

Social and Relationship Capital

Outline of Efforts to Strengthen Social and Relationship Capital

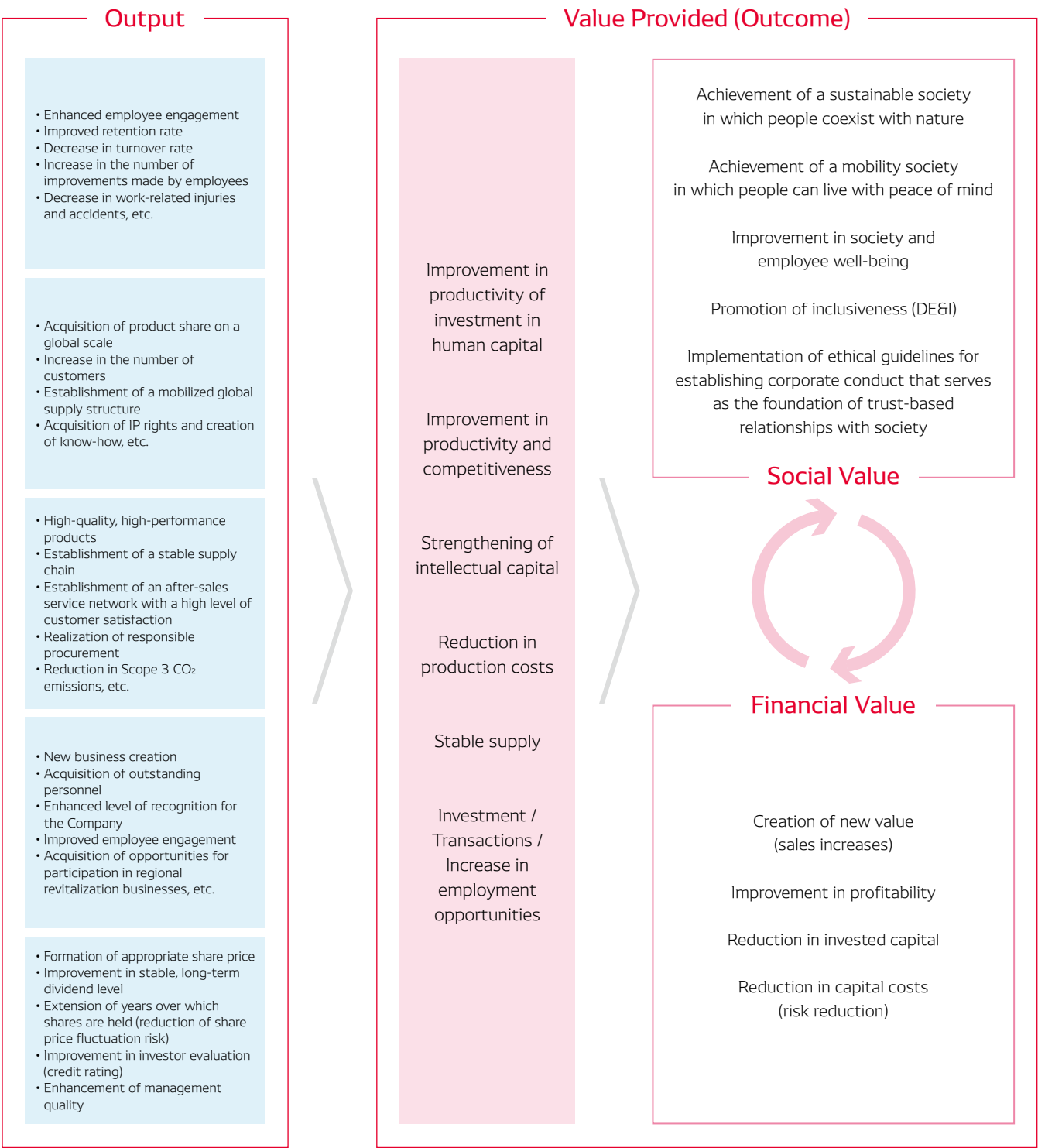
In an era with an uncertain outlook, flexibly responding to social changes and needs on our own is extremely challenging. We therefore believe that building good relationships with stakeholders and expanding our circle of associates is essential to enhancing corporate value. Furthermore, to avoid self-satisfying activities that are biased by our own logic and preconceptions, we are deepening our understanding of stakeholder expectations and options through dialogue with them and reflecting that understanding in our corporate activities. By doing so, we aim to become a company that is deeply inspiring by realizing growth together with our stakeholders and society as a whole.

Initiatives to Enhance Corporate Value by Strengthening Relationships with Our Stakeholders (Value Creation Path)

Stakeholders	Relationships between Social and Relationship Capital, Corporate Value, and Each Other Type of Capital	Related Capital	Initiatives to Strengthen Relationships (Input)	
			Expectations of and Points of Concern for DENSO	Initiatives
Employees	To create new value through the collective wisdom and strengths of DENSO's employees worldwide and realize growth for the Company, enhancing employee engagement is essential. Mindful of this, we will develop a corporate culture that encourages employees to work with enthusiasm and realize their talents. As part of these efforts, the Company will reform workstyles and human resource systems and create employee-friendly work environments in which employees can work with peace of mind.	Financial capital ▶ Human capital ▶ Manufacturing capital ▶ Intellectual capital Natural capital	Employee fulfillment, workplaces that facilitate good communication, flexible workstyles, fair and appropriate personnel evaluation systems, active roles of diverse human resources, workplace environments that are safe, comfortable, and promote health, etc.	Employee awareness surveys, in-house publications and information dissemination via intranet, consultation centers (hotlines, general consultation office), social gatherings between labor and management, etc.
Customers Automobile manufacturers, automobile users, and customers in non-automotive fields such as agriculture and FA, etc.	In addition to expanding financial capital by encouraging adoption of the Company's products and services, robust relationships with customers help us build an optimized supply structure, accumulate technologies and know-how through transactions, and cultivate our employees. Through dialogue with customers, DENSO will deepen its understanding of what they need and expect from the Company, thereby enabling the creation of products and services that satisfy customers and earn their trust.	▶ Financial capital ▶ Human capital ▶ Manufacturing capital ▶ Intellectual capital Natural capital	Provision of high-quality, high-performance products and services, products that address social issues, a stable product supply, a service network with a high level of customer satisfaction, etc.	Communication via day-to-day sales activities, new product exhibitions, joint R&D activities, establishment of new companies through joint investment, a customer consultation center, etc.
Business Partners Suppliers, service stations, and M&A business alliance partners, etc.	The competitiveness of our products and services is underpinned by the high technological capabilities and stable supply of our business partners. In addition, our efforts toward such matters as carbon neutrality and human rights due diligence require the understanding and cooperation of our business partners. Accordingly, we will strengthen our partnerships, provide products and services that are chosen by society, and engage in corporate conduct that helps us gain the support of society. By doing so, we will grow together with our business partners.	▶ Financial capital Human capital ▶ Manufacturing capital ▶ Intellectual capital Natural capital	Business expansion, business alliances, cross-industry exchange, support for responding to sustainability needs (the environment, human rights, etc.), leadership in addressing industry issues, etc.	Day-to-day communication, Supplier Appreciation Meeting, sustainability self-assessments, participation in industry bodies, General Meeting of DENSO Service Stations, servicing skills competition, etc.
Local Communities Local community members, governments, NPOs and NGOs, people of the next generation, etc.	We must realize coexistence and co-prosperity with the regions of operation and gain acceptance as a good corporate citizen in these regions. Also, confronting regional issues creates opportunities to develop an awareness of the need to address social issues, which is an important facet of business activities. We will therefore identify the needs of local communities through dialogue. By solving issues in partnership with local communities, we will contribute to their development.	Financial capital ▶ Human capital ▶ Manufacturing capital Intellectual capital ▶ Natural capital	Local employment and procurement, regional promotion (sports, culture), support for the development of the next generation, traffic safety activities, regional environment conservation, etc.	Conferences with local community members and governments, plant tours, Monazukuri schools, social contribution programs in collaboration with local NPOs, agreements with local governments for regional revitalization, etc.
Shareholders and Investors	Financial capital to invest in such areas as facility enhancement, R&D activities, and human resource development is required in order to realize sustainable growth and enhance corporate value. For that reason, we understand that our shareholders and other investors are valuable supporters who provide us with advice on how to promote sound management. We therefore believe it is important to build solid trust-based relationships with them. By enhancing the transparency of our management through timely and appropriate information disclosure and dialogue, we will aim to enhance our corporate value.	▶ Financial capital ▶ Human capital ▶ Manufacturing capital ▶ Intellectual capital ▶ Natural capital	Appropriate share price, implementation of dividends and other shareholder returns, timely and appropriate information disclosure and opportunities for dialogue, disclosure of non-financial information, etc.	General Meeting of Shareholders, DENSO DIALOG DAY, financial presentations, technology briefings, briefings for individual investors, integrated report, securities report, etc.

Characteristics of DENSO's Social and Relationship Capital (Fiscal 2024 results)

Number of suppliers Approx. 7,540	Number of dialogues with institutional investors (total number of companies) 1,750
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Undertaking Initiatives toward Respecting Human Rights

Against the backdrop of the rising interest toward sustainability around the globe, corporations are strongly expected to consider human rights within their business activities.

A workplace free of harassment and discrimination helps lower the risks of quality-related issues and work-related injuries. Further, conducting business activities with due consideration for human rights increases business opportunities, helps ensure stable supplies of products, and improves employee engagement.

Viewing respect for human rights as an important issue, DENSO has established it as a material issue of sustainability management and is advancing initiatives accordingly.

Promotion Structure

To clarify our approach and policies toward respecting human rights and in consideration of the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights, and other international norms, we have formulated the DENSO Group Human Rights Policy.

With the chief human resources officer (CHRO), who is a member of the Board of Directors, as a leader and the Human Resources Division as the leading organization with regard to human rights issues, we are promoting activities in collaboration with related divisions, including the Corporate Strategy, Purchasing, and Legal Affairs and Compliance divisions. In addition, we exchange information and engage in discussions with human rights experts, such as third-party organizations and external stakeholders, when appropriate, to gain a clear understanding of human rights and appropriately respond to international situations and legislative trends.

Promoting Employee Education and Enlightenment

DENSO promotes education and enlightenment activities for employees at each Group company with the aim of encouraging employees to act based on the DENSO Group Human Rights Policy.

Through education programs by grade and compliance tests that target all employees, including those at domestic Group companies, DENSO CORPORATION is engaging in education and enlightenment activities to deepen employee awareness and understanding of human rights.

Overseas Group companies also conduct awareness-raising activities based on important issues in their respective regions. For example, in North America our bases establish internal policies prohibiting harassment and conduct education on mutual respect and sexual harassment prevention for all employees, from members of senior management to new hires.

Human Rights Due Diligence

We identify and evaluate human rights-related risks that can occur as a result of our business activities and promote human rights due diligence, which is aimed at implementing measures to prevent such risks and reduce their impact should they occur.

(1) Implementation of a Risk Assessment

With the cooperation of a third-party organization specializing in human rights, we have conducted a risk assessment to identify and evaluate potential human rights risks. As a result, four issues have been identified as potential human rights risks that are highly relevant to the DENSO Group. These include the rights of non-Japanese workers in Japan and complicity in forced labor in the supply chain. Establishing an order of priority, we will review the situation regarding each human rights risk

and, as necessary, implement impact assessments to promote preventive measures and mitigation efforts for these risks.

(2) Implementation of an Impact Assessment—Non-Japanese Workers in Japan (Non-Japanese Technical Interns and Skilled Workers)

Human rights issues facing non-Japanese workers in Japan (non-Japanese technical interns and skilled workers) are highly relevant, important human rights risks in the automotive supply chain. DENSO assesses the actual conditions at major domestic Group companies and suppliers through written surveys. At the same time, for these surveys the Company prioritizes companies that utilize non-Japanese workers. In fiscal 2024, DENSO once again held direct interviews with such non-Japanese workers.

As a result, the Company confirmed that, although some improvements are needed at the surveyed companies, there are no major issues that could lead to human rights violations. We were also able to confirm that the surveyed companies are taking various measures to ensure that the human rights of non-Japanese workers are not negatively affected. DENSO shared the efforts of these surveyed companies with other domestic Group companies and suppliers as an example of good practice.



Interviews with non-Japanese technical interns working at domestic Group companies

Grievance Mechanism

We have established an internal whistleblowing system that can be used by domestic Group companies and suppliers. In the event an issue arises that impacts human rights or contributes to an impact on human rights, this system provides relief to the affected party.



For details on initiatives related to the DENSO Group Human Rights Policy and our respect for human rights, please visit the website below.
<https://www.denso.com/global/en/about-us/sustainability/society/humanrights/>



Supply Chain Management

DENSO aims to achieve mutual growth with its suppliers across the globe. Guided by our basic policy of ensuring open and fair business practices and responsible procurement activities, we are promoting a broad range of activities to not only ensure a stable supply of products to customers but also realize sustainable procurement across the supply chain.

Solidifying Our Foundation for Ensuring a Stable Supply

To respond to more diverse and frequently occurring risks, such as recent natural disasters (earthquakes, floods, fires, etc.), cyberattacks, and unexpected events (epidemics, wars, and terrorism), and to ensure that we can continue our supply to customers, we are moving forward with a broad range of activities, together with our suppliers, with the aim of solidifying our foundation for a stable supply.

As part of our risk-prevention efforts, we will work to clearly define our supply chain on a global scale while seeking to bolster our disaster mitigation measures and fire-prevention structure. We will also conduct information security inspection activities to prevent production disruptions and confidential information leaks caused by cyberattacks.

Meanwhile, in an effort to prepare for risks, we are working to enhance continuity by standardizing components and spreading out production activities across multiple plants so that we can ensure backup production throughout the supply chain when a risk occurs. We are also taking steps to secure the amount of risk inventories needed until production is restored, in the event of a disruption. Furthermore, to enact swift measures to stabilize supply when a risk occurs, we are leveraging systems that visualize supply chain information and ensuring that we are able at all times to ascertain information at our suppliers in the areas where a risk occurred.

Promoting Activities to Enhance Quality

To continue to provide products that satisfy our customers, DENSO and its suppliers must promote efforts to maintain and improve quality control. To that end, we share quality targets with suppliers and provide various kinds of support to help suppliers maintain and improve their quality assurance structure. By doing so, we verify on an ongoing basis that the parts and materials supplied to us meet the quality requirements of our customers.

Examples of Specific Initiatives

- Formulation of quality assurance manual for suppliers geared and responding to the IATF 16949 international standard for quality assurance
- Implementation of self-inspections based on quality control check lists (once a year)
- Establishment of quality targets at suppliers and confirmation of performance (monthly)
- Offering of advice and support through dialogue for resolving issues facing suppliers, etc.

Promotion of Sustainable Business Activities Based on Guidelines

DENSO asks all suppliers to endorse the DENSO Group Sustainability Policy. At the same time, we have established the Supplier Sustainability Guidelines, which set forth the behavior expected of suppliers in more concrete terms, including benchmarks to ensure compliance, human rights protection, environmental conservation, and workplace safety. In addition, we request that suppliers clarify their sustainability policy and assign a sustainability manager to advance activities based on these guidelines.

Also, we ask our major suppliers to periodically conduct self-checks using a self-evaluation form. When necessary, DENSO managers visit suppliers to confirm the results of these self-checks and engage in dialogue, thereby encouraging improvements.

Initiatives for Responsible Procurement of Resources and Raw Materials

The responsible procurement of mineral resources and raw materials is an important task in supply chains. With the globalization of businesses, supply chains are becoming increasingly global and diversified. In certain regions of the world, however, workers' rights are not taken into consideration. In particular, mineral mines involve a great deal of dangerous work. At such mines, cash outflows to armed groups and such human rights issues as child and forced labor have been reported.

We have formulated a policy on conflict minerals, which we share with our suppliers. Also, we conduct an annual survey on conflict minerals with the cooperation of suppliers. From fiscal 2025, we will include cobalt and mica in the list of minerals subject to investigation and steadily conduct surveys of relevant suppliers. Moving forward, we will periodically review the minerals subject to risk and consider the appropriate methods of response and work with suppliers to avoid the use of minerals of concern throughout our supply chain.

Green Procurement and the Promotion of Carbon Neutrality in the Supply Chain

We have formulated the Green Procurement Guidelines, which stipulate the management and reduction of environmentally hazardous substances (substances of concern) and the establishment of environmental management systems, and we ask suppliers to conduct procurement and management in strict compliance with these guidelines.

Particularly with regard to climate change, DENSO has visualized its CO₂ emissions within the supply chain and shares medium- to long-term targets with suppliers. We also request that suppliers promote activities to reach these targets. At the same time, we provide support that caters to the preferences and conditions of each supplier. (Green Strategy, Efforts to Maximize the Value of "Green" (TCFD) P.38–39, 70–73)



For details on the DENSO Group's procurement policies, please visit the website below.
<https://www.denso.com/global/en/about-us/sustainability/society/procurement-policy/>



For details on the DENSO Group's initiatives focused on promoting sustainability throughout the supply chain, please visit the website below.
<https://www.denso.com/global/en/about-us/sustainability/society/supply-chain/>

