

## Social and Relationship Capital

### Outline of Efforts to Strengthen Social and Relationship Capital

DENSO advances its business activities while interacting with various stakeholders. Particularly in an era with an uncertain outlook, flexibly responding to social changes and needs on our own is extremely challenging. On the other hand, we believe that building good relationships with stakeholders and expanding our circle of associates will create new business opportunities and improve our competitiveness, thereby driving business growth and enhancing corporate value.

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 2023 results)

Number of suppliers  
**Approx. 7,360**

Number of dialogues with institutional investors  
(total number of companies)  
**Approx. 1,500 per year**

### Initiatives to Enhance Corporate Value by Strengthening Relationships with Our Main Stakeholders



#### Employees

Relationship between Social Capital, Corporate Value, and Each Other Type of Capital	Initiatives to Strengthen Relationships	Gained Value (Outcome)
<p>As the collective wisdom and strengths of DENSO's employees worldwide create new value, enhancing employee engagement is essential for the Company to realize growth.</p> <p>Mindful of this, we will develop a corporate culture that encourages all employees to work with enthusiasm and realize their talents. As part of these efforts, the Company will reform workstyles and human resource systems and create employee-friendly work environments.</p> <p><b>Related Capital</b> Human capital, manufacturing capital, and intellectual capital</p>	<p><b>Expectations of and Points of Concern for DENSO</b> 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><b>Initiatives to Enhance Relationships</b> Employee engagement surveys, in-house publications and information dissemination via intranet, consultation centers (hotlines, general consultation office), social gatherings between labor and management, family days, etc.</p>	<ul style="list-style-type: none"> <li>Enhanced employee engagement</li> <li>Improved retention rate and decrease in turnover rate</li> <li>Increase in the number of improvements made by employees</li> <li>Decrease in work-related injuries and accidents, etc.</li> </ul>



#### 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 business opportunities by encouraging adoption of the Company's products and services, robust relationships with customers strengthen the foundations of DENSO's competitiveness. For example, transactions with customers lead to the accumulation of new technologies and expertise, personnel development, and the establishment of optimal supply capabilities.</p> <p>Through ongoing dialogue with customers, DENSO will deepen its understanding of what they need and expect from the Company, thereby enabling the creation of products and services that satisfy customers and truly earn their trust.</p> <p><b>Related Capital</b> Financial capital, human capital, manufacturing capital, and intellectual capital</p>	<p><b>Expectations of and Points of Concern for DENSO</b> High-quality, high-performance products and services, products that address social issues, a stable product supply, a service network with a high level of customer satisfaction, etc.</p> <p>↓</p> <p><b>Initiatives to Enhance Relationships</b> Dialogue with customers through sales divisions and sales companies, new product exhibitions, joint R&amp;D activities, establishment of new companies through joint investment, a customer consultation center, public relations activities through corporate website and media channels, etc.</p>	<ul style="list-style-type: none"> <li>Acquisition of product share on a global scale</li> <li>Increase in the number of customers adopting our products/services</li> <li>Establishment of a mobilized global supply structure</li> <li>Acquisition of IP rights and creation of know-how, etc.</li> </ul>



#### Business Partners

Suppliers, service stations, and M&A business alliance partners, etc.

Relationship between Social Capital, Corporate Value, and Each Other Type of Capital	Initiatives to Strengthen Relationships	Gained Value (Outcome)
<p>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.</p> <p>Accordingly, we will strengthen our partnerships, provide products and services that inspire and are chosen by society, and engage in corporate conduct that helps us gain the support of society. By doing so, we will grow together with our business partners.</p> <p><b>Related Capital</b> Financial capital, manufacturing capital, and intellectual capital</p>	<p><b>Expectations of and Points of Concern for DENSO</b> Business expansion, business alliances, cross-industry exchange, information on business trends (procurement policies, service policies, etc.), support for responding to sustainability needs (the environment, human rights, etc.), leadership in addressing industry issues, etc.</p> <p>↓</p> <p><b>Initiatives to Enhance Relationships</b> Day-to-day communication, Supplier Appreciation Meeting, sustainability self-assessments, participation in industry bodies, General Meeting of DENSO Service Stations, servicing skills competition, public relations activities through corporate website and media channels, etc.</p>	<ul style="list-style-type: none"> <li>High-quality, high-performance products</li> <li>Products that contribute to the environment and products that help reduce traffic accidents</li> <li>Establishment of a stable supply chain</li> <li>Establishment of an after-sales service network with a high level of customer satisfaction</li> <li>Realization of responsible procurement</li> <li>Reduction in Scope 3 CO<sub>2</sub> emissions, etc.</li> </ul>



#### 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)
<p>For business continuity, we must realize coexistence and co-prosperity with the regions where we have businesses and gain acceptance as a good corporate citizen in these regions. Also, confronting regional issues gives employees opportunities to develop an awareness of the need to address social issues, which is an important facet of business activities.</p> <p>We will therefore identify the needs of local communities through dialogue. By solving issues in partnership with local communities, we will contribute to their development.</p> <p><b>Related Capital</b> Human capital, natural capital</p>	<p><b>Expectations of and Points of Concern for DENSO</b> 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.</p> <p>↓</p> <p><b>Initiatives to Enhance Relationships</b> Conferences with local community members and governments, plant tours, <i>Monozukuri</i> schools, social contribution programs in collaboration with local NPOs, agreements with local governments for regional revitalization, public relations activities through corporate website and media channels, etc.</p>	<ul style="list-style-type: none"> <li>New business creation</li> <li>Acquisition of outstanding personnel</li> <li>Enhanced level of recognition for the Company</li> <li>Improved employee engagement</li> <li>Acquisition of opportunities for participation in regional revitalization businesses, etc.</li> </ul>



#### Shareholders and Investors

Relationship between Social Capital, Corporate Value, and Each Other Type of Capital	Initiatives to Strengthen Relationships	Gained Value (Outcome)
<p>Financial capital to invest in such areas as facility enhancement, R&amp;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.</p> <p>By enhancing the transparency of our management through timely and appropriate information disclosure and dialogue, we will aim to enhance our corporate value.</p> <p><b>Related Capital</b> Financial capital</p>	<p><b>Expectations of and Points of Concern for DENSO</b> 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.</p> <p>↓</p> <p><b>Initiatives to Enhance Relationships</b> General Meeting of Shareholders, Dialog Day, financial presentations, technology briefings, briefings for individual investors, integrated report, securities report, public relations activities through corporate website and media channels, etc.</p>	<ul style="list-style-type: none"> <li>Formation of appropriate share price</li> <li>Improvement in stable, long-term dividend level</li> <li>Extension of years over which shares are held (reduction of share price fluctuation risk)</li> <li>Improvement in investor evaluation (credit rating)</li> <li>Enhancement of management quality</li> </ul>

### Undertaking Initiatives toward Respecting Human Rights

Against 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. Further, conducting business activities with due consideration for human rights increases business opportunities, helps ensure stable supplies of products, and improves employee engagement.

Viewing respect for human rights as an important issue, DENSO has established it as a material issue of sustainability management and is advancing initiatives 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 rigorous compliance with these policies.

To advance human rights-related initiatives even further and comply with the Universal Declaration of Human Rights, the Guiding Principles on Business and Human Rights, and other international norms, we have formulated the DENSO Group Human Rights Policy as an individual policy on human rights.

#### Promotion Structure

We have established the Human Rights Promotion Team, which is headed by the chief human resources officer (CHRO), who is a member of the Board of Directors; managed by the human resources division; and comprises representatives from related divisions, including the corporate strategy, purchasing, and legal affairs and compliance divisions. The team formulates action plans, shares information on the initiatives of divisions, shares and discusses measures in response to the latest trends in human rights, and reports findings to the Management Deliberation Meeting and other meetings as appropriate.

In addition, the team exchanges information and engages in discussions with human rights experts, such as third-party organizations and external stakeholders, to gain a clear understanding of human rights and appropriately assess related international situations and legislative trends.

#### 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 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.

Overseas Group companies also conduct awareness-raising activities based on important issues in their respective regions. For example, in North America our bases establish internal policies prohibiting harassment and conduct education on mutual respect and sexual harassment prevention for all employees, from members of senior management to new hires.

### 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 promote human rights due diligence, which is aimed at implementing measures to prevent such risks and minimizing their impact should they occur.



Interview conducted by members of the Caux Round Table Japan

#### (1) Implementation of a Risk Assessment

With the cooperation of a third-party organization specializing in human rights, we have conducted a risk assessment to identify and evaluate potential human rights risks. As a result, four issues have been identified as potential human rights risks that are highly relevant to the DENSO Group. These include the rights of non-Japanese workers in Japan and complicity in forced labor in the supply chain.

#### (2) Implementation of an Impact Assessment: Non-Japanese Workers in Japan

Among the human rights risks identified by the risk assessment, human rights issues facing non-Japanese workers in Japan, particularly non-Japanese technical interns, are highly relevant, important human rights risks in the automotive supply chain.

DENSO has conducted written surveys of domestic Group companies and suppliers and confirmed the presence of approximately 2,500 non-Japanese technical interns. To identify potential human rights risks, the impact assessment included in-person interviews with non-Japanese workers, which were conducted by representatives of a third-party organization with expertise in human rights. As a result, the third-party organization reported that, although some improvements are needed, there are no major issues that could lead to human rights violations. We were also able to confirm that the surveyed companies are taking various measures to ensure that the human rights of non-Japanese technical interns are not negatively affected. DENSO will share the impact assessment with other domestic Group companies and suppliers as an example of good practice that should be referred to when employing non-Japanese technical interns.

#### 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.

For details on initiatives related to the DENSO Group Human Rights Policy and our respect for human rights, please visit the website below.  
<https://www.denso.com/global/en/about-us/sustainability/society/humanrights/>



### Supply Chain Management

As a global company operating in 35 countries and regions, DENSO aims to optimize the procurement of components, raw materials, and equipment. Our annual procurement accounts for approximately ¥2.7 trillion and utilizes approximately 7,360 suppliers, with approximately 80% of procurement reliant upon local suppliers.

In conformity with its basic policy of ensuring open and fair business practices and responsible procurement activities, the Group promotes sustainable business activities together with its suppliers around the world so that the entire Group and all of the companies in its supply chain fulfill their social responsibilities and continue to advance in unison.

#### Promotion of Sustainable Business Activities Based on the Supplier Sustainability Guidelines

DENSO asks all suppliers to endorse the DENSO Group Sustainability Policy and to conclude a basic business contract at the time of new transactions that requires fulfillment of such social responsibilities as compliance, human rights protection, environmental conservation, and workplace safety. We also request that suppliers clarify their sustainability policy or assign a sustainability manager.

In addition, we have established Supplier Sustainability Guidelines, which set forth the behavior expected of suppliers in more concrete terms. We share these guidelines with all suppliers and ask them to advance activities accordingly. Also, we ask our major suppliers to periodically conduct self-checks using a self-evaluation form. When necessary, DENSO managers visit suppliers, conduct inspections and dialogues, and then seek improvements.

In fiscal 2023, the results of self-evaluations were as shown in the table below.

Results	Percentage	Details and Activities
No concerns	95%	
Concerns	5%	<b>Main concerns</b> Policy not passed on to their own suppliers (DENSO's Tier 2 suppliers) <b>Actions</b> Sent letter requesting improvement with respect to concerns, held dialogues with major suppliers, and provided support for policy formulation as necessary

#### Initiatives for Responsible Procurement of Resources and Raw Materials

With the globalization of businesses, supply chains are becoming increasingly global and diversified. In certain regions of the world, however, workers' rights are not taken into consideration. In particular, mineral mines involve a great deal of dangerous work. At such mines, cash outflows to armed groups and such human rights issues as child and forced labor have been reported. For this reason, responsible procurement of mineral resources and raw materials is an important task in supply chains.

Of particular concern in this regard are conflict minerals from the Democratic Republic of the Congo and surrounding countries. With this in mind, we have formulated a policy on conflict minerals, which we share with our suppliers. Also, we conduct an annual survey on conflict minerals with the cooperation of suppliers. In fiscal 2023, we received responses from all of the approximately 5,000 suppliers surveyed, and no instances of conflict mineral use were found. As the popularization of electric vehicles transforms the market, we will periodically review the minerals subject to risk and consider methods of responding to emerging risks.

DENSO will continue working with suppliers to avoid the use of minerals of concern throughout its supply chain.

#### Green Procurement and the Promotion of Carbon Neutrality in the Supply Chain

Eco Vision 2025 sets out the DENSO Group's environmental management policy. In accordance with this policy, we have formulated the Green Procurement Guidelines, which stipulate the management and reduction of environmentally hazardous substances (substances of concern) and the establishment of environmental management systems, and we ask suppliers to conduct procurement and management in strict compliance with these guidelines.

Particularly with regard to climate change, DENSO must promote activities not only in-house but among suppliers and throughout its supply chain. We have shared with suppliers our goal of reducing CO<sub>2</sub> emissions from purchased products and services by 2.5% per year. To this end, we are advancing initiatives in partnership with suppliers.

To achieve the aforementioned reduction target, we are analyzing the CO<sub>2</sub> emissions and issues of suppliers and providing them with support measures tailored to their needs. Specifically, our multifaceted support includes applying our energy-saving expertise, reducing CO<sub>2</sub> emissions in logistics, switching to low-carbon materials, and sharing methods of renewable energy procurement. In these ways, we aim to achieve carbon neutrality throughout the supply chain.

In addition, we ensure that activities closely align with the situations and plans of suppliers by organizing carbon neutrality briefings and providing other opportunities for communication with suppliers as appropriate.

For details on the DENSO Group's procurement policies, please visit the website below.  
<https://www.denso.com/global/en/about-us/sustainability/society/procurement-policy/>



For details on the DENSO Group's initiatives focused on promoting sustainability throughout the supply chain, please visit the website below.  
<https://www.denso.com/global/en/about-us/sustainability/society/supply-chain/>

