

Corporate Governance

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.



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>



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.

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		
			June 2016			January 2020	March 2021		
				April 2017			January 2021		

Corporate Governance System

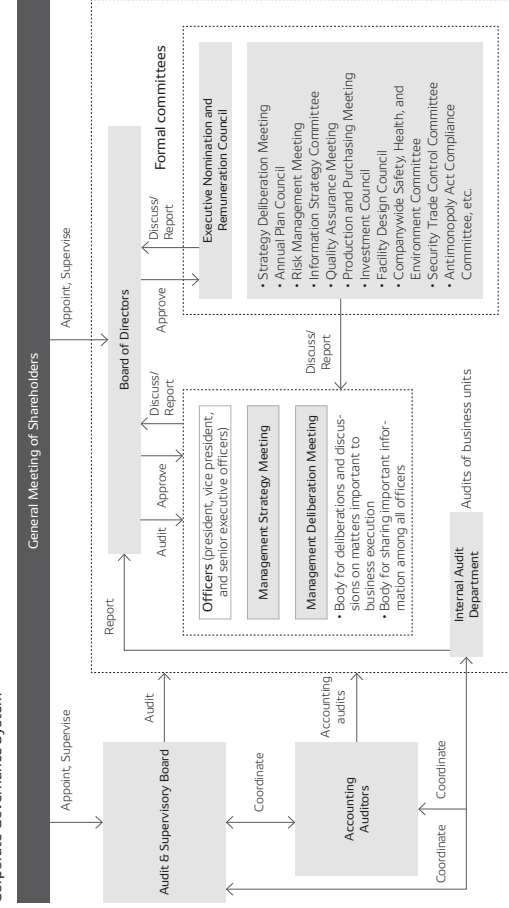
Corporate Governance System and Principal Organizations
DENSO has adopted a corporate auditor system under which it has established the General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board, and Accounting Auditors as statutory bodies. Through a vice president and corporate officer 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 a 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 *Gendhi 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.

Corporate Governance System



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, who 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 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.

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
<ul style="list-style-type: none"> Enhancement of discussion and communication Increase opportunities for communication outside of Board meetings 	<ul style="list-style-type: none"> Held events for exchanging opinions among inside members of the Board, outside Board members, and outside Audit & Supervisory Board members
<ul style="list-style-type: none"> Role and responsibilities of the Board of Directors Medium- to long-term policies are decided by the Board of Directors Properly delegate authority 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Operation of the Board of Directors Enhance the exchange of opinions during meetings held online 	<ul style="list-style-type: none"> 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)
<ul style="list-style-type: none"> Support for outside officers Enhance the understanding of DENSO's businesses through on-site observation Share information on monthly business status, etc. 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Operations of the Board of Directors Few comments made by people other than those designated by chair 	<ul style="list-style-type: none"> Enhance and augment briefings prior to meetings of the Board of Directors Continue and augment on-site tours and inspections
<ul style="list-style-type: none"> Support for outside Board members and outside Audit & Supervisory Board members Eliminate information gap with inside members of the Board and outside Audit & Supervisory Board members 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Oversight by the Board of Directors Enhance ideas for improving corporate value Deepen strategic discussions 	<ul style="list-style-type: none"> 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.)
<ul style="list-style-type: none"> Dialogue with stakeholders Enhance discussions and reporting from perspective of stakeholders 	<ul style="list-style-type: none"> 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

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"> 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.
<ol style="list-style-type: none"> 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 & 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 & Supervisory Board.

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	Shigeaki Kushida	Independent, Outside Board Member
Members	Koji Aima	President & CEO, Representative Member of the Board
	Shingo Kuwamura	Standing Audit & Supervisory Board Member
	Yuko Mitsuoya	Independent, Outside Board Member
	Joseph P. Schmelzels, 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)
Shigeaki Kushida*	Shigeaki 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 Mitsuoya*	Yuko Mitsuoya 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. Schmelzels, Jr.*	Joseph P. Schmelzels, 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 Codo Kalsha. 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 JITO 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 Yuushu 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 performances, which had been ±10% of total compensation, shall be increased to encourage individual members of the Board to produce results.

Type of Compensation	Overview	
	President	Vice President
Fixed compensation	40%	45%
Performance-linked compensation	30%	30%
Share-based compensation (medium- to long-term incentives)	30%	25%
Ratio	President	Vice President
Members of the Board and Senior Executive Officers	50%	30%

- Paid as monthly fixed compensation based on position
- Paid at a certain time each fiscal year after the conclusion of the General Meeting of Shareholders
- Payment amount calculated based on corporate earnings indicators (consolidated operating profit, ROIC, sustainability score) and individual performance evaluation results

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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 external research 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 CO₂ 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 1,000,000 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 by the merger or a share exchange agreement or share transfer plan whereby the Company will become a subsidiary of another company—is approved by the Company's Board of Directors (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.

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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	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	Eight members of the Board (of whom three were outside Board members)
Share-based compensation	No more than ¥200 million annually	June 19, 2020 97th Ordinary General Meeting of Shareholders	Eight members of the Board (of whom three were outside Board members)
Audit & Supervisory Board members	No more than ¥15 million per month	June 19, 2014 91st Ordinary General Meeting of Shareholders	Five members of the Board (of whom three were outside Board members)

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	
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 Yamataka, Hiroyuki Wakabayashi, and Sadahiro Usui, and Audit & Supervisory Board member Atsuhiko Shimura) 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 ¥3,412 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		Stocks for which the number of shares increases during the fiscal year under report	Stocks for which the number of shares decreases during the fiscal year under report
	Balance sheet amounts	5 stocks		
Unlisted shares	80 stocks	2 stocks	1,090 million	5 stocks
Shares other than unlisted shares	¥37,404 million (¥4,444 million)	¥1,090 million	¥24 million	9 stocks
	23 stocks	1 stock	¥1,063 million	¥54,635 million
	¥661,950 million (¥59,702 million)			

Note: The increase in stocks for which the number of shares rises 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/mediaglobal/about-us/sustainability/governance/management/management-docs/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)