Responsibility to Business Partners

Initiatives with suppliers will be introduced among our business partners.

Basic stance

As a global corporation with operations in 35 countries and regions, DENSO procures components, materials and equipment worth 2,000 billion yen from some 5,000 suppliers each year (with a local procurement rate of 70%). DENSO has established five policies based on the principle of open, fair and transparent transactions in the DENSO Group Declaration of Corporate Behavior. Accordingly, DENSO has made an explicit commitment to an "open door policy" that provides opportunities for suppliers to participate in its business in a fair manner without regard to national origin, company size or previous transaction history; undertake efforts to realize mutual development by designating suppliers as equal business partners; and compliance with Japan's Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and the laws and regulations of each country and region in which DENSO is active. All Group companies share basic policies, which are available on the Group website (in Japanese and English) along with a description of the procedures for becoming a supplier and related contact information.

Five policies of procurement

1. Open door policy
2. Mutual growth based on mutual trust
3. Promotion of green procurement in consideration of the environment
4. Promotion of local procurement aiming to be a "good corporate citizen"
5. Permeation of compliance with laws and regulations and confidentiality

Promotion structure and assessment mechanisms
Each year, DENSO Corporation holds a General Meeting of Suppliers in which the Company explains its procurement policies to about 300 principal suppliers. The Company has also created the Constitution Assessment Program for Suppliers (CAPS)*, which defines assessment standards in the areas of quality, cost, delivery, management, the environment, safety and compliance in order to facilitate mutual growth in the midst of global competition. The program, which is operated by DENSO Corporation and its domestic Group production companies, seeks to strengthen partnerships by enhancing suppliers’ constitution, assisting in support activities and by recognizing outstanding supplier performance. Group production companies in the Americas, Europe, Asia/Oceania and China began implementing CAPS, and they are working to establish and extend the program while giving due consideration to unique national and regional characteristics.

In January 2009, we integrated procurement functions and established a Procurement Group to give shape to our “One Policy” and “One Voice” concepts for suppliers and vitalize mutual communication. We also conducted a partial review of work allocation in each department. The Procurement Department now handles the overall procurement functions of the organization (plans procurement measures and policies, supports suppliers, etc.) and the centralized purchasing of processing parts, raw materials and equipment, while respective purchasing departments are responsible for purchasing components specific to each of the other business groups. Additionally, organizational restructuring (including that of the business category-based purchasing system) was implemented within the Procurement Group. Accordingly, the Supplier Support Office (name changed to the Procurement Technology Office from January 2012) was newly established to handle overall control of support functions for suppliers, which were previously split between each business group, thereby strengthening our support framework.

* Constitution Assessment Program for Suppliers

CAPS mechanisms and operation

Promoting CSR throughout the supply chain

CSR procurement stance
Due to the extent of their influence on society, multinational corporations involved in businesses in the global market are expected to implement policies and measures for promoting corporate conduct that take into consideration responsibilities such as legal compliance, protection of human rights and labor, the environment and business ethics, both in their own operations and in those of their suppliers. We believe that DENSO's mission of aiming to be a trustworthy company in harmony with society specifically involves promoting CSR in procurement, an approach that practices social responsibility throughout the supply chain.

To this end, we requested following initiatives to all suppliers (about 1,400 companies), including the suppliers of parts, raw materials and facilities.

1. Embrace the DENSO Group Declaration of Corporate Behavior
2. Assign a person to oversee CSR desks
3. Conclude a basic contract addressing issues such as compliance, protection of human rights, environmental conservation and occupational safety (By March 2008, DENSO had concluded that contract with all suppliers.)

**Development to date**

During fiscal 2010, in addition to strengthening CSR activities together with its suppliers, DENSO Corporation consolidated and unified the details of requests from industry organizations and customers, as well as promoted the following initiatives to enable suppliers to efficiently promote CSR activities.

- Formulated Supplier CSR Guidelines
- Introduced its Commentary Handbook
- Provided self-diagnostic sheets (update of existing format in fiscal 2011)

Accordingly, the scope of activity was expanded from primary suppliers to secondary suppliers.

Details on these activities were disseminated by consecutively holding and developing a Briefing Session for Suppliers starting in April 2010. Accordingly, we have completed the development of CSR-related tools by March 2011 in Japan and overseas (North and South America, Europe, Asia and Oceania, China and Korea). Additionally, suppliers are requested to expand these CSR-related tools to their suppliers (secondary suppliers for the DENSO Group).

Additionally, feedback of DENSO Corporation's diagnosis results is consecutively provided to suppliers for comprehending strengths and weaknesses at each company, and the Company is also holding study sessions (including those concerning compliance, protection of intellectual properties and management of working hours) instructed by internal and external specialists in order to support improvement activities of suppliers. DENSO Corporation will work together with suppliers in order to advance on-going efforts toward establishing a cycle of self-diagnosis, review and improvements.

Supplier CSR Guidelines (Japanese and English PDF)
Main content of Supplier CSR Guidelines

1. Safety and product quality
2. Human rights and labor
3. Environment
4. Compliance
5. Disclosure
6. Risk management
7. Responsible Material Procurement
8. Social contribution
9. Development for all suppliers

Development tools for CSR procurement

<table>
<thead>
<tr>
<th>Tools</th>
<th>Overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR guidelines</td>
<td>Clearly identify the rationale of DENSO Corporation’s initiatives and items to be observed by suppliers</td>
</tr>
<tr>
<td>Handbook</td>
<td>In order to adhere to guidelines, this handbook explains specifically what to do and how to take action with regard to priorities including compliance, human rights and labor.</td>
</tr>
<tr>
<td>Self-diagnostic sheets</td>
<td>Enables self-diagnosis regarding status of current priority initiatives.</td>
</tr>
</tbody>
</table>

Development status of CSR procurement and future plan

<table>
<thead>
<tr>
<th>Aim</th>
<th>Implementation items</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td>Overseas</td>
</tr>
<tr>
<td>Publicity</td>
<td>Distribute CSR guidelines</td>
</tr>
<tr>
<td>Visualize strengths and weaknesses</td>
<td>Self-diagnosis by distributing handbook and diagnostic sheets</td>
</tr>
<tr>
<td></td>
<td>Collect and analyze diagnostic sheets and provide feedback</td>
</tr>
<tr>
<td>Improvement</td>
<td>Holding study sessions (including lectures)</td>
</tr>
<tr>
<td>Inspection</td>
<td>Visit by DENSO personnel to conduct checks to verify</td>
</tr>
</tbody>
</table>

* With regard to secondary suppliers, initiatives will be developed via primary suppliers on a voluntary basis.

The Action to issue of Conflict Minerals

The minerals that originate in the Democratic Republic of the Congo or adjoining countries are mined by a non-humanitarian act, and it is said...
Awards were presented to excellent suppliers (award recipients: 39 companies) during the fiscal 2014 General Meeting of Suppliers held on May 20. Exhibition booths were also set up to introduce the award-winning details of respective Tohoku product fair set up at the venue.

Denso Corporation and its Group companies promote the procurement of materials with consideration of their impact on the environment and social problems such as human rights infringement and others previously.

And we recognize this issue is one of the significant social issues among supply chains.

We participated in the working groups of trade group including the automobile industry to investigate the usage of conflict minerals with tracing back through our supply chains for a concrete action and tried for the establishment of the effective investigation method that considered a burden on suppliers effectively.

And we cooperated with joint explanatory meeting for suppliers of the industry sponsorship positively and made an effort for understanding activity.

In addition, we devise a policy for Conflict Minerals as the company and revise "Supplier CSR Guidelines", and request suppliers for cooperation of Responsible in Suppliers' Convention. In cooperation with business partners in future, we will try to avoid procurement of materials with the concern.

**DENSO Group Policies and Approaches towards Conflict Minerals**

We, DENSO Corporation and its Group companies promote the procurement of materials with consideration of their impact on the environment and social problems such as human rights infringement and others.

We recognize that the issue of conflict minerals, that originate in the Democratic Republic of the Congo or adjoining countries, is one of the significant social issues among supply chains.

We conduct inquiries about the usage of conflict minerals, and we will take appropriate steps to avoid procurement of materials that can cause social injustices or finance armed groups.

We also ask our suppliers to understand our policies and approaches and to promote responsible material procurement.

**Interaction with suppliers and support activities**

At DENSO, as part of measures to deepen exchange with suppliers, we are implementing the General Meeting of Suppliers and Business Trends Explanatory Meeting, which provide information about procurement policy and details of initiatives carried out by respective business divisions, meetings by business category and meetings by respective companies and incorporating these events into an annual plan.

**Supplier awards (fiscal 2013)**

| Awards were presented to excellent suppliers (award recipients: 39 companies) during the fiscal 2014 General Meeting of Suppliers held on May 20. Exhibition booths were also set up to introduce the award-winning details of respective Tohoku product fair set up at the venue |
| Supplier awards presentation ceremony |
companies as a means of sharing information.

Additionally, many connections were created during fiscal 2013 through the General Meeting of Suppliers by introducing various initiatives, including fundraising and a Tohoku product fair based on the theme "Let's Support Tohoku," as well as a recovery support activity by hula dancers made up of female DENSO Group employees in Japan.

[Comments from supplier award recipient]

President Shigenori Yamauchi, Sumitomo Light Metal Industries, Ltd.*

We have been promoting joint development with a primary emphasis on the development of aluminum materials for heat exchangers. We are delighted and honored to receive the award at this time. Going forward, we hope to further become a company that can be of help from a global perspective.

* Sumitomo Light Metal Industries, Ltd. was merged and established as UACJ Corporation on October 1, 2013. Mr. Shigenori Yamauchi was appointed Chairman and CEO.

Karl-Hugo Schick, CEO of Burgmaier Metalltechnik GmbH + Co. KG

Our parts business started from 2002 with a focus on machin and die-casting products and we are truly honored to have received the overseas excellent supplier award on this occasion. We are learning many things through business and hope to continue our relationship as a good partner in the future as well.

Green Procurement Guidelines

In keeping with DENSO EcoVision 2015, DENSO has established the DENSO Group’s Green Procurement Guidelines designed to reduce the use and emissions of environmentally hazardous substances on an ongoing basis. To this end, we requested following initiatives to our suppliers.

1. Establish an environmental management system
2. Manage and reduce environmentally hazardous substances
(3) reduce environmental loads during the production stage
(4) conduct lifecycle assessments (LCA)
(5) reduce CO2 emissions associated with logistics, packing and packaging materials.

**Ensuring procurement departments practice open, fair and transparent transactions**

DENSO Corporation is working to promote CSR throughout the supply chain and to strengthen inspection and validation systems to ensure that procurement departments practice open, fair and transparent transactions. The *Code of Conduct for DENSO Group Associates* and Business Etiquette for Buyers, which outline our philosophy and standards of behavior, have been distributed to all associates involved with procurement. Employees have also been encouraging suppliers to use the Business Ethics Hotline (internal reporting system). Additionally, in April 2012, we distributed compliance cards, which clarify items to be observed in conducting business, to suppliers and procurement departments internally. By sharing such information, we aim to thoroughly review and reinforce compliance both internally and externally.