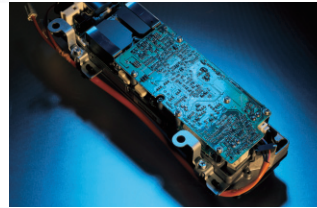
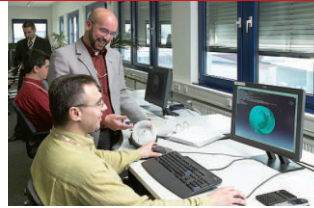


DENSO

Leading the Way

Annual Report 2006

For the year ended March 31, 2006



Profile

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

DENSO also utilizes its proprietary technologies and expertise in industrial systems, non-automotive thermal systems and other fields. The Company currently employs approximately 106,000 people in 32 countries and regions including Japan.

Significant Financial Results for the Year Ended March 31, 2006 (fiscal 2006)

1. DENSO achieves new records for net sales, operating income and net income; expects to report record earnings in the year ending March 31, 2007.
2. DENSO's operations in Europe, which had been an area of weakness for the Group, move back into the black for the first time in six years.
3. ROE reaches 9.4%, exceeding the fiscal 2006 target of 8.0%.
4. DENSO increases the annual dividend by ¥6, for a total annual dividend of ¥38 per share.

Forward-looking Statements

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

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Highlights One: Financial

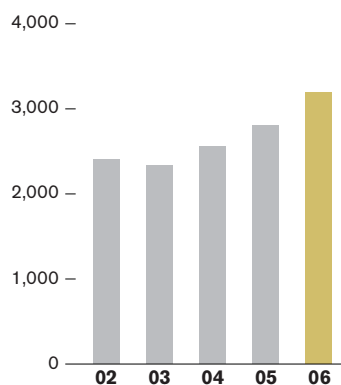
DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2006, 2005 and 2004

	Millions of yen			Percent change 2006/2005	Thousands of U.S. dollars 2006
	2006	2005	2004		
Net Sales:	¥3,188,330	¥2,799,949	¥2,562,411	13.9%	\$27,250,684
Sales in Japan	1,690,215	1,554,795	1,442,645	8.7%	14,446,282
Sales outside Japan	1,498,115	1,245,154	1,119,766	20.3%	12,804,402
Net Income	169,648	132,620	110,027	27.9%	1,449,983
Total Assets	3,411,975	2,780,982	2,526,502	22.7%	29,162,179
Shareholders' Equity	1,970,388	1,643,182	1,509,489	19.9%	16,840,923
Capital Expenditures	288,714	235,258	196,461	22.7%	2,467,641
Depreciation	185,143	160,993	151,169	15.0%	1,582,419
R&D Expenses	256,339	238,241	214,917	7.6%	2,190,932

	Yen			Percent change	U.S. dollars
	2006	2005	2004		
Per Share:					
Basic net income	¥ 204.80	¥ 159.02	¥ 130.02	28.8%	\$ 1.75
Cash dividends	38.00	32.00	24.00	18.8%	0.32
Shareholders' equity	2,384.05	1,990.48	1,809.55	19.8%	20.38
Number of Employees	105,723	104,183	95,461	1.5%	

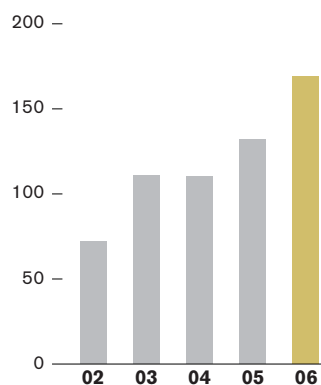
Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥117=US\$1, the approximate exchange rate prevailing on March 31, 2006, the last trading day of the fiscal year.

Net Sales
(Billions of yen)



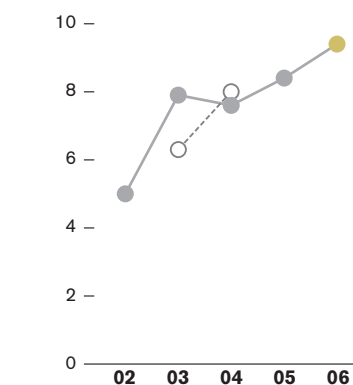
* Net sales for fiscal 2002 include the effect of an irregular 15-month reporting period at 45 overseas subsidiaries and affiliates.

Net Income
(Billions of yen)



* Net income for fiscal 2003 includes a non-recurring gain on exemption from future pension obligation of the governmental program.

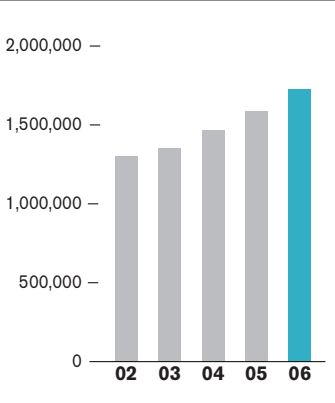
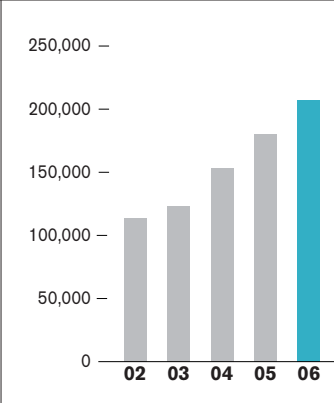
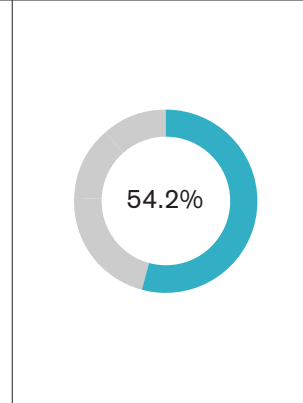
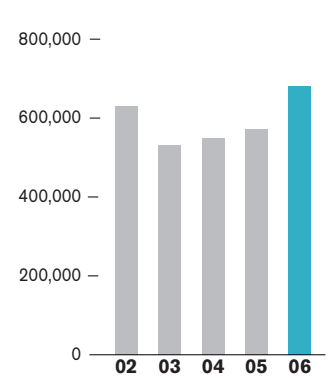
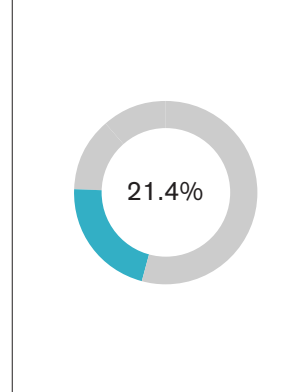

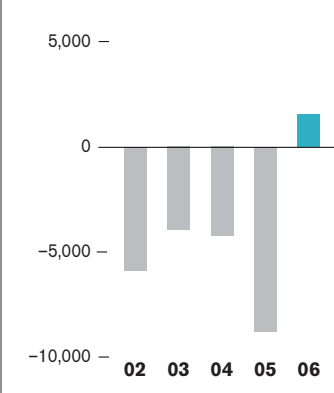
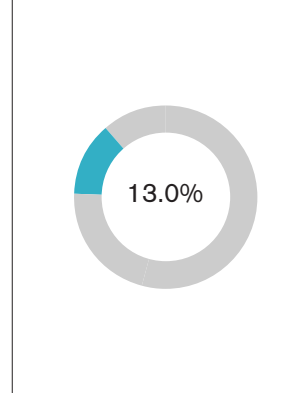

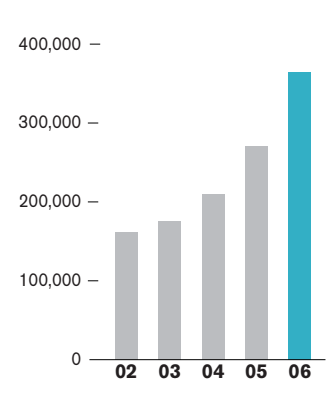
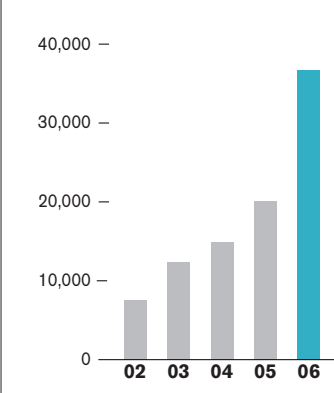
Return on Equity
(%)



* The broken line excludes non-recurring extraordinary items.

Highlights Two: Global

DENSO CORPORATION and Consolidated Subsidiaries
 Years ended March 31, 2006, 2005, 2004, 2003 and 2002

	Net Sales (Millions of yen)	Operating Income (Loss) (Millions of yen)	Percentage of Net Sales (%)																								
Japan 	 <table border="1"> <tr><th>Year</th><td>02</td><td>03</td><td>04</td><td>05</td><td>06</td></tr> <tr><th>Net Sales</th><td>1,300,000</td><td>1,350,000</td><td>1,450,000</td><td>1,550,000</td><td>1,750,000</td></tr> </table>	Year	02	03	04	05	06	Net Sales	1,300,000	1,350,000	1,450,000	1,550,000	1,750,000	 <table border="1"> <tr><th>Year</th><td>02</td><td>03</td><td>04</td><td>05</td><td>06</td></tr> <tr><th>Operating Income</th><td>110,000</td><td>120,000</td><td>150,000</td><td>180,000</td><td>210,000</td></tr> </table>	Year	02	03	04	05	06	Operating Income	110,000	120,000	150,000	180,000	210,000	 <p>54.2%</p>
Year	02	03	04	05	06																						
Net Sales	1,300,000	1,350,000	1,450,000	1,550,000	1,750,000																						
Year	02	03	04	05	06																						
Operating Income	110,000	120,000	150,000	180,000	210,000																						
The Americas 	 <table border="1"> <tr><th>Year</th><td>02</td><td>03</td><td>04</td><td>05</td><td>06</td></tr> <tr><th>Net Sales</th><td>620,000</td><td>520,000</td><td>540,000</td><td>560,000</td><td>680,000</td></tr> </table>	Year	02	03	04	05	06	Net Sales	620,000	520,000	540,000	560,000	680,000	 <table border="1"> <tr><th>Year</th><td>02</td><td>03</td><td>04</td><td>05</td><td>06</td></tr> <tr><th>Operating Income</th><td>18,000</td><td>28,000</td><td>25,000</td><td>24,000</td><td>22,000</td></tr> </table>	Year	02	03	04	05	06	Operating Income	18,000	28,000	25,000	24,000	22,000	 <p>21.4%</p>
Year	02	03	04	05	06																						
Net Sales	620,000	520,000	540,000	560,000	680,000																						
Year	02	03	04	05	06																						
Operating Income	18,000	28,000	25,000	24,000	22,000																						
Europe 	 <table border="1"> <tr><th>Year</th><td>02</td><td>03</td><td>04</td><td>05</td><td>06</td></tr> <tr><th>Net Sales</th><td>300,000</td><td>270,000</td><td>330,000</td><td>360,000</td><td>420,000</td></tr> </table>	Year	02	03	04	05	06	Net Sales	300,000	270,000	330,000	360,000	420,000	 <table border="1"> <tr><th>Year</th><td>02</td><td>03</td><td>04</td><td>05</td><td>06</td></tr> <tr><th>Operating Income</th><td>-6,000</td><td>-4,000</td><td>-4,000</td><td>-8,000</td><td>2,000</td></tr> </table>	Year	02	03	04	05	06	Operating Income	-6,000	-4,000	-4,000	-8,000	2,000	 <p>13.0%</p>
Year	02	03	04	05	06																						
Net Sales	300,000	270,000	330,000	360,000	420,000																						
Year	02	03	04	05	06																						
Operating Income	-6,000	-4,000	-4,000	-8,000	2,000																						
Asia & Oceania 	 <table border="1"> <tr><th>Year</th><td>02</td><td>03</td><td>04</td><td>05</td><td>06</td></tr> <tr><th>Net Sales</th><td>160,000</td><td>170,000</td><td>210,000</td><td>270,000</td><td>360,000</td></tr> </table>	Year	02	03	04	05	06	Net Sales	160,000	170,000	210,000	270,000	360,000	 <table border="1"> <tr><th>Year</th><td>02</td><td>03</td><td>04</td><td>05</td><td>06</td></tr> <tr><th>Operating Income</th><td>7,000</td><td>12,000</td><td>15,000</td><td>20,000</td><td>37,000</td></tr> </table>	Year	02	03	04	05	06	Operating Income	7,000	12,000	15,000	20,000	37,000	 <p>11.4%</p>
Year	02	03	04	05	06																						
Net Sales	160,000	170,000	210,000	270,000	360,000																						
Year	02	03	04	05	06																						
Operating Income	7,000	12,000	15,000	20,000	37,000																						

A Message From the President

Results and Forecasts

Record Results and Dividend Raised

In fiscal 2006, the year ended March 31, 2006, DENSO reported another year of record results. Consolidated net sales increased 13.9% year on year to ¥3,188.3 billion, exceeding ¥3 trillion for the first time. Operating income rose 24.6% to ¥266.6 billion, and net income jumped 27.9% to ¥169.6 billion. All were record figures for the Company. This strong performance reflected steady growth in sales to Japanese automakers, which boosted production at their overseas sites and in Japan to cater to growth in exports of assembled vehicles. Sales to foreign automakers also rose.

In light of these strong results, we decided to increase the full-year dividend to ¥38.00 per share, representing an increase of ¥6.00 per share compared to the previous year. Another way we are returning profits to shareholders is through our share buyback program. In the year under review, we purchased 5.1 million of our own shares at a cost of ¥20.1 billion. As a result, the total return ratio, which takes into account dividend payments and share buybacks, reached 30%.

Operating Overview

During the year under review, we focused on two key policies: enhance the DENSO way of manufacturing to win even greater trust from customers, and drive forward efforts to become a truly global corporation.

In the first area, we took steps to embed even higher levels of quality in all phases of the manufacturing process, from the design and development stages to production. We also enhanced our capability to accurately verify whether these quality improvements were being realized in finished products. Overseas, where we are rapidly ramping up production, we are translating the DENSO way of manufacturing to our global sites.



Koichi Fukaya
President and CEO

One initiative in this area was the establishment of a personnel training facility in Thailand to cultivate the technicians we need for our operations in the ASEAN region.

To make DENSO a truly global corporation, we worked on creating a global development framework, thereby strengthening our ability to create appealing products focused on the areas of the environment, safety, comfort and convenience. In the first of these areas, we created a new diesel common rail system with newly developed piezo injectors. Achieving a fuel injection pressure of 1,800-bar, the world's highest for a component of this type, our diesel common rail system is capable of performing up to five high-accuracy injections during each combustion stroke. In the areas of safety and convenience, we developed a remote security system to protect vehicles against unlawful entry. Anybody trying to break into a car equipped with this system has their photo taken, which is then automatically sent with a warning to the owner's mobile phone via a data center. In the area of convenience, we created a new car air-conditioning system with a unique double-pipe internal heat exchanger that boosts cooling performance by up to 12%.

With the aim of further enhancing our product development capabilities in preparation for the challenges that lie ahead, we realigned the Group organization in January 2006, increasing our business groups from four to five. This reorganization included transferring operations related to hybrid electric vehicles (HEVs) from the Powertrain Control Systems Business Group to Electric Systems Business Group. This move consolidates all electrical-related components in a single business group, thereby reinforcing our position in the power electronics field for HEVs and other applications. Another step included combining information- and safety-related business divisions, previously dispersed throughout three business groups, under the newly established Information & Safety Systems Business Group to strengthen the development of systems from a "driver assistance" perspective.

In order to accurately respond to customer needs, we also upgraded and enhanced our product supply framework. In Japan, this involved expanding semiconductor wafer manufacturing facilities at our Kota Plant to boost output of IC devices. We also spun off our Kitakyushu Plant and boosted its capacity to produce components for diesel injection systems.



During the year, DENSO also established four new production sites in China, which respectively manufacture car navigation systems, instrument clusters, compressors for air conditioners and oil filters. In North America, we decided to increase capacity at DENSO Manufacturing Tennessee, Inc., which manufactures automotive electronic components.

Outlook for Fiscal 2007

Despite uncertainties such as fluctuating exchange rates and the impact of surging prices for raw materials, domestic and overseas automobile production is expected to remain firm in fiscal 2007, ending March 31, 2007. Against this backdrop, the DENSO Group will further enhance the competitiveness of its products and roll out

aggressive sales activities. Based on these and other initiatives, we are projecting consolidated net sales of ¥3,380 billion, up 6.0%, operating income of ¥282 billion, an increase of 5.8%, and net income of ¥173 billion, up 2.0% compared to the year under review. All would represent record figures for the Company.

Capital Expenditures and Investment in R&D

Capital expenditures rose 22.7% during fiscal 2006 to ¥288.7 billion. We are planning to increase capital expenditures to ¥327 billion in fiscal 2007 to respond to automakers' aggressive plans to increase output and to support their global business operations. Specifically, we will increase output of car air conditioners, diesel common rail systems and automotive electronics.

Investment in R&D totaled ¥256.3 billion, equivalent to 8.0% of consolidated net sales, in the year under review. We are budgeting for ¥272 billion in fiscal 2007, the same ratio to net sales, mainly for R&D related to HEVs and diesel components. R&D investment as a percentage of net sales is around 5.0% on average in the auto industry. We believe that maintaining a relatively high figure of 8.0% will preserve our competitiveness and ensure we continue to deliver sustained growth as an automotive components supplier.

DENSO Vision 2015

The Kind of Company We Aspire to Be

Buoyed by firm automobile production in Japan and overseas, we attained ahead of schedule the final-year targets of our medium-term management plan DENSO Vision 2005, which ended in the year under review. Based on this performance, in April 2004, we formulated DENSO Vision 2015, which sets our direction for the Group over the next ten years.

In DENSO Vision 2015, we spell out how we plan to realize management befitting an Excellent Global Company in four key ways:

- Lead the development of the automotive society by proposing to automakers and then developing a whole host of world-first and global market-leading products; contribute to the development of society and the automotive industry through sustained growth.
- Supply products that give satisfaction to customers worldwide to establish a firm presence in each global market; realize a globally balanced earnings structure.
- Conduct corporate activities focused on environmental and social issues, as well as operating results, that earn the trust of all stakeholders.
- Promote greater autonomy among the Group's 100,000 associates in each global operating region, and evolve into a Group that leverages their capabilities and their international knowledge.

Our Long-term Plan for 2010

Guided by the aforementioned objectives, we also formulated a five-year plan to take us through to 2010, underpinned by the following six points:

- Develop products based on research into the future of the automotive society
- Create new businesses that generate dynamic thinking and approaches
- Win even greater trust worldwide in our way of manufacturing
- Conduct operations adapted to each market while adopting the best attributes of each region
- Manage the Group in a way that encourages autonomy and captures synergies
- Foster associates committed to innovation and creativity

Please turn to the Feature Section to read more about our thinking on these points.



Management That Exceeds the Expectations of Stakeholders

While improving operating results is important, the DENSO Group has also put the highest management priority on contributing to the sustained development of society in environmental and social contexts by realizing continued growth balanced with corporate social responsibility. Based on this thinking, and spearheaded by our Corporate Social Responsibility (CSR) Promotion Center established in January 2005, we are working to raise awareness among our 100,000-strong global workforce of three key areas for further emphasis—environmental protection, social contribution, and workforce diversity. We are also promoting compliance across the Group.

Aiming to go “Beyond All Expectations” of our shareholders, customers, business partners, regional communities and other stakeholders, the entire DENSO Group will work to make DENSO Vision 2015 a reality.



Koichi Fukaya
President and CEO



Feature Section:

Long-term Plan for 2010*

*Targeting the fiscal year ending March 31, 2011

DENSO Vision 2015

DENSO Vision 2015, an extension of DENSO Vision 2005, was launched in April 2004 to lead the Group forward in a changing business climate.

This vision is built around the fundamental concept of providing “consideration and fulfillment to people worldwide.” We have two goals here—contribute to the creation of an advanced automotive society, and evolve into a truly global corporation. In the first area, our aim is to help create an automotive society where cars have minimum impact on the environment, traffic accidents are significantly reduced, and people can enjoy driving and the convenience of their cars to the full. In the second area, our aim is to become a corporation that supplies products that give satisfaction to more customers worldwide. This will mean becoming more firmly entrenched in each region and drawing on the international expertise and knowledge of all our local associates.

The Kind of Company We Aspire to Be

Guided by these concepts, we are aiming to realize our vision for the DENSO Group in 2015 by working on the following four key objectives. Our ultimate aim is to become an Excellent Global Company:

- **Lead the development of the automotive society by proposing and developing a stream of world-first and global market-leading products that contribute to the evolution of society and the prosperity of the industry.**
- **Supply products that give satisfaction to customers worldwide to establish a firm presence in each global market and realize a globally balanced earnings structure.**
- **Conduct corporate activities focused on environmental and social issues, as well as operating results, that earn the trust of all stakeholders.**
- **Promote greater autonomy among the Group’s 100,000 associates in each global operating region, and evolve into a Group that leverages their capabilities and international knowledge.**

These four objectives will guide our efforts as we work to realize the long-term plan for 2010.

Long-term Plan: Two Goals, Six Initiatives



Thermal testing simulating conditions at the equator

Goal One: Contribute to the creation of an advanced automotive society

Initiative One:

Product Development

Initiative Two:

New Business Development

Initiative Three:

The DENSO Way of Manufacturing



Team building at a DENSO plant in Mexico

Goal Two: Evolve into a truly global corporation

Initiative Four:

Business Operation

Initiative Five:

Group Management

Initiative Six:

Personnel Development

- Respond to polarizing market needs by supplying both high-performance products and conventional products at low cost.
- Offer new value by supplying world-first and global market-leading systems and components.

- Develop aftermarket and non-automotive businesses, such as industrial equipment and water heaters, into key earning streams to support growth.
- Constantly seek out new business opportunities that offer new challenges and innovations.

- Further reinforce DENSO's reputation for quality to build a stronger brand among customers.
- Develop manufacturing sites with the capability to lead on quality, cost and delivery in every region worldwide.

In particular, to boost quality, we will focus more on actual manufacturing sites and activities, strengthen internal Group networks, and enhance our ongoing Challenge Zero Program, which is designed to eliminate all customer complaints and product quality issues. Additionally, to enhance workplace safety, we will reassess and improve current conditions, drawing on the collective expertise and capabilities of the DENSO Group.

- Build a worldwide design and development framework that draws on the expertise of DENSO's overseas associates.
- Create an operating structure resilient to exchange rate fluctuations by utilizing global manufacturing sites to concentrate or disperse production depending on the characteristics of each product and region.

- Utilize DENSO's strengths to become an innovative global leader in CSR that fulfills its environmental and social responsibilities while staying focused on business performance.
- To supplement existing business group management, add and enhance functions and regional capabilities to give more autonomy to Group companies.

- In expanding overseas operations, build a robust DENSO management approach in local personnel systems.
- Promote the creation of workplaces where women, older employees and other personnel can fully maximize their skills.

The above six initiatives will underpin our efforts to realize the two goals of contributing to the creation of an advanced automotive society and evolving into a truly global corporation.

Realizing the Six Initiatives—Case Studies

Product Development

Develop groundbreaking components and systems

DENSO will promote the development of groundbreaking components and systems in the four key areas of the environment, safety, comfort and convenience.

DENSO will also accelerate the creation of world-first products that incorporate new technologies and functions, and expand its lineup of existing global market-leading products.

In this way, we are aiming to drive the growth of the DENSO Group up to 2010 with world-first and global market-leading products.

DENSO's fundamental approach to safety

In recent years, we have been putting even greater emphasis on safety in product development. Safe driving means constantly being aware of your surroundings and making appropriate decisions in response to each situation. At DENSO, we are now working to respond to growing calls for products with functions that offer enhanced driver assistance. To create these functions, we will have to develop system products that link the driver with the car, and the car with its surrounding environment. In this way, we plan to offer greater consideration and fulfillment to drivers.

Business Operation

Build a worldwide design and development framework

In response to rising sales in markets worldwide, DENSO has upgraded its manufacturing, design and development functions in each region. However, the majority of design and development functions in particular are still concentrated at head office.

Going forward, we plan to change this situation to support DENSO's global growth. This will mean increasing the number of design and development personnel in each region to rapidly respond to the needs of local customers. In particular, we will enhance local capabilities to attain our goal of carrying out all application design activities at local sites by 2015.

Group Management

DENSO plans to put even greater emphasis on CSR. For details, please refer to the Corporate Social Responsibility section on pages 24 and 25.

Returning Profits to Shareholders

Going forward, we will continue to return profits to shareholders in a continuous manner through dividends and share buybacks.

Dividends

We will steadily raise dividends, while taking into account Group operating performance, as a means of paying stable returns to shareholders over the long term.

Share buybacks

We see share buybacks as a means of flexibly using retained earnings to return profits to shareholders. The amount of funds used for share buybacks will be based on our business plans and cash flows.

DENSO's Targets for Fiscal 2011

Provided the abovementioned initiatives and activities are implemented according to our long-term plan, we believe DENSO will be able to achieve the following net sales and ROE targets based on our forecast for global car production:

Global car production forecast

We project output will rise from 65.7 million units in fiscal 2006 to 77.0 million units in fiscal 2011, an average annual increase of around 3%.

DENSO Group net sales

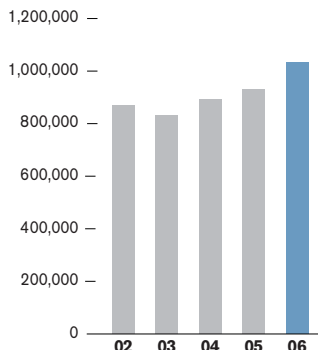
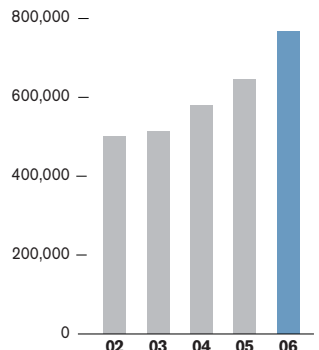
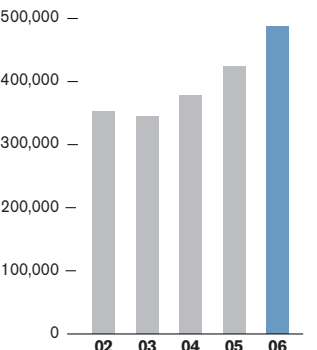
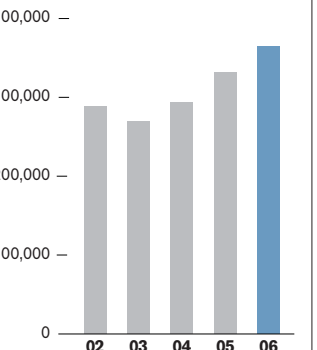
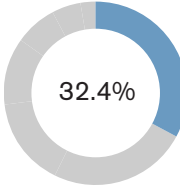
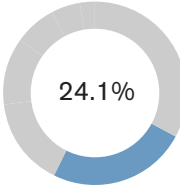
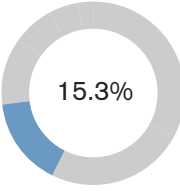
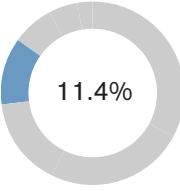
In fiscal 2006, DENSO posted consolidated net sales of ¥3,188.3 billion. Providing the operating environment develops as projected, we expect Group sales will exceed ¥4 trillion by fiscal 2011, representing an average annual increase of about 5%. Over the long term, we are determined to grow faster than the rate of growth in car production.

ROE

In fiscal 2006, ROE was 9.4%. In addition to efforts to boost corporate value, we plan to raise this figure to 10.0% by fiscal 2011 through our ongoing share buyback program and other initiatives.

All the initiatives and activities outlined will underpin our efforts to realize an advanced automotive society based on consideration and fulfillment.

Review of Operations by Segment

Automotive				
Thermal Systems	Powertrain Control Systems	Electronic Systems	Electric Systems	
<p>Net Sales (Millions of yen)</p> 	<p>Net Sales (Millions of yen)</p> 	<p>Net Sales (Millions of yen)</p> 	<p>Net Sales (Millions of yen)</p> 	
<p>Percentage of Net Sales (%)</p> 	<p>Percentage of Net Sales (%)</p> 	<p>Percentage of Net Sales (%)</p> 	<p>Percentage of Net Sales (%)</p> 	
<p>Main Products</p> <p>[Air-conditioning Products] Air-conditioning systems for cars, buses, and construction equipment, Truck refrigeration units, Air purifiers</p> <p>[Cooling Systems and Components] Radiators, Cooling fans, Inter coolers, Oil coolers, Front-end modules, Cooling modules</p> <p style="text-align: right;">→ P.16</p>	<p>Main Products</p> <p>[Engine Control Components] Ignition coils, Magnetos, Spark plugs, Glow plugs, Exhaust gas sensors, Ceramic substrates, Diesel Particulate Filters (DPFs)</p> <p>[System Control Components] Valves (Exhaust gas recirculation (EGR) valves, Automatic transmission (AT) control valves, AT solenoid valves, and others), Canisters, Knock sensors, Accelerator sensors, Variable cam timing (VCT) components, Throttle bodies, Air flow meters, Oil filters, Air cleaners, Integrated air fuel modules, Shift-by-wire actuators, Horns</p> <p>[Fuel Injection Products] Diesel engine-related components (Common rail systems, In-line fuel injection pumps, Rotary fuel injection pumps, Nozzles, and others), Gasoline engine-related components (Fuel pumps, Fuel pump modules, Fuel filters, Fuel injectors, and others)</p> <p style="text-align: right;">→ P.17</p>	<p>Main Products</p> <p>[Electronics Products] Engine ECUs, AT control ECUs</p> <p>[Electronics Devices] Semiconductor sensors, Monolithic ICs, Hybrid ICs</p> <p>[Relays]</p> <p style="text-align: right;">→ P.18</p>	<p>Main Products</p> <p>[Engine Electrical Systems] Starters, Alternators</p> <p>[EHV Components] Inverters, DC-DC converters, Battery monitoring units</p> <p>[EPS Components] ECUs and sensors for electric power steering systems</p> <p style="text-align: right;">→ P.19</p>	

Notes: 1. DENSO reorganized its business groups on January 1, 2006. Net sales by product in the above table reflect segment classifications used in the previous fiscal year, while main products are shown in accordance with new segment classifications.

2. In addition to the above, the Other business segment recorded net sales of ¥115,832 million, ¥87,433 million, ¥87,989 million, ¥92,908 million, and ¥91,986 million in the years ended March 31, 2002, 2003, 2004, 2005 and 2006, respectively.

		Non-automotive																																					
	Small Motors	Information and Safety Systems	Industrial Systems Consumer Products																																				
	<p>Net Sales (Millions of yen)</p> <table border="1"> <caption>Net Sales - Small Motors (Millions of yen)</caption> <tr><th>Year</th><td>02</td><td>03</td><td>04</td><td>05</td><td>06</td></tr> <tr><th>Sales</th><td>165,000</td><td>170,000</td><td>180,000</td><td>190,000</td><td>225,000</td></tr> </table>	Year	02	03	04	05	06	Sales	165,000	170,000	180,000	190,000	225,000	<p>Net Sales* (Millions of yen)</p> <table border="1"> <caption>Net Sales* - Information and Safety Systems (Millions of yen)</caption> <tr><th>Year</th><td>02</td><td>03</td><td>04</td><td>05</td><td>06</td></tr> <tr><th>Sales</th><td>55,000</td><td>60,000</td><td>90,000</td><td>120,000</td><td>150,000</td></tr> </table> <p>* Sales of ITS products only.</p>	Year	02	03	04	05	06	Sales	55,000	60,000	90,000	120,000	150,000	<p>Net Sales (Millions of yen)</p> <table border="1"> <caption>Net Sales - Industrial Systems and Consumer Products (Millions of yen)</caption> <tr><th>Year</th><td>02</td><td>03</td><td>04</td><td>05</td><td>06</td></tr> <tr><th>Sales</th><td>48,000</td><td>52,000</td><td>53,000</td><td>58,000</td><td>70,000</td></tr> </table>	Year	02	03	04	05	06	Sales	48,000	52,000	53,000	58,000	70,000
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Year	02	03	04	05	06																																		
Sales	48,000	52,000	53,000	58,000	70,000																																		
	<p>Percentage of Net Sales (%)</p> <p>7.0%</p>	<p>Percentage of Net Sales (%)</p> <p>4.7%</p>	<p>Percentage of Net Sales (%)</p> <p>2.2%</p>																																				
	<p>Main Products</p> <p>Windshield wiper systems, Windshield washer systems, Power window motors, Power seat motors, Power steering motors, and other automotive motors</p> <p style="text-align: right;">→ P.20</p>	<p>Main Products</p> <p>[Body Electronics Components] Instrument clusters, Integrated climate control panels, Smart keys, Remote keyless entry controllers, Rear and corner sonars, Car security systems, Body ECUs</p> <p>[ITS Products] Car navigation systems, Electronic Toll Collection (ETC) on-board equipment, Advanced Vehicle Operation Systems (AVOS), Data communication modules</p> <p>[Driving Assist and Safety Products] Airbag sensors and ECUs, ABS actuators and ECUs, Laser radars and ECUs for adaptive cruise control systems, Millimeter-wave radars and ECUs for pre-crash safety systems, HID ballast, ECUs for adaptive front lighting systems</p> <p style="text-align: right;">→ P.21</p>	<p>Main Products</p> <p>[Automatic ID Data Capture Devices] Bar code handy scanners and handy terminals, QR code scanners and handy terminals, Smart cards and reader/writers, Radio Frequency-Identification (RF-ID) systems, Security systems</p> <p>[Factory Automation (FA) Products] Industrial robots, Programmable controllers</p> <p>[Refrigeration and Air-Conditioning Systems] Cooling units for electronic devices (Mobile phone base stations, Computers, and others), Kerosene heat pumps, Spot coolers and heaters</p> <p style="text-align: right;">→ P.23</p>	<p>Main Products</p> <p>CO₂ refrigerant heat-pump water heaters, Automatic faucets, Electrically powered kitchen systems</p> <p style="text-align: right;">→ P.23</p>																																			

Thermal Systems

Overview

In May 2005, TD Automotive Compressor Kunshan, Co., Ltd. was established in Kunshan, China, as a manufacturer of compressors for car air conditioners. This new supplier is a joint venture between DENSO, Toyota Industries Corporation and other partners.

Efforts to expand sales during the year included increasing sales of HVAC units to DaimlerChrysler Corporation, and air-conditioning systems and cooling modules to General Motors Corporation (GM).

In terms of new products, DENSO launched a car air-conditioning system equipped with a double-pipe internal heat exchanger. In creating this system, the conventional two-pipe configuration for conducting the refrigerant was replaced by a double-pipe design (one pipe within the other). The double-pipe internal heat exchanger in this new system, which uses the temperature differential between refrigerants during the cooling cycle to perform internal heat exchange, achieves a 5% to 12% improvement in cooling performance over conventional air-conditioning models. Thermal Systems also launched a smaller, lighter, and less-expensive front-end module that uses the same integrated carrier for the radiator, air-conditioning condenser, washer tank, electric fan, motor and duct. These modules are roughly 30% more compact and around 20% lighter than conventional non-modularized configurations, two features that have also realized lower costs.

These and other actions resulted in segment sales of ¥1,032.0 billion, an increase of 10.8% from the previous fiscal year.



Double-pipe Internal Heat Exchanger



Smaller, Lighter, and Less-expensive Front-end Module

Perspective

Car air conditioners

In addition to a rising demand for improved vehicle cabin comfort, this area is likely to see customers demand highly efficient car air conditioners that can meet increasingly stringent fuel consumption requirements. Current moves by governments to restrict the use of fluorocarbon refrigerants are also expected to spur a stronger need to respond to environmental concerns. In this context, DENSO is working to improve independent climate control and other heating and temperature-related enhancements related to cabin comfort. In parallel, DENSO is taking steps to develop filters and other products to improve air quality in a push to create high-value-added products that lead to greater cabin comfort. In response to environmental concerns, DENSO is striving to achieve high efficiency for all components in order to raise total system efficiency. Another goal going forward is to contribute to society through the development of air conditioners based on natural refrigerants.

Radiators

In the area of radiators, also known as powertrain cooling system components, the challenge will be to meet demands from automakers for improved engine efficiency and output, as well as the need for lower fuel consumption in light of surging gasoline prices and stricter fuel efficiency regulations. To meet these needs, DENSO is promoting the development and commercialization of products in three main areas: high-performance, compact cooling systems; products created from DENSO cooling and climate control technologies that contribute to improved fuel efficiency, faster warm-up speed and

enhanced power output; and thermal management system products based on applied waste heat recovery, heat exchange and other technologies.

Powertrain Control Systems

Overview

DENSO reorganized this business group in the year under review to put a stronger emphasis on gasoline and diesel engine management systems and components. Powertrain Control Systems now consists of the Fuel Injection Product Division, Engine Control Components Division, and System Control Components Division. The Electric Hybrid Vehicle (EHV) Components Product Division was transferred to the Electric Systems Business Group.

On the supply front, in April 2005, DENSO established oil filter producer Toyota Boshoku Foshan Co., Ltd. as a joint venture with Toyota Boshoku Corporation in Foshan, China. The Company also boosted production capacity for gasoline fuel injectors by adding capacity at production sites in Japan, North America, Hungary and China. Production capacity for fuel pump modules and VCT components was also increased in Japan.

In terms of moves to increase sales, DENSO began delivering diesel common rail systems to Ford of Europe, a division of the Ford Motor Company, as well as diesel electronic throttle bodies to Mazda Motor Corporation, Mitsubishi Motors Corporation and Nissan Motor Co., Ltd.

New products launched included a high flow variable force solenoid for automatic transmissions that enables direct control of clutch pressure.

As a result of the foregoing, sales of ballasts, igniters and other engine control components, as well as common rail systems and other diesel injection components increased, resulting in segment sales of ¥766.9 billion, an increase of 18.7% year on year.



High Flow Variable Force Solenoid

Perspective

Gasoline engine-related systems and components

Exhaust emissions from port fuel injection (PFI) engines are already purified to levels common in the atmosphere. One outstanding issue going forward remains the extent to which improved fuel efficiency can help to lower CO₂ emissions. To this end, DENSO is promoting the development of products compatible with direct injection engines, which contribute to improved fuel efficiency.

Diesel engine-related systems and components

Diesel vehicles make up roughly 50% of the market in Europe. Due to this high percentage, stronger voluntary regulatory actions to restrict CO₂ emissions and tighter emissions than the Euro5 standards are anticipated going forward. In North America, while stricter Corporate Average Fuel Economy (CAFE) standards may herald a shift to diesel engines, particularly for SUVs, one issue on the horizon is compliance with Tier 2 Bin 5 emissions regulations. In Japan, regulations that may set diesel engine particulate matter (PM) emission standards at the same level as those for gasoline engines are expected to be adopted in either 2009 or 2010. Consequently, this prospect is generating a greater need for diesel particulate filters (DPFs) and other PM countermeasures. DENSO is

responding by developing high-pressure fuel injection (2,000-bar) technology, precision fuel injection technology and sensors for auxiliary control. The dual aim here is to reduce exhaust gas emissions and create systems that contain total costs by simplifying after-treatment processes. DENSO is developing various after-treatment systems for exhaust gas, including cordierite-based DPFs, lean NOx traps (LNTs), and urea selective catalytic reduction (SCR) systems.

Electronic Systems

Overview

DENSO reorganized this business group to put a stronger emphasis on hardware and software for automotive electronic control systems. Electronic Systems now consists of the Electronics Product Division, which handles engine electronic control units (ECUs) and other products, and the Electronics Device Product Division, which handles integrated circuits (ICs) and other components. The Body Electronics Components Product Division, mainly responsible for instrument clusters, was transferred to the Information and Safety Systems Business Group.

With respect to supply, in February 2006, DENSO boosted IC production capacity by building an additional facility to produce IC wafers on the site of its Kota Plant in Japan. Output at this facility is expected to reach 10,000 8-inch wafers per month by fiscal 2010.

As a result of these actions, sales in this business segment rose 14.7% year on year to ¥486.8 billion. Segment sales were supported primarily by sales in Japan of instrument clusters and other body electronics products, and engine ECUs.

Perspective

Engine ECUs

The prevailing demands in this component field are for improved fuel efficiency and vehicle performance by linking engine control systems with other systems. In terms of specifications, users are looking for ECUs that are smaller, more durable and offer better heat resistance. In this context, DENSO is developing integrated control systems that combine the numerous ECUs currently installed in cars, and torque-based controls, as well as the software platforms critical to realizing these integrated systems. DENSO is also bolstering the development of new mounting and elemental technologies to enhance ECU specifications.

Semiconductor sensors

In response to tighter regulations and laws governing exhaust emissions, control systems are becoming more sophisticated. The range of areas where sensors now play a critical role is also expanding. Accordingly, sensors are expected to be durable enough to withstand engine exhaust gases, 100% pure gasoline fumes and other harsh environments, to deliver high levels of accuracy and wide detection ranges. DENSO is determined to meet these needs by leveraging its strengths as a total systems company, aiming to realize volume production of pressure, acceleration, rotary position and light sensors for a variety of systems ahead of competitors. To create these key devices, DENSO conducts product planning that anticipates system needs, and draws on highly trusted technology—the kind

only possible with fully integrated production technology encompassing everything from wafer processing through to system packaging. Going forward, DENSO will seek to offer high-performance, hybrid sensors developed from its proprietary elemental, material, and production technologies to meet demand for systems with more sophisticated and diverse specifications.

Electric Systems

Overview

In the Electric Systems Business, DENSO has brought together electrical products for cars under a single organization, reorganizing this business group into the Engine Electrical Systems Product Division, mainly responsible for starters and alternators, and the EHV Components Product Division, which primarily handles hybrid electric vehicle (HEV) components. This reorganization was enacted in a bid to capture synergies between DENSO's power electronics technologies. The Driving Assist and Safety Product Division, responsible largely for radar cruise control systems and pre-crash safety systems, was transferred to the newly established Information and Safety Systems Business Group.

New product launches during the year included a steering torque sensor. DENSO was the first company in the industry worldwide to develop this position sensor, a key component in electric power steering (EPS) systems that better interpret driver intent. DENSO also launched an air-cooled DC-DC converter for hybrid vehicles. With an output of 120 amperes, this product is the first-ever high-output air-cooled DC-DC converter for use in hybrid vehicles.

As a result, sales in this business segment climbed 10.1% year on year to ¥364.8 billion. This improvement reflected expanded sales of alternators and other engine electrical products, EPS system ECUs, and vehicle stability control (VSC) systems and other safety-related products.



Steering Torque Sensor



Air-cooled DC-DC Converter

Perspective

Starters

As calls for lower fuel consumption increase, demand is projected to grow for vehicles with engines that automatically switch off when idling. DENSO is addressing this market need by developing starters compatible with these eco-drive vehicles. Starters designed for eco-drive vehicles allow them to quickly restart their engines and then accelerate from rest at traffic lights, for example. These starters also have to be more durable to handle frequent starting and stopping during urban driving.

Alternators

Automakers have long needed alternators with improved power generation capacity to support increased electricity consumption in vehicles. Another requirement has been to reduce magnetic noise to enhance cabin comfort. Other needs are for lighter products that improve fuel efficiency and reduce CO₂ emissions, and smaller alternators that are easier to install in vehicles. A newly emerging need is for alternators that offer optimal power generation and charging control. To meet these needs, DENSO has developed high-output (150 to 220A) segment conductor (SC) alternators, and now supplies a full range of products from low- to high-output models. Going forward, DENSO will strive to further improve the output of its SC alternators, and develop related components to meet market requirements.

Hybrid vehicle components

Toyota Motor Corporation has announced its vision to sell 1 million hybrid vehicles annually by 2012. Other automakers appear poised to follow Toyota's lead. As growth in the hybrid vehicle market accelerates, DENSO is taking part in development across the entire Toyota hybrid system, supplying battery monitoring units, DC-DC converters, inverters, electric car air conditioners, and other components used in its hybrid vehicles. DENSO is now moving forward with the development of technologies for achieving smaller, more efficient and lower cost components, to contribute to improved hybrid vehicle performance and market growth.

Electric power steering systems (EPS)

Driven by automaker needs for greater fuel efficiency and easier installation, the EPS market is expected to undergo rapid expansion by 2010. Furthermore, automakers are looking for systems that are compatible with various vehicle models—from large- and standard-sized models to compact cars. In fiscal 2006, DENSO responded to these needs by offering a lineup of ECUs, sensors, and motors compatible with this wide range of vehicles. Besides adding improvements going forward, DENSO will work to create supply structures for these products, including overseas production sites, optimized for cost and service.

Small Motors

Overview

In July 2005, DENSO established ASMO (Guangzhou) Small Motor Co., Ltd., a producer of windshield wiper systems, windshield washer systems, power rear sunshades and other products in Guangzhou, China.

During the year, DENSO also expanded sales of windshield wiper systems to GM, and windshield wiper and washer systems to Ford.

In terms of new products, fiscal 2006 saw the launch of a new type of power seat motor, the world's smallest and most lightweight (volume down 51%, mass reduced 37% compared to existing models), created using four-pole Nd-Fe-B bonded magnets. DENSO also launched a new brushless motor that enhances the performance and installation of EPS. The use of Nd-Fe-B sintered magnets in the rotor enabled DENSO to make the motor more compact and reduce inertia.

These and other actions lifted segment sales 16.1% year on year to ¥224.7 billion, primarily reflecting growth in sales of windshield wiper systems, power seat motors and sliding-door closer motors.

Perspective

Windshield wiper systems

Tracking expansion in vehicle cabin space and greater fuel efficiency, there is significant demand for smaller, lightweight wiper components. In addition to improvements in basic wiper performance, there is also a need for qualitative enhancements in the appearance of exterior parts. To meet these market needs, DENSO supplies windshield wiper systems that offer a level of compactness, lightness, and wiping performance that is among the best in the world. Development is also under way on the next



New Power Seat Motor



New Brushless Motor for EPS

generation of products that will raise the performance bar even higher, including systems that look better and offer improved control functions.

Windshield washer systems

Demands from automakers for lighter products that improve fuel efficiency, as well as systems that maintain more efficient wiper performance by using only the optimal amount of fluid required for cleaning, are steadily gaining momentum. Another customer demand is for qualitative enhancements to enhance the appearance of external parts. In answering these market needs, DENSO has launched systems equipped with some of the world's most compact and lightweight high-efficiency pumps in a push to reduce total system weight. A windshield washer system that reduces the amount of fluid used is also currently under development.

Power window motors

Vehicle doors are becoming slimmer to provide more cabin space. This trend has caused a substantial increase in demand for smaller and lighter power window motors. And as new cars are increasingly fitted with remote control, automatic operation and other value-added power window functions, more cars require jam-protection systems. This means there is a growing need for smart motors with built-in control circuits. DENSO already offers some of the world's lightest, most compact power window motors, which it currently markets worldwide. In response to needs for smart motors, the Company has already completed development of smart power window motors and is preparing to add these motors to its product lineup.

Information and Safety Systems

Overview

Information and Safety Systems was newly established as part of DENSO's business group reorganization in January 2006. This change has brought together the previously dispersed information- and safety-related product divisions under a single business group with a view to promoting the development of driver assistance systems. Information and Safety Systems is composed of the ITS Product Division, specializing chiefly in car navigation systems, the Driving Assist and Safety Product Division, which mainly handles radar cruise control and pre-crash safety systems, and the Body Electronics Components Product Division, concerned mainly with instrument clusters.

On the supply front, DENSO established two new companies in Tianjin, China: DENSO Tianjin ITS Co., Ltd., a producer of car navigation systems set up in June 2005, and instrument cluster manufacturer Tianjin Poon Sung Electronics Co., Ltd., established in February 2006.

During the year, DENSO also expanded sales of body control modules to GM, and car navigation systems to Volvo Car Corporation and Hyundai Motor Company.

In terms of new products, DENSO became the first company in the industry worldwide to commercially develop ECUs, security cameras and upgraded data communication modules for remote security systems. These systems photograph individuals attempting to illegally enter a vehicle and transmit the images to the system user. Another world-first was the launch of light-sensitive optitron



Remote Security ECU



Light-sensitive Optitron
Instrument Cluster

instrument clusters. These instrument clusters utilize electrochromic devices to reduce glare in transparent glass in response to external light sources.

Sales (ITS Product Business only) climbed 24.7% year on year to ¥150.9 billion on the back of growth in sales of car navigation systems in North America and Europe.

(Please note that figures are based on DENSO's prior year business classification. No sales data is available for the Information and Safety Systems Business.)

Perspective

Body electronics

As automakers worldwide seek to distinguish themselves in the marketplace and improve product quality, greater steps are being taken to enhance functions that improve convenience, comfort and security. Recognizing this trend, DENSO is developing and commercializing smart entry and push start systems and other functions that realize outstanding levels of convenience, as well as a remote security system and other sophisticated anti-theft equipment. Illustrated by equipment such as back and corner sonar systems and tire pressure monitoring systems, both of which enable safe and secure driving, DENSO is busy developing a wide range of new functions and products in the area of body electronics.

Instrument clusters

It is becoming increasingly important to convey a range of vehicle information at the proper time to drivers, not just speed and engine RPM. This trend is heightening the need for products that monitor the vehicle's surrounding environment and that offer driver assistance. This is particularly the case in North America, where moves to codify regulations regarding the rear field of vision for vehicles have caused a surge in demand for back sonar and rearview monitors. DENSO is answering these needs with affordable and visually acute products currently under development. To this end, the Company is developing high visibility multimedia displays that incorporate compact TFT screens. Where driver assistance is concerned, DENSO is developing easy-to-operate navigation systems exclusively for use by drivers, with the aim of one day launching navigation system-embedded instrument clusters.

Car navigation systems

In addition to Japan, demand for car navigation systems has started to take off in the North American and European markets. Demand is now polarized between low-priced systems integrated with audio equipment for convenience and comfort, and systems that are integrated with vehicle control equipment to provide enhanced safety and security. DENSO develops custom LSIs with scalability features that allow them to be used in products ranging from basic car navigation systems to high-end multimedia systems. The Company is also developing systems that will enhance the attractiveness of vehicles by working in linkage with other vehicle equipment, such as instrument clusters and cruise control systems.

Driving assist and safety

While rising awareness about safety is expected to lead to growth in this market, one key issue going forward will be to reduce prices so that these systems become standard on more vehicles. For its part, DENSO is focusing on the system and component aspects of radar cruise control, pre-crash safety and similar systems to realize cost levels that will promote the widespread adoption of these systems, alongside initiatives to further boost system performance.

Non-automotive

Industrial Systems and Consumer Products



G Series of Mini-sized Industrial Articulated Robots



Bar Code Handy Terminal BHT-500



Bar Code Handy Terminal BHT-400

Overview

One new product developed by DENSO during the year was a high-output CO₂ refrigerant heat-pump unit that can be used in colder climates. The Company also launched several other products. One was the G Series of mini-sized industrial articulated robots. Thanks to a complete redesign of its controllers, this series can process programming roughly five times faster than earlier DENSO models. This innovation has made it possible to achieve high-speed integrated control of facilities and equipment where these robots are in operation. Another product launched during the year was the bar code handy terminal BHT-500, featuring a compact, easy-to-hold and stylish body, a QVGA color LCD screen, as well as improved bar code reading performance and network functions. The bar code handy terminal BHT-400, equipped with Windows CE 5.0, a large QVGA color LCD screen, and offering superior operability and stability, was also launched.

These moves resulted in an increase in sales of 19.2% to ¥70.3 billion. This growth was the result of healthy sales of CO₂ refrigerant heat-pump water heaters, reflecting market expansion due to environmental subsidies offered by the Japanese government and the growing popularity of all-electric homes, and strong sales in the industrial systems business.

Perspective

Refrigeration and air-conditioning systems

Amid requirements in every sector of society for greater energy efficiency, convenience and comfort, DENSO is applying thermal systems technology acquired as one of the industry's top car air-conditioner manufacturers to the development of revolutionary new non-automotive products. Development will continue to focus on CO₂ refrigerant heat-pump water heaters, ejector cycle refrigeration and other new products and technologies that help save energy. DENSO is also expanding its activities to include areas such as cooling systems for electronic devices based on heat-exchanger technology.

Automatic ID data capture devices

Needs for automatic identification are steadily rising in retail, logistics, factory automation and a wide range of other areas. Through its involvement in automotive electronics, DENSO has global class-leading technology resources and quality control systems. Backed by this expertise, the Company, as a pioneer in bar code and 2D code readers, reliably serves this field at all phases from product development, sales and service support through to systems integration.

Factory automation

At the manufacturing frontline, the overarching demand is for flexible production frameworks that can respond to diversifying market needs. After intensive development within the Group, DENSO now sells factory automation (FA) system products to external customers. DENSO also offers FA solutions for a variety of manufacturing plants the world over. These solutions are centered on industrial robots, born out of the Group's production technology capabilities cultivated over the years, and programmable controllers that provide sequence control for production lines, machine tools and logistics transport equipment at factories.

Corporate Social Responsibility

Overview

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

Our CSR activities have earned high marks outside the Group. One example is DENSO's inclusion in two socially responsible investment indices: the Dow Jones Sustainability Index (DJSI) for the sixth year running and the Ethibel Sustainability Index (ESI) from June 2004.

CSR Framework

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

The DENSO Group Declaration of Corporate Behavior

Formulated in April 2006, this declaration sits at the heart of our CSR activities. It defines our policy on relationships with stakeholders in terms of the kind of corporate activities we need to implement to contribute to the sustained development of society.

CSR Activities

The DENSO Group is putting added emphasis on three key areas in its CSR activities: environmental protection, social contribution and workforce diversity. Below, we explain these areas in more detail.

Environmental Protection

In November 2005, we formulated DENSO EcoVision 2015, which sets out our new environmental action policy and defines our basic environmental strategy. In line with DENSO EcoVision 2015, we are working to coexist with society and the environment based on four key approaches: enhancing the development of environmentally friendly products; ascertaining then reducing the volume of CO₂ emitted by all our corporate activities; steadily reducing our global environmental impact; and reinforcing Group-wide environmental management. Below, we explain the first two areas in more detail.

i) Enhancing the development of environmentally friendly products

As a supplier of automotive components and systems, the DENSO Group believes that developing technologies and products that reduce the environmental impact of automobiles is vital to the sustained development of society. Concrete examples of these efforts in fiscal 2006 included the following: (a) newly launched products that improve vehicle fuel efficiency, such as the world's lightest alternator with a



high output of 220 amperes; a lightweight automotive small motor that weighs 40% less than conventional models; and a compact, lightweight, low-cost front-end module (FEM); (b) the development and launch of products for hybrid electric vehicles (HEVs) such as DC-DC converters, battery-monitoring units and system main relays for the Lexus GS450h; and (c) the development and launch of a 1,800-bar diesel common rail system with highly responsive piezo injectors that realizes significantly cleaner exhaust gas emissions. All of these products are part of DENSO's efforts to help protect the global environment.

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

Aiming to help prevent global warming, DENSO is working to reduce emissions of CO₂ in every area of its operations. These activities go beyond product and technology development to encompass manufacturing, logistics and administration divisions, as well as the actions of individual employees.

In fiscal 2006, in addition to our existing objectives, we established and began working to achieve new global targets for reducing CO₂ emissions. Specifically, we have publicly announced our commitment to reducing Group-wide emissions of CO₂ by 20% (volume of emissions in manufacturing divisions per unit of net sales: unit of production) by 2010 compared to 2000.

Initiatives in fiscal 2006 toward achieving this reduction in CO₂ emissions included visualizing and standardizing the groundbreaking energy-saving technologies and expertise we have deployed in Japan, and transferring them to other companies in the DENSO Group.

Social Contribution

DENSO is aiming to be a company trusted even more by international society through efforts to coexist with local communities worldwide. To realize this objective, we are focusing on giving back to the community through activities in three key areas: social welfare for the physically challenged, nurturing youth, and coexisting with communities.

In the first area, our efforts in Japan are focused on DENSO Taiyo Co., Ltd., a subsidiary established in 1984 to

help people with physical disabilities become more independent by providing employment opportunities. Overseas, we established the Wheelchairs and Friendship Center of Asia (WAFCA), a non-profit organization that manufactures and distributes wheelchairs in Thailand, among other activities. Established in 1999, WAFCA began extending its reach into other parts of Asia in fiscal 2006.

In addition to the Company's initiatives in the above three key areas, we believe that it is important for our employees to participate in a wide range of volunteer activities on their own initiative. Consequently, we are working to support these activities in a variety of ways, including creating systems and the right corporate environment to encourage people to participate.

One concrete example in fiscal 2006 was one day set aside for every employee in the DENSO Group in Japan and overseas to collectively participate in volunteer activities in their respective regions. Called DENSO Group Heartful Day, the aim of these activities is to win greater trust as a partner with local communities.

Workforce Diversity

DENSO is building personnel systems and creating a workplace culture to tap the full potential of its diverse human resources. As part of this approach, we are encouraging greater awareness of the DENSO Spirit.

Formulated in the year under review, the DENSO Spirit represents the enduring values of DENSO since its establishment. Due to our increasingly diverse workforce, our aim with DENSO Spirit is to create a shared set of values to instill a greater sense of togetherness among the numerous employees in the DENSO Group, while at the same time fostering mutual respect for individual employee values. By creating and fostering shared concepts and ideals in the same workplace, we are aiming to create a company that benefits from the knowledge of our people around the world.

With this objective in mind, in fiscal 2006, we began encouraging discussion among the Group workforce to spread awareness of the DENSO Spirit and how it relates to each employee's duties.

Corporate Governance, Compliance and Risk Management

Basic Policy on Corporate Governance

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

Corporate Governance System

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

Board of Directors and Board of Corporate Auditors

1. Managing officer system

DENSO has adopted the managing officer system. Using this system, DENSO is speeding up decision-making and operational execution by reducing the number of directors and appointing managing officers. The system comprises directors (13) who supervise activities in all business divisions and play a bridging role between management and day-to-day operations. The managing officers (27) focus exclusively on business execution in each business division. In addition, the term of office for directors has been reduced to one year to create a management structure capable of adapting flexibly to changes in the business environment and to further clarify management responsibility for business terms.

2. Decision-making bodies related to business execution

The Board of Directors, which meets monthly, is the Company's decision-making body with responsibility for statutory and other important management matters. DENSO also has a Top Management Meeting and other organizations that discuss issues from a Company-wide perspective prior to them being submitted to the Board of Directors.

Although DENSO has no external directors, the Company's standing corporate auditors and external corporate auditors (a total of five individuals), mentioned in the following paragraph, are responsible for monitoring the execution of duties by directors and auditing the operations and financial condition of DENSO Corporation and its domestic and overseas subsidiaries.

3. Management oversight functions

The Company's two standing corporate auditors and three external corporate auditors are responsible for monitoring the execution of duties by directors and auditing the operations

and financial condition of DENSO Corporation and its domestic and overseas subsidiaries. An academic, an attorney and an executive from another company make up the three external corporate auditors, who attend meetings of the Board of Directors and the Board of Corporate Auditors. These individuals provide advice to directors from a broad perspective and exchange opinions with the other corporate auditors.

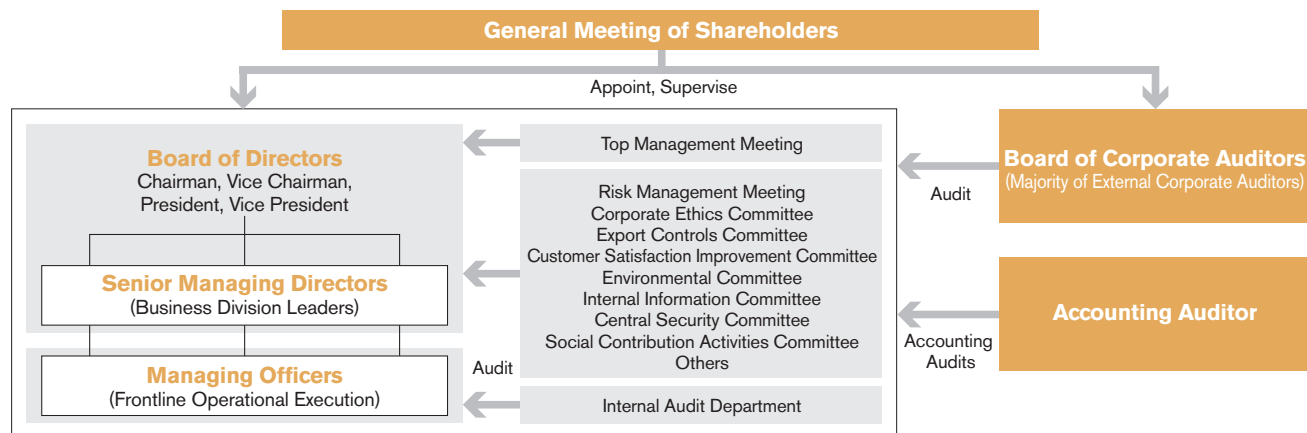
In addition to the statutory appointment of corporate auditors, the Company's audit system also comprises dedicated internal audit departments at key domestic and overseas subsidiaries. There are 40 staff in total assigned to this role.

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

Internal Control System and Basic Policy

1. System to ensure the execution of duties by directors is in compliance with relevant laws and the Articles of Incorporation
 - Directors shall, through their statements, actions and correspondence, demonstrate total commitment to the universal values, ethics and convictions enshrined in DENSO's Basic Philosophy and Code of Conduct.
 - In addition to the Board of Directors, the Top Management Meeting and other senior management meetings, directors shall conduct decision-making through cross-divisional meetings and committees and work to mutually supervise other directors.
2. Systems to store and manage information related to the execution of duties by directors
 - Important information shall be stored and managed in accordance with internal regulations.
3. Regulations and other systems to manage risk of loss
 - Risk related to businesses and investments shall be managed on a Company-wide basis in the Board of Directors, the Top Management Meeting and other senior management meetings in accordance with internal regulations; each department head shall be responsible for managing risk in their respective areas of operational responsibility.
 - In terms of other risk management, the Risk Management Meeting shall establish and operate a Company-wide system to manage risks on an individual basis in each key department.
4. System to ensure directors execute their duties efficiently
 - The Company shall pursue efficient management by reducing the number of directors through the introduction of the managing officer system.
 - In accordance with long-term management policy, the Company shall formulate policies and plans and ensure a shared sense of commitment to achieving them Company-wide.
5. System to ensure the duties and actions of employees comply with relevant laws and the Articles of Incorporation

DENSO's Corporate Governance System



- The Corporate Ethics Committee shall formulate and revise the Code of Conduct, ensure awareness of the code among employees and provide related guidance.
 - The Company shall promote awareness of the Code of Conduct through compliance training for each employee level.
 - The Company shall operate an internal whistleblower system that enables employees to communicate directly with key internal departments or outside legal counsel.
 - To ensure the legality, appropriateness and efficiency of business operations, the Internal Audit Department shall conduct internal audits in accordance with internal regulations; each department shall establish and upgrade management and operational systems based on points raised by these audits.
6. System to ensure appropriate business activities by the DENSO Group
- Decision-making by Group companies shall be conducted in accordance with internal regulations.
 - In accordance with long-term management policy, the Company shall formulate Group policy and plans on a consolidated basis and ensure a shared sense of commitment to achieving them Group-wide.
 - The Company shall provide direction on risk management and compliance to Group companies in the form of policy and guidelines, and construct and operate a Group-wide risk management and compliance system.
 - The Company shall operate an internal whistleblower system for domestic Group companies.
7. Matters related to employees requested by corporate auditors to support audit activities and the independence of such employees
- The Company shall establish a Corporate Auditors Office as a dedicated organization to support the audit activities of corporate auditors.
 - Any changes to the organization or personnel of the Corporate Auditors Office shall require the prior agreement of the Board of Corporate Auditors.
8. System for reporting information to the corporate auditors
- Corporate auditors shall gain an understanding of and monitor business execution by attending meetings of the Board of Directors, committees and other important management meetings, accessing important documents and using other means.
 - Directors, managing officers and employees shall regularly, or as necessary, submit business reports to the corporate auditors.

9. Other systems to ensure corporate auditor activities are conducted effectively

- Corporate auditors shall regularly, and as necessary, exchange opinions with the Internal Audit Department and the Accounting Auditor.
- Corporate auditors shall conduct preliminary checks of documents for the Board of Directors and other important meetings.

Compliance

DENSO has established a Corporate Ethics Committee, with the Legal Department as its secretariat, as one element of its internal control system. This committee is responsible for monitoring the legality and ethical standards of all the Company's corporate activities.

A Corporate Ethics Hotline, which provides access to outside legal counsel and the Company's Legal Department, handles questions from employees about compliance and provides related advice. In April 2005, DENSO formulated the DENSO Group Employee Code of Conduct as guidelines for behavior desirable of DENSO associates. Incorporating the spirit of its forerunner, the DENSO Code of Business Conduct, the content of this code of conduct has been significantly updated to more accurately reflect today's business environment. In addition to creating these systems and tools, DENSO also works to ensure an emphasis on compliance in management through training, newsletters and other approaches.

Risk Management

As another element of its internal control system, DENSO has established the Risk Management Meeting to minimize the diverse risks associated with its global business operations. This body is working to enhance the DENSO Group's ability to respond to risk in Japan and overseas by implementing preventative measures and initially responding to risk when it occurs.

Executive Management

(As of June 27, 2006)

Board of Directors

Chairman

Hiromu Okabe

Vice Chairman

Akihiko Saito

President and CEO

Koichi Fukaya

Executive Vice Presidents

Takao Inukai

Kazuo Matsumoto

Shinro Iwatsuki

Oyuki Ogawa

Senior Managing Directors

Michio Fukuzaki

Masatoshi Ano

Mitsuharu Kato

Mineo Hanai

Hiromi Tokuda

Director

Shoichiro Toyoda

Managing Officers

Nobuaki Katoh

Kenji Ohya

Koji Kobayashi

Mitsuo Matsushita

Minoru Ohta

Kazuo Hironaka

Sojiro Tsuchiya

Hikaru Sugi

Shinji Shirasaki

Shigehiro Nishimura

Yasushi Nei

Mitsunori Takao

Mitsuhiko Masegi

Masahiko Miyaki

Akio Shikamura

Haruya Maruyama

Manfredo Nicoletti

Yoshikazu Makino

Mikio Kumano

Akio Tajima

Yasushi Yamanaka

Sakae Kitazawa

Yoshitaka Asano

Michio Adachi

Tetsuo Kondo

Kenichiro Kamai

Hiroyuki Wakabayashi

Corporate Auditors

Standing Corporate Auditors

Nobuaki Horiuchi

Toshio Watanabe

Corporate Auditors

Fujio Cho*

Tamiki Kishida*

Tsutomu Saito*

*External Corporate Auditors



From left
Shinro Iwatsuki
Akihiko Saito
Takao Inukai
Hiromu Okabe
Kazuo Matsumoto
Koichi Fukaya
Oyuki Ogawa

Financial Section

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Financial Review

Financial Summary

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31

	2006	2005	2004	2003
Net Sales:	¥3,188,330	¥2,799,949	¥2,562,411	¥2,332,760
Sales in Japan	1,690,215	1,554,795	1,442,645	1,325,637
Sales outside Japan	1,498,115	1,245,154	1,119,766	1,007,123
Operating Income	266,559	213,895	188,659	159,893
Net Income	169,648	132,620	110,027	111,018
Total Assets	3,411,975	2,780,982	2,526,502	2,354,657
Shareholders' Equity	1,970,388	1,643,182	1,509,489	1,397,888
Capital Expenditures	288,714	235,258	196,461	171,108
Depreciation	185,143	160,993	151,169	146,651
R&D Expenses	256,339	238,241	214,917	182,886
Net Cash Provided by Operating Activities	368,575	273,296	231,814	267,344

Per Share:

	2006	2005	2004	2003
Basic net income	¥ 204.80	¥ 159.02	¥ 130.02	¥ 128.37
Diluted net income	204.62	158.96	130.01	126.65
Cash dividends	38.00	32.00	24.00	20.00
Shareholders' equity	2,384.05	1,990.48	1,809.55	1,656.93

Ratios:

Return on Sales (%)	5.3	4.7	4.3	4.8
Current Ratio (%)	160.6	161.4	163.0	161.2
Fixed Ratio (%)	102.1	98.2	97.2	97.3
Return on Equity (%)	9.4	8.4	7.6	7.9

Average Number of Shares (in thousands)	825,725	830,869	842,005	860,828
Number of Employees	105,723	104,183	95,461	89,380

Notes: 1. As of March 31, 2006, DENSO CORPORATION had 179 consolidated subsidiaries and applied the equity method of accounting with respect to 31 affiliates.
2. The figures for the year ended March 31, 2002 include the effect of an irregular 15-month reporting period, due to certain major overseas consolidated subsidiaries and overseas affiliates (45 companies) deciding to change their year-end to March 31 from December 31.

Sales by Business Segment

	Millions of yen (percentage of net sales)					Thousands of U.S. dollars	
	2006	2005	2004	2003	2002	2002*1 unaudited	2006
Thermal Systems	¥1,031,952 (32.4%)	¥ 931,568 (33.3%)	¥ 893,548 (34.9%)	¥ 830,018 (35.6%)	¥ 870,676 (36.2%)	¥ 764,244 (35.0%)	\$ 8,820,103
Powertrain Control Systems	766,912 (24.1)	646,166 (23.0)	580,826 (22.7)	514,604 (22.1)	500,892 (20.8)	460,974 (21.1)	6,554,803
Electronic Systems	486,785 (15.3)	424,377 (15.2)	378,835 (14.8)	345,543 (14.8)	353,052 (14.7)	324,274 (14.8)	4,160,555
Electric Systems	364,840 (11.4)	331,426 (11.9)	293,372 (11.4)	269,567 (11.5)	288,004 (12.0)	261,097 (12.0)	3,118,291
Small Motors	224,731 (7.0)	193,646 (6.9)	181,634 (7.1)	171,914 (7.4)	167,460 (7.0)	156,810 (7.2)	1,920,778
ITS	150,866 (4.7)	120,938 (4.3)	92,521 (3.6)	60,328 (2.6)	57,015 (2.4)	55,878 (2.6)	1,289,453
Other Automotive	40,731 (1.3)	42,677 (1.5)	35,444 (1.4)	30,816 (1.3)	22,562 (1.0)	21,806 (1.0)	348,128
Automotive sub-total	3,066,817 (96.2)	2,690,798 (96.1)	2,456,180 (95.9)	2,222,790 (95.3)	2,259,661 (94.1)	2,045,083 (93.7)	26,212,111
Industrial Systems and Consumer Products	70,258 (2.2)	58,920 (2.1)	53,686 (2.1)	53,353 (2.3)	48,167 (2.0)	45,530 (2.1)	600,496
Others	51,255 (1.6)	50,231 (1.8)	52,545 (2.0)	56,617 (2.4)	93,270 (3.9)	92,449 (4.2)	438,077
New businesses sub-total	121,513 (3.8)	109,151 (3.9)	106,231 (4.1)	109,970 (4.7)	141,437 (5.9)	137,979 (6.3)	1,038,573
Total	¥3,188,330 (100.0)	¥2,799,949 (100.0)	¥2,562,411 (100.0)	¥2,332,760 (100.0)	¥2,401,098 (100.0)	¥2,183,062 (100.0)	\$27,250,684

Notes: 1. The figures for the year ended March 31, 2002 include the effect of an irregular 15-month reporting period, due to certain major overseas consolidated subsidiaries and overseas affiliates (45 companies) deciding to change their year-end to March 31 from December 31.

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

2. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥117=US\$1, the approximate exchange rate prevailing on March 31, 2006, the last trading day of the fiscal year.

3. Business segments were restructured in January 2006. However, Sales by Business Segment for the year ended March 31, 2006 are disclosed under the same segmentation as preceding fiscal years.

Millions of yen							Thousands of U.S. dollars
2002	2002* unaudited	2001	2000	1999	1998	1997	2006
¥2,401,098	¥2,183,062	¥2,014,978	¥1,883,407	¥1,758,842	¥1,667,311	¥1,624,906	\$27,250,684
1,277,865	1,277,865	1,245,830	1,161,016	1,104,579	1,135,834	1,153,392	14,446,282
1,123,233	905,197	769,148	722,391	654,263	531,477	471,514	12,804,402
133,340	129,888	123,526	116,682	101,663	112,786	132,383	2,278,282
72,313	70,800	60,799	61,913	58,969	71,158	71,376	1,449,983
2,361,048	–	2,343,328	2,154,251	1,917,192	1,745,329	1,701,825	29,162,179
1,421,212	–	1,451,211	1,304,400	1,121,171	1,057,173	978,378	16,840,923
193,599	183,977	140,447	169,953	212,745	177,757	124,789	2,467,641
147,277	139,991	134,416	134,706	124,289	103,068	94,890	1,582,419
185,627	181,044	176,959	160,055	154,207	157,615	151,928	2,190,932
206,663	–	202,127	196,020	155,540	148,735	197,860	3,150,214
Yen							U.S. dollars
¥ 80.22	¥ 78.54	¥ 66.51	¥ 68.15	¥ 65.46	¥ 79.93	¥ 81.68	\$ 1.75
78.93	77.29	65.51	66.73	63.51	76.31	76.24	1.75
18.00	–	17.00	17.00	15.00	15.00	16.00	0.32
1,641.72	–	1,587.77	1,426.70	1,238.33	1,178.53	1,110.25	20.38
3.0	3.2	3.0	3.3	3.4	4.3	4.4	
174.0	–	199.0	227.1	223.2	209.2	211.4	
95.2	–	91.4	77.1	77.4	73.8	70.6	
5.0	4.9	4.4	4.9	5.4	7.0	7.6	
901,489	–	914,121	908,519	900,836	890,226	873,869	
86,639	–	85,371	80,795	72,359	57,084	56,961	

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

3. U.S. dollar amounts have been translated, for convenience only, at the rate of ¥117=US\$1, the approximate exchange rate prevailing on March 31, 2006, the last trading day of the fiscal year.

Sales by Company Location

Millions of yen							Thousands of U.S. dollars	
		2006	2005	2004	2003	2002	2002* unaudited	2006
Japan	Customers	¥1,727,675	¥1,590,666	¥1,469,552	¥1,355,925	¥1,304,249	¥1,304,249	\$14,766,453
	Intersegment	561,284	469,891	416,245	374,770	338,858	338,858	4,797,299
	Total	2,288,959	2,060,557	1,885,797	1,730,695	1,643,107	1,643,107	19,563,752
The Americas	Customers	681,367	571,053	549,208	531,303	630,714	501,831	5,823,649
	Intersegment	9,076	9,189	8,532	9,267	12,602	10,082	77,573
	Total	690,443	580,242	557,740	540,570	643,316	511,913	5,901,222
Europe	Customers	414,243	367,082	333,486	269,499	304,194	238,238	3,540,538
	Intersegment	8,804	6,968	4,809	4,489	5,073	4,058	75,248
	Total	423,047	374,050	338,295	273,988	309,267	242,296	3,615,786
Asia & Oceania	Customers	365,045	271,148	210,165	176,033	161,941	138,744	3,120,043
	Intersegment	30,064	19,757	13,438	9,837	7,456	5,965	256,957
	Total	395,109	290,905	223,603	185,870	169,397	144,709	3,377,000
Eliminations	(609,228)	(505,805)	(443,024)	(398,363)	(363,989)	(358,963)	(358,963)	(5,207,076)
Consolidated	¥3,188,330	¥2,799,949	¥2,562,411	¥2,332,760	¥2,401,098	¥2,183,062	¥2,183,062	\$27,250,684

Notes: 1. The figures for the year ended March 31, 2002 include the effect of an irregular 15-month reporting period, due to certain major overseas consolidated subsidiaries and overseas affiliates (45 companies) deciding to change their year-end to March 31 from December 31.

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Management's Discussion and Analysis

Business Overview

In fiscal 2006, ended March 31, 2006, the global economy was generally firm despite surging crude oil prices. This partly reflected a robust U.S. economy on the back of healthy domestic demand, and strong growth in China supported by exports and capital expenditure. Japan also maintained its moderate recovery.

Against this background of a healthy global economy, the automotive industry saw vehicle sales increase worldwide. In the key U.S. market, amid high oil prices, sales of Japanese models were strong, and in the market overall sales were high. Sales were also generally firm in Asia, despite a certain impact from the surging oil prices. Although sales were stagnant in Japan, vehicle production exceeded 10 million units for the fourth year running on the back of strong exports.

During the year, the yen weakened against both the US dollar and the euro. Average yen exchange rates against these currencies were ¥113 and ¥137, respectively, representing year-on-year declines in the yen of 5.6% and 2.2%.

Management Strategy: DENSO VISION 2015

In this climate, the DENSO Group worked to supply products and services based on the ideas of "consideration" and "fulfillment"—one of the key goals in DENSO VISION 2015. Leveraging the combined resources of the Group, steps were also taken to strengthen the Group's operations in line with two key policies: enhance manufacturing capabilities to win even greater trust from customers, and promote efforts to become a truly global corporation.

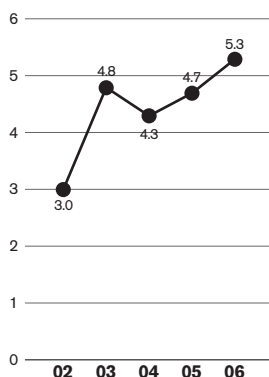
To realize the first policy, we renewed our commitment to the principle of "quality first." More specifically, the Group worked together on thoroughly implementing quality-improvement initiatives, including the development of core technologies needed to improve product quality.

As part of efforts to become a truly global corporation, we made progress on creating a global development framework. In parallel, we worked to enhance our capability to create pioneering and appealing products, focusing on the themes of the environment, safety, comfort and convenience.

In January 2006, we reorganized our business groups to further reinforce product development capabilities in preparation for the challenges that lie ahead. This reorganization, the first since we adopted the business group structure in 1999, saw the addition of a new Information & Safety Systems business group to the existing four business groups of Powertrain Control Systems, Electric Systems, Electronic Systems and Thermal Systems. Aiming to generate synergies across the power electronics field, including systems for hybrid electric vehicles (HEVs), Electric Systems' operational remit now covers all the Group's electrical automotive products. Similarly, all the previously dispersed information- and safety-related business divisions in the Group have now been combined under Information & Safety Systems, to promote development from a unified "driver support" perspective.

Return on Sales

(%)



Net Sales

Consolidated net sales increased significantly year on year, rising 13.9%, or ¥388.4 billion, to ¥3,188.3 billion. This reflected progress made with DENSO VISION 2015, firm domestic automobile production and buoyant overseas production of Japanese models. A marked weakening of the yen during the year also supported the increase in sales.

Sales by Geographic Segment

In Japan, sales grew 11.1%, or ¥228.4 billion, to ¥2,289.0 billion. This reflected increased vehicle production in the country and higher exports of components for manufacturing overseas.

In the Americas, sales rose 19.0%, or ¥110.2 billion, to ¥690.4 billion, mainly thanks to higher output by Japanese automakers and efforts to increase sales.

In Europe, sales increased 13.1%, or ¥49.0 billion, to ¥423.0 billion, reflecting efforts to boost sales to both Japanese and European automakers.

In Asia & Oceania, sales grew 35.8%, or ¥104.2 billion, to ¥395.1 billion. This was mainly attributable to the full operation of Toyota's IMV Project and increased production by Japanese automakers in the region.

Sales by Product Category

In the year under review, the Group recorded an increase in net sales in the automotive field of 14.0%, or ¥376.0 billion, to ¥3,066.8 billion. This figure represented 96.2% of consolidated net sales, compared to 96.1% a year earlier. Sales in new business fields were up 11.3%, or ¥12.4 billion, to ¥121.5 billion. This figure accounted for 3.8% of consolidated net sales, slightly down from 3.9% in the previous fiscal year.

Sales in the automotive field were generated by the following six product categories.

Thermal Systems: sales increased 10.8%, or ¥100.4 billion, to ¥1,032.0 billion due to rising exports and higher output of Japanese models. Sales of thermal systems accounted for 32.4% of consolidated net sales, down from 33.3% a year earlier.

Powertrain Control Systems: sales grew 18.7%, or ¥120.7 billion, to ¥766.9 billion thanks to higher sales of engine-related products like ballast and igniters, and diesel engine fuel injection products such as common rail systems (CRS). Sales of powertrain control systems accounted for 24.1% of consolidated net sales, up from 23.0% in fiscal 2005.

Electronic Systems: sales increased 14.7%, or ¥62.4 billion, to ¥486.8 billion, mainly due to higher demand for body electronics such as instrument clusters, and engine electronic control units (ECUs) in Japan. Sales of electronic systems accounted for 15.3% of consolidated net sales, up from 15.2% a year earlier.

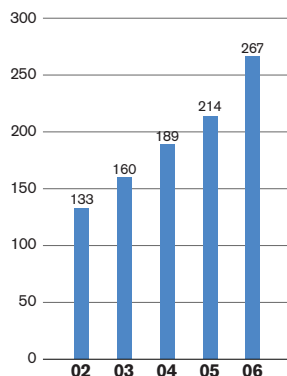
Electric Systems: sales rose 10.1%, or ¥33.4 billion, to ¥364.8 billion, primarily on higher sales of alternators and other electrical components, and safety-related products like electric power steering system ECUs, and vehicle stability control (VSC) systems. Sales of electric systems accounted for 11.4% of consolidated net sales, down from 11.9% in fiscal 2005.

Small Motors: sales increased 16.1%, or ¥31.1 billion, to ¥224.7 billion, mainly reflecting stronger sales of motors for windshield wiper systems, power seats and power sliding doors. Sales of small motors accounted for 7.0% of consolidated net sales, compared to 6.9% a year earlier.

ITS (Intelligent Transport Systems): sales surged 24.7%, or ¥29.9 billion, to ¥150.9 billion, primarily thanks to higher demand for car navigation systems in North America and Europe. ITS sales accounted for 4.7% of consolidated net sales, up from 4.3% in the previous fiscal year.

Operating Income

(Billion ¥)



Operating Income

Operating income rose substantially compared to a year earlier, climbing 24.6%, or ¥52.7 billion, to ¥266.6 billion. Costs rose in a number of areas, including an increase in personnel expenses of ¥38.6 billion, reflecting a rise in short-term employees in Japan, higher wages overseas and a larger workforce in line with higher production; an increase in depreciation costs of ¥24.1 billion related to a marked rise in capital expenditures; and an increase in materials costs of ¥14.9 billion. These were outweighed by capacity utilization gains of ¥106.5 billion due to higher sales, additional savings of ¥47.7 billion from cost-reduction efforts and other Group-wide rationalization and efficiency initiatives.

Operating Income by Geographic Segment

Operating income in Japan rose 15.4%, or ¥27.7 billion, to ¥207.7 billion. Despite higher personnel expenses, a larger proportion of sales generated by lower-margin products, an increase in depreciation costs related to higher capital expenditures to respond to increased production, and higher materials costs due to rising prices for copper, aluminum and other materials, operating income increased thanks to gains in capacity utilization related to higher vehicle production in Japan at Toyota Motor Corporation and other firms, as well as the benefits of rationalization. The weaker yen also supported this result.

In the Americas, operating income declined 7.5%, or ¥1.8 billion, to ¥21.9 billion. Although operations in the country benefited from capacity utilization gains and rationalization initiatives, operating profitability was knocked by higher personnel expenses related to increased production, higher depreciation costs, a larger proportion of sales generated by lower-margin products, and increased material costs.

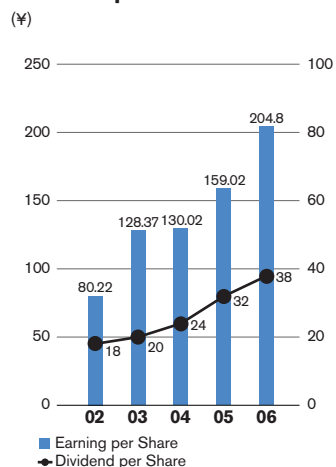
In Europe, the Group's operations returned to profitability for the first time in six years with an increase in operating income of ¥10.3 billion, to ¥1.6 billion. This mainly reflected significant capacity utilization gains related to the start of full operations at manufacturing sites in Hungary and the Czech Republic, as well as the benefits of rationalization.

In Asia & Oceania, there was a marked rise in operating income of 82.9%, or ¥16.6 billion, to ¥36.7 billion. Increases in personnel expenses due to new recruitment, and higher depreciation costs related to a substantial rise in capital expenditures, were more than outweighed by the benefits of greater capacity utilization on the back of strong sales by Toyota's IMV Project and Japanese automakers, and rationalization measures.

Other Income (Expenses)

Other income-net totaled ¥5.3 billion, a decrease of 44.6%, or ¥4.3 billion, compared to a year earlier. This mainly reflected a charge of ¥10.9 billion for the full amount of transitional obligation for employees' retirement benefits related to a change in UK GAAP. Interest and dividend income was ¥13.0 billion, up 42.8%, or ¥3.9 billion, thanks to higher dividends from investees, and foreign exchange gains of ¥6.3 billion, an increase of 56.7%, or ¥2.3 billion, due to the weaker yen.

Earning per Share / Dividend per Share



Net Income

The Group recorded income before income taxes and minority interests of ¥271.9 billion for fiscal 2006, an increase of 21.7%, or ¥48.4 billion, compared to a year earlier. Income taxes increased 9.0%, or ¥7.5 billion, to ¥90.8 billion, while minority interests in net income was ¥11.4 billion, up 51.6%, or ¥3.9 billion. As result, the Group reported net income of ¥169.6 billion, an increase of 27.9%, or ¥37.0 billion.

ROE increased from 8.4% to 9.4%, and net income per share of common stock rose from ¥159.02 to ¥204.80. Diluted net income per share of common stock was ¥204.62, against ¥158.96 in the previous fiscal year.

Policy on Allocation of Earnings

Dividends

DENSO is committed to paying consistent increases in the dividend while taking into account operating results and the dividend payout ratio. In line with this policy, the Company increased the dividend applicable to the fiscal year by ¥6.00 to ¥38.00 per share, representing a payout ratio of 24.1% and 18.6% on a non-consolidated and consolidated basis, respectively. The Company uses retained earnings for capital expenditures and research and development to maintain long-term business growth, and to support its share buyback program as a means of returning profits to shareholders.

Treasury Stock Repurchases

DENSO repurchases treasury stock as part of its strategy to increase ROE, return profits to shareholders and ensure a flexible capital funding policy in response to changes in the operating environment. As of March 31, 2006, the Company had repurchased a total of 131.6 million shares at an aggregate cost of ¥264.2 billion since the beginning of its share buyback program in the year ended March 31, 1997. This represents 15% of all the Company's outstanding shares as of March 31, 1997. In the future, while giving due consideration to cash flows, the Company will maintain this strategy as an important tool in improving ROE and increasing shareholder value.

Source of Funds and Liquidity Risk Management

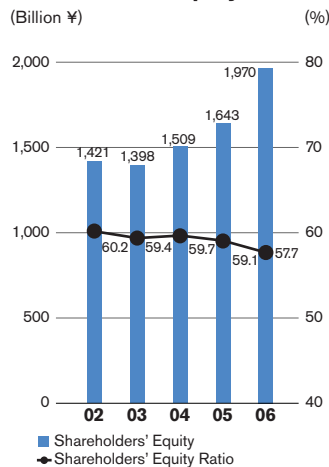
The Group's fundamental financial policy is designed to: ensure efficient funding of the operational activities of the entire Group; secure an optimum level of funds and liquidity; and maintain a sound financial position.

Global Cash Management System

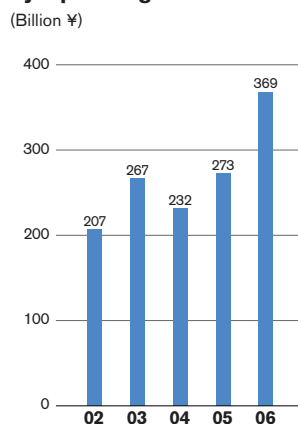
In July 2000, DENSO Finance & Accounting Center Co., Ltd., a subsidiary that conducts the accounting operations of the Group, was established in Japan, together with regional headquarter subsidiaries in North America, Europe and Asia. By integrating financing functions at these locations, the Group has created a structure that enables the optimum management of Group-wide funds. Based on this structure, in which each subsidiary is responsible for managing funds within its respective region, the Group can procure capital resources and manage excess or deficient funds in a more centralized manner.

The Group has also created a cash pooling system for yen and US dollars in order to increase the efficiency of global financing and eliminate uneven distribution of funds between regions. In line with this policy, the Group commenced the pooling of yen in 2002 and concentrated yen held by Group companies, which is often the currency used for transactions in Europe, at DENSO headquarters in Japan for centralized administration. This system allows the Group to transfer excess funds to underfunded operations thereby reducing commissions and interest normally paid to financial institutions.

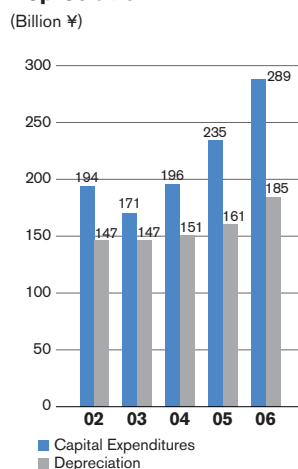
Shareholders' Equity / Shareholders' Equity Ratio



Net Cash Provided by Operating Activities



Capital Expenditures / Depreciation



Financial Position

Total assets as of March 31, 2006, stood at ¥3,412.0 billion, 22.7%, or ¥631.0 billion, higher than at the end of the previous fiscal year.

Current assets increased 19.9%, or ¥232.9 billion, to ¥1,400.6 billion, primarily reflecting increases in notes and accounts receivable, short-term investments and inventories.

Property, plant and equipment increased 14.3%, or ¥122.2 billion, to ¥975.0 billion. This was mainly attributable to substantial capital expenditure in Japan, the US, Hungary and Thailand.

Investments and other assets rose 36.3%, or ¥276.0 billion, to ¥1,036.4 billion, mainly reflecting the acquisition of investment securities.

The total of current and long-term liabilities rose 26.7%, or ¥283.6 billion, to ¥1,345.7 billion. Interest-bearing debt increased 29.4%, or ¥60.4 billion, to ¥266.1 billion.

Total shareholders' equity was ¥1,970.4 billion, an increase of 19.9%, or ¥327.2 billion, over the previous year-end, mainly reflecting higher net income.

Cash Flows

Net cash provided by operating activities for the fiscal year ended March 31, 2006 was ¥368.6 billion, ¥95.3 billion more than the previous fiscal year. This increase was chiefly attributable to a rise of ¥52.7 billion in operating income thanks to capacity utilization gains on the back of higher sales and rationalization initiatives.

Investing activities used net cash of ¥318.9 billion, ¥50.2 billion more than the previous fiscal year. This primarily reflected an increase of ¥51.1 billion in cash used for the acquisition of property, plant and equipment.

Net cash provided by financing activities was ¥25.5 billion, ¥45.6 billion more than the previous year. Although cash used for dividends paid increased ¥9.3 billion compared to a year earlier, funds procured through short-term borrowings rose ¥21.8 billion, and cash used for the purchase of treasury stock declined ¥23.8 billion compared to fiscal 2005.

As a result, cash and cash equivalents as of March 31, 2006 stood at ¥313.6 billion, ¥81.8 billion more than at the end of the previous period.

Capital Expenditures / Depreciation

The Group applies a number of benchmarks to ensure appropriate decisions are made in relation to capital expenditures. These benchmarks include projected cash flow, ROA, number of years to recover investments, and forecasts of profitability. As part of its efforts to pare back medium-term fixed costs, the Group is reducing the size and complexity of production lines, standardizing components, and using global procurement to achieve a reduction in capital expenditures.

Capital expenditures during the year under review totaled ¥288.7 billion, an increase of 22.7%, or ¥53.5 billion, year on year. Depreciation increased 15.0%, or ¥24.2 billion, to ¥185.1 billion.

Capital Expenditures / Depreciation by Geographic Segment

In Japan, capital expenditures increased 39.3%, or ¥56.9 billion, to ¥202.0 billion. This investment was mainly used to boost output at two sites that manufacture some of the Group's strategic products for the future. At the Kota Plant, we expanded a semiconductor wafer facility to increase IC production capacity. This step was taken to respond to the growing use of electronic components in vehicles. The Company decided to spin off the Kitakyushu Plant into a newly established subsidiary and manufacture CSR injectors there as well as its existing car air conditioners. The decision to add CRS injectors to the plant's product lineup reflects the growing shift to clean diesel products, particularly in Europe. Major growth in demand for these injectors, which are an integral component

of the CRS package, is anticipated in the region. The Kitakyushu Plant, together with the Nishio and Zenmyo plants, will now form part of the Group's global supply framework for CRS injectors.

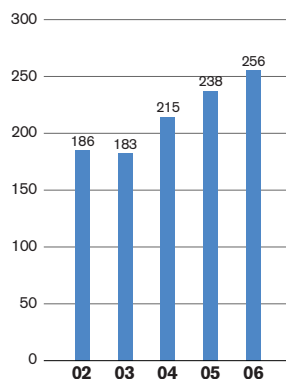
In the Americas, although investment was needed to raise output of engine ECUs and other products at DENSO Manufacturing Tennessee, Inc., and upgrade facilities at DENSO Manufacturing Michigan, Inc. prior to the start of production of a new air conditioner, capital expenditures declined 8.8%, or ¥3.0 billion, to ¥31.6 billion.

In Europe, investment was used to upgrade facilities for increased production of gasoline engine fuel injectors at DENSO Manufacturing Hungary Ltd. Even still, capital expenditures declined 22.6%, or ¥6.9 billion, to ¥23.6 billion.

In Asia & Oceania, capital expenditures rose 25.8%, or ¥6.5 billion, to ¥31.5 billion. This investment was mainly used in Thailand to increase production capacity for CRS, alternators, air conditioners and radiators.

Depreciation by region compared to the previous fiscal year was as follows: 15.1%, or ¥16.8 billion, higher in Japan at ¥128.6 billion; 12.0%, or ¥2.4 billion, higher in the Americas at ¥22.2 billion; 3.9%, or ¥0.7 billion, higher in Europe at ¥18.3 billion; and, 36.0%, or ¥4.3 billion, higher in Asia & Oceania at ¥16.1 billion.

R&D Expenditures
(Billion ¥)



Research and Development (R&D) Activities

Aiming to “Lead the era by offering new value,” the Group is involved in a whole host of R&D projects. In addition to research related to conventional automotive functions, the Group also develops products focusing on the themes of the environment and safety (“consideration”), and comfort and convenience (“fulfillment”), as part of efforts to create an enhanced automotive society. These four key themes guide the Group's active technology R&D activities.

The Group is also strengthening development systems in Europe and Asia to build a global R&D framework. In Europe, at DENSO Automotive Deutschland GmbH, air conditioner testing capabilities were enhanced in 2003, and a new facility was later established to carry out material testing. Subsequently, the Aachen Engineering Center was set up in 2005 at this company as the Group's first overseas diesel vehicle-related engineering facility. With demand for diesel cars expected to grow even further in Europe, this center is responsible for designing evaluation tools to test diesel engine-vehicle compatibility and performance.

In Asia, DENSO Techno Philippines, Inc. was established and is scheduled to begin operations by the end of 2006. This is the Group's second overseas software development company, supplementing an existing firm in Shanghai, China.

In the year under review, R&D expenses increased 7.6%, or ¥18.1 billion, to ¥256.3 billion, representing 8.0% of net sales, down from 8.5% in the previous period.

In this way, the Group is working to meet today's automotive needs by continuously developing new competitive products supported by unique technologies. The Group is also translating technological expertise acquired through activities in the automotive field to products that span multiple business segments, by actively exploring new ideas from basic research to product development.

Risk Management

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

Economic Risk

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

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, with the possibility that this will 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 changed. In general, a strong yen (in particular against the U.S. dollar and euro that constitute a major part of Group sales) has an adverse effect on the Group's operations, and a weak yen has a positive effect on the Group's operations.

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

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.
- There is no guarantee that newly developed products and technologies will be protected as original intellectual property.
- 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, then 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 components and regional markets that it operates in. Competitors include other component manufacturers, and some of these manufacturers are providing products at a lower price than the Group. Also, in line with the evolution of the automotive electronics business, there has been a rise in new competitors, such as consumer-electronics manufacturers and tie-ups between existing competitors, and there is a chance that they will quickly gain a large share in the market.

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

Potential Risks of International Activities and Overseas Expansion

The proportion of manufacturing and sales activities carried out in the Americas and Europe, as well as in developing and emerging markets in Asia and Oceania, has been increasing in recent years.

Expansion into these overseas markets has the following inherent risks:

- Unforeseen changes in laws or regulations.
- Unfavorable political or economic factors.
- Difficulties in employing and retaining personnel.
- Substandard technical infrastructure that may adversely affect the Group's activities such as manufacturing, or cause a drop in customer support of the Group's products and services.
- The potentially adverse impact of tax regulations
- Social turmoil caused by terrorist incidents, military conflict and other events

For example, the Group is continuing to increase its manufacturing and component procurement presence in China. However, as a result of unforeseen circumstances in China, such as changes in the political or legal environment, labor shortages, strikes or changes in the economic environment, there is a possibility that the Group will be prevented from managing its production resources or carrying out its business.

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. Further, there is a possibility that OEM customer business downturns, unforeseen contract cancellations, changes in OEM customer procurement policies, and price cuts to satisfy large customers may have an adverse effect on the Group's operating results and financial condition.

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

Product Defect Risk

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

Risks of Natural Disasters and Power Outages

In order to minimize the potential negative impact of manufacturing lines being shut down, the Group carries out disaster-prevention inspections and equipment checks on a regular basis. However, there is no guarantee that the Group can totally prevent or reduce the impact of natural disasters, power outages or other stoppages of manufacturing lines. For example, many of the Group's places of business are in the Tokai region, and if a disastrous earthquake were to hit this region, there is a possibility that the Group's production and delivery activities would be suspended.

Pension Liability Risk

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

Outlook

Growth is expected to remain firm in the global economy in fiscal 2007, ending March 31, 2007. In the automotive industry, worldwide vehicle sales are forecasted to rise year on year, supported by steady sales in the U.S. and other key markets, and continuing sales growth in China and other parts of Asia.

Sales are also projected to rise in Japan on the back of economic recovery, new model launches and the roll out of redesigned models. Together with sustained strength in exports, such as HEVs to North America, this is expected to support another year of domestic vehicle production exceeding 10 million units.

This outlook for worldwide vehicle sales in fiscal 2007 is dependent on a strong global economy. However, prospects for the economic situation require some caution with respect to surging crude oil and other raw material prices, foreign exchange rate volatility and other factors.

In this business climate, the Group will begin full-scale initiatives to realize DENSO VISION 2015. Within this context, the following two key policies will guide the Group's efforts to realize an even greater level of innovation:

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

Specific initiatives in the first area will include: strengthening quality assurance systems to ensure customer peace of mind and satisfaction; developing DENSO automotive systems and components that become the industry standard; and supplying optimal products tailored to specific regions and vehicles. The Group will also actively provide new proposals and guidance to automakers to build relationships of trust over the long term.

In the second area, the Group will continue initiatives to build a stable and powerful manufacturing framework, and in parallel, ensure all Group companies worldwide have fully adopted the DENSO way of manufacturing to underpin the creation of a global production and supply network. This will support efforts to establish a Group-wide operating structure that enhances the autonomy and efficiency of each operating region, and to create workplaces that motivate and leverage the abilities of the Group's 100,000 associates worldwide.

Based on these initiatives, and assuming U.S. dollar and euro exchange rates of ¥110 and ¥135, respectively, the Group is projecting consolidated net sales of ¥3,380.0 billion, an increase of 6.0%, or ¥191.7 billion, operating income of ¥282.0 billion, rising 5.8%, or ¥15.4 billion, and net income of ¥173.0 billion, up 2.0%, or ¥3.4 billion. Other estimates are for capital expenditures of ¥327.0 billion, an increase of 13.3%, or ¥38.3 billion, depreciation of ¥214.5 billion, up 15.9%, or ¥29.4 billion, and R&D expenses of ¥272.0 billion, an increase of 6.1%, or ¥15.7 billion.

Forward-Looking Statements

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

Consolidated Balance Sheets

DENSO CORPORATION and Consolidated Subsidiaries
March 31, 2006 and 2005

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Current Assets:			
Cash and cash equivalents	¥ 313,611	¥ 231,846	\$ 2,680,436
Short-term investments (Note 3)	74,098	55,878	633,316
Notes and accounts receivable:			
Trade (Note 8)	579,101	508,450	4,949,581
Non-consolidated subsidiaries and affiliates	13,593	11,258	116,180
	592,694	519,708	5,065,761
Less: Allowance for doubtful accounts	(2,643)	(2,489)	(22,590)
	590,051	517,219	5,043,171
Inventories (Note 4)	287,571	248,821	2,457,872
Deferred tax assets (Note 6)	53,912	49,450	460,786
Other current assets	81,350	64,501	695,299
Total current assets	1,400,593	1,167,715	11,970,880
Property, Plant and Equipment (Notes 5 and 8):			
Land	148,669	143,262	1,270,675
Buildings and structures	624,599	586,642	5,338,453
Machinery and equipment	2,104,812	1,904,873	17,989,846
Construction in progress	93,689	76,286	800,761
	2,971,769	2,711,063	25,399,735
Less: Accumulated depreciation	(1,996,794)	(1,858,242)	(17,066,615)
Net property, plant and equipment	974,975	852,821	8,333,120
Investments and Other Assets:			
Investment securities (Note 3)	841,275	576,224	7,190,385
Investments in and advances to non-consolidated subsidiaries and affiliates	47,096	40,479	402,530
Prepaid pension cost (Note 9)	94,266	90,918	805,692
Intangible assets	12,076	12,257	103,213
Other assets (Note 6)	41,694	40,568	356,359
Total investments and other assets	1,036,407	760,446	8,858,179
Total	¥ 3,411,975	¥ 2,780,982	\$ 29,162,179

See accompanying notes to consolidated financial statements.

Liabilities and Shareholders' Equity	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	2006
Current Liabilities:			
Short-term borrowings (Notes 7 and 8)	¥ 92,107	¥ 59,993	\$ 787,239
Current portion of long-term debt (Notes 7 and 8)	3,674	4,064	31,402
Notes and accounts payable:			
Trade	418,099	359,844	3,573,496
Non-consolidated subsidiaries and affiliates	27,958	23,316	238,957
	446,057	383,160	3,812,453
Income taxes payable	64,594	45,519	552,085
Accrued expenses	189,426	172,482	1,619,026
Other current liabilities (Note 6)	75,996	58,432	649,539
Total current liabilities	871,854	723,650	7,451,744
Long-Term Liabilities:			
Long-term debt (Notes 7 and 8)	170,304	141,641	1,455,590
Liability for employees' retirement benefits (Note 9)	166,998	151,842	1,427,333
Deferred tax liabilities (Note 6)	123,634	35,908	1,056,701
Other long-term liabilities	12,882	9,061	110,102
Total long-term liabilities	473,818	338,452	4,049,726
Minority Interests	95,915	75,698	819,786
Contingent Liabilities (Note 10)			
Shareholders' Equity (Note 11):			
Common stock:			
Authorized: 1,426,942,000 shares in 2006 and 2005			
Issued: 884,068,713 shares in 2006 and 2005	187,457	187,457	1,602,197
Capital surplus	266,182	266,051	2,275,060
Retained earnings	1,329,974	1,191,370	11,367,299
Net unrealized gain on available-for-sale securities	319,186	173,730	2,728,085
Foreign currency translation adjustments	(14,562)	(55,608)	(124,462)
Treasury stock at cost: 57,805,824 shares in 2006 and 58,793,679 shares in 2005	(117,849)	(119,818)	(1,007,256)
Total shareholders' equity	1,970,388	1,643,182	16,840,923
Total	¥3,411,975	¥2,780,982	\$29,162,179

Consolidated Statements of Income

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

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	2006
Net Sales (Note 12)	¥3,188,330	¥2,799,949	¥2,562,411	\$27,250,684
Cost of Sales (Note 13)	2,622,998	2,309,713	2,128,604	22,418,787
Gross profit	565,332	490,236	433,807	4,831,897
Selling, General and Administrative Expenses (Note 13)	298,773	276,341	245,148	2,553,615
Operating income	266,559	213,895	188,659	2,278,282
Other Income (Expenses):				
Interest and dividend income	13,021	9,118	8,311	111,291
Interest expense	(4,506)	(3,541)	(3,448)	(38,513)
Equity in earnings of affiliates	1,549	2,340	2,333	13,239
Foreign exchange gain (loss)	6,346	4,051	(1,171)	54,239
Impairment loss on long-lived assets (Note 5)	(159)	(1,206)	–	(1,359)
Gain on exemption from future pension obligation of the governmental program (Note 9)	–	–	1,429	–
Gain on transfer to defined contribution pension plans (Note 9)	–	–	667	–
Gain (Loss) on settlement of the substitutional portion of governmental pension program due to return of corresponding plan assets (Note 9)	1,016	–	(12,132)	8,684
Charge for full amount of transitional obligation for employees' retirement benefits of subsidiaries in UK (Note 9)	(10,929)	–	–	(93,410)
Factory removal expenses of a subsidiary	(951)	–	–	(8,128)
Other, net	(92)	(1,211)	1,244	(787)
Total	5,295	9,551	(2,767)	45,256
Income before income taxes and minority interests	271,854	223,446	185,892	2,323,538
Income Taxes (Note 6):				
Current	104,346	90,110	88,990	891,846
Deferred	(13,568)	(6,824)	(20,579)	(115,966)
Total	90,778	83,286	68,411	775,880
Minority Interests in Net Income	11,428	7,540	7,454	97,675
Net income	¥ 169,648	¥ 132,620	¥ 110,027	\$ 1,449,983
			Yen	U.S. dollars (Note 1)
Per Share of Common Stock (Notes 2 (Q) and 17):				
Basic net income	¥ 204.80	¥ 159.02	¥ 130.02	\$ 1.75
Diluted net income	204.62	158.96	130.01	1.75
Cash dividends applicable to the year	38.00	32.00	24.00	0.32
Average Number of Shares (in thousands)	825,725	830,869	842,005	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

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

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	2006
Common Stock:				
Balance at beginning of period	¥ 187,457	¥ 187,457	¥ 187,457	\$ 1,602,197
Balance at end of period	¥ 187,457	¥ 187,457	¥ 187,457	\$ 1,602,197
Capital Surplus:				
Balance at beginning of period	¥ 266,051	¥ 266,005	¥ 266,005	\$ 2,273,940
Gain on disposal of treasury stock	131	46	–	1,120
Balance at end of period	¥ 266,182	¥ 266,051	¥ 266,005	\$ 2,275,060
Retained Earnings:				
Balance at beginning of period	¥1,191,370	¥1,080,996	¥ 989,198	\$10,182,650
Net income	169,648	132,620	110,027	1,449,983
Cash dividends	(30,546)	(21,686)	(17,711)	(261,077)
Bonuses to directors and corporate auditors	(498)	(560)	(518)	(4,257)
Balance at end of period	¥1,329,974	¥1,191,370	¥1,080,996	\$11,367,299
Net Unrealized Gain on Available-for-sale Securities at End of Period	¥ 319,186	¥ 173,730	¥ 142,588	\$ 2,728,085
Foreign Currency Translation Adjustments at End of Period	¥ (14,562)	¥ (55,608)	¥ (70,577)	\$ (124,462)
Treasury Stock:				
Balance at beginning of period	¥ (119,818)	¥ (96,980)	¥ (77,557)	\$ (1,024,085)
Repurchase of treasury stock	–	(23,800)	(19,391)	–
Disposal of treasury stock due to exercise of stock options	2,049	1,031	–	17,513
Other increase in treasury stock	(80)	(69)	(32)	(684)
Balance at end of period	¥ (117,849)	¥ (119,818)	¥ (96,980)	\$ (1,007,256)
Total Shareholders' Equity at End of Period	¥1,970,388	¥1,643,182	¥1,509,489	\$16,840,923
Thousands of shares				
Outstanding Number of Shares:				
Balance at beginning of period	825,275	833,873	843,352	
Repurchase of treasury stock	–	(9,100)	(9,462)	
Disposal of treasury stock due to exercise of stock options	1,005	528	–	
Other increase in treasury stock	(17)	(26)	(17)	
Balance at end of period	826,263	825,275	833,873	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	2006
Operating Activities:				
Income before income taxes and minority interests	¥ 271,854	¥ 223,446	¥ 185,892	\$ 2,323,538
Adjustments for:				
Payment of income taxes	(84,671)	(92,606)	(85,063)	(723,684)
Depreciation	185,143	160,993	151,169	1,582,419
Impairment loss on long-lived assets	159	1,206	-	1,359
Amortization of goodwill	(145)	225	425	(1,239)
Increase in liability for retirement benefits	12,521	7,927	2,859	107,017
Equity in earnings of affiliates	(1,549)	(2,340)	(2,333)	(13,239)
Loss on sale or disposal of property, plant and equipment, net	5,761	5,422	4,130	49,239
Foreign exchange gain	(1,467)	(2,758)	(749)	(12,538)
Changes in assets and liabilities:				
Increase in notes and accounts receivable	(54,878)	(35,411)	(65,469)	(469,043)
Increase in inventories	(22,503)	(27,932)	(26,097)	(192,333)
Increase in notes and accounts payable	44,033	29,132	41,870	376,350
Decrease in defined contribution pension payable	(6,145)	(7,622)	(4,741)	(52,521)
(Increase) Decrease in prepaid pension cost	(3,348)	(6,668)	15,885	(28,615)
Other, net	23,810	20,282	14,036	203,504
Total adjustments	96,721	49,850	45,922	826,676
Net cash provided by operating activities	368,575	273,296	231,814	3,150,214
Investing Activities:				
Acquisition of property, plant and equipment	(277,329)	(226,246)	(196,443)	(2,370,333)
Proceeds from sale of property, plant and equipment	8,991	4,334	9,580	76,846
Purchase of available-for-sale securities	(89,139)	(89,623)	(97,593)	(761,872)
Proceeds from sale and redemption of available-for-sale securities	54,986	54,229	100,904	469,966
(Payment for) Proceeds from purchase of consolidated subsidiaries, net of cash acquired	(1,509)	85	(883)	(12,897)
Other, net	(14,934)	(11,561)	(10,218)	(127,642)
Net cash used in investing activities	(318,934)	(268,782)	(194,653)	(2,725,932)
Financing Activities:				
Net increase in short-term borrowings	30,142	8,387	12,333	257,624
Proceeds from long-term borrowings	47,221	22,797	19,744	403,598
Repayments of long-term borrowings	(21,403)	(5,539)	(4,741)	(182,932)
Repayments of long-term bonds	-	-	(40,000)	-
Dividends paid	(30,546)	(21,686)	(17,711)	(261,077)
Purchase of treasury stock	(83)	(23,875)	(19,423)	(709)
Other, net	129	(181)	838	1,103
Net cash provided by (used in) financing activities	25,460	(20,097)	(48,960)	217,607
Foreign Currency Translation Adjustments on Cash and Cash Equivalents				
	6,656	2,920	(3,537)	56,889
Net Increase (Decrease) in Cash and Cash Equivalents	81,757	(12,663)	(15,336)	698,778
Cash and Cash Equivalents at Beginning of Period	231,846	244,509	259,845	1,981,589
Cash and Cash Equivalents of Newly Consolidated Subsidiary	8	-	-	68
Cash and Cash Equivalents at End of Period	¥ 313,611	¥ 231,846	¥ 244,509	\$ 2,680,436
Assets and liabilities increased due to purchase of consolidated subsidiaries:				
Fair value of assets acquired	¥ 17,016	¥ 1,934	¥ 1,708	\$ 145,436
Liabilities assumed	(8,926)	(984)	(411)	(76,291)
Cash paid for the acquisitions	1,527	481	1,213	13,051

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. Basis of Presenting Consolidated Financial Statements

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

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 that is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥117 to U.S. \$1, the approximate rate of exchange at March 31, 2006, the last trading day of the fiscal year. Such translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be, converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

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

The Company had 188 subsidiaries at March 31, 2006 (171 for 2005 and 164 for 2004).

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, 2006 include 179 subsidiaries (171 for 2005 and 164 for 2004). The Company applied the "power to exercise significant influence" concept to determine affiliates to be accounted for by the equity method. Under the influence concept, those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method. The Company applied the equity method to all 31 affiliates for the year ended March 31, 2006 (29 affiliates for 2005 and 27 affiliates for 2004).

The fiscal years of subsidiaries are not necessarily the same as that of the Company. Accounts of subsidiaries, which have different fiscal years, have been adjusted for significant transactions to properly reflect their financial position at March 31 of each year and the results of operations and cash flows for the years then ended. In the year ended March 31, 2005, 3 of the Company's foreign subsidiaries and affiliates (20 foreign subsidiaries and affiliates in 2004), which are consolidated or accounted for by the equity method, decided to change their fiscal year-end from December 31 to March 31. Additionally, in the year ended March 31, 2005, a foreign subsidiary changed its closing date from December 31 to March 31. The Company's consolidated financial statements thus include 15 months of operating results at the 4 subsidiaries and affiliates that changed their fiscal year-end or closing date in the year ended March 31, 2005 (20 subsidiaries and affiliates in 2004).

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

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are recorded based on the fair value at the time the Company acquired control of the respective subsidiaries.

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

Investments in 9 (none for 2005 and 2004) non-consolidated subsidiaries are stated at cost for the year ended March 31, 2006. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

(B) Cash and Cash Equivalents

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

(C) Inventories

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

(D) Securities

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

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

(E) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost. Depreciation is computed, with minor exceptions, by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 10 to 45 years for buildings and structures and mainly seven years for machinery. Additional depreciation is charged for machinery operated in excess of normal usage.

(F) Long-lived Assets

In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets" and in October 2003 the Accounting Standards Board of Japan (ASBJ) issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets". These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2004. The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

As a result of the adoption of this new accounting standard, an impairment loss on long-lived assets relating to unused land in Japan in the amount of ¥1,206 million was recognized for the year ended March 31, 2005. The effects of this was to decrease income before income taxes and minority interests for the year ended March 31, 2005 by the same amount.

(G) Intangible Assets

Intangible assets consisted of in-house software and the net excess of the acquisition cost of the Company's investments in consolidated subsidiaries over the fair value of the net assets of those companies. The straight-line method is primarily used to amortize intangible assets. The amortization of in-house software, which is available to reduce operating costs, is computed using the straight-line method based on the estimated useful life of five years.

(H) Allowance for Doubtful Accounts

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

(I) Liability for Employees' Retirement Benefits

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

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

The effect of this was to increase retirement benefit costs by ¥357 million (\$3,051 thousand) and to reduce operating income by ¥347 million (\$2,966 thousand) for the year ended March 31, 2006. In addition, these consolidated subsidiaries recognized a loss of ¥10,929 million (\$93,410 thousand) for full amount of transitional obligation for employees' retirement benefits, which had the effect of reducing income before income taxes and minority interests by ¥11,276 million (\$96,376 thousand).

(J) Research and Development Expenses

Research and development expenses are charged to income as incurred.

(K) Leases

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

(L) Income Taxes

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

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

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

(M) Appropriations of Retained Earnings

Appropriations of retained earnings at each year-end are reflected in the financial statements for the following year on shareholders' approval.

(N) Translation of Foreign Currency Accounts

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

(O) Translation of Financial Statements for Consolidated Foreign Subsidiaries

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

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

(P) Derivative Financial Instruments

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

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

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

(Q) Net Income and Dividends per Share

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

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

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

(R) New Accounting Pronouncements

Business Combination and Business Separation

In October 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, Accounting for Business Combinations, and on December 27, 2005, the ASBJ issued Accounting Standard for Business Separations and ASBJ Guidance No. 10, Guidance for Accounting Standard for Business Combinations and Business Separations. These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows 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. These specific criteria are as follows:

- (a) the consideration for the business combination consists solely of common shares with voting rights,
- (b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and
- (c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

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. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock Options

On December 27, 2005, the ASBJ issued Accounting Standard for Stock Options and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to Directors and Corporate Auditors

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

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

3. Short-term Investments and Investment Securities

Short-term investments consisted of time deposits not classified as cash equivalents in the amount of ¥14,134 million (\$120,803 thousand) and ¥7,854 million, at March 31, 2006 and 2005, respectively, and debt securities. Investment securities consisted of equity securities and debt securities.

The carrying amounts and aggregate fair values of available-for-sale securities included in short-term investments and in investment securities at March 31, 2006 and 2005 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
				2006				2006
Equity securities	¥167,179	¥531,946	¥ (3)	¥699,122	\$1,428,880	\$4,546,547	\$ (25)	\$5,975,402
Debt securities	182,830	519	(786)	182,563	1,562,650	4,436	(6,718)	1,560,368
Total	¥350,009	¥532,465	¥(789)	¥881,685	\$2,991,530	\$4,550,983	\$(6,743)	\$7,535,770

	Millions of yen			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
				2005
Equity securities	¥151,322	¥288,433	¥(10)	¥439,745
Debt securities	163,998	1,070	(28)	165,040
Total	¥315,320	¥289,503	¥(38)	¥604,785

The carrying amounts of available-for-sale securities whose fair value was not readily determinable included in short-term investments and in investment securities at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Equity securities	¥16,993	¥17,257	\$145,239
Debt securities	2,561	2,205	21,889
Total	¥19,554	¥19,462	\$167,128

The carrying amounts of debt securities by contractual maturities for available-for-sale securities at March 31, 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Due in one year or less	¥ 59,964		\$ 512,513
Due after one year through five years	125,174		1,069,863
Total	¥185,138		\$1,582,376

4. Inventories

Inventories at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Finished products	¥117,212	¥102,591	\$1,001,812
Work in process	79,450	67,517	679,060
Raw materials and supplies	90,909	78,713	777,000
Total	¥287,571	¥248,821	\$2,457,872

5. Long-lived Assets

The Company reviewed its long-lived assets relating to unused land in Japan for impairment. As a result, the Company recognized an impairment losses of ¥159 million (\$1,359 thousand) and ¥1,206 million for the years ended March 31, 2006 and 2005, respectively.

6. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in aggregate, resulted in normal statutory tax rates of approximately 40% for the year ended March 31, 2006 (40% in 2005 and 41% in 2004).

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Deferred tax assets:			
Depreciation	¥ 62,377	¥ 59,634	\$ 533,137
Retirement benefits	59,175	52,156	505,769
Accrued bonuses to employees	20,356	19,565	173,983
Long-term prepaid expenses	18,009	13,597	153,923
Accrued contributions of transfer to defined contribution pension plans	209	2,665	1,786
Other	65,980	58,890	563,932
Less: Valuation allowance	(9,370)	(8,560)	(80,085)
Total deferred tax assets	¥216,736	¥197,947	\$1,852,445
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥212,099	¥115,472	\$1,812,812
Prepaid pension cost	29,712	28,377	253,949
Other	24,735	21,988	211,410
Total deferred tax liabilities	¥266,546	¥165,837	\$2,278,171
Net deferred tax assets	¥ (49,810)	¥ 32,110	\$ (425,726)

Net deferred tax assets are presented in the consolidated balance sheets at March 31, 2006 and 2005 as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Current assets-Deferred tax assets	¥ 53,912	¥ 49,450	\$ 460,786
Investments and other assets-Other assets	20,284	18,980	173,368
Current liabilities-Other current liabilities	(372)	(412)	(3,179)
Long-term liabilities-Deferred tax liabilities	(123,634)	(35,908)	(1,056,701)
Net deferred tax assets	¥ (49,810)	¥ 32,110	\$ (425,726)

The reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2006, 2005 and 2004 was as follows:

	2006	2005	2004
Normal effective statutory tax rate	39.89%	39.89%	41.24%
Tax credit of R&D expenses and other	(5.61)	(5.10)	(5.58)
Tax benefits not recognized on operating losses of subsidiaries	1.22	2.39	2.57
Dividend received from foreign subsidiaries	1.58	1.24	-
Items permanently non-taxable such as dividend received	(0.62)	(0.51)	-
Lower income tax rates applicable to income in certain foreign countries	(1.64)	(0.26)	(1.67)
Foreign tax credit	(0.82)	-	-
Other	(0.61)	(0.38)	0.24
Actual effective tax rate	33.39%	37.27%	36.80%

7. Short-term Borrowings and Long-term Debt

Short-term borrowings at March 31, 2006 and 2005 consisted of notes to banks and bank overdrafts. The weighted average interest rates applicable to short-term borrowings at March 31, 2006 and 2005 were 2.7% and 2.5%, respectively.

Long-term debt at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Unsecured 0.34% yen bonds due 2007	¥ 50,000	¥ 50,000	\$ 427,350
Unsecured 1.11% yen bonds due 2012	50,000	50,000	427,350
Other long-term debt (weighted average interest rates of 0.5% in 2006 and 2.2% in 2005)	73,978	45,705	632,292
Total	¥173,978	¥145,705	\$1,486,992
Less: Current portion	3,674	4,064	31,402
Long-term debt, less current portion	¥170,304	¥141,641	\$1,455,590

The Company assigned the obligation to repay its 1.9% unsecured bonds issued on June 23, 1998 to a financial institution during the year ended March 31, 2003. Accordingly, these bonds have been treated as redeemed and a loss on redemption of bonds, in the amount of ¥4,964 million, was recognized. Contingent liabilities to bond holders with respect to this transaction are described in Note 9.

On November 13, 2002, the Company issued 0.34% unsecured bonds of ¥50,000 million due September 2007 and 1.11% unsecured bonds of ¥50,000 million due September 2012, all payable in Japanese yen. All bonds were issued by public placement.

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2007	¥ 3,674	\$ 31,402
2008	58,677	501,513
2009	11,615	99,274
2010	5,123	43,786
2011	4,780	40,855
2012 and thereafter	90,109	770,162
Total	¥173,978	\$1,486,992

8. Pledged Assets

The following assets were pledged as collateral for short-term borrowings of ¥427 million (\$3,650 thousand), current portion of long-term debt of ¥13 million (\$111 thousand) and long-term debt of ¥131 million (\$1,120 thousand) at March 31, 2006.

	Millions of yen	Thousands of U.S. dollars
Accounts receivable	¥ 427	\$ 3,649
Buildings and structures, net of accumulated depreciation	223	1,906
Land	842	7,197
Total	¥1,492	\$12,752

9. Liability for Employees' Retirement Benefits

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

According to the enactment of the Defined Contribution Pension Plan Law in October 2001, the Company implemented a defined contribution pension plan in October 2002 by which a portion of the severance lump-sum payment plan was terminated.

Similarly, domestic subsidiaries, GAC CORPORATION and ASMO CO., LTD., implemented a defined contribution pension plan in April and October 2003, respectively, by which a portion of the severance lump-sum payment plan was terminated. These companies applied accounting treatments specified in the guidance issued by the ASBJ.

The effect of these changes at GAC CORPORATION and ASMO CO., LTD. was to increase income before income taxes and minority interests by ¥667 million, which was recorded as gain on transfer to defined contribution pension plans in the consolidated statement of income for the year ended March 31, 2004. As a result of this transition, plan assets of ¥2,217 million will be transferred over a period of four years.

Prior to the above transition, the Company and a number of its subsidiaries had employed contributory funded defined benefit pension plans and some subsidiaries still use this type of plan. The contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the company. According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The Company obtained an approval of exemption from future obligation by the Ministry of Health, Labor and Welfare on April 1, 2002. Following approval on September 1, 2003 from the Ministry of Health, Labor and Welfare for exemption from past pension obligation related to the substitutional portion of the governmental program, the Company returned ¥115,894 million to the government in cash on January 26, 2004. Since the Company applied a transitional measurement of the accounting standard for employees' retirement benefits at the time of approval of exemption from future obligation, the Company recorded a loss on settlement of the substitutional portion of the governmental pension program due to return of corresponding plan assets in the amount of ¥12,132 million in the consolidated statements of income for the year ended March 31, 2004.

ANDEN CO., LTD. obtained an approval of exemption from future obligation by the Ministry of Health, Labor and Welfare on April 15, 2003. As a result of this exemption, ANDEN CO., LTD. recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥1,429 million in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended March 31, 2004.

SHIMIZU INDUSTRIES CO., LTD., which was consolidated as of April 1, 2005, obtained an approval of exemption from past pension obligation related to the substitutional portion of the governmental program from the Ministry of Health, Labor and Welfare on April 1, 2005 and actually transferred plan assets in the amount of ¥844 million by cash on September 30, 2005. Accordingly, SHIMIZU INDUSTRIES CO., LTD. recognized a gain on settlement of the substitutional portion of governmental pension program due to return of corresponding plan assets in the amount of ¥1,016 million (\$8,684 thousand) for the year ended March 31, 2006.

The liability (asset) for employees' retirement benefits at March 31, 2006 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Projected benefit obligation	¥ 552,833	¥ 490,122	\$ 4,725,068
Fair value of plan assets	(509,734)	(369,354)	(4,356,701)
Unrecognized actuarial loss	(44,355)	(140,766)	(379,102)
Unrecognized prior service benefit	73,988	80,922	632,376
Net liability	72,732	60,924	621,641
Prepaid pension cost	94,266	90,918	805,692
Liability for employees' retirement benefits	¥ 166,998	¥ 151,842	\$ 1,427,333

The components of net periodic retirement benefit costs for the years ended March 31, 2006, 2005 and 2004 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	2006
Service cost	¥24,822	¥22,824	¥23,770	\$212,154
Interest cost	11,309	8,920	11,062	96,658
Expected return on plan assets	(9,912)	(7,360)	(5,488)	(84,718)
Recognized actuarial loss	19,176	19,729	18,526	163,897
Amortization of prior service benefit	(9,112)	(9,023)	(199)	(77,880)
Net periodic retirement benefit costs	¥36,283	¥35,090	¥47,671	\$310,111
Gain on exemption from future pension obligation of the governmental program	-	-	(1,429)	-
(Gain) Loss on settlement of the substitutional portion of governmental pension program due to return of corresponding plan assets	(1,016)	-	12,132	(8,684)
Gain on transfer to defined contribution pension plans	-	-	(667)	-
Contribution to defined contribution pension plans fund	3,074	3,006	2,828	26,274
Total	¥38,341	¥38,096	¥60,535	\$327,701

Assumptions used for the years ended March 31, 2006, 2005 and 2004 were set forth as follows:

	2006	2005	2004
Discount rate	mainly 2.0%	mainly 2.0%	(Beginning of period) mainly 2.5% (End of period) mainly 2.0%
Expected rate of return on plan assets	mainly 3.0%	mainly 3.0%	mainly 3.0%
Amortization period of prior service benefit	10 years	10 years	10 years
Recognition period of actuarial gain/loss	10 years	10 years	10 years

10. Contingent Liabilities

At March 31, 2006, the Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees of loans from financial institutions to the Group's employees and others	¥ 3,111	\$ 26,590
Trade notes sold with recourse	29	248
Redemption of 1.9% yen bonds transferred to a third party under a debt assumption agreement	60,000	512,820
Bank guarantees for customs duty	620	5,299
Total	¥63,760	\$544,957

11. Shareholders' Equity

Through May 1, 2006, Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code requires that all shares of common stock are recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholder's accounts.

The Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of the common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥855,569 million (\$7,312,556 thousand) at March 31, 2006, based on the amount recorded in the Company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semi-annual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

(a) Dividends

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

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

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. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also 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 (\$26 thousand).

(b) Increases/decreases and transfer of common stock, reserve and surplus

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

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the ASBJ published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

Under certain stock option plans approved by the Company's shareholders, the Company has granted stock options to directors, managing officers, general managers, key employees and directors of subsidiaries. Each option permits the holder to purchase one hundred shares of the Company's common stock at a specified exercise price, during a specified period.

Information about the outstanding stock option plans is as follows:

Date of Approval	Option Holder	Total Number of Outstanding Options	Exercise Period	Exercise Price*
June 29, 2000	Directors	1,050	From July 1, 2002 to June 30, 2006	¥2,717
	General Managers			
June 28, 2001	Directors	1,435	From July 1, 2003 to June 30, 2007	¥2,397
	General Managers			
June 27, 2002	Directors	806	From July 1, 2004 to June 30, 2008	¥2,003
	General Managers			
June 27, 2003	Directors	3,326	From July 1, 2005 to June 30, 2009	¥2,090
	General Managers			
June 24, 2004	Directors of subsidiaries	10,960	From July 1, 2006 to June 30, 2010	¥2,740
	Directors			
	Managing Officers			
	Key Employees			
June 22, 2005	Directors of subsidiaries	12,660	From July 1, 2007 to June 30, 2011	¥2,758
	Directors			
	Managing Officers			
	Key Employees			
	Directors of subsidiaries			

*Subject to adjustment for subsequent stock splits and other circumstances.

12. Significant Shareholder

Toyota Motor Corporation ("Toyota") directly owned 203,127 thousand, 203,127 thousand and 205,127 thousand shares of common stock of the Company at March 31, 2006, 2005 and 2004, respectively, which accounted for 22.98%, 22.98% and 23.20% of the total shares of the Company issued at the respective dates.

Sales of the Group to Toyota for the years ended March 31, 2006, 2005 and 2004 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	2006
Sales to Toyota (Japan headquarters only)	¥990,333	¥883,652	¥816,295	\$8,464,385

13. Research and Development Expenses

Research and development expenses charged to income were ¥256,339 million (\$2,190,932 thousand), ¥238,241 million, and ¥214,917 million for the years ended March 31, 2006, 2005 and 2004, respectively.

14. Leases

The Group leases certain machinery, computer equipment, and other assets. Total lease expense for finance leases for the years ended March 31, 2006, 2005 and 2004 were ¥2,283 million (\$19,513 thousand) ¥2,383 million and ¥2,813 million, respectively.

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

	Millions of yen			
	Buildings and structures	Machinery and equipment	Software	Total
				2006
Acquisition cost	¥330	¥9,923	¥471	¥10,724
Accumulated depreciation	113	5,504	378	5,995
Net leased property	¥217	¥4,419	¥ 93	¥ 4,729

	Thousands of U.S. dollars			
	Buildings and structures	Machinery and equipment	Software	Total
				2006
Acquisition cost	\$2,821	\$84,812	\$4,026	\$91,658
Accumulated depreciation	966	47,043	3,231	51,239
Net leased property	\$1,855	\$37,769	\$ 795	\$40,419

	Millions of yen			
	Buildings and structures	Machinery and equipment	Software	Total
				2005
Acquisition cost	¥290	¥10,381	¥1,196	¥11,867
Accumulated depreciation	94	5,451	954	6,499
Net leased property	¥196	¥ 4,930	¥ 242	¥ 5,368

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Obligations under finance leases			
Due within one year	¥2,044	¥2,045	\$17,470
Due after one year	2,685	3,323	22,949
Total	¥4,729	¥5,368	\$40,419

Obligations under finance leases includes the imputed interest expense portion.

Depreciation expenses, which were not reflected in the accompanying consolidated statements of income for the years ended March 31, 2006, 2005 and 2004, computed by the straight-line method, were ¥2,283 million (\$19,513 thousand), ¥2,383 million and ¥2,813 million, respectively.

The rental commitments under non-cancelable operating leases at March 31, 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
Due within one year	¥ 788		\$ 6,735
Due after one year	3,145		26,880
Total	¥3,933		\$33,615

15. Segment Information

(A) Business Segments

Business segment data for the years ended March 31, 2006, 2005 and 2004 is not presented as the automotive segment represented more than 90% of total sales and assets of all business segments and operating income in each fiscal year.

(B) Geographical Segments (by company location)

Year ended March 31,		Millions of yen			Thousands of U.S. dollars	
		2006	2005	2004	2006	
Sales	Japan	Customers	¥1,727,675	¥1,590,666	¥1,469,552	\$14,766,453
		Intersegment	561,284	469,891	416,245	4,797,299
		Total	2,288,959	2,060,557	1,885,797	19,563,752
	The Americas	Customers	681,367	571,053	549,208	5,823,649
		Intersegment	9,076	9,189	8,532	77,573
		Total	690,443	580,242	557,740	5,901,222
	Europe	Customers	414,243	367,082	333,486	3,540,538
		Intersegment	8,804	6,968	4,809	75,248
		Total	423,047	374,050	338,295	3,615,786
	Asia & Oceania	Customers	365,045	271,148	210,165	3,120,043
		Intersegment	30,064	19,757	13,438	256,957
		Total	395,109	290,905	223,603	3,377,000
		Eliminations	(609,228)	(505,805)	(443,024)	(5,207,076)
		Consolidated	¥3,188,330	¥2,799,949	¥2,562,411	\$27,250,684
	Operating Income (Loss)	Japan	¥ 207,650	¥ 180,000	¥ 153,473	\$ 1,774,786
The Americas		21,875	23,638	24,833	186,966	
Europe		1,554	(8,777)	(4,250)	13,282	
Asia & Oceania		36,709	20,067	14,903	313,752	
Eliminations		(1,229)	(1,033)	(300)	(10,504)	
Consolidated		¥ 266,559	¥ 213,895	¥ 188,659	\$ 2,278,282	
Assets	Japan	¥2,193,889	¥1,783,896	¥1,627,930	\$18,751,188	
	The Americas	354,150	287,455	248,500	3,026,923	
	Europe	283,163	251,753	231,332	2,420,196	
	Asia & Oceania	282,529	215,582	161,707	2,414,778	
	Corporate and Eliminations	298,244	242,296	257,033	2,549,094	
	Consolidated	¥3,411,975	¥2,780,982	¥2,526,502	\$29,162,179	

As explained in Note 2(I), three consolidated subsidiaries located in the United Kingdom adopted the new local accounting standards for liability for employees' retirement benefits. The effect of this was to increase retirement benefit costs by ¥357 million (\$3,051 thousand) and operating costs by ¥347 million (\$2,966 thousand), and to reduce operating income by the same amounts in the Europe geographical segment for the ended March 31, 2006.

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

	Millions of yen			Thousands of U.S. dollars		
	Contract or Notional Amounts	Fair Value	Net Unrealized Gain/(Loss)	Contract or Notional Amounts	Fair Value	Net Unrealized Gain/(Loss)
			2006			2006
Forward exchange contracts:						
Selling contracts	¥24,142	¥24,422	¥(280)	\$206,342	\$208,735	\$(2,393)
Buying contracts	617	610	(7)	5,274	5,214	(60)
Currency swaps:						
Receipt Yen ^(*)	¥ 815	¥ 870	¥ (55)	\$ 6,966	\$ 7,436	\$ (470)
Payment U.S. Dollar						
Receipt Yen ^(*)	607	699	(92)	5,188	5,974	(786)
Payment Czech Koruna						
Receipt Yen ^(*)	225	218	7	1,923	1,863	60
Payment Euro						
Receipt Singapore Dollar ^(*)	763	762	1	6,521	6,513	8
Payment U.S. Dollar						
Receipt Yen						
Payment Thai Baht ^(*)	2,460	2,150	(310)	21,026	18,376	(2,650)
Receipt Swedish Krone						
Payment Euro ^(*)	614	616	2	5,248	5,265	17
Receipt U.S. Dollar						
Payment Indonesian Rupiah ^(*)	357	356	(1)	3,051	3,043	(8)

	Millions of yen		
	Contract or Notional Amounts	Fair Value	Net Unrealized Gain/(Loss)
			2005
Forward exchange contracts:			
Selling contracts	¥27,336	¥27,924	¥(588)
Buying contracts	1,013	1,009	(4)
Currency swaps:			
Receipt Yen ^(*)	¥ 1,087	¥ 1,048	¥ 39
Payment U.S. Dollar			
Receipt Yen ^(*)	450	446	4
Payment Euro			
Receipt Yen			
Payment Thai Baht ^(*)	2,224	2,150	(74)
Receipt Swedish Krone			
Payment Euro ^(*)	649	660	11

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

17. Net Income per Share

The reconciliation of the differences between basic and diluted net income per share (EPS) for the years ended March 31, 2006 and 2005 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. Dollars
	Net Income	Weighted Average Shares	EPS	EPS
2006				
Basic EPS				
Net income available to common shareholders	¥169,110	825,725	¥204.80	\$1.75
Effect of Dilutive Securities				
Stock option	-	724		
Diluted EPS				
Net income for computation	¥169,110	826,449	¥204.62	\$1.75

	Millions of yen	Thousands of shares	Yen
	Net Income	Weighted Average Shares	EPS
2005			
Basic EPS			
Net income available to common shareholders	¥132,128	830,869	¥159.02
Effect of Dilutive Securities			
Stock option	-	339	
Diluted EPS			
Net income for computation	¥132,128	831,208	¥158.96

18. Subsequent Events

(A) On June 2, 2006, the Company repurchased 5,100 thousand shares of its common stock in the amount of ¥20,094 million (\$171,744 thousand) in accordance with the resolution at the meeting of shareholders of the Company held on June 22, 2005.

(B) On June 27, 2006, at a meeting of the shareholders of the Company, the following items were approved.

(1) Appropriation of Retained Earnings

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥16,525	\$141,239
Bonuses to directors and corporate auditors	306	2,616
Total	¥16,831	\$143,855

(2) Stock Option Plan

The plan provides for issuing stock options mainly to directors, managing officers, key employees and directors of subsidiaries. The options entitle the holders to purchase shares of the Company's common stock up to 1,500 thousand shares. The options will be generally granted at an exercise price of 105% of the average closing price of the per share value of the Company's common stock, according to the Tokyo Stock Exchange, for the month prior to the month in which the options are issued. The Company plans to issue acquired treasury stock on exercise of the stock options. The exercisable period is August 1, 2008 to July 31, 2012.

(3) Purchase of Treasury Stock

The Company is authorized to repurchase up to 7,500 thousand shares of the Company's common stock (aggregate amount of ¥37,500 million (\$320,513 thousand)).

Independent Auditors' Report

Deloitte.

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To the Board of Directors of
DENSO CORPORATION:

We have audited the accompanying consolidated balance sheets of DENSO CORPORATION (the "Company") and consolidated subsidiaries (together, the "Group") as of March 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2006, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of DENSO CORPORATION and consolidated subsidiaries as of March 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2006, in conformity with accounting principles generally accepted in Japan.

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

As discussed in Note 2(F) to the consolidated financial statements, the Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2004.

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

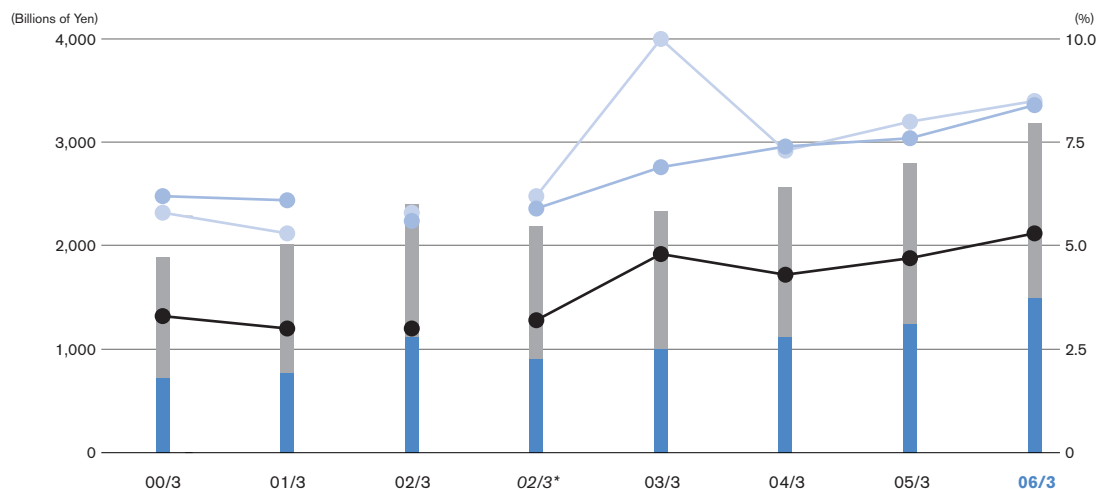


June 27, 2006

Supplemental Figures

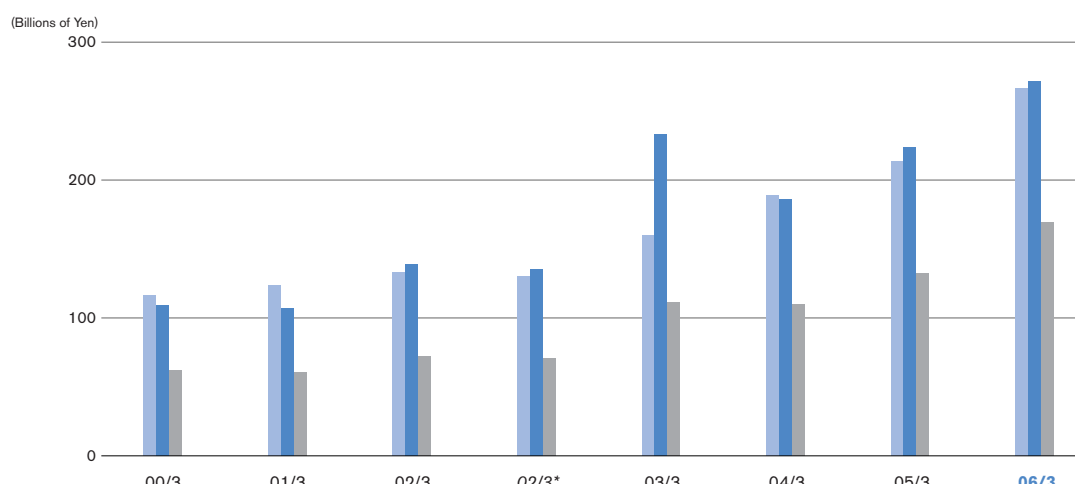
Operating Results

(1) Net Sales



Millions of yen	00/3	01/3	02/3	02/3*	03/3	04/3	05/3	06/3
Net Sales	¥1,883,407	¥2,014,978	¥2,401,098	¥2,183,062	¥2,332,760	¥2,562,411	¥2,799,949	¥3,188,330
Change from previous period	7.1%	7.0%	19.2%	8.3%	(2.8%)	9.8%	9.3%	13.9%
■ Sales in Japan	1,161,016	1,245,830	1,277,865	1,277,865	1,325,637	1,442,645	1,554,795	1,690,215
Change from previous period	5.1%	7.3%	2.6%	2.6%	3.7%	8.8%	7.8%	8.7%
■ Sales outside Japan	722,391	769,148	1,123,233	905,197	1,007,123	1,119,766	1,245,154	1,498,115
Change from previous period	10.4%	6.5%	46.0%	17.7%	(10.3%)	11.2%	11.2%	20.3%
◆ Operating income/Net Sales	6.2%	6.1%	5.6%	5.9%	6.9%	7.4%	7.6%	8.4%
◆ Income before income taxes and minority interests/Net Sales	5.8%	5.3%	5.8%	6.2%	10.0%	7.3%	8.0%	8.5%
◆ Net income/Net Sales	3.3%	3.0%	3.0%	3.2%	4.8%	4.3%	4.7%	5.3%

(2) Profits



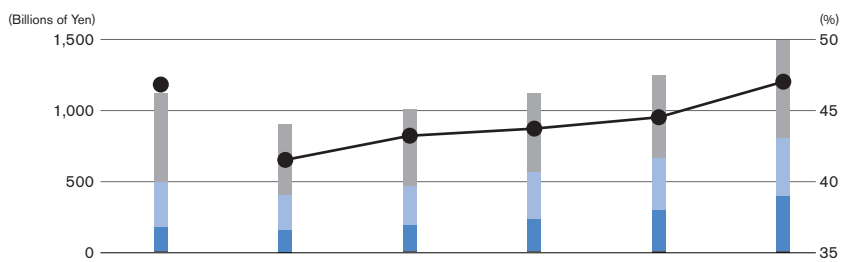
Millions of yen	00/3	01/3	02/3	02/3*	03/3	04/3	05/3	06/3
■ Operating income	¥116,682	¥123,526	¥133,340	¥129,888	¥159,893	¥188,659	¥213,895	¥266,559
Change from previous period	14.8%	5.9%	7.9%	5.2%	19.9%	18.0%	13.4%	24.6%
■ Income before income taxes and minority interests	108,908	107,299	138,983	135,360	233,534* ¹	185,892	223,446	271,854
Change from previous period	2.0%	(1.5%)	29.5%	26.2%	68.0%	(20.4%)	20.2%	21.7%
■ Net income	61,913	60,799	72,313	70,800	111,018* ¹	110,027	132,620	169,648
Change from previous period	5.0%	(1.8%)	18.9%	16.4%	53.5%	(0.9%)	20.5%	27.9%

Notes*1: Income before income taxes and minority interests and Net income for the year ended March 31, 2003 include a non-recurring gain on exemption from future pension obligation of the governmental program.

Cautionary Note: The figures of year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies), and italicized figures* are included for reference based on 12 months that exclude the effect of 15-month irregular reporting.

Sales

(1) Sales by Customer Location



Millions of yen	02/3	02/3*	03/3	04/3	05/3	06/3
The Americas	¥ 632,797	¥ 504,939	¥ 539,299	¥ 557,035	¥ 582,769	¥ 692,801
Percentage of Net sales	26.4%	23.1%	23.1%	21.7%	20.8%	21.7%
Change from previous period	37.1%	9.4%	(14.8%)	3.3%	4.6%	18.9%
Europe	310,964	244,206	274,271	332,019	367,588	414,674
Percentage of Net sales	12.9%	11.2%	11.8%	13.0%	13.1%	13.0%
Change from previous period	85.9%	46.0%	(11.8%)	21.1%	10.7%	12.8%
Asia & Oceania	174,899	152,229	188,863	224,511	287,627	380,541
Percentage of Net sales	7.3%	7.0%	8.1%	8.8%	10.3%	12.0%
Change from previous period	27.1%	10.6%	8.0%	18.9%	28.1%	32.3%
Others	4,573	3,823	4,690	6,201	7,170	10,099
Percentage of Net sales	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%
Change from previous period	76.8%	47.8%	2.6%	32.2%	15.6%	40.9%
Sales outside Japan Total	1,123,233	905,197	1,007,123	1,119,766	1,245,154	1,498,115
Sales outside Japan/Net Sales	46.8%	41.5%	43.2%	43.7%	44.5%	47.0%

(2) Breakdown of Sales by Customer

Percentage of net sales	02/3	02/3*	03/3	04/3	05/3*1	06/3
TOYOTA	44.2%	45.4%	46.0%	46.9%	45.2%	44.6%
DAIHATSU	2.9	3.1	2.8	2.6	2.9	2.7
HINO	0.9	1.0	1.1	1.5	1.4	1.3
TOYOTA Group sub-total	48.0	49.5	49.9	51.0	49.5	48.6
HONDA	7.5	7.4	8.3	7.9	7.8	7.6
SUZUKI	3.3	3.5	3.5	3.0	3.0	3.0
FUJI	1.0	1.1	1.0	1.3	1.9	1.8
mitsubishi*2	2.9	2.9	2.9	2.5	1.7	1.7
GM	2.8	2.3	2.7	2.6	2.6	3.4
ISUZU	1.1	1.1	1.1	1.6	1.4	1.4
GM Group sub-total	3.9	3.4	3.8	4.2	4.0	4.8
FORD	1.1	0.9	1.0	1.3	1.1	1.0
JAGUAR	0.6	0.5	0.5	0.6	0.4	0.4
VOLVO/LAND ROVER	0.8	0.7	0.6	0.5	0.6	1.0
MAZDA	1.5	1.6	1.6	1.6	1.4	1.4
FORD Group sub-total	4.0	3.7	3.7	4.0	3.5	3.8
CHRYSLER	4.6	4.0	3.5	3.1	2.5	2.4
BENZ	1.4	1.3	1.2	1.0	0.8	0.7
DC Group sub-total	6.0	5.3	4.7	4.1	3.3	3.1
FIAT	2.7	2.5	2.2	2.8	2.5	2.4
HYUNDAI/KIA	1.0	1.1	1.1	1.3	1.5	1.5
VW/AUDI	1.7	1.5	1.6	1.5	1.2	1.2
BMW	0.7	0.6	0.6	0.5	0.5	0.7
RENAULT/NISSAN	0.3	0.2	0.3	0.6	0.8	0.8
PSA	0.3	0.3	0.4	0.3	0.3	0.2
OE Sales for others*3	-	-	-	-	5.9	6.0
OE Sales sub-total	-	-	-	-	87.4	87.2
After Market, New business & others*4	-	-	-	-	12.6	12.8
Others	16.7	17.0	16.0	15.0	-	-
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes*1: From the fiscal year ended March 31, 2005, categories are changed to "OE Sales (Sales for Automotive Manufacturers)" and "After Market, New business & others".

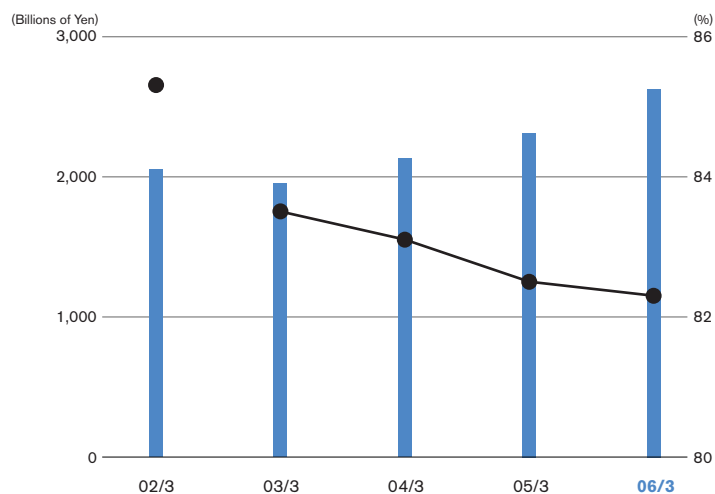
*2: Including "MITSUBISHI FUSO TRUCK & BUS CORPORATION".

*3: Until the year ended March 31, 2004, "OE Sales for others" was included in "Others".

*4: Until the year ended March 31, 2004, "Sales for After Market by way of Automotive Manufacturers" was included in each category of "OE Sales" respectively, but it is included in "After Market, New business & others" from the fiscal year ended March 31, 2005, due to the category changes.

Cautionary Note: The figures of year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies), and italicized figures* are included for reference based on 12 months that exclude the effect of 15-month irregular reporting.

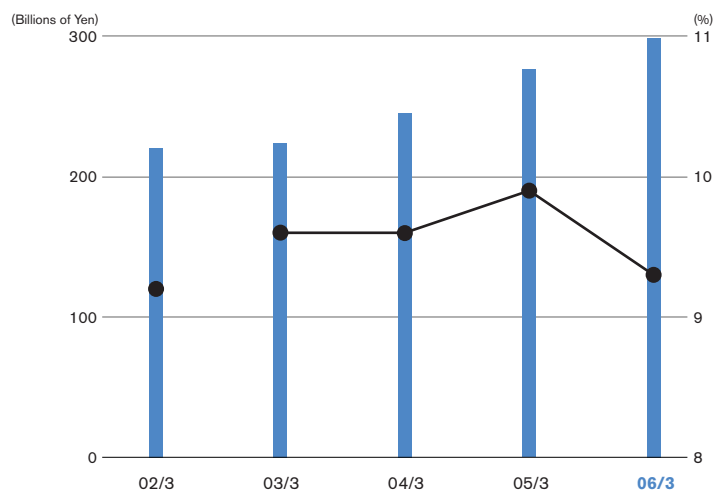
Cost of Sales



Millions of yen

■ Cost of Sales	¥2,047,171	¥1,948,636	¥2,128,604	¥2,309,713	¥2,622,998
Change from previous period	20.8%	(4.8%)	9.2%	8.5%	13.6%
◆ Cost of Sales/Net Sales	85.3%	83.5%	83.1%	82.5%	82.3%

S.G. & A. Expenses



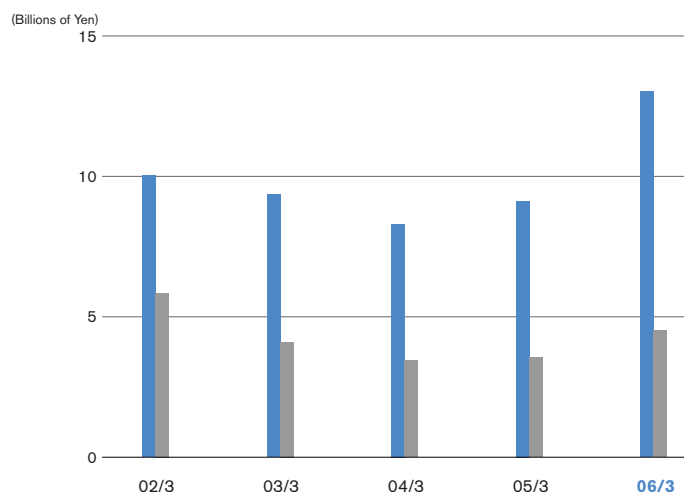
Millions of yen

■ S.G. & A. Expenses	¥220,587	¥224,231	¥245,148	¥276,341	¥298,773
Change from previous period	12.5%	1.7%	9.3%	12.7%	8.1%
◆ S.G. & A. Expenses/Net Sales	9.2%	9.6%	9.6%	9.9%	9.3%

Cautionary Note: The figures of year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies).

Other Income and Expenses

Net Financial Revenue

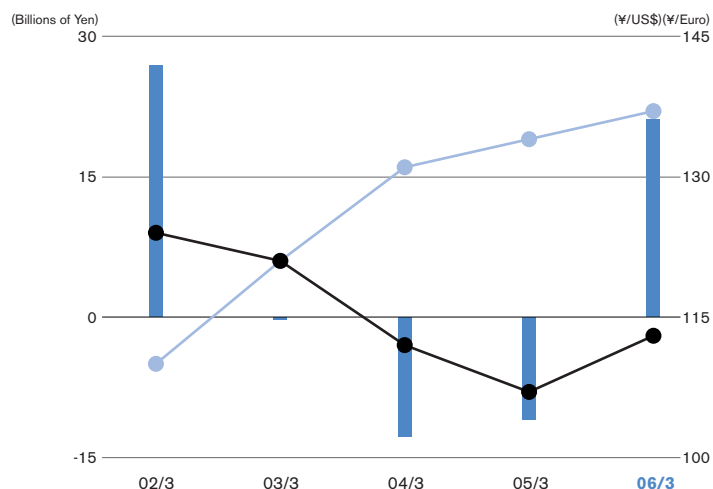


Millions of yen

	02/3	03/3	04/3	05/3	06/3
Interest and dividend income	¥10,033	¥9,358	¥8,311	¥9,118	¥13,021
Interest expense	5,851	4,103	3,448	3,541	4,506
Net financial revenue	4,182	5,255	4,863	5,577	8,515
Interest coverage (times)*	24.5	41.3	57.1	63.0	62.0

Note: Interest coverage = (Operating income+Interest and dividend income) / Interest expense

Impact of Foreign Exchange Trends

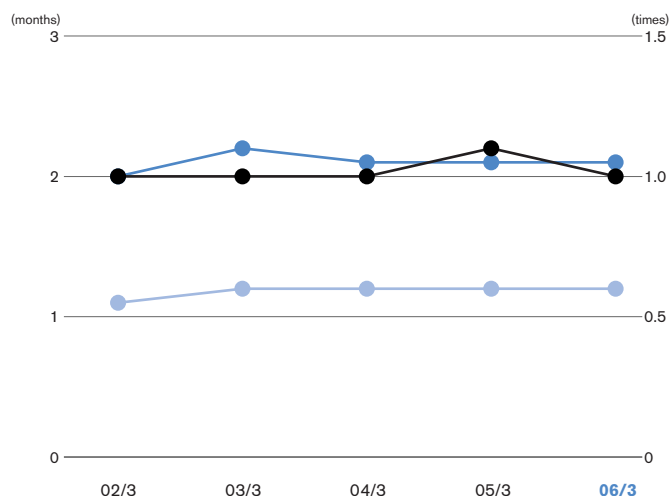


	02/3	03/3	04/3	05/3	06/3
Average exchange rate (¥/US\$)	¥124	¥121	¥112	¥107	¥113
Average exchange rate (¥/Euro)	110	121	131	134	137
Foreign exchange gain (loss) (¥ billion)	26.9	(0.3)	(12.8)	(11.0)	21.1
Foreign exchange gain (loss) –US\$ (¥ billion)	22.9	(4.7)	(16.8)	(11.1)	14.2
Foreign exchange gain (loss) –Euro (¥ billion)	2.1	3.5	4.7	1.6	2.0
Impact of ¥1/US\$ change (¥ billion)	1.56	1.64	1.85	2.12	2.20
Impact of ¥1/Euro change (¥ billion)	0.22	0.30	0.46	0.58	0.64

Cautionary Note: The figures of year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies).

Other Financial Indices

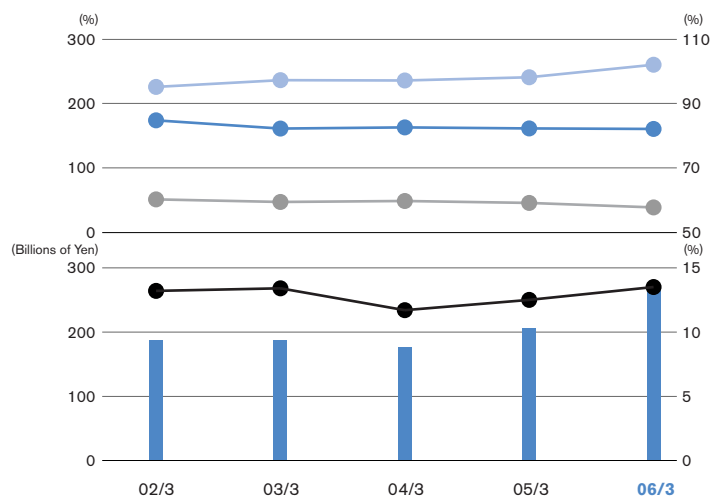
(1) Operational Efficiency



Millions of yen	02/3	03/3	04/3	05/3	06/3
Notes and accounts receivable	¥ 426,354	¥ 419,924	¥ 475,439	¥ 519,708	¥ 592,374
◆ Average collection period (months)	2.0	2.2	2.1	2.1	2.1
Inventories	188,418	196,581	214,751	248,821	287,571
◆ Average age of inventory (months)	1.1	1.2	1.2	1.2	1.2
Total assets	2,361,048	2,354,657	2,526,502	2,780,982	3,411,975
◆ Total assets turnover (times)	1.0	1.0	1.0	1.1	1.0

Note: The figures for average collection period, average age of inventory and total assets turnover are calculated based on average trade receivable, inventories and total assets at the beginning and the end of each fiscal year.

(2) Safety



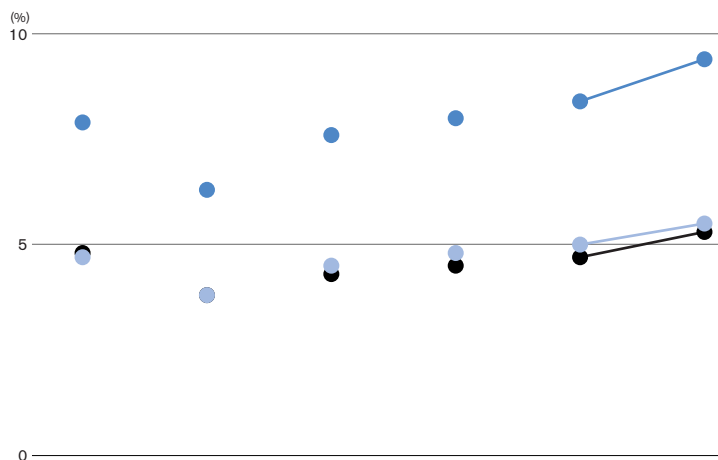
Millions of yen	02/3	03/3	04/3	05/3	06/3
Current assets	¥1,007,476	¥ 994,690	¥1,058,996	¥1,167,715	¥1,400,593
Fixed assets	1,353,572	1,359,967	1,467,506	1,613,267	2,011,382
Current liabilities	578,889	617,060	649,817	723,650	871,854
Long-term liabilities	297,482	273,051	295,261	338,452	473,818
■ Interest-bearing debt*	187,702	187,107	176,147	205,698	266,085
Shareholders' equity	1,421,212	1,397,888	1,509,489	1,643,182	1,970,388
◆ Current ratio [left scale]	174.0%	161.2%	163.0%	161.4%	160.6%
◆ Fixed ratio [right scale]	95.2%	97.3%	97.2%	98.2%	102.1%
◆ Debt*/equity ratio	13.2%	13.4%	11.7%	12.5%	13.5%
◆ Shareholders' equity ratio [right scale]	60.2%	59.4%	59.7%	59.1%	57.7%

Note: Interest-bearing debt* = Short-term borrowings+Current portion of long-term debt+Long-term debt
Debt*/equity ratio = Interest-bearing debt / Shareholders' equity ratio

Cautionary Note: The figures of year ended March 31, 2002 included the effect of the irregular 15-month reporting period, due to the shift of the end of the fiscal year from December to March for major overseas consolidated subsidiaries and affiliates (45 companies).

(3) Profitability and Investment Analysis Ratios

Return on equity, Return on total assets and Return on sales



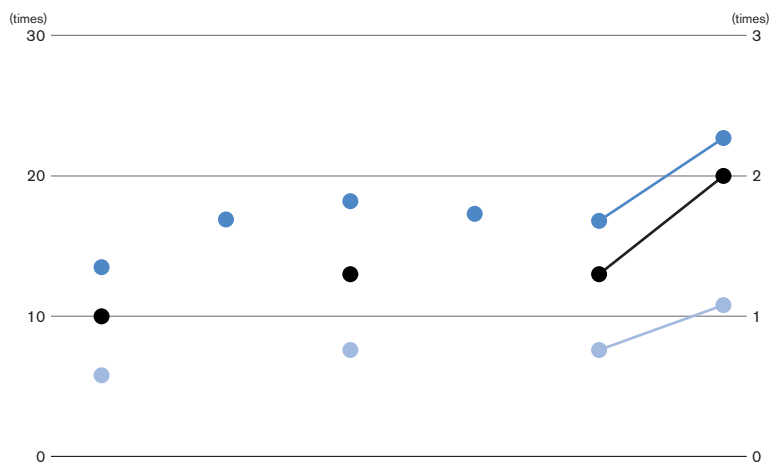
Yen	03/3	03/3*	04/3	04/3*	05/3	06/3
Return on equity	7.9%	6.3%	7.6%	8.0%	8.4%	9.4%
Return on total assets	4.7%	3.8%	4.5%	4.8%	5.0%	5.5%
Return on sales	4.8%	3.8%	4.3%	4.5%	4.7%	5.3%
Average number of shares outstanding (in thousands)	860,828	860,828	842,005	842,005	830,869	825,725
Earnings per share	¥ 128.37	¥ 102.60	¥ 130.02	¥ 137.27	¥ 159.02	¥ 204.80
Cash dividends per share	20.00	20.00	24.00	24.00	32.00	38.00
Cash flow per share*	299.33	-	310.21	-	353.38	429.67
Number of shares outstanding as of the respective						
balance sheet dates (in thousands)	843,352	843,352	833,873	833,873	825,275	826,263
Shareholders' equity per share	1,656.93	-	1,809.55	-	1,990.48	2,384.05

Notes 1: The figures for ratios involving shareholders' equity and total assets are calculated based on average shareholders' equity and total assets at the beginning and the end of each fiscal year.

Cash flow per share = (Net income + Depreciation) / Average number of shares outstanding

2: The italicized figures for the years ended March 31, 2003 and 2004 exclude non-recurring items in other income and expenses for reference.

PER, PCFR and PBR



	03/3	03/3*	04/3	04/3*	05/3	06/3
Stock price at the end of fiscal year (yen)	¥1,732	¥1,732	¥2,370	¥2,370	¥2,670	¥4,650
Price earning ratio (times) *	13.5	16.9	18.2	17.3	16.8	22.7
Price cash flow ratio (times)*	5.8	-	7.6	-	7.6	10.8
Price book value ratio (times)*	1.0	-	1.3	-	1.3	2.0

Notes 1: Price earning ratio = Stock price at the end of fiscal year / Earnings per share

Price cash flow ratio = Stock price at the end of fiscal year / Cash flow per share

Price book value ratio = Stock price at the end of fiscal year / Shareholders' equity per share

2: The italicized figures for the years ended March 31, 2003 and 2004 exclude non-recurring items in other income and expenses for reference.

Corporate Data

Operations in Japan

	Main Products/Research Fields	Start of Operations	Employees	Location (Prefecture)
Headquarters		1949*	10,262	Aichi
Ikeda Plant	Radiators, oil coolers, and inter coolers	1965	735	Aichi
Hiroshima Plant	Radiators, electric fans, integrated air fuel modules, and heater units	1965	140	Hiroshima
Anjo Plant	Starters, alternators, and hybrid vehicle components	1967	2,410	Aichi
Nishio Plant	Air conditioners, radiators, fuel injection systems for diesel engines, and electronic fuel injection components	1970	6,932	Aichi
Takatana Plant	Instrument clusters, displays, navigation systems, and various sensors	1974	2,338	Aichi
Daian Plant	Ignition devices, driving control and safety products, oxygen sensors, and various other actuators and sensors	1982	3,851	Mie
Kota Plant	Integrated circuits, and electronic control components	1987	3,539	Aichi
Toyohashi Plant	Air conditioners and natural refrigerant (CO ₂) heat-pump hot water supply systems	1987	1,031	Aichi
Agui Plant	Machinery, tools, and robots	1990	893	Aichi
Zenmyo Plant	Electronic diesel fuel injection systems	1998	701	Aichi
DENSO Research Laboratories	Semiconductors, information and communications systems, and human-machine interface technologies	1991	378	Aichi

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

(As of March 31, 2006)

Group Companies in Japan

Consolidated Subsidiaries

Company	% Owned by DENSO*	Employees	Company	% Owned by DENSO*	Employees
ASMO CO., LTD.	73.4	4,640	DENSO FINANCE & ACCOUNTING CENTER CO., LTD.	100.0	77
ANDEN CO., LTD.	100.0	1,170	DENSO SQUARE CORPORATION	100.0	3
HAMANAKODENSO CO., LTD.	76.5	1,414	DENSO SEIBI CO., LTD.	100.0	54
DAISHINSEIKI CO., LTD.	99.2	642	DENSO TECHNO CO., LTD.	100.0	1,369
KYOSANDENKI CO., LTD.	62.3	1,303	DENSO FACILITIES CORPORATION	100.0	482
GAC CORPORATION	57.5	820	DENSO YUSEN TRAVEL CORPORATION	70.0	13
ASAHI MANUFACTURING CO., LTD.	100.0	349	DENSO UNITY SERVICE CORPORATION	100.0	632
SANKYO RADIATOR CO., LTD.	71.6	274	DENSO LOGITEM CORPORATION	100.0	172
SHIMIZU INDUSTRY CO., LTD.	51.0	438	NIPPON SOKEN, INC.	75.0	375
TECHMA CORPORATION	100.0	326	MOBILE MEDIANET INC.	58.0	28
DENSO AIRS CORPORATION	62.5	492	OSAWA INC.	100.0	60
DENSO ELECS CO., LTD.	100.0	315	DENSO ACE CORPORATION	100.0	125
DENSO KATSUYAMA CO., LTD.	96.4	161	DENSO HOKKAIDO CORPORATION	100.0	139
DENSO KIKO CO., LTD.	100.0	226	DENSO TOHOKU CORPORATION	100.0	90
DENSO MANUFACTURING KITAKYUSHU CO., LTD.	100.0	26	DENSO TOKYO CORPORATION	100.0	398
DENSO TAIYO CO., LTD.	51.0	219	DENSO CHUBU CORPORATION	100.0	316
DENSOTRIM CO., LTD.	80.0	477	DENSO KANSAI CORPORATION	100.0	125
DENSO PREAS CO., LTD.	100.0	120	DENSO CHUGOKU CORPORATION	100.0	83
DENSO REMANI CORPORATION	100.0	13	DENSO SHIKOKU CORPORATION	100.0	100
NIPPON WIPER BLADE CO., LTD.	70.0	738	DENSO KYUSHU CORPORATION	100.0	115
IPICS CORPORATION	100.0	59	DENSO SERVICE OKINAWA CO., LTD.	100.0	36
DENSO EMC ENGINEERING SERVICE CORPORATION	100.0	28	MIYAZAKI ASMO CO., LTD.	100.0	302
DENSO ISM CORPORATION	100.0	176	APINES CO., LTD.	100.0	103
DENSO IT LABORATORY, INC.	100.0	33	SUAB CO., LTD.	100.0	38
DENSO INFORMATION TECHNOLOGY CORPORATION	100.0	119	HAMADEN P & S CO., LTD.	100.0	70
DENSO ABASHIRI TEST CENTER CORPORATION	100.0	10	KYOSAN TECS CO., LTD.	100.0	44
DENSO WAVE INC.	75.0	508	KYOSAN SERVICE CORPORATION	100.0	20
DENSO WELL CORPORATION	100.0	62	OTARI GAC CO., LTD.	100.0	48
DENSO SI CORPORATION	100.0	64	GAC HUMAN CO., LTD.	100.0	201
DENSO MTEC CORPORATION	100.0	110	GAC MECHATRONICS CO., LTD.	100.0	10
DENSO E & TS TRAINING CENTER CORPORATION	100.0	171	YASAKA GAC CO., LTD.	100.0	54
DENSO KYUYO SERVICE CORPORATION	100.0	23	DENSO SERVICE NISHISAITAMA CO., LTD.	100.0	13
DENSO CREATE INC.	100.0	164	DS SHIZUOKA CO., LTD.	100.0	9

* including DENSO Corporation and its subsidiaries

Affiliates Under the Equity Method

ADVANCED DRIVER INFORMATION TECHNOLOGY CORPORATION
 ADVICS CO., LTD.
 ITOH SEIKO CO., LTD.
 G. S. ELECTECH INC.
 JECO CO., LTD.

SHINSEI INDUSTRIAL CO., LTD.
 SOHWA CORPORATION
 TSUDA INDUSTRIES CO., LTD.
 NIHON PAKKIN CO., LTD.
 MARCON DENSO CO., LTD.

TOMEI BRAZING CO., LTD.
 TD MOBILE KANSAI CO., LTD.
 TD MOBILE CHUGOKU CO., LTD.

(As of March 31, 2006)

Global Network

Country	Major Company	Main Business	% Owned by DENSO*	Employees
U.S.A.	☆ DENSO INTERNATIONAL AMERICA, INC.	• Holding company and regional headquarters for North America • Sale of automotive components • Engineering services, design, testing, and R&D	100.0	627
	☆ DENSO SALES CALIFORNIA, INC.	• Sale of automotive components, spot-coolers, and robots	100.0	241
	☆ DENSO MANUFACTURING MICHIGAN, INC.	• Manufacture of car air conditioners and radiators	100.0	2,405
	☆ AMERICAN INDUSTRIAL MANUFACTURING SERVICES, INC.	• Remanufacture of automotive electrical components	100.0	113
	☆ DENSO MANUFACTURING TENNESSEE, INC.	• Manufacture of automotive electrical components, instrument clusters, and automotive electronic products	100.0	2,475
	☆ DENSO MANUFACTURING ATHENS TENNESSEE, INC.	• Manufacture of injectors, oxygen sensors, and stick coils	100.0	885
	★ MICHIGAN AUTOMOTIVE COMPRESSOR, INC.	• Manufacture of compressors	40.0	1,022
	★ TBDN TENNESSEE COMPANY	• Manufacture of air cleaners and oil filters	49.0	566
	★ ASSOCIATED FUEL PUMP SYSTEMS CORPORATION	• Manufacture of fuel pumps	50.0	308
	☆ DENSO WIRELESS SYSTEMS AMERICA, INC.	• Manufacture of automotive electronic products	100.0	120
	★ ACTIS MANUFACTURING, LTD. LLC.	• Remanufacture of compressors for aftermarket	20.0	44
	☆ DENSO MANUFACTURING ARKANSAS, INC.	• Manufacture of car air conditioners and radiators	100.0	361
	★ TD AUTOMOTIVE COMPRESSOR GEORGIA, LLC	• Manufacture of compressors for car air conditioners	35.0	182
	☆ DENSO REINSURANCE AMERICA, INC.	• Insurance for DENSO group companies as a captive insurance company	100.0	–
	☆ ASMO NORTH AMERICA, LLC.	• Headquarters for ASMO U.S. operations	100.0	12
	☆ ASMO MANUFACTURING, INC.	• Manufacture of windshield washer systems and servo motors	100.0	303
	☆ ASMO NORTH CAROLINA, INC.	• Manufacture of power window regulator motors, blower motors, and electric fan motors	100.0	462
	☆ ASMO DETROIT, INC.	• Engineering services and North American sales planning	100.0	33
	☆ AUTOMOTIVE MOTORS OF THOMASVILLE, INC.	• Manufacture of power window regulator motors	100.0	200
	☆ ASMO GREENVILLE OF NORTH CAROLINA, INC.	• Manufacture of windshield wiper systems and windshield washer systems	100.0	482
	☆ ASMO APPALACHIAN CORPORATION	• Manufacture of power window regulator motors	100.0	162
	☆ NORTH CAROLINA ASAHI, INC.	• Manufacture of wiper linkages	100.0	152
	☆ NWB USA, INC.	• Sale of wiper arms and wiper blades	91.0	10
	☆ KYOSAN DENKI AMERICA, INC.	• Headquarters for KYOSAN DENSO MANUFACTURING KENTUCKY, LLC.	100.0	–
	☆ KYOSAN DENSO MANUFACTURING KENTUCKY, LLC.	• Manufacture of fuel pump modules	100.0	223
	☆ TECHMA U.S.A., INC.	• Manufacture of wire harnesses and electronic components	100.0	129
	★ TD SCAN (U.S.A.), INC.	• Sale of bar code readers, two-dimensional code readers, and automatic data capture devices	26.9	8
Canada	☆ DENSO MANUFACTURING CANADA, INC.	• Manufacture and sale of car air conditioners • Sale of radiators, pump components, and automotive electrical components	100.0	255
Mexico	☆ DENSO MEXICO S.A. DE C.V.	• Manufacture of instrument clusters, valves, and VCT	95.0	3,272
	☆ GAC CORPORATION DE MEXICO S.A. DE C.V.	• Manufacture and sale of spot-coolers and hoses for air conditioners	100.0	655
Brazil	☆ DENSO DO BRASIL LTDA.	• Manufacture and sale of car air conditioners, compressors, and radiators	90.6	1,343
	☆ DENSO INDUSTRIAL DA AMAZONIA LTDA.	• Manufacture and sale of bus air conditioners and ignition components for motorbikes	100.0	247
	☆ DENSO MAQUINAS ROTANTES do BRASIL LTDA.	• Manufacture and sale of alternators and motors	100.0	217
	☆ DENSO SISTEMAS TERMICOS do BRASIL LTDA.	• Manufacture and sale of car air conditioners and modules	100.0	385
Argentina	☆ DENSO MANUFACTURING ARGENTINA S.A.	• Manufacture and sale of car air-conditioner-related products	98.3	137
Netherlands	☆ DENSO INTERNATIONAL EUROPE B.V.	• Holding company for European operations	100.0	–
	☆ DENSO EUROPE B.V.	• Regional headquarters for Europe • Sale of automotive components • Remanufacture of automotive electrical components	100.0	257
	☆ DENSO FINANCE HOLLAND B.V.	• Financing	100.0	–

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

(As of March 31, 2006)

Country	Major Company	Main Business	% Owned by DENSO*	Employees
United Kingdom	☆ DENSO INTERNATIONAL UK LTD.	• Holding company for U.K. operations	100.0	–
	☆ DENSO SALES UK LTD.	• Sale of automotive components • Design and R&D of air conditioners and EMS	100.0	217
	☆ DENSO MARSTON LTD.	• Manufacture and sale of radiators, oil coolers, and inter-coolers	100.0	793
	☆ DENSO MANUFACTURING UK LTD.	• Manufacture of car air conditioners and heaters	100.0	1,246
	☆ DENSO MANUFACTURING MIDLANDS LTD.	• Manufacture and sale of starters and alternators	100.0	273
Germany	☆ DENSO AUTOMOTIVE Deutschland GmbH	• Sale of automotive components • Technology research and R&D support	100.0	262
	★ TD Deutsche Klimakompressor GmbH	• Manufacture of compressors and pulleys • Remanufacture of compressors	35.0	362
Spain	☆ DENSO BARCELONA S.A.	• Manufacture of engine control components and automotive electronic products	100.0	626
	☆ DENSO SISTEMAS TERMICOS ESPANA S.A.	• Manufacture and sale of HVAC units, heaters, and integrated cooling modules	100.0	27
Italy	☆ DENSO SALES ITALIA S.R.L.	• Sale of automotive components	100.0	14
	☆ DENSO THERMAL SYSTEMS S.p.A.	• Manufacture and sale of car air conditioners, heaters, and radiators	100.0	2,139
	☆ DENSO MANUFACTURING ITALIA S.p.A.	• Manufacture and sale of starters, alternators, and small motors	100.0	1,591
France	☆ DENSO SALES FRANCE S.A.R.L.	• Sale of automotive components	100.0	25
Hungary	☆ DENSO MANUFACTURING HUNGARY LTD.	• Manufacture of common rail systems, diesel injection pumps, and VCT	100.0	2,637
Sweden	☆ DENSO SALES SWEDEN AB	• Sale of automotive components • Engineering services	100.0	40
Poland	☆ DENSO THERMAL SYSTEMS POLSKA Sp.zo.o.	• Manufacture and sale of heaters and cockpit modules	100.0	200
	★ TBMECA Poland Sp.zo.o	• Manufacture of automotive components and engine components	20.0	100
Belgium	☆ DENSO SALES BELGIUM N.V.	• Sale of automotive components	100.0	30
Portugal	☆ JOAO DE DEUS & FILHOS S.A.	• Manufacture and sale of radiators, inter-coolers, and heater cores	100.0	459
Czech Republic	☆ DENSO MANUFACTURING CZECH s.r.o.	• Manufacture of HVAC units, evaporators, condensers, and radiators	100.0	1,715
	☆ ASMO CZECH s.r.o.	• Manufacture of power windows, electronic throttles, and blower motors	100.0	140
	☆ AIRS MANUFACTURING CZECH s.r.o.	• Manufacture of car air-conditioner-related components	100.0	346
Turkey	☆ DENSO OTOMOTIV PARCALARI SANAYI ANONIM SIRKET	• Manufacture of car air conditioners and heaters • Sale of starters and alternators	100.0	116
Saudi Arabia	★ DENSO ABDUL LATIF JAMEEL CO., LTD.	• Manufacture and sale of car air conditioners	50.0	22
South Africa	★ Smiths Manufacturing (Pty) Limited	• Manufacture and sale of car air conditioners	25.0	888
Australia	☆ DENSO INTERNATIONAL AUSTRALIA PTY. LTD.	• Holding company and regional headquarters for Australia • Sale of automotive components	100.0	47
	☆ AUSTRALIAN AUTOMOTIVE AIR PTY. LTD.	• Manufacture of air conditioners, radiators, and instrument clusters	100.0	582
Singapore	☆ DENSO INTERNATIONAL ASIA PTE. LTD.	• Holding company and regional headquarters for ASEAN and Taiwan • Management of exchange and capital • Management of regional procurement	100.0	29
	☆ DENSO INTERNATIONAL SINGAPORE PTE. LTD.	• Sale of aftermarket products	100.0	34
Thailand	☆ DENSO INTERNATIONAL (THAILAND) CO., LTD.	• Sale of automotive components • Regional headquarters for Thailand	100.0	294
	☆ DENSO (THAILAND) CO., LTD.	• Manufacture of electrical automotive components, car air conditioners, magnetos, and spark plugs	51.3	2,567
	☆ DENSO TOOL & DIE (THAILAND) CO., LTD.	• Manufacture and sale of dies and jigs for automotive equipment	100.0	135
	☆ SIAM DENSO MANUFACTURING CO., LTD.	• Manufacture of fuel injection system products (fuel pumps and injectors)	90.0	2,111
	★ TOYOTA BOSHOKU FILTRATION SYSTEM (THAILAND) CO., LTD.	• Manufacture of oil filters	40.0	895
	☆ ANDEN (THAILAND) CO., LTD.	• Manufacture of relays and flashers	100.0	128
	☆ SIAM KYOSAN DENSO CO., LTD.	• Manufacture of fuel pump modules	100.0	429
Indonesia	☆ PT. DENSO INDONESIA	• Manufacture and sale of car air conditioners, radiators, spark plugs, and filters	58.3	1,688
	☆ PT. DENSO SALES INDONESIA	• Sale of automotive components	100.0	92
	☆ PT. ASMO INDONESIA	• Manufacture of power window regulator motors	100.0	1,166
	☆ PT. HAMADEN INDONESIA MANUFACTURING	• Manufacture of horns	100.0	179

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

(As of March 31, 2006)

Country	Major Company	Main Business	% Owned by DENSO*	Employees
Republic of Korea	☆ DENSO PS ELECTRONICS CORPORATION	• Manufacture and sale of instrument clusters	51.0	524
	☆ DENSO SALES KOREA CORP.	• Sales support for automotive components • Sale of non-automotive equipment and components	66.6	59
	☆ DENSO PS CORPORATION	• Manufacture and sale of small motors, fuel pumps, and electrical automotive components	72.9	1,629
	★ DOOWON CLIMATE CONTROL CO., LTD.	• Manufacture and sale of car air conditioners	33.4	435
	☆ KOREA WIPER BLADE CO., LTD.	• Manufacture and sale of wiper arms, wiper blades, and wiper linkages	100.0	191
Malaysia	☆ DENSO (MALAYSIA) SDN. BHD.	• Manufacture and sale of electrical automotive components, car air conditioners, engine ECUs, and programmable logic controller units	72.7	1,308
	☆ NIPPON WIPER BLADE (M) SDN. BHD.	• Manufacture of wiper arms and wiper blades	93.3	1,164
India	☆ DENSO INDIA LTD.	• Manufacture and sale of electrical automotive components, electric fans, ventilators, magnetos, and windshield wiper motors	52.9	879
	☆ DENSO HARYANA PVT. LTD.	• Manufacture and sale of fuel pumps, injectors, engine ECUs, and ISCV	100.0	480
	☆ DENSO KIRLOSKAR INDUSTRIES PVT. LTD.	• Manufacture and sale of radiators and car air conditioners	89.0	262
	☆ DENSO SALES INDIA PVT. LTD.	• Sale of automotive components manufactured by companies in India	100.0	52
	☆ DENSO FARIDABAD PVT. LTD.	• Manufacture and sale of HVAC units and heaters	100.0	48
China	☆ DENSO (CHINA) INVESTMENT CO., LTD.	• Holding company and regional headquarters for China • Sale of automotive components manufactured by companies in China	100.0	189
	★ YANTAI SHOUGANG DENSO CO., LTD.	• Manufacture and sale of car air conditioners and compressors	30.0	389
	☆ TIANJIN DENSO ENGINE ELECTRICAL PRODUCTS CO., LTD.	• Manufacture and sale of alternators and starters	95.0	421
	☆ CHONGQING DENSO CO., LTD.	• Manufacture and sale of magnetos, CDI amplifiers, and ignition coils	100.0	276
	☆ TIANJIN DENSO ELECTRONICS CO., LTD.	• Manufacture and sale of automotive electronic control components	93.0	544
	☆ TIANJIN DENSO AIR-CONDITIONER CO., LTD.	• Manufacture and sale of car air conditioners and radiators	74.2	276
	☆ GUANGZHOU DENSO CO., LTD.	• Manufacture and sale of car air conditioners, bus coolers, and radiators	60.0	525
	★ SHANGHAI DENSO FUEL INJECTION CO., LTD.	• Manufacture and sale of diesel injection pumps	34.0	652
	☆ TIANJIN FAWER DENSO AIR-CONDITIONER CO., LTD.	• Manufacture and sale of car air conditioners	60.0	172
	★ TIANJIN TOYOTA BOSHOKU AUTOMOTIVE PARTS CO., LTD.	• Manufacture and sale of air cleaners and oil filters	40.0	35
	☆ DENSO (GUANGZHOU NANSHA) CO., LTD.	• Manufacture and sale of fuel injection systems for gasoline engines	100.0	315
	★ J-WORKS PARTS SALES (TIANJIN) CO., LTD.	• Import and sale of aftermarket products for Japanese car makers	30.0	7
	☆ DENSO (TIANJIN) THERMAL PRODUCTS CO., LTD.	• Manufacture and sale of heat exchangers for car air conditioners and radiators	100.0	24
	☆ WUXI DENSO HANSHIN AUTOMOTIVE PRODUCTS CO., LTD.	• Manufacture of ignition coils for automobiles (Starts operations in 2007)	75.0	6
	★ TOYOTA BOSHOKU FOSHAN CO., LTD.	• Manufacture of oil filters	40.0	–
	☆ DENSO TIANJIN ITS CO., LTD.	• Manufacture and sale of car navigation systems	95.0	1
	★ TD Automotive Compressor Kunshan, Co., Ltd.	• Manufacture of compressors for car air conditioners	35.0	–
	☆ TIANJIN POON SUNG ELECTRONICS CO., LTD.	• Manufacture and sale of instrument clusters (Starts operations in late 2006)	100.0	–
	☆ TIANJIN ASMO AUTOMOTIVE SMALL MOTOR CO., LTD.	• Manufacture and sale of windshield wiper systems, windshield washer systems, and electric fan motors	60.1	540
	☆ ASMO (GUANGZHOU) SMALL MOTOR CO., LTD.	• Manufacture of windshield wiper systems, windshield washer systems, and powered rear sunshades	100.0	38
	☆ TIANJIN GAC AIRCONDITION CORPORATION	• Manufacture and sale of hoses and pipes for car air conditioners	100.0	154
	☆ DENSO CREATE SHANGHAI INC.	• Design and development of software	100.0	41
	Taiwan	☆ DENSO TAIWAN CORP.	• Manufacture and sale of automotive electrical components, radiators, and car air conditioners	80.0
The Philippines	☆ PHILIPPINE AUTO COMPONENTS, INC.	• Manufacture and sale of instrument clusters and car air conditioners	100.0	745
	☆ DENSO TECHNO PHILIPPINES, INC.	• Design and development of software	100.0	–
Vietnam	☆ DENSO MANUFACTURING VIETNAM CO., LTD.	• Manufacture and sale of air flow meters, VIC actuators, and other engine-related products	95.0	855

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

(As of March 31, 2006)

Investor Information

(As of March 31, 2006)

Common Stock

Authorized: 1,426,942,000 shares
 Issued: 884,068,713 shares

Stock Exchange Listings

Tokyo Stock Exchange
 Osaka Securities Exchange
 Nagoya Stock Exchange

Number of Shareholders

61,178

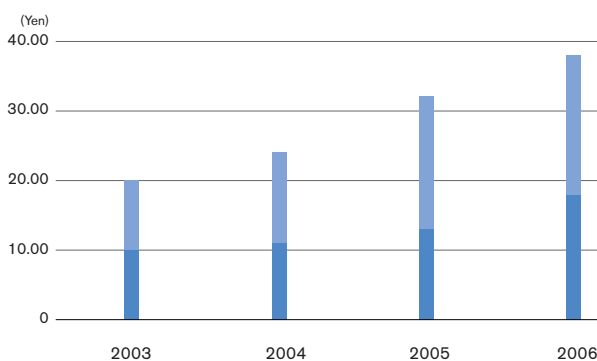
Independent Auditors

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

Administrator of Shareholders' Register

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

Dividends Paid



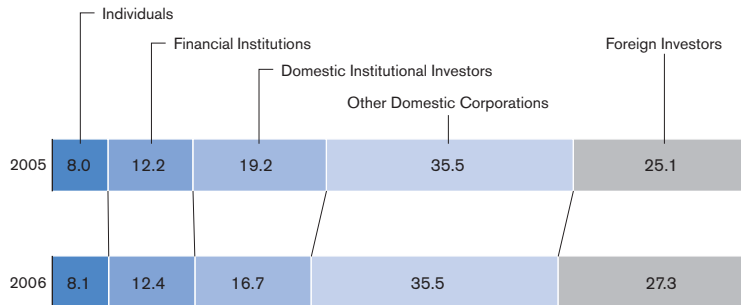
	2003	2004	2005	2006
■ Interim dividends per share (yen)	10.00	11.00	13.00	18.00
■ Year-end dividends per share (yen)	10.00	13.00	19.00	20.00
Total (yen)	20.00	24.00	32.00	38.00

Principal Shareholders (Leading Ten Principal Shareholders)

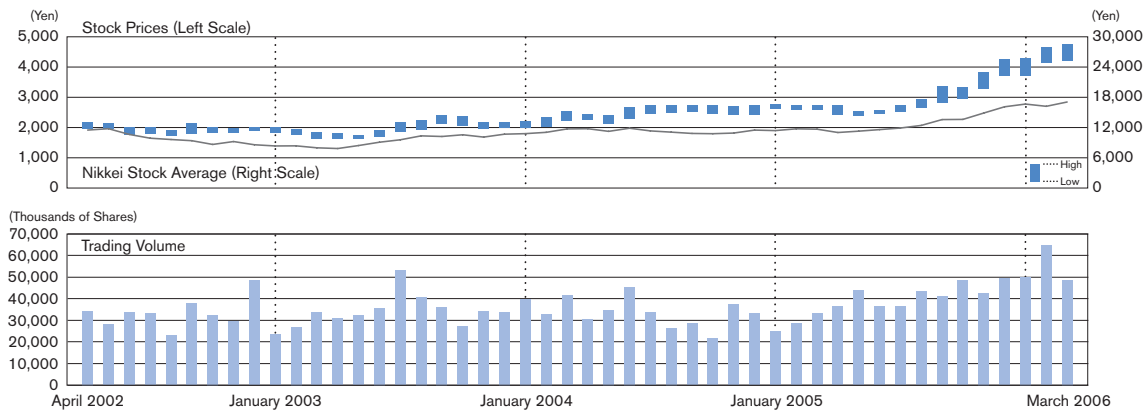
	Number of shares held (thousands)	Voting share ratio (%)
Toyota Motor Corporation	203,127	24.59
Toyota Industries Corporation	69,373	8.40
The Master Trust Bank of Japan, Ltd. (Trust Account)	53,036	6.42
Robert Bosch Industries AG	47,434	5.74
Japan Trustee Services Bank, Ltd. (Trust Account)	39,205	4.74
Nippon Life Insurance Company	23,050	2.79
Mitsui Sumitomo Insurance Company, Limited	16,148	1.95
DENSO Employees' Shareholding Association	11,711	1.41
State Street Bank & Trust Company	20,854	1.31
Meiji Yasuda Life Insurance Company	9,373	1.13

Note: The above table excludes 57,773 thousand shares of treasury stock held by DENSO Corporation.

Breakdown of Shareholders (Voting Share Ratio, %)



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



Headquarters

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Telephone: +81-566-25-5511

Date of Establishment

December 16, 1949

Publications

Financial Statements
Fact Book 'DENSO in Figures'
Corporate Brochure
CSR Report

Investor Relations

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

DENSO offers a wealth of financial information, including the latest reports and financial events schedule.

<http://www.globaldenso.com/en/investors/>

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