

Responding to the Diversification of Risks and Security

Promoting Risk Management

Improving DENSO Group Companies' Risk Management

In the rapidly changing global business environment, the importance of risk management has been more strongly highlighted for enhancing corporate governance than ever before. After classifying the cases that can cause damage to management into "Risk" (situations in which nothing has yet surfaced) and "Crisis" (emergency situations in which Risk is brought to light), we prevent the causes of Risk at an early stage and quickly and properly implement initial recovery measures to minimize damage. For promoting risk management, we set up a "Risk Management Meeting", which is a cross-sectional organization. It is raising risk management levels by selecting 58 risk items, developing preventive measures and recovery plans for each of them and preparing an enhancement system. Moreover, we have strengthened the entire group's risk items by assigning responsible personnel for group companies and sharing the preventive measures and recovery business operations of DENSO.

In fiscal 2005, as one of our measures for improving the risk management of our group companies, we created "a self-assessment sheet" for each risk items and carried out voluntary inspection in domestic and overseas group companies. We evaluated the results of that inspection and created and promoted an improvement plan, aiming to raise the level of risk management throughout group companies.

Enlightenment of Employees

One of the key factors for successful risk management is raising the level of employee awareness and the ability to take corrective actions against risks. To raise this awareness, we developed, explained and delivered a Crisis Communication Manual to all executives, managers and responsible personnel related to risk items in fiscal 2004.

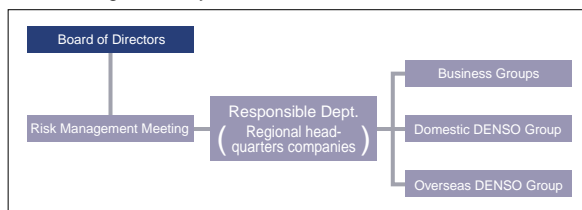
In fiscal 2005, we revised "the Risk Management Handbook," which employees are required to carry at all times. It aims to instruct employees to take proper measures without panic in case of any emergency situation, such as measures in case of fire, traffic accidents or earthquakes. It includes a correspondence procedure for confirmation of safety in case of earthquakes. And also, we conducted risk management training for managers and responsible personnel related to risk items. We promote sustainable motivation education activity for employees including group companies.

Number of trainee in FY2005 (DENSO JAPAN) 153members
(Department managers)

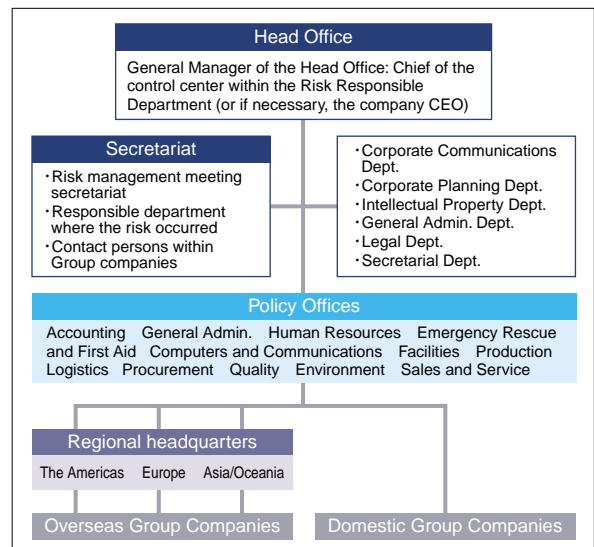
Risk Management Hand Book (DENSO JAPAN)



Risk Management System



Task forces in the event of a crisis



Major Risk Factors

Accidents and mistakes due to internal factors	Environmental pollution, Labor accidents, Expansion of customer claim, employee issues, Human rights issues, Confidential information leak, Product recalls, Bad debts, Traffic accidents, Production impediments, Information system failures, Violations of contract obligations.
Violations of law	Antitrust Law Violations, Foreign Exchange Law Violations, Tax evasion, Patent Infringement, Crimes and scandals involving directors and employees, etc.
Accidents or unexpected incidents due to external factors	Cornering the market for company shares, Shareholder Representative Lawsuits, Product liability lawsuits, Contingencies, Distribution problems, Cyber terrorism, etc.
Natural disasters and accidents	Rapid changes in foreign exchange or interest rates, Natural disasters, Encountered incidents, Disaster at Supplier, etc.

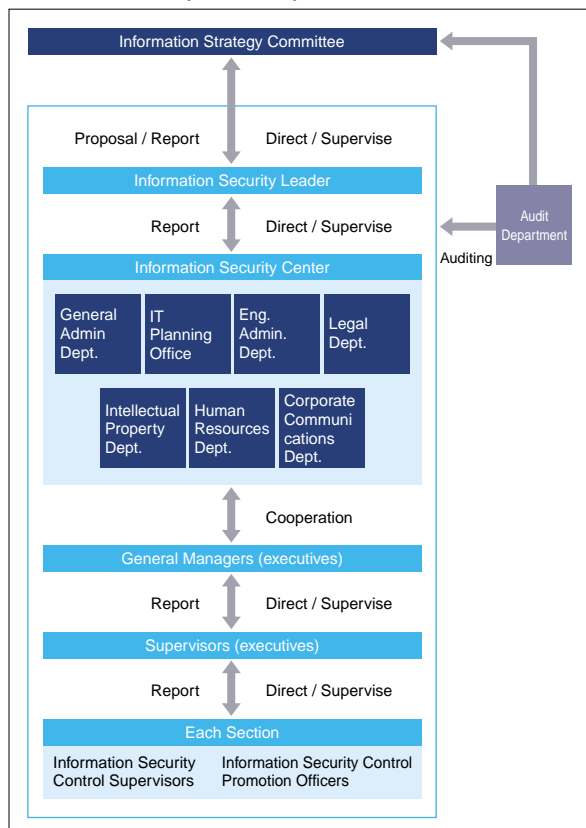
Promoting the Enforcement of Information Security

DENSO Group Information Security Standards

Information concerning technology and products—and information about people, including our customers and employees—is an indispensable asset for business activities, and we have worked aggressively to guarantee information security. In 2002, we established a specialist group, the following year, we implemented a management system based on international standards such as ISO/IEC17799 under the DENSO Group's Basic Principles of Information Security. In fiscal 2005, we established the DENSO Group Information Security Standards, stipulating the 137 management terms based on globally distributed ISMS[※] to strengthen the entire group's information management. These standards have thus far been disseminated to approximately 50 companies in Japan and 60 more overseas. By constantly monitoring and assessing present conditions, we are able to continuously upgrade and enhance security throughout the entire group.

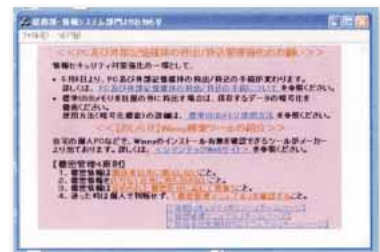
※Information Security Management System

Information Security Control System



Strengthening Management for Personal Computers and Other Memory Media

The rapid expansion of the global Internet society has created new environments for risks such as viruses and the loss or damage of memory media. Improvements and new security measures are imperative. In May 2006, DENSO established and began to implement the following measures for strengthening security, together with reminders on the screens of all in-house computers.



Screen calling attention on in-house computers

- 1 Strengthening management for USB Memory usage and prohibiting the use of non-company standard items of USB Memory, which is the primary storage medium for personal computers
- 2 Strengthening management for the use of company computers both in and outside the office
- 3 Strict measures for viruses entering PCs from websites
- 4 Strict measures prohibiting dangerous fileshare software such as Winny (measures have already been taken in work environments)
- 5 Introduction of the danger assessment system for unsolicited junk e-mail with a possibility that it may be of a criminal nature

Protecting Personal Data

Prior to full enforcement of the Personal Information Protection Law in Japan beginning in April 2005, the Legal Department provided individual training and briefing sessions for major departments that handle customer information, such as regional sales companies and customer service representatives. We have also set up a FAQ on the Personal Information Protection Law on our company website, have made inspections on management status of personal information for each division and called for greater caution.

[Report]

In March 2006, the personal information (name, address, telephone number and email address) of 53 students who were registered in our membership system employment site was leaked by one of our employees. The information was lost. We explained to each of the 53 students what had happened and published the explanation on our web site. After confirming the extent of the loss, we found no reports of fraudulent or illegal use of the lost data as of July 2006. Our company fully understands the seriousness of this incident. Our management methods have been reassessed, and the overall management and protection of personal information has been improved to prevent recurrences.