

## 2 Mid-term Policy for 2025

Building on the management foundations laid by “Reborn21,” in fiscal 2023 we formulated the Mid-term Policy for 2025 with a view to fully embracing the DENSO Culture developed since our founding while 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 a road map and goals for the initiatives we will focus on and the corporate profile we will achieve by 2025.

<b>Prerequisites for Realizing the Goals of the Mid-term Policy for 2025</b>	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 an environmentally neutral manufacturing industry, thereby creating a sustainable society		Mobility products Energy use	FY2036 target <b>50% reduction (versus FY2021)</b> <small>Base value: CO<sub>2</sub> emissions from mobility products in fiscal 2021</small>
			<i>Monozukuri</i>	FY2036 target <b>Carbon neutral</b> <small>(Carbon neutral, including the use of carbon credits, by FY2026)</small>
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

### Important Milestones for Realizing Our Aims (Fiscal 2026)

ROE: <b>10% or higher</b> Operating margin: <b>10%</b> Revenue: <b>¥6.7 trillion</b> Electrification domain revenue: <b>¥1 trillion</b> ADAS domain revenue: <b>¥500.0 billion</b>
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### FY2024 Targets

ROE: <b>9.3%*</b> Operating margin: <b>9.0%*</b> Revenue: <b>¥6.7 trillion*</b> Electrification domain revenue: <b>¥840 billion</b> ADAS domain revenue: <b>¥435 billion</b> <small>* As of the end of the first quarter of fiscal 2024</small>
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### FY2023 Results

ROE: <b>7.3%</b> Operating margin: <b>6.7%</b> Revenue: <b>¥6.4 trillion</b> Electrification domain revenue: <b>¥680 billion</b> ADAS domain revenue: <b>¥391 billion</b>
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## Five Pillars of Global Management

Aiming to realize the target profile set out in the Mid-term Policy for 2025, DENSO's global workforce of approximately 170,000 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.66-73, 114-116](#)

	Initiatives	Progress and Strategy Going Forward
<b>Safety and Quality</b>	Establish a sound safety and quality foundation that meets the expectations of society and earns the trust of our customers	<b>Progress</b> <ul style="list-style-type: none"> <li>Generally achieved KPI by returning to the philosophy of total quality management and by strengthening management foundations</li> </ul> <b>Strategy going forward</b> <ul style="list-style-type: none"> <li>Advance the establishment of capabilities in anticipation of changes in the mobility society and customer needs</li> </ul>
<b>Risk Management</b>	Fulfill social responsibility by enhancing and implementing risk management initiatives so that we are able to immediately respond to changes in the external environment	<b>Progress</b> <ul style="list-style-type: none"> <li>Clarified rules for responding to emergencies and completed introduction of predictive management for all risk items</li> </ul> <b>Strategy going forward</b> <ul style="list-style-type: none"> <li>Map and monitor risks in new business fields and geopolitical risks and build readiness for evolving risks</li> </ul>
<b>Earnings</b>	Establish a robust earnings structure by promoting reforms to our business portfolio	<b>Progress</b> <ul style="list-style-type: none"> <li>Accelerated reweighting toward a business portfolio that simultaneously realizes profitability and our fundamental principles by realizing 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</li> <li>Reflected material cost hikes in prices upon obtaining the agreement of customers and suppliers; currently collaborating with industry bodies to create rules aimed at reforming business practices in the industry</li> </ul> <b>Strategy going forward</b> <ul style="list-style-type: none"> <li>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</li> </ul>

### 2. High Aspirations and Meticulous Work

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

Manufacturing Capital, Intellectual Capital [P.78-88](#)

	Initiatives	Progress and Strategy Going Forward
<b>1</b>	Swiftly provide our stakeholders with the best possible value and experiences by maximizing our performance through the Core & Customization Strategy and data utilization	<b>Progress</b> <ul style="list-style-type: none"> <li>Conducted prior development with customers from the product concept stage; currently incorporating customer needs into product concepts and growing sales</li> </ul> <b>Strategy going forward</b> <ul style="list-style-type: none"> <li>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</li> </ul>
<b>2</b>	Pursue competitive reorganization of production structure, implement digital-twin technologies, and promote automation, thereby transforming the landscape of our plants around the globe	<b>Progress</b> <ul style="list-style-type: none"> <li>In light of business portfolio transformation, currently implementing competitive reorganization, including consolidation and elimination of bases</li> </ul> <b>Strategy going forward</b> <ul style="list-style-type: none"> <li>Realize next-generation plants by establishing and advancing a development road map, and develop and implement general-purpose production systems</li> </ul>

### 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

Overview by Product, Financial Capital, and Intellectual Capital [P.48-65, 66-73, 80-88](#)

	Initiatives	Progress and Strategy Going Forward
<b>1</b>	Rebuild core businesses and transition business portfolio toward BEV products	<b>Progress</b> <ul style="list-style-type: none"> <li>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, power supply systems, and other products—by strengthening development and production capabilities (FY2023 result: ¥680 billion)</li> </ul> <b>Strategy going forward</b> <ul style="list-style-type: none"> <li>Realize further sales expansion in the vehicle electrification field and other growth fields; advance fundamental reform of the earnings structures of core businesses by accelerating the de-emphasis and discontinuation of internal combustion engine products, including the disposal of businesses and production reorganization on a global scale</li> </ul>

	Initiatives	Progress and Strategy Going Forward
<b>2</b>	Accelerate efforts to de-emphasize and discontinue internal combustion technology and commercialize new energy businesses, thereby contributing to carbon neutrality	<b>Progress</b> <ul style="list-style-type: none"> <li>Prepared scenarios for de-emphasizing and discontinuing internal combustion engine products in collaboration with customers and supply chain companies and disposed of five businesses* (As of the end of September 2023)</li> <li>Began verification of green hydrogen production and in-plant hydrogen utilization at DENSO FUKUSHIMA CORPORATION</li> </ul> <b>Strategy going forward</b> <ul style="list-style-type: none"> <li>Accelerate the de-emphasis and discontinuation of internal combustion engine products by globally reorganizing production and disposing of businesses</li> <li>Plan to extend the scope of new energy businesses' verification activities beyond plants to include automobiles</li> <li>* Including basic agreements on beginning consideration of business disposal</li> </ul>
<b>3</b>	Promptly establish a structure for electrification that enables a flexible response to diversifying customers' needs and realize steady sales expansion and growth	<b>Progress</b> <ul style="list-style-type: none"> <li>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</li> <li>Developed an inverter that incorporates SiC power semiconductors; incorporated this inverter into the eAxle of the new-model RZ, the first dedicated BEV LEXUS</li> </ul> <b>Strategy going forward</b> <ul style="list-style-type: none"> <li>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</li> </ul>
<b>4</b>	Fully strengthen electronic and software technologies in an effort to contribute to the ideals of green and peace of mind and realize business growth	<b>Progress</b> <ul style="list-style-type: none"> <li>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</li> </ul> <b>Strategy going forward</b> <ul style="list-style-type: none"> <li>Accelerate business growth by further expanding sales and globally strengthening software development competitiveness</li> </ul>

### 4. Realization of Carbon Neutrality

#### Lead the Industry in Becoming Carbon Neutral

Strategies for "Green" and "Peace of Mind" [P.42-47](#)

	Initiatives	Progress and Strategy Going Forward
<b>1</b>	Transition to globally competitive, carbon-neutral plants through the utilization of innovative energy-saving technologies	<b>Progress</b> <ul style="list-style-type: none"> <li>Invested globally in energy-saving measures and private power generation through the use of solar panels and other methods based on a policy of simultaneously realizing carbon neutrality and economy</li> </ul> <b>Strategy going forward</b> <ul style="list-style-type: none"> <li>Advance the medium- to long-term development of carbon-neutral <i>Monozukuri</i> technologies, including technologies for materials and manufacturing methods</li> </ul>
<b>2</b>	Realize stable long-term procurement of renewable energy at a low cost	<b>Progress</b> <ul style="list-style-type: none"> <li>Introduced renewable energy to production bases in Japan (Anjo, Nishio, Hirose, and Fukushima) and all production sites in Europe (23% of power from renewable energy)</li> </ul> <b>Strategy going forward</b> <ul style="list-style-type: none"> <li>Follow medium-term procurement plans and policies and analyze market prices with a view to selecting bases where the introduction of renewable energy will achieve optimal economy and then advance the introduction of renewable energy accordingly</li> </ul>
<b>3</b>	Develop energy businesses together with robust business partners	<b>Progress</b> <ul style="list-style-type: none"> <li>Concluded an agreement on a basic plan for utilizing the Green Innovation Fund and conducting demonstration tests with customers in relation to CO<sub>2</sub> capture and hydrogen businesses</li> </ul> <b>Strategy going forward</b> <ul style="list-style-type: none"> <li>Conduct verification tests with customers to build know-how, alliances, and a supply chain and pursue early commercialization in cooperation with the government</li> </ul>

### 5. Creation of New Value

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

Materiality, Intellectual Capital [P.36-37, 80-88](#)

	Initiatives	Progress and Strategy Going Forward
<b>1</b>	Promote the development and practical application of cutting-edge technologies that underpin the digital-twin society	<b>Progress</b> <ul style="list-style-type: none"> <li>Prepared a hypothesis on 2035 social issues based on 2050 megatrends with the aim of taking pre-emptive action regarding dramatic changes in the business environment and possible social issues; focused on five trends from the perspective of ways in which DENSO can help address social issues based on its business fields and strengths</li> <li>Established the Social Innovation Business Development Function Unit, an organization tasked with realizing business growth based on the five trends</li> </ul> <b>Strategy going forward</b> <ul style="list-style-type: none"> <li>Identify fields for the creation of businesses and establish new ways of working that align with business formats in order to extend our business field from mobility to society as a whole and contribute to a society that promotes a cycle of well-being</li> </ul>
<b>2</b>	Create new value by further refining and combining our technologies while establishing growth scenarios based on popularizing our technologies throughout society	
<b>3</b>	Establish efficient and flexible workstyles that cater to new business models and establish non-financial KPIs	