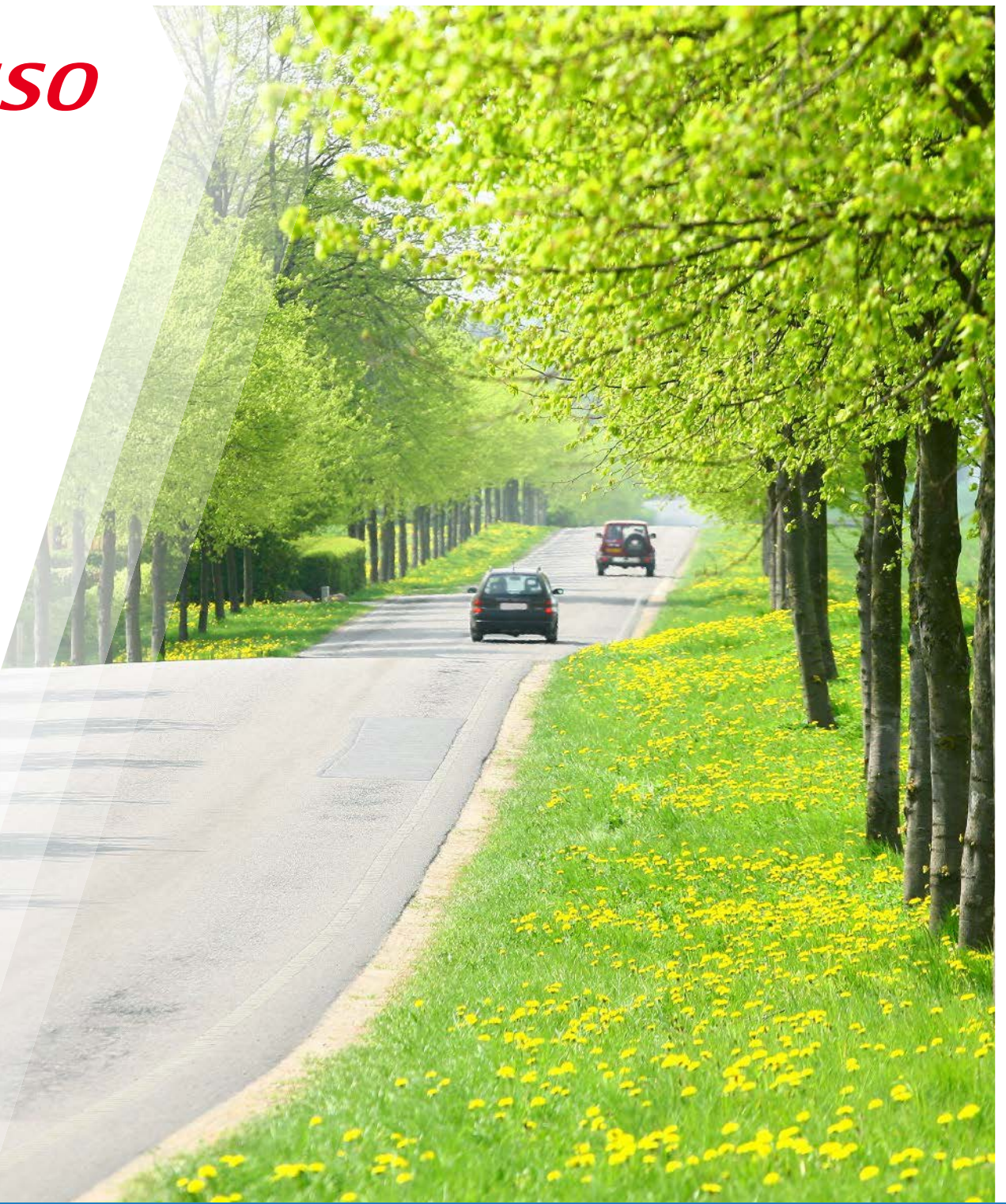


**DENSO**



## CSR Report 2015

Aiming to be a trustworthy company in harmony with society



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## Aiming to be a trustworthy company in harmony with society

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To ensure people's happiness and welfare, facilitate the sustainable growth of society, preserve the planet and protect lives and prepare a bright future for generations to come, 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.

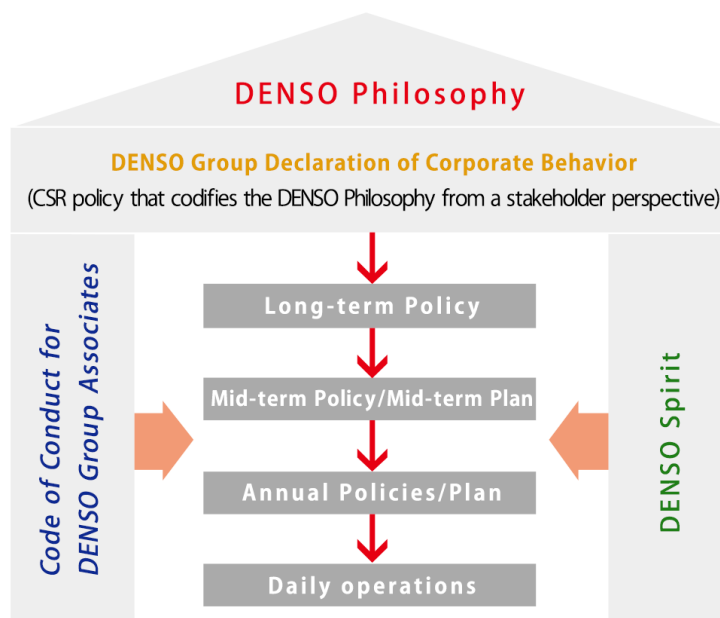
#### Text of declaration

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

We hope that our suppliers will support this objective and reflect it in their business operations.

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

[DENSO Group Declaration of Corporate Behavior \(all text\)](http://www.globaldenso.com/en/csr/csrpolicy/csrcharter/)  
(<http://www.globaldenso.com/en/csr/csrpolicy/csrcharter/>)



### Mechanisms for implementing CSR management

In working to realize its philosophy, DENSO formulated the Long-term Policy, a management compass indicating the directions we will pursue over the next five to 10 years, and the Mid-term Policy/Mid-term Plan, which are strategies that give concrete shape to our objectives and activities for the next three-to-five-year period. We are linking these to the Annual Plan and the daily work of each employee.

Within these processes, there are two points that employees must 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, and the second is the *Code of Conduct for DENSO Group Associates*, a behavioral charter to earn the trust and meet the expectations of society.

### Long-term Policy (DENSO Group Long-term Policy 2020)

The policy draws the image of an ideal society and expresses the roles we must fulfil and our path for change to realize such a society in 2020.

Protecting lives, Preserving the planet and Preparing a bright future for generations to come



## 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

1. Your conduct as a member of the DENSO Group
2. Creating a vibrant workplace
3. Earning trust and meeting the expectations of customers
4. Building win-win relationships with our suppliers
5. Living up to the trust and expectations of our shareholders
6. Upholding the best interests of society

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

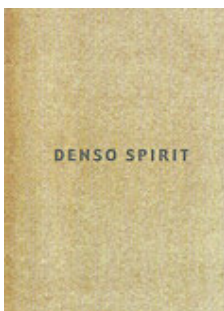
The Code of Conduct applies to all employees, including executives, temporary employees, non-regular employees, part-time and contract employees, and others engaged in an employment relationship with DENSO Corporation, its domestic consolidated companies and other companies of which DENSO Corporation 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.

*Code of Conduct for DENSO Group Associates* (<http://www.globaldenso.com/en/csr/csrpolicy/csrcharter/>)

### 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.

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



**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)

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## CSR Management

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The DENSO Group promotes corporate behavior that displays DENSO's unique identity in accordance with the DENSO Philosophy.



### President's Message

We invite visitors to our website to read the Message from the President.

### DENSO Group Declaration of Corporate Behavior and Code of Conduct for DENSO Group Associates

We introduce the DENSO Group Declaration of Corporate Behavior and the *Code of Conduct for DENSO Group Associates*.

### Corporate Governance

We introduce the basic policies, promotion structure, principal bodies and auditing functions of the DENSO Group's corporate governance structure.

### Compliance

We introduce the basic stance, promotion structure, education/enlightenment, the internal whistleblowing system and other aspects of compliance.

### Information Security

We introduce initiatives for our promotion structure, audits and other areas based on the DENSO Group Basic Principles of Information Security.

### DENSO CSR

We introduce the basic stance, promotion structure and long-term activity plan for the DENSO Group's Corporate Social Responsibility (CSR).

### Fiscal 2015 Results and Future Issues/Goals

We introduce results and future issues/goals for CSR management, the Report on Social Responsibility and CSR communication.

### Highlights and Lowlights of CSR Activities in Fiscal 2015

We introduce performance reports (highlights) as well as disclose negative information (lowlights) to raise the transparency of initiatives and improve CSR management.

### Risk Management

We introduce the basic stance, promotion structure and disaster risk response measures for the DENSO Group's risk management.

### DENSO Group Information Disclosure Policy

We introduce the DENSO Group Information Disclosure Policy.



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## President's Message

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### **Toward preserving the Earth's environment and creating a society that ensures security and safety**

I am Koji Arima and I assumed the position of President and CEO of DENSO Corporation in June 2015. I would like to express my appreciation to everyone for accessing DENSO's CSR Report.

When I joined DENSO in 1981, the number of automobiles worldwide stood at around 400 million. During the ensuing 30-plus years, both automobiles and transport-oriented societies have advanced dramatically, and today, automobile ownership has surpassed 1.1 billion vehicles. Along with the development of emerging countries, the world's population is expected to increase to 8 billion in 2025 and the number of automobiles is forecast to reach 1.5 billion vehicles. This means even more people will enjoy the convenience and freedom of mobility offered by automobiles. Nonetheless, this increase in vehicles will also inevitably be accompanied by a rise in greenhouse gas emissions, and 2 million people are expected to lose their lives each year in traffic accidents.

To ensure that people maintain their affection for automobiles for years to come, the DENSO Group will make ongoing efforts to be a corporate group that tackles these issues directly and provides solutions to minimize adverse impacts while maximizing the value of automobiles. As our guidelines in undertaking these efforts, in April 2013 we announced the DENSO Group Long-term Policy 2020, which was formulated through the unified efforts of employees across the world. Under the Long-term Policy, DENSO declares to make its utmost efforts toward "preserving the Earth's environment" and "creating a society that ensures security and safety" via its business activities. Additionally, the collective desire of all DENSO Group employees to be a company that continually gives consideration to people and society is encapsulated in our slogan "Protecting lives, Preserving the planet and Preparing a bright future for generations to come."

### **Striving for innovative products in the automotive field and diverse new fields**

Fiscal 2015 was a year in which DENSO accelerated various initiatives and achieved significant progress under the Long-term Policy. Regarding product development in the environment field, DENSO made important contributions to the further evolution of eco cars by various automakers. This includes the development of unit products that enhance fuel efficiency and exhaust gas purification in gasoline and hybrid vehicles. Additionally, a new common rail system that raises the performance of clean diesel engines was installed on Volvo vehicles and key components were installed on the MIRAI, Toyota Motor Corporation's fuel cell vehicle that heralds the arrival of a hydrogen-based society.

In production systems as well, we promoted initiatives for “realizing *DANTOTSU* factories globally,” which means establishing global “number-one” plants, by pursuing production efficiency through measures such as downsizing and streamlining facilities and processes. At the same time, we strived to expand the move toward Eco Factories that combine independent energy-saving activities and renewable energy as well as minimized energy usage in *monozukuri* (manufacturing), and by doing so, attained our targets for reducing greenhouse gas emissions. Looking ahead, we will promote technology development and business activities driven by our strong determination to move one step beyond merely “preserving” the Earth’s environment and instead try to “improve” the Earth’s environment.

In the security and safety domain, we focused on developing technologies for preventive safety and advanced driving support. This included commercializing our Driver Status Monitor that detects the state of vehicle operation by drivers and then provides drivers with warnings to promote safe driving. We also commenced experimental public road testing for the practical use of automated driving.

Turning to non-automotive fields as well, we launched a diversity of new products that help create a society that ensures security and safety. Among these are an environment-control system that utilizes control technologies cultivated in automobiles to increase the yield of agricultural crops, refrigeration and freezer systems for the long-term preservation of freshness and quality, a digital bulletin board that facilitates smooth communications in depopulated regions and unique multi-purpose security systems.

The above are actual examples of how we are bringing products to life by pursuing the means in which DENSO’s technologies and services can solve various issues as we ask ourselves, “What are the problems facing society?”

### **Passion and smiles serve as two wheels of a cart for moving one step ahead**

As a global company that carries out activities in 38 countries and regions around the world, DENSO realizes it has a crucial mission to seriously address the problems facing regional communities and contribute to the creation of a sustainable society.

With passion and smiles, numerous DENSO Group employees are tackling social issues faced by regional communities. For example, during DENSO Group Community Service Day, which we continue to implement annually, employees devote significant efforts to numerous corporate citizenship programs in cooperation with NGOs, NPOs and charitable organizations based on the theme “harmony with the environment, ensuring safety and security in local communities and *hitozukuri* (human resource development)”. I am confident that “passion and smiles” will serve as our driving force for taking further steps forward and will also enable DENSO to achieve sustainable growth.

In working to realize our aspired shape as articulated by our Long-term Policy, each and every one of the 140,000 employees of DENSO will approach various issues faced by society with “passion and smiles” and actively make efforts to find solutions. In working toward our objectives, I ask for your ongoing support and guidance.

August 2015  
DENSO Corporation  
President and CEO  
Koji Arima

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#### Related Information

[DENSO Philosophy](http://www.globaldenso.com/en/about-us/philosophy-and-vision/philosophy/)  
(<http://www.globaldenso.com/en/about-us/philosophy-and-vision/philosophy/>)

[DENSO Vision](http://www.globaldenso.com/en/about-us/philosophy-and-vision/long-term-policy/)  
(<http://www.globaldenso.com/en/about-us/philosophy-and-vision/long-term-policy/>)

## DENSO CSR

### Basic stance

In its corporate philosophy, the DENSO Group describes its mission as “contributing to a better world by creating value together with a vision for the future.” Cooperating, collaborating and sharing values with our many stakeholders are indispensable to realizing our mission 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, making clear our responsibility to stakeholders. Since then, 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.

The DENSO Group Long-term Policy 2020, the DENSO Group’s long-term management policy formulated in 2013, declares that we will accelerate the implementation of CSR management in response to society’s rising expectations of the DENSO Group along with expanding our business activities.

[DENSO Group Long-term Policy 2020](http://www.globaldenso.com/en/about-us/philosophy-and-vision/long-term-policy/)

(<http://www.globaldenso.com/en/about-us/philosophy-and-vision/long-term-policy/>)

### Long-term activity plan—The DENSO Group Long-term Policy 2020 and CSR

In the near future, growth of the world’s population is expected to be accompanied by a worsening of energy and environmental problems and a sharp increase in traffic accident fatalities mainly in emerging countries. Within this business environment, in April 2013 the DENSO Group formulated the DENSO Group Long-term Policy 2020 and clarified the directions we will pursue to ensure we can continue contributing to society and realize sustainable growth.

### Ideal status as DENSO Group

Within this Long-term Policy, the DENSO Group declares that “By 2020 we should initiate a cycle of good in society for earning the trust of all stakeholders and growing and developing together with them.” To engage with society, create new value and realize sustainable growth and development, the DENSO Group must share values and cooperation with numerous stakeholders.

The DENSO Group must also make unprecedented efforts to directly tackle a host of issues facing society while being actively involved in finding solutions. In striving to make this corporate transformation, each and every employee will reform their awareness and actions based on the DENSO Spirit.

### Ideal status as DENSO Group



Create a cycle of good for being trusted by all stakeholders and growing and developing together with them.





Expected changing points for employees

**Priority fields**

As a member of the automobile industry, DENSO conveys the appeal, fun and convenience of automobiles to people around the world. At the same time, DENSO faces the major issue of reducing the negative effects of automobiles, namely the adverse environmental impact of global greenhouse gas emissions and tragic fatal automobile accidents.

In working to solve these problems, the DENSO Group is promoting activities focused on “preserving the Earth’s environment” and “security and safety” under the slogan of “Protecting lives, preserving the planet and Preparing a bright future for generations to come.”

Aspired shape	 <p>Achieving a balance between growth and preserving the Earth’s environment</p>	 <p>Creating a society that ensures security and safety and where people live in happiness</p>
Actions for realization	<p><b>Toward an automobile-based society</b></p> <p>Focus meticulously on fuel economy and reduce amounts of energy consumption and thereby reduce CO<sub>2</sub> emissions even if the number of vehicles increases</p> <ul style="list-style-type: none"> <li>■ Realize ultra-low fuel consumption and low power costs</li> <li>■ Optimize traffic volume and eliminate traffic jams</li> </ul> <p><b>For society as a whole</b></p> <p>Contribute to a reduction in environmental impacts on society as a whole through energy conservation, creation and storage</p> <ul style="list-style-type: none"> <li>■ Optimally control and locally produce and consume energy</li> <li>■ Renewable energy and storage battery (storage cell)</li> </ul>	<p><b>Toward an automobile-based society</b></p> <p>Focus meticulously on eliminating traffic accidents to protect life around the world</p> <ul style="list-style-type: none"> <li>■ Provide everyday confidence and extraordinary safety</li> <li>■ Create a society with safe transportation</li> </ul> <p><b>For society as a whole</b></p> <p>Utilize core technologies to contribute to the creation of a secure and safe society in peripheral domains of automobiles</p> <ul style="list-style-type: none"> <li>■ Create accident-free and crime-free communities</li> <li>■ Ensure food security and safety</li> </ul>

**CSR activities with employees’ participation for realizing the Long-term Policy and Declaration of One DENSO Action**

At Global Conference 2015\* held in May 2015, participants shared case examples of CSR activities related to the “environment” and “security & safety” in respective regions. DENSO also declared (One DENSO Action), in which through its business activities and the actions of individual employees it will contribute to achieving “a balance between growth and preserving the Earth’s environment” and “creating a society that ensures security and safety and where people live in happiness,” which is our aspired shape under the DENSO Group Long-term Policy 2020.

At the same time as the Global Conference, we convened the Global CSR Meeting that gathered the persons in charge of CSR from five regions (Japan, North America, Europe, Asia/Oceania, China). While sharing information about the state of One DENSO Action activities in respective regions, participants also exchanged opinions about the ways of implementing these activities in the future.

# Declaration of One DENSO Action

**Goal** We aim to have a positive and good relationship with our community in "Environment" and "Security & Safety" and evoke consciousness toward CSR and build a sense of ONE DENSO among DENSO employees.

**Environment**

**Contribute to building a Green & Clean community**

【To employees】  
*Hitozukuri* of those who can protect our nature

**Security & Safety**

**Contribute to solving community problems in our communities**

【To employees】  
*Hitozukuri* of those who can lead "Traffic safety"

\* Global Conference

Approximately 500 DENSO Group employees from countries worldwide participate in this conference and gather at DENSO headquarters. The conference features explanations of fiscal year policies by top management and the sharing of information from various regions and also aims at forming employee interchanges and networks within the DENSO Group.

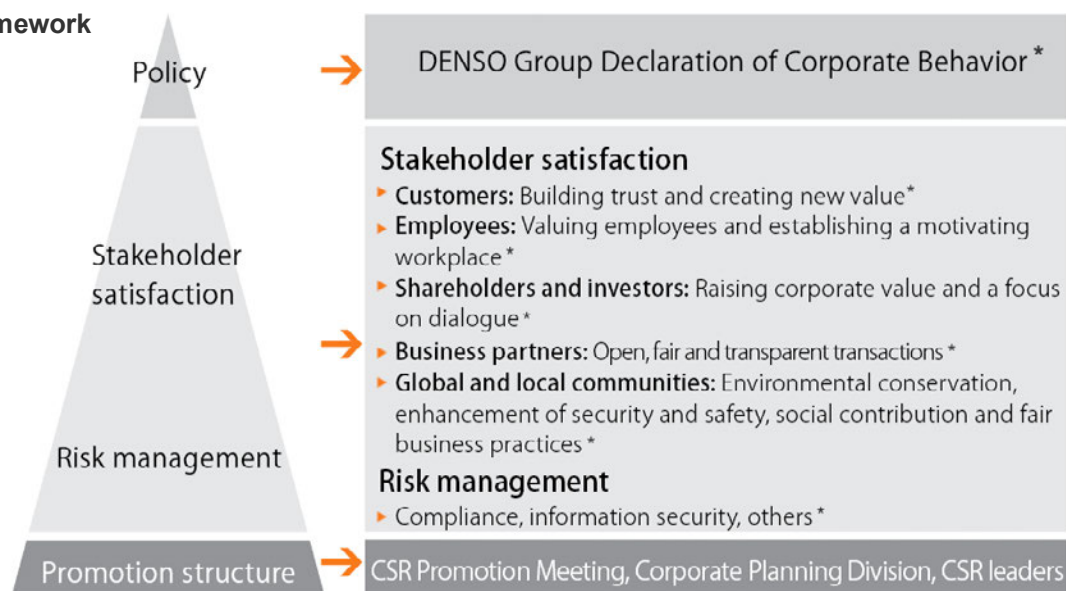
### Promotion structure

In 2006, we established the CSR Promotion Meeting (secretariat: Corporate Planning Division), 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 the direction for and make decisions on CSR management and to confirm the progress of CSR-related activities.

To lead the way in promoting CSR at workplaces and Group companies, we select one CSR leader at each department and company in line with efforts to permeate and firmly establish CSR.

The domestic and overseas Group companies share the DENSO Group Declaration of Corporate Behavior (top managers of each company sign this Declaration) and plan and implement necessary activities under a promotion structure that gives consideration to the circumstances of each company or the issues facing companies in each region and country.

### CSR framework



\* For more information, please visit the links below.

DENSO Group Declaration of Corporate Behavior (<http://www.globaldenso.com/en/csr/csrpolicy/csrcharter/>)

Customers ([http://www.globaldenso.com/en/csr/sociality\\_report/customers/](http://www.globaldenso.com/en/csr/sociality_report/customers/))

Employees ([http://www.globaldenso.com/en/csr/sociality\\_report/employees/](http://www.globaldenso.com/en/csr/sociality_report/employees/))

Shareholders and investors ([http://www.globaldenso.com/en/csr/sociality\\_report/investors/](http://www.globaldenso.com/en/csr/sociality_report/investors/))

Suppliers ([http://www.globaldenso.com/en/csr/sociality\\_report/suppliers/](http://www.globaldenso.com/en/csr/sociality_report/suppliers/))

Global and local communities ([http://www.globaldenso.com/en/csr/sociality\\_report/communities/](http://www.globaldenso.com/en/csr/sociality_report/communities/))

Compliance, information security, others (<http://www.globaldenso.com/en/csr/csrpolicy/compliance/>)

## Promotion of activities designed to increase involvement and raise awareness



CSR Report 2014 digest



A CSR workshop targeting Group companies

Clear guidelines must be established describing the necessary behavior for ensuring that each employee accepts the *Code of Conduct for DENSO Group Associates* and demonstrates desirable conduct.

The DENSO Group formulated a *Code of Conduct for DENSO Group Associates* for Japan, North America, Europe, China, Asia and Oceania, and India 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 antitrust law and conservation of biodiversity. DENSO employees use this to reconfirm expected behavior.

With the aim of promoting employee CSR awareness and enlightenment, DENSO Corporation carries out various enlightenment activities that include employee education and information dissemination activities.

### Principal enlightenment activities

Enlightenment activities	Date commenced	Overview
Educational programs by employment level	FY2007	<ul style="list-style-type: none"> <li>Implement training for new employees and newly appointed managers.</li> </ul>
Workshops for CSR leaders	FY2012	<ul style="list-style-type: none"> <li>Hold training workshops for CSR leaders at domestic Group companies and each department who serve as the core of efforts to promote CSR at workplaces.</li> </ul>
Dissemination of CSR information to employees	FY2011	<ul style="list-style-type: none"> <li>For DENSO Group employees, issue monthly publication of CSR News (English, Japanese) that includes information on CSR as well as a message from top management. (DENSO Corporation implements workplace discussions using this publication as a tool.)</li> </ul>
	FY2015	<ul style="list-style-type: none"> <li>We published a digest version for DENSO Group employees that summarizes the content of <i>DENSO CSR Report 2014</i> in a compact format.</li> </ul>

### 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.

Looking at survey results for fiscal 2015, there was an increase in employees with an awareness of the link between their work and society. On the other hand, there was a large decrease in persons responding that they are "implementing" the *Code of Conduct for DENSO Group Associates* and environmental activities. Possible reasons for this are the lack of opportunity to review the Code of Conduct, while the effect of environmental activities was not clearly evident.

DENSO Corporation  
employees understanding the  
link between their work and  
society  
**80%**

To ensure each employee can implement actions in the future in accordance with the Code of Conduct that includes environmental activities, we will work to provide venues for reviewing the Code of Conduct or take more innovative approaches to disseminating information for allowing employees to truly feel happiness from their participation in environmental activities.

Also, besides ascertaining the state of progress at DENSO Corporation through the CSR Survey and making needed improvements, we will establish a structure for sharing information about issues and the status of activities in each country and region from both a Group and a global perspective with the aim of utilizing our collective wisdom and strengths to raise the level of our CSR activities.

**Results from CSR Survey (excerpt) [DENSO Corporation]**

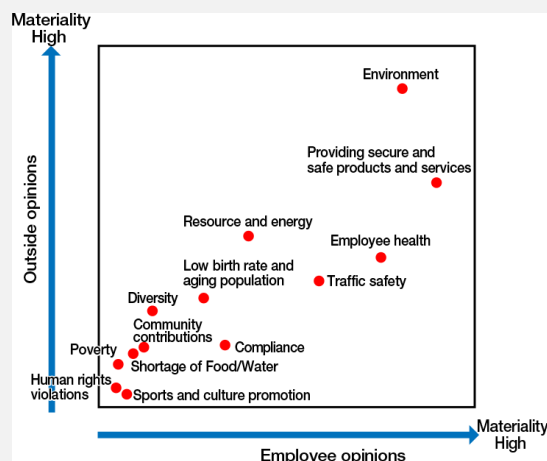
Item	Question content	FY 2013	FY 2014	FY 2015
Employee permeation	Implement <i>Code of Conduct for DENSO Group Associates</i>	81%	82%	74%
	Participate in activities related to the environment and safety and security or making efforts to implement actions with an awareness of these activities (new)	-	-	76%
Environmental conservation	Work to reduce CO <sub>2</sub> on the job	82%	78%	71%
Social perspective	Understand the link between one’s own work and society	—	78%	80%

**TOPICS**

**Social issues DENSO should address**

We asked DENSO Corporation employees and persons outside the company (approximately 400 Japanese persons) “What social issues should DENSO address?” Although there were some differences in the order of responses, the results show that providing security and safety through businesses such as products and services-related businesses and addressing environment problems such as global warming ranked at the top among both groups.

Using this as a reference, DENSO will carry out initiatives focused on the priority fields of the “environment” and “security & safety” that were clarified under DENSO Group Long-term Policy 2020.



**Dialogue with society**

To ensure that we do not engage in self-righteous activities biased toward its own logic and notions, the DENSO Group emphasizes dialogue with stakeholders. Also, to re-evaluate our CSR management and the direction of the actual dialogue, in fiscal 2015 we held discussions individually with experts. For the future as well, we recognize that holding dialogues with a diversity of persons is an opportunity for incorporating social perspectives into our business activities. We will deepen cooperation not only in CSR-related areas but also with product development divisions and select optimal methods that include choosing dialogue methods and participants according to themes as we strive to create venues for dialogues with stakeholders.

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# DENSO Group Declaration of Corporate Behavior and Code of Conduct for DENSO Group Associates

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## DENSO's responsibility to key stakeholders

### DENSO Group Declaration of Corporate Behavior

#### Text of declaration

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

We sincerely hope that all of our business partners will support our concept and take due action.

\* 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 challenges 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 on others, and protect personal information of customers and everyone else with which we are engaged in business.

## 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 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 business partners

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 business partners including suppliers, as good partners and aim for mutual growth based on mutual trust.

## Responsibility to international and local communities

We will aim for harmonious growth with society by proactively working toward environmental protection and enhancement of security and safety throughout all areas of business activities.

- We will seek an optimal balance between society such as climate change, biodiversity, traffic safety 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.

## Code of Conduct for DENSO Group Associates



Each individual plays a main role in ensuring corporate behavior that earns the trust of all stakeholders and meets their expectations. With this in mind, we formulated the *Code of Conduct for DENSO Group Associates*, which codifies the DENSO Group Declaration of Corporate Behavior in terms of specific conduct of individual employees. We will work to permeate the Code to ensure that every employee is continually aware of and acts in accordance with the roles they play in society.

 [Code of Conduct for DENSO Group Associates](http://www.globaldenso.com/en/csr/csrpolicy/csrcharter/files/shishin.pdf)  
(<http://www.globaldenso.com/en/csr/csrpolicy/csrcharter/files/shishin.pdf>)

## Fiscal 2015 Results and Future Issues/Goals

### CSR Management

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

### Corporate governance

Sustainability theme: Operation of internal control system encompassing Group companies

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲ outstanding issues)	Assessment
	Introduction of new officer system (includes selection of external directors)	● Introduced new officer system, selected two external directors (June 2014)	◎
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
	Consideration of the establishment of an advisory body that includes independent external directors to ensure more transparency regarding consideration of the selection and remuneration of directors		
Future initiatives	<b>Mid-term Plan 2018</b>		
	Construction and operation of an optimal governance system that can maximize corporate value to improve management transparency and efficiency		

## Compliance

Sustainability theme: Raising awareness of compliance to the fullest in each employee

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲ outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Upgrade and expand compliance programs at overseas bases (continue)</li> <li>Strengthen programs for compliance with antitrust laws in regions around the world (continue)</li> </ul>	<ul style="list-style-type: none"> <li>● Held compliance tests (from fiscal 2011, for people without a PC)</li> <li>● Conducted interactive education at work sites for all employees [DENSO Corporation]</li> <li>▲ Upgraded and expanded compliance programs at overseas bases</li> <li>● Strengthened and thoroughly refocused on programs for compliance with antitrust laws in regions around the world</li> </ul>	○
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
	<ul style="list-style-type: none"> <li>Upgrade and expand compliance programs at overseas bases (continue)</li> <li>Strengthen programs for compliance with antitrust laws in regions around the world (continue)</li> </ul>		
Future initiatives	<b>Mid-term Plan 2018</b>		
	<ul style="list-style-type: none"> <li>Establishment of a global compliance system</li> <li>Further strengthening of antitrust law compliance structure in all regions of the world</li> </ul>		

## Risk management

Sustainability theme: 1. Strengthening the Group's ability to respond when crises occur

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲ outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Successful completion of four-year plan for countermeasures for disaster reduction</li> </ul>	<ul style="list-style-type: none"> <li>● Implemented countermeasures for key infrastructure and measures for identifying high risk products and reducing risks</li> </ul>	○
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
	<ul style="list-style-type: none"> <li>Thorough refocus on appropriate situational judgment and prompt reporting of risk events</li> </ul>		
Future initiatives	<b>Mid-term Plan 2018</b>		
	<ul style="list-style-type: none"> <li>Raise the level of initial and post response, including by Group companies</li> </ul>		

Sustainability theme: 2. Building awareness of risk management among workplace leaders

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Continue risk management training for newly appointed department managers</li> <li>Revise Crisis Communication Manual</li> </ul>	<ul style="list-style-type: none"> <li>● Use training of newly appointed department managers to provide a systematic understanding of risk management and rules, and practical training</li> <li>● Add a risk of posting on the Internet to the Crisis Communications Manual and revise</li> </ul>	○
Fiscal 2016	Fiscal 2016 activity items		
	<ul style="list-style-type: none"> <li>Continue risk management training for newly appointed department managers</li> </ul>		
Future initiatives	Mid-term Plan 2018		
	<ul style="list-style-type: none"> <li>Education and penetration that leads to increased understanding of risk management and the rules of workplace leaders</li> </ul>		

Sustainability theme: 3. Reinforcement of risk management system at Group companies

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Improvement of the disaster prevention level of Group companies</li> </ul>	<ul style="list-style-type: none"> <li>● Implementation improvement activities through self-assessment and on-site inspections based on the DENSO Group Disaster Prevention Guidelines</li> <li>▲ Promotion of effective global group management prepared for emergencies (strengthening of the function of Risk Management Conference)</li> </ul>	○
Fiscal 2016	Fiscal 2016 activity items		
	<ul style="list-style-type: none"> <li>Review of risk items in response to changes and plan-do-check-act (PDCA) promotion of prevention activities (review of major risk items, new risk items and promotion of prevention activities)</li> </ul>		
Future initiatives	Mid-term Plan 2018		
	<ul style="list-style-type: none"> <li>Review of risk items in response to changes and PDCA promotion of prevention activities</li> </ul>		

## Information security

Sustainability theme: Strengthening information security and raising employee awareness

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>• Activities to improve security level at overseas and domestic suppliers (strengthen and continue)</li> <li>• Review security inspection categories and subject companies in accordance with social trends</li> </ul>	<ul style="list-style-type: none"> <li>● Revamp and expand the DENSO Group Security Guideline (expansion to domestic and overseas Group companies, some suppliers)</li> <li>● Upgrade on-site inspections to confidential audit and implement and promote a more robust checking system</li> <li>▲ Activities to improve security level at overseas and domestic suppliers</li> </ul>	◎
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
	<ul style="list-style-type: none"> <li>• Establish the new DENSO Group Security Guideline</li> <li>• Continue activities to improve security level at overseas and domestic suppliers</li> </ul>		
Future initiatives	<b>Mid-term Plan 2018</b>		
	<ul style="list-style-type: none"> <li>• Promotion of ongoing PDCA activities (educational and audit activities at domestic and overseas Group companies and suppliers)</li> </ul>		

## Fiscal 2015 Results and Future Issues/Goals

### Report on Social Responsibility

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

#### Responsibility to customers

Sustainability theme: 1. Promotion of education, training and enlightenment activities throughout the Group

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲ outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Continually hold exhibitions to show cases of quality improvement to Group companies and suppliers</li> </ul>	<ul style="list-style-type: none"> <li>● Held exhibitions to show cases of quality improvement to Group companies and suppliers (Exhibition for quality improvement and customer satisfaction activities: about 20,000 visitors)</li> <li>● Vitalized QC Circle activities (Won two Union of Japanese Scientists and Engineers Quality Control Circle Department Manager Award Gold Prizes)</li> </ul>	◎
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
	<ul style="list-style-type: none"> <li>Continually hold exhibitions to show cases of quality improvement to Group companies and suppliers</li> <li>Global expansion of Total Quality Management (TQM) activities</li> </ul>		
Future initiatives	<b>Mid-term Plan 2018</b>		
	<ul style="list-style-type: none"> <li>Realize true customer expectations (win quality awards from customers)</li> </ul>		

Sustainability theme: 2. Dealing quickly with product defects

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Continuous activities to improve recall rate of infrared heaters</li> </ul>	<ul style="list-style-type: none"> <li>▲ Continued activities to further improve recall rate</li> </ul>	○
Fiscal 2016	Fiscal 2016 activity items		
	<ul style="list-style-type: none"> <li>Continuous activities to improve recall rate of infrared heaters</li> </ul>		
Future initiatives	Mid-term Plan 2018		
	<ul style="list-style-type: none"> <li>Continue activities to further improve recall rate</li> </ul>		

Sustainability theme: 3. Enhancement of after-sales service structure

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Continue with point of contact for customer response (expanded outlets, raised service quality, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>● Established DENSO Diag-Stations in Japan, expanded number of stations from 28 (end of fiscal 2009) to 80 (end of fiscal 2015)</li> <li>● Set up "PIT &amp; GO" repair and maintenance company (overseas)</li> </ul>	○
Fiscal 2016	Fiscal 2016 activity items		
	<ul style="list-style-type: none"> <li>Expand number of stations to 90</li> <li>Expand the number of "PIT &amp; GO" stations in the Asia region to 25</li> </ul>		
Future initiatives	Mid-term Plan 2018		
	<ul style="list-style-type: none"> <li>Expand number of stations to 100</li> <li>Gradually expand "PIT &amp; GO" with the emphasis on emerging countries</li> </ul>		

Sustainability theme: 4. Enhancement of customer service center for end users

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Continue with point of contact for customer response (expanded outlets, raised service quality, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>● Maintained and continued swift response to customer inquiries</li> </ul>	○
Fiscal 2016	Fiscal 2016 activity items		
	<ul style="list-style-type: none"> <li>Strengthening the drawing force of customer testimonials</li> </ul>		
Future initiatives	Mid-term Plan 2018		
	<ul style="list-style-type: none"> <li>100% grasp of the expectations through incoming calls</li> </ul>		

Responsibility to employees

Sustainability theme: 1. Continuation of stable employment over the long term

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Further improve retention rate by increasing appeal of workplace</li> </ul>	<ul style="list-style-type: none"> <li>● To maintain a stable number of employees in the medium to long term and with the increasing sophistication of <i>monozukuri</i> (manufacturing), in fiscal 2015 the number employees in the manufacturing division will increase</li> <li>▲ In order to promote female participation, women are being aggressively employed to attain the target of tripling the number of female managers by 2020</li> </ul>	○
Fiscal 2016	Fiscal 2016 activity items		
	<ul style="list-style-type: none"> <li>Further improve retention rate by increasing appeal of workplace</li> <li>Aggressive employment of women</li> </ul>		
Future initiatives	Mid-term Plan 2018		
	<ul style="list-style-type: none"> <li>Further improve retention rate by increasing appeal of workplace</li> <li>Aggressive employment of women</li> </ul>		



Sustainability theme: 2. Maintenance of stable labor-management relations

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Respond appropriately to a revision of laws</li> <li>Quickly identify labor risks in emerging country regions and establish a risk management structure</li> </ul>	<ul style="list-style-type: none"> <li>● Build a system to grasp labor risks including at overseas bases of Group companies</li> </ul>	○
Fiscal 2016	Fiscal 2016 activity items		
	<ul style="list-style-type: none"> <li>Deployment of labor-management communication measures to overseas bases of Group companies</li> </ul>		
Future initiatives	Mid-term Plan 2018		
	<ul style="list-style-type: none"> <li>Appropriate labor management is being implemented based on changes in business environment and the thinking of employees within Group companies.</li> </ul>		

Sustainability theme: 3. Assurance of respect for human rights throughout organization

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Continue enlightenment and education to prevent harassment</li> </ul>	<ul style="list-style-type: none"> <li>● Add career employment to the target</li> </ul>	○
Fiscal 2016	Fiscal 2016 activity items		
	<ul style="list-style-type: none"> <li>Enhancement of enlightenment activities</li> </ul>		
Future initiatives	Mid-term Plan 2018		
	<ul style="list-style-type: none"> <li>Enhancement of educational activities</li> </ul>		

Sustainability theme: 4. Promotion of human resource development

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Enhance education measures for “producing human resources who can learn and think independently and continuously take on challenges” (continue)</li> </ul>	<ul style="list-style-type: none"> <li>● Established learning environment</li> <li>▲ Cultivated global human resources (continue)</li> <li>● Upgraded measures for supporting the development of employees’ careers</li> </ul>	○
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
	<ul style="list-style-type: none"> <li>Share and reaffirm DENSO Spirit</li> <li>Strengthening of management capabilities and thorough focus on role awareness and improvement</li> </ul>		
Future initiatives	<b>Mid-term Plan 2018</b>		
	<ul style="list-style-type: none"> <li>Share and reaffirm DENSO Spirit</li> <li>Strengthening of management capabilities and thorough focus on role awareness and improvement</li> </ul>		

Sustainability theme: 5. Promotion of workforce diversity

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Strengthen recruitment of female employees and deploy support for career development for promoting female participation</li> <li>Consider the diverse ways of working and living of senior employees and commence operation of a support system for realization</li> <li>Promote further recruitment and participation assuming a future increase in the legal employment rate</li> </ul>	<ul style="list-style-type: none"> <li>● Strengthened employment of female engineers (31 employed, three times the number in fiscal 2014)</li> <li>● Formulated the targets and deployed career support measures for recruitment of managerial female employees</li> <li>● Enhanced measures for diverse life-work styles of senior employees</li> <li>▲ Consideration of maintaining work stamina up to 65 years of age and activity destination after retirement of officers</li> <li>▲ Considered specific measures for further expanding opportunities for persons with disabilities</li> </ul>	○
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
Future initiatives	<b>Mid-term Plan 2018</b>		
	<ul style="list-style-type: none"> <li>Further strengthen employment for female employees and support for the continued development of their careers</li> <li>Consider measures for promoting the participation of female clerical workers and technical and skilled workers</li> <li>Consider measures for maintaining work stamina up to 65 years of age and work destination and activity in workplace for technical and skilled workers</li> <li>Consider employment and retention support measures for the participation of a diversity of persons with disabilities</li> </ul> <ul style="list-style-type: none"> <li>Promote managerial appointment based on the further strengthening of ongoing employment for female employees and technical and skilled workers and support for the continued development of their careers</li> <li>Expand the area of opportunity for clerical workers</li> <li>Establish a consideration of an intent to maintain work stamina up to 65 years of age and a diverse life-work style</li> <li>Promote employment and retention of a diversity of people with disabilities (intellectual and mental disabilities, etc.)</li> </ul>		

## Sustainability theme: 6. Promotion of occupational safety

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲ outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Strengthen major disaster risk countermeasures, completion abilities and monitoring of measures (particularly at domestic and overseas Group companies)</li> <li>Enhance and upgrade activities for raising “safety sensitivity”</li> </ul>	<ul style="list-style-type: none"> <li>● On-site inspection and guidance of major disaster risk measures at domestic and overseas Group companies (33 companies)</li> <li>▲ Thoroughly implemented the strengthening of foreign construction management with the emphasis on China and Asia</li> <li>● Held public events and safety exhibitions with “awareness” as the theme</li> </ul>	○
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
	<ul style="list-style-type: none"> <li>Use experts to diagnose the prevention of major disasters, thoroughly implement a reduction of major disaster risk and strengthen the management of construction operations at high locations in China and Asia</li> <li>Eliminate any tendency to take danger lightly, incorporate “safety sensitivity” into improvement activities and expand training for handling heavy items</li> </ul>		
Future initiatives	<b>Mid-term Plan 2018</b>		
	<ul style="list-style-type: none"> <li>Realize a system where a major disaster never comes from the DENSO Group</li> <li>Thoroughly implement disaster lessons and follow them up to prevent what is learned from fading</li> <li>Develop personnel who are aware of danger and capable of avoiding it</li> </ul>		

## Sustainability theme: 7. Promotion of employees' health

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲ outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Continue and enhance activities for promoting the health-building of employees based on three pillars (example: male smoking rate of 32% or below)</li> </ul>	<ul style="list-style-type: none"> <li>● Conducted mental health training (held 20 times with 1,870 attendees)</li> <li>● Implemented self-care education for new employees (5 times, 500 employees)</li> <li>● Implemented <i>Kokoro no Kenko Shindan</i> mental health checkups (42,460 employees including 1,316 domestic and overseas loaned employees)</li> </ul>	○ ○ ○
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
	<ul style="list-style-type: none"> <li>Strengthen and expand mental health measures</li> </ul>		
Future initiatives	<b>Mid-term Plan 2018</b>		
	<ul style="list-style-type: none"> <li>Promote and expand <i>Kokoro no Kenko Shindan</i> mental health checkups (completed)</li> </ul>		

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Continue and enhance activities for promoting the health-building of employees based on three pillars (example: male smoking rate of 32% or below)</li> </ul>	<ul style="list-style-type: none"> <li>● Provided education and guidance on metabolic syndrome (2,780 employees, participation rate of 62.1%)</li> <li>● Implemented “Think of Your Health Day” targeting 39 year olds (252 employees)</li> <li>● Implemented health improvement monitoring (3,060 employees)</li> </ul>	○ ○ ○
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
	<ul style="list-style-type: none"> <li>Enhance health-building activities (Consider activities to increase number of senior employees)</li> </ul>		
Future initiatives	<b>Mid-term Plan 2018</b>		
	<ul style="list-style-type: none"> <li>Introduce measures to increase number of senior employees (health support for senior employees)</li> </ul>		

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Continue and enhance activities for promoting the health-building of employees based on three pillars (example: male smoking rate of 32% or below)</li> </ul>	<ul style="list-style-type: none"> <li>● Implemented activities for achieving challenge targets (male smoking rate of 32% or below) (2014 smoking rate for men: 33.9%)</li> <li>● Provided support for quitting smoking through outpatient smoking cessation treatment (232 employees quit smoking/270 received treatment, smoking cessation rate of 86%)</li> <li>● Formulated new basic policies and long-term activities plan for measures to quit smoking</li> </ul>	▲ ○ ○
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
	<ul style="list-style-type: none"> <li>Strengthen measures to quit smoking</li> </ul>		
Future initiatives	<b>Mid-term Plan 2018</b>		
	<ul style="list-style-type: none"> <li>Challenge targets: male smoking rate of 24% or below (2018)</li> <li>A total ban on smoking in buildings (Headquarters: End of fiscal 2017, other areas: End of fiscal 2019)</li> </ul>		

## Responsibility to shareholders and investors

### Sustainability theme: Enhancement of corporate value and information disclosure

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲ outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Proactive efforts for investor relation activities (continue)</li> </ul>	<ul style="list-style-type: none"> <li>● For domestic institutional investors: Held quarterly financial results briefings, provided individual interviews, plant tours, technical briefings</li> <li>● For overseas institutional investors: Attended conferences sponsored by securities companies, provided individual interviews, plant tours</li> <li>● For individual investors: Issued business reports and colorized and issued Notice of Shareholders' Meeting announcements</li> <li>▲ Created an integrated report</li> </ul>	○
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
	<ul style="list-style-type: none"> <li>Continue proactive efforts for investor relation activities</li> <li>Participate in Motor Show conference</li> <li>Integrate information disclosure of financial information and non-financial information by integrated report, proactive information disclosure of medium-term and long-term management strategy</li> </ul>		
Future initiatives	<b>Mid-term Plan 2018</b>		
	<ul style="list-style-type: none"> <li>Improve the quality of IR activities</li> <li>Enhance information disclosure tailored to the needs of stakeholders</li> </ul>		

## Responsibility to business partners

### Sustainability theme: 1. Practice of open, fair and transparent transactions

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Create a revised version of Supplier CSR Guidelines and thoroughly deploy and publicize these at suppliers</li> </ul>	<ul style="list-style-type: none"> <li>● Created a revised version of the Supplier CSR Guidelines and distributed to domestic and overseas suppliers (DENSO Corporation, domestic and overseas Group companies)</li> <li>● Implemented self-assessment of CSR suppliers (DENSO Corporation)</li> <li>▲ Expanded self-assessment of CSR suppliers to domestic and overseas Group companies</li> </ul>	◎
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
	<ul style="list-style-type: none"> <li>Expand self-assessment of CSR suppliers to domestic and overseas Group companies</li> </ul>		
Future initiatives	<b>Mid-term Plan 2018</b>		
	<ul style="list-style-type: none"> <li>Expand self-assessment of CSR suppliers to domestic and overseas Group companies (Continue regular activities)</li> </ul>		

### Sustainability theme: 2. Practice of CSR activities throughout the supply chain

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Share improvement case examples of outstanding suppliers as well as excellent examples with our suppliers</li> </ul>	<ul style="list-style-type: none"> <li>● Share examples of an excellent supplier by self-assessment with struggling suppliers in the form of a dialogue (DENSO Corporation did this with six suppliers)</li> <li>▲ Expanded supplier dialogues to domestic and overseas Group companies</li> </ul>	◎
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
	<ul style="list-style-type: none"> <li>Implement dialogues with suppliers based on the results of CSR self-assessment</li> <li>Expand to domestic Group companies (target: cooperative group)</li> </ul>		
Future initiatives	<b>Mid-term Plan 2018</b>		
	<ul style="list-style-type: none"> <li>Implement dialogues with suppliers based on the results of CSR self-assessment</li> <li>Expand to domestic Group companies</li> </ul>		

## Responsibility to local and international communities

### Sustainability theme: Promotion of activities unique to DENSO

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Implement youth development programs for each age bracket targeted at youth from elementary schools to junior high schools, high schools and technical colleges</li> </ul>	<ul style="list-style-type: none"> <li>● Implemented according to plan                             <ul style="list-style-type: none"> <li>Elementary schools: Held the DENSO Science School for fifth-grade students</li> <li>Junior high schools: Implemented visiting lecture courses at science clubs (club activity) of Kariya City, Aichi Prefecture</li> <li>High schools: Supported the Kariya High School Super Science High School</li> <li>Technical colleges: Held the Micro-hydro Power Generation Idea Contest</li> </ul> </li> <li>▲ Enhanced contents of each program</li> </ul>	○
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
	<ul style="list-style-type: none"> <li>Enhance youth development programs for each age bracket targeted at youth from elementary schools to junior high schools, high schools and technical colleges</li> </ul>		
Future initiatives	<b>Mid-term Plan 2018</b>		
	<p>Each program except that of the science school* is considering the future direction (including the pros and cons of implementation)</p> <p>* Science Laboratory, Kariya High School Super Science High School, Micro-hydro Power Generation Idea Contest</p>		



Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Enhance the scope of <i>Chobora</i> (small volunteer) activities and strengthen efforts to encourage participation</li> </ul>	<ul style="list-style-type: none"> <li>● Main emphasis on implementation of the three items of Bellmark, pull-tabs and plastic bottle caps (achieved target for Bellmark, but did not attain targets in other categories) <ul style="list-style-type: none"> <li>Posted targets and progress on the corporate intranet for visualization</li> <li>Recruited “Plastic bottle cap <i>Atsume-bito</i>” (the nickname of collection volunteers) from among employees, increased the collection points</li> </ul> </li> <li>▲ In-house PR, including the results</li> </ul>	△
Fiscal 2016	Fiscal 2016 activity items		
	<ul style="list-style-type: none"> <li>Review <i>Chobora</i> activities (emphasis of implementation: Plastic bottle caps and bellmarks) to further improve the awareness and participation rate</li> </ul>		
Future initiatives	Mid-term Plan 2018		
	<ul style="list-style-type: none"> <li>Implement measures to promote more participation and awareness of <i>Chobora</i> activities.</li> </ul>		

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Encourage domestic and overseas Group companies to promote community activities in the fields of “environment” and “security &amp; safety” in accordance with One DENSO Action agreed upon at the Global Conference 2014</li> </ul>	<p>&lt;Traffic safety&gt;</p> <ul style="list-style-type: none"> <li>● Formulated the planning of the survey and a fiscal 2016 plan for domestic Group companies</li> <li>● Implemented the activities for understanding in respective overseas regions and formulated future plan</li> <li>▲ Consider implementation for domestic and overseas non-planning companies</li> </ul>	○
Fiscal 2016	Fiscal 2016 activity items		
	<ul style="list-style-type: none"> <li>Plan activities for traffic safety in communities with Japan, Thailand and China as priority areas and start a trial</li> <li>Promote Green &amp; Clean activities</li> </ul>		
Future initiatives	Mid-term Plan 2018		
	<ul style="list-style-type: none"> <li>Implement traffic-safety activities and Green &amp; Clean actions in communities in countries and regions in which DENSO is located</li> </ul>		

## Fiscal 2015 Results and Future Issues/Goals

### CSR Communication

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

**Sustainability theme: Information disclosure for stakeholders and enhancement of mutual communication**

Fiscal 2015	Fiscal 2015 activity items	Fiscal 2015 results and remaining issues (● goals achieved, ▲ outstanding issues)	Assessment
	<ul style="list-style-type: none"> <li>Plan and promote methods for more effective communications with stakeholders</li> <li>Strengthen internal communications (create CSR report employee dissemination tools)</li> </ul>	<ul style="list-style-type: none"> <li>● Publication of CSR Report (English and Japanese)</li> <li>● Publication of CSR Report digest (English and Japanese) for employees</li> <li>▲ Implemented dialogues based on the desired stance</li> </ul>	○
Fiscal 2016	<b>Fiscal 2016 activity items</b>		
Future initiatives	<b>Mid-term Plan 2018</b>		
	Promote information disclosure and dialogues to promote understanding/empathy from stakeholders <ul style="list-style-type: none"> <li>Expand information from performance reports, from the medium-term and long-term perspective</li> <li>Clarify overall picture and relevance between financial and non-financial information by integrating annual and CSR reports.</li> <li>Raise employees' awareness of and interest in society by using reports/CSR News etc.</li> </ul>		

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## Corporate Governance

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### Basic stance

DENSO believes that establishing a corporate governance system designed to strengthen Group competitiveness is the key to maintaining and improving long-term corporate performance in a quickly changing global marketplace. Specifically, DENSO Corporation has adopted a corporate auditor system. In addition to statutory bodies such as the General Shareholders Meeting, Board of Directors, Board of Corporate Auditors and Accounting Auditor, DENSO Corporation has developed various governance mechanisms. We are implementing highly sound, efficient and transparent management by continuously providing shareholders and investors with information on the state of our business.

### Formulation of Basic Policies on Corporate Governance

In June 2014, DENSO formulated the Basic Policies on Corporate Governance based on the Corporate Governance Code that aims for transparent and efficient corporate management.

#### Basic Policies on Corporate Governance

(1) Securing the rights and equal treatment of shareholders

- DENSO shall provide timely and accurate information needed for shareholders to exercise their rights. Concurrently, it shall make efforts to establish an environment in which shareholders can exercise their voting rights and give due attention to assuring the rights and equal treatment of various shareholders encompassing real shareholders that include foreign shareholders and minority shareholders.

(2) Appropriate cooperation with stakeholders other than shareholders

- DENSO shall strive to create a virtuous cycle whereby it earns the trust and empathy of stakeholders and continually grows and develops with them by dealing with social issues and actively working to find solutions.
- DENSO shall place high value on dialogues with stakeholders and provide them with appropriate information to share values and cooperate with stakeholders.

(3) Ensuring appropriate information disclosure and transparency

- DENSO shall disclose its financial condition, operating results and other financial information each quarter in compliance with the relevant laws and regulations as well as appropriately disclose management strategies and management plans and other non-financial information each time these are formulated.
- DENSO shall deploy various methods for disseminating non-financial information, in particular, which include directly disseminating information through its website and exhibitions as well as disseminating information to the mass media through press releases to obtain the understanding of its stakeholders.

(4) Execution of duties of the Board of Directors

- DENSO shall, in keeping with the DENSO Philosophy, determine the strategic directions of the Company through the Long-term Policy, a management compass indicating the directions we will pursue over the next five to 10 years, and the Mid-term Policy, which are strategies that give concrete shape to our objectives and activities for the next three-to-five-year period.

- DENSO shall realize speedy decision-making and business operations through a corporate officer system that divides and clarifies the roles between Members of the Board, who are responsible for management (decision-making and supervision), and Senior Executive Directors and Executive Directors, who are responsible for the execution of business operations. Additionally, DENSO shall, depending on the circumstances, directly link management with operations by having Members of the Board serve concurrently as Senior Executive Directors and execute decision-making based on *genchi genbutsu* (on-site verification).
- DENSO shall emphasize objective and neutral management supervision from an outside perspective and shall utilize as outside board members and outside auditors those persons who can reflect their wealth of external experience and wide-ranging knowledge in the Company's decision-making and auditing.

#### (5) Dialogue with shareholders

- DENSO shall strive for good communication with its shareholders and investors by providing enhanced information encompassing management strategies and financial information and actively holding dialogues with the participation of Board Members, Senior Executive Directors and Executive Directors in charge. The results of the dialogues shall be reported to the Board of Directors and the opinions of shareholders utilized in DENSO's management.

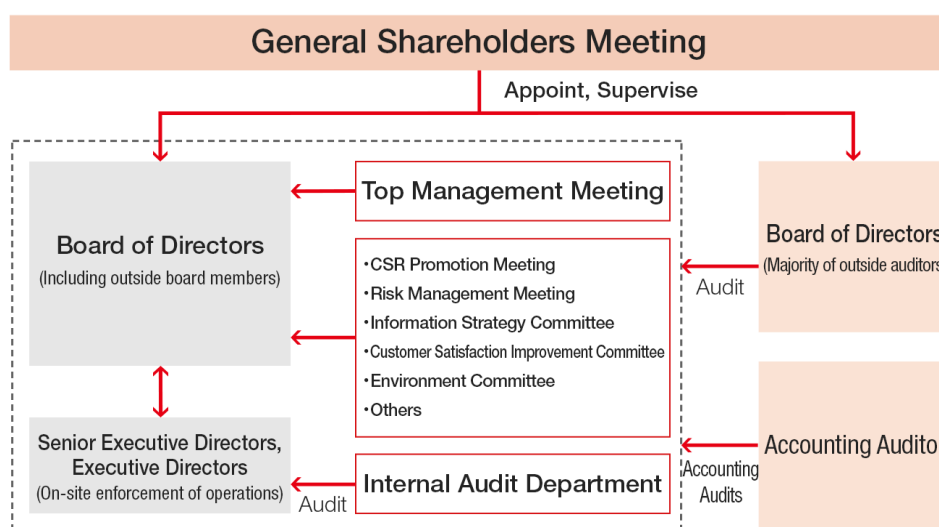
## Corporate governance system and principal organizations

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 governance mechanisms.

Additionally, through a corporate officer system that divides and clarifies the roles between Members of the Board, who are responsible for management (decision-making and supervision), and Senior Executive Directors and Executive Directors, who are responsible for the execution of business operations, DENSO Corporation is streamlining the number of Members of the Board and is realizing speedy decision-making and business operations.

Under this system, depending on the circumstances, Members of the Board serve concurrently as Senior Executive Directors to directly link management with operational sites. DENSO Corporation sets the term of office for Members of the Board at one year with the aim of building a flexible management structure that responds to changes in the management environment and to further clarify management responsibilities during the business year.

### Corporate governance system



## 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 Members of the Board. 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.

## Results for meetings convened in fiscal 2015

<b>Number of times convened</b>	16 times
<b>Attendance rate</b>	Members of the Board: 96% Auditors: 96%

## 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 2015, the Top Management Meeting convened 35 times.

## Compensation for executives, directors and auditors:

The monthly amount of compensation for executives shall be within the upper limit for the total amount of compensation (directors: 80 million yen; auditors: 15 million yen) prescribed by a resolution at the General Meeting of Shareholders. The monthly amount of compensation for each individual director is decided by a representative director who has received authorization from the Board of Directors and is in accordance with standards prescribed by the Company, while the amount of compensation for each individual auditor is decided through cooperative consultation among auditors. Bonuses are decided upon receiving authorization for total amounts to be paid to directors and auditors, respectively, through a resolution at the Ordinary General Meeting of Shareholders. The amount of the bonus for each director takes into consideration the level of individual contribution and is decided by a representative director who has received authorization from the Board of Directors.

## Fiscal 2015

	<b>Members of the Board (16 persons)</b>	<b>Auditors (5 persons)</b>
<b>Compensation, etc. (total amount) (including total bonuses)</b>	907 million yen (345 million yen)	117 million yen

## Independent officers

Regarding the independence of outside board members and outside auditors, DENSO presumes that board members and auditors satisfy the independence criteria prescribed by the financial instruments exchanges and requires that they possess abundant knowledge and experience in specialized domains such as corporate management and legal affairs and accounting and can proactively offer suggestions, proposals and opinions on DENSO's management issues.

<b>Independent officers</b>	4 persons (outside board members: 2 persons, outside auditors: 2 persons)
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### 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

With the aim of undertaking fair and efficient business operations, we formulated the DENSO Basic Policies for Internal Control. We have stipulated basic policies for control, various rules and systems in areas that form the basis of our management such as the code of conduct, management systems, risk management and compliance. We make revisions and changes when necessary after undertaking regularly scheduled annual verifications of the status of implementation.

#### BASIC POLICIES FOR INTERNAL CONTROL

- (1) Systems to Ensure Compliance of the Execution of Duties by Board Members with Laws, Regulations and the Articles of Incorporation
  - 1) Board members shall thoroughly disseminate the universal values, ethics and convictions set forth in the DENSO Philosophy and the DENSO Spirit through their behavior and corporate documents.
  - 2) Effective mutual supervision by and among board members shall be pursued for decision making by cross-sectional collegial bodies such as various meetings and committees in addition to the executive collegial bodies consisting of the Board of Directors, the Top Management Meeting and the Executive Meeting.
  - 3) Board members shall endeavor to ensure appropriate financial reporting and appropriately disclose information at the right time.
- (2) Systems to Keep and Manage Information Pertaining to the Execution of Duties by Board Members
 

The Company shall appropriately keep and manage important information in accordance with the in-house rules. The minutes of the Board of Directors meetings shall be kept forever.
- (3) Rules and Other Systems Regarding Loss Risk Management
  - 1) The risks involved in our businesses and investments shall be managed companywide by the executive collegial bodies such as the Board of Directors and the Top Management Meeting in accordance with the in-house rules. At the same time, the Business Group Heads and the Functional Center Heads shall manage divisional risks in their respective fields.
  - 2) As for other risk management, the Risk Management Meeting shall generally streamline and manage relevant companywide systems, whereas each competent department shall manage its relevant risk factors.

- (4) Systems to Ensure the Efficient Execution of Board Members' Duties
  - 1) The Company shall pursue downsized, efficient management by leveraging the Executive Director/Senior Executive Director system with fewer board members.
  - 2) The organizational systems, organizational management and authority of the respective organizations shall be determined in accordance with the in-house rules for more systematic and efficient operation of business activities.
  - 3) Under the medium- and Long-term management guidelines and annual group guidelines, the Company shall prepare annual plans to form a unified companywide intention to achieve its goals. The progress of the goals and plans, as well as operations at the respective departments, shall be managed and periodically reported in accordance with the in-house rules.
- (5) Systems to Ensure Compliance of the Execution of Duties by Employees with Laws, Regulations and the Articles of Incorporation
  - 1) The CSR Promotion Meeting shall establish and revise the Code of Conduct, conduct necessary enlightenment activities and prepare proposals for the relevant organizations.
  - 2) The Code of Conduct shall be fully disseminated among all employees via hierarchical compliance education.
  - 3) The "Corporate Ethics Hotline" allows any employee who has an ethical or compliance-related concern to directly communicate such concern to the competent internal department or an outside lawyer.
  - 4) The Audit Department shall internally audit the legality, the propriety and the efficiency of operations in accordance with the in-house rules and improve and reinforce the business management and operation systems at the respective departments based on such valuable input from the Audit Department.
- (6) Systems to Ensure the Propriety of Business Operations Conducted by the Corporate Group Consisting of the Company, Its Parent and Its Subsidiaries
  - 1) Decision making at the respective Group companies shall be conducted on a "reserved authority" basis pursuant to the respective in-house rules, according to a policy of maximally respecting the autonomy of each Group company.
  - 2) Group-wide policies and plans shall be prepared on a consolidated basis under the medium- and Long-term management guidelines and annual group guidelines to unify the Group's intention to achieve its goals. The progress of the goals and plans shall be managed and periodically reported in accordance with the in-house rules.
  - 3) As for risk management and compliance within the Group companies, the Company shall propose guidelines to the respective Group companies to promote the establishment and operation of group-wide systems. The DENSO Group Employee Code of Conduct shall be shared by and disseminated to all the Group companies.
  - 4) CSR shall be positioned as a group-wide important management priority, and the CSR Promotion Meeting shall have the functions of orientation and follow-up on relevant activities as a core decision-making organ.
  - 5) The Domestic DENSO Group Corporate Ethics Hotline shall be operated as an internal informant protection system for the Group companies in Japan.
  - 6) Each department shall provide advice and support to ensure the appropriateness of operations at the Group companies through the exchange of information with the Group companies.
  - 7) Each department shall monitor and verify the appropriateness of operations at the Group companies.
- (7) Employees in Cases Where an Audit & Supervisory Board Member Requests That the Company Place Several Employees as Assistants to Support His/Her Duties and the Independence of the Employees Concerned from Board Members in Such Cases

- 1) The Audit & Supervisory Board Office, which was established as a dedicated organ, shall support the audit & supervisory board members in conducting their duties.
  - 2) Personnel changes and organizational restructuring of the Audit & Supervisory Board Office shall require the prior consent of the Audit & Supervisory Board or of a standing audit & supervisory board member appointed by the Audit & Supervisory Board.
  - 3) The board members shall cooperate with the Audit & Supervisory Board Office so that the Office can collect the information necessary for the audits conducted by the audit & supervisory board members, internally and from any of the Group companies according to the instructions given by the audit & supervisory board members.
- (8) Systems to Help Board Members and Employees Report to the Audit & Supervisory Board Members and Other Systems Relating to Reporting to the Audit & Supervisory Board Members
- 1) The board members, as well as board members and audit & supervisory board members of the Group companies, shall appropriately report on the execution of major business operations, as required, to the audit & supervisory board members through the division/department that they are in charge of. Furthermore, if they find any facts that could result in detrimental damage to the Company, they shall immediately report such facts to the audit & supervisory board members.
  - 2) The board members, Senior Executive Directors, Executive Directors and employees of the Company and the Group companies shall periodically or occasionally report on their operations to the audit & supervisory board members if so requested by any audit & supervisory board member or the Corporate Auditors Department.
- (9) Other Systems to Ensure Effective Audits by the Audit & Supervisory Board Members
- 1) To raise the effectiveness of the audits conducted by the audit & supervisory board members, the board members shall cooperate with them in their auditing activities including attendance at meetings of the Board of Directors and other important meetings such as those of various committees, the examination of important documents such as kessaisho (documents for approval) on operations, on-the-spot audits at the respective departments and the Group companies, and meetings with the Accounting Auditors.
  - 2) The board members shall ensure that the expenses that would be necessary for the audit & supervisory board members to execute their duties are provided and the direct recruiting of necessary external human resources by the audit & supervisory board members is conducted.
  - 3) The internal Audit Department shall collaborate closely with the audit & supervisory board members and report the results of its audit thereto.
  - 4) The audit & supervisory board members shall have regular or occasional meetings or exchange information as required with the internal Audit Department, the Accounting Auditors and the internal control department.
  - 5) The board members of the Company and the Group companies shall ensure that anyone who has reported to an audit & supervisory board member does not suffer from detrimental treatment for the reason of having made said report.








## Future initiatives

DENSO Corporation will continue to make efforts to build an optimal governance structure that considers changes in the business environment inside and outside of the company.



# Highlights and Lowlights of CSR Activities in Fiscal 2015

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	2014	Lowlights
<p><b>DENSO develops an electric fuel injection system for small motorcycles that improves fuel economy and environmental performance.</b></p> <p>DENSO developed a new fuel injection system for small motorcycles to meet rising demand for such motorcycles in emerging markets, such as China. DENSO reviewed the conventional system used in large motorcycles to develop a system that has five sensor and motor components. The functions of these components are compensated for by developing new control technologies such as a temperature estimation control and a fuel metering control. With its fewer components, the new fuel injection system delivers similar fuel economy and environmental performance as a conventional system and at a lower cost.</p>  <p>Electric fuel injection system for small motorcycles</p>	<p>April</p> <p>May</p>	
<p><b>DENSO began testing advanced driving support technology on a public road to achieve safer driving</b></p> <p>DENSO began testing of advanced driving support technology on a public road, with the goal of achieving more secure and safer driving. The tests were conducted on Minamichita Road in Aichi Prefecture with the cooperation of local government, companies and organizations. To support safe driving and driver load reduction, the tests included automated driving in one lane and automated lane changes. In September, DENSO also conducted a similar demonstration at the 2014 Intelligent Transport Systems World Congress held in Detroit. DENSO intends to speed up development aimed at establishing practical technologies by using testing on public roads to identify issues that are not readily apparent on a test course.</p>  <p>Automated test driving on a public road</p>	<p>June</p>	
<p><b>Targets for the promotion of female participation</b> <b>Goal is to triple the number of female managers by 2020</b></p> <p>As part of a drive to promote diversity management DENSO is systematically increasing the number of female employees it hires and trains, with the goal of increasing the number of female managers to 100 by 2020, three times the current number. To achieve that target, diversity management training for supervisor and career training for women will be strengthened, and various activities will be implemented for more work flexibility and mobility by utilizing a mobile work system.</p>  <p>Forum for promoting female participation (November 2014)</p>	<p>July</p> <p>August</p>	<p><b>DENSO pays fines/sanctions relating to violations of competition act/antimonopoly law in China and Canada.</b></p> <p>DENSO Corporation agreed to pay a fine of CA\$2.45 million (approximately 0.2 billion yen) as part of a plea agreement concluded with the Canadian Competition Bureau in connection with sales of certain automotive parts (body ECUs) in violation of the Canadian Competition Act. In China, DENSO paid a monetary sanction of 150.56 million yuan (approximately 2.5 billion yen) imposed by the National Development and Reform Commission for violation of China's Anti-Monopoly Law in connection with sales of certain automotive components. In each case DENSO fully cooperated with the investigation by the authorities and recorded the payment as an extraordinary loss in the fiscal year ended March 31, 2015.</p> <p>Compliance with antimonopoly laws is an important basis to the management policy of DENSO and DENSO Group companies. Measures have been taken, including implementing more stringent compliance rules, more enhanced compliance training and more meticulous compliance monitoring, so as to further ensure compliance with all applicable laws. Going forward, DENSO will continue to implement strict compliance measures to prevent a recurrence and will work to restore trust.</p>
<p><b>DENSO robot awarded Good Design Grand Award</b></p> <p>The VS-050S2 robot for industrial/pharmaceutical and medical applications developed by DENSO Corporation and DENSO Wave Incorporated was a first-time recipient of the Grand Award, the highest award of the Japan Institute of Design Promotion's Good Design Grand Award 2014. The robot was developed mainly for manufacturing tasks in the fields of food, pharmaceuticals and semiconductors. It has smooth contours with no open grooves or holes and the joints have a circular cross-section, with no gaps in which dirt and bacteria can readily accumulate, so a highly hygienic state can be maintained. In addition, it can be cleaned by hydrogen peroxide gas. The surface is not painted but polished, giving the robot a feeling of unprecedented quality and presence.</p>  <p>VS-050S2 industrial/pharmaceutical and medical robot</p>	<p>September</p> <p>October</p>	
<p><b>Electric refrigerator system receives Ministry of Economic, Trade and Industry Minister's Award Energy Conservation Grand Prize</b></p> <p>An electric refrigerator for large trucks developed jointly by DENSO and Hino Motors, Ltd. was a winner of the Energy Conservation Grand Prize, the highest award in the Product and Business Model Category of the Minister of Economy, Trade and Industry Award.</p> <p>In a refrigeration vehicle, generally the compressor is driven by a dedicated engine or the vehicle engine. However, the new system uses a hybrid system in which the compressor is driven effectively by electricity generated by the truck's engine or by regenerative energy. This can significantly reduce the amount of fuel used to drive the compressor and the amount of CO<sub>2</sub> emissions and uses 64% of the fuel used by a dedicated refrigeration engine.</p>  <p>Electric refrigerator system equipped in Hino Frontier</p>	<p>November</p> <p>December</p>	
<p><b>Safety awareness activities in Thailand to protect lives from traffic accidents</b></p> <p>In Thailand, which ranks third in the world for traffic fatalities per 100,000 people, the low rate of children on motorized bicycles who do not use helmets has become a challenge. To improve this situation, seven local DENSO Group companies are collaborating with an Asia road safety NGO to conduct educational campaigns calling for children to wear helmets. In January the campaign was started with fliers and posters at a local primary school in Bangkok to which DENSO donated 612 helmets. In February, some 300 government officials, police officers, students, and citizens in local communities were invited to participate in games aimed at using helmets and calling for traffic safety.</p>  <p>Children wearing donated helmets</p>	<p>2015</p> <p>January</p> <p>February</p>	
<p><b>Major redesign of global website</b></p> <p>In accordance with the DENSO Group Information Disclosure Policy, DENSO has been promoting timely, global disclosure. As part of this effort, the global website has been redesigned. Going forward, DENSO will endeavor to further build relationships of trust with stakeholders by emphasizing the dissemination of information that is timely and easy for users to read and understand.</p>  <p>Redesigned global website</p>	<p>March</p>	<p><b>Decrease in employees practicing the Code of Conduct and environmental activities (CSR Survey 2014)</b></p> <p>In the annual CSR Survey of approximately 3,000 employees carried out by DENSO Corporation, significant decreases versus the previous year were noted in the percentage of employees who responded that they practiced the Code of Conduct, which declined from 82% to 74% due to a lack of opportunity to review the Code, and in the percentage of employees who responded that they practiced work habits that reduced CO<sub>2</sub>, which declined from 73% to 71% due to a difficulty in understanding the effectiveness. In view of the results, the CSR Promotion Department is working on measures to provide opportunities to review the Code of Conduct and feel the effect of environmental activities.</p>

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## Compliance

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### Basic stance

We believe that key actions to earn the trust and understanding of society pertain to the DENSO Group's observance of all applicable national and regional laws and all Group employees' fair and faithful conduct with the highest ethical standards.

Based on this recognition, in 2006 we adopted the *Code of Conduct for DENSO Group Associates*, which clearly indicates the standards of conduct for each and every employee. In training and workplace conferences, we utilize the Code for raising CSR awareness of employees (including domestic Group companies).

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

### Promotion structure

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 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

DENSO Corporation continuously implements various types of education and enlightenment activities aimed at raising the awareness of each employee. Some of these education and enlightenment activities are also used as employee education/enlightenment tools at companies within the DENSO Group in Japan.

### Principal employee enlightenment activities

- Education by employment level <FY2003 ~ >
- Education/enlightenment activities led by CSR leaders at each individual workplace (part-time and other employees) (including contract, temporary and other employees). <FY2007 ~ >  
Example: Compliance education at each workplace in the form of case study based discussions that utilized original visual educational materials
- e-learning courses targeting employees with PCs. <FY2009 ~ >
  - \* We provide the same exam on paper to employees without PCs. <FY2011 ~ >
- Others  
We also promote enlightenment by means of publishing the Business Ethics Newsletter and providing information via the corporate intranet.

[Reference] Employee enlightenment activities results [DENSO Corporation]

	FY2013	FY2014	FY2015
Education by employment level (total employees for all employment levels)	approx. 2,400 participants	approx. 1,800 participants	approx. 1,600 participants
e-learning courses (total number of persons taking courses) * Includes persons taking paper tests	approx. 38,000 participants	approx. 45,000 participants	approx. 41,200 participants

**Internal whistle-blowing system**

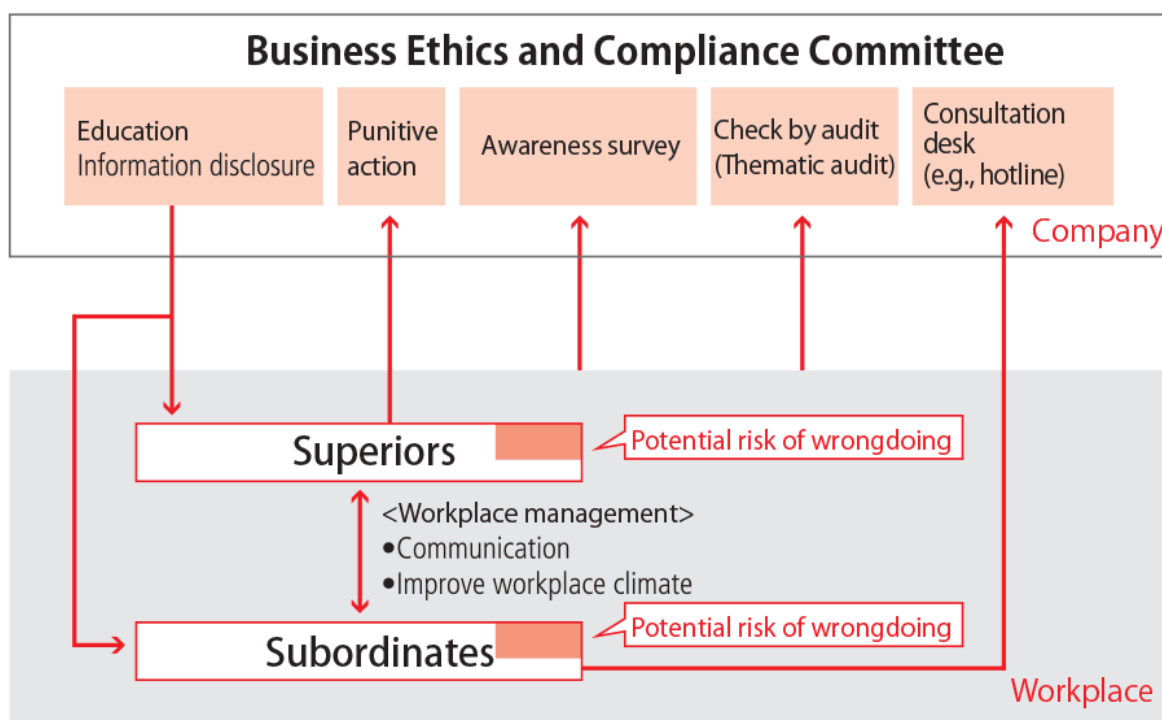
DENSO Corporation’s internal whistle-blowing system (in the form of the Business Ethics Hotline), which allows anonymous reporting, is independent from the normal chain of command at the Company and is administered by outside attorneys and the Legal Department in accordance with Japan’s Whistleblower Protection Act. This system can be used by all persons working at DENSO Corporation, including employees, temporary employees and employees from contract companies, and can now also be used by principal suppliers (300 companies).

In fiscal 2015, the hotline received 103 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**

	FY2013	FY2014	FY2015
External hotline	58	32	18
Internal hotline	135	109	85
Total	193	141	103

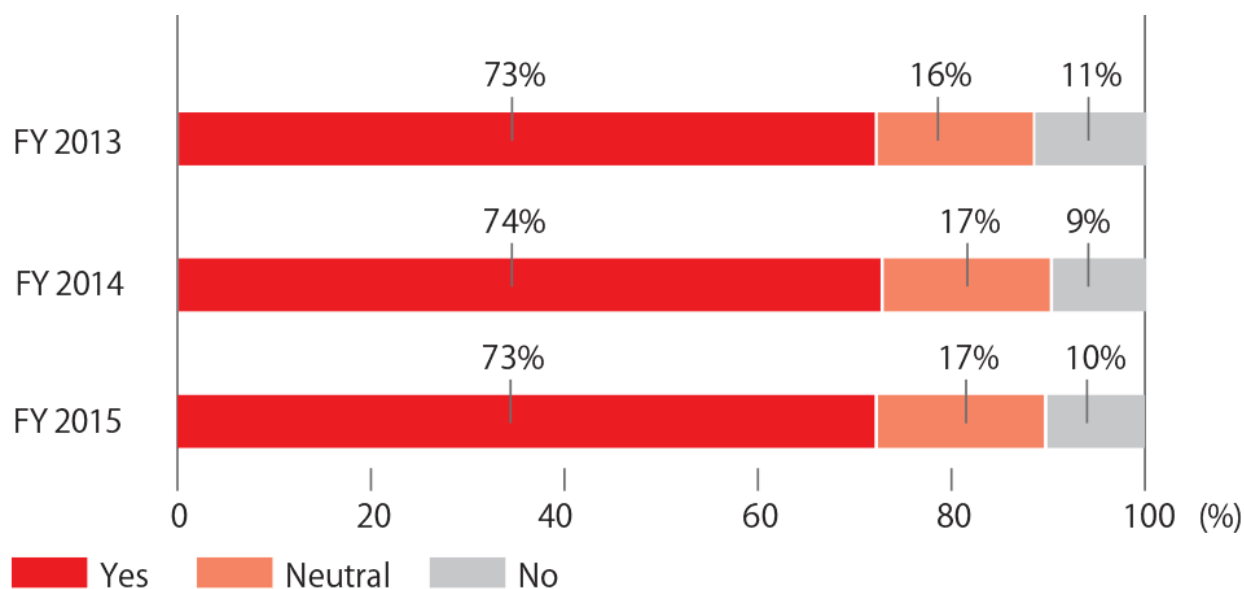
**Overall procedure for business ethics activities**



## 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 number of respondents who thought that it was easy to consult with superiors at work, indicating good communication in the workplace, was generally at the same level as in the previous fiscal year. This result enables us to confirm that efforts to enhance communication are firmly rooted.

### Result of CSR Survey



## Response to antitrust laws

After the onsite United States Department of Justice (DOJ) investigation of DENSO International America, Inc. (DIAM), a U.S.-based DENSO subsidiary, the DENSO Group has taken this matter seriously and launched the Antitrust Law Compliance Committee, chaired by the president, with the aim of thoroughly reinforcing its previous compliance with antitrust laws. Additionally, under the direction and supervision of the Committee, we will thoroughly reinforce compliance with antitrust laws across the entire DENSO Group with measures that include implementing even more stringent antitrust law compliance rules and strengthening compliance education. In the future as well, the DENSO Group will further strengthen its compliance with antitrust laws and make thoroughgoing efforts to prevent recurrences while working to restore trust.

Related  
Information

[Code of Conduct for DENSO Group Associates \(in Japanese\)](http://www.denso.co.jp/ja/csr/denso/csrcharter/files/shishin.pdf)  
(<http://www.denso.co.jp/ja/csr/denso/csrcharter/files/shishin.pdf>)

## Future initiatives

In the future, we will continue to upgrade and strengthen our structure for raising the compliance awareness of each and every employee. At the same time, we will promote cooperation with the Group to fortify and enhance programs as we work to raise the level of the compliance structure across the entire DENSO Group.

## Risk Management

### Basic stance

In keeping with the global expansion of business, the DENSO Group 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.

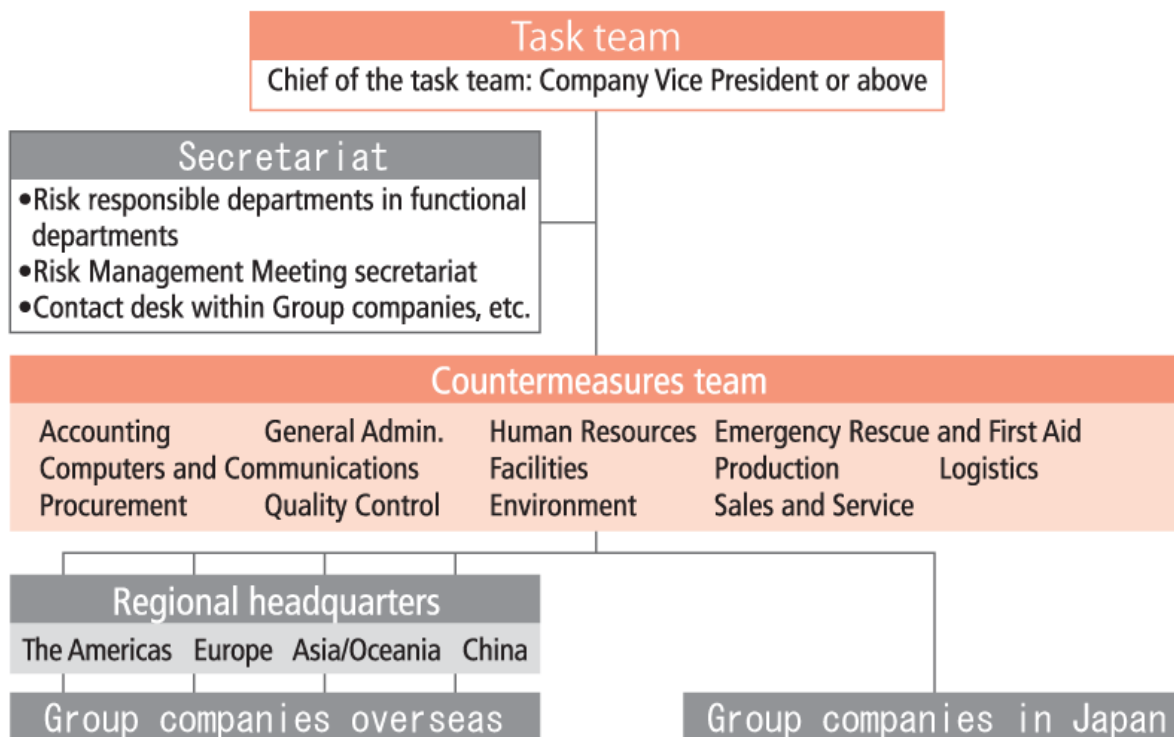
### Promotion structure

We selected 55 risk items with the potential to impact life, credit, business activities or property, and designated a responsible department for each. 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 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.

**55**  
risk items selected

At domestic and overseas companies subject to our managerial consolidation rules as well as Group companies in which DENSO Corporation is the largest shareholder, CSR leaders of each company work to upgrade our risk management based on support from key functional departments and regional headquarters.

### Crises countermeasures structure



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

## Established procedures

Earthquake	In cases of an earthquake above level 5.0 on the Japanese scale in a city, town or village that DENSO has production facilities
Typhoon	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
Heavy rainfall	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

## Expanding activities to spread and raise awareness

To prevent the emergence of risk and minimize damage when risk emerges, it is crucial that employees be aware of risk on a routine basis and take appropriate action when risk emerges. DENSO Corporation implements various enlightenment activities to promote an understanding and raise awareness of risk by employees.

## Specific permeation and enlightenment activities

<b>Fiscal 2005~</b>	<b>Risk Management Handbook</b>	Clarification of actions to be taken in the event of an earthquake, fire and traffic accident All employees are required to carry this on a daily basis.
<b>Fiscal 2007~</b>	<b>Risk management training for management-level employees at DENSO Corporation</b>	Conducted risk management training directed toward newly appointed department managers as well as factory managers and section managers of business groups. (Number of persons taking training course in fiscal 2015: 141)
<b>Fiscal 2009~</b>	<b>Risk Management education for top management at overseas subsidiaries</b>	Provide risk management education for employees scheduled for transfer as president of local corporations in order to strengthen risk management at overseas sites. (Number of persons taking education course in fiscal 2015: 11)

## Preparing for the risk of a major earthquake

In the Tokai region as well, there is a possibility that a major earthquake, centered in the Nankai Trough will occur in the near future. In preparation for a major earthquake, DENSO Corporation and domestic Group companies are carrying out permeation and enlightenment activities for employees as well as their families.



Initial response training

## Key initiatives (★ Also being implemented at domestic Group companies)

<b>Implementation of initial response (evacuation, fire extinguishing , rescue) drills★</b>	Annual implementation of initial response drills at each building at every plant (total of 80 locations)
<b>Drills using the employee safety confirmation system★</b>	Introduced the employee safety confirmation system to accelerate the confirmation of employee safety in the event of a large-scale disaster. Implement drills twice per year for registering with the employee safety confirmation system assuming the occurrence of a disaster. From 2012, set up a message board where members of families can confirm each other's safety.
<b>Implementation of disaster prevention awareness questionnaire</b>	Each year we implement a questionnaire to confirm employee disaster prevention awareness and uncover any related issues as well as to provide enlightenment through the questionnaire. (Number of respondents in fiscal 2015: Approximately 1,000 persons)

## Responding to increasing risk along with the development of our global business

We learned that along with the globalization of the supply chain, the impact of a risk occurring in one region, such as the 2011 Great East Japan Earthquake and flooding in Thailand, can spread to other regions and become a major risk. On this basis, from the perspective of Group global management we are indentifying major risks and strengthening our risk responses.

### (1) Major risks shared in common globally

- Items requiring response across the Group via company-wide cross-sectional functions because the impact of a risk occurring in one region spreads to all regions
- Uniform management globally led by DENSO headquarters

### (2) Major risks specific to particular regions

- Regional headquarters identify major risks within the region based on the frequency of occurrence and the level of impact on businesses continuity.
- Activities toward the 2015 targets

## Strengthening earthquake disaster risk response (formulate Business Continuity Plan)

Commence strengthening of earthquake disaster risk response measures (formulate Business Continuity Plan (BCP)\* for the entire DENSO Group from the perspective of business continuity management. Ascertain areas subject to the BCP in the following manner and prepare an emergency situation manual and complete countermeasures for disaster reduction.

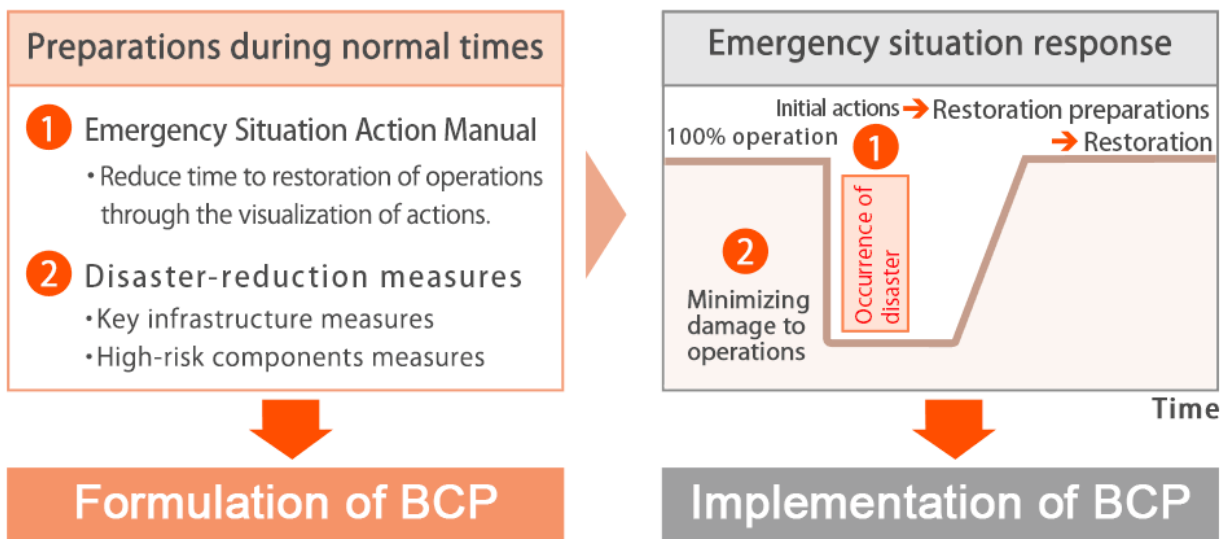
### (1) Visualization of actions ranging from "initial actions to restoration" in the event of an emergency situation

### (2) Countermeasures for reducing disasters

(Devise countermeasures for key infrastructure and countermeasures for high-risk components in terms of procurement from the perspectives of substitutability and plant locations.)

\* Business Continuity Plan (BCP): A plan for restoring business operations within a target time frame and minimizing damage to business in the event that business is interrupted due to a major disaster such as an earthquake

**BCP formulation and implementation**



**Fiscal 2015 activities**

**Strengthen responses to the Nankai Trough Megathrust Earthquake**

	<b>Initial action</b>	<b>Restoration preparations/ restoration of operations</b>	<b>Disaster reduction</b>
<b>Details of activities</b>	<ul style="list-style-type: none"> <li>• Evacuation guidance</li> <li>• Confirm safety of employees (and their families)</li> <li>• Strengthen headquarters functions</li> <li>• Community support</li> </ul>	<ul style="list-style-type: none"> <li>• Identify high-risk components, implement risk-reduction measures</li> <li>• Identify crucial operations, devise measures for continuation</li> </ul>	<ul style="list-style-type: none"> <li>• Seismic strengthening of buildings and facilities</li> <li>• Prevent explosions and fires as well as prevent the leakage of hazardous substances</li> <li>• Information systems data backup</li> </ul>
	<b>Strengthen ability to execute Emergency Situation Action Manual</b>		

**Future initiatives**

We will continue to upgrade risk management and promote enlightenment to prevent the emergence of risk and to minimize damage when risk emerges.

Especially during fiscal 2016, we will properly assess risk events at each Group company, quickly and thoroughly reinforce reporting and carry out activities for preventing the emergence of major risks.



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## Information Security

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### Basic stance

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 47 domestic Group companies and 82 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)

#### Vision

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.

#### Company initiatives

DENSO Group companies must implement the following measures in order to fulfill the vision described above:

1. Assessment of the risks inherent in information assets (assessment of risk types and reduction levels)
2. Implementation of information security measures (development, documentation and dissemination of methods)
3. Building of a management system (shared responsibilities and roles of departments, establishment of audit section and separation of authority)
4. Explicit articulation of management processes (evaluation of risks, development of countermeasures, education, auditing, understanding exceptions and ongoing improvements)

### Structures and audits

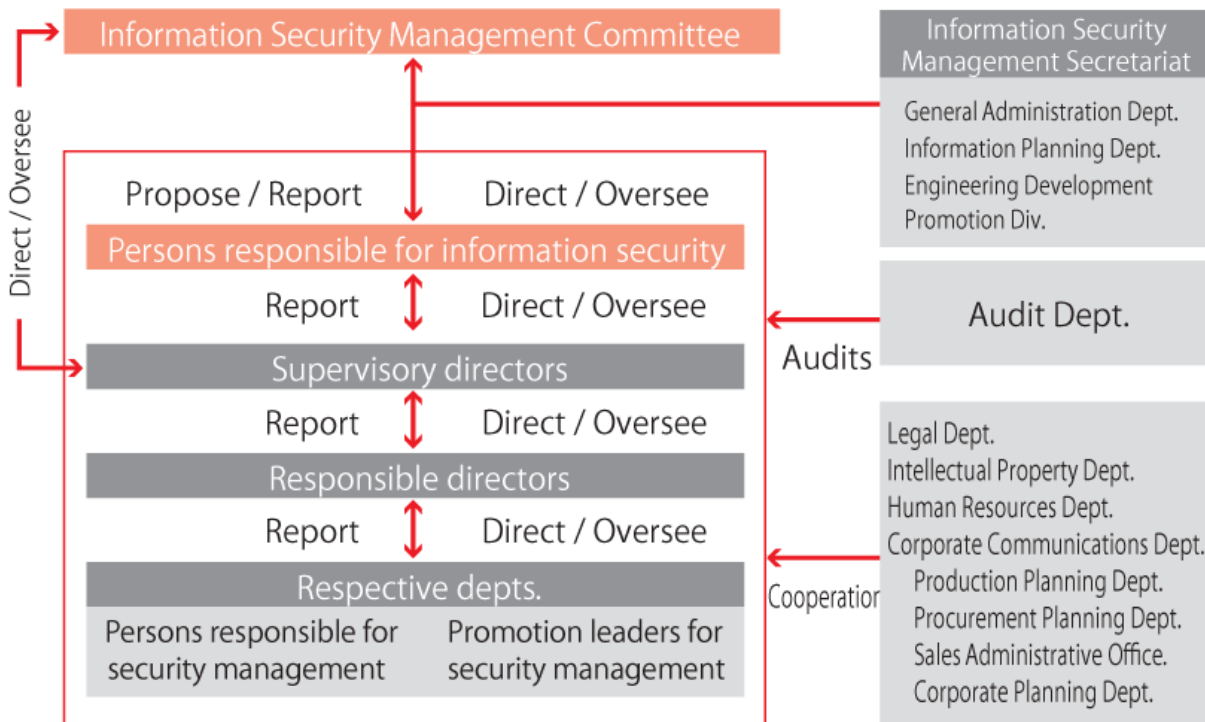
#### (1) Initiatives of DENSO Corporation

Under the Information Security Management Committee, DENSO Corporation established the Information Security Management Secretariat as a special organizational unit and assigned security management promotion officers and promotion 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 through measures that include conducting annual security management audits and self-reviews within DENSO Corporation.

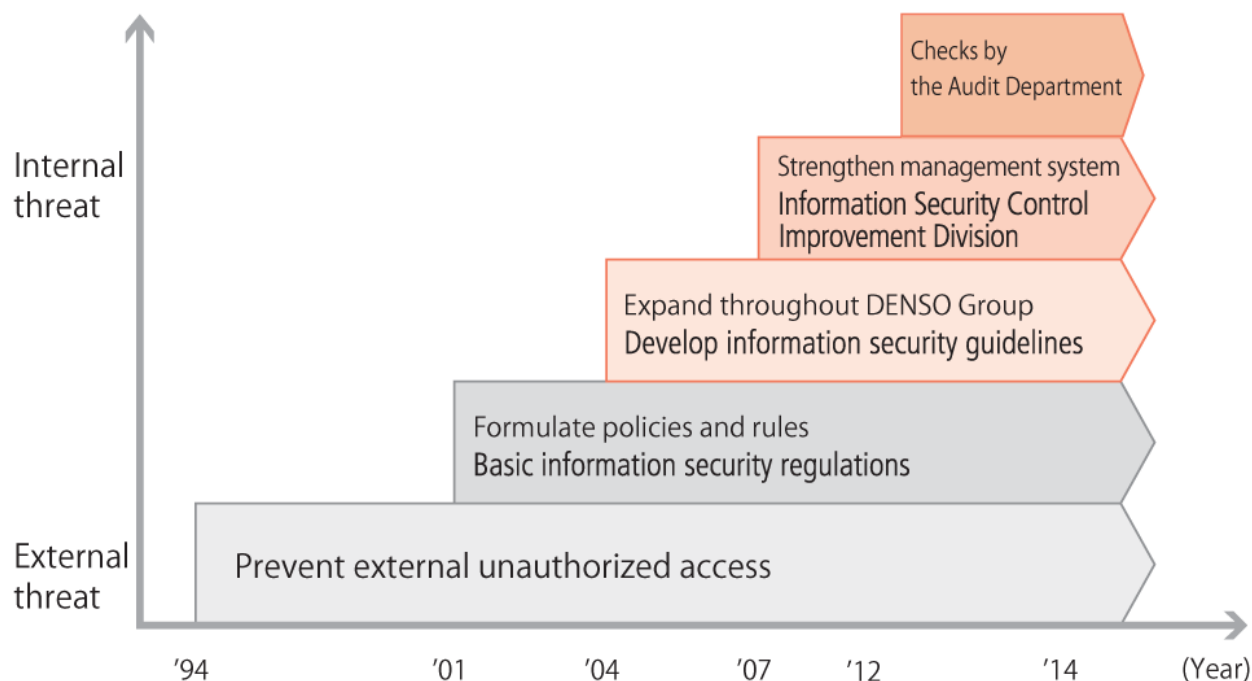
## (2) Deployment in the domestic Group

Moreover, for part of the domestic Group (hereafter: functional companies), we are introducing management systems equivalent to the system at DENSO Corporation as we implement annual monitoring surveys. Also, we are expanding the scope of our shared guidelines to include domestic and overseas Group companies with the exception of these functional companies and pursuing regular follow-up activities in addition to implementing on-site inspections regarding the status of compliance with the guidelines in accordance with the audit rotations. We are reviewing our shared guidelines, in particular, so that we can make detailed evaluations according to the type of business, business formats and the information that we possess.

### Security control structure



### Approach to information security initiatives



## Specific initiatives

High management awareness on the part of individual employees is the foundation of information security. DENSO Corporation implements such security measures as 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. At the same time, it promotes various enlightenment activities for employees.

Every March we hold Security Management Month during which time we intensively implement enlightenment activities.

Initiatives	Implementation items
Employee education	Training for managers, new employees' training and training by employment level
Security Management Month	<ul style="list-style-type: none"> <li>● Security management education programs</li> <li>● Inspections of computers and recordable media taken out of DENSO facilities</li> <li>● Security management audits</li> <li>● e-learning (from 2009) on information security for all employees with computers, etc.</li> </ul>

## Activities in fiscal 2015 and future initiatives

DENSO Corporation held normal training for managers, new employees' training and training by employment level. Additionally, in March 2015 DENSO Corporation held training for all departmental security management promotion leaders, in which we requested that they redouble their efforts to adhere to the special measures and confirm that these measures are firmly established. Also, we commenced monitoring for information management of outside staff (temporary employees, employees from contract companies) and suppliers.

In fiscal 2015, there were no incidents or accidents involving the unauthorized disclosure of information. In the future, the information security circumstances surrounding DENSO are expected to change and we will continually review and strengthen our information management structure in response to the changing environment.

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## DENSO Group Information Disclosure Policy

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### Philosophy of Corporate Information Disclosure

The DENSO Group (hereinafter referred to as “the Group”) states in the “[DENSO Group Declaration of Corporate Behavior](http://www.globaldenso.com/en/csr/vision/) (<http://www.globaldenso.com/en/csr/vision/>),” developed for the Group’s practice of Corporate Social Responsibility (CSR) activities, to promote open and fair information disclosure and dialogue.

Based on this declaration, the Group will disclose corporate information, such as management strategies and business activities, in a timely, fair and appropriate manner to ensure the transparency of its management, to help all stakeholders better understand the Group and to establish and maintain trusted relationships.

In addition, we actively pursue communication with all stakeholders, and we will ensure that we accept the opinions regarding the Group and reflect them on our corporate activities.

### Basic policies

The content, method and system of disclosure are defined based on the DENSO Group’s Philosophy of Corporate Information Disclosure.

### Content of disclosure

The Group promptly discloses information as required by relevant laws and regulations, including corporate and securities exchange laws.

The Group also actively discloses corporate information that is commercially, environmentally and socially important, that may influence stakeholders and that is helpful in raising understanding toward the DENSO Group.

### Methods of disclosure

Regarding information disclosure defined by stock market regulations, the Group discloses information through designated systems, distributes news releases and posts the information on the DENSO Group or company website in accordance with the regulations.

For information disclosure that does not apply to stock market regulations, the Group chooses the optimum methods, including news releases, disclosures at press conferences and presentation meetings, or publishing on the company website, to disclose corporate information in a timely, fair and appropriate manner.

### System of disclosure

The Group assigns executives who will be in charge of collecting, managing and disclosing corporate information, and individuals to execute these activities.

### Specific initiatives

DENSO promotes timely disclosure globally in accordance with the DENSO Group Information Disclosure Policy. As part of these efforts, in March 2015 DENSO renewed its Global website. In this manner, DENSO is working to build relationships of trust with stakeholders by delivering various types of information including news releases that are easier to read and understand from the user’s perspective.

Global website

English <http://www.globaldenso.com/en/>

Japanese <http://www.globaldenso.com/ja/>

## Contributing to society through business

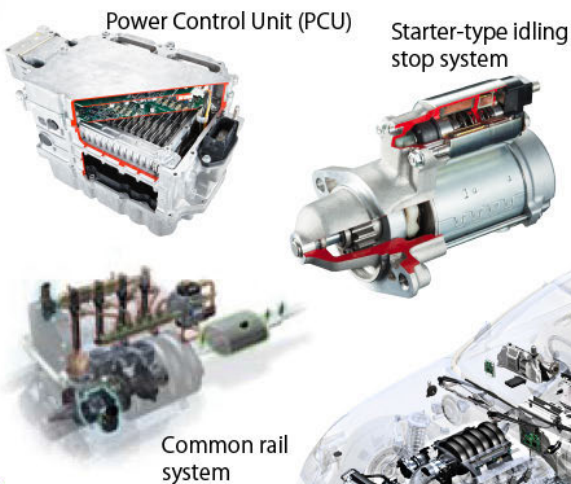
### Contributions in the automotive field

The adverse impact of greenhouse gas emissions on the Earth's environment and the increase in tragic traffic accident fatalities are problems shared in common by the international community. As a member of the automotive industry, in particular, the DENSO Group regards its most important mission as minimizing the environmental impacts of automobiles and preventing the occurrence of tragic traffic accidents, and to fulfil this mission undertakes various initiatives focused on society as a whole.

Additionally, the DENSO Group believes it can further enhance the joy and pleasure of owning an automobile and is thus continuing its efforts to offer the comfort and convenience of automobiles to people around the world.

#### Environment

We are contributing to enhanced fuel efficiency and purification of exhaust gas for a wide variety of sources of power through such products as our PCU that controls electric voltage on hybrid vehicles and our common rail system, which serves as the core of clean diesel engines.



#### Security & Safety

We support preventive safety systems and crash safety systems with our unique technologies, beginning with millimeter-wave radar that is indispensable for adaptive cruise control and barrier and pedestrian detection and our displays that show information on the front windshield.



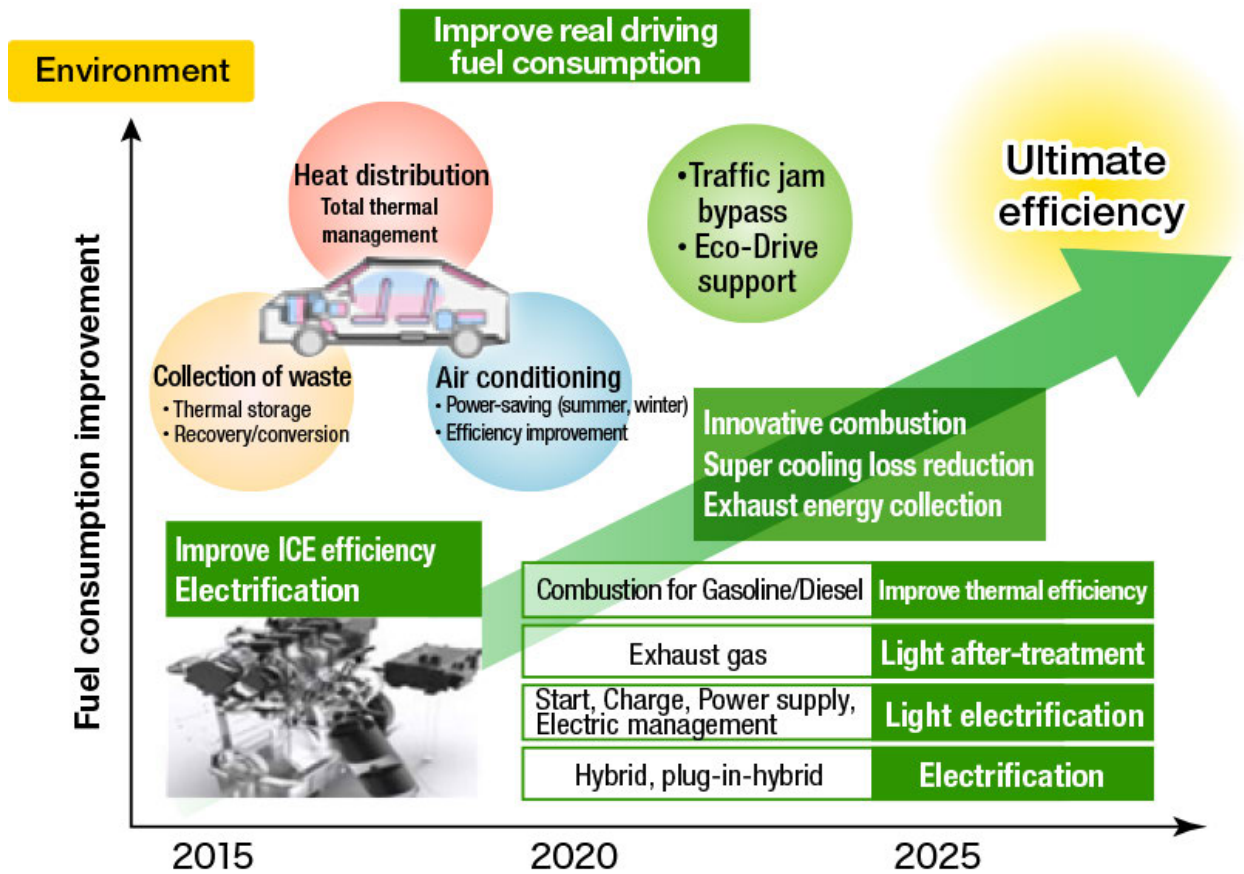
#### Comfort & Convenience

We support the advance of convenient and comfortable moving spaces through products that include air conditioners that use minimal power, car navigation systems connected to smart phones and ETC that contributes to smooth traffic flows.



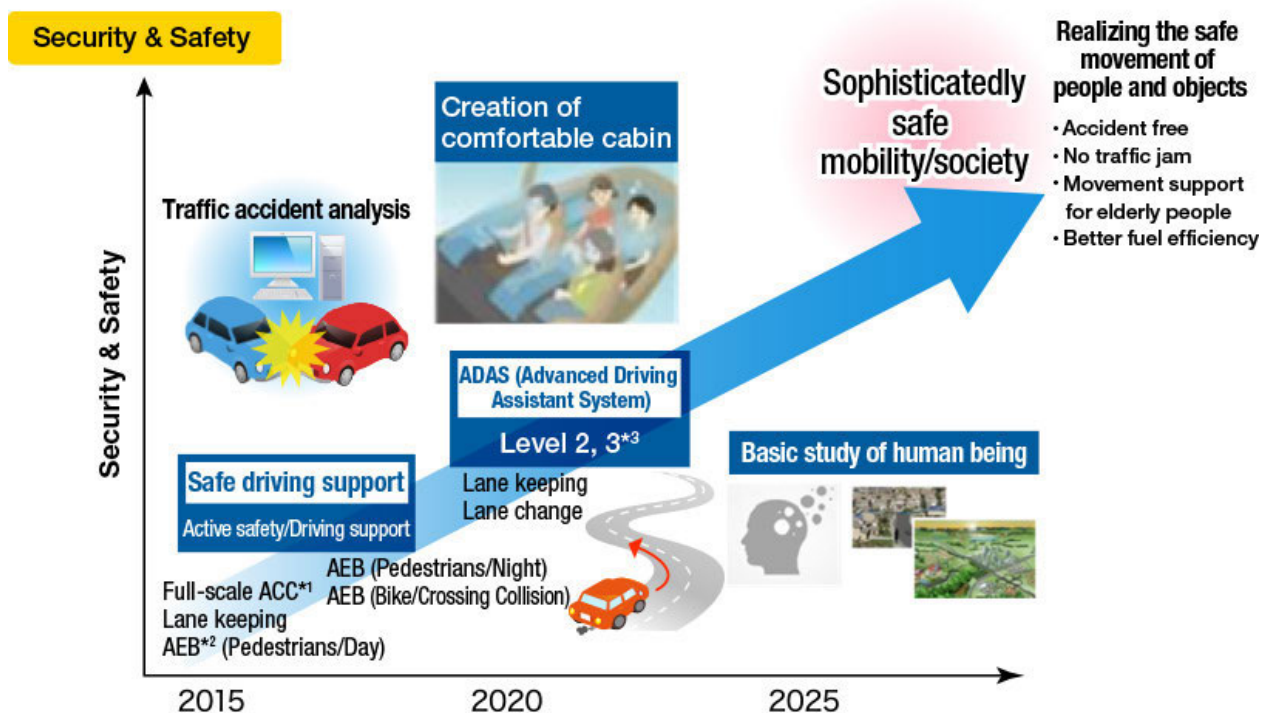
## Environment

For CO<sub>2</sub> reduction, pursue "Ultimate efficiency"



## Security & Safety

For reducing traffic accidents, pursue "Sophisticatedly safe mobility/society"



\*1 ACC : Adaptive Cruise Control

\*2 AEB : Autonomous Emergency Braking

\*3 Level 2, 3 : partial automated driving, automated driving in specific conditions

**Environment**      **Common rail systems supporting cleaner diesel engines**

A diesel common rail system is a fuel injector system for diesel engines in which highly compressed fuel is stored in an accumulator called a common rail, then sprayed at high pressure through electronically controlled injectors into the combustion chambers. Using a high fuel injection pressure atomizes the fuel into finer droplets, which improves fuel ignition and combustion efficiency, resulting in increased fuel economy and cleaner exhaust emissions.



Common rail system with the injection pressure of 2,500 bar

Exhaust emission standards are becoming increasingly stringent around the world, requiring higher precision control of fuel injection quantity, timing and pressure. Against that backdrop, in June 2013 DENSO announced a new diesel common rail system with the world's highest\* injection pressure of 2,500 bar. The new system can increase fuel efficiency by 3% while also reducing particulate matter by 50% and nitrogen oxides (NOx) by up to 8% compared with DENSO's previous generation system (maximum value: Based on DENSO

research). Cars manufactured by Volvo are among the vehicles equipped with the 2,500 bar system combined with intelligent-Accuracy Refinement Technology (i-ART), a system that provides optimum control of the fuel injection quantity and timing of each injector.

Since 2012 the DENSO common rail system has been employed by Mazda Motor Corporation's SKYACTIV technology to support the environmental performance of its diesel-powered models such as the Mazda CX-5, Atenza and Demio.

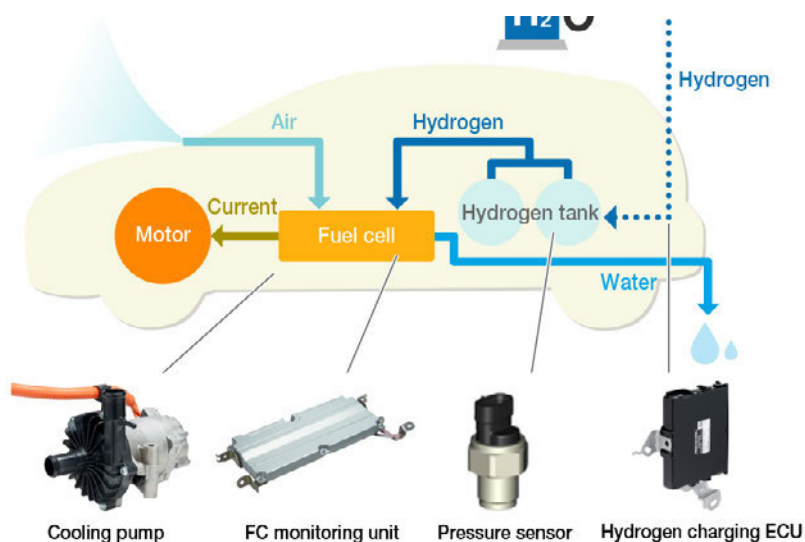
\* The pressure in a common rail system comprised of injectors, a fuel pump and common rail (as of June 2013 based on DENSO research)

**Environment**      **Development of fuel cell vehicle products for the next generation of eco cars**

At DENSO, we are working to develop technologies that contribute to the promotion of vehicles powered by fuel cells that use hydrogen to generate electricity.

Products for fuel cell vehicles developed in fiscal 2015 by DENSO include a fuel cell monitoring unit, high-pressure hydrogen sensors and a hydrogen charging ECU. In addition, DENSO products installed in the MIRAI, the fuel cell vehicle manufactured by Toyota Motor Corporation, include high-voltage power system components such as a power control unit and fuel cell boost converter and cooling system parts such as a radiator and cooling pump that greatly improve cooling performance.

Looking to the future, we shall continue to utilize technology developed for hybrid, gasoline and diesel vehicles to provide products that contribute to improving the reliability and performance of fuel cell vehicles while at the same time reducing the cost of such vehicles.



**Security and safety**

**Start of public road tests of advanced driving assistance technology**

To achieve secure, safe movement in an aging society in which traffic accidents are expected to increase, we are moving forward with research that combines advanced safe driving support with next generation transportation systems. As part of these efforts, DENSO has begun testing advanced driving assistance technologies on a road restricted to motor vehicles.

Specifically, in 2014 DENSO participated in field tests on Minamichita Road in Aichi Prefecture as part of the Vehicle Safety Technology Project Team organized by the prefectural government. DENSO's goal is to use public road testing of safe driving support and driver load reduction to identify, analyze, and solve technology issues.

In September 2014, at the 2014 Intelligent Transport Systems World Congress held in Detroit, DENSO demonstrated advanced driving assistance technologies, which enables two vehicles to travel in tandem with the trailing vehicle automatically following the operation of the lead vehicle even when there is no white line on the road. Wireless communication is used to transmit the positional information of the lead vehicle to the trailing vehicle, including for starting, stopping and lane changes, which are actual situations expected on the road.

We will continue to work toward the realization of an advanced, secure mobile society in cooperation with companies, governmental agencies and organizations in a wide range of fields, and accelerate initiatives such as demonstration tests.



Public road test on Minamichita Road in Aichi Prefecture of single-lane automated driving (test vehicle is rear vehicle)



A demonstration at 2014 ITS World Congress in Detroit in a vehicle automatically following a lead vehicle (\* Conducted on a test course)



**Following a lead vehicle**  
The trailing vehicle uses positional information on the lead vehicle that is received by wireless to follow the lead vehicle at a safe distance.



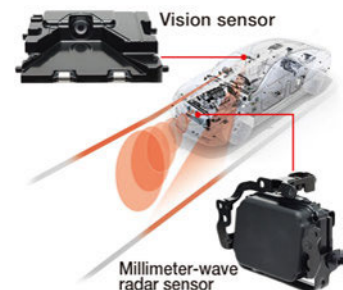
**Safe stop by information of the lead vehicle**  
The trailing vehicle safely stops in response to the sudden stop of the lead vehicle.

**Security and safety**

**Development of millimeter-wave radar sensor and vision sensor for Toyota Safety Sense**

DENSO has developed a millimeter-wave radar sensor and vision sensor that can detect obstacles and pedestrians in front of a vehicle and can recognize a wide range of objects such as white and yellow lane lines, the headlights of oncoming vehicles and the tail lights of vehicles ahead. The combination of the two sensors provides excellent recognition performance and reliability.

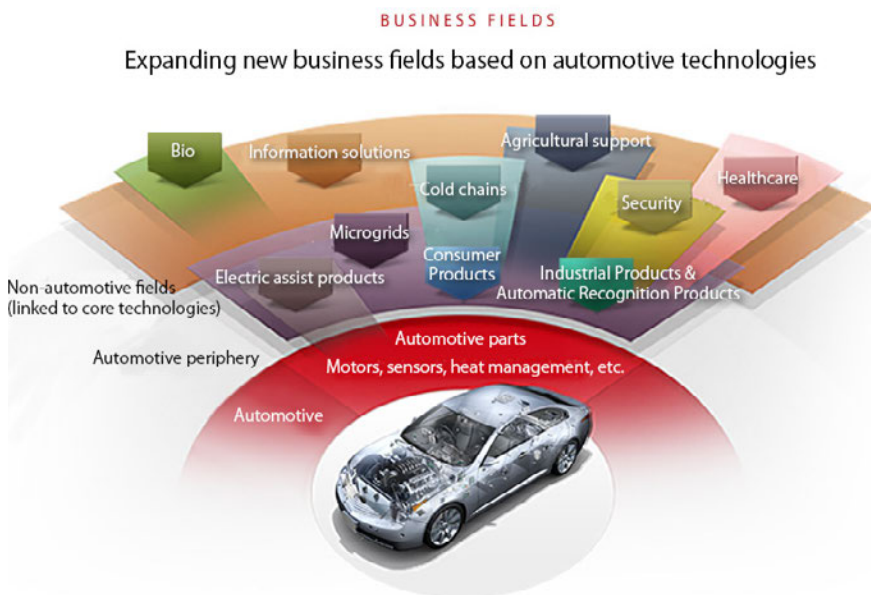
These products are expected to be installed on the Toyota Safety Sense P, Toyota's pre-collision system package (medium and higher-class models).





## Making contributions in non-automotive fields

The DENSO Group has been developing a broad range of business areas, such as lifestyle-related products and industrial equipment, utilizing technologies and know-how cultivated through the automotive business. In non-automotive fields, DENSO is actively collaborating with new business partners. We are aiming to contribute to a society in which people are satisfied with services befitting their lifestyles as needed and when needed. DENSO is currently promoting new businesses in the fields of microgrids, electric assist products, security, healthcare, bio, agricultural support, cold chains and informations solutions.



### Industrial and commercial efficiency

#### Industrial Products & Automatic Recognition Products

We contribute to the realization of efficiency, high-quality production and the rationalization of logistics and distribution by applying production technology to FA products and applying electronics technology to the field of automatic recognition.



[\(https://www.denso-wave.com/ja/adcd/qrcode\\_20th\\_anniversary/\)](https://www.denso-wave.com/ja/adcd/qrcode_20th_anniversary/)

### Consumer products for realizing eco life

#### Consumer Products

We contribute to the saving of energy in daily life by applying our heat exchange technology to the field of consumer products.



### Safer and more secure living

#### Security

We contribute to safer and more secure living by applying sensing technologies.



### Realizing a low-carbon society

#### Microgrids

We contribute to safer and more secure living by applying sensing technologies. We contribute to the realization of a low-carbon society through microgrid products and technologies including Home Energy Management Systems (HEMS), storage batteries, V2H (vehicle-to-home) power supply systems and other products that create, store and conserve energy in the age of connected cars and homes.



## Responding to the aging society with a low birth rate

### Electric Assist

We contribute to a safer, more secure and eco-friendly society by electric assist technology derived from our automotive motor/control systems.



## Healthcare and reducing health costs

### Healthcare

We contribute to improving the quality of life by developing and producing a biosensor system and surgical support robot that help in disease prevention, early detection and recovery to cope with an aging society.



## Safety and Assurance in Food

### Cold Chains

We contribute to safety and assurance in food transport and supply from production to consumption through energy-saving cooling and freezing technology as well as traceability management.



## Stable production of food

### Agricultural Support

We contribute to more efficient and stable vegetable cultivation and improved agricultural competitiveness, utilizing greenhouse environment control systems and energy conservation technologies.



## Fossil fuel independent

### Bio (Micro Algae)

We contribute to environmental quality by utilizing an efficient algae cultivation process for CO<sub>2</sub> absorption and by producing biofuel as an alternative to fossil fuels.



## Creating human bonds for healthy communities

### Information Solution Business

We contribute to enhancing safety, security and convenience in daily lives by supporting information distribution within communities.



## Security and safety

## Delivering security and safety in food

## Prolonging the freshness of agricultural products by improving storage and transport quality

A major challenge for the fresh food and agricultural products industry is keeping freshness that influences quality and extending the freshness period of food that is stored and transported. Accordingly, DENSO has started to maintain freshness by using its own two-compressor, two-inverter refrigerators developed through the use of energy-saving refrigeration containers. We started demonstration trials with jujubes in China in 2013 and with peaches in Fukushima Prefecture in 2014.

As the temperature of the refrigerator can be finely controlled for the food being stored, the peaches, which normally could only be stored for three or four days, were successfully stored for about three weeks. As a result, cost reductions made possible by the change in transport means (from air to sea) are expected to expand overseas export markets for Japanese agricultural products, thereby contributing to strengthening the international competitiveness of agriculture. Currently, in cooperation with Hokkaido, Aomori Prefecture, Fukushima Prefecture and Toyohashi City, participation has started in logistics demonstration trials to expand exports to China, Russia and Indonesia.



System for maintaining the freshness of food installed in refrigerated warehouses and marine container refrigeration units



Peaches after one month (maintained in close to initial state in terms of sugar content, ripeness and appearance)

## Environment

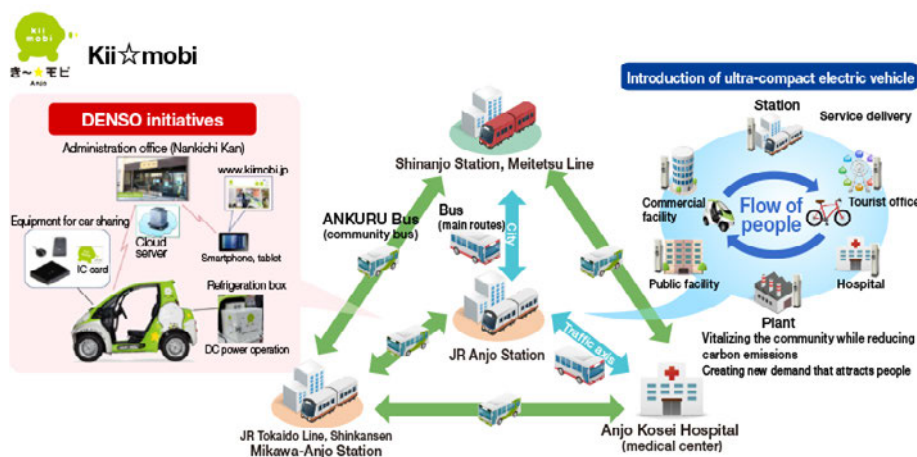
## Toward the environmentally advanced community

## Promoting a car sharing demonstration project

In cooperation with Anjo City in Aichi Prefecture and local companies, DENSO promotes a demonstration project of the *Kiiimobi*\*1 car sharing service, using ultra-compact electric vehicles. The aim of the project is to build a low-carbon society, revitalize the local economy by making the transportation easier and more convenient for citizens and provide a new transportation service.

DENSO leads the car sharing demonstration trial in this project and is responsible for the development of the Internet-based reservation management system that uses DENSO-made on-vehicle communication devices. We aim to build an efficient mobility management system that reduces the CO<sub>2</sub> from vehicle operation while at the same time improving user convenience through collecting usage data and the opinions of users.

In the future, we continue to work to achieve a low-carbon society and create vibrant local communities, using the findings obtained from the project.



\*1 Kiiimobi is a car sharing business of the Anjo Project Promotion Council on Generate/Store/Save Energy.

## Related Information

Product overview ([http://www.globaldenso.com/en/investors/library/annual\\_report/2015/product/](http://www.globaldenso.com/en/investors/library/annual_report/2015/product/))

DENSO's New Business Fields

(<http://www.globaldenso.com/en/about-us/business-fields/#newBusinessFields>)

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## Report on Social Responsibility

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Cooperation and working hand-in-hand with many stakeholders while sharing value are indispensable for realizing a sustainable society. By clarifying its social responsibilities under the DENSO Group Declaration of Corporate Behavior, the DENSO Group promotes initiatives that should be fulfilled according to respective stakeholders.

### Responsibility to Customers

DENSO is committed to further advancing a Customer First principle in creating products and after-sales services in order to provide reliable, safe and high-quality products and services that will satisfy customers and earn their trust.

### Responsibility to Shareholders and Investors

DENSO is enhancing corporate value through stable long-term growth and improving the transparency of management through the timely and appropriate disclosure of business and financial information and dialogues.

### Responsibility to Global and Local Communities

To become a good corporate citizen, DENSO is promoting initiatives to enhance original programs pursued by the entire Group on a voluntary basis and creating an organizational culture that encourages employee participation in society while focusing on the areas that DENSO has identified as priorities, namely, harmony with the environment, ensuring safety and security in local communities and *hitozukuri* (human resource development).

### Responsibility to Employees

When employees are fulfilled professionally and personally, companies grow. Based on this belief, DENSO is promoting "*hitozukuri*, or human resource development, development of our organization and the creation of a positive environment."

### Responsibility to Business Partners

Based on the principle of open, fair and transparent transactions, DENSO is committed to its open door policy, mutual growth that is based on mutual trust, and permeation of compliance with laws and regulations and confidentiality.

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## Responsibility to Customers

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### Basic stance

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

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

### Promotion structure

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

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

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



Quality control in environmental testing room



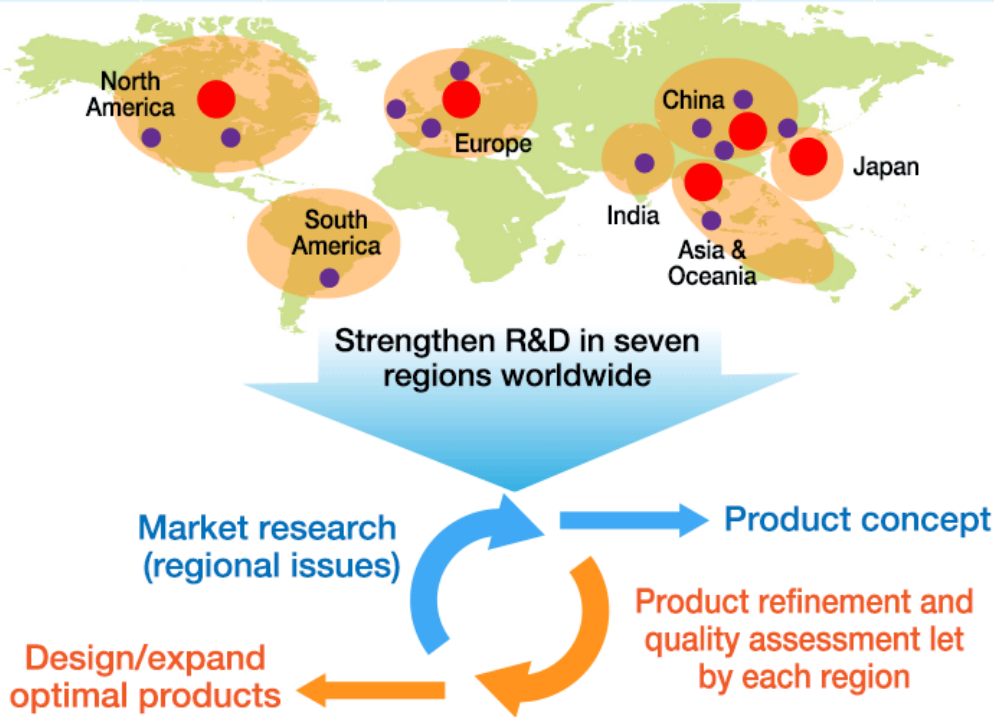
In-vehicle testing on DENSO's test course



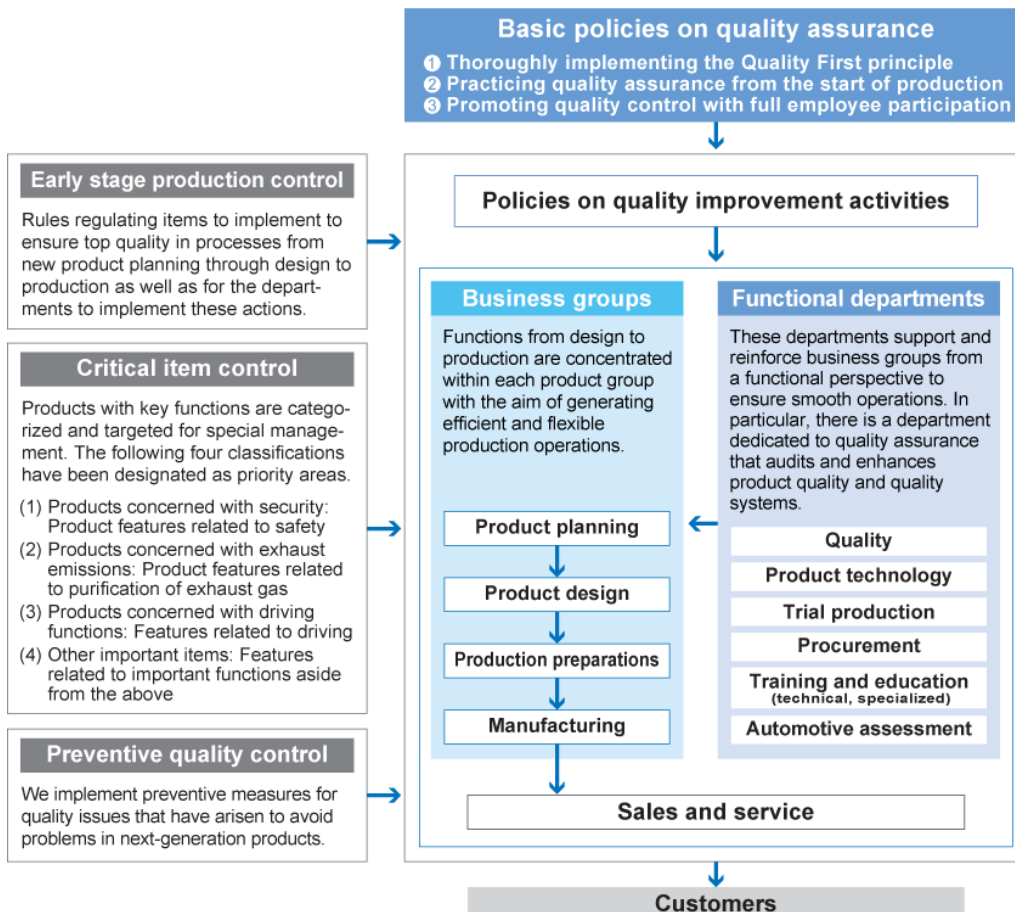
Shanghai Technical Center (China)

## Global R&D Network

Region	Japan	North America	Europe	Asia & Oceania	China	India	South America
Core T/C	Headquarters	Michigan	Germany	Thailand	Shanghai	Delhi	Brazil
Satellite	Domestic Group companies, South Korea	Tennessee, California	U.K., Italy, Sweden	Vietnam, Philippines, Australia	Beijing, Xian, Taiwan	-	-



## Quality assurance policies and systems



## Improving customer satisfaction

### Ensuring product safety

In creating products, the DENSO Group places the highest priority on ensuring safety for our customers, and design departments thoroughly conduct both safety designs, such as fail-safe\* designs, and safety evaluations. We also promote system and product design pursuant to ISO 26262 certification for functional safety.

From product planning to production and shipment, functional departments clearly specify operational procedures and responsible departments and strictly monitor compliance with applicable laws and regulations in each stage. When launching new products, in particular, the responsible departments are required to conduct safety evaluations based on internal regulations and to report on the results of legal compliance checks.

In order to reduce road accidents worldwide as one of our missions as a company engaged in the automobile industry, we are also focusing on developing preventive safety systems that support the prevention of road accidents. We are working to improve the safety functionality of our preventive safety systems by analyzing various traffic conditions such as road accidents and road environments around the world and reproducing and assessing road accident scenes on our test course.

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



Detecting drowsiness through image recognition technology



Detecting pedestrians through image sensing technology

### Education, training and awareness-raising activities

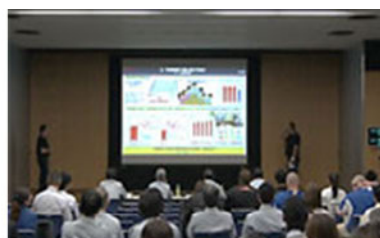
The DENSO Group considers *hitozukuri* (human resource development) to be the foundation of our business and thus nurtures technical and skilled employees in a systematic and ongoing manner while also handing down DENSO-style *monozukuri* (manufacturing) through hands-on practical education and training.

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. QC teams have been actively setting goals every year and striving to mutually raise awareness through Group-wide QC Circle Presentation Meetings and overseas regional friendship competitions.

### Company-wide QC Circle Competition



50th Company-wide QC Circle Competition



Overseas Circle presentation



Company-wide awards ceremony for *monozukuri* improvement activities

## Education, training and awareness-raising activities

<b>Training activities</b>	Education by employment level, skill enhancement training by area of specialization, technical/skill tests, as well as e-learning and satellite training for Group companies located in remote regions in Japan and overseas
<b>Practical education Circle activities</b>	<ul style="list-style-type: none"> <li>• Technology <i>Dojo</i> (DENSO headquarters), Manufacturing <i>Dojo</i> (manufacturing bases in and outside Japan)</li> <li>• Qualitative Skill Competition, in which competitors utilize their five senses to detect defects</li> <li>• Quality Circle (QC) activities (technical and skills related), Active Meeting (clerical related), etc.</li> </ul>
<b>Information sharing and mutual study</b>	<ul style="list-style-type: none"> <li>• Quality Improvement Exhibition, to which subsidiaries and affiliates are invited, Customer Satisfaction (CS) Improvement Exhibition and the DENSO TQM Competition</li> <li>• Past Trouble Exhibition Hall for learning lessons from examples of troubles in the past</li> <li>• Company-wide QC Circle Competition participated in by domestic and overseas Group companies and suppliers, etc.</li> </ul>

### TOPICS

#### Customer Satisfaction (CS) Improvement Exhibition

We hold an exhibition to present our *monozukuri* initiatives and associated case examples, which are based on customer feedback and undertaken from the customer's perspective, to employees, Group companies and suppliers (about 20,000 visitors to the 2014 event).

We also hold lecture sessions on the theme of fostering awareness of the customer's perspective to learn about efforts by other companies.

**20,000**  
visitors to the CS  
Improvement Exhibition



CS Improvement Exhibition

#### Promoting acquisition of the qualification as advisory specialist for consumers' affairs

We encourage employees to become qualified advisory specialists for consumers' affairs, who are capable of giving advice from the customer's perspective. We provide support to willing employees with a strong motivation for personal development and intend to increase the number of qualified employees to 100 in 2020 (39 as of fiscal 2015).



Lecture session on the theme of fostering awareness of the customer's perspective



## 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 2011 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.



From left, Exterior view of 7FX, Exterior view of 10FA

### Recall status of far infrared heaters (As of March 2015)

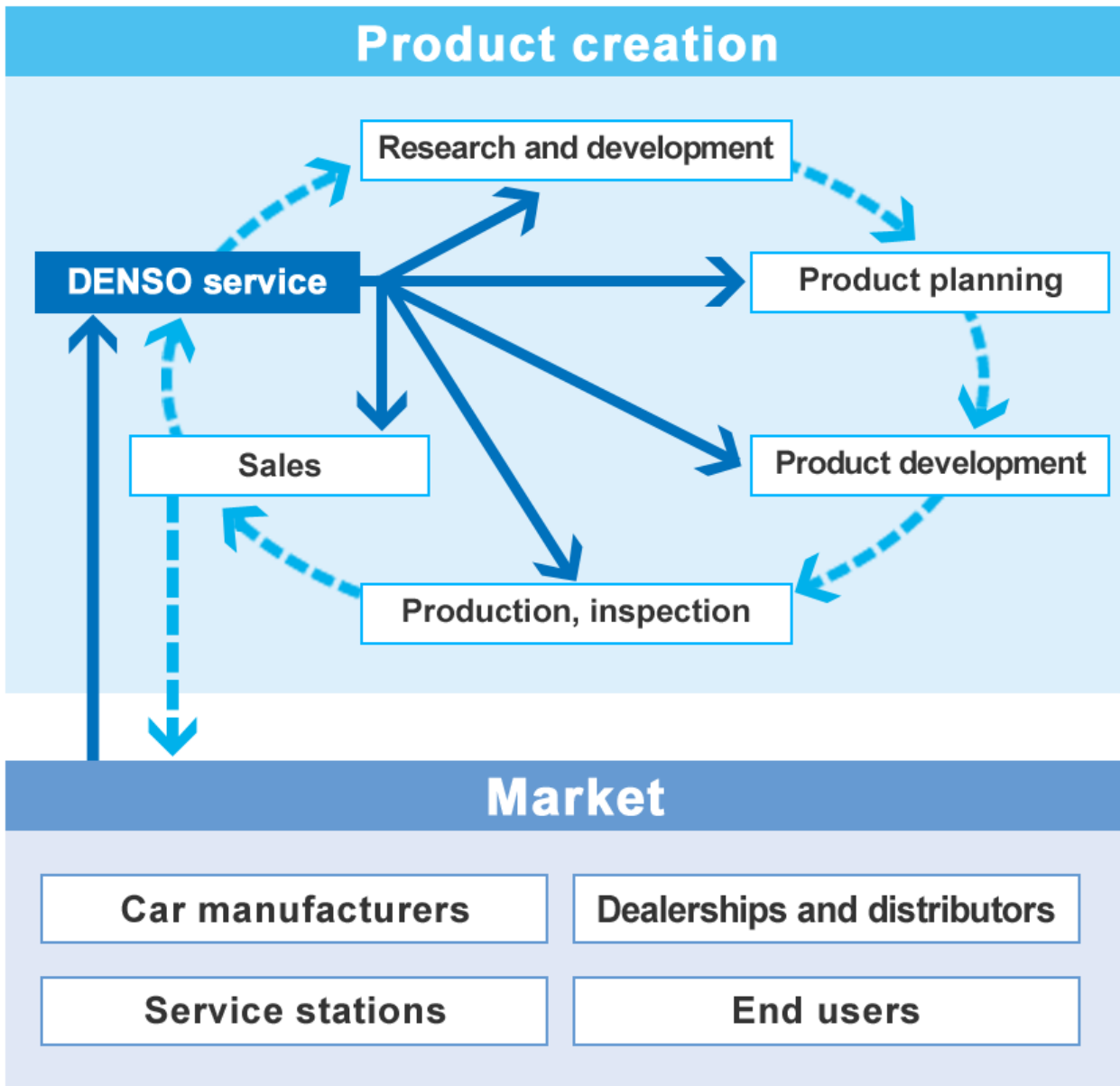
ENSEKI 7FX, 12F, 12FD	43,325 units / Recovery rate: 42.2%
ENSEKI 10FA, 10FC	80,146 units / Recovery rate: 32.0%
ENSEKI DZR-08FR, 10FR	4,696 units / Recovery rate: 18.2%
ENSEKI ND-08FR, 10FR	15 units / Recovery rate: 33.3%

## Enhancing after-sales service

### Basic stance

Since its founding, the DENSO Group 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 three policies.

- (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
- (3) Bringing customer feedback to bear on product development and improvement efforts and minimizing customer inconvenience



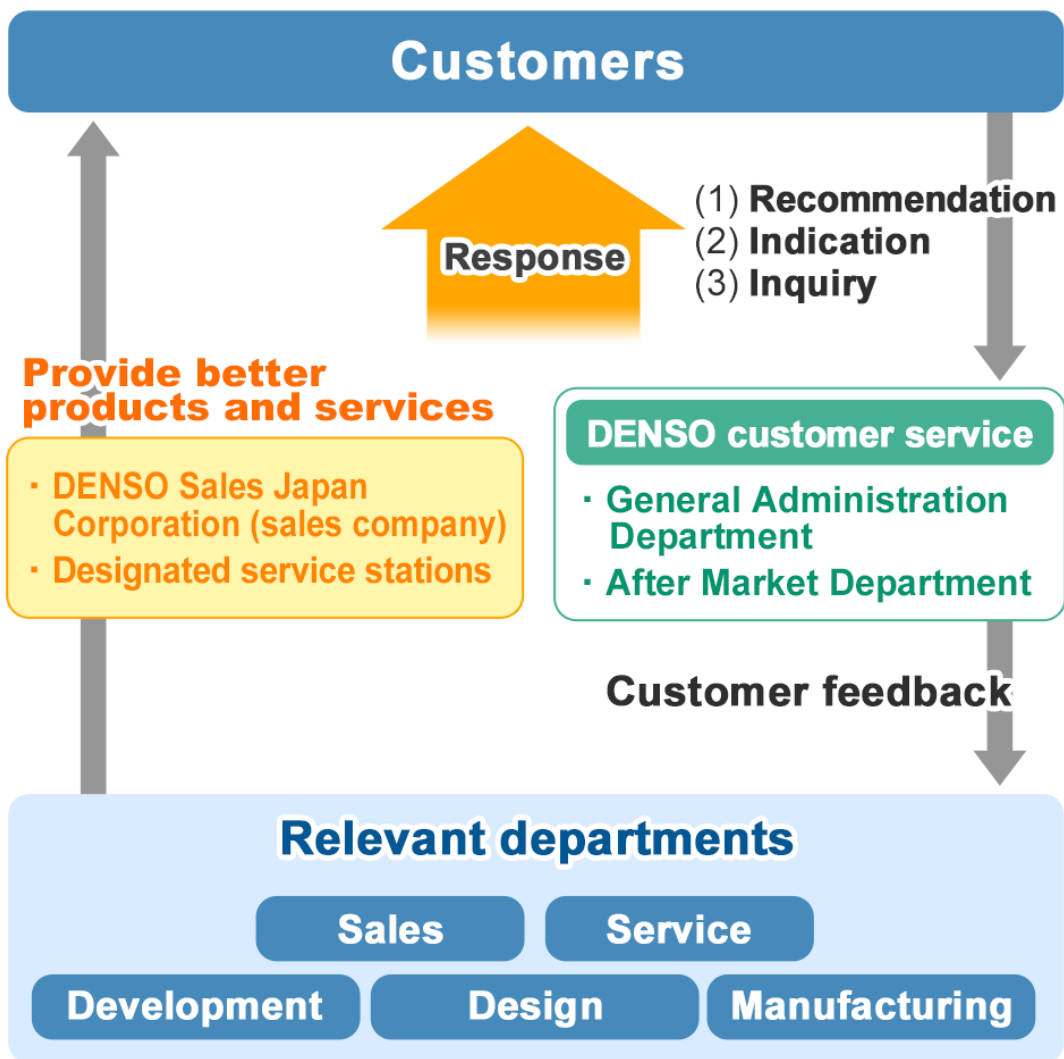
--> **Cycle from product creation to market**
-> **Feedback of quality information and market needs**

1. Collect quality-related information on DENSO products from the market and appropriately disseminate the information to the relevant departments to promote early product improvements.
2. Widely collect expectations and suggestions from customers for DENSO products in terms of marketability, pricing and serviceability and disseminate the information to the relevant departments to translate the feedback into better products.

**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.



**Status of inquiries**

The number of inquiries in fiscal 2015 increased overall. This was attributable to an increase in the number of inquiries related to Electronic Toll Collection (ETC), which was likely caused by a change in the ETC mileage service operated by a group of public highway corporations.

**Inquiries and comments regarding DENSO products**

Content	Fiscal 2013	Fiscal 2014	Fiscal 2015
ETC	39%	38%	43%
Spark plugs	17%	18%	20%
Car navigation system	4%	4%	3%
Environmental systems	1%	0%	0%
Clean air filters	3%	3%	5%
Communication devices	0%	0%	0%
Ionic air purifiers, Plasmacluster	11%	8%	7%
Others	25%	29%	22%
Total	100%	100%	100%
Number of inquiries	7,808	7,251	7,658

### 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.

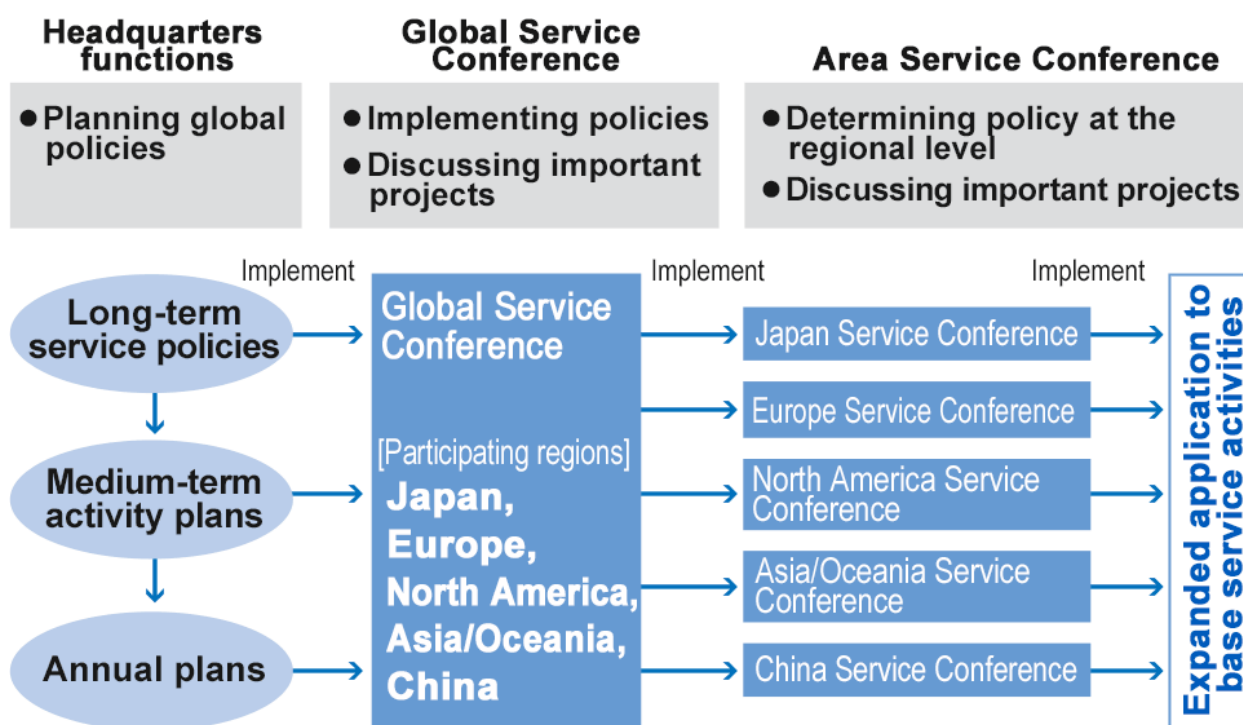
### Global expansion of after-sales service

To ensure our customers receive seamless service, DENSO has established a service network of sales companies in respective countries and regions worldwide. We continuously monitor and evaluate quality in the market. Additionally, DENSO quickly provides feedback, including needs and information, to the necessary departments 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 732 service stations (designated service stations and dealerships) under DENSO Sales Japan Corporation.

Overseas, we have established core bases in Europe, North America, Asia/Oceania and China. Also, a total of 3,986 service stations are operated by 25 overseas sales companies.

### Global service promotion structure



### Number of sites established

Domestic	Overseas
732 <ul style="list-style-type: none"> <li>● Designated service stations: 149</li> <li>● Dealerships: 477</li> <li>● Others: 106</li> </ul>	3,986 (119 countries) <ul style="list-style-type: none"> <li>● Central distributors: 223</li> <li>● Service dealers: 3,753</li> </ul>

3,986 overseas service stations in **119** countries

Number of service stations by region

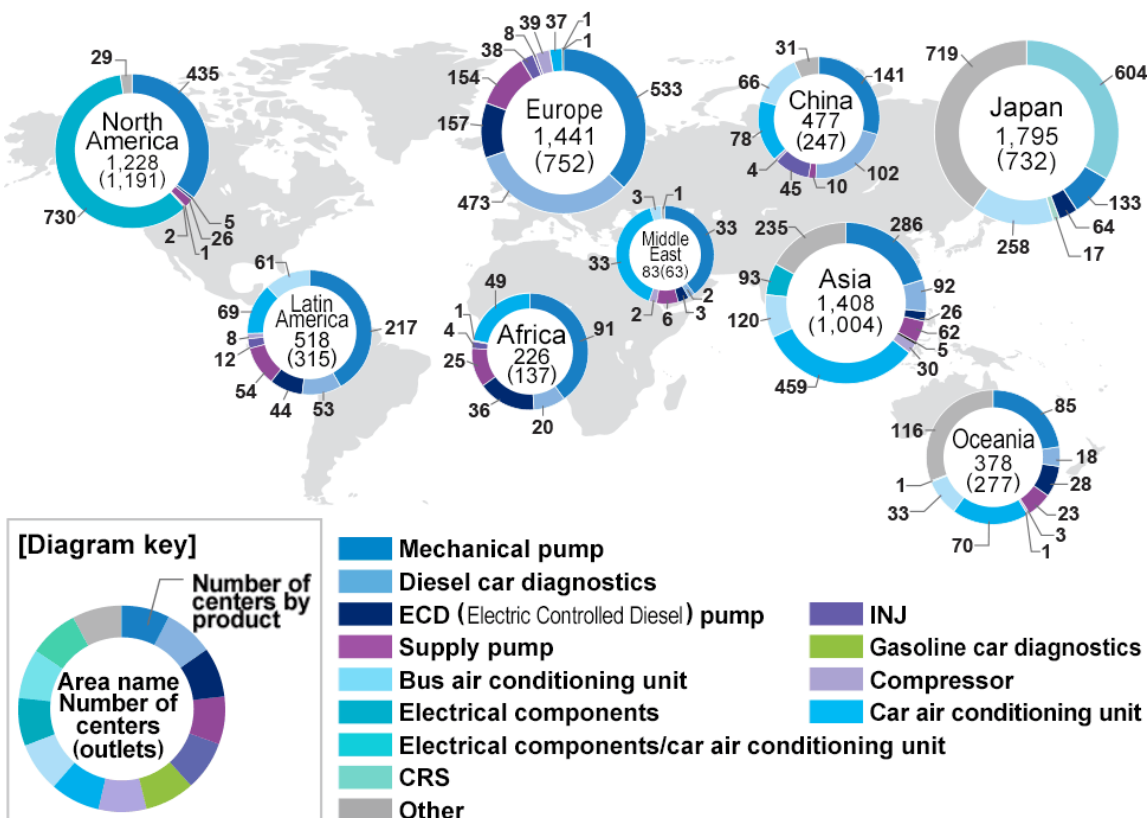
Region		Number of service stations		
		Fiscal 2013	Fiscal 2014	Fiscal 2015
Japan		1,894	1,914	1,789
The Americas	North America	1,214	1,227	1,228
	Latin America	441	512	518
Europe		1,482	1,428	1,441
Asia/Oceania, Others	China	343	393	477
	Asia	1,350	1,380	1,408
	Oceania	382	388	378
	Middle East	78	78	83
	Africa	167	187	226
Total		7,351	7,507	7,548



Austria Thailand China Brazil Russia Australia

**7,548**  
service stations worldwide

DENSO's global service network (Figures are for fiscal 2015)



## Strengthening of after-sales service

Every year, automobile technology is becoming increasingly sophisticated and complex. Amid this changing environment, we strive to develop a service network that always goes a step ahead of today's trends to ensure repairs are made quickly and properly while meeting customer needs and expectations.

### (1) Diag-Stations



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 DENSO Sales Japan Corporation, 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 technology. These stations 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.

#### Number of sites established with Diag-Stations (Japan)

Fiscal 2014	Fiscal 2015	Fiscal 2016 (plan)
80 (expert staff: 135)	90 (expert staff: 145)	More than 90

### (2) Opening PIT & GO stores (overseas)



PIT & GO Automotive Service (Cambodia) Co., Ltd.

Overseas, growing automobile demand in Asia, Africa and other emerging markets is generating greater needs for repair, maintenance and other after-sales services both for new and used vehicles. To quickly provide quality services and automotive components and subsequently improve customer satisfaction, we started opening stores under the brand name "PIT & GO".\*

As of March 2015, we operate nine stores in Cambodia, Myanmar, Indonesia, Thailand, Malaysia and Laos and plan to increase the number of PIT & GO stores in the Asian region to around 25 by the end of fiscal 2016.

\* Jointly operated with Toyota Tsusho Corporation and Aisin Seiki Co., Ltd.

### (3) Other activities

DENSO Corporation works to reinforce its partnership with service stations and makes joint efforts to raise the overall level of after-sales service provided by the DENSO Group through various initiatives.

#### Major initiatives (in Japan)

Holding a General Meeting of DENSO Service Stations (1955~)	Share DENSO Corporation's service policies and present awards to excellent service stations.  Number of service stations awarded in fiscal 2015 Most Excellent Awards (6 service stations) and Excellent Awards (12 service stations)
Servicing Skills Competition (1971~)	Targets servicing staff of DENSO service stations nationwide. Held for the purpose of improving fault diagnosis and repair skills, customer response capabilities and awareness required of DENSO servicing staff and for creating ties within the service network.
Certification of DENSO Eco Service Station (FY2002~)	Hold an environmental campaign every year to check the status of environmental conservation efforts and encourage improvement activities at all DENSO service stations. Service stations that satisfy all the 67 evaluation items are certified as DENSO Eco Service Stations (617 service stations in fiscal 2015).

#### Future initiatives

With the aim of accurately meeting customers' expectations and earning their trust, the DENSO Group and DENSO service stations will continue to work as one team to create products and provide after-sales service that can satisfy customers.

#### Related Information

Products and services information (<http://www.globaldenso.com/en/products/>)  
 Diag-Stations (Japanese only)  
 (<http://www.denso.co.jp/ja/products/servicenetwork/diagstation/index.html>)

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## Responsibility to Employees

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DENSO has established the Human Resource Management Philosophy and is undertaking efforts with regard to “*hitozukuri* (human resource development), developing our organization and creating a positive environment” so that each and every employee can fully exert his or her capabilities and lead a vibrant working life.

### Human Resource Management Philosophy and promotion structure

This section presents the DENSO Group’s approach toward promoting its HR policy.

### Stable labor-management relations

DENSO is further deepening the bonds of mutual trust and mutual responsibility between each Group company and its employees by sharing throughout the Group the concept that the “development of the whole Group and improvements in employees’ lives ultimately have the same goals.”

### Promoting human resource development

DENSO promotes skill development and is working to develop fair and impartial evaluation systems so that all Group employees worldwide, each of whom possesses a unique character, can take active roles while deriving a sense of growth and achievement in their work.

### Efforts toward enhancing employee satisfaction

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 as reference for developing specific company-wide initiatives.

### Promoting employee health

The DENSO Group Declaration of Corporate Behavior includes a clear statement 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.

### Long-term stable employment

The DENSO Group places importance on stable employment and valuing the development of employees from a long-term perspective. Based on this fundamental policy, both DENSO and employees are mutually working together to ensure employment security.

### Total respect for human rights

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.

### Encouraging diversity

DENSO is promoting various initiatives in order to become a truly global corporation where a diverse group of employees can work energetically in an organizational culture that transcends individual attributes such as gender, age and nationality.

### Promoting safety and health

Since the Safety Philosophy was adopted in 1969, DENSO is continuously working to enhance measures that will promote a workplace where employees can work in safety as the best way to respect humanity and achieve high productivity.



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## Human Resource Management Philosophy and promotion structure

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### Basic stance

Companies grow when employees enjoy a vibrant working life while exerting their capabilities to the fullest. 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 resource mission and policies in addition to defining our responsibility to our 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 by fostering an open, dynamic and unified workplace culture through promoting dialogue and full employee participation
- (3) Creating a positive environment providing a setting where employees can work with assurance in terms of their 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

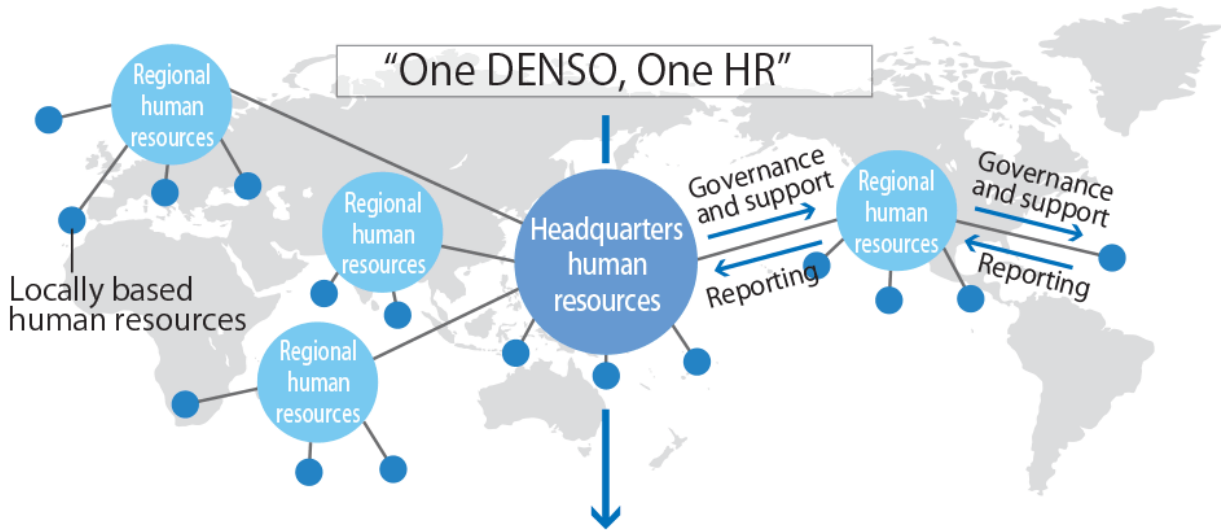
#### Policies

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
Headquarters HR		Core: Global standard	
Regional HR			Local adaptation
Local HR			

← Scope of responsibility of headquarters human resources

← Scope of implementation of responsible HRs

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

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

Developing various regional and corporate systems based on local circumstances

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

## Long-term stable employment

### Basic stance

We believe that maintaining stable employment and valuing the development of our employees from a long-term perspective is of the utmost importance. Both DENSO and its employees work together to ensure employment security. DENSO Group companies comply with labor laws and regulations as well as the work practices of each country and region. The headquarters collects information of actions for stable employment from each Group company. DENSO Group companies also share this information regionally in accordance with laws and regulations in a timely manner.

### Employment status

While hiring a stable number of employees over the medium to long term in accordance with our long-term business plan, we increased the number of employees in fiscal 2015 in production departments in keeping pace with the advancement in *monozukuri*.

In view of promoting women's participation, we have also set a target of tripling the number of women in managerial positions by 2020 and intend to proactively hire female employees toward this target.

**3 times**  
as many women in  
management positions  
by 2020

### Number of employees by region

(unit: persons)

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Japan	64,751	65,553	65,654
Asia/Oceania	34,779	39,133	43,731
North America	15,420	17,014	19,204
Europe	13,157	14,117	14,489
Others	4,169	4,025	3,636
<b>Total</b>	<b>132,276</b>	<b>139,842</b>	<b>146,714</b>

## Fiscal 2013

(unit: persons)

			Male	Female
Full-time employment	Employees	General employees	30,115	4,698
		Managers	6,445	30
		Executive officers	16	0
	Average age		42.6	34.3
	Average service years		22.26	14.46
	Turnover rate <sup>*1</sup>		0.30%	2.14%
	Retention rate <sup>*2</sup>		97.5%	95.58%
	Union membership <sup>*3</sup>		100%	
	Paid vacation time		81.0%	
Part-time employment	Employees	96	36	

## Fiscal 2014

(unit: persons)

			Male	Female
Full-time employment	Employees	General employees	29,703	4,740
		Managers	6,539	34
		Executive officers	18	0
	Average age		42.9	35.0
	Average service years		22.47	15.00
	Turnover rate <sup>*1</sup>		0.28%	1.95%
	Retention rate <sup>*2</sup>		97.14%	96.84%
	Union membership		100%	
	Paid vacation time		81.0%	
Part-time employment	Employees	89	41	

			Male	Female
Full-time employment	Employees	General employees	29,191	4,789
		Managers	6,518	39
		Executive officers	19	0
	Average age		43.1	35.6
	Average service years		22.64	15.55
	Turnover rate <sup>*1</sup>		0.31%	1.78%
	Retention rate <sup>*2</sup>		97.65%	92.48%
	Union membership <sup>*3</sup>		100%	
	Paid vacation time		82.3%	
Part-time employment	Employees	86	48	

\*1 Turnover rate: Resignation due to personal reasons

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

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

### Number of new recruits [DENSO Corporation]

(unit: persons)

	Fiscal 2013	Fiscal 2014	Fiscal 2015	April 1, 2015
Administrative staff	55	57	57 (Including 5 <sup>*2</sup> )	57
Engineer	350 (Including 70 <sup>*2</sup> )	361 (Including 118 <sup>*2</sup> )	357 (Including 95 <sup>*2</sup> )	262
Clerical worker	35	38	35	36
Technical and skilled worker <sup>*1</sup>	394 (Including 83 <sup>*3</sup> )	331 (Including 78 <sup>*3</sup> )	326 (Including 85 <sup>*2</sup> )	278
Total	834	787	775	633

\*1 Including students of the DENSO Technical College

\*2 Mid-career employment workers

\*3 Permanent employees who have shifted from temporary production employees

### Future initiatives

Sustainable growth of the DENSO Group is essential in continuing to secure long-term stable employment. DENSO and its employees will continue to make concerted efforts to realize the growth and development of the DENSO Group.

## Stable labor-management relations

### 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 we share the same goals, which are the development of the whole Group and delivering improvements in our employees' lives.

DENSO has consistently worked to resolve issues through open communication and discussion 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.

### Open communication



A dialogue between employees and management

DENSO Group promotes a policy of dialogue between employees and management to resolve various issues. At DENSO Corporation, labor-management conferences are held regularly, working together on policies and issues. DENSO's financial and business situation is communicated at company-wide employees-management dialogues to enhance awareness of participation as company members. We also hold dialogues among the Function Center, Product Group, Sales Group and each division. In addition, we share company information such as the business situation and latest news related to DENSO through president messages, daily after-lunch meetings held at each department, a TV monitor installed in the employee cafeteria (D-channel) and other communication channels.

### Domestic and overseas Group efforts

DENSO Corporation shares its vision concerning human resources and labor management with its domestic and overseas Group companies through various council bodies and activities, such as those shown below. At the same time, DENSO promotes the implementation of initiatives to prevent labor issues and the sharing of relevant information.

#### Domestic Group

- Japan Regional Human Resources Conference
- Theme-based study sessions
- Labor compliance checks, others

#### Overseas Group

- Training sessions for the staff of local human resources departments
- Employee interviews/questionnaire surveys, others

## Total respect for human rights

### 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 DENSO has been requesting suppliers to put them into practice under the Supplier CSR Guidelines.

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.

### Education and enlightenment

DENSO Corporation’s education programs by grade (for new employees, mid-career employees and temporary employees shifted to full-time) incorporate human rights educational content. The Company also focuses on prevention of harassment through enlightenment activities targeting all employees. DENSO actively participates in external training courses with domestic Group companies. The Company is working to prevent incidents by creating an internal whistleblowing system (including domestic Group companies).

Overseas Group companies are also involved in a variety of initiatives. In North America, in particular, 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 2013	Fiscal 2014	Fiscal 2015
<b>New employees and mid-career employees</b>	693 (100%)	614 (100%)	775 (100%)
<b>Temporary employees shifted to full-time</b>	83 (100%)	79 (100%)	85 (100%)

## Promoting human resource development

### 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.

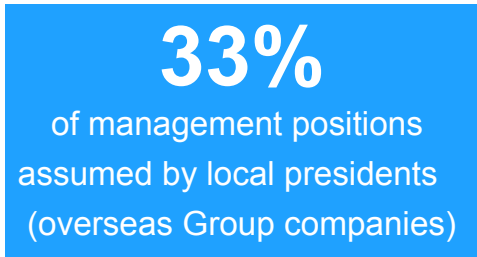
### Globally standardized educational system, and development and promotion of local human resources

As a truly global corporation with approximately half of the Group’s workforce 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 and regions in which we conduct business.

In 2004, we formally wrote down the DENSO Spirit, which signifies the values and beliefs to be shared throughout the DENSO Group.

Under the DENSO Spirit, we offer globally standardized education to employees around the world, using “DENSO Approach to Working,” which lists basic ideas, tools and processes for conducting daily work, and “On the Job Development,” which compiles ideas and processes for supervisors to promote the development of subordinates at DENSO.

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.



### Proportion of local employees in overseas Group company management positions

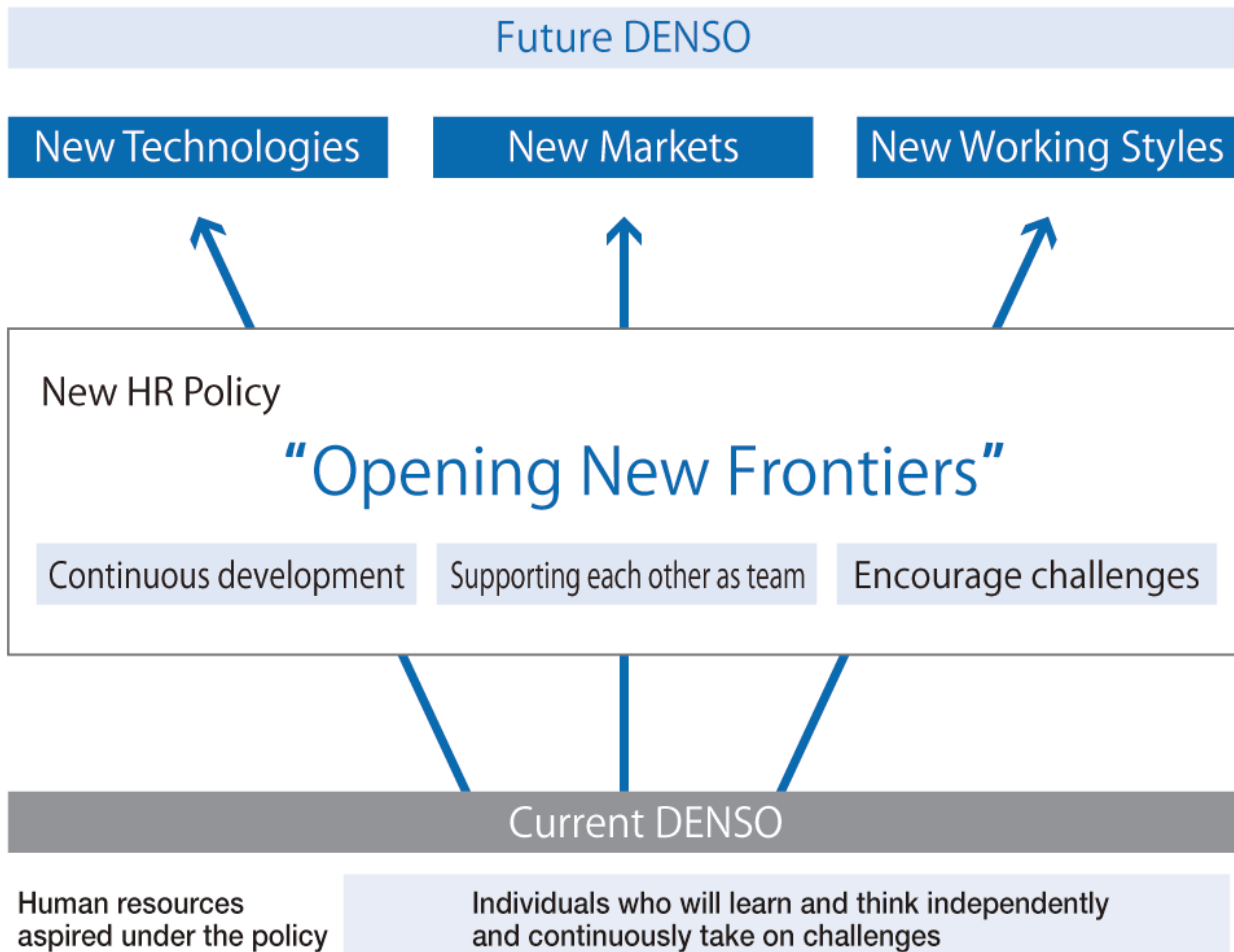
Fiscal 2013 result	Fiscal 2014 result	Fiscal 2015 result	Fiscal 2016 plan
30% (21 persons / 70 posts)	31% (22 persons / 71 posts)	33% (24 persons / 73 posts)	33%



## DENSO's HR system under "Opening New Frontiers"

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 that encourages challenges, in which employees support each other as a team, thereby cultivating and establishing new technologies, new markets and new working styles. While expecting changes, we go back to our fundamental standpoint that personal growth is a source of DENSO's competitive edge and aspire to develop individuals who will learn and think independently and continuously take on challenges.

In accordance with our HR policy based on the keywords "Opening New Frontiers," we are 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."

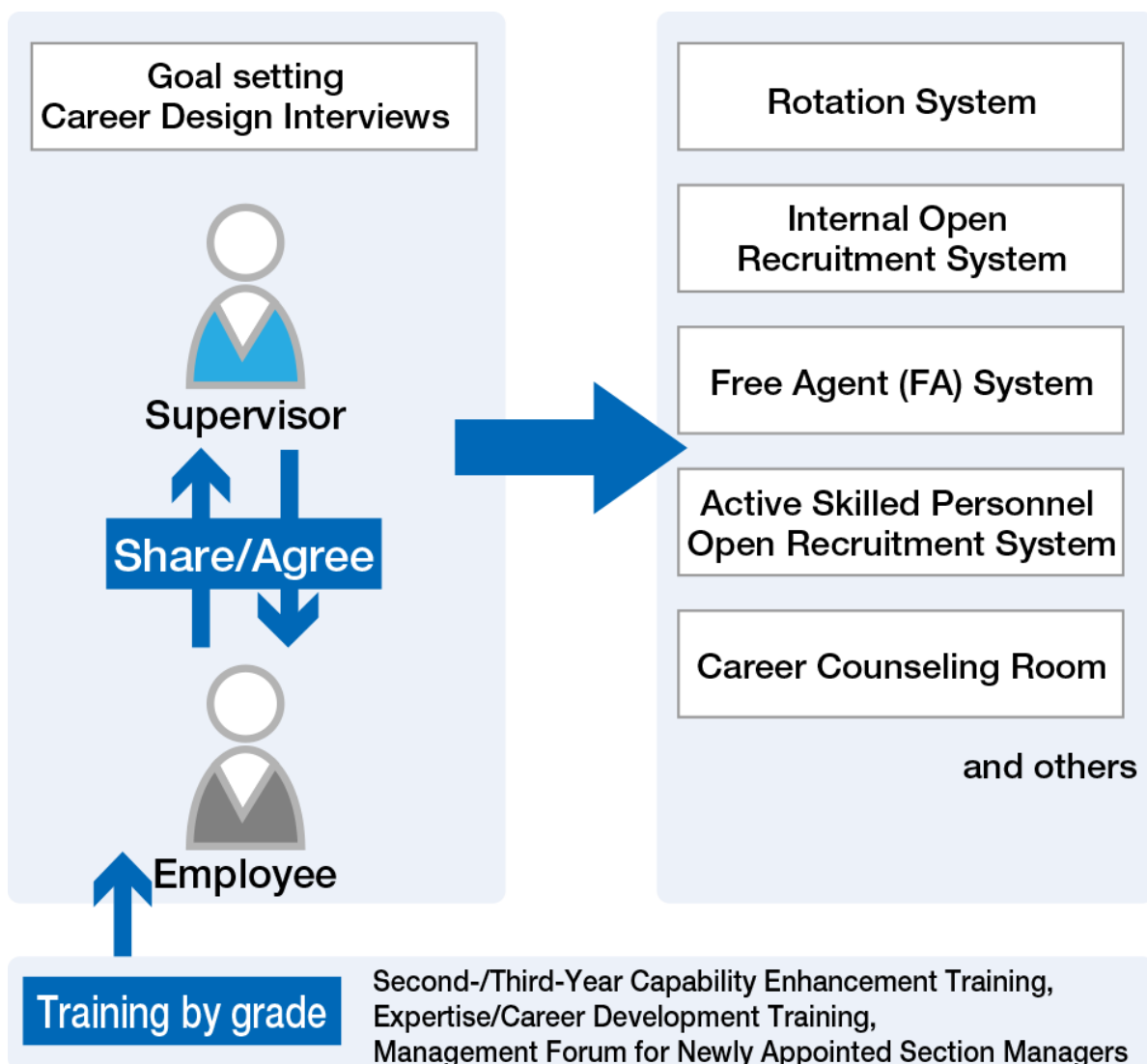


## Career growth that respects autonomy, and enhancement of education by grade

### Employees' career growth

At the DENSO Group, employees set voluntary targets each year and participate in an evaluation process that emphasizes professional growth of their abilities and the process used to achieve professional growth through regular interviews with supervisors. From a mid to long-term perspective, we cultivate a common understanding between employees and their supervisors with regard to employees' future aspirations and supervisors' development plans. Based on this understanding, we provide opportunities for employees to gain required experience through job rotation. By doing so, we seek to realize career growth that is meticulously matched to individual aspirations.

We also offer various systems associated with career growth, including education by levels, which is offered at major milestones in career growth, as well as an internal, open recruitment system to solicit required individuals from throughout the Company and the Career Counseling Room to provide advice and guidance on career paths and capability development.



### Enhancement of education by grade

To nurture human resources aspired under the HR policy, we will encourage employees to increase awareness for what is required for their roles at major milestones in career growth and instill these roles through practical experience in the workplace.

### List of education by grade (managers and above)

Note: Grade levels of management positions 1 to 3 are common among administrative staff, engineers and technical and skilled employees.

	Educational emphasis	Education by grade			
M1 grade (general managers)	Lead one's organization while assuming full responsibility	Lecture for newly appointed personnel	Workshop by external experts	Dialogue session with executive officers	
M2 grade (assistant general managers)	Lead innovation	Lecture for newly appointed personnel	Lecture by external experts	Dialogue session with executive officers	Self-reflection program
M3 grade (section managers)	Identify and solve issues from a company-wide perspective	Lecture for newly appointed personnel	Basic management training	Management forum	Seminar on management functions

### List of education by grade (assistant managers or below / administrative staff)

	Educational emphasis	Education by grade			
Assistant managers	Pursue expertise and provide guidance to subordinates and younger employees (serving as a leader of practical operations)	Lecture for newly appointed personnel Foster role awareness Cultivate required mindset	Basic management training Understand the basics of management	Expertise/Career plan training Identify one's expertise and consider ways to utilize it	Presentation training (optional)
Middle-level employees	Solve problems independently (serving as a core for promoting business operations)	Operational issues report Check one's problem-solving practices			
New employees (3 or less service years)	Establish a basis for future growth	Introductory training for new employees Learn the basics of being part of workforce, about DENSO and work operations	Capability enhancement training (second/third year) Reiterate through the basics and enhance capabilities	Business literacy program (optional) Learn the basics of management	
					Improve presentation skills

## List of education by grade (technical and skilled workers)

	Educational emphasis	Education by grade		
Assistant managers / Sub assistant managers	Further reinforce management capability	Lecture for newly appointed personnel Work process seminar Cultivate required mindset Gain practical knowledge on management	Training for newly appointed personnel Foster role awareness Reiterate through the basics of management	S1 training A level higher capability to recognize issues
Team leaders / Assistant team leaders	Reinforce management capability	Lecture for newly appointed personnel Work process seminar Cultivate required mindset Gain practical knowledge on management	Training for newly appointed personnel Follow-up training Foster role awareness Understand the basics of management	S2 training Check one's problem-solving practices
Middle-level employees	Reinforce capability to solve problems independently	J2 training Learn the basics of problem-solving	J1 training Reiterate through the basics of problem-solving	S3 training Improve problem awareness
New employees (3 or less service years)	Establish a basis for future growth	Introductory training Learn the basics of being part of workforce, about DENSO and work operations	T1 training Improve awareness as a member of a team	

## List of education by grade (clerical workers)

	Educational emphasis	Education by grade		
Senior clerical employees	Reinforce leadership to promote practical	Training for newly appointed personnel Foster role awareness Cultivate required mindset		
Middle-level employees	Reinforce capability to promote practical operations independently	J2 training Foster role awareness Enhance skills		
New employees (3 or less service years)	Basic seminar to ensure smooth practical operations	Introductory training Follow-up training Learn the basics of being part of workforce, about DENSO and work operations	Second-year career development training DENSO's way of working Understand problem-solving	Third-year career development training Future career growth

## Notes:

S1: Mentor Specialist Grade 1

S2: Mentor Specialist Grade 2

S3: Mentor Specialist Grade 3

J1: Middle-Level Equivalent Personnel Grade 1

J2: Middle-Level Equivalent Personnel Grade 2

T1: Entry-Level Equivalent Personnel Grade 1

**TOPICS****New efforts in new employees' training**

DENSO's new employees' training consists of a minimum set of lessons to teach (or being taught, from the trainee's perspective) as we aspire to cultivate individuals who will learn and think independently and continuously take on challenges. Recently, in order to attain deeper and more self-learning by new employees, we have integrated a method of blended learning that combines e-learning and group education into training programs. The basic structure comprises individual learning in advance (using mobile devices, such as an iPad and smartphones), group education mainly through discussion and then the sharing and recapping what has been learned by the entire group. Some programs are operated autonomously by new employees.

**Fostering the development of young technical and skilled employees**

The DENSO Group 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 and technical 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.

**Total number of medals won in the WorldSkills International Competition to date**

	Gold	Silver	Bronze
No. of medals won	28	15	13

**28** gold medals  
in the WorldSkills  
International Competition

**TOPICS****Winning many medals in the 52nd National Skills Competition**

The DENSO Group participated in the 52nd National Skills Competition held in Aichi Prefecture in November 2014. The Group won gold medals (gold awards) in the punching die and plant electrical installation categories as well as five silver medals and seven bronze medals.

A team of eight DENSO technicians, including two members who have won the gold awards in the national competition, will represent Japan and compete for medals in the international competition to be held in Brazil in 2015.



Soichiro Ikegami (left) and Ikuhiko Takayama  
(Hamanako-denso Co., Ltd.)

## Certified professionals system

Based on the belief that human resources having highly technical expertise are a source of DENSO's competitive edge, we individually recognize personnel who have extremely high expertise and achievements and who are to become a model for young people as "certified professionals." Introducing such a system with a view toward evaluating expertise and achievements will in turn help us to raise employees' motivation and level of proficiency. Through this system, we aim to develop human resources who are capable of creating the path to the future for DENSO in the face of a significantly changing business environment.

Launch period:	Fiscal 2011
System overview:	A system to designate individuals with extremely high expertise and achievements who are also capable of contributing to business expansion in the future and become a model for young people as "certified professionals"
Target:	Employees in management positions

Certification to date:

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
No. of persons	8	3	2	3	1

## Shifting from temporary production employees to permanent 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 production employees to shift to permanent employees.

### Shift from temporary production employees to permanent employees (for the past three years)

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Number of temporary production employees who have shifted to permanent employees	83	79	85

## Future initiatives

Under the belief that the growth of each employee forms the basis of corporate development, we will continue to build and upgrade our human resource system to enable every employee to work energetically while fully exerting his or her capabilities.

## Encouraging diversity

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

### Overview of initiatives

In order to achieve sustained growth for our organization by enhancing the flexibility of addressing changes in the business environment, we consider it to be important that employees carry out their work by mutually respecting differences and exerting their individual capabilities to the fullest.

At DENSO Corporation, from January 2014 we have been strengthening an organization exclusively for promoting diversity to promote enhancements to our systems and change internal awareness of these issues. In this way, we are working to facilitate contributions by female employees, senior employees, persons with disabilities and foreign employees.

Furthermore, from the perspectives of promoting diversity and enhancing competitiveness throughout the Group, we are implementing policies designed to promote the development and promotion of local employees at Group companies outside Japan.

### Encouraging diversity [DENSO Corporation]\*<sup>1</sup>

		Fiscal 2013	Fiscal 2014	Fiscal 2015
<b>Female employees</b>		4,728	4,770	4,821
<b>Senior employees (re-employed after retirement)</b>		1,200	1,395	1,626
<b>Challenged persons (Persons with disabilities)</b>	<b>DENSO Corporation*<sup>1</sup></b>	551 <2.00%>	590 <2.09%>	599 <2.15%>
	<b>Domestic Group companies*<sup>2</sup></b>	870 <1.91%>	937 <1.99%>	961 <2.04%>
<b>Foreign employees*<sup>3</sup></b>		136	185	202

\*1 Total of DENSO Corporation and DENSO TAIYO Co., Ltd. The figures in < > represent employment ratios of persons with disabilities.

\*2 Domestic Group companies. The figures in < > represent employment ratios of persons with disabilities.

\*3 Total employed by DENSO Corporation and assigned from overseas Group companies

## Promoting women's participation

DENSO Corporation has committed to strengthen the employment of women and to promote active roles for them in the organization while introducing measures from the two perspectives of career advancement and work-life balance. Going forward, we aim to achieve our target of having 100 women in management positions by 2020, which is three times the number in 2014 through the systematic employment and development of female employees.

**3 times**  
as many women in management  
positions  
by 2020 (from 2014)

### Career development

Once every year, a career-related interview is held between a female employee and her supervisor, and based on the interview, the supervisor creates a mid to long-term development plan. By executing business operations on a daily basis and promoting personal development, both in accordance with the plan, each female employee and her supervisor work as a team to realize her career vision.

DENSO conducts training for female employees and their supervisors to consider women's career paths and work styles. The training represents an opportunity for female employees to deepen their understanding toward their careers through interaction among participants and with external female lecturers who are actively taking roles on the frontline of business.

We also set a fair evaluation that childbirth and childcare do not put female employees at a disadvantage. Furthermore, we have established a counseling center to connect female employees seeking advice on their concerns about their career plan, childbirth and resuming work with those who have gone through the same experience and are now acting as role models.

### TOPICS

#### Holding Women's Forum [DENSO Corporation]

In November 2014, we held the Women's Forum, which was the first attempt ever made at DENSO, for about 400 female employees and their approximately 550 supervisors. At the forum, the president expressed his vision and expectations on the promotion of women's active participation, and participants engaged in group discussions on work-life balance. The forum also provided a good opportunity for female employees to form a network within DENSO.



Women's Forum



## Work-life balance support



Return to Work Preparatory Seminar



Tacchicchi House  
infant daycare center

DENSO has a flexible system in place to assist employees in balancing career development and child rearing. Employees can take childcare leave, up to a total of three years, and make use of a reduced work hour system for up to four years, which can be taken in separate increments until the child graduates from elementary school.

We also support a smooth return to work by holding a Return to Work Preparatory Seminar available to both female employees and their spouses. The seminar is designed to give an idea of their work styles after resuming work while they are still on childcare leave.

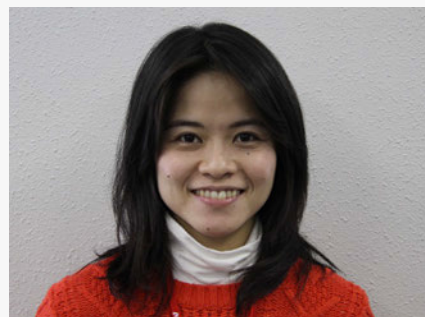
Additionally, Tacchicchi House infant daycare centers, which are jointly operated by five Toyota Group companies, are not only open according to companies' business days but also early in the morning and late in the evening to provide various options to meet diverse work styles according to an individual's particular circumstances.

In addition to the existing flexible hours, in fiscal 2015 we launched a "mobile work\*" system in an effort to provide greater flexibility to female employees in terms of the working place and hours after they resume their jobs. We will continue to actively support initiatives that expand opportunities for female employees.

- \* Mobile work: A work style that utilizes information and communication technology and is flexible in terms of the place and hours

### Voice of a Participant in the Return to Work Preparatory Seminar

While I was on childcare leave, I received a notice of the seminar by mail. I thought it was a good opportunity to think about the balance between childcare and my work, and I joined the seminar with my husband. The lecture was very useful, and I had a chance to communicate with other employees also on childcare leave. Through the seminar, I got an idea how I should prepare myself for resuming work and share various roles with my husband after I do so.




Tomori Hachisuka, Advanced  
Research Division

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

<p><b>Fiscal 2007~</b></p>	<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>
<p><b>Fiscal 2008~</b></p>	<ul style="list-style-type: none"> <li>• Introduced diversity training for newly appointed managers</li> <li>• Opened Tacchicchi House infant daycare centers in five locations</li> <li>• Launched networking group for employees on childcare leave</li> </ul>
<p><b>Fiscal 2009~</b></p>	<ul style="list-style-type: none"> <li>• Held diversity forums</li> </ul>
<p><b>Fiscal 2010~</b></p>	<ul style="list-style-type: none"> <li>• Expanded measures to promote participation of female employees in clerical positions</li> </ul>
<p><b>Fiscal 2011~</b></p>	<ul style="list-style-type: none"> <li>• Expanded childcare leave and reduced work hour systems</li> <li>• Established counseling center for female employees</li> </ul>
<p><b>Fiscal 2012~</b></p>	<ul style="list-style-type: none"> <li>• Established 6th Tacchicchi House infant daycare center</li> </ul>
<p><b>Fiscal 2013~</b></p>	<ul style="list-style-type: none"> <li>• Conducted career development training for female employees</li> </ul>
<p><b>Fiscal 2014</b></p>	<ul style="list-style-type: none"> <li>• Established DP-Diversity Promotion Office and reinforced structure to promote female participation</li> </ul>
<p><b>Fiscal 2015</b></p>	<ul style="list-style-type: none"> <li>• Launched mobile work system</li> <li>• Reinforced efforts to promote career visions of female employees</li> <li>• Held the Women's Forum</li> </ul>
<p><b>Fiscal 2016</b></p>	<ul style="list-style-type: none"> <li>• Appointed the first female executive director</li> </ul>

## Major awards and certifications

<p><b>October 2008</b></p>	<p>DENSO won an award from the Aichi Labour Bureau in the category recognizing our efforts to promote gender equality, an area advocated by the Ministry of Health, Labour and Welfare.</p>
<p><b>June 2009</b></p>	<p>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. (Certification mark “Kurumin”)</p>  <p>The logo is a red circular emblem. At the top, it says '子育てサポートしています' (We support childcare). In the center is a stylized figure of a person with arms raised, resembling a flower or a person. At the bottom, it says '2014年認定事業者' (Certified business operator in 2014).</p>
<p><b>November 2010</b></p>	<p>DENSO was certified as a Family-Friendly Company by Aichi Prefecture.</p>

## Number of female new recruits and female employees in management positions [DENSO Corporation]

		Fiscal 2013	Fiscal 2014	Fiscal 2015	April 1, 2015
<b>Recruitment</b>	<b>Administrative staff</b>	11 (20.4%)	13 (25.0%)	19 (37.0%)	21 (37.0%)
	<b>Engineer</b>	9 (3.2%)	16 (6.6%)	10 (4.0%)	31 (12.0%)
	<b>Technical and skilled worker<sup>*1</sup></b>	61 (29.0%)	43 (27.7%)	32 (21.0%)	41 (23.0%)
	<b>Clerical worker</b>	35	38	34	36
<b>Employees in management positions</b>	<b>Manager and above</b>	30 (0.5%)	33 (0.5%)	40 (0.6%)	

\* Percentage figures are the ratio of female employees versus the overall employment number for respective job categories.

\*1 Excluding DENSO Technical College

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

		Fiscal 2013	Fiscal 2014	Fiscal 2015
Childcare leave	Female	228	279	257
	Male	13	17	17
Nursing care leave	Female	3	3	5
	Male	4	9	14
Reduced work hours for childcare	Female	231	242	268
	Male	1	2	2

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As my wife also works full-time, I took childcare leave four months after the birth until my child turned one year old. It was possible because everyone in the workplace kindly showed understanding. Being able to observe closely the growth of my child was a valuable experience. Even after resuming work, I have been eagerly cooperating in child rearing. (Male employee in his 30s)

Childcare support

		Childbirth	Elementary school enrollment	Elementary school graduation
Childcare leave	Law	Up to 18 months old	Ongoing support until graduating from elementary school	
	DENSO	Total of 3 years		
Reduced work hours (6 hours a day)	Law	Until the child becomes 3 years old	Ongoing support until graduating from elementary school	
	DENSO	Total of 4 years		
Exemption from overtime work	Law	Until the child becomes 3 years old		
	DENSO			
Limits to overtime work 24 hours/month 150 hours/year	Law		Ongoing support until graduating from elementary school	
	DENSO			
Nursing care leave	Law	1 child: 5 days/year 2 children or more: 10 days/year	5 days/year (regardless of the number of children)	
	DENSO	1 child: 5 days/year 2 children or more: 10 days/year		

## Nursing care support

Nursing care leave*	Law	93 days
	Current	Total of one year
Short nursing care leave (up to 10 days)	Before revision	None
	Law	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

### TOPICS

#### Female employees to lead the commercialization of a cosmetic product created from algae

In December 2014, DENSO Corporation launched sales of “moina,” a hand cream using pure oil derived from algae, which was jointly developed with University of Tsukuba.

In commercializing this cosmetic product, which was totally new for DENSO, six female employees had engaged in the planning of the product’s container, package and fragrance. The project, launched in December 2012, was called the “Dream Project.”

Under the Dream Project, they conducted market surveys and user surveys targeting about 2,000 females both in and outside DENSO. After repeatedly verifying the product’s quality, safety and marketability, they obtained internal approval for commercialization and successfully launched its sales via the Internet.



Hand cream “moina”

#### In promoting the Dream Project – Voice of the members

We were completely new to the field of cosmetic products but pushed ahead with the Dream Project, believing that if women work together as one team, we can create a new value. We were finally able to release “moina” to the market.

We divided roles among ourselves, placing the right members in the right places. The release of the product was possible because we made the most of individual strengths. We feel we have grown both individually and as a team. There are many places and fields in DENSO where women can take more active roles. We will continue to take on challenges, always looking one step ahead.



Members of the Dream Project

#### Placing high expectations on female sensibility

Active participation of female employees is essential in achieving continued corporate growth. We will continue to promote product development that leverages the sensibility (“soft power”) of female employees throughout DENSO. Also, I hope that one day we will have next-generation female leaders full of new ideas to drive DENSO’s new businesses.



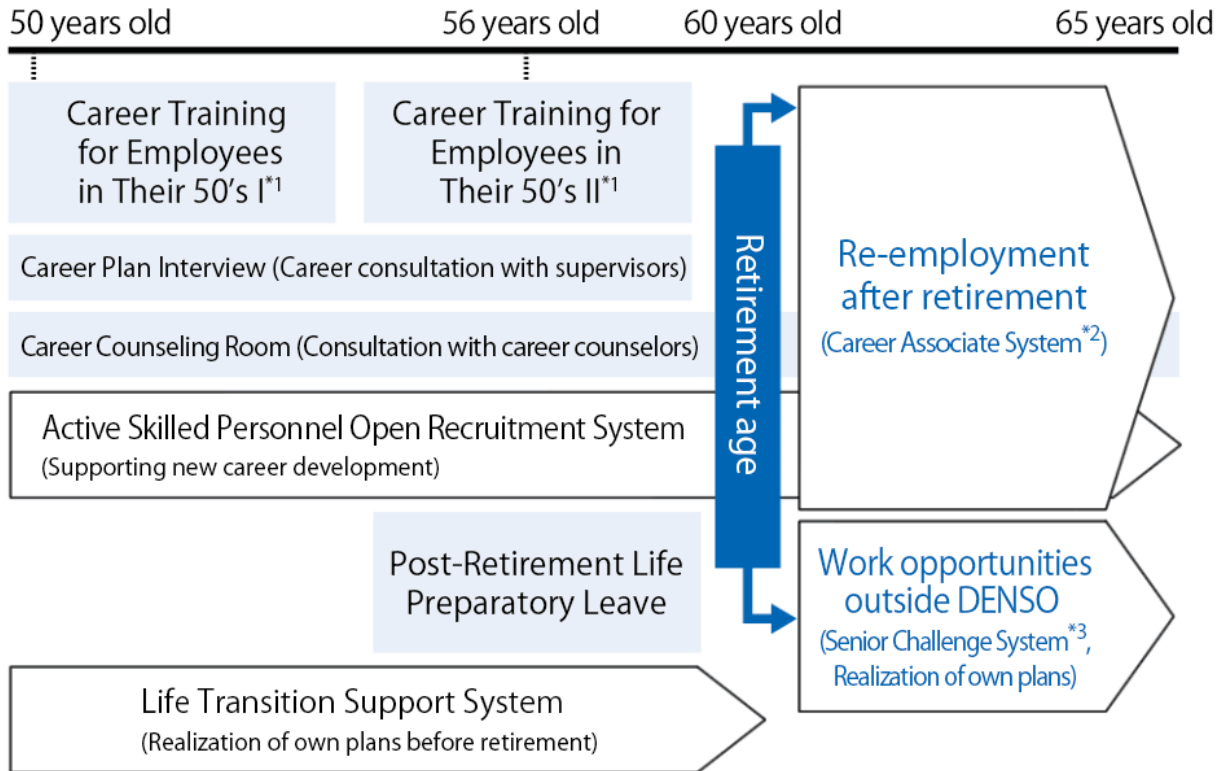
Kinya Atsumi, New Business Promotion Office

## Supporting participation by senior employees

DENSO Corporation is also promoting initiatives to enable our senior employees to continue to share their extensive experience and abilities along with supporting their desire to continue working.

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We support employees' diverse life and work styles envisioned in their life plans and have implemented a system that allows senior employees to take active roles after retirement as well as measures to encourage them to take on challenges and boost their motivation.



\*1 Career Training for Employees in Their 50's I and II

The following two courses are available.

- Career Life Management Training (for managers and above)
- Training on Lifestyle and Work Style Planning (for mentor specialists or below)

\*2 Career Associate System: Re-employment opportunities for all retired employees who are interested in continuing their career. Introduced reduced work hours and reduced working days in order to respond to various employment requests.

\*3 Senior Challenge System: Provide work opportunities outside the Company to those with the desire to do so.

## Encouraging employment of persons with disabilities

Since starting the regular employment of persons with disabilities in 1978, DENSO Corporation has actively worked to expand employment and occupational opportunities, provide education and training and improve appropriate facilities for persons with disabilities. Currently, specialized staff in the Human Resources Department offer comprehensive support from the time of employment and after joining the Company, while Human Resources Departments at DENSO Corporation and at each plant provide various support after hire.

### Recent key initiatives [DENSO Corporation]

Year implemented	Initiatives
Fiscal 2013	<ul style="list-style-type: none"> <li>Introduced a sign language support system, in which employees who can use sign language help employees with a hearing disability</li> <li>Held a meeting at each plant with supervisors having persons with disabilities on their teams for exchanging opinions</li> <li>Released the <i>Shuwacchikun</i> video dictionary for learning sign language via the corporate intranet (comprising 2,000 words, including terms specifically used in-house)</li> </ul>
Fiscal 2014	<ul style="list-style-type: none"> <li>Revised a method of coaching for the Abilympics team. The main coaching role was assigned to a person with a disability (a medalist in the National Abilympics) who used to serve as an assistant for a coach with no disability. The system of creating an original development program and coaching successors enables the coach to refine his or her thinking power and guiding ability.</li> </ul>
Fiscal 2015	<ul style="list-style-type: none"> <li>Won one gold medal and one silver medal in the 35th National Abilympics <a href="http://www.denso.co.jp/ja/news/newsreleases/2014/141201-01.html">http://www.denso.co.jp/ja/news/newsreleases/2014/141201-01.html</a></li> </ul>

#### TOPICS

##### Participating in the International Abilympics in 2016

Based on the belief that *monozukuri* (manufacturing) is *hitozukuri* (human resource development), we provide support for the development of and active engagement by persons with disabilities. We have been participating in the National Abilympics since 2004 and have won medals for 10 consecutive years, with a number of participants turning medalists. Our team, including two gold medalists in 2012, is qualified to participate in the International Abilympics to be held in France in March 2016 and also is aiming to win medals in this international competition.



Yurie Ono (gold medalist in the National Abilympics in 2012)



Yu Okumura (gold medalist in the National Abilympics in 2014)

### Engagement by persons with disabilities

Participation in the Abilympics games provides an opportunity for employees with disabilities to both enhance their own skills and obtain a higher level of ability to guide others in the workplace. Employees who have competed and served as a coach in these games are playing the active role of providing education to new employees and temporary employees with no disabilities when accepting them in respective workplaces.

**Serving as a coach for the Abilympics team**

Yunobu Higashi (with a hearing disability), Ignition Manufacturing Division

What I emphasized when coaching competitors was to promote communication with them by exchanging opinions from a competitor's standpoint. Just focusing on passing information makes them nervous, so I worked to improve their mental strength while providing technical guidance. I've also learned a lot through coaching. We were equally delighted with the results (one silver medal and one bronze medal in the national competition), and I was really moved and glad to have served as their coach when they smiled and said, "Thank you."



Coach giving instructions

**Supporting engagement by persons with disabilities within the workplace (production sites)**

Besides company-wide systems and schemes promoted by DENSO, original activities are also undertaken at each workplace to support active engagement by persons with disabilities.

**All members learned sign language after an employee with a hearing disability was assigned to the workplace**

After Mr. Taishi Yasumoto, who has a hearing disability, joined our team three years ago, all members study sign language and have started using it in daily business operations. We also made up original signs for words that are frequently used in operating manufacturing lines and



Fuel Injection Manufacturing Division (Nishio Plant)

created a workplace hazard map that is easy to understand for everyone on the team. This activity was started because we hoped to communicate better with the new team member, but it improved communication within the entire workplace. We now use sign language during after-lunch meetings and in daily operations.



Taishi Yasumoto

I'm glad that I can now communicate more with other team members and handle a wider scope of work. I hope to meet the expectations of others by continuing to work hard and becoming a production machinery operator.

Original signs



Ring clip

Pallet

Cutting

Balancing



## Initiatives by special-purpose subsidiary DENSO TAIYO

DENSO TAIYO Co., Ltd., our special-purpose subsidiary\*, was established in 1984 and produces mainly vehicle instrument clusters, fuel senders and smart keys. DENSO TAIYO Co., Ltd. provides a barrier-free environment equipped with appropriate facilities, where employees with physical challenges can work independently.

In fiscal 2015, DENSO's employment ratio for those with disabilities was 2.15 percent, or 599 people with a disability being employed as regular employees, including those at DENSO TAIYO Co., Ltd.

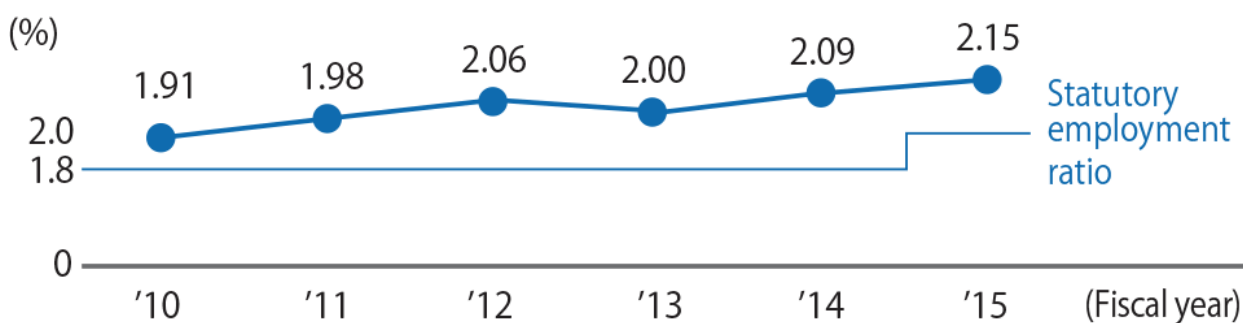
\* Subsidiary established to promote the employment of persons with disabilities



DENSO TAIYO Co., Ltd.

Employment ratio  
of persons with  
disabilities at  
DENSO  
Corporation  
**2.15%**

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



[Note]

Including special-purpose subsidiary DENSO TAIYO Co., Ltd.

### Future initiatives

Initiatives for promoting diversity are essential in attaining sustainable growth of society as a whole as well as the DENSO Group. DENSO Corporation regards diversity as one of the company-wide managerial issues and intends to enhance and augment related initiatives.

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## Efforts toward enhancing employee satisfaction

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### Holding of company-wide sports festival

DENSO Corporation has revived and held a company-wide sports festival in 2011 for the first time in 24 years as an overall company event for creating a sense of unity in the workplace. The event consists of six categories that are open to participation by everyone regardless of gender or age, and representative teams, which have won the regional preliminaries, will compete to become the top winners in the company-wide final competition. In fiscal 2015, a total of approximately 13,000 people took part from the preliminary round to the finals. We plan to hold this company-wide sports festival every fall.

A total of  
**13,000**  
participants



Company-wide sports festival

### Employees awareness survey

At DENSO Corporation, we ascertain various aspects such as employees' motivation for work and their level of satisfaction in terms of supervisors and the workplace. Feedback is in turn provided to managers to encourage autonomous improvements at workplaces while also utilizing the information to consider personnel affairs measures.

Specifically, a motivation survey is regularly conducted for all employees to examine improvements and obstructing factors of motivation by workplace. In the survey conducted in 2014, we also checked for any changes in employee awareness resulting from the promotion of diversity, advancement in the IT infrastructure and other changes in the working environment.

Additionally, a simple workplace capability survey using IT is conducted once every six months. This survey consists of questions concerning approximately 30 items to enable managers to get a grasp of the work situations and ability of their subordinates, and in turn link this with job allocation, development and communication in the future. Feedback is provided by qualitatively evaluating the strengths and weaknesses of respective workplaces. Other measures include the sharing of excellent management examples that ensure a high workplace capability as well as individual support for departments with a lower workplace capability in an effort to enhance workplace capability throughout the Company.

### Welfare program

Since 2007, DENSO Corporation has been employing a selection-based welfare program called the DENSO Cafeteria Plan to address a diverse range of welfare needs. Under this program, employees (including full-time temporary employees) are allotted points in advance and receive benefits from the Company using these points for a wide variety of items in a set menu (including travel, dining and nursing care). In other areas, programs have also been set up to support the enhancement of employees' lives, including recreational facilities, apartments for single employees and other facilities, as well as an asset building assistance program and a Group insurance system. In fiscal 2015, as a measure to support employees' asset building, another menu item, the employee defined contribution pension program (matching program), was added to the Cafeteria Plan.

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## Promoting safety and health

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### Safety Philosophy and promotion structure

In 1969, DENSO Corporation adopted fundamental principles of safety, health and environment based on the premise that creating safe and ideal working conditions is the best way to realize both human dignity and 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: vice president 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.

#### 1. Fundamental principles of safety, health and environment

Human beings should never lose their life, health or physical function due to work.

1. Thorough observation of policies “creating safe and ideal working conditions is the best way to realize both human dignity and high productivity.”
2. Pay attention to environmental protection and the preservation of ecological systems/resources in all business activities. Furthermore, live in harmony with local communities through environmental protection.
3. Each organization managerial person and employee in each workplace should participate in all such activities fully applying their creativeness and ideas.

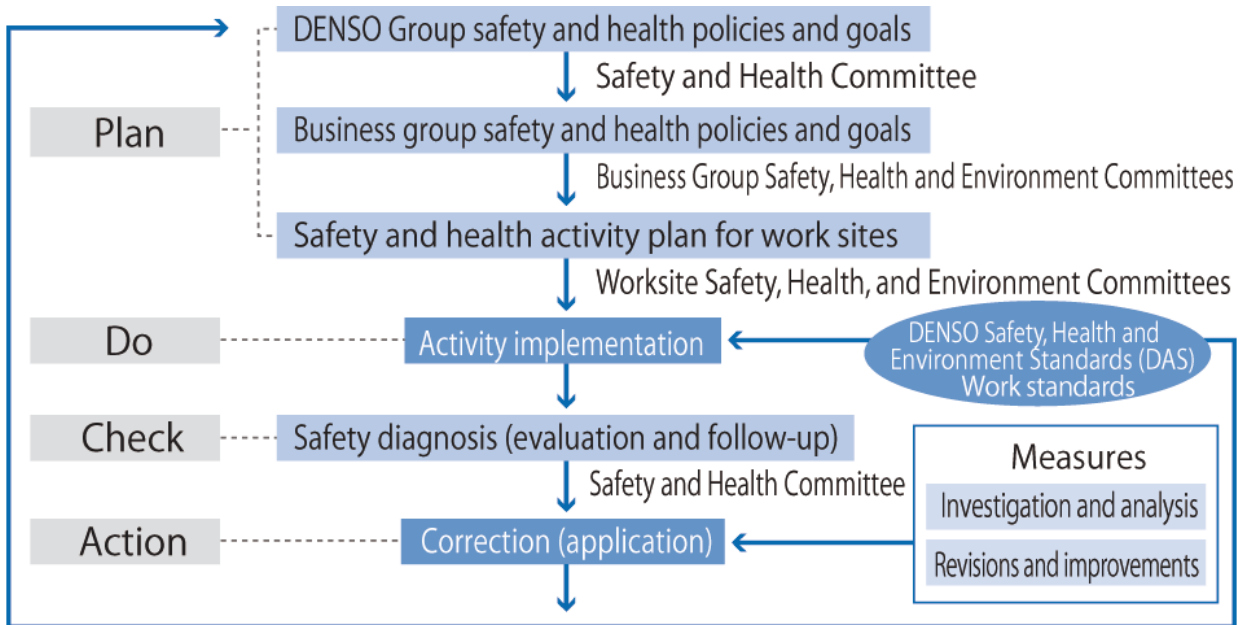
#### 2. Behavior Guidelines for Implementing the Basic Philosophy

1. Safety and health are fundamental for carrying out our business activities and each and every person will thoroughly take actions based on the “Safety First” policy.
2. We will comply with laws and regulations as well as corporate regulations and DAS.
3. We will steadily operate a safety, health and environmental management system and continuously promote initiatives to maintain and improve workplaces where employees can work in safety and undertake efforts toward environmental preservation.
4. In environmental preservation activities, we will promote technical development and plant management as well as ensure that the behavior of each and every employee will contribute to “building a plentiful, recycling-oriented society that will grow in harmony with the environment.”
5. In order to create a better future for communities, we will promote activities either independently or cooperatively with local communities that will gain empathy from society.
6. Based on “DENSO safety and quality first” as our motto, we will actively promote safety, health and environment activities in which all employees participate with the aim of realizing “zero accidents” through various measures such as *kaizen* (continuous improvement) activities that utilize the creativity and ingenuity of each and every person.

## Occupational safety and health management

The DENSO Group practices the PDCA (Plan, Do, Check, Action) cycle based on domestic and international occupational safety and health management system (OSHMS) standards. As of fiscal 2015, 32 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



### Fiscal 2015 activity results and future initiatives

During fiscal 2015, emphasis was placed on maintaining and improving measures to prevent serious accidents and developing human resources capable of protecting themselves and their colleagues. Accordingly, we worked to complete the implementation of measures to reduce risks of serious accidents and reinforce management of these risks and upgrade safety measures for high-risk facilities and tasks, while encouraging efforts to enhance the level of safety sensitivity.

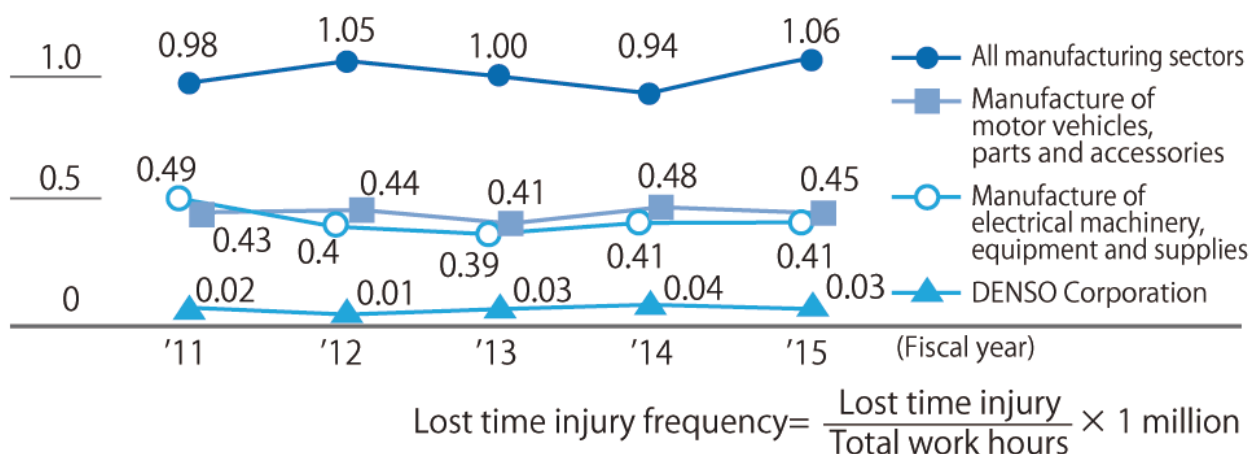
In fiscal 2016, we will focus on preventing serious accidents and reducing the number of "Grade 1 accidents" involving moving parts of machinery and heavy objects. Specific efforts will include a safety diagnosis for prevention of serious accidents, reinforcement of management of contractors' construction work, identification of "noticing risks of objects and situations of which are underestimated" and enhancing activities to improve safety sensitivity.

Lost time injury frequency of  
DENSO Corporation  
**0.03**

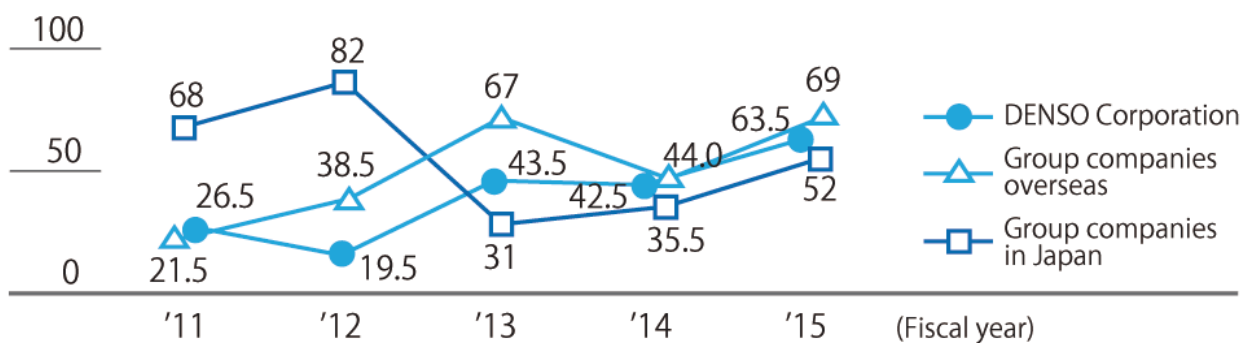
Control items	DENSO Corporation			Group companies in Japan			Group companies overseas		
	Target	Result	Assessment	Target	Result	Assessment	Target	Result	Assessment
Safety marks	60	63.5 (19)	✕	60	52 (14)	○	84	69 (16)	○
Lost time injury frequency	0.05	0.03	○	0.06	0.05	○	0.10	0.02	○
	[Consolidated DENSO Group companies] Target: 0.08 Result: 0.03 Assessment: achieved								

[○] achieved [✕] not achieved

Work-related accident ratio (Lost time injury frequency)



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



TOPICS

Toyohashi Plant receives the Minister of Health, Labour and Welfare Excellent Safety Award

DENSO Corporation's Toyohashi Plant (Aichi Prefecture) received the Fiscal 2015 Minister of Health, Labour and Welfare Excellent Safety Award in recognition of its continued no accident record spanning 22 years (51,700,000 hours) and its significant contribution to the enhancement of the overall safety and health level.



## Promoting employee health

### Basic stance

The DENSO Group Declaration of Corporate Behavior includes a clear statement of our responsibility to enable all of our employees to work in a healthy and energetic manner, and we undertake activities in accordance with this statement. With particular emphasis on the three activity pillars of health-building initiatives, measures to quit smoking and mental health care, the Company's Health Care Promotion Division works closely with other departments to help employees maintain their physical and mental health.

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

		Fiscal 2013	Fiscal 2014	Fiscal 2015
<b>Employees receiving medical checkups</b>		100%	100%	100%
<b>Attended mental health seminars</b>	<b>Management positions</b>	520 (18 sessions)	680 (10 sessions)	720 (10 sessions)
	<b>Non-managerial employees</b>	490 (8 sessions)	1,670 (8 sessions)	1,650 (15 sessions)
<b>Participants in <i>Kokoro no Kenko Shindan</i> mental health checkups</b>		-	29,710	42,460
<b>Participants in classes for preventing and improving metabolic syndrome</b>		2,040	2,030	2,780
<b>Participants in health improvement activities</b>		2,770	3,160	3,060

### Health-building initiatives

In an effort to prevent metabolic syndrome (a risk factor for obesity and high blood pressure), DENSO Corporation offers education for preventing metabolic syndrome through better eating and exercise habits and undertakes health improvement activities to maintain and promote physical fitness for good health for employees across all job categories. In fiscal 2014, we rolled out "Think of Your Health Day," a new one-day health training program targeting employees reaching the age of 39.

In addition, DENSO Corporation, the DENSO Health Insurance Union and DENSO Well Corporation have set up the "Do! Healthy Life Promotion Committee." The committee plans and provides multifaceted health promotion programs that are open to both employees and their family members.

## Think of Your Health Day

Launched a one-day health training program, comprising a health checkup, measurement of physical fitness, health guidance and health education, for employees reaching the age of 39. (From April 2014 to March 2015: 252 employees)



Measurement of physical fitness



Measurement of body balance



Ideal radio exercise



Measurement of visceral fat



Health education

### Others

- Dietary guidance, explaining medicine, health guidance (on checkup results) and setting goals after reaching the age 40, etc.

### Comments from participants

- A full day to think of my health and fitness made me realize the need for promoting health in my 40s.
- It was a good opportunity to think about health, and I realized many things.

### Effects of training

The number of employees who gained weight in one year after the training is smaller among training participants than among non-participants. (Survey subject: participants of the training in fiscal 2014)

	Weight change in one year (fiscal 2014 vs. fiscal 2015)		
	Weight gain	No change	Weight loss
Training participants	38%	24%	38%
Non-participants	47%	18%	33%

## Multifaceted health promotion programs

Program name	Description	Participants (Fiscal 2015)
Fitness Course	Aerobics, yoga, etc.	2,310
Walking activities	Various walking events	6,530
Class for building health	Program to improve lifestyle habits (6 months)	268



Class for developing physical strength



Walking event

## Measures to quit smoking

At DENSO Corporation, we are designating the 1st, 11th and 21st days of each month as a “non-smoking day,” whereby we are actively calling for non-smoking via putting up posters or through making internal announcements. In fiscal 2012 we launched a specific program of measures to help our employees quit smoking across the Company. Our approach works from the three directions of the smoking environment, the workplace and the individual to reduce the risk of health disorders and prevent passive smoking.

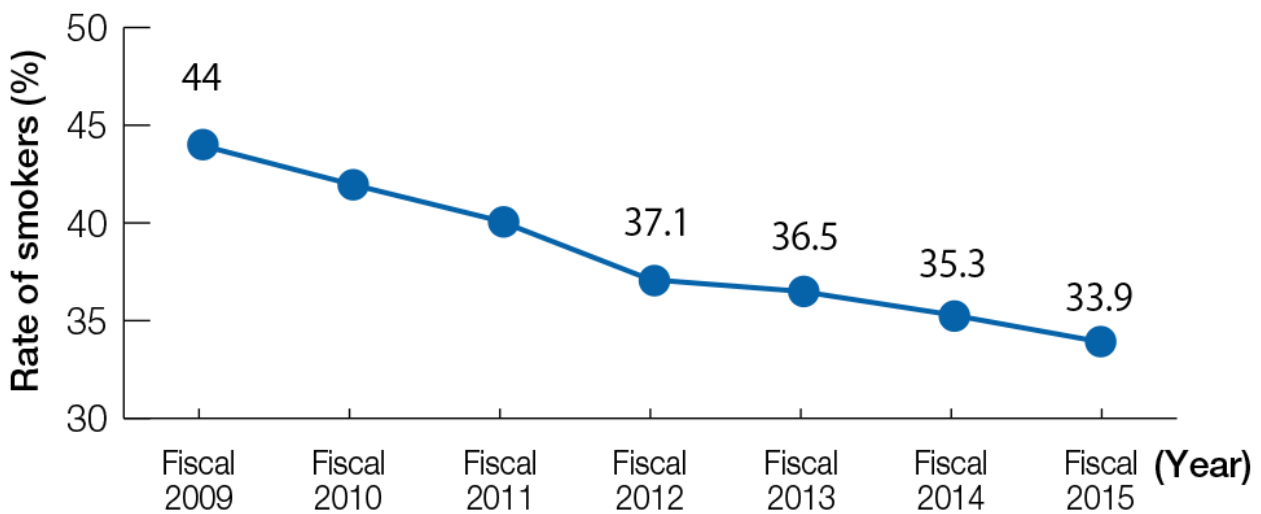
We will continue to make unified labor-management efforts to achieve this goal to ensure that employees will maintain their health and continue to work in an energetic manner.

Quit smoking  
success ratio

**86%**

## Change in smoking rate

### Change in smoking rate (Male employees)



## Activities to help quit smoking



Stop smoking support lecture



DENSO non-smoking day

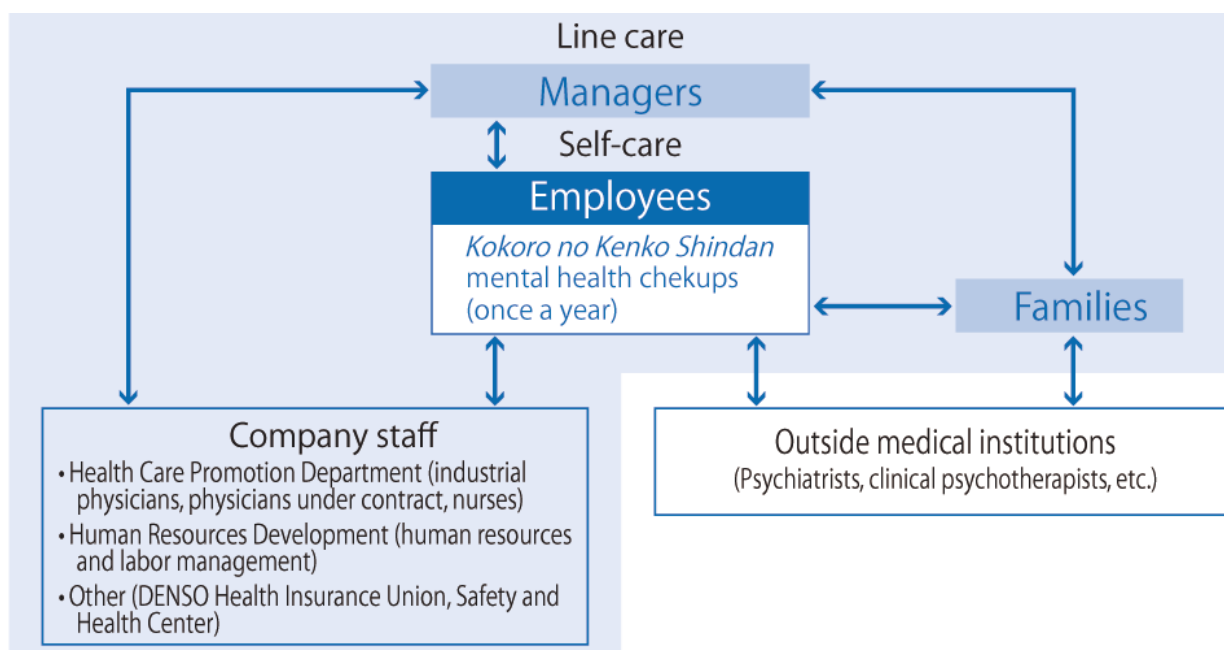


## Mental health care

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 medical staff works closely with employees at the workplaces to help recovering employees return to work. Additionally, each year, we are enhancing the support system for work resumption that was initially introduced in fiscal 2007 and making considerations so that employees can smoothly resume their work after taking leave.

Mental health checkups, which were launched in fiscal 2009, were completed for all employees in fiscal 2013. In fiscal 2014, we introduced a new *Kokoro no Kenko Shindan* mental health checkup, in which all employees undergo a check every year. In fiscal 2015, the scope was extended to include employees assigned to work at domestic and overseas locations outside DENSO Corporation.

## Mental healthcare framework



## Kokoro no Kenko Shindan

Item	Details	
Target	All employees (including temporary employees)	
Mental health checkup	Using a website (or a paper survey form in manufacturing departments)	
Feeding back results	Individual	Website: To be displayed on the screen upon completion Form: To be delivered to each person in about one month
	Section	Aggregate report results by section Conduct a briefing on a department base
Providing support by health staff	Efforts include providing counseling by industrial health staff to persons with high risk	

## Future activities

We will continue to promote *kaizen* (continuous improvement) and enhance and raise the level of activities and measures concerning the three activity pillars (health-building initiatives, measures to quit smoking and mental health care) in order to ensure that employees maintain their health and continue to work actively.

## 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 undertaking investor relations (IR) activities to realize smooth, interactive communication through general shareholders meetings and via its corporate website.

### Disclosure policy and IR activities



General Meeting of Shareholders (June 2015)

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 financial results and technical briefings and plant tours for institutional investors and financial analysts to promote investment opportunities. DENSO is working to further enhance information disclosure by providing video streaming of the General Meeting of Shareholders held each June on its website and inviting shareholders to a plant tour after the meeting.

### Content of IR activities

\* ★ symbol: Initiatives undertaken during fiscal 2015 in addition to regular IR activities

Target	IR activities
<b>Institutional investors in Japan Financial analysts</b>	<ul style="list-style-type: none"> <li>● Quarterly financial results briefing, "One-on-one meeting"/ individual interviews, small meetings</li> <li>● Publication of annual report, ★ technical briefings, ★ plant tours</li> </ul>
<b>Institutional investors overseas</b>	<ul style="list-style-type: none"> <li>● "One-on-one meeting"/ individual interviews, telephone conferences, participation in conferences organized by securities companies</li> <li>● IR conferences at major motor shows, publication of annual report</li> </ul>
<b>Individual investors and shareholders</b>	<ul style="list-style-type: none"> <li>● Plant tour (after General Meeting of Shareholders)</li> <li>● Publication of business reports, ★ colorized Notice of Shareholder's Meeting announcements</li> </ul>

## Comments from plant tour participants

- It was great opportunity to hear DENSO's future course of business directly from the executive officer in charge.
  - It would be better if we had more chances to communicate directly with executive officers.
  - The tour gave me an idea how DENSO nurtures people, and I felt people are a source of DENSO's competitiveness.
  - Since DENSO conducts business widely around the world, I hope to have a chance to participate in a plant tour that will help us understand its overseas operations.
- etc.



Plant tour for financial analysts

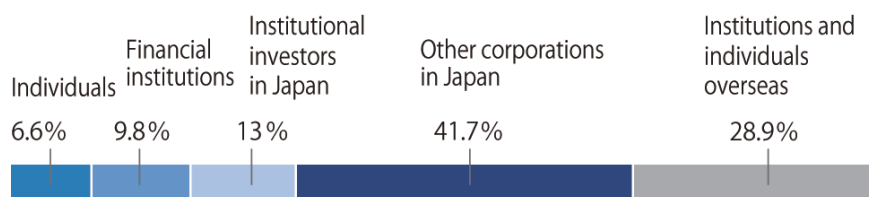
## Policy on returning profits to share holders and shareholders status

We will continuously strive to raise the dividend threshold while maintaining long-term stability, giving careful consideration to a comprehensive range of factors, including consolidated performance, the dividend payout ratio and the dividend amount. DENSO uses retained earnings after the payment of dividends for investment in such areas as infrastructure, R&D and M&A to maintain the long-term growth of its businesses and allocates funds for the repurchase of treasury stock following thorough consideration of the Company's financial position.

In fiscal 2015, based on business performance and the operating environment to date, DENSO paid annual cash dividends per share of 110 yen, an increase of 5 yen per share versus the previous fiscal year.

## Breakdown of share holders

(As of March 31, 2015)



## Evaluation by outside institutions

The DENSO Group is highly regarded by outside institutions when judged by the socially responsible investment (SRI) standard, a fact that is indicated by its successive inclusion in the Ethibel Sustainability Index<sup>\*1</sup>, an important European indicator, and in the Morningstar Socially Responsible Investment Index<sup>\*2</sup>.

\*1 Ethibel Sustainability Index (ESI): A Belgian non-profit organization (NPO), Forum ETHIBEL, evaluates the S&P Global 1,500 companies in terms of sustainability. About 200 companies are selected for inclusion in the ESI Excellence Global indices.

[ESI \(http://forumethibel.org/content/home.html?lang=en\)](http://forumethibel.org/content/home.html?lang=en)

\*2 Morningstar Socially Responsible Investment Index (MS-SRI)

<https://www.morningstar.co.jp/sri/about.htm> (in Japanese)

<https://www.morningstar.co.jp/sri/about.htm>

## Future initiatives

We will continue to raise the level of our activities to enhance information disclosure with a focus on the disclosure of business and financial information and creating opportunities for dialogue, while taking into consideration the needs and expectations of our shareholders, investors and society.

## Responsibility to Business Partners

Among initiatives with our business partners, this section presents those jointly undertaken with our suppliers.

### Basic stance

As a global corporation with operations in 38 countries and regions, DENSO aims for optimum procurement and purchases components, materials and equipment worth 2,000 billion yen from some 5,000 suppliers each year (with a local procurement rate of about 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.

Local procurement rate  
reaching about  
**70%**

### 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



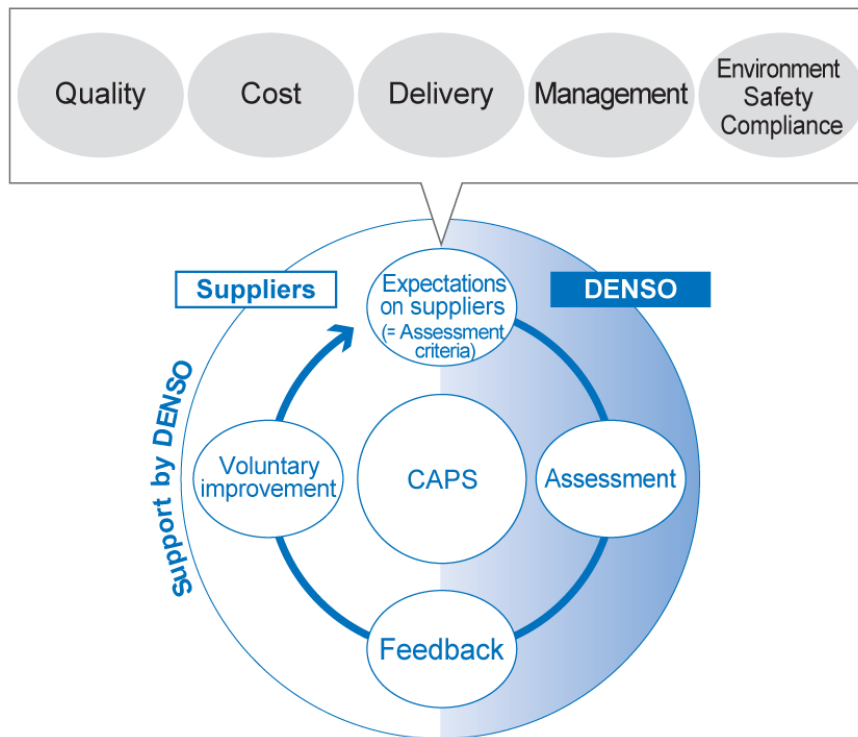
General Meeting of Suppliers

supplier assessment and are working to instill and spread the use of the system taking into account national and regional characteristics.

Each year, DENSO Corporation holds a General Meeting of Suppliers in which the Company explains its procurement policies to about 340 principal suppliers. The Company has also created the Constitution Assessment Program for Suppliers (CAPS) in order to facilitate mutual growth in the midst of global competition. In an effort to strengthen partnerships, DENSO utilizes this program to help suppliers reinforce their business structures and to recognize outstanding supplier performance.

Group production companies in the Americas, Europe, Asia/Oceania and China have also implemented a system of

## CAPS mechanisms and operation



## Promoting CSR throughout the supply chain

### 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 takes 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. As such, we believe that promoting CSR procurement, an approach that exercises social responsibility throughout the entire supply chain, is a mission of the DENSO Group in becoming a trustworthy corporate group in harmony with society.

To this end, we have been requesting our suppliers to make an appropriate response toward the matters listed below.

1. Embrace the DENSO Group Declaration of Corporate Behavior
2. Assign a person to oversee CSR desks
3. Conclude a basic contract addressing issues such as compliance, protection of human rights, environmental conservation and occupational safety
4. Implement CSR procurement under the Supplier CSR Guidelines

### Implementation of CSR procurement under the Supplier CSR Guidelines

During fiscal 2010, DENSO Corporation developed CSR-related tools, including the Supplier CSR Guidelines, to strengthen CSR activities together with its suppliers and carry out more efficient CSR activities by aggregating and centrally managing requests from industry organizations (Japan Automobile Manufacturers Association, Inc. and Japan Auto Parts Industries Association) and customers. We monitor the implementation status of individual suppliers through their self-diagnostic sheets, share with them our diagnosis results to provide feedback on their strengths and weaknesses and offer required support.

Additionally, we ask our suppliers to also request the implementation of similar initiatives to their suppliers (secondary suppliers for the DENSO Group).

## Development tools for CSR procurement

Tools	Overview
<b>CSR Guidelines</b>	Clearly identify the rationale of DENSO Group's initiatives and items to be observed by suppliers
<b>Handbook</b>	In order to adhere to guidelines, this handbook explains specifically what to do and how to take action with regard to priority areas, including compliance, human rights and labor.
<b>Self-diagnosis sheet</b>	Enables self-diagnosis regarding status of current priority initiatives.

## 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. Responsible material procurement
8. Social contribution
9. Development for all suppliers

## Supplier CSR Guidelines (Japanese and English PDF)

 [Supplier CSR Guidelines \(Japanese PDF 4.0MB\)](http://www.globaldenso.com/en/csr/sociality_report/suppliers/pdf/Supplier_CSR_guidelines(japanese).pdf)

([http://www.globaldenso.com/en/csr/sociality\\_report/suppliers/pdf/Supplier\\_CSR\\_guidelines\(japanese\).pdf](http://www.globaldenso.com/en/csr/sociality_report/suppliers/pdf/Supplier_CSR_guidelines(japanese).pdf))

 [Supplier CSR Guidelines \(English PDF 2.0MB\)](http://www.globaldenso.com/en/csr/sociality_report/suppliers/pdf/Supplier_CSR_guidelines(English).pdf)

([http://www.globaldenso.com/en/csr/sociality\\_report/suppliers/pdf/Supplier\\_CSR\\_guidelines\(English\).pdf](http://www.globaldenso.com/en/csr/sociality_report/suppliers/pdf/Supplier_CSR_guidelines(English).pdf))

## 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
<b>Common knowledge</b>	<b>Distributing CSR Guidelines</b>	Completed		
<b>Visualization of strengths and weaknesses</b>	<b>Distributing handbook and self-diagnostic sheets; Performing self-diagnosis</b>	Being implemented on a periodical basis		
	<b>Collecting diagnostic sheets, analyzing results and providing feedback</b>	Being implemented on a periodical basis		
<b>Inspection</b>	<b>Visit by the responsible DENSO Group personnel to conduct evidence-based checks</b>	Being implemented as appropriate		
<b>Improvement</b>	<b>Holding study sessions (including lectures)</b>	Being implemented as appropriate		

\* With regard to secondary suppliers, similar initiatives will be undertaken by primary suppliers on a voluntary basis.

## TOPICS

### Initiating dialogue with suppliers

In fiscal 2015, the procurement and CSR personnel of the DENSO Group visited six of the Group's suppliers. At each company, they participated in a meeting based on the self-diagnosis results, received a briefing on the company's CSR activities and exchanged opinions on issues that need to be overcome.



We will continue to engage in dialogue with our suppliers to improve the level of CSR activities throughout the entire supply chain.

#### <Comments from suppliers>

Exchanging opinions about CSR activities is very useful. We hope to have similar opportunities in the future as well.

Small- to medium-sized companies do not have departments specialized in monitoring revisions to applicable laws and regulations, and collecting such information is difficult. We hope that DENSO will continue to provide relevant information in this field.

etc.

### The action to issue of conflict minerals

The minerals that originate in the Democratic Republic of the Congo or adjoining countries are mined by a non-humanitarian act, and it is said that finance armed groups, and it is a big social problem in human rights as Conflict Mineral problem.

DENSO Corporation and its Group companies promote the procurement of materials with consideration of their impact on the environment and social problems such as human rights infringement and others previously. And we recognize this issue is one of the significant social issues among supply chains.

We participated in the working groups of trade group including the automobile industry to investigate the usage of conflict minerals with tracing back through our supply chains for a concrete action and tried for the establishment of the effective investigation method that considered a burden on suppliers effectively. And we cooperated with joint explanatory meeting for suppliers of the industry sponsorship positively and made an effort for understanding activity.

In addition, we devise a policy for Conflict Minerals as the company and revise Supplier CSR Guidelines, and request suppliers for cooperation of Responsible in General Meeting of Suppliers. In cooperation with business partners in future, we will try to avoid procurement of materials with the concern.

### DENSO Group policies and approaches toward conflict minerals

We, DENSO Corporation and its Group companies, promote the procurement of materials with consideration of their impact on the environment and social problems such as human rights infringement and others.

We recognize that the issue of conflict minerals, which originate in the Democratic Republic of the Congo or adjoining countries, is one of the significant social issues among supply chains.

We conduct inquiries about the usage of conflict minerals, and we will take appropriate steps to avoid procurement of materials that can cause social injustices or finance armed groups.

We also ask our suppliers to understand our policies and approaches and to promote responsible material procurement.

## 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 our procurement policies and details of initiatives carried out by respective business divisions.

### General Meeting of Suppliers

We invited 340 companies, including seven suppliers overseas, to our fiscal 2016 General Meeting of Suppliers held on May 18, 2015 to convey what expectations we place on them, together with details of the DENSO Group's procurement policies. Awards were also presented to excellent suppliers, and many connections were created during the meeting.

### Green Procurement Guidelines

In keeping with DENSO EcoVision 2015, 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. To this end, we have been requesting the following initiatives to our suppliers.

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)
5. reduce CO<sub>2</sub> emissions associated with logistics, packing and packaging materials.

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

At DENSO Corporation, procurement departments make their own efforts to strengthen a system to inspect and validate that their transactions are open, fair and transparent. 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. We have also been encouraging suppliers to use the Business Ethics Hotline (internal reporting system).

Additionally, we have distributed compliance cards, which clarify items to be observed in conducting business, both to suppliers and internal procurement departments. By sharing such information, we aim to thoroughly review and reinforce compliance both internally and externally.

### Future initiatives

With the aim of establishing the plan-do-check-act (PDCA) cycle comprising self-diagnosis, inspection and improvement under the Supplier CSR Guidelines, we will continue to work with our suppliers to constantly raise the level of CSR activities and simultaneously seek to strengthen our partnerships.

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#### Related Information

Procurement information  
(<http://www.globaldenso.com/en/about-us/procurement/activities/>)

Procurement organizations and main procurement items  
(<http://www.globaldenso.com/en/about-us/procurement/items/>)



## Responsibility to Global and Local Communities

### Basic stance

- Based on the belief that a relationship of trust with communities forms the basis of stable and smooth business operations, the DENSO Group seeks coexistence and growth in harmony with the communities and strives to enhance its corporate citizenship activities in each region.
- Also through the actions of each and every employee, the DENSO Group proactively engages in volunteer activities to earn the trust and understanding of various stakeholders, including communities, as a good corporate citizen.

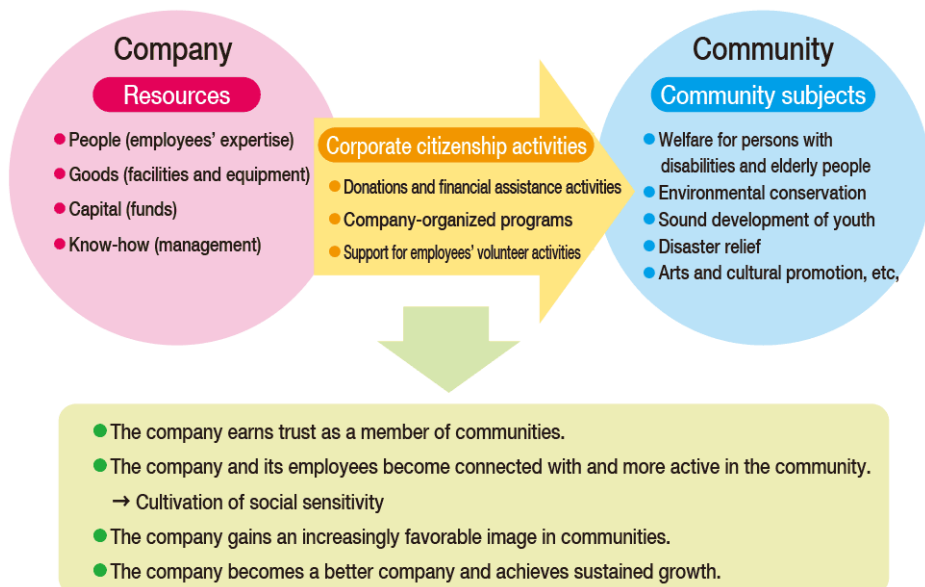
### Priority areas of the DENSO Group's corporate citizenship activities

In each community where we operate, the DENSO Group undertakes corporate citizenship activities in the following key areas, which will help resolve local issues, and aims to become an admired company in respective communities.

1. Harmony with the environment  
DENSO facilitates the creation of environment-friendly products, and at the same time, promotes environmental conservation activities as a corporate citizen in communities.
2. Ensuring security and safety in communities  
We engage in activities that bring a sense of security to community members, including traffic-safety initiatives and support for disaster-affected areas.
3. Hitozukuri (human resource development)  
We offer programs that show the joy of monozukuri (manufacturing) to local children and that assist persons with disabilities in becoming self-reliant.

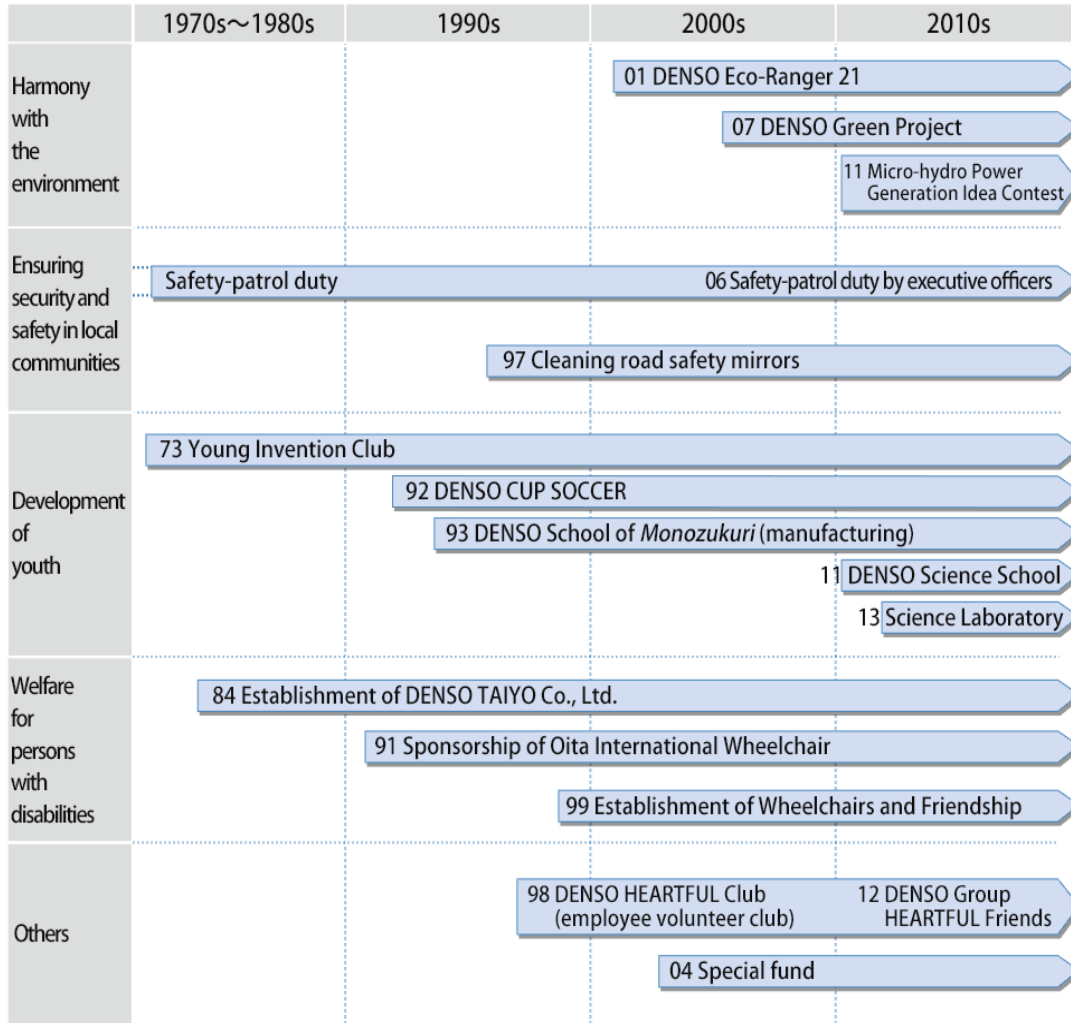
### Notional diagram of DENSO corporate citizenship activities

- We will strive to be a company earning trust and understanding from communities by promoting corporate citizenship activities unique to DENSO.
- We will support the bonds of our employees and communities through supporting the volunteer activities by employees.



## History of DENSO Group corporate citizenship activities

The DENSO Group has promoted various corporate citizenship activities by placing importance on a sense of gratitude toward communities. Over the course of time, we have promoted initiatives to support the growth of children while also supporting persons with disabilities in striving to realize corporate citizenship that is unique to DENSO.



## Promoting distinctive activities unique to DENSO

### Harmony with the environment

In the area of corporate citizenship, the DENSO Group has also been promoting environmental activities in collaboration with communities. Protecting the Earth's environment in which we live is the mission of a good corporate citizen. DENSO will continue to facilitate various environmental programs that serve as an opportunity for each and every employee to reacknowledge environmental aspects of communities.

#### DENSO Eco-Ranger 21



DENSO Eco-Ranger 21 is an environmental education program launched in 2001. As one activity under the program, we held an event on the Omotehama coast in Toyohashi City, Aichi Prefecture, to observe living things found on the beach and to clean up the beach to protect an egg-laying and egg-hatching area of loggerhead turtles.

#### Micro-hydro Power Generation Idea Contest



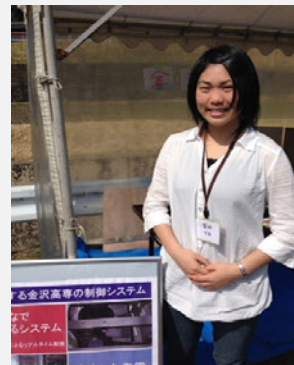
The Micro-hydro Power Generation Idea Contest is a program initiated in 2011 with the aim of realizing harmony with the environment and the development of youth. Nine specialized technical colleges in the Tokai and Hokuriku regions compete by applying their ideas and performances of micro-hydro power generation, which directly takes in water from water channels. This program allows students of respective schools studying electricity, machinery and construction to collaborate beyond the framework of academic coursework.

#### After participating in the Micro-hydro Power Generation Idea Contest

In the process of making water wheels, I worked for a while in a local farmer's market. There, I had a chance to directly communicate with local people and came to realize that each community has its own, unique issues.

I'm majoring in information technology, and I took up the task of proposing the use of generated electricity. Our team, made up of members from different specialty fields, combined individual strengths and was able to produce water wheels, generate power and propose its usage. By participating in the contest, I experienced the joy of *monozukuri* and learned the importance of creating products that respond to the voice of customers.

I will always remember the experience, and when I join a company in the future, I will carefully listen to customers and work to provide products that are useful in society.



Eri Shimokata,  
Kanazawa Technical  
College

## Ensuring safety and security in local communities

The DENSO Group pursues safety- and security-related technology development and manufacturing to protect people's lives, and as a member of the automobile industry, focuses on traffic-safety initiatives to bring a sense of security to the socially vulnerable.

### (1) Turning employees into a behavioral model of traffic safety

Spearheading those initiatives has been the Traffic-Safety Association, an organization of which all employees are members. Established in 1970, that group plans and conducts mutual enlightenment activities aimed at raising awareness of traffic-safety issues and at implementing measures for preventing accidents.

Some Group companies in and outside Japan also conduct various activities including education, enlightenment and safety-patrol duty.

#### Major Initiatives [DENSO Corporation]

<b>Awareness raising</b>	<b>Workplace small-group meetings</b>	Employee gatherings for reviewing traffic-safety and traffic accident news circulated by the Traffic Safety Association's secretariat
	<b>Evaluation of commuting routes</b>	Safety evaluations of employees' commuting routes by the employees' supervisors in reference to maps of accident near-misses; safer-routing suggestions and safe-driving tips by the supervisors
	<b>Recurrence prevention</b>	Employee participation in exploring the underlying causes of colleagues' traffic accidents and in developing countermeasures for preventing the recurrence of such accidents
	<b>Participation in periodic traffic-safety campaigns</b>	Company-wide broadcasts of traffic-safety messages from senior executives, circulation of accident reports prepared by departments in which employees have been involved in serious traffic accidents, and safety messages on vending machine cups and on desktop computer start-up screens
<b>Awareness raising</b>	<b>Cautionary warnings for suspected safety violations in company vehicles</b>	Warnings and guidance for employee drivers based on drive-recorder evidence of unsafe or illegal driving
	<b>Alcohol check when departing for a business trip</b>	Requirement for drivers to measure their breath alcohol content before departing for a business trip
<b>Safety patrols</b>	<b>Safety-patrol duty three days a month</b>	Street-side safety-patrol duty at principal worksites on the 10th, 20th, and 30th day of each month
	<b>Executive participation in safety-patrol duty</b>	Participation by senior executives in summer and year-end street-side safety-patrol duty at principal worksites
<b>Education</b>	<b>Behind-the-wheel training for new employees</b>	Driving-school training for all new employees that includes experiencing eyes-off-the-road driving and sudden braking and receiving overall evaluations of driving competence
	<b>Safety workshops for managers</b>	Workshops conducted by third-party trainers to teach managers, assistant managers and team leaders about their role in promoting traffic safety
	<b>Driver safety training for individuals who have caused personal-injury accidents</b>	Recurrence-prevention training based on drive recorder data for individuals who have caused personal-injury traffic accidents and for their supervisors

## Examples of Group companies' initiatives

Group companies are also conducting a range of traffic-safety activities for their employees. DENSO EUROPE B.V. (DNEU, the Netherlands) and DENSO MAQUINAS ROTANTES DO BRASIL LTDA. (DMBR, Brazil) offered traffic-safety enlightenment programs, in which employees gain traffic-safety knowledge in an enjoyable way.

These programs included a session using a safety driving simulator, in which employees learned skills and knowledge required for safe driving.



Safety Day  
(DNEU, the Netherlands)



Traffic Safety Campaign  
(DMBR, Brazil)

## (2) Activities to contribute to traffic safety in local communities

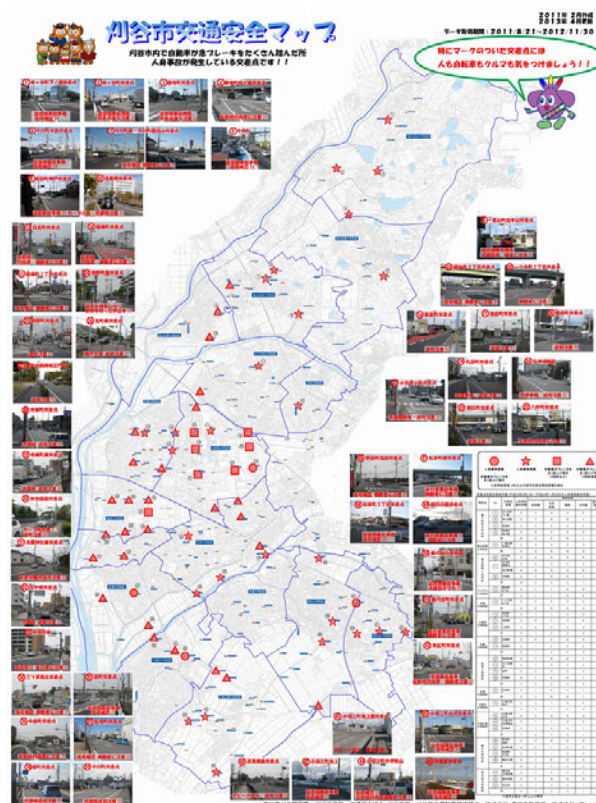
DENSO Corporation undertakes various activities to contribute to traffic safety in local communities. Some Group companies in Japan and overseas also promote traffic-safety activities tailored to the culture and environment in each country or region.

### Major activity examples

#### Producing local traffic-safety map

DENSO Corporation works with the local police of its hometown in Kariya City, Aichi Prefecture, to produce a traffic-safety map. The map highlights locations within the city where the event data recorders in company-owned vehicles indicate a high frequency of sudden braking and which coincide with accident locations in police records. DENSO distributes this Kariya Traffic-Safety Map to elementary and junior high schools through the police and municipal authorities.

#### Kariya Traffic-Safety Map



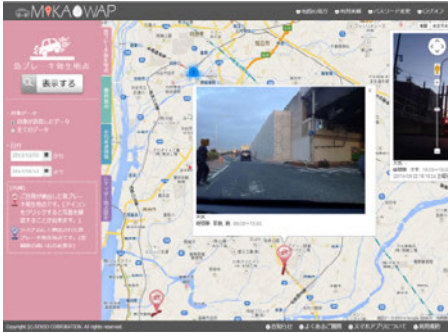
Based on the concept of “drive more for our town’s greater safety and security,” we have been undertaking an initiative since fiscal 2014 to produce a local traffic-safety map by utilizing data of automobile commuters collected by employees’ private vehicles.

In this initiative, employees install MIKAWAP, an event data recorder application developed by DENSO Corporation, in their smartphones. While driving, this application collects traffic hazard data, including records of sudden braking and abrupt steering, to be used to create a local traffic-safety map.

In fiscal 2015, the initiative, in which about 150 employee volunteers of the Nishio Plant and Anjo Plant participated, identified 20 locations with traffic hazards mainly in Aichi Prefecture. We received favorable feedback from the participants, and they viewed this initiative as a good opportunity to raise awareness of safety in the community or to consider how they drive, improving both the community’s safety level and employees’ safety consciousness.

We provide the information we have collected to relevant authorities and will contribute to greater safety and security in communities.

## MIKAWAP website



Users can view their driving skills evaluation results on this web page.



MIKAWAP received an incentive award in the MCPC award 2014 program\*.

\* Award program sponsored by the Mobile Computing Promotion Consortium (MCPC) in Japan. MCPC has 166 members, including NTT DOCOMO, INC., SoftBank Corp., KDDI CORPORATION and DENSO Corporation.

## Examples of Group companies' initiatives

Group companies have also been conducting activities to contribute to traffic safety in their respective communities. These activities include traffic-safety lectures at schools, distribution of light reflectors to elementary school students, donation of helmets and street-side traffic-safety patrols.



Cleaning road safety mirrors  
SHIMIZU INDUSTRY CO., LTD. (Japan)



DENSO KOREA AUTOMOTIVE CORPORATION  
(DNKA, South Korea)

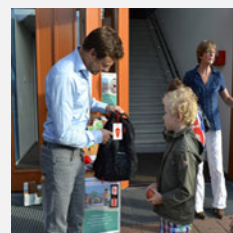


Anticrime and disaster prevention patrol  
DENSO UNITY SERVICE CORPORATION (Japan)

Note: We extend the scope of our corporate citizenship activities beyond traffic safety and strive to ensure the safety and security of people in communities.

**TOPICS****Handing out light reflectors to elementary school students  
[DENSO EUROPE B.V. (DNEU, the Netherlands)]**

In the Netherlands, where cycling is a popular mode of transportation, many children commute to school by bicycle. Believing that protecting children from bicycle accidents will lead to improved traffic safety in the community, DNEU produced light reflectors, which tell where riders are to vehicle drivers after dark. These reflectors were handed out to about 150 children aged 8 to 12 attending an elementary school in the company's neighborhood.

**TOPICS****Campaign to donate helmets to elementary school children [DENSO Group in Thailand]**

Thailand ranks third in the world for road fatalities, and educating people to follow traffic rules and wear helmets on motorcycles has been a significant issue in reducing traffic accidents. In particular, children often ride motorcycles with adults, and only 7% of them wear helmets.

To counter the situation, seven DENSO Group companies in Thailand collaborated with the non-governmental organization (NGO) Asia Injury Prevention (AIP) Foundation and conducted an enlightenment campaign in Bangkok from January to February 2015 to encourage children to wear helmets on motorcycles.

In the campaign, these companies donated 612 helmets to a local elementary school while handing out leaflets and putting up posters to encourage a helmet-wearing practice among students. The campaign also hosted an event to convey the importance of wearing helmets and to promote traffic safety through participation-based games by inviting about 300 people, including government and police officials, university students and local residents.



Children wearing donated helmets

## Hitozukuri (human resource development)

### Development of youth

The DENSO Group has promoted the development of youth early on from the initial stage of its foundation. In company business, the Technical Training Center was established five years following the Company's establishment in 1954. In addition, we actively support the development of youth through various initiatives, such as the DENSO Science School, that are tailored to respective age groups ranging from children in elementary school to university students.

#### DENSO Science School



From 2011, a team of lecturers comprising DENSO's technical-related employees and retired employees started visiting neighborhood elementary schools to provide experiment-based science lessons on electromagnets and motors for fifth graders.

#### DENSO CUP SOCCER



Since 1992, we have been supporting the national competition of university soccer teams, which serve as a pool of future national team candidates, and the Japan/Korea Universities regularly scheduled match. Recently, many players who had competed in this national competition are active in Japan's J. League and overseas soccer leagues.

### Welfare for persons with disabilities

There are many barriers in our living environment, which obstruct the actions and free movement of persons with disabilities. Recognizing this issue, DENSO (トヨタ自動車株式会社) has been promoting activities with a focus on assisting the self-reliance of persons with disabilities and actively supporting welfare facilities in communities. One example of such efforts is the Wheelchairs and Friendship Center of Asia (WAFCA), an authorized non-profit organization (NPO) we established in 1999.

#### Wheelchairs and Friendship Center of Asia (WAFCA)



In Asian countries, there are many children who are unable to attend school because they cannot purchase wheelchairs. To improve the situation even in some small way, DENSO has established an NPO, Wheelchairs and Friendship Center of Asia (WAFCA), as a commemorative project of its 50th anniversary of foundation in 1999 and has since conducted wheelchair donation activities in Thailand, China and Indonesia.

#### Events held at local welfare facilities



Wishing to see smiles on the faces of children in local welfare facilities for persons with disabilities, employee volunteers take the lead in helping these facilities organize various events, such as a rice cake making festival, from the planning stage to the actual running of events.



## Support of employee volunteer activities

In an effort to gain trust from communities and help employees to become active both at work and socially, we encourage employees to participate in volunteer activities and strive to create a culture where employees voluntarily join corporate citizenship activities.

Program	Year of launch	Details
Matching Gift System	1998	A system in which DENSO makes a donation after adding the amount matching the donation voluntarily made by employees individually or as a group. Only applicable if such donations are made to external public interest entities that DENSO deems appropriate to support.
DENSO Group HEARTFU Fund (special fund)	2004	A program under which multiples of 100 Japanese yen are deducted and set aside from the monthly salaries of registered employees and used to contribute to various corporate citizenship activities. Twice a year, the fund provides aid to welfare organizations or environmental conservation organizations based on member employees' recommendations. Donations to organizations supporting the recovery of areas affected by the Great East Japan Earthquake also started in 2011.
Volunteer activity award program	2004	DENSO grants awards to employees who have contributed to communities to recognize their achievements and internally raise employee awareness for volunteer activities.
Compassionate Point System	2006	Points are granted from DENSO to employees according to their volunteer activities, and accumulated points can be exchanged for various products. This system is designed to promote social support through employees' volunteer activities and to provide support to activities of various organizations through the purchase of their products for point exchange.
DENSO Group HEARTFUL Friends	2012	A volunteer group established in 2012 as an offshoot of a club for employee volunteers formed in 1998. Members of the group pick up action themes and are engaged in a variety of volunteer activities.

### Activities of the HEARTFUL Friends



Growing sweet potatoes with local community people



Giving a hand to a sports day event at a nursing home

### Linking volunteer activities to the growth of children



Yaokun Ying  
DENSO Group  
HEARTFUL Friends

While having a discussion with members of the HEARTFUL Friends, I felt we should conduct volunteer activities for children in a local nursing home and took action accordingly. Our activities include periodic visits for communicating with children, providing support to their sports festivals and helping them clean up the garden. We also asked the DENSO brass band club to hold a mini concert at the nursing home. I hope that our activities will help children find something they would like to pursue and make a great leap forward for their future.

## Ongoing disaster-affected area support activities

The DENSO Group has been engaged in reconstruction assistance, including fundraising activities immediately after the occurrence of the Great East Japan Earthquake, sending volunteers and providing relief supplies. As part of ongoing recovery support measures, over the next 10 years starting in 2012, DENSO will contribute half of the reserve amount of its special fund for various purposes with a focus on support for organizations in the disaster-affected areas and the daily lives and schooling of children who became orphans as a result of the earthquake disaster.

Additionally, in December 2011 we introduced the HEARTFUL Menu as a system for realizing corporate citizenship on a daily basis through lunch at the employee cafeteria. Under this system, 10 Japanese yen will be automatically donated to the special fund by purchasing HEARTFUL Menu items and all proceeds will be donated to support orphans in the disaster-affected areas.



Special fund providing assistance in the creation of a playground for children in the Tohoku region



Donating a portable speaker to an elementary school in Iwaki City, Fukushima Prefecture, using bellmark coupons collected by employees

Even though it is difficult for them to visit the disaster-affected areas, employee volunteers have found a way to help reconstruction initiatives remotely from Aichi Prefecture. The members of the DENSO Group HEARTFUL Friends (lunch-time volunteer group) took the lead in organizing a project to collect bellmark coupons to purchase and donate school equipment to elementary schools in the Tohoku region. Following a large clock for the school yard in 2012 and a bulletin board in fiscal 2014, the group donated a portable speaker to an elementary school in Iwaki City, Fukushima Prefecture, in fiscal 2015.

### Employees' ongoing efforts to support the reconstruction of the Tohoku region ~ DENSO Group hula dancers



DENSO Group Hula Dancers

As a means to provide support for the reconstruction of the Tohoku region from Aichi Prefecture, female employee volunteers formed the DENSO Group Hula Dancers. Their activities aim to disseminate information on the current status of the Tohoku region to the widest possible audience and call for support, no matter how small, through hula dancing.

In May 2014, we held a charity event in Kariya City in support of the Tohoku region, inviting many people who are from Tohoku taking refuge in Aichi Prefecture. We donated the funds raised in the event to the Tohoku region.

## DENSO Group Community Service Day

DENSO Group companies in each country and region around the world take a proactive stance toward corporate citizenship activities aimed at resolving social issues endemic to each area.

DENSO Group Community Service Day ([http://www.globaldenso.com/community\\_service\\_day/](http://www.globaldenso.com/community_service_day/))



Clothes drive for foreign aid  
(HAMANAKODENSO CO., LTD., Japan)



Community service (DMTN, U.S.A.)



Book donation campaign (DNBR, Brazil)



Blood donation (DNBA, Spain)



Mangrove planting  
(DENSO Group in Thailand)



Wheelchair donation campaign  
(DENSO Group in China)

### Breakdown of monetary donations via corporate citizenship activities

(Millions of Yen)

Breakdown of activity expenses	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
<b>Welfare</b>	135.32 (15.1%)	132.43 (11.3%)	140.05 (12.3%)	132.56 (11.1%)
<b>Development of youth</b>	121.04 (13.5%)	123.57 (10.5%)	101.55 (8.9%)	125.88 (10.5%)
<b>Environment</b>	93.95 (10.5%)	91.20 (7.7%)	64.86 (5.7%)	69.84 (5.8%)
<b>Art and culture</b>	156.84 (17.5%)	158.93 (13.5%)	141.60 (12.5%)	128.82 (10.7%)
<b>Communities and others</b>	390.78 (43.5%)	670.28 (57%)	687.62 (60.6%)	741.71 (61.9%)
<b>Total</b>	897.92	1,176.41	1,135.68	1,198.81

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

## Breakdown of number of persons participating in activities

Program	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Compassionate Point users	14,000	18,000	18,200	22,000
Compassionate Festival participants (including families and citizens)	1,564	2,574	2,940	3,503
Smile Yu Net membership	3,120	3,283	3,282	3,282
Special fund membership	6,297	6,912	7,433	8,008
Matching Gift applications	148 cases	139 cases	146 cases	159 cases
Volunteer activity award recipients /President Awards	2	4	_*	4
Most Compassionate Volunteer Award	5	6		5

\* Suspended due to a revision to the scheme

Members of special fund  
**8,008**  
 (Fiscal 2015)

## Support from special fund

Program	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Donations to NPOs and others	23 cases 11.3 million yen	27 cases 8.43 million yen	33 cases 12.5 million yen	35 cases 17.0 million yen
Natural disaster relief money	3 cases 0.6 million yen	1 case 0.3 million yen	2 cases 0.4 million yen	2 cases 0.5 million yen
Support to areas affected by the Great East Japan Earthquake	6 cases 8 million yen	11 cases 8.71 million yen	13 cases 19.7 million yen	13 cases 20.0 million yen
Employee participation program aid (previously DECOPON aid)*	8 organizations 0.8 million yen	4 organizations 0.4 million yen	4 organizations 0.4 million yen	- -

\* DECOPON aid was terminated in fiscal 2014.

## Related Information

Wheelchairs and Friendship Center of Asia (WAFCA) (<http://wafca.jp/english/>)  
 News Releases (<http://www.globaldenso.com/en/news/news-releases/>)

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## Environmental Report

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DENSO strives to help develop automobiles that have minimal effect on the environment and that are essential to society.

### Environmental Management

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.

### Resource Recycling

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.

### Cooperation with Society

The DENSO Group pursues environmental action consisting of external collaboration that transcends business domains and the dissemination of information in the form of its Eco-Friendly activities. Further, annual goals have been established in the fifth phase of the Environmental Action Plan.

### Prevention of Global Warming

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.

### Control and Reduction of Environmentally Hazardous Substances

The DENSO Group is working to create products and strengthen controls in line with our basic policy to “minimize to the extent possible the use of harmful chemical substances throughout a product’s lifecycle.”

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## Environmental Management

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### DENSO's aspired image

The DENSO Group aims to be a corporate group that contributes to the “creation of an advanced automotive society” in order to maintain and ensure harmony with the Earth's environment. As such, we must work to achieve world-class environmental efficiency and high resource productivity as we reduce the environmental impact of our operations. This applies not only to 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. 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

DENSO EcoVision

### Management of environmental factors for products

Initiatives related to eco products toward minimizing the environmental impact of DENSO products

### Environmental management in production

DENSO Group initiatives directed toward reducing environmental loads in production activities

### Measures for ISO 14001

Results of and responses to environmental audits as well as other relevant matters concerning DENSO Group environmental conservation activities

### Environmental risk management

DENSO Group activities and other relevant matters concerning environmental risk

### Environmental education

DENSO Group environmental education activities

### Environmental accounting

DENSO environmental accounting results

### Environmental accounting guidelines

DENSO Group stance on environmental accounting

### Overview of environmental impact

DENSO Group's status of material input and environmental impact of output in business activities

### Fifth phase of the Environmental Action Plan and Fiscal 2015 results

DENSO Group environmental plan and results for fiscal 2015

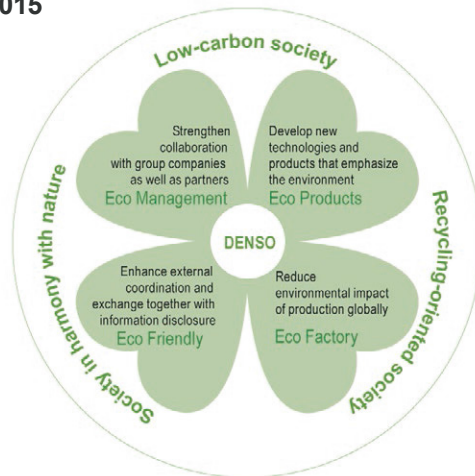
## DENSO EcoVision

### 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 manner throughout all business activities. We have also established a series of 2015 Long-term Environmental Goals and the fifth phase of the Environmental Action Plan 2015 for this purpose. Group companies share these objectives, and we are implementing initiatives throughout the Group through an ongoing program of verification and review based on the PDCA cycle\*.

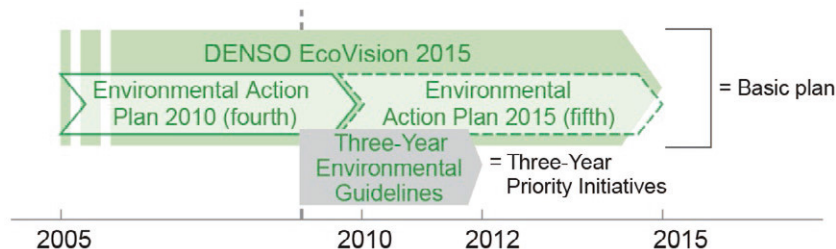
\* A management technique consisting of repeated Plan, Do, Check and Action steps

### DENSO EcoVision 2015



### 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.



Due to achievement of "DENSO ECO VISION2015", DENSO formulates new "DENSO ECO VISION 2025" contributing to advanced environment. In addition to present perspective, DENSO will play an activate role in accordance with action concrete plan "Action 10" introduced a perspective of Energy. Clean, Green.

### "ECO VISION 2025"special site

For the details, please see following site



(<http://www.globaldenso.com/en/ecovision/>)

Detail of next environmental action plan (6th)

([http://www.globaldenso.com/en/csr/environment\\_report/management/ecovision/files/eco\\_vision\\_2025.pdf](http://www.globaldenso.com/en/csr/environment_report/management/ecovision/files/eco_vision_2025.pdf))

## Fifth phase of the Environmental Action Plan

In the fifth phase of the Environmental Action Plan, which covers the five-year period from fiscal 2012 to fiscal 2016, DENSO 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)

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 gases in production
  - (18) Promote the effective usage of resources toward a recycling-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



## Promotion structure

The DENSO Group established the Environment Committee in December 1992. Chaired by the executive vice president 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 to fiscal 2013, the committee established and developed 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. We are revamping the framework in fiscal 2014 and accelerating promotion under the structure outlined below.

In addition, the Environment Committee has convened at DENSO plants during the interim period (September) since fiscal 2013 to conduct on-site environmental reviews. The committee chair, group heads, center managers and executives take the lead in verifying the site and its equipment and working to vitalize environmental activities through dialogue.

\* 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

### Environment Committee (held at Takatsuki Plant in September 2014)



Clean room Just-In-Time (JIT) activities undertaken by the Device Manufacturing Division 1



Presenting the environmental initiatives of the Takatana Plant by video

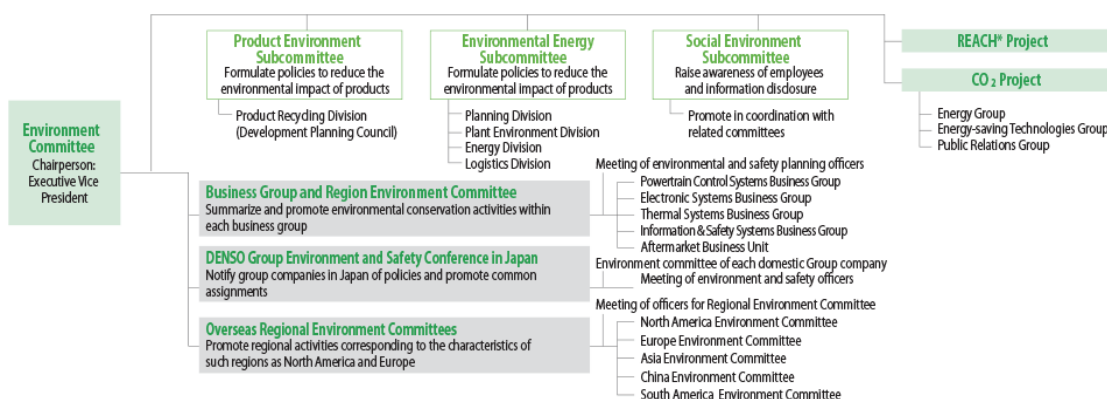


Aiming to reduce VOCs in the painting process in the Information and Communications Technology Manufacturing Division



Awards ceremony for employees who have contributed to the environment

## Promotion structure



## Promoting consolidated environmental management

The DENSO Group shares environmental policies and guidelines with consolidated companies\*1, identifying common issues and expanding consolidated environmental management. Each consolidated company formulates five-year environmental plans and endeavors to confirm progress and share challenges. In fiscal 2015, we conducted an environmental compliance audit at 25 Group companies worldwide aimed at minimizing environmental risk. Five of six domestic Group companies and 20 of 23 overseas Group companies (all three companies in China, two of three companies in North America, all three companies in Europe, nine of 10 companies in Asia/Oceania, two of three companies in South America and one company in Korea) were subject to the audit, which involved directives on 16 areas for improvement for each company relative to internal auditing standards\*2 on DENSO's compliance control. All improvements have been completed.

## Priority issues

- (1) Reinforce understanding and responsiveness to new laws and legal revisions
- (2) Be vigilant about implementing projects for improvement in consideration of current conditions

### **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

\*1 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.

\*2 Internal auditing standards

DENSO formulated the Compliance Risk of the DENSO Group DECO Factory (DENSO Eco Factory) Guideline and is making evaluative judgments by comparing safety allowance corresponding to the content of laws and regulations and other relative matters with items set as a means of realizing the top level as an environmentally advanced company.

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

The Ikeda Plant obtained ISO 14001 certification in 1996, followed by all core manufacturing sites worldwide by 2003. In October 2010, DENSO attained integrated certification upon combining the existing environmental management systems of 12 business sites in Japan with the aim to reinforce control and boost efficiency.

By fiscal 2015, 160 (64 domestic and 96 overseas subsidiaries) out of a total of 197 companies consisting of 64 domestic and 133 overseas subsidiaries had obtained ISO 14001 certification and implemented environmental management systems.

Going forward, we will strengthen environmental activities and environmental compliance company-wide based on an integrated environmental management system.

## **Building green partnerships**

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.

## Management of environmental factors for products

### Improving environmental friendliness and efficiency in product functions

In consideration of the environment, DENSO Corporation 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 such as safety, maneuverability, comfort and other aspects while working to reduce the environmental impact throughout a vehicle's life.

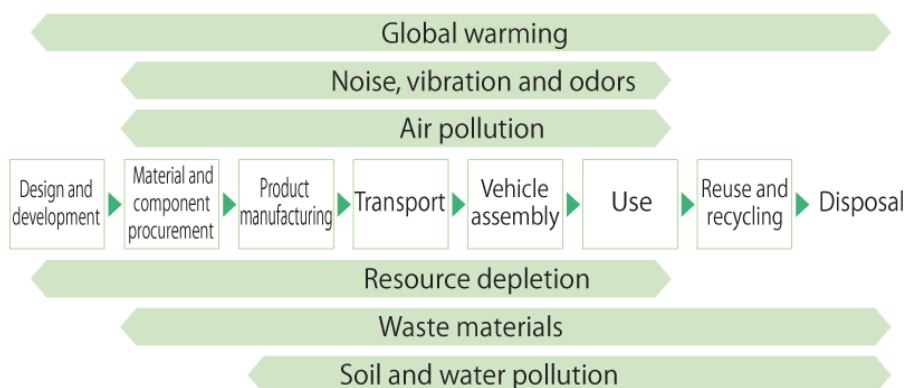
Specifically, we: (1) develop products that contribute to enhanced fuel efficiency in vehicles, such as hybrid systems, engine management systems and idling stop systems; and (2) develop telematics\* products that contribute to enhanced fuel efficiency in harmony with social infrastructures, such as 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 Corporation 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 a 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 (JAPIA) 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.

In fiscal 2013, in conjunction with JAPIA, we formulated JAPIA LCI calculation guidelines and developed a calculation tool to enable more efficient calculation of environmental impacts during the production phase in the extremely complex supply chain for the automotive parts industry. Using this in combination with the above indices provides clearer evaluations.

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.


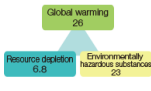

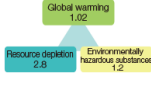
In fiscal 2015, we calculated 12 environmental factors (sum total 80) for new products and visualized the direction of improvements by clarifying the extent of progress. In the future, we aim to realize a verification system for eco-products (Green Products) that indicates improvement rates in an easy-to-understand manner.

### Calculation of Factor Delta indices

$$\begin{aligned}
 &\text{Environmental efficiency} = \frac{\text{Product performance (positive elements)}}{\text{Environmental impact (negative elements)}} \\
 &\downarrow \text{The degree of improvement over previous product generations is expressed as a factor.} \\
 &\text{'Factor Delta', environmental factors for products} = \frac{\text{Environmental efficiency of new products}}{\text{Environmental efficiency of previous product generations}} \\
 &= \frac{\frac{\text{New product performance}}{\text{New product impact}}}{\frac{\text{Previous product performance}}{\text{Previous product impact}}} = \frac{\text{New product performance}}{\text{Previous product performance}} \times \frac{\text{Previous product impact}}{\text{New product impact}} = \frac{\text{Product performance factor}}{\text{Environmental impact factor}}
 \end{aligned}$$

- \* 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.

### Enhancement of environmental performance by utilizing Factor Delta

Overview of key product and function	Factor Delta (Enhancement of environmental performance)	Principal value improvement	Principal impact on environment
 <p>Sensor with silicon chip to measure the amount of air taken into the engine.</p>	 <p>Global warming 26 Resource depletion 6.8 Environmentally hazardous substances 29</p>	DENSO reduced variance in flow rate measurement to half through newly developed high-precision molding technology and multi-point adjustment of sensor output by employing a digital processing circuit, thereby contributing to enhanced fuel efficiency.	Significant reduction in power consumed to 1/20 by shifting a conventional bobbin sensor using coil winding technology to employing a silicon chip sensor using semiconductor technology
 <p>Engine control unit (ECU) with skip stop function for small motorcycles. Generator with starter function</p>	 <p>Global warming 1.02 Resource depletion 2.8 Environmentally hazardous substances 1.2</p>	In order to control the ACG (three-phase AC generator) starter, which handles the dual functions of power generation and engine startup, DENSO added motor control and power generation control functions to conventional engine control (fuel injection control, etc.). This both eliminated the need for a motor exclusively for engine startup, gears for deceleration and clutch for startup as well as enabled idling stop.	Lighter weight by reducing engine startup parts and enhanced fuel efficiency by enabling idling stop

## Environmental management in production

### Initiatives to reduce environmental load

Aiming to reduce environmental load in its factories, DENSO has worked to implement measures against global warming, reduce the loss of resources and decrease the use of chemical substances by means of various proprietary techniques. In particular, we believe in the importance of energy conservation and energy conversion as measures to counter global warming. Specifically, this means reducing fossil fuel consumption and promoting a shift to renewable energy sources over the long term.

Based on this concept, the DENSO Group charges departments according to their energy consumption (direct-charge system) and implements a system of Just-In-Time (JIT) energy to supply only the required amount of energy when required.

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

DENSO developed the Eco Factory concept in 2006, which clarifies the requirements of factories in order to realize a sustainable and environmentally friendly factory, and rolled it out across the Group. Based on these evaluation guidelines, 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 Hokkaido Corporation, 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

Basic approach



Assessment guidelines



目、パフォーマンス編

区分	評価項目	レベル (評定点)					対象工場 階級	新設 工場
		3	4	5	4	5		
環境 パフォーマンス	CO2削減率	90%以上	90%以下	90%以下	90%以下	90%以下	○	○
	エネルギー削減率	90%以上	90%以下	90%以下	90%以下	90%以下	○	○
	資源削減率	90%以上	90%以下	90%以下	90%以下	90%以下	○	○
社会 パフォーマンス	労働安全	1.7未満	1.7以下	1.5以下	1.4以下	1.3以下	○	○
	労働時間	1.7未満	1.7以下	1.5以下	1.4以下	1.3以下	○	○
	労働コスト	1.7未満	1.7以下	1.5以下	1.4以下	1.3以下	○	○
環境 共生	環境負荷低減	3	4	5	4	5	○	○
	社会貢献	3	4	5	4	5	○	○
	地域連携	3	4	5	4	5	○	○

目、共生編

区分	評価項目	レベル (評定点)			対象工場 階級	新設 工場
		3	4	5		
環境 共生	資源削減率	対工場100% 削減率 0.001%	対工場100% 削減率 0.1%	対工場100% 削減率 0.001%以上 + P/70% (自社製品利用等)	○	○
	労働安全	対工場100% 削減率 1%			○	○
社会 共生	社会貢献	社内緑化活動	地域緑化活動	地域貢献 緑化ノーンの設置	○	○
	地域連携	環境教育	環境教育コース、環境教育委員会 等		○	○

## Initiatives by Group Companies Overseas

### DNTH (Thailand) receives Green Office Gold Award 2014 (excellence award)

On December 4, 2014, the Bangpakong Plant and Wellgrow Plant of DENSO (Thailand) Co., Ltd. (DNTH) received an award from Prayuth Chan-ocha, the Prime Minister of Thailand, for promoting efforts to improve actions in the office aimed at conserving energy and adopting green office operations. Gold Awards are given for scores that exceed 90 following evaluation in terms of environmental management standards for the office (greenhouse gas control, green procurement, minimizing waste and preventing contamination) based on the ISO 14001 environmental management system.



Left: Vivat Pantsra , Executive General Manager of Bangpakong Plant  
Right: Cha-em Chaemsaihong, Executive General Manager of Wellgrow Plant

### SDM and SKD (Thailand) receive 2014 3R and 3Rs and Zero Waste to Landfill Achievement Awards

Siam DENSO Manufacturing Co., Ltd. (SDM) and Siam KYOSAN DENSO Co., Ltd. (SKD) received the “3R” and “3Rs and Zero Waste to Landfill Achievement” awards, respectively, from Thailand’s Department of Industrial Works on December 16, 2014. The awards were in recognition for waste management based on 3R criteria in relation to efforts to recycle waste and reduce industrial waste processing.



Left: Sithiporn Chalayon (Assistant General Manager)  
Right: 3Rs trophies and Zero Waste to Landfill Achievement trophy

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## Measures for ISO 14001

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DENSO actively promotes the acquisition of ISO 14001 certification together with enhancing the transparency of its environmental management outside the company.

DENSO Corporation (Ikeda Plant) was the first in the automobile parts industry to acquire ISO 14001 in 1996 and has since independently renewed the acquisition of certification at 12 business sites. Consequently, on October 1, 2010, DENSO Corporation acquired companywide integrated certification by consolidating the environmental management systems of the 12 business sites with the aim of strengthening control and increasing efficiency.

- \* Headquarters, Ikeda Plant, Anjo Plant, Nishio Plant, Takatana Plant, Daian Plant, Koda Plant, Toyohashi Plant, Agui Plant, Research Laboratories, Nukata Test Center, Zenmyo Plant



# Environmental risk management

## Response to environmental risk



Audit of an overseas base, PAC (Philippines)

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.

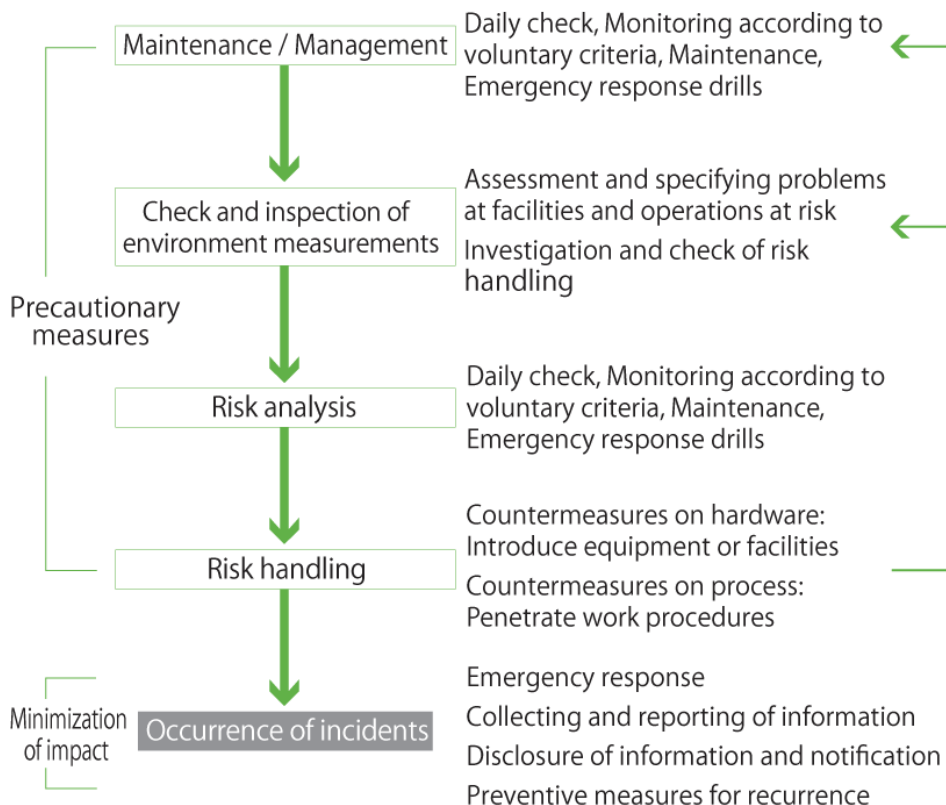


An emergency response drill

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 gases (specified high pressure gases and semiconductor gases), and chemical substances and chemicals, and are working to prevent accidents affecting employees and the region.

For complaints from surrounding areas, we strive to prevent 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



## Fiscal 2015 activities

At the DENSO Group, 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 2015, we performed a Group Mutual Environmental Audit at 25 companies as the third step coupled with global QC diagnosis.

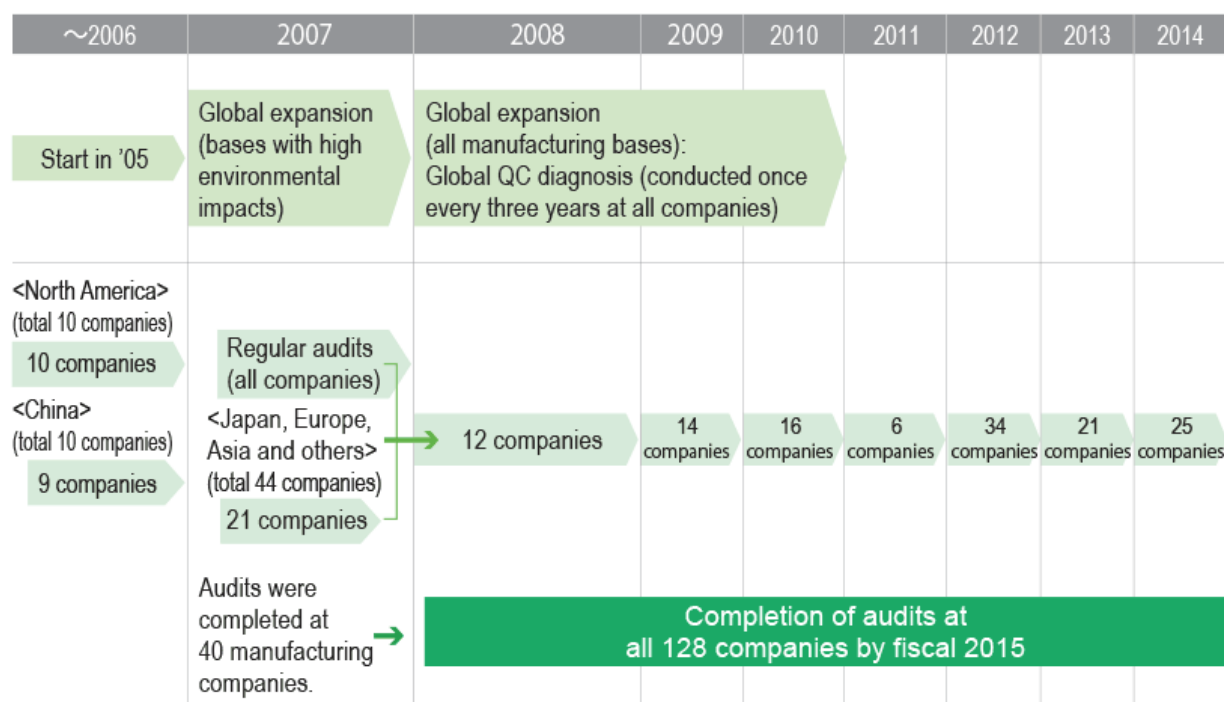
Corrective action has been completed in each case. DENSO did not incur any fines, penalties or environmental lawsuits in Japan or overseas.

### Environmental incidents and complaints

(cases)

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

As part of the environmental management system's PDCA cycle, we employ internal and external audits to inspect ongoing improvements of 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 also extract best practices when performing audits and post outstanding examples on the corporate intranet to improve such activities.

Target (12 business locations)		Number
External audits	Nonconformity (minor)	0
	Observation	10
Internal audits	Improvement guidance issued	0
	Points noted for improvement	52
Internal auditors (in total)		90

### Soil and groundwater purification and conservation

DENSO Corporation promotes ongoing initiatives from the perspectives of corporate social responsibility and environmental risk management with the aim of preventing pollution of soil and groundwater.

[Background to initiatives]

- 1980sd: Conducted surveys of all factories and business sites based on the history of hazardous substance use at each site
- 1991: Compiled a Soil and Groundwater Pollution Prevention Manual
- Fiscal 1996: Eliminated use of chlorine-based organic solvents in the Group and adopted a basic policy and risk management standards for soil and groundwater pollution
- 1998: Detected the presence of organic chlorine substances in excess of environmental limits at four sites, since which time we have been implementing purification measures
- Fiscal 2002: Commenced resurveys of VOC\* and heavy metal contamination and immediately started purification activities at sites that exceeded standard values (completed soil decontamination and continuing to purify groundwater)
- Fiscal 2005 to 2007: Surveyed the history of land use at all business locations of global consolidated companies (including non-production bases)

Measurement results and progress are being reported and explained through local government and community forums.

\* VOC: Volatile organic compounds, which refer primarily to toluene, xylene and ethyl acetate included in coating material, printing ink, adhesives, cleaning agents, gasoline and thinner, etc.

### 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 0.604	Purification in progress
Ikeda Plant	Less than 0.002 up to 0.740	Purification in progress
Anjo Plant	Less than 0.002 up to 0.315	Purification in progress
Nishio Plant	Less than 0.002 up to 3.306	Purification in progress

\* The substances were detected only at the locations listed above.

## 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 145 of a total of 154 units by fiscal 2015. We are working to quickly dispose of PCB waste from the remaining units in collaboration with the specialized disposal company.

## Future initiatives

We have 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 massive 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, the DENSO Group provides environmental training by employment level and job classification, environmental technology basic training for employees responsible for product development and specialized training to develop internal environmental auditors. In order to encourage immediate and effective action, a basic tenet of the curriculum is to expand on-site verification activities, which involves visiting departments at DENSO Corporation that have achieved outstanding results in realizing environmental improvements.

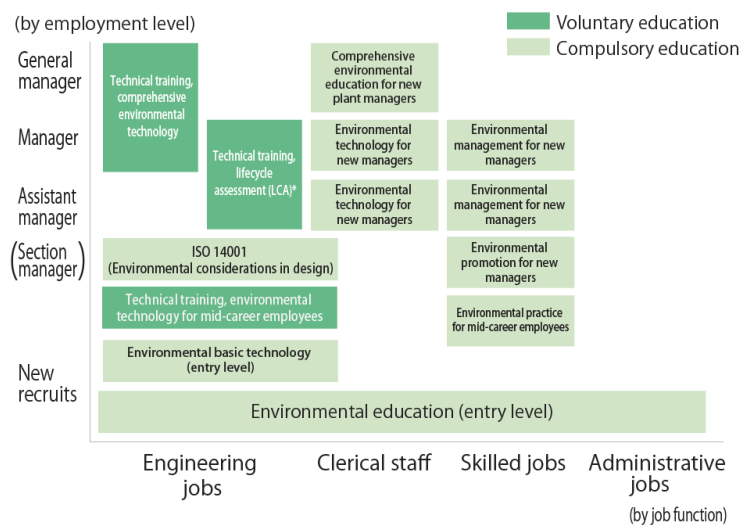
Furthermore, to expand environmental improvement activities to the home and different regions, we held events for employees' families and local communities in June. These events provided the opportunity to explain in simple terms environmental issues on a global scale as well as those affecting us at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

### Participants of environmental education [DENSO Corporation]

Employment level	Total participants
New recruits*	1,005
Mid-level skilled workers	1,807
Assistant managers, team leaders	1,294
Managers (engineering)	36
Managerial level (e.g., managers, general managers, plant managers)	342
Total seminar hours: 5,039 Total participants: 4,486	

\* Includes temporary employees who were shifted to permanent employees

### Environmental education system



\* LCA: Lifecycle assessment, which refers to a method of assessing the environmental impact of products and structures. It involves the analysis and evaluation of environmental burden generated in all processes from the procurement of raw materials and the processing and manufacture of components and materials to dismantling and disposal.

## Environmental accounting

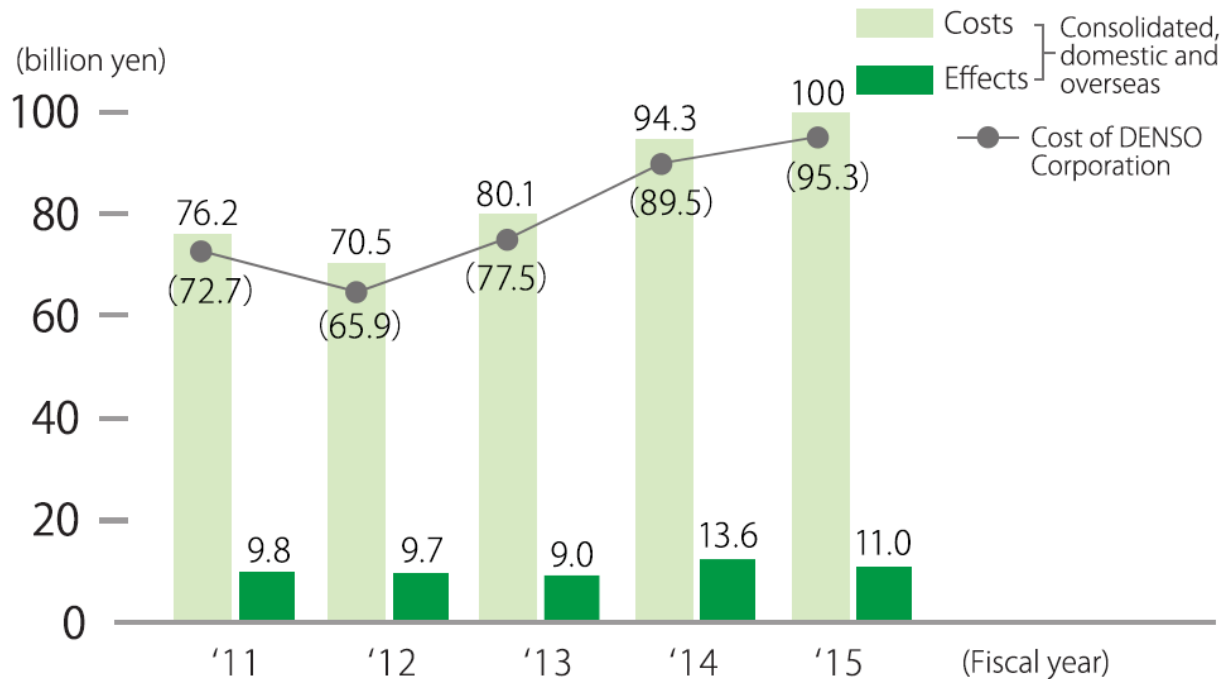
### Utilization of environmental accounting

At DENSO Corporation, since 1999 we have employed environmental accounting based on guidelines developed by the Japanese Ministry of the Environment. 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 duly consider methods for making effective use of environmental accounting.

### Fiscal 2015 results

Product development costs (including personnel costs) related to environmental preservation for fiscal 2015 increased by approximately 5.7 billion yen compared with the previous fiscal year, resulting in a year-on-year decrease of approximately 2.6 billion yen in sales of valuable resources.

### Environmental accounting (Environmental conservation costs and value of environmental effects)



# Environmental accounting guidelines

## DENSO's Concept of Environmental Accounting

### 1. Targets:

#### Basic activities

1. Establish a system to assure the appropriate accuracy and consistency of data for compiling business management indices
2. Compile and follow up effectively and efficiently focusing on the data of environmental preservation
3. Begin compiling data wherever possible

### 2. Purposes:

<b>Internal</b>	<ol style="list-style-type: none"> <li>1. Reduce environmental impact</li> <li>2. Effective environmental investment and cost reductions</li> </ol>	<ul style="list-style-type: none"> <li>● Evaluate economic impact of environmental preservation and improve the quality of business decisions</li> <li>● Develop cost-consciousness and promote cost reduction activities</li> <li>● Heighten employees' motivation for the promotion of environmental preservation</li> </ul>
<b>External</b>	<ol style="list-style-type: none"> <li>1. Improve transparency with full disclosure policies</li> </ol>	<ul style="list-style-type: none"> <li>● Disclose the economic efficiencies of environmental preservation to stakeholders by publishing information</li> </ul>

### 3. Activity policies:

1. Calculate data using the guidelines of the Environmental Accounting Guidebook published by the Japanese Environmental Agency (presently, the Ministry of the Environment)
2. Give first priority to utilization in business management; environment conservation costs to be disclosed externally include capital investment and expenses (personnel costs, operating costs, etc.)
3. Results include the real, actual effects; other effects such as estimates will be interpolated from data derived after definitive calculations

The Effect Index indicates expenditure amounts and quantities. "Real effects" refers to gross revenue, not the net balance after deducting related costs.

### 4. Effects:

1. Reduction of current costs (cost reductions due to activities)
2. Reduction of future costs (avoiding environmental risks)
3. Effects of Eco-Fund; SRI (Socially Responsible Investment)
4. Contribution to product revenues (eco-friendly products)
5. Corporate image improvement (improvement of how we are evaluated by society)
6. Comparison with other corporations using standardized data

# Basics of Environmental Accounting Calculations

## 1. Basic principles:

1. Include environmental and other business balances for which we attempted to reduce the environmental impact
2. Include the range of activities that mainly aim to reduce environmental impact
3. Compile all amounts of capital investment in the fiscal year of implementation
4. Effects are limited to calculations based on specific verification

Application of calculation methods of preservation costs

- Calculate for the current fiscal year
- Facilities are accounted for as a lump-sum cost in the fiscal year placed in service, and depreciation costs are not included

## 2. Basic concepts for application of calculation methods of preservation costs

- Production or non-production facilities that contribute to pollution prevention or environmental preservation in business activities
  1. Resource saving or energy-saving equipment
  2. Ancillary devices for pollution prevention
  3. Production equipment of eco-friendly products (estimate the extent of contributions individually, and allocate costs on a pro-rata basis)
  4. Research facilities of eco-friendly products (estimate the extent of contributions individually, and allocate costs on a pro-rata basis)
  5. All production equipment (estimate the extent of contributions individually, and allocate costs on a pro-rata basis)
- Environmental preservation costs generated in every division of development and design, manufacturing, and logistics control
  1. Development and design divisions of eco-friendly products
  2. Expenses and personnel cost of environmental preservation
  3. Expenses and personnel cost related to Environment Committee and management systems
  4. Research expenses of eco-friendly products
  5. All design divisions for products (estimate the extent of contributions individually, and allocate costs on a pro-rata basis)

## 3. Basic concepts of application of calculation methods of the effects

Verify the relevant effect corresponding to environmental preservation costs and calculate both effects and costs in terms of monetary amounts and quantities

- Real effects
- "Real effects" refers to gross revenue, not the net balance after deducting related costs.
  1. Operating revenues
  2. Cost reductions and savings



- Estimated effects
- “Estimated effects” includes only objective and specific items of the following:
  1. Benefit contribution (added value contribution awareness-raising contribution, and advertising)
  2. Accident risk aversion (renovation avoidance, regulations)

**Related  
Information**

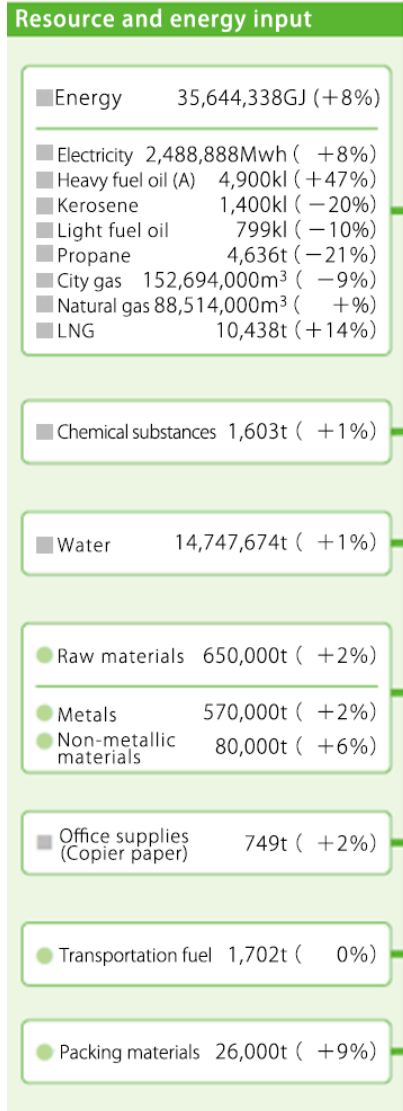
[Environmental accounting of fiscal 2015  
\(http://www.globaldenso.com/en/csr/environment\\_report/global\\_warming/activity\\_performance/\)](http://www.globaldenso.com/en/csr/environment_report/global_warming/activity_performance/)

## Overview of environmental impact

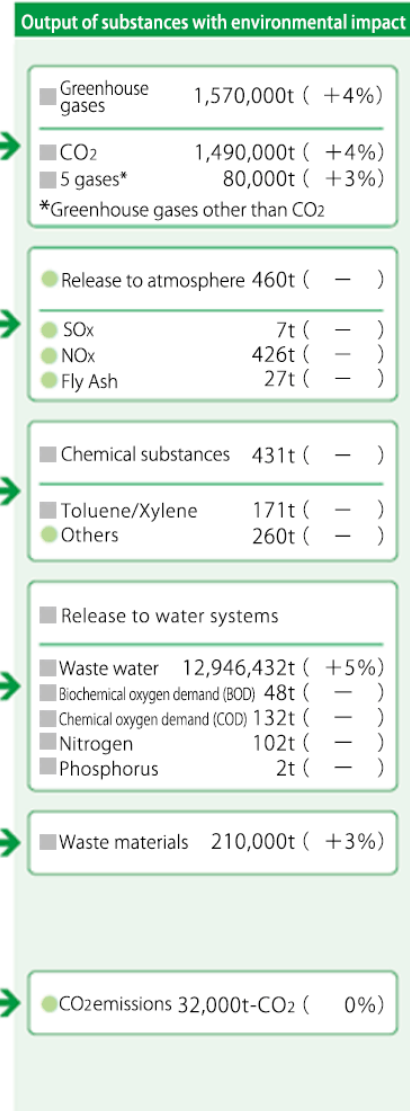
### Material input and environmental impact of output in business activities

DENSO Group quantitatively assesses input and output of materials and energy, and utilizes the resulting information to pursue comprehensive and efficient activities for reducing the environmental impact of our operations.

#### INPUT



#### OUTPUT



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.

## Fifth phase of the Environmental Action Plan and Fiscal 2015 results

### Fiscal 2015 results

To achieve the goals laid out in DENSO EcoVision 2015, we developed the fifth phase of the Environmental Action Plan (from fiscal 2012 to fiscal 2016), and all 197 Group companies worked to achieve the plan's goals.

In fiscal 2015, 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 25 areas. We also achieved all action objectives focused on "strengthening development of products that contribute to the environment," "ascertaining and reducing CO<sub>2</sub> emissions in all corporate behavior," "steadily reducing the Group's consolidated environmental impact" and "strengthening consolidated environmental management," as set down in the fifth phase of the Environmental Action Plan.

### Fifth phase of the Environmental Action Plan and Fiscal 2015 results

Principal initiatives	Fifth phase of Environmental Action Plan (Fiscal 2012 – Fiscal 2016)		Fiscal 2015 results	Assessment	Fiscal 2016 targets	
	Fiscal 2016 targets	Fiscal 2015 plan				
Providing environmentally friendly products	Development of environmentally friendly products	Develop and manufacture products with technology to reduce CO <sub>2</sub> emissions from cars (enhance average fuel consumption)	Cooperate with automakers to develop new technologies and products that conform to regulations on fuel consumption and exhaust gas in each country and region as well as to DENSO's voluntary targets	<ul style="list-style-type: none"> <li>Established energy management for hybrid cars that contribute to greater fuel economy</li> <li>Developed technology for power control components and commercialized motor generators and battery packs, etc., for hybrid cars</li> </ul>	○	Cooperate with automakers to develop new technologies and products that conform to regulations on fuel consumption and exhaust gas in each country and region as well as to DENSO's voluntary targets
	Reduction and elimination of chemical substances	Promote switch to specified brominated flame retardant and do not use phthalate esters in new products	<ul style="list-style-type: none"> <li>Obtain information on regulations early on through public relations activities</li> <li>Promote analysis of impact and advance steady shift to controlled substances</li> </ul>	<ul style="list-style-type: none"> <li>Completed establishment of system for pre-registration, etc., under REACH regulation</li> <li>Promoted shift from phthalate plasticizer</li> </ul>	○	<ul style="list-style-type: none"> <li>Obtain information on regulations early on through public relations activities</li> <li>Promote analysis of impact and advance steady shift to controlled substances</li> </ul>
	Use of environmental assessments at the design and development stages	Establish and expand standard Lifecycle assessment (LCA) method at Japan Auto Parts Industries Association led by DENSO	Establish and expand standard LCA method at Japan Auto Parts Industries Association led by DENSO	Set targets using product environment index and conducted assessments in design and development of new products	○	Establish and expand standard LCA method at Japan Auto Parts Industries Association led by DENSO
Preventing global warming	Reduction of energy-source CO <sub>2</sub> emissions	<ul style="list-style-type: none"> <li>Consolidated: Basic unit: 63 or less compared with 2010 levels</li> <li>Non-consolidated: Basic unit: 35 or less compared with 1990 levels</li> </ul>	<ul style="list-style-type: none"> <li>Innovate production technology, expand Just-In-Time (JIT) energy and develop energy saving technology</li> <li>Non-consolidated: Basic unit: 35 or less compared with 1990 levels</li> </ul>	<ul style="list-style-type: none"> <li>Consolidated: Basic unit: 63 compared with 2010 levels</li> <li>Non-consolidated: Basic unit: 34 compared with 1990 levels</li> </ul>	○	<ul style="list-style-type: none"> <li>Innovate production technology, expand JIT energy and develop energy saving technology</li> <li>Non-consolidated: Basic unit: 1.65 or less</li> </ul>
	Reduction of emissions of the five targeted greenhouse gases	Emissions: 50 or less compared with 2003 levels	Reduce by substituting gases for semiconductor manufacturing Non-consolidated: Emissions: 50 or less compared with 2003 levels	Emissions: 48 compared with 2003 levels	○	Reduce by substituting gases for semiconductor manufacturing Non-consolidated: Emissions: 50 or less compared with 2003 levels
	Reduction of CO <sub>2</sub> emissions associated with product logistics	<ul style="list-style-type: none"> <li>Consolidated: Basic unit: 90 or less compared with 2010 levels</li> <li>Non-consolidated: Basic unit: 91 or less compared with 2006 levels</li> </ul>	Reduce CO <sub>2</sub> globally through transportation improvements and eco-driving Adjust number of deliveries in line with load amount and produce near the customer, etc. Non-consolidated: Basic unit: 1.65 or less	Basic unit: 1.65	○	Reduce CO <sub>2</sub> globally through transportation improvements and eco-driving Adjust number of deliveries in line with load amount and produce near the customer, etc. Non-consolidated: Basic unit: 1.65 or less
Managing environmentally hazardous substances	Reduction of emissions of Pollutant Release and Transfer Register (PRTR) substances to atmosphere and water	<ul style="list-style-type: none"> <li>Domestic: Emissions: 65 or less compared with 2000 levels</li> <li>Non-consolidated: Emissions: 60 or less compared with 2000 levels</li> <li>Overseas: Emissions: 60 or less compared with 2000 levels</li> <li>Basic unit: 85 or less compared with 2010 levels</li> </ul>	Reduce emissions by optimizing usage, collection and reuse, and substituting with alternative materials, etc. Domestic: Emissions: 65 or less compared with 2000 levels Non-consolidated: Emissions: 60 or less compared with 2000 levels Overseas: Basic unit: 91 or less compared with 2010 levels	<ul style="list-style-type: none"> <li>Reduced emissions by optimizing usage, recovery and reuse, and substituting alternative materials</li> <li>Domestic: Emissions: 53 compared with 2000 levels</li> <li>Non-consolidated: Emissions: 52 compared with 2000 levels</li> <li>Overseas: Basic unit: 91 compared with 2010 levels</li> </ul>	○	<ul style="list-style-type: none"> <li>Reduce emissions by optimizing usage, collection and reuse, and substituting with alternative materials, etc.</li> <li>Domestic: Emissions: 65 or less compared with 2000 levels</li> <li>Non-consolidated: Emissions: 60 or less compared with 2000 levels</li> <li>Overseas: Basic unit: 91 or less compared with 2010 levels</li> </ul>
	Reduction of Volatile Organic Compound (VOC) emissions	<ul style="list-style-type: none"> <li>Domestic: Emissions: 65 or less compared with 2000 levels</li> <li>Non-consolidated: Emissions: 60 or less compared with 2000 levels</li> <li>Overseas: Emissions: 60 or less compared with 2000 levels</li> <li>Basic unit: 85 or less compared with 2010 levels</li> </ul>	Reduce emissions by optimizing usage, collection and reuse, and substituting with alternative materials, etc. Domestic: Emissions: 65 or less compared with 2000 levels Non-consolidated: Emissions: 60 or less compared with 2000 levels Overseas: Basic unit: 91 or less compared with 2010 levels	<ul style="list-style-type: none"> <li>Reduced emissions by optimizing usage, recovery and reuse, and substituting alternative materials</li> <li>Domestic: Emissions: 53 compared with 2000 levels</li> <li>Non-consolidated: Emissions: 52 compared with 2000 levels</li> <li>Overseas: Basic unit: 91 compared with 2010 levels</li> </ul>	○	<ul style="list-style-type: none"> <li>Reduce emissions by optimizing usage, collection and reuse, and substituting with alternative materials, etc.</li> <li>Domestic: Emissions: 65 or less compared with 2000 levels</li> <li>Non-consolidated: Emissions: 60 or less compared with 2000 levels</li> <li>Overseas: Basic unit: 91 or less compared with 2010 levels</li> </ul>
Using resources effectively	Reduction of emissions (Reduction of waste)	<ul style="list-style-type: none"> <li>Emissions: Domestic: Basic unit: 73 or less compared with 2003 levels</li> <li>Non-consolidated: Basic unit: 56 or less compared with 2003 levels</li> <li>Overseas: Basic unit: 91 or less compared with 2012 levels</li> <li>Waste: Overseas: Basically promote zero emissions</li> </ul>	<ul style="list-style-type: none"> <li>Promote waste reduction on a global scale aimed at minimizing resource loss</li> <li>Continue to achieve zero waste at landfill</li> <li>Emissions: Domestic: Basic unit: 74 or less compared with 2003 levels</li> <li>Non-consolidated: Basic unit: 57 or less compared with 2003 levels</li> <li>Overseas: Basic unit: 97 or less compared with 2012 levels</li> </ul>	<ul style="list-style-type: none"> <li>Emissions: Domestic: Basic unit: 64 compared with 2003 levels</li> <li>Non-consolidated: Basic unit: 57 compared with 2003 levels</li> <li>Waste: Overseas: Basically promote zero emissions</li> </ul>	○	<ul style="list-style-type: none"> <li>Promote waste reduction on a global scale aimed at minimizing resource loss</li> <li>Continue to achieve zero waste at landfill</li> <li>Emissions: Domestic: Basic unit: 74 or less compared with 2003 levels</li> <li>Non-consolidated: Basic unit: 56 or less compared with 2003 levels</li> <li>Overseas: Basic unit: 97 or less compared with 2012 levels</li> </ul>
	Reduction of water consumption	<ul style="list-style-type: none"> <li>Overseas: Implement initiatives in each country or region with high need</li> <li>Overseas: Basic unit: 90 or less compared with 2010 levels</li> </ul>	Reduce water usage to a world-leading level based on needs in each country or region, etc. Overseas: Basic unit: 94 or less compared with 2010 levels	<ul style="list-style-type: none"> <li>Designate initiatives for each country or region with high need and set individual targets</li> <li>Promote reducing water usage</li> <li>Overseas: Basic unit: 94 compared with 2010 levels</li> </ul>	○	Reduce water usage to a world-leading level based on needs in each country or region, etc. Overseas: Basic unit: 94 or less compared with 2010 levels
	Reduction of packaging material usage in logistics	<ul style="list-style-type: none"> <li>Consolidated: Basic unit: 99 or less compared with 2010 levels</li> <li>Non-consolidated: Basic unit: 91 or less compared with 2006 levels</li> </ul>	<ul style="list-style-type: none"> <li>Reduce packaging material purchase volume by simplifying packing and expanding use of returnable containers, etc.</li> <li>Continue with activities to improve filling rate and expand use of returnable containers, etc.</li> <li>Non-consolidated: Basic unit: 3.1 or less</li> </ul>	<ul style="list-style-type: none"> <li>Standardize packaging material and switch to returnable containers</li> <li>Non-consolidated: Basic unit: 3.1</li> </ul>	○	<ul style="list-style-type: none"> <li>Reduce packaging material purchase volume by simplifying packing and expanding use of returnable containers, etc.</li> <li>Continue with activities to improve filling rate and expand use of returnable containers, etc.</li> <li>Non-consolidated: Basic unit: 3.1 or less</li> </ul>

[○] Goal achieved

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## Prevention of Global Warming

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DENSO promotes activities to prevent global warming through technological development and commercialization processes as well as production activities, employees' behavior and other initiatives.

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

Concepts and activities for reducing CO<sub>2</sub> emissions in DENSO products

### Fiscal 2015 activities

DENSO activity results for fiscal 2015

### Reducing CO<sub>2</sub> emissions through the Eco Factory Plan

Reduction of CO<sub>2</sub> emissions through the Eco Factory Plan and initiatives to reduce CO<sub>2</sub> emissions in service, logistics and employee behavior

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

Concepts and activities for reducing CO<sub>2</sub> emissions in DENSO Group production activities

### Priority initiatives

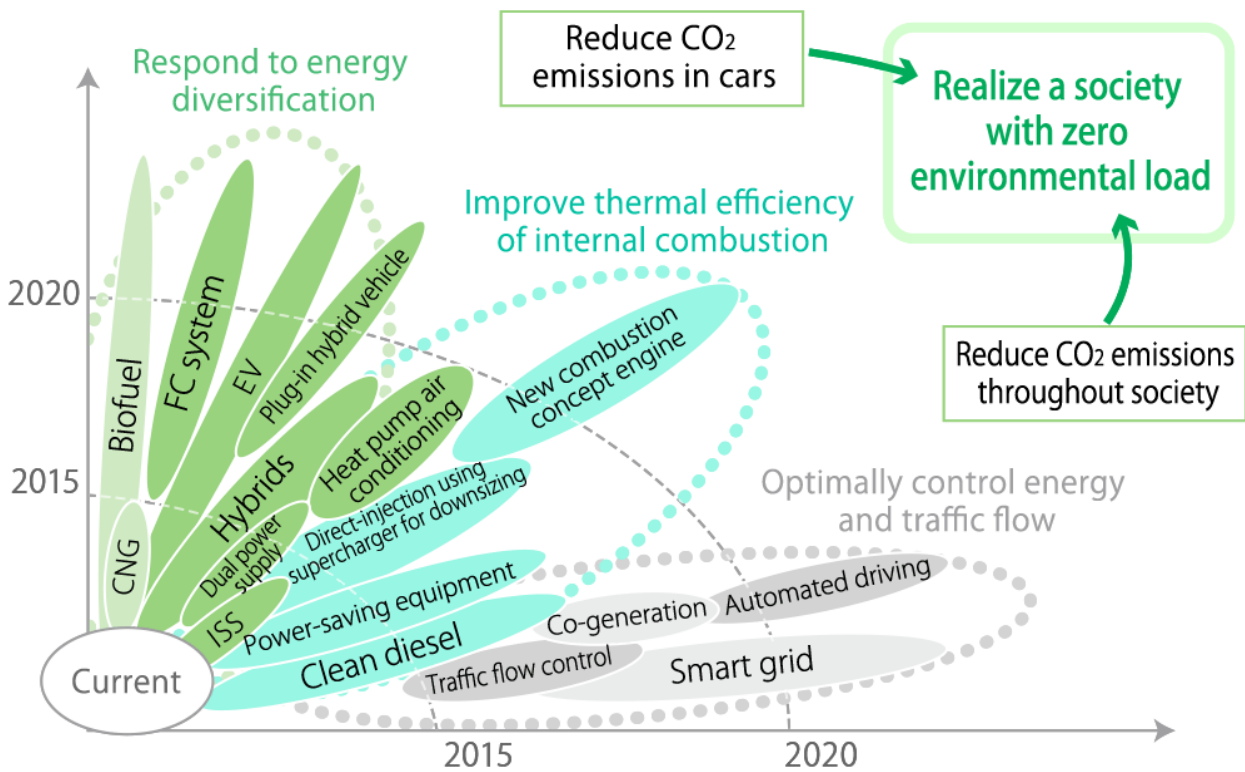
Priority initiatives, including in-house power generation deploying co-generation and Just-In-Time energy activities

## 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.

In addition to improving fuel efficiency and reducing power consumption, which minimizes energy loss, we are implementing energy management activities for the efficient use of energy pertaining to the recovery and reuse of heat energy emitted from cars and kinetic energy lost when decelerating.



\* FC: Fuel cell, CNG: Compressed natural gas, EV: Electric vehicle, PHV: Plug-in hybrid vehicle, ISS: Idling stop system

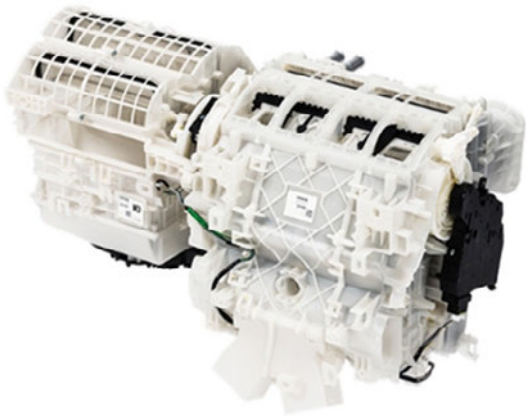
## Fiscal 2015 activities

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

### Developed highly standardized automotive climate control unit

DENSO has developed a new automotive climate control unit that can be used for a wide variety of vehicles ranging from compact to luxury cars. Although conventional climate control units are often designed and tailored to each vehicle model, this product has a new structure that standardizes components while flexibly realizing required performance. This highly standardized automotive climate control unit, which is smaller and lighter while realizing higher performance, is the world’s first of its kind.

The new automotive climate control unit can also be used in eco-friendly cars. For instance, for idle stop systems, the evaporator can be replaced with a cold storage evaporator, and for hybrid and electric vehicles, the heater core can be replaced with a heat pump air conditioning system. Also, we are contributing to a reduction in CO<sub>2</sub> emissions by curbing the amount of power consumed primarily by way of a two-layer structure to take in external air and circulate internal air simultaneously.



Newly developed automotive climate control unit

### Developed new electronic fuel injection system for small motorcycles

DENSO has developed a new electronic fuel injection system for small motorcycles. Challenges to achieving widespread application of fuel injection systems to small motorcycles focus on smaller components, simpler systems, fewer components and lower cost. The newly developed system is the world’s first fuel injection system to eliminate the need for certain components such as the throttle position and engine temperature sensor. It also incorporates control technologies that ensure the same fuel economy and environmental performance as conventional fuel injection systems, or in other words, achieving commercialization that contributes to a reduction in CO<sub>2</sub>.



Main components of the fuel injection system

## Released “Eneru D” security system capable of using solar energy to supply power

DENSO has developed the “Eneru D” security system, which incorporates an independent power source capable of using solar energy to supply power into “ZONE D,” a remote security system that uses laser sensors. Solar panels and a storage battery have been combined with a conventional sensor to meet requirements for setting the system in places outdoors that are without a power source. The power-supply unit employs unique technology enabling discharge while charging, which has led to a smaller storage battery and lower cost.



“Eneru D” security system using solar energy to supply power

### Related Information

News release (<http://www.globaldenso.com/en/newsreleases/140121-01.html>)  
News release (<http://www.globaldenso.com/en/newsreleases/140529-01.html>)  
News release (Japanese only)  
(<http://www.denso.co.jp/ja/news/newsreleases/2014/140129-01.html>)

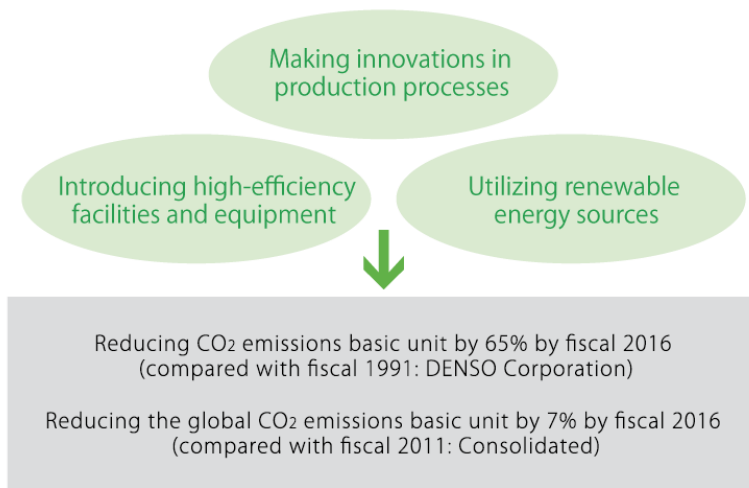
## Contributing to the reduction of CO<sub>2</sub> emissions in production activities

### Basic stance

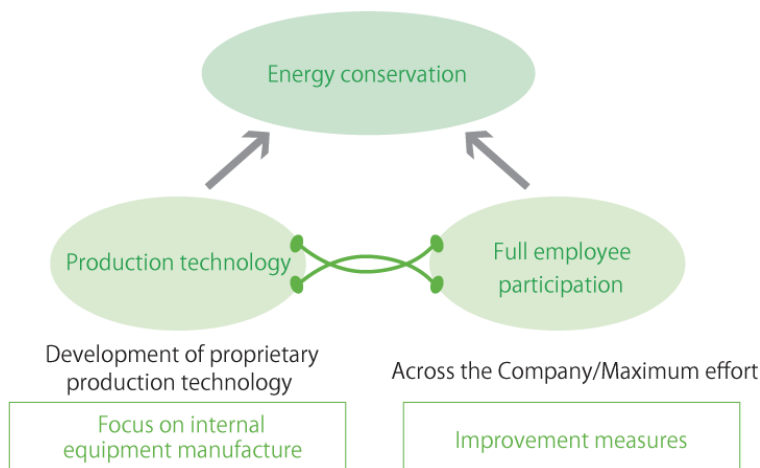
Of the greenhouse gases emitted as a result of the DENSO Group's production activities, 82% is accounted for by CO<sub>2</sub> associated with energy consumption. For that reason, the reduction of greenhouse gas emissions throughout the supply chain has been positioned as a priority issue in the Eco Factory concept and we are promoting Group-wide energy conservation activities. The following two points are features of our energy-saving activities.

- (1) Promote energy conservation in equipment through development of proprietary production technology
- (2) Devise ways for all employees to save energy with equipment and share these ideas across the Company

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



### DENSO's energy-saving activity flow





## Fiscal 2015 activities

### CO<sub>2</sub> emissions

We have established targets that call for a reduction in DENSO Corporation's CO<sub>2</sub> emissions basic unit by 65% compared with fiscal 1991 levels and a reduction in global consolidated production emissions basic unit encompassing all domestic and overseas Group companies by 7% compared with fiscal 2011 levels by fiscal 2016.

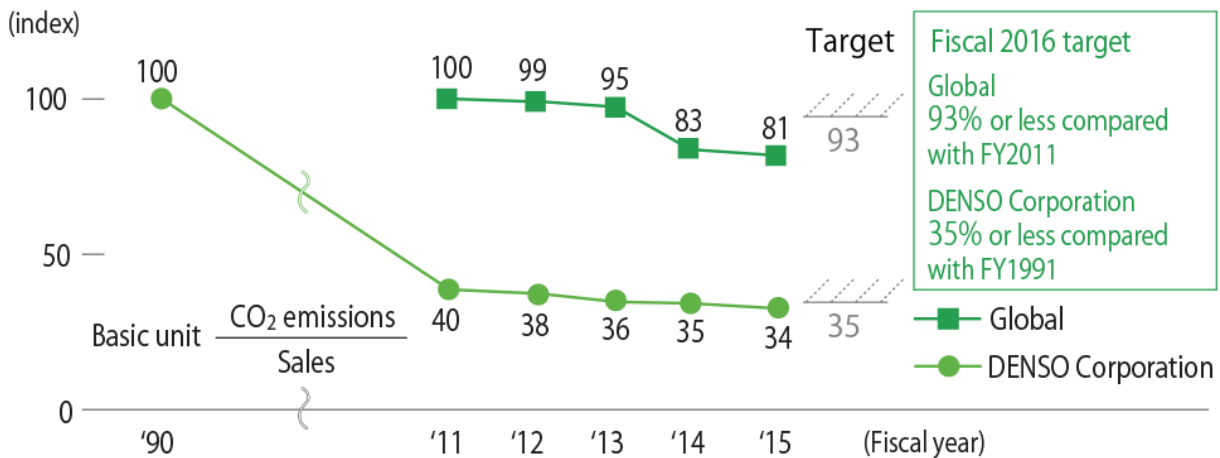
The DENSO Group formulated an energy reduction plan for each business location and company aimed at achieving these goals based primarily on innovating production processes, introducing highly efficient equipment and utilizing natural energy. The plan was examined and revised each year and initiatives have been subsequently implemented. As a result, in fiscal 2015 we achieved our fiscal 2015 targets for CO<sub>2</sub> emissions basic unit for DENSO Corporation with a reduction of 66% compared with fiscal 1991, and a reduction of 19% compared with fiscal 2011 on a global basis. We will continue with these activities going forward.

CO<sub>2</sub> emissions basic unit

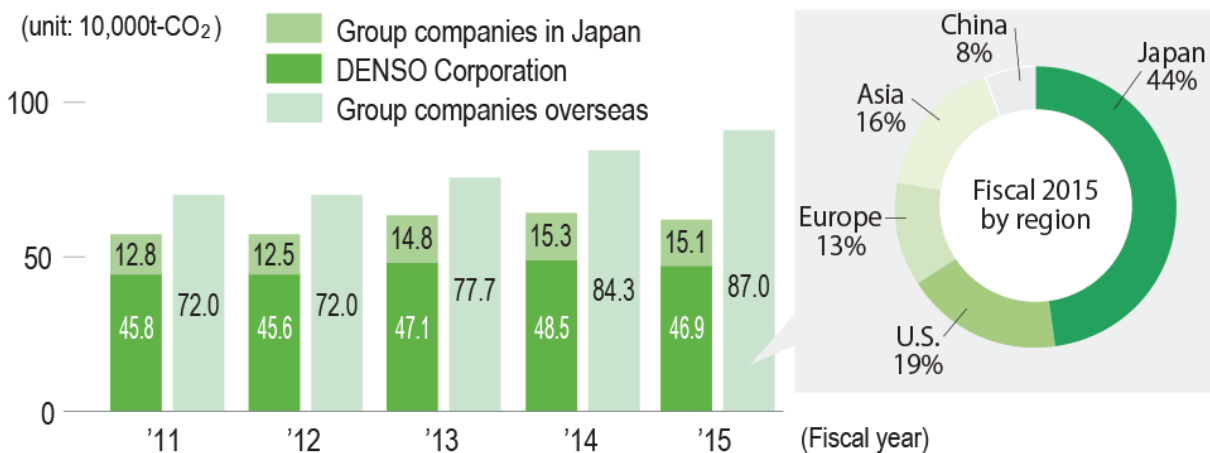
**66%** reduction  
DENSO Corporation

**19%** reduction  
DENSO Group

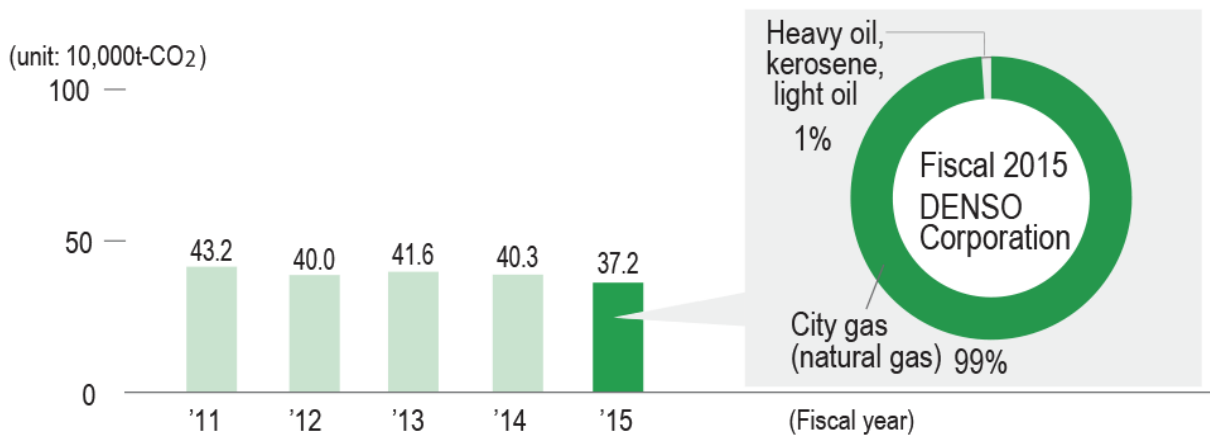
### CO<sub>2</sub> emissions basic unit of the DENSO Group



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

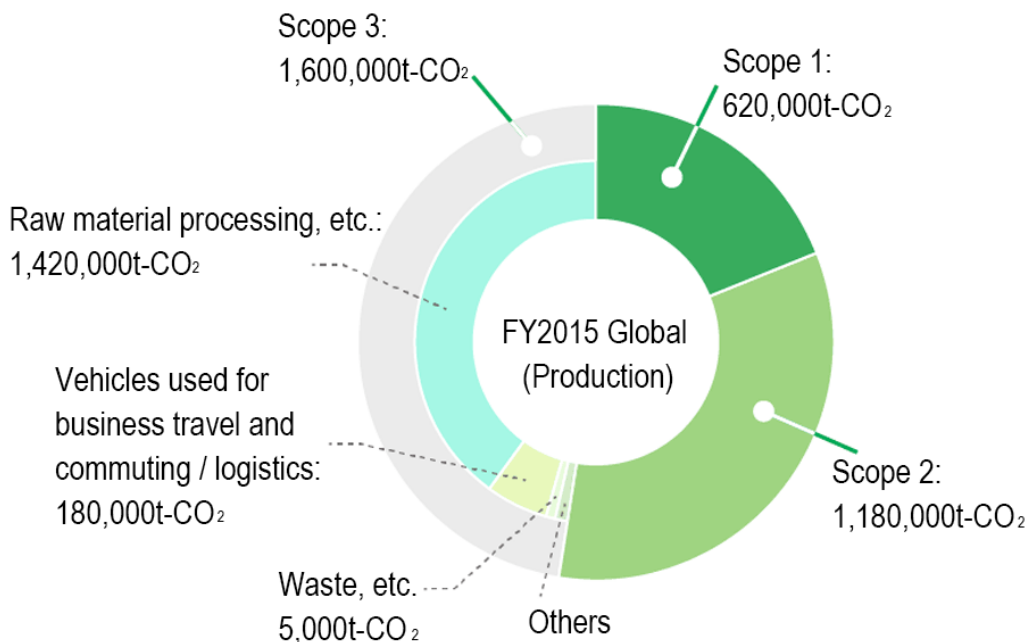


## CO<sub>2</sub> Reduction (Scope 1)



## Proportion of total CO<sub>2</sub> emissions throughout value chain

The proportions expressed in the graph are based on the international guideline “GHG Protocol Scope 3 Standard” related to the calculation and reporting of CO<sub>2</sub> emissions throughout the value chain.



\* Of the “scopes” (scope of emissions) for greenhouse gases: (a) Scope 1 emissions are direct GHG emissions from the entity such as gasoline or the combustion of heavy oil; (b) Scope 2 emissions are indirect GHG emissions resulting from the generation of electricity; and (c) Scope 3 emissions include indirect GHG emissions from related activities undertaken outside of the entity such as raw material procurement, production, disposal, logistics and sales. Figures for scope 1 and scope 2 are accumulative figures that include business sites in non-production fields.

## 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>

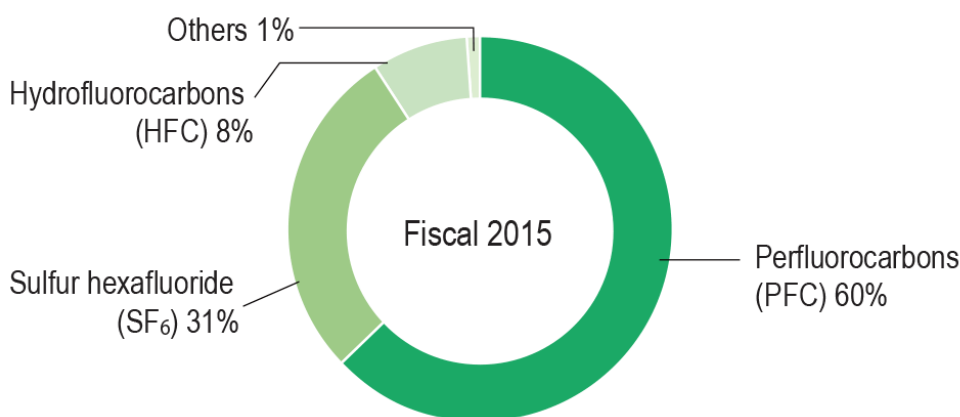
\* Reference of conversion factor for CO<sub>2</sub>: Japan Auto Parts Industries Association

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

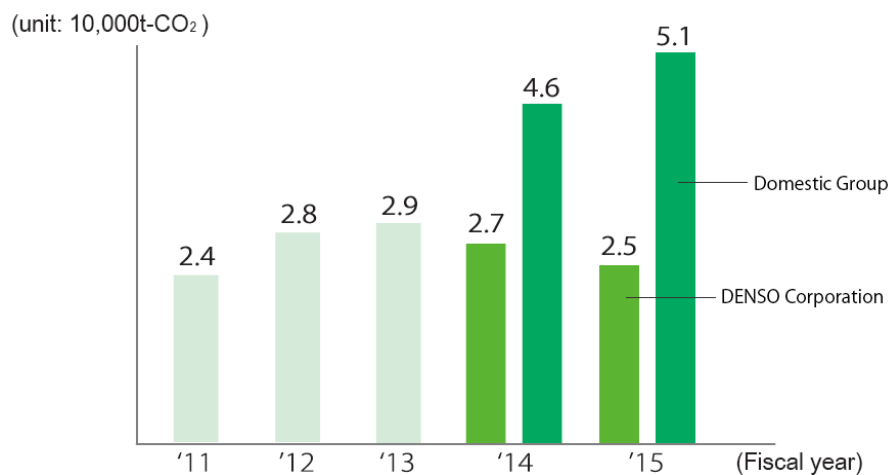
We formulated a plan to reduce emissions of these gases by 50% by fiscal 2016 through the installation of detoxifying equipment in new production lines and improving the capacity utilization rate of lines with detoxifying equipment.

We improved the recovery rate for experimental refrigerant used in air-conditioning experiments, and in fiscal 2015 we reduced emissions by 24,520t-CO<sub>2</sub> and thus attained the target of DENSO EcoVision.

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



### Total CO<sub>2</sub> emissions of five gases



\* DENSO Iwate Corporation added in fiscal 2014

## Priority initiatives

### 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 to the extent possible. 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. This Group is working on 30 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 (transport, operation, inventory) and make other necessary improvements (CS3 (Compact, Slim, Simple, Speed) activities). This has produced a variety of results, such as a 50% reduction in CO<sub>2</sub> emissions. We are now striving to develop technology aimed at creating internationally competitive *Dantotsu* (outstanding) factories, which, in particular, includes building “1/n processing machines” in an effort to significantly decrease the scale of production facilities.

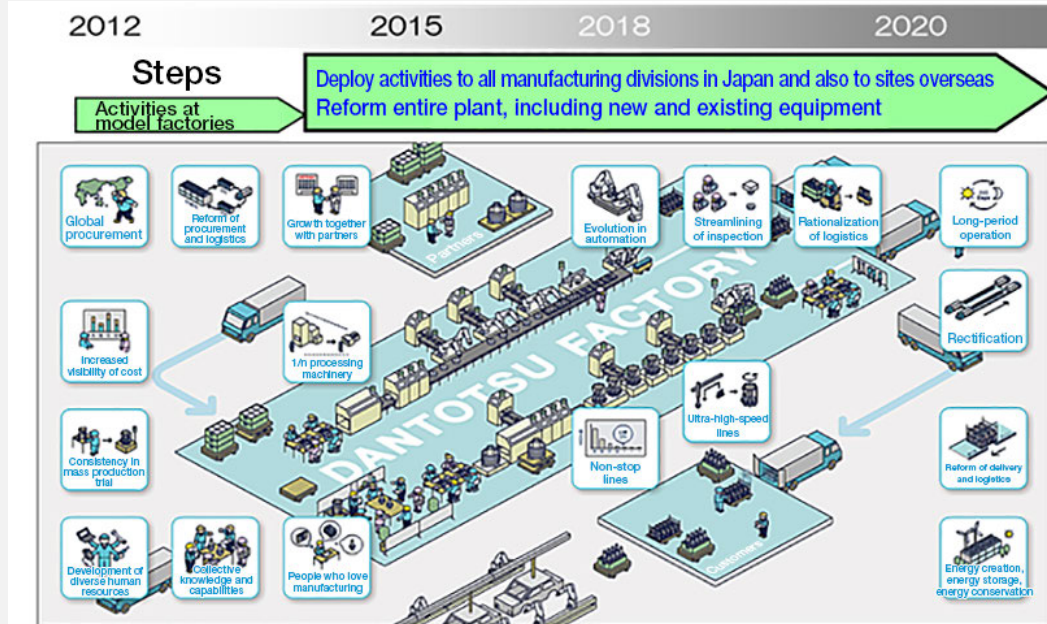
Domestic and overseas Group companies have expanded improvement activities with a focus on diagnosing the status of energy conservation. In particular, we have sought to strengthen Perfect Energy Factory (PEF) activities as all employees strive to make improvements and visualize energy consumption. We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

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

Procedures		<ul style="list-style-type: none"> <li>•Announce concept of DENSO Eco Factory</li> </ul>	
Reduction measures	Development of energy-saving technologies for processing	<ul style="list-style-type: none"> <li>•Miniaturize equipment for machining and heating (1/n)</li> <li>•Increase speed and reduce low-temperature calcification time, etc.</li> <li>•Promote development of 30 themes</li> </ul>	
	PEF activities ~Completely redouble efforts to conserve energy by all employees~  JIT energy related activities ~Use energy only in the amount required when required~	<ul style="list-style-type: none"> <li>•Expand energy-saving air blowers throughout the Group</li> <li>•Expand JIT air related activities and JIT air conditioner related activities</li> <li>•Check and repair air leaks</li> </ul>	<ul style="list-style-type: none"> <li>•All 115 cases such as strengthening heat insulation</li> <li>•JIT supply (air, air conditioning, steam, water)</li> <li>•JIT production (idling stop, etc.)</li> </ul>

## Aiming for internationally competitive *Dantotsu* (outstanding) factories

Since 2012, we have been working on the development of various technologies at the model factories of respective production sites, which includes the pursuit of automation, streamlining inspections, rationalizing logistics, long-period operating facilities, ultra-high-speed lines, non-stop lines and “1/n processing machinery” in an effort to achieve the ideal state for factories based on the key concepts of “minimize energy consumption” and “full employee participation.”



### Example of implementation

### Molding/assembly line of car sensor

<Conventional line>

<CS<sup>3</sup> line>

Separate molding and assembly  
→ Intermediate inventory

Max. height 3,500mm

Handles multiple pieces (four)

Integrated molding and assembly

Handled one piece at high speed

Max. height 1,400mm

Reduced CO<sub>2</sub> by 1/2 and 1/5 in area

## Introducing high-efficiency facilities

DENSO Corporation has actively introduced co-generation facilities since 1991 as a key pillar of efforts to promote 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. In fiscal 2015, we worked to reduce CO<sub>2</sub> emissions by upgrading from conventional gas turbines to a gas engine system with the aim of further enhancing efficiency. Currently, our in-house power generation ratio is 33% (total power generation of 483,000MWh). We expect an annual reduction of 130,000t-CO<sub>2</sub> through our 15 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 ratio

33%



Co-generation facilities at the Nishio Plant (south facility)

## Saving energy with Just-In-Time system

The DENSO Group 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 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.

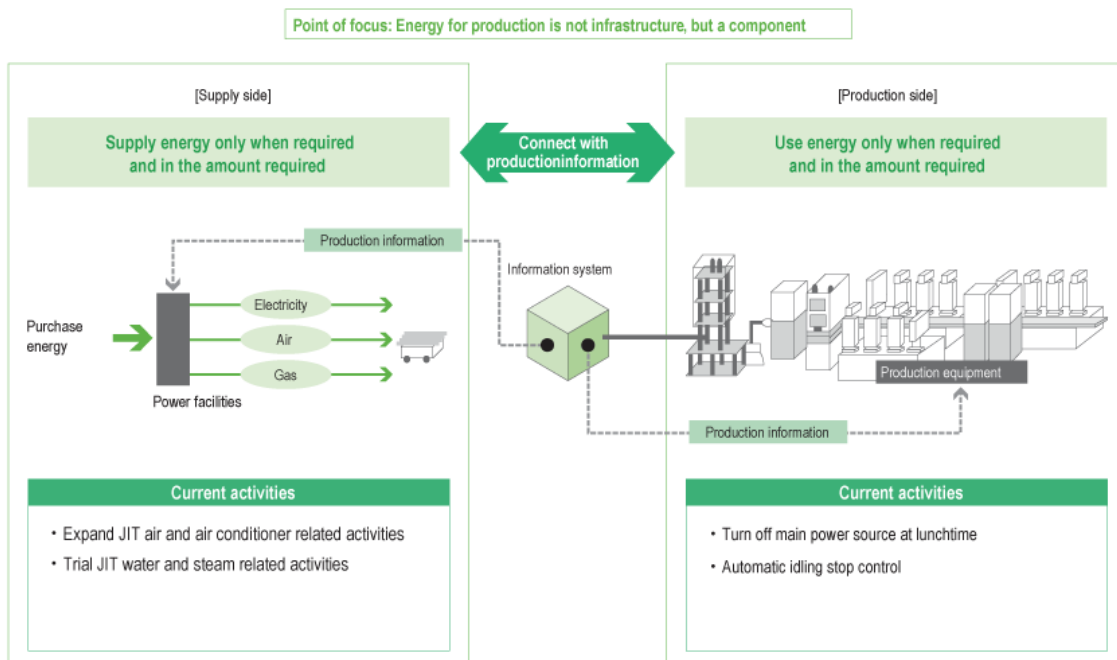
### JIT supply

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. JIT supply is being expanded across the organization using JIT activities for compressed air as the model with the aim of shifting to JIT for air conditioning, steam, water and all forms of energy supply, with completion scheduled for fiscal 2016.

### JIT production

On production lines during break times, 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.

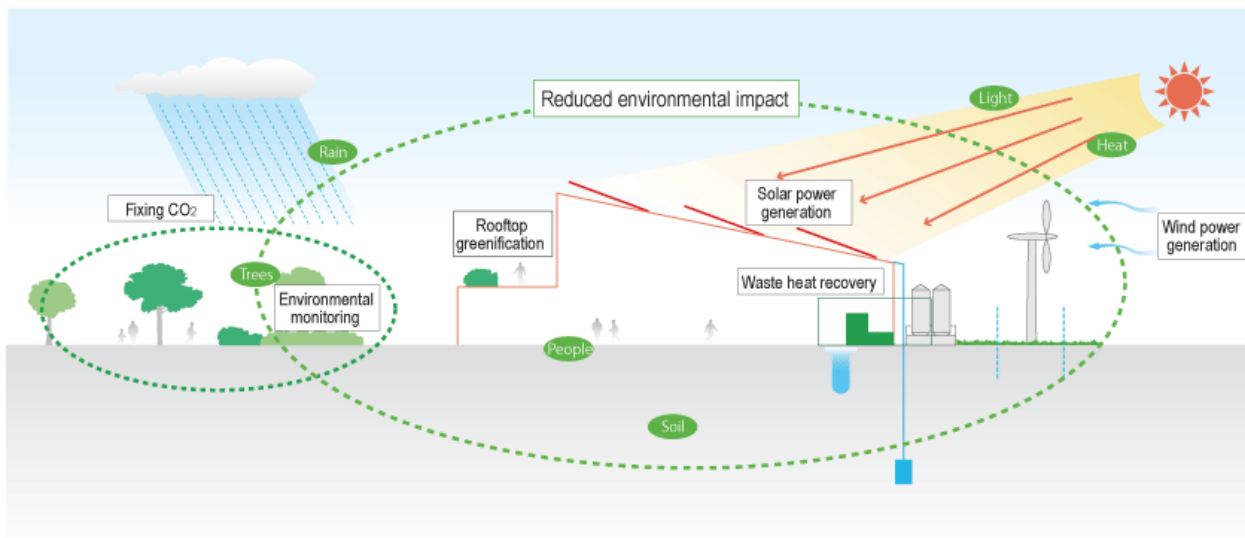
### Concept of JIT energy



## 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 Hokkaido Corporation, where we started producing electronic components in April 2009.

### Contribution of Eco Factories to reduce CO<sub>2</sub> emissions



## Example of natural energy utilization

### (1) Eco-friendly people mover system using ultra-light electric vehicles [DENSO Corporation]

The Anjo Plant and Daian Plant are implementing an eco-friendly people mover system that doesn't emit CO<sub>2</sub> through the introduction of light electric vehicles for when employees are on the move inside the huge premises.

The Anjo Plant employs the Pico Grid System<sup>®</sup> developed by DENSO Corporation. The Pico Grid System<sup>®</sup> uses small-scale solar power generation, a storage battery and ultra-light electric vehicles and combines a stand-alone direct current distributed power system for the supply of power and a vehicle management system.

The use of direct current as is suppresses loss through conversion from a direct to an alternate current. The ultra-light electric vehicles with stored power are capable of supplying power to necessary places in case of a blackout in the commercial power supply, such as in the event of a disaster, as a moving power source.


\*Pico Grid System<sup>®</sup> is a registered trademark of DENSO Corporation.

#### <Pico Grid System<sup>®</sup>>



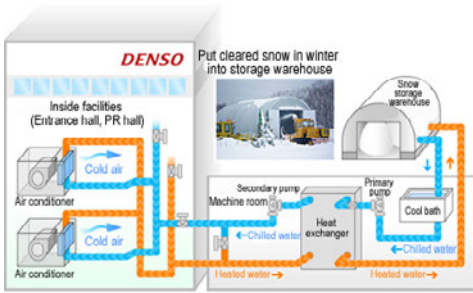
### (2) System using snow to cool facilities (DENSO Hokkaido Corporation)

Installed a system using snow to cool facilities, a DENSO Group first, by taking advantage of local characteristics in Chitose, Hokkaido.

<p><b>Snow storage warehouse</b></p>	 <p>Steel construction            Floor area: 161.5m<sup>2</sup>            Height: 7m (center part)            Stockpile: 327t (674m<sup>3</sup>)</p>
<p><b>Usage period</b></p>	<p>June~September            (550~580hours/year)</p>
<p><b>Energy-saving effects</b></p>	<p>1,390L/year (Crude oil equivalent)            (3.68t-CO<sub>2</sub>/year based on CO<sub>2</sub> conversion)</p>



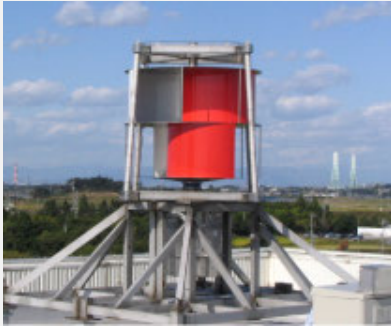
### (3) Unique natural energy utilization at each plant



Natural energy (wind power, hydraulic power) is being used in creative power-generating equipment at each plant. The equipment is made using DENSO products and technology (alternator, etc.) and exploits the *monozukuri* (manufacturing) capabilities that employees have built up at work.

#### Agui Plant (wind power)

A wind power generator installed on the roof of the building makes use of the strong wind that blows in Agui.



#### Anjo Plant (wind power)

This plant uses wind emitted from its exhaust ventilation system and cleaning equipment.



#### Kota Plant (hydraulic power)

This plant utilizes the power generated from wastewater flowing from a high to low place.



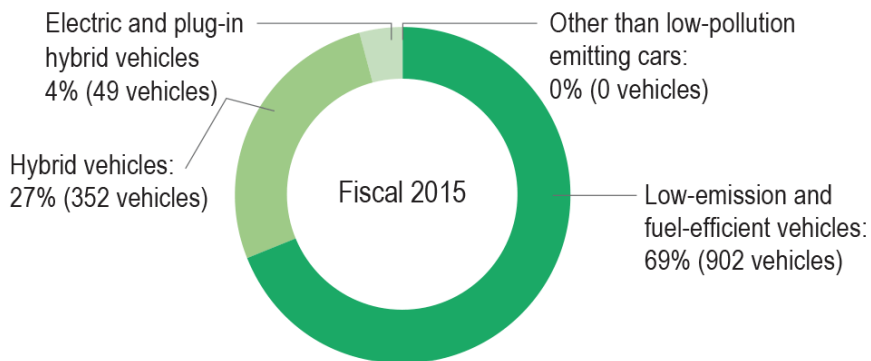
## Promoting employee “Eco Life” activities

DENSO Corporation 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 140,000 employees can make a significant contribution to the prevention of global warming. The fifth phase of the Environmental Action Plan sets forth the following four priority initiatives to serve as guidelines in these efforts. Based on this, in Japan DENSO Corporation has introduced an eco-friendly people mover system that aims to reduce CO<sub>2</sub> emissions when moving inside and outside production sites by using plug-in hybrid vehicles and light electric vehicles. Also, a shuttle bus service is operated between DENSO Corporation’s headquarters and DENSO’s corporate housing in Obu. In addition, promoting tree-planting activities has been linked to the eco-point system in which employees are actively encouraged to participate.

### Priority initiatives

- (1) Expand the use of clean energy vehicles and low-pollution emitting cars in the Company’s fleet
- (2) Maintain and promote use of public transport through the dispatch of a shuttle bus to and from the nearest station
- (3) Raise awareness to promote widespread adoption of eco-driving practices

### Percentage of clean energy vehicles and low-pollution emitting cars comprising the Company’s fleet [DENSO Corporation]

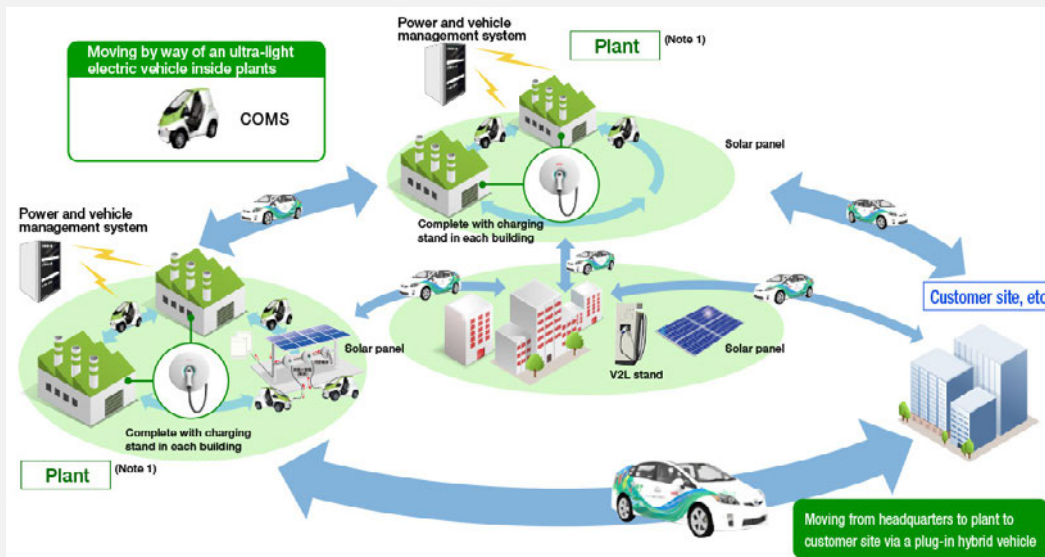


## Promoting an eco-friendly people mover system [DENSO Corporation]

There are numerous occasions in which vehicles are used for work purposes, including business trips by company cars and moving inside production facilities. In order to reduce environmental load and conserve energy when moving, DENSO Corporation is promoting the introduction of an eco-friendly people mover system that combines DENSO's unique technology (macro grid, etc.) and eco-friendly vehicles (EVs, PHVs).



Eco-friendly people mover system at DENSO Corporation's headquarters (PHV)



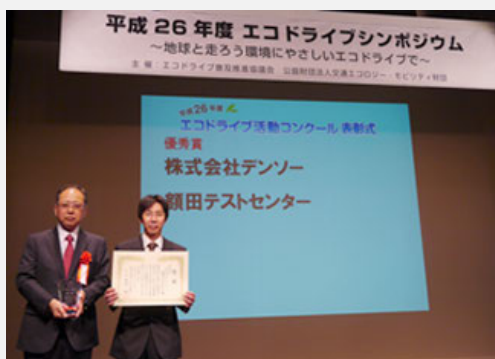
Notes:

1. Pico Grid: Refer to “(1) Eco-friendly people mover system using ultra-light electric vehicles [DENSO Corporation]” above
2. The in-house eco-friendly people mover system is solely for large-scale plants.

### TOPICS

#### Won excellence award for practicing “eco-driving” in the workplace [DENSO's Nukata Test Center]

DENSO's Nukata Test Center won the excellence award in a contest for eco-driving in fiscal 2015 run by the Foundation for Promoting Personal Mobility and Ecological Transportation. The Test Center specializes in the testing and evaluation of parts developed by DENSO that have been built into vehicles through the services of a group of professional drivers. Based on accumulated knowledge and expertise, all members practice eco-driving, fully cognizant of the importance of reducing vehicle emissions to help protect the environment.



## 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 used in their offices and repair shops under the DENSO Corporation-approved Eco Service Station program.

To further promote these efforts, we are raising awareness of Group-wide initiatives by visualizing and quantitatively realizing CO<sub>2</sub> reductions in repair and mounting as well as product sales from fiscal 2009.

## CO<sub>2</sub> reductions from the Eco Service Station program

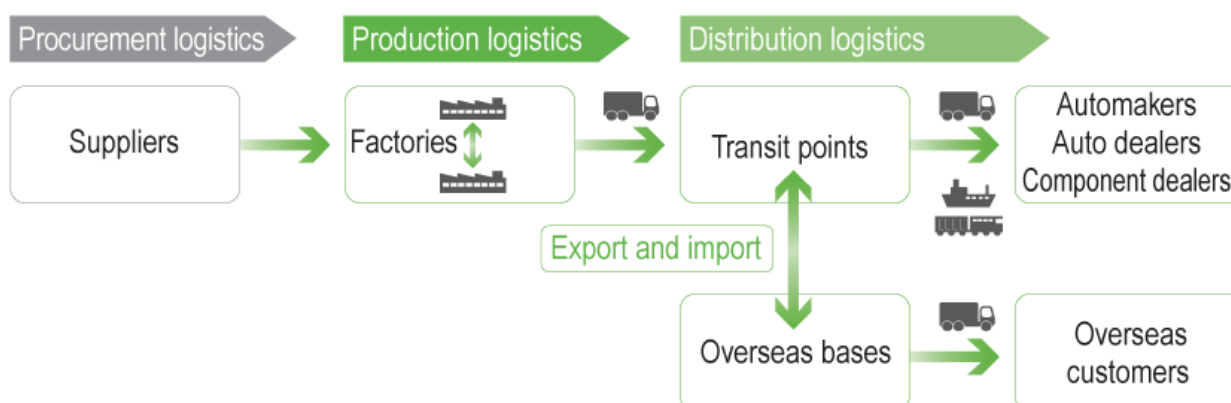
### Reducing CO<sub>2</sub> emissions from logistics activities

DENSO Corporation ships approximately 23,000m<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> emissions reduction at specified shippers in order to fulfill our social responsibility. Specifically, we are cooperating with focus on a composite program that includes the following measures:

- (1) Improve loading ratios
- (2) Promote modal shift (to rail or ship transport to Tohoku Region)
- (3) Practice energy-saving shipping by means of optimal routes
- (4) Ship directly to suppliers
- (5) Increase efficiency in logistics between intermediary warehouses
- (6) Support the introduction of Eco-Tours
- (7) Introduce tools to enhance fuel efficiency

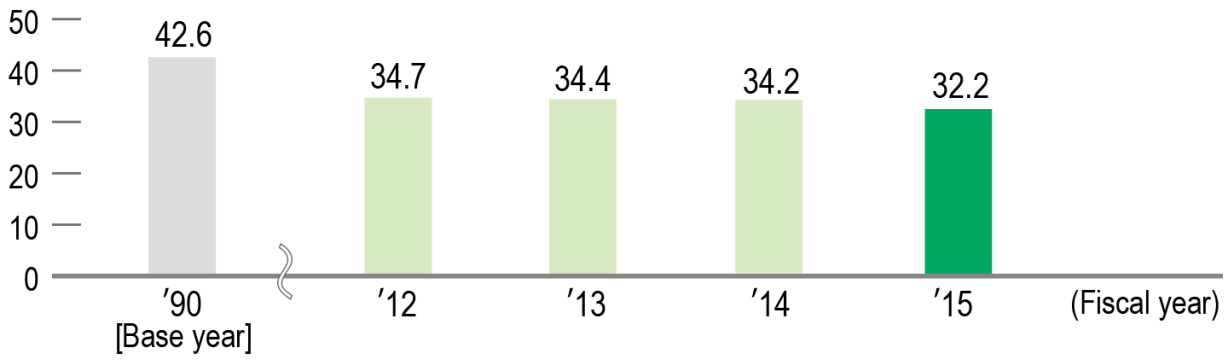
In fiscal 2015, we implemented activities aimed at improvements that included enhancing the load ratio of trucks, shortening transport distance by opening warehouses in satellite hubs and efforts to raise fuel efficiency by transport operators. As a result, overall emissions were reduced by 32,200t-CO<sub>2</sub> compared with the previous year and we achieved our target for the fiscal year.

### DENSO logistics



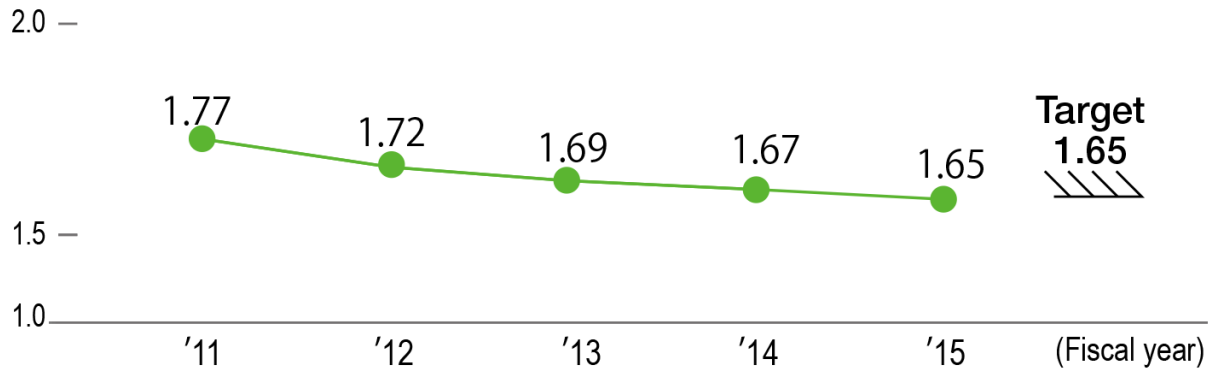
## CO<sub>2</sub> emissions from logistics [DENSO Corporation]

(1,000t-CO<sub>2</sub>)



## Amount of CO<sub>2</sub> emissions in logistics / Physical production and sales (Unit: 100 million yen)

Basic unit



## Resource Recycling

### Effective use of resources by products

#### Basic stance

In an effort to effectively utilize resources, the DENSO Group set the following measures as priority initiatives in the fifth phase of the Environmental Action Plan. Specifically, 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.

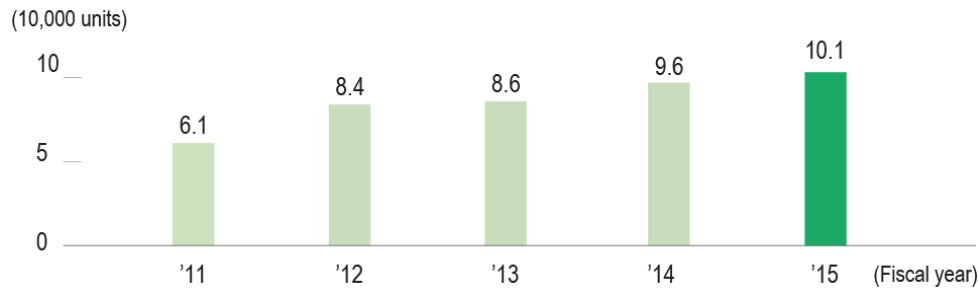
- (1) Reduce material use through smaller and more lightweight designs (product development stage)
- (2) Rebuild and recondition products (product usage stage)
- (3) Develop materials that break down easily or are easy to recycle and calculate the recyclable ratio (product development stage)
- (4) Strive to recycle resources throughout the product lifecycle

#### Increasing resource recycling via parts rebuilding business by the Group

In creating collection and recycling systems for used products, the DENSO Group believes in the importance of ensuring effectiveness and efficiency.

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



### Effective use of resources in production

#### Basic stance

For the DENSO Group, “promoting the effective use of resources aimed at creating a recycling-oriented society” has been set as a priority task for maximizing resource productivity. By doing so, we seek to realize zero emissions (zero waste at landfill).

We have established the target at DENSO Corporation of cutting the disposal amount basic unit by 42% and at domestic manufacturing companies by 25% compared with fiscal 2004 levels by fiscal 2013, along with creating a system to promote reduction activities at overseas manufacturing companies. Further, we worked 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, and thereby achieved the targets. We have since started promoting the initiative to reduce waste globally with the aim of minimizing resource loss.

## Fiscal 2015 results

### Zero emissions of waste and emissions reduction

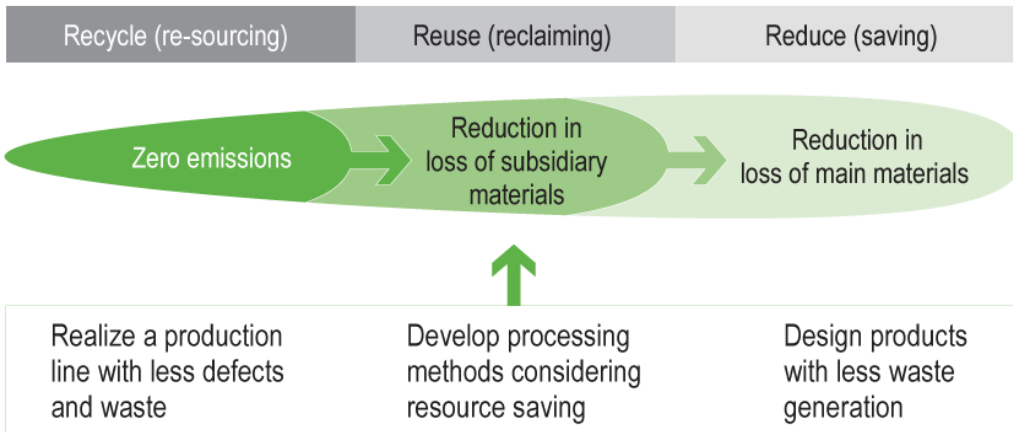
DENSO Corporation and 23 domestic Group companies achieved zero emissions at all sites in fiscal 2004. A total of 25 out of 45 principal facilities overseas achieved zero emissions in fiscal 2015. We also have established an auditing system for domestic waste treatment operators as a means to ensure 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 2.97, which surpassed our target of 3.00 or below.

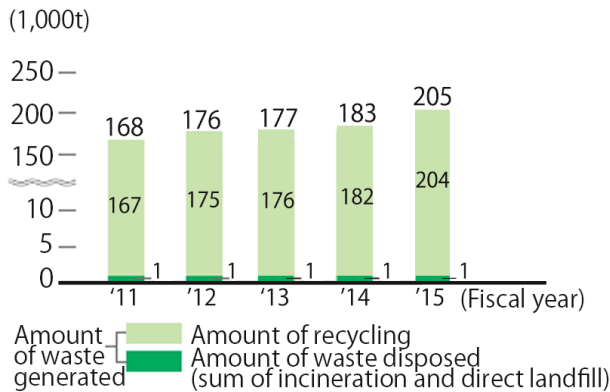
\* Path for plastic and metal material from molding machine nozzle to mold that shapes the product

### Positioning of zero emissions and activities for reducing waste and emissions

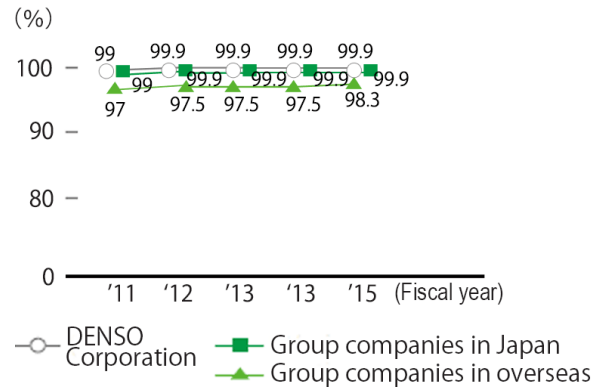
Reduce waste materials with the three Rs



### Recycling and waste processing amounts

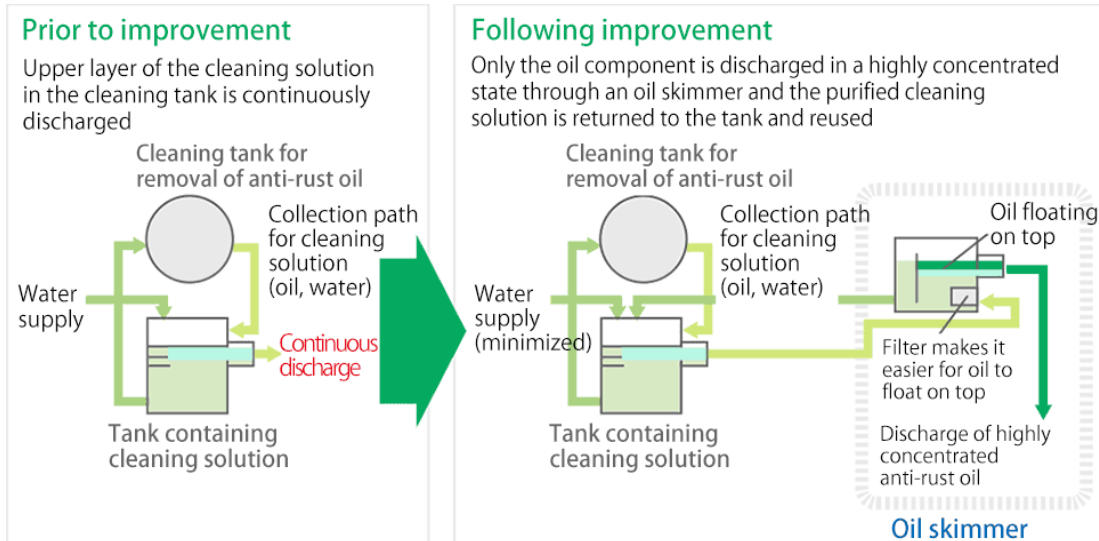


### Recycling rates



## Case of effective resource utilization: Extended life of cleaning solution by installing an oil skimmer

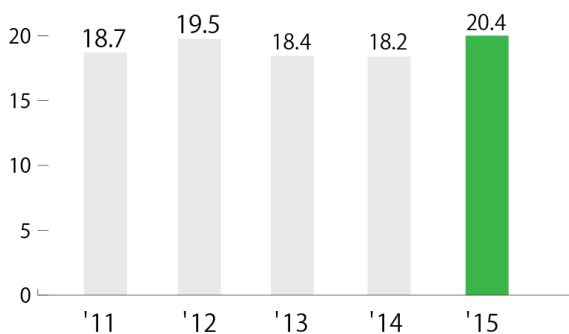
Products requiring a high level of cleanliness are washed thoroughly to remove anti-rust oil, which is applied to products that are supplied prior to assembly. Previously, the upper layer of liquid in the cleaning tank was continuously removed as waste oil to avoid sludge building up or sticking to the tank in line with an increase (decrease) in the amount of oil contained within. Therefore, we introduced a device to recover the oil floating on top of the water in the tank and discharged just the oil component in a highly concentrated state. This has helped to extend the life of the cleaning solution and eliminate the need to constantly drain the liquid, thus significantly reducing the amount of waste oil.



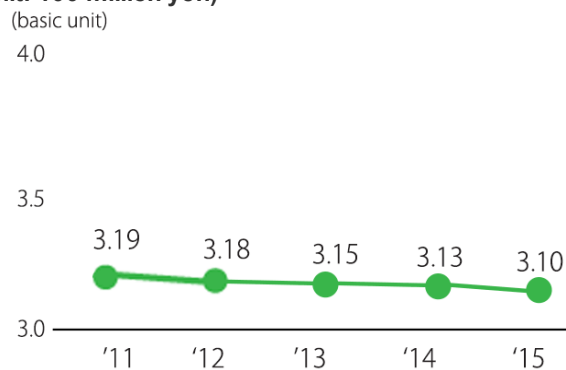
## Reducing packing material usage in distribution

DENSO Corporation is promoting the use of more simple and returnable packing materials in accordance with the 3Rs (reduce, reuse, recycle). Specific efforts include promote a switch from cardboard to plastic returnable containers and from cardboard pallets to plastic sheets. Wide-ranging efforts also include reusable packing in transportation between factories, as well as improvement activities using a more lightweight outer container for export. We are continuing to implement these initiatives. In fiscal 2015, we achieved our fiscal year target for the basic unit by undertaking these activities.

Amount of packing materials used (1,000t)



Material usage (t) / Physical production and sales (Unit: 100 million yen)



## Reducing water consumption

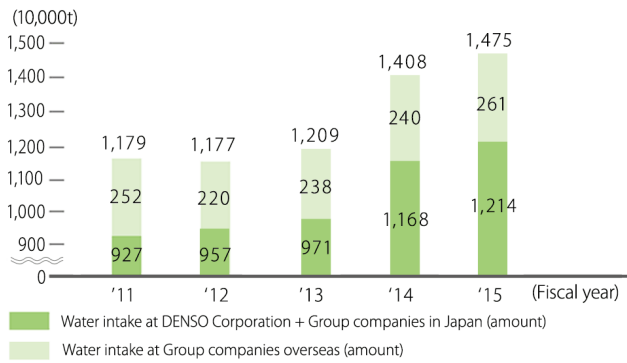
The DENSO Group has formulated a policy aimed at effective utilization of water resources and minimizing water consumption as part of the Environmental Action Plan and identified intake sources with the most impact. We have set regional guidelines and targets for the reduction of water consumption.

Besides striving to conserve and recycle water, we have set voluntary standards for the quality of discharge water that are stricter than legal requirements and carefully manage the quality and temperature of water during discharge.

The amount of water consumed in fiscal 2015 was up 5% year on year to 14,750,000 tons as a result of adding in figures for semiconductor manufacturer DENSO Iwate Corporation to the domestic Group in fiscal 2014 due to the large amount of cleaning and cooling water needed by this company.

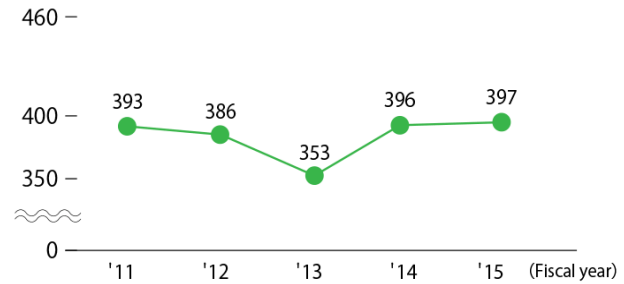


## Water consumption

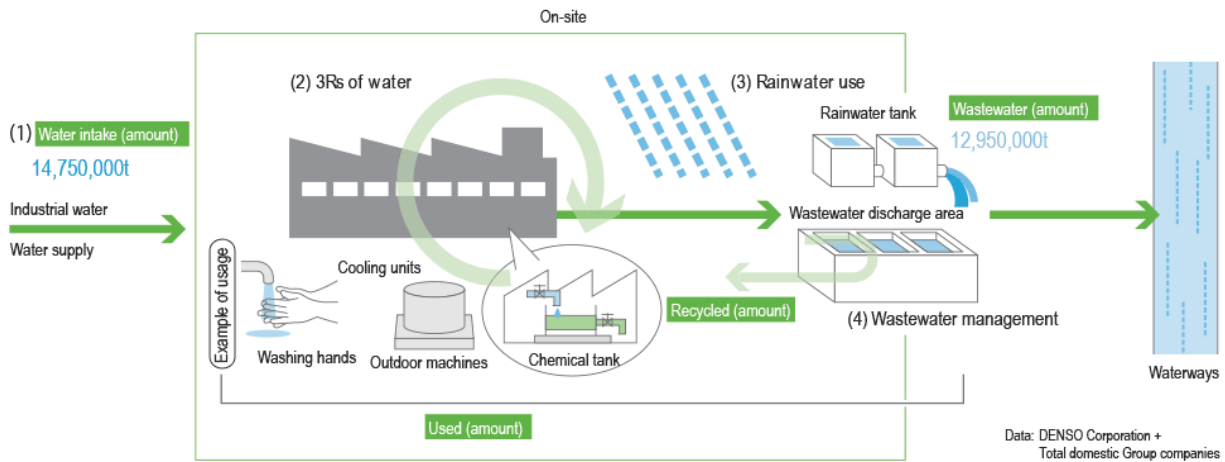


\* DENSO Iwate Corporation added in fiscal 2014

## Water consumption (basic unit) DENSO Corporation + Group companies in Japan



## Key initiatives



Data: DENSO Corporation + Total domestic Group companies

### 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).

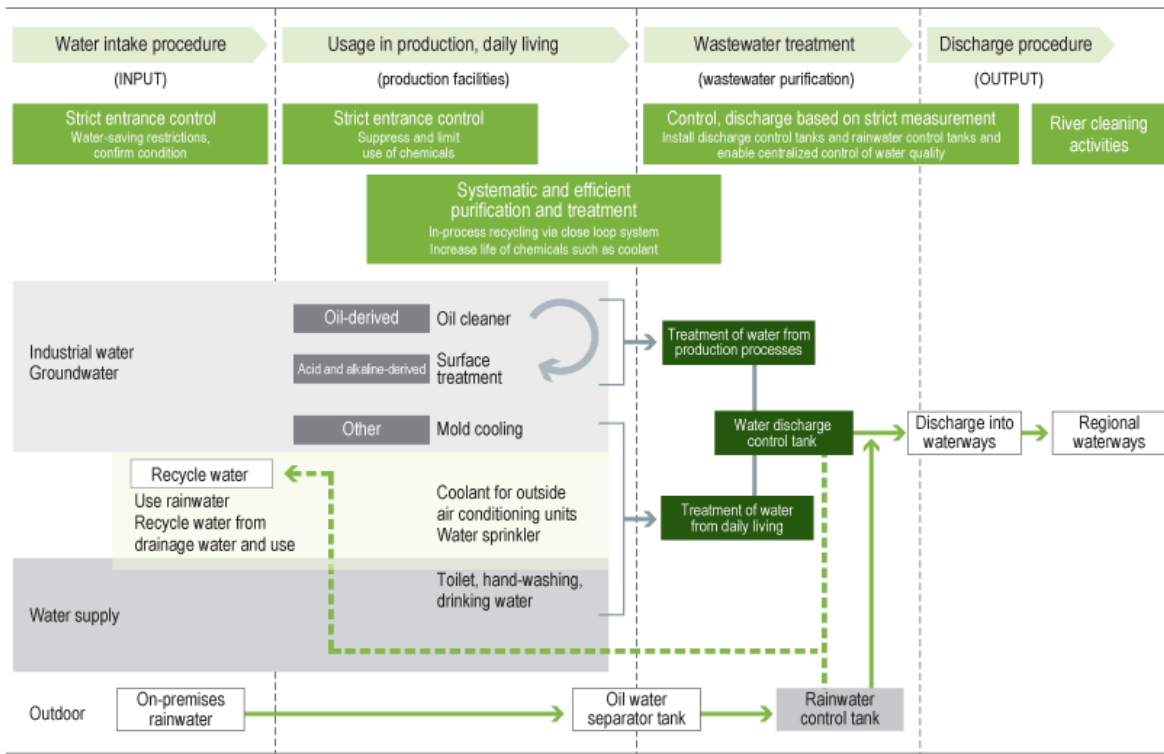
### 3. Effectively use rainwater

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 at some sites.

## DENSO Corporation's water resource management system



## Main water systems impacted by water intake

Region	Main water system
Japan (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)
	Inaba / Suzuka River water system (Mie Prefecture)
	Abashiri River water system (Hokkaido)
	Natsui River water system (Fukushima Prefecture)
	Kitakami River water system (Iwate Prefecture)
	Mogami River water system (Yamagata Prefecture)

Region	Main water system
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)
	Savannah River (USA)
	Iguacu River (Brazil)
	Negro River (Brazil)
	Paraopeba River (Brazil)
	Suquia River (Argentina)
Europe	Lake IJ (Netherlands)
	Isar River (Germany)
	Dunarea River (Germany)
	Dodensee (Germany)
	Llobregat (Spain)
	Po (Italy)
	Trigno (Italy)
	Parma (Italy)
	La Bievre (France)
	Mleczna (Poland)
	Kaczawa (Poland)
	Przemsza (Poland)
	Nysatuzycka (CZECH s.r.o.)
	Umgeni (South Africa)
Asia	Hindon River (India)
	Yamuna River (India)
	Bang Pakong River (Thailand)
	Chao Phraya River (Thailand)
	Kallang (Singapore)
	Jakarta Bay (Indonesia)
	Cikeas (Indonesia)
	Duong (Vietnam)
	Mula River (India)
	Chindong Bay (Korea)
	Han-gang (Korea)
	Tonle Sap (Cambodia)
China	Yangtze River
	Balhae Sea
	Dong Jiang River
	Dagu River
	Pearl River
	Lao Tong Yang Canal

Overseas Group companies

# Control and Reduction of Environmentally Hazardous Substances

## Controlling and reducing harmful chemical substances in products

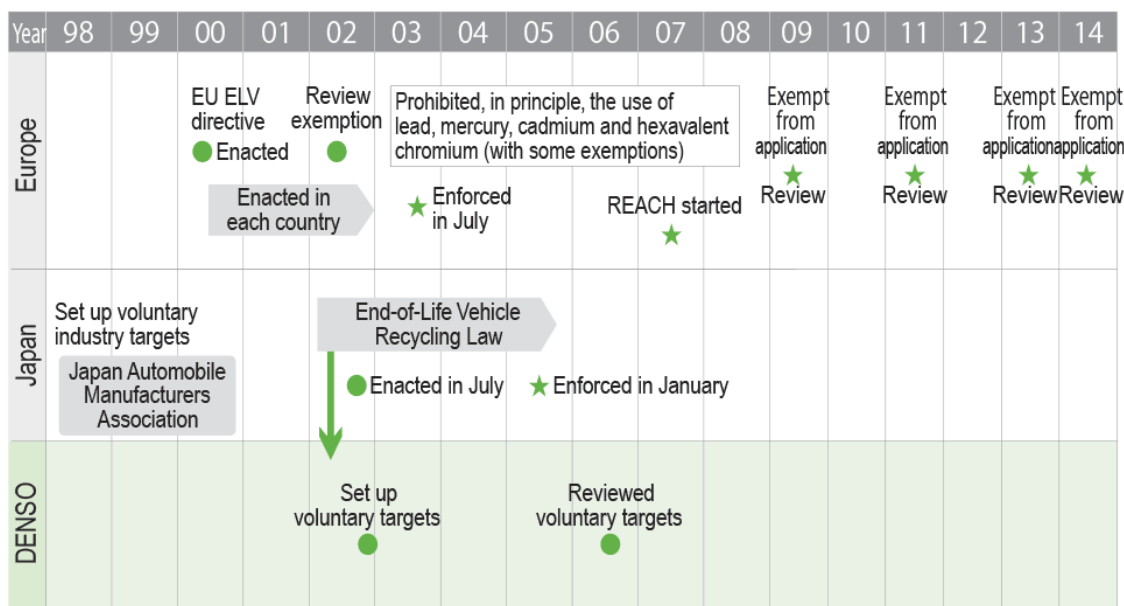
### Basic stance

The DENSO Group seeks to strengthen production and management systems in line with a basic policy to reduce the use of harmful 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<sup>\*1</sup> 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<sup>\*2</sup>) and meet the requirements of the REACH Regulation<sup>\*3</sup> 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
- \*3 REACH: Registration, Evaluation, Authorisation and Restriction of Chemicals

### Response of DENSO and industry to laws and regulations



### Fiscal 2015 results

#### 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 is also a move to regulate lead and other items in high-melting point solder, glass, ceramics and alloys (aluminum and copper), which up to now have been exempted from application indefinitely. To steadily respond to such developments, the DENSO Group plans to conduct assessments of the appropriateness of alternative items.

## Responding to REACH Regulation

Regarding substances and mixtures that are handled by production facilities and Group companies in the EU, the DENSO Group 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<sup>\*1</sup>) and making responses concerning the communication of information about SVHC<sup>\*2</sup> in products and components.

We identified the impact of these substances on automobile parts from an early stage before they are designated SVHC with the cooperation of the Japan Auto Parts Industries Association and Japan Automobile Manufacturers Association in response to an increase in SVHC subject to the REACH Regulation from 2011. In this way we are promoting activities that enable a timely response.

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

## Controlling and reducing chemical substances during production

### Basic stance

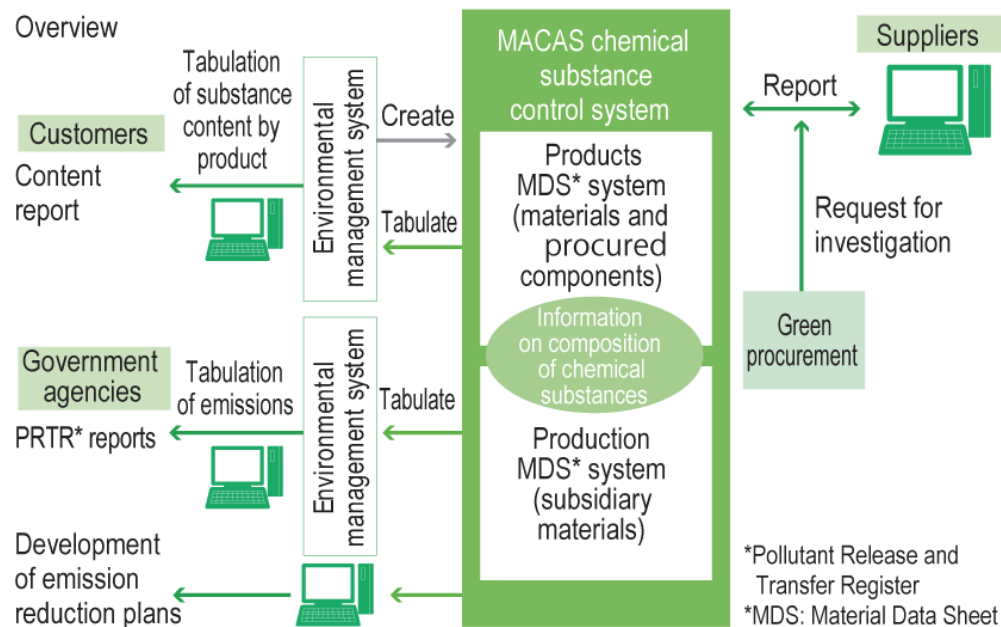
We classify chemical substances used at factories into “prohibited,” “targeted for reduction” and “controlled” categories. Since fiscal 2002 we have sought to implement unified control of all chemical substances used in product materials, procured components and production processes by means of MACAS, 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

Overview



## Fiscal 2015 results

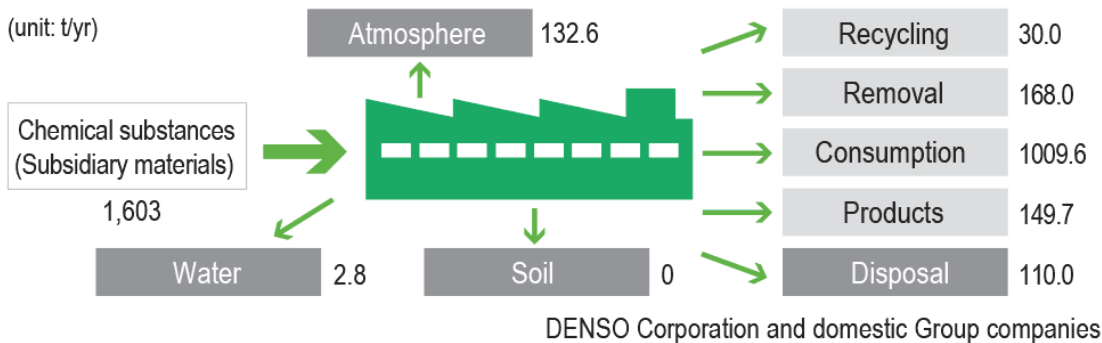
### Responding to Pollutant Release and Transfer Register (PRTR)

DENSO achieved its target of a 75% reduction in PRTR\*-listed substances by 2010.

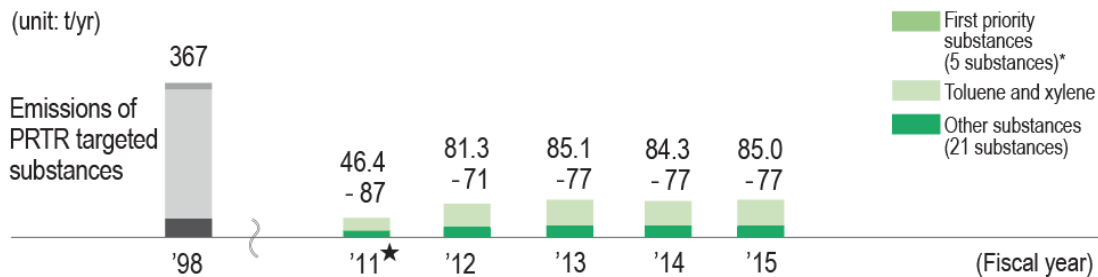
In addition, we tabulated past targets under our EcoVision up until fiscal 2011 and presented the trends. From fiscal 2012, we shifted to the new fifth phase of the Environmental Action Plan, where we have reviewed emission factors and designated chemical substances and are making calculations using data with modified and improved tabulation parameters.

\* PRTR: Pollutant Release and Transfer Register

### Emissions of PRTR targeted substances



### Reduction of PRTR targeted substances [DENSO Corporation]



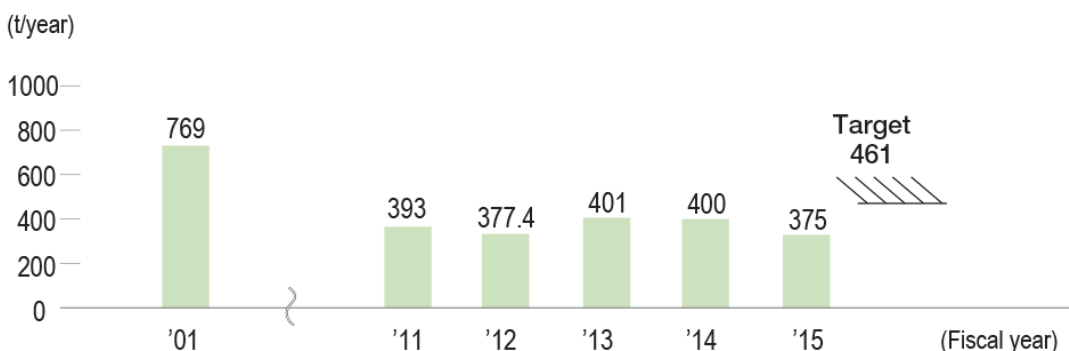
\*Reviewed PRTR-listed substances, etc.

### Reducing VOCs

Regarding emissions of volatile organic compounds (VOCs), DENSO has set the goals to promote initiatives for emissions to be reduced by 40% compared with 2000 levels by fiscal 2015 at DENSO Corporation and for overseas Group companies to implement top-tier measures for their country or region.

In fiscal 2015, we reduced emissions by 51% (compared with fiscal 2001 level) by adding traditional VOC collection and removal equipment. Currently, we are promoting redoubled efforts for improvement by eliminating and consolidating production lines.

### VOC emissions



## **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.

The DENSO Group 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 components 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.

We stipulate substances for which we prohibit the purchase and use of, including ozone-depleting substances, in the “DENSO Group Green Procurement Guideline” and have requested members throughout the supply chain not to use such substances.

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.

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## Cooperation with Society

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DENSO is also committed to environmental activities through information dissemination and external coordination in addition to reducing environmental loads in business activities

### **Environmental communication**

Eco-friendly environmental actions conducted by the DENSO Group through information dissemination and external coordination

### **Biodiversity initiatives**

DENSO Group initiatives to maintain and preserve ecosystems



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## Environmental communication

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### Basic stance

The DENSO Group 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 fifth phase of the Environmental Action Plan. Priority initiatives are as follows.

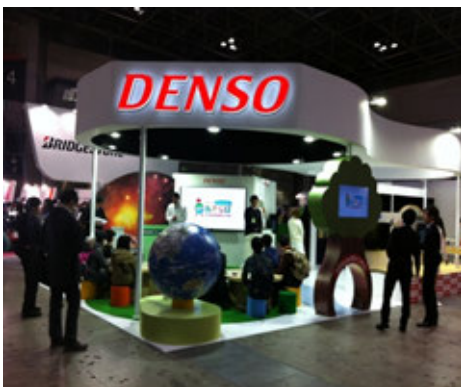
- (1) Promote employee “Eco Life” activities (prevention of global warming)
- (2) Actively transmit information and enhance interactive communication with stakeholders
- (3) Enhance environmental education
- (4) Enhance environmental and social contributions
- (5) Foster external alliances toward the realization of a sustainable society (coordination with related organizations, activities devoted to protecting biodiversity, etc.)

### Information dissemination and external coordination

#### Disclosure of CSR information

Since 1999, we have been progressively enhancing our disclosure of environment-related information through CSR reports. We also recommend that overseas Group companies disseminate information, and DMHU (Hungary, since 2001), DNBA (Spain, since 2005) and DMUK (the United Kingdom, since 2006) now disseminate environmental information on an ongoing basis.

#### Exhibiting at Eco Products



Eco Products 2014

The DENSO Group 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 2014 exhibit in Tokyo in December 2014. DENSO also introduced advanced environmental technologies at motor shows held in Detroit, Beijing and other cities worldwide and ITS World Congress in Vienna.



Detroit Motor Show 2014

## 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. We implemented the following initiatives in fiscal 2015.

### Increased employee awareness with an “environmental LCA quiz”

DENSO held an “environmental LCA quiz” as part of Environment Month in fiscal 2015 based on the keyword “lifecycle” as a means to boost understanding of the bedrock of DENSO’s Eco Vision.

Life Cycle Assessment (LCA) is a technique used to visualize the environmental impact of a product throughout its life. Through visualization, this also helps to identify measures to reduce environmental impact.

Participants learned about LCA while answering five questions and those who got all of the answers correct were presented with a gift from DENSO.

#### Results

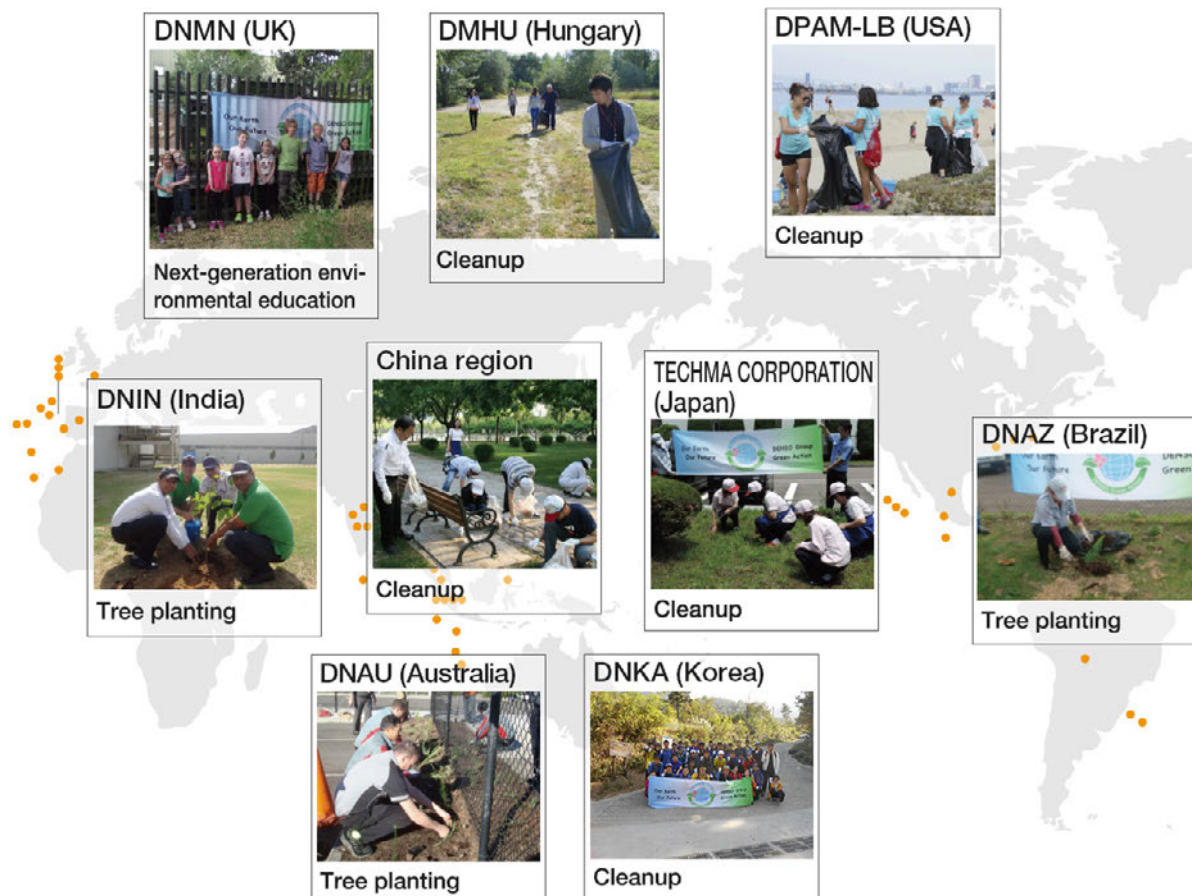
- Number of quiz participants: 965
- Number of persons with all answers correct: 898 (93%)

### Environmental events held globally

From fiscal 2013, we held various environmental events globally as we support the development of people with high environmental awareness.

In fiscal 2015, we undertook tree-planting and regional beautification activities under the global theme of “Green and Clean Action” as part of One DENSO Action.

### Deployed “Green and Clean Action” throughout the DENSO Group



**TOPICS**

**DENSO Iwate Corporation receives the grand prize in the environment awards from Iwate Prefecture's south wide-area Development and Promotion Bureau**

The grand prize in these environment awards was given in recognition of the company's measures to prevent global warming by reducing power consumption, efforts to manage a prefectural forest with the local authorities and for its community-based environmental activities. An employee who was part of the initiative made a presentation on some of the environmental activities undertaken at the awards ceremony.



Awards ceremony



Signing ceremony for the letter of agreement regarding corporate reforestation activities

**Promoting coordination with related organizations**

DENSO Corporation 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 267 major companies from the Chubu region.

As a leading company behind working groups investigating matters related to the creation of a low carbon society, we have been examining and widely promoting advanced initiatives that address environmentally responsible design and energy conservation through these groups. From fiscal 2013, we will strive to promote coordination as a leading company behind working groups investigating the creation of a recycling-oriented society.



World Business Council for Sustainable Development

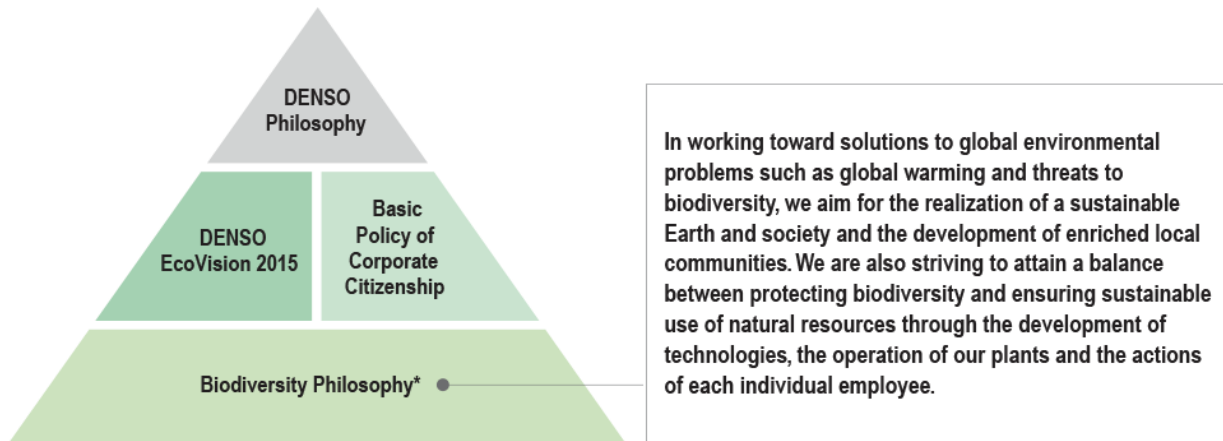


## Biodiversity initiatives

### Basic stance

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 for biodiversity 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



\*Deliberation giving consideration to Convention on Biological Diversity

Basic principles and desired shape	Main initiatives in biodiversity		Unique perspectives of DENSO's initiatives
	Initiatives	Aims	
Mitigate the impact on endangered and rare species (preserve the current state)	(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	<b>Avoid causing damage (plant operations)</b> 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  <b>Utilization (technology development)</b> Learn from the functions and powers of organisms •As new materials and products •As organic and engineering functions Maximize the use of raw materials  <b>Protect (employee actions)</b> Protect precious ecosystems Maintain mountain lowlands •For ensuring the continuation of our business
Maintain and preserve ecosystems that have existed since our founding (around plants)	(2) Conduct environmental assessments	Evaluate environmental impact and potential impact on biodiversity when building new factories, clean up soil contamination, purify groundwater	
Development by minimizing risks (when setting up new plants)	(3) Enhance fuel efficiency and reduce exhaust gas	Curb global warming, deter impact on living organisms	
Preserve and regenerate sustainable forests	(4) Attain balanced sustainable use of biological resources	Reduce consumption of natural materials for use in products, switch to alternative materials	
Nurture next-generation environmental leaders	(5) Build biotope at Zenmyo, Takatana, Daiian 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	

## Fiscal 2015 activities

### Initiatives in our main business operations

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.

### 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.

#### 1. Eco Garden (DMUK: UK)



Local students set up birdhouses



Sapling planting

DENSO Manufacturing UK Ltd. (DMUK) opened an Eco Garden in September 2011.

Since then, the Eco Garden provides a space for local people to engage in environmental activities. Students can put the birds' nests they made there. It is also a place where employees can come and relax and have contact with a variety of wild animals.

DMUK takes every opportunity to introduce the Eco Garden, for example, by hosting a BESST\* biodiversity event for other local businesses.

DMUK will continue with environmental activities such as this going forward.

\* Business Environmental Support Scheme for Telford

#### 2. Wild Flower Garden (DMMI: Michigan, United States)



From left: Wild flower garden, bluebird chick, garden maintenance, flowers blooming in a garden

DMMI 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.

### 3. Restoration of ecosystems via a biotope (Japan)

When *Pseudorasbora pumila subsp.*, an endangered species of freshwater fish, was discovered in 1998, the Zenmyo Plant 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. In addition, efforts are being made to breed killifish and bring back the local takanata butterfly at a biotope (1,500m<sup>2</sup> area) at the Takatana Plant that was built with the cooperation of local elementary school students in 2004. At the Daian Plant, *Phragmites japonica Steud.*, which is grown on an artificial floating island, cleanses pond water as we work to create a hospitable environment for fish.

### 4. Activities to protect loggerhead turtles (Toyohashi Plant, Aichi Prefecture)

DENSO Corporation's Toyohashi Plant (Toyohashi City, Aichi Prefecture) has teamed up with the NPO Omotehama Network since 2007 in an effort to protect the environment along the Omotehama coast, an egg-laying area for loggerhead turtles, an endangered species. As part of the DENSO Eco-Ranger experimental environmental program for elementary school students and through coastal cleanup activities by local residents and DENSO employees, we built a barrier (sediment enclosure) to keep the area clean and protect the egg-laying site.

#### 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 subsp.</i> (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 N: Noteworthy (as designated by Hokkaido)
		<i>Paeonia obovata Maxim</i> (seed plant)	VU: Endangered species (as designated by Ministry of the Environment)

\*Species considered to be moving toward extinction

### 5. The DENSO Green Project

#### (1) Tree-planting activities based on cooperation with the local community

The DENSO Group 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: tree-planting activities in the vicinity of the sites where products are manufactured; and 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 March 2015, these activities had been carried out a total of 38 times. Approximately 6,100 volunteers, including local residents as well as employees of DENSO Corporation and Group companies and their families, have participated and around 14,400 saplings have been planted.

Planted saplings  
Total: **14,400** trees



Example of Nishio Plant

Planting of Japanese hydrangea macrophylla

\*The name of the hydrangea in the photo is "Sumida fireworks."



Example at Nukata Plant

Forest conservation activity to impart knowledge about the functions and importance of the forest in a fun way

**Fiscal 2014 activities (Aichi Prefecture)**

Location	Scale	Details
Kariya Highway Oasis (November 29)	68 participants Planted 172 trees	<ul style="list-style-type: none"> <li>● Planted</li> <li>● Cut grass</li> </ul>
Zenmyo Plant (November 8)	122 participants Planted 500 trees	<ul style="list-style-type: none"> <li>● Planted <i>deutzia crenata</i> double-flowered cultivar on embankments</li> </ul>
Nishio Plant (March 14)	214 participants Planted 1,500 trees	<ul style="list-style-type: none"> <li>● Planted Japanese <i>hydrangea macrophylla</i> on embankments</li> </ul>

**Comment from a participant who took part in planting hydrangeas with work colleagues (Thermal Systems Manufacturing Division 1, Nishio Plant)**

We formed a group called the “Pegasus Society” three years ago to vitalize communication in the workplace. At first, we began with supporting the Company’s women’s softball team, but then based on a desire to learn more about the Company, we decided to take part in a tree-planting event for hydrangeas being held at the Nishio Plant (Aichi Prefecture). It was more fun than I expected and now I spend each day waiting in anticipation for the flowers to bloom. Suddenly, I found myself thinking more deeply and caring more about nature. We are planning to have a big party with people from work once the flowers bloom.



Members of the Pegasus Society

**(2) Creating plants and offices surrounded by greenery**

Since fiscal 2011, DENSO has been conducting a “green oasis creation” program at headquarters and manufacturing sites in order to make premises greener through hands-on employee participation. We held the DENSO Green Curtain Contest in 2012, which pitted workplace against workplace, with the aim of enhancing environmental awareness among employees by growing greenery. Children from the local kindergarten were invited to help harvest the vegetables and some of the bitter gourds were given to customers and employees.

DENSO’s Zenmyo Plant and DENSO headquarters won the most outstanding award (Business Site category) in the Aichi Green Curtain Contest implemented by Aichi Prefecture in fiscal 2013 and fiscal 2015, respectively.



<Example from a domestic Group company>  
DENSO Group Green Curtain Contest

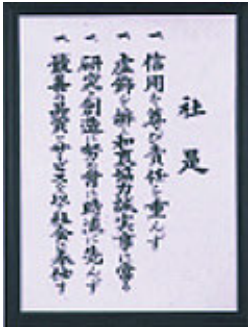


Aichi Green Curtain Contest awards ceremony (December 2014)

## CSR History

### Philosophy

#### To be trustworthy and responsible



Guiding precepts of DENSO (established in 1956)

The guiding precepts of DENSO, which were established in 1956 upon soliciting ideas from employees, begin with the statement “to be trustworthy and responsible.” DENSO’s first president Torao Hayashi interpreted this statement as follows: “Trust is an intangible force that gradually develops over a long time. It is sort of like air. We would not notice when everything is proceeding well. However, trust will start to vanish from the moment we become arrogant by thinking that this is natural as a matter of course. For this reason, we are expected to conduct business by always bearing in mind the importance of responsibility.”

This idea suggests the fundamental of today’s Corporate Social Responsibility (CSR) and this spirit is handed down via the DENSO Philosophy (established in 1994) and DENSO Group Declaration of Corporate Behavior (established in 2006).

### Origins of CSR

#### Customers

We will strive to create new value to earn customers’ trust and satisfaction.

#### Employees

We will value employees and make efforts to ensure that each individual is able to work enthusiastically.

#### Shareholders and Investors

We will work to enhance corporate value while placing an importance on dialogues.

#### Suppliers

We will strive to ensure open, fair and transparent transactions.

#### Global and Local Communities

We will make efforts to carry out social contribution activities in all regions in which we conduct business with the aim of realizing coexistence with society.

#### Environment

We will take the initiative in promoting environmental preservation activities across the board in our corporate behavior with the aim of achieving growth in harmony with the environment.



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## Origins of CSR: Customers

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### DENSO Quality First



Production Technology  
Section in 1950s

The words of Sakichi Toyoda, the founder of Toyota, that “true value cannot be questioned by the world unless products are thoroughly tested” continue to be handed down and have become the basis of developing safe and comfortable cars for people engaged in the automobile industry.

DENSO’s first president Torao Hayashi always stressed to employees the fundamental mindset: “Our work has a direct bearing on people’s lives. If a car has an accident, the lives of people are endangered. It is our responsibility to engineer parts that we can guarantee as having an absolute level of quality.”

These concepts led DENSO to enhance its technology through cooperation with Robert Bosch GmbH (Germany) and receive the Deming Prize in recognition of establishing Total Quality Management (TQM), which involves organizational control of product quality. This became the foundation for DENSO’s advanced quality assurance system through which the Company became recognized as being synonymous with quality.

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## Origins of CSR: Employees

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### “*Monozukuri*” (manufacturing) is “*hitozukuri*” (human resource development)



Training school for technicians (around 1955)

Fostering high-caliber technicians requires high-caliber mentors, the right environment and plenty of time. Establishing this inside a corporate environment requires a system in which the act of improving technology and skills is a rewarding experience.

Soon after its foundation, DENSO established a training school for technicians (predecessor to the DENSO Technical College) in 1954 by designating human resource development as a critical investment for the future. Since that time, the Company has continuously achieved many technical innovations that were considered impossible through promoting various initiatives such as participating in the WorldSkills International Competition, a world-class skills competition;

original product development; and developing core technologies and manufacturing in-house.

Today as well, each and every employee is imbued with the genes of “DENSO-style *monozukuri* (manufacturing)” based on the idea of “*hitozukuri* (human resource development) sets the precedent for *monozukuri*.”

### DENSO Safety First



Scene at a workplace in 1969

DENSO has been focusing on safety and health management based on its Safety Philosophy that promotes a workplace where employees can work in safety as the best way to respect humanity and achieve high productivity. In September 1969, however, an explosion accident occurred at the die-casting factory of the Anjo Plant in which six employees were casualties. DENSO immediately set up a task force to focus its entire efforts on the rescue of and provision of medical treatment to injured persons, responding to the families of affected personnel, identifying the cause and restoring the facilities.

Additionally, DENSO established “DENSO Safety First” as a slogan in October 1969 by imbuing our determination to never cause such accidents. At the same time, the Company established the DENSO Safety, Health and Environment Standards (DAS) the following year based on inspections and measures that were concurrently carried out throughout the workplace.

Thereafter, DAS was improved by adding measures to be taken in case of a disaster and safety aspects when introducing new technologies. Today, DAS is designated as the foundation for supporting “occupational safety, health management and environmental preservation.”

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## Origins of CSR: Shareholders and Investors

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### Enhancement of corporate value



Main office building of Nippondenso at the time of foundation

In 1949, at the time it was spun off from Toyota Motor Co., Ltd. (currently, Toyota Motor Corporation) and established as Nippondenso Co., Ltd. (currently, DENSO Corporation; capital 15 million yen), DENSO incurred a payback obligation of 140 million yen as debt payable from Toyota Motor Co., Ltd., which was attributable to the cumulative losses recorded by the electrical components and radiator departments. Additionally, with the economic downturn caused by fiscal austerity, the Company's situation was extremely harsh from the beginning in terms of financing.

The circumstances changed when the Korean War began in 1950. Large amounts of supplies ordered from the United States to Japan created a special procurement boom. As a result, DENSO's business performance expanded significantly and its cumulative losses were eliminated. At the same time, the Company's repeated capital increases led to its listing on the Tokyo Stock Exchange in 1953.

Nonetheless, the Company's top management kept in mind the hardships that they faced at the time of establishment, whereby steady and sound management was promoted to the extent that the Company was recognized as "DENSO Shinkin Bank" and focused on modernizing production facilities and technology development while strengthening its financial foundation. Even today, as it grew and became a global company, under the DENSO Group Declaration of Corporate Behavior, DENSO states its responsibility to stakeholders 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.

## Origins of CSR: Suppliers

### Mutual development based on mutual trust



Award presented for outstanding improvement proposals of suppliers (1987)

Groups by type of business named the “Cutting association” and “Press association” were established among business partners in 1955 and have since continuously promoted measures for mass production, high quality and low cost, and shorter delivery times. In 1959, the two associations were integrated and formed the DENSO Cooperative association (subsequently named “DENSO HISHO-KAI” association). DENSO also spared no effort in providing support for member companies, including lending funds for modernizing facilities, workshops for improving production management and skills and technical education. Underpinned by the spirit of “mutual development” to grow together while sharing hardships, these initiatives ultimately became a driving force that supported motorization in Japan.

Even today, amid the circumstances in which DENSO grew and became a global company and expanded its procurement activities throughout the world, the Company’s concept toward realizing mutual development by designating business partners as equal partners remains resolute. Along with its “Open Door Policy” that provides opportunities for suppliers to participate in its business in a fair manner, this has become the foundation that supports DENSO’s procurement activities.

## Origins of CSR: Global and Local Communities

### As a global corporate citizen



Young people who participated in Operation Raleigh

Sponsorship of Operation Raleigh in 1984 is a representative incident in terms of DENSO social contribution activities. Launched in commemoration of the achievements of English adventurer Sir Walter Raleigh, Operation Raleigh is an international program for young people in the world to conduct ecosystem surveys and volunteer activities while sailing around the world on ships over a three-month period.

As a global company recognizing its social responsibility, a total of 110 Japanese young people have participated in this event over a five-year period and broadened their knowledge. Subsequently, by developing its original activities through the establishment of the Social Contribution Committee, DENSO Corporation has focused its efforts on the development of youth, who will be taking active roles in the next generation.

### Aiming to realize a barrier-free society



Enhancing work efficiency using auxiliary equipment according to the level of disability (Work scene in 1998)

Since 1978, when DENSO began regular employment of persons with hearing impairments and was promoting the improvement of the workplace environment, there was a movement to attract the social welfare corporation Japan Sun Industries (Oita Prefecture) in Aichi Prefecture. Upon receiving a request for cooperation in this initiative, DENSO empathized with the concept of providing a place to work for persons with disabilities and opening the path to society. In 1984, DENSO TAIYO Co., Ltd. was established in Gamagori City, Aichi Prefecture, through joint investment. The company is engaged in the production of meters for light motor vehicles on consignment.

Getting all employees according to the different degrees of disability to work together to realize the stable production of high quality products is not easily achieved. Conversely, these employees are eager to acquire skills that even amaze instructors from DENSO. Additionally, with their creativity in devising fixing

tools and facilities to compensate for their disabilities, they have managed to put the production on track in a short period of time.

In this way, DENSO TAIYO Co., Ltd. became the top company for light motor vehicle instrument clusters and achieved cumulative production of 20 million units in 2008.

These employees' efforts have been a catalyst to accelerate initiatives toward realizing a barrier-free society and have led to the promotion of various initiatives, including the establishment of the Wheelchairs and Friendship Center for Asia (WAFCA) in 1999 and Oita International Wheel Chair Marathon support.

## Origins of CSR: Environment

### Starting point of eco cars



“DENSO” electric car

In 1950 when there was an ongoing severe lack of gasoline, DENSO made collective efforts in promoting the development of the “DENSO” electric car amid a lack of supplies and stringent cash flow. Everything was made in-house except for the battery and chassis. A 6-seat car with a maximum speed of 43 km/h and capable of running 195 km per a single battery charge was truly distinctive at a time in which charcoal-powered cars were the mainstream in Tokyo during the post-war period.

Soon after its release, however, production was discontinued after producing 50 electric cars as a result of receiving orders for a large amount of parts due to military procurement for the Korean War, relief due to the import of gasoline and a rise in lead prices, all of which occurred around the same time. A challenging spirit and technologies accumulated through the development of an electric car were subsequently utilized for the development of a battery-powered lift truck. Moreover, these aspects have been handed down in developing and manufacturing core parts for recent electric cars and hybrid cars and successfully utilized as DENSO eco products (environment-conscious products).

### Environmental management and Eco Factory



Production scene in the early 1970s when DENSO began full-fledged initiatives for environmental preservation

With the construction of production plants in Japan and overseas in the 1960s, DENSO stated that the fundamental principles underpinning its business operations were “observing the environmental standards of respective regions” and “giving due consideration to local communities.” Accordingly, the Company started reviewing all of its plants prior to the enactment of the Basic Law for Environmental Pollution and the Water Pollution Control Law in Japan. In 1972, aspects pertaining to environmental preservation were incorporated into the DENSO Safety, Health and Environment Standards (DAS), thereby improving the foundation of environmental management by establishing internal standards that are more stringent than laws and regulations in terms of facilities and management.

In the 1980s, environmental issues expanded from regional pollution measures to global-scale issues. Accordingly, DENSO focused on initiatives, including water quality and the prevention of soil contamination and air pollution as well as protection of the ozone layer through abolishing the use of chlorofluorocarbons (CFC) at all plants. In the 1990s, the prevention of global warming became a major issue, whereby our plants have undertaken collective efforts to reduce CO<sub>2</sub> emissions. All initiatives, including the visualization of energy consumption by facilities, a direct-charge system in which the departments are charged according to their energy consumption, diagnostics and improvements conducted by a special energy-saving team, the development of energy-saving facilities via in-house technology and the participation of all employees in these efforts, signify the implementation of environmental management as prescribed by the DENSO Philosophy (established in 1994). These initiatives were also our first step toward realizing Eco Factories befitting being “an environmental top runner.”

CSR Chronology  
**History of social activities**

1954~1990    1991~2004    2005~2014

1954                      ● Established a training center for technicians (predecessor of DENSO Technical College)

1956                      ● Established guiding precepts of DENSO

1961                      ● Awarded Deming Prize



Recognition of exceptional quality control - Deming Application Prize (1961)

1963                      ● Initially participated in the WorldSkills International Competition (International Professional Training Competition)

1964                      ● Developed system of a labor relations forum for workplaces  
 ● Introduced QC Circle activities

1977                      ● Won first gold medal at the WorldSkills International Competition

1978                      ● Began regular employment of persons with hearing impairments

1980                      ● Introduced QC Circle activities at overseas business locations

1984                      ● Established DENSO TAIYO Co., Ltd., a welfare factory for persons with disabilities  
 ● Began sponsorship for Operation Raleigh (youth development) (up to 1988)



Operation Raleigh for youth development (1980s)

1986                      ● Established Technology Education Center

1987                      ● Established DENSO Technical College

1990                      ● Established Social Contribution Committee  
 ● Introduced a flextime system

## CSR Chronology

### History of social activities

1954~1990    1991~2004    2005~2014

1991                      ● Established a basic code of conduct for corporate activities

1992                      ● Began special sponsorship of DENSO CUP SOCCER (youth development)

                              ● Began sponsorship of Oita International Wheelchair Marathon



Volunteer activity repairing damaged houses of the socially disadvantaged (DIAM, U.S.A.)

1994                      ● Established DENSO Philosophy

                              ● Reorganized Quality Assurance Council to form the Consumer Satisfaction (CS) Improvement Committee

                              ● Established Volunteer Support Center

1997                      ● Established DENSO Vision 2005

                              ● Acquired QS 9000/ISO 9001 certification at all automotive-related divisions of DENSO

                              ● Formulated basic policies for social contribution

                              ● Began supporting Young Invention Club

                              ● Established Corporate Ethics Committee

1998                      ● Established Code of Conduct

                              ● Launched ACTIVE 21 human resource system reforms

                              ● Established corporate ethics consultation section

                              ● Launched a club for employee volunteers

1999                      ● Established Wheelchairs and Friendship Center for Asia (WAFCA), a non-profit organization

                              ● Started the introduction of a compliance program for all U.S. Group companies



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2001

- Established DENSO North America Foundation
- Launched DENSO Eco-Ranger 21 and Product Engineering Festival
- Established DENSO Human Resources Philosophy



Sponsorship of the Oita International Wheelchair Marathon

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2002

- Formulated “DENSO Way”
- Revised Code of Conduct
- Established Corporate Social Responsibility (CSR) working group

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2003

- Established Risk Management Conference
- Established internal reporting system
- Launched NPO Support Network Program

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2004

- Established DENSO Vision 2015
  - Adopted a managing officer system
  - Founded DENSO Group Community Service Day
  - Participated for the first time in Abilympics (competition for skilled technicians with disabilities) and won gold medals
  - Newly established volunteer activity awards and a special fund
-

## CSR Chronology

### History of social activities

1954~1990   1991~2004   2005~2014

2005

- Established CSR Promotion Center
- Participated in World Exposition of the 21st century, EXPO 2005 AICHI, JAPAN
- Won the WorldSkills International Competition for the seventh consecutive year (Polymechanics category)
- Launched a system that allows temporary workers to shift to permanent employment
- Established DENSO Training Academy (Thailand)
- Introduced employee safety confirmation system at the time of a disaster



DENSO Training Academy (Thailand)

2006

- Established DENSO Group Business Ethics Hotline
- Announced DENSO Group Declaration of Corporate Behavior and formulated *Code of Conduct for DENSO Group Associates*
- Held first Global Dialogue in Thailand
- Started operation of DENSO's original eco-point system "DECOPON"

2007

- Established Diversity Group within Human Resources Department
- Started operation of Tacchicchi House infant daycare centers together with Toyota Group companies
- WAFCA commenced production of wheelchairs in Beijing



Tacchicchi House infant daycare center

2008

- Began DENSO YOUTH for EARTH Action, a youth development global program
- Completed the conclusion of a basic contract with primary suppliers that incorporated CSR promotion
- Production of meters for automobiles at DENSO TAIYO Co., Ltd. exceeded 20 million units
- Held 2nd Global Dialogue in Europe (Hungary)



Global youth development program

2009

- Achieved employee participation rate of 26% in DENSO volunteer activity promotion system, including the club for employee volunteers (achieved target of 25%)
- Ministry of Health, Labour and Welfare recognized DENSO as a company that proactively seeks to help employees fulfill both their work and childcare responsibilities



- 2010
- Introduced new HR policy and developed a globally shared training system and human resources management process
  - Expanded target of CRS procurement to secondary suppliers
  - Supported people affected by the major flood disaster in Pakistan through international cooperation
  - Held 3rd Global Dialogue in China

- 2011
- DENSO Group collectively focused on Great East Japan Earthquake recovery support activities (including relief money, supplies, volunteer activities, housing and employment)
  - Began sponsorship of the Micro-hydro Power Generation Idea Contest
  - Donated relief money to people affected by major flooding in Thailand
  - Received Minister of Health, Labour and Welfare Award for volunteer activities
  - Decided to provide support over a 10-year period for the schooling of children orphaned by the Great East Japan Earthquake and for facilities for persons with disabilities



Associates carrying out recovery work at disaster-affected areas of the Great East Japan Earthquake

- 2012
- Strengthened structure for compliance with antitrust laws in respective regions of the world
  - Formulated a Business Continuity Plan (BCP) that assumes the simultaneous occurrence of three earthquakes, the Tokai, Tonankai and Nankai earthquakes
  - Held first DENSO Group Compassionate Festival
  - Received the Ministry of Health, Labour and Welfare's "Companies Providing Career Support Award"



DENSO Group Compassionate Festival

- 2013
- Formulated and announced DENSO Group Long-term Policy 2020
  - Concluded an agreement as a global supporter of the worldwide Road Safety Fund
  - Developed Life Vision, a community communication system



Shared the Long-term Policy at the Global Conference

- 2014
- Declared promotion of One DENSO Action in the environmental and security and safety fields
  - Set target figure for the number of females in managerial positions to three times by 2030 with the aim of promoting female participation
  - Received the Good Design Grand Award 2014 for the industrial/pharmaceutical and medical robot VS-050S2
  - QR code development team won the European Inventor Award
  - Started public road testing for advanced driving support technology
  - Implemented safety enlightenment activities to protect lives from traffic accidents in Thailand



DENSO donated helmets to elementary school children in Thailand

## CSR Chronology

### History of environmental activities

1950~1990

1991~2004

2005~2014

- 1950
- Developed electric car



“DENSO” electric car (1950)

- 1970
- Established Automobile Part Research Center
  - Established Safety, Health and Pollution Department and formulated DENSO Safety, Health and Environmental Standards (DAS)

- 1971
- Renamed Safety, Health and Pollution Department to Safety, Health and Environment Department
  - Established Management Resources Application Council (to promote waste reduction and energy efficiency)

- 1975
- Developed electronic controlled fuel injection system (cleaner exhaust emissions and improved fuel efficiency)
  - Developed Wide U DENSO spark plug (cleaner exhaust emissions)

- 1977
- Developed O2 sensor (cleaner exhaust emissions)



Exhaust gas analysis in 1970s

- 1979
- Established Energy Committee

- 1980
- Developed monolithic carrier (cleaner exhaust emissions)

- 1982
- Established system for the prior toxicity evaluation of materials to be used for the first time
  - Developed diesel distribution-type fuel injection system (cleaner exhaust emissions and improved fuel efficiency)

- 1985
- Developed anti-lock braking system (safety)

- 1988
- Established Special Committee in Response to Restrictions on CFCs

- 1989
- Developed airbag sensing system (safety)

## CSR Chronology

### History of environmental activities

1950~1990

1991~2004

2005~2014

1991

- Established Recycling Committee
- Installed cogeneration facilities (Nishio Plant)



Troubleshooting training at wastewater treatment plant (1990s)

1992

- Established Environment Committee

1993

- Formulated DENSO Environmental Charter and Initiatives Action Plan

1995

- Halted use of ozone-depleting substances (excluding chlorofluorocarbons (CFC) substitute)
- Commercialized world's first electronically controlled common rail system
- Developed electronic control unit (ECU) for vehicle stability control (VSC) system
- Received Global Environmental Award

1996

- Formulated Second Environmental Action Plan
- Began procedure for acquisition of ISO 14001 certification



DENSO Environment Committee

1998

- Completed acquisition of ISO 14001 certification at all business locations in Japan

1999

- Issued first Environmental Report

2000

- Initially achieved zero emissions (Anjo Plant and Kitakyushu Plant)
- Formulated DENSO Group Green Procurement Guidelines
- Formulated DENSO EcoVision 2005
- Established environmental committees for each of DENSO's overseas regions

- 
- 2001
- Developed Eco-Cute, the world's first natural refrigerant (CO<sub>2</sub>) heat pump hot water system (protection of ozone layer and energy efficiency)
  - Established DENSO Group environmental accounting guidelines
  - Introduced Eco Indicator environmental index
- 

- 2002
- Achieved zero emissions at all 14 facilities in Japan
  - Held first Environmental Forum
  - Developed world's first CFC-free car air conditioner (protection of ozone layer)
- 

- 2003
- Completed acquisition of ISO 14001 certification at 67 Group companies
  - Jointly launched EcoStage, a simpler environmental management system (EMS)
  - Achieved zero emissions at 18 domestic group companies
  - Developed pre-crash safety system (millimeter-wave radar) (safety)
- 

- 2004
- DENSO Manufacturing Hungary Ltd. (DMHU) received EU Environmental Award
  - Jointly developed world's first discharge head lamp that does not use mercury
  - DENSO Taiwan Corporation (DNTW) received Corporate Environmental Protection Award in China
  - Commenced wind power generation via alternator produced in-house
  - Developed new fuel-efficient bus cooling system
  - Energy-saving ejector cycle received "21st Century Invention and Innovation Encouragement Award"
  - Developed the world's first lead-free piezoelectric ceramic material
  - Received Minister of Economy, Trade and Industry Award in Fiscal 2004 National Competition of Excellent Examples of Energy Conservation for developing blower technology for compressed air
- 
- DMHU (Hungary) won the European Commission's Business Award for the Environment
-

## CSR Chronology

### History of environmental activities

1950~1990    1991~2004    2005~2014

2005

- Developed electric air-conditioning system for hybrid vehicles
- Developed world's smallest and lightest alternator
- Announced DENSO EcoVision 2015



World's smallest and lightest alternator

2006

- Ejector cycle received the Climate Conservation Award in 2006 (United States)
- Developed world's first electric variable cam timing (VCT)
- Started DENSO Green Project activities
- Launched joint project for development of bio-fuel from algae as raw material



Research of developing bio-fuel using micro-algae

2007

- Started operation of Factor Delta environmental factors for products
- Developed and commercialized power element (exclusive parts for hybrid vehicles) through world's first double-sided cooling layer structure
- Developed external power supply idle-stop air-conditioning equipment
- CO<sub>2</sub> reduction measures of DENSO (Malaysia) SDN. BHD. recognized as United Nations clean development mechanism (CDM)

2008

- Established CO<sub>2</sub> Special Project in Environment Committee
- Developed palm-sized compact engine ECU
- Developed ultra-compact car air conditioning unit for compact cars
- Developed new model idle-stop starter

2009

- Developed 2,000-bar piezo common rail system
- Began Just-In-Time (JIT) energy activities
- Developed car air-conditioning system equipped with ejector
- Commercialized radiator tank made from plant-based resin



Radiator tank made from plant-based resin

2010

- Received Ministry of Economy, Trade and Industry Minister's Award of Energy Conservation Grand Prize (Organization Category)
- CO<sub>2</sub> heat pump won the Imperial Invention Award in the National Invention Award
- Developed electric cooler for hybrid buses



Eco-Cute, natural refrigerant (CO<sub>2</sub>) heat pump hot water system

2010

- Introduced new Environmental Action Plan 2015 (fifth)
- Developed resource- and energy-saving heat exchanger for India market

2011

- Developed world's lightest starter for 4WD vehicles (reduced weight by 40%)
- Constructed facilities showing viability of home energy management system (HEMS) for using natural energy
- Started to create a green oasis with the aim of surrounding plants and offices with greenery



Jointly developed a HEMS for the efficient integrated control of home energy

2012

- Received Ministry of Economic, Trade and Industry Minister's Award of Energy Conservation Grand Prize in recognition of JIT energy activities
- Developed compact, high-performance Exhaust Gas Recirculation (EGR) cooler for gasoline engines
- Developed new model radiator that became smaller and lighter in weight by 40% compared with conventional products
- Developed a battery pack system that contributes to improved fuel efficiency of idling stop systems
- Developed a mutual electric power supply system for electric vehicles (EVs) that connects with HEMS
- Developed car air conditioning system that allows air control around the driver's seat only



Won the Economy, Trade and Industry Minister's Award, the top prize at the Energy Conservation Grand Awards (Successful Case of Energy Conservation Category)

2013

- Won the Medal for New Technology (Japan Society of Mechanical Engineers) and the Technology Contribution Award (Society of Automotive Engineers of Japan) for developing and promoting the spread of clean diesel engines
- Developed a common rail system with maximum injection pressure of 2,500 bar
- Developed an agricultural production support system



Commercialized i-ART (intelligent-Accuracy Refinement Technology), a basic control component for common rail systems

2014

- Developed the world's first automotive climate control unit capable of being installed in a wide variety of vehicle types
- Developed a new electronic fuel injection system for small motorcycles
- Received the Minister of Economy, Trade and Industry Award in the Energy Conservation Grand Prize (Product and Business Model Category) for an electric refrigerator system for heavy-duty trucks developed together with Hino Motors, Ltd.
- Released the ProFarm agricultural production support system



ProFarm contributes to stable production of agricultural crops and an increase in crop yield



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## Editorial Policy of CSR Information

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### 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.
- Our basic stance outlined in each section remains unchanged from fiscal 2009 in order to provide valuable information for understanding each activity.

### Scope of the report

#### Companies and business locations covered:

DENSO Group refers to DENSO Corporation and its domestic and overseas Group companies (comprising 188 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 2015 (April 1, 2014 to March 31, 2015), 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)
- Japan's Ministry of the Environment *Environmental Reporting Guidelines* (2012 Version)

\* Comparative tables for this report and the GRI Guidelines are available on our CSR Report site.

- Please refer to our Annual Reports and financial statements in the "[Investors](#)" section of our website for details of our economic report.

### Ease of understanding (clarity, comparability)

- This report has been designed primarily for an audience with a high degree of interest in CSR.
- 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 2015.
- DENSO's unique terms and technical terms used for particular fields are explained in the "[Glossary](#)".

## Credibility

- In a section introducing “[CSR Highlights & Lowlights](#)”, DENSO lists negative as well as positive information concerning CSR in fiscal 2015.
- 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 an outside evaluation of our CSR and the opinions of experts via dialogue to increase the transparency and credibility of our CSR activities.

Issued by	Koji Arima, President and CEO
Editor	Kenichiro Ito, Executive Director
Issue date	October 2015 (scheduled issue of the next report: October 2016; previous report: November 2014)

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Tel. +81-566-25-5575  
Fax. +81-566-25-4505

\* Contact via E-mail is available on our website listed below.

[www.globaldenso.com](http://www.globaldenso.com)

## Related Links

[Corporate Profile \(http://www.globaldenso.com/en/about-us/\)](http://www.globaldenso.com/en/about-us/)

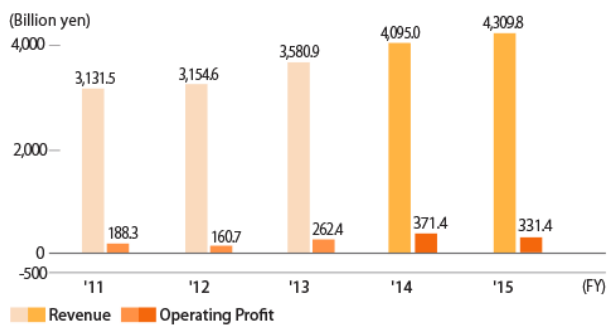
## Financial Report

\* Reporting is based on International Financial Reporting Standards (IFRS).  
 (Figures until fiscal 2013 are based on Japanese Accounting Standards.)

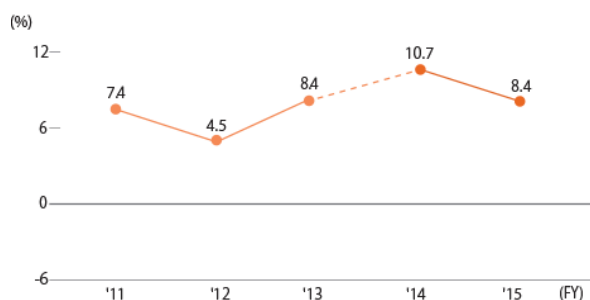
(As of March 31, 2015)

<b>Capital</b>	187.4 billion yen
<b>Employees</b>	146,714 (Consolidated, +4.9% yoy)
<b>Consolidated subsidiaries</b>	188 companies (Japan 61, North America 28, Europe 35, Asia 58, South America/Other areas 6)
<b>Affiliates under equity method</b>	35 companies (Japan 13, North America 4, Europe 4, Asia 12, South America/Other areas 2)
<b>Revenue</b>	4,309.8 billion yen (Consolidated, +5.2% yoy)
<b>Operating profit</b>	331.4 billion yen (Consolidated, -10.8% yoy)
<b>Capital expenditures</b>	356.1 billion yen (+9.9% yoy)
<b>Research and development expenditures</b>	396.4 billion yen (+7.5% yoy)
<b>Cost of sales</b>	3,552.2 billion yen (+5.9% yoy)
<b>Overseas sales ratio</b>	49.8% (+3.6% yoy)
<b>Corporate tax paid</b>	151.9 billion yen (+38.3% yoy)

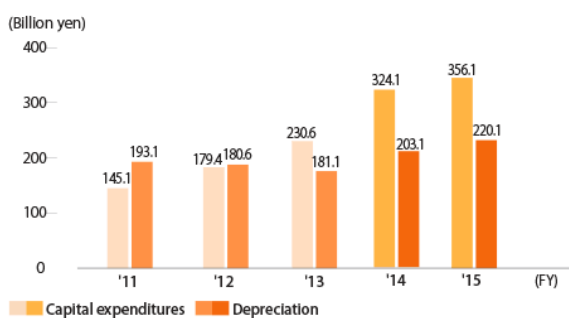
## Revenue / Operating profit



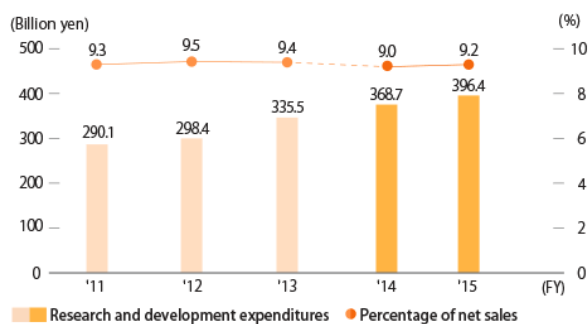
## Return on equity (ROE)



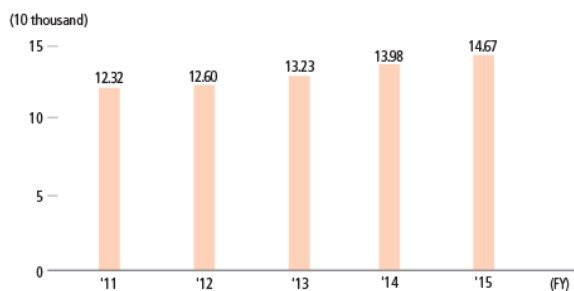
## Capital expenditures / Depreciation



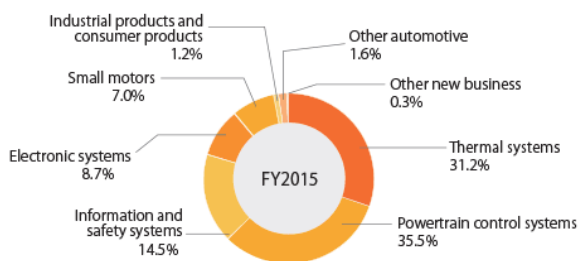
## Research and development expenditures



## Employees



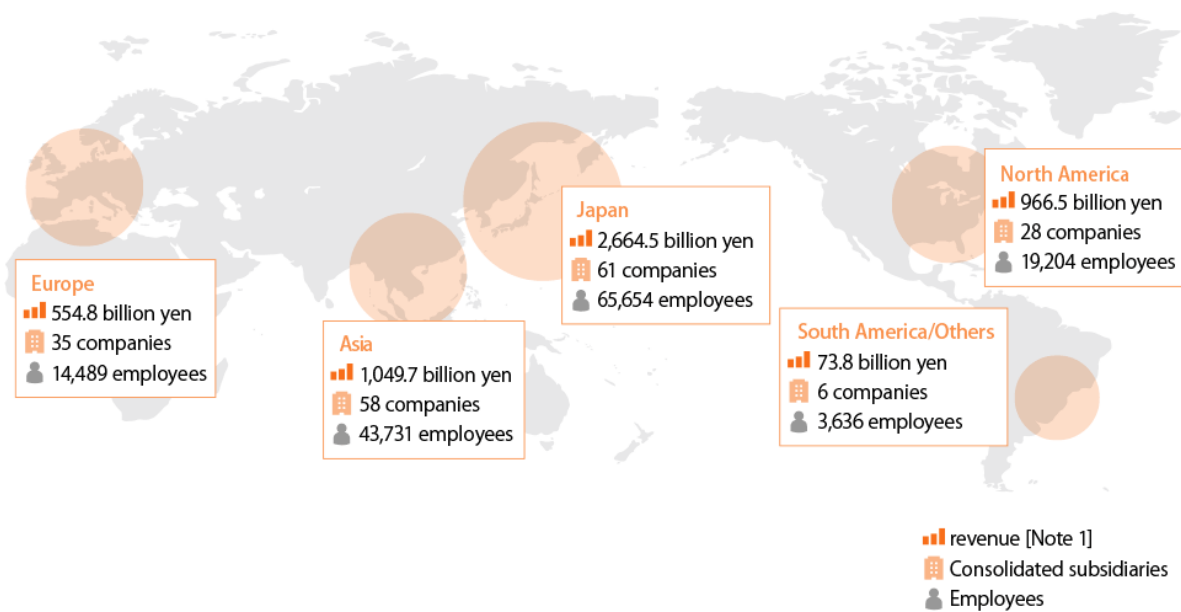
## Sales by business segment (April 2014 -March 2015)



## Related Link

For more detailed economic information  
<http://www.globaldenso.com/en/investors/>

## DENSO Group current status by region



Note: Sales revenues by geographic area include sales between regional segments in the DENSO Group.

### Related Link

DENSO Group companies worldwide  
(<http://www.globaldenso.com/en/about-us/global-network/>)

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## Outside Evaluation of Our CSR

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### Third Party Opinion

DENSO sets quantitative targets for all of a wide range of items based on the DENSO Group Declaration of Corporate Behavior formulated in fiscal 2007, and almost 10 years have passed since establishing and deploying a management cycle in Japan and overseas to manage results and challenges in a quantitative manner and continue promoting initiatives on a daily basis. Guidelines to create foundations for corporate social responsibility (CSR) management are released on the Company's website for business partners and DENSO also distributes leaflets regarding compliance with these guidelines for 310 primary suppliers of DENSO Group companies in Japan and overseas and completes self-evaluations using a diagnostic sheet to provide feedback. I once again highly commend the fact that DENSO is encouraging CSR to be incorporated into everyday management both throughout the Group and at primary business partners and that this standard ought to be a global benchmark. I strongly recommend that DENSO introduce an award system and provide the opportunity for past cases to be presented in order to share the best practices of business partners going forward.

In order to incorporate CSR into management on a daily basis at sites that generate a wide range of products, it is necessary to set quantitative targets for items in each process and function, beginning with reduction of environmental load, and clearly grasp the progress and issues. By realizing this, DENSO has become globally outstanding in terms of continuously generating new initiatives from development and production workplaces and deploying these across the entire organization, and from the perspective of an organizational culture that encourages a bottom-up approach and follow-through on decisions, which underpins these efforts. This is a source of DENSO's sustainable growth and evolution in initiatives for social responsibility.

DENSO initiatives to conserve energy provide an apt example. These efforts have continued to evolve and develop last fiscal year, including the Perfect Energy Factory (PEF) initiative covering 115 items and Just-In-Time (JIT) energy in which production and facilities management departments predict and share information regarding demand for all resources such as electric power and gas and also including compressed air, air conditioning, steam and water through *Enekanban* to minimize and optimize supply. Full employee participation in these efforts coupled with the in-house development of production technology has resulted in a continued reduction of more than 3% year on year in basic units since 2009 as DENSO seeks to "Preserve the Planet" under the Long-term Policy 2020.

A major factor making these policies possible and that elicits these results is that facilities management departments play a key role in these endeavors. This demonstrates that energy saving continues to be practiced both mentally and physically by each employee in all departments rather than depending on technological development or the introduction of equipment from outside the Company, and this best practice ought to be a global benchmark.

Although DENSO has made progress with initiatives to enhance customer satisfaction such as opening a series of independent service sites in Southeast Asian countries, going forward I would like to see improvements made in products and services by using feedback from customers so that they can really feel the effects of the changes.

Steady evolution in social contribution activities also deserves special mention. Close to half of executives and employees, equivalent to 22,000 people, participate in the DECOPON Eco-Point System, which was launched in 2006 and has been expanded into the "Compassionate Point System." I also give high marks for the Micro-hydro Power Generation Idea Contest for technical school students in the Chubu region, which makes the best of the characteristics of DENSO's business. I have continued expectations that such programs will also be implemented at overseas bases, including those in Southeast Asia. Additionally, as I have pointed out previously, I hope DENSO will build a foundation that will contribute to nurturing *monozukuri* (manufacturing) human resources 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 living in the Tokai region, many of whom come from South American and Asian countries.

I also commend efforts regarding sports involving persons with disabilities such as those for Wheelchairs and

Friendship Center of Asia (WAFCA) and hope to see increased support ahead of the Olympics and Paralympics in Tokyo in 2020.

As for infrastructure development aimed at fostering various management personnel, DENSO also sets globally shared personnel evaluation criteria and has initiated a personnel registration system. Local employees now hold 33% of president positions of overseas Group companies, the employment ratio of persons with disabilities exceeds 2% and comprehensive efforts are being made to promote health among employees. Nonetheless, the number of employees who use childcare and nursing care leave and reduced work hour systems is still only slightly more than 1% of DENSO Corporation employees and there is still a gap in years of continuous service between females and males. I would like to see further development of an environment in which employees can continue working while supporting their families in terms of childcare and nursing care as well as efforts to enhance productivity by quantitatively reviewing decision-making in meetings and other bodies and the way operations are handled. At the same time, I 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.

DENSO stated that its primary fields of focus in the new Long-term Policy were to "Preserve the Planet" and "Safety & Security," and the Company has made steady progress and results in reducing environmental impact to date. I would like to see the same kind of progress and achievements in the security and safety domain as well. For that reason, I recommend undertaking initiatives for traffic safety overseas such as at elementary schools. In addition, I would like to see DENSO take the position of actively proposing how infrastructure and automobiles should be rather than merely focus on the performance of current infrastructure and automobiles, in light of the composition of the population and the socio-economic conditions of the near future.

\* These comments were written with reference to the contents of this report and discussions with DENSO employees responsible for the environment, facilities, procurement, human resources, health promotion, general affairs (social contribution), technical planning, new business promotion and CSR.

### Hideto Kawakita



川北 秀人

CEO, International  
Institute for Human,  
Organization, and the  
Earth (IIHOE), editor and  
publisher of *Socio Management*

Founded in 1994 for "Democratic and Balanced Development for All the Lives on Earth," IIHOE has 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) <http://blog.canpan.info/iihoe/>

## Editor's comments

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 13th year. I would like to once again express our appreciation for taking the day to talk with persons in charge of each section ahead of writing these comments.

On this occasion, we again received thought-provoking feedback on respective fields, from our business activities to social contribution, and we have taken careful note of expectations toward the DENSO Group in this regard. We will use this feedback as an important reference in our activities going forward.

Some eight years have passed since the DENSO Group started structured CSR activities and CSR has taken root in different situations. However, we recognize that now is the time to further enhance our CSR management and in fiscal 2015 we revised our management based on the valuable feedback and advice we received from stakeholders, particularly outside experts.

Although some areas still require our attention, I can truly say that DENSO is determined to further raise the level of our CSR management while deepening our collaboration and dialogue with stakeholders more than ever before. In the future as well, we would like to further advance our CSR report to ensure this becomes a driving force for enhancing our CSR management.

We look forward to receiving open and honest opinions on our CSR Report and CSR activities from stakeholders.

\* Corporate Strategy Planning Center, Corporate Planning Division, DENSO Corporation

## External Recognition

Title	Conducted by	FY2015	FY2014	FY2013	FY2012	FY2011
<b>Best 200 in CSR</b>	Toyo Keizai Inc.	3th of 300	11th of 300	8th of 300	6th of 300	8th of 200
<b>Environmental Management Ranking</b>	Nikkei Inc.	6th of 419 (manu-facturing)	13th of 429 (manu-facturing)	3rd of 438 (manu-facturing)	10th of 449 (manu-facturing)	8th of 475 (manu-facturing)
<b>Dow Jones Sustainability Indexes (DJSI)</b>	Dow Jones & Company (U.S.A.), SAM Group Holding AG (Switzerland)	-	-	13 years in a row	12 years in a row	11 years in a row
<b>Ethibel Sustainability Index</b>	Forum ETHIBEL (Belgium)	10 years in a row	9 years in a row	8 years in a row	7 years in a row	6 years in a row
<b>Morningstar Socially Responsible Investment Index</b>	Center for Public Resources Development, Morningstar Japan K.K. (Japan)	12 years in a row	11 years in a row	10 years in a row	9 years in a row	8 years in a row



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## Glossary

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### A

#### **Abilympics**

This global competition showcases the skills of persons with disabilities. The term was coined as a combination of Abilities and Olympics.

### B

#### **Basic unit**

The basic unit indicates the amount of energy, CO<sub>2</sub> or emissions required in the sale of a product or per unit of production over the course of a year in order to objectively determine production efficiency and environmental burden.

#### **Biodiversity**

Biodiversity generally refers to the variety of life in a particular habitat, including differences in form and mode of living. Based on the idea that all living creatures mutually impact each other and maintaining a balance, it is important to protect biodiversity in ecosystems, species and DNA. The Convention on Biological Diversity was concluded at the Earth Summit in 1992 amid concerns over the impending extinction of various species.

#### **Bio-fuel**

This refers to alcohol fuel and synthetic gas that uses energy derived from biomass. Since it absorbs CO<sub>2</sub> from the atmosphere as the plants (raw materials) grow, biomass is recognized as not adding to the amount of CO<sub>2</sub> even after combustion unlike fossil fuels such as oil, coal and natural gas.

### C

#### **Clean diesel vehicle**

These diesel vehicles comply with exhaust emission regulations (Post New Long-term Emission Regulations) enacted in 2010 in Japan and realize less emissions of atmospheric contaminants such as particulate matter (PM) and nitrogen oxides (NO<sub>x</sub>).

#### **Clean energy vehicles**

In Japan, clean energy vehicles apply to hybrid vehicles and vehicles that run on compressed natural gas (CNG), diesel-alternative liquefied petroleum gas (LPG) and electricity. The number of these vehicles has been increasing due to their ability to reduce CO<sub>2</sub> emissions and purify exhaust gas.

#### **Club for employee volunteers**

This club was inaugurated in 1998 as an employee volunteer group. It is independently run by volunteer employees with a structural organization within each production site that plans and runs volunteer events.

#### **Co-generation**

This is a system to extract multiple forms of energy (electricity, heat, etc.) from a single fuel source and supply both heat and power. DENSO Corporation generates electricity using turbines and engines that run on city gas and produces steam from the heat generated in the process to use in engines as well as for cooling and heating. Energy efficiency is high at 70-80% while CO<sub>2</sub> emissions can be reduced by 20-30%.

#### **Cold chain**

This refers to an unbroken cold chain for fresh and frozen food from production to consumption by maintaining low temperature, cold storage and freezing conditions. It is used for managing set temperatures for pharmaceuticals and electronic components, among other products.

### **Common rail system**

This is a system for diesel engines in which fuel is subjected to high pressure through a supply pump and stored in the common rail (accumulator) before an appropriate amount is injected from the injector into each cylinder at the best timing through ECU control.

### **Compassionate Point System**

Points are given for environmental actions taken by employees and their families. Points accumulated can be exchanged for eco-products or used for donations for environmental protection activities undertaken by local groups. The “Expo Eco-Money Project” at the “Exposition of Global Harmony” in 2005 was used as the model for DENSO Corporation to introduce its own similar initiative in December 2006. The name changed from DECOPON to the “Compassionate Point System” in 2012.

### **Compliance**

This refers to the adherence to laws, regulations and corporate ethics that form the basis of CSR activities and CSR management. Compliance leaders are the driving force behind permeating understanding and boosting awareness of compliance in the workplace. DENSO Corporation first assigned one compliance leader per work site that also doubles as a CSR leader in fiscal 2007. The same system has since been expanded to DENSO Group companies. A compliance officer fulfills the same role at sites in North America.

### **Compressed air**

This refers to high-pressure air that has been compressed with a large compressor in order to provide power to remove water and foreign matter from products. Low-pressure air is derived from a blower (such as an electric fan).

### **Corporate governance**

This refers to the system by which a company’s management is monitored and controlled, including disciplinary action. Learning the lesson from cases of corporate misconduct, the United States introduced a series of controls in the 1990s. The need for monitoring and auditing corporate management in the same manner subsequently was deemed necessary in Japan. The Organisation for Economic Co-operation and Development (OECD) formulated the Principles of Corporate Governance in 1999 (revised in 2004) that have become an international indicator for building internal controls.

In June 2015, the Corporate Governance Code was adopted by listed companies in Japan. It stipulates behavioral standards to enhance management transparency and earnings potential. As with companies in Europe, which have taken the lead in the field, accountability has been strengthened, including in terms of the rights of shareholders, role of the board of directors and approach to officers’ remuneration.

### **Crisis Communication Manual**

This refers to a manual that clarifies in concrete terms standards, procedures and methods of response enabling swift and precise initial action within the Group when a crisis occurs as part of corporate risk management.

### **CSR leaders**

CSR leaders promote awareness of CSR in the workplace. One leader is assigned to each division and also at domestic and overseas DENSO Group companies.

### **CSR surveys**

DENSO has conducted surveys since 2006 to examine the degree of awareness and understanding of CSR among employees. DENSO Corporation selects around 1,000 employees at random to take part.

## **D**

### **DENSO Group Community Service Day**

Group companies in countries and regions around the world have established a day for volunteering as Community Service Day and carry out activities with the participation of employees focused on community contributions based on the slogan “Turn Compassion into Action.” DENSO Community Service Day was established in 2004 on the occasion of DENSO Corporation’s 55th anniversary.

## **DENSO Safety, Health and Environment Standards (DAS)**

These are internal standards stipulating items that employees must adhere to in terms of safety and health and environmental preservation. In addition to compliance with DAS, personnel are also obligated to work to prevent accidents, promote well-being, create a comfortable work environment and protect the social environment, as stated in employee labor regulations.

## **DENSO TAIYO Co., Ltd.**

A special subsidiary established in 1984 together with Japan Sun Industries, a social welfare corporation, in order to support the participation in society and independence of persons with disabilities. The company, which is entirely barrier-free, mainly produces combination meters for automobiles.

## **DENSO Technical College**

This is an internal junior college authorized by the Ministry of Health, Labour and Welfare that is run by DENSO Corporation. Although it was started in 1987, its roots stretch back to a training center for technicians that was set up in 1954 just after the Company's establishment. While being treated as a full member of society (allowance, bonus, benefits package, etc.), members learn from the standpoint of trainees.

## **DENSO Vision 2015**

This refers to DENSO's long-term management policy formulated in 2004. The vision expresses DENSO's direction as a global corporation in 2015 in order to achieve its fundamental philosophy. It includes three strategies (technological development, business operations, management and human resources) and six key challenges.

## **Diversity**

This refers to the philosophy of actively utilizing a diverse range of human resources. Originally it was used to specify the intention to expand employment opportunities for minority groups, but nowadays it indicates management aimed at enhancing productivity by embracing diversity in such terms as gender, race, age, personality, academic background and values, and utilizing a wide array of human resources.

## **Dojo (Training area)**

This refers to a training facility used mainly for skills training that is set up within DENSO production sites and factories. Here, experts in specific fields provide education about the environment, maintenance, quality control, design and technology and other matters.

## **E**

### **E-learning**

This refers to a type of learning that uses a computer or the Internet among other tools. Some of the features of e-learning include the ability for people to study at their own pace, to provide education to remote locations and to use educational materials unique to the computer.

### **Eco-Diagnosis**

This refers to an environmental audit conducted at the DENSO Group. It has a broader scope than general audits since it also involves training, information sharing and expansion to other departments together with the audit.

### **Endangered species**

This refers to species of animals and plants on the verge of extinction due to dwindling numbers. Causes include sudden environmental changes, introduced organisms and overexploitation. The International Union for Conservation of Nature and Natural Resources has released a "Red List" of species at the critical level while the Ministry of the Environment and prefectural and city governments have compiled a "Red Data Book" to sound a warning in Japan.

### **Environmental accounting**

This is implemented to efficiently promote environmental improvements and environmental management upon quantitatively assessing the costs and benefits of environmental preservation activities at a company. It also provides important information and data for a company to fulfill its accountability to stakeholders. Methods of calculation and the public release of such information are made pursuant to the Environmental Accounting Guidelines issued by the Ministry of the Environment.

## **Environmental compliance**

This means complying with environmental laws and adhering to environment-related social agreements such as environmental treaties and environmental systems. Environmental compliance also aims not just to observe laws and agreements but also to adhere to the spirit underlying these laws and agreements.

## **F**

### **FA system**

This is one of the systems related to personnel relocation. FA stands for Free Agent, as in the term used in baseball. The FA system involves employees promoting their career and skills themselves and registering the job and position they desire. Conversely, a company announces the conditions of a post or job required by the organization to employees, with the required human resources appointed from a list of candidates in a system referred to as an internal job posting system.

### **Family-Friendly Company**

This refers to a company that has established a system enabling childcare and nursing care alongside work and that nurtures a corporate culture in which employees can choose diverse, flexible work styles and make use of this system with peace of mind. It is thus evidence of a company offering an outstanding work-life balance. The United States ranks family-friendly companies and announces the rankings to the public. In Japan, the Ministry of Health, Labour and Welfare has designated October as the month to consider work and family, and awards those companies that satisfy certain selection criteria.

### **Five gases**

The five gases refer to those greenhouse gases aside from CO<sub>2</sub> to be reduced under the Kyoto Protocol, namely methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulfur hexafluoride.

## **G**

### **Greenhouse gases**

Greenhouse gases are gases with the ability to absorb infrared radiation, and when such gases exist in the atmosphere they have the effect of preventing heat loss from the earth and warming the Earth's surface and ocean water, much like a greenhouse. Tropospheric ozone, carbon dioxide and methane are all examples of greenhouse gases. The increase in the concentration of these gases in the atmosphere is thought to be the major cause of global warming and serious climate change.

### **GRI**

Global Reporting Initiative: An international organization established in 1997 to formulate and proliferate international guidelines on sustainability reporting by businesses and groups.

## **H**

### **Heat pump**

This device absorbs heat from a cold space and releases it to a warmer one. It collects heat from the air or other source using a small amount of energy and converts it to a large amount of heat energy for use. It is being employed in such equipment as energy-saving air conditioners, refrigerators and the EcoCute heat pump system. The name "heat pump" stems from the fact that heat is transported from a cold space to a warmer one as with water being drawn up with a pump.

### **HEMS**

Home energy management system: Supports the management of energy in the home. Energy-consuming devices in the home are connected via a network, making it possible to monitor, remotely operate and automatically control the operating status of the devices as well as energy consumption.

### **Highway Oasis**

This refers to an urban park or regional development facility outside the road zone that is linked to part of a service or parking area on an expressway. DENSO Corporation conducts tree-planting activities at a Highway Oasis near its head office.

**Hiyari (near-miss) Map**

This map compiles and indicates areas of traffic hazards in our daily lives, such as those where “we almost collided with cars or people.” Because the maps are created based on an abundance of information, these maps enable people to discover locations that are dangerous and are useful in preventing traffic accidents.

**HR**

This stands for Human Resources and refers to the personnel or human assets of a company. It generally expresses the personnel resources of an organization.

**I****Idle-stop system**

This system automatically shuts down and restarts the engine when a car is stopped at the traffic light, for example, without the need for any special operation, in order to reduce fuel consumption and emissions.

**Information Security Management System (ISMS)**

An ISMS is a comprehensive mechanism for the appropriate management of information and protection of confidentiality by an organization such as a company. The governing principle behind an ISMS is that an organization should design, implement, operate and revise a coherent set of basic policies for the handling of information and to make continuous improvements in order to manage risks. There are also ISO international standards.

**IR**

Investor Relations: Corporate activities that provide the required information on investment decisions on a regular basis and in a fair manner to shareholders and investors. Businesses deepen mutual understanding and create relationships of trust with investors by exchanging ideas through IR activities. This enables a fair evaluation of the company to be made in the capital market.

**ISO/TS 16949**

This is a technical specification that adds particular requirements for the automobile industry to ISO 9001, an international standard for quality management systems.

**ITS**

Intelligent Transport Systems: This refers to systems that send and receive information among people, roads and cars to resolve issues such as traffic accidents, congestion and environmental problems.

**L****LCA**

LCA stands for lifecycle assessment. This is a method for assessing the environmental impacts throughout the entire lifecycle of a product or service, from the extraction of raw materials to manufacture, assembly, distribution, usage and disposal of components. It is stipulated as the international standard ISO 14040/JISQ 14040.

**M****Major accident**

This refers to a fatal accident in occupational safety and health activities.

**Micro grid**

A Micro grid is a small-scale energy network with an energy supply source and consumption facilities. The energy supply source involves a dispersed power system (solar power, wind power, biomass power generation, co-generation, etc.) and the entire network is managed and operated using information and communications technology with almost total independence from the power of large-scale power-generating facilities.

**Modal shift**

This refers to a shift to modes of transport that have less impact on the environment. In general, it means switching from high-frequency shipments by truck to bulk shipments by rail or ship in order to reduce energy consumption (CO<sub>2</sub> emissions), nitrogen oxide emissions and traffic congestion.

## N

### **NPO and NGO**

Non-profit organization and non-governmental organization: Both NPOs and NGOs are run by ordinary citizens and work independently to resolve social issues without seeking profit.

## O

### **OECD Guidelines for Multinational Enterprises**

This refers to guidelines on responsible social conduct for multinational enterprises operating in Organisation for Economic Co-operation and Development (OECD) member countries and supporting countries. Although the guidelines are legally non-binding, they are emphasized as international guidelines related to corporate ethics in such areas as human rights, employment and labor-management relations, the environment, corruption prevention, consumer protection and information disclosure.

### **OHSAS 18001 (Occupational safety and health)**

OHSAS 18001 is an international standard for occupational health and safety management systems (OHSMS) issued in 1999 that is based on the BS8800 standard developed by the British Standards Institution. Certifying bodies and model local government bodies from around 30 countries came together to formulate the standard. OHSAS 18001 promotes occupational health and safety related activities through the PDCA (Plan, Do, Check, Action) cycle in which policies and plans are made, implemented, evaluated and improved upon.

## P

### **Plug-in Hybrid Vehicle (PHV)**

This refers to a hybrid car in which the battery can be directly recharged by connecting a plug to an external power source. The features of a PHV are similar to an electric vehicle while retaining the long-distance cruising function of gasoline-engine cars.

### **Powertrain**

A collective term for components that deliver power to the wheels. Powertrain components include engines, clutches, transmissions, propeller shafts, differential gears, drive shafts (axle) and others.

## Q

### **QC Circle activities**

These activities aim to improve quality control and are conducted by small groups. In particular, teams are formed at the production workplace level, with ideas put forward on a range of topics from processing to work environment in order to make continuous improvements. These activities have been highly regarded globally as being the driving force behind the high quality of Japan's products.

## R

### **Regenerative braking system**

This is an energy recovery system that converts the vehicle's kinetic energy into electric energy as it decelerates via a generator and stores it in a secondary battery for later use. By recharging the battery using electricity generated during deceleration it is possible to inhibit the amount of energy discharged under certain driving conditions such as idling, acceleration and cruising, thereby lightening the engine burden and enhancing fuel economy (CO<sub>2</sub> reduction).

### **Regional Headquarters**

Multinational companies divide their operations into several regions (Europe, the Americas, Asia and others) and formulate and execute strategies for each individual region, and regional headquarters (RHQ) thus control, coordinate and support local subsidiaries.

### **Reliability Center**

This is a research and development facility established at the DENSO Corporation headquarters in 2006. Research is conducted at the facility based on evaluation tests and advanced analysis under extreme weather

conditions and rough roads that have been artificially produced. The aims of the research are to evaluate and enhance the reliability of products.

### **Returnable containers**

This refers to shipment boxes used to carry products to a site and back again. The material used for the containers is recyclable, allowing repeated usage rather than merely being used only once in a one-way type scenario.

### **Risk assessment**

This refers to advance evaluation of risk. Risk assessment involves the entire process of evaluating the type and scale of risk before plans are devised and implemented, such as for business, operations or projects, and deciding whether the risk is within tolerable levels to put a plan into action.

### **Risk Response Handbook**

Each employee carries this handbook on a daily basis to deepen understanding of various risks and to ensure appropriate response after encountering risk. It includes initial response measures to risks that could occur at anytime such as fires, earthquakes and traffic accidents.

### **ROE (Return on Equity Capital, Return on Shareholders' Equity)**

This stands for Return on Equity. It is an indicator used to determine how efficiently a company has secured profit through corporate activities over the course of the year relative to the amount of shareholder investment. ROE is equal to fiscal year net income divided by the average shareholders' equity of the previous and current fiscal years, as a percentage. It is important as a figure expressing management efficiency.

## **S**

### **Safety confirmation system for employees and their families**

Taskforce members and workplace managers can determine and confirm the safety of employees and their families who have registered with this system through a PC or mobile phone when a large earthquake strikes.

### **Safety marks (Occupational safety and health)**

This is an independent index assessing potential accidents in the workplace. Grades are given depending on the scale and type of accident. Each accident is assessed in terms of the impact on operations, equipment and management, with scores assigned accordingly. The aim is to prevent accidents before they occur.

### **Service stations**

Since the inauguration of the Assigned Service Station System in Japan in 1954, around 700 assigned service stations and specified agents contracted with DENSO Corporation conduct inspections and repairs of DENSO products, sell replacement parts and recover Freon refrigerant from car air conditioners. Overseas, more than 3,000 service stations run by or linked to local sales stores and agents perform the same tasks.

### **Smart grid**

Smart grids utilize IT for monitoring the state of power generation and power usage and optimally maintain a balance between electricity supply and demand. There are hopes that these grids can be utilized as systems for efficiently using unstable types of natural energy such as solar and wind power.

### **SRI**

This stands for Socially Responsible Investment. It refers to a method of investing that factors in initiatives for CSR into evaluation criteria for asset management investments. In addition to being used as a standard for investing in terms of corporate growth and financial soundness, it considers initiatives related to such areas as the environment, human rights and social issues.

### **Stakeholder dialogue**

Stakeholders are persons or groups that in some way exert influence on a company's activities either directly or indirectly. In addition to customers (end users, buyers, distributors, service stores, etc.), shareholders, investors, employees, suppliers, government, non-profit organizations, non-governmental organizations and ordinary citizens, the majority of companies also include the Earth itself as an important stakeholder in environmental

management. Dialogue is a way to build strong relationships with stakeholders and directly exchange ideas. Briefing sessions and questionnaires are also used to gather opinions.

## **T**

### **3R**

This catchphrase is used to refer to the appropriate treatment of waste with an order of priority of Reduce, Reuse and Recycle. The concept is key to creating a recycling-oriented society.

### **3Rs of water**

DENSO makes efforts to ensure the effective use of water resources by Reducing the amount of water consumed to the extent possible, Reusing water that has been used before and Recycling water through processing.

### **Trainee**

For the purpose of developing global human resources, employees are dispatched as “trainees” and training is carried out through practical work experience amid diverse values and different business customs to raise capabilities for smoothly executing business operations.

### **Trichlorethylene**

This is one type of organochlorine solvent along with tetrachloroethylene. This clear and colorless fluid is volatile, non-combustible and very insoluble in water. It is outstanding for degreasing metals, machinery and other items. On the other hand, it is a causative substance of contamination of groundwater and its discharge is regulated by the Water Quality Pollution Control Act and Air Pollution Control Act.

## **U**

### **United Nations Global Compact**

An international framework initiated by the United Nations that encourages businesses worldwide to work toward the realization of a sustainable society. Businesses that have pledged participation support and implement 10 principles in the four areas of human rights, labor, the environment and anti-corruption. It was established in 2000.

### **Universal Declaration of Human Rights**

This was a universal declaration related to human rights that was adopted by the United Nations General Assembly in 1948. It is based on the principle of respecting fundamental human rights and stipulates the right to freedom as well as economic and social rights, among others. It aims to ensure that all people of the world enjoy these rights.

## **V**

### **Value chain**

A value chain is a chain of activities for a company such as procurement, development, production, sales and service in which value and cost are added at each stage. The concept assumes that “ultimate value” will be provided to the customer through this chain of activities.

### **Visualization**

This refers to when information, data, challenges or degree of progress, among others, are objectively quantified using indices or scoring to enable more easily comprehensible presentation. DENSO Group promotes such “visualization” at every stage of the PDCA (Plan, Do, Check, Action) cycle of environmental initiatives while also working to continuously raise the level by applying techniques to improve operations from technological and administrative perspectives.

## **W**

### **Work-life balance**

This refers to striking a balance between work and personal life. The concept was born against a background of a rising number of people who raise children while working and those who suffered ill health due to stress



following overwork in Europe and the United States from the 1970s. In recent years, it has been used to refer to a philosophy of aiming to realize diverse work styles according to personal lifestyle and life stage.

### **Workplace capability**

This is an indicator that aims to improve management in offices and sections. A questionnaire is filled out mainly by personnel in administrative and technical departments once every six months regarding supervisors and workplace environments. The results are fed back to office and section managers and improvements made.

### **World Cafe**

This is a method for discussions based on the idea that knowledge and wisdom are not born inside a functional conference room but are instead created in spaces such as a cafe where people can engage in open discussions and freely build networks.

### **WorldSkills International Competition**

This competition is for skilled professionals up to the age of 22 to compete on skills in around 40 different professions, from machine processing to furniture, landscaping, beauty and confectionaries. Participants are selected via national tournaments held every two years with the aims of promoting job training, spreading goodwill and encouraging interchange. Based on similar principles, the International Abilitylympics is held for skilled professionals with disabilities. DENSO Corporation first took part in the WorldSkills International Competition in 1963 and won its first gold medal in 1977.

## **Y**

### **Yield ratio**

This refers to the proportion of non-defective products relative to all products produced. If the proportion of defective products is high, the yield ratio is low, and if there are few defects, the yield ratio rises.

### **Young Invention Club**

This club was established in 1974 with the aim of fostering dreams in science and technology and developing young persons full of creativity. Since starting to support the club in 1997, DENSO Corporation has provided creative learning through manufacturing with employees acting as volunteer instructors to elementary students from respective clubs in Kariya, Nishio and Anjo cities (Aichi Prefecture) and Inabe City (Mie Prefecture).

## **Z**

### **Zero emissions**

This is a concept advocated by the United Nations University in 1994, in which the aim is to reduce the level of emissions throughout society to zero by making use of industrial waste as other industrial material. Based on a narrower definition, it also means to realize zero waste at landfill and zero incinerated waste, to which DENSO Group also adheres.