

Risk Management

Basic Stance

To minimize the impact of constantly diversifying risks, DENSO is working to strengthen its risk management structure as a part of internal controls. Specifically, we have divided matters that have the potential to damage our businesses into “risks,” which refer to circumstances where such matters have yet to manifest, and “crises,” which refer to states of emergency where such matters have manifested. Based on these classifications, we are focusing our efforts on implementing preventive measures, which stop risks before they occur, and swift and accurate initial-response and recovery measures, which minimize damage in the event a crisis occurs.

Recently, DENSO has been facing a variety of risks the likes of which it had previously never experienced. Since March 2020, we have been dealing with the fallout from the quality-related issue pertaining to our fuel pumps, which are being recalled by various auto manufacturers. This issue has impacted the trust our customers place in us and has shaken our management foundation. Additionally, numerous risks have been emerging due to the external environment, such as the COVID-19 pandemic, tight supply-demand for production materials, and cyberattacks.

In light of these circumstances, we have once again recognized risk management as an important management issue. Going forward, we will pursue dramatic reforms to our risk management structure in order to further strengthen our response capabilities.

Promotion Structure

DENSO has established the Risk Management Meeting, chaired by the chief risk officer (CRO), who is responsible for Groupwide risk management. The Risk Management Meeting is a Groupwide organization that confirms improvements to the Company’s risk management structure and framework and discusses and promotes the direction of important risk management activities based on the conditions and trends both inside and outside the Company. We have also appointed risk officers and risk managers responsible for risk management in each business unit and at each regional headquarters and domestic and overseas Group company. In these ways, we

are taking steps to strengthen measures to prevent damage to our businesses during normal times and measures to minimize damage during times of emergency.

In addition, we have created the Emergency First Response Manual in order to respond promptly and accurately in the event of a crisis. This manual clarifies such matters as the criteria for determining the level of urgency for a crisis, reporting standards, reporting routes, and basic policy for internal and external responses. Furthermore, depending on the severity and level of urgency of the situation, we assemble special countermeasure organizations through which the functional departments lead the way with measures to enact an agile response geared toward minimizing damage.

Ascertaining Risks and Clarifying Response

DENSO makes efforts to actively ascertain the risks it faces and manage these risks from the perspectives of prevention and damage mitigation. Every year, risk assessments are carried out by each functional division, business unit, regional headquarters, and domestic and overseas Group company.

In fiscal 2024, the Company has identified risks that could potentially damage its operating capabilities, credibility, assets, and production activities, as well as the environment, based on the surrounding business environment. The Company designates responsible functional departments to examine the reasons for the occurrence of such risks and for the expansion of damages after occurrence, thereby clarifying preventive measures, initial response, and recovery efforts for these risks. Based on the implementation status of response and other measures, the Company has also assessed the scale of remaining risk factors for each risk item based on the perspectives of level of impact and frequency of occurrence.

In particular, DENSO is identifying risks for which remaining risk factors are significant and toward which it invests resources to promote countermeasures as “key risk items.” The Company has also established activity plans and targets for fiscal 2025 toward further enhancing its risk management, which were determined by the Risk Management Meeting. Also, with regard to its response measures

for key risk items, DENSO has established quantitative KPIs for Companywide targets pertaining to each risk item, and the status of initiatives based on these KPIs is also confirmed by the Board of Directors. Furthermore, DENSO implements inspections of this risk management process through internal audits and audits performed by external organizations.

For fiscal 2025, the Company has determined 37 major risk items and, among these, eight key risk items. DENSO will continue to revise these major risk and key risk items appropriately based on the results of risk assessments.

Additionally, through the risk assessment activities carried out in fiscal 2024, the Company analyzed the causes of each risk and organized the relationships between these causes and the risk management items. As a result, DENSO reaffirmed that the underlying causes of compliance-related risks, in particular, are shared issues rooted in its corporate culture. To that end, in fiscal 2025 DENSO is working to identify and address high-risk workplaces through workplace capability assessments and employee awareness surveys, as well as strengthening its compliance awareness initiatives, with a view toward creating a workplace culture that facilitates good communication.

Examples of Response to Risks

Adhering to Open, Fair, and Transparent Transactions

Appropriate Transactions and Adherence to Laws and Regulations

DENSO is working on a Groupwide basis to ensure appropriate transactions and adhere to laws and regulations. To that end, the Company has been engaging in close communication with each of its suppliers, promoting discussion on cost fluctuations and working to assess issues suppliers face. Amid the soaring costs of various goods, including not only unavoidable increases in raw material and energy costs but also rises in wage levels, we have been working to appropriately pass on costs to customers within the supply chain, seeking to set in motion a virtuous cycle across the industry and the domestic economy.

Looking ahead, we will further deepen our communication with suppliers, explicitly discussing the need to reflect increases in labor, raw material, energy, and other costs in transaction prices during price negotiations. At the same time, we will implement initiatives to ensure strict adherence to laws and regulations on a Groupwide basis. In these ways, we will aim to achieve sustainable development based on mutual trust with our suppliers.

Promoting Communication with Suppliers

To ensure the mutual growth of DENSO and its suppliers, we hold the Supplier Appreciation Meeting and other events, thereby working to facilitate mutual communication. At such events, we receive new technological proposals from suppliers and listen to their concerns and requests, while communicating information on such matters as our procurement policies, carbon neutrality-related efforts, and business trends. By doing so, we aim to achieve future growth together with our suppliers.

For DENSO, suppliers are a partner with whom we strive to achieve growth and foster trust through open dialogue and ongoing communication. In addition to spreading knowledge on and rigorously enforcing appropriate transactions both internally and externally, we are working to create environments that make it easy for suppliers to voice their concerns with us and are making efforts to alleviate said concerns.

Adhering to Laws and Regulations and Implementing Open, Fair, and Transparent Transactions

At DENSO, our procurement divisions give priority to efforts to entrench the principle of open, fair, and transparent transactions. To that end, these divisions distribute the Code of Conduct for DENSO Group Associates, which clearly indicates the standards of conduct for each and every employee, to all members of the Group. At the same time, we distribute the Business Etiquette for Buyers, which lays out standards of behavior that should be adhered to within procurement activities, to all employees involved in procurement,

thereby working to further increase awareness. Moreover, we encourage suppliers to utilize our Internal Reporting System. We also distribute the DENSO Compliance Declaration, which clarifies items to be observed in conducting business, to suppliers and procurement departments. Additionally, we offer anonymous surveys to suppliers on fair transactions and carefully reflect on the unfiltered feedback that we receive. In these ways, we are working to ensure strict compliance and make improvements to better meet supplier needs.

Looking ahead, we will seek to strengthen our partnerships with suppliers so that we can procure components, materials, equipment, and services that excel in terms of quality, technology, cost, delivery, environmental and safety performance, and compliance. By doing so, we aim to continue to offer products and services that satisfy our customers while also realizing growth across the automotive industry.

Initiatives to Prevent Harassment

As corporations seek to promote diversity, the forms of harassment are also becoming more diverse. In light of these circumstances, we are strengthening our initiatives to prevent harassment based on a zero-tolerance policy against harassment.

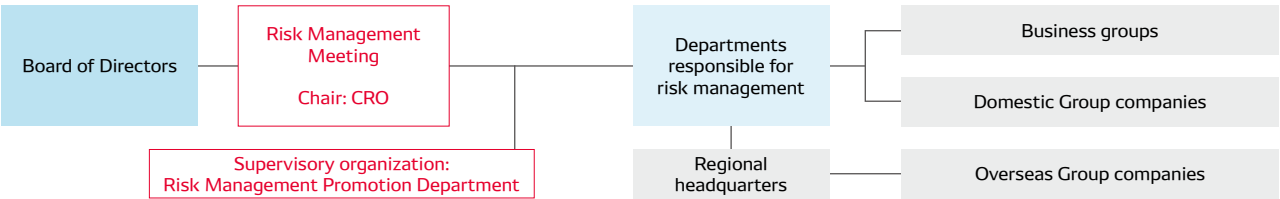
To ensure behavior in accordance with the DENSO Group Human Rights Policy, we clearly state the prohibition of harassment within our Code of Conduct. Additionally, we promote awareness-raising activities such as educational training for employees at each Group company.

For example, at DENSO CORPORATION, we provide harassment prevention training for all workplace leaders, including department heads and all supervisory personnel above that position as well as section and team leaders. Aside from harassment prevention measures, including studying trends and response strategies using case studies based on a wide range of specific harassment behaviors, this training covers methods for creating harassment-free workplaces and handling harassment when it occurs in nearby settings.

In fiscal 2024, DENSO CORPORATION and domestic Group companies introduced new training for regular employees, in addition to the conventional web-based education. This new training includes discussions at the workplace to promote a proper understanding of harassment and systematically address harassment prevention.

Moving forward, we will continue to implement harassment training and prevention activities to increase knowledge and awareness of harassment issues and its prevention and further improve our response capabilities when harassment does occur. In these ways, we will aim to create a fulfilling workplace culture in which employees can draw on their abilities to the greatest extent possible.

Risk Management Structure



Major Risk Items

Factors	Risk Items
Internal factors (accidents and mistakes)	Environmental pollution, work-related accidents, fires and explosions, quality-related issues, information security-related accidents, personnel- and work-related incidents, traffic accidents, etc.
Internal factors (legal violations)	Violation of the Antimonopoly Act, inappropriate employee dispatch or use of contract work, violation of product laws and regulations, violation of anti-bribery laws, etc.
External factors (natural disasters)	Earthquakes, typhoons, concentrated heavy rains, lightning strikes, etc.
External factors (political and social)	Product liability litigation, supplier-related issues, incidents or other emergencies (infectious diseases, wars, terrorist attacks, etc.)

Risk Map

