

Social and Relationship Capital

Outline of Efforts to Strengthen Social and Relationship Capital

DENSO advances its business activities while interacting with various stakeholders. Accordingly, DENSO believes that establishing good relationships with its stakeholders and increasing its number of allies are essential parts of improving corporate value. Particularly, in the so-called VUCA (volatility, uncertainty, complexity, and ambiguity) era, where the future outlook is opaque, it has become extremely difficult for us to flexibly respond to social changes and needs on our own, and it is therefore necessary to collaborate and coordinate with a wide range of stakeholders.

Furthermore, to avoid self-satisfying activities that are biased by our own logic and preconceptions, we are deepening our understanding of stakeholder expectations and options through dialogue with them and reflecting that understanding in our corporate activities. By doing so, we aim to become a company that is truly inspiring by realizing growth together with our stakeholders and society as a whole.

Characteristics of DENSO's Social and Relationship Capital (Fiscal 2022 results)

Number of suppliers Approx. 6,500
Local procurement rate Approx. 80%
Number of dialogues with institutional investors (total number of companies) Approx. 1,000

Initiatives to Enhance Corporate Value by Strengthening Relationships with Our Stakeholders

Employees

Relationship between Social Capital, Corporate Value, and Each Other Type of Capital	Initiatives to Strengthen Relationships	Gained Value (Outcome)
<p>Enhancing employee engagement to create new value from the collective wisdom and strengths of our employees across the globe is essential to realizing the growth of DENSO.</p> <p>To that end, we hold dialogues with our employees and are promoting various initiatives to maintain and enhance employee engagement so that all employees can work with enthusiasm and fully leverage their individual capabilities. These initiatives include reforms to workstyles and personnel systems and the creation of employee-friendly work environments.</p> <p>Related Capital Human capital, intellectual capital</p>	<p>Expectations of and Points of Concern for DENSO Workplaces that facilitate good communication, flexible workstyles, fair and appropriate personnel evaluation systems, active roles of diverse human resources, workplace environments that are safe, comfortable, and promote health, etc.</p> <p>↓</p> <p>Initiatives to Enhance Relationships Employee awareness surveys, in-house publications and information dissemination via intranet, consultation centers (hotlines, general consultation office), social gatherings between labor and management, etc.</p>	<ul style="list-style-type: none"> Enhanced employee engagement Improved retention rate Decrease in turnover rate Increase in the number of improvements made by employees Decrease in work-related injuries and accidents, etc.

Customers

Automobile manufacturers, automobile users, and customers in non-automotive fields such as agriculture and FA, etc.

Relationship between Social Capital, Corporate Value, and Each Other Type of Capital	Initiatives to Strengthen Relationships	Gained Value (Outcome)
<p>In addition to increasing our financial capital through the adoption of our products and services, strengthening our relationships with customers helps us with such efforts as building optimal supply structures, acquiring new technologies and know-how, and cultivating employees by having them gain business experience together with customers.</p> <p>Accordingly, we will seek to deepen our understanding of customer needs and expectations through ongoing dialogue in an effort to create products and services that satisfy our customers and truly gain their trust.</p> <p>Related Capital Financial capital, human capital, manufacturing capital, and intellectual capital</p>	<p>Expectations of and Points of Concern for DENSO Provision of high-quality, high-performance products and services, products that contribute to the environment and products that offer peace of mind, a stable product supply, a service network with a high level of customer satisfaction, etc.</p> <p>↓</p> <p>Initiatives to Enhance Relationships Communication within our daily sales activities, new product exhibitions, joint R&D activities, establishment of new companies through joint investment, a customer consultation center, etc.</p>	<ul style="list-style-type: none"> Acquisition of product share on a global scale Increase in the number of customers adopting our products/services Establishment of a mobilized global supply structure Acquisition of IP rights and creation of know-how, etc.

Business Partners Suppliers, service stations, and MEA business alliance partners, etc.

Relationship between Social Capital, Corporate Value, and Each Other	Type of Capital	Initiatives to Strengthen Relationships	Gained Value (Outcome)
The competitiveness of our products and services is underpinned by the high technological capabilities, know-how, and stable supply of our business partners. In addition, our efforts toward such matters as carbon neutrality and human rights due diligence require the understanding and cooperation of our business partners.	Related Capital Financial capital, manufacturing capital, intellectual capital, and social and relationship capital	Expectations of and Points of Concern for DENSO Business expansion, business alliances, cross-industry exchange, information on business trends (procurement policies, service policies, etc.), and support for responding to sustainability needs (environment, human rights, etc.), etc. Initiatives to Enhance Relationships Close communication with business partners, Supplier Appreciation Meeting, sustainability self-assessments, General Meeting of DENSO Service Stations, servicing skills competition, etc.	<ul style="list-style-type: none"> High-quality, high-performance products Products that contribute to the environment and products that help reduce traffic accidents Establishment of a stable supply chain Establishment of an after-sales service network with a high level of customer satisfaction Realization of responsible procurement Reduction in Scope 3 CO₂ emissions, etc.

Local Communities Local community members, governments, NPOs and NGOs, people of the next generation, etc.

Relationship between Social Capital, Corporate Value, and Each Other	Type of Capital	Initiatives to Strengthen Relationships	Gained Value (Outcome)
To continue to operate in regions where our plants and offices are located, we need to be accepted by local communities as a good corporate citizen and realize coexistence and co-prosperity together with these communities. In addition, having employees gain experience in working to resolve issues facing local communities provides them with an opportunity to enhance their perspective of social issues that need to be addressed in our business activities.	Related Capital Human capital, natural capital, and social and relationship capital	Expectations of and Points of Concern for DENSO Local employment and procurement, community group activities, regional promotion (sports, culture), support for the development of the next generation, traffic safety activities, regional environment conservation, etc. Initiatives to Enhance Relationships Conferences with local community members and governments, plant tours, Monozukuri schools, social contribution programs in collaboration with local NPOs, agreements with local governments for regional revitalization, etc.	<ul style="list-style-type: none"> New business creation Acquisition of outstanding personnel Enhanced level of recognition for the Company Improved employee engagement Acquisition of opportunities for participation in regional revitalization businesses, etc.

Shareholders and Investors

Relationship between Social Capital, Corporate Value, and Each Other	Type of Capital	Initiatives to Strengthen Relationships	Gained Value (Outcome)
Financial capital to invest in such areas as facility enhancement, R&D activities, and human resource development is required in order to realize sustainable growth and enhance corporate value. For that reason, we understand that our shareholders and other investors are valuable supporters who provide us with advice on how to promote sound management. We therefore believe it is important to build solid trust-based relationships with them.	Related Capital Financial capital	Expectations of and Points of Concern for DENSO Appropriate share price, implementation of dividends and other shareholder returns, timely and appropriate information disclosure and opportunities for dialogue, disclosure of non-financial information, etc. Initiatives to Enhance Relationships General Meeting of Shareholders, Dialog Day, financial presentations, technology briefings, briefings for individual investors, integrated report, securities report, etc.	<ul style="list-style-type: none"> Appropriate share price Improvement in stable, long-term dividend level Extension of years over which shares are held (reduction of share price fluctuation risk) Improvement in investor evaluation (credit rating), etc.

Undertaking Initiatives toward Respecting Human Rights

Around the backdrop of the rising interest toward sustainability around the globe, corporations are strongly expected to consider human rights within their business activities.

A workplace free of harassment and discrimination helps lower the risks of quality-related issues and work-related injuries. Furthermore, promoting business activities that give consideration to human rights increases the number of business opportunities for the Company and enables us to acquire outstanding human resources. Such business activities also lead to improved employee engagement.

DENSO views respect for human rights as a crucial theme and has therefore established respect for human rights as one of its material issues within the promotion of sustainable management, and is undertaking efforts toward respecting human rights accordingly.

Human Rights Policy

Our Sustainability Policy and the Code of Conduct clearly prohibit labor practices or similar actions that infringe upon human rights, and we have worked to ensure that these policies are thoroughly shared across the Group.

Recently, initiatives toward respecting human rights in businesses are becoming even more important for global corporations. In this environment, we believe we need to further promote human rights-related initiatives and have therefore formulated the DENSO Group Human Rights Policy as an individual policy to address human rights issues.



Please see the following URL to view the DENSO Group Human Rights Policy.
<https://www.denso.com/global/en/media/global/about-us/sustainability/society/humanrights/about-us/humanrights-policy-en.pdf>



Promoting Employee Education and Enlightenment

DENSO promotes education and enlightenment activities for employees at each Group company with the aim of encouraging employees to act based on the DENSO Group Human Rights Policy.

Through education programs by grade (for corporate officers, newly appointed management, new employees, mid-career hires, and employees on a fixed-term contract, etc.) and online compliance tests that target all employees, including those at domestic Group companies, DENSO CORPORATION is engaging in education and enlightenment activities to deepen employee awareness and understanding of human rights.

Human Rights Due Diligence

In accordance with the DENSO Group Human Rights Policy, we identify and evaluate human rights-related risks that can occur as a result of our business activities and are promoting the ongoing process of human rights due diligence to enact measures to prevent such risks and minimize their impact should they occur.

As the first step of this process, we carried out a human rights risk assessment to identify and evaluate potential human rights-related risks facing the Group with the cooperation of a third-party institution specializing in human rights. As a result of this assessment, we identified four themes for potential

human rights-related risks that have a high relationship with the Group, including "human rights of non-Japanese workers in Japan" and "compliance with forced labor in the supply chain."

Going forward, we will carry out an impact assessment (evaluation of impact on human rights) regarding these identified themes and enact and strengthen appropriate measures and initiatives accordingly.

Non-Japanese Workers in Japan

Human rights issues facing non-Japanese technical interns represent a major human rights-related risk that has a high relationship with the automotive supply chain.

To address these issues, we conduct written surveys of domestic Group companies and suppliers to confirm the presence of non-Japanese technical interns. Due to the existence of potential human rights-related risks, we will conduct an impact assessment to ascertain whether there are any issues that impact human rights and confirm the level of impact if so. We will then enact appropriate measures based on the results of this assessment.

Initiatives toward Respecting Human Rights in the Supply Chain

Mining sites for mineral resources involve a substantial amount of dangerous work, and there have been reports of human rights issues at such sites, including child and forced labor. Accordingly, responsible mineral resource and raw material procurement is an extremely important theme within the supply chain.

In its Supplier Sustainability Guidelines, DENSO clearly states its commitment to conducting business activities that give consideration to human rights. To ensure that our suppliers comply with these guidelines, we promote such initiatives as requiring them to implement self-assessments and directly assisting them with improvement measures through dialogue.

Furthermore, with regard to the issue of conflict minerals, which are mined in the Democratic Republic of the Congo and surrounding countries under poor labor environments, we formulated a policy to respond to the issue of conflict minerals and share this policy with our suppliers. At the same time, we conducted a survey on conflict minerals every year, with the cooperation of our suppliers.

Grievance Mechanism

We have established an internal whistleblowing system that can be used by domestic Group companies and suppliers. In the event an issue arises that impacts human rights or contributes to an impact on human rights, this system provides relief to the affected party.

Going forward, in addition to steadily promoting the DENSO Group Human Rights Policy, we will enhance the level of our initiatives toward respecting human rights in such ways as bolstering our human rights due diligence and relief measures.



Please see the "Respect for Human Rights" section of our corporate website for more details on our human rights initiatives.
<https://www.denso.com/global/en/about-us/sustainability/society/humanrights>