



# Corporate Governance


- 84 Corporate Governance
- 94 Dialogue with the Outside Board Members
- 98 Risk Management
- 100 Compliance




# 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 with 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.




For Basic Policies on Corporate Governance, please see the following website.  
<https://www.denso.com/global/en/-/media/global/about-us/sustainability/governance/management/management-doc-corporate-governance-policy-2025-en.pdf?rev=c002f315701a451488c73fc69fd7ff4c>




### 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.



For Corporate Governance Report, please see the following website.  
<https://www.denso.com/global/en/-/media/global/about-us/sustainability/governance/management/management-doc-corporate-governance-2025-en.pdf?rev=b8dc01f5b2fa43579f647f39a5431841>



### 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.

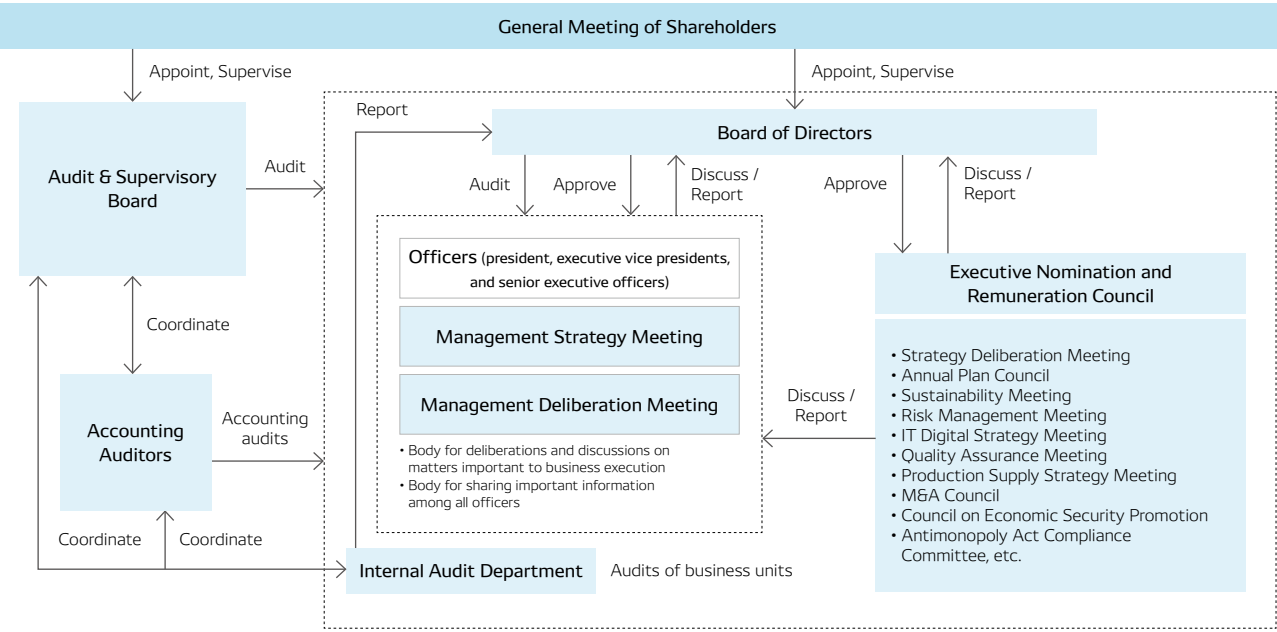
**Reason for Selecting Our Current Corporate Governance System**  
DENSO has been discussing and examining the optimal organizational structure to achieve highly effective corporate governance. By delegating authority from the Board of Directors as much as possible, we have been able to expedite decision-making. Additionally, the Audit & Supervisory Board, which maintains independence from the Board of Directors, has achieved high audit governance through strong collaboration with the Internal Audit Department. Therefore, at present, DENSO has adopted a company with audit and supervisory board structure. To enhance corporate value, outside Board members with extensive insight into corporate management are appointed and are involved in decision-making and oversight based on their respective expertise. We have also established the Executive Nomination and Remuneration Council to ensure objectivity, fairness, and transparency in the nomination and remuneration of directors. For effective auditing, DENSO has established a structure in which full-time Audit & Supervisory Board members with in-depth knowledge of company operations conduct audits and oversee management alongside highly experienced outside Audit & Supervisory Board members, with an emphasis on on-site audits.

### 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 2025, 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 2025 are shown in the table below. The Board received and discussed numerous reports on priority topics, namely, M&A and alliance strategies related to transforming the business portfolio to improve corporate value over the medium to long term, as well as semiconductor, software, and other strategies. Briefings and reporting at Board of Directors' meetings were streamlined thanks to the better preparation of pre-meeting materials, allowing for more than 70% of the total time to be spent on lively exchanges of opinion and discussions.

Category	Number of Topics	Time Allocation	Main Topics
Management and business strategies	13	46%	M&A and alliance strategies for business portfolio transformation, semiconductor strategy, software strategy, hydrogen business strategy, competitor strategy analysis, human capital strategy aligned with technology strategy, and China regional strategy
Financial results and finance	11	24%	Resolutions on financial results and dividends, share buybacks, cross-shareholding reductions and policies, and updates and initiatives on financial strategy
Governance and risk management	8	10%	Evaluation of effectiveness of Board of Directors, development and operation of internal control systems, and risk management activity reports
Human resources	5	6%	Executive appointments, executive compensation, organizational restructuring, and labor-management councils
Production and procurement	3	6%	Strengthening supply chain resilience in light of economic security, production restructuring, and logistics reform
Policies and plans	2	4%	Materiality policy, fiscal year plans, and corporate targets
Individually reported items	2	4%	Progress and outcome reports on previously approved matters

**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

Initiatives to Improve Effectiveness of the Board of Directors

Thanks to the initiatives shown in the table below, the results of the survey, interviews, and discussions confirmed that in fiscal 2025 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.

Results of Fiscal 2025 Initiatives to Address Issues Identified in Fiscal 2024

Discussions of strategy	<ul style="list-style-type: none"><li>Augmented discussions of medium- to long-term issues through the systematic submission of strategic topics to the Board of Directors</li><li>Semiconductor strategy, software strategy, and electrification and power supply business strategy</li><li>Cross-functional strategies and corporate platforms (human capital and technology development)</li><li>Utilized forums outside the Board of Directors to deepen strategic discussions</li><li>Focused discussions on the Mid-term Policy for 2030 at Executive Workshops</li></ul>
Information gap between inside and outside officers	<ul style="list-style-type: none"><li>Shared management meeting materials with outside officers</li><li>Shared key information and minutes from the Management Deliberation Meeting and Management Strategy Meeting with Board members</li></ul>
Improvement of Board meeting materials	<ul style="list-style-type: none"><li>Efficient discussions with materials prepared to focus on discussion points for the Board</li><li>Clarified discussion points for the Board and prepared streamlined materials by limiting detailed information on business execution matters, in line with the Board materials preparation guidelines</li></ul>

DENSO aims to improve the effectiveness of the Board of Directors by planning and implementing the following improvement measures in fiscal 2026 to address lingering issues identified in fiscal 2025.

Fiscal 2026 Improvement Action Plan to Address Issues Identified in Fiscal 2025

Composition of the Board of Directors	<ul style="list-style-type: none"><li>Initiatives to ensure a majority of outside officers and to increase the ratio of female directors</li><li>In collaboration with the Executive Nomination and Remuneration Council, systematically identify and build a pool of candidates for outside officer and female director positions</li></ul>
Further enhancement of strategic discussions	<ul style="list-style-type: none"><li>Continue the systematic submission of strategic topics to the Board to deepen discussions</li><li>Discussions of medium- to long-term strategy aimed at enhancing corporate value</li><li>Comprehensive and multifaceted strategy discussions (by product line, region, etc.)</li><li>Discussions on sustainability</li></ul>
Engagement with stakeholders	<ul style="list-style-type: none"><li>Examine creating opportunities for dialogue between outside officers and stakeholders</li><li>Assess stakeholder expectations, including from the perspective of minority shareholder protection, to determine the need for engagement and select appropriate dialogue topics</li></ul>

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 14 times in fiscal 2025, 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 2025, Audit & Supervisory Board meetings included numerous discussions and reports on priority topics, namely, enhancement of organizational internal controls, and preparation 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 2025

Classification	Reports Submitted for Discussion
Accounting audit	6
Corporate management	11
Audit activity report	13
Execution of duties by senior executive officers	8
Auditing policy and plan	4
Individual matters	8

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 2025	16	36

Composition of the Board of Directors and Audit & Supervisory Board

Approach to Requirements and 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.

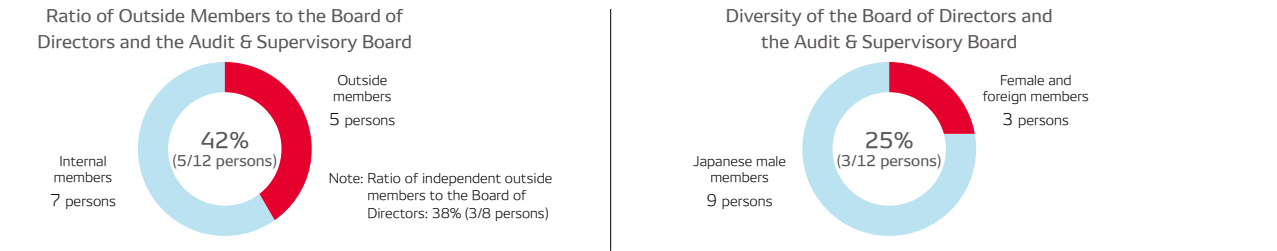
Experience and Expertise (Skill Matrix)

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"><li>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</li><li>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</li><li>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</li></ul>
Experience and specializations required to underpin stable corporate management	<ul style="list-style-type: none"><li>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</li></ul>













Composition of the Board of Directors and Audit & Supervisory Board



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 2025	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 (As of the end of June 2025)
			Board of Directors	Audit & Supervisory Board	Executive Nomination and Remuneration Council	Corporate management	Software / Digital	Environment / Energy	Marketing	Governance	Global	Finance / Accounting	Human resources	Digital	Technological development	Production / Quality	Sales / Procurement		
 Chairman of the Board of Directors Koji Arima	10 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. He has been engaged in activities to support Japan's manufacturing industry across companies in various public roles. 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 Outside Audit & Supervisory Board member of AGC Inc.
 President & CEO, Representative Member of the Board Shinnosuke Hayashi	2 years	13/13	○		○													After joining the Company, Shinnosuke Hayashi was 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 lead the creation of new value.	
 Executive Vice President, Representative Member of the Board CRO, CCO, CFO Yasushi Matsui	4 years	13/13	○															After joining the Company, Yasushi Matsui was 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, and CFO. He is expected to lead corporate and financial strategies and advance growth strategies 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	1 year	10/10*1	○															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, CQO, 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	6 years	10/13	○															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	6 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	6 years	13/13	○		○													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 including 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.	3 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 Motomi Niwa	7 years	13/13	○	◎														After joining the Company, Motomi Niwa worked in the purchasing, business planning, and human resources departments. He served as the vice president of a subsidiary of the Company in the United States from August 2014. He has been supporting thorough compliance and high-quality corporate governance systems of the DENSO Group based on his broad expertise in both functional and operating departments as well as his experience in the management of an overseas subsidiary. He is expected to improve the audit support and guidance provided to the Board of Directors and CxOs.	Audit & Supervisory Board member, ADVICS CO., LTD.
 Standing Audit & Supervisory Board Member Katsunori Hayashi	—*2	—*2	○	○														After joining the Company, Katsunori Hayashi has worked in human resources, secretarial, and sales departments. He served as general manager of the planning department in the operating division from January 2011, and he has served as general manager of the secretarial department since April 2018. He has wide-ranging experience in functional and operating departments, and has extensive and deep knowledge of corporate governance in general, including his leadership of governance reforms focusing on the areas of nomination and remuneration as general manager of the secretarial department. He is expected to reflect this experience and knowledge in the Company's audits for the improvement of high-quality corporate governance systems of the Group.	
 Auditor <div>Outside Audit &amp; Supervisory Board Member</div> <div>Independent Officer</div> Yasuko Gotoh	6 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, Shiseido Company, Ltd. Outside Audit & Supervisory Board Member, Mitsui Chemicals, Inc.
 Auditor <div>Outside Audit &amp; Supervisory Board Member</div> <div>Independent Officer</div> Haruo Kitamura	6 years	13/13	○	○														Haruo Kitamura has had a rich career and possesses 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 2024    \*2 Appointed Audit & Supervisory Board member in June 2025

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. The council 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 of the Board of Directors
	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 four times in fiscal 2025 with 100% attendance by its members. The main topics of deliberation were as follows:

Nomination	<ul style="list-style-type: none"><li>• Senior management succession plan</li><li>• Outside officer succession plans</li><li>• January 2025 executive system</li><li>• June 2025 executive system</li></ul>
Remuneration	<ul style="list-style-type: none"><li>• Compensation levels by position and duties</li><li>• Performance evaluation based on corporate earnings indicators</li><li>• Evaluation of individual performance</li><li>• Determination of individual compensation</li><li>• Reforms to executive remuneration system</li></ul>

Senior Management Succession Plan

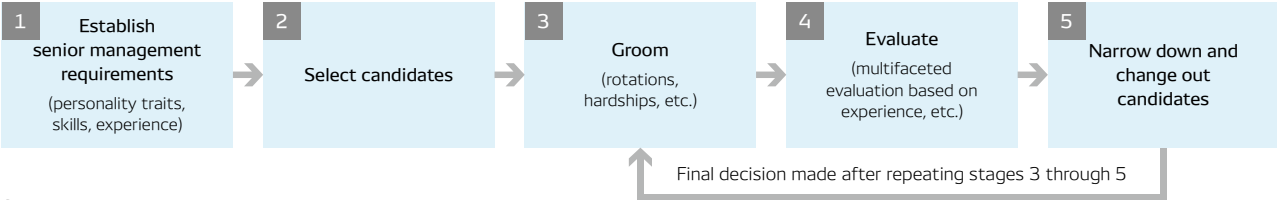
DENSO regards president & CEO succession planning as one of its most important management tasks. The Executive Nomination and Remuneration Council leads the search for the next president based on a highly objective and transparent process.

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.

Nomination Process for Directors and Audit & Supervisory Board Members

Process	1	<ul style="list-style-type: none"><li>• The president and relevant officers take the lead in gathering opinions from various sources and comprehensively assess candidates based on performance, character, and insight to identify those best suited for the role. The Executive Nomination and Remuneration Council then deliberates and drafts the nomination proposal for the fiscal year.</li></ul>
	2	<ul style="list-style-type: none"><li>• Directors are appointed following a resolution by the Board of Directors and subsequent approval at the General Meeting of Shareholders.</li><li>• Audit &amp; Supervisory Board members are appointed based on a resolution by the Board of Directors, subject to consent by the Audit &amp; Supervisory Board, and approved at the General Meeting of Shareholders.</li></ul>

Succession Planning Process



Senior Management Requirements

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

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

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 competitive levels for comparable companies while also referencing levels at major manufacturers of similar scale in similar sectors and with similar business models as DENSO, based on board member compensation survey data compiled by external research institutions each year.

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

Type of Compensation		Overview	Ratio		
			Chairman	President	Executive Vice President
Fixed compensation	Basic compensation (fixed amount)	• Paid as monthly fixed compensation based on position	25%	25%	30%
Performance-linked compensation	Bonus (short-term incentive)	• Paid at a certain time each fiscal year after the conclusion of the General Meeting of Shareholders	25%	25%	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	50%	50%	40%

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: (1) total CO <sub>2</sub> 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 Board of Directors, the Company shall acquire all allotted shares without providing compensation (the so-called “malice clause”).

Method for Determining 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	932	287	275	370/192,300 shares	9
(Outside Board members)	(58)	(58)	(-)	(-)	(3)
Audit & Supervisory Board members	137	137	-	-	4
(Outside Audit & Supervisory Board members)	(31)	(31)	(-)	(-)	(2)
Total	1,069	424	275	370/192,300 shares	13

- Notes: 1. The figures above include Member of the Board Kenichiro Ito, who retired as of the conclusion of the 101st Ordinary General Meeting of Shareholders held on June 20, 2024.
2. Performance-linked compensation is the amount based on a resolution adopted at the Board of Directors’ meeting held on May 19, 2025. Below are the indicators used to calculate performance-linked compensation in fiscal 2025. Consolidated operating profit: ¥519.0 billion; ROIC: 7.1%; sustainability score: 3/5 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 19, 2025, 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 (Chairman of the Board)	254	63	74	117
Shinnosuke Hayashi (Representative Member of the Board)	325	70	106	149
Yasushi Matsui (Representative Member of the Board)	158	45	54	59
Yasuhiko Yamazaki (Representative Member of the Board)	118	33	41	44

- Notes: 1. Only shows individuals who received at least ¥100 million in total consolidated compensation
2. Representative Member of the Board Yasuhiko Yamazaki, who assumed his position at the conclusion of the 101st Annual General Meeting of Shareholders held on June 20, 2024, is to receive compensation for nine months.

Relationships with Major Shareholders: Ensuring Shareholder Rights and Impartiality, Strengthening Governance

DENSO respects the rights of all shareholders and seeks to ensure the fair return of profits and impartiality while also giving due consideration to ensuring that minority shareholders are able to exercise their rights. 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, DENSO 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 component business and the Hirose Plant, the Company’s then-CTO being appointed Executive Vice President of Software Development 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 DENSO 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.

In this way, we maintain relationships with our business partners without relying on capital relationships, strengthening business competitiveness by leveraging the unique advantages of belonging to the Toyota Group. In fiscal 2024, DENSO accelerated reductions of cross-shareholdings, including shareholdings in Toyota Group companies. DENSO will continue to reduce cross-shareholdings without reserve. (Financial Capital, [P.41–47](#))

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. (Risk Management, [P.98–99](#); Compliance, [P.100–101](#))



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







## Dialogue with the Outside Board Members

# Striving to Realize Management That Anticipates Change and Maximizes Value Creation

Under a difficult operating environment in fiscal 2025, including changes in the supply chain due to rising geopolitical risks and stagnation in vehicle production, DENSO was nevertheless able to achieve record-high revenue and operating profit. In this section, DENSO's three independent outside Board members hold an objective discussion on how sustainable DENSO's growth will be moving forward and how adverse external factors in the industry impact DENSO's value creation.

### Yuko Mitsuya

Outside Board Member

Ms. Yuko Mitsuya has held key positions in the sports industry and currently serves as representative director of PIT Co., Ltd. She has been serving as an outside Board member of DENSO since 2019.

### Shigeki Kushida

Outside Board Member

Mr. Shigeki Kushida has filled the post of director-general and executive director of Bank of Japan and currently serves as representative executive officer & president of Japan Securities Finance Co., Ltd. He has been serving as an outside Board member of DENSO since 2019.

### Joseph P. Schmelzeis, Jr.

Outside Board Member

Mr. Joseph P. Schmelzeis, Jr. has served as a director at SEGA CORPORATION and a senior advisor to the ambassador at the U.S. Embassy in Tokyo. He currently is an executive manager at Cedarfield Godo Kaisha. He has been serving as an outside Board member of DENSO since 2022.

## Maintaining the Direction for Business Portfolio Transformation

**Schmelzeis** Amid the ripple effects occurring from the Trump administration's tariff policies, DENSO has taken appropriate measures to the greatest extent it can as one corporate entity. In anticipation of various future scenarios, the Company is also engaging with its customers and suppliers to build a structure enabling an agile response to such scenarios across the supply chain. For matters that are difficult to address by one company alone, DENSO is advancing collaboration with government and industrial organizations. Overall, DENSO's response to the challenging operating environment has exceeded my expectations. While maintaining the strategic direction of its business portfolio reshuffling, I believe the Company's management is demonstrating appropriate leadership, including by adjusting the pace of investment in accordance with the discrepancies that have occurred between DENSO's previous assumptions, such as the global acceleration of the shift to electrification, and the current situation, where the pace has actually slowed down.

**Mitsuya** The Company has a firm awareness of the factors it can and cannot control and is making the utmost effort to minimize the negative impacts of these factors on the supply chain. Without overreacting to pessimistic information or, conversely, placing too high of expectations on policy changes or the progress of negotiations between nations, DENSO has maintained a stable approach while always looking one step ahead and taking into consideration the global trends of today.

**Kushida** The United States has reversed its stance on such policies as CO<sub>2</sub> emissions reductions and the promotion of electric vehicles. In Europe as well, we have seen some change on a corporate level also diverging from placing the highest priority on environmental issues. It remains uncertain whether these global trends will fully revert to their previous course once the Trump administration comes to a close. In the end, we are dealing with the issue of international cost burden, and we must always be aware of the fact that short-term adjustments will be needed. DENSO fully understands this reality. Based on its sense of responsibility to the automotive supply chain and its pride as a leading Tier 1 company, I believe DENSO, on the whole, is responding appropriately to the current state of affairs.



**Mitsuya** DENSO has made sufficient adjustments to respond to changes in the external operating environment, including restructuring its organization and applying knowledge and technologies horizontally across the Group. At the same time, the Company's overarching strategy of expanding the possibilities of automotive manufacturing using its own technologies will remain unchanged moving forward. DENSO is also pursuing interesting ideas through its investments in the agricultural sector, which currently faces various challenges in scaling up farming and enhancing productivity.

## Evolving Monozukuri and Human Resource Strategies

**Kushida** DENSO has positioned semiconductors and software as focused fields and is stepping up initiatives in these fields accordingly. This decision has been driven by ongoing trends in advancing vehicle technology and providing greater added value. Although car prices have been increasing in recent years, consumers are becoming more concerned with whether these higher prices are justified and whether they receive greater value commensurate with these higher prices. I personally believe that vehicles do in fact deliver greater value that justifies their higher price. Moreover, the source of that value is shifting from mechanical functions to core components such as semiconductors and software, areas in which DENSO excels. Even though DENSO is a B2B auto component manufacturer, we cannot compete on manufacturing efficiency alone in the current era. We absolutely must consider the kind of value we aim to deliver to consumers and society at large. I therefore would like to see DENSO work to recruit and develop the kind of talent that can lead the way with value creation through proactive and flexible thinking.

**Schmelzeis** I also believe that human resources hold the key to DENSO's sustainable growth. To secure talent capable of leading *Monozukuri* activities as they shift from the domain of hardware to software, DENSO should be proactive in the promotion of its human resource strategy and seek to achieve differentiation through collaboration with external organizations.

**Mitsuya** The Company will need to be innovative with its recruitment methods if it aims to secure outstanding digital talent. I believe that the shift from regulation-driven *Monozukuri* to market-driven *Monozukuri* led by President Hayashi is an extremely important move, and I aim to support its success moving forward.

**Kushida** In terms of securing outstanding talent, it was great to see DENSO implement solid pay raises in fiscal 2026. These pay raises were less a response to recent inflation and more a reflection of DENSO's clear focus on enhancing employee engagement and investing in human capital.

**Schmelzeis** DENSO's approach represents a clear departure from the conventional manufacturing mindset of simply curtailing labor costs. It also demonstrates a sound management approach aimed at value co-creation with all stakeholders, from employees to external business partners.





**Mitsuya** One particularly noteworthy development was the announcement of a stock-based incentive system for general employees, which will be introduced at DENSO CORPORATION during fiscal 2026. This system brings together employees and management under the shared goal of enhancing corporate value and ensures that employees also reap the benefits of the Company's growth. It is a highly commendable effort by a leading company in the Japanese automotive industry.

**Evaluating the Effectiveness of the Board of Directors and Enhancing Corporate Value**

**Mitsuya** In 2024, the chairman of the Board, Koji Arima, stepped down from his concurrent role as CEO, thereby further separating the roles of management supervision and business execution. Since then, discussions at Board meetings have become further invigorated. As chairman, Mr. Arima is able to organize key discussion points at Board meetings, and through his exchanges with President Hayashi, head of business execution, their shared knowledge has been extremely valuable in helping us understand the background of issues being discussed. This in turn has enabled deeper, more substantive discussion. All of the investment projects proposed at Board meetings have met DENSO's clear criteria for investment decision-making. However, there have been cases where an investment project was rejected because we, as independent outside Board members, opposed the project after carefully assessing the associated risks.

**Schmelzeis** Each outside Board member is given plenty of time to speak at Board meetings, and if the response to our questions from the executive side lacks concrete detail, Chairman Arima strictly presses them on the matter. Compared with other companies, DENSO maintains a healthy and robust level of discussion at Board meetings.

**Kushida** The ultimate purpose of efforts to enhance governance is to achieve sustainable growth for a company and enhance its corporate value. The question is, are the governance reforms being pursued by corporations today actually achieving that purpose? Recent actions by regulatory authorities seem to stem from frustration over the lack of progress with these reforms, prompting them to issue more far-reaching guidance. Both the requests for the disclosure of sustainability information by the Financial Services Agency and the Guidelines for Corporate Takeovers by the Ministry of Economy, Trade and Industry focus squarely on

the substance of management. In this sense, these regulatory authorities are shifting their focus from the formal structures of governance to the essence of management itself. Reforms by DENSO should also reflect this shift. The Company has been working on a continuous basis to improve the effectiveness of the Board of Directors, and I believe it has made a great deal of progress in establishing a framework for sound decision-making. On the other hand, DENSO's market capitalization has largely been flat. We need to consider what further steps are necessary to ensure that the progress of governance reforms is appropriately reflected in the Company's share price.

**Schmelzeis** Over the past year or two, our discussions at Board meetings have become more focused on substantive management strategies. In terms of performance, DENSO has achieved record highs in revenue and various profit metrics, and its approach to disclosing growth indicators aimed at further enhancing corporate value is commendable. If the Company is able to achieve its targets for these indicators, an important remaining challenge will likely be how it communicates this success to capital markets.

**Mitsuya** In light of the challenging operating environment of the automotive industry, there is no denying that DENSO will often be evaluated as being simply a part of this industry, given its relationship with automakers. For this reason, it is crucial that DENSO actively promotes its philosophy, uniqueness, and growth potential, so that it can achieve differentiation.

**Enhancing Governance as a Public Institution within Society**

**Schmelzeis** In 2023, the DENSO Group unveiled its policy to reduce cross-shareholdings, primarily those held within the Toyota Group, and has steadily made progress in that regard. Since then, the Company has continued to maintain good relationships with Toyota Motor Corporation and other Group companies, steadily pursuing initiatives such as joint development. As new technologies developed through joint development will ultimately belong to DENSO, the Company stands to gain significantly from these collaborations.

**Mitsuya** Toyota Motor Corporation has extremely strict standards for quality. The question is how DENSO can meet these standards and make proposals that go beyond expectations. DENSO and Toyota have a partnership on equal footing, one in which they both strive to build better automobiles by challenging and inspiring each other. In 2020, the production of electronic components at Toyota's Hirose Plant was consolidated within DENSO, and the plant has since become an R&D hub bringing together and passing on the insight of both companies. This plant is a representative example of the nature of DENSO's partnership with Toyota.

**Kushida** I view cross-shareholdings as simply a byproduct of building a business relationship. DENSO has been and still is an irreplaceable member of the Toyota Group, while Toyota is DENSO's largest customer and most important business partner. I do not believe that DENSO's policy to reduce cross-shareholdings will have any adverse



effect on this relationship. Listed companies are public institutions within society, and it is only natural that they should meet appropriate governance standards and achieve profitability and capital efficiency. The era in which cross-shareholdings served as a safety net in the event a company failed to make these achievements is now coming to an end.

**Establishing Connections between Materiality and Growth Strategies**

**Mitsuya** The next Mid-term Policy will establish connections with the Company's material issues (Materiality). As DENSO updates its Materiality, we have been holding discussions to ensure that the opinions of various stakeholders are reflected.

**Kushida** These discussions have been highly productive. Materiality ought to have strong connections with a company's long-term corporate value. Focusing exclusively on social issues in isolation can reduce Materiality discussions to a formality. What matters is establishing a growth strategy focused on long-term value creation and then managing and disclosing its progress appropriately. Doing so should gain the favor of capital markets.

**Schmelzeis** If a company keeps adding more and more numerical targets and comes to view achieving them as its ultimate mission without considering how they relate to its Materiality, the company will not be able to engage in sound management. I believe that Materiality should serve as a reference point to ensure that DENSO stays aligned with its priorities and to assess the soundness of its management.

**Mitsuya** Yes, if we become overly obsessed with the details and bind ourselves by KPI figures, we would lose sight of the bigger picture. We must never forget our stance on long-term value creation.

**Ensuring Safety and Security, and Utilizing AI**

**Mitsuya** AI utilization and information security are topics that are often brought up at Board meetings. AI has already proven very effective in standardizing output and making it more efficient, but there is still great potential to utilize AI from the perspective of originality and competitive differentiation. To that extent, we are currently exploring more effective machine and deep learning methods and examining where to position AI within our overall operations.



**Schmelzeis** In addition to back-office operations, DENSO should consider commercializing AI and introducing it in its front-office operations, provided that security conditions are met. Particularly, in competing with other companies, DENSO should draw on its strengths in offering safety, security, comfort, and convenience. At the moment, the Company has commenced efforts toward product development that combines rule-based AI, which operates with a high level of accuracy based on predetermined conditions, and data-driven AI, which is capable of handling complex and unpredictable issues through machine learning. Looking ahead, DENSO should aim to fully leverage these technologies at a secure level to pursue the provision of safety and security, which are strengths of the Company that are needed in the market.

**Continuing to Compete and Succeed**

**Kushida** DENSO has built its success on leveraging its technological capabilities to win out over intense international competition. Rather than being content with its current strong performance, DENSO must continue to carry out the efforts needed to maintain its competitive edge in R&D and communicate these efforts both internally and externally. In addition, it is important to convey to a broad range of stakeholders the kind of value DENSO aims to provide society in an easy-to-understand manner.

**Schmelzeis** There are likely very few companies that engage in successful management under the current operating environment, which is complex and constantly changing. The reasons for DENSO's success have been the value it creates in terms of reducing environmental burden and offering safety and security. By clearly explaining the details of this value creation, DENSO should be able to improve its external evaluation.

**Mitsuya** DENSO has always been a company that has created unprecedented products and services that have helped shape the future. When speaking with personnel in our business divisions, they have mentioned how they are genuinely excited about proposing various solutions to address real-world challenges. Rather than simply producing an order received, DENSO seeks to create technologies and solutions that do not yet exist, and we ought to communicate this innovative nature of DENSO to both internal and external audiences.

Also, moving forward, there will be more instances where swift decision-making is needed by the Board of Directors. As outside members of the Board, we will continue to hone our skills so that we can help DENSO confidently make bold and accurate decisions.

**Schmelzeis** DENSO must continue to compete and succeed with a greater sense of speed.

**Kushida** It will be important to link Companywide efforts for greater speed with DENSO's corporate culture of passionately pursuing innovation. If something does not yet exist in this world, DENSO has the ability to create it from scratch. This innovative approach will continue to underpin DENSO's corporate value enhancement moving forward.





## 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 are deployed in the event a crisis occurs, while taking steps to minimize and mitigate crises when they emerge.

### Promotion Framework

DENSO has established the Risk Management Meeting, chaired by the chief risk officer (CRO) responsible for overseeing risk management across the Group, to promote initiatives that include reviewing progress in improving the Group's risk management systems and frameworks, and deliberating and providing direction on priority activities in light of internal and external environments and trends.

### 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, overseas regional headquarters, and Group company.

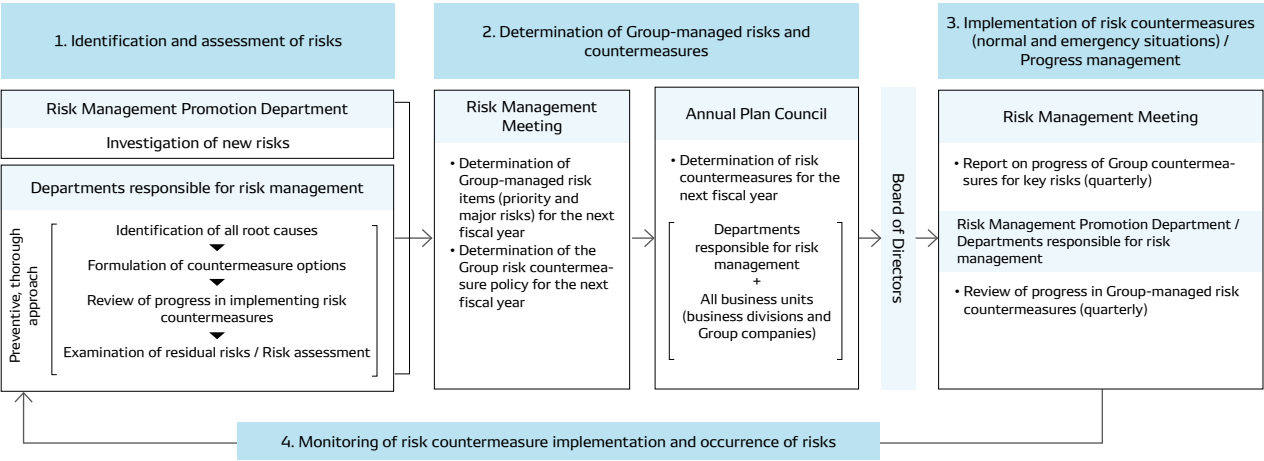
The Company has identified risks that could potentially damage its operating capabilities, credibility, assets, and production activities, as well as the environment, based on the surrounding business environment. The Company designates responsible departments to examine the reasons for the occurrence 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 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.” Also, with regard to its response measures for key risk items, DENSO has established quantitative KPIs for Companywide targets, and the status of initiatives based on these KPIs is also confirmed by the Board of Directors.

For fiscal 2026, the Company has determined 37 major risk items and, among these, six key risk items. DENSO will continue to revise these major risk and key risk items appropriately based on the results of risk assessments.

### Status of Responses to Key Risks

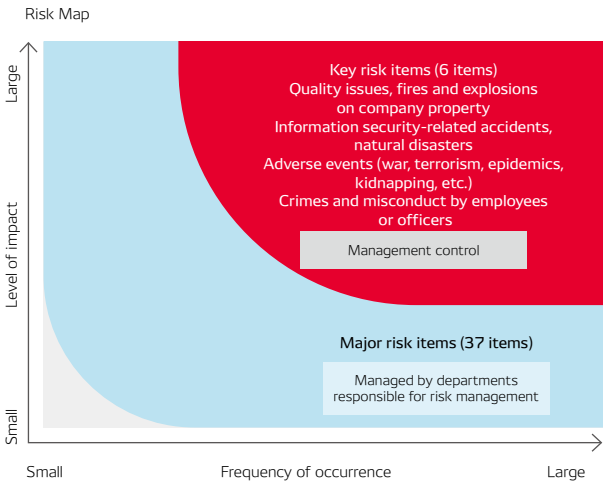
Major Risk Items	Risk Details	Responses
Quality issues	Quality issues that could lead to large-scale recalls may result in loss of trust from end-users and customers, potentially causing significant costs and a decline in sales.	We incorporate safety designs, such as fail-safe mechanisms to prevent serious failures, design products with repairability in mind to minimize damage in the event of a defect, utilize big data, such as vehicle operating conditions at the time of failure, for early resolution, and promote efficiency in data analysis through AI technology.
Information security-related accidents	Advancements in autonomous driving and IoT have increased the threat of cyberattacks on vehicles, production facilities, and other systems. In the event of a cyberattack far exceeding expectations, there is a risk of adverse impacts on the functions of automotive products, production stoppages, and leaks of confidential information, potentially resulting in loss of competitiveness and damage to reputation. Furthermore, the proliferation of AI is increasing risks, such as confusion caused by false or misleading information, legal violations, infringement of rights, and information leaks.	Please refer to “Strengthening Our Information Security Framework” below.
Natural disasters	Global warming is raising concerns over the increased frequency and severity of natural disasters, such as floods and heavy rain. In Japan in particular, many business sites are located in areas designated for promoting countermeasures against a potential Nankai Trough earthquake. In the event of a natural disaster, delays or errors in the initial response could endanger employees’ lives and halt production and delivery activities.	We are engaged in disaster mitigation measures, such as formulating business continuity plans (BCPs) and emergency action manuals. We also aim to strengthen our response capabilities by repeatedly conducting various training and awareness activities to further enhance each employee’s awareness of disaster preparedness.
Fires and explosions on company property	In the event of a fire or explosion at a plant, delays or errors in the initial response could endanger employees’ lives and halt production and delivery activities. Such incidents could also cause damage to the local communities near the plant.	We conduct regular inspections and maintenance of equipment to minimize negative impacts on business operations. We also aim to strengthen response capabilities by improving disaster awareness among employees through repeated training and awareness activities so that all employees can take appropriate initial action in the event of an emergency.
Adverse events (war, terrorism, epidemics, kidnapping, etc.)	The weighting of overseas markets in DENSO’s production and sales activities has been increasing year by year. Overseas business operations inherently involve risks, such as war, terrorism, epidemics, and kidnapping, and if any such incident occurs, the lives of employees and their families could be endangered. Such incidents are also likely to hinder the normal conduct of business activities.	We strive to gather timely information from internal and external sources, quickly share risk information with relevant parties, enhance alerts for employees on overseas business trips, and strengthen pre-departure training for overseas assignments to raise employees’ risk awareness. We have introduced a common self-assessment protocol to confirm preparedness during normal times at all Group companies, aiming to enhance the Group’s overall crisis management framework.
Crimes and misconduct by employees or officers	If an employee or officer commits a crime or an act of misconduct, it may be reported by the media or disseminated through social media and other channels, potentially causing the Company to lose credibility. In some cases, the Company may also become a party to lawsuits and other legal proceedings.	We have formulated and shared a Code of Conduct for employees, and continuously deliver messages from the CRO and CCO, as well as provide various training and awareness activities for officers and employees. We also undertake monitoring efforts to detect early signs of issues. At the same time, we have established an internal reporting system to capture problematic behavior and other concerns.

### Risk Management Process



### Major Risk Items and Key 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.)



### Strengthening Our Information Security Framework

With the advancement of autonomous driving and IoT, addressing cyber risks involving vehicles, production facilities, and other assets has become a major challenge. To ensure vehicles can be used safely and securely, we are developing and reliably integrating technologies to protect in-vehicle products, such as advanced driver assistance systems and autonomous driving systems, from cyberattacks, while establishing internal rules and processes in compliance with laws and regulations in each country, and training core personnel responsible for product security. For plant and supply chain security, we are implementing multi-layered defenses using the latest IT technologies, helping suppliers improve their security standards, and building a framework to ensure uninterrupted production and supply. In addition, to objectively evaluate and validate these activities, we are working to obtain international security certifications, such as Trusted Information Security Assessment Exchange (TISAX), which is administered by the German Association of the Automotive Industry (VDA), and the automotive cybersecurity standard ISO/SAE 21434.

Furthermore, the proliferation of generative AI is increasing the scope of risks, such as confusion caused by false or misleading information, legal violations, infringement of rights, and information leaks. While leveraging AI to improve operational efficiency, DENSO is also working to reduce risks by building frameworks for security reviews and monitoring when using cloud services or AI. We have also formulated guidelines for the use of generative AI and are providing training to employees to improve their literacy in information security, including AI-related risks.

For more information on Risk Management, please see the following website.  
<https://www.denso.com/global/en/about-us/sustainability/governance/risk/>



## Compliance

### Basic Stance

We believe that key actions to earn the trust and understanding of society pertain to the DENSO Group's observance of all applicable national and regional laws and all employees' fair and faithful conduct that embodies the highest ethical standards. Based on this recognition, we adopted the Code of Conduct for DENSO Group Associates, which clearly indicates the standards of conduct for each and every employee. We utilize the Code of Conduct for raising employees' awareness of compliance at DENSO CORPORATION and all domestic Group companies. Overseas Group companies use a regional version of the Code of Conduct for DENSO Group Associates, formulated by their regional headquarters.

### Promotion Structure

DENSO created the Risk Management Meeting, chaired by the chief risk officer (CRO) and chief compliance officer (CCO), to deliberate and discuss objectives and action plans for thorough compliance. We have also installed committee structures, such as the Compliance Committee, and appointed compliance promotion officers, positioning such compliance leaders at the regional headquarters of each region of our collective global base. In doing so, we are building global systems that promote compliance, while at the same time promoting the development of organizational structures that take differing regional characteristics into consideration, pursuing enlightenment activities. Representatives from legal departments of each region (Japan, North America, South America, Europe, China, Southeast Asia, India, and Korea) meet regularly to establish and maintain compliance by sharing information and issues.

### Specific Initiatives

#### Educational and Enlightenment Activities

DENSO undertakes various educational and enlightenment activities for employees on an ongoing basis with the aim of enhancing their overall awareness of compliance matters. In Japan, we carry out enlightenment activities related to compliance, including position-based training, various compliance training, and the Business Ethics Month (every October). We also roll out similar activities for employees in each region of operations, centered on our regional headquarters.

#### Internal Reporting System

DENSO has set up internal reporting systems at regional headquarters and sites tailored to local circumstances, enabling employees to report or consult on work-related legal violations via email, telephone, written documents, or in-person meetings. DENSO CORPORATION has established the Business Ethics Hotline in accordance with Japan's Whistleblower Protection Act, operating it independently from normal chains of command and enabling anonymous reporting. To ensure employees can use the system with confidence, we have established internal rules for operating the Business Ethics Hotline, stipulating confidentiality obligations regarding whistleblower information and prohibiting disadvantageous treatment due to reporting or consultation, and have thoroughly communicated these rules internally. In fiscal 2025, the Business Ethics Hotline received 130 reports and consultations, which were properly investigated, fact-checked, and addressed.

#### Number of Consultations via the Business Ethics Hotline [DENSO CORPORATION and 55 domestic Group companies]

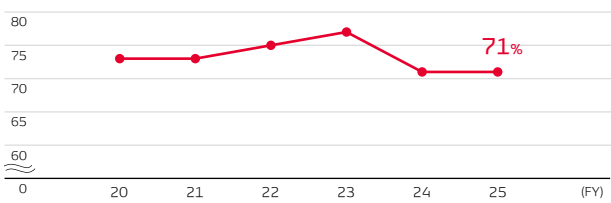
Fiscal year	2023	2024	2025
Number of reports and consultations (of which Group companies)	107 cases (46)	125 cases (57)	130 cases (71)

#### Inspection and Improvement of Activities

DENSO conducts activities to inspect the status of compliance penetration and identify any issues, and if problems are found, they are reported to senior management and improvement measures are taken, such as implementing recurrence prevention measures. In addition, internal audits are conducted annually by the Internal Audit Department or the responsible division, and the results of these audits are used to inform improvements.

#### Sustainability Survey (DENSO CORPORATION)

Question: Do you put into action the Code of Conduct for DENSO Group Associates? (Percentage of employees who answered "Yes") (%)



Although we have continued to conduct awareness activities for employees, there has been little change in the rate at which the Code of Conduct is put into practice. Going forward, we will work to improve both the quality and quantity of practice by sharing concrete case studies relevant to the workplace and conducting interactive training sessions.

#### Response to Antitrust Laws

In February 2010, the U.S.-based subsidiary DENSO International America was investigated by the U.S. Department of Justice. Taking this investigation with the utmost seriousness, we have established the Antitrust Laws Compliance Committee to further reinforce our efforts to adhere to antitrust laws. Under the guidance and supervision of this committee, which is chaired by the CCO, we have endeavored to ensure strict compliance with the antitrust laws across the entire DENSO Group. We will continue efforts for further reinforcing adherence to regulations laid out under antitrust laws, strengthening education about relevant rules, and conducting more precise audits regarding legal compliance.

#### Prevention of Corruption

##### (1) Compliance with Anti-Bribery Laws

DENSO has established the Anti-Bribery Compliance Committee, chaired by the CCO, and promotes anti-bribery compliance activities under the committee's direction and supervision.

The Company has established the Global Anti-Bribery Policy as its basic policy for preventing bribery. Under this policy, DENSO has established internal regulations on a global basis, operates anti-bribery systems, and promotes anti-bribery awareness activities and education for employees. We also inform suppliers of our Supplier Sustainability Guidelines, which include anti-bribery measures, and conduct self-inspections to prevent acts of bribery by our suppliers.

##### (2) Preventing Insider Trading

To ensure fairness and soundness in the securities market and to secure the confidence of shareholders and investors, DENSO has established the Internal Information Committee, which is chaired by the executive vice president, and the Internal Information Review Committee, which manages the practical affairs of the former committee, both dedicated bodies to ensure the prevention of insider trading.

Additionally, in an effort to instill an awareness of insider trading prevention among its employees, the Company has established internal rules and bylaws regarding internal information management, has set standards of conduct for officers and employees regarding trading of the Company's shares and other securities, and clearly prohibits insider trading, as formally stated in its employee conduct guidelines. The Company also implements compliance training on a regular basis.

#### Adherence to Fair, Transparent, and Open Transactions

DENSO is working on a Groupwide basis to ensure appropriate transactions and adherence to laws and regulations. To that end, the Company has been engaging in close communication with each of its suppliers to better understand cost fluctuations and the issues that 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 set appropriate prices within the supply chain, seeking to set in motion a virtuous cycle across the industry and the domestic economy.

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 internal 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.

#### Initiatives to Prevent Harassment

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

In fiscal 2025, a small group meeting on harassment was held at each workplace every month from October, using video materials, to promote complete understanding of harassment and to prevent harassment. In addition, all employees are surveyed on their awareness of harassment, and managers and supervisors are given the opportunity to self-assess their risk of harassment to ascertain changes in employee awareness and to help in the formulation of harassment prevention measures.

#### Response to Tax Compliance


DENSO believes that paying its fair share of taxes is a part of being socially responsible. The CFO, executive vice president, and representative member of the Board has been designated as the person in charge of tax governance. The Company has built, maintains, and improves a tax compliance structure, and engages in tax planning while addressing tax-related risks when they materialize.

In addition, DENSO has established the DENSO Group Global Tax Policy. We believe that properly paying taxes in accordance with the rules and regulations in each country is one of the most fundamental and important responsibilities of a corporation. Accordingly, under this policy, we engage in activities to enhance tax compliance on a Groupwide basis, such as providing training for employees and abiding by rules for cross-border transactions.


#### Fiscal 2025 Taxes by Region (Billions of yen)


Region	Tax Amount
Japan	84.2
North America	32.8
Europe	4.6
Asia	42.6
Other regions	4.4
Total	168.6

Moving forward, we will continue to expand and enhance frameworks for raising employee awareness of compliance. We aim to level up the compliance structure of the entire DENSO Group.



For more information, please see the "Sustainability" section of the following website.  
Compliance:  
<https://www.denso.com/global/en/about-us/sustainability/governance/compliance/>





For information on tax compliance, please see the "Tax Governance" section of the following website.  
<https://www.denso.com/global/en/about-us/sustainability/governance/tax-policy/>

