

## TO OUR SHAREHOLDERS



HIROMU OKABE  
President and CEO

### HIGHLIGHTS OF THE YEAR

DENSO delivered record results for the year under review. Net sales grew 19.2% to ¥2,401 billion while net income rose 18.9% to ¥72 billion. Although the effect of a change in the fiscal year-ends at 45 overseas subsidiaries and affiliates did influence these figures—15 months of sales at these subsidiaries were included in the year's results—earnings and profits also rose on a 12-month basis.

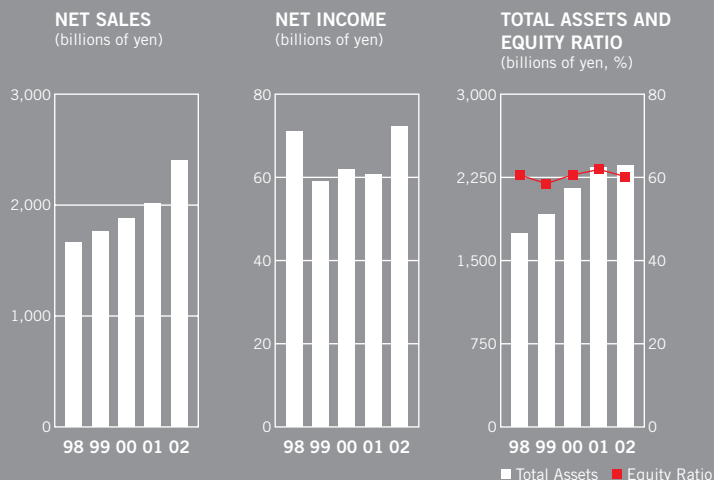
Although the Japanese automotive market was steady during the year, the operating environment overseas posed challenges. DENSO overcame this difficult climate by cutting costs and making a concerted effort to increase sales in global markets. At the same time, we undertook a number of financial initiatives. We repurchased and retired 48 million shares of treasury stock to increase the value of our shares. This was one of the main factors behind the 0.6 point improvement in ROE to 5.0%. We also reduced our trading unit from 1,000 to 100 shares to attract a broader cross-section of investors, while major financial institutions, mainly targeting individual investors, sold a total of 30 million DENSO shares. This helped to increase our shareholder base during the year.

### FINANCIAL HIGHLIGHTS

DENSO CORPORATION and Consolidated Subsidiaries  
Years ended March 31, 2002, 2001, and 2000

|                             | Millions of yen   |                   |            |            | Percent change<br>2002/2001 | Thousands of<br>U.S. dollars<br>2002 |
|-----------------------------|-------------------|-------------------|------------|------------|-----------------------------|--------------------------------------|
|                             | 2002              | 2002*             | 2001       | 2000       |                             |                                      |
| <b>Net Sales:</b>           | <b>¥2,401,098</b> | <b>¥2,183,062</b> | ¥2,014,978 | ¥1,883,407 | 19.2                        | <b>\$18,053,368</b>                  |
| Sales in Japan              | 1,277,865         | 1,277,865         | 1,245,830  | 1,161,016  | 2.6                         | 9,608,007                            |
| Sales outside Japan         | 1,123,233         | 905,197           | 769,148    | 722,391    | 46.0                        | 8,445,361                            |
| <b>Net Income</b>           | <b>72,313</b>     | <b>70,800</b>     | 60,799     | 61,913     | 18.9                        | <b>543,707</b>                       |
| <b>Total Assets</b>         | <b>2,361,048</b>  | —                 | 2,343,328  | 2,154,251  | 0.8                         | <b>17,752,241</b>                    |
| <b>Shareholders' Equity</b> | <b>1,421,212</b>  | —                 | 1,451,211  | 1,304,400  | -2.1                        | <b>10,685,805</b>                    |
| <b>Capital Expenditures</b> | <b>193,599</b>    | <b>183,977</b>    | 140,447    | 169,953    | 37.8                        | <b>1,455,632</b>                     |
| <b>Depreciation</b>         | <b>147,277</b>    | <b>139,991</b>    | 134,416    | 134,706    | 9.6                         | <b>1,107,346</b>                     |
| <b>R&amp;D Expenses</b>     | <b>185,627</b>    | <b>181,044</b>    | 176,959    | 160,055    | 4.9                         | <b>1,395,692</b>                     |
| <b>Per Share:</b>           | Yen               |                   |            |            | Percent change              | U.S. dollars                         |
| Net income                  | ¥ 80.22           | ¥78.54            | ¥ 66.51    | ¥ 68.15    |                             |                                      |
| Cash dividends              | 18.00             | —                 | 17.00      | 17.00      | 5.9                         | <b>0.14</b>                          |
| <b>Number of Employees</b>  | <b>86,639</b>     | —                 | 85,371     | 80,795     |                             |                                      |

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.\* The italicized figures for the year ended March 31, 2002 represent unaudited amounts 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 ¥133=US\$1, the approximate exchange rate prevailing on March 29, 2002, the last trading day of the fiscal year.



### EXTENDING OUR GLOBAL LEAD

DENSO products are found in almost every area of the automobile. Delivering consistently superior quality and reliability, they are used by automobile manufacturers the world over. Testimony to this is the fact that 19 of our automotive and non-automotive products command number one global market share. These products range from compressors and condensers for air conditioners, to fuel pumps and starters. But we are not resting on our laurels; we plan to have the top share in at least 25 product categories by 2005. We are also actively targeting new areas such as products for intelligent transport systems (ITS). We foresee growing demand in this product category as the automobile drives into the information age.

Two actions will be crucial to accomplishing these goals. One is quickly developing reliable products that match the needs of markets and society. That is why we have consistently invested an amount equivalent to approximately 10% of non-consolidated sales in R&D. The second is building supply and sales networks. Here, we are continuing to expand our overseas network. DENSO now boasts a total of 88 overseas operations, including new companies set up in the European and Asian markets during the year under review.

As we develop new products, our commitment to “Quality First,” at the core of the *mono-zukuri* process, is unwavering. We also have the resources to supply a broad range of products, while at the same time developing a steady stream of systems and components that fulfill emerging needs in the market. Comprehensive support of this magnitude is a rare and invaluable commodity in our industry.

### NEW OPPORTUNITIES ARISING FROM TOUGHER GOALS

As automobile manufacturers battle for supremacy, they have handed component suppliers like DENSO a new set of challenges. In an effort to create new synergies, automobile manufacturers are teaming up with rivals to develop common car platforms and procuring components from a smaller number of suppliers. Meanwhile, they are pressuring component suppliers to lower their prices.

In response to these developments, we are striving to cut costs in a number of ways, while remaining fully committed to our “Quality First” concept. These efforts to reduce costs do not run contrary to our dedication to quality. In fact, they are generating new quality improvements. One example is standardization. Essentially, this involves working with automobile manufacturers to reduce costs by paring back the number of product variations. Standardized products also incorporate size, weight, and performance improvements. Another example is modularization. At DENSO, we approach modularization from two angles: as a way of combining the functions of two or more components into a single module, and as an integral part of our efforts to make components smaller, lighter, and more functional.

Automobile manufacturers are not only impressed by lower costs. They are also seeing an improvement in performance from the systems and components we supply. This is an ongoing process. We must continue to look for ways to pare costs and develop inventive, competitive products that our customers really want. This task is certainly well within the reach of DENSO's capabilities.

#### **THE LONG-TERM APPROACH**

Our sustained approach to growth is designed to guarantee DENSO's long-term expansion. Illustrating this approach is our commitment to the telecommunications business. As the automobile becomes progressively more integrated into Information Technology (IT) networks, this investment will begin to pay off with opportunities such as telematics products. In environmentally friendly products, we are also taking the long view by not restricting our imagination to current environmental regulations and technologies ready for commercialization. Instead, we are using our research programs to look even further into the future. This measured approach takes time to convert investments into opportunities in the marketplace. However, we believe the ability to make these far-sighted investments while generating profits demonstrates that we have the necessary strengths to meet our shareholders' expectations.

Many companies implement reforms that cause massive upheaval. Not DENSO. We tenaciously preserve our fundamental corporate principles, specifically our commitment to "Quality First," which we believe must remain constant. This unwavering commitment to quality brings about improvements in the performance of the products we produce. This is, and will remain, the core of DENSO's long-term superiority in the automotive component industry.

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**HIROMU OKABE** *President and CEO*