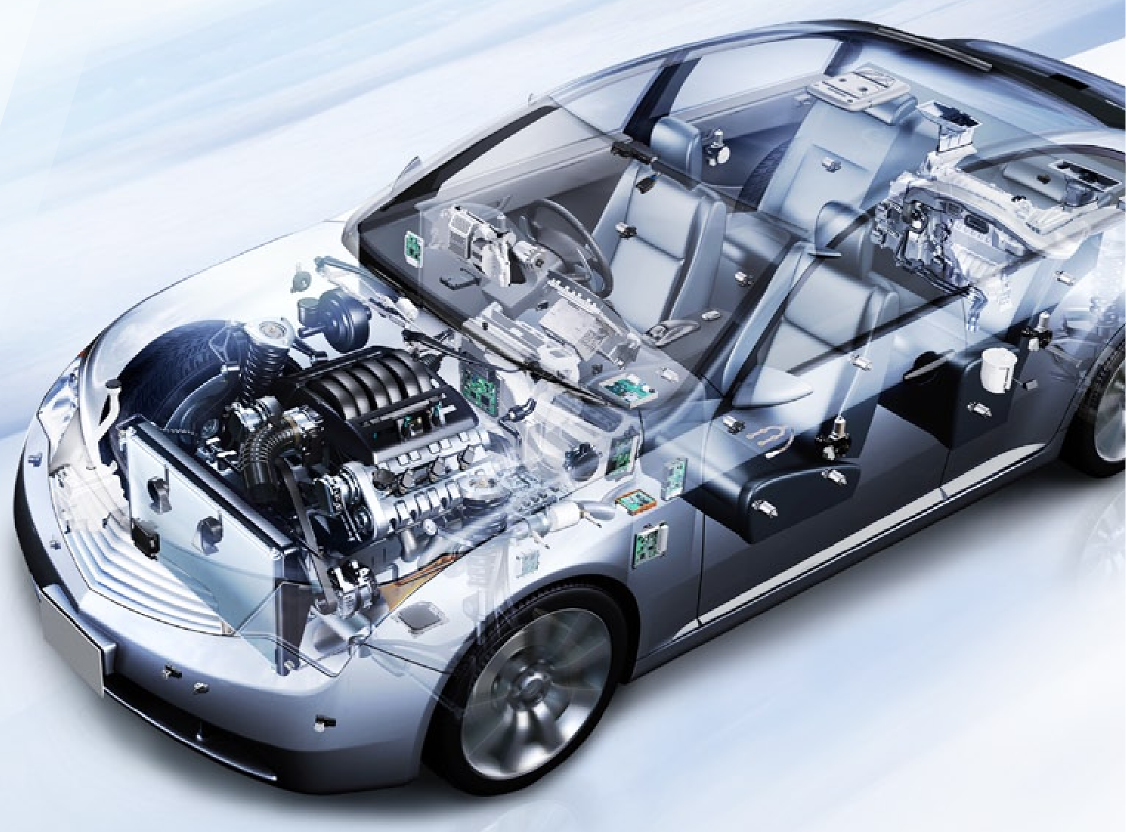
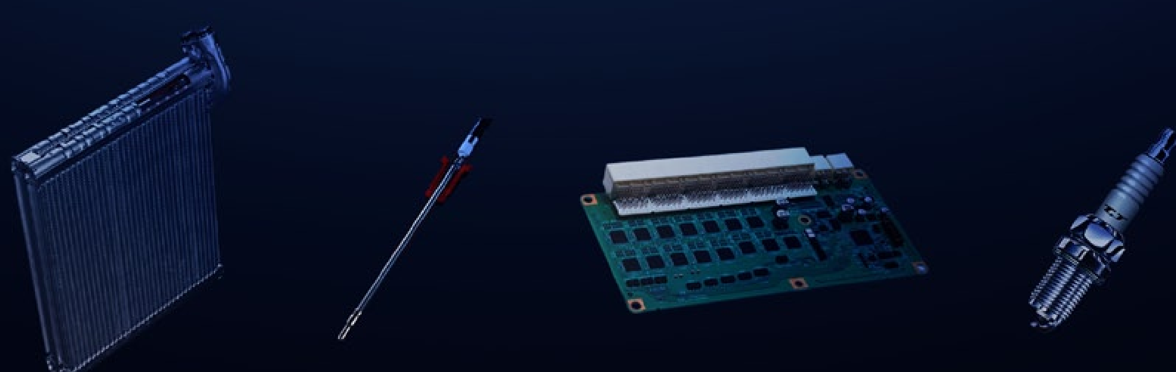
DENSO



Annual Report 2010

For the year ended March 31, 2010



Profile

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

DENSO also utilizes its proprietary technologies and expertise in the fields of industrial systems and non-automotive thermal systems. The company currently employs approximately 120,000 people in 32 countries and regions including Japan.

Contents

Forward-looking Statements

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

Financial Highlights

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Percent change	Thousands of U.S. dollars
	2010	2009	2008	2010/2009	2010
Net Sales:	¥2,976,709	¥3,142,665	¥4,025,076	(5.3%)	$31,993,863
Sales in Japan	1,518,105	1,615,771	1,976,877	(6.0%)	16,316,692
Sales outside Japan	1,458,604	1,526,894	2,048,199	(4.5%)	15,677,171
Net Income (Loss)	73,427	(84,085)	244,417	–	789,198
Total Assets	3,364,070	3,018,438	3,643,418	11.5%	36,157,244
Equity	2,032,264	1,900,719	2,282,677	6.9%	21,842,906
Capital Expenditures	114,422	314,425	343,779	(63.6%)	1,229,815
Depreciation	237,944	276,624	263,519	(14.0%)	2,557,438
R&D Expenses	270,077	297,148	311,474	(9.1%)	2,902,805

	Yen			Percent change	U.S. dollars
Per Share:					
Basic net income (loss)	¥ 91.11	¥ (104.13)	¥ 299.96	–	$ 0.98
Cash dividends	27.00	40.00	54.00	(32.5%)	0.29
Equity	2,378.18	2,220.89	2,658.06	7.1%	25.56

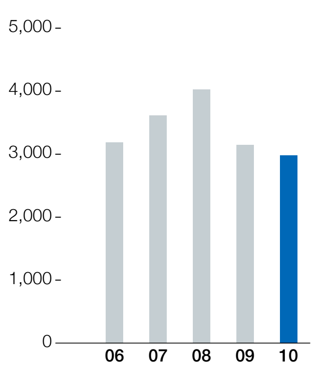
	Billions of yen			Percent change
Foreign Exchange:				
Foreign exchange (loss) gain	¥ (43.8)	¥ (56.6)	¥ 14.9	(22.6%)
U.S. dollar	(21.7)	(22.5)	(7.5)	(3.6%)
Euro	(9.7)	(8.0)	9.7	21.3%
Impact of ¥1/U.S.$ change	2.3	1.9	2.6	21.1%
Impact of ¥1/Euro change	0.6	0.4	0.8	50.0%

	Yen			Percent change
Average Exchange Rate:				
Yen/U.S. dollar	¥ 91.31	¥ 100.90	¥ 113.24	(9.5%)
Yen/Euro	129.24	146.14	160.26	(11.6%)

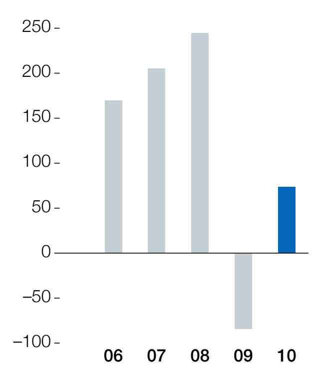
Number of Employees	120,812	119,919	118,853

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥93.04=US$1, the approximate exchange rate prevailing on March 31, 2010, the last trading day of the fiscal year.

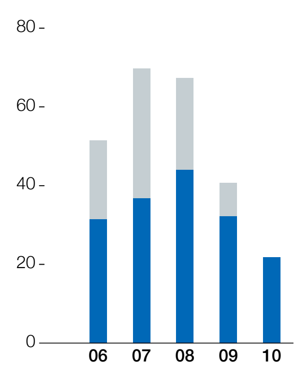
Net Sales
(Billions of yen)



Net Income (Loss)
(Billions of yen)



Dividends
(With Treasury Stock Repurchases)
(Billions of yen)



■ Cash dividends
■ Treasury stock repurchases

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

A Message From the President

Nobuaki Katoh
President and CEO

Review of Fiscal 2010

Since the second quarter of fiscal 2010, the year ended March 31, 2010, the global economy picked up toward the end of the fiscal year due to economic stimulation measures in various countries and business recovery in Asia. In the auto industry, the markets recovered in China, India and other emerging nations, but automobile sales in the United States fell year on year, and sales in Japan were even, marking a clear contrast between emerging nations and developed countries.

In response to these market challenges and changes, last fiscal year DENSO promoted a mid-term profit recovery policy for structural reform that consists of the two key goals of building a leaner and stronger corporate structure and of instituting our approach to future growth.

To build a leaner and stronger corporate structure, the DENSO Group further strengthened its existing initiative to reduce fixed costs. After a comprehensive review of all expenditures, we reduced spending, research and development costs and capital investment. At the same time, we streamlined and standardized business processes in non-manufacturing sectors at all companies across the globe. These efforts helped us steadily reduce fixed costs and return to profitability, in spite of a year-on-year decline in sales.

Our financial performance in fiscal 2010 was as follows: Net sales totaled ¥2,976.7 billion, a 5.3 percent decrease from the previous fiscal year. On the earnings front, operating income amounted to ¥136.6 billion, a year-on-year increase of ¥173.9 billion from last year's operating loss, mainly due to the benefits of reduced fixed costs. Net income totaled ¥73.4 billion, a year-on-year increase of ¥157.5 billion from last year's net loss. On a local currency basis, all regions except for Japan and Europe saw increases in net sales, and all regions saw increases in operating income.

Improving Mid-term Profit Recovery

Leaner and Stronger

Last fiscal year, our employees worked hard to reduce fixed costs, and their efforts were successful as we succeeded in reducing fixed costs by ¥157.6 billion, exceeding our initial target. That meant we achieved our goal of profitability at 70 percent capacity earlier than planned.

Instituting Our Approach to Future Growth

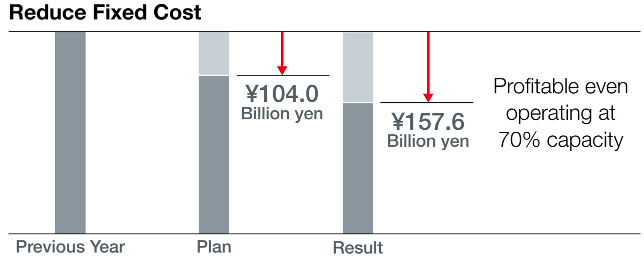
Our approach for future growth is focused on developing technology and building systems that meet the needs of regions worldwide, improving fuel efficiency and reducing CO_2 emissions, and responding to emerging markets.

There is an accelerating trend in the automobile industry for electrification; smaller, lighter vehicles; and systemization. DENSO continues to develop technologies that can be used in a wide range of vehicles, from conventional engines to hybrid and electric vehicles. In particular, we are focusing on developing gasoline direct injection components that help improve the fuel efficiency of conventional engines; a common rail system for diesel vehicles to reduce CO_2 emissions; idle stop/start systems that improve fuel efficiency and improve the starter's efficiency and durability; smaller and lighter hybrid vehicle components; and energy management systems that make the best use of the heat energy and electric power generated by vehicles.

As a result of these research and development efforts, DENSO's sales to automakers in Japan, the United States and Europe are increasing, and we are committed to further strengthening these initiatives.

In emerging markets, a company-wide project team is leading efforts on several different fronts, including optimizing functions, performance and structures; setting quality standards suitable for the region; and examining how to procure local parts and materials. Our goal is to develop competitive, optimal products for each region. We have also been preparing a system that enables us to conduct all business operations, from development to production and sales, in the local region, ensuring that we can meet local needs in a timely manner. For example, we recently began construction on a new plant at our current facility in Brazil to increase production of car air conditioners and radiators. This new plant is scheduled to begin production in January 2011. This follows expansion work on a plant in India last year.

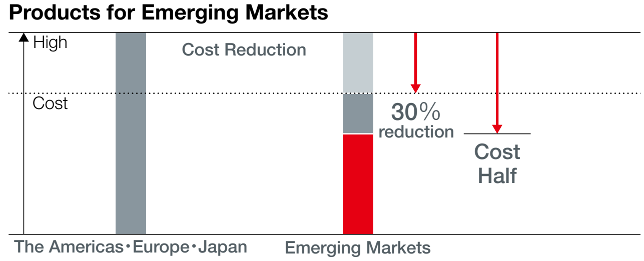
Reduce Fixed Cost



Mid-term Profit Recovery Policy

Building a Leaner and Stronger Corporate Structure	Our Approach for Future Growth
Reduce fixed costs	Improving Fuel Efficiency
Efficiency improvement of nonmanufacturing sectors by standardization	Reducing CO_2 emissions

Products for Emerging Markets



Target of 50% cost reduction for 20 products
→ Achieved 30 percent cost reduction so far

We have also been putting in place systems and structures that support local development of lower-cost technologies. Our goal is to cut development costs by 50 percent. Applying these lower-cost technologies to 20 of our current products has allowed us to cut costs by 30 percent to date. We are continuing our efforts to cut our development costs in half and grow sales. Going forward, we will localize our business further and consider expanding our technical centers in China, India and Brazil.

Outlook for Fiscal 2011

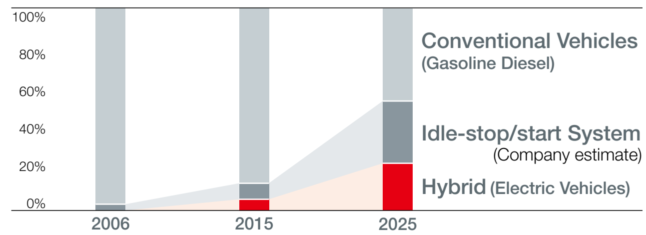
We anticipate an unfavorable impact from the termination or contraction of sales promotion measures, such as purchase replacement subsidies in Japan and Western Europe, despite a moderate expansion in overall global demand driven by the recovery of the U.S. economy and increasing demand in emerging markets such as China, India and Brazil. In addition, we believe the operating environment of the DENSO Group will continue to be severe, partly due to the instability of the global economy.

In mature markets, we expect an accelerating shift to hybrid vehicles, electric vehicles and idle-stop/start systems due to fuel-efficiency regulations and environmental concerns. In the growing emerging markets, we expect that reasonably priced compact cars will remain mainstream and sales of such vehicles will increase.

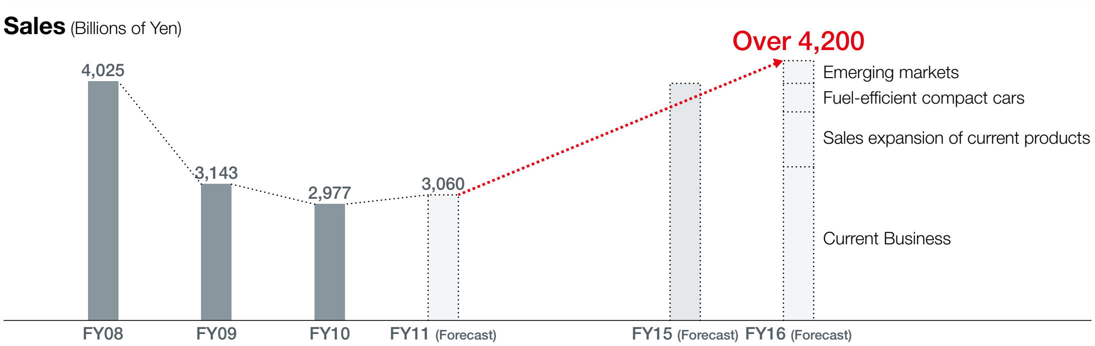
DENSO is strongly committed to its structural reform targets of building a streamlined and lean business structure, further strengthening technological development, and expanding business in emerging markets with an emphasis on instituting its approach to future growth.

Our business forecasts for fiscal 2011, the year from April 1, 2010 to March 31, 2011, includes net sales of ¥3,060.0 billion, operating income of ¥150.0 billion and net income of ¥98.0 billion.

Diversifying Powertrain



Mid-term Profit Recovery Activity –Summary–



Target → FY15 : Over 4,000 billion yen
FY16 : Over 4,200 billion yen

	FY2011 (Forecast)	FY2010	Change	
Foreign Exchange Rate (US$)	¥90/$	¥91/$	–¥1/$	
	¥130/Euro	¥129/Euro	¥1/Euro	
				(Millions of Units)
Domestic Car Production	8.86	8.87	–0.01	–0.1%
Overseas Car Production of Japanese Manufactures (North America)	12.34 (3.78)	11.97 (3.55)	0.37 (+0.23)	3.1% (6.5%)

Developing Systems for Future Growth

Smaller and Lighter
Developing smaller and lighter components for fuel-efficient compact cars

Electrification
Developing hybrid and electric vehicles

System Approach
Fuel saving through system collaboration

Returning Profits to Shareholders

At DENSO, we consider the proactive return of profits to shareholders to be one of the Company's most important management objectives. This involves a combination of dividends and share buybacks. Our fundamental policy is to meet the expectations of our shareholders by consistently increasing the cash dividend per share over the long term, giving due consideration to a comprehensive range of factors that include consolidated business performance and the dividend payout ratio. Based on DENSO's business performance and the business environment, the dividend for fiscal 2010 was ¥27 per share, for a dividend payout ratio of 29.7 percent.

We continue to buy back shares, while considering cash flow, for the purpose of increasing per-share corporate value, returning more profits to shareholders and ensuring capital policy flexibility to meet changes in business conditions. In fiscal 2010, the business climate remained harsh and the outlook was extremely unclear, so our priority was to secure enough funds for minimally necessary business investment and development and on paying a dividend. In order to further raise shareholder value, we must accelerate our structural reform and achieve continued business growth, thereby meeting the expectations and maintaining the trust of our shareholders, customers and other stakeholders.

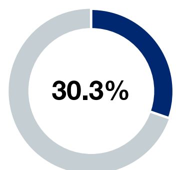
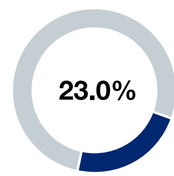
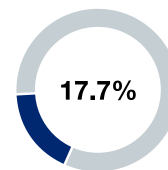
On December 16, 2009, DENSO commemorated the 60th anniversary of its founding. We sincerely appreciate the support of all our stakeholders that made this possible.

In the coming fiscal year, we will focus our resources on research and development activities directed at the next five and ten year periods and to accelerating our business growth. We will continue to strive to meet the expectations of shareholders and investors, and we thank you for your continued support of our activities.

July 2010

Nobuaki Katoh *President and CEO*

Review of Operations by Segment

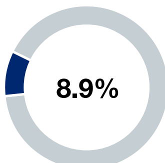
	Automotive		
Business Segment	**Thermal Systems** P. 8	**Powertrain Control Systems** P. 9	**Information and Safety Systems** P. 9
Sales (Percentage change from previous year)	¥901.7 billion (–10.4%)	¥684.4 billion (–7.8%)	¥526.8 billion (+11.7%)
Percentage of Net Sales			
Main Products	[Air conditioning Products] Air conditioning systems for cars [Cooling Systems and Components] Radiators, Cooling fans, Inter coolers, Oil coolers, Engine cooling modules, Reserve tanks [Climate, Cooling and Heating Products] Air conditioning systems for buses and construction equipment, Truck refrigeration units, Air purifiers	[Engine Control Components] Ignition coils, Magnetos, Spark plugs, Glow plugs, Exhaust gas sensors, Ceramic substrates, Diesel Particulate Filters (DPFs), Engine ECUs for motorcycles [System Control Components] Valves (Exhaust gas recirculation (EGR) valves, Automatic transmission (AT) control valves, AT solenoid valves, and others), Canisters, Knock sensors, Accelerator sensors, Variable cam timing (VCT) components, Throttle bodies, Air flow meters, Oil filters, Air cleaners, Integrated air fuel modules, Shift-by-wire actuators, Horns [Diesel Injection Products] Common rail systems, In-line fuel injection pumps, Rotary fuel injection pumps, Nozzles, Fuel filters [Gasoline Injection Products] Fuel pumps, Fuel pump modules, Fuel injectors, Direct injection components (Injector, Pump)	[Body Electronics Components] Instrument clusters, Integrated climate control panels, Smart keys, Remote keyless entry controllers, Rear and corner sonars, Car security systems, Body ECUs [ITS Products] Car navigation systems, Electronic Toll Collection (ETC) on-board equipment, Data communication modules [Driving Assist and Safety Products] Airbag sensors and ECUs, ABS/ESC actuators and ECUs, Millimeter-wave radars and ECUs for pre-crash safety systems and adaptive cruise control systems, Laser radars and ECUs for adaptive cruise control systems, Cameras and ECUs for lane keeping assist, HID ballast, ECUs for adaptive front lighting systems
	 Air conditioning unit  Engine cooling module	 Fuel pump module  Common rail systems	 Car navigation system  Millimeter-wave radar

Note: In addition to the above, the other business segment recorded net sales of ¥38.2 billion.

Electric Systems

P. 10

¥265.8 billion (–9.5%)



[Engine Electrical Systems]
Starters, Alternators

[EHV Components]
Inverters, DC-DC converters, Battery monitoring units

[Electric Control Components]
Sensors and ECUs for electric power steering systems

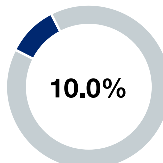

Alternator


Battery monitoring unit

Electronic Systems

P. 10

¥297.3 billion (+8.9%)



[Electronics Products]
Engine ECUs, Transmission ECUs, Power management ECUs

[Electronics Devices]
Semiconductor sensors, ICs, Power modules, EL displays

[Relays]

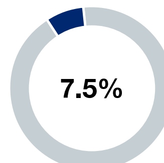

Engine ECU


Semiconductor sensor (Inertia sensor)

Small Motors

P. 11

¥222.5 billion (+1.9%)



Windshield wiper systems, Windshield washer systems, Power window motors, Power seat motors, Power sliding door motors, Power steering motors, Motors for engine control systems, and other automotive motors


Windshield wiper system

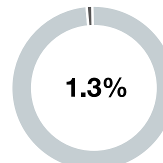

Power window motor

Non-automotive

Industrial Systems and Consumer Products

P. 11

¥40.0 billion (–24.2%)



[Automatic ID Data Capture Devices]
Bar code handy scanners and handy terminals, QR code scanners and handy terminals, IC card readers/writers, Radio Frequency Identification (RFID) systems

[Factory Automation (FA) Products]
Industrial robots, Programmable controllers

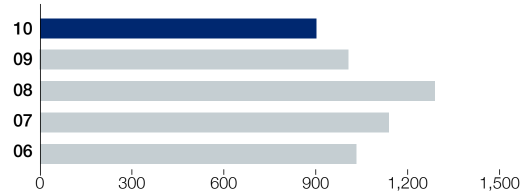
[Refrigeration and Air Conditioning Systems]
Cooling units for electronic devices (Mobile phone base stations, Computers, and others), Kerosene heat-pumps, Spot coolers and heaters

[Consumer Products]
CO_2 refrigerant heat-pump water heaters, Automatic faucets


Industrial robot


CO_2 refrigerant heat-pump water heater

Net Sales (Billions of yen)



[New Products & Technology]

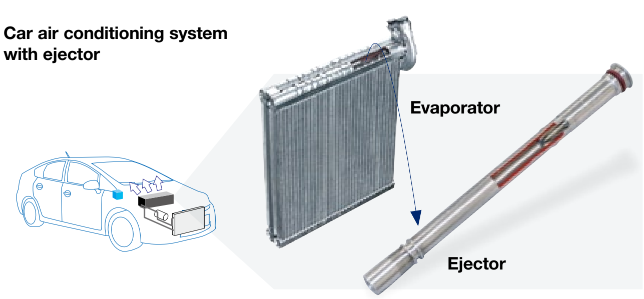
Developed Car Air Conditioning System with Ejector

DENSO has developed the world's first passenger vehicle conditioning system that has an ejector, which is a small refrigerant injection device. This system cuts compressor power consumption by up to about 25% compared with conventional air conditioning systems at high temperatures. Toyota's new Prius uses this new system.

Most air conditioning systems for large buses and freezers for trucks consume a large amount of fuel because of the substantial power these systems require. In 1991, DENSO started developing a new freezing cycle with the aim of lowering energy consumption. In 2003, DENSO created the world's first practical "ejector cycle," which is a freezing cycle using an ejector. Cooling efficiency improved dramatically, cutting power consumption by as much as about 25%. Truck freezing units, household CO_2 heat-pump water heaters and other equipment now benefit from this breakthrough.

The new air conditioning system with an ejector uses this ejector cycle technology in automobiles for the first time. Car air conditioning systems have pipes to link the compressor, condenser and evaporator. Placing an ejector in the engine compartment requires combining the ejector with an existing component because of the limited amount of space. DENSO decided to devise a way to integrate the ejector into the evaporator. In May 2009, DENSO completed work on the world's first car air conditioning system equipped with an ejector. The new ejector technology provides benefits not only for car air conditioning systems but also for freezing warehouses, room air conditioners and many other products.

Car air conditioning system with ejector



[New Business Initiatives]

Constructing a New Plant in Brazil

DENSO is building new plant for DENSO DO BRASIL LTDA. (DNBR) that is slated to start production in January 2011. DNBR manufactures and sells car and bus air conditioners, radiators and other products. All signs point to more growth in demand for automobiles in Brazil. The new factory will give DNBR the space needed to expand output capacity for increasing sales of current products and capturing orders for new products.

Car Air Conditioning System Manufacturing Company Established in Morocco

DENSO has established a new company called DENSO Thermal Systems Morocco S.A.R.L. to manufacture car air conditioners in the city of Tangier on the country's northern coast. Plans call for the factory to be completed in April 2011 and production to begin the following December. The second DENSO production base in Africa, this company will be used to supply car air conditioning systems to automobile assembly plants in Africa.

Joint Venture in India for Design of Car Air Conditioners

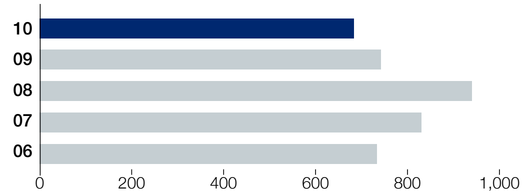
DENSO and Subros Limited have reached an agreement to jointly establish a company in India that will design car air conditioners and other products. Subros is India's leading car air conditioner manufacturer and receives technical assistance from DENSO. The tentative name of the new company is DENSO Subros Thermal Engineering Center India Limited. The company will be established in September 2010 with DENSO holding a 74% equity stake and Subros the remaining 26%.

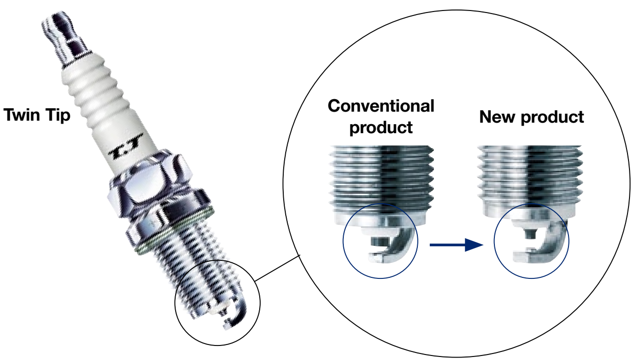
Acquisition of Italian Aftermarket Distributor of Automotive Climate Control Products

DENSO reached an agreement with Finber S.p.A., which develops, manufactures and sells automotive components and other products throughout Europe, to purchase all shares of its subsidiary CTR s.r.l. The acquisition was completed on June 1. CTR is a distributor of compressors, car air conditioner parts, heat exchangers and many other items. The company has an expansive sales and service network and is one of the largest aftermarket distributors of automotive climate control products in Italy. CTR will operate as a subsidiary of DENSO Thermal Systems, which manufactures and sells climate control systems and other thermal products in Italy.

Powertrain Control Systems

Net Sales (Billions of yen)





[New Products & Technology]

DENSO Introduces the Twin Tip Fuel-efficient Spark Plug

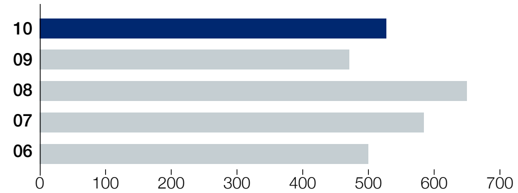
DENSO has started selling the new spark plug named “Twin Tip”, which features fuel efficiency and environmental responsibility along with a reasonable price. This innovative spark plug adds a small tip to the ground electrode that receives the spark. Along with the tip on the central electrode that generates the spark, this results in a “Twin Tip” structure. Both electrodes are made of a nickel alloy that was newly developed by DENSO. This material holds down cost and reduces the diameter of the central electrode by 40% compared with conventional DENSO nickel spark plugs. The result is better ignition performance because the spark suppression effect*1 is suppressed. For automobiles, this improvement cuts CO_2 emissions by 0.8%*2 while lowering fuel consumption by 1.2% and boosting torque by 1.1%.

*1 As the spark between a spark plug’s electrodes grows during combustion of the air-fuel mixture, the spark loses heat when coming into contact with electrodes and ignition performance suffers as a result.

*2 Based on DENSO’s comparison with a conventional DENSO nickel spark plug. All data are supplied by DENSO.

Information and Safety Systems

Net Sales (Billions of yen)



[New Products & Technology]

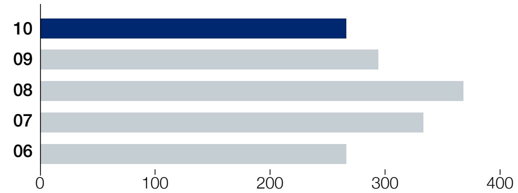
Developed Organic Electroluminescence Display

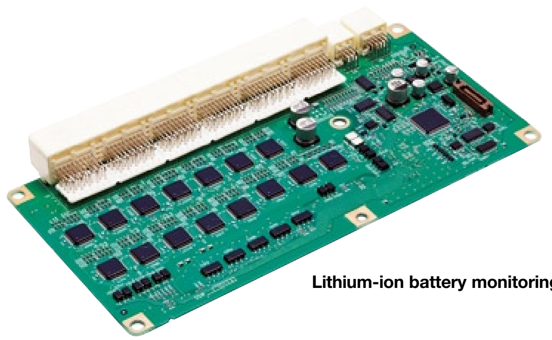
Organic electroluminescence (EL) displays incorporate an organic compound that emits light in response to an electric current. Since these displays produce their own light, they are much easier to see than conventional displays. Furthermore, organic EL displays are slimmer, lighter and more energy-efficient because no backlighting is needed. With much better visibility than LCDs, organic EL displays help make driving easier as well. Toyota’s Lexus RX and HS already use these displays.

Organic electroluminescence display

Electric Systems

Net Sales (Billions of yen)





Lithium-ion battery monitoring unit

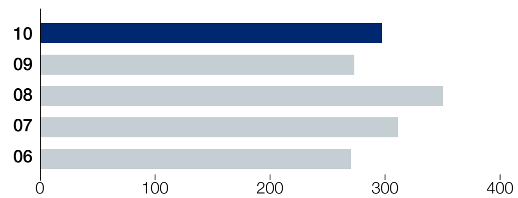
[New Products & Technology]

Development of Battery Monitoring Unit for Lithium-ion Batteries

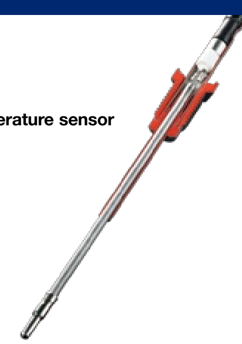
Toyota introduced late in 2009 the Prius Plug-in Hybrid, which can be recharged from an ordinary household power outlet. A high-performance lithium-ion battery powers the vehicle. Using this battery allows the Prius to function almost like an electric vehicle, yielding a big saving in fuel consumption. To operate the battery safely and efficiently, DENSO developed a lithium-ion battery monitoring unit that checks battery voltage, current, temperature and other parameters. The unit is installed in the Prius Plug-in Hybrid.

Electronic Systems

Net Sales (Billions of yen)



The newly developed temperature sensor



[New Products & Technology]

Development of Exhaust Temperature Sensor with Higher Temperature Detection Accuracy

Diesel exhaust temperature sensors are critical to temperature control for diesel particulate filter (DPF)* regeneration, in which the filtering capability is restored and regenerated by burning particulate matter trapped in the filter. With much better temperature detection accuracy than conventional sensors, this new sensor permits monitoring the temperature in and around the center of the DPF with even greater precision. By improving the efficiency of DPF regeneration control, this higher accuracy yields two benefits. First is better exhaust filtering performance. Second is lower fuel consumption because less fuel is needed for the DPF regeneration process. The new sensor has been used in diesel engines for commercial vehicles sold in the United States since the fall of 2009. The sensor will be incorporated in engines for vehicles sold in Japan and Europe starting in 2010.

* DPF: A diesel particulate filter captures particulate matter (soot and other substances) contained in engine exhaust.

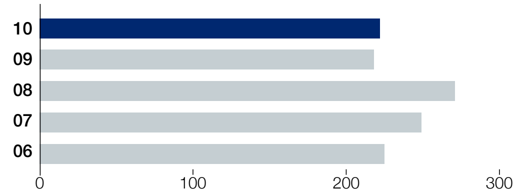
[New Business Initiatives]

DENSO Electronics Begins Full-scale Operations

DENSO Electronics Corporation started full-scale business operations in April 2009 as a manufacturer and marketer of automotive semiconductor products. DENSO plans to invest about ¥24 billion in this company between the current fiscal year and fiscal 2015 with the goal of raising this company's annual sales to about ¥100 billion in fiscal 2015. Automotive electronic control systems are certain to become even more advanced and complex because of rising demands for better environmental performance, safety, comfort and convenience. Demand for automotive semiconductor products is expected to grow significantly as automakers continue to improve vehicles to meet these demands.

Small Motors

Net Sales (Billions of yen)



[New Products & Technology]

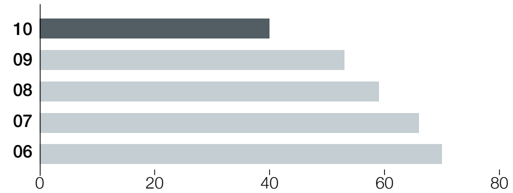
Developed a Slim Link Wiper

Our Slim Link Wiper improves vehicle safety by incorporating a slimmer wiper link that makes pedestrians more easily visible. A processing technology that allows pipes to be bent in any way made this advance possible. This is the first time in the world that pipe-bending technology was employed in a wiper motor to provide better protection for pedestrians.

Slim Link Wiper

Industrial Systems and Consumer Products

Net Sales (Billions of yen)



[New Products & Technology]

Joint Development of Solar Power and Small Household ECO-Cute Water Heater Systems

The ECO-Cute water heater system produces hot water with a heat-pump that uses a natural substance (CO_2) as a refrigerant. The system minimizes its environmental impact by employing heat-pump technology found in air conditioners and other equipment in order to use heat in the air to produce hot water. DENSO joined forces with The Tokyo Electric Power Company and YAZAKI Corporation to develop the Solar Power ECO-Cute, a household hot water supply system that combines ECO-Cute*1 and solar power technology.

*1 ECO-Cute is the name used by electric utilities and hot water heater manufacturers for heat-pump water heaters that use a natural substance (CO_2) as a refrigerant.

The ECO-Cute

Heat-pump unit

Hot water storage tank unit

DENSO Wave Starts Selling the VS-Series 6-axis

DENSO WAVE INC. has introduced its new high performance and more user-friendly VS-Series compact six-axis robots in November 2010. The robots are the world's fastest and have the slimmest arms in their class of small industrial robots. They also feature the world's first design to have all linking wires embedded inside and to the end of the robot's arm, which saves valuable space on the factory floor. The company expects to sell 5,000 units per year.

The VP-G2 Aseptic Robot

[New Company]

New Company Provides Internet Driving Information Service

New DENSO Group member DENSO Communications Corp. provides a driving information service in Japan by using the Internet. The company was established on April 1, 2010 and started operations the same day. Backing up the service are equity investments and business alliances with partner companies in the travel, publishing and many other industries*. Access to these resources makes it possible to supply information and other services that cover a broad spectrum of user needs. DENSO Communications plans to propose ways for people to discover an entirely new world of driving enjoyment.

* BeMap Inc., Nagase & Co., Ltd., JTB Central Japan Corp., and Ryukohasshin Holdings, Inc.

Working to Enhance Corporate Value

Corporate Social Responsibility

CSR Overview

DENSO defines its corporate social responsibility (CSR) as contributing to the sustained development of society to support the continued growth of the Group. Accordingly, in conjunction with our economic contribution to society through our business results, we are also working to enhance our contribution in the environmental and social spheres. With this in mind, we have established a dedicated CSR Promotion Center to strengthen Group-wide CSR activities. Our CSR activities have earned high marks outside the Group. For example, DENSO has been included in global socially responsible investment indices such as the Dow Jones Sustainability Indexes (DJSI) for the past nine consecutive years and the Ethibel Sustainability Index (ESI) from June 2004.

CSR Framework

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

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

DENSO established a CSR Promotion Committee, chaired by the president and comprising all the Company's directors, to make decisions related to CSR activities. CSR Leaders have also been appointed at each Group company to play a central role in implementing CSR initiatives. In addition, we have largely finished building a CSR management framework at each DENSO Group company, including our supply chains. Going forward, we will also expand the CSR management framework to our overseas suppliers.

CSR Activities

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

Environmental Protection

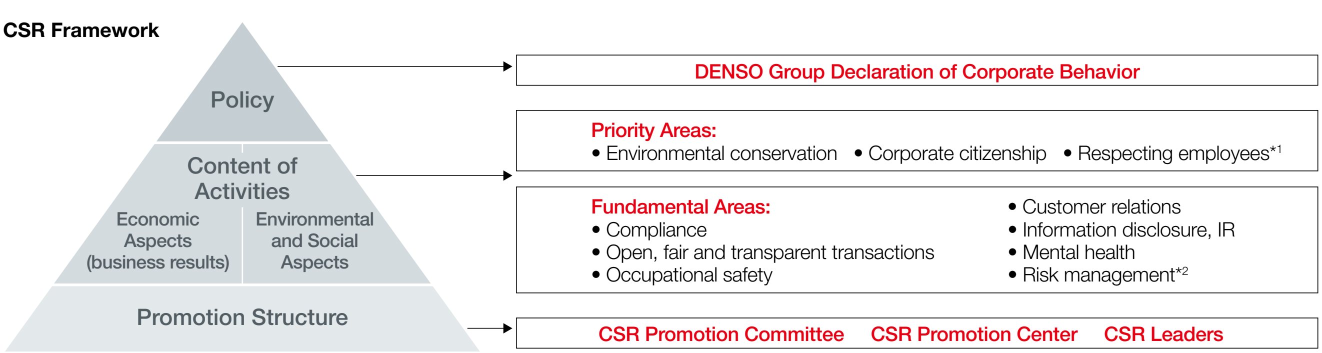
Aiming for growth balanced with consideration for the environment, DENSO is working to help solve a wide range of environmental issues. Specifically, in line with our basic environmental policy and action plan in DENSO EcoVision 2015 that guide our approach to issues such as global warming, recycling, and substances with environmental impact, we are focusing on four key areas: enhancing the development of environmentally friendly products; ascertaining then reducing the volume of CO_2 emitted by all our corporate activities; steadily reducing our global environmental impact; and reinforcing Group-wide environmental management. Below, we explain the first two areas in more detail..

① Enhancing the development of environmentally friendly products

As a supplier of automotive components and systems, the DENSO Group believes that developing technologies and products that reduce the environmental impact of automobiles is vital. DENSO is working to improve fuel efficiency, reduce the volume of harmful substances in exhaust emissions and realize other advances. For example, we have developed technologies including a battery monitoring unit for lithium-ion batteries used in a plug-in hybrid vehicle launched by Toyota Motor Corporation, a car air conditioner system with a built-in ejector for the new Prius model, and an energy-efficient spark plug.

We have also begun research and experiments in a project to make bio-fuel from algae. Essentially, the algae absorbs CO_2 in the photosynthesis process as it grows, and produces and

CSR Framework



*1 Including respect for human rights
*2 Added to the basic field of CSR along with risk management fiscal 2010

accumulates oil that primarily consists of hydrocarbon, the main constituent in light oil.

There are still issues to overcome, such as finding a low-cost way of extracting the oil, but we aim to commercialize bio-fuel that does not compete for food resources as raw materials.

② Ascertaining then reducing the volume of CO_2 emitted by all our corporate activities

DENSO is working to reduce emissions of CO_2 in every area of its operations. These activities encompass manufacturing, logistics and administration divisions, as well as the actions of individual employees. In manufacturing divisions, efforts to identify and standardize the groundbreaking energy-saving technologies and expertise we have deployed in Japan and transfer them to other DENSO companies are realizing benefits across the entire Group. As a result, in fiscal 2010, we reduced CO_2 emissions per unit of production by 5% (unit of production: volume of emissions in manufacturing divisions per unit of net sales) compared with the fiscal 2001 benchmark, exceeding our EcoVision 2015 target of a 20% reduction by fiscal 2011 for the second year running. In logistics divisions, we are adopting more environmentally sound transportation methods, shifting some container transport from road to rail. For example, we began transporting car air conditioners, electronic components and other products by rail to customers in North Kyushu, and in 2007 in Iwate Prefecture; previously we transported products over these long distances by road. To further increase the effectiveness of these initiatives, we are also strengthening the DENSO Group's supply chain. Specific steps included tightening our Green Procurement Guidelines for suppliers and working with them in manufacturing and logistics to reduce CO_2 emissions.

Corporate Citizenship

DENSO is aiming to win even greater trust from the international community through efforts to coexist with local communities worldwide. To realize this objective, we formulated the DENSO Group Basic Policy for Corporate Citizenship Activities. This policy defines two key areas where DENSO can use its unique strengths to best effect—supporting the physically challenged and promoting harmony with the environment. The policy also promotes Group-wide efforts to create a corporate culture that encourages the participation of all employees in corporate citizenship activities.

① Supporting the physically challenged

Our efforts in Japan are focused on DENSO Taiyo Co., Ltd., a subsidiary established in 1984 to help people with physical disabilities become more independent. Overseas, in 1999, we established the Wheelchairs and Friendship Center of Asia (WAFCA), a non-profit organization that manufactures and distributes wheelchairs, among other activities. WAFCA is extending its reach into other parts of Asia. For example, in fiscal 2008, WAFCA began support activities in China as part of efforts to help people with physical disabilities across Asia gain more independence; this organization has been conducting similar activities in Thailand since fiscal 2000. In 2007, DENSO launched "DENSO YOUTH for EARTH Action—New Earthlings Project," a global program for fostering youth. The goal of this international program is to develop and support young people who have a deep appreciation of what living in harmony with the environment means and who are active in working to create a sustainable society. In fiscal 2010, 25 undergraduate and graduate university students were selected to participate in the program through a call for participants in six ASEAN countries and Japan. The students took part in on-site nature workshops at Mt. Fuji and Lake Biwa.

DENSO YOUTH for EARTH Action

Bio-fuel from algae

② **Harmony with the environment**

We introduced a unique scheme called DENSO EcoPoint designed to encourage our employees to take part in voluntary eco-activities that help protect the environments of local communities. Employees are awarded points for participating in local clean-up activities or using more eco-friendly commuting methods. Saved points can then be exchanged for eco-products or contributions to tree-planting and other schemes that benefit the environment. A total of 10,000 people had signed up for the scheme by the end of fiscal 2010.

③ **DENSO Group Community Service Day**

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

Respecting Employees

We provide in-depth human resources development from a medium- to long-term perspective so that each employee can maximize their capabilities. DENSO considers the basis of development to be continuous on-the-job training. In addition, DENSO is promoting its off-the-job training designed to enhance the knowledge and skills of employees in a systematic manner. These and other approaches are part of support given to employees to help them demonstrate their abilities and attain even higher goals. There are now more than 120,000 employees in the DENSO Group as a result of business expansion over the past few years. So that our employees exemplify the "DENSO Approach to Working," we promote activities designed to share the DENSO Spirit, which embodies the shared set of values we have held dear since our foundation: foresight, credibility and collaboration. In this regard, we are also focusing on the development of a global and common training system. In fiscal 2008, in an effort to create a structure for strengthening development of managerial staff, we took steps such as establishing common proficiency standards for the DENSO Group. We plan to continue actively providing support to employees to help them grow and achieve personal fulfillment.

Corporate Governance

DENSO regards the establishment of sound corporate governance as a key management task and is working to further improve its provisions in this regard. The Company sees this as vital to raise Group competitiveness, in order to maintain and improve long-term business performance in today's rapidly changing global markets.

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

To expedite accurate decision-making by the Board of Directors and execute rapid business operations, the Company has put in place a management system that enables appropriate oversight and monitoring by corporate auditors, and a system that heightens the effectiveness of implementing full corporate governance. For example, in order to speed up decision-making and operational execution, we have reduced the number of directors and adopted a managing officer system whereby we appointed managing officers. Under this system, directors oversee activities in all business divisions and play a bridging role between management and day-to-day operations, while managing officers focus exclusively on business execution in each business division. In addition, the term of office for directors is set at one year to create a management structure capable of adapting flexibly to changes in the business environment and to further clarify management responsibility for each business term.

Roles and Results of Principal Executive Bodies

DENSO has also established an "executive meeting" system whereby two bodies are involved in making decisions regarding business operations. The Board of Directors makes final decisions on statutory and important matters as the decision-making body, while the Top Management Meeting acts as a deliberative body that debates matters from a Group-wide perspective and submits proposals to the Board of Directors.

Board of Directors (met 20 times in fiscal 2010, with attendance rates of 95% and 91% for directors and corporate auditors, respectively)

Top Management Meeting (met 43 times in fiscal 2010)

Management Auditing Function

The Company's two standing corporate auditors and three external corporate auditors are responsible for monitoring the execution of duties by directors and auditing the operations and financial condition of DENSO Corporation and its domestic and overseas subsidiaries. In line with corporate governance, the Company believes it is important to have objective and independent monitoring of management from outside the Company, and so appoints outside corporate auditors who reflect their varied experience and extensive insight outside the Company in their audits of DENSO.

The Company has entered into an agreement with each outside corporate auditor to limit his or her liability with regard to the damages stipulated in Article 423, Paragraph 1, of the Companies Act, based on Article 427, Paragraph 1, of the Companies Act. Based on this agreement, the liability for damages of each shall be limited to a legally determined amount. This limitation of liability applies only when the outside corporate auditor conducts his or her duties in good faith and without gross negligence.

In addition to the statutory appointment of corporate auditors, the Company's audit system also comprises dedicated internal audit departments at the parent company and key domestic and overseas subsidiaries. In terms of audit methods, DENSO's business divisions and domestic and overseas subsidiaries have voluntary inspection systems by which they inspect the status of their own internal controls, while the internal audit departments continuously conduct audits to ensure compliance with laws and the appropriateness of the Company's own management and business procedures.

DENSO's corporate auditors attend important meetings, including Board of Directors meetings and the Top Management Meeting, and exchange information and opinions with the Internal Audit Department and departments related to internal controls, and the accounting auditor, in order to audit directors' execution of their duties and to fulfill their management oversight function.

The auditing firm of Deloitte Touche Tohmatsu has been selected to conduct accounting audits, and the assistant personnel involved with our accounting audit comprise six certified public accountants, three assistant accountants and six others.

Mr. Fujio Cho, an outside corporate auditor of DENSO, has been appointed chairman of Toyota Motor Corporation, with whom DENSO has a business relationship.

DENSO's basic internal control policy is decided by the Company's Board of Directors, and the corporate governance system is as illustrated below.

Remuneration for Directors

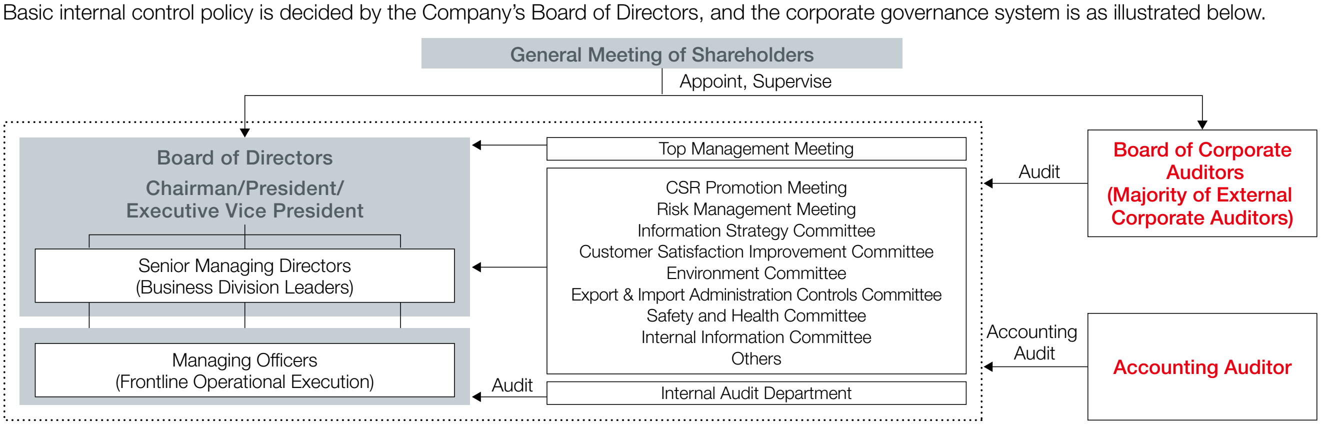
The following amounts of remuneration were paid to directors and corporate auditors.

Category of director	Total remuneration (Millions of yen)	Total remuneration by type (Millions of yen)				Number of eligible directors
		Basic remuneration	Stock option	Bonus	Retirement benefit	
Directors	852	499	172	181	–	13
Corporate auditors (excluding outside corporate auditors)	81	38	–	16	27	3
Outside corporate auditors	28	18	–	4	6	3

There is no director of the submitting company whose total amount of consolidated remuneration exceeds ¥100 million. The following describes the policies, methods of determining and the calculation of directors' remuneration amounts.

Corporate Governance System

Basic internal control policy is decided by the Company's Board of Directors, and the corporate governance system is as illustrated below.



As regards the basic monthly remuneration, the upper limit of the total remuneration amount (¥80 million per month for directors, ¥7 million for corporate auditors) is set within a total monetary amount decided by resolution of the General Meeting of Shareholders. The monthly remuneration for directors authorized by the Board of Directors is determined based on the Company's standards, and the remuneration of corporate auditors is determined in collaboration with the auditors.

Stock options are granted to directors in units of a certain number of shares, linked to the position of each director. Bonuses are decided by resolution of the Regular Meeting of Shareholders. After the total amounts to be paid to the directors and corporate auditors have been approved, the bonus for each director is authorized by the Board of Directors based on the extent of the individual director's contribution, and the bonuses for corporate auditors are determined in collaboration with the auditors.

As regards retirement benefits for corporate auditors, the Company used to apply a certain increase factor to the monthly remuneration of each corporate auditor corresponding to the years of service. With the aim of increasing the transparency of the remuneration system for corporate auditors, the Company abolished the system of retirement benefits for corporate auditors at the conclusion of the Regular Meeting of Shareholders on June 25, 2010.

Developing and Strengthening Internal Controls

In order to ensure the reliability of financial reporting, since fiscal 2009 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 the Company has 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, since fiscal 2009, the first year of 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.

Compliance

DENSO considers legal compliance as fundamental to appropriate corporate conduct, and is focusing efforts on instilling an awareness of compliance in each employee. The Company sees compliance as not only the observance of laws but also a responsibility to meet the expectations of stakeholders. In this sense, the Company considers it to be the cornerstone of all conduct. In an effort to ensure thorough compliance, the Company formulated the Code of Conduct for DENSO Group Associates, which is shared by domestic Group companies. 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.

In Japan, the Company has established a Business Ethics Hotline, which offers all employees, including contract, temporary and other employees, the opportunity to ask questions or obtain advice about compliance from outside legal counsel and the Company's Legal Department. In fiscal 2010, the hotline received some 168 inquiries. In addition, DENSO is proactive in promoting awareness of ethical matters, offering regular compliance education by employee level and publishing a compliance-related newsletter. 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 enlightenment 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 are operating a compliance program that includes a helpline that is appropriate to the circumstances in each country. In addition, regional headquarters employees responsible for legal affairs in Japan, North America, Europe, China and Southeast Asia meet regularly to work to ensure and maintain compliance by sharing information and issues.

In February 2010, DENSO INTERNATIONAL AMERICA, INC., a U.S. subsidiary of DENSO, was investigated by the U.S. Federal Bureau of Investigation and the U.S. Department of Justice in relation to anti-trust legislation. DENSO INTERNATIONAL AMERICA is fully cooperating with this investigation.

Risk Management

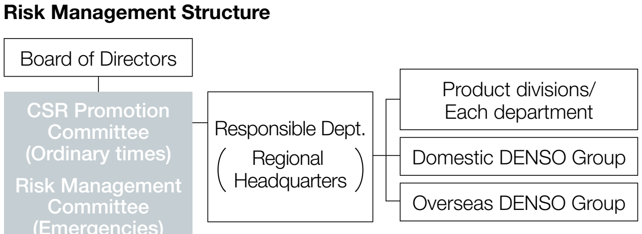
Basic Approach and Promotion System for Risk Management

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

Specific Initiatives

In fiscal 2010, we positioned risk management as the foundation of CSR, and worked to integrate and strengthen the risk management promotion system. Through these efforts, we developed a system in which measures to continuously improve and entrench risk management systems and frameworks during ordinary times are incorporated into the CSR Promotion Committee, while initial responses to crises (emergencies) are promoted by the Risk Management Committee as before. Furthermore, specialist response units are organized depending on the seriousness of the situation and the degree of urgency, in order to enable flexible measures to minimize damages.

Risk Management Structure

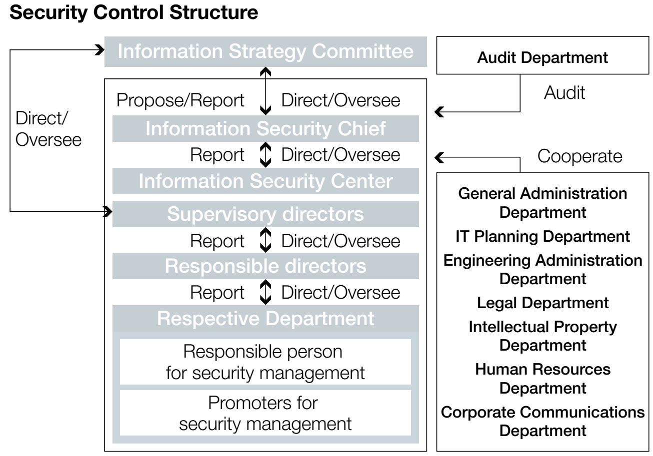


Information Security

Basic Approach and Promotion System for Information Security

DENSO views technology and information, as well as customer and employee data, as assets that must be safeguarded. This recognition prompted the Company to draft the DENSO Group's Basic Principles of Information Security in 2003, and to take steps to better protect and strengthen control of its information assets. In 2005, DENSO applied the DENSO Group Information Security Standards to 56 domestic Group companies and 77 Group bases overseas. Formulated with reference to Information Security Management System criteria, these standards contain 142 specific points pertaining to the management of information assets. In order to enable swift and accurate execution of business, while continuing to protect information assets, from fiscal 2008, the Company created a new policy on establishment of security measures that take into account not only confidentiality of information, but also completeness and usability (i.e., the difficulty of systems breaking down or malfunctioning). Under the Information Security Control Promotion Department, the Company has begun implementing this policy. An Information Security Leader and Information Security Center have been established as specialized departments under the Information Strategy Committee, and Information Security Control Promotion Officers and leaders have been appointed in each department. For the promotion of these activities, DENSO has also built an information management system based on ISO/IEC 27001 and other internationally recognized information management system standards. In addition to the control of trade secrets, audits and Company-wide voluntary inspections, DENSO conducts annual monitoring surveys to ascertain actual conditions at each Group company to continuously raise the level of information security throughout the Group.

Security Control Structure



Executive Management

(As of June 25, 2010)

Board of Directors

Chairman
Koichi Fukaya

President and CEO
Nobuaki Katoh

Executive Vice President
Hiromi Tokuda

Executive Vice President
Koji Kobayashi

Senior Managing Directors

Kazuo Hironaka
Sojiro Tsuchiya
Hikaru Sugi
Shinji Shirasaki
Mitsuhiko Masegi
Masahiko Miyaki
Akio Shikamura
Haruya Maruyama

Director

Shoichiro Toyoda

Corporate Auditors

Standing Corporate Auditors

Toshio Watanabe
Masato Iwase

Corporate Auditors

Fujio Cho*
Tamiki Kishida*
Tsutomu Saito*

*External Corporate Auditors

Managing Officers

Shigehiro Nishimura
Yasushi Nei
Manfredo Nicolelli
Yoshikazu Makino
Akio Tajima
Yasushi Yamanaka
Michio Adachi
Hiroyuki Wakabayashi
Noboru Yamada
Satoshi Iwata
Akihiro Yukawa
Masahiko Ito
Yoshihiro Saka
Toshiyuki Kato
Sadahiro Usui
Yoshiki Sekiguchi
Hiroyuki Murayama
Hitoshi Tasaka
Koji Arima
Katsuhisa Shimokawa
Tatsuya Toyoda
Yukihiko Murakami
Hiroyuki Ina
Shingo Kuwamura
Yukihiro Kato
Kazuaki Fujitani
Shoji Tsuzuki
Yoshifumi Kato

Financial Section

Contents

Financial Review

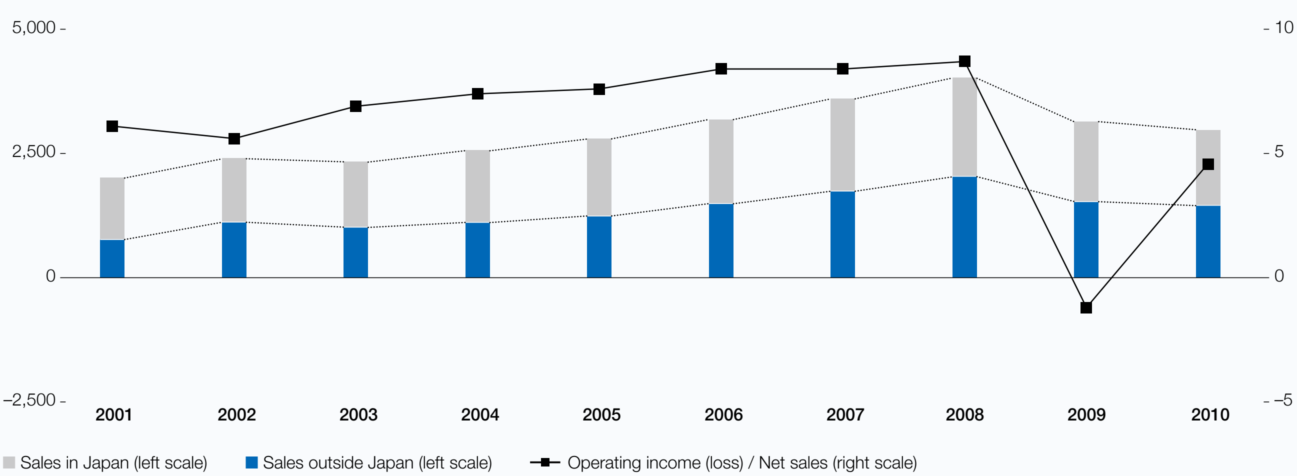
Financial Summary

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31

	2010	2009	2008	2007
Net Sales:	¥2,976,709	¥3,142,665	¥4,025,076	¥3,609,700
Sales in Japan	1,518,105	1,615,771	1,976,877	1,859,046
Sales outside Japan	1,458,604	1,526,894	2,048,199	1,750,654
Operating Income (Loss)	136,640	(37,309)	348,652	303,068
Net Income (Loss)	73,427	(84,085)	244,417	205,170
Total Assets	3,364,070	3,018,438	3,643,418	3,765,135
Equity*2	2,032,264	1,900,719	2,282,677	2,286,956
Shareholders' Equity	–	–	–	–
Capital Expenditures	114,422	314,425	343,779	312,457
Depreciation	237,944	276,624	263,519	219,873
R&D Expenses	270,077	297,148	311,474	279,890
Net Cash Provided by Operating Activities	357,141	209,915	572,663	406,543
Per Share:				
Basic net income (loss)	¥ 91.11	¥ (104.13)	¥ 299.96	¥ 249.88
Diluted net income	91.11	–	299.70	249.56
Cash dividends	27.00	40.00	54.00	45.00
Equity*2	2,378.18	2,220.89	2,658.06	2,668.82
Ratios:				
Return on Sales (%)	2.5	(2.7)	6.1	5.7
Current Ratio (%)	230.4	208.3	162.6	151.0
Fixed Ratio (%)	83.8	97.8	95.6	104.1
Return on Equity (%)	4.0	(4.3)	11.3	9.9
Average Number of Shares (in thousands)	805,892	807,469	814,833	821,060
Number of Employees	120,812	119,919	118,853	112,262

Notes: 1. As of March 31, 2010, DENSO CORPORATION had 184 subsidiaries and applied the equity method of accounting with respect to 30 affiliates.
2. The figures for the year ended March 31, 2002 include the effect of an irregular 15-month reporting period, due to certain major overseas consolidated subsidiaries and overseas affiliates (45 companies) deciding to change their year-end to March 31 from December 31.
3. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥93.04=US$1, the approximate exchange rate prevailing on March 31, 2010, the last trading day of the fiscal year.

Net Sales
(Billions of yen)



Financial Review

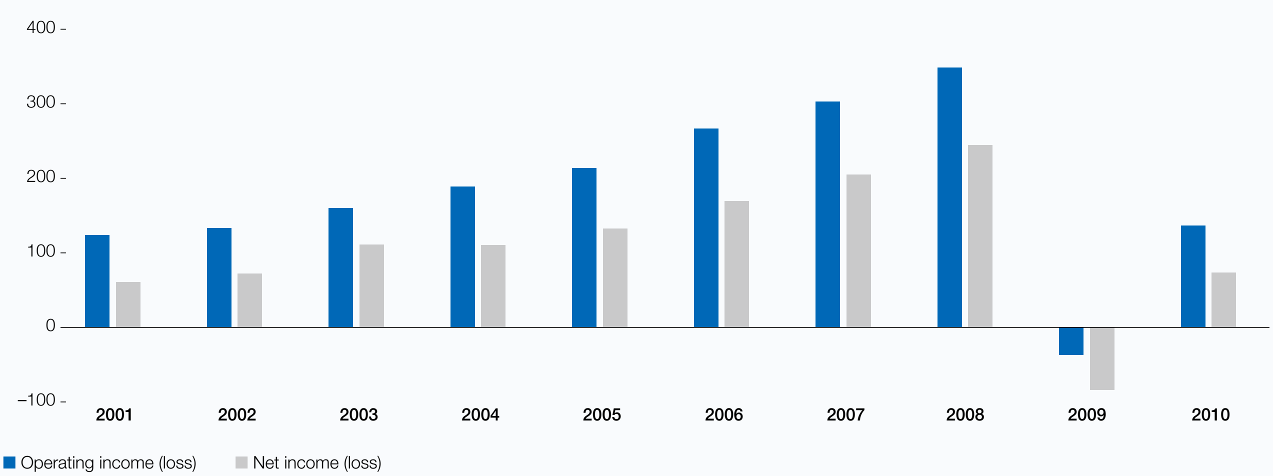
	2006	2005	2004	2003	2002	*2002*[*1]* *unaudited*	2001	Thousands of U.S. dollars 2010
							Millions of yen	
	¥3,188,330	¥2,799,949	¥2,562,411	¥2,332,760	¥2,401,098	*¥2,183,062*	¥2,014,978	**$31,993,863**
	1,690,215	1,554,795	1,442,645	1,325,637	1,277,865	*1,277,865*	1,245,830	**16,316,692**
	1,498,115	1,245,154	1,119,766	1,007,123	1,123,233	*905,197*	769,148	**15,677,171**
	266,559	213,895	188,659	159,893	133,340	*129,888*	123,526	**1,468,616**
	169,648	132,620	110,027	111,018	72,313	*70,800*	60,799	**789,198**
	3,411,975	2,780,982	2,526,502	2,354,657	2,361,048	–	2,343,328	**36,157,244**
	2,066,303	–	–	–	–	–	–	**21,842,906**
	1,970,388	1,643,182	1,509,489	1,397,888	1,421,212	–	1,451,211	**–**
	288,714	235,258	196,461	171,108	193,599	*183,977*	140,447	**1,229,815**
	185,143	160,993	151,169	146,651	147,277	*139,991*	134,416	**2,557,438**
	256,339	238,241	214,917	182,886	185,627	*181,044*	176,959	**2,902,805**
	368,575	273,296	231,814	267,344	206,663	–	202,127	**3,838,575**
							Yen	U.S. dollars
	¥ 204.80	¥ 159.02	¥ 130.02	¥ 128.37	¥ 80.22	*¥ 78.54*	¥ 66.51	**$ 0.98**
	204.62	158.96	130.01	126.65	78.93	*77.29*	65.51	**0.98**
	38.00	32.00	24.00	20.00	18.00	–	17.00	**0.29**
	2,384.05	1,990.48	1,809.55	1,656.93	1,641.72	–	1,587.77	**25.56**
	5.3	4.7	4.3	4.8	3.0	*3.2*	3.0	
	160.6	161.4	163.0	161.2	174.0	–	199.0	
	102.1	98.2	97.2	97.3	95.2	–	91.4	
	9.4	8.4	7.6	7.9	5.0	*4.9*	4.4	
	825,725	830,869	842,005	860,828	901,489	–	914,121	
	105,723	104,183	95,461	89,380	86,639	–	85,371	

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

*2 Section under "Equity" is newly provided to conform to Japanese new accounting standard for the fiscal year 2006 and after.

Financial Review

Profits
(Billions of yen)



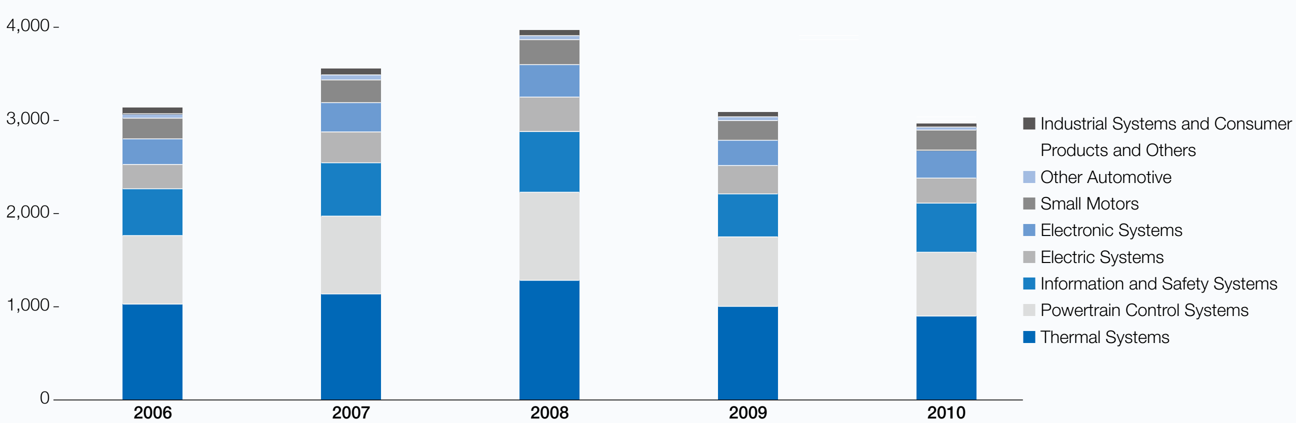
Sales by Business Segment

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31

	Millions of yen (percentage of net sales)					Thousands of U.S. dollars
	2010	2009	2008	2007	2006	2010
Thermal Systems	¥ 901,748	¥1,006,914	¥1,287,900	¥1,137,975	¥1,031,836	$ 9,692,046
	(30.3%)	(32.0%)	(32.0%)	(31.5%)	(32.4%)	
Powertrain Control Systems	684,375	741,873	940,162	830,111	733,520	7,355,707
	(23.0)	(23.6)	(23.4)	(23.0)	(23.0)	
Information and Safety Systems	526,818	471,432	650,044	583,873	499,843	5,662,274
	(17.7)	(15.0)	(16.2)	(16.2)	(15.7)	
Electric Systems	265,811	293,647	368,073	329,981	266,139	2,856,954
	(8.9)	(9.3)	(9.1)	(9.2)	(8.3)	
Electronic Systems	297,321	272,909	349,664	310,737	270,040	3,195,626
	(10.0)	(8.7)	(8.7)	(8.6)	(8.5)	
Small Motors	222,458	218,339	270,838	248,772	224,709	2,390,993
	(7.5)	(7.0)	(6.7)	(6.9)	(7.0)	
Other Automotive	29,171	37,634	44,423	47,513	40,730	313,532
	(1.0)	(1.2)	(1.1)	(1.3)	(1.3)	
Automotive sub-total	2,927,702	3,042,748	3,911,104	3,488,962	3,066,817	31,467,132
	(98.4)	(96.8)	(97.2)	(96.7)	(96.2)	
Industrial Systems and Consumer Products	40,017	52,815	58,511	65,628	70,258	430,106
	(1.3)	(1.7)	(1.5)	(1.8)	(2.2)	
Others	8,990	47,102	55,461	55,110	51,255	96,625
	(0.3)	(1.5)	(1.3)	(1.5)	(1.6)	
New businesses sub-total	49,007	99,917	113,972	120,738	121,513	526,731
	(1.6)	(3.2)	(2.8)	(3.3)	(3.8)	
Total	¥2,976,709	¥3,142,665	¥4,025,076	¥3,609,700	¥3,188,330	$31,993,863
	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥93.04=US$1, the approximate exchange rate prevailing on March 31, 2010, the last trading day of the fiscal year.

Sales by Business Segment
(Billions of yen)



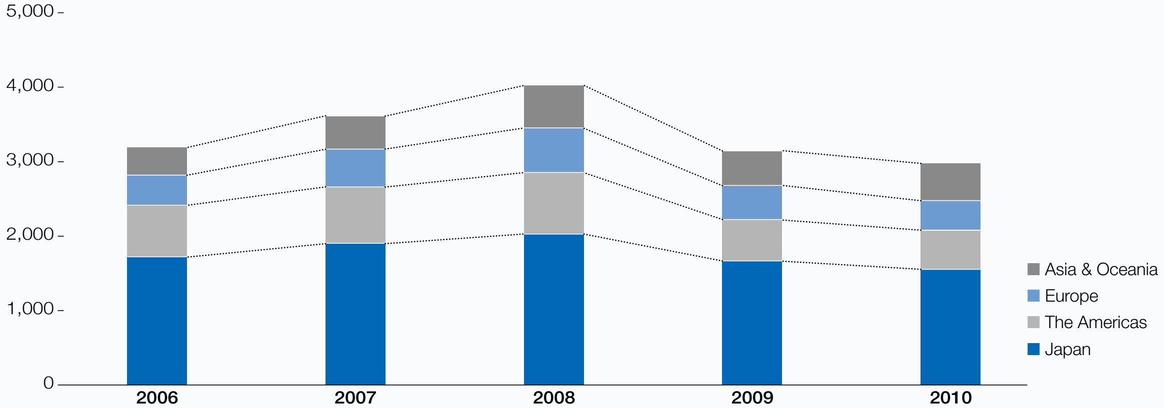
Sales by Company Location

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31

		Millions of yen					Thousands of U.S. dollars
		2010	2009	2008	2007	2006	2010
Japan	Customers	¥1,553,492	¥1,667,990	¥2,029,482	¥1,905,193	¥1,727,675	$16,697,034
	Intersegment	487,823	477,646	696,410	636,068	561,284	5,243,153
	Total	2,041,315	2,145,636	2,725,892	2,541,261	2,288,959	21,940,187
The Americas	Customers	526,654	554,213	822,982	756,250	681,367	5,660,512
	Intersegment	5,517	5,554	9,302	12,831	9,076	59,297
	Total	532,171	559,767	832,284	769,081	690,443	5,719,809
Europe	Customers	401,967	451,626	605,373	507,503	414,243	4,320,368
	Intersegment	9,116	10,858	14,904	11,796	8,804	97,979
	Total	411,083	462,484	620,277	519,299	423,047	4,418,347
Asia & Oceania	Customers	494,596	468,836	567,239	440,754	365,045	5,315,950
	Intersegment	39,510	38,847	48,918	39,447	30,064	424,656
	Total	534,106	507,683	616,157	480,201	395,109	5,740,606
Eliminations		(541,966)	(532,905)	(769,534)	(700,142)	(609,228)	(5,825,086)
Consolidated		¥2,976,709	¥3,142,665	¥4,025,076	¥3,609,700	¥3,188,330	$31,993,863

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥93.04=US$1, the approximate exchange rate prevailing on March 31, 2010, the last trading day of the fiscal year.

Sales by Company Location
(Billions of yen)



Management's Discussion and Analysis

Business Overview

In fiscal year 2010, the year ended March 31, 2010, the global economy, which had been stagnant since the financial crisis in the fall of 2008, bottomed out in the spring of 2009. After the second quarter of fiscal 2010, the global economy gradually picked up toward the end of the year in response to the economic policies implemented by various nations and the business recovery in Asia. In particular, domestic demand recovered in China, India and elsewhere, with subsequent high economic growth. However, economic conditions in the U.S., Japan and other developed nations did not make a full-fledged recovery as personal consumption remained weak in the face of severe employment conditions, despite signs of the downturn bottoming out in response to the economic policies of the various nations.

In the automotive industry, economic conditions brightened in both the developed nations, including Japan, and the emerging nations. Markets steadily recovered in the emerging nations, particularly in Asia, and the markets in China and India expanded significantly from the previous year. However, vehicle sales in the key U.S. market were down year on year due to sluggish sales in the first half of the year, despite the recovery trend of the market underpinned by the economic upturn and other factors. In Japan, vehicle sales were approximately level year on year. Sales had been sluggish in the first half of the year, the same as in the U.S., but then picked up in response to governmental measures that reduced taxes and provided purchase-exchange subsidies for environmentally friendly eco-cars. Vehicle production in Japan and exports of finished vehicles were both down year on year.

During the year, the yen gained 9.9% against the U.S. dollar and 11.6% against the euro. Average yen exchange rates against these currencies were ¥91 and ¥129, respectively.

Management Strategy

Amid these severe market changes, the Group (DENSO Corporation and its consolidated subsidiaries) formulated structural reforms last year and has been focusing on the two objectives of "Building a streamlined and lean business structure" and "Developing systems for future growth."

To build a streamlined and lean business structure, the Group deployed company-wide measures to further strengthen its activities to reduce fixed costs, including curbing costs through a complete overhaul of business expenses, reducing R&D expenses and capital expenditures, and increasing work efficiency by focusing on administrative overhead.

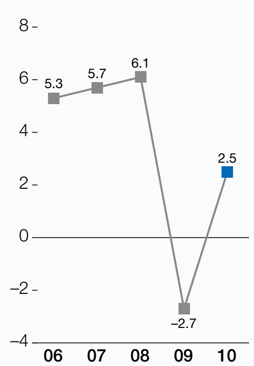
In line with the second objective of developing systems for future growth, the Group pushed ahead with implementing technological development and creating structures that address the needs of regions throughout the world, responding to the increasing electrification of cars, improvements in fuel consumption, reductions in carbon dioxide, and the markets of emerging nations. We identified the 14 most important targets for our second policy, including "Develop competitive products" and "Develop low-cost products," and set up the DENSO Project Department to handle projects to achieve these targets, especially those interdivisional projects that require coordination between business departments.

In response to the increasing electrification of cars, our battery monitoring unit that detects voltage, current and temperature levels, thereby enabling the high-voltage lithium battery to be used safely and efficiently, was installed at the end of last year in the plug-in hybrid vehicles sold by Toyota Motor Corporation. In response to improvements in fuel consumption and reductions in CO_2, we developed the world's first car air conditioning system with a built-in ejector, a small refrigerant ejection device, that dramatically improves the energy-saving and efficiency levels of the system. Compared with conventional systems, the compressor enables the electricity consumption to be reduced by up to 25%. Toyota has installed the system in its new Prius vehicle. In further efforts to improve fuel consumption and reduce CO_2, we developed Twin Tip, a fuel-saving nickel spark plug that can be sold at a reasonable price. By using a nickel alloy newly developed by DENSO, the product price can be held low and, compared with DENSO's conventional nickel spark plugs, CO_2 emissions can be reduced by 0.8% while the vehicle's fuel consumption is cut by 1.2% and the torque improved by 1.1%.

In our efforts to develop low-cost products for emerging nations' markets, for which future growth is anticipated, we have been addressing local needs in a timely manner by putting in place structures that enable the complete range of business operations from development to production and sales to be conducted locally. At our production base in Brazil, we built a new plant for DENSO DO BRASIL LTDA. (DNBR) that will manufacture and sell car and bus air conditioners, radiators and other items, with production scheduled to start in January 2011. Going forward, we will further develop these region-based initiatives to bring about the optimum production systems for each region and to promote the procurement of reasonably priced local parts and materials.

As regards the Group's corporate social responsibility (CSR) initiatives, amid the heightened expectations of stakeholders regarding companies' approaches to environmental issues, the Group has given priority to addressing these issues by focusing on energy-saving activities, with the entire Group working together to rigorously implement energy-saving initiatives. As a result, DENSO received the Japan's Ministry of Economy, Trade and Industry (METI) Award in the Organizational category of the Energy Conservation Prize, by which METI recognizes achievements in promoting energy conservation. The Group was recognized and acclaimed for its energy-saving technologies for making production facilities. In this context, the Group was able to make full use of the advantage that the Group develops, designs and builds its own manufacturing facilities. The Group has contributed to the realization of production facilities in Japan and overseas that save more energy, are not wasteful, and feature the optimum supply of energy to production lines. Moreover, as part of our ongoing efforts to be a corporate group trusted by society, we published a picture-book that shows in an easy-to-understand manner the CSR responsibilities a company has to its various stakeholders, and followed this up by holding presentations and exhibitions about CSR for elementary-school students. Going forward, every employee of the Group in all the countries and regions in which it conducts business will implement CSR initiatives, aiming to fully realize a corporate group that earns the trust and respect of society.

Return on Sales
(%)



Net Sales

Despite the successful implementation of economic policies in various countries and the steady recovery of Asian markets centered on China, consolidated net sales for the fiscal year ended March 31, 2010 decreased compared to the previous year, falling 5.3%, or ¥166.0 billion, to ¥2,976.7 billion. This mainly reflected foreign currency fluctuations.

Sales by Geographic Segment

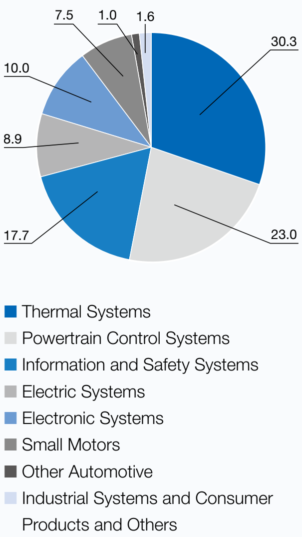
In Japan, sales totaled ¥2,041.3 billion, a decrease of 4.9%, or ¥104.3 billion, from the previous year. The decrease was due to lower production of vehicles in Japan and exchange rate fluctuations, offset by increased exports of parts and other items for overseas production.

In the Americas, decreased production of vehicles in the U.S. reduced sales to ¥532.2 billion, a decrease of 4.9%, or ¥27.6 billion, from the previous year.

In Europe, lower vehicle production in European countries led to sales of ¥411.1 billion, a decrease of 11.1%, or ¥51.4 billion, from the previous year.

In Asia & Oceania, sales totaled ¥534.1 billion, an increase of 5.2%, or ¥26.4 billion, from the previous year, because of increased vehicle production in China by Japanese companies and recovered demand even in ASEAN countries.

Sales Breakdown by Product Category
(%)



Sales by Product Category

In the fiscal year ended March 31, 2010, the Group recorded a decrease in sales in the automotive field of 3.8%, or ¥115.0 billion, to ¥2,927.7 billion. Sales in this area represented 98.4% of consolidated net sales, compared with 96.8% a year earlier. Sales in new business fields were down 51.0%, or ¥50.9 billion, to ¥49.0 billion, accounting for 1.6% of consolidated net sales, compared with 3.2% last year.

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

Thermal Systems**:** sales decreased 10.4%, or ¥105.2 billion, to ¥901.7 billion, despite increased vehicle production by Toyota and expanded sales of car air conditioners and compressors for European car manufacturers, due to lower production of cars using these systems by other Japanese and overseas automakers. Sales of thermal systems accounted for 30.3% of consolidated net sales, down from 32.0% last year.

Powertrain Control Systems**:** sales declined 7.8%, or ¥57.5 billion, to ¥684.4 billion, mainly due to the fact that sales of diesel common rail injection systems in Europe turned downward, in addition to lower production at Japanese and overseas automakers. Sales of powertrain control systems accounted for 23.0% of consolidated net sales, down slightly from 23.6% last year.

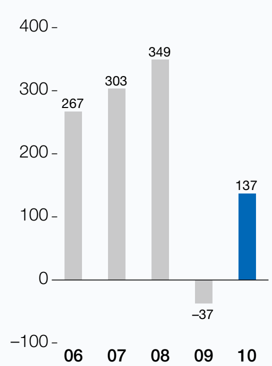
Information and Safety Systems: sales rose 11.7%, or ¥55.4 billion, to ¥526.8 billion, mainly due to increased sales of car navigation systems resulting from higher vehicle production at Toyota. Sales in this product category accounted for 17.7% of consolidated net sales, up from 15.0% in the previous year.

Electric Systems**:** sales decreased 9.5%, or ¥27.8 billion, to ¥265.8 billion, primarily because of lower sales of starters, alternators and other electrical components, due to lower vehicle production at Japanese automobile manufacturers. Sales of electric systems accounted for 8.9% of consolidated net sales, compared with 9.3% last year.

Electronic Systems**:** sales increased 8.9%, or ¥24.4 billion, to ¥297.3 billion, reflecting mainly strong sales of engine ECUs and higher vehicle production at Toyota. Sales of electronic systems accounted for 10.0% of consolidated net sales, up from 8.7% last year.

Small Motors**:** sales increased 1.9%, or ¥4.1 billion, to ¥222.5 billion, due to increased sales of motors primarily for use in wiper systems and power windows, resulting from higher vehicle production at Toyota. Sales of small motors accounted for 7.5% of consolidated net sales, compared with 7.0% in the previous year.

Operating Income (Loss)
(¥ Billion)



Operating Income

Operating income of ¥136.6 billion was recorded, in contrast to an operating loss of ¥37.3 billion in the previous year. This result was mainly due to reduced fixed costs such as business expenses (¥103.0 billion), personnel expenses (¥17.8 billion) and depreciation costs (¥38.7 billion), and savings from rationalization efforts (¥48.3 billion), despite foreign exchange losses (¥43.8 billion) and capacity utilization losses (¥12.1 billion) resulting from decreased sales.

Operating Income by Geographic Segment

Operating income increased in all geographic segments mainly due to the benefits of reduced fixed costs.

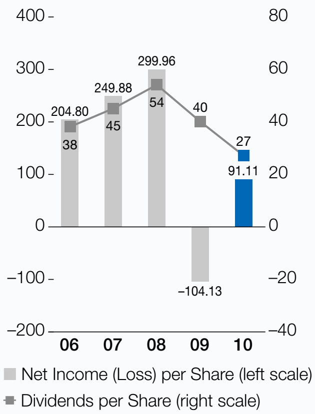
In Japan, operating income of ¥40.9 billion was recorded, compared with an operating loss of ¥114.7 billion last year.

In the Americas, operating income rose 154.3%, or ¥7.8 billion, to ¥12.9 billion.

In Europe, operating income climbed 195.9%, or ¥7.1 billion, to ¥10.7 billion.

In Asia & Oceania, operating income increased 24.6%, or ¥14.9 billion, to ¥75.4 billion.

Net Income (Loss) per Share and Dividends per Share



Other Income (Expenses)

Other income-net totaled ¥10.3 billion, a difference of ¥72.3 billion compared with other expenses in the previous year. This mainly reflected the loss on sale of investment securities and affiliates' stock recorded last year (down ¥20.6 billion) and the reduced impairment loss on long-lived assets (down ¥26.8 billion).

Net Income

The Group recorded income before income taxes and minority interests of ¥146.9 billion for fiscal year 2010, compared with a loss before income taxes and minority interests of ¥99.3 billion in the previous year. Income taxes were ¥67.6 billion, compared with a negative ¥19.8 billion in income taxes in the previous year.

Minority interests were ¥5.9 billion, up 26.6%, or ¥1.2 billion, from the previous year. As a result, the Group recorded net income of ¥73.4 billion, compared with a net loss of ¥84.1 billion in the previous year.

ROE increased from –4.3% to 4.0%, and net income per share of common stock was ¥91.11, compared with net loss per share of common stock of ¥104.13 in the previous year.

Policy on Allocation of Earnings

Dividends

The Company aims to consistently increase dividends, while taking into consideration operating results and the dividend payout ratio. The Company uses retained earnings for capital expenditures and research and development to sustain long-term business growth, and to support its share buyback program as a means of returning profits to shareholders.

In accordance with the enactment of the Company Law in May 2006, the Company had altered its Articles of Incorporation to accommodate the flexible allocation of future earnings. For the time being, however, the Company has decided to continue paying a twice-yearly dividend payment. For a year-end dividend, the approval of the general shareholders' meeting is needed.

Taking into consideration the operating results for the fiscal year under review, the Company has decided upon a year-end dividend of ¥14.00 per share and decreased the dividend applicable to the fiscal year by ¥13.00 from the previous year to ¥27.00 per share.

Treasury Stock Repurchases

The Company repurchases its own shares as part of its strategy to increase ROE, return profits to shareholders and implement a flexible capital policy in response to changes in the operating environment. As of March 31, 2009, the Company had repurchased a total of 154 million shares at an aggregate cost of ¥349.0 billion since the introduction of the share buyback program in the year ended March 31, 1997. This represents 17% of all the Company's outstanding shares as of March 31, 1997. In the future, while giving consideration to cash flows, the Company will maintain this share repurchasing policy as an important tool in improving ROE and increasing shareholder value.

Source of Funds and Liquidity Risk Management

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

Global Cash Management System

The Group has created a structure facilitating optimum management of Group-wide funds by integrating financing functions into each Regional Headquarters (RHQ) in Japan, North America, Europe, and Asia. By utilizing this sort of structure, in which each RHQ is responsible for managing funds within its respective region, the Group can procure capital resources and manage excess or deficient funds in a more centralized manner.

Financial Position

Total assets as of March 31, 2010, stood at ¥3,364.1 billion, 11.4%, or ¥345.6 billion, more than the previous fiscal year-end.

Current assets increased 38.5%, or ¥488.3 billion, to ¥1,755.1 billion, primarily reflecting increases in notes and accounts receivable, and in cash and deposits.

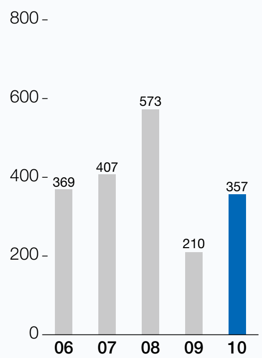
Property, plant and equipment decreased 12.8%, or ¥132.0 billion, to ¥902.7 billion, mainly due to curbs on capital investment.

Investments and other assets decreased 1.5%, or ¥10.8 billion, to ¥706.2 billion, mainly due to a decrease in deferred tax assets.

The total of current and long-term liabilities increased 19.2%, or ¥214.1 billion, to ¥1,331.8 billion, due to an increase in notes and accounts payable, and the issuance of bonds. Interest-bearing debt increased 14.8%, or ¥52.9 billion, to ¥409.5 billion.

Equity increased 6.9%, or ¥131.5 billion, to ¥2,032.3 billion, primarily reflecting increases in unrealized gain on available-for-sale securities and retained earnings.

Net Cash Provided by Operating Activities
(¥ Billion)



Cash Flows

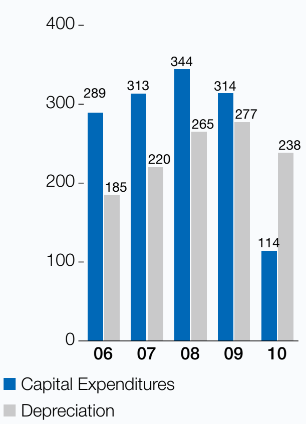
In terms of cash flows for the fiscal year ended March 31, 2010, net cash provided by operating activities was ¥357.1 billion, net cash used in investing activities was ¥155.1 billion, and net cash provided by financing activities was ¥29.2 billion. As a result, cash and cash equivalents increased ¥231.2 billion from the end of the previous fiscal year to ¥681.7 billion.

Net cash provided by operating activities for the fiscal year ended March 31, 2010, totaled ¥357.1 billion, ¥147.2 billion more than in the previous year. Cash flows chiefly reflected an operating income of ¥136.6 billion, mainly due to the benefits of reduced fixed costs, compared with a net loss of ¥37.3 billion last year.

Investing activities used net cash of ¥155.1 billion, ¥79.2 billion less than the previous year. This primarily reflected a ¥190.8 billion decrease in cash used for the acquisition of property, plant and equipment, offset by a ¥50.8 billion increase in cash used for the purchase of available-for-sale securities.

Net cash provided by financing activities was ¥29.2 billion, down ¥61.2 billion from the previous year. This was mainly attributable to a ¥60.0 billion decrease in proceeds from the issuing of corporate bonds.

Capital Expenditures and Depreciation
(¥ Billion)



Capital Expenditures/Depreciation

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

Capital expenditures during the year under review totaled ¥114.4 billion, a decrease of 63.6%, or ¥200.0 billion, from the previous year. Depreciation decreased 14.0%, or ¥38.7 billion, to ¥237.9 billion.

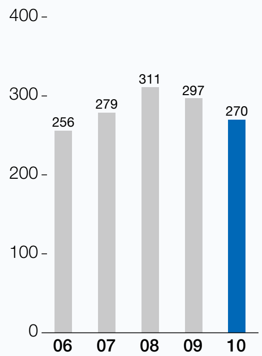
Capital Expenditures/Depreciation by Geographic Segment

As regards capital expenditures by geographic segment, the Group focused for all regions on curbing investments to increase production, and mainly invested in new products and rationalization measures. As a result, capital expenditures in Japan were ¥75.0 billion, a decrease of 66.2%, or ¥146.6 billion.

In regions outside Japan, capital expenditures in the Americas were ¥10.2 billion, a decrease of 67.1%, or ¥20.8 billion. Capital expenditures in Europe were ¥13.0 billion, a decrease of 50.8%, or ¥13.4 billion. Capital expenditures in Asia & Oceania were ¥16.3 billion, a decrease of 54.0%, or ¥19.1 billion.

In Japan, depreciation amounted to ¥178.4 billion, a decrease of 14.8%, or ¥31.1 billion. Meanwhile, depreciation amounted to ¥22.2 billion, a decrease of 13.3%, or ¥3.4 billion, in the Americas; to ¥16.1 billion, a decrease of 13.0%, or ¥2.4 billion, in Europe; and to ¥21.2 billion, a decrease of 7.8%, or ¥1.8 billion, in Asia & Oceania.

R&D Activities
(¥ Billion)



Research and Development (R&D) Activities

The Group is moving ahead with product development that focuses on the four areas of the environment, safety, comfort and convenience, in order to help create an environmentally friendly, accident-free automotive society and to bring about comfortable driving and convenient vehicles. We also make full use of our technology developed in the automotive field in product development for equipment and machines for daily life, and for industrial machinery. The Group has also introduced its energy-saving technologies for making production facilities. In this context, the Group was able to make full use of the advantage that the Group develops, designs and builds its own manufacturing facilities. As a result, DENSO received the Japan's Ministry of Economy, Trade and Industry (METI) Award in the Organizational category of the Energy Conservation Prize, by which METI recognizes achievements in promoting energy conservation.

R&D expenses of the entire Group for the fiscal year ended March 31, 2010 amounted to ¥270,077 million.

During the fiscal year under review, we have been working in the automotive field to reduce environmental burdens by coordinating various products and technologies that make full use of our strengths in a wide variety of business fields. To cite a typical example of one of our solutions, we developed technology that improves fuel consumption based on "Energy Management." DENSO's "Energy Management" is a technological approach that comprehensively controls the efficient energy usage of the entire vehicle from the three viewpoints of raising efficiency, reducing the environmental burden and using energy regeneration. Because each system and product works together in an organic manner, we have been able to achieve greater savings in energy and fuel consumption. We introduced this technology to improve the fuel economy of cars centered on energy management as our main exhibit at the 41st Tokyo Motor Show held in October 2009.

We also developed the world's first car air conditioning system with a built-in injector, that is, a small refrigerant ejection device. DENSO had already been supplying ejectors, such as refrigeration equipment for refrigeration vans and domestic-use CO_2 hot-water supply systems, but this small-sized car air conditioning system enables the power consumption of the compressor to be reduced by up to 25% compared with a conventional system. Our newly developed system has been installed in the new Prius vehicle from Toyota Motor Corporation.

In terms of parts for hybrid vehicles, we developed a battery monitoring unit for the lithium-ion batteries that are installed in vehicles. DENSO's unit uses a special technique that we have developed to provide voltage control at the cell level, thereby simplifying the circuitry compared with that required by the normal techniques used for notebook computers and like products, and hence costing less. This newly developed battery monitoring unit was put on the market from the end of 2009 by Toyota, who installed it in their Prius plug-in hybrid vehicle. Since the first Prius was launched in 1997, we have been developing products that utilize battery monitoring technology. Going forward, we will make use of this technology to develop products that incorporate the efficient utilization of high-voltage batteries.

The R&D expenses of this business field for the fiscal year ended March 31, 2010 amounted to ¥263,678 million.

In the area of new businesses, we jointly developed ECO-Cute Solar Heat, a combination of the two existing products series of ECO-Cute and solar heating systems, with the Tokyo Electric Power Company and Yazaki Corporation. The ECO-Cute Solar Heat system is a hot-water supply system that combines the features of ECO-Cute, which makes hot water by using "atmospheric heat" at night, and of solar heating systems, which effectively make hot water by using "the sun's heat" in the daytime. As a result, this system is able to supply about 80% of the energy consumed by a household to heat water in the form of recycled energy. This in turn means that we expect the system to produce a quantity of annual CO_2 emissions (approximately 0.86 tons of CO_2 per household) that are about 70% less than those produced by conventional fuel-driven water heaters.

The R&D expenses of this business area for the fiscal year ended March 31, 2010 amounted to ¥6,399 million.

R&D expenses for the fiscal year ended March 31, 2010 decreased 9.1%, or ¥27.0 billion, to ¥270.1 billion, representing 9.1% of net sales, down from 9.5% in the previous period.

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

Risk Management

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

Economic Risk

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

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

Exchange Rate Risk

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

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

Raw Materials and Component Supply Risk

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

New Product Development Risk

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

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

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

Pricing Risk

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

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

Potential Risks of International Activities and Overseas Expansion

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

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

Intellectual Property Risk

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

OEM Customer Risk

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

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

Product Defect Risk

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

Risks of Natural Disasters and Power Outages

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

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

Pension Liability Risk

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

Legal Proceedings

The DENSO Group endeavors to ensure continual legal compliance in the course of its business activities. Nevertheless, it is possible that the Group may become party to legal proceedings due to judicial action or the actions of a regulating authority. Accordingly, such an event may have an adverse effect on the Group's operating results and financial condition.

Risk Management Meeting

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

Outlook

Looking ahead, the global economy is expected to continue to be driven by Asia, especially by China with its strong domestic demand. The gradual economic recovery should continue, with positive growth in both developed countries and emerging nations.

In the automotive industry, the Japanese, Western Europe and certain other markets are likely to contract due to their reaction to the ending or reduction of sales promotion measures to stimulate replacement purchases of automobiles, despite a gradual expansion of the global market overall resulting from the recovery of the U.S. economy and the strong markets in China, India and other emerging nations. The Group's business environment continues to be severe, partly as a result of concern about the appreciation of the yen caused by worldwide economic instability, including the financial turmoil in Greece.

In this business climate, the Group will move ahead with streamlining business structures and utilize the resources we have created by streamlining in responses to the increasing electrification of cars, improvements in fuel consumption, reductions in CO_2, the expansion of low-cost technologies and the markets of emerging nations. We will renew our efforts focused on creating the framework for the next stage of growth.

Through these initiatives, we will strengthen our products' competitiveness and conduct rigorous cost-cutting activities. Assuming U.S. dollar and euro exchange rates of ¥90 and ¥130, respectively, the Group is projecting consolidated net sales of ¥3,060.0 billion, an increase of 2.8%, or ¥83.3 billion; operating income of ¥138.0 billion, an increase of 1.0%, or ¥1.4 billion; and net income of ¥98.0 billion, an increase of 33.5%, or ¥24.6 billion, for the fiscal year ending March 31, 2011.

Forward-looking Statements

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

Consolidated Balance Sheets

DENSO CORPORATION and Consolidated Subsidiaries
March 31, 2010 and 2009

Assets	Millions of yen 2010	Millions of yen 2009	Thousands of U.S. dollars (Note 1) 2010
Current Assets:			
Cash and cash equivalents	¥ 681,725	¥ 450,490	$ 7,327,225
Short-term investments (Note 3)	101,279	43,529	1,088,553
Notes and accounts receivable:			
Trade	555,745	365,286	5,973,184
Non-consolidated subsidiaries and affiliates	8,283	4,301	89,026
	564,028	369,587	6,062,210
Less: Allowance for doubtful accounts	(2,150)	(2,285)	(23,109)
	561,878	367,302	6,039,101
Inventories (Note 4)	266,264	255,526	2,861,823
Deferred tax assets (Note 6)	59,826	61,819	643,014
Other current assets	84,150	88,136	904,450
Total current assets	1,755,122	1,266,802	18,864,166
Property, Plant and Equipment (Notes 5 and 8)**:**			
Land	156,669	154,107	1,683,889
Buildings and structures	710,380	703,912	7,635,211
Machinery and equipment	2,571,558	2,533,324	27,639,273
Construction in progress	46,597	76,181	500,827
	3,485,204	3,467,524	37,459,200
Less: Accumulated depreciation	(2,582,504)	(2,432,891)	(27,756,922)
Net property, plant and equipment	902,700	1,034,633	9,702,278
Investments and Other Assets:			
Investment securities (Note 3)	492,570	408,245	5,294,175
Investments in and advances to non-consolidated subsidiaries and affiliates	41,544	36,421	446,518
Prepaid pension costs (Note 9)	84,452	107,781	907,696
Intangible assets	17,678	19,959	190,004
Deferred tax assets (Note 6)	49,944	120,977	536,801
Other assets	20,060	23,620	215,606
Total investments and other assets	706,248	717,003	7,590,800
Total	¥ 3,364,070	¥ 3,018,438	$ 36,157,244

See accompanying notes to consolidated financial statements.

Liabilities and Equity	Millions of yen 2010	2009	Thousands of U.S. dollars (Note 1) 2010
Current Liabilities:			
Short-term borrowings (Note 7)	¥ 29,898	¥ 31,760	$ 321,346
Current portion of long-term debt (Notes 7 and 8)	15,807	18,944	169,895
Notes and accounts payable:			
Trade	398,617	267,002	4,284,361
Non-consolidated subsidiaries and affiliates	24,380	14,732	262,038
	422,997	281,734	4,546,399
Income taxes payable	13,114	7,876	140,950
Accrued expenses	205,424	191,938	2,207,910
Other current liabilities (Note 6)	74,512	75,813	800,860
Total current liabilities	761,752	608,065	8,187,360
Long-Term Liabilities:			
Long-term debt (Notes 7 and 8)	364,103	306,186	3,913,403
Liability for employees' retirement benefits (Notes 2 (K) and 9)	180,390	181,317	1,938,844
Retirement allowances for directors and corporate auditors (Note 2 (L))	1,991	2,184	21,399
Deferred tax liabilities (Note 6)	10,310	5,260	110,813
Other long-term liabilities	13,260	14,707	142,519
Total long-term liabilities	570,054	509,654	6,126,978
Contingent Liabilities (Note 10)			
Equity (Note 11)**:**			
Common stock:			
Authorized: 1,500,000,000 shares in 2010 and 2009			
Issued: 884,068,713 shares in 2010 and 2009	187,457	187,457	2,014,800
Capital surplus	266,610	266,635	2,865,542
Stock acquisition rights	2,750	1,852	29,557
Retained earnings	1,626,988	1,574,515	17,486,973
Unrealized gain on available-for-sale securities	154,178	89,000	1,657,115
Deferred gain (loss) on derivatives under hedge accounting	161	(270)	1,730
Foreign currency translation adjustments	(120,317)	(129,007)	(1,293,175)
Treasury stock, at cost: 78,167,760 shares in 2010 and 78,219,105 shares in 2009	(198,498)	(198,629)	(2,133,469)
Total	1,919,329	1,791,553	20,629,073
Minority interests	112,935	109,166	1,213,833
Total equity	2,032,264	1,900,719	21,842,906
Total	¥3,364,070	¥3,018,438	$36,157,244

Consolidated Statements of Operations

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2010
Net Sales (Note 13)	¥2,976,709	¥3,142,665	¥4,025,076	$31,993,863
Cost of Sales (Note 14)	2,559,993	2,850,990	3,314,890	27,514,972
Gross profit	416,716	291,675	710,186	4,478,891
Selling, General and Administrative Expenses (Note 14)	280,076	328,984	361,534	3,010,275
Operating income (loss)	136,640	(37,309)	348,652	1,468,616
Other Income (Expenses):				
Interest and dividend income	12,110	24,420	25,956	130,159
Interest expense	(5,936)	(5,593)	(6,814)	(63,801)
Equity in earnings (losses) of affiliates	2,129	(8,314)	3,468	22,883
Foreign exchange gain (loss)	6,767	(7,770)	(2,710)	72,732
Loss on sale or disposal of property, plant and equipment, net	(5,790)	(2,937)	(4,664)	(62,231)
Impairment loss on investment securities	(344)	(8,307)	(45)	(3,697)
Gain (Loss) on sale of investment securities and affiliates' stock	4	(20,575)	608	43
Impairment loss on long-lived assets (Note 5)	(514)	(27,293)	(767)	(5,524)
Loss on liquidation of a subsidiary	(2,656)	(8,661)		(28,547)
Restructuring charges		(1,519)	(808)	
Cumulative effect of accounting change for retirement benefit to directors, corporate auditors and managing officers (Notes 2 (K) and 2 (L))			(3,330)	
Loss on valuation of investments in capital	(1,026)	(599)		(11,028)
Loss on change in pension plans of subsidiaries	(994)			(10,684)
Loss on sale of stock of an affiliate	(234)			(2,515)
Other, net	6,757	5,174	5,283	72,625
Total	10,273	(61,974)	16,177	110,415
Income (Loss) before income taxes and minority interests	146,913	(99,283)	364,829	1,579,031
Income Taxes (Note 6)**:**				
Current	29,336	27,952	109,432	315,305
Deferred	38,266	(47,798)	(9,125)	411,286
Total	67,602	(19,846)	100,307	726,591
Minority Interests in Net Income	5,884	4,648	20,105	63,242
Net income (loss)	¥ 73,427	¥ (84,085)	¥ 244,417	$ 789,198

	Yen			U.S. dollars (Note 1)
Per Share of Common Stock (Notes 2 (U) and 18)**:**				
Basic net income (loss)	¥ 91.11	¥ (104.13)	¥ 299.96	$ 0.98
Diluted net income	91.11	–	299.70	0.98
Cash dividends applicable to the year	27.00	40.00	54.00	0.29
Average Number of Shares (in thousands)	805,892	807,469	814,833	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Thousands	Millions of yen										
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
Balance, April 1, 2007	814,485	¥187,457	¥266,463	¥ 294	¥1,500,807	¥ 374,060	¥(905)	¥ 14,962	¥(169,130)	¥2,174,008	¥112,948	¥2,286,956
Net income					244,417					244,417		244,417
Cash dividends, ¥49 per share					(39,925)					(39,925)		(39,925)
Purchase of treasury stock	(2,620)								(9,347)	(9,347)		(9,347)
Disposal of treasury stock	856		188						2,083	2,271		2,271
Net change in the year				764		(150,967)	915	(60,820)		(210,108)	8,413	(201,695)
Balance, March 31, 2008	812,721	¥187,457	¥266,651	¥1,058	¥1,705,299	¥ 223,093	¥ 10	¥ (45,858)	¥(176,394)	¥2,161,316	¥121,361	¥2,282,677
Adjustment of retained earnings due to adoption of PITF No. 18 (Note 2 (B))					(1,370)					(1,370)		(1,370)
Net loss					(84,085)					(84,085)		(84,085)
Cash dividends, ¥56 per share					(45,329)					(45,329)		(45,329)
Purchase of treasury stock	(7,000)								(22,562)	(22,562)		(22,562)
Disposal of treasury stock	129		(16)						327	311		311
Net change in the year				794		(134,093)	(280)	(83,149)		(216,728)	(12,195)	(228,923)
Balance, March 31, 2009	805,850	¥187,457	¥266,635	¥1,852	¥1,574,515	¥ 89,000	¥(270)	¥(129,007)	¥(198,629)	¥1,791,553	¥109,166	¥1,900,719
Net income					73,427					73,427		73,427
Cash dividends, ¥26 per share					(20,954)					(20,954)		(20,954)
Purchase of treasury stock	(8)								(19)	(19)		(19)
Disposal of treasury stock	59		(25)						150	125		125
Net change in the year				898		65,178	431	8,690		75,197	3,769	78,966
Balance, March 31, 2010	**805,901**	**¥187,457**	**¥266,610**	**¥2,750**	**¥1,626,988**	**¥ 154,178**	**¥ 161**	**¥(120,317)**	**¥(198,498)**	**¥1,919,329**	**¥112,935**	**¥2,032,264**

	Thousands of U.S. dollars (Note 1)										
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
Balance, March 31, 2009	$2,014,800	$2,865,811	$19,905	$16,922,990	$ 956,578	$(2,902)	$(1,386,576)	$(2,134,877)	$19,255,729	$1,173,323	$20,429,052
Net income				789,198					789,198		789,198
Cash dividends, $0.28 per share				(225,215)					(225,215)		(225,215)
Purchase of treasury stock								(204)	(204)		(204)
Disposal of treasury stock		(269)						1,612	1,343		1,343
Net change in the year			9,652		700,537	4,632	93,401		808,222	40,510	848,732
Balance, March 31, 2010	**$2,014,800**	**$2,865,542**	**$29,557**	**$17,486,973**	**$1,657,115**	**$ 1,730**	**$(1,293,175)**	**$(2,133,469)**	**$20,629,073**	**$1,213,833**	**$21,842,906**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2010	2009	2008	2010
Operating Activities:				
Income (Loss) before income taxes and minority interests	¥ 146,913	¥ (99,283)	¥ 364,829	$ 1,579,031
Adjustments for:				
Payment of income taxes	(25,649)	(90,599)	(113,085)	(275,677)
Refund of income taxes	19,098			205,267
Depreciation	237,944	276,624	263,519	2,557,438
Impairment loss on long-lived assets	514	27,293	767	5,525
Amortization of negative goodwill	(363)	(304)	(357)	(3,902)
Equity in (earnings) losses of affiliates	(2,129)	8,314	(3,468)	(22,883)
Loss on sale or disposal of property, plant and equipment, net	5,790	2,937	4,664	62,231
(Gain) Loss on sale of investment securities and affiliates' stock	(4)	20,575	(608)	(43)
Foreign exchange loss (gain)	1,392	4,095	(139)	14,961
Changes in assets and liabilities:				
(Increase) Decrease in notes and accounts receivable	(190,491)	250,991	(19,399)	(2,047,410)
(Increase) Decrease in inventories	(11,291)	27,808	(13,403)	(121,356)
(Decrease) Increase in liability for retirement benefits	(1,361)	10,791	2,973	(14,628)
Increase (Decrease) in notes and accounts payable	122,937	(211,033)	49,632	1,321,335
Decrease (Increase) in prepaid pension cost	23,990	2,712	(11,222)	257,846
Other, net	29,851	(21,006)	47,960	320,840
Total adjustments	210,228	309,198	207,834	2,259,544
Net cash provided by operating activities	357,141	209,915	572,663	3,838,575
Investing Activities:				
Acquisition of property, plant and equipment	(126,991)	(317,805)	(341,363)	(1,364,907)
Proceeds from sale of property, plant and equipment	7,374	40,394	13,482	79,256
Purchase of available-for-sale securities	(69,597)	(18,837)	(98,965)	(748,033)
Proceeds from sale and redemption of available-for-sale securities	39,771	80,410	93,520	427,461
Other, net	(5,672)	(18,468)	(30,423)	(60,963)
Net cash used in investing activities	(155,115)	(234,306)	(363,749)	(1,667,186)
Financing Activities:				
Net increase (decrease) in short-term borrowings	67	(1,795)	(30,974)	720
Proceeds from issuance of commercial paper	49,979			537,177
Redemption of commercial paper	(50,000)			(537,403)
Proceeds from long-term borrowings	34,491	73,698	26,147	370,711
Repayments of long-term borrowings	(18,908)	(8,631)	(15,811)	(203,224)
Issuance of bonds	40,000	100,000		429,923
Repayments of long-term bonds	(236)	(34)	(50,074)	(2,537)
Dividends paid	(20,954)	(45,329)	(39,925)	(225,215)
Purchase of treasury stock	(19)	(22,562)	(9,347)	(204)
Other, net	(5,267)	(5,021)	(1,903)	(56,610)
Net cash provided by (used in) financing activities	29,153	90,326	(121,887)	313,338
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	56	(24,135)	(15,355)	602
Net Increase in Cash and Cash Equivalents	231,235	41,800	71,672	2,485,329
Cash and Cash Equivalents at Beginning of Period	450,490	408,675	337,003	4,841,896
Cash and Cash Equivalents of Newly Consolidated Subsidiary		15		
Cash and Cash Equivalents at End of Period	¥ 681,725	¥ 450,490	¥ 408,675	$ 7,327,225

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

DENSO CORPORATION and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

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

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

In addition, certain reclassifications have been made in the 2009 consolidated financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥93.04 to U.S. $1, the rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate of exchange.

2. Summary of Significant Accounting Policies

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

The Company had 184 subsidiaries at March 31, 2010 (187 for 2009 and 2008).

The Company applied the "control" concept for its consolidation policy. Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated. The consolidated financial statements for the year ended March 31, 2010 include 184 subsidiaries (187 for 2009 and 186 for 2008). The Company applied the "power to exercise significant influence" concept to determine affiliates to be accounted for by the equity method. Under the influence concept, those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method. The Company applied the equity method to all 30 affiliates for the year ended March 31, 2010 (32 affiliates for 2009, and 1 non-consolidated subsidiary and 32 affiliates for 2008).

The fiscal years of subsidiaries are not necessarily the same as that of the Company. Accounts of subsidiaries which have different fiscal years have been adjusted for significant transactions to properly reflect their financial position at March 31 of each year and the results of operations and cash flows for the years then ended. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group are eliminated.

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

(B) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if included. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

The Company applied this accounting standard effective April 1, 2008. The effect of this change was to decrease operating loss by ¥873 million ($8,887 thousand) and loss before income taxes and minority interests by ¥1,591 million ($16,197 thousand) for the year ended March 31, 2009. In addition, the Company adjusted the beginning balance of retained earnings at April 1, 2008 as if this accounting standard had been retrospectively applied.

(C) Cash and Cash Equivalents

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

(D) Inventories

Prior to April 1, 2008, finished products, work in process and supplies have been stated principally at cost, and raw materials principally at the lower of cost or market value, with cost determined by the annual average method.

In July 2006, the ASBJ issued ASBJ Statement No. 9, “Accounting Standard for Measurement of Inventories”. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. Replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price. The standard was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. The Group applied this new accounting standard for measurement of inventories effective April 1, 2008. The effect of this change was to increase loss before income taxes and minority interests by ¥8,201 million for the year ended March 31, 2009.

(E) Securities

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

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

(F) Property, Plant and Equipment and Depreciation

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

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

For the fiscal year ended March 31, 2007 and previous fiscal years, property, plant and equipment held by the Company and domestic subsidiaries had been depreciated up to 95% of acquisition cost with 5% of residual value carried forward to the following year. However, beginning in the year ended March 31, 2008, in accordance with the revised corporate tax law, such 5% portion of property, plant and equipment is systematically amortized over 5 years starting in the following year in which the carrying value of property, plant and equipment reaches 5% of the acquisition cost.

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

Effective April 1, 2008, the Company and several domestic consolidated subsidiaries shortened the useful lives of certain machinery after reviewing the expected useful lives following a change in statutory useful life of machinery under the revised corporate tax law of 2008.

The effect of this treatment was to increase loss before income taxes and minority interests for the year ended March 31, 2009 by ¥5,918 million.

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

(G) Long-lived Assets

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

(H) Intangible Assets

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

(I) Allowance for Doubtful Accounts

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

(J) Bond Issue Costs

Bond issue costs are charged to income as incurred.

(K) Liability for Employees' Retirement Benefits

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

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

(L) Retirement Allowances for Directors and Corporate Auditors

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

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

(M) Stock Options

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

(N) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(O) Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. There was no impact on the consolidated statements of operations for the year ended March 31, 2009.

All other leases are accounted for as operating leases.

(P) Bonuses to Directors and Corporate Auditors

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

(Q) Income Taxes

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

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

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

(R) Foreign Currency Translation

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

(S) Foreign Currency Financial Statements

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

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

(T) Derivative Financial Instruments

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

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

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

(U) Net Income (Loss) and Dividends per Share

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

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

Diluted net income per share was not disclosed due to loss position for the year ended March 31, 2009.

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

(V) Construction Contracts

In December 2007, the ASBJ issued ASBJ Statement No. 15, "Accounting Standard for Construction Contracts," and ASBJ Guidance No. 18, "Guidance on Accounting Standard for Construction Contracts". Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs and the stage of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and effective for fiscal years beginning on or after April 1, 2009.

The Company applied the new accounting standard effective April 1, 2009.

The effect of this change has no impact on the consolidated statement of operations for the year ended March 31, 2010.

(W) Property Summing up of Equipment Spare Parts

Prior to April 1, 2009, equipment spare parts were expensed when purchased. However, with the growth in significance of equipment spare parts, the Company determined to account for equipment spare parts as inventory in order to encourage inventory control from this fiscal year in the process of upgrading perpetual inventory systems.

The effect of this treatment was to increase income before income taxes and minority interests for the year ended March 31, 2010 by ¥4,859 million ($52,225 thousand). The effect of the change to segment information are discussed in Note 17.

(X) New Accounting Pronouncements

Business Combinations

On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations". Major accounting changes under the revised accounting standard are as follows;

(1) The current accounting standard for business combinations allows companies to apply the pooling-of-interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires that for such business combinations be accounted for by the purchase method and the pooling-of-interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in a business combination is capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method

The current accounting standard requires the unification of accounting policies within the consolidation group. However, the current guidance allows the application of the equity method for the financial statements of its foreign associated company which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions without unification of accounting policies.

On December 26, 2008, the ASBJ issued ASBJ Statement No. 16 (Revised 2008), "Revised Accounting Standard for Equity Method of Accounting for Investments". The new standard requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if included.

This standard is applicable to equity method of accounting for investments effective on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations". Under this accounting standard and guidance, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Accounting Changes and Error Corrections

In December 2009, ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections,” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections”. Accounting treatments under this standard and guidance are as follows;

(1) Changes in Accounting Policies:
When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentations
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated. This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures

In March 2008, the ASBJ revised ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures,” and issued ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures”. Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in determining how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. Short-term Investments and Investment Securities

Short-term investments consisted of time deposits not classified as cash equivalents in the amount of ¥31,912 million ($342,992 thousand) and ¥23,102 million, at March 31, 2010 and 2009, respectively, and debt securities. Investment securities consisted of equity securities and debt securities.

The carrying amounts and aggregate fair values of available-for-sale securities included in short-term investments and in investment securities at March 31, 2010 and 2009 were as follows:

	Millions of yen				Thousands of U.S. dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value	Cost	Unrealized Gain	Unrealized Loss	Fair Value
	2010				2010			
Equity securities	¥177,731	¥256,516	¥(3,731)	¥430,516	$1,910,264	$2,757,051	$(40,101)	$4,627,214
Debt securities	117,774	1,395	(23)	119,146	1,265,843	14,993	(247)	1,280,589
Others	61	–	–	61	656	–	–	656
Total	¥295,566	¥257,911	¥(3,754)	¥549,723	$3,176,763	$2,772,044	$(40,348)	$5,908,459

	Millions of yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
	2009			
Equity securities	¥177,758	¥163,372	¥(13,644)	¥327,486
Debt securities	88,960	591	(1,037)	88,514
Total	¥266,718	¥163,963	¥(14,681)	¥416,000

The carrying amounts of available-for-sale securities whose fair value was not readily determinable included in short-term investments and in investment securities at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Equity securities	¥12,214	¥12,613	$131,277
Debt securities	–	59	–
Total	¥12,214	¥12,672	$131,277

4. Inventories

Inventories at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Finished products	¥104,860	¥103,773	$1,127,042
Work in process	72,635	69,831	780,686
Raw materials and supplies	88,769	81,922	954,095
Total	¥266,264	¥255,526	$2,861,823

5. Long-lived Assets

The Group reviewed its long-lived assets for impairment. As a result, relating to unused land, building and structures in Japan, the Group recognized impairment losses of ¥385 million ($4,138 thousand) and ¥17 million for the years ended March 31, 2010 and 2008, respectively.

In addition, the Group recognized a total of ¥129 million ($1,387 thousand) of impairment losses as other expense for long-lived assets used for production due to deterioration of the Group's business environment. The loss was recognized for the small motor group mainly in Brazil and Korea and for the electric systems group mainly in Korea, in the amounts of ¥88 ($956 thousand), ¥41 million ($441 thousand), respectively.

The carrying amounts of the relevant long-lived assets were written down to the recoverable amounts and a ¥127 million ($1,365 thousand) loss on machinery and equipment was recognized for the year ended March 31, 2010. The recoverable amounts of the asset groups were measured at net sales value or its value in use. The discount rate used for computation of the present value of future cash flows was 5.2% in Korea.

The Group recognized a total of ¥27,293 million impairment loss as other expense for long-lived assets used for production due to deterioration of the Group's business environment for the year ended March 31, 2009. The loss was recognized for the powertrain control systems group mainly in the U.S and Hungary, for the small motor group mainly in the U.S. and Italy, for the electric systems group mainly in Korea, for the electronic systems group in Spain, and for the information and safety systems group mainly in the U.S., in the amounts of ¥21,317 million, ¥2,674 million, ¥1,251 million, ¥265 million, and ¥1,786 million, respectively. The carrying amounts of the relevant long-lived assets were written down to the recoverable amounts and a ¥21,265 million loss on machinery and equipment and a ¥6,028 million loss on buildings and structures were recognized. The recoverable amounts of the asset groups were measured at net sales value or its value in use. The discount rates used for computation of the present value of future cash flows were 9.0% in the U.S., 10.1% in Hungary, 8.0% in Italy, and 5.8% in both Korea and Spain.

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

6. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in aggregate, resulted in normal statutory tax rates of approximately 40 % for the years ended March 31, 2010, 2009 and 2008.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Depreciation	¥ 76,949	¥ 79,560	$ 827,053
Retirement benefits	68,266	66,183	733,727
Tax loss carryforwards	24,666	60,403	265,112
Accrued bonuses to employees	19,094	18,359	205,224
Warranty reserve	17,235	17,991	185,243
Other	75,584	90,238	812,382
Less: Valuation allowance	(33,398)	(34,267)	(358,964)
Total deferred tax assets	¥248,396	¥298,467	$2,669,777
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ 99,741	¥ 59,777	$1,072,023
Prepaid pension cost	25,470	34,739	273,753
Other	23,844	26,866	256,277
Total deferred tax liabilities	¥149,055	¥121,382	$1,602,053
Net deferred tax assets	¥ 99,341	¥177,085	$1,067,724

Net deferred tax assets presented in the consolidated balance sheets at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Current assets–Deferred tax assets	¥ 59,826	¥ 61,819	$ 643,014
Investments and other assets–Deferred tax assets	49,944	120,977	536,801
Current liabilities–Other current liabilities	(119)	(451)	(1,279)
Long-term liabilities–Deferred tax liabilities	(10,310)	(5,260)	(110,813)
Net deferred tax assets	¥ 99,341	¥177,085	$1,067,723

The reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of operations for the years ended March 31, 2010, 2009 and 2008 was as follows:

	2010	2009	2008
Normal effective statutory tax rate	39.89%	39.89%	39.89%
Overseas withholding tax	1.35	–	–
Tax credit of R&D expenses and other	–	–	(3.16)
Tax effect not recognized on operating loss of subsidiaries	17.49	(14.43)	0.59
Income taxes–current for prior years	–	(7.28)	–
Impairment loss on investment securities	–	(3.32)	0.20
Dividends received from foreign subsidiaries	2.92	(6.87)	1.54
Items permanently non-taxable such as dividends received	(0.86)	3.23	(0.82)
Lower income tax rates applicable to income in certain foreign countries	(15.52)	12.13	(8.04)
Equity in losses/income of affiliates	–	(1.83)	(0.26)
Foreign tax credit	–	–	(1.57)
Other	0.75	(1.53)	(0.88)
Actual effective tax rate	46.02%	19.99%	27.49%

7. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2010 and 2009 consisted of notes to banks and bank overdrafts. The weighted average interest rates applicable to short-term borrowings at March 31, 2010 and 2009 were 1.0% and 2.8%, respectively.

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Unsecured 1.11% yen bonds due 2012	¥ 50,000	¥ 50,000	$ 537,403
Unsecured 1.37% yen bonds due 2013	100,000	100,000	1,074,807
Unsecured 0.81% yen bonds due 2014	40,000	–	429,923
Secured 1.40% U.S. dollar bonds due serially to 2019	–	230	–
Lease obligations	350	276	3,762
Other long-term debt			
(weighted average interest rates of 1.3% in 2010 and 1.2% in 2009)	189,560	174,624	2,037,403
Total	¥379,910	¥325,130	$4,083,298
Less: Current portion	15,807	18,944	169,895
Long-term debt, less current portion	¥364,103	¥306,186	$3,913,403

Annual maturities of long-term debt at March 31, 2010 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 15,807	$ 169,895
2012	42,041	451,859
2013	65,832	707,567
2014	143,178	1,538,887
2015	72,567	779,955
2016 and thereafter	40,485	435,135
Total	¥379,910	$4,083,298

8. Pledged Assets

The following assets were pledged as long-term borrowings including current portion of ¥779 million ($8,373 thousand) at March 31, 2010:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures, net of accumulated depreciation	¥464	$4,987
Land	452	4,858
Total	¥916	$9,845

9. Liability for Employees' Retirement Benefits

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

According to the enactment of the Defined Contribution Pension Plan Law in October 2001, the Company implemented a defined contribution pension plan in October 2002 by which a portion of the severance lump-sum payment plan was terminated. Similarly, domestic subsidiaries including ASMO CO., LTD., implemented a defined contribution pension plan in October 2003, by which a portion of the severance lump-sum payment plan was terminated. In October, 2008, certain domestic subsidiaries including ASMO CO., LTD., implemented the DENSO Group funded pension plan by which existing funded pension plans were transferred to the new group pension plan. The Company contributed certain available-for-sale securities to the employee retirement benefit trust for the Company's pension plan. Certain domestic subsidiaries contribute to a multi-employer pension plan under industry-wide collective agreements.

The liability (asset) for employees' retirement benefits at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥ 609,876	¥ 601,712	$ 6,554,987
Fair value of plan assets	(467,987)	(420,032)	(5,029,955)
Unrecognized actuarial loss	(82,100)	(153,205)	(882,416)
Unrecognized prior service benefit	36,149	45,061	388,532
Net liability	95,938	73,536	1,031,148
Prepaid pension cost	84,452	107,781	907,696
Liability for employees' retirement benefits	¥ 180,390	¥ 181,317	$ 1,938,844

The components of net periodic retirement benefit costs for the years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Service cost	¥23,563	¥ 23,843	¥ 24,446	$253,257
Interest cost	12,906	13,712	12,004	138,715
Expected return on plan assets	(5,408)	(12,697)	(12,622)	(58,126)
Recognized actuarial loss	27,002	16,523	10,942	290,219
Amortization of prior service benefit	(8,318)	(9,056)	(9,247)	(89,402)
Net periodic retirement benefit costs	¥49,745	¥ 32,325	¥ 25,523	$534,663
Loss on termination of the retirement benefits program due to the liquidation of a subsidiary	–	8,146	–	–
Loss on change in pension plans of subsidiaries	994	–	–	10,684
Contribution to defined contribution pension plan funds	3,348	3,285	3,206	35,984
Total	¥54,087	¥ 43,756	¥ 28,729	$581,331

Assumptions used for the years ended March 31, 2010, 2009 and 2008 were set forth as follows:

	2010	2009	2008
Discount rate	mainly 2.0%	mainly 2.0%	mainly 2.0%
Expected rate of return on plan assets	mainly 1.5%	mainly 3.0%	mainly 3.0%
Amortization period of prior service benefit	10 years	10 years	10 years
Recognition period of actuarial gain/loss	10 years	10 years	10 years

Funded status of the multi-employer pension plan at March 31, 2009, 2008 and 2007 (available information as of March 31, 2010, 2009 and 2008), to which contributions were recorded as net periodic retirement benefit costs by the Group, was as follows:

	Millions of yen		
	2009	2008	2007
Fair value of plan assets	¥ 124,470	¥ 158,829	¥ 179,463
Pension benefits obligation recorded by pension fund	(180,010)	(177,921)	(167,432)
Difference	¥ (55,540)	¥ (19,092)	¥ 12,031

	2009	2008	2007
The Group's contribution percentage for multi-employer pension plan	21.56%	21.96%	21.92%

Notes: 1. Difference resulted from deficit recorded by the pension fund of ¥31,212 million and prior service cost of ¥24,328 million. And difference resulted from surplus recorded by the pension fund in 2008 and 2007 were ¥7,023 million and ¥38,661 million, respectively. Prior service cost in 2008 and 2007 were ¥26,115 million and ¥26,631 million, respectively.

2. Prior service cost is amortized over 19 years under the multi-employer pension plan. Special contributions to the pension fund were recognized as net periodic retirement benefit costs by the Group for the years ended March 31, 2010, 2009 and 2008 in the amounts of ¥524 million ($5,632 thousand), ¥610 million and ¥594 million, respectively.

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

10. Contingent Liabilities

At March 31, 2010, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of loans from financial institutions to the Group's employees	¥ 1	$ 11
Bank guarantees for customs duty	1,220	13,113
Total	¥1,221	$13,124

11. Equity

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(A) Dividends

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

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

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

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

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

(C) Treasury Stock and Treasury Stock Acquisition Rights

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

12. Stock Options

The stock options outstanding as of March 31, 2010 are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2003	32 Directors 304 Key Employees 96 Directors of subsidiaries	1,114,000 shares	August 1, 2003	¥ 2,090 ($22.46)	From July 1, 2005 to June 30, 2009
2004	13 Directors 24 Managing Officers 320 Key Employees 95 Directors of subsidiaries, etc.	1,199,000 shares	August 3, 2004	¥ 2,740 ($29.45)	From July 1, 2006 to June 30, 2010
2005	13 Directors 27 Managing Officers 343 Key Employees 97 Directors of subsidiaries, etc.	1,270,000 shares	August 1, 2005	¥ 2,758 ($29.64)	From July 1, 2007 to June 30, 2011
2006	13 Directors 27 Managing Officers 364 Key Employees, etc. 106 Directors of subsidiaries, etc.	1,342,000 shares	August 1, 2006	¥ 3,950 ($42.45)	From August 1, 2008 to July 31, 2012
2007	13 Directors 27 Managing Officers 394 Key Employees, etc. 104 Directors of subsidiaries, etc.	1,720,000 shares	August 1, 2007	¥ 5,030 ($54.06)	From August 1, 2009 to July 31, 2013
2008	13 Directors 29 Managing Officers 418 Key Employees, etc. 124 Directors of subsidiaries, etc.	1,873,000 shares	August 1, 2008	¥ 3,447 ($37.05)	From August 1, 2010 to July 31, 2014
2009	11 Directors 30 Managing Officers 441 Key Employees, etc. 134 Directors of subsidiaries, etc.	1,929,000 shares	August 3, 2009	¥ 2,920 ($31.38)	From August 1, 2011 to July 31, 2015

The stock option activity is as follows:

								Shares
	2009	2008	2007	2006	2005	2004	2003	2002
Non-vested								
March 31, 2008 – Outstanding	–	–	1,718,000	1,205,000	–	–	–	–
Granted	–	1,873,000	–	–	–	–	–	–
Canceled	–	–	38,000	12,000	–	–	–	–
Vested	–	–	–	1,193,000	–	–	–	–
March 31, 2009 – Outstanding	–	1,873,000	1,680,000	–	–	–	–	–
Vested								
March 31, 2008 – Outstanding	–	–	–	–	689,700	361,500	118,400	24,000
Vested	–	–	–	1,193,000	–	–	–	–
Exercised	–	–	–	–	39,000	26,000	31,900	24,000
Canceled	–	–	–	77,000	51,000	51,600	2,500	–
March 31, 2009 – Outstanding	–	–	–	1,116,000	599,700	283,900	84,000	–
Non-vested								
March 31, 2009 – Outstanding	–	1,873,000	1,680,000	–	–	–	–	–
Granted	1,929,000	–	–	–	–	–	–	–
Canceled	–	10,000	91,000	–	–	–	–	–
Vested	–	–	1,589,000	–	–	–	–	–
March 31, 2010 – Outstanding	1,929,000	1,863,000	–	–	–	–	–	–
Vested								
March 31, 2009 – Outstanding	–	–	–	1,116,000	599,700	283,900	84,000	–
Vested	–	–	1,589,000	–	–	–	–	–
Exercised	–	–	–	–	–	2,000	56,100	–
Canceled	–	–	8,000	89,000	44,400	11,000	27,900	–
March 31, 2010 – Outstanding	–	–	1,581,000	1,027,000	555,300	270,900	–	–

							Yen (U.S. dollars)
	2009	2008	2007	2006	2005	2004	2003
Exercise price	¥2,920	¥3,447	¥5,030	¥3,950	¥2,758	¥2,740	¥2,090
	($31.38)	($37.05)	($54.06)	($42.45)	($29.64)	($29.45)	($22.46)
Average stock price at exercise	–	–	–	–	–	2,760	2,390
	(–)	(–)	(–)	(–)	(–)	(29.66)	(25.69)
Fair value price at grant date	793	366	628	730	–	–	–
	(8.52)	(3.93)	(6.75)	(7.85)	(–)	(–)	(–)

The assumptions used to measure fair value of 2009 Stock Options

Estimate method:	Black-Scholes option pricing model
Volatility of stock price:	38.4%
Estimated remaining outstanding period:	4 years
Estimated dividend yield:	1.39%
Interest rate with risk free:	0.56%

13. Significant Shareholder

Toyota Motor Corporation ("Toyota") directly owned 199,254 thousand shares of common stock of the Company at March 31, 2010, 2009 and 2008, respectively, which accounted for 22.54% of the total shares of the Company issued at the respective dates.

Sales of the Group to Toyota for the years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Sales to Toyota (Japan headquarters only)	¥955,610	¥940,898	¥1,206,570	$10,270,959

14. Research and Development Expenses

Research and development expenses charged to income were ¥270,077 million ($2,902,805 thousand), ¥297,148 million and ¥311,474 million for the years ended March 31, 2010, 2009 and 2008, respectively.

15. Leases

The Group leases certain machinery, computer equipment and other assets. Total lease expense for finance leases for the years ended March 31, 2010, 2009 and 2008 were ¥1,088 million ($11,694 thousand), ¥1,847 million and ¥2,408 million, respectively.

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of yen			
	Buildings and structures	Machinery and equipment	Software	Total
				2010
Acquisition cost	¥425	¥3,960	¥719	¥5,104
Accumulated depreciation	106	2,866	361	3,333
Net leased property	¥319	¥1,094	¥358	¥1,771

	Thousands of U.S. dollars			
	Buildings and structures	Machinery and equipment	Software	Total
				2010
Acquisition cost	$4,568	$42,562	$7,728	$54,858
Accumulated depreciation	1,139	30,804	3,880	35,823
Net leased property	$3,429	$11,758	$3,848	$19,035

	Millions of yen			
	Buildings and structures	Machinery and equipment	Software	Total
				2009
Acquisition cost	¥426	¥6,062	¥725	¥7,213
Accumulated depreciation	58	3,350	221	3,629
Net leased property	¥368	¥2,712	¥504	¥3,584

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Obligations under finance leases			
Due within one year	¥ 743	¥1,200	$ 7,986
Due after one year	1,028	2,384	11,049
Total	¥1,771	¥3,584	$19,035

Obligations under finance leases includes the imputed interest expense portion.

Depreciation expense which was not reflected in the accompanying consolidated statements of operations for the years ended March 31, 2010, 2009 and 2008, computed by the straight-line method, was ¥1,088 million ($11,694 thousand), ¥1,847 million and ¥2,406 million, respectively.

The rental commitments under non-cancelable operating leases at March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 977	$10,501
Due after one year	2,185	23,484
Total	¥3,162	$33,985

16. Financial Instruments and Related Disclosures

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and issued ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures".

This accounting standard and guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010.

The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(A) Group Policy for Financial Instruments

The Group uses financial instruments, mainly bank borrowings and bonds, based on its capital financing plan.

Cash surpluses, if any, are invested in low risk financial assets, such as bank deposits and high credit rating bonds. Derivatives are used, not for speculative purposes, but to manage exposure to financial risks as described in Note 18.

(B) Nature and Extent of Risks Arising from Financial Instruments

Receivables such as trade notes and trade accounts are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts. Short-term investments and investment securities include debt securities, investment trusts and equity securities of customers and suppliers of the Company. Debt securities are exposed to credit risk. Investment trusts and equity securities are exposed to the risk of market price fluctuations.

Payment terms of payables, such as trade notes and trade accounts, are less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, those risks are netted against the balance of receivables denominated in the same foreign currency as noted above.

Bank borrowing and bonds are used to fund the Group's operations. Although a part of such bank borrowings and bonds are exposed to market risks from changes in variable interest rates, those risks are mitigated by using interest-rate swaps.

Derivatives mainly include forward foreign currency contracts and interest-rate swaps, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables, and from changes in interest rates of bank deposits, bank borrowings and bonds. Please see Note 18 for more details about derivatives.

(C) Risk Management for Financial Instruments

Credit Risk Management

Credit risk is the risk of economic loss arising from a counterparty's failure to repay or service debt according to the contractual terms. The Group and consolidated subsidiaries manage their credit risks from receivables on the basis of internal guidelines, which include monitoring of payment term and balances of customers to identify the default risk of customers at an early stage. With respect to short-term investments and investment securities, the Company manages its exposure to credit risk by limiting its funding to high credit rating bonds in accordance with in its internal guidelines. Please see Note 18 for details about derivatives.

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2010.

Market Risk Management (Foreign Exchange Risk and Interest Rate Risk)

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk is hedged principally by forward foreign currency contracts. In addition, when foreign currency trade receivables and payables are expected from forecasted transactions, forward foreign currency contracts may be used under limited contract terms.

Interest-rate swaps are used to manage exposure to market risks from changes in interest rates of bank borrowings and bond payables.

Available-for-sale securities included in short-term investments and investment securities are managed by monitoring market values and financial position of issuers on a regular basis.

Basic principles of derivative transactions have been approved by management meeting on an annual basis based on the internal guidelines which prescribe the authority and the limit for each transaction by the corporate accounting department.

Liquidity Risk Management

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates. The Group manages its liquidity risk by holding adequate volumes of liquid assets at the level of one month's sales volume, along with adequate financial planning by the corporate accounting department.

(D) Concentration of Credit Risk

22% of total receivables are from certain major customers of the Group as of March 31, 2010.

(E) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted price is not available, other rational valuation techniques are used instead.

Also please see Note 18 for the detail of fair value for derivatives.

(1) Fair Values of Financial Instruments

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain/loss	Carrying amount	Fair value	Unrealized gain/loss
			2010			2010
Cash and cash equivalents	¥ 681,725	¥ 681,725	–	$ 7,327,225	$ 7,327,225	–
Short-term investments	101,279	101,279	–	1,088,553	1,088,553	–
Notes and accounts receivable:						
Trade	555,745	555,745	–	5,973,184	5,973,184	–
Non-consolidated subsidiaries and affiliates	8,283	8,283	–	89,026	89,026	–
Investment securities	480,356	480,356	–	5,162,898	5,162,898	–
Investments in and advances to a non-consolidated subsidiary and affiliates	4,131	2,311	¥(1,820)	44,400	24,839	$(19,561)
Total	¥1,831,519	¥1,829,699	¥(1,820)	$19,685,286	$19,665,725	$(19,561)
Short-term borrowing	¥ 29,898	¥ 29,898	–	$ 321,346	$ 321,346	–
Current portion of long-term debt	15,807	15,807	–	169,895	169,895	–
Notes and accounts payable:						
Trade	398,617	398,617	–	4,284,361	4,284,361	–
Non-consolidated subsidiaries and affiliates	24,380	24,380	–	262,038	262,038	–
Income taxes payable	13,114	13,114	–	140,950	140,950	–
Long-term debt	364,103	368,357	¥ 4,254	3,913,403	3,959,125	$ 45,722
Total	¥ 845,919	¥ 850,173	¥ 4,254	$ 9,091,993	$ 9,137,715	$ 45,722

Cash and Cash Equivalents

The carrying values of cash and cash equivalents approximate fair value because of their short maturities.

Short-term Investments and Investment Securities

The fair values of short-term investments and investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. Information regarding the fair value for short-term investments and investment securities by classification is included in Note 3.

Notes and Accounts Receivable, Notes and Accounts Payable, Short-term Borrowings and Income Taxes Payable

The carrying values of notes and accounts receivable, notes and accounts payable, short-term borrowings and income taxes payable approximate fair value because of their short maturities.

Long-term Debt

The fair values of long-term debt are determined by discounting the cash flows related to the debt at the Group's assumed corporate borrowing rate.

Derivatives

Information regarding the fair value for derivatives is included in Note 18.

(2) Financial Instruments Whose Fair Value Cannot Be Reliably Determined

	Millions of yen	Thousands of U.S. dollars
Investments in equity instruments that do not have a quoted market price in an active market	¥12,214	$131,277
Investments in affiliates	37,413	402,117

(F) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
				2010
Cash and cash equivalents	¥ 597,340	–	–	–
Notes and accounts receivable:				
Trade	555,745	–	–	–
Non-consolidated subsidiaries and affiliates	8,283	–	–	–
Investment securities	69,031	¥49,010	¥55	–
Total	¥1,230,399	¥49,010	¥55	–

	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
				2010
Cash and cash equivalents	$ 6,420,246	–	–	–
Notes and accounts receivable:				
Trade	5,973,183	–	–	–
Non-consolidated subsidiaries and affiliates	89,026	–	–	–
Investment securities	741,932	$526,763	$591	–
Total	$13,224,387	$526,763	$591	–

Please see Note 7 for annual maturities of long-term debt.

17. Segment Information

(A) Business Segments

Business segment data for the years ended March 31, 2010 and 2009 is as follows:

		Millions of yen		Thousands of U.S. dollars
		2010	2009	2010
Sales	Automotive	¥2,927,702	¥3,042,748	$31,467,132
	New business	49,007	99,917	526,731
	Consolidated	¥2,976,709	¥3,142,665	$31,993,863
Operating Income (Loss)	Automotive	¥ 142,066	¥ (11,585)	$ 1,526,935
	New business	(5,426)	(25,724)	(58,319)
	Consolidated	¥ 136,640	¥ (37,309)	$ 1,468,616
Assets	Automotive	¥2,701,598	¥2,570,511	$29,036,952
	New business	53,488	68,125	574,892
	Corporate	608,984	379,802	6,545,400
	Consolidated	¥3,364,070	¥3,018,438	$36,157,244
Depreciation	Automotive	¥ 242,094	¥ 282,378	$ 2,602,042
	New business	1,624	2,246	17,455
	Consolidated	¥ 243,718	¥ 284,624	$ 2,619,497
Capital Expenditures	Automotive	¥ 113,540	¥ 309,977	$ 1,220,335
	New business	882	4,492	9,480
	Consolidated	¥ 114,422	¥ 314,469	$ 1,229,815

	Main Products
Automotive	Air conditioning systems for cars, Radiators, Common rail systems, Car navigation systems, Instrument clusters, Airbag sensors and ECUs, Starters, Alternators, Engine ECUs, Power window motors, etc.
New business	QR code scanners and handy terminals, Industrial robots, CO_2 refrigerant heat-pump water heaters, etc.

As discussed in Note 2 (B), effective April 1, 2008, the Company applied PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The effect of this change was to decrease operating loss of Automotive by ¥873 million for the year ended March 31, 2009.

As discussed in Note 2 (D), effective April 1, 2008, the Group applied ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories". The effect of this change was to increase operating loss of Automotive by ¥7,970 million and operating loss of New business by ¥231 million for the year ended March 31, 2009.

As discussed in Note 2 (F), effective April 1, 2008, the Company and several domestic consolidated subsidiaries shortened the useful lives of certain machinery. The effect of this was to increase depreciation of Automotive by ¥6,121 million, operating loss of Automotive by ¥5,906 million and depreciation and operating loss of New business by ¥12 million for the year ended March 31, 2009.

As discussed in Note 2 (W), effective April 1, 2009, the Company determined to account for equipment spare parts as inventory. The effect of this change was to increase operating profit of Automotive by ¥4,859 million ($52,225 thousand) for the year ended March 31, 2010.

As discussed in Note 5, the Group recognized an impairment loss on long-lived assets used for production. The loss was recognized on assets of Automotive in the amount of ¥514 million ($5,524 thousand) and ¥27,293 million for the year ended March 31, 2010 and 2009.

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

(B) Geographical Segments (by company location)

The geographical segments of the Group for the years ended March 31, 2010, 2009 and 2008 are summarized as follows:

Years ended March 31			2010	2009	Millions of yen 2008	Thousands of U.S. dollars 2010
Sales	Japan	Customers	¥1,553,492	¥1,667,990	¥2,029,482	$16,697,034
		Intersegment	487,823	477,646	696,410	5,243,153
		Total	2,041,315	2,145,636	2,725,892	21,940,187
	The Americas	Customers	526,654	554,213	822,982	5,660,512
		Intersegment	5,517	5,554	9,302	59,297
		Total	532,171	559,767	832,284	5,719,809
	Europe	Customers	401,967	451,626	605,373	4,320,368
		Intersegment	9,116	10,858	14,904	97,979
		Total	411,083	462,484	620,277	4,418,347
	Asia & Oceania	Customers	494,596	468,836	567,239	5,315,950
		Intersegment	39,510	38,847	48,918	424,656
		Total	534,106	507,683	616,157	5,740,606
	Eliminations		(541,966)	(532,905)	(769,534)	(5,825,086)
	Consolidated		¥2,976,709	¥3,142,665	¥4,025,076	$31,993,863
Operating Income (Loss)	Japan		¥ 40,903	¥ (114,680)	¥ 197,508	$ 439,628
	The Americas		12,905	5,074	41,532	138,704
	Europe		10,683	3,610	26,547	114,822
	Asia & Oceania		75,369	60,469	80,428	810,071
	Eliminations		(3,220)	8,218	2,637	(34,609)
	Consolidated		¥ 136,640	¥ (37,309)	¥ 348,652	$ 1,468,616
Assets	Japan		¥1,927,239	¥1,897,517	¥2,280,874	$20,714,091
	The Americas		273,584	259,641	350,440	2,940,499
	Europe		278,215	274,663	357,280	2,990,273
	Asia & Oceania		451,547	361,377	416,171	4,853,256
	Corporate and Eliminations		433,485	225,240	238,653	4,659,125
	Consolidated		¥3,364,070	¥3,018,438	¥3,643,418	$36,157,244

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

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

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

As discussed in Note 2 (B), effective April 1, 2008, the Company applied PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements". The effect of this change was to increase operating income in the Americas geographical segment by ¥92 million, operating income in the Europe geographical segment by ¥287 million, and operating income in the Asia & Oceania geographical segment by ¥494 million for the year ended March 31, 2009.

As discussed in Note 2 (D), effective April 1, 2008, the Group applied ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories". The effect of this change was to increase operating loss in the Japan geographical segment by ¥8,201 million for the year ended March 31, 2009.

As discussed in Note 2 (F), effective April 1, 2008, the Company and several domestic consolidated subsidiaries shortened the useful lives of certain machinery. The effect of this was to increase operating loss in the Japan geographical segment by ¥5,918 million for the year ended March 31, 2009.

As discussed in Note 2 (W), effective April 1, 2009, the Company determined to account for equipment spare parts as inventory. The effect of this change was to increase operating profit in the Japan geographical segment of Automotive by ¥4,859 million ($52,225 thousand) for the year ended March 31, 2010.

(C) Sales by Customer Location

Sales by customer location for the years ended March 31, 2010, 2009 and 2008 are summarized as follows:

		Millions of yen		Thousands of U.S. dollars
Years ended March 31	2010	2009	2008	2010
Japan	¥1,518,105	¥1,615,771	¥1,976,877	$16,316,692
	51.0%	51.4%	49.1%	
The Americas	532,880	562,302	833,692	5,727,429
	17.9%	17.9%	20.7%	
Europe	400,306	449,047	603,653	4,302,515
	13.4%	14.3%	15.0%	
Asia & Oceania	517,054	505,773	598,276	5,557,330
	17.4%	16.1%	14.9%	
Others	8,364	9,772	12,578	89,897
	0.3%	0.3%	0.3%	
Net Sales	¥2,976,709	¥3,142,665	¥4,025,076	$31,993,863

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

18. Derivatives

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

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

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

As noted in Note 16, the Group applied ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures". The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

(A) Derivatives Transactions to Which Hedge Accounting is Not Applied at March 31, 2010

(1) Foreign Currency Related Derivatives

	Millions of yen				Thousands of U.S. dollars			
	Contract or Notional Amounts	Contract or Notional Amounts due after One Year	Fair Value	Net Unrealized Gain (Loss)	Contract or Notional Amounts	Contract or Notional Amounts due after One Year	Fair Value	Net Unrealized Gain (Loss)
				2010				2010
Forward exchange contracts:								
Selling contracts–								
U.S. Dollar	¥16,745	–	¥ (442)	¥ (442)	$179,976	–	$ (4,751)	$ (4,751)
Taiwanese Dollar	188	–	(3)	(3)	2,021	–	(32)	(32)
Thai Baht	1,100	–	(21)	(21)	11,823	–	(226)	(226)
Philippines Peso	86	–	(2)	(2)	924	–	(22)	(22)
New Zealand Dollar	5,008	–	(37)	(37)	53,826	–	(398)	(398)
Korean Won	96	–	(4)	(4)	1,032	–	(43)	(43)
Indonesian Rupiah	695	–	(19)	(19)	7,470	–	(204)	(204)
Euro	4,280	–	45	45	46,002	–	484	484
Australian Dollar	2,431	–	(66)	(66)	26,129	–	(709)	(709)
Buying contracts–								
U.S. Dollar	3,147	¥ 800	(229)	(229)	33,824	$ 8,598	(2,461)	(2,461)
Philippines Peso	216	–	4	4	2,322	–	43	43
Yen	1,795	–	(31)	(31)	19,293	–	(333)	(333)
Hungarian Forint	1,553	–	(3)	(3)	16,692	–	(32)	(32)
Euro	954	–	(22)	(22)	10,254	–	(237)	(237)
Currency swaps:								
Receipt Yen (*)	¥ 661	¥ 661	¥ 83	¥ 83	$ 7,104	$ 7,104	$ 892	$ 892
Payment U.S. Dollar								
Receipt Singapore Dollar (*)	1,038	597	16	16	11,156	6,417	172	172
Payment U.S. Dollar								
Receipt Singapore Dollar (*)	317	–	0	0	3,407	–	0	0
Payment Thai Baht								
Receipt Euro (*)	2,387	2,387	357	357	25,656	25,656	3,837	3,837
Payment English Pound								
Receipt Singapore Dollar (*)	4,986	4,986	(30)	(30)	53,590	53,590	(322)	(322)
Payment Euro								
Receipt U.S. Dollar								
Payment Chinese Yuan (*)	65	65	(6)	(6)	699	699	(65)	(65)
Receipt U.S. Dollar								
Payment Indonesian Rupiah (*)	484	–	(87)	(87)	5,202	–	(935)	(935)
Receipt U.S. Dollar								
Payment Korean Won (*)	5,761	–	(218)	(218)	61,920	–	(2,343)	(2,343)
Receipt Swedish Krone								
Payment Euro (*)	388	–	(2)	(2)	4,170	–	(22)	(22)
Receipt Yen								
Payment Euro (*)	34,871	22,242	1,738	1,738	374,796	239,058	18,680	18,680
Receipt Yen								
Payment English Pound (*)	77	–	(2)	(2)	828	–	(22)	(22)
Receipt Yen								
Payment Korean Won (*)	3,918	3,918	607	607	42,111	42,111	6,524	6,524
Receipt Yen								
Payment Thai Baht (*)	328	328	(14)	(14)	3,525	3,525	(151)	(151)
Receipt Yen								
Payment U.S. Dollar (*)	10,088	–	256	256	108,427	–	2,752	2,752
Receipt Indian Rupee								
Payment U.S. Dollar (*)	598	598	(4)	(4)	6,427	6,427	(43)	(43)

Notes: 1. The fair values of foreign currencies are translated at the spot rate at the balance sheet date.
2. (*) indicates hedged items.

(2) Interest Related Derivatives

	Contract or Notional Amounts	Contract or Notional Amounts due after One Year	Fair Value	Net Unrealized Gain (Loss)	Contract or Notional Amounts	Contract or Notional Amounts due after One Year	Fair Value	Net Unrealized Gain (Loss)
	Millions of yen				Thousands of U.S. dollars			
				2010				2010
Interest rate swaps:								
Floating rate receipt, fixed rate payment	¥15,439	¥9,027	¥(427)	¥(427)	$165,939	$97,023	$(4,589)	$(4,589)

Note: The fair values of foreign currencies are translated at the spot rate at the balance sheet date.

(B) Derivative Transactions to Which Hedge Accounting is Applied at March 31, 2010

(1) Foreign Currency Related Derivatives

	Hedged item	Contract or Notional Amounts	Contract or Notional Amounts due after One Year	Fair Value	Contract or Notional Amounts	Contract or Notional Amounts due after One Year	Fair Value
		Millions of yen			Thousands of U.S. dollars		
				2010			2010
Forward exchange contracts:							
Selling contracts–							
U.S. Dollar	Operating receivables	¥13,641	–	¥(421)	$146,614	–	$(4,525)
Euro	Operating receivables	5,362	–	(25)	57,631	–	(269)
Forward exchange contracts:							
Selling contracts–							
U.S. Dollar	Operating receivables	¥ 276	–	¥ (3)	$ 2,967	–	$ (32)

Note: The fair values of foreign currencies are calculated at the forward exchange rate.

(2) Interest Related Derivatives

	Hedged item	Contract or Notional Amounts	Contract or Notional Amounts due after One Year	Fair Value	Contract or Notional Amounts	Contract or Notional Amounts due after One Year	Fair Value
		Millions of yen			Thousands of U.S. dollars		
				2010			2010
Interest rate swaps:							
Floating rate receipt, floating rate payment	Long-term debt	¥51,000	¥51,000	–	$548,151	$548,151	–
Floating rate receipt, fixed rate payment	Long-term debt	7,000	7,000	–	75,237	75,237	–
Fixed rate receipt, floating rate payment	Long-term debt, Large time deposits and bonds	93,000	25,000	¥715	999,570	268,702	$7,685
Interest rate and Currency swaps:	Long-term debt	¥20,000	¥20,000	–	$214,961	$214,961	–

Note: The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 16 is included in that of hedged items (i.e. Cash and cash equivalent and Long-term debt).

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The following is the fair value information for forward exchange contracts, interest rate swaps and currency swaps to which hedge accounting is not applied at March 31, 2009. Foreign currency forward contracts which qualify for hedge accounting are excluded from the information below.

	Millions of yen		
	Contract or Notional Amounts	Fair Value	Net Unrealized Gain (Loss)
			2009
Forward exchange contracts:			
Buying contracts–			
Yen	¥1,499	¥1,392	¥(107)
U.S. Dollar	2,794	2,354	(440)
Euro	2,199	2,236	37
Selling contracts–			
U.S. Dollar	93	98	(5)
Interest rate swaps:			
Floating rate receipt, fixed rate payment	¥4,262	¥4,128	¥(134)
Currency swaps:			
Receipt U.S. Dollar			
Payment Korean Won (*)	¥5,624	¥5,688	¥ 64
Receipt Yen			
Payment U.S. Dollar (*)	959	1,122	163
Receipt Yen			
Payment Chinese Yuan (*)	70	71	1
Receipt U.S. Dollar			
Payment Chinese Yuan (*)	167	159	(8)

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

			Millions of yen
	Contract or Notional Amounts	Fair Value	Net Unrealized Gain (Loss)
			2009
Forward exchange contracts:			
Selling contracts	¥ 8,198	¥ 8,671	¥ (473)
Buying contracts	3,315	3,227	(88)
Currency swaps:			
Receipt Yen (*)	¥ 936	¥ 862	¥ 74
Payment U.S. Dollar			
Receipt Euro (*)	3,267	2,481	786
Payment English Pound			
Receipt Euro (*)	409	383	26
Payment Czech Koruna			
Receipt Thai Baht (*)	8,004	7,773	231
Payment Euro			
Receipt Singapore Dollar (*)	529	529	0
Payment Thai Baht			
Receipt Singapore Dollar (*)	429	447	(18)
Payment U.S. Dollar			
Receipt Yen			
Payment Korean Won (*)	1,660	2,504	844
Receipt Yen			
Payment U.S. Dollar (*)	20,781	19,770	(1,011)
Receipt Yen			
Payment Euro (*)	33,658	33,700	42
Receipt U.S. Dollar			
Payment Indonesian Rupiah (*)	407	453	46
Interest rate swaps:			
Floating rate receipt, fixed rate payment	¥11,639	¥11,295	¥ (344)

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

19. Net Income (Loss) per Share

The reconciliation of the differences between basic and diluted net income (loss) per share for the years ended March 31, 2010, 2009 and 2008 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net Income	Weighted Average Shares	Net Income per Share	Net Income per Share
				2010
Basic net income per share				
Net income available to common shareholders	¥73,427	805,892	¥91.11	$0.98
Effect of dilutive securities				
Stock option	–	1		
Diluted net income per share				
Net income for computation	¥73,427	805,893	¥91.11	$0.98

	Millions of yen	Thousands of shares	Yen
	Net Loss	Weighted Average Shares	Net Loss per Share
			2009
Net loss per share			
Net loss attributable to common shareholders	¥(84,085)	807,469	¥(104.13)
Effect of dilutive securities			
Stock option	–	–	
Diluted			
Net loss for computation	¥(84,085)	807,469	–

	Millions of yen	Thousands of shares	Yen
	Net Income	Weighted Average Shares	Net Income per Share
			2008
Basic net income per share			
Net income available to common shareholders	¥244,417	814,833	¥299.96
Effect of dilutive securities			
Stock option	–	700	
Diluted net income per share			
Net income for computation	¥244,417	815,533	¥299.70

20. Subsequent Events

On June 25, 2010, at a meeting of the shareholders of the Company, the following items were approved:

Appropriation of Retained Earnings

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥14 ($0.15) per share	¥11,283	$121,270

Independent Auditors' Report

Deloitte.

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To the Board of Directors of
DENSO CORPORATION:

We have audited the accompanying consolidated balance sheets of DENSO CORPORATION (the "Company") and consolidated subsidiaries (collectively the "Group") as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in equity, and cash flows for each of the three years in the period ended March 31, 2010, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DENSO CORPORATION and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2 (D) to the consolidated financial statements, effective April 1, 2008, the Group adopted the new accounting standard for measurement of inventories.

As discussed in Note 2 (B) to the consolidated financial statements, effective April 1, 2008, the Group applied the new accounting standard for unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements.

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

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

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

Deloitte Touche Tohmatsu LLC

June 25, 2010

Member of
Deloitte Touche Tohmatsu

Corporate Data

Operations in Japan

	Main Products/Research Fields	Start of Operations	Employees	Location (Prefecture)
Headquarters		1949*	12,108	Aichi
Ikeda Plant	Manufacture of radiators, oil coolers, and inter coolers	1965	776	Aichi
Anjo Plant	Manufacture of starters, alternators, and hybrid vehicle components	1967	2,710	Aichi
Nishio Plant	Manufacture of air conditioners, radiators, fuel injection systems for diesel, and electronic fuel injection components	1970	7,332	Aichi
Takatana Plant	Manufacture of instrument clusters, displays, car navigation systems, and various sensors	1974	3,194	Aichi
Daian Plant	Manufacture of ignition components, driving control and safety products, valve train components, exhaust emission control components	1982	4,892	Mie
Kota Plant	Manufacture of integrated circuits and electronic control components	1987	3,682	Aichi
Toyohashi Plant	Manufacture of air conditioners and natural refrigerant (CO_2) heat-pump hot water supply systems	1987	1,123	Aichi
Agui Plant	Manufacture of machinery and tools	1990	995	Aichi
Zenmyo Plant	Manufacture of electronic diesel injection systems	1998	1,072	Aichi
DENSO Research Laboratories	Research in semiconductors, information and communications systems, materials, and human machine interface technologies	1991	438	Aichi
Nukata Proving Ground	Test driving automotive components	1984	34	Aichi

* The start of operations at the headquarters and Kariya plant is recorded as the date of DENSO's independence from Toyota Motor Co. Ltd. (now Toyota Motor Corporation).

(As of March 31, 2010)

Group Companies Worldwide

Country/Region	Major Company	Main Business	% owned by DENSO*	Employees
Japan	☆ ASMO CO., LTD.	• Development and manufacture of small motor systems for automobiles and office automation equipment	73.4	5,126
	☆ ANDEN CO., LTD.	• Manufacture and sale of relays and electronic products	100.0	1,497
	☆ HAMANAKODENSO CO., LTD.	• Manufacture and sale of VSVs, magnet switches, and horns	76.5	1,546
	☆ DAISHINSEIKI CO., LTD.	• Manufacture and sale of equipment and special manufacturing facilities related to fuel injection systems	99.3	586
	☆ KYOSAN DENKI CO., LTD.	• Manufacture and sale of fuel equipment including EFI systems	62.9	1,389
	☆ GAC CORPORATION	• Manufacture and sale of business-use air conditioning systems including car air conditioners and packaged air conditioners • Development and manufacture of equipment for food storage and environmental improvement	57.5	495
	☆ DENSO AIR SYSTEMS CORPORATION	• Manufacture and sale of hoses, ducts and pipes for air conditioners	100.0	905
	☆ DENSO MANUFACTURING KITAKYUSHU CO., LTD.	• Manufacture of air intake components for gasoline engines, thermal systems, and diesel fuel injection systems	100.0	858
	☆ DENSOTRIM CO., LTD.	• Manufacture and sale of magneto parts for motorcycles	80.0	543
	☆ DENSO ELECTRONICS CORPORATION	• Production of automotive semiconductor products	100.0	185
	☆ NIPPON WIPER BLADE CO., LTD.	• Manufacture and sale of wiper blades and wiper arms	70.0	735
	☆ SHIMIZU INDUSTRY CO., LTD.	• Manufacture and sale of dies, and plastic products for car air conditioners and radiators	51.0	524
	☆ DENSO WAVE INC.	• Development, manufacture, and sale of equipment and systems for automatic recognition devices, industrial robots, programmable controllers, etc.	75.0	685
	☆ DENSO FINANCE & ACCOUNTING CENTER CO., LTD.	• Shared service of accounting • Support for accounting • Factoring of accounts receivable	100.0	12
	☆ DENSO TECHNO CO., LTD.	• Design, development, and production of software for information processing and control • Development and design of various equipment	100.0	2,237
	☆ DENSO LOGITEM CORPORATION	• Operation and management of cargo transportation business and distribution center	100.0	172
	☆ DENSO TOKYO CORPORATION	• Sale of DENSO products	100.0	366
	★ ADVICS CO., LTD.	• Development and sale of brake systems and system parts	20.0	899
	★ G. S. ELECTECH INC.	• Manufacture and sale of wire harnesses and lead wires	34.0	544
	★ JECO CO., LTD.	• Manufacture and sale of clocks and applied electronics parts for cars	34.1	454
	★ SHINSEI INDUSTRIAL CO., LTD.	• Manufacture and sale of wire-wound parts and electronic products	34.5	489
	★ TSUDA INDUSTRIES CO., LTD.	• Manufacture and sale of air conditioners, and powertrain and chassis components for cars	22.0	1,041
	★ TD mobile Corporation	• Dealership operations for mobile phones, and development and distribution of content for mobile phones	49.0	784
U.S.A.	☆ DENSO INTERNATIONAL AMERICA, INC.	• Regional headquarters for North America • Sale of automotive components • Engineering services, design, testing, and R&D	100.0	674
	☆ DENSO SALES CALIFORNIA, INC.	• Sale of automotive components, spot-coolers, and robots	100.0	285
	☆ DENSO MANUFACTURING MICHIGAN, INC.	• Manufacture of car air conditioners and radiators • Sale of HVAC components	100.0	1,728
	☆ DENSO MANUFACTURING TENNESSEE, INC.	• Manufacture of automotive electrical components, instrument clusters, and automotive electronic products	100.0	2,343
	☆ DENSO MANUFACTURING ATHENS TENNESSEE, INC.	• Manufacture of injectors, oxygen sensors, and stick coils	100.0	675
	☆ DENSO WIRELESS SYSTEMS AMERICA, INC.	• Manufacture of car navigation systems	100.0	160
	☆ DENSO MANUFACTURING ARKANSAS, INC.	• Manufacture of car air conditioners and radiators	100.0	380
	★ MICHIGAN AUTOMOTIVE COMPRESSOR, INC.	• Manufacture of compressors and clutches	40.0	557
	★ TD AUTOMOTIVE COMPRESS OR GEORGIA, LLC	• Manufacture Compressors for car air conditioners	35.0	242
	☆ ASMO NORTH AMERICA, LLC.	• Regional headquarters for ASMO group in U.S.	100.0	3
	☆ ASMO NORTH CAROLINA, INC.	• Manufacture of power window regulator motors, blower motors, and electric fan motors	100.0	362
	☆ ASMO GREENVILLE OF NORTH CAROLINA, INC.	• Manufacture of windshield wiper systems and windshield washer systems	100.0	405

Country/Region	Major Company	Main Business	% owned by DENSO*	Employees
Canada	☆ DENSO MANUFACTURING CANADA, INC.	• Manufacture of HVAC units and ECM systems	100.0	304
	☆ DENSO SALES CANADA, INC.	• Sale of automotive components • Provide after-sale service	100.0	30
Mexico	☆ DENSO MEXICO S.A. DE C.V.	• Manufacture of instrument clusters, valves, and VCT systems	95.0	3,372
Brazil	☆ DENSO DO BRASIL LTDA.	• Manufacture and sale of car air conditioners, compressors, bus air conditioners and radiators	90.6	1,639
Netherlands	☆ DENSO INTERNATIONAL EUROPE B.V.	• Holding company for European operations	100.0	–
	☆ DENSO EUROPE B.V.	• Regional headquarters for Europe • Sale of automotive components • Remanufacture of automotive electrical components	100.0	264
	☆ DENSO FINANCE HOLLAND B.V.	• Financing	100.0	–
United Kingdom	☆ DENSO INTERNATIONAL UK LTD.	• Holding company for U.K. operations	100.0	–
	☆ DENSO SALES UK LTD.	• Sale of automotive components • Application engineering and testing	100.0	184
	☆ DENSO MANUFACTURING UK LTD.	• Manufacture of car air conditioners and heaters	100.0	668
Germany	★ TD Deutsche Klimakompressor GmbH	• Manufacture of compressors and pulleys • Remanufacture of compressors	35.0	463
Spain	☆ DENSO BARCELONA S.A.	• Manufacture of engine control components and automotive electronic products	100.0	666
Italy	☆ DENSO SALES ITALIA S.R.L.	• Sale of automotive components • Provide after-sale service	100.0	19
	☆ DENSO THERMAL SYSTEMS S.p.A.	• Manufacture and sale of car air conditioners, heaters, and radiators	100.0	2,309
	☆ DENSO MANUFACTURING ITALIA S.p.A.	• Manufacture and sale of starters, alternators, and small motors	100.0	997
Hungary	☆ DENSO MANUFACTURING HUNGARY LTD.	• Manufacture of common rail systems, diesel injection pumps, and VCT systems	100.0	3,619
Poland	☆ DENSO THERMAL SYSTEMS POLSKA Sp.zo.o.	• Manufacture and sale of heaters and cockpit modules	100.0	524
Czech Republic	☆ DENSO MANUFACTURING CZECH s.r.o.	• Manufacture of HVAC units, evaporators, condensers, and radiators	100.0	1,369
Australia	☆ DENSO INTERNATIONAL AUSTRALIA PTY. LTD.	• Regional headquarters for Australia • Sale of automotive components	100.0	49
	☆ AUSTRALIAN AUTOMOTIVE AIR PTY. LTD.	• Manufacture of air conditioners, radiators, and instrument clusters	100.0	376
Singapore	☆ DENSO INTERNATIONAL ASIA PTE. LTD.	• Regional headquarters for Asia & Oceania • Sale of aftermarket products	100.0	69
Thailand	☆ DENSO INTERNATIONAL ASIA CO., LTD.	• Regional headquarters for Asia & Oceania • Engineering services, design, testing and R&D	100.0	207
	☆ DENSO (THAILAND) CO., LTD.	• Manufacture of electrical automotive components, car air conditioners, magnetos, and spark plugs	51.3	2,852
	☆ SIAM DENSO MANUFACTURING CO., LTD.	• Manufacture fuel injection system products (fuel pumps and injectors)	90.0	2,484
	☆ DENSO SALES (THAILAND) CO., LTD.	• Sale of automotive components	100.0	125
Indonesia	☆ PT. DENSO INDONESIA	• Manufacture and sale of car air conditioners, radiators, spark plugs, and filters	58.3	1,662
	☆ PT. DENSO SALES INDONESIA	• Sale of automotive components	100.0	112
	☆ PT. ASMO INDONESIA	• Manufacture of power window regulator motors	100.0	1,731
Republic of Korea	☆ DENSO PS ELECTRONICS CORPORATION	• Manufacture and sale of instrument clusters	51.0	548
	☆ DENSO PS CORPORATION	• Manufacture and sale of small motors, fuel pumps, and electrical automotive components	73.0	1,249
Malaysia	☆ DENSO (MALAYSIA) SDN. BHD.	• Manufacture and sale of electrical automotive components, car air conditioners, engine ECUs, and programmable logic controller units	72.7	1,128
China	☆ DENSO (CHINA) INVESTMENT CO., LTD.	• Regional headquarters for China • Sale of automotive components • Engineering services, design, testing and R&D	100.0	496
	☆ TIANJIN DENSO ENGINE ELECTRICAL PRODUCTS CO., LTD.	• Manufacture and sale of alternators and starters	95.0	732
	☆ GUANGZHOU DENSO CO., LTD.	• Manufacture and sale of car air conditioners and radiators	60.0	756
	☆ TIANJIN FAWER DENSO AIR-CONDITIONER CO., LTD.	• Manufacture and sale of car air conditioners	60.0	473
	☆ DENSO (GUANGZHOU NANSHA) CO., LTD.	• Manufacture and sale of fuel injection systems for gasoline vehicles • Provide after-sale service	100.0	1,123

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

Note: In addition to the companies listed above, there are 184 consolidated subsidiaries and 30 affiliates under the equity method.

(As of March 31, 2010)

Investor Information

(As of March 31, 2010)

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

Stock Exchange Listings
Tokyo Stock Exchange
Nagoya Stock Exchange

Number of Shareholders
76,848

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

Administrator of Shareholders' Register
Mitsubishi UFJ Trust and Banking Corporation
1-4-5, Marunouchi, Chiyoda-ku,
Tokyo 100-8212, Japan

Dividends Paid

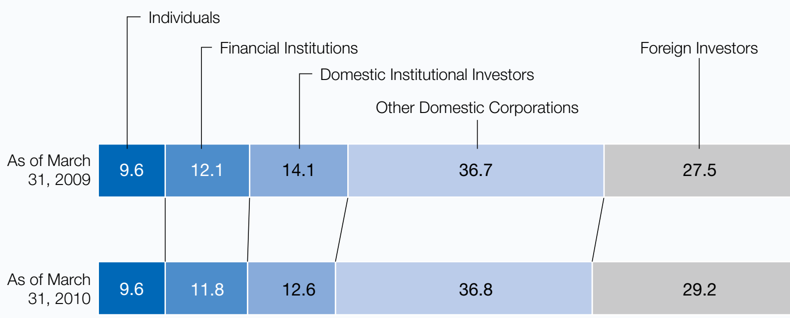
	2006	2007	2008	2009	2010
■ Interim dividends per share (yen)	18.00	21.00	25.00	27.00	13.00
■ Year-end dividends per share (yen)	20.00	24.00	29.00	13.00	14.00
Total (yen)	38.00	45.00	54.00	40.00	27.00

Principal Shareholders (Leading Ten Principal Shareholders)

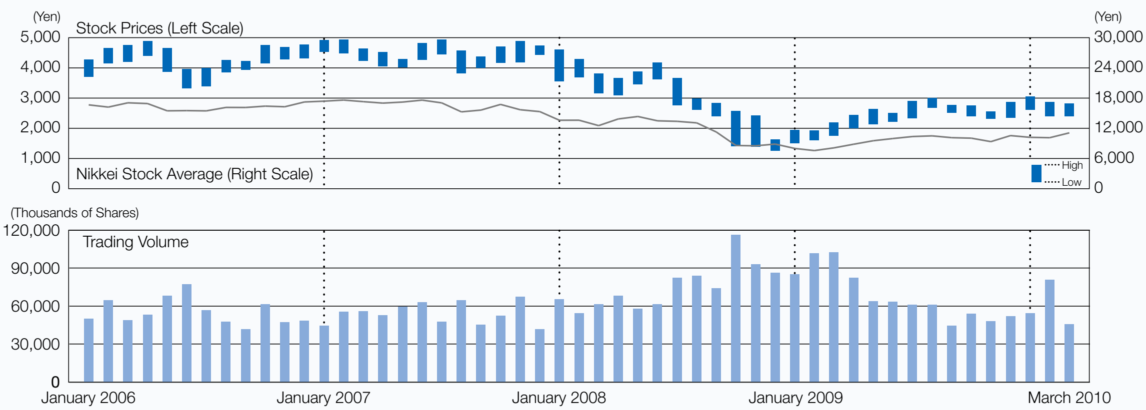
	Number of shares held (thousands)	Voting share ratio (%)
Toyota Motor Corporation	199,254	24.74
Toyota Industries Corporation	69,373	8.61
Robert Bosch Investment Nederland B.V.	46,439	5.77
Japan Trustee Services Bank, Ltd. (Trust Account)	31.676	3.93
The Master Trust Bank of Japan, Ltd. (Trust Account)	29,796	3.70
Nippon Life Insurance Company	24,050	2.99
DENSO Employees' Shareholding Association	16,383	2.03
Mitsui Sumitomo Insurance Co., Ltd.	15,148	1.88
The Dai-ichi Mutual Life Insurance Company	9,000	1.12
The Chase Manhattan Bank 385036	8,154	1.01

Note: The above table excludes 78,135 thousand shares of treasury stock held by DENSO Corporation.

Breakdown of Shareholders (Voting Share Ratio, %)



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



Headquarters

DENSO CORPORATION
1-1, Showa-cho, Kariya,
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Telephone: +81-566-25-5511

Date of Establishment

December 16, 1949

Publications

Financial Statements
Corporate Brochure
CSR Report

Investor Relations

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Aichi 448-8661, Japan

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