Financial Section

Contents

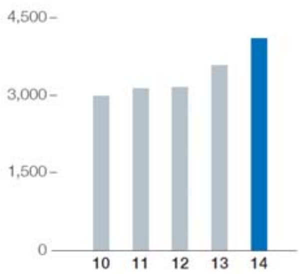
Financial Highlights

DENSO CORPORATION and its Consolidated Subsidiaries
For the Years ended March 31, 2014, 2013 and 2012

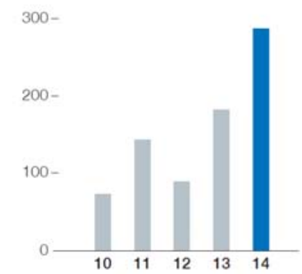
	Millions of yen			Percent change	Thousands of U.S. dollars
	2014	2013	2012	2014/2013	**2014**
Net Sales:	**¥4,095,925**	¥3,580,923	¥3,154,630	14.4%	**$39,797,173**
Sales in Japan	**1,827,760**	1,765,536	1,596,106	3.5%	**17,759,036**
Sales outside Japan	**2,268,165**	1,815,387	1,558,524	24.9%	**22,038,137**
Net Income	**287,388**	181,682	89,298	58.2%	**2,792,344**
Total Assets	**4,442,507**	3,979,093	3,607,697	11.6%	**43,164,662**
Equity	**2,823,346**	2,426,861	2,117,201	16.3%	**27,432,433**
Capital Expenditures	**324,125**	230,591	179,351	40.6%	**3,149,291**
Depreciation	**197,174**	181,132	180,648	8.9%	**1,915,799**
R&D Expenses	**368,732**	335,460	298,362	9.9%	**3,582,705**
			Yen	Percent change	U.S. dollars
Per Share:					
Basic net income	**¥360.85**	¥226.59	¥110.81	59.3%	**$3.51**
Cash dividends	**105.00**	64.00	46.00	64.1%	**1.02**
Equity	**3,376.06**	2,891.39	2,492.92	16.8%	**32.80**
			Billions of yen	Percent change	
Foreign Exchange:					
Foreign exchange gain (loss)	**¥111.5**	¥17.5	¥(30.7)	**537.1%**	
U.S. dollar	**47.2**	14.0	(19.4)	**237.1%**	
Euro	**21.2**	(0.9)	(3.0)	**—**	
Impact of ¥1/U.S.$ change	**2.8**	3.2	2.9	**(12.5%)**	
Impact of ¥1/Euro change	**0.8**	0.7	0.7	**14.3%**	
			Yen	Percent change	
Average Exchange Rate:					
Yen/U.S. dollar	**¥99.16**	¥82.23	¥78.02	**20.6%**	
Yen/Euro	**133.00**	106.01	107.31	**25.5%**	
Number of Employees	**139,842**	132,276	126,036		

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥102.92=US$1, the approximate exchange rate prevailing on March 31, 2014, the last trading day of the fiscal year.

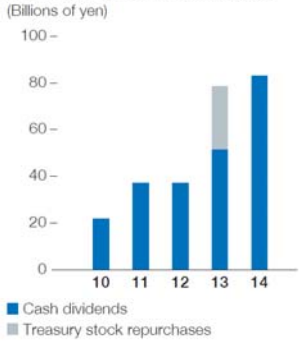
Net Sales
(Billions of yen)



Net Income
(Billions of yen)



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



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

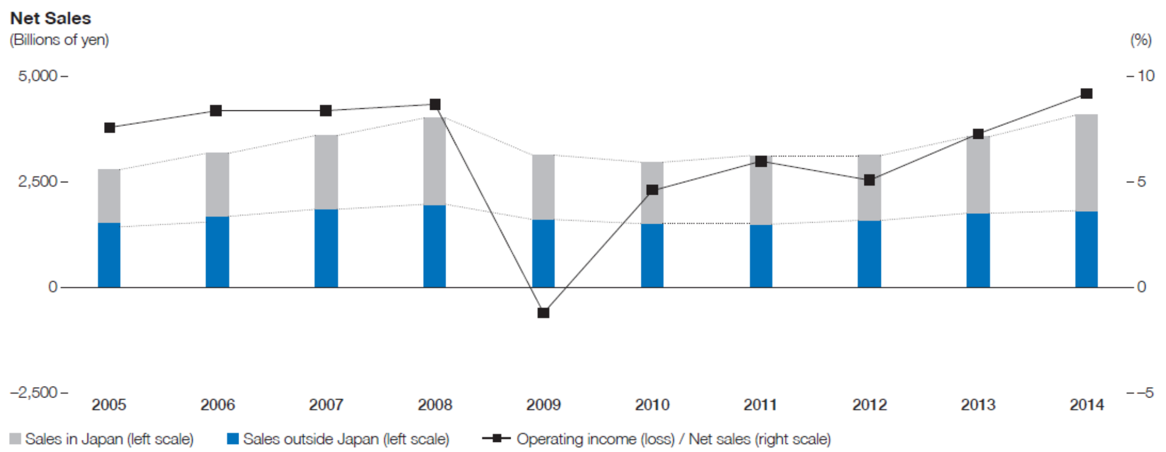
Financial Review

Financial Summary

DENSO CORPORATION and its Consolidated Subsidiaries
For the Years ended March 31, 2005 to 2014

	2014	2013	2012	2011	2010
Net Sales:	**¥4,095,925**	¥3,580,923	¥3,154,630	¥3,131,460	¥2,976,709
Sales in Japan	**1,827,760**	1,765,536	1,596,106	1,506,681	1,518,105
Sales outside Japan	**2,268,165**	1,815,387	1,558,524	1,624,779	1,458,604
Operating Income (Loss)	**377,696**	262,376	160,732	188,331	136,640
Net Income (Loss)	**287,388**	181,682	89,298	143,033	73,427
Total Assets	**4,442,507**	3,979,093	3,607,697	3,380,433	3,364,070
Equity*[1]	**2,823,346**	2,426,861	2,117,201	2,072,443	2,032,264
Shareholders' Equity	**–**	–	–	–	–
Capital Expenditures	**324,125**	230,591	179,351	145,087	114,422
Depreciation	**197,174**	181,132	180,648	193,082	237,944
R&D Expenses	**368,732**	335,460	298,362	290,069	270,077
Net Cash Provided by Operating Activities	**462,799**	374,775	176,682	395,527	357,141
Per Share:					
Basic net income (loss)	**¥360.85**	¥226.59	¥110.81	¥177.49	¥91.11
Diluted net income	**360.60**	–	–	–	91.11
Cash dividends	**105.00**	64.00	46.00	46.00	27.00
Equity*[1]	**3,376.06**	2,891.39	2,492.92	2,435.14	2,378.18
Ratios:					
Return on Sales (%)	**7.0**	5.1	2.8	4.6	2.5
Current Ratio (%)	**227.1**	234.4	260.7	235.3	230.4
Fixed Ratio (%)	**78.0**	73.7	73.9	77.1	83.8
Return on Equity (%)	**11.5**	8.4	4.5	7.4	4.0
Average Number of Shares (in thousands)	**796,427**	801,828	805,895	805,871	805,892
Number of Employees	**139,842**	132,276	126,036	123,165	120,812

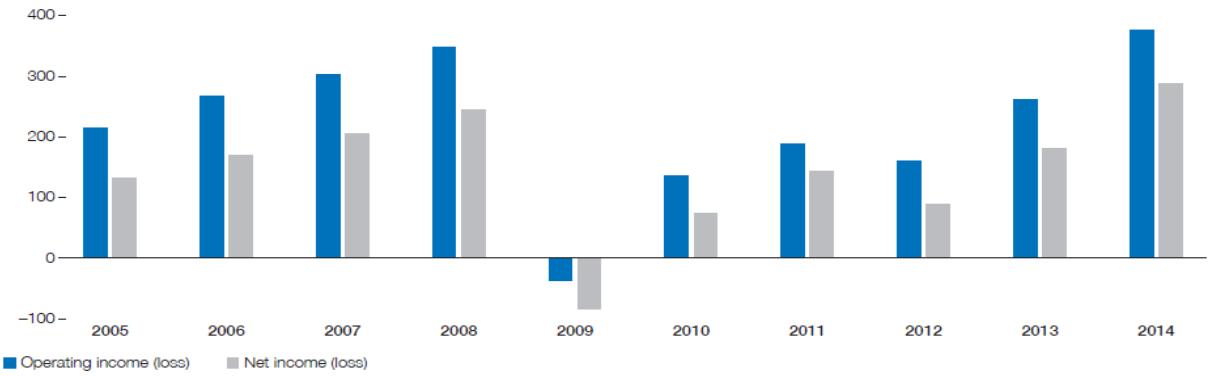
Notes: 1. As of March 31, 2014, DENSO CORPORATION had 187 subsidiaries (includes two unconsolidated subsidiaries) and applied the equity method of accounting to the one unconsolidated subsidiary and 33 affiliates.
2. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥102.92=US$1, the approximate exchange rate prevailing on March 31, 2014, the last trading day of the fiscal year.



2009	2008	2007	2006	2005	2014
				Millions of yen	Thousands of U.S. dollars
¥3,142,665	¥4,025,076	¥3,609,700	¥3,188,330	¥2,799,949	**$39,797,173**
1,615,771	1,976,877	1,859,046	1,690,215	1,554,795	**17,759,036**
1,526,894	2,048,199	1,750,654	1,498,115	1,245,154	**22,038,137**
(37,309)	348,652	303,068	266,559	213,895	**3,669,802**
(84,085)	244,417	205,170	169,648	132,620	**2,792,344**
3,018,438	3,643,418	3,765,135	3,411,975	2,780,982	**43,164,662**
1,900,719	2,282,677	2,286,956	2,066,303	–	**27,432,433**
–	–	–	1,970,388	1,643,182	**–**
314,425	343,779	312,457	288,714	235,258	**3,149,291**
276,624	263,519	219,873	185,143	160,993	**1,915,799**
297,148	311,474	279,890	256,339	238,241	**3,582,705**
209,915	572,663	406,543	368,575	273,296	**4,496,687**
				Yen	U.S. dollars
¥(104.13)	¥299.96	¥249.88	¥204.80	¥159.02	**$3.51**
–	299.70	249.56	204.62	158.96	**3.50**
40.00	54.00	45.00	38.00	32.00	**1.02**
2,220.89	2,658.06	2,668.82	2,384.05	1,990.48	**32.80**
(2.7)	6.1	5.7	5.3	4.7	
208.3	162.6	151.0	160.6	161.4	
97.8	95.6	104.1	102.1	98.2	
(4.3)	11.3	9.9	9.4	8.4	
807,469	814,833	821,060	825,725	830,869	
119,919	118,853	112,262	105,723	104,183	

*1. The “Equity” section is newly provided to conform to a new Japanese accounting standard for the fiscal year ended March 31, 2006 and thereafter.

Profits
(Billions of yen)



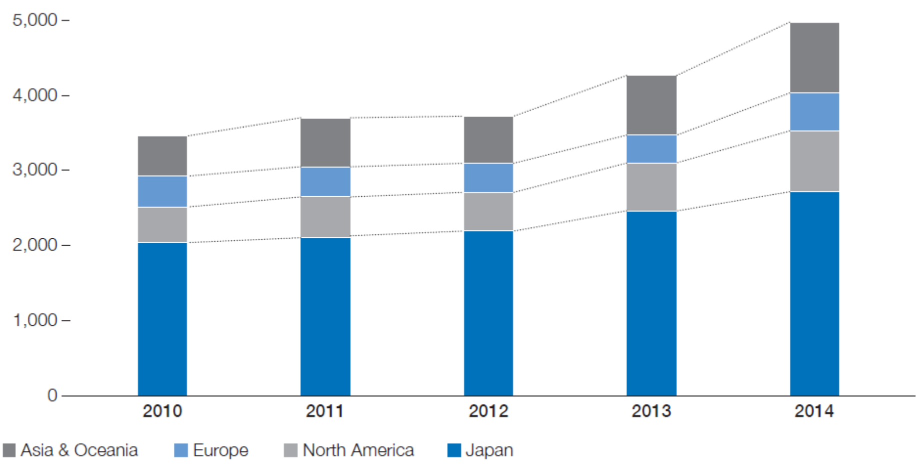
Sales by Segment

DENSO CORPORATION and its Consolidated Subsidiaries
For the Years ended March 31, 2010 to 2014

		Millions of yen					Thousands of U.S. dollars
		2014	2013	2012	2011	2010	2014
Japan	Customers	¥1,896,447	¥1,808,850	¥1,639,962	¥1,548,201	¥1,553,492	$18,426,419
	Intersegment	821,182	654,775	557,670	564,733	487,823	7,978,838
	Total	2,717,629	2,463,625	2,197,632	2,112,934	2,041,315	26,405,257
North America	Customers	799,423	624,974	504,075	528,868	468,965	7,767,421
	Intersegment	17,179	10,424	8,042	7,172	5,442	166,916
	Total	816,602	635,398	512,117	536,040	474,407	7,934,337
Europe	Customers	470,515	348,769	373,214	389,584	401,967	4,571,658
	Intersegment	28,386	23,467	13,978	11,748	9,116	275,806
	Total	498,901	372,236	387,192	401,332	411,083	4,847,464
Asia & Oceania	Customers	855,448	734,525	579,752	604,651	494,596	8,311,776
	Intersegment	87,674	59,516	46,969	47,817	39,510	851,866
	Total	943,122	794,041	626,721	652,468	534,106	9,163,642
Total	Customers	4,021,833	3,517,118	3,097,003	3,071,304	2,919,020	39,077,274
	Intersegment	954,421	748,182	626,659	631,470	541,891	9,273,426
	Total	4,976,254	4,265,300	3,723,662	3,702,774	3,460,911	48,350,700
Others	Customers	74,092	63,805	57,627	60,156	57,689	719,899
	Intersegment	255	123	101	177	151	2,477
	Total	74,347	63,928	57,728	60,333	57,840	722,376
Consolidated	Customers	4,095,925	3,580,923	3,154,630	3,131,460	2,976,709	39,797,173
	Intersegment	954,676	748,305	626,760	631,647	542,042	9,275,903
	Total	¥5,050,601	¥4,329,228	¥3,781,390	¥3,763,107	¥3,518,751	$49,073,076

Notes:
1. The Group has reported Japan, North America, Europe and Asia & Oceania as its reportable segments since April 2010, in conformity with revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," issued by the ASBJ, the Accounting Standards Board of Japan, in March 2008. The Group has been manufacturing and selling mainly automotive products in each reportable segment.
2. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥102.92=US$1, the approximate exchange rate prevailing on March 31, 2014, the last trading day of the fiscal year.
3. "Others" is a business segment that is not included in reported segments. It includes business activities of subsidiaries in Brazil, etc.

Sales by Segment
(Billions of yen)



Management's Discussion and Analysis

Business Overview

During fiscal year 2014, the year ended March 31, 2014, the global economy grew much faster than in the previous fiscal year. Although the speed of growth slowed mainly in emerging markets, in Japan growth was enhanced by pump-priming measures and a weak yen. In the automotive industry, the worldwide market generally expanded at a moderate pace, supporting a record-high automobile sales volume. Expansion was driven by the North American and other developed markets, and the Chinese market, despite signs of a slowdown in Thailand, India and other Asian emerging markets. In Japan, the automobile sales volume recovered on a full year basis due to the recovery in the economy, the launch of attractive new automobile models, and the demand increase ahead of the consumption tax rate rise, despite the absence of a boost in automobile sales from subsidies for eco-friendly cars as had happened in 2012. DENSO CORPORATION and its consolidated subsidiaries ("the Group") achieved a record-high performance due to rationalization efforts and the impact of the weak yen, along with increased automobile production mainly in the developed nations and China.

Management Strategy

The Group is making a concerted effort to implement initiatives for the Group to achieve targets and strategies called for in the DENSO Group's Global Mid-term Policy. In the fiscal year under review, the second year of these initiatives, the Group further accelerated its development of advanced technology to create various world's-first products, and was able to globally expand its business. Furthermore, the Group was able to take full advantage of its extensive automotive technologies to carve out new areas of commercialization, including entering new business fields such as health care and agricultural support.

In the fiscal year 2014, we made the following key achievements centered on the environment and safety areas.

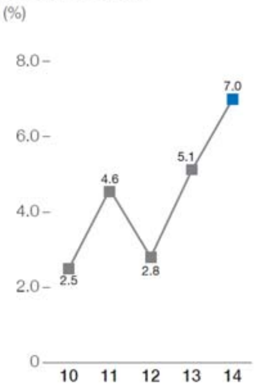
In the area of the environment, fuel injection systems greatly affect the environmental performance of diesel automobiles, and the Group developed a common rail system with the world's highest level of injection pressure, 2,500bar, by greater atomization of the fuel to be injected and further improvements of the ignition and combustion efficiency. Compared with the existing 2,000bar system, the new system improves automotive fuel economy by a maximum 3%, and contributes to reducing fuel consumption and the environmental burden, including by achieving a maximum 50% reduction in the generation of the harmful substance known as particulate matter (PM), and a maximum 8% in nitrogen oxides (NOx). Together with the intelligent-Accuracy Refinement Technology (i-ART) that ascertains any fuel injection discrepancy and automatically adjusts it by correctly controlling the fuel injection timing, the new system has been installed in Volvo's new powertrain DRIVE-E that was released in Europe.

As regards the Exhaust Gas Recirculation (EGR) system used in diesel exhaust gas purification, the Group developed an EGR valve unit, a major component of EGR systems. Conventionally, air intake throttle valves and EGR valves were separately installed in vehicles, but the Group has been the first in the world to integrate the two valves into one unit. As a result, the size has been reduced to half compared to previous models, and the cost has been reduced by 20%. Moreover, the new unit can be applied to various engine parameters, such as the displacement or output, merely by changing the shape of the connection between the two valves, thereby enabling wide-ranging standardization.

In hybrid vehicles, the Group has increased sales of the inverters and the Engine Control Unit (ECU) that controls the engine management. These are installed in the Axela model automobile manufactured by Mazda Motor Corporation.

In the area of safety, there are increasing needs for products comprising preventive safety technology to avoid traffic accidents and collision. Moreover, these products should be capable of being not only installed in luxury vehicles, but also in compact automobiles. Against this backdrop, the Group has developed a laser radar system for compact cars that is used in the Smart Assist System of some automobile models of Daihatsu Motor Co., Ltd. In the previous fiscal year this laser radar system was installed in the Move model, and in the fiscal year under review this has been expanded to the Mira e:S and Tanto models.

Return on Sales



In addition, the Group has been accelerating its innovative technological development activities, and a wide range of products and technologies were exhibited at the Tokyo Motor Show 2013 held in November that year. Interactive Communication Cockpits, which enable the Human Machine Interface (HMI) technology* of the future to be experienced, incorporate a technology that safely provides information to the driver on a real-time basis, by means of understanding the characteristics of a human being and the situation of the driver. The information is conveyed by a large-screen head-up display (HUD), an electronic mirror, a biometric monitor, and other devices. The Group will further develop the technology installed in these cockpits, with a view to achieving rapid commercialization.

*Automotive technology that provides information to the driver and assists driving operations without distracting the driver, by understanding the characteristics of the human body, such as seeing, hearing and touching, to make use of the driver's five senses.

In terms of the production and supply system, in Japan, in the fiscal year under review, the Group enlarged the plant of DENSO FUKUSHIMA CORPORATION (formerly DENSO East Japan Corporation until its name change on April 1, 2014), and increased production of mainly automobile air conditioners will start from next fiscal year. Overseas, the Group has expanded the plants in Mexico, Indonesia and India and started to increase production, to address future expansion in customer demand. The Group has newly established DENSO Cambodia Co., Ltd., and production started from July 2013. By globally increasing its production capabilities in expanding markets, the Group will be able to improve its customer response capabilities in the future.

In addition, to enhance the cost competitiveness of production operations in Japan, the Group is working to eliminate waste in "materials," "size," "transportation and movement," and "inventories," in order to establish "Dantotsu (extremely competitive) Plants" that are able to conduct cost-competitive manufacturing activities even at an exchange rate of ¥70 to one dollar. In the fiscal year under review, the Group expanded these activities and has developed epoch-making coating and other facilities that have 1/15 of the floor area of existing facilities, have 1/5 of the investment cost, and have reduced processing costs by 30%. These developments were achieved by reforming the processing methods and downsized facilities by means of installing specialized machinery. Looking ahead, the Group plans to introduce these facilities at overseas bases.

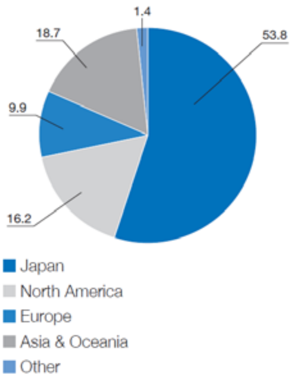
Furthermore, the Group has developed the world's first car air conditioning unit that can be installed in a wide range of vehicles. New technology enables downsizing of components by 20% from conventional models, and a new structure based on a common vehicle design enables the standardization of components (from 18 to 6 categories). The new air conditioning unit can be installed in vehicles ranging from compact to luxury cars, and applied to different manufacturers and sales regions. On the production side, the 6 categories of components can be produced on one production line, thereby achieving levels of cost competiveness and performance through standardization that transcend conventional ideas. The new air conditioning unit is installed in Toyota Motor Corporation's all-new Harrier model, as well as its Noah and Voxy models.

In the aftermarket business, the Group developed a "back camera washer" that can remove stains or dirt that have accumulated on the back camera with washer fluid controlled by a switch at the driver's seat, and a "key finder" that can be coordinated with a smartphone to easily find small objects such as car keys or house keys.

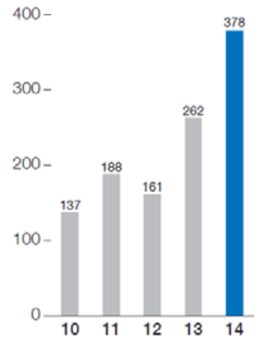
In new businesses, the Group has developed a variety of products in line with its mid-term policy of harnessing the technology accumulated hitherto in the automobile field in various fields other than automobiles. The Group has developed ZONE D, a remote-control protection system that automatically detects and follows a person or an object by a camera, by means of adapting laser sensing technology to laser sensor security applications. The Group has also applied the technology accumulated in the development of car navigation systems in the development of Life Vision, an electronic notice-circulation system that disseminates local-community and anti-disaster information, and conducts questionnaire surveys.

The Group develops innovative technology and manufactures high-quality products, and at the same time aims to be a company that is admired by the local communities in which it conducts its business activities. The Group carries out social contribution activities around the pillars of "harmony

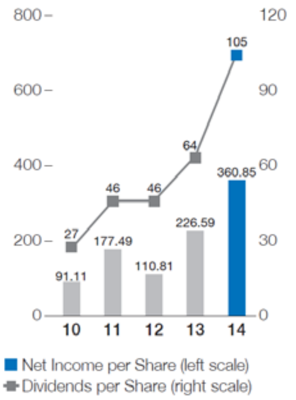
Sales by Segment
(%)



Operating Income
(¥ Billion)



Net Income per Share and Dividends per Share
(¥)



with the environment," "traffic safety," and "Hitozukuri (human resource development,)" and implements initiatives to solve the social problems of local communities. Moreover, in the fiscal year under review, the Group continued to conduct various activities to support the Great East Japan Earthquake recovery effort.

Net Sales

Consolidated net sales for the fiscal year ended March 31, 2014, increased compared with the previous year, rising ¥515.0 billion, or 14.4%, to ¥4,095.9 billion. The increase was mainly due to increased vehicle production and the impact of the weak yen.

Sales by Segment

In Japan, the effects of increased vehicle production and the weak yen led to an increase in sales to ¥2,717.6 billion, an increase of 10.3%, or ¥254.0 billion, over the previous year.

In North America, increased vehicle production and the weak yen resulted in a sales increase of 28.5%, or ¥181.2 billion, to ¥816.6 billion, over the previous year.

In Europe, sales increased due to the bottoming out of sluggish market conditions and the weak yen. This led to sales of ¥498.9 billion, an increase of 34.0%, or ¥126.7 billion, over the previous year.

In Asia & Oceania, increased vehicle production mainly in China and the weak yen led to sales of ¥943.1 billion, an increase of 18.8%, or ¥149.1 billion, over the previous year.

In other areas, sales totaled ¥74.3 billion, an increase of ¥10.4 billion, or 16.3%, over the previous year.

Operating Income

Operating income of ¥377.7 billion was recorded, an increase of 44.0%, or ¥115.3 billion, over the previous year. This result mainly reflected capacity utilization gains due to higher sales and exchange rate gains due to the weak yen, as well as savings due to rationalization efforts, despite increased operating expenses and labor costs. Net income climbed ¥105.7 billion, or 58.2%, to ¥287.4 billion.

Operating Income by Segment

In Japan, operating income of ¥283.3 billion was recorded, an increase of 66.0%, or ¥112.7 billion, over the previous year, as a result of capacity utilization gains due to higher sales and the exchange rate gains due to the weak yen, as well as savings due to rationalization efforts, despite higher R&D expenses and other operating expenses.

In North America, operating income amounted to ¥14.7 billion, an increase of 9.1%, or ¥1.2 billion, over the previous year, mainly reflecting capacity utilization gains due to higher sales.

In Europe, operating income was ¥12.4 billion, an increase of 216.1%, or ¥8.5 billion, over the previous year, as a result of capacity utilization gains due to higher sales.

In Asia & Oceania, operating income was ¥71.2 billion, a decrease of 3.3%, or ¥2.5 billion, over the previous year, due to increased labor costs, and increased expenses to start operations at a plant and technical center in order to strengthen future competitiveness.

In other areas, operating income totaled ¥0 billion, a decrease of 99.1%, or ¥3.1 billion, over the previous year.

Other Income (Expense)

Other income-net totaled ¥40.9 billion, an increase of ¥21.4 billion from the previous year. This mainly reflected no recognition of pension cost of subsidiaries for fiscal year 2014, compared with pension cost of subsidiaries of ¥13.8 billion in the previous year.

Net Income

The Group recorded income before income taxes and minority interests of ¥418.6 billion for fiscal year 2014, compared with a income before income taxes and minority interests of ¥281.9 billion in the previous year. Income taxes were ¥113.0 billion, compared with ¥84.1 billion in income taxes in the previous year.

Minority interests were ¥18.2 billion, up 13.0%, or ¥2.1 billion, from the previous year. As a result, the Group recorded net income of ¥287.4 billion, compared with a net income of ¥181.7 billion in the previous year.

Return on equity (ROE) increased from 8.4% to 11.5%, and net income per share of common stock was ¥360.85, compared with net income per share of common stock of ¥226.59 in the previous year.

Policy on Allocation of Earnings

Dividends

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

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

Taking into consideration the operating results for the fiscal year under review, the Company has decided upon a year-end dividend of ¥58 per share. This resulted in an annual dividend for the fiscal year ended March 31,2014, of ¥105 per share.

Treasury Stock Repurchases

The Company repurchases its own shares as part of its strategy to increase ROE, return profits to shareholders and implement a flexible capital policy in response to changes in the operating environment. As of March 31, 2014, the Company had repurchased a total of 165 million shares at an aggregate cost of ¥376.5 billion since the introduction of the share buyback program in the year ended March 31, 1997. This represents 19% of all the Company's outstanding shares as of March 31, 1997. In the future, while giving consideration to cash flows, the Company will maintain this share repurchasing policy as an important tool in improving ROE and increasing shareholder value.

Source of Funds and Liquidity Risk Management

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

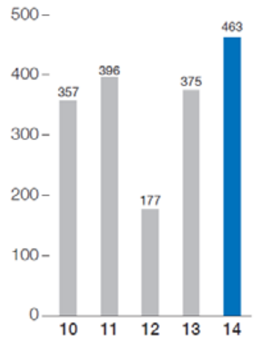
Financial Position

Total assets as of March 31, 2014, stood at ¥4,442.5 billion, 11.6%, or ¥463.4 billion, more than the previous fiscal year-end. Current assets increased 2.6%, or ¥59.8 billion, to ¥2,341.6 billion, primarily reflecting increases in notes and accounts receivable. Property, plant and equipment increased 17.8%, or ¥157.5 billion, to ¥1043.7 billion, mainly due to aggressive capital investment.

Investments and other assets increased 30.3%, or ¥246.1 billion, to ¥1,057.2 billion, mainly due to an increase of investment in securities.

The total of current and long-term liabilities increased 4.3%, or ¥66.9 billion, to ¥1,619.2 billion, due to an increase of short-term borrowings. Interest-bearing debt decreased 14.0%, or ¥71.3 billion, to ¥436.7 billion. Equity increased 16.3%, or ¥396.5 billion, to ¥2,823.3 billion, primarily reflecting increases in foreign currency translation adjustments and retained earnings.

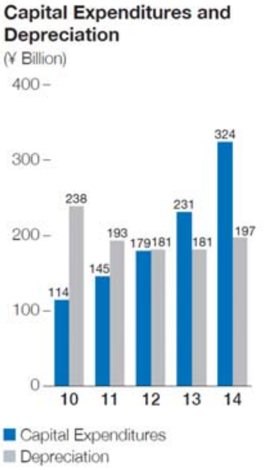
Net Cash Provided by Operating Activities
(¥ Billion)



Cash Flows

In terms of cash flows for the fiscal year ended March 31, 2014, net cash provided by operating activities was ¥462.8 billion, net cash used in investing activities was ¥390.3 billion, and net cash used in financing activities was ¥155.0 billion. As a result, cash and cash equivalents decreased ¥65.6 billion to ¥641.7 billion.

Net cash provided by operating activities for the fiscal year ended March 31, 2014, totaled ¥462.8 billion, ¥88.0 billion more than in the previous year. Cash flows chiefly reflected an operating income of ¥377.7 billion, an increase of ¥115.3 billion from last year.



Investing activities used net cash of ¥390.3 billion, ¥121.1 billion more than in the previous fiscal year. This mainly reflected acquisitions of property, plant and equipment, an increase of ¥88.5 billion over the previous year.

Net cash used in financing activities was ¥155.0 billion, an increase of ¥56.5 billion from the previous fiscal year.

This increase mainly reflected repayments of long-term borrowings, an increase of ¥47.1 billion over the previous year.

Capital Expenditures/Depreciation

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

Capital expenditures during the fiscal year ended March 31, 2014, totaled ¥324.1 billion, an increase of 40.6% or ¥93.5 billion, from the previous year. Depreciation increased by 8.9%, or ¥16.0 billion, to ¥197.2 billion.

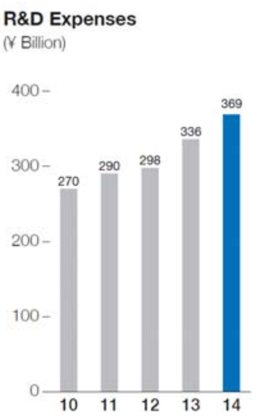
Capital Expenditures/Depreciation by Segment

As regards capital expenditures by geographic segment, the Group focused investment on all regions to increase production, and mainly invested in new products and rationalization measures. As a result, capital expenditures in Japan were ¥156.0 billion, an increase of 25.5%, or ¥31.7 billion.

In regions outside Japan, capital expenditures in North America were ¥43.3 billion, an increase of 111.5%, or ¥22.8 billion, capital expenditures in Europe were ¥27.9 billion, an increase of 45.9%, or ¥8.8 billion. Capital expenditures in Asia & Oceania were ¥88.6 billion, an increase of 41.6%, or ¥26.1 billion and capital expenditures in other areas were ¥8.3 billion, an increase of 102.9%, or ¥4.2 billion.

In Japan, depreciation amounted to ¥136.5 billion, a decrease of 0.3% or ¥0.4 billion. Meanwhile, depreciation amounted to ¥19.1 billion, an increase of 31.8%, or ¥4.6 billion, in North America; to ¥14.5 billion, an increase of 34.1%, or ¥3.7 billion in Europe; to ¥30.9 billion, a increase of 34.0%, or ¥7.8 billion, in Asia & Oceania; and to ¥3.0 billion, an increase of 30.6%, or ¥0.7 billion, in other areas.

Research and Development (R&D) Activities



In April 2013, the DENSO Group announced the DENSO Group Long-term Policy 2020. This policy's slogan is "Protecting lives, Preserving the Planet, and Preparing a bright future for generations to come." Under this policy, the Group has made a commitment to achieve its mission of preserving the global environment together with achieving growth, and realizing a society where people can live in security and safety. In line with this, we will bolster our R&D activities centered on the environment and security and safety, with the aim of delivering new products and new value that contribute to society and to our customers throughout the world.

In terms of achievements in the fiscal year ended March 31, 2014, the DENSO Group made the following achievements. In the area of the environment, as regards diesel vehicles, the Group developed an electronic control fuel injection system (a common rail system) that can provide the world's highest level of injection pressure of 2,500bar. The Group also developed an EGR valve unit, a major component of EGR systems that contribute to exhaust gas purification in diesel engines. As regards the new common rail system, we improved the structure of components, increased the fuel injection pressure and other measures. As a result, compared with conventional systems, the new system has increased automotive fuel economy and achieved a reduction in the generation of the harmful substance in the exhaust gas known as PM, together with a reduction in NOx. In regard to the EGR valve unit, we have integrated the world’s first intake throttle valve and the EGR valve, thereby achieving a significant increase in compactness and a cost reduction. In addition, we developed a new model of automobile air conditioning unit that features high performance while being more standardized, smaller and lighter than previous models. The conventional air conditioning unit differed in size and structure with each vehicle model, but the newly developed unit is the world’s first automobile air conditioning unit that can be installed as-is in a wide range of vehicles from compact to luxury cars.

Furthermore, as part of the "Demonstration of Next-Generation Energy and Social Systems" project launched in April 2010, since October 2013 we have initiated demonstration testing of a forecasting model type energy management system that makes use of the automobile batteries we have been jointly developing with Nagoya University. This system contributes to reducing the electricity charges incurred by both households and vehicles by means of mounting the batteries that are built into electric vehicles or hybrid vehicles, in the Energy Management System (EMS). Moreover, in February 2014 we also started demonstration testing of a non-contact charger system for automobiles.

In the area of security and safety, we developed a “Driver Safety Monitor.” This model aids the driver in driving safely based on the image of the driver’s face. The model employs a near infrared camera to photograph the driver’s face, and then uses a computer to analyze the photograph and determine factors such as the orientation of the face and how much the eyes are open. When the driver has not been facing forward or kept their eyes closed for a certain period of time, it sounds an alarm to warn the driver to drive safely. DENSO is bolstering its development of driving support technology to prevent traffic accidents, and also actively developing advanced driving support technology that includes automated driving. As part of these efforts, we are participating in the Automobile Safety Technology Project Team established by Aichi Prefecture as an industry-government-academia project with the aim of utilizing, commercializing and promoting traffic accident prevention technology. We plan to conduct public thoroughfare driving testing on the Chitahanto Road.

To achieve a society without any traffic accidents, we must advance systems in society as a whole, not merely those for automobiles. To this end, DENSO is vigorously participating in the same type of projects in various regions around the world. For example, we have participated in many demonstration testing projects in the past, and in the fiscal year under review we participated in a large demonstration testing project conducted in the state of Michigan in the U.S., involving an infrastructure coordination system for preventing accidents by using inter-vehicle and road-to-vehicle communication technology. This testing examined a number of applications of inter-vehicle communication that can prevent traffic accidents. We also participated in the Harmonised eCall European Pilot (HeERO2) demonstration testing of the emergency warning service “e-Call” which is scheduled to be legislated in Europe from 2015.

Furthermore, based on the technology that DENSO has accumulated to date in the automobile field, we aim to create a society in which people can obtain services closely linked to their lives, whenever needed and as many times as needed. This will involve new businesses in fields such as agriculture, security, health, medicine and robotics, in addition to the microgrid field such as the aforementioned EMS. In the agriculture field for example, we have developed an agricultural production support system that automatically controls the optimum state inside a plastic greenhouse as regards temperature, humidity and carbon dioxide concentration, thereby contributing to the stable production of agricultural produce and increased yields through the stimulation of photosynthesis. We also developed Life Vision, a community communication system that uses the Internet and tablet devices to enable local governments and other entities to provide citizens with services such as the dissemination of various types of information and lifestyle support services. In March 2014, we started the early-stage introduction of Life Vision in the town of Naoshima in Kagawa Prefecture.

With the aim of providing products and services that contribute to societies in all parts of the world and not merely Japan, DENSO is strengthening its development framework centered on technical centers in six overseas regions around the world, namely, the U.S., Europe, Asia & Oceania, China, India and Brazil. In the fiscal year ended March 2014, we completed the move and expansion of the technical center in Shanghai and started full-fledged operations at a new technical center in China, in order to cope with the expansion of the Chinese market. In Europe, we strengthened our design activities for local customers, and also announced the expansion of our technical center in Germany in order to strengthen our future developments in advanced technology areas.

R&D expenses of the entire DENSO Group for the fiscal year ended March 31, 2014 amounted to ¥368,732 million. The breakdown of expenses is ¥315,064 million for the Japan segment, ¥18,804 million for the North America segment, ¥11,621 million for the Europe segment, ¥21,703 million for the Asia & Oceania segment, and ¥1,540 million for other areas. Currently R&D costs for the overseas segment comprise about 15% of total costs, but we plan to increase this percentage as we expand and improve our R&D organization.

Risk Management

Economic Risk

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

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

Exchange Rate Risk

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

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

Raw Materials and Component Supply Risk

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

New Product Development Risk

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

- There is no guarantee of acquiring sufficient funds and resources for investment in new products and new technologies.
- There is no guarantee that long-term investment and allocation of large amounts of resources will lead to the development of successful new products and the creation of new technologies.
- It is not certain that the Group will be able to correctly predict which new products and new

technologies will earn the support of the Group's customers, and there is no guarantee that the sales of these products will be successful.

- As a result of fast-paced technological advances and changes in market needs, there is a possibility that the Group's products will become outdated.
- As a result of delays in the commercialization of new technologies under development, there is a possibility that market demands might not be met.

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

Pricing Risk

Price competition in the automotive industry is fierce. In particular, demands for price reductions by automakers have increased in recent years.

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

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

Potential Risks of International Activities and Overseas Expansion

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

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

Intellectual Property Risk

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

OEM Customer Risk

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

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

Product Defect Risk

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

Risks of Natural Disasters and Power Outages

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

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

Pension Liability Risk

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

Legal Proceedings

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

Consolidated Balance Sheet

DENSO CORPORATION and its Consolidated Subsidiaries
March 31, 2014

Assets	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Current Assets:			
Cash and cash equivalents (Note 16)	¥641,694	¥707,330	$6,234,881
Short-term investments (Notes 3 and 16)	392,414	387,874	3,812,806
Notes and accounts receivable (Note 16):			
Trade	678,193	629,397	6,589,516
Affiliates	11,983	10,653	116,430
	690,176	640,050	6,705,946
Less: Allowance for doubtful accounts	(2,029)	(1,828)	(19,714)
	688,147	638,222	6,686,232
Inventories (Note 4)	422,425	370,662	4,104,401
Deferred tax assets (Note 6)	68,688	62,969	667,392
Other current assets	128,279	114,829	1,246,396
Total current assets	2,341,647	2,281,886	22,752,108
Property, Plant and Equipment (Notes 5 and 8):			
Land	175,244	165,740	1,702,720
Buildings and structures	811,575	759,708	7,885,494
Machinery and equipment	2,987,757	2,779,936	29,029,897
Construction in progress	126,089	90,075	1,225,117
	4,100,665	3,795,459	39,843,228
Less: Accumulated depreciation	(3,056,989)	(2,909,299)	(29,702,575)
Net property, plant and equipment	1,043,676	886,160	10,140,653
Investments and Other Assets:			
Investment securities (Notes 3 and 16)	804,127	616,659	7,813,127
Investments in and advances to affiliates (Note 16)	61,911	51,198	601,545
Asset for employees' retirement benefits (Note 9)	125,945	82,787	1,223,717
Intangible assets	23,941	15,456	232,618
Deferred tax assets (Note 6)	16,389	18,236	159,240
Other assets	24,871	26,711	241,654
Total investments and other assets	1,057,184	811,047	10,271,901
Total	¥4,442,507	¥3,979,093	$43,164,662

See accompanying notes to the consolidated finanial statements.

Liabilities and Equity	Millions of yen 2014	2013	Thousands of U.S. dollars (Note 1) 2014
Current Liabilities:			
Short-term borrowings (Notes 7 and 16)	¥22,774	¥7,445	$221,279
Current portion of long-term debt (Notes 7 and 16)	104,666	149,097	1,016,965
Notes and accounts payable (Note 16):			
Trade	459,370	427,391	4,463,370
Affiliates	34,563	29,212	335,824
	493,933	456,603	4,799,194
Income taxes payable (Note 16)	73,855	55,128	717,596
Accrued expenses	233,676	215,879	2,270,462
Other current liabilities (Note 6)	102,112	89,394	992,149
Total current liabilities	1,031,016	973,546	10,017,645
Long-Term Liabilities:			
Long-term debt (Notes 7 and 16)	309,255	351,435	3,004,810
Liability for employees' retirement benefits (Note 9)	200,271	197,248	1,945,890
Retirement allowances for directors and Audit & Supervisory Board members	1,669	1,811	16,216
Deferred tax liabilities (Note 6)	58,272	13,866	566,187
Other long-term liabilities	18,678	14,326	181,481
Total long-term liabilities	588,145	578,686	5,714,584
Contingent Liabilities (Note 10)			
Equity (Notes 11, 12 and 21)**:**			
Common stock:			
Authorized: 1,500,000,000 shares in 2014 and 2013			
Issued: 884,068,713 shares in 2014 and 2013	187,457	187,457	1,821,386
Capital surplus	269,497	267,332	2,618,510
Stock acquisition rights	488	2,293	4,741
Retained earnings	2,184,238	1,933,814	21,222,678
Treasury stock, at cost: 86,840,480 shares in 2014 and 88,582,234 shares in 2013	(220,120)	(224,505)	(2,138,748)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	307,687	226,354	2,989,574
Deferred (loss) gain on derivatives under hedge accounting	(113)	17	(1,098)
Foreign currency translation adjustments	(27,380)	(90,405)	(266,032)
Defined employees' retirement benefit plans	(9,775)		(94,977)
Total	2,691,979	2,302,357	26,156,034
Minority interests	131,367	124,504	1,276,399
Total equity	2,823,346	2,426,861	27,432,433
Total	¥4,442,507	¥3,979,093	$43,164,662

Consolidated Statement of Income

DENSO CORPORATION and its Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	2014
Net Sales (Note 13)	¥4,095,925	¥3,580,923	¥3,154,630	$39,797,173
Cost of Sales (Note 14)	3,341,834	3,007,614	2,719,890	32,470,210
Gross profit	754,091	573,309	434,740	7,326,963
Selling, General and Administrative Expenses (Note 14)	376,395	310,933	274,008	3,657,161
Operating income	377,696	262,376	160,732	3,669,802
Other Income (Expenses):				
Interest and dividend income	20,698	15,906	16,082	201,108
Interest expense	(7,516)	(6,681)	(6,596)	(73,028)
Equity in earnings of affiliates	6,296	5,132	4,671	61,174
Foreign exchange gain	12,253	12,312	4,183	119,054
Loss on sales or disposals of property, plant and equipment, net	(1,731)	(1,202)	(2,522)	(16,819)
Impairment loss on investment securities	(56)	(80)	(579)	(544)
Gain (Loss) on sales of investment securities and affiliates' stock	142	814	(10)	1,380
Impairment loss on long-lived assets (Note 5)	(894)	(956)	(183)	(8,686)
Gain on change in pension plans of subsidiaries (Note 9)			673	
Loss on violation of antitrust law			(6,142)	
Pension cost of subsidiaries (Note 9)		(13,836)	(10,960)	
Other – net	11,749	8,105	4,134	114,155
Total	40,941	19,514	2,751	397,794
Income before income taxes and minority interests	418,637	281,890	163,483	4,067,596
Income Taxes (Note 6)**:**				
Current	125,892	86,980	42,761	1,223,202
Deferred	(12,859)	(2,890)	18,563	(124,941)
Total	113,033	84,090	61,324	1,098,261
Net income before minority interests	305,604	197,800	102,159	2,969,335
Minority Interests in Net Income	18,216	16,118	12,861	176,991
Net income	¥287,388	¥181,682	¥89,298	$2,792,344

	Yen			U.S. dollars (Note 1)
	2014	2013	2012	2014
Per Share of Common Stock (Notes 2 (V) and 20)**:**				
Basic net income	¥360.85	¥226.59	¥110.81	$3.51
Diluted net income	360.60	—	—	3.50
Cash dividends applicable to the year	105.00	64.00	46.00	1.02
Average Number of Shares (in thousands)	796,427	801,828	805,895	

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

DENSO CORPORATION and its Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	2014
Net income before minority interests	¥305,604	¥197,800	¥102,159	$2,969,335
Other Comprehensive Income (Note 19)**:**				
Unrealized gain on available-for-sale securities	81,411	79,952	17,275	791,012
Deferred (loss) gain on derivatives under hedge accounting	(130)	314	(356)	(1,263)
Foreign currency translation adjustments	60,648	104,367	(23,418)	589,273
Defined employees' retirement benefit plans	12,939	—	—	125,719
Share of other comprehensive income in affiliates	4,383	2,728	(813)	42,587
Total	159,251	187,361	(7,312)	1,547,328
Comprehensive Income	¥464,855	¥385,161	¥94,847	$4,516,663
Total comprehensive income attributable to:				
Owners of the parent	¥443,800	¥356,615	¥84,429	$4,312,087
Minority interests	21,055	28,546	10,418	204,576

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Equity

DENSO CORPORATION and its Consolidated Subsidiaries
Year ended March 31, 2014

	Thousands	Millions of yen											
							Accumulated Other Comprehensive Income						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Employees' Retirement Benefit Plans	Total	Minority Interests	Total Equity
Balance, April 1, 2011	805,867	¥187,457	¥266,616	¥3,462	¥1,741,008	¥(198,584)	¥129,215	¥59	¥(163,372)	—	¥1,965,861	¥106,582	¥2,072,443
Net income					89,298						89,298		89,298
Cash dividends, ¥47 per share					(37,878)						(37,878)		(37,878)
Purchase of treasury stock	(5)					(12)					(12)		(12)
Disposal of treasury stock	39		8			98					106		106
Net change in the year				68			17,243	(356)	(21,756)		(4,801)	(1,955)	(6,756)
Balance, March 31, 2012	805,901	¥187,457	¥266,624	¥3,530	¥1,792,428	¥(198,498)	¥146,458	¥(297)	¥(185,128)	—	¥2,012,574	¥104,627	¥2,117,201
Net income					181,682						181,682		181,682
Cash dividends, ¥50 per share					(40,296)						(40,296)		(40,296)
Purchase of treasury stock	(11,005)					(27,505)					(27,505)		(27,505)
Disposal of treasury stock	590		708			1,498					2,206		2,206
Net change in the year				(1,237)			79,896	314	94,723		173,696	19,877	193,573
Balance, March 31, 2013 (as previously reported)	795,486	¥187,457	¥267,332	¥2,293	¥1,933,814	¥(224,505)	¥226,354	¥17	¥(90,405)	—	¥2,302,357	¥124,504	¥2,426,861
Effect of accounting change					29,903					¥(21,959)	7,944	(452)	7,492
Balance, April 1, 2013 (as restated)		187,457	267,332	2,293	1,963,717	(224,505)	226,354	17	(90,405)	(21,959)	2,310,301	124,052	2,434,353
Net income					287,388						287,388		287,388
Cash dividends, ¥84 per share					(66,867)						(66,867)		(66,867)
Purchase of treasury stock	(10)					(52)					(52)		(52)
Disposal of treasury stock	1,752		2,165			4,437					6,602		6,602
Net change in the year				(1,805)			81,333	(130)	63,025	12,184	154,607	7,315	161,922
Balance, March 31, 2014	797,228	¥187,457	¥269,497	¥488	¥2,184,238	¥(220,120)	¥307,687	¥(113)	¥(27,380)	¥(9,775)	¥2,691,979	¥131,367	¥2,823,346

Thousands of U.S. dollars (Note 1)

	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated other comprehensive income: Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Employees' Retirement Benefit Plans	Total	Minority Interests	Total Equity
Balance, March 31, 2013 (as previously reported)	$1,821,386	$2,597,474	$22,279	$18,789,487	$(2,181,354)	$2,199,320	$165	$(878,401)	—	$22,370,356	$1,209,716	$23,580,072
Effect of accounting change				290,546					$(213,360)	77,186	(4,392)	72,794
Balance, April 1, 2013 (as restated)	1,821,386	2,597,474	22,279	19,080,033	(2,181,354)	2,199,320	165	(878,401)	(213,360)	22,447,542	1,205,324	23,652,866
Net income				2,792,344						2,792,344		2,792,344
Cash dividends, $0.82 per share				(649,699)						(649,699)		(649,699)
Purchase of treasury stock					(505)					(505)		(505)
Disposal of treasury stock		21,036			43,111					64,147		64,147
Net change in the year			(17,538)			790,254	(1,263)	612,369	118,383	1,502,205	71,075	1,573,280
Balance, March 31, 2014	$1,821,386	$2,618,510	$4,741	$21,222,678	$(2,138,748)	$2,989,574	$(1,098)	$(266,032)	$(94,977)	$26,156,034	$1,276,399	$27,432,433

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

DENSO CORPORATION and its Consolidated Subsidiaries
Year ended March 31, 2014

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	**2014**
Operating Activities:				
Income before income taxes and minority interests	**¥418,637**	¥281,890	¥163,483	**$4,067,596**
Adjustments for:				
Income taxes-paid	**(109,842)**	(53,199)	(48,124)	**(1,067,256)**
Depreciation	**197,174**	181,132	180,648	**1,915,799**
Impairment loss on long-lived assets	**894**	956	183	**8,686**
Amortization of goodwill	**1,617**	340		**15,711**
Amortization of negative goodwill			(708)	
Equity in earnings of affiliates	**(6,296)**	(5,132)	(4,671)	**(61,174)**
Loss on sales or disposals of property, plant and equipment, net	**1,731**	1,202	2,522	**16,819**
(Gain) Loss on sales of investment securities and affiliates' stock	**(142)**	(814)	10	**(1,380)**
Foreign exchange loss (gain)	**8,629**	(4,318)	80	**83,842**
Changes in assets and liabilities:				
(Increase) Decrease in notes and accounts receivable	**(11,603)**	35,238	(107,414)	**(112,738)**
Increase in inventories	**(29,971)**	(18,676)	(42,427)	**(291,207)**
Increase in asset for employees' retirement benefits	**(16,030)**	(10,162)	(9,547)	**(155,752)**
Increase (Decrease) in notes and accounts payable	**4,654**	(19,411)	63,326	**45,220**
Increase in liability for employees' retirement benefits	**8,909**	6,741	6,618	**86,562**
Other – net	**(5,562)**	(21,012)	(27,297)	**(54,041)**
Total adjustments	**44,162**	92,885	13,199	**429,091**
Net cash provided by operating activities	**462,799**	374,775	176,682	**4,496,687**
Investing Activities:				
Acquisitions of property, plant and equipment	**(314,890)**	(226,406)	(173,469)	**(3,059,561)**
Proceeds from sales of property, plant and equipment	**7,196**	7,622	4,998	**69,918**
Purchases of available-for-sale securities	**(878,707)**	(731,302)	(377,693)	**(8,537,767)**
Proceeds from sales and redemption of available-for-sale securities	**781,611**	678,218	376,057	**7,594,355**
Other – net	**14,472**	2,685	(101,132)	**140,614**
Net cash used in investing activities	**(390,318)**	(269,183)	(271,239)	**(3,792,441)**

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2014	2013	2012	**2014**
Financing Activities:				
Net increase (decrease) in short-term borrowings	**¥6,227**	¥784	¥(40,081)	**$60,503**
Proceeds from long-term borrowings	**27,542**	27,052	159,745	**267,606**
Repayments of long-term borrowings	**(49,307)**	(2,243)	(42,381)	**(479,081)**
Issuance of bonds	**30,000**		50,000	**291,489**
Repayments of bonds	**(100,000)**	(50,000)		**(971,628)**
Dividends paid	**(66,867)**	(40,296)	(37,878)	**(649,699)**
Purchase of treasury stock	**(52)**	(27,505)	(12)	**(505)**
Other – net	**(2,519)**	(6,311)	(10,574)	**(24,476)**
Net cash (used in) provided by financing activities	**(154,976)**	(98,519)	78,819	**(1,505,791)**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**16,859**	34,831	(7,479)	**163,807**
Net (Decrease) Increase in Cash and Cash Equivalents	**(65,636)**	41,904	(23,217)	**(637,738)**
Cash and Cash Equivalents of Newly Consolidated Subsidiary at Beginning of Year		17		
Cash and Cash Equivalents at Beginning of Year	**707,330**	665,409	688,626	**6,872,619**
Cash and Cash Equivalents at End of Year	**¥641,694**	¥707,330	¥665,409	**$6,234,881**

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

DENSO CORPORATION and its Consolidated Subsidiaries

1. Basis of Presentation of Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 and 2012 consolidated financial statements to conform to the classifications used in 2014.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.92 to U.S. $1, the rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(A) Principles of Consolidation and Accounting for Investments in Unconsolidated Subsidiaries and Affiliates

The Company applied the "control" concept for its consolidation policy. Under the control concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated. The consolidated financial statements for the year ended March 31, 2014, include 185 subsidiaries (183 for 2013 and 188 for 2012). The Company applied the "power to exercise significant influence" concept to determine affiliates to be accounted for by the equity method. Under the control and influence concepts, those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method. The Company applied the equity method to one unconsolidated subsidiary and all 33 affiliates for the year ended March 31, 2014 (32 for 2013 and 31 for 2012). The effect on the consolidated financial statements of not consolidating the unconsolidated subsidiary was immaterial.

The fiscal years of subsidiaries are not necessarily the same as that of the Company. Accounts of subsidiaries which have different fiscal years have been adjusted for significant transactions to properly reflect their financial position at March 31 of each year and the results of operations and cash flows for the years then ended. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group are eliminated. In fiscal year 2013, the Company decided to change the timing for inclusion of financial position and results of subsidiaries for the consolidated financial statements for DENSO (CHINA) INVESTMENT CO., LTD and 5 other subsidiaries in China to unify the closing date with the Company. Accordingly, fiscal year 2013 operating results include 15 months of operations for these 6 subsidiaries whereas fiscal year 2014 and 2012 include 12 months of the same.

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

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

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

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

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

(D) Cash and Cash Equivalents

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

(E) Inventories

Inventories are stated at the lower of cost, determined by the annual average method, or net selling value.

(F) Securities

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

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

(G) Property, Plant and Equipment and Depreciation

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

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

(H) Long-lived Assets

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

(I) Intangible Assets

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

(J) Allowance for Doubtful Accounts

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

(K) Bond Issue Costs

Bond issue costs are charged to income as incurred.

(L) Employees' Retirement Benefits

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

(M) Retirement Allowances for Directors and Audit & Supervisory Board Members

Retirement allowances for directors and Audit & Supervisory Board members are recorded as a liability at the amount that would be required if all directors and Audit & Supervisory Board members retired at the balance sheet date.

(N) Stock Options

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

(O) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(P) Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

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

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

(Q) Bonuses to Directors and Audit & Supervisory Board Members

Bonuses to directors and Audit & Supervisory Board members are accrued at the end of year to which such bonuses are attributable.

(R) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

(S) Foreign Currency Translation

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

(T) Foreign Currency Financial Statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rates at the balance sheet date except for equity, which is translated at the historical rates. Differences arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the annual average exchange rates.

(U) Derivative Financial Instruments

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

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

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

(V) Net Income and Dividends per Share

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

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

Diluted net income per share was not disclosed because it is anti-dilutive for the year ended March 31, 2013 and 2012.

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

(W) Business Combinations

In October 2003, the Business Accounting Council issued a Statement of Opinion, “Accounting for Business Combinations,” and in December 2005, the ASBJ issued ASBJ Statement No. 7, “Accounting Standard for Business Divestitures” and ASBJ Guidance No. 10, “Guidance for Accounting Standard for Business Combinations and Business Divestitures.” The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, “Accounting Standard for Business Combinations.” Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation.

(X) Accounting Changes and Error Corrections

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

(1) Changes in Accounting Policies

When a new accounting policy is applied following revision of an accounting standards, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

(2) Changes in Presentation

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior-Period Errors

When an error in prior-period financial statements is discovered, those statements are restated.

(Y) Accounting Standard for Retirement Benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and followed by partial amendments from time to time through 2009.

(1) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for employees’ retirement benefits) or asset (asset for employees’ retirement benefits).

(2) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(3) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (1) and (2) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (3) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company early applied the revised accounting standard and guidance for retirement benefits for (1), (2) and (3) above effective April 1, 2013, and changed the method of attributing expected benefit to periods from a straight-line basis to a benefit formula basis. The Company recorded the effect of (1) and (2) above as of April 1, 2013, in accumulated other comprehensive income, and the effect of (3) above as of April 1, 2013, in retained earnings. As a result, accumulated other comprehensive income as of April, 2013 decreased by ¥21,959 million ($213,360 thousand), retained earnings as of April, 2013 increased by ¥29,903 million ($290,546 thousand), minority interests as of April, 2013 decreased by ¥452 million ($4,392 thousand), and total equity as of April, 2013 increased by ¥7,492 million ($72,794 thousand). The effects on operating income and income before income taxes for the year ended March 31, 2014 are immaterial. In addition, the effect on per share information was described in Note 20.

(Z) New Accounting Pronouncements

Accounting Standards for Business Combinations and Consolidated Financial Statements

On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” revised ASBJ Guidance No. 10, “Guidance on Accounting Standards for Business Combinations and Business Divestitures,” and revised ASBJ Statement No. 22, “Accounting Standard for Consolidated Financial Statements.”

Major accounting changes are as follows:

(1) Transactions with noncontrolling interest

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(2) Presentation of the consolidated balance sheet

In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(3) Presentation of the consolidated statement of income

In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(4) Provisional accounting treatments for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisioned amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(5) Acquisition-related costs

Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for "transactions with noncontrolling interest," "acquisition-related costs" and "presentation changes in the consolidated financial statements" are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for the presentation changes in the consolidated financial statements. In case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" is permitted. In retrospective application of the revised standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs," accumulated effects of retrospective adjustments for all "transactions with noncontrolling interest" and "acquisition-related costs" which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application.

In prospective application, the new standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for "provisional accounting treatments for a business combination" is effective for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance from the beginning of the annual period beginning on April 1, 2015 and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. Short-term Investments and Investment Securities

Short-term investments consisted of time deposits not classified as cash equivalents in the amount of ¥186,488 million ($1,811,970 thousand) and ¥202,527 million, at March 31, 2014 and 2013, respectively, and debt securities. Investment securities consisted of equity securities and debt securities.

The costs and aggregate fair values of available-for-sale securities included in short-term investments and in investment securities at March 31, 2014 and 2013, were as follows:

	Millions of yen				Thousands of U.S. dollars			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value	Cost	Unrealized Gain	Unrealized Loss	Fair Value
				2014				2014
Equity securities	¥246,869	¥473,061	¥(1,556)	¥718,374	$2,398,649	$4,596,395	$(15,119)	$6,979,925
Debt securities	83,830	167	(6)	83,991	814,516	1,623	(58)	816,081
Others	174,501	–	–	174,501	1,695,502	–	–	1,695,502
Total	¥505,200	¥473,228	¥(1,562)	¥976,866	$4,908,667	$4,598,018	$(15,177)	$9,491,508

	Millions of yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
				2013
Equity securities	¥177,460	¥352,488	¥(7,142)	¥522,806
Debt securities	87,275	356	(4)	87,627
Others	158,539	–	(20)	158,519
Total	¥423,274	¥352,844	¥(7,166)	¥768,952

The carrying amounts of available-for-sale securities included in short-term investments and in investment securities at March 31, 2014 and 2013, whose fair value was not readily determinable were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Equity securities	¥33,187	¥33,054	$322,455
Total	¥33,187	¥33,054	$322,455

4. Inventories

Inventories at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Finished products	¥154,509	¥128,206	$1,501,253
Work in process	110,198	105,973	1,070,715
Raw materials and supplies	157,718	136,483	1,532,433
Total	¥422,425	¥370,662	$4,104,401

5. Long-lived Assets

The Group reviewed its long-lived assets for impairment as of March 31, 2014. For the review of the impairment, the Group applied accounting policy of grouping the assets by business group since the Group management reviews the financial results based on the business groups. In addition, the grouping is prepared by the rental asset group and idle assets group. Further, since the corporate headquarters and welfare facilities do not have identifiable cash flows, the Group treats these assets as corporate level assets.

As a result of the review, the Group recognized a total of ¥894 million ($8,686 thousand) in impairment losses as other expenses for long-lived assets used for production due to a deterioration of the Group's business environment. The losses were recognized for the electronic systems group in Spain and for the thermal systems groups in India, in the amount of ¥232 million ($2,254 thousand) and ¥662 million ($6,432 thousand), respectively. The carrying amounts of the relevant long-lived assets were written down to the recoverable amounts. Therefore, ¥772 million ($7,501 thousand), ¥108 million ($1,049 thousand) and ¥14 million ($136 thousand) in losses were recognized on machinery and equipment, on buildings and structures and on furniture, fixtures, tools and dies, respectively. The recoverable amounts of the asset groups were measured at their value in use. For the calculation of the value in use, the discount rates used for calculation for the present value of future cash flows were 11.50% in Spain and 16.48% in India.

For the year ended March 31, 2013, the Group recognized a total of ¥411 million in impairment losses on unused long-lived assets as other expenses as a result of a change in the Group's capital investment plan. The losses were recognized for the powertrain control systems group in Brazil, for the thermal systems group in Czech Republic, for the small motor group in Japan and corporate level assets in Japan in the amount of ¥48 million, ¥31 million, ¥3 million and ¥329 million, respectively. The unused assets consist of machinery and equipment, furniture, fixtures, tools and dies, and land. The book values of the relevant assets were written down to the recoverable amounts. The recorded impairment losses by asset type are in the amount of ¥78 million, ¥4 million, and ¥329 million, respectively. The recoverable amounts of the asset group were measured at net sales value, which is calculated based on the appraisal made by a real property appraiser adjusted with the appraisal value by fixed assets tax and expected costs to sell.

In addition, the Group recognized a total of ¥545 million in impairment losses as other expenses for long-lived assets used for production due to a deterioration of the Group's business environment. The losses were recognized for the powertrain control systems group in Japan and for the small motor groups in Brazil and Korea, in the amount of ¥339 million and ¥206 million, respectively. The carrying amounts of the relevant long-lived assets were written down to the recoverable amounts. Therefore, ¥198 million, ¥8 million, ¥339 million and ¥0 million in losses were recognized on machinery and equipment, on furniture, fixtures, tools and dies, on land and on buildings and structures, respectively. The recoverable amounts of the asset groups were measured at net sales value or the value in use. The net sales value is calculated based on the appraisal made by a real property appraiser. For the calculation of the value in use, the discount rates used for calculation for the present value of future cash flows were 6.41% in Japan, 9.64% in Brazil and 5.81% in Korea.

For the year ended March 31, 2012, the Group recognized ¥183 million in impairment losses as other expenses for long-lived assets in accordance with certain plants being moved. The carrying amounts of the relevant long-lived assets were written down to the recoverable amounts. Therefore, ¥183 million in losses on buildings and structures was recognized in Japan for the year ended March 31, 2012. The recoverable amounts of the asset groups were measured at net sales value.

6. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 37% for the years ended March 31, 2014 and 2013, and 40% for the year ended March 31, 2012.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred tax assets:			
Employees' retirement benefits	**¥63,119**	¥65,646	**$613,282**
Depreciation	**59,438**	55,896	**577,517**
Warranty reserve	**14,730**	17,736	**143,121**
Accrued bonuses to employees	**23,110**	20,461	**224,543**
Tax loss carryforwards	**6,497**	15,456	**63,127**
Other	**107,553**	99,246	**1,045,015**
Less: Valuation allowance	**(29,254)**	(45,191)	**(284,240)**
Total deferred tax assets	**¥245,193**	¥229,250	**$2,382,365**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥163,598**	¥119,035	**$1,589,565**
Employees' retirement benefits	**34,742**	20,786	**337,563**
Other	**20,080**	22,423	**195,103**
Total deferred tax liabilities	**¥218,420**	¥162,244	**$2,122,231**
Net deferred tax assets	**¥26,773**	¥67,006	**$260,134**

Net deferred tax assets presented in the consolidated balance sheets at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Current assets – Deferred tax assets	**¥68,688**	¥62,969	**$667,392**
Investments and other assets – Deferred tax assets	**16,389**	18,236	**159,240**
Current liabilities – Other current liabilities	**(32)**	(333)	**(311)**
Long-term liabilities – Deferred tax liabilities	**(58,272)**	(13,866)	**(566,187)**
Net deferred tax assets	**¥26,773**	¥67,006	**$260,134**

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2014, 2013 and 2012 was as follows:

	2014	2013	2012
Normal effective statutory tax rate	37.31%	37.31%	39.89%
Overseas withholding taxes	0.16	0.21	0.55
Tax credit for R&D expenses and other	(5.34)	(2.40)	(1.84)
Tax effect not recognized on operating loss of subsidiaries	(0.76)	0.22	(0.42)
Expenses not deductible for income tax purpose	0.31	0.41	0.44
Dividends receivable not taxable for income tax purposes	(0.70)	(0.59)	(0.87)
Lower income tax rates applicable to income in certain foreign countries	(4.36)	(6.37)	(10.75)
Income taxes – current for prior years	0.90	1.12	–
Adjustment of deferred tax assets due to tax rate change	1.03	–	10.35
Other	(1.55)	(0.08)	0.16
Actual effective tax rate	27.00%	29.83%	37.51%

On December 2, 2011, a tax reform law was enacted in Japan, which changed the normal effective statutory tax rate from approximately 39.89% to 37.31% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 34.94% afterwards. The effect of this change for the fiscal year ended March 31, 2012, was to increase income taxes-deferred in the consolidated statement of income by ¥16,928 million.

In 2014, a new tax reform law was enacted in Japan, which changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 37.31% to 34.94%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥4,321 million ($41,984 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥4,315 million ($41,926 thousand).

7. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2014 and 2013, consisted of notes to banks and bank overdrafts. The weighted average interest rates applicable to the short-term borrowings at March 31, 2014 and 2013, were 6.1% and 8.2%, respectively.

Long-term debt at March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unsecured 1.37% yen bonds due 2013	—	¥100,000	—
Unsecured 0.81% yen bonds due 2014	¥40,000	40,000	$388,651
Unsecured 0.55% yen bonds due 2016	50,000	50,000	485,814
Unsecured 0.35% yen bonds due 2018	30,000	—	291,489
Lease obligations	952	457	9,250
Other long-term debt (weighted-average interest rates of 0.7% in 2014 and 2013)	292,969	310,075	2,846,571
Total	¥413,921	¥500,532	$4,021,775
Less: Current portion	104,666	149,097	1,016,965
Long-term debt, less current portion	¥309,255	¥351,435	$3,004,810

Annual maturities of long-term debt at March 31, 2014, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2015	**¥104,666**	**$1,016,965**
2016	**62,317**	**605,490**
2017	**180,076**	**1,749,669**
2018	**618**	**6,005**
2019	**50,439**	**490,080**
2020 and thereafter	**15,805**	**153,566**
Total	**¥413,921**	**$4,021,775**

8. Pledged Assets

The following assets were pledged as long-term borrowings, including the current portion of long-term borrowings of ¥109 million ($1,059 thousand), at March 31, 2014:

	Millions of yen	Thousands of U.S. dollars
Buildings and structures, net of accumulated depreciation	**¥47**	**$456**
Land	**1**	**10**
Total	**¥48**	**$466**

9. Employees' Retirement Benefits

The Company and its consolidated subsidiaries in Japan have a contributory funded defined benefit pension plan and a severance lump-sum payment plan, which are both considered defined benefit plans. In addition, there are cases when the Company and its subsidiaries in Japan pay additional retirement grants for employees. These additional grants are not subject to the calculation of liability for employees' retirement benefits in accordance with the accounting standards, which require calculation of liabilities based on actuarial calculations. In addition, certain foreign subsidiaries adopted a defined benefit plan.

According to the enactment of the Defined Contribution Pension Plan Law in October 2001, the Company implemented a defined contribution pension plan in October 2002 by which a portion of the severance lump-sum payment plan was terminated. Similarly, domestic subsidiaries including ASMO CO., LTD., implemented a defined contribution pension plan in October 2003, by which a portion of the severance lump-sum payment plan was terminated. In October 2008, certain domestic subsidiaries including ASMO CO., LTD., implemented the DENSO Group-funded pension plan by which existing funded pension plans were transferred to the new group pension plan. The Company contributed certain available-for-sale securities to the employee retirement benefit trust for the Company's pension plan. Certain domestic subsidiaries have contributed to a multiemployer pension plan under industry-wide collective agreements but left the plan on March 31, 2013.

Year Ended March 31, 2014

(A) Defined benefit pension plans

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at beginning of year	¥669,680	$6,506,801
Current service cost	28,491	276,827
Interest cost	10,555	102,555
Actuarial loss	14,401	139,924
Benefits paid	(22,606)	(219,646)
Others	3,445	33,473
Balance at end of year	¥703,966	$6,839,934

Note: As a result of change in the calculation method of defined benefit obligation and current service cost, the balance of defined benefit obligation at the beginning of year decreased by ¥45,591 million ($442,975 thousand).

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at beginning of year	¥567,080	$5,509,911
Expected return on plan assets	14,337	139,302
Actuarial gain	36,412	353,789
Contributions from the employer	23,048	223,941
Benefits paid	(13,508)	(131,248)
Others	2,271	22,066
Balance at end of year	¥629,640	$6,117,761

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded defined benefit obligation	¥513,059	$4,985,027
Plan assets	(629,640)	(6,117,761)
	(116,581)	(1,132,734)
Unfunded defined benefit obligation	190,907	1,854,907
Net liability arising from defined benefit obligation	¥74,326	$722,173

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Liability for employees' retirement benefits	¥200,271	$1,945,890
Asset for employees' retirement benefits	(125,945)	(1,223,717)
Net liability arising from defined benefit obligation	¥74,326	$722,173

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥28,491	$276,827
Interest cost	10,555	102,555
Expected return on plan assets	(14,337)	(139,302)
Recognized actuarial loss	7,379	71,696
Amortization of prior service benefit	(10,449)	(101,525)
Net periodic benefit costs	¥21,639	$210,251

(5) Other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Prior service benefit	¥(10,449)	$(101,525)
Actuarial loss	29,390	285,561
Total	¥18,941	$184,036

(6) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized prior service benefit	¥(12,170)	$(118,247)
Unrecognized actuarial loss	27,040	262,728
Total	¥14,870	$144,481

(7) Plan assets

(a) Components of plan assets

Plan assets as of March 31, 2014, consisted of the following:

	2014
Debt investments	42.73%
Equity investments	37.53%
Insurance assets	15.13%
Cash and cash equivalents	1.83%
Others	2.78%
Total	100.00%

Plan assets include available-for-sale securities of 19.63% which were contributed to the Denso Group-funded pension plan.

(b) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the year ended March 31, 2014, were set forth as follows:

	2014
Discount rate	1.61%
Expected rate of return on plan assets	3.00%

(B) Defined contribution pension plans

The Group's contribution to defined contribution pension plan funds for the year ended March 31, 2014, was ¥6,436 million ($62,534 thousand).

Year Ended March 31, 2013 and 2012

The liability (asset) for employees' retirement benefits at March 31, 2013, consisted of the following:

	Millions of yen
	2013
Projected benefit obligation	¥715,271
Fair value of plan assets	(567,080)
Unrecognized actuarial loss	(56,326)
Unrecognized prior service benefit	22,596
Net liability	¥114,461
Prepaid pension cost	82,787
Liability for employees' retirement benefits	¥197,248

The components of net periodic retirement benefit costs for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen	
	2013	2012
Service cost	¥25,046	¥24,919
Interest cost	12,896	13,318
Expected return on plan assets	(6,520)	(4,934)
Recognized actuarial loss	11,918	23,456
Amortization of prior service benefit	(10,827)	(9,446)
Net periodic retirement benefit costs	¥32,513	¥47,313
Gain on change in pension plans of subsidiaries	–	(673)
Contribution to defined contribution pension plan funds	5,708	3,412
Pension cost of subsidiaries	13,836	10,960
Total	¥52,057	¥61,012

The losses on pension cost of subsidiaries for the years ended March 31, 2013 and 2012, were ¥13,836 million and ¥10,960 million, respectively. The loss for the year ended March 31, 2013, was mainly a lump-sum payment in connection with leaving the multi-employer pension plan. The loss for the year ended March 31, 2012, was an additional cost in connection with the transfer of the pension plan fund of an overseas subsidiary to an insurance company managing a defined contribution pension plan.

Assumptions used for the years ended March 31, 2013 and 2012 were set forth as follows:

	2013	2012
Discount rate	mainly 1.25%	mainly 2.0%
Expected rate of return on plan assets	mainly 1.5%	mainly 1.0%
Amortization period of prior service benefit	10 years	10 years
Recognition period of actuarial gain/loss	10 years	10 years

10. Contingent Liabilities

At March 31, 2014, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Bank guarantees for customs duties	**¥413**	**$4,013**
Total	**¥413**	**$4,013**

With respect to the plea agreement concluded with the U.S. Department of Justice in January 2012, several civil lawsuits claiming damages have also been filed in the United States and elsewhere.

11. Equity

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(A) Dividends

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

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

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

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(C) Treasury Stock and Treasury Stock Acquisition Rights

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

During the year ended March 31, 2013, the Company acquired 11,000 thousand shares of the Company’s common stock for ¥ 27,489 million. This acquisition was approved at the Board Meeting on October 31, 2012.

12. Stock Options

The stock options outstanding as of March 31, 2014, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2007	13 Directors 27 Managing Officers 394 Key Employees, etc. 104 Directors of subsidiaries, etc.	1,720,000 shares	August 1, 2007	¥5,030 ($48.87)	From August 1, 2009 to July 31, 2013
2008	13 Directors 29 Managing Officers 418 Key Employees, etc. 124 Directors of subsidiaries, etc.	1,873,000 shares	August 1, 2008	¥3,447 ($33.49)	From August 1, 2010 to July 31, 2014
2009	11 Directors 30 Managing Officers 441 Key Employees, etc. 134 Directors of subsidiaries, etc.	1,929,000 shares	August 3, 2009	¥2,920 ($28.37)	From August 1, 2011 to July 31, 2015

The stock option activity was as follows:

	Shares			
	2009	2008	2007	2006
<u>Non-vested</u>				
March 31, 2012 – Outstanding	–	–	–	–
Granted	–	–	–	–
Canceled	–	–	–	–
Vested	–	–	–	–
March 31, 2013 – Outstanding	–	–	–	–
<u>Vested</u>				
March 31, 2012 – Outstanding	1,809,000	1,652,000	1,382,000	853,000
Vested	–	–	–	–
Exercised	473,900	116,900	–	–
Canceled	113,000	97,300	112,000	853,000
March 31, 2013 – Outstanding	1,222,100	1,437,800	1,270,000	–
<u>Non-vested</u>				
March 31, 2013 – Outstanding	–	–	–	–
Granted	–	–	–	–
Canceled	–	–	–	–
Vested	–	–	–	–
March 31, 2014 – Outstanding	–	–	–	–
<u>Vested</u>				
March 31, 2013 – Outstanding	1,222,100	1,437,800	1,270,000	–
Vested	–	–	–	–
Exercised	726,000	1,024,600	–	–
Canceled	34,900	79,900	1,270,000	–
March 31, 2014 – Outstanding	461,200	333,300	–	–

	Yen (U.S. dollars)		
	2009	2008	2007
Exercise price	¥2,920	¥3,447	¥5,030
	($28.37)	($33.49)	($48.87)
Average stock price at exercise	4,768	4,899	–
	(46.33)	(47.60)	(–)
Fair value price at grant date	793	366	628
	(7.71)	(3.56)	(6.10)

13. Significant Shareholder

Toyota Motor Corporation ("Toyota") directly owned 197,193 thousand shares of common stock of the Company at March 31, 2014, which accounted for 22.31% of the total shares of the Company issued at the corresponding date.

The transactions of the Company with Toyota (Japan headquarters only) for the years ended March 31, 2014, 2013 and 2012, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	**2014**
Sales	**¥1,116,668**	¥1,096,447	¥936,305	**$10,849,864**
Purchases	**51,508**	54,366	41,559	**500,466**

The balances due to or from Toyota (Japan headquarters only) at March 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Trade notes and accounts receivable	**¥118,557**	¥119,057	**$1,151,934**
Other current assets	**154**	1,450	**1,496**
Trade notes and accounts payable	**4,889**	4,828	**47,503**
Other current liabilities	**13**	530	**126**

14. Research and Development Expenses

Research and development expenses charged to income were ¥368,732 million ($3,582,705 thousand), ¥335,460 million and ¥298,362 million for the years ended March 31, 2014, 2013 and 2012, respectively.

15. Leases

The Group leases certain machinery, computer equipment, molds and other assets. Total lease expenses for finance leases for the years ended March 31, 2014, 2013 and 2012, were ¥82 million ($797 thousand), ¥247 million and ¥459 million, respectively.

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

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee and whose lease inception was before March 31, 2008, to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the financial statements. The Company applied ASBJ Statement No. 13 effective April 1, 2008, and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008, was as follows:

	Millions of yen		
	Buildings and structures	Machinery and equipment	Total
			2014
Acquisition cost	**¥425**	**¥252**	**¥677**
Accumulated depreciation	**298**	**182**	**480**
Net leased property	**¥127**	**¥70**	**¥197**

	Buildings and structures	Machinery and equipment	Total
			Millions of yen
			2013
Acquisition cost	¥425	¥478	¥903
Accumulated depreciation	251	352	603
Net leased property	¥174	¥126	¥300

	Buildings and structures	Machinery and equipment	Total
			Thousands of U.S. dollars
			2014
Acquisition cost	$4,129	$2,449	$6,578
Accumulated depreciation	2,895	1,769	4,664
Net leased property	$1,234	$680	$1,914

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Obligations under finance leases			
Due within one year	¥86	¥85	$836
Due after one year	111	215	1,078
Total	¥197	¥300	$1,914

Obligations under finance leases include the imputed interest expense portion.

Depreciation expense, which was not reflected in the accompanying consolidated statement of income for the years ended March 31, 2014, 2013 and 2012, computed by the straight-line method, was ¥82 million ($797 thousand), ¥247 million and ¥459 million, respectively.

The minimum rental commitments under non-cancelable operating leases at March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥1,751	$17,013
Due after one year	3,191	31,005
Total	¥4,942	$48,018

16. Financial Instruments and Related Disclosures

(A) Group Policy for Financial Instruments

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

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

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

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

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

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

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

(C) Risk Management for Financial Instruments

Credit Risk Management

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

The maximum credit risk exposure of financial assets is limited to their carrying amounts as of March 31, 2014.

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

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

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

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

The basic principles of derivative transactions have been approved by management at meetings on an annual basis based on the internal guidelines which prescribe the authority and the limits for each transaction by the corporate accounting department.

Liquidity Risk Management

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

(D) Concentration of Credit Risk

17% of total receivables is from certain major customers of the Group as of March 31, 2014.

(E) Fair Values of Financial Instruments

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

Please see Note 18 for detail on fair value for derivatives.

(1) Fair Value of Financial Instruments

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain/loss	Carrying amount	Fair value	Unrealized gain/loss
			2014			2014
Cash and cash equivalents	¥641,694	¥641,694	–	$6,234,881	$6,234,881	–
Short-term investments	392,414	392,414	–	3,812,806	3,812,806	–
Notes and accounts receivable:						
Trade	678,193	678,193	–	6,589,516	6,589,516	–
Affiliates	11,983	11,983	–	116,430	116,430	–
Investment securities	770,940	770,940	–	7,490,672	7,490,672	–
Investments in and advances to affiliates	5,288	3,882	¥(1,406)	51,381	37,720	$(13,661)
Total	¥2,500,512	¥2,499,106	¥(1,406)	$24,295,686	$24,282,025	$(13,661)

	Millions of yen			Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain/loss	Carrying amount	Fair value	Unrealized gain/loss
			2014			2014
Short-term borrowings	¥22,774	¥22,774	–	$221,279	$221,279	–
Current portion of long-term debt	104,666	105,050	¥(384)	1,016,965	1,020,696	$(3,731)
Notes and accounts payable:						
Trade	459,370	459,370	–	4,463,370	4,463,370	–
Affiliates	34,563	34,563	–	335,824	335,824	–
Income taxes payable	73,855	73,855	–	717,596	717,596	–
Long-term debt	309,255	309,650	(395)	3,004,810	3,008,647	(3,837)
Total	¥1,004,483	¥1,005,262	¥(779)	$9,759,844	$9,767,412	$(7,568)

	Carrying amount	Fair value	Unrealized gain/loss
			Millions of yen
			2013
Cash and cash equivalents	¥707,330	¥707,330	–
Short-term investments	387,874	387,874	–
Notes and accounts receivable:			
Trade	629,397	629,397	–
Affiliates	10,653	10,653	–
Investment securities	583,605	583,605	–
Investments in and advances to affiliates	4,925	2,505	¥(2,420)
Total	¥2,323,784	¥2,321,364	¥(2,420)
Short-term borrowings	¥7,445	¥7,445	–
Current portion of long-term debt	149,097	150,215	¥(1,118)
Notes and accounts payable:			
Trade	427,391	427,391	–
Affiliates	29,212	29,212	–
Income taxes payable	55,128	55,128	–
Long-term debt	351,435	352,871	(1,436)
Total	¥1,019,708	¥1,022,262	¥(2,554)

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

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

Short-term Investments and Investment Securities

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

Long-term Debt

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

Derivatives

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

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Investments in equity instruments that do not have a quoted market price in an active market	**¥33,187**	¥33,054	**$322,455**
Investments in affiliates	**56,623**	46,273	**550,164**

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

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
				Millions of yen
				2014
Cash and cash equivalents	**¥641,694**	**–**	**–**	**–**
Notes and accounts receivable:				
Trade	**678,193**	**–**	**–**	**–**
Affiliates	**11,983**	**–**	**–**	**–**
Short-term investments and investment securities	**266,318**	**¥52,121**	**¥150**	**–**
Total	**¥1,598,188**	**¥52,121**	**¥150**	**–**

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
				Millions of yen
				2013
Cash and cash equivalents	¥707,330	–	–	–
Notes and accounts receivable:				
Trade	629,397	–	–	–
Affiliates	10,653	–	–	–
Short-term investments and investment securities	282,927	¥60,053	¥127	–
Total	¥1,630,307	¥60,053	¥127	–

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
				Thousands of U.S. dollars
				2014
Cash and cash equivalents	**$6,234,881**	**–**	**–**	**–**
Notes and accounts receivable:				
Trade	**6,589,516**	**–**	**–**	**–**
Affiliates	**116,430**	**–**	**–**	**–**
Short-term investments and investment securities	**2,587,622**	**$506,422**	**$1,457**	**–**
Total	**$15,528,449**	**$506,422**	**$1,457**	**–**

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

17. Segment Information

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

(A) Description of Reportable Segments

The Group manufactures and sells mainly automotive parts and has directors in charge in Japan, North America, Europe and Asia & Oceania. As independent management units, subsidiaries in each region have developed business activities, as exemplified by establishment or expansion of manufacturing companies aiming for optimum production and supply for orders received through operating activities to regional customers.

The Company is in charge of the business activities in Japan. Meanwhile, DENSO INTERNATIONAL AMERICA, INC. and DENSO INTERNATIONAL EUROPE B.V. are in charge in the North America and Europe regions, respectively. In Asia & Oceania, DENSO INTERNATIONAL ASIA CO., LTD. (Thailand); DENSO INTERNATIONAL ASIA PTE. LTD. (Singapore); and DENSO (CHINA) INVESTMENT CO., LTD have been cooperated together as a management unit.

Since the Group is composed of regional segments based on manufacturing and selling systems, the Group determined that Japan, North America, Europe and Asia & Oceania are its reportable segments. The Group has been manufacturing and selling mainly automotive parts in each reportable segment.

(B) Methods of Measurement of Sales, Profit, Assets, and Other Items for Each Reportable Segment

Accounting procedures are the same as those used for the consolidated financial statements.

Reportable segment profit is calculated on the basis of operating income.

Internal profits of intersegment and transferring prices are calculated based on current market prices.

Amortization of goodwill is offset against the amount of negative goodwill in each reportable segment. The net amount of amortization of goodwill is included in the calculation of reportable segment profit.

(C) Sales, Profit, Assets, and Other Items for Each Reportable Segment

Segment data for the years ended March 31, 2014, 2013 and 2012, were as follows:

Years ended March 31			Millions of yen 2014	2013	2012	Thousands of U.S. dollars 2014
Sales	Japan	Customers	¥1,896,447	¥1,808,850	¥1,639,962	$18,426,419
		Intersegment	821,182	654,775	557,670	7,978,838
		Total	2,717,629	2,463,625	2,197,632	26,405,257
	North America	Customers	799,423	624,974	504,075	7,767,421
		Intersegment	17,179	10,424	8,042	166,916
		Total	816,602	635,398	512,117	7,934,337
	Europe	Customers	470,515	348,769	373,214	4,571,658
		Intersegment	28,386	23,467	13,978	275,806
		Total	498,901	372,236	387,192	4,847,464
	Asia & Oceania	Customers	855,448	734,525	579,752	8,311,776
		Intersegment	87,674	59,516	46,969	851,866
		Total	943,122	794,041	626,721	9,163,642
	Total	Customers	4,021,833	3,517,118	3,097,003	39,077,274
		Intersegment	954,421	748,182	626,659	9,273,426
		Total	4,976,254	4,265,300	3,723,662	48,350,700
	Others	Customers	74,092	63,805	57,627	719,899
		Intersegment	255	123	101	2,477
		Total	74,347	63,928	57,728	722,376
	Consolidated	Customers	4,095,925	3,580,923	3,154,630	39,797,173
		Intersegment	954,676	748,305	626,760	9,275,903
		Total	¥5,050,601	¥4,329,228	¥3,781,390	$49,073,076
Segment Profit	Japan		¥283,340	¥170,676	¥83,866	$2,753,012
	North America		14,657	13,429	8,771	142,412
	Europe		12,361	3,910	6,379	120,103
	Asia & Oceania		71,231	73,696	59,491	692,101
	Total		381,589	261,711	158,507	3,707,628
	Others		27	3,135	3,169	262
	Consolidated		¥381,616	¥264,846	¥161,676	$3,707,890
Segment Assets	Japan		¥2,298,556	¥1,989,799	¥1,862,160	$22,333,424
	North America		343,762	279,093	224,071	3,340,089
	Europe		363,793	322,421	273,975	3,534,716
	Asia & Oceania		778,172	646,545	501,109	7,560,941
	Total		3,784,283	3,237,858	2,861,315	36,769,170
	Others		67,851	59,963	49,881	659,260
	Consolidated		¥3,852,134	¥3,297,821	¥2,911,196	$37,428,430

Years ended March 31		Millions of yen 2014	2013	2012	Thousands of U.S. dollars 2014
Depreciation	Japan	**¥135,456**	¥136,030	¥139,484	**$1,316,129**
	North America	**19,125**	14,514	14,622	**185,824**
	Europe	**14,519**	10,823	11,268	**141,071**
	Asia & Oceania	**30,868**	23,041	19,056	**299,922**
	Total	**199,968**	184,408	184,430	**1,942,946**
	Others	**3,046**	2,332	2,237	**29,596**
	Consolidated	**¥203,014**	¥186,740	¥186,667	**$1,972,542**
Amortization of Goodwill	Japan	**¥(55)**	¥21	–	**$(534)**
	North America	**117**	101	–	**1,137**
	Europe	**71**	71	–	**690**
	Asia & Oceania	**1,484**	147	¥67	**14,418**
	Total	**1,617**	340	67	**15,711**
	Others	**–**	–	–	**–**
	Consolidated	**¥1,617**	¥340	¥67	**$15,711**
Investments in Affiliates-Equity Method Applied	Japan	**¥43,506**	¥39,734	¥34,895	**$422,717**
	North America	**4,690**	2,990	2,749	**45,569**
	Europe	**1,404**	297	234	**13,642**
	Asia & Oceania	**12,709**	9,117	6,632	**123,484**
	Total	**62,309**	52,138	44,510	**605,412**
	Others	**–**	–	–	**–**
	Consolidated	**¥62,309**	¥52,138	¥44,510	**$605,412**
Increase in Property, Plant and Equipment and Intangible Assets	Japan	**¥155,994**	¥124,322	¥103,054	**$1,515,682**
	North America	**43,253**	20,451	12,195	**420,259**
	Europe	**27,935**	19,144	18,667	**271,424**
	Asia & Oceania	**88,645**	62,584	38,225	**861,300**
	Total	**315,827**	226,501	172,141	**3,068,665**
	Others	**8,298**	4,090	7,210	**80,626**
	Consolidated	**¥324,125**	¥230,591	¥179,351	**$3,149,291**

Note: “Others” is a business segment that is not included in reportable segments. It includes business activities of subsidiaries in Brazil, etc.

(D) Differences between the Total of Reportable Segments and the Consolidated Financial Statements

The main differences between the total of reportable segments and the consolidated financial statements were as follows:

		Millions of yen			Thousands of U.S. dollars
Years ended March 31		**2014**	2013	2012	**2014**
Sales	Total of reportable segments	**¥4,976,254**	¥4,265,300	¥3,723,662	**$48,350,700**
	Others	**74,347**	63,928	57,728	**722,377**
	Eliminations	**(954,676)**	(748,305)	(626,760)	**(9,275,904)**
	Consolidated	**¥4,095,925**	¥3,580,923	¥3,154,630	**$39,797,173**
Segment Profit	Total of reportable segments	**¥381,589**	¥261,711	¥158,507	**$3,707,627**
	Others	**27**	3,135	3,169	**262**
	Eliminations	**(3,920)**	(2,470)	(944)	**(38,087)**
	Consolidated	**¥377,696**	¥262,376	¥160,732	**$3,669,802**
Segment Assets	Total of reportable segments	**¥3,784,283**	¥3,237,858	¥2,861,315	**$36,769,170**
	Others	**67,851**	59,963	49,881	**659,260**
	Company-wide assets	**590,373**	681,272	696,501	**5,736,232**
	Consolidated	**¥4,442,507**	¥3,979,093	¥3,607,697	**$43,164,662**
Depreciation	Total of reportable segments	**¥199,968**	¥184,408	¥184,430	**$1,942,946**
	Others	**3,046**	2,332	2,237	**29,596**
	Adjustments	**–**	–	–	**–**
	Consolidated	**¥203,014**	¥186,740	¥186,667	**$1,972,542**
Amortization of Goodwill	Total of reportable segments	**¥1,617**	¥340	¥67	**$15,711**
	Others	**–**	–	–	**–**
	Adjustments	**–**	–	(67)	**–**
	Consolidated	**¥1,617**	¥340	–	**$15,711**
Investments in Affiliates-Equity Method Applied	Total of reportable segments	**¥62,309**	¥52,138	¥44,510	**$605,412**
	Others	**–**	–	–	**–**
	Adjustments	**(398)**	(940)	(944)	**(3,867)**
	Consolidated	**¥61,911**	¥51,198	¥43,566	**$601,545**
Increase in Property, Plant and Equipment and Intangible Assets	Total of reportable segments	**¥315,827**	¥226,501	¥172,141	**$3,068,665**
	Others	**8,298**	4,090	7,210	**80,626**
	Adjustments	**–**	–	–	**–**
	Consolidated	**¥324,125**	¥230,591	¥179,351	**$3,149,291**

Note: Company-wide assets are mainly cash and cash equivalents, securities and investment securities that are not attributable to the reportable segments.

(E) Related Segment Information

(1) Information about Products and Services

Sales data by product and service for the years ended March 31, 2014, 2013 and 2012, are not presented as the sales of automotive products represented more than 90% of total sales.

(2) Information about Geographical Areas

Sales

	Millions of yen			Thousands of U.S. dollars
Years ended March 31	2014	2013	2012	2014
Japan	¥1,827,760	¥1,765,536	¥1,596,106	$17,759,036
The United States	703,834	544,162	438,083	6,838,651
Others	1,564,331	1,271,225	1,120,441	15,199,486
Total	¥4,095,925	¥3,580,923	¥3,154,630	$39,797,173

Note: The sales figures are classified based on the customer locations.

Property, Plant and Equipment

	Millions of yen			Thousands of U.S. dollars
Years ended March 31	2014	2013	2012	2014
Japan	¥513,093	¥493,155	¥504,541	$4,985,358
North America	116,648	85,094	68,952	1,133,385
Europe	139,006	108,574	91,256	1,350,622
Asia & Oceania	248,092	176,495	115,717	2,410,532
Others	26,837	22,842	20,422	260,756
Total	¥1,043,676	¥886,160	¥800,888	$10,140,653

(3) Information about Major Customers

		Millions of yen			Thousands of U.S. dollars
Years ended March 31		2014	2013	2012	2014
Japan	Sales to Toyota (Japan headquarters only)	¥1,128,068	¥1,107,256	¥946,849	$10,960,630

(F) Impairment Loss on Long-lived Assets for Each Reportable Segment

	Millions of yen			Thousands of U.S. dollars
Years ended March 31	2014	2013	2012	2014
Japan	–	¥671	¥183	–
North America	–	–	–	–
Europe	¥232	31	–	$2,254
Asia & Oceania	662	199	–	6,432
Others	–	55	–	–
Eliminations	–	–	–	–
Total	¥894	¥956	¥183	$8,686

(G) Amortization of Goodwill and Unamortized Balance for Each Reportable Segment

		Millions of yen			Thousands of U.S. dollars
Years ended March 31		**2014**	2013	2012	**2014**
Amortization	Japan	**–**	¥(81)	¥(89)	**–**
	North America	**¥(163)**	(163)	(188)	**$(1,584)**
	Europe	**(71)**	(71)	(117)	**(690)**
	Asia & Oceania	**(1,510)**	(174)	(86)	**(14,671)**
	Others	**–**	–	(32)	**–**
	Eliminations	**–**	–	–	**–**
	Total	**¥(1,744)**	¥(489)	¥(512)	**$(16,945)**
Unamortized Balance	Japan	**–**	–	¥81	**–**
	North America	**¥122**	¥285	448	**$1,186**
	Europe	**133**	203	275	**1,292**
	Asia & Oceania	**6,894**	432	350	**66,984**
	Others	**–**	–	–	**–**
	Eliminations	**–**	–	–	**–**
	Total	**¥7,149**	¥920	¥1,154	**$69,462**

Note: “Others” is attributable to the business activity of subsidiaries in Brazil, etc.

Amortization of negative goodwill and unamortized balance due to business combination before April 1, 2010, were as follows:

		Millions of yen			Thousands of U.S. dollars
Years ended March 31		**2014**	2013	2012	**2014**
Amortization	Japan	**¥55**	¥60	¥130	**$534**
	North America	**46**	62	310	**447**
	Europe	**–**	–	140	**–**
	Asia & Oceania	**26**	27	19	**253**
	Others	**–**	–	104	**–**
	Eliminations	**–**	–	–	**–**
	Total	**¥127**	¥149	¥703	**$1,234**
Unamortized Balance	Japan	**¥(19)**	¥(73)	¥(133)	**$(184)**
	North America	**(26)**	(72)	(134)	**(253)**
	Europe	**–**	–	–	**–**
	Asia & Oceania	**(14)**	(40)	(67)	**(136)**
	Others	**–**	–	–	**–**
	Eliminations	**–**	–	–	**–**
	Total	**¥(59)**	¥(185)	¥(334)	**$(573)**

18. Derivatives

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

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

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

(A) Derivative Transactions to Which Hedge Accounting is Not Applied at March 31, 2014 and 2013

(1) Foreign Currency Related Derivatives

	Millions of yen				Thousands of U.S. dollars			
	Contract or Notional Amounts	Contract or Notional Amounts Due after One Year	Fair Value	Net Unrealized Gain (Loss)	Contract or Notional Amounts	Contract or Notional Amounts Due after One Year	Fair Value	Net Unrealized Gain (Loss)
				2014				2014
Forward exchange contracts:								
Selling contracts –								
U.S. Dollar	¥29,275	–	¥14	¥14	$284,444	–	$136	$136
Taiwanese Dollar	195	–	(1)	(1)	1,895	–	(10)	(10)
Thai Baht	1,398	–	(7)	(7)	13,583	–	(68)	(68)
Philippines Peso	74	–	(1)	(1)	719	–	(10)	(10)
Malaysian Ringgit	427	–	(8)	(8)	4,149	–	(78)	(78)
Indian Rupee	830	–	(24)	(24)	8,065	–	(233)	(233)
Indonesian Rupiah	1,577	–	(29)	(29)	15,323	–	(282)	(282)
Euro	5,746	–	(34)	(34)	55,830	–	(330)	(330)
Chinese Yuan	1,954	–	(1)	(1)	18,986	–	(10)	(10)
Australian Dollar	732	–	(22)	(22)	7,112	–	(214)	(214)
Buying contracts –								
U.S. Dollar	4,288	–	54	54	41,663	–	525	525
Philippines Peso	306	–	(2)	(2)	2,973	–	(19)	(19)
Malaysian Ringgit	299	–	(0)	(0)	2,905	–	(0)	(0)
Yen	8,123	–	(317)	(317)	78,925	–	(3,080)	(3,080)
Euro	973	–	(10)	(10)	9,454	–	(97)	(97)

	Millions of yen				Thousands of U.S. dollars			
	Contract or Notional Amounts	Contract or Notional Amounts Due after One Year	Fair Value	Net Unrealized Gain (Loss)	Contract or Notional Amounts	Contract or Notional Amounts Due after One Year	Fair Value	Net Unrealized Gain (Loss)
				2014				2014
Currency swaps:								
Receipt Singapore Dollar (*) Payment U.S. Dollar	¥7,605	¥5,098	¥186	¥186	$73,892	$49,534	$1,807	$1,807
Receipt Singapore Dollar (*) Payment Thai Baht	326	326	7	7	3,168	3,168	68	68
Receipt Singapore Dollar (*) Payment Euro	11,737	5,597	154	154	114,040	54,382	1,496	1,496
Receipt Yen (*) Payment U.S. Dollar	1,599	1,599	(495)	(495)	15,536	15,536	(4,810)	(4,810)
Receipt Yen (*) Payment Euro	1,637	1,637	0	0	15,906	15,906	0	0
Receipt Yen (*) Payment Chinese Yuan	2,335	2,335	(386)	(386)	22,688	22,688	(3,750)	(3,750)
Receipt Yen (*) Payment Brazilian Real	1,379	1,379	146	146	13,399	13,399	1,419	1,419
Receipt Euro (*) Payment Yen	15,073	–	101	101	146,454	–	981	981
Receipt Singapore Dollar Payment Malaysian Ringgit (*)	1,263	1,263	(1)	(1)	12,272	12,272	(10)	(10)
Receipt U.S. Dollar Payment Korean Won (*)	1,209	–	(25)	(25)	11,747	–	(243)	(243)
Receipt U.S. Dollar Payment Indian Rupee (*)	1,730	–	645	645	16,809	–	6,267	6,267
Receipt U.S. Dollar Payment Euro (*)	72,080	72,080	136	136	700,350	700,350	1,321	1,321
Receipt Yen Payment Malaysian Ringgit (*)	714	714	(131)	(131)	6,937	6,937	(1,273)	(1,273)
Receipt Yen Payment Korean Won (*)	24,237	10,030	(1,261)	(1,261)	235,494	97,454	(12,252)	(12,252)
Receipt Yen Payment Euro (*)	178	–	(2)	(2)	1,729	–	(19)	(19)
Receipt Euro Payment Polish Zloty (*)	4,767	–	(7)	(7)	46,318	–	(68)	(68)
Receipt Euro Payment Pound Sterling (*)	343	343	(22)	(22)	3,333	3,333	(214)	(214)
Receipt Euro Payment Chinese Yuan (*)	62	–	(0)	(0)	602	–	(0)	(0)
Receipt Indian Rupee Payment Yen (*)	1,979	807	(286)	(286)	19,229	7,841	(2,779)	(2,779)

	Millions of yen			
	Contract or Notional Amounts	Contract or Notional Amounts Due after One Year	Fair Value	Net Unrealized Gain (Loss)
				2013
Forward exchange contracts:				
Selling contracts –				
U.S. Dollar	¥29,891	–	¥(485)	¥(485)
Taiwanese Dollar	182	–	2	2
Thai Baht	1,930	–	(43)	(43)
Philippines Peso	142	–	2	2
Malaysian Ringgit	498	–	2	2
Indian Rupee	1,035	–	(6)	(6)
Indonesian Rupiah	837	–	(13)	(13)
Euro	4,371	–	(24)	(24)
Australian Dollar	905	–	(70)	(70)
Buying contracts –				
U.S. Dollar	1,238	–	318	318
Swedish Krone	183	–	(1)	(1)
Yen	224	–	77	77
Euro	362	–	1	1
Currency swaps:				
Receipt Singapore Dollar (*)	¥4,709	¥4,680	¥245	¥245
Payment U.S. Dollar				
Receipt Singapore Dollar (*)	302	302	(18)	(18)
Payment Thai Baht				
Receipt Singapore Dollar (*)	10,862	10,862	826	826
Payment Euro				
Receipt Yen (*)	1,599	1,599	(300)	(300)
Payment U.S. Dollar				
Receipt Yen (*)	1,637	1,637	(133)	(133)
Payment Euro				
Receipt Yen (*)	1,183	1,183	(243)	(243)
Payment Chinese Yuan				
Receipt Yen (*)	1,098	1,098	(24)	(24)
Payment Brazilian Real				
Receipt Euro (*)	419	419	(23)	(23)
Payment Pound Sterling				

	Contract or Notional Amounts	Contract or Notional Amounts Due after One Year	Fair Value	Net Unrealized Gain (Loss)
				Millions of yen
				2013
Receipt U.S. Dollar				
Payment Korean Won (*)	¥2,120	¥2,120	¥30	¥30
Receipt U.S. Dollar				
Payment Indian Rupee (*)	3,422	1,925	13	13
Receipt U.S. Dollar				
Payment Euro (*)	47,616	47,616	4,165	4,165
Receipt Swedish Krone				
Payment Euro (*)	422	–	(1)	(1)
Receipt Yen				
Payment U.S. Dollar (*)	10,070	–	77	77
Receipt Yen				
Payment Malaysian Ringgit (*)	1,032	1,032	(165)	(165)
Receipt Yen				
Payment Korean Won (*)	19,734	5,091	(1,278)	(1,278)
Receipt Yen				
Payment Indian Rupee (*)	875	875	69	69
Receipt Yen				
Payment Euro (*)	22,379	–	2,513	2,513
Receipt Euro				
Payment U.S. Dollar (*)	14,108	14,108	365	365
Receipt Euro				
Payment Polish Zloty (*)	542	–	3	3

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

(2) Interest Related Derivatives

	Millions of yen				Thousands of U.S. dollars			
	Contract or Notional Amounts	Contract or Notional Amounts Due after One Year	Fair Value	Net Unrealized Gain (Loss)	Contract or Notional Amounts	Contract or Notional Amounts Due after One Year	Fair Value	Net Unrealized Gain (Loss)
				2014				**2014**
Interest rate swaps:								
Floating rate receipt, fixed rate payment	**¥61,490**	**¥60,853**	**¥(477)**	**¥(477)**	**$597,454**	**$591,265**	**$(4,635)**	**$(4,635)**
Interest rate and Currency swaps:								
Floating rate receipt (Yen (*)), fixed rate payment (Brazilian Real)	**1,091**	**1,091**	**15**	**15**	**10,600**	**10,600**	**146**	**146**
Fixed rate receipt (Yen (*)), fixed rate payment (Chinese Yuan)	**8,153**	**–**	**(268)**	**(268)**	**79,217**	**–**	**(2,604)**	**(2,604)**
Fixed rate receipt (Yen (*)), fixed rate payment (Indian Rupee)	**9,354**	**9,354**	**(245)**	**(245)**	**90,886**	**90,886**	**(2,380)**	**(2,380)**

	Millions of yen			
	Contract or Notional Amounts	Contract or Notional Amounts Due after One Year	Fair Value	Net Unrealized Gain (Loss)
				2013
Interest rate swaps:				
Fix rate receipt, floating rate payment	¥2,207	¥2,207	¥264	¥264
Floating rate receipt, fixed rate payment	29,138	29,138	(238)	(238)

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

(B) Derivative Transactions to which Hedge Accounting is Applied at March 31, 2014 and 2013

(1) Foreign Currency Related Derivatives

		Millions of yen			Thousands of U.S. dollars		
	Hedged item	Contract or Notional Amounts	Contract or Notional Amounts Due after One Year	Fair Value	Contract or Notional Amounts	Contract or Notional Amounts Due after One Year	Fair Value
				2014			**2014**
Forward exchange contracts:							
Selling contracts –							
U.S. Dollar	Operating receivables	**¥18,210**	**–**	**¥(111)**	**$176,934**	**–**	**$(1,079)**
Euro	Operating receivables	**7,302**	**–**	**(63)**	**70,948**	**–**	**(612)**

	Hedged item	Contract or Notional Amounts	Contract or Notional Amounts Due after One Year	Fair Value
		Millions of yen		
				2013
Forward exchange contracts:				
Selling contracts–				
U.S. Dollar	Operating receivables	¥22,074	–	¥(96)
Euro	Operating receivables	6,373	–	98

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

(2) Interest Related Derivatives

	Hedged item	Contract or Notional Amounts	Contract or Notional Amounts Due after One Year	Fair Value	Contract or Notional Amounts	Contract or Notional Amounts Due after One Year	Fair Value
		Millions of yen			Thousands of U.S. dollars		
				2014			**2014**
Interest rate swaps:							
Floating rate receipt, floating rate payment	Long-term debt	**¥40,000**	**¥40,000**	**–**	**$388,651**	**$388,651**	**–**
Interest rate and Currency swaps:							
Floating rate receipt, (Yen (*)), fixed rate payment (U.S. Dollar)	Long-term debt	**¥89,605**	**¥69,605**	**–**	**$870,628**	**$676,302**	**–**

Notes: 1. The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 16 is included in that of hedged items (i.e. Long-term debt).

2. (*) indicates hedged items.

	Hedged item	Contract or Notional Amounts	Contract or Notional Amounts Due after One Year	Fair Value
		Millions of yen		
				2013
Interest rate swaps:				
Floating rate receipt, floating rate payment	Long-term debt	¥51,000	¥40,000	–
Fixed rate receipt, floating rate payment	Long-term debt and Large time deposits	19,000	–	¥25
Interest rate and Currency swaps:				
Floating rate receipt (Yen (*)), fixed rate payment (U.S. Dollar)	Long-term debt	¥72,108	¥72,108	–
Fixed rate receipt (Yen (*)), fixed rate payment (Indian Rupee)	Long-term loan	5,079	5,079	–

Notes: 1. The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 16 is included in that of hedged items (i.e. Long-term debt).

2. (*) indicates hedged items.

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

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

19. Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2014, 2013 and 2012, were as follows:

	Millions of yen			Thousands of U.S. dollars
	2014	2013	2012	**2014**
Unrealized gain on available-for-sale securities:				
Gains arising during the year	**¥126,007**	¥121,828	¥11,158	**$1,224,320**
Reclassification adjustments to profit or loss	**(39)**	(60)	503	**(379)**
Amount before income tax effect	**125,968**	121,768	11,661	**1,223,941**
Income tax effect	**(44,557)**	(41,816)	5,614	**(432,929)**
Total	**¥81,411**	¥79,952	¥17,275	**$791,012**
Deferred (loss) gain on derivatives under hedge accounting:				
(Losses) gains arising during the year	**¥(214)**	¥275	¥(101)	**$(2,079)**
Reclassification adjustments to profit or loss	**13**	226	(471)	**126**
Amount before income tax effect	**(201)**	501	(572)	**(1,953)**
Income tax effect	**71**	(187)	216	**690**
Total	**¥(130)**	¥314	¥(356)	**$(1,263)**
Foreign currency translation adjustments:				
Adjustments arising during the year	**¥60,724**	¥104,367	¥(23,418)	**$590,012**
Reclassification adjustments to profit or loss	**(76)**	–	–	**(739)**
Total	**¥60,648**	¥104,367	¥(23,418)	**$589,273**
Defined employees' retirement benefit plans:				
Gains arising during the year	**¥22,011**	–	–	**$213,865**
Reclassification adjustments to profit or loss	**(3,070)**	–	–	**(29,829)**
Amount before income tax effect	**18,941**	–	–	**$184,036**
Income tax effect	**(6,002)**	–	–	**(58,317)**
Total	**¥12,939**	–	–	**$125,719**
Share of other comprehensive income in affiliates:				
Gains (Losses) arising during the year	**¥4,509**	¥2,728	¥(813)	**$43,811**
Reclassification adjustments to profit or loss	**(126)**	–	–	**(1,224)**
Total	**¥4,383**	¥2,728	¥(813)	**$42,587**
Total other comprehensive income	**¥159,251**	¥187,361	¥(7,312)	**$1,547,328**

20. Net Income per Share

The reconciliation of the differences between basic and diluted net income per share for the years ended March 31, 2014, 2013, and 2012, was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net Income	Weighted-Average Shares	Net Income per Share	Net Income per Share
				2014
Basic net income per share				
Net income available to common shareholders	**¥287,388**	**796,427**	**¥360.85**	**$3.51**
Effect of dilutive securities				
Stock option	**–**	**540**		
Diluted net income per share				
Net income for computation	**¥287,388**	**796,967**	**¥360.60**	**$3.50**

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	Millions of yen	Thousands of shares	Yen
	Net Income	Weighted-Average Shares	Net Income per Share
			2013
Basic net income per share			
Net income available to common shareholders	¥181,682	801,828	¥226.59
Effect of dilutive securities			
Stock option	–	–	
Diluted net income per share			
Net income for computation	–	–	–

Note: Diluted net income per share is not disclosed because it is anti-dilutive.

	Millions of yen	Thousands of shares	Yen
	Net Income	Weighted-Average Shares	Net Income per Share
			2012
Basic net income per share			
Net income available to common shareholders	¥89,298	805,895	¥110.81
Effect of dilutive securities			
Stock option	–	–	
Diluted net income per share			
Net income for computation	–	–	–

Note: Diluted net income per share is not disclosed because it is anti-dilutive.

As noted in Note 2 (Y), the Company early applied the revised accounting standard and guidance for retirement benefits effective April 1, 2013, and changed the method of attributing expected benefit to periods from a straight-line basis to a benefit formula basis. The effects on basic and diluted net income per share for the year ended March 31, 2014 are immaterial.

21. Subsequent Events

On June 19, 2014, at the Company's shareholders' meeting, the following item was approved:

Appropriation of Retained Earnings

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥58 ($0.56) per share	**¥46,241**	**$449,291**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
DENSO CORPORATION:

We have audited the accompanying consolidated balance sheet of DENSO CORPORATION and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DENSO CORPORATION and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 19, 2014

Member of
Deloitte Touche Tohmatsu Limited