Corporate Governance

Basic Stance

The automotive industry is approaching a paradigm shift, which is said to occur once every 100 years. DENSO believes that establishing a corporate governance system is the key to overcoming this time of transition and maintaining and improving long-term corporate performance in a quickly changing marketplace. Based on its Basic Policies on Corporate Governance, which were formulated in June 2015, DENSO will implement highly sound, efficient, and transparent management going forward.

Efforts to Improve Corporate Governance

With the aim of further accelerating its management in fiscal 2020, DENSO changed the composition of its management team to now include the chairman, the president & CEO, executive vice presidents, members of the Board, senior executive directors, and Audit & Supervisory Board members. We also changed the title of "senior executive director" to "senior executive officer." In these ways, we are enhancing the content of our strategic discussions on a Companywide basis. Accordingly, in addition to our existing Management Deliberation Meeting, we newly established the Management Strategy Meeting as a venue for holding discussions on Companywide strategies. Furthermore, we renamed the title of "executive director" to "executive officer," allowing our management team to be involved in business execution from an even closer position to our front-line operations. By doing so, we will increase the speed of our management's decision-making.

Also, with a view to enhancing the effectiveness of the Board of Directors, we position our approach to diversity as an urgent task. We have therefore appointed new management team members with a greater awareness of diversity in regard to gender and nationality.

Change in Corporate Governance Structure

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of officers</td>
<td>52</td>
<td>50</td>
<td>51</td>
<td>53</td>
<td>56</td>
<td>28</td>
</tr>
<tr>
<td>Number of members of the Board</td>
<td>14</td>
<td>13</td>
<td>13</td>
<td>9</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Number of outside directors</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Number of female directors</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Number of Audit &amp; Supervisory Board members</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Number of outside Audit &amp; Supervisory Board members</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Number of female Audit &amp; Supervisory Board members</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

Separation of management and execution

- Established the Officer Nomination and Compensation Advisory Council, comprising independent outside directors, as an ad-hoc committee that corresponds to the Nomination Committee and the Compensation Committee.
- 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.

Improvement of effectiveness

- Held annual interviews with those attending meetings of the Board of Directors to examine issues and measures for improvement. (The results for interviews held in fiscal 2016 were announced in fiscal 2017.)

Basic Policies on Corporate Governance

- June 2015: Formulated
- June 2014: 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.
- April 2019: Changed title of "senior executive director" to "senior executive officer." Changed title of "executive director" to "executive officer.

Please see the "Corporate Governance" section of DENSO’s corporate website for more information.

Basic Policies on Corporate Governance
Corporate Governance System

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. Accordingly, we believe that the current system to supervise and audit the execution of business duties by the Board of Directors, including outside directors, as well as Audit & Supervisory Board members including outside Audit & Supervisory Board members, is most suitable.

Overview of System
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 corporate officer system that separates and clarifies the roles between members of the Board, who are responsible for management (decision-making and supervision), and executive vice presidents 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 presidents and senior executive officers 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.

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 management policies and strategies.

The Board of Directors meets once a month, in principle, and is composed of 12 members: eight directors (including three outside directors), two inside Audit & Supervisory Board members, and two outside Audit & Supervisory Board members.

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 directors. Throughout the process of making important management judgments and decisions, the outside directors provide valuable advice from a perspective independent of business execution based on their expert insight and wide-ranging experience.

In fiscal 2019, the Board of Directors held 15 meetings, for which the director attendance rate was 96% and the Audit & Supervisory Board member attendance rate was 97%.

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. The Company has also established the Management Meeting as a body for facilitating communication. These three bodies, together with the Board of Directors, are positioned as executive committees and are all chaired by the Company’s president.

(1) Management Strategy Meeting and Management Deliberation Meeting
The Management Deliberation Meeting holds discussions on important matters pertaining to management overall (Companywide business plans, investment projects, important transaction projects, other important management-related matters), starting with the agenda items at meetings of the Board of Directors. In addition, the Management Strategy Meeting holds strategic discussions particularly from a medium- to long-term perspective.

Meetings of both bodies are attended by not only the president and executive vice presidents but also by the heads of each business group and functional department and the inside Audit & Supervisory Board members. In this way, the meetings provide a structure for engaging in multi-faceted discussions.

Both meetings, in principle, meet every Monday. In fiscal 2019, the meetings met a total of 31 times.

(2) Management Meeting
The Management Meeting shares information related to business execution with officers throughout the Company, including matters for resolution by the Board of Directors and matters for deliberation by the Management Deliberation Meeting. The Management Meeting strives to communicate and report information on projects that require swift action.

In principle, the Management Meeting meets once a month, and the meetings also involve the active participation of officers stationed overseas.

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 directors’ execution of their business duties through the exchange of information with the Internal Audit Department and internal control-related departments, as well as the Accounting Auditors, thereby fulfilling their management oversight function.
Corporate Governance

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

Policy
Nominate directors and Audit & Supervisory Board members from the viewpoint of striking a balance between diversity, experience, skills, and expertise so as to promote accurate and swift decision-making.

Procedures
1. The president and the director in charge of human resources 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 president and relevant directors then submit their selections to the Officer Nomination and Compensation Advisory Council, which consists of independent outside directors, to list the candidates for selection for the current fiscal year.

2. Directors 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.

• The Officer Nomination and Compensation Advisory Council is chaired by the president and comprises the director in charge of human resources and outside directors.

Approach to Director Balance, Diversity, and Size

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 directors. 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.

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

Once a year, DENSO holds individual interviews with all members who attend the meetings of the Board of Directors. These interviews are aimed at obtaining the frank opinions of attendees on the issues and areas for improvement regarding the operation of the Board of Directors, the agenda items discussed, and the process for making resolutions.

The issues and areas for improvement identified through these interviews are reported to the Board of Directors and shared among all members who attend Board meetings. By doing so, these interviews help enhance the effectiveness of the Board of Directors.

Fiscal 2019 Evaluation of the Effectiveness of the Board of Directors (held in March 2019)

Results of Interviews
Due to the Company's continual improvements to the Board of Directors, the Board's operation was evaluated highly in such aspects as the number of meetings held, the length of meetings, and the prior distribution of relevant materials.

Also, as the outside Audit & Supervisory Board members are provided explanations beforehand, the number of issues discussed at Board meetings has increased and the discussions held at these meetings have become broader centered on the independent officers.

Issues
The Company received opinions stating the need for timely discussion regarding issues brought to light by the current state of global affairs and society as a whole. The Company also received opinions stating the need for more strategic discussions on such topics as the future social environment and the overall vision of the Company and the areas in which it operates.

Also, in regard to materials, the Company identified that materials related to risk analyses tend to be insufficient. The Company also identified such issues as necessary for discussion including its overall business strategy when determining individual agenda items as well as the overall excess of content in its distributed materials.

Measures for Improvement
Based on the interview results, the Board of Directors will implement the following improvement measures after giving them sufficient consideration:

• Create a framework for open discussion at Board meetings, under which issues will be actively discussed.

• Establish the Management Strategy Meeting in order to strengthen strategic discussion.

• Establish a format for distributed materials and make their content simpler and easier to understand.

Outside Directors and Outside Audit & Supervisory Board Members

The Company has appointed three outside directors. To ensure that it can make better management decisions to improve performance and raise corporate value, the Company appoints people who have extensive knowledge about company management to be outside directors, who provide decision-making and oversight based on their knowledge. In addition, the Company has appointed two outside Audit & Supervisory Board members. In order to ensure the effectiveness of audits, we appoint people with an abundance of administrative and corporate management experience and who are experts in the fields of law, finance, and accounting to be outside Audit & Supervisory Board members. These outside Audit & Supervisory Board members audit the execution of business duties from a standpoint that is professional, neutral, and fair.

Outside Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>George Olcott*</td>
<td>George Olcott has managerial experience in foreign-capital companies, including his</td>
</tr>
<tr>
<td></td>
<td>tenure as the head of a U.K.-based investment advisory company's Tokyo branch office.</td>
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<tr>
<td></td>
<td>He is also a specialist in human resource development and corporate governance within</td>
</tr>
<tr>
<td></td>
<td>global business management. The Company has appointed him as an outside director in</td>
</tr>
<tr>
<td></td>
<td>the expectation that he will leverage his wealth of experience and considerable</td>
</tr>
<tr>
<td></td>
<td>knowledge in academia and corporate management in the Company's management.</td>
</tr>
<tr>
<td>Shigeki Kushida*</td>
<td>Shigeki Kushida is the president and representative director of Japan Securities</td>
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<tr>
<td></td>
<td>Finance Co., Ltd. He has the experience at the Bank of Japan—Japan's central bank—of</td>
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<td></td>
<td>promoting activities that have led to the development and stability of the Japanese</td>
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<tr>
<td></td>
<td>economy, filling the positions of Director-General and Executive Director. The Company</td>
</tr>
<tr>
<td></td>
<td>has appointed him as an outside director in the expectation that he will provide</td>
</tr>
<tr>
<td></td>
<td>guidance and opinions on the Company's decision-making based on his extensive</td>
</tr>
<tr>
<td></td>
<td>expertise in the global monetary economy.</td>
</tr>
<tr>
<td>Yoko Mitsuya*</td>
<td>Yoko Mitsuya is the representative director of SDIA Corporation and the president of</td>
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<tr>
<td></td>
<td>the Japan Basketball Association. She has an abundance of experience and knowledge in</td>
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<td></td>
<td>many fields, having been involved in the management of several corporations and</td>
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<td></td>
<td>associations in serving as an officer and committee member at several sports</td>
</tr>
<tr>
<td></td>
<td>associations. The Company has appointed her as an outside director in the</td>
</tr>
<tr>
<td></td>
<td>expectation that she will provide guidance and opinions on the</td>
</tr>
<tr>
<td></td>
<td>Company's decision-making based on her wealth of experience in corporate management.</td>
</tr>
</tbody>
</table>

Outside Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Reason for Appointment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yasuko Goto*</td>
<td>Yasuko Goto serves as a director and audit and supervisory committee member at Kyoto</td>
</tr>
<tr>
<td></td>
<td>Railway Company. She has a broad range of experience as an administrator for the</td>
</tr>
<tr>
<td></td>
<td>Ministry of Land, Infrastructure, Transport and Tourism as well as the vice-governor</td>
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<td></td>
<td>of Yamagata Prefecture, the head of the JPTO New York Office, and the managing director</td>
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<tr>
<td></td>
<td>of Kyushu Railway Company. She also has abundant insight on finance, accounting, and</td>
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<td></td>
<td>compliance with laws as she currently serves in such roles as director and audit and</td>
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<tr>
<td></td>
<td>supervisory committee member at Kyushu Railway Company and external audit and</td>
</tr>
<tr>
<td></td>
<td>supervisory committee member at Shiseido Company Limited. The Company has appointed</td>
</tr>
<tr>
<td></td>
<td>her as an outside Audit &amp; Supervisory Board member in the expectation that she will</td>
</tr>
<tr>
<td></td>
<td>leverage her extensive experience and insight in the Company's auditing activities.</td>
</tr>
<tr>
<td>Haruo Kitamura*</td>
<td>Haruo Kitamura serves as chief of Kitamura Certified Public Accountant Office. He has</td>
</tr>
<tr>
<td></td>
<td>vast experience in corporate management, at many corporations in addition to his</td>
</tr>
<tr>
<td></td>
<td>extensive career and considerable knowledge as a certified public accountant. The</td>
</tr>
<tr>
<td></td>
<td>Company has appointed him as an outside Audit &amp; Supervisory Board member in the</td>
</tr>
<tr>
<td></td>
<td>expectation that he will leverage his deep insight related to accounting and his years</td>
</tr>
<tr>
<td></td>
<td>of experience in corporate management in the Company's auditing activities.</td>
</tr>
</tbody>
</table>

* Independent officers

Criteria for Judging the Independence of Outside Directors and Outside Audit & Supervisory Board Members

With respect to the independence of outside directors 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 director and Audit & Supervisory Board member are independent officers.
### Executive Compensation

**Policies**
- Compensation for Company directors comprises fixed monthly compensation and a variable bonus based on Company performance. Compensation for outside directors and Audit & Supervisory Board members comprises solely fixed monthly compensation in order to ensure independence from management.
- The level of compensation is deemed appropriate for the Company based on economic and social conditions and trends at other companies.
- In particular, bonuses are determined based on operating profit after taking into account dividends, employee bonuses, trends at other companies, medium- to long-term performance, and records of past payments.
- The Company does not have a system in place for retirement benefits and stock options.

**Compensation of Directors and Audit & Supervisory Board Members**

<table>
<thead>
<tr>
<th>Position</th>
<th>Total Compensation ($ million)</th>
<th>Total Compensation by Type ($ million)</th>
<th>Directors/Audit &amp; Supervisory Board Members</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monthly Compensation</td>
<td>Bonuses</td>
<td>Bonuses to each director are decided by a resolution of the Board of Directors after consulting with the Officer Nomination and Compensation Advisory Council, and is an amount within a range established by a resolution of the General Meeting of Shareholders (total amount for directors: ¥80 million/month).</td>
</tr>
<tr>
<td>Directors (excluding outside directors)</td>
<td>460</td>
<td>284</td>
<td>176</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board members (excluding outside Audit &amp; Supervisory Board members)</td>
<td>96</td>
<td>96</td>
<td>—</td>
</tr>
<tr>
<td>Outside directors</td>
<td>73</td>
<td>73</td>
<td>—</td>
</tr>
</tbody>
</table>

**Notes:**
1. The above amounts include those for Nobuaki Kato, Yoshikazu Makino, and Koji Kobayashi, who retired from their positions as directors, as well as Masato Iwase, who resigned from the post of Audit & Supervisory Board member, at the conclusion of the 85th Ordinary General Meeting of Shareholders held on June 20, 2018.
2. The upper limit on base compensation is ¥50 million per year.
3. Compensation for the Audit & Supervisory Board comprises ¥960 million per year (as determined by resolution at the 84th Ordinary General Meeting of Shareholders held on June 26, 2007).
4. In regards to ¥15 million in bonuses paid to directors, the payment of bonuses was established by resolution of the 85th Ordinary General Meeting of Shareholders held on June 20, 2019, and the resolution applied to five directors.

### Strategic Shareholdings

**Basic Stance**
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 Investments**

<table>
<thead>
<tr>
<th>Number of stocks</th>
<th>Balance sheet amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares Held for Purposes Other Than Pure Investments</td>
<td></td>
</tr>
<tr>
<td>Stocks for which the number of shares increased during the fiscal year under review</td>
<td>¥2,970 million</td>
</tr>
<tr>
<td>Stocks for which the number of shares decreased during the fiscal year under review</td>
<td>¥3,982 million</td>
</tr>
</tbody>
</table>

**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.

### 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.

**Internal Reporting System**
DENSO has set up internal reporting systems at its Japanese and overseas headquarters, as well as at 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. (Number of consultations and incidents reported: 89 in fiscal 2019)
Messages from the Outside Directors

Shigeki Kushida
Outside Director

Leveraging My Financial and Economic Expertise to Respond with a Sense of Speed

For many years, I worked at the Bank of Japan, where I analyzed economic trends and financial systems and examined the necessary policies and initiatives for realizing financial and economic stability. From that experience, I learned the importance of ascertaining financial and economic trends from both micro and macro perspectives, which act as the backdrop of such trends, as well as the importance of formulating the necessary policies to address such trends and implementing those policies in specific business operations.

The automotive industry is approaching a paradigm shift. Accordingly, it is crucial to accurately understand the changes occurring in the business environment, which result from global and various other factors, and thoroughly examine and carry out the necessary response to these changes with a sense of speed. To that end, I believe that there are many ways I can leverage my experience to contribute to the Company.

Continuing to Serve as a Driving Force That Creates New Customer Experiences

DENSO is a world-leading automotive parts manufacturer that boasts advanced technological and production capabilities as its strengths. To respond to CASE and MaaS, DENSO is working to significantly enhance the technologies it is lacking through acquisitions to significantly enhance the technology. To respond to CASE and MaaS, DENSO is working to respond to the technologies it is lacking through acquisitions. It is imperative that DENSO evolve into a systems supplier that can propose value from the perspective of automobiles and the mobile society. It is impossible to accurately predict the timing of future changes that will lead to a mobile society or the process that these changes will follow. However, it is important that DENSO prepare itself for future changes to the greatest extent possible. At the same time, it is a crucial task for DENSO to continue to serve as a driving force that creates new customer experiences by leveraging the ability to play a major role within the process of change.

Contributing to the Sustainable Development of DENSO with a Focus on the Direction of Changes

The future mobile society will be shaped not only by the efforts of car manufacturers and transportation service providers in the automotive industry but also by the response to such efforts by customers and society from the perspective of safety, the environment, and cost. While focusing on the direction of changes, including information communicated externally, I hope to contribute to the sustainable development of DENSO going forward.

Yuko Mitsuya
Outside Director

Gaining a Great Impression from the Strong Communication between the directors and from the Approach of Employees Who Take Pride in Their Work

DENSO recently increased the number of outside directors, which has already led to the lively exchange of opinions. Moreover, all of DENSO’s directors, starting with the president, are very good listeners, facilitating strong communication between them and productive meetings of the Board. I am also extremely impressed with the Company’s employees, who earnestly approach their work and take pride in the roles that they play.

Identifying Issues from an “If Something Seems Strange, Then It Is Strange” Perspective

I am currently leading organizational reforms as the president of the Japan Basketball Association (JBA). Four years ago, the JBA received a ban from the International Basketball Federation (FIBA) due to issues stemming from its lack of governance. To remove this ban, the JBA made concerted efforts to recruit personnel that were free of constraints, and I joined the JBA as such a person. Upon my appointment, I helped identify issues from an “If something seems strange, then it is strange” perspective and worked to formulate a vision and philosophy aimed at establishing a path forward without being constrained by the past. In this way, I created an action plan together with the people working on the front line. In the past three years, while there have been various events that have caused some confusion, I believe we have gradually made progress with reforms at the JBA through strengthened governance. I also believe that this progress has led to a stronger organization and stronger players.

Leveraging this experience, as well as the expertise I have gained in many years being involved in human resource development, I will help contribute to DENSO’s efforts to strengthen its organization.

Change and Reform from Strengthening Governance

DENSO recently increased the number of outside directors, which has already led to the lively exchange of opinions. Moreover, all of DENSO’s directors, starting with the president, are very good listeners, facilitating strong communication between them and productive meetings of the Board. I am also extremely impressed with the Company’s employees, who earnestly approach their work and take pride in the roles that they play.

Stranger” in a Good Sense

At organizations in this industry and other industries, there is a tendency to be unaware of the fact that past successes have actually become a major cause of obstructing future growth. As a result, such an organization settles for becoming overly narrow. In a good sense, I am to be that “stranger” who will help DENSO strengthen its organization.

Company is making large-scale organizational reforms and striving to establish a structure that will allow it to accelerate the speed of development. Going forward, I believe DENSO needs to continue to be an irreplaceable partner to automobile manufacturers. I also believe that DENSO must serve as a player that takes on a major role in realizing a mobile society. To become such a presence, it is imperative that DENSO evolve into a systems supplier that can propose value from the perspective of automobiles and the mobile society.

For many years, I worked at the Bank of Japan, where I analyzed economic trends and financial systems and examined the necessary policies and initiatives for realizing financial and economic stability. From that experience, I learned the importance of ascertaining financial and economic trends from both micro and macro perspectives, which act as the backdrop of such trends, as well as the importance of formulating the necessary policies to address such trends and implementing those policies in specific business operations.

The automotive industry is approaching a paradigm shift. Accordingly, it is crucial to accurately understand the changes occurring in the business environment, which result from global and various other factors, and thoroughly examine and carry out the necessary response to these changes with a sense of speed. To that end, I believe that there are many ways I can leverage my experience to contribute to the Company.

Shigeki Kushida
Outside Director

Other major positions held
• Representative Executive Officer & President, Japan Securities Finance Co., Ltd.

Yuko Mitsuya
Outside Director

Other major positions held
• President, Japan Basketball Association
• Representative Director, SORA Corporation
• Outside Director, The Fuji Bank, Ltd.
• Outside Director, JNICS Holdings, Inc.
Directors and Audit & Supervisory Board Members

(As of June 30, 2019)

**Directors**

President & CEO

Koji Arima

Born on March 2, 1958

Chairman of the Board, DENSO CORPORATION

Executive Vice President

Yasushi Yamanaka

 Born on April 29, 1958

Group Executive Director, DENSO CORPORATION

Executive Vice President

Hiroyuki Wakabayashi

Born on January 22, 1959

Chairman of the Board, DENSO CORPORATION

Senior Executive Director

Haruo Kitamura

Joined DAIICHI SANKYO, INC. in 1986

Senior Executive Director, DENSO CORPORATION

Outside Director

George Olcott

Born on March 7, 1953

Member of the Board, DAIICHI SANKYO, INC.

Outside Director

Shigeki Kushida

Born on June 6, 1966

Senior Executive Director, DENSO CORPORATION

Outside Director

Yuko Mitsuwa

Born on July 24, 1968

Senior Executive Director, DENSO CORPORATION

**Audit & Supervisory Board Members**

Standing Audit & Supervisory Board Member

Atsuhiko Shimamura

Born on July 29, 1958

Chairman of the Board, TAIYAMA CORPORATION

Outside Audit & Supervisory Board Members

Yasuko Goto

Born on July 29, 1958

President, TAIYAMA CORPORATION

Standing Audit & Supervisory Board Member

Hanao Itakuma

Born on August 21, 1958

President, TAIYAMA CORPORATION

**Expertise and Abilities That Can Be Leveraged in the Management of the Board of Directors and Audit & Supervisory Board**

Koji Arima

Excellent management processes and leadership

Yasushi Yamanaka

Expertise and experience in leading technology departments

Hiroyuki Wakabayashi

Managerial experience in production and operating departments as well as knowledge in advanced fields such as automated driving

Shigeki Kushida

Knowledge obtained through experience in a broad range of business reforms conducted in sales and marketing departments as well as functional departments

Asio Toyota

Abundant experience and extensive insight as a leader of the automotive industry

George Olcott

Relevant expertise as well as abundant experience and deep insight related to corporate management

Shigeki Kushida

Wealth of experience leading activities that developed and stabilized the Japanese economy and extensive insight on the global monetary economy

Yuko Mitsuwa

Expertise in corporate management and many other fields, including as an officer and committee member at several sports associations

Atsuhiko Shimamura

Management expertise at the North American headquarters, in addition to extensive knowledge and experience within Company business divisions

Motomi Nawa

Managerial experience at overseas subsidiary and extensive expertise in functional and operating departments

Yasuko Goto

Widespread range of experience in administrative and corporate management as well as in-depth audit knowledge in finance, accounting, and compliance

Hanao Itakuma

High level of insight related to accounting as a certified public accountant and vast experience in corporate management
Compliance

Basic Stance

We believe that key actions to earn the trust and understanding of society pertain to the DENSO Group's observance of all applicable national and regional laws and all Group employees' fair and faithful conduct that embodies the highest ethical standards.

Based on this recognition, in 2006 we adopted the Code of Conduct for DENSO Group Associates, which clearly indicates the standards of conduct for each and every employee. In training and at workplace conferences, we utilize the Code for raising employees' awareness of compliance, which includes all domestic Group companies. Overseas Group companies use a regional version of the Code of Conduct for DENSO Group Associates, formulated by their regional headquarters in accordance with national and regional laws and customs.

The DENSO Group has created a global structure for promoting compliance while keeping its organizational structure sensitive to the characteristics of each region, introducing and administering a reporting system, and training employees. In 1997 the DENSO Group established the Corporate Ethics Committee (now a part of the Management Deliberation Meeting), headed by the director in charge of compliance, and created the Compliance Committee and other committees to coordinate regional and global compliance activities, while putting Compliance Leaders and other managers in charge of promoting compliance.

On a regular basis, our legal departments in Japan, North America, South America, Europe, China, Southeast Asia, India, and South Korea share and discuss information and issues related to compliance.

Promotion Structure

The DENSO Group conducts inspections to ascertain whether its compliance activities have sufficiently taken hold and to look for any potential compliance issues. If an issue is discovered, reports are made to top management, and steps are taken to prevent a recurrence of the issue. For example, DENSO holds a sustainability survey every year in order to understand the extent to which compliance-related measures have taken hold and on potential compliance risks.

Response to Antimonopoly Act

U.S. subsidiary DENSO International America, Inc. was investigated by the U.S. Department of Justice in February 2010. Recognizing the gravity of the situation, the DENSO Group has since then created an Antimonopoly Act Compliance Committee, chaired by the representative director, to ensure strict compliance with the Antimonopoly Act. Under the guidance and supervision of this committee, we have endeavored to restructure strict compliance with the Antimonopoly Act across the entire DENSO Group by enhancing awareness and education about relevant rules and ensuring strict adherence to laws and regulations. As a result, we are now in full compliance with laws and regulations. The DENSO Group is keen to restore confidence while further strengthening its compliance structure in accordance with the Antimonopoly Act.

Response to Anti-Bribery Laws

DENSO formulated the “Global Anti-Bribery Policy” to serve as its basic approach to preventing bribery. At the same time, the Company established the Compliance and Anti-Bribery Committee, which is chaired by a relevant Company director. The committee takes the lead in providing supervision on the formulation of bribery prevention rules and the promotion of employee awareness and educational activities through e-learning. We also have CSR Guidelines for Suppliers in place to prevent bribery between suppliers and third parties. In these ways, we are working to thoroughly prevent bribery throughout the DENSO Group.

Risk Management

Basic Stance

In keeping with the global expansion of business, the DENSO Group is striving to strengthen risk management to help minimize risk. Specifically, the emergence of circumstances that could potentially cause damage to corporate management are classified as risks (situations in which risks have not yet been realized) and crises (emergency situations in which risks have already been realized). To forestall risks, the DENSO Group places focus on circumventing risks before they have the chance to manifest themselves; for the latter, DENSO strives to make an initial response as well as a response for restoring business operations in a prompt and appropriate manner.

Promotion Structure

DENSO regularly confirms the improvements made to its risk management structure and framework via the Risk Management Meeting. Taking into consideration the conditions of the Company and trends in the external environment, DENSO discusses and determines the direction of important activities to comprehensively manage Groupwide risks and crises. In addition, DENSO has created the Crisis Communication Manual in order to respond promptly and accurately in the event of a crisis. In these ways, the Company is able to flexibly address crises and minimize the damage they may cause.

Specific Initiatives

Ascertaining Risks and Clarifying Response

DENSO makes efforts to constantly ascertain the risks it faces and manage these risks from the perspective of damage mitigation and business continuity. The Company has selected 42 risk items related to life, credit, business activities, and property based on frequency of occurrence and level of impact. The Company designs responsible departments for each risk item and clarifies various factors pertaining to these items, including level of impact, reason for occurrence, preventive measures, initial response, and recovery efforts. The Company also strives to enhance its preventive measures, initial response, and recovery efforts. DENSO reviews its risk items appropriately, giving consideration to the issues currently facing society as well as the frequency of risks occurring at DENSO and the level of impact they have on the Company.

Specific Initiatives

Threatening Natural Disaster Risk Response (Formulation of BCPs)

In the near future, a massive earthquake is expected to strike Japan. Also, in addition to the progression of global warming, there is concern that climate change will lead to an increase in the frequency of natural disasters. In the event of a natural disaster, it is of the utmost importance that we protect the lives of our employees. At the same time, in the event a disaster were to disrupt our production and supply activities, it is imperative that we work to swiftly restore operations and minimize the damage to our businesses. At DENSO CORPORATION and domestic Group companies, we have commenced the formulation of BCPs from the perspective of business continuity management. We are also taking action in such ways as creating emergency situation manuals and promoting countermeasures for reducing disasters. Going forward, we will strengthen our response to risks from earthquakes and other natural disasters on a Groupwide basis.

Strengthening Information Security Structure Following the Change toward a “Connected Society”

Following the advancement of such technologies as automated driving and IoT, cybersecurity risks related to vehicles and production facilities have become a serious issue.

To ensure that vehicles can be used safely and with peace of mind, DENSO is developing technologies that protect in-vehicle products, such as advanced driver assistance systems and automated driving, from cyberattacks. The Company is also moving forward with the establishment of unique frameworks for steadily installing these technologies in vehicles. Also, DENSO is setting up security measures for its internal networks, production lines, and other facilities and is working to secure its information assets and realize a steady supply of products to its customers.

Risk Management Items (Excerpts)

<table>
<thead>
<tr>
<th>Reason</th>
<th>Risk Items</th>
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<tbody>
<tr>
<td>Internal factors (Accident and mistakes)</td>
<td>Environmental pollution and abnormalities, disasters (works-related accidents, fires, and explosions), recalls, production obstacles (difficulties with energy supply, etc.) information security-related accidents, personnel and work-related incidents (human rights issues, labor issues, and overseas offices), mental health issues, traffic accidents, errors in internal management of information, etc.</td>
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<tr>
<td>Internal factors (Legal violations)</td>
<td>Violations of the Antimonopoly Act, contract work, violation of product laws and regulations, violation of anti-bribery laws, etc.</td>
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<tr>
<td>External factors (Natural disasters)</td>
<td>Earthquakes, typhoons, concentrated heavy rains, lightning strikes, etc.</td>
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<tr>
<td>External factors (Political and social)</td>
<td>Product liability litigation, fluctuating exchange rates, supplier-related issues, incidents or other emergencies (natural disaster, terrorist attack, kidnappings, epidemics, etc.)</td>
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Please see the “Sustainability Information” section of DENSO’s Corporate website for more information.

Please refer to our corporate website for information on the DENSO Group Global Tax Policy.

Please see the “Sustainability Information” section of DENSO’s Corporate website for information on the DENSO Group Global Risk Management Policy.