

With the needs of automobile manufacturers always in mind, DENSO is putting in place a global network capable of supplying competitively priced, high-quality systems and components anywhere in the world. We are achieving this by giving greater consideration to customer location, the technological complexity of products, supply chains, logistical costs and regional laws and regulations. Our ultimate goal is to build a supply network in which all work is conducted in optimal locations. During the year under review, DENSO established new manufacturing facilities in Europe, Asia, and Mexico. These efforts also go hand in hand with our strategy to grow sales.

... A GLOBAL PRESENCE



» Production line for power window motors

THE DENSO GLOBAL NETWORK



BRINGING ITS-RELATED PRODUCTS TO MARKET IN JAPAN

In Japan, as many manufacturing activities move overseas, we are focusing more on the development and production of advanced on-board equipment that incorporates complex electronic components, semiconductors and software. And with rising interest in intelligent transport systems (ITS) from both the public and private sectors in Japan, we are enhancing our product development capabilities in this area.

In the year ended March 31, 2002, we developed and unveiled a range of ITS-related products. These include a navigation computer for high-resolution displays (800 x 480 pixels), launched in October 2001, and NAVISTANT, a product that enables handheld Personal Digital Assistants (PDAs) to be used as car navigation systems. The NAVISTANT package, released in April 2002, includes a sensor unit, global positioning system (GPS) antenna, and software.

DENSO is also targeting the market for Electronic Toll Collection (ETC) systems,

introduced in Japan in March 2001. Our compact ETC on-board unit, the smallest in the industry, has been earning high marks since its launch in March 2001. We added another product to our ETC unit lineup in May this year, incorporating a new voice guidance function. This allows more flexibility in mounting the unit. And we are about to start production of an on-board communication module that uses a mobile link to download information from external sources. These are just some examples of how DENSO is channeling resources into developing a wider range of ITS-related products, initially for the Japanese market, and then for subsequent rollout on the global market.

Reflecting DENSO's increasing focus on these products, the ITS business division was made independent of the Electronic Systems Group in January 2002. Our automotive business structure has been revamped and now consists of six key groups—Thermal Systems, Powertrain Systems, Electronic Systems, Electric Systems, Small Motors, and ITS.

ON THE ROAD TO HIGHER SALES IN NORTH AMERICA

In the Americas, our sales expansion strategy in the North American market and the weakening yen helped to boost regional net sales by 37.6%. This figure represents sales over a 15-month period due to the change in fiscal year-ends at overseas subsidiaries. But even on a 12-month basis, sales in the region grew 9.5%. This growth was also due to efforts to create closer relationships with our major customers, seen in higher sales to both General Motors Corporation and Ford Motor Company. Meanwhile, North American customers continued to recognize DENSO's commitment to producing high-quality and technologically advanced systems and components: DENSO was awarded the GM Supplier of the Year Award for the second time and the respected Chairman's Award from J.D. Power and Associates. DENSO was the first automotive component supplier to receive the latter award.

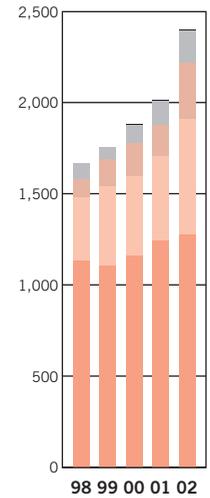


**AN ETC ON-BOARD UNIT WITH
VOICE GUIDANCE FUNCTION**

**SALES BY
GEOGRAPHIC SEGMENT***
(billions of yen)

■ JAPAN
■ THE AMERICAS
■ EUROPE
■ ASIA & OCEANIA
■ OTHERS

*Based on Customer Location



In the aftermarket, we are aiming to boost sales of DENSO's starters and alternators, products that have consistently held leading global market share, by broadening sales channels in our remanufacturing business.

**AIR-CONDITIONING SYSTEMS AND
DIESEL TECHNOLOGY IN EUROPE**

In Europe, DENSO is ramping up production and enhancing sales with a focus on air-conditioning and diesel engine management systems. In air-conditioning systems, the European automotive market has considerable growth potential. In 2001, around 19 million cars were sold in Europe, but only about half were equipped with air conditioners. This compares with the North American market, which is approximately the same size as the European market. There, almost all cars come fitted with air conditioners. The figure in Europe is forecast to rise to as much as 65% by 2005. Until recently, DENSO had primarily focused on air-conditioning systems for luxury cars. But with this projected rise in demand across all market segments,

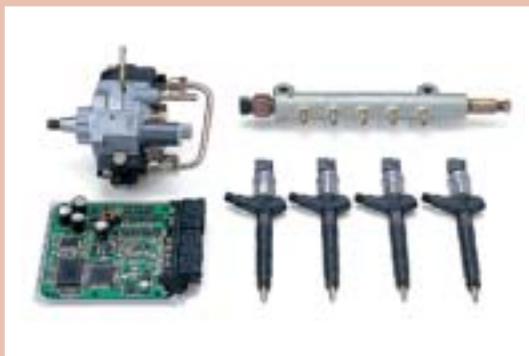
we are broadening our range of products, especially for compact cars, and extending our geographic reach across the continent.

More specifically, we have set up sales and marketing bases in Germany and the U.K. to support our existing manufacturing facilities in the U.K. We are also extending our European manufacturing network. The Thermal Systems Division of Italian automotive components supplier Magneti Marelli S.p.A., acquired in March 2001, was renamed DENSO Thermal Systems S.p.A. (DNTS), in August 2001. With the European automotive market heavily tilted toward compact cars, the rationale behind this move is to use DNTS' expertise in compact-car air-conditioning systems to strengthen our manufacturing capabilities and boost sales in this important product category. In another initiative, in July 2001, we established DENSO Manufacturing Czech s.r.o. in the Czech Republic, to manufacture car air-conditioning systems. These steps, aimed at augmenting our supply network in the European market and the reputation for technological leadership



**DENSO MANUFACTURING
HUNGARY LTD.**

A 1,800-BAR DIESEL COMMON RAIL SYSTEM



associated with the DENSO name, are seeing results—we have already inked a deal to supply Volkswagen AG with air-conditioning systems for its Passat. Also, thanks to aggressive efforts to foster our customer base, we have captured an 18% share of the market for car air-conditioning systems in Europe. Our work doesn't stop there; we plan to boost this to 28% by 2005.

Compared to other regions, the popularity of fuel-efficient diesel passenger cars is high in Europe—35% of cars on European roads have diesel engines. This figure is projected to climb to 45% by 2006. The automotive industry in Europe is currently gearing up for the EURO 4 emission regulations that come into force in 2005. In response, DENSO has developed a 1,800-bar common rail system to reduce harmful emissions from diesel cars. Deals have already been signed to use the system in vehicles manufactured by several automobile manufacturers. Full-scale production of components for the system will start in Hungary, at DENSO Manufacturing Hungary Ltd., in 2003.

Hungary has also been chosen as a base for the production of components for gasoline engines. These moves mark a concerted effort by DENSO to increase sales of components for both diesel and gasoline engines to automobile manufacturers in Europe.

ENHANCING ENGINE MANAGEMENT PRODUCTS IN ASIA

In our flagship air-conditioner product category in Asia, we are within sight of completing a manufacturing network to respond to expected growth in demand. Plants in Thailand, Indonesia, Malaysia, India, the Philippines, China, and Taiwan, have been completed. We have also bolstered our production capabilities in engine management systems, establishing a manufacturing facility in Vietnam, DENSO Manufacturing Vietnam Co., Ltd., in October 2001, and another in Thailand, Siam DENSO Manufacturing Co., Ltd. (SDM), in February 2002. SDM will start full-scale production of diesel common rail systems in 2004. These steps in Thailand follow close on the heels of moves by global automobile

manufacturers to ramp up local production of pickup trucks in the Thai market, and will ensure DENSO stays one step ahead of its rivals in the region. We also plan to start production of components for gasoline engines in both the Thai and Vietnamese markets.

We are, of course, keeping an ever-watchful eye on the Chinese market, as we believe this country is crucial to DENSO's future. In April 2002, we established an office in Shanghai, our fifth in the country. This move further bolsters our manufacturing presence in the market—five facilities producing a wide range of components, including alternators, starters, and air-conditioning systems.