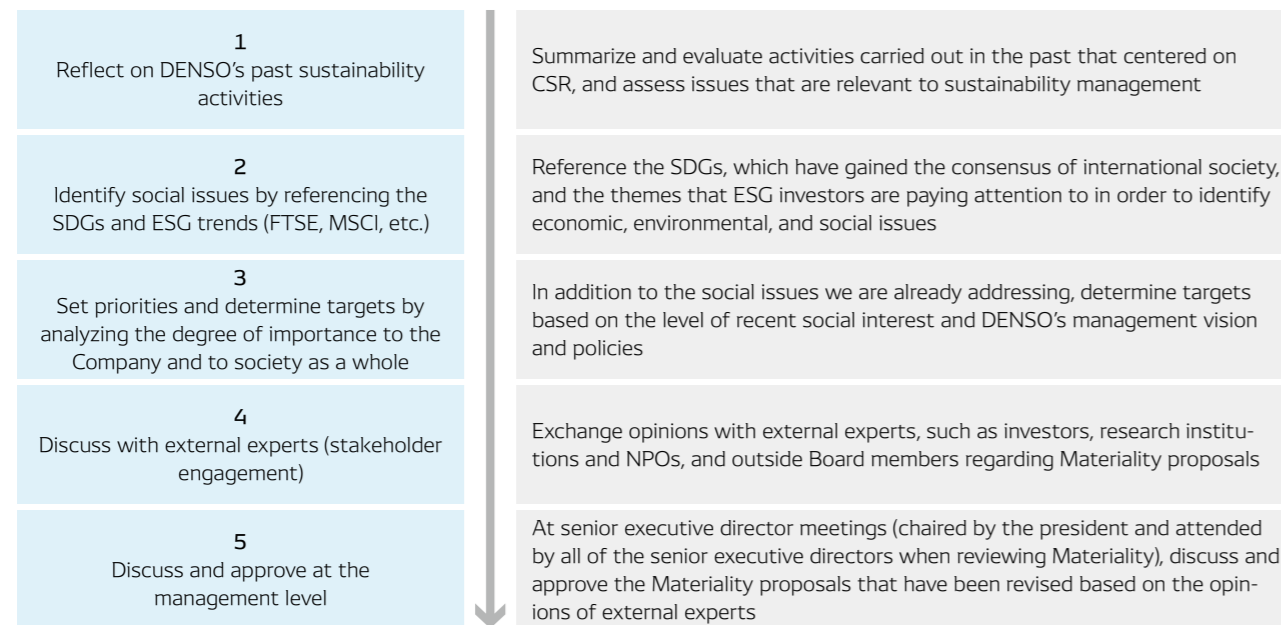# 1 Materiality

We have determined material issues (Materiality) to be addressed in order to achieve our Long-term Policy for 2030 and are accelerating sustainability management in an effort to resolve these issues. Among our social forecasts based on our awareness of the projected business environment of 2030 as well as the various social issues that are present today, including those highlighted in the SDGs, we have adopted the three themes of "green," "peace of mind," and "corporate foundation" as areas that have a high level of importance for realizing a sustainable society and areas in which we can make particularly significant contributions. Accordingly, we are sharing information on the material issues we have identified in each of these fields on a Companywide basis and have established a specific vision and KPIs (numerical indicators, or guides) related to each material issue we have identified. By achieving these KPIs through our business activities, we will strive to realize our Long-term Policy for 2030 and resolve social issues going forward.
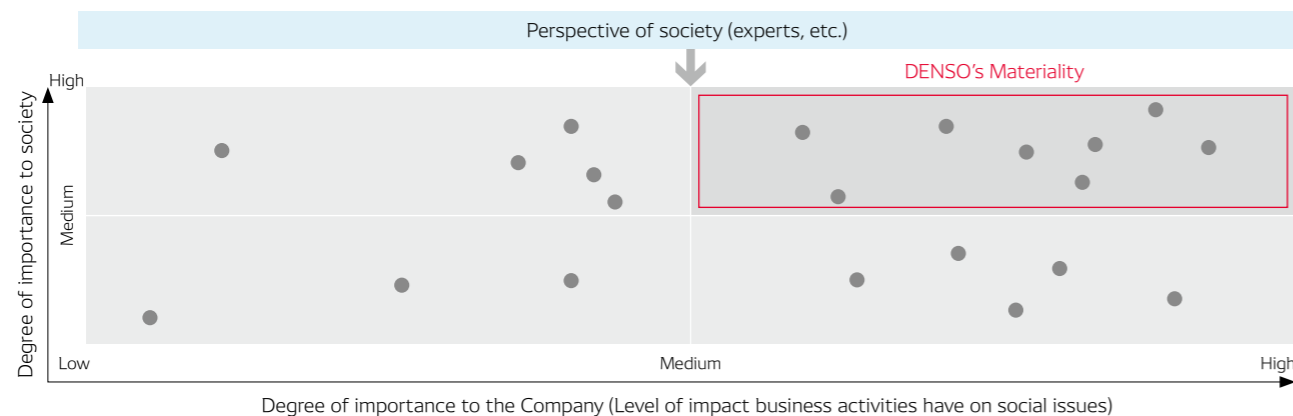
## Materiality
DENSO has selected important issues from among the various issues society faces within the three areas of "green," "peace of mind," and "inspiring" declared under DENSO's Long-term Policy for 2030.

## Process for Determining Materiality
DENSO evaluates the importance of each issue to society and their importance to management and selects their material significance (Materiality) through an approval process at the management level while receiving opinions and advice from third parties.

| | |
|---|---|
| **1** Reflect on DENSO's past sustainability activities | Summarize and evaluate activities carried out in the past that centered on CSR, and assess issues that are relevant to sustainability management |
| **2** Identify social issues by referencing the SDGs and ESG trends (FTSE, MSCI, etc.) | Reference the SDGs, which have gained the consensus of international society, and the themes that ESG investors are paying attention to in order to identify economic, environmental, and social issues |
| **3** Set priorities and determine targets by analyzing the degree of importance to the Company and to society as a whole | In addition to the social issues we are already addressing, determine targets based on the level of recent social interest and DENSO's management vision and policies |
| **4** Discuss with external experts (stakeholder engagement) | Exchange opinions with external experts, such as investors, research institutions and NPOs, and outside Board members regarding Materiality proposals |
| **5** Discuss and approve at the management level | At senior executive director meetings (chaired by the president and attended by all of the senior executive directors when reviewing Materiality), discuss and approve the Materiality proposals that have been revised based on the opinions of external experts |

## Plotting of Social Issues



Perspective of society (experts, etc.)

DENSO's Materiality

Degree of importance to society (High / Medium / Low)

Degree of importance to the Company (Level of impact business activities have on social issues) (Low / Medium / High)

## Materiality KPIs
We establish KPIs for each of the identified material issues (Materiality), incorporate them into Company targets, and follow up on and discuss at the Management Deliberation Meeting and the Board of Directors' meeting. Furthermore, the level of achievement for some KPIs is evaluated as a calculation index for executive compensation.

| Materiality | | Vision | KPIs (fiscal 2023) | KPIs (fiscal 2026) | Related SDGs |
|---|---|---|---|---|---|
| **Green** | Prevention of global warming ◎ | Contribute to an eco-friendly and sustainable society by reducing environmental burden and realizing highly efficient mobility • Reduce our $CO_2$ emissions from our factories to zero • Contribute to the electrification of automobiles and reduce our $CO_2$ emissions to the greatest extent possible • Contribute to realizing a carbon-neutral society through technologies that capture, store, and reuse $CO_2$ • Reduce environmentally harmful substances, emissions, and waste to help permanently preserve the global environment | • Reduce $CO_2$ emissions from plants by 25% compared with fiscal 2021 (including carbon credit use) • Popularize products in the electrification domain and achieve sales of ¥760.0 billion | • Reduce $CO_2$ emissions from plants by 100% compared with fiscal 2021 (achieve carbon neutrality through energy conservation and carbon-neutral electricity and through carbon-neutral gas using carbon credits) • Popularize products in the electrification domain and achieve sales of ¥1 trillion | |
| | Prevention of air pollution / Reduction of environmental burden ◎ | | | | |
| | Effective utilization of resources ◎ | | | | |
| | Conservation of water resources | | | | |
| **Peace of Mind** | Reduction of traffic accidents ◎ | • Popularize safe products in order to eliminate fatalities due to traffic accidents • Address the need for ensuring a safe air environment and provide comfortable spaces • Support working people by offering technologies that help resolve the issues associated with a declining workforce • Provide high-quality safety products that satisfy and gain the trust of customers | • Popularize safety products and achieve sales of ¥428.0 billion in the ADAS domain | • Popularize safety products and achieve sales of ¥500.0 billion in the ADAS domain | |
| | Provision of flexible and comfortable movement ◎ | | | | |
| | Provision of safe and secure products ◎ | | | | |
| | Response to decrease in birthrate and aging population ◎ | | | | |
| **Corporate Foundation** | Compliance | • Ensure that each employee acts in a fair, honest, and ethical manner while complying with laws and regulations in each country and region • Provide safe and reliable products to customers, protect information assets, and prepare for cybersecurity risks that the "connected society" faces | Zero serious violations of laws | Zero serious violations of laws | |
| | Information security ◎ | | Zero serious incidents | Zero serious incidents | |
| | Diversity and inclusion | • Promote the development of people, organizations, and the working environment to encourage our employees to maximize their abilities and work with enthusiasm and peace of mind • Respect the rights of all our stakeholders, including our employees and people throughout our supply chain, in our business activities • Pursue business activities that take into account environmental issues, human rights issues, and compliance together with our suppliers | • Local employees in leadership roles at overseas bases: 20 • Number of women in management positions at DENSO CORPORATION: 145 in business fields and 145 in technical fields | • Local employees in leadership roles at overseas bases: Over 20 • Number of women in management positions at DENSO CORPORATION: 200 in business fields and 200 in technical fields | |
| | Healthy and safe working environment | | • Employee Lifestyle Score[1] at DENSO CORPORATION: 77 points • Safety mark[2]: 50.0 marks at DENSO CORPORATION; 36.0 marks at domestic Group companies; and 48.5 marks at overseas Group companies | • Employee Lifestyle Score[1] at DENSO CORPORATION: Over 77 points • Currently considering targets that incorporate improvements to the scores for safety marks on the left | |
| | Workstyle reform / Job satisfaction enhancement | | • Rate of positive response to work engagement at DENSO CORPORATION: 72% | • Rate of positive response to work engagement at DENSO CORPORATION: 78% | |
| | Protection of human rights / Sustainable procurement | | • Attendance rate for human rights education for newly appointed managers and new employees at DENSO CORPORATION: 100% | • Currently considering targets in addition to those on the left | |
| | Corporate governance | DENSO will support the above targets for Materiality and progress to a more effective governance system as necessary based on factors such as social trends, changes to the external environment, and DENSO's corporate culture. | | | |

◎ Targets that can be achieved using our products and services

*1 Lifestyle Score: Original health management indicator that provides a score for the lifestyle habits of each individual employee using data obtained from health exams
*2 Safety mark: Scoring depending on scale and type of accident. The lower the number the better the score