

DENSO

CSR Report 2010

Aiming to be a trustworthy company in harmony with society



Aiming to be a trustworthy company in harmony with society

To ensure people's happiness and welfare, facilitate the sustainable growth of society and create an advanced automotive society, each of our employees is striving to put into practice the principles embodied in the DENSO Philosophy and the DENSO Group Declaration of Corporate Behavior in order to meet the expectations and earn the trust of our stakeholders.

DENSO Philosophy

[Mission]

Contributing to a better world by creating value together with a vision for the future

[Management Principles]

1. Customer satisfaction through high-quality products and services
2. Global growth through anticipation of change
3. Environmental preservation and harmony with society
4. Corporate vitality and respect for individuality

[Individual Spirit]

1. To be creative in thought and steady in action
2. To be cooperative and pioneering
3. To be trustworthy by improving ourselves



DENSO Group information disclosure policy

The DENSO Group Declaration of Corporate Behavior (page 16), formulated to promote the implementation of corporate social responsibility (CSR), outlines a commitment to open and fair information disclosure and dialogue. Based on this commitment, DENSO disseminates corporate information such as management strategy and business activities with an emphasis on timeliness, fairness and appropriateness.

By doing so, we strive to improve management transparency while deepening stakeholders' understanding of DENSO and building and maintaining relationships of trust. DENSO also endeavors to appropriately reflect company evaluations in corporate activities by actively engaging in dialogue with stakeholders.

Basic Policy

The DENSO Group sets forth the following basic policy regarding the content, method and system of information disclosure based on a fundamental stance.

1. Content

Information that must be disclosed in a timely manner pursuant to laws and regulations such as the Companies Act and the Financial Instruments and Exchange Act shall be disseminated swiftly in accordance with said laws and regulations.

For all other information, we shall disseminate that which is deemed important from the perspectives of business environment and society, that which may impact stakeholders and that which is expected to deepen understanding of the DENSO Group.

2. Method of disclosure

Information that must be disclosed in a timely manner pursuant to laws and regulations shall be disseminated through systems for timely disclosure provided by the appropriate securities market in accordance with stipulated laws and regulations, sent to the media in the form of news releases and posted on the DENSO Group website or the DENSO Corporation website.

For all other information, we shall select the most appropriate method of disclosure based on consideration of timeliness, fairness and appropriateness, including news releases to the media, press conferences, presentation meetings and website dissemination.

3. System of disclosure

In order to ensure timely, fair and appropriate information disclosure, DENSO shall appoint persons responsible to oversee the collection, management and disclosure of corporate information and persons responsible for executing these activities.

©Photos of employee family members in CSR report

DENSO has included photos of employee family members (aged 5–12 years) on the cover and gate pages of its CSR Report since 2009 to deepen awareness and understanding of CSR activities within the Company. Participants are solicited via the intranet and auditioned before successful applicants are photographed in a studio on a non-school day.

The initiative gives employees a closer connection to the CSR Report and increases motivation to read it.

Editorial Policy

◎ Selection of content (degree of importance/completeness)

- In addition to the guidelines listed below, a questionnaire on socially responsible investment (SRI) and opinions and recommendations solicited during dialogues with stakeholders played a role in the selection of the report's content.
- The Special Feature (pages 8-13) introduces activities under the theme "DENSO's Unique CSR Activities," using a draft of ISO26000 (international standard for social responsibility in corporations) and AA1000 (standard concerning comprehensive accounting and information disclosure developed by the UK-based Institute of Social and Ethical AccountAbility) as references.
- Our basic stance outlined in each section remains unchanged from fiscal 2009.

[Scope of the report]

Companies and business locations covered: DENSO Group refers to DENSO Corporation and its domestic and overseas Group companies (comprising 184 consolidated companies), except certain sections where notes indicate that a more narrow scope applies.

Period covered: This report focuses on activities carried out in fiscal 2010 (April 1, 2009 to March 31, 2010), but also includes some information about past and recent activities to help readers develop a more complete understanding of the content.

[Guidelines used as reference]

- GRI (Global Reporting Initiative) *Sustainability Reporting Guidelines 3rd edition (G3)*
- Japanese Ministry of the Environment *Environmental Reporting Guidelines 2007*
- Japanese Ministry of the Environment *Environmental Accounting Guidelines 2005*

* Comparative tables for this report and the GRI Guidelines are available on our CSR Report site.
<http://www.globaldenso.com/>

* [Scope of the Report] and [Guidelines used as reference] are the same as fiscal 2009.

- Please refer to our Annual Reports and financial statements in the "Investors" section of our website for details of our economic report.
<http://www.globaldenso.com/en/investors/>

◎ Ease of understanding (clarity, comparability)

- This report has been designed primarily for an audience with a high degree of interest in CSR.
- This report makes a clear distinction between the DENSO Group ("DENSO") and DENSO Corporation ("DENSO Corporation" or "the Company") regarding respective initiatives and data. The DENSO Group consists of DENSO Corporation and all consolidated Group companies in which the Company's investment exceeds 50%.
- For the purpose of comparability, data is provided on a year-by-year basis.
- There were no changes with a significant impact on comparability in fiscal 2010.

◎ Credibility

- DENSO newly listed negative as well as positive information concerning CSR as of fiscal 2009 in a section entitled "CSR Highlights & Lowlights" (page 20).
- DENSO has not included a third-party assurance on our CSR activities and data since there is still no established procedure or global standard for such assessment. However, we continue to receive the opinions of third parties and other experts via dialogue to increase the transparency and credibility of our CSR activities.

Issued by: Nobuaki Katoh, President and CEO

Editor: Sadahiro Usui, Managing Officer

Issue date: November 2010 (scheduled issue of the next report: November 2011; previous report: December 2009)

Contents

■ President's Message	03
■ Business Overview and Economic Report	05
■ Special Feature: Unique CSR Activities	08
1. Expanding Environmental Preservation Activities in Respective Countries and Regions	
2. Nurturing Global Manufacturing Personnel	
3. Efforts to Contribute to Society through Employee Participation	
■ CSR Management	14
Basic Stance / Promotion Structure / CSR Framework / DENSO Group Declaration of Corporate Behavior / Long-term Activity Plan / Fiscal 2010 Activities / Review of Progress / Highlights & Lowlights of CSR Activities in Fiscal 2010 / Stakeholder Dialogue in China / Corporate Governance / Compliance / Risk Management / Information Security	
■ Report on Social Responsibility	28
Responsibility to Customers	29
Responsibility to Employees	33
Responsibility to Shareholders and Investors	40
Responsibility to Suppliers	41
Responsibility to Global and Local Communities	43
■ Environmental Report	48
Environmental Management	49
Prevention of Global Warming	57
Resource Recycling	65
Control and Reduction of Environmentally Hazardous Substances	67
Cooperation with Society	70
■ Supplementary Data	74
■ Third Party Opinion	77

Amid a shakeup of the automobile industry, DENSO will meet stakeholder expectations by maximizing its collective knowledge and capabilities based on corporate social responsibility (CSR).



Nobuaki Katoh,
President and CEO

Major transformation of automobile industry

The global automobile industry underwent significant transformation in 2009. Demand in the automobile market plummeted amid economic decline triggered by the financial crisis, and DENSO was confronted with the most difficult conditions since its founding. While on track for recovery, albeit moderately, the automobile industry has changed significantly in terms of "environmental technology" and in "developing countries."

In environmental technology, society and consumers have ever-increasing expectations for environmentally friendly vehicles. Accordingly, automakers have accelerated development of technologies that emphasize energy efficiency and CO₂ reduction using all sources of power, with apt examples being hybrid and electric vehicles. We aim to take advantage of these changes and maximize the use of energy management technology, an area of comparative advantage at DENSO. By doing so, we believe this gives us the

opportunity to contribute to an automotive society that has less environmental impact. Also, DENSO provides products that lead to improvement in fuel consumption in cars using diverse sources of power, from development of engine injection control to drive control for hybrid systems and energy-saving car air conditioners.

Emerging countries are becoming increasingly important in the automobile industry, whereby China recently overtook the United States as the world's largest automobile market. In China, India and other emerging nations, many people aspire to own a car. One of DENSO's key missions is to provide products that ensure safety and comfort while having minimal environmental impact to these markets. To this end, we are promoting the creation of a system for the swift development, production and sale of products befitting the economy, infrastructure characteristics and unique needs of each country and region.

Streamlining and building a structure for future growth

As the automobile industry undergoes immense change, it is essential to establish a strong corporate structure capable of sustainable growth in order to meet the expectations of stakeholders while also fulfilling our responsibility to society. To achieve this goal, DENSO has been pushing ahead with two major groupwide initiatives since 2009.

The first concerns streamlining operations via a comprehensive review of capital expenditures and other expenses. All operations were stopped at respective workplaces on February 20, 2009 so that a sense of crisis could be shared at all business sites and to allow for dialogue among all employees on how to increase efficiency. Since then, we have expanded concerted efforts to eliminate waste based

on the slogan "If I change, so will DENSO." This in turn has been the key catalyst behind improved profitability.

The second initiative concerns building a structure for future growth. This entails accelerating technological innovation to help resolve worldwide issues such as global warming, resource depletion and atmospheric pollution. We are focusing in particular on R&D to improve internal combustion efficiency, make hybrid components smaller and lighter, and produce plant-derived materials and fuels. We are pushing forward with the establishment of R&D systems in each country and region in which we operate.

Aiming to be a corporate group that practices genuine CSR-oriented management

In 2006, DENSO announced a policy that places CSR at the core of management and clarified our relationships with stakeholders and responsibilities that need to be fulfilled. We have been developing the policy and a structure to promote it while permeating it throughout the entire Group, including the supply chain. In order to practice genuine CSR-oriented management going forward, DENSO recognizes the importance of increasing awareness of one's immediate surroundings and encouraging employee participation in solving problems so that everyone feels a sense of ownership.

For example, thinking deeply and from a customer perspective about existing problems and user desires when studying data on traffic congestion and accidents in everyday life such as commuting may uncover concepts that lead to new product development. More specifically, through active interaction with local communities, we can identify key issues facing a country and find ways to support solutions as both an organization and as individuals.

Upon becoming aware of an issue, we must clarify our stance and work toward a solution without being bound by stereotype or convention. We need the "courage to change" for this to occur. DENSO has achieved growth continuously for 60 years in local and international communities by addressing stakeholder needs with sincerity and ongoing efforts to boldly change without falling back on conventional methods in manufacturing and *hitozukuri* (human resource development). Fortunately, we have 120,000 employees who share the same vision and goal. We also have a tradition of pooling the collective knowledge and capabilities we have amassed since our earliest days. If we maximize this wisdom, passion and ability to take action, I am confident we can contribute to environmental preservation and a reduction in traffic accidents through the development of next-generation vehicles, and grow into an organization that practices genuine CSR-oriented management and garners the respect of local and international communities.

Toward a more global-oriented CSR report

We welcome stakeholders' suggestions and opinions concerning this CSR Report so that we can identify new challenges, make improvements and promote cooperation. We used the suggestions and opinions on last year's report as reference for this year and were careful to use easy-to-understand expressions so that more people

comprehend our global CSR activities.

We realize we can further improve certain areas, and are dedicated to deepening ties and cooperation with stakeholders to enhance the level of CSR-based management going forward. Please do not hesitate to provide us with your opinions on this CSR Report.

Business Overview and Economic Report

(as of March 31, 2010)

Corporate Overview

Company name DENSO CORPORATION
Address of headquarters 1-1, Showa-cho, Kariya, Aichi 448-8661, Japan

Established December 16, 1949
Representative Nobuaki Katoh, President and CEO

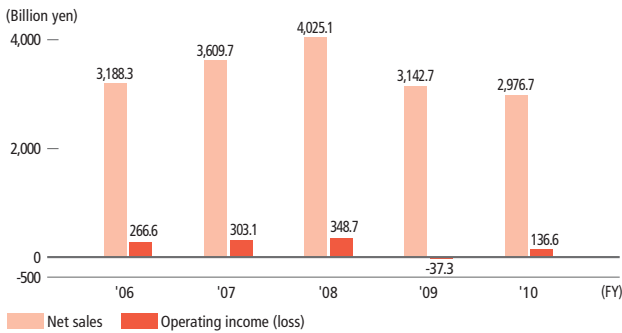
Financial Summary (Consolidated)

Capital 187.4 billion yen
Employees 120,812 (Consolidated, +0.7% yoy)
Consolidated subsidiaries 184 companies
(Japan 68, The Americas 34, Europe 34, Asia/Oceania 48)
Affiliates under equity method 30 companies (Japan 12, The Americas 5, Europe 2, Asia/Oceania/Other areas 11)
Net sales 2,976.7 billion yen (Consolidated, -5.3% yoy)

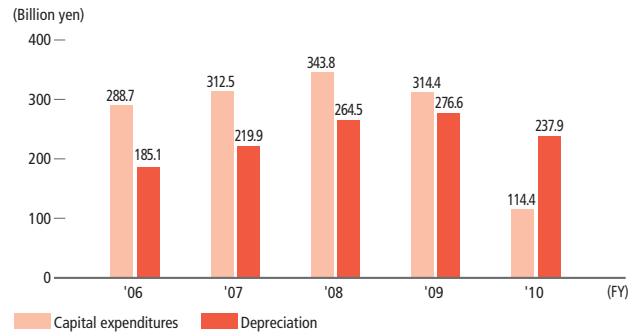
Ordinary income 152.7 billion yen (Consolidated)
Capital expenditures 114.4 billion yen (-63.6% yoy)
Research and development expenditures 270.1 billion yen (-9.1% yoy)
Cost of sales 2,560 billion yen (-10.2% yoy)
Overseas sales ratio 49.0% (-0.8% yoy)
Corporate tax paid 25.6 billion yen (-71.7% yoy)
Internal reserves* 52.5 billion yen

* Net income for the current year, excluding dividends

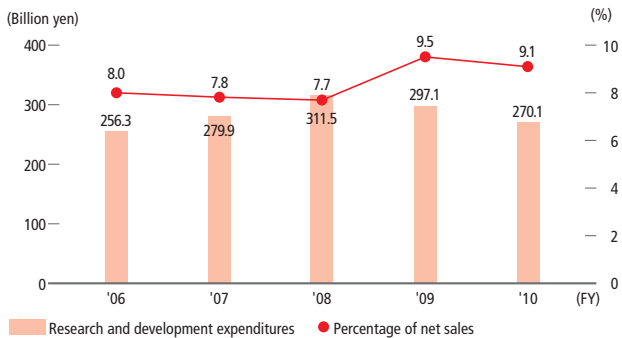
Net sales/ Operating income (loss)



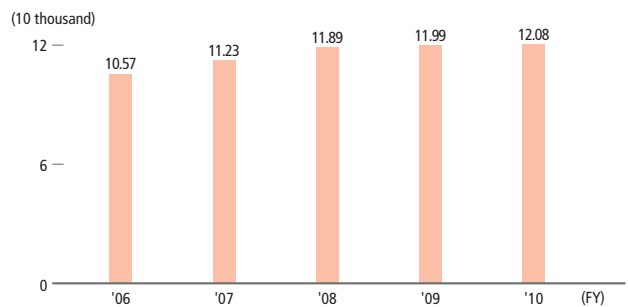
Capital expenditures/ Depreciation



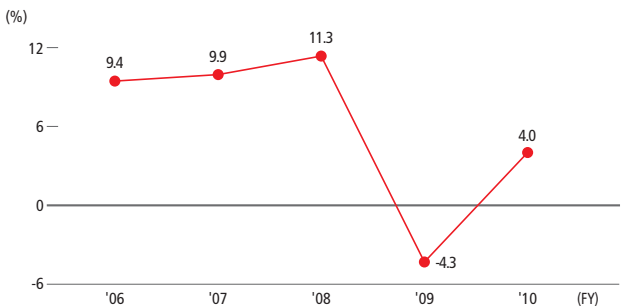
Research and development expenditures



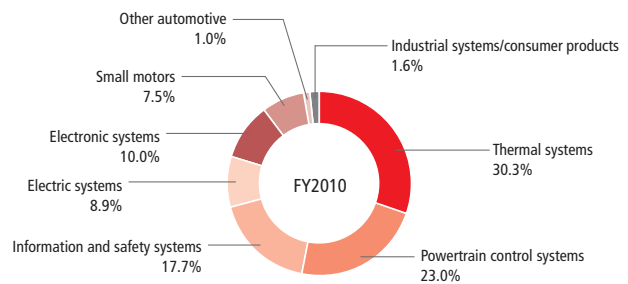
Employees



Return on equity (ROE)



Sales by business segment



URL For more detailed economic information
<http://www.globaldenso.com/en/investors/>

DENSO provides a variety of components and systems in four product areas to contribute to building an advanced automotive society.

<p>Safety Toward a society free of traffic accidents, where vehicle passengers and pedestrians alike can travel with reassurance</p>  <p>Millimeter-wave radar (Inter-vehicle control)</p> <p>Electronic stability control (ESC) units (Brake control)</p>	<p>Environment Toward a society that minimizes environmental impact throughout the vehicle lifecycle</p>  <p>Supply pumps</p> <p>Solenoid injectors (Common rail system for diesel engines)</p> <p>Electronic control units (ECUs)</p>  <p>Inverters for hybrids</p>			
<p>Comfort Toward a society where everyone can truly enjoy space and time spent traveling</p>  <p>Air conditioning units</p> <p>Electric compressors for hybrid vehicles</p> <p>Bus air conditioners</p>	<p>Convenience Toward an automotive society where people can move about easily and without stress</p>  <p>Car navigation systems</p> <p>Electronic toll collection (ETC) system</p>			
<p>Non-automotive products</p> <table border="0"> <tr> <td data-bbox="167 1249 534 1467"> <p>[Automatic recognition products]</p>  <p>Barcode handheld scanners</p> </td> <td data-bbox="566 1249 933 1467"> <p>[Factory automation products]</p>  <p>Industrial robots</p> </td> <td data-bbox="965 1249 1332 1467"> <p>[Cooling devices and air conditioning products]</p>  <p>Kerosene air conditioners</p> </td> </tr> </table>		<p>[Automatic recognition products]</p>  <p>Barcode handheld scanners</p>	<p>[Factory automation products]</p>  <p>Industrial robots</p>	<p>[Cooling devices and air conditioning products]</p>  <p>Kerosene air conditioners</p>
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URL For more detailed product information
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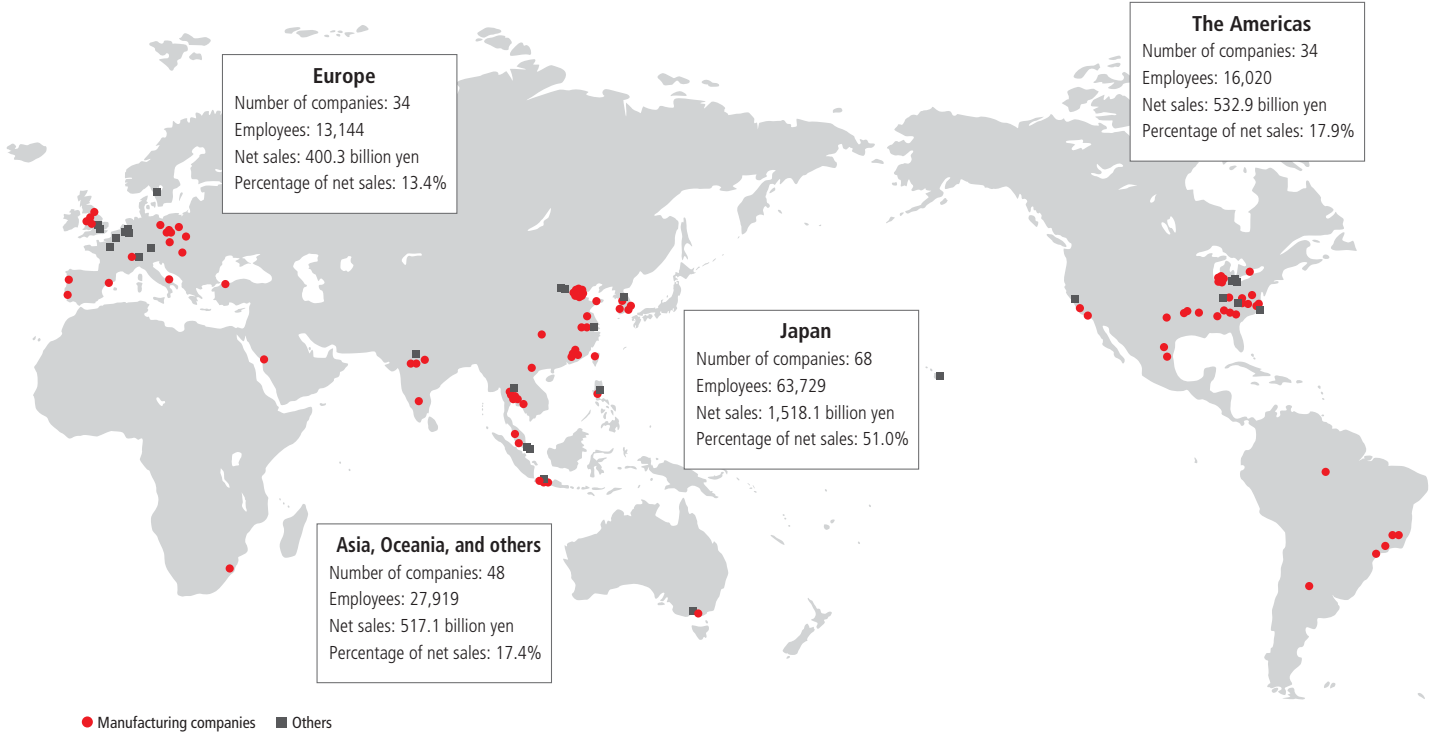
Automobiles are composed of roughly 30,000 components, with around 70% of that total outsourced and purchased by automakers. As such, automakers and automotive parts suppliers can only deliver high-quality vehicles through strong collaborative relationships.

Automotive parts do not function independently; rather, multiple products

are closely connected and function as a system. In recent years, precise electronic control technology has become indispensable to meet increasingly sophisticated needs for safety, environmental friendliness, comfort and convenience. As a top-class supplier, DENSO provides state-of-the-art automotive technology, systems and products to the world's leading automakers.

Business Development by Region (Employment / Scale of operation)

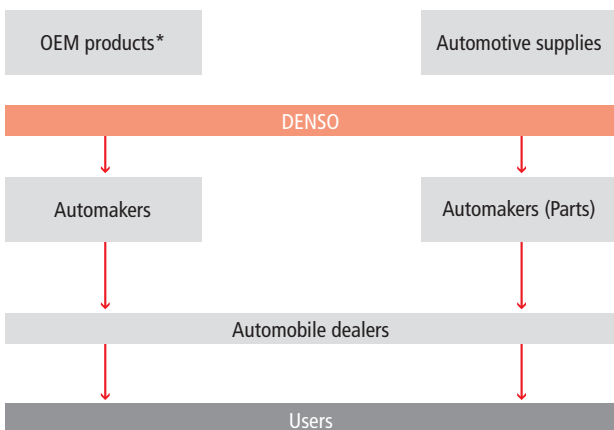
* Number of companies: Consolidated subsidiaries
 * Net sales are by customers' location.



DENSO's Marketing Format

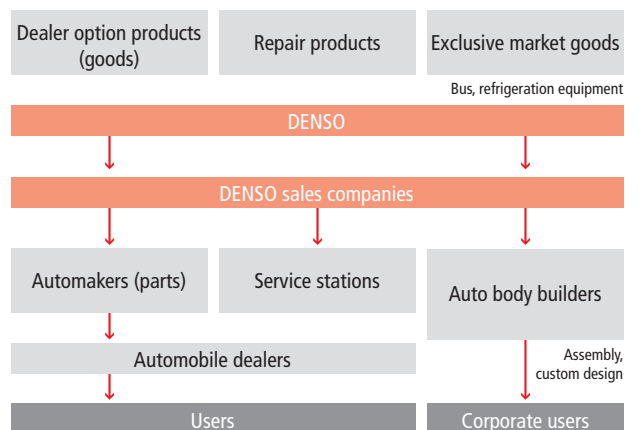
DENSO operates in 32 countries and regions worldwide with over 120,000 employees working closely with local automakers and suppliers to manufacture products that suit each particular area.

◎Direct delivery (to customers' factories)



*OEM: Original Equipment Manufacturing; parts supplied to automakers

◎Market sales



◎Major clients

Japan	Toyota, Honda, Mitsubishi, Mazda, Suzuki, Daihatsu, Nissan, Fuji Heavy Industries, Hino, Isuzu, etc.
International	Ford, Fiat, Chrysler, BMW, VW/Audi, Mercedes-Benz, Volvo/Land Rover, Hyundai, Kia, etc.

Special Feature

Unique CSR Activities

DENSO's one-of-a-kind approach to meet stakeholder expectations

What responsibility do we have as a global manufacturing entity to ensure a sustainable future for our children, the leaders of the next generation? Each DENSO employee in the different countries and regions of the world ponders the answer to this question and adopts a one-of-a-kind approach to meet the expectations of diverse stakeholders.



01

[Environmental Preservation] Expanding Environmental Preservation Activities in Respective Countries and Regions
A sustainable society emerging from environmental initiatives in India

▶▶P.09

02

[Respect for Employees] Nurturing Global Manufacturing Personnel
Achieving exceptional mass-production capabilities via *hitozukuri* (human resource development) that inherits manufacturing DNA

▶▶P.11

03

[Social Contribution] Efforts to Contribute to Society through Employee Participation
Supporting local environmental activities with aid and people

▶▶P.13



Entrance to Eco Park on plant premises



DENSO India is overflowing with greenery.



Many small creatures live on the premises.

A sustainable society emerging from environmental initiatives in India

The origins of environmental activities at DENSO India

DENSO INDIA LTD. (DNIN) commenced environmental preservation activities in earnest in 1999 when 600 employees took part in a tree-planting program to foster environmental awareness. Employees have continued to nurture the 100 native eucalyptus trees planted around the premises ever since.

In 2001, DNIN started feeding leftover cafeteria food to earthworms, with the feces used as compost to make the premises greener. This measure is common in India, where people are highly conscious of the need for recycling.

The earthworms were purchased from local restaurants, and a series of trials run over a three-year period to determine and build know-how concerning optimum conditions in terms of such aspects as the type and amount of leftovers, soil humidity and plowing techniques. During this time, DNIN further enhanced employees' awareness together with acquiring ISO 14001 certification and achieving zero emissions. These efforts in turn led to the concept of establishing an Eco Park on the plant premises to focus environmental conservation activities.



Around 1t/day of leftover food from the cafeteria, which is open almost 24 hours, is fed to earthworms.



The leftover food is disposed of in the soil that is home to the earthworms.



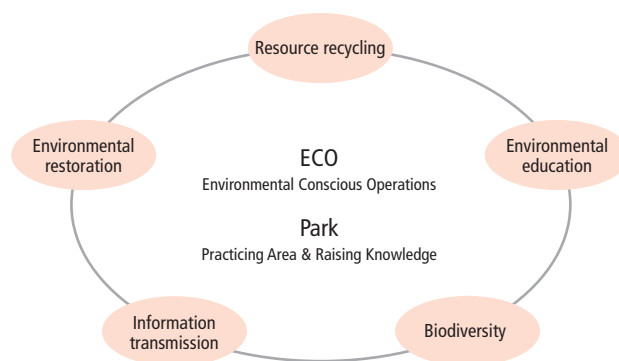
Checking the condition of the earthworms is vital.

Earthworms in their soil habitat

Eco Park: A place to share knowledge and expand environmental activities

The name "Eco Park" embodies many of the concepts born from over five years of environmental activities at DNIN. "Eco" stands for "Environmentally Conscious Operations," and "Park" stands for "Practicing Area & Raising Knowledge." The Eco Park promotes environmental awareness by recycling all resources, with the accumulated know-how and wisdom shared with the community to help spread environmental practices to households and society in general.

The Eco Park was opened on a 600m² site in December 2004 and has become a place to share knowledge about environmental topics. The park makes full use of around 1,000 20m-high eucalyptus trees, has earthworms make compost from leftover food, utilizes filtered rainwater, wind power and solar power, and makes coal and recycled paper.



Overview of DENSO INDIA LTD. (DNIN)

- Established:** Established in 1984 as a local joint venture company and made into a consolidated subsidiary in 1993
- Location:** Noida Plant/Haridwar Plant (New Delhi suburbs)
- Employees:** Approximately 2,500 (includes 1,500 temporary workers and 10 assigned Japanese staff)
- Products:** Alternators, starters, wipers, fans, magnets, flow motors, amps, etc.
- Main customers:** Japanese 4WD/2WD vehicle manufacturers, local automakers
- Major achievements:** Acquired ISO 14001 certification (November 2000) and achieved zero emissions (December 2003; first company in India)





Wastewater is purified and used to water the plants.



Rainwater is filtered and returned to a well.



Oil from eucalyptus leaves and leftover leavened flatbread are used to make coal.



Leftover leavened flatbread (front) is used in the mixture to make coal.

Environmental education at the Eco Park

Water is a precious resource in rain-starved India, and the DNIN region uses groundwater from the Himalayas. Wastewater from the DNIN plant is processed at an on-site treatment facility and reused to water trees and flowers. This facility saves 60t of water a day. There are also four filtration units that enable DNIN to return rainwater to a well, which shows the importance and value of water.

The Eco Park also makes coal from oil-rich eucalyptus leaves. The coal is produced by combining the leaves with leftover cafeteria food waste, and is distributed to local school children and community members free of charge. Meanwhile, paper waste generated in the office is collected and dissolved, then used to make recycled paper via the same method employed to make

Japanese paper (pressing). The corporate brochure is printed on this recycled paper and given out to visitors.

Panels describing environmental initiatives are displayed all around the Eco Park so visitors can increase their knowledge of resource recycling, prevention of global warming and biodiversity and other information, as well as enhance their environmental knowledge and awareness.



Water quality inspection to ensure filtered rainwater can be used as drinking water (twice/month)



Paper from the office is dissolved and used as a raw material in recycled paper.



Display panels introducing environmental initiatives are all around the Eco Park.



Making recycled paper using a pressing method

Eco Park initiatives to be extended to the rest of the world

DNIN invites around 150 local students every year to tour its plant. Here, they are taught about the Eco Park's technique of using earthworms to make compost, which can be taken home for free. Many students believe that factories contaminate the environment, but after visiting the Eco Park, they learn the social responsibilities of companies as well as what the general public needs to do to preserve the environment.

DNIN has been a role model for other DENSO sites around the world. DENSO Mexico (DNMX) has started using earthworms to make compost from leftover food, while sites in the Philippines and Thailand are looking to employ similar programs.

"We pass on knowledge to people and demonstrate the importance of environmental preservation in the hope of contributing to the creation of a sustainable society," comments Mr. S. M. Agarwal, who is in charge of promoting environmental initiatives. "That's the ultimate aim of Eco Park activities."



Safety, Health and Environment Division
S. M. Agarwal

Aiming for further growth based on environmental preservation and employee respect

DNIN holds a family day once a year where employees get the chance to show off Eco Park activities to family members, which increases motivation toward environmental preservation activities.

Despite being prohibited by the constitution, India remains a very class-conscious society, whereby a caste system determines one's occupation. DENSO's policy, however, is to permeate a corporate culture based on mutual respect, in which all employees clean before work and have equal opportunity for promotion. This provides a sense of pride and has led to enhanced performance. DNIN aims to integrate the positive elements from different cultures, not only in environmental conservation, but in all business activities, and grow as a global site.

Koji Shiga, Managing Director, DENSO India





Atsushi Mayumi, a DENSO leader who hands down "manufacturing DNA" to the next generation (Project Leader of Production Control Department)



Trainees from different countries and regions come together to learn irrespective of rank, affiliation or job type.

Achieving exceptional mass-production capabilities via *hitozukuri* (human resource development) that inherits manufacturing DNA

Ensuring a defect rate of 1 in 10 million

The Daian Plant (Mie Prefecture) produces such impressive DENSO products as key components for gasoline engines and millimeter-wave radar, which can detect obstacles on the road. This plant has realized exceptional quality control with just one defect per 10 million units since its inception in 2003. The highly creative systems and human resource development shoring up this feat are drawing considerable attention from inside and outside the Group. Although most manufacturing processes at the Daian Plant have been mechanized, many jobs are still completed by hand. The majority of these jobs involve a degree of repetition where the slightest error in task or verification can result

in a defective product. To prevent human error and continue to guarantee uniformly high product quality despite complex factors such as differences in ability, seasonality, physical condition and psychology, it is necessary to maintain top-class mass-production capabilities by the Group. This requires a whole different level of know-how where improvements depend on individual ability. At DENSO, this know-how takes shape in the innovative techniques used by its employees. Such training is being expanded to production sites worldwide to support manufacturing operations.

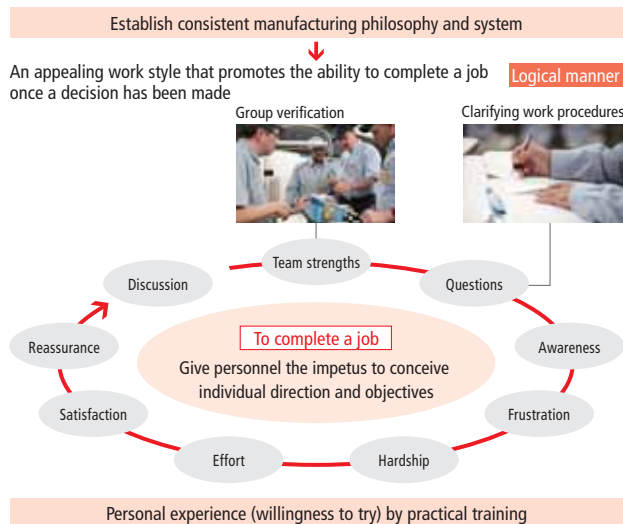
Passing down consistent "manufacturing DNA" despite environmental changes (hollowing out)

DENSO established the Manufacturing DNA Project within the Production Control Department in April 2005 to pass on and permeate globally mass-production capabilities and DENSO's manufacturing spirit. At the time, people held concerns over a hollowing out of manufacturing bases due to mandatory retirement of the baby-boom generation. This was a common fear in industrial circles, and serious questions arose. What is our manufacturing DNA that we can carry with us amid a changing environment? How can we ensure that the essence of our manufacturing is passed on to the next generation? Atsushi Mayumi, who possesses a proven ability in reducing defect rates and developing corporate culture as the former plant manager for ignition devices (Daian Plant), focused on finding the answers to these challenges.

Mayumi believed in the importance of staying true to traditional manufacturing techniques and passing on "manufacturing DNA" in line with two key points derived from an empirical basis and a never-ending commitment to manufacturing. First, it is important to systematize manufacturing and control techniques amassed over the years. Second, the Company will thrive if it can develop human resources capable of nurturing future leaders, including those for manufacturing sites overseas. This entails the ability to promote three critical areas: quality improvement, productivity enhancement and daily maintenance. "Innovation is an essential element of our commitment to manufacturing," states Mayumi, "but we also need to establish set methods that we can rely on as the environment changes." Although perhaps appearing unconventional at first glance, the concept is straightforward and deeply insightful in that it always takes into consideration the psychology and genuine motives of personnel working at sites. For example, each morning before work begins all personnel report on defects or errors made the previous day so that

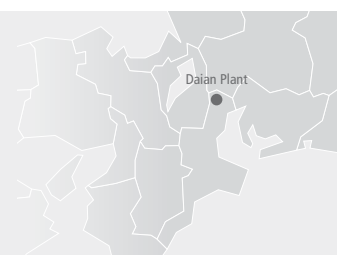
everyone is in tune with current issues and can work swiftly toward solutions. This initiative was started 26 years ago in 1984 and continues to this day. "It is human nature to want to conceal a problem," says Mayumi. "That's why it's important to have a support system where people feel comfortable reporting issues in order to find a solution quickly." The program has resulted in a dramatic reduction in defect rates and has developed into Manufacturing DNA Training, which aims to nurture human resources who can think and act independently.

◎Aim of Manufacturing DNA Training



Overview of Daian Plant

Location: Daian-cho, Inabe, Mie Prefecture
Products: Ignition devices (ignition coils, spark plugs, etc.), safety-related products (millimeter-wave radar, etc.), functional products, ceramic-related products
Total floor area: Approximately 400,000m²
Employees: Approximately 5,700





Learning the basics of mass production at an actual production facility (assembly of wire harnesses)



Trainees form a circle and recite company rules at a morning meeting.



President Katoh offers words of encouragement to a trainee.

Becoming aware of the intangible through Manufacturing DNA Training

Based on years of experience, Mayumi makes a clear distinction between “making improvements” and “Manufacturing DNA Training.” Making improvements requires an awareness of one’s immediate surroundings. Manufacturing DNA Training focuses on an awareness of the intangible. “It’s not easy translating what you understand with your head into actual behavior,” he says. “Take golf as an example. If you experience success after easy-to-understand coaching, you’ll be happy and want to continue. You become more motivated to practice, which leads to progress. This is the concept we implement at our manufacturing facilities.”

The curriculum conceived of with this policy is concrete and practical. In the course on quality, for example, which aims to nurture supervisors who can improve quality levels, eight trainees form a team and undergo training on how to complete a wire harness (part connecting electrical components) using an actual assembly line (loaned from a supplier). Trainees assemble the product while discussing the work manual to ensure that everyone can complete the job accurately and without error. The procedure is learned word-for-word and spoken aloud as the assembly is performed. This method is dubbed “operating

professionals” and has been employed since 1993 so that trainees can experience the tough job operators have on production lines. Trainees thus have a good insight into the diligence and dedication of operators; the seeds of respect are planted here.

They recognize how difficult it can be to accurately convey information by thinking and discussing matters as a team, and learn the importance of being aware of the intangible and diverse analytical techniques as well.

©Examples of keywords used in training

Definitions of “following one’s instincts” and “learning the ropes” that also apply overseas

Following one’s instincts

Refers to making decisions only after grasping the situation with one’s five senses and then comparing with past experience

Learning the ropes

Refers to a method in which trainees inherit skills from others with the aim of improving success rate

Being aware of abnormalities

Noticing that something is different from usual because you are continually performing the same task

Mental preparation on site

People cannot act without logical and coherent explanations, particularly at production sites

Understanding dawnings for more than 3,700 trainees

The recruitment method for Manufacturing DNA Training is also unique. Some employees respond to a biannual notice on the intranet, to which anyone can apply irrespective of country, Group company, department or job type. Approval from one’s immediate supervisor is the only requirement. Despite this recruitment method, however, most people hear about the effectiveness of the training to improve results via word-of-mouth. As of June 2010, over 3,700 people had completed the training, including the vice president of an overseas office.

Common comments following completion of training include: “Now I understand the essence of mass production. I finally get it.” “I have more respect for my superiors in their daily work now.” “Complex instructions can

be more harmful than useful. Directions have to be simple and clear.” All trainees take back to their respective places of work an increased awareness of the intangible. This is perhaps the greatest benefit from the course, as it is the essence of our Manufacturing DNA and a key factor underpinning DENSO.

©Manufacturing DNA Training

Course	Quality, production, production maintenance
Period	Domestic trainees (one week), overseas trainees (1–2 weeks)
Number of trainees	15–16 per course
Recruitment period	Biannually (Company intranet)
Participation	Voluntary

©Opinions of Manufacturing DNA Training



David Kearns (USA)
Production Engineering Manager

The thing that surprised me most was that there was always a detailed answer to every question. I’d like to see such meticulous preparation and activities in Tennessee as well.



Edwardo Yoshida (Brazil)
Grand Manager

I learned the true purpose of improvement and the importance of a logical workflow and standardization. I realized that there were significant latent risks in my own work habits.



Steven Garrett (USA)
Production Manager at Electronics Plant

Now I understand where I should provide support and what’s lacking in order to make sure all employee levels understand DNA-related activities.



Rahul Kumar (India)
Quality Assurance Manager

Numerous plant lines involve manual work, so DNA-related activities have helped us boost performance. If we put into practice everything learned in training, we should achieve zero defects.



David Hare (USA)
Production Engineering Assistant Manager

Personnel costs are high in the United States, so “quality” determines the competitiveness of a product. The significance of being able to learn methods that guarantee quality in each process is huge.

03

Efforts to Contribute to Society through Employee Participation



Making chairs using wood thinned from the forest



Gathering food for fireflies to keep the population thriving



Experiencing how to harvest rice in a fallow field

Supporting local environmental activities with aid and people



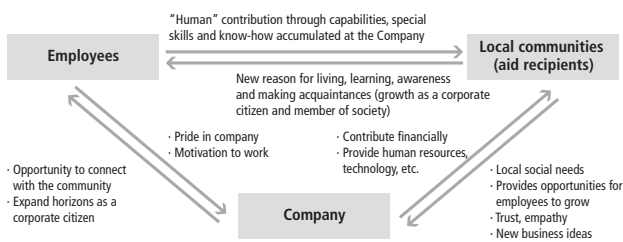
Employees help select recipients for funding and support and in all related activities

DENSO launched its Eco-Point System commonly known as “DECOPON” in December 2006 as part of its social contribution efforts. We award points for environmental activities that benefit nature and bring happiness to the local community. The points can be exchanged for eco products or donated for community-based environmental activities.

Since fiscal 2009, points have been used to provide assistance in carrying out local environmental programs. The number of points donated by employees determines the amount of aid paid to local environmental groups. Employees and their families are encouraged to participate in environmental activities sponsored by organizations that are receiving aid. Aid recipients are solicited

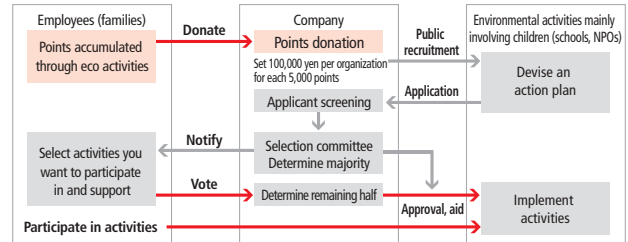
via our website, email magazine and non-profit organizations (NPOs). A selection committee makes a decision on which applicants should receive assistance based on employees’ votes and the advice of NPO representatives. Important factors in the decision process are how easily employees and their families (children) can take part in the activities and whether they are ongoing programs that make use of local resources. DENSO’s approach is to encourage people to enjoy environmentally friendly activities without being forced to act. The scheme is based on the idea of being environmentally friendly to benefit yourself and your loved ones as well as the community you live in and love.

◎DECOPON’s “growth and assistance” approach



More than a simple donation, this scheme is also an important way to enable mutual growth and assistance.

◎System of providing aid for local environmental activities



With this scheme, aid from the Company would not be possible without the action of employees and their families.

Aid to eight organizations in fiscal 2010 and participation in environmental activities

Employees donated around 40,000 points in fiscal 2010. This amount was matched by the Company and a total budget of 800,000 yen was set. Eight organizations were selected from the 28 applicants, with each receiving 100,000 yen. Employees and their families also took part in the local environmental activities of the aid recipients between September and November, which provided a good platform for interchange with the organizations.

At the reporting sessions following the environmental programs, participating employees commented on how wonderful it was to see the sparkle in the children’s eyes, while the aid recipients were grateful that submitting an application enabled them to expand their relationships with people.

Since fiscal 2010, we have been accepting applications from employees wanting to become DECOPON Supporters as a way to expand Eco-Point activities. A total of 21 such supporters from different departments took part in the planning, publicizing and running of events and campaigns. We will continue working to resolve local issues and areas of concern by promoting communication inside the Company and with externally affiliated organizations.



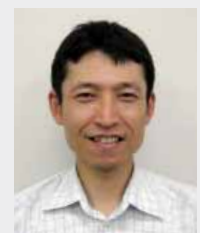
DECOPON Supporters

◎Fiscal 2010 aid activities

Details of activities	Date conducted	Aid recipient (Local communities)	Participating employees and family members
Experiencing how to harvest rice in a fallow field	September 27	Jisanzyo no kai (Fukuoka City, Aichi Prefecture)	24
Photo contest to reproduce the beauty of Hanba River	October 23	Takeyama Elementary School (Anjo City, Aichi Prefecture)	4
Forest workshop	October 25	NPO Children’s Health Forum (Obu City, Aichi Prefecture)	16
Making chairs using wood from thinned forests	October 31	NPO Toy Hospital Kariya (Kariya City, Aichi Prefecture)	34
Cleaning up beach where marine turtles lay their eggs	November 1	Yokkaichi Turtle Preservation Society (Yokkaichi City, Mie Prefecture)	8
Cleanup activity and making salt at Atsumi Peninsula	November 15	Kamenoko Tai - Environment Volunteer Circle (Tahara City, Aichi Prefecture)	22
Ecological research into wild squirrels	November 21	Moriyama Squirrel Study Group (Nagoya City, Aichi Prefecture)	30
Protection of fireflies (gathered food)	November 22	Firefly Association (Nishio City, Aichi Prefecture)	11
			Total: 149

DECOPON Supporter Participation in initiative to protect fireflies

I took part in an event held by the local Firefly Association (Nishio City, Aichi Prefecture) around the middle of November in which we observed larvae of the Japanese aquatic firefly and collected freshwater snails (shell) to feed them. First, we observed the larvae in a firefly cultivation facility at an elementary school. Initially, I wondered if these black things were really larvae that would actually become light-emitting fireflies. Afterwards, we went to a nearby river with nets and buckets to collect freshwater snails. We caught snails with the children and released them beside a creek near the mountains where the fireflies live. I’m looking forward to around June next year when we can go with people from the community to watch the fireflies perform their special dance.



Hideto Uemura,
Electronic Systems Testing & Evaluation Dept.

CSR Management

Social Responsibility of DENSO Basic stance / Promotion structure / CSR framework / DENSO Group Declaration of Corporate Behavior / Long-term activity plan / Fiscal 2010 activities / Review of progress	15
Fiscal 2010 Results and Future Issues/Goals	19
Highlights & Lowlights of CSR Activities in Fiscal 2010	20
Stakeholder Dialogue in China	21
Corporate Governance	23
Compliance	24
Risk Management	26
Information Security	27



Social Responsibility of DENSO

Basic stance

In our corporate philosophy, we describe our mission as “contributing to a better world by creating value together with a vision for the future.” We adopted DENSO Vision 2015, a long-term management vision, in 2004 to guide our efforts in putting this philosophy into practice. This vision meshes perfectly with the building of a sustainable society.

Cooperating, collaborating and sharing values with our many stakeholders are indispensable to achieving this vision based on corporate behavior that earns the trust and support of society. To ensure that all Group companies conducting business worldwide put this philosophy into practice, we adopted the DENSO Group Declaration of Corporate Behavior in April 2006 (see

following page), making clear our responsibility to stakeholders. We have placed corporate social responsibility (CSR) at the core of our management and are working to contribute to building a sustainable society through our business activities.

URL DENSO Vision 2015

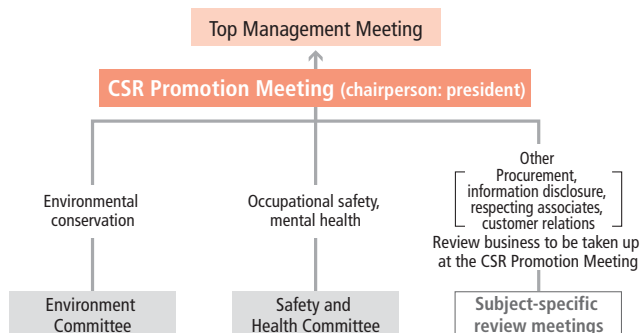
<http://www.globaldenso.com/en/aboutdenso/vision/>

Promotion structure

In 2006, we established the CSR Promotion Meeting (secretariat: CSR Promotion Center), which is chaired by the president and in which the basic policies behind CSR activities are discussed and examined. The meeting is held twice yearly to set direction for and make decisions on CSR management and to confirm the progress of CSR-related activities.

In 2009, we shifted from a traditional emphasis on “priority areas and fundamental areas” to a new framework emphasizing “stakeholder satisfaction” and “risk management.” This means we are focusing more intently on a stakeholder perspective in policies.

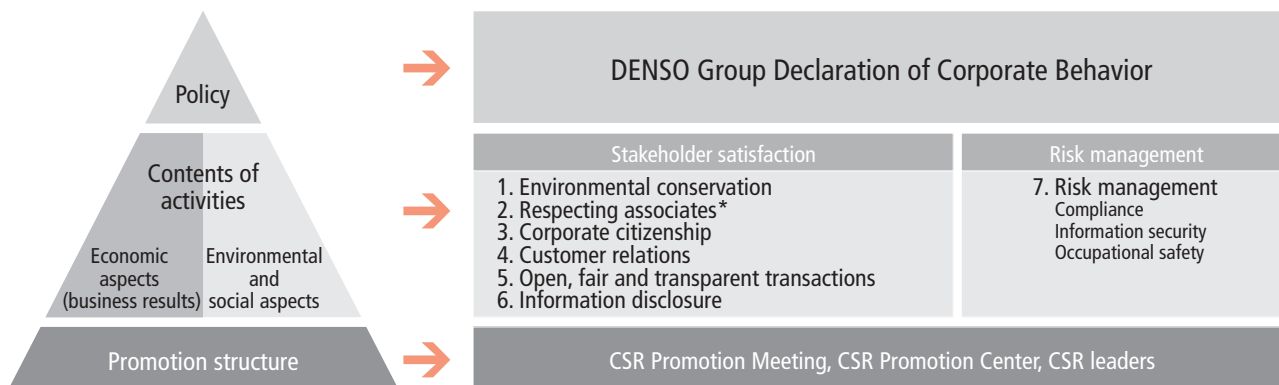
©Promotion structure



*The Risk Management Meeting, Social Contribution Committee and Business Ethics and Compliance Committee were combined to form the CSR Promotion Meeting in 2009.

CSR framework

DENSO aims to be a trusted company through corporate activities that place value on stakeholders and advances initiatives in this regard in seven different areas.



* Including respect for human rights

DENSO's responsibility to key stakeholders

DENSO explicitly defines its responsibilities to each stakeholder group as it puts into practice its CSR activities as outlined in the DENSO Group Declaration of Corporate Behavior.

(Formulated in April 2006 and revised in July 2009 and 2010)

DENSO Group Declaration of Corporate Behavior

[Text of declaration]

We, DENSO Corporation and its Group companies*, will actively contribute toward the sustainable development of society through sincere business activities in each country and region.

* Consolidated management companies, and companies in which DENSO is the primary shareholder

- We will honor the culture and history of each country and region. We will strive trustworthily to operate with respect for people, and promote business activities to earn the trust of our stakeholders, under the leadership of our management of each company.
- We will comply with both the letter and the spirit of the law and promote ethical behavior. We will promote open and fair information disclosure and dialogue.
- We will anticipate changes and challenge in order to create new values. Also we will work to ensure the best quality by focusing upon on-site verification and implementing "Kaizen" (continuous improvement).
- We will work toward the development of our employees by encouraging communication and teamwork.

Responsibility to customers

For customers' trust and satisfaction, we will create "new values".

- Based on our "Customer First" policy, we will develop and provide fascinating, safe products and services of high quality with advanced technology to respond to customers' expectations.
- We will properly manage our intellectual property rights and strive not to infringe others, and protect personal information of customers and everyone else we are engaged in business.

Responsibility to shareholders

We will strive to enhance corporate value and encourage dialogue with shareholders.

- We will strive to enhance corporate value while achieving stable and long-term growth.
- We will strive for transparency through timely and fair disclosure and dialogue regarding our operating and financial conditions.

Responsibility to international and local communities

We will aim for harmonious growth with the environment by proactively working toward environment protection throughout all areas of business activities.

- We will seek an optimal balance between environment, such as climate change and biodiversity, and economy in the way we develop technologies, operate our facilities, and act as individual employees.

We will work toward philanthropic activities that contribute to the harmony and well-being of each regional society in which we conduct business operations.

- We will promote activities aimed at building a better future for each region, both independently and in partnership with community organizations.

We will comply with each country's competition laws and endeavor to maintain sound and fair business operations.

- We will strive to ensure free and fair competition and will not tolerate behavior that violates competition laws such as cartels.
- We will not tolerate collusion and bribery, and will maintain honest and fair relationships with government agencies and public authorities.

Responsibility to employees

We will respect our employees and provide a work environment that encourages each individual's dynamic work.

- We will maintain and improve a safe and healthy working environment for all our employees.
- We will build and share a sense of "mutual trust and responsibility" with employees through sincere communication and dialogue.
- We will support fair work conditions and employment opportunities to encourage success within a diverse workforce. Also, we will honor human rights and will not tolerate any form of forced or child labor.

Responsibility to suppliers

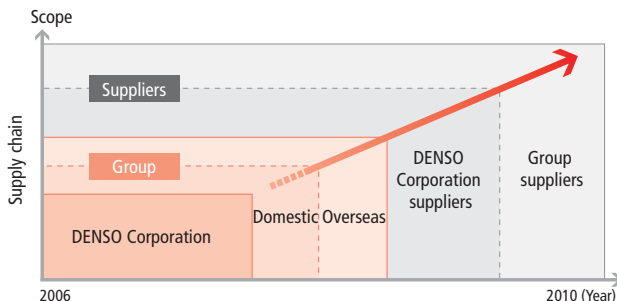
We will maintain open, fair and transparent dealings.

- Our doors will be open to the suppliers throughout the world as we pursue fairness in all business transactions.
- We will respect our suppliers as business partners, and aim for mutual growth based on mutual trust.

Long-term activity plan

To steadily promote corporate behavior aimed at building a sustainable society, we have analyzed DENSO's strengths and weaknesses. Our goal is to expand the scope of CSR activities to include the supply chain (all Group companies and primary suppliers) and ensure that individual Group employees are aware of and involved in those activities by fiscal 2011. We are also working to improve CSR activities on an ongoing basis by establishing key performance indicators (KPI) for each area, conducting a CSR Survey (begun in fiscal 2007) to assess employees' understanding and the extent of implementation, and practicing the PDCA (Plan, Do, Check, Action) cycle.

©Roadmap for promoting activities throughout the supply chain (Group and primary suppliers) and extending individual Group employees' awareness and involvement



Fiscal 2010 activities

(1) Expansion of the scope of CSR initiatives to include Group companies

DENSO virtually completed establishment of the foundations of a CSR management system in each company, including those in our supply chain, by the end of fiscal 2009. Specifically, 117 of our consolidated subsidiaries and 720 of our primary domestic suppliers have approved the DENSO Group Declaration of Corporate Behavior as the highest authority guiding decision-making, created CSR leader positions and developed activity plans through fiscal 2011. Going forward, we will request our overseas suppliers to take the same steps.

Also, as a means to enhance CSR initiatives at domestic Group companies, we convened a CSR Leaders' Meeting in August 2009 that included participants from 41 companies. At the meeting, leaders from core DENSO Corporation companies and Group companies exchanged ideas and information on risk management related to a business recovery plan assuming a major earthquake, and combating new strains of influenza, threats to our corporate

reputation, CO₂ reduction, preservation of biodiversity and the employment ratio of persons with disabilities.



CSR Leaders' Meeting for domestic Group companies

(2) Promotion of activities designed to increase involvement and raise awareness

DENSO formulated a *Code of Conduct for DENSO Group Associates for Japan, North America, Europe and China* that takes into consideration the culture and history of each region. It is being used as a tool to examine one's own behavior at every opportunity. DENSO Corporation has held 18 CSR-related lectures (approximately 5,000 participants) since fiscal 2007 mainly for directors and executive officers with the aim of increasing awareness and understanding of the importance of CSR.

Since fiscal 2010, we have increased efforts to improve the level of CSR and help individuals shift from a phase of mere recognition of CSR to one of action. Specifically, we released a picture book entitled *Building Happiness with DEN and SO* that gives insights on how to link CSR with daily work and held a presentation meeting for management-level employees, who then discussed the contents at their respective workplaces. We also invited the families of employees and elementary school students from schools near DENSO head-

quarters (200 people) to tour the Company, and we explained our CSR initiatives using the picture book as we walked around eco-product displays and other areas.

Opinions of elementary school children taken from a survey

- It was fun and I learned a lot on the tour and in the quiz.
- The picture book, video and explanations made me realize that people at DENSO think about products and users every day in their work.
- I didn't know anything about DENSO before, but now I think it's a good company. I hope you keep doing your best to develop products in the future.



Picture book entitled *Building Happiness with DEN and SO*



Introducing DENSO's CSR activities to the community DENSO booth at Eco-Products 2009

(3) ISO26000 analysis and examination

The International Organization for Standardization (ISO) has formulated an international standard providing guidelines for social responsibility (SR) at global organizations. The guidance standard is scheduled to be issued in autumn 2010. Various stakeholder groups are participating in the formulation process: government, industry, consumers, non-profit organizations (NPOs) and non-governmental organizations (NGOs), specialists and others. The standard is expected to provide direction to companies in their implementation of CSR activities.

Closely monitoring developments, DENSO reviewed its CSR activities at the CSR Promotion Meeting in fiscal 2010 based on a draft of the ISO26000 standard concerning the environment, human rights, labor practices, organizational governance, fair business practices, community participation and social development, and consumer issues. Shared challenges recognized and identified at the meeting will be reflected in future CSR policies and measures.

Review of progress

We conduct a CSR Survey every year to review and assess progress in the implementation of activities and understanding among employees. Results were down in certain areas of the survey sent to around 3,000 DENSO Corporation employees in fiscal 2010.

In response, we conducted a detailed check and analysis of the contents in the opinion and requirements column on the survey and formed a joint team mainly comprising members from the CSR Promotion Center, Legal Department and Human Resources Department to visit work sites and listen to the thoughts of CSR leaders and identify points of concern. Results of the interviews showed that many employees felt that CSR activities were primarily the responsibility of the Company, not the individual.

This issue was then discussed at the CSR Promotion Meeting in order to examine possible solutions. A decision was made to take new steps to link company policy with individual action from fiscal 2011. Specifically, this means explaining CSR activities in an easy-to-understand manner; shifting to regular publication of CSR News, which includes information that can be discussed and utilized at sites; and holding new events related to environmental conservation in which employees can easily take part.

Outside lecturers were invited to talk at a CSR Seminar in April 2010 mainly for CSR leaders from each department on how to vitalize CSR activities in small groups. Around 200 leaders took part and learned how to effectively promote CSR activities in the workplace. We will continue to hold workshops for CSR leaders and work to foster a corporate culture that encourages CSR activities on a daily basis.



Seminar for CSR leaders



CSR News (English version) with updated design and content

Results from CSR Survey (excerpt)

Item	Question content	2007	2008	2009
Guidelines	Pay attention to application of the code of conduct	72%	75%	68%
Spread of CSR in workplace	Increased interest in CSR in the workplace	51%	57%	52%
Environmental conservation	Work to reduce CO ₂ on the job	79%	80%	73%
Workplace safety	Feel that safety awareness in the workplace is increasing	76%	77%	77%
Respect for employees	Interest in female participation is rising in the workplace	49%	51%	51%

Planned environmental preservation activities and events for employees

As a means to increase CSR awareness, DENSO will roll out a variety of new activities and events from fiscal 2011 that make use of the Company's knowledge and technology in order to realize employees' aspirations and maximize their willingness to participate in CSR programs.

Examples of measures to meet expectations to tackle environmental issues as a corporate citizen

Theme	Details
Create green oasis (June~)	Aim to surround plants and offices with greenery, transplant saplings cultivated by employees at workplaces to the premises and peripheral areas, and nurture them as memorial trees
Contest regarding natural energy usage	Hold a competition for universities to realize the best power generating efficiency using a DENSO alternator (power unit for cars)
Support eco learning at schools	Company lecturers explain in simple terms ways to conserve energy and clean through presentations and experiments
Subsidize the DENSO eco-car (October~)	Support the purchase of eco-cars by employees as government subsidies are concluded
Accelerate shift to hybrid cars inside company	Shift from 100 cars as of fiscal 2010 to 220 cars by fiscal 2012
Disclose tests of new technology (June~)	Establish a large experimental facility at the Zenmyo Plant (Aichi Prefecture) to extract light oil from algae and include it in the plant tour
Introduce new technology for natural energy	Conduct joint demonstration experiments for optimal control of power in micro grid systems using photovoltaic power generation and battery



Rendering of large-scale experimental facility for algae

Fiscal 2010 Results and Future Issues/Goals

Sustainability theme		Fiscal 2010 issues and goals	Fiscal 2010 results and remaining issues (●goals achieved, ▲outstanding issues)	Overall assessment*	Page	
Management	Corporate governance	Operation of internal control system including Group companies	●Thoroughly implement and firmly establish operation of internal control system including Group companies	● Proceeded with operation of internal control system including Group companies, and made further improvements	◎	23
	Compliance	Raising awareness of compliance to the fullest in each employee	●Fully instill and spread awareness of compliance in Japan and North America and strengthen checking functions ●Introduce awareness program in Europe and Asia	● Conducted Internet test for DENSO Corporation and 39 domestic Group companies ▲Hold compliance training for all workplace members ● Permeated program through compliance officer meeting in North America (Shared information on operational progress of program at each site) ● Introduced a compliance program at five sites in China and four sites in Europe (89 of 118 sites worldwide: 75% completion) ▲Introduce compliance program to remaining sites (part of Europe, South America, Asia/Oceania, etc.)	○	24-25
		Risk management	Strengthening the Group's ability to respond when crises occur	●Spread awareness of provisions of Crisis Communication Manual and improve ability to put them into practice ●Respond to new strains of influenza	● Thoroughly instill practical skills through risk management training for newly appointed department managers and prior to overseas assignment ● Assumed new strain of influenza spreading globally from Mexico and other highly virulent diseases, and formulated action plans for different phases, including for domestic and overseas Group companies	◎
	Building awareness of risk management among workplace leaders		●Continue risk management training for newly appointed department managers	● Held training on mechanisms and improved awareness for newly appointed managerial-level personnel and plant managers (63 participants)	◎	
	Reinforcement of risk management system at Group companies		●Inspect and enhance risk management system and structure at Group companies	● Evaluated three-year voluntary assessment and evaluated improvement activities at domestic Group companies, and reviewed six companies (of 43) with less than 90% implementation rate and verified improvements ● DENSO's key departments conducted assessments of response to environmental and safety risks at domestic and overseas Group production companies	◎	
	Information security	Implementation of special measures for management of confidentiality and raising employee awareness	●Further enhance awareness of confidentiality controls among DENSO Corporation employees	● Held training on information security through e-learning and promoted other activities to increase awareness for all employees with a PC	◎	27
		Strengthening of information security at Group companies and domestic suppliers	●Strengthening activities for improving security level at Group companies and domestic suppliers	● Promoted self-assessment and improvement activities based on the DENSO Group Information Security Standards targeting domestic and overseas Group companies	◎	
	Responsibility to customers	Continuation of promotion of education, training and enlightenment activities throughout the DENSO Group	●Redouble measures for improving quality awareness ●Continue promoting QC Circle activities	● Held three exhibitions to show cases of quality improvement to Group companies and suppliers ●Exhibition showing product improvements over time (June '09): 4,500 visitors / Cases of high quality, low cost (Sep.'09): 5,900 visitors / Exhibition showing activities to improve degree of completion (Dec.'09): 6,000 visitors ● Vitalized QC circle activities ● Won All-Japan QC Circle Competition (Gold Prize) for eighth year in a row ▲ Foster quality at overseas sites	○	30
		Dealing quickly with product defects	●Continue to implement activities to improve recall rate of infrared heaters	▲ Continue activities to further improve recall rate ● Inserted fliers in major newspapers nationwide and made other notifications regarding recall as widely as possible	○	
		Enhancement of after-sales service structure	●Expand number of stores, improve quality and assure business viability	● Expanded number of stores from 28 (end of FY09) to 42 (end of FY10) in line with plan, and promoted cooperation in used cars (Gulliver) and leasing, etc.	◎	31
Enhancement of customer service center for end users		●Continue with point of contact for customer response	● Maintained and continued swift response to customer inquiries	◎		
Social Report	Continuation of stable employment over the long term	●Further improve retention rate by increasing appeal of workplace	● Continued to strive to protect employment amid a sharp deterioration (reduced overtime) in the economic environment	○	33	
	Maintenance of stable labor relations	●Strengthen initiatives to prevent labor issues	● Held workshops and meetings for personnel from domestic and overseas Group companies to strengthen responsiveness to labor issues ● Provided individual consultation on labor issues at domestic and overseas Group companies ▲ Respond to disputes and litigation at certain domestic and overseas Group companies in line with local laws	○	34	
	Assurance of respect for human rights throughout organization	●Continue enlightenment and education to prevent harassment	● Continued enlightenment and education to prevent harassment	○		
	Responsibility to associates	Promotion of workforce diversity	●Expand program and mechanisms for promoting diversity and create a corporate culture conducive to diversity through a transformation in employee awareness ●Promote steady improvement of employment ratio of persons with disabilities	● Revised childcare support system and expanded use of reduced work hour system for childcare leave and child rearing (females) ● Started training in practical affairs for new executives (females) ● Established an internal consultation office for females (from fiscal 2011) ▲ Continue to change attitudes in the workplace by educating managers (females) ▲ Start developing ways to utilize experienced (older) workers and bolster career development programs to reform thinking ● Strengthened understanding of activities undertaken by persons with disabilities, expanded lines of work and assignable positions, and introduced internships	○	37
		Promotion of human resource development	●Rebuild education system in line with a review of skill-based standards	● Set up training to enhance management capabilities of managers ▲ Restructure education for new recruits to ensure they have basic skills as members of society	○	
		Promotion of occupational safety	●Create workplace where safety initiatives are commonplace	● Held training and gave guidance on 35 activities corresponding to the characteristics of each division (basic action 99%, verbal instruction 93%) ▲ Further spread awareness of "Safety First" policy, strengthen preventive system and achieve voluntary targets	○	38
		Promotion of employees' health	●Strengthen and expand mental health measures	● Conducted mental health training (held 24 times with 1,440 attendees) and mental health checkups (5,700 people) ▲ Expanded education for management and general employees with an emphasis on prevention	○	
	Responsibility to shareholders and investors	Enhancement of corporate value and information disclosure	●Continue proactive efforts for IR activities	● Held quarterly financial results briefings and "one-on-one meetings" [for domestic institutional investors] ● Participated in Tokyo Motor Show conference and provided individual interviews ● Issued business report [for individual investors] ▲ Curtail IR activities in line with deterioration in business environment	○	40
	Responsibility to suppliers	Practice of open, fair and transparent transactions	●Conduct improvement activities based on results of self-assessment at DENSO Corporation and domestic and overseas Group companies	● Conducted self-assessment at DENSO Corporation and Group companies worldwide, and promoted improvement activities for weaknesses identified at each company	◎	42
		Practice of CSR activities throughout the supply chain	●Conduct improvement activities based on self-diagnosis results for suppliers of DENSO Corporation and domestic and overseas Group companies	● Rebuilt and enhanced system for CSR activities with suppliers (set guidelines, strengthened diagnostic sheets and expanded scope of initiatives for secondary suppliers) ▲ Expand to all Group companies	○	
Responsibility to local and international communities	Promotion of activities unique to DENSO	●Continue and expand global youth education program, DENSO YOUTH for EARTH Action	● Expanded countries to recruit for program (Japan and Thailand → Japan and seven countries in Southeast Asia) ▲ Support practices by program graduates, and maintain and expand system of information sharing	○	44	
		●Increase interest in environment and community, and continue using DECO School to promote participation (integrated, internal)	● Held twice yearly (A total of 1,990 persons; 80% of participants expressed satisfaction)	◎	46	
Environmental initiatives		See pages 48-72 for details				
CSR communication		●Enhance the content of reports and continue to hold dialogues ●Strengthen communication with stakeholders internally and externally	● Worked to enhance report content, expanded items disclosed based on GRI Guidelines and held dialogues with experts ● Issued and utilized booklets for stakeholders whom we want to inform of our CSR activities ▲ Less awareness of CSR practices among employees (75% → 68%)	○	17-18 21-22	

* ◎ Very satisfactory ○ Satisfactory

Highlights & Lowlights of CSR Activities in Fiscal 2010

In aiming to improve the level of CSR management, DENSO believes in the importance of increasing the transparency of management by also proactively disclosing negative information when we report results and making ongoing

improvements after ascertaining new challenges. From fiscal 2009, we list CSR highlights and lowlights from an objective standpoint to increase visibility and report these to all stakeholders.

Highlights

Developed world's first passenger vehicle air conditioning system using an ejector (May 2009)

DENSO developed and realized the practical application of the world's first passenger vehicle air conditioning system that employs DENSO's unique small refrigerant ejector. The system has been installed on the new Toyota Prius. It reduces the compressor's power consumption by up to 24% compared with conventional systems.



Evaporator with ejector

Won gold medals at WorldSkills International Competition (September 2009)

DENSO won two gold medals in the Mobile Robotics (Japanese representative) and CNC Turning (Thai representative) categories at the 40th WorldSkills International Competition held in Canada. Nine people, including contenders from overseas subsidiaries in Thailand and Indonesia, participated in five categories, with each person winning an award.

DENSO East Japan Corporation recommences construction of manufacturing plant (January 2010)

DENSO East Japan Corporation, a wholly owned subsidiary of DENSO Corporation, postponed the construction of its plant in Fukushima Prefecture due to uncertainty in the business outlook based on a rapid decline in automobile production since autumn 2008. Construction has recommenced in line with forecast demand for car air conditioners following recovery in production activities at automakers. An operational launch date is targeted for May 2011.

Won Ministry of Economy, Trade and Industry (METI) Minister's Award in Organizational Category of Energy Conservation Prize (February 2010)

DENSO Corporation received METI's Minister's Award in the Organizational Category of the Energy Conservation Prize. The award recognizes individuals, groups, manufacturing plants, businesses and other organizations for their distinguished achievements in promoting energy conservation. In fiscal 2008, DENSO established the CO₂ Project Center and has been making concerted efforts since then to conserve energy across the Company, including the introduction of facilities that incorporate DENSO's uniquely developed energy conservation technologies and promoting energy-saving activities with full employee participation (see page 61).



Label used on products that have won the Energy Conservation Prize

CO₂ heat pump hot water system garners Imperial Invention Prize* at National Invention Awards (June 2010)

Technology to control pressure on the refrigerant used in the CO₂ heat pump hot water system, widely commercialized under the name "Eco-Cute," won the Imperial Invention Prize at the National Invention Awards. The system was developed by Denso Corporation in conjunction with The Tokyo Electric Power Company, Inc. and the Central Research Institute of Electric Power Industry. The practical application of the technology has been implemented in various domains and is contributing to the creation of a low-carbon society.



CO₂ heat pump hot water system

*This is the highest honor at the National Invention Awards sponsored by the Japan Institute of Invention and Innovation. The event is supported financially by the Imperial Family.

2009

May

June

July

August

September

October

November

December

2010

January

February

March

April

May

June

Lowlights

Continued recall of infrared heaters (October 2009-)

DENSO has been issuing further notifications by way of an insert in leading national newspapers regarding the recall of three infrared heater models since October 2009 due to the risk of causing a smoke or fire hazard. Around 10,000 units had been recalled by March 2010. We will continue efforts to recall all models in circulation, mainly through a dedicated recall center.



Insert re-notifying users of the recall

◎Status of recall of infrared heaters As of March 2010

Product name	Start of recall	Models	Number of units	Recall rate
DENSO ENSEKI	March 2007	7FX 12F 12FD	31,973	38.2%
	July 2008	10FA 10FC	80,146	25.0%
GAC SKINNY CERAMIC HEATER	October 2008	ERF121VAA 121VAB 121VDA	229	17.0%

Decline in rating by U.S. rating company (April 2010)

Moody's Investment Service, a rating agency in the United States, reevaluated DENSO following a deterioration in performance subsequent to the global financial crisis and reduced an issuer's rating, an indicator of creditworthiness, from Aa2 to Aa3.

Shareholder dividends down for second consecutive period (June 2010)

DENSO Corporation announced an annual dividend of 27 yen, down 13 yen from the previous fiscal year, at the General Meeting of Shareholders, marking a decline for the second straight period. We will make concerted groupwide efforts to boost profit-making capabilities and increase dividend returns in consideration of consolidated business performance and the dividend payout ratio.

Strike at DENSO Group company in China (June 2010)

A strike by 1,100 employees at a plant for engine parts at DENSO (GUANGZHOU NANSHA) CO., LTD. (Guangzhou City, Guangzhou Province) halted production for approximately three days. The strike severely inconvenienced automakers that the plant supplies, forcing them to temporarily halt production lines. DENSO Corporation and the Group company held joint talks and reached an agreement regarding improvement of conditions. Operations at the plant recommenced at 1 a.m. on June 24.

Stakeholder Dialogue in China

CSR that should be fulfilled in China

Since commencing production of air conditioners and other devices in Shandong Province in 1994, DENSO has expanded the number of sites in China along with expansion of the automotive industry. As of March 31, 2010, around 10,000 people were employed at 24 locally incorporated companies. How can DENSO fulfill its social responsibility in China where governmental strategy and people's awareness are beginning to change amid rapid economic growth? We invited certain experts and representatives from several NPOs to discuss the possibilities.

Date: June 17, 2010 **Location:** Hotel in Beijing



Part 1: Social responsibility that should be fulfilled by companies in China



Yang Liu

As Project Manager for the Center for Research on Multinational Corporations, Research Institute, Ministry of Commerce, China, Mrs. Liu organizes meetings and events regarding CSR management strategy for senior managers at multinational corporations. She specializes in corporate governance and compliance.

Cognizance by senior management and information disclosure keys to CSR promotion

Since CSR activities are costly to implement, they run contrary to the pursuit of short-term profits. Further, employees in China are still learning about CSR and are not taking affirmative action yet. It is also difficult to promote CSR from a short-term perspective since members of top management in local corporations have a fixed term in office. I hear that DENSO's local companies appoint compliance leaders who set benchmarks every six months and monitor progress, then share the information within the Group. Upon reading the CSR Report, I recognized the importance of managing compliance under the same framework as the Board of Directors. Recognition by senior management toward CSR is paramount and this includes disclosure of information in a transparent manner. We hope that Japanese firms can lead the way in CSR in China.

Understanding China's unique circumstances and targeted initiatives

The concept of valuing difference has been built into ISO 26000 at the request of the Chinese government. In promoting CSR in China, DENSO needs to pay careful attention to local characteristics. Awareness towards human rights has been increasing in recent years on the labor side due to a change in labor force composition. Each industry features a high proportion of farmers who left their villages for coastal regions in search of work in the 1980s~1990s when very few requirements for work conditions existed. At that time, earnings were sent back to their homes to help tend the fields. The second generation of these workers, however, has a different objective. Focus now rests on raising personal standards of living. They have a deeper awareness of rights and act independently to maintain them. This has led to an explosion of problems in farmer-turned-worker circles. The differences in salary between employees sent from the headquarters and farmer-turned workers at foreign businesses is said to be tenfold. Disapproval of this situation has resulted in increasingly strained relations with the labor force. Dialogue with stakeholders is now more important than ever for DENSO. I expect to see numerous discussions being held going forward.



Zhang Junfeng

Deputy Director General, Institute for International Labor Studies, Ministry of Human Resources and Social Security. In addition to his specialist fields of international labor standards, labor disputes and employment and training, he is well versed in all matters related to CSR, including research on the impact of CSR on Chinese companies.



Chang Cheng

Mr. Cheng belongs to China's largest NGO, Friends of Nature (established in 1994), which boasts over 10,000 members. He is currently project coordinator in the research and survey division and in charge of environmental legislation, environmental policy and information disclosure. He is well versed in social policy and corporations, and problems in environmental information disclosure.

Actively engaging in dialogue and cooperation with NPOs to further develop CSR

We undertake diverse programs related to the environment. For example, we formulated a booklet entitled *Green Life Policy* in cooperation with various companies that outlines the environmental activities we can perform in our daily lives to enhance environmental conservation. The booklet is being used to educate company employees. We also gather information from diverse sources in collaboration with another NPO and create air pollution and water pollution maps that are being used in place of governmental management and monitoring systems. We also monitor and survey supply chains employed by corporations. Companies need to change their way of thinking and switch from a stance of opposition to one of pursuing dialogue with NPOs in order to advance environmental preservation. I would like DENSO to advance more collaborative projects with experienced NPOs since it is essential to keep local laws in mind when promoting environmental initiatives.

The role of unique CSR promotion models and reporting in China

There are four CSR models in China: (1) a government-led model based on laws and regulations; (2) a model in which supply chain members comply with overseas head office direction; (3) a bottom-up model, in which the community and NGOs drive action; and (4) a backwards type model which begins from the downstream supply chain and spans the entire operational flow. The third model is becoming key to CSR advancement in China. There are also three types of companies. Enterprises directly under the management of the central government that are engaged in key industries have powerful influence and play a leading role in CSR. However, 99% of private companies are small- and medium-sized enterprises, where environmental and labor issues have arisen. They have less leeway from personnel and economic perspectives, and awareness of CSR is low. Finally, foreign-owned enterprises have set the benchmark in tackling China's inherent challenges by leveraging their unique know-how locally. The government takes a firm approach to state-owned enterprises, requiring the implementation of CSR activities and publication of CSR-related reports, and holds a number of seminars focused on CSR. At present, around 580 companies have issued CSR Reports, but this is more a case of forced rather than voluntary publication. Moreover, the reports only cover the company's perspective and content is lacking. Nonetheless, publication of a CSR report is seen as a crucial first step in advancing CSR. Since the government plans to reward CSR activities across industries and regions, it is essential for companies to issue reports. This is thought to be an important catalyst to advance CSR.



Guo Yi

Associate Professor, School of Economics, Beijing Technology and Business University; has published multiple papers and given numerous courses on CSR in economics and business.

DENSO (CHINA) INVESTMENT CO., LTD. attendees

President Yamada, Senior Vice President Fudauchi, Vice President Hayashi, Division Manager Fuse, Department Manager Shen, Deputy Department Manager Shao, Manager Zhou

Facilitators

Kazunori Kobayashi (EcoNetworks representative), Guo Peiyuan (Syntao representative)



Kazunori Kobayashi



Guo Peiyuan

Part 2: Contributing to Chinese society (opinions, recommendations)

CSR efforts related to industry

I believe CSR activities should be closely related to the industry you are in. In terms of automobile-related activities, I would like DENSO to utilize its unique advantages to increase awareness among consumers of the need to fasten seatbelts and avoid drunk driving. You cannot expect sustainability simply by making donations in areas that have no connection with business domains. There is no point in merely holding discussions; the key is to determine how you can reflect the results of dialogue in business activities.

There are numerous examples of social contribution activities that tie in directly with industry. Following the Great Sichuan Earthquake, leading construction companies joined forces to rebuild schools. Additionally, computer makers provide distance learning through the Internet and IT education to farmer-turned workers. DENSO can also link its strengths with community challenges and assist with finding solutions. Many CSR activities are too general and fail to optimally address local situations. I think that CSR activities should be reported on an ongoing basis in line with stakeholder demands.



Welfare of persons with disabilities

There are approximately 70 million persons with disabilities in China. Although each person is guaranteed money to live, the country has yet to establish an independence support system. I would like DENSO to support persons with disabilities by providing education and encouraging independence in addition to simply donating wheelchairs. Since 2009, persons with disabilities have been permitted to attain a driver's license. Without continued support, however, they may develop dangerous driving habits. DENSO can provide unique support, for example, by devising special vehicle structures suitable for persons with disabilities.

Environmental conservation initiatives

The knowledge of experts is essential for effective environmental conservation activities. For example, it is important to select a type of tree that is appropriate for the region before planting. I would like DENSO to practice CSR in cooperation with NPOs that have a network of contacts and that know the local community well.

Social contribution

Although many companies use social contribution programs as a way to advertise their products, Japanese companies adopt a more modest approach. In addition, there are funds that provide capital to entrepreneurs trying to start up businesses that benefit the public. I hear that more than 10 of these projects have succeeded in serving public interest. We receive inquiries from companies asking what activities to do to contribute to society. Before asking this question, however, it is important to find out what employees want to do and how you can motivate them to follow through.

Following completion of dialogue

We gained significant knowledge on the historic developmental process in China and ideal companies at present through this dialogue. We believe that a company's social responsibility starts with taking the perspective of the community and its residents before deciding what needs to be done.

Despite having few opportunities for contact with end users and difficulties publicizing information, DENSO realizes the importance of promoting greater road safety in Chinese society to heighten awareness of traffic accidents and alleviate congestion. The recommendations and directives received here can open the way for brighter prospects in the future. Moving ahead, I would like to implement business activities and such programs as these in which employees feel compelled to take part.



Noboru Yamada, President of DENSO (CHINA) INVESTMENT CO., LTD.

Stakeholder dialogue in Japan

Discussion held with experts in 2009

With the intention of evolving into a genuine global enterprise, DENSO invited three experts to hear their opinions on three key topics outlined below to deepen awareness of issues and the need to tackle these issues with concrete action.

■ **Held:** December 22, 2009

■ **Location:** DENSO Tokyo Branch Office

■ **Topics:**

Environmental preservation: Prevention of global warming, preservation of biodiversity
Human rights, labor practices: Respecting diversity, fundamental human rights at work
CSR throughout the supply chain: CSR-oriented procurement



Toshihiko Fujii
Consulting Fellow, Research Institute of Economy, Trade and Industry



Masao Seki
General Manager of Corporate Social Responsibility Office of Sompo Japan Insurance Inc.



Sachiko Kishimoto
Executive Director of Center for Public Resources Development, an NPO



Hideto Kawakita
Facilitator
CEO of International Institute for Human, Organization and the Earth (IIHOE)

Corporate Governance

Basic stance

DENSO believes that establishing a corporate governance system designed to strengthen Group competitiveness is the key to maintaining and improving long-term corporate performance in a quickly changing global marketplace. It is also essential to promoting the corporate social responsibility (CSR)

management that is essential for sustainable growth on an ongoing basis. We are working to strengthen our corporate governance in accordance with this belief.

Promotion structure

DENSO Corporation has adopted a corporate auditor system. In addition to statutory bodies such as the General Meeting of Shareholders, Board of Directors, Board of Corporate Auditors and Accounting Auditor, DENSO Corporation has developed various internal control mechanisms. At the same time, we practice sound, efficient and transparent management through the ongoing provision of information about business conditions to shareholders

and investors. In addition, we have adopted a managing officer system consisting of 30 managing officers to oversee business execution while ensuring a lean Board of Directors structure to facilitate expeditious decision-making and operational execution. The term of directors is set at one year to enable agile management and clarify managerial responsibility each business year.

Roles and results of principal board meetings

Board of Directors: The Board of Directors acts as the decision-making body for management policies and important operational issues. Decisions are made by the chairman based on the collective opinions of all Board members. Instructions deriving from decisions made concerning legal matters and important issues that relate to the entire Group are implemented through the Executive Meeting, and individual directors ensure that the necessary actions are taken in their areas of responsibility by issuing instructions to managing officers or department managers. Attendance by directors and auditors at the 20 Board of Directors meetings held in fiscal 2010 was 95% and 91%, respectively.

Top Management Meeting: The Top Management Meeting is a deliberative body charged with discussing issues to be decided by the Board of Directors and other important issues that have a bearing on overall corporate management (corporate business plans, investment issues, important transaction formats and collaborative projects and other important management matters) and gives direction to corporate policy. Decisions are made by the chairperson after aggregating the opinions of all meeting members and results of the group's deliberations are reported to the Board of Directors for final decision-making. In fiscal 2010, the Top Management Meeting convened 43 times.

Management oversight function

Two standing corporate auditors and three external auditors with dedicated staff are responsible for monitoring the execution of duties by directors as well as the business operations and financial conditions of DENSO Corporation and its domestic and overseas subsidiaries. Under the Company's audit system, corporate auditors, who implement legally mandated functions, are augmented by specialized internal audit departments in key Group companies in Japan and overseas, who conduct ongoing on-site audits not only of administration,

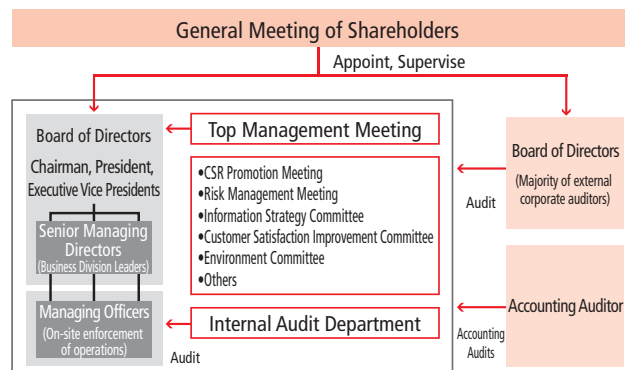
business practices and legal compliance but also of the appropriateness of management and operational procedures.

In addition to attending important meetings such as Board of Directors and Top Management meetings, corporate auditors fulfill their management oversight function by auditing directors' business execution through information exchange with internal audit departments, departments related to internal controls and the Accounting Auditor.

Developing and strengthening internal controls

Starting in fiscal 2009, in order to ensure the reliability of financial reporting, the Financial Instruments and Exchange Law requires an audit of the internal control reporting system (where companies assess the effectiveness of their internal controls pertaining to financial reporting and have those controls audited by an auditing firm). DENSO Corporation considered this to be an opportunity for developing and strengthening the foundation for sound and sustainable business growth, and we have been working to develop and strengthen the Group's overall internal controls with the goal of ensuring the reliability of our financial reporting, as well as the effectiveness and efficiency of our operations. As a result, in fiscal 2009, the first year since these changes, an auditing firm gave our internal controls a fair assessment based on pertinent legal procedures, and we submitted a report on our internal controls to the Financial Services Agency, which determines whether the Group's internal controls are effective.

©Corporate governance system



Compliance

Basic stance

We believe that key actions to earn the trust and understanding of society are DENSO's observance of all applicable national and regional laws and all Group employees' fair and faithful conduct with the highest ethical standards. We see compliance as not only the observance of laws but also a responsibility to meet the expectations of stakeholders. In this sense, we consider it to be the cornerstone of all conduct.

Together with the declaration of CSR management in 2006, which developed out of this approach, we adopted the *Code of Conduct for DENSO Group Associates*, which is used as the yardstick against which employees measure their behavior to meet stakeholders' expectations in their daily conduct. The Code resulted from a complete revision of the previous *Code of Conduct* enacted in 1997. The new Code is based primarily on the principle of legal compliance. The document is a simple one, designed so that even new employees can understand and put its provisions into practice. Furthermore, for an understanding of the Code to permeate each employee's awareness, it

includes a self-review sheet that every employee uses to reflect on his or her daily behavior.

While developing the *Code of Conduct for DENSO Group Associates*, we consulted the United Nations Universal Declaration of Human Rights, United Nations Global Compact, OECD Guidelines for Multinational Enterprises and the Charter of Corporate Behavior formulated by Nippon Keidanren (Japan Business Federation). Since the Code was adopted, all executives and employees reflect on their daily conduct each year, and we strive to steadily improve employees' CSR awareness and conduct.

In an effort to ensure thorough compliance, domestic Group companies share the *Code of Conduct for DENSO Group Associates*. Correspondingly, overseas Group companies use a regional version of the *Code of Conduct for DENSO Group Associates* formulated by their regional headquarters in accordance with national and regional laws and customs.

Key items in the *Code of Conduct for DENSO Group Associates*

I. Your conduct as a member of the DENSO Group

Recognizing your role in society / Integrity as the foundation of trust / Compliance with laws and ethical principles

II. Creating a vibrant workplace

Understanding DENSO's philosophy and values and pursuing personal development / Respecting human rights, ensuring open communication and respecting the privacy of others / Maintaining mental and physical health and maintaining a healthy workplace / Maintaining order and ethics in the workplace / Maintaining a clear distinction between public and private matters

III. Earning trust and meeting the expectations of customers

Remembering to express appreciation, providing *ureshisa* (consideration) and *yasashisa* (fulfillment), and providing timely and sincere solutions / Complying with laws and regulations and acting as a globally minded individual

IV. Building win-win relationships with our suppliers

Developing trust with a fair, open-minded approach toward suppliers and maintaining humility / Respecting intellectual property rights

V. Living up to the trust and expectations of our shareholders

Managing corporate assets effectively and preventing risk / Practicing proper accounting / Managing inside information

VI. Upholding the best interests of society

Pursuing eco-friendly practices / Serving as a member of your community / Taking a forceful stand against anti-social organizations and ensuring moderate relationships with governmental authorities / Serving as a member of the automotive industry

End of booklet: Personal Declaration Form (pledge and signature)

*Scope: The Code applies to all executives and employees (including contract employees, temporary employees, part-time employees and all other employed individuals) at DENSO Corporation, domestic companies subject to our managerial consolidation rules and companies in which DENSO is the largest shareholder.

URL DENSO Group Declaration of Corporate Behavior and *Code of Conduct for DENSO Group Associates*
<http://www.globaldenso.com/en/csr/csrpolicy/csrcharter.html>

Promotion structure

DENSO sees thorough compliance as an important part of our internal control system, and in 1997 DENSO Corporation created a Business Ethics and Compliance Committee chaired by a director to provide oversight in that area (now integrated into the CSR Promotion Meeting). The committee works to develop frameworks in each country and region to contribute to law-abiding structures and pursue related activities. In 2003, DENSO Corporation established an internal whistle-blowing system in the form of the Business Ethics Hotline, which places employees in contact with external lawyers and the Legal Department. In fiscal 2007, the Company appointed CSR leaders to spearhead initiatives in each workplace as part of its education and enlightenment activities. Domestic Group companies use promotion structures based on DENSO Corporation's system.

For overseas Group companies, regional headquarters develop organizational systems, introduce and operate reporting systems, and pursue enlighten-

ment activities that take into consideration the characteristics of their country and region. In North America, Group companies are working to prevent unlawful conduct by assigning compliance officers to each operating base and administering a 24-hour helpline (reporting system) and audit system. The status of these activities is regularly reported to base managers and used in efforts to prevent recurrences and improve activities. In Europe and China, Group companies have conducted a compliance program that includes a helpline that is appropriate to the circumstances endemic to each country.

In addition, regional headquarters employees responsible for legal affairs in Japan, North America, Europe, China and Southeast Asia regularly share information and issues. The gatherings seek to ensure and maintain compliance by sharing information and issues.

Education and enlightenment

Ongoing education and enlightenment activities are important tools for improving employees' awareness of compliance issues. DENSO Corporation began providing compliance education by employee level in 2002 and introduced education and enlightenment activities led by CSR leaders by workplace in 2006 (including contract, temporary and other employees). In fiscal 2010, a total of 3,400 employees participated in educational programs by employment level. In addition, with the aim of increasing awareness at the individual level, we have been holding e-learning twice a year since fiscal 2009 targeting approximately 23,000 personnel with PCs (including temporary

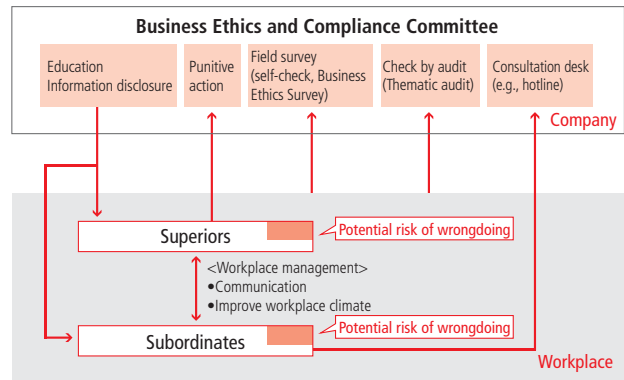
employees). In fiscal 2010, an average of 97% completed the training. We will continue providing the courses going forward.

Legal Department initiatives include raising employees' awareness by means of the *Business Ethics Newsletter* and information pages on the corporate intranet, as well as holding group legal education classes and visiting local sites to provide legal education. Overseas, we are working to share and raise awareness of the most up-to-date legal information by regularly publishing the bulletin *Legal News* in locations such as North America and China.

Internal whistle-blowing system

DENSO Corporation's internal whistle-blowing system provides an effective means of preventing and promptly addressing improper and illegal behavior. The system (in the form of the Business Ethics Hotline), which allows anonymous reporting, is independent from the normal chain of command at the Company and is administered by outside attorneys and the Legal Department in accordance with Japan's Whistleblower Protection Act. We passed out cards listing the hotline number and expanded the scope of the program in May 2006 to include principal suppliers (300 companies). In fiscal 2010, the hotline received 168 reports and requests for advice in areas such as employment, labor, work environment, information management, business transactions and accounting, all of which were addressed after staff investigated the situation and confirmed the facts.

Overall procedure for business ethics activities



Number of consultation calls to hotline

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Number of calls	78	141	114	188	168

Activity reviews and improvements

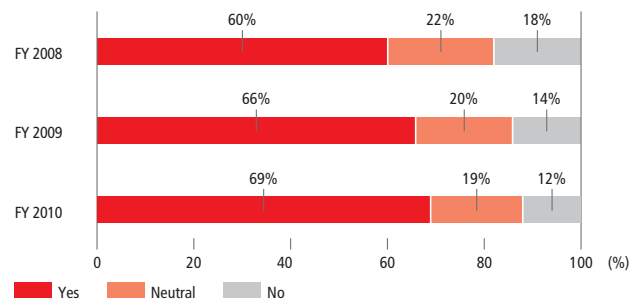
Since 2003, we have set aside each October as DENSO Group Business Ethics Month. We organize awareness-raising activities such as workplace discussions and conduct an annual Business Ethics Survey to assess awareness of policies and latent risks. The survey in fiscal 2010 targeted around 4,000 workers, including temporary employees.

There was an increase in the number of respondents who thought that it was easy to consult with superiors at work, indicating good communication in the workplace. This result confirms steady progress in efforts to enhance communication.

Compliance officers (16 departments in sales, administration, technical and production divisions) were sent to respective workplaces to hold meetings aimed at gathering and exchanging opinions with division heads and workplace leaders on compliance policies and activities. The meetings indicated the need to (1) expand information with which everyone is familiar to enable independent consideration by each site, (2) offer e-learning to all employees, and (3) provide face-to-face explanations on site rather than merely transmitting information via booklets or computer to permeate compliance awareness. We will further expand educational and enlightenment programs in fiscal 2011 in view of these results.

Result of fiscal 2010 Business Ethics Survey

Q: Is it easy to consult with superiors at work?



Risk Management

Basic stance

In keeping with the global expansion of business, DENSO is striving to strengthen risk management as part of its internal control system to help minimize risk. Specifically, emergence of circumstances with the potential to cause damage to corporate management are classified as risks (situations in which risks have not yet been realized) and crises (emergency situations in which risks have already been realized). For the former, efforts focus on nipping risks in the bud before they have the chance to manifest themselves; for the latter, DENSO strives to make an initial response and response for restoring business operations in a prompt and appropriate manner.

In fiscal 2010, we focused on raising risk management awareness among workplace leaders, who form the backbone of our approach to risk management; responding to new types of influenza; and examining the details of measures to combat risk, such as workplace safety and leaks of confidential information, as well as the status of implementation (including reviews of actual sites).

Promotion structure

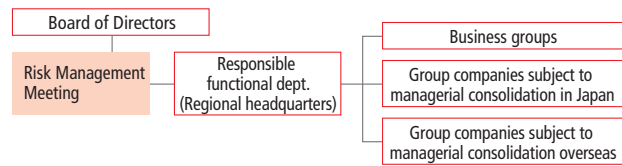
In May 2003, we established a Risk Management Meeting, which cuts across organizational boundaries; selected 58 risk items with the potential to impact life, credit, business activities or property; and designated a responsible department for each. These departments continuously review and enhance our prevention and business restoration measures.

In fiscal 2010, we positioned risk management as the basis of CSR and worked to integrate and strengthen the promotion structure in order to fulfill the social responsibilities expected of DENSO. Activities for ongoing improvement in the risk management system and structure and permeation of risk management are now the domain of the CSR Promotion Meeting, while the traditional Risk Management Meeting deals with initial response when a crisis or emergency situation arises. We also form specialized contingency organizations depending on the extent of the situation and degree of urgency, which facilitates agile response to minimize damage.

We integrated the traditional roles of the general risk manager into those of the CSR leader at domestic and overseas companies subject to our manage-

rial consolidation rules as well as Group companies in which DENSO Corporation is the largest shareholder, and appointed risk managers for each risk item under that umbrella. We are constantly working to upgrade our risk management based on support from key functional departments and regional headquarters.

◎Risk management structure



Expanding activities to spread and raise awareness

Since the awareness and conduct of the managers who are our workplace leaders are essential in risk management and crisis response, in fiscal 2010 we also conducted training directed toward department managers as well as factory managers, managers of production department sections and managers at domestic Group companies. The training was attended by 88% of the targeted managers. In addition, we continued to provide risk management education for employees scheduled for transfer as president of local corpora-

tions in order to strengthen risk management at overseas sites. A total of 25 employees took the course. We also sought to ensure proper responses to fires, traffic accidents and earthquakes by requiring that regular employees carry the *Risk Management Handbook* (first version formulated in 2004) with them at all times. The content of the handbook has been revised and distributed to all employees to further stimulate awareness at the individual level.

Response to new types of influenza

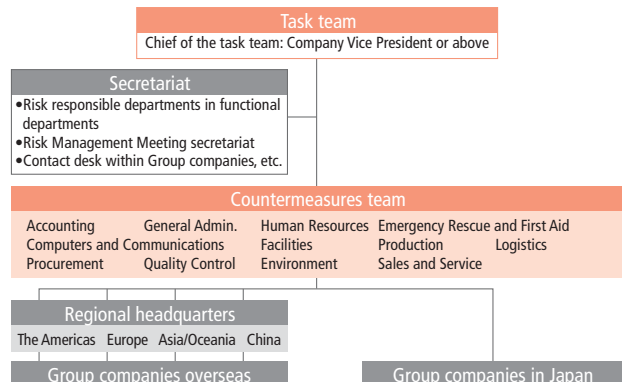
In line with fears regarding the spread of new types of influenza in the past few years, DENSO formulated a basic policy and response manual at relevant departments from the perspective of infection control, and worked to increase awareness among employees.

In 2009, we formulated an action plan that included Group companies in Japan and overseas in response to a new type of influenza (A H1N1) that broke out in Mexico in April and spread worldwide, and implemented countermeasures that included prevention and infection control.

Subsequently, as a companywide countermeasure, we formulated an action plan for each phase in case of an outbreak of a highly virulent influenza where there are no signs of controlling infection. Domestic and overseas Group companies took similar steps.

We will examine action plans and execute concrete countermeasures while closely monitoring the situation in Japan and other countries and regions.

◎ Crises countermeasures structure



Information Security

Basic stance

We recognize that technology, information and the personal data of customers and employees are valuable assets. Based on this understanding, we formulated the DENSO Group Basic Principles of Information Security in 2003 and have since worked to strengthen data protection and management. We have established the DENSO Group Information Security Standards, which define 142 areas of management based on the globally recognized ISMS*. The standards have been adopted by 56 domestic Group companies and 77

overseas Group bases. To protect information assets and facilitate prompt and proper operations, we also have developed a new policy in fiscal 2008 requiring that security measures take into account not only confidentiality but also integrity and availability (system robustness and resilience). We are currently working to develop such measures that meet this mandate.

* Information Security Management System

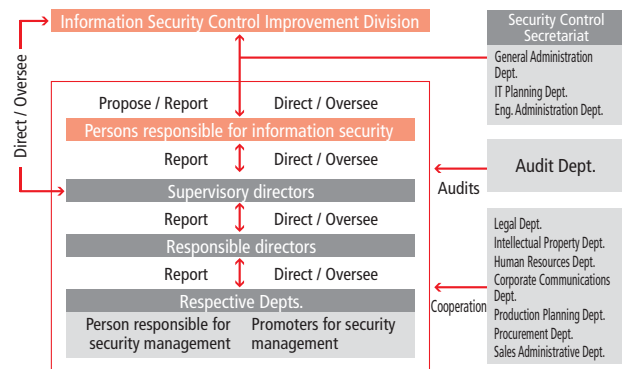
DENSO Group Basic Principles of Information Security (outline)

Vision	All DENSO Group companies must build and continuously improve a world-class information security system in order to provide suitable protection for the information assets that serve as a valuable management resource for each company and actively utilize those assets.
Company initiatives	DENSO Group companies must implement the following measures in order to fulfill the vision described above: <ol style="list-style-type: none"> 1. Assessment of the risks inherent in information assets (assessment of risk types and reduction levels) 2. Implementation of information security measures (development, documentation and dissemination of methods) 3. Building of a management system (shared responsibilities and roles of departments, establishment of audit section and separation of authority) 4. Explicit articulation of management processes (evaluation of risks, development of countermeasures, education, auditing, understanding exceptions and ongoing improvements)

Structures and audits

Under the Information Security Control Improvement Division, we established responsible persons for information security and the Security Control Secretariat as special organizational units, and we assigned security management promotion officers and leaders to each Company department. To promote associated activities, we built a management structure based on international information management system standards (ISO/IEC 27001, etc.), and we are continuously working to enhance our approach by conducting annual security management audits, self-reviews and a monitoring survey to assess circumstances at Group companies. We are also expanding the scope of our shared guidelines to include domestic and overseas Group companies and pursuing regular follow-up activities. Taking the awareness generated by the theft of a computer containing design drawing files by a DENSO technician in February 2007 as an opportunity to enhance security, we set the month following February 14 (Security Management Day) as Security Management Month in order to carry out awareness-raising activities in a focused manner.

Security control structure



Fiscal 2010 activities

To enhance computer security, in fiscal 2008 DENSO Corporation undertook a number of measures that included instituting the use of chain locks and deploying a sophisticated encryption tool, along with efforts to expand such measures to encompass all Group companies. We also continuously restricted the removal of computers from DENSO facilities to units provided specifically for that purpose, tightened access to shared servers and placed restrictions on the use of recordable media in fiscal 2010.

During Security Management Month, we conducted security management education programs, inspections of computers and recordable media taken out of DENSO facilities and security management audits. Moreover, we also sought to augment our normal training for managers, new employees' training and training by employment level. We have been conducting e-learning on information security for all employees with computers since fiscal 2010. In addition, we held briefing sessions in March 2010 for all departmental security

management officers, where we requested that they redouble their efforts to adhere to the special measures and confirm the establishment of these measures.

Because high management awareness on the part of individual employees is the foundation of information security, we will continue to focus on enhancing information management skills among outside staff (dispatched employees, contract workers) and suppliers, responding appropriately to incidents and accidents (clarification of punitive rules and regulations), promoting regular inventory of confidential information and expanding awareness-raising activities for employees.

There were no incidents or accidents in fiscal 2010 involving the unauthorized disclosure of information.

Report on Social Responsibility

Responsibility to Customers

Basic stance / Promotion structure / Improving customer satisfaction / DENSO's service 29

Responsibility to Employees

Basic stance / Promotion structure / Employment / Labor relations / Respect for human rights / Human resource development and human resource systems / Initiatives to enhance employee satisfaction / Encouraging diversity / Safety and health / Promoting employee health 33

Responsibility to Shareholders and Investors

Basic stance / Disclosure policy and IR activities / Shareholders status and dividend policies / Evaluation by outside institutions 40

Responsibility to Suppliers

Basic stance / Promotion structure and assessment mechanisms / Promoting CSR throughout the supply chain / Ensuring procurement departments practice open, fair and transparent transactions 41

Responsibility to Global and Local Communities

Basic stance / Promotion structure / *Hitozukuri* (human resource development) / Harmony with the environment / Support of employee volunteer activities / Expanding employee social contribution activities / DENSO Group Community Service Day 43



Responsibility to Customers

Basic stance

People's lives depend on automobiles, which are directly affected by the quality of their parts. We have a responsibility to provide automakers with a guaranteed level of quality in the parts we produce. DENSO has recognized this fact since our founding, and the DENSO Group Declaration of Corporate Behavior includes a commitment to provide safe, high-quality services that satisfy customers (end users and car manufacturers) and earn their trust. We have designated the thorough implementation of the Quality First principle, the practice of quality assurance from the beginning of production and the promotion of quality control with full employee participation as basic quality assurance policies, and we are committed to carrying out a Customer First principle in creating products.

Our basic mission is to develop and produce automotive parts and systems of the highest quality that focus on four themes: safety (toward a society free of traffic accidents); environment (toward a society that minimizes environmental impact); comfort (toward a society where everyone can truly enjoy space and time spent traveling); and convenience (toward an automotive society where people can move about easily and without stress). We have formulated objectives under DENSO EcoVision 2015 for the creation of an advanced automotive society toward the achievement of these goals and are striving to develop more advanced products. (See pages 6, 11, 12, 30, 57 and 58.)

Promotion structure

(1) System to enhance quality

Our quality assurance process for new products requires quality assurance meetings attended by top management at each of four stages from planning and design to mass production. The design stage in particular benefits from a rigorous quality confirmation process. This includes not only the assurance of individual products but also a series of tests. In order to assure high reliability and durability in a vehicle system, we conduct in-vehicle testing under a range of conditions such as high-speed driving, rough roads, low temperatures and icing on our test course, as well as various tests in our environmental testing room. We have also established Technical Centers and Engineering Centers in the United States, Germany, Singapore, China and Thailand so that product development and evaluation testing can be conducted in a manner that reflects local characteristics.

Additionally, DENSO Corporation and overseas production bases have completed the acquisition of ISO/TS16949 certification.

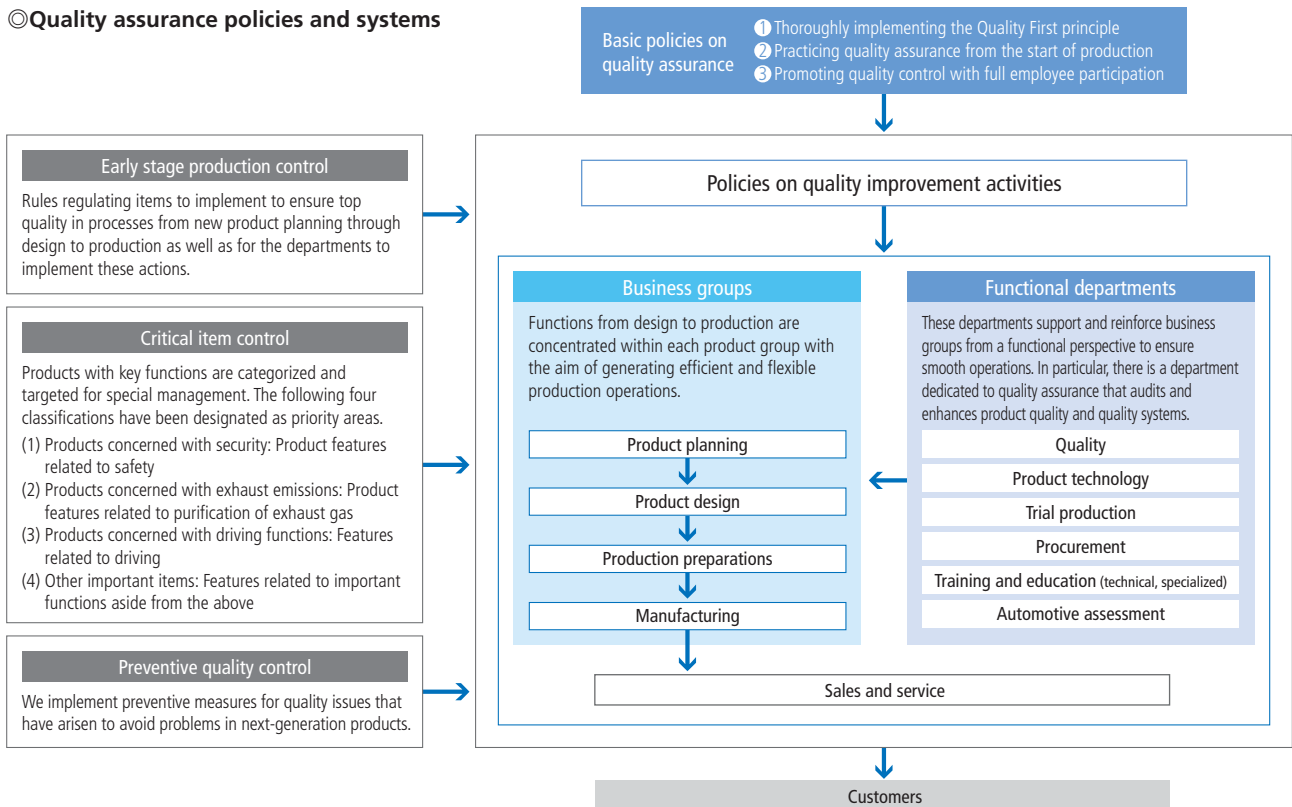


Environmental resistance testing (Reliability Center of DENSO Corporation)



Aachen Engineering Center (Germany)

© Quality assurance policies and systems



(2) Education, training and awareness-raising activities

We consider *hitozukuri* (human resource development) to be the foundation of our business and thus conduct education on quality in a systematic manner, from the education of new employees to training by employment level, along with allocating significant resources to educating technical specialists. Similarly, considerable time is spent on quality-related programs at training facilities such as the DENSO Engineering and Technical Skills Training Center, which teaches DENSO-style *monozukuri* (manufacturing) in Aichi Prefecture; training centers at manufacturing bases in Japan and around the world; and our Training Academy in Thailand. Awareness-raising programs include the Qualitative Skill Competition, in which competitors utilize their five senses to detect defects, and the Quality Improvement Exhibition, at which subsidiaries and affiliates are invited to share best practices. Both the Qualitative Skill Competition and Quality Improvement Exhibition are held in Japan and overseas. Since fiscal 2005, we have also expanded the scope of our customer satisfaction (CS) campaign, which emphasizes the fundamentals of our Customer First, Quality First approach, to include the entire Company.

A permanent exhibition inside the Reliability Center at DENSO headquarters detailing lessons learned from serious incidents in the past provides an opportunity for engineers to reaffirm the importance of quality and learn from past problems. Quality Control (QC) Circle activities have played an essential role in the maintenance and improvement of quality at manufacturing bases since they were launched in 1964. As of the end of fiscal 2010, approximately 4,850 teams (1,950 Japanese, 2,900 overseas; including engineering and clerical departments) have been actively setting annual goals and striving to mutually raise awareness through Groupwide QC Circle Presentation Meetings and regional friendship competitions.

◎Quality improvement activity results (fiscal 2010)

- Domestic Quality Improvement Exhibitions (DENSO Corporation and 9 Group companies): _____ 15,000 participants
- All-Japan QC Circle Competition (Gold Prize) _____ Won prize for eighth year in a row
- QC National Convention (Enthusiasm Award) _____ 24 circles
- Overseas Outstanding QC Circle — DENSO MANUFACTURING HUNGARY LTD. (DMHU) DENSO MEXICO S.A. DE C.V. (DNMX)

(3) Ensuring product safety

We always endeavor to ensure the ultimate in product safety by conducting product assessments based on internal standards and legal obligations. For example, design departments conduct safety evaluations and meticulously implement fail-safe* designs based on accident prediction, and engineering administration departments undertake procedures to clearly specify operational guidelines and departmental responsibilities to ensure full legal compliance

from product planning to production and shipment. Moreover, the departments responsible are required to conduct safety evaluations based on internal regulations and to report confirmation results in accordance with legal regulations when launching new products.

* A design philosophy requiring products to be controlled in a safe manner in the event of an accident or erroneous operation

(4) Response to defects

In the event that a serious defect is discovered in a product, we promptly report the information to customers and relevant organizations through a variety of mediums and have put in place structures for recalling and repairing the product in question. We continue activities to recall and address infrared

heaters, which from 2007 and 2008 were found to be at risk of causing a smoke or fire hazard, by promptly announcing this information publicly via newspaper advertisements and via our website, and setting up a dedicated toll-free phone number.

Improving customer satisfaction

We reflect the concept of universal design in our products so that they are easy for all people to use and pursue unlimited integration of human sensation and equipment. At the same time, business groups conduct regular customer satisfaction assessments based on the information that sales, technology and

quality assurance departments have collected from customers including questions with regard to usability from the perspective of the end user. Improvements are then made wherever necessary.

COLUMN

Received the 2009 Good Design Frontier Design Award for developing fonts used for in-vehicle equipment

DENSO Corporation received the Good Design Frontier Design Award, newly established as part of the 2009 Good Design Award organized by the Japan Industrial Design Promotion Organization (JIDPO), in recognition of the "DRIVER'S FONT" used for in-vehicle equipment.

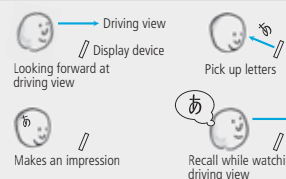
Lettering used for car navigation, meters and other purposes must be readable and visible to enable drivers to quickly read information while driving without compromising safety and comfort. To this end, the Engineering Research and Development Center Design Section of DENSO Corporation and Type Project, Inc., a company that specializes in fonts, jointly developed fonts that are easy for drivers to instantly read at a glance and leave an impression that is easy to remember while driving, when a driver needs to concentrate on the view ahead, while also utilizing universal design and other techniques.

Comments were received from the judges' evaluation, stating that "the fundamental design challenges regarding human perception and visual information have been addressed in addition to enhancing the quality of information and safety."

◎DRIVER'S FONT

aa 広域地点

Optimal font for taking a "quick glance"



DENSO's service

(1) Basic stance

Since its founding, DENSO has been committed to the policy that "products and services are integral." Based on this policy, DENSO not only pursues product quality but also offers global service based on a commitment to provide the best possible service from the customer's perspective by (1) offering products that satisfy customers and can be used safely and as

intended, (2) ensuring products can be repaired precisely and promptly at a reasonable cost in the event that they fail and (3) bringing customer feedback to bear on product development and improvement efforts and minimizing customer inconvenience.

(2) Customer (end users) service center

DENSO has established a customer service center in order to respond quickly and appropriately to comments and suggestions from customers. This information is fed back to the relevant departments as quickly as possible, while strictly adhering to secure management of personal information, and DENSO works to address customer concerns and improve our operations. For issues of quality and guarantee of OEM products (which are branded by our business partners) such as car air conditioners and engine components that are supplied to automakers, DENSO asks that automakers' dealers and service centers provide advice and response to inquiries.

The number of inquiries about the Electronic Toll Collection (ETC) system and the newly launched Plasmacluster Ion Generator has increased in fiscal 2010 due to garnering interest in both products as a result of government policy regarding a 1,000 yen toll unlimited travel discount system on weekends

and holidays for vehicles equipped with ETC devices, as well as the global spread of a strain of influenza.

◎Inquiries and comments regarding DENSO products

Content	Fiscal 2008	Fiscal 2009	Fiscal 2010
ETC	45%	51%	56%
Spark plugs	17%	16%	13%
Car navigation system	10%	8%	6%
Environmental systems	4%	2%	2%
Clean air filters	3%	2%	2%
Communication devices	2%	1%	1%
Ionic air purifiers, Plasmacluster	1%	1%	3%
Others	18%	19%	17%
Total	100%	100%	100%
Number of inquiries	10,439	10,684	11,495

(3) Protection of customers' privacy

DENSO recognizes its obligation to protect the privacy of everyone that provides personal information and has set a privacy policy to ensure this occurs. General rules relate to the acquisition and intended use of personal

information, restrictions on use, non-disclosure to third parties and other key matters in the strict management and handling of such data.

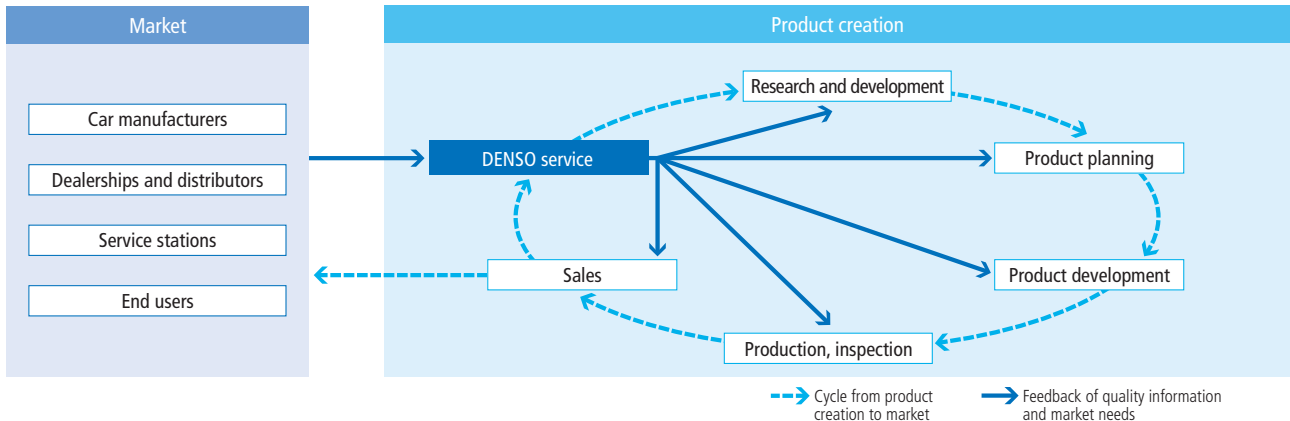
(4) Strengthening of after-sales service

Vehicle safety, environmental friendliness and comfort are constantly advancing owing to the use of state-of-the-art electronic control technologies, which call for high-tech service and maintenance facilities that have more advanced diagnostic and repair technologies.

In fiscal 2007, in cooperation with regional sales companies, DENSO sought to respond to this trend in a timely manner by launching DENSO Diag-Stations that provide the equipment, personnel and information necessary to promptly

diagnose faults in vehicles equipped with advanced technology. These facilities are equipped with proprietary DENSO analytical equipment, such as fault diagnosis testers and data recorders, and possess expert staff who have received proprietary DENSO training and education and been certified via a DENSO internal examination. By the end of fiscal 2010, DENSO had established Diag-Stations at 42 sites in Japan (with 62 expert staff), and plans to open at least 50 new Diag-Stations by 2010.

◎DENSO service activities



(5) Global expansion of after-sales service

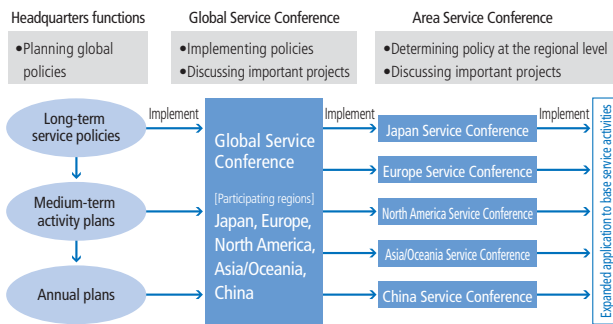
To ensure our customers receive seamless service, DENSO has established service stations in various countries and regions as required and has organically built a network of sales companies. We continuously monitor and evaluate quality in the market. DENSO has also built an IT network that routes information to the necessary departments quickly and accurately so that market needs can be brought to bear on product development and improvement.

Our designated service station system, which was launched in Japan in 1954, today consists of a network of eight regional sales companies and 698

service stations (designated service stations and dealerships). Overseas, we have established core bases in Europe, North America and Asia/Oceania. Also, a total of 3,552 service stations operated by or in partnership with local dealers and distributors in 112 countries perform automotive component inspections and repairs, sell spare parts, recover CFC refrigerant in car air conditioning systems and provide other services.

We also hold regular Global Service Conferences and Area Service Conferences to improve our level of service on an ongoing basis by enabling service staff worldwide to share policies.

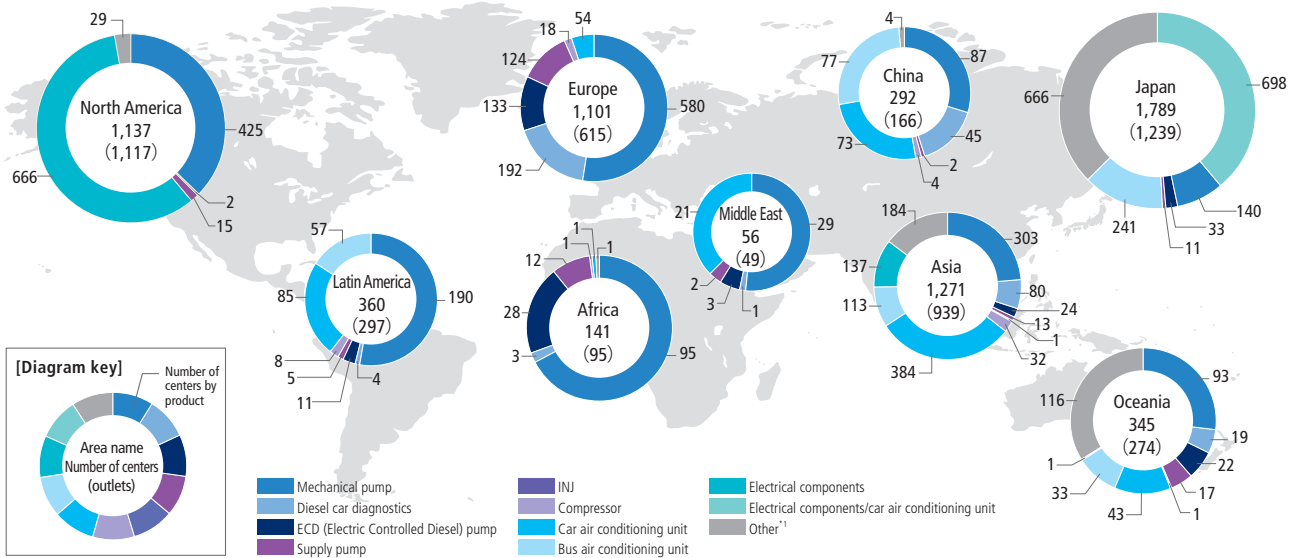
◎ Global service promotion structure



◎ Number of service stations by region

Region	Number of service stations			
	Fiscal 2008	Fiscal 2009	Fiscal 2010	
Japan	699	699	698	
The Americas	North America	1,000	1,104	1,137
	Latin America	308	309	360
Europa	China	544	607	1,101
	Asia	154	164	292
Asia Oceania	Oceania	925	938	1,271
	Others	266	274	345
	Middle East	31	35	57
	Africa	91	96	141
Total	4,018	4,226	5,402	

◎ DENSO's Global Service Network (Numbers refer to results in fiscal 2010)



[Number of overseas service stations]

Central distributors: 141, Central distributor and service dealers: 48, Service dealers: 3,363 Total: 3,552 outlets in 112 countries

[Number of domestic service stations]

Designated service stations: 144, Dealerships: 520, Affiliated outlets: 535², Authorized dealers: 40 Total: 1,239

¹ Other: Radiators, refrigeration equipment, INSPAC

² Affiliated outlets: Service and radiator affiliated outlets



Germany



China



Brazil



Russia

Responsibility to Employees

Basic stance

When employees are fulfilled professionally and personally, companies grow. This belief, which forms the foundation of our employee-focused initiatives, is reflected in the DENSO Philosophy, the Human Resource Management Philosophy and the DENSO Group Declaration of Corporate Behavior. The Human Resource Management Philosophy provides a global expression of our human resources mission and policies in addition to defining our responsibility to employees in the form of management practices that value people, specifically: (1) *hitozukuri* or human resource development increasing individual employees' motivation and providing opportunities for growth; (2) developing our organization developing an open, dynamic and unified workplace culture through dialogue and full employee participation; and (3) creating a positive environment providing an environment where employees can work with assurance in terms of safety and health.

Human Resource Management Philosophy Mission

To realize the growth and prosperity of both DENSO and its employees by creating a culture where all employees can contribute to DENSO's business goals to the best of their ability

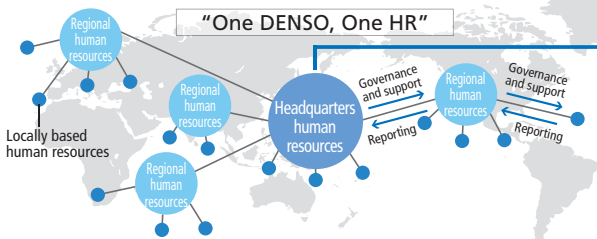
Policies

1. To create among employees a sense of both unity and individual motivation to actively participate in business activities
2. To recruit, assign, retain and develop employees who are creative and have the willingness and ability to contribute to continuous business growth
3. To establish and implement fair management policies and systems, which are highly evaluated by both employees and society

Promotion structure

We are developing a global promotion structure based on the slogan "One DENSO, One HR," and we continue to promote a variety of activities related to this concept.

©Global human resource functions and promotion structures



Responsibility	Approach	Basic context	Design and application of specific systems	
HQ HR Dept.		Core: Global standard		← Scope of responsibility of headquarters human resources
Regional HR			Local adaptation	
Locally based HR Dept.				← Scope of implementation of responsible HRs

Building a shared foundation for global human resources together with regional and locally based human resources departments
(DENSO Human Resource Management Philosophy, DENSO Spirit, spreading awareness of the DENSO approach to work, promoting measures for developing and posting executive candidates, etc.)

Developing various regional and corporate systems based on local circumstances
(Technical qualification system, corporate officer system, wage system, various educational programs, recruitment measures, etc.)

Employment

(1) Basic stance

DENSO believes in the importance of stable employment and values the development of its employees from a long-term perspective. Based on this

philosophy, both the Company and staff mutually work together to ensure job security.

(2) Employment status

DENSO expanded employment of both regular and non-regular employees in line with an increase in business. However, a rapid and widespread decline in automobile sales worldwide since the latter half of fiscal 2009 has driven a marked decrease in sales and an operating loss for DENSO Corporation and domestic and overseas Group companies.

As a result, all DENSO Group companies needed to make adjustments including curbing expenses and capital expenditures and restricting overtime. Each company also had to make adjustments regarding employment such as a freeze on hiring new employees, voluntary retirement programs for current employees and discontinuing contract renewal of non-regular employees. As production volumes have begun to steadily recover, DENSO companies worldwide are again starting to hire regular and non-regular employees. In

doing so, stabilization measures, temporary reassignment of employees and various forms of support are being carried out throughout the Group in Japan. Information on these initiatives is shared on a regional basis as well as with DENSO headquarters, with decisions made in adherence to the laws and customs of each country and region.

©Number of employees by region

	Fiscal 2008	Fiscal 2009	Fiscal 2010
Japan	59,357	61,639	63,729
Asia, Oceania and others	25,952	27,513	27,919
The Americas	17,683	16,015	16,020
Europe	15,861	14,752	13,144

©Composition of employees [DENSO Corporation]

		Fiscal 2008		Fiscal 2009		Fiscal 2010			
		Male	Female	Male	Female	Male	Female		
Full-time employment ^{*4}	Employees	General employees	19,651	3,842	20,036	4,088	20,109	4,366	
		Managers	16,124	95	16,533	105	16,805	121	
		Executive officers	18	0	18	0	16	0	
	Average age	41.5	32.9	41.0	31.8	41.6	32.8		
	Average service years	21.7	13.5	21.5	13.3	21.43	13.09		
	Turnover rate ^{*1}	0.3%	2.8%	0.27%	2.50%	0.23%	2.14%		
	Retention rate ^{*2}	99.07%	95.87%	97.87%	91.12%	100%	97.46%		
	Union membership ^{*3}	100%		100%		100%			
Part-time employment	Employees	Paid vacation time ^{*3}		84.2%		87.3%		85.4%	
			59	20	75	30	67	30	

^{*1} Resignation due to personal reasons
^{*2} Figures taken from turnover rate of employees in third year since joining company (Average retention rate of listed companies: 82%)
^{*3} Denominator used is general employees (Union members)
^{*4} Including temporary employees

URL Respecting employees

<http://www.globaldenso.com/en/csr/employee/index.html>

Labor relations

(1) Basic stance

DENSO has deepened the bonds of mutual trust and mutual responsibility between each Group company and its employees based on the recognition that the development of the whole Group and improvements in employees' lives ultimately have the same goals. DENSO has consistently worked to resolve

issues through discussions with employees. This approach was developed while overcoming the challenges of labor disputes shortly after the Company's founding in 1950, and today, they are shared throughout the Group.

(2) Labor/management conferences

DENSO promotes a basic policy of dialogue between associates and management to resolve various issues. Labor/management conferences are held regularly in Japan, as well as in Europe to share information on business conditions and discuss how to overcome any issues.

DENSO Corporation designated February 20, 2009 as the day to examine structural reforms that employees and management are required to execute concurrently to combat the global financial crisis since September 2008. On this day, all employees carried out discussions concerning what needs to be done. Additionally, in 2010, the Company also designated February as "the month to consider structural reforms." Accordingly, concerted efforts have been made to resolve issues through various initiatives such as verifying activities

that have been carried out up until now at work sites and holding lectures presented by outside speakers.



Examining structural reforms together with management

(3) Initiatives to prevent labor issues

During fiscal 2010, the Japan Regional Human Resources Meeting and Study Session by Theme were respectively held on two occasions for Group companies in Japan. Ongoing discussions also were held regarding responses to labor issues that are unique to Japan.

At overseas Group companies, workshops were organized for local staff in

charge of personnel affairs to share best practices in addressing specific labor issues.

In addition to these activities, DENSO is promoting initiatives to quickly comprehend labor issues by carrying out various measures such as monitoring using personnel indicators and conducting interviews and questionnaires for employees.

Respect for human rights

(1) Basic stance

In the DENSO Group Declaration of Corporate Behavior and the *Code of Conduct for DENSO Group Associates*, DENSO clearly prohibits discrimination and harassment based on race, gender, age, nationality, religion, disability, injury or illness, as well as child labor and forced labor. The United Nations Universal Declaration of Human Rights and other international standards were consulted in the development of these policies, and in fiscal 2008 DENSO asked suppliers to put them into practice as CSR Procurement Standards.

DENSO has also established a global policy concerning equal opportunity in employment, prohibiting all discrimination of applicants or employees in terms of job offers, employment or working conditions.



Code of Conduct for DENSO Group Associates

(2) Education and enlightenment

DENSO Corporation's education programs by employment level (for new employees, newly appointed managers and contract employees) incorporate human rights educational content. The Company's focus on educating employees to prevent harassment is evident particularly in activities to strengthen awareness during Human Rights Week and Constitution Week in Japan. In addition to verifying the appropriate implementation of policies by means of a company-wide standardized self-review, the Company is working to prevent incidents by creating an internal whistle-blowing system (including domestic Group companies). Overseas Group companies are also involved in a variety of initiatives. In North America, DENSO companies have adopted

internal policies prohibiting harassment, and they provide education on mutual respect and preventing sexual harassment as part of broader efforts to strengthen compliance and risk management from management levels to new employees.

◎Individuals taking a seminar on human rights [DENSO Corporation]

	Fiscal 2008	Fiscal 2009	Fiscal 2010
New employees	1,042 (100%)	983 (100%)	977 (100%)
Newly appointed managers	963 (100%)	1,124 (100%)	1,195 (100%)
Temporary employees shifted to full-time	452 (100%)	443 (100%)	229 (100%)

Human resource development and human resource systems

(1) Basic stance

DENSO is working to provide a range of opportunities for skill development and to develop fair and impartial evaluation systems so that all Group employees worldwide, each of whom possesses a unique character, can share

common values and take active roles while deriving a sense of growth and achievement in their work.

(2) Sharing the DENSO Spirit

The DENSO Spirit specifies the values and beliefs that should be shared throughout the Group so that we can grow and develop as a truly global corporation. These values expressed in the phrase "Foresight, Credibility and Collaboration," which continuously have been tacit values since the foundation

of DENSO Corporation, were formally written down in 2004. We are focusing on sharing and instilling these values on a global basis so that they become the cornerstone of activities in all fields.

◎DENSO Spirit

<p>Foresight Providing surprises and impressions in a way that only DENSO can</p> <p>[Vision] Anticipating change</p> <p>[Creativity] Creating new values</p> <p>[Challenging] Overcoming difficulties</p>	<p>Credibility Providing quality and reliability beyond customer expectations</p> <p>[Quality First] Ensuring the best quality for our customers</p> <p>[On-site verification] Grasping the facts firmly</p> <p>[Kaizen] Striving to reach higher levels</p>	<p>Collaboration Achieving the highest results by working as a team</p> <p>[Communication] Understanding one another completely</p> <p>[Teamwork] Doing your best as a team</p> <p>[Human Resource Development] Developing yourself and the next generation</p>
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(3) Developing a global standardized educational system and management processes for human resources

As a truly global corporation with more than half of our workforce, or approximately 60,000 employees, made up of local overseas staff, proactive programs to develop and promote local human resources are essential in our efforts to practice management that reflects local conditions in the countries in which we conduct business. Critical to our efforts to develop local human resources is having trainees understand the DENSO approach and learn work habits, methods for resolving issues and management techniques. To accomplish these goals, we are augmenting activities to share the DENSO Spirit with initiatives to develop a global standardized educational system, and we are gradually extending the scope of this system to include Group companies worldwide. In addition, we are striving to accelerate the promotion of local staff to management positions both by creating and deploying development programs for executive candidates and by working to share human resource management processes such as management by objective, evaluations, personnel transfers and promotions.

In fiscal 2009, we inspected and analyzed our global human resource management processes developed over the past five years and compiled a list of challenges, areas for improvement and other additional items for implementation. Based on this analysis, we are pursuing efforts to further promote local personnel to positions with responsibility from fiscal 2010.

In addition to global policies and measures like these, Group companies are implementing a variety of initiatives based on regional conditions. Group companies in North America, Europe and Asia/Oceania are developing and rolling out their human resource development programs for executive candidates of the future, while Group companies in locations such as China are focusing on core human resource development for manufacturing departments.

◎Number of local employees in overseas Group company management positions

Fiscal 2008	Fiscal 2009	Fiscal 2010
119 (Total 306)	146 (Total 367)	154 (Total 455)

(4) Enhancing career growth and training that respect autonomy

All DENSO Corporation employees set voluntary targets each year and participate in an evaluation process that emphasizes professional growth of their abilities and their work processes through regular interviews with supervisors. Not only managers but also all employees select the goals that relate to "younger associates' development" to foster an organizational culture that emphasizes human resource development. To gain a broad range of practical experience, employees report on their career vision each year (both short and long term) and participate in a human resources Developmental Rotation System on which both the supervisor and employee agree. In off-site job training (OFF-JT), we have developed training courses and certification programs that increase specialized knowledge by job type (clerical, international, engineering, technical and skilled, etc.) and employment level, and we offer a range of advanced programs for technical and skilled employees at the

DENSO Engineering and Technical Skills Training Center. We have been creating and strengthening human resource development programs in the executive, technical specialist and factory management areas since 2002.

In fiscal 2009, we began establishing a systematic developmental rotation system, and we are investigating plans to revitalize personnel transfers from younger employees to deepen experience in a wide range of areas.

◎Number of applicants for major seminars and systems (DENSO Corporation)

	Fiscal 2008	Fiscal 2009	Fiscal 2010
Number of seminar participants	102,000	87,000	85,000
Total hours	135万	130万	108万
Annual average of seminar hours per employee	38	32	28

(5) Fostering the development of young technical and skilled employees

DENSO believes that the development of highly capable technical and skilled employees who can develop and produce creative products is critical to corporate growth. To achieve this, in continuing the traditions of the Technical Training Center that opened in 1954, DENSO operates DENSO Technical College, which offers technical high school, technical college and junior college curriculums.

The College has produced many young graduates who have won medals at the WorldSkills International Competition, a tournament in which world-class technicians compete. In September 2009, nine contenders that included employees of affiliates in Thailand and Indonesia competed in five skills categories in the international competition held in Canada. All contenders won

awards, and two people representing Japan (skills category: Mobile Robotics) and one person representing Thailand (job skills category: CNC Turning) won gold medals.



Contender from DENSO (Thailand) Co., Ltd. who won a gold medal in the CNC Turning category

(6) Shifting from temporary workers to regular, full-time employees

As a measure seeking to advance the careers of our diverse employees, in fiscal 2006 DENSO Corporation has established a system that allows temporary workers to shift to permanent employment. In fiscal 2010, 229 temporary

workers (443 temporary workers in fiscal 2009) have shifted to regular, full-time employees. In the fiscal year under review, the Company had a total of 3,509 temporary workers.

Initiatives to Enhance Employee Satisfaction

(1) Employee Motivation Survey

DENSO Corporation assesses information such as employees' motivation and workplace satisfaction. The results are shared with managers to encourage autonomous improvements in the workplace and used to develop specific company-wide initiatives. The Company conducts regular Motivation Surveys for all employees to investigate the factors behind improvements in and obstacles to motivation, and since fiscal 2007, has conducted biannual Workplace Capability Questionnaires. These surveys are designed to quantita-

tively evaluate workplace strengths and weaknesses and to provide feedback based on questions that include the extent of manager control over subordinates, work distribution, human resource development and communication. The Company continues to improve workplace capabilities by applying best management practices across the organization and offering individual support for workplaces that need improvement.

(2) Welfare programs

Since 2007, DENSO Corporation has been employing the DENSO Cafeteria Plan as an optional welfare program to address diversifying needs. Under this program, employees are allotted points equivalent to 50,000 yen (including full-time temporary employees), in which they can receive benefits from the Company within the range of the allocated points for a wide variety of items

selected from a set menu (including travel, dining and nursing care). In other areas, the Company also establishes programs to support the enhancement of employees' lives, including recreational facilities, apartments for single employees and other facilities, as well as employee saving plans and a Group insurance system.

Encouraging diversity

(1) Basic stance

DENSO believes that its most important challenge for ensuring continued growth as a truly global corporation lies in providing an environment where a diverse group of employees can work energetically in an organizational culture

that transcends individual attributes such as gender, age and nationality. DENSO continues to strive to meet this challenge.

(2) Overview of initiatives

We are working to compensate for Japan's shrinking labor force due to the declining birthrate by working to facilitate contributions by female employees, senior employees, persons with disabilities and foreign employees. These initiatives are based on our recognition of the importance of achieving sustained growth for our organization by respecting differences and by strengthening our ability to deal flexibly with change.

We have established the Diversity Group with the Human Resources Department in January 2007 to promote enhancements to our systems and change internal awareness of these issues. Additionally, companies in North America are offering educational programs designed to encourage an understanding of diversity. Furthermore, we are implementing policies designed to promote the development and promotion of local employees at Group companies outside Japan.

URL Diversity

<http://www.globaldenso.com/en/csr/employee/index.html>

Encouraging diversity [DENSO Corporation]

		Fiscal 2008	Fiscal 2009	Fiscal 2010
Female employees		3,937	4,193	4,487
Senior employees (re-employed after retirement)		303	490	—
Persons with disabilities (physically challenged)	DENSO Corporation ¹	522 2.00%	539 1.97%	533 1.91%
	Domestic Group companies	224 1.58% [38 companies]	280 1.71% [42 companies]	286 1.79% [42 companies]
Foreign employees ²		109	125	105

¹ Total of DENSO Corporation and DENSO TAIYO Co., Ltd.

² Total employed by DENSO Corporation and assigned from overseas Group companies

(3) Promoting female participation

DENSO Corporation is promoting female participation by introducing a series of measures from the perspective of achieving a work-life balance. In particular, from fiscal 2008 the Company has implemented initiatives such as diversity training for newly appointed managers, an internal forum for awareness-building on jobs among female employees and promotion in its in-house magazine and on its website. Moreover, the Company has expanded programs such as childcare leave and reduced work hour systems in order to help employees fulfill both their work and childcare responsibilities. The Company is also offering support for daycare options that reflect actual working conditions by joining with four Toyota Group companies to build Tacchicchi House infant daycare centers in five locations.

Thanks to a favorable assessment of such support initiatives, the Company won an award from the Aichi Labour Bureau in October 2008 in the category recognizing efforts to promote gender equality, an area advocated by the Ministry of Health, Labour and Welfare. This Ministry also recognized DENSO in June 2009 as a company that proactively seeks to help employees fulfill both their work and childcare responsibilities. Additionally, in May 2010, a point of contact was newly

established exclusively for female employees to easily seek advice about various concerns including their career plans or childbirth and returning to work, in which Human Resources Department staff or female employees who went through the same experience provide advice.



Moreover, as part of countermeasures to a declining birthrate, the revision to the Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave became effective on June 30, 2010. The revised Act stipulates various aspects that include the introduction of a reduced work hour system for employees who are raising children two years old or younger and the introduction of a special leave system for nursing care. In line with the enactment of such laws, DENSO has pursued the following initiatives for creating an environment in which employees can balance work with childcare and nursing care through expanding and improving its childcare and nursing care support systems. The Company had 158 female managers as of January 2010.

Principal policies for promoting female participation [DENSO Corporation]

Fiscal 2007 ~	<ul style="list-style-type: none"> Introduced a reduced work hour system for employees with childcare responsibilities Expanded re-employment system for retired employees accompanying spousal transfers Launched Women's Forum Expanded number of departments with female employees
Fiscal 2008 ~	<ul style="list-style-type: none"> Introduced diversity training for newly appointed managers Operated on-site infant daycare centers Launched networking group for employees on childcare leave Conducted motivation surveys to promote female participation
Fiscal 2009 ~	<ul style="list-style-type: none"> Expanded measures for promoting participation of females in clerical positions

Number of female new recruits and managers [DENSO Corporation]

		Fiscal 2008	Fiscal 2009	Fiscal 2010
Recruitment	Administrative staff	27 (27.8%)	34 (28.8%)	18 (31.6%)
	Engineer	13 (2.7%)	21 (4.1%)	9 (3.2%)
	Technical and skilled worker	156 (35.8%)	155 (36.7%)	83 (31.0%)
	Clerical worker	69	90	54
Number of managers	Above team leaders	109 (0.6%)	125 (0.7%)	158 (0.9%)

Number of applicants of childcare and nursing care leave [DENSO Corporation]

		Fiscal 2008	Fiscal 2009	Fiscal 2010
Childcare leave	Female	208	203	215
	Male	6	8	8
Nursing care leave	Female	3	3	6
	Male	5	5	4
Reduced work hours for childcare	Female	53	72	68
	Male	—	1	1

Childcare support

	Childbirth	Elementary school enrollment	Elementary school graduation
Childcare leave	Current	Total of one year	
	Law Existing	Total of three years	
	Law New	Up to 18 months old	
Reduced work hours	Current	4.15 hours or 5.45 hours a day for a total of one year	
	Law Existing	None	
	Law New	6 hours a day until the child becomes 3 years old	
Exemption from overtime work	Current	6 hours a day for a total of 4 years	
	Law Existing	None	
	Law New	Until the child becomes 4 years old	
Limits to overtime work	Current	24 hours/month 150 hours/year	
	Law Existing	None	
	Law New	None	
Nursing care leave	Current	5 days/year	
	Law Existing	5 days/year (regardless of the number of children)	
	Law New	1 child: 5 days/year 2 children or more: 10 days/year	
After revision	1 child: 5 days/year 2 children or more: 10 days/year 5 days/year (regardless of the number of children)		

■ Worktime adopting Flex Time
 ■ Manufacturing departments
 ■ All employees

Nursing care support

	Current system	Legal requirements	After revision
Nursing care leave	None	Special leave is granted for employees with family members requiring nursing care. Per one family member requiring nursing care: 5 days/year Per two family members requiring nursing care: 10 days/year	As per legal requirements

(4) Supporting participation by senior employees

In April 2006, DENSO Corporation introduced a Career Associate System that provides re-employment opportunities to all retired employees and a Senior Challenge System that provides work opportunities outside the Company as a means of passing down the extensive experience of senior employees to new recruits and supporting senior employees' desire to work. The Company also

introduced reduced work hour and reduced workday programs in April 2008 in response to a variety of requests on the part of employees who had been re-employed after retirement. Going forward, we will proactively work to increase the number of senior employees and foster a corporate culture in which they can thrive.

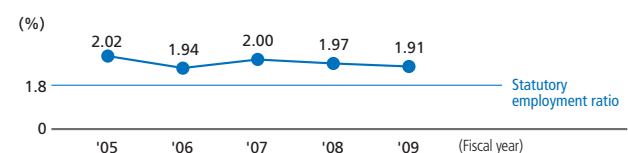
(5) Encouraging employment of persons with disabilities

Since starting to regularly employ individuals with hearing disabilities in 1978, DENSO Corporation has actively worked to expand employment and occupational opportunities for persons with disabilities and to develop both educational/training programs and facilities. The Company has established the goal of having at least 2.1% of its workforce consist of persons with disabilities by 2015. The employment ratio for persons with disabilities in fiscal 2010 was 1.91%, with 533 physically challenged people being employed as regular, full-time workers. Special-purpose subsidiary DENSO TAIYO Co., Ltd. currently employs 76 physically challenged people in the production of vehicle instrument clusters.

The employment ratio for persons with disabilities at domestic Group companies (43 companies) is 1.79% (289 persons) and has fallen below the

statutory level. As a result, we have assigned specific recruitment managers in each company and held information exchange sessions to share challenges and promote improvements. Through such efforts, we will continue to strengthen recruitment capabilities and support for persons with disabilities.

Employment ratio of persons with disabilities [DENSO Corporation]



Safety and health

(1) Safety Philosophy and promotion structure

In 1969, DENSO adopted a Safety Philosophy that promotes a workplace where employees can work in safety as the best way to respect humanity and achieve high productivity. At the same time, the Company established the DENSO Safety, Health and Environment Standards (DAS) and committees for each business group, workplace and Group company under the Safety and

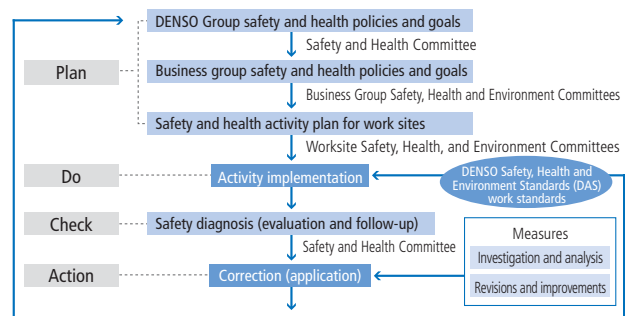
Health Committee (chairperson: senior managing director with oversight; vice chairperson: labor union representative).

Managers, industrial physicians and the labor union are working together under this organizational structure to achieve continuous improvements in safety and health.

(2) Occupational safety and health management

DENSO practices the PDCA (Plan, Do, Check, Action) cycle based on domestic and international occupational safety and health management system (OSHMS) standards. The Company also holds Group Safety Meetings on a regular basis to review policies and progress on issues targeted for improvement. As of fiscal 2010, one domestic Group company has acquired OSHMS certification by the Japan Industrial Safety & Health Association (JISHA), and 18 overseas Group companies have been certified under the OHSAS 18001 standard as defined by the British Standards Institution.

◎DENSO's safety and health management system



(3) Fiscal 2010 activity results

The work-related accident rate in Japan for DENSO Corporation has been much lower than the average for all manufacturing and automotive industries. However it is a pressing challenge to further reduce the occurrence of such mishaps. To this end, based on the company policy of "Safety First," initiatives were successively undertaken in fiscal 2009 with emphasis on reinforcing 3S* activities aimed at creating a workplace where safety-related measures are commonplace and each employee has a responsibility to prevent accidents. Despite these efforts, we were unable to achieve our safety targets in fiscal 2010 as a result of lost time injuries due to walking outside of safety zones or other incidents at DENSO Corporation and domestic Group companies.

In fiscal 2010, we have shared DENSO's basic stance, which positions safety as a prerequisite in production, on a global basis to fully permeate the concept, and established DENSO's own occupational safety and health management system. Through these measures, we aim to create a preventive system that reinforces the idea of safety first. We will continue to promote activities that include safety as a priority theme during Quality Control (QC) diagnostics (headed by the company president), and work towards an even higher level of safety.

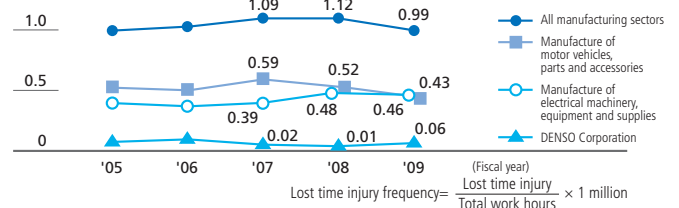
* The correct procedure for stopping equipment at abnormal times ("Switching off," "switched off" and "secured stop")

◎Control items and results

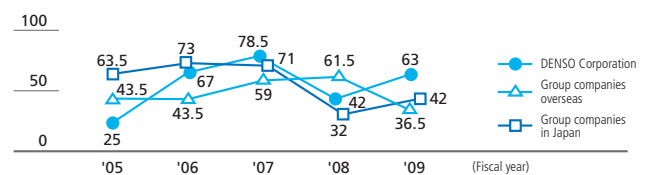
[○] achieved [×] not achieved

Control items	DENSO Corporation			Group companies in Japan			Group companies overseas		
	Target	Result	Assessment	Target	Result	Assessment	Target	Result	Assessment
Safety marks	60	63 (13)	×	60	42 (10)	○	84	36.5 (10)	○
Lost time injury frequency	0.05	0.06	×	0.06	0.14	×	0.10	0.05	○
[Consolidated DENSO Group companies] Target: 0.08 Result: 0.08 Assessment: ○									
Number of serious accidents	0	0	○	0	0	○	0	0	○
Number of serious accidents of subcontracted construction	0	0	○	0	0	○	0	0	○
Fires	0	0	○	0	0	○	0	0	○
Occupational illnesses	0	0	○	0	0	○			

◎Work-related accident ratio (Lost time injury frequency)



◎Safety marks (Scoring depending on scale and type of accidents. Lower number is better.)



Confirmation of QC diagnosis by management on site

As part of our safety and health management system, internal auditors check the status of the PDCA cycle for 22 items (direction, education, risk assessment, voluntary inspection, records, etc.) regarding quality control and safety and health. Management conducts on-site reviews based on the results during QC diagnostics, and works to advance the idea of safety first.



QC diagnostics (DNHA)

Particulate matter explosion training

This training was implemented at work sites that are involved in processes where particulate matter is generated to enhance safety awareness. Participants experience the dangers of particulate matter via an explosion test and learn about examples of disaster incidents along with appropriate handling procedures. In fiscal 2010, the training was implemented on nine occasions at the seven main DENSO plants in Aichi and Mie prefectures and attended by 394 participants.



Particulate matter explosion training

Promoting employee health

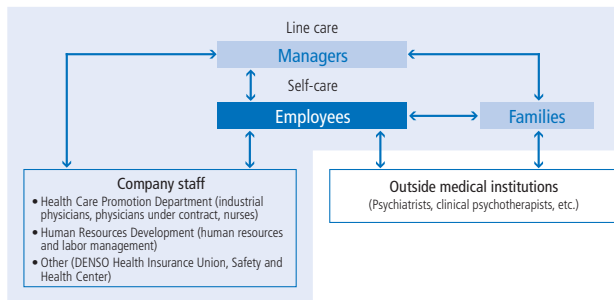
The DENSO Group Declaration of Corporate Behavior includes a clear statement of its responsibility to enable all employees to work in a healthy and energetic manner. DENSO devotes considerable energy and resources to appropriate health management, giving due consideration to the laws, cultures and customs of the countries and regions in which it operates. In Japan, where companies are expected to provide comprehensive care that facilitates the physical as well as the mental well-being of employees, the Company's health management staff work closely with other departments to help employees maintain their physical and mental health through a comprehensive system encompassing prevention and awareness-raising, consultation and early discovery, treatment and recovery.

(1) Mental health

Consistent with the policy that good workplace communication is critical to the prevention of stress-induced physical and mental health problems, DENSO Corporation has worked to revitalize workplaces by promoting counseling systems and introducing measures designed to help improve communication. At the same time, full-time medical personnel operate counseling rooms at all plants in Japan, where their responsibilities include working closely with employees to help recovering employees return to work.

In fiscal 2010, we provided mental health checkups through the Research

◎Mental healthcare framework



(2) Health improvement activities

In an effort to prevent the increasing prevalence of lifestyle-related diseases such as dyslipidemia, high blood pressure and diabetes, DENSO Corporation offers group classes and one-on-one instruction to help employees improve their eating habits and maintain a healthier lifestyle. The Company has expanded health improvement activities to include all job categories in an effort to lower the incidence of metabolic syndrome and visceral-fat-type obesity, and to maintain and improve physical fitness for good health.

(3) Multifaceted health promotion programs

DENSO Corporation, the DENSO Health Insurance Union and DENSO Well Corporation work together under the aegis of the "Do! Healthy Living Promotion Committee." The committee plans and provides multifaceted health promotion programs that are open to participation by employees' family members. These programs address prevention of obesity and disease, exercise habits and other health issues.

(4) Support activities for Group companies

DENSO Corporation is supporting the health of Group employees by sending lecturers on mental health to work sites and providing work resumption manuals. Materials to increase the awareness of new strains of influenza and

◎Health-building initiatives of employees [DENSO Corporation]

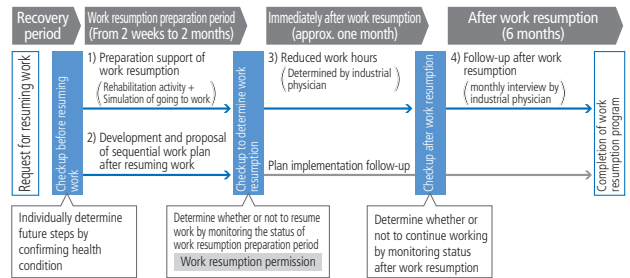
	2007	2008	2009	
Employees receiving medical checkups	100%	100%	100%	
CSR survey (survey of mental fatigue)*	56%	52%	51%	
Attended mental health seminars	Management positions	1,023 (23 sessions)	2,010 (28 sessions)	1,440 (24 sessions)
	Non-managerial employees	1,100 (38 sessions)	400 (10 sessions)	700 (21 sessions)
Participants in classes for preventing lifestyle-related diseases	1,050	1,293	1,419	
Participants in health improvement activities	3,860	3,572	4,653	

* Proportion of people who felt mentally fatigued related to work based on a CSR-related survey of 3,000 employees

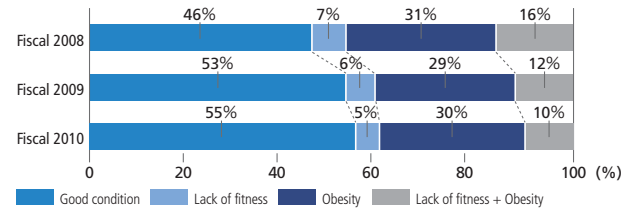
and Development Institute for Mental Health, Japan Productivity Center, in which 5,700 employees took the examination and individuals and work sites received advice. DENSO facilities in Europe and the United States have Employee Assistance Programs (EAP) that use outside organizations to provide physical and mental healthcare support to employees.

The Company continuously encourages employee health education via its intranet and newsletters, as well as through e-learning education and mental health training at all employee levels.

◎Mental healthcare support system for work resumption



◎Physical fitness and obesity [DENSO Corporation]



◎Principal programs [DENSO Corporation]

(Fiscal 2010)

Program name	Description	Participants in fiscal 2010
Fitness Course	Aerobics, yoga, etc.	1,747
Smile Walk	Self-directed walking using a pedometer	736
Healthcare Club	Program to improve lifestyle habits (6 months)	450
Quitting smoking without stress	Helping people to quit smoking via communications (3 months)	70

ways to prevent infection are also being provided along with the distribution of posters to encourage people to quit smoking.

Responsibility to Shareholders and Investors

Basic stance

The DENSO Group Declaration of Corporate Behavior describes DENSO's responsibility to shareholders and investors to increase corporate value through stable long-term growth and improve the transparency of management through the timely and appropriate disclosure of business and financial information and dialogues. Based on this policy, in addition to disseminating

corporate information such as management strategy and financial information with an emphasis on timeliness, fairness, accuracy and sustainability, the DENSO Group is developing investor relations (IR) activities to realize mutually beneficial communication through general shareholders meetings and via its corporate website.

Disclosure policy and IR activities

In order to ensure fairness and transparency in the disclosure of IR information, DENSO strives not only to observe all legal disclosure standards but also to publish information domestically and overseas without time lags by concurrently compiling Japanese and English versions of reports. DENSO also releases financial information quarterly via its website and holds briefings for institutional investors and financial analysts to promote investment opportunities. DENSO is working to further enhance information disclosure such as video

streaming of the General Meeting of Shareholders held each June on its website (since fiscal 2004) and plant tours utilizing the occasions of general meetings.

URL Information for shareholders and investors
<http://www.globaldenso.com/en/investors/>



Information for shareholders and investors

Annual Report 2009

Content of IR activities

Target	IR activities
Institutional investors in Japan Financial analysts	• Quarterly financial results briefing, "One-on-one meeting," small meetings
Institutional investors overseas	• Individual interviews, telephone conferences, participation in conferences organized by securities companies • Publication of Annual Report
Individual investors and shareholders	• Plant tour (after General Meeting of Shareholders) • Publication of business reports

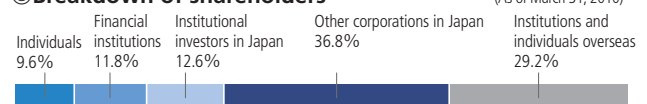
Shareholders status and dividend policies

As of March 31, 2010, DENSO had 884,068,713 shares outstanding and 76,848 shareholders. On the back of the harsh operating environment, the annual dividend decreased 13 yen from the previous year to 27 yen per share and the consolidated dividend payout ratio was 29.6% for fiscal 2010.

Regarding dividend policies, DENSO is striving to consistently increase dividends per share, giving due consideration to a comprehensive range of factors that include consolidated business performance and the dividend payout ratio. At the same time, DENSO is examining its benchmark for shareholder return by securing sufficient retained earnings to ensure minimally required business investment and development, while making efforts to reduce costs across the board amid business conditions that remain difficult. Since the business climate is expected to remain unclear, DENSO is working to create a

slim and lean business structure group-wide and is promoting initiatives to drive the next stage of growth with the aim of strengthening business, costs and management. The Company will accelerate the application of products in hybrid cars and electric cars, advancement in new emerging markets through low-cost technologies and the reinforcement of global responsiveness to realize the goals of our growth strategy and enhance profitability.

Breakdown of shareholders



Evaluation by outside institutions

DENSO is highly regarded by outside institutions when judged by the socially responsible investment (SRI¹) standard for evaluating social, environmental, ethical and other CSR initiatives along with financial performance, a fact that is indicated by its inclusion in the Dow Jones Sustainability Indexes² consecutively for the last 10 years and in the Ethibel Sustainability Index³, an important European indicator. DENSO's bond ratings from one Japanese and two U.S. rating companies reflect its sound financial condition, as indicated below.



*1 SRI: Socially Responsible Investing

*2 Dow Jones Sustainability Indexes (DJSI): Indexes selected by Dow Jones & Company, Inc. and SAM Group, a Swiss research company. Of approximately 2,500 major companies in 34 countries, the top 300 companies are selected.

*3 Ethibel Sustainability Index (ESI): A Belgian NPO, Forum ETHIBEL, evaluates the S&P Global 1,500 companies in terms of sustainability. As of November 13, 2007, 338 companies, including DENSO Corporation, were selected for inclusion in the ESI Excellence Global index.

DENSO's bond credit ratings

Rating companies	Long-term rating	Short-term rating
Rating and Investment Information Center	AAA	a-1+
Standard & Poor's	AA	A-1+
Moody's Japan	Aa3	P-1

Responsibility to Suppliers

Basic stance

As a global corporation with operations in 32 countries and regions, DENSO procures components, materials and equipment worth 2,000 billion yen from some 5,000 suppliers each year (with a local procurement rate of 70%). DENSO has established five policies based on the principle of open, fair and transparent transactions in the DENSO Group Declaration of Corporate Behavior. Accordingly, DENSO has made an explicit commitment to an "Open Door Policy" that provides opportunities for suppliers to participate in its business in a fair manner without regard to national origin, company size or previous transaction history; undertake efforts to realize mutual development by designating suppliers as equal business partners; and compliance with Japan's Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and the laws and regulations of each country and region in which DENSO is active. All Group companies share basic policies, which are available on the

Group website (in Japanese and English) along with a description of the procedures for becoming a supplier and related contact information.

◎Five policies of procurement

- ① Open door policy
- ② Mutual growth based on mutual trust
- ③ Promotion of green procurement in consideration of the environment
- ④ Promotion of local procurement aiming to be a "good corporate citizen"
- ⑤ Permeation of compliance with laws and regulations and confidentiality

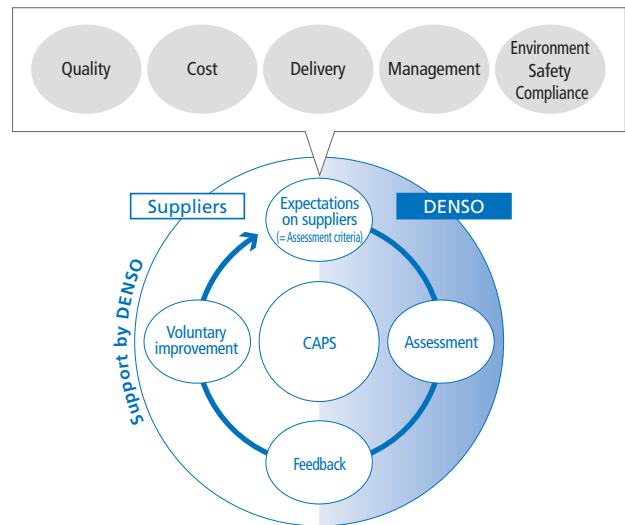
Promotion structure and assessment mechanisms

Each year, DENSO Corporation holds a General Meeting of Suppliers in which the Company explains its procurement policies to about 300 principal suppliers. The Company has also created the Constitution Assessment Program for Suppliers (CAPS)*, which defines assessment standards in the areas of quality, cost, delivery, management, the environment, safety and compliance in order to facilitate mutual growth in the midst of global competition. The program, which is operated by DENSO Corporation and its domestic Group production companies, seeks to strengthen partnerships by enhancing suppliers' constitution, assisting in support activities and by recognizing outstanding supplier performance. Group production companies in the Americas, Europe, Asia/Oceania and China began implementing CAPS, and they are working to establish and extend the program while giving due consideration to unique national and regional characteristics.

In January 2009, we integrated procurement functions and established a Procurement Group to give shape to our "One Policy" and "One Voice" concepts for suppliers and vitalize mutual communication. We also conducted a partial review of work allocation in each department. The Procurement Department now handles the overall procurement functions of the organization (plans procurement measures and policies, supports suppliers, etc.) and the centralized purchasing of processing parts, raw materials and equipment, while respective purchasing departments are responsible for purchasing components specific to each of the other business groups. In particular, the Supplier Support Office, newly established within the Procurement Department, has overall control of support functions for suppliers, which were previously split between each business department, thereby strengthening our support framework.

Additionally, organizational restructuring (including that of the business category-based purchasing system) was implemented within the Procurement Group in July 2010 in order to further expand and improve the effects of "One Policy" and "One Voice" concepts.

◎CAPS mechanisms and operation



Promoting CSR throughout the supply chain

(1) CSR procurement stance

Due to the extent of their influence on society, multinational corporations involved in businesses in the global market are expected to implement policies and measures for promoting corporate conduct that take into consideration responsibilities such as legal compliance, protection of human rights and labor, the environment and business ethics, both in their own operations and in those of their suppliers. We believe that DENSO's mission of aiming to be a trustworthy company in harmony with society specifically involves promoting CSR in procurement, an approach that practices social responsibility throughout the supply chain.

To this end, we requested all suppliers to embrace the DENSO Group Declaration of Corporate Behavior and assign employees to oversee CSR desks. DENSO also incorporated new social responsibility provisions addressing issues such as compliance, protection of human rights, environmental conservation and occupational safety into a basic contract. By March 2008, DENSO had concluded that contract with all suppliers (about 1,400 companies).

URL Related information

<http://www.globaldenso.com/en/aboutdenso/activities/procurement/act>

(2) Developments in fiscal 2010

During fiscal 2010, in addition to strengthening CSR activities together with its suppliers, DENSO Corporation has consolidated and unified the details of requests from industry organizations and customers, as well as promoted the following initiatives to enable suppliers to efficiently promote CSR activities.

Specifically, the Company has newly formulated Supplier CSR Guidelines, which provides details of DENSO initiatives and guidelines for suppliers to follow. DENSO Corporation also introduced its *Commentary Handbook*, which specifically explains “what to do and how” to carry out activities aimed at improvements. Additionally, the Company provided self-diagnostic sheets (update of existing format produced in fiscal 2008) for visualizing individual companies’ CSR activity levels. Accordingly, the scope of activity was expanded

from primary suppliers to secondary suppliers. Activity details were disseminated by consecutively holding and developing a Briefing Session for Suppliers starting in April 2010.

Moreover, in addition to providing feedback from diagnosis results to suppliers, DENSO Corporation is also holding study sessions (including those concerning the management of working hours and security control) instructed by internal and external specialists in order to support improvement activities of respective companies.

DENSO Corporation plans to continue annual checks to ensure that suppliers are steadily pursuing improvements.

◎Main content of Supplier CSR Guidelines

① Safety and product quality	② Human rights and labor	③ Environment
④ Compliance	⑤ Disclosure	⑥ Risk management
⑦ Social contribution	⑧ Development for all suppliers	

◎Development status of CSR procurement and future plan

Aim	Implementation items	Japan		Overseas
		Primary suppliers of DENSO Corporation*	Primary suppliers of domestic Group companies	Primary suppliers of overseas Group companies
Publicity	Distribute CSR guidelines	Completed in April 2010	Completed in June 2010	Develop by the end of fiscal 2011
Visualize strengths and weaknesses	Self-diagnosis by distributing handbook and diagnostic sheets	Completed development at 300 companies	Currently developed at 200 companies	Currently preparing for development
	Collect and analyze diagnostic sheets and provide feedback	Provided feedback	—	—
Improvement	Holding study sessions (including lectures)	Conducted annually	Scheduled for future implementation	
Inspection	Visit by DENSO personnel to conduct checks to verify	Currently in progress	Scheduled for future implementation	

* With regard to secondary suppliers, initiatives will be developed via primary suppliers on a voluntary basis.

◎Development tools for CSR procurement

Tools	Overview
CSR guidelines	Clearly identify items to be observed by suppliers.
Handbook	In order to adhere to guidelines, this handbook explains specifically what to do and how to take action with regard to priorities including compliance, human rights and labor.
Self-diagnostic sheets	<ul style="list-style-type: none"> Enables self-diagnosis regarding status of current priority initiatives. Allows automatic diagnosis of results by accessing DENSO’s dedicated website and inputting information about the status of activities according to set questions.

(3) Green Procurement Guidelines

In keeping with DENSO EcoVision 2015 (see page 49), DENSO has established the DENSO Group’s Green Procurement Guidelines designed to reduce the use and emissions of environmentally hazardous substances on an ongoing basis. This effort consists of requesting that suppliers report on the chemical substances contained in their products, make thorough reports on CO₂ emissions from procurement to mass production and pursue the following

priority initiatives: (1) establish an environmental management system, (2) manage and reduce environmentally hazardous substances, (3) reduce environmental loads during the production stage, (4) conduct lifecycle assessments (LCA) and (5) reduce CO₂ emissions associated with logistics, packing and packaging materials.

Ensuring procurement departments practice open, fair and transparent transactions

DENSO is working to promote CSR throughout the supply chain and to strengthen inspection and validation systems to ensure that procurement departments practice open, fair and transparent transactions. The *Code of Conduct for DENSO Group Associates* and *Business Etiquette for Buyers*, which outline our philosophy and standards of behavior, have been distributed to all employees involved with procurement. Employees have also been encouraging suppliers to use the Business Ethics Hotline (internal reporting system). DENSO developed a self-diagnosis tool for reviewing open, fair and transparent

procurement operations by documenting and quantitatively evaluating (scoring) them and consecutively applied this tool to procurement departments at DENSO Corporation as well as domestic Group companies from fiscal 2008. Through such initiatives, DENSO is comprehensively promoting open, fair and transparent procurement activities on a global basis. In an effort to upgrade its approach, from fiscal 2009 DENSO is developing and introducing self-diagnosis tools that take into consideration regional conditions for overseas Group companies.

Responsibility to Global and Local Communities

Basic stance

To contribute to the sustainable development of society, DENSO seeks to earn the trust and understanding of stakeholders as a good corporate citizen by actively promoting corporate citizenship activities that take advantage of the Group's various resources. In fiscal 2007, DENSO established the Basic Policy of Corporate Citizenship. All Group companies and employees have since focused their abilities on enhancing original programs pursued by the entire Group on a volunteer basis and creating an organizational culture conducive to participation in society while focusing on the areas DENSO has identified as priorities—*hitozukuri* (human resource development) and harmony with the environment.

Basic Policy of Corporate Citizenship

(Key activities are excerpted below)

Priority areas

1. *Hitozukuri* (human resource development)

- Development of youth (education in scientific technologies and skills)
- Support of the socially disadvantaged (welfare for persons with disabilities, etc.)

2. Harmony with the environment

- Preservation of the natural environment in communities
- Preservation of the global environment

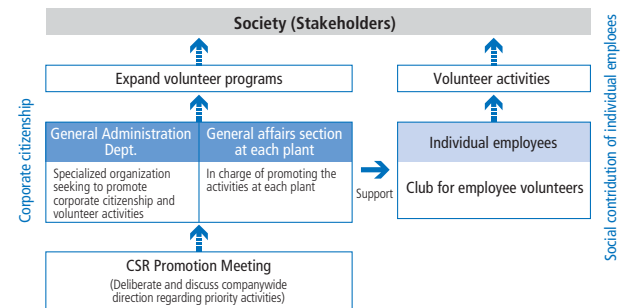
Corporate culture

Creation of a culture in which every employee participates in respective activities

Promotion structure

DENSO established a specialized organization within the General Administration Department in 1990, thereby developing Company policies and plans and promoting activities. With regard to priority activities as a company, we are deliberating and examining implementation plans and performance evaluations at the CSR Promotion Meeting. The organization works in partnership with highly specialized non-profit organizations (NPOs) to promote forward-thinking and original activities that take advantage of the respective strengths of corporations and NPOs. Results of activities are publicized on the Company's website, in the Annual Report and via other channels. The Company is also working to enhance these activities by conducting a questionnaire for each program and applying the views and suggestions obtained to the following fiscal year's plan.

◎Promotion structure



URL DENSO's corporate citizenship activities
<http://www.globaldenso.com/en/csr/social/>

◎DENSO corporate citizenship activities

Category	Area															
	Harmony with the environment [Preservation of the natural environment in communities Preservation of the global environment]	<i>Hitozukuri</i> (human resource development)														
Enhancing original programs		<table border="1"> <thead> <tr> <th>Development of youth</th> <th>Welfare for persons with disabilities (self-reliance support)</th> </tr> </thead> <tbody> <tr> <td>Beautification activities near business sites</td> <td>DENSO TAIYO Co., Ltd.</td> </tr> <tr> <td>DENSO Eco-Ranger 21 environmental education</td> <td>Self-reliance support for facilities for persons with disabilities</td> </tr> <tr> <td>DENSO Eco-Point System</td> <td>Reconditioned computer donation program</td> </tr> <tr> <td>DENSO Green Project tree-planting and forest creation programs (along highways and near business sites)</td> <td>Support of the Wheelchairs and Friendship Center of Asia (WAFCA)</td> </tr> <tr> <td colspan="2">DENSO YOUTH for EARTH Action (DYEA)</td> </tr> <tr> <td colspan="2">Social Contribution Forum (DECO School)</td> </tr> </tbody> </table>	Development of youth	Welfare for persons with disabilities (self-reliance support)	Beautification activities near business sites	DENSO TAIYO Co., Ltd.	DENSO Eco-Ranger 21 environmental education	Self-reliance support for facilities for persons with disabilities	DENSO Eco-Point System	Reconditioned computer donation program	DENSO Green Project tree-planting and forest creation programs (along highways and near business sites)	Support of the Wheelchairs and Friendship Center of Asia (WAFCA)	DENSO YOUTH for EARTH Action (DYEA)		Social Contribution Forum (DECO School)	
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Local programs Activities in local communities Regional programs Activities addressing national and regional issues Global programs Activities addressing global issues

Hitozukuri (human resource development)

(1) Welfare for persons with disabilities

DENSO is working to make a barrier-free society a reality by enhancing support activities designed to encourage persons with disabilities to participate in society and live on their own, for example, by supporting the Wheelchairs and Friendship Center of Asia (WAFCA), an NPO established by DENSO in 1999. In addition to wheelchair production support in Thailand and China, donations of wheelchairs throughout Asia and educational support for children with disabilities, WAFCA has been expanding its scope of activities annually through such initiatives as the "WAFCA Wheelchair Hospital" to repair wheelchairs in Japan.

Under a program begun in fiscal 2003 to donate reconditioned computers to local NPOs, used computers from Group companies are collected, recondi-

tioned by employees of DENSO TAIYO Co., Ltd. and used for transcribing printed materials into Braille or in computer classes. In fiscal 2010, the



Local volunteers repair damaged wheelchairs in Thailand.

program donated 77 computers to 38 groups, bringing total donations to 924 computers and 668 groups.

(2) Development of youth

Amid growing public awareness of the trend away from the sciences among children, DENSO continues pursuing activities designed to enable students to experience the interest and depth of science and technology as part of its mission as a *monozukuri* (manufacturing) company. Since 1997, DENSO employees have participated in the Young Invention Club, an active program in the Mikawa region of Aichi Prefecture, by volunteering to teach crafts. Since 2001, the DENSO Technical College (Anjo City, Aichi Prefecture) is opened to local elementary school students each year for the DENSO Summer School of *Monozukuri*. Since fiscal 2010, DENSO has supported the *Monozukuri* Weekend Workshop for children planned by the Toyota Commemorative Museum of Industry and Technology (Nagoya city), the Toyota Group's exhibition facility, in which the Company held lessons on six occasions. Approximately 927 children and parents enjoyed making robots, bamboo water guns and key holders instructed by employee volunteers, including skills competition participants, graduates of the DENSO Technical College and

technical and skilled workers from respective plants.

Overseas, DENSO North American Foundation, which was established in 2001 by DENSO International America, Inc. (DIAM) and other North American Group companies, provided USD440,000 (about 44 million yen) to 12 universities, including the University of Michigan, as part of its support for research at universities. In China, DENSO donated a total of 700,000 yuan (about 9.8 million yen) in scholarships to 90 students at five universities, including Tianjin University, and in Vietnam, DENSO donated a total of USD4,500 (about 450,000 yen) to 15 students at the Hanoi University of Technology (fiscal 2010).



Using original water guns made from bamboo (Weekend Workshop, July 2009)

Lecture held for Brazilian school

In October 2009, the DENSO School of Product Engineering held a session for students of Escola São Paulo, a Brazilian school in Anjo City, Aichi Prefecture, at the Anjo City Cultural Center. A total of 31 elementary and junior high school students and their parents participated in making kaleidoscopes. At this year's event, 10 Brazilian students who attended the School of Product Engineering session conducted at the Takatana Plant last year were invited.



Making a kaleidoscope with a volunteer interpreter

Ten technical and skilled employees served as instructors in making kaleidoscopes. Additionally, 11 persons, including employees who previously worked in Latin America, their families and DENSO's Brazilian trainees, volunteered as interpreters at the event. All participants successfully completed their handiworks.

Implemented the second global program for the development of youth

DENSO launched the "DENSO YOUTH for EARTH Action: New Earthlings Project" as an international program to encourage young people to take action toward creating a sustainable society in fiscal 2009. For the second such event in fiscal 2010, 25 undergraduate and graduate students from six ASEAN countries and Japan were selected via applicants solicited publicly and conducted field studies related to the theme of "water" at Mt. Fuji, Lake Biwa and in Aichi Prefecture in October 2009. Respective participants have formulated action plans based on these field studies and are promoting initiatives to realize the plans in their respective home countries. At a forum held in Nagoya the following December, three students from Asia presented their progress reports, which included an activity for protecting the kabaragoya lizard (Thailand), environmental education using images and games for high school students (Indonesia) and a film contest to enhance students' environmental awareness (Singapore).



Field study (Mt. Fuji)



New Earthlings Forum (Commemorative Museum of Industry and Technology)

Harmony with the environment

(1) DENSO Eco-Ranger 21

Since 2001, DENSO Corporation has been pursuing initiatives dedicated to encouraging interest in the wonders and importance of the environment through DENSO Eco-Ranger 21, a hands-on environmental education program for elementary school students. In fiscal 2010, the Company joined with environmental experts and local residents to hold three course programs four times in Aichi and Mie prefectures. Some 135 children participated.



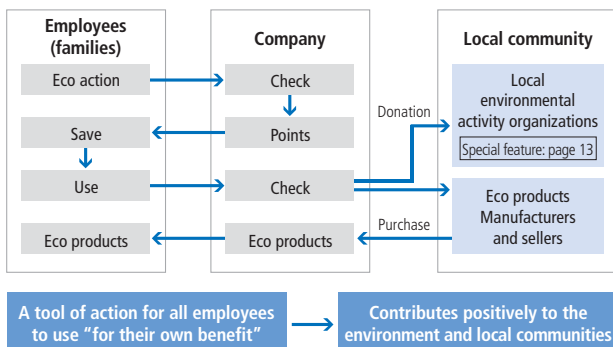
Challenge of cutting down bamboo in environmental education session (November 2009)

(2) DENSO Eco-Point System: DECOPON

DENSO Corporation's unique DECOPON Eco-Point System was launched in 2006 to support voluntary environmental activities among employees and their families. Participants engage in such efforts as purchases of eco products and eco-commuting, and points awarded for these activities can be used, for example, to switch to eco products and donate to environmental activities in communities. Participants numbered more than 10,000 members at the end of fiscal 2010. In fiscal 2010, DENSO also pursued operational improvements such as adding menus to enable employees and families to easily carry out activities on a daily basis and developing systems to enable easy access from PCs at home and the office. DENSO also expanded the size of aid projects

◎DECOPON structure

Target = Employees and their families



through point donations, thereby deepening relationships among employees, their families and local citizens' organizations. (See page 13.)

◎Eco actions that are subject to points (main examples)

Actions	Details	Number of points
Eco life check	Check implementation level at home once every three months	5 points/one time
Environmental diary	Record what you saw, heard and felt about the environment in a diary	1 point/5 days
Environmental household account book	Calculate the amount of CO ₂ emissions from monthly energy consumption at home	5 points/month
Environmental library	Introduce members to books, movies, music and other materials related to the environment	5 points/one time
Eco product purchases	Purchase officially designated eco products (fair trade products, organic agricultural products, etc.)	5% of purchase price
Participation in environmental events	Participate in environmental awareness events (External and internal volunteer activities are also subject to points)	Internal: 5 points/one time External: 3 points/one time
Environmental volunteer	Participate in activities (External and internal volunteer activities are also subject to points)	Internal on weekdays: 5 points/one time External on holidays: 10 points/one time External: 3 points/one time
Eco commuting	Eco-commute on a daily basis for 2.5 kilometers or more from home to workplace	By foot/bicycle: 20 points/month Other: 5 points/month
Individual point redemption Exchange for eco products	•All products exchangeable with eco-money at EXPO 2005 Aichi, Japan •DECOPON original character goods •Fair trade products, organic agricultural products, etc.	1~150 points
Local community point redemption Aid for environmental activities	•Determine aid in accordance with the number of points donated by employees •Reflect employees' intention to select aid recipients through employee voting	1 point~

Support of employee volunteer activities

In 1994, DENSO Corporation established the Volunteer Support Center in the General Administration Department, and in 1998 the Company launched a club for employee volunteers. DENSO Corporation has been pursuing a variety of programs that combine the Company's and employees' involvement. For example, DENSO Corporation launched a special fund in 2005 under which multiples of 100 yen are deducted from the salaries and bonuses of partici-

pating employees and subsequently used for corporate citizenship activities along with other donations. The proportion of employees engaged in volunteer activities in fiscal 2010 reached 30%.

◎Corporate citizenship activities data

Breakdown of activity expenses	Fiscal 2008	Fiscal 2009	Fiscal 2010
Welfare	18%	17%	14%
Development of youth	24%	20%	15%
Environment	6%	6%	7%
Art and culture	13%	15%	19%
Local communities and others	39%	42%	45%
Total	1,438 million yen	1,251 million yen	974 million yen

◎Breakdown of activities

Breakdown of activity expenses	Fiscal 2008	Fiscal 2009	Fiscal 2010
DECOPON participants	5,000	7,000	10,000
DECO School participants (including families and citizens)	2,140	3,050	1,990
Club for employee volunteers membership (including retired employees)	2,000	2,370	2,770
Special fund membership	3,930	4,750	5,378
Donation and relief from the Fund	12 million yen to 26 organizations	13 million yen to 30 organizations	7.5 million yen to 13 organizations
Matching Gift applications	338	221	61
Volunteer activity award recipients	1	2	4
Employee participation rate	22%	26%	30%
DECOPON aid recipients	—	300,000 yen to 3 organizations	800,000 yen to 8 organizations
Employees who participated in DECOPON aid activities	—	70	150

Expanding employee social contribution activities

In line with gaining internal and external recognition of DENSO's original DECOPON Eco-Point System, various plans have been suggested and operated by employees under the name of DECO. Accordingly, collaboration and cooperation are also expanding with various organizations undertaking regional activities such as NPOs, universities, local governments and compa-

nies. These efforts extend beyond an environmental framework. DENSO employees are involved in more in-depth social contribution activities and are beginning to study and interact with respective parties in order to resolve social issues such as poverty and social inequality.

DECO Market

The DECO Market is held three times a year at the DENSO Corporation headquarters under the slogan "a market that connects with the local community" in order to support activities of organizations that contribute to the environment and welfare through purchases of goods. Many employees participated in these markets held during May, November and February in fiscal 2010, in which 55 organizations including NPOs and organizations supporting persons with disabilities exhibited at booths to sell various items such as fair trade products, organic produce, western sweets and handicrafts.



DECOPON Farm Tour

The DECOPON Farm Tour is conducted four times a year in conjunction with business entities that support growing rice, vegetables and fruits with minimal use of pesticides and chemical fertilizers. The tour enables participants to experience farming and search for living creatures in rice fields. A total of 90 persons participated in the tour in fiscal 2010.



DECO School

The DECO School is a place to learn about eco activities that can be enjoyed in daily life and to experience social volunteer activities. The school's programs include lectures, movie screenings, instruction in handmade goods and eco tours. In fiscal 2010, DENSO held the "Kariya Campus" at the DENSO Corporation headquarters in July and cooperated with NPOs, universities, companies and local governments to organize 16 programs based on the theme of "living." A total of 87% of the 925 participants in attendance, including DENSO employees, their families and members of the general public, said that they were "very satisfied" or "satisfied" with the event.



Additionally, the "Nagoya Campus" held at the Commemorative Museum of Industry and Technology in December featured 13 external lecturers who talked about "ways to work that will lead to environmental initiatives" followed by discussion and workshop sessions. A total of 80% of the 1,065 persons in attendance, including members of the general public, DENSO employees and their families, reported that the event "enhanced motivation toward work."

Candle Nights with Four Million People

Candle Night events have been held since 2007 on the evenings of summer solstice and winter solstice. These allow participants to obtain eco points by conducting various activities such as talking with people and reading picture books with children for 30 minutes or more in recognition of the importance of saving energy.



©Kariya Campus



Showing environmental animation movie



Making original bag using furoshiki (wrapping cloth)

©Nagoya Campus



Lecture by various guests (Sophia Bank: Ms. Kumi Fujisawa)



Discussion session including guests and participants at the forum



Heartful booth



General meeting of DENSO Heartful Club



Green job workshop for students



DECO tree decorated with cards with participants' thoughts about the environment and work

DECO Walk

The DECO Walk has been conducted since 2005 as part of DENSO Community Service Day (page 47). During this event, participants engage in various regional initiatives such as cleanup activities, flower planting and green map creation while enjoying walks. In fiscal 2010, a total of 1,700 Group employees and their families participated in the event.



COLUMN

Collecting eco caps equivalent to vaccinations for 840 persons in commemoration of the 60th anniversary of DENSO's foundation

From November 2009 to January 2010, the DENSO Group implemented the Eco-Cap campaign as part of a commemorative project involving the collection of PET bottle caps for plastic recycling, followed by donation of the profits on sales for children's vaccinations throughout the world. Approximately 673,500 caps were collected, significantly exceeding the target, for a donation of vaccinations for approximately 840 persons (800 caps are equivalent to an adequate vaccination for one person).

This initiative started in 2005 with appeals by female high school students in Kanagawa Prefecture who wondered, "PET bottles are recovered and recycled, but the caps are incinerated as general waste which generates CO₂. Can't we collect them for a useful purpose?" In response, various organizations including education-related parties, recycling businesses and NPOs have cooperated and developed a system to donate profits on sales to be utilized as funds for purchasing vaccinations. The system subsequently has been expanded throughout Japan.

DENSO has been continuously promoting an initiative to donate wheelchairs for children with disabilities in Asia since 2005 by collecting pull tabs of empty cans. The Eco-Cap campaign, initially conducted by volunteers of the Anjo Plant in March 2009, has since expanded throughout the Group as a project commemorating the 60th anniversary of DENSO's foundation. DENSO plans to continue promoting this initiative in the future.

©Newsletter about Eco-Cap campaign



DENSO Group Community Service Day

DENSO Group companies in each country and region around the world take a proactive stance toward social contribution activities aimed at resolving social issues endemic to each area. The Company especially has been addressing environmental beautification, welfare and education support activities on

DENSO Group Community Service Day from 2004 under the unified slogan "Turn Compassion into Action." Every year, this day is set aside as a day when each business site contributes to respective local communities. In fiscal 2010, some 40,000 people in 20 countries and regions participated.

The Americas (Brazil)

DENSO Industrial Da Amazonia Ltda. (DNAZ) Christmas presents for underprivileged children

On December 12, 2009, approaching Christmas, DNAZ donated funds for the purchase of 800 toys for underprivileged households in local regions. Also, 46 employees offered to wrap and deliver these toys.

Seeing the children's smiles was so rewarding. The employees and all others involved in the event were also happy to share the feeling of giving that united them. As one of employee commented, "taking part in this event this Christmas is something that I'll remember."



Europe (Turkey)

DENSO Otomotiv Parcalari Sanayi Anonim Sirket (DNTR) Donated used PCs, stationery, clothing and other items to school children

In January 2010, DNTR planned and implemented a campaign to support children who are unable to receive sufficient education. Employees cooperated in preparing various items, including six used PCs, clothing, shoes, books and stationery, and delivered them to 150 children.

The 70 employees participating agreed that "The children need all of the items, so it is great if these goods help them even a little bit." That this project started successfully is obvious from the children's smiles.



China

15 DENSO Group companies in China Developed initiatives to donate wheelchairs in cooperation with WAFCA

A total of 15 DENSO Group Companies operating in China are donating wheelchairs as part of an ongoing long-term effort to support persons with disabilities. Additionally, 8,000 employee volunteers participated in fundraising from fiscal 2010.

As a result, the respective Group companies cooperated with WAFCA and donated 110 wheelchairs to nursing homes and orphanages via the Municipal Civil Affairs Bureaus in Tianjin and Guangzhou. These initiatives will continue to be promoted to support children who haven't had the chance to be independent due to disabilities as well as persons who are unable to move freely.



Asia/Oceania (India)

DENSO Haryana Pvt. Ltd. (DNHA) Plant tour to enhance environmental awareness among children

On December 2009, DNHA held a plant tour for children to raise their awareness concerning the global environment. The children were surprised to learn about the company's earnest approach toward the environment as they visited an energy saving corner, a waste segregation corner, Eco-Island and a rainwater harvesting pit.

This plant tour is one of the company's most popular activities for volunteers to participate in and is highly regarded by teachers. It is also a valuable means of enhancing environmental awareness among children that takes advantage of the company's main business.



Japan

DENSO MTEC Corporation (Aichi Prefecture) Maintenance of bamboo forest in Kitakko no Mori as part of nature conservation activity

At DENSO MTEC, we continuously promote conservation of forests that are adjacent to a local elementary school, allowing children to learn how important it is to preserve the natural environment and use resources efficiently.

In fiscal 2010, we organized events in July and December to cut bamboo forest overgrowth and use the cuttings to make coal and *Kadomatsu* (New Year decorations). Although the job is not easy, it was great for the elementary schoolchildren, their parents, teachers and 10 employee volunteers who participated in the event to work hard while spending time together and interacting with each other. The number of participants is increasing every year.



Japan

ASMO Co., Ltd. (Shizuoka Prefecture) Enjoying making motors at Science Experience for Youth festival

ASMO is countering a trend among children away from the sciences by setting up a "Let's make a motor" booth at Science Experience for Youth, an event which is held annually in December in Kosai City, Shizuoka Prefecture, to enable children to enjoy the experience of *monozukuri* (manufacturing). For the seventh successive event in fiscal 2010, 42 employee volunteers supported activities such as coil winding and measuring rotation frequency. As rotation frequencies of original motors appeared onscreen, the children discovered how exciting it can be to apply ingenuity toward creating something original.



Environmental Report

Environmental Management

DENSO's Vision / DENSO EcoVision	49
Management of environmental factors for products	51
Environmental management in production	52
Environmental risk management	53
Environmental education / Environmental accounting	54
Overview of environmental impact	55
Fourth phase of the Environmental Action Plan	56

Prevention of Global Warming

Contributing to CO ₂ emission reductions in products	57
Contributing to the reduction of CO ₂ emissions in production activities	59

Resource Recycling

Effective use of resources by products	65
Effective use of resources in production	65

Control and Reduction of Environmentally Hazardous Substances

Controlling and reducing chemical substances in products	67
Controlling and reducing chemical substances during production	68

Cooperation with Society

Environmental communication	70
Biodiversity initiatives	71

DENSO Environmental Symbol Mark

DENSO adopted this Environmental Symbol Mark in July 1995 for use in pamphlets introducing environmental protection activities as well as at tradeshows and other events. Designed by one of DENSO's in-house designers, the mark expresses the idea that the Earth has a heart with a lively beat and coexists with humankind and nature.



Environmental Management Eco Management

DENSO's Vision

We place top priority on meticulously implementing initiatives to protect the environment. Corporations must conceptualize how a sustainable society would operate and make concerted efforts toward environmental preservation based on a long-term vision. To this end, DENSO aims to be a corporate group that contributes to the "creation of an advanced automotive society" through the realization of cars that are kind to people and the Earth. As such, we must work to achieve world-class environmental efficiency and high resource productivity as we reduce the environmental impact of our operations. This applies not only to products and production but also to all aspects of our business activities.

We are also promoting environmental management—an approach that creates economic value through environmental conservation activities.

In 2005, we formulated and announced DENSO EcoVision 2015 as a roadmap toward the realization of a "sustainable automotive society." The objectives of EcoVision 2015 are based on reduction targets laid out by the Kyoto Protocol and associated groups. They also conform to the IPCC's* goal of "beginning to reduce greenhouse gases by 2015 and halving them by 2050 compared with 2000 levels."

*Intergovernmental Panel on Climate Change

DENSO EcoVision

Basic stance

Under DENSO EcoVision 2015, we have established the goals of promoting the prevention of global warming, resources recycling (reducing the use of resources) and control and reduction of environmentally hazardous substances (pollution prevention) in a targeted and ongoing manner throughout all business activities. We have also established a series of 2010 Long-term Environmental Goals and the fourth phase of Environmental Action Plan 2010 for this purpose. Group companies share these objectives, and we are accelerating initiatives throughout the Group through an ongoing program of verification and review based on the PDCA cycle* while steadily implementing our traditional basic environmental plan.

In fiscal 2009, we formulated our Three-Year Environmental Guidelines to ensure environmental initiatives that are trusted by society and that bring future growth by transforming into a lean corporate structure that is resilient to changes in an ever-changing global economy. Specifically, we will: (1) pursue environmental efficiency in resources and energy; (2) develop technologies and products that anticipate environmental needs; (3) practice accurate risk management in response to changes; and (4) effectively promote environmental activities that resonate with society. These four objectives have been reflected in Environment Action Plan 2010 as priority initiatives.

*A management technique consisting of repeated Plan, Do, Check and Action steps.

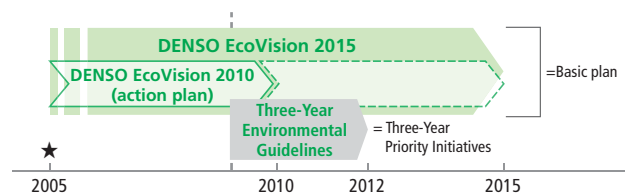
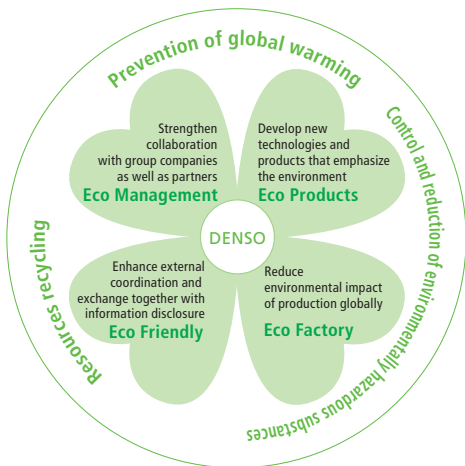
DENSO EcoVision 2015 Environmental Policies (Summary)

- 1. Eco Management:** Strive to strengthen environmental management through DENSO Group collaboration from a global perspective.
- 2. Eco Products & Eco Factory:** Pursue development, design and production activities that emphasize the environment from a holistic perspective at every stage of the product lifecycle from manufacture to market use and disposal.
- 3. Eco Friendly:** Actively disseminate information and coordinate with outside entities in a way that transcends industry borders while working to communicate with all stakeholders.

Environmental Action Plan 2010 (Summary)

- 1. Strengthen development of products that contribute to the environment**
Strengthen the development of products that reduce environmental impact throughout the automobile lifecycle and pursue initiatives such as introducing factors that facilitate understanding of a product's environmental impact.
- 2. Ascertain and reduce CO₂ emissions in all corporate behavior**
Ascertain the level of CO₂ emissions in all corporate behavior from a global perspective not only including product development, production and logistics but also administrative departments and employees' behavior. Establish targets and reduce emissions accordingly.
- 3. Steadily reduce the Group's consolidated environmental impact**
Eliminate all lead, mercury, cadmium and hexavalent chromium from products and dramatically reduce volatile organic compounds (VOCs) in factories by collaborating with suppliers and other partners.
- 4. Strengthen consolidated environmental management**
Strengthen Group consolidated environmental management in order to facilitate the steady implementation of initiatives, develop plans that take into account the unique circumstances of each country and region and promote them by establishing targets.

©DENSO EcoVision 2015



Promoting consolidated environmental management

In order to promote the efforts of the DENSO Group as a whole, the Company shares environmental policies and guidelines with consolidated companies*, identifying common issues and expanding consolidated environmental management. Previously, we formulated five-year environmental plans for each consolidated company in an effort to verify progress and share relevant issues.

In fiscal 2010, the Company conducted an environmental compliance audit of 13 domestic and overseas Group manufacturing companies in order to minimize environmental risk and implemented 44 improvements. Diagnoses of

54 manufacturing companies were completed. Going forward, we will (1) reinforce understanding and responsiveness to new laws and legal revisions and (2) be vigilant about implementing projects for improvement in consideration of current conditions.

*Companies that were newly established in the current year or those in which DENSO management has only recently become involved are excluded from the scope of consolidated environmental management. Therefore, the number of consolidated companies for environmental management differs from the number applicable for financial reporting purposes.

Policies and guidelines shared within DENSO Group

- Share basic policies and action guidelines
- Formulate and expand action plans
- Acquire ISO 14001 certification
- Organize the Environment Committee
- A shared system for environmental information
- Environmental accounting

Seven items to make common efforts

1. Reduce waste materials
2. Reduce environmental waste materials from factories
3. Prevent global warming (reduce CO₂)
4. Establish an environmental management system (ISO 14001)
5. Implement preliminary environmental assessment for products
6. Expand green procurement
7. Streamline logistics

Status of efforts to build a consolidated environmental management system

DENSO is striving on a global scale to proactively build and maintain environmental management systems such as those defined by the ISO 14001 standard as effective tools in promoting environmental management. These efforts encompass both manufacturing companies and non-manufacturing companies that include regional headquarters, sales companies and service companies.

The Ikeda Plant obtained ISO 14001 certification in 1996, followed by all core manufacturing sites worldwide by 2003. By fiscal 2010, 151 out of a total of 162 companies consisting of 66 domestic and 85 overseas subsidiaries had obtained ISO 14001 certification and implemented environmental management systems.

Building green partnerships

In order to effectively reduce environmental impact, it is important for DENSO to build mutually beneficial relationships with suppliers through partnerships and improvement initiatives on a continuing basis. Based on this approach, under its *Green Procurement Guidelines* the Group requests that suppliers deliver raw materials, components and products with low environmental impact that are manufactured at factories with advanced environmental conservation

measures in place. In this way, DENSO is working to lower the environmental impact of its products throughout their lifecycle while facilitating the effective utilization of resources and energy by DENSO, as well as suppliers.

URL Procurement information

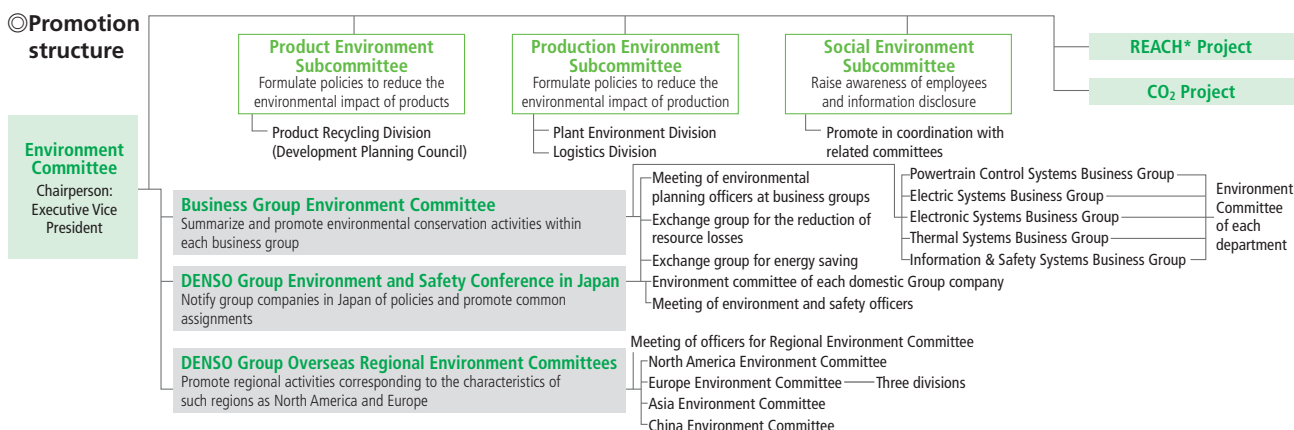
<http://www.globaldenso.com/en/aboutdenso/activities/procurement/>

Promotion structure

DENSO established the Environment Committee as the highest decision-making body for environmental management in December 1992. Chaired by the director responsible for environmental management and attended by directors, managing officers, presidents of overseas regional headquarters and persons who are responsible for environmental management at Group companies, the committee meets twice a year to formulate policies, examine the state of progress in related activities and discuss specific issues and their

solutions. From fiscal 2008, the committee launched the REACH* Project associated with chemical substances and the CO₂ Project to address global warming as a way to strengthen the Group's response to key issues.

*Registration Evaluation Authorisation and Restriction of Chemicals
A law requiring the registration, evaluation and authorization of all chemical substances placed on the market in the European Union (EU) (in volumes of 1 ton per year or greater) by producers or importers



Management of environmental factors for products

Improving environmental friendliness and efficiency in product functions

In consideration of the environment, DENSO believes that an advanced automotive society firmly maintains a balance between caring for the environment and enjoying the full potential of the vehicle. To realize an advanced automotive society, DENSO seeks to enhance functions (safety, maneuverability, comfort, etc.) while working to reduce the environmental impact throughout a vehicle's life.

Specifically, we: (1) develop products that contribute to enhanced fuel efficiency in vehicles, such as hybrid systems, engine management systems and idling stop systems; and (2) develop telematics* products that contribute to

enhanced fuel efficiency in harmony with social infrastructures, such as car navigation systems. All DENSO products aim to create new value that provides enhanced comfort and convenience for customers while minimizing greenhouse gas emissions, resource consumption and the risk of chemical substance pollution.

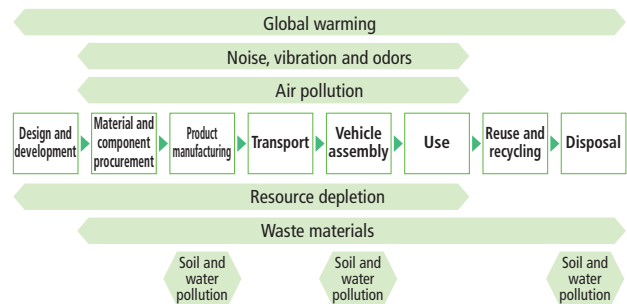
This rationale is based on the approach to environmental efficiency recommended at the 1992 Earth Summit.

* Telematics refers to the provision of information services in real time through the integration of telecommunication systems in cars and other forms of transportation. It is a compound word of telecommunications and informatics.

Product development techniques that anticipate the entire lifecycle

Since 1995, DENSO has employed a product environmental management system that evaluates the environmental impact of a product in advance during the planning and design stages in order to minimize this impact. We ascertain the balance between product value and environmental impact using Factor Delta environmental factors and set targets for each product (Plan step). We then conduct lifecycle assessment (LCA) to determine environmental friendliness and impact at the design stage (Do step). The extent to which these targets are met is checked at a Quality Assurance Meeting, a milestone in the design process (Check step), and the results are reflected in the development of upcoming models (Action step).

Environmental impact during the automotive component lifecycle



Operation of Factor Delta

The multiplier at which environmental efficiency for evaluated products is increased relative to standard products is known as an "improvement factor." DENSO has collaborated with the Japan Auto Parts Industries Association from 2005 to 2008 to develop a reasonable method for calculating this factor for automotive components, and these efforts have been summarized in a series of Guidelines for Environmental Factors for Products. Based on Japan's Basic Environmental Law, these guidelines provide a means for calculating indices linked to product value in the form of positive factors and negative factors related to global warming, resource depletion and emissions of environmentally hazardous substances throughout the automotive part lifecycle.

We began using these evaluation indices in 2007 as Factor Delta environmental factors for products. We have begun applying them to successive areas of our operations as a means of promoting reductions in greenhouse gases, resource consumption and environmentally hazardous substances while improving functionality.

In fiscal 2010, we calculated 7 environmental factors (sum total 22) for new products and visualized the direction of improvements by clarifying the extent of progress. In the future, we aim to realize a verification system for eco-products (Green Products) that indicates improvement rates in an easy-to-understand manner.

URL Guidelines for Environmental Factors for Products of Japan Auto Parts Industries Association (in Japanese) <http://www.japia.or.jp/work/2007/09/guideline.html>

Calculation of Factor Delta indices

$$\text{Environmental efficiency} = \frac{\text{Product performance (positive elements)}}{\text{Environmental impact (negative elements)}}$$

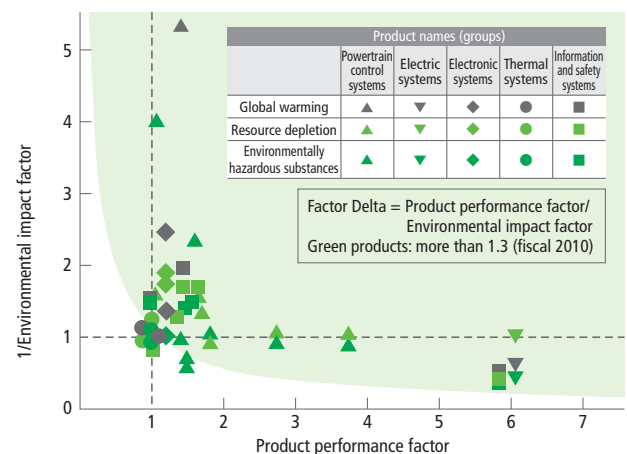
The degree of improvement over previous product generations is expressed as a factor.

$$\text{'Factor Delta', environmental factors for products} = \frac{\text{Environmental efficiency of new products}}{\text{Environmental efficiency of previous product generations}}$$

$$\frac{\text{Environmental efficiency of new products}}{\text{Environmental efficiency of previous product generations}} = \frac{\text{New products Performance Impact}}{\text{Previous Performance Impact}} = \frac{\text{New product performance}}{\text{Previous product performance}} \div \frac{\text{New product impact}}{\text{Previous product impact}} = \frac{\text{Product performance factor}}{\text{Environmental impact factor}}$$

*Indices must be calculated in an objective manner so that they can be accepted by a majority of people. DENSO has based its method on the concept of factors proposed in the 1990s by researchers worldwide and the World Business Council for Sustainable Development (WBCSD). Indices are calculated in a positive way by calculating the environmental efficiency of the product or service in question and evaluating technological progress in a forward-looking manner by means of the improvement factor.

Factor Delta calculation product distribution



Environmental management in production

Initiatives to increase visualization of environmental impact

Measures against global warming at factories in essence seek to promote energy conservation and energy conversion. The aim of long-term measures is to reduce use of fossil fuels and promote conversion to renewable energy sources. Based on this understanding, DENSO has incorporated the reduction of CO₂ emissions at the production stage into management indicators for top management. As a means to increase effectiveness in the past, DENSO has worked to reduce environmental impact by conserving energy, reducing water and resource waste, and cutting environmentally hazardous substance use and

emissions by means of various proprietary techniques. These include charging departments according to their energy consumption (direct-charge system) and assessing energy consumption by production line (to visualize energy use). In addition, we created the Denso-Environmental Performance Communicator (D-EPC) that can swiftly tabulate environmental data from production sites worldwide and are using it as a management tool from the perspective of environmental governance.

Evolution of the Eco Factory

In pursuit of the maximum reduction in environmental impact and high productivity, DENSO developed the Eco Factory concept in 2006, which clarifies the requirements of factories in order to realize a sustainable society. The Eco Factory concept aims to ensure factories that achieve a symbiosis between manufacturing and environmental preservation at a more multi-dimensional level, and applies a unique environmental assessment approach that pursues: (1) legal compliance and minimization of environmental risk, (2) improvement of environmental performance and (3) coexistence with communities and nature. Results of activities every year are evaluated at five levels based on

internal standards. This approach lets us clearly assess the strengths and weaknesses of factories in all countries and regions and contributes to the ongoing process of enhancement and improvement.

In fiscal 2009, we formulated assessment guidelines to certify rank and designated the Daian Plant (Mie Prefecture), which was expanded in August 2007, and DENSO Electronics Corporation (DNEL), which started operations in April 2009, as model factories, and promoted initiatives to ensure a rank of S. We will continue to transform each plant around the world into an Eco Factory, identifying challenges at these two plants as part of the first real litmus test.

◎Eco Factory concept

(1) Legal compliance and minimization of environmental risk

- Confirmation of water quality before discharge
- Rainwater management system (oil-water separation tank, detection sensors)
- Regular monitoring and data management system (DECS)
- Voluntary wastewater standards (hazardous materials: 1/5 of legal limits, etc.)



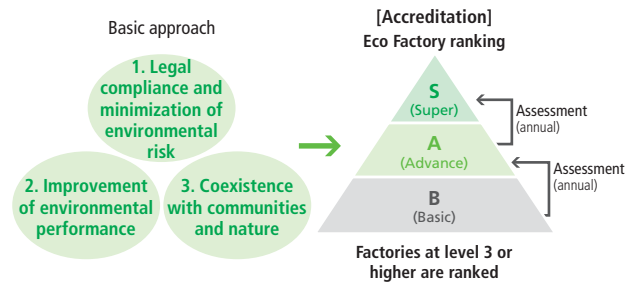
(2) Improvement of environmental performance

- Zero emissions
- EcoVision, 2010 targets
- 100% employee participation, helping employees to develop a strong environmental skill set
- Visualization of performance



(3) Coexistence with communities and nature

- Creation of wooded areas that will become "green assets" for communities
- Informal gatherings with community residents
- Environmental facilities that are open to the community



◎Assessment guidelines to certify rank



Environmental risk management

Response to environmental risk

We have identified environmental risks, which include environmental accidents, pollution and violations of applicable laws, based on the location and business profile of each of our plants. This information is used to prevent and minimize risk. In particular, we emphasize risks such as wastewater and gas emissions in excess of voluntary criteria, leaks of oils and chemical substances, pollution of soil and groundwater and complaints from surrounding areas about noise and other aspects of our operations. To address these risks, pursuant with our policies, we strive to deter any abnormalities, and in the event that an abnormality occurs, to minimize the impact and accurately disclose information. Further, we conduct annual emergency response drills in addition to maintain-



Audit of an overseas base, DMGZ (China)



An emergency response drill of chemical leakage in clean room

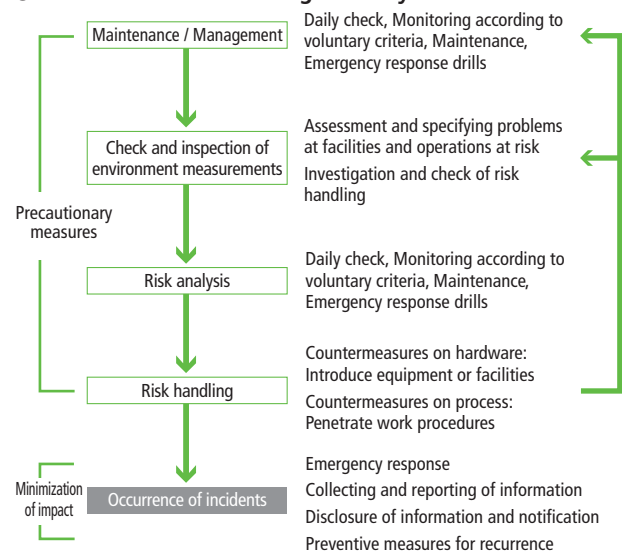
Expansion of Group mutual audits and improvement activities

~2006	2007	2008	2009	2010
Start in '05	Global expansion (bases with high environmental impacts)	Global expansion (all manufacturing bases): Global QC diagnosis (conducted once every three years at all companies)		
<North America> (total 10 companies) 10 companies	Regular audits (all companies)			
<China> (total 10 companies) 9 companies	<Japan, Europe, Asia and others> (total 44 companies) 21 companies	11/11 companies	13/13 companies	14 companies
	Audits were completed at 40 manufacturing companies.	We plan to complete audits at all 64 companies by 2010.		

ing daily inspection, monitoring and measurements. To promote risk management, we have established our own stringent criteria that extend beyond the environmental regulations of the countries and regions in which we operate and apply them to environmental management both in Japan and overseas.

In fiscal 2010, we conducted a Group Mutual Environmental Audit, which is coupled with the second step of global QC diagnosis, and exposed shortcomings at 13 companies. The table below summarizes results indicating breaches of regulatory levels, complaints and accidents. Corrective action has been completed in each case. DENSO did not incur any fines, penalties or environmental lawsuits in Japan or overseas.

Environmental risk management system



Environmental incidents and complaints

Category	DENSO Corporation	Group companies in Japan	Group companies overseas
Legal violations	0	0	0
Fines, penalties, lawsuits	0	0	0
Incidents	0	0	0
Complaints	1*	0	0

*Action was taken to resolve a complaint of excessive noise from a cooling tower fan.

ISO 14001 environmental auditing and Eco-Diagnosis

As part of the environmental management system's PDCA cycle, we employ internal and external audits to inspect ongoing improvements to activities and the reliability of environmental data. We are working to increase the accuracy of inspections carried out under the internal audit system through self-audits with approximately 400 items, as well as a system of mutual audits by which plants can check one another's operations. We are also working to improve our monitoring activities by augmenting audits with a unique Eco-Diagnosis program designed to identify new issues and expand and apply best practices. Outstanding examples are also published on the corporate intranet to improve such activities.

Environmental audit results [DENSO Corporation]

	Target (12 business locations)		Number
	Nonconformity (minor)	Observation	
External audits			2*
			36
Internal audits	Improvement guidance issued		19
	Points noted for improvement		86
Internal auditors (in total)			147

*There is room for improvement in proposed approach of input information of management review (review by management level)

Environmental education

Fostering environment-conscious personnel

To promote environmental management with full employee participation, it is essential for top management as well as individual employees to have a strong awareness as global citizens and to serve as environmental specialists. Based on this idea, DENSO provides environmental training by employment level, environmental technology basic training for employees responsible for product development and specialized training to develop internal environmental auditors.

During Environment Month each June, DENSO Corporation also holds Eco-Tours for visiting departments that have made significant environmental improvements, and employees involved in production participate in these tours. The aim is to introduce positive examples of environmental measures to each department in order to nurture personnel who can promote environmental improvements from respective perspectives. In fiscal 2010, 65 employees participated in the tours. In addition to the visits and inspections held to date, these participants also discussed and shared information concerning issues faced at their respective workplaces. In the Eco-Tours, we showed new and old types of production equipment and tools to make it easier to see where environmental improvements had been made, as well as gave an example of the use of insulating materials at production facilities and reductions in CO₂ emissions by improving air conditioning systems. A spirited question-and-answer session typically followed between visitors and demonstrators. Furthermore, to expand environmental improvement activities to the home and different regions, we held events for employees' families and local communities in June (see page 46). These events provided the opportunity to explain in simple terms environmental issues on a global scale as well as those affecting us at a more local level.

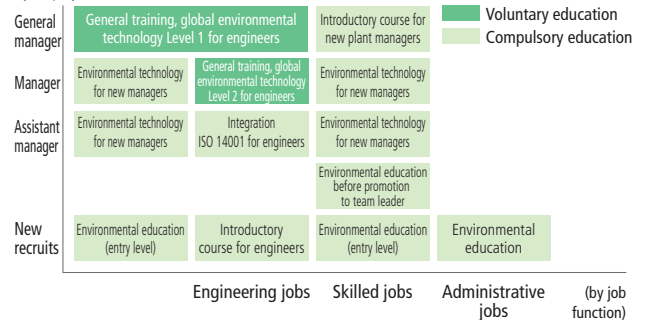
Environmental education in fiscal 2010 [DENSO Corporation]

Employment level	Total participants
New recruits, part-time employees	1,253
Mid-level skilled workers	539
Assistant managers, team leaders	1,062
Managers (engineering)	88
Managerial level (e.g., managers, general managers, plant managers)	560
Eco-Tours, etc.	420

Total seminar hours: 6,330 Total participants: 3,922

Environmental education system

(by employment level)



Environmental accounting

Utilizing environmental accounting

At DENSO, quantitatively assessing environmental conservation costs and benefits and pursuing efficient initiatives by appropriately distributing management resources is a critical part of pursuing sustainable growth while promoting environmental management. Since 1999, we have employed environmental accounting based on guidelines developed by the Japanese Ministry of the Environment as a tool for achieving these goals. Subsequently, we have practiced corporate environmental accounting to assess the status of environmental management and disclose relevant information. We have also utilized segment environmental accounting to verify whether targets are being met. This is useful in formulating environmental action plans and deciding on environmental measures.

In pursuing higher quality environmental management, it is necessary to translate a reduction in environmental loads into profit generation. Going forward, DENSO will strive to make more effective use of environmental accounting to determine which environmental measures are to be carried out in which process and which business operations provide the greatest benefits.

URL Environmental accounting guideline

<http://www.globaldenso.com/en/csr/environment/data/guideline.html>

Fiscal 2010 results

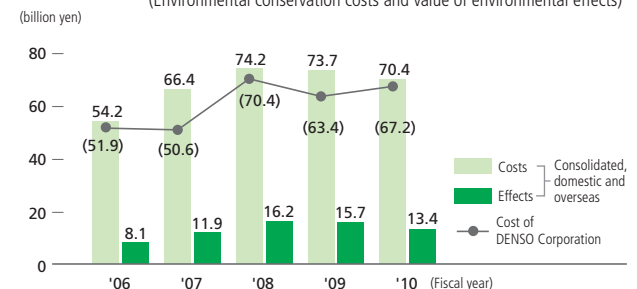
The environmental conservation cost was cut back by 3.3 billion yen on a global basis compared with the previous fiscal year. DENSO Corporation's environmental conservation costs increased by 3.8 billion yen. This mainly included additional costs for the R&D of environmentally conscious products as well as for supplying such products. Environmental conservation cost was cut back around 3.2 billion yen for the Group worldwide.

Environmental conservation benefit was down 2.3 billion yen on a global basis compared with the previous fiscal year. This consisted mainly of revenue from the sale of valuable waste and recycled materials and was also a principal factor underlying the decrease in costs.

*Although not applicable to asset removal obligation in financial accounting, PCB waste treatment expenses and soil contamination countermeasure expenses are included in the allowance for environmental damage.

Environmental accounting

(Environmental conservation costs and value of environmental effects)



*The increase of costs after 2005 is due to a revision in calculation criteria for research and development cost to include the costs of preliminary research, pilot product development and design and development for mass production.

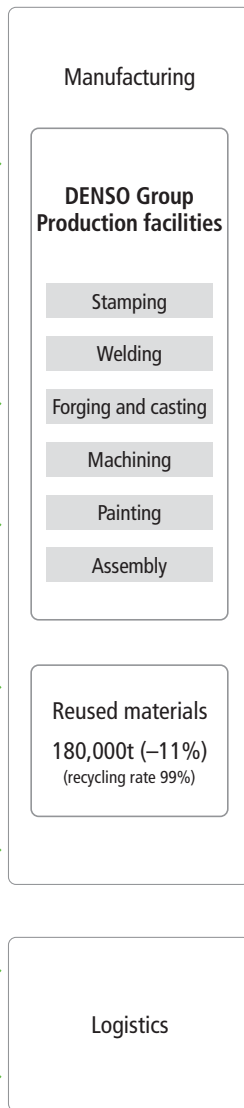
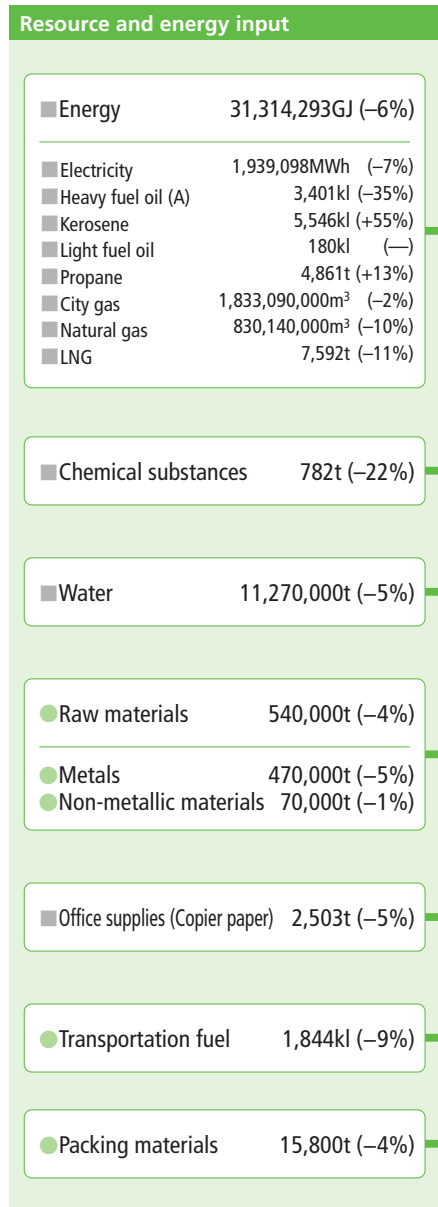
Overview of environmental impact

Material input and environmental impact of output in business activities

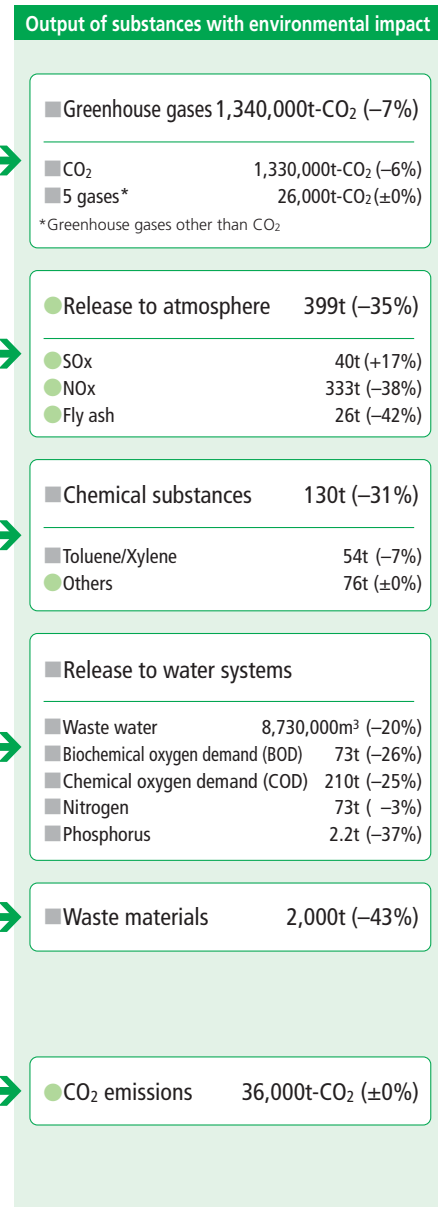
We quantitatively assess input and output of materials and energy, and utilize the resulting information to pursue comprehensive and efficient activities for reducing the environmental impact of our operations. In fiscal 2010, production volume was down 5% year-on-year due to a significant decline in

automobile demand resulting from the global economic downturn, which led to marked decreases in both resource and energy input and output. Initiatives addressing areas with significant environmental impact are reported on the following pages.

INPUT



OUTPUT



Action report

P59~

P68

P66

P62

Legend ● DENSO Corporation and Group companies in Japan ■ DENSO Corporation and Group companies in Japan and overseas
Year-on-year change shown in parentheses *Year-on-year changes are recalculated and shown because the number of Group companies has changed.

Fourth phase of the Environmental Action Plan

Fiscal 2010 results

To achieve the goals laid out in DENSO EcoVision 2015, we developed the fourth phase of the Environmental Action Plan covering the five-year period from fiscal 2007 to fiscal 2011, and all 165 Group companies are working to achieve the plan's goals. In fiscal 2010, amid a decrease in production volume, we

promoted the development of environmentally friendly products and made steady progress in reducing environmental loads in production and logistics. As a result, we achieved 2010 targets in all of the 24 areas, while also achieving fiscal 2010 targets.

DENSO EcoVision 2015 application and fiscal 2010 results "Consolidated" refers to DENSO, while "non-consolidated" refers to DENSO Corporation data

	Principal initiatives	Fiscal 2011 goals	Fiscal 2010 results	Assessment	Page	Fiscal 2011 plan
Providing environmentally friendly products	Development of environmentally friendly products	Cooperate with automakers to develop new technologies and products that conform to regulations in each country/region on fuel consumption and exhaust gas as well as to DENSO's voluntary targets	Applied thermal and power management technologies and developed technologies and products to enhance fuel efficiency and reduce exhaust gas in gasoline and diesel cars	○	58	Establish energy management for hybrid cars and mass produce power control components
	Reduction and elimination of chemical substances	Completely eliminate use of the four targeted environmentally hazardous substances (lead, mercury, cadmium, hexavalent chromium, etc.), excluding exemptions, and use lead-free solder (completely eliminate use of lead by fiscal 2010)	Already completed for four substances. Managed and reduced substances with environmental impact in line with legislative trends (revision of European ELV directive: Solder lead exceptions now within scope)	○	67	Manage and reduce environmentally hazardous substances in response to legal requirements
	Use of environmental assessments at the design and development stages	Introduce environmental factors for products and make a Green Product declaration	Continue to conduct internal trials of factors in the product development process and formulate internal definitions for green products	○	51	Continue trial use of factors and develop a Green Product policy
Preventing global warming	Reduction of energy-source CO ₂ emissions	Reduce CO ₂ basic units by renewing production technologies and enhancing and expanding the Perfect Energy Factories (PEF) program while continuing conventional energy-saving efforts	Consolidated: Basic unit: 75 vs target of 80 or less compared with 2000 levels Non-consolidated: Emissions: 88 vs target of 90 or less compared with 1990 levels Basic unit: 43 vs target of 60 or less compared with 1990 levels	○ ○	59 60	Consolidated: Basic unit: 80 or less compared with 2000 levels Non-consolidated: Emissions: 90 or less compared with 1990 levels Basic unit: 60 or less compared with 1990 levels
	Reduction of emissions of the five targeted greenhouse gases	Reduce the five targeted gases, for example, by recovering and removing chlorofluorocarbon (CFC) substitutes in semiconductor manufacturing processes	Emissions: 39 vs target of 70 or less compared with 2003 levels	○	60	Emissions: 70 or less compared with 2003 levels
	Reduction of CO ₂ emissions associated with product logistics	Reduce CO ₂ emissions through transport improvements and eco-driving	Non-consolidated: Emissions: 33,500t-CO ₂ vs target of 36,100t-CO ₂ or less	○	62	Consolidated: Basic unit: 99 or less year-on-year Non-consolidated: Emissions: 33,500t-CO ₂ or less
Managing environmentally hazardous substances	Reduction of emissions of Pollutant Release and Transfer Register (PRTR) substances to atmosphere and water	Reduce emissions, for example, by optimizing usage and substituting with alternative materials	Overseas: Basic unit: 74 vs target of 76 or less compared with 2000 levels Domestic: Emissions: 20 vs target of 35 or less compared with 1998 levels Non-consolidated: Emissions: 18 vs target of 25 or less compared with 1998 levels	○ ○ ○	68	Overseas: Basic unit: 70 or less compared with 1998 levels Domestic: Emissions: 35 or less compared with 1998 levels Non-consolidated: Emissions: 25 or less compared with 1998 levels
	Reduction of Volatile Organic Compound (VOC) emissions	Reduce emissions, for example, by improving processes and transitioning to alternative materials	Overseas: Basic unit: 27 vs target of 27 or less compared with 2000 levels Domestic: Emissions: 772t vs target of 939t or less Non-consolidated: Emissions: 443t vs target of 557t or less	○ ○ ○	68	Overseas: Basic unit: 40 or less compared with 2000 levels Domestic: Emissions: 963t or less Non-consolidated: Emissions: 500t or less
Using resources effectively	Reduction of emissions (Reduction of waste)	Reduce emissions by addressing their sources, for example, by improving yield ratios (Continue zero emissions)	Overseas: Ongoing zero emissions at 18 out of 44 core companies Domestic: Emission basic unit: 5.4 vs target of 5.7 or less Non-consolidated: Emission basic unit: 3.4 vs target of 3.9 or less	○ ○ ○	66	Overseas: Promote zero emissions Domestic: Emission basic unit: Equivalent or less than fiscal 2010 levels Non-consolidated: Emission basic unit: Equivalent or less than fiscal 2010 levels
	Reduction of water consumption	Set targets for each country/region to promote activities that optimize usage and recycling	Overseas: Basic unit: 63 vs target of 92 or less compared with 2005 levels	○	66	Overseas: Basic unit: 90 or less compared with 2005 levels
	Reduction of packing material usage in logistics	Reduce packing material usage, for example, by simplifying packing and expanding use of returnable containers	Non-consolidated: Purchase volume: 15,800t vs target of 16,400t or less	○	66	Consolidated: Basic unit: 99 or less year-on-year Non-consolidated: Purchase volume: 15,800t or less

[○] Goal achieved

Prevention of Global Warming

Contributing to CO₂ emission reductions in products

Basic stance

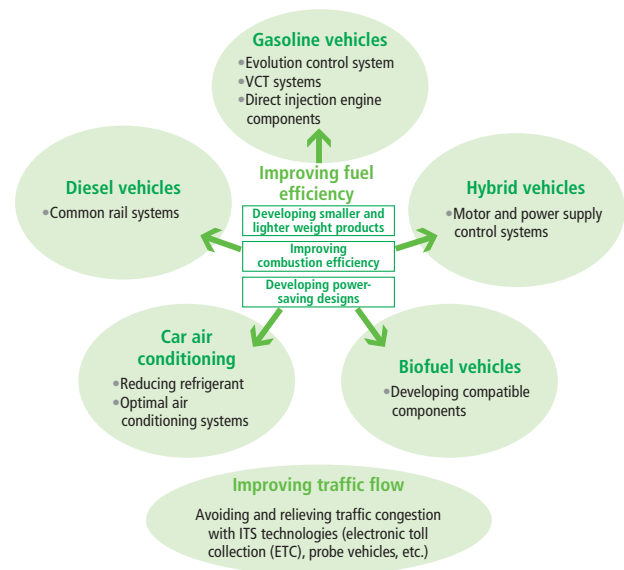
Since product use represents the stage with the highest CO₂ emissions in the automobile lifecycle, to help prevent global warming in terms of automotive parts it is important to increase fuel efficiency through lightweight designs and high combustion efficiency. In DENSO-related product areas, we are promoting

advanced "improvements of fuel efficiency and less power consumption" through control that links systems installed in vehicles, such as engine management systems, car air conditioners and safety equipment.

Activities in fiscal 2010

Based on the theme of contributing to the prevention of global warming, DENSO is progressing with technology development and commercialization, with focus on "vehicle electrification, fuel economy improvements and CO₂ reductions." In our initiatives for vehicle electrification, a battery monitoring unit for ensuring the safe and efficient use of high-voltage lithium-ion batteries has been incorporated into plug-in hybrid vehicles sold by Toyota Motor Corporation. In our efforts to improve fuel economy and reduce CO₂, we developed the world's first car air conditioning system equipped with a refrigerant injection "ejector" that realizes a dramatic improvement in energy consumption efficiency, and this system is installed in the new model Prius. Additionally, our new model spark plug that employs a newly developed nickel alloy contributes to improvements in fuel efficiency and torque and helps reduce the volume of CO₂ emissions. These represent notable achievements under our "Energy Management" development concept that links diverse technologies to raise energy efficiency of the entire vehicle. In the future, we plan to focus on such areas as the practical application of a "navigation coordination system" that uses information on road conditions obtained from car navigation systems for controlling energy usage in vehicles.

Management of CO₂ emissions reduction

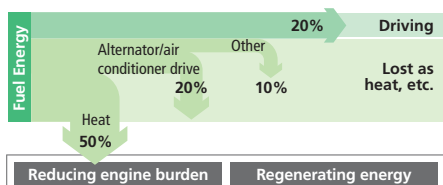


Eco Products

(1) Toward vehicles that use energy wisely—Energy management

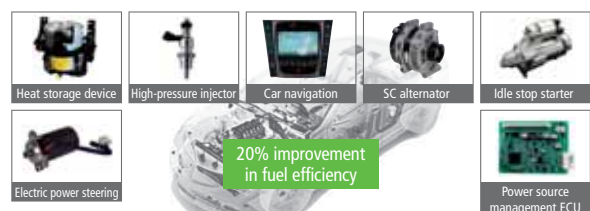
One current issue concerning vehicles is finding ways to reduce fuel consumption and cut CO₂ emissions. In reality, only about 20% of fuel can actually be used as energy for driving a vehicle, while the remaining portion functions as essential elements for the generator and air conditioner, with a large portion lost as heat. To reduce this energy loss, DENSO is working to raise the efficiency of internal combustion through diesel-related products and gasoline direct injection, developing an idle-stop system, and focusing on hybrid products as part of efforts to reduce fuel consumption. At the same time, we are progressing with "energy management" for efficiently utilizing the energy in fuel.

This approach represents our idea for improving environmental performance by linking technologies in a wide range of business groups such as power train control systems, thermal systems, electric systems, electronic systems and information and safety systems to raise energy efficiency of the entire vehicle. These efforts are based on the twin pillars of "reducing the engine burden" through efficient power generation and realizing power-saving devices and energy control, as well as promoting "regenerative use" that entails recovery and reuse of heat energy emitted by vehicles and kinetic energy lost during deceleration.



Approximately 20% of fuel used in vehicles is utilized as energy for driving, while the remaining 80% is mainly discarded as heat.

- Energy management**
- Regeneration during deceleration
 - Navigation coordination
 - Cooling storage
 - Heat storage
 - Infrastructure coordination driving support



Aim for an approximately 20% increase in the fuel efficiency of gasoline vehicles by linking and integrating multiple systems.

(2) Component and product lineups that support energy management

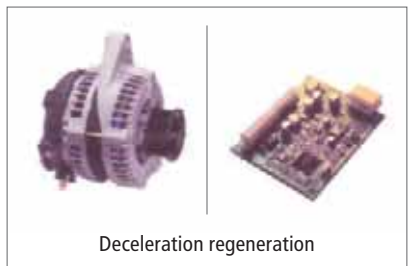
Heat storage system for vehicle warm-up

Saving fuel during engine start-up
Starting up a vehicle during winter consumes much fuel until the cold engine finally warms up. As a solution, DENSO jointly developed (in 2003) an engine warming system that stores a portion of engine-cooling water, which has been heated to a high temperature during driving, inside a tank that deploys Dewar vessel technology. This system then supplies this heated water that is above 65°C to warm the engine the next time the engine is started. By effectively utilizing heat energy that previously dissipated into the atmosphere, this system saves fuel when an engine is started.



Deceleration regeneration system

Converting kinetic energy into electricity during deceleration
Vehicles repeatedly accelerate and decelerate. During these times, it is important to effectively use energy that is lost through deceleration resulting from braking. Accordingly, DENSO jointly developed (from 1997) a system that converts discarded unused kinetic energy during the deceleration process into electricity and then recovers and reuses this electricity to provide optimal control over electricity and fuel consumption.



Battery monitoring unit

Efficiently using hybrid vehicle batteries
Battery monitoring units detect electric voltage, current and temperature for the safe and efficient use of high-voltage batteries. Lithium-ion batteries have a high energy density. On the other hand, lithium-ion batteries consist of multiple cells with fluctuating voltages, making it necessary to control the voltage of each cell. In response, DENSO applied its own proprietary control method to these batteries to significantly simplify the voltage-control circuits. These battery monitoring units have been installed in the Prius plug-in hybrid that was launched at the end of 2009.



Fuel-saving spark plug

Raising environmental performance at reasonable prices
Spark plugs are devices that create a spark with electricity to ignite fuel. Our new model spark plug launched in January 2010 raises ignition performance using our unique electrode shaping and a newly developed nickel alloy. The spark plug reduces CO₂ emissions by 0.8% while improving fuel consumption by 1.2% and boosting torque by 1.1% (compared with the Company's previous products). Compared with spark plugs that use such rare metals as iridium and platinum, our new spark plug raises environmental performance at an affordable price.



Car air conditioning system with an ejector

A world first: Reduces power consumption by about up to 25%
Used in truck refrigeration units and household-use CO₂ heat-pump water heaters, DENSO's unique "ejector," which is a refrigerant injection device, realizes large energy savings. We further reduced the size of this injector to enable it to be integrated into air conditioning systems for passenger vehicles. By lightening the burden on the compressor, which accounts for a large portion of the energy consumed during the operation of car air conditioners, this system reduces power consumption by about up to 25%. This system is installed in Toyota's new model Prius (launched in May 2009).



Rechargeable mat-type electric blanket for use in trucks

High-performance rechargeable battery enables blanket to be used when truck engine is turned off
During winter months, truck drivers can be commonly seen napping at rest stops and keeping warm using their truck heater with the engine running. With the aim of reducing fuel consumption and the environmental impact, DENSO launched (in September 2009) sales of the *Shikinukku II* electric blanket for use in trucks. High performance recharging of this blanket while the truck is driving eliminates the need for charging with the engine running when the blanket is in use (four hours). The blanket's heating wiring is concentrated in the area around the user's feet and the blanket efficiently maintains heat with little electric power usage.

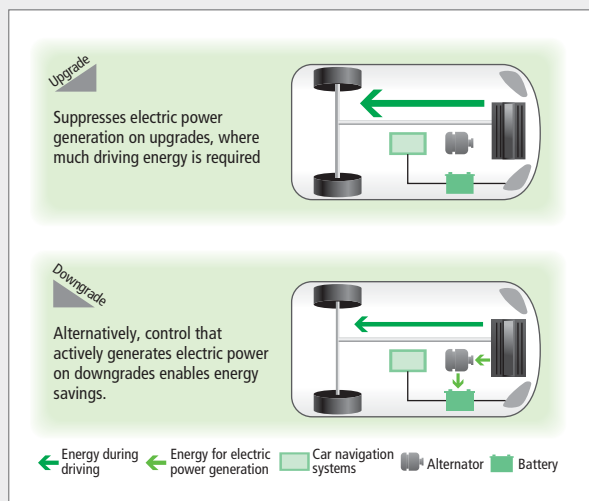


COLUMN

Toward the commercialization of navigation coordination systems

Using car navigation information for energy control

Vehicles require large amounts of energy for driving uphill, but little energy when driving downhill. By linking car navigation road information to a vehicle's air conditioner and generator, if energy needed for driving the next upgrade can be widely distributed and electric power can be actively generated and stored, this energy can then be efficiently used when driving on the next downhill section of the road. This represents a technology for improving fuel efficiency by linking car navigation road information with various devices in this manner.

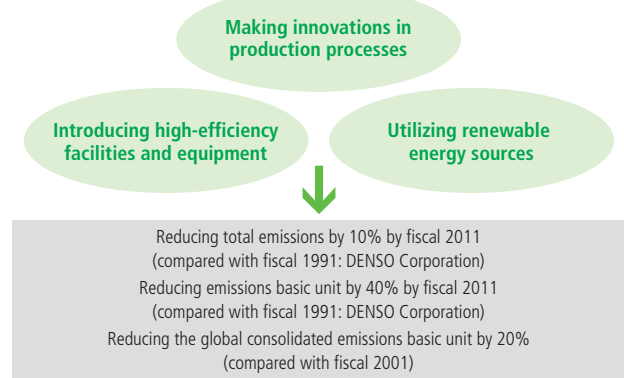


Contributing to the reduction of CO₂ emissions in production activities

Basic stance

Greenhouse gases emitted as a result of DENSO's production activities consist primarily of CO₂ associated with energy consumption, hydrofluorocarbons (HFCs) used in air conditioner refrigerant and perfluorocarbons (PFCs) and sulfur hexafluoride (SF₆) used in semiconductor production, as well as CO₂ emissions associated with logistics. Of these, CO₂ emissions associated with energy consumption account for 82% of greenhouse gas emissions. In terms of the Eco Factory concept, which is dedicated to achieving a sustainable society, the reduction of greenhouse gas emissions throughout the supply chain has been positioned as a priority issue.

◎Initiatives for reducing CO₂ emissions in production processes



Promotion structures

In January 2008, we created the CO₂ Project under the aegis of the Environment Committee. Taking into account all previous initiatives, the project has zeroed in on the need to accelerate CO₂ reductions. A process of analysis and assessment is pursued to help develop scenarios for actions, for instance: (1) facilitating the evolution of Perfect Energy Factories (PEF) activities*,

(2) identifying themes for the development of new production technologies and (3) developing mechanisms for promoting energy conservation (energy-saving specifications that integrate technology, facilities and equipment, and manufacturing plans).

*Activities geared to create PEF that pursue an exhaustive program of improvement founded on the visualization of energy consumption and the full participation of employees.

Fiscal 2010 activities

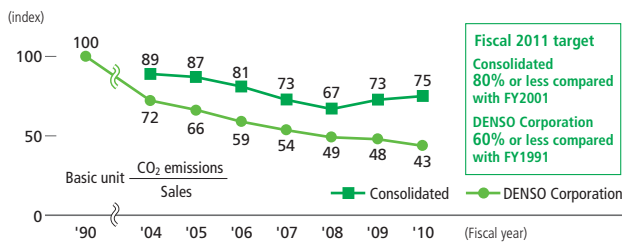
(1) CO₂ emissions

We consider the ongoing reduction of CO₂ emissions to be one of the most important issues in preventing global warming. As such, we have established targets that call for a reduction in DENSO Corporation's CO₂ emissions by 10% as well as reduction of 40% in the basic unit compared with fiscal 1991 levels by fiscal 2011; and a reduction in global consolidated production emissions basic unit encompassing all domestic and overseas Group companies by 20% compared with fiscal 2001 levels by fiscal 2011. Additionally, the Japan Auto Parts Industries Association, of which DENSO is a member, has put forth the voluntary target of reducing average CO₂ emissions by 7% compared with

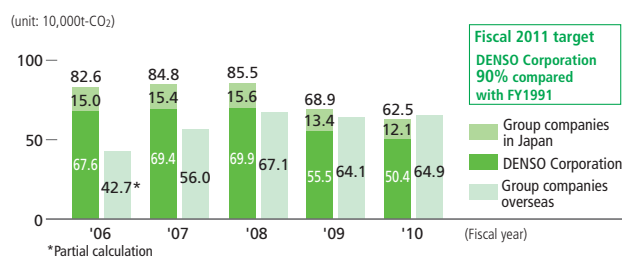
fiscal 1991 levels from 2008 to 2012.

DENSO has formulated an energy reduction plan for each business location and company aimed at achieving these goals based primarily on innovating production processes, introducing highly efficient equipment and utilizing natural energy. The plan is examined and revised each year and initiatives are subsequently implemented. As a result, the CO₂ emissions basic unit for DENSO Corporation in fiscal 2010 was 45 (compared with fiscal 1991) and 75 on a global production basis (compared with fiscal 2001). Overall emissions at DENSO Corporation were 88% of fiscal 1991 levels.

◎CO₂ emissions basic unit of the DENSO Group



◎CO₂ emissions of the DENSO Group



*Partial calculation

Basic rationale on the calculation of total greenhouse gas emissions at DENSO

At DENSO, all greenhouse gases defined in the Kyoto Protocol are cumulatively calculated, specifically, CO₂, which is an energy-related greenhouse gas, and five non-energy-related greenhouse gases that include PFC, HFC, SF₆, N₂O and CH₄. The emission coefficient set by region is the conversion factor for CO₂ at DENSO. In Japan, the Company uses the conversion factors shown in the table below. Outside Japan, DENSO uses the factors publicly announced in each global region. Please note that in this report the reduction effect of CO₂ by co-generation is converted by the average of conversion factors for different types of thermal power generation. The effect of co-generation is included in the CO₂ emissions of the Company. As for the emissions of the five gases, their greenhouse effect caused by the Company has been calculated previously with the coefficient that assumes the emissions of the five gases are the same as the quantity of those used. However, from fiscal 2007, the Company has begun using another emission coefficient for the five gases. The coefficient is specified in detail by operational background in the instructions documented in the Law Concerning the Promotion of the Measures to Cope with Global Warming enacted and enforced in Japan.

◎Conversion factors for CO₂ used in the calculation of CO₂ emissions

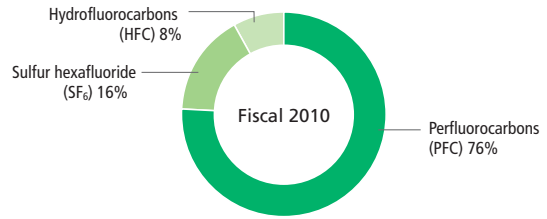
Electricity	0.2966kg-CO ₂ /kWh
Heavy fuel oil (A)	2.7000kg-CO ₂ /L
Kerosene	2.5308kg-CO ₂ /L
Propane	3.0094kg-CO ₂ /kg
City gas	2.2559kg-CO ₂ /m ³

*Reference of conversion factor for CO₂: Electricity taken from a publication of Japan Auto Parts Industries Association from fiscal 2009; others taken from a publication of Japan Automobile Manufacturers Association

(2) Reducing greenhouse gases other than CO₂

We are following a five-year plan with the target of reducing emissions of these gases by 70% compared with fiscal 2004 levels by fiscal 2011. From fiscal 2009, we installed scrubbers used in semiconductor manufacturing processes and have been promoting alternatives to these gases, and in fiscal 2010 we reduced emissions by 25,300t-CO₂ and thus attained the target of our EcoVision.

◎ Breakdown of greenhouse gas emissions (excluding energy-source CO₂) [DENSO Corporation]



Priority initiatives

(1) Energy conservation activities

Based on a belief in the importance of minimizing energy loss close to zero, we are undertaking concerted efforts to reduce electricity use, which accounts for 60% of DENSO's energy consumption. The basis of these efforts is to identify latent issues by visualizing the energy consumption of individual production lines and by scoring progress in activities, as well as to comprehensively undertake improvement measures.

Some 2,800 energy-saving improvements have been implemented at DENSO Corporation's factories, including the transition to electrically generated compressed air and the introduction of high-efficiency air conditioners. Domestic and overseas Group companies have expanded improvement activities by conducting diagnoses in compliance with management standards that lay out operational guidelines for energy-saving activities from a global perspective. In particular, we have sought to strengthen PEF initiatives and are horizontally putting into practice 115 improvement methods in three languages (Japanese, English and Chinese).

In addition, the Energy-saving Technologies Group was organized in 2000 to promote the development of processing and production equipment that contributes to energy conservation. This body shares information with Group companies and encourages the introduction of various energy-saving technologies. In fiscal 2010, practical application of seven such technological development programs was realized.

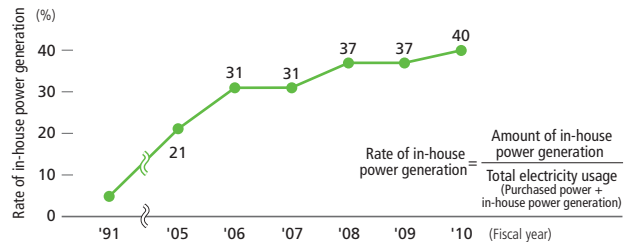
◎ Measures to reduce CO₂ emissions

Procedures	Measures
<ul style="list-style-type: none"> Announce concept of DENSO Eco Factory Expand Global PEF in Japan and overseas 	<ul style="list-style-type: none"> Expand energy-saving air blowers throughout the Group Expand energy-saving air nozzles Check and repair compressed air leaks Electrify molding machines Thoroughly implement turning equipment off between operating times Educate all employees on saving energy
<ul style="list-style-type: none"> Development of energy-saving technologies for processing 	<ul style="list-style-type: none"> Miniaturize equipment for machining and heating Introduce machining machines for dry processing Circulate waste heat and cold energy

(2) Introducing high-efficiency facilities

We have actively introduced co-generation facilities at domestic factories given an extremely effective means of promoting energy savings due to their ability to generate electricity using natural gas, a fuel that generates less CO₂ emissions, and utilize waste heat. Currently our in-house power generation ratio is 40% (total power generation of 5,220,000MWh) and we will strive for efficient and effective operation of all 13 co-generation facilities. This is expected to yield an annual CO₂ reduction of 147,000t-CO₂.

◎ In-house power generation deploying co-generation [DENSO Corporation]

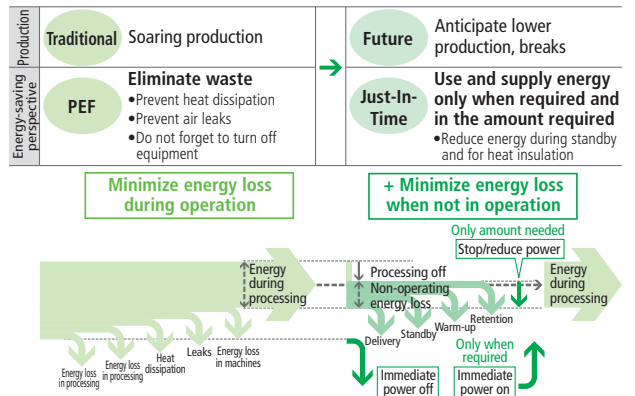


(3) Saving energy with Just-In-Time System

Traditionally, DENSO has focused on energy conservation measures at full operating capacity when production increases. Now, amid fluctuating production volumes, a key theme in boosting conservation efforts is reducing power consumption while equipment is not in operation. In certain cases, we have delayed efforts to eliminate warm-up operation of general machinery and idling operation of equipment between processes when it is necessary to alter the complex power on/off mechanism or settings. From fiscal 2010, however, we will start activities to thoroughly reduce standby power requirements based on a concept of saving energy via a Just-In-Time system whereby only necessary equipment operates when required and only for the time needed.

◎ Saving energy with Just-In-Time system

Focus (Require new energy-saving perspective when production declines)



Reducing CO₂ emissions through the Eco Factory Plan

Because we consider the reduction of CO₂ emissions to be one of the most important tasks in transforming all of our production plants into Eco Factories, we have established model factories and developed plans to construct new facilities and renovate existing facilities. For example, the plant expansion at the Daian Plant (Mie Prefecture) includes using baking furnace waste heat, electrifying air compressors by drive motor, disclosing our progress in meeting energy-saving goals and introducing solar- and wind-powered electric vehicles. In addition, from fiscal 2008 we turned off heaters at production facilities

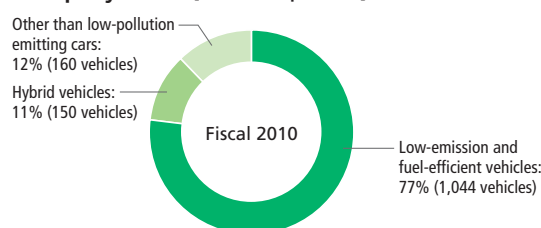
during lunchtime and breaks to make sure the emission factor does not decline even when production volume changes. We significantly strengthened energy-conservation patrols and other related activities as well.

Elsewhere, we are deploying an energy-saving system designed to take advantage of local characteristics by using stored snow to cool the facility during summer at DENSO Electronics Corporation (Hokkaido), where we started producing electronic components in April 2009.

Promoting employee "Eco Life" activities

DENSO works to raise awareness of employees about how they can practice an "Eco Life" and to provide a foundation for doing so based on a belief that environmentally responsible conduct on the part of its approximately 120,000 employees can make a significant contribution to the prevention of global warming. The fourth phase of the Environmental Action Plan sets forth the following priority initiatives to serve as guidelines in these efforts: (1) expansion of the use of clean energy vehicles and low-pollution emitting cars in the Company's fleet, (2) further improvement and promotion of commuting programs like Park & Ride, (3) awareness-raising to promote widespread adoption of eco-driving practices and (4) promotion of tree-planting activities around factories. In Japan, in addition to launching a shuttle bus service in the vicinity of DENSO Corporation's headquarters in November 2006 (Park & Ride) and promoting tree-planting activities, environmental activities have been linked to the DECOPON Eco-Point System in which employees are actively encouraged to participate.

◎Percentage of clean energy vehicles and low-pollution emitting cars comprising the Company's fleet [DENSO Corporation]



COLUMN

DENSO Wins Ministry of Economy, Trade and Industry (METI) Minister's Award in the Organizational Category of the Energy Conservation Prize

With energy conservation activities positioned as a priority environmental issue, DENSO established the CO₂ Project Center in fiscal 2008 and has been making concerted efforts across the company to implement thoroughgoing activities to conserve energy with the participation of all employees (see example 1 below). Also, DENSO utilizes the advantages of designing, developing and building manufacturing equipment in-house, which allows us to introduce new energy conservation technologies when developing our own manufacturing equipment (see examples 2 and 3 below). The METI Minister's Award that we received was in recognition of this approach. In the future as well, DENSO will undertake exhaustive company-wide energy conservation activities and contribute to global environmental protection.



METI Minister's Award winning mark



METI Minister's Award presentation ceremony (Organizational Category)

Example 1

Making every effort to improve energy conservation around the world: Perfect Energy Factory (PEF) activities

Energy-saving activities independently conducted in each department are shared among departments and exhaustive efforts are made to achieve cross-departmental improvements in energy conservation within the Company and at Group companies in Japan and overseas. A total of 115 items, including reducing air consumption and improving lighting and air conditioning efficiency at production sites, serve as common themes for conserving energy.

Example 2

In-house development of efficient manufacturing equipment: Compact, Slim, Simple, and Speedy (CS3) activities

We are promoting reductions in energy, space and equipment costs for production systems by undertaking the in-house development of manufacturing equipment that is more compact and has simplified mechanisms.

Example 3

Optimal energy supply to production lines: Just-In-Time (JIT) energy activities

We have applied the Just-In-Time (JIT) concept of "providing only necessary items, at the necessary time, in the necessary amounts" to the management and supply of energy. By doing so, the Company aims to realize an energy-efficient production system that is highly capable of responding to changes in production volume by ensuring optimal supplies of energy linked to actual production volume and reducing small amounts of standby power consumed at production facilities.

Reducing CO₂ emissions at dealerships and service stores

Dealerships and service stores that repair DENSO products and sell reconditioned (rebuilt) and environmentally friendly products are also actively working to reduce the amount of electricity and gas used in their offices and repair shops under the DENSO-approved Eco Service Station program.

To further promote these efforts, we are raising awareness of related initiatives by visualizing and quantitatively realizing CO₂ reductions in offices and product sales from fiscal 2009.

CO₂ reductions from the Eco Station program

Target		CO ₂ reductions (calculated based on information from DENSO and the Ministry of Land, Infrastructure, Transport and Tourism, etc.)			
Rebuilt products	Alternators/ starters	Difference between new and reconditioned products	8.2kg-CO ₂ per vehicle	Volume 290,000	3,560t-CO ₂ reduction
	Injection pumps		22kg-CO ₂ per vehicle	30,000	
	Compressors		8.3kg-CO ₂ per vehicle	60,000	
Eco Product sales	Digital tachometers	Annual comparative reduction	231 kg-CO ₂ per vehicle	10,000	4,115t-CO ₂ reduction
	ETC equipment		11kg-CO ₂ per vehicle	180,000	

Reducing CO₂ emissions from logistics activities

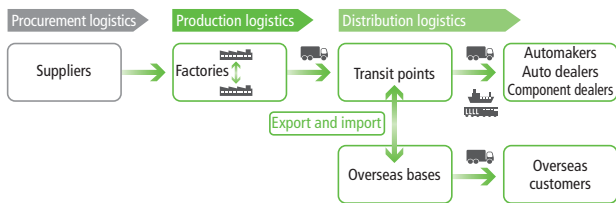
DENSO Corporation ships approximately 20,000m³ of products each day to domestic and overseas destinations by truck, railway and ship. We consign distribution operations to DENSO Logitem Corporation, a subsidiary, and work together to promote CO₂ reductions at specified shippers pursuant to revised energy-saving laws in order to fulfill our social responsibility.

Specifically, we are helping promote a composite program including measures such as (1) improving loading ratios, (2) promoting modal shift (to rail or ship transport to Tohoku Region), (3) practicing energy-saving shipping

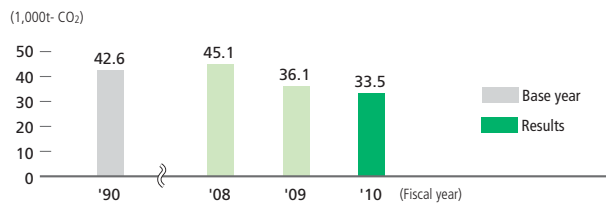
by means of optimal routes, (4) shipping directly to suppliers, (5) increasing efficiency in logistics between intermediary warehouses, (6) supporting the introduction of eco-tours and (7) introducing tools to enhance fuel efficiency.

In fiscal 2010, amid a 5% decrease in distribution volume in line with lower production, we integrated transportation routes, shortened transport distances and implemented other measures that resulted in a reduction in emissions of 5,400t-CO₂. We achieved our fiscal year target and recorded 33,500t-CO₂ in overall emissions.

DENSO logistics



CO₂ emissions from logistics [DENSO Corporation]



Initiative Example 1

Raising loading efficiency through the introduction of a low-floor, wide truck

To transport an even larger number of products on one truck, we introduced a low-floor, wide truck with a loading bed modified within the scope of the Road Trucking Vehicle Law and the Road Traffic Law. While giving consideration to vehicle weight, we achieved a 34% improvement in loading efficiency and introduced these trucks for delivery use on routes between the Mikawa region of Aichi Prefecture, where our main plants are situated, and the Hiroshima Plant.



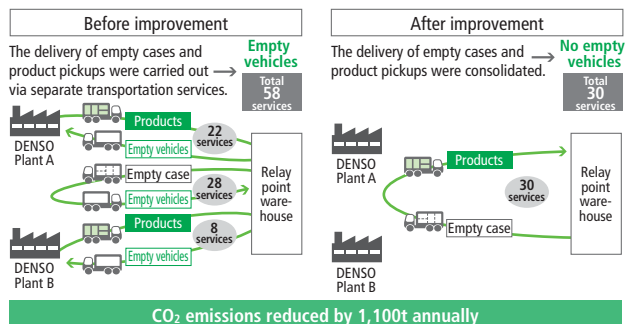
Enables an 11-pallet increase in loading capacity on a truck the same size as an 11t truck

- 1 Eliminated the rear door and replaced this with thin sheet
- 2 Embedded the external clasps
- 3 Reduced the rear portion of the driver's seat and expanded the loading bed
- 4 Made the sheet of the side surface as thin as possible
- 5 Reduced tire size and realized a low floor

Initiative Example 2

Combining product pickup shipment services with empty box shipment services for a large reduction in the number of services

For short-distance product shipment services between plants and warehouses at relay points, until recently we alternately operated one service for shipping empty cases to plants for inserting products and one service for transporting these products to the relay point warehouse. This arrangement resulted in empty vehicles on the return trips for each type of service. In fiscal 2010, we reevaluated our transportation management and consolidated product shipment and empty case shipment services and thereby completely eliminated services with empty vehicles. As a result, we reduced our deliveries from 58 services per day to 30 services per day as well as cut CO₂ emissions by 1,100t annually.



Using *karakuri* (ingenious mechanisms) to reduce the environmental impact and costs and promote human resource development

Thinking of ideas that transcend automated equipment

DENSO's products are manufactured by undergoing several processes, and most production equipment is automated through such electrical driving mechanisms as motors, cylinders and valves; sensors and other sensing devices; and robots and other carrier equipment.

Compared with production in Japan, in emerging countries there is frequent high-mix, low-volume production and the manufacture of a mixture of products on the same line. Therefore, when making capital investment in these countries, introducing the same types of facilities as used at the mother plant in Japan will not only lead to high costs but will also result in production plants with heavy energy burdens due to the consumption of large amounts of electric power. Accordingly, from 2000 DENSO carried out activities for fundamentally reevaluating the ways of production. During this review, DENSO thoroughly analyzed each operational process, combined knowledge and ingenuity cultivated at manufacturing sites and realized semi-automated lines not dependent on electrical drive and carrier equipment.

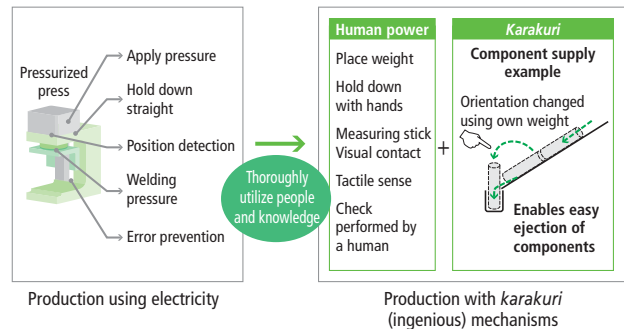
The power for driving production processes was derived from an array of contrivances similar to those used in the *karakuri ningyo* (wind-up mechanical dolls) of the Edo period. These contrivances include transporting products using a product's own weight, applying the principles of leverage and operating equipment using the force from dropped weights. Through these innovative efforts, we were able to constrain capital investment and significantly curb power consumption (CO₂ emissions), which is a principal element of the environmental impact.

Facility design engineers from the System Control Components Manufacturing Department of the Daian Plant who were involved in this project then asked themselves, "Shouldn't we be actively applying this same ingenuity to our production lines in Japan?" Accordingly, we launched the Production Improvement Group that uses *karakuri* (ingenious) mechanisms to automate tasks performed manually between processes linking specialized machinery and to reduce burdens on workers.

◎What is a *karakuri* (ingenious) mechanism?

This is contrivance or mechanism that can only be created by a person who knows every detail of work at a particular site.

- Skillfully use physical forces
- Skillfully use other driving forces (motors)
- Perform multiple actions with one driving force



Purpose	Reduce costs related to production lines, facilities, and jigs and tools (save resources)
Results	<ol style="list-style-type: none"> 1. Raised production capabilities (shortened machinery operating times, shortened work operation hours and promoted standardization) 2. Contributed to energy conservation (electric power, fuels) 3. Deployed in other departments

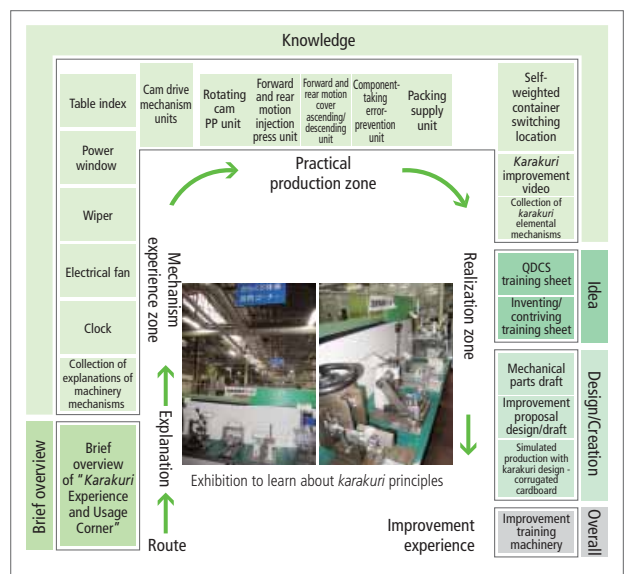
Utilizing knowledge, ingenuity and inventiveness and providing excitement, inspiration and interest

Karakuri mechanisms play a role in all areas of high-mix, low-volume manufacturing

The Production Improvement Group deploys measures implemented to date at the Manufacturing Department. At the same time, this group organized and categorized the knowledge and innovations accumulated by each department since the beginning of the 1990s into "*karakuri* mechanisms," built models that explained various *karakuri* principles, held in-house idea contests (*Muran* "spawning a dream") and exhibited products at outside events to appeal its presence. Moreover, using one section of the Daian Plant, the group set up the "*Karakuri* Experience and Usage Corner" that exhibits systemized *karakuri* mechanisms in an easy-to-understand format. This corner began serving as a venue for obtaining helpful suggestions for raising productivity and for reducing the costs and simplification of production facilities.

Recently, along with rising public concern about global environmental problems, there has been an increase in the essential value of *karakuri* mechanisms, which use no electricity (zero CO₂ emissions) or large-sized equipment (resource conservation). There has also been a rapid expansion in instances where these mechanisms have been introduced within the Manufacturing Department, which is involved in high-mix, low-volume manufacturing that involves frequent process changes.

◎"Karakuri Experience and Usage Corner" Established in Plant



Utilizing *karakuri* improvements in human resource development educational tools

The Production Improvement Group developed a training program based on its belief that if numerous staff members acquire knowledge and technical skills during the *karakuri* improvement process, this will serve as motivation for making further improvements and lead to an enhancement of improvement awareness and environmental protection. Within the department, we called on the Production Improvement Group to set up an "improvement study program." At DENSO, there is a tradition of "maintaining your own machinery yourself" and we set up a qualification system called *einsteller* (facility maintenance personnel) that encourages the acquisition of specialized skills. We hoped to raise the level of capabilities in all areas covering productivity, safety and environment protection if these personnel could acquire not only equipment maintenance capabilities but also gained the ability to make production improvements.

Accordingly, in fiscal 2004, we solicited the first group of participants for the "improvement study program," targeting leaders of production sections. These leaders took a three-day capabilities test and several staff passing this test then participated in a three-month in-house study course. Finally, these staff members took a three-day program-completion test after undergoing multi-faceted training covering machinery (mechanisms), electricity, design, processes, analytical capabilities and conceptual capabilities that was based on

an in-depth curriculum. The participants subsequently returned to their respective workplaces and actually implemented the production improvements, reported on the results at a briefing session attended by the plant general manager and section managers and were then finally accredited as having completed the program. To date, a total of 26 persons have completed this program. Through the efforts of these staff, case examples of production improvements deploying *karakuri* mechanisms have been expanding dramatically.

©Educational tools developed by the Production Improvement Group



Assembly attachment and inspection practice education materials. These integrate various defects and if the proper improvements are made, work time can be shortened from 19.6 seconds to 6.3 seconds.



This work was created based on the assignment of "use cardboard to create a mechanism that lifts up the product."

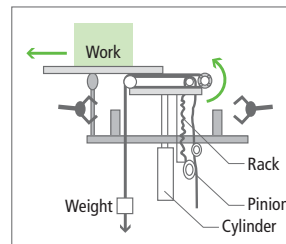
Karakuri mechanism Example 1

Converting the force from a dropped weight into gear rotation to activate a conveyor

Conveyors are ordinarily activated by using drive from a motor. In this example, when the conveyor is lifted with a cylinder, a weight drops from the top portion of the conveyor. The force of dropped weight rotates gears that provide movement needed for slide delivery of work (semi-finished products). Conceived based on a one-way clutch that rotates a bicycle tire in only one direction, this mechanism eliminates the need for a motor and enabled a reduction in standby electricity and electricity for operation.

Slide delivery requires only the necessary amount of driving energy at the time when needed and is therefore consistent with the concept of "just-in-time" electricity.

©Work Delivery Structure



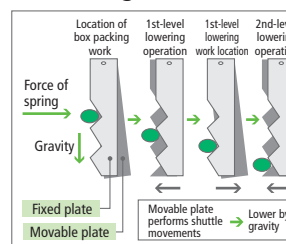
Karakuri mechanism Example 2

Racks descend with the push of a pedal, enabling workers to comfortably complete stacking

The process of packing boxes (weighing 7kg) and stacking these in several tiers places a burden on the waists and backs of workers. Moreover, traditional lifting equipment employed mechanisms such as electric motors and controlling equipment that were operated with externally supplied energy and thus continually consumed energy while operating and on standby.

Utilizing products' own weight, levers and balance, we efficiency doubled and transmitted force from a foot pedal using a pulley, spring and weight to sequentially lower and place boxes onto each rack. This mechanism requires no electricity and energy and enables workers to comfortably complete stacking.

©Lowering mechanism



Karakuri improvements are spreading and expanding in Japan and overseas

The greatest benefit of *karakuri* mechanisms is being able to use a single force or motion to simultaneously perform multiple operations, and thinking up such mechanisms is also fun. Moreover, *karakuri* mechanisms also lead directly to energy conservation and resource (facilities) savings. At the same time, there are aspects of *karakuri* mechanisms linked to the DENSO Spirit of Foresight, Credibility, and Collaboration. With facilities investment now at a major crossroads due to changes in the economic environment, *karakuri* is attracting increased attention, and in March 2010 we established an in-house *karakuri* database. The introduction of *karakuri* is expanding not only in other business departments but also overseas in such countries as China, Mexico and Hungary. *Karakuri* is also being deployed in human resources development, which gives me immense pleasure.

Yasushi Shibata

Functional Product Manufacturing Department, Daian Plant

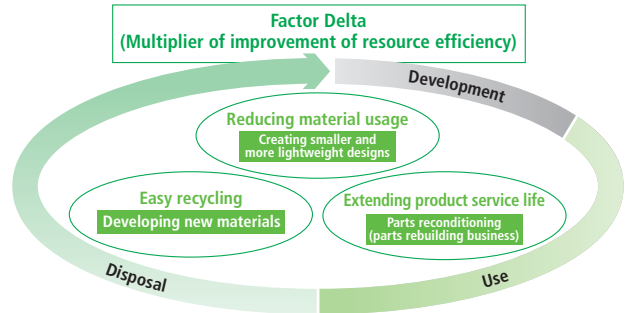


Resource Recycling

Effective use of resources by products

Basic stance

Legal requirements and frameworks for recycling are getting stricter around the world directed toward realizing more effective use of resources and preventing environmental pollution. The Automobile Recycling Law and the Law for Promotion of Effective Utilization of Resources have been enacted in Japan and are currently being debated in China. In an effort to effectively utilize resources, we are striving to recycle resources throughout the product lifecycle by reducing material use through smaller and more lightweight designs (product development stage). DENSO is extending service life by rebuilding and reconditioning products (product usage stage) together with developing materials that break down easily or are easy to recycle and calculating the recyclable ratio (disposal stage). The fourth phase of the Environmental Action Plan identifies these as priority initiatives, and we are pursuing high resource efficiency using Factor Delta environmental factors for products especially during the design stage, the first phase of the product lifecycle.

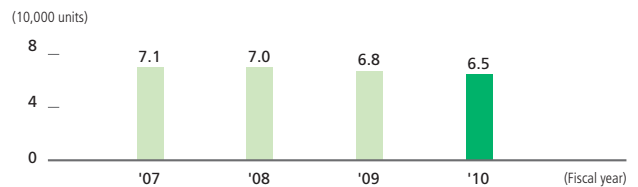


Increasing resource recycling via parts rebuilding business by the Group

In creating collection and recycling systems for used products, DENSO believes in the importance of ensuring effectiveness and efficiency that matches the social infrastructure of each country in which we operate.

At the same time, DENSO is working to expand its parts rebuilding business by practicing recycling with the following priorities in order to minimize environmental impact: product reconditioning (rebuilding) ⇒ parts reuse ⇒ material recycling. Many alternators (electric generators) and starters taken from used automobiles can be restored to an adequate level of functionality if consumables such as brushes and bearings are replaced and serviced. DENSO REMANI Corporation (Anjo City, Aichi, Japan) recovers, reconditions and ships such parts, assuring their quality via rigorous performance inspections comparable to that used for new products. Group companies are increasing the distribution of reconditioned products by setting up similar parts rebuilding businesses in Europe, the United States and China.

◎Product reconditioning volumes at DENSO REMANI



URL DENSO REMANI

<http://www.densoremani.co.jp/en/index.html>

Effective use of resources in production

Basic stance

The practices of ocean dumping and cross-border transfers of waste have been banned under the Basel Convention, thus there is concern over how many years remain for using Japan's final disposal sites. Correspondingly, manufacturers are under pressure to establish production systems that do not generate waste. To maximize resource productivity, DENSO has positioned the regulation of waste generation and reduction of water and paper consumption as priority challenges.

We are promoting zero emissions (zero landfill waste) primarily through the effective use of resources from development to production, greater production efficiency, reduced waste treatment costs and raising awareness of employees.

We have established the target at DENSO Corporation of cutting the disposal amount basic unit by 5% and at domestic manufacturing companies by 1% compared with fiscal 2004 levels by fiscal 2011, along with promoting top-tier reduction activities at overseas manufacturing companies.

We are working to reduce waste and the disposal amount of main materials (metals and plastics) and subsidiary materials (fats, oil and chemicals) by developing processing methods that take resource conservation into account and designing products that generate less waste.

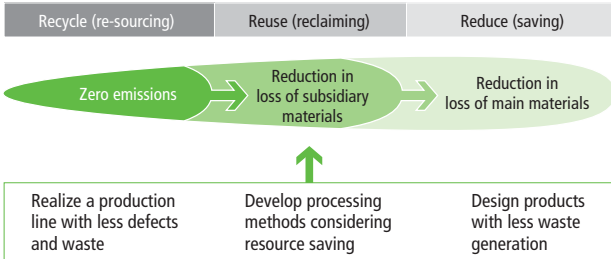
Fiscal 2010 results

(1) Zero emissions of waste and emissions reduction

A total of 18 domestic Group companies have joined DENSO Corporation in achieving and continuing to practice zero emissions since fiscal 2004, and in fiscal 2010, 18 out of 44 principal facilities have achieved and continue to practice zero emissions. We have expanded activities aimed at zero emissions at non-production sites and sales subsidiaries as well. We also have established an auditing system for waste treatment contractors used by our domestic sites as a means to ensure the most appropriate disposal.

◎Positioning of zero emissions and the activities for reducing waste and emissions

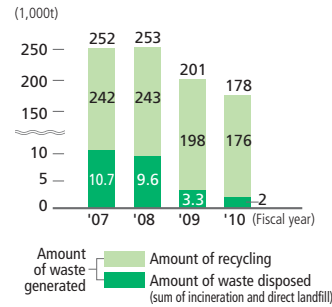
Reduce waste materials with the three Rs



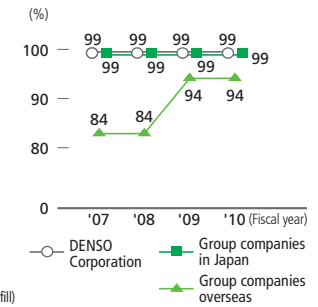
In an effort to reduce waste generation, we focused on increasing the yield ratio by curbing metal and plastic material waste through the reuse of runner* residual materials, extending the useful life of processing oil and minimizing waste treatment chemicals. For the amount of waste, the basic unit was 5.4, which surpassed our target of 5.7 or below.

*Path for plastic and metal material from molding machine nozzle to mold that shapes the product

◎Recycling and waste processing amounts



◎Recycling rates

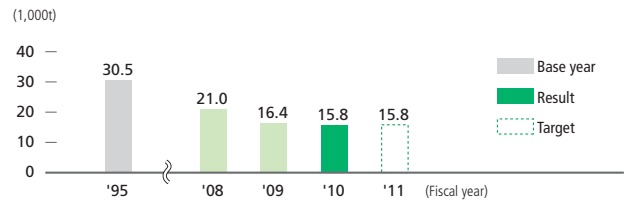


(2) Reducing packing material usage in distribution

We are promoting the use of more simple and returnable packing materials in accordance with the 3R (reduce, reuse, recycle) by establishing the target of reducing DENSO Corporation's packing material utilization by 35% compared with fiscal 1996 levels by fiscal 2011. Specific efforts to simplify packing materials include the use of less cushioning, which was made more compact and lighter in accordance with the structure of each product, and using more lightweight packing materials. Wide-ranging efforts also include promoting a switch from cardboard to plastic returnable containers and from cardboard pallets to plastic sheets, as well as reusable packing in transportation between factories.

We achieved our annual goals of 16,400t in fiscal 2010 by expanding these measures to overseas sales companies.

◎Amount of packing materials used [DENSO Corporation]



(3) Reducing water consumption

It is said that humans can use just 0.01% of the water on the Earth, and water shortages around the world are becoming a serious problem.

DENSO aims to make effective use of water resources and minimize water consumption. We have set regional guidelines and targets for the reduction of water consumption based on an understanding of major intake sources. Besides striving to conserve and recycle water, we have set voluntary standards that are stricter than legal requirements for the management of water quality and temperature and discharge water to a level that does not impact effluent streams.

Water consumption in fiscal 2010 amounted to 11.3 million tons, a reduction of 5% compared with the previous fiscal year. This was achieved through such means as utilizing a closed system for cleaning with alkali ion water for degreasing at DENSO, utilizing rainwater for daily-use water at

DMUK (UK), using rainwater for watering greenery at DNHA and DNIN (India), and treating sewage water to enable use for watering greenery and various other non-drinking applications at DMGZ (China).



Watering greenery (DNIN)



Facilities for treating sewage water (DMGZ)

Control and Reduction of Environmentally Hazardous Substances

Controlling and reducing chemical substances in products

Basic stance

There are currently more than 100,000 distinct chemical substances in use worldwide and regulations governing their use and emissions are being strengthened globally on the back of concerns over the effects on human health as well as the environmental impact when discharged into soil or water. In order to minimize the environmental impact of our products and ensure convenience and safety for our customers, DENSO seeks to strengthen production and management systems in line with a basic policy to reduce the use of chemical substances throughout a product's lifecycle to the greatest extent possible.

In particular, we have taken advantage of the implementation of the European Union ELV directive*¹ in 2000 to move forward with efforts to eliminate use of the four targeted substances of lead, mercury, cadmium and hexavalent chromium by 2008 (excluding exemptions*²) and meet the requirements of the REACH Regulations for chemical substances in force in Europe.

*1 ELV (End-of-Life Vehicles) directive: A series of regulations concerning used automobiles that entered into force in the European Union in October 2000. In principle, the regulations will be phased in to prohibit the use of harmful chemical substances in vehicle materials and components put on the market after July 2003.

*2 Cases in which substitute materials or methods capable of securing the same performance are not available and are therefore exempted

Response of DENSO and industry to laws and regulations

Year	98	99	00	01	02	03	04	05	06	07	08	09
Europe			EU-ELV directives ● Enacted		Review exemption ●		Prohibited, in principle, the use of hexavalent chromium, lead, cadmium and mercury (with some exemptions) ★ Enforced in July				REACH started ★	Exempt from application ★ Review
Japan		Set up voluntary industry targets Japan Automobile Manufacturers Association			End-of-Life Vehicle Recycling Law ● Enacted in July		★ Enforced in January					
DENSO					Set up voluntary targets ●				Reviewed voluntary targets ●			

Fiscal 2010 results

(1) Eliminating the use of lead

Along with revisions to the EU ELV directive and Annex II in mid-2009, as a measure for stronger responses to lead regulations, there was also a move to institute an implementation deadline for lead in high-melting point solder, glass, ceramics and metal alloys (iron and steel, aluminum, copper), which up

to now have been exempted from application indefinitely.

To steadily move forward with its response, DENSO will cooperate with the automobile and electric machinery industries and carry out collaborative activities such as developing alternative technologies and sharing information.

(2) Responding to REACH Regulation

Regarding targeted items (substances and formulations) for pre-registration that are handled by production facilities and Group companies in the EU, DENSO has verified the completion of pre-registration of items at each company in the supply chain providing us with materials.

In preparation for actual registration, which is the next step, in fiscal 2010 we carried out activities to verify the intentions of suppliers regarding actual registration. Moreover, we have included subsequent EU information and implementation items for compliance with the REACH Regulation in our *REACH Compliance Manual* that was formulated and distributed in 2008 and have made additional distributions of this updated manual. We are utilizing an internal system (product MDS monitoring system*¹) and making responses concerning the communication of information about SVHC*² in products and components.

To comply with the REACH Regulation, coordination among companies in the automotive industry and industry in general is essential. Accordingly, DENSO has promoted information exchanges with related industries in cooperation with the Japan Automobile Manufacturers Association through the

Japan Auto Parts Industries Association and intends to continue promoting a steady response in the future.

*1. Material Data Sheet: The MDS monitoring system is DENSO's internal system for monitoring data on materials and elements that make up products and components.

*2. Substances of Very High Concern: A candidate list of around 1,500 substances such as endocrine-disrupting agents



REACH Compliance Manual

Controlling and reducing chemical substances during production

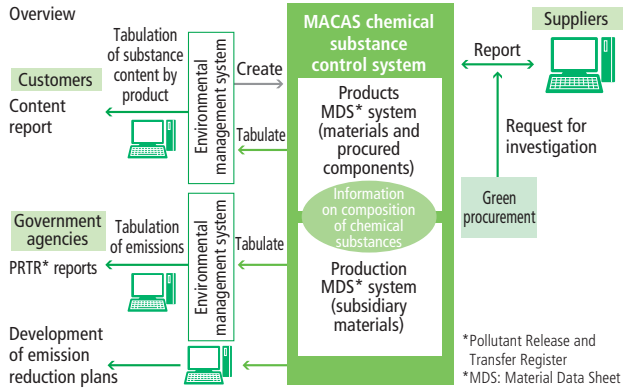
Basic stance

We classify chemical substances used at factories into "prohibited," "targeted for reduction" and "controlled" categories. Since fiscal 2002 we have sought to implement unified control of all chemical substances used in product materials, procured components and production processes by means of the Material Chemical Assessment System (MACAS), a proprietary chemical substance control system. Also, we continue to develop alternative technologies and reduce usage and emissions of chemical substances on an ongoing basis. In terms of a management system, we have applied a weighting to each substance depending on the health risk, environmental impact, consumption and amount of emission, and are focusing on the reduction of substances with significant environmental impact.

We have established uniform group-wide standards aimed at preventing previous environmental risk, and are working to prevent the spread and outflow of harmful substances to the external environment and disclose information on chemical substances. Efforts are being concentrated on enhancing communication related to chemical substances and environmental matters directed toward local communities.

Chemical substance control system

MACAS: Material Chemical Assessment System



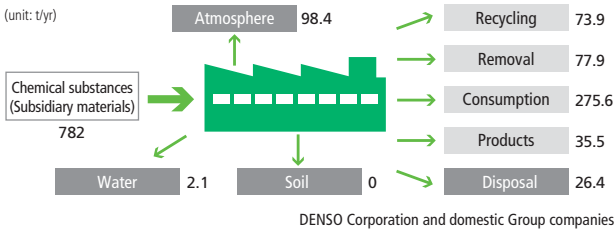
Fiscal 2010 results

(1) Responding to Pollutant Release and Transfer Register (PRTR)

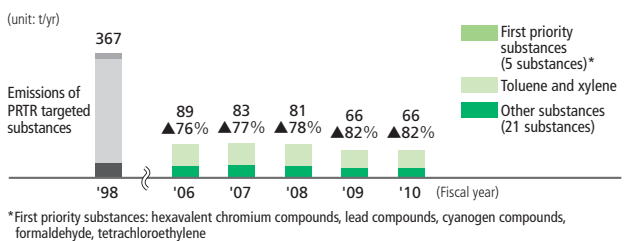
We are addressing the use of PRTR targeted substances that are listed in Japan by improving processes and transitioning to alternative substances. To this end, we have established the targets of reducing emissions of these 354 substances by 75% at DENSO Corporation and by 65% at domestic Group companies compared with fiscal 1999 levels by fiscal 2011. At the same time, we are reducing the basic unit by 30% at overseas Group companies compared with

fiscal 1999 levels by fiscal 2011 in compliance with legal regulations in each country or region. We achieved our targets in fiscal 2010 thanks to progress in initiatives such as introducing water-soluble paint for use on the exteriors of power distribution components. In fiscal 2010, DENSO Corporation posted PRTR-listed substance emissions of 66t (target: 92t), while domestic Group companies posted emissions of 49t (target: 53t).

Emissions of PRTR targeted substances



Reduction of PRTR targeted substances [DENSO Corporation]



(2) Reducing VOCs

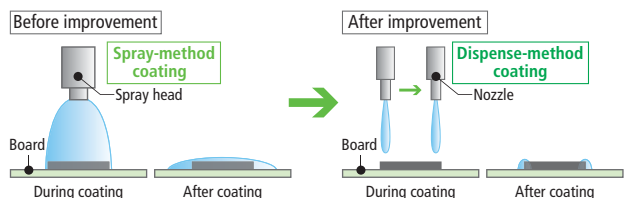
To comply with amendments to Japan's Air Pollution Control Law announced in 2005 regarding emissions of volatile organic compounds (VOCs), a class of air pollutants, DENSO has revised upwards the goals laid out in the fourth phase of the Environmental Action Plan. The new targets were set to promote initiatives for emissions to be reduced by 35% compared with fiscal 2001 levels by fiscal 2011 at DENSO Corporation and by 30% at domestic Group companies compared with fiscal 2001 levels by fiscal 2011, as well as for overseas Group companies to implement top-tier measures for their country or region.

In fiscal 2010, we reduced emissions by 47% (compared with fiscal 2001 levels) by sealing up equipment, enhancing processes and management of local emissions, collecting and reusing products, and shifting to water-based paint in addition to using traditional VOC collection and removal equipment. Going forward, we will redouble efforts for improvement through such measures as returning leftover cleaning agents to washing tanks and preventing volatilization by closing covers during non-operating times.

Example of improvement

Complete elimination of thinner from drip-proofing process for semiconductor packages

In electronic device assembly, semiconductor packages are coated and sealed with a drip-proofing material to prevent dew condensation. Until recently, we deployed a coating method whereby a liquid concentrate was thinned with thinner and then applied by a spraying process. DENSO improved this application method and now applies liquid concentrate directly using a dispensing method (fixed-volume discharging device), thereby completely eliminating the use of thinner, a generation source of VOC, from this process.



Control and Reduction of Environmentally Hazardous Substances

(3) Soil and groundwater purification and conservation

Aggressive action is required to prevent soil and groundwater contamination from the perspectives of corporate social responsibility and environmental risk management. DENSO Corporation has conducted surveys of all factories and business sites based on the history of hazardous substance use at each site since the 1980s. The Company compiled a *Soil and Groundwater Pollution Prevention Manual* in 1991 and eliminated use of chlorine-based organic solvents in the Group in 1995. The Company has also adopted a basic policy as well as risk management standards for soil and groundwater pollution. From fiscal 2005 to 2007, DENSO surveyed the history of land use at all business locations of global consolidated companies (including non-production bases).

This process revealed the presence of organic chlorine substances in excess of environmental limits at four sites in 1998, since which time DENSO has been implementing purification measures. In line with tighter controls, we

commenced resurveys of VOCs and heavy-metal contamination in fiscal 2002. We immediately started purification activities at sites that exceeded standard values. We have completed soil decontamination and are continuing to purify groundwater.

Measurement results and progress are being reported and explained through local government and community forums.

©Measured value of trichloroethylene

Environmental standard level: 0.03 mg/l or less

Location	Groundwater concentration at site (mg/l)	Current status
Headquarters	Less than 0.002 up to 1.976	Purification in progress
Ikeda Plant	Less than 0.002 up to 1.304	Purification in progress
Anjo Plant	Less than 0.002 up to 0.641	Purification in progress
Nishio Plant	Less than 0.002 up to 1.121	Purification in progress

The substances were detected only at the locations listed above.

(4) Early treatment of PCB waste

The Stockholm Convention classified polychloride biphenyls (PCBs), a group of substances widely used in dielectrical oil and heating media, as persistent organic pollutants, introducing restrictions on the manufacture, use and disposal of stored stocks and mandating reductions in emissions. Japan introduced storage and reporting requirements the same year with the enactment of the Law for the Promotion of Environmentally Sound Destruction

of PCB Waste. DENSO Corporation had been storing the substances in accordance with relevant laws since 1974 but began disposing of them at a specialized disposal company for high-voltage capacitors in 2006. This process had been completed for 125 of a total of 129 units by fiscal 2009.

We are working to quickly dispose of PCB waste from the remaining units in collaboration with Japan Environmental Safety Corporation (JESCO).

(5) Reduction of ozone depleting substances

International regulations regarding chlorofluorocarbons (CFCs) were introduced pursuant to the Montreal Protocol in July 1989 in light of their recognition as substances that deplete the ozone layer in the stratosphere. The production of CFCs was prohibited at the end of 1995, leading to a steady reduction in consumption.

DENSO established the Special Committee in Response to Restrictions on CFCs in 1988 prior to the issuance of the international regulations, and conducted activities to reduce CFCs used in the cleaning of electronic compo-

nents and the processing of machine components at factories as well as in refrigerants for car air conditioning systems. As a result, we completed the switch to HFC-134a, a fluorocarbon alternative for use in refrigerants for car air conditioners, by the end of 1995 and totally eliminated CFCs in manufacturing processes by August 1995.

DENSO actively engages in governmental projects and contributes to actions to combat CFCs in Japan as a leading manufacturer of car air conditioning systems in the industry.

Cooperation with Society

Environmental communication

Basic stance

Along with promoting environmental conservation activities, efforts to extend such initiatives in cooperation with a broad range of stakeholders are essential in order to build a sustainable society. DENSO pursues environmental action consisting of external collaboration that transcends business domains and the release of information in the form of its Eco Friendly activities. Further, annual goals have been established in the fourth phase of the Environmental Action

Plan. Priority items include: (1) enhancing interactive communication, (2) enhancing employee environmental education, (3) enhancing environmental and social contributions, and (4) fostering external alliances toward the realization of a sustainable society (coordination with related organizations, activities devoted to protecting biodiversity, etc.).

Information dissemination and external coordination

(1) Publication of CSR and sustainability reports

Based on the belief that CSR Reports serve as important tools for implementing the "check" function of the PDCA cycle, since publishing our first environmental report in 1999 we have been progressively enhancing our disclosure of information each year. We also recommend that overseas Group companies publish their own reports, and DMHU (Hungary, since 2001) and DMUK (the United Kingdom, since 2006) now publish reports on an ongoing basis. Additionally, the Anjo Plant (Aichi Prefecture) has published a site report since fiscal 2008. In October 2008, the Company issued a compilation of cases outlining outstanding environmental initiatives performed by domestic Group companies that are being encouraged throughout the organization.



Anjo Plant



DNBA (Spain)



DMUK (United Kingdom)

(2) Exhibiting at Eco Products

DENSO has been an active participant in environmental exhibits, which it considers to be an opportunity for promoting a greater understanding of its environmental initiatives and encouraging exchanges with a variety of people. In Japan, DENSO exhibited environmentally friendly products and technologies and held a number of hands-on events at the Eco Products 2009 exhibit in Tokyo in December 2009. DENSO also introduced advanced environmental technologies at motor shows held in Frankfurt, Detroit, Beijing, Tokyo and other cities worldwide.



Eco Products 2009



Tokyo Motor Show

(3) Events held during Environment Month

DENSO holds numerous events during Environment Month in June that help raise environmental awareness among employees, their families and local residents at the headquarters and surrounding areas.

◎Major events for Environment Month in fiscal 2010

Date	Content	Location	Participants
From June to August	E-learning	—	18,300
July 18	DECO School (environment-related seminars, movie screenings, creating candles using waste cooking oil)	Kariya, Aichi	925

(4) Promoting coordination with related organizations

DENSO has been participating in the World Business Council for Sustainable Development as a representative of the automotive components industry since 2000. Executives from approximately 150 companies from 30 countries participate in this organization, which has the goal of reconciling the demands of environmental conservation, social justice and economic growth. Since 2000, DENSO has also been a charter member of the Environmental Partnership Organizing Club (EPOC), a private organization of 307 major companies from the Chubu region, which is one of Japan's premier industrial areas. DENSO Corporation President and CEO Nobuaki Katoh has served as

the vice-chairman of EPOC since 2010, a role he uses to widely promote advanced initiatives that address environmentally responsible design and energy conservation.



Biodiversity initiatives

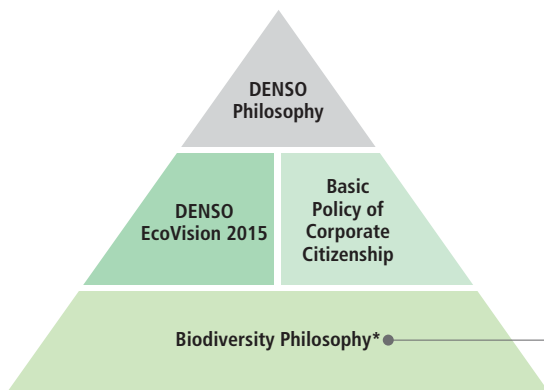
Basic stance

Our planet is inhabited by a wide variety of flora and fauna that maintain the balance of ecosystems. However, human activity has upset this balance and threatens many species with extinction, making the restoration and conservation of diverse ecosystems a global priority and leading to the adoption of the Convention on Biological Diversity in 1992.

To build a sustainable society, it is essential to resolve various issues regarding global warming and biodiversity in particular. In light of this fact, DENSO recognizes the importance of always taking into account biodiversity in

all of our business activities and ensuring the sustainable use of natural resources. For that reason, we not only seek to reduce the environmental burden in our business activities but also to maintain, preserve and restore ecosystems to their original state in each region to the greatest extent possible. We view this as a global corporate mission and therefore continue to implement projects to achieve this goal in collaboration with environmental non-profit organizations (NPOs) and local communities under the guidelines of the Declaration of Biodiversity issued by Nippon Keidanren.

◎ **Positioning of biodiversity at DENSO**



In working toward solutions to global environmental problems such as global warming and threats to biodiversity, we aim for the realization of a sustainable earth and society and the development of enriched local communities. We are also striving to attain a balance between protecting biodiversity and ensuring sustainable use of natural resources through the development of technologies, the operation of our plants and the actions of each individual employee.

*Deliberation giving consideration to Convention on Biological Diversity

〈Basic principles and desired shape〉

- Mitigate the impact on endangered and rare species (preserve the current state)
- Maintain and preserve ecosystems that have existed since our founding (around plants)
- Development by minimizing risks (when setting up new plants)
- Preserve and regenerate sustainable forests
- Nurture next-generation environmental leaders

〈Main initiatives in biodiversity〉

Initiatives	Aims
(1) Curtail CO ₂ emissions from energy sources (factories) and water consumption	Curb global warming, deter increase in species extinctions, reduce impact on living organisms
(2) Conduct environmental assessments	Evaluate environmental impact and potential impact on biodiversity when building new factories, clean up soil contamination, purify groundwater
(3) Enhance fuel efficiency and reduce exhaust gas	Curb global warming, deter impact on living organisms
(4) Attain balanced sustainable use of biological resources	Reduce consumption of natural materials for use in products, switch to alternative materials
(5) Build biotope at Zenmyo, Takatana, Daian plants	Preserve and restore mountain lowland ecosystems, protect endangered and rare species, curb global warming
(6) Conduct surveys of ecosystems around factories	Protect endangered and rare species
(7) Implement DENSO Green Project	Maintain and conserve mountain lowland ecosystems, plant trees
(8) Collaborate with Nippon Keidanren Committee on Nature Conservation	Plant trees (donate to emerging countries)
(9) Implement DENSO YOUTH for EARTH Action (New Earthlings Project), Eco-Ranger 21	Develop human resources (foster ideals and technologies that contribute to environmental improvement)
(10) Protect the bluebird (U.S.) and conserve the Japanese Iris Habitat and Genji Firefly Village, etc	Protect endangered and rare species

〈Unique perspectives of DENSO's initiatives〉

- Avoid causing damage (plant operations)**
 - At the raw material extraction stage**
 - Ensure sustainable ecosystems
 - At the manufacturing, processing, transportation and sales stages**
 - Undertake site location and construction properly
 - Obtain water and treat wastewater properly
 - Carry out disposal of waste properly
 - At the service provision and usage stages**
 - Ensure proper energy efficiency
 - Strive for long-term use and re-use
 - At the disposal and treatment stages**
 - Raise reusability
 - As a management system**
 - Continually ascertain impacts
- Utilization (technology development)**
 - Learn from the functions and powers of organisms**
 - As new materials and products
 - As organic and engineering functions
 - Maximize the use of raw materials**
- Protect (employee actions)**
 - Protect precious ecosystems**
 - Maintain mountain lowlands**
 - For ensuring the continuation of our business

Fiscal 2010 activities

(1) Initiatives in our main business operations

There is global competition to secure resources, as rare metals, including rare minerals and rare earth, become indispensable in functional materials that support high-tech products such as electronic and electrical equipment and automobile components.

On the other hand, destruction of the environment accompanying resource extraction and allocating profits from diverse resources between advanced and developing countries are becoming major issues. Amid these circumstances, DENSO is focusing on developing alternative fuels and raw materials that utilize biological resources that have a minimal impact on

biodiversity. These initiatives include the commercialization of a plant-derived plastic radiator tank (earned the 2009 Most Innovative Use of Plastics award in the Environment Category from the Society of Plastics Engineers (SPE) in the United States) and expanding research on bio-fuels that utilize photosynthesis of micro-algae.

In procuring raw materials for products, DENSO promotes purchases from metals and chemicals manufacturers that work to coexist with and protect organisms and nature and strives to give priority to using recycled materials, including aluminum die-cast materials, rather than using virgin materials.

(2) Protecting locally endemic biodiversity and rare animal and plant life

Our factories worldwide implement activities befitting regional characteristics to protect locally endemic biodiversity and rare animal and plant life that include monitoring, surveying and establishing bird sanctuaries.

DMMI (Michigan, United States) established a Wildlife Conservation Committee in 1998. The company continues to carry out activities with regard to conserving rare plants species at an on-site Wild Flower Garden (approximately 400m² area) and building nest boxes to support breeding of bluebirds in the Muscipidae family. When *Pseudorasbora pumila* subsp., an endangered species of freshwater fish, was discovered in 1998, the Zenmyo Plant (Nishio City, Aichi, Japan) took the opportunity to build a biotope (approximately 3,000m² area) and is now creating a mountain lowland ecosystem for spot-billed ducks. At the Daian Plant (Mie Prefecture), *Phragmites japonica* Steud that is grown on an artificial floating island cleanses pond water as we work to create a hospitable environment for fish. In addition, in Kariya and Nisei cities in Aichi Prefecture, which is home to many production bases, DENSO employee volunteers have been cooperating with local conservation groups since 1995 to mow grass and pick up litter at the Japanese Iris Habitat, which has been designated as a natural treasure by the Japanese government, and the Genii Firefly Village.



Wild flower garden and blue bird (DMMI)



Biotope and *Pseudorasbora pumila* subsp. (Zenmyo Plant)

©Principal rare species that have been confirmed to inhabit areas near DENSO sites in Japan

Site	Site area	Species	Category
Zenmyo Plant (Nishio, Aichi Prefecture)	320,000m ²	<i>Pseudorasbora pumila</i> subsp. (freshwater fish)	EN: Endangered (as designated by Ministry of the Environment)
Daian Plant (Inabe, Mie Prefecture)	855,000m ²	<i>Tanakia limbata</i> (freshwater fish)	VU: Vulnerable* (as designated by Mie Prefecture and others)
Abashiri Test Center (Abashiri, Hokkaido)	5,480,000m ²	<i>Hynobius retardatus</i> (amphibian)	LP: Locally threatened population N: Noteworthy (as designated by Hokkaido)
		<i>Paeonia obovata</i> Maxim (seed plant)	VU: Endangered species (as designated by Ministry of the Environment)

*Species considered to be moving toward extinction

(3) The DENSO Green Project

DENSO has been working with local communities to promote the DENSO Green Project since 2006 with the goal of restoring and preserving ecosystems inhabited by a variety of plant and animal life, and creating greenery that is familiar to the people of local communities. The initiative has two components: the creation of DENSO Forests, consisting of tree-planting activities in the vicinity of the sites where products are manufactured; and the creation of DENSO Green Highways, consisting of tree-planting activities along the expressways where products are used. Employees, their families and members of NPOs and local residents are working together to thin, prune and plant

trees. Up to March 2010, these activities had been carried out a total of 17 times. Approximately 2,100 volunteers, including local residents as well as employees of DENSO and Group companies and their families have participated and around 3,300 saplings have been planted. In fiscal 2011, we will introduce "Green Partner," an employee leader system, and commence a trial initiative to encourage the creation of forests by employees. Additionally, we also will initiate an activity for planting saplings nurtured and harvested at plants on sloped areas of business premises.

(4) Activities for regenerating ecosystems in mangrove forests in Thailand

As environmental preservation activities, in 2009 DENSO Group companies (DNTH, SDM and SKD) in Thailand carried out activities for regenerating ecosystems in mangrove forests, for which there is concern of a worldwide decline. These activities featured the participation of over 300 persons, including DENSO Group employees, government officials and persons from local communities. In this project, 1,500 Rhizophoraceae mangrove trees were planted, while 1,500 mangrove crabs as well as Mozambique mouth breeders, which can nurture fry inside their mouths, were released.



Group employees plant Rhizophoraceae mangrove trees and release crabs and fish.



Supplementary Data

Group Companies Overseas 75

**Domestic Group Companies /
External Recognition for Social and
Environmental Activities** 76



Group Companies Overseas (As of June 2010)

©DENSO Corporation or regional headquarters' investing companies

Country/region	Abbreviation	Company name
U.S.A.	DIAM	DENSO INTERNATIONAL AMERICA, INC.
	DSCA	DENSO SALES CALIFORNIA, INC.
	DMMI	DENSO MANUFACTURING MICHIGAN, INC.
	AIMS	AMERICAN INDUSTRIAL MANUFACTURING SERVICES, INC.
	DMTN	DENSO MANUFACTURING TENNESSEE, INC.
	DMAT	DENSO MANUFACTURING ATHENS TENNESSEE, INC.
	MACI	MICHIGAN AUTOMOTIVE COMPRESSOR, INC.
	TBDN	TBDN TENNESSEE COMPANY
	AFCO	ASSOCIATED FUEL PUMP SYSTEMS CORPORATION
	DWAM	DENSO WIRELESS SYSTEMS AMERICA, INC.
	ACTIS	ACTIS MANUFACTURING, LTD. LLC.
	DMAR	DENSO MANUFACTURING ARKANSAS, INC.
	TACG	TD AUTOMOTIVE COMPRESSOR GEORGIA, LLC
	DRAM	DENSO REINSURANCE AMERICA, INC.
Canada	DMCN	DENSO MANUFACTURING CANADA, INC.
	DSCN	DENSO SALES CANADA, INC.
Mexico	DNMX	DENSO MEXICO S.A. DE C.V.
Brazil	DNBR	DENSO DO BRASIL LTDA.
	DNAZ	DENSO INDUSTRIAL DA AMAZONIA LTDA.
	DMBR	DENSO MAQUINAS ROTANTES do BRASIL LTDA.
	DTBR	DENSO SISTEMAS TERMICOS do BRASIL LTDA.
Argentina	DNAR	DENSO MANUFACTURING ARGENTINA S.A.
Netherlands	DIEU	DENSO INTERNATIONAL EUROPE B.V.
	DNEU	DENSO EUROPE B.V.
United Kingdom	DIUK	DENSO INTERNATIONAL UK LTD.
	DSUK	DENSO SALES UK LTD.
	DNMN	DENSO MARSTON LTD.
	DMUK	DENSO MANUFACTURING UK LTD.
	DMML	DENSO MANUFACTURING MIDLANDS LTD.
Germany	DNDE	DENSO AUTOMOTIVE Deutschland GmbH
	TDDK	TD Deutsche Klimakompressor GmbH
Spain	DNBA	DENSO BARCELONA S.A.
	DTSP	DENSO SISTEMAS TERMICOS ESPANA S.A.
Italy	DSIT	DENSO SALES ITALIA S.R.L.
	DNTS	DENSO THERMAL SYSTEMS S.p.A.
	DMIT	DENSO MANUFACTURING ITALIA S.p.A.
	CTR	CTR s.r.l
France	DSFR	DENSO SALES FRANCE S.A.R.L.
Hungary	DMHU	DENSO MANUFACTURING HUNGARY LTD.
Sweden	DSSE	DENSO SALES SWEDEN AB
Poland	DTPO	DENSO THERMAL SYSTEMS POLSKA Sp.zo.o.
	TBMECA	TBMECA Poland Sp.zo.o
Belgium	DSBE	DENSO SALES BELGIUM N.V.
Portugal	J.DEUS	JOAO DE DEUS & FILHOS S.A.
Czech Republic	DMCZ	DENSO MANUFACTURING CZECH s.r.o.
Turkey	DNTR	DENSO OTOMOTIV PARCALARI SANAYI ANONIM SIRKET
Russia	DSRU	DENSO SALES RUS L.L.C
South Africa	SMITHS	Smiths Manufacturing (Pty) Limited
Morocco	DTMO	DENSO THERMAL SYSTEMS MOROCCO S.A.R.L

Country/region	Abbreviation	Company name
Australia	DIAU	DENSO INTERNATIONAL AUSTRALIA PTY. LTD.
	DNAU	DENSO AUTOMOTIVE SYSTEMS AUSTRALIA PTY. LTD.
Singapore	DIAS	DENSO INTERNATIONAL ASIA PTE. LTD.
Thailand	DIAT	DENSO INTERNATIONAL ASIA CO., LTD.
	DNTH	DENSO (THAILAND) CO., LTD.
	DTTH	DENSO TOOL & DIE (THAILAND) CO., LTD.
	SDM	SIAM DENSO MANUFACTURING CO., LTD.
	TBFST	TOYOTA BOSHOKU FILTRATION SYSTEM (THAILAND) CO., LTD
	DSTH	DENSO SALES (THAILAND) CO., LTD.
Indonesia	DNIA	PT. DENSO INDONESIA
	DSIA	PT. DENSO SALES INDONESIA
Republic of Korea	DNPE	DENSO PS ELECTRONICS CORPORATION
	DSKR	DENSO SALES KOREA CORPORATION
	DNPS	DENSO PS CORPORATION
Malaysia	DNMY	DENSO (MALAYSIA) SDN. BHD.
India	DNIN	DENSO INDIA LTD.
	DNHA	DENSO HARYANA PVT. LTD.
	DNKI	DENSO KIRLOSKAR INDUSTRIES PVT. LTD.
	DSIN	DENSO SALES INDIA PVT. LTD.
	DTPU	DENSO THERMAL SYSTEMS PUNE PVT. LTD.
Taiwan	DNTW	DENSO TAIWAN CORP.
China	DICH	DENSO (CHINA) INVESTMENT CO., LTD.
	YSD	YANTAI SHOUGANG DENSO CO., LTD.
	TDS	TIANJIN DENSO ENGINE ELECTRICAL PRODUCTS CO., LTD.
	CQD	CHONGQING DENSO CO., LTD.
	TDE	TIANJIN DENSO ELECTRONICS CO., LTD.
	TDA	TIANJIN DENSO AIR-CONDITIONER CO., LTD.
	DNSS	DENSO Software Shanghai Co., Limited
	DMGZ	GUANGZHOU DENSO CO., LTD.
	SDFI	SHANGHAI DENSO FUEL INJECTION CO., LTD.
	TFDA	TIANJIN FAWER DENSO AIR-CONDITIONER CO., LTD.
	TTB	TIANJIN TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD.
	DMNS	DENSO (GUANGZHOU NANSHA) CO., LTD.
	JWCH	J-WORKS PARTS SALES (TIANJIN) CO., LTD.
	DMTT	DENSO (TIANJIN) THERMAL PRODUCTS CO., LTD.
	DHMW	WUXI DENSO HANSHIN AUTOMOTIVE PRODUCTS CO., LTD.
	TBFC	TOYOTA BOSHOKU FOSHAN CO., LTD.
	DMTI	DENSO TIANJIN ITS CO., LTD.
	TACK	TD Automotive Compressor Kunshan, Co., Ltd.
	TPE	TIANJIN POON SUNG ELECTRONICS CO., LTD.
	DMCF	DENSO (CHANGZHOU) FUEL INJECTION SYSTEM CO., LTD.
DMYJ	YANGZHOU JIEXIN DENSO AIR-CONDITIONER CO., LTD.	
The Philippines	PAC	PHILIPPINE AUTO COMPONENTS, INC.
Saudi Arabia	DNJM	DENSO ABDUL LATIF JAMEEL CO., LTD.
Vietnam	DMVN	DENSO MANUFACTURING VIETNAM CO., LTD.

In addition to the companies listed above, there are six subsidiaries of J.DEUS COMPANY.

* Partnerships refer to legal associations in Japan whereby multiple businesses (partners) invest money and provide services for commercial gain based on work contracts. The partnership itself is not a corporate entity and tax payments on profits are handled by the partners.

Domestic Group Companies

◎Consolidated subsidiaries (69 companies)

Company name	Company name
ASMO CO., LTD.	DENSO YUSEN TRAVEL CORPORATION
KYOSAN DENKI CO., LTD.	DENSO ISM CORPORATION
ANDEN CO., LTD.	DENSO ABASHIRI TEST CENTER CORPORATION
GAC CORPORATION	MIYAZAKI ASMO CO., LTD.
HAMANAKODENSO CO., LTD.	APINES CO., LTD.
DAISHINSEKI CO., LTD.	SUAB CO., LTD.
ASAHI MANUFACTURING CO., LTD.	KYOSAN SERVICE CORPORATION
DENSO WAVE INC.	KYOSAN TECS CO., LTD.
NIPPON WIPER BLADE CO., LTD.	HAMADEN P & S CO., LTD.
NIPPON SOKEN, INC.	DENSO AIR SYSTEMS YASAKA CO., LTD.
DENSO AIRS CORPORATION	DENSO AIR SYSTEMS TOYOSHINA CO., LTD.
DENSO KIKO CO., LTD.	GAC HUMAN CO., LTD.
DENSO PREAS CO., LTD.	OTARI GAC CO., LTD.
DENSO TECHNO CO., LTD.	DENSO ACE CORPORATION
DENSOTRIM CO., LTD.	SANKYO RADIATOR CO., LTD.
TECHMA CORPORATION	DENSO HOKKAIDO CORPORATION
DENSO KATSUYAMA CO., LTD.	DENSO TOHOKU CORPORATION
DENSO SEIBI CO., LTD.	DENSO TOKYO CORPORATION
DENSO ELECS CO., LTD.	DENSO SERVICE NISHISAITAMA CO., LTD.
DENSO TAIYO CO., LTD.	DENSO CHUBU CORPORATION
DENSO CREATE INC.	DENSO KANSAI CORPORATION
IPICS CORPORATION	DENSO CHUGOKU CORPORATION
MOBILE MEDIANET INC.	DENSO SHIKOKU CORPORATION
DENSO INFORMATION TECHNOLOGY CORPORATION	DENSO KYUSHU CORPORATION
DENSO SI CORPORATION	DENSO SERVICE OKINAWA CO., LTD.
DENSO IT LABORATORY, INC.	DENSO MANUFACTURING KITAKYUSHU CO., LTD.
DENSO UNITY SERVICE CORPORATION	SHIMIZU INDUSTRY CO., LTD.
DENSO FACILITIES CORPORATION	SYSTEX JAPAN INC.
DENSO LOGITEM CORPORATION	MAULTECH CORPORATION
DENSO EMC ENGINEERING SERVICE CORPORATION	DENSO ELECTRONICS CORPORATION
DENSO MTEC CORPORATION	DENSO East Japan Corporation
DENSO FINANCE & ACCOUNTING CENTER CO., LTD.	DENSO POWERTRAIN TECHNOLOGIES CORPORATION
DENSO REMANI CORPORATION	MARCON DENSO CO., LTD.
DENSO WELL CORPORATION	DENSO Communications Corp.
DENSO E & TS TRAINING CENTER CORPORATION	

◎Affiliates under the equity method (12 companies)

Company name	Company name
TSUDA INDUSTRIES CO., LTD.	TOMEI BRAZING CO., LTD.
NIPPA CORPORATION	ADVICS CO., LTD.
ITOH SEIKO CO., LTD.	SOHWA CORPORATION
SHINSEI INDUSTRIAL CO., LTD.	ADVANCED DRIVER INFORMATION TECHNOLOGY CORPORATION
G. S. ELECTECH INC.	TOUCHCARE CO., LTD.
JECO CO., LTD.	TD MOBILE KANSAI CO., LTD.

External Recognition for Social and Environmental Activities

Title	Conducted by	2009	2008	2007
Global 500	Newsweek Japan	—	—	43th of 500
Best 200 in CSR	Toyo Keizai Inc.	5th of 200	8th of 200	1st of 200
Environmental Management Ranking	Nikkei Inc.	12th of 480 (manufacturing)	6th of 510 (manufacturing)	12th of 520 (manufacturing)
Dow Jones Sustainability Indexes (DJSI)	Dow Jones & Company (U.S.A.), SAM Group Holding AG (Switzerland)	10 years in a row	Consecutively	Consecutively
Ethibel Sustainability Index	Forum ETHIBEL (Belgium)	6 years in a row	Consecutively	Consecutively
Morningstar Socially Responsible Investment Index	Center for Public Resources Development, Morningstar Japan K.K. (Japan)	7 years in a row	Consecutively	Consecutively

Third Party Opinion on DENSO CSR Report 2010



CEO, International Institute
for Human, Organization,
and the Earth (IHOE)

Hideto Kawakita

Founded in 1994 "for Democratic
and Balanced Development for
All the Lives on the Earth," IHOE
has been served as a management
consultant for NPOs and social
entrepreneurs, while supporting
CSR engagement of major
Japanese companies.
<http://blog.canpan.info/iiohoe/>
(in Japanese)

In its long-term action plan for corporate social responsibility (CSR) formulated in fiscal 2007, DENSO set quantitative targets for a wide range of items for the entire Group. DENSO is establishing and deploying a PDCA (Plan, Do, Check, Act) management cycle in Japan and overseas to clearly manage the progress of the plan and identify new issues. As of the end of fiscal 2009, DENSO had completed the basic building blocks for CSR management systems not only at 117 consolidated subsidiaries but also at 720 primary suppliers in Japan. These were at the level of a global model for other companies around the world. Enterprises that truly wish to execute CSR activities in good faith ought to follow the lead of DENSO.

DENSO is preeminent globally for the way it incorporates CSR promotion into daily management and clearly assesses progress and issues, which consecutively stimulates new initiatives at its workplaces. Behind these initiatives is an organizational culture that encourages a bottom-up approach and follow-through on decisions.

DENSO developed a roadmap with clear targets in terms of key performance indicators (KPI) to be achieved by 2010 in each of nine priority and fundamental areas in order to implement in good faith the DENSO Group Declaration of Corporate Behavior, which was formulated in fiscal 2007. Each department is working on programs based on concrete objectives and plans in order to fulfill responsibilities to customers, shareholders, business partners, the international community, local communities and all other stakeholders through its business operations. If objectives are not clearly defined, it is difficult to clarify issues and make changes at work through practices. DENSO is well aware of this fact, and has fostered a corporate climate and culture that are the driving forces behind CSR initiatives. This is one of DENSO's greatest strengths.

DENSO initiatives to conserve energy provide an apt example. The Just-In-Time (JIT) concept has been applied to energy activities (progress towards optimal operations to respond to production fluctuations) and special winter initiatives (total reexamination of energy conservation) started in fiscal 2009 resulted in a reduction in electricity costs, which equates to CO₂ reductions, of several hundred million yen for the year through all-employee participation and the development of proprietary production technology. It was therefore fitting that DENSO won the first Ministry of Economy, Trade and Industry Minister's Award in the Organizational Category of the Energy Conservation Prize.

DENSO also continues to push vigorously ahead with its relationships with and approach to stakeholders. For suppliers, DENSO newly formulated Supplier CSR Guidelines and began extending support to secondary business partners through self-assessment and guidance. I give high marks to the Company for holding a session of the DENSO School of Product Engineering for a Brazilian school and participation of more than 10,000 executives and employees in the DECOPON Eco-Point System.

DENSO is also progressing with foundations for fostering diverse management personnel. Local employees now occupy one-third of the key positions at overseas Group companies. Efforts are also being made to expand leave and reduced work hour systems for such purposes as childcare and nursing care. I would like to see DENSO further promote interaction with upper level management candidates and the use of multilingual notifications and public relations information so that more employees working in different parts of the world can understand the Company's philosophies, values and initiatives in their native tongue. I also expect to see further development of an environment in which employees can continue working while supporting their families.

*These comments were written with reference to the contents of this report and hearings with DENSO employees responsible for the environment, procurement, human resources, safety and health, health promotion and corporate citizenship.

Editor's comments

The *CSR Report 2010* has been edited according to GRI Guidelines, which are commonly used in the corporate sector. There are two reasons for this. First, we can increase reliability and objectivity by disclosing information that meets GRI Guidelines rather than merely selecting information that fits our agenda. The second aim is to make comparisons with other years simpler by reporting consistently in line with set disclosure rules. This enables stakeholders to compare our CSR activities with previous years and with other companies, and provides us with opinions that will lead to future improvements. Basing the report on GRI Guidelines, however, makes it difficult to use simple explanations for CSR activities. This means it is a case of trial and error each year as we strive to bring you the best report that we can. This year's Special Feature seeks to incorporate employee opinions regarding DENSO initiatives in three priority areas—environmental preservation, respecting employees and social contribution—based on the results of a survey distributed in 2009 (167 respondents). The same reporting style will continue to be used in reports on CSR management, social responsibility and the environment with an emphasis on comparability and completeness.

We have been asking Mr. Hideto Kawakita to provide a third party opinion since the *Environmental and Social Report* was issued in 2003, making this the eighth year. Also, through direct discussion with managers in core departments, we received comments and suggestions on new challenges that DENSO needs to tackle from a long-term perspective. We will work to enhance DENSO's CSR activities based on these opinions.

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