

**DENSO**

# CSR Report 2011

Aiming to be a trustworthy company in harmony with society



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## Editorial Policy

### ◎ Selection of content (degree of importance/completeness)

- In addition to the guidelines listed below, a questionnaire on socially responsible investment (SRI) and opinions and recommendations solicited during dialogues with stakeholders played a role in the selection of the report's content.
- The Special Feature section (pages 8-15) introduces activities under the theme of "DENSO's Response to the Great East Japan Earthquake," which is a major social concern.
- Our basic stance outlined in each section remains unchanged from fiscal 2009.

### [Scope of the report]

**Companies and business locations covered:** DENSO Group refers to DENSO Corporation and its domestic and overseas Group companies (comprising 187 consolidated companies), except certain sections where notes indicate that a more narrow scope applies.

**Period covered:** This report focuses on activities carried out in fiscal 2011 (April 1, 2010 to March 31, 2011), but also includes some information about past and recent activities to help readers develop a more complete understanding of the content.

### [Guidelines used as reference]

- GRI (Global Reporting Initiative) *Sustainability Reporting Guidelines 3rd edition (G3)*
- Japanese Ministry of the Environment *Environmental Reporting Guidelines 2007*

\* Comparative tables for this report and the GRI Guidelines are available on our CSR Report site. <http://www.globaldenso.com/>

\* [Scope of the Report] and [Guidelines used as reference] are the same as fiscal 2009.

- Please refer to our Annual Reports and financial statements in the "Investors" section of our website for details of our economic report. <http://www.globaldenso.com/en/investors/>

### ◎ Ease of understanding (clarity, comparability)

- This report has been designed primarily for an audience with a high degree of interest in CSR.
- This report makes a clear distinction between the DENSO Group ("DENSO") and DENSO Corporation ("DENSO Corporation" or "the Company") regarding respective initiatives and data. The DENSO Group consists of DENSO Corporation, all consolidated Group companies and affiliates under the equity method.
- For the purpose of comparability, data is provided on a year-by-year basis.
- There were no changes with a significant impact on comparability in fiscal 2011

### ◎ Credibility

- In a section introducing "CSR Highlights & Lowlights" (page 22), DENSO lists negative as well as positive information concerning CSR in fiscal 2011.
- DENSO has not included a third-party assurance on our CSR activities and data since there is still no established procedure or global standard for such assessment. However, we continue to receive the opinions of third parties and other experts via dialogue to increase the transparency and credibility of our CSR activities.

**Issued by: Nobuaki Katoh, President and CEO**

**Editor: Sadahiro Usui, Managing Officer**

**Issue date: November 2011 (scheduled issue of the next report:**

**November 2012; previous report: November 2010)**

## Corporate Overview

(as of March 31, 2011)

|                         |   |
|-------------------------|---|
| Company name            | DENSO CORPORATION                             |
| Address of headquarters | 1-1, Showa-cho, Kariya, Aichi 448-8661, Japan |
| Established             | December 16, 1949                             |
| Representative          | Nobuaki Katoh, President and CEO              |
| Capital                 | 187.4 billion yen                             |
| Employees               | 123,165                                       |

|                                    |                                    |
|------------------------------------|------------------------------------|
| Consolidated subsidiaries          | 187 companies                      |
| Affiliates under the equity method | 31 companies                       |
| Net sales                          | 3,131.5 billion yen (Consolidated) |
| Ordinary income                    | 207.2 billion yen (Consolidated)   |

\*See page 85 for Financial Summary.

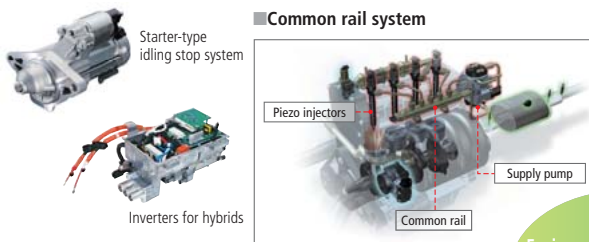
# DENSO contributes to the realization of a sustainable automotive society in four product areas

Automobiles are a highly precise form of transportation that function through advanced systems and the close connection of around 30,000 components. The core technology making this a reality is electronic control technology. DENSO provides numerous parts and systems to the world's leading automakers as a top-level supplier helping to drive this technology. Overcoming challenges facing the automotive society such as traffic accidents and environmental pollution is a key theme for DENSO. This concept incorporates efforts related to the product areas of the environment, safety, comfort and convenience. Contributing to the realization of a sustainable automotive society through the development and provision of advanced products is viewed as a major social mission of DENSO.



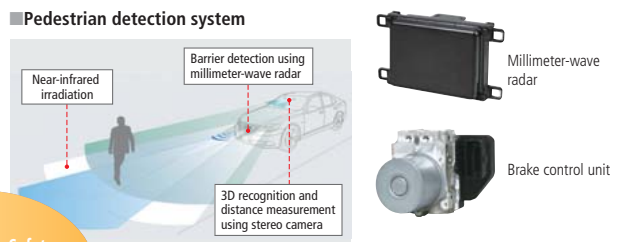
## Contributing to enhanced fuel efficiency and purification of exhaust gas in eco-cars through motor technology and electronic control

The environmental performance of eco-cars is being improved through enhanced efficiency for a wide variety of sources of power that include gasoline, diesel, hybrid, electricity and bio-fuel, as well as the optimization of electronic control.



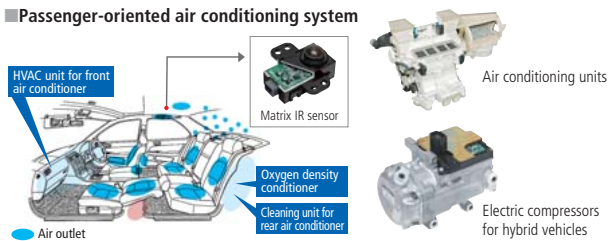
## Helping avoid traffic accidents and reduce impact through unique sensor technology and electronic control

DENSO supports preventive safety systems and crash safety systems with adaptive cruise control, barrier and pedestrian detection and seatbelt control, etc., using millimeter-wave radar and brake systems.



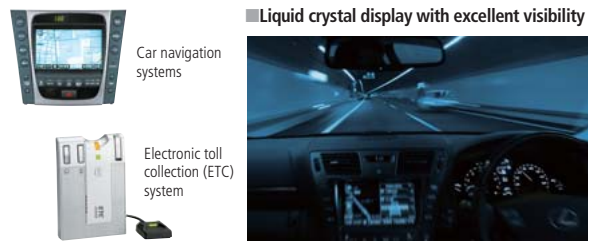
## Providing air conditioners with exceptional energy-saving properties and ease of mounting for passenger cars, buses and trucks

DENSO aims to ensure a comfortable ride at all times, even in the toughest climates. We provide air conditioners that are easy to mount, use minimal power and that feature advanced cooling control and a compact design.



## Alleviating congestion and contributing to smooth traffic flow with advanced information and communications technology

We are working to develop systems that enable efficient access to traffic-related information, alleviate congestion through ETC, improve the visibility of various meters and enhance traffic flow.



DENSO products that apply automotive technology contribute to advancements in residential and industrial sectors

Greatly reduces energy required for hot-water supply



EcoCute natural refrigerant heat pump water heater

Streamlining of circulation and distribution operations and management



Barcode handheld scanners

Contribution to automation and power saving in production



Industrial robots

Efficient cooling of base station equipment



Kerosene air conditioners

# Aiming to be a trustworthy company in harmony with society

To ensure people's happiness and welfare, facilitate the sustainable growth of society and create an advanced automotive society, each of our employees is striving to put into practice the principles embodied in the DENSO Philosophy and the DENSO Group Declaration of Corporate Behavior in order to meet the expectations and earn the trust of our stakeholders.

## DENSO Philosophy

This basic philosophy expresses the reason for DENSO's existence, what our mission is and the policies we will implement to achieve this mission.

### [Mission]

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

### [Management Principles]

1. Customer satisfaction through high-quality products and services
2. Global growth through anticipation of change
3. Environmental preservation and harmony with society
4. Corporate vitality and respect for individuality

### [Individual Spirit]

1. To be creative in thought and steady in action
2. To be cooperative and pioneering
3. To be trustworthy by improving ourselves

## DENSO Group Declaration of Corporate Behavior

This CSR policy codifies the DENSO Philosophy and corporate behavior from the perspective of contributing to the sustainable development of society.

### [Text of declaration]

We, DENSO Corporation and its Group companies\*, will actively contribute toward the sustainable development of society through sincere business activities in each country and region.

\*Consolidated management companies, and companies in which DENSO is the primary shareholder

**URL** DENSO Group Declaration of Corporate Behavior (all text)

<http://www.globaldenso.com/en/csr/csrpolicy/csrcharter.html>



## Mechanisms for implementing CSR management

DENSO formulated "DENSO Vision 2015," a long-term management policy aimed at 10 years into the future as well as a "long-term framework" that codifies objectives and strategies for around a five-year period in order to realize our philosophy. These objectives and strategies are reflected in annual policies and plans and linked to the daily operations of each employee. Within these processes, there are two points that personnel need to be constantly aware of and put into practice. The first is the DENSO Spirit, a set of values to be shared by all DENSO employees (see the following page) and the second is the *Code of Conduct for DENSO Group Associates* (see the following page), a behavioral charter to earn the trust and meet the expectations of society.

## DENSO VISION 2015

We express our desired stance through our business activities and clarify the direction of technological development, business operations and management so that we can realize the DENSO Philosophy.

### Desired stance "Consideration" and "Fulfillment" for the people of the world

We will contribute to the achievement of a future automotive society where there are fewer worries about environmental impacts and traffic accidents (Consideration) and people can enjoy driving and the convenience of their cars to the full (Fulfillment).

#### URL DENSO Vision 2015

<http://www.globaldenso.com/en/aboutdenso/vision/>

## Code of Conduct for DENSO Group Associates

The *Code of Conduct for DENSO Group Associates* provides guidelines expressing the attitude, behavior and desired stance expected of each stakeholder as members of the DENSO Group.

#### Contents

- I. Your conduct as a member of the DENSO Group
- II. Creating a vibrant workplace
- III. Earning trust and meeting the expectations of customers
- IV. Building win-win relationships with our suppliers
- V. Living up to the trust and expectations of our shareholders
- VI. Upholding the best interests of society



### Appropriate revisions made as society changes and distributed to all employees

The Code of Conduct applies to all associates, including executives, temporary workers, non-regular workers, part-time and contract workers, and others engaged in an employment relationship with DENSO Corporation, its domestic consolidated companies and other companies of which DENSO is the largest shareholder. The content is revised at DENSO Corporation's CSR Promotion Meeting as deemed necessary when changes in society occur. Since the first issue in 1998, revisions were made in 2009 and 2010.

#### URL Code of Conduct for DENSO Group Associates

<http://www.globaldenso.com/en/csr/csrpolicy/csrcharter.html>

## DENSO Spirit

The DENSO Spirit specifies the values and beliefs that should be shared throughout the Group so that we can grow and develop as a truly global corporation.

### Driving force behind corporate growth: Foresight, Credibility, Collaboration

The DENSO Spirit clearly expresses our stance regarding the values of "Foresight, Credibility and Collaboration," which continuously have been tacit values since the foundation of DENSO Corporation, and were formally written down in 2004. We are focusing on sharing these values on a global basis through translation into 17 languages so that they become the driving force behind activities in all fields.



#### ©DENSO Spirit

| Foresight  | Credibility  | Collaboration   |
|--|--|---|
| <b>Providing surprises and impressions in a way that only DENSO can</b><br>[Vision] Anticipating change<br>[Creativity] Creating new values<br>[Challenging] Overcoming difficulties | <b>Providing quality and reliability beyond customer expectations</b><br>[Quality First] Ensuring the best quality for our customers<br>[On-site verification] Grasping the facts firmly<br>[Kaizen] Striving to reach higher levels | <b>Achieving the highest results by working as a team</b><br>[Communication] Understanding one another completely<br>[Teamwork] Doing your best as a team<br>[Human Resource Development] Developing yourself and the next generation |

### Aiming to personify the DENSO Spirit in each employee worldwide

In 2003, as we expanded rapidly through dramatic overseas development, DENSO was faced with a sense of impending crisis. How could we effectively pass on our DNA inherent in production and work practices while the number of foreign employees was rising so sharply? Inadequately passing on our DNA could lessen the trust in the organization that had been established and built up over the years by our predecessors. DENSO Corporation formed a project team and formally wrote down the DENSO Spirit that each employee around the world can refer to and started taking steps to make sure this spirit was reflected in daily actions.

However, it is not easy for employees with different cultural and social backgrounds to understand the Japan-nurtured DENSO Spirit. As such, we chose to increase understanding while trying to learn from each other through conversations, sharing experiences and dialogue on an ongoing basis rather than the old-style top-down method of imposing action.

To begin with, we distributed a booklet incorporating examples of past successes and failures as well as words of wisdom that have been passed down by past members of management concerning "Foresight," "Credibility" and "Collaboration." We also made a video with young employees taking central roles. Using this as a reference, we held continuous dialogues that included relaying experiences in the workplace in different countries and regions. We conducted a survey to ascertain the level of understanding of the DENSO Spirit and the extent to which it was being implemented and then made improvements and revisions as necessary to educational tools.

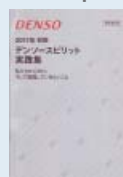
In 2010, we handed out to each employee a compilation of practices embodying the DENSO Spirit. Through continuous efforts such as these, many employees came to realize the connection between their own experiences and values and the DENSO Spirit, and incorporated it into their behavior.

#### ©DENSO Spirit



**Quality First:** Customers only buy one car, so it must be the best out of dozens (words of wisdom passed down)

#### ©Examples of the DENSO Spirit



**Genchi genbutsu (on-site verification):** This process takes time, but it results in faster work (employee comment)  
**Kaizen (continuous improvement):** Improvement comes from genuine dissatisfaction that may include difficulties or unfamiliarity in daily operations (employee comment)

## Combining the collective knowledge and capabilities of the DENSO Group to create a sustainable society



**Nobuaki Katoh,**  
President and CEO

### Great East Japan Earthquake

On March 11, 2011, a magnitude 9.0 earthquake struck off the coast of Sanriku and this unprecedented catastrophe left over 20,000 persons dead or missing.

I wish to express my heartfelt sympathy to the victims of the earthquake and to pay tribute to the people who devoted themselves to the rescue and recovery efforts immediately after the earthquake. Let me also convey my deepest appreciation for all the support provided to Japan from around the world.

The strong and sustained tremor on March 11 could also be felt at DENSO's headquarters in Kariya City, Aichi Prefecture. In the immediate aftermath of the earthquake, we set up a disaster response task force and worked to gather essential information. Although we confirmed the safety of our employees, we also learned that buildings at

several sales companies and DENSO Group companies in the Tohoku and Kanto regions were partially damaged. At the same time, we also confirmed that around 600 plants operated by our suppliers were damaged and that DENSO's plants in the affected regions were able to operate only on a limited basis. I offer my deepest apologies for any inconveniences and concerns we caused our customers and suppliers.

During the last part of March, I traveled to the disaster areas and witnessed firsthand the horrific devastation, and this reaffirmed my awareness of the enormity of the destruction. At the same time, I resolved that above all we must place utmost priority on rebuilding and supporting the stricken regions.

## Supporting the recovery of the disaster regions

Just after the earthquake, DENSO commenced various support activities spanning the entire Group. Among these, we dispatched employees to help provide recovery assistance to the severely ravaged city of Ishinomaki in Miyagi Prefecture. This relief activity originated from the suggestions of employees, who expressed their desire to “systematically and continuously support the recovery.”

In undertaking this support initiative, top priority was given to assuring the safety of employees participating in the recovery operations while numerous departments collaborated to create a detailed plan and a support struc-

ture was established. Although our employees were to be deployed to Ishinomaki for an entire week, when we called for prospective applicants, numerous employees raised their hands without hesitation. I was also extremely gratified to see that the desire of these employees to help was respected at their workplaces and that they were given a warm sendoff even though their participation in this long-term activity would keep them away from their jobs.

DENSO's recovery support activities are spotlighted in the Special Features on pages 9-10 and pages 14-15.

## Recovery of production levels and future initiatives

The automobile industry worked in close concert to quickly restore disrupted supply chains and made all-out efforts to rehabilitate damaged production plants. Thanks to these efforts, in July, DENSO was also able to restore its production to near pre-quake levels.

Nonetheless, we must still draw on the lessons from the recent major earthquake and promptly re-examine our earthquake countermeasures in the Tokai region, where we have a large concentration of production bases. Regardless

of the type of natural catastrophe that strikes in the future, DENSO will give top priority to ensuring the safety of employees and must strive to minimize damages, quickly restore operations and continually supply parts, thereby fulfilling our responsibility as a parts manufacturer. To do so, it will be necessary to focus even more closely on strengthening risk management across the entire Group.

We report on our initiatives for strengthening risk management in the Special Feature on pages 11-12.

## Our responsibilities as a global company

While devoting efforts to supporting the recovery of the disaster regions, we must also contribute to the creation of a sustainable society through the development of cutting-edge technologies and high-quality manufacturing (*monozukuri*).

As stated in DENSO Vision 2015, we aspire to be a company that can “contribute to the achievement of a future automotive society where there are fewer worries about environmental impacts and traffic accidents, and people can enjoy driving and the convenience of their cars to the full.” I believe this is precisely the corporate social responsibility (CSR) that DENSO must fulfill through its business activities.

Specifically, under the Environmental Action Plan 2015 announced in November 2010, we have included enhanced measures and strengthened environmental responses in

emerging countries, and based on the keywords “low carbon, recycling and coexistence,” we will upgrade and expand initiatives such as undertaking the R&D of environmental technologies and products and reducing environmentally hazardous substances on a global scale.

In undertaking its business globally, DENSO must continue to have an indispensable presence for its stakeholders in each community. Therefore, as a good corporate citizen, it is essential that we share an interest in issues facing local communities and actively work toward solving these issues. As a prime example of these efforts, in fiscal 2011, approximately 54,000 employees in 25 countries and regions undertook community-based social contribution activities through DENSO Group Community Service Day. We report on social contribution activities on pages 51-52.

## Actions of each employee form the basis of DENSO's CSR activities

November 2010 marked the launch of ISO 26000, the international standard for social responsibility that articulates shared issues worldwide that global companies must address. At the same time, the automobile industry must also respond to numerous issues globally that include eliminating traffic accidents and reducing environmental impacts. None of these issues can be solved overnight. However, if the over 120,000 DENSO employees seriously regard problems in society as issues that concern them and then move into action, I am confident we can contribute to the creation of a sustainable society even in some small way. Concurrently, I believe my mission is to cooperate closely with employees to build a company and workplaces where people take pride in helping to solve issues facing society through the work of each individual.

In this report, we have allocated a large number of pages as Special Features that explain how DENSO responded to the Great East Japan Earthquake. I believe that the true worth of DENSO's CSR activities will be tested depending on how well we can utilize the lessons learned from the earthquake and then deal with related issues in the future.

In closing, I would like to hear the frank opinions and suggestions concerning this report from as many of our stakeholders as possible.



# DENSO's Response to the Great East Japan Earthquake

The major earthquake that wreaked unprecedented devastation across the Tohoku and Kanto regions was an epic event that prompted DENSO to ask what we should do and what we can do to help both as individuals and as a company.

The following is an account of what DENSO employees were thinking when the disaster struck and how DENSO moved into action as a company and dealt with severe circumstances from a multitude of perspectives during the five-month period following the earthquake.

## 01 | Recovery support activities through the systematic dispatch of employees ▶▶Page 09

## 02 | Risk management for business continuity ▶▶Page 11

## 03 | Companywide measures to prepare for "emergency power savings" during the summer peak ▶▶Page 13

- TOPICS ■ Role of DENSO East Japan Corporation  
■ Undertaking groupwide support activities



DENSO employees pay tribute to victims with a moment of silence prior to the start of recovery work operations (14th team, 54 members). Around the end of July, approximately three months after the earthquake, DENSO's recovery support activities became widely known among the residents of Ishinomaki. In various locations throughout the city, residents conveyed their appreciation with words such as "Thanks so much for your help, DENSO!" and these expressions of gratitude served as powerful encouragement to our employees.



With encouragement from executive officers and their colleagues, the first team of volunteers heads for Ishinomaki City.



The athletic field at Ishinomaki Senshu University is cleared and becomes a tent village for volunteer activities.

Special Feature

01

Recovery support activities through the systematic dispatch of employees

DENSO considered whether as a company if it could somehow provide systematic and continuous support to the devastated regions. Ultimately, a total of 674 DENSO employees participated in recovery support activities that started in mid-April and continued for a total of 74 days. During this time, those employees who were unable to participate directly due to work-related circumstances provided valuable back-up support for their colleagues at each workplace. This approach in which the entire Company worked in concert filled employees with a new awareness and inspiration.

Top priority on supporting the recovery of the stricken regions

When the extent of the massive devastation from the Great East Japan Earthquake became evident, DENSO President Nobuaki Katoh decided that "this situation is a national crisis and we will make groupwide efforts to support recovery" and then informed the entire Company of this objective. In response, each department became busily absorbed in handling numerous tasks in a manner that differed completely from normal busy times during the year. Primary tasks included appealing for relief money and relief supplies, supporting the recovery of business partners that suffered damages, making preparations for supplying electric power and repairing vehicles in the disaster regions, and adjusting employee off days and appropriately allocating staff in response to production cutbacks. Under these circumstances, a number of employees also expressed their wishes to participate in volunteer activities in the disaster regions. Despite this strong desire to volunteer, great prudence was needed because transportation in the affected areas was disrupted, local municipalities were not yet in a position to accept volunteers and concern was growing about the spread of radioactive contamination after the accident at the Fukushima Daiichi nuclear power plant.

Meanwhile, our production bases had no choice but to limit their operations due to large declines in production at automakers immediately

following the earthquake. With an uncertain prognosis for a recovery in production, staff spent each day gripped by a deep sense of worry. At this time, many of our employees faced a dilemma. As human beings, they badly wanted to help the devastated areas in more ways than by merely providing money and relief materials. Although their desire to provide on-site help was consistent with Company policy, employees were unable to move into action because of difficulties in ascertaining the actual circumstances in the local disaster areas. Aware of this difficulty, the General Administration Department and the Human Resources Department collaborated and formulated a bold proposal that asked whether DENSO could designate recovery support activities as regular job activities instead of volunteer activities. Under this proposal, DENSO would solicit persons with interest in volunteering for recovery support activities and systematically dispatch large numbers of employees to carry out recovery operations and provide support. The proposal also asked whether staff could be dispatched continuously by establishing a back-up system that transcends the framework of workplaces. Also, because DENSO would arrange all the necessary logistical preparations such as transportation, accommodations and equipment, employees would have a far smaller burden than when participating in similar activities as individuals.

Busily making preparations combining our collective knowledge and capabilities and transcending the framework of our organization

This proposal gained the support of numerous employees and evoked such comments as "this idea truly typifies DENSO" and "this concept represents the essence of the 'DENSO Spirit' (fundamental concept supporting the Foresight, Credibility, and Collaboration of the DENSO Group)." Numerous departments then began verifying whether the proposed plan was actually feasible. Utilizing networks cultivated with various non-profit organizations (NPOs) to the present, we searched for municipalities that could accept a large number of employees. We also examined our structure to ensure employees could undertake support operations safely. These considerations covered accommodations, transportation methods and routes, essential tools and equipment, procedures and precautions for undertaking activities, and local support (preparations and supply shipments in case of any emergency). While we were making these considerations, the plan came to fruition. At the same time, when we sought prospective participants internally, well over 200 people expressed their desire to participate. This large positive response left no doubt that we could continuously dispatch the essential number of personnel.

We finally found a suitable recipient for our support: Ishinomaki City in

Miyagi Prefecture, which suffered enormous human casualties compared with all other afflicted municipalities. Because so many of the stricken municipalities were extensively damaged, social welfare councils that accept volunteers were unable to function and even if disaster volunteer centers were set up, these could not be operated adequately. Under such circumstances, Peace Boat, an international non-governmental organization (NGO), arrived in Ishinomaki with extraordinary speed. Using Ishinomaki Senshu University as its base, Peace Boat established the NPO and NGO Support Network (subsequently Ishinomaki Disaster Recovery Assistance Council, Inc.) in cooperation with social welfare councils, municipalities and local volunteers and utilized the manpower of volunteers to the extent that its approach was dubbed the "Ishinomaki Model."

On April 7, DENSO compiled a basic plan for recovery support operations. When this plan was presented to President Katoh, he approved the dispatch of employees on the condition that we "provide solid support giving ultimate priority to the safety of employees."

◎An activities leaflet and equipment (a portion) distributed to dispatched employees



Giving utmost priority to employee safety, we provided equipment and a leaflet containing detailed safety precautions.

Rain suit

Gloves

Dust protection mask

Helmet/goggles



Employees undertaking recovery work in a disaster area



Before clearing (left) and after clearing (right)



## Commencing debris clearing activities amid the devastation of Ishinomaki City

At 7:45 a.m. on April 17 (Sunday), the first team of volunteers consisting of 30 employees assembled at the Nishio Plant, where they received encouragement from executive officers and colleagues at a kickoff rally before boarding a large motorcoach. The volunteers had already made all necessary preparations prior to departure day. These included reading the detailed activities leaflet, mentally preparing to think and act from the standpoint of victims, confirming appropriate responses to aftershocks and emergencies, and receiving tetanus immunizations.

The bus journey to Sendai City, the location of the accommodations, took approximately 11 hours. After the first night, the team departed their hotel early the next morning and arrived at the Ishinomaki Volunteer Center (VC) around one hour and 30 minutes later. After receiving instructions at base camps operated at several locations by Peace Boat, DENSO employees began recovery support work at their respective work sites. The team formed into three groups and their work consisted of cleaning and removing sludge and *tatami* mats from homes and supporting evacuation centers. At the Ishinomaki

VC, an advance group of support staff from the Human Resources Department also provided assistance for shipping supplies and handling contacts in case of any emergency.

On April 18, the first day of work operations, a microbus carrying DENSO employees bounced along on the rough roads that still bore the scars from the earthquake and the passengers were repeatedly flung from their seats. Before long though, all employees were rendered speechless as they gazed in disbelief at the horrific spectacle that unfolded outside the window of their bus. The ground surface was covered by dirt, sand and rubble while houses with only a foundation, twisted steel frames and damaged automobiles dotted the landscape everywhere. Until very recently, Ishinomaki had flourished as a seafood-based port city on the coast of Sanriku, one of the world's three largest fishing grounds. Now, Ishinomaki no longer bore any resemblance to its past. Alighting from the bus, employees were instantly jolted by a rancid odor from the mixture of decayed seafood, refuse, sludge and fuels. The odor made employees realize that they were now witnessing reality.

## Using this valuable experience to provide new support in the future

While continually clearing rubble and sludge within the devastated area that stretched before their eyes, employees were overcome by a sense of powerlessness and asked themselves, "How useful will this cleanup work really be?" Despite their doubts, employees soon brimmed with determination to "stride forward, even if just one step at a time" after seeing partially destroyed homes throughout the town with fluttering banners bearing such inscriptions such as "Don't give up, do your best and dream for tomorrow!" and "Try your best, Ishinomaki." Finally, their five-day volunteer period ended. During this time, employees undertook their work carrying heavy loads of equipment and continually maintaining a heightened sense of tension in preparing for aftershocks.

The day following the return of the first team, a second team of 56 employees departed for Ishinomaki. During the 74 days up to August 10, a total of 674 employees making 16 trips participated in the recovery support operations. Among these were employees who participated on more than one occasion after expressing their desire to "be allowed to go one more time." While employees were undertaking their assistance activities in Ishinomaki, there were also times when the disaster victims provided employees with inspiration by distributing boiled pork *miso* soup and cold drinks. Many of the employees who participated in the recovery support operations said, "My thoughts and feelings about the devastated region prior to departure and after returning have changed completely." Even though employees have various inner thoughts, there is no doubt they feel a bond of solidarity with the residents of Ishinomaki City.

In undertaking the recent recovery support operations, DENSO carried out a number of processes on a trial-and-error basis. Regarding methods and evaluations, we are collecting opinions from local NPOs and participating employees and undertaking analyses. However, there is no doubt this valuable experience represents an important milestone that will pave the way for further support activities along the ongoing and long path toward recovery in the devastated regions.



Banners vowing to recover from the disaster were raised throughout Ishinomaki City.

### Impression of leaders of the first team

Prior to joining DENSO, I gained work experience in the Self-Defense Forces. I saw images of the disaster regions and felt I could not ignore the circumstances facing these communities. Although I was involved in disaster recovery support on two occasions in the past, the scale of the disaster in Ishinomaki was incomparable beyond words. To rebound from such extensive destruction, long and continuous support will be essential. I believe it would be great if as a company we can realize a structure capable of cooperating over the long term.



**Toyohiko Kurono**  
Thermal System  
Manufacturing Division 1

After the Sumatra offshore earthquake in my home country of Indonesia, we received tremendous support from Japanese people and so I wanted to repay this favor in even some small way. I will never forget the firsthand sight of the devastated area, which moved me to tears. Manpower is still needed in the afflicted regions and I have high hopes for Japan's bonds of solidarity.



**Imam Firdaus**  
Thermal System  
Manufacturing Division 2

### Supervising the acceptance of volunteers in Ishinomaki City

On March 17, I loaded my car with relief supplies such as blankets and food and was driving around the disaster region when I was notified that there were not enough blankets in Ishinomaki, and so I headed toward that city. Upon witnessing the ghastly scene with my own eyes, I decided to randomly move around to locations where I thought there were likely to be evacuees and I worked busily to grasp their needs. The damage extended across such an extensive area and the degree of damage varied infinitely. Because of this, it is necessary to bring together support that is closely tailored to the needs of each person in the region. Among the activities of all companies involved in providing assistance, DENSO's activities stood out as being path-breaking. Therefore, I believe these activities can be introduced as a case example demonstrating that "this type of activity is also one method of support that can be provided as a company." I feel that our circle of support has widened further and I sincerely hope that these activities will be continued in the future.



**Yasuhiro Ueshima**  
International Exchange NGO  
Peace Boat



DENSO Tohoku Corporation converted this warehouse into a temporary office after its office was damaged. (Sendai City, Miyagi Prefecture)



President Katoh inspected damage in the Tohoku region and offered encouragement to employees.

Special Feature

02

## Risk management for business continuity

Immediately after the Great East Japan Earthquake, DENSO launched a disaster response task force and initial responses focused on ascertaining the extent of damage and undertaking relief and evacuation activities. In July, we also began reviewing risk management and strengthening risk management countermeasures from the perspective of business continuity management in the event of a large-scale natural catastrophe.

### Establishing a disaster response task force on March 11

Around 2:46 p.m. on (Friday) March 11, just a few hours before the end of the workday as many employees were thinking ahead to their weekend plans, a prolonged and powerful horizontal motion shook the Tokai region. As the shaking subsided, top management, who were anxiously “hoping the epicenter was not nearby,” received a report that the “Tohoku and Kanto regions were seriously affected.”

After televisions were turned on, broadcasts repeatedly showed images of groups of buildings in Tokyo rocking violently, while newscasters frantically urged people living along the Tohoku Pacific coastline to evacuate immediately after a major tsunami warning was issued for that region.

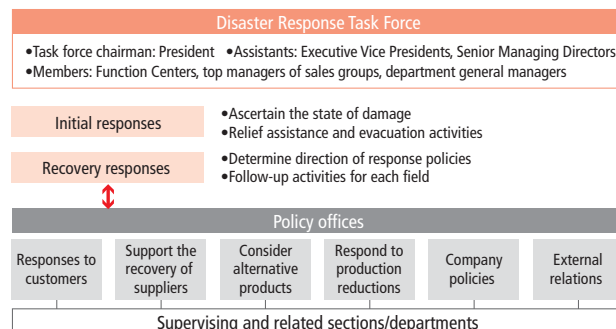
The earthquake was centered off the coast of Sanriku and initially measured magnitude 8.4 (subsequently revised upward to magnitude 9.0). Underscoring the severity of the earthquake, on the Japanese seismic intensity scale, the earthquake registered 7 in northern Miyagi Prefecture and from 5 upper to 6 upper in areas of Tohoku and Kanto.

President Katoh immediately called for an emergency gathering of executives and personnel responsible for risk management and set up a disaster response task force at the DENSO headquarters. This action was in keeping with the Earthquake Disaster Response Manual, which stipulates that in the event of an earthquake measuring over 5 on the Japanese scale, DENSO shall establish a disaster response task force to confirm the safety of employees and their families and ascertain damage, while each department is to set up a structure for evacuation and relief assistance activities and recovery work.

In the moments after the earthquake, however, DENSO encountered great difficulty in contacting the Tohoku and Kanto regions using mobile and

landline phones, and the only source of information was through Twitter, the Internet and television and radio news. We received only fragmentary information such as reports that employees of branch offices and business offices in Tohoku and Kanto had evacuated their buildings during the earthquake, and that buildings and equipment at several Group companies had been damaged. Under these circumstances, President Katoh (who is chairman of the task force) instructed, “Our top priority is gathering information and confirming the state of damages. I want each manager and person in charge to make all-out efforts to confirm human and material damages by tomorrow and bring this information to me and then let’s try to respond on the 13th (Sunday).”

### Organization and role of the disaster response task force



### Responding to customers and restoring the supply chain

On March 11 and 12, each department worked ceaselessly to collect information and in the meantime was able to confirm the safety of employees. Nonetheless, we could not determine the extent of damage at our many suppliers and it was also becoming evident that many employees were still unable to contact their families. During this time, the disaster response task force was sad and disheartened by the dismal news reports regarding the details of the earthquake disaster. These included the catastrophic damage from the giant tsunami along the Tohoku coastal region, an industrial complex burning in Chiba Prefecture, stranded commuters filling the streets of Tokyo, an explosion at the Fukushima Daiichi nuclear power plant and severely damaged equipment at production plants. All members of the task force shared the same sense that “This is a national crisis. We must place utmost priority on rescuing and evacuating the disaster victims and make nationwide efforts to restore the infrastructure and industry.” A decision was made that “supporting the recovery from the earthquake disaster” will be our number-one priority for the immediate future. Adhering to this policy, we began providing relief money and relief supplies while support activities were simultaneously started in concert at our business offices in countries and regions around the world (refer to page 15).

At the same time, as an automotive parts manufacturer, DENSO also needed to respond to another top-priority issue, namely, fulfilling its responsi-

bility for supplying products to customers. Any delay in supplying parts would cause production lines of automakers to grind to a halt. To avoid such disruptions, each department checked on inventories, including those across our supply chain, and then reported the results to the automakers that we supply. In tandem, we also quickly gathered information on the production plans of our customers. On the other hand, after the earthquake automakers in Japan were forced to adjust or halt production and this impact of the earthquake also continued spreading to overseas automakers.

The main cause of this production disruption was damage to manufacturers of automotive parts and materials in the Kanto and Tohoku regions. Automobiles are built with over 30,000 parts. However, plants that manufacture such indispensable components as semiconductors and industrial rubber, which have no alternatives, were also seriously affected by the earthquake and the nuclear power plant accident, and supplies of these key components stopped. In response, the automobile industry set up a structure for cooperation that transcended the framework of individual companies. Under this structure, engineers were dispatched to repair and restore damaged plants. On an individual basis as well as in cooperation with the Toyota Group and the Japan Automobile Manufacturers Association, Inc., DENSO also successively dispatched engineers to damaged plants from which it procures materials.



A map of eastern Japan and bulletin board for sharing of information by the disaster response task force



Progress reports on various matters are added to the shared information bulletin board.



A company labor-management discussion discussing efforts for earthquake recovery

## Sharing of information unites the Company

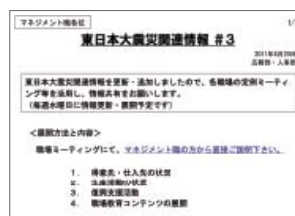
The disaster response task force confirmed the safety of employees and the extent of damages and identified issues that needed to be addressed urgently, including responding to customers, supporting the recovery of suppliers, considering alternative products and responding to reduced production. Progress reports on these issues were received daily and posted on a wall, as all members worked in unison to share information while implementing various countermeasures. Besides responding to the impact of the earthquake, in April we began taking steps for measuring radiation on export products in response to harmful rumors that had emerged along with the spread of radioactive materials following the accident at the Fukushima Daiichi nuclear power plant.

As we grappled with unexpected problems in this manner, the volume of domestic automobile production in March plunged by approximately 400,000 vehicles (approximately 5% of annual production volume). In April as well, there were still no signs of a rebound from the steep production declines at automakers caused by difficulties in procuring parts. This production decline also evoked concerns about the negative impact on Japan's economy and employment. DENSO was not immune to these adverse circumstances and many of our manufacturing plants were also forced to scale back production. DENSO also struggled to adjust staff assignments because of the implementation of paid leave and the strengthening of cost-reduction activities.

Inside the Company, employees made appeals such as, "We need to share information on the status of production and support, especially in emergencies like now, and combine our strengths to overcome the current difficulties." In response to such appeals, we focused on disseminating various

information internally. We successively provided "Information on the Great East Japan Earthquake" to managers in each department/section. At the same time, for regular employees, we posted messages from the president and introduced initiatives from the disaster response task force in our in-house journals and on bulletin boards to promote understanding and cooperation.

For changes in work duties occurring with production cutbacks, we exchanged opinions at labor-management discussions as part of efforts to work together on a companywide basis.



Information is successively conveyed to management positions to enable quick responses.



An in-house journal explains efforts of the disaster response task force and urges cooperation.

## Reevaluating and strengthening disaster prevention measures in preparation for a large-scale earthquake

Besides its initial responses, in July the disaster response task force began reevaluating risk management in preparation for another large-scale earthquake. Our existing Earthquake Response Manual is a set of guidelines based on assumed damages from the Tokai and Tonankai earthquakes\*1 as specified by the Cabinet Office's Central Disaster Prevention Council in 2006. However, this manual does not cover a large-scale tsunami, liquefaction\*2, and nuclear power accident and rolling blackouts\*3 that occurred with the Great East Japan Earthquake. The lessons learned from the recent earthquake, an interlocking-type earthquake in which multiple tectonic plates slide simultaneously, have prompted a movement among government and experts to reevaluate their damage assumptions and countermeasures based on the premise of three interlocking earthquakes, namely, the Tokai, Tonankai and Nankai earthquakes.

From the perspective of business continuity management, while taking into account movements by government, the disaster response task force deemed it necessary to strengthen disaster prevention measures over the short, medium and long terms. It selected an array of tasks concerning "the disaster response task force's initial responses, communicating information, restoring and resuming business operations, responding to suppliers and responding to customers."

The recent major earthquake caused DENSO to face various ordeals that tested our crisis management capabilities. In some instances, we successfully dealt with these issues utilizing the results of past training, but in other cases we encountered problems that taught us important lessons. The many employees involved in implementing countermeasures are now acutely aware that a key to ensuring business continuity will be to draw on these experiences to build a strong corporate structure for dealing with risks and crises.

Looking ahead, we intend to form working groups from various related departments and reevaluate the business continuity plan for the entire DENSO Group with the aim of strengthening earthquake risk management.

\*1 A massive earthquake on Japan's Pacific coast with a high probability of occurrence within the next 30 years

\*2 A phenomenon whereby sand deposits with high groundwater content change into a liquid state due to oscillation during an earthquake. As a result of liquefaction, buildings collapse and underground sewer pipes float upward.

\*3 Based on the Electricity Business Act, when demand for electric power is expected to exceed supply, electric power companies cut electricity after announcing they will stop power transmission.



Employees work under dimmed lighting during emergency power saving training.



Confirming the relevant facilities during emergency power saving training

Special Feature

03

## Companywide measures to prepare for "emergency power savings" during the summer peak

Amid concerns about possible electric power shortages during the peak-demand summer months due to the shutdown of nuclear power plants, DENSO complied with requests from electric power companies and executed companywide measures to prepare for "emergency power savings." In addition, DENSO shifted operations from certain weekdays to weekends on a rotational basis from July through September.

### Electric power companies request measures for "emergency power savings"

In the wake of the accident at Tokyo Electric Power Company, Inc.'s (TEPCO's) Fukushima Daiichi nuclear power plant, in May 2011 Japanese Prime Minister Naoto Kan asked Chubu Electric Power Co., Inc. to shut down all reactors at the Hamaoka nuclear power plant (Shizuoka Prefecture) until the completion of countermeasures against the anticipated Tokai earthquake and tsunami. Chubu Electric Power complied with this request and ceased the operation of the plant. In response to this shutdown, Chubu Electric Power moved to avoid wide-area power blackouts due to power shortages during the peak usage months of July through September and asked large-lot users to prepare to make "emergency power savings" in the event of unexpected contingencies such as an accident at a power plant, a natural disaster or unseasonable heat.

To help alleviate summer peak demand for electricity, as a member of the automobile industry DENSO considered a structure for "shifting to rotating shutdowns of operations." Under such a structure, DENSO would shut down normal operations on Thursdays and Fridays and instead operate on Saturdays and Sundays. We received this request to prepare for emergency power savings just as we launched our "training for summer energy conservation" activities. With the overriding aim of strengthening our manufacturing structure, these activities are based on the theme of "realizing zero energy loss when machinery and equipment are not in operation."

### Advanced preparations and training for emergency power savings

Saving power in response to emergency requests from electric power companies represents a measure with a highly public nature that is aimed at preventing wide-area power blackouts. Therefore, when such requests are received, it is necessary to respond immediately, such as by stopping the operation of some production equipment. Although DENSO has not been requested to make such emergency power savings in more than 20 years, we nonetheless implemented companywide training to ensure that all employees respond calmly and orderly in the event such a request is ever received. As advanced preparations, we also reconfirmed our list of relevant facilities for responding to any requests for emergency power savings, verified our contact

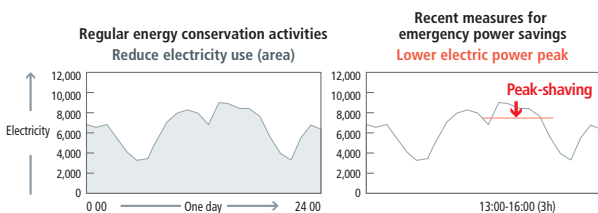
network and implementation procedures across the entire Group and established countermeasures for each workplace.

Our manufacturing and testing departments consume especially large amounts of energy. For these departments, we decided to reduce power consumption throughout the Company by 46,200kW (approximately 15% of total power usage), and focused efforts mainly on equipment, air conditioning and lighting. Additionally, we decided to raise output from co-generation facilities (in-house power generation), which provide approximately 40% of our electricity. We also immediately implemented measures such as changing temperature settings of office air conditioners, stopping the operation of some elevators and using peak-shaving for the operation of vending machines.

On June 29, DENSO implemented "Emergency Power Savings" response training based on hypothetical power saving requests from electric power companies. In production plants and testing departments, we adjusted our production and confirmed procedures for switching off power sources (actual operations were not halted), while raising the output of co-generation systems. In offices, we implemented emergency power savings measures for air conditioning, lighting and PCs based on check sheets. Meanwhile, departmental energy managers, beginning with executives, confirmed the implementation of measures at each workplace through companywide energy conservation patrols. As a result of these initiatives, we achieved energy savings of around 5% and gained a general indication of our response capabilities in the event of a request for power savings.

Fortunately, DENSO received no requests for emergency power savings as of the end of July. Nonetheless, electric power shortages are expected to persist over the long term. We will thus maintain our groupwide efforts to promote stronger measures for achieving power savings while using our in-house publications and other media to urge each employee to save electricity.

#### © Differences between regular energy conservation activities and emergency power savings activities



#### Improvements executed to conclusion to be firmly established

- Energy conservation development (methods, materials, controls)
- Just-in-Time (JIT) energy activities (idle stops and JIT supplies)
- On-site improvements (eliminate leakage, heat insulation, raise efficiency)
- Thorough application (curtailed lighting and air conditioning)

#### One-off emergency responses

- Establish summer-only hours
- Possibility of power savings request is low, but requests will be sudden if made.
- Electricity-related responses

|                  |  |  |
|------------------|--|--|
| PCs              | Energy-saving mode, adjust monitor brightness, switch off power source when not at desk          | Switch off power source of sub-monitors  |
| Lighting         | Turn off lights near windows, turn off lights at meeting areas and desks when people not present | Turn off all lights  |
| Air Conditioning | Set temperature at 28°C  | Set temperature at 30°C  |
| Other            |  | Switch off power source of copy machines, raise temperature setting for refrigerators, remove plugs for electric pots and PHS rechargers, shift to conference rooms with no projectors |



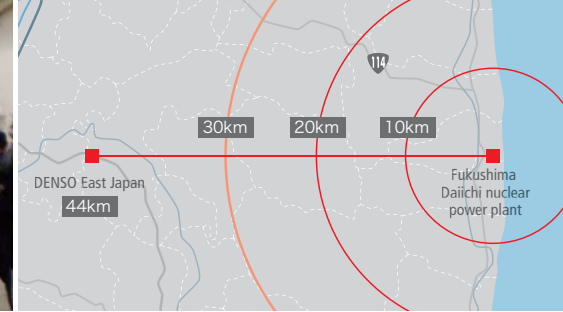
President Katoh participates in an energy conservation patrol during training.



Using in-house publications for education on actions for realizing power savings



The plant accommodated 2,000 people as an emergency evacuation center (March 14).



Location of DENSO East Japan

## TOPICS

### The role of DENSO East Japan Corporation—Serving as an evacuation center after the nuclear power plant accident and as a substitute plant for a supplier

#### New building becomes an emergency evacuation center after the nuclear power plant accident

On March 11, 2011, construction of a plant building was completed at DENSO East Japan Corporation (Tamura City, Fukushima Prefecture), a new manufacturing base for car air conditioning systems, and this building was scheduled to be transferred the following week. On the same day of completion, however, the major earthquake struck. Fortunately, the earthquake occurred prior to the installation of production equipment and despite some partial damage to glass and walls, the facility was spared from major damage. Nonetheless, the following day a hydrogen explosion occurred at the Fukushima Daiichi nuclear power plant 44km to the east and an evacuation order was issued to over

100,000 residents living within a 20km radius of the power plant. Tamura City quickly decided to accept evacuees and asked DENSO East Japan to temporarily provide its new building for use as an evacuation center. Upon being notified of this request, on March 13 the DENSO disaster response task force quickly decided to form a 12-person relief team consisting of staff from the General Administration Department, the Facilities Department, DENSO Facilities Corporation and DENSO Unity Service Corporation. The first relief team packed stockpiles of disaster prevention materials into vehicles and departed for Tamura City that evening.

#### Thinking from the standpoint of evacuees amid aftershocks and bitter cold

The relief team made unceasing efforts in cooperating with local staff and government and began preparations for accepting the evacuees. Because the building was constructed with specifications as a production plant, it was necessary to lay heat-retention materials on the floor to ensure evacuees could rest themselves comfortably. As a stopgap measure, the team thus laid 1,000m<sup>2</sup> of foamed polystyrene as a heat insulation material and then improvised by using cardboard for any remaining uncovered areas. While preparations were still being undertaken at a hectic pace, the buses and vehicles carrying evacuees began steadily arriving at 9 a.m. on the 14th and by 3 p.m. approximately 2,000 evacuees had been accommodated. Evacuees in good health were assigned to the main plant area (5,400m<sup>2</sup>) while persons

requiring care were assigned to the cafeteria and break room (315m<sup>2</sup>). The Tamura City communications headquarters and a medical treatment room were set up within the conference rooms. Most of the evacuees had fled their homes without taking any possessions. Although they were now a safe distance from any radiation risk, the evacuees were unable to hide their strain and exhaustion from the stress of a sudden change in their living environment. Moreover, a wide variety of people were now gathered in a single location. These included infants, children, expectant mothers, the elderly and persons requiring nursing care. During the same time, amid these tumultuous circumstances, the relief team was absorbed in its duties such as distributing food and blankets, ascertaining needed materials and communicating with the DENSO headquarters. With the outside air temperature dipping to near freezing at night, the HVAC system was operated around the clock. On the first day, however, the HVAC could not be completely adjusted upward to the desired setting and the temperature inside the plant rose to just a chilly 14°C. As an emergency measure to help protect evacuees from the cold, we urgently provided and lined the floor with heat insulation sheet. As employees undertook this work, they realized that besides merely listening to the needs of evacuees, it was also important to make proposals and improvements by thinking from the standpoint of the evacuees. As one such improvement, employees believed that spreading cardboard underneath the floor sheets could probably help alleviate the chill and that evacuees would feel far less strain if they were provided with slippers and removed their shoes. Many evacuees expressed their appreciation when these measures were actually put into practice.



Heat insulation sheet was laid in preparation for the night cold.

requiring care were assigned to the cafeteria and break room (315m<sup>2</sup>). The Tamura City communications headquarters and a medical treatment room were set up within the conference rooms. Most of the evacuees had fled their homes without taking any possessions. Although they were now a safe distance from any radiation risk, the evacuees were unable to hide their

#### Plant building leased to industrial rubber manufacturer

By April 14, the evacuees had been successively transferred to separate facilities designated by Tamura City, and DENSO East Japan thus completed its role as an evacuation center and restored the building to its original shape as a production plant. Just at that time, a new request was received from one of DENSO's suppliers, Fujikura Rubber Ltd., a manufacturer of industrial rubber for automobiles. Fujikura Rubber's Odaka Plant (Minami Soma City, Fukushima Prefecture) is situated inside the nuclear evacuation zone created in response to the nuclear power accident and thus the company had no prospects for resuming operations. Fujikura Rubber therefore asked to temporarily lease and move its own facilities to DENSO East Japan's plant.

Around this same time, numerous companies that we supply with components in the devastated areas were unable to carry out production and the automobile industry as a whole was forced to reduce production. Fujikura Rubber also made exhaustive efforts to restore operations and these efforts included allocating processes from the Odaka Plant to other production plants. However, Fujikura Rubber believed it could accelerate its recovery by moving its facilities as a whole to DENSO East Japan, which has a suitably sized plant facility equipped with production lines. In this manner, on April 28, a decision was made to lease part of the facility to Fujikura Rubber for a one-year period and that company's facilities were gradually transported to the plant. On May 16, Fujikura Rubber commenced its rubber kneading and vulcanization

processes at the plant.

At the end of June, a layout was created and a portion of DENSO East Japan's production facilities for car air conditioners was installed at the plant. DENSO East Japan plans to begin full-fledged production of car air conditioners at the end of October.

#### My feelings as a member of the relief team

DENSO was thanked by government officials above all for the quick speed of our initial responses made possible by the decisions of our top management. Through my participation in the relief work, I also truly realized the importance of *genchi genbutsu* (on-site verification) as a basis for our regular work operations. I was able to gain a firsthand understanding of actual circumstances, something I could never do by telephone or e-mail. This enabled us to successfully set up an infrastructure at the evacuation center and serve as a liaison with the DENSO headquarters. In the future, while maintaining a constant awareness of what I can do to help, I will work to support restoration and recovery efforts.



**Takahiro Banno**  
General Administration  
Department

**Relief supplies with messages of encouragement from countries and regions worldwide**

Various types of relief supplies that included blankets and clothing were sent to the DENSO headquarters from business locations in each country and region. These supplies were accompanied by messages of encouragement to the disaster victims that emotionally touched the employees who sorted the supplies.



Overseas business locations were also quick to ship relief supplies.



Sorting relief supplies

**Women's volleyball team holds charity exhibition game (April 16)**

On April 16, the DENSO Airybees women's volleyball team, currently playing in the V Premier League, held an exhibition match with the Toray Arrows at their home venue in Nishio City as a fund-raising activity for both teams. Around 870,000 yen was raised at the match and these funds were sent to the disaster areas via the Japan Red Cross Society.



Fund-raising activity at the match site

**Repairing and donating 350 discarded and abandoned bicycles (April 28 -)**

(April 28 -)

Evacuation centers lack a sufficient number of bicycles that are needed by evacuees for commuting to schools and shopping. As a response, in cooperation with Kariya City, DENSO repaired discarded and abandoned bicycles that were collected by that city and donated approximately 290 bicycles to Miyagi Prefecture and around 60 to Fukushima Prefecture. The bicycle repair work was performed by students currently learning skills at the DENSO Technical College (Anjo City, Aichi Prefecture) under the guidance of an employee volunteer who is in charge of wheelchair repairs at the Wheelchairs & Friendship Center of Asia.



Students repair bicycles.

**Appreciation for the proposal to donate bicycles and the quick response**

Since 1997, we have served as an intermediary (intermediary support organization) between NPOs that undertake on-site activities and governments and companies. We received a proposal from DENSO to donate repaired bicycles, and the more than 10 evacuation centers requesting the bicycles were extremely gratified by the quick response. Moreover, we are also very grateful that DENSO considered our lack of bicycle storage space at the NPO Center and the difficulty we have in making shipments, and therefore sent the bicycles directly to the evacuation centers.



Akiko Benimura, Representative Director (left)  
Mami Ogawa, Bureau Chief (right)  
Sendai Miyagi NPO Center

**What I learned and realized from responding to the disaster**

Five months have passed since the enormous earthquake, the likes of which are said to occur just once every several hundred years or even once in a thousand years. During these past months, I witnessed the horrendous destruction in the stricken areas and helped support local relief and recovery activities in cooperation with the DENSO Group. At the same time, I worked to help achieve the quick recovery of overall business, including Group companies that suffered damage. While engaging in these activities, I realized and learned much about the desirable form of CSR.

First, we were once again acutely reminded that the automobile industry has an extremely broad base and that the linkages within the industry are extremely deep. We also reaffirmed our awareness of the heavy weight of our CSR obligations in our role as a parts manufacturer. Moreover, we also realized that a crucial task for the Group is to work in unison and solidify preparations for business continuity in the future.

Additionally, many of the local support activities originated from a bottom-up approach with suggestions from employees. As more employees sharing the same idea became involved, the circle of participants expanded and became large. Numerous employees learned they could deploy astonishing powers by combining the ideas of each employee through this process and then moving into action. This type of experience could be especially useful as a basis for understanding the "true CSR" that is expected of companies.

The scars that extend across the disaster regions are extremely deep and restoration and recovery efforts have finally just reached the starting line. Much more time will be needed to regenerate these regions and their industries. Therefore, more than anything else, support activities will require continuity. With the passing of each day, there is an ever-growing probability of a large-scale earthquake in the Tokai region, where DENSO's bases are congregated. With this in mind, strengthening risk management will also be an urgent issue. We will thus position recovery support activities and risk management as dual imperatives of our CSR and will continuously undertake initiatives in these areas.



Sadahiro Usui  
Corporate Planning  
Department, Managing Officer

| Events related to the Great East Japan Earthquake  | 2011 | DENSO's initial activities and support activities  |
|--|------|--|
| The Tohoku and Kanto regions are struck by an enormous M9.0 earthquake and a large tsunami.  | 3.11 | <ul style="list-style-type: none"> <li>•DENSO Group subsidiaries and affiliates as well as numerous business partners in the Tohoku and Kanto regions suffer damages.</li> <li>•Disaster response task force established at the DENSO headquarters.</li> </ul>   |
| Hydrogen explosion at TEPCO's Fukushima nuclear plant and Northern Nagano Prefecture Earthquake occur.   | 12   | <ul style="list-style-type: none"> <li>•Confirmation of safety of employees is completed (no human suffering).</li> </ul>  |
| TEPCO begins rolling blackouts. The risk of radioactive contamination widens in each region. Confusion continues in stock and currency exchange markets. | 14   | <ul style="list-style-type: none"> <li>•DENSO East Japan Corporation's plant accepts 2,000 people as an evacuation center after the nuclear power plant accident.</li> <li>•Shipments of emergency relief supplies begin.</li> </ul>                             |
| Parts shortages in the industry become serious.  | 16   | <ul style="list-style-type: none"> <li>•The Group's donation of 200 million yen in relief money announced.</li> </ul>  |
| The number of dead and missing surpasses 20,000.   | 18   | <ul style="list-style-type: none"> <li>•Provision of relief supplies and fund-raising activities by employees begins.</li> </ul>   |
| The government announces that the accident at the Fukushima nuclear power plant is at level 7.   | 21   | <ul style="list-style-type: none"> <li>•Provision of company housing to the families of employees suffering damages begins.</li> </ul>   |
|  | 4. 1 | <ul style="list-style-type: none"> <li>•Providing earthquake recovery support is designated as a top priority and this is reflected in our fiscal 2012 Group policies.</li> </ul>  |
|  | 12   |  |
|  | 17   | <ul style="list-style-type: none"> <li>•The first team for recovery support operations departs for Ishinomaki City.</li> </ul>   |
|  | 18   | <ul style="list-style-type: none"> <li>•We offer Aichi Prefecture and Mie Prefecture the free-of-charge use of 88 dormitories for victims who are collectively relocated to these prefectures.</li> </ul>  |
|  | 22   |  |
| The area within a 20km radius of the Fukushima Daiichi nuclear power plant is declared a "Caution Zone".   | 28   | <ul style="list-style-type: none"> <li>•DENSO East Japan agrees to lease (May 16-) part of its plant to Fujikura Rubber.</li> <li>•Donations of repaired bicycles begin (first round).</li> </ul>  |
| Chubu Electric Power shuts down all reactors at the Hamaoka nuclear power plant.   | 5.14 |  |
|  | 23   | <ul style="list-style-type: none"> <li>•Activities begin for sending Bell Mark products and stationery to the disaster regions.</li> <li>•Recruitment of fixed-term employees (joining in July) in Fukushima Prefecture and Miyagi Prefecture starts.</li> </ul> |
|  | 6.29 | <ul style="list-style-type: none"> <li>•Training for making emergency power savings implemented.</li> </ul>  |
| "Order for restriction of electricity use" within the service areas of TEPCO and Tohoku Electric Power issued.   | 7. 1 | <ul style="list-style-type: none"> <li>•Shift to Thursday/Friday work shutdowns and Saturday/Sunday workdays along with the implementation of rotating work shutdowns in the automobile industry starts.</li> </ul>  |

©Accumulated total of relief money

(As of June 30, 2011)

| Contributor                                    | Amount          |
|--|-----------------|
| DENSO  | 200 million yen |
| Employees (excluding domestic Group companies) | 71,154,689 yen  |
| Overseas bases (17 countries and regions)      | 57 million yen  |

\*All donations to the disaster regions are through the Japanese Red Cross Society.



# CSR Management

|  |    |
|--|----|
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# Social Responsibility of DENSO

## Basic stance

In our corporate philosophy, we describe our mission as "contributing to a better world by creating value together with a vision for the future." We adopted DENSO Vision 2015, a long-term management vision, in 2004 to guide our efforts in putting this philosophy into practice. This vision meshes perfectly with the building of a sustainable society.

Cooperating, collaborating and sharing values with our many stakeholders are indispensable to achieving this vision based on corporate behavior that earns the trust and support of society. To ensure that all Group companies conducting business worldwide put this philosophy into practice, we adopted the DENSO Group Declaration of Corporate Behavior in April 2006 (see

following page), making clear our responsibility to stakeholders. We have placed corporate social responsibility (CSR) at the core of our management and are working to contribute to building a sustainable society through our business activities.

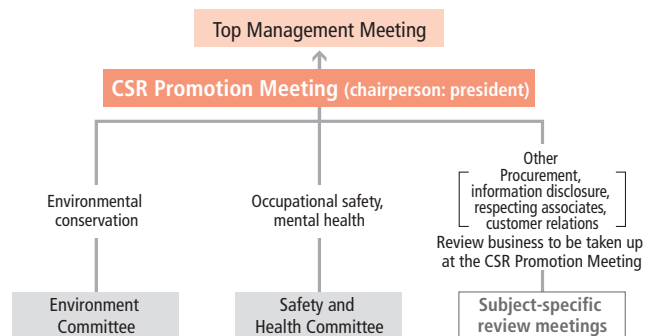
**URL DENSO Vision 2015**  
<http://www.globaldenso.com/en/aboutdenso/vision/>

## Promotion structure

In 2006, we established the CSR Promotion Meeting (secretariat: CSR Promotion Center), which is chaired by the president and in which the basic policies behind CSR activities are discussed and examined. The meeting is held twice yearly to set direction for and make decisions on CSR management and to confirm the progress of CSR-related activities.

In 2009, we shifted from a traditional emphasis on "priority areas and fundamental areas" to a new framework emphasizing "stakeholder satisfaction" and "risk management." This means we are focusing more intently on a stakeholder perspective in policies.

©Promotion structure



©CSR framework



## DENSO's responsibility to key stakeholders

DENSO explicitly defines its responsibilities to each stakeholder group as it puts into practice its CSR activities as outlined in the DENSO Group Declaration of Corporate Behavior.

(Formulated in April 2006 and revised in July 2009 and 2010)

### DENSO Group Declaration of Corporate Behavior

[Text of declaration]

**We, DENSO Corporation and its Group companies\*, will actively contribute toward the sustainable development of society through sincere business activities in each country and region.**

\* Consolidated management companies, and companies in which DENSO is the primary shareholder

- We will honor the culture and history of each country and region. We will strive trustworthily to operate with respect for people, and promote business activities to earn the trust of our stakeholders, under the leadership of our management of each company.
- We will comply with both the letter and the spirit of the law and promote ethical behavior. We will promote open and fair information disclosure and dialogue.
- We will anticipate changes and challenge in order to create new values. Also we will work to ensure the best quality by focusing upon on-site verification and implementing "Kaizen" (continuous improvement).
- We will work toward the development of our employees by encouraging communication and teamwork.

#### Responsibility to customers

**For customers' trust and satisfaction, we will create "new values".**

- Based on our "Customer First" policy, we will develop and provide fascinating, safe products and services of high quality with advanced technology to respond to customers' expectations.
- We will properly manage our intellectual property rights and strive not to infringe others, and protect personal information of customers and everyone else we are engaged in business.

#### Responsibility to shareholders

**We will strive to enhance corporate value and encourage dialogue with shareholders.**

- We will strive to enhance corporate value while achieving stable and long-term growth.
- We will strive for transparency through timely and fair disclosure and dialogue regarding our operating and financial conditions.

#### Responsibility to international and local communities

**We will aim for harmonious growth with the environment by proactively working toward environment protection throughout all areas of business activities.**

- We will seek an optimal balance between environment, such as climate change and biodiversity, and economy in the way we develop technologies, operate our facilities, and act as individual employees.

**We will work toward philanthropic activities that contribute to the harmony and well-being of each regional society in which we conduct business operations.**

- We will promote activities aimed at building a better future for each region, both independently and in partnership with community organizations.

**We will comply with each country's competition laws and endeavor to maintain sound and fair business operations.**

- We will strive to ensure free and fair competition and will not tolerate behavior that violates competition laws such as cartels.
- We will not tolerate collusion and bribery, and will maintain honest and fair relationships with government agencies and public authorities.

#### Responsibility to employees

**We will respect our employees and provide a work environment that encourages each individual's dynamic work.**

- We will maintain and improve a safe and healthy working environment for all our employees.
- We will build and share a sense of "mutual trust and responsibility" with employees through sincere communication and dialogue.
- We will support fair work conditions and employment opportunities to encourage success within a diverse workforce. Also, we will honor human rights and will not tolerate any form of forced or child labor.

#### Responsibility to suppliers

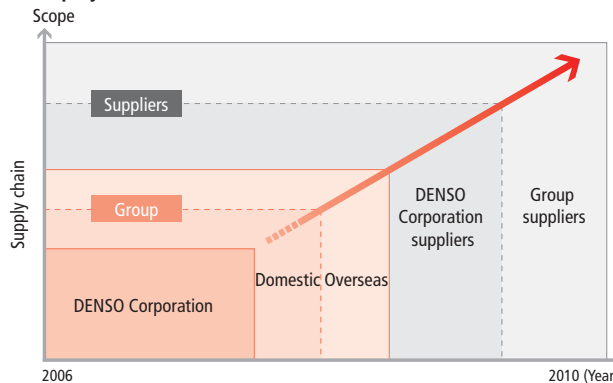
**We will maintain open, fair and transparent dealings.**

- Our doors will be open to the suppliers throughout the world as we pursue fairness in all business transactions.
- We will respect our suppliers as business partners, and aim for mutual growth based on mutual trust.

## Long-term activity plan

To steadily promote corporate behavior aimed at building a sustainable society, we have worked since 2006 to expand CSR activities that include the supply chain and ensure that individual Group employees are aware of and involved in those activities. The DENSO Group Declaration of Corporate Behavior was approved by the highest decision-making bodies of DENSO Group companies in Japan and overseas and promotion structures were established by the end of 2008. We made sure all secondary suppliers of DENSO Corporation and primary suppliers of DENSO Group companies in Japan and overseas were fully aware of and acting in accordance with the expected behavior outlined in the Declaration by fiscal 2011 (see page 45). From fiscal 2012, we will analyze the strengths and weaknesses of each company and provide support to ensure further improvements in order to enhance the overall supply chain in an ongoing manner.

©Roadmap for promoting activities throughout the supply chain (Group and primary suppliers) and extending individual Group employees' awareness and involvement



## Fiscal 2011 activities

### (1) Promotion of activities designed to increase involvement and raise awareness

DENSO formulated a *Code of Conduct for DENSO Group Associates* for Japan, North America, Europe and China that takes into consideration the culture and history of each region. It is being used as a tool to examine one's own behavior at every opportunity.

In October 2010, DENSO distributed around 70,000 copies (including to domestic Group companies) of the revised version (Japanese) with added information about the Anti-Monopoly Act and conservation of biodiversity. DENSO employees use this to reconfirm expected behavior. Also, as a means to enhance CSR initiatives at domestic Group companies, we held a CSR Leaders' Meeting in October 2010 that included participants from 54 companies. At the meeting, leaders from core DENSO Corporation departments and Group companies exchanged ideas and information on recent trends in CSR procurement and ISO 26000. To permeate CSR, it is important that each employee shift from a stage of mere recognition of CSR to one of action. As one concrete measure to achieve this, we issued a picture book entitled *Building Happiness with DEN and SO* that gives insights on how to link CSR with daily work, which we are using as a tool to discuss CSR in the workplace.

We have been issuing the *CSR News* publication every month since fiscal 2011 (Japanese and English), which includes information on CSR in local surroundings as well as a message from top management. It is a useful tool for sharing CSR information with all DENSO Group employees. For example, we wrote a special feature regarding reconstruction support following the Great

East Japan Earthquake in the April to June issues in order to convey to all employees in Japan and overseas the status of our activities.

From October 2010 to January 2011, we invited 1,000 elementary school students from schools near the DENSO headquarters to tour the Company based on the theme "DENSO's Building Happiness." We use this as an opportunity to explain to the children how we aim to build happiness in society through our activities and for employees to re-examine the relationship between work and society through the process of explaining the details of their jobs in an easy-to-understand way.



An employee explains the relationship between work and society to elementary school students.



Picture book entitled *Building Happiness with DEN and SO*



Special feature regarding recovery support following the Great East Japan Earthquake in *CSR News* (English version)

### Comments of employees who took part in the initiative

- When I saw the faces of the local children, it made me think that we really have to take responsibility in our work.
- It was a great opportunity to think about and look back on the contributions we have made to society through our work.

**(2) ISO 26000 analysis and review**

In November 2011, the International Organization for Standardization (ISO) issued the international standard ISO 26000 providing guidelines for social responsibility (SR) at organizations. Closely monitoring developments, DENSO reviewed whether the direction of its activities in the seven core subjects (organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and

development) that form the backbone of ISO 26000 were appropriate or not. For the future, DENSO will further analyze and review guidance standards and social trends and place priority on extracting issues in our CSR activities. These issues will be shared throughout the Company and reflected in CSR policies and measures.

**Review of progress**

We have conducted a CSR Survey every year since 2006 to review and assess progress in the implementation of activities and understanding among employees of DENSO Corporation.

In fiscal 2010, the proportion of employees engaging in CSR activities decreased and results of the interviews showed that many felt that such programs were primarily the responsibility of the Company, not the individual. A decision was made to take new steps to link company policy with individual action from fiscal 2011 (see the box below). Also, we worked to enhance the education of key persons. Efforts included holding a CSR Seminar twice a year with outside lecturers mainly for CSR leaders in charge of CSR developments at the workplace and releasing easy-to-understand information on local CSR activities via CSR leaders in the monthly issue of *CSR News* (Japanese and English). As a result, we saw an improvement in awareness and behavior among employees in the CSR Survey for fiscal 2011. Going forward, we will focus on fostering a corporate culture that encourages each employee to engage in CSR activities on a daily basis.

At overseas Group companies, we strive to share information on issues in other countries and recognize the need to create a system to support improvements in activities, particularly since a program for checking the progress status is not yet in place.



Seminar for CSR leaders



CSR News (English version) with updated design and content

**◎Results from CSR Survey (excerpt)**

| Item                       | Question content                                    | 2008 | 2009 | 2010 |
|----------------------------|---|------|------|------|
| Guidelines                 | Pay attention to application of the code of conduct | 75%  | 68%  | 81%  |
| Spread of CSR in workplace | Increased interest in CSR in the workplace          | 57%  | 52%  | 76%  |
| Environmental conservation | Work to reduce CO <sub>2</sub> on the job           | 80%  | 73%  | 83%  |

**Planned environmental preservation activities and events for employees**

As a means to increase CSR awareness, DENSO will roll out a variety of new activities and events from fiscal 2011 that make use of the Company's knowledge and technology in order to realize employees' aspirations and maximize their willingness to participate in CSR programs.

**◎Examples of measures to meet expectations to tackle environmental issues as a corporate citizen**

| Theme  | Details  |
|--|--|
| Create green oasis (June~)                     | Aim to surround plants and offices with greenery, transplant saplings cultivated by employees at workplaces to the premises and peripheral areas, and nurture them as memorial trees                                 |
| Contest regarding natural energy usage         | Hold a competition for technical colleges to come up with ideas for hydroelectric power generation using a DENSO alternator (power unit for cars)  |
| Support eco learning at schools                | Company lecturers explain in simple terms ways to conserve energy and clean through presentations and experiments  |
| Disclose tests of new technology (June~)       | Establish a large experimental facility at the Zenmyo Plant (Aichi Prefecture) to extract light oil from algae and include it in the plant tour  |
| Introduce new technology for natural energy    | Conduct demonstration experiments and create facilities showing the viability of the Home Energy Management System (HEMS) enabling optimal control of electric power using photovoltaic power generation and battery |
| Subsidize the DENSO eco-car (October~)         | Support the purchase of eco-cars by employees as government subsidies are concluded  |
| Accelerate shift to hybrid cars inside company | Shift from 70 cars as of fiscal 2010 to 140 cars by fiscal 2011  |

**Example of measure to stimulate awareness of environmental conservation among parties concerned**

**Creating a green oasis**

We allocated planters to each department and every employee took part in nurturing the seedlings, which included watering on a rotation basis. The saplings will be transplanted on the premises and peripheral areas and nurtured as memorial trees.



All employees strive to create a green oasis at work.

Stakeholder Dialogue

# Dialogue with Experts 2010

What are the challenges facing DENSO in our endeavor to become a true global company and how should these being reflected in our behavior? We invited three experts to discuss this topic and provide their opinions from diverse standpoints.



**Toshihiko Goto**  
Chair, Environmental Auditing Research Group



**Toshihiko Fujii**  
Consulting Fellow, Research Institute of Economy, Trade and Industry



**One Akiyama**  
President, Integrex Inc.



Facilitator  
**Hideto Kawakita**  
CEO, International Institute for Human, Organization and the Earth (IIHOE)

■ **Date and place** December 27, 2010 / DENSO Tokyo Branch Office  
 ■ **Themes** Environmental conservation: Prevention of global warming, preserving biodiversity  
 Human rights, Labor practices: Respecting diversity and basic human rights at work  
 CSR in general

◎ Key opinions and DENSO response

|   | Opinions of experts  | DENSO response   |
|---|--|--|
| Environmental conservation  | DENSO should take into account the issue of resource depletion when extracting materials as part of its future stance. Other important areas to consider include environmental destruction and human rights violations due to material extraction.   | We will incorporate these ideas into our mid- and long-term plans.   |
|   | I am concerned that DENSO does not really touch on the global issue of water resources. Also, you should expand your CO <sub>2</sub> reduction objectives until 2050.  | We will examine how we will tackle water issues going forward.   |
|   | In your research related to deriving fuel from algae, you should consider issues with water and genetic recombination as well as the risk of leaks beyond company premises.  | We have teamed up with industry-government-academia and asked various specialists to evaluate environmental impact and water issues and come up with countermeasures.  |
|   | It is predicted that soon it will be compulsory for companies to publish an environmental report in China. In addition to investors and employees, members of the general public are also expected to read the reports. That means it is necessary to report on operations in China in Chinese.  | We were given the same directive during a dialogue session in China in fiscal 2011. We plan to work closely with our sites in China to respond to this requirement.  |
| Human rights and labor practices  | Knowledge of human rights differs between Japan and the rest of the world. The description of human rights in ISO 26000 covers a broad spectrum. Regulations related to the protection of human rights will be significantly modified in the OECD Guidelines for Multinational Enterprises. DENSO should be aware of human rights issues in each area it operates and understand universal perceptions.  | We are examining how to incorporate human rights issues into our activities. DENSO Corporation will study these issues in each country and region and share the challenges and resolutions with respective areas.  |
|   | In Europe and the United States, corporate visions are shared among employees so that everyone in the organization has the same set of values. It is important for you determine how to position the DENSO Spirit in relation to CSR. Also, in ISO 26000, it states the need for a system to resolve complaints from external sources.   | We will look into creating the system related to ISO 26000 as well as linking the DENSO Spirit and CSR.  |
|   | DENSO has numerous ideals and policies, but it's difficult to see how these are related at the global level. It is important to have a strong and memorable message that anyone can share. Honest efforts are required to ensure that basic philosophies and the DENSO Spirit are part of daily operations at the local level. It would also be effective to conduct personnel evaluations to determine whether or not these philosophies have been adequately shared and implemented. | The relationship between the DENSO Spirit and CSR is stated on pages 3-4 of this report. We aim to increase awareness inside the organization as well, which includes a more global perspective. Also, we took steps to make sure the DENSO Spirit was being reflected in each individual's job at respective places of work in fiscal 2011.                                     |
| CSR in general  | Consultation centers have been set up in countries that have adopted the OECD Guidelines for Multinational Enterprises to deal with any issues that may occur when entering foreign markets. The guidelines are currently being revised. Even in Japan, government, industry and labor groups are exchanging ideas with the aim of permeating the guidelines.  | CSR procurement is being accelerated in the automotive industry. DENSO is promoting and strengthening our response in Japan. We will also focus CSR efforts overseas in the near future.   |
|   | CSR needs to be managed throughout the value chain. You only sent out surveys to suppliers in the electronics industry three years ago, then you conducted factory audits last year and this year you even went as far as checking company dormitories in some instances. I presume these initiatives will be extended to the automotive industry as well.   |  |
|   | When manufacturers try to get confirmation from primary and secondary suppliers regarding procurement, it's difficult for these suppliers to point to any problems regarding rare earths and instead have the tendency to just state that everything is fine. It is imperative for supply chain management to be as transparent as possible. It is no longer good enough for suppliers to merely say that they don't know whether rare earths are being used in components or not.     | We established a committee to deal with issues related to rare earths. The committee shares relevant information and implements urgent countermeasures. We recognize the need to take steps to avoid the use of rare earths in advance and to raise visibility throughout the supply chain. We will promote research into product commercialization using alternative materials. |
|   | Japan is good at improving current conditions but not so adept at entering new markets and engaging other companies, government and NPOs to make rules. It is highly important to work closely with these bodies when making rules. I would like to see DENSO establish a business model for selling products and services that also considers safety and reassurance in new product planning in addition to elemental technologies.   | As per your recommendation, we aim to enhance communication with people outside the company going forward and get advice on areas that we are handling inadequately so that we can create effective businesses.  |
|   | The keywords of CSR are (1) contingency, (2) vision and (3) ISO 26000. In terms of contingency, your ability to respond to problems depends on whether you have established relevant philosophies and principles. For vision, it is important to visualize potential problems and think about changes in society in addition to business domains. As for ISO 26000, this would be a useful tool for helping to further develop your vision.  | We will delineate areas that are set up from others that need work in order to create a roadmap toward meeting the requirements of ISO 26000. We will use your ideas as a good reference for enhancing our activities.   |
| It is important to envision future changes in order to ensure effective management. This requires teaming up with partners. DENSO should share its values with people both outside and inside the organization who are in agreement with these values. I would like DENSO to convene its next dialogue sessions close to local operations so that more employees can participate. | We will review the objectives, format and utilization of the dialogues from next fiscal year.  |  |

[Responding to opinions]

DENSO has been practicing CSR-oriented management for around five years and has become more global in terms of sales and personnel composition. But if we ask ourselves if the Company has grown to the point that it is recognized

as a valuable entity worldwide, the answer would be that we are still on the road to achieving this. We will aim to reflect these opinions in our CSR activities in order to make improvements from a long-term perspective, starting in fiscal 2013.

URL Details of dialogue (in Japanese)

<http://www.denso.co.jp/ja/csr/environment/dialog2010/index.html>

# Highlights and Lowlights of CSR Activities in Fiscal 2011

In aiming to enhance the level of CSR management, DENSO believes in the importance of increasing management transparency by proactively disclosing negative information along with performance reports and making ongoing

improvements after ascertaining new challenges. Since fiscal 2009, we have listed highlights and lowlights from an objective standpoint to increase visibility and report these to all stakeholders.

## Highlights

### Announced new five-year Environmental Action Plan 2015

(November 2010)

DENSO formulated and announced the Environmental Action Plan 2015, a five-year plan starting in 2011 since we expect to attain the targets set in Environmental Action Plan 2010. The plan calls for stronger environmental responsiveness and policy implementation in emerging countries. Based on the keywords "low carbon, recycling and coexistence," we will further strengthen environmental initiatives, including research and development into environmental technologies and products and reducing harmful substances worldwide.



DENSO has developed a new symbol for our environmental conservation activities

### 10th DENSO Muran ("Catch Your Dreams") event attracts 21,000

(November 2010)

DENSO has conducted an idea contest called *Muran* ("Catch Your Dreams") since 1991 (biennial), which was initiated to improve the imagination and creativity of employees through the planning and creation of original works that are full of dreams. This makes technology and production fun. This year, we received 10,804 unique and polished pieces from employees at Group companies in Japan and overseas. Approximately 21,000 people over two days visited DENSO headquarters where the winning entries were on display and many different kinds of events were held. (The number of entries and visitors were both new records.)



Venue bustling with visitors

### WAFCA and WAFCAT won the outstanding award at the "2nd Make a CHANGE Day"

(February 2010)

The NPO EXPO2005 Aichi Volunteer Center calls on people to work as volunteers for one day a year (October 23) with the aim of making volunteer activities more widespread and honors the best of these activities at an event they sponsor called "Make a CHANGE Day." WAFCA (Japan) and WAFCAT (Thailand) won the outstanding award for their joint events seeking to lift the spirits of the physically challenged in Japan and Thailand. In



Concert held in Thailand

Japan, the event included a wheelchair dance and the opportunity to take part in different sports for people with lower limb disability. A concert was held in Thailand for the mentally challenged. Many people participated in these events.

### Raised dividends by 19 yen for an annual dividend of 46 yen per share

(March 2011)

DENSO results in fiscal 2011 were supported by steady growth in vehicle production volume mainly in North America and Australasia. Increases were posted in both sales and profit. Net sales amounted to 3,131.5 billion yen (up 5.2%) and ordinary income of 207.2 billion yen (up 35.7%). In line with this, we increased annual dividends per share by 19 yen to 46 yen (see page 43).

## 2010

May

June

July

August

September

October

November

December

## 2011

January

February

March

April

May

June

## Lowlights

### Long-term rating for corporate bonds slipped one rank

(March 2011)

Standard & Poor's, a U.S.-based rating agency, dropped the rating of DENSO's corporate bonds one rank from AA to AA- (see page 43).

### Factory operations stopped and production down significantly due to Great East Japan Earthquake

(March 2011-)

Automakers were forced to cut production considerably due to production adjustments and production stoppages at factories as a result of difficulties in procuring parts caused by damage to suppliers. In line with this, DENSO temporarily stopped production at our domestic production sites, except for spare parts for overseas, and we have been conducting production adjustments and asking some employees to stay at home on stand-by.

### Models added to infrared heater recall

(May 2011)

DENSO Corporation and GAC Corporation, a Group company, are doing their best to recall two infrared heaters due to the risk of causing a smoke or fire hazard (total of eight models). However, the same problem has been discovered in four models in the ENSEKI range (total of 4,711 units). We have called for all customers to stop using the models via newspaper advertisements and on our website. At the same time, we have asked customers to contact a dedicated DENSO-ENSEKI recall center. The products will be replaced for free and repaired (see page 32).



DZR-10FR

### Additional models for recall

As of July 2011

| Product name | Models         | Number of units | Recall rate |
|--------------|----------------|-----------------|-------------|
| DENSO ENSEKI | DZR-08FR, 10FR | 4,696           | 5.7%        |
|              | ND-08FR, 10FR  | 15              | 20.0%       |

# Fiscal 2011 Results and Future Issues/Goals

◎All targets attained ○Most targets attained △Challenges remain judging from results ×No progress

| Sustainability theme                                  |   | Fiscal 2011 activity items  | Fiscal 2010 results and remaining issues (●goals achieved, ▲outstanding issues)   | Overall assessment*   | Page  |                |
|---|---|---|---|---|-------|----------------|
| Management  | Corporate governance  | Operation of internal control system including Group companies  | ●Thoroughly implement and firmly establish operation of internal control system including Group companies   | ● Proceeded with operation of internal control system including Group companies, and made further improvements  | ◎     | 24             |
|   | Compliance  | Raising awareness of compliance to the fullest in each employee   | ●Increase awareness at sites with a compliance program<br>●Introduce into sites lacking a compliance program<br>●Formulate a global policy related to the Anti-Monopoly Act and introduce it worldwide as well as establish a compliance program  | ● Held compliance tests (from fiscal 2011, for people without a PC)<br>● Conducted interactive education at work sites for all employees [DENSO Corporation]<br>▲ Introduce to sites without a compliance program (parts of Europe, South America, Asia, Oceania, etc.)<br>● Formulated a global policy related to the Anti-Monopoly Act and introduced it worldwide  | △     | 25-26          |
|   | Risk management   | Strengthening the Group's ability to respond when crises occur  | ●Spread awareness of provisions of <i>Crisis Communication Manual</i> and improve ability to put them into practice<br>●Develop and enhance a Business Continuity Plan (BCP)  | ● Thoroughly instill practical skills through risk management training for newly appointed department managers and prior to overseas assignment<br>● Checked if there were any omissions or inadequacies in initial restoration response in production departments and plants<br>▲ Review plans in light of experience with the Great East Japan Earthquake   | △     | 11-12<br>27-28 |
|   |   | Building awareness of risk management among workplace leaders   | ●Continue risk management training for newly appointed department managers  | ● Held training on mechanisms and improved awareness for newly appointed managerial-level personnel and plant managers (54 participants)  | ◎     |                |
|   |   | Reinforcement of risk management system at Group companies  | ●Inspect and enhance risk management system and structure at Group companies  | ● Held self-evaluations for primary suppliers of domestic Group companies<br>▲ Provide guidance on improvements based on diagnostic results   | ○     |                |
| Information security                                  | Strengthening information security and raising employee awareness | ●Strengthening activities for improving security level at Group companies and domestic suppliers<br>●Further enhance awareness of confidentiality controls among DENSO Corporation employees  | ● Promoted self-assessment and improvement activities based on the DENSO Group Information Security Standards targeting domestic and overseas Group companies<br>● Held training on information security through e-learning and promoted other activities to increase awareness for all employees with a PC<br>▲ Strengthen activities to improve security level at overseas Group companies and domestic suppliers             | ◎   | 29    |                |
| Social Report   | Responsibility to customers                                       | Promotion of education, training and enlightenment activities throughout the Group  | ●Redouble measures for improving quality awareness<br>●Continue promoting QC Circle activities  | ● Held exhibitions to show cases of quality improvement to Group companies and suppliers<br>● Exhibition showing activities to increase level of completion (10/10): 7,000 visitors<br>● Idea exchange meeting to create safe products (10/12): 500 visitors<br>● Vitalized QC Circle activities<br>● Conducted activities with around 5,650 teams worldwide (Japan 2,450, Overseas 3,200)<br>● Won 35 inspirational awards at the All-Japan QC Circle Competition<br>▲ Foster quality and human resource development at overseas sites | ○     | 32             |
|   |   | Dealing quickly with product defects  | ●Continue to implement activities to improve recall rate of infrared heaters  | ● Inserted fliers in major newspapers nationwide and made other notifications regarding recall as widely as possible<br>▲ Continue activities to further improve recall rate  | ○     | 32             |
|   |   | Enhancement of after-sales service structure  | ●Expand number of stores, improve quality and assure business viability   | ● Expanded number of stores from 28 (end of FY09) to 42 (end of FY10) in line with plan, and promoted cooperation in used cars and leasing, etc.  | ◎     | 33-34          |
|   |   | Enhancement of customer service center for end users  | ●Continue with point of contact for customer response   | ● Maintained and continued swift response to customer inquiries   | ◎     | 33             |
|   | Responsibility to associates                                      | Continuation of stable employment over the long term  | ●Further improve retention rate by increasing appeal of workplace   | ● Continued to strive to protect employment amid a sharp deterioration (reduced overtime) in the economic environment   | ○     | 35             |
|   |   | Maintenance of stable labor relations   | ●Strengthen initiatives to prevent labor issues   | ● Held workshops and meetings for personnel from domestic and overseas Group companies to strengthen responsiveness to labor issues<br>● Provided individual consultation on labor issues at domestic and overseas Group companies<br>▲ Respond to disputes and litigation at certain domestic and overseas Group companies in line with local laws   | ○     | 36             |
|   |   | Assurance of respect for human rights throughout organization   | ●Continue enlightenment and education to prevent harassment   | ● Continued enlightenment and education to prevent harassment   | ○     | 36             |
|   |   | Promotion of workforce diversity  | ●Expand program and mechanisms for promoting diversity and create a corporate culture conducive to diversity through a transformation in employee awareness<br>●Steadily improve employment ratio of persons with disabilities  | ● Established an internal counseling center for females<br>▲ Continue to change attitudes in the workplace by educating managers (females)<br>▲ Start developing ways to utilize older workers and bolster career development programs and workplace communication to reform thinking<br>● Strengthened understanding of activities undertaken by persons with disabilities, expanded lines of work and assignable positions, set up an internal consulting desk and enhanced follow-up interviews for new recruits                     | ○     | 38-40          |
|   |   | Promotion of human resource development   | ●Rebuild education system in line with a review of skill-based standards  | ● Set up training to enhance management capabilities of managers<br>● Restructured education for new recruits to ensure they have basic skills as members of society<br>▲ Validate research results   | ○     | 37-38          |
|   |   | Promotion of occupational safety  | ●Create workplace where safety initiatives are commonplace  | ▲ Accidents increased at domestic Group companies despite holding training and providing guidance on 35 activities corresponding to the characteristics of each division<br>● Further spread awareness of "Safety First" policy, strengthen preventive system and achieve voluntary targets   | ○     | 41             |
| Promotion of employees' health                        |   | ●Strengthen and expand mental health measures   | ● Conducted mental health training (held 33 times with 1,806 attendees) and mental health checkups (9,800 people)<br>▲ Expanded self-care education for general employees   | ○   | 42    |                |
| Responsibility to shareholders and investors          | Enhancement of corporate value and information disclosure         | ●Continue proactive efforts for investor relation activities  | ● Held quarterly financial results briefings and "one-on-one meetings" [for domestic institutional investors]<br>● Participated in Tokyo Motor Show conference and provided individual interviews<br>● Issued business report [for individual investors]  | ◎   | 43    |                |
| Responsibility to suppliers                           | Practice of open, fair and transparent transactions               | ●Conduct improvement activities based on results of self-assessment at DENSO Corporation and domestic and overseas Group companies  | ● Conducted self-assessment at target companies and promoted improvement activities for weaknesses identified at each company<br>● Rebuilt and enhanced system for CSR activities with suppliers (set guidelines, strengthened diagnostic sheets and expanded scope of initiatives for secondary suppliers)   | ○   | 45-46 |                |
|   | Practice of CSR activities throughout the supply chain            | ●Conduct improvement activities based on self-diagnosis results for suppliers of DENSO Corporation and domestic Group companies   | ▲ Expand to primary and secondary suppliers of DENSO Corporation and to those primary and secondary suppliers from domestic Group companies   |   |       |                |
| Responsibility to local and international communities | Promotion of activities unique to DENSO                           | ●Implement the DENSO YOUTH for EARTH Action (DYE) program<br>●Get internal consensus for the direction of improvements for the DYE program and complete formulation in fiscal 2012<br>●Increase interest in the environment and community, and continue using DECO School to promote participation (integrated, internal) | ● Conducted steadily in line with plans<br>● Achieved internal consensus of direction for improvements and completed outline of plan for fiscal 2012<br>▲ Introduce a system to evaluate program and enhance information sharing for stakeholders inside the Company<br>● Held twice yearly (2,035 visitors); 86% of participants expressed satisfaction at the Kariya venue and 98% expressed satisfaction at the Nagoya venue | ○   | 48-52 |                |
| Environmental report                                  |   |   | See page 65 for a list of results (or pages 54 to 83 for a full report)   |   |       |                |
| CSR communication                                     |   | ●Utilize communication tools with stakeholders<br>●Strengthen internal communication  | ● Held company tours using a CSR picture book for students from nearby elementary schools<br>● Issued <i>CSR News</i> (English, Japanese) monthly to increase awareness of CSR practices internally (up from 68% to 81%)<br>▲ Review stakeholder engagement in light of ISO 26000   | ○   | 19-21 |                |



# 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. It

is also essential to promoting the CSR management that is essential for sustainable growth on an ongoing basis. We are working to strengthen our corporate governance in accordance with this belief.

## Promotion structure

DENSO Corporation has adopted a corporate auditor system. In addition to statutory bodies such as the General Meeting of Shareholders, Board of Directors, Board of Corporate Auditors and Accounting Auditor, DENSO Corporation has developed various internal control mechanisms. At the same time, we practice sound, efficient and transparent management through the ongoing provision of information about business conditions to shareholders

and investors. In addition, we have adopted a managing officer system consisting of 29 managing officers to oversee business execution while ensuring a lean Board of Directors structure to facilitate expeditious decision-making and operational execution. The term of directors is set at one year to enable agile management and clarify managerial responsibility each business year.

## Roles and results of principal board meetings

**Board of Directors:** The Board of Directors acts as the decision-making body for management policies and important operational issues. Decisions are made by the chairman based on the collective opinions of all Board members. Instructions deriving from decisions made concerning legal matters and important issues that relate to the entire Group are implemented through the Executive Meeting, and individual directors ensure that the necessary actions are taken in their areas of responsibility by issuing instructions to managing officers or department managers. Attendance by directors and auditors at the 16 Board of Directors meetings held in fiscal 2011 was 94% and 81%, respectively.

**Top Management Meeting:** The Top Management Meeting is a deliberative body charged with discussing issues to be decided by the Board of Directors and other important issues that have a bearing on overall corporate management (corporate business plans, investment issues, important transaction formats and collaborative projects and other important management matters) and gives direction to corporate policy. Decisions are made by the chairperson after aggregating the opinions of all meeting members and results of the group's deliberations are reported to the Board of Directors for final decision-making. In fiscal 2011, the Top Management Meeting convened 45 times.

## Management oversight function

Two standing corporate auditors and three external auditors with dedicated staff are responsible for monitoring the execution of duties by directors as well as the business operations and financial conditions of DENSO Corporation and its domestic and overseas subsidiaries. Under the Company's audit system, corporate auditors, who implement legally mandated functions, are augmented by specialized internal audit departments in key Group companies in Japan and overseas, who conduct ongoing on-site audits not only of administration,

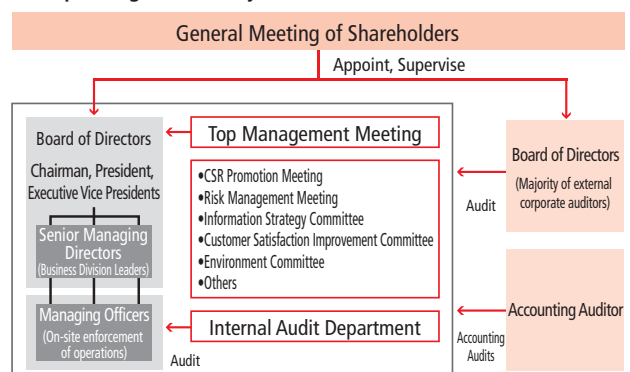
business practices and legal compliance but also of the appropriateness of management and operational procedures.

In addition to attending important meetings such as Board of Directors and Top Management meetings, corporate auditors fulfill their management oversight function by auditing directors' business execution through information exchange with internal audit departments, departments related to internal controls and the Accounting Auditor.

## Developing and strengthening internal controls

Starting in fiscal 2009, in order to ensure the reliability of financial reporting, the Financial Instruments and Exchange Law requires an audit of the internal control reporting system (where companies assess the effectiveness of their internal controls pertaining to financial reporting and have those controls audited by an auditing firm). DENSO Corporation considered this to be an opportunity for developing and strengthening the foundation for sound and sustainable business growth, and we have been working to develop and strengthen the Group's overall internal controls with the goal of ensuring the reliability of our financial reporting, as well as the effectiveness and efficiency of our operations. As a result, in fiscal 2009, an auditing firm gave our internal controls a fair assessment based on pertinent legal procedures, and we submitted a report on our internal controls to the Financial Services Agency, which determines whether the Group's internal controls are effective.

©Corporate governance system



# Compliance

## Basic stance

We believe that key actions to earn the trust and understanding of society are DENSO's observance of all applicable national and regional laws and all Group employees' fair and faithful conduct with the highest ethical standards. We see compliance as not only the observance of laws but also a responsibility to meet the expectations of stakeholders. In this sense, we consider it to be the cornerstone of all conduct.

Together with the declaration of CSR management in 2006, which developed out of this approach, we adopted the *Code of Conduct for DENSO Group Associates*, which is used as the yardstick against which employees measure their behavior to meet stakeholders' expectations in their daily conduct. The Code resulted from a complete revision of the previous *Code of Conduct* enacted in 1997. The new Code is based primarily on the principle of legal compliance. The document is a simple one, designed so that even new employees can understand and put its provisions into practice. Furthermore, for an understanding of the Code to permeate each employee's awareness, it includes a self-review sheet that every employee uses to reflect on his or her daily behavior.

While developing the *Code of Conduct for DENSO Group Associates*, we consulted the United Nations Universal Declaration of Human Rights, United Nations Global Compact, OECD Guidelines for Multinational Enterprises and the Charter of Corporate Behavior formulated by Nippon Keidanren (Japan Business Federation). Since the Code was adopted, all executives and employees reflect on their daily conduct each year, and we strive to steadily improve employees' CSR awareness and conduct.

We issued a revised version that includes details of compliance related to the Competition Law in 2010 and distributed it to employees.

In an effort to ensure thorough compliance, domestic Group companies share the *Code of Conduct for DENSO Group Associates*. Correspondingly, 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.

### Key items in the *Code of Conduct for DENSO Group Associates*

#### I. Your conduct as a member of the DENSO Group

Recognizing your role in society / Integrity as the foundation of trust / Compliance with laws and ethical principles

#### II. Creating a vibrant workplace

Understanding DENSO's philosophy and values and pursuing personal development / Respecting human rights, ensuring open communication and respecting the privacy of others / Maintaining mental and physical health and maintaining a healthy workplace / Maintaining order and ethics in the workplace / Maintaining a clear distinction between public and private matters

#### III. Earning trust and meeting the expectations of customers

Remembering to express appreciation, providing *ureshisa* (consideration) and *yasashisa* (fulfillment), and providing timely and sincere solutions / Transactions based on free and fair competition

#### IV. Building win-win relationships with our suppliers

Adherence to laws related to competition such as antitrust laws and subcontracting laws as well as the contract conditions of agreements with suppliers and affiliated service stores / Respecting intellectual property rights

#### V. Living up to the trust and expectations of our shareholders

Managing corporate assets effectively and preventing risk / Practicing proper accounting / Managing inside information

#### VI. Upholding the best interests of society

Pursuing eco-friendly practices / Serving as a member of your community / Taking a forceful stand against anti-social organizations and ensuring moderate relationships with governmental authorities / Serving as a member of the automotive industry

\*Scope: The Code applies to all executives and employees (including contract employees, temporary employees, part-time employees and all other employed individuals) at DENSO Corporation, domestic companies subject to our managerial consolidation rules and companies in which DENSO is the largest shareholder.

**URL** DENSO Group Declaration of Corporate Behavior and *Code of Conduct for DENSO Group Associates*  
<http://www.globaldenso.com/en/csr/csrpolicy/csrcharter.html>

## Promotion structure

DENSO sees thorough compliance as an important part of our internal control system, and in 1997 DENSO Corporation created a Business Ethics and Compliance Committee chaired by a director to provide oversight in that area (now integrated into the CSR Promotion Meeting). The committee works to develop frameworks in each country and region to contribute to law-abiding structures and pursue related activities. In 2003, DENSO Corporation established an internal whistle-blowing system in the form of the Business Ethics Hotline, which places employees in contact with outside attorneys and the Legal Department. In fiscal 2007, the Company appointed CSR leaders to spearhead initiatives in each workplace as part of its education and enlightenment activities. Domestic Group companies use promotion structures based on DENSO Corporation's system.

For overseas Group companies, regional headquarters develop organizational systems, introduce and operate reporting systems, and

pursue enlightenment activities that take into consideration the characteristics of their country and region. In North America, Group companies are working to prevent unlawful conduct by assigning compliance officers to each operating base and administering a 24-hour helpline (reporting system) and audit system. The status of these activities is regularly reported to base managers and used in efforts to prevent recurrences and improve activities. In Europe and China, Group companies have conducted a compliance program that includes a helpline that is appropriate to the circumstances endemic to each country.

In addition, regional headquarters employees responsible for legal affairs in Japan, North America, Europe, China and Southeast Asia regularly share information and issues. The gatherings seek to ensure and maintain compliance by sharing information and issues.

## Education and enlightenment

Ongoing education and enlightenment activities are important tools for improving employees' awareness of compliance issues. DENSO Corporation began providing compliance education by employee level in 2002 and introduced education and enlightenment activities led by CSR leaders by workplace in 2006 (including contract, temporary and other employees). In fiscal 2011, a total of 2,600 employees participated in educational programs by employment level.

In line with revision to the *Code of Conduct for DENSO Group Associates*, we held a course related to the Anti-Monopoly Act for 3,500 staff above the level of section manager. In addition, with the aim of increasing awareness at the individual level, we have been holding a compliance exam within an

e-learning course since fiscal 2009 targeting personnel with PCs. We started providing the same exam to personnel without a computer in fiscal 2011 (approximately 32,000 employees took the course in fiscal 2011). We will continue providing the courses going forward.

Legal Department initiatives include raising employees' awareness by means of the *Business Ethics Newsletter* and information pages on the corporate intranet, as well as holding group legal education classes and visiting local sites to provide legal education. Overseas, we are working to share and raise awareness of the most up-to-date legal information by regularly publishing the bulletin *Legal News* in locations such as North America and China.

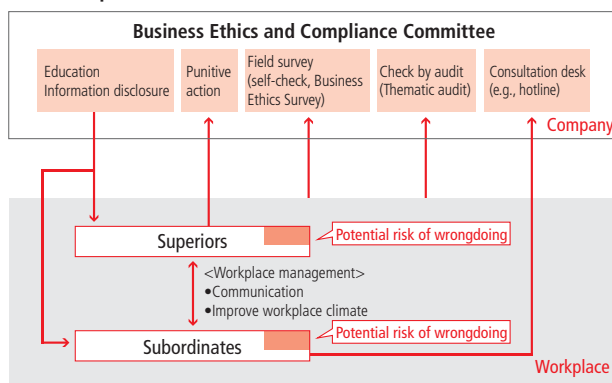
## Internal whistle-blowing system

DENSO Corporation's internal whistle-blowing system provides an effective means of preventing and promptly addressing improper and illegal behavior. The system (in the form of the Business Ethics Hotline), which allows anonymous reporting, is independent from the normal chain of command at the Company and is administered by outside attorneys and the Legal Department in accordance with Japan's Whistleblower Protection Act. We passed out cards listing the hotline number and expanded the scope of the program in May 2006 to include principal suppliers (300 companies). In fiscal 2011, the hotline received 169 reports and requests for advice in areas such as employment, labor, work environment, information management, business transactions and accounting, all of which were addressed after staff investigated the situation and confirmed the facts.

### Number of consultation calls to hotline

|                  | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|------------------|---------|---------|---------|---------|---------|
| External hotline | 40      | 28      | 65      | 61      | 49      |
| Internal hotline | 101     | 86      | 123     | 107     | 120     |
| Total            | 141     | 114     | 188     | 168     | 169     |

### Overall procedure for business ethics activities



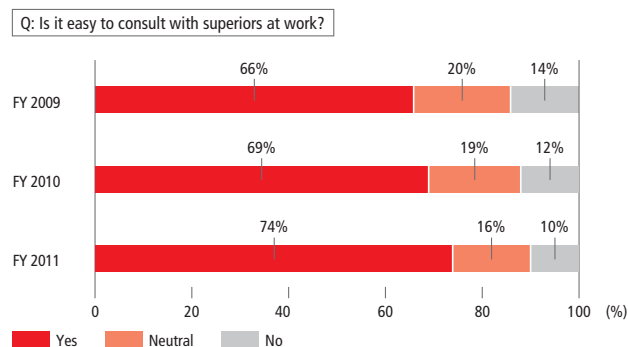
## Activity reviews and improvements

Since 2003, we have set aside each October as DENSO Group Business Ethics Month. We organize awareness-raising activities such as workplace discussions and conduct a CSR Survey to assess awareness of policies and latent risks. The survey in fiscal 2011 targeted around 1,000 workers, selected through random sampling, including temporary employees.

There was an increase in the number of respondents who thought that it was easy to consult with superiors at work, indicating good communication in the workplace. This result confirms steady progress in efforts to enhance communication.

Based on opinions gathered from each department on compliance policies and activities during meetings at respective workplaces in fiscal 2010, we introduced compliance-related education for all employees at work sites through a discussion-based format and strengthened information transmission through CSR leaders. The survey following the course indicated the need to provide compliance-related education to all employees, that face-to-face discussions on-site are effective in raising awareness and the importance of expanding information on compliance. We will further expand educational and enlightenment programs in fiscal 2012 in view of these results.

### Result of fiscal 2010 Business Ethics Survey (Integrated into CSR Survey in January 2011)



# Risk Management

## Basic stance

In keeping with the global expansion of business, DENSO is striving to strengthen risk management as part of its internal control system to help minimize risk. Specifically, emergence of circumstances with the potential to cause damage to corporate management are classified as risks (situations in which risks have not yet been realized) and crises (emergency situations in

which risks have already been realized). For the former, efforts focus on nipping risks in the bud before they have the chance to manifest themselves; for the latter, DENSO strives to make an initial response and response for restoring business operations in a prompt and appropriate manner.

## Promotion structure

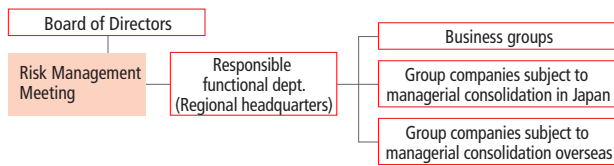
In May 2003, we established a Risk Management Meeting, which cuts across organizational boundaries; selected 58 risk items with the potential to impact life, credit, business activities or property; and designated a responsible department for each. These departments continuously review and enhance our prevention and business restoration measures.

In fiscal 2010, we positioned risk management as the basis of CSR and worked to integrate and strengthen the promotion structure in order to fulfill the social responsibilities expected of DENSO. Activities for ongoing improvement in the risk management system and structure and permeation of risk management are now the domain of the CSR Promotion Meeting, while the traditional Risk Management Meeting deals with initial response when a crisis

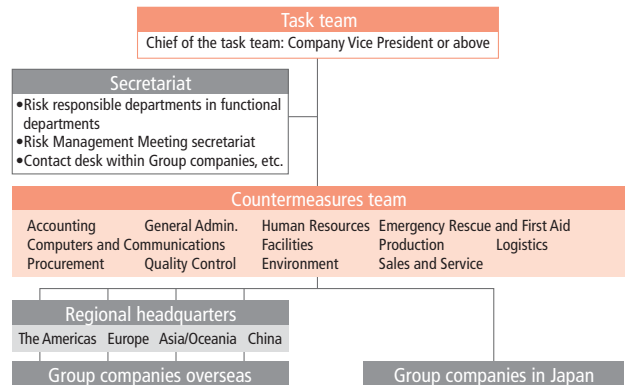
or emergency situation arises. We also form specialized contingency organizations depending on the extent of the situation and degree of urgency, which facilitates agile response to minimize damage.

We integrated the traditional roles of the general risk manager into those of the CSR leader at domestic and overseas companies subject to our managerial consolidation rules as well as Group companies in which DENSO Corporation is the largest shareholder, and appointed risk managers for each risk item under that umbrella. We are constantly working to upgrade our risk management based on support from key functional departments and regional headquarters.

### ◎ Risk management structure



### ◎ Crises countermeasures structure



We have established procedures for setting up a crisis countermeasures committee for earthquake, typhoon and heavy rainfall to ensure swift response when a crisis arises.

### ◎ Established procedures

| Earthquake  | Typhoon  | Heavy rainfall  |
|---|--|---|
| In cases of an earthquake above level 5.0 on the Japanese scale in a city, town or village that DENSO has production facilities | In cases when the secretariat holds a meeting and recommends setting up a committee to a general manager if the typhoon looks set to strike land | In cases when the secretariat holds a meeting and recommends setting up a committee to a general manager after assuming the amount of rain will exceed 50mm an hour and a warning has been issued |

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## Expanding activities to spread and raise awareness

Since the awareness and conduct of the managers who are our workplace leaders are essential in risk management and crisis response, in fiscal 2011 we also conducted training directed toward department managers as well as factory managers, managers of production department sections and managers at domestic Group companies. The training was attended by 76% of the targeted managers. In addition, we continued to provide risk management education for employees scheduled for transfer as president of local

corporations in order to strengthen risk management at overseas sites. A total of 18 employees took the course. We also sought to ensure proper responses to fires, traffic accidents and earthquakes by requiring that regular employees carry the *Risk Management Handbook* (first version formulated in 2004) with them at all times. The content of the handbook has been revised and distributed to all employees to further stimulate awareness at the individual level.

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## Response to Great East Japan Earthquake and strengthening risk management

In response to the first report of a major earthquake centered off the coast of Sanriku, DENSO immediately set up a disaster response task force headed by the Company president based on the Earthquake Disaster Response Manual and focused all efforts on confirming the safety of employees and ascertaining the status of damage. As major damage to Tohoku and Kanto became clear, the disaster response task force outlined the pressing issues of supporting the reconstruction and recovery of the affected areas and communicated this throughout the Company and to Group companies. At the same time, in order to fulfill our responsibility as an automotive parts manufacturer, we concentrated on providing inventory information to customers, and supporting the

recovery of suppliers to ensure restoration of the supply chain. We also ceased operation of some factories and production lines and sought to boost efficiency in other production facilities in response to a decline in production at automakers.

In addition, when new risks emerged such as the massive tsunami, liquefaction, the nuclear power accident and rolling blackouts as a result of the Great East Japan Earthquake, we started to review our risk countermeasures assuming an earthquake in the Tokai and Tonankai areas from the perspective of business continuity management. See pages 11 and 12 "Special Feature 2: Risk management for business continuity" for details of these initiatives.

# Information Security

## Basic stance

We recognize that technology, information and the personal data of customers and employees are valuable assets. Based on this understanding, we formulated the DENSO Group Basic Principles of Information Security in 2003 and have since worked to strengthen data protection and management. We have established the DENSO Group Information Security Standards, which define 142 areas of management based on the globally recognized ISMS\*. The standards have been adopted by 56 domestic Group companies and 76

overseas Group bases. To protect information assets and facilitate prompt and proper operations, we also have developed a new policy in fiscal 2008 requiring that security measures take into account not only confidentiality but also integrity and availability (system robustness and resilience). We are currently working to develop such measures that meet this mandate.

\*Information Security Management System

### DENSO Group Basic Principles of Information Security (outline)

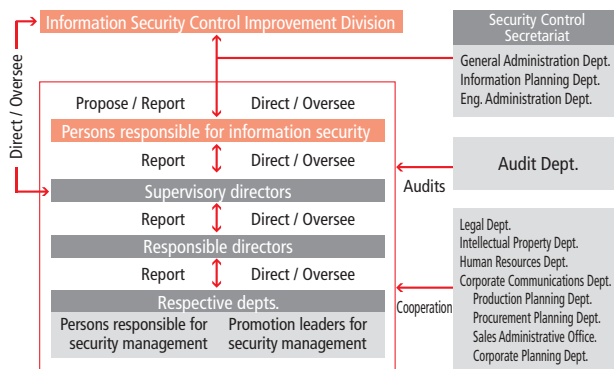
|                            |   |
|----------------------------|---|
| <b>Vision</b>              | All DENSO Group companies must build and continuously improve a world-class information security system in order to provide suitable protection for the information assets that serve as a valuable management resource for each company and actively utilize those assets.   |
| <b>Company initiatives</b> | DENSO Group companies must implement the following measures in order to fulfill the vision described above:<br>1. Assessment of the risks inherent in information assets (assessment of risk types and reduction levels)<br>2. Implementation of information security measures (development, documentation and dissemination of methods)<br>3. Building of a management system (shared responsibilities and roles of departments, establishment of audit section and separation of authority)<br>4. Explicit articulation of management processes (evaluation of risks, development of countermeasures, education, auditing, understanding exceptions and ongoing improvements) |

## Structures and audits

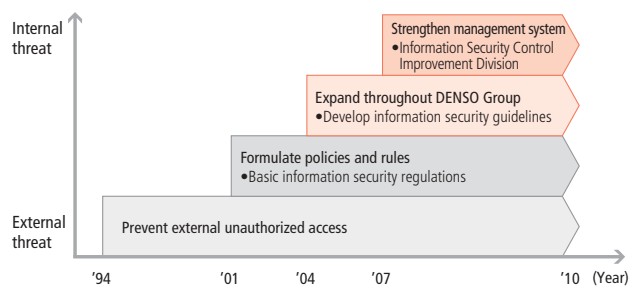
Under the Information Security Control Improvement Division, we established responsible persons for information security and the Security Control Secretariat as special organizational units, and we assigned security management promotion officers and leaders to each Company department. To promote associated activities, we built a management structure based on international information management system standards (ISO/IEC 27001, etc.), and we are

continuously working to enhance our approach by conducting annual security management audits, self-reviews and a monitoring survey to assess circumstances at Group companies. We are also expanding the scope of our shared guidelines to include domestic and overseas Group companies and pursuing regular follow-up activities. Taking the awareness generated by the theft of a computer containing design drawing files by a DENSO technician in February 2007 as an opportunity to enhance security, we set the month following February 14 (Security Management Day) as Security Management Month in order to carry out awareness-raising activities in a focused manner.

### Security control structure



### Approach to information security initiatives



## Fiscal 2011 activities

DENSO Corporation continued to undertake a number of measures in fiscal 2011 that included restricting the removal of computers from DENSO facilities to units provided specifically for that purpose, tightening access to shared servers and placing restrictions on the use of recordable media.

During Security Management Month, we conducted security management education programs, inspections of computers and recordable media taken out of DENSO facilities and security management audits. Moreover, we also sought to augment our normal training for managers, new employees' training and training by employment level. We have been conducting e-learning on information security for all employees with computers since fiscal 2010. In addition, we held briefing sessions in March 2010 for all departmental security

management officers, where we requested that they redouble their efforts to adhere to the special measures and confirm the establishment of these measures.

Because high management awareness on the part of individual employees is the foundation of information security, we will continue to focus on enhancing information management skills among outside staff (dispatched employees, contract workers) and suppliers, responding appropriately to incidents and accidents (clarification of punitive rules and regulations), promoting regular inventory of confidential information and expanding awareness-raising activities for employees. There were no incidents or accidents in fiscal 2011 involving the unauthorized disclosure of information.

# Report on Social Responsibility

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# Responsibility to Customers

## Basic stance

Since its foundation, DENSO 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.

## Improving customer satisfaction

We reflect the concept of universal design in our products so that they are easy for all people to use and pursue unlimited integration of human sensation and equipment. At the same time, business groups conduct regular customer satisfaction assessments based on the information that sales, technology and

quality assurance departments have collected from customers including questions with regard to usability from the perspective of the end user. Improvements are then made wherever necessary.

## Promotion structure

### (1) System to enhance quality

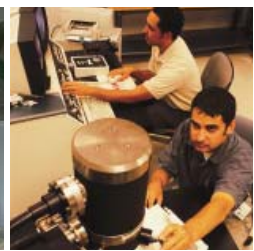
For the quality assurance process of new products, we are thoroughly carrying out early stage control to steadily ensure quality at each stage from planning and design to production. In terms of early stage control, the degree of product completion and product risks are visualized via a total of nine 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. We have also established Technical Centers in respective countries, including the United States, Germany and China, and a plan is underway for newly establishing centers and

expanding to seven regions worldwide, including Japan.

Additionally, the DENSO Group has completed the acquisition of ISO/TS16949 certification.

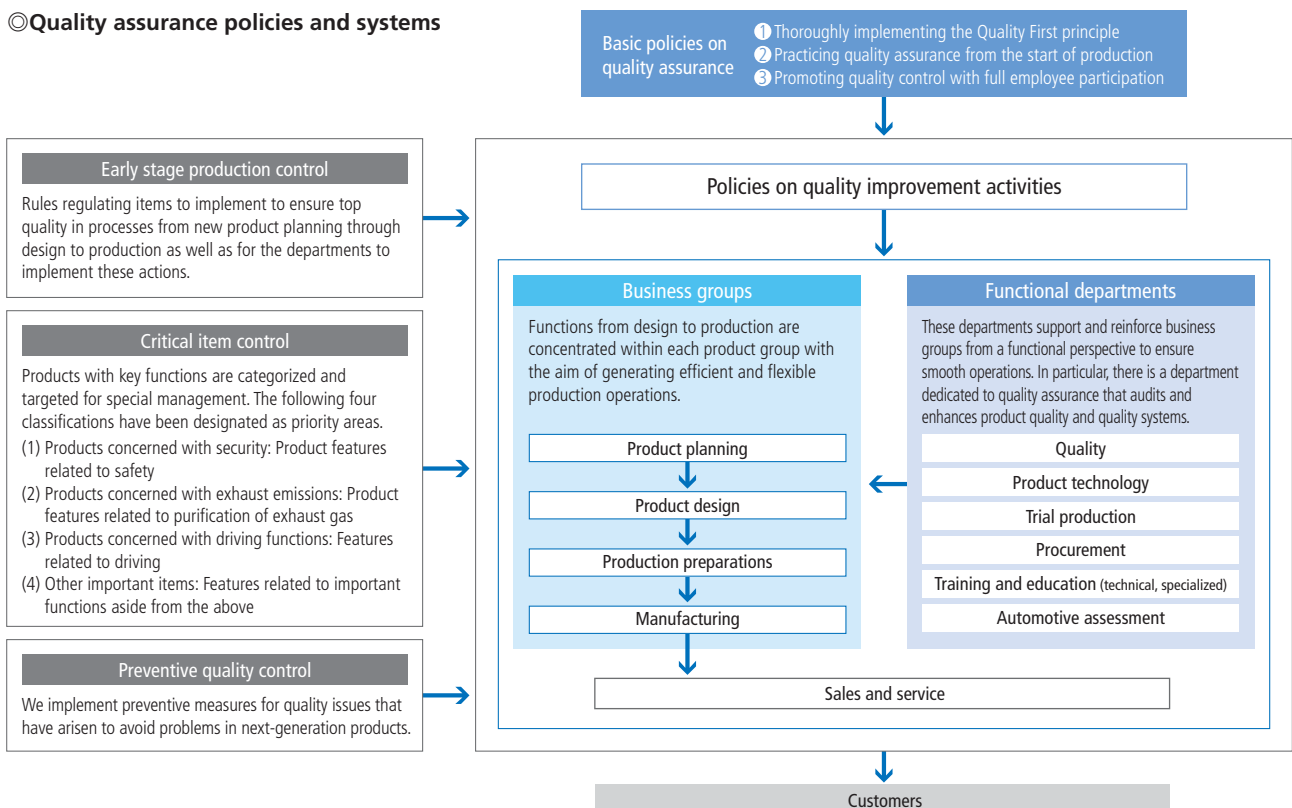


Environmental resistance testing (Reliability Center of DENSO Corporation)



Aachen Engineering Center (Germany)

## Quality assurance policies and systems





## (2) Ensuring product safety

We always endeavor to ensure optimal product safety by conducting product assessments based on internal standards and legal obligations. For example, design departments conduct safety evaluations and meticulously implement fail-safe\* designs in response to problems, and engineering administration departments undertake procedures to clearly specify operational guidelines and departmental responsibilities to ensure full legal compliance from product planning to production and shipment. Moreover, the departments responsible

are required to conduct safety evaluations based on internal regulations and to report confirmation results in accordance with legal regulations when launching new products. Additionally, we are promoting the acquisition of ISO 26262 certification for functional safety planned for July 2011.

\*A design philosophy requiring products to be controlled in a safe manner in the event of an accident or erroneous operation

## (3) Education, training and awareness-raising activities

We consider *hitozukuri* (human resource development) to be the foundation of our business and thus conduct education on quality in a systematic and continuous manner, including education by employment level and area of specialization. Additionally, we are nurturing technical specialists through regular training at training facilities such as the DENSO Engineering and Technical Skills Training Center, which teaches DENSO-style *monozukuri* (manufacturing) in Aichi Prefecture; training centers at manufacturing bases in Japan and around the world; and our Training Academy in Thailand.

Awareness-raising programs include the Qualitative Skill Competition, in which competitors utilize their five senses to detect defects, and the Quality Improvement Exhibition, at which subsidiaries and affiliates are invited to share best practices. Both the Qualitative Skill Competition and Quality Improvement Exhibition are being held in Japan and overseas. Moreover, a permanent exhibition inside the Reliability Center at DENSO headquarters provides an opportunity for engineers to learn from past problems.

Quality Control (QC) Circle activities have played an essential role in the maintenance and improvement of quality at manufacturing bases since they were launched in 1964. As of the end of fiscal 2011, approximately 6,500 teams (3,300 Japanese, 3,200 overseas; including engineering and clerical

departments) have been actively setting annual goals and striving to mutually raise awareness through Groupwide QC Circle Presentation Meetings and overseas regional friendship competitions.

### ◎Quality improvement activity results (fiscal 2011)

- Exhibitions for Group companies and suppliers  
(Product completeness improvement): \_\_\_\_\_ 7,000 visitors  
(Manufacturing safe products): \_\_\_\_\_ 500 participants
- QC National Convention (Enthusiasm Award) \_\_\_\_\_ 35 circles



Hungary QC Circle Competition (January 2010)

## (4) Response to defects

In the event that a defect is discovered in a product, we promptly report the information to customers and relevant organizations through a variety of mediums and have put in place structures for recalling the product in question. We continue activities to recall and address infrared heaters, which from 2007 and 2008 were found to be at risk of causing a smoke or fire hazard, by promptly announcing this information publicly via newspaper advertisements and via our website, and setting up a dedicated toll-free phone number.

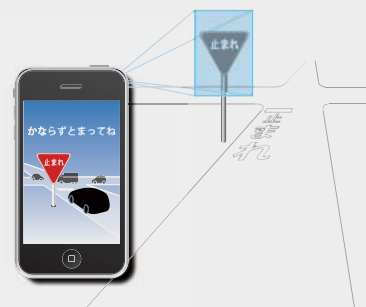
### ◎Recall status of far infrared heaters (As of June 2011)

- ENSEKI 7FX, 12F, 12FD \_\_\_\_\_ 43,325 units / Recovery rate: 38.5%
- ENSEKI 10FA, 10FC \_\_\_\_\_ 80,146 units / Recovery rate: 26.0%
- ENSEKI DZR-08FR, 10FR \_\_\_\_\_ 4,696 units / Recovery rate: 5.7%
- ENSEKI ND-08FR, 10FR \_\_\_\_\_ 15 units / Recovery rate: 20.0%

## COLUMN

### Learning interesting things about cars and traffic safety for passenger seats and other areas "Traffic Sign Catcher" application currently being developed

DENSO is developing a "Traffic Sign Catcher" software application that can be enjoyed using iPhone smartphones (Apple Inc.) with the objective of creating opportunities to actively become familiar with cars. Children collect traffic signs while playing this game, in which a player will instantly recognize sign images and collect signs while learning the meaning of each sign. Compared with households and game centers, outdoor augmented reality-type safety learning is expected to open up a new page in terms of the relationship between children and vehicles.



## Enhancing after-sales service

### (1) Basic stance

Since its founding, DENSO has been committed to the policy that "products and services are integral." Based on this policy, DENSO not only pursues product quality but also offers global service based on a commitment to provide the best possible service from the customer's perspective by (1) offering products that satisfy customers and can be used safely and as

intended, (2) ensuring products can be repaired precisely and promptly at a reasonable cost in the event that they fail and (3) bringing customer feedback to bear on product development and improvement efforts and minimizing customer inconvenience.

### (2) Customer (end users) service center

DENSO has established a customer service center in order to respond quickly and appropriately to comments and suggestions from customers. This information is fed back to the relevant departments as quickly as possible, while strictly adhering to secure management of personal information, and DENSO works to address customer concerns and improve our operations. For issues of quality and guarantee of OEM products (which are branded by our business partners) such as car air conditioners and engine components that are supplied to automakers, DENSO asks that automakers' dealers and service centers provide advice and response to inquiries.

In fiscal 2011, while the number of inquiries about the Plasmacluster Ion Generator increased, the number regarding the Electronic Toll Collection (ETC) system decreased significantly due to no inquiries about the government policy regarding a 1,000 yen toll unlimited travel discount system on weekends and holidays for vehicles equipped with ETC devices. There was also a decline in

inquiries regarding product specifications, sales and available stock due to a rise in the percentage of vehicles equipped with ETC devices.

#### ©Inquiries and comments regarding DENSO products

| Content                            | Fiscal 2009 | Fiscal 2010 | Fiscal 2011 |
|------------------------------------|-------------|-------------|-------------|
| ETC                                | 51%         | 56%         | 38%         |
| Spark plugs                        | 16%         | 13%         | 18%         |
| Car navigation system              | 8%          | 6%          | 5%          |
| Environmental systems              | 2%          | 2%          | 1%          |
| Clean air filters                  | 2%          | 2%          | 2%          |
| Communication devices              | 1%          | 1%          | 1%          |
| Ionic air purifiers, Plasmacluster | 1%          | 3%          | 11%         |
| Others                             | 19%         | 17%         | 24%         |
| Total                              | 100%        | 100%        | 100%        |
| Number of inquiries                | 10,684      | 11,495      | 7,210       |

### (3) Protection of customers' privacy

DENSO recognizes its obligation to protect the privacy of everyone who provides personal information and has set a privacy policy to ensure this occurs. General rules relate to the acquisition and intended use of personal

information, restrictions on use, non-disclosure to third parties and other key matters in the strict management and handling of such data.

### (4) Strengthening of after-sales service

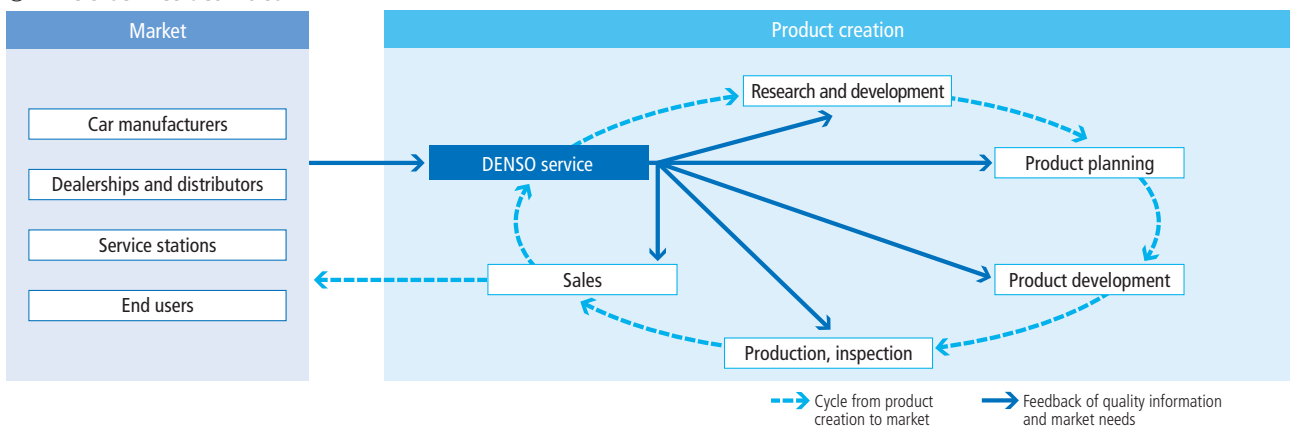
Vehicle safety, environmental friendliness and comfort are constantly advancing owing to the use of state-of-the-art electronic control technologies, which call for high-tech service and maintenance facilities that have more advanced diagnostic and repair technologies.

In fiscal 2007, in cooperation with regional sales companies, DENSO sought to respond to this trend in a timely manner by launching DENSO Diag-Stations that provide the equipment, personnel and information necessary to promptly diagnose faults in vehicles equipped with advanced technol-

ogy. These facilities are equipped with proprietary DENSO analytical equipment, such as fault diagnosis testers and data recorders, and possess expert staff who have received proprietary DENSO training and education and been certified via a DENSO internal examination.

As of the end of fiscal 2011, DENSO had established Diag-Stations at 50 sites in Japan (with 88 expert staff), and plans to open at least 50 new Diag-Stations by 2011.

#### ©DENSO service activities



**(5) Global expansion of after-sales service**

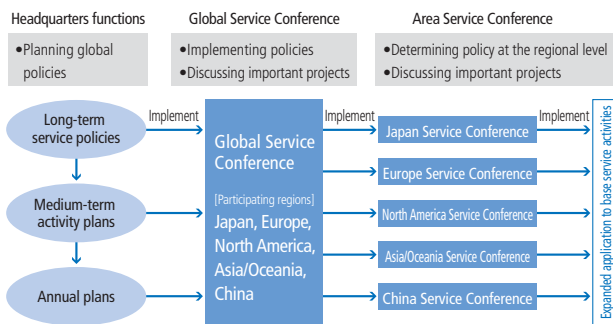
To ensure our customers receive seamless service, DENSO has established service stations in various countries and regions as required and has organically built a network of sales companies. We continuously monitor and evaluate quality in the market. DENSO has also built an IT network that routes information to the necessary departments quickly and accurately so that market needs can be brought to bear on product development and improvement.

Our designated service station system, which was launched in Japan in 1954, today consists of a network of eight regional sales companies and 829

service stations (designated service stations and dealerships). Overseas, we have established core bases in Europe, North America and Asia/Oceania. Also, a total of 3,634 service stations operated by or in partnership with local dealers and distributors in 113 countries perform automotive component inspections and repairs, sell spare parts, recover CFC refrigerant in car air conditioning systems and provide other services.

We also hold regular Global Service Conferences and Area Service Conferences to improve our level of service on an ongoing basis by enabling service staff worldwide to share policies.

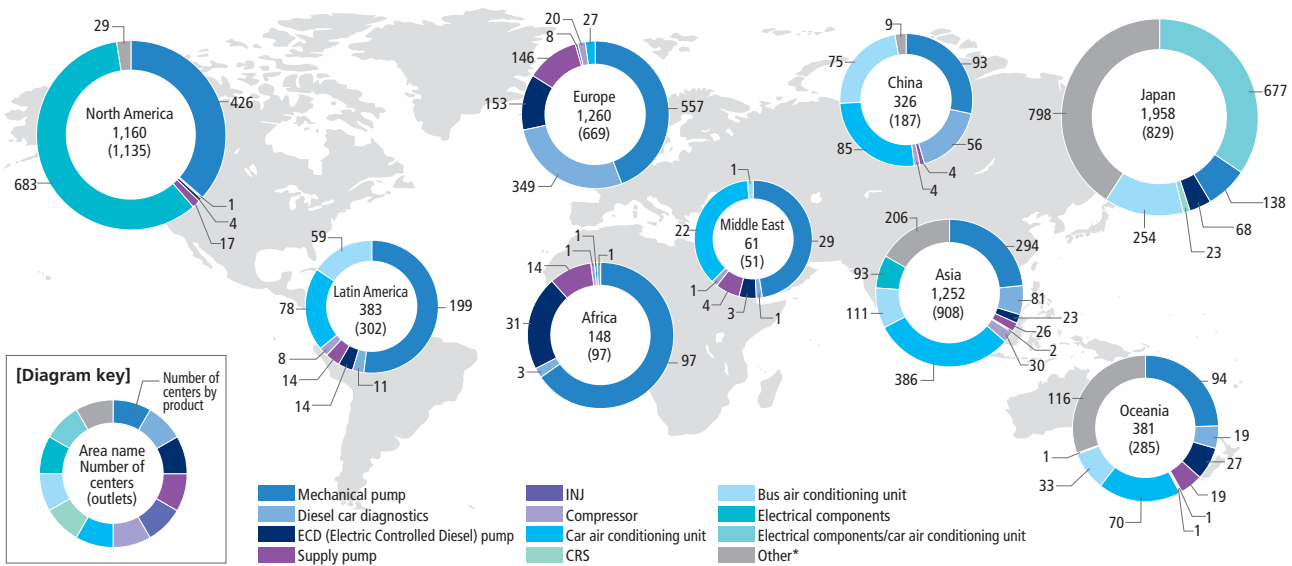
**Global service promotion structure**



**Number of service stations by region**

| Region              | Number of service stations |              |              |       |
|---------------------|----------------------------|--------------|--------------|-------|
|                     | Fiscal 2009                | Fiscal 2010  | Fiscal 2011  |       |
| Japan               | 699                        | 1,789        | 1,958        |       |
| The Americas        | North America              | 1,104        | 1,137        | 1,160 |
|                     | Latin America              | 309          | 360          | 383   |
| Europe              | 607                        | 1,101        | 1,260        |       |
| Asia Oceania Others | China                      | 164          | 292          | 326   |
|                     | Asia                       | 938          | 1,271        | 1,252 |
|                     | Oceania                    | 274          | 345          | 381   |
|                     | Middle East                | 35           | 57           | 61    |
|                     | Africa                     | 96           | 141          | 148   |
| <b>Total</b>        | <b>4,226</b>               | <b>6,493</b> | <b>6,929</b> |       |

**DENSO's Global Service Network (Numbers refer to results in fiscal 2011)**



**[Number of overseas service stations]**

Central distributors: 144, Central distributor and service dealers: 52, Service dealers: 3,438 Total: 3,634 outlets in 113 countries

**[Number of domestic service stations]**

Designated service stations: 146, Dealerships: 504, Others: 179 Total: 829

\*Other: Radiators, refrigeration equipment, INSPAC



Germany



China



Brazil



Russia

# Responsibility to Employees

## Basic stance

When employees are fulfilled professionally and personally, companies grow. This belief, which forms the foundation of our employee-focused initiatives, is reflected in the DENSO Philosophy, the Human Resource Management Philosophy and the DENSO Group Declaration of Corporate Behavior. The Human Resource Management Philosophy provides a global expression of our human resources mission and policies in addition to defining our responsibility to employees in the form of management practices that value people, specifically: (1) *hitozukuri*, or human resource development, increasing individual employees' motivation and providing opportunities for growth; (2) developing our organization fostering an open, dynamic and unified workplace culture through dialogue and full employee participation; and (3) creating a positive environment providing a setting where employees can work with assurance in terms of safety and health.

### Human Resource Management Philosophy Mission

To realize the growth and prosperity of both DENSO and its employees by creating a culture where all employees can contribute to DENSO's business goals to the best of their ability

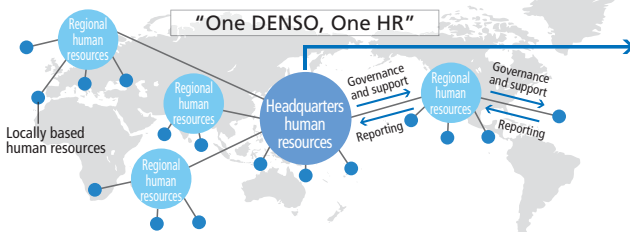
### Policies

1. To create among employees a sense of both unity and individual motivation to actively participate in business activities
2. To recruit, assign, retain and develop employees who are creative and have the willingness and ability to contribute to continuous business growth
3. To establish and implement fair management policies and systems, which are highly evaluated by both employees and society

## Promotion structure

We are developing a global promotion structure based on the slogan "One DENSO, One HR," and we continue to promote a variety of activities related to this concept.

### Global human resource functions and promotion structures



| Responsibility         | Approach | Basic context            | Design and application of specific systems |
|------------------------|----------|--------------------------|--|
| HQ HR Dept.            |          | Core:<br>Global standard | Local adaptation                           |
| Regional HR            |          |                          |  |
| Locally based HR Dept. |          |                          |  |

Building a shared foundation for global human resources together with regional and locally based human resources departments

Developing various regional and corporate systems based on local circumstances

( DENSO Human Resource Management Philosophy, DENSO Spirit, spreading awareness of the DENSO approach to work, promoting measures for developing and posting executive candidates, etc. )

( Technical qualification system, corporate officer system, wage system, various educational programs, recruitment measures, etc. )

## Long-term stable employment

### (1) Basic stance

Based on the fundamental policy of placing importance on stable employment and valuing the development of employees from a long-term perspective, both DENSO and employees are mutually working together to ensure employment security. Also, we promote the exchange of information within respective

regions and with the headquarters and act in accordance with applicable laws and regulations and practices of each country and region in an effort to realize employment security.

### (2) Employment status

The Great East Japan Earthquake that struck the nation in March 2011 has adversely impacted many companies. DENSO was also forced to adjust production as a result of incurring damages to its business sites and facilities as well as interruptions in the procurement of raw materials and parts. Amid such circumstances, the Company is undertaking efforts to maintain and ensure stable employment by taking various measures. Initiatives include creating jobs through promoting various activities such as strengthening the production system, establishing substitute holidays and a system for changing non-business days for the temporary suspension of operations and paid leave. (If remaining paid leaves are less than 5 days, use paid public holiday.) Other efforts include making use of employment adjustment subsidies at certain

Group companies. As for recruiting activities, although the number of new hires remained unchanged from the initial plan, in light of the impact of disaster on students, we postponed the process for hiring new graduates for two months that was initially planned in April.

### Number of employees by region

(unit: person)

|                          | Fiscal 2009 | Fiscal 2010 | Fiscal 2011 |
|--------------------------|-------------|-------------|-------------|
| Japan                    | 61,639      | 63,729      | 63,616      |
| Asia, Oceania and others | 27,513      | 27,919      | 13,124      |
| The Americas             | 16,015      | 16,020      | 13,034      |
| Europe                   | 14,752      | 13,144      | 29,985      |
| Others                   |             |             | 3,406       |

### Composition of employees (DENSO Corporation)

(unit: person)

|                                    |                             | Fiscal 2009        |        | Fiscal 2010 |        | Fiscal 2011 |        |       |
|------------------------------------|-----------------------------|--------------------|--------|-------------|--------|-------------|--------|-------|
|                                    |                             | Male               | Female | Male        | Female | Male        | Female |       |
| Full-time employment <sup>*4</sup> | Employees                   | General employees  | 20,036 | 4,088       | 20,109 | 4,366       | 19,676 | 4,443 |
|                                    |                             | Managers           | 16,533 | 105         | 16,805 | 121         | 17,071 | 137   |
|                                    |                             | Executive officers | 18     | 0           | 16     | 0           | 15     | 0     |
|                                    | Average age                 | 41.0               | 31.8   | 41.6        | 32.8   | 41.9        | 33.2   |       |
|                                    | Average service years       | 21.5               | 13.3   | 21.43       | 13.09  | 21.71       | 13.54  |       |
|                                    | Turnover rate <sup>*1</sup> | 0.27%              | 2.50%  | 0.23%       | 2.14%  | 0.28%       | 2.18%  |       |
| Retention rate <sup>*2</sup>       | 97.87%                      | 91.12%             | 100%   | 97.46%      | 97.79% | 95.61%      |        |       |
| Union membership <sup>*3</sup>     |                             | 100%               |        | 100%        |        | 100%        |        |       |
| Paid vacation time <sup>*3</sup>   |                             | 87.3%              |        | 85.4%       |        | 81.4%       |        |       |
| Part-time employment               | Employees                   | 75                 | 30     | 67          | 30     | 64          | 28     |       |

\*1 Resignation due to personal reasons

\*2 Figures taken from turnover rate of employees in third year since joining company (Average retention rate of listed companies: 82%)

\*3 Denominator used is general employees (Union members)

\*4 Including temporary employees

## URL Respecting employees

<http://www.globaldenso.com/en/csr/employee/index.html>

## Stable labor relations

### (1) Basic stance

DENSO has deepened the bonds of mutual trust and mutual responsibility between each Group company and its employees based on the recognition that the development of the whole Group and improvements in employees' lives ultimately have the same goals. DENSO has consistently worked to resolve

issues through discussions with employees. This approach was developed while overcoming the challenges of labor disputes shortly after the Company's founding in 1950, and today, is shared throughout the Group.

### (2) Labor-management discussions

DENSO promotes a basic policy of dialogue between associates and management to resolve various issues. Labor-management conferences are held regularly in Japan, thereby appropriately revising labor conditions through gaining a mutual understanding between associates and management regarding management policy and relevant management issues. Additionally, the status of management is shared at labor-management conferences on a

company-wide, Group and center, and workplace basis. In doing so, we are working to enhance employees' awareness of participating in management. In addition to such conferences for carrying out labor-management discussions, we are also making efforts to share information in a timely manner by utilizing various communication channels such as president messages and lunchtime meetings.

### (3) Domestic and overseas Group efforts

As for DENSO Group companies, we share the concept of human resource and labor management aspired to by DENSO while also seeking to expand measures or share information to prevent the occurrence of labor-related issues.

The Japan Regional Human Resources Meeting and Study Session by Theme are respectively held for Group companies in Japan. Ongoing discussions also are held regarding responses to labor issues that are common to the DENSO Group.

At overseas Group companies, workshops were organized for local staff in charge of personnel affairs to share the basic concept of human resource and labor management, and best practices in addressing specific labor issues.

Since 2006, DENSO has been promoting initiatives to quickly comprehend labor issues by carrying out various measures such as monitoring using personnel indicators (number of employees, working status, turnover rate, etc.) and conducting interviews and questionnaires for employees.

## Total respect for human rights

### (1) Basic stance

In the DENSO Group Declaration of Corporate Behavior and the *Code of Conduct for DENSO Group Associates*, DENSO clearly prohibits discrimination and harassment based on race, gender, age, nationality, religion, disability, injury or illness, as well as child labor and forced labor. The United Nations Universal Declaration of Human Rights and other international standards were consulted in the development of these policies, and in fiscal 2008 DENSO

asked suppliers to put them into practice as CSR Procurement Standards.

DENSO has also established a global policy concerning equal opportunity in employment, prohibiting all discrimination of applicants or employees in terms of job offers, employment or working conditions.



Code of Conduct for DENSO Group Associates

### (2) Education and enlightenment

DENSO Corporation's education programs by employment level (for new employees, newly appointed managers and contract employees) incorporate human rights educational content. The Company's focus on educating employees to prevent harassment is evident particularly in activities to strengthen awareness during Human Rights Week and Constitution Week in Japan. In addition to verifying the appropriate implementation of policies by means of a company-wide standardized self-review, the Company is working to prevent incidents by creating an internal whistle-blowing system (including domestic Group companies). Overseas Group companies are also involved in a variety of initiatives. In North America, DENSO companies have adopted

internal policies prohibiting harassment, and they provide education on mutual respect and preventing sexual harassment as part of broader efforts to strengthen compliance and risk management from management levels to new employees.

#### ©Individuals taking a seminar on human rights [DENSO Corporation]

|  | Fiscal 2009  | Fiscal 2010  | Fiscal 2011 |
|--|--------------|--------------|-------------|
| New employees                            | 983 (100%)   | 977 (100%)   | 799 (100%)  |
| Newly appointed managers                 | 1,124 (100%) | 1,195 (100%) | 781 (100%)  |
| Temporary employees shifted to full-time | 443 (100%)   | 229 (100%)   | 49 (100%)   |

## Promoting human resource development

### (1) Basic stance

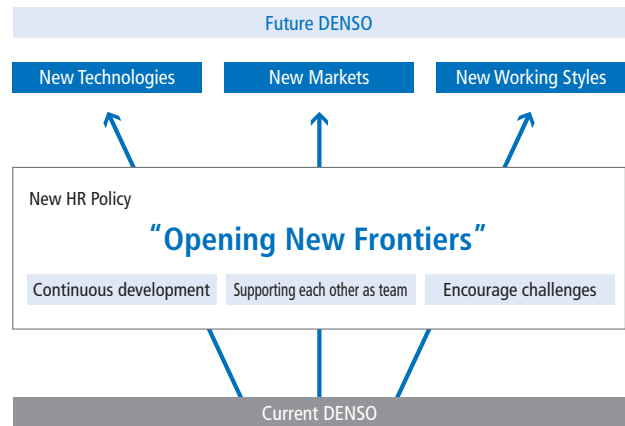
DENSO is working to provide a range of opportunities for skill development and to develop fair and impartial evaluation systems so that all Group employees worldwide, each of whom possesses a unique character, can share

common values and take active roles while deriving a sense of growth and achievement in their work.

### (2) Introduction of new HR policy

DENSO has formulated and introduced its new HR policy in fiscal 2011 under the keywords "Opening New Frontiers" as a human resource development policy to support cultivating new domains of the automobile industry toward realizing sustainable corporate growth. With this policy, the Company aims to further promote the growth of individuals and teams by creating a corporate culture in which employees support each other as a team, thereby cultivating and establishing new technologies, new markets and new working styles. To this end, DENSO is promoting the development of structures and systems by placing an emphasis on the three key measures of "continuous development," "supporting each other as a team" and "encourage challenges."

#### ◎Aspired image of new HR policy



#### ■ Continuous development

Rebuild development structure in order to establish the common practice of self-learning and thinking and promote the growth of each individual.

- Clarify aspired image of employees as well as skills and knowledge that should be acquired in order to strengthen the professional growth of their abilities from a mid- to long-term perspective (implement Global Competency Model) and introduction of skill development guide, review of evaluation system, etc.).
- Review and thoroughly operate evaluation system in order to promote the professional growth of employees' abilities based on employee-supervisor communications.
- Promote the recognition of roles from time to time and review training by employment level to steadily implement respective roles at workplaces.

#### ■ Supporting each other as a team

Promote autonomous improvement of workplaces and revise personnel system to serve as a foundation for engendering teamwork in which knowledge can be pooled and cooperation is realized extending beyond organizations.

- Review positions/titles and remuneration systems in order to strengthen management capability, thoroughly recognize roles and strive for improvement.
- Vitalize workplace communication, including enhancing workplace capability improvement activities, toward realizing meticulous management and achieving a sense of growth and a sense of achievement for each individual.
- In order to accelerate localization, reinforce initiatives to systematically secure and nurture management personnel with the aim of realizing autonomous business operations by local employees of overseas Group companies.

#### ■ Encourage challenges

Create a corporate culture in which one's ability can be fully exerted while also enhancing motivation and expanding and strengthening opportunities for taking active roles, thereby realizing the high aims of each and every individual among a diverse range of personnel.

- Actively encourage job rotation and augment trainee system aimed at enhancing skills and expanding horizons in response to employees' willingness to take on challenges.

### (3) Developing a global standardized educational system and management processes for human resources

As a truly global corporation with half of our workforce, or approximately 60,000 employees, made up of local overseas staff, proactive programs to develop and promote local human resources are essential in our efforts to practice management that reflects local conditions in the countries in which we conduct business. Critical to our efforts to develop local human resources is having trainees understand the DENSO approach and learn work habits, methods for resolving issues and management techniques. To accomplish these goals, we are augmenting activities to share the DENSO Spirit with initiatives to develop a global standardized educational system, and we are gradually extending the scope of this system to include Group companies worldwide. In addition, we are striving to accelerate the promotion of local staff to management positions both by creating and deploying development programs for executive candidates and by working to share human resource management processes such as management by objective, evaluations,

job rotation and promotions.

In fiscal 2011, in line with the introduction of a new HR system, we have built a structure for conducting evaluations using the same system in Japan for employees at the section manager level or above at overseas subsidiaries. In addition to global policies and measures like these, Group companies are implementing a variety of initiatives based on regional conditions. Group companies in North America, Europe and Asia/Oceania are developing and rolling out their human resource development programs for executive candidates of the future, while Group companies in locations such as China are focusing on core human resource development for manufacturing departments.

#### ◎Number of local employees in overseas Group company management positions

| Fiscal 2009     | Fiscal 2010     | Fiscal 2011     |
|-----------------|-----------------|-----------------|
| 146 (Total 367) | 154 (Total 455) | 236 (Total 628) |

#### (4) Enhancing career growth and training that respect autonomy

All DENSO Corporation, employees set voluntary targets each year and participate in an evaluation process that emphasizes professional growth of their abilities and their work processes through regular interviews with supervisors. Not only managers but also all employees select the goals that relate to "younger associates' development" to foster an organizational culture that emphasizes human resource development. To gain a broad range of practical experience, employees report on their career vision each year (both short and long term) and participate in a human resource Developmental Rotation System on which both the supervisor and employee agree.

In fiscal 2009, we began establishing a systematic developmental rotation system to actively encourage job rotation from among younger employees to systematically deepen experience in a wide range of areas. In fiscal 2011, as part of our new HR policy, we have introduced a skill enhancement guide as

development guidelines for improving individual expertise conducted in tandem with conventional career path interviews.

In off-site job training (OFF-JT), we have developed training courses and certification programs that increase specialized knowledge by job type (clerical, international, engineering, technical and skilled, etc.) and employment level, and we offer a range of advanced programs for technical and skilled employees at the DENSO Engineering and Technical Skills Training Center.

#### ◎Number of applicants for major seminars and systems [DENSO Corporation]

|  | Fiscal 2009 | Fiscal 2010 | Fiscal 2011 |
|--|-------------|-------------|-------------|
| Number of seminar participants               | 87,000      | 85,000      | 87,000      |
| Total hours                                  | 1,300,000   | 1,080,000   | 1,300,000   |
| Annual average of seminar hours per employee | 32          | 28          | 32          |

#### (5) Fostering the development of young technical and skilled employees

DENSO believes that the development of highly capable technical and skilled employees who can develop and produce creative products is critical to corporate growth. To achieve this, in continuing the traditions of the Technical Training Center that opened in 1954, DENSO operates DENSO Technical College, which offers technical high school, technical college and

junior college curriculums.

The College has produced many young graduates who have won medals at the WorldSkills International Competition, a tournament in which world-class technicians compete.

#### (6) Shifting from temporary workers to regular, full-time employees

As a measure seeking to advance the careers of our diverse employees, in fiscal 2006 DENSO Corporation has established a system that allows temporary workers to shift to permanent employment. In fiscal 2011, 49 temporary

workers (229 temporary workers in fiscal 2010) have shifted to regular, full-time employees. In the fiscal year under review, the Company had a total of 2,666 temporary workers.

### Encouraging diversity

#### (1) Basic stance

DENSO believes that its most important challenge for ensuring continued growth as a truly global corporation lies in providing an environment where a diverse group of employees can work energetically in an organizational culture

that transcends individual attributes such as gender, age and nationality. DENSO continues to strive to meet this challenge.

#### (2) Overview of initiatives

We are working to compensate for Japan's shrinking labor force due to the declining birthrate by working to facilitate contributions by female employees, senior employees, persons with disabilities and foreign employees. These initiatives are based on our recognition of the importance of achieving sustained growth for our organization by respecting differences and by strengthening our ability to deal flexibly with change. We have established an organization exclusively for promoting diversity within the Human Resources Department in January 2007 to promote enhancements to our systems and change internal awareness of these issues. Additionally, companies in North America are offering educational programs designed to encourage an understanding of diversity. Furthermore, we are implementing policies designed to promote the development and promotion of local employees at Group companies outside Japan.

#### URL Diversity

<http://www.globaldenso.com/en/csr/employee/index.html>

#### ◎Encouraging diversity [DENSO Corporation]

|   | Fiscal 2009                     | Fiscal 2010                    | Fiscal 2011                    |                                |
|---|---------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Female employees                                  | 4,193                           | 4,487                          | 4,580                          |                                |
| Senior employees (re-employed after retirement)   | 490                             | 732                            | 996                            |                                |
| Persons with disabilities (physically challenged) | DENSO Corporation <sup>*1</sup> | 539<br>1.97%                   | 533<br>1.91%                   | 543<br>1.98%                   |
|   | Domestic Group companies        | 280<br>1.71%<br>[42 companies] | 286<br>1.79%<br>[43 companies] | 293<br>1.78%<br>[44 companies] |
| Foreign employees <sup>*2</sup>                   | 125                             | 105                            | 95                             |                                |

\*1 Total of DENSO Corporation and DENSO TAIYO Co., Ltd.

\*2 Total employed by DENSO Corporation and assigned from overseas Group companies

### (3) Promoting female participation

DENSO Corporation is continuously promoting female participation by introducing a series of measures from the perspectives of achieving a “work-life balance” and “further career advancement.” In particular, in fiscal 2011, we revised our childcare and nursing care support systems to support a work-life balance. Accordingly, the system was revised to allow employees to take childcare leave up to a total of three years and make use of a reduced work hour system up to a total of four years\*. Additionally, as a means of addressing an increase in the number of users of Tacchicchi House infant daycare centers, which are jointly operated by four Toyota Group companies,



Tacchicchi House infant daycare center

we also established a new daycare center with a 100-person capacity (which is double the conventional enrollment limit) as the sixth such center.



In terms of supporting further career advancement, we established a counseling center to enable female employees to freely talk about various concerns such as their career plan, childbirth and resuming work. Human Resources Department personnel or female employees with the same experiences are providing advice on a face-to-face basis.

Furthermore, as of January 2011, the Company's number of female managers increased by 33 persons from the previous year to 191 persons. We will continuously support initiatives to expand opportunities for female employees to proactively take active roles.

\*Revised in July in line with the Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave, which became effective in 2010 stipulating the mandatory introduction of a reduced work hour system for employees whose children are under three years old and the establishment of a special leave system for nursing care.

#### Principal policies for promoting female participation [DENSO Corporation]

|               |   |
|---------------|---|
| Fiscal 2007 ~ | <ul style="list-style-type: none"> <li>Introduced a reduced work hour system for employees with childcare responsibilities</li> <li>Expanded re-employment system for retired employees accompanying spousal transfers</li> <li>Launched Women's Forum</li> <li>Expanded number of departments with female employees</li> </ul> |
| Fiscal 2008 ~ | <ul style="list-style-type: none"> <li>Introduced diversity training for newly appointed managers</li> <li>Operated Tacchicchi House infant daycare centers in 5 locations</li> <li>Launched networking group for employees on childcare leave</li> </ul>   |
| Fiscal 2009 ~ | <ul style="list-style-type: none"> <li>Held diversity forums</li> </ul>   |
| Fiscal 2010 ~ | <ul style="list-style-type: none"> <li>Expanded measures for promoting participation of females in clerical positions</li> </ul>  |
| Fiscal 2011 ~ | <ul style="list-style-type: none"> <li>Expanded childcare and nursing care support systems</li> <li>Established counseling center for female employees</li> <li>Established 6th Tacchicchi House infant daycare center</li> </ul>   |

#### Major awards and certifications

|              |  |
|--------------|--|
| October 2008 | DENSO won an award from the Aichi Labour Bureau in the category recognizing efforts to promote gender equality, an area advocated by the Ministry of Health, Labour and Welfare. |
| June 2009    | The Ministry of Health, Labour and Welfare recognized DENSO as a company that proactively seeks to help employees fulfill both their work and childcare responsibilities.        |

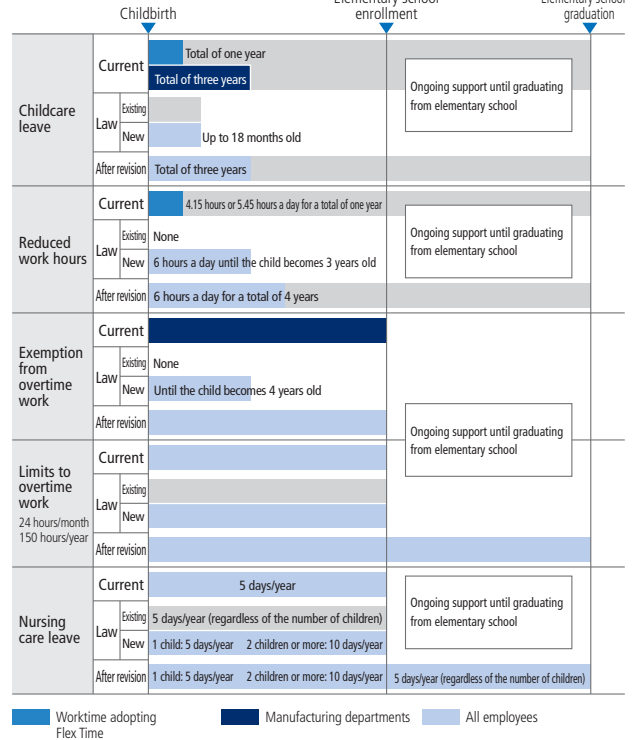
#### Number of female new recruits and managers [DENSO Corporation]

|                    |                              | Fiscal 2009 | Fiscal 2010 | Fiscal 2011 |
|--------------------|------------------------------|-------------|-------------|-------------|
| Recruitment        | Administrative staff         | 34 (28.8%)  | 18 (31.6%)  | 16 (34.0%)  |
|                    | Engineer                     | 21 (4.0%)   | 9 (3.2%)    | 5 (1.8%)    |
|                    | Technical and skilled worker | 155 (36.7%) | 83 (31.0%)  | 71 (31.7%)  |
|                    | Clerical worker              | 90          | 54          | 54          |
| Number of managers | Above team leaders           | 125 (0.7%)  | 158 (0.9%)  | 191 (1.0%)  |

#### Number of applicants of childcare and nursing care leave [DENSO Corporation]

|                                  |        | Fiscal 2009 | Fiscal 2010 | Fiscal 2011 |
|----------------------------------|--------|-------------|-------------|-------------|
| Childcare leave                  | Female | 203         | 215         | 231         |
|                                  | Male   | 8           | 8           | 13          |
| Nursing care leave               | Female | 3           | 6           | 2           |
|                                  | Male   | 5           | 4           | 4           |
| Reduced work hours for childcare | Female | 72          | 68          | 127         |
|                                  | Male   | 1           | 1           | 2           |

#### Childcare support



#### Nursing care support (For all employees)

|  |                           |  |
|--|---------------------------|--|
| Nursing care leave*                      | Law                       | 93 days  |
|  | Current                   | Total of one year  |
| Short nursing care leave (up to 10 days) | Before revision           | None   |
|  | Previous                  | None   |
|  | Law Current               | Special leave is granted for employees with family members requiring nursing care. Per one family member requiring nursing care: 5 days/year. Per two family members requiring nursing care: 10 days/year. |
| Current                                  | As per legal requirements |  |

\*No revision



#### (4) Supporting participation by senior employees

In April 2006, DENSO Corporation introduced a Career Associate System that provides re-employment opportunities to all retired employees and a Senior Challenge System that provides work opportunities outside the Company as a means of passing down the extensive experience of senior employees to new recruits and supporting senior employees' desire to work. The Company also introduced reduced work hour and reduced workday programs in April 2008 in response to a variety of requests on the part of employees who had been re-employed after retirement.

Additionally, in July 2010, the Company has newly introduced a system,

whereby personnel with very high expertise and achievements and who are capable of contributing to business expansion in the future are designated as "certified professionals." The aim of this system is to enhance employees' motivation and strive to enhance expertise by utilizing a system of evaluating employees' high level of expertise or performance in a tangible form. In fiscal 2011, seven persons were certified as technical (engineer) and skill related (technician) employees at the section manager level or above.

#### COLUMN

#### NPO internship system that utilizes experienced employees' abilities for the local community

DENSO Corporation established a non-profit organization (NPO) internship system in fiscal 2009 as a support measure for employees to make use of their individual careers by participating in community problem solving or NPO activities after their mandatory retirement or while they are still employed. Through training, the system enables employees to explore what fields they can utilize their individual skills (techniques, skills, human network, document creation, public relations, organizational operations, etc.). Additionally, each year, employees who are over 50 years old find NPO activities that are suitable for them by going through the steps of a basic course and counseling session, on-site bus tour, matching and experience training, and report and interaction sessions for an approximately a six-month period.

Cooperating NPOs, many of which are cooperating with DENSO's social contribution activities as well, are promoting initiatives in various fields, including elderly care, intermediary support, community development, environmental preservation and support for persons with disabilities. This internship system enables experienced employees to discover a new purpose in life while also serving as a valuable opportunity for NPOs to acquire new capabilities.



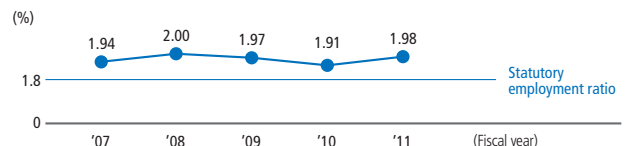
Experienced employees seeking advice regarding NPO activities

#### (5) Encouraging employment of persons with disabilities

Since starting to regularly employ individuals with hearing disabilities in 1978, DENSO Corporation has actively worked to expand employment and occupational opportunities for persons with disabilities and to develop both educational/training programs and facilities. In fiscal 2011, we focused on providing support after joining the Company and established a counseling center for employees with visual impairment and intellectual disabilities. Additionally, regular follow-up interviews are being conducted by the Human Resources Department to ensure that new employees with disabilities can smoothly begin corporate life. At DENSO Corporation, we have established the target of achieving 2.1% for the employment ratio of persons with disabilities by 2015. The employment ratio for persons with disabilities in fiscal 2011 was 1.98% with 543 physically challenged people being employed as regular employees. Among these employees, 76 individuals are being employed at our special-

purpose subsidiary, DENSO TAIYO Co., Ltd., and are mainly engaged in the production of vehicle instrument clusters. Moreover, we provide know-how gained through our experience for supporting such employees after joining the Company, including the introduction of a training program for understanding visual impairment. In doing so, we are promoting the employment of persons with disabilities in Group companies.

#### ©Employment ratio of persons with disabilities [DENSO Corporation]



#### Initiatives to enhance employee satisfaction Employee Motivation Survey

DENSO Corporation assesses information such as employees' motivation and workplace satisfaction. The results are shared with managers to encourage autonomous improvements in the workplace and used to develop specific company-wide initiatives. The Company conducts regular Motivation Surveys for all employees to investigate the factors behind improvements in and obstacles to motivation. The previous year's survey verified the changes in employees' awareness based on the rapid environmental changes following the Lehman Shock. Additionally, we have also been conducting biannual

Workplace Capability Questionnaires since fiscal 2007. These surveys are designed to quantitatively evaluate workplace strengths and weaknesses and to provide feedback based on questions that cover approximately 20 items for managers to comprehend subordinates' work status and ability and utilize this information toward future work allocation and promoting further development and better communication. The Company continues to improve workplace capabilities by applying best management practices across the organization and offering individual support for departments that need improvement.

#### COLUMN

#### Cafeteria Plan that responds to a diverse range of welfare needs

Since 2007, DENSO Corporation has been employing the DENSO Cafeteria Plan as an optional welfare program to address a diverse range of needs. Under this program, employees are allotted points in advance (including full-time temporary employees), in which they can receive benefits from the Company within the range of the allocated points for a wide variety of items selected from a set menu (including travel, dining and nursing care). In other areas, the Company also establishes programs to support the enhancement of employees' lives, including recreational facilities, apartments for single employees and other facilities, as well as employee saving plans and a Group insurance system.

## Promoting safety and health

### (1) Safety Philosophy and promotion structure

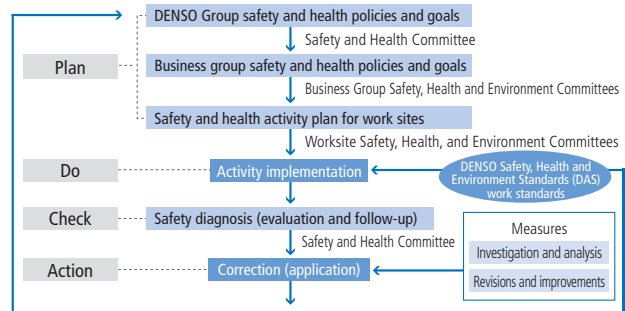
In 1969, DENSO adopted a Safety Philosophy that promotes a workplace where employees can work in safety as the best way to respect humanity and achieve high productivity. At the same time, the Company established the DENSO Safety, Health and Environment Standards (DAS) and committees for each business group, workplace and Group company under the Safety and

Health Committee (chairperson: senior managing director with oversight; vice chairperson: labor union representative). Managers, industrial physicians and the labor union are working together under this organizational structure to achieve continuous improvements in safety and health.

### (2) Occupational safety and health management

DENSO practices the PDCA (Plan, Do, Check, Action) cycle based on domestic and international occupational safety and health management system (OSHMS) standards. The Company also holds Group Safety Meetings on a regular basis to review policies and progress on issues targeted for improvement. As of fiscal 2011, 24 overseas Group companies have been certified under the OHSAS 18001 standard as defined by the British Standards Institution.

#### ◎DENSO's safety and health management system



### (3) Fiscal 2011 activity results

The work-related accident rate in Japan for DENSO Corporation has been much lower than the average for all manufacturing and automotive industries. However it is a pressing challenge to further reduce the occurrence of such mishaps. To this end, based on the company policy of "Safety First," initiatives were successively undertaken in fiscal 2011 with emphasis on further penetrating safety awareness, including the reinforcement of guidance for implementation of 3S\* activities, and creating a workplace where safety-related measures are commonplace and each employee has a responsibility to prevent accidents. As a result, although the number of accidents decreased at DENSO Corporation and overseas Group companies, regrettably, the number increased at domestic Group companies.

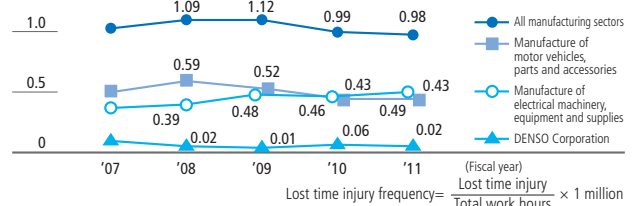
In fiscal 2012, all of us at DENSO, including domestic and overseas Group companies, will designate the implementation and guidance of basic behavior for safety based on work-related hazards as key measures. Accordingly, we will intensively promote "Safety First" and strive to establish a system to prevent accidents by firmly establishing the DENSO Occupational Safety and Health Management System. Moreover, we will continue to promote activities that include safety as a priority theme during Quality Control (QC) diagnostics (headed by the company president), and work towards an even higher level of safety.

\*The correct procedure for stopping equipment at abnormal times ("Switching off," "switched off" and "secured stop")

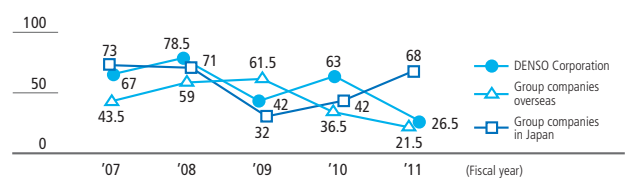
#### ◎Control items and results

| Control items  | [○] achieved [×] not achieved |          |            |                          |         |            |                          |          |            |
|--|-------------------------------|----------|------------|--------------------------|---------|------------|--------------------------|----------|------------|
|  | DENSO Corporation             |          |            | Group companies in Japan |         |            | Group companies overseas |          |            |
|  | Target                        | Result   | Assessment | Target                   | Result  | Assessment | Target                   | Result   | Assessment |
| Safety marks   | 60                            | 26.5 (7) | ○          | 60                       | 68 (12) | ×          | 84                       | 21.5 (7) | ○          |
| Lost time injury frequency   | 0.05                          | 0.02     | ○          | 0.06                     | 0.10    | ×          | 0.10                     | 0.01     | ○          |
| [Consolidated DENSO Group companies] Target: 0.08 Result: 0.03 Assessment: ○ |                               |          |            |                          |         |            |                          |          |            |
| Number of serious accidents  | 0                             | 0        | ○          | 0                        | 0       | ○          | 0                        | 0        | ○          |
| Number of serious accidents of subcontracted construction                    | 0                             | 0        | ○          | 0                        | 0       | ○          | 0                        | 0        | ○          |
| Fires  | 0                             | 0        | ○          | 0                        | 0       | ○          | 0                        | 0        | ○          |
| Occupational illnesses   | 0                             | 0        | ○          | 0                        | 0       | ○          |                          |          |            |

#### ◎Work-related accident ratio (Lost time injury frequency)



#### ◎Safety marks (Scoring depending on scale and type of accidents. Lower number is better.)



#### Confirmation of QC diagnosis by management on site

As part of our safety and health management system, management conducts on-site reviews of the status of the PDCA cycle regarding quality control and safety and health during QC diagnostics, and we work to advance the idea of Safety First.



QC diagnostics (DNBR)

#### Implementation of fire prevention training for persons in charge of facility planning

This training conducted for persons in charge of facility design and planning is aimed at learning the rules of preventing fires caused by explosions together with striving to increase fire prevention awareness by experiencing hazards or viewing case examples of accidents via experiential learning videos. The training was held a total of 14 times from October to December 2010, with 622 representatives of respective departments participating.



Fire prevention training

## Promoting employee health

### (1) Basic Stance

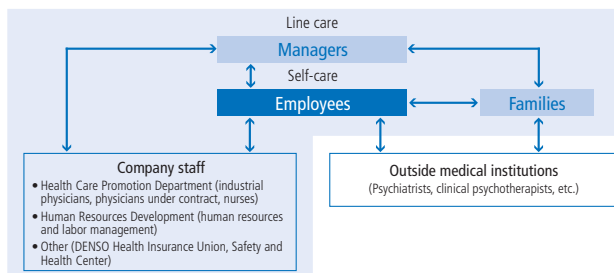
The DENSO Group Declaration of Corporate Behavior includes a clear statement of its responsibility to enable all employees to work in a healthy and energetic manner. DENSO devotes considerable energy and resources to appropriate health management, giving due consideration to the laws, cultures and customs of the countries and regions in which it operates. In Japan, where companies are expected to provide comprehensive care that facilitates the physical as well as the mental well-being of employees, the Company's health management staff work closely with other departments to help employees maintain their physical and mental health, including the prevention of lifestyle-related diseases, through a comprehensive system encompassing prevention and awareness-raising, consultation and early discovery, treatment and recovery.

### (2) Mental health

Consistent with the policy that good workplace communication is critical to the prevention of stress-induced physical and mental health problems, DENSO Corporation has worked to revitalize workplaces by promoting counseling systems and introducing measures designed to help improve communication. At the same time, full-time medical personnel operate counseling rooms at all plants in Japan, where their responsibilities include working closely with employees to help recovering employees return to work.

In fiscal 2011, we provided mental health checkups through the Research

#### ◎Mental healthcare framework



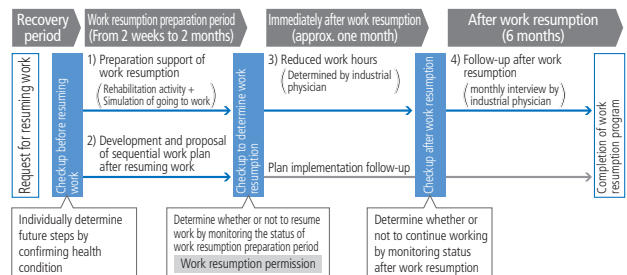
#### ◎Health-building initiatives of employees [DENSO Corporation]

|   | 2008                     | 2009                | 2010                |                     |
|---|--------------------------|---------------------|---------------------|---------------------|
| Employees receiving medical checkups                              | 100%                     | 100%                | 100%                |                     |
| CSR survey (survey of mental fatigue)*                            | 52%                      | 51%                 | 47%                 |                     |
| Attended mental health seminars                                   | Management positions     | 2,010 (28 sessions) | 1,440 (24 sessions) | 1,806 (33 sessions) |
|   | Non-managerial employees | 400 (10 sessions)   | 700 (21 sessions)   | 343 (18 sessions)   |
| Participants in classes for preventing lifestyle-related diseases | 1,293                    | 1,419               | 1,523               |                     |
| Participants in health improvement activities                     | 3,572                    | 4,653               | 2,515               |                     |

\*Proportion of people who felt mentally fatigued related to work based on a CSR-related survey of 3,000 employees

and Development Institute for Mental Health, Japan Productivity Center, in which 9,800 employees took the examination and individuals and work sites received advice. DENSO facilities in Europe and the United States have Employee Assistance Programs (EAP) that use outside organizations to provide physical and mental healthcare support to employees. The Company continuously encourages employee health education via its intranet and newsletters, as well as through e-learning education and mental health training at all employee levels.

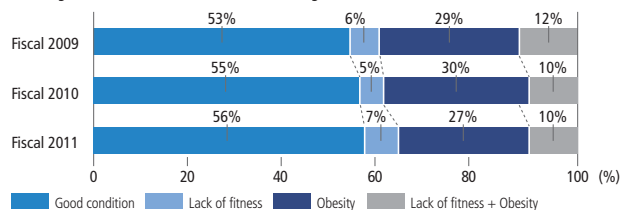
#### ◎Mental healthcare support system for work resumption



### (3) Health improvement activities

In an effort to prevent the increasing prevalence of lifestyle-related diseases such as dyslipidemia, high blood pressure and diabetes, DENSO Corporation offers group classes and one-on-one instruction to help employees improve their eating habits and maintain a healthier lifestyle. The Company has expanded health improvement activities to include all job categories in an effort to lower the incidence of metabolic syndrome and visceral-fat-type obesity, and to maintain and improve physical fitness for good health. In Japan, we are also placing an emphasis on the widespread participation in radio exercises.

#### ◎Physical fitness and obesity [DENSO Corporation]



### (4) Multifaceted health promotion programs

DENSO Corporation, the DENSO Health Insurance Union and DENSO Well Corporation work together under the aegis of the "Do! Healthy Living Promotion Committee." The committee plans and provides multifaceted health promotion programs that are open to participation by employees' family members. These programs address prevention of obesity and disease, exercise habits and other health issues.

Additionally, we are designating the first day of each month as a "non-smoking day," whereby we are actively calling for non-smoking via putting up posters or making internal announce-



Non-smoking day poster

ments. A questionnaire regarding the usage status of smoking areas revealed that 38% of smokers use such areas less on non-smoking days. We will continuously promote this activity in fiscal 2012 since many comments have been received from respective workplaces that "it is important to continuously come up with stimulating ideas to ensure non-smoking is encouraged."

#### ◎Principal programs [DENSO Corporation]

(Fiscal 2011)

| Program name                    | Description  | Participants |
|---------------------------------|--|--------------|
| Fitness Course                  | Aerobics, yoga, etc.   | 1,813        |
| Smile Walk                      | Self-directed walking using a pedometer                      | 762          |
| Healthcare Club                 | Program to improve lifestyle habits (6 months)               | 290          |
| Quitting smoking without stress | Helping people to quit smoking via communications (3 months) | 152          |

# Responsibility to Shareholders and Investors

## Basic stance

The DENSO Group Declaration of Corporate Behavior describes DENSO's responsibility to shareholders and investors to increase corporate value through stable long-term growth and improve the transparency of management through the timely and appropriate disclosure of business and financial information and dialogues. Based on this policy, in addition to disseminating

corporate information such as management strategy and financial information with an emphasis on timeliness, fairness, accuracy and sustainability, the DENSO Group is developing investor relations (IR) activities to realize mutually beneficial communication through general shareholders meetings and via its corporate website.

## Disclosure policy and IR activities

In order to ensure fairness and transparency in the disclosure of IR information, DENSO strives not only to observe all legal disclosure standards but also to publish information domestically and overseas without time lags by concurrently compiling Japanese and English versions of reports. DENSO also releases financial information quarterly via its website and holds briefings for institutional investors and financial analysts to promote investment opportunities.

DENSO is working to further enhance information disclosure such as video streaming of the General Meeting of Shareholders held each June on its website and plant tours utilizing the occasions of general meetings.

**URL Information for shareholders and investors**  
<http://www.globaldenso.com/en/investors/>

### Content of IR activities

| Target   | IR activities   |
|--|---|
| Institutional investors in Japan<br>Financial analysts | • Quarterly financial results briefing, "One-on-one meeting" / individual interviews, small meetings, plant tours   |
| Institutional investors overseas                       | • "One-on-one meeting" / individual interviews, telephone conferences, participation in conferences organized by securities companies<br>• Publication of annual report |
| Individual investors and shareholders                  | • Publication of business reports<br>• Plant tour (after General Meeting of Shareholders)   |



Information for shareholders and investors

Annual Report 2010

## Dividend policies and shareholders status

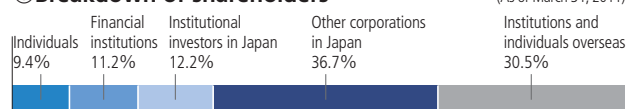
Regarding dividend policies, DENSO is striving to increase dividends per share, giving due consideration to a comprehensive range of factors that include consolidated business performance and the dividend payout ratio. At the same time, DENSO is examining an appropriate benchmark for shareholder return by securing sufficient retained earnings to ensure minimally required business investment and development, while making efforts to reduce costs across the board amid business conditions that remain difficult.

Since the business climate is expected to remain unclear due to various factors such as the adverse affects from the Great East Japan Earthquake, DENSO is working to create a slim and lean business structure group-wide and is promoting initiatives to drive the next stage of growth with the aim of strengthening business, costs and management. The Company will accelerate the application of products in hybrid cars and electric cars and its response

toward new emerging markets through low-cost technologies, as well as pursue stronger development in the areas of safety, information and telecommunications.

As of March 31, 2011, DENSO had 884,068,713 shares outstanding and 71,068 shareholders. On the back of business results moving toward recovery, the annual dividend increased 19 yen from the previous year to 46 yen per share and the consolidated dividend payout ratio was 25.9% for fiscal 2011.

### Breakdown of shareholders



## Evaluation by outside institutions

DENSO is highly regarded by outside institutions when judged by the socially responsible investment (SRI<sup>\*1</sup>) standard for evaluating social, environmental, ethical and other CSR initiatives along with financial performance, a fact that is indicated by its inclusion in the Dow Jones Sustainability Indexes<sup>\*2</sup> consecutively for the last 10 years and in the Ethibel Sustainability Index<sup>\*3</sup>, an important European indicator. DENSO's bond ratings reflect its sound financial condition, as indicated below.

### DENSO's bond credit ratings

(As of May 2011)

| Rating companies                         | Long-term rating | Short-term rating |
|--|------------------|-------------------|
| Rating and Investment Information Center | AAA              | a-1+              |
| Standard & Poor's                        | AA-              | A-1+              |

\*1 SRI: Socially Responsible Investing

\*2 Dow Jones Sustainability Indexes (DJSI): Indexes selected by Dow Jones & Company, Inc. and SAM Group, a Swiss research company. Of approximately 2,500 major companies in 34 countries, the top 300 companies are selected.

\*3 Ethibel Sustainability Index (ESI): A Belgian NPO, Forum ETHIBEL, evaluates the S&P Global 1,500 companies in terms of sustainability. As of November 13, 2007, 338 companies, including DENSO Corporation, were selected for inclusion in the ESI Excellence Global indice.



# Responsibility to Suppliers

## Basic stance

As a global corporation with operations in 32 countries and regions, DENSO procures components, materials and equipment worth 2,000 billion yen from some 5,000 suppliers each year (with a local procurement rate of 70%). DENSO has established five policies based on the principle of open, fair and transparent transactions in the DENSO Group Declaration of Corporate Behavior. Accordingly, DENSO has made an explicit commitment to an "Open Door Policy" that provides opportunities for suppliers to participate in its business in a fair manner without regard to national origin, company size or previous transaction history; undertake efforts to realize mutual development by designating suppliers as equal business partners; and compliance with Japan's Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and the laws and regulations of each country and region in which DENSO is active. All Group companies share basic policies, which are

available on the Group website (in Japanese and English) along with a description of the procedures for becoming a supplier and related contact information.

### ◎Five policies of procurement

- ① Open door policy
- ② Mutual growth based on mutual trust
- ③ Promotion of green procurement in consideration of the environment
- ④ Promotion of local procurement aiming to be a "good corporate citizen"
- ⑤ Permeation of compliance with laws and regulations and confidentiality

## Promotion structure and assessment mechanisms

Each year, DENSO Corporation holds a General Meeting of Suppliers in which the Company explains its procurement policies to about 300 principal suppliers. The Company has also created the Constitution Assessment Program for Suppliers (CAPS)\*, which defines assessment standards in the areas of quality, cost, delivery, management, the environment, safety and compliance in order to facilitate mutual growth in the midst of global competition. The program, which is operated by DENSO Corporation and its domestic Group production companies, seeks to strengthen partnerships by enhancing suppliers' constitution, assisting in support activities and by recognizing outstanding supplier performance. Group production companies in the Americas, Europe, Asia/Oceania and China began implementing CAPS, and they are working to establish and extend the program while giving due consideration to unique national and regional characteristics.

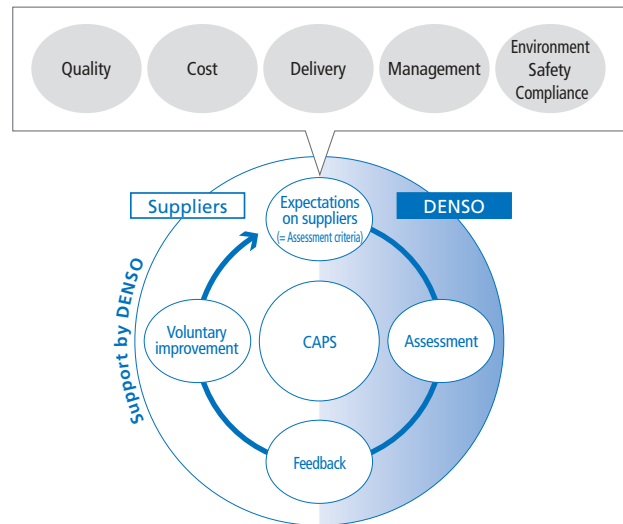
In January 2009, we integrated procurement functions and established a Procurement Group to give shape to our "One Policy" and "One Voice" concepts for suppliers and vitalize mutual communication. We also conducted a partial review of work allocation in each department. The Procurement Department now handles the overall procurement functions of the organization (plans procurement measures and policies, supports suppliers, etc.) and the centralized purchasing of processing parts, raw materials and equipment, while respective purchasing departments are responsible for purchasing components specific to each of the other business groups.

Additionally, organizational restructuring (including that of the business category-based purchasing system) was implemented within the Procurement Group in July 2010 in order to further expand and improve the effects of "One Policy" and "One Voice" concepts. In particular, the Supplier Support Office, newly established within the Procurement Department, has overall control of support functions for suppliers, which were previously split between each business department, thereby strengthening our support framework.

### URL Related information

<http://www.globaldenso.com/en/aboutdenso/activities/procurement/act>

### ◎CAPS mechanisms and operation



## Promoting CSR throughout the supply chain

### (1) CSR procurement stance

Due to the extent of their influence on society, multinational corporations involved in businesses in the global market are expected to implement policies and measures for promoting corporate conduct that take into consideration responsibilities such as legal compliance, protection of human rights and labor, the environment and business ethics, both in their own operations and in those of their suppliers. We believe that DENSO's mission of aiming to be a trustworthy company in harmony with society specifically involves promoting CSR in procurement, an approach that practices social responsibility throughout the supply chain.

To this end, we requested all suppliers to embrace the DENSO Group Declaration of Corporate Behavior and assign employees to oversee CSR desks. DENSO also incorporated new social responsibility provisions addressing issues such as compliance, protection of human rights, environmental conservation and occupational safety into a basic contract. By March 2008, DENSO had concluded that contract with all suppliers (about 1,400 companies).

### (2) Developments in fiscal 2011

During fiscal 2010, in addition to strengthening CSR activities together with its suppliers, DENSO Corporation consolidated and unified the details of requests from industry organizations and customers, as well as promoted the following initiatives to enable suppliers to efficiently promote CSR activities. Specifically, the Company newly formulated Supplier CSR Guidelines, which provides details of DENSO initiatives and guidelines for suppliers to follow. DENSO Corporation also introduced its *Commentary Handbook*, which specifically explains "what to do and how" to carry out activities aimed at improvements. Additionally, the Company provided self-diagnostic sheets (update of existing format in fiscal 2011) for visualizing individual companies' CSR activity levels and expanded and improved CSR-related tools. Accordingly, the scope of activity was expanded from primary suppliers to secondary suppliers.

Details on these activities were disseminated by consecutively holding and developing a Briefing Session for Suppliers starting in April 2010. Accordingly,

we have completed the development of CSR-related tools by March 2011 in Japan and overseas. Overseas, development also has been completed from DENSO's respective overseas bases to primary suppliers in South Korea and South America in addition to North America, Europe, Asia and Oceania and China.

Additionally, feedback of DENSO Corporation's diagnosis results is consecutively provided to suppliers for comprehending strengths and weaknesses at each company, and the Company is also holding study sessions (including those concerning compliance, protection of intellectual properties and management of working hours) instructed by internal and external specialists in order to support improvement activities of suppliers. DENSO Corporation will work together with suppliers in order to further advance efforts toward establishing a cycle of self-diagnosis, review and improvements.

#### ◎Main content of Supplier CSR Guidelines

|                              |                                 |                   |
|------------------------------|---------------------------------|-------------------|
| ① Safety and product quality | ② Human rights and labor        | ③ Environment     |
| ④ Compliance                 | ⑤ Disclosure                    | ⑥ Risk management |
| ⑦ Social contribution        | ⑧ Development for all suppliers |                   |

#### ◎Development tools for CSR procurement

| Tools                  | Overview  |
|------------------------|---|
| CSR guidelines         | Clearly identify items to be observed by suppliers.   |
| Handbook               | In order to adhere to guidelines, this handbook explains specifically what to do and how to take action with regard to priorities including compliance, human rights and labor.   |
| Self-diagnostic sheets | <ul style="list-style-type: none"> <li>Enables self-diagnosis regarding status of current priority initiatives.</li> <li>Allows automatic diagnosis of results by accessing DENSO's dedicated website and inputting information about the status of activities according to set questions.</li> </ul> |

#### ◎Development status of CSR procurement and future plan

| Aim                                | Implementation items  | Japan                                   |   | Overseas                                      |
|------------------------------------|---|---|---|---|
|                                    |   | Primary suppliers of DENSO Corporation* | Primary suppliers of domestic Group companies | Primary suppliers of overseas Group companies |
| Publicity                          | Distribute CSR guidelines                                     | Completed in April 2010                 | Completed in June 2010                        | Completed in March 2011                       |
| Visualize strengths and weaknesses | Self-diagnosis by distributing handbook and diagnostic sheets | Completed development at 430 companies  | Completed development at 300 companies        | Completed development at 300 companies        |
|                                    | Collect and analyze diagnostic sheets and provide feedback    | Provided feedback                       | Provided feedback                             | Under preparation                             |
| Improvement                        | Holding study sessions (including lectures)                   | Conducted annually                      |   | Scheduled for future implementation           |
| Inspection                         | Visit by DENSO personnel to conduct checks to verify          | Currently in progress                   | Scheduled for future implementation           |   |

\*With regard to secondary suppliers, initiatives will be developed via primary suppliers on a voluntary basis.

## URL Procurement information

<http://www.globaldenso.com/en/aboutdenso/activities/procurement/act>**(3) Interaction with suppliers and support activities**

At DENSO, as part of measures to deepen exchange with suppliers, we are implementing the General Meeting of Suppliers and Business Trends Explanatory Meeting, which provide information about procurement policy and details of initiatives carried out by respective business divisions, meetings by business category and meetings by respective companies and incorporating these events into an annual plan.



General Meeting of Suppliers

## TOPICS

**Recovery support for disaster-affected suppliers caused by the Great East Japan Earthquake**

DENSO implemented support activities for suppliers (6 companies) affected by the Great East Japan Earthquake that struck the nation in March 2011 and were forced to suspend their production. In this respect, the Company dispatched its employees from the Production Engineering Dept., Procurement Dept. and Facilities Division to disaster-affected plants to assist production recovery (cumulative total of 1,076 persons; March 16-April 40; support has been provided after this period as well).

Additionally, in April, the Company received a request from Fujikura Rubber

Ltd., its major supplier for industrial-use rubber products, to temporarily lease building space of DENSO East Japan Corporation that is currently undergoing preparation for operation as an alternative to Fujikura Rubber's Odaka plant (Minami Soma city, Fukushima), which is located within the area designated as an evacuation area accompanied by the accidents at the Fukushima Daiichi nuclear power plant. DENSO Corporation and DENSO East Japan Corporation responded to the request and is leasing building space starting from May 16.

**(4) Green Procurement Guidelines**

In keeping with DENSO EcoVision 2015 (see page 55), DENSO has established the DENSO Group's Green Procurement Guidelines designed to reduce the use and emissions of environmentally hazardous substances on an ongoing basis. This effort consists of requesting that suppliers report on the chemical substances contained in their products, make thorough reports on CO<sub>2</sub> emissions from procurement to mass production and pursue the following

priority initiatives: (1) establish an environmental management system, (2) manage and reduce environmentally hazardous substances, (3) reduce environmental loads during the production stage, (4) conduct lifecycle assessments (LCA) and (5) reduce CO<sub>2</sub> emissions associated with logistics, packing and packaging materials.

**Ensuring procurement departments practice open, fair and transparent transactions**

DENSO is working to promote CSR throughout the supply chain and to strengthen inspection and validation systems to ensure that procurement departments practice open, fair and transparent transactions. The *Code of Conduct for DENSO Group Associates* and *Business Etiquette for Buyers*, which outline our philosophy and standards of behavior, have been distributed to all employees involved with procurement. Employees have also been encouraging suppliers to use the Business Ethics Hotline (internal reporting system). DENSO developed a self-diagnosis tool for reviewing open, fair and

transparent procurement operations by documenting and quantitatively evaluating (scoring) them and consecutively applied this tool to procurement departments at DENSO Corporation as well as domestic Group companies from fiscal 2008. Through such initiatives, DENSO is comprehensively promoting open, fair and transparent procurement activities on a global basis. In an effort to upgrade its approach, from fiscal 2009 DENSO is developing and introducing self-diagnosis tools that take into consideration regional conditions for overseas Group companies.

# Responsibility to Global and Local Communities

## Basic stance

To contribute to the sustainable development of society, DENSO seeks to earn the trust and understanding of stakeholders as a good corporate citizen by actively promoting corporate citizenship activities that take advantage of the Group's various resources. In fiscal 2007, DENSO established the Basic Policy of Corporate Citizenship. All Group companies and employees have since focused their abilities on enhancing original programs pursued by the entire Group on a volunteer basis and creating an organizational culture conducive to participation in society while focusing on the areas DENSO has identified as priorities—*hitozukuri* (human resource development) and harmony with the environment.

**URL** DENSO's corporate citizenship activities  
<http://www.globaldenso.com/en/csr/social/>

### Basic Policy of Corporate Citizenship

(Key activities are excerpted below)

#### Priority areas

- 1. Hitozukuri (human resource development)**
  - Development of youth (education in scientific technologies and skills)
  - Support of the socially disadvantaged (welfare for persons with disabilities, etc.)
- 2. Harmony with the environment**
  - Preservation of the natural environment in communities
  - Preservation of the global environment

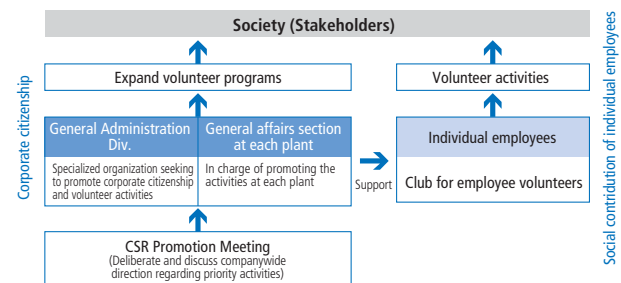
#### Corporate culture

Creation of a culture in which every employee participates in respective activities




## Promotion structure and review of activities

DENSO established a specialized organization within the General Administration Division in 1990, thereby developing Company policies and plans and promoting activities. With regard to priority activities, we are deliberating and examining implementation plans and performance evaluations at the CSR Promotion Meeting. The organization works in partnership with highly specialized NPOs to promote forward-thinking and original activities that take advantage of the each other's strengths. Results of activities are publicized on the Company's website, in the Annual Report and via other channels. The Company is also working to enhance these activities by conducting a questionnaire for each program and applying the views and suggestions obtained to the following fiscal year's plan.

### ◎Promotion structure



### ◎DENSO corporate citizenship activities

| Category                    | Area  |  |   |
|-----------------------------|---|--|---|
|                             | Harmony with the environment<br>[ Preservation of the natural environment in communities<br>Preservation of the global environment ]  | Hitozukuri (human resource development)  |   |
| Enhancing original programs | Beautification activities near business sites<br>DENSO Eco-Ranger 21 environmental education<br><br>DENSO Green Project tree-planting and forest creation programs (along highways and near business sites)<br>DENSO YOUTH for EARTH Action (DYEA) | Support of the Young Invention Club<br>DENSO Summer School of Monozukuri (manufacturing)<br><br>Scholarships for students in technical programs (North America, China, Vietnam) | DENSO TAIYO Co., Ltd.<br>Self-reliance support for facilities for persons with disabilities<br>Reconditioned computer donation program<br>Support of the Wheelchairs and Friendship Center of Asia (WAFCA)<br> |
|                             | Creating an organizational culture conducive to employee participation  | Social Contribution Forum (DECO School)<br>DECOPON<br>DENSO Group Community Service Day<br>Club for employee volunteers<br>Special fund<br>Matching Gift donation support program<br>Awards recognizing volunteer activities                                       |   |

■ Local programs Activities in local communities   
 ■ Regional programs Activities addressing national and regional issues   
 ■ Global programs Activities addressing global issues

### ◎Examples of cooperation with NPOs

| Cooperative partner  | Year commenced | Activity details  |
|--|----------------|---|
| NPO Japan Relief Clothing Center   | 1995           | Collect and donate employees' used clothing for overseas (twice/year)   |
| NPO Pandora  | 2001           | Internally sell confectioneries made by individuals with disabilities and also use for gifts  |
| Sakura Works, municipal vocational aid center for the physically challenged, Toyoda city | 2002           | Use cookies made by respective facilities for company gifts   |
| NPO E-elder  | 2002           | Recover used PCs of respective Group companies and donate to regional NPOs  |
| Sugina Sheltered Workshop for the intellectually disabled, Kariya city                   | 2005           | Outsource packaging of ballpoint pens for company gifts   |
| NPO Eco-Design Forum for Civic Society   | 2006           | Cooperatively run the DENSO Eco-Point System for employees and their families   |
| Japan Environmental Education Forum (JEEF)   | 2008           | Cooperatively run the experiential learning-type environmental education program "DENSO YOUTH for EARTH Action: New Earthlings Project" |



## Promoting distinctive activities unique to DENSO

### (1) *Hitozukuri* (human resource development)

#### Welfare for persons with disabilities

DENSO is working to make a barrier-free society a reality by enhancing support activities designed to encourage persons with disabilities to participate in society and live on their own, for example, by supporting the Wheelchairs and Friendship Center of Asia (WAFCA), an NPO established by DENSO in 1999. In addition to wheelchair production support in Thailand and China, donations of wheelchairs throughout Asia and educational support for children with disabilities, WAFCA has been expanding its scope of activities annually through such initiatives as

the “WAFCA Wheelchair Hospital” to repair wheelchairs in Japan.

Under a program begun in fiscal 2003 to donate reconditioned computers to local NPOs, used computers from Group companies are collected, reconditioned by employees of DENSO TAIYO Co., Ltd. and used for transcribing printed materials into Braille or in computer classes. In fiscal 2011, the program donated 46 computers to 21 groups, bringing total donations to 970 computers and 689 groups.

#### Development of youth

Amid growing public awareness of the trend away from the sciences among children, DENSO continues pursuing activities designed to enable students to experience the interest and depth of science and technology as part of its mission as a *monozukuri* (manufacturing) company. Since 1997, DENSO employees have participated in the Young Invention Club, an active program in the Mikawa region of Aichi Prefecture, by volunteering to teach crafts. Since 2001, the DENSO Technical College (Anjo City, Aichi Prefecture) is opened to local elementary school students each year for the DENSO Summer School of *Monozukuri*. Since fiscal 2010, DENSO has supported the *Monozukuri* Weekend Workshop for children planned by the Toyota Commemorative Museum of Industry and Technology (Nagoya city), the Toyota Group’s exhibition facility, in which the Company held lessons on six occasions. In fiscal 2011, approximately 495 children and parents enjoyed making robots, bamboo

water guns and key holders instructed by employee volunteers, including skills competition participants, graduates of DENSO Technical College and technical and skilled workers from respective plants.

Overseas, DENSO North American Foundation, which was established in 2001 by DENSO International America, Inc. (DIAM) and other North American Group companies, provided USD500,000 (about 41 million yen) to 12 universities, including the California State University, as part of its support for research at universities. In China, DENSO donated a total of 720,000 yuan (about 9 million yen) in scholarships to 360 students at five universities, including Tianjin University, and in Vietnam, DENSO donated a total of USD6,000 (about 500,000 yen) to 15 students at the Hanoi University of Technology, and a total of USD1,840 (about 150,000 yen) to 70 students at local high schools (fiscal 2011).

### Implemented the third global program for the development of youth

DENSO has been implementing the “DENSO YOUTH for EARTH Action: New Earthlings Project” as an international program to encourage young people to take action toward creating a sustainable society since fiscal 2009 in cooperation with Japan Environmental Education Forum and other relevant organizations.



For the third such event in fiscal 2011, 22 undergraduate and graduate students from six ASEAN countries (Thailand, Indonesia, Malaysia, Philippines, Vietnam and Singapore) and Japan were selected via applications solicited publicly and conducted camp-style environmental field studies. Based on these field studies, respective participants have formulated and presented environmental action plans that can be promoted in their own countries. After returning to their home countries, participants are continuously undertaking initiatives toward realizing the plans while receiving support that utilizes DENSO’s network.



Field study (Lake Biwa)



Students from various countries

| Item/Period                               | Objectives   | Implementation details  | Venue             |
|---|--|---|-------------------|
| 1. Application and selection (April-June) | Evoke problem awareness  | Screening of application materials and selection via interviews   | Each country      |
| 2. Pre-training (August)                  | Identify environmental issues of home countries  | 1) Explanation of program concept<br>2) Comprehending the current status of respective countries and sharing issues   | Vietnam (DMVN)    |
| 3. Field study (October / 2 weeks)        | Experience the bounty of great nature and examine the coexistence of people and nature                     | 1) Hiking on Mt. Fuji and developing bamboo forests<br>2) Discussions with local residents and home stays   | Mt. Fuji          |
|   | Study environmental initiatives of citizens and government (harmony with the environment)                  | 1) Visiting and observing traditional “ <i>kabata</i> culture” utilizing spring water (local revitalization through balancing environmental protection and eco-tourism)<br>2) Exchanging opinions with lakeside revitalization business-related parties | Lake Biwa         |
|   | Examine corporate environmental conservation initiatives and nurture ability to develop and resolve issues | 1) Study environmental conservation at production sites<br>2) Creating environmental symbiosis action plan  | Anjo City (DENSO) |
| 4. Forum                                  | Motivation for presenting and implementing action plans  | 1) Presentation of action plans and Q&A<br>2) Displaying plan posters   | Nagoya City       |
| 5. Activity follow-up                     | Promote networking and implementation of activities in home countries                                      | 1) Implementation of action plans in home countries<br>2) Maintaining and strengthening network   | Home countries    |

(2) Harmony with the environment

Since 2001, DENSO Corporation has been pursuing initiatives dedicated to encouraging interest in the wonders and importance of the environment through DENSO Eco-Ranger 21, a hands-on environmental education program for elementary school students. In fiscal 2011, the Company joined with

environmental experts and local residents to hold a three course/three-day program in Aichi and Mie prefectures. Some 130 children participated. Additionally, team member communication leaflets are created each time after holding programs and distributed to the children who participated.



Team member communication leaflets for "Clean Energy and the Sun" course program held at the DENSO Kota Plant (Kota-cho, Nukata-gun, Aichi Prefecture) on August 21, 2010. During this course, participants learned about the type of clean energies that do not pollute the environment or what kind of items use solar energy. Additionally, a test run was also conducted using a model of a solar car as experiential learning along with learning how to efficiently use solar power.

Support of employee volunteer activities

In 1994, DENSO Corporation established the Volunteer Support Center in the General Administration Division, and in 1998 the Company launched a club for employee volunteers. DENSO Corporation has been pursuing a variety of programs that combine the Company's and employees' involvement. For example, DENSO Corporation launched a special fund in 2005 under which multiples of 100 yen are deducted from the salaries and bonuses of participating employees and subsequently used for corporate citizenship activities along with other donations. Additionally, the Company established the Most

Compassionate Volunteer Award in fiscal 2011 in recognition of employees who have achieved significant accomplishments in terms of social contribution. Nine employees received the award in fiscal 2011. The proportion of employees engaged in volunteer activities in fiscal 2011 reached 32.5%.

Breakdown of monetary donations via social contribution activities

| Breakdown of activity expenses | Fiscal 2009  | Fiscal 2010  | Fiscal 2011    |
|--------------------------------|--------------|--------------|----------------|
| Welfare                        | 212.67 (17%) | 136.47 (14%) | 160.39 (14.8%) |
| Development of youth           | 250.20 (20%) | 146.22 (15%) | 214.18 (19.8%) |
| Environment                    | 75.06 (6%)   | 68.24 (7%)   | 177.26 (16.4%) |
| Art and culture                | 187.65 (15%) | 185.21 (19%) | 60.43 (5.6%)   |
| Local communities and others*  | 525.42 (42%) | 438.67 (45%) | 470.50 (43.4%) |
| Total                          | 1,251        | 974.81       | 1,082.76       |

\*Including 120 million yen contributed by the Company as relief money for the Great East Japan Earthquake

Breakdown of activities

| Breakdown of activity expenses  | Fiscal 2009                        | Fiscal 2010                         | Fiscal 2011                         |
|---|------------------------------------|-------------------------------------|-------------------------------------|
| DECOPON participants  | 7,000                              | 10,000                              | 12,000                              |
| DECO School participants (including families)                         | 3,050                              | 1,990                               | 2,035                               |
| Club for employee volunteers membership (including retired employees) | 2,370                              | 2,770                               | 3,027                               |
| Special fund membership   | 4,750                              | 5,378                               | 5,763                               |
| Donation and relief from the Fund                                     | 13 million yen to 30 organizations | 7.5 million yen to 13 organizations | 9.8 million yen to 24 organizations |
| Matching Gift applications  | 221                                | 153                                 | 164                                 |
| Volunteer activity award recipients                                   | 2                                  | 4                                   | 4                                   |
| Most Compassionate Volunteer Award (newly established in fiscal 2011) | —                                  | —                                   | 9                                   |
| Employee participation rate   | 26%                                | 30%                                 | 32.5%                               |
| DECOPON aid recipients  | 300,000 yen to 3 organizations     | 800,000 yen to 8 organizations      | 800,000 yen to 8 organizations      |
| Employees who participated in DECOPON aid activities                  | 70                                 | 150                                 | 210                                 |

TOPICS

Expanding DENSO Eco-Point System: DECOPON

DENSO Corporation's unique DECOPON Eco-Point System was launched in 2006 to support voluntary environmental activities among employees and their families. Until now participants have engaged in such efforts as purchases of eco products and eco-commuting, and points awarded for these activities are being used, for example, to switch to eco products and donate to environmental activities in communities. Additionally, in August 2010, as a means of supporting social contribution activities of employees and their families on a broader scale, the Company expanded the scope of activities that are subject to points to general social contribution activities such as welfare and educational fields in addition to activities in the environmental field. In doing so, the Company will encourage employees and their families to further participate in social contribution activities. Participants numbered more than 12,000 members at the end of fiscal 2011.

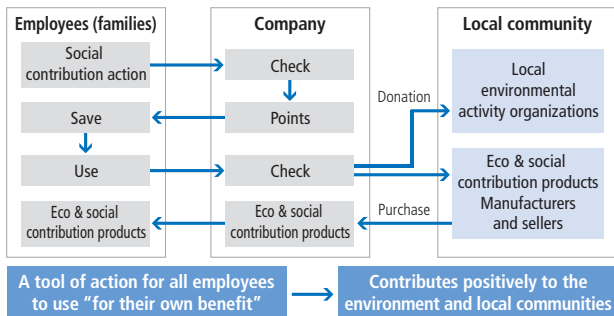


◎Social contribution actions that are subject to points

|                   | Actions                                     | Details   | Number of points                                   |
|-------------------|---|---|--|
| Issuing of points | Eco & heartfelt life check                  | Check each implementation level once every three months   | 5 points/one time                                  |
|                   | Environmental household account book        | Calculate the amount of CO <sub>2</sub> emissions from monthly energy consumption at home   | 5 points/month                                     |
|                   | Library                                     | Introduce members to books, movies, music and other materials related to social contribution that you read or viewed  | 5 points/one time                                  |
|                   | Eco & social contribution product purchases | Purchase products of Ninjin CLUB (organic agricultural products, etc.) and fair trade companies.  | Equivalent of 5% of purchase price                 |
|                   |   | Purchase products of other social contribution organizations (social welfare facilities, etc.) at Deco Market or sales events at production sites and co-op stores.   | 1 point for 1 item (in principle)                  |
|                   | Participation in social contribution events | Participate in social contribution awareness events   | 3-5 points/one time                                |
|                   | Volunteering                                | Participate in volunteer activities   | 3-10 points/one time                               |
|                   | Eco commuting                               | Eco-commute on a daily basis for 2.5 kilometers or more from home to workplace  | 5-20 points/month                                  |
| Benefits          | Chobora (small volunteer activities)        | Provide bell marks or PET bottle caps   | Establish separately in accordance with the number |
|                   | Individual point redemption                 | Exchange with various items such as eco products made from environmentally friendly materials and methods, or social welfare organization products  |  |
|                   | Local community point redemption            | Donate as aid for local environmental activities<br>•Decide the amount of aid (number of organizations) according to the number of donation points<br>•Decide aid recipient organizations through selection committee run by outside experts and voting of employees and their families |  |

◎DECOPON structure

Target = Employees and their families



DECO Market

The DECO Market is held three times a year at the DENSO Corporation headquarters under the slogan "a market that connects with the local community" in order to support activities of organizations that contribute to the environment and welfare through purchases of goods. Many employees participated in these markets held during May, November and February in fiscal 2011, in which 27 organizations including NPOs and organizations supporting persons with disabilities exhibited at booths to sell various items such as fair trade products, organic produce, western sweets and handicrafts.



DECO School

The DECO School is a place to learn about eco activities that can be enjoyed in daily life and to experience social volunteer activities. The school's programs include lectures, movie screenings, instruction in handmade goods and eco tours. In fiscal 2011, DENSO held the "Kariya Campus" at the DENSO Corporation headquarters in June and cooperated with NPOs, universities, companies and local governments to organize 41 programs based on the theme of "Let's go see the future of local areas." A total of 86% of the 1,617 participants in attendance, including DENSO employees, their families and members of the general public, said that they were "very satisfied" or "satisfied" with the event. Additionally, the "Nagoya Campus" held at the Commemorative Museum of Industry and Technology in December featured lecturers, activity exhibitions, workshops and other events based on the theme of "Work, social contribution and me." A total of 98% of the 418 persons in attendance, including members of the general public, DENSO employees and their families, said that they were "very satisfied" or "satisfied" with the event.

◎Kariya Campus



Experience sign language and deafness by organizations for persons with disabilities



Simulated experience of inconvenience of individuals with disabilities and elderly people using equipment

◎Nagoya Campus



Exchange of opinions among participants at the workshop



Keynote lecture "Your work will change the world"

DECOPON Farm Tour

The DECOPON Farm Tour is conducted in conjunction with business entities that support growing rice, vegetables and fruits with minimal use of pesticides and chemical fertilizers. The tour enables participants to experience farming. A total of 18 employees and families participated in the tour of searching for living creatures in rice fields in fiscal 2011.



Candle Nights

Candle Night events have been held since 2007 on the evenings of summer solstice and winter solstice. These allow participants to obtain points by conducting various activities such as talking with people and reading picture books with children for 30 minutes or more in recognition of the importance of saving energy.



DECO Walk

The DECO Walk has been conducted since 2005 as part of DENSO Community Service Day (pages 51-52). During this event, participants engage in various regional initiatives such as cleanup activities, flower planting and green map creation while enjoying walks. In fiscal 2011, a total of 1,250 Group employees and their families participated in the event.





## Promoting local programs directed toward resolving local community issues

# DENSO Group Community Service Day

DENSO Group companies in each country and region around the world take a proactive stance toward social contribution activities aimed at resolving social issues endemic to each area. The Company especially has been addressing environmental beautification, welfare and education support activities on DENSO Group Community Service Day from 2004 under the unified slogan "Turn Compassion into Action." Every year, this day is set aside as a day when each business site contributes to respective local communities. In fiscal 2011, some 54,000 people in 25 countries and regions participated.



Local area cleanup activity / DMGZ (China)



Visiting elderly care facility activity / DMCZ (Czech)



Donation of signage to zoo / DNVN (Vietnam)



Clothing donations for overseas / DENSO KIKO Co. Ltd. (Japan)

### Central and South America (Brazil)

Welfare activity

#### Visited elderly care facility and enjoyed talking and music



Employees of DNAZ, which is engaged in the production of ignition control units for motorcycles since 1994, are conducting activities for visiting the homes of economically disadvantaged children or elderly care facilities every year. In January 2011, approximately 50 employees visited an elderly care facility located near the DNAZ business site as part of DENSO Community Service Day activities. Participants were able to talk with approximately 30 elderly people living at the facility and enjoy dancing along with musical performances, making the event a huge success. At the same time, various items were donated such as cleaning equipment, adult diapers and milk.

#### Valuable experience of encountering rich life experiences

Participating in DENSO Community Service Day was a very valuable experience. We, as employee volunteers, were able to fully appreciate their joy of life and rich life experience while enjoying talking and music. I feel that I received an important message for living.

DENSO Industrial Da Amazonia Ltda. (DNAZ)

**Francinete Freire**



### Europe (United Kingdom)

Welfare activity

#### Donated participation fees of Christmas tree contest to medical institutions



DMUL is holding a Christmas tree contest every year. Each team pays GBP100 to participate and these fees are donated to medical institutions. Twenty teams took part in the contest held on December 10, 2010 and a total of GBP2,000 collected through the event was donated to three medical institutions. Each team enthusiastically and elaborately decorates Christmas trees since a prize will be presented to the top three teams; however, at the same time, it is heartwarming for employees as a suitable charity event for Christmas.

#### A wonderful event that can't be seen in other places

The process of considering ideas of decorating a Christmas tree is very enjoyable and each team competes with their unique ideas until the very last minute when the time is up. Even though there are various kinds of Christmas charity events, there are no other events that I can get so totally involved in.

DENSO Manufacturing UK Ltd. (DMUK)

**Julian Nicolas**



Asia/Oceania (Thailand)

Environmental conservation

Planted 2,000 seedlings in mangrove forests to improve land



Mangroves are plants whose habitat is in bodies of water where freshwater mixes with seawater such as river mouths in tropical and subtropical regions. Mangroves absorb CO<sub>2</sub>, nurture various organisms, protect land from tsunamis and return to its natural state soil with an overabundance of nutrients. In August 2010, seven DENSO Group companies conducting business operations in Thailand cooperated with the Bangpu Nature Education Center (Samut Prakan province), which is promoting the recovery of mangrove forests, as part of CSR activities. On this occasion, 250 employees participated and planted 2,000 mangrove seedlings.

Nature's bounty brought by mangrove forests is extraordinary

The capability of mangrove forests to absorb CO<sub>2</sub> is outstanding, which is about the same level as tropical rain forests. These trees also protected many people from the tsunami caused by the Sumatra Earthquake. Additionally, due to its blessings that are indispensable for the fishing industry as well as construction materials and fuels, mangroves are also recognized as being "human-influenced, natural resources of the sea." I sincerely hope for the recovery of mangrove forests.

7 DENSO Group companies in Thailand (DIAT, DSTH, DNTH, DTTH, SDM, ADTH, SKD)  
Darintorn Khumsaard (DIAT)



Asia/Oceania (India)

Welfare activity

A small "light" for underprivileged people by supporting buying activities



"Diwali" is a festival held from the end of October to early November throughout India. Recognized as the "festival of lights" that wards off darkness and evil, it is considered a good omen to shop during this festival. In line with this festival, DNHA organized an event for selling candles, lamps, bags and other items made by visually impaired persons or economically disadvantaged people. Consequently, approximately 400 employees have deepened their understanding about the importance of economic support by buying such products.

A light of happiness for people who made products and those who bought them

We proposed the plan as a DENSO Community Service Day activity out of a desire to make underprivileged people happy upon the occasion when the "festival of lights" is held. I am delighted to be able to contribute to the economic independence of such people even a little by buying the products they have made.

DENSO Haryana Pvt. Ltd. (DNHA)  
Pradeep Rathi



China

Welfare for persons with disabilities

Donated 120 wheelchairs through raising funds from approximately 8,800 employees



DENSO Group Companies operating in China are continuously promoting initiatives to raise funds and donate wheelchairs in cooperation with WAFCA since fiscal 2010 as part of ongoing support activities for persons with disabilities. The circle of activity has expanded steadily with approximately 8,800 employees participating in fundraising activities in fiscal 2011. Additionally, respective Group companies cooperated with WAFCA and donated 120 wheelchairs to nursing homes and orphanages via the municipal bureau of civil affairs in Tianjin and Guangzhou, respectively, in December 2010.

Transforming appreciation from many people into the power to continue

Wheelchairs are a very significant source of power for children who haven't had the chance to be independent due to disabilities as well as persons who are unable to move freely. Group Companies taking part in support activities are receiving words of appreciation from persons provided with wheelchairs and such words are becoming our power.

15 DENSO Group companies in China  
Xinyu Zhou (DICH)



Japan

Environmental conservation

75-year plan for nurturing 14,000 Japanese cypress trees



GAC (Nagano prefecture), which is engaged in the manufacturing of air conditioning equipment, concluded an agreement with the government to develop profit-sharing forests for state-owned forests as a commemorative project marking the 25th anniversary of its foundation in 1992. Accordingly, the company planted 14,000 Japanese cypress trees locally on Mt. Misawayama by 1994. Logging for converted timber will be carried out 75 years later in 2067. Until that time, employee volunteers will continue to prune or get rid of brush every year. In November 2010, 84 employees, including retired employees, participated in the event and put their toil and sweat into maintaining a one-hectare area of forest.

Growth of 5-6 meters after 17 years

At this time, we conducted pruning and got rid of brush in a certain area where 5,000 trees were planted in 1994. Although it was hard work, I have a warm feeling toward Japanese cypress trees that have grown in the same way as my own child. Along with employees who have been participating for more than 10 years, I realize this activity is a long-term effort that extends beyond generations.

GAC Corporation  
Mao Samizo



TOPICS 1

Donated wheelchairs through international cooperation for persons with disabilities affected by a major flood disaster in Pakistan

A massive flood that struck Pakistan in July-August, 2010 was a major disaster. Approximately 20% of the homeland was flooded and many people with disabilities lost their wheelchairs. The Asia Pacific Development Center on Disability (APCD/ Thailand) requested cooperation by the Wheelchairs and Friendship Center of Asia (Thailand) (WAFCA\*), the local response organization of WAFCA, upon receiving notification from local sites carrying out recovery work that they were short of wheelchairs. WAFCA immediately responded to the request and arranged 30 wheelchairs manufactured by a foundation for persons with disabilities in Thailand, to which WAFCA is supporting operations. Furthermore, Thai Airway International has offered to support air transportation of wheelchairs from Bangkok to Islamabad.

Consequently, 30 wheelchairs were delivered to disaster-affected areas in early October and served as a catalyst for people with disabilities who had lost the means of transportation to resume their daily lives. Comments of appreciation received from people provided with wheelchairs included: "I was able to move outside my home and felt at ease." "My life has changed significantly since I got a wheel chair. I am considering taking this as an opportunity to establish a group for persons with disabilities who need support."

Full cooperation was gained for this project, beginning with the Ministry of Foreign Affairs, Kingdom of Thailand and the Embassy of Pakistan in Thailand, as well as DENSO Group Companies operating in Thailand (including DNTH, SDM and DSTH), with DIAT serving as the point of contact. Subsequently, WAFCA and WAFCA are calling for ongoing support in terms of contributing 300 wheelchairs to various organizations, including private companies.

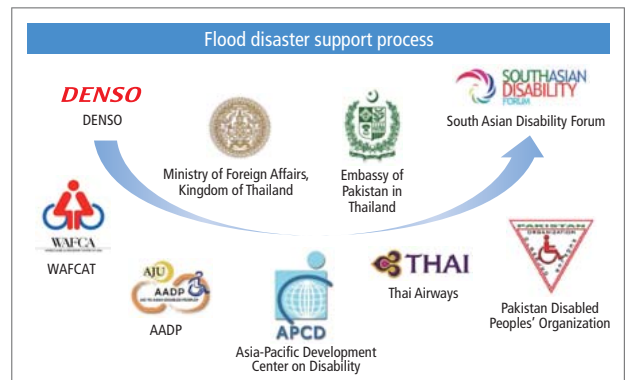
\* Established in 1999 in Thailand.  
 ■ The above report appears in cooperation with APCD.



Disaster-affected people who managed to go out due to donated wheelchairs



Wheelchairs delivered from Thailand to Pakistan by air through the cooperation of many people



Current initiative became a support activity that shows the way for social contribution going forward

How should we behave in order to gain the trust and empathy of society as a global company? We designate social contribution activities as a key area of CSR and are undertaking various activities. However, a broad range of programs cannot be realized without the cooperation of other organizations. To this end, we actively work together particularly with government, APCD and non-governmental organizations, thereby seeking to address various aspects from local initiatives to global issues. I feel that the wheelchair support effort for Pakistan at this time has enabled us to indicate one direction as a way to provide support going forward.

DENSO International Asia Co., Ltd., Vice President, Masao Suematsu



TOPICS 2

Developed local traffic safety map indicating hazardous locations

DENSO Corporation has developed the Kariya City Traffic Safety Map in cooperation with the Kariya Police Station in Aichi Prefecture. The map, which indicates hazardous locations to which attention should be paid, was developed by matching locations where traffic accidents tend to occur, which are acquired from drive recorders\* equipped on DENSO company vehicles, and accident data possessed by the police station. Two types of maps are available, an overall version of Kariya city (extra-large size) and those of respective school districts (A3 size). These maps also include photos of various images such as crossings so that small children or elderly people can recognize hazardous locations at a single glance. The maps are being distributed and posted in various locations, including elementary and junior high schools in Kariya city, city offices and police stations.

\* Device equipped on automobiles to record information related to traffic accidents



Extra-large size map



Traffic safety map of respective school districts

# Environmental Report

## Environmental Management

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### DENSO Environmental Symbol

This mark symbolizes a healthy world in which people and nature coexist in harmony and lush green leaves and beautiful flowers grow in abundance. The two rings encircling the globe express DENSO's commitment to continue working towards the creation of an environment where we can enjoy blue skies and green nature every day. (Revised from 2010)



# Environmental Management Eco Management

## DENSO's Vision

We place top priority on meticulously implementing initiatives to protect the environment. Corporations must conceptualize how a sustainable society would operate and make concerted efforts toward environmental preservation based on a long-term vision. To this end, DENSO aims to be a corporate group that contributes to the "creation of an advanced automotive society" through the realization of cars that are kind to people and the Earth. 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 products 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.

In 2005, we formulated and announced DENSO EcoVision 2015 as a roadmap toward the realization of a "sustainable automotive society." The objectives of EcoVision 2015 are based on reduction targets laid out by the Kyoto Protocol and associated groups. They also conform to the IPCC's\* goal of "beginning to reduce greenhouse gases by 2015 and halving them by 2050 compared with 2000 levels."

\*Intergovernmental Panel on Climate Change

## DENSO EcoVision

### Basic stance

Under DENSO EcoVision 2015, we have established the goals of promoting the prevention of global warming, resources recycling (reducing the use of resources) and control and reduction of environmentally hazardous substances (pollution prevention) in a targeted and ongoing manner throughout all business activities. We have also established a series of 2010 Long-term Environmental Goals and the fourth phase of Environmental Action Plan 2010 for this purpose. Group companies share these objectives, and we are accelerating initiatives throughout the Group through an ongoing program of verification and review based on the PDCA cycle\* while steadily implementing our traditional basic environmental plan.

In fiscal 2009, we formulated our Three-Year Environmental Guidelines to ensure environmental initiatives by transforming into a lean corporate structure that is resilient to changes in an ever-changing global economy. We will: (1) pursue environmental efficiency in resources and energy; (2) develop technologies and products that anticipate environmental needs; (3) practice accurate risk management in response to changes; and (4) effectively promote environmental activities that resonate with society. These four objectives have been reflected in Environment Action Plan 2010 as priority initiatives.

\*A management technique consisting of repeated Plan, Do, Check and Action steps

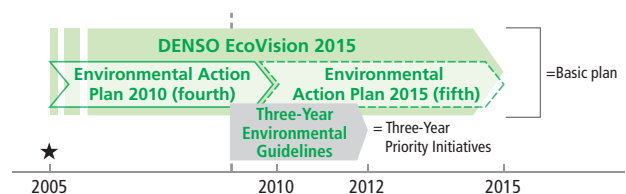
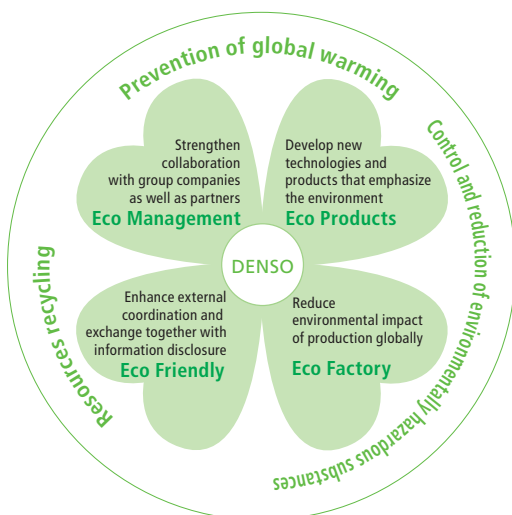
### DENSO EcoVision 2015 Environmental Policies (Summary)

1. **Eco Management:** Strive to strengthen environmental management through DENSO Group collaboration from a global perspective.
2. **Eco Products & Eco Factory:** Pursue development, design and production activities that emphasize the environment from a holistic perspective at every stage of the product lifecycle from manufacture to market use and disposal.
3. **Eco Friendly:** Actively disseminate information and coordinate with outside entities in a way that transcends industry borders while working to communicate with all stakeholders.

### Environmental Action Plan 2010 (Summary)

1. **Strengthen development of products that contribute to the environment**  
Strengthen the development of products that reduce environmental impact throughout the automobile lifecycle and pursue initiatives such as introducing factors that facilitate understanding of a product's environmental impact.
2. **Ascertain and reduce CO<sub>2</sub> emissions in all corporate behavior**  
Ascertain the level of CO<sub>2</sub> emissions in all corporate behavior from a global perspective not only including product development, production and logistics but also administrative departments and employees' behavior. Establish targets and reduce emissions accordingly.
3. **Steadily reduce the Group's consolidated environmental impact**  
Eliminate all lead, mercury, cadmium and hexavalent chromium from products and dramatically reduce volatile organic compounds (VOCs) in factories by collaborating with suppliers and other partners.
4. **Strengthen consolidated environmental management**  
Strengthen Group consolidated environmental management in order to facilitate the steady implementation of initiatives, develop plans that take into account the unique circumstances of each country and region and promote them by establishing targets.

## ©DENSO EcoVision 2015





## Formulation and announcement of fifth phase of the Environmental Action Plan

DENSO formulated the fifth phase of the Environmental Action Plan, which covers the five-year period from fiscal 2012 to fiscal 2016 aimed at realizing a sustainable automotive society, and announced this plan in November 2010. Within its framework, we will strengthen initiatives based on the keywords "low carbon, recycling and coexistence," which includes bolstering environmental efforts and enhancing measures in emerging countries. Specific

initiatives include further strengthening research and development into environmental technologies and products and reduction of environmental impact on a global scale. We will also broaden environmental activities in diverse areas to help realize the goals of the international community, which include halving greenhouse gases by 2050 compared with 2000 levels.

## Fifth phase of Environmental Action Plan 2015 (Summary)

DENSO formulated Environmental Action Plan 2015 based on the following 25 points within four key domains aimed at effectively putting into practice the environmental policies of DENSO EcoVision 2015. We will pool the collective wisdom and strengths of the organization to ensure we achieve this goal.

### 1. Expanding environmental management (Eco management)

- 1) Promote consolidated environmental management
- 2) Manage greenhouse gas reduction in all business fields
- 3) Reinforce global chemical management
- 4) Reinforce global environmental risk management
- 5) Reinforce environmental preservation management at all production sites
- 6) Reinforce environmental partnerships with business partners

### 2. Development and design that takes into consideration performance improvement as well as the environment (Eco products)

- 7) Promote the development of new technology and products which contribute to industry-leading fuel consumption performance
- 8) Promote the development of parts for clean energy vehicles
- 9) Promote the development of new technology for diversified energy
- 10) Promote measures against global warming related to vehicle air conditioning systems
- 11) Promote the development of technology related to micro grids
- 12) Promote the development of technology for the effective use and recycling of resources
- 13) Reduce environmentally hazardous substances in products

- 14) Establish an environmental assessment in the product design and development stages
- 15) Activities to contribute to realizing a sustainable society, such as research and development of bio-fuels using algae

### 3. Steady reduction of environmental impact in global production (Eco factory)

- 16) Reduce CO<sub>2</sub> emissions in production and logistics
- 17) Reduce greenhouse gas in production
- 18) Promote the effective usage of resources toward a recycle-oriented society
- 19) Undertake efforts responding to regional needs
- 20) Reduce environmentally hazardous substances in production

### 4. Enhancement of external relationships and information transmission regarding environmental actions (Eco friendly)

- 21) Contribute to the creation of a sustainable society that is vibrant and full of hope
- 22) Undertake efforts toward the conservation of biodiversity
- 23) Enhance environmental education
- 24) Transmit information proactively and enhance mutual communication and cooperation
- 25) Contribute to the field of road traffic and develop awareness activities

### URL Details of fifth phase of Environmental Action Plan 2015 (in Japanese)

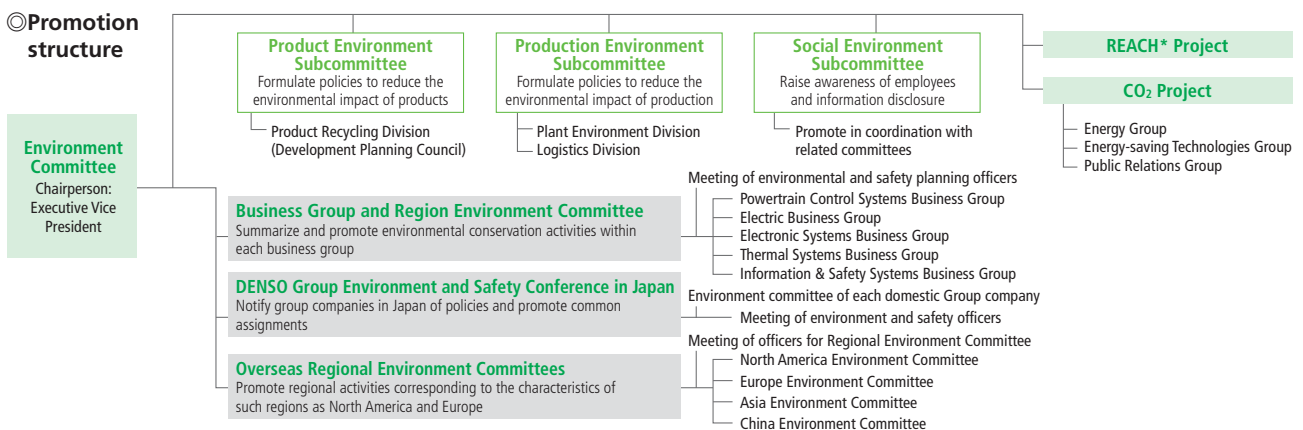
[http://www.denso.co.jp/ja/csr/environment/basically/files/eco\\_vision2015.pdf](http://www.denso.co.jp/ja/csr/environment/basically/files/eco_vision2015.pdf)

## Promotion structure

DENSO established the Environment Committee as the highest decision-making body for environmental management in December 1992. Chaired by the director responsible for environmental management and attended by directors, managing officers, presidents of overseas regional headquarters and persons who are responsible for environmental management at Group companies, the committee meets twice a year to formulate policies, examine the state of progress in related activities and discuss specific issues and their

solutions. From fiscal 2008, the committee launched the REACH\* Project associated with chemical substances and the CO<sub>2</sub> Project to address global warming as a way to strengthen the Group's response to key issues and accelerate these initiatives.

\*Registration Evaluation Authorisation and Restriction of Chemicals  
A law requiring the registration, evaluation and authorization of all chemical substances placed on the market in the European Union (EU) (in volumes of 1 ton per year or greater) by producers or importers



## Promoting consolidated environmental management

In order to promote the efforts of the DENSO Group as a whole, the Company shares environmental policies and guidelines with consolidated companies\*, identifying common issues and expanding consolidated environmental management. Previously, we formulated five-year environmental plans for each consolidated company in an effort to verify progress and share relevant issues.

In fiscal 2011, the Company conducted an environmental compliance audit of 16 domestic and overseas Group manufacturing companies in order to minimize environmental risk. Diagnoses of 57 manufacturing companies were

completed. Going forward, we will (1) reinforce understanding and responsiveness to new laws and legal revisions and (2) be vigilant about implementing projects for improvement in consideration of current conditions.

\*Companies that were newly established in the current year or those in which DENSO management has only recently become involved are excluded from the scope of consolidated environmental management. Therefore, the number of consolidated companies for environmental management differs from the number applicable for financial reporting purposes.

### Policies and guidelines shared within DENSO Group

- Share basic policies and action guidelines
- Formulate and expand action plans
- Acquire ISO 14001 certification
- Organize the Environment Committee
- A shared system for environmental information
- Environmental accounting

### Seven items to make common efforts

1. Reduce waste materials
2. Reduce environmental waste materials from factories
3. Prevent global warming (reduce CO<sub>2</sub>)
4. Establish an environmental management system (ISO 14001)
5. Implement preliminary environmental assessment for products
6. Expand green procurement
7. Streamline logistics

## Status of efforts to build a consolidated environmental management system

DENSO is striving on a global scale to proactively build and maintain environmental management systems such as those defined by the ISO 14001 standard as effective tools in promoting environmental management. These efforts encompass both manufacturing companies and non-manufacturing companies that include regional headquarters, sales companies and service companies.

The Ikeda Plant obtained ISO 14001 certification in 1996, followed by all core manufacturing sites worldwide by 2003. By fiscal 2011, 161 out of a total of 167 companies consisting of 61 domestic and 100 overseas subsidiaries

had obtained ISO 14001 certification and implemented environmental management systems.

In October 2010, DENSO worked towards and attained integrated certification upon combining the existing environmental management systems of 12 business sites company-wide. The aim of this move is to reinforce control and boost efficiency. Going forward, we will strengthen environmental activities and environmental compliance company-wide based on an integrated environmental management system.

## Building green partnerships

In order to effectively reduce environmental impact, it is important for DENSO to build mutually beneficial relationships with suppliers through partnerships and improvement initiatives on a continuing basis. Based on this approach, under its *Green Procurement Guidelines* the Group requests that suppliers deliver raw materials, components and products with low environmental impact that are manufactured at factories with advanced environmental conservation measures

in place. In this way, DENSO is working to lower the environmental impact of its products throughout their lifecycle while facilitating the effective utilization of resources and energy by DENSO, as well as suppliers.

### URL Procurement information

<http://www.globaldenso.com/en/aboutdenso/activities/procurement/>

## Management of environmental factors for products

### Improving environmental friendliness and efficiency in product functions

In consideration of the environment, DENSO believes that an advanced automotive society firmly maintains a balance between caring for the environment and enjoying the full potential of the vehicle. To realize an advanced automotive society, DENSO seeks to enhance functions (safety, maneuverability, comfort, etc.) while working to reduce the environmental impact throughout a vehicle's life.

Specifically, we: (1) develop products that contribute to enhanced fuel efficiency in vehicles, such as hybrid systems, engine management systems and idling stop systems; and (2) develop telematics\* products that contribute to

enhanced fuel efficiency in harmony with social infrastructures, such as car navigation systems. All DENSO products aim to create new value that provides enhanced comfort and convenience for customers while minimizing greenhouse gas emissions, resource consumption and the risk of chemical substance pollution.

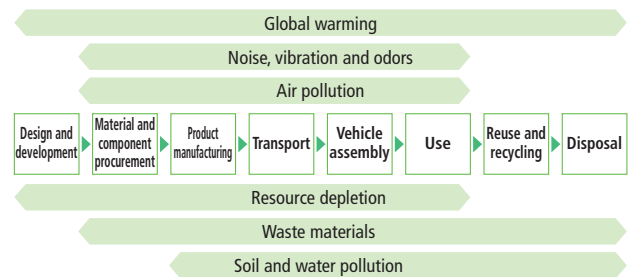
This rationale is based on the approach to environmental efficiency recommended at the 1992 Earth Summit.

\*Telematics refers to the provision of information services in real time through the integration of telecommunication systems in cars and other forms of transportation. It is a compound word of telecommunications and informatics.

### Product development techniques that anticipate the entire lifecycle

Since 1995, DENSO has employed a product environmental management system that evaluates the environmental impact of a product in advance during the planning and design stages in order to minimize this impact. We ascertain the balance between product value and environmental impact using Factor Delta environmental factors and set targets for each product (Plan step). We then conduct lifecycle assessment (LCA) to determine environmental friendliness and impact at the design stage (Do step). The extent to which these targets are met is checked at a Quality Assurance Meeting, a milestone in the design process (Check step), and the results are reflected in the development of upcoming models (Action step).

#### Environmental impact during the automotive component lifecycle



### Operation of Factor Delta

The multiplier at which environmental efficiency for evaluated products is increased relative to standard products is known as an "improvement factor." DENSO has collaborated with the Japan Auto Parts Industries Association from 2005 to 2008 to develop a reasonable method for calculating this factor for automotive components, and these efforts have been summarized in a series of Guidelines for Environmental Factors for Products. Based on Japan's Basic Environmental Law, these guidelines provide a means for calculating indices linked to product value in the form of positive factors and negative factors related to global warming, resource depletion and emissions of environmentally hazardous substances throughout the automotive part lifecycle.

We began using these evaluation indices in 2007 as Factor Delta environmental factors for products. We have begun applying them to successive areas of our operations as a means of promoting reductions in greenhouse gases, resource consumption and environmentally hazardous substances while improving functionality.

In fiscal 2011, we calculated 9 environmental factors (sum total 40) for new products and visualized the direction of improvements by clarifying the extent of progress. In the future, we aim to realize a verification system for eco-products (Green Products) that indicates improvement rates in an easy-to-understand manner.

**URL** Guidelines for Environmental Factors for Products of Japan Auto Parts Industries Association (in Japanese) <http://www.japia.or.jp/work/data/kankyoguide2.pdf>

#### Calculation of Factor Delta indices

$$\text{Environmental efficiency} = \frac{\text{Product performance (positive elements)}}{\text{Environmental impact (negative elements)}}$$

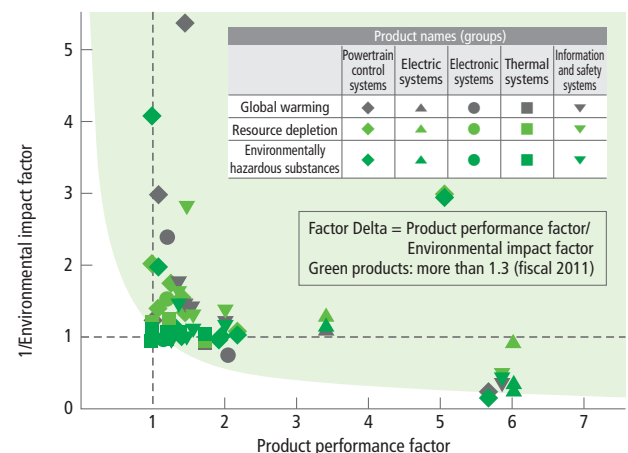
The degree of improvement over previous product generations is expressed as a factor.

$$\text{'Factor Delta', environmental factors for products} = \frac{\text{Environmental efficiency of new products}}{\text{Environmental efficiency of previous product generations}}$$

$$= \frac{\text{New products Performance Impact}}{\text{Previous products Performance Impact}} \times \frac{\text{New product performance}}{\text{Previous product performance}} = \frac{\text{Product performance factor}}{\text{Environmental impact factor}}$$

\*Indices must be calculated in an objective manner so that they can be accepted by a majority of people. DENSO has based its method on the concept of factors proposed in the 1990s by researchers worldwide and the World Business Council for Sustainable Development (WBCSD). Indices are calculated in a positive way by calculating the environmental efficiency of the product or service in question and evaluating technological progress in a forward-looking manner by means of the improvement factor.

#### Factor Delta calculation product distribution

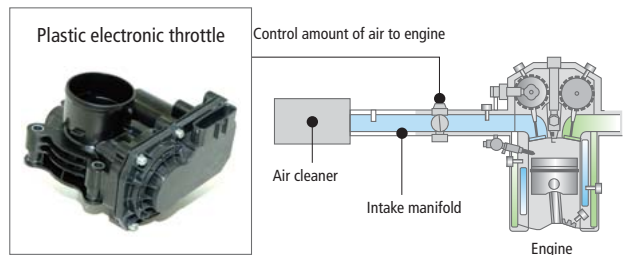


Case example

Developed plastic electronic throttle and made it a green product

The electronic throttle is located between the engine air intake and the intake manifold (pipe). This valve device precisely regulates the amount of air inflow. For this reason, it must be able to open and close through highly precise electronic control while withstanding engine heat and vibration. To achieve this, an aluminum alloy has been used for the component due to its resilience to heat and vibration.

However, DENSO has succeeded in replacing the aluminum alloy with plastic by leveraging advanced materials and processing technologies, resulting in a major reduction in weight, a more compact design and enhanced performance. We succeeded in making this component a green product with a Factor Delta figure exceeding 1.3 in each area of preventing global warming, preventing resource depletion and reducing environmentally hazardous substances.



|                 |  |   |
|-----------------|--|---|
| <b>Previous</b> | <b>New</b>   | <b>Factor Delta</b>                               |
| Aluminum alloy  | Plastic<br>(Lighter, more compact)<br>(Enhanced performance) |   |
|                 |  | Global warming prevention 1.3                     |
|                 |  | Resource depletion prevention 2.2                 |
|                 |  | Environmentally hazardous substance reduction 4.3 |

Green product

COLUMN

Started verification tests for extracting and mass producing bio-fuel from algae

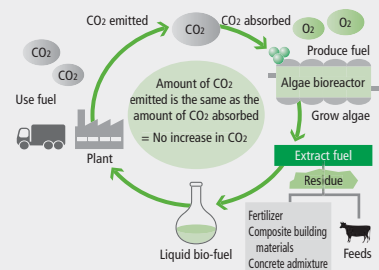
In June 2010, DENSO completed large-scale outdoor facilities at its Zenmyo Plant (Nishio, Aichi Prefecture) for the purpose of extracting and mass producing bio-fuel from algae (pseudochlorocystis), which absorbs CO<sub>2</sub> via photosynthesis and produces oil similar to light oil inside its cells, and started verification tests. DENSO has been conducting R&D into bio-fuel for automobiles using algae since 2008.

With the test facilities, CO<sub>2</sub> and wastewater emitted from the factory is used to cultivate algae in a pool measuring 33,000 liters. This enables production of 320 liters of light oil per year as well as research into mass-production technology to reduce costs. For the near future, the light oil produced will be used as fuel for the factory, and we will examine using the spent algae for feed and other purposes.

Algae has the advanced ability to absorb CO<sub>2</sub> compared with trees since growth is fast, while as a raw material for bio-fuel productivity, it is 3-15 times higher than rapeseed and oil palm. It has no effect on food resources either. As a result, it is gaining attention as an effective resource for resolving energy and food problems as well as a measure against global warming.



Culture pool for algae (Zenmyo Plant)



Expectations as a sustainable fuel resource

Environmental management in production

Initiatives to increase visualization of environmental impact

Measures against global warming at factories in essence seek to promote energy conservation and energy conversion. The aim of long-term measures is to reduce use of fossil fuels and promote conversion to renewable energy sources. Based on this understanding, DENSO has incorporated the reduction of CO<sub>2</sub> emissions at the production stage into management indicators for top management. As a means to increase effectiveness in the past, DENSO has worked to reduce environmental impact by conserving energy, reducing water and resource waste, and cutting environmentally hazardous substance use and

emissions by means of various proprietary techniques. These include charging departments according to their energy consumption (direct-charge system) and assessing energy consumption by production line (to visualize energy use). In addition, we created the Denso-Environmental Performance Communicator (D-EPC) that can swiftly tabulate environmental data from production sites worldwide and are using it as a management tool from the perspective of environmental governance.

Evolution of the Eco Factory

In pursuit of the maximum reduction in environmental impact and high productivity, DENSO developed the Eco Factory concept in 2006, which clarifies the requirements of factories in order to realize a sustainable society. The Eco Factory concept aims to ensure factories that achieve a symbiosis between manufacturing and environmental preservation at a more multi-dimensional level, and applies a unique environmental assessment approach that pursues: (1) legal compliance and minimization of environmental risk, (2) improvement of environmental performance and (3) coexistence with communities and

nature. Based on internal standards, we clearly assess the strengths and weaknesses of factories in all countries and regions and apply the results to the ongoing process of enhancement and improvement.

We started this activity by designating the Daian Plant (Mie Prefecture), which was expanded in August 2007, and DENSO Electronics Corporation (DNEL), which started operations in April 2009, as model factories. We will continue to transform each plant around the world into an Eco Factory, identifying challenges at these two plants as part of the first real litmus test.

◎Eco Factory concept

(1) Legal compliance and minimization of environmental risk

- Confirmation of water quality before discharge
- Rainwater management system (oil-water separation tank, detection sensors)
- Regular monitoring and data management system (DECS)
- Voluntary wastewater standards (hazardous materials: 1/5 of legal limits, etc.)



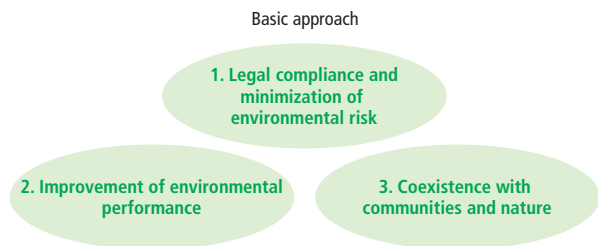
(2) Improvement of environmental performance

- Zero emissions
- EcoVision, 2010 targets
- 100% employee participation, helping employees to develop a strong environmental skill set
- Visualization of performance



(3) Coexistence with communities and nature

- Creation of wooded areas that will become "green assets" for communities
- Informal gatherings with community residents
- Environmental facilities that are open to the community



◎Assessment guidelines



| 評価区分   | 評価項目                           | 1 (該当否)         |   |
|--------|--------------------------------|-----------------|---|
|        |                                | 1               | 2 |
| 1 事前評価 | 1)地下排水処理状況の把握<br>-設置年月、前、事業の経緯 | -各工場の処理状況       |   |
|        | 2)排水処理の経緯<br>-地下排水の処理状況        | -生活排水のみがある工場、支線 |   |
| 2 設備対策 | 1)地下排水の経緯<br>-設置されて30年以上の経緯    | -各工場の処理状況       |   |
|        | 2)地下排水の経緯<br>-設置されて30年未満の経緯    | -各工場の処理状況       |   |
| 3 設備対策 | 1)排水処理の経緯<br>-排水の発生源(設備)から始    | -各工場の処理状況       |   |
|        | 2)排水処理の経緯<br>-排水の発生源(設備)から始    | -各工場の処理状況       |   |

## Environmental risk management

### Basic stance

We have established DENSO Safety, Health and Environmental Standards (DAS) that extend beyond the environmental regulations of the countries and regions in which we operate and apply them to environmental management both in Japan and overseas. We have identified environmental risks, which include environmental accidents, pollution and violations of applicable laws, based on the location and business scope of each of our plants. This information is used to prevent and minimize risk.

In particular, we emphasize risks such as wastewater and gas emissions in excess of voluntary criteria, leaks of oils and chemical substances, pollution of soil and groundwater, noise and bad odors, and compliance with laws and regulations related to waste disposal and recycling. At the same time, we have reformulated operating and management regulations for industrial specialty gas (specified high pressure gases and semiconductor gases), and chemical substances and chemicals, and are working to prevent accidents affecting employees and the region.

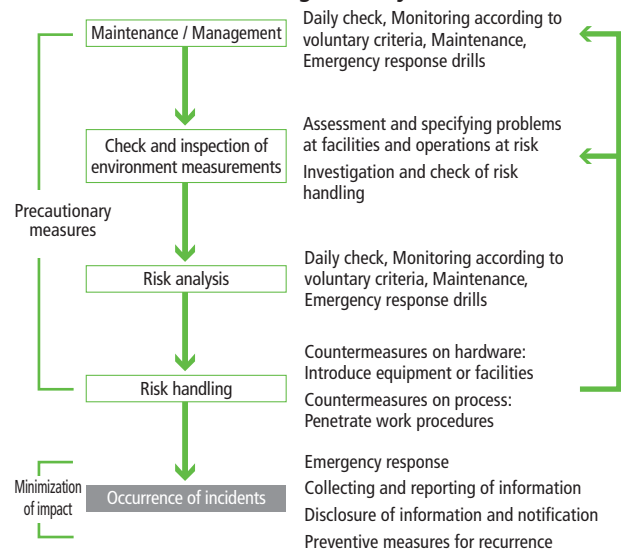


Audit of an overseas base, DMGZ (China)

An emergency response drill

For complaints from surrounding areas, we strive to deter any abnormalities, and in the event that an abnormality occurs, to minimize the impact and accurately disclose information. Further, we conduct annual emergency response drills in addition to maintaining daily inspection, monitoring and measurements.

### ©Environmental risk management system



## COLUMN

### Preparations for serious environmental accidents

At DENSO, we take emergency measures when there is a serious environmental accident that includes a procedure for immediately communicating the accident. We do our best to ascertain the cause of an accident, even minor ones or near misses, and devise techniques to resolve the problem. We convey this information to all Group companies in order to confirm the steps that need to be taken to prevent recurrence.

#### (1) Measures for industrial particular gases

DENSO handles and manages specified high pressure gases and semiconductor gases designated within the High Pressure Gas Safety Act based on DENSO Safety, Health and Environment Standards (DAS). We make sure employees are well-versed in legal revisions as well as cases of accidents in the industry, and we aim to learn lessons from near misses inside the company to ensure appropriate operation at all times. In addition, each Group production company handling these gases has reviewed handling and management procedures and implemented a mutual patrol system. There were no major leaks or explosions as of the end of fiscal 2011.

#### (2) Measures for chemical substances and chemicals

We introduced a regulation making it mandatory to include an automatic supply and shutoff system at facilities handling chemical substances and chemicals that require stronger measures to prevent leaks. We are currently reviewing these facilities and strengthening measures. In the same manner as measures for industrial specialty gases, we started mutual patrols and are confirming progress on improvements made by way of a double auditing system at production companies in Japan and overseas.

#### (3) Measures for when an earthquake strikes

Learning from the Great East Japan Earthquake, we reviewed conventional concepts regarding factory buildings and structures, plant-related facilities and installations and fixed standards in production equipment. The review was conducted assuming a largest class earthquake with the aim of preventing accidents such as the outflow of pollutants into the environment if facilities collapse or are damaged. We will continue enhancing measures based on company-wide regulations.

#### (4) Sharing information

Examples of safety/environmental accidents and near misses are released on the DENSO Group website to prevent accidents from occurring. The information is shared across the Group and also revised at opportunities such as environmental management audits.

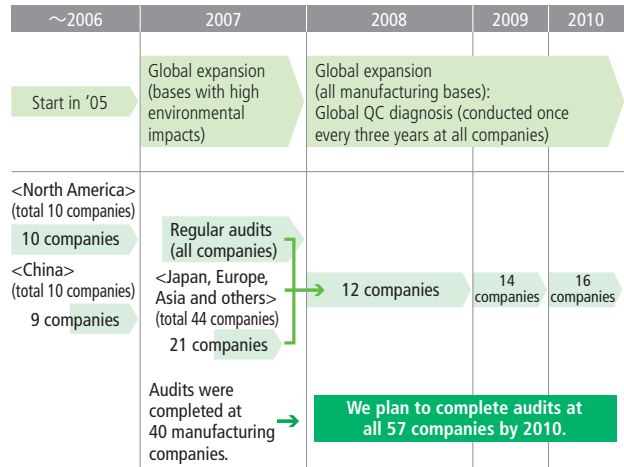
## Fiscal 2011 activities

At DENSO, we incorporate a Group Mutual Environmental Audit at group production companies into global QC diagnosis that includes environmental auditing and patrols as a means to comprehensively reduce risk. In fiscal 2011, we performed a Group Mutual Environmental Audit at 14 companies as the third step coupled with global QC diagnosis. The table below summarizes results. Corrective action has been completed in each case. DENSO did not incur any fines, penalties or environmental lawsuits in Japan or overseas.

### Environmental incidents and complaints

| Category                   | DENSO Corporation | Group companies in Japan | Group companies overseas |
|----------------------------|-------------------|--------------------------|--------------------------|
| Legal violations           | 0                 | 0                        | 0                        |
| Fines, penalties, lawsuits | 0                 | 0                        | 0                        |
| Incidents                  | 0                 | 0                        | 0                        |
| Complaints                 | 0                 | 0                        | 0                        |

### Expansion of Group mutual audits and improvement activities



## ISO 14001 environmental auditing and Eco-Diagnosis

As part of the environmental management system's PDCA cycle, we employ internal and external audits to inspect ongoing improvements to activities and the reliability of environmental data. We are working to increase the accuracy of inspections carried out under the internal audit system through self-audits with approximately 400 items, as well as a system of mutual audits by which plants can check one another's operations. We are also working to improve our monitoring activities by augmenting audits with a unique Eco-Diagnosis program designed to identify new issues and expand and apply best practices. Outstanding examples are also published on the corporate intranet to improve such activities.

### Environmental audit results [DENSO Corporation]

|                              | Target (12 business locations) |                              | Number |
|------------------------------|--------------------------------|------------------------------|--------|
|                              | Nonconformity (minor)          | Observation                  |        |
| External audits              | Nonconformity (minor)          | Observation                  | 1*     |
|                              |                                |                              | 34     |
| Internal audits              | Improvement guidance issued    | Points noted for improvement | 13     |
|                              |                                |                              | 80     |
| Internal auditors (in total) |                                |                              | 38     |

\*There is leeway to make improvements in methods and procedures for transmitting and expanding information to top management.

## Future initiatives

The massive earthquake and tsunami that struck east Japan on March 11, 2011 inflicted major damage on the region and Japan's industry. It also taught companies a harsh lesson in terms of preventive measures against large-scale natural disasters.

We had made adequate progress in environmental risk management assuming a major earthquake in Tokai, Tonankai or Nankai near Aichi, Mie and

Shizuoka prefectures, where the key sites of DENSO and our Group companies are concentrated. However, preparations were inadequate for the huge tsunami and liquefaction that occurred with the Great East Japan Earthquake. Going forward, we will work to further strengthen our environmental risk management system assuming diverse risks.

## Environmental education

### Fostering environment-conscious personnel

To promote environmental management with full employee participation, it is essential for individual employees to have a strong awareness as global citizens and to serve as environmental specialists. Based on this idea, DENSO provides environmental training by employment level, environmental technology basic training for employees responsible for product development and specialized training to develop internal environmental auditors.

During Environment Month each June, DENSO Corporation also holds Eco-Tours for visiting departments that have made significant environmental improvements, and employees involved in production participate in these tours. The aim is to introduce positive examples of environmental measures to each department in order to nurture personnel with environmental awareness. We showed new and old types of production equipment and tools to make it easier to see where environmental improvements had been made, as well as studied an example of the use of insulating materials at production facilities and reductions in CO<sub>2</sub> emissions by improving air conditioning systems.

Furthermore, to expand environmental improvement activities to the home and different regions, we held events for employees' families and local communities in June. These events provided the opportunity to explain in simple terms environmental issues on a global scale as well as those affecting us at a more local level.

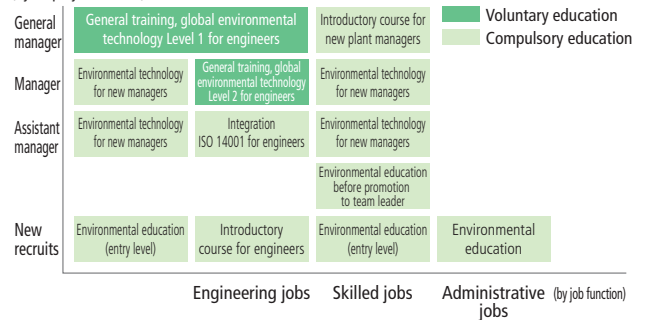
#### ◎Environmental education in fiscal 2011 [DENSO Corporation]

| Employment level  | Total participants |
|---|--------------------|
| New recruits, part-time employees                                   | 1,176              |
| Mid-level skilled workers   | 1,376              |
| Assistant managers, team leaders                                    | 576                |
| Managers (engineering)  | 82                 |
| Managerial level (e.g., managers, general managers, plant managers) | 168                |
| Eco-Tours, etc.   | 333                |

Total seminar hours: 6,404 Total participants: 3,711

#### ◎Environmental education system

(by employment level)



#### Stakeholder comments

##### Enhancing skills through training on "global environmental technology"

I am involved with the planning of mounting technology for electronic control units (ECUs). I took a course to learn global environmental technology trends and help review technologies we should focus on going forward. We develop products with the aim of enhancing standard fuel efficiency (reducing CO<sub>2</sub>). At the same time, we recognize that switching to a low melting point for soldering components in basic production processes is a challenge for reducing CO<sub>2</sub>. In addition, since there are different types of rare metals in ECUs, another future challenge is to make them more recyclable and degradable. We clarified these challenges from a practical perspective and trained personnel to consider the importance of energy conservation during deskwork.

Yoshio Hironaka, Fundamental Technologies Office, Electronics Engineering Department



## Environmental accounting

### Utilizing environmental accounting

At DENSO, quantitatively assessing environmental conservation costs and benefits and pursuing efficient initiatives by appropriately distributing management resources is a critical part of pursuing sustainable growth while promoting environmental management. Since 1999, we have employed environmental accounting based on guidelines developed by the Japanese Ministry of the Environment as a tool for achieving these goals. Subsequently, we have practiced corporate environmental accounting to assess the status of environmental management and disclose relevant information. We have also utilized

segment environmental accounting to verify whether targets are being met. This is useful in formulating environmental action plans and deciding on environmental measures.

In pursuing higher quality environmental management, it is necessary to translate a reduction in environmental loads into profit generation. Going forward, DENSO will strive to make more effective use of environmental accounting to determine which environmental measures are to be carried out in which process and which business operations provide the greatest benefits.

#### URL Environmental accounting guideline

<http://www.globaldenso.com/en/csr/activity/environment/accounting/guideline/index.html>

#### Fiscal 2011 results

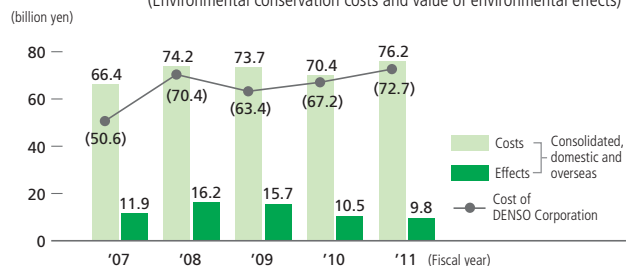
The environmental conservation cost increased by 5.8 billion yen on a global basis compared with the previous fiscal year. DENSO Corporation's environmental conservation cost increased by 5.5 billion yen. This mainly included additional costs for the R&D of environment-conscious products as well as for supplying such products. Environmental conservation cost increased around 0.3 billion yen for the Group worldwide.

Environmental conservation benefit was down 0.7 billion yen on a global basis compared with the previous fiscal year. This consisted mainly of revenue from the sale of valuable waste and recycled materials and was also a principal factor underlying the decrease in costs.

\*Although not applicable to asset removal obligation in financial accounting, PCB waste treatment expenses and soil contamination countermeasure expenses are included in the allowance for environmental damage.

#### ◎Environmental accounting

(Environmental conservation costs and value of environmental effects)





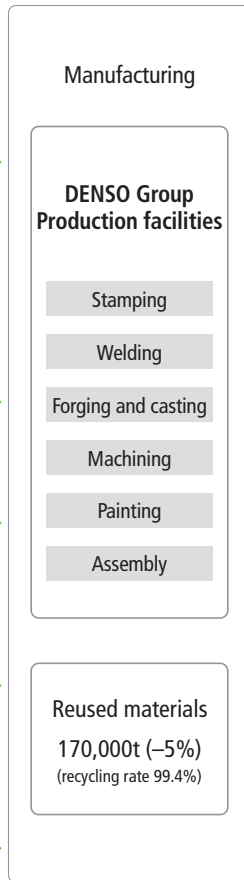
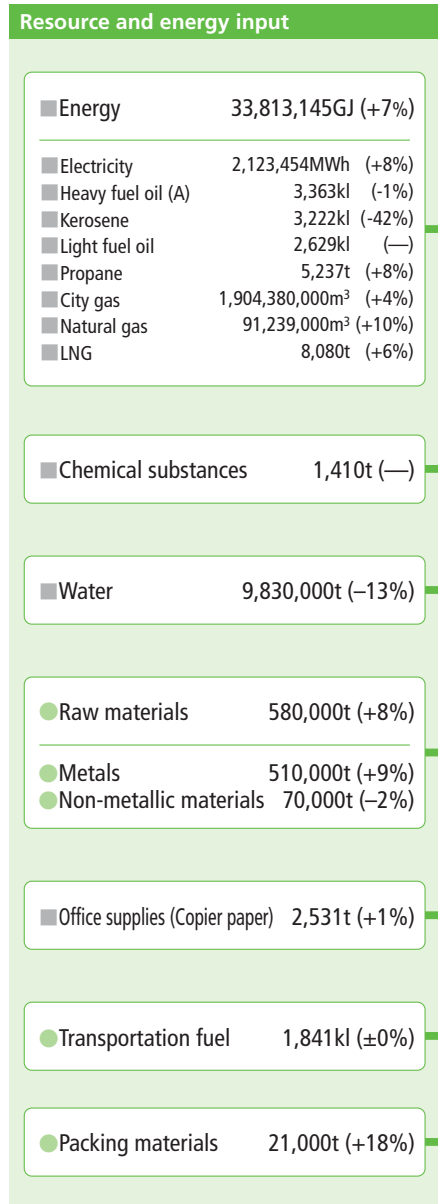
Overview of environmental impact

Material input and environmental impact of output in business activities

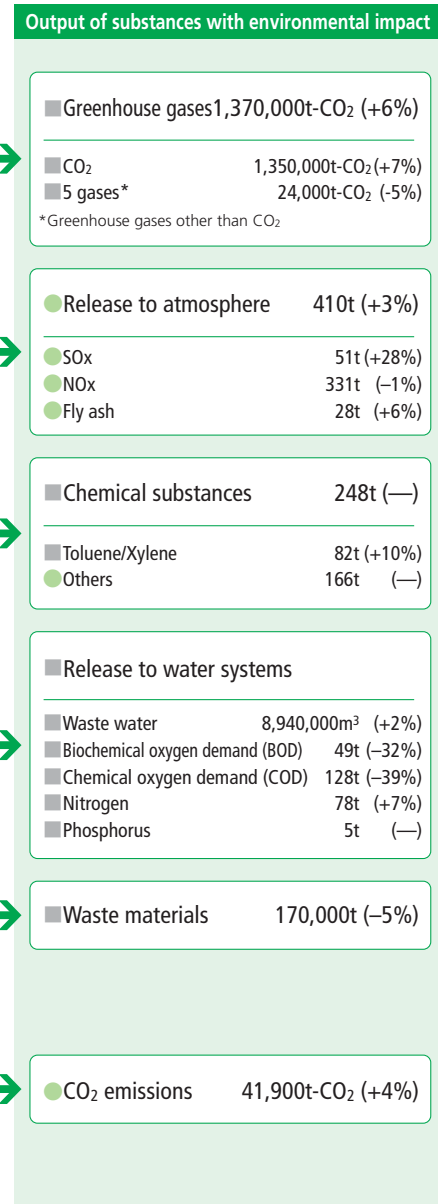
We quantitatively assess input and output of materials and energy, and utilize the resulting information to pursue comprehensive and efficient activities for reducing the environmental impact of our operations. In fiscal 2011, production volume increased by 5% year-on-year due to an economic recovery, which

led to marked decreases in both resource and energy input and output. Initiatives addressing areas with significant environmental impact are reported on the following pages

INPUT



OUTPUT



Action report

P69~

P78

P75

P73-P75

Legend ● DENSO Corporation and Group companies in Japan ■ DENSO Corporation and Group companies in Japan and overseas  
 Year-on-year change shown in parentheses \*Year-on-year changes are recalculated and shown because the number of Group companies has changed.  
 \*Year-on-year changes are not included for items marked with (—) since boundaries differ due to revision to laws or equipment.

Review of fourth phase of the Environmental Action Plan / Fifth phase of the Environmental Action Plan

Fiscal 2010 results / results of fourth phase of the Environmental Action Plan

To achieve the goals laid out in DENSO EcoVision 2015, we developed the fourth phase of the Environmental Action Plan (from fiscal 2007 to fiscal 2011), and all 165 Group companies worked to achieve the plan's goals.

In fiscal 2011, amid an increase in production volume, we promoted the development of environmentally friendly products and boosted efficiency in production and logistics. As a result, we achieved targets in all 24 areas. We

also achieved all action objectives focused on "strengthening development of products that contribute to the environment," "ascertaining and reducing CO2 emissions in all corporate behavior," "steadily reducing the Group's consolidated environmental impact" and "strengthening consolidated environmental management," as set down in the fourth phase of the Environmental Action Plan.

Fiscal 2011 results and fifth phase of the Environmental Action Plan

| Principal initiatives                         | Fourth phase of Environmental Action Plan (ended fiscal 2011)   |  |  |      | Fifth phase of Environmental Action Plan (Fiscal 2012 – Fiscal 2016) |  |  |
|---|---|--|--|------|--|--|--|
|   | Fiscal 2011 goals   | Fiscal 2010 results  | Assessment   | Page | Fiscal 2012 plan   | Fiscal 2016 targets  |  |
| Providing environmentally friendly products   | Development of environmentally friendly products  | Cooperate with automakers to develop new technologies and products that conform to regulations in each country/region on fuel consumption and exhaust gas as well as to DENSO's voluntary targets  | Established energy management for hybrid cars and manufactured power control components that contribute to greater fuel consumption  | ○    | 59-67  | Cooperate with automakers to develop new technologies and products that conform to regulations in each country or region on fuel consumption and exhaust gas as well as to DENSO's voluntary targets | Develop and manufacture products with technology to reduce CO2 emissions from cars (enhance average fuel consumption)  |
|   | Reduction and elimination of chemical substances  | Completely eliminate use of the four targeted environmentally hazardous substances (lead, mercury, cadmium, hexavalent chromium, etc.), excluding exemptions, and use lead-free solder (completely eliminate use of lead by fiscal 2010) | Managed and reduced (eliminated) environmentally hazardous substances in response to legal requirements  | ○    | 77   | Manage and reduce environmentally hazardous substances emitted from products designated by new regulations in each country or region   | Promote switch to specified brominated flame retardant and do not use phthalic esters in new products  |
|   | Use of environmental assessments at the design and development stages                                       | Introduce environmental factors for products and make a Green Product declaration  | Continued trial use of factors and developed a Green Product policy  | ○    | 58-59  | Make steady progress in enhancing product performance and reducing environmental impact during product lifecycle by introducing environmental factors for products                                   | Establish and expand standard LCA method at Japan Auto Parts Industries Association led by DENSO   |
| Preventing global warming                     | Reduction of energy-source CO2 emissions  | Reduce CO2 basic units by renewing production technologies and enhancing and expanding the Perfect Energy Factories (PEF) program while continuing conventional energy-saving efforts  | Consolidated: Basic unit: 74 vs target of 80 or less compared with 2000 levels<br>Non-consolidated: Emissions: 42 vs target of 90 or less compared with 1990 levels  | ○    | 69   | Expand Just-In-Time (JIT) energy activities aimed at renewing production technologies and halving energy consumption   | Consolidated: Basic unit: 73 or less compared with 2010 levels<br>Non-consolidated: Emissions: 90 or less compared with 1990 levels<br>Basic unit: 41 or less compared with 1990 levels  |
|   | Reduction of emissions of the five targeted greenhouse gases  | Reduce the five targeted gases, for example, by recovering and removing chlorofluorocarbon (CFC) substitutes in semiconductor manufacturing processes  | Emissions: 27 vs target of 70 or less compared with 2003 levels  | ○    | 69   | Reduce the five targeted gases by replacing, recovering and removing gases for semiconductor manufacturing, etc.   | Emissions: 50 or less compared with 2003 levels  |
|   | Reduction of CO2 emissions associated with product logistics  | Reduce CO2 emissions through transport improvements and eco-driving  | Consolidated: Basic unit: 96 vs target of 99 or less year-on-year<br>Non-consolidated: Emissions: 34,000t-CO2 vs target of 34,000t-CO2 or less   | ○    | 73   | Reduce globally through transport improvements and eco-driving   | Consolidated: Basic unit: 99 or less compared with 2010 levels<br>Non-consolidated: Basic unit: 99 or less compared with 2010 levels   |
| Managing environmentally hazardous substances | Reduction of emissions of Pollutant Release and Transfer Register (PRTR) substances to atmosphere and water | Reduce emissions, for example, by optimizing usage and substituting with alternative materials   | Overseas: Basic unit: 55 vs target of 70 or less compared with 2000 levels<br>Domestic: Emissions: 17 vs target of 35 or less compared with 1998 levels<br>Non-consolidated: Emissions: 12.6 vs target of 25 or less compared with 1998 levels | ○    | 78   | Reduce emissions by optimizing usage, recovery and reuse, and substituting with alternative materials, etc.  | Overseas: Basic unit: 97 or less compared with 2010 levels<br>Domestic: Emissions: 67 or less compared with 2010 levels<br>Non-consolidated: Emissions: 60 or less compared with 2010 levels (Including VOC and PRTR substances) |
|   | Reduction of Volatile Organic Compound (VOC) emissions  | Reduce emissions, for example, by improving processes and transitioning to alternative materials   | Overseas: Basic unit: 69 vs target of 70 or less compared with 2000 levels<br>Domestic: Emissions: 678t vs target of 963t or less<br>Non-consolidated: Emissions: 393t vs target of 500t or less   | ○    | 78   |  |  |
| Using resources effectively                   | Reduction of emissions (Reduction of waste)   | Reduce emissions by addressing their sources, for example, by improving yield ratios (Continue zero emissions)   | Overseas: Promote zero emissions<br>Domestic: Emission basic unit: 97.5 vs equivalent or less compared with fiscal 2010 levels<br>Non-consolidated: Emission basic unit: 99.9 vs equivalent or less than fiscal 2010 levels                    | ○    | 75   | Promote waste reduction on a global scale aimed at minimizing resource loss  | Overseas: Promote waste zero emissions<br>Emissions: Assess by 2012<br>Domestic: Emission basic unit: 98.5 or less than 2010 levels<br>Non-consolidated: Emission basic unit: 98.5 or less than 2010 levels                      |
|   | Reduction of water consumption  | Set targets for each country/region to promote activities that optimize usage and recycling  | Overseas: Basic unit: 48 vs target of 90 or less compared with 2005 levels   | ○    | 76   | Designate initiatives for each country or region with high need and set individual targets   | Overseas: Basic unit: 98 or less compared with 2010 levels   |
|   | Reduction of packing material usage in logistics  | Reduce packing material usage, for example, by simplifying packing and expanding use of returnable containers  | Non-consolidated: Purchase volume: 18,700t vs target of 18,900t or less  | ○    | 75   | Reduce packaging material purchase volume by simplifying packing and expanding use of returnable containers, etc.  | Consolidated: Basic unit: 99 or less compared with 2010 levels<br>Non-consolidated: Basic unit: 99t or less compared with 2010 levels  |

[○] Goal achieved

URL Details of fifth phase of Environmental Action Plan 2015 (in Japanese)  
[http://www.denso.co.jp/ja/csr/environment/basically/files/eco\\_vision2015.pdf](http://www.denso.co.jp/ja/csr/environment/basically/files/eco_vision2015.pdf)

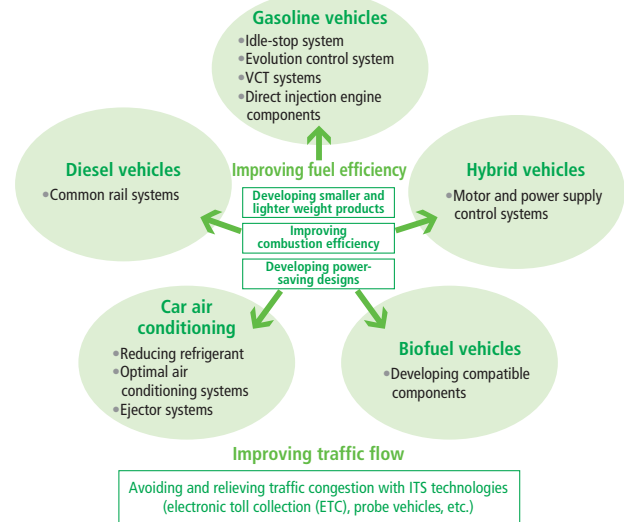
# Prevention of Global Warming

## Contributing to CO<sub>2</sub> emission reductions in products

### Basic stance

Since product use represents the stage with the highest CO<sub>2</sub> emissions in the automobile lifecycle, to help prevent global warming in terms of automotive parts it is important to increase fuel efficiency through lightweight designs and high combustion efficiency. In DENSO-related product areas, we are promoting advanced “improvements of fuel efficiency and less power consumption” through control that links systems installed in vehicles, such as engine management systems, car air conditioners and safety equipment.

### ◎Management of CO<sub>2</sub> emissions reduction



### Fiscal 2011 activities

Based on the theme of contributing to the prevention of global warming, DENSO is progressing with technology development and commercialization, with a focus on “vehicle electrification, fuel economy improvements and CO<sub>2</sub> reductions.”

In terms of vehicle electrification, we have introduced a new electric air conditioning system for hybrid buses, which helps to significantly reduce power consumption. Aside from this, we have steadily expanded shipments of battery monitoring units and other items for ensuring the safe and efficient use of lithium ion batteries in plug-in hybrid cars. In our efforts to improve fuel consumption and reduce CO<sub>2</sub>, we are developing products for emerging

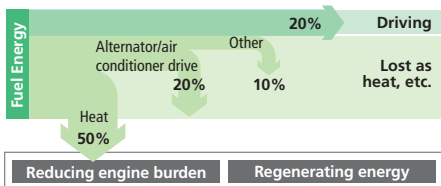
nations where fears of environmental impact are rising as rapid advancement occurs within the automobile society. Such products include the world’s lightest starter for 4WD vehicles and a heat exchanger that achieves a marked reduction in materials and energy consumed in production. This latter product is being employed in light vehicles and compact cars. Going forward, we will accelerate the development of products that contribute to the prevention of global warming by connecting and integrating diverse technologies pursuant to our energy management stance that aims to enhance energy efficiency of the entire vehicle.

## Eco Products

### (1) Toward vehicles that use energy wisely—Energy management

One current issue concerning vehicles is finding ways to reduce fuel consumption and cut CO<sub>2</sub> emissions. In reality, only about 20% of fuel can actually be used as energy for driving a vehicle, while the remaining portion functions as essential elements for the generator and air conditioner, with a large portion lost as heat. To reduce this energy loss, DENSO is working to raise the efficiency of internal combustion through diesel-related products and gasoline direct injection, developing an idle-stop system, and focusing on hybrid products as part of efforts to reduce fuel consumption. At the same time, we are progressing with “energy management” for efficiently utilizing the energy in fuel.

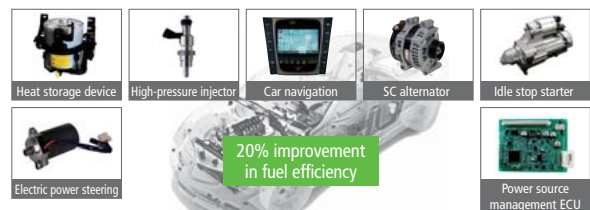
This approach represents our idea for improving environmental performance by linking technologies in a wide range of business groups such as power train control systems, thermal systems, electric systems, electronic systems and information and safety systems to raise energy efficiency of the entire vehicle. These efforts are based on the twin pillars of “reducing the engine burden” through efficient power generation and realizing power-saving devices and energy control, as well as promoting “regenerative use” that entails recovery and reuse of heat energy emitted by vehicles and kinetic energy lost during deceleration.



Approximately 20% of fuel used in vehicles is utilized as energy for driving, while the remaining 20% is mainly discarded as heat.

**Energy management**

- Regeneration during deceleration
- Navigation coordination
- Cooling storage
- Heat storage
- Infrastructure coordination driving support



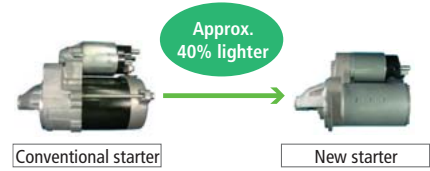
Aim for an approximately 20% increase in the fuel efficiency of gasoline vehicles by linking and integrating multiple systems.

(2) New Eco Products in fiscal 2011

1. Starter for 4WD vehicles

World's lightest with around a 40% weight reduction from conventional models

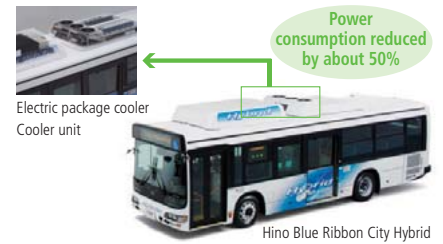
With conventional starters, the pinion needs to be shifted toward the ring gear to engage the fly wheel ring gear when cranking the engine. However, this basic mechanism makes it difficult to reduce the size of anything but the motor. Upon a review of this structure, DENSO developed a pinion shift mechanism that separates the clutch and pinion so only the pinion needs to engage with the engine ring gear. This enables a drive mechanism that is around 70% lighter as well as a switch part that is smaller and lighter than conventional starters. As a result, the overall product weight is approximately 40% lighter compared with conventional starters (light vehicles powered by gasoline engines up to 1,200cc). The new starter has been employed in the MR Wagon launched by Suzuki Motor Corporation in January 2011. In addition to this product, DENSO has developed a starter, which is about 30% lighter than existing ones, for larger vehicles (1,200cc to 2,500cc).



2. Electric air conditioning system for hybrid buses

Power consumption of system's compressor reduced by half

Conventional air conditioning systems have a compressor driven by an engine belt, so when the engine stops, the air conditioning system no longer operates. In addition, the compressor located near the engine has to be connected to the cooling system mounted on the roof via a long refrigerant pipe. To solve these problems, DENSO developed a new system that uses battery power in which an electric compressor with a built-in inverter is mounted on the roof unit. This enables the pipes to be shortened, which decreases the weight of the system. The use of an electric compressor allows precise control, which reduces the power consumption of the compressor by about 50% compared with DENSO's previous systems. The new system can operate while the engine is stopped so as not to compromise passenger comfort as well as make it easier to enforce idling stops. The first vehicle to use the new system was the Hino Blue Ribbon City Hybrid, a bus launched by Hino Motors, Ltd. in June 2010.



3. Heat exchanger for overseas market (radiator, heater core, condenser and evaporator)

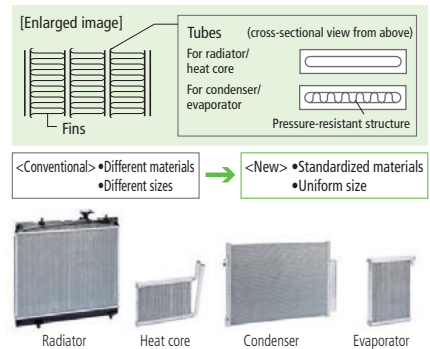
Reduced resource and energy consumption by sharing production lines for four products that have different usage

A heat exchanger is a device used to transfer heat between liquids and gases of different temperature. Vehicles use different heat exchangers including a radiator to cool the engine coolant, a heater core to warm the cabin air, a condenser to cool the air conditioner refrigerant and an evaporator to cool the cabin air. A heat exchanger mainly consists of three parts: tubes through which cooling water or refrigerant flows, a tank that holds such fluid and folded fins for heat exchange.

Although the four types of heat exchangers have similar movement and structure, the required corrosion resistance and pressure resistance differ. In addition, a variety of highly precise materials and components must be used to cater to different usage conditions such as extreme cold or hot. This means each product has to be manufactured on separate production lines. However, DENSO carefully assessed the needs and usage environment of the Indian market, where demand is high, to determine optimal specifications while maintaining quality. We then pushed ahead with major standardization of materials and components such as fins and tubes, which resulted in 70% fewer material types and 40% fewer component types. These improvements allowed us to manufacture the four different heat exchangers on a single production line.

As a result, we both considerably decreased resources and energy invested into each product while also increasing local procurement. The four new heat exchangers are used in the Toyota Etios, which was released in December 2010.

Standardization of fins and tubes



COLUMN

Based on the assumption that if every vehicle manufactured from 2008 to 2012 featured DENSO environmental technology products, CO<sub>2</sub> emissions could be reduced by at least 100 million tons over five years.

We based our calculation of CO<sub>2</sub> emissions on worldwide automobile production volume forecasts and lifecycle information (LCA\*) for gasoline, diesel, and hybrid cars.

\*Life cycle assessment: A technique for assessing the environmental impact of a product throughout its service life.

Gasoline vehicles

Electric VCT

Dramatically improves combustion performance by enabling valve timing to be freely regulated.



Hybrid vehicles

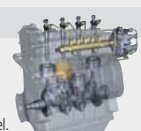
High-performance power control unit Provides efficient motor control through a combination of revolutionary miniaturizing and heat dissipation performance.



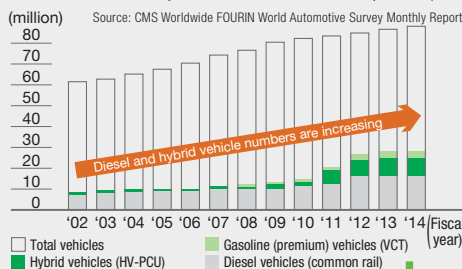
Diesel vehicles

Common rail system

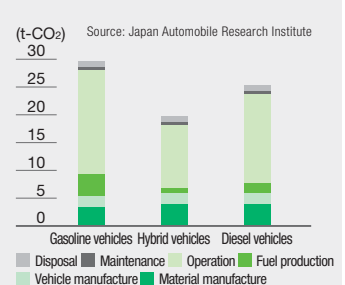
Along with less CO<sub>2</sub> emissions compared with gasoline vehicles, DENSO common rail system ensures complete combustion by atomizing the fuel.



Vehicle production volume trend (total vehicles based on four-wheeled vehicle production and forecasts for widespread use)



LCA-calculated CO<sub>2</sub> emissions



Total CO<sub>2</sub> reductions from 2001 to 2013

|                                   |   |  |   |   |   |                             |
|-----------------------------------|---|--|---|---|---|-----------------------------|
| Total gasoline (premium) vehicles | × | LCA: CO <sub>2</sub> emissions from gasoline vehicle operation | × | Rate of fuel efficiency of improvement Variable cam timing (VCT)=4%(1-7%)   | = | 73,000,000t-CO <sub>2</sub> |
| Total hybrid vehicles             | × | LCA: CO <sub>2</sub> emissions from hybrid vehicle operation   | × | Rate of fuel efficiency of improvement Hybrid vehicles=30%(15-70%)  | = | 26,000,000t-CO <sub>2</sub> |
| Total diesel vehicles             | × | LCA: CO <sub>2</sub> emissions from diesel vehicle operation   | × | Rate of fuel efficiency of improvement Common rail=2.5% High-pressure injection=1% } 3.5% + Transition from gasoline to diesel vehicles | = | 11,000,000t-CO <sub>2</sub> |

CO<sub>2</sub> reductions (estimated) if DENSO technologies (products) were used in all vehicles worldwide 110,000,000t-CO<sub>2</sub>

**Contributing to the reduction of CO<sub>2</sub> emissions in production activities**

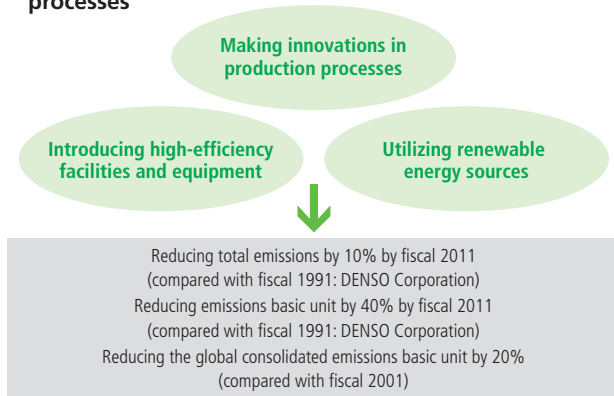
**Basic stance**

Greenhouse gases emitted as a result of DENSO's production activities consist primarily of CO<sub>2</sub> associated with energy consumption, hydrofluorocarbons (HFCs) used in air conditioner refrigerant and perfluorocarbons (PFCs) and sulfur hexafluoride (SF<sub>6</sub>) used in semiconductor production, as well as CO<sub>2</sub> emissions associated with logistics. Of these, CO<sub>2</sub> emissions associated with energy consumption account for 82% of greenhouse gas emissions. In terms of the Eco Factory concept, which is dedicated to achieving a sustainable society, the reduction of greenhouse gas emissions throughout the supply chain has

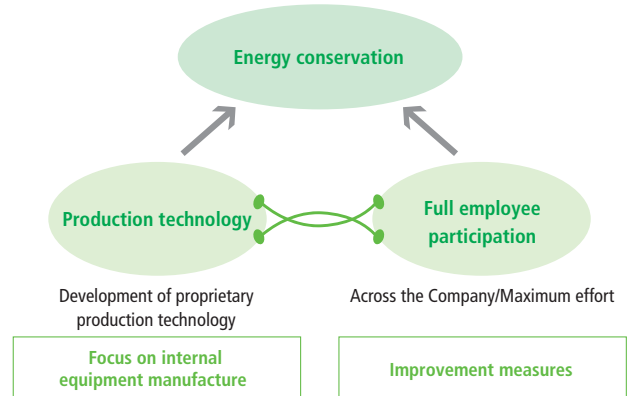
been positioned as a priority issue, and we are promoting group-wide energy-saving activities.

The following features epitomize DENSO's energy-saving activities: (1) Promote energy conservation in equipment through development of proprietary production technology (tangible); and (2) Devise ways for all employees to save energy with the equipment and share these ideas across the Company (intangible). These two features must be connected to produce maximum results.

◎ **Initiatives for reducing CO<sub>2</sub> emissions in production processes**



◎ **DENSO's energy-saving activity flow**



**Promotion structures**

In 2008, we created the CO<sub>2</sub> Project Office under the aegis of the Environment Committee and under the direct control of an executive officer in order to prioritize the reduction of CO<sub>2</sub>. This office manages CO<sub>2</sub> related matters inside the Company and at Group companies, decides on overall management of the energy conservation budget and investment conditions, and provides guidance on developing technologies to conserve energy in production processes and

equipment. Three groups have been placed under the office to promote various activities: Energy Group (make thorough enhancements), Energy-saving Technologies Group (develop proprietary energy-saving equipment) and Public Relations Group (publicly promote effectiveness of energy-saving technology, systems and co-generation). (See page 56.)

## Fiscal 2011 activities

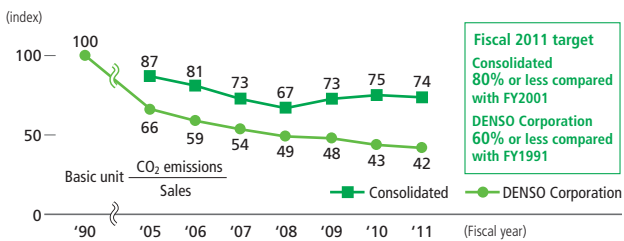
### (1) CO<sub>2</sub> emissions

We consider the ongoing reduction of CO<sub>2</sub> emissions to be one of the most important issues in preventing global warming. As such, we have established targets that call for a reduction in DENSO Corporation's CO<sub>2</sub> emissions by 10% as well as reduction of 40% in the basic unit compared with fiscal 1991 levels by fiscal 2011; and a reduction in global consolidated production emissions basic unit encompassing all domestic and overseas Group companies by 20% compared with fiscal 2001 levels by fiscal 2011. Additionally, the Japan Auto Parts Industries Association, of which DENSO is a member, has put forth the voluntary target of reducing average CO<sub>2</sub> emissions by 7% compared with

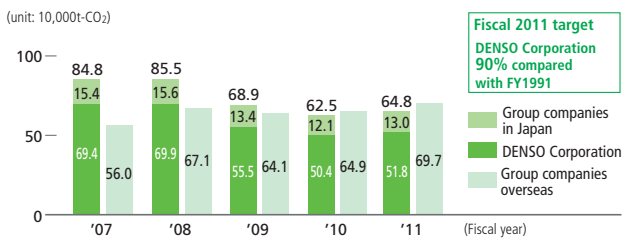
fiscal 1991 levels from 2008 to 2012.

DENSO has formulated an energy reduction plan for each business location and company aimed at achieving these goals based primarily on innovating production processes, introducing highly efficient equipment and utilizing natural energy. The plan is examined and revised each year and initiatives are subsequently implemented. As a result, the CO<sub>2</sub> emissions basic unit for DENSO Corporation in fiscal 2011 was 42 (compared with fiscal 1991) and 74 on a global production basis (compared with fiscal 2001). Overall emissions at DENSO Corporation were 90% of fiscal 1991 levels.

#### ◎CO<sub>2</sub> emissions basic unit of the DENSO Group



#### ◎CO<sub>2</sub> emissions of the DENSO Group



#### Basic rationale on the calculation of total greenhouse gas emissions at DENSO

At DENSO, all greenhouse gases defined in the Kyoto Protocol are cumulatively calculated, specifically, CO<sub>2</sub>, five gases (energy-related greenhouse gases) and PFC, HFC, SF<sub>6</sub>, N<sub>2</sub>O and CH<sub>4</sub> (non-energy-related greenhouse gases). The emission coefficient set by region is the conversion factor for CO<sub>2</sub> at DENSO. In Japan, the Company uses the conversion factors shown in the table below. Outside Japan, DENSO uses the factors publicly announced in each global region. Please note that in this report the reduction effect of CO<sub>2</sub> by co-generation is converted by the average of conversion factors for different types of thermal power generation. The effect of co-generation is included in the CO<sub>2</sub> emissions of the Company. As for the emissions of the five gases, from fiscal 2007, the Company began using the instructions of the Law Concerning the Promotion of the Measures to Cope with Global Warming enacted and enforced in Japan.

#### ◎Conversion factors for CO<sub>2</sub> used in the calculation of CO<sub>2</sub> emissions

|                    |  |
|--------------------|--|
| Electricity        | 0.2966kg-CO <sub>2</sub> /kWh            |
| Heavy fuel oil (A) | 2.7093kg-CO <sub>2</sub> /L              |
| Kerosene           | 2.4907kg-CO <sub>2</sub> /L              |
| Propane            | 3.0404kg-CO <sub>2</sub> /kg             |
| City gas           | 2.2702kg-CO <sub>2</sub> /m <sup>3</sup> |

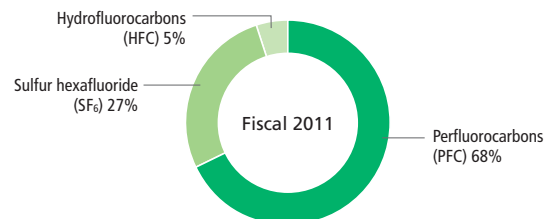
\*Reference of conversion factor for CO<sub>2</sub>: Electricity taken from a publication of Japan Auto Parts Industries Association from fiscal 2009; others taken from a publication of Japan Automobile Manufacturers Association

### (2) Reducing greenhouse gases other than CO<sub>2</sub>

We are following a five-year plan with the target of reducing emissions of these gases by 70% compared with fiscal 2004 levels by fiscal 2011.

From fiscal 2009, we installed scrubbers to reduce emissions of PVC gases used in semiconductor manufacturing processes and have been promoting alternatives to these gases, and in fiscal 2011 we reduced emissions by 23,877t-CO<sub>2</sub> and thus attained the target of our EcoVision.

#### ◎Breakdown of greenhouse gas emissions (excluding energy-source CO<sub>2</sub>) [DENSO Corporation]



## Priority initiatives

### (1) Energy conservation activities

Based on a belief in the importance of minimizing energy loss close to zero, we are undertaking concerted efforts to reduce electricity use, which accounts for 60% of DENSO's energy consumption. The basis of these efforts is to identify latent issues by visualizing the energy consumption of individual production lines and by scoring progress in activities, as well as to comprehensively undertake improvement measures.

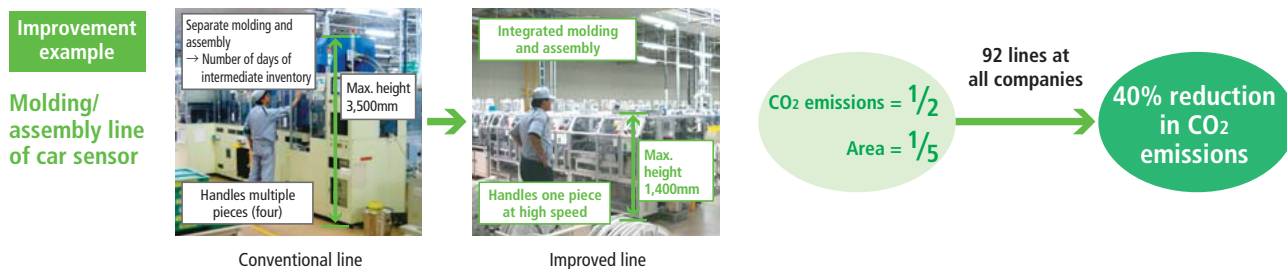
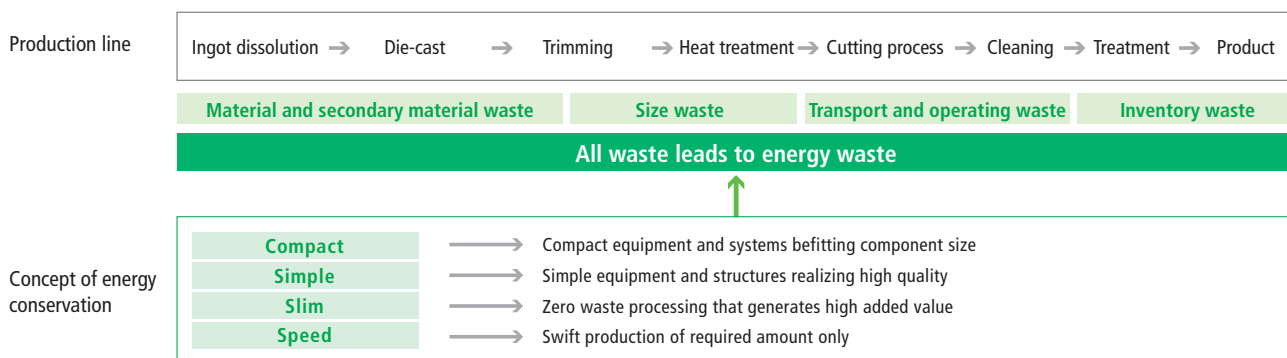
The Energy Savings Processes Research Group (currently, the Energy-saving Technologies Group) was organized in 2001 to effectively promote energy conservation in production equipment through proprietary development, design and manufacture. This Group is working on 23 different areas of development aimed at reducing CO<sub>2</sub> over the long term. Also, since 2003, we have been working to thoroughly eliminate waste in all equipment and processes (materials, secondary materials, size, transport, operation, inventory) and make other necessary improvements to minimize potential energy waste. We reduced CO<sub>2</sub> by approximately 40% on 104 production lines in Japan by 2010 compared with 2003.

Domestic and overseas Group companies have expanded improvement activities with a focus on diagnosing the status of energy conservation. In particular, we have sought to strengthen Perfect Energy Factory (PEF) activities as all employees strive to make improvements and visualize energy consumption. We are horizontally putting into practice 115 improvement methods in three languages (Japanese, English and Chinese).

#### ◎Measures to reduce CO<sub>2</sub> emissions

|  |  |  |  |  |
|--|--|--|--|--|
| Procedures   | <ul style="list-style-type: none"> <li>•Announce concept of DENSO Eco Factory</li> <li>•Expand Global PEF in Japan and overseas</li> </ul>   |  |  |  |
| Reduction measures                                       | <table border="0"> <tr> <td>PEF activities</td> <td> <ul style="list-style-type: none"> <li>•Expand energy-saving air blowers throughout the Group</li> <li>•Expand energy-saving air nozzles</li> <li>•Check and repair compressed air leaks</li> <li>•Electrify molding machines</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>•Thoroughly implement turning equipment off between operating times</li> <li>•Educate all employees on saving energy</li> </ul> </td> </tr> </table> | PEF activities   | <ul style="list-style-type: none"> <li>•Expand energy-saving air blowers throughout the Group</li> <li>•Expand energy-saving air nozzles</li> <li>•Check and repair compressed air leaks</li> <li>•Electrify molding machines</li> </ul> | <ul style="list-style-type: none"> <li>•Thoroughly implement turning equipment off between operating times</li> <li>•Educate all employees on saving energy</li> </ul> |
|  | PEF activities   | <ul style="list-style-type: none"> <li>•Expand energy-saving air blowers throughout the Group</li> <li>•Expand energy-saving air nozzles</li> <li>•Check and repair compressed air leaks</li> <li>•Electrify molding machines</li> </ul> | <ul style="list-style-type: none"> <li>•Thoroughly implement turning equipment off between operating times</li> <li>•Educate all employees on saving energy</li> </ul>   |  |
| Development of energy-saving technologies for processing | <ul style="list-style-type: none"> <li>•Miniaturize equipment for machining and heating</li> <li>•Introduce machining machines for dry processing</li> <li>•Circulate waste heat and cold energy</li> </ul>  |  |  |  |

#### ◎Approach to improvements to equipment and processes

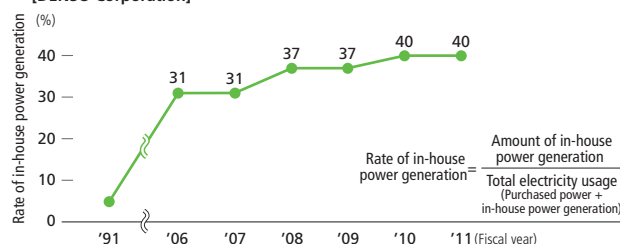


### (2) Introducing high-efficiency facilities

We have actively introduced co-generation facilities at domestic factories given an extremely effective means of promoting energy savings due to their ability to generate electricity using natural gas, a fuel that generates less CO<sub>2</sub> emissions, and utilize waste heat.

Currently, our in-house power generation ratio is 40% (total power generation of 535,000MWh). We expect an annual reduction of 150,000t-CO<sub>2</sub> through our 13 co-generation facilities. Co-generation facilities are effective as dispersed power systems even during a power outage so we will continue to strive to operate them as efficiently as possible.

#### ◎In-house power generation deploying co-generation [DENSO Corporation]



### (3) Saving energy with Just-In-Time system

DENSO is working to establish a system for the utilization and supply of just the right amount of energy at the necessary time based on the idea that "energy for production is not fixed infrastructure but another component to be controlled." This is known as the Just-In-Time (JIT) energy activities. In fiscal 2010, the Manufacturing Department, Production Engineering Department,

Machinery and Tools Department, Facilities Department and DENSO Facilities Corporation came up with this concept together aimed at creating an energy conservation system impervious to changes in production volume. We are optimizing both JIT supply that provides energy and JIT production that uses energy.

#### JIT supply

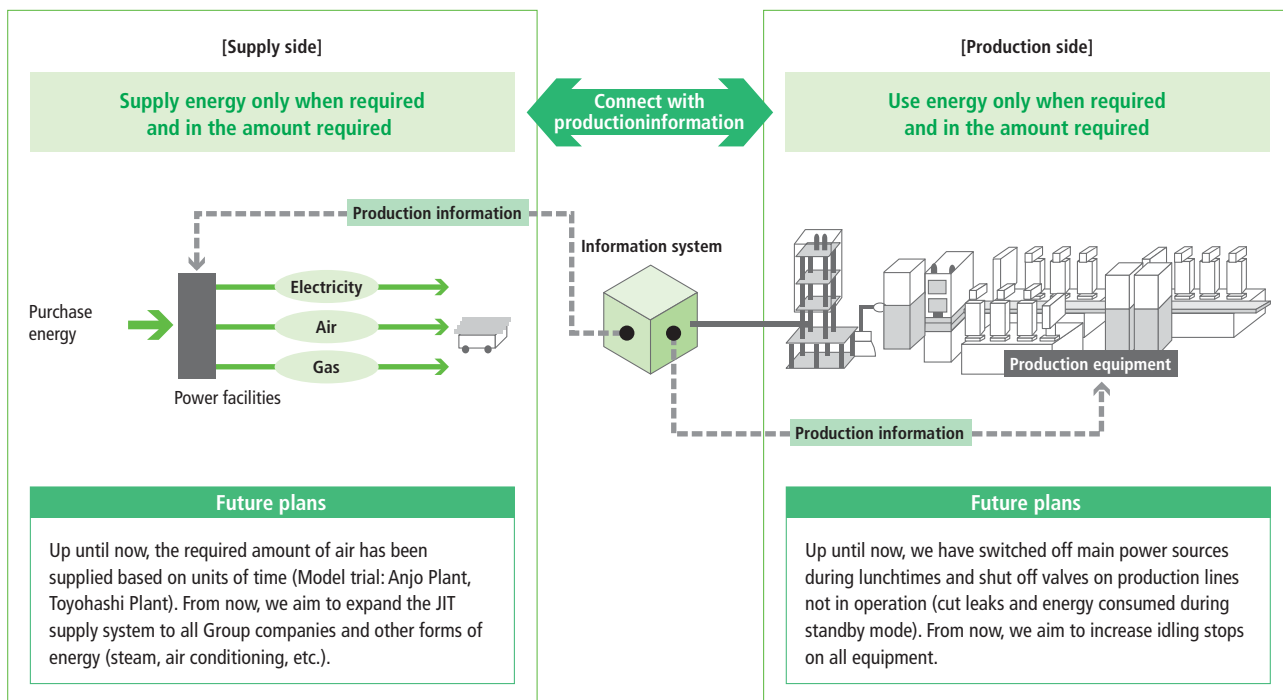
The Energy Supply Division is working to optimize the supply of compressed air to each process by using an "energy signboard" that displays information on orders for compressed air sent from the Manufacturing Department. A PC screen displays equipment and times not requiring supply, enabling personnel to estimate the amount of consumption in a single day and arrange the best combination of air compressors for optimal supply efficiency. By doing so, we reduced the amount of power consumed by compressors by around 9% for the year.

#### JIT production

Since fiscal 2009, we have been conducting a campaign to switch off equipment on production lines during break times, which has resulted in around a 4% reduction in energy consumption on model lines. In fiscal 2010, we shifted to automatic idling stops on the equipment to save further energy when products are not on the line. This feature has become standard on our production lines.

#### ©Concept of JIT energy

Point of focus: Energy for production is not infrastructure, but a component





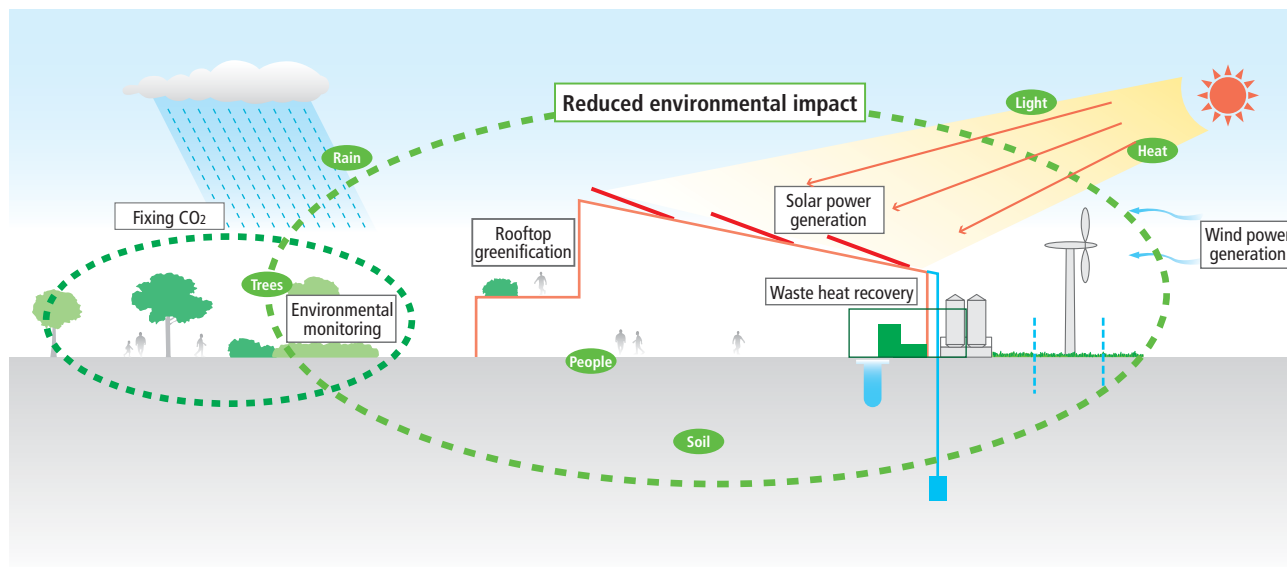
### Reducing CO<sub>2</sub> emissions through the Eco Factory Plan

Because we consider the reduction of CO<sub>2</sub> emissions to be one of the most important tasks in transforming all of our production plants into Eco Factories, we have established model factories and developed plans to construct new facilities and renovate existing facilities. For example, the plant expansion at the Daian Plant (Mie Prefecture) includes using baking furnace waste heat, electrifying air compressors by drive motor, disclosing our progress in meeting energy-saving goals and introducing solar- and wind-powered electric vehicles.

We stepped up efforts in fiscal 2009 by turning off air conditioning systems during breaks to ensure the emission factor does not deteriorate even when production volume changes and by conducting patrols.

Elsewhere, we are deploying an energy-saving system designed to take advantage of local characteristics by using stored snow to cool the facility during summer at DENSO Electronics Corporation (Hokkaido), where we started producing electronic components in April 2009.

### ©Contribution of Eco Factories to reduce CO<sub>2</sub> emissions



### C O L U M N

#### Utilizing renewable energy with solar power generation

Amid rising social concern over global warming and energy issues, in March 2011 we installed solar panels in the car park at DENSO Corporation's headquarters (Kariya City, Aichi Prefecture) as part of our environmental conservation efforts. The system generates around 40kW of energy, which is equivalent to the amount of power used by 10 standard homes. The energy generated by the solar panels is used to power the lights and air conditioning in the offices and the DENSO Gallery, an exhibition space, as well as the LED lighting in the car park.

We have also installed solar panels on the eaves of the main entrance of building 5 at the headquarters and at the Zenmyo Plant (Nishio City, Aichi Prefecture) and Takatana Plant (Anjo City, Aichi Prefecture) to make use of renewable energy.

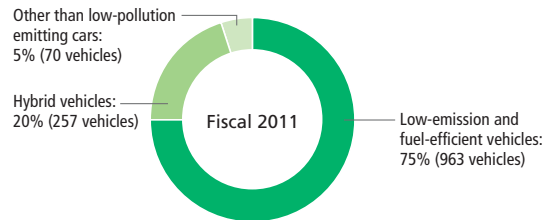


## Promoting employee "Eco Life" activities

DENSO works to raise awareness of employees about how they can practice an "Eco Life" and to provide a foundation for doing so based on a belief that environmentally responsible conduct on the part of its approximately 120,000 employees can make a significant contribution to the prevention of global warming. The fourth phase of the Environmental Action Plan sets forth the following priority initiatives to serve as guidelines in these efforts: (1) expansion of the use of clean energy vehicles and low-pollution emitting cars in the Company's fleet, (2) further improvement and promotion of commuting programs like Park & Ride, (3) awareness-raising to promote widespread adoption of eco-driving practices and (4) promotion of tree-planting activities around factories. In Japan, in addition to launching a shuttle bus service in the vicinity of DENSO Corporation's headquarters in November 2006 (Park & Ride) and promoting tree-planting activities, environmental activities have been

linked to the DECOPON Eco-Point System in which employees are actively encouraged to participate.

### Percentage of clean energy vehicles and low-pollution emitting cars comprising the Company's fleet [DENSO Corporation]



## Reducing CO<sub>2</sub> emissions at dealerships and service stores

Dealerships and service stores that repair DENSO products and sell reconditioned (rebuilt) and environmentally friendly products are also actively working to reduce the amount of electricity and gas used in their offices and repair shops under the DENSO-approved Eco Service Station program.

To further promote these efforts, we are raising awareness of related initiatives by visualizing and quantitatively realizing CO<sub>2</sub> reductions in offices and product sales from fiscal 2009.

### CO<sub>2</sub> reductions from the Eco Station program

| Target            |                       | CO <sub>2</sub> reductions (calculated based on information from DENSO and the Ministry of Land, Infrastructure, Transport and Tourism, etc.) |                                    |                |                                  |
|-------------------|-----------------------|---|------------------------------------|----------------|----------------------------------|
| Rebuilt products  | Alternators/ starters | Difference between new and reconditioned products   | 8.2kg-CO <sub>2</sub> per vehicle  | Volume 295,000 | 3,509t-CO <sub>2</sub> reduction |
|                   | Injection pumps       |   | 22kg-CO <sub>2</sub> per vehicle   | 25,000         |                                  |
|                   | Compressors           |   | 8.3kg-CO <sub>2</sub> per vehicle  | 65,000         |                                  |
| Eco Product sales | Digital tachometers   | Annual comparative reduction  | 231 kg-CO <sub>2</sub> per vehicle | 10,000         | 4,565t-CO <sub>2</sub> reduction |
|                   | ETC equipment         |   | 11kg-CO <sub>2</sub> per vehicle   | 205,000        |                                  |

## Reducing CO<sub>2</sub> emissions from logistics activities

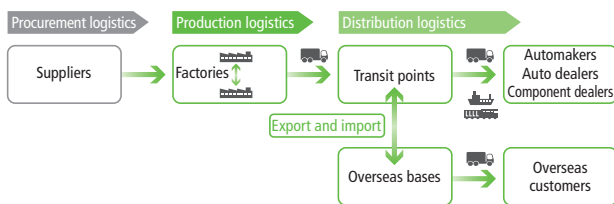
DENSO Corporation ships approximately 21,000m<sup>3</sup> of products each day to domestic and overseas destinations by truck, railway and ship. We consign distribution operations to DENSO Logitem Corporation, a subsidiary, and work together to promote CO<sub>2</sub> reductions at specified shippers in order to fulfill our social responsibility.

Specifically, we are helping promote a composite program including measures such as (1) improving loading ratios, (2) promoting modal shift (to rail or ship transport to Tohoku Region), (3) practicing energy-saving shipping

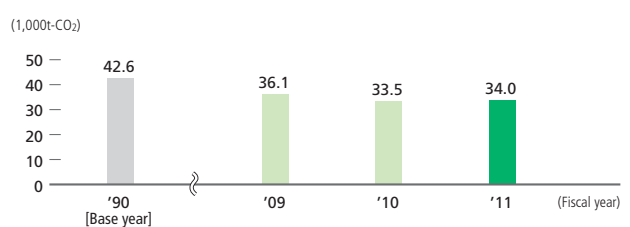
by means of optimal routes, (4) shipping directly to suppliers, (5) increasing efficiency in logistics between intermediary warehouses, (6) supporting the introduction of Eco-Tours and (7) introducing tools to enhance fuel efficiency.

In fiscal 2011, amid a 6% increase in distribution volume in line with higher production, we integrated transportation routes, shortened transport distances and implemented other measures, achieved our fiscal year target and recorded 34,000t-CO<sub>2</sub> in overall emissions.

### DENSO logistics



### CO<sub>2</sub> emissions from logistics [DENSO Corporation]



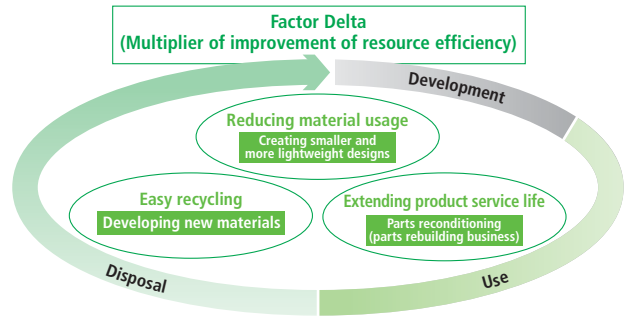
# Resource Recycling

## Effective use of resources by products

### Basic stance

Legal requirements and frameworks for recycling are getting stricter around the world directed toward realizing more effective use of resources and preventing environmental pollution. The Automobile Recycling Law and the Law for Promotion of Effective Utilization of Resources have been enacted in Japan and are currently being debated in China. In an effort to effectively utilize resources, we are striving to recycle resources throughout the product lifecycle by reducing material use through smaller and more lightweight designs (product development stage). DENSO is extending service life by rebuilding and reconditioning products (product usage stage) together with developing materials that break down easily or are easy to recycle and calculating the recyclable ratio (disposal stage). The fourth phase of the Environmental Action Plan identifies these as priority initiatives, and we are pursuing high resource efficiency using Factor Delta environmental factors for

products especially during the design stage, the first phase of the product lifecycle.



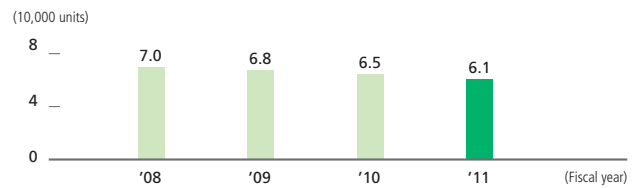
## Increasing resource recycling via parts rebuilding business by the Group

In creating collection and recycling systems for used products, DENSO believes in the importance of ensuring effectiveness and efficiency that matches the social infrastructure of each country in which we operate.

At the same time, DENSO is working to expand its parts rebuilding business by practicing recycling with the following priorities in order to minimize environmental impact: product reconditioning (rebuilding) → parts reuse → material recycling. Many alternators (electric generators) and starters taken from used automobiles can be restored to an adequate level of functionality if consumables such as brushes and bearings are replaced and serviced. DENSO REMANI Corporation (Anjo City, Aichi, Japan) recovers, reconditions and ships such parts, assuring their quality via rigorous performance inspections comparable to that used for new products. Group companies are

increasing the distribution of reconditioned products by setting up similar parts rebuilding businesses in Europe, the United States and China.

### ©Product reconditioning volumes at DENSO REMANI



URL DENSO REMANI  
<http://www.densoremani.co.jp/en/index.html>

Effective use of resources in production

Basic stance

The practice of ocean dumping has been banned under the Waste Disposal and Public Cleansing Act while this and cross-border transfers of waste have been banned under the Basel Convention. With concern over how many years remain for using Japan's final disposal sites, manufacturers are under pressure to establish production systems that do not generate waste.

To maximize resource productivity, DENSO has positioned the regulation of waste generation and reduction of water and paper consumption as priority challenges.

We are promoting zero emissions (zero landfill waste) primarily through the effective use of resources from development to production, greater

production efficiency, reduced waste treatment costs and raising awareness of employees.

We have established the target at DENSO Corporation of cutting the disposal amount basic unit by 5% and at domestic manufacturing companies by 1% compared with fiscal 2004 levels by fiscal 2011, along with promoting top-tier reduction activities at overseas manufacturing companies.

We are working to reduce waste and the disposal amount of main materials (metals and plastics) and subsidiary materials (fats, oil and chemicals) by developing processing methods that take resource conservation into account and designing products that generate less waste.

Fiscal 2011 results

(1) Zero emissions of waste and emissions reduction

A total of 20 domestic Group companies have joined DENSO Corporation in achieving and continuing to practice zero emissions since fiscal 2004, and in fiscal 2011, 20 out of 44 principal facilities have achieved and continue to practice zero emissions. We also have established an auditing system for domestic waste treatment operators as a means to ensure the most appropriate disposal.

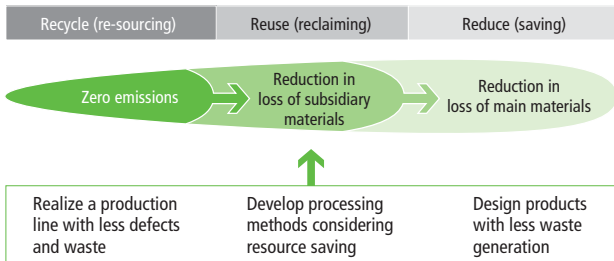
In an effort to reduce waste generation, we focused on increasing the

yield ratio by curbing metal and plastic material waste through the reuse of runner\* residual materials, extending the useful life of processing oil and minimizing waste treatment chemicals. Regarding emission results, the basic unit was 4.93, which surpassed our target of 5.06 or below.

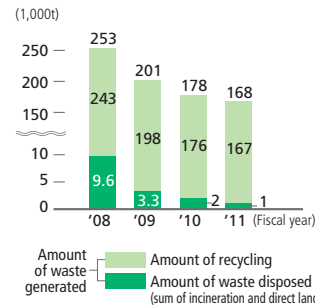
\*Path for plastic and metal material from molding machine nozzle to mold that shapes the product

Positioning of zero emissions and activities for reducing waste and emissions

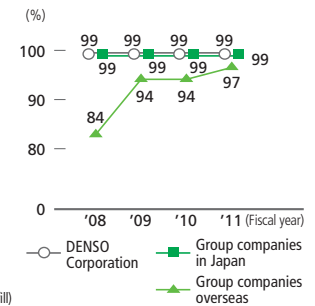
Reduce waste materials with the three Rs



Recycling and waste processing amounts



Recycling rates

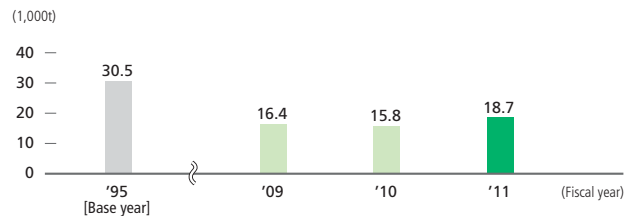


(2) Reducing packing material usage in distribution

We are establishing the target of reducing DENSO Corporation's packing material utilization by 35% compared with fiscal 1996 levels by fiscal 2011, and promoting the use of more simple and returnable packing materials in accordance with the 3R (reduce, reuse, recycle). Specific efforts to simplify packing materials include the use of less cushioning, which was made more compact and lighter in accordance with the structure of each product, and using more lightweight packing materials. Wide-ranging efforts also include promoting a switch from cardboard to plastic returnable containers and from cardboard pallets to plastic sheets, as well as reusable packing in transportation between factories.

We achieved our annual goals with a total amount of 18,700t in fiscal 2011 by expanding these measures.

Amount of packing materials used [DENSO Corporation]



### (3) Reducing water consumption

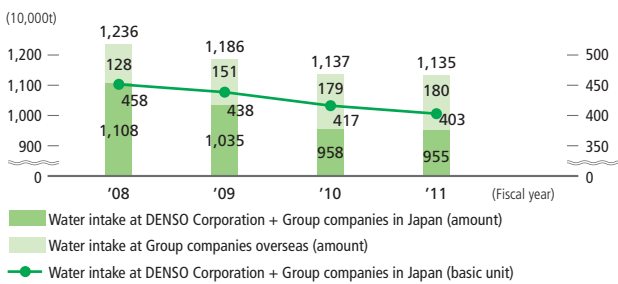
It is said that humans can use just 0.01% of the water on the Earth, and water shortages around the world are becoming a serious problem.

DENSO has incorporated our policy toward efforts into the Environmental Action Plan that aims to make effective use of water resources and minimize water consumption. We have set regional guidelines and targets for the reduction of water consumption based on an understanding of major intake sources. Besides striving to conserve and recycle water, we have set voluntary standards that are stricter than legal requirements for the management of water quality and temperature and discharge water to a level that minimizes

the impact on effluent streams.

Water consumption in fiscal 2011 amounted to 11.35 million tons, a reduction of 1% compared with the previous fiscal year. This was achieved through such means as utilizing a closed system for cleaning with alkali ion water for degreasing at DENSO, utilizing rainwater for daily-use water at DMUK (UK), using rainwater for watering greenery at DNHA and DNIN (India), and treating sewage water to enable use for watering greenery and various other non-drinking applications at DMGZ (China).

#### ◎Water consumption

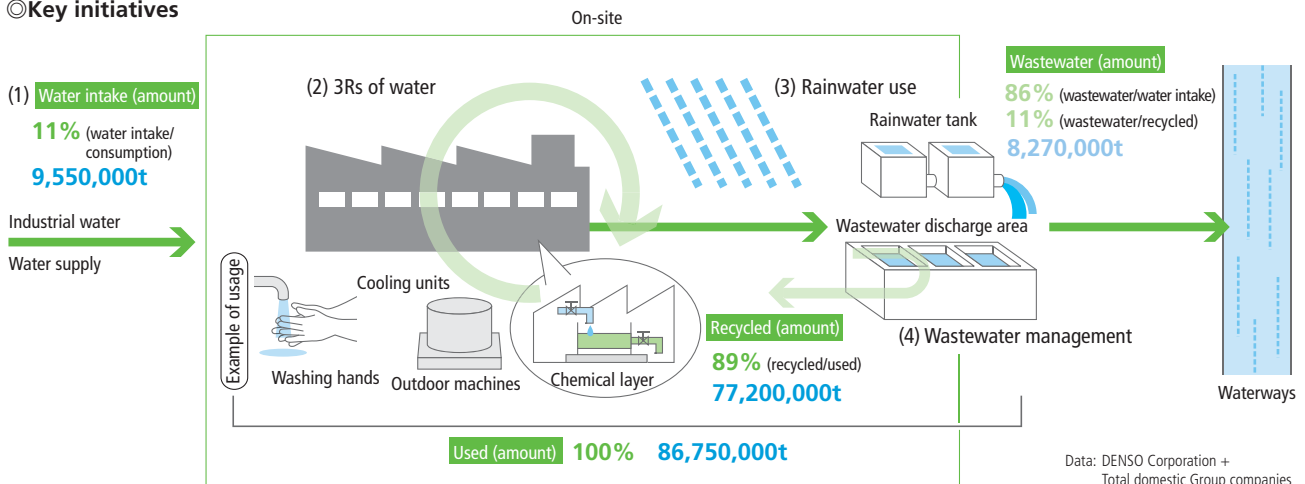


Watering greenery (DNIN)



Facilities for treating sewage water (DMGZ)

#### ◎Key initiatives



#### 1. Reduce intake amount

A large quantity of water is used to clean components and for cooling in the production process. As such, we have set reduction targets for the amount of water intake for industrial purposes at each factory and are working to effectively reuse and recycle water through various techniques.

#### 2. Enhance the 3Rs of water

We aim to enhance the 3Rs of water when selecting equipment to use. This means minimizing water consumption (Reduce), using spent water again (Reuse) and treating and re-circulating water (Recycle).

#### 3. Effectively use rainwater

Rainwater is collected and stored in tanks at production sites in Japan, where rainfall is high, as well as overseas. This water is then used for watering greenbelts and as coolant for air conditioning units.

#### 4. Manage wastewater and reduce risk through a closed loop system

DENSO has set voluntary standards for wastewater treatment processes that are even stricter than legal requirements as a means to enhance quality management for wastewater. We are promoting a closed loop system through systematic processing at the concentrated level, reuse and high-quality management. Sewage water from factories is treated and processed using anaerobic microorganisms. This helps cut sludge to one-third and required power consumption to one-half compared with aerobic microorganisms. Also, the methane gas generated is effectively utilized as fuel.

(For detailed data, see Supplementary Data on page 89.)

# Control and Reduction of Environmentally Hazardous Substances

## Controlling and reducing chemical substances in products

### Basic stance

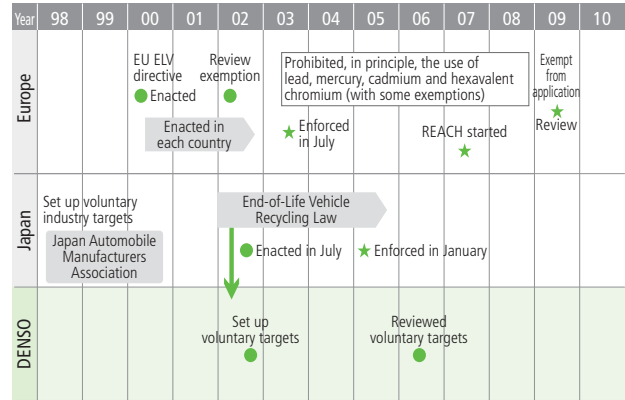
There are currently more than 100,000 distinct chemical substances in use worldwide and regulations governing their use and emissions are being strengthened globally on the back of concerns over the effects on human health as well as the environmental impact when discharged into soil or water. In order to minimize the environmental impact of our products and ensure convenience and safety for our customers, DENSO seeks to strengthen production and management systems in line with a basic policy to reduce the use of chemical substances throughout a product's lifecycle to the greatest extent possible.

In particular, we have taken advantage of the implementation of the European Union ELV directive\*1 in 2000 to move forward with efforts to eliminate use of the four targeted substances of lead, mercury, cadmium and hexavalent chromium by 2008 (excluding exemptions\*2) and meet the requirements of the REACH Regulations for chemical substances in force in Europe.

\*1 ELV (End-of-Life Vehicles) directive: A series of regulations concerning used automobiles that entered into force in the European Union in October 2000. In principle, the regulations will be phased in to prohibit the use of harmful chemical substances in vehicle materials and components put on the market after July 2003.

\*2 Cases in which substitute materials or methods capable of securing the same performance are not available and are therefore exempted

### Response of DENSO and industry to laws and regulations



## Fiscal 2011 results

### (1) Eliminating the use of lead

Along with revisions to the EU ELV directive and Annex II in mid-2009, as a measure for stronger responses to lead regulations, there was also a move to institute an implementation deadline for lead in high-melting point solder, glass, ceramics and metal alloys (iron and steel, aluminum, copper), which up

to now have been exempted from application indefinitely.

To steadily move forward with its response, DENSO plans to conduct assessments of the appropriateness of alternative items.

### (2) Responding to REACH Regulation

Regarding substances and mixtures that are handled by production facilities and Group companies in the EU, DENSO has verified the pre-registration of items at each company in the supply chain providing us with materials. The next step is for each company in the supply chain to actually register these items, which began in 2009.

We are also utilizing an internal system (MACAS\*1) and making responses concerning the communication of information about SVHC\*2 in products and components.

In 2010, we registered substances in response to the CLP\*3 Regulation, which is legislation regarding the classification, labeling and packaging of substances and mixtures that is closely related to the REACH Regulation. To

comply with the REACH Regulation, CLP Regulation and other regulations, coordination among companies in the automotive industry and industry in general is essential. Accordingly, DENSO has promoted information exchanges with related industries in cooperation with the Japan Automobile Manufacturers Association through the Japan Auto Parts Industries Association and intends to continue promoting a steady response in the future.

\*1 Material Chemical Assessment System (MACAS): DENSO's internal system for monitoring data on materials and elements that make up products and components

\*2 Substances of Very High Concern: A candidate list of around 1,500 substances such as endocrine-disrupting agents

\*3 Classification, Labeling and Packaging of substances and Mixtures

## Controlling and reducing chemical substances during production

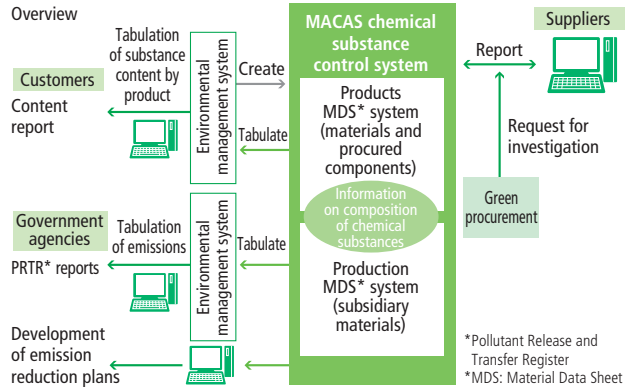
### Basic stance

We classify chemical substances used at factories into "prohibited," "targeted for reduction" and "controlled" categories. Since fiscal 2002 we have sought to implement unified control of all chemical substances used in product materials, procured components and production processes by means of MACAS, a proprietary chemical substance control system. Also, we continue to develop alternative technologies and reduce usage and emissions of chemical substances on an ongoing basis. In terms of a management system, we have applied a weighting to each substance depending on the health risk, environmental impact, consumption and amount of emission, and are focusing on the reduction of substances with significant environmental impact.

We have established uniform group-wide standards aimed at preventing previous environmental risk, and are working to prevent the spread and outflow of harmful substances to the external environment and disclose information on chemical substances. Efforts are being concentrated on enhancing communication related to chemical substances and environmental matters directed toward local communities.

### Chemical substance control system

MACAS: Material Chemical Assessment System



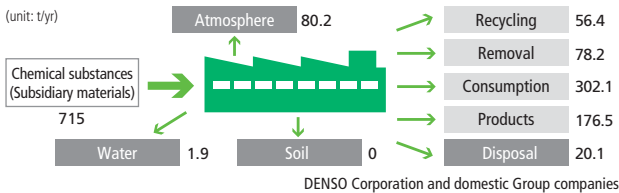
## Fiscal 2011 results

### (1) Responding to Pollutant Release and Transfer Register (PRTR)

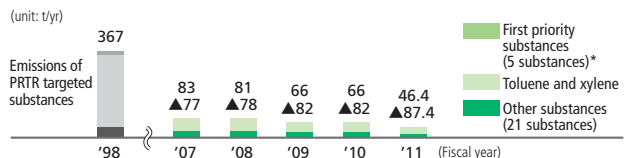
We are addressing the use of PRTR targeted substances that are listed in Japan by improving processes and transitioning to alternative substances. To this end, we have established the targets of reducing emissions of these 354 substances by 75% at DENSO Corporation and by 65% at domestic Group companies compared with fiscal 1999 levels by fiscal 2011. At the same time, we are reducing the basic unit by 30% at overseas Group companies compared with

fiscal 1999 levels by fiscal 2011 in compliance with legal regulations in each country or region. We achieved our targets in fiscal 2011 thanks to progress in initiatives such as introducing water-soluble paint for use on the exteriors of power distribution components. In fiscal 2010, DENSO Corporation posted PRTR-listed substance emissions of 46t (target: 92t), while domestic Group companies posted emissions of 47t (target: 52t).

### Emissions of PRTR targeted substances



### Reduction of PRTR targeted substances [DENSO Corporation]



\*First priority substances: hexavalent chromium compounds, lead compounds, cyanogen compounds, formaldehyde, tetrachloroethylene

### (2) Reducing VOCs

To comply with amendments to Japan's Air Pollution Control Law announced in 2005 regarding emissions of volatile organic compounds (VOCs), a class of air pollutants, DENSO has revised upwards the goals laid out in the fourth phase of the Environmental Action Plan. The new targets were set to promote initiatives for emissions to be reduced by 35% compared with fiscal 2001 levels by fiscal 2011 at DENSO Corporation and by 30% at domestic Group companies compared with fiscal 2001 levels by fiscal 2011, as well as for overseas Group companies to implement top-tier measures for their country or region.

In fiscal 2011, we reduced emissions by 48% (compared with fiscal 2001 levels) by sealing up equipment, enhancing processes and management of emissions, collecting and reusing products, and shifting to water-based paint in addition to using traditional VOC collection and removal equipment.

Currently, we are promoting redoubled efforts for improvement by switching to low VOC agents for cleaning solutions and flux solvents and by eliminating and consolidating production lines.

Control and Reduction of Environmentally Hazardous Substances

**(3) Soil and groundwater purification and conservation**

Aggressive action is required to prevent soil and groundwater contamination from the perspectives of corporate social responsibility and environmental risk management. DENSO Corporation has conducted surveys of all factories and business sites based on the history of hazardous substance use at each site since the 1980s. The Company compiled a *Soil and Groundwater Pollution Prevention Manual* in 1991 and eliminated use of chlorine-based organic solvents in the Group in 1995. The Company has also adopted a basic policy as well as risk management standards for soil and groundwater pollution. From fiscal 2005 to 2007, DENSO surveyed the history of land use at all business locations of global consolidated companies (including non-production bases).

This process revealed the presence of organic chlorine substances in excess of environmental limits at four sites in 1998, since which time DENSO has been implementing purification measures. In line with tighter controls, we

commenced resurveys of VOCs and heavy-metal contamination in fiscal 2002. We immediately started purification activities at sites that exceeded standard values. We have completed soil decontamination and are continuing to purify groundwater.

Measurement results and progress are being reported and explained through local government and community forums.

**© Measured value of trichloroethylene**

Environmental standard level: 0.03 mg/l or less

| Location     | Groundwater concentration at site (mg/l) | Current status           |
|--------------|--|--------------------------|
| Headquarters | Less than 0.002 up to 1.340              | Purification in progress |
| Ikeda Plant  | Less than 0.002 up to 2.223              | Purification in progress |
| Anjo Plant   | Less than 0.002 up to 0.894              | Purification in progress |
| Nishio Plant | Less than 0.002 up to 1.236              | Purification in progress |

\*The substances were detected only at the locations listed above.

**(4) Early treatment of PCB waste**

The Stockholm Convention classified polychloride biphenyls (PCBs), a group of substances widely used in dielectrical oil and heating media, as persistent organic pollutants, introducing restrictions on the manufacture, use and disposal of stored stocks and mandating reductions in emissions. Japan introduced storage and reporting requirements the same year with the enactment of the Law for the Promotion of Environmentally Sound Destruction

of PCB Waste. DENSO Corporation had been storing the substances in accordance with relevant laws since 1974 but began disposing of them at a specialized disposal company for high-voltage capacitors in 2006. This process had been completed for 125 of a total of 129 units by fiscal 2009.

We are working to quickly dispose of PCB waste from the remaining units in collaboration with the specialized disposal company.

**(5) Reduction of ozone depleting substances**

International regulations regarding chlorofluorocarbons (CFCs) were introduced pursuant to the Montreal Protocol in July 1989 in light of their recognition as substances that deplete the ozone layer in the stratosphere. The production of CFCs was prohibited at the end of 1995, leading to a steady reduction in consumption.

DENSO established the Special Committee in Response to Restrictions on CFCs in 1988 prior to the issuance of the international regulations, and conducted activities to reduce CFCs used in the cleaning of electronic compo-

nents and the processing of machine components at factories as well as in refrigerants for car air conditioning systems. As a result, we completed the switch to HFC-134a, a fluorocarbon alternative for use in refrigerants for car air conditioners, by the end of 1995 and totally eliminated CFCs in manufacturing processes by August 1995.

DENSO actively engages in governmental projects and contributes to actions to combat CFCs in Japan as a leading manufacturer of car air conditioning systems in the industry.

**Stakeholder comments**

**Providing detailed reports on earthquake preparedness initiatives at each company**

Toyota Group companies actively participate in cleanup activities around the region and the traditional 10,000 Lanterns Festival, which contribute greatly to vitalization of the local community. They have gained a high level of trust as a result of their sincere basic stance and honest efforts in environmental conservation. Although regular drills are being undertaken in different regions and districts, we would also like to hear about their disaster- and earthquake-related measures in place at each company since the possibility of a big earthquake is on the minds of the general public.

**Kunio Furuhashi**, Mayor of Sakura District, Kariya City  
\*Position as at March 2011





# Cooperation with Society

## Environmental communication

### Basic stance

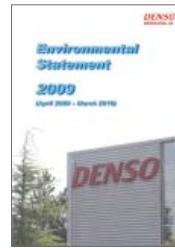
Along with promoting environmental conservation activities, efforts to extend such initiatives in cooperation with a broad range of stakeholders are essential in order to build a sustainable society. DENSO pursues environmental action consisting of external collaboration that transcends business domains and the release of information in the form of its Eco Friendly activities. Further, annual goals have been established in the fourth phase of the Environmental Action Plan. Priority initiatives include: (1) promoting employee "Eco Life" activities

(see "Prevention of Global Warming" on page 73), (2) actively transmitting information and enhancing interactive communication with stakeholders, (3) enhancing environmental education, (4) enhancing environmental and social contributions, and (5) fostering external alliances toward the realization of a sustainable society (coordination with related organizations, activities devoted to protecting biodiversity, etc.).

## Information dissemination and external coordination

### (1) Publication of CSR and sustainability reports

Based on the belief that CSR Reports serve as important tools for implementing the "check" function of the PDCA cycle, since publishing our first environmental report in 1999 we have been progressively enhancing our disclosure of information each year. We also recommend that overseas Group companies publish their own reports, and DNBA (Spain, since 2005) and DMUK (the United Kingdom, since 2006) now publish reports on an ongoing basis. Additionally, the Anjo Plant (Aichi Prefecture) has published a site report since fiscal 2008. In October 2008, the Company issued a compilation of cases outlining outstanding environmental initiatives performed by domestic Group companies that are being encouraged throughout the organization.



DNBA (Spain)



DMUK (United Kingdom)

### (2) Exhibiting at Eco Products

DENSO has been an active participant in environmental exhibits, which it considers to be an opportunity for promoting a greater understanding of its environmental initiatives and encouraging exchanges with a variety of people. In Japan, DENSO exhibited environmentally friendly products and technologies and held a number of hands-on events at the Eco Products 2010 exhibit in Tokyo in December 2009. DENSO also introduced advanced environmental technologies at motor shows held in Frankfurt, Detroit, Beijing, Tokyo and other cities worldwide.



Eco Products 2010



Detroit Motor Show

### (3) Events held during Environment Month

DENSO holds numerous events during Environment Month in June that help raise environmental awareness among employees, their families and local residents at the headquarters and surrounding areas.

#### ©Major events for Environment Month in fiscal 2011

| Date                  | Content   | Location      | Participants |
|-----------------------|---|---------------|--------------|
| From June 9 to July 9 | President message & environmental lecture, DECO school: movie-screenings for learning eco actions, developing green oasis: planting memorial trees at workplaces (activity) | Kariya, Aichi | 2,297        |

### (4) Promoting coordination with related organizations

DENSO has been participating in the World Business Council for Sustainable Development as a representative of the automotive components industry since 2000. Executives from approximately 150 companies from 30 countries participate in this organization, which has the goal of reconciling the demands of environmental conservation, social justice and economic growth. Since 2000, DENSO has also been a charter member of the Environmental Partnership Organizing Club (EPOC), a private organization of 307 major companies from the Chubu region, which is one of Japan's premier industrial areas. DENSO Corporation President and CEO Nobuaki Katoh has served as

the vice-chairman of EPOC since 2010, a role he uses to widely promote advanced initiatives that address environmentally responsible design and energy conservation.



World Business Council for Sustainable Development



**Biodiversity initiatives**

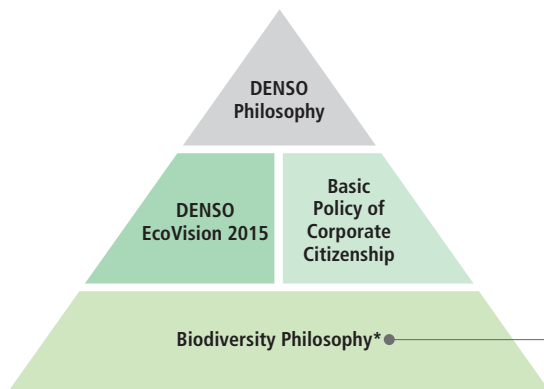
**Basic stance**

Our planet is inhabited by a wide variety of flora and fauna that maintain the balance of ecosystems. However, human activity has brought about changes in ecosystems, habitats and nursing grounds and threatens many species with extinction, making the restoration and conservation of diverse ecosystems a global priority and leading to the adoption of the Convention on Biological Diversity in 1992.

To build a sustainable society, it is essential to resolve various issues regarding global warming and biodiversity in particular. In light of this fact, DENSO recognizes the importance of always taking into account biodiversity in

all of our business activities and ensuring the sustainable use of natural and biological resources. For that reason, we not only seek to reduce the environmental impact in our business activities but also to maintain, preserve and restore ecosystems to their original state in each region to the greatest extent possible. We view this as a global corporate mission and therefore have incorporated the policy into the DENSO EcoVision 2015. We will continue to implement projects to achieve this goal in collaboration with environmental non-profit organizations (NPOs) and local communities under the guidelines of the Declaration of Biodiversity issued by Nippon Keidanren.

◎ Positioning of biodiversity at DENSO



In working toward solutions to global environmental problems such as global warming and threats to biodiversity, we aim for the realization of a sustainable earth and society and the development of enriched local communities. We are also striving to attain a balance between protecting biodiversity and ensuring sustainable use of natural resources through the development of technologies, the operation of our plants and the actions of each individual employee.

\*Deliberation giving consideration to Convention on Biological Diversity

〈Basic principles and desired shape〉

- Mitigate the impact on endangered and rare species (preserve the current state)
- Maintain and preserve ecosystems that have existed since our founding (around plants)
- Development by minimizing risks (when setting up new plants)
- Preserve and regenerate sustainable forests
- Nurture next-generation environmental leaders

〈Main initiatives in biodiversity〉

| Initiatives  | Aims  |
|--|---|
| (1) Curtail CO <sub>2</sub> emissions from energy sources (factories) and water consumption            | Curb global warming, deter increase in species extinctions, reduce impact on living organisms   |
| (2) Conduct environmental assessments  | Evaluate environmental impact and potential impact on biodiversity when building new factories, clean up soil contamination, purify groundwater |
| (3) Enhance fuel efficiency and reduce exhaust gas   | Curb global warming, deter impact on living organisms   |
| (4) Attain balanced sustainable use of biological resources  | Reduce consumption of natural materials for use in products, switch to alternative materials  |
| (5) Build biotope at Zenmyo, Takatana, Daian plants  | Preserve and restore mountain lowland ecosystems, protect endangered and rare species, curb global warming                                      |
| (6) Conduct surveys of ecosystems around factories   | Protect endangered and rare species   |
| (7) Implement DENSO Green Project  | Maintain and conserve mountain lowland ecosystems, plant trees  |
| (8) Collaborate with Nippon Keidanren Committee on Nature Conservation                                 | Plant trees (donate to emerging countries)  |
| (9) Implement DENSO YOUTH for EARTH Action (New Earthlings Project), Eco-Ranger 21                     | Develop human resources (foster ideals and technologies that contribute to environmental improvement)   |
| (10) Protect the bluebird (U.S.) and conserve the Japanese Iris Habitat and Genji Firefly Village, etc | Protect endangered and rare species   |

〈Unique perspectives of DENSO's initiatives〉

- Avoid causing damage (plant operations)**
  - At the raw material extraction stage**
    - Ensure sustainable ecosystems
  - At the manufacturing, processing, transportation and sales stages**
    - Undertake site location and construction properly
    - Obtain water and treat wastewater properly
    - Carry out disposal of waste properly
  - At the service provision and usage stages**
    - Ensure proper energy efficiency
    - Strive for long-term use and re-use
  - At the disposal and treatment stages**
    - Raise reusability
  - As a management system**
    - Continually ascertain impacts
- Utilization (technology development)**
  - Learn from the functions and powers of organisms**
    - As new materials and products
    - As organic and engineering functions
  - Maximize the use of raw materials**
- Protect (employee actions)**
  - Protect precious ecosystems**
  - Maintain mountain lowlands**
    - For ensuring the continuation of our business

## Fiscal 2011 activities

### (1) Initiatives in our main business operations

There is global competition to secure resources, as rare metals, including rare minerals and rare earth, become indispensable in functional materials that support high-tech products such as electronic and electrical equipment and automobile components.

On the other hand, destruction of the environment accompanying resource extraction and allocating profits from diverse resources between advanced and developing countries are becoming major issues. These issues were an important part of the agenda at the tenth meeting of the Conference of the Parties (COP 10) to the Convention on Biological Diversity held in Japan in October 2010. Amid these circumstances, DENSO is focusing on developing

alternative fuels and raw materials that utilize biological resources that carefully take biodiversity into account in order to minimize environmental destruction from resource extraction. These initiatives include the commercialization of a plant-derived plastic radiator tank and expanding research on bio-fuels that utilize photosynthesis of micro-algae.

In procuring raw materials for products, DENSO promotes purchases from metals and chemicals manufacturers that work to coexist with and protect organisms and nature and strives to give priority to using recycled materials, including aluminum die-cast materials, rather than using virgin materials.

### Example of initiative Purifying and discharging wastewater using strict internal standards based on legal requirements

At DENSO factories, we have set internal standards for the level of harmful substances permitted when wastewater from production activities is purified and discharged into waterways, and these levels are one-fifth to one-half lower than the figures stipulated in the Water Quality Pollution Control Act. For example, we strictly monitor phosphorus levels 24 hours a day to prevent dissolution since this substance can cause an overabundance of nutrients and upset the balance of the ecosystem. Phosphorus is contained in phosphorus-based fire-retarding material and is indispensable to the production of electronic print boards. (See page 89.)



Wastewater treatment facility (Zenmyo Plant)



Goldfish pond to monitor water quality prior to discharge into waterways

### COLUMN

#### Super-hydrophobic feature for car air conditioning learned from the natural world

If condensed water in the air attaches to the fins of the evaporator during the heat exchange process, it compromises the performance of the car air conditioner. The fins therefore need to be highly water repellent. The lotus effect provides us with a hint as to how we can resolve this problem. When rain hits a lotus leaf or the eyes of a mosquito, the water forms into round droplets and runs off. Fine hairs on the surface hold the water up and it forms into round droplets. The increased surface tension acts to flick off the water and dirt. At DENSO, we applied this concept to the surface of the fins and increased water draining ability. It is important to protect biodiversity so that we can make effective use of the wisdom of living organisms.



Super-hydrophobic property of the lotus leaf

### (2) Protecting locally endemic biodiversity and rare animal and plant life

Our factories worldwide implement activities befitting regional characteristics to protect locally endemic biodiversity and rare animal and plant life that include monitoring, surveying and establishing bird sanctuaries.

DMMI (Michigan, United States) established a Wildlife Conservation Committee in 1998. The Company continues to carry out activities with regard to conserving rare plants species at an on-site Wild Flower Garden (approximately 400m<sup>2</sup> area) and building nest boxes to support breeding of bluebirds in the Muscicapidae family. When *Pseudorasbora pumila* subsp., an endangered species of freshwater fish, was discovered in 1998, the Zenmyo Plant (Nishio City, Aichi, Japan) took the opportunity to build a biotope (approximately 3,000m<sup>2</sup> area) and is now creating a mountain lowland ecosystem for spot-billed ducks. At the Daian Plant (Mie Prefecture), *Phragmites japonica*

Steed that is grown on an artificial floating island cleanses pond water as we work to create a hospitable environment for fish. In addition, in Kariya and Nishio cities in Aichi Prefecture, which is home to many production bases, DENSO employee volunteers have been cooperating with local conservation groups since 1995 to mow grass and pick up litter at the Japanese Iris Habitat, which has been designated as a natural treasure by the Japanese government, and the Genii Firefly Village.

#### Principal rare species that have been confirmed to inhabit areas near DENSO sites in Japan

| Site                                      | Site area               | Species  | Category   |
|---|-------------------------|--|--|
| Zenmyo Plant (Nishio, Aichi Prefecture)   | 320,000m <sup>2</sup>   | <i>Pseudorasbora pumila</i> subsp. (freshwater fish) | EN: Endangered (as designated by Ministry of the Environment)                  |
| Daian Plant (Inabe, Mie Prefecture)       | 855,000m <sup>2</sup>   | <i>Tanakia limbata</i> (freshwater fish)             | VU: Vulnerable* (as designated by Mie Prefecture and others)                   |
| Abashiri Test Center (Abashiri, Hokkaido) | 5,480,000m <sup>2</sup> | <i>Hynobius retardatus</i> (amphibian)               | LP: Locally threatened population<br>N: Noteworthy (as designated by Hokkaido) |
|   |                         | <i>Paeonia obovata</i> Maxim (seed plant)            | VU: Endangered species (as designated by Ministry of the Environment)          |

\*Species considered to be moving toward extinction



Wild flower garden and blue bird (DMMI)

### (3) The DENSO Green Project

DENSO has been working with local communities to promote the DENSO Green Project since 2006 with the goal of restoring and preserving ecosystems inhabited by a variety of plant and animal life, and creating greenery that is familiar to the people of local communities. The initiative has two components: the creation of DENSO Forests, consisting of tree-planting activities in the vicinity of the sites where products are manufactured; and the creation of DENSO Green Highways, consisting of tree-planting activities along the expressways where products are used. Employees, their families and members of NPOs and local residents are working together to thin, prune and plant trees. Up to November 2010, these activities had been carried out a total of 21 times. Approximately 2,530 volunteers, including local residents as well as employees of DENSO and Group companies and their families have partici-

pated and around 3,880 saplings have been planted. From fiscal 2011, we introduced "Green Partner," an employee leader system, and commenced a trial initiative to encourage the creation of forests by employees. Additionally, we also will initiate an activity for planting saplings nurtured and harvested at plants on sloped areas of business premises.



Carrying logs  
(7th DENSO Forest in Nukata: May 2010)

#### Example of initiative

### Cooperation with "caravan seminar" on biodiversity in Aichi Prefecture for COP 10

A "caravan seminar" was planned for Aichi Prefecture, where the tenth meeting of the Conference of the Parties (COP 10) to the Convention on Biological Diversity was held. Local people were invited to participate in the seminar as a means to increase understanding of the need to conserve biodiversity and encourage action to achieve this goal. DENSO approved of the general outline and provided the biotope for study purposes at the Zenmyo Plant, which is engaged in efforts to preserve the habitat of the *Pseudorasbora pumila* subsp. Personnel provided guidance to around 104 participants and explained the workings of the biotope that uses purified wastewater and the creatures living there as well as the types of birds that fly in.



Biotope and *Pseudorasbora pumila* subsp. (Zenmyo Plant)

#### Example of initiative

### Working with children to protect the spawning area of loggerhead turtles

DENSO Corporation's Toyohashi Plant (Toyohashi City, Aichi Prefecture) has teamed up with the NPO Omotehama Network to institute DENSO Eco-Ranger 21, an experimental environmental program for elementary school students (4th to 6th grades) on the Omotehama coast in Toyohashi City, one of the foremost areas for loggerhead turtles to lay their eggs. Here, participants aim to create an environment that is kind to the loggerhead turtles and seaside plants. Efforts include making a barrier (sediment enclosure) to stop sand from flying in with the wind, making it easy for the loggerhead turtles to lay their eggs as these animals are endangered. At the same time, the children learn about the sea and have the chance to observe a sandy beach and the creatures living there.

"We have been building the artificial beach area together with DENSO for three years now. The capabilities of its personnel and the size of its network have helped us in many different ways," stated Mr. Tanaka, Representative Director of the Omotehama Network. "DENSO covers the areas we are unable to as an NPO. We make use of its knowledge and ideas to come up with innovative concepts of our own. By leveraging respective strengths, we hope to further enhance activities going forward. The curiosity of the children and their inquiring minds teach us a lot as well. In the future, we have high expectations for those that will lead the next generation."



Yuji Tanaka,  
Representative Director of the  
NPO Omotehama Network



Creating a sediment enclosure to assist with turtle egg-laying



There are concerns that loggerhead turtles will become extinct.

#### Example of initiative

### Seven companies of Toyota Group hold regular environmental meetings

DENSO holds environmental meetings in conjunction with the Toyota Group companies (Aisin Seiki Co., Ltd., Aichi Steel Corporation, JTEKT Corporation, Toyota Industries Corporation, Toyota Auto Body Co., Ltd., Toyota Boshoku Corporation), which have had their main offices in Kariya City, Aichi Prefecture since 1999. The mayors from the different wards surrounding their business operations as well as the heads of community centers and city offices represent their respective areas at the meeting, where each company presents their environmental activities and their related progress reports. Participants also have the opportunity to observe factory operations. At the meeting held on December 2, 2010, participants heard the results of a survey on environmental awareness that was given to local residents by the city office as well as their desires, enabling thoughts and ideas to be shared and verified. Environmental reports were also presented.



11th environmental meeting for the Kariya region

# Supplementary Data

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## Financial Summary

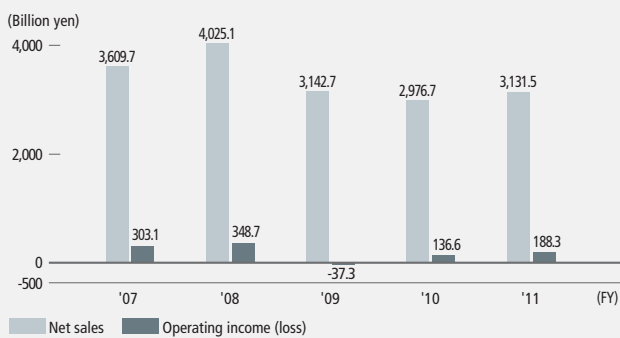
(As of March 31, 2011)

|                                   |  |
|-----------------------------------|--|
| Capital                           | 187.4 billion yen  |
| Employees                         | 123,165 (Consolidated, +1.9% yoy)  |
| Consolidated subsidiaries         | 187 companies<br>(Japan 68, The Americas 28, Europe 35,<br>Asia/Oceania 50, Other areas 6) |
| Affiliates under equity<br>method | 31 companies (Japan 13, The Americas 4,<br>Europe 2, Asia/Oceania 10, Other areas 2)       |
| Net sales                         | 3,131.5 billion yen (Consolidated, +5.2% yoy)  |

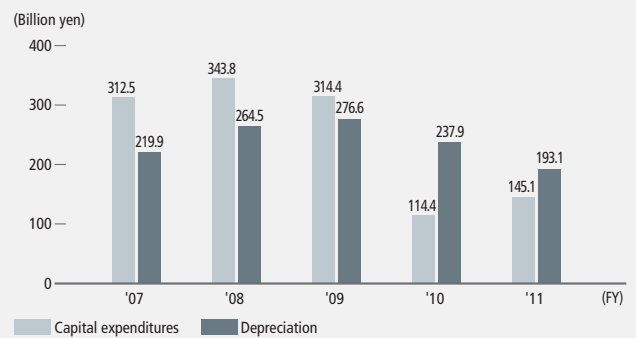
|  |  |
|--|--|
| Ordinary income                          | 207.2 billion yen (Consolidated, +35.7% yoy) |
| Capital expenditures                     | 145.1 billion yen (+26.8% yoy)               |
| Research and development<br>expenditures | 290.1 billion yen (+7.4% yoy)                |
| Cost of sales                            | 2,662 billion yen (+4% yoy)                  |
| Overseas sales ratio                     | 50.6% (+1.6% yoy)                            |
| Corporate tax paid                       | 47.6 billion yen (+85.9% yoy)                |
| Internal reserves*                       | 114 billion yen (+117% yoy)                  |

\*Net income for the current year, excluding dividends

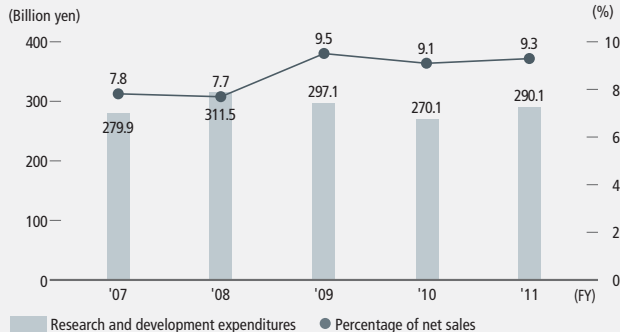
## ◎Net sales / Operating income (loss)



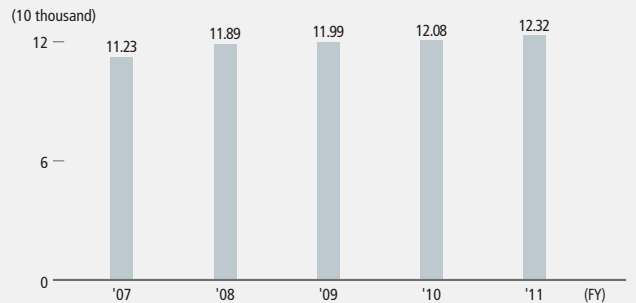
## ◎Capital expenditures / Depreciation



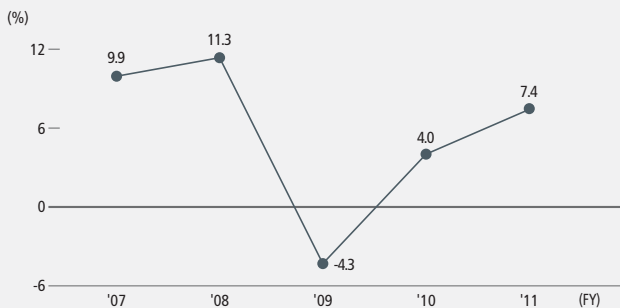
## ◎Research and development expenditures



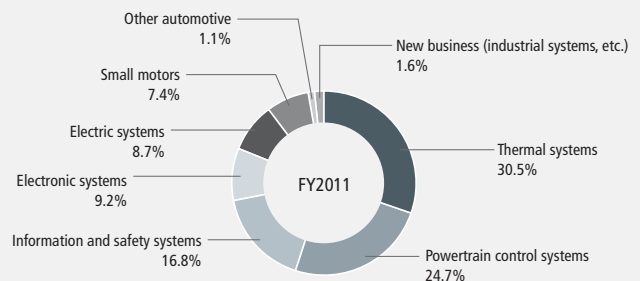
## ◎Employees



## ◎Return on equity (ROE)



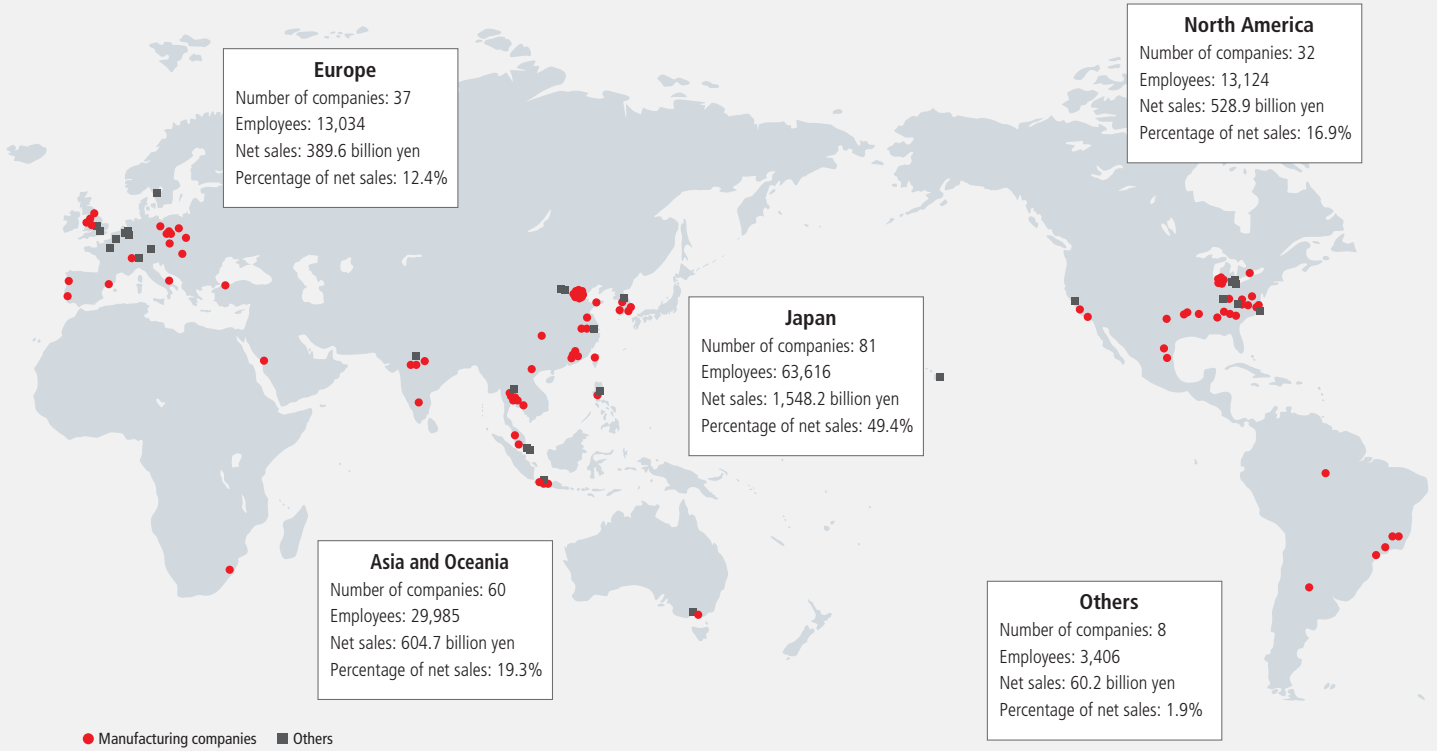
## ◎Sales by business segment



**URL** For more detailed economic information  
<http://www.globaldenso.com/en/investors/>

## Business Development by Region (Employment / Scale of operation)

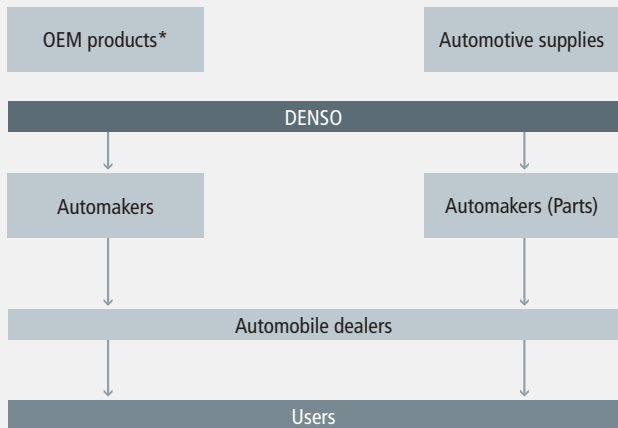
\*Number of companies: Consolidated subsidiaries  
 \*Net sales are by customers' location.



## DENSO's Marketing Format

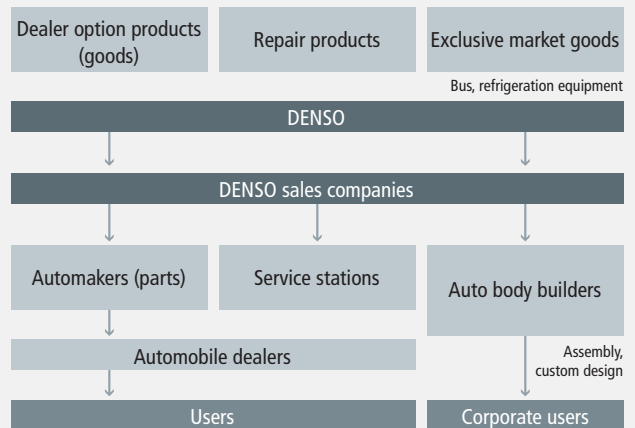
DENSO operates in 32 countries and regions worldwide working closely with local automakers and suppliers to manufacture products that suit each particular area.

### ◎Direct delivery (to customers' factories)



\*OEM: Original Equipment Manufacturing; parts supplied to automakers

### ◎Market sales



### ◎Major clients

|               |  |
|---------------|--|
| Japan         | Toyota, Honda, Mitsubishi, Mazda, Suzuki, Daihatsu, Nissan, Fuji Heavy Industries, Hino, Isuzu, etc. |
| International | Ford, Fiat, Chrysler, BMW, VW/Audi, Mercedes-Benz, Land Rover, Hyundai, Kia, etc.                    |

## Group Companies Overseas (As of June 2011)

### ©DENSO Corporation or regional headquarters' investing companies

| Country/region | Abbreviation | Company name                                     | Country/region    | Abbreviation                                      | Company name  |
|----------------|--------------|--|-------------------|---|---|
| U.S.A.         | DIAM         | DENSO INTERNATIONAL AMERICA, INC.                | Australia         | DIAU  | DENSO INTERNATIONAL AUSTRALIA PTY. LTD.               |
|                | DSCA         | DENSO SALES CALIFORNIA, INC.                     |                   | DNAU  | DENSO AUTOMOTIVE SYSTEMS AUSTRALIA PTY. LTD.          |
|                | DMMI         | DENSO MANUFACTURING MICHIGAN, INC.               | Singapore         | DIAS  | DENSO INTERNATIONAL ASIA PTE. LTD.                    |
|                | AIMS         | AMERICAN INDUSTRIAL MANUFACTURING SERVICES, INC. |                   | DIAT  | DENSO INTERNATIONAL ASIA CO., LTD.                    |
|                | DMTN         | DENSO MANUFACTURING TENNESSEE, INC.              | Thailand          | DNTH  | DENSO (THAILAND) CO., LTD.                            |
|                | DMAT         | DENSO MANUFACTURING ATHENS TENNESSEE, INC.       |                   | DTTH  | DENSO TOOL & DIE (THAILAND) CO., LTD.                 |
|                | MACI         | MICHIGAN AUTOMOTIVE COMPRESSOR, INC.             |                   | SDM   | SIAM DENSO MANUFACTURING CO., LTD.                    |
|                | TBDN         | TBDN TENNESSEE COMPANY                           |                   | TBFST   | TOYOTA BOSHOKU FILTRATION SYSTEM (THAILAND) CO., LTD. |
|                | DWAM         | DENSO WIRELESS SYSTEMS AMERICA, INC.             |                   | DSTH  | DENSO SALES (THAILAND) CO., LTD.                      |
|                | ACTIS        | ACTIS MANUFACTURING, LTD. LLC.                   | Indonesia         | DNIA  | PT. DENSO INDONESIA                                   |
|                | DMAR         | DENSO MANUFACTURING ARKANSAS, INC.               |                   | DSIA  | PT. DENSO SALES INDONESIA                             |
|                | TACG         | TD AUTOMOTIVE COMPRESSOR GEORGIA, LLC            | TACI              | PT. TD AUTOMOTIVE COMPRESSOR INDONESIA            |   |
|                | DRAM         | DENSO REINSURANCE AMERICA, INC.                  | Republic of Korea | DNPE  | DENSO PS ELECTRONICS CORPORATION                      |
|                | Canada       | DMCN   |                   | DENSO MANUFACTURING CANADA, INC.                  | DSKR  |
| DSCN           |              | DENSO SALES CANADA, INC.                         |                   | DNPS  | DENSO PS CORPORATION                                  |
| Mexico         | DNMX         | DENSO MEXICO S.A. DE C.V.                        | Malaysia          | DNMY  | DENSO (MALAYSIA) SDN. BHD.                            |
| Brazil         | DNBR         | DENSO DO BRASIL LTDA.                            | India             | DNIN  | DENSO INDIA LTD.                                      |
|                | DNAZ         | DENSO INDUSTRIAL DA AMAZONIA LTDA.               |                   | DNHA  | DENSO HARYANA PVT. LTD.                               |
|                | DMBR         | DENSO MAQUINAS ROTANTES do BRASIL LTDA.          |                   | DNKI  | DENSO KIRLOSKAR INDUSTRIES PVT. LTD.                  |
|                | DTBR         | DENSO SISTEMAS TERMICOS do BRASIL LTDA.          |                   | DIIN  | DENSO INTERNATIONAL INDIA PVT. LTD.                   |
| Argentina      | DNAR         | DENSO MANUFACTURING ARGENTINA S.A.               |                   | DTPU  | DENSO THERMAL SYSTEMS PUNE PVT. LTD.                  |
| Netherlands    | DIEU         | DENSO INTERNATIONAL EUROPE B.V.                  | Taiwan            | DNTW  | DENSO TAIWAN CORP.                                    |
|                | DNEU         | DENSO EUROPE B.V.                                | China             | DICH  | DENSO (CHINA) INVESTMENT CO., LTD.                    |
|                | DFHO         | DENSO FINANCE HOLLAND B.V.                       |                   | YSD   | YANTAI SHOU GANG DENSO CO., LTD.                      |
| United Kingdom | DIUK         | DENSO INTERNATIONAL UK LTD.                      |                   | TDS   | TIANJIN DENSO ENGINE ELECTRICAL PRODUCTS CO., LTD.    |
|                | DSUK         | DENSO SALES UK LTD.                              |                   | CQD   | CHONGQING DENSO CO., LTD.                             |
|                | DNMN         | DENSO MARSTON LTD.                               |                   | TDE   | TIANJIN DENSO ELECTRONICS CO., LTD.                   |
|                | DMUK         | DENSO MANUFACTURING UK LTD.                      |                   | TDA   | TIANJIN DENSO AIR-CONDITIONER CO., LTD.               |
| Germany        | DMML         | DENSO MANUFACTURING MIDLANDS LTD.                |                   | DNSS  | DENSO Software Shanghai Co., Limited                  |
|                | DNDE         | DENSO AUTOMOTIVE Deutschland GmbH                |                   | DMGZ  | GUANGZHOU DENSO CO., LTD.                             |
| Spain          | TDDK         | TD Deutsche Klimakompressor GmbH                 |                   | SDFI  | SHANGHAI DENSO FUEL INJECTION CO., LTD.               |
|                | DNBA         | DENSO BARCELONA S.A.                             |                   | TFDA  | TIANJIN FAWER DENSO AIR-CONDITIONER CO., LTD.         |
| Italy          | DTSP         | DENSO SISTEMAS TERMICOS ESPANA S.A.              |                   | TTB   | TIANJIN TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD.     |
|                | DSIT         | DENSO SALES ITALIA S.R.L.                        |                   | DMNS  | DENSO (GUANGZHOU NANSHA) CO., LTD.                    |
|                | DNTS         | DENSO THERMAL SYSTEMS S.p.A.                     |                   | JWCH  | J-WORKS PARTS SALES (TIANJIN) CO., LTD.               |
|                | DMIT         | DENSO MANUFACTURING ITALIA S.p.A.                |                   | DMTT  | DENSO (TIANJIN) THERMAL PRODUCTS CO., LTD.            |
| France         | CTR          | CTR s.r.l  |                   | DHMW  | WUXI DENSO HANSHIN AUTOMOTIVE PRODUCTS CO., LTD.      |
| Hungary        | DSFR         | DENSO SALES FRANCE S.A.R.L.                      |                   | TBFC  | TOYOTA BOSHOKU FOSHAN CO., LTD.                       |
| Sweden         | DMHU         | DENSO MANUFACTURING HUNGARY LTD.                 |                   | DMTI  | DENSO TIANJIN ITS CO., LTD.                           |
| Poland         | DSSE         | DENSO SALES SWEDEN AB                            | TACK              | TD Automotive Compressor Kunshan, Co., Ltd.       |   |
|                | DTPO         | DENSO THERMAL SYSTEMS POLSKA Sp.zo.o.            | TPE               | TIANJIN POON SUNG ELECTRONICS CO., LTD.           |   |
| Belgium        | TBMECA       | TBMECA Poland Sp.zo.o                            | DMCF              | DENSO (CHANGZHOU) FUEL INJECTION SYSTEM CO., LTD. |   |
|                | DSBE         | DENSO SALES BELGIUM N.V.                         | DMYJ              | YANGZHOU JIEXIN DENSO AIR-CONDITIONER CO., LTD.   |   |
| Portugal       | J.DEUS       | JOAO DE DEUS & FILHOS S.A.                       | The Philippines   | PAC   | PHILIPPINE AUTO COMPONENTS, INC.                      |
| Czech Republic | DMCZ         | DENSO MANUFACTURING CZECH s.r.o.                 | Saudi Arabia      | DNJM  | DENSO ABDUL LATIF JAMEEL CO., LTD.                    |
| Turkey         | DNTR         | DENSO OTOMOTIV PARCALARI SANAYI ANONIM SIRKET    | Vietnam           | DMVN  | DENSO MANUFACTURING VIETNAM CO., LTD.                 |
| Russia         | DSRU         | DENSO SALES RUS L.L.C                            | UAE               | DSMN  | DENSO SALES MIDDLE EAST & NORTH AFRICA FZE            |
| South Africa   | SMITHS       | Smiths Manufacturing (Pty) Limited               |                   |   |   |
| Morocco        | DTMO         | DENSO THERMAL SYSTEMS MOROCCO S.A.R.L            |                   |   |   |

In addition to the companies listed above, there are six subsidiaries of J.DEUS COMPANY.

\*Partnerships refer to legal associations in Japan whereby multiple businesses (partners) invest money and provide services for commercial gain based on work contracts. The partnership itself is not a corporate entity and tax payments on profits are handled by the partners.



## Domestic Group Companies

### ◎Consolidated subsidiaries (68 companies)

| Company name                                | Company name                              |
|---|---|
| ASMO CO., LTD.                              | DENSO E & TS TRAINING CENTER CORPORATION  |
| KYOSANDENKI CO., LTD.                       | DENSO YUSEN TRAVEL CORPORATION            |
| ANDEN CO., LTD.                             | DENSO ABASHIRI TEST CENTER CORPORATION    |
| GAC CORPORATION                             | MIYAZAKI ASMO CO., LTD.                   |
| HAMANAKODENSO CO., LTD.                     | APINES CO., LTD.                          |
| DAISHINSEIKI CO., LTD.                      | SUAB CO., LTD.                            |
| ASAHI MANUFACTURING CO., LTD.               | KYOSAN SERVICE CORPORATION                |
| DENSO WAVE INCORPORATED                     | KYOSAN TECS CO., LTD.                     |
| NIPPON WIPER BLADE CO., LTD.                | HAMADEN P & S CO., LTD.                   |
| NIPPON SOKEN, INC.                          | DENSO AIR SYSTEMS YASAKA CO., LTD.        |
| DENSO AIRS CORPORATION                      | DENSO AIR SYSTEMS TOYOSHINA CO., LTD      |
| DENSO KIKO CO., LTD.                        | GAC HUMAN CO., LTD.                       |
| DENSO PREAS CORPORATION                     | OTARI GAC CO., LTD.                       |
| DENSO TECHNO CO., LTD.                      | DENSO ACE CORPORATION                     |
| DENSOTRIM CO., LTD.                         | SANKYO RADIATOR CO., LTD.                 |
| TECHMA CORPORATION                          | DENSO HOKKAIDO CORPORATION                |
| DENSO KATSUYAMA CO., LTD.                   | DENSO TOHOKU CORPORATION                  |
| DENSO SEIBI CO., LTD.                       | DENSO TOKYO CORPORATION                   |
| DENSO ELECS CO., LTD.                       | DENSO SERVICE NISHISAITAMA CO., LTD.      |
| DENSO TAIYO CO., LTD.                       | DENSO CHUBU CORPORATION                   |
| DENSO CREATE INC.                           | DENSO KANSAI CORPORATION                  |
| IPICS CORPORATION                           | DENSO CHUGOKU CORPORATION                 |
| MOBILE MEDIANET INC.                        | DENSO SHIKOKU CORPORATION                 |
| DENSO INFORMATION TECHNOLOGY CORPORATION    | DENSO KYUSHU CORPORATION                  |
| DENSO SI CORPORATION                        | DENSO SERVICE OKINAWA CO., LTD.           |
| DENSO IT LABORATORY, INC.                   | DENSO MANUFACTURING KITAKYUSHU CO., LTD.  |
| DENSO UNITY SERVICE CORPORATION             | SHIMIZU INDUSTRY CO., LTD.                |
| DENSO FACILITIES CORPORATION                | SYSTEX JAPAN INC.                         |
| DENSO LOGITEM CORPORATION                   | MAULTECH CORPORATION                      |
| DENSO EMC ENGINEERING SERVICE CORPORATION   | DENSO ELECTRONICS CORPORATION             |
| DENSO MTEC CORPORATION                      | DENSO East Japan Corporation              |
| DENSO FINANCE & ACCOUNTING CENTER CO., LTD. | DENSO POWERTRAIN TECHNOLOGIES CORPORATION |
| DENSO REMANI CORPORATION                    | MARCON DENSO CO., LTD.                    |
| DENSO WELL CORPORATION                      | DENSO Communications Corp.                |

### ◎Affiliates under the equity method (13 companies)

| Company name                 | Company name                                       |
|------------------------------|--|
| TSUDA INDUSTRIES CO., LTD.   | ADVICS CO., LTD.                                   |
| NIPPA CORPORATION            | Sohwa Corporation                                  |
| ITOH SEIKO CO., LTD.         | ADVANCED DRIVER INFORMATION TECHNOLOGY CORPORATION |
| SHINSEI INDUSTRIAL CO., LTD. | TOUCHCARE CO., LTD.                                |
| G. S. ELECTECH INC.          | TD MOBILE KANSAI CO., LTD.                         |
| JECO CO., LTD.               | UNEX CORPORATION                                   |
| TOMEI BRAZING CO., LTD.      |  |

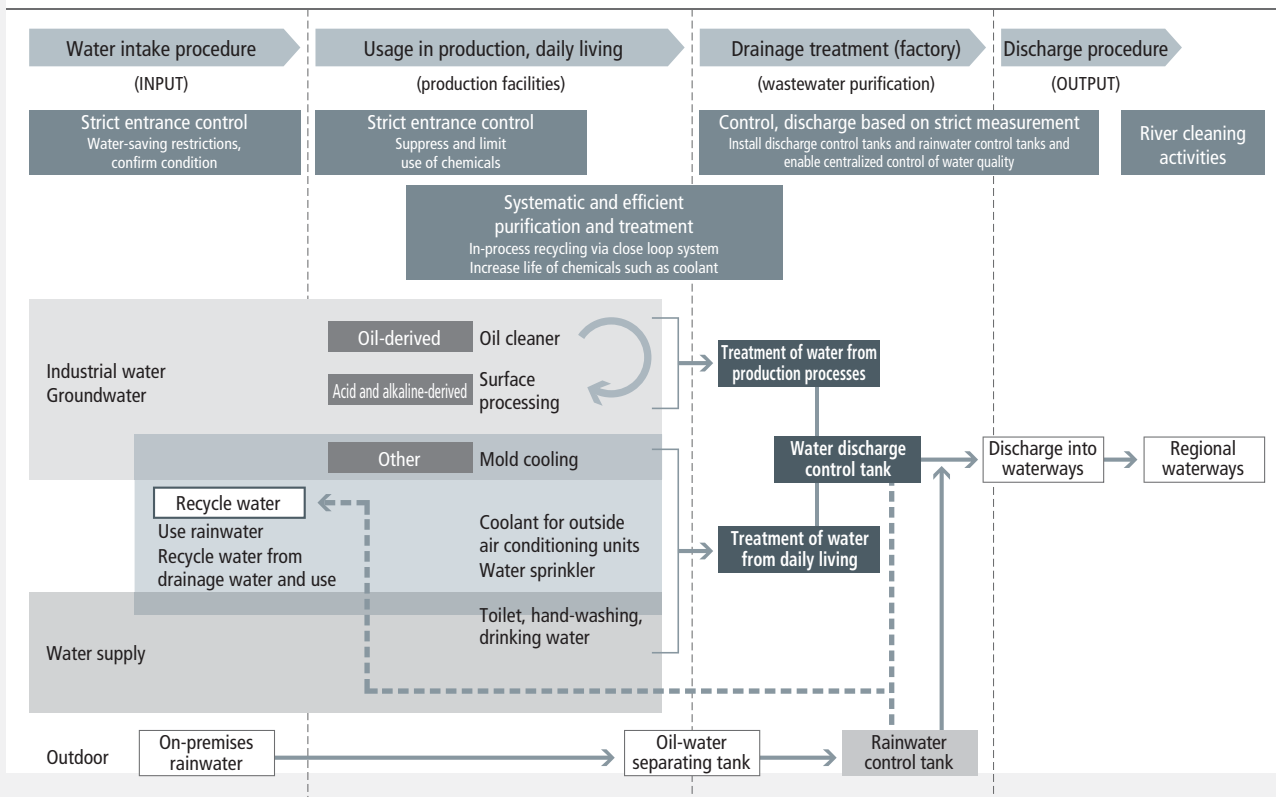
## External Recognition for Social and Environmental Activities

| Title   | Conducted by  | 2010                       | 2009                        | 2008                       | 2007                        |
|---|---|----------------------------|-----------------------------|----------------------------|-----------------------------|
| Global 500  | Newsweek Japan  | —                          | —                           | —                          | 43th of 500                 |
| Best 200 in CSR                                   | Toyo Keizai Inc.  | 8th of 200                 | 5th of 200                  | 8th of 200                 | 1st of 200                  |
| Environmental Management Ranking                  | Nikkei Inc.   | 8th of 475 (manufacturing) | 12th of 480 (manufacturing) | 6th of 510 (manufacturing) | 12th of 520 (manufacturing) |
| Dow Jones Sustainability Indexes (DJSI)           | Dow Jones & Company (U.S.A.), SAM Group Holding AG (Switzerland)        | 11 years in a row          | 10 years in a row           | Consecutively              | Consecutively               |
| Ethibel Sustainability Index                      | Forum ETHIBEL (Belgium)   | 7 years in a row           | 6 years in a row            | Consecutively              | Consecutively               |
| Morningstar Socially Responsible Investment Index | Center for Public Resources Development, Morningstar Japan K.K. (Japan) | 8 years in a row           | 7 years in a row            | Consecutively              | Consecutively               |

DENSO's water resource management system / Main water systems impacted by water intake

©DENSO's water resource management system

DENSO manages water resources in a systematic and thorough manner from water intake to discharge and is working on water quality management in each process and to conserve water.



©Main water systems impacted by water intake

| Region  | Main water system  |
|---|--|
| Japan<br>(DENSO Corporation and domestic Group companies) | Kiso River water system (Aichi Prefecture)                         |
|   | Yahagi River water system (Aichi Prefecture)                       |
|   | Tenryu River / Toyo River water system (Aichi/Shizuoka Prefecture) |
|   | Chikuma River / Azusa River water system (Nagano Prefecture)       |
|   | Onga River water system (Fukuoka Prefecture)                       |
|   | Tone River water system (Ibaraki/Saitama Prefecture)               |
|   | Shikotsu Lake (Hokkaido)   |
|   | Takahashi River water system (Okayama Prefecture)                  |
|   | Inabe / Suzuka River water system (Mie Prefecture)                 |
|   | Abashiri River water system (Hokkaido)                             |

| Region                   | Main water system           |                          |
|--------------------------|-----------------------------|--------------------------|
| Overseas Group companies | The Americas                | Rouge River (USA)        |
|                          |                             | Kalamazoo River (USA)    |
|                          |                             | Hiwassee River (USA)     |
|                          |                             | Tennessee River (USA)    |
|                          |                             | Ohio River (USA)         |
|                          |                             | Mississippi River (USA)  |
|                          |                             | Detroit River (USA)      |
|                          |                             | Colorado River (USA)     |
|                          |                             | Sacramento River (USA)   |
|                          |                             | Bravo River (Mexico)     |
|                          |                             | Pesqueria River (Mexico) |
|                          |                             | Speed River (Canada)     |
|                          |                             | Grand River (Canada)     |
| Europe                   | Trent River (UK)            |                          |
|                          | Humber River (UK)           |                          |
|                          | Gaja River (Hungary)        |                          |
| Asia                     | Danube River (Hungary)      |                          |
|                          | Hindon River (India)        |                          |
|                          | Yamuna River (India)        |                          |
|                          | Bangpakong River (Thailand) |                          |
| China                    | Chaophraya River (Thailand) |                          |
|                          | Yangtze River               |                          |
|                          | Balhae Sea                  |                          |
|                          | Dong Jiang River            |                          |
|                          | Dagu River                  |                          |
| Pearl River              |                             |                          |
| Lao Tong Yang Canal      |                             |                          |

# Third Party Opinion on DENSO CSR Report 2011



CEO, International Institute for Human, Organization, and the Earth (IIHOE)

Hideto Kawakita

Founded in 1994 "for Democratic and Balanced Development for All the Lives on the Earth," IIHOE has been served as a management consultant for NPOs and social entrepreneurs, while supporting CSR engagement of major Japanese companies.  
<http://blog.canpan.info/iihoe/>  
(in Japanese)

DENSO sets quantitative targets for a wide range of items for the entire Group based on its long-term action plan for corporate social responsibility (CSR) formulated in fiscal 2007. DENSO establishes and deploys a PDCA (Plan, Do, Check, Act) management cycle in Japan and overseas to clearly manage the progress of the plan and identify new issues. As of the end of fiscal 2010, prior to the final year of the plan at the end of fiscal 2011, DENSO already completed the deployment of basic building blocks for CSR management that consist of policy, promotion structure and planning not only at 117 consolidated subsidiaries but also at 720 primary suppliers in Japan. These solidly serve as a global model for other companies around the world.

Workplaces are truly at the cutting edge of CSR and it is necessary to set qualitative targets and clearly grasp the progress and issues in order to incorporate CSR promotion into the management of workplaces on a daily basis. DENSO is doing so in a steady manner and therefore is globally outstanding in terms of continuously generating new initiatives at workplaces. Underpinning these efforts is an organizational culture that encourages a bottom-up approach and follow-through on decisions, which in itself, is a source of DENSO's sustainable growth.

DENSO initiatives to conserve energy provide an apt example. With the Just-In-Time (JIT) concept applied to energy activities (progress towards optimal operations to respond to production fluctuations) and special winter initiatives (total re-examination of energy conservation) started in fiscal 2009 as the cornerstone, these initiatives have evolved into various activities such as *Enekanban* that optimizes deployment and operations by predicting the use of compressors in advance. Such efforts also have resulted in a reduction in electricity costs, which equates to CO<sub>2</sub> reductions, of several hundred million yen for fiscal 2011 through all-employee participation and the development of proprietary production technology. These endeavors, which demonstrated that energy saving is something to be practiced both mentally and physically by each and every employee in all departments rather than depending on technological development or the installation of facilities and equipment, personify the "Individual Spirit" concept "to be creative in thought and steady in action" as stated in the DENSO Philosophy. Additionally, DENSO conducted a company-wide emergency power saving drill at the end of June 2011 in preparation for power supply shortages that were expected in summer 2011. In this respect, I recommend other companies to refer to DENSO's achievement of actually having verified the reduction of power consumption by several percentage points.

DENSO also continues to push vigorously ahead with its relationships with and approach to stakeholders. For suppliers, expansion of support through self-assessment and guidance based on the Supplier CSR Guidelines to business partners of domestic Group companies was completed in fiscal 2011 and such support is being extended to business partners of overseas Group companies in fiscal 2012. I give high marks to the Company for the participation of more than 12,000 executives and employees in the DECOPON Eco-Point System and hydroelectric power generation contest for high school and technical school students. In the future, I hope that the Company will promote efforts to build a foundation that will contribute to nurturing manufacturing personnel by taking into consideration human diversity in respective regions around the world. Such initiatives include proactively holding sessions of the DENSO School of Product Engineering for foreign students, many of whom, including South American and Asia people, are living in the Tokai region.

As for infrastructure development for nurturing various management personnel, DENSO also sets globally shared personnel evaluation criteria. While local employees now occupy nearly 40% of the key positions at overseas Group companies, the number of employees who use childcare and nursing care leave and reduced work hour systems are still less than 1% of DENSO Corporation employees. I would like to see further development of an environment in which employees can continue working while supporting their families. At the same time, I also expect DENSO to further promote interaction with upper level management candidates and the use of multilingual notifications and public relations information so that more employees working in different parts of the world can understand the Company's philosophies, values and initiatives in their native tongue.

\*These comments were written with reference to the contents of this report and discussions with DENSO employees responsible for the environment, procurement, human resources, safety and health, health promotion and corporate citizenship.

## Editor's comments

All members of the DENSO Group would like to express our sincere condolences to everyone who has lost their lives in the Great East Japan Earthquake. We sincerely hope for the swift recovery and reconstruction of affected areas.

The earthquake disaster struck the nation when we were just about to start production of *CSR Report 2011* following the editorial meeting for the report in early March 2011. At a loss for words after hearing reports about the devastating situation one after another, we considered what we can do as persons and realized that what we have right now and are taking for granted are truly wondrous blessings.

This year's Special Feature section was focused on response to the Great East Japan Earthquake; however, internal discussions were repeatedly carried out until the decision was made to cover this topic. Opinions were divided over the positioning and extent of importance of this theme amid various business activities. Nonetheless, when we considered what CSR activities stakeholders would like to know about most, we came to a conclusion that it is "how DENSO faced and took action during an unprecedented crisis and what the Company has learned" as well as "what employees felt and how they acted."

We feel that the massive earthquake disaster directly poses the questions as to "What is meant by social responsibility for companies and individuals?" and "What is a sustainable society?"

Although this year's report content differs compared with conventional reports in certain areas, we hope to receive frank opinions from stakeholders in this respect as well.

We have been asking Mr. Hideto Kawakita to provide a third party opinion since the *Environmental and Social Report* was issued in 2003, making this the ninth year. Through dialogues with managers in core departments, active discussions are developed each time regarding progress and remaining issues from the previous year. We will continuously endeavor to enhance the level of CSR activities based on opinions from the dual perspectives of a long-term point of view and progress achieved in a single fiscal year.

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