

DENSO



Annual Report 2008

For the year ended March 31, 2008



Profile

DENSO Corporation, headquartered in Kariya, Aichi Prefecture, Japan, is a leading global supplier of advanced automotive technologies, systems and components. Since its foundation in 1949, the Company has spurred industry growth through pioneering research and development and superior quality products. As one of the world's top suppliers of automotive components, DENSO works hand-in-hand with all major automakers worldwide in the fields of climate control, engine management, body electronics, driving control and safety, hybrid vehicle components, and information and communications.

DENSO also utilizes its proprietary technologies and expertise in the fields of industrial systems and non-automotive thermal systems. The company currently employs approximately 119,000 people in 32 countries and regions including Japan.



Significant Financial Results for the Year Ended March 31, 2008 (fiscal 2008)

- Net sales, operating income and net income were all records. Net sales and operating income have now risen for 9 consecutive fiscal years, with the former exceeding ¥4 trillion for the first time ever.
- Annual dividend raised by ¥9.00 to ¥54.00 per share

Forward-looking Statements

This annual report contains forward-looking statements about DENSO's future plans, strategies, benefits and performance that are not historical facts. They are based on current expectations, estimates, forecasts and projections about the industries in which it operates and benefits and assumptions made by management. As the expectations, estimates, forecasts, and projections are subject to a number of risks, uncertainties and assumptions, they may cause actual results to differ materially from those projected. DENSO, therefore, wishes to caution readers not to place undue reliance on forward-looking statements. Furthermore, the company undertakes no obligation to update any forward-looking statements as a result of new information, future events or other developments, risks, uncertainties and assumptions mentioned.

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Highlights One: Financial

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2008, 2007 and 2006

| | Millions of yen | | | Percent change | Thousands of U.S. dollars |
|-------------------------------|-------------------|------------|-----------------|----------------|---------------------------|
| | 2008 | 2007 | 2006 | 2008/2007 | 2008 |
| Net Sales: | ¥4,025,076 | ¥3,609,700 | ¥3,188,330 | 11.5% | \$40,174,429 |
| Sales in Japan | 1,976,877 | 1,859,046 | 1,690,215 | 6.3% | 19,731,281 |
| Sales outside Japan | 2,048,199 | 1,750,654 | 1,498,115 | 17.0% | 20,443,148 |
| Net Income | 244,417 | 205,170 | 169,648 | 19.1% | 2,439,535 |
| Total Assets | 3,643,418 | 3,765,135 | 3,411,975 | (3.2%) | 36,365,086 |
| Equity*¹ | 2,282,677 | 2,286,956 | 2,066,303 | (0.2%) | 22,783,481 |
| Shareholders' Equity | - | - | 1,970,388 | - | - |
| Capital Expenditures | 343,779 | 312,457 | 288,714 | 10.0% | 3,431,271 |
| Depreciation | 263,519 | 219,873 | 185,143 | 19.9% | 2,630,193 |
| R&D Expenses | 311,474 | 279,890 | 256,339 | 11.3% | 3,108,833 |
| | | | Yen | Percent change | U.S. dollars |
| Per Share: | | | | | |
| Basic net income | ¥ 299.96 | ¥ 249.88 | ¥ 204.80 | 20.0% | \$ 2.99 |
| Cash dividends | 54.00 | 45.00 | 38.00 | 20.0% | 0.54 |
| Equity* ¹ | 2,658.06 | 2,668.82 | 2,384.05 | (0.4%) | 26.53 |
| | | | Billions of yen | Percent change | |
| Foreign Exchange: | | | | | |
| Foreign exchange gain (loss) | ¥ 14.9 | ¥ 29.8 | ¥ 21.1 | (50.0%) | |
| U.S. dollar | (7.5) | 11.0 | 14.2 | (168.2%) | |
| Euro | 9.7 | 9.0 | 2.0 | 7.8% | |
| Impact of ¥1/U.S.\$ change | 2.6 | 2.3 | 2.2 | 13.0% | |
| Impact of ¥1/Euro change | 0.8 | 0.7 | 0.6 | 14.3% | |
| | | | Yen | Percent change | |
| Average Exchange Rate: | | | | | |
| Yen/U.S. dollar | ¥ 113.24 | ¥ 116.10 | ¥ 112.43 | (2.5%) | |
| Yen/Euro | 160.26 | 148.69 | 136.65 | 7.8% | |
| Number of Employees | 118,853 | 112,262 | 105,723 | 5.9% | |

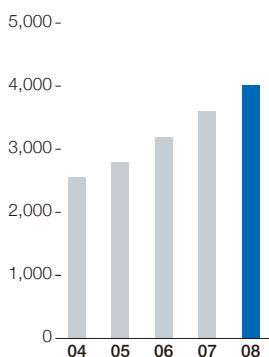
Notes: 1. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥100.19=US\$1, the approximate exchange rate prevailing on March 31, 2008, the last trading day of the fiscal year.

*1 Section under "Equity" is newly provided to conform to Japanese new accounting standard. The fiscal 2006 figures have also been reclassified to reflect this change. See Note 2 (M) to the consolidated financial statements for details.

Net Sales

+11.5%
¥415.4 billion
[A New Record]

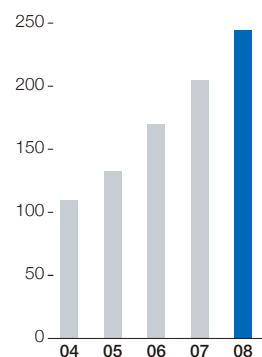
(Billions of yen)



Net Income

+19.1%
¥39.2 billion
[A New Record]

(Billions of yen)

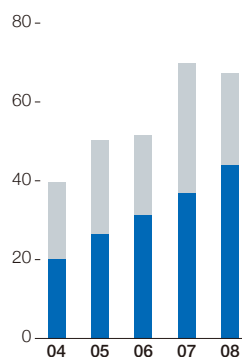


Dividends

(With Treasury Stock Repurchases)

+19.4%
(Cash dividends)
¥7.1 billion

(Billions of yen)



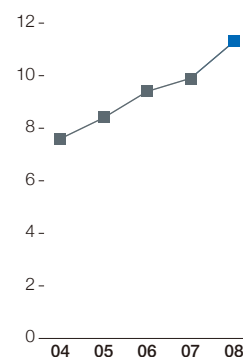
■ Cash dividends
■ Treasury stock repurchases

Figures of the treasury stock repurchases show the amounts that have been purchased between the general shareholders' meeting of one year to the next.

Return on Equity

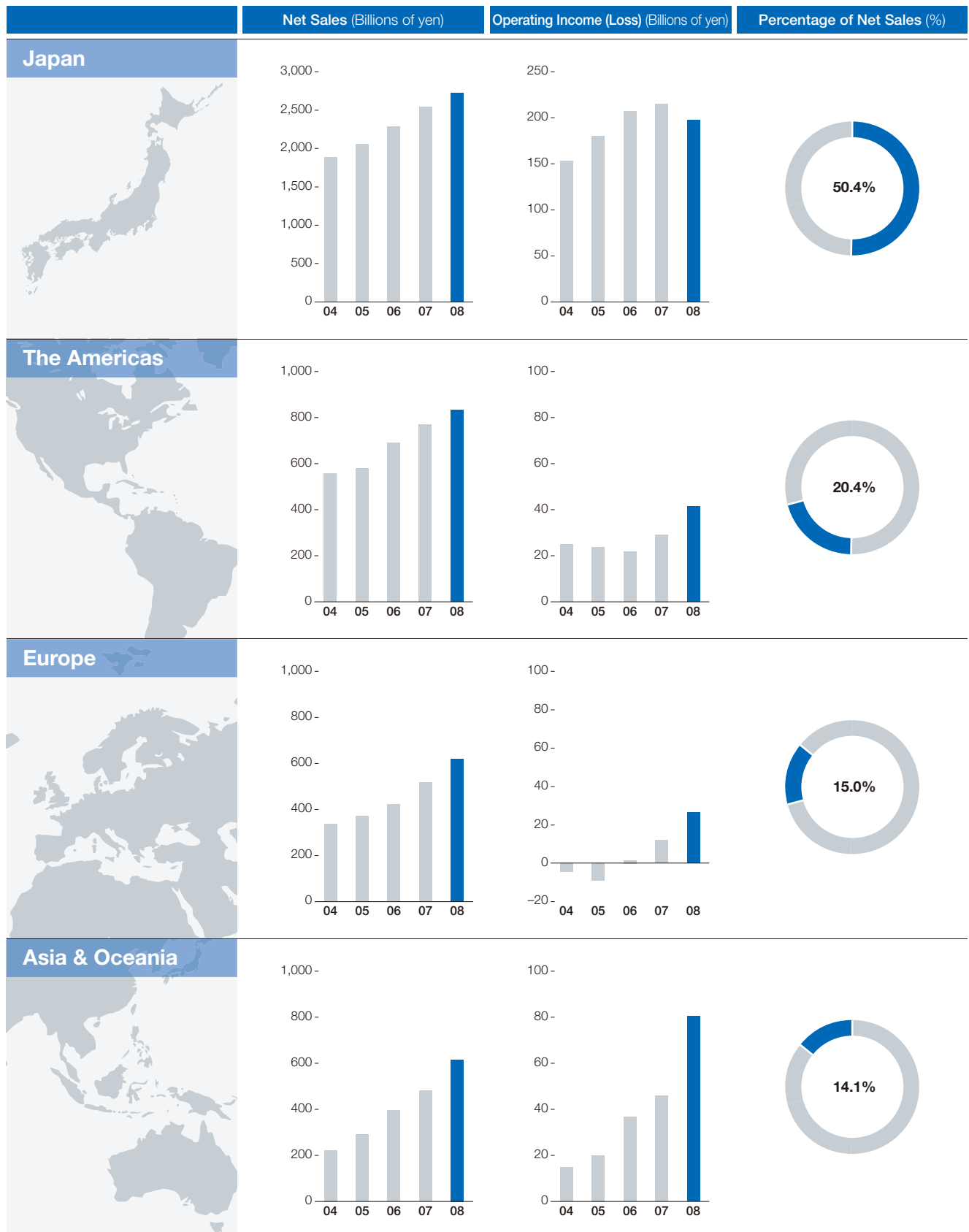
+1.4%
9.9→11.3%
[A New Record]

(%)



Highlights Two: Global

DENSO CORPORATION and Consolidated Subsidiaries
 Years ended March 31, 2008, 2007, 2006, 2005 and 2004



A Message From the President



Nobuaki Katoh
President and CEO

DENSO Group operations continue to advance worldwide as we apply our expertise in quickly identifying customer needs in all regions and responding by developing and supplying competitive, leading-edge products amid an increasingly challenging auto industry operating environment. Management effectiveness is also currently an important theme we are pursuing, and we are implementing measures to strengthen our global management structure. In this, my first opportunity to address DENSO shareholders and stakeholders in our annual report since I became president and CEO, I am pleased to be able to present a summary of our performance and to outline our future plans.

Fiscal 2008 Review and Fiscal 2009 Outlook

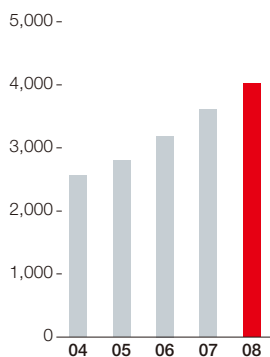
Fiscal 2008 Consolidated Results

In fiscal 2008, the year ended March 31, 2008, consolidated net sales increased 11.5% year on year to ¥4,025.1 billion. This reflected steady growth in sales to Japanese automakers, who saw strong growth in finished vehicles for export from Japan and overseas production, as well as to automakers in Europe and the United States. On the earnings front, operating income rose 15.0% to ¥348.7 billion and net income increased 19.1% to ¥244.4 billion. Both figures were records for the Company. Earnings were supported by expanded output, cost reductions, improved productivity, and the contribution from other efforts to rationalize operations and enhance management efficiency throughout our organization. These factors successfully offset the negative influences of higher depreciation expenses, a lower foreign exchange gain owing to the rapid appreciation of the yen against the U.S. dollar and rising raw material prices during the year.

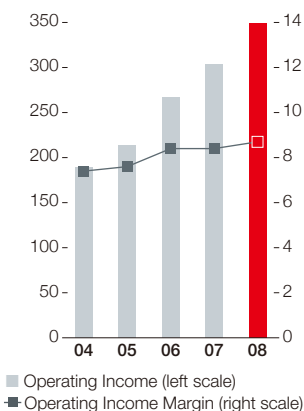
Operating Overview

The DENSO Group took several steps during the year to realize DENSO VISION 2015 guided by two key goals: contribute to the creation of an advanced automotive society, and evolve into a truly global corporation.

Net Sales
(Billions of yen)



**Operating Income/
Operating Income Margin**
(Billions of yen/%)



In terms of the first goal, we developed a high output power control unit (PCU) and battery cooling system for hybrid vehicles as part of our ongoing program to develop technology to reduce environmental impact. We did this amid moves to curb CO₂ emissions to combat global warming and to tighten regulations worldwide for fuel efficiency and exhaust emissions. The PCU is lighter and more compact thanks to a new layered cooling structure. Meanwhile, our battery cooling system uses cooled air from the cooling unit of the rear air conditioning system to reduce ventilation noise, contributing to quieter vehicle cabins. Both innovations are featured in the Lexus LS600h launched by Toyota Motor Corporation in May 2007.

In other news, DENSO's Ejector Cycle[®], a heat exchange system that uses a compact refrigerant injector to enable revolutionary improvements in energy efficiency, was used for the refrigeration cycle of passenger vehicle air conditioners and cooler boxes—the first time in the world such technology has been used for these applications. The unit debuted in the Toyota Land Cruiser launched in September 2007.

We made great strides in our efforts to evolve into a truly global corporation by harnessing the total strength of the DENSO Group in order to strengthen our global manufacturing framework. Overseas, we established DENSO (CHANGZHOU) FUEL INJECTION SYSTEM CO., LTD. in June 2007 in China, where stricter emission regulations are increasing demand for common rail systems that improve diesel vehicle fuel efficiency and reduce harmful particulates in exhaust emissions. In Europe, in July 2007 in Poland we established Advanced Diesel Particulate Filters Sp.zo.o., a joint venture with Robert Bosch GmbH of Germany, to develop and produce diesel particulate filters to meet new "Euro 5" emission regulations. In North America, in June 2007 we decided to commence production at DENSO MANUFACTURING CANADA, INC. of an engine cooling module integrating a radiator, a condenser and an electric fan, to respond to growing demand for more compact and lightweight thermal systems.

In Japan, we established DENSO ELECTRONICS CORPORATION in Hokkaido in April 2007 as the third base alongside the Kota and Takatana plants for producing automotive semiconductor products. This new plant will help us to meet rising demand for automotive semiconductor products required for increasingly high-level and complex electronic controls in automobiles. In July 2007, we decided to expand DENSO MANUFACTURING KITAKYUSHU CO., LTD. to establish an optimal production system in anticipation of expanding automobile production in Western Japan. We also took steps to establish a production framework ahead of an anticipated increase in auto production in the Tohoku and Kanto regions. In March 2008, we decided to establish a new company, DENSO East Japan Corporation, in Fukushima Prefecture to produce car air conditioning systems. In doing so, DENSO is building an optimal domestic production framework for increased vehicle production while also shifting production outside of Aichi Prefecture and to Group companies.

In addition to the establishment of new plants in Japan and abroad to reinforce our supply framework, we are aggressively working on the training of our human resources in support of manufacturing. In November 2007, at the 39th WorldSkills Competition and 7th International Abilympics, the Group entered 13 competitors, including participants from Thailand and Indonesia, who took home 4 gold medals. Activities such as these are a testament to DENSO's commitment to developing skilled technicians and passing on manufacturing expertise to future generations.



DENSO (CHANGZHOU) FUEL INJECTION SYSTEM CO., LTD. (Completed image)



DENSO ELECTRONICS CORPORATION (Completed image)



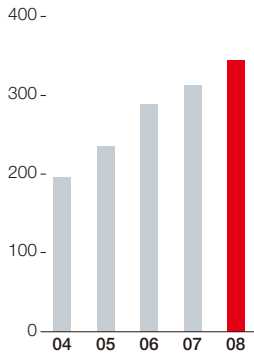
DENSO MANUFACTURING KITAKYUSHU CO., LTD.



This DENSO associate won a gold medal at the WorldSkills Competition (Mould Making)

Capital Expenditures

(Billions of yen)

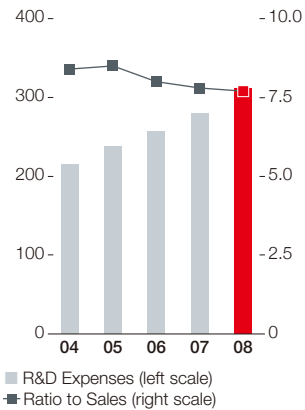
**Capital Expenditures and R&D Investment**

Capital expenditures in the year under review amounted to ¥343.8 billion, a 10.0% increase from the previous fiscal year. In the fiscal year ending in March 2009, we are projecting lower capital expenditures than in the past fiscal year when we invested heavily to ramp up output to respond to increased production by Japanese automakers. Based on this, we are projecting capital expenditures for the March 2009 fiscal year of ¥322.0 billion.

In the year under review, R&D expenses amounted to ¥311.5 billion, representing 7.7% of net sales. We anticipate spending a similar ¥311.0 billion on R&D in the fiscal year ending March 31, 2009 as we seek to strengthen our environment- and safety-related as well as electronics-related product development, among other activities. We intend to maintain R&D spending near 8% of net sales going forward in order to sustain our growth as a supplier capable of continuously making new proposals to automakers.

R&D Expenses/Ratio to Sales

(Billions of yen/%)

**Fiscal 2009 Forecasts**

In fiscal 2009, we project that net sales will fall slightly year on year to ¥4,000.0 billion, primarily due to slowing automobile production in North America. Furthermore, we anticipate the loss of sales growth momentum to be joined by a widening foreign currency loss from a strong yen and ongoing rises in raw material prices to reduce operating income 22.0% year on year to ¥272.0 billion.

As our forecasts suggest, we anticipate a historically harsh business environment in fiscal 2009 that portends an inevitable and significant decline in profit for the year. We are implementing proactive measures to lessen the potential impact from the deterioration in business conditions, including close examination of expenses, improving indirect and administrative work efficiency, and expanding the volume of import parts to take advantage of the strong yen.

Fulfilling DENSO VISION 2015

Supported in part by the healthy production output of Japanese automakers, we have made steady strides toward attaining the goals of the long-term plan of consolidated net sales in excess of ¥4 trillion and ROE of 10% by fiscal 2011. We are also looking ahead to fulfilling the objectives of DENSO VISION 2015, which aims to bring comfort and delight to the world.

Environmental and Safety Fields

As countries around the world take steps to prevent global warming, such as reducing CO₂ emissions and tightening regulations for vehicle fuel efficiency and exhaust emissions, we are accelerating development of technologies that will reduce environmental impact. We are advancing product development to support gasoline, diesel, hybrid, biofuel and all power sources as each presents unique characteristics that meet specific regional and market demands.

In addition to environmental concerns, the automotive industry is also focusing on safety issues. Along with our airbag sensing systems and pre-crash safety systems, we are stepping up the development of driver assistance systems to identify and avoid potential dangers

before an accident occurs. This includes systems based on gaze detection technology so that drivers don't miss seeing pedestrians, traffic signals and traffic signs, as well as vehicle-infrastructure cooperative systems to prevent collisions at intersections.

The ultimate objective that motivates our operations in the environmental and safety fields is to realize an automotive society with no environmental impact and no traffic accidents.

Emerging Markets and Resource-Rich Countries

Our fundamental strategy for business development has been to support the overseas advancement of Japanese automakers, and accordingly to export products from Japan and reinforce local production overseas of products developed and manufactured in Japan. While this strategy has been successful, the market is undergoing a substantial transformation reflected in the rise of local regional automakers and the growing markets for compact cars and ultra-low-cost vehicles.



DENSO INTERNATIONAL ASIA CO., LTD.

In these conditions, we are strengthening our management, development, sales and manufacturing structures as well as developing our workforce to enhance our ability to develop, manufacture, and supply products catered to the specific needs of each market and region. One step in this direction was the establishment of DENSO INTERNATIONAL ASIA CO., LTD. (DIAT) in Thailand, where automakers are focusing their manufacturing operations for the Asia region. DIAT enhances our management capabilities in the region and the new Technical Center within DIAT fortifies our development structure.

We are systematically establishing the structure for our R&D functions, from development to evaluation and testing, to enhance our product development and sales expansion activities to quickly and effectively meet specific automaker and market needs.



Structural Reform

Our business environment has been changing dramatically since the start of 2008 with the sharp rise in the value of the yen, the slowing of the U.S. economy, and the ongoing steep rises in raw material prices. At the same time, these very conditions are stimulating us to implement positive improvement of our management practices. To this end, we are focusing on three key areas for structural reform: operations, costs, and management. In operations, we are constructing an operating structure capable of effectively responding to the changes in the business environment and customer needs. In terms of costs, we are seeking to reduce overhead costs and add value to our products with the aim of establishing a more resilient earnings structure. In management, we are reinforcing our global management systems to foster a greater sense of unity among DENSO Group companies around the world with the aim of leveraging our overall strength to support sustainable business growth.

Returning Profits to Shareholders



At DENSO, we consider the proactive return of profits to shareholders to be one of the Company's most important management objectives. This involves a combination of dividends and share buybacks.

Our fundamental policy is to consistently increase the cash dividend per share over the long term, giving due consideration to a comprehensive range of factors that include consolidated

business performance and the dividend payout ratio. For fiscal 2008, the dividend applicable to the year was ¥54 per share, an increase of ¥9 from the previous fiscal year. The consolidated dividend payout ratio was 18.0%.

We view share buybacks as a means of flexibly using retained earnings to return profits to shareholders and aim to increase capital efficiency while employing a flexible capital policy according to changes in the operating environment. During the year under review, we repurchased 6.5 million of our own shares, the upper limit approved by the June 2007 General Meeting of Shareholders. The total return ratio of dividend payments and share buybacks was 27.4%. In fiscal 2009, we plan to conduct a further buyback of our own shares up to a limit of ¥27.0 billion or 6.0 million shares.

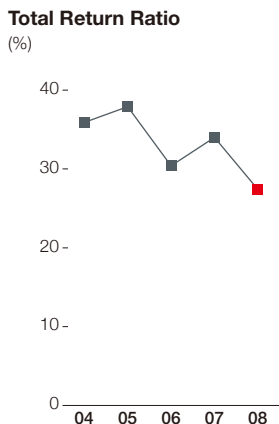
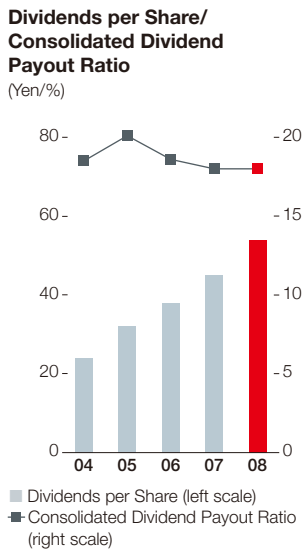
Improved business performance and ensuring steady earnings growth are essential to raising shareholder value. For this reason, we effectively utilize retained earnings for investment in R&D to develop new products and for capital expenditure to support ongoing business growth.

We appreciate the continuing support and understanding of our shareholders and other investors as we seek to fulfill expectations.

July 2008

Nobuaki Katoh

Nobuaki Katoh
President and CEO



Environmental Technologies: Key to Business Growth

We are pursuing three strategies for developing fuel efficiency technologies:

1. Advancing core technologies
2. Generating synergies within DENSO's comprehensive technology portfolio
3. Aggressively developing hybrid products

In its long-term management strategy DENSO VISION 2015, DENSO has committed to making a contribution to the creation of an advanced automotive society in which automobiles enable people to lead richer lives in coexistence with the earth without adversely impacting the environment. In order to achieve this vision, we must lead the way in supplying competitive products continuously. To this end, we are focusing on R&D in four key areas: environment, safety, comfort, and convenience. Among these, we believe that environment and safety are particularly important areas. Here, we would like to introduce our activities in the area of the environment, a field that requires urgent attention.

In the environmental field, we have set raising fuel efficiency and curbing CO₂ emissions as top priorities. We are leveraging DENSO's distinctive strengths to develop products that support gasoline, diesel, hybrid, biofuel and all power sources in order to meet specific regional and market demands. By supplying products that offer advantages to our users, we aim to generate business growth while contributing to society.

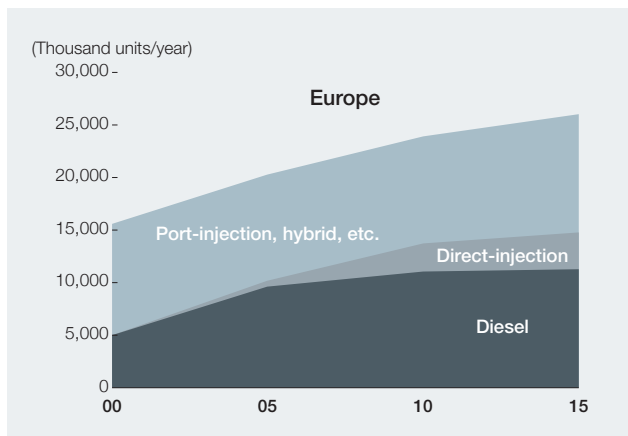
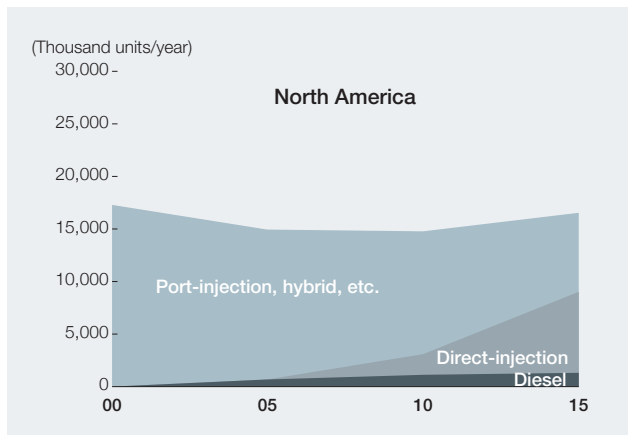
1. Advancing core technologies: Boosting the efficiency of internal combustion engines

Gasoline direct injection system

In conventional engines, fuel is supplied by injecting gasoline into intake ports. In direct-injection engines, by contrast, injecting gasoline directly into the cylinder results in better fuel efficiency. Combining direct-injection engines with turbocharged technology enables the use of smaller engine sizes to get the same engine output, thereby boosting fuel efficiency.

Market Trends (CSM 2008 Data)

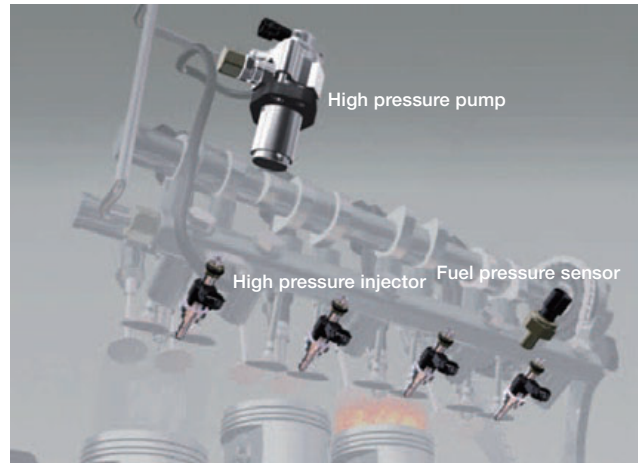
Gasoline direct injection engines are expected to see increased use in Europe and the Americas, and particularly in the North American market.



DENSO Products (Added to the lineup with direct injection)

- **EDU**
Electronic driver unit for operating injectors
- **High-pressure pump**
Pump for increasing fuel pressure
- **High-pressure injector**
Injector for injecting fuel at high pressures
- **Fuel pressure sensor**
Sensor for measuring the pressure of fuel supplied from a high pressure pump

Products Added to the Lineup to Enable Direct Injection



DENSO Product Strengths

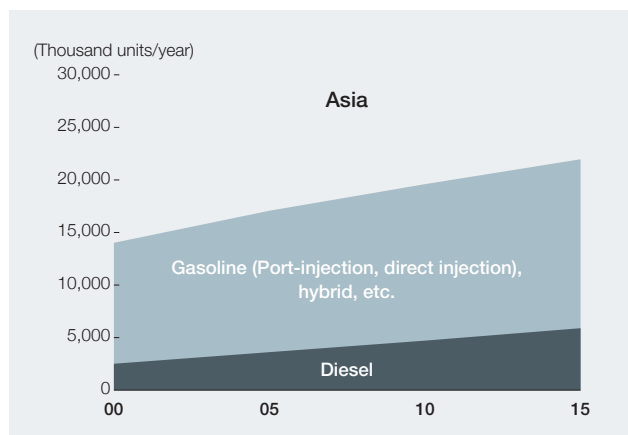
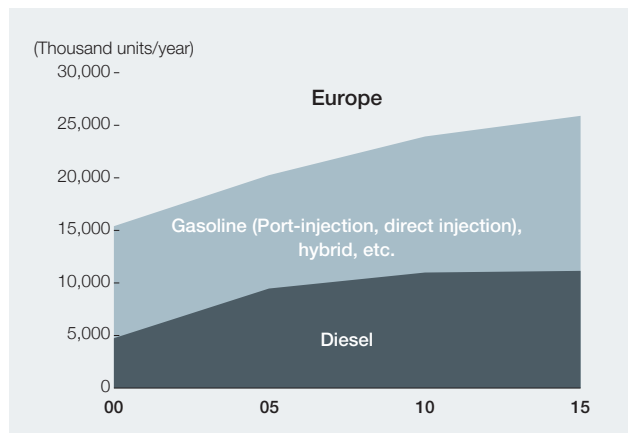
DENSO has the world's best fuel atomization technology via injectors. The fineness of the injected fuel droplets (the mean particle diameter is just over 10 microns) makes for good combustion.

Common rail system

Common rail systems store fuel under high pressure in a rail and use electronic control to achieve accurate injection timing and volume of fuel injection into each cylinder, thereby reducing NOx and particulate matter emissions from diesel engines and lowering noise levels.

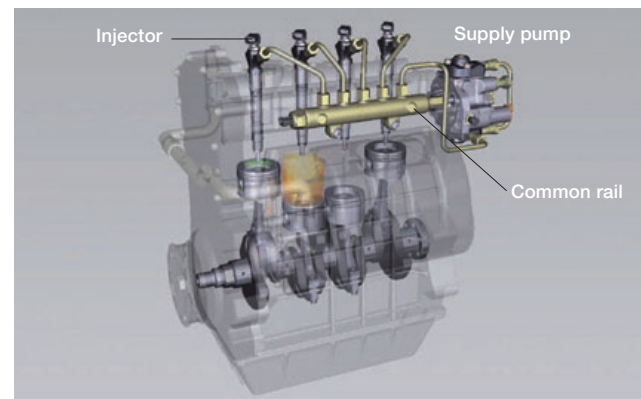
Market Trends (CSM 2008 Data)

There is potential for expanded use of diesel-powered vehicles in Europe and Asia.



DENSO Products

- **Supply pump**
Pump for delivering high-pressurized fuel to the rail
- **Injector**
Supplies atomized fuel into the engine cylinder
- **Common rail**
Accumulator where fuel is stored under high pressure
- **EDU**
Electronic driver unit that operates injectors
- **ECU**
Unit that controls the timing and volume of fuel injection based on vehicle information (commands from the driver).



DENSO Product Strengths

DENSO is strong in the areas of injectors and supply pumps.

(1) High rail pressure

Commercialization of 200 MPa* system in 2008

(2) High injection fuel pressure at injector nozzle

Ordinarily, pressure drops when the valve is opened at the time fuel is injected from the injector nozzle, but DENSO has developed a product that minimizes this effect.

As noted above, DENSO's products enable fine fuel droplets to be delivered over longer distances, thereby boosting fuel efficiency and output while reducing emissions. Specifically, regions of high-temperature combustion are reduced, thereby lowering NOx emission volume.

* Mega Pascal, a unit of pressure.

2. Generating synergies within DENSO's comprehensive technology portfolio: Efficient utilization of energy

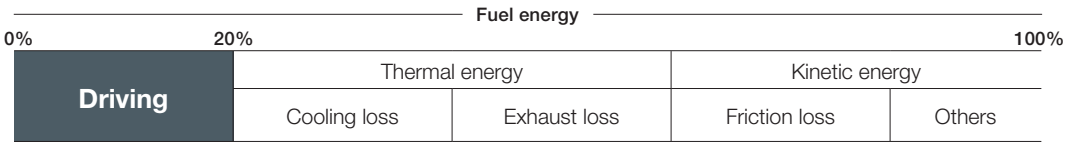
Energy management system (electricity management, thermal management)


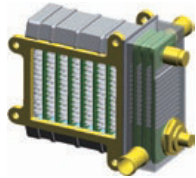



Internal combustion engines actually utilize only around 20% of the energy contained in the fuel used to power the vehicle, and the other 80% is lost. DENSO is developing technologies to reduce this energy loss.

- Types of energy loss include thermal energy released externally through the radiator, and kinetic energy lost during deceleration and idling.
- In the area of thermal energy, we are developing a system to convert wasted heat from the engine to electricity. In addition, we are enhancing our thermal storage system to improve cold engine start characteristics and provide better fuel efficiency and cleaner emissions.

- To utilize kinetic energy more efficiently, we are upgrading and improving technologies to convert deceleration energy into electricity.
- DENSO has a wide variety of core technologies in the areas of powertrain, thermal, electric, electronics, information and communications. By improving and integrating these core technologies, we are accelerating the development of energy management systems.
- Our aim is to reduce fuel consumption by at least 15% through the use of various energy management products.

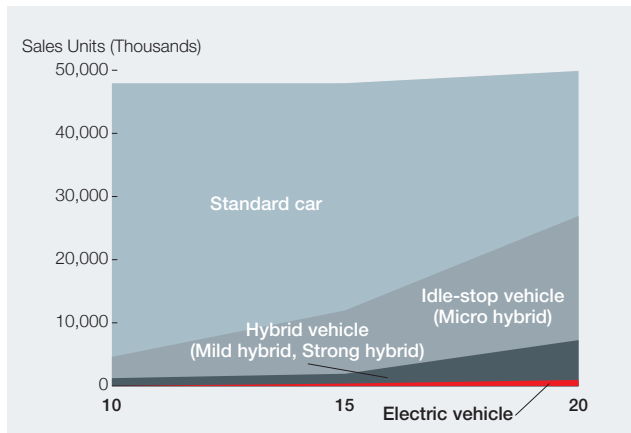
Energy Management



| | | | | | |
|-----------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Product |  |  |  |  |  |
| | Heat storage | Exhaust heat recovery | Waste heat generation | Regeneration in deceleration | |
| Purpose | Facilitating warm-up | | Converting heat to electricity | Converting kinetic energy to electricity | |
| Function | Heat retention of coolant | Recover exhaust heat | Power generation | Power generation | Battery management |

3. Aggressively developing hybrid products: Making progress in hybridization

Market Trends—Japan, U.S., Europe (DENSO Forecast)



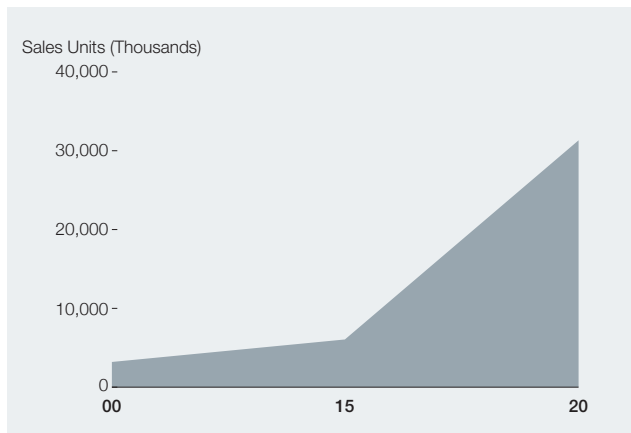
Idle stop and start system (micro-hybrid system)

Needless idling can be eliminated and fuel consumption reduced by automatically stopping the engine when a vehicle comes to a stop and restarting it when it begins to move again.

Market Trends

DENSO expects these systems to grow rapidly from around 2015, in part because of European CO₂ emission regulations.

Market Size for Idling Stop-related Products (DENSO Forecast)

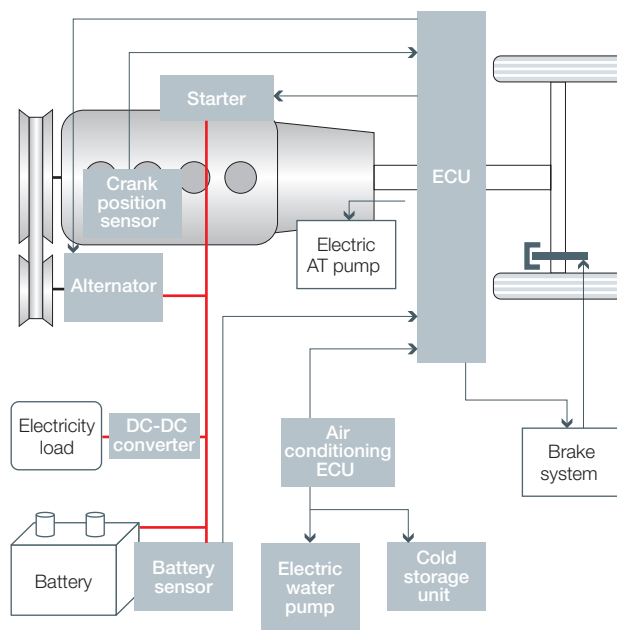


Major DENSO Products

- Improved starter**
 A normal engine starter is durable for approximately 50,000 starts. With repeated starting/stopping of the engine, however, durability of around 300,000 times is required.
- Improved alternator**
 Increases battery charging performance of converting deceleration energy to electricity.
- Idle stop air conditioning systems**
 - One air conditioning system uses a compressor powered by electricity rather than engine power.
 - Another system features a cold storage unit. The cold storage unit contains refrigerant that is cooled while the vehicle is in operation. When the engine is stopped and the compressor can not be used, the air conditioning system uses the stored cold refrigerant.

Idle Stop and Start System

DENSO products that enhance or add functionality



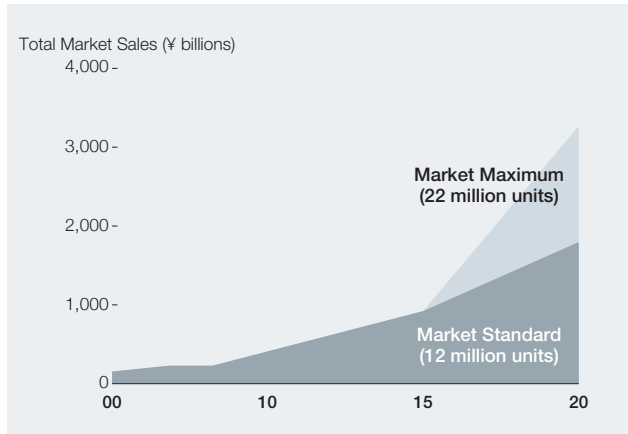
Hybrid systems (mild hybrid system and strong hybrid system)

Hybrid vehicles are powered by both an engine and a motor, greatly improving fuel efficiency and reducing emissions.

Market Trends

By 2020, DENSO expects that the market for hybrid vehicles will expand from 12 million units to 22 million units, and the market for related products will grow from ¥1.8 trillion to around ¥3 trillion.

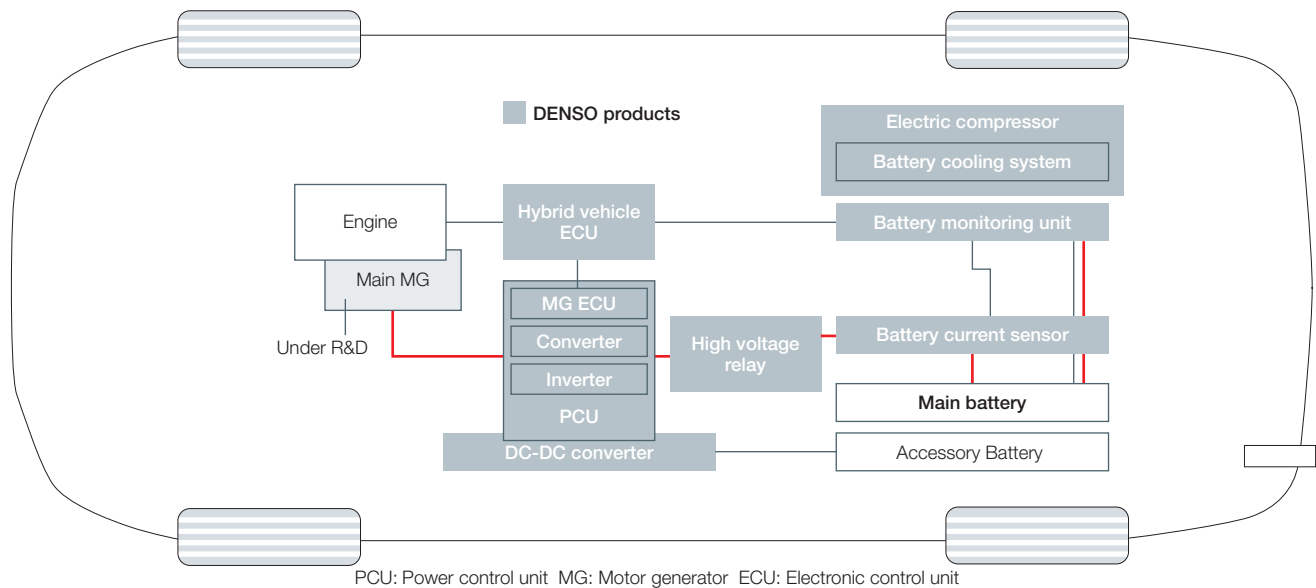
Market Size for Hybrid-related Products (DENSO Forecast)



DENSO Products

- Hybrid vehicle ECU**
 Unit for total power control of hybrid systems through the integration of engine control, high-voltage battery control, and hybrid system control
- DC-DC converter**
 Converts power from a hybrid vehicle's main high-voltage battery (288V) to low voltage for charging of auxiliary batteries (12V), supplying power to drive 12-volt systems, including lights, wipers, and horns
- Battery monitoring unit**
 Checks the voltage, current, and temperature to ensure efficient use of high-voltage batteries
- High-voltage relay**
 On/Off mechanism for current between high-voltage batteries and high-voltage systems
- Battery current sensor**
 Sensor for monitoring the input/output of battery current
- Battery cooling system**
 System for cooling high-voltage batteries
- Electric compressor**
 Enables operation of air conditioner while the engine is stopped using an internal motor

Hybrid System



• **High-output power control unit**

The power control unit boosts the main battery's 288 volts to 650 volts, and converts the direct current to alternating current to power the drive motor.

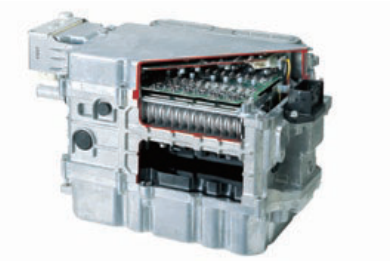
Controlling the increase in temperature associated with boosting power is a problem, but DENSO has developed

a proprietary cooling structure that provides greatly enhanced cooling performance. This has resulted in an approximate 60% increase in output per unit volume compared with the Company's existing technology, and for the same level of output, volume has been reduced by approximately 30% and weight by approximately 20%.

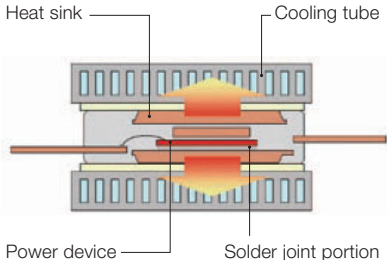
Lighter and More Compact With Cooling Technology

High-output power control unit installed on the Lexus LS600h launched in May 2007.

PCU for Lexus LS600h

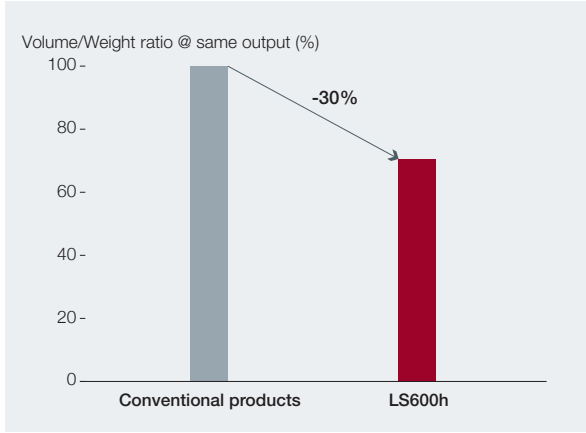


New PCU cooling mechanism

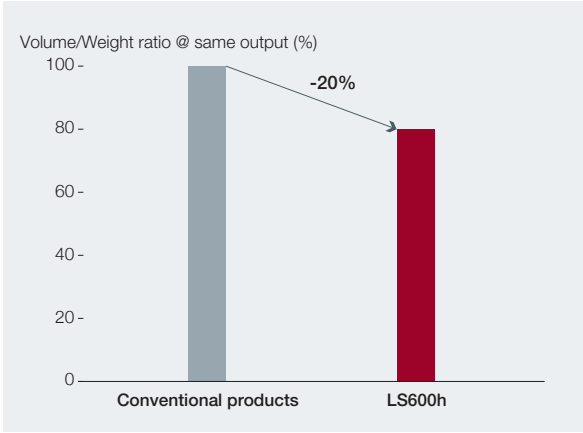


Thinner power devices are inserted directly between heat sinks, which are placed in the spaces between cooling tubes
 Dramatic increase in cooling performance due to cooling of both sides of power devices

Volume



Weight



Review of Operations by Segment

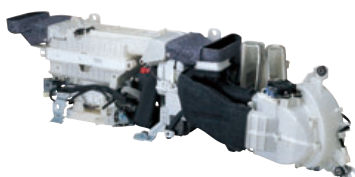
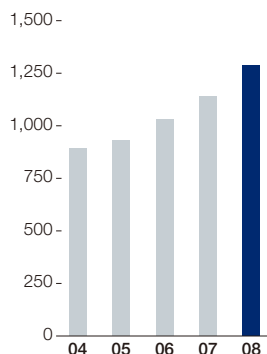
| Automotive | | | | |
|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Business Segment | Thermal Systems P. 18 | Powertrain Control Systems P. 19 | Information and Safety Systems P. 20 | |
| Sales (Percentage change from previous year) | ¥1,287.9 billion (+13.2%) | ¥940.2 billion (+13.3%) | ¥650.0 billion (+11.3%) | |
| Percentage of Net Sales | | | | |
| Main Products | Air conditioning unit Engine cooling module <p>[Air-conditioning Products] Air conditioning systems for cars</p> <p>[Cooling Systems and Components] Radiators, Cooling fans, Inter coolers, Oil coolers, Front-end modules, Engine cooling modules, Reserve tanks</p> <p>[Climate, Cooling and Heating Products] Air conditioning systems for buses and construction equipment, Truck refrigeration units, Air purifiers</p> | Fuel pump module Integrated air fuel module <p>[Engine Control Components] Ignition coils, Magnetos, Spark plugs, Glow plugs, Exhaust gas sensors, Ceramic substrates, Diesel Particulate Filters (DPFs), Engine ECUs for motorcycles</p> <p>[System Control Components] Valves (Exhaust gas recirculation (EGR) valves, Automatic transmission (AT) control valves, AT solenoid valves, and others), Canisters, Knock sensors, Accelerator sensors, Variable cam timing (VCT) components, Throttle bodies, Air flow meters, Oil filters, Air cleaners, Integrated air fuel modules, Shift-by-wire actuators, Horns</p> <p>[Diesel Injection Products] Common rail systems, In-line fuel injection pumps, Rotary fuel injection pumps, Nozzles</p> <p>[Gasoline Injection Products] Fuel pumps, Fuel pump modules, Fuel filters, Fuel injectors</p> | Car Navigation System Millimeter-wave radar <p>[Body Electronics Components] Instrument clusters, Integrated climate control panels, Smart keys, Remote keyless entry controllers, Rear and corner sonars, Car security systems, Body ECUs</p> <p>[ITS Products] Car navigation systems, Electronic Toll Collection (ETC) on-board equipment, Advanced Vehicle Operation Systems (AVOS), Data communication modules</p> <p>[Driving Assist and Safety Products] Airbag sensors and ECUs, ABS actuators and ECUs, Laser radars and ECUs for adaptive cruise control systems, Millimeter-wave radars and ECUs for pre-crash safety systems, HID ballast, ECUs for adaptive front lighting systems</p> | |

Note: In addition to the above, the other business segment recorded net sales of ¥99.9 billion.

| | | | | Non-automotive |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Electric Systems P. 21 | Electronic Systems P. 22 | Small Motors P. 23 | Industrial Systems and Consumer Products P. 24 |
| | ¥368.1 billion (+11.5%) | ¥349.7 billion (+12.5%) | ¥270.8 billion (+8.9%) | ¥58.5 billion (-10.8%) |
| |  <p>9.1%</p> |  <p>8.7%</p> |  <p>6.7%</p> |  <p>1.5%</p> |
| |  <p>Alternator</p>  <p>Battery monitoring unit</p> |  <p>Engine ECU</p>  <p>Semiconductor sensor (Inertia sensor)</p> |  <p>Windshield wiper system</p>  <p>Power window motor</p> |  <p>Industrial robot</p>  <p>CO₂ refrigerant heat-pump water heater</p> |
| | <p>[Engine Electrical Systems] Starters, Alternators</p> <p>[EHV Components] Inverters, DC-DC converters, Battery monitoring units</p> <p>[Electric Control Components] ECUs and sensors for electric power steering systems</p> | <p>[Electronics Products] Engine ECUs, Transmission ECUs</p> <p>[Electronics Devices] Semiconductor sensors, ICs, Power modules, EL displays</p> <p>[Relays]</p> | <p>Windshield wiper systems, Windshield washer systems, Power window motors, Power seat motors, Power sliding door motors, Power steering motors, Motors for engine control systems, and other automotive motors</p> | <p>[Automatic ID Data Capture Devices] Bar code handy scanners and handy terminals, QR code scanners and handy terminals, Smart card readers/writers, Radio Frequency Identification (RFID) systems</p> <p>[Factory Automation (FA) Products] Industrial robots, Programmable controllers</p> <p>[Refrigeration and Air-Conditioning Systems] Cooling units for electronic devices (Mobile phone base stations, Computers, and others), Kerosene heat pumps, Spot coolers and heaters</p> <p>[Consumer Products] CO₂ refrigerant heat-pump water heaters, Automatic faucets, Electrically powered kitchen systems</p> |

Automotive Thermal Systems

Net Sales
(Billions of yen)



Battery cooling system



Ejector

Overview

During the year under review, this segment established YANGZHOU JIEXIN DENSO AIR-CONDITIONER CO., LTD. to manufacture bus air conditioners in China, as a joint venture with Yangzhou Jiexin Auto Air-Conditioner Co., Ltd.

To ramp up production capacity, DENSO MANUFACTURING CANADA, INC. expanded its plant to start producing engine cooling modules (ECMs). In Japan, meanwhile, DENSO MANUFACTURING KITAKYUSHU CO., LTD. expanded its plant to boost production of car air conditioners and ECMs. In Italy, DENSO THERMAL SYSTEMS S.p.A also increased production capacity at its plant of air conditioners for agricultural construction equipment.

Efforts to expand sales were supported by the start of deliveries of compressors to PSA Peugeot Citroën, Jaguar Cars Limited, and Shanghai General Motors Company Limited (Shanghai GM).

In terms of new products, DENSO launched a battery cooling system and a refrigeration cycle system for passenger vehicles that uses an ejector. The former uses the cooling unit for the rear air conditioner to cool the main battery of hybrid vehicles. It displays comparable cooling performance to a conventional system that uses only cabin air but with only about half of the air volume and has the added benefit of reducing cabin noise. The new refrigeration cycle system uses an ejector for passenger car air conditioners and cooling boxes, and has a structure that enables simultaneous operation of air conditioning and refrigeration. It thus achieves both high cooling and refrigeration performance even when using the cooler box. This is the first time in the world such technology has been used for these applications.

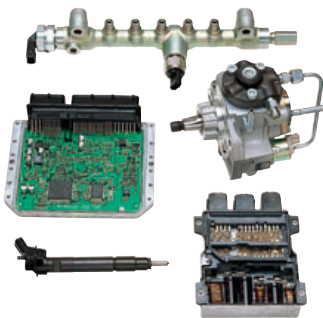
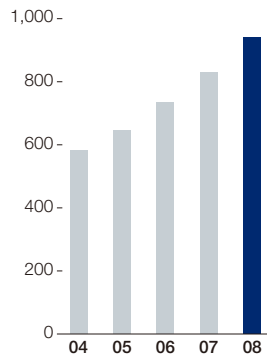
These and other actions, as well as higher vehicle production by Japanese automakers and success in boosting sales to European automakers, resulted in segment sales of ¥1,287.9 billion, an increase of 13.2% from the previous fiscal year.

Perspective by Main Product

| Product Group | Market Needs | Medium-Term Responses |
|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Air-conditioning products | There are growing environmental demands on vehicles due to more stringent fuel efficiency regulations and EU restrictions on refrigerants that ban the use of conventional coolants that have a high global warming impact. Due to these increasing environmental demands, needs are rising for air conditioners that not only help create comfortable cabin environments, but are also kinder to the environment. | DENSO will strive to achieve higher efficiency in terms of both total systems and all components. Efforts are also under way to create air conditioners that use new types of refrigerants as part of product development that seeks to balance comfort with concerns for the global environment. |
| Cooling systems and components | Further innovation in cooling systems and components is required in the industry due to a range of trends. The challenge will be to meet demands from automakers for improved engine efficiency and output, as well as respond to rising production of diesel vehicles and direct-injection and turbocharged gasoline vehicles. In terms of social trends and legal regulations, demands for improved fuel efficiency due to surging gasoline prices and stricter fuel consumption regulations, as well as for more compact and thinner radiators and other parts in response to the more stringent legislation designed to protect pedestrians are also having an impact. | Develop high-performance, compact cooling systems. In the case of diesel vehicles and direct-injection and turbocharged gasoline vehicles, optimize cooling systems by linking them with ECMs, intercoolers and exhaust gas recirculation (EGR) coolers. Develop products created from DENSO's own cooling and climate control technologies that contribute to improved fuel efficiency, faster warm-up speed and enhanced power output. Develop and commercialize thermal management system products based on applied waste heat recovery, heat exchange and other technologies. |

Automotive Powertrain Control Systems

Net Sales
(Billions of yen)



200 MPa (2,000 bar) diesel common-rail system

Overview

In June 2007, DENSO established DENSO (CHANGZHOU) FUEL INJECTION SYSTEM CO., LTD. as a new company to manufacture diesel common-rail systems in China. In Poland, we established Advanced Diesel Particulate Filters Sp.zo.o., a joint venture with Robert Bosch GmbH of Germany, to develop and manufacture diesel particulate filters (DPFs).

The Company also took steps to raise production capacity. In Japan, DENSO MANUFACTURING KITAKYUSHU CO., LTD. expanded its plant so as to boost production of injector components for diesel common-rail systems and to begin producing injector and fuel pump modules. Meanwhile, HAMANAKODENSO CO., LTD. expanded its plant to start production of non contacting position sensors and increase production of solenoids for automatic transmission (AT) shifts, coils for oil control valves (OCVs), and other products. Furthermore, DENSO MANUFACTURING VIETNAM CO., LTD. expanded its plant to manufacture such new products as duty control valves (DCVs) and machining components for variable cam timing (VCT) systems and increase production of exhaust gas recirculation (EGR) valves.

Efforts to expand sales were supported by the start of deliveries of diesel common-rail systems to Fuji Heavy Industries Ltd.

New products developed during the year included a 200 MPa (2,000 bar) diesel common-rail system. This new system has ensured the potential to meet the Euro 6 exhaust emission standards based on the use of high-pressure fuel injection at 200 MPa and the achievement of high-precision multiple injections up to a maximum of 9 times during a single combustion cycle. A 200 MPa system using a solenoid injector is a world first.

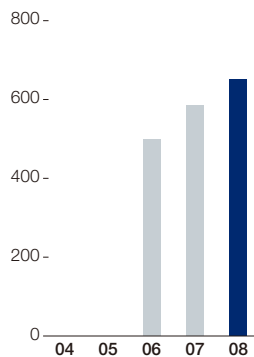
As a result of the foregoing and an increase in sales of common-rail systems primarily in Europe, segment sales rose 13.3% year on year to ¥940.2 billion.

Perspective by Main Product

| Product Group | Market Needs | Medium-Term Responses |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Gasoline engine-related systems and components | Exhaust emissions from port fuel injection (PFI) engines are already purified to levels common in the atmosphere. One outstanding issue going forward remains the extent to which improved fuel efficiency can help to lower CO ₂ emissions. | DENSO will promote the development of specifically direct injection engines, variable valve control products, and other products that contribute to improved fuel efficiency. |
| Diesel engine-related systems and components | Diesel vehicles make up roughly 50% of the market in Europe. Due to this high percentage, the voluntary regulations of the European Automobile Manufacturers' Association (ACEA) to restrict CO ₂ emissions and post-Euro 5 standards are expected to be tightened going forward. In North America, while stricter Corporate Average Fuel Economy (CAFE) standards may herald a shift to diesel engines, particularly for SUVs, one issue on the horizon is compliance with Tier 2 Bin 5 emissions regulations. In Japan, regulations that may set diesel engine particulate matter (PM) emission standards at the same level as those for gasoline engines are expected to be adopted in either 2009 or 2010. Consequently, this prospect will generate a greater need for DPFs and other PM countermeasures. | To reduce exhaust gas emissions and create systems that contain total costs by simplifying after-treatment processes, DENSO will develop even higher pressure fuel injection technology, precision fuel injection technology and sensors for compensation control. DENSO will also develop various after-treatment systems for exhaust gas, including cordierite-based DPFs, lean NO _x traps (LNTs), and urea selective catalytic reduction (SCR) systems. |

Automotive Information and Safety Systems

Net Sales
(Billions of yen)



Overview

We took steps to boost production capacity during the past year. U.S.-based subsidiary DENSO MANUFACTURING TENNESSEE, INC. significantly ramped up capacity at its plant to raise production of body electronic control units (ECUs) for General Motors Corporation as well as Toyota.

In terms of new products, DENSO launched the fine graphic meter. This displays all the information in a conventional instrument panel on a full-color TFT LCD display. In addition, it displays new functions such as a night view system for detecting pedestrians in the dark. What's more, the display changes according to the driving mode, providing the necessary information when required without the driver having to move his/her eyes much at all. It is the first product in the world to provide these features. In the driving assist and safety field, DENSO launched more-compact, next-generation millimeter-wave radar sensors for adaptive cruise control systems and for pre-crash safety (PCS) systems in a bid to promote the uptake of these sensors.

Segment sales rose 11.3% year on year to ¥650.0 billion. This mainly reflected the above measures, as well as an increase in vehicle production at Japanese automakers, growth in sales of car navigation products to North American customers, and increased adoption of DENSO's smart entry and other systems and products, mainly in Japan.



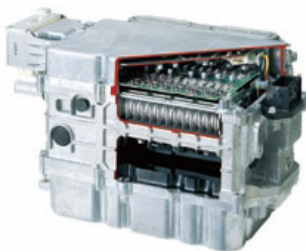
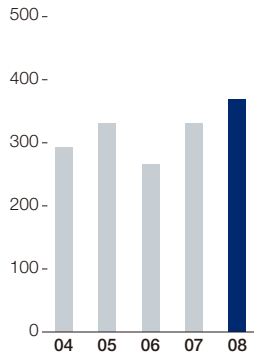
Fine graphic meter

Perspective by Main Product

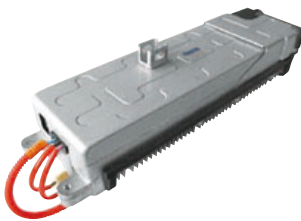
| Product Group | Market Needs | Medium-Term Responses |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Instrument clusters | Needs are rising for products that contribute to driver safety and peace of mind by monitoring the vehicle's surrounding environment and offering driver assistance. | DENSO will push ahead with the development of meters that link peripheral monitoring assistance, infrastructure, cooperative systems, and driver monitoring as well as related products. Examples of these meters are fine graphic meters, multi-displays, and heads-up displays. At the same time, the Company aims to bring the cost down to promote their widespread adoption. |
| Car navigation systems | In addition to Japan, North America, and Europe, demand for car navigation systems has started to take off in emerging nations such as the BRICs countries. Demand is now becoming increasingly polarized between low-priced systems for convenience and comfort, and high-function systems that are integrated with onboard equipment to provide enhanced safety and security. | DENSO will develop custom LSIs for products ranging from basic car navigation systems to high-end multimedia systems. By employing information and communications technologies, the Company will also promote the development and market launch of systems that link with other vehicle equipment, such as security systems, instrument clusters and cruise control systems, thereby enhancing the attractiveness of vehicles. |
| Driving assist and safety products | While rising awareness about safety is expected to lead to growth in this market, one key issue going forward will be to reduce prices so that these systems become standard on more vehicles. | DENSO is focusing on system and component aspects to realize cost levels that will promote the widespread adoption of these systems, alongside initiatives to further boost system performance. |

Automotive Electric Systems

Net Sales
(Billions of yen)



High output power control unit (PCU)



Air-cooled DC-DC converter

Overview

During the year under review, DENSO established a new line at the Anjo Plant in Japan to produce permanently engaged starters that facilitate the idle-stop function. Sales, meanwhile, were also boosted with the start of deliveries of improved planetary gear-type starters to Daimler AG, BMW AG, and Porsche AG. This marked the first time DENSO has supplied starters to Porsche AG.

New product launches during the year included a high output power control unit (PCU) and an air-cooled DC-DC converter. The high output PCU consists of a boost converter that raises the main battery voltage (288V) of a hybrid vehicle to the maximum system voltage (650V) and two inverters that convert direct current (DC) into alternate current (AC) to drive the main traction motors. Through the use of a newly developed cooling structure where the power devices are sandwiched between two heat sinks and inserted in layers between stacked cooling tubes, cooling performance has been dramatically improved, and power density has been raised about 60% compared to the Company's conventional technology. The air-cooled DC-DC converter is a DC-DC converter for hybrid vehicles with maximum output of 150 amperes, and it boasts the highest output in the world for an automotive product of its type.

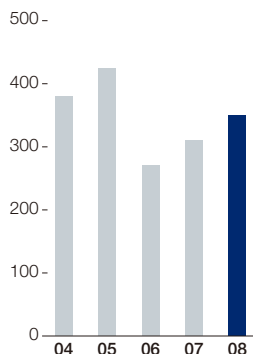
As a result of these initiatives, as well as success in boosting sales of engine electrical products, such as alternators, and products for hybrid vehicles, segment sales climbed 11.5% year on year to ¥368.1 billion.

Perspective by Main Product

| Product Group | Market Needs | Medium-Term Responses |
|----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Starters | As calls for lower fuel consumption grow, the number of vehicles with engines that automatically switch off when idling will increase. | DENSO has completed the development of starters for these eco-drive vehicles (permanently engaged and more durable starters). The Company plans to step up efforts to have them adopted more by automakers. |
| Alternators | Automakers have long needed alternators with improved power generation capacity to support increased electricity consumption in vehicles. Another requirement has been to reduce magnetic noise to enhance cabin comfort. Other needs are for lighter products that improve fuel efficiency and reduce CO ₂ emissions, and smaller alternators that are easier to install in vehicles. A newly emerging need is for alternators that offer optimal power generation and charging control. | DENSO will boost the output of its segment conductor (SC) alternators, which are compact, lightweight, low-noise and highly efficient, and also augment the development of related components. |
| Hybrid vehicle components | Toyota Motor Corporation has announced its vision to sell 1 million hybrid vehicles annually in the early 2010s and offer a hybrid version of all its models by 2020. Other domestic and overseas automakers are poised to follow Toyota's lead, accelerating growth in the hybrid vehicle market. | DENSO is taking part in development across the entire Toyota hybrid system, supplying PCUs, DC-DC converters, battery monitoring units, and other components used in its hybrid vehicles. DENSO is now moving forward with the development of technologies for achieving smaller, more efficient and lower cost components, to contribute to improved hybrid vehicle performance and market growth. |
| Electric power steering systems (EPS) | Driven by automaker needs for greater fuel efficiency and easier installation, the EPS market is expected to undergo rapid expansion during the years up to 2010. Furthermore, automakers are looking for compact, low-cost, high-power systems that are compatible with various vehicle models—from large- and standard-sized models to compact cars. | DENSO is responding to the rapid adoption of EPS by offering a wider choice of products and reducing costs. The Company will also construct an optimal supply framework, including overseas sites. |

Automotive Electronic Systems

Net Sales
(Billions of yen)



Power management ECU



New type of speed sensor

Overview

In April 2007, DENSO established DENSO ELECTRONICS CORPORATION to manufacture automotive semiconductor products in Chitose, which is located in Hokkaido, Japan. This is DENSO's third such domestic base after the Kota Plant and the Takatana Plant. This move will better enable DENSO to respond to expanding demand for automotive semiconductor products, which is being fueled by the increasing sophistication and complexity of automotive electronic control systems.

In terms of ramping up production capacity, U.S.-based DENSO MANUFACTURING TENNESSEE, Inc. expanded its plant for producing more body ECUs.

Sales, meanwhile, were boosted with the start of deliveries of inertia sensors to Honda Motor Co., Ltd. and exhaust gas pressure sensors to PSA Peugeot Citroën.

In terms of new products, the Company launched a power management ECU and a new type of speed sensor. The power management ECU is the first product in the world to integrate the functions of power supply management, start control, charge control, and "gateway" communications to comprehensively control electrical energy in vehicles. The new speed sensor (crank rotation and AT rotation) emits different signals during normal rotation and reverse rotation, allowing it to detect reverse rotation, something conventional products cannot do.

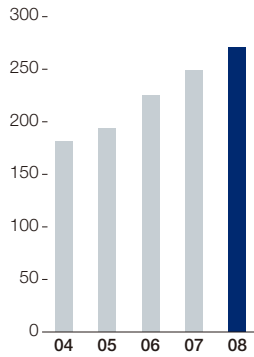
Sales in this business segment rose 12.5% year on year to ¥349.7 billion. In addition to the above initiatives, this increase was supported primarily by robust sales of various types of ECUs, sensors, and other products, reflecting higher vehicle production in Japan on the back of increased exports and advances in the use of electronic components in vehicles.

Perspective by Main Product

| Product Group | Market Needs | Medium-Term Responses |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Engine ECUs | <p>These components are needed to enhance the precision and control of diesel common-rail systems and gasoline direct injection systems, thereby helping to reduce emissions and boost fuel efficiency.</p> <p>To help reduce in vehicle weight, customers are looking for ECUs that are smaller, more durable and offer better heat resistance.</p> <p>There is an increasing need to develop and supply ECUs optimized for the BRIC countries, where low-priced vehicles account for a large part of the market.</p> | <p>Develop integrated control systems and torque-based control systems, and develop the software platforms critical to realizing them.</p> <p>By developing new mounting and key technologies, continue to offer new proposals and develop distinctive products for customers in a more timely manner.</p> |
| Semiconductor sensors | <p>Engine combustion systems with higher precision levels and the diffusion of start/stop systems are required to realize improved fuel efficiency and further purification of engine exhaust gases.</p> <p>Sensors used in system control are increasingly expected to have enhanced durability, to deliver high levels of accuracy, and handle high temperatures in engine exhaust gas and other harsh environments.</p> | <p>DENSO will support the development of more accurate exhaust gas control systems based on improvements in the environmental resistance and accuracy of exhaust gas pressure sensors. The Company will also support the uptake of start/stop systems by developing magneto-resistive element (MRE) type speed sensors and acceleration sensors with higher levels of accuracy and functionality.</p> |

Automotive Small Motors

Net Sales
(Billions of yen)



Motor for pivot separating-type rear wiper system



New type of cooling fan motor



New type of power seat motor

Overview

During the year under review, the DENSO Group began ramping up production capacity for electric power steering motors, power seat motors, and windshield wiper motors at PT. ASMO INDONESIA. Expansion work is scheduled for completion in August 2008.

Sales, meanwhile, were boosted by the start of deliveries of power seat motors to Nissan Motor Co., Ltd. and Honda, and deliveries of adaptive front lighting system (AFS) swivel motors to Nissan.

In terms of new products, fiscal 2008 saw the launch of a pivot separating-type rear wiper system, a motor for “VALVEMATIC,” a new type of cooling fan motor, and a new type of power seat motor. The pivot separating-type rear wiper system enables the separation and recombination of the wiper motor in the door and the wiper pivot arms and blades on the windshield when opening and closing the rear hatch. The motor for “VALVEMATIC” facilitates continuous variable control of the intake valve lift volume according to the engine’s operational condition. The new type of cooling fan motor is a compact, lightweight product with a 25% reduction in mass and a 15% reduction in overall length. We achieved this by incorporating long-life technology (an armature winding equalizer and waterproof release) in a four-stroke electric fan motor. The new type of power seat motor offers both light weight and low cost through the adoption of a ferrite magnet with high magnetic force and a four-stroke configuration.

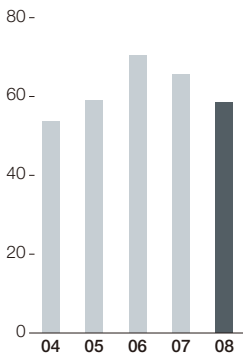
These and other actions lifted segment sales 8.9% year on year to ¥270.8 billion, primarily reflecting buoyant sales and successful sales promotion of wiper systems, power seat motors, and motors for sliding door closure in Japan associated with increased vehicle exports.

Perspective by Main Product

| Product Group | Market Needs | Medium-Term Responses |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Windshield wiper systems | Tracking greater fuel efficiency and expansion in vehicle cabin space, there is significant demand for smaller, lightweight wiper components. In addition to improvements in basic wiper performance, there is also a need for qualitative enhancements in the appearance of exterior parts. | The DENSO Group supplies windshield wiper systems that offer a level of compactness, lightness, and wiping performance that is among the best in the world. Development is also under way on the next generation of products that will offer even higher levels of performance, including systems that look better and offer improved control functions. |
| Electric power steering systems | Demand has been growing rapidly for electric power steering systems that contribute to enhanced fuel efficiency and utilize the merits of electric-type power steering associated with electronic vehicle control systems. Demand is also rising rapidly for environmental protection reasons, namely, preventing oil from being thrown away when vehicles are disposed of. Owing to attempts to further improve fuel efficiency, make effective use of space, and cater to large vehicles, there is strong demand for motors that are more compact and lightweight and produce higher output. | The DENSO Group has some of the world’s most powerful and efficient electric power steering motors, which it supplies worldwide to meet customer needs. Aiming for greater compactness, lightness, and output, the Company will promote the development of next-generation systems. The goal is to realize a broad product lineup for all types of vehicles, large and small. |
| Power window motors | Vehicle doors are becoming slimmer to provide more cabin space. This trend and the desire to improve fuel efficiency have led to sharply increasing demand for smaller and lighter power window motors. In addition, as new cars are increasingly being fitted with remote control, automatic operation and other value-added power window functions, more cars require jam-protection systems. | The DENSO Group is currently marketing on a worldwide basis some of the world’s most compact and lightweight power window motors. In response to needs for jam-protection systems, the Group started mass-producing smart motors incorporating dedicated custom ICs in the second half of 2006 and began supplying these systems to overseas markets in 2008. |

Non-automotive Industrial Systems and Consumer Products

Net Sales
(Billions of yen)



KHP with an emergency generator



Reading barcodes from a distance is easy with this wireless handy terminal



A scanner which can read two-dimensional codes printed by direct marking



This reader/writer can read UHF-band radio frequency identification (RFID) tags

Overview

During the year under review, this segment transferred production from the Takatana Plant in May 2007 and began manufacturing barcode readers, IC card readers, security equipment, and other products in a new plant operated by DENSO ELECS CO., LTD. that it constructed on the premises of the Agui Plant.

Efforts to boost sales were supported by the start of deliveries of mobile phone base station cooling systems to Ericsson AB. In addition, we started delivering barcode handy terminals to a point of sales (POS) system manufacturer in Japan and IC card readers/writers to another Japanese POS system manufacturer. Another new sales development entailed the start of deliveries of IC card handy terminals to a railway company in Japan.

In terms of new products, we launched a kerosene heat pump (KHP) with an emergency generator; a slim yet tough wireless handy terminal that can read barcodes from a distance; three types of scanners that enable reading of two-dimensional codes printed by direct marking products and components; and two types of reader/writers that can read UHF-band radio frequency identification (RFID) tags. The heat pump with an emergency generator is a kerosene-powered air conditioner for office and plant use that can generate power during an outage caused by a natural disaster or other events.

In fiscal 2008, segment sales fell 10.8% year on year to ¥58.5 billion, mainly reflecting a decline in sales of CO₂ refrigerant heat-pump water heaters.

Perspective by Main Product

| Product Group | Market Needs | Medium-Term Responses |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Refrigeration and air conditioning systems | Backed by a national project to reduce emissions of CO ₂ , the uptake of energy-saving CO ₂ refrigerant heat-pump water heaters is projected to reach a total of 5.2 million units by 2010. Together, these units will cut CO ₂ emissions by an equivalent of 4.8 million tons each year. | DENSO will use its thermal systems technology acquired as one of the industry's top car air conditioner manufacturers to drive forward the development of CO ₂ refrigerant heat-pump water heaters. Specifically, the Company will focus on developing basic technologies such as ejector cycle and low-pressure shell-type compressors. It will also create and commercialize new systems and products that are compact and integrated, employ a hybrid power approach, and can be used as heaters in colder regions where air-source heat is low. |
| Automatic data capture | Needs for automatic identification are rising in retail, logistics, factory automation and a wide range of other areas. | Through its involvement in automotive electronics, DENSO has global class-leading electronic technology resources and quality control systems. Backed by this expertise, the Company, as a pioneer in barcode and 2D code readers, will reliably serve this field at all phases from product development, sales and service support through to systems integration. |
| ID solutions | As public and corporate IT systems become more advanced and complex, protecting trade secrets, private information and other important data is becoming even more important. | DENSO is applying the electronic technologies cultivated in its automotive business. The Company will work to develop and provide an extensive range of advanced systems that have contactless IC cards at their core for ensuring system security. |
| Factory automation | At the manufacturing frontline, the overarching demand is for flexible production frameworks that can respond to diversifying market needs. | DENSO will offer FA solutions for a variety of manufacturing plants the world over. These solutions are centered on industrial robots, born out of the Group's production technology capabilities cultivated over the years, and programmable controllers that provide sequence control for production lines, machine tools and logistics transport equipment at factories. |

Corporate Social Responsibility



Overview

DENSO defines its corporate social responsibility (CSR) as contributing to the sustained development of society to support the continued growth of the Group. Accordingly, in conjunction with our economic contribution to society through our business results, we are also working to enhance our contribution in the environmental and social spheres. With this in mind, we have established a dedicated CSR Promotion Center to strengthen Group-wide CSR activities.

Our CSR activities have earned high marks outside the Group. For example, DENSO has regularly been included in such socially responsible investment indices as the Dow Jones Sustainability Indexes (DJSI) and the Ethibel Sustainability Index (ESI).

CSR Framework

DENSO has created a shared CSR framework, shown in the diagram below, for the entire Group to systemize an emphasis on CSR across all its activities.

The DENSO Group Declaration of Corporate Behavior

This declaration sits at the heart of our CSR activities. It clarifies the kind of corporate activities we need to implement to contribute to the sustained development of society in the context of our relationships with stakeholders.

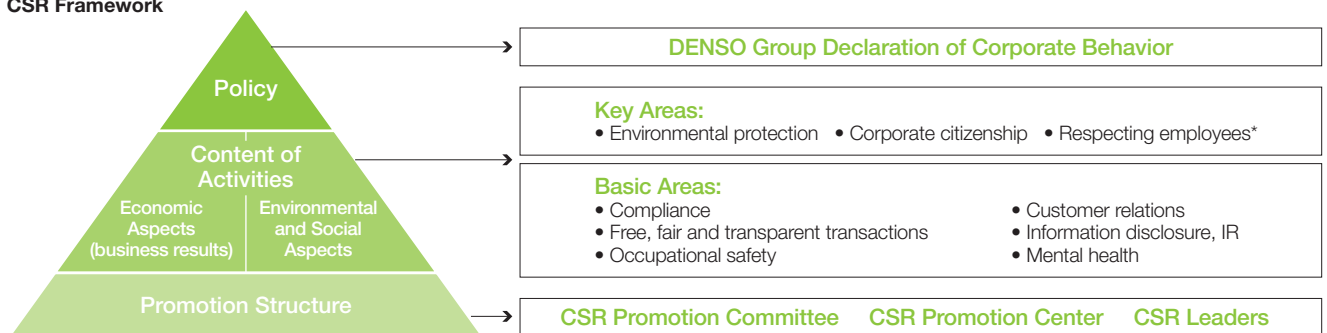
CSR Promotion System

DENSO established a CSR Promotion Committee, chaired by the president and comprising all the Company's directors, to make decisions related to CSR activities. CSR Leaders have also been appointed at each Group company to play a central role in implementing CSR initiatives.

CSR Activities

The DENSO Group is leveraging its unique strengths in three key areas of its CSR activities: environmental protection, corporate citizenship and respecting employees. Below, we explain our activities in these areas in more detail.

CSR Framework



* Including respect for human rights

Environmental Protection

Aiming for growth balanced with consideration for the environment, DENSO is working to help solve a wide range of environmental issues. Specifically, in line with our basic environmental policy and action plan in DENSO EcoVision 2015 that guide our approach to issues such as global warming, recycling, and substances with environmental impact, we are focusing on four key areas: enhancing the development of environmentally friendly products; ascertaining then reducing the volume of CO₂ emitted by all our corporate activities; steadily reducing our global environmental impact; and reinforcing Group-wide environmental management. Below, we explain the first two areas in more detail.

Enhancing the development of environmentally friendly products

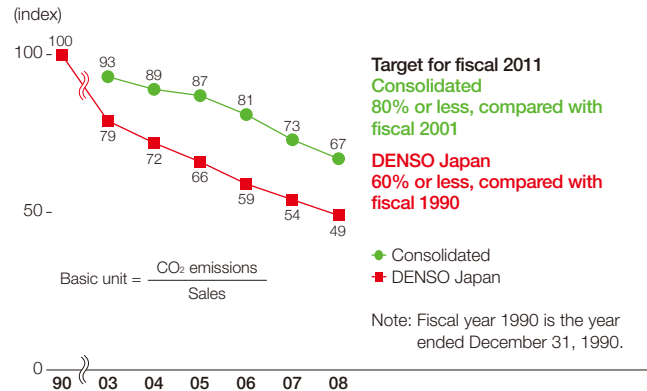
As a supplier of automotive components and systems, the DENSO Group believes that developing technologies and products that reduce the environmental impact of automobiles is vital. In fiscal 2008 we developed a high output power control unit (PCU), a battery cooling system and other products for hybrid vehicles. These systems and components feature in the Lexus LS600h eco-car. DENSO is working in these and other ways to improve fuel efficiency, reduce the volume of harmful substances in exhaust emissions and realize other advances.

Ascertaining then reducing the volume of CO₂ emitted by all our corporate activities

DENSO is working to reduce emissions of CO₂ in every area of its operations. These activities encompass manufacturing, logistics and administration divisions, as well as the actions of individual employees.

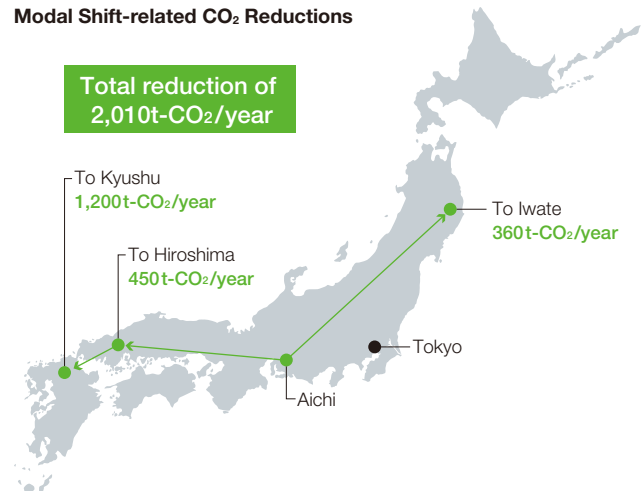
In manufacturing divisions, efforts to identify and standardize the groundbreaking energy-saving technologies and expertise we have deployed in Japan and transfer them to other DENSO companies are realizing benefits across the entire Group. As a result, in fiscal 2008, we reduced CO₂ emissions per unit of production by 33% (unit of production: volume of emissions in manufacturing divisions per unit of net sales) compared with the fiscal 2001 benchmark, exceeding our EcoVision 2015 target of a 20% reduction by fiscal 2011 for the second year running. The technologies and expertise that are enabling us to achieve this improvement have also won praise from outside the Group, illustrated by Clean Development Mechanism certification for energy-saving technologies used at a plant in Malaysia.

Shift in CO₂ Basic Unit of the DENSO Group



In logistics divisions, we are adopting more environmentally sound transportation methods, shifting some container transport from road to rail. For example, we began transporting car air conditioners, electronic components and other products by rail to customers in North Kyushu, and in 2007 in Iwate Prefecture; previously we transported products over these long distances by road.

Modal Shift-related CO₂ Reductions



To further increase the effectiveness of these initiatives, we are also strengthening the DENSO Group's supply chain. Specific steps included tightening our Green Procurement Guidelines for suppliers and working with them in manufacturing and logistics to reduce CO₂ emissions.

Corporate Citizenship

DENSO is aiming to win even greater trust from the international community through efforts to coexist with local communities worldwide. To realize this objective, we formulated the DENSO Group Basic Policy for Corporate Citizenship Activities. This policy defines two key areas where DENSO can use its unique strengths to best effect—develop people

(creating programs for fostering youth and supporting people with disabilities), and promoting harmony with the environment. The policy also promotes Group-wide efforts to create a corporate culture that encourages the participation of all employees in corporate citizenship activities.

In the first area, developing people, our efforts in Japan are focused on DENSO Taiyo Co., Ltd., a subsidiary established in 1984 to help people with physical disabilities become more independent. Overseas, in 1999, we established the Wheelchairs and Friendship Center of Asia (WAFCA), a non-profit organization that manufactures and distributes wheelchairs, among other activities. WAFCA is extending its reach into other parts of Asia. For example, in fiscal 2008, WAFCA began support activities in China as part of efforts to help people with physical disabilities across Asia gain more independence; this organization has been conducting similar activities in Thailand since fiscal 2000.



Employees of a Beijing wheelchair factory that began operating in July 2007

In 2007, DENSO launched “DENSO YOUTH for EARTH Action ~ New Earthlings Project,” a global program for fostering youth. The goal of this international program is to develop and support young people who have a deep appreciation of what living in harmony with the environment means and who are active in working to create a sustainable society. The program centers on learning, including experiencing co-existence with nature in the Kushiro-shitsugen wetlands, Hokkaido. A total of 24 university students, 12 each from Japan and Thailand, were selected to take part in the program in its first year.



Pre-training in Thailand for the DENSO YOUTH for EARTH Action program

In the second key area of our corporate citizenship activities, promoting harmony with the environment, we introduced a unique scheme called DENSO EcoPoint designed to encourage our employees to take part in voluntary eco-activities that help protect the environments of local communities. Employees are awarded points for participating in local clean-up activities or using more eco-friendly commuting methods. Saved points can then be exchanged for eco-products or contributions to tree-planting and other schemes that benefit the environment. A total of 5,100 people had signed up for the scheme by the end of fiscal 2008.

One example of our efforts to create a corporate culture that encourages more employees to participate in corporate citizenship activities is the DENSO Group Community Service Day, where DENSO Group employees volunteer to work together in teams on activities in individual communities. In fiscal 2008, around 30,000 DENSO employees in Japan and overseas participated in these activities.

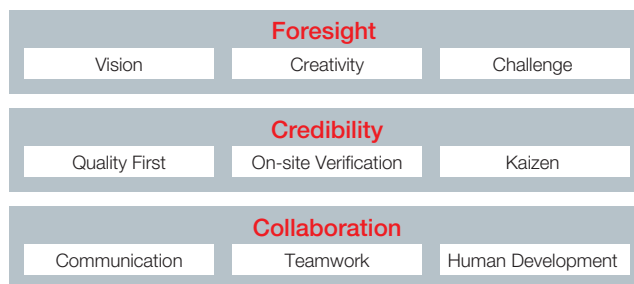
Respecting Employees

We provide in-depth human resources development from a medium- to long-term perspective so that each employee can maximize their capabilities.

DENSO considers the basis of development to be continuous on-the-job training. In addition, DENSO is promoting its off-the-job training designed to enhance the knowledge and skills of employees in a systematic manner. These and other approaches are part of support given to employees to help them demonstrate their abilities and attain even higher goals.

There are now more than 110,000 employees in the DENSO Group as a result of business expansion over the past few years. So that our employees exemplify the “DENSO Approach to Working,” we promote activities designed to share the DENSO Spirit, which embodies the shared set of values we have held dear since our foundation: foresight, credibility and collaboration. In this regard, we are also focusing on the development of a global and common training system. In fiscal 2008, in an effort to create a structure for strengthening development of managerial staff, we took steps such as establishing common proficiency standards for the DENSO Group. We plan to continue actively providing support to employees to help them grow and achieve personal fulfillment.

DENSO Spirit



Corporate Governance, Compliance and Risk Management



Corporate Governance

Basic Policy on Corporate Governance

DENSO is working to strengthen its corporate governance. The Company sees this as vital not only to raising Group competitiveness but also to maintaining and improving long-term business performance in today's rapidly changing global markets.

Corporate Governance System

DENSO has adopted the corporate auditor system. In addition to statutory bodies such as the General Meeting of Shareholders, the Board of Directors and the Board of Corporate Auditors, as well as the Accounting Auditor, DENSO has put in place a number of internal control mechanisms. Furthermore, through the ongoing provision of management information to shareholders and other investors, the Company practices sound, highly efficient and transparent management.

In order to speed up decision-making and operational execution, directors (13) oversee activities in all business divisions and play a bridging role between management and day-to-day operations, while managing officers (29) focus exclusively on business execution in each business division. In addition, the term of office for directors is set at one year to create a management structure capable of adapting flexibly to changes in the business environment and to further clarify management responsibility for each business term.

Role and Performance of Key Management Bodies

1. Board of Directors (Met 22 times during fiscal 2008;

Attendance rate: Directors 83%, Corporate auditors 79%)

As a decision-making body, the Board of Directors makes final decisions on important matters related to management

policy and business operations. For statutory matters and important matters related to the Group as a whole, decisions are implemented through the Executive Meeting, with each director giving instructions for the necessary implementation to the managing officers or general managers of business divisions under his jurisdiction.

2. Top Management Meeting (Met 45 times during fiscal 2008)

As a deliberative body, the Top Management Meeting discusses important matters related to overall Company management, including items to be resolved by the Board of Directors, to determine Company policy. In making decisions, the Chair of the meeting collects opinions from each of the members, and decision outcomes are reported to the Board of Directors for finalization.

Management Oversight Functions

The Company's two standing corporate auditors and three external corporate auditors are responsible for monitoring the execution of duties by directors and auditing the operations and financial condition of DENSO Corporation and its domestic and overseas subsidiaries. An academic, an attorney and an executive from another company make up the three external corporate auditors, who attend meetings of the Board of Directors and the Board of Corporate Auditors. These individuals provide advice to directors from a broad perspective and exchange opinions with the other corporate auditors.

In addition to the statutory appointment of corporate auditors, the Company's audit system also comprises dedicated internal audit departments at key domestic and overseas subsidiaries. There are 40 staff in total assigned to this role. The Company is working to strengthen this function, establishing a

Corporate Auditors Office as a full-time staff for corporate auditors in fiscal 2007.

In terms of audit methods, DENSO's business divisions and domestic and overseas subsidiaries voluntarily carry out internal inspections using their own internal control systems, while audits are continuously conducted to ensure compliance with laws and the appropriateness of the Company's own management and business procedures. DENSO's corporate auditors meet monthly with the departments in charge of these audits to discuss audit results and reports and exchange opinions, working to raise the efficiency and quality of audits.

Deloitte Touche Tohmatsu has been selected as DENSO's accounting auditor, and performs accounting audit duties. The corporate auditors, the Internal Audit Department, and the accounting auditor have a cooperative relationship, whereby they exchange information and opinions regularly, or as needed, so as to facilitate appropriate and efficient audits. This cooperation includes holding reporting meetings and giving audit reports.

Remuneration to Directors and Corporate Auditors

1. Details Regarding Remuneration

Remuneration paid to directors and corporate auditors in fiscal 2008 was as follows:

Directors (13) ¥1,018 million

Corporate auditors (5) ¥123 million

(including ¥31 million paid to external corporate auditors (3))

2. Details of Fees Paid to the Accounting Auditor

Fees paid for audits performed by accounting auditor Deloitte Touche Tohmatsu were as follows:

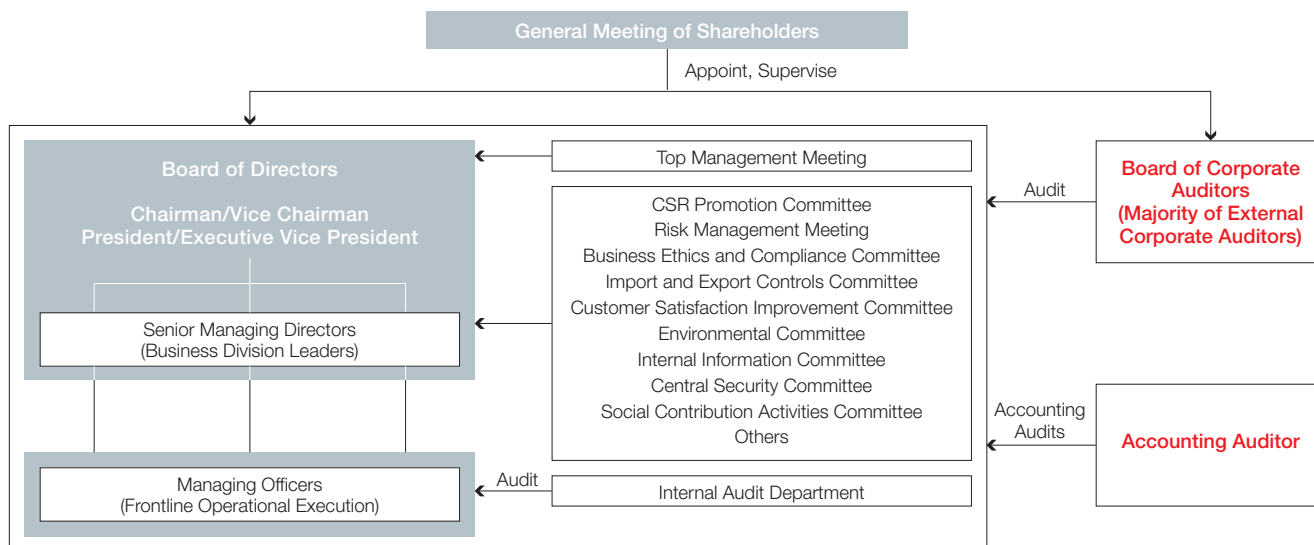
Compensation for services rendered pursuant to Article 2-1 of Japan's Certified Public Accountants Law ¥50 million

Other fees ¥25 million

Internal Control System

The enforcement of Japan's Corporate Law in May 2006 bolstered measures for enhancing internal control systems at Japanese corporations. Moreover, pursuant to Japan's Financial Instruments and Exchange Law, corporations are now also required to include an evaluation of the effectiveness of their internal control systems as well as an audit by an auditor to ensure the reliability of their financial reporting (Internal Control Reporting System) for fiscal years beginning on or after April 1, 2008. In accordance with these trends, in March 2006 DENSO created an internal control system project team, and formulated Company-wide rules controlling various areas such as accounting processes and business processes (sales, purchasing, inventory management, etc.). In order to implement these rules at DENSO Corporation and Group companies both in Japan and overseas, the DENSO Group has prepared various internal rules and promoted operational improvement activities. In addition, the company conducted a test overhaul of the internal control system in fiscal 2007 and in fiscal 2008 made preparations for full implementation, aiming to be fully ready for the first year of application of the Internal Control Reporting System in fiscal 2009.

DENSO's Corporate Governance System



Compliance

Basic Compliance Policy

DENSO considers legal compliance in every country and region where the Group operates to be the foundation for securing the trust and support of the public. In the same vein, individual employees of the DENSO Group are also expected to conduct themselves in line with the highest ethical standards and in an open and sincere manner. Based on this recognition, the Company formulated the Code of Conduct for DENSO Group Associates, shared by all Group companies in Japan. Regional headquarters have formulated or are planning regional versions that reflect local customs and laws for Group companies overseas as DENSO strives to thoroughly implement compliance.

Compliance Promotion System

DENSO has positioned thorough implementation of compliance as an element of its internal control system, and has established a Business Ethics and Compliance Committee, which is chaired by the director responsible for compliance. A Business Ethics Hotline, which provides access to outside legal counsel and the Company's Legal Department, has also been established. In addition, Compliance Leaders have been appointed at each workplace to act as promotion officers, as part of the Company's education and awareness program.

For Group companies in Japan, the compliance promotion system is conducted in accord with the system at DENSO Corporation. Overseas Group companies, while taking into consideration the special characteristics of the regional headquarters in each region or country, are promoting improvement of organizational structures, introduction and management of reporting systems, and awareness-raising activities. In North America, Group companies are working to prevent misconduct by appointing compliance officers at each site, operating 24-hour helplines, and implementing audit systems. In Europe, Group companies are considering introducing helplines in line with official EU guidelines.

Additionally, each year DENSO sponsors a Global Legal Conference attended by regional headquarters personnel from Japan, North America, Europe, China and Southeast Asia who are responsible for legal affairs. This conference is designed to encourage greater sharing of compliance information and related issues, as the Company works to reinforce and maintain compliance.

1. Education and Awareness

DENSO recognizes the importance of ongoing education and awareness activities to improving employee awareness. Therefore, since 2002 DENSO has offered compliance education specific to each employee work grade. Starting in 2006, Compliance Leaders were assigned at each workplace to carry out compliance education and awareness activities, including for short-term contract and temporary employees. During fiscal 2008, a total of 3,117 employees received this training.

2. Inspection and Improvement of Compliance Activities

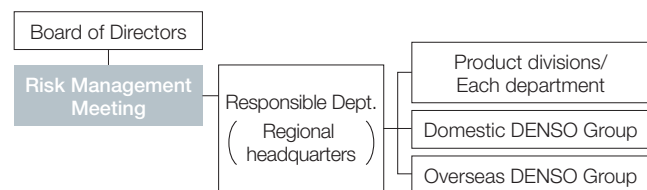
October is Business Ethics and Compliance Month at DENSO, during which time all Group workplaces undergo a voluntary compliance inspection. This inspection is supplemented with a survey on business ethics to determine the degree of compliance policy awareness and to ascertain potential risks. In fiscal 2008, the survey was distributed to roughly 4,000 employees, including temporary staff, with findings to be reflected in activities conducted during fiscal 2009.

Risk Management

Basic Approach and Promotion System for Risk Management

DENSO works to minimize the diverse risks associated with its global business operations by reinforcing risk management as another element of its internal control system. Specifically, DENSO gives due attention to identifying and preventing risk before it materializes, and to ensuring a timely and accurate initial response and recovery measures in order to minimize damage when unforeseen crises do arise. To this end, the Company has established the Risk Management Meeting, an all-encompassing body that is designed to unite the entire Group in a common effort to enhance its ability to respond to risk in Japan and overseas.

Risk Management System



Principal Risks

| |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Internal accidents and mistakes</p> <p>Environmental pollution, industrial accidents, growing problems stemming from user complaints, human resource- and labor-related issues, human rights issues, leakage of trade secrets, product recalls, bad debts, traffic accidents, production stoppages, information system interruptions, breach of contract, others</p> |
| <p>Legal violations</p> <p>Anti-trust law violations, Foreign Exchange Control Law violations, tax evasion, infringement of other companies' patents, crimes and scandals involving employees and officers, others</p> |
| <p>Accidents and incidents due to external factors</p> <p>Attempts to buy out DENSO stock, lawsuits brought by shareholders, product liability lawsuits, unforeseen accidents, transportation and capacity issues, cyberterrorism, others</p> |
| <p>Natural disasters and random events</p> <p>Dramatic fluctuations in foreign exchange and interest rates, natural disasters, random occurrences, damage incurred at suppliers, others</p> |

Specific Initiatives

During fiscal 2008, DENSO significantly revised the Crisis Communication Manual, which is designed to “visualize” response standards and procedures for crisis situations. Meetings were also conducted at DENSO Corporation and Group companies in Japan and overseas to explain the changes. In addition, management training, including risk management and crisis response, was extended from general managers to include plant managers, senior managers of manufacturing departments, and risk management officers at Group companies in Japan. The seminars were attended by 78% of eligible personnel in fiscal 2008. All employees are required to carry a copy of the Risk Management Handbook at all times. These steps are designed to promote accurate responses whenever crises such as fire, traffic accidents, or earthquakes occur.

Moreover, DENSO is formulating a Business Recovery Plan that seeks to ensure the safety of Group employees and their families in the event of a major disaster, and to enable the Company to fulfill its responsibly to supply products by swiftly responding to the crisis.

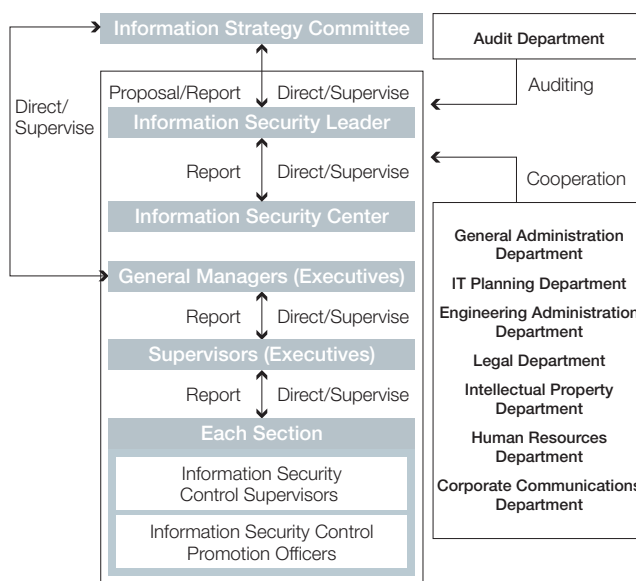
Information Security

Basic Approach and Promotion System for Information Security

DENSO views technology and information, as well as customer and employee data, as assets that must be safeguarded. This recognition prompted the Company to draft

the DENSO Group's Basic Principles of Information Security in 2003, and to take steps to better protect and strengthen control of its information assets. In 2005, DENSO applied the DENSO Group Information Security Standards to 56 domestic Group companies and 75 Group bases overseas. Formulated with reference to Information Security Management System criteria, these standards contain 142 specific points pertaining to the management of information assets. In order to enable swift and accurate execution of business, while continuing to protect information assets, from fiscal 2008, the Company created a new policy on establishment of security measures that take into account not only confidentiality of information, but also completeness and usability (i.e., the difficulty of systems breaking down or malfunctioning). The Company has begun implementing this policy. An Information Security Leader and Information Security Center have been established as specialized departments under the Information Strategy Committee, and Information Security Control Promotion Officers and leaders have been appointed in each department. For the promotion of these activities, DENSO has also built an information management system based on ISO/IEC 27001 and other internationally recognized information management system standards. In addition to the control of trade secrets, audits and Company-wide voluntary inspections, DENSO conducts annual monitoring surveys to ascertain actual conditions at each Group company to continuously raise the level of information security throughout the Group.

Information Security Control System



Executive Management

(As of June 25, 2008)



From left
Koichi Fukaya
Shinro Iwatsuki
Akihiko Saito
Hiromi Tokuda
Nobuaki Katoh

Board of Directors

Chairman

Akihiko Saito

Vice Chairman

Koichi Fukaya

President and CEO

Nobuaki Katoh

Executive Vice Presidents

Shinro Iwatsuki

Hiromi Tokuda

Senior Managing Directors

Mitsuharu Kato

Kenji Ohya

Koji Kobayashi

Kazuo Hironaka

Sojiro Tsuchiya

Hikaru Sugi

Shinji Shirasaki

Director

Shoichiro Toyoda

Corporate Auditors

Standing Corporate Auditors

Nobuaki Horiuchi

Toshio Watanabe

Corporate Auditors

Fujio Cho *

Tamiki Kishida *

Tsutomu Saito *

*External Corporate Auditors

Managing Officers

Shigehiro Nishimura

Yasushi Nei

Mitsunori Takao

Mitsuhiko Masegi

Masahiko Miyaki

Akio Shikamura

Haruya Maruyama

Manfredo Nicoletti

Yoshikazu Makino

Mikio Kumano

Akio Tajima

Yasushi Yamanaka

Yoshitaka Asano

Michio Adachi

Tetsuo Kondo

Kenichiro Kamai

Hiroyuki Wakabayashi

Satoshi Iwata

Akihiro Yukawa

Masahiko Itoh

Yoshihiro Saka

Toshiyuki Kato

Sadahiro Usui

Yoshiki Sekiguchi

Hiroyuki Murayama

Hitoshi Tasaka

Koji Arima

Katsuhisa Shimokawa

Tatsuya Toyoda

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Financial Review

Financial Summary

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31

| | 2008 | 2007 | 2006 | 2005 |
|--------------------------------------------------|-------------------|------------|------------|------------|
| Net Sales: | ¥4,025,076 | ¥3,609,700 | ¥3,188,330 | ¥2,799,949 |
| Sales in Japan | 1,976,877 | 1,859,046 | 1,690,215 | 1,554,795 |
| Sales outside Japan | 2,048,199 | 1,750,654 | 1,498,115 | 1,245,154 |
| Operating Income | 348,652 | 303,068 | 266,559 | 213,895 |
| Net Income | 244,417 | 205,170 | 169,648 | 132,620 |
| Total Assets | 3,643,418 | 3,765,135 | 3,411,975 | 2,780,982 |
| Equity^{*2} | 2,282,677 | 2,286,956 | 2,066,303 | – |
| Shareholders' Equity | – | – | 1,970,388 | 1,643,182 |
| Capital Expenditures | 343,779 | 312,457 | 288,714 | 235,258 |
| Depreciation | 263,519 | 219,873 | 185,143 | 160,993 |
| R&D Expenses | 311,474 | 279,890 | 256,339 | 238,241 |
| Net Cash Provided by Operating Activities | 572,663 | 406,543 | 368,575 | 273,296 |

Per Share:

| | 2008 | 2007 | 2006 | 2005 |
|----------------------|----------|----------|----------|----------|
| Basic net income | ¥ 299.96 | ¥ 249.88 | ¥ 204.80 | ¥ 159.02 |
| Diluted net income | 299.70 | 249.56 | 204.62 | 158.96 |
| Cash dividends | 54.00 | 45.00 | 38.00 | 32.00 |
| Equity ^{*2} | 2,658.06 | 2,668.82 | 2,384.05 | 1,990.48 |

Ratios:

| | 2008 | 2007 | 2006 | 2005 |
|----------------------|-------|-------|-------|-------|
| Return on Sales (%) | 6.1 | 5.7 | 5.3 | 4.7 |
| Current Ratio (%) | 162.6 | 151.0 | 160.6 | 161.4 |
| Fixed Ratio (%) | 95.6 | 104.1 | 102.1 | 98.2 |
| Return on Equity (%) | 11.3 | 9.9 | 9.4 | 8.4 |

Average Number of Shares (in thousands)

| | | | | |
|------|---------|---------|---------|---------|
| 2008 | 814,833 | 821,060 | 825,725 | 830,869 |
|------|---------|---------|---------|---------|

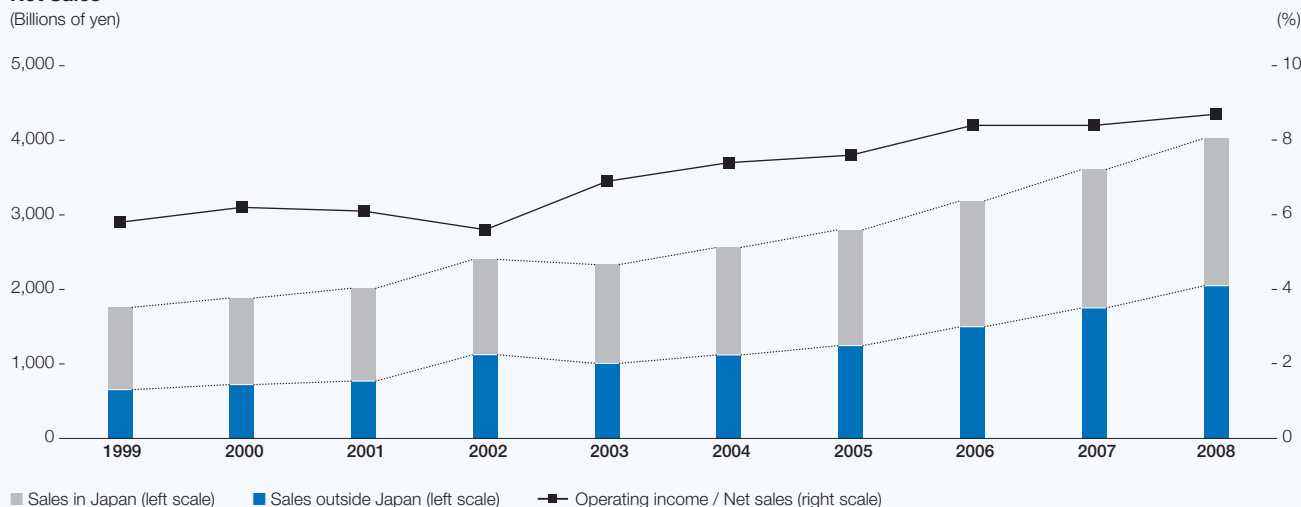
Number of Employees

| | | | | |
|------|---------|---------|---------|---------|
| 2008 | 118,853 | 112,262 | 105,723 | 104,183 |
|------|---------|---------|---------|---------|

- Notes: 1. As of March 31, 2008, DENSO CORPORATION had 187 subsidiaries (includes 1 non-consolidated subsidiary) and applied the equity method of accounting with respect to 32 affiliates.
2. The figures for the year ended March 31, 2002 include the effect of an irregular 15-month reporting period, due to certain major overseas consolidated subsidiaries and overseas affiliates (45 companies) deciding to change their year-end to March 31 from December 31.
3. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥100.19=US\$1, the approximate exchange rate prevailing on March 31, 2008, the last trading day of the fiscal year.

Net Sales

(Billions of yen)



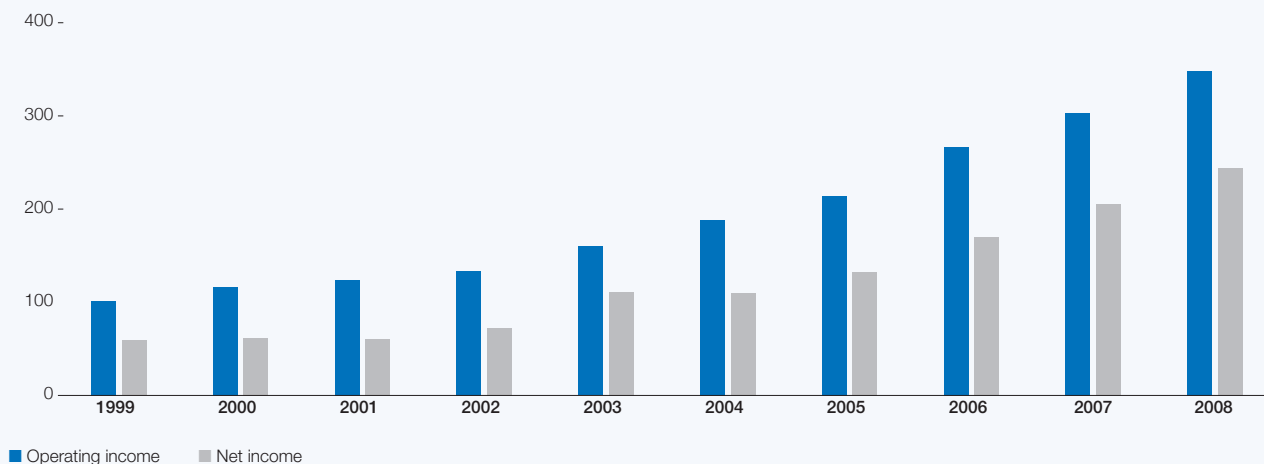
| Millions of yen | | | | | | | Thousands of U.S. dollars |
|-----------------|------------|------------|----------------------------------------|------------|------------|------------|---------------------------|
| 2004 | 2003 | 2002 | 2002* ¹ <i>unaudited</i> | 2001 | 2000 | 1999 | 2008 |
| ¥2,562,411 | ¥2,332,760 | ¥2,401,098 | ¥2,183,062 | ¥2,014,978 | ¥1,883,407 | ¥1,758,842 | \$40,174,429 |
| 1,442,645 | 1,325,637 | 1,277,865 | 1,277,865 | 1,245,830 | 1,161,016 | 1,104,579 | 19,731,281 |
| 1,119,766 | 1,007,123 | 1,123,233 | 905,197 | 769,148 | 722,391 | 654,263 | 20,443,148 |
| 188,659 | 159,893 | 133,340 | 129,888 | 123,526 | 116,682 | 101,663 | 3,479,908 |
| 110,027 | 111,018 | 72,313 | 70,800 | 60,799 | 61,913 | 58,969 | 2,439,535 |
| 2,526,502 | 2,354,657 | 2,361,048 | – | 2,343,328 | 2,154,251 | 1,917,192 | 36,365,086 |
| – | – | – | – | – | – | – | 22,783,481 |
| 1,509,489 | 1,397,888 | 1,421,212 | – | 1,451,211 | 1,304,400 | 1,121,171 | – |
| 196,461 | 171,108 | 193,599 | 183,977 | 140,447 | 169,953 | 212,745 | 3,431,271 |
| 151,169 | 146,651 | 147,277 | 139,991 | 134,416 | 134,706 | 124,289 | 2,630,193 |
| 214,917 | 182,886 | 185,627 | 181,044 | 176,959 | 160,055 | 154,207 | 3,108,833 |
| 231,814 | 267,344 | 206,663 | – | 202,127 | 196,020 | 155,540 | 5,715,771 |
| Yen | | | | | | | U.S. dollars |
| ¥ 130.02 | ¥ 128.37 | ¥ 80.22 | ¥ 78.54 | ¥ 66.51 | ¥ 68.15 | ¥ 65.46 | \$ 2.99 |
| 130.01 | 126.65 | 78.93 | 77.29 | 65.51 | 66.73 | 63.51 | 2.99 |
| 24.00 | 20.00 | 18.00 | – | 17.00 | 17.00 | 15.00 | 0.54 |
| 1,809.55 | 1,656.93 | 1,641.72 | – | 1,587.77 | 1,426.70 | 1,238.33 | 26.53 |
| 4.3 | 4.8 | 3.0 | 3.2 | 3.0 | 3.3 | 3.4 | |
| 163.0 | 161.2 | 174.0 | – | 199.0 | 227.1 | 223.2 | |
| 97.2 | 97.3 | 95.2 | – | 91.4 | 77.1 | 77.4 | |
| 7.6 | 7.9 | 5.0 | 4.9 | 4.4 | 4.9 | 5.4 | |
| 842,005 | 860,828 | 901,489 | – | 914,121 | 908,519 | 900,836 | |
| 95,461 | 89,380 | 86,639 | – | 85,371 | 80,795 | 72,359 | |

*1 The italicized figures for the year ended March 31, 2002 represent unaudited amounts calculated by management to reflect comparative income statement information including the results of these overseas companies for the 12-month period ended December 31, 2001.

*2 Section under "Equity" is newly provided to conform to Japanese new accounting standard. The fiscal 2006 figures have also been reclassified to reflect this change. See Note 2 (M) to the consolidated financial statements for details.

Profits

(Billions of yen)



Sales by Business Segment

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31

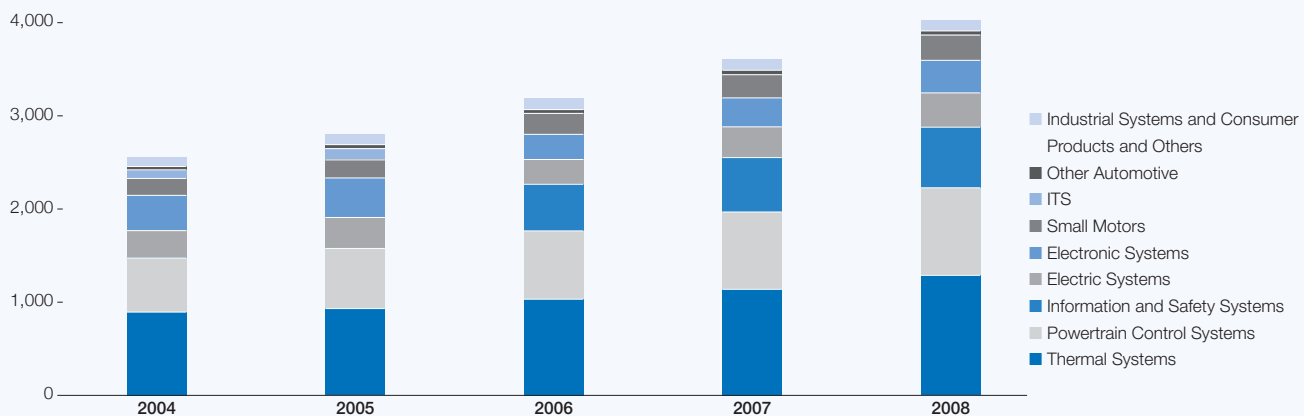
| | Millions of yen (percentage of net sales) | | | | | Thousands of U.S. dollars |
|-----------------------------------------------------|----------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 | 2008 |
| Thermal Systems | ¥1,287,900 (32.0%) | ¥1,137,975 (31.5%) | ¥1,031,836 (32.4%) | ¥ 931,568 (33.3%) | ¥ 893,548 (34.9%) | \$12,854,576 |
| Powertrain Control Systems | 940,162 (23.4) | 830,111 (23.0) | 733,520 (23.0) | 646,166 (23.0) | 580,826 (22.7) | 9,383,791 |
| Information and Safety Systems | 650,044 (16.2) | 583,873 (16.2) | 499,843 (15.7) | – – | – – | 6,488,113 |
| Electric Systems | 368,073 (9.1) | 329,981 (9.2) | 266,139 (8.3) | 331,426 (11.9) | 293,372 (11.4) | 3,673,750 |
| Electronic Systems | 349,664 (8.7) | 310,737 (8.6) | 270,040 (8.5) | 424,377 (15.2) | 378,835 (14.8) | 3,490,009 |
| Small Motors | 270,838 (6.7) | 248,772 (6.9) | 224,709 (7.0) | 193,646 (6.9) | 181,634 (7.1) | 2,703,244 |
| ITS | – – | – – | – – | 120,938 (4.3) | 92,521 (3.6) | – |
| Other Automotive | 44,423 (1.1) | 47,513 (1.3) | 40,730 (1.3) | 42,677 (1.5) | 35,444 (1.4) | 443,387 |
| Automotive sub-total | 3,911,104 (97.2) | 3,488,962 (96.7) | 3,066,817 (96.2) | 2,690,798 (96.1) | 2,456,180 (95.9) | 39,036,870 |
| Industrial Systems and Consumer Products | 58,511 (1.5) | 65,628 (1.8) | 70,258 (2.2) | 58,920 (2.1) | 53,686 (2.1) | 584,000 |
| Others | 55,461 (1.3) | 55,110 (1.5) | 51,255 (1.6) | 50,231 (1.8) | 52,545 (2.0) | 553,559 |
| New businesses sub-total | 113,972 (2.8) | 120,738 (3.3) | 121,513 (3.8) | 109,151 (3.9) | 106,231 (4.1) | 1,137,559 |
| Total | ¥4,025,076 (100.0) | ¥3,609,700 (100.0) | ¥3,188,330 (100.0) | ¥2,799,949 (100.0) | ¥2,562,411 (100.0) | \$40,174,429 |

Notes: 1. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥100.19=US\$1, the approximate exchange rate prevailing on March 31, 2008, the last trading day of the fiscal year.

2. Sales by Business Segment for the year ended March 31, 2008, 2007 and 2006 are disclosed under new segments restructured in January 2006.

Sales by Business Segment

(Billions of yen)



Sales by Company Location

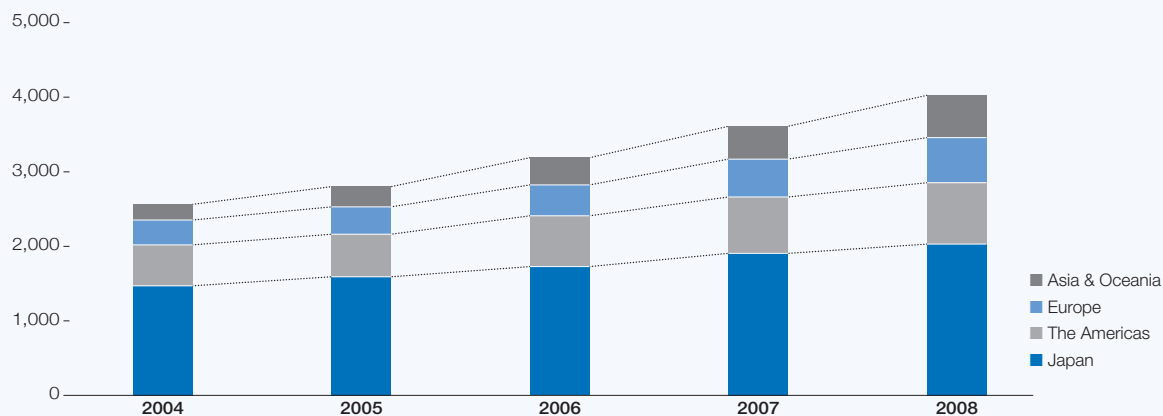
DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31

| | | Millions of yen | | | | | Thousands of U.S. dollars |
|----------------|--------------|-------------------|------------|------------|------------|------------|------------------------------|
| | | 2008 | 2007 | 2006 | 2005 | 2004 | 2008 |
| Japan | Customers | ¥2,029,482 | ¥1,905,193 | ¥1,727,675 | ¥1,590,666 | ¥1,469,552 | \$20,256,333 |
| | Intersegment | 696,410 | 636,068 | 561,284 | 469,891 | 416,245 | 6,950,893 |
| | Total | 2,725,892 | 2,541,261 | 2,288,959 | 2,060,557 | 1,885,797 | 27,207,226 |
| The Americas | Customers | 822,982 | 756,250 | 681,367 | 571,053 | 549,208 | 8,214,213 |
| | Intersegment | 9,302 | 12,831 | 9,076 | 9,189 | 8,532 | 92,844 |
| | Total | 832,284 | 769,081 | 690,443 | 580,242 | 557,740 | 8,307,057 |
| Europe | Customers | 605,373 | 507,503 | 414,243 | 367,082 | 333,486 | 6,042,250 |
| | Intersegment | 14,904 | 11,796 | 8,804 | 6,968 | 4,809 | 148,757 |
| | Total | 620,277 | 519,299 | 423,047 | 374,050 | 338,295 | 6,191,007 |
| Asia & Oceania | Customers | 567,239 | 440,754 | 365,045 | 271,148 | 210,165 | 5,661,633 |
| | Intersegment | 48,918 | 39,447 | 30,064 | 19,757 | 13,438 | 488,252 |
| | Total | 616,157 | 480,201 | 395,109 | 290,905 | 223,603 | 6,149,885 |
| Eliminations | | (769,534) | (700,142) | (609,228) | (505,805) | (443,024) | (7,680,746) |
| Consolidated | | ¥4,025,076 | ¥3,609,700 | ¥3,188,330 | ¥2,799,949 | ¥2,562,411 | \$40,174,429 |

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥100.19=US\$1, the approximate exchange rate prevailing on March 31, 2008, the last trading day of the fiscal year.

Sales by Company Location

(Billions of yen)



Management's Discussion and Analysis

Business Overview

In fiscal year 2008, ended March 31, 2008, the global economy was generally strong despite turbulence in the world's financial markets in the second half of the fiscal year caused by the U.S. sub-prime loan problem.

In the automotive industry, vehicle sales in the key U.S. market declined from the previous year. However, in addition to growth in developing markets like China and India, sales were also strong in ASEAN markets, helping lift overseas vehicle sales above the level in the previous year. In Japan, sales fell as the number of new car registrations decreased. In addition, sales of light vehicles, which had been driving the market, also declined from the previous year. However, supported by strong exports of finished vehicles, production still rose for the sixth straight year.

During the year, the yen gained 2.5% against the U.S. dollar and weakened 7.8% against the euro. Average yen exchange rates against these currencies were ¥113.24 and ¥160.26, respectively.

Management Strategy: DENSO VISION 2015

Under these conditions, the Group marshaled its combined strengths to realize DENSO VISION 2015, with a focus on two major policies—"Contribute to the creation of an advanced automotive society" and "Evolve into a truly global corporation".

To achieve the first policy, as countries around the world continue to reduce CO₂ emissions and toughen fuel economy and emission regulations in order to prevent global warming, we made efforts to develop technologies that reduce the burden on the environment. This included developing a high-output power control unit (PCU) and a battery cooling system for hybrid vehicles. The high-output PCU employs a unique layered cooling structure that enables the component to be made smaller and lighter. The battery cooling system uses cooled air from the cooling unit of the rear air conditioning system to reduce ventilation noise, contributing to quieter vehicle cabins. These components have been used in the Lexus LS600h, which went to market in May 2007. DENSO is thus contributing to the evolution of environmentally friendly hybrid technology.

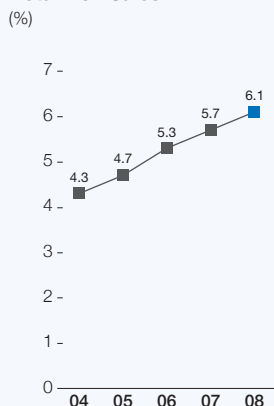
DENSO's Ejector Cycle[®], a heat exchange system that uses a compact refrigerant injector to enable revolutionary improvements in energy efficiency, was used for the refrigeration cycle of passenger vehicle air conditioners and cooler boxes—the first time in the world such technology has been used for these applications. Until now, the Ejector Cycle[®] had mainly been used in refrigeration units found in refrigerated trucks. However, beginning with its use in the Land Cruiser that went on sale in September 2007, the technology will contribute to improved fuel economy and CO₂ emission reduction as it continues to gain more widespread use in passenger vehicles.

As a part of our efforts to evolve into a truly global corporation, we are making maximum use of the combined strength of the Group in order to strengthen global manufacturing and our supply framework.

In addition to the establishment of new plants in Japan and abroad to reinforce our supply framework, we are aggressively working on the training of our human resources in support of manufacturing. At the 39th World Skills Competition and 7th International Abilitylympics, the Group fielded 13 competitors, including participants from Thailand and Indonesia, who took home 4 gold medals. Activities such as these are a testament to DENSO's commitment to training skilled workers and developing a tradition of highly skilled labor.

Moreover, in order to further promote the Group's corporate social responsibility (CSR) as a global company, with the cooperation of the Japan Environmental Education Forum (JEEF), in January 2008 the Group resolved to implement the "DENSO YOUTH for EARTH Action ~ New Earthlings Project". This program will train 20 university and graduate school students in Japan and Thailand to actively work toward the development of a sustainable society and consider the environment from multilateral viewpoints. The program includes a nature restoration project in Kushiro-shitsugen wetlands, Hokkaido, and on-site training of activities performed by companies and local communities involved with the auto industry to reduce environmental burden.

Return on Sales



Net Sales

Consolidated net sales increased significantly compared to last fiscal year, rising 11.5%, or ¥415.4 billion, to ¥4,025.1 billion. This reflected strong exports of Japanese finished vehicles to the Near and Middle East and Russia, and firm production of Japanese models in Asia and Oceania, including China.

Sales by Geographic Segment

In Japan, sales totaled ¥2,725.9 billion, an increase of 7.3%, or ¥184.6 billion, from the previous fiscal year. Increased production of vehicles for export to emerging economies, mainly in the Near and Middle East and Russia, as well as higher sales contributed to the sales increase.

In the Americas, increased production volumes of Japanese vehicles combined with sales expansion raised sales to ¥832.3 billion, an increase of 8.2%, or ¥63.2 billion, from the previous year.

In Europe, expanded sales to Japanese and local automobile manufacturers raised sales to ¥620.3 billion, an increase of 19.4%, or ¥101.0 billion, from the previous fiscal year.

In Asia and Oceania, sales totaled ¥616.2 billion, an increase of 28.3%, or ¥136.0 billion, from the previous fiscal year, on increased production and sales of Japanese vehicles in ASEAN countries and China.

Sales by Product Category

In the year under review, the Group recorded an increase in the automotive field of 12.1%, or ¥422.1 billion, to ¥3,911.1 billion. This figure represented 97.2% of consolidated net sales, compared with 96.7% a year earlier. Sales in new business fields were down 5.6%, or ¥6.8 billion, to ¥114.0 billion, accounting for 2.8% of consolidated net sales, compared with 3.3% last year.

Sales in the six main product categories in the automotive field were as follows:

Thermal Systems: sales increased 13.2%, or ¥149.9 billion, to ¥1,287.9 billion, mainly on stronger sales of car air conditioners overseas and rising production at Japanese automobile manufacturers. Sales of thermal systems accounted for 32.0% of consolidated net sales, up slightly from 31.5% last year.

Powertrain Control Systems: sales grew 13.3%, or ¥110.1 billion, to ¥940.2 billion, due to higher sales of diesel common-rail injection systems in Europe. Sales of powertrain control systems accounted for 23.4% of consolidated net sales, up slightly from 23.0% last year.

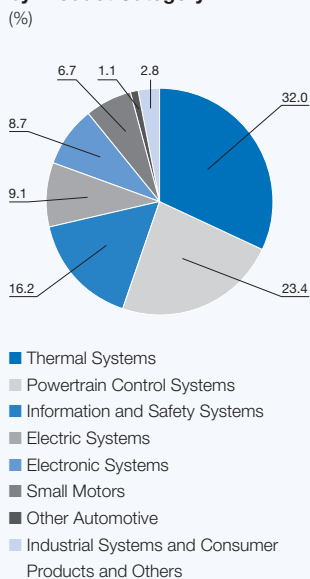
Information and Safety Systems: sales rose 11.3%, or ¥66.2 billion, to ¥650.0 billion, driven mainly by rising car production at Japanese automakers and higher sales of car navigation systems to overseas automakers. Sales in this product category accounted for 16.2% of consolidated net sales, unchanged from the previous year.

Electric Systems: sales increased 11.5%, or ¥38.1 billion, to ¥368.1 billion, primarily on higher sales of alternators and other electrical components, plus increased sales of hybrid vehicle-related products. Sales of electric systems accounted for 9.1% of consolidated net sales, compared with 9.2% last year.

Electronic Systems: sales increased 12.5%, or ¥38.9 billion, to ¥349.7 billion, reflecting higher domestic production of export vehicles and increased demand for various ECUs and sensors, due to the growing use of electronic components in vehicles. Sales of electronic systems accounted for 8.7% of consolidated net sales, compared with 8.6% last year.

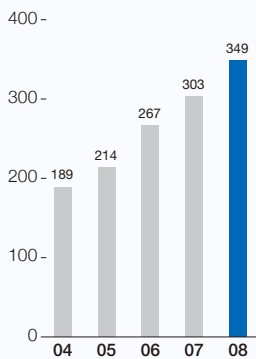
Small Motors: sales increased 8.9%, or ¥22.1 billion, to ¥270.8 billion, on higher production of motors for use in wiper systems, power seats and power sliding doors, reflecting increasing production of cars for export, and on higher sales. Sales of small motors accounted for 6.7% of consolidated net sales, compared with 6.9% in the previous year.

Sales Breakdown by Product Category



Operating Income

(¥ Billion)



Operating Income

Operating income increased sharply by 15.0%, or ¥45.6 billion, to ¥348.7 billion. The main negative factors impacting on operating income were increased depreciation (up ¥44.6 billion) due to higher capital expenditures and a change in tax regulations; increased personnel expenses (up ¥32.0 billion) due to such factors as a greater number of fixed-term employees to cope with busy periods of production; deterioration in the product mix associated with higher sales of such new products as hybrid vehicle equipment on which full production efficiencies have not yet been achieved (up ¥17.9 billion); higher material costs (up ¥11.0 billion) due to escalating prices for copper, platinum, resins and other raw materials; and higher expenses (up ¥22.7 billion) due to increased research and development expenses, mainly reflecting software expenses and outsourcing costs for the development of next-generation car navigation systems and electronic products. Factors having a positive impact on operating income included capacity utilization gains from higher sales (up ¥108.9 billion) and component standardization and other moves to increase productivity as a whole (up ¥50.0 billion). Exchange gains (up ¥14.9 billion) also had a positive impact on operating income.

Operating Income by Geographic Segment

Operating income in Japan declined 8.3%, or ¥17.8 billion, to ¥197.5 billion. Factors negatively impacting operating income included increased depreciation expenses due to changes in tax laws, and foreign exchange losses due to the yen's sharp appreciation. On the positive side were gains in capacity utilization supported by increased sales.

In the Americas, operating income rose 42.3%, or ¥12.3 billion, to ¥41.5 billion, boosted by gains in capacity utilization supported by increased sales and rationalization efforts.

In Europe, operating income jumped 118.3%, or ¥14.4 billion, to ¥26.5 billion, boosted by gains in capacity utilization on higher sales and rationalization efforts.

In Asia & Oceania, operating income rose 75.1%, or ¥34.5 billion, to ¥80.4 billion, on gains in capacity utilization supported by increased sales, the smooth start-up of operations in China, and rationalization efforts.

Other Income (Expenses)

Other income-net totaled ¥16.2 billion, a decrease of ¥0.5 billion, compared with the previous year. This mainly reflected higher interest and dividend income, which rose 42.4%, or ¥7.7 billion, to ¥26.0 billion, mainly due to increased dividends from investments.

Net Income

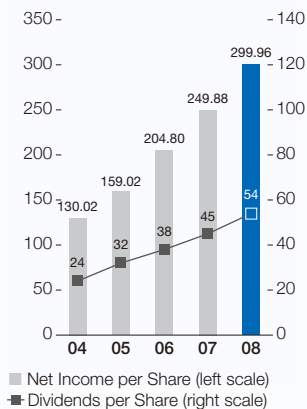
The Group recorded income before income taxes and minority interests of ¥364.8 billion for fiscal year 2008, up 14.1%, or ¥45.1 billion, from the previous year. Income taxes increased 0.3%, or ¥0.3 billion, to ¥100.3 billion.

Minority interests totaled ¥20.1 billion, up 38.0%, or ¥5.5 billion, from the previous year. As a result, the Group recorded net income of ¥244.4 billion, an increase of 19.1%, or ¥39.2 billion, from the previous fiscal year.

ROE increased from 9.9% to 11.3%, and net income per share of common stock rose from ¥249.88 to ¥299.96. Diluted net income per share of common stock was ¥299.70, compared with ¥249.56 a year earlier.

Net Income per Share Dividends per Share

(¥)



Policy on Allocation of Earnings

Dividends

The Company is committed to paying consistent increases in dividends, while taking into consideration operating results and the dividend payout ratio.

In line with this policy, the Company increased the dividend applicable to the fiscal year by ¥9.00 to ¥54.00, representing a payout ratio of 33.5% and 18.0% on a non-consolidated and consolidated basis, respectively. The Company uses retained earnings for capital expenditures and research and development to sustain long-term business growth, and to support its share buyback program as a means of returning profits to shareholders.

Treasury Stock Repurchases

The Company repurchases its own shares as part of its strategy to increase ROE, return profits to shareholders and ensure a flexible capital policy in response to changes in the operating environment. As of March 31, 2008, the Company had repurchased a total of 147 million shares at an aggregate cost of ¥326.5 billion since the introduction of the share buyback program in the year ended March 31, 1997. This represents 17% of all the Company's outstanding shares as of March 31, 1997. In fiscal year 2008, the Company repurchased 2.6 million shares in the market at a cost of ¥9.3 billion. Additionally, at the Annual General Meeting of Shareholders held in June 2008, a resolution was approved that allows the Company to repurchase up to 6.0 million shares (or a maximum of ¥27.0 billion) by the time of the next Annual General Meeting of Shareholders, scheduled for June 2009. In the future, while giving consideration to cash flows, the Company will maintain this policy as an important tool in improving ROE and increasing shareholder value.

Source of Funds and Liquidity Risk Management

The Group's fundamental financial policy is designed to: ensure efficient funding and management of funds for the operational activities of the entire Group, secure an optimum level of funds and liquidity, and maintain a sound financial position.

Global Cash Management System

The Group has created a structure facilitating optimum management of Group-wide funds by integrating financing functions into each Regional Headquarters (RHQ) in Japan, North America, Europe, and Asia.

In October 2007, the Company introduced the system in China to promote centralization of financing functions within the China region. By utilizing this sort of structure, in which each RHQ is responsible for managing funds within its respective region, the Group can procure capital resources and manage excess or deficient funds in a more centralized manner.

Financial Position

Total assets as of March 31, 2008, stood at ¥3,643.4 billion, 3.2%, or ¥121.7 billion, less than the previous fiscal year-end.

Current assets increased 5.0%, or ¥75.2 billion, to ¥1,578.0 billion, primarily reflecting an increase in marketable securities, which outweighed declines in cash and deposits, notes and accounts receivable, and inventories.

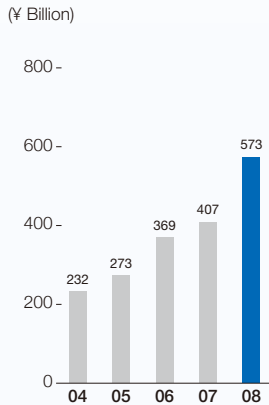
Property, plant and equipment increased 2.7%, or ¥29.1 billion, to ¥1,115.0 billion, mainly due to aggressive capital investment.

Investments and other assets decreased 19.2%, or ¥226.0 billion, to ¥950.3 billion, mainly due to a decrease in unrealized gains on investment securities.

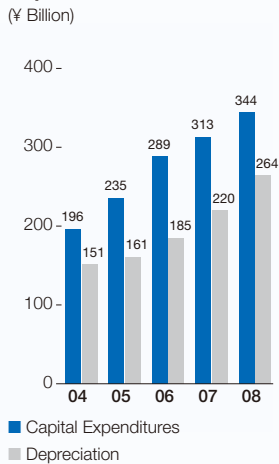
The total of current and long-term liabilities decreased 7.9%, or ¥117.4 billion, to ¥1,360.7 billion, due to a decrease in deferred tax liabilities, repayment of debt and redemption of bonds. Interest-bearing debt decreased 26.4%, or ¥75.8 billion, to ¥210.9 billion.

Equity declined 0.2%, or ¥4.3 billion, to ¥2,282.7 billion, primarily reflecting a decrease in unrealized gain on available-for-sale securities. This was despite an increase in retained earnings from net income.

Net Cash Provided by Operating Activities



Capital Expenditures/Depreciation



Cash Flows

In terms of cash flows for the fiscal year ended March 31, 2008, net cash provided by operating activities was ¥572.7 billion, net cash used in investing activities was ¥363.7 billion, and net cash used in financing activities was ¥121.9 billion. As a result, cash and cash equivalents increased ¥71.7 billion from the end of the previous year to ¥408.7 billion.

Net cash provided by operating activities for the fiscal year ended March 31, 2008, totaled ¥572.7 billion, ¥166.1 billion more than in the previous fiscal year. This increase was chiefly attributable to a ¥45.6 billion rise in operating income, thanks to capacity utilization gains on the strength of higher sales and rationalization activities.

Investing activities used net cash totaling ¥363.7 billion, ¥50.8 billion more than the previous fiscal year. This primarily reflected a ¥30.2 billion increase in cash used for the acquisition of property, plant and equipment.

Net cash used in financing activities was ¥121.9 billion. This was mainly attributable to a ¥6.8 billion increase in cash dividends paid and a ¥50.1 billion redemption of corporate bonds.

Capital Expenditures/Depreciation

The Group applies a number of benchmarks to ensure appropriate decisions are made with regard to capital expenditures. These benchmarks include projected cash flow, ROA, number of years to recover investments, and forecasts of profitability. As part of a drive to reduce medium-term fixed costs, the Group is minimizing the scale of its production lines, standardizing components, and using global procurement to reduce facilities costs.

Capital expenditures during the year under review totaled ¥343.8 billion, an increase of 10.0%, or ¥31.3 billion, from the previous fiscal year. Depreciation increased 19.9%, or ¥43.6 billion, to ¥263.5 billion.

Capital Expenditures/Depreciation by Geographic Segment

In Japan, we established DENSO ELECTRONICS CORPORATION in Chitose, Hokkaido, in April 2007 to produce automotive semiconductor products. Along with the Kota and Takatana plants, this new plant will support growing demand for automotive semiconductor products required for increasingly high-level and complex electronic controls in automobiles. In addition, in order to establish an optimal production framework in Western Japan, where automobile production is expected to increase, in July 2007 we decided to expand DENSO MANUFACTURING KITAKYUSHU CO., LTD., and in October 2007, we made a decision to consolidate the Company's Hiroshima Plant into this new company. Moreover, in order to build a production framework for anticipated increases in vehicle production in the Tohoku and Kanto regions, in March 2008 we resolved to establish a new company—DENSO East Japan Corporation—in Tamura-shi, Fukushima Prefecture, to manufacture car air conditioning systems. In doing so, DENSO is building an optimal domestic production framework for increased vehicle production while also shifting production outside of Aichi Prefecture and to Group companies. Furthermore, with growing demand for improved fuel economy and reduced CO₂ emissions, we decided in December 2007 to purchase land in order to expand our Anjo Plant. This move will enable us to respond to the production of eco-friendly products, which are expected to witness a surge in demand going forward. As a result, capital expenditures in Japan were ¥234.5 billion, an increase of 11.3%, or ¥23.8 billion.

In the Americas, in order to meet growing demand for increased airbag fitting and body products resulting from heightened interest in safety and convenience, we expanded the DENSO MANUFACTURING TENNESSEE, INC. plant and reinforced its electronic component production capacity. In addition, in order to meet rising demand from North American customers for fuel injection products, an injector production line was added to DENSO MANUFACTURING ATHENS TENNESSEE, INC., enabling the product to be produced locally. As a result, capital expenditures in the Americas were ¥40.0 billion, a decrease of 0.9%, or ¥0.4 billion.

In Europe, we expanded our DENSO MANUFACTURING HUNGARY LTD. plant in order to meet growing demand for fuel injectors for diesel vehicles and common-rail injection systems that will be required in order to improve fuel economy and reduce hazardous substances contained in gas emissions in compliance with the new "Euro 5" emission regulations. This will enable the company to reinforce its production capacity for these products. As a result, capital expenditures in Europe were ¥31.7 billion, an increase of 27.8%, or ¥6.9 billion.

In Asia & Oceania, to meet increasing demand for fuel injectors for diesel vehicles and common-rail injection systems that will be required in order to improve fuel economy and reduce hazardous substances contained in gas emissions in compliance with stricter emission regulations in China, in June 2007 we established DENSO (CHANGZHOU) FUEL INJECTION SYSTEM CO., LTD. This now gives us three overseas production bases for common-rail injection systems, along with DENSO MANUFACTURING HUNGARY LTD. and SIAM DENSO MANUFACTURING CO., LTD., providing a supply structure for the world's major regions. As a result, capital expenditures in Asia & Oceania were ¥37.6 billion, an increase of 2.7%, or ¥1.0 billion.

Research and Development (R&D) Activities

The Group has made progress in technological development that focuses on the environment, safety, comfort, and convenience in order to realize an environmentally friendly, accident-free automotive society (gentleness) and for comfortable driving and convenient vehicles (happiness). In the fiscal year under review, we introduced new products and new technologies in the fields of the environment and safety at the 40th Tokyo Motor Show. In the environment field, we exhibited diesel engine management systems based on common-rail injection systems, power control units (PCU) for hybrid vehicles, and the world's first electric variable valve timing control system. In the safety field, we introduced sensing systems that use millimeter-wave radar sensors and image sensors, as well as future technologies like line-of-sight recognition technology that can monitor the driver's line of vision.

The Group is working toward a development framework that brings together local carmakers and suppliers in order to be regarded as trustworthy and reliable by our customers worldwide. In fiscal year 2008, we established DENSO International Asia Co., Ltd. and set up a technical center for product development near Bangkok, Thailand. This technical center will develop products optimized for the Asia & Oceania region.

R&D expenses for the fiscal year ended March 31, 2008 increased 11.3%, or ¥31.6 billion, to ¥311.5 billion, representing 7.7% of net sales, down slightly from 7.8% in the previous period.

In this way, the Group is working to enhance the welfare of people everywhere by creating products that offer greater innovation, advanced performance, and superior quality.

Risk Management

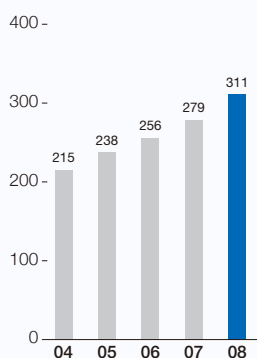
The Company has established a Risk Management Committee to minimize the diverse risk associated with its global operations. This committee is responsible for mitigating risk that may impact the Group, implementing countermeasures in the event of risks materializing, and taking other steps to enhance the Group's overall capability to deal with risks both in Japan and overseas.

Economic Risk

Demand for auto parts, which account for the major part of the Group's operating revenue around the globe, is easily affected by the economic situation in the countries and regions where the Group has sales bases. Accordingly, an economic downturn and resulting decrease in demand for auto parts in the Group's major markets, including Japan, the Americas, Europe, Asia and Oceania, may have an adverse effect on the Group's operating results and financial condition.

R&D Activities

(¥ Billion)



Further, Group operations can be indirectly affected by the economic situation in regions where competitors have their manufacturing bases. For example, if a competitor is able to employ local labor at lower cost and provide equivalent products at prices below those of the Group, this may adversely affect sales. Further, if the local currency of regions where parts and raw materials are sourced falls, there is a chance that the manufacturing cost not only for the Group, but also for other manufacturers, will fall. As a result of these trends, export and price wars may intensify, and have an adverse effect on the Group's operating results and financial condition.

Exchange Rate Risk

Operations within the Group include the sale and manufacture of products around the world. All regional items in local currency including sales, costs and assets are converted to yen for the purpose of creating consolidated financial statements. Based on the exchange rate used in conversion, even though items have not changed as an amount of local currency, there is a possibility that the amount expressed in yen after the conversion has been changed. In general, a strong yen (in particular against the U.S. dollar and euro that constitute a major part of Group sales) has an adverse effect on the Group's operations, and a weak yen has a positive effect on the Group's operations.

For Group operations that manufacture in Japan and export, a strong yen against other currencies decreases the worldwide comparative price competitiveness of their products and can have an adverse effect on operating results. The Group performs currency hedging, and makes efforts to minimize the adverse effect of short-term fluctuations in the exchange rates of major currencies including the U.S. dollar, euro and yen. However, as a result of medium- and long-term movements in exchange rates, there are cases where procurement, manufacturing, distribution and sales cannot be performed exactly as planned and, as a result, exchange rate movements may have an adverse effect on the Group's operating results and financial condition.

Raw Materials and Component Supply Risk

The Group procures raw materials and components used to manufacture its products from numerous external vendors. Although basic business contracts have been concluded with these external vendors, and transactions are generally stable, there is no guarantee of shortages or sharply higher prices for raw materials and components due to fluctuations in market conditions, unforeseen accidents at vendors or other such events. In such cases, the Group could incur higher manufacturing costs or be forced to halt production, which may in turn have an adverse effect on the Group's operating results and financial condition.

New Product Development Risk

While the Group believes that it can continue to develop original and appealing new products, the product development and sales process is, by its nature, complex and uncertain, and is subject to the following risks:

- There is no guarantee of acquiring sufficient funds and resources for investment in new products and new technologies.
- There is no guarantee that long-term investment and allocation of large amounts of resources will lead to the development of successful new products and the creation of new technologies.
- It is not certain that the Group will be able to correctly predict which new products and new technologies will earn the support of the Group's customers, and there is no guarantee that the sales of these products will be successful.
- As a result of fast-paced technological advances and changes in market needs, there is a possibility that the Group's products will become outdated.
- As a result of delays in the commercialization of new technologies under development, there is a possibility that market demands might not be met.

Beginning with the risks outlined above, if the Group is unable to fully anticipate industry and market changes, and is unable to develop attractive new products, this may result in a drop in future growth and profitability and may have an adverse effect on the Group's operating results and financial condition.

Pricing Risk

Price competition in the automotive industry is fierce. In particular, demands for price reductions by automakers have increased in recent years. Further, it can be foreseen that the Group will face intensified competition in the component fields and regional markets that it operates in. Competitors include other component manufacturers, and some of these manufacturers are providing products at a lower price than the Group. Also, in line with the evolution of the automotive electronics business, there has been a rise in new competitors, such as consumer-electronics manufacturers and tie-ups between existing competitors, and there is a chance that they will quickly gain a large share in the market.

While we believe that the Group is the leading component manufacturer in the world and continues to develop automotive parts that are technically advanced, of high quality and high added-value, this is no guarantee that the Group will be able to compete effectively in the future. There is always the possibility that pricing pressure and ineffective competitive practices on the Group's part will lead to a decrease in customers, which may have an adverse effect on the Group's operating results and financial condition.

Potential Risks of International Activities and Overseas Expansion

The proportion of manufacturing and sales activities carried out in the Americas and Europe, as well as in developing and emerging markets in Asia and Oceania, has been increasing in recent years. Expansion into these overseas markets has the following inherent risks, which if they materialize, may have an adverse effect on the Group's operating results and financial condition.

- Unforeseen changes in laws or regulations.
- Unfavorable political or economic factors.
- Difficulties in employing and retaining personnel.
- Inadequate social infrastructure that may adversely affect the Group's business activities.
- The potentially adverse impact of tax regulations.
- Social or economic turmoil caused by terrorist incidents, military conflict, epidemics and other events.

Intellectual Property Risk

The Group has accumulated technology and expertise that allows it to differentiate its products from those of its competitors. However, legal restrictions in certain regions and countries are inadequate to fully protect these technologies and expertise as intellectual property. Consequently, the Group may not be able to effectively prevent third parties from using its intellectual property to manufacture similar products. Additionally, because the Group's products employ a broad range of technologies, there is a possibility that these products may be judged to have infringed third-party intellectual property rights in the future.

OEM Customer Risk

The OEM business, which constitutes the majority of the Group's business, serves automobile manufacturers around the world and supplies a wide range of products, including air conditioning, engine, driving control and safety, and information and communication products. Sales to OEM customers are liable to be affected by factors that the Group cannot control such as the operating results of the OEM customer, while demands for reduced prices from the OEM customer may reduce the Group's profit margins. Further, there is a possibility that OEM customer business downturns, unforeseen contract cancellations, changes in OEM customer procurement policies, and price cuts to satisfy large customers may have an adverse effect on the Group's operating results and financial condition.

Sales to the Toyota Group account for roughly half of the Group's sales. Such sales made to a specific client group can be significantly impacted by the operating results of the customer.

Product Defect Risk

The Group manufactures a variety of products to meet internationally recognized quality control standards at factories around the world. However, there is no guarantee that all the Group's products are defect-free and that there will be no product recalls in the future. Also, while the Group does have product liability insurance coverage, there is no guarantee that this insurance will completely cover any compensation that the Group may be forced to pay. Further, the Group may not be able to continue to subscribe to this insurance under conditions acceptable to the Group. Product defects that lead to large-scale product recalls or product liability compensation could have a huge cost and large impact on the Group's reputation, and this may lead to a decrease in sales and adversely affect the Group's operating results and financial condition.

Risks of Natural Disasters and Power Outages

In order to minimize the potential negative impact of manufacturing lines being shut down, the Group carries out disaster-prevention inspections and equipment checks on a regular basis.

However, there is no guarantee that the Group can totally prevent or reduce the impact of natural disasters, power outages or other stoppages of manufacturing lines. For example, many of the Group's places of business are in the Tokai region, and if a disastrous earthquake were to hit this region, there is a possibility that the Group's production and delivery activities would be suspended.

Pension Liability Risk

Costs and liabilities for employees' retirement benefits are calculated based on actuarial assumptions such as the discount rate and the expected rate of return on the pension assets. When actual results differ from the assumptions used for calculation, or when changes are made to the assumptions, the effect is accumulated and brought forward into future calculations, generally resulting in an impact on reported future costs and liabilities.

Risk Management Meeting

With expansion of the Group's overseas business, the rapid development of information technology and greater pressure on companies to fulfill their social responsibility with respect to the environment, managing these diversifying risks from a global perspective is becoming increasingly important. In this context, the Company established a Risk Management Meeting to reinforce its ability to respond to risk. Specifically, the Company has identified 58 areas of risk that require management's attention. The Group, as a whole, has already begun taking steps to mitigate these potential risks by preparing to implement thorough initial response measures in the event that such risks should materialize.

Outlook

The risk of the global economy going into a recession is increasing, on growing concerns over a possible slowdown in the U.S. In the automotive industry, sales in India, China and other emerging markets should see continued expansion, although they are likely to slow in the key Japanese and U.S. markets.

The Company's operating environment has become extraordinarily severe as a result of the recent sharp appreciation of the yen and escalating raw material prices.

In this business climate, the Group has positioned fiscal 2009 as a period for strengthening its commitment to safety and quality, and to work steadfastly toward achieving the goals defined in DENSO VISION 2015, while continuing to be guided by the following two key policies:

1. Contribute to the creation of an advanced automotive society, and
2. Evolve into a truly global corporation

Specific initiatives in the first area will include strengthening quality to ensure we respond to customers' expectations and the trust they place in us. We will also forge ahead with cutting-edge development and strive to bolster our cost competitiveness. Furthermore, the Group will work to develop and market products that precisely respond to the specific needs of customers and regional markets.

In the second area, the Group will focus on reforming its manufacturing network in Japan and overseas, strengthening its competitive position in manufacturing while reinforcing cooperation between the head office and Group firms in order to maximize Group capabilities. The Group will also work to foster workplaces that allow all employees around the world to fully develop and demonstrate their full potential.

Based on these initiatives, and assuming U.S. dollar and euro exchange rates of ¥100 and ¥155, respectively, the Group is projecting consolidated net sales of ¥4,030.0 billion, an increase of 0.1%, or ¥4.9 billion; operating income of ¥289.0 billion, a decline of 17.1%, or ¥59.7 billion; and net income of ¥200.0 billion, a decline of 18.2%, or ¥44.4 billion, for the fiscal year ending March 31, 2009. Other estimates are for capital expenditures of ¥322.0 billion, down 6.3%, or ¥21.8 billion, depreciation of ¥301.0 billion, up 14.1%, or ¥37.5 billion, and R&D expenses of ¥311.0 billion, down 0.2%, or ¥0.5 billion.

Forward-looking Statements

The above forecasts are based on information available as of the date of this report. Actual results may differ materially from forecasts due to a variety of internal and external factors, such as changes in business operations and exchange rates.

Consolidated Balance Sheets

DENSO CORPORATION and Consolidated Subsidiaries
March 31, 2008 and 2007

| Assets | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|--------------------------------------------------------------------------------|-------------------|-------------------|------------------------------------------|
| | 2008 | 2007 | 2008 |
| Current Assets: | | | |
| Cash and cash equivalents | ¥ 408,675 | ¥ 337,003 | \$ 4,079,000 |
| Short-term investments (Note 3) | 41,674 | 33,440 | 415,950 |
| Notes and accounts receivable: | | | |
| Trade | 646,404 | 648,846 | 6,451,781 |
| Non-consolidated subsidiaries and affiliates | 11,608 | 12,033 | 115,860 |
| | 658,012 | 660,879 | 6,567,641 |
| Less: Allowance for doubtful accounts | (2,465) | (2,736) | (24,603) |
| | 655,547 | 658,143 | 6,543,038 |
| Inventories (Note 4) | 310,446 | 313,679 | 3,098,573 |
| Deferred tax assets (Note 6) | 63,458 | 60,646 | 633,377 |
| Other current assets | 98,270 | 99,932 | 980,836 |
| Total current assets | 1,578,070 | 1,502,843 | 15,750,774 |
| Property, Plant and Equipment (Notes 5 and 8): | | | |
| Land | 148,723 | 149,944 | 1,484,409 |
| Buildings and structures | 691,251 | 656,648 | 6,899,401 |
| Machinery and equipment | 2,449,981 | 2,337,584 | 24,453,349 |
| Construction in progress | 108,573 | 106,634 | 1,083,671 |
| | 3,398,528 | 3,250,810 | 33,920,830 |
| Less: Accumulated depreciation | (2,283,502) | (2,164,831) | (22,791,716) |
| Net property, plant and equipment | 1,115,026 | 1,085,979 | 11,129,114 |
| Investments and Other Assets: | | | |
| Investment securities (Note 3) | 724,833 | 971,433 | 7,234,584 |
| Investments in and advances to a non-consolidated subsidiary and affiliates | 46,070 | 47,395 | 459,826 |
| Prepaid pension cost (Note 9) | 111,267 | 100,169 | 1,110,560 |
| Intangible assets | 22,043 | 19,938 | 220,012 |
| Other assets (Note 6) | 46,109 | 37,378 | 460,216 |
| Total investments and other assets | 950,322 | 1,176,313 | 9,485,198 |
| Total | ¥3,643,418 | ¥3,765,135 | \$36,365,086 |

See accompanying notes to consolidated financial statements.

| Liabilities and Equity | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|-------------------------------------------------------------------------------------|-------------------|-------------------|------------------------------------------|
| | 2008 | 2007 | 2008 |
| Current Liabilities: | | | |
| Short-term borrowings (Note 7) | ¥ 46,511 | ¥ 82,551 | \$ 464,228 |
| Current portion of long-term debt (Notes 7 and 8) | 9,048 | 59,547 | 90,308 |
| Notes and accounts payable: | | | |
| Trade | 508,733 | 462,644 | 5,077,682 |
| Non-consolidated subsidiaries and affiliates | 25,588 | 28,328 | 255,395 |
| | 534,321 | 490,972 | 5,333,077 |
| Income taxes payable | 51,813 | 54,410 | 517,147 |
| Accrued expenses | 222,182 | 210,501 | 2,217,607 |
| Other current liabilities (Note 6) | 106,531 | 97,379 | 1,063,290 |
| Total current liabilities | 970,406 | 995,360 | 9,685,657 |
| Long-Term Liabilities: | | | |
| Long-term debt (Notes 7 and 8) | 155,369 | 144,671 | 1,550,744 |
| Liability for employees' retirement benefits (Notes 2 (I) and 9) | 174,602 | 172,602 | 1,742,709 |
| Retirement allowances for directors and corporate auditors (Note 2 (J)) | 2,290 | | 22,856 |
| Deferred tax liabilities (Note 6) | 45,453 | 150,751 | 453,668 |
| Other long-term liabilities | 12,621 | 14,795 | 125,971 |
| Total long-term liabilities | 390,335 | 482,819 | 3,895,948 |
| Contingent Liabilities (Note 10) | | | |
| Equity (Note 11): | | | |
| Common stock: | | | |
| Authorized: 1,500,000,000 shares in 2008 and 2007 | | | |
| Issued: 884,068,713 shares in 2008 and 2007 | 187,457 | 187,457 | 1,871,015 |
| Capital surplus | 266,651 | 266,463 | 2,661,453 |
| Stock acquisition rights | 1,058 | 294 | 10,560 |
| Retained earnings | 1,705,299 | 1,500,807 | 17,020,651 |
| Unrealized gain on available-for-sale securities | 223,093 | 374,060 | 2,226,699 |
| Deferred gain (loss) on derivatives under hedge accounting | 10 | (905) | 100 |
| Foreign currency translation adjustments | (45,858) | 14,962 | (457,710) |
| Treasury stock, at cost: 71,347,883 shares in 2008 and 69,583,525 shares in 2007 | (176,394) | (169,130) | (1,760,595) |
| Total | 2,161,316 | 2,174,008 | 21,572,173 |
| Minority interests | 121,361 | 112,948 | 1,211,308 |
| Total equity | 2,282,677 | 2,286,956 | 22,783,481 |
| Total | ¥3,643,418 | ¥3,765,135 | \$36,365,086 |

Consolidated Statements of Income

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2008, 2007 and 2006

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|----------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------|------------|------------------------------------------|
| | 2008 | 2007 | 2006 | 2008 |
| Net Sales (Note 13) | ¥4,025,076 | ¥3,609,700 | ¥3,188,330 | \$40,174,429 |
| Cost of Sales (Note 14) | 3,314,890 | 2,990,370 | 2,622,998 | 33,086,037 |
| Gross profit | 710,186 | 619,330 | 565,332 | 7,088,392 |
| Selling, General and Administrative Expenses (Note 14) | 361,534 | 316,262 | 298,773 | 3,608,484 |
| Operating income | 348,652 | 303,068 | 266,559 | 3,479,908 |
| Other Income (Expenses): | | | | |
| Interest and dividend income | 25,956 | 18,224 | 13,021 | 259,068 |
| Interest expense | (6,814) | (5,709) | (4,506) | (68,011) |
| Equity in earnings of affiliates | 3,468 | 1,469 | 1,549 | 34,614 |
| Foreign exchange (loss) gain | (2,710) | 5,725 | 6,346 | (27,049) |
| Loss on sale or disposal of property, plant and equipment, net | (4,664) | (2,996) | (5,761) | (46,552) |
| Gain on sales of affiliates' stock | 607 | | | 6,059 |
| Impairment loss on investment securities | (45) | (1,807) | (177) | (449) |
| Impairment loss on long-lived assets (Note 5) | (767) | (1,044) | (159) | (7,655) |
| Restructuring charges | (808) | (1,659) | | (8,065) |
| Cumulative effect of accounting change for retirement benefit to directors, corporate auditors and managing officers (Notes 2 (I) and 2 (J)) | (3,330) | | | (33,237) |
| Reversal of allowance for doubtful accounts | | 469 | | |
| Gain on settlement of the substitutional portion of governmental pension program due to return of corresponding plan assets (Note 9) | | | 1,016 | |
| Charge for full amount of transitional obligation for employees' retirement benefits of subsidiaries in UK (Note 2 (I)) | | | (10,929) | |
| Factory removal expenses of a subsidiary | | | (951) | |
| Other, net | 5,284 | 3,971 | 5,846 | 52,740 |
| Total | 16,177 | 16,643 | 5,295 | 161,463 |
| Income before income taxes and minority interests | 364,829 | 319,711 | 271,854 | 3,641,371 |
| Income Taxes (Note 6): | | | | |
| Current | 109,432 | 115,162 | 104,346 | 1,092,244 |
| Deferred | (9,125) | (15,194) | (13,568) | (91,077) |
| Total | 100,307 | 99,968 | 90,778 | 1,001,167 |
| Minority Interests in Net Income | 20,105 | 14,573 | 11,428 | 200,669 |
| Net income | ¥ 244,417 | ¥ 205,170 | ¥ 169,648 | \$ 2,439,535 |
| Per Share of Common Stock (Notes 2 (T) and 18): | | | | |
| Basic net income | ¥ 299.96 | ¥ 249.88 | ¥ 204.80 | \$ 2.99 |
| Diluted net income | 299.70 | 249.56 | 204.62 | 2.99 |
| Cash dividends applicable to the year | 54.00 | 45.00 | 38.00 | 0.54 |
| Average Number of Shares (in thousands) | 814,833 | 821,060 | 825,725 | |

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2008, 2007 and 2006

| | Thousands | | | | | | | | | | Millions of yen | |
|---------------------------------------------------------------------|----------------------------------------------|-----------------|-----------------|--------------------------|-------------------|---------------------------------------------------------|------------------------------------------------------------|------------------------------------------|-------------------|-------------------|--------------------|-------------------|
| | Outstanding Number of Shares of Common Stock | Common Stock | Capital Surplus | Stock Acquisition Rights | Retained Earnings | Unrealized Gain (Loss) on Available-for-sale Securities | Deferred Gain (Loss) on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Treasury Stock | Total | Minority Interests | Total Equity |
| Balance, April 1, 2005 | 825,275 | ¥187,457 | ¥266,051 | | ¥1,191,370 | ¥173,730 | | ¥(55,608) | ¥(119,818) | ¥1,643,182 | | ¥1,643,182 |
| Net income | | | | | 169,648 | | | | | 169,648 | | 169,648 |
| Cash dividends, ¥37 per share | | | | | (30,546) | | | | | (30,546) | | (30,546) |
| Bonuses to directors and corporate auditors | | | | | (498) | | | | | (498) | | (498) |
| Purchase of treasury stock | (25) | | | | | | | | (83) | (83) | | (83) |
| Disposal of treasury stock | 1,006 | | 131 | | | | | | 2,051 | 2,182 | | 2,182 |
| Net change in the year | 7 | | | | | 145,456 | | 41,046 | 1 | 186,503 | | 186,503 |
| Balance, March 31, 2006 | 826,263 | ¥187,457 | ¥266,182 | | ¥1,329,974 | ¥319,186 | | ¥(14,562) | ¥(117,849) | ¥1,970,388 | | ¥1,970,388 |
| Reclassified balance as of March 31, 2006 (Note 2 (M)) | | | | | | | | | | | ¥ 95,915 | 95,915 |
| Adjustment of retained earnings for newly consolidated subsidiaries | | | | | (9) | | | | | (9) | | (9) |
| Net income | | | | | 205,170 | | | | | 205,170 | | 205,170 |
| Cash dividends, ¥41 per share | | | | | (33,779) | | | | | (33,779) | | (33,779) |
| Bonuses to directors and corporate auditors | | | | | (549) | | | | | (549) | | (549) |
| Purchase of treasury stock | (12,622) | | | | | | | | (53,170) | (53,170) | | (53,170) |
| Disposal of treasury stock | 844 | | 281 | | | | | | 1,889 | 2,170 | | 2,170 |
| Net change in the year | | | | ¥ 294 | | 54,874 | ¥(905) | 29,524 | | 83,787 | 17,033 | 100,820 |
| Balance, March 31, 2007 | 814,485 | ¥187,457 | ¥266,463 | ¥ 294 | ¥1,500,807 | ¥374,060 | ¥(905) | ¥ 14,962 | ¥(169,130) | ¥2,174,008 | ¥112,948 | ¥2,286,956 |
| Net income | | | | | 244,417 | | | | | 244,417 | | 244,417 |
| Cash dividends, ¥49 per share | | | | | (39,925) | | | | | (39,925) | | (39,925) |
| Purchase of treasury stock | (2,620) | | | | | | | | (9,347) | (9,347) | | (9,347) |
| Disposal of treasury stock | 856 | | 188 | | | | | | 2,083 | 2,271 | | 2,271 |
| Net change in the year | | | | 764 | | (150,967) | 915 | (60,820) | | (210,108) | 8,413 | (201,695) |
| Balance, March 31, 2008 | 812,721 | ¥187,457 | ¥266,651 | ¥1,058 | ¥1,705,299 | ¥223,093 | ¥ 10 | ¥(45,858) | ¥(176,394) | ¥2,161,316 | ¥121,361 | ¥2,282,677 |

| | Thousands of U.S. dollars (Note 1) | | | | | | | | | | |
|----------------------------------|------------------------------------|--------------------|--------------------------|---------------------|---------------------------------------------------------|------------------------------------------------------------|------------------------------------------|----------------------|---------------------|--------------------|---------------------|
| | Common Stock | Capital Surplus | Stock Acquisition Rights | Retained Earnings | Unrealized Gain (Loss) on Available-for-sale Securities | Deferred Gain (Loss) on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Treasury Stock | Total | Minority Interests | Total Equity |
| Balance, March 31, 2007 | \$1,871,015 | \$2,659,577 | \$ 2,935 | \$14,979,609 | \$3,733,506 | \$ (9,033) | \$ 149,336 | \$ (1,688,093) | \$21,698,852 | \$1,127,338 | \$22,826,190 |
| Net income | | | | 2,439,535 | | | | | 2,439,535 | | 2,439,535 |
| Cash dividends, \$0.49 per share | | | | (398,493) | | | | | (398,493) | | (398,493) |
| Purchase of treasury stock | | | | | | | | (93,293) | (93,293) | | (93,293) |
| Disposal of treasury stock | | 1,876 | | | | | | 20,791 | 22,667 | | 22,667 |
| Net change in the year | | | 7,625 | | (1,506,807) | 9,133 | (607,046) | | (2,097,095) | 83,970 | (2,013,125) |
| Balance, March 31, 2008 | \$1,871,015 | \$2,661,453 | \$10,560 | \$17,020,651 | \$2,226,699 | \$100 | \$(457,710) | \$(1,760,595) | \$21,572,173 | \$1,211,308 | \$22,783,481 |

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2008, 2007 and 2006

Consolidated Statements of Cash Flows

| | Millions of yen | | | Thousands of U.S. dollars (Note 1) |
|-------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|------------------------------------------|
| | 2008 | 2007 | 2006 | 2008 |
| Operating Activities: | | | | |
| Income before income taxes and minority interests | ¥364,829 | ¥319,711 | ¥271,854 | \$3,641,371 |
| Adjustments for: | | | | |
| Payment of income taxes | (113,085) | (124,277) | (84,671) | (1,128,706) |
| Depreciation | 263,519 | 219,873 | 185,143 | 2,630,193 |
| Impairment loss on long-lived assets | 767 | 1,044 | 159 | 7,655 |
| Amortization of goodwill | (357) | (163) | (145) | (3,563) |
| Equity in earnings of affiliates | (3,468) | (1,469) | (1,549) | (34,614) |
| Loss on sale or disposal of property, plant and equipment, net | 4,664 | 2,996 | 5,761 | 46,552 |
| Foreign exchange gain | (139) | (2,179) | (1,467) | (1,387) |
| Changes in assets and liabilities: | | | | |
| Increase in notes and accounts receivable | (19,399) | (53,262) | (54,878) | (193,622) |
| Increase in inventories | (13,403) | (14,508) | (22,503) | (133,776) |
| Increase in liability for retirement benefits | 2,973 | 3,653 | 12,521 | 29,674 |
| Increase in notes and accounts payable | 49,632 | 33,596 | 44,033 | 495,379 |
| Decrease in defined contribution pension payable | | (525) | (6,145) | |
| Increase in prepaid pension cost | (11,222) | (5,903) | (3,348) | (112,007) |
| Other, net | 47,352 | 27,956 | 23,810 | 472,622 |
| Total adjustments | 207,834 | 86,832 | 96,721 | 2,074,400 |
| Net cash provided by operating activities | 572,663 | 406,543 | 368,575 | 5,715,771 |
| Investing Activities: | | | | |
| Acquisition of property, plant and equipment | (341,363) | (311,196) | (277,329) | (3,407,156) |
| Proceeds from sale of property, plant and equipment | 13,482 | 10,764 | 8,991 | 134,564 |
| Purchase of available-for-sale securities | (98,965) | (80,888) | (89,139) | (987,773) |
| Proceeds from sale and redemption of available-for-sale securities | 93,520 | 81,734 | 54,986 | 933,426 |
| Payment for purchase of consolidated subsidiaries, net of cash acquired | | | (1,509) | |
| Other, net | (30,423) | (13,317) | (14,934) | (303,653) |
| Net cash used in investing activities | (363,749) | (312,903) | (318,934) | (3,630,592) |
| Financing Activities: | | | | |
| Net (decrease) increase in short-term borrowings | (30,974) | (19,838) | 30,142 | (309,153) |
| Proceeds from long-term borrowings | 26,147 | 37,241 | 47,221 | 260,974 |
| Repayments of long-term borrowings | (15,811) | (9,670) | (21,403) | (157,810) |
| Repayments of long-term bonds | (50,074) | | | (499,790) |
| Dividends paid | (39,925) | (33,779) | (30,546) | (398,493) |
| Purchase of treasury stock | (9,347) | (53,170) | (83) | (93,293) |
| Other, net | (1,903) | (696) | 129 | (18,994) |
| Net cash (used in) provided by financing activities | (121,887) | (79,912) | 25,460 | (1,216,559) |
| Foreign Currency Translation Adjustments on Cash and Cash Equivalents | | | | |
| | (15,355) | 9,181 | 6,656 | (153,259) |
| Net Increase in Cash and Cash Equivalents | 71,672 | 22,909 | 81,757 | 715,361 |
| Cash and Cash Equivalents at Beginning of Period | 337,003 | 313,611 | 231,846 | 3,363,639 |
| Cash and Cash Equivalents of Newly Consolidated Subsidiary | | 483 | 8 | |
| Cash and Cash Equivalents at End of Period | ¥408,675 | ¥337,003 | ¥313,611 | \$4,079,000 |
| Assets and liabilities increased due to purchase of consolidated subsidiaries: | | | | |
| Fair value of assets acquired | - | - | ¥ 17,016 | - |
| Liabilities assumed | - | - | (8,926) | - |
| Cash paid for the acquisitions | - | - | 1,527 | - |

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

DENSO CORPORATION and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared from accounts and records maintained by DENSO CORPORATION (the "Company"), and consolidated subsidiaries (together, referred to as the "Group") in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law (formerly, the Securities and Exchange Law of Japan) and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accounts and records of foreign consolidated subsidiaries are maintained in conformity with accounting principles of the countries of their domicile.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the consolidated statement of changes in equity" from the year ended March 31, 2007.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥100.19 to U.S.\$1, the rate of exchange at March 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be, converted into U.S. dollars at that or any other rate of exchange.

2. Summary of Significant Accounting Policies

(A) Principles of Consolidation and Accounting for Investments in Non-consolidated Subsidiaries and Affiliates

The Company had 187 subsidiaries at March 31, 2008 (188 for 2007 and 2006).

The Company applied the "control" concept for its consolidation policy. Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated. The consolidated financial statements for the year ended March 31, 2008 include 186 subsidiaries (188 for 2007 and 179 for 2006). The Company applied the "power to exercise significant influence" concept to determine affiliates to be accounted for by the equity method. Under the influence concept, those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method. The Company applied the equity method to 1 non-consolidated subsidiary and all 32 affiliates for the year ended March 31, 2008 (32 affiliates for 2007 and 31 affiliates for 2006).

The fiscal years of subsidiaries are not necessarily the same as that of the Company. Accounts of subsidiaries, which have different fiscal years, have been adjusted for significant transactions to properly reflect their financial position at March 31 of each year and the results of operations and cash flows for the years then ended. In the year ended March 31, 2008, 2 of the Company's foreign subsidiaries which are consolidated, decided to change their fiscal year end from December 31 to March 31. The Company's consolidated financial statements thus include 15 months of operating results in the year ended March 31, 2008.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group are eliminated.

The net excess of the acquisition cost of the Company's investments in consolidated subsidiaries and affiliates accounted for under the equity method over the fair value of the net assets of those companies ("Goodwill") is amortized over the estimated available life or five years.

Investments in 9 non-consolidated subsidiaries were stated at cost for the year ended March 31, 2006. Those subsidiaries were included as consolidated subsidiaries as of March 31, 2007.

If the equity method of accounting had been applied to the investments in those companies, the effect on the accompanying consolidated financial statements would not be material.

(B) Cash and Cash Equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposits, commercial paper and money management funds, all of which mature or become due within three months of the date of acquisition.

(C) Inventories

Inventories other than raw materials are stated principally at cost. Raw materials are stated principally at the lower of cost or market. In both cases, cost is determined by the annual average method.

(D) Securities

All securities are classified as available-for-sale securities and are stated at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, available-for-sale securities are reduced to net realizable value by a charge to income.

(E) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost. Depreciation is computed, with minor exceptions, by the declining-balance method at rates based on the estimated useful lives of the assets.

Property, plant and equipment acquired on and after April 1, 2007 by the Company and domestic subsidiaries are depreciated by the declining-balance method in accordance with the revised corporate tax law, which is effective for fiscal years beginning on and after April 1, 2007. The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥11,876 million (\$118,535 thousand).

Property, plant and equipment held by the Company and domestic subsidiaries had been depreciated up to 95% of acquisition cost with 5% of residual value carried until previous fiscal years. However, such 5% portion of property, plant and equipment is systematically amortized over 5 years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised corporate tax law.

The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥4,322 million (\$43,138 thousand).

The range of useful lives is principally from 10 to 45 years for buildings and structures and mainly 7 years for machinery. Additional depreciation is charged for machinery operated in excess of normal usage.

(F) Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(G) Intangible Assets

Intangible assets consisted of in-house software, goodwill and others. The straight-line method is primarily used to amortize intangible assets. The amortization of in-house software, which is available to reduce operating costs, is computed using the straight-line method based on the estimated useful life of five years.

(H) Allowance for Doubtful Accounts

The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

(I) Liability for Employees' Retirement Benefits

The Group accounted for the liability for employees' retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

As of April 1, 2005, three consolidated subsidiaries located in the United Kingdom adopted the new local accounting standards for the liability for employees' retirement benefits. The new local accounting standards required to evaluate pension obligation and plan assets at fair value, which resulted in a transitional loss for the year when the new standards were adopted.

The effect of this change was to increase retirement benefit costs by ¥357 million and to reduce operating income by ¥347 million for the year ended March 31, 2006. In addition, these consolidated subsidiaries recognized a loss of ¥10,929 million for full amount of transitional obligation for employees' retirement benefits, which had the effect of reducing income before income taxes and minority interests by ¥11,276 million.

Prior to April 1, 2007, retirement benefits to managing officers were expensed when paid. Effective April 1, 2007, managing officers' retirement benefits are provided by the Company and major subsidiaries at the amount that would be required if all managing officers retired at the balance sheet date. The effect of this change is included in the next Note 2 (J).

(J) Retirement Allowances for Directors and Corporate Auditors

Prior to April 1, 2007, retirement benefits to directors and corporate auditors were expensed when paid.

Effective April 1, 2007, retirement benefits to directors and corporate auditors are provided by the Company and major subsidiaries at the amount that would be paid if all directors and corporate auditors retired at the balance sheet date in accordance with a Report of the Auditing and Assurance Practice Committee, "An Auditing Treatment for Retirement Benefits to Directors and Corporate Auditors", which was published by the Japanese Institute of Certified Public Accountants on April 13, 2007 and is effective for fiscal years beginning on or after April 1, 2007. The effect of this change including the effect of managing officers' retirement benefits was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥2,183 million (\$21,788 thousand), which included a cumulative effect of ¥3,330 million (\$33,237 thousand) at April 1, 2007. This cumulative effect was presented in other expense in the 2008 consolidated statement of income.

(K) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(L) Stock Options

On December 27, 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Company applied the new accounting standard for stock options to those granted on and after May 1, 2006. The effect of adoption of this accounting standard for the year ended March 31, 2007 was to decrease income before income taxes and minority interests by ¥294 million.

(M) Presentation of Equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The balance of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

(N) Leases

Under Japanese accounting standard for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. All other leases are accounted for as operating leases.

(O) Income Taxes

The provision for current income taxes is computed based on the pretax income included in the consolidated statements of income.

The asset and liability approach is used to recognize deferred tax assets and liabilities, which are recorded to reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Future tax benefits are recognized to the extent that such benefits are likely to be realized.

(P) Bonuses to Directors and Corporate Auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors", which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year-end to which such bonuses are attributable.

The Group adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended March 31, 2007. The effect of adoption of this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥587 million.

(Q) Translation of Foreign Currency Accounts

All short-term and long-term monetary receivable and payable accounts denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

(R) Translation of Financial Statements for Consolidated Foreign Subsidiaries

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates at the balance sheet date, except for equity, which is translated at the historical rates. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of equity.

Revenue and expense accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the annual average rates.

(S) Derivative Financial Instruments

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statements of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign exchange forward contracts, currency options and currency swap contracts employed to hedge foreign exchange exposures to the consolidated subsidiaries are measured at fair value, and the unrealized gain/loss are recognized in income.

Interest rate swaps are utilized to hedge interest rate exposures of financial assets and long-term debt (bonds). These swaps, which qualify for hedge accounting, are measured at market value at the balance sheet date and the unrealized gains and losses are deferred until maturity as other liability or asset. When interest rate swap contracts meet specific matching criteria, the interest rate swaps are not re-measured at market value but the differentials paid or received under the swap contracts are recognized and included in interest expense or income.

(T) Net Income and Dividends per Share

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding in each period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding stock option.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

(U) New Accounting Pronouncements***Measurement of Inventories***

Under generally accepted accounting principles in Japan ("Japanese GAAP"), inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories", which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

4. Inventories

Inventories at March 31, 2008 and 2007 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------------|-----------------|----------|------------------------------|
| | 2008 | 2007 | 2008 |
| Finished products | ¥127,486 | ¥125,927 | \$1,272,442 |
| Work in process | 79,212 | 81,669 | 790,618 |
| Raw materials and supplies | 103,748 | 106,083 | 1,035,513 |
| Total | ¥310,446 | ¥313,679 | \$3,098,573 |

5. Long-lived Assets

The Group reviewed its long-lived assets for impairment. As a result, relating to unused land in Japan, the Group recognized impairment losses of ¥17 million (\$170 thousand), ¥79 million and ¥159 million for the years ended March 31, 2008, 2007 and 2006, respectively.

In addition, the Group recognized an impairment loss of ¥750 million (\$7,485 thousand) for machinery and equipment in the Italy due to the change of business environment for small motors equipment products in the Italy and the carrying amount of the relevant long-lived assets were written down to the recoverable amount for the year ended March 31, 2008. The recoverable amount of the asset group was measured at its value in use and the discount rate used for computation of the present value of future cash flows was 4.8%.

The Group recognized an impairment loss of ¥965 million for certain buildings and structures and machinery and equipment in the UK due to the change of business environment for electronic equipment products in the UK and the carrying amount of the relevant long-lived assets were written down to the recoverable amount for the year ended March 31, 2007. The recoverable amount of the asset group was measured at its value in use and the discount rate used for computation of the present value of future cash flows was 5.0%.

6. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in aggregate, resulted in normal statutory tax rates of approximately 40% for the years ended March 31, 2008, 2007 and 2006.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------------------|-----------------|------------|------------------------------|
| | 2008 | 2007 | 2008 |
| Deferred tax assets: | | | |
| Depreciation | ¥ 74,681 | ¥ 67,570 | \$ 745,394 |
| Retirement benefits | 63,999 | 61,603 | 638,776 |
| Accrued bonuses to employees | 22,449 | 21,643 | 224,064 |
| Warranty reserve | 8,693 | 6,164 | 86,765 |
| Long-term prepaid expenses | 270 | 1,773 | 2,695 |
| Other | 89,828 | 91,052 | 896,577 |
| Less: Valuation allowance | (13,174) | (11,618) | (131,490) |
| Total deferred tax assets | ¥246,746 | ¥238,187 | \$2,462,781 |
| Deferred tax liabilities: | | | |
| Unrealized gain on available-for-sale securities | ¥147,819 | ¥248,557 | \$1,475,387 |
| Prepaid pension cost | 36,155 | 32,067 | 360,864 |
| Other | 23,680 | 28,250 | 236,351 |
| Total deferred tax liabilities | ¥207,654 | ¥308,874 | \$2,072,602 |
| Net deferred tax assets (liabilities) | ¥ 39,092 | ¥ (70,687) | \$ 390,179 |

Net deferred tax assets presented in the consolidated balance sheets at March 31, 2008 and 2007 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|------------------------------------------------|-----------------|------------|---------------------------|
| | 2008 | 2007 | 2008 |
| Current assets—Deferred tax assets | ¥ 63,458 | ¥ 60,646 | \$ 633,377 |
| Investments and other assets—Other assets | 22,251 | 21,060 | 222,088 |
| Current liabilities—Other current liabilities | (1,164) | (1,642) | (11,618) |
| Long-term liabilities—Deferred tax liabilities | (45,453) | (150,751) | (453,668) |
| Net deferred tax assets (liabilities) | ¥ 39,092 | ¥ (70,687) | \$ 390,179 |

The reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2008, 2007 and 2006 was as follows:

| | 2008 | 2007 | 2006 |
|--------------------------------------------------------------------------|--------|--------|--------|
| Normal effective statutory tax rate | 39.89% | 39.89% | 39.89% |
| Tax credit of R&D expenses and other | (3.16) | (4.17) | (5.61) |
| Tax effect not recognized on operating loss (income) of subsidiaries | 0.59 | (0.20) | 1.22 |
| Dividends received from foreign subsidiaries | 1.54 | 1.56 | 1.58 |
| Items permanently non-taxable such as dividends received | (0.82) | (0.73) | (0.62) |
| Lower income tax rates applicable to income in certain foreign countries | (8.04) | (3.31) | (1.64) |
| Foreign tax credit | (1.57) | (1.25) | (0.82) |
| Other | (0.94) | (0.52) | (0.61) |
| Actual effective tax rate | 27.49% | 31.27% | 33.39% |

7. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2008 and 2007 consisted of notes to banks and bank overdrafts. The weighted average interest rates applicable to short-term borrowings at March 31, 2008 and 2007 were 2.4% and 2.9%, respectively.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|--------------------------------------------------------------------------------------------|-----------------|----------|---------------------------|
| | 2008 | 2007 | 2008 |
| Unsecured 0.34% yen bonds due 2007 | — | ¥ 50,000 | — |
| Unsecured 1.11% yen bonds due 2012 | ¥ 50,000 | 50,000 | \$ 499,052 |
| Secured 3.58% U.S. dollar bonds due serially to 2019 | 325 | 413 | 3,244 |
| Other long-term debt (weighted average interest rates of 1.6% in 2008 and 1.8% in 2007) | 114,092 | 103,805 | 1,138,756 |
| Total | ¥164,417 | ¥204,218 | \$1,641,052 |
| Less: Current portion | 9,048 | 59,547 | 90,308 |
| Long-term debt, less current portion | ¥155,369 | ¥144,671 | \$1,550,744 |

The Company assigned the obligation to repay its 1.9% unsecured bonds issued on June 23, 1998 to a financial institution during the year ended March 31, 2003. Accordingly, these bonds have been treated as redeemed and a loss on redemption of bonds, in the amount of ¥4,964 million, was recognized. Contingent liabilities to bond holders with respect to this transaction are described in Note 10.

Annual maturities of long-term debt at March 31, 2008 were as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| 2009 | ¥ 9,048 | \$ 90,308 |
| 2010 | 17,453 | 174,199 |
| 2011 | 17,678 | 176,445 |
| 2012 | 1,607 | 16,040 |
| 2013 | 50,091 | 499,960 |
| 2014 and thereafter | 68,540 | 684,100 |
| Total | ¥164,417 | \$1,641,052 |

8. Pledged Assets

The following assets were pledged as collateral for secured 3.58% U.S. dollar bonds of ¥325 million (\$3,244 thousand) and long-term borrowings including current portion of ¥498 million (\$4,971 thousand) at March 31, 2008.

| | Millions of yen | Thousands of U.S. dollars |
|-----------------------------------------------------------|-----------------|---------------------------|
| Buildings and structures, net of accumulated depreciation | ¥1,051 | \$10,490 |
| Land | 521 | 5,200 |
| Total | ¥1,572 | \$15,690 |

9. Liability for Employees' Retirement Benefits

Employees are generally entitled to lump-sum severance indemnities determined by current basic rates of pay, length of service, and the conditions under which the termination occurs. The Company and its domestic consolidated subsidiaries have unfunded retirement benefit plans and funded non-contributory pension plans for employees. Under the unfunded retirement benefit plans, the amount of severance indemnities to be paid by the Company and domestic subsidiaries is, in most cases, reduced by the benefits payable under the funded pension plan. The foreign consolidated subsidiaries do not recognize such cost. However, certain foreign subsidiaries adopted individual pension plans.

According to the enactment of the Defined Contribution Pension Plan Law in October 2001, the Company implemented a defined contribution pension plan in October 2002 by which a portion of the severance lump-sum payment plan was terminated. Similarly, a domestic subsidiary, ASMO CO., LTD., implemented a defined contribution pension plan in October 2003, by which a portion of the severance lump-sum payment plan was terminated. Certain domestic subsidiaries contribute to a multi-employer pension plan under industry-wide collective agreements.

SHIMIZU INDUSTRIES CO., LTD., which was consolidated as of April 1, 2005, obtained an approval of exemption from past pension obligation related to the substitutional portion of the governmental program from the Ministry of Health, Labor and Welfare on April 1, 2005 and actually transferred plan assets in the amount of ¥844 million in cash on September 30, 2005. Accordingly, SHIMIZU INDUSTRIES CO., LTD. recognized a gain on settlement of the substitutional portion of governmental pension program due to return of corresponding plan assets in the amount of ¥1,016 million for the year ended March 31, 2006.

The liability (asset) for employees' retirement benefits at March 31, 2008 and 2007 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------------------------------|------------------|-----------|---------------------------|
| | 2008 | 2007 | 2008 |
| Projected benefit obligation | ¥595,420 | ¥579,470 | \$5,942,909 |
| Fair value of plan assets | (502,756) | (564,884) | (5,018,026) |
| Unrecognized actuarial loss | (85,576) | (7,638) | (854,137) |
| Unrecognized prior service benefit | 56,247 | 65,485 | 561,403 |
| Net liability | 63,335 | 72,433 | 632,149 |
| Prepaid pension cost | 111,267 | 100,169 | 1,110,560 |
| Liability for employees' retirement benefits | ¥174,602 | ¥172,602 | \$1,742,709 |

The components of net periodic retirement benefit costs for the years ended March 31, 2008, 2007 and 2006 were as follows:

| | Millions of yen | | | Thousands of U.S. dollars |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------|----------|---------|---------------------------|
| | 2008 | 2007 | 2006 | 2008 |
| Service cost | ¥24,446 | ¥26,008 | ¥24,822 | \$243,997 |
| Interest cost | 12,004 | 11,940 | 11,309 | 119,812 |
| Expected return on plan assets | (12,622) | (12,081) | (9,912) | (125,981) |
| Recognized actuarial loss | 10,942 | 11,343 | 19,176 | 109,213 |
| Amortization of prior service benefit | (9,247) | (9,239) | (9,112) | (92,295) |
| Net periodic retirement benefit costs | ¥25,523 | ¥27,971 | ¥36,283 | \$254,746 |
| Gain on settlement of the substitutional portion of governmental pension program due to return of corresponding plan assets | – | – | (1,016) | – |
| Contribution to defined contribution pension plans fund | 3,206 | 3,139 | 3,074 | 31,999 |
| Total | ¥28,729 | ¥31,110 | ¥38,341 | \$286,745 |

Assumptions used for the years ended March 31, 2008, 2007 and 2006 were set forth as follows:

| | 2008 | 2007 | 2006 |
|----------------------------------------------|-------------|-------------|-------------|
| Discount rate | mainly 2.0% | mainly 2.0% | mainly 2.0% |
| Expected rate of return on plan assets | mainly 3.0% | mainly 3.0% | mainly 3.0% |
| Amortization period of prior service benefit | 10 years | 10 years | 10 years |
| Recognition period of actuarial gain/loss | 10 years | 10 years | 10 years |

Funded status of the multi-employer pension plan at March 31, 2007 (available information as of March 31, 2008), to which contributions were recorded as net periodic retirement benefit costs, was as follows:

| | Millions of yen 2007 |
|------------------------------------------------------|-------------------------|
| Fair value of plan assets | ¥179,463 |
| Pension benefits obligation recorded by pension fund | (167,432) |
| Net assets | ¥ 12,031 |

| | 2007 |
|---------------------------------------------------------------------|--------|
| The Group's contribution percentage for multi-employer pension plan | 21.92% |

Notes: 1. Net assets resulted from surplus recorded by the pension fund of ¥38,661 million and prior service cost of ¥26,630 million.

2. Prior service cost is amortized over 19 years and ¥594 million (\$5,929 thousand) of special contribution to the pension fund was recorded for the year ended March 31, 2008.

3. The Group's contribution percentage for multi-employer pension plan should not be construed as the Groups' actual obligation percentage.

10. Contingent Liabilities

At March 31, 2008, the Group had the following contingent liabilities:

| | Millions of yen | Thousands of U.S. dollars |
|---------------------------------------------------------------------------------------------------------|-----------------|------------------------------|
| Guarantees of loans from financial institutions to the Group's employees | ¥ 14 | \$ 140 |
| Trade notes sold with recourse | 18 | 180 |
| Redemption of 1.9% yen bonds transferred to a third party under a debt assumption agreement (Note 7) | 60,000 | 598,862 |
| Bank guarantees for customs duty | 697 | 6,956 |
| Total | ¥60,729 | \$606,138 |

11. Equity

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

(A) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; 1) having the Board of Directors, 2) having independent auditors, 3) having the Board of Corporate Auditors, and 4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

(B) Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock.

Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(C) Treasury Stock and Treasury Stock Acquisition Rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

12. Stock Options

The stock options outstanding as of March 31, 2008 are as follows:

| <u>Stock Option</u> | <u>Persons Granted</u> | <u>Number of Options Granted</u> | <u>Date of Grant</u> | <u>Exercise Price</u> | <u>Exercise Period</u> |
|---------------------|--------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------|-----------------------|-----------------------------------------|
| 2001 | 32 Directors 11 General Managers | 307,000 shares | August 1, 2001 | ¥ 2,397 (\$23.92) | From July 1, 2003 to June 30, 2007 |
| 2002 | 32 Directors 282 Key Employees | 854,000 shares | August 1, 2002 | ¥ 2,003 (\$19.99) | From July 1, 2004 to June 30, 2008 |
| 2003 | 32 Directors 304 Key Employees 96 Directors of subsidiaries | 1,114,000 shares | August 1, 2003 | ¥ 2,090 (\$20.86) | From July 1, 2005 to June 30, 2009 |
| 2004 | 13 Directors 24 Managing Officers 320 Key Employees 95 Directors of subsidiaries, etc. | 1,199,000 shares | August 3, 2004 | ¥ 2,740 (\$27.35) | From July 1, 2006 to June 30, 2010 |
| 2005 | 13 Directors 27 Managing Officers 343 Key Employees 97 Directors of subsidiaries, etc. | 1,270,000 shares | August 1, 2005 | ¥ 2,758 (\$27.53) | From July 1, 2007 to June 30, 2011 |
| 2006 | 13 Directors 27 Managing Officers 364 Key Employees, etc. 106 Directors of subsidiaries, etc. | 1,342,000 shares | August 1, 2006 | ¥ 3,950 (\$39.43) | From August 1, 2008 to July 31, 2012 |
| 2007 | 13 Directors 27 Managing Officers 394 Key Employees, etc. 104 Directors of subsidiaries, etc. | 1,720,000 shares | August 1, 2007 | ¥ 5,030 (\$50.20) | From August 1, 2009 to July 31, 2013 |

The stock option activity is as follows:

| | | | | | | | | Shares |
|------------------------------|-----------|-----------|-----------|-----------|---------|--------|---------|---------|
| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
| <u>Non-vested</u> | | | | | | | | |
| March 31, 2006 – Outstanding | – | – | 1,266,000 | 1,096,000 | – | – | – | – |
| Granted | – | 1,342,000 | – | – | – | – | – | – |
| Canceled | – | – | 79,000 | 12,000 | – | – | – | – |
| Vested | – | – | – | 1,084,000 | – | – | – | – |
| March 31, 2007 – Outstanding | – | 1,342,000 | 1,187,000 | – | – | – | – | – |
| <u>Vested</u> | | | | | | | | |
| March 31, 2006 – Outstanding | – | – | – | – | 332,600 | 80,600 | 143,500 | 105,000 |
| Vested | – | – | – | 1,084,000 | – | – | – | – |
| Exercised | – | – | – | 491,100 | 116,200 | 40,400 | 110,000 | 85,000 |
| Canceled | – | – | – | 2,700 | 2,000 | – | – | 20,000 |
| March 31, 2007 – Outstanding | – | – | – | 590,200 | 214,400 | 40,200 | 33,500 | – |
| <u>Non-vested</u> | | | | | | | | |
| March 31, 2007 — Outstanding | – | 1,342,000 | 1,187,000 | – | – | – | – | – |
| Granted | 1,720,000 | – | – | – | – | – | – | – |
| Canceled | 2,000 | 137,000 | 12,000 | – | – | – | – | – |
| Vested | – | – | 1,175,000 | – | – | – | – | – |
| March 31, 2008 — Outstanding | 1,718,000 | 1,205,000 | – | – | – | – | – | – |
| <u>Vested</u> | | | | | | | | |
| March 31, 2007 — Outstanding | – | – | – | 590,200 | 214,400 | 40,200 | 33,500 | – |
| Vested | – | – | 1,175,000 | – | – | – | – | – |
| Exercised | – | – | 483,300 | 224,700 | 96,000 | 16,200 | 33,500 | – |
| Canceled | – | – | 2,000 | 4,000 | – | – | – | – |
| March 31, 2008 — Outstanding | – | – | 689,700 | 361,500 | 118,400 | 24,000 | – | – |

| | Yen (U.S. dollars) | | | | | | |
|---------------------------------|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
| Exercise price | ¥5,030 | ¥3,950 | ¥2,758 | ¥2,740 | ¥2,090 | ¥2,003 | ¥2,397 |
| | (\$50.20) | (\$39.43) | (\$27.53) | (\$27.35) | (\$20.86) | (\$19.99) | (\$23.92) |
| Average stock price at exercise | – | – | 4,534 | 4,356 | 3,510 | 2,927 | 3,938 |
| | (–) | (–) | (45.25) | (43.48) | (35.03) | (29.21) | (39.31) |
| Fair value price at grant date | 628 | 730 | – | – | – | – | – |
| | (6.27) | (7.29) | (–) | (–) | (–) | (–) | (–) |

The assumptions used to measure fair value of 2007 Stock Options

| | |
|-----------------------------------------|------------------------------------|
| Estimate method: | Black-Scholes option pricing model |
| Volatility of stock price: | 24.6% |
| Estimated remaining outstanding period: | 4 years |
| Estimated dividend yield: | 1.01% |
| Interest rate with risk free: | 1.19% |

13. Significant Shareholder

Toyota Motor Corporation ("Toyota") directly owned 199,254 thousand, 201,502 thousand and 203,127 thousand shares of common stock of the Company at March 31, 2008, 2007 and 2006, respectively, which accounted for 22.54%, 22.79% and 22.98% of the total shares of the Company issued at the respective dates.

Sales of the Group to Toyota for the years ended March 31, 2008, 2007 and 2006 were as follows:

| | Millions of yen | | | Thousands of U.S. dollars |
|-------------------------------------------|-------------------|------------|----------|---------------------------|
| | 2008 | 2007 | 2006 | 2008 |
| Sales to Toyota (Japan headquarters only) | ¥1,206,570 | ¥1,109,011 | ¥990,333 | \$12,042,819 |

14. Research and Development Expenses

Research and development expenses charged to income were ¥311,474 million (\$3,108,833 thousand), ¥279,890 million and ¥256,339 million for the years ended March 31, 2008, 2007 and 2006, respectively.

15. Leases

The Group leases certain machinery, computer equipment and other assets. Total lease expenses for finance leases for the years ended March 31, 2008, 2007 and 2006 were ¥2,408 million (\$24,034 thousand), ¥2,246 million and ¥2,283 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases and depreciation expenses of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

| | Millions of yen | | | |
|--------------------------|--------------------------|-------------------------|-------------|----------------|
| | Buildings and structures | Machinery and equipment | Software | Total |
| | | | | 2008 |
| Acquisition cost | ¥253 | ¥9,791 | ¥851 | ¥10,895 |
| Accumulated depreciation | 42 | 4,909 | 122 | 5,073 |
| Net leased property | ¥211 | ¥4,882 | ¥729 | ¥ 5,822 |

| | Thousands of U.S. dollars | | | |
|--------------------------|---------------------------|-------------------------|----------------|------------------|
| | Buildings and structures | Machinery and equipment | Software | Total |
| | | | | 2008 |
| Acquisition cost | \$2,525 | \$97,725 | \$8,494 | \$108,744 |
| Accumulated depreciation | 419 | 48,997 | 1,218 | 50,634 |
| Net leased property | \$2,106 | \$48,728 | \$7,276 | \$ 58,110 |

| | Millions of yen | | | |
|--------------------------|--------------------------|-------------------------|----------|-------------|
| | Buildings and structures | Machinery and equipment | Software | Total |
| | | | | 2007 |
| Acquisition cost | ¥300 | ¥12,237 | ¥81 | ¥12,618 |
| Accumulated depreciation | 39 | 6,229 | 46 | 6,314 |
| Net leased property | ¥261 | ¥ 6,008 | ¥35 | ¥ 6,304 |

| | Millions of yen | | Thousands of U.S. dollars |
|----------------------------------|-----------------|--------|---------------------------|
| | 2008 | 2007 | 2008 |
| Obligations under finance leases | | | |
| Due within one year | ¥2,038 | ¥2,234 | \$20,342 |
| Due after one year | 3,784 | 4,070 | 37,768 |
| Total | ¥5,822 | ¥6,304 | \$58,110 |

Obligations under finance leases include the imputed interest expense portion.

Depreciation expenses, which were not reflected in the accompanying consolidated statements of income for the years ended March 31, 2008, 2007 and 2006, computed by the straight-line method, were ¥2,408 million (\$24,034 thousand), ¥2,246 million and ¥2,283 million, respectively.

The rental commitments under non-cancelable operating leases at March 31, 2008 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---------------------|-----------------|------|---------------------------|
| | 2008 | 2007 | 2008 |
| Due within one year | ¥1,006 | | \$10,041 |
| Due after one year | 2,538 | | 25,332 |
| Total | ¥3,544 | | \$35,373 |

16. Segment Information

(A) Business Segments

Business segment data for the years ended March 31, 2008, 2007 and 2006 is not presented as the automotive segment represented more than 90% of total sales and assets of all business segments and operating income in each fiscal year.

(B) Geographical Segments (by company location)

The geographical segments of the Group for the years ended March 31, 2008, 2007 and 2006 are summarized as follows:

| Years ended March 31 | | Millions of yen | | | Thousands of U.S. dollars | |
|----------------------|----------------------------|-------------------|-------------------|------------|---------------------------|---------------------|
| | | 2008 | 2007 | 2006 | 2008 | |
| Sales | Japan | Customers | ¥2,029,482 | ¥1,905,193 | ¥1,727,675 | \$20,256,333 |
| | | Intersegment | 696,410 | 636,068 | 561,284 | 6,950,893 |
| | | Total | 2,725,892 | 2,541,261 | 2,288,959 | 27,207,226 |
| | The Americas | Customers | 822,982 | 756,250 | 681,367 | 8,214,213 |
| | | Intersegment | 9,302 | 12,831 | 9,076 | 92,844 |
| | | Total | 832,284 | 769,081 | 690,443 | 8,307,057 |
| | Europe | Customers | 605,373 | 507,503 | 414,243 | 6,042,250 |
| | | Intersegment | 14,904 | 11,796 | 8,804 | 148,757 |
| | | Total | 620,277 | 519,299 | 423,047 | 6,191,007 |
| | Asia & Oceania | Customers | 567,239 | 440,754 | 365,045 | 5,661,633 |
| | | Intersegment | 48,918 | 39,447 | 30,064 | 488,252 |
| | | Total | 616,157 | 480,201 | 395,109 | 6,149,885 |
| | Eliminations | | (769,534) | (700,142) | (609,228) | (7,680,746) |
| Consolidated | | ¥4,025,076 | ¥3,609,700 | ¥3,188,330 | \$40,174,429 | |
| Operating Income | Japan | ¥ 197,508 | ¥ 215,317 | ¥ 207,650 | \$ 1,971,334 | |
| | The Americas | 41,532 | 29,188 | 21,875 | 414,532 | |
| | Europe | 26,547 | 12,161 | 1,554 | 264,967 | |
| | Asia & Oceania | 80,428 | 45,921 | 36,709 | 802,755 | |
| | Eliminations | 2,637 | 481 | (1,229) | 26,320 | |
| | Consolidated | ¥ 348,652 | ¥ 303,068 | ¥ 266,559 | \$ 3,479,908 | |
| Assets | Japan | ¥2,280,874 | ¥2,426,778 | ¥2,193,889 | \$22,765,486 | |
| | The Americas | 350,440 | 390,031 | 354,150 | 3,497,754 | |
| | Europe | 357,280 | 339,721 | 283,163 | 3,566,025 | |
| | Asia & Oceania | 416,171 | 366,470 | 282,529 | 4,153,818 | |
| | Corporate and Eliminations | 238,653 | 242,135 | 298,244 | 2,382,003 | |
| | Consolidated | ¥3,643,418 | ¥3,765,135 | ¥3,411,975 | \$36,365,086 | |

As explained in Note 2 (P), the Group adopted the new accounting standard for bonuses to directors and corporate auditors from the year ended March 31, 2007. The effect of adoption of this accounting standard was to increase operating costs by ¥587 million and to reduce operating income by the same amounts in the Japan geographical segment for the year ended March 31, 2007.

As explained in Note 2 (L), the Company applied the new accounting for stock options to those granted on and after May 1, 2006. The effect of adoption of this accounting standard was to increase operating costs by ¥294 million and to reduce operating income by the same amounts in the Japan geographical segment for the year ended March 31, 2007.

As explained in Notes 2 (I) and (J), the Group applied the new accounting for retirement benefits to directors, corporate auditors and managing officers on and after April 1, 2007. The effect of adoption of this accounting policy was to reduce operating costs by ¥1,147 million (\$11,448 thousand) and to increase operating income by the same amounts in the Japan geographical segment for the year ended March 31, 2008.

As explained in Note 2 (E), the Company and consolidated domestic subsidiaries changed depreciation method for property, plant and equipment which the Company and consolidated domestic subsidiaries acquired after April 1, 2007 to the declining-balance method in accordance with the revised corporate tax law, effective for fiscal years beginning on and after April 1, 2007. The effect of change of this depreciation method was to increase operating costs by ¥11,876 million (\$118,535 thousand) and to reduce operating income by the same amounts in the Japan geographical segment for the year ended March 31, 2008.

As explained in Note 2 (E), the Company and consolidated domestic subsidiaries systematically amortized over 5 years property, plant and equipment which the Company and consolidated domestic subsidiaries acquired before March 31, 2007 from the following year in which the carrying amount of property, plant and equipment reaches 5% of the acquisition cost in accordance with the revised corporate tax law. The effect of change was to increase operating costs by ¥4,322 million (\$43,138 thousand) and to reduce operating income by the same amounts in the Japan geographical segment for the year ended March 31, 2008.

(C) Sales by Customer Location

Sales by Customer Location for the years ended March 31, 2008, 2007 and 2006 are summarized as follows:

| Years ended March 31 | Millions of yen | | | Thousands of U.S. dollars |
|----------------------|-------------------|------------|------------|---------------------------|
| | 2008 | 2007 | 2006 | 2008 |
| Japan | ¥1,976,877 | ¥1,859,046 | ¥1,690,215 | \$19,731,281 |
| | 49.1% | 51.5% | 53.0% | |
| The Americas | 833,692 | 768,514 | 692,801 | 8,321,110 |
| | 20.7% | 21.3% | 21.7% | |
| Europe | 603,653 | 507,460 | 414,674 | 6,025,082 |
| | 15.0% | 14.1% | 13.0% | |
| Asia & Oceania | 598,276 | 463,478 | 380,541 | 5,971,414 |
| | 14.9% | 12.8% | 12.0% | |
| Others | 12,578 | 11,202 | 10,099 | 125,542 |
| | 0.3% | 0.3% | 0.3% | |
| Net Sales | ¥4,025,076 | ¥3,609,700 | ¥3,188,330 | \$40,174,429 |

The figures in table (B) Geographical Segments are determined based on the locations of the Group companies, and therefore, differ from the figures in table (C) Sales by Customer Location.

17. Derivatives

The Group uses derivatives for the purpose of reducing their exposures to adverse fluctuations in interest rates and foreign exchange rates. Derivatives used include forward exchange contracts, currency swap, currency options and interest rate swaps. The amounts of derivatives are limited by the Group's regulations.

Derivatives are subject to risk, such as fluctuations in interest rates and foreign exchange rates. Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

The execution and control of derivatives at the Company, as approved by the Board of Directors at the beginning of each fiscal period, are governed by internal regulations, which stipulate the purpose of derivatives, their scope of use, and the reporting system.

The fair values of the Group's derivative contracts at March 31, 2008 and 2007 were as follows:

| | Millions of yen | | | Thousands of U.S. dollars | | |
|------------------------------------|------------------------------|------------|----------------------------|------------------------------|------------|----------------------------|
| | Contract or Notional Amounts | Fair Value | Net Unrealized Gain (Loss) | Contract or Notional Amounts | Fair Value | Net Unrealized Gain (Loss) |
| | | | 2008 | | | 2008 |
| Forward exchange contracts: | | | | | | |
| Buying contracts– | | | | | | |
| Euro | ¥ 105 | ¥ 111 | ¥ 6 | \$ 1,048 | \$ 1,108 | \$ 60 |
| U.S. Dollar | 26 | 25 | (1) | 260 | 250 | (10) |
| Australian Dollar | 27 | 27 | 0 | 269 | 269 | 0 |
| Currency options: | | | | | | |
| Selling contracts– | | | | | | |
| English Pound call options | ¥33 | | | \$ 329 | | |
| | <1> | ¥ 2 | ¥ (1) | <10> | \$ 20 | \$ (10) |
| U.S. Dollar call options | 846 | | | 8,444 | | |
| | <14> | 139 | (125) | <140> | 1,387 | (1,247) |
| Buying contracts– | | | | | | |
| English Pound put options | 33 | | | 329 | | |
| | <0> | 1 | 1 | <0> | 10 | 10 |
| U.S. Dollar put options | 846 | | | 8,444 | | |
| | <8> | 9 | 1 | <80> | 90 | 10 |
| Currency swaps: | | | | | | |
| Receipt U.S. Dollar | | | | | | |
| Payment Korean Won ^(*) | ¥3,033 | ¥2,886 | ¥(147) | \$30,272 | \$28,805 | \$(1,467) |
| Receipt Yen | | | | | | |
| Payment U.S. Dollar ^(*) | 2,935 | 3,363 | 428 | 29,294 | 33,566 | 4,272 |
| | | | Millions of yen | | | |
| | Contract or Notional Amounts | Fair Value | Net Unrealized Gain (Loss) | | | |
| | | | 2007 | | | |
| Forward exchange contracts: | | | | | | |
| Buying contracts– | | | | | | |
| Euro | ¥ 79 | ¥ 77 | ¥ (2) | | | |
| U.S. Dollar | 12 | 12 | 0 | | | |
| Currency swaps: | | | | | | |
| Receipt U.S. Dollar | | | | | | |
| Payment Korean Won ^(*) | ¥15,072 | ¥14,563 | ¥(509) | | | |

The fair value and net unrealized gain/loss on forward exchange contracts, currency swap contracts and interest rate swap contracts employed to hedge exchange rate and other risks on payables and receivables to/from consolidated subsidiaries that have been eliminated in consolidation, were as follows:

| | Millions of yen | | | Thousands of U.S. dollars | | |
|-------------------------------------------|------------------------------|------------|----------------------------|------------------------------|------------|----------------------------|
| | Contract or Notional Amounts | Fair Value | Net Unrealized Gain (Loss) | Contract or Notional Amounts | Fair Value | Net Unrealized Gain (Loss) |
| | | | 2008 | | | 2008 |
| Forward exchange contracts: | | | | | | |
| Selling contracts | ¥15,623 | ¥15,171 | ¥ 452 | \$155,934 | \$151,422 | \$ 4,512 |
| Buying contracts | 1,900 | 1,901 | 1 | 18,964 | 18,974 | 10 |
| Currency swaps: | | | | | | |
| Receipt Malaysian Ringgit (*) | ¥ 9,381 | ¥ 9,819 | ¥ (438) | \$ 93,632 | \$ 98,004 | \$ (4,372) |
| Payment Euro | | | | | | |
| Receipt Yen (*) | 607 | 851 | (244) | 6,059 | 8,494 | (2,435) |
| Payment Czech Koruna | | | | | | |
| Receipt Singapore Dollar (*) | 1,849 | 1,867 | (18) | 18,455 | 18,635 | (180) |
| Payment U.S. Dollar | | | | | | |
| Receipt Yen (*) | 936 | 875 | 61 | 9,342 | 8,733 | 609 |
| Payment U.S. Dollar | | | | | | |
| Receipt Euro (*) | 3,980 | 4,568 | (588) | 39,724 | 45,593 | (5,869) |
| Payment English Pound | | | | | | |
| Receipt Yen | | | | | | |
| Payment Korean Won (*) | 2,387 | 2,672 | 285 | 23,825 | 26,669 | 2,844 |
| Receipt Yen | | | | | | |
| Payment Thai Baht (*) | 145 | 112 | (33) | 1,447 | 1,118 | (329) |
| Receipt English Pound | | | | | | |
| Payment Euro (*) | 6,499 | 6,499 | 0 | 64,867 | 64,867 | 0 |
| Receipt Swedish Krone | | | | | | |
| Payment Euro (*) | 707 | 708 | 1 | 7,057 | 7,067 | 10 |
| Receipt Yen | | | | | | |
| Payment Euro (*) | 25,714 | 23,606 | (2,108) | 256,652 | 235,612 | (21,040) |
| Receipt Czech Koruna | | | | | | |
| Payment Euro (*) | 810 | 798 | (12) | 8,085 | 7,965 | (120) |
| Receipt Yen | | | | | | |
| Payment U.S. Dollar (*) | 10,136 | 10,043 | (93) | 101,168 | 100,240 | (928) |
| Interest rate swaps: | | | | | | |
| Floating rate receipt, fixed rate payment | ¥18,935 | ¥19,143 | ¥ 208 | \$188,991 | \$191,067 | \$ 2,076 |

| | Millions of yen | | |
|-------------------------------------------|------------------------------|------------|----------------------------|
| | Contract or Notional Amounts | Fair Value | Net Unrealized Gain (Loss) |
| | | | 2007 |
| Forward exchange contracts: | | | |
| Selling contracts | ¥25,385 | ¥25,471 | ¥ (86) |
| Buying contracts | 540 | 528 | (12) |
| Currency swaps: | | | |
| Receipt Yen (*) | ¥ 607 | ¥ 780 | ¥ (173) |
| Payment Czech Koruna | | | |
| Receipt Singapore Dollar (*) | 3,483 | 3,492 | (9) |
| Payment U.S. Dollar | | | |
| Receipt Euro (*) | 3,958 | 3,906 | 52 |
| Payment English Pound | | | |
| Receipt Yen | 863 | 607 | (256) |
| Payment Thai Baht (*) | | | |
| Receipt Swedish Krone | | | |
| Payment Euro (*) | 437 | 436 | (1) |
| Receipt Yen | | | |
| Payment Euro (*) | 25,574 | 23,799 | (1,775) |
| Receipt U.S. Dollar | | | |
| Payment Indonesian Rupiah (*) | 3,198 | 3,187 | (11) |
| Interest rate swaps: | | | |
| Floating rate receipt, fixed rate payment | ¥23,568 | ¥23,937 | ¥ 369 |

- Notes: 1. The fair values of foreign currencies are translated at the spot rate at the balance sheet date.
2. Option premiums within the consolidated balance sheets are disclosed, in brackets (< >), under the contract or notional amounts.
3. Derivatives for which hedge accounting is applied are excluded from this disclosure.
4. The contract or notional amounts of derivatives shown in the above tables do not measure the Group's exposure to credit or market risks.
5. (*) indicates hedged items.

18. Net Income per Share

The reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2008, 2007 and 2006 was as follows:

| | Millions of yen | Thousands of shares Weighted Average Shares | Yen EPS | U.S. dollars EPS |
|---------------------------------------------|-----------------|------------------------------------------------------|------------|---------------------|
| | | | | 2008 |
| Basic EPS | | | | |
| Net income available to common shareholders | ¥244,417 | 814,833 | ¥299.96 | \$2.99 |
| Effect of dilutive securities | | | | |
| Stock option | - | 700 | | |
| Diluted EPS | | | | |
| Net income for computation | ¥244,417 | 815,533 | ¥299.70 | \$2.99 |

| | Millions of yen | Thousands of shares Weighted Average Shares | Yen EPS |
|---------------------------------------------|-----------------|------------------------------------------------------|------------|
| | | | 2007 |
| Basic EPS | | | |
| Net income available to common shareholders | ¥205,170 | 821,060 | ¥249.88 |
| Effect of dilutive securities | | | |
| Stock option | - | 1,074 | |
| Diluted EPS | | | |
| Net income for computation | ¥205,170 | 822,134 | ¥249.56 |

| | Millions of yen | Thousands of shares Weighted Average Shares | Yen EPS |
|---------------------------------------------|-----------------|------------------------------------------------------|------------|
| | | | 2006 |
| Basic EPS | | | |
| Net income available to common shareholders | ¥169,110 | 825,725 | ¥204.80 |
| Effect of dilutive securities | | | |
| Stock option | - | 724 | |
| Diluted EPS | | | |
| Net income for computation | ¥169,110 | 826,449 | ¥204.62 |

19. Subsequent Events

(A) On May 13, 2008, the Company repurchased 3,900 thousand shares of its common stock in the amount of ¥14,118 million (\$140,912 thousand) in accordance with the resolution at the meeting of shareholders of the Company held on June 26, 2007.

(B) On June 25, 2008, at a meeting of the shareholders of the Company, the following items were approved.

(1) Appropriation of Retained Earnings

| | Millions of yen | Thousands of U.S. dollars |
|-------------------------------------------------|-----------------|------------------------------|
| Year-end cash dividends, ¥29 (\$0.29) per share | ¥23,570 | \$235,253 |

(2) Stock Option Plan

The plan provides for issuing stock options mainly to directors, managing officers, key employees and directors of subsidiaries. The options entitle the holders to purchase shares of the Company's common stock up to 2,000 thousand shares. The options will be generally granted at an exercise price of 105% of the average closing price of the per share value of the Company's common stock, according to the Tokyo Stock Exchange, for the month prior to the month in which the options are issued. The Company plans to issue acquired treasury stock on exercise of the stock options. The exercisable period is August 1, 2010 to July 31, 2014.

(3) Purchase of Treasury Stock

The Company is authorized to repurchase up to 6,000 thousand shares of the Company's common stock (aggregate amount of ¥27,000 million (\$269,488 thousand)).

Deloitte.

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To the Board of Directors of
DENSO CORPORATION:

We have audited the accompanying consolidated balance sheets of DENSO CORPORATION (the "Company") and consolidated subsidiaries (together, the "Group") as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended March 31, 2008, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DENSO CORPORATION and consolidated subsidiaries as of March 31, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008, in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2 (E) to the consolidated financial statements, effective April 1, 2007, property, plant and equipment acquired on or after April 1, 2007 by the Company and domestic subsidiaries are depreciated by the declining-balance method in accordance with the revised corporate tax law.

As discussed in Note 2 (I) and (J) to the consolidated financial statements, effective April 1, 2007, retirement benefits to directors, corporate auditors and managing officers are provided by the Company and major subsidiaries at the amount that would be paid if all directors, corporate auditors and managing officers retired at the balance sheet date.

As discussed in Note 2 (M) to the consolidated financial statements, effective May 1, 2006, the consolidated financial statements have been prepared in accordance with the new accounting standard for presentation of equity.

As discussed in Note 2 (I) to the consolidated financial statements, three consolidated subsidiaries located in the United Kingdom adopted the new local accounting standards for the liability for employees' retirement benefits as of April 1, 2005.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.



June 25, 2008

Member of
Deloitte Touche Tohmatsu

Corporate Data

Operations in Japan

| | Main Products/Research Fields | Start of Operations | Employees | Location (Prefecture) |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------|---------------------|-----------|-----------------------|
| Headquarters | | 1949* | 10,936 | Aichi |
| Ikeda Plant | Manufacture of radiators, oil coolers, and inter coolers | 1965 | 768 | Aichi |
| Anjo Plant | Manufacture of starters, alternators, and hybrid vehicle components | 1967 | 2,494 | Aichi |
| Nishio Plant | Manufacture of air conditioners, radiators, fuel injection systems for diesel and electronic fuel injection components | 1970 | 7,012 | Aichi |
| Takatana Plant | Manufacture of instrument clusters, displays, navigation systems, and various sensors | 1974 | 2,736 | Aichi |
| Daian Plant | Manufacture of ignition devices, driving control and safety products, oxygen sensors, various other actuators and sensors | 1982 | 4,237 | Mie |
| Kota Plant | Manufacture of integrated circuits and electronic control components | 1987 | 3,531 | Aichi |
| Toyohashi Plant | Manufacture of air conditioners and natural refrigerant (CO ₂) heat-pump hot water supply systems | 1987 | 1,079 | Aichi |
| Agui Plant | Manufacture of machinery, tools, and robots | 1990 | 931 | Aichi |
| Zenmyo Plant | Manufacture of electronic diesel injection systems | 1998 | 1,021 | Aichi |
| Hiroshima Plant | Manufacture of radiators, electric fans, integrated air fuel modules, and heater units | 1965 | 147 | Hiroshima |
| DENSO Research Laboratories | Research in semiconductors, information and communications systems, human machine interface technologies | 1991 | 396 | Aichi |
| Nukata Proving Ground | Test driving automotive components | 1984 | 32 | Aichi |

* The start of operations at the headquarters is recorded as the date of DENSO's independence from Toyota Motor Co. Ltd. (now Toyota Motor Corporation)
(As of March 31, 2008)

Group Companies Worldwide

| Country/Region | Major Company | Main Business | % owned by DENSO* | Employees |
|----------------------------------------------|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Japan | ☆ ASMO CO., LTD. | • Development and manufacture of small motor systems for automobiles and office automation equipment | 73.4 | 4,895 |
| | ☆ ANDEN CO., LTD. | • Manufacture and sale of relays and electronic products | 100.0 | 1,396 |
| | ☆ HAMANAKODENSO CO., LTD. | • Manufacture and sale of VSVs, magnet switches, and horns | 76.5 | 1,278 |
| | ☆ DAISHINSEIKI CO., LTD. | • Manufacture and sale of equipment and special manufacturing facilities related to fuel injection systems | 99.2 | 613 |
| | ☆ KYOSAN DENKI CO., LTD. | • Manufacture and sale of fuel equipment including EFI systems | 62.3 | 1,354 |
| | ☆ GAC CORPORATION | • Manufacture and sale of business-use air conditioning systems including car air conditioners and packaged air conditioners • Development and manufacture of equipment for food storage and environmental improvement | 57.5 | 901 |
| | ☆ SHIMIZU INDUSTRY CO., LTD. | • Manufacture and sale of dies, and plastic products for car air conditioners and radiators | 51.0 | 508 |
| | ☆ DENSO MANUFACTURING KITAKYUSHU CO., LTD. | • Manufacture and sale of air conditioners and fuel injection systems for diesel cars | 100.0 | 459 |
| | ☆ DENSOTRIM CO., LTD. | • Manufacture and sale of magnetos parts for motorcycles | 80.0 | 549 |
| | ☆ NIPPON WIPER BLADE CO., LTD. | • Manufacture and sale of wiper blades and wiper arms | 70.0 | 773 |
| | ☆ DENSO WAVE INC. | • Development, manufacture, and sale of equipment and systems for automatic recognition devices, industrial robots, programmable controllers, etc. | 75.0 | 617 |
| | ☆ DENSO FINANCE & ACCOUNTING CENTER CO., LTD. | • Shared service of accounting • Support for accounting • Factoring of accounts receivable | 100.0 | 10 |
| | ☆ DENSO TECHNO CO., LTD. | • Design, development, and production of software for information processing and control • Development and design of various equipment | 100.0 | 1,842 |
| | ☆ DENSO LOGITEM CORPORATION | • Operation and management of cargo transportation business and distribution center | 100.0 | 187 |
| | ☆ DENSO TOKYO CORPORATION | • Sale of DENSO products • Repair service | 100.0 | 473 |
| | ☆ DENSO CHUBU CORPORATION | • Sale of DENSO products • Repair service | 100.0 | 381 |
| | ★ ADVICS CO., LTD. | • Development and sale of brake systems and system parts | 20.0 | 835 |
| | ★ G. S. ELECTTECH INC. | • Manufacture and sale of wire harnesses and lead wires | 34.0 | 553 |
| | ★ JECO CO., LTD. | • Manufacture and sale of clocks and applied electronics parts for cars | 34.1 | 536 |
| | ★ SHINSEI INDUSTRIAL CO., LTD. | • Manufacture and sale of wire-wound parts and electronic products | 34.5 | 461 |
| | ★ TSUDA INDUSTRIES CO., LTD. | • Manufacture and sale of air conditioners, and powertrain and chassis components for cars | 22.0 | 1,020 |
| | U.S.A. | ☆ DENSO INTERNATIONAL AMERICA, INC. | • Holding company and regional headquarters for North America • Sale of automotive components • Engineering services, design, testing, and R&D | 100.0 |
| ☆ DENSO SALES CALIFORNIA, INC. | | • Sale of automotive components, spot-coolers, and robots | 100.0 | 250 |
| ☆ DENSO MANUFACTURING MICHIGAN, INC. | | • Manufacture of car air conditioners and radiators | 100.0 | 2,152 |
| ☆ DENSO MANUFACTURING TENNESSEE, INC. | | • Manufacture of automotive electrical components, instrument clusters, and automotive electronic products | 100.0 | 2,516 |
| ☆ DENSO MANUFACTURING ATHENS TENNESSEE, INC. | | • Manufacture of injectors, oxygen sensors, and stick coils | 100.0 | 907 |
| ★ MICHIGAN AUTOMOTIVE COMPRESSOR, INC. | | • Manufacture of compressors | 40.0 | 780 |
| ★ TBDN TENNESSEE COMPANY | | • Manufacture of air cleaners and oil filters | 49.0 | 447 |
| ☆ DENSO WIRELESS SYSTEMS AMERICA, INC. | | • Manufacture of automotive electronic products | 100.0 | 204 |
| ☆ DENSO MANUFACTURING ARKANSAS, INC. | | • Manufacture of car air conditioners and radiators | 100.0 | 498 |
| ★ TD AUTOMOTIVE COMPRESSOR GEORGIA, LLC | | • Manufacture of compressors for car air conditioners | 35.0 | 303 |
| ☆ ASMO NORTH AMERICA, LLC. | | • Headquarters for ASMO U.S. operations | 100.0 | 9 |
| ☆ ASMO NORTH CAROLINA, INC. | | • Manufacture of power window regulator motors, blower motors, and electric fan motors | 100.0 | 443 |
| ☆ ASMO GREENVILLE OF NORTH CAROLINA, INC. | | • Manufacture of windshield wiper systems and windshield washer systems | 100.0 | 470 |

| Country/Region | Major Company | Main Business | % owned by DENSO* | Employees |
|-------------------|--------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------|
| Canada | ☆ DENSO SALES CANADA, INC. | • Sale of automotive components | 100.0 | 30 |
| Mexico | ☆ DENSO MEXICO S.A. DE C.V. | • Manufacture of instrument clusters, valves, and VCT | 95.0 | 3,330 |
| Brazil | ☆ DENSO DO BRASIL LTDA. | • Manufacture and sale of car air conditioners, compressors, bus air conditioners and radiators | 90.6 | 1,582 |
| Netherlands | ☆ DENSO INTERNATIONAL EUROPE B.V. | • Holding company for European operations | 100.0 | – |
| | ☆ DENSO EUROPE B.V. | • Regional headquarters for Europe • Sale of automotive components • Remanufacture of automotive electrical components | 100.0 | 261 |
| | ☆ DENSO FINANCE HOLLAND B.V. | • Financing | 100.0 | – |
| United Kingdom | ☆ DENSO INTERNATIONAL UK LTD. | • Holding company for operations in the U.K. | 100.0 | – |
| | ☆ DENSO SALES UK LTD. | • Sale of automotive components • Design and R&D of air conditioners and EMS | 100.0 | 199 |
| | ☆ DENSO MARSTON LTD. | • Manufacture and sale of radiators, oil coolers, and inter-coolers | 100.0 | 681 |
| | ☆ DENSO MANUFACTURING UK LTD. | • Manufacture of car air conditioners and heaters | 100.0 | 1,117 |
| | ☆ DENSO MANUFACTURING MIDLANDS LTD. | • Manufacture and sale of starters and alternators | 100.0 | 69 |
| Germany | ★ TD Deutsche Klimakompressor GmbH | • Manufacture of compressors and pulleys • Remanufacture of compressors | 35.0 | 471 |
| Spain | ☆ DENSO BARCELONA S.A. | • Manufacture of engine control components and automotive electronic products | 100.0 | 715 |
| Italy | ☆ DENSO SALES ITALIA S.R.L. | • Sale of automotive components | 100.0 | 15 |
| | ☆ DENSO THERMAL SYSTEMS S.p.A. | • Manufacture and sale of car air conditioners, heaters, and radiators | 100.0 | 2,307 |
| | ☆ DENSO MANUFACTURING ITALIA S.p.A. | • Manufacture and sale of starters, alternators, and small motors | 100.0 | 1,079 |
| Hungary | ☆ DENSO MANUFACTURING HUNGARY LTD. | • Manufacture of common rail systems, diesel injection pumps, and VCT | 100.0 | 4,962 |
| Poland | ☆ DENSO THERMAL SYSTEMS POLSKA Sp.zo.o. | • Manufacture and sale of heaters and cockpit modules | 100.0 | 445 |
| Czech Republic | ☆ DENSO MANUFACTURING CZECH s.r.o. | • Manufacture of HVAC units, evaporators, condensers, and radiators | 100.0 | 1,784 |
| Australia | ☆ DENSO INTERNATIONAL AUSTRALIA PTY. LTD. | • Holding company for Australia • Sale of automotive components | 100.0 | 49 |
| | ☆ AUSTRALIAN AUTOMOTIVE AIR PTY. LTD. | • Manufacture of air conditioners, radiators, and instrument clusters | 100.0 | 502 |
| Singapore | ☆ DENSO INTERNATIONAL ASIA PTE. LTD. | • Holding company for ASEAN and Taiwan • Regional headquarters for Asia and Oceania (finance, logistics and IS) • Sale of aftermarket products | 100.0 | 22 |
| Thailand | ☆ DENSO INTERNATIONAL (THAILAND) CO., LTD. | • Sale of automotive components • Regional headquarters for Thailand | 100.0 | 285 |
| | ☆ DENSO (THAILAND) CO., LTD. | • Manufacture of electrical automotive components, car air conditioners, magnetos, and spark plugs | 51.3 | 2,906 |
| | ☆ SIAM DENSO MANUFACTURING CO., LTD. | • Manufacture of fuel injection system products (fuel pumps and injectors) | 90.0 | 2,517 |
| Indonesia | ☆ PT. DENSO INDONESIA | • Manufacture and sale of car air conditioners, radiators, spark plugs, and filters | 58.3 | 1,666 |
| | ☆ PT. DENSO SALES INDONESIA | • Sale of automotive components | 100.0 | 97 |
| Republic of Korea | ☆ DENSO PS CORPORATION | • Manufacture and sale of small motors, fuel pumps, and electrical automotive components | 72.9 | 1,433 |
| Malaysia | ☆ DENSO (MALAYSIA) SDN. BHD. | • Manufacture and sale of electrical automotive components, car air conditioners, engine ECUs, and programmable logic controller units | 72.7 | 1,205 |
| China | ☆ DENSO (CHINA) INVESTMENT CO., LTD. | • Holding company and regional headquarters for China • Sale of automotive components manufactured by companies in China | 100.0 | 382 |
| | ☆ TIANJIN DENSO ELECTRONICS CO., LTD. | • Manufacture and sale of automotive electronic control components | 93.0 | 941 |
| | ☆ GUANGZHOU DENSO CO., LTD. | • Manufacture and sale of car air conditioners, bus coolers, and radiators | 60.0 | 863 |

☆ Consolidated subsidiary ★ Affiliate under the equity method
* including DENSO Corporation and its subsidiaries

Note: In addition to the companies listed above, there are 129 consolidated subsidiaries and 23 affiliates under the equity method.

(As of March 31, 2008)

Investor Information

(As of March 31, 2008)

Common Stock

Authorized: 1,500,000,000 shares
Issued: 884,068,713 shares

Stock Exchange Listings

Tokyo Stock Exchange
Osaka Securities Exchange
Nagoya Stock Exchange

Number of Shareholders

66,287

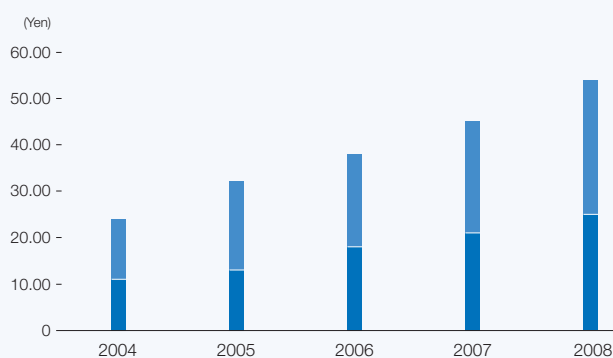
Independent Auditors

Deloitte Touche Tohmatsu (a Japanese member firm of
Deloitte Touche Tohmatsu, a Swiss Verein)

Administrator of Shareholders' Register

Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku,
Tokyo 100-8212, Japan

Dividends Paid



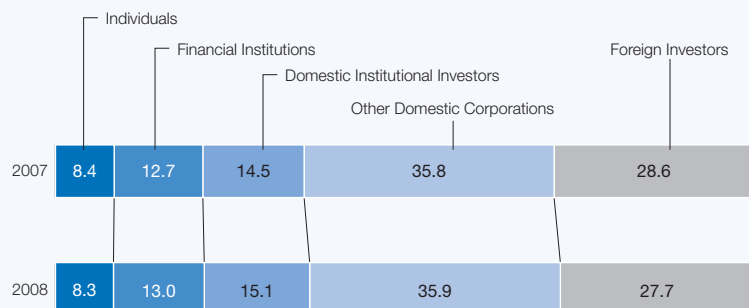
| | 2004 | 2005 | 2006 | 2007 | 2008 |
|--------------------------------------|-------|-------|-------|-------|-------|
| ■ Interim dividends per share (yen) | 11.00 | 13.00 | 18.00 | 21.00 | 25.00 |
| ■ Year-end dividends per share (yen) | 13.00 | 19.00 | 20.00 | 24.00 | 29.00 |
| Total (yen) | 24.00 | 32.00 | 38.00 | 45.00 | 54.00 |

Principal Shareholders (Leading Ten Principal Shareholders)

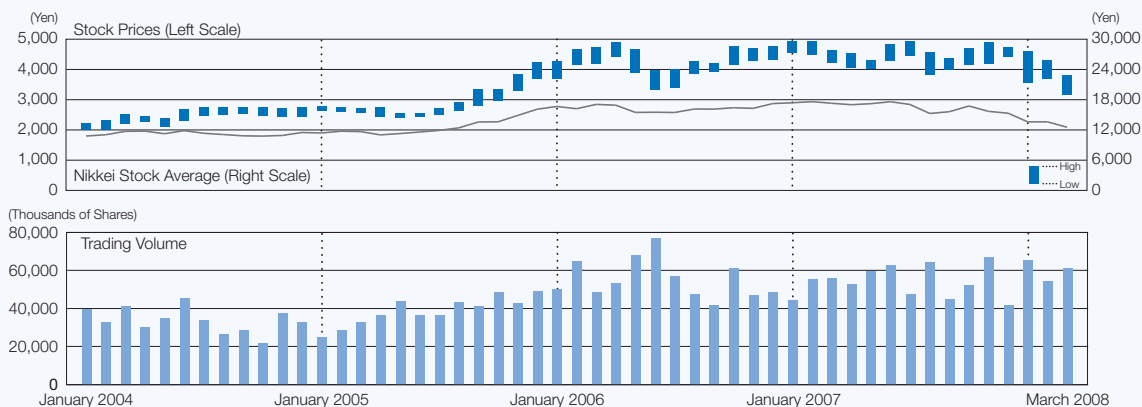
| | Number of shares held (thousands) | Voting share ratio (%) |
|------------------------------------------------------|-----------------------------------|------------------------|
| Toyota Motor Corporation | 199,254 | 24.53 |
| Toyota Industries Corporation | 69,373 | 8.54 |
| Robert Bosch Industries AG | 47,434 | 5.84 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 44,498 | 5.48 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 37,084 | 4.57 |
| Nippon Life Insurance Company | 24,050 | 2.96 |
| Mitsui Sumitomo Insurance Company, Limited | 15,148 | 1.87 |
| DENSO Employees' Shareholding Association | 12,044 | 1.48 |
| State Street Bank & Trust Company | 10,915 | 1.34 |
| Meiji Yasuda Life Insurance Company | 9,373 | 1.15 |

Note: The above table excludes 71,315 thousand shares of treasury stock held by DENSO Corporation.

Breakdown of Shareholders (Voting Share Ratio, %)



DENSO's Common Stock Price Range and Trading Volume on Tokyo Stock Exchange (Adjusted to Reflect Free Share Distributions and Stock Splits)



Headquarters

DENSO CORPORATION
1-1, Showa-cho, Kariya,
Aichi 448-8661, Japan
Telephone: +81-566-25-5511

Date of Establishment

December 16, 1949

Publications

Financial Statements
Corporate Brochure
CSR Report

Investor Relations

If you have any questions or would like a copy of our publications, please contact:

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Finance & Accounting Department

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