world's first nighttime driving support system with a pedestrian detection function that uses near infrared rays
- Developed the world's first forward-looking radar sensor using millimeter waves. Able to operate even in rainy and foggy environments, these sensors helped enhance the safety of automobiles.



Structure for cooling both sides of the inverter

Green Value and Peace of Mind Value Provided

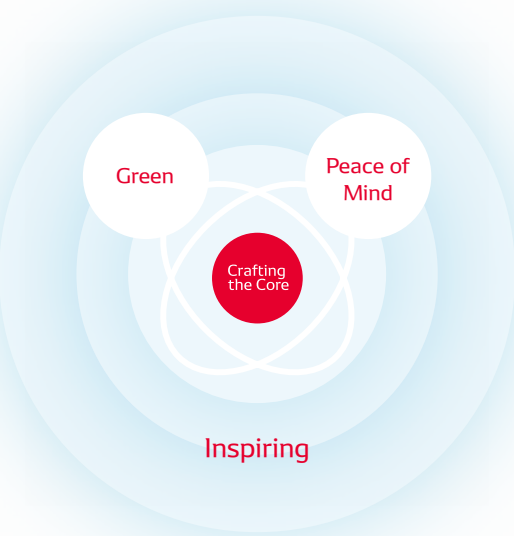
- Developed motor generators adopting a proprietary winding structure. These motor generators realize highly efficient, eco-friendly power generation and driving.
- Saw cumulative production of inverters, which are our mainstay product in the environment field, reach 20 million units worldwide in 2021
- Developed our first inverter to use silicon carbide (SiC) semiconductors. These inverters help improve the energy efficiency and extend the driving distance of BEVs.



Inverter production site

- Developed Profarm T-cube, an environmental control device for agricultural greenhouses, with the aim of supporting agriculture in Japan and avoiding future food crises
- Developed Global Safety Package, an advanced safety system using a monocular camera and millimeter-wave radar sensor
- Developed Global Safety Package 3, which helps improve safety performance by recognizing the environment surrounding the vehicle

Our Vision for the Future: Long-term Policy for 2030



DENSO's Value Creation Process

Maximizing the Value of Green and Peace of Mind to Continue to Grow with Society

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

Tradition of Sustainability Management □ P.26–27

Primary Value Provided and Indicators for Such Value

Principal social value we offer and related indicators

Green

Carbon-neutral *Monozukuri*

2025: **Realize carbon-neutral plants through the utilization of carbon credits**

2035: **Realize carbon-neutral plants without the use of carbon credits**

Peace of Mind

Contribution to the elimination of traffic accident fatalities

Percentage of fatal accidents covered by DENSO safety products

2025: **56%**; 2035: **100%**

Principal financial value we offer and related indicators

Expansion of equity spread over the medium to long term

Fiscal 2026: ROE of **10% or higher**; operating margin of **10%**

Fiscal 2031: ROE and operating margin of **around 12%**

Cash generation through business portfolio reform

Sales in electrification field

Fiscal 2026: **¥1.2 trillion**; Fiscal 2031: **¥1.7 trillion**

Sales in advanced driver safety system field

Fiscal 2026: **¥520.0 billion**; Fiscal 2031: **¥1.0 trillion**

Scale of semiconductor business (fiscal 2036): **¥700.0 billion**

Scale of software business (fiscal 2036): **¥800.0 billion**

Sales in energy, FA, and food & agriculture (AgTech) fields (fiscal 2031): **¥300.0 billion**

Long-term, stable shareholder returns

DOE in fiscal 2026: **3.3% or higher**, flexible acquisition of treasury stock

Reinforcement

External Environment

Awareness of Business Environment,
Business Portfolio and Value Creation □ P.30–31, 78–79

Foundation of Our Value Creation

DENSO Creed

DENSO Philosophy

DENSO Spirit

Capitals

Financial Capital

Human Capital

Manufacturing Capital

Intellectual Capital

Natural Capital

Social and Relationship Capital

Deepening and expanding business foundations

Creating the basis of trailblazing value

Strengths

Advanced R&D

Robust business foundations

Three-pronged solutions

Highly efficient, high-quality manufacturing

Providing products and services as solutions

Offering new value by combining fields

Capital Strategies □ P.42–77

Our Cultivated Strengths □ P.20–23

Materiality

Growth Strategy

Mid-term Policy for 2025

Serves as a path for completing targets by fiscal 2026 that will help us realize our Long-term Policy for 2030

Strategies Related to Green and Peace of Mind

Medium- to long-term strategies aimed at promoting efforts toward maximizing the value of green and peace of mind

Growth Strategy, Overview by Product □ P.28–41, 78–95

Seven Core Businesses

DENSO's Vision Maximizing the Value of Green and Peace of Mind to Be Inspiring

Green

Inspiring

Peace of Mind

Focus Fields

Electrification, energy, FA, advanced safety/automated driving, food and agriculture

Realizing a Sustainable Society

Contributing to the SDGs through our corporate activities



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

Foundations Underpinning Value Creation

Human Capital

□ P.52–56

Corporate Governance

□ P.96–113

Controlling Factors That Negatively Impact Our Value Creation

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

Efforts to Maximize the Value of "Green" (TCFD) □ P.70–73

Risk Management and Compliance □ P.110–113

Undertaking Initiatives toward Respecting Human Rights □ P.76

Our Cultivated Strengths

Over its 75-year history, DENSO has cultivated various unique strengths. Since the founding of the Company, these strengths have been augmented and passed down as the DENSO Spirit, which is encapsulated in the actions of all DENSO employees around the world. These strengths have resonated with all employees and driven DENSO's growth over the years. Amid the constantly changing business environment, DENSO will remain committed to refining these strengths as the unshakable driving force behind value creation that is uniquely DENSO.



Robust Business Foundations

DENSO's business activities are supported by robust foundations built over many years, giving the Company an advantage that cannot be easily replicated. The driving force behind all our business activities is the expertise of our approximately 160,000 employees across the globe as well as our relationships with diverse stakeholders, including customers, suppliers, and business partners. By evolving and increasing such relationships and expertise, we will realize further growth.

Roots of Our Strengths

- 1949** Split from Toyota Motor Co., Ltd. and established NIPPONDENSO CO., LTD. as an independent company, with the aim of becoming a company active on a global scale, amid worsening economic conditions
- 1954** Established the Technical Training Center. This center fostered the principles of “*Monozukuri* is *Hitozukuri* (Our performance relies on our people)” and “Engineering and technique go hand in hand.” These principles continue to be passed down within the Company.
- 1959** Deepened cooperation with suppliers by establishing the DENSO Cooperative Association (currently DENSO HISHOKAI), which currently accounts for annual procurement of ¥4.0 trillion from approximately 7,540 suppliers
- 1966** Opened a Chicago sales office and a Los Angeles branch office. Anticipated trade liberalization and other global trends through the establishment of this first overseas sales office
- 2020** Opened the Hirose Plant, which together with the Electrification Innovation Center, housed within the plant, established outstanding development and production capabilities and became the core of our electrification domain

The Key to Our Strengths



DENSO split from Toyota Motor Co., Ltd., and was established as an independent company amid worsening economic conditions. Since that time, our employees have been making achievements under challenging operating environments, passing on an unbreakable spirit for developing technologies and promoting *Monozukuri* activities that offer social value from one generation to the next. Throughout our history, we have continued to develop talent that will lead the future of DENSO. At the moment, our roughly 160,000 employees around the world are making tireless efforts to ascertain the needs and trends in each region in a timely and accurate manner and apply that knowledge to our R&D and *Monozukuri* activities.

Over the course of 75 years engaging in our business activities, we have built strong trust-based relationships with a broad range of customers, pursued technologies that cater to customer needs, and deepened our insight together with our customers. We have also established a stable supply structure as a direct response to customer needs. Underpinned by a robust financial foundation enabling us to tackle new pursuits, we are realizing unprecedented new value by combining the knowledge we have refined across the globe with the strengths of our diverse business partners.

Further Enhancing Our Strengths

Growing with Our Suppliers, Earning the Trust of Society, and Following the Path to the Stable Procurement of Semiconductors

At the start of the 2020s, people's consumption behavior began to change, triggered by the global spread of COVID-19. Demand for semiconductors also surged, resulting in a severe semiconductor shortage in the automotive industry. Amid these challenges, we began to see the stark contrast between the unique business practices of the automotive industry and those of other industries, including practices such as small-quantity, high-mix orders for products with long life cycles and short lead times with unpredictable order quantities.

To address this contrast, DENSO is working to transform its procurement structure into one that truly appeals to suppliers. While closely sharing information with our customers, we will actively select and adopt recommended components based on the perspective of QCD.* By doing so, we aim to reduce the risk of discontinued production (end-of-life products) while also enhancing the ability of our suppliers to offer a sustainable supply. Also, while actively communicating long-term trends and sharing information with suppliers and customers, we will promote examinations for transitioning production in response to requests for the discontinuation of production by suppliers, as soon as there is any indication of such requests. In this way, we will help establish a sound business environment together with our suppliers. By working with our suppliers to build a supply structure that earns the trust of society, we will ensure a stable supply and bolster our competitiveness.

* QCD: Quality, Cost, and Delivery. QCD is an indicator used to evaluate production management in the manufacturing industry.



Advanced R&D

DENSO has contributed to the development of the mobility society by creating an array of competitive products that accurately cater to social needs. Amid diversifying values and increasingly complex social issues, we aim to extend the scope of our contribution with mobility as our starting point. To this end, we have defined priority fields in accordance with our green and peace of mind principles. Moreover, we are planning technologies and strengthening R&D capabilities with an eye on the future. We will continue creating new value through internal and external collaborative initiatives that transcend organizational boundaries and include global research institutions and universities.

Roots of Our Strengths

- 1953** Commenced a technical cooperation agreement with Robert Bosch GmbH. Under this agreement, we established a technological and production base with the aim of becoming a comprehensive manufacturer of automotive parts that can keep pace with global companies.
- 1985** 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 (currently the Advanced Research and Innovation Center), which conducts R&D on future technologies that cover a wide range of fields
- 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.
- 2020** Established the Electrification Innovation Center (EIC), which strengthens our capabilities in the development and production of electric vehicle components. Accelerated R&D activities in the green and peace of mind domains
- 2022** Received IEEE Corporate Innovation Award in recognition of our development of the QR Code® and our contribution to its global popularization

The Key to Our Strengths



We have established “contributing to a better world by creating value together with a vision for the future” as the DENSO Philosophy. By keenly ascertaining social changes, we have been engaging in product development with a commitment to world-firsts. We have created over 180 world-first products since our establishment, and to this day we remain committed to developing new technologies and products that address complex social issues.

In 1991, we established the Fundamental Research Center (currently the Advanced Research and Innovation Center), where we have pioneered advanced technologies in such fields as semiconductors, electronic materials, AI, and ergonomics that have helped us remain competitive today. In 2014, we completed the establishment of technical centers in seven regions across the globe, in addition to laboratories in Israel, Silicon Valley, and other epicenters of innovation. By doing so, we established a structure that enables us to promptly incorporate diversified regional needs into our development process to create and deliver competitive products to our customers. Through industry–government–academia partnerships and collaborations with business partners, we are creating innovative technologies that help resolve social issues.

To further sharpen our competitive edge into the future, we invested ¥550.9 billion in R&D expenditure in fiscal 2024. By promoting better efficiency through a digital transformation, including the use of AI, we will continue to strengthen our R&D activities centered on the focus fields of green and peace of mind.

Further Enhancing Our Strengths

Developing Quantum-Inspired Technology with World-Class Performance to Resolve Large-scale, Complex Social Issues

Quantum computers are garnering attention as a next-generation computing technology. However, more time is required for resolving issues related to the practical application of these computers on their own. For this reason, we have been focusing on harnessing the usefulness of quantum computers through a hybrid approach with conventional computers, and we are actively engaged in R&D activities to realize the practical application of their advanced technological capabilities. As part of these efforts, we developed DENSO Mk-D, a proprietary quantum-inspired technology created based on the frameworks of quantum technology. It was the development of DENSO Mk-D that first demonstrated globally that a real-world problem with as many as five million variables could be efficiently solved, surpassing the previously recognized one million-variable limits of quantum-inspired technology.

As such, there are high expectations that this technology can be applied to resolve social issues with substantial variables, such as optimizing logistics and easing traffic congestion. DENSO utilized the quantum-inspired technology DENSO Mk-D to optimize truck delivery schedules, using actual data from logistics centers for the basis of optimization calculations. The logistics process involves numerous constraints, such as the number of trucks used per day, delivery routes, driver rest times, loading times, and delivery time restrictions. At a speed of more than 500 times faster than conventional technologies, DENSO Mk-D calculated that the delivery schedule could be reduced from the usual 77 trucks per day to 58 trucks. This represents approximately a 25% reduction in the number of trucks. Looking ahead, we will continue to advance our R&D activities with a focus on applying our technologies to not only logistics but also a wide range of social issues that cannot be resolved via conventional mathematical optimization technologies.



Three-pronged Solutions for Systems

DENSO has always optimized its business portfolio ahead of the times to provide society with valuable products and services that meet customer needs. For example, we expanded from our founding business in the mechanical parts field to foray into the electronics and software fields. While expanding, we enhanced our capabilities in each field and, as a result, we are now able to go beyond the manufacture of stand-alone components to offer optimal whole-system solutions that combine mechanical parts, electronics, and software. These system solution capabilities provide us with a competitive edge unique to a comprehensive manufacturer such as DENSO, as they could not be acquired easily by a company working solely in one specific business domain.

Roots of Our Strengths

- 1968** Created the IC Research Center to establish a structure for the production of semiconductors completely in-house in anticipation of the shift to the electronic control of automotive parts in the future
- 1995** Became the first in the world to mass-produce an electronic fuel injection system (common rail system), a precursor to current system solutions, which are aligned with overall vehicle specifications as a matter of course
- 2007** Mass-produced an inverter with dual-side cooling. Combined our proprietary technologies from the mechanical parts, electronics, and software fields to develop a differentiated system, which was highly acclaimed by the market
- 2008** Launched the DENSO Project Companywide initiative. Adapted to stricter environmental regulations by enhancing the ability to provide optimal vehicle solutions that straddle technology fields
- 2021** Began recurrent education program for software engineers. Met the growing need for software development and supported employees in transfer to growth fields

The Key to Our Strengths



In addition to the mechanical parts field, in which we have been engaged since our earliest days, we have been involved in the electronics and software fields for more than half a century. DENSO has contributed to the development of mobility by combining its technologies in the fields of mechanical parts, electronics, and software to create next-generation inverters and advanced safety systems. Combining our expertise in each business domain, we are able to gain a timely and accurate understanding of the needs and future outlook of our customers as well as end-users. This in turn allows us to engage in planning and offer proposals from the early stage of vehicle development. In certain cases, we collaborate directly with customers to create vehicles together.

Our professional personnel in the fields of mechanics, electronics, and software work to gain expertise on advanced technologies around the world through partnerships that transcend organizational boundaries to include research institutions and universities and incorporate such expertise into our products. Our personnel also rigorously conduct product evaluation and testing under actual vehicle use conditions, considering factors such as temperature and how the vehicle is used. We handle a wide range of components and have a deep understanding of the requirements needed for vehicle development. For this reason, we are able to develop technologies and products that, when installed in vehicles, truly meet the needs of users—a strength that other companies active in only one domain cannot offer.

We will draw on this one-of-a-kind competitive edge as a means to realize genuine added value for mobility in an era where the role and importance of software in vehicles is increasing. By doing so, we will achieve further differentiation from other companies.

Further Enhancing Our Strengths

Accelerating R&D for In-Vehicle Applications of High-Performance Digital Semiconductors, Together with Business Partners

Approximately 1,000 semiconductors are used per vehicle. Among these are high-performance digital semiconductors (SoCs: System on a Chip), which are required for autonomous driving technology. These semiconductors require advanced technologies in order to achieve their advanced processing capabilities.

In December 2023, DENSO CORPORATION and MIRISE Technologies Corporation, a Group company that conducts R&D on in-vehicle semiconductors, established Advanced SoC Research for Automotive (ASRA), together with auto manufacturers and semiconductor-related companies. Through ASRA, we are promoting R&D on automotive SoCs that make use of technology enabling different types of semiconductors, known as chiplets, to be combined freely in a similar manner as LEGO® blocks. With this effort, we aim to achieve the practical application of such advanced technology while also pursuing the high level of safety and reliability needed for automobiles. By promoting industry–government–academia collaboration both inside and outside Japan and accumulating technological capabilities and experience in the automotive, electronic components, and semiconductor fields, together with business partners, we will further enhance our competitiveness as a world-leading R&D organization.



Highly Efficient, High-Quality *Monozukuri*

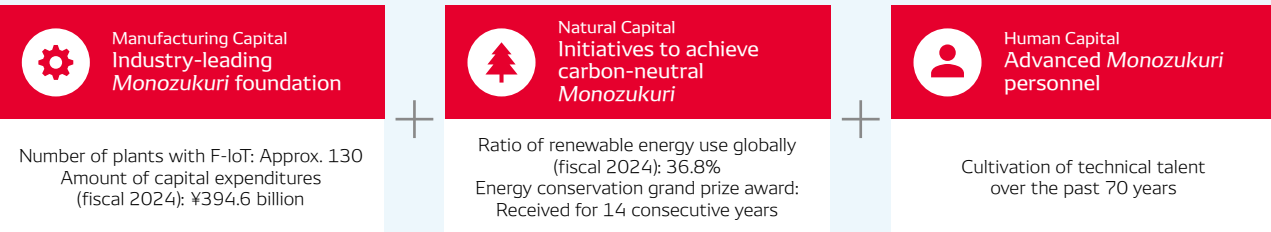
Since its inception, DENSO has consistently emphasized the creation and utilization of in-house technologies. We design and manufacture equipment, production lines, materials, and processing methods. This emphasis on in-house *Monozukuri* (manufacturing) has enabled us to provide society with products that give concrete form to the leading-edge technologies conceived by our R&D team. Having our own production technologies has also allowed us to develop high-speed, efficient production lines and compact facilities as well as streamline distribution and inspection. By digitalizing know-how and utilizing it as explicit knowledge, we are adding even more competitiveness and value to our products.

Roots of Our Strengths

- 1961** Received the Deming Prize, the most prestigious award for quality control. Winning this prize laid the foundations for the “Quality First” approach and corporate culture that we still adopt to this day.
- 1972** Established our first overseas production company. Since then, we have accelerated the establishment of additional overseas production companies and conducted production activities that meet the needs of each region.
- 1979** Received the Okochi Memorial Production Prize. This prize was received in recognition of our highly accurate, high-quality *Monozukuri* that was realized through our comprehensive in-house manufacturing of production lines and equipment.
- 1984** Launched a project for the practical application of robots. Furthermore, the development of such technologies as barcode readers and RFID,*1 which we pursued in a similar manner as robots, helped establish the foundation of our current factory automation (FA) business.
- 1997** Commenced Excellent Factory (EF) activities. Through plant improvement led by frontline production personnel, globally developed a *kaizen* (improvement) culture, which is the source of our ambitious improvement activities
- 2019** Began operating Factory-IoT (F-IoT), which networks plants worldwide to enable the accumulation, analysis, and utilization of various data. Took advantage of digital technologies to accelerate long-standing improvement activities

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

The Key to Our Strengths



DENSO boasts micro-processing accurate to 1/1000mm and assembly lines that increase both production efficiency and quality. Our research on leading-edge production, elemental, processing, and measurement technologies as well as our development of production lines and systems that incorporate these technologies underpin products with world-leading performance and quality. Furthermore, we have connected our roughly 130 plants across the globe to a network allowing us to analyze a broad range of data obtained from personnel and equipment on the production front lines. In this way, we have greatly enhanced our competitiveness. By promptly detecting and addressing signs of equipment malfunctions, establishing the know-how of our talented personnel at each individual production site as explicit knowledge for global use, and bolstering productivity through data-driven energy conservation activities, we are working to further enhance our *Monozukuri* foundation. With the aim of achieving carbon-neutral *Monozukuri* by 2035, we are leading the industry with efforts to reduce environmental burden not just within the Group but across the entire supply chain.

Our cutting-edge *Monozukuri* activities are underpinned by our advanced *Monozukuri* personnel. The DENSO Industrial School, a technical training school created based on the concept of “*Monozukuri* is *Hitozukuri* (Our performance relies on our people)” and dedicated to strengthen both our technologies and capabilities, celebrated its 70th anniversary in 2024. Throughout its history, the school has fostered students with exceptional skills that are globally recognized, including students that have won gold medals at the WorldSkills Competition.

Further Enhancing Our Strengths

Supporting a Circular Economy in the Automotive Industry and Taking on the Challenge of Expanding Recycled Material Use across the Industry

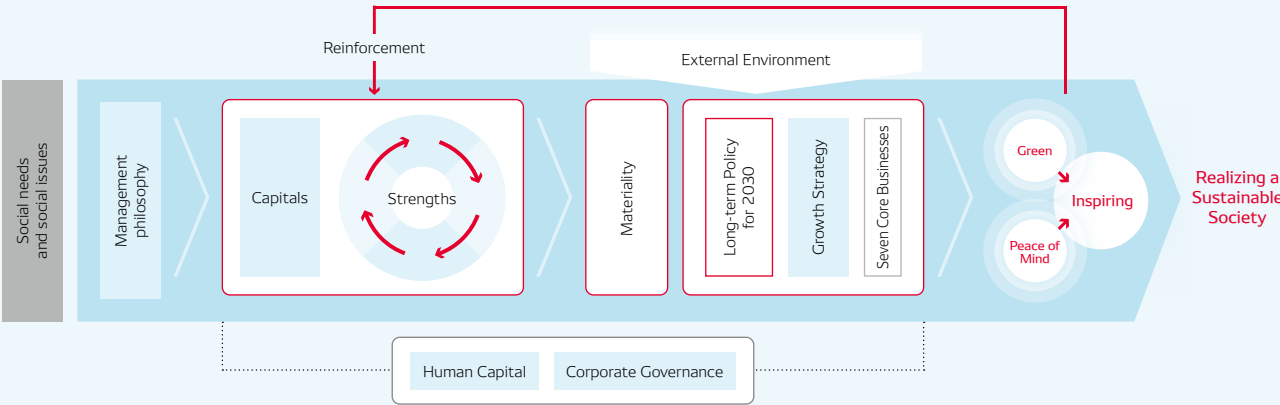
To realize a sustainable society, it is necessary to transition to a circular economy across various industries. In the automotive industry, promoting the expanded use of recycled materials has become a pressing issue. However, with the current method for processing end-of-life vehicles, which involves first crushing them and then sorting and extracting recyclable materials, it is difficult to obtain recycled materials with a high level of purity. Moreover, there has not been sufficient collaboration between companies that manufacture automobiles through processed resources and companies that collect, resell, and reprocess end-of-life vehicles, and this has kept the average rate of closed-loop recycling*2 in the automotive industry relatively low. This also has contributed to the lack of progress with efforts to utilize recycled materials as materials for automotive components.

To remedy this situation, DENSO sought out partners across various industries, including dismantling service providers for end-of-life vehicles, material manufacturers, automotive components manufacturers, and universities and research institutions, and jointly commenced a technological verification test in March 2024 for an automated precision dismantling process, a groundbreaking method that enables extraction of highly pure recycled materials from end-of-life vehicles. This verification test has been chosen as an industry–government–academia collaborative project that aims to expand the use of recycled materials in automobiles, and is supported by Japan's Ministry of the Environment. Through the verification test, we will take a new step forward in realizing a circular economy in the automotive industry.

*2 Closed-loop recycling: A recycling process in which materials from a used product are used to create the same kind of product

Our Accumulated Capitals

The capitals that we have accumulated throughout our history of growth as a company now support our business activities and provide us with a source for enhancing our corporate value in the future. To that end, we will reinforce our human, manu- facturing, intellectual, natural, and social and relationship capitals, developing them into unique strengths, which in turn will help us grow our financial capital and drive growth moving forward. Through this cycle of strengthening our capitals, we will continue to achieve sustainable growth while offering genuine value aimed at realizing a sustainable society.



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

Capitals	Inputs	Initiatives to Strengthen Capitals	Business Growth			Output (Targets)	Outcome / Related SDGs
			Creation of New Value	Profit Growth	Reduction in Capital Cost		
 Financial Capital □ P.42-49	Fiscal 2024 Total assets: ¥9,093.4 billion Revenue: ¥7,144.7 billion Operating profit: ¥380.6 billion	<ul style="list-style-type: none">Reinforce profit structureReduce low-profit assetsImprove capital structureEngage in dialogue with markets	<ul style="list-style-type: none">Bold investment in new and growing fields through well-focused investmentDevelopment of next-generation technologies through swift R&D, including collaboration with partnersPromotion of non-automotive fields (energy, FA, and food & agriculture [AgTech])	<ul style="list-style-type: none">Improvement in ROIC through business portfolio reweightingGrowth in profits based on realization of growth in the CASE vehicle fieldCurbing of fixed costs through disciplined investment managementImprovement of asset efficiency based on reduction of cross-shareholdings and reduction of cash on hand	<ul style="list-style-type: none">Improvement of capital structure through utilization of borrowings and augmentation of shareholder returnsReduction in cost of shareholders' equity through stepped-up investor relations activities	Financial ROE: 12% level Operating margin: 12% level Revenue: ¥7,500.0 billion (fiscal 2031) DOE: 3.3% or higher , stable improvement over the long term Revenue in the electrification domain: ¥1,700.0 billion Revenue in the ADAS domain: ¥1,000.0 billion (fiscal 2031) Scale of semiconductor business: ¥700.0 billion Scale of software business: ¥800.0 billion (fiscal 2036) Revenue in the energy, FA, and food & agriculture (AgTech) domains: ¥300.0 billion (fiscal 2031)	Realizing a sustainable global environment where people coexist with nature <ul style="list-style-type: none">Society with no environmental burden (Response to climate change / Prevention of global environmental pollution)Effective use of limited resources (Recycling of resources / Conservation of water resources)
 Human Capital □ P.52-56	Fiscal 2024 Total number of global employees: Approx. 160,000 Year-on-year increase in human capital investment: Fiscal 2024: ¥29.0 billion Fiscal 2025: ¥35.0 billion (forecast)	<ul style="list-style-type: none">Initiatives to improve employee engagement (support for employee career realization and creation of open workplaces)Transformation of talent portfolio (acquisition, development, and optimal placement of personnel)	<ul style="list-style-type: none">Realization of a circular economy through energy recycling systems and resource reuse	<ul style="list-style-type: none">Increase in profits through deployment of personnel to growth fieldsOptimal resource utilization through deployment of personnel to the most suitable in-house positionsIncreased efficiency and profits through the development of personnel who can utilize advanced IT digital tools	<ul style="list-style-type: none">Increase in highly productive personnel through the utilization of evaluation and compensation systems based on roles and performanceEnhanced productivity due to improved employee engagement		Realizing a mobility society where people live with peace of mind <ul style="list-style-type: none">Elimination of traffic accident fatalitiesReduction of traffic accidents
 Manufacturing Capital □ P.57-59	Fiscal 2024 Capital expenditures: ¥394.6 billion Global number of production bases: 127 bases in 25 countries	<ul style="list-style-type: none">Establishment of global production and supply capabilitiesRealization of DENSO-style digital-twin plantsAchievement of circular economy in the Monozukuri industryTransformation of logistics (optimization of entire supply chain, automation)Development of Monozukuri personnel	<ul style="list-style-type: none">Realization of a circular economy through energy recycling systems and resource reuseDevelopment of Monozukuri personnel who can create innovative value	<ul style="list-style-type: none">Pursuit of sales growth and profits through global production and supply capabilitiesHigh quality and production efficiency that are enabled by digital-twin plantsProductivity improvement based on data analysisCost reduction through disciplined investment decisionsContribution to energy and resource savings	<ul style="list-style-type: none">Reduction of supply risk through the building of a resilient supply networkStable manufacturing through optimization of the entire supply chainRealization of safe Monozukuri workites free of accidents and disasters		Improving social well-being <ul style="list-style-type: none">Provision of open and comfortable mobilityImprovement of labor productivity in industriesSecure and stable food supplyEstablishment of a sustainable supply chain
 Intellectual Capital □ P.60-67	Fiscal 2024 R&D expenditure: ¥550.9 billion Number of patents held (Japan and overseas): Approx. 39,000 Fiscal 2024-Fiscal 2031 Software development personnel: Increase of 6,000 personnel	<ul style="list-style-type: none">Reinforced recruiting and development of software engineersCreation of intangible value through software developmentAugmentation of semiconductor development and enhanced efficiency of software developmentAcceleration of advanced researchPromotion of exchange through collaboration with business partners and industry-government-academia collaboration	<ul style="list-style-type: none">Creation of world-best and world-first products through leading-edge technology researchSpurring of innovation through the exchange of insights on advanced and fundamental technologies in the fields of academia and science	<ul style="list-style-type: none">Acquisition of competitive advantages for CASE vehicles and semiconductors through investment in and deployment of personnel to growth fieldsImprovement in the efficiency of software development through automation, etc.	<ul style="list-style-type: none">Establishment and maintenance of competitive advantages through an increase in the creation of patents that can be utilized by other companiesOptimization of IP policy, governance, and resources from a Companywide perspectiveReinforcement of information security		Improving employee well-being <ul style="list-style-type: none">Creation of workplaces with no work-related accidentsPromotion of diversity, equity, and inclusionCultivation of personnel who can lead new value creation
 Natural Capital □ P.68-73	Fiscal 2023-Fiscal 2026 Planned investment in efforts to reduce CO ₂ emissions: ¥100.0 billion	<ul style="list-style-type: none">Thorough energy-saving activities in all facets of our operationsIntroduction of renewable energy based on economic rationalityEfficient utilization of natural capital through recycling, among other measuresMinimization of environmental impact based on the reduction of waste and emissions	<ul style="list-style-type: none">Creation of innovative energy-saving technologies, such as hydrogen production and utilization, through the application of automotive technologies	<ul style="list-style-type: none">Monozukuri that is both carbon neutral and profitableDevelopment and popularization of electric vehicle components in response to increasingly stringent environmental regulations	<ul style="list-style-type: none">Environmental impact reduction activities that lower the cost of countermeasures for future physical risks related to the environmentReduction of resource depletion risks through the effective use of resources		Cultivating corporate behavior that lays the foundation for trust-based relationships with society <ul style="list-style-type: none">Honest corporate behavior (Compliance)Establishment of information securityResponsible procurement activities (Protection of human rights)
 Social and Relationship Capital □ P.74-77	Fiscal 2024 Suppliers: Approx. 7,540 Dialogues with investors and analysts: Approx. 1,750 Total since fiscal 2011 Number of business alliances: 90	<ul style="list-style-type: none">Enhancement of dialogue with all stakeholdersBuilding of an unshakable corporate foundation	<ul style="list-style-type: none">Creation of new value through collaboration with business partners	<ul style="list-style-type: none">Offering of products and solutions that inspire customers and greater societyAchievement of supply stability through reinforcement of relationships with suppliers and reduction of production costs through risk management	<ul style="list-style-type: none">Elimination of information asymmetry with shareholders and investors through the provision of timely, appropriate informationPromotion of sustainable procurement (human rights, environment, etc.) across the entire supply chainThorough adherence to laws and regulations and maintenance of appropriate competitive environment	Trust of society Compliance: Serious violations of laws and regulations: 0 Information security: Serious incidents: 0	



Tradition of Sustainability Management

Since its founding, DENSO has taken on ambitious initiatives to address social issues through its businesses. In other words, we practice sustainability management and continuously provide society with new green value and peace of mind value. Our consistent approach to business is ingrained in the spirit of the DENSO Creed, which calls on us to “provide quality products and services.”

To continue in the spirit of our creed and keep practicing sustainability management even as times change, we have established the DENSO Group Sustainability Policy and incorporated social issues into the Long-term Policy for 2030 and as an integral part of our material issues (Materiality □ P.32–33). We are currently tackling these social issues through our business activities. This section provides an overview of our structure for promoting sustainability management implementation as well as specific related initiatives.



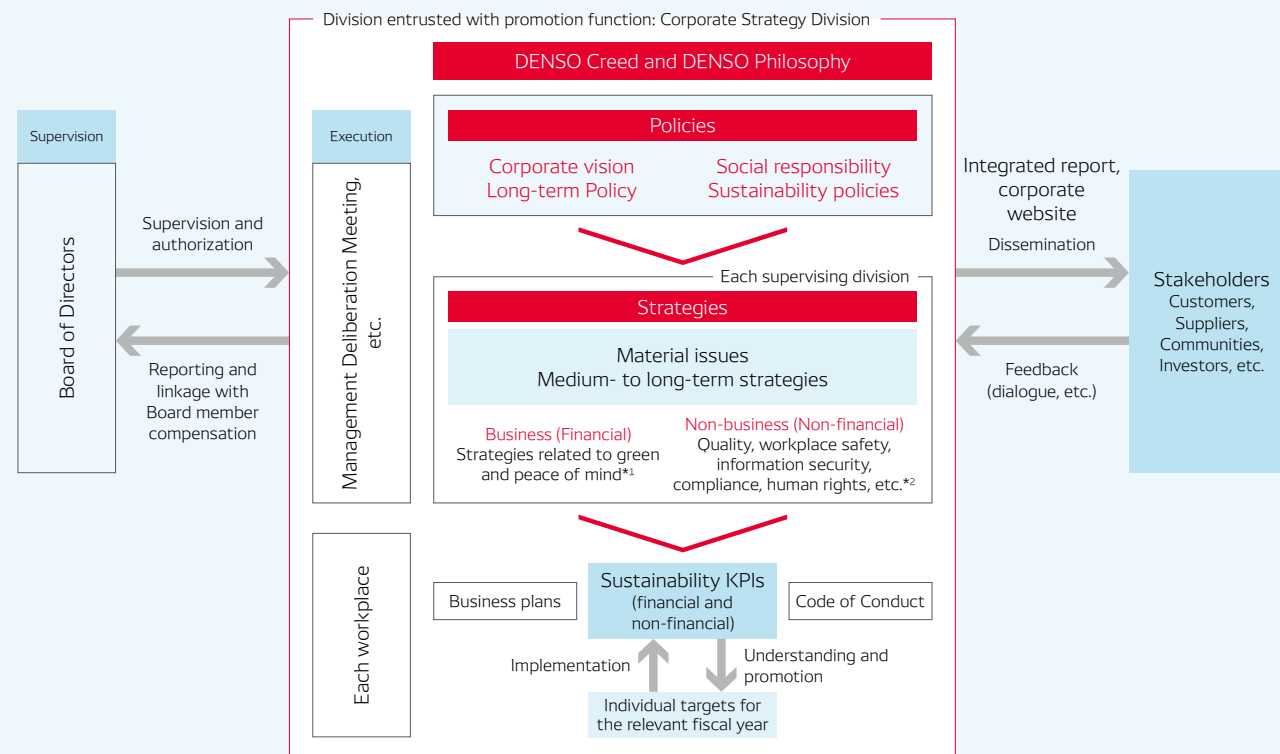
Promotion Structure for Sustainability Management

The executive vice president and representative member of the Board supervises the Corporate Strategy Division, which is responsible for promoting Companywide sustainability management. 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.

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

Promotion Structure and Division for DENSO's Sustainability Management



*1 Strategies deliberated on by the Management Strategy Meeting and the Management Deliberation Meeting (Corporate Governance, P.99)
*2 With committees in charge of these themes, such as the Quality Assurance Meeting and the Companywide Safety, Health, and Environment Committee serving as the secretariat, initiatives to address these themes are deliberated on by the Company's formal committees.

Please see this URL to view the DENSO Group Sustainability Policy.
<https://www.denso.com/global/en/-/media/global/about-us/sustainability/management/management-doc-sustainability-policy-en.pdf>



TOPIC

The DENSO Group is further accelerating the implementation of sustainability management by advancing the following initiatives.

Evolving Sustainability Management (Initiatives from a Companywide Perspective)

Ongoing: Establishing sustainability KPIs and following up on them as company goals; incorporating sustainability KPI achievement levels into evaluation indicators for officer remuneration □ P.103–104

New: We are currently examining updates to the material issues we established in fiscal 2019 based on the concept of double materiality.* In our evaluation process, we have been soliciting the opinions of internal and external stakeholders, including customers, suppliers, investors, experts, employees, and members of the Board to assess our level of impact on society and the kinds of expectations that stakeholders have of DENSO.

* Materiality chosen to not only evaluate how social issues impact a company's business but also how a company's business impacts society.

Promoting the Understanding of Each Employee

Group companies and regional headquarters educate and communicate information to employees in effective ways that reflect the culture of their respective region or company so that each individual can communicate in their own words how they will contribute to the sustainability of society through their work.

Case 1: My Efforts toward the SDGs—Contributions You Can Make on Your Own

At the Kota Plant, we have been working to promote employee understanding of sustainability management at a workplace level through efforts such as the Outstanding People Caravan, an event where department heads, plant managers, and sustainability leaders come together to share examples of personal actions toward the SDGs. Over 350 members of the plant's semiconductor manufacturing division have participated in this event, recording their goals regarding how they would like to contribute to the sustainability of society through their own work and actions under the theme “My Efforts toward the SDGs.” These goals are displayed throughout the plant. In this way, the Outstanding People Caravan provides opportunities for employees to not only reflect on their own actions but also make new realizations by learning the declarations of their colleagues in the workplace.



Case 2: Promoting Understanding of Carbon Neutrality in China

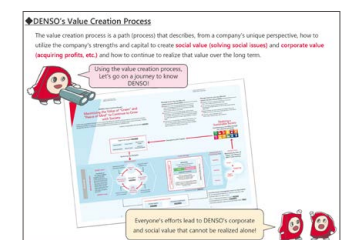
To promote an understanding of carbon neutrality in China, reflecting the level of interest in carbon neutrality around the world, we offer educational activities and tests via e-learning platforms. In addition to global policies and strategies, we share regional Chinese policies with employees so that they can more closely relate to the concept of carbon neutrality and engage in relevant activities. We also introduce specific examples of production companies in China that are engaged in such activities. For example, at Tianjin DENSO Electronics Co., Ltd., a Chinese production company, we have rolled out an initiative using a smartphone app with the aim of encouraging all employees to participate in and have fun with activities related to the SDGs and carbon neutrality on an ongoing basis. Over 90% of employees have accessed this app. The app not only features examples of how to better conserve energy but also enables employees to post their own examples of the initiatives in which they are engaging. To date, there have been over 350 posts by employees, demonstrating the motivation of employees to take action.



Case 3: Promoting an Understanding of Sustainability Management Utilizing the Integrated Report

Leveraging our integrated report, we are promoting efforts to deepen employee understanding of our sustainability management. For employees reading an integrated report for the first time, we have created a reading guide that summarizes the key points of such a report. We also post the report on our company intranet, hold reading sessions among employees interested in the report, and conduct visiting lectures for departments that request them. In these ways, we have promoted activities to deepen employee understanding of our corporate strategies and sustainability management through the use of the integrated report.

Employees who have participated in such activities have provided a good deal of positive feedback, including comments such as “I was able to gain an understanding of how my daily work relates to corporate strategies and social contribution, which has boosted my motivation,” and “I want to use the integrated report to communicate a general overview of DENSO to our business partners and new employees.”



Road Map for Our 2030 Vision

The DENSO Philosophy provides the foundation for drawing the outline of the Company's corporate 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. In addition, to provide a medium-term milestone on the way toward achievement of this policy, we have established the Mid-term Policy for 2025. In parallel with the long-term policy, we are moving forward with Strategies for Green and Peace of Mind as medium- to long-term strategies for the furtherance of measures focused on the long-term policy's goal of maximizing the value of green and peace of mind.

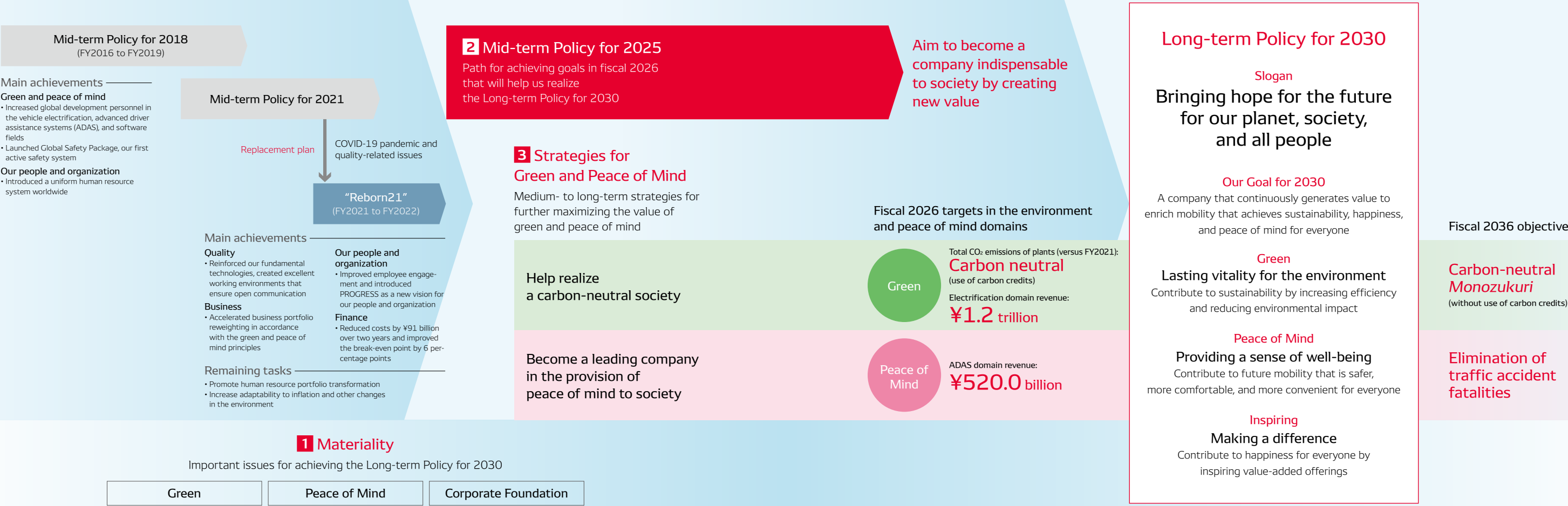
Growth Indicators to Realize the Long-term Policy for 2030

To realize its Long-term Policy for 2030, DENSO is working to achieve business growth by realizing growth in a wide range of domains that go beyond the automobile, and by promoting management reforms, among other efforts. However, with the increased level of uncertainty regarding the outlook for the business environment, 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.

2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024

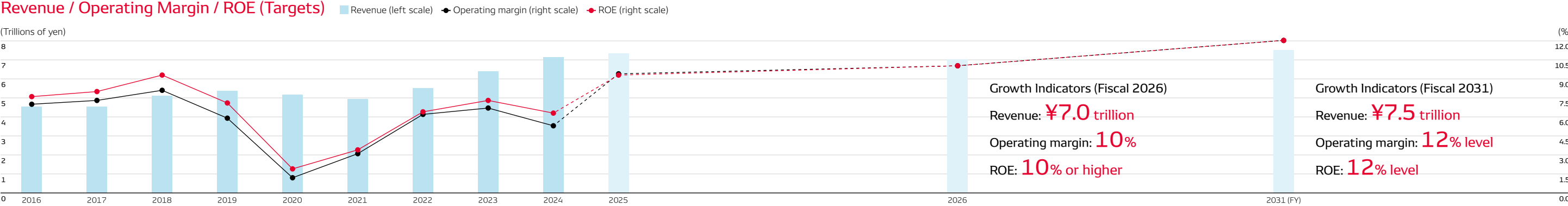
2025

2030



Awareness of the projected business environment of 2030 used to formulate the Long-term Policy for 2030

Revenue / Operating Margin / ROE (Targets)



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 more complex as a result of the digitalization of society and the advancements in intelligent robotics, as well as rising geopolitical risks. In addition to the numerous issues in the mobility field, there are many issues that need to be overcome in order to realize a recycling-oriented society and an optimal energy balance, such as decarbonization and easing traffic congestion. In tandem with the technological evolution of the IoT and AI, advances are being made in implementing new mobility solutions, including vehicle electrification, automated driving, and connected driving, while these technologies also need to be extended and applied to domains other than mobility.

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

Forecasts of Future Society

Politics

- Tightening supply-demand situation for energy across the globe and the shift from low carbon to carbon free
 - Need for international cooperation to mitigate climate change in light of the urgent need to address global warming.....①
 - Necessity of promoting renewable energy and hydrogen usage.....①
 - Restrictions on power generated from fossil fuels and internal combustion engines.....①
- Establishment and expansion of laws to control adverse impacts on the environment and human rights throughout the entire supply chain.....①②
- Intensifying division and confrontation due to differences in political structures (trade, technologies, human rights, etc.).....④
- Rising geopolitical risks.....①②③④

Economy

- Stagnant economies in advanced countries, rise in prominence of Global South, and global multi-polarization.....②③④
- Rise in nationalism due to growing regional disparities.....③④
- Establishment of economic blocs advantageous to individual countries and ongoing regional optimization.....④
- Expansion of ESG investment and acceleration of rulemaking for ESG information disclosure.....①②

Society

- Threat to the sustainability of society due to an increase in population, with the global population exceeding 8.5 billion people.....①②③④
- Aging populations around the world, declining workforces, growth in life expectancies.....②③④
- Urbanization in emerging countries, urban regeneration due to the shift to smart and compact devices, and an increase in logistics volumes.....③④
- Consumption behavior becoming more ethical and experience-based with a shift to the sharing economy.....①②
- Progression in the transition to labor offered by AI and robotics, and changes in work ethic and available free time.....②

Technology

- Integration of digital and physical domains due to the proliferation of IoT-related technologies (communications and other devices).....②
- Productivity enhancement and value chain integration through the use of big data.....①②③
- Transition to the use phase of AI and quantum computer utilization and the versatile implementation of AI in manufacturing, finance, and services.....②③
- Accelerating shift to non-contact technology and full automation in various industries.....①②

Keywords for Social Changes by 2030

① Shift toward a carbon-free society and a circular economy

Changes in the powertrain mix (electric vehicles, internal combustion engine vehicles), energy savings, renewable energy, and resource recycling

② Diversification of people's values and consumption behavior

Diversifying consumption behavior and value systems
Evolution of IT communications × Automobiles

③ Emergence of social issues

Aging populations, uneven distribution of population, and congestion

④ Structural changes and instability within the international community

Political conflicts and geopolitical risks
Growth of new emerging markets

Risks and Opportunities		Response Measures to Risks and Opportunities
① Shift toward a carbon-free society and a circular economy		
Risks	<ul style="list-style-type: none">• Tightening and acceleration of environmental regulations on the automotive industry• Introduction and expansion of environmental taxation by the governments in each country and region• Increasing demand for the transition to carbon neutrality within the product production process	Regarding the risk of climate change, we believe there will be greater opportunities for us to popularize our long-cultivated technologies for fuel efficiency, low exhaust gas, and electrification around the world. Also, particularly in Europe, expectations are increasing with respect to initiatives for the creation of a recycling-based society. Through flexible cooperation and co-creation with other companies, we aim to accelerate the development of technologies for reducing CO ₂ emissions and realize the stable supply of such technologies on a global scale. At the same time, we will help reduce CO ₂ emissions across society through the development of new technologies such as those that generate and use hydrogen and the traceability technologies needed for resource recycling. With a view to achieving a carbon-free society and a circular economy, we will also strive to reduce and curtail CO ₂ emissions across our supply chain and promote resource recycling.
Opportunities	<ul style="list-style-type: none">• Increasing needs for systems to respond to electrification and alternative fuels (e-fuel, hydrogen fuel, and biofuel)• Heightened expectations for new technologies that contribute to carbon neutrality and resource recycling (generation and use of hydrogen, traceability, etc.)• Growing demand for highly efficient production technologies that achieve solid energy-saving effects	
② Diversification of people's values and consumption behavior		
Risks	<ul style="list-style-type: none">• Reduction in transportation as digital technologies proliferate and consumption patterns change• Intensifying competition due to the increasing entry of IT companies able to address diversifying values	By swiftly responding to diversifying needs such as automated driving and the provision of safe and comfortable vehicle interiors, we can increase the number of growth opportunities for DENSO. To respond to the risk of companies from other industries entering the automotive industry, we are collaborating with other companies both inside and outside the automotive industry to leverage our respective fields of expertise while also strengthening our unique technological and <i>Monozukuri</i> (manufacturing) capabilities. By doing so, we will invigorate our development activities in new domains with a sense of speed.
Opportunities	<ul style="list-style-type: none">• Heightened awareness of “peace of mind,” leading to the diversification of technologies related to peace of mind and expansion in value systems (safety awareness, pursuit of comfort, privacy, disaster alerts, etc.)• Rising need for added value due to the accelerating shift to digital technologies and IT	
③ Emergence of social issues		
Risks	<ul style="list-style-type: none">• Delays in developing and commercializing technologies in response to increasingly complex and intricate material issues (Materiality)	Alongside the proliferation of material goods, social issues such as aging societies, the depopulation of rural areas, overcrowding of urban areas, and traffic congestion have become more severe. To resolve these issues, we will accelerate the development of technologies that help prevent accidents and eliminate traffic congestion. By leveraging the know-how we have cultivated through our <i>Monozukuri</i> activities, including in-vehicle, automation, and IoT know-how, we will strive to constantly develop technologies and create businesses in the non-automotive domain that help keep people safe and work to expand these technologies and businesses across the globe.
Opportunities	<ul style="list-style-type: none">• Expansion of businesses that contribute to the resolution of social issues (growing needs for automated driving, the prevention of traffic accidents, food safety, electrification to address labor shortages, etc.)	
④ Structural changes and instability within the international community		
Risks	<ul style="list-style-type: none">• Rising threats toward DENSO's business management (military strikes, cyberattacks, etc.)• Revisions to business models (regulation response and supply chains) due to divisions between countries and regions	Against the backdrop of differences between political structures, the international community is becoming increasingly confrontational and factionalized in various fields, and we forecast that this will bring about dramatic change in our operating environment and increase business risks. To achieve stable business management under these circumstances, we are strengthening our governance and risk management systems so that we can respond flexibly to changes and risks.
Opportunities	<ul style="list-style-type: none">• Progressing expansion of new markets and business partnerships with the aim of resolving social and environmental issues	

Social Changes as of 2030 and Key Initiatives for DENSO

We are narrowing down our forecasts of future society, revising them through PEST (political, economic, social, and technological) analysis, using social changes as of 2030 as a key theme. In accordance with this theme, we have analyzed risks and opportunities and identified key initiatives for DENSO moving forward. We will work to gain an accurate understanding of the outlook for the CASE revolution 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 better 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 leverage the technologies we have cultivated through semiconductors, software, other automotive products, system development, and *Monozukuri* 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.



Reinforcing the Corporate Foundation That Underpins Our Value Creation

To flexibly resolve social issues, which are becoming more complex and diverse, and increase corporate value, we need to strengthen our risk management and other governance frameworks with the goal of revising our organizational management framework and minimizing the impacts of risk. It is also important that we cultivate human resources able to enhance corporate value. In these ways, we will support the creation of high-quality value at faster speeds by reinforcing our management foundation.



1

Materiality

We have determined material issues (Materiality) to be addressed in order to achieve our Long-term Policy for 2030 and are accelerating sustainability management. 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 particularly significant contributions. By achieving these KPIs for each field through our business activities, we will strive to realize our Long-term Policy for 2030 and resolve social issues going forward.

Materiality

In fiscal 2019, DENSO 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. In recent years, the concept of double materiality has come into focus, where not just the financial impact that issues have on corporations is considered but also the impact that corporations have on society (stakeholders). DENSO is currently updating its material issues (Materiality) to align with this concept of double materiality. Management intends to integrate these identified material issues into the next Mid-term Policy and tackle them Companywide.

Process for Determining Materiality

In fiscal 2019, DENSO identified its material issues (Materiality) by evaluating the importance of issues to society as well as their importance to business management, by referring to opinions and advice from third parties, and by implementing an approval process at the senior management level. In light of changes in social conditions, in our strategies, and in other internal and external factors, we will check for changes in the importance of our Materiality as appropriate.



Materiality KPIs

We establish KPIs for each of the selected material issues (Materiality), incorporate them into Company targets, and follow up on and discuss their status at the Management Deliberation Meeting and the Board of Directors’ meeting. Furthermore, the level of achievement for some KPIs is evaluated as a calculation index for executive compensation. [P103–104](#)

In order to advance initiatives across the entire DENSO Group, starting in fiscal 2025, DENSO expanded the scope to include women in management positions, Health Score, employee engagement, and human rights.

Materiality		Vision	KPIs	Fiscal 2024		Fiscal 2025	Fiscal 2026	Related SDGs
				Targets	Results	Targets	Targets	
<div>Green</div>	Prevention of global warming ③	Contribute to an eco-friendly and sustainable society by reducing environmental burden and realizing highly efficient mobility	• CO ₂ emissions from plants (compared with fiscal 2021) (including carbon credit use)	50% reduction	50% reduction	75% reduction	100% reduction	<div><div>3</div>GOOD HEALTH AND WELL-BEING</div> <div><div>6</div>CLEAN WATER AND SANITATION</div> <div><div>7</div>AFFORDABLE AND CLEAN ENERGY</div> <div><div>9</div>INDUSTRIAL INNOVATION AND INFRASTRUCTURE</div> <div><div>11</div>SUSTAINABLE CITIES AND COMMUNITIES</div> <div><div>12</div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div><div>13</div>CLIMATE ACTION</div> <div><div>17</div>PARTNERSHIPS FOR THE GOALS</div>

③ Targets that can be achieved using our products and services

*1 Changed from number of employees to percentage of employees in fiscal 2025 out of consideration of possibility of changes in number of bases due to consolidation, etc.

*2 Employee Lifestyle Score: Original health management indicator that provides a score for the healthy behavior of each individual employee using data obtained from health exams

*3 Health Score: Percentage of employees who score 6 or better on BMI and seven health behaviors

*4 Safety points: Scoring depending on scale and type of accident

2 Mid-term Policy for 2025

In fiscal 2023, we formulated the Mid-term Policy for 2025 with a view to giving concrete form to the Long-term Policy for 2030 slogan: Bringing hope for the future for our planet, society, and all people. The Mid-term Policy for 2025 sets forth the goals and a road map for the activities we will focus on and the corporate profile we will achieve by 2025.

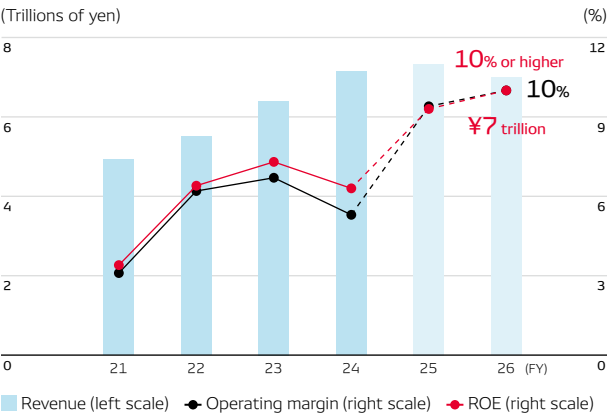
Prerequisites for Realizing the Goals of the Mid-term Policy for 2025	We aim to continue to be an organization of people who can think and act in an independent and self-reliant manner. Accordingly, we are prioritizing investment in human resources and strongly promoting <i>Hitozukuri</i> , which nurtures 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.
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Aims

Green	Lead the industry by realizing a carbon-neutral manufacturing industry, thereby creating a sustainable society		Monozukuri	FY2036 target Carbon neutral (Carbon neutral, including the use of carbon credits, by FY2026)
			Mobility products Energy use	FY2036 target Carbon neutral (Total reductions from use of mobility products and energy. CO ₂ emissions/recovered amount assessment calculated using DENSO's criteria)
Peace of Mind	Safety	Realize a society without fatalities from traffic accidents	Eliminate fatalities from traffic accidents	
	Comfort	Realize safe and secure air quality	FY2026 target Provide spaces with AQI* of less than 50	
New Businesses	Create new value by providing solutions that resolve social issues		Expand business and resolve issues in the domains of mobility, industry, and society	

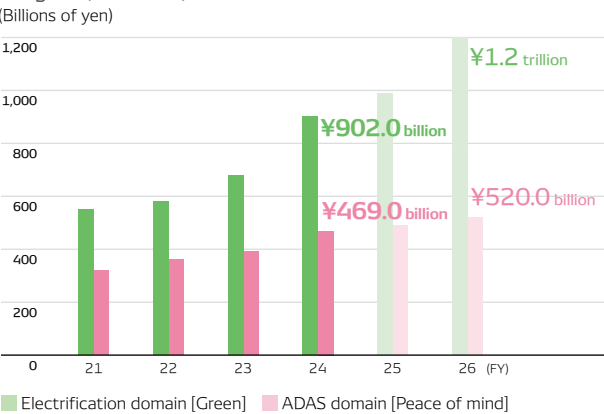
* Air Quality Index (AQI): An index that determines air quality levels based on six atmospheric pollutants with the aim of curtailing harmful substances in the air

Revenue / Operating Margin / ROE (Targets)



In fiscal 2024, revenue increased from the previous fiscal year due to higher sales of green and peace of mind products, yen depreciation, and brisk sales of automobiles now that semiconductor shortages have been alleviated. Operating profit declined year on year due to provisions for quality reserves, despite capacity utilization gains, foreign currency translation gains, and streamlining efforts. In fiscal 2025, DENSO aims for revenue of ¥7.3 trillion and operating profit of ¥692 billion, with growth driven by stronger sales of green and peace of mind products, streamlining initiatives, and better responsiveness to change.
Note: For fiscal 2026, management assumes a foreign exchange rate of ¥125/\$.

Proliferation of Green and Peace of Mind Products / Targets (Revenue)



In fiscal 2024, revenue increased as a result of stronger sales of products in the electrification business, including inverters and motor generators, in the electrification domain, as well as an increase in vehicle models equipped with HMI-ECUs and Global Safety Package 3 (GSP3), an advanced safety system, in the ADAS domain. In fiscal 2026, DENSO targets revenue of ¥1.2 trillion in the electrification domain and ¥520 billion in the ADAS domain, and is working to introduce and increase sales of new technologies.

Five Pillars of Global Management, Initiatives to Realize the Target Profile in Mid-term Policy for 2025

Aiming to realize the Mid-term Policy for 2025, DENSO's global workforce of approximately 160,000 employees will focus their efforts on the following five pillars of global management.

1. Realization of Sustainability Management

Establish a Solid, Unshakable Business Foundation

Financial Capital, Risk Management [□□ P.42–49, 110–111](#)

Initiatives		Achievements to Date and Strategy Going Forward	
Safety and Quality	Establish a sound safety and quality foundation that meets the expectations of society and earns the trust of our customers	Achievements to Date	• Expanded and instilled proper work framework by returning to the philosophy of total quality management and by strengthening management foundations
		Strategy Going Forward	• Deepen and establish workplace culture of open communication • Solidify safety and quality foundation for new growth domains, such as software and non-automotive fields
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	Achievements to Date	• Clarified rules for responding to emergencies and completed introduction of predictive management for all risk items • DENSO CORPORATION trials new processes for ideas to address risks
		Strategy Going Forward	• Further strengthen and instill first response capability for emergencies • Extend to and instill new processes at Group companies
Earnings	Establish a robust earnings structure by promoting reforms to our business portfolio	Achievements to Date	• Accelerated reweighting toward a business portfolio that simultaneously realizes profitability and our fundamental principles through growth in priority fields, including growth in sales of electric vehicle components and advanced safety products, and by de-emphasizing and discontinuing internal combustion engine products, including the disposal of internal combustion product businesses • Appropriately analyzed and reflected rising material costs in prices upon obtaining the agreement of customers and suppliers; currently collaborating with industry bodies to create rules aimed at structural reforms to hasten a positive cycle of price changes in order to bolster the competitiveness of the industry
		Strategy Going Forward	• Continue to promote activities with a view to business disposal; at the same time, in growth businesses determine the five priority fields for alliances (vehicle electrification, ADAS, semiconductors, new businesses, and software) and then forge ahead on a Companywide cross-divisional basis

2. Bold Pursuit of Work Grounded in the DENSO Philosophy

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

Manufacturing Capital, Intellectual Capital [□□ P.57–67](#)

Initiatives		Achievements to Date and Strategy Going Forward	
1	Swiftly provide our stakeholders with the best possible value and experiences by maximizing our performance through the Core & Customization Strategy and data utilization	Achievements to Date	• Conducted prior development with customers from the product concept stage; currently targeting customer needs to grow sales • Decided on key strategies, frameworks, and systems for Companywide prior development
		Strategy Going Forward	• Meet diversifying needs by reinforcing the product lineup through identification of DENSO's core technology fields and customized technology fields and strengthen sales expansion strategies by product • Quickly establish prior development technologies and accelerate their adoption in business • Advance sustainability management through data unification and global collaboration in core operations
2	Pursue competitive reorganization of production structure, implement digital-twin technologies, and promote automation, thereby transforming the landscape of our plants around the globe	Achievements to Date	• In light of business portfolio transformation, decided on production and supply strategy and a road map for next-generation plants
		Strategy Going Forward	• Steadily execute production and supply strategy, and realize next-generation plants by starting to develop and implement systems

3. Business Portfolio Transformation

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

Capital Strategies, Overview by Product [□□ P.42–95](#)

Initiatives		Achievements to Date and Strategy Going Forward	
1	Rebuild core businesses and transition business portfolio toward BEV products	Achievements to Date	• Made steady progress in growing sales to Japan-based and overseas customers—which was reflected in contributions to electrification domain revenue from inverters, thermal management products, and other products—by strengthening development and production capabilities (FY2024 result: ¥902.0 billion) • Examined human resources needed to carry out strategy
		Strategy Going Forward	• Realize further sales expansion in the vehicle electrification field and other growth fields; advance fundamental reform of the earnings structures by accelerating the de-emphasis and discontinuation of internal combustion engine products, including the disposal of businesses and production reorganization on a global scale • Specify necessary human resources and accelerate identification and creation of resources

● Green ● Peace of Mind ● New Businesses ● Corporate Foundation

3 Strategies for Green and Peace of Mind

Initiatives		Achievements to Date and Strategy Going Forward	
2	Accelerate efforts to de-emphasize and discontinue internal combustion engine technology and commercialize new energy businesses, thereby contributing to carbon neutrality	Achievements to Date	<ul style="list-style-type: none">Prepared scenarios for de-emphasizing and discontinuing internal combustion engine products in collaboration with customers and supply chain companies and disposed of seven businesses* (as of the end of September 2024)Began verification of green hydrogen production and in-plant hydrogen utilization at DENSO FUKUSHIMA CORPORATION; in 2024, started to manufacture radiators for delivery to customers using hydrogen produced on-site* Including basic agreements on beginning consideration of business disposal
		Strategy Going Forward	<ul style="list-style-type: none">Accelerate the de-emphasis and discontinuation from the perspective of the overall supply chain and strengthen industrial competitiveness, by globally reorganizing production and disposing of businessesIn the new energy business, create models able to build packages from hydrogen production to usage and introduce packages based on plant scale; extend the scope of verification activities to include automobiles
3	Promptly establish a structure for electrification that enables a flexible response to diversifying customers' needs and realize steady sales expansion and growth	Achievements to Date	<ul style="list-style-type: none">Unified teams from the Electrification Systems Business Group and the Powertrain Systems Business Group in order to increase systems development and sales activities based on customer priorities
		Strategy Going Forward	<ul style="list-style-type: none">Increase our ability to meet diversifying customer needs by improving the competitiveness of various products and by offering systems solutions based on an extensive product lineup that includes thermal management systems
4	Fully strengthen electronic and software technologies in an effort to contribute to the ideals of green and peace of mind and realize business growth	Achievements to Date	<ul style="list-style-type: none">Currently expanding ECU sales by utilizing our expertise in electronics technologies for all aspects of automobiles to focus on specific customer needs and co-create electronic platforms accordingly
		Strategy Going Forward	<ul style="list-style-type: none">Accelerate business growth by further expanding sales and globally strengthening software development competitiveness

4. Realization of Carbon Neutrality ●

Lead the Industry in Becoming Carbon Neutral

Strategies for Green and Peace of Mind, Efforts to Maximize the Value of “Green” (TCFD) □□ P.37–41, 70–73

Initiatives		Achievements to Date and Strategy Going Forward	
1	Transition to globally competitive, carbon-neutral plants through the utilization of innovative energy-saving technologies	Achievements to Date	<ul style="list-style-type: none">Achieved carbon neutrality at all production bases in Europe and nine manufacturing sites in JapanSet targets for achieving carbon neutrality, including credit use in fiscal 2026Obtained SBT certification under SBTi (Science Based Targets initiative), an international initiative that has set targets to reduce GHG emissions by fiscal 2031Began tests for green hydrogen production and utilization
2	Realize stable long-term procurement of renewable energy at a low cost		
3	Develop energy businesses together with robust business partners	Strategy Going Forward	<ul style="list-style-type: none">Create specific measures for decarbonization of gas in order to achieve carbon neutrality in fiscal 2036Accelerate support for realizing carbon neutrality in entire supply chain

5. Creation of New Value ●

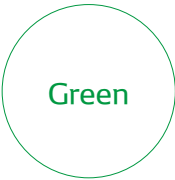
Achieve Business Growth through the Provision of Products and Solutions in New Fields

Materiality, Intellectual Capital □□ P.32–33, 60–67

Initiatives		Achievements to Date and Strategy Going Forward	
1	Promote the development and practical application of cutting-edge technologies that underpin the digital-twin society	Achievements to Date	<ul style="list-style-type: none">Declared growth target (20% of revenue by fiscal 2036) for new domainsTurned Certhon, a company in the Netherlands with advanced technology in greenhouse horticulture, into a subsidiary; global provision of greenhouse horticulture solutions that combine DENSO's automation, environmental control, and DX technologies
2	Create new value by further refining and combining our technologies while establishing growth scenarios based on popularizing our technologies throughout society		
3	Establish efficient and flexible workstyles that cater to new business models and establish non-financial KPIs	Strategy Going Forward	<ul style="list-style-type: none">Fine-tune and accelerate implementation of business models in new domains, organizational structures, and growth strategies with partners

● Green ● Peace of Mind ● New Businesses ● Corporate Foundation

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 for green and peace of mind products to accelerate these initiatives, and are taking specific actions in this direction. In fiscal 2024, DENSO DIALOG DAY 2023 was held as a forum to have more in-depth dialogues with stakeholders, with management announcing details about the aims of the new management system to maximize green and peace of mind value, its strategy to enhance corporate value, and strategies to strengthen core technologies and deliver new added value.



Aiming to Become Carbon Neutral by Fiscal 2036

We aim to realize carbon neutrality within our *Monozukuri* activities in the not-too-distant future of fiscal 2036 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

Major Achievements in Fiscal 2024		Targets
Monozukuri (Manufacturing)	Reduction of 50% in total CO ₂ emissions from plants (compared with fiscal 2021)	Realize complete carbon neutrality in our <i>Monozukuri</i> activities (fiscal 2036)
Mobility Products	Invested in Silicon Carbide LLC, a company that produces SiC wafers Electrification-related sales of ¥902.0 billion (133% of the previous fiscal year's level)	Electrification domain revenue: ¥1.2 trillion (fiscal 2026)
Energy Use	Accelerated verification testing of SOEC*1 and SOFC*2 to encourage use of hydrogen, with aim of market launch after fiscal 2025	Revenue from commercialization of renewable energy: ¥300.0 billion (fiscal 2036)

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



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 through which we aim to become a leading company that provides peace of mind to society.

Major Achievements in Fiscal 2024		Targets
Elimination of Traffic Accident Fatalities	Set targets for launching next-generation advanced safety system products ADAS domain revenue: ¥469.0 billion (120% of the previous fiscal year's level)	ADAS domain revenue: ¥520.0 billion (fiscal 2026)
Creation of Comfortable Spaces	Developed water temperature control system, a world-first technology	Globally spread automotive general-purpose products that create comfortable spaces (fiscal 2026)
Support for Working People	[Hydrogen] Created commercialization policy for new business ventures [Agriculture] Turned Certhon into a subsidiary and accelerated business expansion	Energy / Factory Automation (FA) / Food and Agriculture (AgTech) Three-domain revenue: ¥300.0 billion (fiscal 2031)

Green Strategy

Monozukuri (Manufacturing)

Aim: Realize complete carbon neutrality in our *Monozukuri* activities

We will reduce CO₂ emissions by encouraging the use of renewable energy such as solar power and enhancing the efficiency of our manufacturing process. In addition, we aim to realize complete carbon neutrality in our *Monozukuri* activities, by reducing CO₂ emissions from the production process through the use of green hydrogen generated from renewable energy.

Specific Initiatives	Success Stories
<ul style="list-style-type: none">At our plants, rigorously engage in energy-saving activities and promote the use of renewable energy by promoting in-house power generation through reforms to our production and supply structureSeek to achieve carbon neutrality in fiscal 2026 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 creditsRealize carbon neutrality at our plants by fiscal 2036 and work to expand carbon neutrality throughout the supply chain	<p>Recognition of initiatives to conserve energy and improve plant environments with receipt of energy conservation award for 14th consecutive year</p> <p>At plants that require heat countermeasures, DENSO has improved work environments at its plants without making large-scale investments to improve comfort while conserving energy. These initiatives were recognized with an energy conservation award.</p>

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 electric vehicles (xEVs) by advancing products powered by electricity. 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 through various kinds of electrically powered mobility.

Specific Initiatives	Success Stories
<ul style="list-style-type: none">Centered on driving systems, such as inverters, and thermal systems, promote farsighted technological development in all facets of mobility, from HEVs, BEVs, and FCEVs through to eVTOL (electric vertical take-off and landing) aircraft, thereby realizing energy management that connects cars and other forms of mobility with societyApply electrification technologies to the new field of air mobility. At the same time, utilize the high-output, high-efficiency, and ultra-lightweight technologies acquired through this effort in the manufacture of automobiles	<p>Investment in U.S. company to ensure reliable long-term procurement of SiC wafers</p> <p>DENSO invested in Silicon Carbide LLC, a subsidiary of the U.S.-based Coherent Corp., to ensure a long-term supply of SiC wafers, a key device that helps reduce electricity loss in BEV systems while making them smaller and lighter.</p>

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 energy in an efficient manner, regardless of location or time, and work to popularize them around the world. By doing so, we will help realize an energy-recycling society.

Specific Initiatives	Success Stories
<ul style="list-style-type: none">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	<p>Start of order taking for next-generation models of charging equipment that enable electricity stored in BEVs and PHEVs to be used inside homes</p> <p>We have started to accept orders for BEV and PHEV two-way electricity supply systems that are smaller, lighter, and easier to use with connections to home energy management systems (HEMS).</p> <p>Entry into hydrogen business with goal of solving energy problems</p> <p>In fiscal 2024, we launched verification testing of SOEC, which creates hydrogen from electricity, and SOFC, which generates electricity from hydrogen, at our Nishio and Hirose plants as part of our entry into the hydrogen business, using the heat management and materials technologies accumulated in the automotive business. At DENSO FUKUSHIMA CORPORATION, we are taking actions to use hydrogen produced within its plant in the manufacturing process for products delivered to actual customers.</p>

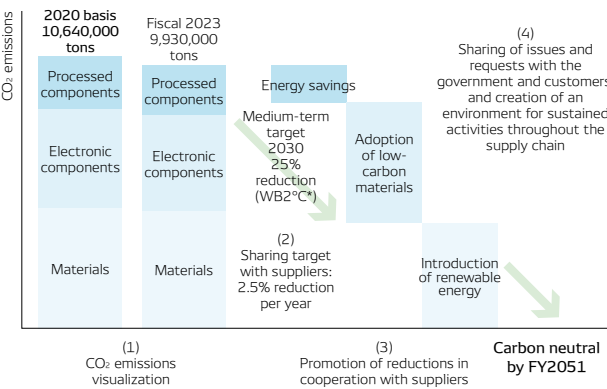
Toward Carbon Neutrality throughout the Value Chain

As the world accelerates decarbonization efforts, DENSO has been boldly tackling environmental issues through initiatives for environmentally friendly *Monozukuri*. Specifically, we have been developing mobility products with excellent fuel and energy-saving technologies, which have been areas of strength since our founding. In fiscal 2022, we declared that our goal was to achieve complete carbon neutrality in *Monozukuri* activities by fiscal 2036. Since then, we have been increasing the pace of efforts to achieve carbon neutrality throughout the entire value chain. For details on this goal, please see “Efforts to Maximize the Value of ‘Green’ (TCFD)” on [P.70–73](#).

Scope 3: Upstream (Suppliers)

CO₂ emissions reduction target: 25% by FY2031 (versus FY2021), carbon neutral by FY2051

Road Map for Scope 3 Carbon Neutrality



Deepening Collaboration between DENSO and Suppliers

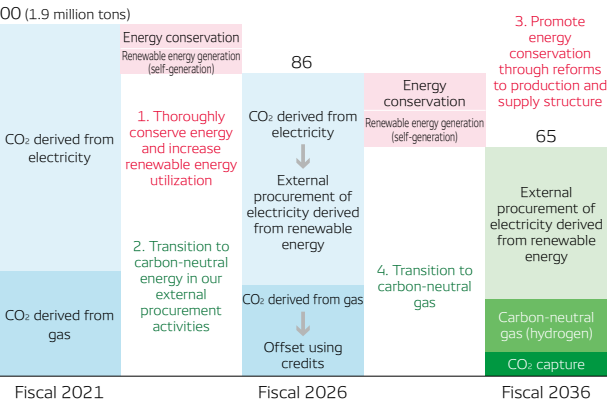
With the aim of realizing carbon neutrality, DENSO is working with its suppliers to visualize CO₂ emissions throughout its supply chain. Having shared specific CO₂ emissions reduction targets with 360 major suppliers, we are promoting various initiatives to attain these targets. For example, DENSO provides examples of how to promote energy conservation and technological assistance, procures renewable energy, and has switched to low-CO₂ materials. While proactively engaging with suppliers, DENSO helps them find solutions to these issues.

* The target of keeping the rise in temperature well below 2°C, which is a Scope 3 target under the 1.5°C standard

Scope 1 and 2: DENSO Plants

CO₂ emissions reduction target: Completely carbon-neutral *Monozukuri* by FY2036

Road Map for Scope 1 and 2 Carbon Neutrality



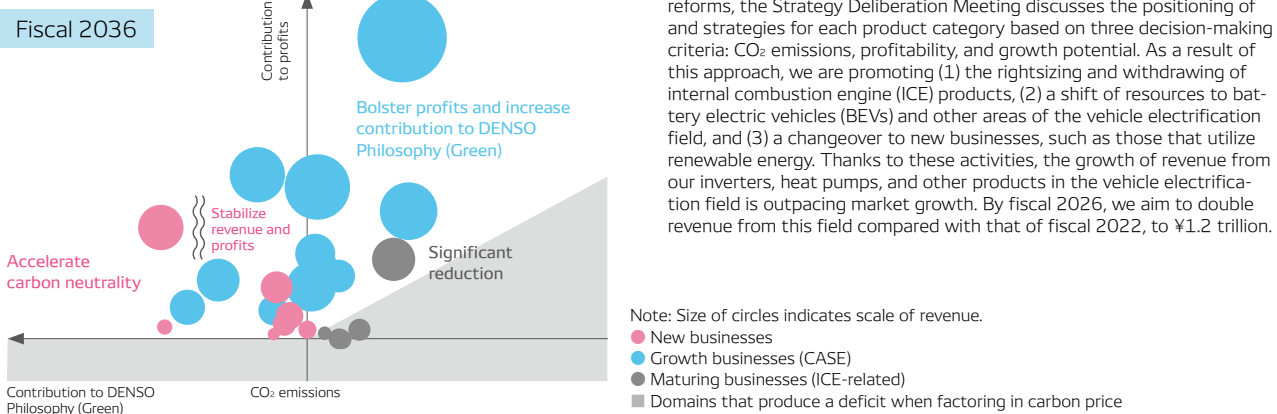
Realizing New *Monozukuri* through Unflagging Efforts and Innovative Technologies

DENSO is thoroughly implementing energy-saving activities, which have always been one of its strengths, and securing and utilizing renewable energy sources, including the utilization of carbon credits. In addition, we are developing innovative energy-creating technologies by combining our many different types of manufacturing expertise. At model plants in Japan, we will verify and enhance the leading-edge technologies required for energy creation and then incorporate them into optimal energy creation activities tailored to the energy situations of respective regions. Also, by introducing internal carbon pricing into business feasibility assessments, which serve as an indicator for investment decisions, we are virtually converting CO₂ emissions into losses and reflecting them in these assessments. Consequently, internal carbon pricing is accelerating our investments in energy-saving measures and renewable energy facilities. Further, we achieved carbon neutrality at the Anjo, Nishio, and Hirose plants, DENSO FUKUSHIMA CORPORATION, and all DENSO plants in Europe by fiscal 2023. Moreover, carbon neutrality was achieved by fiscal 2024 at the Takatana, Daian, Kota, Zenmyo, and Kosai plants.

Scope 3: Downstream (Product Use)

CO₂ emissions reduction target: 25% by FY2031 (versus FY2021)

Relationship between CO₂ Emissions and Profits by Product Category



Accelerating Business Portfolio Transformation

When analyzing business strategies, to accelerate business portfolio reforms, the Strategy Deliberation Meeting discusses the positioning of and strategies for each product category based on three decision-making criteria: CO₂ emissions, profitability, and growth potential. As a result of this approach, we are promoting (1) the rightsizing and withdrawing of internal combustion engine (ICE) products, (2) a shift of resources to battery electric vehicles (BEVs) and other areas of the vehicle electrification field, and (3) a changeover to new businesses, such as those that utilize renewable energy. Thanks to these activities, the growth of revenue from our inverters, heat pumps, and other products in the vehicle electrification field is outpacing market growth. By fiscal 2026, we aim to double revenue from this field compared with that of fiscal 2022, to ¥1.2 trillion.

Peace of Mind Strategy

Elimination of Traffic Accident Fatalities

Aim: Popularize safety products through efforts focused on “depth” and “width,” thereby realizing free and safe mobility

With the aim of eliminating traffic accident fatalities, 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 “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 promoting the further popularization of our safety products by working to realize attractively priced safety products and enhance our lineup of retrofitted products.


Specific Initiatives	Success Stories
<ul style="list-style-type: none">Respond to various accident scenarios and strive to prevent accidents through not only 360-degree sensing but also in-vehicle sensing and vehicle–infrastructure linkagesFully leverage AI technologies to predict “unseeable danger” and inform the driver about it, thereby ensuring the driver avoids hazardous situationsIn tandem with the evaluation of ADAS, expand lineup of retrofitted products that can be applied to already-sold vehicles in an effort to provide a lineup of products priced for various situations, vehicle types, and needs	<p>Launch of collaboration with Koito Manufacturing Co., Ltd. on development of safety improvement systems for nighttime driving</p> <p>We have begun to collaborate on the development of systems that improve visual recognition of objects during nighttime driving and other situations using image sensors integrated into vehicle headlamps.</p>

Overview by Product (Mobility Electronics)  P.88–89

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 even more relaxing spaces by evolving the environment within vehicles.

Specific Initiatives	Success Stories
<ul style="list-style-type: none">Innovate purification and sensing technologies to eliminate viruses and visualize toxic substances, thereby realizing safe and secure air qualityRefine technologies to create and expand comfortable interiors in passenger vehicles and public transportation vehicles	<p>Announcement of Everycool cooler for idling trucks that offers effective cooling while lowering environmental burden</p> <p>We have announced a cooling system for idling trucks that balances the efficient use of energy with reductions in environmental burden by cutting fuel consumption, while improving the working conditions of drivers during hot summers.</p> 

Support for Working People

Aim: Draw on the technologies we have cultivated in the mobility domain to establish a society where working people are supported and their potential is nurtured

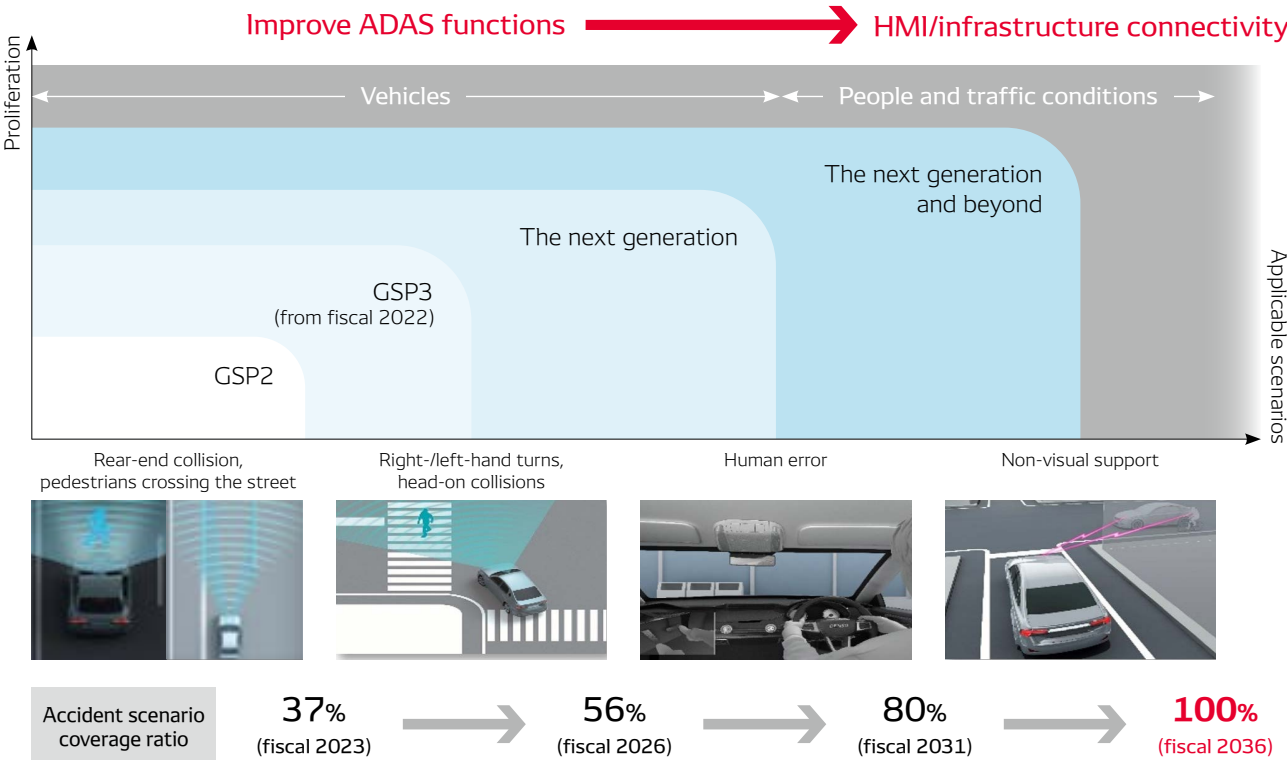
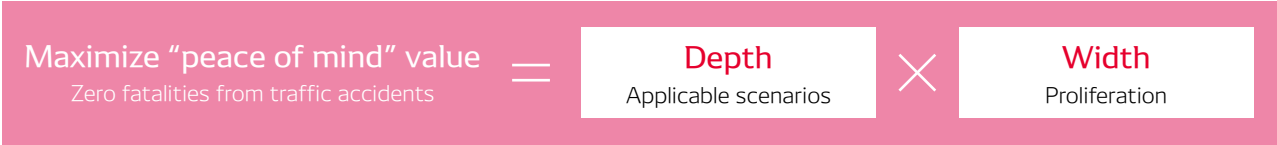
One major social issue is the significant decline in the workforce in most industries. To address this issue, DENSO will draw on the technologies it has cultivated in the mobility domain, such as automation technologies and ICT, to realize a society where all people are supported and can take on new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

Specific Initiatives	Success Stories
<ul style="list-style-type: none">For 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 linesIn the plant logistics field, provide ultra-high-quality comprehensive solutions that cover everything from framework improvement through to the rationalization of entire factoriesIn the food and agriculture (AgTech) field, contribute to the stable and secure supply of food by resolving issues throughout the food value chain	<ul style="list-style-type: none">Helping to address the shortage of truck drivers and reduce CO₂ emissionsDemonstration testing of trunk relay transportation service <p>Working together with logistics providers, DENSO has commenced demonstration tests of a trunk relay transportation service as an effective means of helping to reduce environmental load and eliminate overtime hours and labor shortages in the logistics industry.</p>

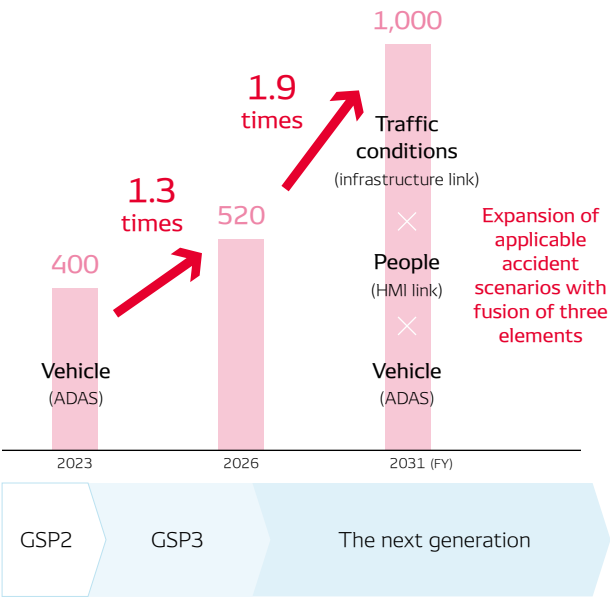
Overview by Product (Factory Automation, Social Solutions, and Food Value Chain)  P.92–93

Maximizing “Peace of Mind” Value and Realizing Sustainable Growth

Approach to realizing these goals



Revenue Growth Forecast
(Billions of yen)



DENSO's Proprietary Technology for Achieving Zero Traffic Fatalities

Providing “peace of mind” value requires not only improving ADAS functionality but also refining advanced technologies, such as HMI and infrastructure integration. One such advanced technology that uses this systems integration technology is the people-oriented ADAS. This is a driver assistance system that monitors what people are doing by managing coordination between the ADAS domain, which recognizes the vehicle’s surroundings using advanced sensing technologies, and the HMI domain, which monitors the driver’s condition and driving characteristics from inside the vehicle. A system like this is only possible because of DENSO’s experience and strengths in both ADAS and HMI domains.

The core technology enabling this next-generation system is high-performance sensing technology. The imaging radar that leverages this technology provides highly accurate 3D sensing, allowing for the precise measurement of vertical angulation and contours, and general environmental awareness that were previously unattainable. This improves the ability to judge road conditions, predict human behavior, and enhance the system’s coverage of potential accident scenarios. This technology requires expertise in integrating hardware and software, and DENSO’s proprietary patented technology allows for miniaturization and high levels of performance that competitors cannot match.

Financial Capital

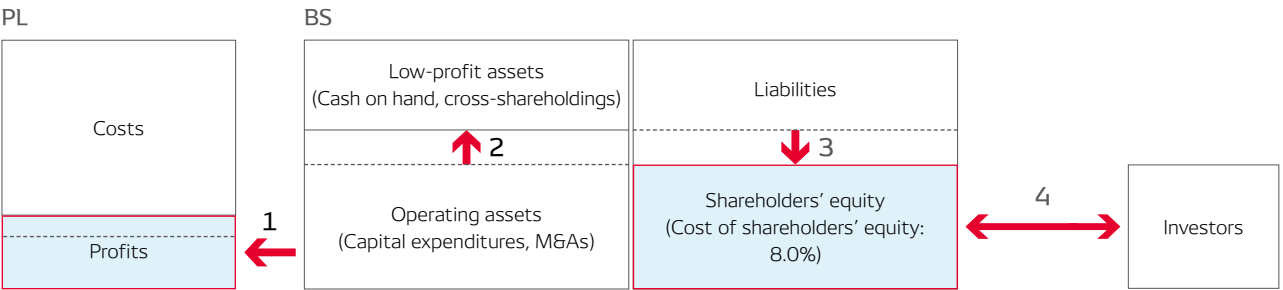
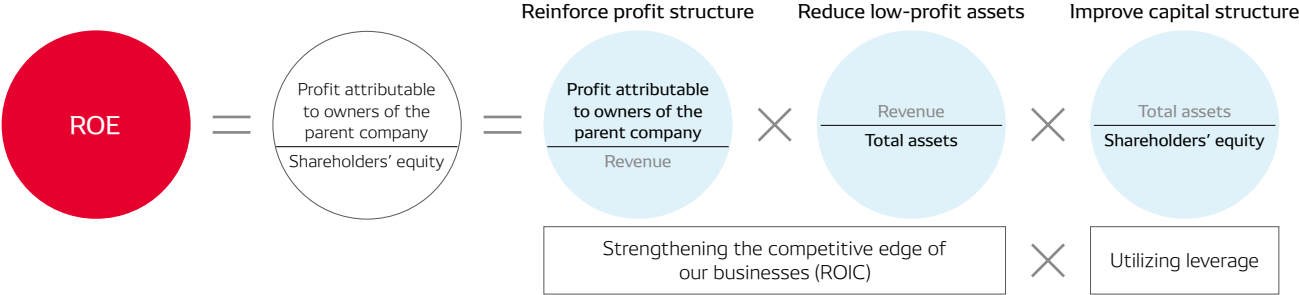
Financial Strategy for Realizing the Mid-term Policy for 2025

By “resolving social issues by maximizing the value of green and peace of mind to be inspiring” and “expanding genuine equity spread over the medium to long term,” DENSO aims to enhance its corporate value in a sustainable manner. As we do so, we have established return on equity (ROE) as our most important KPI from a financial perspective, guided by management with an awareness of capital cost.

Under the Mid-term Policy for 2025, we have set a target for ROE of 10% or higher with the aim of maximizing value creation by having ROE exceed the Company’s current cost of shareholders’ equity and the minimum level expected by society, as indicated in documents like *Ito Report 2.0*, of 8%.

DENSO will seek to realize this target through the agile promotion of a financial strategy supported by four pillars: (1) reinforce profit structure, (2) reduce low-profit assets, (3) improve capital structure, and (4) engage in dialogue with markets.

Initiatives for Creating Corporate Value



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

Evolution of Financial Strategy

Since fiscal 2020, DENSO has continued to strategically and steadily evolve its financial strategy with a view toward corporate value creation. In fiscal 2024, we not only reduced the number of shares held in the Toyota Group but also sought to transform our shareholder composition through public offerings as a means to reduce the cost of shareholders’ equity. By doing so, we further enhanced the sophistication of our financial strategy. (Dialogue with an Analyst [□ P.50–51](#))

Fiscal 2020–Fiscal 2022 Revamping of Financial Strategy		Fiscal 2022–Fiscal 2024 Thorough Implementation of Management Focused on Capital Costs		Fiscal 2024 Enhancement of Financial Management
Drafting of financial strategy based on four pillars and formulation and disclosure of relevant KPIs		Improvement in ROE and ROIC through the steady promotion of a sophisticated financial strategy		Advancement of individual strategies and maximization of corporate value
Improvement in ROIC	Reinforce profit structure	Introduction of hurdle rates in investment decision-making criteria	Promotion of business portfolio transformation focused on DENSO Philosophy, ROIC, and growth	Full-scale implementation of business disposals and business partnerships, including M&As
	Reduce low-profit assets	Reduction of cash on hand and cross-shareholdings	Increased reduction of shares and optimization of inventories	Promotion of extensive cost share reductions, including shares in the Toyota Group
Reduction in WACC*1	Improve capital structure	Introduction of DOE*2 and increased treasury stock acquisitions	Diversification of fundraising foundation through foreign bonds	Implementation of the Company's largest-ever treasury stock acquisition (¥200.0 billion)
	Engage in dialogue with markets	Communication of strategies and targets via DENSO DIALOG DAY	Enhancement of comprehensive communication of financial and non-financial information	Strengthening of efforts to appeal to individual investors and improvement of shareholder composition via public offerings

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

Message from the Chief Financial Officer

Further enhancing our ability to continuously create corporate value by executing our financial strategy and steadily achieving results

Yasushi Matsui

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



DENSO's Important KPIs (Results for Fiscal 2024 → Targets for Fiscal 2026)

Reinforce profit structure

- ROE: 6.3% → **10% or higher**
- Operating margin: 5.3% → **10%**

Reduce low-profit assets

- Cash on hand compared with monthly turnover: 1.0 months → **Maintain current level**
- Cross-shareholdings: 14 stocks → **Further reduction**

Improve capital structure

- Equity ratio: 60.9% → **50% or higher**
- DOE: 3.3% → **Stable long-term improvement**
- Treasury stock acquisition: ¥200.0 billion → **Flexibly implement and strengthen**

Overview of Performance in Fiscal 2024: Efforts to Realize Further Growth and Corporate Value Creation

In fiscal 2024, revenue reached a record high of ¥7,144.7 billion, up 11.6% year on year, due to robust vehicle sales primarily in Japan and North America following the easing of the semiconductor shortage, as well as the progression of yen depreciation and expanded sales in focus fields, such as electrification and safety products. On the other hand, operating profit came to ¥380.6 billion, down 10.7%, due mainly to the impact of allocating ¥201.5 billion to address quality-related issues, centered on fuel pumps. This offset our efforts to counter soaring material costs, primarily for electronic components, and labor costs through rationalization and the passing on of costs to customers.

In fiscal 2025, we anticipate a challenging operating environment, including difficulties in selling Japanese cars in China due to the expansion of local automakers and market downturns in Asia following the tightening of credit policies. In such an environment, we will strive to increase sales of high-value-added products primarily in our mainstay businesses and further

enhance our rationalization efforts and ability to respond to change, all while steadily strengthening investments in R&D and human capital with a view toward future growth. Through these efforts, we will aim to achieve revenue of ¥7,330.0 billion and operating profit of ¥692.0 billion, marking record highs for both.

ROE came to 6.3%, down 1 percentage point from the previous fiscal year, due to the funds allocated to address quality-related issues in fiscal 2024 (ROE of 9.0% when excluding these funds). For fiscal 2025, we will aim to achieve ROE of 9.3% by steadily enhancing our profitability with a firm commitment to reaching our target for fiscal 2026 of ROE of 10% or higher.

Furthermore, under the Mid-term Policy for 2025, we have made clear our intention to create social value by realizing a carbon-neutral society and eliminating traffic accident fatalities.

From here, I will explain specific initiatives we are implementing to resolve both social issues and realize business growth, in accordance with the four pillars of our financial strategy.

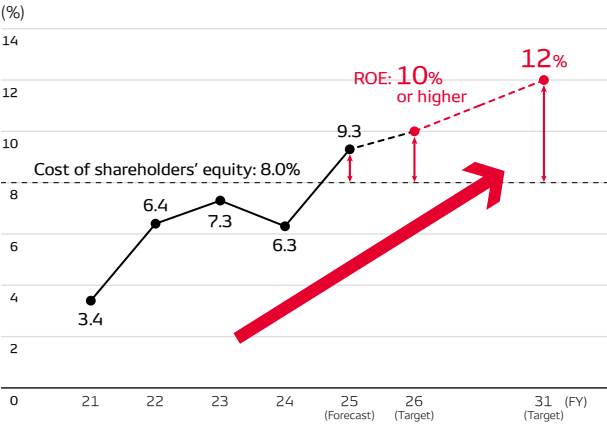
1. Reinforce Profit Structure: Aiming to Realize the DENSO Philosophy through the Pursuit of Three Bold Initiatives

(1) Entrenching ROIC-minded Management to Realize Sustainable Value Enhancement

DENSO's ROIC-minded management is not a method for short-term improvement in financial indicators but rather aims to enhance corporate value over the medium to long term. It is something that is realized by having all members of management and all employees thoroughly understand the significance of ROIC and act accordingly.

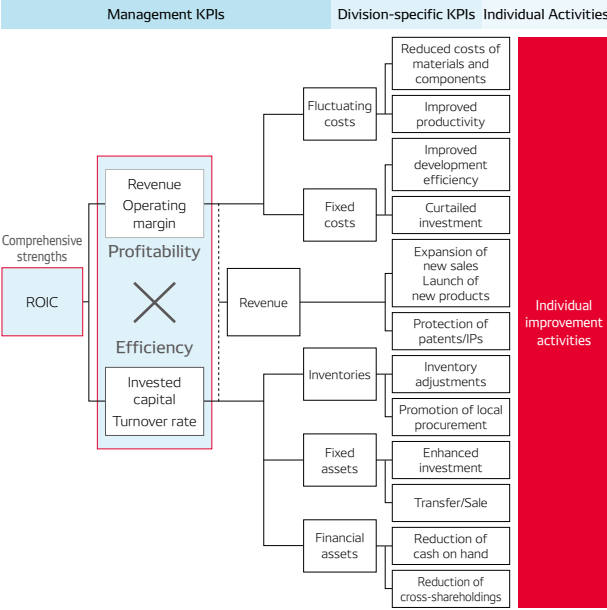
To that end, we are implementing initiatives to facilitate an understanding of financial indicators among employees that cover various angles, including the in-house rollout of an “ROIC tree,” which shows the relationship between management KPIs, such as ROIC, and individual actions; regular educational activities; and the sharing of ROIC improvement examples in global in-house publications. At the same time, we have included ROIC as an indicator for determining the performance-linked compensation of Board members and are disclosing ROIC targets as

ROE and Equity Spread



one of our KPIs. In these ways, we have clarified the awareness and commitment of our management. Moving forward, we will continue to entrench and advance ROIC-minded management with a view toward sustainable value enhancement.

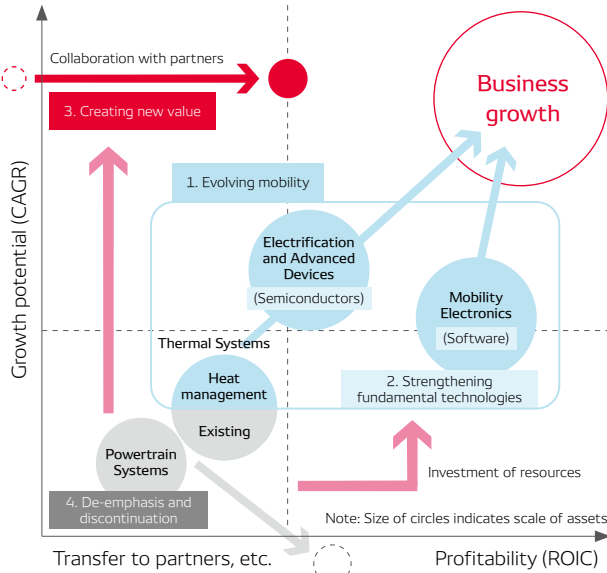
ROIC Tree Showing the Relationship between Management KPIs and Individual Activities



(2) Reshuffling Business Portfolio through Three Bold Initiatives

DENSO has achieved growth by creating social value through the principles of green and peace of mind and inspiring stakeholders while doing so. As social demand becomes greater for companies in the automotive domain to address social issues, we are pursuing the three bold initiatives of “evolving mobility,” “strengthening fundamental technologies,” and “creating new value,” in accordance with the DENSO Philosophy. By doing so, we will create social value in a more extensive and sustainable manner while also achieving business growth.

Overview of Business Portfolio Reshuffling



To ensure the success of these initiatives, it is imperative that we reshuffle our business portfolio on an ongoing basis. We will therefore revise our portfolio to ensure an appropriate business composition for the current generation based on the perspectives of realizing the DENSO Philosophy, accelerating growth, and boosting profitability in terms of ROIC, thereby working to create value. In this way, we will aim to achieve revenue of ¥7.5 trillion and an operating margin and ROE of around 12% by fiscal 2031.

I will now explain our individual targets and efforts based on the perspectives of the three bold initiatives and the de-emphasis and discontinuation of primarily the internal combustion engine business.

① Evolving Mobility (Electrification and ADAS)

Electrification and advanced driver assistance systems (ADAS) are two domains that are crucial for the realization of the principles of green and peace of mind and sustainable growth. By continuing to deliver new value that fully leverages DENSO's strengths, we have helped evolve mobility and achieved growth that exceeded that of the market on a continuous basis.

First, in the electrification domain, as the electrification of mobility progresses further, centered on battery electric vehicles (BEVs), we are proceeding with efforts to achieve differentiation through our technological capabilities, which are backed by years of experience, and our extensive lineup of products that meet diversifying customer needs. In fiscal 2024, we sold a total of 4.77 million inverters, which is a 1.4-fold increase from the previous fiscal year, thanks to expanded sales in North America and China. Moreover, we will seek to further contribute to the electrification of vehicles through our lineup of energy management systems, which include power supply systems, steering and braking systems, and heat management systems. We will also advance efforts to enhance our environmental value and expand global sales. By doing so, we aim to achieve ¥1.7 trillion in sales in the electrification domain in fiscal 2031 (a 1.9-fold increase compared with fiscal 2024). (Green Strategy □□P.38–39)

Next, for the ADAS domain, we have been achieving solid sales with Global Safety Package 3 (GSP3) (up 1.8-fold compared with the previous fiscal year), which now covers a range of up to 37% of potential accident scenarios. In addition, we have completed preparations for introducing next-generation products into GSP3 that extend the system's detection range with the aim of providing even greater safety value. By introducing such products, we expect to increase the range of potential accident scenarios covered by GSP3 to 56% by fiscal 2026. Looking ahead, we will promote the development of advanced technologies integrated with infrastructure such as

human-machine interface (HMI) and traffic environments. Through such efforts, we will aim to achieve sales of ¥1.0 trillion in fiscal 2031 (2.1 times the level of fiscal 2024) in the ADAS field and extend the range of coverage of GSP3 to 80%. Additionally, by fiscal 2036, we will draw on GSP3 technology to help realize a society without fatalities from traffic accidents and in which people can move freely and safely, thereby contributing to the resolution of social issues. (Peace of Mind Strategy □□P.40–41)

② Strengthening Fundamental Technologies (Semiconductors and Software)

To evolve mobility, which I just talked about, it is imperative that we strengthen our fundamental technologies. DENSO has positioned semiconductors and software as its fundamental technologies, as they both provide the key for promoting the electrification and evolution of vehicles. By actively investing resources in these technologies and promoting relevant collaboration with business partners, we will refine our technological capabilities and reinforce our supply structure.

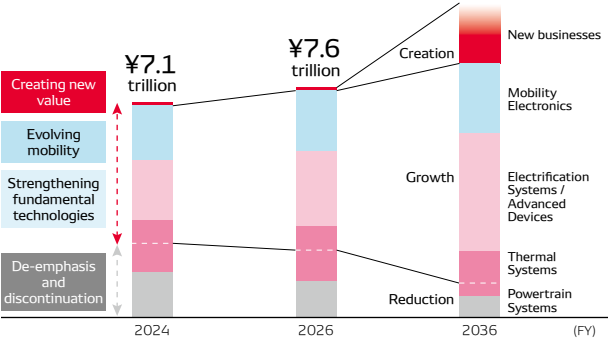
In the semiconductor domain, we are advancing investment primarily in power semiconductors that contribute to the longer driving distances of electric vehicles. In 2023, we launched our first silicon carbide (SiC) inverter on the market. Moreover, in the System on a Chip (SoC) domain, we became a member of Japan's Advanced SoC Research for Automotive (ASRA) initiative through which we are advancing R&D activities across various industries.

From the perspective of supply, we are not only enhancing our production capacity but also strengthening the entire value chain through collaboration with our business partners. As part of these efforts, in fiscal 2024 we invested in Silicon Carbide LLC, which handles SiC manufacturing for the U.S.-based Coherent Corp., in a bid to enhance our competitiveness through vertical integration. We also carried out an additional investment in Japan Advanced Semiconductor Manufacturing, Inc. for the purpose of securing a supply structure with even greater stability.

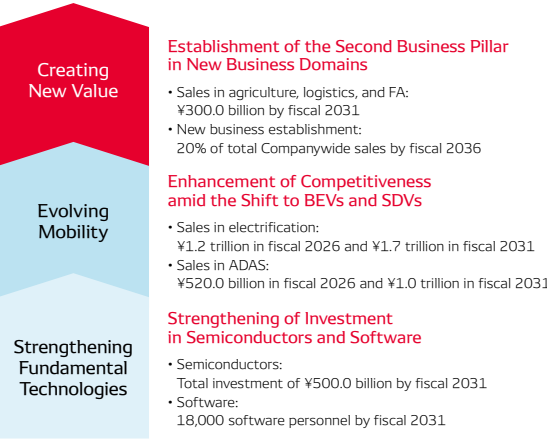
Through these kinds of efforts, we plan on investing a total of ¥500.0 billion in the semiconductor domain by fiscal 2031. Additionally, by fiscal 2036, we will increase the size of our semiconductor business to ¥700.0 billion (2.7 times the level in fiscal 2024).

Next, we position software as a core technology for making vehicles more advanced, including through automated driving, electrification, and connectedness, and will thus seek to bolster our development capabilities. The term “software-defined vehicles (SDVs)” refers to the idea of dramatically enhancing the value of vehicles and services through software. As this concept becomes more widespread, it is important that we are able to support increasingly more complex and larger systems. We have been developing in-vehicle software for over 40 years, which has honed our ability to fulfill OEM requirements through software. Leveraging this experience and our development assets, we will actively pursue strategic partnerships with external organizations and adopt advanced development techniques that incorporate IT, AI, and other cutting-edge technologies. Simultaneously, by expanding recruitment of software-savvy personnel and promoting reskilling within our organization, we aim to enhance our development capabilities both qualitatively and quantitatively. By fiscal 2031, we will establish a development structure comprising 18,000 employees (1.5 times the level in fiscal 2024), and by fiscal 2036, we aim to achieve a software business scale of ¥800.0 billion (4.0 times the level in fiscal 2024). (Intellectual Capital □□P.60–67)

Changes in Revenue Composition through Business Portfolio Reshuffling (Trillions of yen)



Mid- to Long-term Plan for the Three Bold Initiatives



③ Creating New Value

To date, DENSO has created social value by contributing to the evolution of mobility. Moving ahead, we will go beyond the mobility domain to execute further investments in domains offering new value, such as energy, food and agriculture (AgTech), and factory automation (FA), so that we can both resolve social issues in new areas and achieve further business growth by leveraging the strengths we have cultivated in car manufacturing.

In all these domains, we will stray away from a go-it-alone approach and actively pursue strategic partnerships to accelerate our business expansion. In fiscal 2024, we made the Certhon Group, which possesses world-class, cutting-edge technologies in the horticultural facility domain, a wholly owned subsidiary.

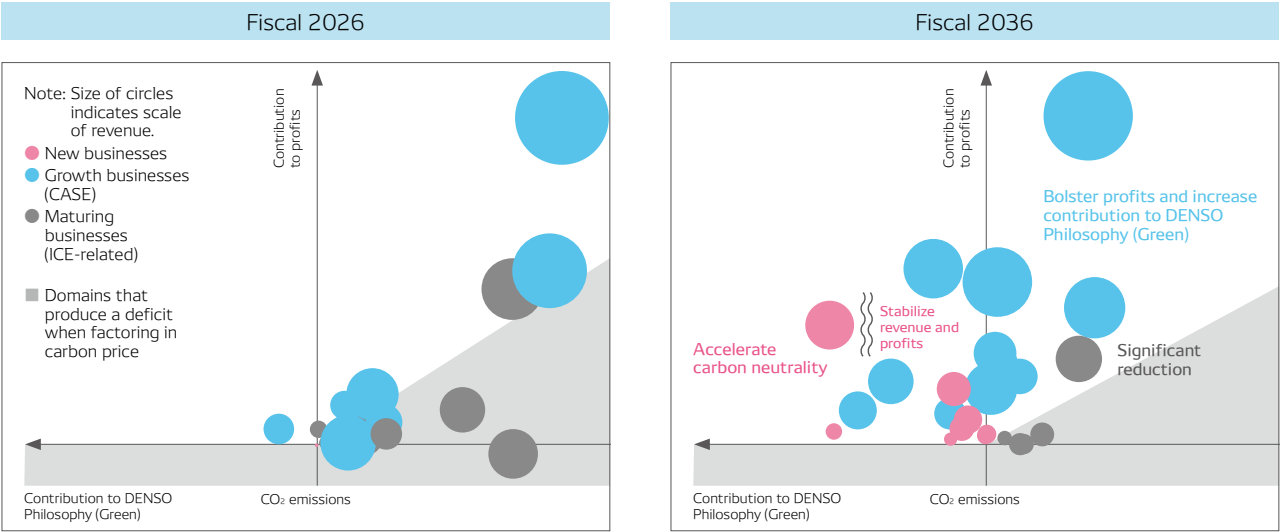
Through these efforts, we aim to achieve sales in new value domains of ¥300.0 billion by fiscal 2031 and to continue growing sales in these domains so that they account for 20% of total Companywide sales by fiscal 2036. (Intellectual Capital □□P.60–67)

④ De-Emphasis and Discontinuation (Internal Combustion Engine Business)

In tandem with realizing growth in core domains, it is important that we scale down or withdraw from maturing businesses at appropriate times if we are to realize an optimized business portfolio. Although there are short-term difficulties when decreasing the size of a business or withdrawing from it altogether, we are pursuing Companywide efforts to de-emphasize and discontinue maturing businesses as a means to contribute to future growth and new value creation.

Specifically, we have divided the Company's businesses into 112 product groups and, on a regular basis, are determining the future direction of each group based on its contribution to the following criteria: realizing the DENSO Philosophy, accelerating growth, and boosting profitability in terms of ROIC. Recently, the fuel pump module, type III alternator, and spark plug and exhaust gas sensor businesses have been the targets of business transfers. These are all core products for internal combustion engines, which have underpinned DENSO's growth, and currently remain highly profitable. Nevertheless, selection and concentration across various companies is crucial for achieving the further growth of not just DENSO but the automotive industry as a whole. With a strong desire to realize the DENSO Philosophy, we will lead reorganization efforts within the automotive industry with the aim of achieving medium- to long-term growth for the Company and the greater industry.

Example of the Reshuffling of Our Business Portfolio



Create a portfolio that can realize the DENSO Philosophy and improve profits by enhancing profitability in the CASE domain and expanding new businesses that contribute to a carbon-neutral society

By creating new resources through these endeavors and boldly redirecting them to new growth domains, we will steadily realize the aims of our three bold initiatives.

(3) Transforming Business Model to Respond to Change

As we seek to transform our business portfolio, we are also working to transform our business model to respond to changes in the external operating environment and the content of our businesses.

The external operating environment is undergoing various changes, including increases in material costs, energy expenses, and wages due to inflation. To respond to these changes, we are building frameworks to appropriately reflect cost fluctuations in our transaction prices with the aim of enhancing our competitiveness across the supply chain and realizing a circular economy.

As a Tier 1 supplier, we are involved with a broad range of suppliers and also engage in direct transactions with automakers. As such, we occupy an important position in the supply chain. With regard to supplier impact, we proactively inquire about the situation at each supplier and earnestly respond to any price increases. At the same time, we provide thorough explanations to our customers to ensure that these price increases are appropriately reflected in our transaction prices. Furthermore, we introduce examples of the successes we have achieved with our pricing initiatives to affiliated organizations such as the Japan Auto Parts Industries Association. In this way, we are actively participating in price adjustment initiatives across the entire automotive industry and will lead the way with efforts to bolster the industry's competitiveness.

We are also working to transform our business model to respond to changes in the content of our businesses. Amid the rapid changes in the market environment, we will continue to deliver value through our technological and supply capabilities that provide benefit to our customers. At the same time, we will work to enhance the competitiveness of both our customers and DENSO by qualitatively demonstrating the value we offer to our customers and ensuring that such value is properly recognized.

For example, in the software domain, software that was conventionally sold as part of an electronic control unit (ECU) is now being sold more commonly as stand-alone software separate from the ECU. To respond to this change, when setting the

transaction price for software, we will quantify the value our software offers customers and market the software based on such value, rather than the workload required to develop it.

(4) Executing Strategic Investments for the Future

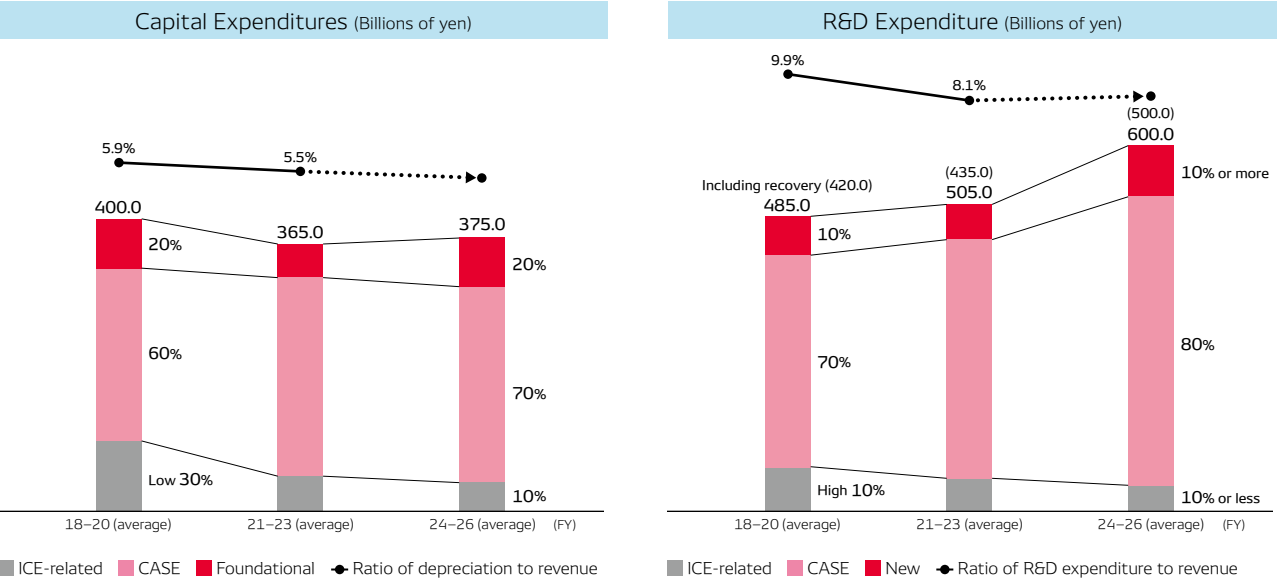
The well-balanced allocation of resources is key to achieving sustainable growth while bolstering our profit structure. Our *Monozukuri* and technological capabilities provide us with a significant competitive edge, and to further sharpen this edge, we are executing capital expenditures and R&D investment in an optimized fashion.

First, in terms of capital expenditures, we are expanding investment in the electrification and semiconductor fields and implementing disciplined investment in internal combustion engines in accordance with the direction of our business portfolio reshuffling. In addition to new products, we will continue to invest in measures to strengthen our production infrastructure in terms of safety and quality and in automation and digital technologies with the aim of boosting productivity. In these ways, we will maintain and enhance a robust production structure.

Next, in fiscal 2025, we intend to invest a total of ¥640.0 billion in R&D, an increase of ¥90.0 billion compared with fiscal 2024, as we work to build an industry-leading development structure. We have established green, peace of mind, and fundamental technologies as priority development fields and have formulated a technological development road map for each, taking into account medium- to long-term social trends and technological needs. Based on these priority development fields, we will clarify core technologies and pursue our current R&D activities by adopting a backcasting approach. In this way, we will refine the technological capabilities that serve as the source for our sustainable competitiveness. Moreover, we will seek to enhance development efficiency through digital transformation (DX), including the utilization of AI, and advance efforts to communicate to our customers the true value that we offer them, as I mentioned earlier. By doing so, we will simultaneously bolster our competitiveness and improve profits.

Also, as the operating environment continues to change and needs become more diverse, we must pursue partnerships (M&As), rather than acting entirely on our own, if we are to transform our business portfolio and achieve sustainable growth.

Resource Allocation



To that end, we have established a Companywide task force for priority domains under which we are continuously formulating and executing partnership strategies so that we can further accelerate the transformation of our business portfolio, which comprises key growth fields and fields that we are seeking to de-emphasize and discontinue.

To engage in decision-making that fully considers the significance of partnerships and pursues the greatest possible returns, as well as to prevent excessive spending on partnerships, we have adopted a strict decision-making process and evaluation criteria. For example, we have set up a framework to rigorously evaluate (qualitative assessment) the appropriateness of an investment from such perspectives as its alignment with Companywide growth strategies and the potential to generate synergies. We have also adopted a hurdle rate (quantitative assessment) that covers investment risks by country and business in addition to capital costs. While swiftly and continuously formulating strategies and narrowing down partner candidates

in the focus fields of electrification, ADAS, semiconductors, software, and new businesses, we will pursue every good opportunity possible to collaborate with our business partners.

Considerations for Executing M&As
Examination and Determination Based on Investment Significance (Qualitative) and Economic Rationale (Quantitative)

Investment significance	Investment returns and alignment/synergies with growth strategies
Potential	Business plans, structure, and action plans
Hurdle rate	Investment criteria that include risks in addition to capital costs
Risks	Multifaceted measures to hedge obstacles and risks
Exits	Clear exit conditions

2. Reduce Low-Profit Assets:
Improving Asset Efficiency by Reducing Assets While Determining Ideal Asset Levels

DENSO seeks to utilize its asset portfolio with the greatest levels of efficiency by determining the necessary levels of certain types of assets in order to reduce asset amounts.

(1) Optimizing Cash on Hand

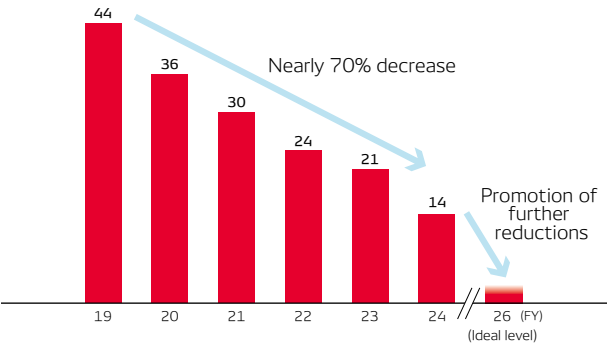
We have been working to optimize cash on hand by minimizing the funds needed for business operation (standard business funds) and reducing uneven asset distribution by region through the use of the Global Cash Management System (GCMS). By enhancing the precision of our day-to-day cash management in fiscal 2024, we were essentially able to achieve the fiscal 2026 target for cash on hand of 1.0 times* the amount of monthly revenue for the total of standard business funds and rainy-day funds for emergency circumstances. Going forward, we will continue to promote the efficient utilization of cash as we seek to grow.

* In the financial statements, funds under the GCMS are treated as deposits by the lending company and loans by the borrowing company, which means that they are recorded as both deposits and loans. However, the figure for actual cash on hand excludes the impact of the GCMS.

(2) Reducing Cross-Shareholdings

DENSO has a basic policy of not owning strategic shareholdings unless ownership of them is deemed rational. Under this policy, we are steadily reducing cross-shareholdings across all areas. In fiscal 2024, we accelerated reduction efforts by commencing the reduction of shares in the Toyota Group. When including partial sales, we sold 11 stocks for a total of ¥125.8 billion. Accelerating the pace of these reduction efforts, as of the first half of fiscal 2025 we had sold over ¥300.0 billion in cross-shareholdings through the partial reduction of shares in Renesas Electronics Corporation and Toyota Industries Corporation, among others. (Dialogue with an Analyst [□ P.50–51](#))

Cross-Shareholdings
(Stocks)



(3) Optimizing Inventories

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

In fiscal 2024, we worked on a Companywide basis to strengthen management of inventories based on holding purposes and worked with customers to make detailed adjustments to order volumes. As a result, we were able to reduce inventory levels to 1.9 times the amount of monthly revenue, compared with 2.4 times the amount of monthly revenue in June 2022.

In fiscal 2025, we will engage in activities to strengthen our corporate structure through global collaboration, while promoting further inventory reductions by accelerating the management cycle through the utilization of tools that monitor inventory status. In these ways, we will aim for inventory levels of 1.8 times the amount of monthly revenue.

Moving forward, we will continue to make concerted efforts toward reducing inventory levels, thereby further cementing our operating foundations.

3. Improve Capital Structure:

Pursuing Targeted Capital Structure by Bolstering Funding Platform and Issuing Proactive Shareholder Returns

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

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

(1) Diversifying Funding Sources and Utilizing Borrowings

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

Additionally, through the ongoing utilization of sustainability financing (bonds and loans), we will further accelerate efforts to resolve environmental and social issues, centered on the sustainability management initiatives that we have been implementing since our founding.

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

(2) Shareholder Return Policy

DENSO aims to realize and further enhance total shareholder return (TSR)* that exceeds the cost of shareholders' equity steadily over the long term by increasing both dividends (income gain) and share price (capital gain). With regard to TSR results, we have been steadily working to enhance shareholder returns with a focus on improving income gains and to strengthen our financial structure with a view toward greater capital gains. Through such efforts, over the past five years following the revamping of our financial strategy, we have achieved returns that significantly exceed the cost of shareholders' equity of 8.0% as well as the Tokyo Stock Price Index (TOPIX).

For dividends, we have adopted a basic policy of consistently growing dividend on equity (DOE: Dividends ÷ Shareholders' equity) using the level of 3.0% as our baseline. Guided by this policy, we increased DOE by 0.1 percentage point year on year in fiscal 2024, to 3.3%, marking the third consecutive year of increases. As for treasury stock acquisition, we acquired ¥200.0

Status of Long-term Credit Rating (As of July 20, 2024)

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

billion in treasury stock in fiscal 2024, which made for our largest-ever acquisition. The scale of this acquisition was determined by comparing our targeted capital structure and theoretical share price with actual figures as well as taking into account the robust market demand following the public offering of shares. Looking ahead, we will continue to promote the flexible acquisition of treasury stock while expanding the scale of this acquisition.

Through our efforts to enhance stable, long-term shareholder returns, we will realize TSR that exceeds the cost of shareholders' equity. At the same time, we will curtail increases in capital and enhance our corporate value.

* TSR: Total return on investment that combines capital gains and dividends

(3) Cash Allocation

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

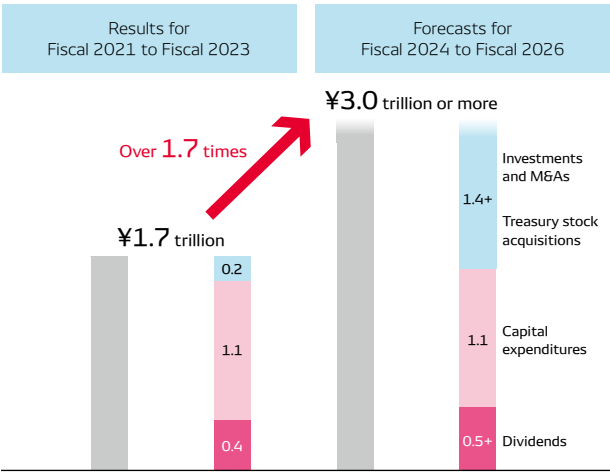
We will seek to control capital expenditure projects in a highly disciplined manner, taking into account the growth potential and profitability of each business. In addition, we will examine growth investments such as M&As and business alliances in key growth domains with the aim of accelerating our business portfolio transformation. We also believe that such growth investments are essential to the growth of our businesses and the realization of the DENSO Philosophy. To that end, we will proactively utilize borrowings to implement large-scale investments, as needed, in an effort to achieve business growth and improve our capital structure.

We will also seek to strengthen stable, long-term shareholder returns through continuous increases in dividend levels and the proactive acquisition of treasury stock. We will comprehensively consider the scale of such acquisitions by taking into account targeted capital structure and theoretical share price as well as the scale of potential growth investments.

Through these initiatives, we will strive to maximize ROE and enhance corporate value on an ongoing basis.

Cash Allocation

(Trillions of yen)



4. Engage in Dialogue with Markets:
Increasing Communication Regarding Our Long-Cultivated Non-Financial Capital and Promoting the Appeal of Our Value Provision

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

In fiscal 2024, we held roughly 1,750 dialogues with companies including through the utilization of online meetings. At the same time, we held DENSO DIALOG DAY, an event where executive directors explain our corporate strategies and exchange opinions with the media and investors. The opinions received at this event were communicated at official in-house meetings and reflected in various initiatives, including the determination of management policies and efforts to reduce cross-shareholdings. In addition, guided by our sustainability management, we are stepping up investments in non-financial capital to reduce business risks and expand opportunities over the medium to long term. For example, we have positioned investments in intangible assets, such as R&D, as growth investments that contribute directly to corporate growth. Based on this approach, we plan on executing ¥640.0 billion in R&D expenditure in fiscal 2025, up ¥90.0 billion year on year, in an effort to bolster our overall investment activities. Through these activities, in Japan and overseas, our number of patent applications filed came to roughly 3,600 as of the fiscal 2024 year-end, with approximately 39,000 patents held. Through our patents, we have steadily enhanced the value we provide to customers and society with a view to the next generation. Quantitatively demonstrating the relationship between investments in non-financial capital and the creation of financial value in this manner is extremely important in appropriately evaluating DENSO's medium- to long-term business growth. As such, we introduce such information and its impacts from a variety of perspectives in *DENSO Integrated Report 2024*. (Our Accumulated Capitals [□ P.24–25](#))

Furthermore, when making the public offering of our shares in November 2023, we focused on sales to individual investors with the aim of stabilizing our share price to reduce capital costs. By utilizing various advertising media to ensure that our strengths and business strategies are thoroughly understood by the market, we have secured strong demand from individual investors. In fact, as of March 31, 2024, the number of individual shareholders was 182,000, an increase of 98,000 compared with the previous fiscal year.

In fiscal 2024, we received a second-place ranking in the Automobiles/Parts/Tires division of the 2023 Award for Excellence in Corporate Disclosure, in recognition of our IR activities. Furthermore, *DENSO Integrated Report 2023* received the Gold Award for excellence of the WICI Japan Integrated Report Award 2023, becoming the first company in the automotive industry to do so. We also received the Grand Prix E (Environment) Award of the Third Annual NIKKEI Integrated Report Award, the highest award given related to the disclosure of environmental information. In these ways, our IR activities and stance on information disclosure have been highly evaluated by numerous institutions.

Additionally, we are working to enhance employee awareness of corporate value by actively utilizing our integrated report in-house. Moving ahead, we will reflect the various opinions we receive through dialogue with markets in our efforts to enhance the quality of our management.

TSR (Cumulative / Annual Rate)

Investment period	1 year	3 years		5 years		10 years	
	Cumulative / Annual rate	Cumulative	Annual rate	Cumulative	Annual rate	Cumulative	Annual rate
DENSO	57.9%	64.7%	18.1%	186.8%	23.5%	162.8%	10.1%
TOPIX	41.3%	52.5%	15.1%	96.2%	14.4%	188.6%	11.2%
TOPIX (Transportation equipment)	47.5%	61.0%	17.2%	102.6%	15.2%	137.7%	9.0%

Source: DENSO CORPORATION



(From left)

Shiro Sakamaki

Director
BoFA Global Research
BoFA Securities Japan Co., Ltd.
(At the time of the dialogue,
Chief Analyst,
Daiwa Securities Co. Ltd.)

Yasushi Matsui

Executive Vice President
Representative Member
of the Board
Chief Financial Officer

Dialogue with an Analyst

Aiming to Heighten Capital Efficiency and Corporate Value through Bold Initiatives to Transform Entrenched Industrial Structures

Shiro Sakamaki, who is known as the leading analyst in the automotive components sector, and DENSO's CFO, Yasushi Matsui, discuss the direction in which DENSO should move forward and the role it should play in these turbulent times.

Transforming Existing Industrial Structure

Sakamaki In November 2023, three Toyota Group companies—namely, Toyota Motor Corporation, Toyota Industries Corporation, and AISIN CORPORATION—announced the disposal of their DENSO shares. Subsequently, DENSO also announced that it would dispose of all its shares of Toyota Industries and AISIN. What is causing these changes?

Matsui I have always had doubts about the business practice of cross-shareholding. When I became the officer in charge of financial strategy in 2016, we began systematically disposing of shareholdings. We reached a point where any further reduction in our cross-shareholdings would inevitably involve tackling the issue of our Toyota Group company shares. What is important to us is strong governance, capital efficiency, and shareholder-oriented business management. In order to accelerate investment in growth and develop competitive businesses, we must be prepared to transform existing industrial structures. Even though capital ties may to some small degree strengthen intra-group unity, the rationale for a subsidiary to hold shares of other group companies is weak and out of step with the times.

Based on our commitment to unwinding cross-shareholdings, we steadfastly discussed the matter with each company over the span of two years. Recently, we reached a general agreement on cross-shareholdings. DENSO shares were disposed of first to precipitate a trend toward the dissolution of cross-shareholdings. In fiscal 2024, we disposed of all our shares in eight companies, including seven Toyota Group companies, and this trend will not be reversed.

Sakamaki Although I had been aware of this trend, I was actually surprised when I heard the news. I was very impressed both by the scale of the disposal and by the fact that DENSO actually took the lead in carrying it out.

Reducing Cross-shareholdings Decisively and without Exception

Sakamaki Recently, you mentioned acquiring a substantial amount of treasury stock. Many thought this would entail buying back all the DENSO shares disposed of in the unwinding of cross-shareholdings. In reality, however, only a portion of the shares were bought back.

Matsui Regarding the use of cash, we must give priority to investing in growth. The unwinding was also a perfect opportunity to adjust our shareholder composition. Increasing the number of non-Japanese institutional investors and individual shareholders, who have different investment patterns, has been a major management task for some time. The achievement of an optimal balance between these two types of investor will stabilize our share price and lower the cost of capital.

Therefore, in the fall of 2023 we made our shares appealing to a wider group of investors by executing a four-for-one stock split and allocating 80% of the DENSO shares available for disposal to individual investors. As a result, DENSO's individual shareholders have increased by approximately 100,000 compared with their level at the end of the previous fiscal year. We will continue efforts to gain support from a broadened base of shareholders.

Sakamaki What will you do with the cross-shareholdings that remain in your possession?

Matsui Decisively and without exception, we will reduce cross-shareholdings in line with the disposal policy determined annually by the Board of Directors. As we have previously explained, by the end of this year at the latest we will dispose of the shares of all the component companies of the Toyota Group with respect to which an announcement was made in November 2023 on our policy of reducing cross-shareholdings, or we will set out concrete steps toward their ultimate disposal. While our shares of Toyota Motor itself are not defined as cross-shareholdings, we are including them in our considerations on cross-shareholding reduction rather than making them an exception. Outside the Toyota Group, in May 2024 we disposed of more than half of our stake in Renesas Electronics Corporation. How has the market viewed these efforts?

Sakamaki DENSO is seen as having stiffened its resolve to dispose of cross-shareholdings. At least that is how I view DENSO.

Matsui Both Toyota Motor and Renesas Electronics are very important partners for us. Even if our capital relationships cease, I am confident that we will be able to maintain and further strengthen our existing relationships. In principle, we will dispose of all cross-shareholdings except those that are reasonable to hold in terms of business strategy.

Accelerating Growth Investment and Providing Value beyond the Automotive Field

Sakamaki How will you use the huge amount of cash generated through the disposal of shares in other companies?

Matsui The cross-shareholdings and other assets to be disposed of amount to roughly ¥2 trillion. The proceeds will be used to invest in growth and return profits to shareholders. Our growth investments will expand businesses by extending them along two vectors: from internal combustion engine products toward CASE-related products and from automotive fields toward non-automotive fields.

In particular, we are currently focusing on the field of power semiconductors, which are indispensable for the electrification of cars. We have technologies and products for next-generation power semiconductors. However, we believe that we can further strengthen our position in this field by stepping up the pace of vertical integration efforts, including active consideration of large-scale M&As. As this field presents us with potential not only for expansion in the automotive industry but also for horizontal expansion into industrial equipment and other fields, we want to grow the semiconductor business into a new earnings mainstay. In determining the feasibility of M&As, however, we use more than 100 different hurdle rates. Rather than acquiring companies at high prices, we will consider M&As that can generate the most powerful synergies.

Next after the power semiconductor field is the software field. As cars become more electrified and sophisticated, in-vehicle systems must be controlled in complex, coordinated ways. Software is key to such control. Accordingly, we will focus on acquiring and training personnel capable of designing larger-scale software that is challenging to realize.

In parallel with active investment in the aforementioned fields, we will endeavor to enhance shareholder returns even further by keeping DOE (dividend on equity ratio) in mind and steadily raising the level of dividends. Also, given our currently undervalued share price, we will continue considering flexible, large-scale acquisitions of treasury stock. Through these measures, we intend to reduce the equity ratio to around 50% and create a more leveraged capital structure.

Sakamaki In the past, DENSO was plagued by a chronic decline in capital efficiency due to the accumulation of cash. However, now that you have clearly set out your policy, my expectations have changed, and I believe that sustained improvement in ROE is likely in the future. I think the views of investors are changing as well.

Considering the Significance of the Increased Use of In-vehicle Software

Sakamaki The key to the future of the automotive industry is the trend toward software-defined vehicles (SDVs). If the key to the value of cars shifts from hardware to software, and added value begins to stem from a different set of processes, companies like Tesla, Inc. could emerge in Japan. When thinking about exactly where such companies might come from, I get the strong impression that DENSO has this type of potential.

Matsui Software creation is a business that requires the investment of enormous resources and straddles multiple original equipment manufacturers (OEMs) (automotive manufacturers). For OEMs to realistically go beyond the vertically integrated business models that they have created would be quite difficult. Only Tier 1 companies capable of developing comprehensive systems can create such software, and we are just such a company. As well as having a strong financial position and technological capabilities, we have built a track record through the accomplishment of many projects. Moreover, we are adept at designing business models.

With the aim of creating future value in a wide range of fields beyond the boundaries of an automotive component manufacturer, I want to enable as many people as possible to see that DENSO is a company with solid growth potential.

Sakamaki Japan's automotive industry has long been a contributor to the country's economy. Unfortunately, however, Japan has not developed any other industries with similar international competitiveness. Recent years have made this absence even more conspicuous. As Japanese society as a whole loses its dynamism, the emergence of a company that is from the very same automotive industry and that breaks through existing industrial structures would be immeasurably significant. I look forward to seeing DENSO make even more dramatic advances globally and growing into a new driver of Japan's economy.

Shiro Sakamaki

After graduating from the School of Political Science and Economics at Waseda University in 2000, Shiro Sakamaki joined Daiwa Institute of Research Ltd., where he was assigned to a division engaged in corporate research. In 2004, he transferred to the company's New York office and covered the European and U.S. automotive sectors, including GM, Ford, VW, and Renault. Since 2010, he has been an analyst in charge of the automotive and tire sectors. In 2024, he transferred to BoFA Securities Co., Ltd. For six consecutive years (2019–2024), he has been the No. 1 analyst of the auto parts sector in the Nikkei Veritas Popular Analysts Survey and in the Institutional Investor All-Japan Research Team rankings.

Human Capital

Message from the Chief Human Resources Officer

Our employees and teams that embrace challenges are the driving force behind DENSO. We create social value through the ability of our employees and organizations to turn ideas into reality.

Yasuhiko Yamazaki

Executive Vice President
Chief Human Resources Officer (CHRO)



Outline of Efforts to Strengthen Human Capital

The foundation of DENSO's management lies in balancing the happiness of all employees with the realization of the Company's philosophy, while striving for the sustainable enhancement of corporate value. Under "PROGRESS," a vision and action plan for our people and organization, DENSO's ideal employees are professionals committed to taking on the challenge of achieving new personal bests, while the Company's ideal organization provides a platform for co-creation initiatives and the interaction of diverse professionals. We promote human capital-focused management, with the maximization of the value of human capital at the core of management, while reforming our human resource policies and systems.

DENSO's Approach to Human Capital-Focused Management

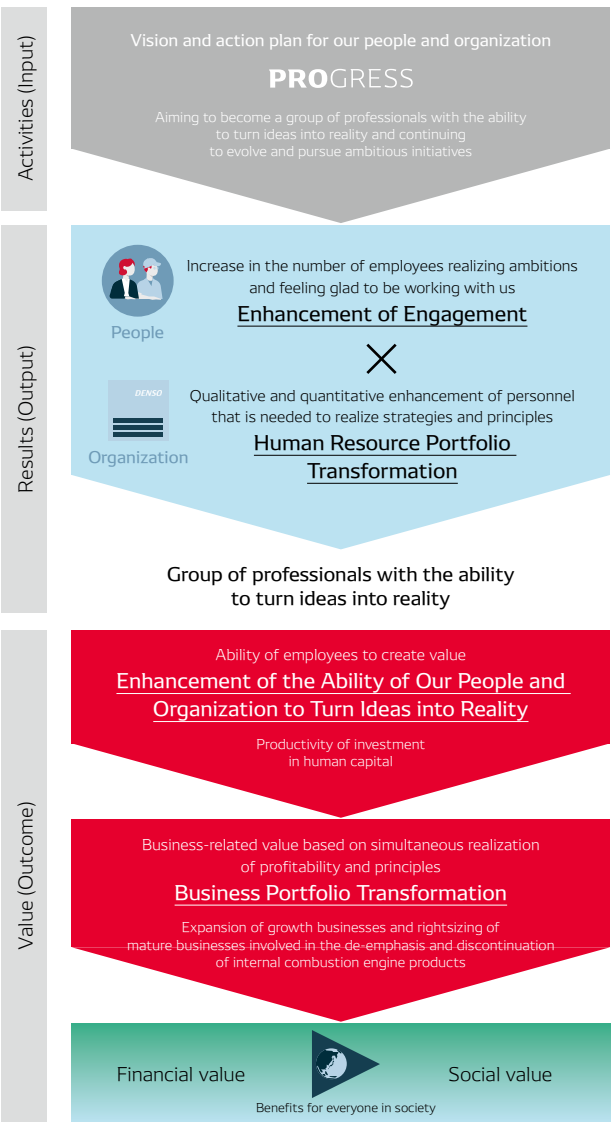
Since its establishment in 1949, DENSO has viewed people as the most important form of management capital and practiced human capital-focused management that values people. In 1954, DENSO established technical training schools to strengthen its technologies and skills, marking the beginning of its focus on human resource development. Through these efforts, we have continuously honed our ability to turn ideas into reality, i.e., the ability to create things that did not previously exist in this world. As a result, DENSO has created over 180 world-first technologies and products. Marking its 75th anniversary in 2024, DENSO recognizes the importance of returning to its founding roots during this period of rapid change. We are determined to improve corporate value further by enhancing the ability of our people and organizations to turn ideas into reality.

I believe that the key to putting human capital-focused management into practice is linking human resource strategies with business and management strategies. This involves clearly defining how activities that enhance the value of human capital (input) lead to specific results (output) that ultimately contribute to business and financial value, and by extension, the creation of new value for society (outcome). This approach embodies the principle we have upheld since our founding: "Monozukuri is Hitozukuri (Our performance relies on our people)." This, I believe, is the essence of DENSO's human capital-focused management.

Our Approach to Human Capital-Focused Management (Value Creation Path)

Activities (Input): Activities encompass reforms to our human resource policies and systems under the "PROGRESS" vision and action plan for our people and organization. These reforms include helping employees realize their career goals, promoting

Our Approach to Human Capital-Focused Management (Value Creation Path)



learning and growth, and creating open workplaces full of vitality. We are also changing welfare benefits that no longer align with the times and environment and increasing investments in activities that effectively enhance the value of human capital while efficiently generating funds.

Results (Output): From the perspective of our people, our goal is to have more employees feel that working at DENSO is a positive experience and that their dreams have come true. Essentially, our goal is to improve employee engagement. From an organizational standpoint, the objective is to move ahead with the transformation of our human capital portfolio with the quality and quantity of talent necessary to achieve our business and management strategies. We have set specific KPIs, clarified issues, and are working to increase the speed of addressing these issues.

Value (Outcome): From the perspective of our people, outcomes are the value we create for our customers and society as a result of fully developing our human resources to maximize

their potential. From an organizational standpoint, our goal is to balance the realization of profitability and the "green" and "peace of mind" principles through the inclusion in our business portfolio of growth businesses as replacements for businesses involved in the de-emphasis and discontinuation of internal combustion engine products. Essentially, this entails reforming our business portfolio. As a part of management, we continuously assess whether all people and organizations at DENSO are sustainably delivering value that pleases our customers and society—essentially, whether the ability of our employees and organizations to turn ideas into reality is improving. To this end, DENSO has established the "productivity of investment in human capital"* as a key indicator to monitor trends.

* Productivity of investment in human capital: Added value ÷ Investment in human capital

Targets Related to Value Creation Path

Investment in Human Capital (Input)

Increase in human capital investment from the previous fiscal year*1 FY2024: ¥29 billion FY2025: **¥35 billion** *1 Includes suppliers

Results (Output): Targeted KPIs and Achievements

Situational Definition of Output Sought	Item	Result	Target
Enhancement of Engagement Increase in the number of employees realizing ambitions and feeling glad to be working with us	Employee engagement indicator (percentage of affirmative responses) (non-consolidated)	FY2023: 73% FY2024: 75%	FY2026: 78%
Human Resource Portfolio Transformation Qualitative and quantitative enhancement of personnel that is needed to realize strategies and principles	Management Professionals Globally competent management leaders who are systematically developed and deployed	Number of management leader candidates FY2023: Approx. 400 employees FY2024: Approx. 400 employees	FY2026: 400 employees (increase diversity of human resources and likelihood of promotion)
		Ratio of non-Japanese employees promoted to leadership roles at overseas bases FY2023: 26% FY2024: 31%	FY2031: 50%
		Realization of human resource portfolio requirements (non-consolidated)	Clarified 535 specializations, from 40 fields, required to realize business portfolio transformation and then visualized the level of expertise of individual employees Realize human resource portfolio requirements in priority fields with sights set on FY2026
	Specialists Development of personnel in each field who can innovate and create value	Average level of expertise among all employees (out of 5 levels) (non-consolidated) FY2023: 2.7 FY2024: 2.9	FY2026: 3.0
		Development of personnel with competence in digital transformation (ratio of personnel capable of advanced utilization of the latest digital tools) (non-consolidated) FY2023: 18% FY2024: 35%	FY2025: 50%
	Diverse Professionals Diverse professionals whose individuality, values, and experience invigorate the Company	Number of female managers (in technical fields) (non-consolidated) FY2023: 139 employees FY2024: 153 employees	FY2026: 200 employees
		Number of female managers in technical positions (section heads and team leaders) (non-consolidated) FY2023: 136 employees FY2024: 152 employees	FY2026: 200 employees

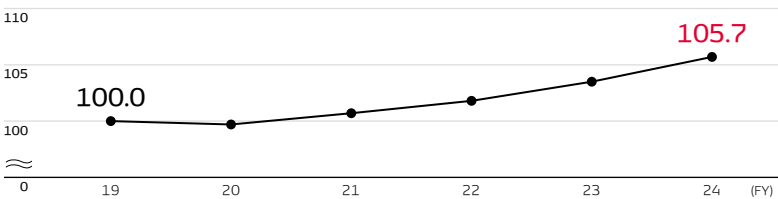
Value (Outcome)

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

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

*2 Productivity of investment in human capital: Added value ÷ Investment in human capital

Productivity of Investment in Human Capital



We believe that the ability of our employees and organizations to turn ideas into reality (productivity of investment in human capital) can be enhanced through better employee engagement and having the quality and quantity of talent needed to achieve business and management strategies (transformation of the human capital portfolio). Higher levels of engagement translate into a collective of individuals striving to achieve ambitious goals, and the transformation of the human capital portfolio means a stronger ability to achieve success as an organization. We are therefore committed to seeing progress on these two fronts as the results (output) we aim for in human capital-focused management.

Enhancing Employee Engagement

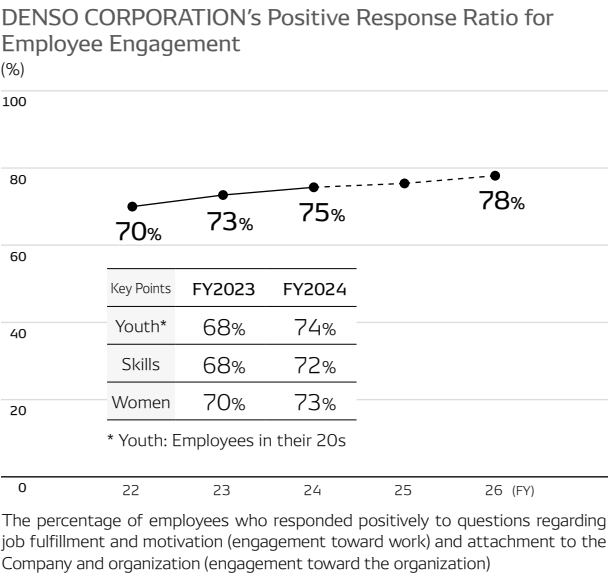
Improving the engagement of our approximately 160,000 employees working worldwide is one of our most important management challenges. With employee engagement positioned as a KPI for sustainability management, we regularly assess the current state of employee engagement at Group companies, visualize issues, and take actions to address them. At DENSO CORPORATION, we conduct an annual engagement survey that covers all employees and workplaces. The results of this survey are scientifically analyzed to identify factors that contribute to improving engagement and ultimately enhance the ability of our employees and organizations to turn ideas into reality. We also identify issues from various angles, such as line of work and age group, and take actions that contribute to the overall vitality of the workforce. From the survey results, we identified five factors that contribute to higher levels of engagement. Of these, three key factors—career realization, real sense of growth, and attitude toward work—motivate employees to take ownership and action in their own careers and roles. We understand that it is especially urgent to engage with young employees (employees younger than the average age of all employees), skilled employees, and female employees. With this in mind, we have implemented the following initiatives, resulting in significant improvement in engagement with these types of employees from fiscal 2023 to fiscal 2024.

Young employees: DENSO has created a systematic training program as part of the onboarding process for the first three years after a young person joins the Company. This includes creating a supportive environment within the workplace to accelerate early skill acquisition while fostering a mindset that encourages young

employees to take ownership of their career paths. Additionally, we have launched a program for dispatching young employees on external internships in other industries to gain challenging practical experience early in their careers. Ultimately, our goal is for new graduates who join DENSO to quickly develop into top-level talent able to perform on the world stage.

Skilled employees: In light of the need for reskilling and an increase in job transfers associated with the transformation of our business portfolio, we have implemented career training for 10,000 employees working in skilled labor positions. This training aims to enhance their adaptability to change and support their pursuit of independent and autonomous careers, moving beyond growth based solely on instruction and guidance from supervisors.

Female employees: For the first time since its founding, in fiscal 2025 DENSO is revamping the system for general staff (administrative positions), which has historically been focused on routine and support tasks. We will integrate general positions and career-track positions into a new job-based role system. By removing



barriers in evaluation, training, and workstyles, we aim to maximize the motivation and abilities of approximately 1,800 general staff, fostering a real sense of growth and career success.

Of the five factors that elevate engagement, the remaining two factors—openness of the workplace and corporate policies—entail actions to improve the awareness and behavior of management that influence the organization. In addition to ongoing and proactive activities to address issues identified in the survey results and employee–management meetings grounded in mutual trust, we began providing multifaceted feedback to approximately 3,000 managers in fiscal 2024. This initiative aims to enhance self-awareness among management and encourage improvement in behavior through self-reflection. Furthermore, to deepen the understanding of Company policies and encourage autonomous thinking and actions in workplaces and among employees, DENSO held Conversations with Our President and Vice Presidents in April 2024, where senior management directly communicated and engaged in dialogue with workplace leaders.

Additionally, we are strengthening support for employee health and well-being as well as work–life balance, including childcare and caregiving, as the basis for a good work environment. We have enhanced our health consultation system, offering health guidance for employees at their workplace, and offer personalized health guidance to employees interested in maintaining and improving their health, especially for preventing metabolic syndrome. We are also working to create a workplace environment and foster a work culture that makes it easier to balance work with childcare. The percentage of male employees taking childcare leave has increased to 53% as of fiscal 2024, and we aim to increase this to 70% in fiscal 2025.

As a result of these initiatives, the responses in the annual employee engagement survey have improved, centered on the five factors that lead to better employee engagement. The overall positive response rate in DENSO CORPORATION's engagement survey has improved from 70% in fiscal 2022 to 75% in fiscal 2024. We are targeting 78% in fiscal 2026. The factors that have led to better engagement vary depending on the region, country, and work environment. At each Group company, we are also implementing activities tailored to improving employee engagement based on the actual work conditions of employees in each region and country.

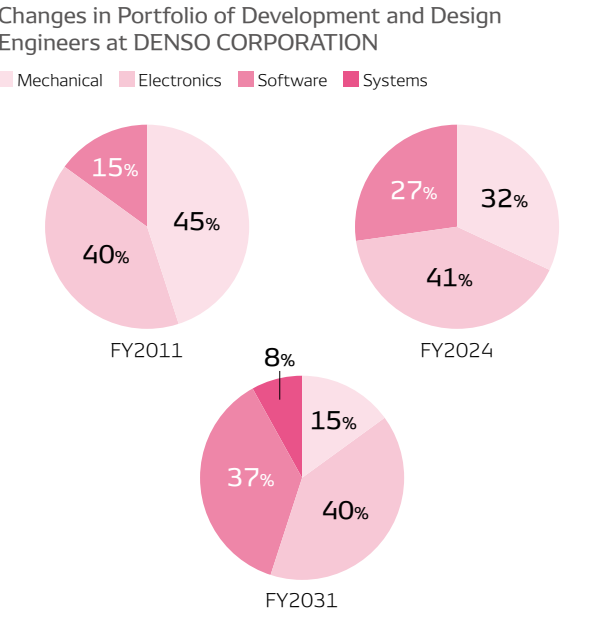
Transforming the Human Capital Portfolio

In alignment with the Companywide strategy of transforming the business portfolio, we are actively engaged in transforming the human capital portfolio through the acquisition, development, and optimal allocation of talent to ensure that we have the needed quality and quantity of human resources. From the standpoint of quality in human resources, we have defined 535 categories of expertise required across 40 fields Companywide. Approximately 15,000 administrative and technical employees have clarified their career goals and areas for skill development during discussions with their supervisors, referring to categorization on five levels. Based on this, we have set up human resource development committees in key areas, such as software, systems, digital technology, and semiconductors, to implement development and allocation strategies that enhance expertise. From the standpoint of quantity in human resources, by fiscal 2026, we plan to shift a large number of personnel, around 4,000 employees, to the vehicle electrification and software domains, which are priority areas, through external and internal recruitment. In the software domain, for example, approximately 200 engineers are being encouraged to

transition from hardware to software roles through a software recurrent program by the end of fiscal 2024. Looking ahead to 2030, DENSO aims to create an optimal portfolio of mechanical, electronics, and software talent while systematically increasing the number of systems personnel who can play a key role in DENSO's technological development by designing optimized functions across businesses, from the perspective of both society and automobiles.

Strengthening the IT and digital capabilities of all employees is also a key management priority. While encouraging employees to take on challenges that arise internally, we provide highly effective training through practical experience. For example, about 5,000 employees voluntarily participated in a basic course on digital transformation in a team learning environment, and we think that around 1,000 employees will be interested in participating in a machine learning study group in fiscal 2025, with a focus on the utilization of more advanced AI. We also launched a Digital Cross-Border Challenge (an internal side job program) where employees apply their IT and digital skills to solve challenges in other departments, with around 20 participants expected in fiscal 2025. Our goal is to have 50% of our employees proficient in advanced IT and digital tools by fiscal 2025, and we are intensifying efforts to achieve this goal.

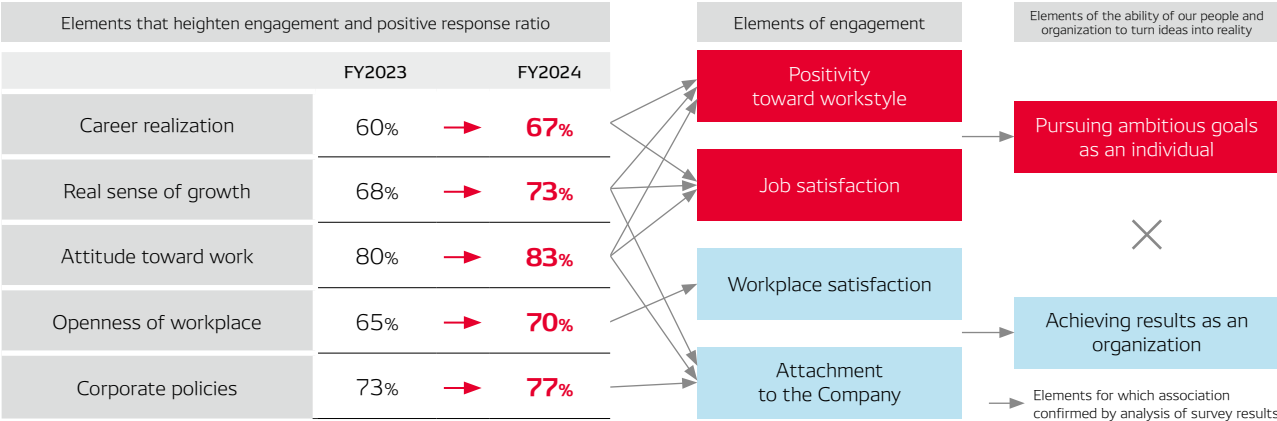
DENSO's competitive strength lies in the ability of highly specialized talent to drive innovation and create value across diverse businesses and domains. Through these activities, we are determined to ensure that we have the necessary quality and quantity of talent to achieve our business and management strategies.



The DENSO Way of Human Capital-Focused Management

DENSO is moving toward a new stage of management, where corporate value is enhanced by strategically increasing investment in human capital and providing greater support to employees and teams taking on new challenges, with the aim of strengthening the ability of our employees and organizations to turn ideas into reality. Moving forward, we will continue to cherish what makes DENSO unique, fostering talent on the front lines and advancing human capital-focused management that generates new value while addressing social issues.

Engagement Survey and Analysis of Its Results for All of DENSO CORPORATION's Nearly 45,000 Employees



MESSAGES



I will continue growing through work by taking on ambitious initiatives without being overly focused on my job description.

Risa Sakai
Brand Promotion Department
Public Relations Division

After joining the Company as a new graduate, I was assigned to a “practical position” that mainly involved routine duties. During my first three years, I mostly provided support to other employees. I then took on planning work, which included conducting brand education targeting managers of overseas regions and domestic Group companies as part of brand penetration activities. The more I gained a sense of personal growth from my various jobs, the more I felt the need to pass the mantle on to the next generation. In 2020, I switched to a career-track position, and since then I have worked with a greater sense of ownership.

In fiscal 2025, the Company abolished the division between practical and career-track positions. As the scope of my work has broadened, I have begun mapping out the kind of career that I would never have envisioned when first joining the Company. For this reason, I would like to convey to others the fulfillment and happiness work gives me.



Through recurrent training, I am envisioning a target profile for myself and building a new career as a software engineer.

Takayuki Hirose
Software Production Innovation Division

In the roughly 16 years since I joined the Company, I have developed a career as a hardware engineer in charge of designing car air conditioners. When I had reached a point where my growth as an engineer felt as if it were slowing in inverse proportion to the confidence I was gaining with experience, I learned about recurrent training in software development, which enables trainees to begin from the basics of programming. Although I had absolutely no experience in the field, the training seemed very supportive, bolstering my belief that I might be able to reskill. So, I decided to take on the challenge.

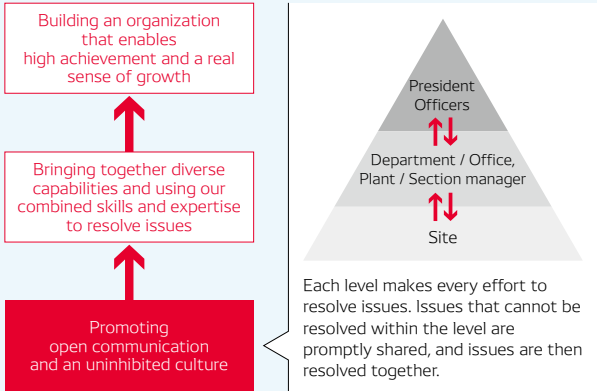
I acquired basic skills through around six months of classroom and practical training. I was then reassigned and am now engaged in process improvement-related software development in the Software Production Innovation Division. I have now taken the first step on the path I want to take. To become someone who can be relied on in this new field, however, I still need to acquire a huge amount of knowledge and build up more experience. Through continuous self-study and accumulation of on-the-job practice, I will move closer to the person I want to be one step at a time.

Value Creation Case Study

Creating Truly Open Workplaces through Mutual Understanding of Corporate Strategy and On-site Issues; Developing Organizations That Heighten Realization Capabilities and Grow

In April 2024, we held Conversations with Our President and Vice Presidents, in which more than 1,000 workplace leaders, the president & CEO, and our two executive vice presidents gathered for dialogue aimed at establishing mutual understanding of Companywide strategy and on-site issues. Rather than one-way explanations of strategy from the president and vice presidents, the meeting was interactive, with participating employees using a chat application to ask questions and share opinions in real time. These employees provided a great deal of immediate feedback on such issues as strategy and corporate culture improvement. The president went on to say, “We will create more opportunities for dialogue, and I hope that you convey the gist of our discussions to your teams.”

At DENSO, we believe on-site issues drive change. Accordingly, officers, department personnel, and plant personnel at each level of the Company work on solving such issues. However, if everyone pursues efforts with a different goal in mind, the overall workplace culture cannot be changed. To strengthen our realization capabilities, we aim to ensure that not just some but all workplace personnel have an in-depth understanding of Companywide strategy and that each employee and organization thinks and acts swiftly and with precision. To this end, as well as creating opportunities for dialogue with officers, we are establishing venues for dialogue within workplaces. Our goal is to develop organizations in which employees can experience growth through the creation of a workplace culture that enables them to meet any changes in the environment head-on and pursue new challenges.



Manufacturing Capital

Outline of Efforts to Strengthen Manufacturing Capital

DENSO’s strength lies in manufacturing foundations that the Company continuously evolves through production technology innovation and on-site improvements. We have accumulated an abundance of excellent manufacturing capital that includes a network of production bases throughout the world and organizations and employees with the expertise and skills needed to implement and realize initiatives. We will build a global production and supply system that can both adapt to uncertain external conditions and keep pace with the operational changes accompanying the revolution resulting from the increased production of connected, autonomous, shared & service, and electric (CASE) vehicles. At the same time, we will pursue ambitious, new-era manufacturing initiatives that address such social issues as environmental regulations and population decline. We will also evolve plants by establishing DENSO-style digital-twin plants that facilitate continuous improvement. This evolution will be achieved by combining our long-standing creative prowess—made possible by employees’ collective knowledge and efforts—with scientific, data-enabled analysis capabilities.

Manufacturing Capital Strengths and Strategies

To create new value and sustain growth in an era of rapidly changing conditions, further improvement of the manufacturing capital that we have accumulated to date is essential.

Anticipating changes in external conditions and risks, DENSO will realize forward-looking measures by leveraging accumulated strengths. Specifically, we will take advantage of our global production and supply capabilities—the result of a basic policy of manufacturing close to markets and customers—and our plants, which continuously create value by using advanced technologies and production sites to realize appealing products.

With respect to our global production and supply capabilities, we will replace portfolio businesses in line with the progress of the CASE revolution while optimizing production and supply capabilities in each region by shifting to growth businesses and consolidating production globally and within regions. In conjunction with these efforts, DENSO will bolster business continuity capabilities through bridge production, the maintenance of high-risk inventories at appropriate levels, and other measures. These measures will ensure stable production even in volatile conditions, thereby minimizing costs. In addition, we will build a resilient supply chain by taking on the challenge of addressing social issues, such as a declining and aging workforce and Japan’s “2024 logistics problem” (shortage of truck drivers).

Meanwhile, we are strengthening our plants by accelerating initiatives aimed at carbon neutrality and productivity improvement initiatives that are based on data analysis and production line automation and by strategically investing in CASE-related projects and production infrastructure. Also, with our sights set on the period from 2030 to 2035, we will introduce innovative production lines to such growth fields as vehicle electrification. Further, we will boost engineering and the development of production technologies in relation to the hydrogen business and other new business fields and the manufacturing circular economy (utilization of recycled materials) by employing original technologies and advanced skills developed for internal combustion engine products. DENSO will continue undertaking ambitious initiatives aimed at establishing ideal plants through the realization of such goals as 24-hour unattended operations, fully digitalized operations, and complete carbon neutrality.

Characteristics of DENSO’s Manufacturing Capital (Fiscal 2024 results)

Capital expenditures
¥394.6 billion

Total CO₂ emissions
50% reduction
(compared with fiscal 2021)

Number of regional production bases worldwide
127 plants in 25 countries

Global Production and Supply Capabilities

In line with its principle of manufacturing in close proximity to customers, DENSO has built highly competitive production structures in six countries and regions: North America, South America, Europe, Asia, China, and Japan. At our production bases worldwide, we aim to achieve leading levels of quality, cost, and delivery in each region. As well as reweighting our business portfolio to accommodate the CASE revolution, we are currently building a production and supply system with a resilience to change and fluctuation that enables stable delivery of products to customers even amid various geopolitical risks. For growth businesses, we aim to build a worldwide production system and raise production capacity. As part of these efforts, we will step up the manufacture of inverters—a key product for vehicle electrification—by seeking an early transition from internal combustion engine plants to electric vehicle component plants and by pursuing a plan to supplement existing production capabilities in Japan, North America, China, and Europe through the establishment of inverter production in other parts of Asia. (Overview by Product: Electrification Systems [□□ P.82–83](#))

In Japan, DENSO will take the lead in solving the shortage of truck drivers in the supply chain that connects suppliers, production bases, and customers and in reducing CO₂ emissions resulting from the transport of materials and products. Rather than leaving supply chain matters solely to transportation companies and suppliers, we will take the initiative and streamline and digitalize the entire supply chain. We will establish and then roll out best practice for improvements in delivery logistics, which deliver products to customers; cargo handling operations, which form packing styles throughout the supply chain; and procurement logistics, through which component deliveries are received.

DENSO-style Digital-twin Plants

In DENSO-style digital-twin plants, people play leading roles. To create even better products and production lines, we have built a robust manufacturing foundation through Excellent Factory (EF) activities in which all employees participate on a daily basis. We will transform workstyles so that employees engaged in on-site production constantly evolve operations by actively utilizing on-site data and by combining their creativity, realization capabilities, and intrinsic abilities.

DENSO is developing a globally integrated data infrastructure by deploying in-house-developed Factory-IoT (F-IoT) systems to domestic and overseas Group companies and linking the systems. We are making steady progress in laying the foundations for digital-twin plants through these ambitious efforts to further advance our connected environment, which encompass software workshops to promote application development that originates from frontline operations, the training of personnel

with digital technology literacy, the accumulation and utilization of AI-enabled expertise (knowledge AI), and the distribution of digital terminals to all on-site employees (distribution completed to the approximately 20,000 on-site employees of DENSO CORPORATION).

In the digital transformation era, DENSO remains focused on quality. For big data analysis and improvement, we have developed our own digitally transformed version of the Seven Basic Tools of Quality Control (QC7 tools), which we refer to as “DN7.” Moreover, we have not only introduced DN7 in-house but also made it publicly available through open source platforms. In addition, we are actively fostering junior personnel with expertise in data science and helping promote the practical introduction of digital technologies to the manufacturing industry. For example, a DENSO employee has become the first person to earn a data science doctorate in Japan.

How We Envision Manufacturing Sites in the Digital Transformation Era



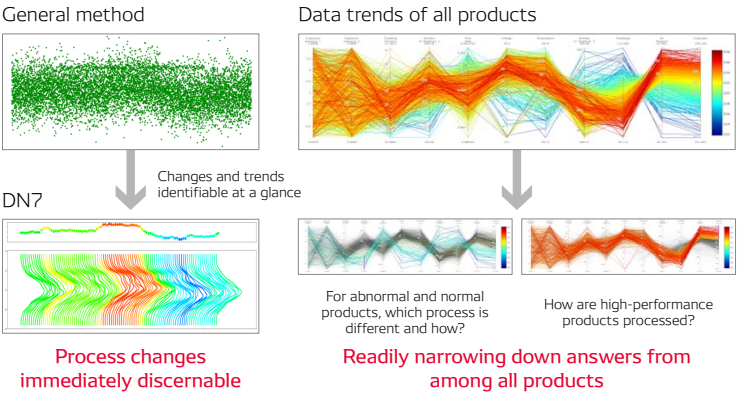
Data-driven Process Improvement Initiatives—Leading Monozukuri Quality Improvement in the Digital Transformation Era

DENSO is utilizing data to achieve new improvements in processes. Quality control at our production sites centers on QC7 tools, which collect, organize, analyze, and visualize various types of data related to manufacturing processes and quality. However, directly handling the large amount of data generated in each manufacturing process with conventional QC7 tools is challenging.

To solve this problem, DENSO has developed an application called “DN7” that provides a new set of QC7 tools for the digital transformation era. DN7 enables data-driven approaches to process improvement that create unprecedented new analytical value. The application processes large amounts of data so that it can be viewed and considered, enables immediate discernment of changes, identifies trends in the performance of all products, and automatically narrows down critical factors that cause defects. Our goal is not simply to have AI come up with all of the answers. Instead, we want to create further improvements by using data to support and augment the capabilities of on-site personnel and establish an interdependence between human ingenuity and data analysis.

In the digital transformation era, our commitment to quality is unchanged. Aiming to elevate the level of quality throughout the industry, we have made the in-house-developed DN7 publicly available through open source platforms. Feedback and suggestions from external experts have allowed us to hone and enhance the DN7 in a short period of time, helping to accelerate its deployment both inside and outside the Company. DENSO has received a great deal of positive feedback from users both inside and outside the Company to the effect that they have been able to solve chronic issues, change workflows, and benefit from using the full range of functions made available through open source platforms. By evolving and rolling out the DN7 tools, we will continue providing value in line with society's current needs and leading Monozukuri quality improvement initiatives that transcend organizational boundaries.

Example of the New Value Created by DN7



Message from the Chief Monozukuri Officer

DENSO Monozukuri: Addressing Social Issues and Realizing Employee Happiness

Jiro Ebihara

Senior Executive Officer
Chief Monozukuri Officer (CMZO)



In accordance with our green and peace of mind principles, I believe that the roles of manufacturers in addressing social issues at home and abroad have been, are, and will continue to be the development of advanced technologies and the establishment of stable production and supply systems. DENSO's global resources for technology development and for production and supply are expected to play major roles in addressing social issues. At the same time, we cannot realize these roles unless our employees worldwide are satisfied with their jobs and are happy. Mindful of its roles, DENSO aims to make itself indispensable not only to direct customers but to society as well. To this end, in fiscal 2025 we will conduct production activities with an emphasis on the following two goals.

1. Realizing Monozukuri That Contributes to an Energy-recycling Society

DENSO is already steering toward production free of CO₂ emissions to become carbon neutral by 2035 without the use of carbon credits. We are advancing ambitious initiatives that lead the way in the manufacturing industry's utilization of energy. For example, we are changing over to manufacturing methods that incorporate hydrogen utilization technologies to save

energy while meeting energy demand. In addition, we will develop materials and processing technologies for the realization of a resource-recycling society (circular economy), which has recently become a focus of attention. Our employees in Japan and overseas will collaborate to develop technologies that address social issues. (Our Cultivated Strengths, Special Feature: Value Creation in Action [P.23, 94–95])

2. Passing on the Significance and Enjoyment of Monozukuri and Developing Human Resources in a New Era

In every age, the realization of new value has stemmed from new Monozukuri technologies. I believe that the increasing integration of digital technologies and AI into society will bring about unprecedented innovation in Monozukuri. Such innovation will be driven by human ingenuity: our employees' skills will be needed to initiate and realize breakthroughs. Personnel engaged in DENSO's Monozukuri will derive job satisfaction from an awareness of their role in creating new value that addresses social issues. This sense of purpose will make DENSO a place where people want to continue working, which in turn will drive the Company's Monozukuri forward.

Example of Value Creation

Logistics Reform Aimed at Both Solving the Logistics Labor Shortage and Achieving Business Growth

In response to the emerging social issue of logistics worker shortages, DENSO is advancing measures to create lean, worker-friendly logistics workplaces throughout the supply chain, extending from suppliers to customers.

For product delivery logistics, we have achieved a 34% reduction in the number of drivers required by introducing double articulated trucks, especially for long-distance transportation. In addition, we have adopted a truck transfer system to eliminate long working hours for drivers and improve their workstyle. Other initiatives include our construction of a highly efficient logistics network that uses the shortest routes and the minimum number of drivers. We are building this network through the in-house development of an optimal transportation route design system enabled by quantum computers and AI technologies. (Our Cultivated Strengths [P.21])

As for in-plant logistics, we have standardized cargo handling operations that were reliant on workers' experience-based know-how* and independently developed an AI technology-enabled algorithm for the calculation of optimal packing styles. A proving test of these in-plant logistics technologies at the Daian Plant confirmed reductions of 36% in product shipment work processes and 40% in the truck stoppage time of logistics partners.

In component procurement logistics, we have demonstrated a 30% improvement in loading efficiency through joint transportation with other companies. Also, DENSO is working on joint utilization of logistics relay sites and creating a system for the development and utilization of optimal logistics infrastructure for society as a whole.

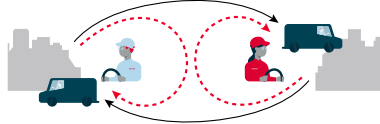
DENSO will continue to take on the challenge of solving social issues in logistics by working with various partners to realize highly efficient logistics.

* Highly experienced workers' skills that are difficult to translate into a standardized manual

Reducing the number of required drivers by introducing double articulated trucks



Eliminating long driving hours through a truck transfer system



Intellectual Capital

Outline of Efforts to Strengthen Intellectual Capital

During a history of product development over more than 75 years, DENSO has driven business growth by expanding the scope of R&D from the mechanical parts field to encompass electronics and software, in line with the needs of society. In accordance with its green and peace of mind principles, the Company's intellectual capital accumulated through R&D and technological plans for the future is the source of DENSO's competitiveness.

Through intellectual property-focused management integrated with our business strategies, we will provide value ahead of the times and tackle increasingly complex social issues by advancing R&D with leading-edge technologies in semiconductors, materials, AI and ergonomics, in addition to mass production development, that anticipates long-term changes in social conditions and technology trends.

Characteristics of DENSO's Intellectual Capital (Fiscal 2024 results)

R&D expenditure (ratio to revenue) ¥550.9 billion (7.7%)
Total patent submissions (Japan and foreign countries) Approx. 3,600
Total patents owned (Japan and foreign countries) Approx. 39,000

Strengthening Intellectual Capital

An era is approaching where software plays a pivotal role in creating new value in mobility with self-driving cars that autonomously make decisions and control the vehicle based on an awareness of the surrounding environment, assisting the human driver. This includes optimal motor control and energy management based on road and driving conditions, as well as updating the vehicle software based on user needs. Amid increasing demand for vehicle electrification and autonomous driving, automotive semiconductors are becoming more important. The automobile industry is also witnessing a significant structural shift, from the traditional vertically integrated model with automakers at the top to a horizontally dispersed model where IT companies involved in software (cloud systems) and semiconductors stand shoulder to shoulder with the automakers.

Amid these changes in the business environment, DENSO is transforming its business model to adapt to medium- and long-term transitions in the business landscape. As we shift our business portfolio toward growth areas such as vehicle electrification and advanced driver assistance systems (ADAS), we will further enhance our competitiveness by creating intangible value through software, in addition to the tangible value through traditional hardware, in tune with the trend toward software-defined vehicles (SDVs).

In the semiconductor domain, which plays an increasingly important role in vehicle electrification and autonomous driving, DENSO is leveraging its strengths developed over more than half a century of semiconductor research. We are enhancing our capabilities in automotive semiconductor development through alliances, strengthening our internal R&D organization in sensor technology, collaborating with highly specialized semiconductor vendors, and applying cutting-edge consumer electronics technologies in the logic semiconductor domain, including microcontrollers and systems-on-chips (SoCs), which are crucial for advanced vehicle control such as ADAS. While visualizing our strengths and unique advantages in each field, we will steadily solidify our foundations of competitiveness and supply capacity.

To put capital-efficient management into practice at the same time, we are working to visualize how activities and KPIs aimed at strengthening intellectual capital at both the departmental and individual levels contribute to improving development efficiency, launching and expanding sales of new products, and ultimately enhancing return on invested capital (ROIC). DENSO is adopting ROIC-based management throughout the Company by implementing an "ROIC tree" internally. In the software development process, which is particularly labor

intensive, we are achieving significant gains in efficiency that far exceed the amounts invested, such as shortening development timeframes by automating the testing process, and we are further enhancing competitiveness through a commitment to these measures. The intellectual property (IP) we create through these efforts is effectively utilized to create world-first products through research in advanced technologies, expand sales in the CASE domain by entering growth areas, and increase the production of patents that can be utilized by other companies. This allows DENSO to carve out competitive advantages both inside and outside the automobile industry.

Moreover, the exchange of knowledge across organizational boundaries, including start-ups and other partners, as well as industry-government-academia collaborations, will translate into new solutions for businesses and industries using advanced and core technologies in academic and scientific settings. DENSO aims to draw out and leverage its inherent strengths that are not readily apparent in its own activities while promoting the flow of knowledge.

As a comprehensive system supplier, DENSO is committed to creating truly valuable products and systems that go beyond mere components, with the aim of enhancing corporate value by solving social issues, creating new value, expanding profits, and reducing capital costs.

Intellectual Property Management Creating Maximum Value through Asset Utilization

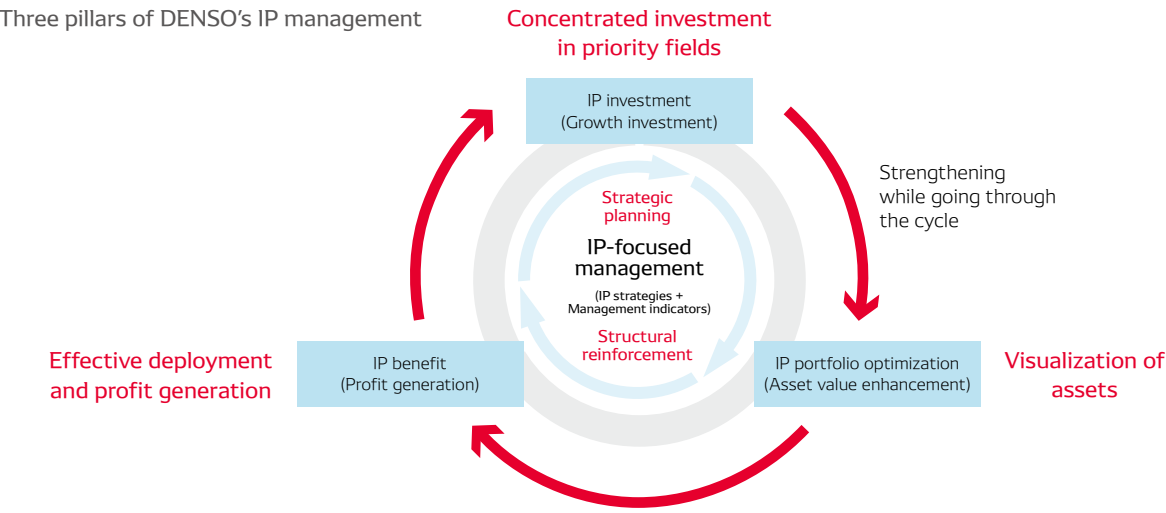
DENSO steadily applies the outcomes of R&D to future businesses and manages this extensive portfolio of intellectual property (patents, trademarks, copyrights, and other intellectual property in its portfolio) as an essential asset for ensuring competitiveness and securing alliances with partners.

On managing its intellectual property portfolio, DENSO aims to elevate the level of IP-focused management that benefits corporate management, leaning into IP strategies for each business and product line while bolstering the cycle of value creation, returns, profit generation, and growth investments through mutual dialogues among management and business, R&D, and IP divisions.

IP Portfolio Design Activities Aimed at Enhancing Corporate Value and Sustaining Growth

DENSO is focusing on R&D in growth fields and new fields. We design our IP portfolio by backcasting from a vision for the future, based on core technologies and a story about value creation that helps solve social issues.

Three pillars of DENSO's IP management



In designing our IP portfolio, we divide the portfolio into three levels—a Companywide level, a business level, and a development theme level—in accordance with our governance aims, and then we shuffle the portfolio based on a target profile for each level. IP indicators are based on the life cycle stage of technologies and products. Specifically, these indicators are a leading indicator, a current indicator, and a lagging indicator. As an indicator that expresses future portfolio trends, the leading indicator emphasizes non-mobility fields such as agriculture, hydrogen-related technology, and the circular economy. The current indicator, which expresses the strength of our current portfolio, emphasizes growth fields in the mobility domain, such as BEVs, ADAS, and self-driving cars. As a picture of our portfolio outcomes, the lagging indicator emphasizes domains that may be de-emphasized or discontinued, such as engine-related products. Based on IP information, we make investments in IP that contribute to the realization of our vision and the strengthening of our IP competitiveness.

Furthermore, we are working to clarify the causal relationship (value creation path) between the value our products provide to customers and the associated technology and IP. By reassessing DENSO's sources of competitiveness from an IP perspective, considering both its own and competitors' situations, DENSO is advancing activities to realize IP investments in this context.

Through these activities, DENSO's Patent Asset Index (PAI) score* in the environmental and safety domains of the automotive business has continued to increase. Compared with 2014, this score has increased approximately two-fold in the environmental domain and 1.5 times in the safety domain. Moreover,

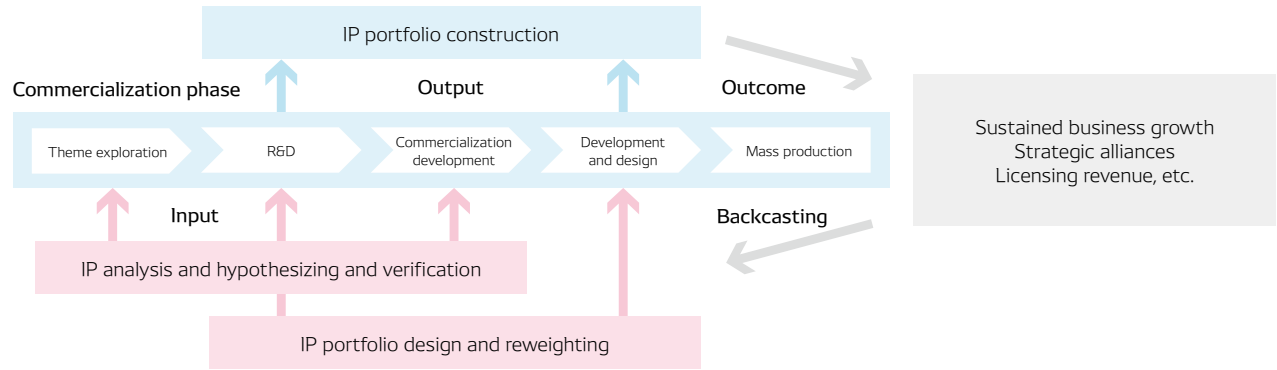
even when compared with major automakers and auto parts suppliers, DENSO maintains a competitive advantage in PAI scores, underscoring its strong IP competitiveness. Looking ahead, we will continue to leverage this high level of IP competitiveness to accelerate sustainable growth.

* The PAI is provided by LexisNexis through its patent analysis tool, PatentSight®. This index scores the quality of patents, rather than just their quantity.

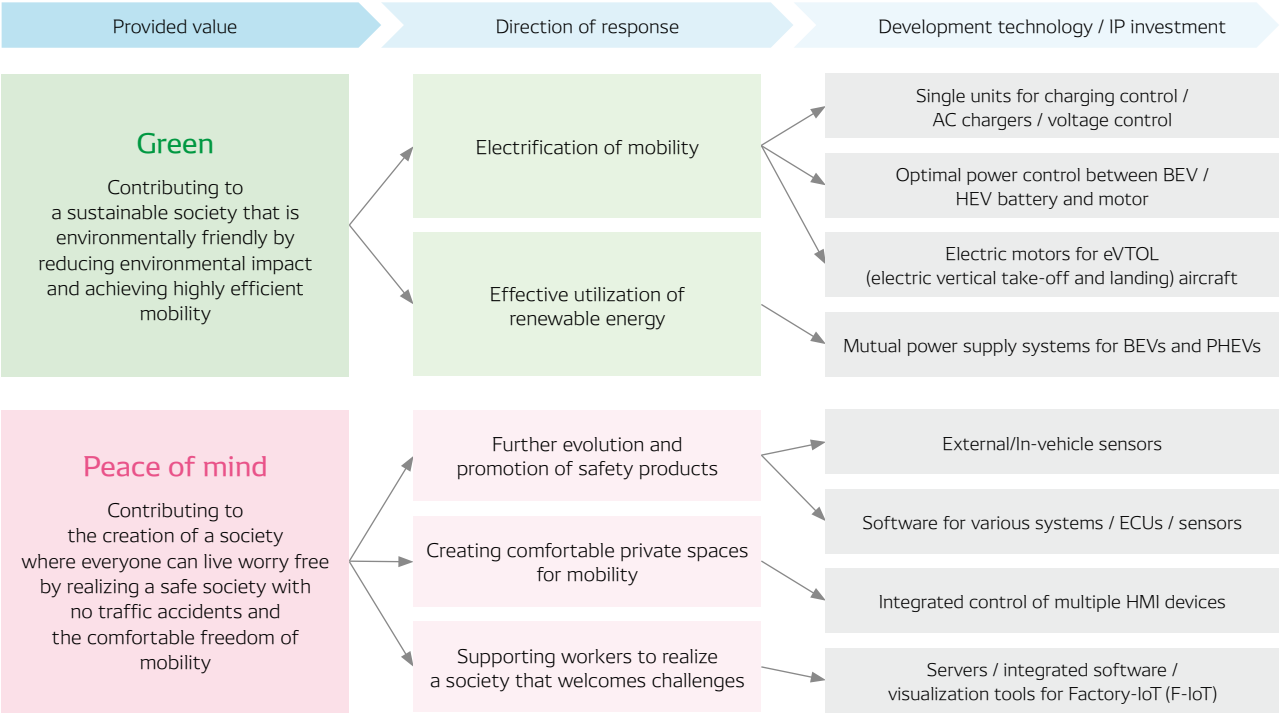
Example Metrics Related to Intellectual Property (IP)

IP investment*	Financial	Investment amount
	People	Number of engineers, etc.
Leading indicators (future trends)	Comparisons to other companies	Number of patent applications by country Number of inventors, etc.
	Internal assessments	Feasibility of implementing patents owned by DENSO or other companies, etc.
Current indicators (current strengths)	Comparisons to other companies	Number of patents owned by country Share of patents owned by technology domain, etc.
	Internal assessments	Implementation status of patents owned by DENSO or other companies, etc.
Lagging indicators (results)	Comparisons to other companies	Number of times patents cited, etc.
	Internal assessments	Patent revenue, etc.

Business Growth and Our IP Portfolio



Value Creation Pathway for Technology and Intellectual Property (Excerpt)



Initiatives to Strengthen and Maximize Use of Intellectual Capital in R&D

Revolutionizing the Mass Production Engineering Process

With the rapid advances and widespread adoption of AI technologies, including large-scale language models, a world is coming into view where generative AI will help automate tasks in the mass production engineering field that only people could do previously, such as interpreting and analyzing requirement specifications, calculating design parameters based on these specifications, and software coding. The output of generative AI depends on the quality and quantity of data it uses to learn. For this reason, the accumulation and possession of intangible intellectual capital, such as technical information, design know-how, and experiences from failures, are key to successful

automation and creating a competitive edge in revolutionizing the engineering process.

Since its founding, DENSO has proactively standardized, accumulated, and digitized its intellectual capital. Between 1957 and 1961, the Company established internal technical standards and research report systems, and in 1997, it digitized all of these technical standards and fully transitioned to a Companywide web-based search system. Currently, all business groups are beginning to leverage these intangible assets and generative AI to streamline and automate the engineering process, aiming to achieve significant efficiency gains in mass production engineering within the next few years.

By incorporating lean production principles to optimize production processes and eliminate wasteful manufacturing, as

well as by standardizing products and parts, enhancing and digitizing the engineering environment, and automating design using AI, DENSO intends to reduce the management resources allocated to mass production engineering and redirect them toward research and advanced development. The aim is to balance near-term business growth with investments in future growth.

Maximizing Intellectual Capital Cultivated in Mature Businesses

To enhance competitiveness in the growth businesses of electrification and automation, DENSO is vigorously advancing R&D in semiconductors & sensors and AI & software. At the same time, the core technologies developed in mature businesses are vital intellectual capital for DENSO. We are keen to further R&D aimed at evolving these core technologies.

These technologies, which involve chemical reactions and ceramic sintering and are honed in the development of internal combustion engines and exhaust gas purification systems, as well as thermal fluid dynamics gained in engine cooling systems, are being utilized as core technologies in solutions for achieving carbon neutrality, such as solid oxide fuel cells (SOFCs) and solid oxide electrolysis cells (SOECs). Additionally, we are reassigning engineers who have been involved in the development of internal combustion engine and exhaust gas purification technology to focus on the carbon neutrality domain (hydrogen business). This reallocation of knowledge and resources ensures that the intellectual capital developed in mature businesses is fully utilized to drive further expansion in growth and priority fields. (Special Feature: Value Creation in Action [P.94-95](#))

Maximizing and Optimizing Companywide Management Resources

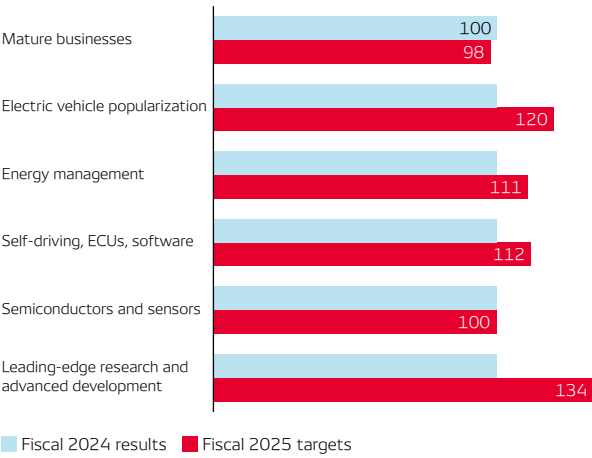
In response to signs of change in the business environment, DENSO launched the Companywide R&D Project System in fiscal 2024 to enable flexible and agile allocation of management resources and the reconfiguration of intellectual capital. The scope of this system includes medium- to long-term R&D projects led by functional departments and short- to medium-term development projects led by business groups. It also encompasses cross-disciplinary projects that span business and technological domains, addressing new areas of development that were out of scope for businesses in the past. All business groups contribute a portion of their profits to these projects, which are then reallocated Companywide and managed by cross-functional teams.

Management of Companywide Projects

- The Companywide Technology Strategy Team plans and proposes new projects through research and dialogues with internal and external stakeholders.
- Project approval is based on technological innovation and potential business impact, with final decisions made by the CTO, head of the R&D Center, and heads of business groups.
- Project outcomes are evaluated annually, with potential for modifications or discontinuation, as well as additions or revisions throughout the fiscal year.

In fiscal 2025, the number of Companywide projects will be doubled along with plans to increase R&D investment directed toward advanced research and preemptive development for the future. Through R&D that anticipates future changes, we will continue to strengthen our intellectual capital for success in the future.

R&D Budget for Fiscal 2025 (Fiscal 2024 = 100)



Key R&D Activities in Environmental and Safety Domains

Green Domain

In the electrification field, DENSO's approach to development centers on offering optimal solutions tailored to the energy situation and markets of various countries, with a focus on the three essential elements of vehicle electrification: motors, inverters, and energy management. Also, as a potential game-changing technology for the future, DENSO is advancing R&D on systems that enable wireless charging while driving. This innovation aims to significantly reduce the size of batteries required in battery electric vehicles (BEVs), lower vehicle costs, and eliminate charging times altogether.

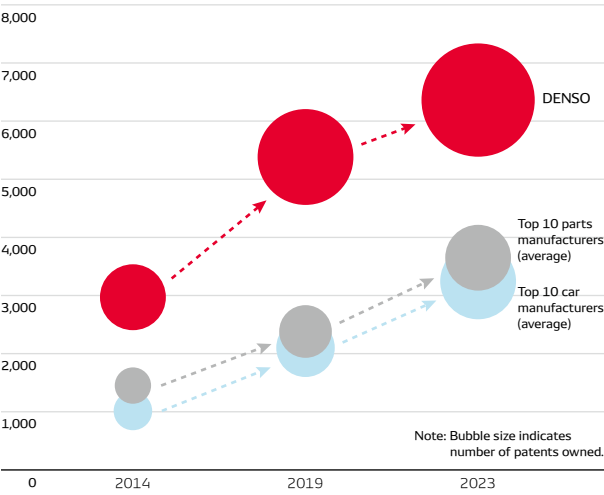
With the aim of establishing a resource-circulating ecosystem for vehicles, DENSO is developing materials suited for disassembly and rejuvenation through reverse engineering techniques that leverage its manufacturing technologies. The Company is also working on technologies to extract high-purity materials from end-of-life vehicles and recycle them into new, environmentally friendly vehicles. (Our Cultivated Strengths [P.23](#))

Peace of Mind Domain

To make self-driving cars a reality, DENSO is developing integrated control computers for multiple domains, such as functions for driving, turning, and stopping, as well as monitoring surroundings, while enhancing the performance of cameras, radar, LiDAR, sonar, and other sensors that serve as the "eyes" of the vehicle. The Company is also looking beyond these incremental advancements in technological development by also advancing research in game-changing technologies, including applications for generative AI that use large language models (LLMs), which could potentially handle the entire process of recognizing objects in the surrounding environment, making decisions, and controlling the vehicle without the need for expensive sensors.

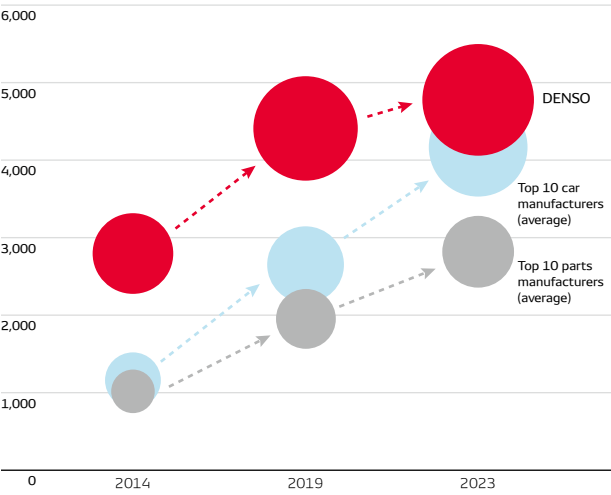
In the field of information management, DENSO is responding to growing social needs for greater visibility in manufacturing and distribution processes. The Company is developing traceability technologies that securely link data through a combination of DENSO-developed QR Codes® with blockchain technology, working toward the construction of a standardized data platform. Additionally, DENSO is focused on developing technologies that securely share data across industries, such as product information on batteries for electric vehicles and Scope 3 CO₂ emissions.

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



Source: Created by DENSO using LexisNexis PatentSight®

Peace of Mind Domain: PAI Scores Related to ADAS (PAI scores)



Message from the Chief Technology Officer

Strengthening Our R&D Management and Technological Foundation to Consistently Provide Value in a Rapidly Changing Era

Yoshifumi Kato

Senior Executive Officer
Chief Technology Officer (CTO)



Highly Flexible and Agile R&D Management

The automobile industry is constantly evolving. The vehicle electrification trend, which had seemingly been dominated by the switch to BEVs, is now seeing a resurgence of interest in HEVs and PHEVs in some regions. This underscores the increasingly diverse and complex nature of today's needs in society and the market. Technological trends are advancing at an even faster pace, with significant developments and widespread adoption of new technologies occurring within the span of just a few months.

DENSO's medium- to long-term technology strategy puts the focus on electrification, automation, and carbon neutrality as well as semiconductors and software as the core technologies that support these areas. In these rapidly changing times, the Company is taking a two-pronged approach to technology management: a bottom-up approach to free-spirited R&D that anticipates future trends and a top-down approach with senior management guiding the direction and swiftly modifying strategies in tune with changes.

Long-term Stable R&D Investment

To ensure continued corporate growth and the sustainable provision of value in a rapidly changing business environment, it is essential that we secure and maintain long-term management resources for R&D. Despite the challenging business environment, DENSO has consistently allocated 8% to 9% of its sales to R&D. Moving forward, we will maintain this level of spending to continue advancing our R&D efforts.

Internal and External Strategies for Intellectual Capital

As vehicles become more tightly integrated with society, automobiles will be built with a larger number of semiconductors, including high-performance logic chips (SoCs) for large-scale integrated electronic control units (ECUs), microcontrollers (MCUs) for single ECUs, application-specific integrated circuits (ASICs) used in all ECUs, and power semiconductors for driving motors. The automotive semiconductor market is expected to expand 3.5 times by 2030 compared with 2020. Recognizing semiconductors as a core technology, DENSO is taking the following three strategies to strengthen its intellectual capital in this area.

1. Logic semiconductors:

Leveraging external intellectual capital and collaboration

To ensure it can reliably procure advanced logic semiconductors, DENSO presents strategic specifications for automotive semiconductors and collaborates with semiconductor manufacturers and foundries to co-develop driving assistance SoCs through a strategic separation of operations. For example, the Company is accelerating preparations to ensure reliable procurement by investing in Japan Advanced Semiconductor

Manufacturing, Inc. (JASM) along with Taiwan Semiconductor Manufacturing Company Limited (TSMC) and Sony Semiconductor Solutions Corporation to support domestic production of 28nm microcontrollers.

In anticipation of more intelligent vehicles in the future, DENSO is also engaged in cutting-edge research in logic semiconductors. In 2022, DENSO co-founded Rapidus Corporation, which focuses on developing and manufacturing logic semiconductors employing miniaturized processes that determine the performance of these semiconductors. In 2023, DENSO joined Advanced SoC Research for Automotive (ASRA), an industry-government-academia group dedicated to technological research in high-performance automotive semiconductors, and is actively involved in the development of automotive-specific SoCs.

2. Analog semiconductors for sensor signal control:

Strengthening internal intellectual capital

Analog semiconductors are embedded with DENSO's expertise in automotive control specifications. DENSO aims to balance competitive advantages and reliable supply by optimizing in-house production and external procurement of analog semiconductors.

3. Power semiconductors:

Strengthening internal intellectual capital

Power semiconductors are a key area where DENSO can differentiate itself. Leveraging over half a century of research and production experience in automotive semiconductors, DENSO prioritizes internal research in this area to maximize system competitiveness. For HEVs, DENSO supplies compact, low-loss devices made from silicon (Si) on large-diameter 300mm wafers to enhance cost competitiveness.

For BEVs, DENSO is focusing on silicon carbide (SiC) power semiconductors that feature significantly reduced power loss. To support mass production of SiC devices, DENSO is developing a proprietary "gas method" for producing high-quality SiC wafers at low cost. This formation technique aims to accelerate crystal growth and reduce production costs by 30%.

DENSO combines its world-class development, technological, and manufacturing capabilities to develop technologies that can be implemented across a wide range of fields, ultimately enriching and enhancing people's lives.

Message from the Chief Software Officer

Software Strategies That Deliver Real Value in a Mobility Society

Atsushi Hayashida

Chief Software Officer (CSwO)



Accelerating the Evolution of Cars Based on Our Three Competitive Advantages

In an age of software-defined vehicles (SDVs), where cars are connected to society, software will dramatically increase the value of cars. In realizing safe, comfortable, and enjoyable mobility, we must make assured safety a premise and incorporate IT into vehicles that enables application downloads and other advances. By 2030, in-vehicle software is expected to require approximately 600 million lines of code, more than six times the number in 2020 and an order of magnitude greater than the 20 million lines of code needed for the Android OS.

DENSO's three competitive advantages are integration capabilities: the formation of large-scale projects that make full use of cutting-edge technologies; human resource capabilities: co-creation among various in-house and external experts; and deployment capabilities: leadership in the establishment of industry standards. We have been involved in the development of in-vehicle software for more than 40 years and in the large-scale development required to realize SDVs for more than 20 years. Going forward, DENSO will extend the aforementioned advantages even further.

Strengthening Competitiveness by Co-Creating with Partners and Introducing Leading-Edge Technologies

Cars must be highly reliable because, in essence, people entrust their lives to cars when using them for transportation. DENSO provides a wide range of software and hardware for cars. Our strength lies in our expertise in developing cars through a three-pronged approach that integrates mechanical parts, electronics, and software. With the aim of adding IT to this integrated strength in order to provide user value from a broader perspective, we are advancing new partnerships and co-creation with related industries. As part of these efforts, we formed a comprehensive alliance with NTT DATA JAPAN CORPORATION in June 2024. We will continue working with diverse partners to boost our ability to provide customers with solutions.

Furthermore, we will use AI and software tools to accelerate the automation of evaluation, verification, and design processes so that anyone involved in product development can efficiently benefit from our long-standing expertise in the field of in-vehicle software development.

In forming large-scale projects that make full use of leading-edge technologies, securing a significant number of highly skilled software engineers is vital. Aiming to build a development system comprising 18,000 people by fiscal 2031, which is 1.5 times the number in fiscal 2024, DENSO is stepping up branding activities to enhance recruiting capabilities, reskilling personnel from other job categories, and strengthening relationships with partner companies globally.

In addition, through the Career Innovation Program we have defined common skills and standards worldwide, enabling us to

visualize the skills of our engineers globally. The program provides in-house certification to encourage personnel with advanced skills to take on important roles in diverse fields.

Leading Industry Software Standardization in Terms of Both People and Technologies

Given the diminishing number of software engineers, Japan's car industry cannot survive on a global scale if companies develop software in isolation. By leveraging its relationships of trust with customers, DENSO is leading the way in software standardization and building an industry-coordinated ecosystem.

With respect to human resources, we have begun working with related ministries and agencies to make our Career Innovation Program a standard in the industry. In the technological field, we participate in Japan Automotive Software Platform and Architecture (JASPAR), a standardization body for automotive software, as the sole supplier sitting on its five-company board and promote standardization in relation to SDV technology themes, such as functional safety and security. We will also actively contribute to the standardization of industry software for the digital transformation of mobility strategy that is being promoted by the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism.

My Commitment as CSwO

We are fast approaching the SDV era, in which DENSO will increasingly be able to demonstrate the competitiveness of the software it has developed. DENSO aims to create a software business worth ¥800 billion by fiscal 2036, roughly four times its scale in fiscal 2024. The business has already won orders not only for conventional hardware-embedded software but also for stand-alone software. To accelerate the business, DENSO will further heighten the software development and value provision capabilities of the entire Group. The goal is to reach a position whereby a mobility society cannot be created without DENSO software.

As software development grows in scale, more than 1,000 engineers can be involved in a single project. In other words, the difference in scale is like changing from constructing a house to constructing a huge building. By working hard together and proceeding through many development processes, our designers are incorporating value into products in the form of high quality. The *Hitozukuri* (development of human resources) and *Monozukuri* capabilities required for software projects are already part of DENSO's long-cultivated DNA. By strengthening its software capabilities as a manufacturer, DENSO will strengthen the Company as a whole. With the pride and vigor of a software engineer, I will focus on creating social value through our software business.

Message from the Chief Digital Officer

Strengthening Competitiveness of Businesses and Organization through DENSO's Digital Transformation

Hirotsugu Takeuchi

Senior Executive Officer
Chief Digital Officer (CDO)



Digital technology is essential to shaping the future of our business and enhancing organizational competitiveness. I believe it is my mission to create an environment where all employees can leverage information assets to find data-driven solutions to current issues.

As we advance digital transformation (DX) and use more digital technology, the feedback we hear from various workplaces has revealed some issues, such as concerns about information sharing, a lack of individual skills and managerial understanding, and the inability to invest time and resources due to the demands of regular duties.

In light of this, DENSO is taking a pragmatic approach to DX aimed at enhancing competitiveness. Rather than rushing ahead with digitalization, we are first simplifying and standardizing current work processes, aggregating data and knowledge, and then moving toward automation in a methodical manner. This approach ensures that the IT Digital Center, which is spearheading our DX, is advancing digitalization with a keen awareness of on-the-ground realities and issues. In fiscal 2025, we are advancing our digital strategy along the following three objectives.

The first objective is establishing a digital platform. In fiscal 2022, DENSO confirmed that multiple cyberattacks had taken place, including unauthorized access, targeting Group

companies in North America and Europe. Determined to prevent such incidents from affecting stakeholders, we reinforced our security platform with more effective countermeasures across the entire Group. Moving forward, we will extend our security platform to companies in our supply and value chains, ensuring a safer, more secure and comfortable working environment.

Additionally, we are upgrading infrastructure that digitally connects approximately 160,000 Group employees worldwide. We are transforming work practices through the creative use of data generated on the front lines, with all employees using digital handsets, including those in manufacturing. We intend to enhance this platform by incorporating generative AI in the future.

The second objective is cultivating a digital mindset. No matter how advanced digital tools become, the tools themselves are not the main actors. We are conducting training for all employees to cultivate digital talent capable of leveraging advanced digital technologies and data to improve competitiveness. This initiative is positioned as a Companywide measure, with human resources and IT departments working as one team to visualize the use of digital technologies across organizations, positions, and individuals, and provide support tailored to each workplace and individual. (Human Capital [P.52-56](#))

The third objective is standardizing and automating business processes. Building on DENSO's core idea of lean automation,

i.e., an automated production system that eliminates as much waste as possible, the Company is advancing the transformation of business processes through simplification, standardization, centralization, and automation. By digitizing core information, we are dramatically improving the integration of information across processes and domains. Employees who have become digital talent will take the initiative to review and improve their workflows, utilizing our digital platforms to drive improvements and transformation.

In fiscal 2025, one of our priority initiatives is the application of generative AI to enhance operational efficiency and reduce costs, in order to free up capacity and increase vitality in the workplace. In the medium to long term, we plan to harness this extra capacity and vitality to drive comprehensive DX across

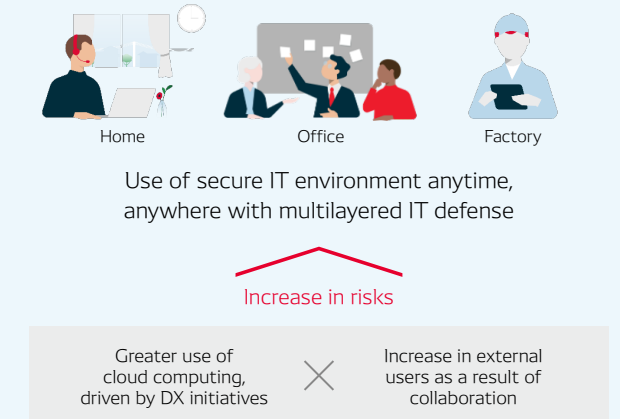
DENSO, changing business processes that support operations, as well as enhancing the capabilities and competitiveness of our organization, with the ultimate aim of sustaining growth.

From a broad perspective, DENSO's ability to identify and use technology to solve workplace issues will translate into value that benefits society. The QR Code® that DENSO introduced in 1994 is a prime example of how the Company's innovations have become deeply integrated into daily life around the world, contributing to society's advancement. By embedding the power of digital technologies into DENSO's businesses and organization, the Company will enhance its competitiveness and transform itself into a company that provides even greater value to society.

Examples of Value Creation through Digitalization

Industry-wide Collaboration for Secure IT Environments, Initiatives in Information Security

In response to a series of cyberattacks in fiscal 2022, DENSO has strengthened its cybersecurity measures across the entire Group. This includes (1) building up a multilayered defense by reinforcing the management of confidential information and using AI to filter out suspicious emails, (2) raising security awareness through training for all employees, and (3) implementing rigorous global governance to prevent a recurrence of cyberattacks. Moving forward, DENSO will continue to rely on advanced IT to accurately detect and defend against suspicious attacks while regularly conducting crisis response drills to prepare for potential cyberattacks. Additionally, to build a robust supply chain resilient to cyberattacks, DENSO will collaborate with stakeholders to continuously enhance security quality, based on the Automobile Industry Cybersecurity Guidelines, which aim to create a secure IT environment across the industry.



Vision

Enhance organizational capabilities and competitiveness through digital-driven reforms to business processes

Significant improvement in operational speed / More complex decision-making based on data



Standardize and automate processes

Take a holistic view of all operations and establish optimal processes that span across the organization



Establish a digital platform

Build an environment where employees can work safely, securely, and comfortably



Cultivate a digital mindset

All employees naturally use digital technologies and data in their daily work

Realization of Companywide DX

Digital Workplaces and IT Infrastructure That Facilitate New Value Creation

Since fiscal 2020, DENSO has been progressively rolling out the One Digital Device and M365 per Employee project, which equips all global employees of the DENSO Group with digital devices that enable two-way connectivity at all times across offices and plants. This initiative has created a work environment free from the constraints of time, place, and device. Building on this foundation of "always connected anywhere with anyone" devices and communications tools, DENSO aims to further automate work processes and promote DX while leveraging generative AI and other technologies in fiscal 2025. By fully utilizing AI, including the integration of generative AI with data-driven development, DENSO supports all employees in using digital tools equally, allowing them to spend more time on creative tasks that drive new value creation.



Supporting Advances in Sustainability Management through Global Collaboration and Data Centralization for Core Operations

DENSO aims to dramatically improve the speed and quality of its operations by globally standardizing, digitizing, and linking its core information. As part of this effort, DENSO's Management Platform DX initiative involves centralizing financial and non-financial information to visualize management conditions on a dashboard, which helps in spotting issues while facilitating rapid business decisions from a global perspective. By the end of 2024, DENSO plans to complete the development of and deployment to major bases a business profit & loss management system that standardizes and automates business planning processes. In 2025, DENSO aims to enhance analysis and decision-making through the use of AI and optimized novel technologies that enable simulations of ways to maximize profit based on different scenarios (changes in conditions). Looking beyond 2025, DENSO will integrate non-financial data into this system, further supporting its evolution of sustainability management.

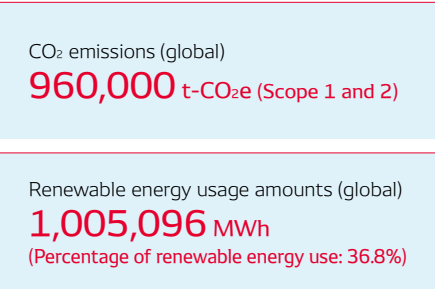
Natural Capital

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. Maintaining and preserving natural capital directly impacts our corporate management. In particular, we can help minimize the negative impact of climate change on natural capital by applying our long-cultivated environmental technologies to develop and popularize innovative environmental products. Initiatives to strengthen our natural capital help us to reduce invested capital, including by reducing the costs of our response to environmental risks and the costs of production.

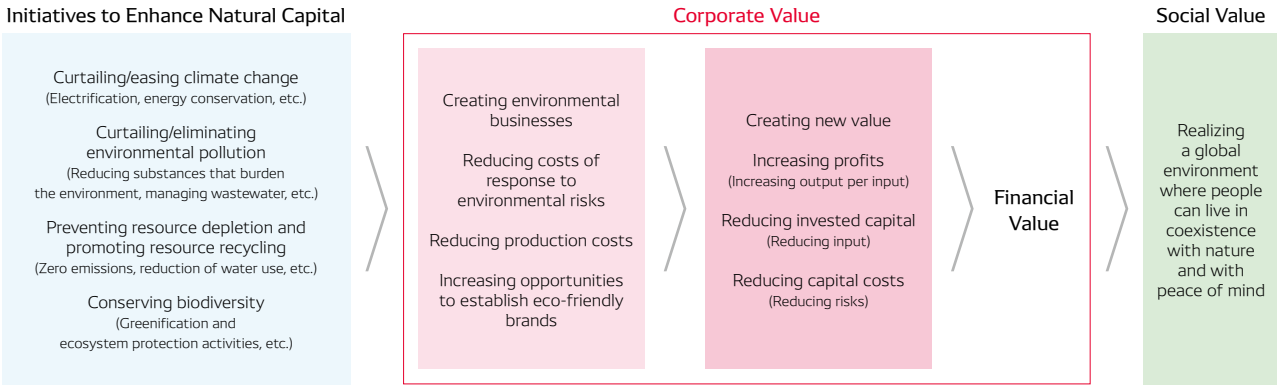
Based on our Eco Vision 2025 environmental management policy, we are enhancing the efficiency of natural capital use and reducing our environmental burden, thereby working to conserve the global environment and create economic value.

Characteristics of DENSO's Natural Capital (Fiscal 2024 results)



Notes: 1. The results figures reflect the use of carbon credits.
2. The targets are production bases in Japan and overseas (including the Group's manufacturing companies).

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



Climate Change Countermeasure: Zero CO₂ Monozukuri

DENSO is promoting the development of technologies for the production process and engaging in rigorous energy-saving activities with the participation of all employees. In addition, we have been proactively promoting energy-saving activities, including Just-in-Time (JIT) activities that aim for the utilization and supply of just the right amount of energy at the necessary time. Under Eco Vision 2025, we established the “energy half” target (reducing CO₂ emissions per unit by half compared with fiscal 2013) and have been promoting efforts to reach this target accordingly. In fiscal 2023, DENSO CORPORATION achieved this target three years ahead of schedule, while Group companies achieved the target in fiscal 2024, two years ahead of schedule. (Fiscal 2024 results [compared with fiscal 2013]: DENSO CORPORATION, 43 [reduction of 58%]; domestic and overseas Group companies, 46 [reduction of 54%])

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

Prevention of Environmental Pollution

DENSO is working to reduce the use of environmentally hazardous substances in its products in accordance with a basic policy of minimizing the use of chemical substances throughout product life cycles and taking into consideration trends in relation to the European Union's End-of-Life Vehicles Directive*1

and REACH Regulation*2 as well as other laws and regulations in respective countries and regions. In addition, chemicals handled at our plants are classified into “prohibited,” “targeted for reduction,” and “controlled” categories, and all chemicals used in our products are subject to integrated management under a proprietary control system. Based on these systems, we continuously promote efforts to reduce the usage and emissions of chemicals. At the same time, we are advancing the development of alternative technologies.

*1 This directive came into force on October 21, 2000 and, in principle, prohibits the use of certain chemicals in new vehicles sold from July 2003 onward.
*2 This comprehensive regulation on chemicals came into force on June 1, 2007.

Resource Depletion Prevention and Resource Recycling

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

Biodiversity

DENSO has contributed to ecosystem conservation through initiatives aimed at addressing climate change, preventing environmental pollution and resource depletion, and promoting resource recycling. In addition, our employees have collaborated with local communities to advance activities such as preserving and restoring ecosystems in the areas around our business sites and protecting endangered species.

Recently, in addition to climate change, there are rising global concerns regarding the loss of biodiversity. The loss of biodiversity ties in directly with the degradation of natural capital and therefore has a major impact on our corporate activities. Accordingly, we believe it is essential that we accurately assess the relationship between biodiversity and our business activities and enact measures, when necessary, if we are to enhance the stability of these activities.

To that end, we have recently been utilizing the Taskforce on Nature-related Financial Disclosures (TNFD), an international framework for the disclosure of biodiversity-related information, to carry out a trial analysis of our dependence and impact on nature and identify relevant risks and opportunities. In this section, we report the latest progress we are making in this endeavor.

Governance

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

Strategy

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

The results of the current analysis are as indicated below. Moving forward, we will continue to conduct analyses and reflect their results in our policies and plans for environmental activities.

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

Direct Operations

We conducted an analysis of our production sites. Based on the results of this analysis, we identified Japan among our regions of operation as the region with the highest risk exposure from the perspective of the risk of biodiversity loss, making it our top priority area. At DENSO, we promote various activities to preserve nature. Taking into account the results of the recent analysis, we will conduct further analysis regarding the effectiveness of our current initiatives and any relevant issues.

(Number of exposure points in Japan for the risk of biodiversity loss: IUCN Red List: 2,120; Protected Planet preservation areas: 134; Key Biodiversity Areas: 11)

Value Chain

In the upstream of our value chain, we believe the risk of biodiversity loss is high, especially at our overseas suppliers of raw

materials. Accordingly, we conducted an analysis and evaluation of mining sites for bauxite, which is a raw material for aluminum used in such representative products as inverters and HVAC systems. The results of this analysis and evaluation are as follows.

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

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

Management of Risks and Impacts

The risks identified in the analysis and evaluation will be reported to the Companywide Safety, Health, and Environment Committee, which will discuss such matters as relevant response policies and action plans. For risks that were determined to be particularly important, the Risk Management Meeting will invest resources into measures to address such risks, thereby controlling them from the perspective of Companywide risk management.

Measurement Indicators and Targets

With a focus on contributing to a nature-positive* global society, we will continue to utilize the TNFD to conduct ongoing analyses of nature-related risks and opportunities. The results of such analyses will be reflected in the next Eco Vision and Environmental Action Plan (Eighth Phase of Environmental Action Plan) and used to examine the formulation of indicators and targets. At the same time, we will incorporate the results into our environmental management systems (EMS).

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



Efforts to Maximize the Value of “Green” (TCFD)

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

Scenario Analysis of Business Opportunities and Risks

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

Hypothesizing Scenarios

In terms of transition risk, we have defined the Beyond 2 Degrees Scenario (B2DS) as a “promotional” scenario, and the Sustainable Development Scenario (SDS) and the Net Zero Emissions by 2050 Scenario (NZE) of the IEA’s World Energy Outlook as “ambitious” scenarios. For the scope of these scenarios, we quantified Group CO₂ emissions, the carbon tax, crude oil prices, the renewable energy rate, and the rate of new electric vehicle (xEV) introduction by 2040, and analyzed opportunities and risks based on the differences between these scenarios and Group strategies. Also, with regard to physical risks, we have defined the RCP8.5 and RCP6.0 scenarios of the Fifth Report of the IPCC as “stagnant” and “promotional” scenarios, respectively. We visualized aspects such as weather disasters, rising sea levels, deteriorating eco systems, and water and food shortages in a qualitative manner and analyzed opportunities and risks based on the differences between these scenarios and Group strategies.

Analysis of Climate-related Opportunities and Risks

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

Major Opportunities

Key items	Timeframe / Impact	Major potential financial impact	Financial impact (fiscal 2026)	Response measures	Response cost (fiscal 2024)
Development of new products and services through R&D and technological innovation	Medium-term / High	Increase in revenue due to higher demand for xEVs Rise in demand for inverters and thermal products related to electrification and for technologies such as heat pumps that improve the heat efficiency of xEVs	¥300.0 billion	• Accelerate the development of technologies related to electrification—including power-saving technologies and compact high-output technologies—as well as the development of heat management technologies • Promote the development of engine control systems and other technologies that respond to alternative fuel (e-fuel, hydrogen, etc.)	¥90.0 billion
Diversification of business activities	Long-term / Medium	Increase in revenue following higher demand for decarbonization technologies Creation of business opportunities in such non-automotive fields as food and agriculture (AgTech), factory automation (FA), and hydrogen (SOEC*1 and SOFC*2) by applying environmental technologies fostered in the automotive field	Food and agriculture (AgTech), FA, and hydrogen, etc. ¥300.0 billion (FY2031)	• Create technologies such as AgTech that leverage sensor, control, and robot technologies and create energy utilization technologies, such as those that leverage exhaust gas purification and heat management technologies • Actively use business alliances	¥17.0 billion
Utilization of more effective production and logistics processes	Medium-term / Relatively high	Reduced energy costs through the promotion of energy conservation at plants worldwide If we promote enhanced energy efficiency and are able to achieve our target under Eco Vision 2025 of reducing the amount of energy used per unit by half compared with fiscal 2013, we could achieve a CO ₂ emissions reduction of approximately 1.65 million tons per year and reduce energy costs.	¥102.0 billion	Continue rigorous energy-saving activities; adopt low-carbon materials, equipment, and production processes; enhance production process efficiency through the introduction of Factory-IoT (F-IoT); and promote the development of energy-saving production technologies	¥10.0 billion

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

Major Risks

Key items	Timeframe / Impact	Major potential financial impact	Financial impact (fiscal 2026)	Response measures	Response cost (fiscal 2024)
New controls and regulations placed on our existing products and services	Long-term / Relatively high	Decline in revenue against the backdrop of increasingly strict regulations on fuel efficiency and exhaust gas We expect even tighter regulations on fuel efficiency as well as acceleration in the transition to xEVs, including HEVs (comprising 47% of all vehicles in 2030). Non-compliance with regulations resulting from an inability to adapt to changes could cause a decline in unit sales.	¥300.0 billion	• Accelerate the development of energy-saving technologies for products powered by electricity with a view to extending driving distance • Accelerate development aimed at enhancing fuel efficiency of internal combustion engines in HEVs and other vehicles to respond to new regulations on fuel efficiency	¥80.0 billion
Increased severity and occurrence of abnormal weather such as typhoons and floods	Long-term / Relatively high	Decline in revenue due to suspended plant operations and supply chain disruptions Revenue could decline due to damage to in-house plants or supply chain interruptions that result in a suspension of plant operations in Japan and greater Asia, where we conduct 65% of our overall production and where the possibility of abnormal weather occurring is high.	¥120.0 billion	• Implement measures to mitigate the impact of disasters on buildings, etc., and strengthen risk management in the supply chain through such measures as ensuring multiple suppliers for components • Connect our plants across the globe by using IT and IoT and establish a global production structure that can immediately respond to changing production needs	¥9.3 billion
Carbon pricing mechanism	Medium-term / High	Decline in cost competitiveness due to the accelerated introduction of carbon pricing Carbon costs could be added to all in-vehicle products due to the expansion and increasing strictness of international regulations, such as carbon taxes and emissions trading systems.	¥12.0 billion	• Strategically and incrementally transition to renewable energy in manufacturing activities • Continue to promote activities to conserve energy and enhance energy efficiency in the production process	¥3.0 billion

Impact on Management Strategy

As mentioned previously, based on the results of our analysis, we have come to understand the significant impact that the climate change-related opportunities and risks expected to occur by 2030 will have on our product development and production activities, particularly the trend toward carbon neutrality.

Based on this understanding, we have set ourselves the ambitious target of becoming carbon neutral and have reflected this target in our management strategies.

Specifically, we have added the perspective of carbon neutrality to our CO₂ reduction plans under Eco Vision 2025, the Company’s environmental management policy formulated in 2016. For our *Monozukuri* activities, we have adopted the target of realizing carbon-neutral electricity by fiscal 2026 (carbon credits to be used with respect to gas) and becoming completely carbon neutral, including gas, by fiscal 2036. To achieve this target, we will continue to promote energy-saving activities, an area in which we excel as a company. At the same time, we will introduce electricity derived from high-quality renewable energy that is optimally economic and utilize carbon credits, among other initiatives. To accelerate investments toward these kinds of efforts to reduce CO₂ emissions, including energy conservation and renewable energy, we have introduced internal carbon pricing (ICP) within our investment decision-making approach.

For mobility products, we are working to reduce CO₂ emissions to the greatest extent possible by promoting the development of electrification technologies. Furthermore, we are working to achieve negative CO₂ emissions through technologies that create green energy using hydrogen. Through these efforts, we will aim to achieve carbon neutrality across all of society. Moreover, to balance contributions to the environment with business growth, we are holding regular discussions on reshuffling our business portfolio based not only on profitability and growth potential but also on CO₂ emissions and the reduction of these emissions and are promoting reshuffling efforts accordingly. (Message from the Chief Financial Officer [□□ P 43–49](#)) We launched an expert team within the Safety, Health & Environment Division to serve as a structure for steadily promoting our carbon neutral strategy. At the same time, we have established the Environment Neutral Systems Development Division and the Hydrogen Business Promotion Division in a Companywide effort to realize carbon-neutral manufacturing, encompassing carbon neutrality throughout all processes through to the production activities at our plants.

Meanwhile, to respond to physical risks such as floods, which are increasing in frequency due to climate change, we are carrying out disaster mitigation measures at plants (including buildings and structures) and ensuring multiple suppliers for components and other materials so that we can minimize the risk of suspended operations due to damage at plants or disruptions in the supply chain. For additional support, we are introducing Factory-IoT (F-IoT) platforms. Through such efforts, we will build a global production and supply structure that can immediately respond to production fluctuations caused by weather disasters or other adverse events.



Please see the following URL for more information on DENSO’s Eco Vision 2025.
<https://www.denso.com/global/en/csr/environment-report/management/ecovision/ecovision/>



Impact on Financial Planning

Given the trend toward carbon neutrality, we must further accelerate the development of electrification technologies and transition to components compatible with such alternative fuels as hydrogen fuel and biofuel. Furthermore, in order to realize carbon-neutral *Monozukuri*, we need to allocate funds to procure electricity derived from renewable energy sources and purchase CO₂ offset certificates and carbon credits. To that end, in our financial planning, we have reflected an increase in R&D costs related to electrification and efforts to respond to alternative fuel needs. We have also reflected costs related to the introduction of renewable energy.

In addition, we have incorporated costs related to measures to address climate change risks (reinforcing buildings and structures), such as tornadoes, floods, and other abnormal weather events that are becoming ever more frequent and more severe.

Governance

DENSO has established the Companywide Safety, Health, and Environment Committee, which shares short-, medium-, and long-term targets set with the aim of realizing Eco Vision 2025. The committee also shares the issues and progress of activities related to the environment in general, including the results of scenario analysis, and issues instructions on measures to be taken. Chaired by an executive vice president, the committee convenes twice a year. Matters deemed to significantly affect businesses, such as medium-term management strategies and major investments, are discussed at meetings of the Management Deliberation Meeting or the Board of Directors.

In particular, with respect to carbon neutrality initiatives, the Board of Directors determines the Company’s targets. Based on these targets, the Strategy Deliberation Meeting and the Executive Workshop deliberate on medium- and long-term policies and strategies, while the Annual Plan Meeting deliberates on short-term policies, targets, and plans. Progress toward achieving the aforementioned targets is monitored at the Management Deliberation Meeting and meetings of the Board of Directors in which all officers participate.

Risk Management

In a volatile business environment, DENSO always strives to actively identify diversifying risks and conduct risk management from the perspectives of minimizing damage and ensuring business continuity. Climate change-related risks are reported to the Companywide Safety, Health, and Environment Committee, which identifies key items and clarifies the Company’s response.

Also, we have designated climate change-related risks (physical risks) as one of the major risks toward which the Risk Management Meeting should particularly invest resources and promote initiatives. Based on this designation, we are strengthening our response to these risks on a Groupwide basis from the perspective of overall risk management. (Risk Management [□□ P 110–111](#))



Metrics and Targets

In light of society’s expectations and the progress of our activities based on Eco Vision 2025, in fiscal 2022 we set ourselves the more ambitious goal of becoming carbon neutral. Since then, we have been advancing activities with our sights set on this goal.

We clarified specific targets for this goal in the Mid-term Policy for 2025. At the same time, we incorporated a sustainability target pertaining to our material issues into part of our management targets. As previously mentioned, the status of progress and follow-up regarding these targets are shared not only with the Companywide Safety, Health, and Environment Committee but also with the Management Deliberation Meeting and the Board of Directors.

Please see the Green Strategy section for our road map for achieving each metric and target (Green Strategy [P39](#)).

Climate Change-related Targets
(CO₂ Emissions Reduction) (Benchmark year: Fiscal 2021)

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

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

Scope 3 (Upstream) Reduction of CO₂ Emissions in the Supply Chain

Aim Realize Carbon Neutrality through Collaboration between DENSO and Suppliers

Through dialogue and based on a mutual understanding, we are promoting activities together with our suppliers aimed at achieving carbon neutrality.

Specifically, after visualizing our emissions within the supply chain, we have been sharing with suppliers our medium-term goal of reducing CO₂ emissions by 25% by fiscal 2031, compared with levels in fiscal 2021 (equivalent to an annual reduction of 2.5%), and our long-term target of achieving carbon neutrality by fiscal 2051. We also request that our suppliers promote activities toward achieving these targets. In October 2021, we established a permanent showroom displaying examples of how to promote energy conservation. To date, a total of 1,500 people have visited the showroom, including customers, suppliers, and members of national and local government agencies. By providing support in such ways as lending energy-saving diagnostic and energy measurement equipment to suppliers, we help them promote energy conservation activities. Also, we provide support for the introduction of renewable energy and actively make use of materials with low CO₂ emissions (aluminum and resins, etc.).

Furthermore, through such activities we gather information on the issues and requests of suppliers based on which we make suggestions to industrial organizations and other groups. With these efforts, we are helping to create environments that facilitate sustainable activities across the entire supply chain.



Permanent showroom (Agui Plant)

Scope 1 and 2 Carbon-Neutral Monozukuri

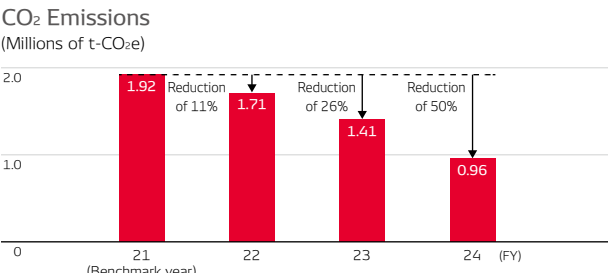
Aim Achieve Complete Carbon Neutrality in Monozukuri

We aim to achieve carbon neutrality in *Monozukuri* by lowering CO₂ emissions through a reduction in energy consumption based on more-efficient manufacturing processes; by using such renewable energy sources as sunlight; and by reducing CO₂ emitted in production processes through the utilization of green hydrogen created through the use of renewable energy.

Achievements to Date

We have reduced CO₂ emissions by 50% compared with fiscal 2021, achieving our fiscal 2024 target for a 50% reduction, by thoroughly implementing energy-saving activities, which are one of our long-standing strengths; by introducing renewable energy; and by utilizing carbon credits.

In addition, as of fiscal 2023, we achieved carbon neutrality at the Anjo, Nishio, and Hirose plants, DENSO FUKUSHIMA CORPORATION, and all DENSO plants in Europe. As of fiscal 2024, we also achieved carbon neutrality at the Takatana, Daian, Kota, Zenmyo, and Kosai plants.



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

Scope 3 (Downstream) Carbon Neutrality for Electric Vehicle Components

Aim Contribute to the Electrification of Cars to Reduce CO₂ Emissions to the Greatest Extent Possible

We will help reduce CO₂ emissions from vehicle use by developing products and systems that support the popularization of HEVs, BEVs, FCEVs, and other 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.

Contribution to the Reduction of CO₂ Emissions from Energy Use

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

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

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

International Certification of Reduction Targets

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

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



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

TOPIC

At the Partnership Building Symposium, held by the Ministry of Economy, Trade and Industry, DENSO’s procurement business group was awarded the Partnership Building Grand Prize, “Special Theme Award (GX Award),” in recognition of its efforts to help small to medium-sized suppliers become carbon neutral. This marked the first time this award was won by an organization in the automotive industry.

MESSAGE



Striving to Become Carbon Neutral Together with Our Suppliers

Kazutoshi Ohyama
Supply Chain Purchasing Planning Division

We believe we must realize carbon neutrality not only at DENSO but also across the entire supply chain. To achieve this, it is essential that we gain the understanding of and collaborate with our suppliers. Through efforts such as holding study sessions on carbon neutrality, providing support for energy conservation, and

offering briefings on DENSO’s policies, we have gradually enhanced the understanding of our suppliers and have encouraged them to actively engage in carbon-neutral initiatives. Thanks to these efforts, we have received a great deal of positive feedback from suppliers, including comments such as “energy conservation has helped us significantly reduce energy costs” and “our employees have gained an opportunity to consider their connection with society.”

By continuing to collaborate with suppliers, we will aim to realize carbon neutrality across the entire supply chain. At the same time, we will take steps to ensure that society recognizes the added value that carbon neutrality provides to the supply chain.

Social and Relationship Capital

Outline of Efforts to Strengthen Social and Relationship Capital

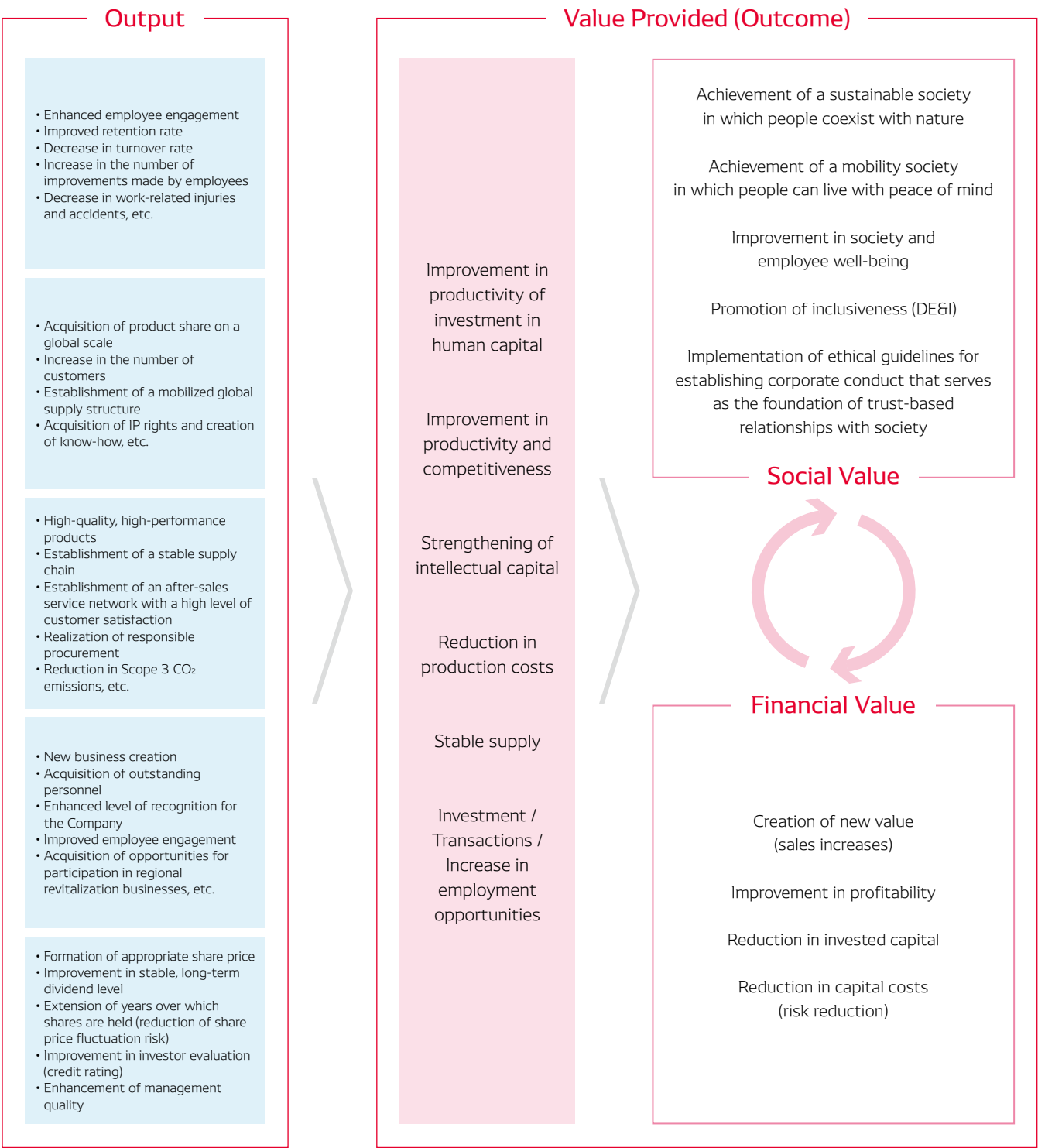
In an era with an uncertain outlook, flexibly responding to social changes and needs on our own is extremely challenging. We therefore believe that building good relationships with stakeholders and expanding our circle of associates is essential to enhancing corporate value. Furthermore, to avoid self-satisfying activities that are biased by our own logic and preconceptions, we are deepening our understanding of stakeholder expectations and options through dialogue with them and reflecting that understanding in our corporate activities. By doing so, we aim to become a company that is deeply inspiring by realizing growth together with our stakeholders and society as a whole.

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

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

Characteristics of DENSO's Social and Relationship Capital (Fiscal 2024 results)

Number of suppliers Approx. 7,540	Number of dialogues with institutional investors (total number of companies) 1,750
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Undertaking Initiatives toward Respecting Human Rights

Against the backdrop of the rising interest toward sustainability around the globe, corporations are strongly expected to consider human rights within their business activities.

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

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

Promotion Structure

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

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

Promoting Employee Education and Enlightenment

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

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

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

Human Rights Due Diligence

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

(1) Implementation of a Risk Assessment

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

and, as necessary, implement impact assessments to promote preventive measures and mitigation efforts for these risks.

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

Human rights issues facing non-Japanese workers in Japan (non-Japanese technical interns and skilled workers) are highly relevant, important human rights risks in the automotive supply chain. DENSO assesses the actual conditions at major domestic Group companies and suppliers through written surveys. At the same time, for these surveys the Company prioritizes companies that utilize non-Japanese workers. In fiscal 2024, DENSO once again held direct interviews with such non-Japanese workers.

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



Interviews with non-Japanese technical interns working at domestic Group companies

Grievance Mechanism

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



For details on initiatives related to the DENSO Group Human Rights Policy and our respect for human rights, please visit the website below.
<https://www.denso.com/global/en/about-us/sustainability/society/humanrights/>



Supply Chain Management

DENSO aims to achieve mutual growth with its suppliers across the globe. Guided by our basic policy of ensuring open and fair business practices and responsible procurement activities, we are promoting a broad range of activities to not only ensure a stable supply of products to customers but also realize sustainable procurement across the supply chain.

Solidifying Our Foundation for Ensuring a Stable Supply

To respond to more diverse and frequently occurring risks, such as recent natural disasters (earthquakes, floods, fires, etc.), cyberattacks, and unexpected events (epidemics, wars, and terrorism), and to ensure that we can continue our supply to customers, we are moving forward with a broad range of activities, together with our suppliers, with the aim of solidifying our foundation for a stable supply.

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

Meanwhile, in an effort to prepare for risks, we are working to enhance continuity by standardizing components and spreading out production activities across multiple plants so that we can ensure backup production throughout the supply chain when a risk occurs. We are also taking steps to secure the amount of risk inventories needed until production is restored, in the event of a disruption. Furthermore, to enact swift measures to stabilize supply when a risk occurs, we are leveraging systems that visualize supply chain information and ensuring that we are able at all times to ascertain information at our suppliers in the areas where a risk occurred.

Promoting Activities to Enhance Quality

To continue to provide products that satisfy our customers, DENSO and its suppliers must promote efforts to maintain and improve quality control. To that end, we share quality targets with suppliers and provide various kinds of support to help suppliers maintain and improve their quality assurance structure. By doing so, we verify on an ongoing basis that the parts and materials supplied to us meet the quality requirements of our customers.

Examples of Specific Initiatives

- Formulation of quality assurance manual for suppliers geared and responding to the IATF 16949 international standard for quality assurance
- Implementation of self-inspections based on quality control check lists (once a year)
- Establishment of quality targets at suppliers and confirmation of performance (monthly)
- Offering of advice and support through dialogue for resolving issues facing suppliers, etc.

Promotion of Sustainable Business Activities Based on Guidelines

DENSO asks all suppliers to endorse the DENSO Group Sustainability Policy. At the same time, we have established the Supplier Sustainability Guidelines, which set forth the behavior expected of suppliers in more concrete terms, including benchmarks to ensure compliance, human rights protection, environmental conservation, and workplace safety. In addition, we request that suppliers clarify their sustainability policy and assign a sustainability manager to advance activities based on these guidelines.

Also, we ask our major suppliers to periodically conduct self-checks using a self-evaluation form. When necessary, DENSO managers visit suppliers to confirm the results of these self-checks and engage in dialogue, thereby encouraging improvements.

Initiatives for Responsible Procurement of Resources and Raw Materials

The responsible procurement of mineral resources and raw materials is an important task in supply chains. With the globalization of businesses, supply chains are becoming increasingly global and diversified. In certain regions of the world, however, workers' rights are not taken into consideration. In particular, mineral mines involve a great deal of dangerous work. At such mines, cash outflows to armed groups and such human rights issues as child and forced labor have been reported.

We have formulated a policy on conflict minerals, which we share with our suppliers. Also, we conduct an annual survey on conflict minerals with the cooperation of suppliers. From fiscal 2025, we will include cobalt and mica in the list of minerals subject to investigation and steadily conduct surveys of relevant suppliers. Moving forward, we will periodically review the minerals subject to risk and consider the appropriate methods of response and work with suppliers to avoid the use of minerals of concern throughout our supply chain.

Green Procurement and the Promotion of Carbon Neutrality in the Supply Chain

We have formulated the Green Procurement Guidelines, which stipulate the management and reduction of environmentally hazardous substances (substances of concern) and the establishment of environmental management systems, and we ask suppliers to conduct procurement and management in strict compliance with these guidelines.

Particularly with regard to climate change, DENSO has visualized its CO₂ emissions within the supply chain and shares medium- to long-term targets with suppliers. We also request that suppliers promote activities to reach these targets. At the same time, we provide support that caters to the preferences and conditions of each supplier. (Green Strategy, Efforts to Maximize the Value of "Green" (TCFD) P.38–39, 70–73)



For details on the DENSO Group's procurement policies, please visit the website below.
<https://www.denso.com/global/en/about-us/sustainability/society/procurement-policy/>



For details on the DENSO Group's initiatives focused on promoting sustainability throughout the supply chain, please visit the website below.
<https://www.denso.com/global/en/about-us/sustainability/society/supply-chain/>



Business Portfolio and Value Creation

DENSO operates seven core businesses in a range of domains, with particular emphasis on the mobility domain. The Company has built its business portfolio with a view to creating new value for the future and enabling respective businesses to resonate together as they maximize value creation. Moreover, at present reweighting the business portfolio is a priority strategy. Even in a volatile operating environment, a reweighted business portfolio will allow us to market products and services that reflect demand and to continue to grow.

Business Composition

As a company trusted by automakers worldwide, DENSO supplies an extensive lineup of products and systems, mainly through its automotive businesses. We have five automotive businesses: the Electrification Systems Business, which is pivotal to the popularization of electric vehicles; the Powertrain Systems Business, developing and manufacturing powertrains for an array of different vehicles; the Thermal Systems Business, engaged in the manufacture of in-vehicle air-conditioning systems that account for the largest share of the global market; the Mobility Electronics Business, which aims to eliminate traffic accident fatalities through systems that realize advanced safety functions by incorporating high-performance sensors and radar; and the Advanced Devices Business, providing semiconductors and other devices that are essential for mobility-related development going forward. By promoting electric vehicle popularization, advanced safety, automated driving, and connected driving, these five automotive businesses are leading our progress toward the new mobility that society seeks. Our non-automotive businesses are leveraging technologies fostered in the automotive businesses to develop businesses in the fields of factory automation (FA) and food and agriculture (AgTech).

Relationship between Companywide Strategy and Business Strategies

Business strategies closely integrated with Companywide strategy are key to realizing the Mid-term Policy for 2025 and achieving green and peace of mind strategies. We are maximizing the value we provide to society by steadily reweighting our

business portfolio based on a Companywide strategy—which also takes into consideration the advancement of the entire industry and entails ensuring growth through the de-emphasis and discontinuation of internal combustion engine products—and by accelerating the development and sales growth of green and peace of mind products. Further, we are enhancing efficiency through Companywide efforts to reduce fixed costs, reassign human resources, and promote dialogue that enhances engagement and safety awareness.

In light of the current business environment and the progress of business strategies, DENSO annually reviews, deliberates, and revises short-, medium-, and long-term scenarios that envision leveraging the distinctive advantages and capital of each business to realize the Companywide strategy. The following pages focus on the progress of and accomplishments under the business strategies of each business, which are integrated with the Companywide Mid-term Policy for 2025.

Fiscal 2024 Summary

Global economy: The global economy showed resilience and continued recovering gradually, despite continued uncertainty due to concerns that monetary tightening in the United States and Europe would produce an economic recession and to sluggish growth in China and emerging countries.

In the United States, interest rates remained high, with the U.S. dollar appreciating against the currencies of various countries. In addition, although the global inflation rate came down from its 2022 peak, the trend toward rising consumer prices and wages continued in many countries. Disputes with attendant geopolitical risks whose actualization could potentially

disrupt logistics and lead to hikes in material prices continued to smolder. These disputes included Russia's prolonged invasion of Ukraine and instability in the Middle East.

Revenue and operating profit: Against the backdrop of a pickup in vehicle production due to an easing of the semiconductor shortage, sales of electric vehicle components and safety and peace of mind products rose, resulting in an 11.6% increase in revenue year on year, to a record high of ¥7,144.7 billion. Operating profit declined 10.7% year on year, to ¥380.6 billion, due to the establishment of a provision for quality measures amounting to ¥201.5 billion mainly related to fuel pumps, which outweighed the effect of steps to increase production volume, rationalize, and pass on cost increases to prices. Nonetheless, these steps offset hikes in parts and material costs, centered on electric vehicle components, and hikes in labor costs.

Principal Changes in the Business Environment (Future Opportunities and Risks)

Proliferation of electric vehicles: The electrification of cars is attracting attention amid the worldwide acceleration of initiatives, regulatory enforcement, and rulemaking aimed at the realization of carbon neutrality. BEVs are likely to account for more than half of the world's vehicle production by 2035, with particularly high growth rates expected in Europe and China. While the transition to BEVs is set to progress steadily over the medium to long term, in the short term the momentum of BEV penetration is softening, with internal combustion engine (ICE) vehicles and hybrid electric vehicles (HEVs) being reconsidered in some regions. While expediting product development and production capacity ramp-ups for BEVs, we must ensure that our product lineup and supply capacity reflect the powertrain mix required by each region at any given time. (Electrification Systems, Powertrain Systems, and Thermal Systems [P.82–87](#))

Rising demand for in-vehicle semiconductors: By 2030, the global market for in-vehicle semiconductors is expected to be approximately 3.5 times bigger than it was in 2020. Semiconductors are becoming more important than ever due to the coming of a decarbonized society and innovations in mobility technologies.

Semiconductors also play critical roles in non-automotive industries. In the early 2020s, the COVID-19 pandemic triggered semiconductor supply issues in various industries. Transcending individual industries, a struggle for supremacy in relation to semiconductors continues as geopolitical risks emerge. To ensure a stable supply of highly competitive semiconductors, strategic technology development and the establishment of supply chain structures are essential. (Advanced Devices [P.90–91](#))

Increased utilization of in-vehicle software: As vehicles become more sophisticated due to the popularization of electric vehicles and the development of advanced driver assistance systems (ADAS), in-vehicle software is increasing in quantity and complexity. As for connected vehicles, which link with a range of objects, the use in recent years of over-the-air systems will enable wireless, remote software updates and performance improvements on an ongoing basis. As the importance of in-vehicle software grows, more IT companies are entering the automotive industry, and competition is becoming increasingly fierce not only in the development field but also with regard to

standardization and commonality aimed at penetration. (Mobility Electronics [P.88–89](#))

Intensification of labor shortages: The number of people facing food insecurity is rising due to frequent climate crises globally and disruptions in logistics and supply networks as a result of conflicts. Worldwide, there is ever-increasing demand for stable, large-scale agricultural production and the establishment of food value chains that allow everyone to enjoy the benefits of food security and safety.

In addition, labor shortages are becoming more serious around the world, especially in developed countries. A noteworthy example of this issue is Japan's "2024 logistics problem"* (shortage of truck drivers). To solve the issues that are emerging due to the decline in the working population and to enable the continuation of production activities, society must improve productivity by introducing new technologies for manufacturing and logistics networks. (Factory Automation and Social Solutions; Food Value Chain [P.92–93](#))

* The "2024 logistics problem" refers to the logistical delays that are expected to result from two regulations related to truck driver working hours, both of which took effect in April 2024.

Reweighting of Our Business Portfolio

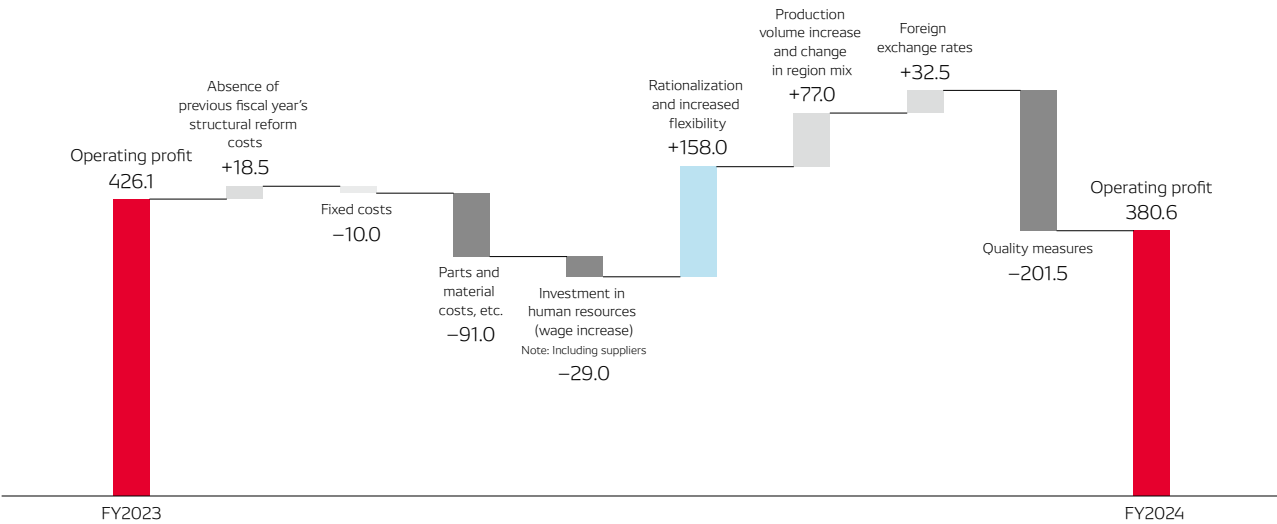
Since fiscal 2022, DENSO has been optimizing its business portfolio to simultaneously maximize business growth and social value creation that accord with the Company's green and peace of mind principles. Our goal is to concentrate in-house management resources on fields that better align with both earnings growth and our principles. We will invest more in growth and priority businesses. As for contracting businesses, with an emphasis on discipline we will decisively implement well-focused capital expenditures and investments in R&D.

In today's cross-field pursuit of new products and value, competition is becoming ever more complex. Rather than adopting the viewpoint of a stand-alone company, we will drive industry reorganization through selection and concentration that promotes the medium- to long-term growth of the industry as a whole. With the aim of accelerating the transformation of our portfolio, we have assigned a Companywide task force to conduct both financial and non-financial verifications each year and to constantly formulate and implement partner strategies. We will continue to formulate strategies and narrow down partner candidates. Without trying to be overly self-sufficient, we will assemble an optimal lineup of businesses by forming alliances with various partners (M&As) while growing priority businesses and rightsizing or exiting from mature businesses.

Industry-wide Efforts to De-Emphasize and Discontinue Internal Combustion Engine Products

DENSO views rightsizing or exiting from mature businesses as de-emphasizing and discontinuing internal combustion engine products in a manner that allows customers, the companies assuming DENSO's businesses, suppliers, and DENSO to move toward optimal situations. Based on this policy, we have already disposed of the fuel pump module, type III alternator, and spark plug businesses. In fiscal 2024, we announced our intention to begin considering the disposal of certain ceramic product businesses. While continuing to safely and reliably offer customers products of the same high quality as a basic principle, we will create capabilities in the entire automotive market enabling the supply of products that have appealing performance and pricing.









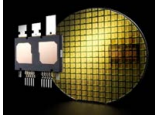
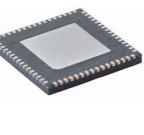




Operating Profit: Breakdown of Positive and Negative Factors
(Billions of yen)



Contribution Fields and Mainstay Products

Since its establishment as a manufacturer of electrical equipment and radiators, DENSO has reflected changes in society by extending the Company's business domain to encompass lifestyle-related and industrial equipment through the application of technologies that were originally developed for automotive components. With a focus on various solutions that create value for society in the mobility field, DENSO is currently utilizing technologies accumulated in the automotive field to develop a range of businesses that will support the society of the future.

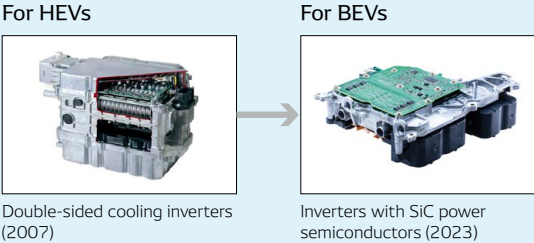
Value Creation in Our Businesses
In accordance with the Long-term Policy for 2030, our seven core businesses are pursuing innovations in leading-edge technologies to maximize the value of green and peace of mind. In addition, we will conduct business activities and utilize honed technologies to help achieve the Sustainable Development Goals (SDGs), address social issues, and create new value.

Segment		Revenue (Billions of yen)	Core Products That Contribute to Green and Peace of Mind			
Automotive businesses	Electrification Systems □ P.82-83	<div><div>874.6</div><div>1,042.1</div><div>1,241.6</div></div> <div>222324 (FY)</div>	<div><p>Inverters (Power control units) Appropriately control power between the batteries and motors of BEVs and HEVs</p></div>	<div><p>Motor generators Help improve fuel efficiency as the main power sources for HEVs during driving and as generators during braking</p></div>	<div><p>Battery ECUs Control batteries safely and with high precision and help improve fuel efficiency and extend driving distance</p></div>	<div><p>ESUs (Electricity supply units) Incorporate charging control, AC chargers, voltage control, etc., into one unit</p></div>
	Powertrain Systems □ P.84-85	<div><div>1,324.5</div><div>1,489.3</div><div>1,518.6</div></div> <div>222324 (FY)</div>	<div><p>Common rail systems and gasoline direct injectors Realize stable combustion through optimally controlled fuel injection</p></div>	<div><p>Ignition coils and spark plugs Enable ignition and efficient combustion in gasoline engines</p></div>	<div><p>Exhaust and cam timing systems Detect oxygen concentration and adjust the opening and closing of intake and exhaust valves, etc.</p></div>	<div><p>Starters and alternators Start engines and control power generation and charging</p></div>
	Thermal Systems □ P.86-87	<div><div>1,282.0</div><div>1,585.6</div><div>1,730.8</div></div> <div>222324 (FY)</div>	<div><p>Heat exchangers Cool and heat air and water by exchanging heat with the atmosphere</p></div>	<div><p>Air-conditioning systems for cars (passenger and commercial) Adjust cabin temperature and airflow and boast excellent compactness, performance, ease of installation, and comfort</p></div>	<div><p>Inverter cooling systems Improve power output density by cooling power semiconductors and realize compactness and weight reduction</p></div>	<div><p>Thermal management systems Reduce air-conditioning energy wastage by utilizing atmospheric heat and contribute to battery life extension and rapid charging, etc., through temperature control</p></div>
	Mobility Electronics □ P.88-89	<div><div>1,356.4</div><div>1,615.5</div><div>1,941.8</div></div> <div>222324 (FY)</div>	<div><p>Powertrain electronic control units (ECUs) Optimally control the powertrains of gasoline vehicles, HEVs, and BEVs and contribute to carbon neutrality</p></div>	<div><p>Advanced driver assistance systems (ADAS) Support safe driving by using image sensors and millimeter-wave radar to recognize the surrounding environment</p></div>	<div><p>Integrated human-machine interface (HMI) systems Provide drivers with optimal information through integrated control of multiple HMI devices</p></div>	<div><p>Software Software incorporated into various systems, ECUs, and sensors</p></div>
	Advanced Devices □ P.90-91	<div><div>358.3</div><div>361.6</div><div>424.0</div></div> <div>222324 (FY)</div>	<div><p>HEAT-PRO (Highly efficient thermal management valves for BEVs) Improve energy use efficiency by precisely controlling the cooling water of electric vehicles</p></div>	<div><p>Electrical current sensors Help improve vehicle performance by improving electric mileage, etc., through measurement of the electrical currents of batteries</p></div>	<div><p>Power semiconductors Switch strong electrical currents and high voltages on and off in inverters</p></div>	<div><p>Application-specific integrated circuits (ASICs) Integrate a wide variety of complex in-vehicle controls in a single semiconductor</p></div>
Non-automotive businesses	Factory Automation and Social Solutions □ P.92	<div><div>186.9</div><div>176.5</div><div>144.8</div></div> <div>222324 (FY)</div>	<div><p>Industrial robots (Articulated and collaborative) Contribute to productivity and safety</p></div>	<div><p>Internet of Things (IoT) system architecture products Include servers, integrated software, and visualization tools for Factory-IoT (F-IoT)</p></div>	<div><p>Barcode and 2D code handy terminals Offer excellent operability as commercial code readers</p></div>	<div><p>QR solution services Create new value reflecting society's needs and befitting the manufacturer responsible for the development of the QR Code®</p></div>
	Food Value Chain □ P.93	<div><div>186.9</div><div>176.5</div><div>144.8</div></div> <div>222324 (FY)</div> <div>Note: The year-on-year decrease in revenue was due to such factors as the disposal of the cell phone sales and agency business.</div>	<div><p>Greenhouses for medium-sized and large farms Adapt to producers' needs</p></div>	<div><p>Fully automated harvesting robot Artemy® Fully automates the process of cherry truss tomato harvesting</p></div>	<div><p>Cold chain (Compact mobile freezing and refrigeration units) Enables temperature-controlled delivery that is safe and reassuring</p></div>	<div><p>QR traceability systems Facilitate secure, centralized data management encompassing supply chains from producers through to consumers</p></div>

Note: Amounts equivalent to revenue from semiconductors manufactured in-house for other DENSO businesses have been excluded.

Product Technologies Supporting Value Creation

DENSO's Comprehensive Strengths: Supporting Vehicle Electrification and the Evolution of Inverters
An inverter is a power converter that plays a key role in supporting the driving power of an electric vehicle. It converts the direct current from the battery into an alternating current that is supplied to and runs the motor, which in turn powers the vehicle. Enhancement of inverter performance is essential for the popularization of electric vehicles. In particular, the efficient cooling of inverters, which handle high voltages and large currents, is essential for the achievement of high power output, which indicates that an inverter is performing effectively. Moreover, efficient cooling is vital for the realization of more-compact, lower-cost inverters.
The history of DENSO's inverter development began with the establishment of the EV Project Room in 1992. After our inverters for HEVs had been adopted by several manufacturers, we decided to take up the challenge of developing an ultra-compact inverter capable of delivering three times the power output of conventional inverters of the same size. We realized a level of power output that was generally considered to be impossible at the time by using a world-first technology for double-sided layered cooling structures, which we created through the application of heat exchange technology fostered in the development of radiators. In 2004, DENSO began production of inverters. We established an original production technology by eliminating issues through more than 200 rounds of on-site inspections and swift decision-making. In 2007, DENSO started up mass production of inverters with the aforementioned revolutionary structure and brought them to market.
In the 2020s, as the worldwide trend toward vehicle electrification began gathering momentum, DENSO developed high-efficiency inverters that use silicon carbide (SiC) power semiconductors. Under certain driving conditions, these inverters reduce power loss by more than half compared with conventional inverters, which use silicon (Si) power semiconductors. Our new inverters help extend the driving distance of BEVs by increasing their electric mileage.
By tirelessly refining its technologies and *Monozukuri* capabilities and concentrating its comprehensive strengths, DENSO will continue giving people products that address social issues.



ELECTRIFICATION SYSTEMS

Popularizing vehicle electrification systems and products to lead the global carbon-neutral trend and help provide mobility that is safe, reassuring, and highly convenient

We are working to reduce the size, enhance the performance, and improve the quality of electrification products such as inverters and motor generators. In addition, we are striving to enhance system technologies such as energy management technologies, which efficiently control electricity and thermal energy, and power supply system technologies, which can optimize and safely make full use of batteries. By doing so, we will continue to improve the performance of various kinds of mobility as we work to realize a carbon-neutral society and provide safe, secure, and highly convenient mobility.



Tsuneo Maehara
Head of Business Group

Relevant
SDGs



Business Strengths

Technology Development Capabilities and Product Lineup

Our basic strategy is vertical integration. At each operational level, from systems through to products and semiconductors, we establish in-house production capabilities, and the competitiveness of each operational level is further strengthened through the mutual sharing of technological know-how among the levels. Built up during more than 25 years of experience in vehicle electrification operations, our technology capabilities at each operational level are competitive. Going forward, we will expand our vertical integration to the energy management field to create further competitiveness and provide a product lineup that meets customer expectations.

Global Production and Supply System

To meet the growing demand for electric vehicle components, we have more than 50 bases in 19 countries, supplying products to customers around the world. At the Anjo Plant, which is DENSO's global mother plant, the Electrification Innovation Center is rapidly and efficiently developing and introducing next-generation manufacturing technologies. For example, on the mass production lines of the adjoining electric vehicle component plant, the center is conducting verification tests of a CO₂ recycling plant and an energy-saving environmental production line that curbs CO₂ emissions.

In-vehicle Reliability

Quality is becoming increasingly more important in order to reduce vehicle breakdowns. We must manage quality-related breakdowns while realizing systems that optimally integrate vehicle functions for driving, turning, stopping, and comfort. DENSO has built up expertise in the reliability of in-vehicle systems, products, and semiconductors based on experience garnered in its founding electrical equipment business and from vehicle electrification operations. We provide optimal quality by managing the stress that products are subjected to as well as the strength of products throughout entire systems.

Business Strategy

Even as the trend toward electric vehicles becomes more complex, we aim to achieve a 30% share of the electrification domain by fiscal 2031 through the development of technologies ahead of our competitors, the establishment of supply capabilities that meet customer expectations, and the provision of quality that exceeds customer expectations.

Business Portfolio Transformation	<ul style="list-style-type: none">Update on electric drive strategy: The battery electric vehicle (BEV) products that we have strengthened in recent years have been informally adopted by certain customers, proving the competitiveness of our products. The business will expand by combining BEV products with hybrid electric vehicle (HEV) products, which are one of our existing strengths, to prepare products not only for plug-in hybrid electric vehicles (PHEVs) but also for fuel-cell vehicles (FCVs) and for commercial, agricultural, and construction vehicles. Also, we will accelerate the development of future technologies, especially the development of next-generation semiconductors, to maintain our competitiveness.Creation of a second mainstay in the power supply business: Enhancing the convenience of electric vehicle charging has already emerged as an issue. As electric vehicles become more widespread, electric vehicle power supply systems themselves will diversify, and in the age of automated driving, optimal redundant power supply systems will become even more necessary. We have been providing power supply products that operate batteries and detect and assess their status so that battery cells can be used up safely. However, by offering a complete lineup of power supply products other than battery cells, we will transform ourselves into a supplier that can propose and provide optimal battery system solutions. In this way, we will grow operations into a second mainstay of the power supply business.
Realization of Sustainability Management	Maximization of earnings from existing businesses: In the motor generator business, where automakers have a strong preference for in-house production, we will not only expand our product lineup to meet needs but also maintain strong partnerships with customers and suppliers in relation to <i>Monozukuri</i> and the creation of core technologies. Through such efforts, we will strengthen the foundations of the business. Further, we will rigorously maximize earnings in all aspects of our business activities. For example, we will convert integrated starter generators and electric power steering motors for use in compact vehicles and electric motorcycles. Also, we will utilize these products for in-plant automatic guided vehicles and autonomous mobile robots, which dramatically increase our production efficiency.
Creation of New Value	Market creation through the realization of air-cooled power conversion with high power outputs: To expand in all types of vehicle electrification markets, the business will initiate innovations that combine its advantages in the compact power domain with regard to technologies for electromechanically integrated rotating machines. By realizing air-cooled power conversion with high power outputs that surpass conventional limits, we will pursue new enhancement of mobility value.

Business Analysis Q&A

Q: What is the impact of the slowdown in the global trend toward BEVs?

A: The expansion of the BEV market has recently softened, while the HEV and PHEV market is expanding again. However, we will not change our basic strategy of strengthening our competitiveness through vertical integration that establishes in-house production capabilities for everything from systems through to products and semiconductors. Few suppliers can offer both HEV products, which have always been our strength, and BEV products, which we have bolstered in recent years. Therefore, we believe that the situation has in fact become favorable for us.

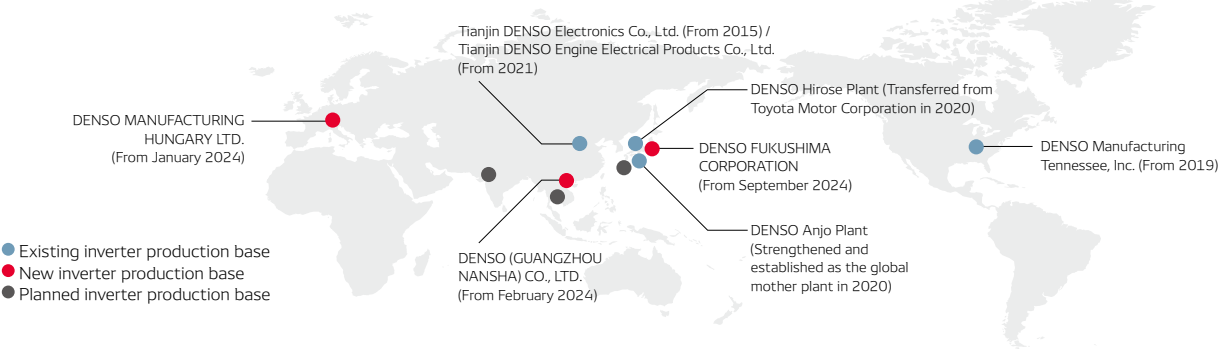
Q: How do you plan to compete with the development speed of China's market?

A: With respect to increasing development speed, we will continue our existing practice of giving first priority to vehicle safety and quality. With this practice as a basic premise, we will enhance development efficiency through integrated management of the advancement of all stages—from development and design through to manufacturing processes—in both the digital technology and physical technology areas. These efforts will be conducted by the Electrification Innovation Center, which has been established within the Anjo Plant. By fiscal 2026, we will halve the development lead time from product design through to mass production compared with that of fiscal 2023.

Objectives and Results of Strategies for Green and Peace of Mind

Objective: Establish a five-pole global bridge system for inverters that both meets regional demand and hedges supply risk Results: Began additional inverter production in Europe to respond to the diversification of customer demand due to the expansion of the electrification market; followed on from the commencement of production in the north of China by starting up production at bases in the south of the country; began establishing production capabilities in India and ASEAN countries in light of customer trends and in preparation for further market expansion; and in Japan, as part of efforts to strengthen production bases near customers, began production at DENSO FUKUSHIMA CORPORATION for eastern Japan and new production in western Japan currently under consideration
Objective: Begin development of zero-carbon motors to realize net-zero CO ₂ emissions throughout product life cycles Results: Advanced the development of design technology for high torque density to achieve compactness and the development of application technology for low CO ₂ materials; completed estimation of torque density potential; in fiscal 2025, will advance development prototype production by specifying elements required for high torque density designs; and will aim for an 80% reduction in CO ₂ emissions

Consideration of a Global Production and Supply System



Resolving Social Issues through Our Businesses

Contributing to the Realization of a Sustainable Carbon-Neutral Society by Evolving Electrification Technologies for All Types of Vehicles and Popularizing Products

In addition to providing electrification technologies for HEVs, PHEVs, BEVs, and other passenger cars, we are developing such technologies to support all types of electric mobility, including everything from automated conveyors in plants and warehouses, compact vehicles, and two-wheeled vehicles in the domain of compact electrification, to commercial vehicles, agricultural construction equipment, and aircraft in the domain of large-scale electrification. In particular, we are developing electric motors (e-motors) for electric vertical take-off and landing (eVTOL) aircraft, which solve the issues of traffic congestion in cities and the resulting CO₂ emissions as well as the need for high-speed transportation networks that enable travel for the shortest possible distance and are connected to suburban and sparsely populated areas that are distant from trunk communication routes. By doing so, we have added to our product lineup e-motors that can be applied to two types of propulsion: propellers and jets. Our newly

developed e-motors are both compact and lightweight to an extent that exceeds conventional standards, thanks to the use of lightweight materials and enhanced cooling performance.

We will apply technologies cultivated for vehicles in the automotive industry to aircraft, including electrification technologies and technologies for the mass production of high-quality products. At the same time, we will apply technologies honed in the aircraft business to the automotive industry. In this way, DENSO will contribute to the realization of a sustainable mobility society.

e-motors for eVTOL aircraft:
60% weight reduction versus conventional motors



Jet propulsion-type motor



Stator



Rotor

POWERTRAIN SYSTEMS

Balancing the joy of life with vehicles with superior environmental performance: Providing solutions that help overcome this seemingly contradictory task

We will reduce the environmental burden of vehicles to the greatest extent possible and respond to the diversification of fuel and various environmental regulations, which are becoming stricter by the year. We will also work to supply high-quality systems and components. By doing so, we will strive to create and deliver new value in order to contribute to society as a whole.



Hisashi Iida
Head of Business Group

Business Strengths

R&D Capabilities That Have Led the Evolution of Powertrains

DENSO has mass-produced a number of world-first products, such as common rail systems and a product that directly injects fuel in diesel internal combustion engines, while pursuing greater environmental performance in vehicles. We will apply our core technologies and development capabilities to increase the options in relation to carbon-neutral powertrains, such as hydrogen and biofuel engines.

Highly Reliable *Monozukuri* Technologies That Enable Cars to Run Safely

To enable cars to run well, DENSO has refined its highly reliable *Monozukuri* technologies, which are integrated from the stages of highly complex and precise processing at the micron-unit level, technologies for high-speed assembly, and materials preparation through to the stages of molding and sintering. We will further enhance such technologies by using our long-standing skills and *Monozukuri* expertise in combination with robots, AI, digital technologies, and other leading-edge technologies.

Personnel, Masters of Powertrains, Form Organically Coordinating Organizational Capabilities

In working with automakers on the creation of vehicles that can satisfy tough environmental regulations and withstand harsh operating environments, we have developed a varied range of professionals, each of whom has expertise in particular elemental technologies or technical skills and works in a team of professionals focused on vehicle specifications. In other words, we have advanced organizational capabilities that allow us to leverage specializations in all areas, from components through to systems.

Business Strategy

The Powertrain Systems Business has helped the spread of mobility by pursuing the simultaneous realization of lower environmental impact and convenience. Through these efforts, we have acquired additional technologies and skills. Moreover, meeting the needs of markets and customers has honed the capabilities of our personnel and organization. We have a responsibility to utilize these technologies and skills and thereby continue contributing to the realization of a sustainable mobility society. With a view to helping achieve a sustainable future while ensuring that all our personnel can continue working with cheerfulness, pride, and vitality, in fiscal 2025 we will continue efforts to de-emphasize and discontinue internal combustion engine products throughout supply chains and to commercialize new energy businesses.

Business Portfolio Transformation	<p>As the internal combustion engine market enters a period of maturity and contraction, the Powertrain Systems Business Group will transform its business portfolio. In this way, we will establish a profitable structure that is not premised on rising production volume and enables continued earnings even during a phase of declining production. At the same time, the business group has a responsibility to pass on the baton by shifting the freed-up management resources—personnel, products, and funding—to growth fields.</p> <p>We can only achieve business portfolio reweighting in partnership with customers, suppliers, and a wide range of other stakeholders. It is important to establish a consensus before initiating activities and to design procedures and conduct painstaking management that incorporates the rigorous hedging of potential risks so that in these partnerships both parties can work together without undue pressure on their resources. With this in mind, we are proceeding with activities while engaging in careful dialogue with stakeholders from as early a stage as possible. Our approach to business portfolio reweighting is designed to be optimal for customers, suppliers, and the companies that assume our businesses. We define this approach together with the development of personnel and organizations that enable the reweighting as “DENSO-style de-emphasis and discontinuation of internal combustion engine products.” We will continue our activities with a view to the completion of reweighting.</p>
Realization of Carbon Neutrality and the Creation of New Value	<p>Hydrogen is an important energy source for the realization of a carbon-neutral society. Moreover, hopes are very high in relation to the role that hydrogen will play in the creation of new industries. DENSO aims to utilize its existing powertrain technologies (system construction and ceramic-related technologies) to both help create a hydrogen society and achieve business growth in the system construction field, the peripheral equipment field, and various other fields in partnership with Toyota Motor Corporation, which is a leader in the use of hydrogen in mobility.</p>

Business Analysis Q&A

Q: What is the future strategy for the powertrain systems business as the internal combustion engine business contracts? Also, what will the role of the internal combustion engine business be in the trend toward carbon neutrality?

A: Amid heightening environmental awareness, providing power sources with low environmental impact is a social issue regardless of the region. In the United States, Europe, and China, the trend toward vehicle electrification is continuing. However, the rate of progress varies greatly depending on the region. Engines powered by hydrogen, biofuels, e-fuel, and other fuels with high

energy efficiency and low environmental impact are also attracting increasing attention.

In relation to internal combustion engine products, DENSO has developed advanced technologies that are highly regarded by the market. For example, we boast a 30% share of the market for internal combustion engine-related components for gasoline vehicles. We will leverage the aforementioned technologies to develop engines powered by fuels that have small environmental impacts, thereby supporting the industry as a whole as it proceeds through a transitional phase and achieving global environmental initiatives.

Objectives and Results of Strategies for Green and Peace of Mind

Objective: Promote efforts to de-emphasize and discontinue internal combustion engine products together with customers, suppliers, and other industry participants

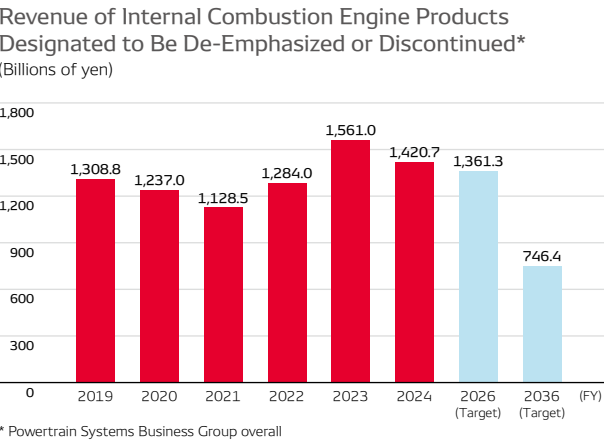
Results: Based on regulatory and market trends, held discussions with customers and suppliers; reached a basic agreement on the future direction; began preparing scenarios; rapidly commenced efforts; ensured that customers and DENSO as well as suppliers and DENSO were in step with each other; and carefully advanced activities one company at a time

Objective: Achieve commercialization in the new energy field through alliances with related parties

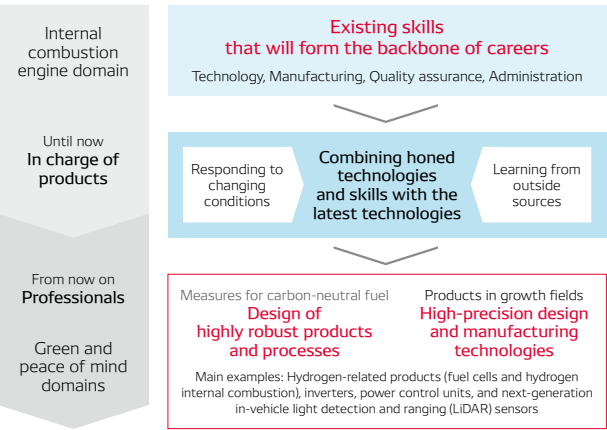
Results: Through discussions with industry stakeholders, agreed on moving forward with various projects; in fiscal 2025, shifting to implementation by realizing commercialization while advancing implementation demonstration activities

Reassignment of Personnel to Maximize Created Value

In the process of contributing to the spread of vehicles by reducing environmental impact while offering convenience, we have taken on many challenges and made many mistakes, acquired numerous technologies and skills, and developed the abilities of our personnel and organization through interactions with the market and customers. By integrating the ability to construct three-pronged systems that are realized through highly robust products and electronic control and our *Monozukuri* capabilities that leverage high-precision design and manufacturing technologies with digital skills, we will transform our human resource portfolio so that it drives expansion in growth fields, bolster our organizational capabilities, and develop professionals that can realize our management philosophy.



Contributions of Personnel to Our Future



Resolving Social Issues through Our Businesses

Industry-wide Activities to De-Emphasize and Discontinue Internal Combustion Engine Products

We are optimizing our business portfolio to maximize green value and peace of mind value. At the same time, we have an important responsibility to continue delivering safe and reliable products to those in regions where internal combustion engines will still be needed for some time to come. If individual companies continue operating based only on their current formats, they will eventually become smaller and weaker, which could make it difficult for them to keep providing services. To avoid such a situation, ensure a long-term stable supply of internal combustion engine products, maintain competitiveness, and help accelerate

commercialization in growth areas, we are de-emphasizing and discontinuing internal combustion engine products. However, we cannot achieve this on our own. Therefore, we are collaborating with automakers and suppliers to reorganize businesses with the aim of establishing a structure that can continue meeting the market's supply needs even as production volume decreases. These collaborations include such activities as the integration of specifications, the replacement of old-model products, and the transfer of businesses. In fiscal 2025, we will continue these collaborative activities and move toward the realization of a more sustainable industry structure.

THERMAL SYSTEMS

Contributing to a more pleasant world by spreading *Monozukuri* that is based on energy management technologies and clean energy

To halt global warming, the curbing of greenhouse gas emissions is an urgent task. With a view to addressing this social issue, the Thermal Systems Business Group will build and disseminate new paradigms for cars and society by going beyond existing frameworks to advance creation with internal and external partners. In these initiatives, we will primarily use environmental technologies that we have developed for the thermal management of cars. Further, we will endeavor to realize a carbon-neutral society as soon as possible by popularizing environmentally friendly products through utilization of the advantages of our well-established global supply chain, which is deeply rooted in many different regions.



Katsuhiko Takeuchi
Head of Business Group

Relevant
SDGs

7

7 AFFORDABLE AND CLEAN ENERGY

9

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13

13 CLIMATE ACTION

Business Strengths

Numerous World-Leading Environmental Technologies

By further evolving its environmental technologies, which are underpinned by some 2,400 environmental technology patents—the largest patent group of its kind in the world—and by numerous world-first products and products that boast leading market shares, the business group will extend the scope of DENSO’s technological contributions from thermal management systems to energy management systems and from cars to society as a whole.

Co-creation beyond Organizational Boundaries

In a co-creation initiative with Toyota Motor, DENSO FUKUSHIMA CORPORATION has created a carbon-neutral plant by establishing local production and local consumption of hydrogen. Through such initiatives, the Thermal Systems Business Group will continue creating and raising the profile of new business models by going beyond business group boundaries to mobilize and concentrate DENSO’s technology capabilities and collaborate with customers and new partners around the world.

Global Supply Chain

At the approximately 50 bases we operate worldwide, we will help address environmental issues in each country by accurately understanding the diversifying customer demand in countries and regions and providing timely supplies of competitive products through our locally rooted supply chain.

Business Strategy

For both combustion engine and electric vehicles, we will refine our accumulated refrigerant and water-based heat exchange technologies, improve our core products, and market new products, thereby maintaining and augmenting our business foundations. In addition, with our sights set on further accelerating initiatives for the realization of a circular economy and carbon neutrality, we will advance business portfolio reweighting that includes resource reallocation. We will also move forward with ambitious initiatives aimed at addressing global warming by pursuing innovation in heat “manipulation” technologies and extending the scope of our business from people to vehicles and from there onward to society at large.

Realization of Sustainability Management	Many years of focusing on our strengths—mass production stability, global supply capabilities, and a commitment to product quality—have advanced our personnel, technologies, and products. Utilizing these fundamental strengths, in the electric vehicle age we will strengthen and stabilize our business foundations by maintaining an emphasis on high quality and stable supply as we continue to create compact, highly efficient thermal management modules and other new products and technologies.
Business Portfolio Transformation	In response to customer demand, which reflects the energy policies of respective countries, we will offer optimal solutions and contribute to the realization of carbon neutrality by rolling out our current products and innovating in new fields. To accelerate development in new fields, we will engage in dialogue with our customers and suppliers with a view to stepping up the pace of business portfolio transformation on a global, industry-wide basis. DENSO will reallocate and optimize the resources freed up by these changes so that it can boost the development and sales of environmental technology products.
Creation of New Value	At DENSO, our goal is not only to achieve progress for cars but also to create a world that reflects society’s needs and is full of happiness. To realize such a future, we will further advance our proprietary environmental technologies to reduce the energy wastage of cars to as close to zero as possible. By extending the scope of these technologies and applying them to society, we will promote ambitious initiatives focused on circulating energy through the connection of cars and society and thereby addressing the energy issues facing society as a whole. Based on these initiatives, we aim to achieve the ultimate in vehicle energy conservation and global warming mitigation.

Business Analysis Q&A

Q: How will the trend toward vehicle electrification change the thermal management of vehicles?

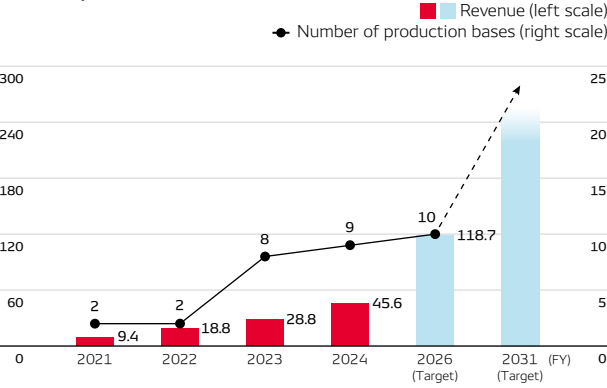
A: To achieve carbon neutrality, which is a major objective of vehicle electrification, we must effectively utilize the waste energy from air-conditioning and electric equipment. The basis for solutions to this energy utilization issue is provided by DENSO’s thermal management systems. Indispensable to electric vehicles, these systems use proprietary heat pump technology for the generation of heat with small amounts of power and control air conditioners, batteries, inverters, motors, and other electric equipment to ensure their temperatures are appropriate, thereby contributing to cabin comfort, driving safety, and the extension of driving distance.

DENSO will take on the challenge of enhancing the comprehensive management of vehicle energy with the aim of achieving a 75% reduction in the energy used for vehicle temperature control by 2030. To effectively use energy without wastage, we will realize technologies that collect and reuse heat from electric equipment. We will achieve a whole-vehicle energy management system and broaden the extent of our contributions from the sphere of cars to society at large by forming internal and external collaborations and partnerships and using our all-important insight as a manufacturer with a thorough knowledge of cars.

Objectives and Results of Strategies for Green and Peace of Mind

Objective: Develop a new framework to continuously benefit customers Results: Built a framework for the continuous support of customers through the formation of partnerships and realized the transfer of the exhaust gas recirculation cooler and stainless steel oil cooler business to MARUYASU INDUSTRIES CO., LTD., which endorsed the view that the industry as a whole can continue to support customers and became our strategic partner, despite previously being our competitor in this business field
Objective: Complete conceptualization of next-generation thermal management modules incorporating differentiated technologies Results: Worked with customers from preliminary development stages to rigorously seek ideal forms of integration, which culminated in agreements with multiple global customers on product development concepts for modules and system control

Environmental Technology Products:
Revenue and Number of Production Bases
(Billions of yen)



Comprehensive Strengths
That Accommodate Customers Worldwide

In line with efforts to pursue a carbon-neutral society as soon as possible, there is a growing trend toward the provision of a wider range of vehicle options to enable optimal choices to be made in light of regional circumstances, such as differences in infrastructure and regulations.

DENSO’s strengths include a wide array of technologies and products accumulated over many years; local knowledge and a regionally rooted supply chain, which have resulted from the Company’s global expansion; and a development system and service network capable of catering to a variety of customer needs. Taking maximum advantage of these comprehensive strengths, we will work together with our customers and advance toward the realization of a carbon-neutral society.

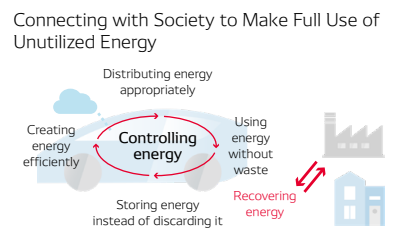
Resolving Social Issues through Our Businesses

Development of Technologies That Make Use of Waste Energy and the Realization of Energy-Neutral Temperature Control in Partnership with Society

To achieve energy-neutral temperature control—whereby the energy required for automotive air-conditioning and equipment temperature control is effectively reduced to zero—by 2035, we must establish a world where the integration of cars with infrastructure allows society to make maximum use of all available energy resources.

Currently, society is said to lose about 60% of primary energy as waste heat. The resolution of this problem calls for technology that enables waste heat to be efficiently used when and where it is needed. Tackling this issue through efforts related to the manufacture of cars, DENSO will boldly develop energy

storage and thermal energy conversion technologies. Through the recovery of waste heat from vehicles and greater society, the reuse of stored heat energy for other purposes, and the conversion of heat into other forms of usable energy, these technologies will support our creation of ultimate energy-saving vehicles that make full use of energy resources without any waste.



MOBILITY ELECTRONICS

Realizing a society in which all people can access mobility conveniently and with peace of mind (enhancing the quality of mobility)

DENSO helps realize zero traffic fatalities and carbon neutrality by continuing to introduce products in tune with the times, using its software and electronics technologies (sensors, semiconductors, ECUs) while precisely understanding the needs of users and advances and developments in society brought about by the CASE revolution.



Hiroshi Kondo
Head of Business Group

Business Strengths

Ability to Create Large-scale Integrated Systems That Connect Cars, People, and Society

The demand for electronic systems is evolving as vehicles become more intelligent due to the introduction of software-defined vehicles (SDVs) and the revolution resulting from the increased production of connected, autonomous, shared & service, and electric (CASE) vehicles. In addition to existing demand for powertrains, bodies, chassis, cockpits, advanced driver assistance systems (ADAS), and other single-domain control systems, new demand for large-scale systems that integrate and coordinate these systems is emerging. Moreover, demand is growing for systems that connect cars with the outside environment. DENSO will realize appealing products by utilizing the technological capabilities and integration capabilities that it has garnered in the course of developing a full range of the aforementioned systems.

Product Development Capabilities with Reliability and Sophistication Accumulated in Automotive Products

Automotive products must realize high levels of reliability and performance in harsh environments and under operational restrictions. We have been engaged in the automotive electronic product business for many years—ever since the early days of vehicle electrification—and accumulated extensive vehicle-related expertise as a result. By utilizing the advantages of this expertise, DENSO is developing competitive products that combine the differentiated reliability and performance of its automotive products with the latest electronics and software technologies.

Global Network

To expedite the realization of large-scale systems in the SDV era, collaboration with partners is essential. DENSO has developed human capital, intellectual capital, and a global production system by overcoming numerous obstacles in partnership with semiconductor manufacturers, software vendors, and automakers around the world. Using these strengths, we will refine our SDV-related technologies while providing various solutions to customers, thereby moving the world one step closer to safe mobility that provides peace of mind and is environmentally friendly.

Business Strategy

With the transition to SDVs and battery electric vehicles (BEVs), electronic platforms are undergoing major renewal, and the mobility electronics market is polarizing into the traditional field of single-function electronic control units (ECUs) and the growth field of large-scale integrated ECUs. Using this shift as an opportunity, DENSO will develop and grow businesses through portfolio management that strengthens its presence in this growth field.

Creation of New Value	We aim to sustain business growth by improving our electronic platform planning capabilities and elemental technologies, both of which contribute directly to heightening the product appeal of SDVs and BEVs. <ul style="list-style-type: none">As the value sought in relation to cars shifts from functionality toward user experience, we will bolster initiatives focused on planning products that reflect the user perspective, proposing them to customers, and creating commercial products. Through the creation of value, we will enhance profitability.Supported by our comprehensive knowledge of vehicle-related electronics and software, we will work very closely with customers and jointly develop electronic platforms with the aim of creating new value. Further, increased sales of ECUs based on these optimized electronic platforms will enable us to further lower costs by taking advantage of the economies of scale resulting from mass procurement and production.
Business Portfolio Transformation	With our sights set on further growth of the safety systems business, we will expand our lineup of products that cater to specific market segments and regions and move forward with global rollouts. We will also focus on the software business and the development of electronic platform products for BEVs with the aim of creating new value. At the same time, we will identify businesses that do not conform to the green and peace of mind principles as well as products that are becoming commoditized and replace them in our portfolio systematically and in close coordination with our customers.
Realization of Carbon Neutrality	We will help achieve carbon neutrality by advancing the formation of a circular economy through contributions to the increased introduction of BEVs, the utilization of Factory-IoT (F-IoT) to visualize energy wastage at manufacturing sites, the sourcing of recycled materials, the development of repair technologies, and the development of products with structures that facilitate disassembly.
Realization of Sustainability Management	By establishing business foundations that are adaptable to change, we will achieve sustainability management. <ul style="list-style-type: none">Development system reinforcement: With the aim of achieving large-scale, cross-domain software development, DENSO will redeploy human resources through portfolio management while developing and enhancing the capabilities of globally competent personnel through the Company's distinctive training system. Further, we will utilize AI technology to enhance the efficiency of development.Manufacturing competitiveness: In anticipation of the mass production of large-scale integrated ECUs, we will further refine and combine our strengths, namely, in-vehicle quality, mass production, and adaptability. In addition, we will collaborate with external manufacturing partners to strengthen our global manufacturing foundations and increase their resilience to changing conditions.

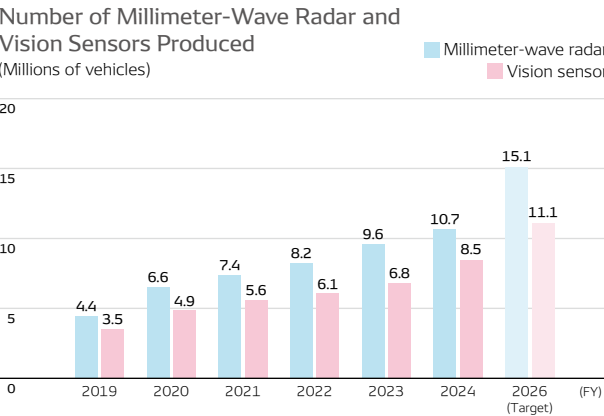
Business Analysis Q&A

Q: From a cost perspective, how do you plan to respond to increasingly large-scale software development?
A: As we enter the SDV era, more-extensive vehicle functions and their integration with society will significantly change in-vehicle electronic platforms and greatly increase the scale of in-vehicle software. DENSO will adapt to these changes by redoubling efforts to strengthen software development capabilities and by increasing the efficiency of development through the introduction of new work processes. In strengthening development capabilities, we plan to deploy 18,000 development-related personnel by 2030, 1.5 times more than the current number. By 2030, we also aim to establish development activities that are twice as efficient as current activities through a

range of measures. Specifically, we will (1) deepen collaboration with automakers even further to achieve efficient development that encompasses the creation of specifications through to integration, (2) further strengthen the cross-industry division of labor with IT vendors and other partners, (3) strengthen efforts to establish standardized, common systems-on-chips (SoCs) and middleware by utilizing expertise in semiconductors, and (4) renew development tools by using generative AI to evolve in-house tools.
Through the aforementioned initiatives, we aim to create a software business worth ¥800 billion by fiscal 2036, roughly four times its scale in fiscal 2024.

Objectives and Results of Strategies for Green and Peace of Mind

Objective: Popularize ADAS with a view to eliminating traffic accident fatalities Results: Increased the penetration of Global Safety Package 3 (GSP3)* featuring heightened safety performance, and increased accident scenario coverage to 37% in fiscal 2023, aiming to raise it to 56% by fiscal 2026 * GSP3: A system that uses millimeter-wave radar and vision sensors to assist driving
Objective: Augment product lineup and develop electric, low-power consumption control systems with a view to carbon neutrality Results: As well as offering a lineup of hybrid electric vehicle (HEV), plug-in hybrid electric vehicle (PHEV), and BEV products, advanced the development of low-power ECUs and electronic control systems that help lower power consumption and electronic platforms that minimize energy usage by optimally integrating control of all vehicle systems



Effective in Many Different Accident Scenarios

Vision sensor detection angle: 128 degrees
(28-degree increase versus other companies)

Millimeter-wave radar detection angle: 103 degrees
(13-degree increase versus other companies)

Note: Detection angles based on DENSO's measurements

One barrier to the proliferation of BEVs is driving distance, and a factor that limits driving distance is the electricity consumed for heating. DENSO's heat pump systems use heat in the air as a thermal source for heating, thereby reducing the consumption of electricity and greatly extending driving distance. Moreover, thermal management systems that use heat pumps enable the efficient adjustment of temperatures in vehicles and the cooling of batteries, which helps to inhibit battery degradation and shorten recharging times.

Resolving Social Issues through Our Businesses

Initiatives Aimed at the Elimination of Traffic Accident Fatalities
We believe that to eliminate traffic accident fatalities, increasing the accident scenarios for which advanced driver assistance systems (ADAS) are effective and promoting their widespread use is important. Aiming to realize a system that is effective in 100% of accident scenarios by fiscal 2036, DENSO will develop advanced technologies that combine the respective benefits of ADAS functions, human-machine interface (HMI), and infrastructure linkage. As for promoting the widespread use of ADAS, we will enhance our lineup of sensor and system packages optimized to meet the diverse needs of each region and customer. (Peace of Mind Strategy [□ P.40-41](#)) To realize our 2035 goal, we are also developing large-scale electronic control units (ECUs)

that can process huge amounts of data at high speed. DENSO will continue developing advanced technologies and its product lineup with the aim of realizing a society where everyone can enjoy unrestricted mobility with peace of mind.

Example of a Large-scale ECU
This ECU aggregates information from sensors that monitor the vehicle's surroundings and controls the vehicle accordingly. The ECU recognizes each sensor's real-time information and is able to process it in milliseconds.

ADVANCED DEVICES

Creating and growing businesses that solve issues faced by society and customers beyond the mobility domain

As a company reorganized to go beyond technologies and focus more on helping society and our customers, we are collaborating on the sensing and actuation fronts, and enhancing the value of systems through semiconductors that leverage our strengths derived from vertical integration. While creating new devices and systems, we aim to win the trust of our customers with an all-points approach to quality, cost, and delivery (QCD) in the expanding electrification market.

Relevant
SDGs

7
AFFORDABLE AND
CLEAN ENERGY

9
INDUSTRIAL INNOVATION
AND INFRASTRUCTURE

13
CLIMATE
ACTION



Eiichi Kurokawa
Head of Business Group

Business Strengths

Creation of New Value with Sensing and Actuation

Within the business group, our core technologies in actuation (i.e., hands and legs) are combined with semiconductors (i.e., brains) and sensing (i.e., eyes) to create new devices and systems based on nimble concepts, enabling the development of “great-if-possible” solutions for issues faced by our customers.

Robust Semiconductor Supply Capabilities Based on In-house and Consignment Production and Partnerships

In preparation for expansion in the electrification market, DENSO will internally produce silicon (Si) and silicon carbide (SiC) power semiconductors, which are key devices that incorporate world-first technologies. Moreover, we will build the supply chain needed to increase cost competitiveness and supply capabilities.

On-site Capabilities That Support Production Technologies Highly Resilient to Changes in Specifications and Volumes in New Product Domains

DENSO is broadening the scope of applications for new product domains where it is competitive, thanks to human resource development and handpicked young employees. DENSO leverages digital-twin technology and collaborative robots to build a production system that can be optimally organized and configured by changing production line shapes and locations in accordance with fluctuations in volumes for new products.

Business Strategy

We will formulate winning scenarios and create new businesses through outstanding technological capabilities, speed, and alliances.

Bold Pursuit of Work Grounded in the DENSO Philosophy	To steadily transform our business portfolio from internal combustion engine products toward products for CASE vehicles, we will build variable-mix, variable-volume production lines that can adapt to product replacement and business environments with significant volume fluctuations. In addition, by digitalizing the expertise and knowledge of operators, we will take on ambitious production innovations that facilitate unmanned and nonstop production and compensate for a decline in the working age population.
Realization of Carbon Neutrality	As the presence of BEVs increases, we will capture demand in the vehicle electrification market through a two-pronged strategy of continuing our existing in-house production of inverter systems while establishing a business for the provision of modules catering to customers’ growing preference for producing inverters in-house. Also, we believe that the key to competitiveness will be the establishment of supply capabilities for the SiC used in BEVs. Going beyond conventional approaches, DENSO will efficiently and swiftly build a broad-based supply chain.
Creation of New Value	<p>The use of batteries is diversifying from primary to secondary usage as the introduction of BEVs gathers momentum. Given this trend, we believe that predicting battery life and reducing fire risk are important tasks. Through collaboration with other companies, DENSO will create and realize the widespread adoption of its differentiated products for sensing the health of batteries over their lifetimes, thereby providing additional safety and peace of mind when reusing and recycling batteries.</p> <p>We will identify the changes in electronic platform-related demand—which are accompanying the evolution from function-specific ECUs to the division of vehicles into multiple zones and the use of large-scale integrated ECUs controlled by central ECUs—and use semiconductor technologies to help enhance the value of systems. At the same time, DENSO will achieve business growth by increasing supply stability through alliances and outsourcing. In addition, we will support vehicle electrification by setting our sights on 2030 and accelerating the development of products for the next generation and beyond and by leveraging vertical integration to expand our lineup of control integrated circuits (ICs) for power semiconductors.</p> <p>We aim to establish multiple businesses in such areas as electric drives, human–machine interface, and thermal management as well as in non-mobility fields, including agriculture and plant logistics. In the CASE field, through the use of sensors and auxiliaries, DENSO will enable analysis of the energy management of individual vehicles and the optimization of system efficiency not only for such main components as batteries, motor generators, and inverters but also for other components. In these ways, we will benefit customers and society.</p>

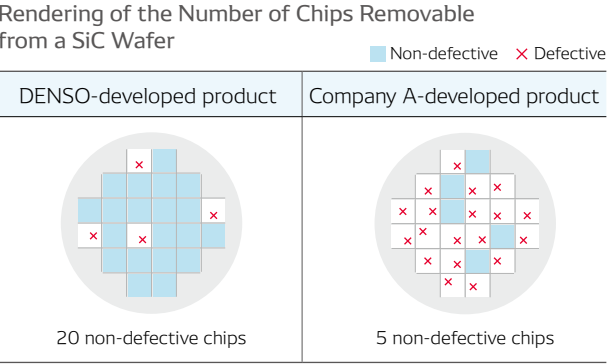
Business Analysis Q&A

Q: Why is DENSO promoting in-house production in the field of semiconductors, where technology is evolving rapidly? Also, are there any fields in which you intend to strengthen your relationships with other companies?

A: As environmental regulations become stricter worldwide and vehicle electrification progresses, inverters with silicon carbide (SiC) semiconductors, which have lower power loss, higher quality, and larger areas, have a significant advantage in the electric vehicle market. DENSO will produce differentiated SiC semiconductors by using its proprietary “gas method” manufacturing technology, which is 15 times faster and 30% less costly than conventional manufacturing methods.

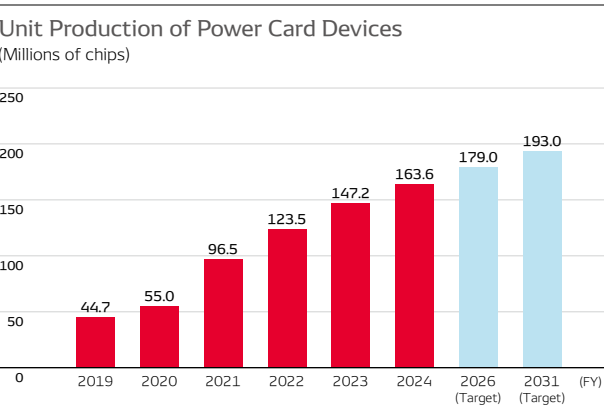
In addition, to ensure stable procurement of semiconductors in the medium to long term and strengthen our supply capacity, we are working on in-house production and alliances with partners. As part of these efforts, we are considering even further alliances. For example, in fiscal 2024 we decided to invest \$500 million in the U.S.-based Coherent Corp.

By developing high-quality, low-cost technologies in-house and collaborating with optimal partners, we are maximizing our competitiveness.



Objectives and Results of Strategies for Green and Peace of Mind

Objective: Accelerate the vertically integrated development of power semiconductors
Results: Amid an in-vehicle semiconductor market that is likely to increase 3.5 times in size between 2020 to 2030, as a Tier 1 company, supported the evolution of vehicles by strengthening fundamental technologies for semiconductors; anticipating the progress of BEVs, particularly in the electrification field, accelerated the introduction of SiC power semiconductors, which help enhance electric mileage; and, through the optimization of in-house production and alliances, vertically integrated SiC wafers, epitaxial wafers, and devices, thereby realizing lower loss, fewer defects, and greater speed and helping customers enhance product competitiveness



Helping Extend BEV Driving Distances

SiC power semiconductors:
Power losses approximately 70% lower than conventional Si devices

Inverters drive and control the motors that power BEVs. Compared with inverters that use conventional Si power semiconductors, our inverters that use SiC power semiconductors in their drive devices reduce power loss by approximately 70% under certain driving conditions. Consequently, our SiC power semiconductors help extend the driving distance of BEVs by increasing their electric mileage.

Resolving Social Issues through Our Businesses

Addressing Labor Shortages through the Commencement of a Verification Test of In-plant Automated Conveyance (Telemotion) Enabled by Sensing Technology

We are creating new solutions by connecting core sensing and actuation technologies that we have developed in the automotive field. For example, mindful of the shortage of workers due to an aging population, we are developing systems that help automate the in-plant conveyance of products. In-house, we have developed a highly accurate and reliable light detection and ranging

(LiDAR) sensor that detects the three-dimensional shape of objects. Through very precise detection and recognition of transportation routes and obstacles in plants, our three-dimensional LiDAR sensor will help automate object conveyance normally performed by humans, offset the shortage of plant workers, avoid the need for long working hours, and enhance productivity. We have already begun verification tests of a conveyance system in collaboration with Toyota Motor Corporation.

FACTORY AUTOMATION AND SOCIAL SOLUTIONS

Enhancing the productivity of the *Monozukuri* industry and improving quality of life

Our mission in the Industrial Solutions Business Unit 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 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.



Jiro Ebihara
Head of FA Business Development Division

Business Strengths

Production Assets That Have Been Rigorously Honed in Frontline Manufacturing Operations

Using our high-quality, highly durable facilities that have been refined on auto part production lines, as well as our core factory automation (FA) equipment, such as robots and sensors, we are playing a role in improving productivity throughout the manufacturing industry and society at large while spreading our reach from stand-alone equipment to processes and modules.

***Monozukuri* Expertise Garnered Over More Than 70 Years**

DENSO solves serious issues directly affecting the manufacturing industry, such as labor shortages, carbon neutrality and digital transformation (DX), with its know-how in flexible and lean manufacturing and lean automation technologies.

Solutions for Society Using QR Codes® Developed by DENSO

Three decades ago, DENSO applied for and registered QR Code® patents. By utilizing our long-standing expertise in QR Code® reader technologies and QR Codes® while incorporating outside ideas, we will continue creating value for new fields and applications.

FOOD VALUE CHAIN

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, while observing the entire food value chain, we will provide solutions that deliver food safety and security to each region of the world, anytime, anywhere, and to anyone, forever.



Hidehiro Yokoo
Head of Food Value Chain Business Development Division

Business Strengths

Greenhouses That Ensure Reliable Harvests While Dealing with Labor Shortages and Climate Change

By applying our *Monozukuri* technologies gained with automobiles to agricultural production, we are supporting technologies that condition environments for reliably harvesting agricultural products. We introduce automation technologies to create environments where people can move around easily, and globally supply solutions for greenhouses in a highly productive way that sustains growth.

Portable Compact Freezer/Refrigerators That Help Deal with Driver Shortages and Delivery Diversification

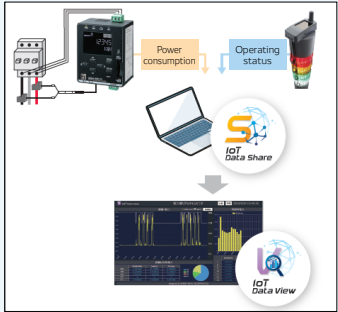
By utilizing thermal control technologies developed for automobiles, we have created compact, light versions of conventional automotive freezer/refrigerators. These portable battery-powered products allow non-specialized drivers with passenger cars to flexibly deliver a range of small-lot items. Our freezer/refrigerators do not use engines or dry ice for freezing or refrigeration, which reduces CO₂ emissions.

New Distribution DX Solutions That Reflect Changing Needs in Food Distribution

By utilizing QR Code® and RFID technologies developed in frontline manufacturing operations, we have created a fully integrated food distribution platform that digitizes a range of different food-related information. The platform caters to consumer demand for safety and reassurance with respect to food by visualizing food distribution information from production through to sale and facilitates supply-demand optimization in distribution operations and the rightsizing of inventories.

Resolving Social Issues through Our Businesses

Using IoT Technology to Help Industry and Society Grow Sustainably
To promote the spread of IoT not only in the manufacturing industry but also in such diverse fields as retail, agriculture, and medicine, DENSO is participating in the development of ORiN, an international standard for smart factories that originated in Japan. As part of this effort, we have developed and marketed a package that monitors the power consumption of equipment to help enhance energy consumption in the manufacturing industry. This package can be readily used and managed with existing equipment and other companies' equipment. We will actively grow sales to contribute to the penetration of environmentally friendly manufacturing.



IoT technology-enabled solution for plants

Focusing on Addressing Industrial and Social Issues as the Creator of QR Codes®
DENSO offers various solutions utilizing QR Codes® with the aim of creating a society where everyone can live with peace of mind. In Kariya, Aichi Prefecture, we have conducted a verification test of a school attendance management system that contributes to child safety, while in Hiroshima Prefecture we provide a management system for the mobilization of municipal personnel that facilitates workstyle reform. In addition, as the company that created QR Codes®, we are playing a role in enhancing safety in society. For example, we have developed a special QR Code® (tQR®) that makes it possible for QR codes® to be read even when there are changes in sunlight, thereby contributing to the

introduction of automatic platform gates on all Toei Subway lines. Moreover, this QR Code® was subsequently adopted by railway operators in a number of regions.

Contributing to a Healthy, Sound Society with Our Automated Cafeteria Checkout System

Cafeterias are owned and operated by many different companies and organizations. Through the application of the rigorously site-focused approach that it has fostered in the automotive industry and the utilization of automatic recognition technology, DENSO developed an automated checkout system for cafeterias, which was launched in 1998. Since then, we have been marketing this system, which is high speed, reliable, and user friendly and records the contents of meals using tags attached to dishes and accepts payment via employee ID cards and other IC cards. In 2024, we began offering a cloud computing-enabled system. The new system will help create a healthy, sound society by offering services that meet society's current needs, such as the promotion of health and productivity management through the provision of nutrient intake information and the reduction of food wastage through prediction of the number of meals required and digital menu displays that dispense with the need for meal samples. Other benefits of our system include efficient management for cafeteria operators and convenience for users.



The tQR® automatic platform gate system



Automated cafeteria checkout system

Resolving Social Issues through Our Businesses

Stabilizing Food Production by Introducing Industrial Approaches to Agriculture
In response to the food shortages and instability in agricultural production due to climate change and a global decline in farming populations, we will utilize our vehicle *Monozukuri* technologies for horticultural facilities to enable anyone to realize stable agricultural production in any location and at any time. Specifically, DENSO is working closely with Group company Certhon Build B.V., which is based in the Netherlands and possesses leading-edge horticultural facility technologies. Through highly efficient greenhouses—which combine our automation, environment control, and digital transformation technologies—and the fully automated cherry truss tomato harvesting robot Artemy®, we will introduce industrial approaches to agriculture, thereby helping to address social issues.



Greenhouses for medium-sized and large farms



The fully automated cherry truss tomato harvesting robot Artemy®

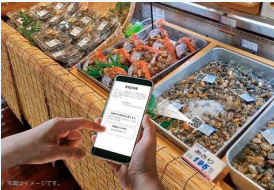
Enabling Local Production for Local Consumption and Increasing Transportation Efficiency through Temperature-Controlled Logistics between “Road Stations” and for Markets
Based on a comprehensive partnership agreement with Kumamoto Prefecture, we are conducting verification tests of portable compact freezer/refrigerators. By enabling the storage of fresh food products and their transportation between “road stations” (the distribution bases nearest stores), the model will solve the problems of opportunity losses due to insufficient

stocks of fresh food products, waste due to surplus stocks, and waste and inefficiency resulting from non-temperature-controlled collection and delivery between producers and markets. As a result, the model will encourage local production for local consumption, reduce food wastage, and increase the efficiency of transportation.



Portable compact freezer/refrigerator

Increasing Operational Efficiency and Enhancing Product Branding through the Visualization of Food Distribution Data
We are contributing to the rationalization of food distribution and safety and peace of mind in relation to food through a system that uses a QR Code® to visualize food distribution data. In wholesale markets for fresh fruits and vegetables, which have concentrations of products and data, we will encourage operational and distribution efficiency by visualizing and linking data. Focusing on these markets, we will promote the widespread use of the system in the supply chain extending from producers to retailers. In addition, through a production region certification system that guarantees traceability from production to sales, we have been working to solve the problem of the intentional mislabeling of short-necked asari clams to falsely show Kumamoto Prefecture as their production region. We will roll out this system for other fishery resources by participating in national projects from their conceptual stages.



Rendering of the QR Code® being used to read production region data

Special Feature: Value Creation in Action

Contributing to Decarbonization with Technologies Accumulated in Automotive Systems Development

Aiming to Realize a Hydrogen Society: The Key to Carbon Neutrality

The world is moving toward a carbon-neutral society, and the utilization of hydrogen is key to achieving this goal. Leveraging the technologies honed through its automotive systems development, DENSO is actively engaged in the development of technologies in the areas of hydrogen production and utilization. In this section, we describe how DENSO is taking on the challenge of creating new value by contributing to decarbonization through hydrogen-related businesses.

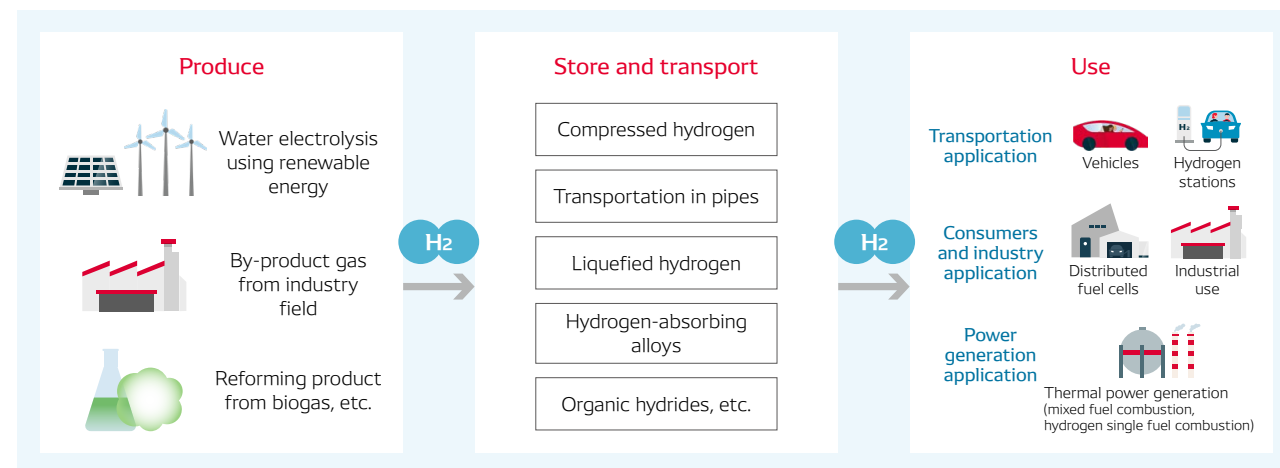
Addressing climate change is an urgent issue for humanity, and carbon neutrality is gaining momentum in the international community. To protect the environment of our planet while ensuring a comfortable and sustainable lifestyle, the world is undergoing an energy transition from fossil fuels, such as oil and coal, to cleaner energy sources. Hydrogen has been gaining attention as one of these clean energy sources.

Hydrogen is a clean source of energy that does not emit CO₂ when used as energy. Moreover, it can be extracted from various substances, including water, which is found everywhere. If the utilization of hydrogen increases, it will open pathways to decarbonization for facilities that cannot easily be electrified, such as thermal power plants reliant on fossil fuels, and large commercial vehicles such as trucks and buses, which are harder to electrify than passenger cars.

Additionally, hydrogen can be stored, a notable advantage. By converting excess electricity from renewable energy sources like solar power into hydrogen, long-term energy storage becomes feasible. In countries with low energy self-sufficiency, such as Japan, the use of hydrogen is expected to contribute not only to decarbonization but also to energy security.

However, there are still numerous challenges that must be overcome before hydrogen can be widely utilized. Various technical issues must be solved within the supply chain, such as the production, storage, transportation, and utilization of hydrogen. Efficiently producing green hydrogen* from renewable energy, ensuring its proper transport, and expanding the scope of hydrogen utilization to increase demand are crucial steps for promoting the widespread use of hydrogen.

* Green hydrogen: Hydrogen produced using renewable energy, which does not emit CO₂ during the production process, making it the most effective for decarbonization



Leveraging Our Technologies Accumulated in Automotive Development to Tackle Challenges in Hydrogen Production and Utilization

To promote the widespread use of hydrogen, it is crucial to address technical challenges related to its utilization, particularly in fuel cells and furnaces, as well as in its production, such as the water electrolysis systems needed to produce hydrogen. The key challenges that have emerged in these areas are improving the efficiency and durability of these systems.

Interestingly, these technical challenges share points in common with requirements in automotive systems. DENSO is applying the automotive technologies it has developed over the years to tackle these challenges in hydrogen.

The first challenge, efficiency, is crucial because it helps lower the cost of hydrogen utilization by ensuring that valuable renewable energy is used efficiently to produce hydrogen and also ensuring that this hydrogen is utilized without any waste.

Through its development of automotive products and technologies, DENSO has accumulated expertise in technologies for efficiently using energy in order to improve fuel economy. This includes thermal management technologies that eliminate energy waste, electrical control technologies derived from electrically powered products, and materials technologies that maximize performance. These technologies can be applied to improve the electrolysis efficiency of water electrolysis systems used in hydrogen production and to enhance the power generation efficiency of fuel cells used in hydrogen utilization.

The second challenge, durability, is essential because, regardless of how efficient or high-performing a hydrogen production or utilization system may be, it cannot be widely used if it frequently breaks down or has poor maintainability, leading to reduced operational uptime. Durability ensures that such systems can be used safely over long periods of time.

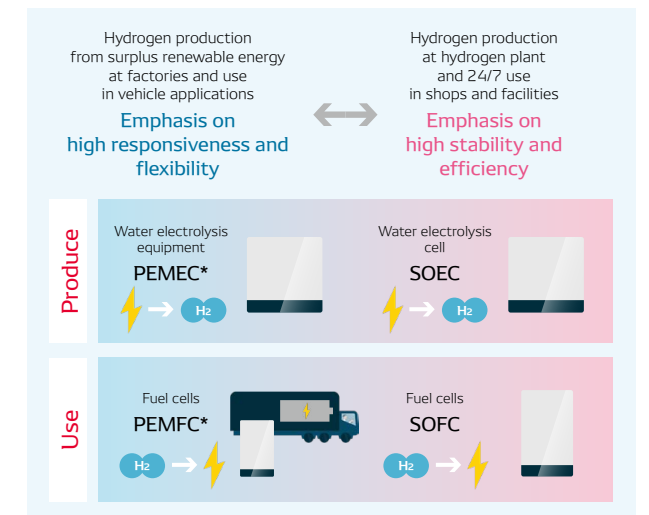
In the automotive field, vehicles must be driven safely in various environments, necessitating high durability. Through its development of automotive products refined over many years, DENSO has achieved robust levels of safety and quality that enable vehicles to operate reliably under extreme temperatures, weather conditions, and road surfaces. Additionally, the Company has established the manufacturing technologies needed to deliver these products to customers around the world. DENSO applies sensing technologies, originally developed for advanced driver assistance systems (ADAS), to constantly monitor the operations of hydrogen production and utilization systems, with the aim of ensuring that they can be safely and reliably used over long periods of time.

Providing Diverse Solutions for Hydrogen Production and Utilization to Realize a Hydrogen Society

The utilization of hydrogen remains an area filled with uncertainties, requiring various experiments to determine what solutions are the best. In collaboration with Toyota Motor Corporation, DENSO FUKUSHIMA CORPORATION is conducting demonstrations at one of its plants aimed at achieving carbon neutrality in manufacturing. In March 2024, hydrogen produced at the plant began being used in the manufacturing process for radiators delivered to customers, advancing our efforts to utilize hydrogen. In addition, DENSO is developing solid oxide electrolysis cell (SOEC) systems for producing hydrogen from electricity and solid oxide fuel cell (SOFC) systems for generating electricity from hydrogen. DENSO's manufacturing sites are conducting proof-of-concept testing of these systems.

The hydrogen supply chain has varying technical requirements at each stage. Some stages demand flexibility while others require stability. In some scenarios, small-scale decentralized systems are necessary, while in others, large-scale centralized systems are more appropriate.

DENSO is expanding its lineup of systems to meet these diverse needs. For example, the Company is developing an SOEC water electrolysis system that features a modular structure, allowing it to scale from small to large applications. These systems can be combined and configured to provide optimal solutions for specific use requirements.



* Proton exchange membrane electrolysis cell/Proton exchange membrane fuel cell. Joint development by the Toyota Group



DENSO FUKUSHIMA CORPORATION's water electrolysis system demonstration facility



DENSO CORPORATION's SOEC demonstration facility, Hirose Plant

Envisioning a Carbon-Neutral Circular Society

DENSO is expanding the scope of the challenges it undertakes, which started in the mobility domain, to manufacturing plants and other industrial domains, with an eye on creating a society where hydrogen is widely utilized. Through these demonstrations, we aim to enhance the efficiency and durability of hydrogen production and utilization systems. By applying the manufacturing techniques we honed in the automotive industry to realize high quality while lowering costs, we are beginning to see the pathway to overcoming the primary obstacle to widespread hydrogen utilization—reducing the cost of green hydrogen.

For instance, if we can synthesize methane using affordable green hydrogen, it could be supplied as a replacement for currently used city gas on a broad scale. Similarly, if we can synthesize substances like methanol, ethanol, and propane, we can decarbonize various plastic products and fuels used in our daily lives. Moreover, by combining this with carbon recycling technologies, which capture and reuse the CO₂ emitted during the combustion of these products and fuels, it is possible to realize a circular society that does not rely on fossil fuels.

The utilization of hydrogen is indispensable for achieving a circular society that efficiently uses renewable energy without waste. DENSO shares this vision with various partners across different domains, working closely together in co-creation initiatives to ensure that hydrogen is properly utilized and to guide society toward a future of decarbonization without undue burden.

Corporate Governance

Basic Stance

DENSO recognizes the establishment of corporate governance as a priority initiative for achieving sustainable long-term increases in corporate value in a rapidly changing global market. Based on 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 shares information and conducts dialogues regarding its business conditions with its shareholders and other investors on an ongoing basis, thereby implementing sound, efficient, and transparent management.



Please see the following URL for Basic Policies on Corporate Governance.
<https://www.denso.com/global/en/-/media/global/about-us/sustainability/governance/management/management-doc-corporate-governance-policy-2023-en.pdf>



Efforts to Improve Corporate Governance

DENSO is working to evolve its corporate governance and enhance strategic discussions Companywide to realize sustainable increases in corporate value. DENSO has implemented all of the principles of the Corporate Governance Code that was revised in June 2021. DENSO discloses in its Corporate Governance Report its sustainability initiatives and efforts to ensure diversity in core personnel. Going forward, we will continue to implement sound, efficient, and transparent management including through the significant reduction of cross-shareholdings.

Corporate Governance System

Corporate Governance System and Principal Organizations
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. Through a president, executive vice presidents, and a corporate officer system that separates and clarifies the roles between members of the Board, who are responsible for management (decision-making and supervision), and senior executive officers, who are responsible for the execution of business operations, DENSO CORPORATION is streamlining the number of members of the Board and is realizing swift decision-making and business operations.
Under this system, depending on the circumstances, members of the Board serve concurrently as president, executive vice president, and senior executive officer to ensure that the Board maintains an overall balance of knowledge, experience, and ability. DENSO CORPORATION sets the term of office for members of the Board at one year, with the aim of building a flexible management structure that responds to changes in the management environment and further clarifying management responsibility during the business year.

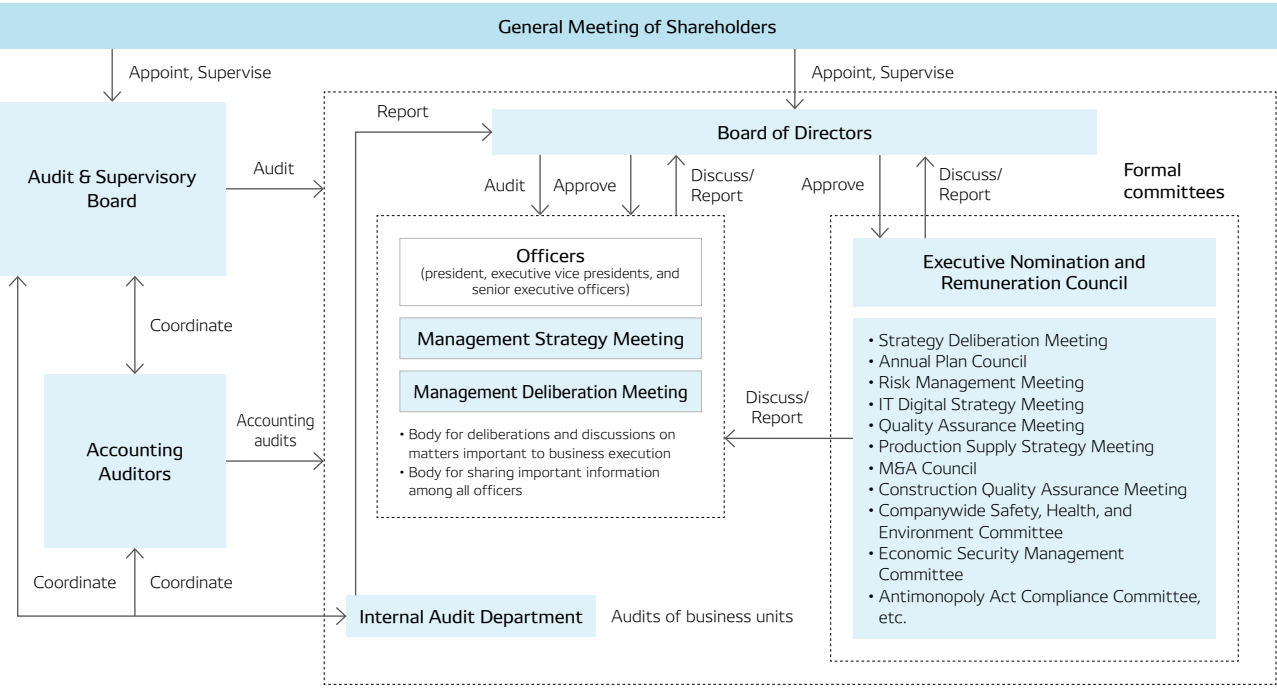
Reason for Selecting Our Current Corporate Governance System
In addition to performing management decision-making that emphasizes *Genchi Genbutsu* (on-site verification), DENSO believes that it is important to build a system that can verify whether management decision-making has met shareholder expectations and whether there is a problem from the point of view of governance. To this end, we believe that the current system to supervise and audit the execution of business duties by the Board of Directors including outside Board members, as well as Audit & Supervisory Board members including outside Audit & Supervisory Board members, is most suitable. To improve earnings and corporate value, and to make better business decisions, we have appointed outside Board members with extensive knowledge of corporate management. Their specializations are helpful with decision-making and oversight.
DENSO has adopted a company with audit and supervisory board structure to maintain a system where auditors can independently exercise their auditing authority. To ensure audits are properly carried out, the Audit & Supervisory Board consists of standing Audit & Supervisory Board members who are knowledgeable of internal affairs, and outside Audit & Supervisory Board members who bring high levels of specialization and insights.

Board of Directors

The Board of Directors resolves matters stipulated by laws and regulations, as well as matters of importance to the Company's decision-making. As much as possible, the Board delegates authority to those in charge of business execution. This approach simultaneously accelerates execution and enables the Board to spend more time deliberating on management policies and strategies.
The Board of Directors meets once a month, in principle, and is composed of 12 members: five internal Board members, three outside Board members, two standing Audit & Supervisory Board members, and two outside Audit & Supervisory Board members. With respect to the independence of outside Board members and outside Audit & Supervisory Board members, the Company has selected a total of five independent officers (three outside Board members and two outside Audit & Supervisory Board members). These officers must fulfill the independence criteria stipulated by the financial instruments exchanges, and they are required to have a wealth of

experience and specializations in such fields as corporate management, legal affairs, and accounting and to actively provide recommendations and opinions on management issues.
Resolutions must be approved by a majority of the members present at a Board of Directors' meeting, and the meeting itself must be attended by a majority of members of the Board. We have been enhancing our support structure for the outside officers to ensure the productive and efficient operation of the Board of Directors when making resolutions. Further, before a Board meeting is convened, materials are distributed beforehand and the agenda is explained in detail beforehand, and opinions and approval are received from any members of the Board who are unable to attend on the day of the Board meeting. In fiscal 2024, the Board of Directors convened 13 times, with 97% of members of the Board and 100% of Audit & Supervisory Board members attending.

Corporate Governance System



Discussions of the Board of Directors
The main topics discussed and the number of reports submitted for discussion at meetings of the Board of Directors convened in fiscal 2024 are shown in the table below. In fiscal 2024, the Board received and discussed numerous reports on priority topics, namely, strategies related to revising the business portfolio to improve corporate value over the medium to long term.

Main Topics Discussed and Number of Reports Submitted for Discussion at Meetings of the Board of Directors in Fiscal 2024	
Classification	Reports Submitted for Discussion
Management strategy	13
Governance, risk management, and internal control	10
Financial results and financing	7
Human resources	4
Strategies and plans	1
Individual matters	7

Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole
In early March of each year, DENSO has all members of the Board participate in a survey of the effectiveness of the Board of Directors. With a view to obtaining the frank opinions of members of the Board regarding issues and areas requiring improvement, interviews with inside officers are held, and outside officers discuss these matters at the Independent Officer Meeting, based on the outcome of the quantitative assessment in the survey.
Issues and areas identified as requiring improvement and improvement action plans are reported to and discussed by the Board of Directors, followed by improvement activities that are implemented beginning in late May. Each year, a plan-do-check-act (PDCA) cycle is implemented to enhance the effectiveness of the Board of Directors.

- Evaluation Items of the Survey for Evaluation of the Effectiveness of the Board of Directors**
1. Composition and operation of the Board (composition of members, delegation of authority, and uninhibited and lively discussion)
 2. Support for outside officers (prior briefing, provision of information, and exchange of opinions and interaction)
 3. Oversight by the Board (management philosophy, medium- to long-term strategies, governance, important risks)
 4. Dialogue with stakeholders (status of dialogue with stakeholders and discussion from the perspective of stakeholders)

Review of Initiatives in Fiscal 2024

Thanks to the initiatives shown in the table below, the results of the survey, interviews, and discussions confirmed that in fiscal 2024 the Board of Directors was even more effective than in the previous fiscal year, improving in terms of business portfolio reforms, discussions of strategy, and reporting of dialogues with stakeholders.

Fiscal 2024 Initiatives to Address Fiscal 2023 Issues

Discussion of strategies	<ul style="list-style-type: none">• Submit strategy-related agenda items in a planned manner to the Board for discussion• Discussion of strategic topics, such as the business portfolio, the cost of capital (reduction of cross-shareholdings), and semiconductors• Streamline Board of Directors’ agenda due to delegation of authority• Authority to make investments was delegated after changes were made to decision criteria• Utilize opportunities outside of Board meetings to deepen discussion of strategies• Discussions on human capital were held at the Executive Workshop
Support for outside officers	<ul style="list-style-type: none">• Support efforts to fully understand businesses through more on-site visits• On-site visits to domestic Group companies and business partners
Dialogue with stakeholders	<ul style="list-style-type: none">• Report comprehensively on dialogue with stakeholders

DENSO aims to improve the effectiveness of the Board of Directors by planning and implementing the following improvement measures in fiscal 2025 to address lingering issues identified in fiscal 2024.

Fiscal 2025 Improvement Action Plan for Fiscal 2024 Issues

Further enhancement of strategic discussions	<ul style="list-style-type: none">• Systematically present strategic topics to the Board of Directors, such as the formulation of the next medium-term goals, Companywide strategies for sustainability, cross-functional strategies (human capital, technological development, and DX), as well as strategies related to semiconductors and software
Reduction of information gap between inside and outside officers	<ul style="list-style-type: none">• Select topics that Board members should be aware of, and share materials and meeting minutes from the Management Strategy Meeting and the Management Deliberation Meeting

Audit & Supervisory Board

Management Oversight Function of the Audit & Supervisory Board

As well as attending meetings of the Board of Directors and other important meetings, Audit & Supervisory Board members convene meetings of the Audit & Supervisory Board once a month, in principle. The Audit & Supervisory Board comprises four Audit & Supervisory Board members, two of whom are outside Audit & Supervisory Board members. In addition, one alternate outside Audit & Supervisory Board member is appointed to provide against eventualities whereby attendance of the legally required number of Audit & Supervisory Board members is not possible.

At meetings of the Audit & Supervisory Board, resolutions on legally required matters are approved and exchanges of opinions are held with members of the Board, members of the senior management team, members of the Internal Audit Department, and Accounting Auditors regarding the Company's sustained growth and the medium- to long-term enhancement of corporate value. Also, the Audit & Supervisory Board fulfills its management oversight function through audits of the execution of duties by members of the Board and of the operations and financial position of the Group as a whole. The Audit & Supervisory Board met 15 times in fiscal 2024, with a 100% attendance rate by its members.

Pursuant with internal regulations, the Internal Audit Department conducts internal audits on the legality, appropriateness, and efficiency of the Company's operations. Based on the issues identified by these audits, each department of the Company establishes and subsequently enhances operational control and management systems.

Specific Topics Discussed at Meetings of the Audit & Supervisory Board

In fiscal 2024, Audit & Supervisory Board meetings included numerous discussions and reports on priority topics, namely, the appropriateness of the Company's management direction, enhancement of organizational governance, and preparations and human resource development aimed at realizing its philosophy.

Main Topics Discussed and Number of Reports Submitted for Discussion at Meetings of the Audit & Supervisory Board in Fiscal 2024

Classification	Reports Submitted for Discussion
Accounting audit	8
Corporate management	11
Audit activity report	11
Execution of duties by senior executive officers	9
Auditing policy and plan	4
Individual matters	7

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, three when including the Board of Directors, are positioned as executive committees.

Overview of Deliberating Bodies on Business Execution

	Deliberating Bodies	
	Management Strategy Meeting	Management Deliberation Meeting
Chairperson	President	President
Composition	President, executive vice president, the heads of each business group and functional department, general managers, and standing Audit & Supervisory Board members	President, executive vice president, the heads of each business group and functional department, general managers, and standing Audit & Supervisory Board members
Purpose	Hold strategic discussions from a medium- to long-term perspective, focused on businesses, functions, and regions	Deliberate on important items related to the Company's overall management, starting with the agenda items at meetings of the Board of Directors. In addition, sharing important information regarding business management and promptly utilizing such information to facilitate swift business execution
Number of meetings held in fiscal 2024	22	41

Requirements for Members of the Board and Audit & Supervisory Board Members and Our Approach to Diversity

The composition of the members of the Board and the Audit & Supervisory Board is decided with due consideration paid to the balance of diversity (including nationality and gender), experience, capabilities, and specialization to ensure precise and prompt decision-making.

For Board member candidates, DENSO nominates individuals who are well-versed in managing the Company's various businesses and effective at addressing urgent issues, and who can contribute to the formulation of management strategies aimed at enhancing corporate value over the medium to long term, as well as the accurate and effective supervision of management.

Similarly, for Audit & Supervisory Board member candidates, DENSO nominates individuals with knowledge in business management, finance, accounting, and legal affairs, who can contribute to the appropriate auditing of management.

Experience and Specializations of Members of the Board and Audit & Supervisory Board Members (Skill Matrix)

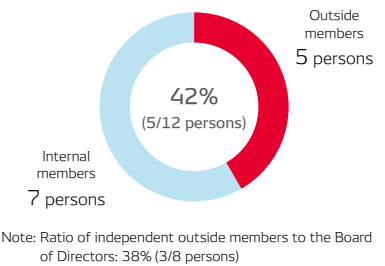
The skills (experience and specializations) required of members of the Board of Directors are decided while considering whether such skills are helpful in attaining objectives, such as medium- to long-term business strategies, policies, and targets. More specifically, DENSO has set out 11 types of experience and specializations to ensure that the Company has the experience and specializations required to realize its Long-term Policy for 2030 and to underpin stable corporate management. The experience and specializations of the Board of Directors as a whole are disclosed in the form of a skill matrix. We intend to revise these requirements to reflect future changes in business strategy and the business environment.

Approach to Selection of Experience and Specializations

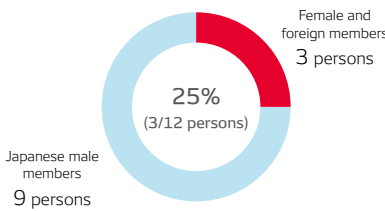
Experience and specializations required to realize DENSO's Long-term Policy for 2030	<ul style="list-style-type: none">• Corporate management experience that enables anticipation of the future in uncertain and ambiguous times and the provision of recommendations on the course that the Company should pursue• Software/digital and environment/energy experience and specializations that enable maximization of the value of "green" and "peace of mind" as well as social contributions, including initiatives focused on realizing carbon neutrality and eliminating traffic accident fatalities• Marketing experience and specializations that enable correct understanding of market trends as well as social needs and expectations, which help in addressing not only mobility-related issues but a wide range of other social issues
Experience and specializations required to underpin stable corporate management	<ul style="list-style-type: none">• Governance, global, finance/accounting, human resources, technological development, production/quality, and sales/procurement experience and specializations that serve as foundations for DENSO's sustained growth, regardless of the era or environment

Composition of the Board of Directors and Audit & Supervisory Board

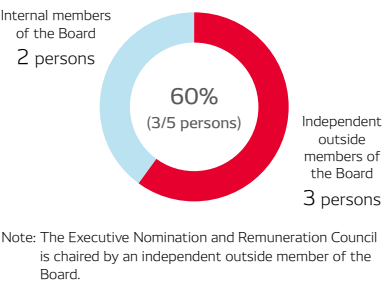
Ratio of Outside Members to the Board of Directors and the Audit & Supervisory Board















Diversity of the Board of Directors and the Audit & Supervisory Board



Composition of the Executive Nomination and Remuneration Council



Experience and Specializations (Skill Matrix) of Members of the Board and Audit & Supervisory Board Members
The areas of specialization that the Company expects each member to demonstrate (up to a maximum of five areas) are as shown below.
Note: This does not represent all the areas of experience and specialization of each person.

Name	Tenure	Attendance at Board of Directors' meetings in fiscal 2024	Meeting participation (◎ = Chair)			Experience and specializations required to realize DENSO's Long-term Policy for 2030				Experience and specializations required to underpin stable corporate management								Reason for appointment	Important posts concurrently held at other corporations
			Board of Directors	Audit & Supervisory Board	Executive Nomination and Remuneration Council	Corporate management	Software / Digital	Environment / Energy	Marketing	Governance	Global	Finance / Accounting	Human resources		Technological development	Production / Quality	Sales / Procurement		
 Chairman, Representative Member of the Board Koji Arima	9 years	13/13	◎		○													Koji Arima has extensive management experience as representative member of the Board, president and chairman (current position), which includes oversight of management as the chairman of the Board and involvement in the formulation and execution of the Company's medium- to long-term policies and strategies. In addition, his experience as chairman of the Japan Auto Parts Industries Association, a position he held until May 2024, affords a top-down perspective of the entire industry. He was appointed with the expectation that he will promote further improvement in the Company's governance.	Outside Audit & Supervisory Board member of KDDI Corporation
 President & CEO, Representative Member of the Board Shinnosuke Hayashi	1 year	10/10*1	○		○													After joining the Company, Shinnosuke Hayashi engaged in the electronics business, served as chief software officer (CSwO), and was an executive in charge of a business. He was appointed representative member of the Board and president (current position) in June 2023. He has been practicing "management that values people," such as by promoting the creation of a corporate culture that enables the Company's diverse people to use their abilities to their fullest, with the aim of constantly creating new value and staying one step ahead of the times. With his strong insight as a manager, he is expected to demonstrate exceptional leadership that draws out the best of the Company's diverse employees and facilitate the creation of new value as mobility evolves.	
 Executive Vice President, Representative Member of the Board CRO, CCO, CFO Yasushi Matsui	3 years	13/13	○															After joining the Company, Yasushi Matsui engaged in the thermal systems business and the electrification business. He was in charge of the purchasing department from June 2014 and currently serves as CRO, CCO, CFO, and the head of the Corporate Strategy Center. He is expected to lead corporate and financial strategies, which will be the foundation of corporate growth, by utilizing his broad perspective and foresight gained through his wide-ranging experience in functional and operating departments and at an overseas site.	Audit & Supervisory Board Member, Blue Nexus Corporation Outside Audit & Supervisory Board Member, JTEKT Corporation
 Executive Vice President, Representative Member of the Board CIO, CQO, CHRO Yasuhiko Yamazaki	—*2	—*2	○															After joining the Company, Yasuhiko Yamazaki served as president of the Company's Spanish subsidiary and was in charge of production promotion departments before being placed in charge of the thermal systems business in January 2021. He currently serves as CIO, CCO, CHRO, and is in charge of the General Administration & Human Resources Center. He is expected to promote the enhancement of technological development capabilities to realize a future mobility society and human resource development to support such efforts by utilizing his profound knowledge in technology and manufacturing.	Outside Director of Toyota Boshoku Corporation
 Member of the Board Akio Toyoda	5 years	11/13	○															Akio Toyoda is an unchallenged industry leader representing the automotive industry who currently serves as chairman of the Board of Directors, Toyota Motor Corporation, and served as chairman of Japan Automobile Manufacturers Association, Inc., and is driving creation of a next-generation mobility society. He is expected to provide a wide range of advice and guidance regarding the Company's management and oversee its management from a broader perspective, taking a wide view of the overall automotive industry.	Chairman of the Board of Directors, Toyota Motor Corporation Director, HAMANAKODENSO CO., LTD.
 <div>Outside Board MemberIndependent Officer</div> Shigeki Kushida	5 years	13/13	○		◎													Shigeki Kushida has the experience of having led diverse activities toward the development and stability of the Japanese economy at Japan's central bank, which plays a core function in the Japanese economy, by filling the posts of director-general and executive director of Bank of Japan. He has contributed to enhancing transparency and objectivity in the areas of officer nomination and remuneration, which is the essence of governance, as the chair of the Executive Nomination and Remuneration Council since January 2020. He is expected to contribute to the supervision of the Company's overall management, utilizing his broad expertise in the global monetary economy.	Representative Executive Officer & President, Japan Securities Finance Co., Ltd.
 <div>Outside Board MemberIndependent Officer</div> Yuko Mitsuya	5 years	12/13	○		○													Yuko Mitsuya has abundant experience and knowledge in many fields, having long been in management at several corporations and associations, filling the posts of officer and committee member at several sports associations such as vice president of the Japanese Olympic Committee (current position) and being engaged in education and human resource development at a university, among others. She is expected to contribute to the supervision of the Company's overall management, utilizing her abundant expertise in corporate management and human resource development.	Representative Director, PIT Co., Ltd. Outside Director, Japan Airlines Co., Ltd. President, Japan Basketball Association Vice President, Japanese Olympic Committee
 <div>Outside Board MemberIndependent Officer</div> Joseph P. Schmelzeis, Jr.	2 years	13/13	○		○													Joseph P. Schmelzeis, Jr. has a wealth of experience in management, particularly in the service industry, including at SEGA CORPORATION, as well as in venture business start-ups and strategic consulting. He has striven to strengthen the U.S.-Japan alliance as senior advisor to the ambassador at the U.S. Embassy in Tokyo since 2018. He is expected to contribute to the supervision of the Company's overall management, utilizing mainly his abundant business experience as well as profound global knowledge, and knowledge of risk management related to geopolitics.	Representative Director, JPS International, Inc. Executive Manager, Cedarfield Godo Kaisha Outside Director, Central Japan Railway Company Outside Director, Hitachi Construction Machinery Co., Ltd.
 Standing Audit & Supervisory Board Member Shingo Kuwamura	3 years	13/13	○	◎														After joining the Company, Shingo Kuwamura was engaged in the production technology and production planning departments. Starting in June 2009, he served as an executive director overseeing the Production Promotion Center. Subsequently, he held positions as president of the Company's North American subsidiary, president of a domestic subsidiary, and head of the Procurement Group, before becoming the executive officer in charge of the Asia-Pacific regional headquarters. With extensive management experience as an executive officer of the Company, as well as experience in managing overseas subsidiaries and domestic subsidiaries, he is expected to further strengthen and promote the Group's compliance initiatives, enhance corporate governance, and provide robust audit support and guidance to directors and CxOs.	
 Standing Audit & Supervisory Board Member Motomi Niwa	6 years	13/13	○	○														After joining the Company, Motomi Niwa worked in the purchasing, business planning, and human resources departments. Starting in August 2014, he served as vice president of a U.S. subsidiary of the Company. With management experience at an overseas subsidiary, as well as broad knowledge gained from working in both functional and business divisions, he is expected to strengthen and promote the Group's compliance initiatives, enhance the quality of corporate governance, and improve the audit support and guidance provided to directors and CxOs.	Auditor of ADVICS CO., LTD.
 <div>Outside Audit & Supervisory Board MemberIndependent Officer</div> Yasuko Gotoh	5 years	13/13	○	○														Yasuko Gotoh has extensive experience in public administration, including roles as vice governor of Yamagata Prefecture, head of the New York Office of the Japan National Tourism Organization, and managing director of Kyushu Railway Company. In addition, she has considerable expertise in auditing, having served as an Audit & Supervisory Committee Member at Kyushu Railway Company and as an External Audit Committee Member at Shiseido Company, Ltd. (current position), where she has gained financial, accounting, and compliance knowledge through her auditing activities. Her broad experience and insights in public administration and corporate management are expected to be valuable in reflecting these perspectives in the Company's audits.	Outside Director (Member of the Audit Committee), Shiseido Company, Ltd. Outside Audit & Supervisory Board Member, Mitsui Chemicals, Inc.
 <div>Outside Audit & Supervisory Board MemberIndependent Officer</div> Haruo Kitamura	5 years	13/13	○	○														Haruo Kitamura has a rich career and deep expertise as a certified public accountant, along with extensive experience in corporate management and auditing. He has served as an outside auditor at ROHM Co., Ltd., an outside director for MonotaRO Co., Ltd., and both an outside director and outside corporate auditor at Yamaha Corporation. His high level of knowledge in finance and accounting, combined with his extensive experience in corporate management, is expected to greatly contribute to the Company's auditing processes.	Owner, Kitamura Certified Public Accountant Office Outside Member of Audit & Supervisory Board, LeTech Corporation

*1 Number of times since appointment as representative member of the Board in June 2023 *2 Appointed representative member of the Board in June 2024

Note: CEO (chief executive officer) CRO (chief risk officer) CCO (chief compliance officer) CFO (chief financial officer) CIO (chief innovation officer)
CQO (chief quality officer) CHRO (chief human resources officer)

Executive Nomination and Remuneration Council

DENSO has established the Executive Nomination and Remuneration Council to increase fairness and transparency from an impartial standpoint when making important decisions regarding the nomination and remuneration of executives. This committee is chaired by an independent outside Board member, with independent outside Board members constituting the majority of its members.

Composition of the Executive Nomination and Remuneration Council

Chair	Shigeki Kushida	Independent Outside Board Member
Members	Koji Arima	Chairman, Representative Member of the Board
	Shinnosuke Hayashi	President & CEO, Representative Member of the Board
	Yuko Mitsuya	Independent Outside Board Member
	Joseph P. Schmelzeis, Jr.	Independent Outside Board Member

Activities of the Executive Nomination and Remuneration Council

The Executive Nomination and Remuneration Council convened a total of seven times in fiscal 2024 with 100% attendance by its members. The main topics of deliberation were as follows:

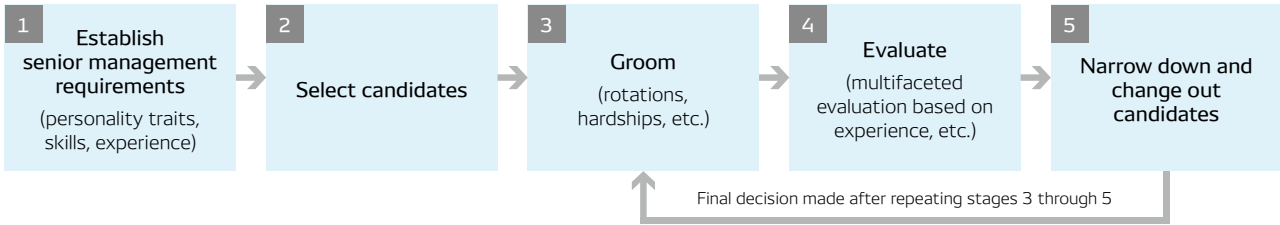
Nomination	<ul style="list-style-type: none">• CEO succession plan• Outside officer succession plans• January 2024 executive system• June 2024 executive system
Remuneration	<ul style="list-style-type: none">• Compensation levels by position and duties• Performance evaluation based on corporate earnings indicators• Evaluation of individual performance• Determination of individual compensation• Reforms to executive remuneration system

Senior Management Succession Plan

DENSO regards president & CEO succession planning as one of its most important management tasks. The Executive Nomination and Remuneration Council, of which a majority of the members and the chair are independent outside Board members, leads the search for the next president based on a highly objective and transparent process.

The Executive Nomination and Remuneration Council establishes requirements that reflect the type of senior management sought by DENSO. In searching for an optimal successor, the council conducts ongoing discussions based on a diverse range of information concerning the candidates. Such information is obtained from parties inside and outside the Company and includes past achievements, employment histories, and assessments of suitability for management positions. In addition, for CxO positions and below, DENSO identifies candidates for the succession of key core management posts inside and outside Japan and grooms these candidates from medium- and long-term perspectives.

Succession Planning Process



Senior Management Requirements

Personality traits	<ul style="list-style-type: none">• Integrity, strong sense of ethics• Impartiality, highly trustworthy, and popular• Positive attitude toward taking on new challenges	<ul style="list-style-type: none">• Strong sense of responsibility, courage• Physical and mental toughness
Skills	<ul style="list-style-type: none">• Decisiveness to forge ahead with reforms, sound judgment• Leadership that builds global networks and mobilizes the organization as a team• Ability to anticipate change and build strategies that form a vision for the Company	

Executive Compensation

Basic Policy

- Achieve medium- to long-term enhancement of corporate value and management from the perspective of shareholders
- Incentivize eligible members of the Board to enhance business performance by linking the Company's performance with individual performance

Composition of Remuneration

The compensation system for members of the Board (excluding non-executive members of the Board and outside Board members) at DENSO consists of basic compensation as fixed compensation, as well as bonuses and share-based compensation as performance-linked compensation. An overview of each compensation system and the ratio of compensation by position for basic compensation amounts are as detailed in the table below. However, note that these ratios may vary depending on fluctuation in

performance-linked compensation amounts, which are based on the achievement of corporate earnings for the fiscal year. Compensation for non-executive members of the Board and outside Board members consists of only basic compensation (fixed amount) from the standpoint of ensuring impartiality. Compensation for Audit & Supervisory Board members also comprises only basic compensation (fixed amount), in light of their roles and responsibilities as auditors in charge of compliance audits.

Compensation Levels

The level of compensation for members of the Board and Audit & Supervisory Board members is set at the median level for comparable companies while also referencing levels at major manufacturers of similar scale in similar sectors and business models as DENSO, based on board member compensation survey data compiled by external research institutions each year.

Type of Compensation		Overview	Ratio		
			Chairman	President	Executive Vice President
Fixed compensation	Basic compensation (fixed amount)	• Paid as monthly fixed compensation based on position	40%	40%	45%
Performance-linked compensation	Bonus (short-term incentive)	• Paid at a certain time each fiscal year after the conclusion of the General Meeting of Shareholders	30%	30%	30%
	Share-based compensation (medium- to long-term incentives)	• Payment amount calculated based on corporate earnings indicators (consolidated operating profit, ROIC, sustainability score) and individual performance evaluation results	30%	30%	25%

Method for Calculating Performance-Linked Compensation

To establish linkage with corporate performance and to incentivize members of the Board to enhance corporate performance and sustain growth, a performance-linked compensation amount is calculated by reflecting a corporate performance evaluation and an individual performance assessment—which is based on an evaluation of the business results and achievements of the individual and their medium- to long-term initiatives—in a position-specific basic compensation amount. Depending on corporate performance and individual performance, the performance-linked compensation amount fluctuates in a range that is between 0% and 200% of the basic compensation amount.

Performance-linked compensation amount

=

Position-specific basic compensation amount

×

Corporate performance evaluation

×

Individual performance assessment

Fluctuating in a range between 0% and 200%

Corporate Performance Evaluation Indicators

Connected with corporate strategies that are aimed at enhancing DENSO's corporate value, corporate performance evaluation indicators comprise consolidated operating profit, ROIC, and sustainability score. The score weighting and evaluation method for each evaluation indicator are shown below. Further, targets for each fiscal year, the basis of these evaluations, are set each year based on medium- to long-term objectives.

Indicator	Score Weighting	Evaluation Method
Consolidated operating profit	60%	Evaluation based on degree of achievement of fiscal year targets while considering impact of external factors like foreign exchange rates
ROIC	20%	Evaluation based on degree of achievement of fiscal year targets
Sustainability score	20%	Evaluation based on overall achievement of fiscal year targets for addressing the following priority issues in the Company's sustainability management Priority issues: (1) total CO ₂ emissions, (2) expansion of "green" and "peace of mind" products, (3) employee engagement, (4) ratio of non-Japanese personnel serving as heads of overseas bases, and (5) ratio of female managers

Share-Based Compensation

Share-based compensation is paid in the form of restricted shares, and the restriction on transfer is removed when the officer retires, in principle. During the period of restriction on transfer, in the event of a violation of laws and regulations by the officer or for other reasons determined by the Company’s Board of Directors, the Company shall acquire all allotted shares without providing compensation.

Method for Determining Compensation

DENSO has established the Executive Nomination and Remuneration Council, of which a majority of the members and the chair are independent outside Board members, in order to ensure impartiality, fairness, and transparency in Board member compensation.

The Board of Directors has passed a resolution on the total amount of compensation for fiscal 2024, which is within the scope of compensation established by a resolution of the General Meeting of Shareholders. The Board has also passed a resolution to entrust decisions on individual compensation amounts to the Executive Nomination and Remuneration Council. This council determines individual compensation based on consideration of the officer compensation system, corporate performance, the responsibilities and achievements of the member of the Board, and conformance with the Board-approved policy on determining compensation. Compensation for Audit & Supervisory Board members is determined through a consensus of members and set within the total amount approved by resolution at the General Meeting of Shareholders.

Total Amount of Compensation by Board Member Classification, Total Amount of Each Type of Compensation, and Number of Eligible Board Members

Board member classification	Total amount of compensation (¥ million)	Total amount of each type of compensation (¥ million)			Number of eligible Board members
		Fixed compensation	Performance-linked compensation		
		Basic compensation	Bonus	Share-based compensation	
Members of the Board	513	275	126	112 / 42,700 shares	9
(Outside Board members)	(55)	(55)	(-)	(-)	(3)
Audit & Supervisory Board members	122	122	-	-	4
(Outside Audit & Supervisory Board members)	(30)	(30)	(-)	(-)	(2)
Total	635	397	126	112 / 42,700 shares	13

Notes: 1. The figures above include Member of the Board Yukihiro Shinohara, who retired as of the conclusion of the 100th Ordinary General Meeting of Shareholders held on June 20, 2023.
2. Performance-linked compensation is the amount based on a resolution adopted at the Board of Directors’ meeting held on May 10, 2024. Below are the indicators used to calculate performance-linked compensation in fiscal 2024.
Consolidated operating profit: ¥380.6 billion; ROIC: 5.5%; sustainability score: 5/8 achievement
3. For share-based compensation, the number of shares granted is calculated by dividing the amount of compensation approved by resolution of the Board of Directors’ meeting held on May 10, 2024, by the closing price on the day before the adoption of this resolution.

Total Amount of Consolidated Compensation for Each Board Member

Name (Board member classification)	Total amount of compensation (¥ million)	Total amount of each type of consolidated compensation (¥ million)		
		Fixed compensation	Performance-linked compensation	
		Basic compensation	Bonus	Share-based compensation
Koji Arima (Representative Member of the Board)	155	70	39	46
Shinnosuke Hayashi (Representative Member of the Board)	133	56	35	42

Note: Only shows individuals who received at least ¥100 million in total consolidated compensation

Relationship with Major Shareholders

As with other general transactions, the terms and conditions of individual transactions with major shareholders are determined through negotiations after the presentation of a suggested price that is based on due consideration of market value. If price revisions are significant, depending on the amount, deliberations are conducted and internal approval procedures are implemented in accordance with regulations on operational decisions.

Relationship with Toyota Motor Corporation

DENSO provides products and systems to many types of manufacturers around the world. While analyzing the technological characteristics and local conditions in each region of the world and meeting exacting market requirements, the Company refines its leading-edge technologies and manufacturing capabilities and then utilizes them to realize enhanced products and systems for the next generation.

At the same time, to create synergies within the Toyota Group, the Company is promoting efficient and expedited R&D and

manufacturing by combining Toyota Motor’s insights with respect to mobility with its own insights and knowledge of automotive products and systems. Specific examples include the Company’s 2020 assumption of Toyota Motor’s electronic components business and the Hirose Plant, the Company’s CTO being appointed head of Toyota Motor’s Digital Software Development Center in October 2023, and a wide range of other collaborations.
In addition, Member of the Board Akio Toyoda is a prominent leader in the automotive industry and a driving force behind the creation of a next-generation mobility society, serving as chairman of the Board of Directors (representative director) of Toyota Motor Corporation, one of our principal shareholders. In 2019, he was appointed as a member of the Board so that he could provide the Company with a wide range of advice and recommendations on its business management as well as oversee business management from a broad perspective that encompasses the entire automotive industry.

Establishing and Strengthening Internal Controls

With the aim of fair and efficient business operations, the Company formulated the DENSO Basic Policies for Internal Control. We have stipulated basic policies for control, various rules, and systems in areas that form the basis of our management such as the Code of Conduct, management systems, risk management, and compliance. We make revisions and changes when necessary after undertaking regularly scheduled annual verifications of the status of implementation.

Please see the following URL for DENSO Basic Policies for Internal Control.
<https://www.denso.com/global/en/-/media/global/about-us/sustainability/governance/management/management-doc-internal-control-policy-2023-en.pdf>



Internal Reporting System

In accordance with the circumstances in each region of operation, the DENSO Group has set up internal reporting systems at its regional headquarters and each business site. These systems allow employees to report their concerns and receive consultation on matters related to legal and regulatory violations via email, telephone, written correspondence, or face-to-face interaction.
For example, at DENSO CORPORATION, we have established a Business Ethics Hotline in accordance with Japan’s Whistleblower Protection Act that allows anonymous reporting; is independent from the normal chain of command; and is administered by outside attorneys and the Business Ethics Hotline Secretariat. This hotline can be used by all persons working at DENSO CORPORATION and domestic Group companies, including employees, temporary employees, and employees contracted from other companies, in addition to suppliers. In fiscal 2024, the hotline received 125 reports and consultations regarding matters such as employment, labor, work environment, information management, business transactions, and accounting, all of which were addressed appropriately after staff investigated the situation and confirmed the facts. Interest in internal whistleblowing systems has risen since the revised Whistleblower Protection Act was enacted in 2022, so the number of hotline calls is likely to increase. We will continue to strengthen collaboration with related departments to ensure that reports and consultations are investigated and addressed promptly and appropriately.

Number of reports and consultations received (Group companies)	Fiscal 2022	Fiscal 2023	Fiscal 2024
	103 (44)	107 (46)	125 (57)

Dialogue with the Outside Board Members



Yuko Mitsuya
Outside Board Member

Ms. Mitsuya has been serving as an outside Board member at the Company since 2019. She also serves as representative director of PIT Co., Ltd. and has a long history in the sports world.

Shigeki Kushida
Outside Board Member

Mr. Kushida has been serving as an outside Board member at the Company since 2019. He also serves as representative executive officer & president at Japan Securities Finance Co., Ltd., and has experience working at the Bank of Japan.

Joseph P. Schmelzeis, Jr.
Outside Board Member

After serving in such positions as corporate director at SEGA CORPORATION and senior advisor to the ambassador at the U.S. Embassy in Tokyo, Mr. Schmelzeis currently works as executive manager at Cedarfield Godo Kaisha. He was appointed as outside Board member of DENSO in 2022.

Accelerating Governance Reforms to Realize Management That Is Open to Society and Markets

DENSO's governance is now at a major turning point as the Company transitions to a new management system and drastically reduces cross-shareholdings. The Company's three independent outside Board members, who were deeply involved in a series of officer appointments and governance reforms, discuss the various issues currently facing DENSO from a range of objective perspectives.

DENSO in a Transitional Phase of Reform

Kushida Amid drastic changes in the external business environment and in-house operational conditions, DENSO is steadily moving forward with initiatives that require a great deal of effort, including the replacement of portfolio businesses and the disposal of a large number of cross-shareholdings. The Company is also earnestly responding to society's expectations of a listed company by revising the officer compensation system and raising the salaries of general employees. In addition, when Shinnosuke Hayashi became president & COO (currently president & CEO) in 2023, he set out a bold vision of the future that encompasses fundamental technologies, semiconductors, software, and the creation of new value. Going forward, I anticipate discussions on more-concrete measures.

Mitsuya DENSO is in a phase of transitioning from internal combustion engine (ICE) products, which have supported the Company until now, to the electrification domain and other future growth businesses. Although this is an extremely challenging time for the Company, it is advancing far-sighted human resource management while remaining mindful of employee motivation. These initiatives are a clear testament to DENSO's seriousness as well as the open organization created in response to quality issues. On the other hand, I believe that the realization of forward-looking strategies is the next big task.

Schmelzeis DENSO's genuine corporate culture is creating a positive cycle in society. For example, the Company has maintained the soundness of the supply chain through price pass-on, taken into consideration shareholders and a wide range of other stakeholders, and raised employee salaries. The replacement of portfolio businesses is a difficult task, like changing the tires of a car while it is running. However, DENSO deserves credit for such concerted Companywide efforts.

New Three-Leader Management System

Kushida The new management system that began in 2023 has been further bolstered in 2024 by having two executive vice presidents, Yasuhiko Yamazaki and Yasushi Matsui, support the president & CEO, Shinnosuke Hayashi. President & CEO Hayashi is a leader whose ability to communicate drives DENSO forward. In contrast, Executive Vice President Matsui has the financial acumen necessary for business planning and portfolio management. Meanwhile, Executive Vice President Yamazaki is in charge of formulating technology strategies—such as strategies to ensure the superiority of the Company's *Monozukuri*—while conducting business management in a manner that contributes to human resource development and organization building. In this way, the executive vice presidents support the president & CEO with respect to organizational management. I believe that each of these three individuals is able to demonstrate his particular strengths, thereby creating an extremely well-balanced team.



Mitsuya DENSO's senior management team overturns the common belief that senior officers should be generalists. Given the global scale of the Company's operations and the volatility of the times, the formation of a team of complementary senior officers expedites decision-making that is based on a broader perspective. The two executive vice presidents are specialists in their fields. I feel that they work well together and have an easy-going relationship in which they can discuss anything with each other. Meanwhile, the president & CEO focuses on effectively communicating his message. In 2023, the Executive Nomination and Remuneration Council expressed the opinion that the president & CEO should have excellent support, and I believe that the current senior management team is outstanding and fully satisfies this requirement.

Schmelzeis I agree with you. For one person to face the many strategic issues requiring a high level of expertise would be challenging. The new senior management team allows Executive Vice President Matsui to cover strategy quantification, fundraising, and investor relations, while President & CEO Hayashi and Executive Vice President Yamazaki concentrate on core strategies for competitiveness and technologies. The new team functions as a true triumvirate and meets, or even surpasses, the expectations of the Executive Nomination and Remuneration Council. As DENSO endeavors to realize the Mid-term Policy for 2025 in the coming crucial period, I hope that the team will advance an array of reforms while drawing on Chairman Arima's experience and personal connections.

Enhanced Effectiveness of the Board of Directors

Kushida In 2023, Koji Arima, who had served as president & CEO and chaired the Board of Directors, was appointed chairman & CEO. In 2024, the CEO position was transferred to Hayashi, which has enabled Arima to speak with a more industry-wide perspective. In terms of governance, this change means a separation of supervision and execution and strengthens the supervisory function of the Board of



Directors. I believe that Chairman Arima himself is fully aware of the separation of the supervision and execution in relation to facilitating the proceedings of the Board of Directors.

Mitsuya The occasions when Chairman Arima asks President & CEO Hayashi as the leader of the executive side for his comments at meetings of the Board of Directors are symbolic. After receiving explanations from the executive side, the president & CEO explains the essence of the agenda item from a comprehensive viewpoint and in a very clear and logical manner. This helps us to understand the intentions of the executive side and to appreciate the leadership exercised by President & CEO Hayashi on the executive side.

Schmelzeis Separation of the positions of chairperson of the Board of Directors and president has the benefit of adding one more person to the executive side and giving the senior management team some room to breathe. I feel that the governance system has become very good, with each inside officer showing an ability to perform in ways that surpass the limits of their previous roles.

Mitsuya There was an incident that made me keenly aware of our role as outside Board members. The discussion of a certain business strategy plan became unprecedentedly heated. In fact, it was so heated that the discussion was split into two or three sessions. The executive side had spent time developing a plan at the Management Strategy Meeting and the Management Deliberation Meeting, and they must have felt confident about it. However, in our position, which does not have ties to the Company, we must first consider the Company's risks. I believe that acting in such a manner is an important obligation both with regard to the Company and its shareholders.

Schmelzeis In the process of reaching the Board of Directors as agenda items, proposals inevitably develop in-house momentum and become part of plans premised on their approval. The Board of Directors is the last gatekeeper

able to say "no" to such proposals. As members of the Board, we do not just choose between agreeing or disagreeing with proposals. We conduct detailed, sound discussions in light of the risks involved.

Kushida In principle, the Board of Directors, which is a supervisory body, should make decisions on important issues relating to the direction of the Company. The Management Deliberation Meeting certainly includes inside Board members who hold both executive and supervisory positions. That said, if any proposal were able to in effect receive approval through this meeting, the Company's decision-making process would be flawed. To achieve a more substantive separation of supervision and execution, we should seek a governance structure in which the Board of Directors exercises authority over management strategies and large investment projects but expedites matters by delegating authority for more detailed issues to the executive side.

Toward Market-Oriented Management

Kushida One of the major steps DENSO took in 2023 was the reduction of cross-shareholdings, including shares of companies belonging to the Toyota Group. This is a good example of DENSO's senior management team showing their strong conviction by raising a concern and then steadily achieving results based on a series of discussions within the Group.

Going forward, the treatment of Toyota Motor Corporation shares will be the focus. To date, the market's evaluation of the reduction of cross-shareholdings has been very positive overall. Cross-shareholdings are viewed as an inherent part of supply chains not only in Japan's automotive industry but also among the country's manufacturers generally. I think DENSO's efforts to change this from within have been well received. This initiative should be steadily continued, which I believe is the executive side's policy.

Mitsuya My understanding is that decisions on the merits and demerits of cross-shareholdings are being made in line with certain criteria and guidelines. We have received a clear explanation from the executive side that the dissolution of cross-shareholdings with the Toyota Group companies will not damage the long-standing relationship between DENSO and the Toyota Group. The process is a major step toward market-oriented business management, and I view the policy in a positive light.

Schmelzeis In the history of listed companies' governance in Japan, the disposal of cross-shareholdings by companies marks a very important turning point. Non-Japanese investors' strong endorsement of the unwinding of cross-shareholdings is noteworthy. I do not believe that all shares of Toyota Group companies should be disposed of right now, but I recognize that the reduction of cross-shareholdings is a sound move and the right direction in which to be heading.

Essence of Sustainability Activities

Kushida When a sustainability evaluation was introduced into the officer compensation system in fiscal 2023, the setting of the sustainability KPIs that were to be used became a focus. For the sake of workability, we began by narrowing down the number of KPIs for material issues (Materiality). At present, the Company has decided to incorporate its Materiality into the next mid-term policy. In the current preparatory stage, a large number of material issues have been compiled. We must take heed of the previous discussions of the Executive Nomination and Remuneration Council and ensure that the KPIs are highly workable.

The numerous material issues that companies are currently facing are partly an inevitable consequence of complying with new European rules on disclosure. However, the main idea is to use social issues and businesses that are important to DENSO as the two axes of efforts to narrow down the themes that should be focused on and then create and incorporate KPIs accordingly. Initiatives that do not have an affinity with or stem from the core of business management will not be sufficiently workable and will not increase corporate value.

Mitsuya In its own right, the introduction of KPIs is of great significance. The current sustainability KPIs are not in their final form. In an ongoing process of trial and error, they will be discussed at the Executive Nomination and Remuneration Council and other meetings.

The use of ESG figures in isolation, before their linkage to core businesses has been clarified, would be putting the cart before the horse. The simple issuance of figures is not enough. DENSO should issue figures that it has fully analyzed and internalized and clearly explain why it is emphasizing the figures and what it hopes to achieve by reaching certain numerical targets. Moreover, if a target is not achieved, the cause should be identified and a fundamental reexamination should be undertaken. On the other hand, if initiatives are already in place, being overly focused on the announcement of numerical targets seems unnecessary.



Kushida I certainly think that the essence of targets should be analyzed in depth and verbalized. However, in order to monitor the progress of the initiatives, I believe we need KPI-based management. I could not agree more that we should go back to basic objectives and fundamentally review figures that are far removed from actual situations.

Ideal Mid-Term Policy

Kushida Even though it is too early to look back on the achievements under the Mid-term Policy for 2025, at this point the Company is certainly falling behind in the area of new value creation. However, this delay is apparent only because we have set clear targets for consolidated revenue and other metrics, without which we would not be able to judge the progress of initiatives. We must consider the positioning of the mid-term policy in greater depth.

In general, when formulating a medium- to long-term plan, completely foreseeing the market four or five years into the future is challenging. Even in recent memory, there have been a series of events, such as the COVID-19 pandemic and the semiconductor shortage, that far exceeded our prior assumptions. We must respond flexibly to such major changes in the environment. At a time that calls for the rapid execution of responses, the Board of Directors should not engage in endless discussions about execution.

To ensure that the benefits of separating supervision and execution are not diminished, the speed of execution should be increased through delegation of authority, while the Board of Directors should hold discussions that are sharply focused on a narrowed down set of issues. DENSO's governance has definitely improved in recent years, but I think room remains for further improvement.

Mitsuya Certainly, both society and DENSO have changed dramatically over the past five years. There was the implementation of "Reborn21," a transformation plan established in response to quality issues. Formulated in 2022, the Mid-term Policy for 2025 integrates several earlier plans, including "Reborn21." When these earlier plans were formulated, foreseeing the changes in society and DENSO would have been impossible.

On the other hand, from a steep decline five years ago the Company's performance has recovered rapidly, with consolidated revenue reaching record highs for three consecutive years. Quite apart from the Company's progress toward the plan's targets, this resilience and ability to recover deserves praise.

Schmelzeis One test for the senior management team will be how concrete the next mid-term policy is. The ongoing discussions are still at the brainstorming stage, with ESG-related keywords flying around, but the question is how to refine them and incorporate them into concrete targets for the next five, 10, or 15 years. I would like to actively participate in and contribute to these discussions, which are about to get into full swing.

Risk Management

Basic Stance

To minimize the impact of constantly diversifying risks, DENSO is working to strengthen its risk management structure as a part of internal controls. Specifically, we have divided matters that have the potential to damage our businesses into “risks,” which refer to circumstances where such matters have yet to manifest, and “crises,” which refer to states of emergency where such matters have manifested. Based on these classifications, we are focusing our efforts on implementing preventive measures, which stop risks before they occur, and swift and accurate initial-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 March 2020, we have been dealing with the fallout from the quality-related issue pertaining to our fuel pumps, which are being recalled by various auto manufacturers. This issue has impacted the trust our customers place in us and has shaken our management foundation. Additionally, numerous risks have been emerging due to the external environment, such as the COVID-19 pandemic, tight supply-demand for production materials, and cyberattacks.

In light of these circumstances, we have once again recognized risk management as an important management issue. Going forward, we will pursue dramatic reforms to our risk management structure in order to further 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 promotes the direction of important risk management activities based on the conditions and trends both inside and outside the Company. We have also appointed risk officers and risk managers responsible for risk management in each business unit and at each regional headquarters and domestic and overseas Group company. In these ways, 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 Emergency First Response Manual in order to respond promptly and accurately in the event of a crisis. This manual clarifies such matters as the criteria for determining the level of urgency for a crisis, reporting standards, reporting routes, and basic policy for internal and external responses. Furthermore, depending on the severity and level of urgency of the situation, we assemble special countermeasure organizations through which the functional departments lead the way with measures to enact an agile response geared toward minimizing damage.

Ascertaining Risks and Clarifying Response

DENSO makes efforts to actively ascertain the risks it faces and manage these risks from the perspectives of prevention and damage mitigation. Every year, risk assessments are carried out by each functional division, business unit, regional headquarters, and domestic and overseas Group company.

In fiscal 2024, the Company has identified risks that could potentially damage its operating capabilities, credibility, assets, and production activities, as well as the environment, based on the surrounding business environment. The Company designates responsible functional departments to examine the reasons for the occurrence of such risks and for the expansion of damages after occurrence, thereby clarifying preventive measures, initial response, and recovery efforts for these risks. Based on the implementation status of response and other measures, the Company has also assessed the scale of remaining risk factors for each risk item based on the perspectives of level of impact and frequency of occurrence.

In particular, DENSO is identifying risks for which remaining risk factors are significant and toward which it invests resources to promote countermeasures as “key risk items.” The Company has also established activity plans and targets for fiscal 2025 toward further enhancing its risk management, which were determined by the Risk Management Meeting. Also, with regard to its response measures

for key risk items, DENSO has established quantitative KPIs for Companywide targets pertaining to each risk item, and the status of initiatives based on these KPIs is also confirmed by the Board of Directors. Furthermore, DENSO implements inspections of this risk management process through internal audits and audits performed by external organizations.

For fiscal 2025, the Company has determined 37 major risk items and, among these, eight key risk items. DENSO will continue to revise these major risk and key risk items appropriately based on the results of risk assessments.

Additionally, through the risk assessment activities carried out in fiscal 2024, the Company analyzed the causes of each risk and organized the relationships between these causes and the risk management items. As a result, DENSO reaffirmed that the underlying causes of compliance-related risks, in particular, are shared issues rooted in its corporate culture. To that end, in fiscal 2025 DENSO is working to identify and address high-risk workplaces through workplace capability assessments and employee awareness surveys, as well as strengthening its compliance awareness initiatives, with a view toward creating a workplace culture that facilitates good communication.

Examples of Response to Risks

Adhering to Open, Fair, and Transparent Transactions

Appropriate Transactions and Adherence to Laws and Regulations

DENSO is working on a Groupwide basis to ensure appropriate transactions and adhere to laws and regulations. To that end, the Company has been engaging in close communication with each of its suppliers, promoting discussion on cost fluctuations and working to assess issues suppliers face. Amid the soaring costs of various goods, including not only unavoidable increases in raw material and energy costs but also rises in wage levels, we have been working to appropriately pass on costs to customers within the supply chain, seeking to set in motion a virtuous cycle across the industry and the domestic economy.

Looking ahead, we will further deepen our communication with suppliers, explicitly discussing the need to reflect increases in labor, raw material, energy, and other costs in transaction prices during price negotiations. At the same time, we will implement initiatives to ensure strict adherence to laws and regulations on a Groupwide basis. In these ways, we will aim to achieve sustainable development based on mutual trust with our suppliers.

Promoting Communication with Suppliers

To ensure the mutual growth of DENSO and its suppliers, we hold the Supplier Appreciation Meeting and other events, thereby working to facilitate mutual communication. At such events, we receive new technological proposals from suppliers and listen to their concerns and requests, while communicating information on such matters as our procurement policies, carbon neutrality-related efforts, and business trends. By doing so, we aim to achieve future growth together with our suppliers.

For DENSO, suppliers are a partner with whom we strive to achieve growth and foster trust through open dialogue and ongoing communication. In addition to spreading knowledge on and rigorously enforcing appropriate transactions both internally and externally, we are working to create environments that make it easy for suppliers to voice their concerns with us and are making efforts to alleviate said concerns.

Adhering to Laws and Regulations and Implementing Open, Fair, and Transparent Transactions

At DENSO, our procurement divisions give priority to efforts to entrench the principle of open, fair, and transparent transactions. To that end, these divisions distribute the Code of Conduct for DENSO Group Associates, which clearly indicates the standards of conduct for each and every employee, to all members of the Group. At the same time, we distribute the Business Etiquette for Buyers, which lays out standards of behavior that should be adhered to within procurement activities, to all employees involved in procurement,

thereby working to further increase awareness. Moreover, we encourage suppliers to utilize our Internal Reporting System. We also distribute the DENSO Compliance Declaration, which clarifies items to be observed in conducting business, to suppliers and procurement departments. Additionally, we offer anonymous surveys to suppliers on fair transactions and carefully reflect on the unfiltered feedback that we receive. In these ways, we are working to ensure strict compliance and make improvements to better meet supplier needs.

Looking ahead, we will seek to strengthen our partnerships with suppliers so that we can procure components, materials, equipment, and services that excel in terms of quality, technology, cost, delivery, environmental and safety performance, and compliance. By doing so, we aim to continue to offer products and services that satisfy our customers while also realizing growth across the automotive industry.

Initiatives to Prevent Harassment

As corporations seek to promote diversity, the forms of harassment are also becoming more diverse. In light of these circumstances, we are strengthening our initiatives to prevent harassment based on a zero-tolerance policy against harassment.

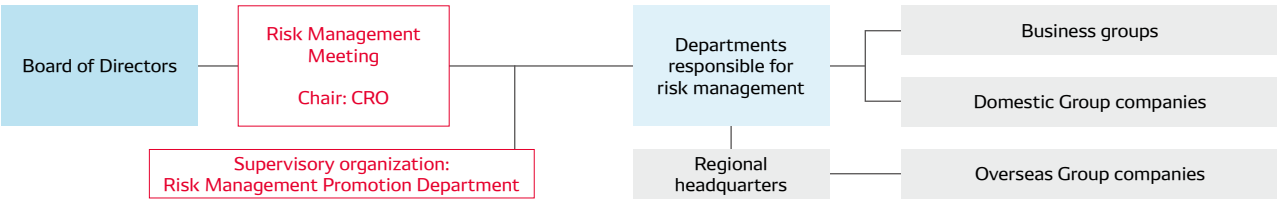
To ensure behavior in accordance with the DENSO Group Human Rights Policy, we clearly state the prohibition of harassment within our Code of Conduct. Additionally, we promote awareness-raising activities such as educational training for employees at each Group company.

For example, at DENSO CORPORATION, we provide harassment prevention training for all workplace leaders, including department heads and all supervisory personnel above that position as well as section and team leaders. Aside from harassment prevention measures, including studying trends and response strategies using case studies based on a wide range of specific harassment behaviors, this training covers methods for creating harassment-free workplaces and handling harassment when it occurs in nearby settings.

In fiscal 2024, DENSO CORPORATION and domestic Group companies introduced new training for regular employees, in addition to the conventional web-based education. This new training includes discussions at the workplace to promote a proper understanding of harassment and systematically address harassment prevention.

Moving forward, we will continue to implement harassment training and prevention activities to increase knowledge and awareness of harassment issues and its prevention and further improve our response capabilities when harassment does occur. In these ways, we will aim to create a fulfilling workplace culture in which employees can draw on their abilities to the greatest extent possible.

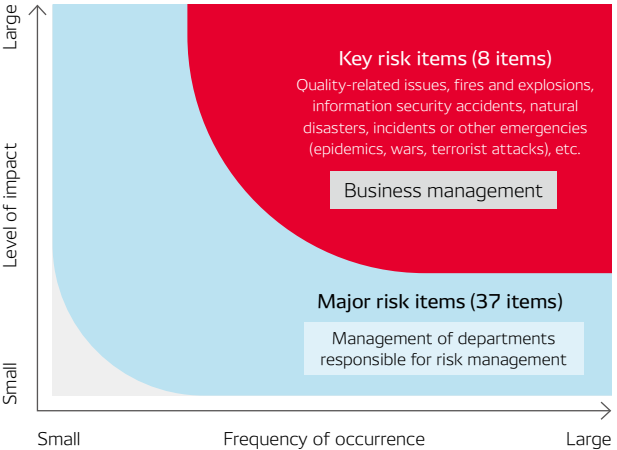
Risk Management Structure



Major Risk Items

Factors	Risk Items
Internal factors (accidents and mistakes)	Environmental pollution, work-related accidents, fires and explosions, quality-related issues, information security-related accidents, personnel- and work-related incidents, traffic accidents, etc.
Internal factors (legal violations)	Violation of the Antimonopoly Act, inappropriate employee dispatch or use of contract work, violation of product laws and regulations, violation of anti-bribery laws, etc.
External factors (natural disasters)	Earthquakes, typhoons, concentrated heavy rains, lightning strikes, etc.
External factors (political and social)	Product liability litigation, supplier-related issues, incidents or other emergencies (infectious diseases, wars, terrorist attacks, etc.)

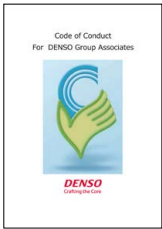
Risk Map



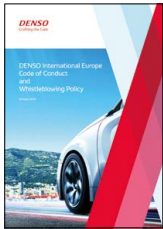
Compliance

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 Group 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 of Conduct for raising employees' awareness of compliance at DENSO CORPORATION and 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.



Code of Conduct for DENSO Group Associates



Regional versions of the Code of Conduct for DENSO Group Associates

Promotion Structure

In 1997, DENSO created the Business Ethics and Compliance Committee chaired by a member of the Board to provide oversight in that area (currently the Risk Management Meeting). We have also installed committee structures, such as the Compliance Committee, and appointed compliance promotion officers, and have positioned such 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 Enlightenment Activities

DENSO undertakes 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 enlightenment activities related to compliance, including position-based training, various compliance training,

and the Business Ethics Month (every October). We also roll out similar activities for employees in each region of operations, centered on our regional headquarters.

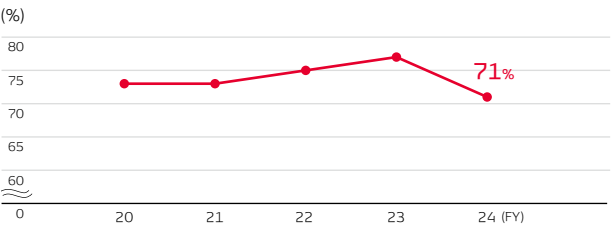
Inspection and Improvement of Activities

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 senior management when necessary, and steps are taken to prevent a recurrence of the issue.

In addition, audits are carried out on a regular basis in all regions, including Japan. 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. In the results for the fiscal 2024 survey, we observed a decline in some items related to the practical application of the Code of Conduct. Through analysis, we identified that this decline was the result of insufficient connections being made between the Code of Conduct and the actual day-to-day activities of each employee. Moving forward, we will enhance compliance awareness activities in an effort to improve the content of the Code of Conduct so that it is more practical and relatable to the individual actions of each employee.

Sustainability Survey (DENSO CORPORATION)

Question: Do you put into action the Code of Conduct for DENSO Group Associates? (Percentage of employees who answered "Yes")



Response to Antitrust Laws

In February 2010, the U.S.-based subsidiary DENSO International America was investigated by the U.S. Department of Justice. Taking this investigation with the utmost seriousness, we have established the Antitrust Laws Compliance Committee to further reinforce our efforts to adhere to antitrust laws. Under the guidance and supervision of this committee, which is chaired by the chief compliance officer (CCO), we have endeavored to reinstitute strict compliance with the antitrust laws across the entire DENSO Group. These efforts have included further reinforcing adherence to regulations

laid out under antitrust laws, strengthening education about relevant rules, and conducting more precise audits regarding legal compliance.

Moving forward, we will seek to prevent the recurrence of such an incident while working to regain trust by further strengthening our structure for complying with antitrust laws.

Preventing Corruption

Corruption is not only a hindrance to legitimate business activities but also a source of concern due to its connection with the funding of antisocial forces such as terrorist and criminal organizations. Many countries around the world are strengthening their regulations against acts of corruption, including the United Kingdom's Bribery Act (UKBA) and the United States' Foreign Corrupt Practices Act (FCPA).

In accordance with the DENSO Group Sustainability Policy, DENSO is committed to conducting sound and fair business activities with high ethical standards. For example, DENSO rigorously practices compliance with anti-corruption laws and regulations in all regions and countries in which it conducts business activities to ensure that it does not provide benefits or advantages through illegal or improper means such as bribery or illegal political contributions/donations; through threats, extortion, or embezzlement; or by engaging in money laundering, illegal international money transfers, or the funding of antisocial forces. The main examples of these kinds of efforts are as follows.

1. Response to Laws Pertaining to Bribery Prevention

In order to respond promptly to rapid changes in its businesses and in the operating environment, DENSO has established the Anti-Bribery Compliance Committee, which is chaired by the CCO. The Company is promoting anti-bribery compliance activities under the direction and supervision of the committee, in anticipation of an increase in opportunities to collaborate with public authorities and officials in various countries and regions.

The Company has established the Global Anti-Bribery Policy as its basic policy for preventing bribery. Under this policy, DENSO has introduced internal regulations on a global basis, operates anti-bribery systems, and actively promotes anti-bribery awareness activities and education for employees.

We also inform suppliers of our Supplier Sustainability Guidelines, which include anti-bribery measures, and encourage suppliers to conduct self-inspections. By doing so, we work to prevent any and all acts of bribery.

2. Preventing Insider Trading

To ensure fairness and soundness in the securities market and to secure the confidence of shareholders and investors, DENSO has established the Internal Information Committee, which is chaired by the executive vice president, and the Internal Information Review Committee, which manages the practical affairs of the former committee, both dedicated bodies to ensure the prevention of insider trading.

Additionally, in an effort to instill an awareness of insider trading prevention among its employees, the Company has established internal rules and bylaws regarding internal information management, has set standards of conduct for officers and employees regarding trading of the Company's shares and other securities, and clearly prohibits insider trading, as formally stated in its employee conduct guidelines. The Company also implements compliance training on a regular basis.

3. Promoting Proper Accounting

DENSO has established and maintains Company rules and procedures for the handling of expenses, inventory, and other matters, and ensures that all employees are aware of said rules and procedures by sharing relevant information via the Company intranet and

providing accounting compliance education along with other measures. The aim of such measures is to ensure that transactions that could lead to accounting irregularities, such as off-balance-sheet transactions, fictitious transactions or other unsound transactions, or transactions that could be mistaken as such, are not conducted, and that proper accounting procedures are performed in accordance with International Financial Reporting Standards and the laws and accounting standards of each country in which the Company operates.

Moreover, the Company creates and maintains accounting records, such as forms and account ledgers, that, in reasonable detail, accurately and fairly reflect all transactions and dispositions of assets.

Response to Tax Compliance

DENSO believes that paying its fair share of taxes is a part of being socially responsible. The CFO, executive vice president, and representative member of the Board has been designated as the person in charge of tax governance. The Company has built, maintains, and improves a tax compliance structure, and engages in tax planning while addressing tax-related risks when they materialize.

In addition, DENSO has established the DENSO Group Global Tax Policy. We believe that properly paying taxes in accordance with the rules and regulations in each country is one of the most fundamental and important responsibilities of a corporation. Accordingly, under this policy, we engage in activities to enhance tax compliance on a Groupwide basis, such as providing training for employees and abiding by rules for cross-border transactions.

Fiscal 2023 Taxes by Region		(Billions of yen)
Region	Tax Amount	
Japan	87.5	
North America	29.7	
Europe	6.7	
Asia	51.7	
Other regions	3.5	
Total	179.1	

Moving forward, we will continue to expand and enhance frameworks for raising employee awareness of compliance. At the same time, we will revamp and improve training programs through Groupwide collaboration with a view toward bolstering the compliance structure of the entire DENSO Group.

Please see the "Sustainability" section of our corporate website for more information.
Compliance:
<https://www.denso.com/global/en/about-us/sustainability/governance/compliance/>

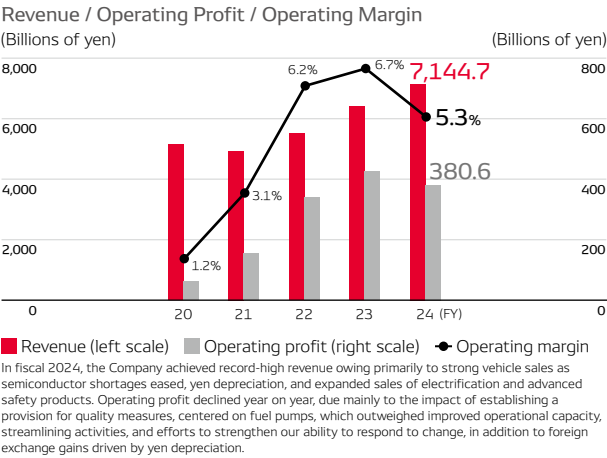
Please see the "Tax Governance" section of our corporate website for information on tax compliance.
<https://www.denso.com/global/en/about-us/sustainability/governance/tax-policy/>



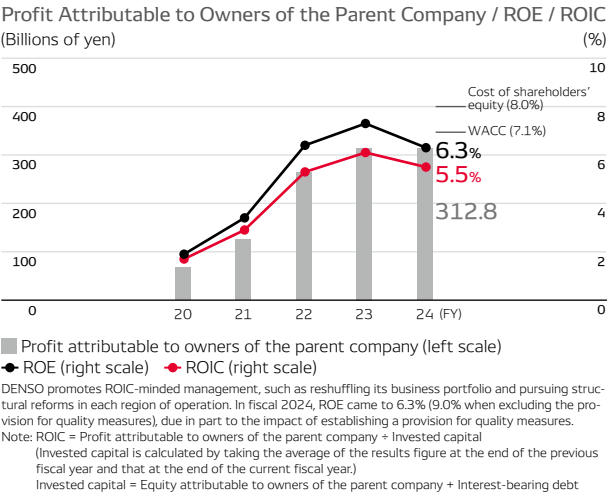
Facts & Figures

Financial Highlights

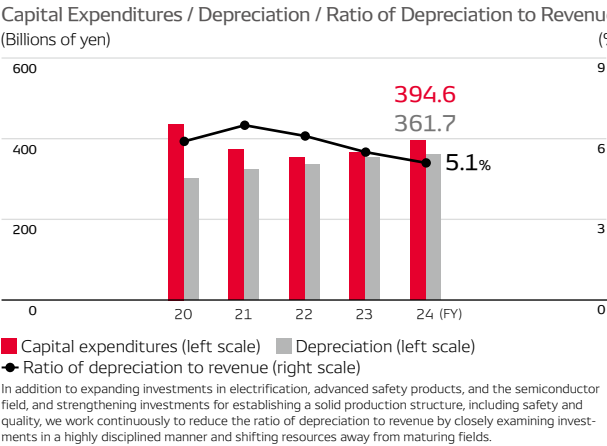
Profitability and Growth Potential



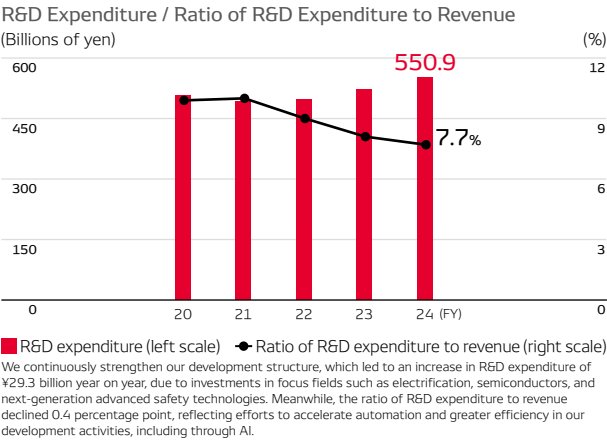
Profitability



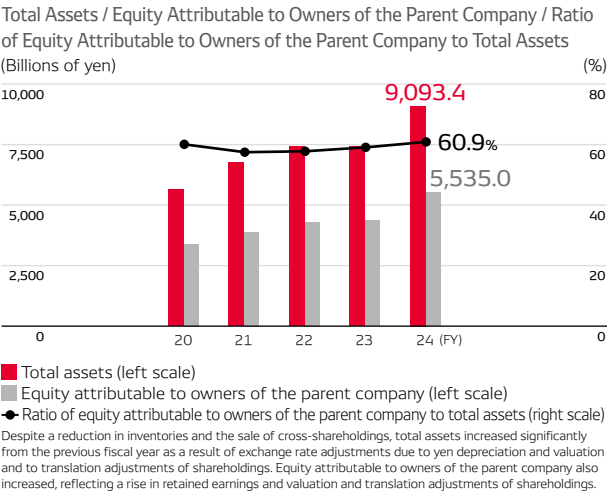
Future Investments



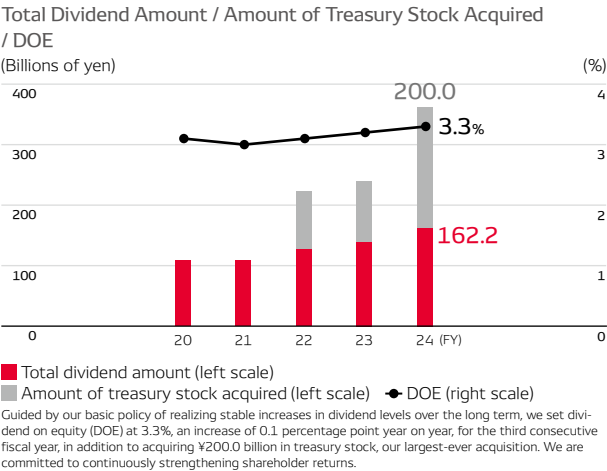
Future Investments



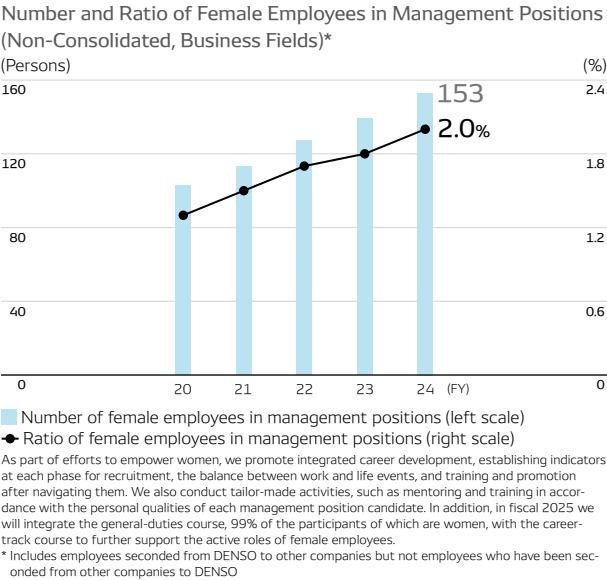
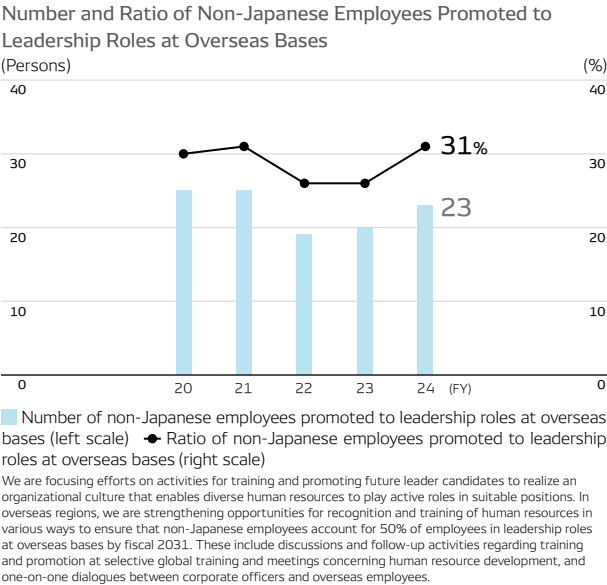
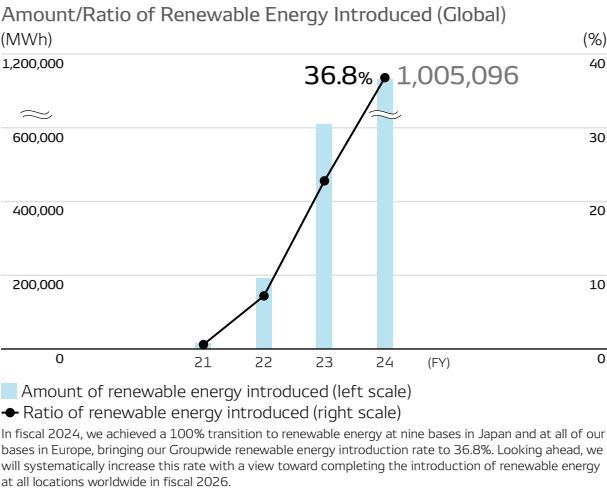
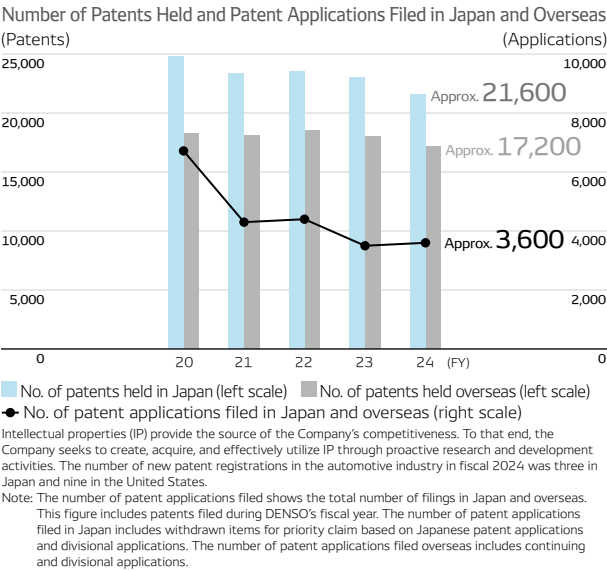
Financial Security and Leverage



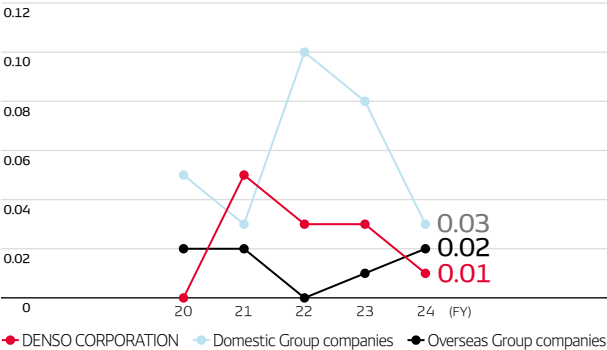
Shareholder Returns



Non-Financial Highlights

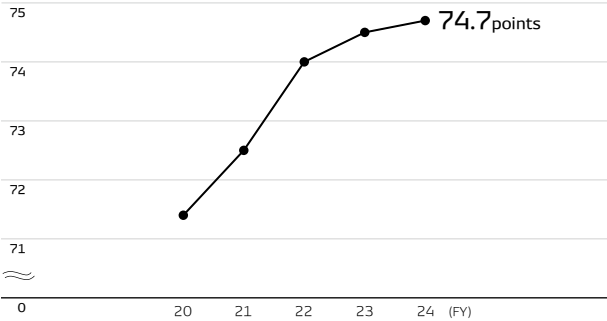


Lost-Time Frequency Rate*



* Lost-time frequency rate: Indicates the frequency of accidents using the number of fatalities and injuries through work-related accidents per one million cumulative working hours

Employee Lifestyle Score (Non-Consolidated)
(Points)



DENSO promotes initiatives to encourage the development of a health-focused workplace culture and the autonomous adoption of healthy behavior with the aim of creating a company where people can work energetically and vigorously in good health for as long as they choose. We have improved the employee lifestyle score year by year by conducting awareness-raising activities through organization-based collaboration with division leaders, and engaging with low-scoring employees, among other efforts. In fiscal 2025 and beyond, we plan to expand the same activities to domestic Group companies.



10-Year Data

Billions of yen

			IFRS			IFRS						
(FY)			2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Financial Data	Revenue	Total	4,309.8	4,524.5	4,527.1	5,108.3	5,362.8	5,153.5	4,936.7	5,515.5	6,401.3	7,144.7
	By Region*1	Japan	1,838.4	1,801.5	1,871.8	2,140.7	2,284.2	2,313.0	2,280.7	2,375.7	2,509.6	2,885.7
		North America	942.3	1,081.1	1,050.5	1,122.8	1,182.0	1,145.2	999.9	1,143.9	1,486.7	1,745.4
		Europe	524.8	568.2	550.2	620.2	609.4	548.3	482.3	506.2	624.3	709.7
		Asia	930.8	1,014.7	989.5	1,146.0	1,215.1	1,086.9	1,134.1	1,414.3	1,680.9	1,689.8
		Others	73.5	59.0	65.1	78.5	72.0	60.0	39.8	75.4	99.8	114.1
	By Customer	Car manufacturers	3,830.7	4,048.2	4,061.8	4,521.4	4,762.3	4,558.7	4,347.0	4,875.1	5,681.0	6,489.1
		Toyota Group	2,007.1	2,047.5	2,075.0	2,300.6	2,484.7	2,456.9	2,499.1	2,837.6	3,224.2	3,720.3
		Ratio of revenue from Toyota Group transactions to total revenue	46.6%	45.3%	45.8%	45.0%	46.3%	47.7%	50.6%	51.4%	50.4%	52.1%
		Aftermarket and non-automotive	479.1	476.3	465.3	586.9	600.5	594.8	589.7	640.4	720.3	655.6
	Operating Profit		331.4	315.7	330.6	412.7	316.2	61.1	155.1	341.2	426.1	380.6
	Operating Margin		7.7%	7.0%	7.3%	8.1%	5.9%	1.2%	3.1%	6.2%	6.7%	5.3%
	Profit Attributable to Owners of the Parent Company		258.4	244.3	257.6	320.6	254.5	68.1	125.1	263.9	314.6	312.8
	Return on Equity (ROE)		8.4%	7.6%	8.0%	9.3%	7.1%	1.9%	3.4%	6.4%	7.3%	6.3%
	Capital Expenditures		354.2	334.1	337.4	347.2	416.8	436.5	374.3	353.9	366.8	394.6
	Depreciation		220.1	236.8	241.1	268.6	287.3	302.1	323.0	335.4	353.3	361.7
	Ratio of Depreciation to Revenue		5.1%	5.2%	5.3%	5.3%	5.4%	5.9%	6.5%	6.1%	5.5%	5.1%
	R&D Expenditure		396.4	399.3	409.2	447.4	497.4	507.8	492.0	497.6	521.6	550.9
	Ratio of R&D Expenditure to Revenue		9.2%	8.8%	9.0%	8.8%	9.3%	9.9%	10.0%	9.0%	8.1%	7.7%
	Total Dividend Amount		87.7	95.3	94.6	101.4	108.9	108.5	108.5	126.5	139.0	162.2
	Amount of Treasury Stock Acquired		—	27.7	30.0	26.5	28.4	0.0	0.0	97.5	100.0	200.0
	Earnings per Share (EPS) (yen)*2		81.00	76.80	81.58	102.61	81.62	21.97	40.35	85.69	104.00	104.97
	DOE		3.0%	3.0%	2.9%	2.9%	3.0%	3.1%	3.0%	3.1%	3.2%	3.3%
	Cash Dividends per Share (yen)*2		27.50	30.00	30.00	32.50	35.00	35.00	35.00	41.25	46.25	55.00
	Dividend Payout Ratio		34.0%	39.1%	36.8%	31.7%	42.9%	159.3%	86.7%	48.1%	44.5%	52.4%
	Total Return Ratio		34.0%	50.4%	48.4%	39.9%	54.0%	159.3%	86.7%	84.9%	76.0%	115.8%
	Stock Price (yen)*2		1,370.75	1,131.00	1,224.25	1,455.00	1,079.25	872.75	1,836.75	1,965.00	1,860.75	2,883.00
	Market Capitalization		4,847.35	3,999.53	3,888.55	4,621.48	3,401.56	2,750.72	5,789.03	6,193.25	5,864.67	9,086.58
	Dividend Yield		2.0%	2.7%	2.5%	2.2%	3.2%	4.0%	1.9%	2.1%	2.5%	4.5%
	Price Earnings Ratio (PER) (times)		16.9	14.7	15.0	14.2	13.2	39.7	45.5	22.9	17.9	27.5
	Price-to-Book Ratio (PBR) (times)*3		1.3	1.4	1.1	1.3	1.1	1.0	1.1	1.5	1.3	1.4
	Net Cash Provided by Operating Activities (A)		383.2	552.9	467.8	558.0	533.5	595.3	437.2	395.6	602.7	961.8
	Net Cash Used in Investing Activities (B)		(111.5)	(544.8)	(108.0)	(529.1)	(514.7)	(447.4)	(395.9)	(301.6)	(363.7)	(459.5)
Free Cash Flow (A+B)		271.7	8.0	359.7	28.9	18.8	147.9	41.3	94.1	239.0	502.3	
Net Cash Provided by (Used in) Financing Activities		(135.7)	(104.7)	(240.5)	(40.3)	(92.2)	(240.9)	238.7	(159.5)	(400.1)	(496.7)	
Cash and Cash Equivalents at End of Year		792.4	672.5	793.6	783.3	711.6	597.8	897.4	867.8	733.9	789.4	
Cash on Hand		944.0	876.7	858.4	918.3	880.8	711.6	911.7	876.1	757.6	825.9	
Interest-Bearing Debt		447.2	476.6	350.3	473.9	550.2	465.4	854.2	991.4	889.3	850.7	
Equity Attributable to Owners of the Parent Company		3,327.9	3,123.6	3,312.7	3,598.3	3,595.7	3,397.1	3,891.0	4,299.4	4,376.9	5,535.0	
Total Assets		5,283.3	5,042.9	5,150.8	5,764.4	5,792.4	5,651.8	6,767.7	7,432.3	7,408.7	9,093.4	
Ratio of Equity Attributable to Owners of the Parent Company to Total Assets		63.0%	61.9%	64.3%	62.4%	62.1%	60.1%	57.5%	57.8%	59.1%	60.9%	
Non-Financial Data	Number of Employees		146,714	151,775	154,493	168,813	171,992	170,932	168,391	167,950	164,572	162,029
		Local	81,060	85,464	86,892	94,209	95,222	93,343	89,124	88,345	85,268	85,094
		Non-Consolidated	38,493	38,489	38,914	39,315	45,304	45,280	46,272	45,152	44,758	43,980
	Ratio of Female Employees (Non-Consolidated)		11.9%	12.3%	12.7%	13.1%	13.9%	14.2%	14.6%	15.1%	15.5%	15.9%
	Number of Female Employees in Management Positions (Non-Consolidated, Business Fields)		40	46	53	61	86	103	113	127	139	153
	Ratio of Female Employees in Management Positions (Non-Consolidated, Business Fields)		0.6%	0.7%	0.8%	0.9%	1.1%	1.3%	1.5%	1.7%	1.8%	2.0%
	Number of Non-Japanese Employees Promoted to Leadership Roles at Overseas Bases		24	25	25	26	26	25	25	19	20	23
	Ratio of Non-Japanese Employees Promoted to Leadership Roles at Overseas Bases		33%	34%	32%	28%	31%	30%	31%	26%	26%	31%
	CO ₂ Emissions (Global/Scope 1 and Scope 2) (10,000 t-CO ₂ e)*4		166.0	159.1	164.5	173.1	190.7	188.4	199.1	193.8	178.4	144.8
	Amount of Renewable Energy Introduced (Global) (MWh)		—	—	—	—	—	—	16,258	192,167	607,892	1,005,096
	Exchange Rate (during FY)	USD (yen)		110	120	108	111	111	109	106	112	136
EUR (yen)		139	133	119	130	128	121	124	131	141	157	
Chinese yuan (yen)		18	19	16	17	17	16	16	18	20	20	

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

*2 The Company executed a 1:4 stock split on common stock, effective October 1, 2023. Figures have been adjusted to reflect the 1:4 split.

*3 PBR is calculated using the following methods: Average share price during term ÷ Equity attributable to owners of the parent company per share

*4 CO₂ emissions from fiscal 2021 onward have been calculated based on the Basic Guidelines on Accounting for Total Greenhouse Gas Emissions. These emissions do not include the use of carbon credits.

Company Overview and Stock Information

(As of March 31, 2024)

Company Profile

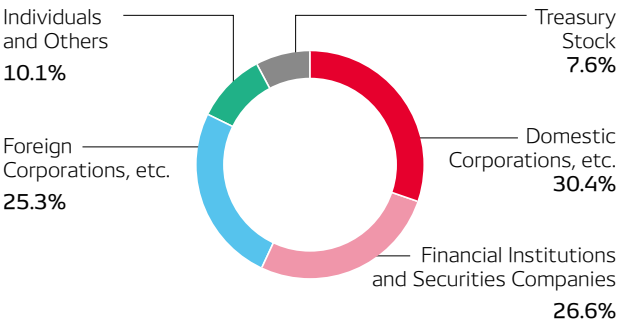
Company Name	DENSO CORPORATION
Founding	December 16, 1949
Capital	¥187.5 billion
Head Office	1-1, Showa-cho, Kariya, Aichi 448-8661, Japan
Employees	Consolidated basis: 162,029 Non-consolidated basis: 43,980
Consolidated Subsidiaries	193 (Japan 57, North America 23, Europe 36, Asia 72, Others 5)
Companies Accounted for by the Equity Method	70 (Japan 22, North America 8, Europe 7, Asia 29, 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	2,910,902,118 shares (excluding DENSO CORPORATION owning 240,877,686 shares of treasury stock)
Number of Shareholders	186,536
Securities Identification Code	6902
Stock Exchange Listings	Tokyo, Nagoya

Principal Shareholders (Top 10 Principal Shareholders)

Name of shareholder	Number of shares held (thousands)	Voting share (%)
Toyota Motor Corporation	598,927	20.57
The Master Trust Bank of Japan, Ltd. (Trust account)	340,875	11.71
Toyota Industries Corporation	157,706	5.41
Custody Bank of Japan, Ltd. (Trust account)	133,905	4.60
TOYOTA FUDOSAN CO., LTD.	133,235	4.57
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	86,654	2.97
DENSO Employees' Shareholding Association	48,865	1.67
Government of Norway (Standing proxy: N.A. Tokyo Branch, Citibank)	39,015	1.34
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	38,866	1.33
STATE STREET BANK WEST CLIENT – TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	36,209	1.24

Notes:
1. The Company holds treasury stock of 240,878 thousand shares but is excluded from the list of major shareholders above.
2. "Voting share" is calculated after excluding 240,878 thousand shares of treasury stock.
3. "Investment in the Company" by Toyota Industries Corporation is stated after excluding the Company's 27,192 thousand shares (ratio of voting rights: 0.93%), which are contributed as a trust asset for employees' retirement benefits by Toyota Industries Corporation. (These shares are registered in the name of "Custody Bank of Japan, Ltd. [Trust Account of Toyota Industries Corporation Employees' Retirement Benefits for the Re-trust by Sumitomo Mitsui Trust Bank, Limited]," and Toyota Industries Corporation reserves the right of instruction in exercising the shares' voting rights.)

Breakdown of Shareholders




ESG- and IR-Related External Evaluation


DENSO's ESG activities have been well received by external institutions, including through consistent selection for inclusion in indices in Japan and overseas, in recognition of its ESG initiatives to date, such as for environmental management, human rights and workers' rights, supply chain labor standards, gender diversity, and health and productivity management. In strong recognition of its IR activities and stance on information disclosure, the Company received the 2023 Award for Excellence in Corporate Disclosure in the Automobiles/Parts/Tires division (second-place ranking) from The Securities Analysts Association of Japan. *DENSO Integrated Report 2023* received the Gold Award for excellence of the WICI Japan Integrated Report Award 2023, hosted by WICI (World Intellectual Capital/Assets Initiative) Japan. The report also received the Grand Prix E (Environment) Award for companies with a particularly outstanding environmental performance of the Third Annual NIKKEI Integrated Report Award and was included in the Excellent Reports category by the Government Pension Investment Fund (GPIF)'s asset managers entrusted with domestic equity investment.



Notes: 1. FTSE Russell (the trading name of International Limited and Frank Company) confirms that DENSO CORPORATION has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.
2. FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that DENSO CORPORATION has been independently assessed according to the FTSE Blossom Japan Sector Relative Index criteria and has satisfied the requirements to become a constituent of this index. Created by the global index provider FTSE Russell, the FTSE Blossom Japan Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.
3. THE INCLUSION OF DENSO CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF DENSO CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.
4. Evaluations listed are those received as of September 30, 2024.




For details on outside evaluations and awards, please visit the website below.
<https://www.denso.com/global/en/about-us/sustainability/library/evaluation/>




Independent Third-Party Verification of Environmental Performance Data

To enhance the reliability of its environmental performance data on greenhouse gas emissions, energy consumption, and other matters, DENSO has received independent third-party verification from SCS Japan Inc. We will continuously improve our environmental performance data by extending the scope of verification activities.



For details, please visit the website below.
<https://www.denso.com/global/en/about-us/sustainability/environment/verification/>



TCFD INDEX



DENSO has pledged its support for the Task Force on Climate-related Financial Disclosures (TCFD). For *DENSO Integrated Report 2024*, we referenced the climate-related disclosure items recommended by the TCFD. The table below shows the correspondence between the TCFD recommended disclosure items within this report and the ones on our corporate website. Furthermore, this integrated report includes sections that disclose opportunities and risks based on scenario analysis and summarize DENSO's initiatives in accordance with the TCFD recommendations. Please see pages 70 to 73 for details.

	DENSO Integrated Report 2024	DENSO's Corporate Website
Governance	a) Describe the Board's oversight of climate-related risks and opportunities P71: Efforts to Maximize the Value of "Green" (TCFD)>Governance P97: Corporate Governance>Corporate Governance System	Who we are>Sustainability>Sustainability Management>Promotion Structure: https://www.denso.com/global/en/about-us/sustainability/management/#c Who we are>Sustainability>Commitment to the Environment>EcoVision>Environmental Management (Eco-Management)>Promotion Structure: https://www.denso.com/global/en/about-us/sustainability/environment/ecovision/ecomanagement/ Who we are>Sustainability>Governance>Corporate Governance>Corporate Governance System and Principal Organizations: https://www.denso.com/global/en/about-us/sustainability/governance/management/
	b) Describe management's role in assessing and managing climate-related risks and opportunities P71: Efforts to Maximize the Value of "Green" (TCFD)>Governance P97: Corporate Governance>Corporate Governance System	Who we are>Sustainability>Sustainability Management>Promotion Structure: https://www.denso.com/global/en/about-us/sustainability/management/#c Who we are>Sustainability>Commitment to the Environment>EcoVision>Environmental Management (Eco-Management)>Promotion Structure: https://www.denso.com/global/en/about-us/sustainability/environment/ecovision/ecomanagement/ Who we are>Sustainability>Governance>Corporate Governance>Corporate Governance System and Principal Organizations: https://www.denso.com/global/en/about-us/sustainability/governance/management/
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term P30-31: Awareness of Business Environment P32-33: Materiality P70: Efforts to Maximize the Value of "Green" (TCFD)>Scenario Analysis of Business Opportunities and Risks	Who we are>Sustainability>Commitment to the Environment>EcoVision: https://www.denso.com/global/en/about-us/sustainability/environment/ecovision/ Who we are>Sustainability>Commitment to the Environment>Environmental Action Plan: https://www.denso.com/global/en/about-us/sustainability/environment/action-plan/ Who we are>Sustainability>Sustainability Management>Materiality: https://www.denso.com/global/en/about-us/sustainability/management/#b
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning P28-29: Road Map for Our 2030 Vision P30-31: Awareness of Business Environment P32-33: Materiality P34-36: Mid-term Policy for 2025 P37-39: Strategies for Green and Peace of Mind P43-49: Financial Capital>Message from the Chief Financial Officer P70-71: Efforts to Maximize the Value of "Green" (TCFD)>Scenario Analysis of Business Opportunities and Risks, Impact on Management Strategy, Impact on Financial Planning	Who we are>Sustainability>Commitment to the Environment>EcoVision: https://www.denso.com/global/en/about-us/sustainability/environment/ecovision/ Who we are>Sustainability>Commitment to the Environment>Environmental Action Plan: https://www.denso.com/global/en/about-us/sustainability/environment/action-plan/
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario P70-71: Efforts to Maximize the Value of "Green" (TCFD)>Scenario Analysis of Business Opportunities and Risks, Impact on Management Strategy, Impact on Financial Planning	
Risk Management	a) Describe the organization's processes for identifying and assessing climate-related risks P32-33: Materiality P71: Efforts to Maximize the Value of "Green" (TCFD)>Risk Management P110-111: Risk Management	Who we are>Sustainability>Sustainability Management>Materiality: https://www.denso.com/global/en/about-us/sustainability/management/#b Who we are>Sustainability>Commitment to the Environment>EcoVision>Environmental Management (Eco-Management) https://www.denso.com/global/en/about-us/sustainability/environment/ecovision/ecomanagement/ Who we are>Sustainability>Governance>Risk Management>Ascertaining Risks and Clarifying Response: https://www.denso.com/global/en/about-us/sustainability/governance/risk/
	b) Describe the organization's processes for managing climate-related risks P32-33: Materiality P71: Efforts to Maximize the Value of "Green" (TCFD)>Risk Management P110-111: Risk Management	Who we are>Sustainability>Sustainability Management>Materiality: https://www.denso.com/global/en/about-us/sustainability/management/#b Who we are>Sustainability>Commitment to the Environment>EcoVision>Environmental Management (Eco-Management) https://www.denso.com/global/en/about-us/sustainability/environment/ecovision/ecomanagement/ Who we are>Sustainability>Governance>Risk Management>Ascertaining Risks and Clarifying Response: https://www.denso.com/global/en/about-us/sustainability/governance/risk/
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management P71: Efforts to Maximize the Value of "Green" (TCFD)>Risk Management P110-111: Risk Management	Who we are>Sustainability>Governance>Risk Management: https://www.denso.com/global/en/about-us/sustainability/governance/risk/
Metrics and Targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process P32-33: Materiality>Materiality KPIs P34: Mid-term Policy for 2025>Aims>Green P37-39: Strategies for Green and Peace of Mind P72-73: Efforts to Maximize the Value of "Green" (TCFD)>Metrics and Targets	Who we are>Sustainability>Commitment to the Environment>EcoVision: https://www.denso.com/global/en/about-us/sustainability/environment/ecovision/
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks P73: Efforts to Maximize the Value of "Green" (TCFD)>Metrics and Targets>Carbon-Neutral Monozukuri P116-117: 10-Year Data>Non-Financial Data>CO ₂ Emissions (Global/Scope 1 and Scope 2)	Who we are>Sustainability>Commitment to the Environment>Data compilation (Environmental report)>Action 2: https://www.denso.com/global/en/about-us/sustainability/library/environment-data/#a
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets P32-33: Materiality>Materiality KPIs P34: Mid-term Policy for 2025>Aims>Green P37-39: Strategies for Green and Peace of Mind P72-73: Efforts to Maximize the Value of "Green" (TCFD)>Metrics and Targets P116-117: 10-Year Data>Non-Financial Data>CO ₂ Emissions (Global/Scope 1 and Scope 2)	Who we are>Sustainability>Commitment to the Environment>Environmental Action Plan>Positioning of the Seventh Phase of the Environmental Action Plan: https://www.denso.com/global/en/about-us/sustainability/environment/action-plan/ Who we are>Sustainability>Commitment to the Environment>Data compilation (Environmental report)>Action 2: https://www.denso.com/global/en/about-us/sustainability/library/environment-data/#a

DENSO CORPORATION

1-1, Showa-cho, Kariya, Aichi 448-8661, Japan
Phone: +81-566-25-5511 (Information Center)
www.denso.com/global/en/