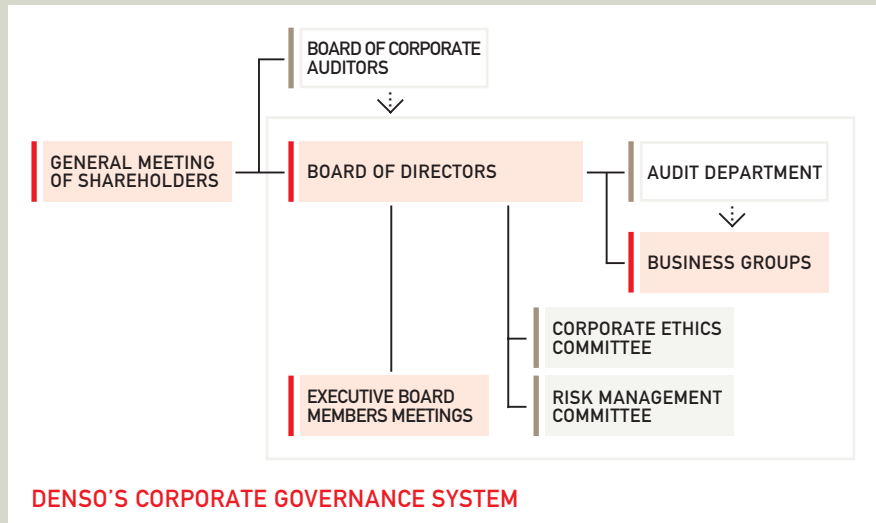


# CORPORATE GOVERNANCE

## DECISION-MAKING AND MONITORING FRAMEWORK

DENSO operates under a system of autonomous business group management. Daily operations are entrusted to directors in charge of business groups, ensuring rapid and flexible decision-making, while important management issues are discussed at weekly Executive Board Members Meetings, which are attended by all DENSO directors from the senior managing director level upward. Final decisions on issues discussed at Executive Board Members Meetings are made by the Board of Directors, which is also responsible for monitoring the business conduct of each director in charge of DENSO's business groups. As a rule, the Board of Directors meets more than once a month to decide on important management matters stipulated by law and the Board's regulations.

DENSO's Board of Corporate Auditors consists of two standing auditors and three external auditors. The number of external auditors was recently increased to three to enhance corporate governance and introduce a more independent perspective. This additional post was filled by Tamiki Kishida, an academic expert in business administration. Corporate auditors participate in meetings of the Executive Board Members and Board of Directors, to monitor whether management decisions are being made in a proper manner and in accordance with relevant regulations. They are also responsible for monitoring the business conduct of directors and



for auditing the operations and financial position of all the company's domestic and overseas subsidiaries and affiliates.

In addition to these legal requirements, DENSO operates an Audit Department in order to ensure more robust operations. This department is mandated to carry out various site audits that go beyond investigations of legal compliance.

## CORPORATE ETHICS AND RISK MANAGEMENT

In 1997, DENSO established a Corporate Ethics Committee to strengthen its compliance activities. This committee is responsible for making sure DENSO's operating activities are carried out in accordance with all relevant laws and regulations and the company's own ethical code. In 1998, the committee formulated a document titled *The DENSO Code of Business Conduct*, outlining the company's policy on the expected behavior of all DENSO associates. Revisions to the code were

carried out in 2002 with the inclusion of specific examples to provide practical advice on key legal and ethical issues associates may face. This document is distributed throughout the company, and is used in training programs on corporate ethics for all associates at every level of the organization.

Plans are also on the table to establish a confidential helpline to allow associates with knowledge of business misconduct or violations of the code to readily report their information, thereby enabling the rapid identification and resolution of any issues arising.

DENSO has always taken a thorough approach to risk management. However, because of the global nature of its business, the Company is exposed to an increasingly wide range of risks. In response, DENSO established a Risk Management Committee in May 2003, to lead the DENSO Group in avoiding, rapidly detecting, assessing, and managing this risk.