

Results of DENSO Revolution Plan "Reborn21"

Since fiscal 2020, DENSO's operating environment has continued to undergo dramatic changes. These changes have included the impacts of the COVID-19 pandemic, which caused a massive decline in sales. In addition, we saw the occurrence of a quality-related issue, which shook the foundation of our management. In response to these developments, we have been working to restore our quality, which is the foundation of our business and trust, and to transition to a firm and robust corporate structure, which will allow us to respond to changes in the external environment in any age and provide new value. With these aims, we formulated the DENSO Revolution Plan "Reborn21." In the two-year period leading up to March 31, 2022, we have sought to transform ourselves into a company with even higher value so that DENSO is poised to cut a fresh start. Specific successes of our initiatives can be found below.

○: Achieved; △: In progress

Quality	Taking a humble approach toward thoroughly reinforcing the three pillars that form the basis of our recommitment to quality	
Goal	Complete measures, ensure improvements in quality, and recover trust from customers	
Successes and Initiative Examples		Evaluation
Reinforce our fundamental technologies	<ul style="list-style-type: none"> Establishment of development and quality assurance systems for individual fundamental technologies to make steady progress in the development of new fundamental technologies 	○
Create excellent working environments that ensure open communication	<ul style="list-style-type: none"> Cultivation of a culture in which quality nonconformities and issues are quickly communicated to relevant parties to facilitate swift responses Entrenchment of well-grounded action directed by division leadership through quality control teams 	○
Adopt a humble stance	<ul style="list-style-type: none"> Fostering of recognition of compliance as a fundamental principle and of related culture Reduction of error in growing volume of software development processes through digital transformation 	○
Strategy	Committing to the principles of "green" and "peace of mind" in business	
Goal	Formulate long-term scenarios for maximizing environmental performance and peace of mind, move forward with development of concrete technologies, and advance product deployment plans	
Successes and Initiative Examples		Evaluation
Green	<ul style="list-style-type: none"> Commencement of annual tracking of key performance indicators related to business continuity and CO₂ emissions (mobility products) Formulation of CO₂ emissions reduction plan leading up to 2025 and establishment of renewable energy and credit acquisition policies (<i>Monozukuri</i>) Examination of potential alliances with multiple companies and industries to advance commercialization of initiatives (energy use) 	○
Peace of mind	<ul style="list-style-type: none"> Promotion of Global Safety Package 3 (GSP3) sales, expansion of post-installation products, and planning of next-generation products and related business strategies (safety) Swift launch of Puremie in-vehicle air purifiers (comfort) Acquisition of multiple orders centered on solutions that respond to customer needs (support for working people) 	○
Business practices	Providing customers with the best possible products and services faster than any other company	
Goal	Transform employee awareness and work processes to promote adherence to proper work processes founded on digital technologies and Core & Customization Strategy*1 at all workplaces	
Successes and Initiative Examples		Evaluation
Core & Customization Strategy	<ul style="list-style-type: none"> Development of business portfolio strategy for achieving growth based on both "green" and "peace of mind" principles and Core & Customization Strategy Improvement of quality control and sales promotion efficiency for growth field products based on Core & Customization Strategy Commencement of de-emphasis and discontinuation of designated products** with fulfillment of supply obligations to customers as top priority 	○
Digitalization	<ul style="list-style-type: none"> Promotion of accurate communications based on data and cultivation of culture of utilizing digital technologies to facilitate proper work processes Linkage of unconnected company data and automation and mechanization of processes previously performed by hand Laying of groundwork for adopting higher-value processes through digitalization and process reforms 	○

*1 Strategy of planning standard (core) specifications that benefit all customers and customizable specifications for matching specific customer needs to swiftly supply products and services

*2 Businesses and products designated for de-emphasis or discontinuation (including through business transfer) based on business portfolio strategies

○: Achieved; △: In progress

Personnel and organization that can respond to change	Achieving a balance between the growth and happiness of all employees and efforts for enhancing our organizational capabilities to realize our strategies
Goal	<ul style="list-style-type: none"> Improve engagement through reforms to employee awareness and behavior aimed at transforming business Enhance organizational capabilities through recruitment, positioning, and cultivation of human resources based on a clear definition of the skills and number of human resources needed to enact business strategies

Successes and Initiative Examples		Evaluation
<ul style="list-style-type: none"> Achievement of 70% rate of positive responses on employee engagement surveys (year-on-year improvement of 4 percentage points) Optimal allocation of human resources based on human resource portfolio strategy, implementation of recurrent training programs for software engineers, and deployment of human resource development strategies targeting growth in focus areas Internal deployment of new PROGRESS vision for human resources and organizations and start of employee awareness raising regarding three-year road map <p>Measures: Acceleration of activities based on road map for realizing new vision targeting completion by March 31, 2024; bolstering of staff in priority areas, such as electrification, through recruitment, optimal positioning, and development of human resources</p>		△

Human Capital, Message from the Chief Human Resources Officer [P65-67](#)

Finance	Establishing a structure resilient to change
Goal	Lower the break-even point to 70% or less by drastically improving efficiency via business portfolio and work process reforms for realizing principles of "green" and "peace of mind"

Successes and Initiative Examples		Evaluation
<ul style="list-style-type: none"> Reduction of the break-even point by 6 percentage points by cutting approximately ¥91.0 billion worth of costs over two years Break-even point of 74% on March 31, 2022, despite deterioration of operating environment <p>Measures: Launch of the Response Capabilities Enhancement Project in fiscal 2023 to reform cost structures and allow for more flexible responses to operating environment deterioration in order to lower the break-even point to 70% or less; reduction of costs and transfer of costs to customers in order to overcome challenging operating environment in fiscal 2023</p>		△

Financial Capital, Message from the Chief Financial Officer [P57-64](#)

Message from an Executive Vice President

Creation of New Value Based on Principles of "Green" and "Peace of Mind"

The founding spirit of "provide quality products and services" forms the basis for DENSO's quality philosophy. Despite the commitment to quality this indicates, a major quality-related issue occurred as a result of our prioritizing quantitative indicators like sales and profit. Recommitting ourselves to quality, we enacted the DENSO Revolution Plan "Reborn21," based on which we are reforming our awareness and behavior in line with DENSO's principles of "green" and "peace of mind." Through this plan, we are dedicated to achieving results that are apparent in the defined indicators by thoroughly examining our philosophy and approach toward quality, incorporating initiatives for addressing social issues into our strategies while achieving business sustainability, and popularizing DENSO's products and services.

Specific benefits of our activities in this regard include the start of business portfolio reorganizations based on our philosophy and the entrenchment of comprehensive planning for defining conditions for customers and practices using the latest digital tools to improve quality. These advancements were achieved through a concerted effort to reform our corporate culture. As a result, we have seen improvements in the quality of delivered and on-market products, which has led to our receiving quality awards from companies around the world. In terms of finances, these improvements have lowered our break-even point.

When it comes to creating value that inspires customers and society, nothing is more important than our people. I therefore hope to contribute to customers and society by making sure that DENSO is always a company at which employees can use their time to help shape a more exciting future for society and utilize their innovative ideas and refined sensibilities.



Yukihiko Shinohara*
Executive Vice President, Representative Member of the Board

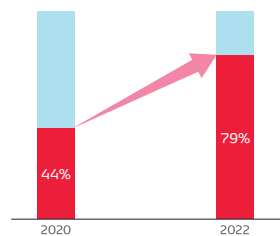
* Oversaw and promoted reforms to employee awareness and the corporate constitution as Chief Corporate Revolution Officer over the period from June 2020 to March 2022

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Raising of Employee Awareness

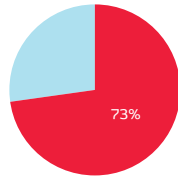
The Company's employee surveys are used as a means of guiding changes seen in awareness among employees as a result of initiatives under "Reborn21." The 2022 survey revealed a change in employee behavior with regard to quality awareness along with a progressive individual-level shift toward work attitudes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

Ratio of Employees Pursuing Transformation



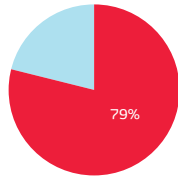
■ Employees pursuing transformation

Ratio of Employees Stating That They Act with the Intent of Contributing to Customers and Society



■ Employees stating that they act with the intent of contributing to customers and society

Ratio of Employees Experiencing Personal Rise in Quality Awareness



■ Employees experiencing personal rise in quality awareness

Examples of Global Initiatives

Restarting as a Hub for CASE—Promoting Quality Enhancements, Factory Reforms, and DX & Organizational Integration
DENSO Manufacturing Tennessee, Inc. (DMTN), our largest manufacturing base in the United States, launched the Reborn21 Project Team, which promotes activities focusing on 1) reestablishing quality foundation, 2) implementing swift factory reforms, and 3) promoting DX and organizational integration. With regard to quality, the Reborn21 Project Team created open working environments that incorporate real associates' voices and feedback. In addition, the team enacted rigorous countermeasures to prevent defective products from reaching the customer. For factory reforms, the team was able to launch 35 new production lines for CASE products over a three-year period through the swift reorganization of DMTN's production structure. In terms of the integration of DX and organizations, the team integrated the organizations of individual business units and factories into one Companywide organization and reduced duplicate functions and repetitive work processes through the expansion of DX. As a result of the Reborn21 Project Team's activities, which brought together all DMTN associates, DMTN was able to improve competitiveness through fixed cost reduction and a break-even point of 2.7%. Through the promotion of Reborn21, DMTN was able to restart itself as a North American hub for CASE that can respond to the needs of customers and society and pursue the ideals of "green" and "peace of mind."

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

Our Thai manufacturing base, SIAM DENSO MANUFACTURING CO., LTD. (SDM), has been promoting improvement efforts to realize a more flexible and robust operating structure. With a focus on changes in the future business environment, such as the decline in production of internal combustion engines, these efforts have aimed to transform SDM into a company that can generate profits even if production volumes fluctuate. As the COVID-19 pandemic began to hit Thailand in 2020, SDM saw the changes amid the pandemic as a unique opportunity to accelerate its improvement efforts and thereby launched the *Bok Noi Dai Mai* project in April 2020, which involved the participation of all employees in improvement activities. Under the *Bok Noi Dai Mai* project, SDM formed numerous teams that brought people together from various workplaces, and these teams came up with ideas for improvements one after the other by leveraging the individual expertise of each team member. In only two months upon its launch, the project was able to collect over 80,000 proposals for improvements.

The activities of the *Bok Noi Dai Mai* project helped foster an awareness among SDM employees that they are the ones who can make their workplace better. As a result, SDM was able to realize structural reforms with cost benefits, including the reduction of ordinary fixed costs, totaling roughly ¥1.0 billion.

* The *Bok Noi Dai Mai* project was named after a hit song of the same title by the Thai female star singer NANTHIDA, who was popular in the 1990s.



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

Optimization of Business Portfolio

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

Transfer of Type III Alternator Business

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

Process of Business Transfer

A major factor behind the decision to transfer the type III alternator business was the idea that it would be beneficial for customers, Chengdu Huachuan Electric Parts, suppliers, and DENSO. However, these benefits hinge on the ability to supply customers with type III alternators of the

same high quality that they expect. When DENSO transfers production operations, it is standard for the Company to dispatch employees to the site of the transfer in order to confirm the new production operations first hand. Examinations of the possibility of transferring this business came into full swing around the time of the COVID-19 pandemic. Chengdu Huachuan Electric Parts has a different corporate culture, not to mention operates in a different language, than DENSO. We therefore arranged more than 100 online meetings with this company, using diagrams, photographs, and videos to explain DENSO's quality traditions and ensure that they could supply customers with products of equivalent quality. During this process, we emphasized the importance of gaining the understanding of Chengdu Huachuan Electric Parts based on their perspective. The ongoing process of communication, designed to translate our experience and insight into words and explain the reasoning behind our designs, processes, and inspections, finally came to fruition in January 2022, when we were able to conclude a contract with Chengdu Huachuan Electric Parts for the transfer of one of our businesses. In fact, the type III alternator business was our first successful business transfer, and we are dedicated to building upon this success to accelerate Companywide business portfolio optimization efforts.



Message from an Employee

Conveyance of DENSO's Commitment to Quality

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



Hitoshi Irie
Electric Components Reform Driving Department, Electric Components Business Unit