

Risk Management and Information Security

In keeping with the global spread of its business, DENSO is making efforts to strengthen risk management and information security as a part of its internal control system so that the Company reduces risks to the lowest possible degree.

Risk management

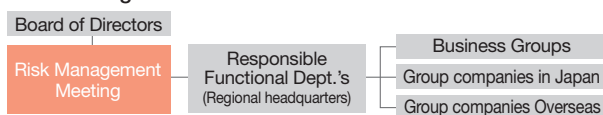
(1) Basic idea

The matters with the potential to cause damage to management are classified into "Risk" (situations in which risks have not been realized) and "Crisis" (emergency situations in which risks have already been realized). For the former case, DENSO pours its efforts into the prevention by picking up the shoots of risk. For the latter case, the Company strives for a prompt and proper initial response and resumption. Among others, the key items are: "1) strengthening responsiveness during crises; 2) diffusing and raising awareness of risk management; and 3) strengthening the group risk management."

(2) Promotion structure

The "Risk Management Meeting" is a cross-company organization in which the 58 risk items with the potential to impact life, credit, property, or business activities have been selected. These items have been individually allocated to responsible departments. The departments have been continuously reviewing and raising the level of measures for prevention and resumption. Likewise, Risk Managers have been appointed at group companies whereby DENSO seeks to furnish a promotion structure and share relevant information with group companies. Additionally, the Company conducts a self-check for each risk item following "Self Diagnosis Sheet," thereby raising the level of risk management.

•Risk management structure



•Major risk items

Accidents and mistakes due to internal factors	Environmental pollution, Labor accidents, Expansion of customer complaints, Employee issues, Disputes over personnel issues, Confidential information leak, Product recalls, Bad debts, Traffic accidents, Production impediments, Information system failures, Violations of contract obligations, for example.
Violations of law	Antitrust law violations, Foreign exchange Law violations, Tax evasion, Patent infringement, Crimes and scandals of directors and employees, for example.
Accidents or incidents due to external factors	Cornering of DENSO's stock, Derivative action, Product liability lawsuits, Contingencies, Stagnant transportation, Cyber terrorism, for example.
Natural disasters Act of God	Volatility in financial market, Natural disasters, Encountered incidents, Disaster at supplier, for example.

(3) Diffusion and awareness-raising

The "Crisis Communication Manual" has been distributed to all directors, managers, and responsible persons by risk item. In addition, all associates are obligated to carry the "Risk Management Handbook" that urges precise response when fires, traffic accidents, or earthquakes occur. Furthermore, as a measure to strengthen risk management, seminars are implemented for managers. The scope of the seminars was expanded



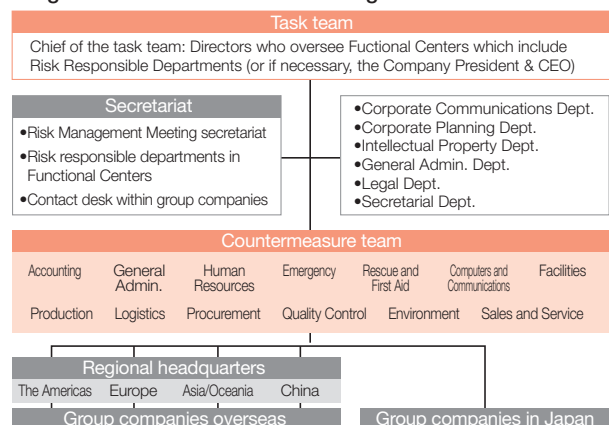
A risk management seminar

to include responsible persons for risk management at group companies and, in fiscal 2006, 75 percent of persons in the list attended the seminars.

(4) Business continuity plan (BCP)

Amid a recent multitude of large-scale disasters occurred both inside and outside Japan, to be strong enough to withstand calamity is required. DENSO continues formulating business continuity plan. The plan aims to ensure the safety of suffered associates, or their families, and achieve the responsibility of product supply following a prompt response. Assuming the Tokai and the Tonankai Earthquakes, the Company has formulated the operational follow-through to resume business operations within a set target period and the corresponding operational manual. As such, DENSO promotes building a model for the formulation of continuity plan at product divisions. In addition, concerning the safety confirmation, which is the basis of business continuity, in 2005 the Company introduced "Safety Confirmation System." In Japan, the Company

•Organization for countermeasure against crises



has implemented a group drill of inputting into the system. (about 40,000 associates have participated every time)

Information security

(1) Basic idea

DENSO recognizes that technology, information, and personal data of customers and associates are valuable assets. Under this recognition, in 2003 the Company formulated “DENSO Group’s Basic Principles of Information Security”, and the Company has been working on the strengthening of both data protection and information management. Furthermore, beginning in 2005, the Company established the “DENSO Group Information Security Standards,” which defines 142 management items referring to the globally popular ISMS.* This has been applied to group companies, of which 56 in Japan and 75 abroad.

*Information Security Management System

(2) Promotion structure

Under the Information Strategy Committee, in 2002 DENSO established Information Security Center and Information Security Chief as special organizational units to build a management structure based on international information management system standards (such as ISO/IEC 27001). In addition to information security control, audit, and company-wide self-check, the Company has implemented a monitoring survey to comprehend the actual situation of information security at each group company. In this way, DENSO continuously seeks to raise the company-wide level of security management.

(3) Education, seminars and countermeasures for system

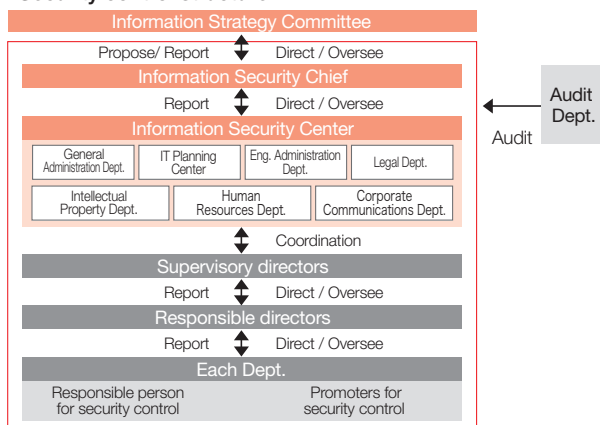
The foundation of information security rests on a high

awareness of security management in every associate. As such, the Company has held seminars by organizational class or those for new associates. In fiscal 2006, the Company also did the seminars for security control promoters at each department (139 in total) and the section meetings for associates responsible for the management of personal computers. All these sought to penetrate the awareness of security control. Furthermore, the Company has conducted such countermeasures as encoded transmission on the Internet, restriction on memory media usage, restrictive use of outgoing emails, and audit on the vulnerability of servers. In this way, DENSO examines the operative situation of system and continuously strive to strengthen the information security.

(4) Diffusion and embedment within group

In fiscal 2006, with the aim of ensuring diffusion and embedment of the “DENSO Group Information Security Standards,” DENSO held explanatory meetings, example presentations, and sessions for reporting survey result to all listed group companies in Japan. All these were about particularly important “102 Items Regarding Rules·Operation and Furnishing” of the standards. With regard to the 12 companies to which DENSO outsources designing, the responsible persons of DENSO visited these companies for themselves, investigated the current situation of countermeasures, and conducted advice and corrective recommendations. In addition, DENSO held a “Global IS Conference” in November 2006 for group companies overseas to exchange opinions and share information with regard to the spreading out of the standards. Then, for the regions with a low level of information security, the Company conducted follow-up activities to emphatically promote information security.

•Security control structure



Seizing of secured information by an associate

A DENSO engineer was arrested by Aichi Prefectural Police, Japan on March 16, 2007, on suspicion of having plundered a personal computer containing the data of component drawing sheets. On April 23, the Nagoya Regional Public Prosecutors Office in Japan declined to prosecute the case in light of insufficient evidence. However, following the internal code, the Company imposed a punitive dismissal to the associate. DENSO shows the deepest apologies for this incident, which caused a great deal of trouble for clients and other individuals concerned. The Company is aiming to strengthen more its information management up to the highest possible levels to prevent a recurrence.