

Social and Relationship Capital

Outline of Efforts to Strengthen Social and Relationship Capital

In an era of uncertainty, flexibly responding to social changes and stakeholder 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 stakeholders 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.

Characteristics of DENSO's Social and Relationship Capital (Fiscal 2025 results)

Number of suppliers About 7,480 companies (global)	Number of shareholders About 224,000	Number of customers using DENSO products About 200 companies (global)
DENSO service network (number of stores) About 3,400 stores (global)	Operations in 35 countries and regions	Number of participants in company volunteer activities About 105,000 people (global) Note: Includes employees, their family members, and general participants

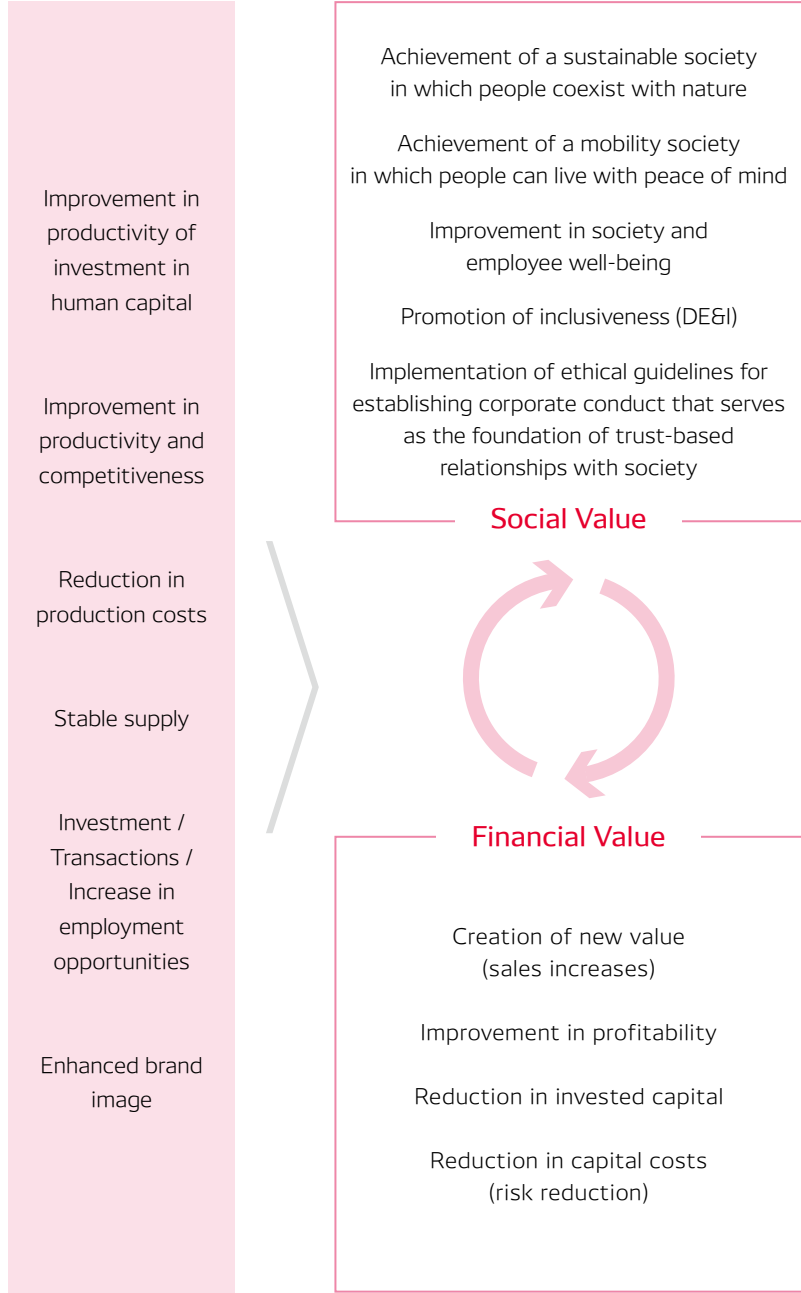
Initiatives to Enhance Corporate Value by Strengthening Relationships with Our Stakeholders (Value Creation Path)

Stakeholders	Relationships between Social and Relationship Capital, Corporate Value, and Each Other Type of Capital	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.	Employee fulfillment, work-places that facilitate good communication, flexible work-styles, fair and appropriate per-sonnel evaluation systems, active roles of diverse human resources, workplace environ-ments that are safe, comfort-able, 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	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 under-standing of what they need and expect from the Company, thereby enabling the creation of products and services that satisfy customers and earn their trust.	Provision of high-quality, high-performance products and ser-vices, products that address social issues, a stable product supply, a service network with a high level of customer satis-faction, 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	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 under-standing and cooperation of our business partners. Accordingly, we will strengthen our partnerships, provide prod-ucts and services that are chosen by society, and engage in corpo-rate conduct that helps us gain the support of society. By doing so, we will grow together with our business partners.	Business expansion, business alliances, cross-industry exchange, support for respond-ing 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	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.	Local employment and procure-ment, regional promotion (sports, culture), support for the development of the next generation, traffic safety activi-ties, regional environment con-servation, etc.	Conferences with local community members and governments, plant tours, <i>Monozukuri</i> schools, social contribution programs in collabora-tion 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.	Appropriate share price, imple-mentation of dividends and other shareholder returns, timely and appropriate informa-tion disclosure and opportuni-ties for dialogue, disclosure of non-financial information, etc.	General Meeting of Shareholders, DENSO DIALOG DAY, financial presentations, technology briefings, business strategy briefings, briefings for individual investors, integrated report, securities report, etc.

Output

- Enhanced employee engagement
- Improved retention rate
- Decrease in turnover rate
- Increase in the number of improvements made by employees
- Decrease in work-related injuries and accidents, etc.
- Acquisition of product share on a global scale
- Increase in the number of customers
- Establishment of a mobilized global supply structure
- Acquisition of IP rights and creation of know-how, etc.
- High-quality, high-performance products
- Establishment of a stable supply chain
- Establishment of an after-sales service network with a high level of customer satisfaction
- Realization of responsible procurement
- Reduction in Scope 3 CO₂ emissions, etc.
- New business creation
- Enhanced level of recognition for the Company
- Improved employee engagement
- Acquisition of opportunities for participation in regional revitalization businesses, etc.
- Formation of appropriate share price
- Improvement in stable, long-term dividend level
- Extension of years over which shares are held (reduction of share price fluctuation risk)
- Improvement in investor evaluation (credit rating)
- Enhancement of management quality

Value Provided (Outcome)



Supply Chain Management

Suppliers are essential business partners for DENSO. Guided by our basic policy of ensuring open and fair business practices and responsible procurement activities, we are promoting various activities to not only ensure a stable supply of products to customers but also to realize sustainable procurement and growth 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, cyberattacks, and export regulations on key minerals, 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.

In anticipation of risks, we standardize components, spread out production across multiple plants, and ensure that we have the necessary inventory to get production back online. In addition, we use systems to visualize supply chain information in order to understand in real time supply data in areas affected by disasters.

Activities to Maintain and Enhance Quality Guarantees with Suppliers

To continue to provide products that satisfy our customers, DENSO and its suppliers of parts and materials must promote efforts to maintain and improve quality control. As a core condition of basic transaction contracts, we ask suppliers to commit to maintaining and improving quality management. Moreover, DENSO engages in activities to increase awareness of quality among all suppliers by conducting inspections and quality audits while sharing and verifying information about customer quality requirements and the DENSO quality policy every year.

Initiatives to Strengthen Supply Chain Competitiveness

To promote mutual development and growth with suppliers, we are building stronger relationships of trust through open dialogue and ongoing communication. For issues that cannot be resolved by suppliers on their own, we provide the necessary guidance and support. For issues affecting the entire industry, we work with and make proposals to government bodies, industry groups, and customers while taking the initiative on finding solutions.

For example, DENSO has worked jointly with suppliers on value analysis and value engineering (VA/VE) activities, including product design and process modifications, to enhance the *Monozukuri* capabilities of the entire supply chain. Recently, we have engaged in thoughtful discussions with suppliers to ensure fair transactions in response to unavoidable cost increases, such as those related to tariffs, materials and labor, which have become challenges affecting the entire industry. We are also working to enhance the soundness and sustainability of the industry by promoting changes in business practices, including discussions with customers, government agencies, and industry associations on appropriate transaction pricing, thereby reinforcing the overall competitiveness of the supply chain.

In our carbon neutrality efforts, we support the energy-saving initiatives of our suppliers by addressing their concerns and requests through annual carbon neutrality briefings and permanent showrooms that demonstrate energy-saving methods (with a total of approximately 1,800 attendees since opening in October 2021). In addition, we offer advice to governments and industry groups, such as for subsidy programs and cost-passing guidelines, to improve the business environment across the entire supply chain.

Promoting Responsible Procurement Practices

DENSO has created the Supplier Sustainability Guidelines, which provide specific behavior standards for areas such as compliance, human rights, environmental protection, and workplace safety in the conduct of corporate activities. We ask all suppliers to promote initiatives in line with these guidelines. Based on these guidelines, we also request that suppliers periodically conduct self-assessments using our Self-Assessment Sheet and take corrective actions where needed.

In addition, DENSO procures raw materials based on its Responsible Mineral and Raw Material Procurement Policy and conducts an annual conflict minerals survey in cooperation with its suppliers. We have also introduced the Green Procurement Guidelines, which outline steps for managing and reducing environmentally hazardous substances and for building environmental management systems. We ask suppliers to ensure compliance with these guidelines in their procurement and management activities.

MESSAGE Supplier Perspective



Open Dialogue to Enhance Competitiveness

Yutaka Takagi
President, FUKUJU KOGYO Co., Ltd.

FUKUJU KOGYO Co., Ltd. actively engages in dialogue with DENSO through events such as the Supplier Appreciation Meeting, executive roundtables, and routine meetings with procurement staff. Although we were initially hesitant to speak up, DENSO encouraged us to speak openly, and I believe that has helped us build a more open and communicative relationship. Rising costs for raw materials and labor pose major challenges for management at suppliers like us, but DENSO took the initiative to reach out and respond promptly with cost assessments and price adjustments. DENSO has also been responsive, even before the COVID-19 pandemic, regarding issues such as maintaining rarely ordered service parts or molds, providing specific guidance and support. We intend to continue having frank discussions with DENSO and use those exchanges to strengthen our own competitiveness.

Undertaking Initiatives toward Respecting Human Rights

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 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 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 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 DENSO. 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 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. DENSO holds 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. DENSO shares the outcomes of various measures to ensure that the human rights of non-Japanese workers are not negatively affected with other domestic Group companies and suppliers as an example of good practice.



Interview with foreign technical intern trainees



Grievance Mechanism

We have established an internal whistleblowing system that can be used by 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.

In addition to steadily implementing human rights policies, we will improve human rights due diligence and grievance mechanisms in order to enhance the level of our human rights efforts.

For details on initiatives related to The DENSO Group's Procurement Policies and our respect for human rights, please visit the websites below.



The DENSO Group's Procurement Policies
<https://www.denso.com/global/en/about-us/sustainability/society/procurement-policy/>



Undertaking Initiatives toward Respecting Human Rights
<https://www.denso.com/global/en/about-us/sustainability/society/humanrights/>

