



Koichi Fukaya
President and CEO

We approach development of technology and products by monitoring the needs of our customers and the automotive society.

Achievement of Record Results

Our results for the year ended March 31, 2005 (fiscal 2005) include new records for net sales, operating income and net income. Our net sales increased by 9.3 percent to ¥2,799.9 billion, our operating income by 13.4 percent to ¥213.8 billion, and our net income by 20.5 percent to ¥132.6 billion. This growth reflects strong production activity by Japanese automakers both in Japan and overseas.

A regional analysis of our results shows some variation. In Japan, we achieved growth in both sales and income. Apart from increased automobile production, our performance also benefited from strong demand for intelligent transport system (ITS) products, such as electronic toll collection (ETC) systems and car navigation systems. In the Americas, we saw growth in sales, especially to Japanese automakers, but also exchange losses from foreign currencies, rising costs from starting operations at a new plant and the changeover of products, which resulted in lower income. In Europe, in spite of increased process rationalization, there was also additional spending, including outlays for capacity expansion for the supply of diesel common rail systems (CRS) and car air conditioners. This was reflected in a negative income result, despite higher sales. In Asia and Oceania, we achieved substantial growth in both sales and income, thanks to the start of full-scale production of Toyota IMVs (Innovative International Multi-purpose Vehicles).

Progress under the Medium-term Management Plan

The next fiscal year will be the final year of our current medium-term management plan, which we announced in April 2003. We achieved the net sales target of ¥2.5 trillion in fiscal 2004, and our excellent business performance in the current year allowed us to reach our ROE target of 8 percent one year ahead of schedule. Another target was to achieve top shares of the world markets in 23 automotive product categories. The total already stands at 20, and we are working hard to expand sales in an effort to achieve our targets.

Outlook for the Next Fiscal Year

Despite uncertainty over the impact of exchange rate trends and rising raw material costs, we again expect to achieve record income in fiscal 2006, thanks to firm trends in automobile production in Japan and overseas. We predict that sales will increase by 5.4 percent to ¥2,950 billion, operating income by 8.9 percent to ¥233 billion, and net income by 1 percent to ¥134 billion.

DENSO VISION 2015

Our strong growth over the past few years is attributable to two important qualities. One is our ability to develop the technology needed by the automotive industry, based on decades of experience and effort. The other is our ability to apply that technology to the creation of high-quality products that anticipate market needs. We do not simply supply parts in response to orders from automakers. Instead, we approach development of technology and products by monitoring the needs of our customers and the automotive society, and determine on that basis the needed technologies, and the most attractive products. The proposal of new technologies is part of our role under the long-term partnerships that we build with our customers.

This development philosophy is an outgrowth of the DENSO Vision for the medium- to long-term future that guides the day-to-day activities of every DENSO employee. New-product development, in particular, is influenced by the future direction encapsulated in the Vision. With the close of the previous Vision in March 2006, we formulated DENSO

“Contribution toward an advanced automotive society” and “Evolution into a truly global corporation.”

Vision 2015 to guide our future course over the next 10 years. It emphasizes two key goals: “Contribution toward an advanced automotive society” and “Evolution into a truly global corporation.”

We aim to contribute to the creation of such a society through product development, based on a comprehensive understanding of needs, and thereby realize harmony among human beings, automobiles and the global environment. At the same time, we aim to achieve steady improvement in our own corporate value through sustained growth at the global level.

Applying Our Vision to Technology and Product Development

Our basic development activities under DENSO Vision 2015 are broadly divided into four priority areas: “Environment, Safety, Comfort and Convenience.” A key environmental technology is CRS, which further improves diesel’s fuel efficiency while reducing harmful substances in the exhaust gas. With 1,800-bar pressure and up to five-time multiple injections during each combustion stroke, DENSO’s CRS is among the most advanced in the world. Demand is expanding, especially in Europe, Asia and Oceania. We are currently preparing an even cleaner CRS. This new technology will further strengthen DENSO’s presence in Europe and other markets.

We have developed and commercialized a wide range of products for the increasingly numerous and popular hybrid electric vehicles (HEVs), including the world’s first electric motor-driven car air-conditioning system, battery electronic control units (ECUs), DC-DC converters and inverters. We are determined to keep pace with the growth of demand for increasingly sophisticated HEVs through continued innovative product support.

In developing and commercializing safety-related products we begin with research into the future of the automotive society from the viewpoint of end users. Some of our most recent collaborations in the field of active safety include an adaptive cruise control (ACC) system, a pre-crash safety system and a lane-keeping assist system. These systems incorporate various DENSO’s sensors to detect events outside the vehicle and ECUs to calculate information detected from the sensors. Our ambition is to enable the achievement of an accident-free world through dramatic improvements in the precision of the environmental recognition and judgment technologies used in vehicle control systems.

Many of our new products enhance the convenience and comfort of motoring. In the emerging area of ITS products, there has been substantial demand growth for ETC systems and car navigation systems. In fiscal 2004 and 2005, we have led in market share for ETC on-board equipment supplied in Japan. We have also maintained the largest share

The DENSO Philosophy

Mission
Contributing to a better world by creating value together with a vision for the future.

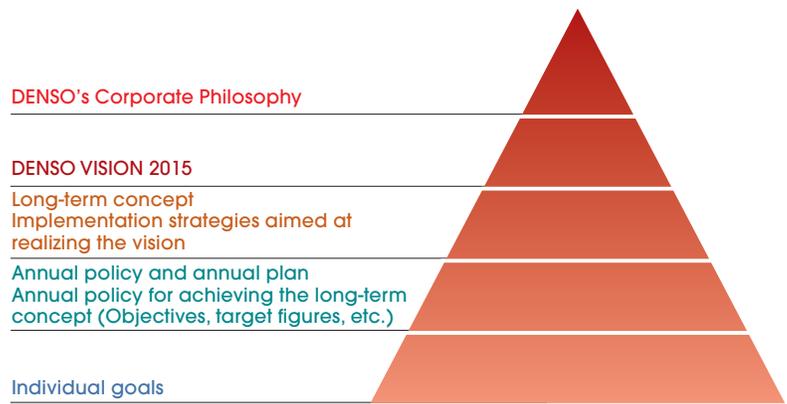
Management Principles

- 1) Customer satisfaction through high quality products and services.
- 2) Global growth through anticipation of change.
- 3) Environmental preservation and harmony with society.
- 4) Corporate vitality and respect for individuality.

Individual Spirit

- 1) To be creative in thought and steady in action.
- 2) To be cooperative and pioneering.
- 3) To be trustworthy by improving ourselves.

OVERVIEW OF OUR MISSION, VISION AND PLAN



of the world market for car navigation systems in both of those years, and demand forecasts point to continuing growth in Japan, Europe and North America. We expect this trend to contribute to the growth of our business activities.



We must be able to discover excellent management methods and actively use overseas ideas throughout our business operations.

Evolving into a Truly Global Corporation—Three Challenges

The other key theme of our vision was DENSO’s evolution into a truly global corporation. We have identified three challenges for our efforts toward this goal. First, we must create products that will delight customers throughout the world, and we must work through those products to become an enterprise that people will view with trust and anticipation. There are places in the world with climates that are radically different from Japan’s. We aim to meet the needs of customers who live in those regions too, by contributing to the creation of vehicles suited to the enhanced automotive society that can cope with all environments, from deserts to arctic conditions.

Our second challenge is to become a corporation capable of operating seamlessly around the world. We already have many overseas business operations, and we must ensure that each has a solid business structure and makes a genuinely essential contribution to local communities in the long-term perspective, based on social, economic and cultural factors.

This will depend on our ability to meet the third challenge, which is to become a corporation that can evolve continuously based on the global wisdom from the DENSO Group. At present, technology and wisdom flows outward from business and research facilities close to the DENSO parent company. We aim to promote large numbers of

DENSO VISION 2015 Beyond All Expectations

Achieving Our Goals

To bring
“yasashisa”
(consideration)
and “ureshisa”
(fulfillment)
to the people
of the world.

Three Policies

Technological Development

Leading by offering new value

Concentrate development activities on anticipating the needs of end users by focusing on the environment, safety, comfort and convenience to enable an endless supply of innovative products that promote a more advanced automotive society. In tandem with these efforts, boldly explore possibilities in new businesses to broaden the business scope and encourage dynamic new thinking.

Growth of Business Operations

Growing business operations that are rooted in the ways of the region to instill deeper confidence

Encourage craftsmanship that addresses the needs of specific markets to ensure that people, wherever they live, can experience the pleasure of DENSO’s products. As business operations grow, ensure that DENSO’s methods are shared, encourage the unique features that local regions have to offer, and gain the competitive edge by constantly evolving.

Management and Human Resources

Creating an evolving corporation based on global wisdom

Encourage management to benefit from the high level of synergy that is available through a framework of collaborative autonomy. Value the abundance of skills held by employees and reinforce a team-based creative power that is generated through an amalgamation of individual ideas.

Focal Points

- 1 Product development oriented toward an automotive society
- 2 New business development oriented toward fostering new ideas and businesses
- 1 Craftsmanship that instills confidence throughout the world
- 2 Business operations that incorporate local features and are in harmony with the region
- 1 Corporate framework that offers both autonomy and synergy
- 2 Developing people to carry on the challenge of innovation and creation

people into the parent company from overseas, so that it can gain powerful ideas through exchanges of views, while at the same time attracting premium talent to its overseas business operations. We must adopt excellent management methods and actively use overseas ideas throughout our business operations. When we achieve all of these things, DENSO will be a truly global corporation.

Global Competition

In addition to these initiatives based on our 2015 Vision, we are also strengthening our ability to overcome international price competition by implementing aggressive rationalization measures. In addition to in-depth efforts to reduce costs and improve production efficiency, we are also using creative rationalization to minimize our costs. For example, we propose and supply products that can be used for multiple types of vehicles. We are developing compact, modularized next-generation products that combine enhanced performance with reduced weight. This emphasis on compact design also extends to our production lines.

Another example of rationalization lies in our efforts to strengthen our supply systems in the ASEAN (Association of Southeast Asian Nations) region in step with Toyota's IMV project, which began in August 2004. We expanded the capacity of our production facilities and centralized production of each product with a single production company to reduce costs and maintain high quality—creating a supply network that can serve IMV vehicle production throughout the world. The main focus of our activities for the IMV project is Thailand, where we have established a parts processing center, export center and skill training center. By centralizing and strengthening our functions in the ASEAN region, we aim to establish manufacturing capabilities comparable to those in Japan, and to create a model for our development of plants in other parts of the world.

Beyond All Expectations

A core theme running throughout DENSO Vision 2015 addresses the importance of business harmonization with the world. In accordance with the ideals of Vision 2015, we aim to base our management approach, as a supplier with a comprehensive knowledge of vehicle structures, on the "automotive society" comprising automobiles, human beings and the earth. DENSO's views on Corporate Social Responsibility (CSR) are embodied in this management policy.

As part of our commitment in this area, we established the CSR Promotion Center in January 2005. We are also expanding our group-wide environmental and social contribution activities and strengthening systems in such areas as disclosure, compliance and respect for employees' rights. Our aim is to be valued and respected by society as a corporation that lives up to trust placed in it by shareholders, customers, suppliers and business partners, as well as by employees and communities.

We want DENSO to evolve into a corporation that exceeds the expectations of all stakeholders, including the expectation of sustainable business development, to be a model for organizations in many fields.



We want DENSO to evolve into a corporation that exceeds the expectations of all stakeholders.

A handwritten signature in black ink that reads "Koichi Fukaya". The signature is written in a cursive, flowing style.

Koichi Fukaya
President and CEO