

CORPORATE GOVERNANCE

Overview and Framework

DENSO operates in a global market characterized by rapid change. In this environment, enhancing the overall competitiveness of the Group is essential to raising corporate performance over the long term. Establishing sound principles of corporate governance is an indispensable part of this process.

In addition to the legally required functions performed by the General Meeting of Shareholders, the Board of Directors, the Board of Corporate Auditors and auditing firms, DENSO's corporate governance framework is reinforced by a number of internal mechanisms. The overriding objective of the framework is to ensure sound, efficient and highly transparent management based on the continuous disclosure of information to shareholders, investors and other stakeholders.

New Management System Introduced in June 2004

In a move to enhance corporate governance, DENSO introduced a new management system based on a streamlined Board of Directors and a new system of non-board managing officers. Reducing the number of directors sitting on the Board from 32 to 13 is intended to speed up decision making in answer to dramatic shifts in DENSO's operating environment and the increasingly global nature of its business.

The 24 non-board managing officers, including one non-Japanese, will be responsible for daily operations at specific divisions, while a number of the 13 directors will oversee the operations of each of DENSO's business segments. In their liaison role between Group-wide management policy and day-to-day operations, these directors will primarily be responsible for ensuring management decisions are rapidly implemented at an operational level, and conversely, making sure the opinions of frontline managers are reflected in management policy.

Corporate Oversight

DENSO's Board of Corporate Auditors consists of two standing corporate auditors and three external auditors. The number of external auditors was increased from two to three in June 2003 to give this board a more independent perspective. The board is responsible for monitoring the actions of the Board of Directors and auditing the operations and financial positions of all DENSO's domestic and overseas subsidiaries.

Compliance and Risk Management

DENSO established a Corporate Ethics Committee in 1997. This committee is

responsible for ensuring that DENSO's operating activities are carried out in accordance with all relevant rules and regulations and with DENSO's own ethical code. The committee also works to strengthen Group-wide compliance through the publication of *The DENSO Code of Business Conduct*, a set of guidelines distributed throughout the Company since 1998. In other recent initiatives, DENSO established a Business Ethics Helpline in October 2003, to provide associates with a confidential way to express concerns on possible improper or unethical business practices such as violations of company policies, laws or regulations.

Due to the global and diversified nature of its operations, DENSO has always attached a great deal of importance to managing a wide range of risks, including risk associated with natural disasters, environmental pollution, industrial accidents, and potential legal violations. To further enhance its capabilities in this area, DENSO established a Risk Management Committee in May 2003. This committee works to prevent risk wherever possible, and provides risk detection, assessment and management in a timely manner.

