

## **DENSO Basic Policies for Internal Control**

### **(1) Systems to Ensure Compliance of the Execution of Duties by Board Members with Laws, Regulations, and the Articles of Incorporation**

- 1) Board members shall thoroughly disseminate the universal values, ethics, and convictions set forth in the DENSO Philosophy and the DENSO Spirit through their behavior and corporate documents.
- 2) Effective mutual supervision by and among Board members shall be pursued for decision-making by cross-sectional collegial bodies such as various meetings and committees in addition to the executive collegial bodies consisting of the Board of Directors, the Management Deliberation Meeting, and the Management Strategy Meeting.
- 3) Board members shall endeavor to ensure appropriate financial reporting and appropriately disclose information at the right time.

### **(2) Systems to Keep and Manage Information Pertaining to the Execution of Duties by Board Members**

The Company shall appropriately keep and manage important information in accordance with in-house rules. The minutes of the Board of Directors' meetings shall be kept indefinitely.

### **(3) Rules and Other Systems Regarding Loss Risk Management**

- 1) The risks involved in our businesses and investments shall be managed Companywide by the executive collegial bodies such as the Board of Directors and the Management Deliberation Meeting in accordance with in-house rules. At the same time, the business group heads and the functional center heads shall manage divisional risks in their respective fields.
- 2) As for other risk management, the Risk Management Meeting shall generally streamline and manage relevant Companywide systems, whereas each competent department shall manage its relevant risk factors.

### **(4) Systems to Ensure the Efficient Execution of Board Members' Duties**

- 1) The Company shall pursue downsized, efficient management by leveraging the senior executive officer system with fewer Board members.
- 2) The organizational systems, organizational management, and authority of the respective organizations shall be determined in accordance with in-house rules for more systematic and efficient operation of business activities.
- 3) Under the medium- and long-term management guidelines and annual Group guidelines, the Company shall prepare plans for each fiscal year to form a unified Companywide intention to achieve its goals. The progress of the goals and plans, as well as operations in the respective departments, shall be managed and periodically reported in accordance with in-house rules.

**(5) Systems to Ensure Compliance of the Execution of Duties by Employees with Laws, Regulations, and the Articles of Incorporation**

- 1) The Management Deliberation Meeting shall establish and revise the Code of Conduct, conduct necessary enlightenment activities, and prepare proposals for the relevant organizations.
- 2) The Code of Conduct shall be fully disseminated among all employees via hierarchical compliance education.
- 3) The “Corporate Ethics Hotline” allows any employee who has an ethical or compliance-related concern to directly communicate such concern to the competent internal department or an outside lawyer.
- 4) The Audit Department shall internally audit the legality, appropriateness and efficiency of operations in accordance with the in-house rules and each department concerned, based on the results, shall improve and enhance its operation control and management system.

**(6) Systems to Ensure the Propriety of Business Operations Conducted by the Corporate Group Consisting of the Company and Its Subsidiaries**

- 1) Decision-making at the respective Group companies shall be conducted on a “reserved authority” basis pursuant to the respective in-house rules, according to a policy of maximally respecting the autonomy of each Group company.
- 2) Group-wide policies and plans shall be prepared on a consolidated basis under the medium and long-term management guidelines and annual Group guidelines to unify the Group’s intention to achieve its goals. The progress of the goals and plans shall be managed and periodically reported in accordance with in-house rules.
- 3) As for risk management and compliance within Group companies, the Company shall propose guidelines to the respective Group companies to promote the establishment and operation of Group-wide systems. The DENSO Group Employee Code of Conduct shall be shared by and disseminated to all Group companies.
- 4) CSR shall be positioned as a Group-wide important management priority, and the CSR Promotion Meeting shall have the functions of orientation and follow-up on relevant activities pertaining to the specialized functions of Group companies.
- 5) The Domestic DENSO Group Corporate Ethics Hotline shall be operated as an internal informant protection system for Group companies in Japan.
- 6) Each department shall provide advice and support to ensure the appropriateness of operations at Group companies through the exchange of information with Group companies.
- 7) Each department shall monitor and verify the appropriateness of operations at Group companies.

**(7) Employees in Cases Where an Audit & Supervisory Board Member Requests That the Company Place Several Employees as Assistants to Support His/Her Duties and the Independence of the Employees Concerned from Board Members in Such Cases**

- 1) The Audit & Supervisory Board Office, which was established as a dedicated organ, shall support

the Audit & Supervisory Board members in conducting their duties.

- 2) Personnel changes and organizational restructuring of the Audit & Supervisory Board Office shall require the prior consent of the Audit & Supervisory Board or of a standing Audit & Supervisory Board member appointed by the Audit & Supervisory Board.
- 3) The board members shall cooperate with the Audit & Supervisory Board Office so that the Office can collect the information necessary for the audits conducted by the Audit & Supervisory Board members, internally and from any of the Group companies according to the instructions given by the Audit & Supervisory Board members.

**(8) Systems to Help Board Members and Employees Report to the Audit & Supervisory Board Members and Other Systems Relating to Reporting to the Audit & Supervisory Board Members**

- 1) The board members, as well as board members and audit & supervisory board members of Group companies, shall appropriately report on the execution of major business operations, as required, to the audit & supervisory board members through the division/department that they oversee. Furthermore, if they find any facts that could result in detrimental damage to the Company, they shall immediately report such facts to the audit & supervisory board members.
- 2) The board members, senior executive officers, senior directors, and employees of the Company and Group companies shall periodically or occasionally report on their operations to the audit & supervisory board members if so requested by any audit & supervisory board member or the Audit & Supervisory Board Office.

**(9) Other Systems to Ensure Effective Audits by the Audit & Supervisory Board Members**

- 1) To raise the effectiveness of the audits conducted by the Audit & Supervisory Board members, the Board members shall cooperate with them in their auditing activities including attendance at meetings of the Board of Directors and other important meetings such as those of various committees, the examination of important documents such as kessaisho (documents for approval) on operations, on-the-spot audits in the respective departments at Group companies, and meetings with the Accounting Auditors.
- 2) The board members shall ensure that the expenses that would be necessary for the Audit & Supervisory Board members to execute their duties are provided and the direct recruiting of necessary external human resources by the Audit & Supervisory Board members is conducted.
- 3) The Audit & Supervisory Board members shall have regular or occasional meetings or exchange information as required with the Internal Audit Department, the Accounting Auditors, and internal control-related departments.
- 4) The board members of the Company and Group companies shall ensure that anyone who has reported to an audit & supervisory board member does not suffer from detrimental treatment for the reason of the report.