

The Foundation That Supports Our Business Growth

While fulfilling its responsibility to each shareholder by contributing to the creation of a better society through its business operations, DENSO aims for the creation of sustainable corporate value. Toward that goal, the Company proactively engages in advanced environmental management and thorough quality assurance and strategic intellectual property activities by practicing highly transparent management. In this section, in addition to DENSO's business operations, we explain the unique initiatives that support management strategy and promote sustainable growth.

Corporate Governance

Basic Stance

DENSO believes that establishing a corporate governance system designed to strengthen Group competitiveness is the key to maintaining and improving long-term corporate performance in a quickly changing global marketplace. Specifically, DENSO Corporation has adopted a corporate auditor system. In addition to statutory bodies such as the General Meeting of Shareholders, Board of Directors, Audit & Supervisory Board, and Accounting Auditor, DENSO Corporation has developed various

governance mechanisms. We are implementing highly sound, efficient, and transparent management by continuously providing shareholders and investors with information on the state of our business.

In June 2015, DENSO formulated the Basic Policies on Corporate Governance based on the Corporate Governance Code that aims for transparent and efficient corporate management.

Please refer to the DENSO website for our Basic Policies on Corporate Governance.

<http://www.denso.com/global/en/csr/csrpolicy/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.

System Overview

The Company has established a management system that performs accurate decision-making and rapid business execution, while enabling proper oversight and monitoring. As a system of

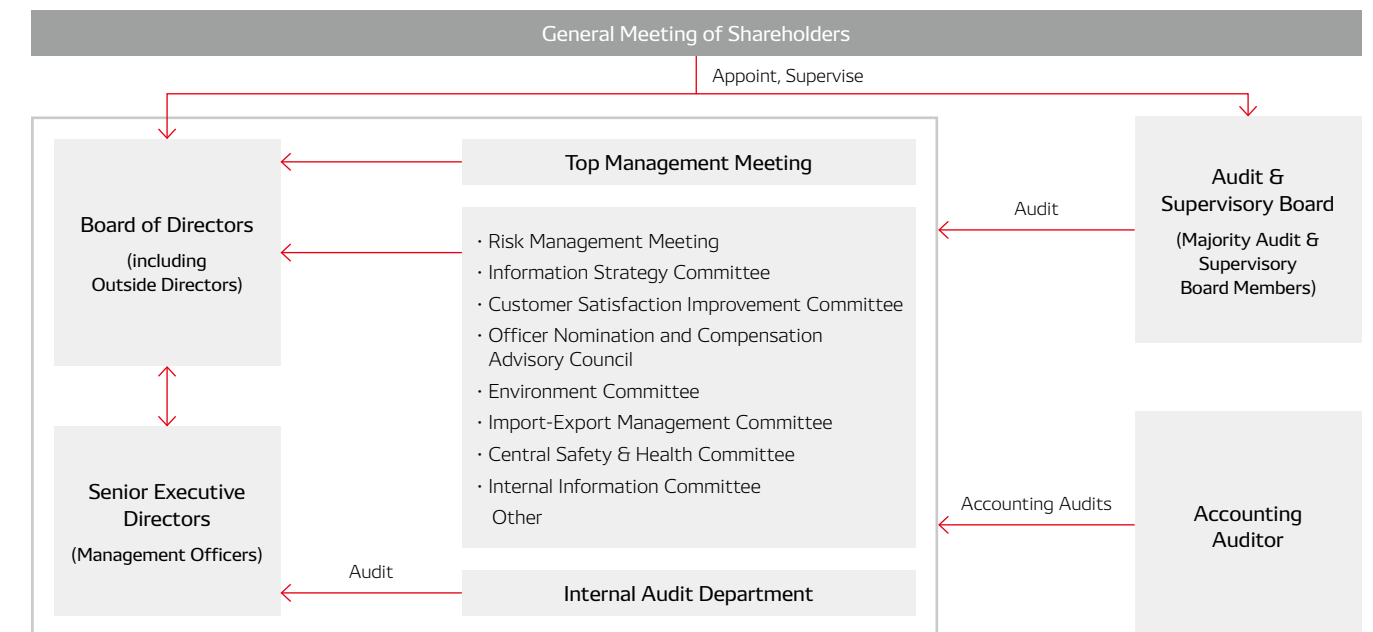
decision-making for business execution, DENSO has established the Officer Meeting comprising the Board of Directors (which convenes once a month, in principle) as a "decision-making body" that resolves legal matters and important issues, as well as the Top Management Meeting (which convenes once a week, in principle) as a "deliberative body" that deliberates on matters from a Companywide perspective and submits motions to the Board of Directors. 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 Senior Executive Directors and Executive Directors, 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 Senior Executive Directors to directly link management with operational sites. 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 to further clarify management responsibility during the business year.

Moreover, we have strengthened our corporate governance system by establishing the Officer Nomination and

Compensation Advisory Council as an ad-hoc committee that corresponds to the Nomination Committee or Compensation Committee in appointing directors and auditors and determining their compensation.

Corporate Governance System



Overview of Corporate Governance System (as of June 21, 2016)

Format	Audit & Supervisory Board system
Number of directors	13
Chairman of the Board	President & CEO
Number of outside directors	2
Term of directors	1 year
Number of Audit & Supervisory Board members	5
Number of outside Audit & Supervisory Board members	3
Number of meetings of the Board of Directors*	11
Number of independent officers	4

* Total for the period from April 2015 to March 2016

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

Once a year, DENSO Corporation interviews the representative director, outside directors, and Audit & Supervisory Board members about the effectiveness of the Board of Directors. The challenges and improvement plans extracted from these interviews are then reported to the Board of Directors and steps are taken to improve effectiveness.

Interview Results	Challenges
It has been confirmed that the Board of Directors of DENSO Corporation reviews matters to be resolved and reported and makes improvements based on a corporate culture that adequately discloses information and encourages open and vigorous debate.	On the other hand, DENSO has identified several challenges, including the reinforcement of statements and discussions from a Companywide and outside stakeholder perspective, the intensification of debate about future themes that are shared throughout the Company, and the delegation of authority or promotion of simplification concerning matters to be resolved that are still partially open to discussion.

Improvement Plan

Based on the results, DENSO's Board of Directors will implement the following improvement plan after conducting a sufficient review.

- Build an operation and system that stimulates discussion from a Companywide and outside stakeholder perspective
- Create a mechanism for discussing future themes that are shared throughout the Company
- Promote the delegation of authority concerning the resolution of the execution of business duties

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

Policy	Procedures
Nominate directors and Audit & Supervisory Board members from the viewpoint of striking a balance between diversity, experience, skill, and expertise so as to promote accurate and swift decision-making.	<ol style="list-style-type: none"> 1) The president listens to the opinions of all parties, and taking into overall account performance, character, insight and other factors, he selects people who are suitable for those responsibilities and decides who to nominate in that fiscal year after consulting with the Officer Nomination and Compensation Advisory Council. 2) Directors are selected based on an informal resolution by the Board of Directors and deliberation at the General Meeting of Shareholders and the Board of Directors. Audit & Supervisory Board members are selected based on an informal resolution by the Board of Directors and deliberation at the General Meeting of Shareholders and the Board of Directors, with the consent of the Audit & Supervisory Board.

Approach to Director Diversity and Size

At the Company, 13 directors have been appointed, which is considered the appropriate number or size for promoting continued swift decision-making.

The breakdown is of people who are familiar with the management of each business and their pressing issues and the composition strikes a strong balance between expertise, experience, skills, and global perspective, including of outside directors. In the appointment of directors, we plan to adhere to the same number and approach that we have in the past.

Audit System

As an audit system, in addition to Audit & Supervisory Board members, who have a legal function, we have established a specialized department for internal audits in our major domestic and overseas companies. In addition to a voluntary inspection system whereby each department of the Company and domestic and overseas subsidiaries inspect their own internal control status, we conduct ongoing site audits that include not only legal compliance but also the adequacy of management and

business procedures. Audit & Supervisory Board members attend important meetings including the Board of Directors and Top Management Meeting and audit directors' execution of their business duties through the exchange of information with directors, the Internal Audit Department and internal control-related departments, and accounting auditors, thereby fulfilling their management oversight function.

Outside Directors and Outside Audit & Supervisory Board Members

The Company has appointed two outside directors. So that the Company can make better management decisions to improve performance and raise corporate value, it appoints people who have extensive knowledge about company management to be outside directors; they provide decision-making and oversight based on their knowledge. In addition, the Company has appointed three outside Audit & Supervisory Board members. In

order to ensure the effectiveness of audits, we appoint people who are familiar with the trends in our industries 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	Reason for Appointment	Attendance at Meetings of the Board of Directors
George Olcott*	To reflect his wealth of experience and considerable knowledge in academia and corporate management in the Company's management	11/11
Takashi Nawa*	To reflect his wealth of experience and considerable knowledge in the field of corporate management strategy in the Company's management	10/11

Outside Audit & Supervisory Board Members	Reason for Appointment	Attendance at Meetings	
		Board of Directors	Audit & Supervisory Board
Moritaka Yoshida	To reflect the wealth of experience and broad knowledge as a corporate executive in the Company's auditing activities	8/8	9/9
Tsutomu Saito*	To reflect the abundant knowledge as a lawyer in the Company's auditing activities	11/11	12/12
Toshimichi Kondo*	To reflect the abundant knowledge as a certified public accountant in the Company's auditing activities	11/11	12/12

* 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, the Company possesses a wealth of experience and knowledge in specialized areas such as

corporate management, law, and accounting and is required to be able to proactively make proposals, suggestions, and give opinions about management issues. The Company declares that four outside directors who meet the qualifications for independent director are independent directors.

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 decided based on operating profit after taking into overall account dividends, employee bonus levels, trends at other companies, medium- to long-term performance, and the record of past payments.
- Stock options and retirement benefits are not paid.

Procedures

Directors		Audit & Supervisory Board Members
Monthly Compensation	Bonuses	Compensation Amount
Monthly compensation is 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 (total amount for directors: ¥80 million/month) established by a resolution of the General Meeting of Shareholders.	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 receiving approval of the resolutions of the Board of Directors and General Meeting of Shareholders concerning total payment to the directors.	Compensation is decided by consultation with Audit & Supervisory Board members after consulting with the Officer Nomination and Compensation Advisory Council and is an amount within a range (total amount for Audit & Supervisory Board members: ¥15 million/month) established by a resolution of the General Meeting of Shareholders.

Compensation of Directors and Audit & Supervisory Board Members

Position	Total Compensation (¥ million)	Total Compensation by Type (¥ million)				Directors / Audit & Supervisory Board Members
		Base	Stock Option	Base	Retirement Benefits	
Directors (excluding outside directors)	906	555	—	351	—	15
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	92	92	—	—	—	2
Outside directors	68	68	—	—	—	6

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 refer to the DENSO website for our Basic Policies for Internal Control.

 <http://www.denso.com/global/en/csr/csrpolicy/governance>

Special Feature: Dialogue with Outside Directors



Outside Director
George Olcott
Mr. Olcott has been serving as an outside director with the Company since 2014. He also teaches as a guest professor at the Faculty of Business and Commerce at Keio University.



Outside Director
Takashi Nawa
Mr. Nawa has been serving as an outside director with the Company since 2014. He also works as a professor at Hitotsubashi University Graduate School of International Corporate Strategy as well as a senior advisor at the Boston Consulting Group.

Actively Incorporating Different Perspectives to Reinforce Governance as a Foundation for Growth

To realize long-term corporate growth, the DENSO Group is working to reinforce its governance, which acts as the foundation for such growth.

We had our two outside directors provide us with their honest opinions on the Group's governance and speak frankly about the issues the Group faces in improving its corporate value going forward.

Evaluation of DENSO's Governance and Issues the Company Faces

George Olcott

Mr. Nawa and I were appointed as DENSO's first outside directors in 2014, which means that the Company's history with outside directors is extremely short. At the time of our appointment, I am not sure if DENSO understood what kind of impact outside directors would have on the Company. However, governance is something that changes through trial and error in accordance with the characteristics of a company's business. The introduction of the outside directors has given DENSO an opportunity to make significant progress in enhancing the function of its governance system and the Board of Directors. DENSO's Board of Directors is very open, and management is welcoming of comments and opinions from the outside directors. In addition, the Company is very keen for us to get to know DENSO's operations

as much possible to enable us to make a much stronger and better-informed contribution to the Board's discussion as outside directors.

Takashi Nawa

I also agree that DENSO's governance has evolved during this two-year period. However, the Company still faces several issues. For example, I believe it is necessary for DENSO to deepen its debate on what the quality of management practice is. In other words, it is important for



the Company to return to the basics and deliberate on management issues from the perspective of customers and society as a whole. I believe that DENSO's commitment to quality and performance in manufacturing is unmatched, and this is precisely why I would like to see the Company thoroughly pursue that same level of commitment in terms of the quality of management practice as well.

Olcott

I also believe that DENSO boasts a world-class level of manufacturing and this will continue to enhance its global competitiveness in the long term. However, I also believe that DENSO can make further improvements in its strategic decision-making process. For many Japanese companies, not only DENSO, there is a need for the Board's decision-making process to be based on thorough debate that emphasizes real strategic content, rather than a ritualistic approach to the agenda, which has

prevailed in the past. Without a thorough airing of high-level strategic issues at the Board, our role as outside directors is limited. But I would emphasize that what separates DENSO from many other companies is its desire to enable outside directors to properly understand both its strong and weak aspects, which in turn allows us to take part in the decision-making process in an informed way, even when a high level of technical knowledge is required. Our role as outside directors is to be satisfied that the Company has a clear management vision, and a rational and realistic strategy in place to realize that vision. We need to ensure that major investment decisions are consistent with this strategy. From this perspective, I would like to further deepen the content of debates at the Board of Directors going forward.

The Role of Outside Directors in Enhancing DENSO's Competitiveness through Governance

Nawa

I believe it is extremely important for the decisions being made now to properly reflect the Company's underlying management vision and strategy. My role as an outside director is to constantly question the motivation behind the Company's decisions and what the Company intends to do by making those decisions.

Olcott

DENSO is a global company providing its products and services to customers around the world. However, the Company's employees, particularly its management, consist predominantly of Japanese males who joined the Company straight from university and who have only had experience working for DENSO. In this sense, DENSO is a typical Japanese "community firm." While this brings a number of advantages, competing in an increasingly global environment means that DENSO needs to accelerate changes in its thinking on human resource management, promoting diversity much more aggressively, especially at the senior ranks. While employees are important stakeholders, we need to consider the entire DENSO global workforce as equal members of this stakeholder group. I see it as one of my missions to ensure that this is reflected in Board deliberations and decisions. This is a critical factor in building DENSO's long-term competitiveness and corporate value.



Necessary Steps to Further Improve Corporate Value

Nawa

I believe DENSO is an extremely honest company, which gives me a clear sense of its spirit and underlying values. In order to become an even better company, however, DENSO needs to provide society with products and services of even higher value. In doing so, DENSO will become a company that society itself needs. As part of this process, a cycle needs to be established that connects this higher social value with financial value, and the proper governance systems must be in place to secure such a cycle. I believe that by aiming to realize this kind of Company, DENSO will improve its quality of management practice, which I had mentioned earlier.

Olcott

With the discontinuity and disruptive innovation that is occurring in the automotive industry, DENSO faces an extremely difficult operating environment going forward. In this kind of environment, the Board of Directors must become a much stronger forum for debate to ensure that the Company can strategically and promptly respond to challenges as they arise. I believe that DENSO is fully aware of the challenges it faces going forward. Our mission as outside directors is to assist the Company in overcoming these challenges.

Directors and Audit & Supervisory Board Members

(As of June 21, 2016)

Directors

Chairman

Nobuaki Katoh

(Date of birth: November 3, 1948)
1971 Joined DENSO CORPORATION
2000 Executive Director, Member of the Board, DENSO CORPORATION
2004 Executive Director, DENSO CORPORATION
2007 Senior Executive Director, Member of the Board, DENSO CORPORATION
2008 President & CEO, DENSO CORPORATION
2015 Chairman, DENSO CORPORATION (current position)



President & CEO

Koji Arima

(Date of birth: February 23, 1958)
1981 Joined DENSO CORPORATION
2008 Executive Director, DENSO CORPORATION
2014 Senior Executive Director, DENSO CORPORATION
2015 President and CEO, DENSO CORPORATION (current position)



Executive Vice President

Haruya Maruyama

Support of President & CEO, Overall Sales and Marketing, Corporate Strategy, Sales and Marketing Group
(Date of birth: November 29, 1954)
1978 Joined DENSO CORPORATION
2004 Executive Director, DENSO CORPORATION
2010 Senior Executive Director, Member of the Board, DENSO CORPORATION
2014 Executive Vice President, DENSO CORPORATION (current position)



Director, Member of the Board, Senior Executive Director

Yoshikazu Makino

Corporate Center, Thermal Systems Business Group, Audit Department
(Date of birth: July 1, 1955)
1978 Joined DENSO CORPORATION
2005 Executive Director, DENSO CORPORATION
2014 Senior Executive Director, DENSO CORPORATION
2015 Director, Member of the Board, Senior Executive Director, DENSO CORPORATION (current position)



Director, Member of the Board, Senior Executive Director

Hiroyuki Wakabayashi

ADAS Technology Strategy, ADAS Business and Technology Development Div., Information & Safety Systems Business Group
(Date of birth: January 15, 1956)
1979 Joined DENSO CORPORATION
2006 Executive Director, DENSO CORPORATION
2013 Senior Executive Director, Member of the Board, DENSO CORPORATION
2014 Director, Member of the Board, Senior Executive Director, DENSO CORPORATION
2015 Senior Executive Director, DENSO CORPORATION
2016 Director, Member of the Board, Senior Executive Director, DENSO CORPORATION (current position)



Director, Member of the Board, Senior Executive Director

Masahiko Ito

Aftermarket, Fleet & New Business Group, New Business Promotion Department
(Date of birth: August 21, 1956)
1979 Joined DENSO CORPORATION
2007 Executive Director, DENSO CORPORATION
2014 Director, Member of the Board, Senior Executive Director, DENSO CORPORATION (current position)



Vice Chairman

Koji Kobayashi

(Date of birth: October 23, 1948)
1972 Joined Toyota Motor Co., Ltd.
2004 Executive Director, DENSO CORPORATION
2007 Senior Executive Director, Member of the Board, DENSO CORPORATION
2010 Executive Vice President, DENSO CORPORATION
2015 Vice Chairman, DENSO CORPORATION (current position)



Executive Vice President

Masahiko Miyaki

Support of President & CEO, Overall Production, Safety & Environment, Quality Center
(Date of birth: December 12, 1953)
1977 Joined DENSO CORPORATION
2004 Executive Director, DENSO CORPORATION
2010 Senior Executive Director, Member of the Board, DENSO CORPORATION
2013 Executive Vice President, DENSO CORPORATION (current position)



Executive Vice President

Yasushi Yamanaka

Support of President & CEO, Overall R&D, Future Creation Technology
(Date of birth: March 10, 1957)
1979 Joined DENSO CORPORATION
2005 Executive Director, DENSO CORPORATION
2014 Senior Executive Director, DENSO CORPORATION
2015 Executive Vice President, DENSO CORPORATION (current position)



Director, Member of the Board, Senior Executive Director

Michio Adachi

Powertrain Control Systems Business Group
(Date of birth: September 26, 1954)
1977 Joined DENSO CORPORATION
2006 Executive Director, DENSO CORPORATION
2012 Senior Executive Director, Member of the Board, DENSO CORPORATION
2014 Director, Member of the Board, Senior Executive Director, DENSO CORPORATION (current position)



Director, Member of the Board, Senior Executive Director

Satoshi Iwata

Information & Safety Systems Business Group (Deputy), Tokyo Office
(Date of birth: October 17, 1953)
1976 Joined Ministry of International Trade and Industry
2006 Joined DENSO CORPORATION
2007 Executive Director, DENSO CORPORATION
2013 Senior Executive Director, Member of the Board, DENSO CORPORATION
2014 Director, Member of the Board, Senior Executive Director, DENSO CORPORATION (current position)



Outside Director

George Olcott

(Date of birth: May 7, 1955)
1986 Joined S.G. Warburg & Co., Ltd.
1991 Director, S.G. Warburg & Co., Ltd.
1993 Executive Director, Equity Capital Market Group, S.G. Warburg Securities London
1997 Head of Tokyo Branch, SBC Warburg
1998 Vice President, LTCB-UBS-Brison Asset Management
1999 President, UBS Asset Management (Japan) President, Japan UBS Brinson
2000 Managing Director, Equity Capital Market, UBS Warburg Tokyo
2001 Judge Business School, University of Cambridge
2005 FME Teaching Fellow, Judge Business School, University of Cambridge
2008 Senior Fellow, Judge Business School, University of Cambridge
2008 Outside Director, Nippon Sheet Glass Co., Ltd.
2010 Outside Director, NKSJ Holdings, Inc.
2010 Project Professor, Research Center for Advanced Science and Technology, The University of Tokyo
2014 Guest Professor, Keio University Faculty of Business and Commerce (current position)
2014 Outside Director, Hitachi Chemical Company, Ltd. (current position)
2014 Director, Member of the Board, DENSO CORPORATION (current position)
2015 Outside Director, The Dai-ichi Life Insurance Company, Limited (current position)



Outside Director

Takashi Nawa

(Date of birth: June 8, 1957)
1980 Joined Mitsubishi Corporation
1991 Joined McKinsey & Company, Inc.
2010 Professor, Graduate School of International Corporate Strategy, Hitotsubashi University (current position)
2010 President, Genesis Partners (current position)
2010 Senior Advisor, Boston Consulting Group (current position)
2011 Outside Director, NEC Capital Solutions Limited (current position)
2012 President, Next Smart Lean Co., Ltd. (current position)
2012 Outside Director, FAST RETAILING CO., LTD. (current position)
2014 Director, Member of the Board, DENSO CORPORATION (current position)
2015 Outside Director, Ajinomoto Co., Inc. (current position)



Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member

Masato Iwase

(Date of birth: February 4, 1955)
1978 Joined DENSO CORPORATION
2002 Associated Fuel Pump Systems Corporation, Company Secretary
2003 General Manager of Legal Division, DENSO CORPORATION
2009 Standing Audit & Supervisory Board Member, DENSO CORPORATION (current position)



Outside Audit & Supervisory Board Member

Moritaka Yoshida

(Date of birth: July 12, 1957)
1980 Joined Toyota Motor Corporation
2009 Managing Officer, Toyota Co., Ltd.
2014 Senior Managing Officer, Toyota Motor Corporation (current position)
2015 Outside Audit & Supervisory Board Member, DENSO CORPORATION (current position)



Outside Audit & Supervisory Board Member

Toshimichi Kondo

(Date of birth: February 3, 1955)
1979 Joined the Audit Corporation Marunouchi Accounting Firm
1983 Registered Certified Public Accountant
1985 Director, Kondo Accounting Office (current position)
2011 Outside Audit & Supervisory Board Member, DENSO CORPORATION (current position)



Standing Audit & Supervisory Board Member

Atsuhiko Shimmura

(Date of birth: June 28, 1957)
1980 Joined DENSO CORPORATION
2011 Executive Vice President, DENSO International America, Inc., DENSO Corporation
2014 Director, Corporate Planning Division of DENSO Corporation
2014 Standing Audit & Supervisory Board Member, DENSO CORPORATION (current position)



Outside Audit & Supervisory Board Member

Tsutomu Saito

(Date of birth: September 12, 1951)
1977 Registered Attorney
1993 Vice President, Nagoya Bar Association
2005 Appointed and still serving as Outside Audit & Supervisory Board Member of DENSO CORPORATION (current position)
2010 Chairman, Aichi Bar Association
Vice President, Japan Federation of Bar Associations



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 workplace conferences, we utilize the Code for raising

employees' awareness of corporate social responsibility (CSR), 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.



Promotion Structure

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 Top Management Meeting), headed by the director in charge of DENSO, 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, Europe, China, Southeast Asia, India, and South Korea share and discuss information and issues related to compliance.

Specific Initiatives

Training and Education

The DENSO Group continues to train and educate its employees with the objective of enhancing their awareness of various issues. Overseas Group companies, centered on the regional headquarters, implement initiatives based on examples set by DENSO.

In accordance with the Whistleblower Protection Act, DENSO has established a Corporate Ethics Hotline as a system for the anonymous reporting of legal issues to outside attorneys at legal firms independent of the regular chain of command.

Inspection and Improvement of Activities

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 as necessary, and steps are taken to prevent a recurrence of the issue.

Internal Reporting System

The DENSO Group has set up internal reporting systems at its regional headquarters and business sites for 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.

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 the 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 reinstitute 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.

Risk Management

Basic Stance

In keeping with the global expansion of business, the DENSO Group is striving to strengthen risk management as part of its internal control system to help minimize risk.

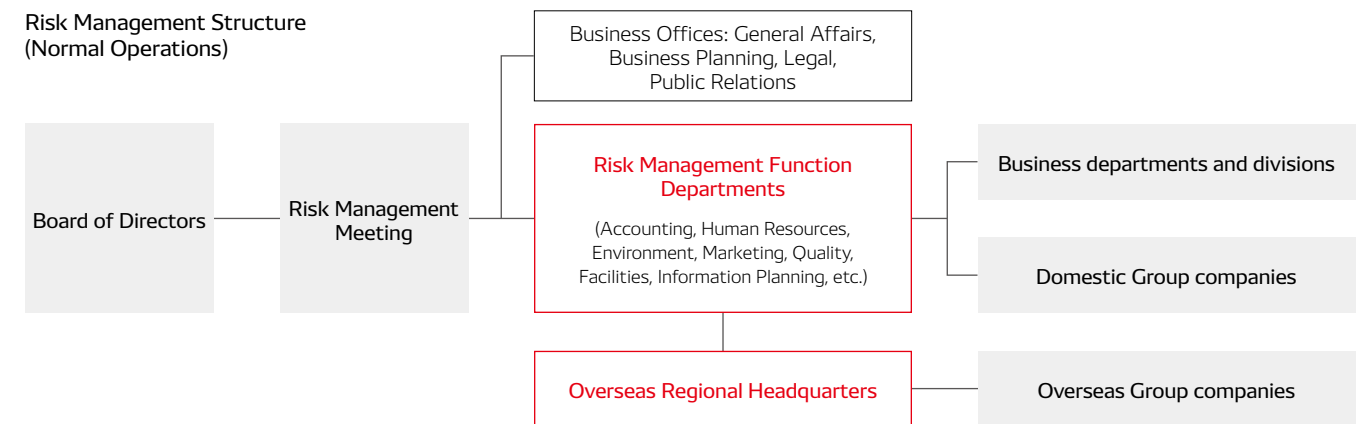
Specifically, the emergence of circumstances with the potential to cause damage to corporate management are classified as risks (situations in which risks have not yet been

realized) and crises (emergency situations in which risks have already been realized). For the former, efforts focus on thwarting 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

The DENSO Group comprehensively manages Groupwide risks and crises through the Risk Management Meeting.

Risk Management Structure (Normal Operations)



Specific Initiatives

System for Swiftly and Accurately Addressing Crisis Situations

The DENSO Group has created a Crisis Communications Manual in order to facilitate a swift and accurate response to a crisis situation. Designed to minimize damage, this manual clarifies the basics of situational decision-making, reporting standards, reporting channels, and internal/external communications.

Moreover, we are able to create a dedicated crisis management team depending on the size and urgency of a crisis situation, in our efforts to nimbly address a crisis and minimize damage.

Addressing Higher Risks from Global Business Development

In tandem with the globalization of supply chains, the DENSO Group has identified critical risks from the standpoint of global Group management and is working to improve its readiness to these potential risks, having learned lessons from the 2011 Great East Japan Earthquake and flooding in Thailand about how risk events in one region can have ripple effects in other regions.

We are constantly improving our rules and systems so that the right directors and managers will be informed of a crisis as soon as possible, regardless of the time of day or whether it is a holiday.

Enhancing Our Readiness to Natural Disaster Risk (Creation of Business Continuity Plan)

DENSO and domestic Group companies have begun to enhance their readiness for natural disaster risks across the entire DENSO Group from the standpoint of business continuity management (i.e., creating business continuity plans [BCPs*]). Our approach to mitigate damage from a natural disaster is based on the formulation of effective action plans.

With people's lives our first and foremost priority, we engage in disaster preparedness and education activities that involve employees and their families, such as initial response drills and safety confirmation system training.

* BCPs: Business continuity plans. In the event that operations are interrupted by an earthquake or other large-scale natural disaster, BCPs are designed to minimize damage to the business by aiming to restore operations within a targeted timeframe.

Environmental Management

Basic Stance

DENSO aims to be a corporate group that contributes to the “creation of an advanced automotive society” in order to maintain and ensure harmony with the Earth’s environment. As such, we must work to achieve world-class environmental efficiency and high resource productivity as we reduce the environmental impact of our operations. This applies not only to product development and production but also to all aspects of our business activities. We are also promoting environmental management, an approach that creates economic value through environmental conservation activities.

Environmental Value Creation Management

Every 10 years, DENSO formulates its DENSO Eco Vision to demonstrate its long-term commitment and to serve as its environmental policy for the environmental management to which the Group aspires. Every five years, DENSO defines an Environmental Action Plan to embody the commitment and environmental policy set out in its Eco Vision.

DENSO Eco Vision 2025

DENSO has formulated the new DENSO Eco Vision as an action plan toward realizing sustainable regions and societies in 2050. This latest Eco Vision sets three targets (Target 3) to be achieved in 2025: ENERGY 1/2; CLEAN × 2; and GREEN × 2.

The Company will also promote 10 specific actions (Action 10) to realize these three targets in the respective stages of products, factories, associates (employees), and management.



Please visit our special Eco Vision 2025 website at:

<http://www.globaldenso.com/en/ecovision/>

Three Targets (Target 3)

DENSO aims to halve CO₂ emissions by technologies that resolve global warming as well as energy and resource issues.

(Examples)

- Development of new technologies and products compatible with improved fuel economy and fuel diversification
- Promotion of energy Just-in-Time (JIT) activities* in production processes

* A system for the utilization and supply of just the right amount of energy at the necessary time

To provide reassurance to all stakeholders, DENSO will aim to reduce by half the impact of environmentally hazardous substances as well as halve emissions and waste while advancing sustainable improvements.

(Examples)

- Development of exhaust gas reduction technologies for automobiles
- Reductions in waste at plants and through distribution as well as in the amounts of water used

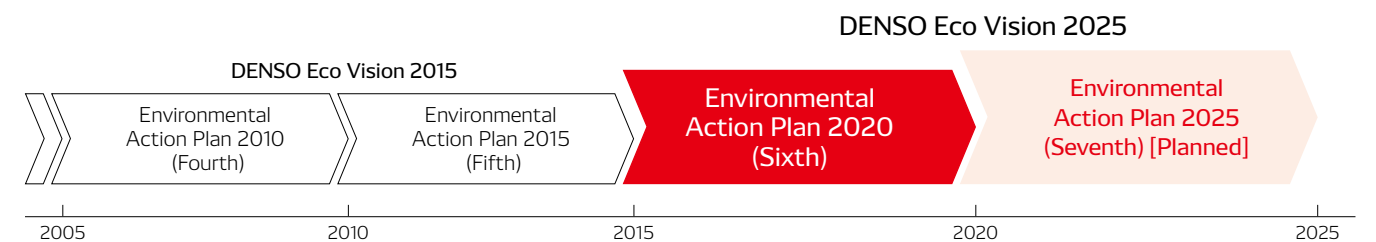
To pass on a rich natural environment to the next generation, DENSO will work to create environment-friendly communities through corporate activities that aim for symbiosis with nature.

(Examples)

- New environment-related businesses (bio-fuel, agricultural support, etc.)
- Plant greening
- Environmental social contribution events

Sixth Environmental Action Plan (Fiscal 2017 to Fiscal 2021)

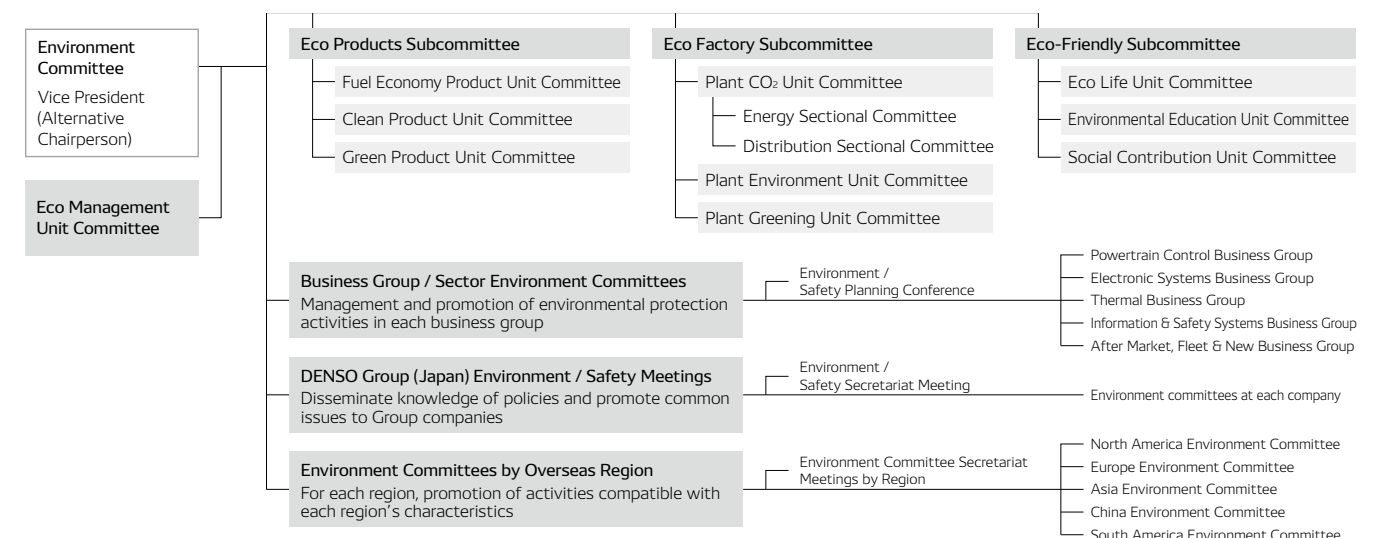
Aiming to realize the three targets (Target 3) and the 10 specific actions (Action 10) stipulated under Eco Vision 2025, DENSO has set out its Sixth Environmental Action Plan and is clarifying the specific activities and objectives as far as the fiscal 2021 milestone.



Promotion Structure

DENSO established its Environment Committee in December 1992. Chaired by the vice president and attended by senior management—those in charge at overseas regional headquarters and those responsible for matters concerning environmental management at Group companies—the Environment Committee meets twice a year to formulate policy, verify the status of progress made on activities, and undertake examinations of issues and solutions.

Environment Committee Organization



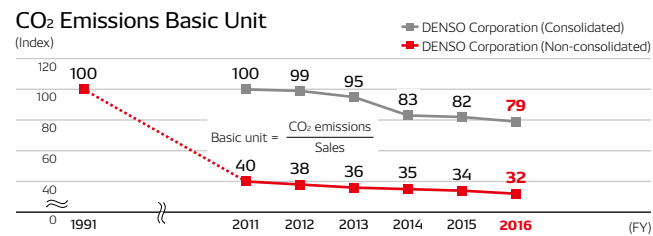
Case Study

Aiming for Minimum CO₂ Monozukuri

CO₂ emissions from energy consumption account for 95% of the principal greenhouse gases that DENSO emits in its production operations. Considering it important for energy loss to be as close as possible to zero, DENSO is concentrating its efforts on reducing electricity, the form of energy that is used the most.

Making advances in its production field's energy conservation to the fullest extent by a range of activities—including highly efficient production through *Monozukuri* innovation, consistent energy-saving activities from energy supply to use, and the use of natural energy—DENSO achieved the CO₂ emissions reduction target set in Eco Vision 2015.

In the years to come, DENSO will make further advances in energy conservation while aiming to realize a 50% reduction in energy (halving the volume of CO₂ emissions compared with 2012) across the entire Group.



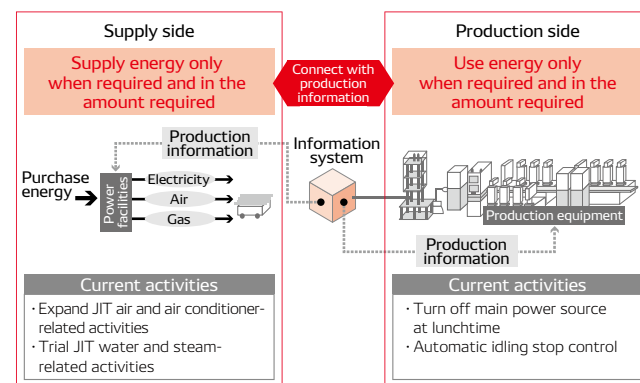
"1/N Facilities" Contributing to DANTOTSU Plants

As part of its efforts to thoroughly eliminate all waste (including waste materials, waste generated through transportation as well as operations, and waste inventory) at facilities and through processes, DENSO is engaged in technical developments such as the creation of "1/N facilities" designed to significantly reduce the size of production facilities (N is an integer multiple).

Through this activity, the Company is working to be outstanding (*DANTOTSU*) not only in terms of manufacturing costs but also for the amount of energy consumed.

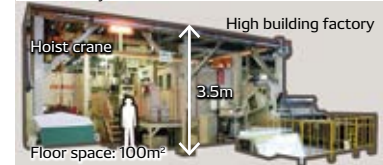
Energy Just-in-Time (JIT) Activities Adapted to Production Fluctuations

Based on the idea that "energy for production is not fixed infrastructure but another component to be controlled," DENSO is working to establish a system for the utilization and supply of just the right amount of energy at the necessary time. The Company is optimizing both JIT supply that provides energy and JIT production that uses energy.



Case Study: Time Variation Foamer

Previously



Significantly reduce required equipment load (motive power) by dividing processes within one rotation, setting time variations, and processing sequentially

Now



Facilities one-sixth the size, realizing one-third of CO₂ emissions

TOPICS

METI Grand Prize for Excellence in Energy Efficiency and Conservation for Second Successive Year

DENSO was presented with the Ministry of Economy, Trade and Industry (METI) Minister's Prizes, the highest award for excellence in energy efficiency and conservation for the second successive year. Awarded in the energy conservation and case study categories, the efforts that the prizes recognize include the Company's superior energy conservation activities, which are sponsored by the Energy Conservation Center, Japan (ECCJ), and its advanced energy-saving products that result from technological developments.

The Driving Safety Manufacturing Unit of DENSO's Daian Plant has continuously implemented energy-saving activities that involve all of its employees. Through these endeavors, the Unit achieved a reduction in power consumption of 7,035MWh per year and attracted high praise and recognition.

In the years to come, DENSO will engage in thorough energy-saving initiatives on a Companywide basis while contributing to the maintenance of the global environment as well as society's sustainable development.

Prize-Winning History: DENSO's METI Minister's Prizes for Excellence in Energy Efficiency and Conservation

Fiscal Year	Organizational category (fiscal 2010 award system)	For promoting energy conservation, the Company's key activities that prioritize and address environmental challenges on a Companywide basis
Fiscal 2010	Organizational category (fiscal 2010 award system)	For promoting energy conservation, the Company's key activities that prioritize and address environmental challenges on a Companywide basis
Fiscal 2012	Case study category	Energy JIT activities
Fiscal 2015	Product/business model category	Electric refrigerator system for heavy-duty trucks DENSO jointly developed with Hino Motors, Ltd.



Quality Assurance

Basic Stance

Since its founding, the DENSO Group has been dedicated to providing reliable, safe, and high-quality services that will satisfy customers and earn their trust based on a commitment under the DENSO Group Declaration of Corporate Behavior. We have designated the thorough implementation of the Quality First principle, the practice of quality assurance from the beginning of production and the promotion of quality control with full

employee participation as basic quality assurance policies, and we are committed to carrying out a Customer First principle in creating products.

Additionally, based on information collected by sales and technology departments from customers, we are continuously making efforts to enhance customer satisfaction in terms of quality, cost, and delivery.

Promotion Structure

Product Development System Responsive to Customer Needs

In order to provide customers worldwide with optimum products matched to the characteristics of each region, we have established Technical Centers (T/Cs) in Japan, the United States, Germany, Thailand, China, India, and Brazil. This global structure allows us to conduct product development, quality testing, and evaluation in accordance with local characteristics.

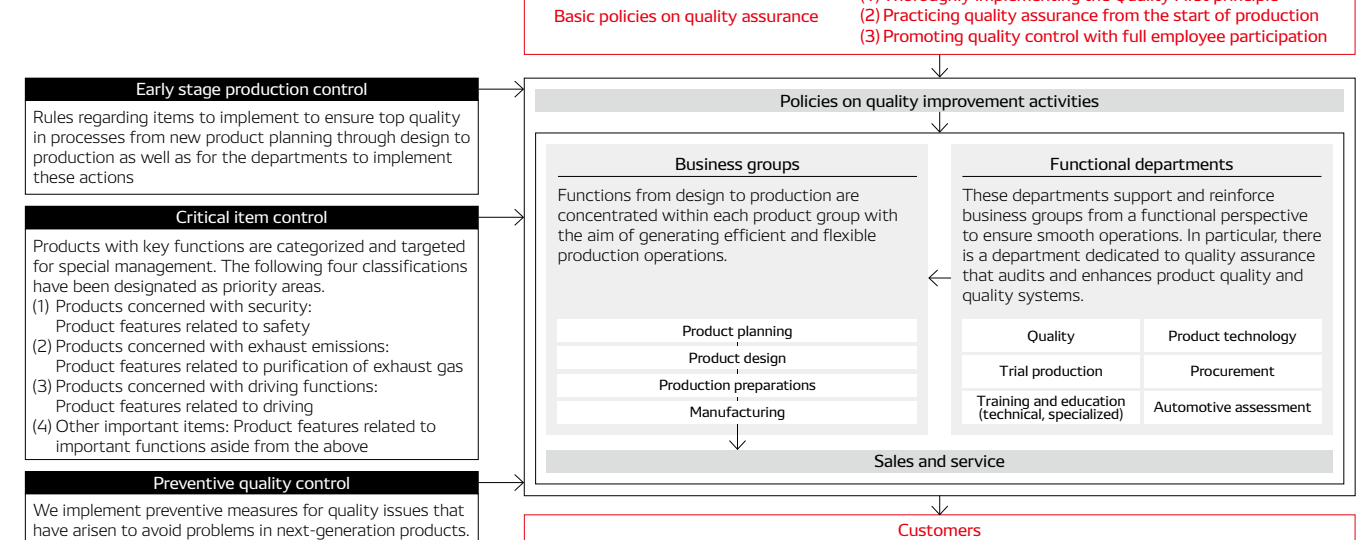
Additionally, the DENSO Group has completed the acquisition of ISO/TS16949 certification.

Quality Management

For the quality assurance process of new products, we are thoroughly carrying out early stage control. In terms of early stage

control, the degree of product completion and product risks are visualized via a total of nine phases, with specialized departments including quality control and production technology also undertaking concerted initiatives in unison to strictly check quality. The design stage, in particular, benefits from a rigorous quality confirmation process. This includes not only the assurance of individual products but also a series of tests. In order to assure high reliability and durability in a vehicle system, we conduct in-vehicle testing under a range of conditions such as high-speed driving, rough roads, low temperatures, and icing on our test course, as well as various tests in our environmental testing room.

Quality Assurance Policies and Systems



TOPICS

Improving Customer Satisfaction—Ensuring Product Safety

In creating products, the DENSO Group places the highest priority on ensuring safety for our customers, and design departments thoroughly conduct both safety designs, such as fail-safe* designs, and safety evaluations. We also promote system and product design pursuant to ISO 26262 certification for functional safety.

From product planning to production and shipment, functional departments clearly specify operational procedures and responsible departments and strictly monitor compliance with applicable laws and regulations at each stage. When launching new products, in particular, the responsible departments are required to conduct safety evaluations based on internal regulations and to report on the results of legal compliance checks.

In order to reduce road accidents worldwide as one of our missions as a company engaged in the automobile industry, we are also focusing on developing preventive safety systems that support the prevention of road accidents. We are working to improve the safety functionality of our preventive safety systems by analyzing various traffic conditions such as road accidents and road environments around the world and reproducing and assessing road accident scenes on our test course.

* A design philosophy requiring products to be controlled in a safe manner in the event of an accident or erroneous operation



Car driving test on country road at the DENSO Abashiri Test Center



Evaluation equipment used to confirm quality

Intellectual Property Activities

Basic Stance

DENSO is endeavoring to unify its business unit strategies with its IP strategies in a bid to better engage in business activities that help resolve such critical issues as preserving the Earth's environment and ensuring security and safety. In line with the DENSO Group's Global Mid-term Policy, energies are directed on a priority basis toward building a patent portfolio of system and world-first products in the environment, security, and safety fields as well as conducting IP activities related to open innovation. The Company is supporting efforts to expand its business and achieve continued growth by utilizing in a strategic manner the patents that have been acquired.

Respect for Other Companies' IP Rights

DENSO sees problems related to other companies' IP rights as equally important as major quality problems in its own products.

Promotion Structure

Global IP System

As we bolster development in our overseas technical centers, we are working to set up IP systems at our centers in North America, Europe, and China, thereby strengthening our acquisition of IP rights for local inventions and examination of other companies' IP rights. In addition, as a cooperative framework within the Group, we support patent disputes in North America through our bases in North America, and our bases in China

From the development stage, the Company examines the IP rights of other companies and has clearly defined internal rules to ensure that its products do not infringe on the IP rights of third parties.

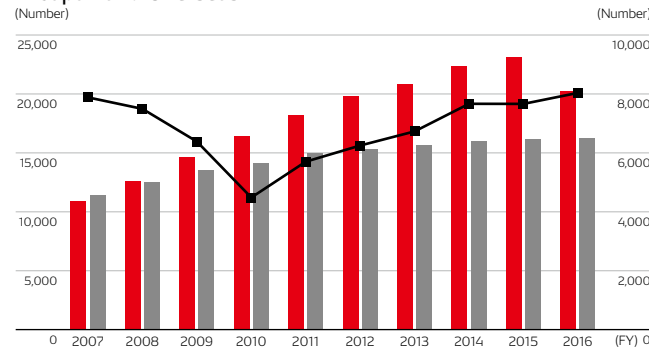
Measures Against Counterfeit Products

DENSO takes active measures against counterfeit products (in particular those with imitation trademarks). There are many quality problems with counterfeit products, and there is the possibility that purchasing such a product in the belief that it was manufactured by DENSO could be detrimental to the purchaser. In 2005, the Company commenced activities to detect counterfeit products in cooperation with government and customs agencies. DENSO is continuing those activities and, since more recently, has been monitoring Internet auctions and other sales channels for counterfeit products.

engage in product protection by taking measures against counterfeit products and the taking out of Chinese petty patents.

Problems are shared between the IP staff at each technical center and Head Office, and a global IP meeting is in place to work on plans to stimulate and develop the IP activities in each region. In place to allow discussions between IP staff from Group companies in Japan, a similar meeting works on plans to stimulate and develop the IP activities at each Group company.

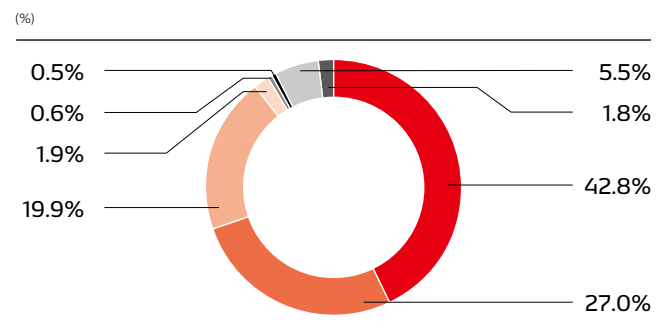
Number of Patents Held and Patent Applications Filed in Japan and Overseas



■ No. of patents held in Japan ■ No. of patents held in foreign countries
 ● No. of patent applications filed in Japan and overseas

Note: The number of patent applications filed shows the total number of filings in Japan and overseas. This figure includes patents filed during DENSO's fiscal year. The number of patent applications filed in Japan includes withdrawn items for priority claim based on Japanese patent application and divisional applications. The number of patent applications filed in foreign countries includes continuing and divisional applications.

Ratio of Patent Applications in Foreign Countries



■ United States ■ Germany ■ China ■ France ■ United Kingdom
 ■ Italy ■ Other Asian countries ■ Other countries

TOPICS

2016 Intellectual Property Achievement Award Received from the Minister of METI

In recognition of the level of integration of intellectual property activities in its operations, DENSO received the Intellectual Property Achievement Award from the Minister of Economy, Trade and Industry, as a part of Awards for Contributors to the Intellectual Property Rights System in Japan, administered by the Ministry of Economy, Trade and Industry (METI) and the Japan Patent Office.

Highlights of Award

- The award recognizes the strength of DENSO's intellectual property organization at its technical centers in North America, Europe, and China, as well as its reinforced patent monitoring system for rival companies in BRICs. DENSO quantifies the balance of patent strengths in light of shares in each country, and sets the direction of development efforts at technology departments.



Left: Executive Vice President Yasushi Yamanaka
 Right: Tsuyoshi Hoshino, Parliamentary Secretary for METI

Engagement with Society

Basic Stance

DENSO advances business activities while interacting with various stakeholders.

To create a better society, DENSO clarifies its responsibility to stakeholders in its business activities, and values engagement

with stakeholders as a helpful means of avoiding self-satisfying activities that are biased by its own logic and preconceptions. DENSO fulfills its social responsibility while reflecting stakeholder opinions and the needs of society in its corporate activities.

Examples of Engagement with Stakeholders

Customers

Customer Satisfaction (CS) Improvement Exhibition

DENSO holds an exhibition to present its *Monozukuri* initiatives and associated case examples—which are based on customer feedback and undertaken from the customer's perspective—to employees, Group companies, and suppliers. We also hold lecture sessions on the theme of fostering awareness of the customer's perspective to learn about efforts by other companies.

Approx. 20,000 people attended



Employees

Global Conference

Leaders from Group companies around the world gathered at the Global Conference to learn more about the Mid-term Policy and discuss related strategies as well as hear presentations by directors about how the Group is pivoting toward sustainable development, followed by group sessions.

Approx. 300 employees participated from around the world



Suppliers

General Meeting of Suppliers

As a measure to deepen interactions with our suppliers, we provide information to major suppliers inside and outside Japan about our procurement policy and the initiatives of each business division.

Approx. 340 suppliers participated from around the world



Local Communities

DENSO Group Heartful Day

DENSO has designated a day ("Heartful Day") for employees to give back to their local communities. DENSO aims to contribute to society in ways that reflects its unique position and role in society.

Approx. 30,000 employees participated from around the world



Cleanup activities to protect the green turtle

Shareholders and Investors

Results Briefings for Institutional Investors

DENSO holds results briefings for the purpose of disclosing business and financial information in a timely and appropriate manner and enhancing management transparency through dialogue. After presenting financial information, DENSO updates investors on the development of products that contribute to security, safety, and the environment based on its Mid-term Policy, and then opens the floor to questions.

Approx. 130 people participated in each of the four annual events



Ordinary General Shareholders' Meeting

After the president reports progress on annual initiatives, the president and Board members answer questions posed by shareholders. Once the General Shareholders' Meeting ends, DENSO offers participants a tour of its plants with a choice of seven courses for learning more about *Monozukuri*.

Approx. 1,200 people participated

