



HIROMU OKABE President and C.E.O.

OPERATING RESULTS FOR THE YEAR ENDED MARCH 31, 2001

DENSO laid a solid foundation for its business at the start of the 21st century. I am pleased to report that on a consolidated basis, net sales for fiscal 2001, the year ended March 31, 2001, reached an all-time high of ¥2,015.0 billion, 7.0% over the previous year, and operating income increased by 5.9% to ¥123.5 billion. This growth reflected a favorable operating environment due to higher year-on-year worldwide sales of automobiles and notably strong demand in the U.S. economy. Production in Japan also increased to over 10 million vehicles for the first time in three years.

A minor dent in our otherwise exemplary performance was a 1.8% decline in consolidated net income to ¥60.8 billion. This was the result of a one-time write-off of a ¥27.0 billion shortfall in the recognition of retirement benefit liabilities following the introduction of a new accounting standard.

DENSO's market capitalization stood at ¥2,194.3 billion as of March 31, 2001. We are taking an active approach to creating a more diverse scope of DENSO shareholders. We are particularly keen on making our shares more accessible to individual investors. As such, on August 1, 2001, we will change the DENSO share trading unit in Japan from 1,000 to 100.

DENSO's Vision for the 21st Century

Fiscal 2001 was indeed an excellent year for DENSO. It was also a year in which automobile reliability came under the microscope. As such, we are fully aware that we will need to meet even more exacting demands from automobile manufacturers and consumers. DENSO has a quality assurance system of the highest order for doing so. But we will not rest on our laurels. Keeping close watch on industry

developments, we will further hone our capabilities in maintaining the quality of our products. This will be absolutely crucial to our future success.

Three key words will continue to grow in importance throughout the 21st century: safety, environment, and comfort. Shaping our actions and driving our progress in this new era, they are fundamental, enduring social needs that premise the existence of the automobile. And they will form the central elements of our R&D and investments. We are committed to delivering leading-edge products that meet the demands of the times. These products will be developed and fabricated with speed and accuracy, and sold around the world at the low cost customers want.

DEVELOPING THE WORLD'S BEST PRODUCTS

DENSO's products are renowned the world over for their superior quality, efficiency, and performance. We have instilled in our associates an unwavering dedication to developing the best products offered around the globe. For a number of years now, we have invested approximately 10% of annual sales in R&D programs, the majority of which has been funneled into technologies relating to safety, the environment, and comfort. Our wish is to create products that fulfill the needs of both society and our customers.

Our efforts to seize market share are in constant danger of being undermined if we are unable to create high-quality products quickly and at an affordable price. Our approach to solving this question is helped considerably by our innovative, information technology (IT)-driven operational flow. This flow takes on two specific characteristics. One is speeding up the process of launching a product from

FINANCIAL HIGHLIGHTS

DENSO CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2001, 2000, and 1999

	Millions of yen			Percent change	Thousands of U.S. dollars
	2001	2000	1999	2001/2000	2001
Net Sales:	¥2,014,978	¥1,883,407	¥1,758,842	+7.0	\$16,249,822
Sales in Japan	1,245,830	1,161,016	1,104,579	+7.3	10,047,016
Sales outside Japan	769,148	722,391	654,263	+6.5	6,202,806
Net Income	60,799	61,913	58,969	-1.8	490,315
Total Assets	2,343,328	2,154,251	1,917,192	+8.8	18,897,806
Shareholders' Equity	1,451,211	1,304,400	1,121,171	+11.3	11,703,315
Capital Expenditures	140,447	169,953	212,745	-17.4	1,132,637
Depreciation	134,416	134,706	124,289	-0.2	1,084,000
R&D Expenses	176,959	160,055	154,207	+10.6	1,427,089
		Yen		Percent change	U.S. dollars
Per Share:					
Net income	¥66.51	¥68.15	¥65.46	-2.4	\$0.54
Cash dividends	17.00	17.00	15.00	0.0	0.14
Number of Employees	85,371	80,795	72,359		

Note: U.S. dollar amounts have been translated, for convenience only, at the rate of ¥124=US\$1, the approximate exchange rate prevailing on March 30, 2001, the last trading day of the fiscal year.

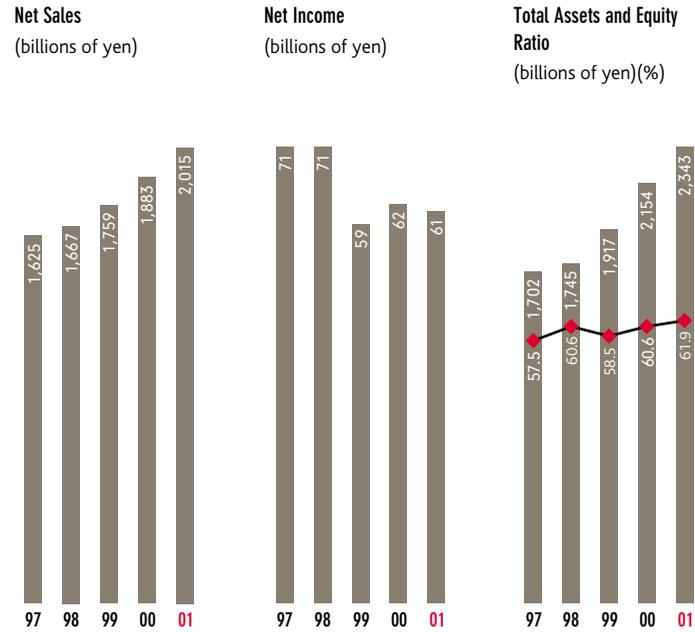
technological development to manufacturing preparations. The other is enhancing productivity as a whole by shortening lead times from procurement to delivery.

We wholeheartedly embrace the concept of modularization in the development of our products. Creating modules takes on two dimensions. First, we must pay close attention to the needs of customers. It is essential that we continue to make conventional components as accessible as possible to them. At the same time, we can add value through modularization, which enables both ourselves and customers to sharpen our competitiveness. We will work together with automakers to develop modules that deliver new value to DENSO and our customers. One example is our recent commercialization of the world's first cooling module integrating a radiator and an air-conditioning condenser into a single unit.

A MORE POWERFUL GLOBAL PRESENCE

DENSO works with automakers around the world. Our global policy is to purchase and produce in regions where demand is high, while at the same time contributing to growth and development in the countries in which we operate. We seek an optimal production system that melds the local perspective with the global dynamic. Strategy comprises a number of initiatives: expanding sales in Europe, increasing local procurement in Asia, and achieving optimal global production.

This strategy translated into concrete results during the past year. To expand sales of car air-conditioning systems for compact cars in Europe—a high growth area for the future—we purchased the Thermal Systems Division of Italian automobile component manufacturer, Magneti Marelli S.p.A. In Asia and Oceania, we opened a Materials Technical Center (MTC) in Singapore to promote local procurement in the region.



INCREASING CORPORATE VALUE

Today, competition is shaping our market. But I envision a new era where competition will be based instead on the ability to offer environmentally friendly technology and greater reliability. We laid the foundation for this competition during the 20th century. In the 21st century, we will firstly build a base for further market dominance by enhancing our production capabilities and global earnings potential. We are aiming for ROE of 10% in the long term. Our first step toward this goal is to achieve net sales of ¥2,700 billion and ROE of 8% by 2005. Reaching these targets hinges on the responsibility and motivation of more than 85,000 DENSO associates worldwide. They must have the desire to create the world's best products and supply them across the globe. And they must have the dedication to make a telling contribution to the continued growth of the automobile industry in the 21st century.

Changing our trading unit from 1,000 shares to 100 shares is a significant move that will provide us with greater opportunities to communicate with you, our shareholders. Please rest assured, that in the years ahead, we will ensure open and transparent information disclosure.

July 2001

HIROMU OKABE President and C.E.O.