

Enhancing Competitiveness in Our Group Companies

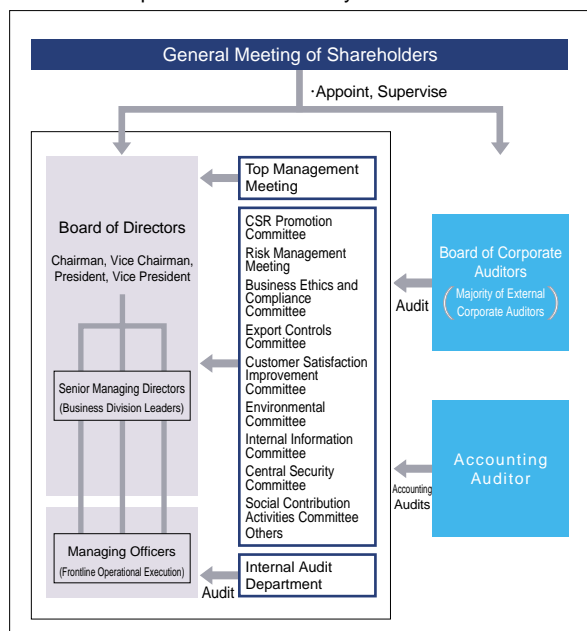
Corporate Governance

Structure for Expediting Decision-making Process and Operations

In the fast-changing global market, we need to boost long-term business performance and enhance competitiveness of our group companies. To achieve that, we recognize it is extremely important to establish corporate governance and make effort to enhance it. We adopted an auditing system, and we also have other legal functions like the general meeting of shareholders, board of directors, board of corporate auditors and auditing firms. In addition, by not only developing various kinds of internal control systems, but also by continuing to disclose information about business conditions to our shareholders and investors, we ensure healthy, efficient and transparent corporate management.

To expedite the decision-making process and operations, we trimmed the number of directors in our boardroom and introduced a managing officer system. In our governance system, there are not only directors who control all the departments and link management with employees, but also managing officers who are engaged in operations specially assigned to each department. With the goals of establishing a maneuverable management system to respond to the changing management environment and clarifying management responsibilities for each fiscal year, the term for our directors is now up to one year.

DENSO's Corporate Governance System



Enhancement of Compliance System

The Revised Code of Conduct and Positioning of Compliance Leaders

Fundamentally, compliance (compliance with laws and ethics) means not only the observance of laws and respect for customs and culture in each country and region, but also having each one of our employees act on the basis of high ethical standards. In 1997, we set up a Business Ethics and Compliance Committee, and in 1998 we distributed to all employees the "Code of Conduct," a guideline about the mindset required for employees. In May 2006, by adding policies of corporate citizenship and environmental protection from the perspective of CSR to the Code of Conduct, we formulated "the Code of Conduct for DENSO Group Associates" and shared it among domestic group companies. To further promote it throughout our companies, we recently appointed compliance leaders who also hold the role of CSR leaders.

Enhancement of Function of Business Ethics Hotline

In 2003, we started the Business Ethics Hotline, an internal reporting system where external lawyers take charge of consultation and formulate the rules for operating the Hotline in accordance with the law of safeguards for those who disclose information in the public interest (enforced in April 2006). We also distributed the Guideline for Hotline to all employees. In May 2006, we enhanced the system by making it available even to major suppliers (about 300 companies).

Promotion of Education and Enlightenment

Since fiscal 2002, we have intended to improve the understanding of full compliance by offering training, mainly in the form of lectures, to all employees through organized classes and an in-house website. In October 2005, we published "the Rule," a compliance newsletter. During business ethics and compliance month every October, we conduct a standardized self-assessment and report the results to the Business Ethics and Compliance Committee. The survey of Business Ethics Awareness for 3,000 employees has been carried out once every year for the purpose of disseminating the Code of Conduct and the internal reporting system.



"The Rule" a compliance newsletter

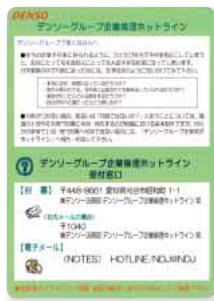
Area	Respecting employees
Compliance	Introducing the common group compliance program ・Establish an employee code of conduct ・Establish a reporting system (Hotline, etc.) ・Set up a compliance leader (each company / workplace unit) ・Educational activity

Expansion to the Group Companies

With the principal of “management based on compliance with laws” and under the slogan of “System Consistent/ Site Specific,” general operating bases in each region create a code of conduct and ethical system which reflect the situation in each region.

【Domestic Group Companies】

In January 2006, we set up a Business Ethics Hotline for DENSO Group Companies (overseen by our Legal Department) to support the introduction of the internal reporting system in each domestic group companies.



Business Ethics Hotline Card for DENSO Group Companies

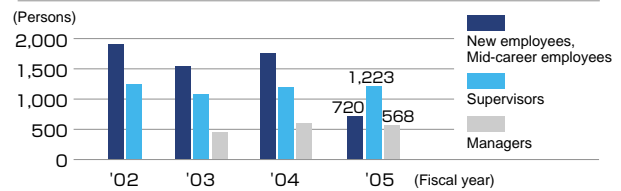
【Overseas Group Companies】

Overseas group companies strive for compliance with laws and regulations and corporate ethics, and for respect for customs and culture in each country and region, sharing DENSO’s corporate philosophy. Since 1999, Compliance Committee in North America follows up on guidelines and operates the Hotline. We added China to the member of the Regional Headquarters of Japan, the U.S., and Europe and held “Global Legal Conference” in fiscal year 2005, exchanging opinions. As for the Asia area, we plan to organize a legal section in a regional headquarters.

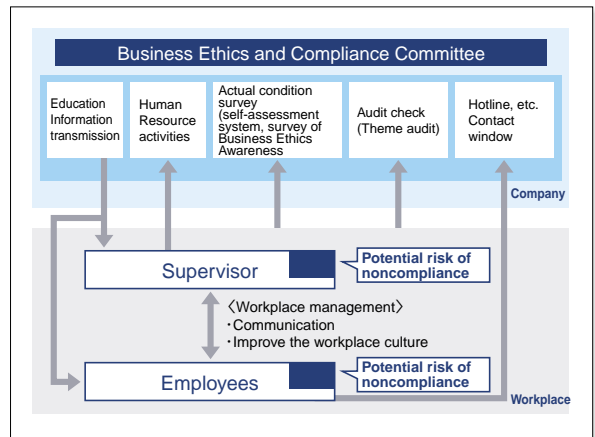
Results of compliance system operations in fiscal 2005 (DENSO JAPAN)

- Internal reporting system — about 80 cases of consultation and reporting (related to workplace and management)
- Rule, a compliance newsletter — published every month (the second half of the fiscal year)
- Survey of Business Ethics Awareness — Those who know The Code of Conduct: 86% in 2004 → 86% in 2005
Those who know The Business Ethics Hotline: 56% in 2004 → 66% in 2005

Participants in Compliance Training (Non-Consolidated)



Entire system of corporate ethics activities



Progress of our main compliance system

Organization for promotion of our compliance system In 1997: Established the Business Ethics and Compliance Committee	In 1999: Introduced and implemented the compliance program for all U.S. group companies In 2004: Started the Global Legal Conference In 2006: Established Compliance Leaders
Code of Conduct of Employees In 1998: Formulated the Code of Business Conduct	In 2000: Formulated the Code of Business Conduct for the U.S. In 2002: Revised the Code of Conduct for domestic companies In 2006: Shared the Code of Conduct for DENSO Group Associates with domestic group companies
Contact Window In 2003: Started Business Ethics Hotline	In 2006: Made the Hotline available to suppliers
Education and Enlightenment In 2002: Started training all employees by organizational class In 2003: Set up the in-house website for corporate ethics and started Business Ethics and Compliance Month (in October)	In 2005: Published Rule, an in-house compliance newsletter
Monitoring In 1999: Started the company-wide standardized self-assessment (in October) In 2004: Conducted the survey of Business Ethics Awareness	In 2005: Conducted the survey for temporary staff