


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 shares information and conducts dialogues regarding its business conditions with 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-2023-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.

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	2024	
Number of officers*	52	50	51	53	56	28	27	25	23	20	
Number of members of the Board	14	13	13	9	7	8	8	8	8	8	
Number of outside Board members	2	2	2	2	2	3	3	3	3	3 (37.5%)	
Number of female members of the Board						1	1	1	1	1 (12.5%)	
Number of Audit & Supervisory Board members	5	5	5	5	5	4	4	4	4	4	
Number of outside Audit & Supervisory Board members	3	3	3	3	3	2	2	2	2	2 (50.0%)	
Number of female Audit & Supervisory Board members						1	1	1	1	1 (25.0%)	
Basic Policies on Corporate Governance	Formulated										
Separation of management and execution	June 2014 <ul style="list-style-type: none"> Separated and clarified the roles between members of the Board, who are responsible for management (decision-making and supervision), and senior executive directors (newly established position) and executive directors, who are responsible for the execution of business operations Appointed outside Board members 					April 2019 <ul style="list-style-type: none"> Changed title of "senior executive director" to "senior executive officer" Changed title of "executive director" to "executive officer" 		January 2021 <ul style="list-style-type: none"> Integrated the positions of executive officer, executive fellow, and senior director into the role of senior director 			
	June 2016 <ul style="list-style-type: none"> Established the Officer Nomination and Compensation Advisory Council, comprising independent outside Board members, as an ad-hoc committee that corresponds to the Nomination Committee and the Compensation Committee 			January 2020 <ul style="list-style-type: none"> Appointed independent outside Board member as the chair of the Officer Nomination and Compensation Advisory Council 		March 2021 <ul style="list-style-type: none"> Changed the name of the Officer Nomination and Compensation Advisory Council to the Executive Nomination and Remuneration Council, adopting a new structure under which independent outside Board members make up the majority and an independent outside Board member serves as chair 					
	April 2017 <ul style="list-style-type: none"> Reduced the number of appointed members of the Board Changed the timing of appointment of officers from the date of the General Meeting of Shareholders in June to April, which is the beginning of the fiscal year 					January 2021 <ul style="list-style-type: none"> Changed the appointment timing of senior executive officers and senior directors to January in conjunction with the changes to our Companywide organization and position structure 					

* Officers: Members of the Board, Audit & Supervisory Board members, the executive vice president, and senior executive officers

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 an executive 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 swift decision-making and business operations.

Under this system, depending on the circumstances, members of the Board serve concurrently as executive 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 *Genchi 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. To this end, 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.

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. As much as 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.

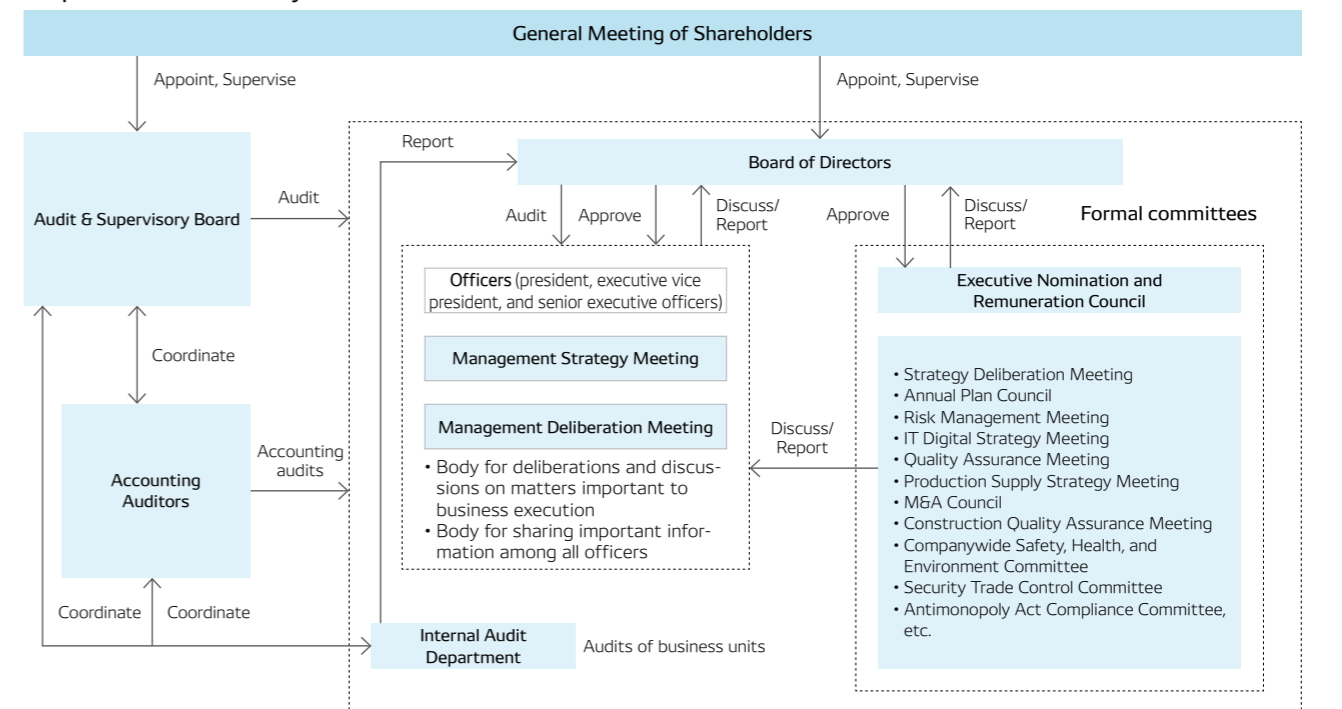
The Board of Directors meets once a month, in principle, and is composed of 12 members: eight members of the Board (including three outside Board members), two standing Audit & Supervisory Board members, and two outside Audit & Supervisory Board members. With respect to the independence of outside Board 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). These officers must fulfill the independence criteria stipulated by the financial instruments exchanges, and they are required to have a wealth of experience and specializations in such fields as corporate management, legal affairs, and accounting and to actively provide recommendations and opinions on management issues.

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. Further, before a Board meeting is convened, detailed prior briefings are provided and opinions and approval are received from any members of the Board who are unable to attend on the day of the Board meeting.

Results of Board Meetings Held in Fiscal 2023

Number of meetings	13
Attendance rate	Members of the Board: 92% Audit & Supervisory Board members: 100%

Corporate Governance System



Specific Topics Discussed at Meetings of the Board of Directors

The main topics discussed and the number of reports submitted for discussion at meetings of the Board of Directors convened in fiscal 2023 are shown in the table below. In fiscal 2023, the Board received and discussed numerous reports on priority topics, namely, strategies over the medium to long term as well as measures in response to the tight situation for semiconductor-related supply and demand.

Main Topics Discussed and Number of Reports Submitted for Discussion at Meetings of the Board of Directors in Fiscal 2023

Classification	Reports Submitted for Discussion
Management strategy	10
Financial results and financing	8
Governance, risk management, and internal control	7
Human resources	3
Strategies and plans	2
Individual matters	6

Management Oversight Function of the Audit & Supervisory Board

Pursuant with internal regulations, the Internal Audit Department conducts internal audits on the legality, appropriateness, and efficiency of the Company's operations. Based on the issues identified by these audits, each department of the Company establishes and subsequently enhances operational control and management systems.

As well as attending meetings of the Board of Directors and other important meetings, Audit & Supervisory Board members convene meetings of the Audit & Supervisory Board once a month, in principle. The Audit & Supervisory Board comprises four Audit & Supervisory Board members, two of whom are outside Audit & Supervisory Board members. In addition, one alternate outside Audit & Supervisory Board member is appointed to provide against eventualities whereby attendance of the legally required number of Audit & Supervisory Board members is not possible.

At meetings of the Audit & Supervisory Board, resolutions on legally required matters are approved and exchanges of opinions are held with members of the Board, members of the senior management team, members of the Internal Audit Department, and Accounting Auditors regarding the Company's sustained growth and the medium- to long-term enhancement of corporate value. Also, the Audit & Supervisory Board fulfills its management oversight function through audits of the execution of duties by members of the Board and of the operations and financial position of the Group as a whole.

Overview of Deliberating Bodies on Business Execution

	Deliberating Bodies	
	Management Strategy Meeting	Management Deliberation Meeting
Chairperson	President	President
Composition	President, executive vice president, the heads of each business group and functional department, general managers, and standing Audit & Supervisory Board members	President, executive vice president, the heads of each business group and functional department, general managers, and standing 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 2023	46	43

Results of Audit & Supervisory Board Meetings Held in Fiscal 2023

Number of meetings	14
Attendance rate	100%

Specific Topics Discussed at Meetings of the Audit & Supervisory Board

In fiscal 2023, Audit & Supervisory Board meetings included numerous discussions and reports on priority topics, namely, the appropriateness of the Company's management direction and stance and enhancement of organizational governance.

Main Topics Discussed and Number of Reports Submitted for Discussion at Meetings of the Audit & Supervisory Board in Fiscal 2023

Classification	Reports Submitted for Discussion
Accounting audit	10
Corporate management	10
Execution of duties by senior executive officers	10
Auditing policy and plan	5
Individual matters	9

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, we conduct on-site visits to deepen outside officers' understanding of operations. In conjunction with these efforts, we enhance discussions on medium- to long-term strategies by including outside officers in the Executive Workshop.

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. We also hold meetings 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



Visit to a manufacturing site by outside Board members

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, which 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.

Analysis and Evaluation of the Effectiveness of the Board of Directors as a Whole

DENSO has all members of the Board participate in a survey aimed at evaluating the operation of the Board of Directors, the agenda items discussed, the process for approving resolutions, and support for outside officers. With a view to obtaining the frank opinions of members of the Board regarding issues and areas requiring improvement, interviews with inside officers are held, and outside officers discuss these matters at the Independent Officer Meeting.

Issues and areas identified as requiring improvement are reported to the Board of Directors and incorporated into a plan-do-check-act (PDCA) cycle for planning and implementing improvement activities. This process helps enhance the effectiveness of the Board of Directors.

Review of Initiatives in Fiscal 2023

Thanks to the initiatives shown in the table below, the results of the survey, interviews, and discussions confirmed that in fiscal 2023 the Board of Directors was even more effective than in the previous fiscal year, improving in terms of eliminating the information gap between inside and outside officers and deepening discussions on strategies.

Fiscal 2022 Issues	Results of Fiscal 2023 Initiatives
Support for outside officers • Eliminate information gap with inside officers	• Disclosed information about important matters in a timely manner • Supported efforts to fully understand businesses by organizing visits to domestic Group companies
Oversight by the Board of Directors • Enhance ideas for improving corporate value • Deepen strategic discussions	• Put strategic discussions on agenda for Board of Directors' meetings • Established opportunities for discussions outside of Board meetings (Executive Workshop)
Dialogue with stakeholders • Increase discussion and reporting from the perspective of stakeholders	• Reported on the status of dialogue with stakeholders

Issues and Improvement Measures for Fiscal 2024

DENSO aims to improve the effectiveness of the Board of Directors by implementing improvement measures for the following issues in fiscal 2024.

Fiscal 2023 Issues	Fiscal 2024 Measures for Improvement
Discussion of strategies • Enhance discussion of strategies by individually deliberating on investments	• Submit strategy-related agenda items in a planned manner to the Board for discussion • Delegate authority to consolidate the Board's agenda items and facilitate transition to discussion of strategies • Utilize opportunities outside of Board meetings to deepen discussion of strategies
Support for outside officers • Increase opportunities for on-site visits	• Support efforts to fully understand businesses through more on-site visits related to discussion of strategies • Arrange opportunities for communication with employees and officers other than members of the Board
Operation of the Board of Directors • Have various personnel explain agenda items	• Deepen discussions by enhancing explanations of agenda items
Dialogue with stakeholders • Eliminate information gap between inside and outside officers	• Report comprehensively on dialogue with stakeholders

Schedule and Process for Analysis and Evaluation of the Effectiveness of the Board of Directors

Early March	Quantitative evaluation through a questionnaire survey of all members of the Board
Late March to April	Individual interviews (inside officers) and discussions at the Independent Officer Meeting (outside officers) based on the results of the survey
Early May	Reporting and discussion on the results of the Board effectiveness evaluation and improvement action plans at the Board meeting
Late May onward	Implementation of improvement activities to enhance effectiveness

Evaluation Items of the Survey for Evaluation of the Effectiveness of the Board of Directors

1. Composition and operation of the Board (composition of members, delegation of authority, and uninhibited and lively discussion)
2. Support for outside officers (prior briefing, provision of information, and exchange of opinions and interaction)
3. Oversight by the Board (management philosophy, medium- to long-term strategies, governance, important risks)
4. Dialogue with stakeholders (status of dialogue with stakeholders and discussion from the perspective of stakeholders)

Requirements for Members of the Board and Audit & Supervisory Board Members and Our Approach to Diversity

In appointing members of the Board and Audit & Supervisory Board members, the Company facilitates appropriate, timely decision-making by emphasizing diversity in terms of age, gender, and nationality and by seeking a balanced composition in terms of experience, ability, and specializations.

DENSO has set out 11 types of experience and specializations to ensure that the Company has the experience and specializations required to realize its Long-term Policy for 2030 and to underpin stable corporate management. The experience and specializations of the Board of Directors as a whole are disclosed in the form of a skill matrix.

Long-term Policy for 2030 Bringing hope for the future for our planet, society, and all people

Experience and Specializations Required to Realize DENSO's Long-term Policy for 2030

- Corporate management experience that enables anticipation of the future in uncertain and ambiguous times and the provision of recommendations on the course that the Company should pursue
- Environment/energy and software/digital experience and specializations that enable maximization of the value of "green" and "peace of mind" as well as social contributions, including initiatives focused on realizing carbon neutrality and eliminating traffic accident fatalities
- Marketing experience and specializations that enable correct understanding of market trends as well as social needs and expectations, which help in addressing not only mobility-related issues but a wide range of other social issues

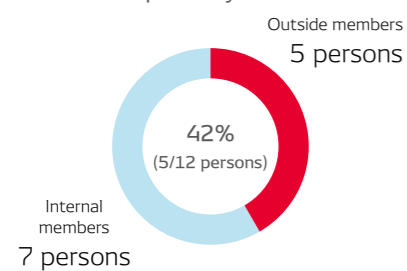
Experience and Specializations Required to Underpin Stable Corporate Management

- Governance, global, finance/accounting, human resources, technological development, production/quality, and sales/procurement experience and specializations that serve as foundations for DENSO's sustained growth, regardless of the era or environment

Skill Matrix [P.113](#)

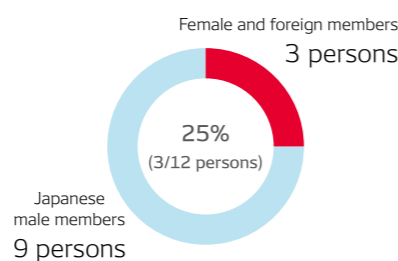
Diversity of the Board of Directors and the Audit & Supervisory Board

Ratio of Outside Members to the Board of Directors and the Audit & Supervisory Board

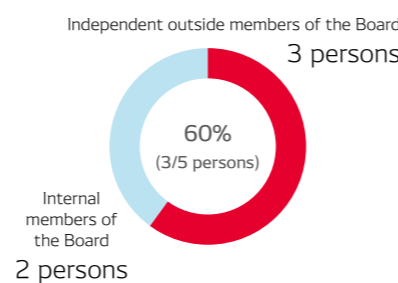


Note: Ratio of independent outside members to the Board of Directors: 38% (3/8 persons)

Diversity of the Board of Directors and the Audit & Supervisory Board



Composition of the Executive Nomination and Remuneration Council



Note: The Executive Nomination and Remuneration Council is chaired by an independent outside member of the Board

Procedures for the Appointment of Members of the Board and Audit & Supervisory Board Members

Procedures	1	• 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.
	2	• 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.

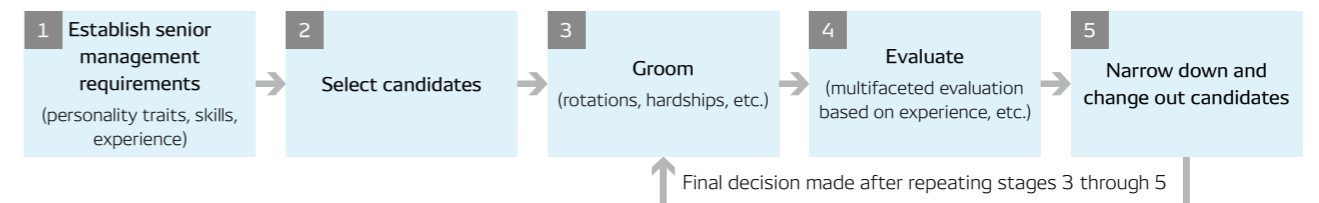
Senior Management Succession Plan

DENSO regards president & CEO succession planning as one of its most important management tasks. The Executive Nomination and Remuneration Council, of which a majority of the members and the chair are independent outside Board members, leads the search for the next president based on a highly objective and transparent process.

The Executive Nomination and Remuneration Council establishes requirements that reflect the type of senior management sought by DENSO. In searching for an optimal successor, the

council conducts ongoing discussions based on a diverse range of information concerning the candidates. Such information is obtained from parties inside and outside the Company and includes past achievements, employment histories, character evaluations, and assessments of 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.

Succession Planning Process



Senior Management Requirements

Personality traits	<ul style="list-style-type: none"> • Integrity, strong sense of ethics • Impartiality, highly trustworthy, and popular • Positive attitude toward taking on new challenges • Strong sense of responsibility, courage • Physical and mental toughness
Skills	<ul style="list-style-type: none"> • Decisiveness to forge ahead with reforms, sound judgment • Leadership that builds global networks and mobilizes the organization as a team • Ability to anticipate change and build strategies that form a vision for the Company

Composition of the Executive Nomination and Remuneration Council

Chair	Shigeki Kushida	Independent Outside Board Member
Members	Koji Arima	Chairman & CEO, Representative Member of the Board
	Shinnosuke Hayashi	President & COO, Representative Member of the Board
	Yuko Mitsuya	Independent Outside Board Member
	Joseph P. Schmelzeis, Jr.	Independent Outside Board Member

Activities of the Executive Nomination and Remuneration Council

In fiscal 2023, president & CEO succession planning was the most important topic, and discussions were held throughout the year on the evaluation of presidential candidates as well as the timing and method of replacement. To conduct in-depth discussions with each member of the council and reflect objective and multifaceted opinions in decision-making, seven one-on-one discussions with outside Board members were held. In addition, the council formally held three general discussions at significant junctures, with all members attending each meeting. The main topics discussed by the council are as follows.

First meeting:	Fiscal 2022 performance evaluation and remuneration of individual officers, revision of officer remuneration system, and June 2022 officer personnel changes
Second meeting:	January 2023 officer personnel changes and president & CEO succession planning
Third meeting:	President & CEO succession planning, officer personnel changes attendant on the June 2023 General Meeting of Shareholders, and structure of the Executive Nomination and Remuneration Council

Outside Board Members and Outside Audit & Supervisory Board Members

Classification	Name	Main Activities and Duties Performed in Relation to Expected Roles
Outside Board Members	Shigeki Kushida	Shigeki Kushida attended 13 out of 13 meetings of the Board of Directors convened in fiscal 2023. At these meetings, he made statements and conducted supervision regarding the Company's overall business management based on his experience at the Bank of Japan and extensive knowledge of the global monetary economy. As the chair of the Executive Nomination and Remuneration Council, Mr. Kushida wrapped up deliberations on the revision of the officer system and on succession planning.
	Yuko Mitsuya	Yuko Mitsuya attended 13 out of 13 meetings of the Board of Directors convened in fiscal 2023. At these meetings, she made statements and conducted supervision regarding the Company's overall business management based on her wealth of experience in diverse fields, which includes many years of experience in the management of companies and institutions and experience as a director or a committee member of various sports associations.
	Joseph P. Schmelzeis, Jr.	After his appointment on June 21, 2022, Joseph P. Schmelzeis, Jr. attended 10 out of 10 meetings of the Board of Directors convened in fiscal 2023. At these meetings, he supervised the overall business management of the Company, drawing on his extensive experience in business management and strategic consulting as well as knowledge of geopolitics based on his experience as a senior advisor to the U.S. ambassador in Japan.
Outside Audit & Supervisory Board Members	Yasuko Gotoh	Yasuko Gotoh attended 13 out of 13 meetings of the Board of Directors and 14 out of 14 meetings of the Audit & Supervisory Board convened in fiscal 2023. At these meetings, she made statements on the Company's overall business management based on her wealth of experience and deep insight in relation to government agencies and the private sector.
	Haruo Kitamura	Haruo Kitamura attended 13 out of 13 meetings of the Board of Directors and 14 out of 14 meetings of the Audit & Supervisory Board convened in fiscal 2023. At these meetings, he made statements on the Company's overall business management based on his professional view as a certified public accountant and as a management consultant.

Note: All five outside members are 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 the five outside officers who meet the qualifications for independent member of the Board and Audit & Supervisory Board member are independent officers.

Executive Compensation

Basic Policy

- Achieve medium- to long-term enhancement of corporate value and management from the perspective of shareholders
- Incentivize eligible members of the Board to enhance business performance by linking the Company's performance with individual performance

Composition of Remuneration

The compensation system for members of the Board (excluding non-executive members of the Board and outside Board members) at DENSO consists of basic compensation as fixed compensation, as well as bonuses and share-based compensation as performance-linked compensation. An overview of each compensation system and the ratio of compensation by position for basic compensation amounts are as detailed in the table below. However, note that these ratios may vary depending on fluctuation in performance-linked compensation amounts, which are based on the achievement of corporate earnings for the fiscal year. 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.

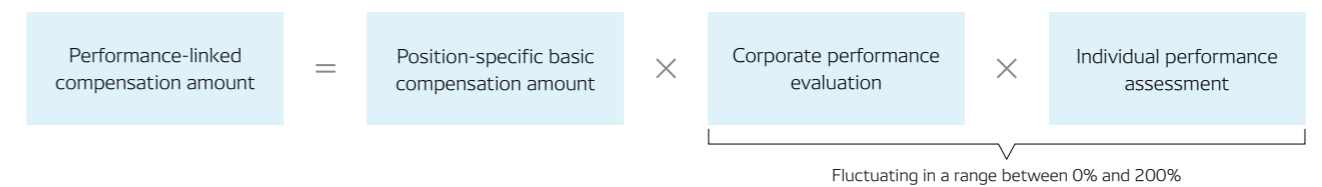
Type of Compensation	Overview	Ratio			
		Chairman, President	Executive Vice President	Members of the Board and Senior Executive Officers	
Fixed compensation	Basic compensation (fixed amount)	• Paid as monthly fixed compensation based on position	40%	45%	50%
Performance-linked compensation	Bonus (short-term incentive)	• Paid at a certain time each fiscal year after the conclusion of the General Meeting of Shareholders	30%	30%	30%
	Share-based compensation (medium- to long-term incentives)	• Payment amount calculated based on corporate earnings indicators (consolidated operating profit, ROIC, sustainability score) and individual performance evaluation results	30%	25%	20%

Compensation Levels

The level of compensation for members of the Board and Audit & Supervisory Board members is set at the median level for comparable companies while also referencing levels at major manufacturers of similar scale in similar sectors and business models as DENSO, based on board member compensation survey data compiled by external research institutions each year.

Method for Calculating Performance-Linked Compensation

To establish linkage with corporate performance and to incentivize members of the Board to enhance corporate performance and sustain growth, a performance-linked compensation amount is calculated by reflecting a corporate performance evaluation and an individual performance assessment—which is based on an evaluation of the business results and achievements of the individual and their medium- to long-term initiatives—in a position-specific basic compensation amount. Depending on corporate performance and individual performance, the performance-linked compensation amount fluctuates in a range that is between 0% and 200% of the basic compensation amount.



Corporate Performance Evaluation Indicators

Connected with corporate strategies that are aimed at enhancing DENSO's corporate value, corporate performance evaluation indicators comprise consolidated operating profit, ROIC, and sustainability score. The fiscal 2023 score weighting and evaluation method for each evaluation indicator are shown below. Further, targets for each fiscal year, the basis of these evaluations, are set each year based on medium- to long-term objectives.

Indicator	Score Weighting	Evaluation Method	Fiscal 2023 Results
Consolidated operating profit	70%	Evaluation based on degree of achievement of fiscal year targets	¥426.1 billion
ROIC	20%	Evaluation based on degree of achievement of fiscal year targets	6.1%
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 CO ₂ emissions, (4) information security, (5) employee engagement, (6) expansion of "green" and "peace of mind" products, (7) local personnel serving as heads of overseas bases, and (8) number of female managers	5 out of 8 issues addressed

Share-Based Compensation

Share-based compensation is paid in the form of restricted shares, and the restriction on transfer is removed when the officer retires, in principle. During the period of restriction on transfer, in the event of a violation of laws and regulations by the officer or for other reasons determined by the Company's Board of Directors, the Company shall acquire all allotted shares without providing compensation.

Method for Determining Compensation

DENSO has established the Executive Nomination and Remuneration Council, of which a majority of the members and the chair are independent outside Board members, 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 fiscal 2023, which is within the scope of compensation established by a resolution of the General Meeting of Shareholders. The Board has also passed a resolution to entrust decisions on individual compensation amounts to the Executive Nomination and Remuneration Council. This council determines individual compensation based on consideration of the officer compensation system, corporate performance, the responsibilities and achievements of the member of the Board, and conformance with the Board-approved policy on determining compensation.

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.

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	Share-based compensation	
Members of the Board (Outside Board members)	501 (49)	267 (49)	132 (—)	102 / 12,400 shares (—)	9 (4)
Audit & Supervisory Board members (Outside Audit & Supervisory Board members)	119 (26)	119 (26)	— (—)	— (—)	4 (2)
Total	620	386	132	102 / 12,400 shares	13

Notes: 1. The figures above include Member of the Board George Olcott, who retired as of the conclusion of the 99th Ordinary General Meeting of Shareholders held on June 21, 2022.
2. Performance-linked compensation is the amount based on a resolution adopted at the Board of Directors' meeting held on May 15, 2023.
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 15, 2023, by the closing price on the day before the adoption of this resolution.

Strategic Shareholdings

Basic Stance

DENSO actively reduces low-earning assets and has a basic policy of not owning strategic shareholdings unless ownership of them is deemed rational. Further, to maintain and improve corporate value over the long term, 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.

Verification of the Rationality and Appropriateness of Ownership

With the fiscal year-end as the date of record, the appropriateness of owning each issue is comprehensively analyzed in light of qualitative and quantitative criteria and is verified annually by the Board of Directors. If ownership is no longer deemed rational due to such factors as the ending of a joint development project, the Company proceeds with disposal after providing a full explanation to the investee company.

In fiscal 2023, given the results of verification conducted at a meeting of the Board of Directors convened in May 2022, the Company entirely disposed of three specified issues and partially disposed of four issues (disposal amount of ¥44.2 billion).

Criteria	Criteria Description
Qualitative criteria	Whether there is management significance in holding the issue, including in terms of promoting joint development and strengthening business collaboration
Quantitative criteria	Whether the return on holding the issue (dividends, increased share prices, relevant business profit, etc.) is greater than the Company's weighted average cost of capital

Standard for Exercising Voting Rights

DENSO believes that its investee companies should engage in management that emphasizes improving shareholder returns over the medium to long term, rather than pursuing shareholder returns only in the short term. Giving first and foremost priority to investee companies that contribute to our profits, we exercise voting rights in an effort to help investee companies realize sustained improvement in their corporate value.

We comprehensively consider the merits of each item under examination regarding the exercising of votes based on our established internal rules. 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	
	Balance sheet amounts	
	Stocks for which the number of shares increased during the fiscal year under review	Stocks for which the number of shares decreased during the fiscal year under review
Unlisted shares	81 stocks ¥54,886 million (year-on-year change: +¥17,482 million)	3 stocks ¥18,028 million
Shares other than unlisted shares	20 stocks ¥656,011 million (year-on-year change: -¥5,939 million)	7 stocks ¥44,235 million

Note: The increase in stocks for which the number of shares rose is due to the acquisition of shares necessary for business strategies toward realizing the Group's sustainable growth.

Relationship with Major Shareholders

As with other general transactions, the terms and conditions of individual transactions with major shareholders are determined through negotiations after the presentation of a suggested price that is based on due consideration of market value. If price revisions are significant, depending on the amount, deliberations are conducted and internal approval procedures are implemented in accordance with regulations on operational decisions.

Relationship with Toyota Motor Corporation

DENSO provides products and systems to Toyota Motor Corporation and many other types of manufacturers around the world. While analyzing the technological characteristics and local conditions in each region of the world and meeting exacting market requirements, the Company refines its leading-edge technologies and manufacturing capabilities and then utilizes them to realize enhanced products and systems for the next generation.

At the same time, the Company is strengthening collaboration with other Toyota Group companies to create synergies within the Toyota Group. By combining Toyota Motor's insights

with respect to mobility with Toyota Group companies' insights regarding products and systems, the Company will promote efficient and expedited R&D and manufacturing. The Company is advancing collaboration in a wide range of fields. Specific examples include the 2019 establishment of BluE Nexus Corporation as a joint venture with AISIN CORPORATION to develop and market drive modules for vehicle electrification and the Company's 2020 assumption of Toyota Motor's electronic components business and Hirose Plant.

In addition, one of the Company's members of the Board, Akio Toyoda, is a prominent leader in the automotive industry and a driving force behind the creation of a next-generation mobility society, serving as chairman of the Board of Directors (representative director) of Toyota Motor Corporation, one of our principal shareholders, and as chairman of the Japan Automobile Manufacturers Association, Inc. In 2019, he was appointed as a member of the Board so that he could provide the Company with a wide range of advice and recommendations on its business management as well as supervise overall business management from a broad perspective that encompasses the entire automotive industry.

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/-/media/global/about-us/sustainability/governance/management/management-doc-internal-control-policy-2023-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 2023, the hotline received 107 reports and consultations 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 (Group companies)	Fiscal 2021	Fiscal 2022	Fiscal 2023
	74 (24)	103 (44)	107 (46)