

## Corporate Governance



# Corporate Governance

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### 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 world. 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.

Please see the following URL for Basic Policies on Corporate Governance.  
<https://www.denso.com/global/en/-/media/global/about-us/sustainability/governance/management/management-doc-corporate-governance-policy-2021-en.pdf>



### Evolution of Corporate Governance Structure

(Fiscal year)

	2015	2016	2017	2018	2019	2020	2021	2022	2023		
Number of officers	52	50	51	53	56	28	27	25	23		
Number of members of the Board	14	13	13	9	7	8	8	8	8		
Number of outside Board members	2	2	2	2	2	3	3	3	3		
Number of female members of the Board						1	1	1	1		
Number of Audit & Supervisory Board members	5	5	5	5	5	4	4	4	4		
Number of outside Audit & Supervisory Board members	3	3	3	3	3	2	2	2	2		
Number of female Audit & Supervisory Board members						1	1	1	1		
Basic Policies on Corporate Governance	June 2015 Formulated										
Separation of management and execution	June 2014					April 2019		January 2021			
	<ul style="list-style-type: none"> <li>Separated and clarified the roles between members of the Board, who are responsible for management (decision-making and supervision), and senior executive directors (newly established position) and executive directors, who are responsible for the execution of business operations</li> <li>Appointed outside Board members</li> </ul>					<ul style="list-style-type: none"> <li>Changed title of "senior executive director" to "senior executive officer"</li> <li>Changed title of "executive director" to "executive officer"</li> </ul>		<ul style="list-style-type: none"> <li>Integrated the positions of executive officer, executive fellow, and senior director into the role of senior director</li> </ul>			
						June 2016		January 2020		March 2021	
						<ul style="list-style-type: none"> <li>Established the Officer Nomination and Compensation Advisory Council, comprising independent outside Board members, as an ad-hoc committee that corresponds to the Nomination Committee and the Compensation Committee</li> </ul>		<ul style="list-style-type: none"> <li>Appointed independent outside Board member as the chair of the Officer Nomination and Compensation Advisory Council</li> </ul>		<ul style="list-style-type: none"> <li>Changed the name of the Officer Nomination and Compensation Advisory Council to the Executive Nomination and Remuneration Council, adopting a new structure under which independent outside Board members make up the majority and an independent outside Board member serves as chair</li> </ul>	
						April 2017		January 2021			
						<ul style="list-style-type: none"> <li>Reduced the number of appointed members of the Board</li> <li>Changed the timing of appointment of officers from the date of the General Meeting of Shareholders in June to April, which is the beginning of the fiscal year</li> </ul>		<ul style="list-style-type: none"> <li>Changed the appointment timing of senior executive officers and senior directors to January in conjunction with the changes to our Companywide organization and position structure</li> </ul>			

## 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 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 *Genchi Genbutsu* (on-site verification), DENSO believes that it is important to build a system that can verify whether management decision-making has met shareholder expectations and whether there is a problem from the point of view of governance. 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 including outside Audit & Supervisory Board members, is most suitable.

### 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. Where 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: eight members of the Board (including three outside Board members), two inside 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) based on the assumption that they fulfill the independence criteria stipulated by the Financial Instruments and Exchange Act.

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.

### Results of Board Meetings Held in Fiscal 2022

Number of meetings held	12
Attendance rate	Members of the Board: 98% Audit & Supervisory Board members: 100%

### Support Structure for Outside Officers

When holding Board meetings, we provide outside Board members and outside Audit & Supervisory Board members with explanations on important agenda items before the meetings with the aim of ensuring access to information between the inside and outside officers and maximizing the performance of our outside officers. In this way, we make concerted efforts to ensure the efficient operation of Board meetings. Furthermore, discussions on medium- to long-term strategies are enhanced with the holding of the Executive Workshop that includes outside officers, as well as on-site visits, to deepen their understanding of operations.

In addition, we have established the Audit & Supervisory Board Office as an organization dedicated to supporting the Audit & Supervisory Board members in conducting their duties. The office reports the condition of audits at meetings of the Audit &

Supervisory Board. Additionally, we hold meetings twice a year between the Audit & Supervisory Board members and the outside Board members to exchange opinions, in addition to regular meetings of the Independent Officer Meeting. Through these means, we are striving to actively provide information to our outside officers as well as invigorate communication between them.

### 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.

### Overview of Deliberating Bodies on Business Execution

	Deliberating Bodies	
	Management Strategy Meeting	Management Deliberation Meeting
Chairperson	President	Vice president
Composition	President, vice president, the heads of each business group and functional department, general managers, and Audit & Supervisory Board members	President, vice president, the heads of each business group and functional department, general managers, and 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 2022	34	41

### 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.

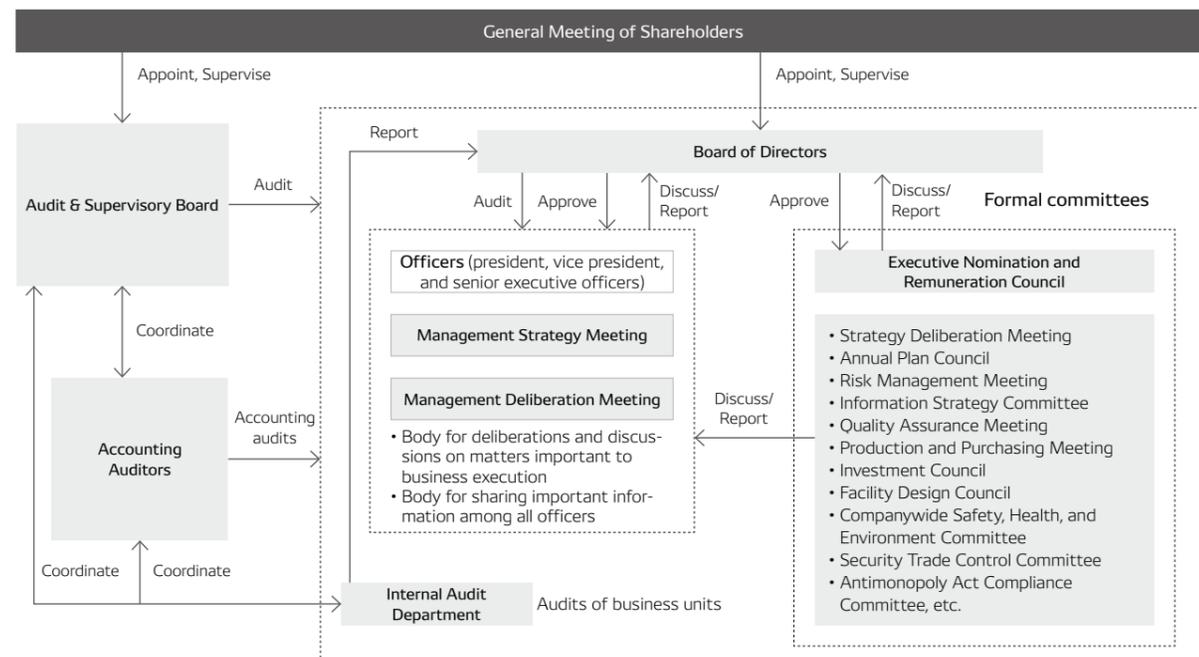
In accordance with in-house regulations, the Internal Audit Department conducts internal audits on the legality, validity, and efficiency of the Company's operations. Based on the issues pointed out in these audits, each department of the Company is working to establish and subsequently enhance operational 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.

### 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.

## Corporate Governance System



### Review of Initiatives in Fiscal 2022

Of the following activities, the results of the effectiveness evaluation survey for fiscal 2022 were better than the results for fiscal 2021.

Fiscal 2021 Issues	Results of Fiscal 2022 Initiatives
Enhancement of discussion and communication • Increase opportunities for communication outside of Board meetings	• Held events for exchanging opinions among inside members of the Board, outside Board members, and outside Audit & Supervisory Board members
Role and responsibilities of the Board of Directors • Medium- to long-term policies are decided by the Board of Directors • Properly delegate authority	• The Board of Directors decided the Mid-term Policy for 2025 based on discussions at the Executive Workshop that included outside Board members and outside Audit & Supervisory Board members • Accelerated decision-making by revising rules for business decisions
Operation of the Board of Directors • Enhance the exchange of opinions during meetings held online	• Updated environment to support more lively communication during online meetings of the Board of Directors • Revised questions on the effectiveness evaluation survey to make it easier to identify issues (added questions about strategic discussions, medium- to long-term strategies, and dialogues with stakeholders)
Support for outside officers • Enhance the understanding of DENSO's businesses through on-site observation • Share information on monthly business status, etc.	• Restarted 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

### Issues and Improvement Measures for Fiscal 2023

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

Fiscal 2022 Issues	Fiscal 2023 Measures for Improvement
Operations of the Board of Directors • Few comments made by people other than those designated by chair	• Enhance and augment briefings prior to meetings of the Board of Directors • Continue and augment on-site tours and inspections
Support for outside Board members and outside Audit & Supervisory Board members • Eliminate information gap with inside members of the Board and inside Audit & Supervisory Board members	• 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 Meeting, etc.) • Support understanding of business with ongoing and improved on-site tours and inspections
Oversight by the Board of Directors • Enhance ideas for improving corporate value • Deepen strategic discussions	• Put strategic discussions on agenda for Board of Directors' meetings • Take advantage of opportunities outside Board of Directors' meetings to deepen strategic discussions (Executive Workshop, Independent Officer Meeting, etc.)
Dialogue with stakeholders • Enhance discussions and reporting from perspective of stakeholders	• Report on dialogues with 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 each business and its pressing issues. The composition of the Board strikes a strong balance between expertise, experience, skills, and global perspectives, including those of the outside Board members. For the Audit &

Supervisory Board, the Company selects persons who possess knowledge related to not only business management but also finance, accounting, and law. In this way, the Company aims to achieve a balance between diverse opinions and secure the necessary level of expertise to ensure that the Board of Directors functions properly.

### Policy and Procedures for the Appointment of Members of the Board and Audit & Supervisory Board Members

Policy	Without consideration of gender or age, nominate members of the Board and Audit & Supervisory Board members with an emphasis on diversity, including gender and internationality, and from the viewpoint of striking a balance between experience, skills, and expertise so as to promote accurate and swift decision-making.
Procedures	<ol style="list-style-type: none"> <li>• The president and relevant members of the Board listen to opinions based on various perspectives and select suitable candidates to serve as a member of the Board of Directors, comprehensively taking into account their background, personality, insight, and other factors. The Executive Nomination and Remuneration Council, which is chaired by an independent outside Board member and also has a majority of independent outside Board members serving as its members, then holds debate on these candidates and lists the candidates for selection for the current fiscal year.</li> <li>• Members of the Board are selected based on an informal resolution by the Board of Directors and deliberation at the General Meeting of Shareholders. • Audit &amp; Supervisory Board members are selected based on an informal resolution by the Board of Directors and deliberation at the General Meeting of Shareholders, with the consent of the Audit &amp; Supervisory Board.</li> </ol>

### 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 inside and outside the Company, such as their past achievements and work histories, personality traits, and 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.

### CEO Succession Planning Process



### 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 Kuwamura	Standing Audit & Supervisory Board Member
	Yuko Mitsuya	Independent Outside Board Member
	Joseph P. Schmelzeis, Jr.	Independent Outside Board Member

### Activities of Executive Nomination and Remuneration Council

The Executive Nomination and Remuneration Council met nine times in fiscal 2022 with 100% participation by council members. The main topics discussed are as follows.

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, change in officers in June 2021
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 2022

### Outside Board Members and Outside Audit & Supervisory Board Members

Outside Board Members	Reason for Appointment	Attendance at Meetings of the Board of Directors (Fiscal 2022)
Shigeki Kushida*	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 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, Representative Executive Officer & President at Japan Securities Finance Co., Ltd. The Company has appointed him as an Outside Board Member in the expectation that he will continue to apply his broad expertise in the global monetary economy in the Company's management.	12/12
Yuko Mitsuya*	Yuko Mitsuya 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), ENEOS 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 abundance of corporate management-related expertise and experience in human resource training in the Company's management.	12/12
Joseph P. Schmelzeis, Jr.*	Joseph P. Schmelzeis, 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 Cedarfield Godo Kaisha. 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.	—/— (Appointed in June 2022)

Outside Audit & Supervisory Board Members	Reason for Appointment	Attendance at Meetings of the Board of Directors and Audit & Supervisory Board (Fiscal 2022)
Yasuko Goto*	Yasuko Goto has a broad range of experience as an administrator for the Ministry of Land, Infrastructure, Transport and Tourism as well as the Vice Governor of Yamagata Prefecture, the head of the JNTO New York Office, and the Managing Director of Kyushu Railway Company. She also has abundant insight on finance, accounting, and legal compliance as she currently serves in such roles as Director and Audit & Supervisory Committee member at Kyushu Railway Company and external Audit & Supervisory Committee member at Shiseido Company, Limited. The Company has appointed her as an outside Audit & Supervisory Board member in the expectation that she will leverage her extensive experience and insight in the Company's auditing activities.	Board of Directors 12/12 Audit & Supervisory Board 15/15
Haruo Kitamura*	Haruo Kitamura serves as Chief of Kitamura Certified Public Accountant Office. He has vast experience in corporate management at many corporations in addition to his extensive career and considerable knowledge as a certified public accountant. The Company has appointed him as an outside Audit & Supervisory Board member in the expectation that he will leverage his deep insight related to accounting and his years of experience in corporate management in the Company's auditing activities.	Board of Directors 12/12 Audit & Supervisory Board 15/15

\* Independent officers

### 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 able to proactively make 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.

### 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.

Key Revisions to Policy for Determining Remuneration	
• With the aim of further incentivizing members of the Board to improve corporate earnings and share more value with shareholders, the ratio of basic compensation, which was about 60% of the total remuneration, shall be reduced and the ratio of share-based compensation shall be increased.	
• 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 ¥320 billion to the fiscal year target for each business year.	
• Compensation based on individual performance, which had been ±10% of total compensation, shall be increased to encourage individual members of the Board to produce results.	

#### 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.

Type of Compensation		Overview	Ratio		
			President	Vice President	Members of the Board and Senior Executive Officers
Fixed compensation	Basic compensation (fixed amount)	• Paid as monthly fixed compensation based on position	40%	45%	50%
Performance-linked compensation	Bonus (short-term incentive)	• Paid at a certain time each fiscal year after the conclusion of the General Meeting of Shareholders	30%	30%	30%
	Share-based compensation (medium- to long-term incentives)	• Payment amount calculated based on corporate earnings indicators (consolidated operating profit, ROIC, sustainability score) and individual performance evaluation results	30%	25%	20%

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.

#### 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 a link 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.

Indicator	Score Weighting	Evaluation Method
Consolidated operating profit	70%	Evaluation based on degree of achievement of fiscal year targets
ROIC	20%	Evaluation based on degree of achievement of fiscal year targets
Sustainability score	10%	Evaluation based on overall achievement of fiscal year targets for addressing the following priority issues in the Company's sustainability management Priority Issues (1) Workplace safety, (2) quality, (3) total CO <sub>2</sub> emissions, (4) information security, (5) employee engagement, (6) expansion of "green" and "peace of mind" products, and (7) diversity and inclusion (promotion of foreign and female employees)

#### Matters Regarding Share-Based Compensation

DENSO has introduced a share-based compensation system with restrictions on transfer with the objective of enhancing

incentives to increase corporate value over the medium to long term and share more value with shareholders.

Eligible persons	Members of the Board of the Company (excluding non-executive members of the Board and outside Board members)
Total amount of share-based compensation	Up to ¥200 million per year
Amount of share-based compensation for each member of the Board	Determined each year considering factors such as the Company's business results and the responsibilities and achievements of the member of the Board
Class of shares to be allocated and method of allotment	Issue or disposal of shares of common stock (those with restrictions on transfer under the Allotment Agreement)
Total number of shares to be allocated	Up to a total of 100,000 shares per year to eligible members of the Board
Amount to be paid	Determined by the Board of Directors based on the closing price of shares of common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution of the Board of Directors, within a range that is not particularly advantageous to eligible members of the Board
Transfer restriction period	During the period predetermined by the Board of Directors, ranging from three years to 30 years from the allotment date. Under the Allotment Agreement, eligible members of the Board must not dispose of the shares of the Company's common stock by transferring or creating a security right on the shares allotted or by other measures.
Condition 1 for removal of transfer restrictions	Restrictions will be removed regarding the expiration of the transfer restriction period. However, the restrictions will also be removed in the event that the eligible member of the Board leaves the position due to the expiration of their term of office, their death, or other justifiable reason.
Condition 2 for removal of transfer restrictions	If a proposal for restructuring the Company—such as a merger agreement whereby the Company will be an absorbed company to the merger, or a share exchange agreement or share transfer plan whereby the Company will become a wholly owned subsidiary of another party—is approved by the Company's General Meeting of Shareholders (or by the Company's Board of Directors if such organizational restructuring does not require approval of the General Meeting of Shareholders) during the transfer restriction period, the Company shall remove, based on a resolution of the Board of Directors, the transfer restriction of the allotted shares at a date prior to the effective date of the organizational restructuring. The number of such allotted shares subject to removal of the transfer restriction shall be reasonably determined in light of the period from the start date of the transfer restriction period and the date of approval for such organizational restructuring.
Acquisition by the Company without consideration	The Company will be able to acquire all allotted shares without consideration in the event of violations of laws and regulations, or other reasons specified by the Board of Directors, during the transfer restriction period.

### 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

Types of compensation	Maximum amounts of compensation	General Meeting of Shareholders' resolution	Number of Board members at time of resolution
Members of the Board	Basic compensation and bonus	No more than ¥1 billion annually (including no more than ¥150 million for outside Board members)	June 19, 2020 97th Ordinary General Meeting of Shareholders
	Share-based compensation	No more than ¥200 million annually	June 19, 2020 97th Ordinary General Meeting of Shareholders
Audit & Supervisory Board members	Basic compensation	No more than ¥15 million per month	June 19, 2014 91st Ordinary 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 (including outside Board members)	442 (48)	300 (48)	105 (—)	37 (5,000 shares) (—)	11 (3)
Audit & Supervisory Board members (including outside Audit & Supervisory Board members)	114 (25)	114 (25)	— (—)	— (—)	5 (2)
Total	556	414	105	37 (5,000 shares)	16

Notes: 1. The figures above include four Board members (Members of the Board Yasushi Yamanaka, Hiroyuki Wakabayashi, and Sadahiro Usui, and Audit & Supervisory Board member Atsuhiko Shimmura) who retired as of the conclusion of the 98th Ordinary General Meeting of Shareholders held on June 22, 2021.  
2. Performance-linked compensation is the amount based on the resolution adopted at the Board of Directors' meeting held on May 23, 2022. Consolidated operating profit was ¥341.2 billion in fiscal 2022, the year used to calculate performance-linked compensation.  
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 23, 2022, by the closing price on the day before the adoption of this resolution.

### Strategic Shareholdings

#### Basic Stance

To maintain and improve corporate value over the long term in a fast-changing global market, it is essential that we collaborate with outside parties, including promoting joint technological development with various other companies and maintaining and strengthening relationships with business partners. To that end, we hold the minimum number of strategic shareholdings necessary for our business strategies. DENSO is keen to reduce low-earning assets and adopts the basic policy of not owning strategic shareholdings unless it is deemed logical to own such shareholdings.

#### Details of Examination to Determine the Appropriateness of Strategic Shareholdings

Every year, the Board of Directors comprehensively determines the appropriateness of cross-shareholdings by examining the management significance of holding each individual stock, including in terms of promoting joint development and strengthening business collaboration, as well as whether the return on holding said stock (dividend payments, increased

share prices, relevant business profit, etc.) is greater than the Company's weighted average cost of capital. The Company takes steps to reduce the number of cross-shareholdings in the event that the continued holding of such shares is no longer deemed rational through the above process.

#### Standard for Exercising Voting Rights

DENSO believes that its investee companies should engage in management that emphasizes improving shareholder interest over the medium to long term, rather than pursuing shareholder returns only in the short term. Giving first and foremost priority to our investee companies that contribute to our profits, we exercise voting rights in an effort to help our investee companies realize sustainable growth and improve their corporate value over the medium to long term.

We comprehensively consider the merits of each item under examination regarding the exercising of votes based on our established internal guidelines. When necessary, we hold dialogues with our investee companies regarding the content of our proposals.

### Shares Held for Purposes Other Than Pure Investment (from securities filings)

	Number of stocks Balance sheet amounts	Number of stocks	
		Stocks for which the number of shares increased during the fiscal year under review	Stocks for which the number of shares decreased during the fiscal year under review
Unlisted shares	80 stocks ¥37,404 million (+¥444 million)	2 stocks ¥1,090 million	5 stocks ¥24 million
Shares other than unlisted shares	23 stocks ¥661,950 million (–¥59,702 million)	1 stock ¥1,063 million	9 stocks ¥54,635 million

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.

### Establishing and Strengthening Internal Controls

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

Please see the following URL for DENSO Basic Policies for Internal Control.  
<https://www.denso.com/global/en/-/media/global/about-us/sustainability/governance/management/management-doc-internal-control-policy-2021-en.pdf>



#### Internal Reporting System

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

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

Number of reports and consultations received (including Group companies)	Fiscal 2020	Fiscal 2021	Fiscal 2022
	130 (27)	74 (24)	103 (44)

## Dialogue with the Outside Board Members



## Transparent and Diverse Governance and 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.

### Shigeki Kushida

Outside Board Member

Mr. Kushida has been serving as an outside Board member at 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 at the Company since 2019. She also serves as representative director of SORA Corporation and has a long history in the sports world.

### Significance of Disclosing the Skill Matrix

**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.



### 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  $\pm 20\%$ .

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** 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 a non-financial metric is a radical move. The Company is asking for more than usual from its Board members. I believe it is a drastic move in the context of the business environment in Japan.

**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.

### 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



investments in the future. It is also necessary to update workstyles and the nature of organizations in order to draw out the capabilities of the Company's diverse human resources. I believe DENSO did a great job pulling everyone together across the Company to reinforce these foundations.

**Mitsuya** The larger a company becomes, the more the information tends to flow in one direction, from top to bottom. Most large Japanese companies are transforming their business structures in some way. Even though established core businesses generate most cash flows, the allocation of management resources tends to concentrate in future growth fields that have yet to show a return. Naturally, the people on the front lines grow dissatisfied with this situation. DENSO is not immune to this problem, which is peculiar to transitional periods of companies.

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

**Mitsuya** This new direction must also take into account the views of final consumers. Even if the Company advances DX projects, for example, consumer data forms the basis for these projects. Utilizing data and taking a B2C perspective, business might flow in a different direction than before. Human resources are what drive business

forward. I look forward to seeing more results from DENSO's human resource strategy for hiring and training personnel.

**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.

### Toward a New Stage of Corporate Governance

**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 can 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.

## 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 SEGA 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 Godo Kaisha. 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 commend 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 evidenced 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.

## Members of the Board and Audit & Supervisory Board Members

(As of June 21, 2022)

### Members of the Board



President & CEO, Representative Member of the Board

#### Koji Arima

(Date of birth: February 23, 1958)  
1981 Joined DENSO CORPORATION  
2008 Executive Director, DENSO CORPORATION  
2014 Senior Executive Director, DENSO CORPORATION  
2015 President & CEO, Representative Member of the Board DENSO CORPORATION (current position)



Executive Vice President, Representative Member of the Board

#### Yukihiko Shinohara

(Date of birth: March 9, 1960)  
1982 Joined DENSO CORPORATION  
2011 Executive Director, DENSO CORPORATION  
2018 Senior Executive Director, DENSO CORPORATION  
2019 Senior Executive Officer, DENSO CORPORATION  
2021 Member of the Board and Senior Executive Officer, DENSO CORPORATION (current position)  
2022 Executive Vice President, Representative Member of the Board (current position)



Member of the Board

#### Kenichiro Ito

(Date of birth: October 1, 1962)  
1985 Joined DENSO CORPORATION  
2012 Executive Director, DENSO CORPORATION  
2019 Senior Executive Officer, DENSO CORPORATION  
2021 Member of the Board and Senior Executive Officer (current position)



Member of the Board

#### Yasushi Matsui

(Date of birth: July 3, 1964)  
1987 Joined DENSO CORPORATION  
2014 Executive Director, DENSO CORPORATION  
2019 Senior Executive Officer, DENSO CORPORATION  
2021 Member of the Board and Senior Executive Officer, DENSO CORPORATION (current position)



Member of the Board

#### Akio Toyoda

(Date of birth: May 3, 1956)  
1984 Joined Toyota Motor Corporation  
2000 Member of the Board of Directors, Toyota Motor Corporation  
2002 Managing Director, Toyota Motor Corporation  
2003 Senior Managing Director, Toyota Motor Corporation  
2005 Executive Vice President, Toyota Motor Corporation  
2005 Outside Member of the Audit & Supervisory Board, Koyo Seiko Co., Ltd. (currently JTEKT CORPORATION)

2006 Outside Audit & Supervisory Board Member, TOYOTA BOSHOKU CORPORATION  
2009 President, Toyota Motor Corporation (current position)  
2018 Chairman, Japan Automobile Manufacturers Association, Inc. (current position)  
2019 Member of the Board, DENSO CORPORATION (current position)



Outside Board Member **Independent Officer**

#### Shigeki Kushida

(Date of birth: June 8, 1958)  
1981 Joined Bank of Japan  
2004 Branch Manager, Kochi Branch, Bank of Japan  
2009 Director-General, Personnel and Corporate Affairs Department, Bank of Japan  
2010 Director-General, Planning Department, Bank of Japan  
2011 Branch Manager, Nagoya Branch, Bank of Japan  
2013 Executive Director, Bank of Japan  
2013 Entrusted Branch Manager, Nagoya Branch and Osaka Branch, Bank of Japan

2017 Senior Advisor, American Family Life Assurance Company (currently Aflac Life Insurance Japan Ltd.)  
2019 Director, Representative Executive Officer & President, Japan Securities Finance Co., Ltd. (current position)  
2019 Member of the Board, DENSO CORPORATION (current position)



Outside Board Member **Independent Officer**

#### Yuko Mitsuya

(Date of birth: July 29, 1958)  
1981 Joined Hitachi, Ltd.  
2007 Representative Director, PSY-fa Co., Ltd.  
2014 Outside Audit & Supervisory Board Member, ASICS Corporation  
2015 Outside Director, Fujita Kanko Inc.  
2015 Outside Director, Paloma Co., Ltd.  
2016 President, Japan Basketball Association (current position)  
2018 Representative Director, SORA Corporation (current position)

2018 Outside Director, The Fukui Bank, Ltd. (current position)  
2019 Outside Director and Audit and Supervisory Committee Member, JXTG Holdings, Inc. (currently ENEOS Holdings, Inc.) (current position)  
2019 Member of the Board, DENSO CORPORATION (current position)  
2021 Vice President, Japanese Olympic Committee (current position)



Outside Board Member **Independent Officer**

#### Joseph P. Schmelzeis, Jr.

(Date of birth: November 2, 1962)  
1984 Joined Bain & Company  
1988 Vice President, American Express International  
1998 Chief Operating Officer, Fontworks International  
1999 Interim CEO, Crimson Ventures  
2001 Representative Director, JPS International, Inc. (current position)  
2011 Corporate Director, Division Manager, SEGA CORPORATION  
2015 Senior Advisor, SEGA SAMMY HOLDINGS INC.

2018 Senior Advisor to the Ambassador, U.S. Embassy in Tokyo  
2021 Executive Manager, Cedarfield Godo Kaisha (current position)  
2022 Member of the Board, DENSO CORPORATION (current position)

### Audit & Supervisory Board Members



Standing Audit & Supervisory Board Member

#### Shingo Kuwamura

(Date of birth: August 16, 1959)  
1982 Joined DENSO CORPORATION  
2009 Executive Director, DENSO CORPORATION  
2017 Senior Executive Director, DENSO CORPORATION  
2019 Senior Executive Officer, DENSO CORPORATION  
2021 Standing Audit & Supervisory Board Member, DENSO CORPORATION (current position)



Standing Audit & Supervisory Board Member

#### Motomi Niwa

(Date of birth: November 3, 1962)  
1985 Joined DENSO CORPORATION  
2007 Head of Function Products Planning Division (currently Powertrain Systems Business Planning Div.), DENSO CORPORATION  
2013 Director, Human Resources Division, DENSO CORPORATION  
2014 Vice President, DENSO Manufacturing Athens Tennessee, Inc.  
2018 Standing Audit & Supervisory Board Member, DENSO CORPORATION (current position)



Outside Audit & Supervisory Board Member **Independent Officer**

#### Yasuko Goto

(Date of birth: February 19, 1958)  
1980 Joined the Ministry of Transport  
2004 Head, New York Office, Japan National Tourism Organization  
2005 Vice Governor, Yamagata Prefecture  
2008 Director, Regional Transport Bureau of Hokuriku and Shinetsu Regions, Ministry of Land, Infrastructure, Transport and Tourism (MLIT)  
2013 President, Policy Research Institute for Land, Infrastructure, Transport and Tourism, MLIT

2015 Managing Director, Deputy General Manager of Railway Operations Headquarters and General Manager of Tourism Business Headquarters, Kyushu Railway Company  
2017 Managing Director in charge of Finance Department, Kyushu Railway Company  
2018 Director (Audit & Supervisory Committee Member) Kyushu Railway Company  
2019 External Audit & Supervisory Committee Member, Shiseido Company, Limited (current position)  
2019 Outside Audit & Supervisory Board Member, DENSO CORPORATION (current position)



Outside Audit & Supervisory Board Member **Independent Officer**

#### Haruo Kitamura

(Date of birth: August 21, 1958)  
1983 Joined Arthur Andersen Konin Kaikeishi Kyodo Jimusho (currently KPMG AZSA LLC)  
1987 Registered as a Certified Public Accountant  
2002 Chief, Kitamura Certified Public Accountant Office (current position)  
2003 Representative Director of Charles's Wain Consulting Co., Ltd. (currently CerWin Consulting K.K.) (current position)  
2004 Outside Auditor, ROHM Co., Ltd.  
2005 Outside Director, Sumisho Grainger Co., Ltd. (currently MonotaRO Co., Ltd.)  
2006 Supervisory Director, MID REIT, Inc. (currently Japan Metropolitan Fund Investment Corporation)

2009 Outside Corporate Auditor, Yamaha Corporation  
2010 Outside Director, Yamaha Corporation  
2015 Part-time Corporate Auditor, ASMO Co., Ltd. (currently DENSO CORPORATION)  
2015 Outside Corporate Auditor, LEGAL CORPORATION (currently LeTech CORPORATION) (current position)  
2016 Outside Corporate Auditor, Toyo Aluminium K.K. (current position)  
2019 Outside Audit & Supervisory Board Member, DENSO CORPORATION (current position)  
2019 Outside Audit & Supervisory Board Member, Misuzu Co., Ltd. (current position)

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

DENSO 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.\*

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

Name	Corporate management	Software / Digital	Marketing	Environment / Energy	Governance	Global	Finance / Accounting	Human resources	Technological development	Production / Quality	Sales / Procurement
Koji Arima											
Yukihiko Shinohara											
Kenichiro Ito											
Yasushi Matsui											
Akio Toyoda											
Shigeki Kushida											
Yuko Mitsuya											
Joseph P. Schmelzeis, Jr.											
Shingo Kuwamura											
Motomi Niwa											
Yasuko Goto											
Haruo Kitamura											

\* As of June 2022

# Risk Management

## Basic Stance

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

Recently, DENSO has been facing a variety of risks the likes of which it had previously never experienced. Since 2019, we have been dealing with the fallout from the quality-related issue, 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.

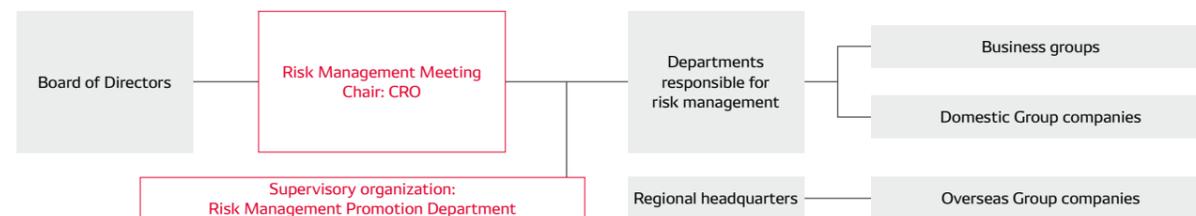
## Promotion Structure

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

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

In addition, we have created the Crisis Communication Manual in order to respond promptly and accurately in the event of a crisis. Depending on the severity and level of urgency of the situation, we assemble special countermeasure organizations to enact an agile response geared toward minimizing damage.

Risk Management Structure (under normal circumstances)



## 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. In particular, DENSO is identifying risks toward which it invests resources to promote countermeasures as “key risk items.” The Company has also established plans and targets toward further enhancing 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 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.

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.



## 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 unwavering, robust business foundation as stated in our Mid-term Policy for 2025, we are moving forward with bold reforms with a “Customer First” perspective.

#### 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 practical for ongoing improvements at production sites, and by increasing the involvement of managers and section chiefs in on-site activities.

### 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 DX

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 delay, and is advancing 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 illicit access to their IT systems in fiscal 2022. Determined to prevent such incidents from ever occurring again, we are sparing no effort to prevent a recurrence 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 IoT, 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 digitalization 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.

# 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 reinstitute 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.

## Fiscal 2022 Taxes by Region

(¥ billion)

Region	Tax amount
Japan	13.3
North America	3.9
Europe	2.3
Asia/Oceania	39.2
Other regions	2.8
Total	61.6

Please see the "Sustainability Information" section of our corporate website for more information.  
Compliance:  
<https://www.denso.com/global/en/about-us/sustainability/governance/compliance/>



Please see our corporate website for information on tax compliance.  
<https://www.denso.com/global/en/about-us/sustainability/governance/tax-policy>

