## Evolution of Corporate Governance Structure

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<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of officers</td>
<td>52</td>
<td>50</td>
<td>51</td>
<td>53</td>
<td>56</td>
<td>28</td>
<td>27</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>Number of members of the Board</td>
<td>14</td>
<td>13</td>
<td>13</td>
<td>9</td>
<td>7</td>
<td>8</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Number of outside Board members</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Number of female members of the Board</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Audit &amp; Supervisory Board members</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Number of outside Audit &amp; Supervisory Board members</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Number of female Audit &amp; Supervisory Board members</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
<td></td>
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</tbody>
</table>

### Basic Stance

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

### 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 even amid a dramatically changing corporate governance landscape. Based on its Basic Policies on Corporate Governance, 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.

Looking ahead, we will continue to implement sound, efficient, and transparent management including through the significant reduction of cross-shareholdings.

Please see the following URL for Basic Policies on Corporate Governance.

Corporate Governance System

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 vice president and 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 vice president and senior executive officer to ensure that the Board maintains an overall balance of knowledge, experience, and ability. DENSO CORPORATION sets the term of office for members of the Board at one year, with the aim of building a flexible management structure that responds to changes in the management environment and further clarifying management responsibility during the business year.

Reason for Selecting Our Current Corporate Governance System

In addition to performing management decision-making that emphasizes GerCh Denbatsu (on-site verification), DENSO believes that it is important to build a system that can verify whether management decision-making has met shareholder expectations and whether there is a problem from the point of view of governance. Accordingly, we believe that the current system to supervise and audit the execution of business duties by the Board of Directors including outside Board members, as well as Audit & Supervisory Board members, and outside Audit & Supervisory Board members, is most suitable.

Management Oversight Function

Two inside Audit & Supervisory Board members and two outside Audit & Supervisory Board members with dedicated staff are responsible for monitoring the execution of duties by members of the Board as well as the business operations and financial conditions of the Group.

In accordance with in-house regulations, the Internal Audit Department conducts internal audits on the legality, validity, and efficiency of the Company’s operations. Based on the points outlined in these audits, each audit department of the Company is working to establish and subsequently enhance operational control and management systems. Audit & Supervisory Board members attend important meetings including meetings of the Board of Directors and audit Board members’ execution of their business duties through the exchange of information with the Internal Audit Department and Internal Control Department, as well as with the Accounting Auditors, thereby fulfilling their management oversight function.

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, together with the Board of Directors, are positioned as executive committees.

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

DENSO has all Board members take a survey involving an evaluation of the operation of the Board of Directors, the agenda items discussed, the process for making resolutions, and support for outside officers. The Company also holds interviews with the inside officers with the aim of obtaining the frank opinions of Board members regarding issues and areas in need of improvement. The results of these surveys and interviews are discussed by the outside officers at meetings of the Independent Officer Meeting.

The issues and areas identified as needing improvement are reported to the Board of Directors and put through a PDCA cycle for planning and implementing improvement activities among meeting attendees. This helps enhance the effectiveness of the Board of Directors.

Overview of Deliberating Bodies on Business Execution

<table>
<thead>
<tr>
<th>Deliberating Bodies</th>
<th>Management Strategy Meeting</th>
<th>Management Deliberation Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairperson</td>
<td>President</td>
<td>Vice president</td>
</tr>
<tr>
<td>Composition</td>
<td>President, vice president, the heads of each business group and functional department, general managers, and Audit &amp; Supervisory Board members</td>
<td>President, vice president, the heads of each business group and functional department, general managers, and Audit &amp; Supervisory Board members</td>
</tr>
<tr>
<td>Purpose</td>
<td>Hold strategic discussions from a medium- to long-term perspective, focused on businesses, functions, and regions</td>
<td>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</td>
</tr>
<tr>
<td>Number of meetings held in fiscal 2022</td>
<td>34</td>
<td>41</td>
</tr>
</tbody>
</table>
DENSO Integrated Report 2022
Corporate Governance

Review of Initiatives in Fiscal 2022

The Board of Directors aims to improve the effectiveness of the Board of Directors by implementing improvement measures for the following initiatives in fiscal 2023.

Issues and Improvement Measures for Fiscal 2023

Fiscal 2022 Issues

- Operations of the Board of Directors
  - Few comments made by people other than those designated by the Board
- Support for outside officers
  - Enhance the exchange of opinions during meetings held online
  - Restated and enhanced on-site tours and inspections (Electrification Innovation Center, domestic Group companies, DENSO Heritage Center)
  - Distributed materials used at meetings of the Management Deliberation Meeting and complemented such materials with explanations before meetings

Fiscal 2023 Measures for Improvement

- Operations of the Board of Directors
  - Enhance and augment briefings prior to meetings of the Board of Directors
  - Continue and augment on-site tours and inspections
- Support for outside officers
  - Disclose information about important matters in a timely manner (improve information sharing before Board of Directors’ meetings)
  - Enhance reporting, explanations, and discussions outside of Board of Directors’ meetings (Independent Officer, etc.)
  - Support understanding of businesses with on-going and improved on-site tours and inspections

Overnight by the Board of Directors

- Enhance ideas for improving corporate value
  - Deepen strategic discussions
- Dialogue with stakeholders
  - Discuss and report on the wide range of stakeholders, including customers, suppliers, investors and local communities, and enhance discussions from multiple angles

Approach to Balance and Diversity among Members of the Board and Audit & Supervisory Board Members

The Board of Directors consists of members who are familiar with the management of the Company and its business; and those members outside the Board of Directors. For the Audit & Supervisory Board Members, the Company selects persons who possess necessary level of expertise to ensure that the Board of Directors functions properly.

CEO Succession Plan

DENSO regards succession planning for the CEO as one of its most important management issues, and the Executive Nomination and Remuneration Council is leading the search for its next CEO. A majority of members and the chair of DENSO’s Executive Nomination and Remuneration Council are independent outside Board members, and also include Audit & Supervisory Board members. This composition offers greater diversity, impartiality, and fairness.

The Executive Nomination and Remuneration Council defines the prerequisites for CEO desired by DENSO while considering changes in the business environment. Ongoing discussions regarding the search for the best successor cover various information about the candidates and related assessments, which are conducted by people both inside and outside the Company, such as their past achievements and work histories, personality traits, and suitability for management positions. In addition, for CEO positions and below, DENSO identifies candidates for the succession of key management posts inside and outside Japan and groups these candidates from medium- to long-term perspectives.

Composition of Executive Nomination and Remuneration Council

Chair
Shigeki Kushida
Independent Outside Board Member

Members
Koji Arima
President & CEO, Representative Member of the Board
Shingo Kawasaki
Standing Audit & Supervisory Board Member
Yuko Minohya
Independent Outside Board Member
Joseph P. Schmieder, Jr.
Independent Outside Board Member

Activities of Executive Nomination and Remuneration Council

First meeting: Compensation amounts for fiscal 2022, bonus amounts for fiscal 2021
Second meeting: Compensation amounts for fiscal 2022, bonus amounts for fiscal 2021, succession plans for outside officers, discussions on succession plans for CxO positions and below
Third meeting: Structure of Executive Nomination and Remuneration Council
Fourth meeting: Succession plans for outside officers and the CEO
Fifth meeting: Skill matrix, succession plan for CEO
Sixth meeting: Change in officer system in January 2022, skill matrix, succession plan for CEO
Seventh meeting: Reforms to officer compensation system
Eighth meeting: Change in officer system in June 2022, reforms to officer compensation system
Ninth meeting: Change in officers in April 2023

Outside Board Members and Outside Audit & Supervisory Board Members

Shigeki Kushida* has the experience of having led diverse initiatives toward the development and stability of the Japanese economy at Japan Central Bank, which serves as the center of the Japanese economy, by filling the posts of Director General and Executive Director of the Bank of Japan. He currently serves as Director General of the Bank of Japan.

Yuko Minohya* has an abundance of experience and knowledge in many fields, having long been in management at several corporations and associations and filling the posts of officer and committee member at several sports associations, in addition to education and training experience at universities. She currently serves in such positions as Outside Director, The Fukui Bank, Ltd., Outside Director (Audit and Supervisory Committee Member), ENDO Holdings, Inc., and President, Japan Basketball Association. The Company has appointed her as an Outside Board Member in the expectation that she will continue to apply her broad expertise in the global monetary system in the Company’s management.

Joseph P. Schmieder, Jr. has a wealth of experience in management, particularly in the service industry, including SEGA CORPORATION, as well as in venture business start-ups and strategic consulting. He has worked to strengthen the U.S.-Japan alliance as Senior Advisor to the Ambassador, U.S. Embassy in Tokyo. He currently serves as Executive Manager at CathayFidelity Foods. The Company has appointed him as an Outside Board Member in the expectation that he will reflect in the Company’s management his abundant business experience and knowledge of geopolitics.

<table>
<thead>
<tr>
<th>Outside Board Members</th>
<th>Reasons for Appointment</th>
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</thead>
<tbody>
<tr>
<td>Shigeki Kushida*</td>
<td>Experience of leading diverse initiatives toward the development and stability of the Japanese economy at Japan Central Bank, Director General and Executive Director of the Bank of Japan</td>
</tr>
<tr>
<td>Yuko Minohya*</td>
<td>Abundance of experience and knowledge in various fields, having been in management at several corporations and associations</td>
</tr>
<tr>
<td>Joseph P. Schmieder, Jr.</td>
<td>Wealth of experience in management, particularly in the service industry, including SEGA CORPORATION</td>
</tr>
</tbody>
</table>

*Appointed in June 2022
Corporate Governance

Compensation for non-executive members of the Board and outside Board members consists of only basic compensation (fixed amount) from the standpoint of ensuring impartiality. Compensation for Audit & Supervisory Board members also comprises only basic compensation (fixed amount), in light of their roles and responsibilities as auditors in charge of compliance audits.

Compensation Levels

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

Executive Compensation

Policy for Determining Remuneration, Etc.

The Board of Directors’ meeting held on March 8, 2021, approved a policy for determining the remuneration of members of the Board, based on deliberations by the Executive Nomination and Remuneration Council, on which independent outside Board members form a majority. At the Board of Directors’ meeting held on May 23, 2022, it was decided that this policy will be revised with the intention of further incentivizing members of the Board in accordance with the following basic policy.

Basic Policy

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

Composition of Remuneration

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

Key Revisions to Policy for Determining Remuneration

With the aim of further incentivizing members of the Board to produce results.

• ROIC and sustainability score shall be added as metrics, in addition to corporate earnings, for determining performance-linked compensation with the objective of increasing corporate value by reinforcing the earnings structure and encouraging sustainability management. Additionally, the standard for consolidated operating profit shall be changed from the fixed amount of ¥1,500 billion to the fiscal year target for each business year.
• Compensation based on individual performance, which had been 40% of total remuneration, shall be reduced and the ratio of share-based compensation shall be increased.

Criteria for Judging the Independence of Outside Board Members and Outside Audit & Supervisory Board Members

With respect to the independence of outside Board members and outside Audit & Supervisory Board members, assuming that they fulfill the independence criteria stipulated by the Financial Instruments and Exchange Act, they must possess a wealth of experience and knowledge in specialized areas such as corporate management, law, accounting, and finance and are required to be proactive in making proposals, suggestions, and give opinions about management issues. The Company declares that five outside officers who meet the qualifications for independent member of the Board and Audit & Supervisory Board member are independent officers.

Method for Calculating Performance-Linked Compensation

Consolidated operating profit, ROIC, and sustainability score are the metrics used to calculate performance-linked compensation with the aim of establishing links to corporate earnings and incentivizing members of the Board to increase earnings and sustain growth. The score weighting and evaluation method for each metric is shown below. Targets for each fiscal year, the basis of these evaluations, are set each year based on medium- to long-term objectives.

Performance-linked compensation amounts are calculated within a range of ±20% of total annual compensation based on assessments of individual performance as related to earnings, achievements, and medium- to long-term initiatives.
Method for Determining Compensation
DENSO established the Executive Nomination and Remuneration Council, chaired by an independent outside Board member, and whereby independent outside Board members form a majority, in order to ensure impartiality, fairness, and transparency in Board member compensation.

The Board of Directors has passed a resolution on the total amount of compensation for the current fiscal year and a resolution to entrust decisions on individual compensation to the Executive Nomination and Remuneration Council. The Executive Nomination and Remuneration Council examines the officer compensation system and decides individual compensation amounts based on corporate earnings, the position of each member of the Board, and their performance.

The Executive Nomination and Remuneration Council, on which independent outside Board members form a majority, deliberates and determines individual compensation amounts from multiple angles, including conformance with the Company’s policy for determining remuneration. The Board of Directors has determined that the council’s decisions are in accordance with the policy for determining remuneration.

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.

Compensation-Related Matters Decided at General Meeting of Shareholders

<table>
<thead>
<tr>
<th>Type of compensation</th>
<th>Maximum amounts of compensation</th>
<th>General Meeting of Shareholders’ resolution</th>
<th>Number of Board members</th>
<th>Number of Audit &amp; Supervisory Board members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic compensation</td>
<td>No more than ¥15 million per month</td>
<td>Eight members of the Board (of whom three were outside Board members)</td>
<td>Eight members of the Board (of whom three were outside Board members)</td>
<td></td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>No more than ¥1 billion annually</td>
<td>Eight members of the Board (of whom three were outside Board members)</td>
<td>Eight members of the Board (of whom three were outside Board members)</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Board member classification</th>
<th>Total amount of compensation (¥)</th>
<th>Total amount of each type of compensation (¥)</th>
<th>Number of eligible Board members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic compensation</td>
<td>300</td>
<td>Basic compensation</td>
<td>11</td>
</tr>
<tr>
<td>Shares</td>
<td>105</td>
<td>Shares</td>
<td>11</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>105</td>
<td>Share-based compensation</td>
<td>11</td>
</tr>
</tbody>
</table>

Note: The increase in stocks for which the number of shares rose is due to the acquisition of shares necessary for business strategies toward realizing the Group’s sustainable growth.

For example, at DENSO CORPORATION, we have established a Business Ethics Hotline in accordance with Japan’s Whistleblower Protection Act that allows anonymous reporting; is independent from the normal chain of command; and is administered by outside attorneys and the Business Ethics Hotline Secretariat. This hotline can be used by all persons working at DENSO CORPORATION and domestic Group companies, including employees, temporary employees, and employees contracted from other companies, in addition to suppliers.

In fiscal 2022, the hotline received 103 consultations and reports regarding matters such as employment, labor, work environment, information management, business transactions, and accounting, all of which were addressed appropriately after staff investigated the situation and confirmed the facts.

Establishing and Strengthening Internal Controls
In accordance with the circumstances in each region of operation, the DENSO Group has set up internal reporting systems at its regional headquarters and each business site. These systems allow employees to report their concerns and receive consultation on matters related to legal and regulatory violations via email, telephone, written correspondence, or face-to-face interaction.

For example, in the region of operation, the internal reporting system has been established with the following UBLs for DENSO Basic Policies for Internal Control:

1. DENSO Basic Policies for Internal Control
2. Whistleblower Protection Act
3. Legal, Compliance, and Audit Department

Please visit the following UBLs for DENSO Basic Policies for Internal Control:


Internal Reporting System

<table>
<thead>
<tr>
<th>Number of reports and consultations received (including Group companies)</th>
<th>Fiscal 2020</th>
<th>Fiscal 2021</th>
<th>Fiscal 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>130 (17)</td>
<td>76 (9)</td>
<td>108 (16)</td>
<td></td>
</tr>
</tbody>
</table>
Dialogue with the Outside Board Members

Shigeki Kushida
Outside Board Member
Mr. Kushida has been serving on the outside Board member of the Company since 2019. He also serves as president and representative executive officer at Japan Securities Finance Co., Ltd., and has experience working at the Bank of Japan.

Yuko Mitsuya
Outside Board Member
Ms. Mitsuya has been serving as an outside Board member of the Company since 2019. She also serves as representative director of SORA Corporation and has a long history in the sports world.

Sustained Improvement in Corporate Value

Fiscal 2022 was a major turning point for corporate governance reforms at DENSO. We had an open discussion with outside Board members Shigeki Kushida and Yuko Mitsuya about their take on the Company’s initiatives and future issues.

Transparent and Diverse Governance and Sustained Improvement in Corporate Value

Kushida  
DENSO is a company that has worked diligently to reform corporate governance. As a company with an Audit & Supervisory Board, DENSO strictly complies with the requirements of the Corporate Governance Code, separating business supervision and execution and emphasizing monitoring functions. For example, the Executive Nomination and Remuneration Council was initially an advisory body when it was established in 2016, but it was upgraded to a decision-making body in 2021, thereby giving more power to the opinions of independent outside Board members.

Mitsuya  
When I look at DENSO, I am impressed with its constant use of the PDCA cycle. Measures that did not work as anticipated after a year are changed without hesitation. At meetings of the Board of Directors, our opinions have more weight. This is what makes DENSO truly great, and indicates that the Company already had the groundwork laid for governance before adopting the Corporate Governance Code.

With that said, I believe the Company still has some work to do in terms of separating supervision from business execution, in light of global standards.

Kushida  
The Company has recently disclosed the skill matrix of its members of the Board, and this is significant for two reasons:

First, the skill matrix expresses what the Company desires for skill sets on the entire Board of Directors. In the manufacturing industry, knowledge of manufacturing is usually an important trait for managers to have, so the Board of Directors tends to have members with experience on the business execution side. On the other hand, outside Board members are expected to have knowledge about corporate management, governance, finance, accounting, and human resources.

Second, disclosing the skill matrix is a way to fill in any gaps between the way that management and investors think about the composition of the Board of Directors. I believe this is a dynamic area of thought that is influenced by changes around the world.

Mitsuya  
Ensuring diversity on the Board of Directors is also an important topic, but it is difficult to gain insight on diversity with only a skill matrix. To be appointed as an outside Board member, a candidate needs to have sufficient experience and be of a certain age, and such appointments tend to go to candidates with equal qualifications but hail from a different industry. In recent years, candidates are expected to have a market-oriented perspective of the external business environment, and due to the emergence of electric vehicles, the conventional wisdom for manufacturing cars has been undergoing a change. In order to rapidly respond to such changes, the Board of Directors needs a more fundamental type of diversity that goes beyond the advancement of women and foreign nationals, in my opinion.

Significance of Disclosing the Skill Matrix

Kushida  
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Mitsuya  
When I first saw the proposed changes, I thought they were sweeping changes. The strict evaluation system means that compensation can change dramatically based on results, and the addition of ROIC as a metric underscores management’s emphasis on capital efficiency. There is also an ESG element to the new system. This compensation system is designed to sustain growth in corporate value while being aware of the various stakeholders involved.

Kushida  
For this compensation system to work, it is important to get everyone on board. It will be necessary for management to share and visualize achievements and targets, and diligently review the results.

Two Aims of Revising Board Member Compensation

Kushida  
One major aim of the revisions to the officer compensation system is to enhance incentives for inside members of the Board and focus their attention on medium- to long-term corporate value. In order to enhance incentives, the ratio of basic compensation in overall remuneration has been reduced to 40%-50%, while the ratio of performance-linked compensation is being increased. The ratio of compensation based on individual performance evaluations is also being expanded to ±20%.

For assessing corporate performance, the Company has introduced ROIC and sustainability scores as new metrics to complement consolidated operating profit. The addition of ROIC as a metric underscores management’s emphasis on capital efficiency. There is also an ESG element to the new system. This compensation system is designed to sustain growth in corporate value while being aware of the various stakeholders involved.

Mitsuya  
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Mid-term Policy for 2025 Following Reborn21

Kushida  
Initiatives under Reborn21 were a precious opportunity to reassess current conditions in addition to quality issues. For example, DENSO must make an effort to improve management efficiency when making major
than before. Human resources are what drive business perspective, business might flow in a different direction the views of final consumers. Even if the Company Mitsuya DENSO is a supporter of various sports, and there is meaning here as well. Through sports, athletes around the world brighten the spirits of people by always taking on challenges. I believe this will have important implications for DENSO’s human resource development.

**Kushida**

Looking ahead, growth at DENSO will be driven by people who are aware of problems and have an optimistic outlook for the future. It is important to train people who can take advantage of this transformative period as a once-in-a-century opportunity, and to create organizations that allow these people to freely take on new challenges.

Mitsuya DENSO is a supporter of various sports, and there is meaning here as well. Through sports, athletes around the world brighten the spirits of people by always taking on challenges. I believe this will have important implications for DENSO’s human resource development.

**Kushida**

New technologies cannot become a reality through technological potential alone. For example, there are many factors in play that affect the viability of self-driving cars, such as roads, infrastructure, transportation rules, laws, and people’s awareness of traffic safety. Making self-driving cars a reality means that various changes must be made in society. Automakers and auto parts makers need to pay attention to external trends, and proactively increase their partners as a prerequisite to improving their corporate value.

**Mitsuya**

Effective knowledge and great ideas often come from the outside. Instead of relying on other people to peer outside for knowledge and ideas, it is important for each and every employee to build their own networks of relationships. Such efforts help people themselves grow and lead to the maximization of corporate value.

I think that DENSO can occasionally be a little too serious about this point. It is not necessary for DENSO to go out of its way to be considerate to outside officers. Why not take advantage of the extensive knowledge and networks of outside officers? I think DENSO should not hesitate to use all of our knowledge.

**Kushida**

DENSO’s corporate governance has entered a new stage where it can actively explore the shape of management and corporate governance that will lead to future growth. Here, it is important to have more discourse internally and externally without reservation. I think that everyone should take advantage of opportunities to communicate more and be more proactive in DENSO’s head office.

**Kushida**

In light of these outcomes, DENSO created the Mid-term Policy for 2025. Its broad array of initiatives are generally aimed at redefining the business portfolio to become carbon neutral. All that remains to be done is to translate these aims into specific fiscal year targets and become carbon neutral. All that remains to be done is to translate these aims into specific fiscal year targets and become carbon neutral.

**Kushida**

In this sense, Reborn21 was ultimately implemented at the best possible timing. While taking thorough measures to prevent the spread of COVID-19, the Company created many opportunities for discussion despite the pandemic, and employees sounded out their opinions. Although quality problems should never happen again, I think the whole situation may have ended up being beneficial for the Company.

**Kushida**

In the view of changes in the operating environment of the global automotive industry, DENSO has consistently stood at the leading edge of the automotive industry. At the same time, DENSO has planted roots in various regions across the globe, building strong trust-based relationships with a broad range of shareholders. By doing so, I believe DENSO has carved out a unique position that will allow it to turn the dramatic changes in the operating environment of the global automotive industry into new business opportunities.

While DENSO is a Japanese company with a long history in Japan, its corporate governance is extremely innovative. At meetings of the Board of Directors, open and constructive dialogue is held among all of the members of the Board, including the three outside Board members. In addition, DENSO makes various considerations on behalf of the outside Board members, including holding meetings for only the outside Board members that help us enhance our objectivity and enable us to exchange opinions in a more straightforward manner. DENSO understands the importance of external input in enhancing the objectivity of management decision-making, and I have seen how the Company truly tries to learn from the advice that we provide. I therefore command DENSO for proactively adopting a corporate governance structure that distinguishes itself from companies where corporate governance is treated merely as a formality.

**Understanding What Is Needed in the Evolution of the Automotive Industry**

My first experience with Japan was 46 years ago, when I came to the country with my family from the United States. I was 13 at that time. After attending high school in Japan, I returned to the U.S. to attend Yale University. However, my first experience in the working world was also in Japan, when I took part in an internship. Since then, I have spent a total of 36 years living and working in Japan, while traveling back and forth between Japan and overseas.

My career has been in industries and domains that are of a very different nature than the traditional automotive industry. Starting with management consulting, I have worked in a wide range of positions throughout my career, from establishing IT venture companies to serving in the service industry and financial industry and even in government institutions. Through this experience, I have engaged in countless business discussions and negotiations. Both as a businessperson and as a senior advisor to the ambassador at the U.S. Embassy in Tokyo, I have served as a bridge between Japan and the United States as well as between Japan and China. Drawing on my unique work experience and personal network, I hope to introduce new perspectives into the management decision-making of DENSO.

The automotive industry is currently undergoing a paradigm shift, as indicated by the CASE revolution. With companies from IT and other industries making an entry into the automotive industry one after the other, there is a need for new ideas that are not constrained by traditional approaches. To that end, promoting diversity, which can bring about a genuine transformation, plays a crucial role in responding to these kinds of changes in the external environment and evolving in a way that best suits the new era in which we find ourselves. Although Japan’s homogeneity has provided the country with a prominent strength, Japanese society is likely to become more open in terms of such aspects as gender, nationality, and work history going forward. I therefore intend to make every effort to support DENSO as it takes on a leading role with the transition into a new era. By doing so, I will endeavor to meet the expectations of the Company’s shareholders and other investors.

**Message from the New Outside Board Member**

I will draw on my diverse experience that spans across various regions, industries, and government institutions to contribute to DENSO from new perspectives.

**Joseph P. Schmelzeis, Jr.**

Outside Board Member

After serving in such positions as corporate director at SEGAWA SAMMY HOLDINGS INC. and senior advisor to the ambassador at the U.S. Embassy in Tokyo, Mr. Schmelzeis currently works as executive manager at Cedarfield Custo Kushida. He was appointed as outside Board member of DENSO in 2022.

**Supporting DENSO’s Innovative and Effective Corporate Governance**

I was appointed as outside Board member of DENSO at the Ordinary General Meeting of Shareholders held in June 2022. With its various innovations and superior technologies, DENSO has consistently stood at the leading edge of the automotive industry. At the same time, DENSO has planted roots in various regions across the globe, building strong trust-based relationships with a broad range of shareholders. By doing so, I believe DENSO has carved out a unique position that will allow it to turn the dramatic changes in the operating environment of the global automotive industry into new business opportunities.

While DENSO is a Japanese company with a long history in Japan, its corporate governance is extremely innovative. At meetings of the Board of Directors, open and constructive dialogue is held among all of the members of the Board, including the three outside Board members. In addition, DENSO makes various considerations on behalf of the outside Board members, including holding meetings for only the outside Board members that help us enhance our objectivity and enable us to exchange opinions in a more straightforward manner. DENSO understands the importance of external input in enhancing the objectivity of management decision-making, and I have seen how the Company truly tries to learn from the advice that we provide. I therefore command DENSO for proactively adopting a corporate governance structure that distinguishes itself from companies where corporate governance is treated merely as a formality.

**Understanding What Is Needed in the Evolution of the Automotive Industry**

My first experience with Japan was 46 years ago, when I came to the country with my family from the United States.
**Members of the Board and Audit & Supervisory Board Members**

(As of June 21, 2022)

<table>
<thead>
<tr>
<th>Name</th>
<th>Corporate Governance</th>
<th>Independent Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Koji Arima</td>
<td>President &amp; CEO, Representative Member of the Board</td>
<td></td>
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<tr>
<td>Yutaka Shinkawa</td>
<td>Independent Director</td>
<td></td>
</tr>
<tr>
<td>Kenichiro Ito</td>
<td>Independent Director</td>
<td></td>
</tr>
<tr>
<td>Yukihiro Shinohara</td>
<td>Independent Director</td>
<td></td>
</tr>
<tr>
<td>Joseph P. Schmalzle, Jr.</td>
<td>Independent Officer</td>
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<td>Independent Officer</td>
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**Audit & Supervisory Board Members**

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<thead>
<tr>
<th>Name</th>
<th>Corporate Governance</th>
<th>Independent Officer</th>
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</thead>
<tbody>
<tr>
<td>Shingo Kuwamura</td>
<td>Outside Audit &amp; Supervisory Board Member</td>
<td></td>
</tr>
<tr>
<td>Yosuke Goto</td>
<td>Outside Audit &amp; Supervisory Board Member</td>
<td></td>
</tr>
<tr>
<td>Haruo Kitamura</td>
<td>Outside Audit &amp; Supervisory Board Member</td>
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<tr>
<th>Name</th>
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<th>Independent Officer</th>
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</thead>
<tbody>
<tr>
<td>Motoori Nawa</td>
<td>Outside Audit &amp; Supervisory Board Member</td>
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</table>

**Standing Audit & Supervisory Board Member**

<table>
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<tr>
<th>Name</th>
<th>Corporate Governance</th>
<th>Independent Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shingo Kuwamura</td>
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</tbody>
</table>

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

DENSU has defined 11 areas of experience and specialization necessary to realize its Long-Term Policy for 2030 and sustain stable corporate management. The areas of specialization that the Company expects each member to demonstrate are as shown in the table below.  

<table>
<thead>
<tr>
<th>Area of Specialization</th>
<th>Name</th>
<th>Current Position</th>
</tr>
</thead>
</table>

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

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

DENSO has established the Risk Management Meeting, chaired by the chief risk officer (CRO), who is responsible for Groupwide risk management. The Risk Management Meeting is a Groupwide organization that confirms improvements to the Company’s risk management structure and framework and discusses and determines the direction of important risk management activities based on the conditions and trends both inside and outside the Company. Through this organization, we are taking steps to strengthen measures to prevent damage to our businesses during normal times and measures to minimize damage during times of emergency.

Recently, DENSO has been facing a variety of risks: the likes of which it had previously never experienced. Since 2019, we have been dealing with the fallout from the quality-related issues which has impacted the trust our customers place in us and has shaken our management foundation. Additionally, risks stemming from the external environment, such as the COVID-19 pandemic, tight supply-demand for production materials, and cyberattacks, have had a major impact on our business activities.

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

Examples of Response to Key Risks

Risk Prevention and Responses to Risk Events

Corporations have been facing an increasing number of serious risks recently. For example, in addition to the progression of global warming, there are concerns over the frequent occurrence and greater severity of natural disasters caused by climate change. Furthermore, we are currently seeing a surge in unprecedented risks, such as shortages of semiconductors and other important components, as well as logistics disruptions, as the pandemic has not fully subsided, in addition to rising geopolitical risks and incidents.

Under these circumstances, while placing the most importance on protecting people’s lives, it is imperative that we are able to swiftly recover our business operations in the event an emergency occurs and take steps to minimize any damage it may cause to our businesses. From the standpoint of business continuity management, we are taking action in such ways as creating emergency situation manuals and promoting countermeasures for minimizing the impact from disasters.

Strengthening Our Response to Quality Risks

Establishing an Unwavering, Robust Business Foundation Based on the “Customer First” Principle

Having encountered one of our largest-ever quality problems in 2019, we unified together in Companywide efforts to reform our knowledge, awareness, and corporate culture under the slogan “recommit to quality.” We updated our systems across the Company, led by quality experts in each core technology field, nurtured a corporate culture that puts quality first, and improved our track record on quality. We also improved our corporate structure, slimming it down into a leaner form. With the aim of establishing an unshaking, robust business foundation as stated in our Mid-term Policy for 2025, we are moving forward with bold reforms with a “Customer First” perspective.

Response to Tight Supply–Demand Conditions for Semiconductors

With no sign of improvement in semiconductor supply shortages, current conditions are likely to persist for a while. To minimize supply risk, DENSO is working closely with suppliers while managing risks at hand. For example, high-risk inventories are not stored in a single location, and instead they are distributed across production sites and demand areas. In addition to in-house production, the Company is placing orders at multiple suppliers, putting in place a structure that can switch suppliers in case of an emergency. By applying DQ to high-risk inventories, the Company is establishing a first-mover advantage by unifying information about internal and external inventories (visualization), and is thoroughly reinforcing its relationships with suppliers as bedrock partners.

At this juncture, DENSO has been able to deliver products to customers without risk of stockouts, and is continuing efforts to solidify relationships with suppliers throughout the supply chain in order to secure sufficient supplies.

Addressing Risk of Increasingly Sophisticated Cyberattacks and Preparing for Digitalization

At DENSO, Group companies in North America and Europe confirmed that they were subject to cyberattacks that gained initial access to their IT systems in fiscal 2022, and determined to prevent such incidents from ever occurring again. With this in mind, we have put in place a response by 1) re-training and thoroughly drilling each and every employee about basic operations in order to change their awareness of cybersecurity, 2) strengthening global systems for detecting threats and monitoring systems by deploying the latest technologies, including AI; and 3) double-checking the security of our systems with the help of external entities, in addition to a comprehensive inspection of key servers and equipment.

Along with advances in self-driving cars and 5G, addressing cyber risks in cars and production facilities has become an extremely important issue. To that extent, we are developing technologies that protect in-vehicle products, such as advanced driver support and automated driving systems, from cyberattacks to ensure that people can drive cars safely and with peace of mind. We are also establishing a unique framework for ensuring that such technologies are steadily installed in vehicles. Furthermore, we are reinforcing security measures toward plant networks, production lines, and other facilities.

Additionally, we are advancing digitization within the Company, and this will increase the quality and speed of work by allowing various information to be delivered to and used by employees the instant they need it. To ensure we do not infringe upon the rights and interests of the information provider, we are working to forecast risks from a broad range of perspectives, including contract conditions and adherence to laws and regulations, formulate relevant rules, and establish a structure to appropriately manage and operate these assets.

Assuming risks could well materialize, DENSO is strengthening its ability to address risks to minimize their impact on management by taking thorough measures on the systems, personnel, and governance fronts to address possible risks.

Risk Map

Examples of Initiatives

- We are accelerating the development of fundamental quality-related technologies in fields such as advanced safety while aiming to become carbon neutral and realize our principles (i.e., “green” and “peace of mind”) in our Companywide systems for quality management.
- We are using tools to improve quality in upstream development while identifying areas of concern for quality by using specification data for newly developed products and AI as well as our accumulated technical knowledge.
- We are improving our corporate culture by making small team activities more efficient, ongoing improvements at production sites, and by increasing the involvement of managers and section chiefs in on-site activities.

Promotion Structure

DENSO has established the Risk Management Meeting, chaired by the chief risk officer (CRO), who is responsible for Groupwide risk management. The Risk Management Meeting is a Groupwide organization that confirms improvements to the Company’s risk management structure and framework and discusses and determines the direction of important risk management activities based on the conditions and trends both inside and outside the Company. Through this organization, we are focusing our efforts on implementing preventive measures, which stop risks before they occur, and swift and accurate initial-response and recovery measures, which minimize damage in the event a crisis occurs.

Ascertaining Risks and Clarifying Response

DENSO makes efforts to constantly ascertain the risks it faces and manage these risks from the perspectives of damage mitigation and business continuity. The Company has identified major risk items related to life, credit, property, and business activities based on frequency of occurrence, level of impact, and the surrounding business environment. The Company designates responsible departments for each risk item and clarifies various factors pertaining to these items, including level of impact, reason for occurrence, preventive measures, initial response, and recovery efforts. The Company also strives to enhance its preventive measures, initial response, and recovery efforts. The Company’s strategy includes plans and targets to further enhance its crisis management and the progress made toward these plans and targets is reported to the Risk Management Meeting. At the same time, DENSO has been incorporating risk management into Companywide targets, and the status of risk management activities is now also confirmed by the Board of Directors.

Additionally, for fiscal 2023 the Company has determined 41 major risk items and 10 key risk items. DENSO revises these major risk and key risk items appropriately, giving consideration to the issues currently facing society as well as the frequency of risks occurring at DENSO and the level of impact they have on the Company.
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, in 2006 we adopted the Code of Conduct for DENSO Group Associates, which clearly indicates the standards of conduct for each and every employee. In training and at workplace conferences, we utilize the Code for raising employees’ awareness of compliance, which includes 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 in accordance with national and regional laws and customs.

Promotion Structure
In 1997, DENSO created a Business Ethics and Compliance Committee chaired by a member of the Board to provide oversight in that area (currently the Risk Management Meeting). We have also installed committee structures, such as the Compliance Committee, and compliance promotion officers, such as 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, introducing and operating reporting systems, and pursuing enlightenment activities.

Specific Initiatives
Educational and Enlightenment Activities
DENSO implements 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 educational and enlightenment activities related to compliance, including position-based training, various e-learning programs, 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.

Inspection and Improvement of Activities
DENSO conducts inspections to ascertain whether its compliance activities have sufficiently taken hold and to look for any potential compliance issues. If an issue is discovered, reports are made to senior management when necessary, and steps are taken to prevent a recurrence of the issue.

For example, DENSO CORPORATION holds a sustainability survey every year in order to gain an understanding on the extent to which compliance-related measures have taken hold and on potential compliance risks.

Response to Antitrust Laws
In February 2010, the U.S.-based subsidiary DENSO International America was investigated by the U.S. Department of Justice. Since then, we have established the Antitrust Laws Compliance Committee, chaired by the representative member of the Board. Under the guidance and supervision of this committee, we have endeavored to reinstitutionalize strict compliance with the Antitrust Laws across the entire DENSO Group. These efforts have included ensuring strict adherence to laws and regulations, strengthening education about relevant rules, and conducting more precise audits regarding legal compliance.

Response to Anti-Bribery Laws
DENSO formulated the Global Anti-Bribery Policy to serve as its basic approach to preventing bribery. At the same time, the company established the Compliance and Anti-Bribery Committee, which is chaired by a relevant company member of the Board. This committee takes the lead and provides supervision on the formulation of bribery prevention rules and the promotion of employee awareness and education measures through e-learning. We also have Sustainability Guidelines for Suppliers in place to prevent bribery between suppliers and third parties. In these ways, we are working to thoroughly prevent bribery throughout the supply chain.

Response to Tax Compliance
DENSO believes that paying its fair share of taxes is a part of being socially responsible. The Member of the Board and CFO 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. DENSO has established the Global Tax Policy. Under this policy, we actively engage in activities for tax compliance on a Groupwide basis, such as providing training for employees and abiding by rules for cross-border transactions.

<table>
<thead>
<tr>
<th>Region</th>
<th>Tax amount (¥ billion)</th>
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<tbody>
<tr>
<td>Japan</td>
<td>13.3</td>
</tr>
<tr>
<td>North America</td>
<td>3.9</td>
</tr>
<tr>
<td>Europe</td>
<td>2.3</td>
</tr>
<tr>
<td>Asia/Oceania</td>
<td>39.2</td>
</tr>
<tr>
<td>Other regions</td>
<td>2.8</td>
</tr>
<tr>
<td>Total</td>
<td>61.6</td>
</tr>
</tbody>
</table>

Please see the “Sustainability Information” section of our corporate website for more information.

Please see our corporate website for information on tax compliance.
