

Human Capital

Outline of Efforts to Strengthen Human Capital

The starting point for providing society with new value is the ability of our people and organization to turn ideas into reality. With this in mind, we will advance human capital-focused management to ensure that all DENSO employees have aspirations and ambitions; benefit society, customers, and coworkers; and become a “group of professionals with the ability to turn ideas into reality.” We believe that, by combining the strengths of our people and organization, we can develop our distinctive ability to turn ideas into reality even further. Based on this belief, DENSO has set out its PROGRESS vision and action plan, calling for the reform of human resource initiatives and systems to support employees as they continue taking on challenges and achieving change.



Background to Our Emphasis on Strengthening Human Capital

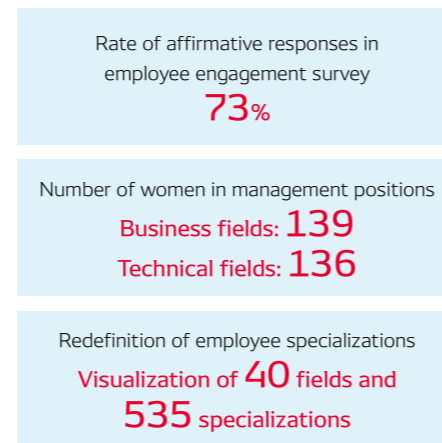
We believe that human resource development supports manufacturing and R&D. This has been our philosophy since our founding in 1949. Accordingly, we view people as our most important form of management capital, and we have tirelessly accumulated competence that allows us to provide new solutions and address social issues. We call this competence “the ability to turn ideas into reality.” Thanks to our accumulated competence, we have created more than 180 world-first technologies and products. In 1954, DENSO established technical training schools to strengthen its technologies and skills. Tracing its roots back to these schools, DENSO Industrial School continues to train technicians. To date, the school’s students have won more than 70 medals at the WorldSkills Competition.

As the automotive industry undergoes major structural changes, DENSO aims to provide new solutions not only in mobility but also in industry and society. To these ends, we will enhance our ability to turn mass production ideas into reality—which entails meeting quality, cost, and supply requirements—as well as our ability to turn business ideas into reality by realizing customer value and services-based business models and partnerships with companies in other industries.

PROGRESS: A Vision and Action Plan for Our People and Organization

Aiming to become a “group of professionals with the ability to turn ideas into reality,” we have established the PROGRESS vision and action plan for our people and organization. Under this plan, since fiscal 2022 we have been reforming our organization as well as specific human resource initiatives and systems so that employees can continue to evolve and pursue ambitious initiatives. DENSO’s ideal employees are professionals committed to taking on the challenge of achieving new personal bests, while the Company’s ideal organization provides a platform for the co-creation initiatives and interaction of diverse professionals. We believe that, by combining the strengths of

Characteristics of DENSO’s Human Capital (Fiscal 2023 results)



our people and organization, we can develop our distinctive ability to turn ideas into reality even further. In line with this belief, we have set out the PROGRESS vision and action plan, which reflects our commitment to professionalism as well as to progress (evolution and ambitious initiatives). The plan calls on us to support employees in continuing their ambitious initiatives and evolution by reforming human resource initiatives and systems between fiscal 2022 and fiscal 2024. These reform efforts are focusing on four pillars: career, learning and growing, evaluation and compensation, and workstyles and culture.

Our Approach to Human Capital-Focused Management (Value Creation Path)

The remainder of this section provides an overview of the human capital enhancement initiatives being implemented under PROGRESS as well as the benefits they will achieve and the value they will provide.

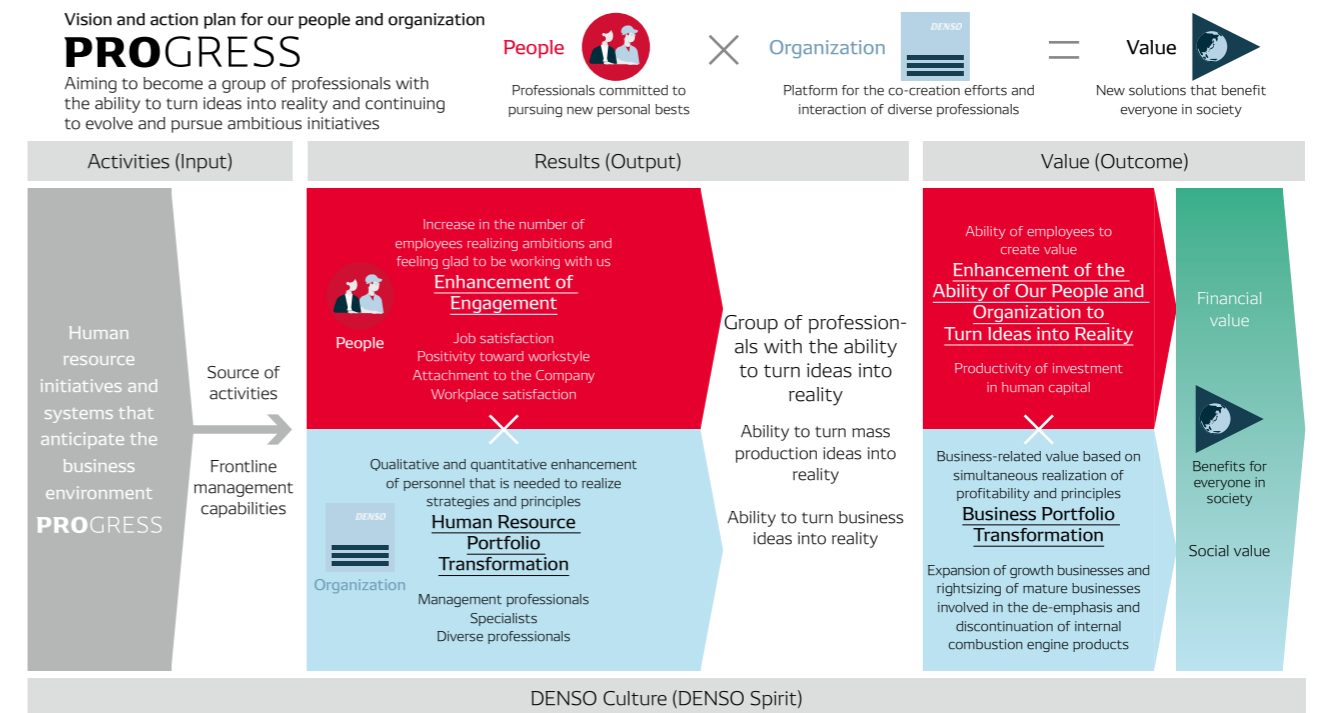
Reform of human resource initiatives and systems that anticipate the business environment will achieve our personnel and organizational objectives. With respect to our personnel, we will increase the number of employees realizing their ambitions and feeling glad to be working with us. As for our organization, we will achieve the qualitative and quantitative enhancement of human resources that is needed to realize our Strategies for “Green” and “Peace of Mind” and principles. By setting out quantitative key performance indicators (KPIs) for both the enhancement of employee engagement and the transformation of its human resource portfolio, DENSO will ensure the reform of human resource initiatives and systems.

However, reform of initiatives and systems does not produce immediate results. Therefore, we are carefully managing initiatives and systems with the goal of allowing frontline employees to really feel the benefits of reforms before they change their mindsets and behavior. Such frontline management capabilities are essential in maximizing the effectiveness of initiatives and achieving desired results.

Four Pillars of PROGRESS

Career: PROGRESS Design	Career design system, strengthening of specialization, career innovation program, in-house recruitment, etc.
Learning and Growing: PROGRESS Development	Fostering of management leaders, trainee system, co-creation program for cross-industry partnerships, etc.
Evaluation and Compensation: PROGRESS Drive	Role- and performance-based evaluation and compensation system, benefits that support diverse lifestyles, etc.
Workstyles and Culture: PROGRESS Diversity & Digital	Initiatives to enhance engagement, development of personnel with competence in digital transformation, diversity (empowerment of women), etc.

Our Approach to Human Capital-Focused Management (Value Creation Path)



To measure the value provided by human capital and facilitate the aforementioned frontline management, we have defined business portfolio transformation and the ability of our people and organization to turn ideas into reality as forms of value. The ability of our people and organization to turn ideas into reality is an indicator of how effectively human capital is being utilized and of whether value is being created for society. For this indicator, we use the productivity of investment in human capital, which is added value divided by investment in human capital. Business portfolio transformation refers to business-related value, which is created by simultaneously realizing profitability and the “green” and “peace of mind” principles through the inclusion in our business portfolio of growth businesses as replacements for businesses involved in the de-emphasis and discontinuation of internal combustion engine products.

By heightening employee engagement and augmenting the quality and quantity of personnel, we will empower employees to create even more added value as a “group of professionals with the ability to turn ideas into reality,” thereby increasing the financial and social value that we provide.

Enhancement of Engagement

At DENSO CORPORATION, we conduct an employee engagement survey annually, targeting all of our roughly 45,000 employees, who belong to approximately 2,500 workplaces. The survey results show that job engagement corresponds to individuals’ willingness to take on ambitious goals and that organizational engagement corresponds to the ability of workplace teams to achieve results. The percentage of affirmative responses with respect to job satisfaction and positivity toward workstyle (job engagement) as well as in relation to workplace satisfaction and attachment to the Company (organizational engagement) increased from 70% in fiscal 2022 to 73% in fiscal 2023. Our goal is to raise affirmative responses to 78% by fiscal 2026. (Non-Financial Highlights [\[P.121\]](#))

Based on analysis of the survey results, we are improving our initiatives. More specifically, we are helping employees realize career goals and creating open workplaces full of vitality—important initiatives for increasing job and organizational engagement.

1. Helping Employees Realize Career Goals

With the aim of helping employees envision the professionals they want to become, we hold age group-based training that covers employees from their 20s through to their 50s and provides them with opportunities to reflect on their career plans. Moreover, we aim to achieve a 100% implementation of career interviews and dialogues between supervisors and subordinates. In particular, targeting approximately 3,200 supervisors, we hold mutual study sessions on cultivating empathy with the Company’s goals by effectively instilling in personnel an understanding of the purpose of the organization and the significance of their work. We also provide these supervisors with practical training sessions on conducting dialogues with subordinates and supporting career realization three times a year. Further, DENSO is enhancing its career consultation office and various other facets of the Company’s career support system. In addition, we are providing support by expanding in-house recruitment; increasing the number of employees who train outside the Company, including training at companies in other industries; and developing an environment for self-education on specializations and skills.

2. Creating Open Workplaces Full of Vitality

Based on the annual engagement survey, we classify workplace conditions into 11 categories based on levels of openness, job performance, and willingness to take on ambitious initiatives. We then encourage proactive improvement by giving all workplaces feedback on the results and examples of best practice. For workplaces with numerous issues, we use organizational development methods to provide support that is aimed at promoting mutual understanding between subordinates and supervisors. Thanks to these efforts, in fiscal 2023 the number of workplaces where employees show a high level of willingness to take on ambitious initiatives rose by 124 workplaces (approximately 5% of all workplaces) year on year.

Human Resource Portfolio for Business Portfolio Transformation

Aiming to augment the quality and quantity of personnel so that we can simultaneously realize profitability and our

strategies and “green” and “peace of mind” principles, we have categorized our human resource portfolio into three types of professionals: management professionals, specialists, and diverse professionals. Based on these three categories, we are acquiring, developing, and deploying personnel.

1. Management Professionals Who Will Lead a Global DENSO

We hold global human resource development conferences, which are attended by all senior executive officers and focus on the discussion and implementation of training and placement that maximizes the performance of management candidates. The aim of these conferences is to systematically produce globally competent management leaders who will play key roles in business management and execution. Dedicated talent managers are undertaking in-depth analysis of individual management candidates with a view to developing a diverse group of 400 management candidates by fiscal 2026. In addition, our Global Leadership Development Program is strengthening the development of local personnel overseas through mutual study sessions and the assignment of personnel to global projects. The program is tasked with fostering local personnel so that they account for 50% of the heads of overseas bases by fiscal 2031.

2. Specialists Who Will Innovate and Create Value

With our sights set on a new era, we are advancing a Companywide reassignment of personnel from businesses involved in the de-emphasis and discontinuation of internal combustion engine products to growth businesses. Through in-house recruitment, stepped-up hiring, and other measures, we will realize a large-scale transition in our human resources by deploying approximately 4,000 personnel to the priority fields of vehicle electrification and mobility systems by fiscal 2026. At the same time, by providing opportunities for exchanges and collaborations among personnel in the mechanical parts, electronics, and software fields, we will develop professionals in the systems field who are able to design optimal combinations of products and functions from an upstream perspective. In the energy management field, which is becoming increasingly important as vehicle electrification progresses, plans call for doubling the current number of employees by fiscal 2026.

For employees, we are enhancing measures to increase expertise in each field. In the all-important software field, since fiscal 2022 we have been operating the Sommelier Certification Program, which objectively certifies the skills of software engineers, as well as recurrent education programs on software, which support personnel scheduled to transfer from positions in the hardware field to positions in the software field. As of March 2023, these recurrent programs have trained 210 employees,

who are expected to transfer to software-related positions.

Further, in fiscal 2023 we redefined and visualized the employee specializations required Companywide into 40 fields and 535 categories. We also categorized and visualized the specialization of approximately 15,000 office workers into five levels. Going forward, we will use the data from these recategorizations to strengthen the specialization of each employee.

Other initiatives include measures to improve the digital transformation literacy of all employees. Having categorized and visualized the digital tool utilization of all office workers into four levels, we will create opportunities for acquiring skills and putting them into practice with the goal of raising the percentage of personnel capable of advanced utilization of the latest digital tools to 50% by fiscal 2025. Regarding the approximately 22,000 employees engaged in frontline production operations, in fiscal 2022 we began providing one digital terminal to each employee, and we plan to complete distribution of digital terminals to all such employees by March 2024. Regardless of whether they work in offices or plants, all employees will use digital technologies to revolutionize the way they work.

3. Diverse Professionals Whose Individuality, Values, and Experience Invigorate the Company

We are advancing global initiatives to realize a working environment and organizational culture that empower diverse professionals regardless of their gender, gender identity, sexual orientation, age, race, nationality, religion, and disabilities as well as unseen differences such as experience and values.

As part of efforts to empower female employees, we have established KPIs for: recruitment, balance between work and life events, and promotion. We have set targets for the number of female employees in career-track administrative and technical positions as well as the number of production-related female managers. Also, DENSO conducts diversity training for the supervisors of female employees and organizes roundtable discussions with female employees who serve as role models for other women. In Japan, North America, Europe, and India, we hold lectures, panel discussions, and other events on International Women’s Day. Moreover, we foster a sense of solidarity by encouraging personnel from respective countries and regions to participate in each other’s events.

In recognition of such efforts as our introduction of a partnership system and holding of events to promote understanding during Pride Month, we have received the highest rating of Gold in the PRIDE Index, which evaluates LGBTQ+ initiatives for sexual minorities.

Engagement-related association chart based on responses to a survey targeting all of DENSO CORPORATION’s approximately 45,000 employees

