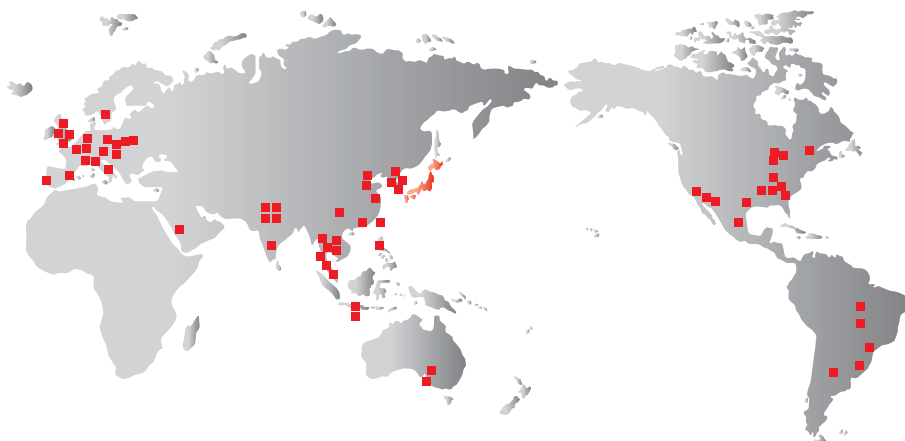


REVIEW OF GLOBAL OPERATIONS



Japan

In the fiscal year under review, sales rose 9.0% to ¥1,886 billion. Supporting this growth was higher production by Toyota Motor Corporation, replacement demand in the truck sector spurred by the introduction of new regulations for exhaust gas emissions, and growth in the Intelligent Transport Systems (ITS) field, which includes car navigation and electronic toll collection (ETC) products.

In March 2004, we became the first manufacturer to achieve domestic cumulative shipments of ETC on-board equipment of 1 million units, passing this milestone just three years after we launched these products. Growth also is accelerating, with DENSO's sales of ETC on-board equipment in the year under review tripling compared to the previous period. Supported by the launch of two new models in May 2004, we are targeting annual sales of 1 million units. In car navigation systems, production at DENSO grew approximately 50% year on year, buoyed by the rising adoption rate for these systems. In addition, DENSO established a joint venture with Robert Bosch GmbH of Germany, to be headquartered in Japan. This new company primarily develops large-scale integrated circuits (LSIs) for car navigation systems and multimedia

applications, in response to growing demand for car navigation systems that offer greater functionality and enhanced multimedia capabilities.

Two standout successes also emerged from joint development projects with other partners during the year. One was a multi-operating system (OS) environment for car navigation systems developed with Toshiba Corporation. This environment provides single-chip support for both μ TRON, a popular OS for embedded devices used in car navigation systems and other electronics products, and Microsoft® Windows® Automotive, an OS ideally suited to next-generation multimedia applications and in-vehicle communications. The other success was technology developed with Toshiba Information Systems (Japan) Corporation that enables the operation of Macromedia Flash Player™ software on the μ TRON platform.

Turning to manufacturing, DENSO remained focused on achieving uniform world-leading quality performance at all international manufacturing facilities and further paring back costs.

The Americas

Sales grew 3.2% year on year to ¥558 billion, fueled by rising production by

Japanese automakers in the Americas and active efforts to increase sales to other automakers. On a local currency basis, sales rose 9.7%. During the year, DENSO received DaimlerChryslerAG's Global Supplier Award, the highest honor given to suppliers by the company, in the electronics category. This highlighted DENSO's outstanding technological capabilities, commitment to quality and reliable supply framework.

Against the backdrop of rising sales in the region, we took a number of steps to reinforce our supply framework, including: in Arkansas, DENSO constructed its sixth car air conditioner and radiator manufacturing plant in North America. This facility will primarily supply car air conditioners to Toyota and other automakers with plants in the southern states, and construction machinery radiators to Caterpillar Inc.; car navigation system manufacturing got underway at an existing facility operated by DENSO Wireless Systems America, Inc. This move was taken in response to growing demand for these products; and, Kyosan DENSO Manufacturing Kentucky, LLC, established in April 2003, began producing fuel pump modules and fuel filters. Plans are on the table to increase this facility's product lineup to include engine-related components.

Europe

Sales surged 23.5% year on year to ¥338 billion. As in other regions, higher production at Japanese automakers helped to drive sales higher. Sales of car air conditioners were up, and there was success in boosting sales of powertrain products such as common rail diesel injection systems. On a local currency basis, sales grew 15.1%.

A number of actions were taken in Europe to reinforce DENSO's supply framework. In the car air conditioner category, these included: the start of production at DENSO Manufacturing Czech s.r.o., and the subsequent launch of car air conditioner shipments to Volkswagen; full-scale production of car air conditioners got underway at DENSO Otomotiv Parcalari Sanayi Anonim Sirket in Turkey to supply Toyota, and a car air conditioner testing facility at DENSO Automotive Deutschland GmbH was expanded. In Spain, a new company was established to produce car air conditioner and radiator components. This new facility, scheduled to start production in April 2006, is part of DENSO's strategy to increase sales to the PSA Peugeot Citroën Group, Opel and other European automakers with a presence in Spain.

In powertrain products, initiatives included the start of volume production of system control components, such as exhaust gas recirculation (EGR) valves and electronic throttle bodies, as well as common rail diesel injection systems at DENSO Manufacturing Hungary Ltd. We also plan to increase overall production of common rail diesel injection systems in preparation for the start of shipments to Ford Motor Company in 2005.

In another development, a manufacturing company was set up in the Czech Republic to make small motors for power windows and other components. Production is scheduled to begin in May 2005.

Asia & Oceania

Sales jumped 20.3% to ¥224 billion, buoyed by higher production across the region, particularly in ASEAN countries, Australia and China. On a local currency basis, sales rose 22.3%.

In response to expected rapid growth in the Chinese market and the roll out of Toyota's Global Vehicle-and-Parts Supply Network (IMV Project) in ASEAN countries in the summer of 2004, we continued to build a more robust supply network, centered in Thailand.

In China, three key steps were taken. At Guangzhou DENSO Co., Ltd., the production of car air conditioners and other components got underway, while in Shanghai, we established a joint venture to manufacture diesel injection pumps. This latter move was taken in anticipation of stricter exhaust gas emissions regulations in the country, and consequently, higher demand for common rail diesel injection systems. Third, we enhanced our supply network in the northern part of China, centered on Tianjin, primarily in anticipation of higher vehicle output in

the region as a manufacturing joint venture between Toyota and the China FAW Group ramps up production and expands its model range. Specifically, we set up a joint venture in October 2003 to produce car air conditioners, and began expansion work that will enable Tianjin DENSO Electronics Co., Ltd. to supply instrument clusters and engine electronic control units (ECUs). Work is scheduled to be completed in August 2004.

In Thailand, complete knock down production of common rail diesel injection systems began at Siam DENSO Manufacturing Co., Ltd. Preparations are now underway for the start of full-scale production in July 2004.

In addition, small motor manufacturing output was boosted at two factories in Asia. In South Korea, DENSO PS Corporation finished constructing a factory to produce small motors for wiper systems, power windows and other products, and in Indonesia, work began on expanding production facilities at P.T. ASMO Indonesia. Completion is scheduled for December 2004. Finally, in Vietnam, DENSO Manufacturing Vietnam Co., Ltd. became fully operational. The production of powertrain components such as tumble generator valve (TGV) actuators, air flow meters and EGR valves began, all for export to other ASEAN countries.



DENSO Manufacturing Czech s.r.o.



Opening ceremony for a new wing at the DENSO Automotive Deutschland GmbH car air conditioner testing facility.



Tianjin DENSO Electronics Co., Ltd.