

GLOBAL OPERATIONS: EXTENDING OUR REACH

- **Japan:** Developing a new generation of high value-added products
- **The Americas:** Enhancing the manufacturing and supply framework in response to sales expansion
- **Europe:** Growing sales of car air conditioners and diesel common rail systems
- **Asia & Oceania:** Building sales and supply networks in response to an expanding market

JAPAN

In Japan, a stable but maturing car market in terms of units produced, there is little anticipation of a significant increase in market growth. DENSO is therefore working to grow its domestic business by focusing on the development and production of a new generation of high value-added products in three strategic areas: the environment, safety, and information and communications. The year saw the launch of a number of exciting products in all these areas. Two

developments in information and communications stood out. First was the launch of a data communications module for Toyota's G-BOOK telematics system. Second was the creation of a joint venture with Robert Bosch GmbH of Germany in May 2003, to develop components for car navigation and multimedia systems. We believe this international alliance will help us to create superior car navigation equipment, and ultimately help us to increase sales of these products worldwide.

THE AMERICAS

In addition to strong car production in North America, DENSO boosted earnings on the back of new business from General Motors Corporation (GM) and Ford Motor Company (Ford). GM has named DENSO its Supplier of the Year for the tenth consecutive year, recognizing our advanced technological capabilities and our reputation as one of the most trusted automotive suppliers in the industry. Motivated by these successes, we are strengthening our supply framework in the region, particularly for engine-related components. Actions included dividing DENSO Manufacturing Tennessee, Inc. (DMTN) into two companies. This company's Athens facility was spun off to become DENSO Manufacturing Athens Tennessee, Inc., and will increase production of oxygen sensors, fuel injectors, ignition stick coils, and other components. The Maryville facility, which will continue to be called DMTN, recently started production of segment conductor alternators, expected to become the most common next-generation alternator in the years ahead. Other developments in the region included the creation of a joint venture with Group company Kyosan Denki Co., Ltd. to expand production of fuel pump modules and other components in the United States, and the start of production of variable camshaft timing (VCT) components in Mexico, to further build on our leading global share in this product category. Plans are also on the table to establish a sixth thermal product facility in North America in response to stronger sales to the Big Three car makers.

THE DENSO GLOBAL NETWORK



DENSO MANUFACTURING TENNESSEE, INC.



EUROPE

In Europe, DENSO is focusing on boosting sales of car air conditioners, diesel common rail systems, gasoline engine management systems, and car navigation systems. In car air conditioners, we believe Europe offers great promise as a growth market. Forecasts show that 65% of all cars on European roads will be fitted with air conditioners by 2005, compared to around 50% at present. In order to tap this demand, we are reinforcing our air conditioner supply framework. In addition to plants in Germany, the U.K., and Italy, the production of car air conditioners will get under way in the Czech Republic during 2003. We have also set up an air conditioner manufacturing company in Turkey. Diesel-powered cars have always been popular in Europe, but their popularity continues to grow—around 40% of all new cars sold in the region now have diesel engines. DENSO is naturally seeking to capture a larger share of this demand with products such as its 1,800-bar diesel common rail system. Production of these systems started at DENSO Manufacturing Hungary during the year under review.

In gasoline engine management systems, we began production of VCT components, with the manufacture of other engine-related components set to start before the end of 2003. Finally, supported by our new alliance with Bosch, we hope to expand sales in the European market for car navigation systems, building on steady sales already achieved in the past year.

ASIA & OCEANIA

DENSO is actively strengthening its sales and supply networks in this region in anticipation of higher demand for automotive components in the rapidly growing Asian market. China, which is poised to become the world's third largest producer of automobiles after the United States and Japan, will of course be a key market. Consequently, in order to

reinforce our sales presence in the country, we established a new regional headquarters in Beijing. Our manufacturing capabilities were also strengthened with the creation of a joint venture in Guangzhou to manufacture car air conditioners, DENSO's seventh manufacturing facility in China. This was followed by the start of instrument cluster production at the DENSO plant in Tianjin.

Thailand is rapidly becoming the regional hub of the car industry, evidenced by a dramatic increase in local production in recent years. In response, we have upgraded our presence in the country. This included strengthening our sales activities through the separation of the sales division of DENSO (Thailand) Co., Ltd. into a new company, and the creation of a joint venture with Kyosan Denki to manufacture fuel pump modules. Production of diesel common rail systems for pick-up trucks is also set to begin in the country in 2004.

In South Korea, a market with real potential and already the world's fifth largest producer of automobiles, we made a strategic investment in Doowon Climate Control Co., Ltd. This move was made with a view to building a foothold in the country's growing market for car air conditioners.

1,800-BAR DIESEL COMMON RAIL SYSTEM

