We hope...

Spearheading Monozukuri, “we aim to create a bright future.”

“Knowing that automotive parts have been a matter of life or death in DENSO’s business development for more than 60 years, I learned how necessary high quality and high precision are. As a matter of life or death, we want to show commitment to consistently high quality. That is the thought that runs through DENSO’s very foundation.”

Koji Arima, President & CEO

“Clearing a 1,000-hour endurance test to bring to fruition absolutely unbreakable products was astonishingly brief. It’s a battle of one in a million. Although not a soaring achievement, I would like to repeat the seesawing and move forward little by little.”

Masahiko Miyaki, Executive Vice President and Board member who oversees overall production

“Continuing to demonstrate theories that exceed customer expectations is essential in gaining trust. For that reason, we must not assume that customer trends have their own logical categories. We have to gather more multi-faceted information, rack our brains for wisdom and form every hypothesis.”

Haruya Maruyama, Executive Vice President and Board member who oversees sales & marketing

“When taking on new challenges, the more we know, the more the thinking is that we are never likely to succeed and the normal thing to do in the end is to give up. However, a company that will not give up under those circumstances is DENSO. The thought that “we view development as really something for the benefit of the world” has become a driving force.”

Yasuhi Yamanaka, Executive Vice President and Board member who oversees future creation technology

DENSO’s Mission

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

KEY FIGURES

- R&D expenditure (as a proportion of revenue): 399.3 billion yen (9%)
- Number of worldwide patents held: Approx. 38,000
Cover Story: We hope on a global scale to connect to society.

"Rather than focusing on short-term profit, DENSO is a company that aspires to long-term sustainable growth and aims to consistently deliver joy and new value to society for the future. It is precisely because DENSO is a company that aims to foster growth in people and communities that we are able to bring these kinds of ideas to fruition."

Manager, North American Regional Headquarters

"Maintaining close relationships with customers and following a way of working that emphasizes teamwork are of vital importance in verifying the real situation on the front line of manufacturing. Doing things that our competitors have yet to do—that is what I feel is the essence of DENSO."

Manager, European Regional Headquarters

"The way we see it, we are strongly committed to turning the negative aspects of society into positive situations. In other words, beyond society we would like to be of immediate assistance to someone and make them smile."

Manager, South China Regional Headquarters

On a global scale
Expanding onto the world stage

KEY FIGURES

Development regions / Number of bases
(Number of consolidated subsidiaries)

> 35 countries and regions

> 188 bases

Number of employees

> 151,775
To connect to society
That feeling of satisfaction when delivering to society

Revenue $4,524.5 billion yen

Note: All the numerical data published on pages 1–4 is for the fiscal year ended March 31, 2016, or as at March 31, 2016.
Positioning of Annual Report

Editorial Policy
In addition to providing financial information, such as results and sales overviews as well as management strategy, Annual Report 2016 is edited as an integrated report that reports, in an easily understandable manner, on what value DENSO is providing society and on the process of improving that corporate value. This was achieved by introducing, in an integrated manner, information of non-financial nature on intangible assets, including on the environment, society and governance (ESG) that are seen as the foundation underpinning growth. DENSO creates long-term corporate value for all of its stakeholders, including shareholders and other investors, and would appreciate understanding for the efforts the company is making in aiming to realize a sustainable society.

In compiling this report, references have been made to the “international integrated reporting framework” that is proposed by the International Integrated Reporting Council (IIRC). In addition, with regard to social reporting and the environment, please refer to the Company’s website as it contains detailed CSR information.

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 contributions factors, such as risks and uncertain elements, the possibility exists that actual achievements and results may differ materially from this report.
A Message from the President

To Our Stakeholders

We will engage in R&D and Monozukuri (the art of making things) by paying close attention to global trends while maintaining a future orientation and a strong sense of ownership.

Koji Arima
President & CEO

Q1 One year has now passed since you were appointed president and CEO in June 2015. Could you please provide a summary of what you focused on in particular and the resulting achievements during your first year at the helm?

In the year since my appointment as president, I maintained a global viewpoint and a sense of speed when making decisions to fulfill DENSO’s mission of assisting broader society through products that contribute to the environment as well as to security and safety.

In 2015, with a view to realizing its aspirations for 2020, the Company formulated its Mid-term Policy for which 2019 is deemed as the fiscal year of its achievement, set three focus fields—the environment, safety and security; aftermarket and new business; and the global market—and started to address new challenges. In fiscal 2016 (the year ended March 31, 2016), the first year for the policy’s initiatives, we accelerated development of environmental products that contribute to fuel consumption reduction and safety and security products that prevent traffic accidents while launching products in the field of agricultural production support that leverage the technologies the Company has accumulated in the automotive field.

In addition to extending our DANTOTSU (outstanding) plant activities to Group companies in Japan and overseas, we commenced initiatives such as setting up the DP-Factory IoT Innovation Department and initiatives designed to bring about dramatic improvements in quality and further innovative technology for Monozukuri.

In an environment that is rapidly changing, we were able to overcome difficulties thanks to the efforts of each and every one of the DENSO Group’s 150,000 employees and the support of all stakeholders, for which I would like to take this opportunity to express my heartfelt gratitude.

By fiscal 2019, having further raised our R&D and Monozukuri capabilities and accelerated the development of world-first and locally developed new technologies, I would like DENSO to have become a company capable of contributing to society on a global scale. With regard to the changes in the business environment in which we operate, so-called paradigm shifts are occurring more and more quickly and to a greater extent. Amid such extreme changes, I feel it imperative that to bring the Mid-term Policy to fruition we need to pay close attention to global trends, maintain a future orientation, confront whatever challenges that we might face while resolutely maintaining a healthy sense of crisis in decisively overcoming them with a strong sense of ownership and an unprecedented sense of speed. Fiscal 2017 is the second year of the Mid-term Policy, but as we are aware of its extreme importance for future growth it is positioned as “the first year of reform.” Without wavering, I myself will continue to promote reforms in both awareness and actions.

Q2 Could you please provide some examples of your initiatives up to now?

As a current important issue, I would like to introduce ADAS, our advanced driver assistance system, and IoT, as examples of efforts in which we are engaged based on society’s needs.

ADAS Initiatives

Amid fears of a significant rise in traffic accident fatalities associated with the rapid increase in the global population, there is a greater need for advanced driver assistance technologies that will lead to automated driving to resolve this social problem. Competitive developments are being accelerated at each automaker toward the full-scale commercialization of automated driving in 2020, and DENSO is ascertaining areas in which to compete and areas in which to collaborate while proactively engaging in strategic mechanisms through alliances.

To accelerate technological developments related to automated driving, the Company integrated related internal business units that were formerly separate entities and established the ADAS Promotion Division in January 2016. The Company will give added impetus to promoting the commercialization of such systems by integrating and accelerating research and technological development that had been conducted individually by functional divisions and business divisions.

Koji Arima
President & CEO
IoT Initiatives  
At the same time, as represented by Industry 4.0 (Fourth Industrial Revolution), there is increasing attention being paid to IoT across the world. DENSO’s policy is to bring about the evolution of Monozukuri on a global basis by utilizing IoT to realize further improvements in competitiveness in the years to come. Firstly, with the aim of bringing about a 30% improvement in productivity by 2020, the Company established IoT Initiatives to realize further improvements in competitiveness in the years to come. At the same time, I would also like to unleash further improvements in our global Monozukuri competencies by utilizing IoT in the management of plants and facilities, so that we have visual representations of information which we were previously unable to see and can take measures before a problem occurs, so that cases of improvements go back and forth, transcending the corporate group and national boundaries. At the same time, I would also like to realize a manufacturing front line that has even more of a creative dynamism by drawing on people’s unbounded wisdom and taking advantage of progressive improvements.

Q3 What are the aspects to which DENSO attaches importance in promoting its business activities?

The aspects that the Company values the most are its comprehensive wisdom and comprehensive capabilities in R&D, Monozukuri and Hitozukuri (human resource development). I believe that these will be the driving force behind DENSO’s growth. Focusing on being the first in the world, the Company has been working with automakers on R&D from a global viewpoint that looks ahead 10–20 years. Having constantly focused on in-house technologies since its establishment, in Monozukuri the Company carries out in-house manufacturing design, from facilities and production lines to materials and process methods. Furthermore, I believe that the Company’s distinctive feature is its sophisticated and speedy product development that is brought about through the close collaboration between R&D and Monozukuri.

While placing value on this strength, it is my firm belief that there are things that we should change and things that we must not change. In a rapidly changing business environment, speed will take on even greater importance. However, there is a general belief that a principle of self-sufficiency that brings everything under one roof will not in itself enable a company to respond with a sense of speed to its rivals and competition in development. Without being afraid of change, I would like to continue to further hone the technologies that incorporate a range of knowledge by collaborating with other companies and research institutions to make DENSO more agile than ever before.

At the same time, the “DENSO Spirit” that embodies the common employee values that we have been cultivating since our establishment is an unchanging asset on which the Company has placed a high value. Considering Hitozukuri as a management foundation, we have been focusing efforts on proactive human resource training based on that DENSO Spirit. Continuing to confront challenges with a stance of always predicting change, DENSO will attach importance to three areas: “advances” that continue efforts to create new value unique to the Company through creativity and ingenuity, “trust” to offer values that exceed the expectations of our customers and society by showing a thorough commitment to quality and tireless day-to-day improvements based on local products, and “comprehensive wisdom and capabilities” that share targets with Company employees, bring together wisdom and capabilities, and continue to confront high-set targets as a unified Company. As the driving force for opening up the Company’s future in the years to come, I would like to continue sharing this DENSO Spirit with our partners across the world.

Q4 President Arima, in closing, could you please tell us about your hopes and aspirations with regard to the further growth of the DENSO Group?

In the years to come, we will aim to remain a company that is sought after and needed by people and conduct our business activities by contributing to the creation of a better society. Established as a manufacturer of automotive electronic components in 1949, DENSO has been globally expanding its business domains to this day. Always responding to the needs of our customers and of the times, this expansion has had the effect of addressing the creation of a better society by causing accumulated R&D capabilities to come together with Monozukuri and Hitozukuri capabilities as well as the provision of world-first technologies and products, and consider it important for this cycle to continue. For this reason, I recognize it as my responsibility to steer a course to become a corporate group that repeats that cycle and grows and develops in its relationships with all of its stakeholders. In resolving social issues through business and continuously providing value, I believe that we have been improving our earnings, strengthening our financial base, and realizing an improvement in DENSO’s corporate value. As a result, under the policy that continues to be linked to dividend returns to all shareholders, I recognize it as an important mission of the DENSO Group to stably bring about improvements in the dividend threshold over the long term. It sometimes happens that there is a tendency for corporate value, such as the sales and profits resulting from business activities, to be misunderstood when shown only in numerical values. It is my belief, however, that activities that can neither be seen nor recorded in numerical terms yet underpin corporate value—such as governance, environmental and social activities—are indispensable in improving that value. To create a foundation by which we contribute to a better society on an ongoing basis, we will further strengthen those kinds of activities.

So that we are able to contribute to the creation of a better society from now on, I would like DENSO to remain a company that is full of enthusiasm and smiling faces and in which each and every employee takes steps to go further and higher with courage. I would like to take this opportunity to thank everyone for their continued and unflagging support.
Corporate Value Creation Process

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

To continue as a company that has earned the trust and meets the expectations of people all over the world, DENSO helps to deliver the convenience and joy of cars to people all over the world while aiming to realize its Long-term Policy of “preserving the Earth’s environment” and “creating a society that ensures security and safety.” For that reason, DENSO has been sharing among all its employees the DENSO Spirit passed down since its establishment and contributing to the creation of a better society by leveraging its strengths in unique R&D, Monozukuri and Hitozukuri(human resource development).

Assuredly leading to the creation of corporate value, this “Business to Society” viewpoint has been underpinning DENSO’s growth.

Management Principles and Code of Conduct

DENSO has positioned three elements under the framework shown below: its Long-term Policy, which tackles issues in critical operational fields heading toward 2020 based on the DENSO Philosophy that outlines the Company’s corporate stance and mission; its Mid-term Policy that shows the strategies designed to achieve the Long-term Policy; and the DENSO Spirit that forms a day-to-day code of conduct.

Basic Principles

DENSO Philosophy

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

Long-term Policy

Protecting Lives, Preserving the Planet, and Preparing a Bright Future for Generations to Come

Mid-term Policy

1. Contribute to society focusing on the Environment and Security & Safety
2. Evolve technological development and manufacturing to satisfy diverse needs
3. Promote continuous development to motivate associates in learning, thinking, and challenging their minds

Annual Plan

Values and Beliefs

DENSO Spirit

(Foresight, Credibility and Collaboration)

Long-term Policy

Slogan

Protecting Lives, Preserving the Planet, and Preparing a Bright Future for Generations to Come

In light of difficult times expected caused by severe environmental changes, DENSO formulated the DENSO Group Long-term Policy 2020 in 2013 while keeping in mind its strong motivation to contribute to society and taking aggressive action on its own accord to remain a company that has earned the trust and meets the expectations of people all over the world.

2025 Business Environment

Population

8 billion in the world

CO₂ emission increase

Issue for Global Society

Automotive Market

Two-thirds of sales volume in emerging markets

Population

Global number of vehicles owned: 1.5 billion units

Traffic Fatalities

2 million lives lost

Cloud

Mobility is a part of infrastructure

Changes for Automotive Society

2025 Society of the Future

Global Common Keywords

Road to Sustainable Growth
Road to Respected Individual Life

Value Delivered to Society

Deliver the Convenience and Joy of Driving to People All over the World

Maximize positive value

DENSO’s commitment to automotive society

Minimize negative impact

Preserve the Planet

Security & Safety

Our mission toward 2020

Automobiles

Enhance the overall environmental friendliness and safety of automobiles

- Contribute to the creation of a power-efficient, secure society that uses energy and information infrastructures for automobiles
- Contribute to the creation of a safe, secure, and environment-friendly society through aftermarket services

Society as a whole

Contribute to society as a whole by leveraging our core technologies built up through our activities in automobile development
**Mid-term Policy**

Environment, Security, Safety, Aftermarket & New Business, and Global Market

DENSO Group Mid-term Policy describes the key business fields to focus on, the functions to reinforce, and the corporate fundamentals to strengthen through fiscal 2019 in order to achieve the goals of Long-term Policy 2020.

**Realize Sustainable Growth**

- **Environment, Security & Safety**: Create system products that address social issues and help reduce the environmental footprint and traffic accidents.
- **Aftermarket & New Business**: Expand aftermarket & new business markets to create new customer value from a societal needs and end-user perspective.
- **Global Market**: Reinforce the relationship of mutual trust and new DENSO business in each region so that people around the world can enjoy driving and the convenience of vehicles.

**Business fields to focus on**

- **Environment, Security & Safety**: Strengthen technological developments toward greater fuel saving, air purification, energy diversification (improve fuel efficiency, electrification, fuel economy, etc.), and system proposal capabilities.
- **Aftermarket & New Business**: Provide products that maintain societal needs and end-user viewpoint and that create customer value.
- **Global Market**: Predict customers’ essential expectations, continually provide value linked to customer brand improvements.

**Functions to reinforce**

- **World-first & Regional Innovation Products**: Accelerate advanced technology research and reinforce efforts in social science to predict the trend in regional needs, enhance the ability to design product concepts and develop advanced technologies.
- **Outstanding Manufacturing Competitiveness (JANETOTSU Miniature)**: Reinforce competitiveness through enhanced efficiency and cost reduction.
- **Management Speed**: Collaborate with diverse people and implement global next-generation information systems and change our way of working to improve speed of business operations.

**Business fields to focus on**

- **Environment, Security & Safety**: Create system products that address social issues and help reduce the environmental footprint and traffic accidents.
- **Aftermarket & New Business**: Expand aftermarket & new business markets to create new customer value from a societal needs and end-user perspective.
- **Global Market**: Reinforce the relationship of mutual trust and new DENSO business in each region so that people around the world can enjoy driving and the convenience of vehicles.

**DENSO Spirit**

**What is DENSO Spirit**

A spirit of foresight, credibility and collaboration

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

**Vision**

Anticipate change

**Creativity**

Create new value

**Challenge**

Overcome difficulties

**Credibility**

Providing quality and reliability beyond customer expectations

**Foresight**

Providing surprises and impressions in a way that only DENSO can

**Quality First**

Ensure the best quality for our customers

**On-site Verification**

Grasp the facts firmly

**Kaizen Continuous Improvement**

Strive to reach higher levels

**Collaboration**

Achieving the highest results by working as a team

**Communication**

Understand one another completely

**Teamwork**

Do your best as a team

**Human Development**

Develop yourself and the next generation

**COLUMN**

**Boldly Taking on New Challenges No Matter What the Circumstances**

In 1950, soon after its establishment, DENSO released 50 “Denso Go” electric vehicles to the market. With the exception of the batteries and chassis, the core components for these vehicles were manufactured entirely in-house. Fighting to survive during a difficult time when automobile demand had fallen off, we developed Denso Go through ongoing R&D driven by the deep desire of employees to contribute to society by providing useful products on the back of our electric component-related technologies and equipment. While Denso Go went out of production approximately a year after it was launched due to the government’s lifting of the ban on gasoline control and surging lead prices, the spirit of challenge and technical legacy that emerged during that time led to the creation of the Electric Vehicle Equipment Department in 1970, 20 years after Denso Go was launched.
Guided by the basic principles of its management policy and code of conduct, DENSO is leveraging the strengths of its R&D, Monozukuri*1 and Hitozukuri*2 nurtured over a lengthy period since its founding, to drive its business forward. By addressing a variety of social challenges, helping to preserve the global environment, and contributing to the security and safety of society, DENSO is also taking steps to enhance its corporate value. Through these means, the Company is further reinforcing its inherent strengths while ensuring that its efforts lead to sustainable growth. Here, we would like to provide details of our thoughts and the processes implemented.

*1 Monozukuri: The art of making things
*2 Hitozukuri: Human resource development

Value Provided to Society
Contribute to preserving the planet as well as security and safety
As identified under its Value Creation Model, DENSO’s strengths lie in the R&D, Monozukuri, and Hitozukuri that it has continued to nurture since its founding. Each of these strengths mutually supports the other, helping to drive the activities of the Company forward. These strengths also help realize DENSO’s Long-term Policy, which is supported by the pillars of environmental preservation, security, and safety and provide the engine that delivers new value to society. Here, we provide details of the secrets behind our strengths and activities that help bolster our competitive advantage.

**R&D, Monozukuri**

Research and Development (R&D)

In research and development—the starting point for new value creation—we are taking steps to further strengthen planning and R&D in order to accurately perceive society’s needs and produce competitive products. DENSO has been promoting roadmaps that show the path for advancing to each successive period: short term (five years), medium term (10 years), and long term (11 years or more). The roadmaps will incorporate changes in regulations and the needs of the global community and will decide the R&D themes to be started and terminated after they are shared with each division, the Engineering Research & Development Center, and the Production Innovation Center. In addition, to strengthen the global development network, we maintain technical centers at seven regions throughout the world and incorporate technical proposals tailored to local needs.

DENSO considers R&D expenditure at around 9% of revenue to be an appropriate level, and in fiscal 2016, the year ended March 31, 2016, R&D expenditure came to ¥399.3 billion and is expected to be ¥415.0 billion in fiscal 2017.

**The Key to Our Strength**

**Basic Research Focused on the Future**

At the Basic Research Laboratories established in 1991 and responsible for long-term R&D, equipped with state-of-the-art facilities, we conduct research and development of future technologies looking five to 20 years ahead. We perform basic research in a wide range of fields, from semiconductor materials to oil-producing microalgae, which has led to commercialization over the near term.

**Commitment to World-Firsts**

Based on its mission of “contributing to people’s well-being through new value creation,” DENSO is committed to creating world-first products that are connected to the environment, security and safety. DENSO has created various world-first products including the common rail system, which dramatically increases diesel engine performance, and short-range LiDAR, which prevents rear-end collisions and has been commercialized for compact vehicles.

**Global R&D Structure**

With technical centers based throughout the world’s five major regions (Japan, the United States, Germany, China, Thailand, India, Brazil), DENSO transcends the internal and external boundaries of the Company and collaborates with automakers, research institutions, universities, and other organizations to develop advanced technologies and products that meet the needs of each region.

**Monozukuri**

Since its inception, DENSO’s Monozukuri has thoroughly integrated in-house technologies. Through Monozukuri, positive steps are taken to design and manufacture equipment, production lines, materials and processing methods. This enables us to provide society with the world’s most advanced groundbreaking technologies and products conceived by our R&D.

We have strived to develop speedy and efficient production lines and compact, unique facilities, as well as streamlined distribution and inspection with our own production technology, and we have built a DANTOTSU [plant] that performs Monozukuri at a DANTOTSU [plant] price. This has enabled us to also ensure high efficiency and high quality and offer competitiveness and added value to our products.

**The Key to Our Strength**

**Materials Science That Create Things That Don’t Exist**

To pursue product performance and quality, if we don’t have suitable general-purpose materials, we create them. This is part of our commitment to DENSO’s Monozukuri. Materials that DENSO’s Monozukuri engineers and technicians will work together to achieve world-first products and world-best performance.

**Concurrent Engineering**

At DENSO, we believe that new product development comprises both R&D and Monozukuri. As with any new technology, if it cannot be turned into reality it cannot be developed into a product. Because R&D and Monozukuri jointly contribute knowledge and provide positive influence, we can produce new products of a higher dimension.

**The Key to Our Strength**

**The Two Prongs of R&D and Monozukuri**

We have been working on concurrent engineering to closely coordinate between the product development department, which is engaged in everything from development to mass production, and the manufacturing technology department. Thus, by thinking about the technology and process that achieves new products, we can develop products with a higher degree of perfection in a shorter period of time. To turn this into reality, engineers and technicians will work together to achieve commercialization. Concurrent engineering is now becoming mainstream in the world of Monozukuri, but at DENSO, since the 1970s we have engaged in concurrent engineering as next-generation product research. This is a method that DENSO has continued with great commitment.

**Partnerships That Support Advanced Automaking**

DENSO provides technologies and products to the world’s automakers. As the best partner with the best solutions, DENSO meets a wide range of end-user needs with technologies and know-how accumulated through the development of new technologies in every field.

**Production Technology That Gives Shape to World-First Ideas**

DENSO leverages a world-class micro-processing and assembly line that improves production efficiency and quality. DENSO also supports world-first products and the world’s highest level of product performance and quality from a Monozukuri perspective by designing and manufacturing its own equipment and production lines.

**Quality Assurance That Helps Protect Precious Lives**

In order to make automobiles that can be driven with peace of mind, DENSO, as a parts manufacturer, has owned a test course from early on. Having evaluation equipment comparable to that of automakers, such as a low-temperature wind tunnel testing room and an electromagnetic wave dark room, DENSO repeatedly runs tests that simulate the driving environments of any part of the world and strives to maintain high quality and trust in its products.

**Roadmaps**

Roadmaps are technology management strategies that incorporate the social trends, changes in regulations, and technological development that will have an impact on the world of the future. Since the R&D department, the Product Planning and Development Center, and the Engineering Research & Development Center decide the R&D themes to be started and terminated after they are shared with the financial division, the roadmaps will incorporate changes in regulations and the needs of the global community.

**Customer value**

- Customer focus: the automotive society

**Systems**

- Necessary future systems
- Adjustment and reconfiguration

**Products**

- Products adapted to systems
- Adjustment and reconfiguration

**Technologies**

- Core/Component technologies for products
- New value

**Corporate Value Creation Process**

**Core / Component technologies for products**

- New value

**Products adapted to systems**

- New value

**Future automobiles, the automotive society**

- Customer value
- Adjustments

**Materials**

- Customer and societal needs
- Plan/idea
- Production
- Process development
- Facility development
- Product design

**Customer**

- Customer and societal needs
- Plan/idea
- Production
- Process development
- Facility development
- Product design
The Key to Our Strength
The DENSO Spirit Instilled in Every Employee

Documented in 2004, the DENSO Spirit* approach of “foresight,” “creativity” and “collaboration” has been hand-brushed as implicit knowledge since the Company’s founding. In order to function as our code of conduct, which serves as the driving force and source of our competitive advantage, the crux of the DENSO Spirit has been translated into 17 languages to help contribute to the advancement of an automotive society and to people worldwide.

Based on the DENSO Spirit, “DENSO’s Work Procedures,” which summarizes the basic approach, tools, and process for conducting daily work, and “On the Job Development,” which summarizes the approach and process for training employees at DENSO, have been deployed worldwide as a global educational curriculum. The DENSO Spirit is not merely a slogan—it has been instilled in all employee behavior and is practiced in day-to-day business.

* Please see page 15 for more information on the DENSO Spirit.

Three Pillars of Development

Mind and Body (common base)
- Cultivate basic technical skills, foster autonomy
- Develop creativity in those who will be responsible for tomorrow; increase willingness to face challenges
- Nurture scalability in terms of healthy mind and body as well as ethical standards
- Cultivate an abundance of brachiosaurus

Subject

Skill

Human Resources in Monozukuri That Support Production Worksites

Believing that the development of advanced engineers and technicians who enable innovative product development and production is the key to corporate growth, DENSO operates the DENSO Industrial School (offering industrial high school and specialized vocational high school courses), which carries on the tradition of the technical training schools established in 1954.

The school has produced many World Skills Competition medalists from among its young technicians who compete at the world’s highest level. Participation in the Skills Competition is not for the purpose of achieving an excellent score. The true purpose is to refine one’s skills through training, leverage those skills in Monozukuri at the workplace, and develop the next generation of youth.

The DENSO Industrial School has produced 6,000 graduates and 300 medalists who support DENSO’s Monozukuri.

DENSO’s Factory IoT Activities

To increase its competitiveness in continuously expanding global markets, DENSO has begun the full-scale launch of its own IoT that connects the world’s factories via network. By sharing and fully leveraging all information on goods, things, and people (wisdom) within the DENSO Group, we are stimulating the further development of DENSO’s Monozukuri.

To that end, we are now working to introduce a co-creative IoT system. In this initiative, improvements carried out day-to-day are immediately turned into computerized data and delivered in a timely manner to people who perform associated work that transcends departmental and national boundaries. As a result, the improvement cycle continues, high-quality, swift, Monozukuri through global coordination is achieved, and product competitiveness and added value continue to expand.

Medals Won at the World Skills Competition

At the World Skills Competition held in São Paulo, Brazil, 16 people representing 10 occupational categories participated from Japan, Thailand, Indonesia, and Vietnam.

The DENSO Group won gold medals in the three occupational categories of the Manufacturing Team Challenge and Mobile Robot (Japanese representative) and CNC Lathe (Thai representative). Representatives from Japan and Thailand won their fourth consecutive competition (gold medals).

Every effort is being made to pass on technologies and skills on a global basis and to enhance the competitiveness of the Group’s Monozukuri capabilities.

Accumulated Medals Won at All World Skills Competitions

Number of medals won

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<thead>
<tr>
<th></th>
<th>Gold</th>
<th>Silver</th>
<th>Bronze</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of</td>
<td>31</td>
<td>36</td>
<td>14</td>
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Special Feature: Value Created from DENSO’s Strengths — COA HVAC

DENSO works diligently to manufacture cars that allow people to drive and ride in comfort while consistently making efforts to improve the environmental and safety performance of cars. DENSO’s COA HVAC is a prime example of the Company’s endeavors and its efforts to make full use of its inherent strengths. Drawing on the steps taken to launch COA HVAC, we provide details of the Company’s unique value creation mechanism.

**Development Background**

Improvement of environmental performance and comfort, a challenge that automotive society currently faces, as well as a Company theme, is the basis of development. The societal need for greater fuel economy, which significantly affects environmental performance, is further increasing. At the same time, if we can ensure a higher degree of design freedom, a comfortable interior, and eliminate noise, we can make more competitive products. The Company is working to create smaller, lighter, and more efficient HVACs that allow people to drive and ride in comfort while consistently making efforts to improve the environmental and safety performance of cars.

DENSO’s COA HVAC is a prime example of the Company’s endeavors and its efforts to make full use of its inherent strengths. Drawing on the steps taken to launch COA HVAC, we provide details of the Company’s unique value creation mechanism.

**What is COA HVAC?**

COA HVAC is the acronym for “Heating, Ventilation and Air Conditioning,” a major component of car air-conditioners that controls temperature, air volume, and outlet locations in order to maintain a comfortable temperature in the vehicle interior.

**What is COA?**

“COA” refers to the first two letters of the words “Common,” “Compact,” and “Collaboration” (between departments within the Company and joint development with Group companies). “A” refers to the first letter of the word “air-conditioner.” “COA” also includes the idea of the “CORE” of the thermal business.

**R&D That Confronts the Impossible Commitment to World-Firsts**

In order to make an HVAC that can be used in everything from compact cars to large vehicles, it must be based on a size that fits in a compact car. Therefore, we made changes in the installation space for HVACs of the last 10 years of major Japanese, U.S., and European manufacturers and clarified specifications for performance and function. From there we derived future trends and created an HVAC to cover them. Particularly important was the reduction in the area visible from the side. We were able to achieve a 20% reduction in the side area by miniaturizing such new functional components as the blower fan and servo-electric motor module and applying a sliding door system to the air mix section. Furthermore, we standardized the parts so that the HVAC unit could be installed in vehicles of various shapes and performance by replacing only some of the parts.

**Innovative Monozukuri: Production Technology That Gives Shape to World-First Ideas**

In order to take advantage of HVAC features aimed at complete standardization, we sought to create a process concept that would become a highly efficient compact global standard. To achieve this, we adopted a Process Degree of Coincidence Index.* Because conventional HVACs are specially designed for each vehicle model, part types are vast and the production process is also fragmented. Therefore, even if the HVAC were produced with differing specifications, standardized parts would run in the same order, and as such, we devised a method to raise the process degree of coincidence. As a result, the process degree of coincidence was doubled and a significant production improvement was achieved.

* Process degree of coincidence = Number of processes that coincide ÷ Maximum number of processes × 100

**Concurrent Engineering**

Concurrent engineering, which transcends development and manufacturing departments, was essential to the creation of the COA HVAC. Up until completion, we ran into a number of challenges and obstacles and those that could not be resolved by the development department alone we repeatedly discussed, using things in the training camp and worksite outside the Company, and we solved them by one by one with the cooperation of Group companies. In the production process as well, in the concurrent engineering activities, in order to make an easy-to-build product configuration significant changes were made to the Monozukuri system, such as approving the manufacturing department’s request that it be involved from the design phase of each part.

**COA HVAC**

DENSO’s COA HVAC is a prime example of the Company’s endeavors and its efforts to make full use of its inherent strengths. Drawing on the steps taken to launch COA HVAC, we provide details of the Company’s unique value creation mechanism.

**Glossary**

**What is HVAC?**

HVAC is the acronym for “Heating, Ventilation and Air Conditioning,” a major component of car air-conditioners that controls temperature, air volume, and outlet locations in order to maintain a comfortable temperature in the vehicle interior.

**What is COA?**

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**COA HVAC**

The world’s first new car air-conditioning unit that can be installed across manufacturers, car models, and powertrains.

**Development Background**

Improvement of environmental performance and comfort, a challenge that automotive society currently faces, as well as a Company theme, is the basis of development. The societal need for greater fuel economy, which significantly affects environmental performance, is further increasing. At the same time, if we can ensure a higher degree of design freedom, a comfortable interior, and eliminate noise, we can make more competitive products. The Company is working to create smaller, lighter, and more efficient HVACs that allow people to drive and ride in comfort while consistently making efforts to improve the environmental and safety performance of cars.

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DENSO has maintained the corporate mission of addressing shifts in societal needs while helping to solve social issues. Beginning with the manufacture of such electrical components as alternators and starters, the Company has continued to substantially expand the scope of business activities and accordingly achieved a dramatic increase in sales. In this manner, DENSO has successfully linked the creation of value for society with the creation of corporate value. Here, we provide details of the Company’s growth trajectory that is grounded in efforts to consistently create both social and corporate value over the more than 60 years since DENSO’s founding.

### Corporate Value Creation Process

#### Value Provided to Society
- **Environment**
  - ISS idle-stop system
  - Tandem solenoid starter
  - D-ATT injectors for optimal fuel injection
  - A biogas, is not a unique winding configuration
- **Security & Safety**
  - Radiator tank made from plant-derived resin
  - Heat-pump water heaters using natural refrigerant (CO2)
  - Milestone: wave radar that lowers damage at time of collision
- **Powertrain Control**
  - Motor generators that utilize a unique winding configuration
  - Driver status monitoring systems that detect driver abnormalities such as falling asleep at the wheel

#### Revenue*

<table>
<thead>
<tr>
<th>Years</th>
<th>Revenue (Billions of yen)</th>
</tr>
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<tbody>
<tr>
<td>1950s</td>
<td>1949</td>
</tr>
<tr>
<td>1950s</td>
<td>Entered into a technical cooperation agreement for electrical equipment with Robert Bosch GmbH</td>
</tr>
<tr>
<td>1950s</td>
<td>Started the Assigned Service Station System to install shops in respective regions</td>
</tr>
<tr>
<td>1950s</td>
<td>Opened an injection pump preparation section</td>
</tr>
<tr>
<td>1960s</td>
<td>Opened the Nukata Testing Center</td>
</tr>
<tr>
<td>1970s</td>
<td>Established its first overseas sales company in Los Angeles</td>
</tr>
<tr>
<td>1970s</td>
<td>Established its first overseas manufacturing companies in Thailand and Australia</td>
</tr>
<tr>
<td>1970s</td>
<td>Won its first gold medal at the World Skills Competition</td>
</tr>
<tr>
<td>1970s</td>
<td>Won its first Okochi Memorial Production Prize (production engineering section)</td>
</tr>
<tr>
<td>1980s</td>
<td>Opened its first overseas regional training center in Thailand</td>
</tr>
<tr>
<td>1990s</td>
<td>Formulated DENSO Group Long-term Policy 2020</td>
</tr>
<tr>
<td>2000s</td>
<td>Formulated Environmental Action Guidelines DENSO Eco Vision 2025</td>
</tr>
<tr>
<td>2010s</td>
<td>Formulated DENSO Group Long-term Policy 2020</td>
</tr>
<tr>
<td>2010s</td>
<td>Formulated Environmental Action Guidelines DENSO Eco Vision 2025</td>
</tr>
</tbody>
</table>

#### Changing Societal Needs

<table>
<thead>
<tr>
<th>Years</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950s</td>
<td>Car electronics</td>
</tr>
<tr>
<td>1960s</td>
<td>Exhaust gas regulations / Safety awareness</td>
</tr>
<tr>
<td>1970s</td>
<td>Digitization / ITS</td>
</tr>
<tr>
<td>1980s</td>
<td>Global warming prevention</td>
</tr>
</tbody>
</table>

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* Fiscal years 1971 to 1978 show non-consolidated revenue, while fiscal years 1979 and after show consolidated revenue. In addition, from fiscal 2013, the financial statements have been prepared based on International Financial Reporting Standards (IFRS). Japanese accounting standards were employed up to and including fiscal 2013.
Business Growth Strategy

DENSO is working vigorously to expand its global business activities. In addition to addressing the needs of customers across a wide range of regions worldwide, the Company is endeavoring to become an entity that is highly trusted. Through these efforts, DENSO has continued to expand its business domain and today boasts a global network of 188 consolidated subsidiaries spanning 35 countries and regions. Currently, the Company maintains regional headquarters covering the Group’s operations in Japan, North America, Europe, Asia, and other regions. Spearheaded by these regional headquarters, steps have been taken to set up an independent structure within each region while promoting increased awareness toward the Group’s business policies.

In addition, DENSO is organized around business groups. These businesses coordinate with one another within each region while promoting increased awareness toward the Group’s business policies. DENSO has also established autonomous development, procurement, and production activities by each regional organization.

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No. of employees 15,646
No. of bases 34

Europe

No. of employees 45,040

No. of bases 58

Asia

No. of employees 15,646

No. of bases 34

North America

No. of employees 21,513

No. of bases 28

Japan

No. of employees 66,311

No. of bases 62

Others

No. of employees 3,265

No. of bases 6

Overview by Segment

DENSO has also established autonomous development, procurement, and production activities by each regional organization. This framework enables faster local decision-making in line with customer needs.

Overview by Product

While focusing mainly on its automotive-related operations, DENSO also pursues a wide range of business opportunities, from new businesses that utilize automotive technologies to consumer-, industrial-, and other related products. Details of the composition of revenue for each business are presented briefly as follows.

Revenue

4,524.5 billion yen

Powertrain Control

Thermal

Information & Safety

New Business

In fiscal 2016, the year ended March 31, 2016, revenue increased 5.9% compared with the previous fiscal year, to ¥1,619.7 billion. This was largely due to the increase in sales of gasoline direct injection (GDI)-related products as well as variable valve timing (VVT)-related products, mainly in North America and China.

In fiscal 2016, revenue increased 4.9% compared with the previous fiscal year, to ¥1,409.9 billion. In addition to the volume production of global standard air conditioners, this increase largely reflected the upswing in sales of heating, ventilation, and air-conditioning (HVAC) in Europe.

In fiscal 2016, revenue climbed 10.0% compared with the previous fiscal year, to ¥689.3 billion on the back of increased sales of new businesses in North America and safety products in Japan.

In fiscal 2016, revenue was roughly the same as the previous fiscal year, slipping down 0.3% to ¥707.4 billion. Results were significantly impacted by the decline in vehicle production in Japan.

In fiscal 2016, revenue grew 1.4% compared with the previous fiscal year, to ¥302.3 billion. The Group’s performance in this business was impacted by the decline in vehicle production in Japan; the improvement was mainly due to increased sales of windshield wiper systems in the U.S., South Korea, and China. Results were also supported by automobile sales growth in North America.

In fiscal 2016, revenue decreased 5.8% compared with the previous fiscal year, to ¥66.2 billion. Despite increased sales of industrial robots in the industrial products field, this downturn largely reflected the impact of the curtailment of capital investment by DENSO’s customers.
Common rail systems Fuel pump modules Alternators

Main Products

- Power supply and starting system parts such as alternators, car drive systems, power supply and related products, and control systems and related products, hybrid and electric development and production of gasoline and diesel engine business activities

Business Activities

Development and production of gasoline and diesel engine control systems and related products, hybrid and electric car drive systems, power supply and related products, and power supply and starting system parts such as alternators and starters

Strengths

- We maintain a wide variety of technologies and are active across a broad range of business domains that extend from gasoline and diesel internal combustion engines to products that are powered by electricity, including hybrid cars, electric automobiles, and fuel-cell vehicles. Drawing on our inherent strengths, we are engaged in comprehensive systems and technology development.

Our Understanding of the Business Environment

Looking at the fuel economy and exhaust gas emission regulations of various countries, requirements are becoming increasingly stringent. As a result, we are seeing:

1. An increase in the number of automobiles equipped with idle-stop systems as well as hybrid, electric, and fuel-cell vehicles
2. The growing importance of improved gasoline and diesel internal combustion engines

Mid-term Policy

Strengthen Electric System and Product Development Capabilities

- With the increasingly fast-paced application of electric systems, automobile manufacturers and the market as a whole are demanding more compact and cost-effective products that deliver a host of benefits including greater efficiency and higher output. With this in mind, DENSO is committed to preempting these needs by developing the necessary technologies. To do this, the Company is increasing the number of high-quality personnel with product development capabilities and bolstering its collaborative ties with automobile manufacturers.

Deliver High-Value-Added Internal Combustion Engines

- Amid the growing use of electric technologies in automobiles, we recognize the need for gasoline, diesel, and other internal combustion engines to deliver additional value. In order to ensure that the internal combustion engine business remains a mainstay pillar of the Group, we are therefore shifting our focus to high-value-added development and production.

Strengthen Manufacturing Capabilities

- We work diligently to ensure that our products are efficient, reliable, and easy to use. Every effort is also made to apply a standard design that transcends regional boundaries. In this manner, we are endeavoring to promote the seamless overseas expansion of our high-value-added products while reinforcing our cost-competitive advantage.

Fiscal 2016 Overview

- In fiscal 2016, we developed and commenced the mass production of power control units and motor generators that help improve the environmental performance of the new model Prius, a hybrid vehicle manufactured by Toyota Motor Corporation. After our success in North America, we also commenced the production of power control units in China in line with the needs of the region and customers.

1. Power Control Unit
We developed a new high output density power card and a more efficient cooling structure. Compared with its installation in the previous Prius model, application of this advanced power control unit helps to reduce electric power loss by 26%. At roughly two-thirds the size of the Company’s existing product, this new power control unit can be easily installed. Improved energy regeneration efficiency also contributes to increased fuel economy while reducing CO₂ emissions. In addition, we focused on standardizing the design of the product in order to further curtail costs.

VALUE PROVIDED TO SOCIETY

Social Issues
Reducing CO₂ emissions attributable to global warming

Taking Steps to Resolve Social Issues

We have commenced the manufacture of a new ignition coil, CRICs. For gasoline engines, the trend toward supercharged downsizing and the application of a high compression ratio make it difficult to effectively ignite fuel. Our new ignition coil overcomes this difficulty by reducing the amount of voltage conversion loss and promoting ignition efficiency to ensure an intense flame, our coil facilitates total fuel combustion, thereby contributing to a reduction in CO₂ emissions. At the same time, we have succeeded in developing a more compact product. The same structure can therefore be applied to a wide range of engines that require different types and degrees of ignition energy.
Thermal

VISION

We are committed to consistently creating world-first products that help maintain the environment as a leading company in thermal management. In addition, we are determined to reduce the incidence of traffic accidents while enhancing comfort and contributing to a safe and secure automotive society.

OVERVIEW

Business Activities

Development and production of air-conditioning systems for cars and buses, truck refrigeration units, air purifiers and related air-conditioning products, radiators, and cooling systems

Main Products

Air-conditioning systems for cars
Radiator

Strengths

- Leading share of the global market
- Outstanding proposal and development capabilities that link closely to a wide range of products from engine-related control systems to meters that convey information to drivers

Mid-term Policy

Strengthen the Competitiveness of Existing Products

- Turning to the Group’s existing products, we are determined to leverage our relationships with customers throughout the world and to further standardize global specifications and attributes in an effort to strengthen cost competitiveness while addressing market needs.

- By leveraging our activities around standardized products, we will strengthen the competitiveness of our products by adding value in line with the driving conditions of each region while upgrading and expanding our product lineup.

- Developing the World’s Most Advanced Fuel-Saving Products for Air-Conditioning Systems and Vehicles as a Whole

- We will look to differentiate ourselves from competitors by employing proprietary fuel-saving technologies. Every effort will be made to reduce power consumption in the air-conditioning field. To this end, we will work to reduce heat loss caused by air ventilation and minimize air-conditioning capacity by directing both heating and cooling functions solely to passengers, and by promoting increased power-saving capabilities.

- We will place considerable weight on increasing fuel economy in connection with each vehicle as a whole through proper thermal management. This will include various measures including efforts to reduce thermal damage and to promote the recovery and use of waste heat.

- Developing Products That Enhance Comfort and Contribute to Increased Security and Safety

- We will endeavor to commercialize technologies that help minimize the incidence of traffic accidents as a part of efforts to explore opportunities in new value fields. To this end, we will pursue increased comfort focusing mainly on the five human senses as well as human biology research. At the same time, energies will be channeled toward further differentiating existing products with a particular emphasis on air-conditioning products and systems in which we maintain a top global share.

PERFORMANCE OVERVIEW

Fiscal 2016 Overview

- We commenced the mass production of air-conditioning systems to a uniform global standard across seven regions worldwide. At the same time, we upgraded and expanded our product lineup while taking into consideration the needs of each region. As a part of efforts to further localize the production function, positive steps were taken to increase the content of local materials and facilities used for products targeting emerging countries. In this manner, we were successful in enhancing the cost competitiveness of our products.

- Turning to the development of fuel-saving products, we brought to the market a cold storage evaporator that increases actual fuel economy during the summer months by 5%. We also developed a water-cooled charge air cooler for use in supercharged downsizing engines that contributes to improved vehicle fuel economy. Making the most of the technologies developed through its automotive operations, we developed an ejector, which is a small refrigerant injector, for use in the cooling systems of the vending machines used for beverages. This ejector helps to reduce annual electric power consumption by 25%.

- We completed steps to commercialize certain products including seat air conditioning and temperature sensors. As a part of efforts to develop products that in addition to their focus on user comfort, also help to enhance safety and security, we undertook verification tests to improve the accuracy of product concepts.

VALUE PROVIDED TO SOCIETY

Social Issues

Gap between catalog and actual fuel economy

<table>
<thead>
<tr>
<th>Catalog fuel economy</th>
<th>Actual fuel economy, approx. 30%</th>
<th>Actual fuel economy, approx. 40%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summer: Engine operation only with air conditioning</td>
<td>100%</td>
<td>60%</td>
</tr>
<tr>
<td>Winter: Engine operation only with heat</td>
<td>30%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Air conditioning is estimated to account for approximately 40% of the gap.

Taking Steps to Resolve Social Issues

We developed a car air-conditioning system that balances the needs for comfort and environmental performance for use in the new model Prius manufactured by Toyota Motor Corporation. In addition to increasing the efficiency of its electric compressor, this system is also equipped with an ejector-integrated evaporator (heat exchanger) that helps to reduce power consumption during air cooling by roughly 18% compared with the system used in the previous model Prius. Moreover, this new air-conditioning system employs a two-layer recirculated fresh air unit to draw in external air while circulating internal air to ensure the performance of air heating during the winter months and preventing windshields from fogging up. This in turn reduces the heat loss due to air ventilation by 30%.

DENSO’s Aspiration

Our goal is to increase the fuel efficiency of our air-conditioning systems, thereby helping to produce vehicles that better contribute to the environment.
Information & Safety

VISION
We are helping to bring about a safe and secure automotive society by applying a broad range of technologies that deliver advanced driver assistance systems while realizing automated driving in a timely manner.

OVERVIEW
Business Activities

We develop and manufacture products and provide services across a wide range of human machine interface (HMI) information and communications, body electronics, advanced safety, collision safety, vehicle motion control, and related fields.

Main Products

Strengths
- We are active in four key areas that are essential to realizing advanced driver assistance systems. These areas are road environment recognition, HMI, information and communications, and vehicle motion control technology. We are able to engage in the development of products that draw on these comprehensive strengths.
- Our competitive advantage also rests on the combined basic research that underpins each of these technology fields.

STRATEGY

Our Understanding of the Business Environment
1. Continued progress in the area of advanced driver assistance systems and accelerated efforts to commercialize automated driving
2. Growing demand for “connected vehicles” in line with evolution toward an information society

Mid-term Policy

Road Environment Recognition Field
- Drawing on the technological expertise and know-how gained through our efforts to develop automated driving systems for use on such roads as expressways, we are expanding into next-generation advanced driver assistance systems.

HMI Field
- We are focusing on technologies that hone in on a driver’s physical and mental condition including drowsiness and inattention as well as systems that draw from a wide range of data to convey the driver select information. In this way, we are strengthening our ability to develop technologies that provide drivers with important information in an easy-to-understand manner without imposing any excess burden.

Information and Communications Field
- Drawing on our many years of experience as an in-vehicle product manufacturer with a wealth of outstanding environment-resistance (including low and high temperatures) as well as noise-resistance technologies, we are working to deliver safe driving support by developing products that provide a link between vehicles and connect vehicles with infrastructure to convey a wide range of information encompassing dangerous blind spots and distant traffic congestion data.

Vehicle Motion Control Field
- We are pushing forward efforts to develop and provide power steering control systems that deliver enhanced reliability in a bid to address the needs for advanced driver assistance systems and automated driving.

PERFORMANCE OVERVIEW

Fiscal 2016 Overview
- We established the Advanced Driver Assistance System (ADAS) Business and Technology Development Division by integrating related internal technology units as a part of efforts to provide practical advanced driver assistance systems and help commercialize automated driving in earnest. We also set up the Information & Safety Systems Advanced Technology Development Office in its Tokyo Office with the aim of recruiting excellent human resources, strengthening cutting-edge technological development, and promoting academia and industry collaboration. Consistent with our efforts to enter into alliances with external organizations, we concluded an agreement with Morpho, Inc. to pursue the joint development of image recognition technologies that employ image processing and deep learning techniques.
- As for new product development, we have developed and commenced the volume production of the following: millimeter-wave radar and vision sensors, which detect obstacles in front of a vehicle and thereby assist in collision avoidance or reducing damage; intelligent transportation system (ITS) connect-compatible, vehicle-mounted devices that contribute to preventing road traffic accidents and traffic efficiency by linking cars with infrastructure and other cars via communications; and dual-system electric power steering (EPS) that has brought about improvements in the safety of the “turn” function. These products are being installed in the Toyota Motor Corporation’s new Prius and other models.

DENSO Technologies That Provide Advanced Driver Assistance Systems and Help Realize Automated Driving

VALUE PROVIDED TO SOCIETY

Social Issues

European NCAP* trend leading the way in the world

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</tr>
</thead>
<tbody>
<tr>
<td>AEB** Vehicle (Rear-end collision)</td>
<td>Under consideration</td>
<td>Under consideration</td>
<td>Under consideration</td>
<td>Under consideration</td>
<td>Under consideration</td>
<td>Under consideration</td>
<td>Under consideration</td>
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</tr>
<tr>
<td>AEB Pedestrians (Day)</td>
<td>Under consideration</td>
<td>Under consideration</td>
<td>Under consideration</td>
<td>Under consideration</td>
<td>Under consideration</td>
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</tr>
<tr>
<td>AEB Pedestrians (Night)</td>
<td>Under consideration</td>
<td>Under consideration</td>
<td>Under consideration</td>
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<td>Under consideration</td>
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<td>Under consideration</td>
<td>Under consideration</td>
</tr>
<tr>
<td>AEB Vehicle (Head-on)</td>
<td>Under consideration</td>
<td>Under consideration</td>
<td>Under consideration</td>
<td>Under consideration</td>
<td>Under consideration</td>
<td>Under consideration</td>
<td>Under consideration</td>
<td>Under consideration</td>
</tr>
</tbody>
</table>

Source: Revised by DENSO based on Euro NCAP Rating Review 2015

Taking Steps to Resolve Social Issues

We have developed vision sensors and millimeter-wave radar to realize the detection not only of vehicles but also of pedestrians. Combining the functions of two sensors utilizes the features of each sensor and has enabled the faster and more accurate detection of obstructions in front of the vehicle. Toyota Motor Corporation is adapting these products for its Toyota Safety Sense P safety technology package. Currently, the products are installed on the company’s new Prius and Land Cruiser.
Electronics

VISION
Amid the advancing installation of electronics in cars, we are contributing to the more widespread use of environment-friendly, secure, and safe products by offering overall-optimized system products across the Company’s business domains.

OVERVIEW
Business Activities
Development and manufacture of electronic products and in-car semiconductor sensors for engine control computers as well as of microelectronic devices such as ICs.

Main Products
- ECUs for engine control
- In-car semiconductor sensors

Strengths
- Extensive product lineup in the field of in-car electronics
- Development capabilities in vertical integration* of semiconductors that satisfy individual product needs
- DENSO proprietary integrated semiconductor development, from semiconductors to ECUs and actuators

STRATEGY
Our Understanding of the Business Environment
In association with the further installation of car electronics, brought about by more stringent environmental regulations and the accelerated development of automated driving systems:
1. Increased technological sophistication (improvements in precision/responsiveness, reliability, and durability)
2. Accelerated development

Mid-term Policy
Construction of Development System Capable of Responding to Customer Needs
- Amid increasing technological sophistication, we are entering the upstream processes of vehicle development and undertaking product development that predicts manufacturer and market needs. With regard to our global customers, we are providing application development systems that are completed locally.

Technology Differentiation and Streamlined Development through Strengthening of Partnerships
- We are raising our differentiated technological capabilities and accelerating the pace of development through wide-ranging partnerships (in industrial fields: general manufacturers; industry and academia; research institutes and universities; horizontal relationships: industry-standardization, alliances, etc.). Furthermore, by going one stage further into the completion level of current development themes, we are creating world-first and regionally developed technologies.

Software Standardization
- Rather than developing software individually customized for each vehicle, we work to streamline development by arranging the software structure, such as by integrating the software for each function, and advancing standardization. For example, rather than a jumble of individual components, software is designed to control each domain arranged by function, such as the functions for conveying information to the driver, or detecting the driver’s status, and the design standardized to allow changes to the software and to allow for the software’s evolution.

Next-Generation ABILCORE Engine Computer

VALUE PROVIDED TO SOCIETY
Social Issues
The incidence of unauthorized entry into computers and cyberattacks to enable fraudulent manipulation is on the rise.

Taking Steps to Resolve Social Issues
In January 2014, we set up a project office responsible for cyber security measures. The development of the basic specification, architecture, and processes that have been advanced as a result ended with the goal of the necessary security infrastructure completed for a product that will enter the market in 2019. Following interactions between Japanese and overseas industry associations, we also assisted in the standardization of security specifications. In the years to come, we will seek to collaborate with diverse development partners to advance a car security system structure that will be compatible with the increasing sophistication of the permanent connectivity and automated driving of cars.

At the same time as strengthening its R&D structure in Japan and overseas, the Company promoted the functional strengthening of its development system, particularly in Europe, in fiscal 2016.

Aiming for standardization and accelerating efforts toward development efficiency, in May 2016 DENSO established AUBASS, CO., LTD., which is responsible for the basic software to be installed in cars. The plan is to establish Toyota Tsusho DENSO Electronics (Thailand) Co., Ltd. in October 2016, and for the company to be in charge of the application development for engine ECUs.
Electric-Powered Vehicles and Related Products

Mid-term Policy

2. Amid the accelerated efforts toward the commercialization of automated driving, there are expanding needs for

Our Understanding of the Business Environment

1. Due to the increase in vehicles equipped with electrically powered systems for a range of functions, the number of small motors being installed in cars is increasing.

2. Amid the accelerated efforts toward the commercialization of automated driving, there are expanding needs for small motors, but on the other hand, competition is also intensifying.

Main Products

Strengthening of Monozukuri/Competitiveness

In response to moves to increase the production of small motors due to the switch to electric-powered vehicles and related products and the commercialization of automated driving, we are addressing the establishment of a stable, global production structure. For example, we will realize launches of new products with fewer losses and greater operational efficiency by advancing concurrent development from the product design stage so that the production technologies, processing machines, and trial production all come together. Moreover, we will address the acceleration of product launches and the undertaking of stable production by promoting the standardization of the facilities and equipment themselves and the modularization of each process.

Vision

Through the development and supply of small motors for use in new systems that contribute to CO2 reduction and improved fuel efficiency, and electromechanically integrated motors that combine electronic control units and small motors, we are contributing to the spread of environment-friendly, secure, and safe products.

Overview

Business Activities

Development and manufacture of all types of small motors, including windshield wiper systems, power windows, power seats, power steering, motors for engine control systems, blowers, and cooling fans (ASMO Co., Ltd.)

Strategies

Small Motors

VISION

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Main Products

Windshield wiper systems

Motors for power windows

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New Business

VISION
Honoring authentication, control, and sensing technologies, and providing products and services even outside the automotive field that meet society’s needs

OVERVIEW
Business Activities
Development and manufacture of consumer products and other products not in the automotive field, such as industrial products for medical robotics (for which Denso Wave Inc. is responsible) and CO2 refrigerant heat pump water heaters

Main Products

Strengths
- Advanced recognition, control, and sensing technologies accumulated from the automotive field
- Understanding of customers’ and society’s needs and efforts to propose innovative products and services

STRATEGY*
Our Understanding of the Business Environment
1. Expansion of medical/pharmaceutical industries associated with the rapidly advancing aging society
2. Progress with the Internet of Things (IoT) and acceleration of big data utilization associated with Industry 4.0 proposals

Mid-term Policy
Pioneering New Fields by Leveraging Core Technology
- Strengths of Existing Products
  - Leveraging the robotics technologies accumulated on the front line of Monozukuri, we will deploy the high reliability and maintenance of sanitary conditions demanded by robotics in the medical/pharmaceutical, food, and cosmetics industries. For example, in the medical/pharmaceutical field, we will build up a picture of the front-line needs, such as the innovative development of robots that can ensure high sanitary levels and fungus resistance, and reflect those needs in products. Furthermore, we will strengthen security measures—such as the settlement business that utilizes its QR code and IC reader technologies and QR code anti-counterfeiting measures—while promoting market expansion to create a new business model in fields requiring high reliability, including an anti-counterfeiting business for use with various forms of tickets.

Create New Product Value That Will Transform Social Systems
- To realize an IoT for Monozukuri, we will collaborate with the DENSO DP IoT Innovation Office to develop a database to centrally manage front-line information, such as the operational status of facilities for their production progress and results. Linking 30,000 pieces of equipment across the world, we will then work to improve productivity. Leveraging the technologies amassed within the DENSO Group, we will also promote the commercialization of the IoT database and services.

PERFORMANCE OVERVIEW*
Fiscal 2016 Overview
- In the robot business, for medical robots we commenced the volume production of the Intelligent Arm Support System (iArms), an automatic tracking robot that innovatively supports surgeons’ hands when performing operations and reduces hand shaking and strain, and of medical-use robots for sterile environments. Starting with these products, we will make headway with further business expansion.

- Having started the “Q-revo trace” service, which provides a visual representation of distribution from the producer to the consumer by the utilization of QR codes and the cloud, we commenced sales. Users are able to simply check on their smartphones who the producer was, when the shipment was sent, and by which route it is being delivered, thereby enabling the delivery of safe, reliable products to the consumer.

Traceability Service Beginning with QR Codes and Smartphones

VALUE PROVIDED TO SOCIETY*

Social Issues
Medical needs are expanding due to the rapidly advancing aging society

Cultivation technologies for the pharmaceuticals effective in regenerative medicine/cell treatments (cell cultivation, formulation of anti-cancer agents, etc.) are in demand.

Taking Steps to Resolve Social Issues
Denso Wave Inc. has started to develop and market high-productivity robots for the innovative pharmaceutical cultivation industry. Due to the robotics technologies Denso Wave has been amassing over many years, the company has brought to fruition a compact body that enables the robot’s operation amid the equipment used to perform cultivation operations.

Using the robot in sterile conditions, such as cell culture and medicine formulation, is made possible by a surface treatment that is designed to withstand washing by hydrogen peroxide (H2O2), and high cleanliness is maintained by having kept the unevenness of the surface to the absolute limit. Highly rated for this level of outstanding design, we won a Good Design Award for the robot.

* We provide details with a focus on the Industrial Systems field, which has a high sales revenue ratio.
The Foundation That Supports Our Business Growth

While fulfilling its responsibility to each shareholder by contributing to the creation of a better society through its business operations, DENSO aims for the creation of sustainable corporate value.

Toward that goal, the Company proactively engages in advanced environmental management and thorough quality assurance and strategic intellectual property activities by practicing highly transparent management. In this section, in addition to DENSO’s business operations, we explain the unique initiatives that support management strategy and promote sustainable growth.

Corporate Governance

Basic Stance

DENSO believes that establishing a corporate governance system designed to strengthen Group competitiveness is the key to maintaining and improving long-term corporate performance in a quickly changing global marketplace. Specifically, DENSO Corporation has adopted a corporate auditor system. In addition to statutory bodies such as the General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board, and Accounting Auditor, DENSO Corporation has developed various systems to ensure efficient management.

Reason for Selecting Our Current Corporate Governance System

In June 2015, DENSO formulated the Basic Policies on Corporate Governance based on the Corporate Governance Code that aims for transparent and efficient corporate management. In addition to performing management decision-making that corresponds to the Nomination Committee or Compensation Advisory Council as an ad-hoc committee that corresponds to the Nomination Committee or Compensation Committee in appointing directors and auditors and determining their compensation.

Overview of Corporate Governance System (as of June 20, 2016)

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board</td>
<td>1</td>
</tr>
<tr>
<td>President &amp; CEO</td>
<td>1</td>
</tr>
<tr>
<td>Number of outside directors</td>
<td>2</td>
</tr>
<tr>
<td>Term of directors</td>
<td>1 year</td>
</tr>
<tr>
<td>Number of Audit &amp; Supervisory Board members</td>
<td>5</td>
</tr>
<tr>
<td>Number of outside Audit &amp; Supervisory Board members</td>
<td>3</td>
</tr>
<tr>
<td>Number of members of the Board of Directors</td>
<td>11</td>
</tr>
<tr>
<td>Number of independent directors</td>
<td>4</td>
</tr>
</tbody>
</table>

* Total for the period from April 2015 to March 2016

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 to further clarify management responsibility during the business year. Moreover, we have strengthened our corporate governance system by establishing the Officer Nomination and
Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole

Once a year, DENSO Corporation interviews the representative director, outside directors, and Audit & Supervisory Board members about the effectiveness of the Board of Directors. The challenges and improvement plans extracted from these interviews are then reported to the Board of Directors and steps are taken to improve effectiveness.

Effective Management System

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.

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

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

Executive Compensation

Policies

- Compensation for Company directors comprises fixed monthly compensation and a variable bonus based on Company performance. Compensation for outside directors and Audit & Supervisory Board members comprises solely fixed monthly compensation in order to ensure independence from management.
- The level of compensation is deemed appropriate for the Company based on economic and social conditions and trends at other companies.

<table>
<thead>
<tr>
<th>Outside Audit &amp; Supervisory Board Members</th>
<th>Reason for Appointment</th>
<th>Attendance at Meetings of the Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montalba Yoshida*</td>
<td>To reflect the wealth of experience and broad knowledge as a corporate executive in the Company’s auditing activities</td>
<td>11/11</td>
</tr>
<tr>
<td>Tsutomu Saito*</td>
<td>To reflect the wealth of experience and broad knowledge as a corporate executive in the Company’s auditing activities</td>
<td>12/12</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outside Directors</th>
<th>Reason for Appointment</th>
<th>Attendance at Meetings of the Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>George Okochi**</td>
<td>To reflect his wealth of experience and considerable knowledge in academic and corporate management</td>
<td>11/11</td>
</tr>
<tr>
<td>Takashi Nakayama*</td>
<td>To reflect his wealth of experience and considerable knowledge in the field of corporate management strategy in the Company’s management.</td>
<td>10/11</td>
</tr>
</tbody>
</table>

Audit System

As an audit system, in addition to Audit & Supervisory Board members, who have a legal function, we have established a specialized department for internal audits in our major domestic and overseas companies. In addition to a voluntary inspection system whereby each department of the Company and domestic and overseas subsidiaries inspect their own internal control status, we conduct ongoing site audits that include not only law 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 refer to the DENSO website for our Basic Policies for Internal Control:

Actively Incorporating Different Perspectives to Reinforce Governance as a Foundation for Growth

To realize long-term corporate growth, the DENSO Group is working to reinforce its governance, which acts as the foundation for such growth. We had our two outside directors provide us with their honest opinions on the Group’s governance, which acts as the foundation for such growth.

As much as possible to enable us to make a much stronger and better-informed contribution to the Board’s discussion as outside directors.

The Role of Outside Directors in Enhancing DENSO’s Competitiveness through Governance

Nawa

I believe it is extremely important for the decisions being made now to properly reflect the Company’s underlying management vision and strategy. My role as an outside director is to constantly question the motivation behind the Company’s decisions and what the Company intends to do by making those decisions.

Olcott

DENSO is a global company providing its products and services to customers around the world. However, the Company’s employees, particularly its management, consist predominantly of Japanese males who joined the Company straight from university and who have only had experience working for DENSO. In this sense, DENSO is a typical Japanese “community firm.” While this brings a number of advantages, competing in an increasingly global environment means that DENSO needs to accelerate changes in its thinking on human resources management, promoting diversity much more aggressively, especially at the senior ranks.

Hitotsubashi University Graduate School of International Corporate Strategy as well as a senior advisor at Boston Consulting Group.

Olcott

I believe DENSO is an extremely honest company, which gives me a clear sense of its spirit and underlying values. In order to become an even better company, however, DENSO needs to provide society with products and services of even higher value. In doing so, DENSO will become a company that society itself needs. As part of this process, a cycle needs to be established that connects this higher social value with financial value, and the proper governance systems must be in place to secure such a cycle. I believe that by aiming to realize this kind of Company, DENSO will improve its quality of management practice, which I had mentioned earlier.

Hitotsubashi University Graduate School of International Corporate Strategy as well as a senior advisor at Boston Consulting Group.
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 workplace conferences, we utilize the Code for raising employees’ awareness of corporate social responsibility (CSR), which includes all domestic Group companies.

Overseas Group companies use a regional version of the Code of Conduct for DENSO Group Associates, formulated by their regional headquarters in accordance with national and regional laws and customs.

Promotion Structure
The DENSO Group has created a global structure for promoting compliance while keeping its organizational structure sensitive to the characteristics of each region, introducing and administering a reporting system, and training employees. In 1997, the DENSO Group established the Corporate Ethics Committee (now a part of the Top Management Meeting), headed by the director in charge of DENSO, and created the Compliance Committee and other committees to coordinate regional and global compliance activities, while putting Compliance Leaders and other managers in charge of promoting compliance.

On a regular basis, our legal departments in Japan, North America, Europe, China, Southeast Asia, India, and South Korea share and discuss information and issues related to compliance.

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

Specific Initiatives
Training and Education
The DENSO Group provides education and training to its employees with the objective of enhancing their awareness of various issues. Overseas Group companies, centered on the regional headquarters, implement initiatives based on examples set by DENSO.

Internal Reporting System
The DENSO Group has set up internal reporting systems at its regional headquarters and business sites for 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.

Response to Antimonopoly Act
U.S. subsidiary DENSO International America, Inc. was investigated by the U.S. Department of Justice in February 2010. Recognizing the gravity of the situation, the DENSO Group has since then created the Antimonopoly Act Compliance Committee, chaired by the representative director, to ensure strict compliance with the Antimonopoly Act. Under the guidance and supervision of this committee, we have endeavored to reinstate strict compliance with the Antimonopoly Act across the entire DENSO Group by enhancing awareness and education about relevant rules and ensuring strict adherence to laws and regulations. As a result, we are now in full compliance with laws and regulations.

The DENSO Group is keen to restore confidence while further strengthening its compliance structure in accordance with the Antimonopoly Act.

Specific Initiatives
System for Swiftly and Accurately Addressing Crisis Situations
The DENSO Group has created a Crisis Communications Manual in order to facilitate a swift and accurate response to a crisis situation. Designed to minimize damage, this manual outlines the basics of situational decision-making, reporting standards, reporting channels, and internal/external communications. Moreover, we are able to create a dedicated crisis management team depending on the size and urgency of a crisis situation, in our efforts to promptly address a crisis and minimize damage.

Addressing Higher Risks from Global Business Development
In tandem with the globalization of supply chains, the DENSO Group has identified critical risks from the standpoint of global Group management and is working to improve its readiness to these potential risks, having learned lessons from the 2011 Great East Japan Earthquake and flooding in Thailand about how risk events in one region can have ripple effects in other regions. We are constantly improving our rules and systems so that the right directors and managers will be informed of a crisis as soon as possible, regardless of the time of day or whether it is a holiday.

Promotion Structure
The DENSO Group comprehensively manages Groupwide risks and crises through the Risk Management Meeting.

Specific Initiatives
Enhancing Our Readiness to Natural Disaster Risk
Creation of Business Continuity Plan
DENSO and domestic Group companies have begun to enhance their readiness for natural disaster risks across the entire DENSO Group from the standpoint of business continuity management, i.e., creating business continuity plans (BCPs*1). Our approach to mitigate damage from a natural disaster is based on the formulation of effective action plans.

With people’s lives our first and foremost priority, we engage in disaster preparedness and education activities that involve employees and their families, such as initial response drills and safety confirmation system training.

*1BCPs: Business continuity plans. In the event that operations are interrupted by an earthquake or other large-scale natural disaster, BCPs are designed to minimize damage to the business by aiming to restore operations within a targeted timeframe.

Risk Management Structure
(Normal Operations)

Risk Management Function
(Internal Control System)

Overseas Regional Headquarters

Business departments and divisions

Domestic Group companies

Overseas Group companies
Environmental Management

Basic Stance
DENSO aims to be a corporate group that contributes to the “creation of an advanced automotive society” in order to maintain and ensure harmony with the Earth’s environment. As such, we must work to achieve world-class environmental efficiency and high resource productivity as we reduce the environmental impact of our operations. This applies not only to product development and production but also to all aspects of our business activities. We are also promoting environmental management, an approach that creates economic value through environmental conservation activities.

Environmental Value Creation Management
Every 10 years, DENSO formulates its DENSO Eco Vision to demonstrate its long-term commitment and to serve as its environmental policy for the environmental management to which the Group aspires. Every five years, DENSO defines an Environmental Action Plan to embody the commitment and environmental policy set out in its Eco Vision.

DENSO Eco Vision 2025
DENSO has formulated the new DENSO Eco Vision as an action plan toward realizing sustainable regions and societies in 2050. This latest Eco Vision sets three targets (Target 3) to be achieved in 2025: ENERGY 1/2, CLEAN × 2, and GREEN × 2.

The Company will also promote 10 specific actions (Action 10) to realize these three targets in the respective stages of products, factories, associates (employees), and management.

Three Targets (Target 3)
DENSO aims to halve CO₂ emissions by technologies that resolve global warming as well as energy and resource issues.

(Examples)
- Development of new technologies and products compatible with improved fuel economy and fuel diversification
- Promotion of energy Just-in-Time (JIT) activities¹ in production processes

¹ A system for the utilization and supply of just the right amount of energy at the necessary time

To provide reassurance to all stakeholders, DENSO will aim to reduce by half the impact of environmentally hazardous substances as well as halve emissions and waste while advancing sustainable improvements.

(Examples)
- Development of exhaust gas reduction technologies for automobiles
- Reductions in waste at plants and through distribution as well as in the amounts of water used

To pass on a rich natural environment to the next generation, DENSO will work to create environment-friendly communities through corporate activities that aim for symbiosis with nature.

Promotion Structure
DENSO established its Environment Committee in December 1992. Chaired by the vice president and attended by senior management—those in charge at overseas regional headquarters and those responsible for matters concerning environmental management at Group companies—the Environment Committee meets twice a year to formulate policy, verify the status of progress made on activities, and undertake examinations of issues and solutions.

DENSO Eco Vision 2025

Environmental Action Plan 2015
DENSO Eco Vision 2015

Environmental Action Plan 2020 (Sixth)

Environmental Action Plan 2025 (Seventh) [Planned]

Sixth Environmental Action Plan (Fiscal 2017 to Fiscal 2021)
Aiming to realize the three targets (Target 3) and the 10 specific actions (Action 10) stipulated under Eco Vision 2025, DENSO has set out its Sixth Environmental Action Plan and is clarifying the specific activities and objectives as far as the Fiscal 2021 milestone.

Environment Committee Organization

Please visit our special Eco Vision 2025 website at: http://www.globaldenso.com/en/ecovision/
Case Study — Aiming for Minimum CO2 Monozukuri

CO2 emissions from energy consumption account for 95% of the principal greenhouse gases that DENSO emits in its production operations. Considering it important for energy loss to be as close as possible to zero, DENSO is concentrating its efforts on reducing the electricity, the form of energy that is used the most.

Making advances in its production field’s energy conservation to the fullest extent by a range of activities—including highly efficient production through Monozukuri innovation, consistent energy-saving activities from energy supply to use, and the use of natural energy—DENSO achieved the CO2 emissions reduction target set in Eco Vision 2015.

In the years to come, DENSO will make further advances in energy conservation while aiming to realize a 50% reduction in energy (halving the volume of CO2 emissions compared with 2012) across the entire Group.

CO2 Emissions Basic Unit

<table>
<thead>
<tr>
<th>Year</th>
<th>Supply side</th>
<th>Production side</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>58</td>
<td>98</td>
<td>156</td>
</tr>
<tr>
<td>2016</td>
<td>38</td>
<td>79</td>
<td>117</td>
</tr>
</tbody>
</table>

DENSO Cooperation Consolidated DENSO Cooperation Non-consolidated

60
40
30
20
10
0
1991
2000
2005
2010
2015
2020

Case Study — Time Variation Foamer

As part of its efforts to thoroughly eliminate all waste (including waste materials, waste generated through transportation as well as operations, and waste inventory) at facilities and through processes, DENSO is engaged in technical developments such as the creation of “1/N facilities” designed to significantly reduce the size of production facilities (N is an integer multiple).

Through this activity, the Company is working to be outstanding (DANTOTSU) not only in terms of manufacturing costs but also for the amount of energy consumed.

Energy Just-in-Time (JIT) Activities Adapted to Production Fluctuations

Based on the idea that “energy for production is not fixed infrastructure but another component to be controlled,” DENSO is working to establish a system for the utilization and supply of just the right amount of energy at the necessary time. The Company is optimizing both JIT supply that provides energy and JIT production that uses energy.

Quality Assurance Policies and Systems

DENSO is aware that it is important to achieve zero-defect products in order to improve the competitiveness and profitability of the Company. Our standard quality assurance activities are performed in accordance with ISO 9001 to ensure the quality of all products. For the development and production of our products, we have set up a Quality Assurance System with the aim of efficiently producing superior products.

Basic Stance

Since its founding, the DENSO Group has been dedicated to providing reliable, safe, and high-quality services that will satisfy customers and earn their trust based on a commitment under the DENSO Group Declaration of Corporate Behavior. We have designated the thorough implementation of the Quality First principle, the practice of quality assurance from the beginning of production and the promotion of quality control with full employee participation as basic quality assurance policies, and we are committed to carrying out a Customer First principle in creating products.

Additionally, based on information collected by sales and technology departments from customers, we are continuously making efforts to enhance customer satisfaction in terms of quality, cost, and delivery.

Promotion Structure

Product Development System Responsive to Customer Needs

In order to provide customers worldwide with optimum products matched to the characteristics of each region, we have established Technical Centers (T/Cs) in Japan, the United States, Germany, Thailand, China, and Brazil. This global structure allows us to conduct product development, quality testing, and evaluation in accordance with local characteristics. Additionally, the DENSO Group has completed the acquisition of ISO/TS16949 certification.

Quality Management

For the quality assurance process of new products, we are thoroughly carrying out early stage control. In terms of early stage control, the degree of product completion and product risks are visualized via a total of nine phases, with specialized departments including quality control and production technology also undertaking concerted initiatives in unison to strictly check quality. The design stage, in particular, benefits from a rigorous quality confirmation process. This includes not only the assurance of individual products but also a series of tests. In order to assure high reliability and durability in a vehicle system, we conduct in-vehicle testing under a range of conditions such as high-speed driving, rough roads, low temperatures, and icing on our test course, as well as various tests in our environmental testing room.

METI Grand Prize for Excellence in Energy Efficiency and Conservation for Second Successive Year

DENSO was presented with the Ministry of Economy, Trade and Industry (METI) Minister’s Prizes, the highest award for excellence in energy efficiency and conservation for the second successive year. Awarded in the energy conservation and case study categories, the efforts that the press recognize include the Company’s superior energy conservation activities, which are sponsored by the Energy Conservation Center, Japan (ECCJ), and its advanced energy-saving products that result from technological developments.

The Driving Safety Manufacturing Unit of DENSO’s Dainan Plant has continuously implemented energy-saving activities that involve all of its employees. Through these endeavors, the Unit achieved a reduction in the power consumption of 7035MWh per year and attracted high praise and recognition.

In the years to come, DENSO will engage in thorough energy-saving initiatives on a Companywide basis while contributing to the achievement of the global environment as well as society’s sustainable development.

Prize-Winning History: DENSO’s METI Minister’s Prizes for Excellence in Energy Efficiency and Conservation

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Category</th>
<th>Title</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>Production side</td>
<td>Turn off idle power source at lunchtime</td>
<td>Automatic idling stop control</td>
</tr>
<tr>
<td>2016</td>
<td>Supply side</td>
<td>Energy Just-in-Time (JIT) Activities Adapted to Production Fluctuations</td>
<td>Based on the idea that “energy for production is not fixed infrastructure but another component to be controlled,” DENSO is working to establish a system for the utilization and supply of just the right amount of energy at the necessary time. The Company is optimizing both JIT supply that provides energy and JIT production that uses energy.</td>
</tr>
<tr>
<td>2012</td>
<td>Supply side</td>
<td>Energy Just-in-Time (JIT) Activities Adapted to Production Fluctuations</td>
<td>Based on the idea that “energy for production is not fixed infrastructure but another component to be controlled,” DENSO is working to establish a system for the utilization and supply of just the right amount of energy at the necessary time. The Company is optimizing both JIT supply that provides energy and JIT production that uses energy.</td>
</tr>
</tbody>
</table>

DENSO’s METI Minister’s Prizes for Excellence in Energy Efficiency and Conservation

DENSO received the METI Grand Prize for Excellence in Energy Efficiency and Conservation for the second successive year in 2016. This is the first time that the METI Minister’s Prize has been awarded to an automotive manufacturer in Japan. This achievement is particularly notable in light of the fact that DENSO is making an effort to further reduce CO2 emissions from production facilities.

METI Grand Prize for Excellence in Energy Efficiency and Conservation for Second Successive Year

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Basic Stance
DENSO is endeavoring to unify its business unit strategies with its IP strategies in a bid to better engage in business activities that help resolve such critical issues as preserving the Earth’s environment and ensuring security and safety. In line with the DENSO Group’s Global Mid-term Policy, energies are directed on a priority basis toward building a patent portfolio of system and world-first products in the environment, security, and safety fields as well as conducting IP activities related to open innovation. The Company is supporting efforts to expand its business and achieve continued growth by utilizing in a strategic manner the patents that have been acquired.

Respect for Other Companies’ IP Rights
DENSO sees problems related to other companies’ IP rights as equally important as major quality problems in its own products. DENSO takes active measures against counterfeit products (in particular those with imitation trademarks). There are many quality problems with counterfeit products, and there is the possibility that purchasing such a product in the belief that it was manufactured by DENSO could be detrimental to the purchaser. In 2005, the Company commenced activities to detect counterfeit products in cooperation with government and customs agencies. DENSO is continuing those activities and, since more recently, has been monitoring Internet auctions and other sales channels for counterfeit products.

Promotion Structure—Global IP System
As we bolster development in our overseas technical centers, we support patent disputes in North America, Europe, and China, thereby strengthening our acquisition of IP rights for local inventions and examination of other companies’ IP rights. In addition, as a cooperative framework within the Group, we support patent disputes in North America through our bases in North America, and our bases in China engage in product protection by taking measures against counterfeit products and the taking out of Chinese petty patents. Problems are shared between the IP staff at each technical center and Head Office, and a global IP meeting is in place to work on plans to stimulate and develop the IP activities in each region. In place to allow discussions between IP staff from Group companies in Japan, a similar meeting works on plans to stimulate and develop the IP activities at each Group company.

Examples of Engagement with Stakeholders

Customer Satisfaction (CS) Improvement Exhibition
DENSO holds an exhibition to present its Monozukuri initiatives and associated case examples—which are based on customer feedback and undertaken from the customer’s perspective—to employees, Group companies, and suppliers. We also hold lecture sessions on the theme of fostering awareness of the customer’s perspective to learn about efforts by other companies.

General Meeting of Suppliers
As a measure to deepen interactions with our suppliers, we provide information to major suppliers inside and outside Japan about our procurement policy and the initiatives of each business division.

Results Briefings for Institutional Investors
DENSO holds results briefings for the purpose of disclosing business and financial information in a timely and appropriate manner and enhancing management transparency through dialogue. After presenting financial information, DENSO updates investors on the development of products that contribute to security, safety, and the environment based on its Mid-term Policy, and then opens the floor to questions.

Ordinary General Shareholders’ Meeting
After the president reports on annual initiatives, the president and Board members answer questions posed by shareholders. Once the General Shareholders’ Meeting ends, DENSO offers participants a tour of its plants with a choice of seven courses for learning more about Monozukuri.

Engagement with Society

Basic Stance
DENSO advances business activities while interacting with various stakeholders. To create a better society, DENSO clarifies its responsibility to stakeholders in its business activities, and values engagement with stakeholders as a helpful means of avoiding self-satisfying activities that are biased by its own logic and preconceptions. DENSO fulfills its social responsibility while reflecting stakeholder opinions and the needs of society in its corporate activities.

Suppliers

General Meeting of Suppliers
Approx. 340 suppliers participated from around the world

Employees

Global Conference
Leaders from Group companies around the world gathered at the Global Conference to learn more about the Mid-term Policy and discuss related strategies as well as hear presentations by directors about how the Group is pivoting toward sustainable development, followed by group sessions.

Local Communities

DENSO Group Heartful Day
DENSO has designated a day ("Heartful Day") for employees to give back to their local communities. DENSO aims to contribute to society in ways that reflects its unique position and role in society.

Shareholders and Investors

Results Briefings for Institutional Investors
Approx. 130 people participated in each of the four annual events

Ordinary General Shareholders’ Meeting
Approx. 1,200 people participated
Corporate Data

Facts & Figures

### Revenue (Millions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>3,154,630</td>
<td>3,580,923</td>
<td>4,094,960</td>
<td>4,524,522</td>
</tr>
</tbody>
</table>

### Operating Profit / Operating Margin (excluding other income)*

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>202,736</td>
<td>262,376</td>
<td>371,440</td>
<td>315,728</td>
</tr>
</tbody>
</table>

### R&D Expenditure / Ratio of R&D Expenditure to Revenue (Millions of yen) (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>160,732</td>
<td>262,376</td>
<td>371,440</td>
<td>315,728</td>
</tr>
</tbody>
</table>

### Operating Profit / Operating Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>99</td>
<td>95</td>
<td>83</td>
<td>79</td>
</tr>
</tbody>
</table>

### CO2 Emissions per Unit*

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2015</th>
<th>2014</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>110.81</td>
<td>226.59</td>
<td>348.05</td>
<td>307.19</td>
</tr>
</tbody>
</table>

### Basic Dividends per Share / Annual Dividends per Share (Yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>160,732</td>
<td>262,376</td>
<td>371,440</td>
<td>315,728</td>
</tr>
</tbody>
</table>

### Total Assets / Equity Attributable to Owners of the Parent Company (Millions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>3,607,697</td>
<td>3,979,093</td>
<td>4,642,053</td>
<td>5,042,896</td>
</tr>
</tbody>
</table>

### In-house Power Generation Ratio (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2015</th>
<th>2014</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>26</td>
<td>30</td>
<td>31</td>
<td>33</td>
</tr>
</tbody>
</table>

* As figures before fiscal 2013 were prepared based on Japanese accounting standards, other income and expenses are not included in operating income.

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.]

Please find more details on financial information via the link below.
**Company Overview**

(As of March 31, 2016)

**Company Name**
DENSO CORPORATION

**Established**
December 16, 1949

**Capital**
¥187.4 billion

**Head Office**
1-1, Showa-cho, Kanya, Ashi 448-8861, Japan

**Employees**

- **Consolidated basis**: 151,775
- **Non-consolidated basis**: 38,490

**Consolidated Subsidiaries**
188 (Japan 62, North America 28, Europe 34, Asia 58, South America/Others 6)

**Companies Accounted for by the Equity Method**
36 (Japan 13, North America 4, Europe 4, Asia 13, South America/Others 2)

**Fiscal Year**
From April 1 to March 31

**Ordinary General Shareholders’ Meeting**
June

**Share Trading Unit**
100 shares

**Number of Shares Issued**
884,068,713 shares

- Including DENSO CORPORATION owning 91,246,018 shares of treasury stock

**Number of Shareholders**
59,829 (including DENSO CORPORATION owning treasury stock)

**Securities Identification Code**
6902

**Stock Exchange Listings**
Tokyo, Nagoya

**Regional Headquarters**

- **The Americas**
  DENSO INTERNATIONAL AMERICA, INC.
  24777 Denso Drive, P. O. Box 5047, Southfield, Michigan 48086-5047, U.S.A.
  Tel: +1-248-350-7500
  http://www.densocorp-na.com

- **Europe**
  DENSO EUROPE B.V.
  Hogeweylaan 165, 1382 JL Weesp, The Netherlands
  Tel: +31-294-493493
  Fax: +31-294-417122
  http://denso-europe.com

- **Asia**
  DENSU INTERNATIONAL ASIA CO., LTD.
  888 Moo 1, Bangna-Trad Km. 27, Tambol Bangbo, Samutsakhon 10560, Thailand
  Tel: +66-2-315-9500
  Fax: +66-2-315-9559
  http://www.densocom.co.th

  DENSU INTERNATIONAL ASIA PTE., LTD.
  51 Science Park Road, #01-19 The Aries, Science Park I, Singapore 117586
  Tel: +65-67768268
  Fax: +65-67768698
  http://www.densocom.sg

  DENSU (CHINA) INVESTMENT CO., LTD.
  Room No. 5/10, The Beijing Fortune Building, No. 5 Densu San Huan Bei Lu, Chaoying District, Beijing 100004, China
  Tel: +86-10-6590-8337
  Fax: +86-10-6758-2781
  http://www.densocom.cn

**Principal Shareholders (Leading 10 Principal Shareholders)**

<table>
<thead>
<tr>
<th>Number of shares held (thousands)</th>
<th>Voting share ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toyota Motor Corporation</td>
<td>196,690</td>
</tr>
<tr>
<td>Toyota Industries Corporation</td>
<td>69,373</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>33,516</td>
</tr>
<tr>
<td>Towa Real Estate Co., Ltd.</td>
<td>38,309</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>26,863</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>21,645</td>
</tr>
<tr>
<td>Asim Seki Co., Ltd.</td>
<td>12,518</td>
</tr>
<tr>
<td>DENSU Employees’ Shareholding Association</td>
<td>11,906</td>
</tr>
<tr>
<td>Mitsui Sumitomo Insurance Co., Ltd.</td>
<td>10,604</td>
</tr>
<tr>
<td>STATE STREET BANK AND TRUST COMPANY</td>
<td>9,691</td>
</tr>
</tbody>
</table>

**Note:** The above table excludes 91,246 thousand shares of treasury stock held by DENSO Corporation.