

Corporate Governance

Basic Stance

DENSO recognizes the establishment of corporate governance as a priority initiative for achieving sustainable long-term increases in corporate value in a rapidly changing global market. Based on its Basic Policies on Corporate Governance, DENSO has adopted a corporate auditor system under which it has established the General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board, and Accounting Auditors as statutory bodies. In addition to these legal functions, the Company has established various governance-related frameworks. At the same time, the Company shares information and conducts dialogues regarding its business conditions with its shareholders and other investors on an ongoing basis, thereby implementing sound, efficient, and transparent management.



Please see the following URL for Basic Policies on Corporate Governance.
<https://www.denso.com/global/en/-/media/global/about-us/sustainability/governance/management/management-doc-corporate-governance-policy-2023-en.pdf>



Efforts to Improve Corporate Governance

DENSO is working to evolve its corporate governance and enhance strategic discussions Companywide to realize sustainable increases in corporate value.

DENSO has implemented all of the principles of the Corporate Governance Code that was revised in June 2021. DENSO discloses in its Corporate Governance Report its sustainability initiatives and efforts to ensure diversity in core personnel. Going forward, we will continue to implement sound, efficient, and transparent management including through the significant reduction of cross-shareholdings.

Corporate Governance System

Corporate Governance System and Principal Organizations

DENSO has adopted a corporate auditor system under which it has established the General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board, and Accounting Auditors as statutory bodies. Through a president, executive vice presidents, and a corporate officer system that separates and clarifies the roles between members of the Board, who are responsible for management (decision-making and supervision), and senior executive officers, who are responsible for the execution of business operations, DENSO CORPORATION is streamlining the number of members of the Board and is realizing swift decision-making and business operations.

Under this system, depending on the circumstances, members of the Board serve concurrently as president, executive vice president, and senior executive officer to ensure that the Board maintains an overall balance of knowledge, experience, and ability. 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 further clarifying management responsibility during the business year.

Reason for Selecting Our Current Corporate Governance System

In addition to performing management decision-making that emphasizes *Genchi Genbutsu* (on-site verification), DENSO believes that it is important to build a system that can verify whether management decision-making has met shareholder expectations and whether there is a problem from the point of view of governance. To this end, we believe that the current system to supervise and audit the execution of business duties by the Board of Directors including outside Board members, as well as Audit & Supervisory Board members including outside Audit & Supervisory Board members, is most suitable. To improve earnings and corporate value, and to make better business decisions, we have appointed outside Board members with extensive knowledge of corporate management. Their specializations are helpful with decision-making and oversight.

DENSO has adopted a company with audit and supervisory board structure to maintain a system where auditors can independently exercise their auditing authority. To ensure audits are properly carried out, the Audit & Supervisory Board consists of standing Audit & Supervisory Board members who are knowledgeable of internal affairs, and outside Audit & Supervisory Board members who bring high levels of specialization and insights.

Board of Directors

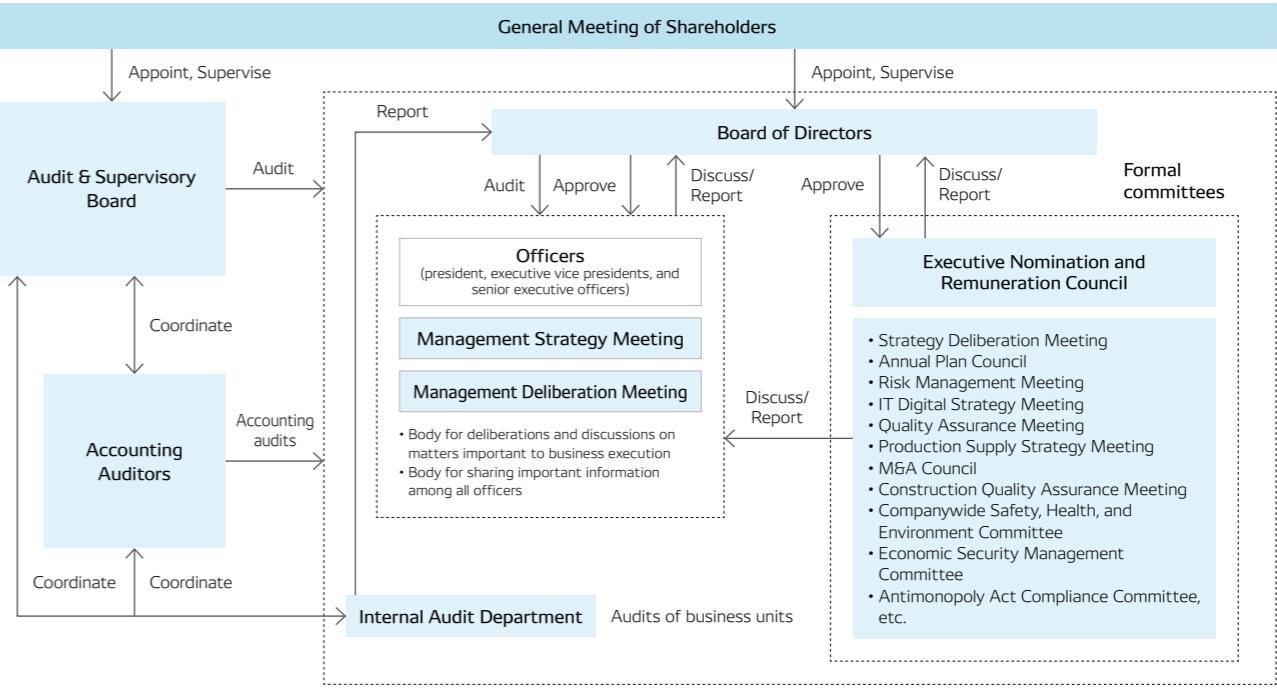
The Board of Directors resolves matters stipulated by laws and regulations, as well as matters of importance to the Company's decision-making. As much as possible, the Board delegates authority to those in charge of business execution. This approach simultaneously accelerates execution and enables the Board to spend more time deliberating on management policies and strategies.

The Board of Directors meets once a month, in principle, and is composed of 12 members: five internal Board members, three outside Board members, two standing Audit & Supervisory Board members, and two outside Audit & Supervisory Board members. With respect to the independence of outside Board members and outside Audit & Supervisory Board members, the Company has selected a total of five independent officers (three outside Board members and two outside Audit & Supervisory Board members). These officers must fulfill the independence criteria stipulated by the financial instruments exchanges, and they are required to have a wealth of

experience and specializations in such fields as corporate management, legal affairs, and accounting and to actively provide recommendations and opinions on management issues.

Resolutions must be approved by a majority of the members present at a Board of Directors' meeting, and the meeting itself must be attended by a majority of members of the Board. We have been enhancing our support structure for the outside officers to ensure the productive and efficient operation of the Board of Directors when making resolutions. Further, before a Board meeting is convened, materials are distributed beforehand and the agenda is explained in detail beforehand, and opinions and approval are received from any members of the Board who are unable to attend on the day of the Board meeting. In fiscal 2024, the Board of Directors convened 13 times, with 97% of members of the Board and 100% of Audit & Supervisory Board members attending.

Corporate Governance System



Discussions of the Board of Directors

The main topics discussed and the number of reports submitted for discussion at meetings of the Board of Directors convened in fiscal 2024 are shown in the table below. In fiscal 2024, the Board received and discussed numerous reports on priority topics, namely, strategies related to revising the business portfolio to improve corporate value over the medium to long term.

Main Topics Discussed and Number of Reports Submitted for Discussion at Meetings of the Board of Directors in Fiscal 2024

Classification	Reports Submitted for Discussion
Management strategy	13
Governance, risk management, and internal control	10
Financial results and financing	7
Human resources	4
Strategies and plans	1
Individual matters	7

Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole

In early March of each year, DENSO has all members of the Board participate in a survey of the effectiveness of the Board of Directors. With a view to obtaining the frank opinions of members of the Board regarding issues and areas requiring improvement, interviews with inside officers are held, and outside officers discuss these matters at the Independent Officer Meeting, based on the outcome of the quantitative assessment in the survey.

Issues and areas identified as requiring improvement and improvement action plans are reported to and discussed by the Board of Directors, followed by improvement activities that are implemented beginning in late May. Each year, a plan-do-check-act (PDCA) cycle is implemented to enhance the effectiveness of the Board of Directors.

- Evaluation Items of the Survey for Evaluation of the Effectiveness of the Board of Directors**
1. Composition and operation of the Board (composition of members, delegation of authority, and uninhibited and lively discussion)
 2. Support for outside officers (prior briefing, provision of information, and exchange of opinions and interaction)
 3. Oversight by the Board (management philosophy, medium- to long-term strategies, governance, important risks)
 4. Dialogue with stakeholders (status of dialogue with stakeholders and discussion from the perspective of stakeholders)

Review of Initiatives in Fiscal 2024

Thanks to the initiatives shown in the table below, the results of the survey, interviews, and discussions confirmed that in fiscal 2024 the Board of Directors was even more effective than in the previous fiscal year, improving in terms of business portfolio reforms, discussions of strategy, and reporting of dialogues with stakeholders.

Fiscal 2024 Initiatives to Address Fiscal 2023 Issues

Discussion of strategies	<ul style="list-style-type: none">• Submit strategy-related agenda items in a planned manner to the Board for discussion• Discussion of strategic topics, such as the business portfolio, the cost of capital (reduction of cross-shareholdings), and semiconductors• Streamline Board of Directors’ agenda due to delegation of authority• Authority to make investments was delegated after changes were made to decision criteria• Utilize opportunities outside of Board meetings to deepen discussion of strategies• Discussions on human capital were held at the Executive Workshop
Support for outside officers	<ul style="list-style-type: none">• Support efforts to fully understand businesses through more on-site visits• On-site visits to domestic Group companies and business partners
Dialogue with stakeholders	<ul style="list-style-type: none">• Report comprehensively on dialogue with stakeholders

DENSO aims to improve the effectiveness of the Board of Directors by planning and implementing the following improvement measures in fiscal 2025 to address lingering issues identified in fiscal 2024.

Fiscal 2025 Improvement Action Plan for Fiscal 2024 Issues

Further enhancement of strategic discussions	<ul style="list-style-type: none">• Systematically present strategic topics to the Board of Directors, such as the formulation of the next medium-term goals, Companywide strategies for sustainability, cross-functional strategies (human capital, technological development, and DX), as well as strategies related to semiconductors and software
Reduction of information gap between inside and outside officers	<ul style="list-style-type: none">• Select topics that Board members should be aware of, and share materials and meeting minutes from the Management Strategy Meeting and the Management Deliberation Meeting

Audit & Supervisory Board

Management Oversight Function of the Audit & Supervisory Board

As well as attending meetings of the Board of Directors and other important meetings, Audit & Supervisory Board members convene meetings of the Audit & Supervisory Board once a month, in principle. The Audit & Supervisory Board comprises four Audit & Supervisory Board members, two of whom are outside Audit & Supervisory Board members. In addition, one alternate outside Audit & Supervisory Board member is appointed to provide against eventualities whereby attendance of the legally required number of Audit & Supervisory Board members is not possible.

At meetings of the Audit & Supervisory Board, resolutions on legally required matters are approved and exchanges of opinions are held with members of the Board, members of the senior management team, members of the Internal Audit Department, and Accounting Auditors regarding the Company's sustained growth and the medium- to long-term enhancement of corporate value. Also, the Audit & Supervisory Board fulfills its management oversight function through audits of the execution of duties by members of the Board and of the operations and financial position of the Group as a whole. The Audit & Supervisory Board met 15 times in fiscal 2024, with a 100% attendance rate by its members.

Pursuant with internal regulations, the Internal Audit Department conducts internal audits on the legality, appropriateness, and efficiency of the Company's operations. Based on the issues identified by these audits, each department of the Company establishes and subsequently enhances operational control and management systems.

Specific Topics Discussed at Meetings of the Audit & Supervisory Board

In fiscal 2024, Audit & Supervisory Board meetings included numerous discussions and reports on priority topics, namely, the appropriateness of the Company's management direction, enhancement of organizational governance, and preparations and human resource development aimed at realizing its philosophy.

Main Topics Discussed and Number of Reports Submitted for Discussion at Meetings of the Audit & Supervisory Board in Fiscal 2024

Classification	Reports Submitted for Discussion
Accounting audit	8
Corporate management	11
Audit activity report	11
Execution of duties by senior executive officers	9
Auditing policy and plan	4
Individual matters	7

Structure for Business Execution

DENSO CORPORATION separates the functions of the Board of Directors, which conducts management oversight, and the executive directors, who handle business execution.

As bodies for deliberating important matters pertaining to business execution, the Company has established the Management Strategy Meeting and the Management Deliberation Meeting. These two bodies, three when including the Board of Directors, are positioned as executive committees.

Overview of Deliberating Bodies on Business Execution

	Deliberating Bodies	
	Management Strategy Meeting	Management Deliberation Meeting
Chairperson	President	President
Composition	President, executive vice president, the heads of each business group and functional department, general managers, and standing Audit & Supervisory Board members	President, executive vice president, the heads of each business group and functional department, general managers, and standing Audit & Supervisory Board members
Purpose	Hold strategic discussions from a medium- to long-term perspective, focused on businesses, functions, and regions	Deliberate on important items related to the Company's overall management, starting with the agenda items at meetings of the Board of Directors. In addition, sharing important information regarding business management and promptly utilizing such information to facilitate swift business execution
Number of meetings held in fiscal 2024	22	41

Requirements for Members of the Board and Audit & Supervisory Board Members and Our Approach to Diversity

The composition of the members of the Board and the Audit & Supervisory Board is decided with due consideration paid to the balance of diversity (including nationality and gender), experience, capabilities, and specialization to ensure precise and prompt decision-making.

For Board member candidates, DENSO nominates individuals who are well-versed in managing the Company's various businesses and effective at addressing urgent issues, and who can contribute to the formulation of management strategies aimed at enhancing corporate value over the medium to long term, as well as the accurate and effective supervision of management.

Similarly, for Audit & Supervisory Board member candidates, DENSO nominates individuals with knowledge in business management, finance, accounting, and legal affairs, who can contribute to the appropriate auditing of management.

Experience and Specializations of Members of the Board and Audit & Supervisory Board Members (Skill Matrix)

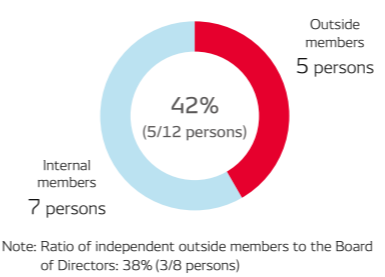
The skills (experience and specializations) required of members of the Board of Directors are decided while considering whether such skills are helpful in attaining objectives, such as medium- to long-term business strategies, policies, and targets. More specifically, DENSO has set out 11 types of experience and specializations to ensure that the Company has the experience and specializations required to realize its Long-term Policy for 2030 and to underpin stable corporate management. The experience and specializations of the Board of Directors as a whole are disclosed in the form of a skill matrix. We intend to revise these requirements to reflect future changes in business strategy and the business environment.

Approach to Selection of Experience and Specializations

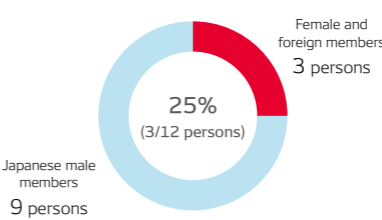
Experience and specializations required to realize DENSO's Long-term Policy for 2030	<ul style="list-style-type: none">• Corporate management experience that enables anticipation of the future in uncertain and ambiguous times and the provision of recommendations on the course that the Company should pursue• Software/digital and environment/energy experience and specializations that enable maximization of the value of "green" and "peace of mind" as well as social contributions, including initiatives focused on realizing carbon neutrality and eliminating traffic accident fatalities• Marketing experience and specializations that enable correct understanding of market trends as well as social needs and expectations, which help in addressing not only mobility-related issues but a wide range of other social issues
Experience and specializations required to underpin stable corporate management	<ul style="list-style-type: none">• Governance, global, finance/accounting, human resources, technological development, production/quality, and sales/procurement experience and specializations that serve as foundations for DENSO's sustained growth, regardless of the era or environment

Composition of the Board of Directors and Audit & Supervisory Board

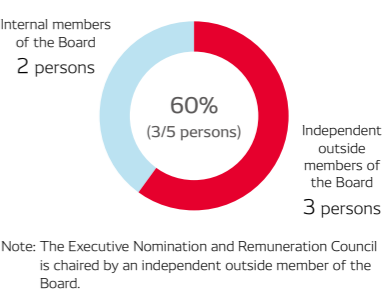
Ratio of Outside Members to the Board of Directors and the Audit & Supervisory Board



Diversity of the Board of Directors and the Audit & Supervisory Board















Composition of the Executive Nomination and Remuneration Council



Experience and Specializations (Skill Matrix) of Members of the Board and Audit & Supervisory Board Members

The areas of specialization that the Company expects each member to demonstrate (up to a maximum of five areas) are as shown below.

Note: This does not represent all the areas of experience and specialization of each person.

Name	Tenure	Attendance at Board of Directors' meetings in fiscal 2024	Meeting participation (◎ = Chair)			Experience and specializations required to realize DENSO's Long-term Policy for 2030				Experience and specializations required to underpin stable corporate management								Reason for appointment	Important posts concurrently held at other corporations
			Board of Directors	Audit & Supervisory Board	Executive Nomination and Remuneration Council	Corporate management	Software / Digital	Environment / Energy	Marketing	Governance	Global	Finance / Accounting	Human resources		Technological development	Production / Quality	Sales / Procurement		
 Chairman, Representative Member of the Board Koji Arima	9 years	13/13	◎		○													Koji Arima has extensive management experience as representative member of the Board, president and chairman (current position), which includes oversight of management as the chairman of the Board and involvement in the formulation and execution of the Company's medium- to long-term policies and strategies. In addition, his experience as chairman of the Japan Auto Parts Industries Association, a position he held until May 2024, affords a top-down perspective of the entire industry. He was appointed with the expectation that he will promote further improvement in the Company's governance.	Outside Audit & Supervisory Board member of KDDI Corporation
 President & CEO, Representative Member of the Board Shinnosuke Hayashi	1 year	10/10*1	○		○													After joining the Company, Shinnosuke Hayashi engaged in the electronics business, served as chief software officer (CSwO), and was an executive in charge of a business. He was appointed representative member of the Board and president (current position) in June 2023. He has been practicing "management that values people," such as by promoting the creation of a corporate culture that enables the Company's diverse people to use their abilities to their fullest, with the aim of constantly creating new value and staying one step ahead of the times. With his strong insight as a manager, he is expected to demonstrate exceptional leadership that draws out the best of the Company's diverse employees and facilitate the creation of new value as mobility evolves.	
 Executive Vice President, Representative Member of the Board CRO, CCO, CFO Yasushi Matsui	3 years	13/13	○															After joining the Company, Yasushi Matsui engaged in the thermal systems business and the electrification business. He was in charge of the purchasing department from June 2014 and currently serves as CRO, CCO, CFO, and the head of the Corporate Strategy Center. He is expected to lead corporate and financial strategies, which will be the foundation of corporate growth, by utilizing his broad perspective and foresight gained through his wide-ranging experience in functional and operating departments and at an overseas site.	Audit & Supervisory Board Member, Blue Nexus Corporation Outside Audit & Supervisory Board Member, JTEKT Corporation
 Executive Vice President, Representative Member of the Board CIO, CQO, CHRO Yasuhiko Yamazaki	—*2	—*2	○															After joining the Company, Yasuhiko Yamazaki served as president of the Company's Spanish subsidiary and was in charge of production promotion departments before being placed in charge of the thermal systems business in January 2021. He currently serves as CIO, CCO, CHRO, and is in charge of the General Administration & Human Resources Center. He is expected to promote the enhancement of technological development capabilities to realize a future mobility society and human resource development to support such efforts by utilizing his profound knowledge in technology and manufacturing.	Outside Director of Toyota Boshoku Corporation
 Member of the Board Akio Toyoda	5 years	11/13	○															Akio Toyoda is an unchallenged industry leader representing the automotive industry who currently serves as chairman of the Board of Directors, Toyota Motor Corporation, and served as chairman of Japan Automobile Manufacturers Association, Inc., and is driving creation of a next-generation mobility society. He is expected to provide a wide range of advice and guidance regarding the Company's management and oversee its management from a broader perspective, taking a wide view of the overall automotive industry.	Chairman of the Board of Directors, Toyota Motor Corporation Director, HAMANAKODENSO CO., LTD.
 Member of the Board <div>Outside Board Member</div> <div>Independent Officer</div> Shigeki Kushida	5 years	13/13	○		◎													Shigeki Kushida has the experience of having led diverse activities toward the development and stability of the Japanese economy at Japan's central bank, which plays a core function in the Japanese economy, by filling the posts of director-general and executive director of Bank of Japan. He has contributed to enhancing transparency and objectivity in the areas of officer nomination and remuneration, which is the essence of governance, as the chair of the Executive Nomination and Remuneration Council since January 2020. He is expected to contribute to the supervision of the Company's overall management, utilizing his broad expertise in the global monetary economy.	Representative Executive Officer & President, Japan Securities Finance Co., Ltd.
 Member of the Board <div>Outside Board Member</div> <div>Independent Officer</div> Yuko Mitsuya	5 years	12/13	○		○													Yuko Mitsuya has abundant experience and knowledge in many fields, having long been in management at several corporations and associations, filling the posts of officer and committee member at several sports associations such as vice president of the Japanese Olympic Committee (current position) and being engaged in education and human resource development at a university, among others. She is expected to contribute to the supervision of the Company's overall management, utilizing her abundant expertise in corporate management and human resource development.	Representative Director, PIT Co., Ltd. Outside Director, Japan Airlines Co., Ltd. President, Japan Basketball Association Vice President, Japanese Olympic Committee
 Member of the Board <div>Outside Board Member</div> <div>Independent Officer</div> Joseph P. Schmelzeis, Jr.	2 years	13/13	○		○													Joseph P. Schmelzeis, Jr. has a wealth of experience in management, particularly in the service industry, including at SEGA CORPORATION, as well as in venture business start-ups and strategic consulting. He has striven to strengthen the U.S.–Japan alliance as senior advisor to the ambassador at the U.S. Embassy in Tokyo since 2018. He is expected to contribute to the supervision of the Company's overall management, utilizing mainly his abundant business experience as well as profound global knowledge, and knowledge of risk management related to geopolitics.	Representative Director, JPS International, Inc. Executive Manager, Cedarfield Godo Kaisha Outside Director, Central Japan Railway Company Outside Director, Hitachi Construction Machinery Co., Ltd.
 Standing Audit & Supervisory Board Member Shingo Kuwamura	3 years	13/13	○	◎														After joining the Company, Shingo Kuwamura was engaged in the production technology and production planning departments. Starting in June 2009, he served as an executive director overseeing the Production Promotion Center. Subsequently, he held positions as president of the Company's North American subsidiary, president of a domestic subsidiary, and head of the Procurement Group, before becoming the executive officer in charge of the Asia-Pacific regional headquarters. With extensive management experience as an executive officer of the Company, as well as experience in managing overseas subsidiaries and domestic subsidiaries, he is expected to further strengthen and promote the Group's compliance initiatives, enhance corporate governance, and provide robust audit support and guidance to directors and CxOs.	
 Standing Audit & Supervisory Board Member Motomi Niwa	6 years	13/13	○	○														After joining the Company, Motomi Niwa worked in the purchasing, business planning, and human resources departments. Starting in August 2014, he served as vice president of a U.S. subsidiary of the Company. With management experience at an overseas subsidiary, as well as broad knowledge gained from working in both functional and business divisions, he is expected to strengthen and promote the Group's compliance initiatives, enhance the quality of corporate governance, and improve the audit support and guidance provided to directors and CxOs.	Auditor of ADVICS CO., LTD.
 Auditor <div>Outside Audit & Supervisory Board Member</div> <div>Independent Officer</div> Yasuko Gotoh	5 years	13/13	○	○														Yasuko Gotoh has extensive experience in public administration, including roles as vice governor of Yamagata Prefecture, head of the New York Office of the Japan National Tourism Organization, and managing director of Kyushu Railway Company. In addition, she has considerable expertise in auditing, having served as an Audit & Supervisory Committee Member at Kyushu Railway Company and as an External Audit Committee Member at Shiseido Company, Ltd. (current position), where she has gained financial, accounting, and compliance knowledge through her auditing activities. Her broad experience and insights in public administration and corporate management are expected to be valuable in reflecting these perspectives in the Company's audits.	Outside Director (Member of the Audit Committee), Shiseido Company, Ltd. Outside Audit & Supervisory Board Member, Mitsui Chemicals, Inc.
 Auditor <div>Outside Audit & Supervisory Board Member</div> <div>Independent Officer</div> Haruo Kitamura	5 years	13/13	○	○														Haruo Kitamura has a rich career and deep expertise as a certified public accountant, along with extensive experience in corporate management and auditing. He has served as an outside auditor at ROHM Co., Ltd., an outside director for MonotaRO Co., Ltd., and both an outside director and outside corporate auditor at Yamaha Corporation. His high level of knowledge in finance and accounting, combined with his extensive experience in corporate management, is expected to greatly contribute to the Company's auditing processes.	Owner, Kitamura Certified Public Accountant Office Outside Member of Audit & Supervisory Board, LeTech Corporation

*1 Number of times since appointment as representative member of the Board in June 2023 *2 Appointed representative member of the Board in June 2024

Note: CEO (chief executive officer) CRO (chief risk officer) CCO (chief compliance officer) CFO (chief financial officer) CIO (chief innovation officer)
CQO (chief quality officer) CHRO (chief human resources officer)

Executive Nomination and Remuneration Council

DENSO has established the Executive Nomination and Remuneration Council to increase fairness and transparency from an impartial standpoint when making important decisions regarding the nomination and remuneration of executives. This committee is chaired by an independent outside Board member, with independent outside Board members constituting the majority of its members.

Composition of the Executive Nomination and Remuneration Council

Chair	Shigeki Kushida	Independent Outside Board Member
Members	Koji Arima	Chairman, Representative Member of the Board
	Shinnosuke Hayashi	President & CEO, Representative Member of the Board
	Yuko Mitsuya	Independent Outside Board Member
	Joseph P. Schmelzeis, Jr.	Independent Outside Board Member

Activities of the Executive Nomination and Remuneration Council

The Executive Nomination and Remuneration Council convened a total of seven times in fiscal 2024 with 100% attendance by its members. The main topics of deliberation were as follows:

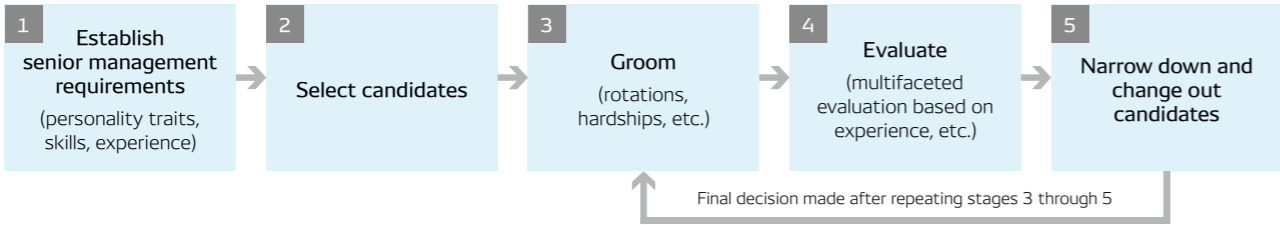
Nomination	<ul style="list-style-type: none">• CEO succession plan• Outside officer succession plans• January 2024 executive system• June 2024 executive system
Remuneration	<ul style="list-style-type: none">• Compensation levels by position and duties• Performance evaluation based on corporate earnings indicators• Evaluation of individual performance• Determination of individual compensation• Reforms to executive remuneration system

Senior Management Succession Plan

DENSO regards president & CEO succession planning as one of its most important management tasks. The Executive Nomination and Remuneration Council, of which a majority of the members and the chair are independent outside Board members, leads the search for the next president based on a highly objective and transparent process.

The Executive Nomination and Remuneration Council establishes requirements that reflect the type of senior management sought by DENSO. In searching for an optimal successor, the council conducts ongoing discussions based on a diverse range of information concerning the candidates. Such information is obtained from parties inside and outside the Company and includes past achievements, employment histories, and assessments of suitability for management positions. In addition, for CxO positions and below, DENSO identifies candidates for the succession of key core management posts inside and outside Japan and grooms these candidates from medium- and long-term perspectives.

Succession Planning Process



Senior Management Requirements

Personality traits	<ul style="list-style-type: none">• Integrity, strong sense of ethics• Impartiality, highly trustworthy, and popular• Positive attitude toward taking on new challenges	<ul style="list-style-type: none">• Strong sense of responsibility, courage• Physical and mental toughness
Skills	<ul style="list-style-type: none">• Decisiveness to forge ahead with reforms, sound judgment• Leadership that builds global networks and mobilizes the organization as a team• Ability to anticipate change and build strategies that form a vision for the Company	

Executive Compensation

Basic Policy

- Achieve medium- to long-term enhancement of corporate value and management from the perspective of shareholders
- Incentivize eligible members of the Board to enhance business performance by linking the Company's performance with individual performance

Composition of Remuneration

The compensation system for members of the Board (excluding non-executive members of the Board and outside Board members) at DENSO consists of basic compensation as fixed compensation, as well as bonuses and share-based compensation as performance-linked compensation. An overview of each compensation system and the ratio of compensation by position for basic compensation amounts are as detailed in the table below. However, note that these ratios may vary depending on fluctuation in

performance-linked compensation amounts, which are based on the achievement of corporate earnings for the fiscal year. Compensation for non-executive members of the Board and outside Board members consists of only basic compensation (fixed amount) from the standpoint of ensuring impartiality. Compensation for Audit & Supervisory Board members also comprises only basic compensation (fixed amount), in light of their roles and responsibilities as auditors in charge of compliance audits.

Compensation Levels

The level of compensation for members of the Board and Audit & Supervisory Board members is set at the median level for comparable companies while also referencing levels at major manufacturers of similar scale in similar sectors and business models as DENSO, based on board member compensation survey data compiled by external research institutions each year.

Type of Compensation		Overview	Ratio		
			Chairman	President	Executive Vice President
Fixed compensation	Basic compensation (fixed amount)	• Paid as monthly fixed compensation based on position	40%	40%	45%
Performance-linked compensation	Bonus (short-term incentive)	• Paid at a certain time each fiscal year after the conclusion of the General Meeting of Shareholders	30%	30%	30%
	Share-based compensation (medium- to long-term incentives)	• Payment amount calculated based on corporate earnings indicators (consolidated operating profit, ROIC, sustainability score) and individual performance evaluation results	30%	30%	25%

Method for Calculating Performance-Linked Compensation

To establish linkage with corporate performance and to incentivize members of the Board to enhance corporate performance and sustain growth, a performance-linked compensation amount is calculated by reflecting a corporate performance evaluation and an individual performance assessment—which is based on an evaluation of the business results and achievements of the individual and their medium- to long-term initiatives—in a position-specific basic compensation amount. Depending on corporate performance and individual performance, the performance-linked compensation amount fluctuates in a range that is between 0% and 200% of the basic compensation amount.

Performance-linked compensation amount

=

Position-specific basic compensation amount

×

Corporate performance evaluation

×

Individual performance assessment

Fluctuating in a range between 0% and 200%

Corporate Performance Evaluation Indicators

Connected with corporate strategies that are aimed at enhancing DENSO's corporate value, corporate performance evaluation indicators comprise consolidated operating profit, ROIC, and sustainability score. The score weighting and evaluation method for each evaluation indicator are shown below. Further, targets for each fiscal year, the basis of these evaluations, are set each year based on medium- to long-term objectives.

Indicator	Score Weighting	Evaluation Method
Consolidated operating profit	60%	Evaluation based on degree of achievement of fiscal year targets while considering impact of external factors like foreign exchange rates
ROIC	20%	Evaluation based on degree of achievement of fiscal year targets
Sustainability score	20%	Evaluation based on overall achievement of fiscal year targets for addressing the following priority issues in the Company's sustainability management Priority issues: (1) total CO ₂ emissions, (2) expansion of "green" and "peace of mind" products, (3) employee engagement, (4) ratio of non-Japanese personnel serving as heads of overseas bases, and (5) ratio of female managers

Share-Based Compensation

Share-based compensation is paid in the form of restricted shares, and the restriction on transfer is removed when the officer retires, in principle. During the period of restriction on transfer, in the event of a violation of laws and regulations by the officer or for other reasons determined by the Company’s Board of Directors, the Company shall acquire all allotted shares without providing compensation.

Method for Determining Compensation

DENSO has established the Executive Nomination and Remuneration Council, of which a majority of the members and the chair are independent outside Board members, in order to ensure impartiality, fairness, and transparency in Board member compensation.

The Board of Directors has passed a resolution on the total amount of compensation for fiscal 2024, which is within the scope of compensation established by a resolution of the General Meeting of Shareholders. The Board has also passed a resolution to entrust decisions on individual compensation amounts to the Executive Nomination and Remuneration Council. This council determines individual compensation based on consideration of the officer compensation system, corporate performance, the responsibilities and achievements of the member of the Board, and conformance with the Board-approved policy on determining compensation. Compensation for Audit & Supervisory Board members is determined through a consensus of members and set within the total amount approved by resolution at the General Meeting of Shareholders.

Total Amount of Compensation by Board Member Classification, Total Amount of Each Type of Compensation, and Number of Eligible Board Members

Board member classification	Total amount of compensation (¥ million)	Total amount of each type of compensation (¥ million)			Number of eligible Board members
		Fixed compensation	Performance-linked compensation		
		Basic compensation	Bonus	Share-based compensation	
Members of the Board	513	275	126	112 / 42,700 shares	9
(Outside Board members)	(55)	(55)	(-)	(-)	(3)
Audit & Supervisory Board members	122	122	-	-	4
(Outside Audit & Supervisory Board members)	(30)	(30)	(-)	(-)	(2)
Total	635	397	126	112 / 42,700 shares	13

Notes: 1. The figures above include Member of the Board Yukihiro Shinohara, who retired as of the conclusion of the 100th Ordinary General Meeting of Shareholders held on June 20, 2023.
2. Performance-linked compensation is the amount based on a resolution adopted at the Board of Directors’ meeting held on May 10, 2024. Below are the indicators used to calculate performance-linked compensation in fiscal 2024.
Consolidated operating profit: ¥380.6 billion; ROIC: 5.5%; sustainability score: 5/8 achievement
3. For share-based compensation, the number of shares granted is calculated by dividing the amount of compensation approved by resolution of the Board of Directors’ meeting held on May 10, 2024, by the closing price on the day before the adoption of this resolution.

Total Amount of Consolidated Compensation for Each Board Member

Name (Board member classification)	Total amount of compensation (¥ million)	Total amount of each type of consolidated compensation (¥ million)		
		Fixed compensation	Performance-linked compensation	
		Basic compensation	Bonus	Share-based compensation
Koji Arima (Representative Member of the Board)	155	70	39	46
Shinnosuke Hayashi (Representative Member of the Board)	133	56	35	42

Note: Only shows individuals who received at least ¥100 million in total consolidated compensation

Relationship with Major Shareholders

As with other general transactions, the terms and conditions of individual transactions with major shareholders are determined through negotiations after the presentation of a suggested price that is based on due consideration of market value. If price revisions are significant, depending on the amount, deliberations are conducted and internal approval procedures are implemented in accordance with regulations on operational decisions.

Relationship with Toyota Motor Corporation

DENSO provides products and systems to many types of manufacturers around the world. While analyzing the technological characteristics and local conditions in each region of the world and meeting exacting market requirements, the Company refines its leading-edge technologies and manufacturing capabilities and then utilizes them to realize enhanced products and systems for the next generation.

At the same time, to create synergies within the Toyota Group, the Company is promoting efficient and expedited R&D and

manufacturing by combining Toyota Motor’s insights with respect to mobility with its own insights and knowledge of automotive products and systems. Specific examples include the Company’s 2020 assumption of Toyota Motor’s electronic components business and the Hirose Plant, the Company’s CTO being appointed head of Toyota Motor’s Digital Software Development Center in October 2023, and a wide range of other collaborations.
In addition, Member of the Board Akio Toyoda is a prominent leader in the automotive industry and a driving force behind the creation of a next-generation mobility society, serving as chairman of the Board of Directors (representative director) of Toyota Motor Corporation, one of our principal shareholders. In 2019, he was appointed as a member of the Board so that he could provide the Company with a wide range of advice and recommendations on its business management as well as oversee business management from a broad perspective that encompasses the entire automotive industry.

Establishing and Strengthening Internal Controls

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

 Please see the following URL for DENSO Basic Policies for Internal Control.
<https://www.denso.com/global/en/-/media/global/about-us/sustainability/governance/management/management-doc-internal-control-policy-2023-en.pdf>



Internal Reporting System

In accordance with the circumstances in each region of operation, the DENSO Group has set up internal reporting systems at its regional headquarters and each business site. These systems allow employees to report their concerns and receive consultation on matters related to legal and regulatory violations via email, telephone, written correspondence, or face-to-face interaction.
For example, at DENSO CORPORATION, we have established a Business Ethics Hotline in accordance with Japan’s Whistleblower Protection Act that allows anonymous reporting; is independent from the normal chain of command; and is administered by outside attorneys and the Business Ethics Hotline Secretariat. This hotline can be used by all persons working at DENSO CORPORATION and domestic Group companies, including employees, temporary employees, and employees contracted from other companies, in addition to suppliers. In fiscal 2024, the hotline received 125 reports and consultations regarding matters such as employment, labor, work environment, information management, business transactions, and accounting, all of which were addressed appropriately after staff investigated the situation and confirmed the facts. Interest in internal whistleblowing systems has risen since the revised Whistleblower Protection Act was enacted in 2022, so the number of hotline calls is likely to increase. We will continue to strengthen collaboration with related departments to ensure that reports and consultations are investigated and addressed promptly and appropriately.

Number of reports and consultations received (Group companies)	Fiscal 2022	Fiscal 2023	Fiscal 2024
	103 (44)	107 (46)	125 (57)