

(TRANSLATION ONLY)

Stock Code: 6902

June 9, 2010



To Those Shareholders with Voting Rights

Nobuaki Katoh
President and CEO
DENSO CORPORATION
1-1, Showa-cho, Kariya, Aichi 448-8661, Japan

NOTICE OF THE 87TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We hereby inform you of the 87th Ordinary General Meeting of Shareholders to be held as follows.

If you are unable to attend the meeting, you may exercise your voting rights in writing. Please read the attached REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS and return the Voting Rights Exercise Form with your vote of approval or disapproval so that it will be delivered to us before 5:40 p.m. on Thursday, June 24, 2010.

- 1. Date:** 10 a.m., Friday, June 25, 2010
- 2. Place:** Head Office, DENSO CORPORATION
1-1, Showa-cho, Kariya, Aichi 448-8661, Japan

3. Objectives of the Meeting:

Reports:

- (1) Business Report and Consolidated Financial Statements, as well as Results of the Audits of the Consolidated Financial Statements by the Accounting Auditors and the Board of Corporate Auditors for the 87th Fiscal Term (from April 1, 2009, to March 31, 2010)**
- (2) Non-Consolidated Financial Statements for the 87th Fiscal Term (from April 1, 2009, to March 31, 2010)**

Agenda:

- Proposal No. 1: Distribution of Surplus**
- Proposal No. 2: Election of Thirteen (13) Directors due to Expiration of the Term of Office of All the Current Directors**
- Proposal No. 3: Presentation of Bonuses to Directors and Corporate Auditors**
- Proposal No. 4: Presentation of Final Retirement Allowance due to the Abolition of the Retirement Benefit System for Corporate Auditors**

For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.

Any amendment to the REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS or the Attachment will be disclosed on the Company's Web site.

(<http://www.denso.co.jp>)

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Attachment

BUSINESS REPORT

(From April 1, 2009, to March 31, 2010)

1. CURRENT SITUATION OF THE CORPORATE GROUP

(1) Process and Results of Operations of Our Group

During the fiscal year ended March 31, 2010, the global economy, which had been stagnant following the worldwide financial crisis in the autumn of 2008, bottomed in the spring of 2009. From the second quarter to the end of the fiscal year, the world economy gradually rallied mainly due to the favorable effects of economic stimulus policies implemented in various countries and the strong recovery of the Asian economies. The considerable recovery of domestic demand in China and India contributed significantly to the higher growth rates of domestic economies. Meanwhile, in developed countries such as the United States and Japan, growth in consumer spending fell short of a full-scale recovery due to harsh conditions in the employment environment although their economies showed signs of bottoming due to the underlying support of economic policies taken by the respective governments.

As for the automotive industry, contrasting outcomes appeared between the developed countries, including Japan, and the emerging countries. In the emerging markets, sales successfully recovered, especially in Asia, and considerably exceeded the previous year's level, particularly in China and India. To the contrary, in the United States, one of the industry's major markets, sales were lower than the previous year's level, affected by sluggish sales in the first half despite several signs of recovery in the market such as a rally in the national economy. In Japan, although domestic vehicle sales in the first half were weak, as was the case in the United States, sales increased in the second half thanks to the stimulating effect of the government-led eco-car tax cut and a subsidy to encourage consumers to replace existing vehicles with new ones. Consequently, year-over-year vehicle sales remained almost flat. Domestic vehicle production and exports for finished vehicles were lower than the previous year's level.

Given substantial environmental changes in the market, the DENSO Group formulated structural reform policies in the previous fiscal year and has promoted its group-wide commitment to the following mainstay principles.

- 1) "Build a lean and stronger corporate structure" and
- 2) "Approach for future growth"

As for Principle 1), we vigorously addressed companywide measures through concerted efforts within the Group, including the restriction of disbursements via an expense rationalization campaign, the further reduction of fixed costs such as R&D expenditures and capital investment and efficiency improvement of non-manufacturing sectors.

As for Principle 2), we worked to promote technological development and establish optimum operating systems to satisfy regional needs at each country in the world with measures such as fuel efficiency, further reduction of CO₂ emissions and responses to the emerging markets. Fourteen key themes for promotion were developed and the DENSO Project for Emerging Markets was established especially to handle such issues as the development of low-cost products bound for the emerging countries, which will require close collaboration among several different business groups.

As for our initiatives in relation to fuel efficiency and the reduction of CO₂ emissions, our battery monitoring unit was adopted onboard a Toyota plug-in hybrid vehicle model, which was launched in the market at the end of 2009. This unit detects voltage, current, temperature and other data that are essential for the safe and efficient use of high-voltage lithium batteries mounted on such hybrid vehicles. In addition, we developed the world's first car air-conditioning system equipped with an ejector, which is a compact coolant injection device that dramatically improves energy consumption efficiency. Compared with conventional systems, the system allows the compressor to reduce the power consumption by up to approximately 25%, and the system was first mounted onboard the new PRIUS model of Toyota Motor. DENSO also launched the "Two Tops" nickel-based spark plug, which ensures enhanced fuel consumption and CO₂-emission reduction compatible with a reasonable product price. The new spark plug has a double-convexity configuration by newly adopting a convex earth electrode to receive sparks. Furthermore, taking advantage of a newly developed nickel alloy, fuel consumption has improved 1.2%, torque has improved 1.1% and CO₂ emissions have decreased 0.8%, compared to our conventional nickel spark plug.

As for the development of low-cost products bound for the emerging markets where future market growth is

highly expected, DENSO is endeavoring to streamline the relevant systems to allow them to handle and complete several processes from development to production and sales in timely response to regional needs. In Brazil, for example, a new plant of DENSO DO BRASIL LTDA, a group company engaged in the manufacture and sale of car air-conditioning systems, bus air-conditioning systems and radiators, will start operations in January 2011. We will promote further localization to realize a locally featured, optimum production system and encourage local procurement.

As a major initiative in its CSR activities, given the rising expectations of stakeholders for corporations relative to environmental issues, DENSO is committed to aggressive energy conservation activities from the viewpoint that the relevant activities are a priority environmental concern. Consequently, DENSO won the METI Minister's Award of the Energy Conservation Grand Prize for 2009 (Organization category) sponsored by the Ministry of Economy, Trade and Industry (METI). DENSO was recognized for its award-winning application of energy-conservation technologies at production facilities, including various improvement measures for energy conservation in Japan and overseas; streamlined production facilities; and an optimum energy supply to production lines by leveraging DENSO's self-developed, designed and manufactured production facilities. In addition, DENSO published a CSR-related picture book that summarizes in an easy-to-understand manner our social corporate responsibility to be performed for diversified stakeholders so that the DENSO Group can remain a trustworthy corporate group. During the fiscal year under review, DENSO also held explanatory meetings and study tours in the DENSO Gallery targeting elementary school pupils. We aim to be a trustworthy, global corporate group embraced by local communities and society. Every employee in the Group is determined to practice CSR activities in all the countries and regions where the DENSO Group actively conducts business operations.

Regarding operating results for the fiscal year ended March 31, 2010, consolidated net sales decreased ¥166.0 billion, or 5.3%, compared with the previous fiscal year, to ¥2,976.7 billion, primarily affected by foreign exchange loss although economic policies in many countries exhibited positive effects and the Asian markets centering on China recovered successfully. Consolidated ordinary income was ¥152.7 billion mainly due to the effect of reduced fixed expenses compared with an ordinary loss of ¥35.3 billion for the previous fiscal year despite the deterioration losses for capacity utilization through decreased sales. Profitability was restored with net income of ¥73.4 billion compared with a net loss of ¥84.1 billion for the previous fiscal year.

By geographical segment, sales decreased globally excluding the Asia and Oceania regions, yet profits increased across all regions. Sales in Japan amounted to ¥2,041.3 billion, down ¥104.3 billion, or 4.9%, from the previous year, mainly due to a decrease in the domestic production of vehicles for export and foreign exchange loss despite an increase in exports of components for overseas production. Operating income was ¥40.9 billion mainly due to the effect of reduced fixed expenses compared with an operating loss of ¥114.7 billion for the previous fiscal year. Sales in the Americas were ¥532.2 billion, a decrease of ¥27.6 billion, or 4.9%, mainly due to the decrease in vehicle production in the United States. However, operating income amounted to ¥12.9 billion, an increase of ¥7.8 billion, or 154.3%.

Sales in Europe were ¥411.1 billion, a decline of ¥51.4 billion, or 11.1%, mainly due to decreased sales resulting from a reduction of vehicle production in the related European countries. Operating income increased ¥7.1 billion, or 195.9%, to ¥10.7 billion.

Sales in the Asia and Oceania regions were ¥534.1 billion, an increase of ¥26.4 billion, or 5.2%, reflecting increased production in China and rallied production in the ASEAN countries of Japanese vehicles. Operating income amounted to ¥75.4 billion, up ¥14.9 billion, or 24.6%.

(2) Capital Expenditures and Financing

During the fiscal year under review, capital expenditures of ¥114.4 billion were invested mainly to shift to highly cost-competitive next-generation products and improve product quality and reliability.

To apply the funds to future capital investment projects, DENSO principally financed ¥31.0 billion from bank borrowings and issued ¥40.0 billion in straight bonds during the fiscal year.

(3) Our Challenge for Future Success

For the near-term global economy, the Asian economies centering on China, where domestic demand remains excellent, will likely be the driving force behind the gradual recovery of the global economy and lead to positive growth rates for both developed and emerging nations. In the automotive industry, the global market is anticipated to expand gradually, sustained by a rallying U.S. economy and steady trends in emerging countries such as China and India. However, a backlash in demand is forecast in Japan and Europe due to the scheduled termination of subsidies to encourage consumers' replacement of vehicles, which had been implemented by various governments, and the subsequent scaling back of sales promotion measures. In addition, we believe the business environment surrounding the Group continues to remain stringent with many adverse factors including the effects of the appreciation of the yen, which is mainly caused by unstable factors in the global economy.

The DENSO Group formulated structural reform policies in the previous fiscal year and has promoted its group-wide commitment to its mainstay principles of 1) structural reform to build a lean and streamlined business structure and 2) structural reform for next growth. Against the backdrop of restrictions on fuel consumption and people's rising environmental consciousness, the shift to hybrid and/or electric vehicles and the adoption of the idling stop function are forecast to accelerate. In the expanding emerging markets, inexpensive compact vehicles will likely dominate purchase trends. Amid these circumstances, the Group will not only entrench structural reforms to build a lean and streamlined business structure but also invest the resources resulting from such streamlining efforts into extending its proprietary technologies for enhanced fuel consumption and the reduction of CO₂ emissions and into sales expansion of the products bound for the new emerging nations. The DENSO Group will thus focus on creating internal systems toward the next growth opportunities by proactively taking these initiatives.

(4) Operating Results and Financial Position of the Group

(Millions of yen)

| Fiscal period | 84th Term (April 2006– March 2007) | 85th Term (April 2007– March 2008) | 86th Term (April 2008– March 2009) | 87th Term (April 2009– March 2010) |
|-----------------------------------|--|--|--|--|
| Account item | | | | |
| Net Sales | 3,609,700 | 4,025,076 | 3,142,665 | 2,976,709 |
| Ordinary Income (Loss) | 322,128 | 368,308 | (35,327) | 152,672 |
| Net Income (Loss) | 205,170 | 244,417 | (84,085) | 73,427 |
| Net Income (Loss) per Share (yen) | 249.88 | 299.96 | (104.13) | 91.11 |
| Equity | 2,286,956 | 2,282,677 | 1,900,719 | 2,032,264 |
| Total Assets | 3,765,135 | 3,643,418 | 3,018,438 | 3,364,070 |

(5) Significant Subsidiaries

| Name | Common Stock | The Company's Ratio of Voting Rights (%) | Principal Businesses |
|---|---------------------|--|---|
| ASMO CO., LTD. | JPY4,500 million | 73.37* | Manufacture and sale of small motors |
| ANDEN CO., LTD. | JPY1,002 million | 100.00 | Manufacture and sale of electronic systems |
| HAMANAKODENSO CO., LTD. | JPY479 million | 76.47 | Manufacture and sale of powertrain control systems |
| DENSO INTERNATIONAL AMERICA, INC. | USD226,750 thousand | 100.00 | — Regional headquarters for North America — Sale of and R&D on automotive components |
| DENSO MANUFACTURING MICHIGAN, INC. | USD125,000 thousand | 100.00* | Manufacture and sale of thermal systems |
| DENSO MANUFACTURING TENNESSEE, INC. | USD73,900 thousand | 100.00* | Manufacture and sale of electronic and electric systems |
| DENSO SALES CANADA, Inc. | CAD100 thousand | 100.00 | Sale of automotive components |
| DENSO EUROPE B.V. | EUR1,361 thousand | 100.00* | — Regional headquarters for Europe — Sale of automotive components |
| DENSO THERMAL SYSTEMS S.p.A. | EUR170,900 thousand | 100.00* | Manufacture and sale of thermal systems |
| DENSO MANUFACTURING HUNGARY LTD. | EUR190,912 thousand | 100.00* | Manufacture and sale of powertrain control systems |
| DENSO THERMAL SYSTEMS POLSKA Sp.zo.o. | POZ25,000 thousand | 100.00* | Manufacture and sale of thermal systems |
| DENSO SALES UK LTD. | GBP4,897 thousand | 100.00* | Sale and R&D of automotive components |
| DENSO SALES (THAILAND) CO., LTD. | THB100 million | 100.00* | Sale of automotive components |
| DENSO (THAILAND) CO., LTD. | THB200 million | 51.25* | Manufacture and sale of electric and thermal systems |
| SIAM DENSO MANUFACTURING CO., LTD. | THB2,816 million | 90.00* | Manufacture and sale of powertrain control systems |
| DENSO INTERNATIONAL ASIA PTE., LTD. (Singapore) | SID302,373 thousand | 100.00 | — Regional headquarters for Asia and Oceania — Sale of commercial components |
| DENSO (CHINA) INVESTMENT CO., LTD. | CHY2,150 million | 100.00 | — Headquarters for China — Sale of automotive components |

Note: An asterisk (*) indicates the ratio of ownership including shareholdings by any of the Company's subsidiaries.

(6) Principal Businesses of the Group

Manufacture and sale of the following products:

(Automotive Businesses)

| | |
|------------------------------|--|
| Powertrain Control Systems | (e.g., Powertrain control products for diesel engines, Powertrain control products for gasoline engines, Ignition coils, Various valves) |
| Electric Systems | (e.g., Starters, Alternators, Inverters, DC-DC converters) |
| Electronic Systems | (e.g., Engine control computers, Various semiconductor sensors, Hybrid ICs) |
| Thermal Systems | (e.g., Car air-conditioning systems, Bus/construction equipment air-conditioning systems, Radiators, Cooling fans) |
| Information & Safety Systems | (e.g., Various sensors & computers for airbags, Actuators & computers for ABS, Meters, Car navigation systems) |
| Small Motors | (e.g., Windshield wiper systems, Windshield washer systems, Power window motors) |
| (New Businesses) | |
| Industrial Systems | (e.g., Barcode handy scanners & handy terminals, QR code scanners & handy terminals, Industrial robots) |
| Consumer Products | (e.g., CO ₂ refrigerant heat-pump water heaters) |

(7) Principal Offices and Plants

1) The Company

Head Office

1-1, Showa-cho, Kariya, Aichi 448-8661, Japan

Headquarters

Tokyo

Branches

Tokyo, Osaka, Hiroshima

Factories

Kariya, Ikeda, Anjo, Nishio, Takatana, Kota, Toyohashi, Agui and Zenmyo (Aichi Pref.), Daian (Mie Pref.),

Research Institute

DENSO Research Laboratories (Aichi Pref.)

Experiment Station

Nukata (Aichi Pref.)

2) Subsidiaries

Major Sales Companies

Americas

DENSO INTERNATIONAL AMERICA, INC. (Michigan, U.S.A.),

DENSO SALES CANADA, Inc. (Ontario, Canada)

Europe

DENSO EUROPE B.V. (Weesp, the Netherlands),

DENSO SALES UK LTD. (Hertfordshire, U.K.)

Asia & Oceania

DENSO INTERNATIONAL ASIA PTE., LTD. (Singapore)

(Singapore),

DENSO SALES (THAILAND) CO., LTD. (Samutprakarn, Thailand),

DENSO (CHINA) INVESTMENT CO., LTD.(Beijing, China)

Major Manufacturing

Japan

ASMO CO. LTD. (Shizuoka Pref.),

ANDEN CO., LTD. (Aichi Pref.),

HAMANAKODENSO CO., LTD. (Shizuoka Pref.)

Companies

Americas

DENSO MANUFACTURING MICHIGAN, INC. (Michigan, U.S.A.),

DENSO MANUFACTURING TENNESSEE, INC. (Tennessee,

U.S.A.)

Europe

DENSO THERMAL SYSTEMS S.p.A. (Turin, Italy),

DENSO MANUFACTURING HUNGARY LTD. (Szekesfehervar, Hungary),

DENSO THERMAL SYSTEMS POLSKA Sp.zo.o. (Tychy, Poland)

Asia & Oceania

DENSO (THAILAND) CO., LTD. (Samutprakarn, Thailand),

SIAM DENSO MANUFACTURING CO., LTD. (Chonburi, Thailand)

(8) Employees within the Group

| Number of Employees | Increase/Decrease from the Preceding Fiscal Year |
|---------------------|--|
| 120,812 | 893 (increase) |

Note: "Number of Employees" indicates the number of persons working within the Group (i.e., exclusive of those loaned from within the Group to outside the Group and inclusive of those loaned from outside the Group to within the Group).

(9) Major Lenders

| Name of Lender | Balance of Borrowings (Millions of yen) |
|--|--|
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 20,000 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd., Syndicate Loan | 13,000 |
| Fukoku Mutual Life Insurance Co. | 10,000 |
| The Hokkaido Bank, Ltd. | 10,000 |
| The 77 Bank, Ltd. | 10,000 |
| THE TOHO BANK, LTD. | 10,000 |
| The Hachijuni Bank, Ltd. | 8,000 |
| The Dai-ichi Mutual Life Insurance Company | 7,000 |
| THE BANK OF NAGOYA, Ltd. | 6,000 |
| Development Bank of Japan Inc. | 6,000 |
| Other | 64,598 |
| Total | 164,598 |

Notes:

1. "Major lenders" of the corporate group above means the Company's major lenders.
2. The Bank of Tokyo-Mitsubishi UFJ, Ltd., Syndicate Loan refers to a syndicate loan involving four corporations for which the lead manager is The Bank of Tokyo-Mitsubishi UFJ, Ltd.
3. The Dai-ichi Mutual Life Insurance Company was renamed The Dai-ichi Life Insurance Company, Limited, as of April 1, 2010.

2. SHARES OF THE COMPANY

(1) **Total Number of Issued Shares:** 805,933,764 shares (excluding treasury stock of 78,134,949 shares)

(2) **Number of Shareholders:** 76,848 persons

(3) Major Shareholders

| Name of Shareholder | Investment in the Company | |
|--|--|-------------------------------|
| | Number of Shares Held (Thousand shares) | Ratio of Voting Rights (%) |
| Toyota Motor Corporation | 199,254 | 24.72 |
| TOYOTA INDUSTRIES CORPORATION | 69,373 | 8.61 |
| Robert Bosch Investment Nederland B.V. | 46,439 | 5.76 |
| 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 | 2.98 |
| 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 |

Notes:

1. The Company holds its treasury stock of 78,135 thousand shares, but the Company itself is excluded from the list above.
2. "Ratio of Voting Rights" is calculated after excluding the treasury stock of 78,135 thousand shares.
3. "Investment in the Company" by TOYOTA INDUSTRIES CORPORATION is stated after excluding the Company's 6,798 thousand shares (ratio of voting rights: 0.84%), which are contributed as a trust asset for employees' retirement benefits by TOYOTA INDUSTRIES CORPORATION. (These shares are registered in the name of "Japan Trustee Services Bank, Ltd. (Trust Account of TOYOTA INDUSTRIES CORPORATION Employees' Retirement Benefits for the Re-trust by Chuo Mitsui Asset Trust and Banking Company, Limited)," and TOYOTA INDUSTRIES CORPORATION reserves the right of instruction in exercising the shares' voting rights.)
4. The Dai-ichi Mutual Life Insurance Company was renamed The Dai-ichi Life Insurance Company, Limited, as of April 1, 2010.

3. STOCK ACQUISITION RIGHTS, ETC., OF THE COMPANY

(1) Status of Stock Acquisition Rights, at the End of the Fiscal Year

1) Number and outline of the stock acquisition rights.

| | | | |
|--|-------------------------------------|-------------------------------------|---------------------------------------|
| Date when the resolution for issuance was adopted | June 24, 2004 | June 22, 2005 | June 27, 2006 |
| Number of the stock acquisition rights | 2,709 units | 5,553 units | 10,270 units |
| Type of shares subject to the stock acquisition rights | Common stock | | |
| Number of shares subject to the stock acquisition rights | 270,900 shares | 555,300 shares | 1,027,000 shares |
| Issue price | Without charge | | |
| Exercise price | ¥2,740/share | ¥2,758/share | ¥3,950/share |
| Exercise period | From July 1, 2006, to June 30, 2010 | From July 1, 2007, to June 30, 2011 | From August 1, 2008, to July 31, 2012 |

| | | | |
|--|---------------------------------------|---------------------------------------|---------------------------------------|
| Date when the resolution for issuance was adopted | June 26, 2007 | June 25, 2008 | June 24, 2009 |
| Number of the stock acquisition rights | 15,810 units | 18,630 units | 19,290 units |
| Type of shares subject to the stock acquisition rights | Common stock | | |
| Number of shares subject to the stock acquisition rights | 1,581,000 shares | 1,863,000 shares | 1,929,000 shares |
| Issue price | Without charge | | |
| Exercise price | ¥5,030/share | ¥3,447/share | ¥2,920/share |
| Exercise period | From August 1, 2009, to July 31, 2013 | From August 1, 2010, to July 31, 2014 | From August 1, 2011, to July 31, 2015 |

2) Stock acquisition rights held by the Company's directors

| | | | |
|---|---------------|---------------|---------------|
| Date when the resolution for issuance was adopted | June 24, 2004 | June 22, 2005 | June 27, 2006 |
| Number of the stock acquisition rights | 328 units | 528 units | 1,200 units |
| Number of holders | 5 | 6 | 11 |

| | | | |
|---|---------------|---------------|---------------|
| Date when the resolution for issuance was adopted | June 26, 2007 | June 25, 2008 | June 24, 2009 |
| Number of the stock acquisition rights | 2,900 units | 3,100 units | 3,100 units |
| Number of holders | 11 | 11 | 11 |

(2) Stock Acquisition Rights Issued during the Fiscal Year

1) Content of the stock acquisition rights issued

| | |
|---|---|
| Date when the resolution for issuance was adopted | June 24, 2009 |
| Number of the stock acquisition rights | 19,290 units |
| Type and number of shares subject to the stock acquisition rights | 1,929,000 shares of common stock |
| Issue price of the stock acquisition rights | Without charge |
| Amount to be paid per share upon exercise of the stock acquisition rights | ¥2,920 |
| Exercise period of the stock acquisition rights | From August 1, 2011, to July 31, 2015 |
| Conditions for the exercise of the stock acquisition rights | <p>1) Those who have been granted the stock acquisition rights (hereinafter the “Grantees”) must be in the position of Director, Managing Officer or employee of the Company, or Director or certain officers of its subsidiaries when exercising his/her stock acquisition rights; provided, however, that a Grantee may exercise his/her stock acquisition rights for a period of one (1) year (but only during the exercise period) following the date of resignation or retirement if the Grantee forfeits any position mentioned above due to resignation or retirement from the Company or any of its subsidiaries.</p> <p>2) In case a Grantee no longer qualifies for the exercise conditions of stock acquisition rights, the Grantee shall immediately lose such stock acquisition rights and return them to the Company immediately without receipt of any consideration.</p> <p>3) Other applicable exercise conditions (including details regarding Item 1), above) shall be as prescribed by the “Stock Acquisition Rights Allocation Agreement,” which shall be entered into by and between each Grantee and the Company, and by the “Detailed Regulations concerning the Stock Acquisition Rights Allocation Agreement,” which shall be determined by the Board of Directors in compliance with the said Stock Acquisition Rights Allocation Agreement, pursuant to the relevant resolutions by both the Ordinary General Meeting of Shareholders and the Board of Directors.</p> |

2) Status of the stock acquisition rights issued to certain employees of the Company, as well as to certain officers and employees of its subsidiaries

| Category | Employees of the Company | Certain Officers and Employees of Subsidiaries of the Company |
|--|--------------------------|---|
| Number of the stock acquisition rights | 13,130 units | 3,060 units |
| Type of shares subject to the stock acquisition rights | Common stock | Common stock |
| Number of shares subject to the stock acquisition rights | 1,313,000 shares | 306,000 shares |
| Total number of granted persons | 471 | 134 |

4. OFFICERS OF THE COMPANY

(1) Directors and Corporate Auditors

| Name | Position | Assignment in the Company and Important Posts Concurrently Held at Other Corporations |
|------------------|----------------------------|--|
| Koichi Fukaya | Chairman* | (Important posts concurrently held) Outside corporate auditor, JTEKT Corporation |
| Nobuaki Katoh | President and CEO* | |
| Hiromi Tokuda | Executive Vice President* | Technology; Europe (Important posts concurrently held) Director, TOYOTA BOSHOKU CORPORATION |
| Kenji Ohya | Executive Vice President* | Administration Center; Asia & Oceania (excluding China) |
| Mitsuharu Kato | Senior Managing Director | Electronic systems |
| Koji Kobayashi | Senior Managing Director | Corporate Center; Procurement Group; North America |
| Kazuo Hironaka | Senior Managing Director | Sales Group; Toyota Dept.; Tokyo Branch |
| Sojiro Tsuchiya | Senior Managing Director | Production; Production Promotion Center; Production Engineering Dept.; Production Engineering R&D Dept.; Materials Engineering R&D Dept. |
| Hikaru Sugi | Senior Managing Director | Engineering Research & Development Center; Technology Planning Dept.; DENSO Research Laboratories; Corporate R&D Dept.1-3; Deputy Chief, Hybrid System Engineering Dept.; China |
| Shinji Shirasaki | Senior Managing Director | Electronic Systems Business Group; Electronics Device Product Devision; Electronic Systems Testing & Evaluation Dept.; Deputy Chief, Corporate ePF Dept. (Important posts concurrently held) Outside corporate auditor, TOKAI RIKI CO., LTD. |
| Shoichiro Toyoda | Director | (Important posts concurrently held) Outside corporate auditor, AISIN SEIKI CO., LTD. Honorary Chairman, Japan Business Federation |
| Toshio Watanabe | Standing Corporate Auditor | (Important posts concurrently held) Outside corporate auditor, Jeco Co., Ltd. |
| Masato Iwase | Standing Corporate Auditor | |
| Fujio Cho | Corporate Auditor | (Important posts concurrently held) Chairman, Toyota Motor Corporation Outside director, Central Japan Railway Company Outside director, Sony Corporation |
| Tamiki Kishida | Corporate Auditor | (Important posts concurrently held) Professor, Course of Economics Research, Graduate School of Nagoya University |
| Tsutomu Saito | Corporate Auditor | (Important posts concurrently held) Lawyer |

Notes:

1. The directors marked with an asterisk (*) are representative directors.
2. Corporate Auditors Fujio Cho, Tamiki Kishida and Tsutomu Saito are outside corporate auditors as stipulated in Article 2, Paragraph 16, of the Companies Act.

(2) Remuneration, etc., Payable to Directors and Corporate Auditors Pertaining to the Fiscal Year under Review

13 directors ¥852 million
6 corporate auditors ¥109 million (including 3 outside corporate auditors: ¥28 million)

Notes:

1. The amount for remuneration, etc., payable to directors includes the remuneration as stock options granted to directors.
2. The amounts above include the bonuses to directors and corporate auditors for which a resolution is planned to be adopted by the 87th Ordinary General Meeting of Shareholders to be held on June 25, 2010.
3. The amount for remuneration, etc., payable to corporate auditors includes the provision for retirement allowance for directors and corporate auditors pertaining to the fiscal year ended March 31, 2010.

(3) Outside Corporate Auditors

1) Important combination of offices at other corporations

| Name | Combination of Offices and Posts Concurrently Held at Other Corporations |
|-----------|---|
| Fujio Cho | Chairman, Toyota Motor Corporation Outside director, Central Japan Railway Company Outside director, Sony Corporation |

Note: Toyota Motor Corporation is a major shareholder of the Company, and the Company sells 50.0% of its products to Toyota Motor.

2) Major activities during the fiscal year

| Name | Major Activities |
|----------------|--|
| Fujio Cho | He attended 16 of 20 Board of Directors meetings and 13 of 13 Board of Corporate Auditors meetings held in the fiscal year. At these meetings, he appropriately remarked on general management affairs based on his abundant experience as an executive at several corporations. |
| Tamiki Kishida | He attended 19 of 20 Board of Directors meetings and 13 of 13 Board of Corporate Auditors meetings held in the fiscal year. At these meetings, he mainly remarked on the business administration system of the Company based on his professional viewpoint as a professor of a university. |
| Tsutomu Saito | He attended 18 of 20 Board of Directors meetings and 13 of 13 Board of Corporate Auditors meetings held in the fiscal year. At these meetings, he mainly remarked on the compliance systems of the Company based on his professional viewpoint as lawyer. |

3) Outline of the agreement with outside corporate auditors to limit their liability for damage

The Company has entered into an agreement with each outside corporate auditor to limit his liability with regard to the damages stipulated in Article 423, Paragraph 1, of the Companies Act. As a result, his liability shall be the amount set forth in Article 425, Paragraph 1, of the Companies Act.

5. ACCOUNTING AUDITORS

(1) Designation of the Accounting Auditors

Deloitte Touche Tohmatsu LLC

Note: Deloitte Touche Tohmatsu was renamed Deloitte Touche Tohmatsu LLC as of July 1, 2009, as a result of the change in category of auditing firms.

(2) Remuneration, etc., Payable to Accounting Auditors for the Fiscal Year

| | | |
|----|---|--------------|
| 1) | Amount of remuneration, etc., to be paid by the Company to the Accounting Auditors pertaining to the fiscal year under review | ¥80 million |
| 2) | Sum of money and other financial profits to be paid by the Company and its subsidiaries to the Accounting Auditors | ¥134 million |

Notes:

1. The audit agreement entered into by the Accounting Auditors and the Company does not distinguish the amount derived from the audit under the Companies Act and the one derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the amount in 1) above indicates the total of these two kinds of amounts.
2. The Company entrusts the Accounting Auditors with advisory services regarding International Financial Reporting Standards (IFRS), which are non-audit services other than the services set forth in Article 2, Paragraph 1, of the Certified Public Accountant Law, and pays the consideration therefor.
3. Of the Company's significant subsidiaries, 14 subsidiaries, including DENSO INTERNATIONAL AMERICA, INC., DENSO EUROPE B.V. and DENSO SALES (THAILAND) CO., LTD., receive their audits by Certified Public Accountants or auditing firms (including those that have qualifications equivalent to these qualifications) other than the Accounting Auditors of the Company.

(3) Policy on Decisions of Dismissal or Non-Reappointment of the Accounting Auditors

The Board of Corporate Auditors shall, upon consent of all the corporate auditors, dismiss the Accounting Auditors if it determines a circumstance falling under any of the items set forth in Article 340, Paragraph 1, of the Companies Act, to have taken place.

In addition, if the Company judges it necessary to do so, for example, in case of any event that may raise a significant question in its employment of the Accounting Auditors regarding the performance of appropriate audits, the Company shall, upon consent of the Board of Corporate Auditors, or upon a request by the Board of Corporate Auditors, submit a proposal for the dismissal or non-reappointment of the Accounting Auditors to a general meeting of shareholders.

6. SYSTEMS TO ENSURE THE PROPRIETY OF BUSINESS OPERATIONS

The Company has resolved at its Board of Directors meetings the following basic policies for its internal control.

(1) Systems to Ensure Compliance of the Execution of Duties by Directors with Laws, Regulations and the Articles of Incorporation

- 1) Directors shall thoroughly disseminate the universal values, ethics and convictions set forth in the DENSO Philosophy and the DENSO Spirit through their behavior and corporate documents.
- 2) Effective mutual supervision by and among directors shall be pursued for decision making by cross-sectional collegial bodies such as various meetings and committees in addition to the executive collegial bodies consisting of the Board of Directors, the Top Management Meeting and the Executive Meeting.
- 3) Directors shall endeavor to ensure appropriate financial reporting and appropriately disclose information at the right time.

(2) Systems to Keep and Manage Information Pertaining to the Execution of Duties by Directors

The Company shall appropriately keep and manage important information in accordance with the in-house rules. The minutes of the Board of Directors meetings shall be kept forever.

(3) Rules and Other Systems Regarding Loss Risk Management

- 1) The risks involved in our businesses and investments shall be managed companywide by the executive collegial bodies such as the Board of Directors and the Top Management Meeting in accordance with the in-house rules. At the same time, the Group Leaders and the Center Leaders shall manage divisional risks in their respective fields.
- 2) As for other risk management, the CSR Promotion Meeting shall generally streamline and manage relevant companywide systems, whereas each competent department shall manage relevant risk factors.

(4) Systems to Ensure the Efficient Execution of Directors' Duties

- 1) The Company shall pursue a downsized, efficient management by leveraging the managing officer system with fewer directors.
- 2) The organizational systems, organizational management and authority of the respective organizations shall be determined in accordance with the in-house rules for more systematic and efficient operation of business activities.
- 3) Under the medium- and long-term management guidelines and annual group guidelines, the Company shall prepare annual plans to form a unified companywide intention to achieve its goals. The progress of the goals and plans, as well as operations at the respective departments, shall be managed and periodically reported in accordance with the in-house rules.

(5) Systems to Ensure Compliance of the Execution of Duties by Employees with Laws, Regulations and the Articles of Incorporation

- 1) The CSR Promotion Meeting shall establish and revise the Code of Conduct, and conduct necessary enlightenment activities and prepare proposals for the relevant organizations.
- 2) The Code of Conduct shall be fully disseminated among all employees via hierarchical compliance education.
- 3) The "Corporate Ethics Hotline" allows any employee who has an ethical or compliance-related concern to directly communicate that to the competent internal department or an outside lawyer.
- 4) The Audit Department shall internally audit the legality, the propriety and the efficiency of operations in accordance with the in-house rules and improve and reinforce the business management and operation systems at the respective departments based on such valuable input from the Audit Department.

(6) Systems to Ensure the Propriety of Business Operations Conducted by the Corporate Group Consisting of the Company, Its Parent and Its Subsidiaries

- 1) Decision making at the respective Group companies shall be conducted on a "reserved power" basis pursuant to the respective in-house rules, according to a policy of maximally respecting the autonomy of each company.
- 2) Groupwide policies and plans shall be prepared on a consolidated basis under the medium- and long-term management guidelines and annual group guidelines to unify the Group's intention to achieve its goals. The

progress of the goals and plans shall be managed and periodically reported in accordance with the in-house rules.

- 3) As for risk management and compliance within the Group companies, the Company shall propose guidelines to the respective Group companies to promote the establishment and operation of groupwide systems. The DENSO Group Employee Code of Conduct shall be shared by and disseminated to all the Group companies.
- 4) CSR shall be an important management priority, and the CSR Promotion Meeting shall have the functions of orientation and follow-up on relevant activities as a core decision-making organ.
- 5) The Domestic DENSO Group Corporate Ethics Hotline shall be operated as an internal informant protection system for the Group companies in Japan.

(7) Employees in Cases Where a Corporate Auditor Requests That the Company Place Several Employees as Assistants to Support His/Her Duties, and the Independence of the Employees Concerned from Directors in Such Cases

- 1) The Corporate Auditors Office, which was established as a dedicated organ, shall support the corporate auditors in conducting their duties.
- 2) Personnel changes and organizational restructuring of the Corporate Auditors Office shall require the prior consent of the Board of Corporate Auditors.

(8) Systems to Help Directors and Employees Report to the Corporate Auditors and Other Systems Relating to Reporting to the Corporate Auditors

- 1) The corporate auditors shall endeavor to properly understand and audit the execution of business operations by attending the meetings of the Board of Directors and other important conferences such as various committees and carefully checking important documents such as *kessaisho* (documents for approval) on operations.
- 2) The directors, managing officers and employees of the Company shall periodically or occasionally report on their operations to the corporate auditors.

(9) Other Systems to Ensure Effective Audits by the Corporate Auditors

- 1) The corporate auditors shall have regular or occasional meetings or exchange information as required with the Audit Department and the Accounting Auditors.
- 2) The corporate auditors shall check documents that will be submitted for discussion and deliberation at important conferences such as the Board of Directors meetings prior to such events.

7. POLICY REGARDING A DECISION OF DIVIDENDS FROM SURPLUS

As for dividends from surplus, the Company's basic dividend policy is to attain stable improvement of the dividend level with due consideration to the operating results and the payout ratio for each fiscal year.

Moreover, the Company intends to allocate retained earnings not only to the capital investment and R&D investment required to maintain long-term business development but also to the acquisition of treasury stock in the pursuit of distributing its profits to the shareholders.

8. IMPORTANT MATTER REGARDING CURRENT STATION OF THE CORPORATE GROUP

Investigation by the Federal Bureau of Investigation and the Department of Justice of the United States on suspicion of violating antitrust laws:

In February 2010, our U.S. subsidiary, DENSO INTERNATIONAL AMERICA, INC., was investigated by the Federal Bureau of Investigation and the Department of Justice of the United States under suspicion of a violation of antitrust laws. The subsidiary in question has been fully cooperating with the investigating authorities.

The amounts stated in this Business Report are rounded off to the nearest unit.

Consolidated Balance Sheet (As of March 31, 2010)

(Millions of yen)

| Account item | Amount | Account item | Amount |
|--|------------------|---|------------------|
| (Assets) | | (Liabilities) | |
| Current Assets | 1,755,122 | Current Liabilities | 761,752 |
| Cash and deposits | 574,582 | Notes and accounts payable—trade | 422,997 |
| Notes and accounts receivable—trade | 564,028 | Short-term borrowings | 45,527 |
| Marketable securities | 208,422 | Accrued expenses | 105,060 |
| Inventories | 266,264 | Income taxes payable | 13,114 |
| Deferred tax assets | 59,826 | Accrued bonuses to employees | 50,675 |
| Other current assets | 84,150 | Accrued bonuses to directors and corporate auditors | 442 |
| Allowance for doubtful accounts | (2,150) | Reserve for product warranties | 49,247 |
| | | Other current liabilities | 74,690 |
| Fixed Assets | 1,608,948 | Long-Term Liabilities | 570,054 |
| Property, plant and equipment | 902,700 | Straight bonds | 190,000 |
| Buildings and structures | 246,614 | Long-term borrowings | 173,931 |
| Machinery and transportation equipment | 396,486 | Deferred tax liabilities | 10,310 |
| Land | 156,669 | Liability for employees' retirement benefits | 180,390 |
| Construction in progress | 46,597 | Retirement allowance for directors and corporate auditors | 1,991 |
| Other | 56,334 | Negative goodwill | 59 |
| | | Other long-term liabilities | 13,373 |
| Intangible Assets | 17,678 | Total Liabilities | 1,331,806 |
| Software | 12,019 | (Equity) | |
| Other intangible assets | 5,659 | Shareholders' equity | 1,882,557 |
| Investments and Other Assets | 688,570 | Common stock | 187,457 |
| Investment securities | 521,205 | Capital surplus | 266,610 |
| Long-term loans receivable | 3,377 | Retained earnings | 1,626,988 |
| Deferred tax assets | 49,944 | Treasury stock, at cost | (198,498) |
| Prepaid pension cost | 84,452 | Variance of the Estimate / Conversion | 34,022 |
| Other assets | 29,900 | Net unrealized gain on available-for-sale securities | 154,178 |
| Allowance for doubtful accounts | (308) | Deferred gain on derivatives under hedge accounting | 161 |
| | | Foreign currency translation adjustments | (120,317) |
| | | Stock acquisition rights | 2,750 |
| | | Minority interests | 112,935 |
| | | Total Equity | 2,032,264 |
| Total Assets | 3,364,070 | Total Liabilities and Equity | 3,364,070 |

Consolidated Statement of Income (From April 1, 2009, to March 31, 2010)

(Millions of yen)

| Account item | Amount | |
|--|--------|------------------|
| Net sales | | 2,976,709 |
| Cost of sales | | 2,559,993 |
| Gross profit | | 416,716 |
| Selling, general and administrative expenses | | 280,076 |
| Operating income | | 136,640 |
| Non-operating income | | |
| Interest and dividend income | 12,110 | |
| Other non-operating income | 22,336 | 34,446 |
| Non-operating expenses | | |
| Interest expense | 5,936 | |
| Other non-operating expenses | 12,478 | 18,414 |
| Ordinary income | | 152,672 |
| Extraordinary losses | | |
| Impairment loss on long-lived assets | 514 | |
| Valuation loss on investment securities | 335 | |
| Valuation loss on investments in equity | 1,026 | |
| Loss on reorganization of subsidiaries and affiliates | 2,656 | |
| Difference in transferring retirement benefits of subsidiaries | 994 | |
| Loss on sales of investment in subsidiaries and affiliates | 234 | 5,759 |
| Income before income taxes and minority interests | | 146,913 |
| Income taxes—current | 29,336 | |
| Income taxes—deferred | 38,266 | 67,602 |
| Minority interests in net income | | 5,884 |
| Net income | | 73,427 |

Consolidated Statement of Changes in Equity
(From April 1, 2009, to March 31, 2010)

(Millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|------------------------|----------------------------|
| | Common stock | Capital surplus | Retained earnings | Treasury stock-at cost | Total shareholders' equity |
| Balance as of March 31, 2009 | 187,457 | 266,635 | 1,574,515 | (198,629) | 1,829,978 |
| Changes in the fiscal year: | | | | | |
| Dividends from surplus | | | (20,954) | | (20,954) |
| Net income | | | 73,427 | | 73,427 |
| Purchase of treasury stock | | | | (19) | (19) |
| Disposal of treasury stock | | (25) | | 150 | 125 |
| Net changes in items other than those in shareholders' equity | | | | | |
| Total of changes in the fiscal year | — | (25) | 52,473 | 131 | 52,579 |
| Balance as of March 31, 2010 | 187,457 | 266,610 | 1,626,988 | (198,498) | 1,882,557 |

| | Variance of the Estimate / Conversion | | | Stock acquisition rights | Minority interests | Total equity |
|---|--|--|--|--------------------------|--------------------|------------------|
| | Net unrealized gain on available-for-sale securities | Deferred gains on derivatives under hedge accounting | Foreign currency translation adjustments | | | |
| Balance as of March 31, 2009 | 89,000 | (270) | (129,007) | 1,852 | 109,166 | 1,900,719 |
| Changes in the fiscal year: | | | | | | |
| Dividends from surplus | | | | | | (20,954) |
| Net income | | | | | | 73,427 |
| Purchase of treasury stock | | | | | | (19) |
| Disposal of treasury stock | | | | | | 125 |
| Net changes in items other than those in shareholders' equity | 65,178 | 431 | 8,690 | 898 | 3,769 | 78,966 |
| Total of changes in the fiscal year | 65,178 | 431 | 8,690 | 898 | 3,769 | 131,545 |
| Balance as of March 31, 2010 | 154,178 | 161 | (120,317) | 2,750 | 112,935 | 2,032,264 |

Notes to the Consolidated Financial Statements

1. Basis of Presenting the Consolidated Financial Statements

(1) Scope of consolidation

1) Number of consolidated subsidiaries: 184

2) Names of the principal consolidated subsidiaries:

(Domestic)

A total of 68 companies including ASMO CO., LTD., ANDEN CO., LTD., and HAMANAKODENSO CO., LTD.

(Overseas)

A total of 116 companies including DENSO INTERNATIONAL AMERICA, INC., DENSO MANUFACTURING MICHIGAN, INC., DENSO MANUFACTURING TENNESSEE, INC., DENSO SALES CANADA, Inc., DENSO EUROPE B.V., DENSO THERMAL SYSTEMS S.p.A., DENSO MANUFACTURING HUNGARY LTD., DENSO THERMAL SYSTEMS POLSKA Sp.zo.o., DENSO SALES UK LTD., DENSO SALES (THAILAND) CO., LTD., DENSO (THAILAND) CO., LTD., SIAM DENSO MANUFACTURING CO., LTD., DENSO INTERNATIONAL ASIA PTE., LTD. (Singapore), and DENSO (CHINA) INVESTMENT CO., LTD.

(2) Application of the equity method

1) Number of affiliates accounted for by the equity method: 30

2) Names of the principal affiliates accounted for by the equity method:

(Domestic) TSUDA INDUSTRIES CO., LTD., and 11 other companies (a total of 12)

(Overseas) MICHIGAN AUTOMOTIVE COMPRESSOR, INC., and 17 other companies (a total of 18)

(3) Summary of significant accounting policies

1) Standard and method of valuation of securities

Available-for-sale securities for which the market price is readily determinable:

Stated at the market price, based on the market quotation at the balance sheet date. Unrealized gains and losses are reported, net of applicable taxes, as a separate component of equity. The cost of securities sold is mainly determined based on the moving-average method.

Available-for-sale securities for which the market price is not readily determinable:

Stated at cost mainly determined by the moving-average method.

2) Derivatives are stated at the market price.

3) Inventories are mainly stated at cost determined by the gross average method (write-down of book values due to the decline in profitability for the amounts stated in the consolidated balance sheet).

4) Depreciation of property, plant and equipment (excluding leased property) is mainly computed by the declining-balance method, and the amortization of intangible assets (excluding leased property) and leased property is computed using the straight-line method.

Of finance leases that do not transfer ownership of leased property to the lessee, those of which the commencement day of the lease transaction is prior to March 31, 2008, are accounted in the same manner as ordinary rental transactions.

5) Accounting of deferred charges

Bond issue cost is charged to income in full amounts when disbursed.

6) Accounting standards for reserves

Allowance for doubtful accounts:

The allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the past loan loss ratio for bad debts for ordinary receivables and on the estimated recoverability for specific doubtful receivables.

Accrued bonuses to employees:

The accrued bonuses to employees are provided for payments of bonuses to employees at an estimated amount to be recorded for the fiscal year.

Accrued bonuses to directors and corporate auditors:

The accrued bonuses to directors and corporate auditors are provided for payments of bonuses to directors and corporate auditors at an estimated amount to be recorded for the fiscal year.

Reserve for product warranties:

The reserve for product warranties is provided at an amount projected for after-sales service of products

based on past experience.

Liability for employees' retirement benefits:

The liability for employees' retirement benefits is provided at an amount calculated based on the projected benefit obligations and plan assets at the balance sheet date.

Prior service cost is amortized, starting in the fiscal year the cost was incurred, on a straight-line basis over a specific period (principally 10 years), which is shorter than the average remaining service period of employees at the time of the occurrence.

Actuarial gains or losses are amortized from the fiscal year following the occurrence on a pro rata basis by the straight-line method over a specific period (principally 10 years), which is shorter than the average remaining service years for employees at the time of the occurrence.

To prepare for possible payments of retirement benefits for managing officers, the liability to be borne by the Company based on its in-house rules is provided at an amount considered necessary to be recorded for the fiscal year at the balance sheet date.

Retirement allowance for directors and corporate auditors:

The retirement allowance for directors and corporate auditors is provided at an amount considered necessary to be borne by the Company based on its in-house rules at the balance sheet date of the fiscal year under review to prepare for possible payments to retiring directors and corporate auditors.

7) Standards for translation of important receivables and payables denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates on the consolidated balance sheet date. The resulting differences are charged or credited to income.

The assets and liabilities of our overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rates as of the consolidated balance sheet date. Revenue and expenses of our overseas consolidated subsidiaries are translated into Japanese yen based on the average exchange rates during the fiscal year, and the resulting differences are included in "Foreign currency translation adjustments" and "Minority interests" under "Equity" on the consolidated balance sheet.

8) Hedge accounting

Interest rate swap agreements, forward exchange contract hedging for prospective foreign currency transactions and currency options are accounted for by deferred hedging accounting (valuation gains/losses on hedging instruments are deferred as assets/liabilities until the gains/losses on the underlying hedged instruments are realized). Preferential treatment accounting is applied to certain interest rate swap agreements that satisfy the requirements.

Hedge accounting is not applied to forward exchange contracts, currency options and currency swap agreements that were concluded for the purpose of hedging receivables and payables denominated in foreign currencies for consolidated subsidiaries, which are set off and written off on the consolidated balance sheet. Such contracts and agreements were valued at the market price as of the end of this fiscal year. The resulting profit or loss is reported as non-operating income or expenses for the fiscal year under review.

9) Transactions subject to the consumption tax and local consumption taxes are recorded at amounts exclusive of the consumption tax.

(4) The assets and liabilities of consolidated subsidiaries are fully valued at the market price at the respective dates when the subsidiaries were initially consolidated.

(5) Amortization of goodwill and negative goodwill

The amount of goodwill and negative goodwill is amortized over the estimated years for cases where years can be substantially estimated starting from the fiscal year of the initial occurrence, whereas it is evenly amortized on a straight-line basis over 5 years for other cases.

(6) Accounting standards for the revenue from works completed and the cost of works completed

1) Works for which the outcome of the construction activity is deemed certain at the work zone with advanced construction by the end of the fiscal year under review

Percentage-of-completion method is applied. (The degree of completion of construction is estimated by the cost-to-cost method.)

2) Other works for which the outcome of the construction activity is deemed uncertain

Completed-contract method is applied.

[Changes in the Basis of Presenting the Consolidated Financial Statements]

1. Accounting Standard for Retirement Benefits

Effective from the fiscal year ended March 31, 2010, the Group has adopted the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19, July 31, 2008).

There is no impact on income and loss for the fiscal year ended March 31, 2010.

2. Accounting Standard for Construction Contracts

The Group previously applied the completed-contract method to account for revenue relating to contract works. Effective from the fiscal year ended March 31, 2010, the Group has applied the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007). Consequently, the percentage-of-completion method has been applied to works for which the outcome of the construction activity is deemed certain at the work zone with advanced construction by the end of the fiscal year under review (the degree of completion of construction is estimated by the cost-to-cost method), whereas the completed-contract method has been applied to other works, starting from the work contracts that were initiated during the fiscal year ended March 31, 2010.

There is no impact on income and loss for the fiscal year ended March 31, 2010.

[Additional information]

Previously, spare parts for equipment were charged to income when purchased. However, taking into account the increasing importance thereof and that the completed improvement of an order receipt-payment system targeting the reinforcement of inventory control has been improved, the Group has accounted for spare parts for equipment under “inventories,” effective from the fiscal year ended March 31, 2010.

As a result of this change, operating income, ordinary income and income before income taxes and minority interests each increased ¥4,859 million compared with the previous accounting method for spare parts for equipment.

2. Notes to the Consolidated Balance Sheet

- (1) Accumulated depreciation of property, plant and equipment ¥2,582,504 million
The accumulated depreciation of property, plant and equipment includes an accumulated impairment loss on long-lived assets.
- (2) Assets pledged as collateral and secured debt
- | | |
|-------------------------------|---------------------|
| Assets pledged as collateral: | |
| Buildings and structures | ¥464 million |
| <u>Land</u> | <u>¥452 million</u> |
| Total | ¥916 million |
| Debt secured by the above: | |
| Short-term borrowings | ¥138 million |
| <u>Long-term borrowings</u> | <u>¥641 million</u> |
| Total | ¥779 million |
- (3) Liabilities for guarantee
Guarantee of loans from finance institutions to the Groups’ employees ¥1 million
- (4) Bank guarantees for customs duty ¥1,220 million

3. Notes to the Consolidated Statement of Changes in Equity

- (1) Type and total number of issued shares as of March 31, 2010:
884,068,713 shares of common stock

(2) Stock acquisition rights

| | | | | |
|--|----------------|----------------|------------------|------------------|
| Date when the resolution for issuance was adopted | June 24, 2004 | June 22, 2005 | June 27, 2006 | June 26, 2007 |
| Number of the stock acquisition rights | 2,709 units | 5,553 units | 10,270 units | 15,810 units |
| Type of shares subject to the stock acquisition rights | Common stock | | | |
| Number of shares subject to the stock acquisition rights | 270,900 shares | 555,300 shares | 1,027,000 shares | 1,581,000 shares |

Note: The shares for which the initial date of exercise period has not come are excluded.

(3) Dividends

1) Dividends paid

| Resolution | Type of shares | Total dividend amount (Millions of yen) | Dividend per share (Yen) | Record date | Effective date |
|--|----------------|---|--------------------------|--------------------|-------------------|
| Ordinary General Meeting of Shareholders held on June 24, 2009 | Common stock | 10,476 | 13 | March 31, 2009 | June 25, 2009 |
| Board of Directors meeting held on October 30, 2009 | Common stock | 10,477 | 13 | September 30, 2009 | November 26, 2009 |

2) Of the dividends for which the record date belongs to the fiscal year ended March 31, 2010, those for which the effective date of the dividends will be in the fiscal year ending March 31, 2011

A resolution is planned to be adopted at the 87th Ordinary General Meeting of Shareholders to be held on June 25, 2010.

| Resolution | Type of shares | Total dividend amount (Millions of yen) | Source of funds for dividends | Dividend per share (Yen) | Record date | Effective date |
|--|----------------|---|-------------------------------|--------------------------|----------------|----------------|
| Ordinary General Meeting of Shareholders to be held on June 25, 2010 | Common stock | 11,283 | Retained earnings | 14 | March 31, 2010 | June 28, 2010 |

4. Notes to Financial Instruments

(1) Status of financial instruments

The Group conducts its fund management primarily with deposits in high-caliber financial institutions and partly with investments in highly rated corporate and government bonds. The Group's fund procurement is principally executed via bank borrowings or the issuance of straight bonds.

The Group endeavors to mitigate the credit risk of relevant customers to which notes and accounts receivable—trade are exposed, in compliance with the guideline on the protection of accounts receivable. Investment securities mainly consist of stocks, and the fair value of listed stocks is monitored on a quarterly basis. Loans to employees account for most long-term loans receivable. Accordingly, we believe the credit risk associated with the loans concerned is minimal.

The major applications of the borrowings and straight bonds are working capital (mainly short term) and funds for capital expenditures (long term), and the Group uses interest rate swap agreements to hedge the risk of interest rate fluctuations for a part of the borrowings and straight bonds. The Group abides by the policy of trading derivative transactions, which are used to hedge the exposure to risks, within the scope of real demand in accordance with its internal management rules.

(2) Fair value of financial instruments, etc.

The following table indicates the amount recorded in the consolidated balance sheet, the fair value and the unrealized gain (loss) as of March 31, 2010 (consolidated closing date for the fiscal year ended March 31, 2010), relative to financial instruments. Items for which it is deemed difficult to measure the fair value are not

included in the table.

(Millions of yen)

| | Amount recorded in the consolidated balance sheet | Fair value | Unrealized gain (loss) |
|---|---|------------|---------------------------|
| (1) Cash and deposits | 574,582 | 574,582 | — |
| (2) Notes and accounts receivable—trade | 564,028 | 564,028 | — |
| (3) Marketable securities and investment securities | | | |
| 1) Investment in affiliates | 3,307 | 1,487 | (1,820) |
| 2) Available-for-sale securities | 688,778 | 688,778 | — |
| (4) Long-term loans receivable | 3,377 | 3,358 | (19) |
| (5) Notes and accounts payable—trade | (422,997) | (422,997) | — |
| (6) Short-term borrowings | (45,527) | (45,527) | — |
| (7) Income taxes payable | (13,114) | (13,114) | — |
| (8) Straight bonds | (190,000) | (193,768) | (3,768) |
| (9) Long-term borrowings | (173,931) | (174,417) | (486) |
| (10) Derivative transactions | 1,703 | 1,703 | — |

Notes:

1. Those accounted for under liabilities are indicated in parentheses.
2. Calculation method of the fair value of financial instruments

(1) Cash and deposits, (2) Notes and accounts receivable—trade and (3) Marketable securities

As these assets are settled within a short time, the fair value thereof is almost equal to the book value. Accordingly, the calculation of the fair value of these assets is based on the book value concerned.

(3) Investment securities

As for investment securities, the fair value of stocks is calculated based on the prices traded at the stock exchange and the fair value of bonds based on the prices presented by the correspondent financial institution.

(4) Long-term loans receivable

The calculation of the fair value of these assets is based on the present value to be achieved by discounting the total of principal and interest at a discount rate, which is projected in case of similar new loans, for each of the respective loans receivable.

(5) Notes and accounts payable—trade, (6) Short-term borrowings and (7) Income taxes payable

As these liabilities are settled within a short time, the fair value hereof is almost equal to the book value. Accordingly, the calculation of the fair value of these liabilities is based on the book value concerned.

(8) Straight bonds

The fair value of the straight bonds issued by the Company is calculated based on the market price.

(9) Long-term borrowings

The calculation of the fair value of these liabilities is based on the present value to be achieved by discounting the total of principal and interest at a discount rate, which is projected in case of similar new loans, for each of the respective borrowings.

(10) Derivative transactions

Net receivables and payables, which were derived from derivative transactions, are presented in net amounts. The fair value of derivative instruments is based on the prices presented by the correspondent

financial institution. The fair value of certain interest rate swap agreements, to which preferential treatment accounting was applied, is included in the fair value of the long-term borrowings concerned because such agreements are treated with the underlying long-term borrowings as hedged items in an integrated manner. (Refer to Item (9) above.)

3. Unlisted stocks (Amount recorded in the consolidated balance sheet: ¥12,214 million) and investment in affiliates (Amount recorded in the consolidated balance sheet: ¥25,327 million), both of which are nonmarketable and for which the future cash flows cannot be estimated and it is deemed difficult to measure the fair value, are not included in (3) Marketable securities and investment securities.

5. Notes to Per Share Data

| | |
|--------------------------|-----------|
| (1) Equity per share | ¥2,378.18 |
| (2) Net income per share | ¥91.11 |

6. Note to Subsequent Events

Nothing noteworthy

7. Other Note

The amounts stated in the consolidated financial statements are rounded off to the nearest unit.

Non-Consolidated Balance Sheet (As of March 31, 2010)

(Millions of yen)

| Account item | Amount | Account item | Amount |
|--|------------------|---|------------------|
| (Assets) | | (Liabilities) | |
| Current Assets | 1,092,694 | Current Liabilities | 611,763 |
| Cash and deposits | 426,978 | Notes payable—trade | 4,369 |
| Notes receivable—trade | 2,047 | Accounts payable—trade | 351,445 |
| Accounts receivable—trade | 342,021 | Current portion of long-term borrowings | 10,000 |
| Marketable securities | 67,488 | Accounts payable—other | 13,156 |
| Finished goods | 33,796 | Accrued expenses | 63,092 |
| Work in process | 44,854 | Advances received | 1,431 |
| Raw materials and supplies | 7,878 | Deposits received | 96,040 |
| Advance payments | 47,125 | Accrued bonuses to employees | 33,075 |
| Prepaid expenses | 1,117 | Accrued bonuses to directors and corporate auditors | 201 |
| Deferred tax assets | 42,728 | Reserve for product warranties | 32,765 |
| Short-term loans receivable from subsidiaries and affiliates | 29,806 | Other current liabilities | 6,189 |
| Accounts receivable—other | 43,867 | Long-term Liabilities | 493,401 |
| Other current assets | 3,378 | Straight bonds | 190,000 |
| Allowance for doubtful accounts | (389) | Long-term borrowings | 154,000 |
| | | Long-term borrowings from subsidiaries and affiliates | 598 |
| Fixed Assets | 1,530,266 | Liability for employees' retirement benefits | 140,929 |
| Property, plant and equipment | 442,269 | Retirement allowance for directors and corporate auditors | 546 |
| Buildings | 94,512 | Other long-term liabilities | 7,328 |
| Structures | 16,085 | Total Liabilities | 1,105,164 |
| Machinery and equipment | 169,324 | (Equity) | |
| Vehicles and transportation equipment | 1,770 | Shareholders' Equity | 1,361,289 |
| Tools, furniture and fixtures | 25,241 | Common stock | 187,457 |
| Land | 108,298 | Capital surplus | 266,551 |
| Construction in progress | 27,039 | Additional paid-in capital | 265,985 |
| Intangible assets | 12,553 | Other capital surplus | 566 |
| Software | 9,011 | Retained earnings | 1,105,764 |
| Other intangible assets | 3,542 | Legal reserve | 43,274 |
| | | Other retained earnings | 1,062,490 |
| Investments and Other Assets | 1,075,444 | Reserve for special depreciation | 134 |
| Investment securities | 270,932 | Reserve for advanced depreciation of fixed assets | 223 |
| Investment in subsidiaries and affiliates | 568,279 | General reserve | 896,390 |
| Investments in equity | 2,677 | Earned surplus carried forward | 165,743 |
| Investments in equity of subsidiaries and affiliates | 48,149 | Treasury stock, at cost | (198,483) |
| Long-term loans receivable from subsidiaries and affiliates | 61,851 | Variance of the Estimate / Conversion | 153,757 |
| Deferred tax assets | 34,770 | Net unrealized gain on available-for-sale securities | 153,595 |
| Prepaid pension cost | 83,032 | Deferred gains on derivatives under hedge accounting | 162 |
| Other assets | 5,887 | Stock acquisition rights | 2,750 |
| Allowance for doubtful accounts | (133) | Total Equity | 1,517,796 |
| Total Assets | 2,622,960 | Total Liabilities and Equity | 2,622,960 |

Non-Consolidated Statement of Income
(From April 1, 2009, to March 31, 2010)

(Millions of yen)

| Account item | Amount | |
|--|--------|------------------|
| Net sales | | 1,885,270 |
| Cost of sales | | 1,723,825 |
| Gross profit | | 161,445 |
| Selling, general and administrative expenses | | 123,475 |
| Operating income | | 37,970 |
| Non-operating income | | |
| Interest and dividend income | 39,941 | |
| Other non-operating income | 15,144 | 55,085 |
| Non-operating expenses | | |
| Interest expense | 3,322 | |
| Other non-operating expenses | 7,157 | 10,479 |
| Ordinary income | | 82,576 |
| Extraordinary losses | | |
| Impairment loss on long-lived assets | 385 | |
| Valuation loss on investment securities | 335 | |
| Valuation loss on investments in equity | 1,026 | |
| Valuation loss on investment in subsidiaries and affiliates | 459 | |
| Valuation loss on investments in equity of subsidiaries and affiliates | 953 | |
| Loss on reorganization of subsidiaries and affiliates | 2,545 | 5,703 |
| Income before income taxes | | 76,873 |
| Income taxes—current | 2,642 | |
| Income taxes—deferred | 21,112 | 23,754 |
| Net Income | | 53,119 |

Non-Consolidated Statement of Changes in Equity
(From April 1, 2009, to March 31, 2010)

(Millions of yen)

| | Shareholders' equity | | | | | | | | | |
|---|----------------------|----------------------------|-----------------------|---------------|----------------------------------|---|-----------------|--------------------------------|-------------------------|----------------------|
| | Common stock | Capital surplus | | Legal reserve | Retained earnings | | | | Treasury stock, at cost | Shareholders' equity |
| | | Additional paid-in capital | Other capital surplus | | Other retained earnings | | | | | |
| | | | | | Reserve for special depreciation | Reserve for advanced depreciation of fixed assets | General reserve | Earned surplus carried forward | | |
| Balance as of March 31, 2009 | 187,457 | 265,985 | 591 | 43,274 | 190 | 223 | 896,390 | 133,522 | (198,614) | 1,329,018 |
| Changes in the fiscal year: | | | | | | | | | | |
| Dividends from surplus | | | | | | | | (20,954) | | (20,954) |
| Reversal of reserve for special depreciation | | | | | (56) | | | 56 | | - |
| Net income | | | | | | | | 53,119 | | 53,119 |
| Purchase of treasury stock | | | | | | | | | (19) | (19) |
| Disposal of treasury stock | | | (25) | | | | | | 150 | 125 |
| Net changes in items other than those in shareholders' equity | | | | | | | | | | |
| Total of changes in the fiscal year | - | - | (25) | - | (56) | - | - | 32,221 | 131 | 32,271 |
| Balance as of March 31, 2010 | 187,457 | 265,985 | 566 | 43,274 | 134 | 223 | 896,390 | 165,743 | (198,483) | 1,361,289 |

| | Variance of the Estimate / Conversion | | Stock acquisition rights | Total equity |
|---|--|--|--------------------------|--------------|
| | Net unrealized gain on available-for-sale securities | Deferred gains on derivatives under hedge accounting | | |
| Balance as of March 31, 2009 | 88,575 | (270) | 1,852 | 1,419,175 |
| Changes in the fiscal year: | | | | |
| Dividends from surplus | | | | (20,954) |
| Reversal of reserve for special depreciation | | | | — |
| Net income | | | | 53,119 |
| Purchase of treasury stock | | | | (19) |
| Disposal of treasury stock | | | | 125 |
| Net changes in items other than those in shareholders' equity | 65,020 | 432 | 898 | 66,350 |
| Total of changes in the fiscal year | 65,020 | 432 | 898 | 98,621 |
| Balance as of March 31, 2010 | 153,595 | 162 | 2,750 | 1,517,796 |

Notes to the Non-Consolidated Financial Statements

1. Significant Accounting Policies

(1) Standard and method of valuation of securities

1) Investment in subsidiaries and affiliates

Stated at cost using the moving-average method.

2) Available-for-sale securities

Available-for-sale securities for which the market price is readily determinable:

Stated at the market price, based on the market quotation at the balance sheet date. Unrealized gains and losses are reported, net of applicable taxes, as a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Available-for-sale securities for which the market price is not readily determinable:

Stated at cost mainly determined by the moving-average method.

(2) Derivatives are stated at the market price.

(3) Inventories are stated at cost determined by the gross average method (write-down of book values due to the decline in profitability for the amounts stated in the non-consolidated balance sheet)

(4) Depreciation of property, plant and equipment (excluding leased property) is computed by the declining-balance method, and the amortization of intangible assets (excluding leased property) and leased property is computed using the straight-line method.

Of finance leases that do not transfer ownership of leased property to the lessee, those of which the commencement day of the lease transaction is prior to March 31, 2008, are accounted in the same manner as ordinary rental transactions.

(5) Accounting of deferred charges

Bond issue cost is charged to income in full amounts when disbursed.

(6) Accounting standards for reserves

Allowance for doubtful accounts:

The allowance for doubtful accounts is provided at an amount of possible losses from uncollectible receivables based on the past loan loss ratio for bad debts for ordinary receivables and on the estimated recoverability for specific doubtful receivables.

Accrued bonuses to employees:

The accrued bonuses to employees are provided for payments of bonuses to employees at an amount estimated by the Company to be recorded for the fiscal year.

Accrued bonuses to directors and corporate auditors:

The accrued bonuses to directors and corporate auditors are provided for payments of bonuses to directors and corporate auditors at an amount estimated by the Company to be recorded for the fiscal year.

Reserve for product warranties:

The reserve for product warranties is provided at an amount projected for after-sales service of products based on past experience.

Liability for employees' retirement benefits:

The liability for employees' retirement benefits is provided at an amount calculated based on the projected benefit obligations and plan assets at the balance sheet date.

Prior service cost is amortized, starting in the fiscal year the cost was incurred, on a straight-line basis over a specific period of 10 years, which is shorter than the average remaining service period of employees at the time of the occurrence.

Actuarial gains or losses are amortized from the fiscal year following the occurrence on a pro rata basis by the straight-line method over a specific period of 10 years, which is shorter than the average remaining service years for employees at the time of the occurrence.

To prepare for possible payments of retirement benefits for managing officers, the liability to be borne by the Company based on its in-house rules is provided at an amount considered necessary to be recorded for

the fiscal year at the balance sheet date.

Retirement allowance for directors and corporate auditors:

The retirement allowance for directors and corporate auditors is provided at an amount considered necessary to be borne by the Company based on its in-house rules at the balance sheet date of the fiscal year under review to prepare for possible payments to retiring directors and corporate auditors.

(7) Hedge accounting

Interest rate swap agreements, currency options and forward exchange contracts hedged for projected foreign currency transactions are accounted for by deferred hedging accounting (valuation gains/losses on hedging instruments are deferred as assets/liabilities until the gains/losses on the underlying hedged instruments are realized). Preferential treatment accounting is applied to certain interest rate swap agreements that satisfy the requirements.

Monetary receivables denominated in foreign currencies with forward exchange contracts are accounted for by the allocation method (derivative financial instruments are accounted for as if each hedging instrument and hedged item were one combined financial instrument).

(8) Accounting standards for revenue from works completed and the cost of works completed

1) Works for which the outcome of the construction activity is deemed certain at the work zone with advanced construction by the end of the fiscal year under review

Percentage-of-completion method is applied. (The degree of completion of construction is estimated by the cost-to-cost method.)

2) Other works for which the outcome of the construction activity is deemed uncertain

Completed-contract method is applied.

(9) Transactions subject to the consumption tax and local consumption taxes are recorded at amounts exclusive of the consumption tax.

[Change in accounting policy]

1. Accounting Standard for Retirement Benefits

Effective from the fiscal year ended March 31, 2010, the Company has adopted the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No. 19, July 31, 2008).

There is no impact on income and loss for the fiscal year ended March 31, 2010.

2. Accounting Standard for Construction Contracts

The Company previously applied the completed-contract method to account for revenue relating to contract works. Effective from the fiscal year ended March 31, 2010, the Company has applied the “Accounting Standard for Construction Contracts” (ASBJ Statement No. 15, December 27, 2007) and the “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No. 18, December 27, 2007). Consequently, the percentage-of-completion method has been applied to the works for which the outcome of the construction activity is deemed certain at the work zone with advanced construction by the end of the fiscal year under review (the degree of completion of construction is estimated by the cost-to-cost method), whereas the completed-contract method has been applied to other works, starting from the work contracts that were initiated during the fiscal year ended March 31, 2010.

There is no impact on income and loss for the fiscal year ended March 31, 2010.

[Additional information]

Previously, spare parts for equipment were charged to income when purchased. However, taking into account the increasing importance thereof and that the completed improvement of an order receipt-payment system targeting the reinforcement of inventory control has been improved, the Company has accounted for spare parts for equipment under “inventories, effective from the fiscal year ended March 31, 2010.

As a result of this change, operating income, ordinary income and income before income taxes each increased ¥4,859 million compared with the previous accounting method for spare parts for equipment.

2. Notes to the Non-Consolidated Balance Sheet

| | |
|---|--------------------|
| (1) Short-term monetary receivables due from subsidiaries and affiliates | ¥253,680 million |
| (2) Short-term monetary payables due to subsidiaries and affiliates | ¥288,675 million |
| (3) Accumulated depreciation of property, plant and equipment | ¥1,677,406 million |
| (4) Liabilities for guarantee | |
| Liabilities for guarantee for borrowings of the Company employees payable to financial institutions | ¥1 million |
| Liabilities for guarantee for borrowings of subsidiaries and affiliates payable to financial institutions | ¥17,471 million |
| <hr/> | |
| Total | ¥17,472 million |

3. Notes to the Non-Consolidated Statement of Income

| | |
|---|--------------------|
| (1) Sales to subsidiaries and affiliates | ¥1,460,290 million |
| (2) Purchases from subsidiaries and affiliates | ¥643,901 million |
| (3) Other operating transactions with subsidiaries and affiliates | ¥36,882 million |
| (4) Transactions with subsidiaries and affiliates other than operating transactions | ¥41,146 million |

4. Note to the Non-Consolidated Statement of Changes in Equity

| | |
|---|-------------------|
| Number of treasury stock at the end of the fiscal year: | 78,134,949 shares |
|---|-------------------|

5. Note to Tax-Effect Accounting

The significant components of deferred tax assets and liabilities are summarized as follows:

| (Deferred tax assets) | (Millions of yen) |
|---|-------------------|
| Depreciation and amortization | 62,963 |
| Liability for employees' retirement benefits | 56,217 |
| Loss carryforwards | 7,308 |
| Accrued bonuses to employees | 13,194 |
| Valuation loss on investment in subsidiaries and affiliates | 23,779 |
| Reserve for product warranties | 13,070 |
| Other | 54,070 |
| <hr/> | |
| Subtotal deferred tax assets | 230,601 |
| Valuation reserve | (23,092) |
| <hr/> | |
| Total deferred tax assets | 207,509 |
| | |
| (Deferred tax liabilities) | |
| Net unrealized gain on available-for-sale securities | (99,183) |
| Prepaid pension cost | (25,231) |
| Other | (5,597) |
| <hr/> | |
| Total deferred tax liabilities | (130,011) |
| <hr/> | |
| Net deferred tax assets | 77,498 |

6. Notes to Fixed Assets Used under Lease Contracts

| | |
|--|----------------|
| (1) Assumed acquisition cost at the end of the fiscal year | ¥1,802 million |
| (2) Assumed accumulated depreciation at the end of the fiscal year | ¥1,189 million |
| (3) Assumed future lease payments at the end of the fiscal year | ¥613 million |

7. Notes to Transactions with Related Parties

(1) Transactions with subsidiaries

| Company name | Ownership percentage of voting rights | Business line | Relationship with the Company | Description of important transactions | | Transaction amount (Millions of yen) | Account item | The fiscal year-end balance (Millions of yen) |
|---|---------------------------------------|--|---|---------------------------------------|-----------------------------|--------------------------------------|---|---|
| DENSO FINANCE & ACCOUNTING CENTER CO., LTD. | Directly holding 100% | Entrusted accounting and financial operations as well as factoring | Factoring | Factoring | | 88,275 | Accounts payable—trade | 93,321 |
| | | | | | | | Accounts payable—other | 3,996 |
| DENSO EUROPE B.V. | Directly holding 100% | Sale of automotive components | The Company sells its products thereto. | Lending of loans receivable | Lending of loans receivable | — | Current portion of long-term loans receivable | 10,000 |
| | | | | | | | Long-term loans receivable | 38,000 |
| | | | | | Reception of interest | 294 | Accrued interest | 29 |

Notes:

- The transaction amount and the fiscal year-end balance for DENSO FINANCE & ACCOUNTING CENTER CO., LTD., include consumption taxes.
- A portion of the payments for accounts payable—trade and accounts payable—other are settled via factoring under the master agreement entered into by and between the Company, its certain suppliers and DENSO FINANCE & ACCOUNTING CENTER CO., LTD.
- The transactions with DENSO FINANCE & ACCOUNTING CENTER CO., LTD., indicate the average balance during the fiscal year.
- As for the transactions with DENSO FINANCE & ACCOUNTING CENTER CO., LTD., the transfer of monetary payables is conducted at the net book value of the Company.
- The lending of loans receivable to DENSO EUROPE B.V. and the reception of interest therefrom are determined by fully taking into account the market interest rate and other factors.

(2) Transactions with other subsidiaries/affiliates

| Company name | Ownership percentage of voting rights | Business line | Relationship with the Company | | Description of important transactions | Transaction amount (Millions of yen) | Account item | The fiscal year-end balance (Millions of yen) |
|--------------------------|---------------------------------------|---|---|--|---------------------------------------|--------------------------------------|---------------------------|---|
| | | | Officers' posts concurrently held (persons) | Business relationship | | | | |
| Toyota Motor Corporation | Directly holding 24.74% | Manufacture and sale of automobiles and automotive components | Posts concurrently held: 1 | The Company's products are sold thereto. | Operating transactions | 941,714 | Accounts receivable—trade | 122,253 |
| | Accounts receivable—other | | | | | | 1,411 | |
| | Indirectly holding 0.17% | | Employment transfer: 1 | | | 25,627 | Accounts payable—trade | 2,945 |
| | | | | | | | Accrued expenses | 19 |

Notes:

- The transaction amount does not include consumption taxes, whereas the fiscal year-end balance includes consumption taxes.
- The above transactions are conducted through negotiations by taking into account the market price and other factors similar to those for general transactions.

8. Notes to Per Share Data

| | |
|--------------------------|-----------|
| (1) Equity per share | ¥1,879.86 |
| (2) Net income per share | ¥65.91 |

9. Note to Subsequent Events

Nothing noteworthy

10. Other Note

The amounts stated in the non-consolidated financial statements are rounded off to the nearest unit.

(TRANSLATION)

<Certified Copy of the Accounting Auditors' Report on the Consolidated Financial Statements>

INDEPENDENT AUDITORS' REPORT

May 6, 2010

To the Board of Directors of DENSO CORPORATION

Deloitte Touche Tohmatsu LLC

Masato Nishimatsu,
Designated and Engagement Partner
Certified Public Accountant

Tatsuharu Ito,
Designated and Engagement Partner
Certified Public Accountant

Pursuant to Article 444, Paragraph 4, of the Companies Act, we have audited the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Changes in Equity and the Notes to the Consolidated Financial Statements of DENSO CORPORATION ("the Company") and its consolidated subsidiaries applicable to the fiscal year from April 1, 2009, through March 31, 2010. 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 audit 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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the DENSO Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

We have no interest in the Company that should be disclosed in compliance with the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

<Certified Copy of the Accounting Auditors' Report>

INDEPENDENT AUDITORS' REPORT

May 6, 2010

To the Board of Directors of DENSO CORPORATION

Deloitte Touche Tohmatsu LLC

Masato Nishimatsu,
Designated and Engagement Partner
Certified Public Accountant

Tatsuharu Ito,
Designated and Engagement Partner
Certified Public Accountant

Pursuant to Article 436, Paragraph 2, Item 1, of the Companies Act, we have audited the Non-Consolidated Balance Sheet, the Non-Consolidated Statement of Income, the Non-Consolidated Statement of Changes in Equity and the Notes to the Non-Consolidated Financial Statements and the supplementary schedules of DENSO CORPORATION (the "Company") for the 87th Fiscal Term from April 1, 2009, through March 31, 2010. These non-consolidated financial statements and the related supplementary schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements and the related supplementary schedules based on our audit.

We conducted our audit 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 non-consolidated financial statements and the related supplementary schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the non-consolidated financial statements and the related supplementary schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements and the related supplementary schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of DENSO CORPORATION applicable to the fiscal year ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

We have no interest in the Company that should be disclosed in compliance with the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

<Certified Copy of the Audit Report of the Board of Corporate Auditors>

CORPORATE AUDITORS' REPORT

Regarding the performance of duties by directors for the 87th Fiscal Term, which began April 1, 2009, and ended March 31, 2010, the Board of Corporate Auditors of DENSO CORPORATION (the "Company") hereby submits its audit report, which has been prepared through discussions based on the audit reports prepared by the respective corporate auditors.

1. Auditing Methods Employed by Corporate Auditors and the Board of Corporate Auditor and Substance Thereof
The Board of Corporate Auditors determined auditing policies, auditing plans and other guidelines; received reports about the progress and results of audits from each Corporate Auditor; received reports on the execution of their duties; and requested explanations, as required, from the Directors and the Accounting Auditors.

In compliance with the audit standards specified by the Board of Corporate Auditors and based on the auditing policies, assigned tasks and other guidelines above, each Corporate Auditor has communicated with the Directors and other relevant personnel of the Audit Department and others to collect necessary information and improve the auditing environment. Similarly, each Corporate Auditor has attended the meetings of the Board of Directors and other important meetings; heard about the execution of their duties from the Directors and other relevant personnel; requested explanations therefrom, as required; examined important authorized documents and associated information; and studied the operations and financial position at headquarters and principal offices. In addition, each Corporate Auditor has supervised and verified the substance of the resolution adopted by the Board of Directors with regard to the improvement of the systems stipulated in Article 362, Paragraph 4, Item 6, of the Companies Act and in Article 100, Paragraphs 1 and 3, of the Ordinance for Enforcement of the Companies Act as the "Systems to Ensure Compliance of the Execution of Duties by Directors and Employees with Laws, Regulations and the Articles of Incorporation" described in the Business Report, as well as the current situation of in-house systems (internal control systems) that have been improved pursuant to the resolution concerned. Moreover, the Corporate Auditors have communicated and exchanged information with the Directors, Corporate Auditors and other relevant personnel of the subsidiaries and received reports on operations therefrom, as required. In the manner explained above, the Corporate Auditors have examined the Business Report and supplementary schedules thereof pertaining to the fiscal year ended March 31, 2010.

Furthermore, the Corporate Auditors have supervised and verified whether the Accounting Auditors maintain independence and have done appropriate audits, and have received reports on the execution of their duties and requested explanations, as required, from the Accounting Auditors. In the manner explained above, the Corporate Auditors have examined the non-consolidated financial statements (Non-Consolidated Balance Sheet, Non-Consolidated Statement of Income, Non-Consolidated Statement of Changes in Equity and Notes to the Non-Consolidated Financial Statements) and supplementary schedules thereof of the Company, as well as the consolidated financial statements (Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Equity and Notes to the Consolidated Financial Statements), pertaining to the fiscal year ended March 31, 2010.

2. Audit Results

(1) Audit results regarding the Business Report and the supplementary schedules thereof

- i) In our opinion, the Business Report and the supplementary schedules thereof fairly represent the Company's conditions in accordance with the related laws and regulations and the Articles of Incorporation.
- ii) We have found no evidence of wrongful action or material violation of laws, regulations or the Articles of Incorporation by any Directors with regard to the execution of their duties.
- iii) In our opinion, the substance of the resolution regarding the internal control systems is fair and reasonable. We have found no matters to remark with regard to the execution of duties by the Directors concerning the internal control systems.

(2) Audit results regarding the non-consolidated financial statements and the supplementary schedules thereof of the Company, as well as the consolidated financial statements

In our opinion, the audit methods and results employed and rendered by the Accounting Auditors, Deloitte Touche Tohmatsu LLC, are fair and reasonable. We have found no matters to remark with regard to the system to ensure appropriate execution of duties by the Accounting Auditors (Matters as set forth in Article

131 of the Ordinance for Corporate Accounting).

May 10, 2010

| | |
|--|-----------------|
| Board of Corporate Auditors of DENSO CORPORATION | |
| Standing Corporate Auditor | Toshio Watanabe |
| Standing Corporate Auditor | Masato Iwase |
| Outside Corporate Auditor | Fujio Cho |
| Outside Corporate Auditor | Tamiki Kishida |
| Outside Corporate Auditor | Tsutomu Saito |

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

REFERENCE DOCUMENT FOR THE GENERAL MEETING OF SHAREHOLDERS

Proposals and References

Proposal No. 1: Distribution of Surplus

The Company intends to maintain a policy of stable improvement of the dividend level with due consideration to the operating results and the payout ratio for each fiscal year for the distribution of profits to shareholders. Accordingly, we hereby propose that you approve the fiscal year-end dividend for the fiscal year ended March 31, 2010, as described below.

- (1) Type of property for dividends: Money
- (2) Allotment of property for dividends to shareholders and total amount thereof:
 ¥14 per share of the Company's common stock for a total of ¥11,283,072,696
 The annual dividend proposed for the fiscal year, including the interim dividend, is ¥27 per share.
- (3) Effective date of the dividends from surplus:
 June 28, 2010

Proposal No. 2: Election of Thirteen (13) Directors due to Expiration of the Term of Office of All the Current Directors

The terms of office of all the current directors expires at the conclusion of this 87th Ordinary General Meeting of Shareholders. Accordingly, we hereby propose that you elect thirteen (13) directors.

The nominees for director are as follows:

| No. | Name (Date of birth) | Brief Personal History, Posts and Assignments in the Company and Important Posts Concurrently Held at Other Corporations | Number of the Company's Shares Owned |
|-----|-------------------------------------|--|--------------------------------------|
| 1 | Koichi Fukaya (December 3, 1943) | April 1966 Joined DENSO CORPORATION March 1995 Director, DENSO CORPORATION June 1998 Managing Director, DENSO CORPORATION June 2002 Senior Managing Director, DENSO CORPORATION June 2003 President & CEO, DENSO CORPORATION June 2008 Vice Chairman, DENSO CORPORATION June 2009 Chairman, DENSO CORPORATION (current position) (Important posts concurrently held) Outside corporate auditor, JTEKT Corporation | 51,200 |
| 2 | Nobuaki Katoh (November 3, 1948) | April 1971 Joined DENSO CORPORATION June 2000 Director, DENSO CORPORATION June 2004 Managing Officer, DENSO CORPORATION June 2007 Senior Managing Director, DENSO CORPORATION June 2008 President and CEO, DENSO CORPORATION (current position) | 30,800 |

| No. | Name (Date of birth) | Brief Personal History, Posts and Assignments in the Company and Important Posts Concurrently Held at Other Corporations | Number of the Company's Shares Owned |
|-----|--------------------------------------|---|--------------------------------------|
| 3 | Hiroki Tokuda (November 25, 1948) | <p>April 1971 Joined DENSO CORPORATION June 2000 Director, DENSO CORPORATION June 2004 Managing Officer, DENSO CORPORATION June 2006 Senior Managing Director, DENSO CORPORATION June 2008 Executive Vice President, DENSO CORPORATION (current position)</p> <p>(Important posts concurrently held) Director, TOYOTA BOSHOKU CORPORATION (Current assignments in the Company) Technology; Europe</p> | 20,000 |
| 4 | Koji Kobayashi (October 23, 1948) | <p>April 1972 Joined Toyota Motor Co., Ltd. June 2004 Managing Officer, DENSO CORPORATION June 2007 Senior Managing Director, DENSO CORPORATION (current position)</p> <p>(Current assignments in the Company) Corporate Center; Procurement Group; North America</p> | 19,419 |
| 5 | Kazuo Hironaka (December 9, 1950) | <p>April 1973 Joined DENSO CORPORATION June 2002 Director, DENSO CORPORATION June 2004 Managing Officer, DENSO CORPORATION June 2007 Senior Managing Director, DENSO CORPORATION (current position)</p> <p>(Current assignments in the Company) Sales Group</p> | 21,200 |
| 6 | Sojiro Tsuchiya (May 17, 1949) | <p>April 1975 Joined DENSO CORPORATION June 2002 Director, DENSO CORPORATION June 2004 Managing Officer, DENSO CORPORATION June 2007 Senior Managing Director, DENSO CORPORATION (current position)</p> <p>(Current assignments in the Company) Production; Production Promotion Center</p> | 17,236 |
| 7 | Hikaru Sugi (May 1, 1950) | <p>April 1974 Joined DENSO CORPORATION June 2002 Director, DENSO CORPORATION June 2004 Managing Officer, DENSO CORPORATION June 2008 Senior Managing Director, DENSO CORPORATION (current position)</p> <p>(Current assignments in the Company) Engineering Research & Development Center; China</p> | 26,800 |
| 8 | Shinji Shirasaki (March 8, 1952) | <p>April 1974 Joined DENSO CORPORATION June 2003 Director, DENSO CORPORATION June 2004 Managing Officer, DENSO CORPORATION June 2008 Senior Managing Director, DENSO CORPORATION (current position)</p> <p>(Current assignments in the Company) Electronic Systems Business Group (Important posts concurrently held) Outside corporate auditor, TOKAI RIKI CO., LTD.</p> | 11,300 |

| No. | Name (Date of birth) | Brief Personal History, Posts and Assignments in the Company and Important Posts Concurrently Held at Other Corporations | Number of the Company's Shares Owned |
|-----|--|---|--------------------------------------|
| 9 | Mitsuhiko Masegi* (November 30, 1953) | April 1978 June 2004 Joined DENSO CORPORATION Managing Officer, DENSO CORPORATION (current position) | 10,900 |
| 10 | Masahiko Miyaki* (December 12, 1953) | April 1977 June 2004 Joined DENSO CORPORATION Managing Officer, DENSO CORPORATION (current position) | 15,400 |
| 11 | Akio Shikamura* (September 26, 1954) | April 1977 June 2004 Joined DENSO CORPORATION Managing Officer, DENSO CORPORATION (current position) | 7,300 |
| 12 | Haruya Maruyama* (November 29, 1954) | April 1978 June 2004 Joined DENSO CORPORATION Managing Officer, DENSO CORPORATION (current position) | 5,300 |
| 13 | Shoichiro Toyoda (February 27, 1925) | August 1958 August 1964 June 1981 July 1982 September 1992 June 1999 June 2009 Corporate Auditor, DENSO CORPORATION Resigned Corporate Auditor, DENSO CORPORATION Director, DENSO CORPORATION (current position) President, Toyota Motor Sales Co., Ltd. President, Toyota Motor Corporation Chairman, Toyota Motor Corporation Honorary Chairman, Toyota Motor Corporation Retired as Honorary Chairman, Toyota Motor Corporation (currently) (Important posts concurrently held) Outside corporate auditor, AISIN SEIKI CO., LTD. Honorary Chairman, Japan Business Federation | 693,100 |

Notes:

1. No nominee has any special interest in the Company.
2. The nominees marked with an asterisk (*) indicate new nominees.

Proposal No. 3: Presentation of Bonuses to Directors and Corporate Auditors

We hereby propose that bonuses be paid to 16 officers of the Company (11 Directors and 5 Corporate Auditors) in the total amount of ¥170,500 thousand as the bonuses to directors and ¥16,600 thousand as the bonuses to corporate auditors, after taking into consideration the business performance for the fiscal year under review and other factors.

Proposal No. 4: Presentation of Final Retirement Allowance due to the Abolition of the Retirement Benefit System for Corporate Auditors

The Company resolved, at a meeting of the Board of Directors held on May 14, 2010, that the retirement allowance system for corporate auditors be abolished at the conclusion of this 87th Ordinary General Meeting of Shareholders for the purpose of enhancing the transparency of the remuneration paid to the Corporate Auditors. Consequently, we hereby propose that the final retirement allowance be presented to the five incumbent Corporate Auditors based on and in proportion to their respective tenures until the conclusion of this meeting, within due amounts calculated in accordance with the relevant standards stipulated by the Company. We also propose that the amounts and method of payment of the final retirement allowance be left to consultations among the Corporate Auditors and that the timing of the payment be at the retirement of the respective eligible corporate auditors.

A brief personal history of the eligible corporate auditors is as follows:

| Name | Brief Personal History | |
|-----------------|------------------------|---|
| Toshio Watanabe | June 2003 | Standing Corporate Auditor (current position) |
| Masato Iwase | June 2009 | Standing Corporate Auditor (current position) |
| Fujio Cho | June 2003 | Outside Corporate Auditor (current position) |
| Tamiki Kishida | June 2003 | Outside Corporate Auditor (current position) |
| Tsutomu Saito | June 2005 | Outside Corporate Auditor (current position) |

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