

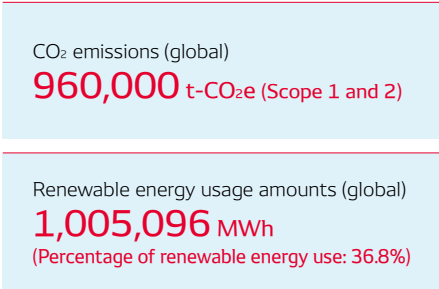
Natural Capital

Outline of Efforts to Strengthen Natural Capital

DENSO's business activities have a close relationship with natural capital, including through the utilization of industrial water and the use of mineral resources as raw materials for its products. Maintaining and preserving natural capital directly impacts our corporate management. In particular, we can help minimize the negative impact of climate change on natural capital by applying our long-cultivated environmental technologies to develop and popularize innovative environmental products. Initiatives to strengthen our natural capital help us to reduce invested capital, including by reducing the costs of our response to environmental risks and the costs of production.

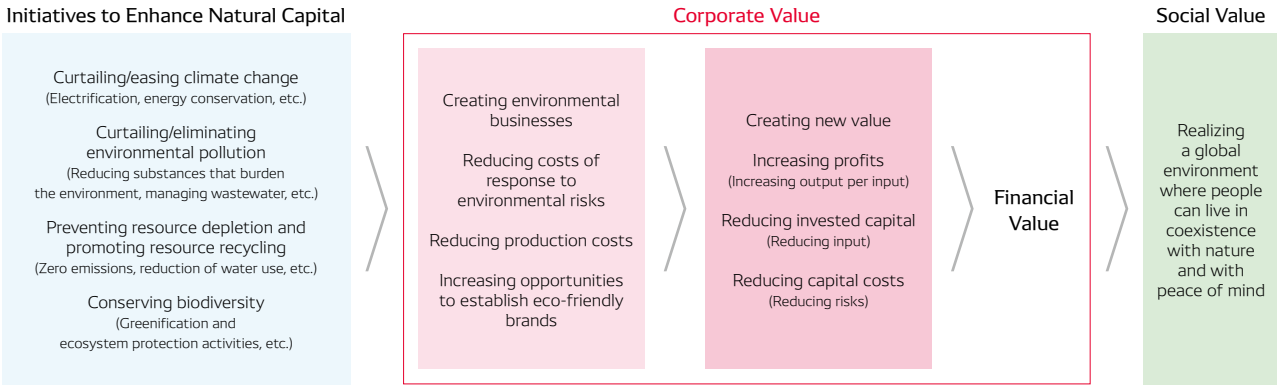
Based on our Eco Vision 2025 environmental management policy, we are enhancing the efficiency of natural capital use and reducing our environmental burden, thereby working to conserve the global environment and create economic value.

Characteristics of DENSO's Natural Capital (Fiscal 2024 results)



Notes: 1. The results figures reflect the use of carbon credits.
2. The targets are production bases in Japan and overseas (including the Group's manufacturing companies).

Relationships between Natural Capital, Corporate Value, and Social Value (Value Creation Path)



Climate Change Countermeasure: Zero CO₂ Monozukuri

DENSO is promoting the development of technologies for the production process and engaging in rigorous energy-saving activities with the participation of all employees. In addition, we have been proactively promoting energy-saving activities, including Just-in-Time (JIT) activities that aim for the utilization and supply of just the right amount of energy at the necessary time. Under Eco Vision 2025, we established the “energy half” target (reducing CO₂ emissions per unit by half compared with fiscal 2013) and have been promoting efforts to reach this target accordingly. In fiscal 2023, DENSO CORPORATION achieved this target three years ahead of schedule, while Group companies achieved the target in fiscal 2024, two years ahead of schedule. (Fiscal 2024 results [compared with fiscal 2013]: DENSO CORPORATION, 43 [reduction of 58%]; domestic and overseas Group companies, 46 [reduction of 54%])

Going forward, we will continue to enhance energy-saving activities utilizing Factory-IoT (F-IoT) and other technologies, and, at the same time, we will purchase electricity and gas derived from economically rational renewable energy sources and introduce self-power generation (solar power). Through such efforts, we will aim to make our *Monozukuri* completely carbon neutral.

Prevention of Environmental Pollution

DENSO is working to reduce the use of environmentally hazardous substances in its products in accordance with a basic policy of minimizing the use of chemical substances throughout product life cycles and taking into consideration trends in relation to the European Union's End-of-Life Vehicles Directive*1

and REACH Regulation*2 as well as other laws and regulations in respective countries and regions. In addition, chemicals handled at our plants are classified into “prohibited,” “targeted for reduction,” and “controlled” categories, and all chemicals used in our products are subject to integrated management under a proprietary control system. Based on these systems, we continuously promote efforts to reduce the usage and emissions of chemicals. At the same time, we are advancing the development of alternative technologies.

*1 This directive came into force on October 21, 2000 and, in principle, prohibits the use of certain chemicals in new vehicles sold from July 2003 onward.
*2 This comprehensive regulation on chemicals came into force on June 1, 2007.

Resource Depletion Prevention and Resource Recycling

With a view to achieving a recycling-based society, DENSO advances activities for the effective use of resources, which include reducing waste and emissions (zero emissions), recycling, and reducing water consumption. For example, we are reducing waste for main materials (metals and plastics) and subsidiary materials (fats, oils, and chemicals) by developing resource-saving processing methods and designing products that result in less waste. Also, we are taking measures to reduce water consumption through the introduction of JIT water management, which supplies the necessary amount of water to the necessary place. Further, DENSO has established a recycling network through cooperation among customers, DENSO service stations (centers), DENSO SOLUTION JAPAN CORPORATION, and DENSO REMANI CORPORATION. By utilizing this network, we operate a component rebuilding business that recovers, reconditions, and ships alternators and starters whose quality is assured through performance testing of the same stringency as that used for new products. As of fiscal 2021, we have achieved zero emissions at all global business sites.

Biodiversity

DENSO has contributed to ecosystem conservation through initiatives aimed at addressing climate change, preventing environmental pollution and resource depletion, and promoting resource recycling. In addition, our employees have collaborated with local communities to advance activities such as preserving and restoring ecosystems in the areas around our business sites and protecting endangered species.

Recently, in addition to climate change, there are rising global concerns regarding the loss of biodiversity. The loss of biodiversity ties in directly with the degradation of natural capital and therefore has a major impact on our corporate activities. Accordingly, we believe it is essential that we accurately assess the relationship between biodiversity and our business activities and enact measures, when necessary, if we are to enhance the stability of these activities.

To that end, we have recently been utilizing the Taskforce on Nature-related Financial Disclosures (TNFD), an international framework for the disclosure of biodiversity-related information, to carry out a trial analysis of our dependence and impact on nature and identify relevant risks and opportunities. In this section, we report the latest progress we are making in this endeavor.

Governance

Important items regarding our dependence and impact on nature and the relevant risks and opportunities are being deliberated on by the Companywide Safety, Health, and Environment Committee. This committee monitors and supervises the progress made toward qualitative and quantitative targets regarding our response to nature-related issues and evaluates business opportunities and risks. In this way, the committee will engage in decision-making based on comprehensive assessments.

Strategy

Centered on the Safety, Health & Environment Division, we conducted an analysis in collaboration with external experts. This analysis was carried out with a high level of objectivity, utilizing the LEAP approach* stipulated by the TNFD as well as analysis tools such as Aqueduct of the World Resources Institute and the Integrated Biodiversity Assessment Tool of the International Union for Conservation of Nature and other organizations. The analysis focused on a long-term timeframe, around 20 years in the future.

The results of the current analysis are as indicated below. Moving forward, we will continue to conduct analyses and reflect their results in our policies and plans for environmental activities.

* The LEAP approach is a recommended set of steps by the TNFD for TNFD-based information disclosures. It involves four steps: Locate (interface with nature), Evaluate (dependencies & impacts), Assess (material risks & opportunities), and Prepare (respond & report).

Direct Operations

We conducted an analysis of our production sites. Based on the results of this analysis, we identified Japan among our regions of operation as the region with the highest risk exposure from the perspective of the risk of biodiversity loss, making it our top priority area. At DENSO, we promote various activities to preserve nature. Taking into account the results of the recent analysis, we will conduct further analysis regarding the effectiveness of our current initiatives and any relevant issues.

(Number of exposure points in Japan for the risk of biodiversity loss: IUCN Red List: 2,120; Protected Planet preservation areas: 134; Key Biodiversity Areas: 11)

Value Chain

In the upstream of our value chain, we believe the risk of biodiversity loss is high, especially at our overseas suppliers of raw

materials. Accordingly, we conducted an analysis and evaluation of mining sites for bauxite, which is a raw material for aluminum used in such representative products as inverters and HVAC systems. The results of this analysis and evaluation are as follows.

Analysis and Evaluation of Risks and Opportunities Related to Mining Locations for Raw Material Bauxite

		Dependence/ Impact on Nature	Details of Major Risks and Opportunities	Response Measures
Risks	Nature	Dependence	• Destruction of ecosystems due to resource mining or wastewater	• Support for efforts by mining operators to restore ecosystems
		Impact	• Movement of invasive species due to land and marine transport (under investigation)	• Establishment of measures to prevent movement of invasive species
	Physical	Dependence	• Suspension of operations due to mining accidents (landslides, etc.) (short term)	• Disaster relief support for mining operators
		Dependence	• Decrease of reserves (under investigation) (long term)	• Diversification of alternative mines and suppliers
	Transition	Dependence	• Rise in prices due to the international situation	• Examination of alternative materials • Diversification of alternative mines and suppliers
		Impact	• Decline in supply amounts / Suspended production due to tightening regulations on mining	
Opportunities		Dependence	• Technologies to reduce dependence on mineral resources	• Development of alternative aluminum products and alternative aluminum materials
		Impact	• Growing need for mining technology with low environmental burden	• Joint R&D on new mining technologies leveraging long-cultivated environmental technologies

Management of Risks and Impacts

The risks identified in the analysis and evaluation will be reported to the Companywide Safety, Health, and Environment Committee, which will discuss such matters as relevant response policies and action plans. For risks that were determined to be particularly important, the Risk Management Meeting will invest resources into measures to address such risks, thereby controlling them from the perspective of Companywide risk management.

Measurement Indicators and Targets

With a focus on contributing to a nature-positive* global society, we will continue to utilize the TNFD to conduct ongoing analyses of nature-related risks and opportunities. The results of such analyses will be reflected in the next Eco Vision and Environmental Action Plan (Eighth Phase of Environmental Action Plan) and used to examine the formulation of indicators and targets. At the same time, we will incorporate the results into our environmental management systems (EMS).

* Nature positive: The concept of stopping biodiversity loss and shifting toward a path for recovery